

Flash Comment

Poland: Recovery continues

- Polish GDP grew 3.5% y/y in Q2 10 – better than consensus (3.2% y/y) and our expectation (3.3% y/y).
- Following the Q2 number, we now expect GDP growth in the range of 3.0-3.5% y/y in 2010.
- Although the Q2 GDP number was stronger than expected, we do not expect any rate hikes this year from the Polish central bank.

Assessment and outlook

As in a number of other European countries, GDP grew relatively strongly in Q2. Polish GDP grew by 3.5% y/y – stronger than our forecast of 3.3% y/y and the consensus expectation of 3.2% y/y and up from 3.0% y/y in Q1. The number confirms that the recovery in the Polish economy continued in Q2. That said, recent newsflow on the global economy has been somewhat worrying and that could point to some moderation in Polish GDP growth going forward, but for now it seems as if the Polish economy continues to be on track to soon be growing in line with trend growth around 4%. Following the Q2 GDP number, we now expect growth for 2010 of 3.0-3.5% compared with our previous forecast of 3.0% y/y. We will publish our new Polish macro forecasts later this week.

The recovery in the Polish economy continues to be mainly driven by relatively buoyant private consumption, while investment growth continues to weigh on GDP growth. Further, as import growth continues to outpace export growth, net exports also contribute negatively to overall GDP growth.

Polish private consumption grew by 3.0% y/y in Q2 vs 2.2% y/y in Q1. Hence, the Polish consumer continues to hold up quite well and as unemployment more or less seems to have peaked and wage growth hence looks set to accelerate, we would expect the positive development in private consumption to continue in H2 10 and 2011. The biggest risk to private consumption seems to be the announced hike of VAT by one percentage point and possibly other measures to tighten fiscal policy. This however seems to be more a risk on private consumption in 2011-12 than in 2010. The weakest link in the Polish economy continues to be investments which continue perform relatively badly. Hence, gross fixed capital formation dropped 1.7% y/y in Q2. That said, the Q2 investment numbers were markedly better than the drop of 12.4% y/y in Q1. Furthermore, judging from business sentiment data and the development in industrial production, we would expect investment growth to return to positive numbers in year-on-year terms in Q3.

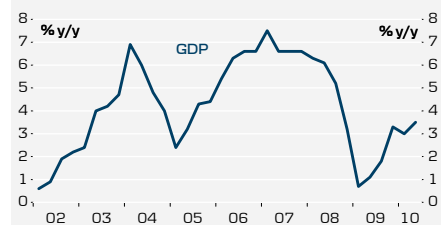
Today's number confirms that the recovery in the Polish economy continued in Q2 and even though some concerns exist about the global economy, we are fairly confident that Polish GDP growth should return to around 4% (which we consider to be Polish trend growth) in Q4 10 or early 2011. Even though today's number does not change a lot in terms of the overall outlook for the Polish economy, it nonetheless confirms a fairly robust recovery in the Polish economy which should give a bit of 'help' to the hawks on the Polish central bank's Monetary Polish Council. That said, we do not expect rate hikes in Poland in 2010.

Key figure (Q2 GDP in Poland)

	Act	DB	Con	Last
GDP	3.5%	3.3%	3.2%	3.0%

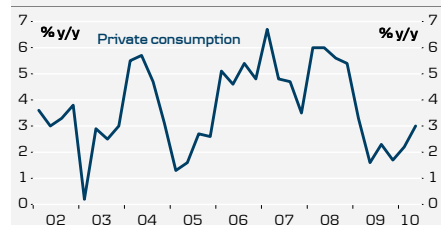
Source: Reuters

Recovery continues



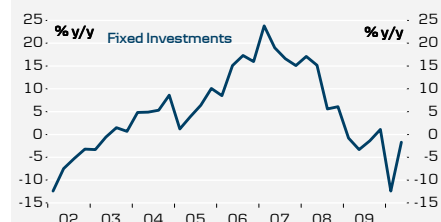
Source: Reuters Ecowin

Consumption remains robust



Source: Reuters Ecowin

Investments are the weakest link



Source: Reuters Ecowin

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Disclosure

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