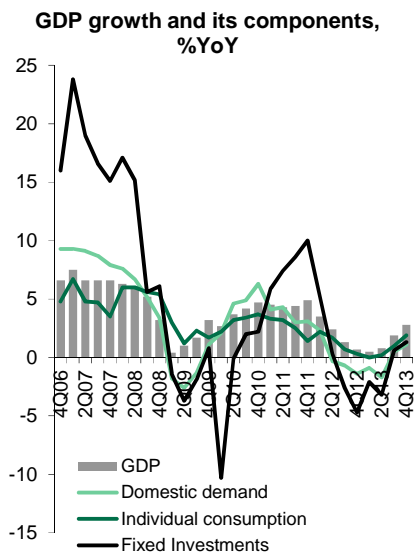


INSTANT COMMENT

30 January 2014

Economic recovery in Poland gaining speed

After some weaker than expected data from late 2013 (December's output, retail sales), flash estimate of 2013 GDP growth was a positive surprise. Polish economy expanded by 1.6%YoY in 2013, which this implies growth of ca. 2.8%YoY in the final quarter of the year. Domestic demand growth has been accelerating, including private consumption and investments (2.0%YoY and 1.3%YoY in Q4, respectively). At the same time, export is performing quite well and given recent information about strong activity in Germany and depreciation of the zloty, this shall not change anytime soon. Today's data increase optimism regarding pace of GDP growth this year – our revised forecasts will be presented in our February's monthly report. Higher than expected GDP growth, including domestic demand, and weaker zloty may lead to some adjustment of market expectations regarding interest rate hikes (FRA has already started to price-in first rate hike in the next 9 months).



According to preliminary CSO estimation, GDP growth amounted to 1.6% in 2013 vs 1.9% in 2012. Released figure was slightly better than expected – market consensus and our forecast were at 1.5%. Although, the difference for the entire year does not seem to be impressive, in our view this implies a quite substantial positive surprise as regards the economic growth in Q4-2013. Assuming no revisions in GDP data for the first three quarters of the year, we estimate that in Q4-2013 the Polish GDP expanded by ca. 2.8%YoY (after weaker than expected industrial output and retail sales data we expected 2.5%YoY, vs Bloomberg's market consensus at 2.3%).

What is important, not only the pace, but also the breakdown of growth was a positive surprise. The data are showing stronger-than-expected recovery of main components of domestic demand. Individual consumption advanced by 0.8% in 2013, which, according to our estimates, means that it expanded by almost 2%YoY in Q4 (two quarters earlier this sector was in prolonged stagnation). Fixed investment declined by 0.4%YoY in entire year, and this means they rose by ca. 1.3%YoY in Q4 alone. At the same, net exports were contributing strongly to the growth – this factor added 1.8pp in 2013 and 1.7pp in Q4.

Pace of a rebound of Polish economy from the through is thus faster than anticipated. At the same time – just like we expected – the recovery has broader and more solid fundamentals as the role of domestic demand is rising. We expect these tendencies to continue in coming quarters pushing the pace of GDP growth clearly above 3% this year.

GDP growth and its components (%YoY)

	2011	2012	2013	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
GDP	4.5	1.9	1.6	1.3	0.7	0.5	0.8	1.9	2.8**
Domestic demand	3.6	-0.1	-0.2	-0.7	-1.4	-0.9	-1.7	0.5	1.1**
Total consumption	1.6	1.0	1.1	0.8	0.4	0.0	1.1	1.2	2.0**
Individual consumption	2.6	1.2	0.8	0.7	0.3	0.0	0.2	1.0	1.9**
Public consumption	-1.7	0.2	2.0**	1.2	0.6	-0.1	4.3	1.7	2.0**
Gross accumulation	11.2	-4.2	-5.0	-6.5	-5.5	-5.9	-13.6	-2.4	-1.1**
Gross fixed investment	8.5	-1.7	-0.4	-2.6	-4.7	-2.1	-3.2	0.6	1.3**
Net exports*	0.9	2.0	1.8**	2.0	2.0	1.3	2.5	1.4	1.7**

* contribution to GDP growth (in pct. points)

** BZ WBK estimates

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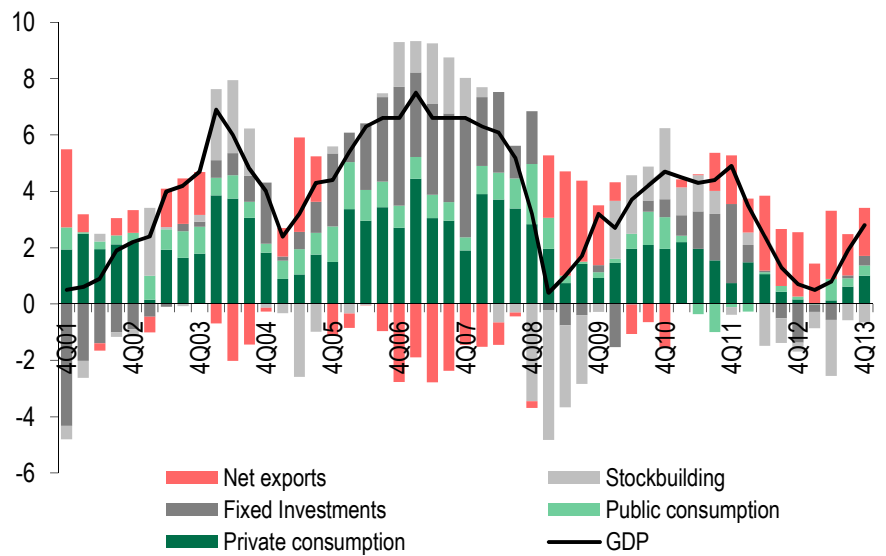
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Breakdown of GDP growth (%YoY)



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