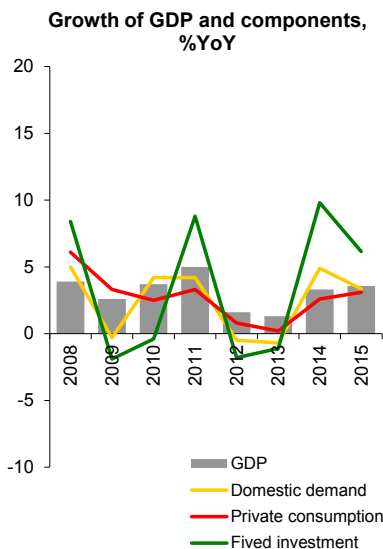


INSTANT COMMENT

26 January 2016

Solid economic growth at the end of the year

Poland's GDP growth reached 3.6% in 2015, according to flash estimate. The growth was fuelled by healthy private consumption, investments, and exports. According to our estimate, the GDP growth has accelerated to c.3.8%YoY in the final quarter of the year (or even slightly more). Private consumption growth remained stable, slightly above 3%YoY, while fixed investment growth even accelerated moderately, to c.5%YoY in the fourth quarter (6.1% on average in 2015). Export growth has probably also remained robust in the final quarter, although we do not have detailed data yet. We still think that economic growth in Poland should remain stable in 2016, near 3.5%, still fuelled by three main engines: consumption, investment and exports. While we see an upward risk for the private consumption (which may be boosted not only by healthy labour income but also new child benefits), there is a downward risk for investment growth and/or external demand, due to uncertain global growth outlook and higher political risk.



GDP growth probably accelerated in 4Q15

According to the stats office flash estimates, the GDP growth rate in 2015 was at 3.6% vs. 3.3% in 2014 (in line with our forecasts). This data imply, that GDP growth accelerated in 4Q15 to ca. 3.8% YoY (although the potential estimation error is quite large, and it could be easily 4%YoY as well). The revival in economic activity was suggested by, a.o., optimistic publications of December macro data (production, retail sales, employment).

Private consumption grew 3.1% YoY in whole 2015 and the pace of growth was probably close to this level in 4Q15. Investment rose 6.1% YoY last year implying slight acceleration to 5% in the final quarter of 2015. Total domestic demand rose 3.4% YoY in 2015 suggesting an acceleration to above 4% in 4Q. Today's numbers are not enough to estimate the exports and imports paces of growth, but the next exports contributed +0.3pp to the annual figure. This implies negative 0.4pp contribution in the 4Q. This might have been probably due to larger revival of imports than exports, in constant prices (although plummeting fuel prices were lowering import growth in current prices).

All in all, this data do not change our general assessment of the outlook for the Polish economy. We find it quite likely that the pace of the GDP growth stabilizes around 3.5% in 2016. The three main drivers for the growth (consumption, investments, exports) will still run at a high speed, although the structure may change – we see upside potential for consumption demand (thanks to, among others, subsidies for families with children) and downside risk for investments and exports (weaker outlook for the global economy and political uncertainty may cool economic sentiment).

GDP growth and its components (%YoY)

	2013	2014	2015	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
GDP	1.3	3.3	3.6	3.4	3.3	3.3	3.7	3.3	3.5	3.8**
Domestic demand	-0.7	4.9	3.4	5.6	5.6	4.6	2.9	3.1	3.2	4.2**
Total consumption	0.7	3.1	3.2	3.6	2.9	4.0	3.2	2.9	2.9	3.6**
Private consumption	0.2	2.6	3.1	3.0	2.4	2.8	3.1	3.1	3.1	3.1**
Public consumption	2.2	4.9	3.5**	6.2	5.3	7.4	3.7	2.5	2.7	5.0**
Gross accumulation	-5.8	12.6	4.2	15.1	18.0	6.3	1.1	4.0	4.0	5.6**
Fixed investment	-1.1	9.8	6.1	9.3	9.5	9.5	11.5	6.1	4.6	5.0**
Net export *	2.0	-1.5	0.3	-2.1	-2.2	-1.2	0.9	0.2	0.4	-0.4**

* contribution to GDP growth (percentage points); ** our estimates

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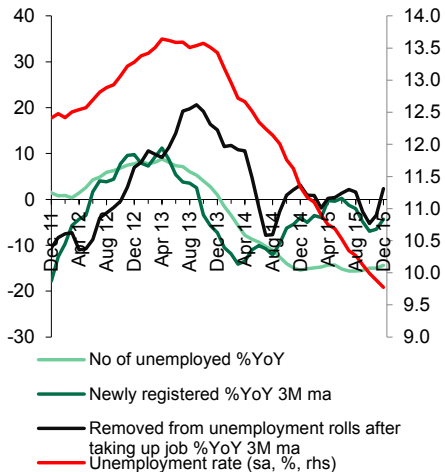
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Labour market trends



Companies' demand for labour is not weakening

Registered unemployment rate reached 9.8% in December, in line with expectations. 2015 has closed with the lowest unemployment since 2008 and we are expecting its further declines, which however can be slowing down due to drying up supply of workers. Detailed data show a still high number of people removed from unemployment rolls due to taking up a job – 119.9k in December versus 108.1k one year earlier (the highest number since comparable data are available). Even though the scale of Labour Ministry intervention was stronger in December 2015, also statistics on non-subsidised jobs were better than one year ago – 94.8k versus 88.0k in December 2014. This shows that the companies' demand for labour is not weakening.

Detailed data from the enterprise sector showed that a slowdown of wage growth in December from 4.0%YoY to 3.1%YoY largely stemmed from lower salaries in the mining sector. Probably it might be connected with a delay in payment of the 14th salary in Kompania Węglowa.

Business climate indices down

In January, the business climate indicator for industry fell to 3.5pts from 5.3pts in December. Apart from employment, all other subindices decreased, especially these regarding production and orders portfolio. As of now, we don't see any cause for concern and the fall might be only temporary. However, the trends in the coming months will be key. Construction index went down as well, while it rose for trade.

