

INSTANT COMMENT

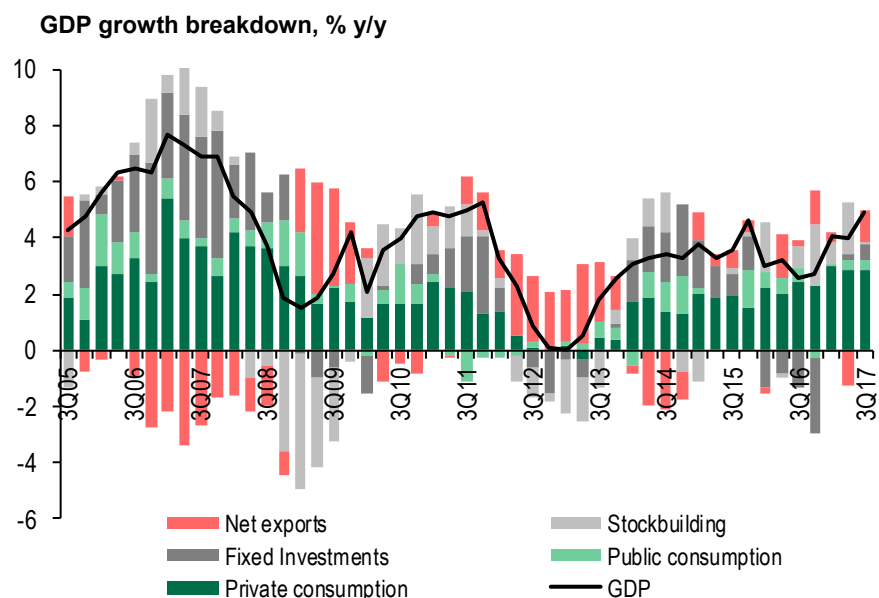
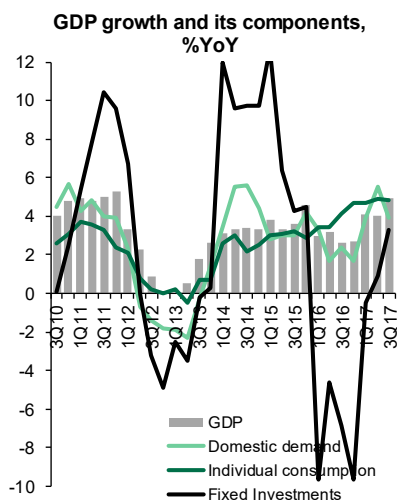
30 November 2017

GDP growth near 5%!

GDP growth in 3Q17 reached 4.9% y/y, above the flash estimate released two weeks ago (4.7%). The private consumption remained the main engine of expansion, rising 4.8% y/y, and the net exports surprised positively, adding 1.1pp to GDP growth. Meanwhile, fixed investments picked up only slightly (3.3% y/y), showing that the long-awaited recovery in this area is materializing at slower pace than expected. We estimated earlier that higher local governments' investment spending added c.3pp to total investments in 3Q17, which implies that in other sectors there was still a complete stagnation in this area. The persisting weakness in investments and the capacity constraints reported in construction sector seem to signal, in our view, that the investment recovery in the coming quarters may be weaker than we had anticipated. However, the good news is that the extremely supportive external environment (recovery in the euro zone) should boost Polish exports, while consumption growth should remain strong as well. As a result, we expect that GDP growth in Poland should remain decent in the coming quarters. 4Q17 could be well above 4% as well.

GDP had a well-balanced supply-side structure in 3Q. Industry, construction, trade and transport had similar contributions. The contribution from the building sector is what changed the most vs 2Q (from 0.6pp to 1.3pp) as far as y/y GDP growth is concerned. Industry was doing OK, but by historical standards it was just a moderate result, while transport and trade (again) added relatively much. Taxes less subsidies category continued to deliver 0.7pp input to GDP growth, and the strong positive contribution should be maintained in Q4.

From the central bank's point of view, strong GDP print is not necessarily a factor that may change the balance of votes for a rate hike due to persisting investment weakness.



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GDP growth and its components (% y/y)

	2014	2015	2016	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
GDP	3.3	3.8	2.9	4.6	3.0	3.2	2.6	2.7	4.1	4.0	4.9
Domestic demand	4.7	3.3	2.2	4.2	3.3	1.7	2.4	1.7	3.9	5.5	3.9
Total consumption	2.8	2.8	3.4	4.0	3.4	3.3	3.8	3.0	3.7	4.2	4.1
Private consumption	2.6	3.0	3.9	2.9	3.4	3.4	4.1	4.7	4.7	4.9	4.8
Public consumption	4.1	2.4	1.7	7.2	3.5	3.1	2.8	-1.4	0.5	2.1	1.9
Gross accumulation	12.8	4.9	-1.9	4.8	3.1	-5.1	-2.8	-1.6	5.1	11.6	3.3
Fixed investment	10.0	6.1	-7.9	4.5	-9.7	-4.6	-6.9	-9.7	-0.5	0.9	3.3
Net export *	-1.4	0.6	0.7	0.4	-0.3	1.6	0.2	1.1	0.4	-1.3	1.1

* contribution to GDP growth (percentage points);

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