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Economic Comment

The economy hit a bump

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GDP growth slowed down to 2.7% y/y in the third quarter, vs. our forecast of 2.8% y/y and 3.2% y/y growth in the second quarter. Seasonally-adjusted GDP decreased by 0.2% q/q. Unlike in the previous quarter, Poland was no longer the only economy in the CEE region that resisted the economic slowdown resulting from stagnation in the Eurozone. The data is not good enough to be calm about the condition of the domestic economy, but also not bad enough to conclude that the economic scenario has worsened dramatically. We continue to lean towards a hypothesis that the weaker result of the third quarter is a temporary disruption of the upward trend rather than a signal of a permanent weakness. High-frequency data for the coming months will be crucial for verifying this hypothesis.

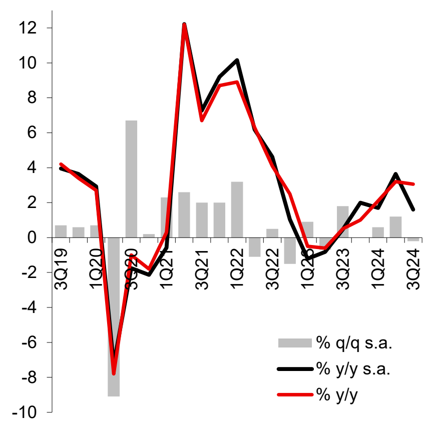
Flash estimate of Polish GDP showed a slowdown in economic growth in 3Q24 to 2.7% y/y from 3.2% y/y in 2Q. Our forecast indicated 2.8% y/y, and the market consensus according to Bloomberg was 2.9% y/y. Seasonally adjusted GDP decreased by 0.2% q/q, compared to a 1.2% q/q increase in 2Q (this result was revised down from 1.4% q/q). This is the first quarterly decline in seasonally adjusted GDP since 2Q23.

The preliminary publication does not reveal the structure of GDP (this will be known in two weeks), but in our opinion, the main source of the slowdown was weaker private consumption growth (which could be close to 2.5% y/y vs. 4.6% y/y in 2Q), with a slight slowdown in investments also possible (to close to 3% y/y or slightly below).

The scale of disappointment with the 3Q result is not large. Nevertheless, while in 2Q of this year the Polish economy was the only one in the CEE region that managed to avoid a slowdown and a negative surprise in the GDP data, which indicated relative resistance to Germany's economic weakness, the results of the third quarter break out of this pattern. In the CEE region, only Hungary recorded a decline in seasonally adjusted GDP in 3Q (on a much larger scale). The data is not good enough to be calm about the condition of the domestic economy, but also not bad enough to conclude that the economic scenario has worsened dramatically.

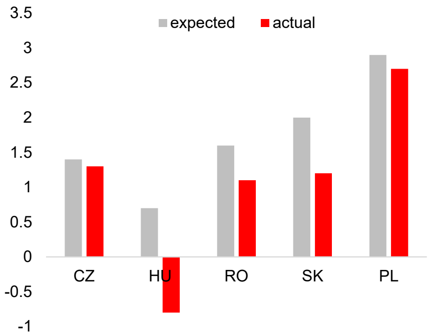
The key question at the moment is whether the GDP result for 3Q24 signals a more permanent weakening of economic growth in Poland, or whether it is just a temporary disruption of the upward trend. We are still leaning towards the latter hypothesis, but we will need more data to confirm it. We will be closely watching the high-frequency statistics on economic activity in 4Q, which in our opinion should indicate an improvement in GDP growth at the end of the year. If this is indeed the case and GDP growth returns slightly above 3% y/y in the coming quarters, then in our opinion the central bank will not have enough reasons to start easing monetary policy earlier than in 2Q25.

Polish GDP growth



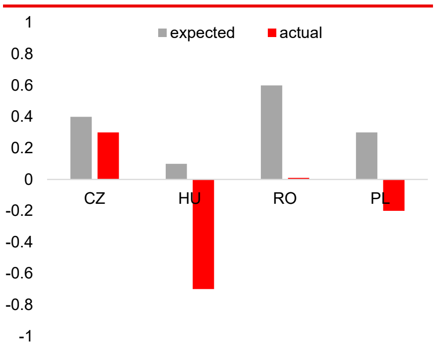
Source: GUS, Santander

Preliminary 3Q GDP growth, %y/y



Source: Bloomberg, Santander

Preliminary 3Q GDP growth, %q/q, sa



Source: Bloomberg, Santander

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