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FOCUS NOTES: POLAND

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## Polish Q3 GDP growth accelerated to 4.2% yoy up from 3.5% yoy in Q2, exceeding estimates of 3.6% yoy

- Poland's GDP growth in Q3-10 accelerated to 4.2% yoy (**1.3% qoq**) up from 3.5% yoy (1.2% qoq) recorded in Q2-10. This is the fastest pace in two years, since Q3-08. Private investments joined consumption as a driver to Polish economic growth. **Private consumption jumped to 3.5% yoy** from 3.0% yoy rise in the second quarter. **Fixed investment increased by 0.4% yoy** after 1.7% yoy fall in the previous quarter and 12.8% yoy drop recorded in Q1-10. What's more, **net exports contribution to growth is zero** compared to negative contribution in the previous quarter.

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- After a sharp drop in the first quarter of 2010, investment rebounded, strongly supported by a **sizeable inflow of EU funds** and improved rate of its absorption (**up to €67bn over the period 2007-2013** of which around €10bn going for road construction). Rebounding external demand fuelled the domestic manufacturing sector and strengthened the turnaround in the inventories cycle. Public sector investment will continue to be supported ahead of the 2012 European Football Championships. **Government consumption accelerated to 4.3% yoy in Q3-10** up from 2.2% yoy in Q2-10.
- Today's release of stronger than expected Q3 GDP growth is **likely to strengthen calls for interest rates hikes in the near term** and hence to harden the position of the hawks on the Monetary Policy Council (MPC) of the National bank of Poland. But other MPC members are understandably wary of attracting potentially destabilising capital inflows and pushing up the zloty and consequently harming Polish exports.

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