

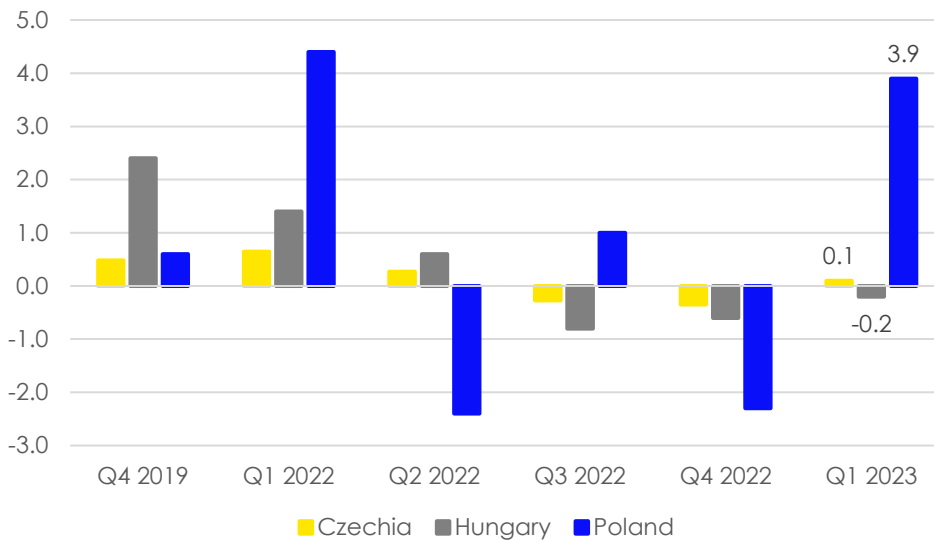
CE Watch: Q1 GDP exceeds expectations

Today's Q1 GDP releases showed that while the recession in Hungary continued at the start of 2023, it was less pronounced than expected. Meanwhile, in Poland, the result surprised even more to the upside showing a technical recession has been avoided after all.



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End of recession in Czechia, milder one in Hungary and no recession in Poland



data in %, qoq

Source: Refinitiv, RBI/Raiffeisen Research

Hungary: Better than expected but still in recession

Hungary's preliminary Q1 GDP showed a 0.2% quarterly contraction, which is milder than what the market (0.6-0.7%) and we expected (0.3%), so for us, it does not change the overall picture. With Q1, the technical recession stretched to three quarters as GDP started to contract in H2 2022. To put the current data in a mixed light, last year's Q3 data was revised down from -0.7% to -0.8% and Q4 from -0.4% to -0.6%. Adjusted for seasonal and calendar effects, annual GDP was -1.1% and unadjusted -0.9%, as was the consensus forecast. Without giving details, the statistical office said that the decline was mainly due to weak output in the industry, which was not offset by a good performance in services and agriculture. The disappointing industrial performance is not a surprise, but services were more resilient than expected, implying that the contraction in real disposable income did not hit as hard. Looking ahead, the key question is whether services and foreign trade can resist weak domestic and external demand. Our base case is that it most likely will, although we still maintain our full-year GDP expectation of 0% this year.

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Poland: Recession avoided amid bumpy qoq GDP path

Despite the very weak monthly data published for Q1 in Poland, the GDP result released today showed a surprisingly high increase on a qoq basis by as much as 3.9% qoq. Due to that, and despite the high base from 2022 the yoy GDP dynamic was merely at -0.2%. The quarterly patterns show a bumpy path continues following declines in Q2 and Q4 last year while a technical recession in the form of two consecutive quarters of GDP decline has been again avoided.

The details of the reading are not known yet (release planned for May 31st) but it may be assumed the upside surprise did not come from a revival in consumer demand. Consumption has been in decline on an annual basis already in Q4'22 and it is unlikely the situation improved in Q1. With that in mind, other components might have surprised the upside: investment activity has already surprised throughout last year while net exports could have likely added significantly to growth, not to mention the highly uncertain stock contribution (which should recede after constantly adding to yoy GDP results in 2022). All in all the data was much higher than we expected which will boost also full 2023 result and adds upside risks to our 0.5% yoy forecast. Still, as we expect a muted recovery amid weak consumer demand and uncertain private investments we remain cautious for the next quarters. From a rates perspective today's data lower the probability of a rate cut this year supporting our call for such a move only in 2024.

Country €	2019	2020	2021	2022	2023f	2024f
CZ	3.0	-5.5	3.5	2.5	0.9	3.3
HU	4.6	-5.2	7.1	4.6	0.0	3.0
PL	4.4	-2.0	6.9	5.1	0.5	2.7

data in %, yoy

2023 and 2024: Raiffeisen Research forecast

Source: Refinitiv, RBI/Raiffeisen Research

Czechia: End of technical recession

The releases today conclude the first Q1 GDP results for the CE3 countries after earlier publication for Czechia showed the country is no longer in recession with a 0.1% qoq GDP increase in Q1. For details please see our note: [Czechia Watch: End of technical recession](#)

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Symbol	Date	Recommendation	Company
PL	02.05.2023	Under Revision	Poland

History of long term recommendations			
Symbol	Date	Recommendation	Company
PL	02.05.2023	Not rated	Poland

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	Column A	Column B
Investment recommendation	Basis: All recommendations for all financial instruments (last 12 months)	Basis: Recommendations for financial instruments of all issuers, for which special services were rendered in the last 12 months
Buy recommendations	60.2%	59.2%
Hold recommendations	24.1%	23.0%
Sell recommendations	15.8%	17.8%

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	Column A	Column B
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Sell recommendations	17.5%	18.8%

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