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Polish consumers undeterred by Middle East conflict

Strong consumer demand remained a key growth driver at the beginning of the year, cushioning the economy against weakness in industry and construction. As a result, GDP growth in 1Q26 was 3.8% YoY, which was better than expected. Poland's economy had a good start to 2026. We see upside risks to our cautious forecast of 3.4% growth

Shoppers in Warsaw, Poland

Robust retail sales in March

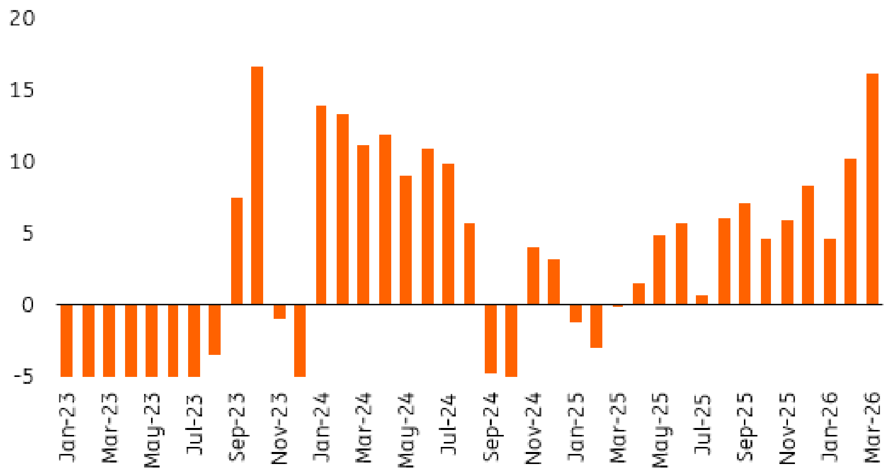
Retail sales rose by 8.7% year-on-year in March (ING and consensus: 5.2%), following a 5.0% YoY increase in February, marking the fastest annual growth rate since April 2022. Seasonally adjusted data point to a 3.3% month-on-month rise in sales. The implied retail sales deflator suggests that goods prices increased by 1.0% YoY, compared with -0.7% YoY in February.

Double-digit growth in fuel sales, despite spike in prices

Within the sales structure, a notable surprise was the strong growth in fuel sales (16.2% YoY), despite a sharp increase in petroleum prices. The implied deflator for this retail category indicates a 7.7% YoY rise in prices, following a 4.9% YoY decline in February. Despite the government's announcement at the end of March of protective measures – reducing excise duties on petrol and diesel, cutting VAT from 23% to 8%, and introducing daily administered price caps – drivers did not reduce their purchases, most likely fearing further price increases.

Surprisingly strong fuel sales given rising prices

Retail sales of fuels, %YoY (real)



Source: GUS.

Solid sales growth in other categories as well

The solid growth in food sales (4.3% YoY vs. 0.2% YoY a month earlier) can be attributed, among other factors, to the earlier date of Easter this year compared with last year, which boosted demand for food products at the end of March.

Despite a deterioration in consumer sentiment in March, demand for durable goods also remained resilient. Sales of cars, motorcycles and parts rose by 7.7% YoY, following a 2.7% YoY increase in February. A marked rebound in car sales had already been signalled by SAMAR Institute data on vehicle registrations (19.6% YoY increase in March versus 6.4% YoY in February). Double-digit growth was also recorded in textiles and footwear (13.6% YoY) and pharmaceuticals (10.1% YoY).

Strong start to 2026, with GDP growth only slightly below 4% YoY

March retail data confirm that consumption continues to be the main engine of the Polish economy, although the slowdown in the growth of real disposable incomes and uncertainty related to the conflict in the Middle East may somewhat dampen household spending later this year.

Retail sales of goods increased by around 6.0% YoY in 1Q26, even faster than in 4Q25 (5.6% YoY). In the first months of 2026, harsh weather conditions constrained economic activity in industry and construction. Industrial output rose by around 3% YoY in 1Q26, following a 3.9% YoY increase in 4Q25, while construction output fell by more than 8% YoY, compared with 3.0% YoY growth in Q4 2025.

Thanks to consumption, however, the scale of the GDP slowdown in the first quarter of this year was limited. We estimate that GDP growth slowed to around 3.8% YoY in 1Q26, from 4.1% YoY in 4Q25. For the full year, we forecast economic growth of 3.4%, although the chances of a stronger outcome are increasing.

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