Poland likely to see stronger, more broad-based growth in fourth quarter

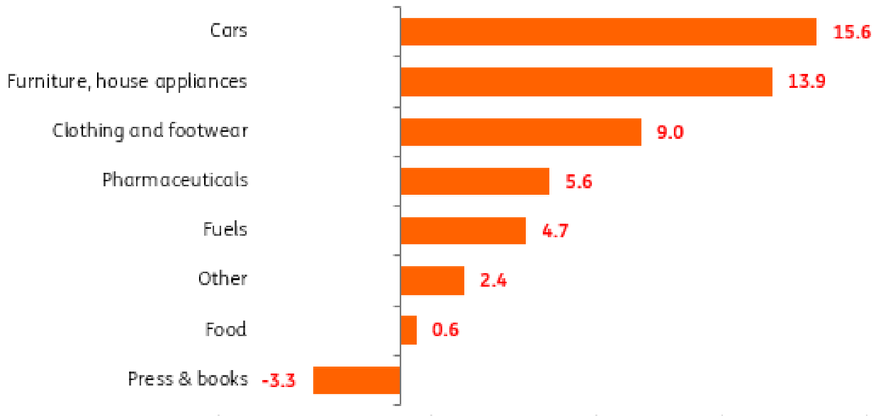
Combine rebounding investment with continued strength in private spending and you have a recipe for stronger economic growth. October's set of data suggests that GDP growth in the fourth quarter is likely to beat the 3.7% year-on-year rate posted in the third. At the same time, inflation is declining, which paves the way for another rate cut in December

Krakow, Poland

Following strong October industrial output (+3.2% YoY) and construction data (+4.1% YoY), which pointed to a rebound in investment activity, retail sales surprised to the upside (+5.4% YoY), beating our forecast and market expectations. Sales of durable goods, including motor vehicles, motorcycles and parts (+15.6% YoY), as well as electronics and household appliances (+13.9% YoY), were particularly robust in October.

Durable goods sales still solid in October

Retail sales (real), %YoY



Source: GUS

Figures from the retail sector indicate that private consumption remains strong and fixed investment is gaining momentum. This gives us confidence that annual GDP growth in 4Q25 is likely to exceed the 3.7% YoY reported in 3Q25. In 2025, we still see economic growth at 3.5%, meaning that Poland is likely to deliver on expectations regarding its economic performance once again.

Despite an environment of solid GDP growth, the inflationary outlook is not a source of concern. We estimate that in November, CPI inflation moderated to around 2.6% YoY, and the implied retail sales deflator points to stable prices of goods (0.1% YoY in October). Core inflation resumed its downward trend this month, wage growth has eased again, energy prices remain stable, and the implementation of the second phase of the European Emissions Trading Scheme is likely to be postponed beyond 2027. There are also no signs that expansionary fiscal policy is particularly pro-inflationary and the 2026 general government deficit is unlikely to exceed the 7% of GDP forecast that we expect this year. We believe there is still room for monetary policy easing and expect a 25bp rate cut next week (pushing the main policy rate down to 4.00%).

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