

Poland outshines CEE peers in GDP growth

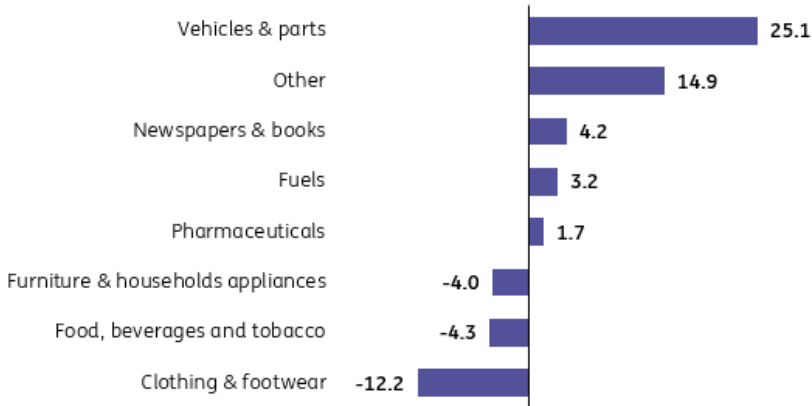
Data in December points to a continued economic recovery on the back of rising activity in consumption, while industry remained almost stagnant and construction was still in decline. In 4Q24, GDP growth was probably around 2.8% year-on-year. In 2024 as a whole, the Polish economy expanded by some 2.7% and growth was close to expectations unlike the negative surprises seen in the other CEE countries



December retail sales were slightly shy of market expectations (up by 1.9% YoY vs. an increase of 3.1% YoY in November) despite a solid increase in auto sales (+25.1% YoY). Consumers remained cautious during the winter holiday season. Spending on food and beverages fell by 4.3% YoY vs. a drop of 0.2% YoY in November. At the same time, the decline in construction output turned out to be shallower than expected, falling by 8.0% YoY. The consensus pointed to a double-digit decline. Civil engineering works improved markedly (+41% month-on-month), which points to a recovery in infrastructure investment as money from the Recovery and Resilience Facility and cohesions funds finally kicked in. Still, housing construction remains weak and oversupply is building.

Food and beverage sales down during winter holiday season

Retail sales of goods (real), %YoY

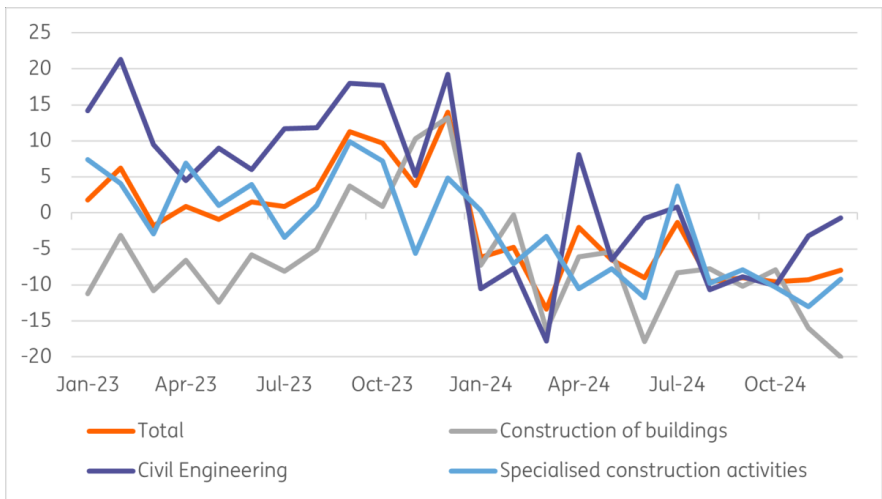


Source: GUS

The overall picture for 4Q24 is mixed as consumption growth remained moderate, but encouraging signs from construction allow us to maintain our view on the economic outlook for 2025. We expect a 3.2% increase in GDP as a continued expansion in consumption should be accompanied by a rebound in fixed investment. With external demand weak and the German economy struggling to recover, we foresee a negative contribution from net exports. Poland should still remain the growth leader in the CEE region.

Construction in decline but encouraging signs in civil engineering

Construction output, %YoY



Source: GUS

The overall picture for 4Q24 is one of consumption resuming growth after a weak 3Q24, accompanied by continued stagnation in manufacturing and a gradually easing recession in

construction. We estimate that GDP growth in 4Q24 was 2.8% YoY. On the expenditure side, the economy continued to be driven mainly by consumption (private and public) and restocking. The contribution of investment to GDP growth was close to zero, and the deterioration in the trade balance resulted in a negative contribution from net exports.

We expect the economy to grow by 3.2 % in 2025. Private consumption should grow at a similar pace as in 2024, but encouraging signs from construction allow us to maintain our view on the 2025 economic outlook. We expect a significant pick-up in investment activity, supported by the implementation of projects under the National Recovery Plan (NRP) and co-financed by cohesion funds. Our growth forecast for 2025 (GDP 3.2%) does not look impressive by historical standards, but a regional comparison shows that Poland will still stand out positively thanks to domestic demand. Few countries today have such an engine of growth.

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