

## The Polish economy is in its comfort zone

Buoyant economic growth and signs of recovering investment are paired with slowing wage dynamics, easing upside risks to the current disinflation trend. With CPI inflation approaching the National Bank of Poland's target, the central bank may continue with policy easing. We expect another 25bp rate cut in December



Poland's real economy appears to be in good shape

### Signs of reviving investment

Polish construction output rose 4.1% year-on-year in October, rebounding from September's near stagnation, when growth was just 0.2%. The strongest gains were seen in building construction and civil engineering. Particularly noteworthy was the 4.9% YoY increase in investment works (vs. 2.4% YoY in the previous month), suggesting that fixed investment activity might be gaining momentum.

Data from the industrial sector also suggests a revival in fixed investment. Industrial output increased by 3.2% YoY, despite a lack of any support from calendar effects or a low base (both boosted the September reading to 7.6% YoY). Remarkable growth was observed in the repair and installation of machinery and equipment (43% YoY), which also suggests rebounding investment activity. Production of investment goods grew by 9.2% YoY, which may reflect the improving availability of financing for defence and infrastructure.

We forecast that fixed investment growth improved to 4.5% YoY in the fourth quarter of 2025 from the 2.5% YoY estimated for the third quarter of the year.

## Wages growth surprised to the downside

The downward trend in wage growth continues, reducing potential upside risks to currently observed disinflation. Average wage growth in enterprises eased to a lower-than-expected 6.6% YoY in October (market consensus was at 7.3% YoY) from 7.5% YoY in September. If the downward trend in wage dynamics continues, this should ease pressure on core inflation and improve the overall outlook for headline inflation.

## Policymakers can cut rates again in December

The real economy appears to be in good shape and is not a concern for monetary policymakers, as growth is broadly aligned with the country's potential. At the same time, wage developments seem to be in a sweet spot. On the one hand, the downward trend is continuing, and wage growth is slowing, allowing for more confidence that CPI inflation should remain close to the central bank target over the medium term. On the other hand, real wage growth is robust enough to support private consumption, which is currently the main engine of economic growth. On top of that, we have signs that GDP growth is becoming more broad-based with the revival of fixed investment.

Macroeconomic data from industry, construction and the labour market strengthen the case for the National Bank of Poland to deliver another 25bp rate cut in December (our baseline scenario).

The release of the November flash CPI is the key macro data release ahead of the December Monetary Policy Council (MPC) meeting next week, but we expect the reading to be very close to the NBP's target of 2.5%.

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