

## Consumption underpinned Poland's fourth quarter GDP growth

Data on the composition of Poland's 4Q GDP confirmed that private consumption recovered towards the end of the year after weakness in 3Q. Investment activity remained subdued and exports underperformed amid poor external demand. An expected improvement in fixed investment should allow the Polish economy to expand by 3.2% in 2025



A shopping mall in Warsaw, Poland

Poland's GDP growth improved to 3.2% year-on-year in the fourth quarter from 2.7% in the same period a year ago amid a rebound in household consumption. Seasonally-adjusted data indicates that growth momentum accelerated to 1.3% quarter-on-quarter in the final quarter of 2024 from just 0.1% in 3Q24.

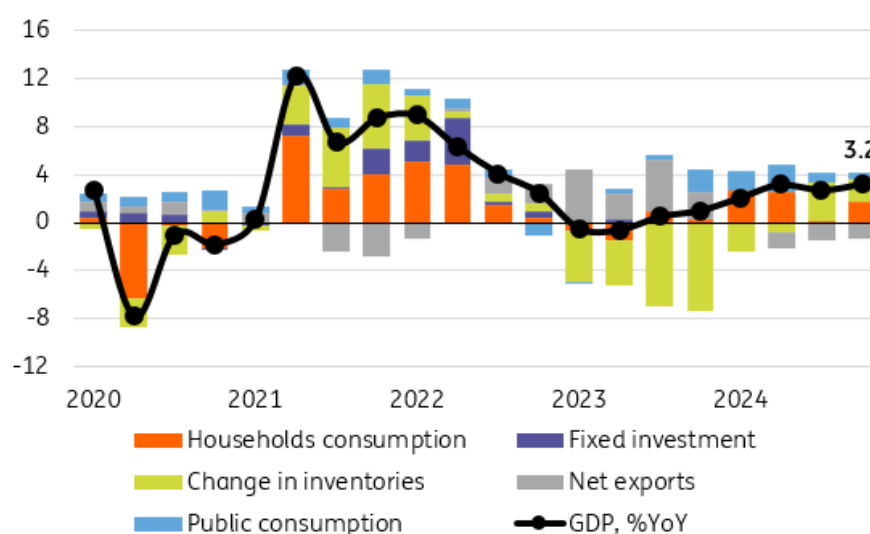
Domestic demand rose by 4.8% YoY (up by 4.4% in 3Q24) as private consumption increased by 3.5% YoY (0.3% in 3Q24) and fixed investment rose by 1.3% YoY (0.1% in 3Q24). Data confirms earlier estimates based on annual data that towards the end of 2024 consumption bounced back after a surprisingly soft third quarter while investment activity remained subdued. Despite robust growth of real disposable income, households were cautious about spending and built up savings.

Investment was almost stagnant as corporates awaited EU money amid high interest rates. The overall picture of domestic demand in 4Q24 is completed by a positive contribution from the change in inventories at 1.8 percentage points vs. 3.2 percentage points in 3Q24.

Net exports knocked off 1.3 percentage points from the 4Q24 annual GDP change (-1.5pp in 3Q24). In 4Q24, exports of goods and services increased by 0.5% YoY, while imports rose by 3.3%. The foreign trade balance deteriorated in 2024 as domestic demand was strong and external demand weak. We expect this trend to continue in 2025.

## Growth accelerated as consumption recovered

%YoY, percentage points



Source: GUS, ING.

In 2025, we expect GDP growth to accelerate to 3.2% from 2.9% in 2024 and see a change in the growth composition. Despite slower growth in the real disposable income of households (slowing wage growth, less generous increase in minimum wage, lower indexation of pensions) we expect household consumption to remain the important pillar of economic growth this year and expand at a similar rate as that seen in 2024, when it reached 3.1%. We project that households will tap some savings generated last year to finance spending in 2025. Fixed investment should be the second important pillar of GDP growth this year. We foresee a solid rebound after a weak 2024 due to projects co-financed with the Recovery and Resilience Facility (RRF) and cohesion funds. Demand for Polish exports is likely to remain weak given the poor condition of the German economy which may experience a third consecutive year of contraction in 2025. At the same time, the rebound in fixed investment and continued purchases of military equipment should boost imports. As a result, this year we foresee a deeper negative impact from net exports than the -1.0 percentage point drag seen in 2024.

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