CEE Economics

Poland

23 June 2025

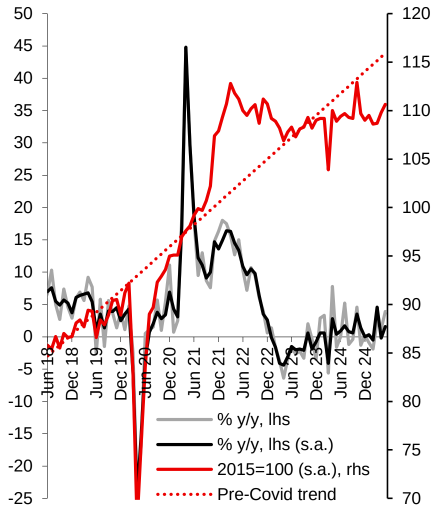
Economic Comment

May's data below forecasts, but only slightly

Bartosz Białas , tel. +48 517 881 807, bartosz.bialas@santander.pl
Marcin Luziński, tel. +48 510 027 662, marcin.luzinski@santander.pl
Grzegorz Ogonek, tel. +48 609 224 857, grzegorz.ogonek@santander.pl

May's data on output in industry and construction, as well as wage and employment figures, brought a slight disappointment. However, the scale of deviation from the market expectations was not large enough to tempt us to change our view on the positive prospects for the Polish economy. We still assume that 2Q25 GDP growth will be no lower than 3.2% y/y recorded in 1Q25. The output growth in industry improved to nearly 4% y/y, in construction the decline was limited to less than 3% y/y. Wages decelerated more than the market and us had expected, but the 8.4% y/y result for May is still markedly higher than the current inflation. Employment was stuck at -0.8% y/y growth rate, and while the monthly decline in FTEs looks worrying, this is only a slice of the Polish labour market.

Industrial production in Poland



Source: GUS, Santander

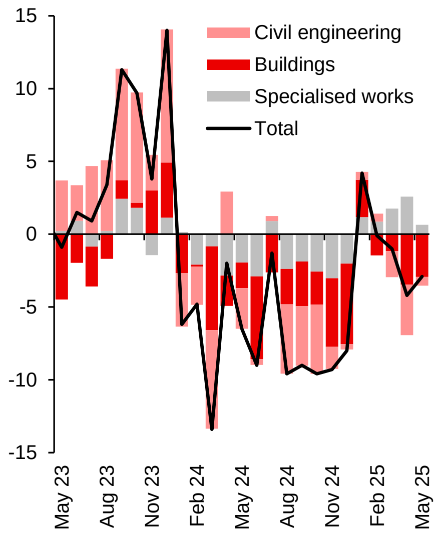
Smaller rebound of industrial output than we had expected

In May, Polish industrial output rose 3.9% y/y, less than the market (4.6%) and we (5.6%) had expected. This nonetheless means an acceleration from April's 1.2% y/y, to a slightly stronger level than suggested by the positive trading day difference vs May 2024, supportive for the current print. In seasonally adjusted terms industrial output increased 0.2% m/m.

Manufacturing production continued to grow at a faster rate (4.1% y/y) than total industry for the third month running. The output of investment goods was 10.4% y/y (thanks to machinery and equipment production at +14.1% y/y), while intermediate goods were up 4.6% y/y. Increases in consumption goods were smaller, 3.6% y/y for non-durables and 2.0% y/y for durables. Energy-related goods output was down 12% y/y. Double-digit y/y growth was seen in metals, metal and non-metallic mineral products, which may be a sign of stronger investment effort in the economy.

While the headline reading of industrial production growth missed expectations, the data was not bad and signalled a gentle pickup in Polish manufacturing, after months of stagnation. We do not expect a major revival in industry this year, but at the same time we do not see it systematically printing negative output growth in the remaining months of 2025. We expect industrial output to grow 3% on average this year.

Breakdown of construction output, % y/y



Source: GUS, Santander

Slower decline of construction output

Construction output declined in May by 2.9% y/y, in line with our expectations (-2.8% y/y), and slightly below the market consensus (-1.1% y/y). Output fell by 0.5% m/m in seasonally-adjusted terms. Improvement in annual growth rate vs April (-4.2% y/y) was possible mainly thanks to less pronounced decline in civil engineering (-1.4% y/y vs -8.3% y/y). Construction of buildings recorded an improvement to -9.0% y/y from -10.3% y/y and specialised works slowed to 2.6% y/y from 10.5% y/y. Investment construction was still in black (+4.2% y/y), while reconstruction declined by 15.7% y/y.

We think that the positive data on EU spending and contracts will translate into improvement in construction sector, which in our view is likely to return to positive growth rates in 2H25, providing a positive contribution to the GDP growth.

Stable PPI inflation

PPI inflation printed -1.5% y/y in May, compared to -1.6% y/y in April (revised data) against our forecast of -1.4% y/y and market expectations of -1.2% y/y. On a monthly basis, industrial prices fell by 0.2% m/m, with the strongest declines in the production of coke and refined petroleum products (-1.5% m/m) and the production of computers and electronic products (-1.0% m/m). In recent months, falling oil prices have provided a negative contribution to PPI inflation, but the escalating situation in the Middle East may halt or even

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

reverse this trend. Nevertheless, in our view, PPI inflation could remain below zero until the end of the year.

Wage growth decelerates again

Wage growth in the corporate sector slowed to 8.4% y/y in May from 9.3% y/y in April, below the consensus of 8.9% y/y and our estimate of 8.8% y/y. Real wage growth slowed to 4.2% y/y from 4.9% y/y.

Stronger-than-expected deceleration was registered in both the industrial and the services sector, in the former from 9.5% y/y to 8.5% y/y, and in the latter from 9.6% y/y to 8.4% y/y, per our calculations. In the industrial sector, the most notable decreases took place in mining and energy supply, while in the services sector – in retail trade and vehicle repair, as well as in transport. Wage growth outside of the mining sector slowed from 9.4% y/y to 8.5% y/y.

The May data suggest that after the brief acceleration in April, wage growth may have resumed its earlier downtrend. If it is confirmed by subsequent data releases, this may catch the attention of the MPC, which however does not mean that the Council becomes more supportive of further monetary policy easing. It has recently focused on loose fiscal policy and an additional obstacle to further rate cuts may be the uncertainty connected to the conflict in the Middle East.

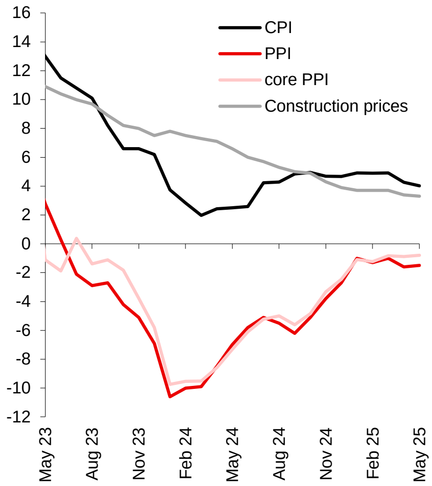
Unexpectedly-strong decline in employment

Employment growth in the corporate sector equalled -0.8% y/y in May, unchanged from April, below our and the market's expectations for an improvement to -0.7% y/y. Month-on-month, the number of full-time equivalents (FTEs) fell by 13.5k, i.e. by over 11k more than we had expected, and by the most since the pandemic-struck 2020.

The strongest decline took place in the manufacturing sector, which shed 5.4k FTEs, i.e. 3.3k more than we had expected. Declines in the level of employment were broad-based and were registered also in, for example, retail trade and vehicle repair (-2.5k) or construction (-1.6k).

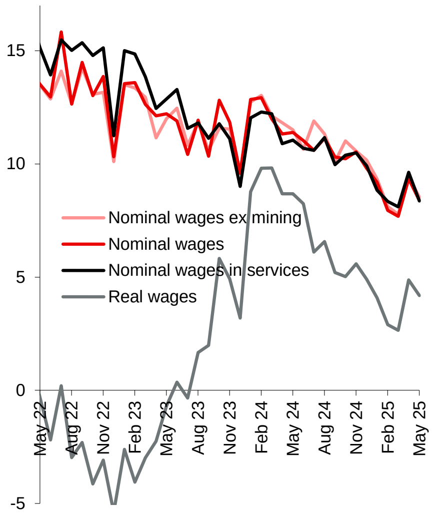
Though the May data are worse-than-expected, we believe than in the following months we should observe gradual improvement in employment growth, supported by further economic rebound. We estimate that at the end of the year, employment growth should reach c. 0% y/y.

Inflation measures, y/y



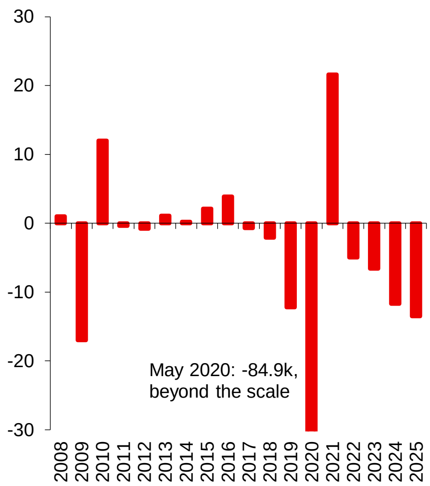
Source: GUS, Santander

Wage growth in the corporate sector, % y/



Source: GUS, Santander

Change in employment in May, thousands m/m



Source: GUS, Santander

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department. al. Jana Pawła II 17. 00-854 Warsaw. Poland. phone +48 22 534 18 87. email ekonomia@santander.pl. http://www.santander.pl.