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Economic Comment

GDP growth still boosted mainly by consumption

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GDP growth in 2Q25 accelerated to 3.4% y/y, in line with flash estimate published in mid-August. However, the structure of growth came as a surprise, revealing much higher than expected consumption growth and a renewed decline in investments after a very good result in Q1. We assume a further moderate acceleration in economic growth, with the delay in the absorption of funds from the RRF most likely meaning that most of the investment momentum will be shifted to next year. From the central bank's point of view, today's data is another argument in favour of caution in further monetary policy easing.

The Central Statistical Office (GUS) confirmed GDP growth in the second quarter of 2025 at 3.4% y/y (0.8% q/q s.a.), in line with the preliminary reading published in mid-August. This result places Poland among the leaders of economic growth in Europe in the second quarter: fourth in the EU in terms of q/q growth.

The composition of GDP growth turned out to be a big surprise: private consumption growth was much better than forecast, accelerating to 4.4% y/y (1.6% q/q s.a.), while investment was clearly disappointing, slowing to -1% y/y (-1.5% q/q s.a.) from 6.3% y/y in Q1. The median of Bloomberg forecasts assumed consumption growth of 3.1% y/y and investment growth of 4.0% y/y. Inventories added 1 pp to GDP growth, while net exports reduced it by 0.5 pp. On the value added side, the data showed lower-than-expected growth in manufacturing (1.6% y/y) and construction (-0.2% y/y) and a marked acceleration in trade and repairs (5.9% y/y), consistent with consumption-led growth based, among other things, on consumer services.

GDP growth and its components (% y/y)

	2023	2024	2Q24	3Q24	4Q24	1Q25	2Q25
GDP	0.2	2.9	3.2	2.8	3.4	3.2	3.4
Domestic demand	-3.0	4.2	4.9	4.6	5.3	4.6	4.0
Total consumption	0.9	4.3	6.1	1.3	4.6	2.4	3.8
Private consumption	-0.3	3.1	4.5	0.2	3.5	2.5	4.4
Public consumption	4.5	8.2	11.3	5.2	7.6	2.0	2.1
Gross accumulation	-16.6	4.0	-1.1	20.8	7.3	19.9	5.4
Fixed investment	12.7	-2.2	3.9	-4.3	-6.9	6.3	-1.0
Stock building *	-4.6	1.1	-0.8	4.0	3.5	1.5	1.0
Net export *	2.6	-1.0	-1.3	-1.6	-1.6	-1.1	-0.4

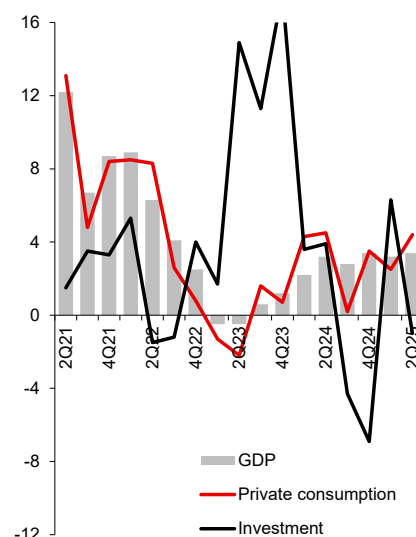
* contribution to GDP growth (percentage points)

Source: GUS, Santander

Private consumption remains the most important driver of economic expansion in Poland (in the second quarter, it accounted for 2.6 percentage points of GDP growth), while the long-awaited investment recovery seems to be increasingly delayed. It appears that this is related to the slow utilisation of EU funds, including those from the Recovery and Resilience Facility (RRF). It is worth recalling that the financial results of the largest companies published a week ago indicated an improvement in investment expenditure in Q2 (the first positive growth in this segment after five months of decline), so the weakness of overall investment is probably mainly due to the public sector. The delay in the utilisation of funds from the RRF is also confirmed by the assumptions of the draft budget for 2026 published last week, which postpone a significant part of the utilisation of funds to next year.

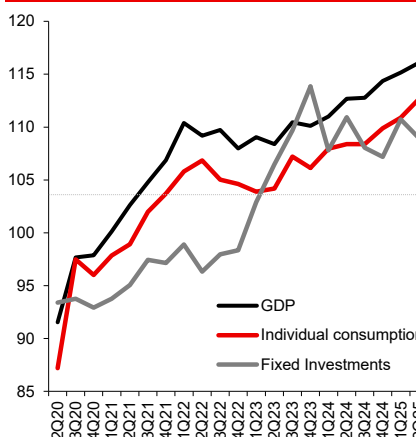
We still believe that the Polish economy should remain on a gradual recovery trajectory in the coming quarters, with average GDP growth this year likely to reach around 3.5%. However, the importance of investment this year will most likely be lower than we had previously assumed, as most of the absorption of funds from the RRF will be carried over to next year. Such a structure of economic growth is, at least in theory, less conducive to disinflation, and for the Monetary Policy Council, which later this week will hold its first decision-making meeting after the summer break, this may be an additional argument for

GDP and its components, % y/y



Source: GUS, Santander

GDP and its components, s.a. 4Q19=100



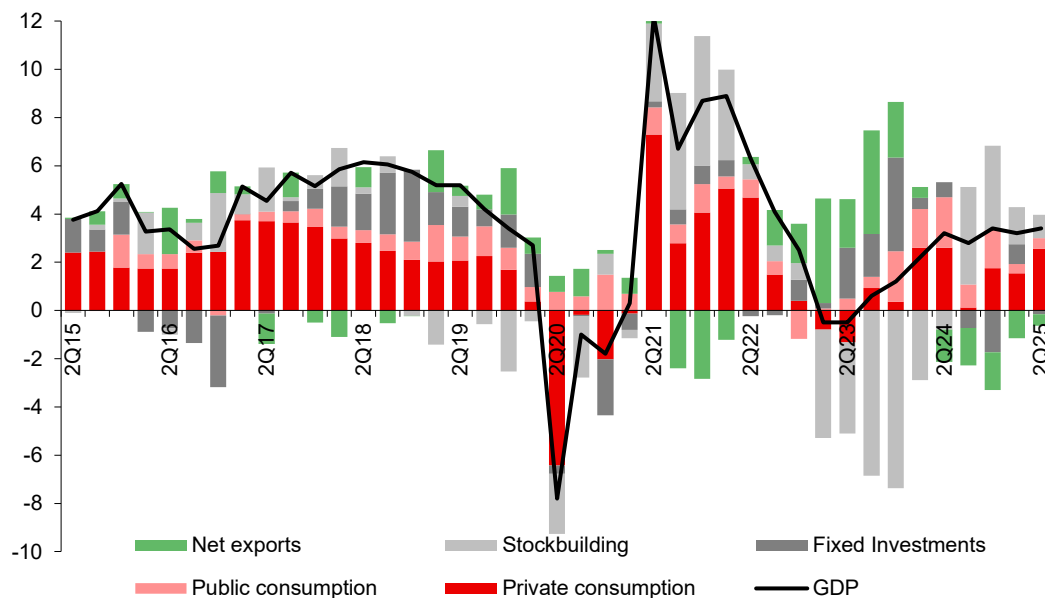
Source: GUS, Santander

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caution in terms of monetary policy easing. We still believe that a 25 bp rate cut in September is possible, but it may be perceived by the market as a 'hawkish cut' if the MPC signals less enthusiasm for continuing monetary policy easing in the coming months.

GDP growth and its components (% y/y)



Source: GUS, Santander

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