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Economic Comment

Sales beat forecasts, company results improved

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In October, retail sales in constant prices rose by 5.4% y/y, well above market expectations (3.8%) and our forecast (3.1%). Seasonally adjusted growth was +1.9% m/m. Sales of durable goods maintained a growth pace close to 15% y/y. In the whole 4Q, we expect 4%+ growth of real retail sales. The strong October reading may be seen as an argument for the MPC to hold off on another rate cut in December.

In 3Q25, companies employing 50 or more people recorded a 3.3% y/y increase in revenues and a 2.3% y/y rise in costs. Gross financial result rose 29.8% y/y and the four-quarter average margin moved to 4.5% from 4.3%. Investment in large companies accelerated to 2.9% y/y in 3Q25 from 0.8% y/y in 2Q25. We believe that the acceleration in GDP growth, which we expect in the coming quarters, will continue to support results of Polish companies, which should in turn boost their demand for investment. Stronger investment data, in our view, indicate that the disbursement of EU funds is improving gradually.

Retail sales beat expectations

In October, retail sales in constant prices rose by 5.4% y/y, well above market expectations (3.8%) and our forecast (3.1%). The growth rate was lower than in September (6.4% y/y) due to calendar effects and a low statistical base in September 2024. Seasonally adjusted data show that consumer spending was in fact much stronger than a month earlier – m/m growth stood at +1.9% compared with -0.6% m/m in September.

Sales of durable goods maintained a growth pace close to 15% y/y (14.8% in October versus 15.5% previously), while sales of non-durables slowed to 3.5% y/y from 4.8%. We were positively surprised by the strength of car sales (+15.6% y/y) and negatively by the clothing and footwear category, which rose by 9.0% y/y after a streak of four double-digit prints (possibly due to a shift in seasonal spending to another month). Moreover, despite the lack of support from calendar effects, October saw an increased contribution from food and sales in non-specialised stores to the overall y/y retail sales growth.

This year, monthly retail sales data have been quite volatile, often showing sudden swings, which makes us cautious in interpreting the October reading as a sign of a general acceleration in consumption. Nevertheless, it seems that in 4Q, annual growth of real retail sales above 4% should be expected, given positive consumer sentiment and continued real income growth.

Strong October retail sales may be seen as an argument for the MPC to hold off on another rate cut in December.

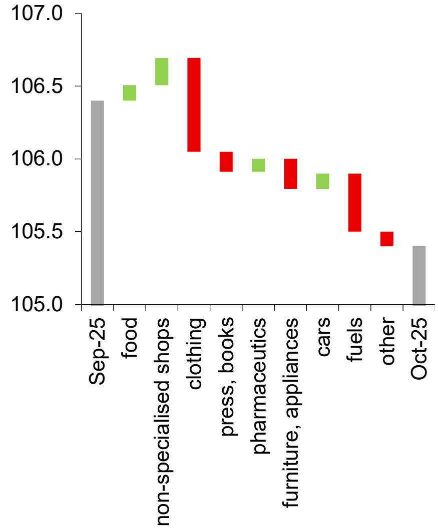
Improvement in financial results and investment of large companies

In 3Q25, companies employing 50 or more people recorded a 3.3% y/y increase in revenues and a 2.3% y/y rise in costs, which translated into a 29.8% y/y surge in gross financial results and an increase in the four-quarter average margin to 4.5% from 4.3% in 2Q25.

The cost categories that grew the most were operating costs, external services, amortisation and wages, while material and energy costs declined, reflecting low inflationary pressure in the goods sector.

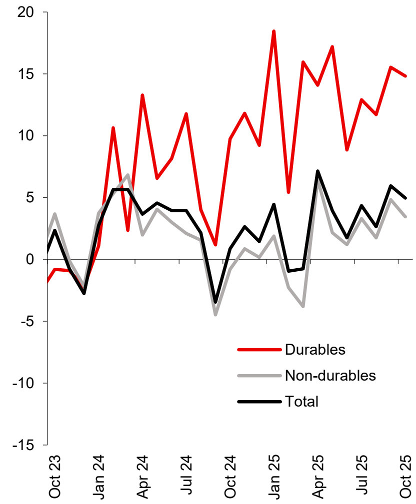
Investment in large companies accelerated to 2.9% y/y in 3Q25 from 0.8% y/y in 2Q25, driven by a significant improvement in construction outlays (+1.2% y/y versus -4.3% y/y), while spending on other types of investment remained fairly stable. By sector, there was an improvement in outlays in trade (6.7% y/y versus 1.7% in 2Q) and in manufacturing, although its annual growth rate remained negative (-3.2% y/y versus -9.7% y/y).

Breakdown of change in annual growth rate of retail sales, corresponding period of the previous year = 100



Source: GUS, Santander

Retail sales, % y/y



Source: GUS, Santander

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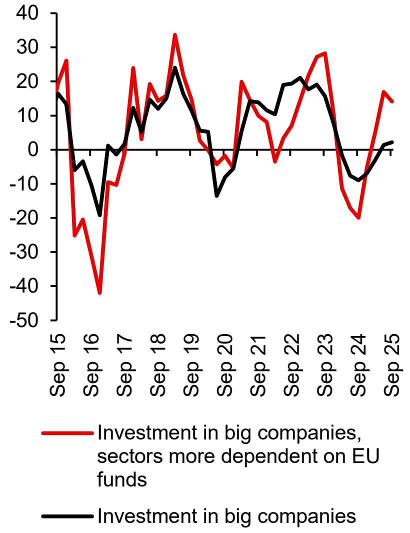
According to our estimates, the investment growth rate slightly declined in sectors more reliant on EU funds, although it remained high (14.2% y/y versus 16.9% y/y in 2Q), while in other sectors investment fell by 2.7% y/y after a 4.5% y/y drop in 2Q.

We believe that the acceleration in GDP growth, which we expect in the coming quarters, will continue to support results of Polish companies, which should in turn boost their demand for investment. Stronger investment data, in our view, indicate that the disbursement of EU funds is improving gradually.

Investment in large companies, % y/y, in nominal terms



Source: GUS, Santander