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Economic Comment

Wages high, output down

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Today's broad set of data brought mixed feelings, mostly surprising us by moving in the opposite direction to expectations. The figures suggest downside risk for investment and GDP growth forecasts in 4Q25, but for now we maintain our GDP growth forecast at 3.9% y/y. The entire data set supports our view that the MPC will hold off on another rate cut until March.

Wage growth in the enterprise sector accelerated to 7.1% y/y in November from 6.4% y/y in October, contrary to expectations of further slowdown to 6.2% y/y. Meanwhile, employment fell by 0.8% y/y in November, the same pace as in October and 0.1 pp better than forecasts.

Production data surprised in the opposite direction. Industrial output broke its good streak and contracted by 1.1% y/y in November, a disappointing result after strong readings in the previous two months. In construction, output was also weaker than expected, rising only 0.1% y/y versus expectations of 2.5% y/y (both ours and the market's). Seasonally adjusted, the decline was 0.9% m/m.

PPI inflation stood at -2.4% y/y in November versus -2.2% y/y in October and forecasts of a drop to -2.5% y/y. The stats office also published final estimates of major agricultural and horticultural crops in 2025, confirming earlier conclusions: this year's harvest was clearly better than in 2024.

Wage growth above expectations, mining helped

Wage growth in the enterprise sector accelerated to 7.1% y/y in November from 6.4% y/y in October, contrary to our and market expectations of further slowdown to 6.2% y/y. In real terms, i.e., adjusted for inflation, wages rose by 4.4% y/y after 3.7% y/y a month earlier.

The deviation from our forecast stemmed mainly from a 3.4% y/y increase in wages in the mining sector, which – although seemingly not high – was over 20pp better than we had anticipated based on news about the sector's financial situation. Wage growth outside the mining sector improved to 7.3% y/y from 6.9% y/y, roughly in line with our forecast.

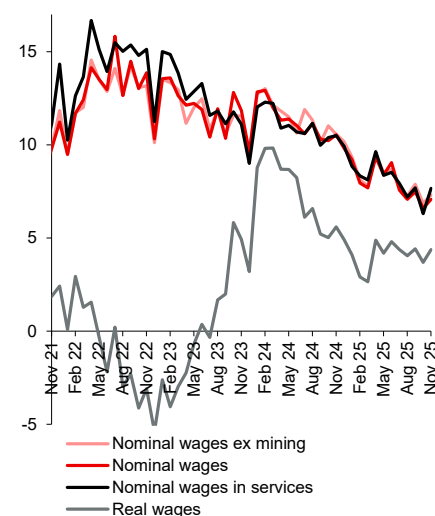
Stronger-than-expected wage growth in November supports our expectation that the MPC will hold off on another rate cut until March. At the same time, we assume that wage growth will gradually slow towards 6% y/y next year.

Labour demand slightly better than expected

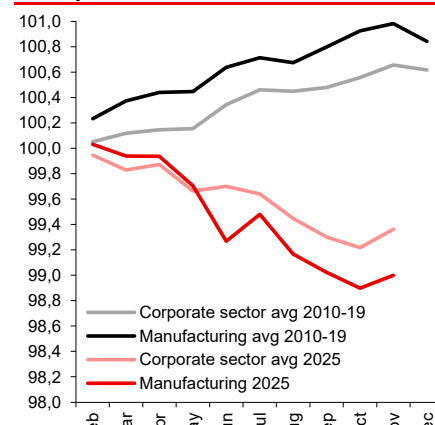
Employment in the corporate sector fell in November by 0.8% y/y, at the same pace as in October and by 0.1pp less than anticipated by us and the market. Month-on-month, the number of full-time equivalents increased by 9.3k, thanks to e.g. a 2.4k increase in manufacturing, a 2.0k increase in trade and vehicle repair, and a 3.0k increase in administrative and support services – all of them a bit better than we had expected.

The data support our expectations of a modest improvement in demand for labour, driven mainly by the ongoing economic rebound and the beginning investment cycle, which should lead the rate of employment growth to increase a bit above 0% y/y by the end of next year.

Wages in the corporate sector, % y/y



Employment in the corporate sector, January = 100



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Industrial output's good streak interrupted

In November, Polish industrial output contracted by 1.1% y/y, a disappointing result after strong readings in the previous two months (3.2% y/y in October and 7.6% y/y in September). After adjusting for seasonal factors, output fell by 1.6% m/m, although on an annual basis it was higher by 0.8%. Part of the weaker outcome may therefore be due to the calendar – the 11 November holiday fell on a Tuesday, creating an opportunity for a long weekend on 10 November, unlike last year. Positive annual results were recorded in mining (4.8% y/y) and water supply (3.2% y/y), while manufacturing (-1.4% y/y) and energy (-2.1% y/y) were negative.

Within manufacturing, most divisions posted weak results. Against seasonal patterns, the worst performers were: motor vehicles, clothing, computers, electrical equipment, and wood products. Textile production fared relatively well, while other sectors saw moderate declines. By end-use, the steepest drop was in energy-related goods (-9.4% y/y) and durable consumer goods (-8.2% y/y), with a shallower decline in intermediate goods (-1.9% y/y). Non-durable consumer goods (0.2% y/y) and investment goods (3.7% y/y) were slightly positive.

Although we expected a better result, we noted in previous months that high production readings could be unstable and subject to a stronger correction – which now seems to have occurred.

Today's data, together with weaker-than-expected construction output, poses some risk to investment and ultimately GDP growth in 4Q25, but for now we maintain our GDP growth forecast at 3.9% y/y.

Construction slightly below forecasts

In November, construction output was weaker than expected, rising only 0.1% y/y versus expectations of 2.5% y/y (ours and the market's). Seasonally adjusted, output fell by 0.9% m/m. Interestingly, the slowdown versus October's 4.1% y/y was due to a very poor result in civil engineering (-12.8% y/y after +3.2% y/y in October), while both building construction and specialised works accelerated (to 8.0% y/y from 2.4% y/y and to 18.9% y/y from 7.8% y/y, respectively). Renovation works also improved (7.8% y/y after 2.5% y/y in October), while investment works slowed to -3.2% y/y from 4.9% y/y.

We assume the weaker November result was a "one-off", mainly due to the behaviour of a single subsector linked to large public investments. We expect conditions in the sector to improve, supported by rising use of EU funds.

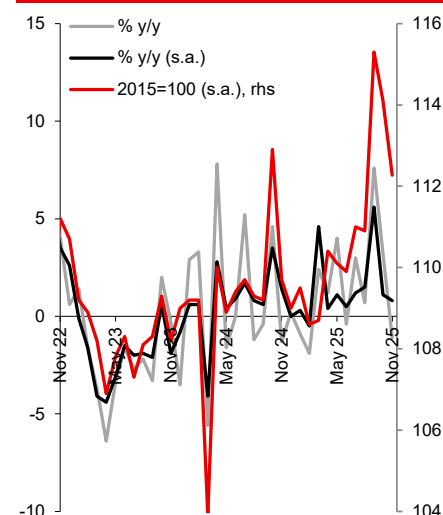
Housing construction still reducing activity

In November, 18.8% more dwellings were completed than a year earlier, while building permits fell by 8.9% y/y and housing starts by 20.7% y/y. The index of projects in progress dropped to 55.4 pts from 59.6 pts in October, its lowest since May 2024. The housing market remains in a phase of reduced activity in response to weaker demand and halted price increases after the exhaustion of the "2% Mortgage" programme budget. However, data indicates demand revival, which we believe will translate into higher market activity over the next few quarters.

PPI inflation slightly above forecasts

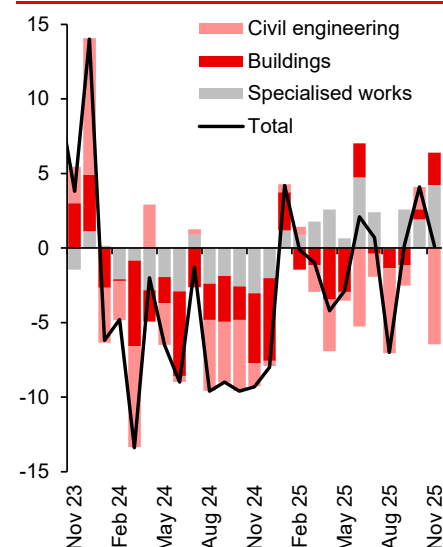
In November, PPI inflation stood at -2.4% y/y versus -2.2% y/y in October and forecasts of -2.5% y/y. Month-on-month, industrial prices rose by 0.1% m/m – the first positive reading since June. However, the increase was driven by three sectors: mining (1.4%), coke and petroleum refining (+2.5% m/m), and tobacco products (+2.0% m/m), while most other sectors saw slight declines. Our core PPI (excluding mining and petroleum) fell to -2.1% y/y from -1.7% y/y. We expect slight PPI increases in coming months, with a possible return above zero by end-2026. Industry conditions will therefore not generate pressure on retail prices.

Industrial production



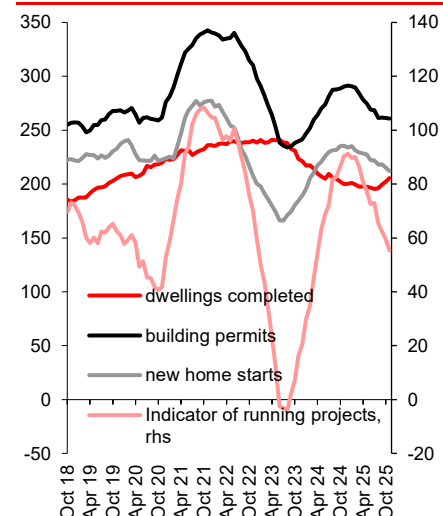
Source: GUS, Santander

Breakdown of construction output, % r/r



Source: GUS, Santander

Housing market statistics, 12m sums



Source: GUS, Santander

GUS confirms good harvest in 2025

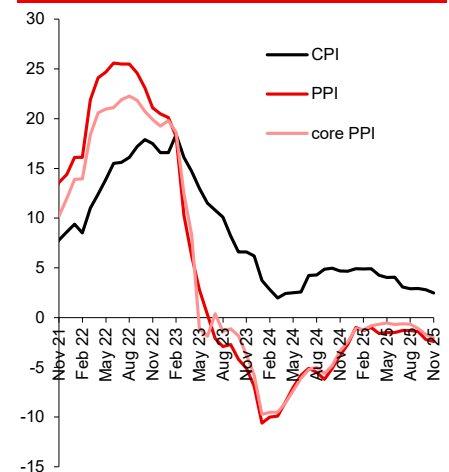
Final estimates of major agricultural and horticultural crops in 2025 confirmed earlier conclusions – this year's harvest was clearly better than in 2024, which will exert downward pressure on food prices, especially vegetables and fruit.

Field vegetable harvests rose by 6.1% y/y to 4.1m tonnes. Notably, sweetcorn output increased by 22.6% y/y to 196.2k tonnes; pumpkins, squashes and courgettes by 12.3% to 477.3k tonnes; beetroot by 11.1% y/y to 267.5k tonnes; tomatoes by 9.6% to 223k tonnes; carrots by 9.3% to 611.3k tonnes. Cucumber harvests were weaker (-7.1% to 104.6k tonnes) as were onions (-6.4% to 632.2k tonnes).

Fruit from trees was 13.5% higher than a year earlier at 4.2m tonnes. Sour cherry harvests rose by 28.0% to 141k tonnes; plums by 23.9% to 117.9k tonnes; sweet cherries by 14.1% to 58.3k tonnes; apples by 12.9% to 3.8m tonnes; pears by 6.1% to 78.7k tonnes. Fruit from shrubs rose by 1.7% to 489.7k tonnes, including currants (+12.0% to 112.3k tonnes), strawberries (+5.0% to 150.6k tonnes), raspberries (+2.9% to 79.1k tonnes).

Potato harvests rose by 18.4% to 7.0m tonnes, rapeseed by 11.2% to 3.6m tonnes, and cereals by 4.8% to 26.6m tonnes.

Inflation, % y/y



Source: GUS, Santander

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