CEE Economics

Poland

22 January 2026

Economic Comment

A strong year-end economic upswing

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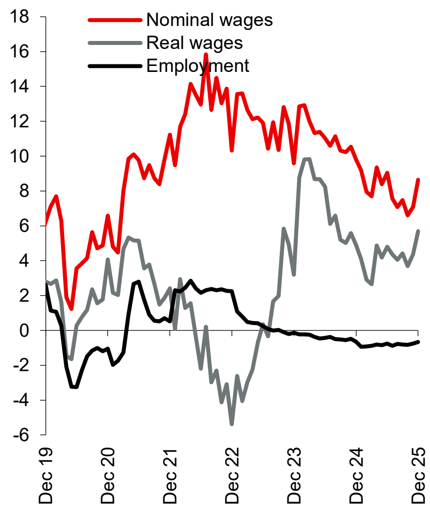
December data on industrial and construction output turned out to be much better than forecast, indicating that the condition of the Polish economy at the turn of the year was very strong despite the still challenging international environment. Wage growth in the enterprise sector also surprised significantly on the upside, clearly accelerating at the end of the year after several months of faster-than-expected deceleration. It should, of course, be remembered that December is a special month, partly due to the payment of annual bonuses in some firms, so this acceleration probably does not indicate a reversal of the medium-term trend, and in the coming months wage growth is likely to slow again. Also in the case of production data, the next few months will likely bring a weakening of annual growth rates. Nevertheless, the much better-than-expected December numbers significantly reduce, in our view, the arguments for resuming interest rate cuts at the upcoming meeting of the Monetary Policy Council (MPC) in early February. Ultimately, MPC decisions will likely be determined by inflation developments, but at the upcoming meeting the Council will not yet have new data on this matter. We continue to expect two more 25pp rate cuts this year: in March and May.

Despite the much stronger-than-expected December production dynamics, we see a slight downside risk to our GDP growth estimate for 4Q25 at 3.9% y/y, due to weaker readings in previous months.

Employment and wages in corporate sector, % y/y



Source: GUS, Santander

Wage growth in December clearly above forecasts

Wage growth in the enterprise sector accelerated in December to 8.6% y/y from 7.1% y/y in November, contrary to our and the market's expectations of a slight slowdown to 6.9–7.0% y/y. As a result, real wage growth increased from 4.4% to 5.7% y/y. The outcome was stronger than expected across most sectors, with the largest positive contributions coming from manufacturing (8.8% y/y after 7.3% in November) and transportation & storage (13.8% vs 11.1% y/y previously). Aggregate wage growth in industry stood at 8.4% (after 6.4% a month earlier), and in services at 9.0% y/y (after 7.7% in November). The energy sector recorded unexpectedly high wage dynamics (13.0% y/y), and double-digit growth was also seen in the water supply industry (10.8% y/y), the culture, entertainment and recreation sector (10.9% y/y), and other service activities (13.7% y/y). Mining reported wage growth of 3.1% y/y, slightly less than 3.4% a month earlier, although we had expected a decline in average pay in this case due to the base effect and a stronger-than-expected November result. Wage growth in the entire enterprise sector excluding mining increased from 7.3% y/y to 9.0% y/y, the highest reading since April last year.

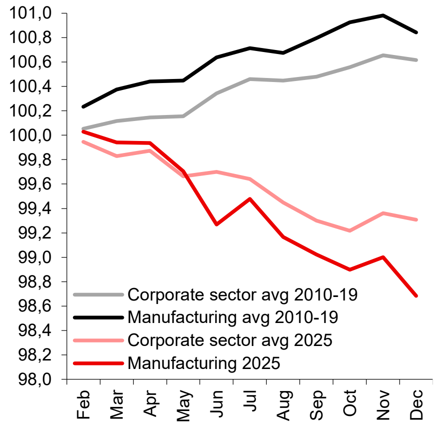
Across the whole past year, average wage growth in the enterprise sector amounted to 8.1% y/y. This result slightly increases our forecast for wages across the national economy. Data for 4Q25, to be released on 9 February, may in our estimates show growth slightly above 8% y/y. This implies that for the whole of last year wage growth reached around 8.5–8.6% y/y.

We expect that low inflation together with the modest 3% minimum wage increase and the equally low indexation of budget sector wages assumed in the Budget Act will contribute to a gradual slowdown in wage growth towards 6% y/y by late 2026.

Employment slightly down, but annual dynamics up

Employment in the enterprise sector fell in November by 0.7% y/y compared with a 0.8% decline a month earlier, in line with our and market forecasts. It was thus the highest reading in all of 2025. On a monthly basis, the number of jobs decreased in December by 4k, i.e. by 0.1%. Employment declined mainly in manufacturing (by 7.4k), partially offset by

Employment in the corporate sector, January = 100



Source: GUS, Santander

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increases in administrative & support activities (+3.4k) and wholesale & retail trade and vehicle repair (+1.7k).

In the coming months, we expect a gradual, slight improvement in labour demand in the enterprise sector. January's reading may have a significant impact on the data trajectory, as the Polish stats office traditionally performs an annual revision related to the update of the sample of surveyed firms, their classification by NACE, company size, and verification of actual employment levels in administrative registers, particularly in ZUS (Social Security Institution) data. Assuming no large revision from these adjustments, we expect employment dynamics to turn slightly positive by year-end.

Industrial output sharply up, but partially affected by holiday distortions

Industrial output in December clearly exceeded expectations, rising by as much as 7.3% y/y compared with our and the market's forecasts of around 3.0% y/y and -1.1% y/y in November. Seasonally adjusted output increased by 2.1% m/m.

Thus, in December industry returned to a positive trend, following a disappointing November. The monthly change in December (-0.1% m/m) was the strongest in years, while in November (-9.3% m/m) it had been the weakest in years. A similar pattern is visible across almost all subsectors, including food, clothing, chemicals and metals. Across major industrial groupings, strong rebounds in annual growth were recorded in all categories, with the largest increases in energy-related goods (up to 10.1% from -9.4% y/y in November) and in durable consumer goods (up to 7.8% y/y from -8.2% y/y).

In our view, the volatility of results over the past two months indicates disturbances in seasonality, likely related to the holiday schedule in November and December. In any case, Polish industry is doing relatively well despite the difficult economic situation in Germany, where GDP growth last year was barely above zero. In 2025, Polish industrial production increased by 2.1% y/y (3.4% y/y in 2H25), and we believe it will likely accelerate somewhat in 2026.

In 2025, among major industrial groupings, the strongest performers were capital goods (+7.5%) and non-durable consumer goods (+3.4%), while the weakest were durable consumer goods (+0.1%) and energy-related goods (-9.1% y/y). Export-oriented sectors recorded slightly higher growth (3.4%) than those focused on the domestic market (2.0%). Among individual sectors, the strongest results came from other transport equipment (9.5%), metals (8.6%) and machinery/equipment (8.1%), while weaker results were recorded in beverages (-3.2%), electrical equipment (-3.8%) and clothing (-4.2%).

Construction output returns to growth

The growth rate of construction and assembly output increased in December to 4.5% y/y from 0.1% y/y in November, exceeding both our estimate of a 1.8% y/y rise and the market consensus pointing to a 1.0% y/y decline. The rebound in output growth resulted from improvements in all its subcategories, including building construction (from 8.0% to 13.3% y/y), civil engineering projects (from -12.8% to -7.2% y/y), and specialised works (from 18.9% to 23.0% y/y). Broken down by the character of construction works, the growth rate of investment-related works returned to positive values, rebounding from -3.2% to 4.2% y/y, while the growth rate of renovation works slowed from 7.8% to 5.2% y/y.

The latest data confirm our assessment from last month that the drop in construction output dynamics from 4.2% y/y in October to 0.1% y/y in November was a one-off deviation from an ongoing upward trend. We attribute the improvement to increased utilisation of EU funds and interpret it as a signal of the beginning of a new investment cycle.

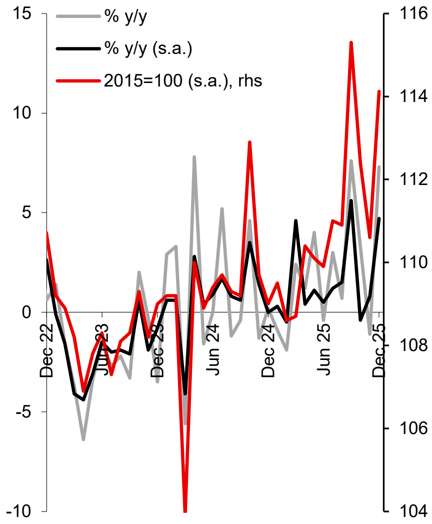
We expect construction and assembly output growth to reach double-digit levels in 2026 (with the caveat that early-year readings may be weaker due to unfavourable weather conditions), supporting further acceleration in investment growth.

Across the whole of 2025, construction and assembly output increased by 0.4%, as for most of last year it either declined in year-on-year terms or recorded only small positive growth rates. A visible revival began only in 4Q, when its growth reached 3.2% y/y. Nevertheless, the 2025 result represents a clear improvement compared with the 7.6% y/y decline recorded in 2024.

First signs of recovery in residential construction

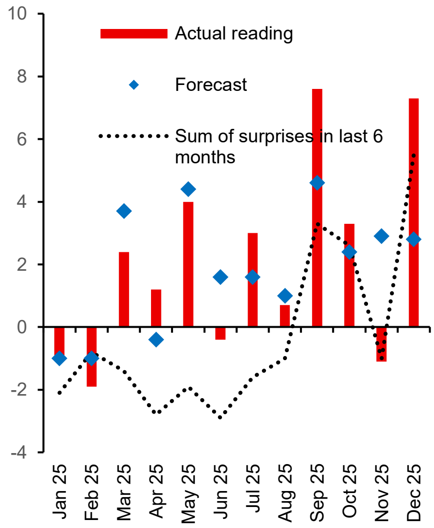
The number of completed dwellings in December last year amounted to 24.7k and increased by 15.3% y/y, a result similar to the ones from previous months. A noticeable improvement was

Industrial output



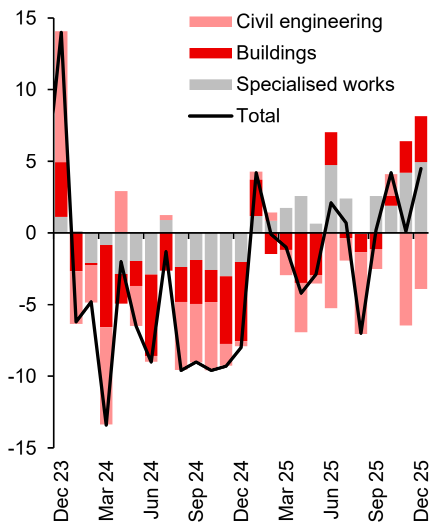
Source: GUS, Santander

Industrial output – forecasts (Parkiet) and actual readings, % y/y



Source: GUS, Santander

Construction output, breakdown, % y/y



Source: GUS, Santander

recorded in the number of building permits issued, whose growth rate rebounded from -8.8% y/y in November to 20.0% y/y in December, as well as in the number of construction starts, which increased from -20.7% y/y in November to 4.2% y/y in December. The growth rate of dwellings under construction continued the decline observed since the beginning of 2025 – its pace fell from 4.3% y/y in January 2025 and 0.8% y/y in November to 0.4% y/y in December.

Over the whole of last year, 208.8k dwellings were completed, i.e. 8.7k (4.3%) more than in 2024. Nevertheless, 2025 was also a year of a marked decline in developer activity – the number of issued permits amounted to 265.6k, 25.7k (8.8%) fewer than in 2024, while the number of construction starts reached 212.4k, 21.4k (9.1%) below the 2024 result.

Activity in the housing market has weakened in recent months. The continued decline in the growth rate of dwellings under construction in December suggests that this has not changed. The improvement in other data, including above all the dynamics of issued permits and construction starts, is a positive signal for the sector's outlook, which, combined with strengthening demand visible in credit data, may translate, over the next few quarters, into renewed growth in residential construction activity.

Better sentiment among firms

In January, seasonally adjusted business sentiment indicators improved across virtually all sectors of the Polish economy compared with December. The strongest increase was recorded in the industry index, which rose by 4pts and reached its highest level since July 2021. Notable improvement also occurred in HoReCa, financial services and retail trade, and to a lesser extent in other sectors. Importantly, the improvement was driven by both the diagnostic and forward-looking components. With the exception of retail trade, all surveyed sectors assessed their development prospects more favourably than a month earlier. January's survey results bode well for the performance of the Polish economy this year, in which we expect solid GDP growth.

Slight improvement in consumer sentiment in January

Consumer sentiment in Poland improved slightly in January. The current assessment index rose by 0.3pts to -9.6pts, a level more than 6pts above the long-term average. The expectations index also increased by 0.3pts, to -6.7pts, placing it 11pts above the long-term average.

The strongest rise occurred in the component describing willingness to make major purchases—up 1.9pts to -1.0pts—reaching its highest level near positive territory since the outbreak of the pandemic in 2020. This was accompanied by a similar rebound (1.7pts) in the component measuring the ability and willingness to save, which at 16.0pts reached a new historical high (data available since 2004). At the same time, consumers expressed slightly greater concerns about job security (the third-lowest reading in the past 12 months) and about the current state of the Polish economy (though this was merely a reversal of the sudden December surge in optimism).

Responses to quarterly questions indicated somewhat more frequent plans to purchase a car compared with a year earlier, but slightly fewer indications of plans to buy, build or renovate a dwelling.

In January, the inflation expectations index fell for the third consecutive month, to its lowest level since June last year.

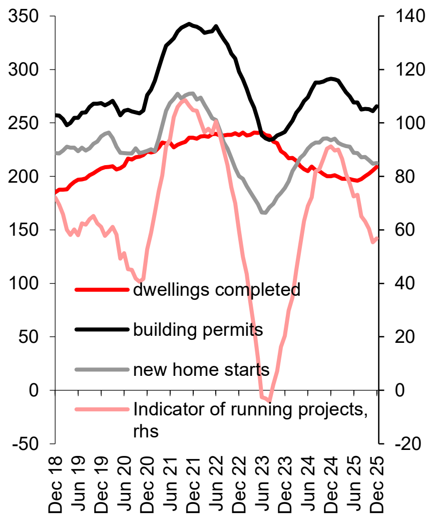
January's consumer survey results are consistent with our expectation of moderate consumption growth this year, in the range of 3–4% y/y in real terms.

PPI inflation below forecasts

PPI inflation fell in December to -2.5% y/y from -2.3% y/y in November (data revised from -2.4% y/y), compared with our and the market's forecast of -2.3% y/y. On a monthly basis, prices fell by 0.4% m/m, with the largest declines in pharmaceutical products (-1.6% m/m), coke and refined petroleum products (-1.1% m/m), and food products (-1.0% m/m). Core PPI inflation (excluding mining and oil refining) fell to -2.2% y/y from -2.1% y/y, and a downward trend has begun to emerge in recent months.

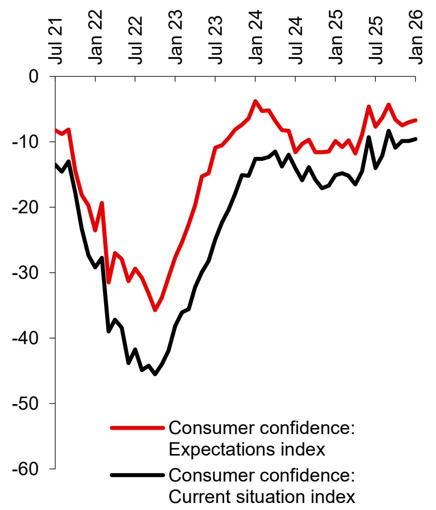
Lower PPI inflation has been supported by the stronger złoty, the global decline in oil prices and the fall in food prices. In recent months, PPI inflation has surprised to the downside, which will support a low CPI trajectory in the coming quarters.

Housing market, 12-month moving sums, thousands



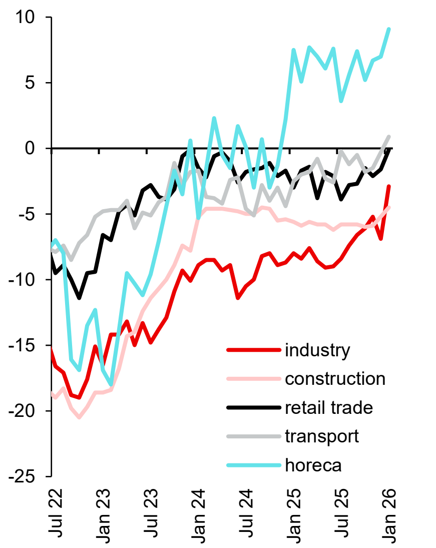
Source: GUS, Santander

Consumer confidence, pts



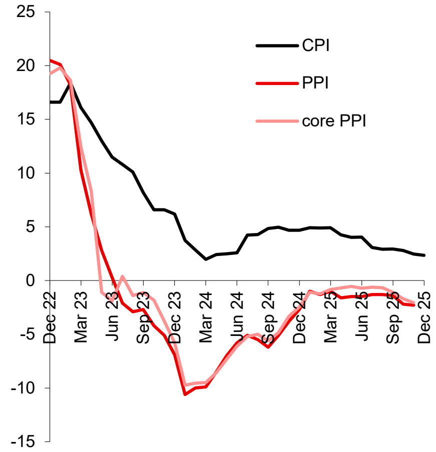
Source: GUS, Santander

Sectoral business sentiment indexes, SA



Source: GUS, Santander

Inflation measures, % y/y



Source: GUS, Santander