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# Economic Comment

## Solid industrial output, wages below forecasts

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February macroeconomic data were mixed. Industrial output rose by 1.5% y/y following a decline and slightly outperforming market expectations, while seasonally adjusted output increased by 0.6% m/m. Growth was driven by mining (19.6% y/y) and energy (13.5% y/y), whereas manufacturing was almost flat (0.2% y/y). At the same time, construction activity disappointed sharply, with the decline deepening to -13.7% y/y. The labour market remained relatively stable: wages in the enterprise sector increased by 6.1% y/y, below expectations, while employment continued to fall at -0.8% y/y. PPI inflation rose to -2.3% y/y from -2.6% y/y. However, rising global energy commodity prices suggest the index could shift quickly towards the -1% to 0% y/y range in the coming months. Overall, the data do not appear to generate price pressures requiring a response from the MPC, instead allowing time to assess the implications of the Middle East conflict within the wait-and-see approach signalled in recent comments by Council members.

**Industrial output in February was decent, but the question is what comes next**

Industrial production rose by 1.5% y/y in February, after a decline of the same magnitude a month earlier, which is broadly in line with the market consensus (1.3% y/y) and slightly above our forecast (0.8% y/y). After seasonal adjustment, production increased by 0.6% m/m. The strongest growth was recorded in the mining sector (19.6% y/y) and in energy generation (13.5% y/y). Water supply output increased by 2.8%, while manufacturing recorded only a marginally positive result (0.2% y/y). Within manufacturing divisions, wood products rebounded strongly, and solid outcomes were also seen in chemicals, paper, and computers, while production of other transport equipment posted a sharp decline.

Among the main product groups, output of energy-related goods grew the most (7.7% y/y), which is unsurprising given weather conditions in the month. Output of non-durable consumer goods increased slightly (2.0% y/y), while durable goods declined (-4.5% y/y). Export-oriented goods fell for the second consecutive month (-2.2% y/y after -1.9% y/y in January), whereas non-export goods rose by 4.6% y/y (0.6% y/y a month earlier).

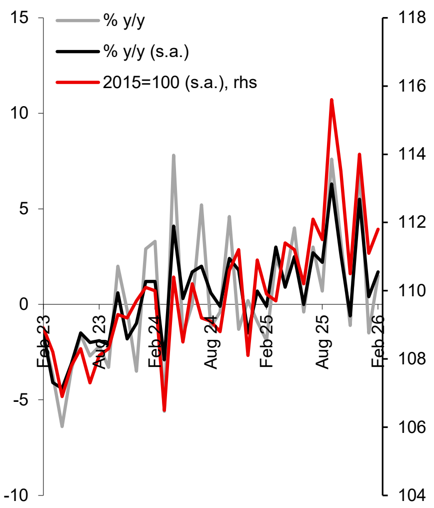
Overall, the results are consistent with expectations, and in the coming months we anticipate continued moderately positive growth in industrial production. What supports March data is certainly the improvement in weather conditions. The price shock in energy commodity markets will be reflected in domestic data with some lag, so the March reading may not yet be significantly affected. Developments in the subsequent months will, of course, depend on the evolution of the situation. If prices on global markets were to normalize relatively quickly, we could see a temporary soft patch in April–May data followed by a rebound later in the year, which would still leave room for our full-year GDP growth forecast of 3.9%. With each passing week of the ongoing conflict in the Middle East, however, this scenario is unfortunately becoming less likely.

**Construction sector deepens the decline**

Construction output fell by 13.7% y/y in February, compared with a decline of 12.9% y/y in January and well below both our forecast and the market consensus of -7.7% y/y. Seasonally adjusted data showed a 3.8% m/m decrease.

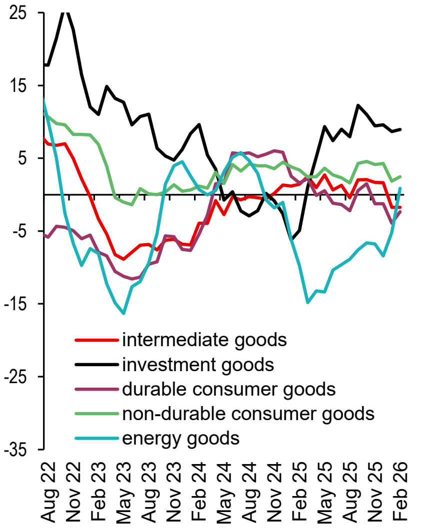
The February construction figures were a negative surprise, although it is worth noting that adverse winter weather conditions still prevailed during the month. The deeper year-on-year decline was driven mainly by civil engineering works, where output fell by 11.7% y/y after -7.7% y/y in January. Specialised construction activities also deteriorated slightly

**Industrial output**




*Source: GUS, Santander*

**Production by main product groups, % y/y**




*Source: GUS, Santander*

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(-12.2% y/y after -11.8% y/y), whereas building construction recorded an improvement (-16.7% y/y after -18.3% y/y). Both investment and repair works showed a further deepening of declines.

For assessing underlying trends in construction, March will be crucial. Weather conditions improved markedly, and March typically sees higher activity than the first two months of the year. Nevertheless, two weak readings in a row suggest that investment growth in 1Q26 may have been lacklustre.

**Housing market about to bottom out?**

The housing market showed mixed results. The number of completed dwellings reached 14.6 thousand, marking a 0.9% y/y increase, while housing starts totalled 14.1 thousand (-14.8% y/y) and building permits 22.7 thousand (+12.4% y/y). The rise in permits looks promising, but this follows a weak January, meaning that the combined number of permits in the first two months of the year is almost unchanged from 2025. The rebound in permits led to a noticeable increase in the number of housing projects in progress, to 58.0 thousand from 55.6 thousand. At the same time, however, the number of flats under construction declined in annual terms for the first time since early 2024.

In our view, the market may already be near a trough in activity, and rising housing demand—visible in stronger mortgage lending data—may support a return to house price growth and begin to stimulate developers' activity.

**Wage growth a bit slower than expected**

Wage growth in the enterprise sector stood at 6.1% y/y in February, unchanged from January and below expectations of a slight acceleration, to 6.4% y/y according to the market and 6.6% y/y according to us. Real wage growth recorded a modest uptick, rising to 4.0% y/y from 3.9% y/y.

The shortfall of nominal wage growth relative to our forecast was driven mainly by a weaker-than-expected outcome in the mining sector, where wage growth fell to -2.7% y/y from +5.4% y/y. As a result, wage growth outside the mining sector accelerated to 6.4% y/y from 6.2% y/y, supported primarily by other industrial sectors, while wage growth in services decelerated to 6.1% y/y from 6.5% y/y.

Employment in the enterprise sector declined by 0.8% y/y in February, matching the pace observed in January and in line with expectations. On a month-on-month basis, the number of full-time equivalents fell by around 2.4k, slightly less than we had anticipated. Employment levels and dynamics across most sectors remained broadly stable.

We expect employment growth to improve over the coming months, approaching 0% y/y by the end of the year. This should be supported by continued strong GDP growth and the launch of a new investment cycle, which should increase demand for labour.

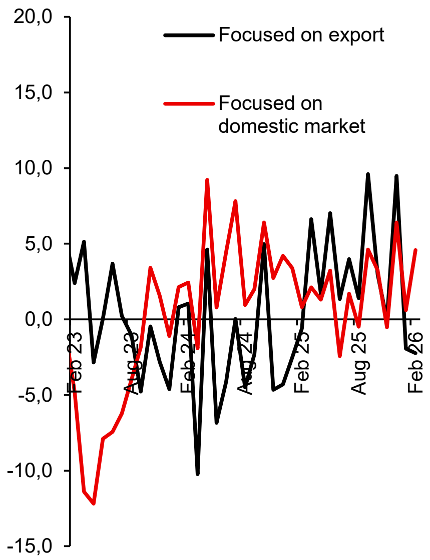
**Producer price decline slightly smaller than in January**

Producer prices of sold industrial output were 2.3% lower y/y in February, compared with a 2.6% y/y decline in January. We had expected a reading of -2.5% y/y, while the market consensus stood at -2.4% y/y. The February figure marks the first rebound in PPI inflation since July last year.

In manufacturing, annual price growth picked up from -3.0% y/y to -2.3% y/y. In February alone, prices in this category rose by 0.3% m/m, exceeding the median of monthly increases typically recorded in this month over recent years. Annual price growth in mining and quarrying remained positive in February (1.2% y/y), although it was lower than in January (2.3% y/y). Before that, the last time PPI data showed y/y increases in this sector was more than two years ago. The largest monthly increase in producer prices was recorded in the refining sector (2.4% m/m), while the steepest decline occurred in the production of IT equipment, electronics and optical products (-0.6% m/m).

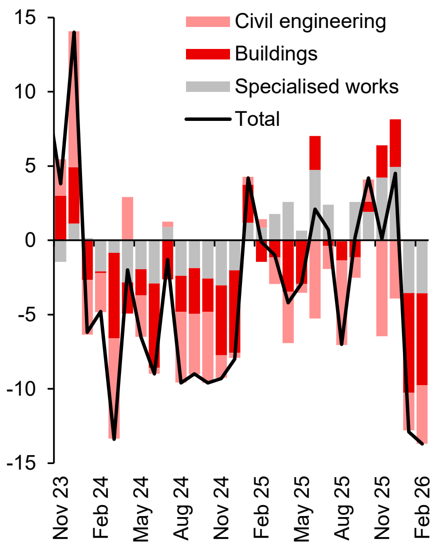
According to our estimates, core PPI inflation (excluding categories most closely linked to movements in global commodity prices) stood at -2.0% y/y in February, slightly higher than in the previous two months (-2.2% y/y). On an m/m basis, February was the first month without a price decline since June last year.

**Production by destination, % y/y**



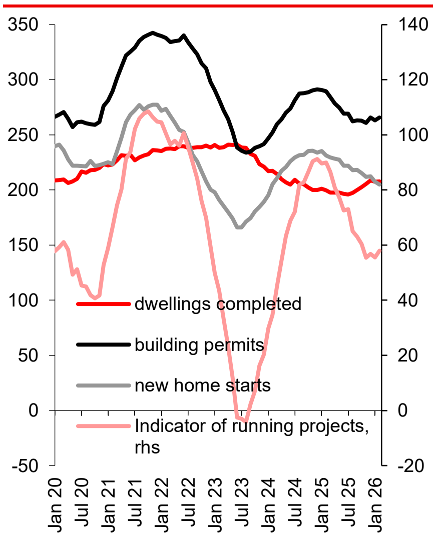

*Source: GUS, Santander*

**Construction output, % y/y**




*Source: GUS, Santander*

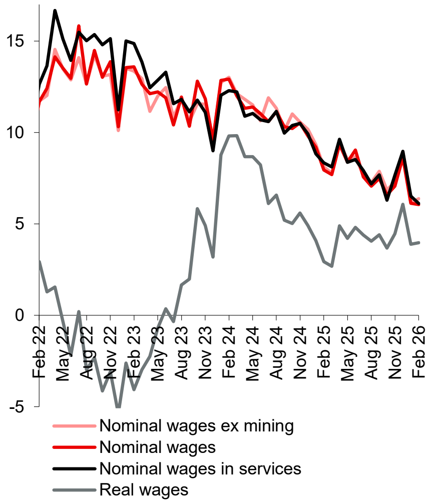
**Housing market tendencies, 12M moving sums, thousands**




*Source: GUS, Santander*

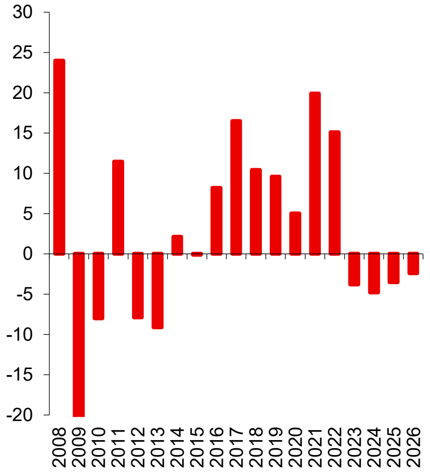
In our view, the sharp rise in prices of, among others, energy commodities, triggered by the attack on Iran, will be clearly reflected in upcoming readings of PPI inflation. It could jump into a range between -1% y/y and 0% y/y.

**Wage growth in the enterprise sector, % y/y**




*Source: GUS, Santander Bank Polska*

**Change in employment in February, thousands m/m**




*Source: GUS, Santander Bank Polska*



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