Poland's growth outlook: so far so good

March brought an impressive bounce-back in industrial output performance, following the winter slowdown. Construction activity also returned to growth after double digit declines in the first two months of the year. While we feared GDP growth slowed towards 3.1% YoY in 1Q, we now see it at around 3.5% but remain cautious with respect to 2026 growth

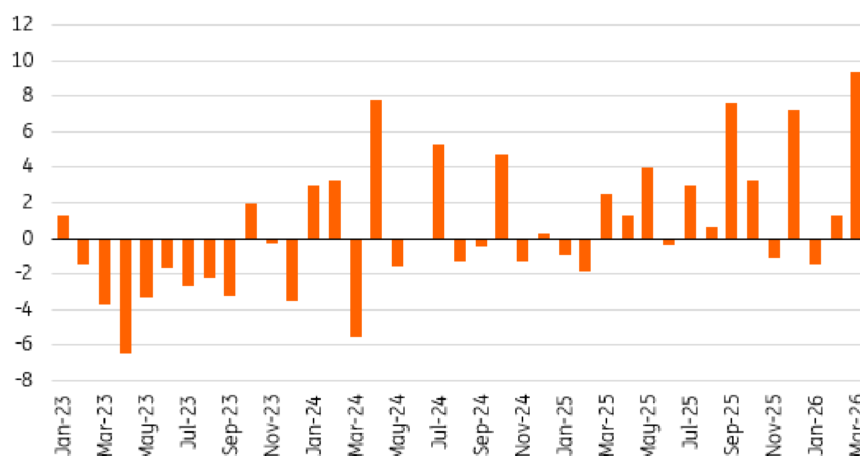
Economic activity in Poland rebounded in March as weather conditions normalised

Activity in industry and construction rebounded in March

The winter months were challenging for the Polish economy. Freezing temperatures and heavy snowfall virtually halted construction activity, resulting in double digit declines in output in January and February. The same factors weighed on the performance of industry amid disruptions in transport and supply chains, and surging electricity prices. Activity rebounded in March as weather conditions normalised. Construction output recorded positive annual growth (0.4% year-on-year), rising by 37% compared with February, while industrial production surged by a hefty 9.4% YoY. Firms in both sectors were attempting to catch up and compensate for output losses earlier in the year.

Strong rebound in industrial output in March

Industrial production, %YoY (NSA)



Source: GUS.

Slowdown in 1Q shallower than feared, but prospects remain uncertain

While January and February data suggested that annual GDP growth could slow by around one percentage point compared with the 4.1% YoY growth recorded in 4Q25, March data offered greater grounds for optimism. We currently estimate GDP growth in 1Q26 at around 3.5% YoY. Nevertheless, we remain cautious about the remainder of the year and maintain our annual growth forecast of 3.4%, as the negative consequences of the unfolding oil crisis may yet materialise.

We are also concerned that the slow unlocking of Recovery and Resilience Facility (RRF) funds – and even the slower pace of actual spending – may dampen fixed investment growth this year, shifting more investment momentum into 2027. According to official data, around 40% of RRF grants allocated to Poland have been disbursed to final beneficiaries as of February 2026, while roughly 60% of the total grant envelope has yet to be injected into the economy.

Labour market not generating inflation pressure

The March labour market report confirmed that wage pressures have eased in recent months as CPI inflation moderated towards the central bank's 2.5% target around the turn of the year. The increase in the statutory minimum wage at the beginning of 2026 was modest (3% vs. 9.2% in 2025), and public sector wage rises were similarly contained (at around 3% vs. 4.1% in the previous year). In March, the average wage and salary in the enterprise sector increased by 6.6% YoY, compared with near double digit growth in early 2025.

Surveys suggest that employers are now less willing to grant substantial pay rises, while employees' wage demands have also moderated. At the same time, employment continues to decline, falling by 9,000 jobs in March compared with February. Several sectors are adjusting to the growing competitive pressure from Asia, as well as to the reshaping of Poland's export structure and production base.

In the wake of the energy shock stemming from the military conflict in the Middle East, via higher crude oil prices and rising fuel costs, we expect CPI inflation to increase. Faster consumer price growth may erode real disposable incomes and could weigh on household consumption in the coming quarters.

National Bank of Poland likely to keep rates on hold

As labour market dynamics do not pose an upside risk to price stability, the Monetary Policy Council (MPC) is likely to focus on the structure of inflation and the direction of core inflation in response to the global energy shock. A key issue for assessing the persistence of the shock will be the degree to which higher fuel prices spill over into other goods and services, and whether second round effects begin to emerge.

Provided that current disruptions in the Persian Gulf translate into a pure supply side shock, policymakers may opt to wait and assess incoming data. We expect the main policy rate (currently 3.75%) to remain unchanged through the end of this year.

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