

Poland sees a bumpy start to 2026 amid weather and energy shocks

The Polish economy had barely begun to shake off the negative impact of severe weather at the start of 2026 when it was struck by an energy shock triggered by the outbreak of military conflict in the Middle East. In 1Q26, GDP growth likely eased towards 3.5% YoY, although for the full year we still expect 3.7% – albeit with mounting downside risks



Poland's economy maintained fairly robust growth despite headwinds

Low temperatures and heavy snowfall slowed Poland's economic performance in the first quarter of 2026, as suggested by monthly data for industry and construction. Construction output fell by 13.7% year-on-year in February following a 12.9% YoY decline in January, with double digit drops across all major segments (building construction, civil engineering, and specialised works). Industrial output rebounded in February (+1.5% YoY), but not by enough to offset the January contraction (-1.5% YoY). We estimate that construction made a negative contribution to gross value added in 1Q26, with GDP growth largely supported by services.

Wage growth stabilised at around 6% YoY in the first two months of the year, reflecting a modest rise in the minimum wage (3.0% this year versus 8.5% in 2025) and public sector indexation

(3.0%). Employment fell by 0.8% YoY in February, the same pace as in the month prior. The labour market is no longer a threat to price stability, as wage growth is now consistent with CPI inflation at the central bank's target.

The elephant in the room is the military conflict in the Middle East, which has triggered a surge in energy prices and may weigh on both business and consumer confidence. Higher prices could also constrain consumption. Further solid growth requires a lower savings rate given the slower disposable income we forecast for 2026. The confidence shock caused by the new war poses a risk that households may keep savings high at the expense of consumption growth. The Iran war and spike in prices is also a threat to private investment, which has already proven weak in recent years and may remain so at its current juncture. The non -cyclical element is public investment, of which the defence component may even accelerate, given that the Iran war creates a risk to US weapons to Ukraine.

Downside risks to 2026 economic growth are increasing, yet we maintain our 3.7% GDP growth forecast for this year; we had already been cautious about 2026 prospects for some time, but instead of upside risk, we now see downside risks to our call. The inflation outlook has deteriorated, and we now expect average inflation above 3% this year, whereas at the beginning of 2026 our projections were closer to 2%. Given the heightened uncertainty and the at least temporary rise in inflation, the National Bank of Poland is unlikely to cut interest rates further this year, keeping the main policy rate at its current level of 3.75%.

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