Harsh weather cools Poland's economy in early 2026

Harsh weather conditions, including severe frosts and heavy snowfall, took a toll on Polish economic activity in January. Construction nose-dived, industrial output fell, the employment drop deepened, and wage growth returned to its downward trend. We see few reasons for policymakers to refrain from monetary easing in March, and we expect a 25bp cut

A harsh winter has prompted a soft start to 2026 for the Polish economy

Weather froze activity in construction

Despite the effects of global warming, January in Poland brought winter conditions as we remember them from the 80s, with freezing temperatures and serious snowfalls. In such an environment, a double-digit drop in construction output (-12.8% year-on-year) is not a surprise. Activity fell across all segments, including specialised works, some of which can be conducted indoors, but low temperatures make even laying pipes or electric cables difficult. Building construction fell 17.4% YoY, civil engineering by 7.5% YoY and specialised works by 11.9% YoY.

In 2026, we expect a cumulation of projects financed from the Recovery and Resilience Fund (RRF), and we project payments to final beneficiaries to amount to 1.2% of GDP, which should boost investment (particularly in the public sector) and construction when the harsh winter weather abates. After initial delays in RRF deployment in the first years of the programme (linked to the rule of law conflict between the previous government and Brussels), the programme is now facing a new potential source of delays due to weather conditions. That means that the full absorption of RRF may be challenging as the deadline for its settlement is drawing near.

Industry down as well

Industrial output declined as well (-1.5% YoY) amid negative calendar effects (a lower number of working days) and unfavourable weather. Industrial activities are mostly conducted indoors and are not directly exposed to weather, but cold and snowy conditions impact transport and forwarding, potentially disturbing supply chains. What is more, higher demand for heating energy boosted energy prices, which discouraged non-urgent energy-intensive production. The deepest declines were reported in the manufacture of other non-metallic mineral products (-17.0% YoY), manufacture of basic metals (down by 14.4% YoY) and manufacture of chemicals and chemical products (-10.5% YoY).

Manufacturers are also facing increasing competitive pressure from Chinese imports, which rose by more than 13% YoY in euro terms last year; meanwhile, price deflation is ongoing. In January, PPI fell by 2.6% YoY following a 2.5% YoY decline in December. Cheap imports translate into deflationary tendencies in non-energy durable industrial goods, which have contributed to slowing inflation in recent months.

Wage growth resumes downward trend

In line with our expectations, wage growth resumed its downward trend after temporarily elevated dynamics in late 2025, when compensation was boosted by annual bonuses in mining. In January, the average wage and salary in the enterprise sector moderated to 6.1% YoY from 8.6% YoY in December. The minimum wage went up by 3% from January this year, as compared with a 9.2% increase in 2025. Wage hikes in the public sector should also be around 3%, and wage demands in the private sector eased with lower consumer inflation. We see average wage growth in enterprises this year at 5.5% vs 8.0% in 2025. The number of jobs in enterprises fell by 0.8% YoY compared to -0.7% YoY in December.

Softer activity bolsters the case for easing policy, as weaker wage dynamics strengthen the case for a rate cut in March

Economic activity in the late first quarter of 2026 is unlikely to compensate for a softer start to the year, so GDP growth over this period is likely to be lower than in the final quarter of 2025. We see economic growth at 3.8% YoY in 1Q26 with downside risks, especially given that February did not bring any major improvements in weather conditions throughout most of the country. We maintain faith in our 3.7% forecast for GDP growth this year, as the economy should return to stronger growth in the coming months, given the strong pace of public investment and signals of export orders improving across Central European economies.

Still, softer activity in early 2026, slowing wages, declining employment, and the lack of inflationary pressure provide the National Bank of Poland (NBP) with strong arguments for further monetary easing. We expect a 25bp cut in March and believe the main policy rate (currently at 4.00%) may decline to 3.25% or even lower before the end of 2026.

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