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Poland's economy enters the third quarter on an uneven footing

Poland's economy ended 2Q26 on a strong footing, but July brought a softer picture of activity. Solid industrial performance was accompanied by a surprising decline in construction output. We think the peak of the current economic cycle may already be behind us, but we still expect robust growth in the second half of the year and GDP to expand by 3.4% in 2026

Poland's growth may have peaked in the second quarter, but we still expect GDP growth of 3.4% in 2026

Industry continues to perform strongly

Industrial output increased by 5.1% year-on-year in July, slightly exceeding market expectations. Growth was nevertheless weaker than in June, when output rose by 7.4% YoY, supported by a favourable calendar effect and a low reference base in many manufacturing divisions.

Production of capital goods increased at a double-digit pace, rising by 11.1% YoY, while intermediate goods output also recorded strong growth of 6.3% YoY. This points to solid investment momentum as projects financed under the National Recovery and Resilience Plan continue to gather pace.

Particularly strong growth was reported in the manufacture of other transport equipment, where output rose by 31.5% YoY. Production of computer, electronic and optical products increased by 21.0% YoY, while the manufacture of machinery and equipment expanded by 17.3%.

Declines were recorded in the manufacture of tobacco products, down 10.6% YoY, furniture, down 3.3%, and textiles, down 2.5%. The furniture and textile industries have come under increasing pressure from Asian imports in recent quarters.

Construction activity less compelling

The positive picture from industry was somewhat undermined by disappointing construction data, with output falling by 2.4% YoY in July. In June, declines in building construction and specialised construction activities were more than offset by surging civil engineering output. In July, however, activity weakened across the board, with output falling in all three main construction segments.

This picture appears inconsistent with the signs of strengthening investment activity suggested by the composition of industrial production and rising expenditure under the National Recovery and Resilience Plan. Statistics Poland indicated that the July figures were distorted by the irregular timing of post-completion settlements, which could provide a boost to output data in the coming months.

The peak of the cycle may be behind us, but solid growth should continue

Somewhat surprisingly, despite continued geopolitical tension in the Middle East, second quarter 2026 may have marked the peak of the current economic cycle. Matching the quarter’s 3.8% YoY GDP growth rate could prove difficult over the coming quarters. Nevertheless, we still expect GDP growth to run at around 3% YoY in the second half of 2026, resulting in full-year economic growth of 3.4%.

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