

# Poland

## Outlook

	Average 11-15	2016	2017	2018	2019	2020	2021	Forecast	
								2022	2023
GDP growth (%)	3.0	3.2	4.9	5.4	4.8	-2.1	6.0	5.6	2.6
CPI inflation (%)*	1.6	-0.2	1.6	1.2	2.1	3.7	5.2	11.2	7.0
Fiscal balance (% of GDP)	-3.8	-2.4	-1.5	-0.2	-0.7	-6.9	-1.9	-4.0	-4.4
Public debt (% of GDP)	53.6	54.2	50.6	48.8	45.6	57.1	53.8	50.8	49.8
Reference rate (%)*	3.2	1.5	1.5	1.5	1.5	0.5	0.4	4.5	5.5
Exchange rate (PLN/USD)*	3.3	3.9	3.8	3.6	3.8	3.9	3.9	4.3	4.0
Current balance (% of GDP)	-2.9	-0.8	-0.4	-1.3	0.5	3.3	2.9	1.6	0.5
External debt (% of GDP)	69.7	72.6	67.6	62.6	58.6	58.8	52.7	53.5	48.7

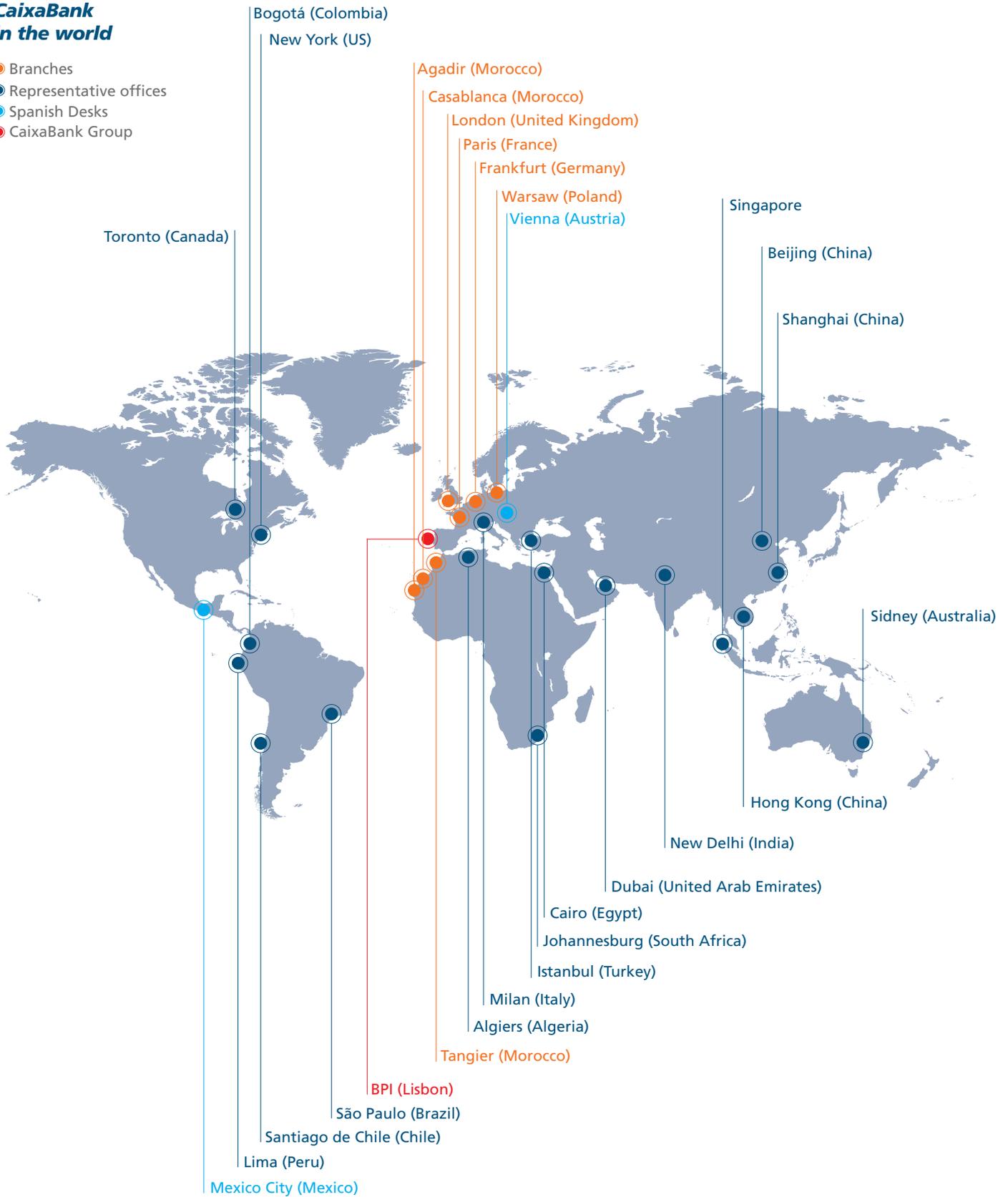
Note: \*annual average.

Source: CaixaBank Research, based on data from Eurostat, the IMF and Oxford Economics.

- **The GDP figures in Q1 were very positive**, and a quarter-on-quarter growth of 2.5% exceeded the expectations of analysts, who were expecting 1.8%. The momentum of the economic recovery after the pandemic continues to play a big part in Poland's economic growth, but it had been expected that some of the risks faced by the country's economy would have already had a notable impact on growth in the last quarter. After 2021, when GDP grew by 6%, 2022 started very well, but looking forward to the quarters that lie ahead, growth may slow down and may even be negative temporarily.
- **Over the whole of 2022, we expect growth to reach around 5%**, supported by the tailwinds provided by the resumption of economic activity, fiscal support and the momentum that may be generated by the European Recovery Plan. Furthermore, the growing influx of Ukrainian refugees, who have been allowed to enter the Polish labour market for 18 months, could have a positive impact on economic growth. However, growth should follow a downward trend, given that the close economic ties between the country and Ukraine, Russia and Belarus make it especially vulnerable to the consequences of the war in Ukraine. Additionally, high inflation (which stood at 11.4% in April and may rise further in the coming months) and the hike in interest rates by the Central Bank (+5.15 pp since Q4 2021), combined with the depreciation in the exchange rate between the zloty and the dollar, will weaken economic growth. In fiscal terms, we anticipate a decline in the deficit due to the government's efforts to reduce the impact of rising consumer prices by lowering taxes on fuel and food, and offering moratoriums on mortgages for borrowers who have been hardest hit by the rise in interest rates.
- **The risks to the Polish economy are tilted to the downside.** Firstly, any worsening of the pandemic could lead to further restrictions and a more notable slowdown in activity than anticipated. Secondly, the recent lockdowns in China due to outbreaks of the pandemic could increase the pressure on global supply chains and hit supplies, as well as affect consumer prices, which are already high. Additionally, the economic consequences of the war in Ukraine may have a severe impact on Poland, which has already seen a significant reduction in Russian gas flows through the Yamal pipeline. Moreover, high inflation and the restrictive monetary policy followed by the National Bank of Poland may act as another headwind to economic growth by weakening household spending.

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