

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	4.1	1.2
CPI inflation (%)*	1.6	-0.2	1.6	1.2	2.1	3.7	5.2	13.3	10.0
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	5.3	6.9
Exchange rate (PLN/USD)*	3.3	3.9	3.8	3.6	3.8	3.9	3.9	4.5	4.3
Current balance (% of GDP)	-2.9	-0.8	-0.4	-1.3	0.5	2.8	-0.5	-1.1	-0.2
External debt (% of GDP)	69.7	72.6	67.6	62.6	58.6	58.8	53.0	60.4	53.8

Note: * Annual average.

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

- **GDP growth over the whole of 2022 will be around 4.1%**, supported by the resilience that private consumption is continuing to show (in turn, further strengthened by expenditure by Ukrainian refugees), non-stop fiscal support and base effects. However, the dynamic growth recorded in Q1 2022 almost completely disappeared in Q2 and the Polish economy may stagnate in the final two quarters of 2022, due to the impact of rising interest rates, increasingly unaffordable energy prices and a high level of uncertainty. These factors may also jeopardise economic growth in 2023, placing it only slightly above 1%.
- In terms of monetary policy, rising inflation (17.2% in September) has forced the National Bank of Poland to continue with its restrictive policy, hiking interest rates from 2.25% in January to 6.75% in September. It is expected to plateau at around 7.5% at the end of 2023. At a fiscal level, the EU has finally approved over 35 billion euros from the Recovery and Resilience Facility for Poland, but payment is still being blocked due to changes to the rule of law that Poland is yet to implement. Once these payments have been confirmed, it will alleviate some of the pressure being placed on the Polish fiscal balance by the extraordinary increase in national defence expenditure and the ongoing provision of tax deductions to lessen the impact of rising consumer prices.
- **The risks to the Polish economy are uncertain and highly dependant on the climax and outcome of the Russian conflict.** The most notable risks are as follows: (i) The greater persistence of rising inflation at present, which could continue to weaken real wages, consumption and investment. (ii) The danger to the sustainability of the Polish fiscal deficit. In addition to the reduced fiscal space following the pandemic, social measures have been approved to mitigate the effect of inflation on household consumption and there has been extraordinarily high military spending due to the Russian conflict. (iii) The continuation of low business productivity and polluting industries. Poland is one of the EU countries with the largest workforce in industries that are harmful to the environment, so the transition to cleaner energies could put companies that fail to make the transition to clean energy out of business, thus reducing growth opportunities in the medium term. And (iv) the rate of population ageing, among the highest in Europe, which may place a burden on the health system and pensions in the medium term.

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