

# Poland

## Outlook

		Forecast								
	Avg. 10-14	2015	2016	2017	2018	2019	2020	2021	2022	2023
GDP growth (%)	2.9	4.2	3.2	4.9	5.4	4.6	-3.5	3.0	4.9	0.7
CPI inflation (%)*	2.2	-0.7	-0.2	1.6	1.2	2.1	3.6	2.1	14.9	7.0
Fiscal balance (% of GDP)	-4.8	-2.6	-2.4	-1.5	-0.2	-0.7	-6.9	-1.8	-4.8(e)	-5.5
Public debt (% of GDP)	54.5	51.3	54.5	50.8	48.7	45.7	57.2	53.8	51.3(e)	52.9
Reference rate (%)*	3.5	1.6	1.5	1.5	1.5	1.5	0.5	0.4	5.3	6.8
Exchange rate (PLN/USD)*	3.1	3.8	3.9	3.8	3.6	3.8	3.9	3.9	4.5	4.4
Current balance (% of GDP)	-4.0	-1.4	-1.1	-1.2	-2.1	-0.3	2.9	1.6	0.5(e)	1.5
External debt (% of GDP)	68.8	70.2	73.0	68.0	62.5	58.7	58.6	53.3	58.2(e)	50.3

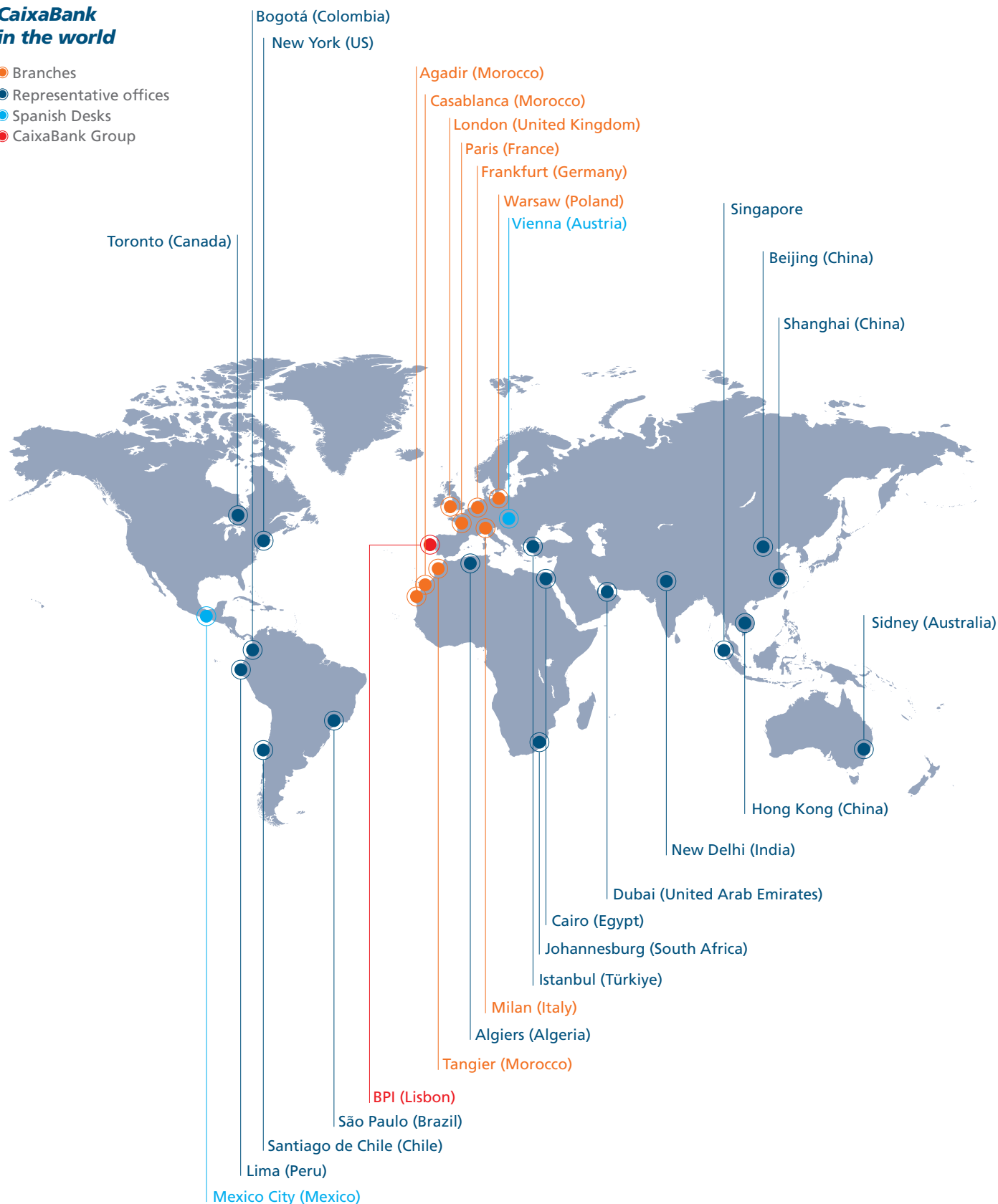
Notes: \* Annual average. (e): estimate.

Source: CaixaBank Research, using data from Thomson Reuters Datastream.

- **The Polish economy recorded growth of 4.9% in 2022**, supported by household consumption and investment, which increased by 3.0% and 4.6%, respectively. Despite starting the year strong, the data reflected the drop in consumer confidence, which reached all-time lows in the second half of the year. The high inflation rates reached (which exceeded 17% in September, October and November) have forced the Central Bank to persistently raise interest rates, further weakening domestic demand already impacted by the uncertainty of the financial situation and the reduction in the real wages of workers.
- **With regards to the outlook for 2023, we expect very timid growth from the Polish economy.** According to the latest Central Bank projection, inflation will remain in double digits until well into 2023 (albeit on a downward trend), and is not expected to return to target until mid-2025. Therefore, expectations of an easing of the monetary conditions will become more evident, with cuts in interest rates expected only in 2024. In addition, the expected payments of the Recovery and Resilience Facility for Poland, which could alleviate the economy in 2023, remain blocked. For all of these reasons, we are revising down the economic growth for this year, placing it below 1%.
- **Poland remains in a better position than its neighbours**, although the following short- and medium-term risks should be noted: (i) **the persistence of high core inflation**: while the headline inflation trend in Poland is in line with the rest of the euro area, core inflation (excluding energy and food) continues to rise, reaching its highest level in 20 years (12.0%) in February 2023; (ii) **the danger to the sustainability of the Polish fiscal deficit**: added to the fiscal efforts during the pandemic are the social measures adopted to alleviate the impact of high inflation on consumption. This has generated a significant increase in public debt, and there is no plan in sight in the short term to reduce it. Added to this is the extraordinary spending on military defence due to the Russian conflict; (iii) **the continuation of companies with low productivity and polluting industries**: Poland is one of the EU countries with the largest workforce in industries that are harmful to the environment. The transition to cleaner energies, promoted by the EU, despite creating opportunities for growth, could put companies that fail to make the transition to clean energy out of business in the short and/or medium term; iv) **the ageing population rate, among the highest in Europe**: the World Bank estimates that 35% of the population will be over 65 years of age by 2030. This change in the country's demographic structure could place a significant burden on the health and pension system.

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### Warsaw branch

Prosta, 51  
00838 Warsaw (Poland)

Director: Juan José Marín  
Tel. (+48) 223 061 203

