

Poland

Outlook

	Average 12-16	2017	2018	2019	2020	2021	2022	2023	Forecast	
									2024	2025
GDP growth (%)	2.8	5.2	5.9	4.4	-2.0	7.0	5.6	0.1	2.9	3.6
CPI inflation (%)*	0.7	1.6	1.2	2.1	3.6	5.2	13.2	10.8	4.6	4.6
Fiscal balance (% of GDP)	-3.4	-1.5	-0.2	-0.7	-6.9	-1.8	-3.7	-5.8	-4.6	-3.9
Public debt (% of GDP)	53.8	50.8	48.7	45.7	57.2	53.6	49.3	50.9	54.4	56.2
Reference rate (%)*	2.6	1.5	1.5	1.5	0.5	0.4	5.3	6.5	5.3	4.3
Exchange rate (PLN/USD)*	3.5	3.8	3.6	3.8	3.9	3.9	4.5	4.2	4.0	3.9
Current balance (% of GDP)	-2.4	-1.2	-2.1	-0.3	2.9	-1.6	-3.3	0.0	0.0	0.0
External debt (% of GDP)	71.5	68.0	62.5	58.7	58.8	53.6	53.1	48.0	44.2	42.7

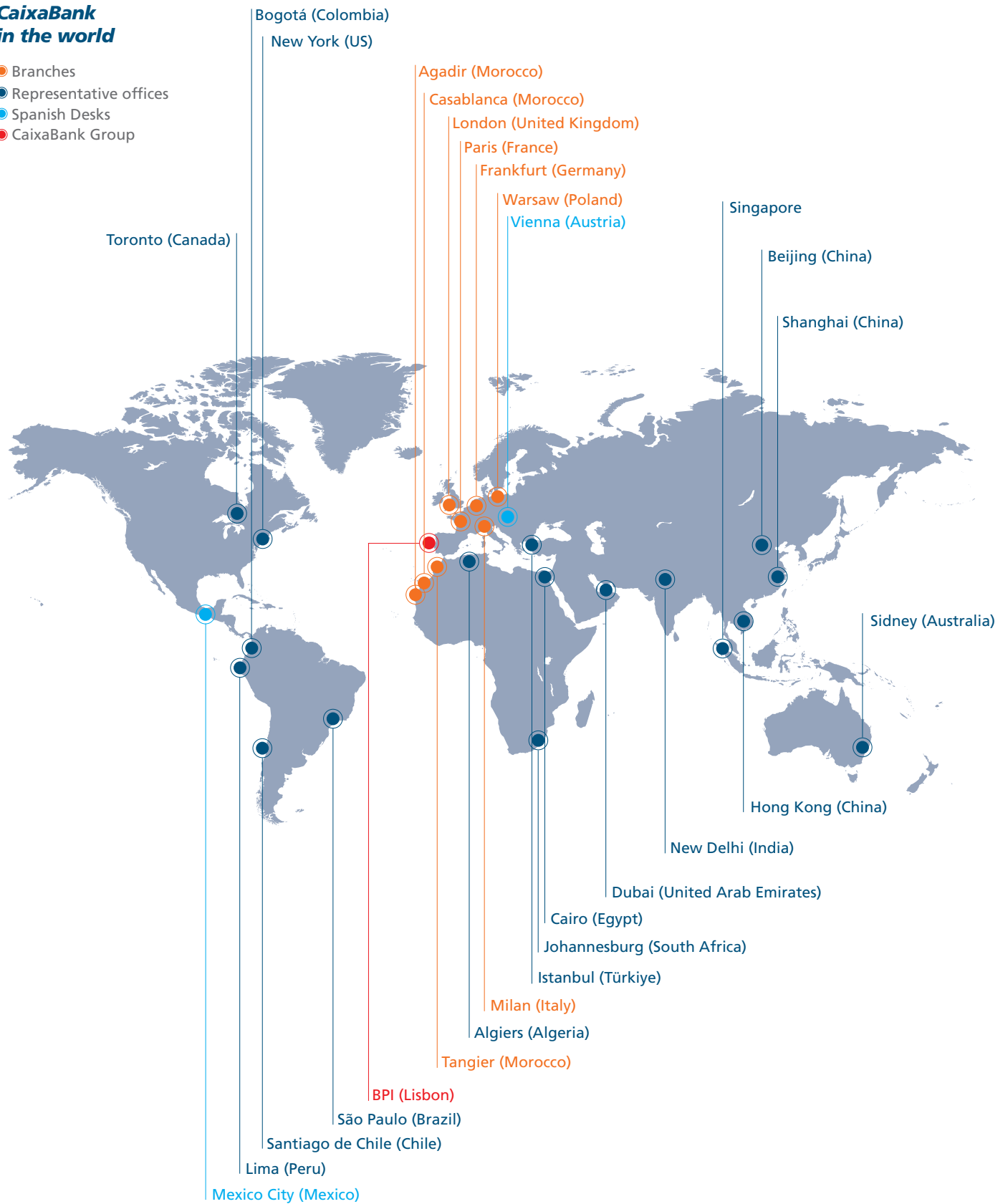
Note: * Annual average.

Source: CaixaBank Research, based on data from Eurostat and Refinitiv.

- **The Polish economy recorded growth of 0.1% in 2023**, below the 0.7% expected by analysts after two years of expansion following the pandemic. The slowdown was caused by the drop in household consumption, which decreased 1% year-on-year, hampered by the decline in consumer confidence and investment within a context of restrictive financial conditions. Although the National Bank of Poland lowered interest rates by 100 bp in 2023 from the highest levels in two decades, they currently stand at 5.75%. On the other hand, lower energy prices favoured the drop in imports (-8.3% year-on-year), which cushioned the trade deficit.
- **Inflation continues to slow down** and stood at 4.5% year-on-year in January, down from 6.2% observed the previous month. After reaching a peak of 17% in February 2023, the Central Bank's restrictive monetary policy and the anti-inflationary measures promoted by the government, which included eliminating tax on certain foods and ceilings on energy prices, were unable to prevent an average inflation of 10.8% in 2023.
- **Looking at 2024, we expect a significant acceleration in growth of the Polish economy**, mainly supported by the increase in domestic demand. We expect household consumption to recover thanks to increased spending power, due to the increase in nominal wages and the drop in inflation. Initial figures for the year point to the increase in retail and consumer goods and increased consumer confidence, in positive territory for the first time since 2020. Another important area of support will be the entry of frozen funds that the EU has decided to release following the efforts of the new government, led by the centrist and pro-European Donald Tusk, to improve the conditions of the rule of law eroded by the previous government. We therefore expect the economy to grow by 3% in 2024.
- **Inflation will continue to slow down, but with upward risks**. We expect that the average for the year will be 4.6%, and that interest rates will remain at 5.75%. Uncertainty regarding whether the anti-inflationary measures, which expire in June, will be extended, makes us cautious in our forecast, as there could be a rise in inflation of up to 8% if they are not renewed. If the measures are extended, the Central Bank estimates that the CPI will reach 3.6%. However, the most likely scenario is that the measures will be renewed and they will then disappear gradually, so inflation could accelerate slightly in the second half of the year.
- **The international environment will also have an impact on the economic outlook**. Germany is Poland's main trading partner, and China its first non-EU partner, and, if they both remain weak, Polish foreign demand will continue to be hampered. Much will also depend on the political panorama and the ability of the new government to approve new reforms, in an environment that remains tense and with the current president who has the power of veto and is from the main opposition party.

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