

2.25. POLAND

After a mild contraction of economic activity at the end of 2020, Poland started 2021 on a strong economic footing. Real GDP grew by 1.1% q-o-q in the first quarter of 2021, supported by the recovery of Poland's main trading partners and increased confidence of businesses and households. Private investment was the main driver of the rebound, as a sudden hike in equipment investment in the manufacturing sector lifted investment activity by more than 18% q-o-q. Meanwhile, private consumption benefitted from increased spending opportunities and a stable labour market.

The recovery is expected to gather pace in the second and third quarters as restrictions on economic activity are gradually lifted. Private consumption is set to be supported by rising consumer confidence and the spending of households' accumulated savings, which are set to give a boost to consumption growth over the forecast horizon. Private investment is also expected to remain dynamic on the back of improved business sentiment, the investments in the context of the Recovery and Resilience Facility, and low borrowing costs, which are also likely to support the recovery in the construction sector. Regarding foreign trade, both exports and imports are expected to recover strongly in 2021 and 2022. However, following a sharp fall in 2020, imports are set to grow faster than exports, thus leading to a negative contribution of net trade to GDP growth in 2021 and, to lesser extent, in 2022. Overall, real GDP growth is expected to reach 4.8% in 2021 and 5.2% in 2022.

HICP inflation has risen noticeably in the first half of 2021, driven by increased energy prices, supply chain disruptions and increased input costs for businesses, which have been passed down to consumers, both for industrial goods and services. Further inflationary pressures are expected to emerge in the coming months as pent-up demand unfolds and investments in the context of the Recovery and Resilience Facility provide an additional boost to the economy. As a result, HICP inflation is expected to reach 4% in 2021 and to remain elevated at 3.1% in 2022.

Graph 2.25: Poland - Real GDP growth and contributions

