2.25. POLAND

Poland's economy surprised on the upside in the second half of 2021, confirming the economy's resilience despite recurring COVID-19 waves and disruptions in supply chains. Real GDP grew by 2.1% quarter-on-quarter in Q3, mainly driven by a gradual easing of COVID-related restrictions, which increased spending opportunities and supported private consumption growth. The flash estimate published by the statistical office suggests that economic activity maintained its strong momentum towards the year-end, with investment and inventories rising strongly amid a revival in manufacturing. As a result, real GDP growth is estimated to have reached 5.7% in 2021, putting Poland's economy back to its pre-pandemic output path.

Although the rise in new COVID-19 infections at the beginning of 2022 is expected to weigh on the short-term economic outlook, particularly for services, economic growth is projected to gather pace from the second quarter onwards. Private consumption growth will likely remain robust driven by a favourable situation on the labour market as well as policy support resulting from changes in the personal income tax, although increasing costs of living will likely erode purchasing power. Investment is projected to continue its recovery supported by a healthy financial situation of companies and firms' need to increase capacity. Poland's lower robotisation rate compared to other EU countries is also set to give firms incentives to invest in new machinery, especially in view of rising labour costs. Regarding foreign trade, even though both exports and imports are expected to show strong growth rates, imports will likely grow at a faster rate than exports, given the dynamic domestic demand. Thus, the trade balance is set to continue deteriorating in 2022, and to remain broadly unchanged in 2023. All in all, real GDP growth is projected to reach 5.5% in 2022 and decelerate to 4.2% in 2023.

HICP inflation rose noticeably in the second half of 2021 due to rising global commodity prices and supply bottlenecks, leaving the annual HICP inflation at 5.2% in 2021, the highest figure in 20 years. Going forward, even though a new package introduced by the government will reduce the taxes paid on energy and food products in the first half of the year, inflation is forecast to accelerate in the first quarter of 2022 due to a hike in regulated energy prices. Strong wage growth will likely keep putting upward pressure on core inflation throughout 2022, which is only expected to start easing in 2023 as inflationary pressures subside. HICP inflation is thus expected to accelerate to 6.8% in 2022 and to decrease to 3.8% in 2023.

Graph 2.25: **Poland - Real GDP growth and contributions**