Poland’s economy grew by 5.1% in 2018 and GDP growth in the first quarter of this year remained strong at 1.5% quarter-on-quarter, mainly driven by investment and private as well as public consumption. Business sentiment indicators weakened in the second quarter, but generally remained above their long-term averages, and consumer confidence stayed close to multiannual highs.

Private consumption is expected to strengthen in the second half of 2019 and in early 2020, as new fiscal transfers and tax cuts increase household disposable income. Together with strong wage growth and favourable labour market trends, this is expected to support consumer confidence. Investment growth continues to be supported by EU funds, and is set to remain strong in 2019, before slowing in 2020. The dynamics of both exports and imports are set to gradually moderate during 2019 and 2020. Overall, real GDP growth is expected to reach 4.4% in 2019 and 3.6% in 2020. Risks are slightly tilted to the upside for 2019 and mainly relate to net export and private investment growth. Risks to the 2020 growth outlook are slightly tilted to the downside.

Inflation rose in the second quarter of 2019, with faster wage increases visible in many sectors, in particular in services and food products. Inflation is forecast to rise from 1.2% in 2018 to 2.1% in 2019 before increasing further to 2.7% in 2020. Fast wage growth is projected to have a particularly strong impact on service prices throughout the forecast horizon. Energy price inflation is expected to remain low in 2019 and to increase in early 2020, following the removal of administrative controls on electricity prices.