



## **Weekly Briefing**

**Poland economy briefing:  
2023 under the sign of high inflation, but with positive GDP growth  
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## **2023 under the sign of high inflation, but with positive GDP growth**

### **Summary**

*The year 2023 in the Polish economy will be marked by high inflation, although probably less than in 2022. According to economists' predictions, economic growth will drop significantly, as a result of a decline in investment and consumption, associated with high inflation and high interest rates. According to most forecasts, economic growth in 2023 should most likely be positive. Unemployment will increase slightly. Among the economic challenges in 2023, experts cite election-year spending in Poland, the hard-to-predict effects of the war in Ukraine, a growing budget deficit and rising debt service costs, as well as problems raising billions of euros in funds from the EU Reconstruction Fund for investment.*

### **Introduction**

Analysts surveyed by the National Bank of Poland (NBP) expect Poland's average annual CPI inflation in 2023 to be in the range of 11.7-15.3 percent. - according to the latest NBP survey of professional forecasters. Economists expect Poland's GDP growth in 2023 to be in the range of -0.2 to +1.9 percent, and in 2024. 1.4 to 4.1 percent. Experts surveyed by the NBP predict that in 2023 the average annual NBP reference rate will be close to its current level. The survey included 23 experts representing financial institutions, think tanks and business organizations.<sup>i</sup>

### **Decrease in consumption and investment**

According to the Polish Economic Institute (PIE), Poland, like other European Union countries, will face an economic slowdown in 2023. Poland's GDP for the whole of 2023 is expected to grow by 1.2 percent. The economic slowdown will be accompanied by high inflation, which will reach 13 percent for the year.<sup>ii</sup> According to experts at the European Financial Congress (EFC), Poland's economic growth in 2023 will slow to 0.5 percent from 4.6 percent in 2022. They predict that average annual inflation will fall to 13.6 percent in 2023 (the National Bank of Poland forecasts inflation for the past 2022 at 14.5)<sup>iii</sup>.

Experts point out that the persistence of sharply higher inflation, especially in early 2023, has to do with the restoration of standard VAT and excise taxes on electricity, fuel and natural

gas, which were significantly reduced or zero in 2022 as part of the so-called "anti-inflation shield.

Experts surveyed by EFC predict that wages in the Polish economy will grow by 10.7 percent in 2023, compared to 12.3 percent projected for 2022. "This, combined with inflation falling at a slower pace, and coupled with a deterioration in consumer sentiment, will mean a deceleration in individual consumption. It will also slow down labor force growth. These factors, combined with a lower propensity to buy, will weigh heavily on consumption." - they emphasize.

According to PIE forecasts, Poland's economic slowdown will result in a slight increase in unemployment. The unemployment rate will remain in the range of 5.5-6 percent. The increase in the number of unemployed is likely to be greater in construction and industry. <sup>iv</sup>

### **High interest rates and inflation will limit economic growth**

Among the most important risks to the economic climate of the year, EFC experts mention the perpetuation of high inflation and high interest rates, severely hampering growth (stagflation scenario). They also include high energy prices, a weakening global economy and the risk of recession in major economies.<sup>v</sup> On the list of risks, they point to such inconsistent approaches of the Polish government to fiscal and monetary policy (increasing government spending while simultaneously taking anti-inflationary measures) , insufficient investment, limiting growth potential, and conflict with the EU - the risk of delayed and/or limited inflows of funds from the EU Reconstruction Fund.

EFC points to the deteriorating state of public finances and their transparency, the problem with prices and availability of raw materials and materials, and disruptions in supply chains. Add to this the cost of the election year for the economy - additional burdens on public finances and the risk of an escalation of the war in Ukraine.

### **The President of the National Bank of Poland on inflation, growth and interest rates**

The President of the National Bank of Poland (NBP), Adam Glapinski, at a New Year's press conference in January, referred to forecasts of a possible interest rate cut, stressing that it would happen immediately when possible, i.e. it would not increase inflation.<sup>vi</sup> At the same time, he stressed that "too radical a disinflation process can be too costly economically and socially." This is something we must avoid," he added. - The journalistic or political call to raise

interest rates to the rate of inflation should be considered irresponsible, Adam Glapinski said. In his view, such actions would lead to unemployment, bankruptcy and economic degeneration.

According to him, in Poland in 2023 we will feel the brakes on the economy very strongly. - Unfortunately, it is the case that while aiming to lower inflation - gradual, controlled, civilized at the same time we are lowering the pace of economic life. We are cooling the economy, as the figurative term is used. The pace of economic life is falling, and so is GDP, that is, the rate of growth of our prosperity, of the average Polish citizen. It is important that it does not fall excessively," said Adam Glapinski.

On January 4, the NBP Monetary Policy Council decided to keep interest rates unchanged for the fourth consecutive month. Thus, the reference rate continues to be 6.75 percent.

### **Entrepreneurs about economic challenges**

The Federation of Polish Entrepreneurs' (FPE) forecasts for the Polish economy in 2023 primarily point to high energy prices and a further reduction in demand due to rising inflation. The key challenge for next year, according to the organization, will be unlocking billions of euros in EU funds from the Reconstruction Fund and the new financial perspective, as well as sustaining the investment momentum in the Polish economy.<sup>vii</sup>

Threats to the Polish economy may include restrictions in access to financing for businesses (expensive credit), an increase in the cost of servicing public debt, pre-election bidding in difficult times for public finances, "pushing" private business out of the market by the public sector, stagnation in construction, as well as the growth of the shadow economy, associated with an increase in the cost of economic activity - in business turnover and the labor market.

Important measures, according to business organizations, will also be related to the full-scale implementation of the National e-Invoicing System (KseF), which is expected to become mandatory for all companies starting in 2024, the definition of non-price bid criteria in public procurement, and the mandatory implementation of ESG reporting for large companies (factors on which non-financial ratings and assessments are based, including environment, social responsibility, corporate governance.). In 2023, entrepreneurs will also collide with a revolution

in labor law. Not only will new regulations on remote work and employee sobriety testing come into force, but additional employee rights under the EU's so-called work-life balance directive and the directive on transparent and predictable working conditions are also likely to come into effect.

According to FPE, the Polish health care system remains a huge problem - without improving the availability of public health care services and improving key epidemiological indicators, including the number of years lived in health, the phenomenon of inadequate labor supply will increasingly trouble entrepreneurs.

An opportunity for Poland and domestic companies could be Ukraine - the possibility of rebuilding the country by Polish companies in an infrastructural and economic context. <sup>viii</sup>

## **Conclusion**

The year 2023 will be a difficult year for the global economy, including Poland. The main Polish economic challenges in 2023 will be relatively high inflation, which will significantly weaken the rate of economic growth, which may be only slightly positive. Due to high inflation and high interest rates, consumption and investment levels will fall. A challenge for Polish public spending will be the parliamentary elections due this year, which will increase the pressure to increase public spending, which is already at a high level, and increase the budget deficit. The possibility of obtaining funds from the EU Reconstruction Fund and the effects of the prolonged war in Ukraine will also be important factors for the Polish economy.

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- i [The Economic Portal Bankier.pl https://www.bankier.pl/wiadomosc/Dwucyfrowa-inflacja-ujemny-wzrost-PKB-To-wyniki-ankiety-NBP-8465648.html](https://www.bankier.pl/wiadomosc/Dwucyfrowa-inflacja-ujemny-wzrost-PKB-To-wyniki-ankiety-NBP-8465648.html)
- ii [The Polish Institute of Economy https://pie.net.pl/w-2023-r-pkb-polski-wzrosnie-o-12-proc-a-inflacja-spadnie-o-15-pp/](https://pie.net.pl/w-2023-r-pkb-polski-wzrosnie-o-12-proc-a-inflacja-spadnie-o-15-pp/)
- iii [The BusinessInsider Economic Portal https://businessinsider.com.pl/gospodarka/przyszly-rok-bedzie-trudny-to-najwieksze-strachy-polskiej-gospodarki/2gqdn50](https://businessinsider.com.pl/gospodarka/przyszly-rok-bedzie-trudny-to-najwieksze-strachy-polskiej-gospodarki/2gqdn50)
- iv [The Polish Institute of Economy https://pie.net.pl/w-2023-r-pkb-polski-wzrosnie-o-12-proc-a-inflacja-spadnie-o-15-pp/](https://pie.net.pl/w-2023-r-pkb-polski-wzrosnie-o-12-proc-a-inflacja-spadnie-o-15-pp/)
- v [The BusinessInsider Economic Portal https://businessinsider.com.pl/gospodarka/przyszly-rok-bedzie-trudny-to-najwieksze-strachy-polskiej-gospodarki/2gqdn50](https://businessinsider.com.pl/gospodarka/przyszly-rok-bedzie-trudny-to-najwieksze-strachy-polskiej-gospodarki/2gqdn50)
- vi [The Money.pl Economic Portal https://www.money.pl/gospodarka/inflacja-totalnie-zaskoczyla-prezes-nbp-zabiera-glos-6852290400242592a.html](https://www.money.pl/gospodarka/inflacja-totalnie-zaskoczyla-prezes-nbp-zabiera-glos-6852290400242592a.html)
- vii [The Egospodarka.pl Economic Portal https://www.egospodarka.pl/179555,Polska-gospodarka-podsumowanie-2022-i-prognozy-na-2023,1,39,1.html](https://www.egospodarka.pl/179555,Polska-gospodarka-podsumowanie-2022-i-prognozy-na-2023,1,39,1.html)
- viii [Ibidem](#)