

Warsaw, 2 August 2023

In 2024, GDP will grow by 2.2% and inflation will amount to 7.9%

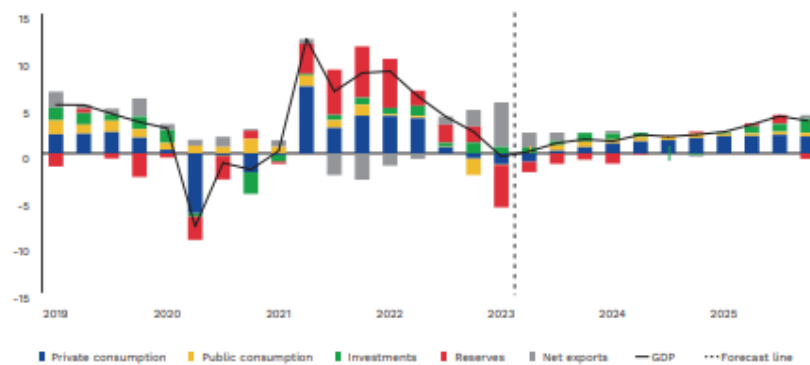
Poland and other European Union countries are grappling with the economic slowdown. Economic growth in Poland over the next two years will be moderate: 0.7% in 2023 and 2.2% in 2024. In spite of this, inflation will remain high — 12.6% in 2023, on average, and 7.9% in 2024. Nevertheless, average wage growth will remain in double digits and household wealth will increase. The weaker economic activity is having little impact on the labour market. Unemployment will remain low over the next two years, fluctuating around 5.5%. These are the Polish Economic Institute's forecasts presented in the *PEI Economic Review — summer 2023*.

Moderate economic growth in 2022 and 2023

The Polish economy has reached the bottom of the economic slowdown that it has been facing since 2022. GDP will grow by 0.7% in 2023 and by 2.2% in 2024.

“The slight decline of 0.3% in GDP in Q1 2023 means that the Polish economy has had a very soft landing during the global slowdown. GDP growth is dampened by weak household spending and a fall in inventories. The increase in investments comes as a positive surprise: in Q1 2023, outlays increased by 5.5%. Current data on industrial and construction production suggests that this trend will continue in Q2. From next year, household consumption will be more important, and GDP will start to grow at a stable pace,” says Jakub Rybacki, head of the PEI's macroeconomic team.

Chart 10. The structure of GDP growth – PEI forecast (% , y/y)



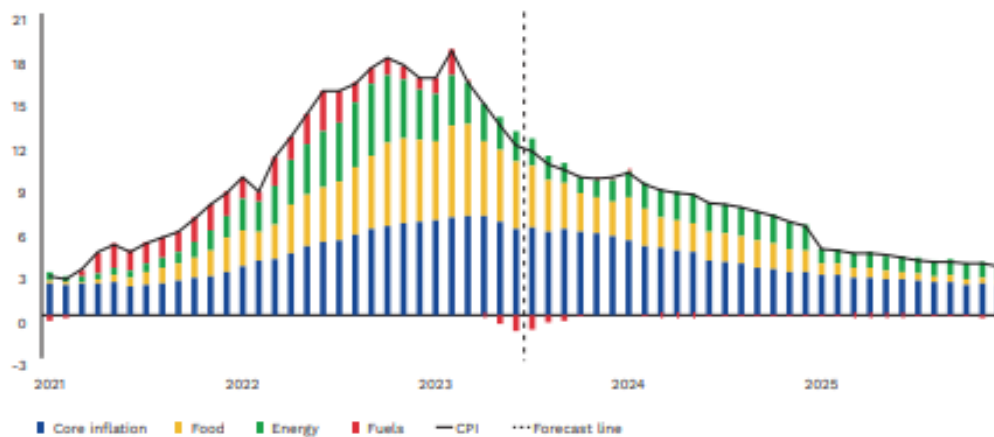
Źródło: szacunki PEI

Inflation eases in the first half of 2023

The consumer price index (CPI) rose by 10.8% in July 2023, a decline of almost 8 pp since the peak in February. The rate of price growth is slowing down for all the major components of inflation. Nevertheless, core inflation remains high. This year, it should average 11.0%.

The PIE forecasts that the average CPI inflation in 2023 will amount to 12.6%, compared to 14.5% last year — slightly less than forecast at the end of 2022. The downward trend will continue in 2024. Growth in food prices will slow down systematically, but inflation could be boosted by high energy prices and more expensive services. Therefore, according to the PIE's forecasts, CPI inflation will amount to 7.9% in 2024, on average.

Chart 13. Structure of CPI inflation – PIE forecast



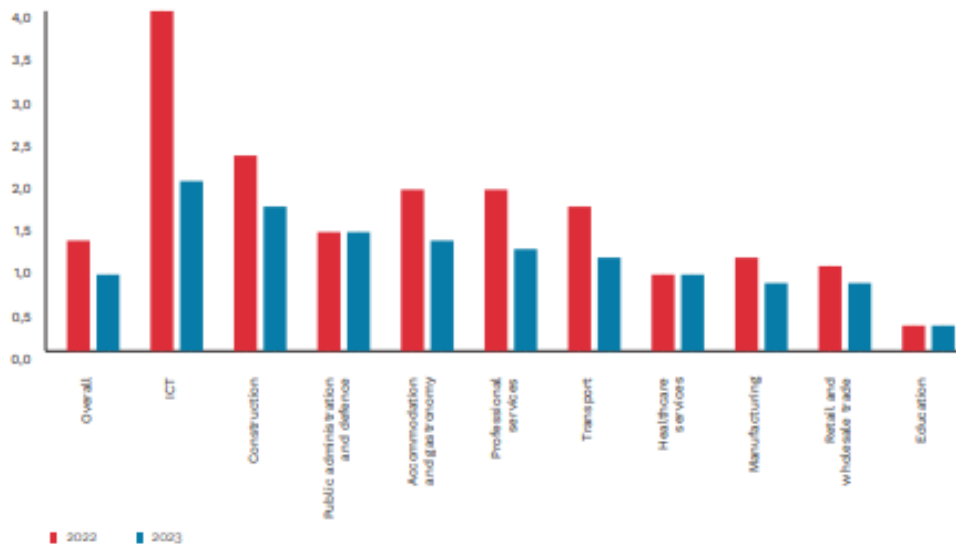
Source: prepared by PIE.

The situation on the labour market

Despite lower economic activity, the labour market in Poland remains stable. According to the Ministry of Family and Social Policy's estimates, the registered unemployment rate reached a record low of 5.0% in June. The number of unemployed people registered at labor offices was the lowest in recent history (785,000). According to Eurostat, unemployment in Poland amounted to 2.7% in May — the second lowest in the EU, after the Czech Republic.

“The record low unemployment is accompanied by the reduced demand for labour observed in almost every industry. At the end of Q1, there were nearly 115,000 vacancies, 27.6% fewer than the previous year. The largest decrease in vacancies is reported by companies in the information and communication (by 49%) and the transport sector (by 34.7%). At the same time, despite the decline in demand for employees, the ICT and construction sectors are still the most willing to increase employment,” says Rybacki.

Chart 17. Vacancy indicator in Q1 2023 (%)



Source: prepared by PEI based on Statistics Poland data.

According to the PEI's forecasts, registered unemployment will amount to 5.5% at the end of 2023 and 5.6% in 2024. Fluctuation in the unemployment rate in the coming months will mainly be seasonal. The greater number of jobs in the summer months means a further decrease in the unemployment rate in the summer and a limited increase in the winter.

The Polish Economic Institute is a public economic think-tank dating back to 1928. Its research primarily spans macroeconomics, energy and climate, the world economy, economic foresight, the digital economy and behavioural economics. The Institute provides reports, analyses and recommendations for key areas of the economy and social life in Poland, taking into account the international situation.

Media contact:

Ewa Balicka-Sawiak

Press Spokesperson

T: +48 727 427 918

E: ewa.balicka@pie.net.pl