

# POLAND

Poland's growth is projected to accelerate to 3.2 percent in 2025. Investment, particularly of the public sector, is expected to be boosted by the disbursement of European Union (EU) funds. Inflationary pressures in a tight labor market and fiscal challenges remain a concern. Downside risks stem from political cycles in the shorter term and global economic uncertainty in the longer run.

## Key conditions and challenges

The Polish economy has shown resilience thanks to a well-diversified economic structure, integrated into regional value chains, macroeconomic stability, a sound financial sector, strong domestic labor markets and generous social programs combined with reactive protective measures. Over the medium term, continued economic success hinges on technological transitions. A growth model driven by innovation, leveraging Poland's strengths in clean value-chains and advanced manufacturing capabilities will require financial deepening. The rapidly aging population remains a significant challenge to growth, inclusion and fiscal sustainability. The technological transformation, with the fast evolution of Artificial Intelligence (AI), creates leapfrogging opportunities but requires adequate planning.

The administration elected in October 2023 has made efforts to strengthen institutions, the predictability of the regulatory framework and the rule of law. In 2024, Poland was placed in Excessive Deficit Procedure (EDP) as its fiscal deficit exceeded the threshold partly due to the large increase in defense spending (to around 4 percent of GDP). Under the new EU Fiscal Framework, it has

Population <sup>1</sup> million	Poverty <sup>2</sup> millions living on less than \$6.85/day
37.8	0.5
Life expectancy at birth <sup>3</sup> years	School enrollment <sup>4</sup> primary (% gross)
77.3	100.6
GDP <sup>5</sup> current US\$, billion	GDP per capita <sup>6</sup> current US\$
924.7	24450.8

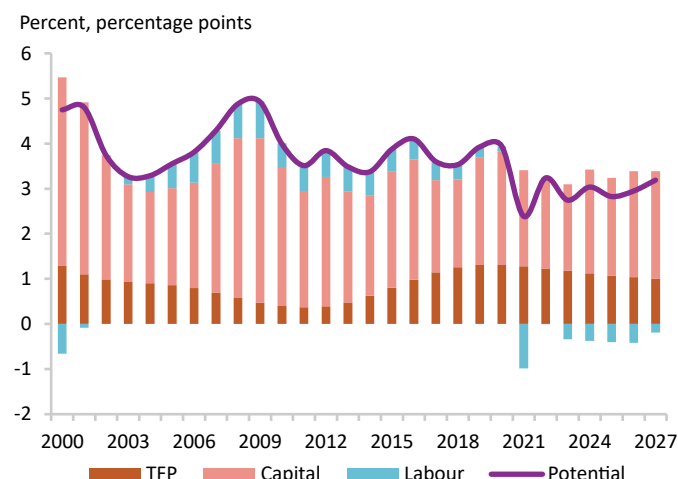
Sources: WDI, MFM, and official data. 1/ 2024. 2/ 2022 (2017 PPPs). 3/ 2022. 4/ 2022. 5/ 2024. 6/ 2024.

committed to a Medium-Term Fiscal Structural Plan to converge with EU fiscal deficit rules by 2028.

## Recent developments

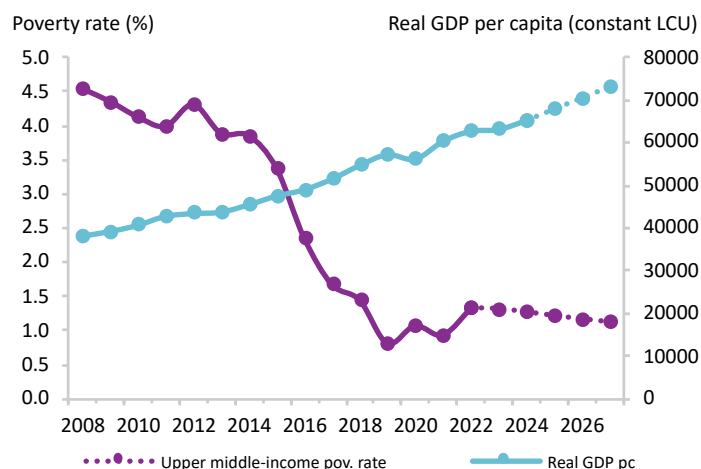
After a sharp deceleration in 2023, real GDP growth picked up in 2024, reaching 2.9 percent. Private consumption was the primary driver of growth, supported by increases in nominal and real income. While private consumption is expected to remain strong in 2025, public consumption is anticipated to moderate. Investments are projected to drive growth, with double-digit growth possible in the public sector due to the implementation of EU-funded projects. Private investment could be lower than earlier anticipated due to trade uncertainty weighing down on investment decisions. On the supply side, services will remain solid in 2025. At the end of 2024, inflation increased to 4.7 percent (y/y), primarily due to the elimination of the zero VAT rate on staple food products and the statutory price caps on fuels during the second half of the year. The National Bank halted its monetary easing cycle, maintaining unchanged interest rates after two reductions in 2023. This widening rate differential with the European Central Bank has resulted in continued real-term

**FIGURE 1 /** Potential output growth and contributions to potential output growth



Source: World Bank staff estimates.

**FIGURE 2 /** Actual and projected poverty rate and real GDP per capita.



Source: World Bank. Notes: See footnotes in table on the next page.

appreciation of the zloty. A gradual decline in inflation is expected in the second half of 2025.

The current account weakened while remaining slightly in surplus, as exports were constrained by subdued growth in the Euro area. On the fiscal front, Poland's fiscal deficit exceeded 6 percent of GDP in 2024 on the back of large defense spending and the fulfillment of election promises. Record high defense expenditures will cause the deficit to remain above 5 percent also in 2025.

Poverty rose in 2023 both in extreme and relative terms, as nominal wage growth lagged inflation and several benefits declined in real terms due to unindexed transfers or thresholds. While relative poverty rose 0.5pp to 12.2 percent, muted by real pension growth, extreme poverty increased to 6.6 percent, partly reflecting declines in the coverage of means-tested benefits. In 2024, strong labor markets, a 21.5 percent rise in minimum wages, robust pension increases, and expanded child benefits are expected to drive household income growth. This should reduce relative poverty, though extreme poverty may remain elevated as vulnerable households continue to face reduced minimum-income support.

## Outlook

Over the medium term, growth is expected to stabilize close to 3 percent. Inflation should continue its downward trend, moving closer to the NBP target of 2.5 percent (+/- 1 percent), while wage growth should persist due to a tight labor market. The contribution of net exports to growth is expected to remain negative in the

medium term, partly because of the uncertainty over trade policy and indirect effects via German supply-chains. With large investment expenditures, a rebound is expected in the construction sector, with manufacturing also expected to accelerate. The government announced fiscal consolidation measures over the medium term aiming for a deficit of 2.9 percent of GDP by 2028. If defense spending were to be excluded from the EDP calculations, Poland would gain some fiscal space in the medium term.

National extreme poverty rates are expected to return to 2022 levels by 2025 after an increase in minimum-income thresholds following three years of real depreciation. Income growth among lower-income households is projected to slow, driven by moderate increases in pensions and wages, inflation, and declines in non-indexed benefits. The long-term decline of minimum-income programs has strained resilience, highlighting the need to strengthen social protection. Rising labor market participation among poorer households should persist. However, rising life expectancy, early retirement—particularly among women—and declining replacement rates present a medium-term risk of elderly poverty.

Poland must speed up its transition to cleaner energy sources to stay competitive in the EU, embrace new technology, and prepare its workforce for job market changes. Additionally, Poland's public finances will be strained over the long term due to more extreme and frequent weather events, an ageing population, and the necessity for increased investment. Risks exist both to the downside and upside due to regional and global geopolitical developments and global trade uncertainty. Under a high fiscal deficit, a flexible exchange rate and monetary policy may prove to be crucial in mitigating global.

## Recent history and projections

	2022	2023	2024e	2025f	2026f	2027f
<b>Real GDP growth, at constant market prices</b>	5.3	0.1	2.9	3.2	3.0	2.9
Private consumption	5.2	-0.3	3.1	3.3	3.0	2.6
Government consumption	0.6	4.0	6.7	3.1	3.0	2.5
Gross fixed capital investment	1.7	12.6	1.5	8.3	5.3	3.1
Exports, goods and services	7.4	3.7	1.2	3.2	3.4	4.2
Imports, goods and services	6.8	-1.5	3.3	4.5	4.3	3.9
<b>Real GDP growth, at constant factor prices</b>	5.5	1.2	2.1	3.1	3.0	3.0
Agriculture	1.0	14.3	1.0	1.0	1.0	1.0
Industry	6.2	-0.5	-0.8	3.0	3.3	2.9
Services	5.2	1.6	3.5	3.3	3.0	3.0
<b>Employment rate (% of working-age population, 15 years+)</b>	56.9	57.3	58.0	58.0	58.5	58.7
<b>Inflation (consumer price index)</b>	14.4	11.4	3.6	4.5	2.9	2.9
<b>Current account balance (% of GDP)</b>	-2.3	1.8	0.1	-0.1	-0.4	-1.2
<b>Net foreign direct investment inflow (% of GDP)</b>	4.2	2.4	1.3	2.2	2.0	1.9
<b>Fiscal balance (% of GDP)</b>	-3.6	-5.3	-6.6	-5.5	-4.8	-4.5
<b>Revenues (% of GDP)</b>	39.8	41.8	44.7	44.0	44.1	43.9
<b>Debt (% of GDP)</b>	48.8	49.5	55.3	58.2	59.8	61.6
<b>Primary balance (% of GDP)</b>	-2.6	-3.9	-5.0	-3.7	-3.0	-2.7
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>1,2</sup></b>	1.3	1.3	1.3	1.2	1.2	1.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-3.7	-3.6	5.3	5.6	5.4	5.3

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Calculations based on ECAPOV harmonization, using 2013-EU-SILC and 2023-EU-SILC. Actual data: 2022. Nowcast: 2023-2024. Forecasts are from 2025 to 2027.

2/ Projection using point-to-point elasticity (2012-2022) with pass-through = 0.7 based on GDP per capita in constant LCU.