The economic effects of the COVID-19 pandemic on the polish economy

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Received: November 08, 2021 | Revised: November 11, 2021 | Accepted: December 26, 2021

JEL Classification: D24, D81, I38, J45, L83.

DOI: 10.38188/2534-9228.21.4.02

Abstract
The date of the end of the COVID-19 pandemic is difficult to forecast. Apart from the undoubted humanitarian and social consequences, its development and spread will also contribute to changes in the economy. This paper describes the economic effects of the COVID-19 pandemic for the Polish economy. Depending on the way the pandemic will develop, the Organization for Cooperation and Economic Development predicts that the Gross Domestic Product in Poland will drop by -7.4%, and will rebound to 4.8% by the end of 2021. It is also assumed a broad-based recovery with GDP rebounding by 2.4% in 2021. The COVID-19 pandemic had a negative impact on the labor market in Poland. It is assumed that the Polish economy has been affected less by the effects of the pandemic than other European countries. The coronavirus pandemic contributed to significant changes in the organization of work, that is, an increase in the percentage of people doing a household work. Humankind has already learned how to overcome global crises, but their burdens have never been evenly distributed. Losses and threats bring new chances and opportunities. In line with the Pareto principle, it is stated that even if 80 percent of people suffer losses due to the COVID-19 pandemic, the remaining 20 percent of them will ultimately benefit from it. The aim of this article is to analyze the economic effects of the coronavirus pandemic in Poland and to present the most affected industries. In the opinion of the authors of the study, this issue should be described in greater detail.

Keywords: COVID-19 pandemic, economy, financial crisis, financial reserves, anti-crisis shield, micro-enterprises, GDP.

Introduction
The SARS-CoV-2 virus, which was recognized in the Chinese city of Wuhan at the end of 2019, became the most important problem in the entire globe within a few months. Its presence in our country was officially confirmed at the beginning of March 2020 (A. Matyja, 2020).

The outbreak of the COVID-19 pandemic has brought about the economic disorder which has never been the case before. This situation forced governments to take unprecedented measures. The sudden occurrence of supply and demand shocks made the real threat of a permanent recession. Therefore, governments took a number of anti-crisis measures aimed at protecting jobs and reduction of the economic effects of the pandemic resulting from the need to introduce temporary lockdown (K. Bolestwa, B. Sobik, 2020).

When analyzing the effects of the coronavirus in Polish economy, it is worth noting that there has been a constant increase in the incidence (gov.pl, 2021), despite the fact that a year has passed since the pandemic began. It is also high time to present the impact of the coronavirus on the economic situation (biznestuba.pl, 2021). Poland, along with Greece and Romania, is among the European countries most affected by the crisis caused by the COVID-19 pandemic.
pandemic. The date of the end of the COVID-19 pandemic is difficult to forecast. However, apart from the undoubted humanitarian and social consequences, its development and spread will also contribute to changes in the economy.

**Material and methods**

The method of statistical analysis is used in the paper. Domestic and foreign data provided by banks and data from the Ministry of Justice are also used.

The closure of the economy caused by the coronavirus outbreak resulted in consumer and business confidence decline. The sectors that were most affected by the closure of the economy are the following ones (gov.pl, 2021): hotel industry, catering services and transport. It should be noted, however, that these sectors account for only a small share in the Gross Domestic Product (T. Rokicki, 2020).

In April 2020, a 23% decrease in retail sales was also observed, in comparison to 2019. Small enterprises and micro-enterprises with insignificant financial reserves face particular threats. In order to counteract the crisis, entrepreneurs began to reduce salaries in order to limit short-term losses and maintain financial liquidity to such an extent that there was no need to lay off employees (gov.pl, 2021).

Nevertheless, there was a decline in employment and its level has been the highest since 2009. In households and in enterprises, however, there is awareness of the possibility of an unemployment increase. In accordance with the recommendations of the Organization for Cooperation and Economic Development, the authorities of the world, including Poland, are obliged to provide funds that effectively support entrepreneurship in relation to small enterprises, micro-enterprises and large enterprises. In the Republic of Poland, there is a significant share of micro-enterprises in the economy, which are often characterized by a low level of productivity and are significantly vulnerable to threats in case of introduction of measures limiting the spread of the COVID-19 pandemic (T. Rokicki, 2020).

7 out of 10 respondents declared that they currently have less income, which has a direct impact on the enterprise. 1/2 of the respondents indicated that, in their opinion, an economic collapse or recession can be expected in the nearest future. Consumers were trying to improve situation, as nearly ¾ of the respondents indicated that they didn’t buy the products with international brands, they preferred to buy local products in stores to support Poland (biznestuba.pl, 2021). It should be noted that Poland, as well as other European countries, have introduced restrictions concerning such issues (biznestuba.pl, 2021): travel, eating, exercising outside the house, shopping (A. Jarynowski, D. Platek, K. Czopek, 2020).

The restrictions affected almost all sectors of the economy, however, such sectors as catering, recreation and hotel industry were affected the most. Even in the case of entrepreneurs who survived on the market in the era of the coronavirus, in most situations it is not possible to speak of a satisfactory financial situation (biznestuba.pl, 2021).

The economic effects of the outbreak of the COVID-19 pandemic also affect the consumers themselves, as a result of financial pressure there is a need of timely payment of invoices (forbes.pl/, 2021). Entrepreneurs and consumers show a significant relationship between them. It is especially noticeable during the economic crisis (D. Wnukowski, 2020). Undoubtedly, in case of of reopening, the businesses that were closed, expect support from consumers. At the same time, however, it should be emphasized that the economic crisis caused by the coronavirus pandemic in many cases results in greater awareness of spending money and managing personal budget (biznestuba.pl, 2021).

Among the biggest problems resulting from the economic crisis in Poland, enterprises struggle with the need to maintain financial liquidity (D. Wnukowski, M. Wąsiński, 2020). In addition, there is still a need to secure a steady cash flow by rebuilding demand for the services and products offered. The pandemic contributed to a reduction in purchasing power and sparked the desire to
support domestic interests. All the more that making purchases is one of the most basic activities (biznjestuba.pl, 2021).

People aged 22-37 have also been affected by the crisis caused by the COVID-19 pandemic. In this case, the largest decline in employment was recorded. It was noted the loss of employment and lower income than before the pandemic. The perception of the future has also changed, it has become uncertain; it has not guaranteed the possibility of putting away amounts that consumers had before the pandemic. This is especially terrible for people who are concerned about the cost of living in retirement. The COVID-19 pandemic also results in radical restrictions in economic, social and tourist activities. Thus, consumption has decreased. Due to absence of employees in factories, disturbances in the functioning of global value chains appeared. There have been difficulties, therefore, in keeping production, even when restrictions have not yet been introduced. It resulted in the crisis in demand and supply (D. Wnukowski, M. Wąsiński, 2020).

Referring to the effects of a long-term nature, it should be noted that the COVID-19 pandemic will permanently change the image of the world economy, thus causing a partial retreat from the globalization process. The model that has been in use so far has made it possible to minimize production costs. In addition, in a situation where restrictions on the movement of goods or people are maintained, a further decline in international trade turnover and its share in the global Gross Domestic Product can be observed. The importance of digital services in the economy will also increase, as they are most often used for work and shopping during the introduced social restrictions. Undoubtedly, the economic consequences of the COVID-19 pandemic include an increase in state spending on health care and the purchase of medical products. This, in turn, will lead to changes compared to other budget items. Military spending is very likely to be reduced. Allocating funds for combating the pandemic and introduction of stimulus packages will contribute to state interventionism and increase in private and public debt (D. Wnukowski, M. Wąsiński, 2020).

The chart below presents the revision of the estimates of the Gross Domestic Product and the potential product in Poland, in line with the opinion of the European Commission, taking into account: – potential product, as a forecast for 2020,
- the output gap, as a forecast for 2020,
- potential product, as a forecast from 2019,
- the output gap, as a forecast from 2019, in the period 1995-2021.

Figure 1. Revision of the estimates of the Gross Domestic Product expressed in billions of Polish zlotys at constant prices from 2015 and the potential product in Poland expressed in % according to the European Commission

![Chart](image)

Source: www.obserwatorfinansowy.pl [Access: 17.05.2021.]

It is difficult to estimate how long the economic effects of the coronavirus pandemic will last. It is also difficult to determine whether these effects will cease simultaneously with the end of the pandemic, or on the contrary, will be present many years after the end of the pandemic (J. Growiec, 2021). When analyzing the economic effects in Poland resulting from the COVID-19 pandemic, it should be noted that the Gross Domestic Product does not take into account intensity fluctuations in the short-term period. On the other hand, the level of potential product depends on the supply of production factors and their unit productivity (J. Growiec, 2021).

Negative impact caused by the COVID-19 pandemic is partially limited by the Anti-Crisis Shield. It is a counter-cyclical fiscal impulse, accounting for approximately 10% of the Gross Domestic Product. Provision of support services,
for example in the labor market, made possible to reduce the scale of layoffs, as well as the negative impact of the pandemic on the long-term level of structural unemployment and overall labor productivity (M. Myck, M. Oczkowska, K. Trzciński, 2020). On the basis of the obtained support, it was possible for entrepreneurs to maintain financial liquidity, thus also reducing the number of enterprises bankruptcies and avoiding the risk of losing camouflaged physical capital and specific competences of employees. At the expense of these activities, accumulation of public debt is of great importance. At the beginning of the COVID-19 pandemic, the European Commission predicted that the government sector debt would increase from 46% in 2019 to 58.5% of the Gross Domestic Product in 2020. However, the macroeconomic significance of this type of cost will be partially limited by the nature of the current slowdowns (J. Growiec, 2021).

In addition, proposals for anti-crisis measures have been formulated, which may contribute to mitigating the effects of the economic crisis caused by the COVID-19 pandemic in Poland. Although the analysis was conducted during the pandemic phase in spring 2020, it is also possible now to indicate postulates related to the implementation of anti-crisis solutions, which are presented below.

1. Maximum simplification of administrative procedures when providing financial aid to entrepreneurs and shortening the waiting time for a decision.
2. Establishing a fund to help start-ups to complete the interrupted financing rounds.
3. Implementation of strategic infrastructure investments.
4. Support for young entrepreneurs up to 26 in the form of an interest-free loan in running a business.
5. Introduction of a preferential loan for innovative enterprises (by PDF or BGK).
6. Introduction of a voluntary option to obtain a grace period for working capital loans for enterprises, as well as loans for natural persons for a short period of time (for example, 3 months).
7. Introducing the possibility of re-employing people fired during the pandemic and sending them on vacation, during which they will receive remuneration co-financed by the state (K. Bolestwa, B. Sobik, 2020).

Results and discussion

The COVID-19 pandemic is considered to be a kind of exogenous shock that has affected the global economies and their labor markets. There is no doubt that European countries have been subjected to external shocks in the past. However, they were usually of economic character (money.pl, 2020). In early 2020, economies around the world faced a fierce external shock. And that kind of shock was caused by other reasons than before.

After the World Health Organization declared a pandemic, most governments issued the administrative decisions focused on stopping economies. Such decisions also contributed to the emergence of disturbances in the functioning of the labor market. As a result of the above sudden decisions, the unemployment rate increased and economic inactivity rose. These decisions also referred to the relationship between the employee and the employer. In order to mitigate the negative effects of the COVID-19 pandemic, they introduced cost-effective solutions for enterprises.

The mechanism of response to the exogenous shock that occurred in Poland was very similar to general mechanisms in the European Union. However, the labor market in Poland is characterized by greater resilience, therefore, the effects of the crisis caused by the COVID-19 pandemic are not as severe as they could be (worldbank.org/pl/, 2021). It should be noted that the coronavirus pandemic influenced the situation of people taking up a job, among others there are those who:

- had a job but could not perform it for various reasons,
- worked shorter than usual due to the reasons related to the workplace.

The above situation is presented in the Figure 2 below.
Conclusions

The COVID-19 pandemic has negatively affected the labor market in Poland. The negative effect caused the reduction in the number of people taking up a job in Poland. It was compensated however by the increase in the number of people who were not involved in job. In Poland, there is a tendency to increase the underutilization of labor resources in the labor market. The number of people who are not at work grows abruptly due to interruptions in the activities of the employing institutions during the COVID-19 pandemic. The coronavirus pandemic undoubtedly contributed to the significant changes in the organization of work, and thus to an increase in the percentage of people undertaking work in the household (K. Radlińska, 2020).

According to the estimates of the Federation of Polish Entrepreneurs, during the first year of the coronavirus pandemic, the Polish economy suffered losses of over PLN 185 billion. This amount corresponds to the estimated value of GDP that was not generated due to the spread of the COVID-19 pandemic (Magazynprzemyslowy.pl, 2021).

In addition, it should be emphasized that Poland found itself in a recession that we have not seen in our country for decades. While macroeconomic indicators, such as GDP or consumption, rebound and assuming that due to vaccinations we will slowly return to the economic growth which was before the crisis, the pandemic has forced or accelerated the changes that will stay with us for years, and maybe forever. Some of the changes were unimaginable a year ago. If white-collar workers stay at home longer, taking over jobs by robots in factories and services will progress. There will be also more inequalities between and within countries, and governments will play a greater role in the lives of citizens. Moreover, in some industries as well as professions, remote work has suddenly become the norm. Last year showed and made us realize that many matters and important business meetings can be organized from house, sitting and working in front of a laptop. This can be problematic for those companies that provide service for old office infrastructure: from commercial real estate to transportation. On the other hand, big profits get those who build new infrastructure. It should be emphasized that since the outbreak of the pandemic, the share prices of the Zoom videoconferencing platform on the New York Stock Exchange more than tripled.

In addition, less frequent business trips is another change that may exist for longer time. This change is introduced not because of restrictions, but due to cost cutting. This in turn may change the business model of hotels and
restaurants in many countries. More and more companies are going to build safety buffers for themselves and use, if possible, the electronic sales channels. It should be noted, that the pandemic has accelerated all these changes. A new risk has also been added to the entire business calculations, that is, the risk of a lockdown or limitation of activities due to restrictions. In addition, COVID-19 has triggered new concerns about physical contact in industries where social distancing is tough - like retail, hospitality or warehousing. One of the solutions, therefore, seems to replace humans with robots. It has been observed that during the pandemic, companies have accelerated the development of machines involving the hotel guest check-in procedure, cutting salads in restaurants or collection of fees. These innovations will probably increase the productivity of economies, however, some employees will have to change the profession (A. Unton, 2020).

It seems that the Polish economy should be less affected by the effects of the pandemic than other European countries. Firstly, because in comparison for example, to the German economy, the Polish economy is less dependent on exports and less economically linked with China. Secondly, the tourism and entertainment sector accounts for a smaller percentage of GDP compared to the countries of southern Europe. The Polish economy is also quite diversified. Thirdly, the higher rate of economic growth in Poland compared to Germany or other Western countries creates more space before a potential recession appears. Nevertheless, a slowdown in economic growth is predicted (A. Sieroń, 2021).

Summarizing the above mentioned, it can be noted that though, mankind has emerged victorious from every global crisis, the burdens have never been distributed evenly. In places of losses and threats, chances and new opportunities appear. According to the Pareto principle, it can be assumed that even if 80% of people affected by the coronavirus crisis suffer losses, the remaining 20% will ultimately benefit from it (M. Szczepański, 2021).

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