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THE IMPACT OF DYNAMIC INFLATIONARY CHANGES ON CONSUMER PURCHASING DECISIONS IN POLAND IN 2021–2024

Introduction

The dynamic increase of inflation in 2021 was one of the most important economic challenges both in Poland and in the world. Following a period of relatively low and stable inflation, which was the result of, among other reasons, the economic slowdown caused by the COVID-19 pandemic, 2022 brought the highest inflation rate in Poland over the last 25 years[1]. In October 2022, the consumer price index (CPI) reached 17.9% year-on-year – a level not seen since December 1996[2]. The sharp increase in price pressure was global; in Poland, the average annual CPI was 11.4%[3] (while, for example, in 2020 it was approx. 3%). The scale and pace of these changes is referred to as dynamic inflation changes because in the short term there was a significant deviation of inflation from the central bank's target (in the case of the National Bank of Poland - NBP it was 2,5%±1pp) and from the expectations of both consumers and monetary policy decision-makers. The price increase in the period under review was the result of overlapping supply and demand factors. The causes of inflation include supply chain disruptions, increases in transportation costs after the pandemic, a jump in the prices of food and energy raw materials on global markets (intensified by Russia's aggression against Ukraine in 2022), as well as expansionary fiscal and monetary policy in the preceding period (which was necessary to mitigate the effects of lockdowns)[4]. Thus, inflation in Poland was imported (cost) in nature – food and energy prices rose much faster than the prices of other goods[5]. Additionally strong consumer demand after lifting the pandemic restrictions, as well as a tight labor market (record low unemployment rate below 3% according to BAEL) favored transferring the cost increase on consumers. As a result, core inflation (excluding energy and

[1] Narodowy Bank Polski, *Raport o inflacji – listopad 2022*, Warszawa 2022, p. 13.
[2] P. Kowalski, *Inflacja w Polsce w latach 2020–2022 – przyczyny i skutki,* „Studia i Prace Kolegium Zarządzania i Finansów" 2022, Vol. 183.
[3] www.bankier.pl (Accessed: 31 October 2022).
[4] G. Ancypowicz, *Koszty i efekty pomocy publicznej podczas pandemii COVID-19. Programy UE oraz polskie tarcze antykryzysowe* [in:] K. Marchewka-Bartkowiak, K. Waliszewski (ed.), *Finanse wobec wyzwań nowej gospodarki*, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2024, pp. 9-29.
[5] Narodowy Bank Polski, *Raport o inflacji – marzec 2022*, Warszawa 2022, pp. 17-18.

food prices) also increased to a double-digit level in 2022[6]. In autumn 2021, the Monetary Policy Council began a cycle of interest rates hikes, raising the reference rate from 0.1% to 6.75% in September 2022, which was the fastest tightening of monetary policy since the 1990s. The purpose of this reaction was to control inflation expectations and limit demand pressure, but the interest rates hikes increased credit costs, reducing the current disposable income of some households (especially the ones having with variable interest rates).

The aim of the article is to focus on the effects that such rapid changes in inflation had on consumer behavior in Poland – especially on their purchasing decisions.

High inflation affects the real purchasing power of income, the value of savings, as well as social sentiment and expectations. The key research questions were: *How did Polish consumers adjust their spending and shopping habits in the face of rising prices? Which categories of goods were restricted, and which were protected? Are there any current trends in consumer behavior, such as changes in product preferences or decision-making?* The answers to these questions are crucial both from the cognitive point of view of consumption economics and from the practical point of view for both economic policy (e.g., designing anti-inflation shields) and business (adapting company strategies to the changed demand).

The article is an attempt to identify and analyze changes in the purchasing decisions of Polish consumers in 2021-2024 under the influence of dynamic inflation. The following main thesis was formulated: The rapid increase in inflation in this period significantly changed the consumption behavior of Poles, leading to the reduction in real consumption, an increased financial caution, and the dissemination of purchasing decisions focused on saving. The article verifies this thesis by analyzing statistical data (concerning, among others, the level of household expenditure and savings) and the results of the latest surveys and scientific studies.

1. Inflation dynamics in 2021-2024 and consumer purchasing power

In 2021-2024, inflation in Poland was highly volatile. In 2021, the average annual CPI reached 5.1% (according to the Central Statistical Office – GUS), significantly exceeding the NBP target, but it was not until 2022 that a real inflation shock occurred. Inflation rose from month to month – from 8.6% year-on-year in December 2021 to 15.6% in June 2022 and reached its maximum of 17.9% in October 2022[7]. This was the highest level since the political

[6] www.money.pl (accessed: 15 November 2022).
[7] www.money.pl (accessed: 15 November 2022).

transformation (apart from the hyperinflation of the early 1990s). Inflation was widespread – it affected food (an increase in the prices of food and non-alcoholic beverages by 22% year-on-year in October 2022), energy (energy carriers went up by 28.7%), fuels (+18.8%) as well as most services[8]. The rapid increase in the prices of basic goods had a severe impact on household budgets, especially for poorer families that spent most of their income on food and housing costs. Research by the European Central Bank shows that when the necessities (food, energy) become more expensive, well-being decreases relatively more strongly in low-income households which have limited possibilities of substitution and smaller financial buffers[9]. As a result, high inflation plays in fact the role of a regressive tax – it burdens financially the weakest market participants.

The purchasing power of the population eroded – in 2022 the dynamics of nominal wages (approx. +12% year-on-year in the corporate sector) did not catch up with the dynamics of prices (+14.4% on average) and, consequently, the average real salary decreased. Pensions and social benefits (indexed with a delay) also lost their real value. According to CBOS (Centre for Public Opinion Research), as many as 84% of Poles in mid-2022 declared that they felt the price increase to a large or very large extent[10]. The effects of the inflation were visible in all surveyed socio-demographic groups, although their perception varied depending on their financial situation – less affluent people reported a strong feeling of rising food, medicine or housing prices, while for the better-off it was the fuel price increases that were more painful[11].

The rising costs of living were reflected in the changes in macroeconomic aggregates related to consumption. In real terms, there was a slowdown in private consumption, and at the end of the period under review – a decline. In 2022, there was still a growth in private consumption (by around 3% in real terms as it was driven by the first half of the year, when consumers spent savings accumulated during the pandemic), but the first symptoms of a decline in consumer demand were recorded in the fourth quarter of 2022. In 2023, there was a collapse in consumption dynamics; total consumption expenditure was 1-2% lower in real terms than a year earlier[12]. According to preliminary estimates of GUS, in 2023, total consumption (including public consumption) decreased by 0.1% in real terms, and domestic demand (i.e., consumption

[8] S. Kisiel, *Polityka podatkowa w zakresie sprzedaży detalicznej paliw na przykładzie Polski i Niemiec w okresie podwyższonej inflacji w latach 2022–2023,* „Studia Prawnoustrojowe" 2022, No 58, pp. 97–113.
[9] www.ecb.europa.eu (Accessed: 1 March 2023).
[10] www.biznes.pap.pl (Accessed: 7 February 2023).
[11] Centrum Badania Opinii Społecznej, *O inflacji i finansach publicznych,* Komunikat z badań nr 15/2023, Warszawa 2023, pp. 1-14.
[12] www.caixabankresearch.com (accessed: 25 September 2024).

and investment combined) went down by as much as 4.1%. This indicates a strong reduction in consumer purchases under the pressure of high prices and falling income. At the same time, the savings rate initially decreased (households spent savings on current consumption) but then increased again – which can be interpreted as accumulating financial reserves for uncertain times and postponing consumption for the future[13].

However, at the end of 2022, inflation in Poland started to gradually decline as a result of a combination of statistical effects (a high base from the previous year), falling commodity prices on global markets, and anti-inflation measures (government shields and the tightening of monetary policy). In June 2023, CPI was 11%, and in December 2023 – 6.2% year-on-year[14]. This indicates that there was a significant slowdown in inflation in a year. Nevertheless, prices remained at a much higher level than two years earlier (there was a permanent reduction in the purchasing power of zloty). Moreover, core inflation was still above 6% at the end of 2023, which shows that inflation proved to be a persistent phenomenon. A further decrease of CPI was expected in 2024, but forecasts indicate that a return to the NBP inflation target (2.5%) will occur as late as in 2025-2026[15], which means that the effects of high inflation may affect consumer behavior for a longer time, shaping their expectations and decisions.

To sum up, the years 2021-2024 were a period in which Polish consumers experienced a substantial decline in the purchasing power of real income, especially in 2022. The inflation shock was reflected by soaring prices of basic components of the consumer basket (food, housing, transport), which forced households to adapt their behavior.

2. Consumer reactions to price increases

The primary reaction of households to the loss of purchasing power is to reduce spending, especially on things considered less essential. Numerous surveys from 2022 confirmed that Poles massively responded to rising prices by reducing spending. According to the survey by UCE Research and Syno Poland, as many as 67.9% of respondents declared reducing everyday spending due to inflation[16]. The CBOS data show that Poles buy less and choose cheaper products because of inflation: this strategy of everyday shopping was adopted by 75% of

[13] Główny Urząd Statystyczny, *Sytuacja makroekonomiczna w Polsce na tle procesów w gospodarce światowej w 2023 r.*, Warszawa 2024, pp. 31–33.
[14] www.makroekonomia.mbank.pl (accessed: 15 January 2024).
[15] www.bank.pl (accessed: 6 September 2024).
[16] E. Paprzycka, *Zmiana zachowań konsumenckich w dobie inflacji w Polsce,* Szkoła Główna Gospodarstwa Wiejskiego w Warszawie, Warszawa 2023, p. 7.

respondents (3/4 of the society). Moreover, more than half of consumers give up larger expenses and postpone them (60% of responses) as well as reduce electricity, gas and water consumption in households (56%). A similar percentage of respondents (53%) declare limiting their spending on entertainment, leisure and culture. These results prove that in the face of high inflation, households first reduce expenditure considered discretionary (optional) and maintain the level of consumption of basic goods as much as possible[17].

This phenomenon was confirmed by qualitative and quantitative research in various consumer segments. The research showed that the most frequently reduced expenses in household budgets concerned home furnishings, electronic and culture – as many as 62% of adult Poles admitted that they spent less on these purposes than before. More than half of respondents also reduced consumer spending on goods and services related to health care, beauty and well-being (relaxation, sports, cosmetic and hairdressing services) as well as on clothing and footwear. On the other hand, consumer tried to protect their spending on essential goods: food, children's education, cleaning products and cosmetics. The spending on these product categories was maintained to the greatest extent at the current level, as confirmed by 51-58% of respondents declaring no change in spending on these purposes. Despite this, even in these key areas, some people had to reduce costs - for example, 43% of respondents admitted that they spent less on education, and 90% of respondents noticed a drastic increase in food costs[18].

Inflation affected not only the quantity but also the structure of products purchased. Consumers looked for cheaper substitutes for their favorite goods, paying more attention to unit prices. The survey among young consumers (students) showed that they changed their shopping habits under the influence of inflation; they bought less and chose the cheapest options or substitutes of brands they were used to[19]. Respondents declared that the gave up or reduced spending on more expensive food products such as meat, fish, sweets and butter[20]. Instead, they looked for price promotions or cheaper equivalents – this applied especially to food products where substitutions were possible (e.g., replacing more expensive brands with retail chains' own brands). According to the above-mentioned CBOS report, 22% of Poles stockpiled goods

[17] Centrum Badania Opinii Społecznej, *Postrzeganie inflacji,* Survey report No. 63/2022, Warszawa 2022, pp. 3-12.
[18] www.zdrowiefinansowe.pl (accessed: 2 June 2023).
[19] M. Szczepańska, *Postawy młodych konsumentów w obliczu inflacji po pandemii COVID-19*, „UR Journal of Humanities and Social Sciences" 2024, 31(2), pp. 131–146.
[20] E. Paprzycka, *Zmiana…,* op. cit., pp. 12-18.

and accelerated planned purchases of durable goods in fear of further price rises[21]. This applied, for example, to buying larger quantities of food with a longer shelf life or chemical products on promotion, as well as accelerating decisions to buy durable goods (consumer electronics/household appliances) before their prices would rise even further. This type of behavior is consistent with the economic theory that consumers, expecting further price rises, may be inclined to make anticipatory purchases of durable consumption goods to save money in the future. Surveys in France confirmed that households expecting rising inflation are more likely to decide to buy durable goods immediately than those expecting price stability[22]. However, in Poland in 2022, this effect was limited by the simultaneous decrease in real income and the increase in the cost of credit – many families, despite their willingness, could not afford larger expenses, which was reflected in the decline in retail sales in volume terms at the end of 2022.

The inflation also caused a decrease in the consumption of luxury goods. According to ET, in the first half of 2023, more than 50% of Poles refrained from purchasing luxury goods or expensive recreational and leisure services[23]. At the same time, a change in preferences was observed in the food market; the increase in food prices (reaching an average of +17% year-on-year in September 2022) resulted in the reduction of food waste and more thoughtful meal planning. Over 90% of surveyed Poles indicated the increase in food prices as the most noticeable aspect of inflation, which led to an increased interest in cheaper stores (discount stores) and products at promotional prices[24].

To sum up, the high inflation of 2021-2022 forced consumers to restrict their budgets. There was a widespread reduction in consumption, especially in categories considered unnecessary, and a search for savings by changing purchased goods to cheaper ones. The consumers’ aim was to satisfy basic needs at the cost of giving up expenses considered optional or luxurious.

One of the clear effects of high inflation is the increase in consumer price sensitivity[25]. Sudden price increases mean that buyers attach more importance to price as a criterion for product selection. As analysts note, in 2022-2023, Poles became more price- conscious - they more often compared prices before buying a product and they looked for promotions. The

[21] Centrum Badania Opinii Społecznej, *Postrzeganie…*, op. cit., pp. 3-12.
[22] www.bostonfed.org (accessed: 2 June 2020).
[23] www.zdrowiefinansowe.pl (accessed: 2 June 2023).
[24] EY Polska, *Barometr konsumencki EY 2023*, Warszawa 2023, pp. 7–11.
[25] EY Polska, *Barometr konsumencki EY 2023*, Warszawa 2023, pp. 7–11.

THINK! report shows that when buying durable goods, consumers in Poland spend more time on making purchase decisions than before the inflation[26]. As many as 44% of surveyed adult Poles indicated that they compare price offers from different stores more often than before to be sure of the lowest price. 40% of respondents are likely to wait for promotions or discounts before buying a more expensive product. Over one third of respondents (36%) use discounts and loyalty programs more intensely. Such consumer behavior indicates a consistently rational approach to purchase decision-making: with high prices, they try to maximize value for money, looking for cheaper alternatives and bargains.

It is worth noting that some of these changes are proactive in nature and may remain after inflation subsides because they are associated with better financial education of consumers. According to M. Szczepańska, young consumers learned under the influence of inflation to manage their budgets more consciously- to plan expenditure, monitor market offers and take advantage of promotions through dedicated applications[27]. For example, the students she surveyed declared more willingness to use price and promotion comparison applications, as well as to buy goods from the second-hand market in order to save money. According to the THINK! report every third person in Poland began to buy second-hand products during high inflation[28]. This change is motivated economically (lower purchase costs) but it also is ecologically beneficial and consistent with the trend of responsible consumption. Young consumers perceive buying reused products as an economically rational and prosocial and ecological behavior.

Inflation also affected product selection criteria other than price. On the one hand, the significance of absolute price and the price-quality ratio (product utility) increased – more than half of Poles indicated that they attached greater importance to price and practicality of purchased durable goods than before. On the other hand, the respondents indicated that certain product attributes lost their importance, e.g. fashion, design or brand prestige became less important (goods subject to consumer trends or with a sophisticated design were often replaced by cheaper but more functional equivalents). The consumer approach became more pragmatic – it is more important to meet the needs at an acceptable cost rather than achieve a demonstrative effect. Interestingly, some consumers began to attach more attention to ethical aspects and the local origin of products – every fourth respondent declared that they were more interested in the country of production and brand's social responsibility than before. It is possible that in the face of a crisis of confidence in

[26] EY Polska, *Barometr konsumencki EY 2023*, Warszawa 2023, pp. 7–11.
[27] M. Szczepańska, *Postawy…,* op. cit., pp. 131–146.
[28] Fundacja THINK!, *Konsumpcja…*, op. cit., pp. 13–22.

economic stability, consumers look for value added in products (e.g., through supporting the local economy or choosing long lasting and environmentally friendly products)[29].

The changes occurred not only before but also after the purchase. Rising prices made consumers less tolerant of products that did not meet their expectations – consumers became more concerned about quality and their rights. Every fourth Pole in the survey declared that they returned purchased goods more often than before or filed complaints if the goods turned out to be faulty or unsatisfactory[30]. As a result, the number of returns and complaints increased, which on the one hand limited excessive consumption (customers return goods instead of keeping them if they do not meet their requirements and on the other protected household budgets). This may be considered a positive effect of the inflation: it forced consumers to adopt a more disciplined approach to shopping and to exercise consumer rights.

3. Consumer sentiment and adaptation of savings strategies

A particularly important issue is the impact of inflation on the psychological attitude of consumers, i.e., their feelings and propensity to consume. Consumer sentiment indicators in Poland reached historically low levels during the inflation shock. The current Consumer Confidence Index went down in October 2022 to the lowest value recorded in GUS surveys (-45.5)[31]. Such deep pessimism indicates that most consumers negatively assessed their financial situation and the economic prospects of the country. The main concerns of Poles concerned further price increases and the deterioration of the economic situation – the fear of losing the value of their income and savings was widespread. In 2022, over 80% of Americans also declared a strong concern about inflation[32], which confirms the fact that this is a universal feeling among consumers experiencing high inflation. The decrease in consumer confidence influences their decisions: there is a growing tendency to accumulate financial resources at the expense current consumption to protect against future events with a high level of uncertainty. NBP data showed an increase in household deposits in 2022 despite negative real rates of return, which suggests building a financial cushion at the expense of purchases. At the same time, households with mortgage loans had to adjust their budgets to much higher loan installments -

[29] www.zdrowiefinansowe.pl (accessed:2 June 2023).
[30] www.zdrowiefinansowe.pl (accessed: 2 June 2023).
[31] Główny Urząd Statystyczny, *Koniunktura konsumencka – październik 2022 rok*, Warszawa 2022, pp. 1-10.
[32] www2.deloitte.com (accessed: 7 March 2024).

for many families it was the priority to settle liabilities- and the consumption of durable goods (e.g., renovations, a new car) was postponed for the future.

4. New consumer habits and conscious consumption

The literature on the subject emphasizes that periods of high inflation can cause lasting changes in consumer habits. Firstly, some consumers learn the value of money – there is a growing awareness that prices may rise rapidly, which undermines the sense of financial security. This may lead to a more conscious approach to borrowing and a greater appreciation of the role of savings in the future. Secondly, the saving attitudes forced by inflation may turn into a long-term trend of conscious consumption. It was observed that inflation intensified among young consumers the already existing trend of responsible and sustainable consumerism – they became more concerned about making full use of things they owned (e.g. using clothes for longer, repairing equipment instead of replacing it, selling or giving away unnecessary items). The economical management of resources coincided with ecological and social considerations, which according to the surveyed students was a positive aspect of the inflationary reality[33]. In other words, the cost-of-living crisis caused some consumers to redefine their needs and priorities; they learned that *less can be more* in terms of life quality. Naturally, the changes will not be permanent for everyone. Nevertheless, most Poles declared in 2023 that they would keep stricter shopping habits as long as inflation remains high. Every third respondent even claimed that they had changed their behavior permanently regardless of the future decline in inflation[34]. Therefore, it can be expected that the experience of recent years will leave a lasting generational mark on consumer attitudes – similarly to the generation that remembered the hyperinflation of the 1980s and retained the aversion to certain forms of investing savings for a long time.

Conclusions

The experience of 2021-2024 provided valuable information on consumer behavior in the context of a rapidly changing price environment. The analysis confirms that dynamic inflationary changes had a significant impact on the purchasing decisions of Polish consumers. The main conclusions from the research are as follows:

[33] M. Szczepańska, *Postawy…,* op. cit., pp. 131–146.
[34] www.zdrowiefinansowe.pl (accessed: 2 June 2023).

- Erosion of purchasing power and consumption – the sharp increase in the prices of basic goods caused a reduction in real consumption. Most households were forced to reduce spending, especially on goods and services beyond basic needs. As a result, there was a fall in the volume of sales of many categories of consumer goods and a deterioration in macroeconomic indicators of private consumption. Consumers prioritized meeting basic needs (food, housing) at the expense of entertainment and luxury.
- Change in the structure of the shopping basket – in conditions of inflation more expensive goods were substituted for cheaper ones. Consumers more often chose economy brand products, substitutes and lower-priced equivalents, and avoided premium products. Moreover, there was a dramatic decrease in demand in certain categories –culture, recreation, out-of-home gastronomy – while the demand for basic products remained the same at the expense of a reduction in their quantity or quality (e.g. less meat was bought, but meals were not completely abandoned).
- Consumer adaptation strategies – Poles showed great flexibility and rationality in adapting to the conditions of high inflation. The most common strategies included: reducing waste (more prudent shopping, meal planning), postponing larger purchases (e.g. changing cars, RTV equipment) until prices stabilized, an increased activity in searching for promotions and bargains, as well as using savings for current expenses (which supported consumption in the short term at the cost of reducing the accumulated capital). There was also an accelerated consumption of durable goods among some consumers, which was caused by the fear of further prices increases; however, the scale of this effect was limited by the decline in real income.
- Conscious and prudent consumption – the period under research involved an increase in the financial and price awareness of consumers. Inflation paradoxically forced consumers to make more thoughtful purchasing decisions - they spent money less spontaneously, made comparative analyses and used consumer rights more often (returns, complaints). Many Poles declared that they would keep these good habits, which may mean a lasting turn to more sustainable consumption. There was also an increased interest in the second-hand goods market and in repairing and using goods for a longer period, which is socially beneficial (the reduction of waste).
- Sentiment and expectations – high inflation had a negative impact on consumer sentiment; consumer confidence fell to record lows. The feelings of uncertainty and economic threat prompted some households to develop savings in case the situation

further deteriorates. At the same time, consumers did not expect a quick return of inflation to a low level for a long time, which could affect their long-term financial plans (e.g., decisions on taking loans or investing savings). The sentiment improved only at the end of 2023, along with a decline in inflation[35]. However, it will take time to fully rebuild confidence – consumers will likely remain more cautious in predicting price stability.

In conclusion, the period of high inflation forced Polish consumers to change behavior towards greater frugality, rationality and caution. In short term, this phenomenon was defensive in nature – consumers protected their household budgets from losing liquidity by giving up some expenses. In the long term, however, this may mean a certain reassessment of consumer attitudes: a greater emphasis on spending efficiency and financial resilience. Much depends on the further course of inflation processes. If inflation recedes relatively quickly (returning to the NBP target), it is possible that consumption will rebound, and the consumer sentiment will improve. On the other hand, if the period of increased inflation extends into the coming years, some changes may become permanent, leading, for example, to continued high price- demand elasticity and a slower consumption increase even when incomes improve.

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[10] Narodowy Bank Polski, *Raport o inflacji – listopad 2022*, Warszawa 2022.

[35] www.retailnet.pl (accessed: 23 June 2023).

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[13] Szczepańska M., *Postawy młodych konsumentów w obliczu inflacji po pandemii COVID-19*, „UR Journal of Humanities and Social Sciences", 2024, No. 31(2).
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Summary

The article analyzes the impact of sudden inflation fluctuations in Poland in 2021 and 2024 on consumer purchasing decisions. It presents the macroeconomic context—namely, the highest inflation in a quarter-century recorded in 2022 and its subsequent slowdown—and discusses consumer responses to the decline in the purchasing power of money. Rising prices encouraged Polish consumers to reduce spending, change the structure of their shopping baskets, and seek cost-saving strategies. Consumers more frequently opted for cheaper substitutes, gave up non-essential goods and services, and postponed larger purchases. These behaviors were accompanied by a deterioration in consumer sentiment and more cautious household budget management. Positive phenomena were also found, such as an increase in conscious consumption and the adoption of purchasing strategies that enhanced the rationality of decision-making.

Key words

Inflation, purchasing decisions, consumers, prices, consumption.