



International Strategic Analysis
Understanding Tomorrow's World, Today

ISA October 2024 Country Report Poland



Poland: Key Facts

Overview:

- Poland's history has been heavily influenced by its geographical position between Germany and Russia, and the frequent invasions and dismemberments that it has suffered over the past 300 years..
- Poland is easily the largest of the countries of Central Europe and has moved to enhance its position as a regional leader in recent years.
- Poland balances close ties with the United States, who it sees as a guarantor of the country's security, and the European Union with whom it has close economic ties.
- Poland's economy has outperformed most other European economies over the past decade thanks to its rapidly expanding domestic market.

Key Facts and Data:

- Official Name
 - Republic of Poland
- Capital
 - Warsaw
- Government Type
 - Republic
- Head of State
 - President Andrzej Duda (since 2015)
- Head of Government
 - Prime Minister Donald Tusk (since 2023)
- Population
 - 41,026,067
- Land Area
 - 304,465 sq. km
- Total GDP (US\$)
 - \$842 billion
- Per Capita GDP at PPP (US\$)
 - \$45,538
- Currency
 - Polish zloty

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Current Events and Recent Changes Overview

Poland: Recent Political Events and Changes

Key Political Events and Changes:

- Poland's coalition government found itself increasingly divided in recent months over a number of social issues, most notably abortion. Many progressives claimed that Prime Minister Tusk had backtracked on his promises to lift many of Poland's restrictions on abortion.
- In September 2024, the political opposition, led by the Law and Justice party, staged major anti-government protests across Poland.
- In September 2024, the government announced plans to dramatically increase ammunition production after the country and many of its Western allies suffered from severe shortages of ammunition due to the conflict in Ukraine.
- Foreign Minister Radoslaw Sikorski announced that the government was considering a proposal to shoot down Russian missiles that were heading towards Polish territory while they were in Ukrainian airspace.
- In September 2024, Poland was highly critical of a decision by Germany to tighten its border controls for a six-month period.



Poland: Recent Economic Events and Changes

Key Economic Events and Changes:

- The economy of Poland expanded by 3.2% on a year-on-year basis in the second quarter of this year, a higher rate of growth than was expected. After being one of Europe's strongest economies, the Polish economy fell on hard times over the past two years. Much of this growth was the result of strong consumer spending.
- This stronger performance raised hopes for the Polish economy for the rest of this year as well as into 2025.
- The improving outlook for the Polish economy stood in stark contrast to the outlook for most of the country's European counterparts.
- Exports from Poland declined by 6.0% year-on-year in July 2024.
- Poland's inflation rate increased sharply to 4.0% year-on-year in July 2024.
- Poland's unemployment rate remained unchanged at 2.9% in July 2024 as labor shortages remained a serious threat to the country's economy.



Poland: Other Recent Events and Changes

Other Key Events and Changes:

- In September 2024, many areas of Poland suffered from severe flooding brought by massive rainfalls, with the worst impacted areas being found in southwestern Poland. At least nine people in Poland were killed as a result of this flooding.
- In response to this flooding, the government allocated \$6 billion for people and businesses impacted by this natural disaster.
- Afterwards, Prime Minister Tusk claimed that the soaring beaver population in Poland made this flooding much worse.
- In August 2024, Prime Minister Tusk announced that Poland intended to bid to host either the 2040 or the 2044 Summer Olympic Games.



Poland Political Outlook

Poland: Current Government

Overview:

- An alliance of centrist political parties led by the Civic Coalition held a majority of seats in the parliament and was able to form a new coalition government under the leadership of new Prime Minister Donald Tusk in December 2023.
- Differences between President Duda, a conservative, and Prime Minister Tusk caused a great deal of friction within Poland's political system since the Civic Coalition took power.

Key Members of the Government:

- Head of State
 - President Andrzej Duda
- Head of Government
 - Prime Minister Donald Tusk
- Minister of Foreign Affairs
 - Radoslaw Sikorski
- Minister of Finance
 - Andrzej Domanski
- Minister of State Assets
 - Borys Budka
- Minister of the Interior and Administration
 - Marcin Kierwinski
- Minister of Justice
 - Adam Bodnar
- Minister of Defense
 - Wladyslaw Kosiniak-Kamysz
- Minister of Infrastructure
 - Dariusz Klimczak

Poland: Most Recent Elections

Parliamentary Elections – October 2023

Summary of the Last Elections:

The government announced that Poland's next parliamentary elections would take place in October 2023.

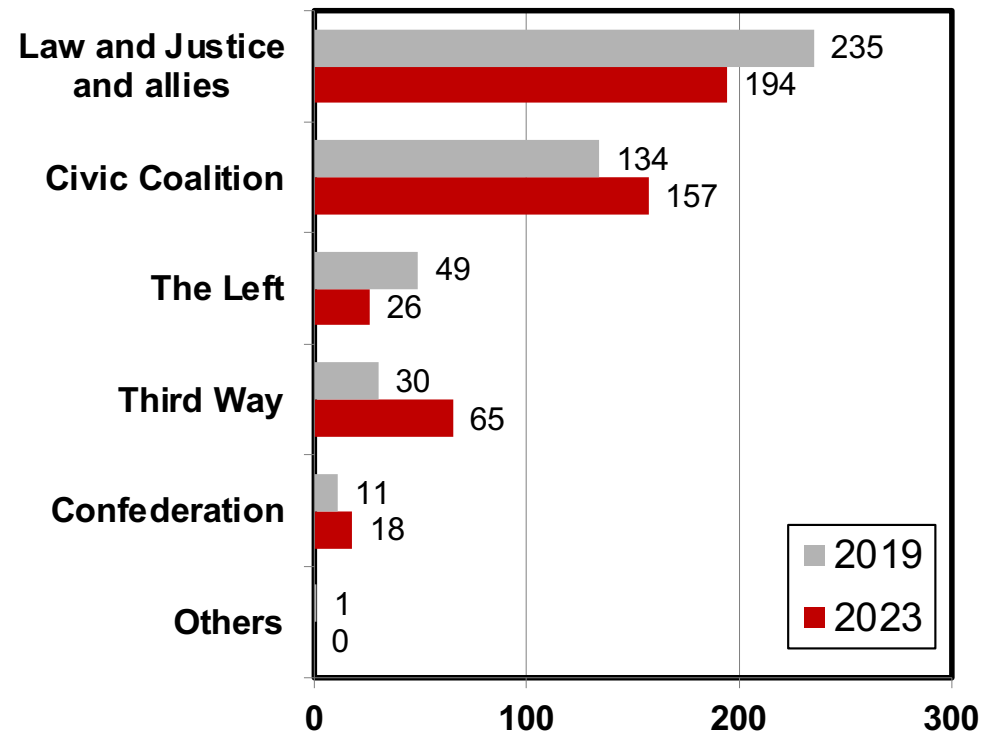
- Later, the government also announced that a referendum on a variety of issues along with these elections.
- This referendum was condemned by the political opposition, which claimed that it was designed to sway more voters to the ruling Law and Justice party.

Despite winning the largest share of the vote (35.4%) in 2023's parliamentary elections, the governing Law and Justice party, failed to win enough seats to form a government.

- The Law and Justice party and its allies in the United Right alliance lost 41 seats in 2023's elections.
- Instead, the opposition Civic Coalition and its allies won enough seats to form a new coalition government.
- The Civic Coalition gained 23 seats in the 2023 elections, while the Third Way alliance gained 35 seats.

Results:

Seats Won in the Parliament



Source: Polish election authority

Poland's Leading Political Forces:

Law and Justice (PiS)

History:

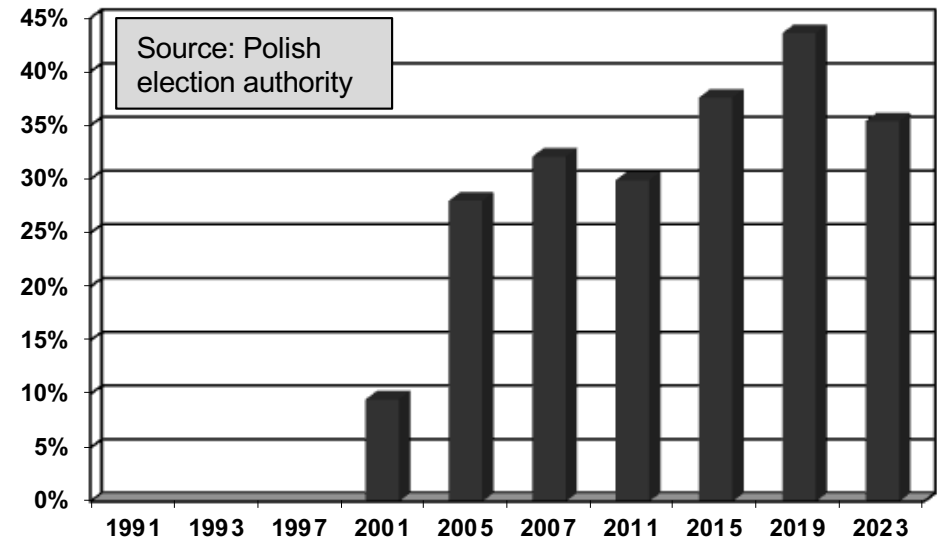
The Law and Justice Party is the dominant conservative political force in Poland.

- After eight years in the political opposition, the Law and Justice party returned to power in 2015, winning that year's parliamentary and presidential elections.
- The party moved quickly to strengthen its grip on power, leading to accusations that it is undermining Polish democracy.

Key Policies and Stances:

- The party's main platform is promising tough new measures to tackle the rising crime and corruption problems in Poland.
- The party is tepidly in favor of European Union membership, but has deep reservations about further EU integration.
- The party favors economic reforms for Poland, although not to the degree of their more right-wing allies.
- The party is opposed to most forms of migration to Poland and the rest of Europe.

Share of Vote in Recent Elections



Outlook:

The Law and Justice party was surprised by its loss of power in the wake of 2023's parliamentary elections.

- Nevertheless, the party retains much of its support and continues to be the dominant

Poland's Leading Political Forces:

Civic Platform (PO)

History:

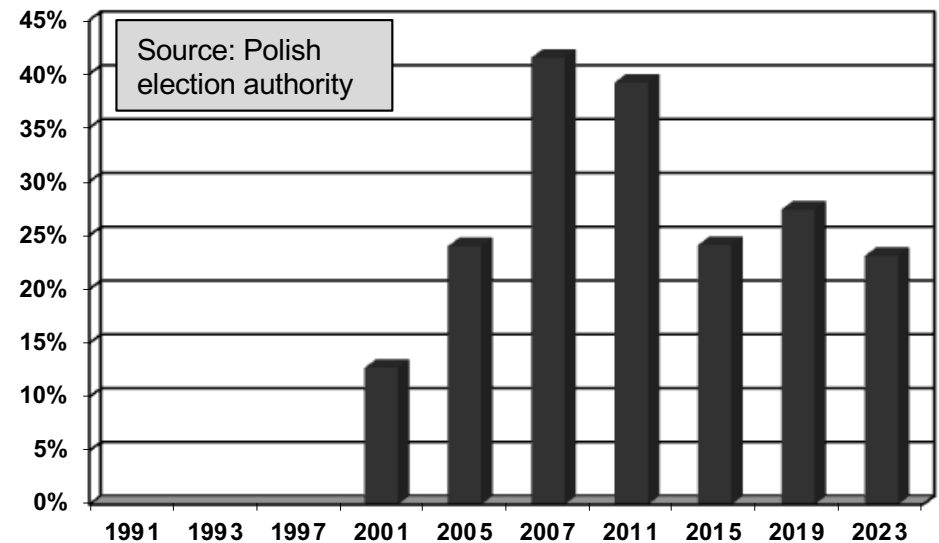
The Civic Platform returned to power in the wake of 2023's parliamentary elections.

- Under the leadership of Donald Tusk, the party has maintained its position as the leading centrist political party in Poland.

Key Policies and Stances:

- The Civic Platform is one of the only political parties in Poland to be staunchly pro-European Union.
- In terms of economic policy, the party supports promoting foreign investment and has flirted with the idea of a flat tax for Poland.
- The Civic Platform has taken a strong stance against corruption in Polish government.

Share of Vote in Recent Elections



Outlook:

The Civic Platform's leadership of the Civic Coalition and its control of the political center in Poland appears likely to continue for some time.

- Nevertheless, the party faces a number of challenges as it seeks to remain one of the leading political parties in Poland.

Poland: International Relations Outlook



Key International Disputes:

- Large areas of western Poland once contained a sizeable German population and belonged to Germany until 1945. Both sides have demanded reparations for damages during the Second World War.
- Poland and the Czech Republic have in the past disputed control over a couple of small areas along their border.
- Western areas of Belarus and Ukraine once belonged to Poland and still have ties with Poland.

International Relations Outlook:

- Poland will maintain close political ties with the United States as security issues will continue to play a large role in determining Polish foreign policy.
- Nevertheless, Poland will continue to cultivate ties with other European Union member states, while serving as a bridge between the EU and the US.

Potential Conflict: Russia



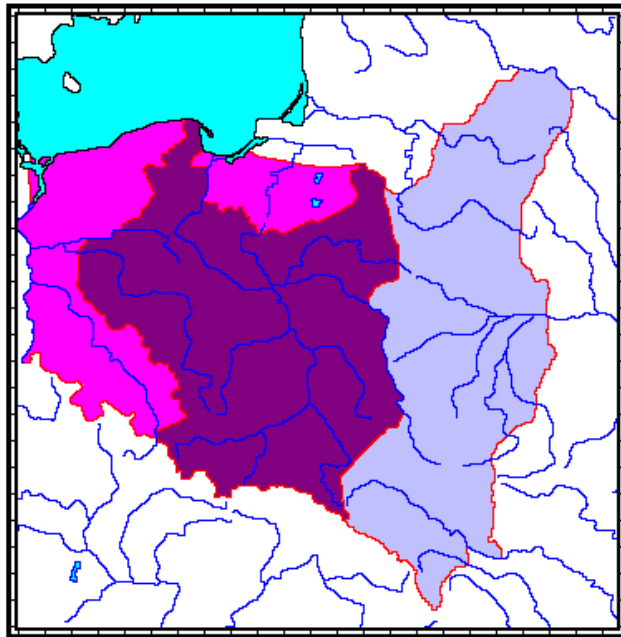
Main Disputes:

- Poles still fear Russian intentions in Central Europe, particularly in the wake of Russia's 2014 intervention in Ukraine and annexation of Crimea.
- The unclear future of Russia's Kaliningrad region is another source of instability between Russia and Poland.
- A closer union between Russia and Belarus would extend Poland's border with a new "Russia".
- Poland's wholehearted embrace of NATO is mainly in response to the perceived threat from Russia.

Best- and Worse-Case Scenarios:

- Best Case Scenario
 - Russia moves to cultivate stronger ties with the European Union and NATO and this eases Polish fears of future Russian aggression.
- Worst-Case Scenario
 - Russian moves to regain influence in the countries of Central Europe and this stokes Polish fears of future Russian aggression.

Potential Conflict: Germany



Poland after World War II

- Poland in 1937
- Poland since 1946
- Territory lost in 1939
- Territory gained from Germany in 1945/1946

Main Disputes:

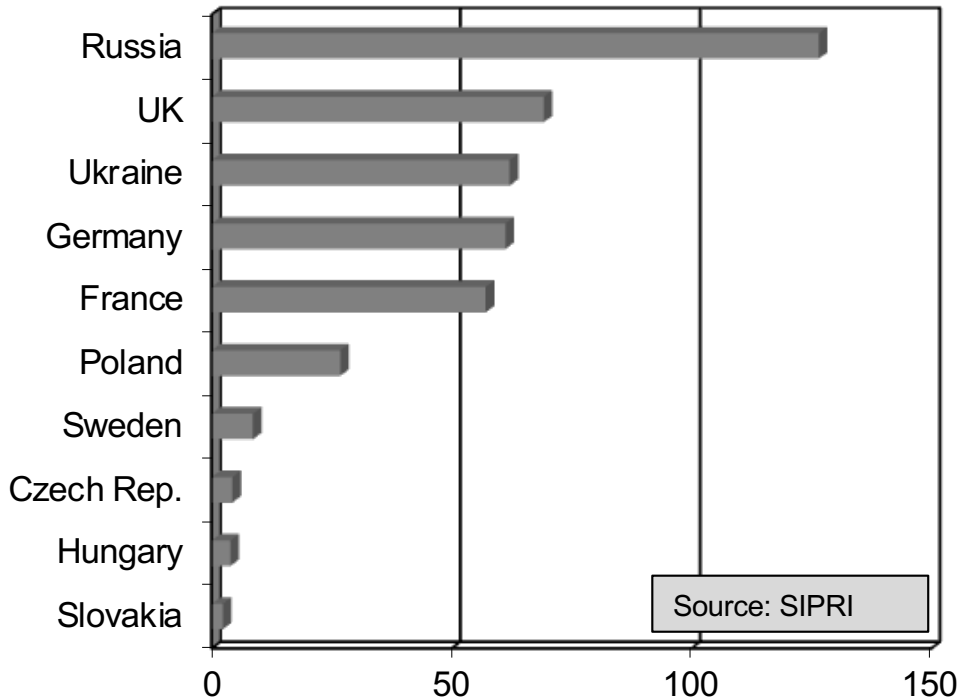
- Many of the descendants of ethnic Germans forced out of western Poland after the Second World War are seeking compensation for their losses.
- Following the Second World War, Poland was shifted westwards and former German areas were incorporated into Poland
- Poland still fears that Germans will buy cheap Polish land in former German areas in an attempt to regain control there.

Best- and Worse-Case Scenarios:

- Best Case Scenario
 - Germany and Poland continue to normalize relations between the two neighbors.
- Worst-Case Scenario
 - Calls for reparations from both sides, or stronger ties between Germany and Russia, lead to a serious deterioration in relations between Germany and Poland.

Military Spending

Total Military Spending (US\$ bil.)



Strengths and Weaknesses

Poland's military is easily the largest of the Central European countries that joined NATO in the wake of the fall of communism in that region.

- Poland was a leading contributor in the US-led wars in Iraq and Afghanistan.
- Poland and the United States have developed very close military ties in recent years.

Poland's military continues to undergo a major modernization program.

- Polish military spending equals that of the rest of Central Europe combined.
- The number of active Polish troops has been reduced to below 100,000, down from the more than 400,000 active troops that Poland had in the 1980s.

Outlook

Poland's military capabilities, combined with its potential, have made it a key ally of the United States in Europe.

- Meanwhile, despite the improved political climate in Central Europe, Poland remains wary of Russia and Germany, hence the desire for close defence ties with the United States.

Poland: Security Risk

Summary

Crime-Related Risks

- Crime rates in most areas of Poland are relatively low, with few risks to business travelers or tourists.
- The greatest crime-related risk to business travelers and tourists comes from the threat of property theft.

Conflict and Stability Risks

- Poland has often tense relations with neighboring Russia and Belarus.
- The threat of terrorism in Poland remains quite low by European standards.
- Ethnic, religious and sexual minorities can face discrimination in some areas of the country.

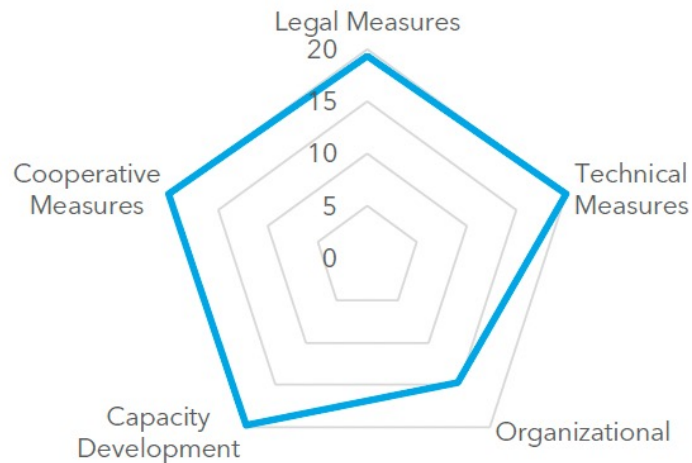
Health and Natural Risks

- Poland faces relatively few major health and natural risks.
- Poland's healthcare system has improved dramatically in recent decades.

Poland: Cybersecurity

Summary

Poland (Republic of)



Development Level:
Developed Country

Area(s) of Relative Strength
Technical, Cooperative Legal,
Capacity Development
Area(s) of Potential Growth
Organizational Measures

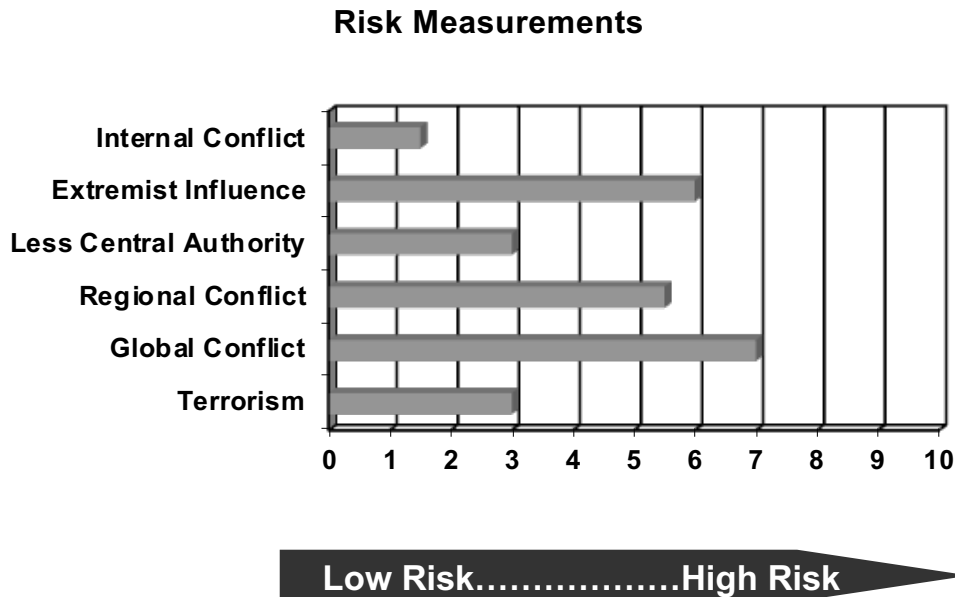
Overall Score	Legal Measures	Technical Measures	Organizational Measures	Capacity Development	Cooperative Measures
93.86	19.35	20.00	14.74	19.77	20.00

Source: ITU Global Cybersecurity Index v4, 2021

While Poland has faced an increasing threat from cyberattacks from outside of its borders, the country still has much to do to improve its preparedness for threats in this realm. In particular, the government needs to do more to provide support for the public and private sectors to improve their cybersecurity levels as these threats are likely to worsen in the years ahead.

Poland: Political Risk Outlook

Current Political Risk Ratings:



ISA Risk Ratings

- 0.0 to 1.9 = Low Risk
- 2.0 to 3.9 = Low to Moderate Risk
- 4.0 to 5.9 = Moderate Risk
- 6.0 to 7.9 = Moderate to High Risk
- 8.0 to 10 = High Risk

Political Risk Outlook:

- Poland's domestic political risk levels have receded in recent years as the domestic political climate has moderated and as regional tensions have faded.
- However, its external political risk levels have risen in recent years together with Russia's growing assertiveness in East Europe and the conflict in Ukraine.

Poland Economic Outlook

Poland: Economic Overview

Economic Summary:

Poland's economy has proved to be quite resilient in the face of the economic turmoil in Europe over the past decade.

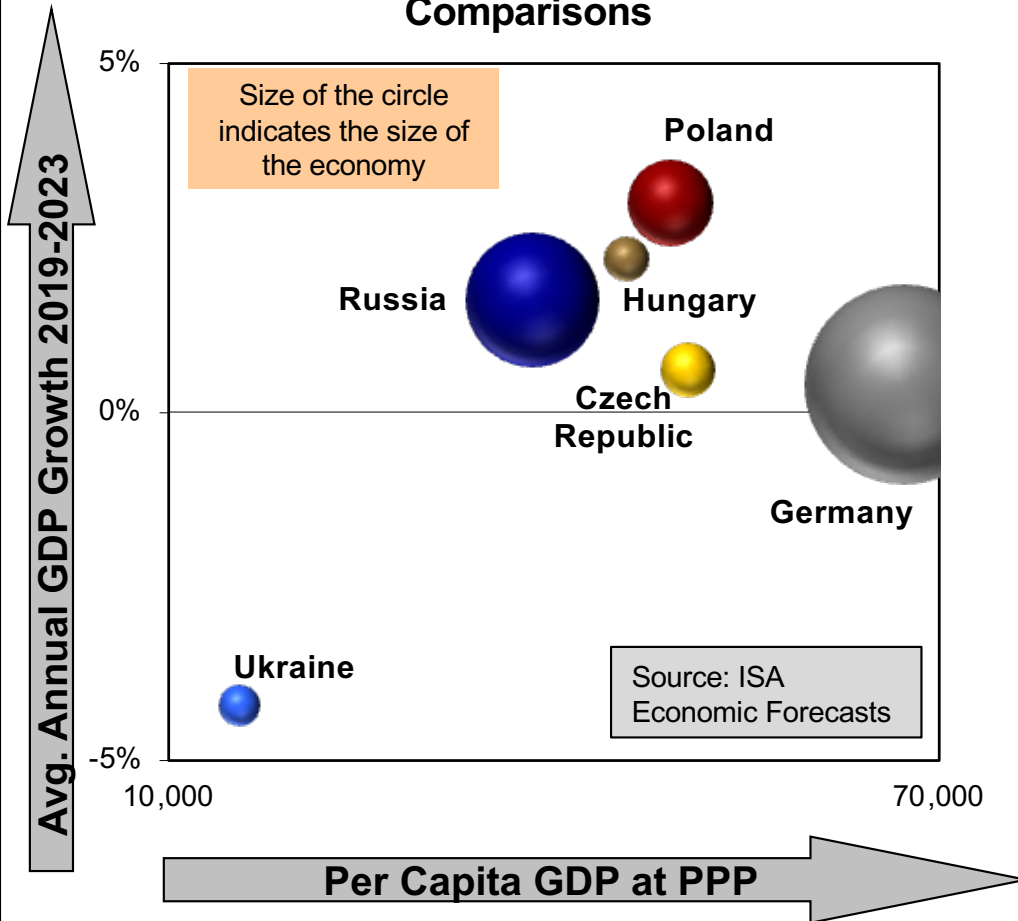
- Despite a slight downturn during the height of Europe's economic struggles, growth rates remained relatively strong during this period and Poland has outperformed nearly all other European economies.
- Poland has benefitted from the fact that it has the largest domestic market in Central Europe and that it had enacted painful reforms that strengthened the domestic market in the long-run.

Heavy industry, mining and agriculture are the traditional pillars of the Polish economy.

- However, these sectors have struggled over the past three decades due to foreign competition.
- Today, it is Poland's service sector that is realizing the most growth, thanks to rising demand levels on the domestic market in Poland.

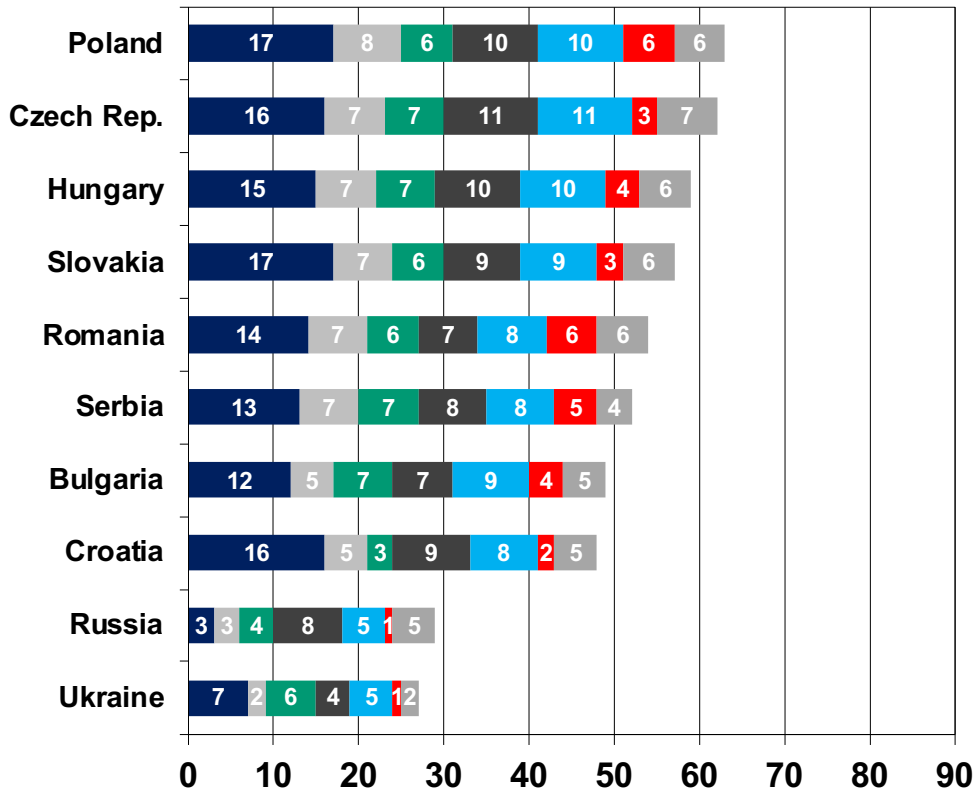
Economic Performance Comparisons:

Regional Economic Growth Comparisons



ISA Economic Competitiveness Rankings: Central and East Europe

ISA Economic Competitiveness Scores
Central and East Europe



Summary

Central European economic competitiveness levels have remained relatively high in recent years, despite lower levels of economic growth and a loss of some economic competitiveness due to rising costs and worsening labor shortages. Poland and the Czech Republic remain this region's most competitive economies.

Southeast European competitiveness continues to be plagued by a variety of negative factors, including corruption and one of the world's worst brain drains. This has prevented countries in this region from reaching Central European levels of economic competitiveness.

East European levels of competitiveness were always well below those of their counterparts to the west, but they plummeted in the wake of the conflict between Russia and Ukraine. Furthermore, they are unlikely to rise significantly in the coming years.

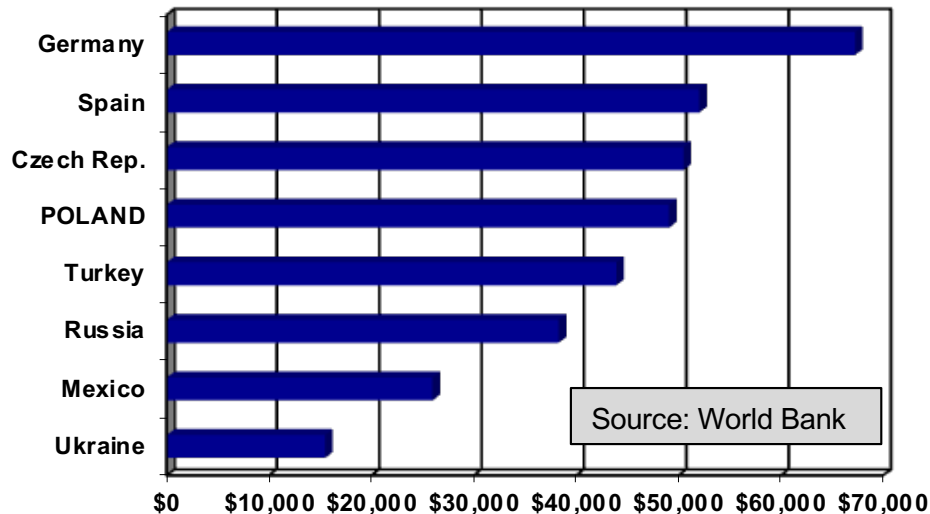
Takeaways

- Central Europe is home to some of the most competitive economies in Europe.
- Southeast and East European countries are relatively uncompetitive when compared with Central Europe.

Poland: Wealth Comparisons

Per Capita GDP at PPP (US\$)

Per Capita GDP at PPP



Key Wealth-Related Issues and Trends

Poland has steadily closed the gap with the wealthier countries of Central Europe.

Moreover, per capita GDP levels have surpassed those of emerging markets in other regions.

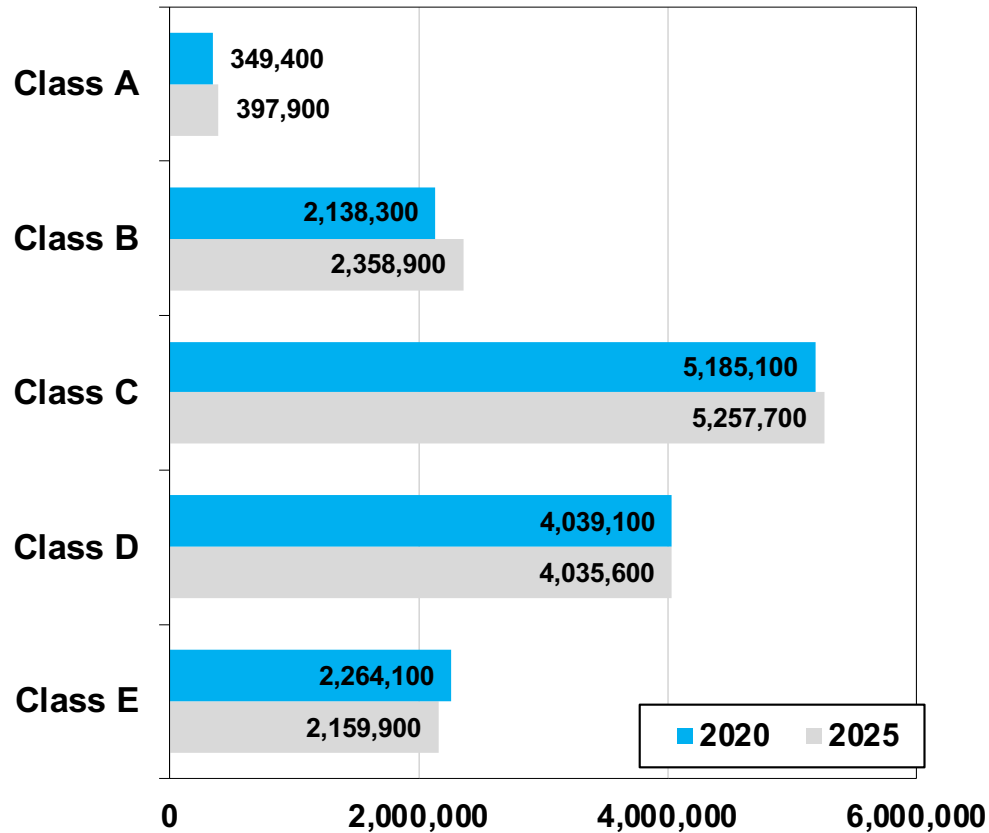
Solid GDP growth, coupled with a lack of population growth, will lead to more increases in wealth levels.

Poland has the potential to become one of Europe's most important markets, and if GDP growth can beat expectations, this will become a reality in the coming decades. In the meantime, Poland's market potential remains constrained by relatively low levels of purchasing power.

Poland: Households by Income Class

Income Classes

Households by Income Class



Source: ISA Income Class Study

Income Class Classifications

Class A: Upper Income Class

Class B: Upper-Middle Income Class

Class C: Middle Income Class

Class D: Lower-Middle Income Class

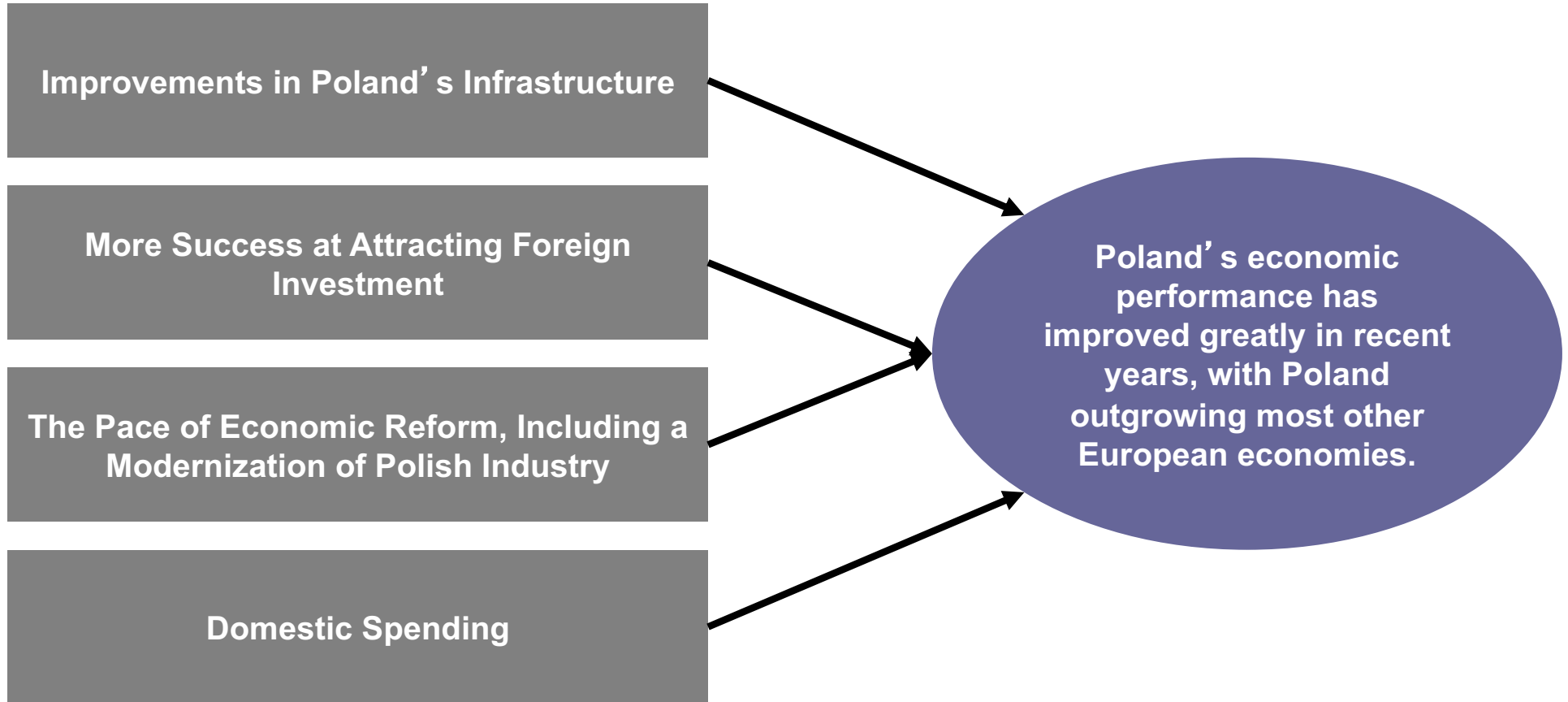
Class E: Lower Income Class

Key Points

- Poland has developed a very large middle class in recent years, thanks to its strong economic performance during that period.
- In the coming years, Poland's upper- and upper-middle classes are forecast to continue to grow at a healthy pace.

Keys to Economic Growth in Poland

Key Factors

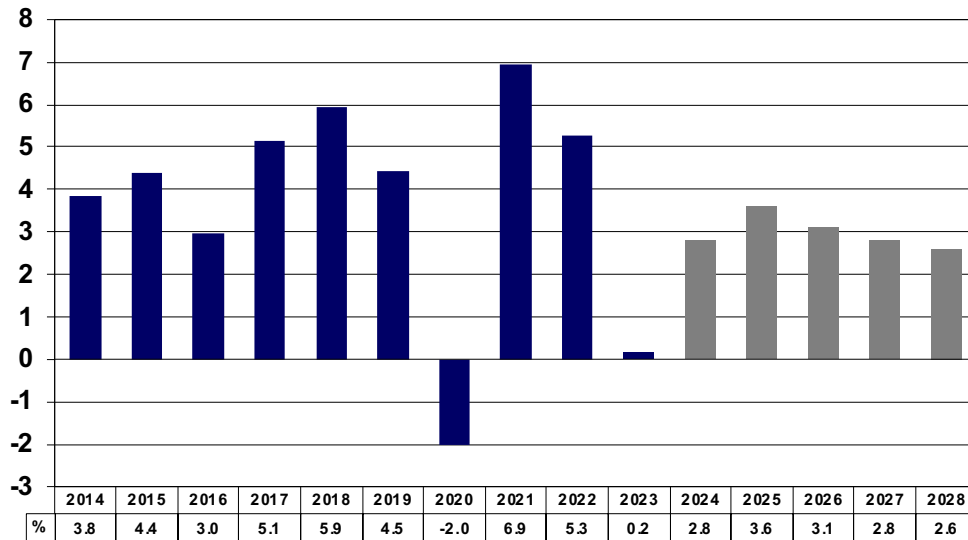


Poland's economy will continue to realize solid, but not spectacular, economic growth over the forecast period. If Poland could further develop its export industries, then economic growth would rise even higher. Moreover, Polish consumers, with more purchasing power, can be a major force for economic growth in the coming years.

Poland: GDP Growth Outlook

Chart: GDP Growth Rates

Annual GDP Growth Rate (%)



Source: ISA
Economic Forecasts,
national statistics

Current Outlook:

- Poland's economy fell into a recession in 2020 as the European slowdown and the Covid-19 pandemic had a major impact on Poland's economic health.
- In 2021 and 2022, Poland's economy staged a solid recovery from the impact of the pandemic.
- Economic growth in Poland slowed sharply in 2023, due in large part to high rates of inflation.

Future Outlook:

- Poland's economy will continue to be severely impacted by the conflict in Ukraine and the inflationary pressures that coincided with this war to Poland's east.
- Nevertheless, Poland's large domestic demand will help to shield the country's economy from other external threats in the coming years.

Poland: Long-Term Economic Outlook

Summary

Poland's economy has been one of the strongest economies in Europe over the past 20 years.

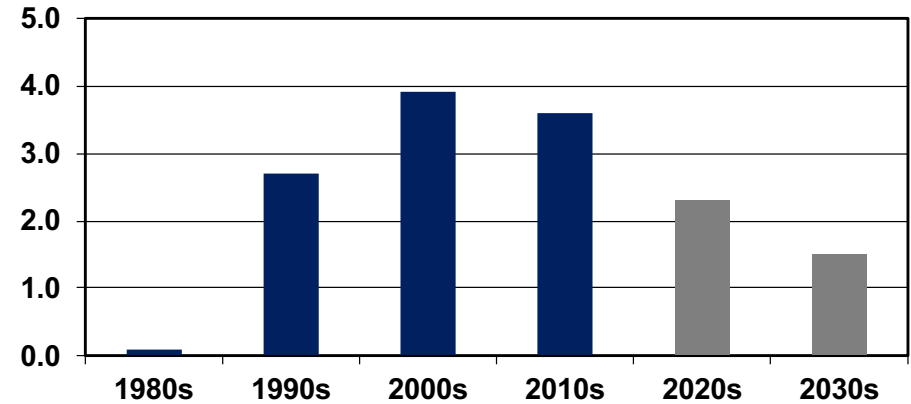
- This is a major reversal of the situation that faced the Polish economy in the final decades of the 20th century.
- This strong growth in recent decades has allowed Poland to close the wealth gap with its counterparts in the western part of Europe.

Looking ahead, a number of factors are likely to lead to lower rates of economic growth in Poland in the coming decades.

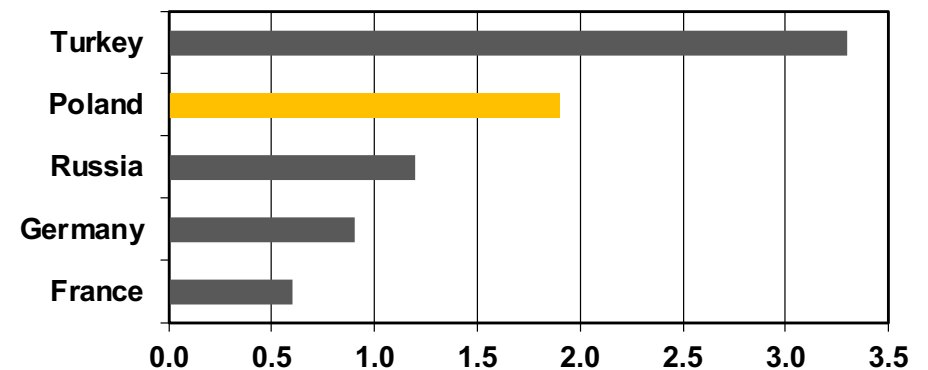
- First, Poland's working-age is forecast to fall significantly in the coming decades, reducing growth on the domestic market and leading to severe labor shortages.
- Second, Poland will be impacted by the sluggish growth foreseen in most other European economies during this period.
- Finally, Poland has failed to invest in more high-tech, high-growth sectors of the economy, threatening the country's long-term future.

Charts: Long-Term Economic Growth

Average Annual GDP Growth Rate by Decade (%)



20-Year Average Annual GDP Growth Forecasts (%)



Poland: Key Economic Sector

The Mining Industry

Summary:

Poland had to restructure its mining industry over the past three decades in order to be able to compete with foreign competition.

- Tens of thousands of jobs were lost in the ongoing modernization process and many mines have gone out of business.
- Nearly 110,000 people are still employed in Poland's mines, down from 420,000 during the communist era.

Poland needs to spend huge sums of money to retrain miners for new jobs.

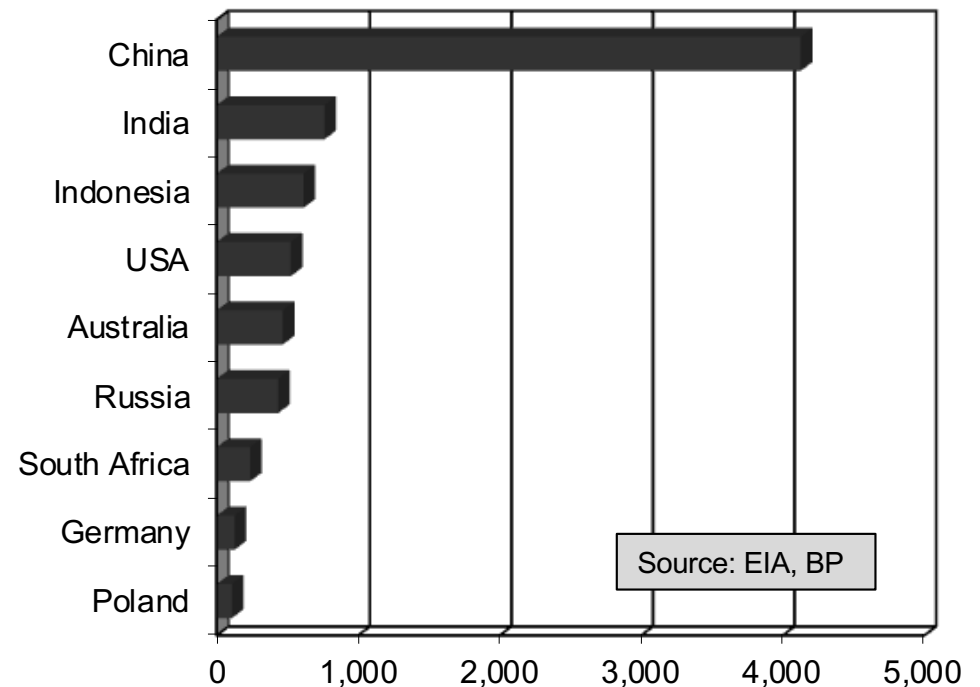
- Money is also needed to solve the many environmental issues surrounding the mining industry.

Outlook:

Poland's huge mining sector is proving to be a massive burden for the country's economy and is not attracting the levels of foreign investment that were hoped for.

- With Poland's brown coal condemned by environmental groups, the future of Poland's mining industry remains very uncertain.

**Coal Production in 2021
(Million tons)**



Poland: Key Economic Sector

The Automotive Industry

Summary:

Poland's once-booming automotive industry has suffered a series of setbacks over the past 20 years.

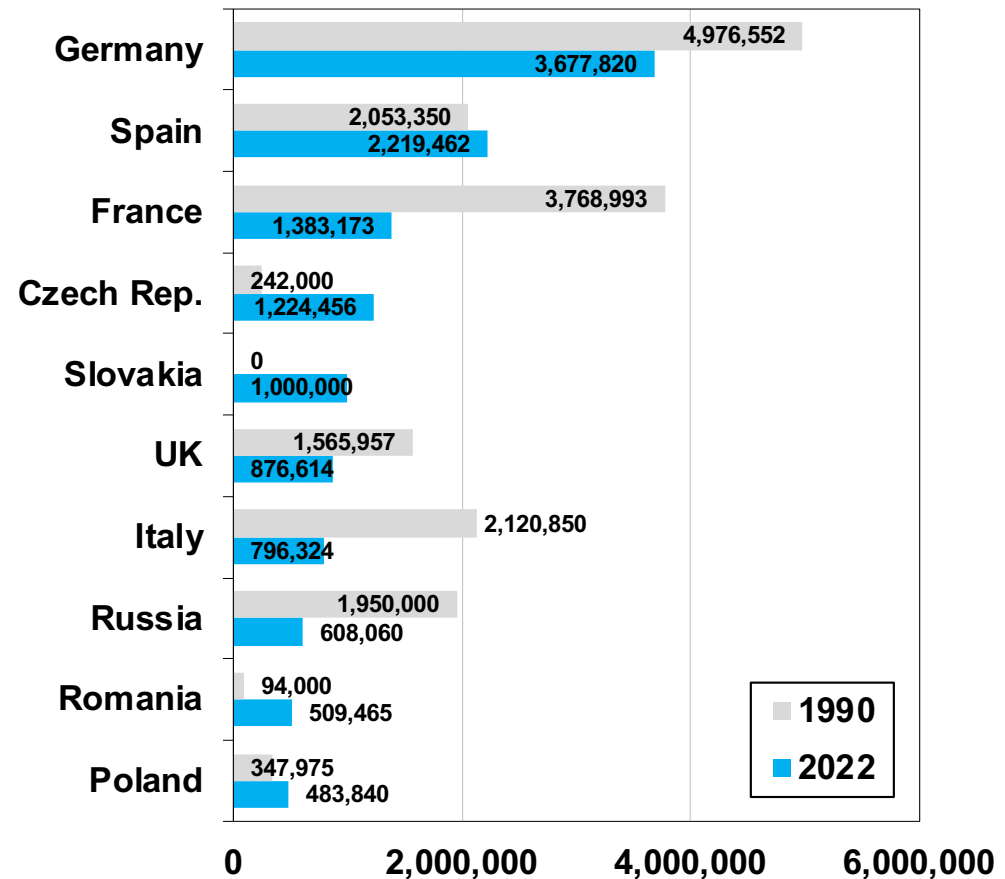
- Poland has suffered from inconsistent performances by the major foreign investors in the country's automotive industry.
- In addition, major foreign investments have gone to other Central European countries as many of the world's leading carmakers have chosen to build car factories elsewhere in the region.
- However, the country's automotive industry has benefitted from the strong growth on the domestic market in recent years.

Outlook:

The Polish automotive market should continue to grow in the coming years.

- As for the industry, Poland has the potential to attract significant levels of foreign investment if the European market continues to recover.

Motor Vehicle Production in Europe

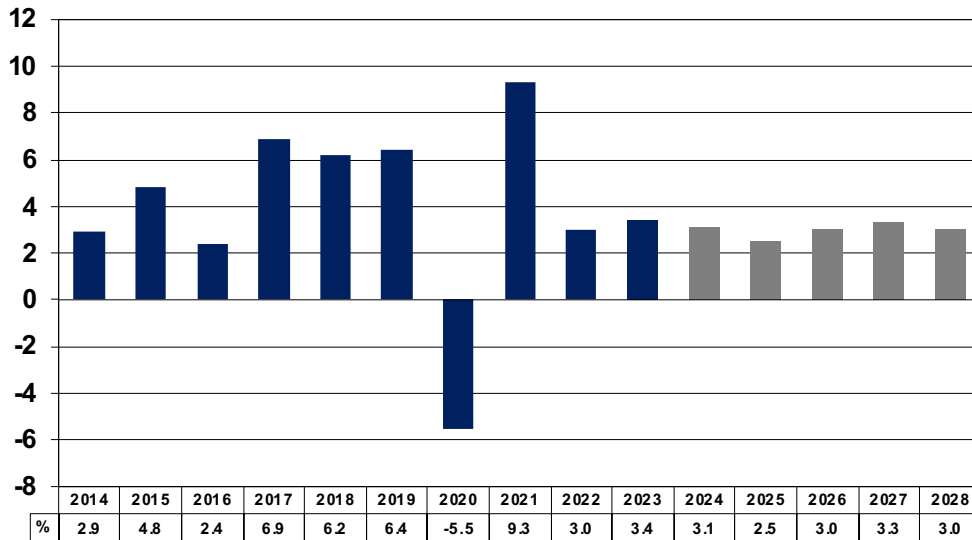


Source: OICA

Poland: Industrial Production Growth Outlook

Chart: Industrial Production Growth Rates

Annual Industrial Production Growth Rate (%)



Source: ISA
Economic Forecasts,
national statistics

Current Outlook:

- Industrial production has slowly rebounded in recent years thanks to rising levels of demand in Poland and across much of Europe.
- Earlier growth had been driven by manufactured exports, with domestic demand eventually emerging as a key driver of growth for Poland's manufacturing industries.

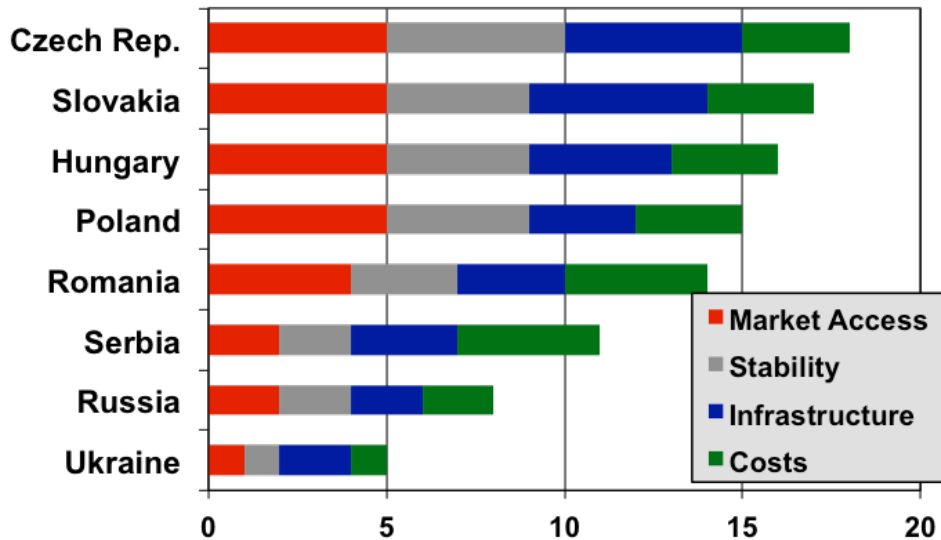
Future Outlook:

- Industrial production in Poland will continue to be adversely impacted by supply chain disruptions over the near-term as well as the economic downturn in Europe.
- Moreover, without a significant pick-up in foreign investment in the manufacturing sector, long-term industrial production growth will be limited.

Manufacturing Location Rankings by in Central and East Europe

Chart: Manufacturing Location Rankings

European Emerging Market Manufacturing Location Rankings



Scoring: All categories have a score of between 1 and 5, with 1 being the lowest and 5 being the highest

Current Situation:

- Central European manufacturers have benefitted from the recent rebound in demand in key export markets in West Europe.
- East European countries have failed to emulate Central Europe's success in terms of developing export-oriented manufacturing centers.

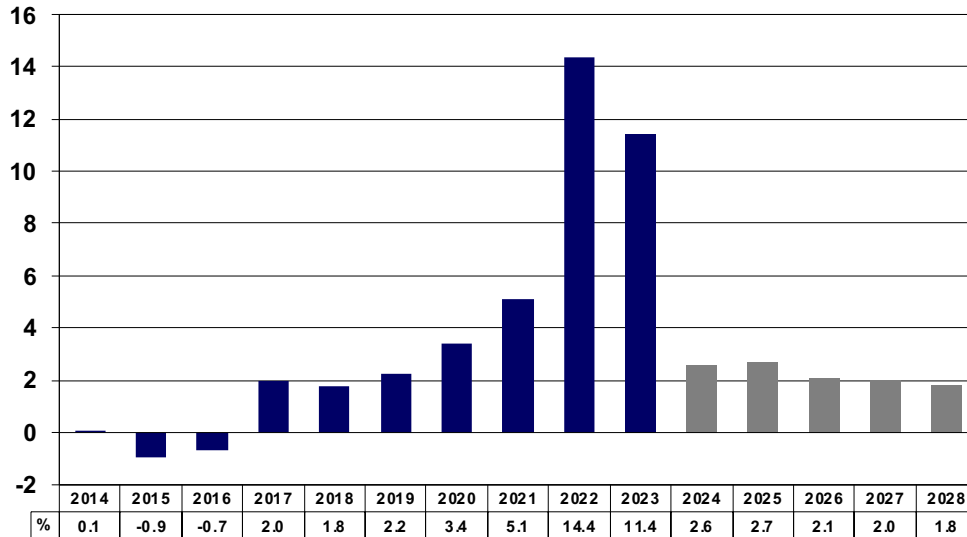
Future Situation:

- Central European economies remain dependent upon export markets in West Europe as their domestic markets remain small.
- In contrast, many East European countries have the potential to develop lower-cost manufacturing industries if they can gain access to West European export markets.

Poland: Inflation Outlook

Chart: Inflation Rates

Annual Inflation Rate (%)



Source: ISA
Economic Forecasts,
national statistics

Current Outlook:

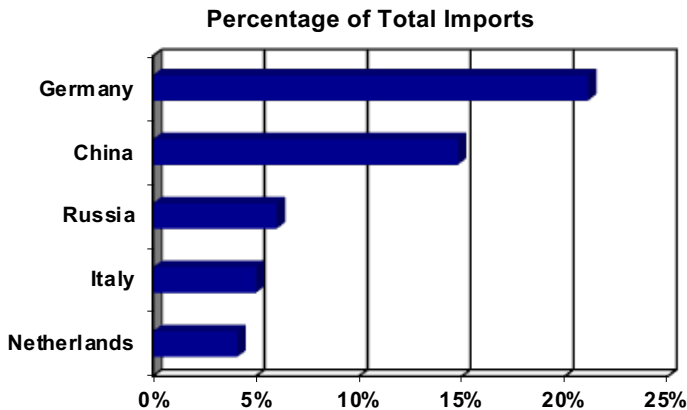
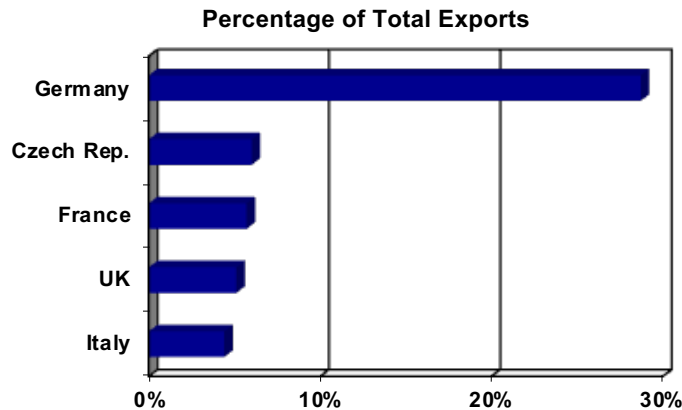
- In previous years, inflation rates hovered near 2% as energy prices have trended upwards and as demand levels continued to rise.
- In recent years, inflationary pressures rose as the country's inflation rate soared to their highest levels in more than 25 years.

Future Outlook:

- Inflation rates will fall sharply over the near-term.
- Looking over the longer-term, Poland's inflation rate is forecast to hover around 2%.

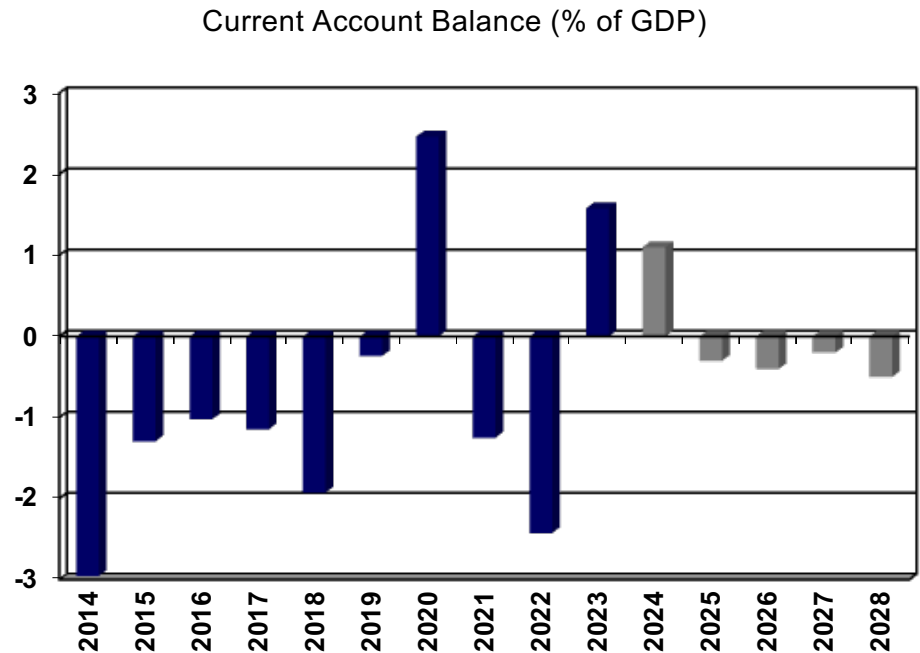
Poland: Foreign Trade Overview

Chart: Leading Trade Partners



Source: ISA
Economic Forecasts,
national statistics

Chart: Current Account Balance

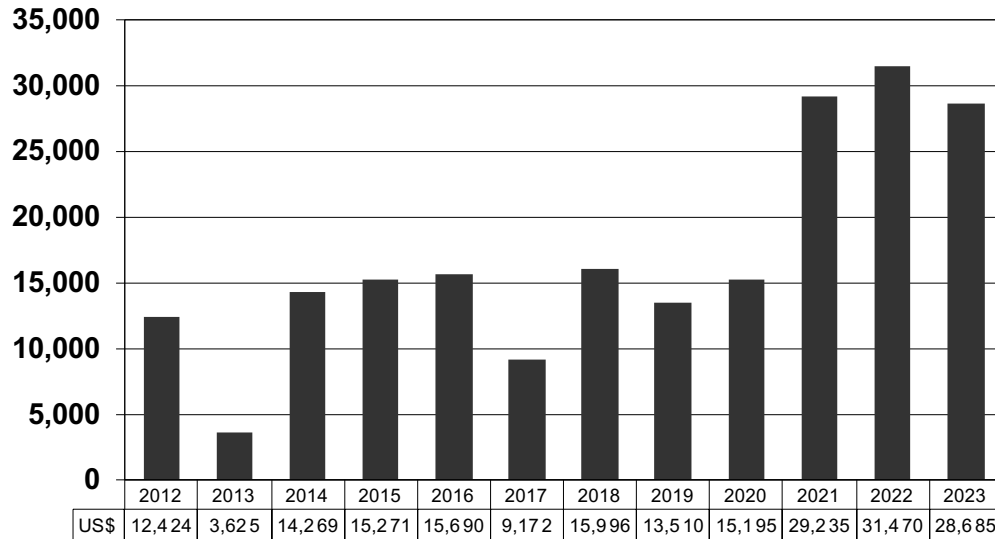


Poland was expected to become a major exporter of manufactured and agricultural products following the opening of the country to foreign investment. Unfortunately, Poland has seen this distinction go to other emerging markets. The result is a current account deficit that is likely to remain in place over the course of the forecast period.

Poland: Foreign Investment

Chart: FDI Inflows

FDI Inflows (mil. US\$)



Source: UNCTAD

Foreign Investment Climate:

For a time, Poland lagged behind other Central European countries in terms of per capita foreign investment.

- Poor labor relations and a lack of investment incentives from the government had hurt Poland's attractiveness to foreign investors, not to mention the country's poor infrastructure.

Poland's relatively large domestic market is a key factor in attracting foreign investment.

- Poland's population is four times larger than any other Central European country, giving it a sizeable domestic market.
- Its location provides it with access to northern and western Europe.

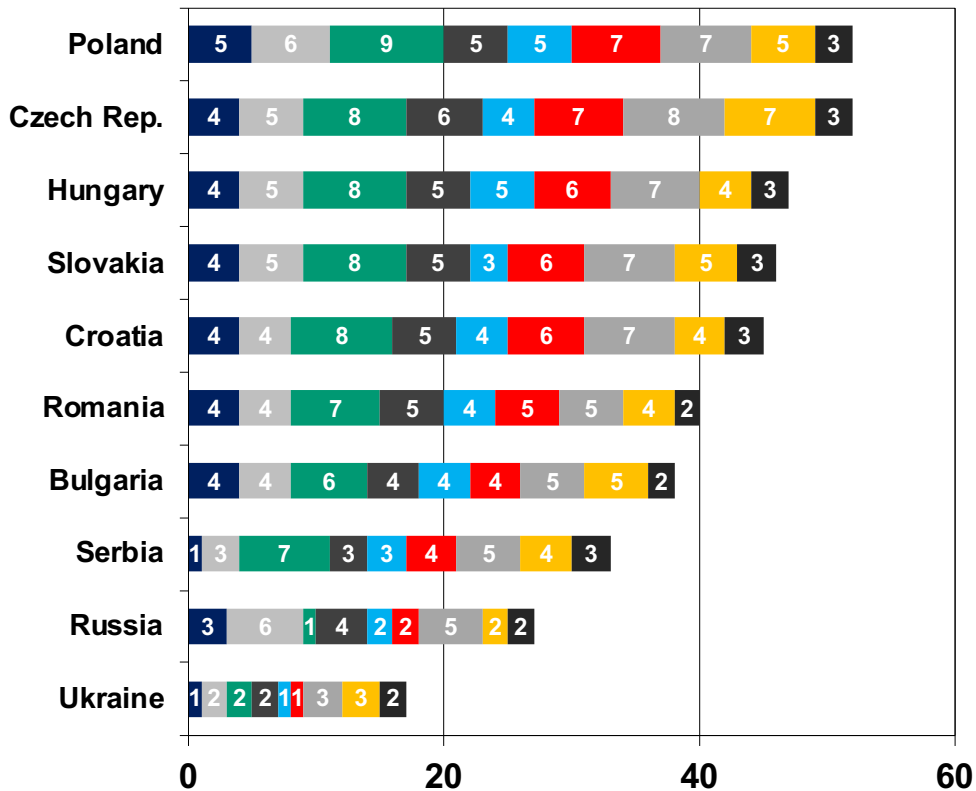
Outlook For Future Foreign Investment:

The attractiveness of Poland's domestic market has been the main attraction for foreign investors in recent years.

- Moreover, Poland has the potential to realize more foreign investment growth if it can develop more export-oriented industries and service sectors.

ISA Foreign Investment Attractiveness Rankings: Central and East Europe

ISA FDI Attractiveness Scores
Central and East Europe



Summary

Central Europe contains some of the most attractive locations for foreign investment in Europe. While this sub-region's domestic market potential is constrained by the region's demographic decline, it remains Europe's most attractive manufacturing location for a variety of export-oriented industries.

Russia's attractiveness as a destination for foreign investment had fallen in previous years, but it collapsed in the wake of that country's invasion of Ukraine. The break between Russia and the West will prevent that country from receiving much foreign investment in the coming years.

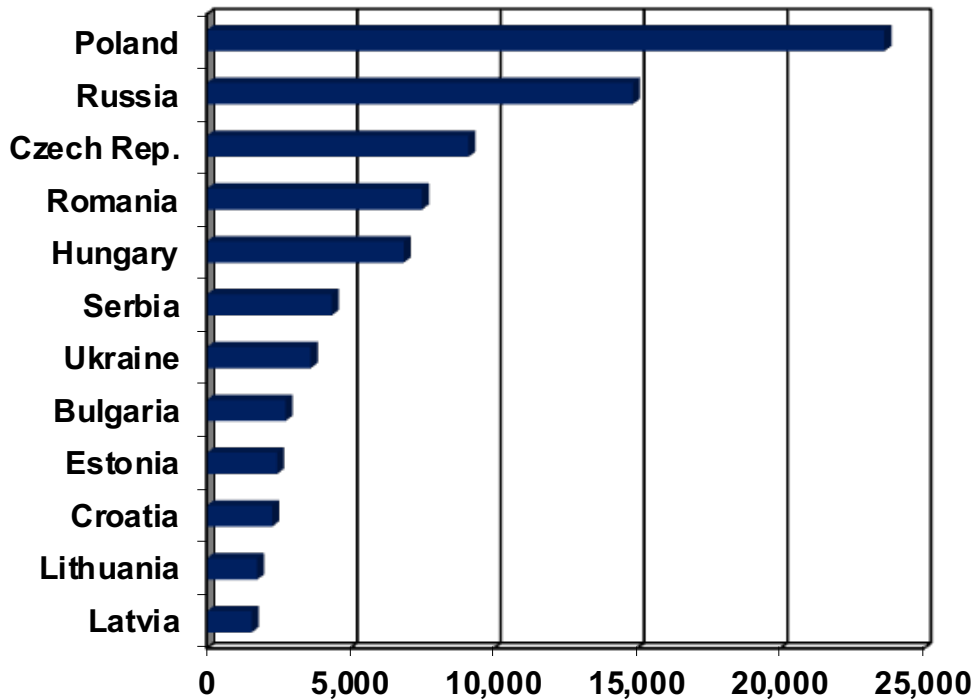
Southeastern Europe trails Central Europe in terms of foreign investment attractiveness. If the region's political stability improves, and corruption is reduced, it could realize a major increase in foreign investment in the future.

Takeaways

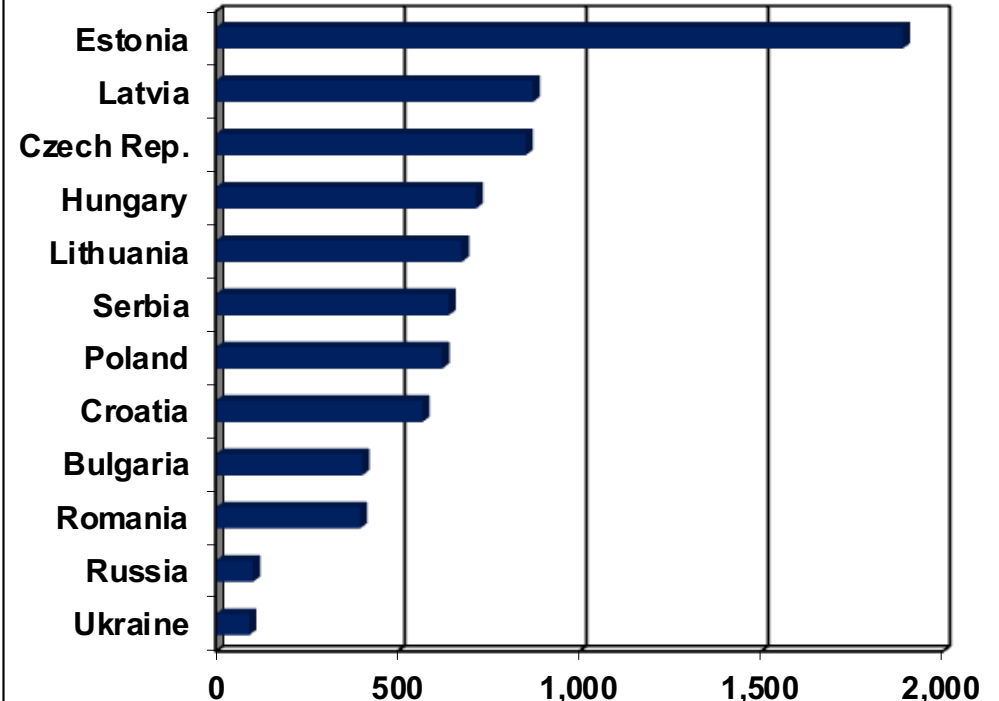
- Central Europe will remain one of Europe's most attractive destinations for foreign investment.
- Russia's disconnection from much of the global economy will cost it a great deal of foreign investment.

Regional Foreign Investment

Average Annual FDI Inflows (Mil. US\$) 2019-2023



Average Annual Per Capita FDI Inflows (US\$) 2019-2023



Source: UNCTAD

Per capita foreign investment inflows in Central and East Europe remain relatively high when compared with other regions of the world. However, foreign investment growth has slowed significantly in recent years in most countries in this region.

Poland: Exchange Rates

Chart: Exchange Rate with the US Dollar

Value of One US Dollar in Local Currency

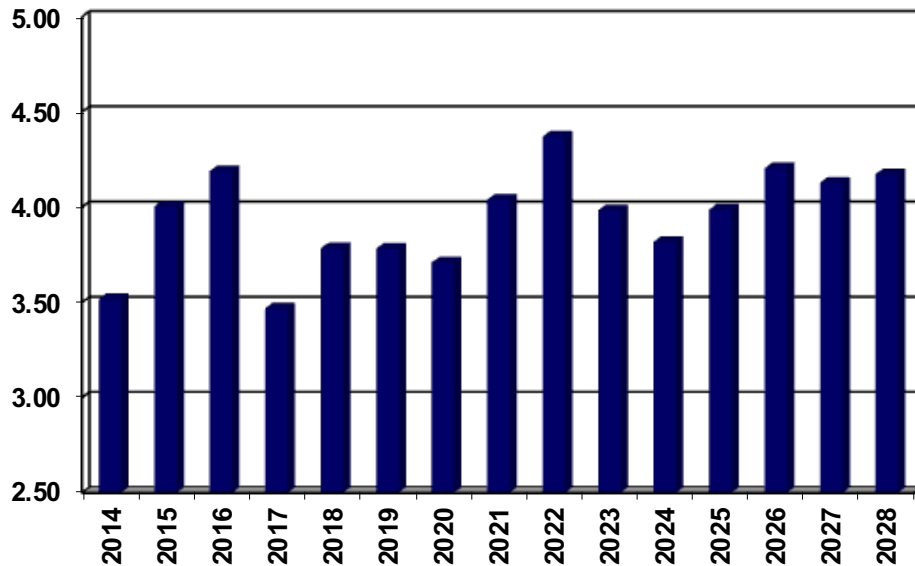
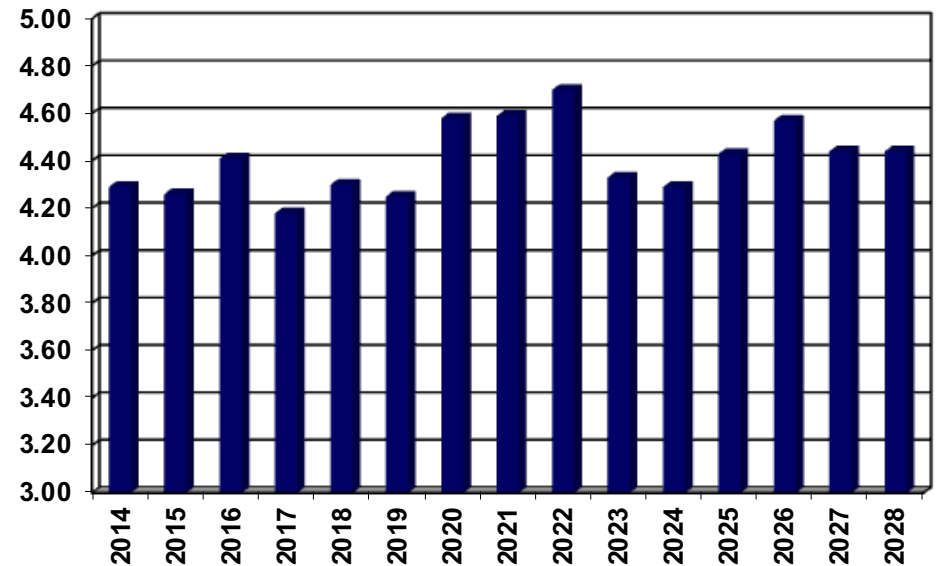


Chart: Exchange Rate with the Euro

Value of One Euro in Local Currency



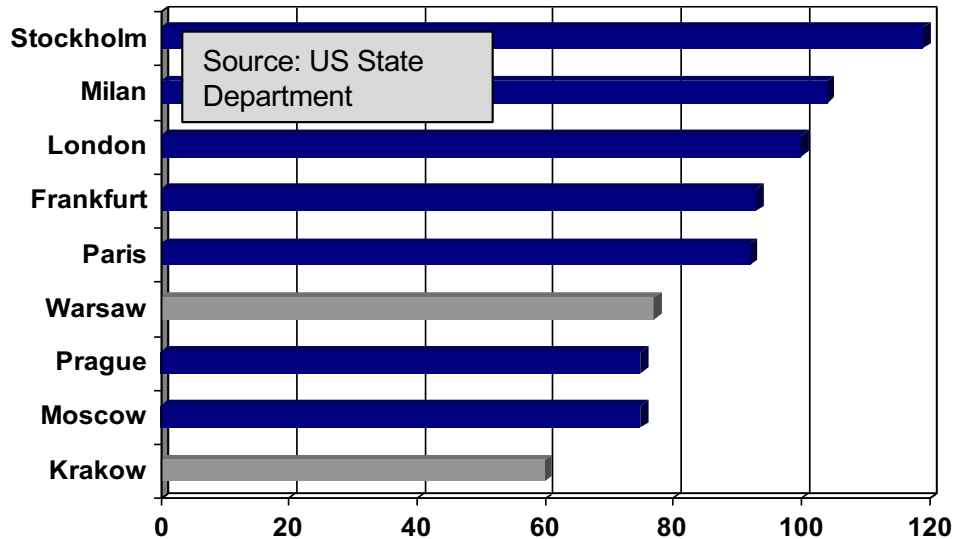
Source: ISA
Economic Forecasts

The zloty weakened significantly against other major currencies in recent years, in line with most other emerging market currencies. This helped to boost Poland's export competitiveness within Europe. Nevertheless, the zloty is forecast to regain some of this lost strength in the coming years.

Cost of Living Comparisons

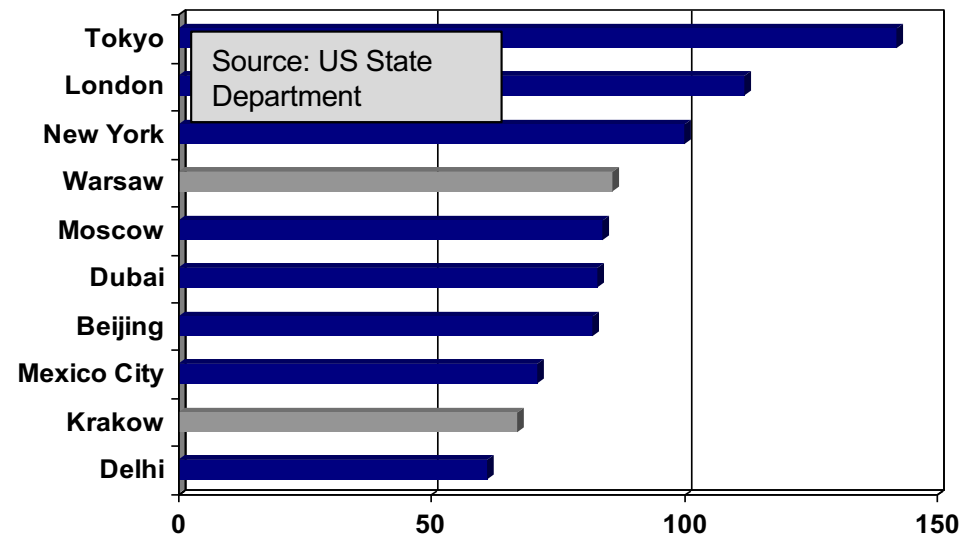
Regional Cost of Living Comparisons

Cost of Living (London = 100)



Global Cost of Living Comparisons

Cost of Living (New York = 100)



Cost of living levels in Warsaw have grown much faster than those in most other areas of the country and are today among the highest in Central Europe. Elsewhere, cost of living levels have remained fairly low, particularly in comparison with provincial cities in West Europe.

Poland: Domestic Consumer Market Outlook

Consumer Market Overview:

Poland's consumer market has undergone a massive transformation over the past two decades and is now a major attraction for exports and foreign investors. Nevertheless, purchasing power levels remain well below those of West Europe, although they have risen significantly in recent years.

Consumer Market in the Region:

Consumer Attitudes:

Polish consumers have embraced a wide range of new consumer goods and services in recent years, although consumers in rural areas remain generally conservative.

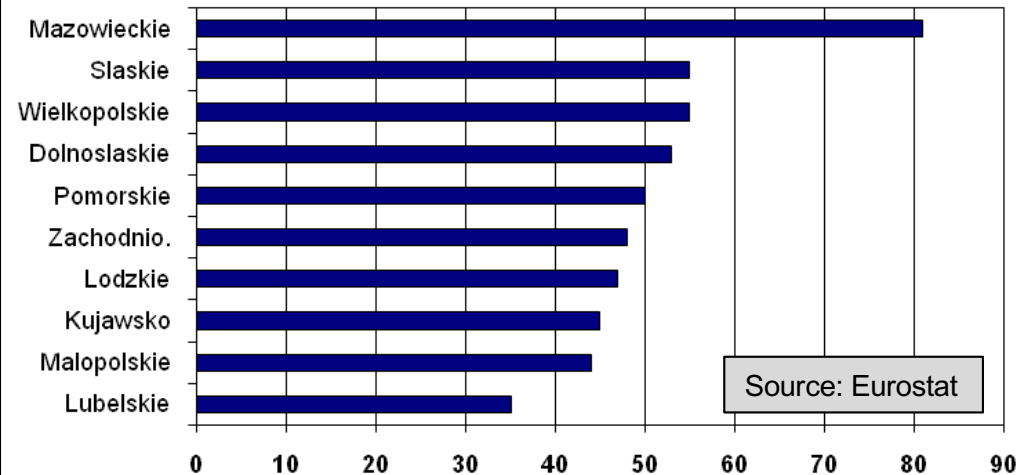
Domestic Consumption Patterns and Trends:

The consumer market in Poland has grown significantly in recent years, but this growth has been uneven as some areas have grown far faster than others.

Domestic Consumer Market Outlook:

Poland's consumer market is expected to grow at a steady pace in the coming years as wage levels continue to rise.

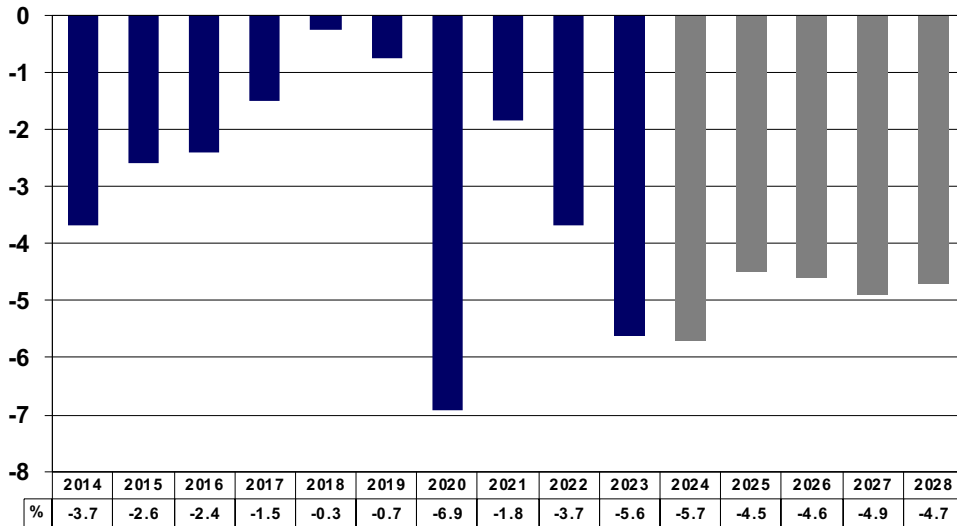
Per Capita GDP Levels (EU Average = 100)



Fiscal Policy Overview

Chart: Fiscal Balance

Fiscal Balance (% of GDP)



Source: ISA
Economic Forecasts,
national statistics

Current Outlook:

- The country's fiscal deficit soared in the wake of the Covid-19 crisis as it forced the government to increase spending at the same time as its revenues fell dramatically.

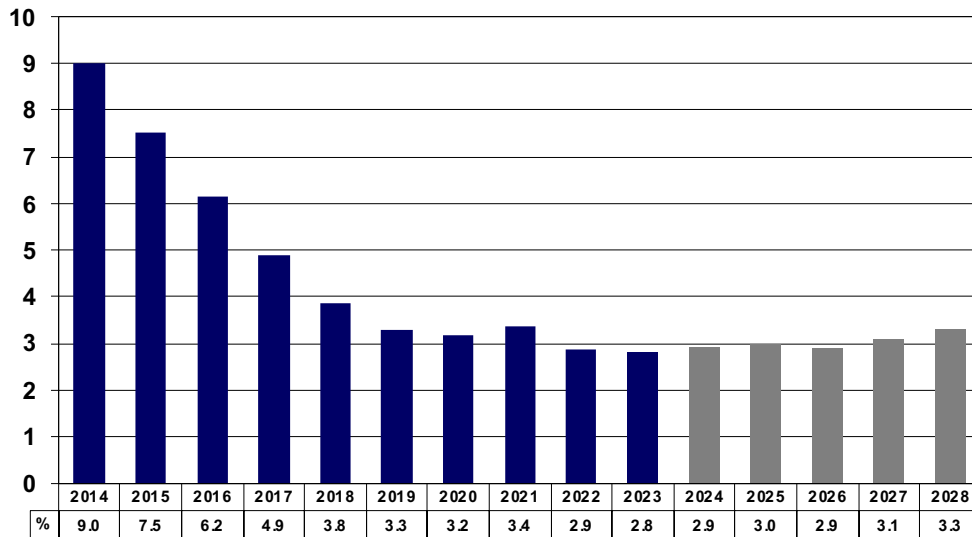
Future Outlook:

- The fiscal deficit is forecast to remain relatively high over the near-term.
- Eventually, this fiscal deficit will shrink, but will not fall to the lows of previous years at any time during the forecast period.

Poland: Labor Force

Chart: Unemployment Rate

Unemployment Rate (%)



Source: ISA
Economic Forecasts,
national statistics

Labor Force Overview:

High unemployment rates were once a serious problem for the country.

- However, unemployment rates have fallen sharply in recent years and now stand at less than 4%.
- This fall in unemployment has helped to lead to a sharp increase in wage levels in Poland.

Poland's work force is highly skilled and relatively well-educated.

- Productivity rates have been rising steadily, but still trail those of West Europe.
- Strikes and industrial actions remain above the European average.

Outlook For the Labor Force:

Poland's unemployment rate had fallen from its highs during the previous decade as economic growth remains strong and the workforce shrinks.

- In fact, the dramatic decline in unemployment levels led to labor shortages that are impacting many sectors of the country's economy.

Forecast Assumptions and Risk

Assumptions:

Inflationary Pressures Will Continue to Ease

Inflation rates are forecast to remain above their previous norms. However, for most major economies, inflation rates will continue to trend downwards in the months ahead.

Global Economic Growth Remains Sluggish

The global economy will continue to record growth rates that are below the levels recorded prior to the Covid-19 pandemic, with most major economies remaining relatively sluggish over the near-term.

Geopolitical Tensions Remain High

There will be no reduction of the level of geopolitical tension around the world in the coming months, with conflict risk and the threat of internal unrest remaining high in many regions.

Improved Relations with the European Union

Poland's centrist government under Prime Minister Donald Tusk will continue to make efforts to restore Poland's relationship with the European Union that was damaged by the country's previous regime.

Risks:

Conflict Between Major Powers

The potential for a conflict involving major economic powers such as the United States, China, India or the European Union could rise to levels that could cause major disruptions to the global economy.

Global Recession

The potential for a severe global recession remains in place and should it occur, it would be the second major recession in the past four years, something not seen since the 1930s.

Demographic Decline Accelerates

Dramatically-falling birth rates could result in a much faster decline in youth and working-age populations in most of the world's leading economies, resulting in much more severe labor shortages in the future.

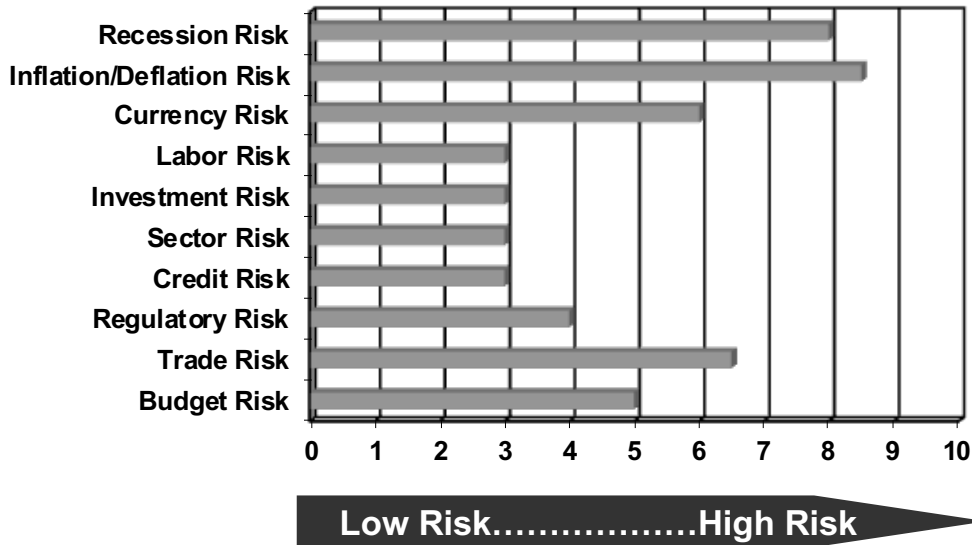
Domestic Demand Weakens

With export demand in Europe and East Europe forecast to remain relatively weak, a slump in domestic demand would have a major impact on the Polish economy.

Poland: Economic Risk Outlook

Current Economic Risk Ratings:

Risk Measurements



ISA Risk Ratings

- 0.0 to 1.9 = Low Risk
- 2.0 to 3.9 = Low to Moderate Risk
- 4.0 to 5.9 = Moderate Risk
- 6.0 to 7.9 = Moderate to High Risk
- 8.0 to 10 = High Risk

Economic Risk Outlook:

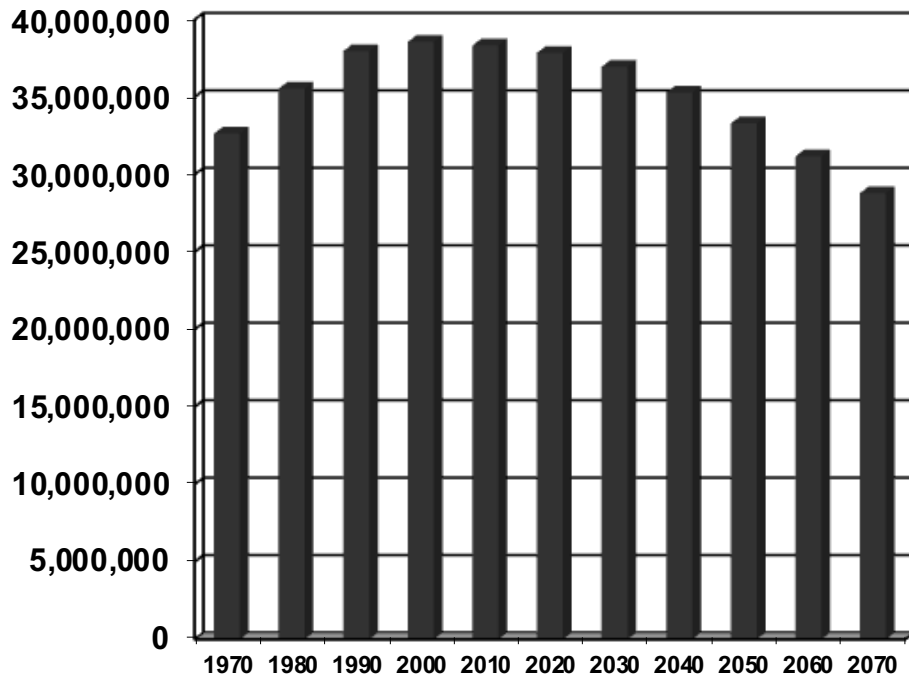
- Poland's economic risk levels had fallen in previous years, despite the fact that much of Europe has experienced relatively low levels of economic growth.
- Poland's expanding domestic market had been a key to the fact that the country's economic risks level had been trending downwards until 2020.
- However, the coronavirus pandemic has had a major impact on economic risk levels in Poland, especially as it has raised the likelihood of longer-term slowdowns in economic growth and job creation.

Poland Demographic and Environmental Outlook

Poland: Population Overview

Chart: Total Population

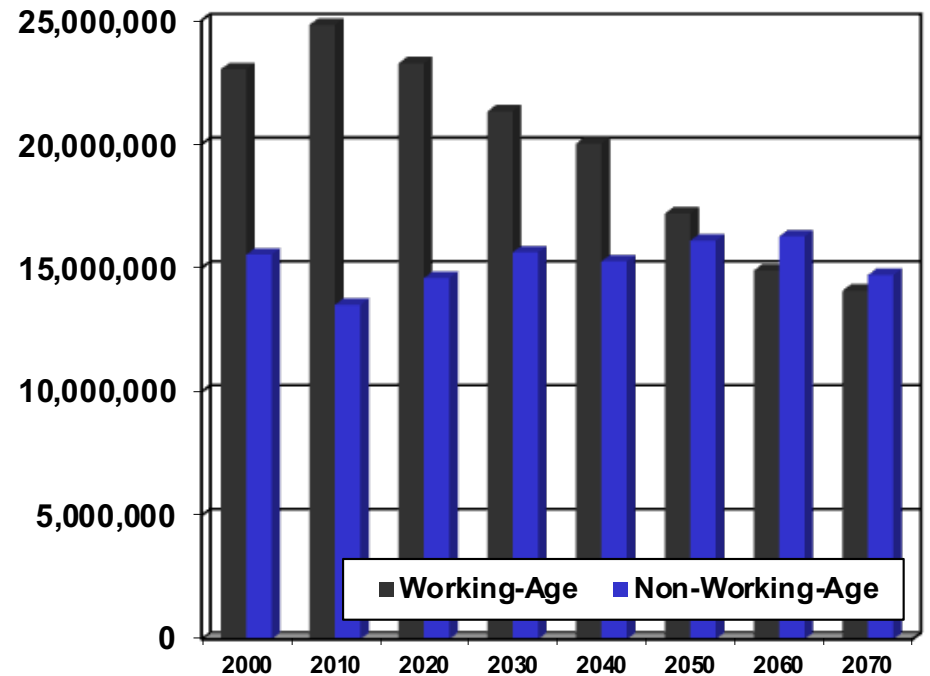
Total Population



Source: UN

Chart: Working-Age Population

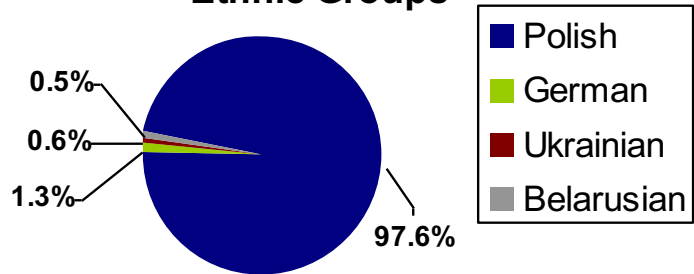
Working-Age Population



Poland's workforce is forecast to decline in the coming decades, as is the case in most neighboring countries. As a country which receives relatively little immigration, this is an alarming situation for Poland's developing economy and could lead to labor shortages in some areas of the economy.

Composition of Poland's Population

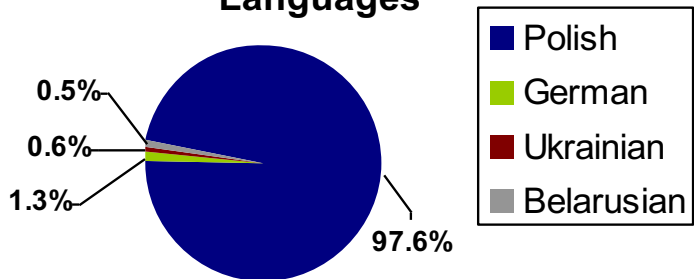
Ethnic Groups



Following the westward shift of Poland's borders in 1945, and the mass migrations that followed, Poland has become an ethnically homogenous country.

- Much of Poland's western areas once contained a large German population.
- Likewise, many Poles lived in what is today Belarus, Ukraine and Lithuania.

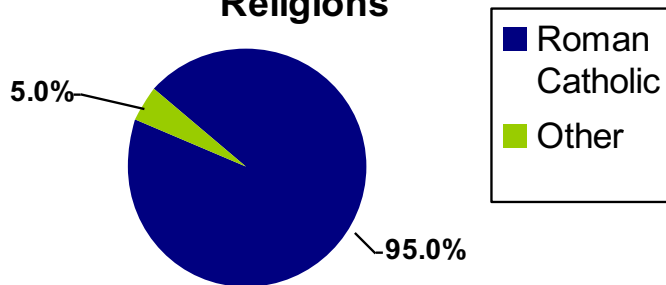
Languages



Polish is the official language of the country.

- The country's small ethnic minorities continue to speak their own language.
- In addition, many Poles can speak some level of English, German or Russian.

Religions

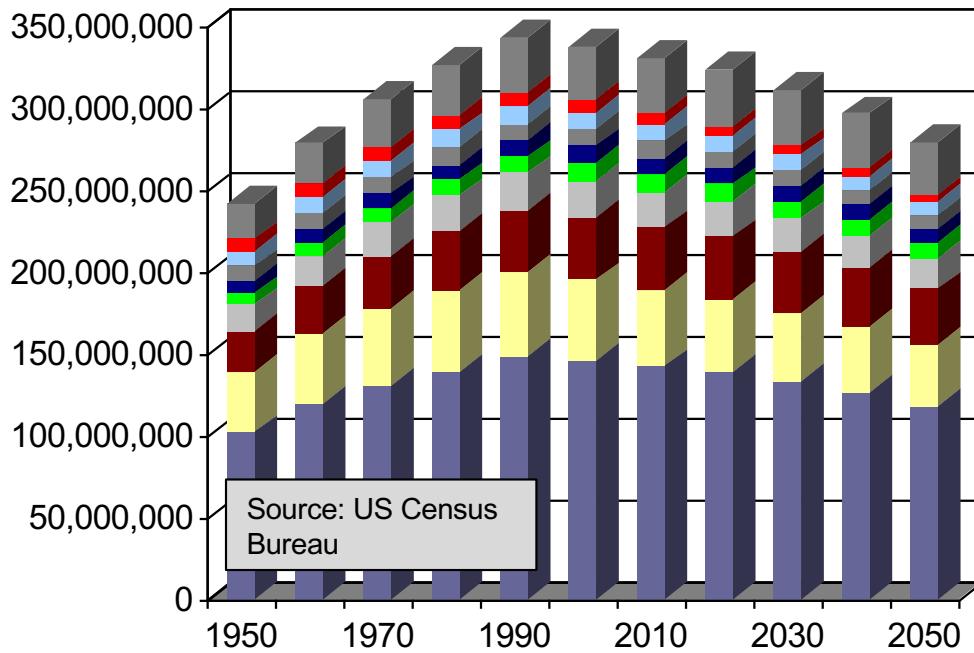


The Roman Catholic Church continues to exert a great deal of influence over Poland.

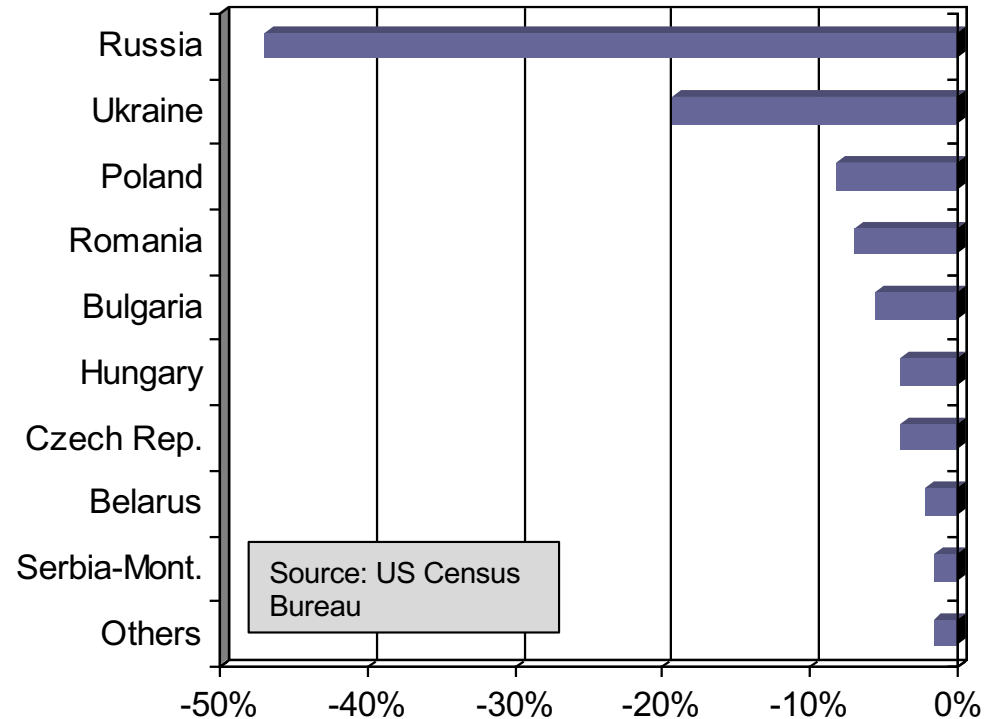
- It is a focus of Polish nationalism and conservatism, and the church remains heavily involved in Polish politics.
- The fact that former Pope John Paul II was a Pole has greatly enhanced the church's position in Poland.

East Europe Population Trends by Country

Total Population



Contribution to Regional Population Growth (2000-2050)

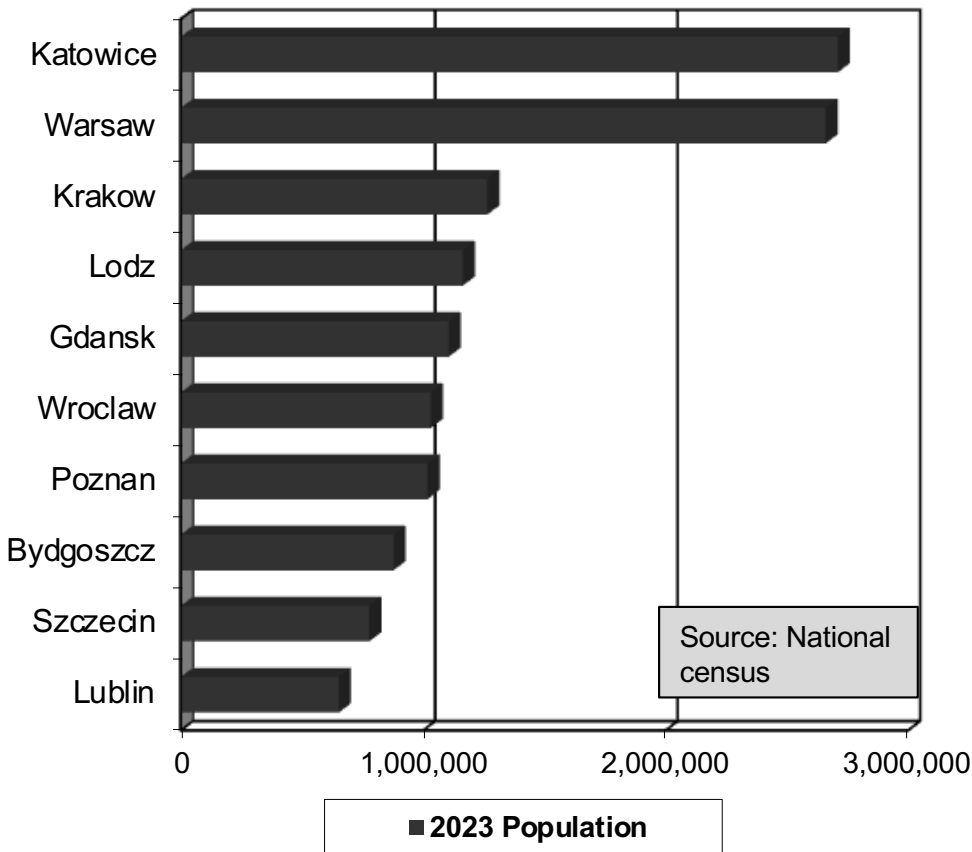


No region in the world is experiencing the level of population decline as East Europe. Russia and Ukraine alone will see their collective populations decline by nearly 25 million people by 2050. This will have a major impact upon the economies and social structures in the region.

Poland: Leading Urban Centers

Chart: Largest Urban Centers

Metropolitan Area Populations



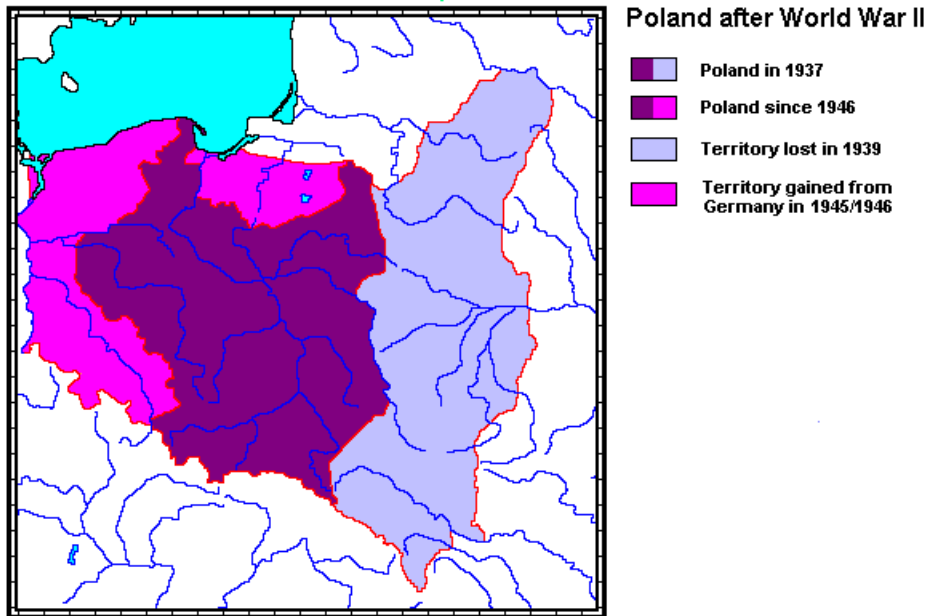
Summary:

- The industry-rich Silesian region, centered around Katowice, contains Poland's largest population concentration.
- However, Warsaw remains the administrative and commercial heart of the country, while Krakow has retained its position as the leading cultural center of Poland.



Key Demographic Issue in Poland

The Impact of Poland's Westward Shift in 1945



Josef Stalin, with the agreement of the Allies, shifted Poland's border dramatically westwards at the end of the Second World War.

- The USSR regained Russia's Czarist-era frontier that today is part of Ukraine, Belarus and Lithuania.
- In turn, Poland was compensated with lands taken from eastern areas of Germany.

Most ethnic Germans living on the land given to Poland were expelled.

- There are some claims, in Germany, for compensation to be given to these expelled Germans
- Many Poles continue to fear that Germans will try to buy this land back piece by piece now that Poland.

It is unlikely that a modern-day German government would attempt to retake the lands it lost in 1945 to Poland. However, many in Poland have genuine fears of just such an action on the part of the Germans. As for the eastern lands which Poland lost, few Poles remain, making a land-grab a very small likelihood.

Poland: Topography and Climate

Topography and Climate:

Topography

- The northern two-thirds of Poland are covered by the North European Plain.
- This area is generally flat with large forests and lakes covering much of the eastern half of this plain.
- The land rises in the south to reach the Tatra Mountains along Poland's southern border.

Climate

- Poland has a continental climate, with greater extremes in the eastern half of the country.
- The Baltic Sea has a moderating effect upon the temperatures along the coast, while farther inland summers can be very hot and winters can be cold and snowy.

Key Environmental Issues:

Poland's Silesia region is one of the most polluted areas in Europe.

- It is part of the "Black Triangle" that extends into eastern Germany and the northern Czech Republic.
- The situation has improved since the fall of Communism.

The nine countries which border the Baltic Sea have committed to reducing pollution levels in that sea.

- Many industrial sites line the Baltic coast.
- Many doctors recommend not to eat the fish caught in the Baltic Sea.

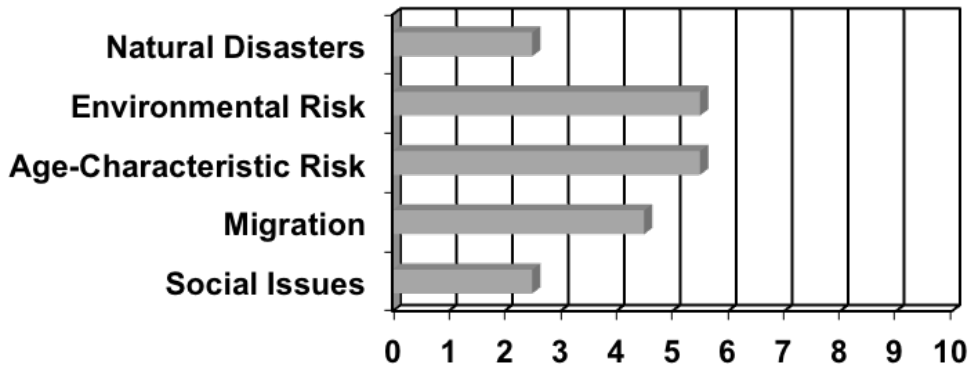
Poland has some of Europe's most pristine forests.

- They are mostly located in the northeast of the country near the border with Belarus.
- The forests are home to the European bison.

Poland: Demographic and Environmental Risk Outlook

Current Risk Ratings:

Risk Measurements



Low Risk.....High Risk

ISA Risk Ratings

- 0.0 to 1.9 = Low Risk
- 2.0 to 3.9 = Low to Moderate Risk
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- 8.0 to 10 = High Risk

Demographic Risk Outlook:

- As Poland's population declines, demographic risk levels will likely rise to higher levels.

Environmental Risk Outlook:

- Poland's environmental risk levels are typical for the Central European region as many of the countries there face the same environmental challenges.



ISA October 2024 Country Report Poland

