

Republic of Poland

Rating Report



Credit strengths

- Strong macroeconomic fundamentals
- Robust growth potential
- Moderate public debt, cash cushion and deep domestic capital markets
- Liquid, well-capitalised banking system

Credit challenges

- Long-run institutional uncertainties and continued governance challenges
- Comparatively weak debt structure and rising government debt ratio
- Economic and geopolitical risks associated with the Russia-Ukraine war
- Social and environmental risk

Rating rationale:

Robust macroeconomic fundamentals: Poland's credit ratings are anchored by a large, diversified economy and strong macroeconomic fundamentals. The Polish economy proved comparatively resilient in the face of Covid-19 and cost-of-living economic crises and presents comparatively strong longer-run economic growth potential (estimate of 3%).

Moderate level of public debt: Poland's general government debt ratio stood at a moderate 49.3% of GDP as of the end of 2022, down from 53.6% in 2021. However, we see the general government debt ratio resuming an upside trajectory from next year onward, concluding a forecast horizon to 2028 around 57.1%, assuming persistent, primary budgetary deficits.

Profitable, liquid and well-capitalised domestic banking system: Non-performing loan (NPL) ratios are below their pre-Covid crisis levels. Tier 1 capital and liquidity coverage ratios remain strong, having stabilised above pre-pandemic crisis averages. FX-related risks remain outstanding in the banking system, such as legacy Swiss-franc mortgage loans.

Ratings challenges include: i) still-heightened long-run governance uncertainties after a protracted phase of weakening governance and prospect of continued institutional divisions and heightened political polarisation over the forthcoming years; ii) a comparatively weaker structure of government debt, continued excess deficits and anticipated resumption of a rising government debt ratio; iii) economic and geopolitical risks after escalation of Russia's war in Ukraine; and v) social and environmental risk.

Poland's sovereign-rating drivers

Risk pillars	Quantitative		Reserve currency*	Qualitative**	Final rating
	Weight	Indicative rating	Notches	Notches	
Domestic Economic Risk	35%	a	PLN [+0]	+2/3	A
Public Finance Risk	20%	a		0	
External Economic Risk	10%	bb		+1/3	
Financial Stability Risk	10%	aaa		+1/3	
ESG Risk	Environmental Factors	5%		bbb	
	Social Factors	7.5%	bb+	0	
	Governance Factors	12.5%	bb+	-1/3	
Indicative outcome				a-	+1
Additional considerations					0

Note: *The reserve-currency adjustment applies to currencies in the IMF's SDR basket. **The qualitative-scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings.

Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced.

Positive rating-change drivers

- Budgetary performance improves
- Durably-reduced governance challenges
- External balance sheet strengthens materially
- Social and environmental risks redressed

Negative rating-change drivers

- Weakening of budget discipline
- Re-escalation of governance challenges
- External shock and/or weakening of the external-risk profile

Ratings and Outlook

Foreign currency

Long-term issuer rating	A/Stable
Senior unsecured debt	A/Stable
Short-term issuer rating	S-1/Stable

Local currency

Long-term issuer rating	A/Stable
Senior unsecured debt	A/Stable
Short-term issuer rating	S-1/Stable

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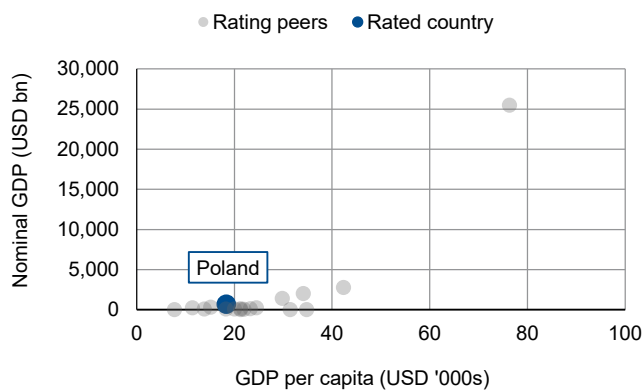
Bloomberg: RESP SCOP

Domestic Economic Risk

Overview of Scope's qualitative assessments for Poland's Domestic Economic Risk

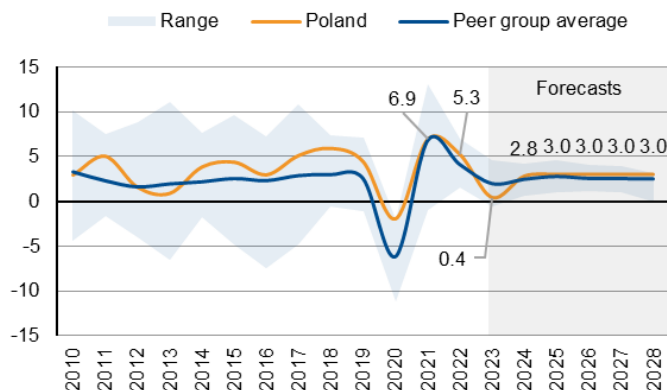
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Growth potential of the economy	Strong	+1/3	Robust growth potential; long-run growth prospects supported by EU funding
	Monetary policy framework	Neutral	0	Elevated although declining inflation; challenges in monetary governance including pre-election rate cuts
	Macro-economic stability and sustainability	Strong	+1/3	Large, diversified economy and competitive export base; long-run sustainability of growth reliant on foreign funding, external demand

Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Real GDP growth, %



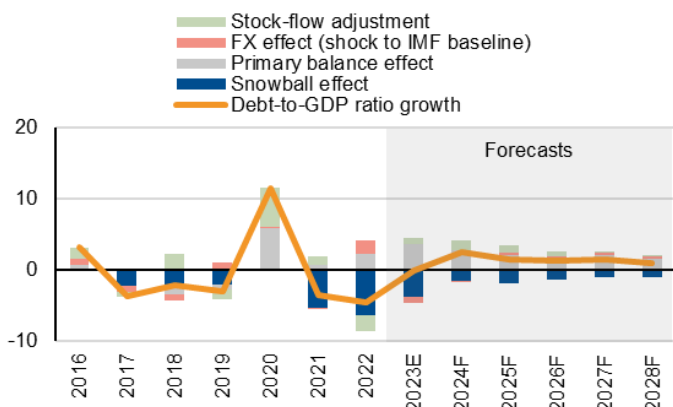
Source: IMF WEO, Polish Central Statistical Office, Scope Ratings forecasts

Public Finance Risk

Overview of Scope's qualitative assessments for Poland's Public Finance Risk

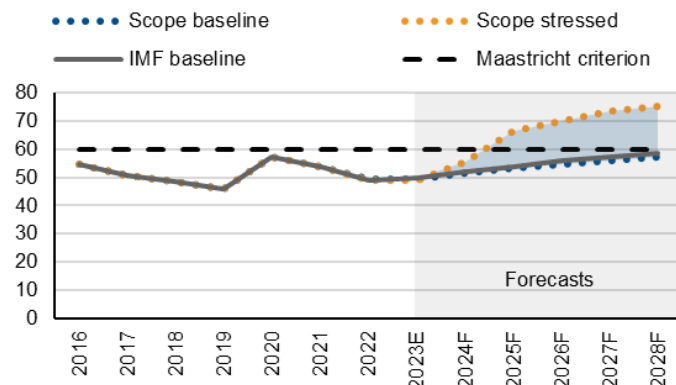
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Fiscal policy framework	Neutral	0	Fiscal dynamics are hindered by spending demands amid a present cost-of-living crisis, as well as due to structural social spending
	Debt sustainability	Neutral	0	Comparatively moderate debt levels and more benign longer-term ageing-related spending pressures; rise expected in public indebtedness over the forecast horizon
	Debt profile and market access	Neutral	0	Moderate average maturity of treasuries; foreign-exchange risks; moderate gross financing requirements; significant cash cushion; deep domestic capital markets

Contributions to changes in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



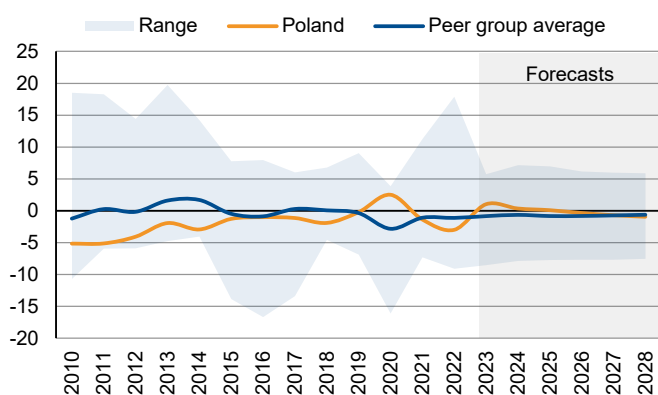
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

Overview of Scope's qualitative assessments for Poland's *External Economic Risk*

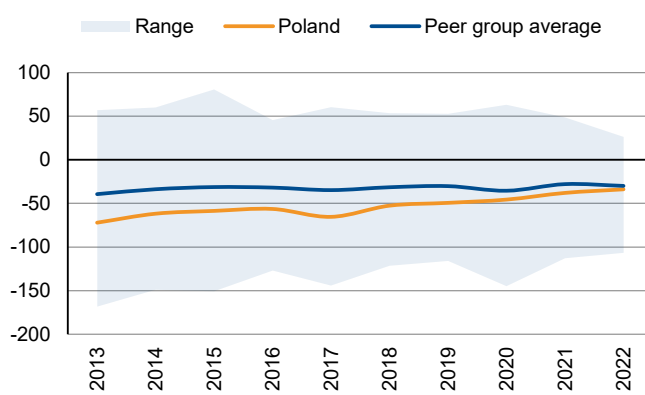
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb	Current account resilience	Strong	+1/3	Recent strengthening of the current account reaching a slight surplus; strong (historical) financing resilience via EU funding and foreign direct investment
	External debt structure	Strong	+1/3	Moderate external debt stock has been reduced over the past years and is characterised by a low share of short-term liabilities, and significant share of intercompany lending
	Resilience to short-term external shocks	Weak	-1/3	Enhanced although still-moderate foreign-exchange reserves compared with that of regional peers; strong indicative peer group composed of many reserve-currency economies

Current-account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



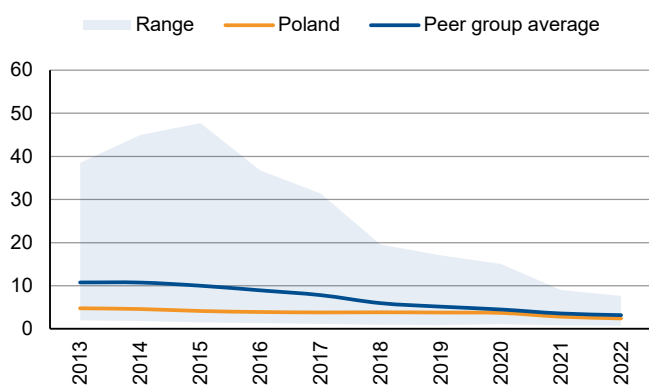
Source: IMF, Scope Ratings

Financial Stability Risk

Overview of Scope's qualitative assessments for Poland's *Financial Stability Risk*

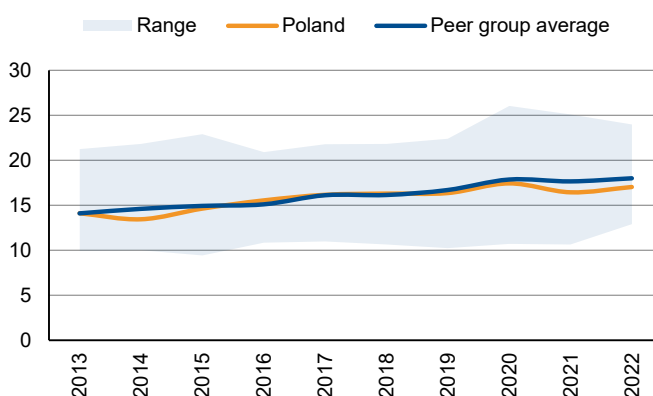
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	Profitable, liquid and well-capitalised banking system. FX risks, including from the resolution of Swiss franc mortgages.
	Banking sector oversight	Neutral	0	Effective financial-sector oversight
	Financial imbalances	Strong	+1/3	Low private-sector debt level; high variable-rate mortgages outstanding but risks mitigated by moderate household debt levels

Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



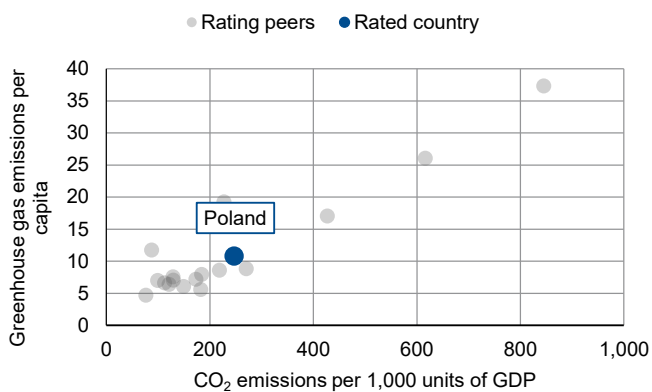
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) Risk

Overview of Scope's qualitative assessments for Poland's ESG Risk

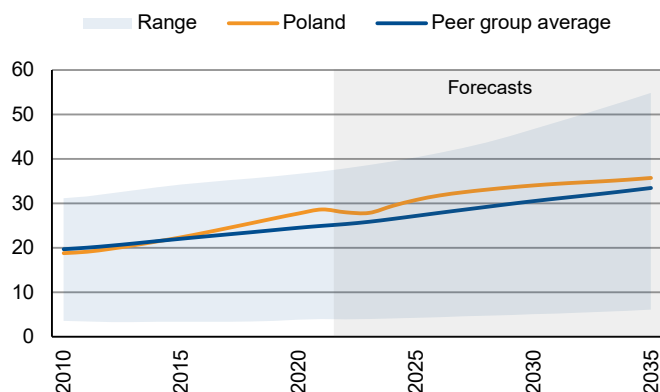
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Environmental factors	Neutral	0	Structural challenges relating to transition risk to the green economy due to having to phase out coal reliance
	Social factors	Neutral	0	Adverse demographics result in declining working-age population but demographic boost from recent arrivals from Ukraine; below-average skills of the labour force; comparatively low poverty and strong labour market
	Governance factors	Weak	-1/3	Long-run institutional uncertainties; challenges in the independence of the judiciary; polarised domestic political conditions

CO₂ emissions per GDP, mtCO₂e



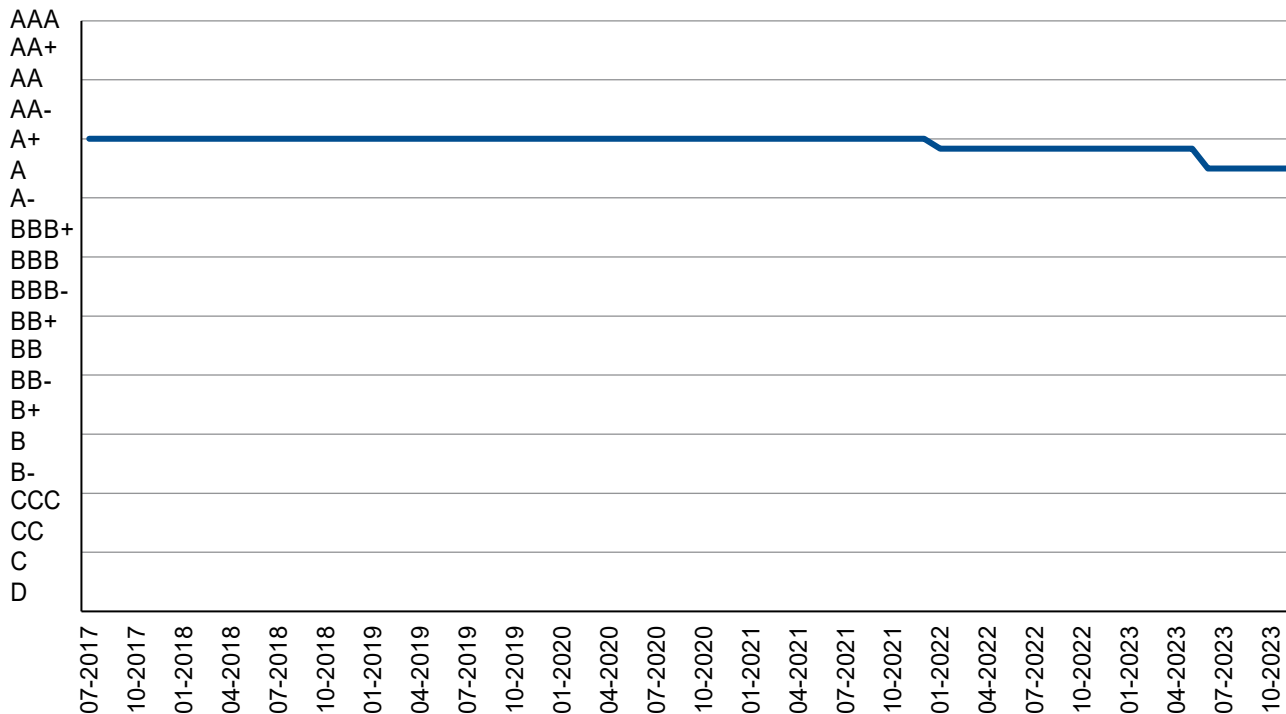
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

Appendix I. Rating history (foreign-currency long-term issuer rating)



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's core variable scorecard after accounting for a methodological reserve-currency adjustment.

Peer group*
Bulgaria
Croatia
Cyprus
France
Italy
Latvia
Malta
Portugal
Slovakia
Spain
United States

Publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, in line with Scope's [Sovereign Rating Methodology](#). The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	15.5	15.7	15.8	18.0	18.3
	Nominal GDP, USD bn	IMF	588.8	596.0	599.5	681.4	690.7
	Real growth, %	Poland Central Statistical Office	5.9	4.4	-2.0	6.9	5.3
	CPI inflation, %	IMF	1.8	2.2	3.4	5.1	14.4
	Unemployment rate, %	Eurostat	3.9	3.3	3.2	3.4	2.9
Public Finance	Public debt, % of GDP	National statistics	48.7	45.7	57.2	53.6	49.3
	Net interest payment, % of revenue	IMF	3.5	3.3	3.2	2.6	3.9
	Primary balance, % of GDP	IMF	1.2	0.6	-5.6	-0.7	-2.2
External Economic	Current-account balance, % of GDP	National statistics	-1.9	-0.2	2.5	-1.3	-2.4
	Total reserves, months of imports	WB	4.2	4.6	5.8	4.8	4.3
	NIIP, % of GDP	IMF	-52.5	-49.3	-45.5	-37.8	-33.7
Financial Stability	NPL ratio, % of total loans	IMF	3.9	3.8	3.7	2.9	2.4
	Tier 1 ratio, % of risk-weighted assets	IMF	16.1	16.2	15.8	17.5	15.8
	Credit to the private sector, % of GDP	WB	52.4	50.8	49.8	46.4	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	274.3	247.6	241.0	247.1	-
	Income share of bottom 50%, %	WID	19.6	19.5	19.3	19.3	-
	Labour-force participation rate (15-64), %	Eurostat	69.4	69.9	70.1	72.8	73.5
	Old-age dependency ratio, %	UN	25.6	26.7	27.7	28.6	28.0
	Composite governance indicators*	WB	0.6	0.6	0.6	0.5	0.5

* Average of the six World Bank Worldwide Governance Indicators.

Appendix IV. Economic development and default indicators

IMF Development Classification

Emerging Market and Developing Economies

5y USD CDS spread (bps)

n/a



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