

# Republic of Poland

## Rating report

### Rating rationale

**Robust macroeconomic fundamentals:** Poland's credit ratings are anchored by a large, diversified economy and strong macroeconomic fundamentals. The Polish economy has proven comparatively resilient in the face of Covid-19 and cost-of-living economic crises and benefits from a strong longer-run economic growth potential of around 3%.

**Moderate level of public debt:** Poland's general government debt ratio is moderate, at 49.6% of GDP as of end-2023, comparatively stable from the previous year. However, we see the public debt-to-GDP ratio resuming a more-meaningful upside trajectory from this year on, concluding a forecast horizon to 2029 at 61.8%, assuming persistent primary budgetary deficits.

**Profitable, liquid and well-capitalised domestic banking system:** Non-performing loan (NPL) ratios have declined and are under their pre-Covid crisis levels. Tier 1 capital and liquidity coverage ratios remain strong, with capitalisation having moderated slightly but remaining above pre-pandemic crisis averages while system-wide liquidity coverage is at its highest on modern record. Forex-related risks remain outstanding within the banking system, such as legacy Swiss-franc mortgage loans, which are declining but still sizeable on bank balance sheets.

**Rating challenges:** i) persistent governance uncertainties given continued significant institutional divisions and heightened political polarisation; ii) sustained elevated fiscal deficits and an expected upside trajectory of the government-debt ratio, alongside a comparatively weaker structure of government debt; iii) challenges around the governance of the central bank and effects for monetary and financial-system governance; and iv) economic and geopolitical risks following escalation of Russia's war on Ukraine.

### Foreign currency

Long-term issuer rating/Outlook

**A/Stable**

Senior unsecured debt

**A/Stable**

Short-term issuer rating/Outlook

**S-1/Stable**

### Local currency

Long-term issuer rating/Outlook

**A/Stable**

Senior unsecured debt

**A/Stable**

Short-term issuer rating/Outlook

**S-1/Stable**

### Lead Analyst

Dennis Shen  
+49 69 6677389-68  
[d.shen@scoperatings.com](mailto:d.shen@scoperatings.com)

### Team Leader

Alvise Lennkh-Yunus  
+49 69 6677389-85  
[a.lennkh@scoperatings.com](mailto:a.lennkh@scoperatings.com)

**Figure 1: Poland's sovereign rating drivers**

Risk pillars	Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
	Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk	35%	aa	PLN	Poland	+ 1/3	A
Public finance risk	20%	a			0	
External economic risk	10%	bb-			0	
Financial stability risk	10%	aaa			0	
ESG risk	Environmental factors	5%	[+0]	[-0]	0	
	Social factors	7.5%			0	
	Governance factors	12.5%	a-			
<b>Sovereign Quantitative Model</b>	<b>a</b>				<b>+0</b>	
<b>Additional considerations</b>					<b>0</b>	

\*The reserve-currency quantitative adjustment applies to currencies in the IMF's Special Drawing Rights (SDR) basket.

\*\*The political-risk quantitative adjustment is based on the World Bank's Political Stability & Absence of Violence/Terrorism index.

\*\*\*The qualitative scorecard analyst 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.

### Credit strengths and challenges

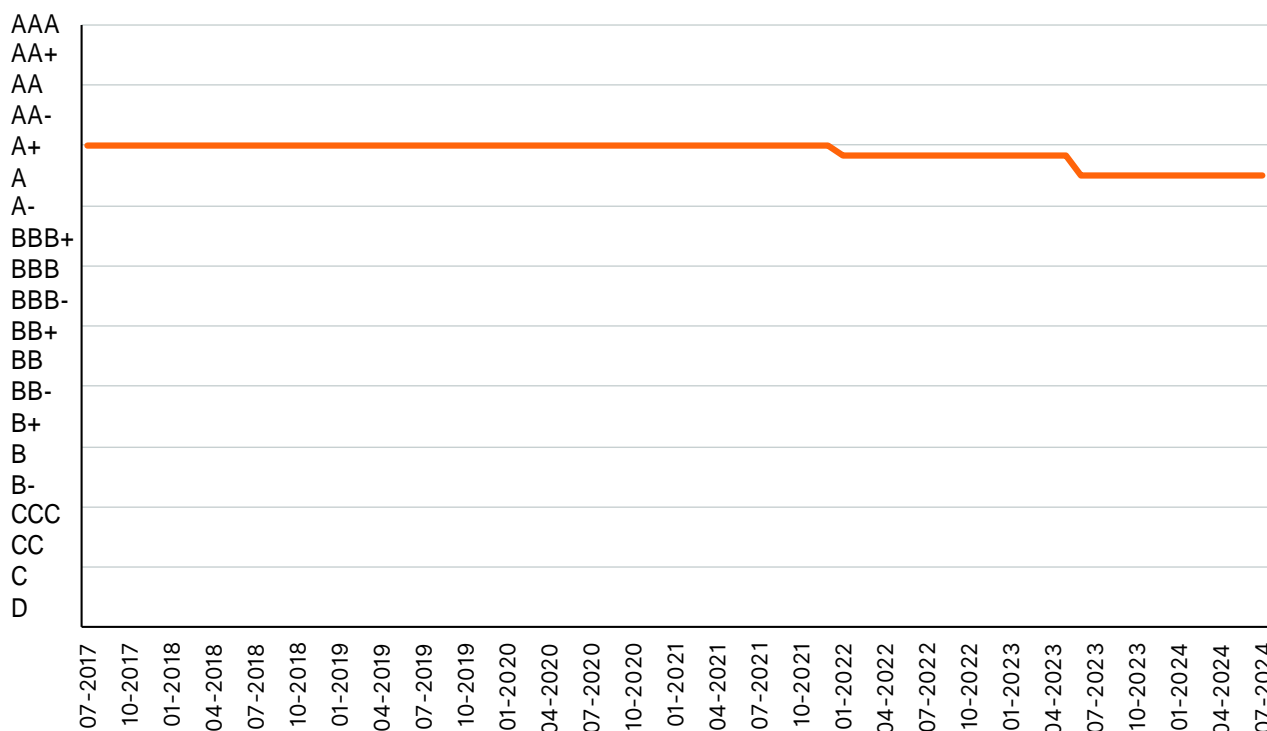
Credit strengths	Credit challenges
<ul style="list-style-type: none"> <li>• Strong macroeconomic fundamentals</li> <li>• Robust economic-growth potential</li> <li>• Moderate public debt, deep domestic capital markets</li> <li>• Liquid, well-capitalised banking system</li> <li>• Resumption of EU fund inflows</li> </ul>	<ul style="list-style-type: none"> <li>• Long-run institutional uncertainties and continued governance challenges</li> <li>• Rising government debt and comparatively weak debt structure</li> <li>• Challenges for central-bank governance</li> <li>• Economic and geopolitical risks associated with Russia-Ukraine war</li> </ul>

### Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> <li>• Budgetary performance improves</li> <li>• Durably-reduced governance challenges</li> <li>• External balance sheet strengthens materially</li> </ul>	<ul style="list-style-type: none"> <li>• Weakening of budgetary discipline</li> <li>• Re-escalation of governance challenges</li> <li>• External shock and/or weakening of the external-risk profile</li> </ul>

Figure 2: Rating history<sup>1</sup>



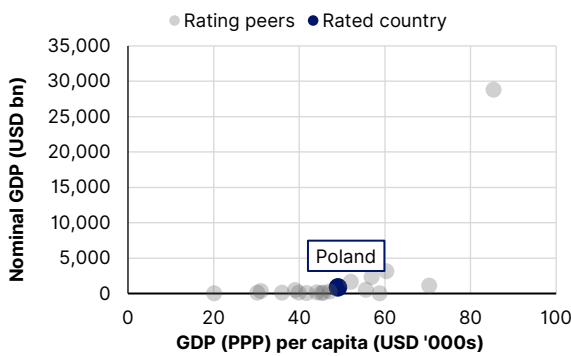
<sup>1</sup>Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

### Domestic economic risk

#### Overview of Scope's assessments of Poland's Domestic Economic Risk

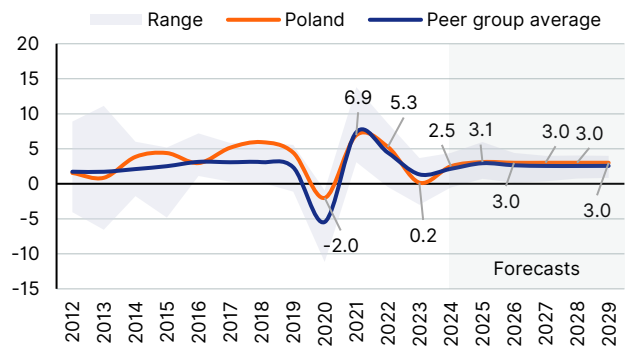
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Growth potential and outlook	Strong	+1/3	Robust growth potential; long-run growth prospects supported by EU funding
	Monetary policy framework	Weak	-1/3	Challenges to monetary governance as government continues to pursue changes of central-bank leadership amid accusations of politicisation
	Macroeconomic stability and sustainability	Strong	+1/3	Large, diversified economy and competitive export base; long-run sustainability of growth reliant on foreign financing and external demand

Figure 3: Nominal GDP and GDP per capita (2024F)



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

Figure 4: Real GDP growth, %



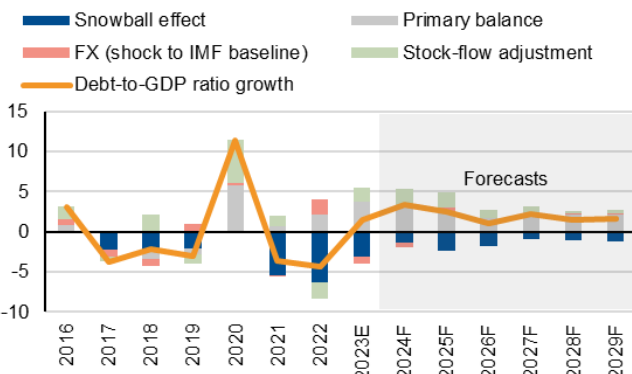
Source: IMF WEO, Scope Ratings forecasts

### Public finance risk

#### Overview of Scope's assessments of Poland's Public Finance Risk

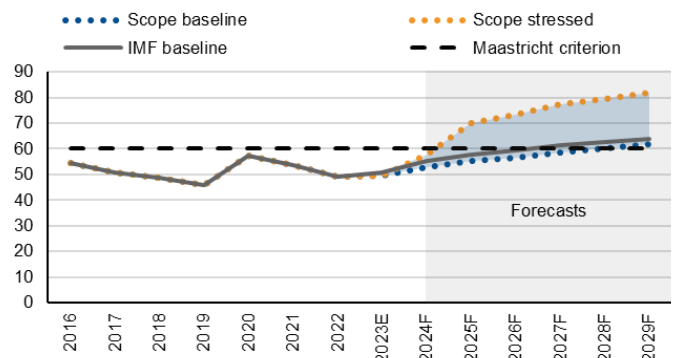
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a+	Fiscal policy framework	Neutral	0	Fiscal dynamics are hindered by structural social spending, rising interest payments and wages, investments in green and digital transitions, and growing defence requirements; announcement by the EU of an Excessive Deficit Procedure
	Long-term debt trajectory	Neutral	0	Comparatively moderate debt levels and more benign longer-run 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; borrowing rates above peer-group averages; deep domestic capital markets

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

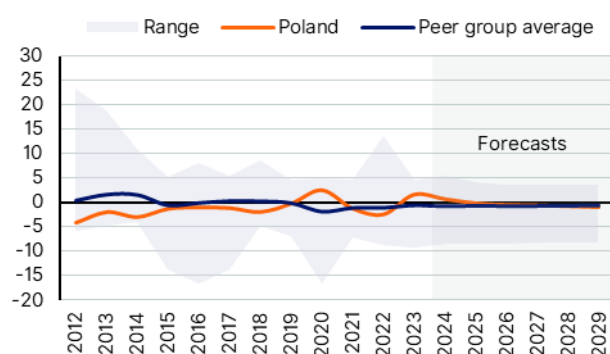
\*Sovereign Quantitative Model.

## External economic risk

### Overview of Scope's assessments of Poland's External Economic Risk

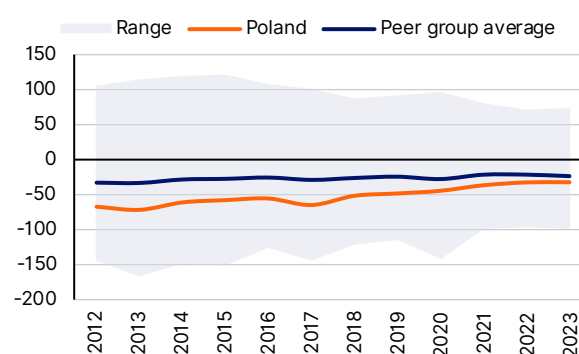
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Current account resilience	Strong	+1/3	External-competitiveness weaknesses vis-à-vis trading partners, achievement of recent modest current-account surpluses
	External debt structure	Neutral	0	Moderate levels of external debt; significant share of external debt that is inter-company lending
	Resilience to short-term external shocks	Weak	-1/3	Moderate even if improving levels of reserves, only moderate reserves coverage of foreign-currency liabilities for stressed economic scenarios

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



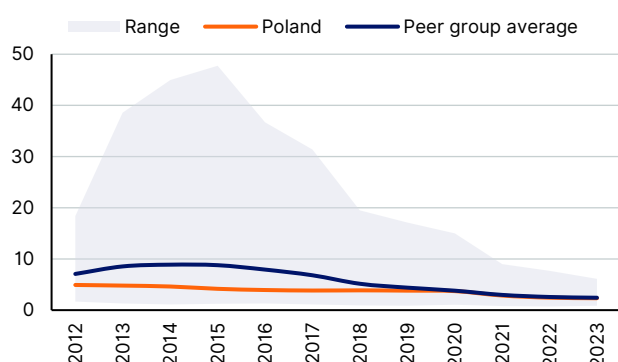
Source: IMF, Scope Ratings

## Financial stability risk

### Overview of Scope's assessments of Poland's Financial Stability Risk

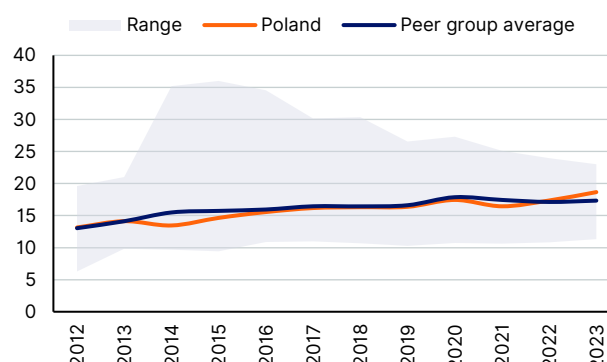
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Financial sector performance	Neutral	0	Well-capitalised and liquid banking sector; NPLs have declined; profitability has improved
	Financial sector oversight and governance	Neutral	0	Effective supervision; timely and comprehensive regulatory measures taken
	Financial imbalances	Neutral	0	Still-significant but declining foreign-currency exposures in the banking system

Figure 9: Non-performing loans, % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



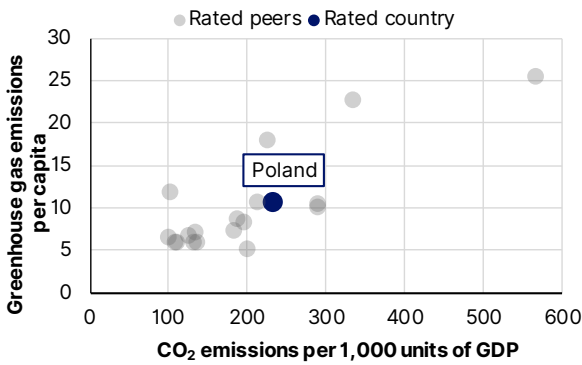
Source: IMF, Scope Ratings

## Environmental, Social and Governance (ESG) risk

### Overview of Scope's assessments of Poland's ESG Risk

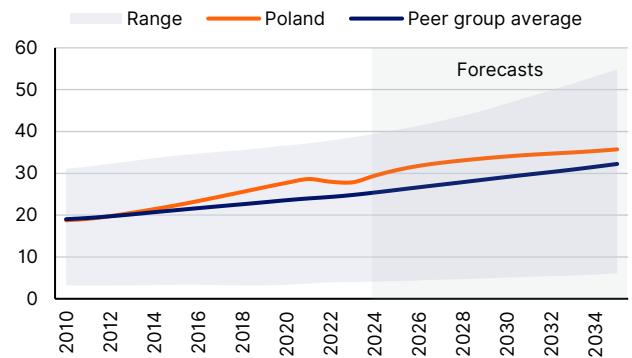
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb-	Environmental factors	Neutral	0	High carbon and energy intensity of the economy
	Social factors	Neutral	0	Elevated poverty, elevated income inequality, adverse demographics
	Governance factors	Weak	-1/3	Government seeking to reverse institutional weakening of past years and ease relations with EU institutions; but continued significant institutional divisions. Law and Justice retains meaningful power; uncertainties around the long-run governance path with presidential (parliamentary) elections in 2025 (2027).

Figure 11: CO<sub>2</sub> emissions per GDP, mtCO<sub>2</sub>e (2022)



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

## Reserve-currency adjustment

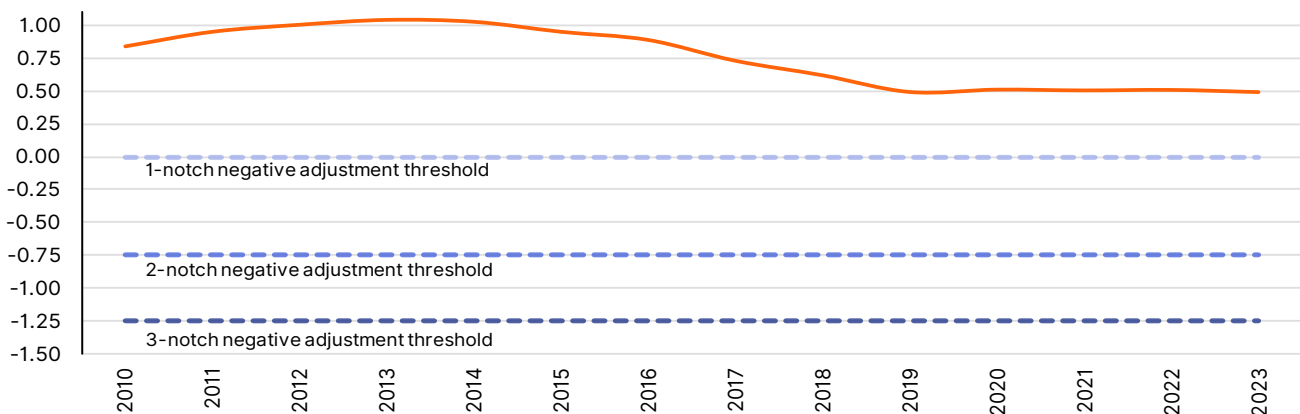
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

## Political-risk adjustment

Figure 14: WB Political Stability & Absence of Violence/Terrorism index, Poland, 3-year moving average



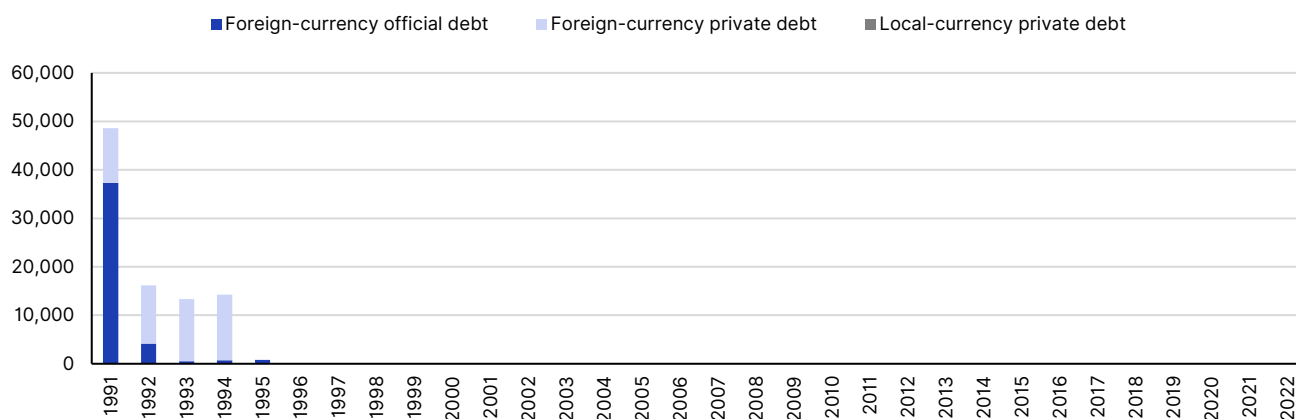
Source: WB, Scope Ratings

### Additional considerations

No adjustment was applied to the rating from additional considerations.

### Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).  
 Source: [Bank of Canada-Bank of England Sovereign Default Database](#), Scope Ratings.

### 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 sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

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

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

### Appendix III. Economic development and default indicators

IMF Development Classification	Emerging market and developing economy
5y USD CDS spread (bps) as of 25 July 2024	67.1

## Appendix IV. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope’s quantitative model, 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	2023
Domestic Economic	<b>GDP per capita (PPP)</b> , Int\$ '000s	IMF	32.6	34.6	34.4	38.5	43.6	456.4
	<b>Nominal GDP</b> , USD bn	IMF	589	596	599	681	688	808
	<b>Real growth</b> , %	Eurostat	5.9	4.4	-2.0	6.9	5.6	0.2
	<b>CPI inflation</b> , %	Polish Central Statistical Office	1.8	2.2	3.4	5.2	14.4	11.4
	<b>Unemployment rate</b> , %	Eurostat	3.9	3.2	3.1	3.4	2.9	2.8
Public Finance	<b>Public debt</b> , % of GDP	National Statistics	48.7	45.7	57.2	53.6	49.2	49.6
	<b>Net interest payments</b> , % of government revenue	IMF	3.5	3.3	3.2	2.6	3.8	4.3
	<b>Primary balance</b> , % of GDP	European Commission	1.2	0.6	-5.6	-0.7	-1.9	-3.0
External Economic	<b>Current-account balance</b> , % of GDP	National Statistics, Scope Ratings	-1.9	-0.2	2.5	-1.3	-2.4	1.6
	<b>Total reserves</b> , months of imports	WB	4.2	4.6	5.8	4.8	4.3	-
	<b>NIIP</b> , % of GDP	IMF	-52.5	-49.3	-45.5	-37.8	-33.8	-
Financial Stability	<b>NPL ratio</b> , % of total loans	IMF	3.9	3.8	3.7	2.9	2.4	-
	<b>Tier 1 ratio</b> , % of risk-weighted assets	IMF	16.1	16.2	15.8	17.5	15.8	17.7
	<b>Credit to the private sector</b> , % of GDP	WB	52.4	50.8	49.8	46.3	39.7	-
ESG	<b>CO<sub>2</sub> per EUR 1,000 of GDP</b> , mtCO <sub>2</sub> e	EC	273.9	248.1	240.2	248.3	232.9	-
	<b>Income share of bottom 50%</b> , %	WID	19.8	20.3	17.7	19.6	19.6	-
	<b>Labour-force participation rate (15-64)</b> , %	Eurostat	69.4	70.1	70.2	72.9	73.6	74.5
	<b>Old-age dependency ratio</b> , %	UN	25.6	26.7	27.7	28.6	28.0	27.9
	<b>Composite governance indicators*</b>	WB	0.6	0.6	0.6	0.5	0.5	-
	<b>Political stability</b> , index	WB	0.5	0.6	0.5	0.5	0.5	-

\*Average of the following five World Bank Worldwide Governance Indicators: *Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality*.

## Scope Ratings GmbH

Lennéstraße 5  
D-10785 Berlin  
[scoperatings.com](https://www.scoperatings.com)

Phone: +49 30 27891-0  
Fax: +49 30 27891-100  
[info@scoperatings.com](mailto:info@scoperatings.com)

**in**  
Bloomberg: RESP SCOP  
[Scope contacts](#)

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