No 4(77) 2019

ISSN 2544-7068

BEZPIECZNY BANK

Bankowy Fundusz Gwarancyjny

SAFE BANK is a journal published by the Bank Guarantee Fund since 1997. It is devoted to issues of financial stability, with a particular emphasis on the banking system.

All articles published in "SAFE BANK" are reviewed.
All articles present the opinions of the authors and should not be construed to be an official position of BFG.

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Safe Bank 4 (77) 2019

DOI: 10.26354/bb.6.4.77.2019

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EKF macroeconomic consensus: forecasts, threats, opportunities and recommendations

Abstract

The rapid pace of change in economic phenomena combined with the high volatility of financial markets and the growing importance of irrational behavioral factors, encourages a wider use of expert knowledge in macroeconomic forecasting.

The aim of the article is to present the results of the fourth edition of the project Macroeconomic challenges and forecasts for Poland. The survey was conducted in the period November 8, 2019 - December 6, 2019. The article presents the prognostic consensus of experts cooperating with the European Financial Congress. In addition to classic macroeconomic forecasts for Poland, it contains threats to sustainable economic development and financial system stability, together with estimates of the subjective probability of implementation. Using the knowledge and competences of experts cooperating with EKF, recommended actions for economic policy were formulated, aimed at weakening the impact of identified threats in the future.

Key words: macroeconomic forecasts, macroeconomic challenges, financial stability

JEL: G17, G18, E17, E20

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Introduction

This is already the fourth edition of the mid-term macroeconomic expert opinions and forecasts for Poland, authored by 40 experts cooperating with the European Financial Congress – 12 chief economists of banks and other financial institutions, 12 university professors, 5 independent macroeconomic experts, 4 CEOs of financial institutions, 4 experts from regulatory bodies, and 3 experts from reputable consulting firms. They share their knowledge, experience and calculations *pro bono publico*, expressing their own opinion rather than that of the institutions for which they work. The survey was conducted in the period November 8, 2019 – December 6, 2019.

In addition to traditional macroeconomic forecasts, our survey also pays great attention to qualitative and behavioural factors. In formulating the EFC's macroeconomic forecasts as well as in developing the Polish experts' positions on various concepts for building the new financial system architecture of the European Union, we use the modified Delphi method.

The invited experts present their forecasts (if any) for the current year and the next three years, and also list the following within this perspective:

- the greatest threats to the business climate in Poland,
- the greatest threats to the stability of the Polish financial system,
- three proposals (recommendations) for the domestic economic policy.

We prioritise the opinions expressed by experts on macroeconomic challenges, taking into account the importance of the homogeneous groups of factors identified and the probabilities of their occurrence.

Similarly, we prioritise the threats to the stability (security) of the Polish financial system.

The economic policy measures recommended by experts for Poland are presented in a synthetic form by grouping them into homogeneous classes.

Forecasts

Forecasts by EFC experts suggest that the economic growth is expected to slow down in the coming years. Poland's GDP growth rate will likely decrease from around 5.1% in 2018 to about 3% in 2022.

This implies a somewhat more pessimistic GDP development scenario than the one presented in the governmental Convergence Programme revised in April this year, with the exception of the year 2019, about which the experts are more optimistic. Similar differences between the EFC forecast consensus and the government programme concern the investment path. The forecast consensus expects a lower growth rate in 2020–2022 and a faster growth rate in 2019. Despite the economic slowdown, Poland will remain the growth leader among major EU economies.

Just like the authors of the Convergence Programme, EFC experts expect that private consumption will remain the most important GDP growth driver, based on low unemployment (3.4–3.6%), good consumer sentiment supported by growing social transfers and fast growing wages (at 6.5% per annum). Most economists agree, however, that consumption growth should not be expected to continue at the current rate (over 4% per annum) in the coming years and should decline to about 3% starting from 2021. The high rate of wage increases will also slightly decelerate.

Bank macroeconomists additionally predict an increase in the consumer price index (CPI), but they do not believe that it should pose a significant threat to the inflation target in the next three years.

EFC experts forecast a gradual increase in the NBP reference rate and interbank rates within 2–3 years, which entails higher bank financing costs and an automatic pick-up in prices of housing and corporate loans based on a floating interest rate.

There are considerable differences between the EFC forecast consensus and the projections of the revised Convergence Programme (2019) with respect to the predicted public sector deficit. In 2018, the general government deficit decreased to 0.2% GDP, the best outcome since Poland's accession to the EU. However, experts predict that continued social transfers driven by election promises will compromise the performance of the public sector, especially in 2021 and 2022, when the general government deficit is expected to hoover around 1.8%. This can be accompanied by a deepening current-account deficit.

Major threats to Poland's economy

In addition to macroeconomic forecasts, the survey conducted among European Financial Congress experts has made it possible to create a map of threats to the business climate in Poland until 2022. To this end, survey participants distributed 100 points between selected threats and assigned subjective probability ratings to each of them.

We have classified the major threats to the business climate in Poland as external and internal factors. External factors will contribute more to the economic slowdown in Poland.

Out of the external risks to Poland's economic development, the economic slowdown in the euro zone comes first, as it entails a downturn suffered by our main trading partners. This risk is very likely to be aggravated by the increasing protectionism in international trade, which may restrict the trade flow between the US and the EU and exacerbate the downturn in the euro zone as a result of the trade war. In addition, Chinese economy is expected to weaken.

Poland's economy will be additionally distressed by the adverse consequences of brexit, the probability of which is estimated at almost 60 percent.[1]

[1] The survey was conducted in the period November 8, 2019 – December 6, 2019.

The risks highlighted by macroeconomists confirm the role of external demand as a key driver of Poland's economic growth in the recent period. This is supported, for instance, by the fact that a pick-up in 'value added exports' has been the main contributor to Poland's GDP growth in the 21st century. In this context, most of the respondents emphasise their concerns about the consequences of increasing protectionism and restrictions in international trade.

On the other hand, the risk of social transfers overburdening the state budget (as a result of delivering on election promises) and causing an aggravation of the structural deficit was mentioned as the main internal threat to the economic cycle in Poland. Macroeconomists did not focus so much on this risk in the last year's forecasts, as the scale of projected transfers did not seem to be overly concerning. There has been a continued concern about the growing macroeconomic imbalance caused by Poland's pro-cyclical fiscal and monetary policy, manifested as an excessive increase in public spending at the time of economic boom, which forces significant cuts during slowdowns. Unfortunately, both of these drivers are now seen by macroeconomy experts as a stronger and more probable threat than the supply barrier on the labour market, which was named as the main threat in the last year's projections. This does not mean that the risk associated with the limited availability of skilled labour resulting from demographic disadvantages and a poor migration policy is lower. Instead, it means that we do identify an additional risk posed by excessive social transfers, whose significance has increased disproportionately in relation to 2018. We still believe that the influx of workers from the East, and in particular from Ukraine, is insufficient to bridge the labour market gap. This exacerbates the risk of an excessive increase in labour costs in relation to the GDP, which in turn could significantly harm the competitiveness of Polish enterprises, including their exports. Sustainable wage growth exceeding the rise in productivity, reinforced by the declared considerable increase in minimum wages, poses a significant internal threat to sustainable economic development.

In the context of the very low investment rate in Poland and the utterly unsatisfactory increase in gross fixed capital formation, another issue of concern is the fact that a vast majority of EFC experts see the risk of slowdown in private investments, due to the continuing uncertainty regarding the future economic policy.

Major threats to the stability of the Polish financial system

EFC experts have identified two key factors undermining the stability of the domestic banking sector.

Firstly, the nationalisation process which leads to excessive participation of the State treasury in the banking sector (the highest probability in this edition of the survey – 55.2%), likely to result in inefficient allocation of funds, awarding of project lending according to political criteria and deterioration of management quality in State--controlled banks as a result of decisions based on non-market (political) factors.

Secondly, the bankruptcy of a medium-sized bank, recognised by the experts as a factor having the highest risk weight for the Polish banking sector (13.8 points), with a 36% probability.

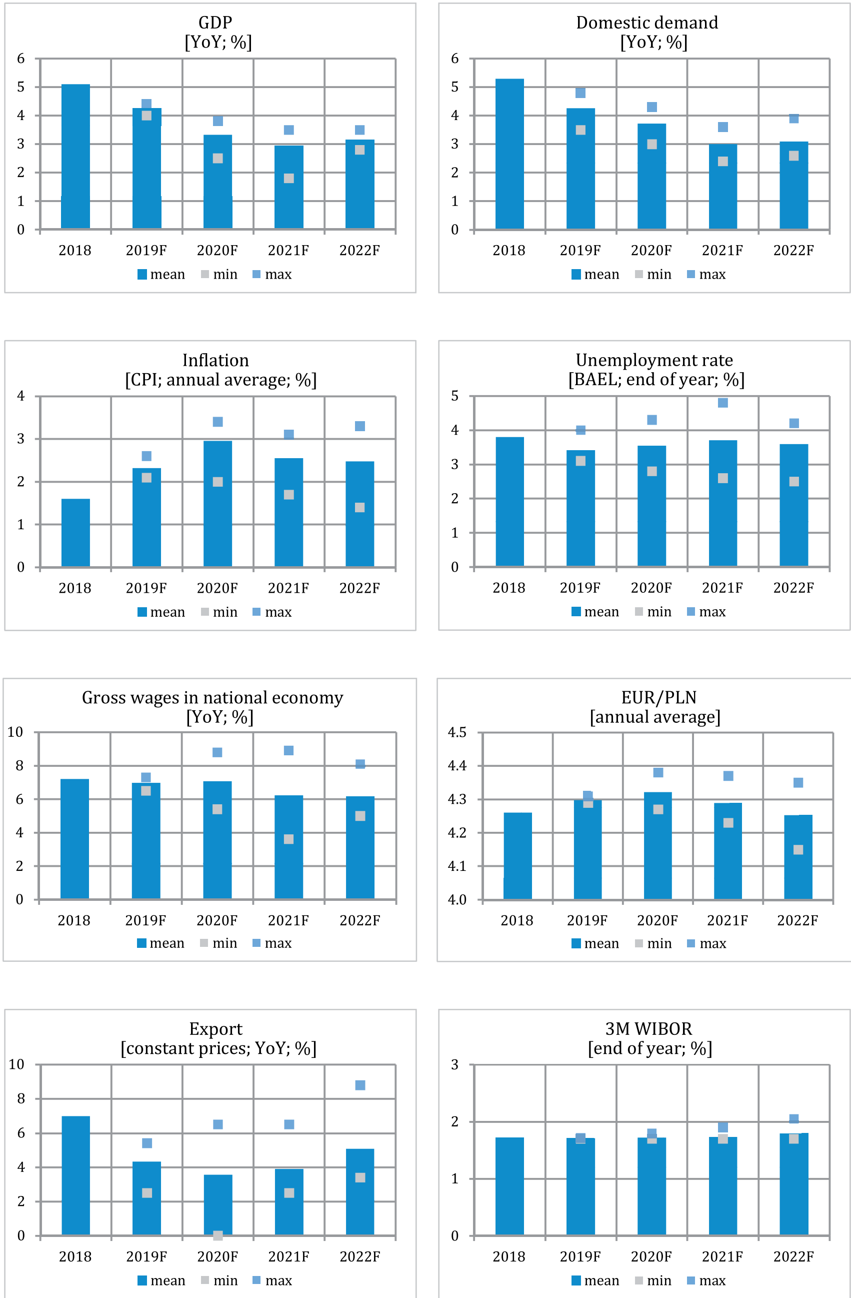
Thirdly, absence of any systemic concepts to tackle the situation in the mortgage loan segment. On the one hand, the risk arises from the likely depreciation of the national currency in the context of a high uncertainty on financial markets, which would undermine the position of borrowers without FX hedges. EFC experts believe that the CJEU ruling on abusive clauses in mortgage loan agreements reduced the odds of forced restructuring of loans by operation of law (risk weight 6.94 points with a probability of 30.0%), but the consequences of court judgments in disputes between consumers and banks will be important for the steady functioning of the financial system. Due to the absence of any information on the magnitude of the challenge and uncertainty as to the future development of case law, banks find it difficult to estimate the level of necessary provisions for mortgage assets in dispute. This may become a key factor in ensuring the operational safety of banks over the next few years.

Other systemic threats, according to EFC experts, include the structural maturity mismatch of assets and liabilities (risk weight 6.1 points; probability 34%) and the risk of deterioration of the credit portfolio quality (risk weight 5.6 points; probability 39%). Experts suggest that companies which currently operate in an environment of strong cost pressure and declining profit margins are likely to become less regular in their repayments in the event of an economic slowdown.

Moreover, the effects of increased concentration in the domestic banking sector should also be factored in over the next few years, despite the fact that in the next three years the risk weight seems to be low (probability 45.6%; risk weight 2.54 points), along with a significant increase in real property prices (probability 39.8%; risk weight 4.8 points).

A sudden and substantial rise in interest rates, posing the risk of a hike in financing costs for borrowers taking out loans in an all-time-low interest rate environment in Poland (risk weight 7.4 points; probability 21%) and the potential banking crisis in the European Union (risk weight 9.2 points; probability 23%)are threats with a high negative market impact, albeit with a relatively low potential for system destabilisation according to EFC experts.

Figure 1. Forecasts of selected macroeconomic indicators in 2019–2022



Source: Own research: EFC experts' consensus results.

Table 1. Forecasts of selected macroeconomic indicators in 2019–2022

			SURVEY RESULTS			
Indicator	**Metric**	**2018**	**2019F**	**2020F**	**2021F**	**2022F**
GDP (YoY; %)	**mean**	5.1	**4.25**	**3.33**	**2.95**	**3.15**
	standard deviation		0.10	0.36	0.45	0.25
Domestic demand (YoY; %)	**mean**	5.3	**4.26**	**3.72**	**3.00**	**3.09**
	standard deviation		0.31	0.31	0.35	0.47
Individual consumption (YoY; %)	**mean**	4.3	**4.17**	**3.92**	**3.05**	**3.17**
	standard deviation		0.17	0.29	0.45	0.27
Gross fixed capital formation (YoY; %)	**mean**	8.9	**7.48**	**3.65**	**2.82**	**3.73**
	standard deviation		0.83	0.87	0.99	1.48
Public finance sector result. EU methodology (% of GDP)	**mean**	-0.2	**-0.82**	**-0.91**	**-1.72**	**-1.73**
	standard deviation		0.41	0.52	0.89	0.78
Unemployment rate (BAEL; end of year; %)	**mean**	3.8	**3.43**	**3.55**	**3.71**	**3.60**
	standard deviation		0.26	0.45	0.69	0.59
Gross wages in national economy* (YoY; %)	**mean**	7.2	**6.98**	**7.07**	**6.25**	**6.17**
	standard deviation		0.24	0.96	1.32	0.99
Export (constantprices; YoY;%)	**mean**	7.0	**4.34**	**3.57**	**3.91**	**5.09**
	standard deviation		0.81	1.69	1.27	1.72
Import (constantprices; YoY;%)	**mean**	7.6	**5.08**	**4.50**	**4.06**	**5.00**
	standard deviation		1.80	1.93	1.09	1.42
Inflation (CPI;annualaverage; %)	**mean**	1.6	**2.32**	**2.95**	**2.55**	**2.47**
	standard deviation		0.11	0.38	0.41	0.47
Base inflation excl. food and energy prices (%)	**mean**	0.7	**1.99**	**2.82**	**2.46**	**2.27**
	standard deviation		0.30	0.41	0.50	0.46
EUR/PLN (annual average)	**mean**	4.26	**4.30**	**4.32**	**4.29**	**4.25**
	standard deviation		0.01	0.04	0.04	0.05

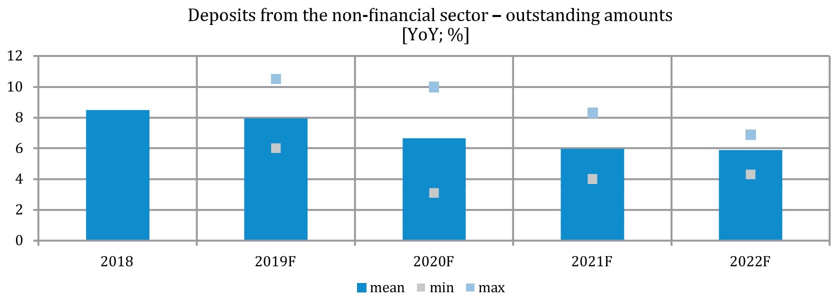
Table 1 – continued

Indicator	Metric	2018	SURVEY RESULTS 2019F	2020F	2021F	2022F
USD/PLN (annual average)	**mean**	3.61	**3.82**	**3.84**	**3.77**	**3.71**
	standard deviation		0.07	0.10	0.16	0.14
Reference rate (end of year; %)	**mean**	1.5	**1.50**	**1.57**	**1.59**	**1.78**
	standard deviation		0.00	0.15	0.19	0.39
3M WIBOR (end of year; %)	**mean**	1.72	**1.71**	**1.72**	**1.74**	**1.80**
	standard deviation		0.01	0.03	0.06	0.13
Yield on 5Y bonds (end of year; %)	**mean**	2.51	**1.82**	**2.01**	**2.20**	**2.34**
	standard deviation		0.09	0.22	0.37	0.39

* for entities over 9 employees

Source: Own research: EFC experts' consensus results.

Figure 2. Forecasts of selected indicators for the banking sector in 2019–2022



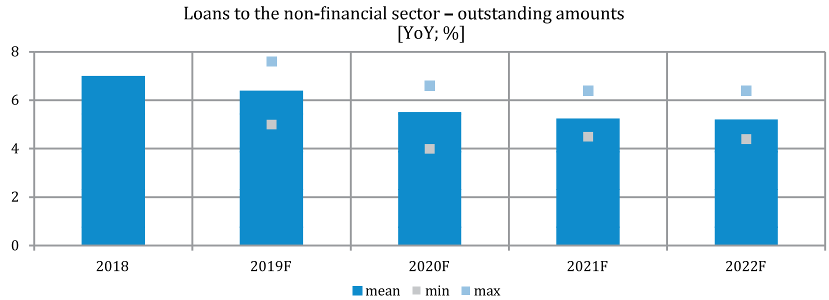
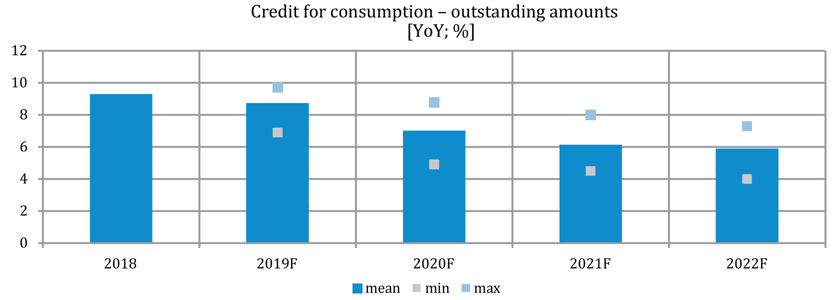
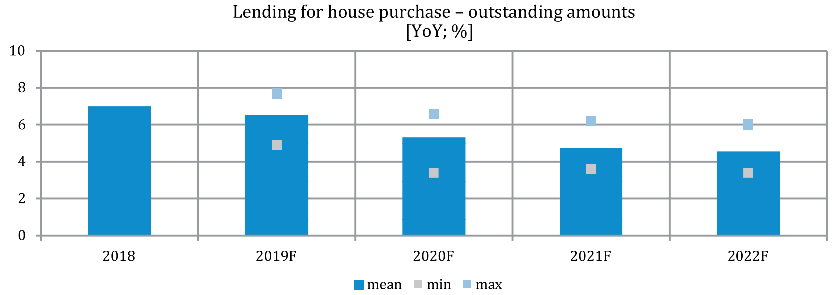


Figure 2 – continued





Source: Own research: EFC experts' consensus results.

Table 2. Forecasts of selected indicators for the banking sector in 2019–2022

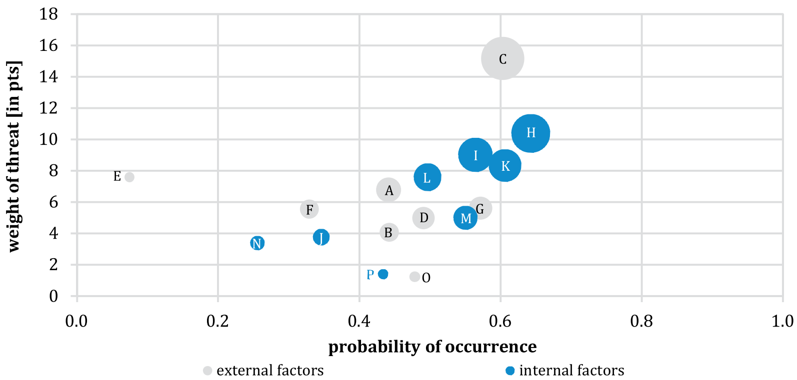
			SURVEY RESULTS			
Indicator	**Metric**	**2018**	**2019F**	**2020F**	**2021F**	**2022F**
Loans to the non-financial sector – outstanding amounts [YoY; %]	**mean**	7.0	**6.4**	**5.5**	**5.2**	**5.2**
	min		5.0	4.0	4.5	4.4
	max		7.6	6.6	6.4	6.4
Deposits from the non-financial sector – outstanding amounts[YoY; %]	**mean**	8.5	**8.0**	**6.7**	**6.0**	**5.9**
	min		6.0	3.1	4.0	4.3
	max		10.5	10.0	8.3	6.9
Credit for consumption – outstanding amounts [YoY; %]	**mean**	9.3	**8.7**	**7.0**	**6.1**	**5.9**
	min		6.9	4.9	4.5	4.0
	max		9.7	8.8	8.0	7.3

Table 2 – continued

Indicator	Metric	2018	SURVEY RESULTS 2019F	2020F	2021F	2022F
Lending for house purchase – outstanding amounts [YoY; %]	**mean**	7.0	**6.5**	**5.3**	**4.7**	**4.6**
	min		4.9	3.4	3.6	3.4
	max		7.7	6.6	6.2	6.0
Loans to non-financial corporations – outstanding amounts [YoY; %]	**mean**	7.5	**5.0**	**5.6**	**5.0**	**5.0**
	min		2.5	4.1	3.7	4.0
	max		6.5	6.9	6.0	6.7
Deposits from households – outstanding amounts [YoY; %]	**mean**	10.1	**9.5**	**7.9**	**6.9**	**6.8**
	min		7.0	6.0	5.4	5.4
	max		11.5	11.2	9.3	7.9
Deposits from non-financial corporations – outstanding amounts [YoY; %]	**mean**	4.3	**6.2**	**4.9**	**4.9**	**4.9**
	min		3.2	2.0	2.5	3.0
	max		7.5	6.8	6.7	6.5

Source: Own research: EFC experts' consensus results.

Figure 3. Major threats to Poland's economy in 2019–2022



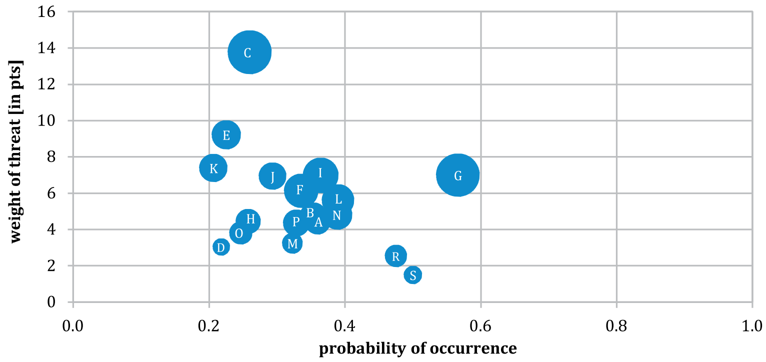
[*] the size of the circle represents the sum of the products of factor weight multiplied by factor probability of occurrence as assigned by the experts

		Weight (1 means the highest weight)	Probability	Percentage of respondents
A	Protectionism and international trade restrictions			94%
B	Economic downturn in the USA			80%
C	Economic downturn suffered by Poland's main trading partners	1	0.60	100%
D	Economic downturn in China			83%
E	Disintegration of the Eurozone	5		77%
F	Correction and increase in volatility in global financial markets			80%
G	Brexit[**]		0.57	86%
H	The increase of the structural deficit due to the excessive burden on the state budget through the high level of social transfers	2	0.64	91%
I	Excessive growth of imbalances resulting from procyclical fiscal and monetary policy in Poland	3	0.56	94%
J	Reduction of EU funding for Poland resulting from the EU rule-of-law procedure			80%
K	Supply barrier in the labour market	4	0.61	89%
L	Continued wage growth exceeding growth in labour productivity, strengthened by the declared significant increase of the minimum wage			94%
M	Uncertainty with regard to economic policy resulting in private investment slowdown			83%
N	Risk of political instability			83%
O	Other external factors			17%
P	Other internal factors			20%

[**] The survey was conducted in the period November 8, 2019 – December 6, 2019.

Source: Own research: EFC experts' consensus results.

Figure 4. Major threats to the stability of the polish financial system in 2019–2022



[*] the size of the circle represents the sum of the products of factor weight multiplied by factor probability of occurrence as assigned by the experts

		Weight (1 means the highest weight)	Probability	Percentage of respondents
A	Collapses of cooperative banks			85%
B	Collapses and restructuring of the largest credit unions (SKOK)			91%
C	Collapse of a medium-sized bank	1		94%
D	Insufficient integration of the Polish financial sector with financial systems of the Eurozone			74%
E	Banking/financial crisis in the European Union	2		85%
F	Structural mismatch of assets and liabilities of domestic banks			91%
G	Excessive share of the State in the banking sector	4	0.57	85%
H	Aggressive placement on the market of toxic financial instruments			74%
I	Problems of individuals holding mortgages denominated in foreign currencies in the wake of the weakening of the Polish zloty	5		88%
J	Statutory and compulsory restructuring of foreign currency loans			79%
K	Rapid and significant interest rate increase leading to increase in costs incurred by borrowers	3		85%
L	Deterioration of the quality of credit portfolio resulting from decreasing profitability of companies operating under conditions of high cost pressure and low inflation		0.39	76%
M	Poor supervision of the shadow banking sector			79%
N	Speculative / significant increase in real property prices		0.39	79%
O	Loss of credibility of financial safety net institutions			76%
P	Lower resistance of banks to possible turbulence due to heavier regulatory and fiscal burdens			79%
R	Increase of concentration in the domestic banking sector		0.48	68%
S	Other factors		0.50	18%

Source: Own research: EFC experts' consensus results.

Threats to financial stability/security of the insurance sector

The key challenge for the financial stability and security of the insurance sector is the **excessive regulatory and legislative activity of the State.** Experts point to the legal instability and uncertainty, instances of retroactivity and systemic flaws in the supervision of cross-border activities of insurers, as well as the regulatory arbitrage in which some of them are engaged. The problem of dispersed authority between the institutions responsible for the protection of the interests of insurance consumers (the Office of Competition and Consumer Protection (UOKiK), the Polish Financial Supervision Authority (KNF), the Financial Ombudsman) is also discussed – overlapping powers, absence of procedures for the monitoring of the insurance market by UOKiK.

Other key risks identified by experts are the **increasing operational links between insurers and the banking sector, coupled with the progressing financialisation of insurance** reflected, for instance, in the conglomeration of the market and offering of hybrid insurance products, such as life insurance with unit-linked insurance funds. Many insurers lose their lawsuits, which exposes them to high losses due to compensation for excessive liquidation fees.

According to EFC experts, another systemic challenge is the **growing concentration of the insurance market and the 'price wars' in the motor insurance segment**. A few insurance groups (6–7) control more than 94% of the market, which means that in the coming years the sector could become monopolised by the Statecontrolled corporate sector.

The insurance sector remains exposed to the negative effects of price wars (lack of price/risk adequacy) initiated by the largest insurers.

Additionally, EFC experts point to the persistence of very **low long-term interest rates** (and the resulting low returns on assets), as well as the **dangers of cybercrime and data loss (reputational risks).**

Recommendations

I. Ensure legal stability and simplify regulations to achieve business continuity and improve the predictability of some costs of insurance activities. Moreover, experts suggest granting more powers to the Financial Ombudsman and to strengthen the role of alternative dispute resolution in the insurance market. More stringent control of insurers' involvement in non-life and quasi-insurance activities and more consolidation restrictions would also be desirable.

II. Promote and spread good market practices and ethical behaviours – experts suggest the development of a coherent good market practice for all insurance distributors and a stronger focus on insurance business ethics.

III. Improve product matching to customer needs and reduce misselling – in this context, expert suggestions include more product interventions by supervisory authorities or the introduction of systemic solutions to cover hard-to-place risks, such as political risks, risk of drought and flood.

IV. Invest more in advanced technologies/robotics and cyber security to make more use of new technologies and big data.

V. Intensify efforts in the area of continuing insurance education – expert recommendations include the development of a strategy outlining the directions of insurance education in Poland to raise insurance awareness and disseminate knowledge about the insurance market, or the improvement of knowledge and competence of insurance intermediaries.

Three key opportunities for economic development

The prevailing view among the experts of the European Financial Congress is that an increase in private investments and innovation will offer the greatest opportunity for the economic development of Poland in the coming years. The economic policy should support the private sector, for instance through deregulation and introduction of a wide range of investment incentives. It should promote innovation and the transition to higher added value goods and services. Investment spending on innovation and continued digitisation of the economy, science and new technologies shouldincrease.

Secondly, Poland's poor immigration policy is a missed opportunity for economic development. We are not fully utilising our unique geopolitical location, which should allow us to make our labour market wide open to employees coming from the East and have them permanently settled in Poland. Opening of the Polish economy to immigrants should be accompanied by encouraging Poles to return from emigration, increasing the retirement age and activating seniors on the labourmarket.

Thirdly, most EFC experts believe that a deeper economic slowdown faced by our main trading partners makes it possible to intensify the participation of Polish companies in foreign markets, for instance by leveraging their continuing cost advantage. The competitiveness of Poland in terms of costs and quality should support the processes of relocating shared service centres from Western Europe to Poland. Export expansion could be driven by broadening Poland's cooperation with eastern countries (mainly Russia, Ukraine, Belarus and China).

Macroeconomists' recommendations at the European Financial Congress:

Five most important recommended measures for Poland's Economic policy until 2022

I. Improve the society's labour market participation and rationalise the immigration policy

The priority challenge, which was already recommended by EFC experts in the past years, is to overcome the barrier of an increasing shortage of labour resources. This shortage exerts pressure on wages and business margins, but on the good side, it can stimulate labour-saving innovations. Therefore, it would be advisable to consider the preparation of a comprehensive labour market strategy for Poland, in view of the changing demographics. EFC experts specifically suggest the following in order to address the shortage of labour resources:

1) activate inactive persons on the labour market, mainly by increasing the retirement age or creating incentives to postpone retirement;
2) develop a coherent and smart long-term immigration policy, in particular by fully opening the borders to the influx of foreign workers (mostly from Ukraine and Belarus), and at the same time take comprehensive measures to persuade them to settle in Poland permanently together with their families. This should be made particularly easy for highly skilled workers. First and foremost, this means that solutions should be implemented as a matter of urgency in order to facilitate the legal employment of foreign nationals and their acquisition of the right of permanentresidence;
3) create the right conditions for Poles who have emigrated for economic reasons to return;
4) shift labor resources towards the most productive applications, including: a) expanding the digitisation of public services to redirect labour resources from bureaucracy to productivity (from tax consumers to net taxpayers); b) creating the right conditions to free up labour resources from low-productivity jobs (such as small farms);
5) undertake innovation support programmes with the purpose of automating the simplest processes in order to free up workforce for maximum value-addedjobs;
6) create mechanisms to support employers implementing programmes that stimulate the labour-market activation of women;
7) develop training activities aimed at mobilising the long-term unemployed and/or improving the skills base of the unemployed;
8) redesign the support system for people with disabilities to strengthen the incentives to take up a job, and expand the training programmes addressed to this group.

II. Improve the investment climate for private capital and innovation

This priority should focus on strengthening the regulatory and legal stability and predictability as well as reinforcing the rule of law. Reducing legal and fiscal uncertainty is a prerequisite for improving the investment climate. The measures aimed at improving the regulatory and legal stability and reinforcing the rule of law should include the following:

- step-by-step measures simplifying the fiscal and parafiscal systems, eliminating unjustified disparities (including the equalisation of contributions to KRUS [Farmers' Social Insurance Fund] and ZUS [Social Insurance Institution], tax burdens and exemptions across social groups, retirement privileges, etc.). Clear and simple tax regulations should minimise the role of interpretations;
- pursuing a sustainable agreement with the European Commission concerning the rule of law and strengthening of partnerships within the EU to counteract US protectionist tendencies.

Preferences and incentives for private capital should be accompanied by maintaining the right conditions for investing in advanced business services and activities requiring highly skilled specialists in Poland. Resources of the Polish Development Fund should be invested in accordance with their intended purpose – in startups, implementation research, promoting innovative export activities, instead of supporting the nationalisation of the business and banking sectors.

Specific incentives should be provided for investments in advanced technologies, automation and robotisation in order to stimulate labour productivity and improve the energy efficiency of enterprises.

III. Strengthen the budgetary discipline

The most pressing economic policy challenges over the next three years will be a financial reform and strengthening of the budgetary discipline. The expected increase in budgetary burdens, mainly due to additional social transfers, will be accompanied by aneconomic slowdown.

What we recommend:

1) measures to curb the structural deficit, including a reduction of fixed budget expenses and rationalisation of the social transfer system. It would be advisable to rationalise spending under the Family 500+ scheme, shifting towards incentives to work (such as a 'negative' income tax for people on low pay) and enhancing the role of tax reliefs (raising the tax allowance for everyone, significant tax reliefs depending on the number of children in the family) instead of unconditional cash payments;
2) pursuing a countercyclical economic policy, creating fiscal buffers. This means that the structural deficit has to be at least considerably increased in economic

good times. This will give us the much needed leeway when the economy takes a turn for the worse. What is noteworthy, a countercyclical economic policy is a prerequisite for a sustainable reduction of unemployment and therefore it is a pro-social policy that paves the way for reducing poverty and social exclusion;

3) reducing wasteful public spending, putting additional welfare projects on hold and increasing allocations for public investments.

IV. Design and implement a long-term strategy for energy and climate

There is a need for a shift in climate policy priorities and support for long-term energy transformation. Preparation of a comprehensive decarbonisation strategy for the Polish economy should be the first step towards a socially responsible economic development strategy.

V. Move away from nationalisation processes

Over the last thirty years, Poland's inefficient centrally planned state economy has been replaced by market economy mechanisms. There is a need for lesser participation of the State treasury in banks and businesses and a move away from nationalist and statist projects, as continued nationalisation jeopardises theefficient market mechanism of economic development.