

Poland: A bittersweet victory for the ruling party

The PiS party gained more support than in 2015 but with almost the same number of seats. Party leaders were disappointed that the most generous social programme ever was not enough to achieve more. This may mean a less extreme political agenda and more business-friendly programme, but its approach is highly uncertain in a new more diversified Parliament



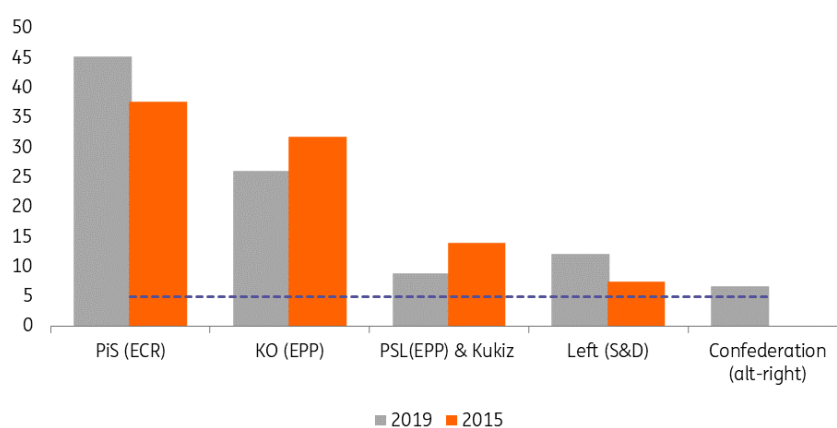
Higher level of support for PiS, number of seats stays the same

Poland's ruling Law and Justice party, PiS, has won the general election, with support in line with poll predictions though it was slightly less than PiS leaders had hoped for. In Parliament, the status quo has been maintained - PiS still holds a single party absolute majority (with about 235-240 seats, above the absolute majority level of 230), but it remains short of the "presidential majority" (267) that would allow it to reject a presidential veto (a new president may be elected next year, with elections set for May) and of the "constitutional majority" (306 votes) which would allow amendments to the constitution. The outcome is close to ING and market expectations. Support for PiS was eight percentage points higher than in previous elections, at the

expense of the Civic Platform and Peasants' Party (see graphs). Countering this, and contrary to the 2015 elections, leftist parties improved their standing in Parliament sufficiently that PiS's number of seats has not changed considerably.

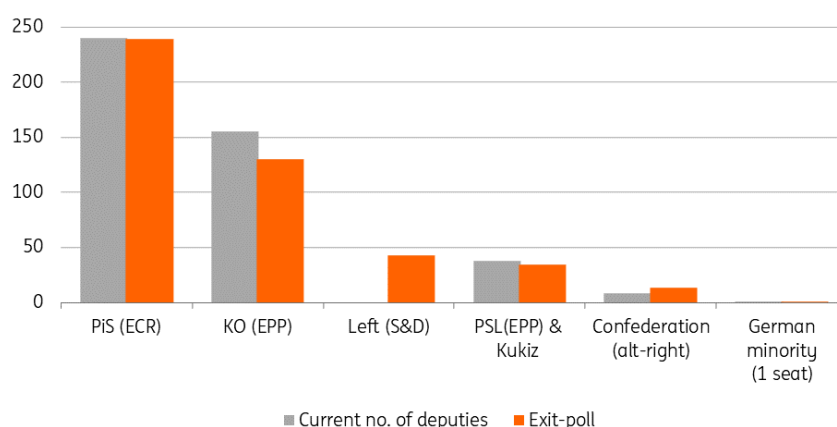
As per our preview, the scenario of PiS falling short of an absolute majority and being forced to form a coalition with other parties has been avoided. We presume that these parties (PSL or Left) would have pressed for higher spending and deficits, and such a coalition would have been negative for Polish government bonds. On the other hand, PiS lacks the presidential or constitutional majority which could have led to a very controversial political agenda, likely putting Poland at odds with the EU once more. This has not materialised. So, **we find the result to be neutral for POLGBs and the zloty, as outlined in [our election preview](#).**

Partial election results



Source: PKW

Seats in Parliament - projection



Source: IPSOS

A more business-friendly approach

The initial comments are important here. The party leaders noted that more than 50% of voters chose the opposition, even though PiS's previous term saw Poland enjoying the best GDP dynamics in the EU and the most generous social programme in Poland in the last 30 years. That may call

for a more conciliatory political agenda, although this is still far from certain.

PiS leaders also noted that their economic programme was not business-friendly, presumably allowing the Peasants' Party (which presented itself as centrist) to take some votes from entrepreneurs (due to the proposed voluntary payment of pension contributions). This could well lead to the PiS more aggressively marketing its business-friendly measures targeting micro corporations or maybe taking a more business-friendly approach to mid and large corporations. This approach calls for a less rigorous tax policy and a higher deficit in 2021 (2020 is safe due to very high one-off revenues).

Both of these shifts in policy agenda were mentioned as a potential tool to raise the party's support above the "glass ceiling", which it has been unable to break in the last elections. It has yet to be seen how PiS's approach will change in the new Parliament, with a more diversified opposition i.e. a more right-wing Confederation party (but more business-friendly than PiS) along with a more socially-oriented left wing party (Lewica).

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