

How Poland is back on a pro-European course

Last month's elections in Poland have been a game-changer for the country's future and its relationship with Europe. In this bundle of articles, we look at the incoming coalition's main priorities, examine the fiscal space for its election pledges and discuss the prospects for unlocking more EU funds

Poland's general election result on 15 October has opened new economic growth opportunities, even though the external environment is still unfavourable. The commitments of the new coalition bode well for the rule of law, market re-orientation and Foreign Direct Investment attractiveness. We're not yet done with the campaigning; we still have local government, European and Presidential elections still to come.

The fiscal side should remain expansionary. But we see low-hanging fruit, which the new government may use to restore higher potential growth and gradually rebalance its structure toward investments rather than consumption. We see great potential in unlocking private outlays after a few years of local businesses staying in "standby" mode amid high profits. Also, Poland may unlock EU money from the Recovery and Resilience Facility and a new EU budget while attracting FDI investors who perceive Poland as the number one destination for nearshoring but who've been staying on the sidelines. Also, we expect more actions in lagged energy transition, infrastructure, and human capital - while enhancing governance in State Owned Enterprises and other institutions.

In this bundle of three articles, we discuss [five broad priorities](#) for the new coalition, estimate the [available fiscal space](#) for its election pledges on top of already record-high borrowing needs in 2024, and discuss prospects for [unlocking EU funds](#). Poland's return to the European mainstream and burying the hatchet in the legal conflict with the European Commission should unlock money from the RRF. Two years ago, it was aimed to support post-Covid recovery; in the current context of economic stagnation, it will serve even better as a counter-cyclical measure. The incoming government is ahead of an ambitious task in transforming serious competitiveness, security and climate challenges into new growth engines of the Polish economy through large investment programmes in the military, for energy, infrastructure, and human capital. While waiting for the confidence vote in the Lower Chamber of Parliament in the coming weeks, we think the FX and FI markets reflect investor confidence that massive underweight positions in Polish Government Bonds are no longer justified right now.

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Poland's Parliament building

Wind of change in Poland's politics

General elections in Poland that took place on 15 October brought a shift in the political ground, with the new government expected to be formed by the coalition of the opposition parties led by Civic Coalition (KO). The Law and Justice party (PiS) which ruled over the last eight years will likely lose power. In such a scenario, a new majority is to replace a government that has been on a collision course with the European Union over recent years. The conflict between Warsaw and Brussels over the rule of law should hopefully be resolved, unlocking transfers from both the Recovery and Resilience Fund (RRF) and cohesion policy funds from the new 2021-27 EU budget. We discuss the EU funds prospects in a separate [article here](#).

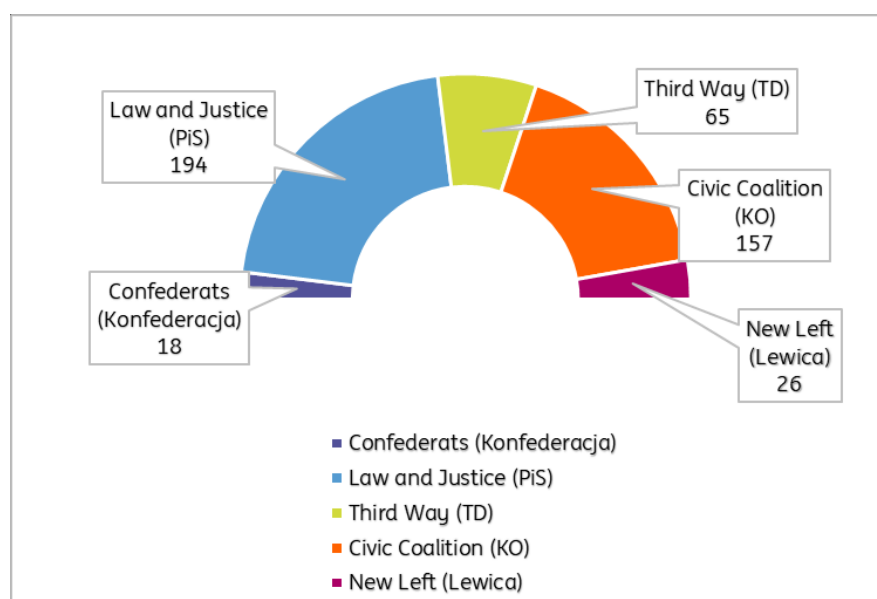
Force awakens

In the general elections in mid-October, voters chose new members of the 460-seat lower house (Sejm) and 100-seat upper house (Senate). The turnout hit a record high of 74% – about 10

percentage points more than during the first partially free elections on 4 June 1989 which paved the way for the collapse of communism in Central and Eastern Europe. The record-high turnout gives a strong mandate to a new government.

Even though PiS gained the highest number of votes, it'll most likely be unable to form a government. Even with its potential coalition partner, the right-wing Confederation party, it lacks the majority needed to gain a confidence vote. United opposition i.e., Civic Coalition (Koalicja Obywatelska – KO), Third Way (Trzecia Droga – TD) and the Left have 248 seats and declare to take joint responsibility in forming a new cabinet. The upper house – the Senate – is likely to be dominated by these allies, with the KO, TD and the Left securing 66 out of 100 seats.

Number of MPs in Poland’s 460-member Sejm after the 15 October general elections



Source: Polish Elections Committee.

Expected steps in forming the new cabinet

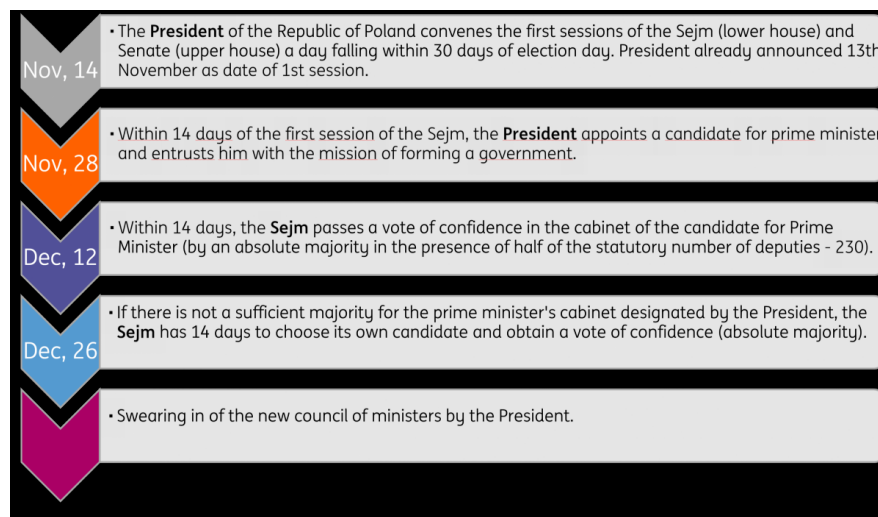
Even if opposition parties managed to secure a sufficient majority to form a new government, the process may still take some time. The first gathering of the new parliament is scheduled for 13 November – just a day before the constitutional deadline. Within 14 days of the first session, the President has 14 days to appoint a prime minister candidate. Then, the candidate has another 14 days to secure a vote of confidence from the new Sejm.

It is customary in Poland that the President gives the mission to form a new government to the leader of the party that won the elections, but he is not bound by any regulations at this stage. Before the elections President Duda clearly stated that he will stick to the tradition so in the first constitutional step on the new government forming he may appoint a PiS representative as a prime minister candidate (potentially current PM Morawiecki). Since such a cabinet is unlikely to pass the vote of confidence, the second step envisaged by the Polish constitution is likely to be needed to produce a new government.

In the second step, the initiative is on the Sejm side as any 46 members of parliament may

propose its PM candidate. We believe that in this step the new cabinet capable of securing a vote of confidence will emerge. In such a scenario, Poland should have a brand new government by mid-December or slightly earlier.

Deadlines in the process of forming the new government in Poland



Source: ING based on legal documents.

A new hope to be delivered, otherwise PiS may strike back

When in place, the newly formed government will have several urgent matters to address. First, it needs to prepare a new budget in order to avoid giving President Duda a chance to shorten the term of the parliament. According to the constitution, the president has such a right if a new budget is not approved within four months from the moment the government sends it to the parliament. What is more, opposition parties will like need to pencil in some of its fiscal pledges already in the 2024 budget act, potentially boosting already high deficit and borrowing needs even more (we discuss this issue in a separate fiscal article).

Another burning issue is unlocking the RRF funds. The European Commission will expect formal actions towards restoring the rule of law by the new authorities. However, given that the President and the Constitutional Court may not necessarily want to cooperate on legal changes, advancing on this in order to unlock the EU money, will need to rely on de facto changes within the existing framework rather than radical legislative changes. We discuss EU funds in a separate [EU funds article](#). After last week's visit of candidate to PM Tusk, it seems that the EC may unlock EU funds even without final acceptance from President Duda and the Constitutional Court. Passing the new law by Parliament should be enough to satisfy the horizontal milestone on rule of law to unlock RFF funds.

In general, the outgoing PiS is to be a tough opposition and will not facilitate the job of the new government with a radical reform agenda. As for any other political party, its main goal will be to return to power as quickly as possible.

Five broad priorities for the new government

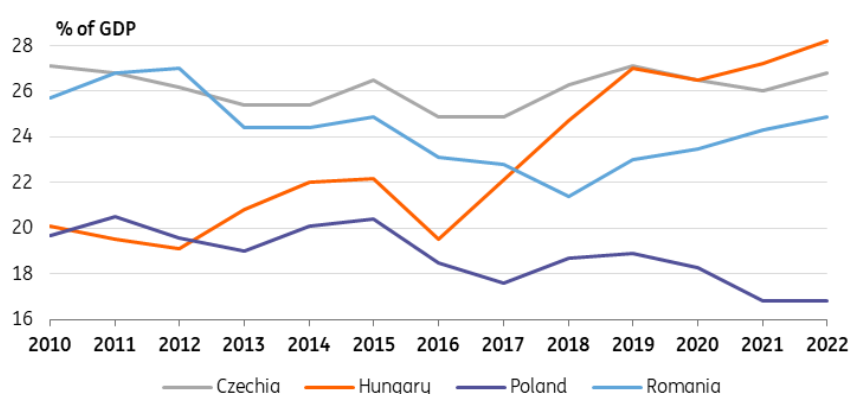
We see five broad priorities for the future government:

First, there is a need for a paradigm shift in economic policy from support focused mainly on consumption to a greater support for investment. This refers to domestic investments through predictable tax policy. In the last eight years the unpredictable and rigorous tax policy has discouraged private outlays. As a result, Poland's investment-to-GDP ratio decreased to 17%, much lower than in other Central European economies where this ratio varies between 25-28%. We also think there is a lot of pending FDIs driven by geopolitical concerns and nearshoring/friendshoring. The independent survey run by Reuters/Maersk find Poland as the number one nearshoring destination in Europe. This is an economic and political trend resulting from supply chain disruptions during the Covid-19 pandemic. Also, German businesses are preparing for the risk of worse relations with Asia / China. It is about shifting sourcing or investment activities of European or global companies closer to home markets or friendly countries. In [our report on supply chains](#), we discussed how Poland could attract new investments in this context.

At the same time, unlocking EU funds from RRF and new cohesion policy would support public investments. They help lift Poland's growth potential and support continued convergence of real incomes.

We see unlocking private investments, FDI's and EU funds as low hanging fruits which can restore higher GDP growth, a key metric in debt sustainability analysis. Also, unlocked investments should help restore a less inflationary GDP structure, which in the last several years has relied mainly on consumption. The higher investment should mitigate price pressures and support further disinflation towards the 2.5% inflation target over the medium term. According to the CSO survey from summer 2023, the top-3 investment barriers for manufacturing companies (3,500 firms in the sample), were: high investment costs (55.6% of responses), high inflation (46.4%), and uncertain macroeconomic situation (37.2%).

Investment rate in CEE countries, as % of GDP

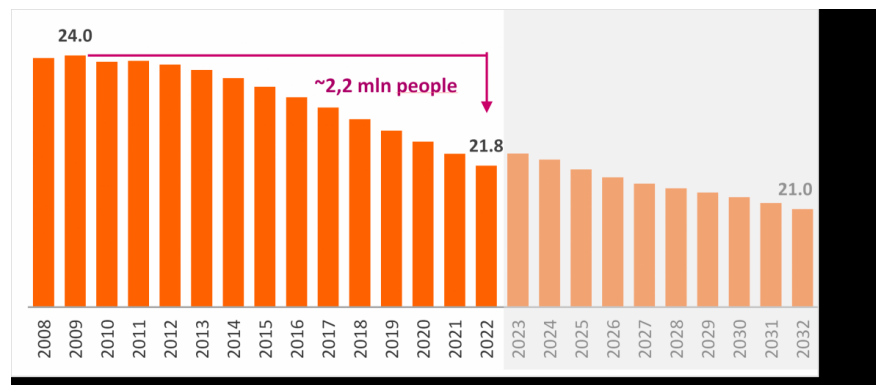


Source: Eurostat.

Second, labour market, pension and emigration policy needs to address the declining availability of labour from Poland and the rising cost of labour. Poland's labour force shrank by more than 2 million during the last 15 years, and it is expected to shrink further by almost another million during the next 10 years. This gap has been filled to some extent by migrants, especially from

Ukraine. In our view, the responsible migration policy may encourage foreigners to stay longer in Poland or attract other foreigners.

Poland's working age population (19-59/64 years), million people



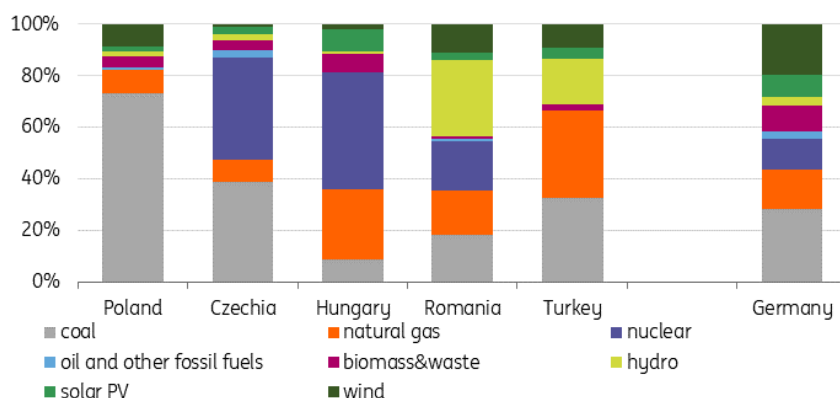
Source: Eurostat demographic projection.

The next priority is depoliticising the energy transition, as Poland is the most exposed in the CEE region to expensive energy, through a highly carbon-intensive mix. As Europe's natural gas prices largely normalised in 2023, Poland's wholesale electricity prices with coal-fired units closing the merit order, belong to the highest in Europe. High carbon-intensity is not only an additional cost for Polish companies, but also an increasingly important factor for ESG-sensitive foreign investors.

While considering different investment locations, global companies are searching for partners or sub-contractors, offering clean energy sources. This is driven by the global megatrend to reduce emissions in the entire supply chain or life cycle of the product. Some companies already face this pressure from their business partners – [see our report](#) on firms' reaction to the energy shock. During one of our business meetings in Southern Poland last week, a car parts producer mentioned last year's requirement of having an ESG rating from a leading European car producer.

Poland needs to promptly accelerate energy investments to escape high and volatile fossil fuels and carbon prices. Otherwise, the country will face competitiveness losses. The expansion of solar energy in the recent three years in Poland is impressive (more than 5GW new capacity installed in PVs in both 2021 and 2022). But – because of the low load factor of these units – it does not change much the electricity production mix. The current situation reflects a decade of under-investments in the 2010s, both in clean energy supply and electricity grids. The latter has already become a bottleneck for further absorption of intermittent renewable energy sources into the electricity system.

Power production mix in CEE countries and Germany, 2021, in %

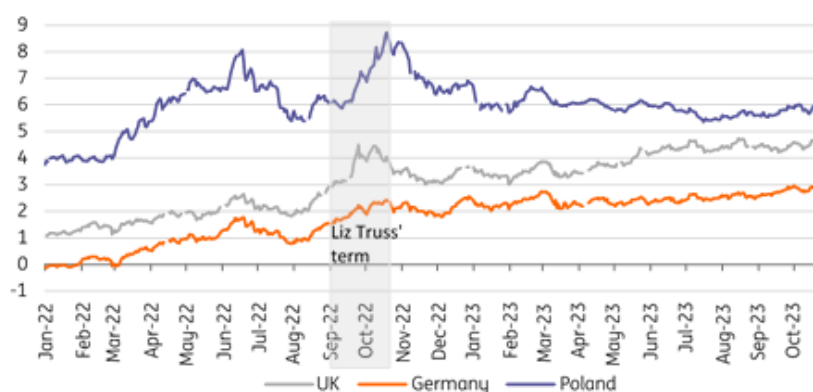


Source: ING based on BNEF data.

Priority number 4 is a new social contract to stagger (additional) high spending promises on top of those already contained in the 2024 draft budget with record-high net borrowing needs. We discuss this issue in a separate fiscal article, here we focus more on the demand side for the new Polish T-bonds. Financial markets are already pricing elevated high yields for longer in core markets. In such an environment, financing excessive fiscal needs is to be expensive. In its latest report, the IMF warned about Poland's general government deficit not falling below 4% of GDP by 2028. Fiscal policy needs to find a right balance between fiscal prudence and assuring sizeable investments in defence, energy or spatial inclusion. We realise this is easier said than done.

The rally in Polish assets just after the general elections reflects a vote of confidence from investors. But this confidence cannot be taken for granted. We saw it a year ago in the very mature British market, and investors reaction to the unsustainable fiscal plan of PM Liz Truss. In 2024 the net borrowing needs should reach a record-high level of PLN225bn (6% of GDP) with the general government deficit about 4.8% of GDP. We see a space for 1% of GDP extra spending in 2024, lifting borrowing needs to 7% of GDP and general government deficit to 5.5-6% of GDP.

Bond yields (10Y) in UK, Germany, and Poland in 2022-23, in %



Source: Macrobond.

The final priority is about improving governance and institutions, from assuring an adequate

system of 'checks and balances', transparency in public finances, predictable tax law, to improved governance of state-owned companies. The restored rule of law is expected by society, but also should unlock EU funds. The transparency in public finance is key for better controlling public spending, which outpaced public revenues, especially since the Covid-19 pandemic. Rating agencies reflect better institutions and transparency of public finances in a country's assessments. Better institutions are also about predictable tax law, which is crucial for unlocking private investment, where Poland strongly underperformed CEE peers in the last years.

Given the above, we see upside risk for our short-term GDP growth forecast of 2.5% in 2024 and the years beyond.

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Poland's fiscal space after the October elections

New government can add c.1% of GDP on the top of the record-high 2024 borrowing needs (6% of GDP)



Starting point is relatively low debt, but a high deficit in the last few years

Although Poland is a moderately indebted country by European standards (public debt below 50% of GDP in 2022 vs. EU average of 83.5% of GDP), authorities have been running expansionary policies in the last pandemic and pre-election years as generous spending was accompanied by tax cuts. Some were temporary (VAT rate cuts for energy), but others are here to stay (lower personal income tax rate, higher tax-free allowance). Large fiscal gaps and borrowing needs in an environment of high interest rates should lead to a substantial rise in interest payments as the increased amount of total public debt is rolled over at higher costs. That may force adjustments in other spending in the future.

Some members of the new ruling majority were outraged when the Ministry of Finance disclosed that the state budget deficit (that covers only part of the central budget and is reported on a cash basis), rose to PLN33.5bn cumulatively year-to-date through September compared to PLN16.6bn through August. Given the annual target is set at PLN92bn, in our view in itself it is not a cause for alarm. What is concerning is that spending was substantial in September alone while some tax revenues were surprisingly weak (close to zero from CIT). As the deficit threshold cannot be

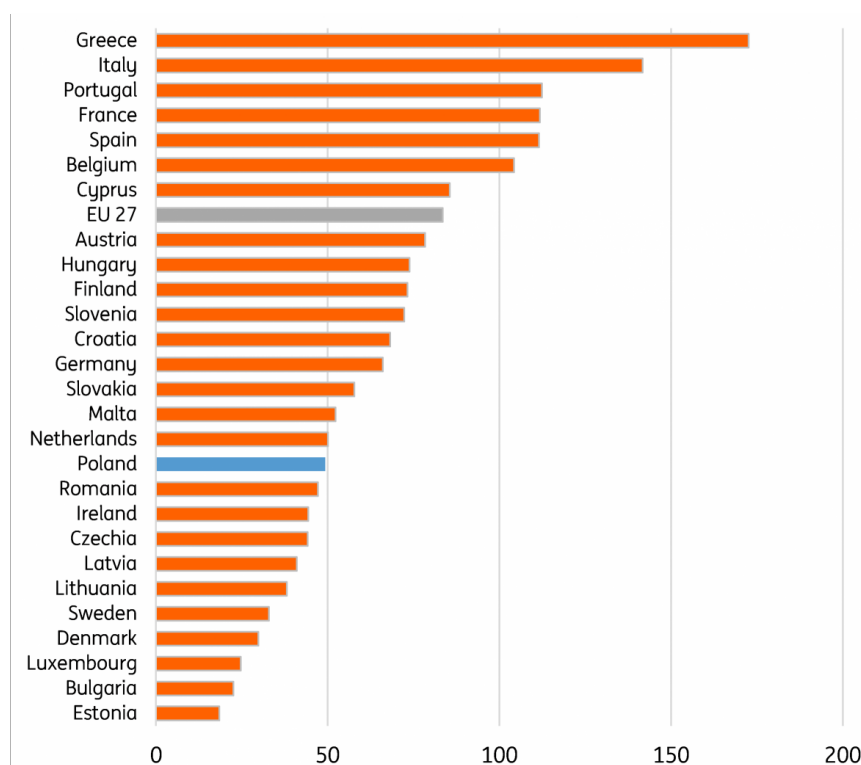
exceeded, the administration theoretically needs to seek some savings on the expenditure side if revenues indeed fall short of the plan through the end of this year. But we think revenues should improve in the coming months, given that consumption is recovering, offsetting lower dynamics of nominal GDP due to low inflation.

According to the Eurostat data, which gives the full picture of public finances, the general government gap is indeed already sizable. In 2Q23, the general government deficit amounted to PLN36.6bn compared to PLN5.4bn in 2Q22. On a 4-quarter rolling basis, it increased to 4.7% of GDP from 3.9% of GDP after 1Q23. The Autumn fiscal notification points to above 5% of GDP fiscal gap in 2024, which is roughly 1% of GDP more than envisaged in the spring notification.

On the other hand, since the EU general exit clause regarding fiscal governance expires in 2023, the EC may impose an excessive deficit procedure on Poland already in 2024. Still, with the rules guiding the Stability and Growth Pact execution in 2024 subject to reform (leading to new approach based on debt sustainability rather than arbitrary 3% and 60% of GDP thresholds), Poland may not necessarily be obliged to comply quickly.

Poland is a moderately indebted country by European standards

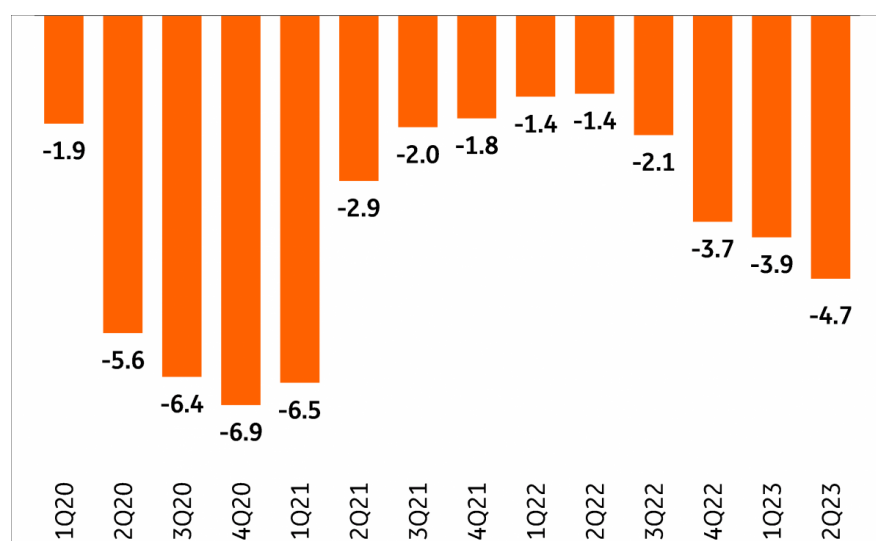
Public debt in % of GDP in 2022, Poland vs. EU



Source: Source: Eurostat

The fast rise of general government deficit in 2023 due to elections and post inflation revenue slowdown

General government balance, % of GDP (last 4 quarters rolling)



Source: Eurostat, ING

2024 budget draft already assumed record-high net borrowing needs

The 2024 budget draft bill envisaged record-high net borrowing needs next year of PLN225bn (6.1% of GDP) and this is not the entire picture as the incumbent government planned to draw an additional 2.0% of GDP of debt via off-budget funds (mainly outside the govies market). The latter were to cover mainly for defence spending, largely in the form of trade loans and vendor funding from military equipment suppliers.

Given the size of central budget net borrowing needs, the Morawiecki government planned to tap all potential sources of funding in 2024, including loans from the EU's Recovery and Resilience Facility (RRF), which remained locked due to the conflict over the rule of law (but should be unlocked under the new government).

The 2024 financing plan assumed net issuance of nearly PLN40bn in hard currency Eurobonds, nearly PLN55bn in short-term T-bills, mainly purchased by domestic banks and nearly PLN100bn in Polish government bonds. Given the depth and the expected liquidity of the domestic market, in our view 50-60% of the PLN denominated Bonds and T-bills would need to be purchased by foreign investors, which in recent years have generally stayed underweight in Polish debt. However, a stronger reliance of foreign financing requires a solid growth outlook and stable or even appreciating PLN, which is much more likely under a new government.

The net borrowing needs rises strongly in the last two years, to a record high in 2024 reaching 6% of GDP

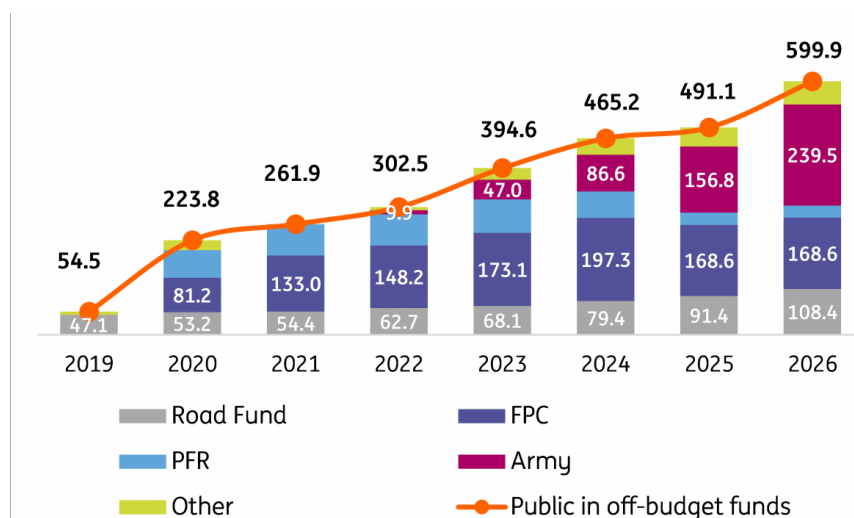
Net borrowing needs and financing, PLNbn



Source: Ministry of Finance, ING

MinFin rises more off budget debt during the pandemic but also recently for defence and other non-transparent spending

Off-budget debt, PLNbn cumulative



Source: Source: Ministry of Finance, ING Given the size of state

More fiscal spending in the pipeline as the opposition takes over; incoming government to add c.1% of GDP

In the election campaign, all parties went large with additional spending and tax relief. Also, the parties from the new majority made fiscally costly pledges during the campaign and will search to deliver them. They are on top of already costly measures pledged by the incumbent government,

such as indexation of child benefits from PLN500 per child to PLN800. The new finance minister will need to seek adjustments elsewhere.

We estimate that the new fiscal measures proposed by the opposition parties may cost about PLN120-150bn i.e. 3-4% of GDP, but are unlikely to be all implemented in 2024 already as some require lengthy legislative work and public consultations.

We analysed the election programme of opposition parties and selected common elements in Civic Coalition (KO), Third Way (TD) and Left (Lewica) promises, that seems possible to implement in the short time slot between the appointment of the new government and the 30 January 2024 deadline for passing the budget (if broken President may dissolve parliament and call new elections). They are:

- 20% wage increase in public administration,
- 30% wage increase for teachers
- social benefit for mothers returning after maternity (granny's benefit)
- subsidies for local governments' housing policy
- new benefit for individuals renting flats
- freezing natural gas prices.

We estimate that without additional savings in other areas it could potentially boost 2024 deficit by PLN35bn (1% of GDP). The most costly programme, ie, higher tax allowance in personal income taxes, may be phased-in gradually as it requires more preparation from the tax administration and is very costly (1.2% of GDP).

New spending should lift the general government deficit to about 5.5-6% of GDP and net borrowing needs to 7% of GDP

The incumbent government planned net borrowing needs at a record-high level of PLN225bn (6.1% of GDP) in 2024. We forecast the 2024 general government deficit at about 4.8% of GDP. We estimate the common spending promises of election winners should add 1% of GDP extra spending in 2024, lifting borrowing needs to 7% of GDP and general government deficit to 5.5-6% of GDP vs 5.6% of GDP the Ministry of Finance expects for 2023.

High government bond supply; elections bring positive game changers

We find the general government deficit of 5.5-6% of GDP is the maximum the European Commission may accept in 2024 given that the Growth and Stability Pact will be restored to work. The Pact is subject to reform leading to a new approach based on debt sustainability rather than arbitrary 3% and 60% of GDP thresholds for deficit and debt. But before the reform will be agreed by member states, the EC should assess countries fiscal stance based on the old approach. Poland with 5.5-6% of GDP should have the highest deficit in the EU. Other countries with high deficits in 2024 should be Belgium, France and Italy, but their fiscal imbalance should reach 4-5% of GDP. Poland may potentially negotiate a waiver with the EC due to high military spending and its role as the Eastern NATO border.

In our view, extra borrowing needs of this scale (PLN260bn, ie, 7% of GDP) may be funded without an increase in Polish government bond yields should few supporting assumptions work: (a) the

core market yields decreases, (b) foreign investors return to the Polish market today so the foreign holding of POLGBs is about 15% vs. 25-30% in the region, the rise of foreign holding by 12.5pp should bring PLN120bn of new demand for POLGBs covering 46% of 2024 borrowing needs, and (c) securing alternatives to POLGBs in the form of advances/loans from the RRF, very likely in our view.

The main game changers after the October 2023 elections, which are POLGBs positive, is the new government's ability to unlock private investments, FDI's and EU funds and restore higher GDP growth with a less inflationary structure. All of the above is positive for the country debt sustainability position and calls for stronger PLN at the same time should cause foreign investors to cut a significant underweight position they hold in POLGBs for many years. We also think that domestic banks should stay as important POLGBs buyers (up to 30-40% of borrowing needs) and the MinFin still has a record high cash buffer it can utilise and will try to prefund as much as possible in 2023.

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Poland's election result turns EU funding risk on its head

The Polish election outcome has turned the risks linked to inflows of EU funds by 180 degrees



The risk of a halt to EU funding to Poland has receded following this month's election

Sunday's Polish election outcome - where the ruling PiS party won the most votes but an opposition coalition has a significant parliamentary majority - has significantly shifted sentiment, not least regarding relations with the European Union.

We've written extensively before about the risk of a sudden drop in EU fund inflows to the country from 2024 and the impact that might have on sovereign risks within the CEE region. Following the T+3 rule in 2023, Poland has continued to disburse EU funds from the 'old' EU budget (2014-20 financial perspective). But because of the deadlock on rule-of-law regulations, the country has not been assured of a smooth and continued flow of money from the 'new' EU budget (Recovery and Resilience Fund, RRF, and 2021-27 cohesion funds, CF).

[Previous comments in 2022](#)

[The broader sovereign risks, October 2023](#)

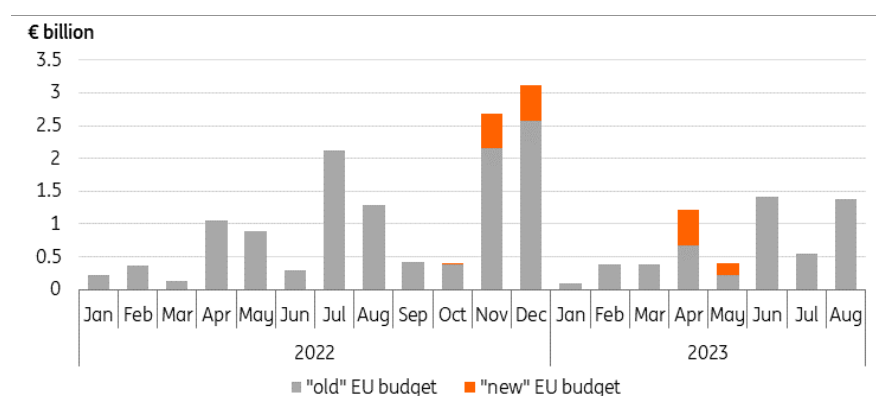
Payments from EU “old” cohesion funds are to end this year

As of the end of August 2023, Poland got €5.9bn from the EU’s cohesion and structural funds, of which €5.2bn is from the ‘old’ budget and €0.7bn comes from the ‘new’ budget (MOF data). The latter constituted some advance payments for project preparations and technical assistance rather than proper project funding.

However, given that Poland disbursed 87% from the “old” budget envelope but contracted its full amount, we estimate that the remaining funds of almost €10bn are to reach final beneficiaries through to the end of the year, with some final settlements in early 2024. The payment pattern of 2022 suggests that major payments are to be made in November and December.

Monthly inflows of EU’s cohesion policy funds to Poland in 2022-23

€ billion



Source: MOF data.

Imminent end of rule-of-law dispute will unlock payments

The winning coalition of three parties strongly committed to restoring the 'rule-of-law' in Poland in their election programmes. They should be able to prove they mean it in the early days of any new government, although forming one may take a couple of months. We assume that based on such an official commitment, agreed upon with the European Commission and other decisions on the judiciary by the new administration, the EC will be able to declare that Poland meets so-called super (or horizontal) milestones from the RRF. This will unlock payments from the RRF.

What's more, because the judiciary provisions are also relevant for the disbursement of cohesion funds (required compliance with the EU Charter of Fundamental Rights, which includes independence of the judiciary), this will also pave the way for more disbursements from the “new” EU budget.

RRF payments not only to fill the CF gap but even add to the upside

However, as far as the cohesion policy funds are concerned, we do not expect immediate large inflows, given that 2024 is a transition year in disbursements from two consecutive financial

perspectives from the EU(old 2013-2020 and new 2021-27). Because of Brexit, which reduced the EU’s resources, and thanks to fast-rising real incomes in Poland, the CF to Poland from the new EU budget is more modest than the old one. In the previous transition year, 2016, we experienced a decrease in cohesion and structural funds by more than one half. This time, bureaucracies in Warsaw and Poland were focused on the operationalisation of the RRF and burdened by a long-lasting dispute on the judiciary. This does not bode well for a solid pipeline of fast-disbursing CF projects already in 2024.

Nevertheless, we believe that an upside scenario for EU funds may materialise to some extent with disbursements of the RRF grants of €25billion (an equivalent of 4.4% of GDP), which are to be paid out through to the end of 2026. We estimate that these could fill the gap created by the slowdown in inflows of cohesion funds. With CF and RRF grants, the total gross transfers would reach the previous year’s levels of about 2% of GDP.

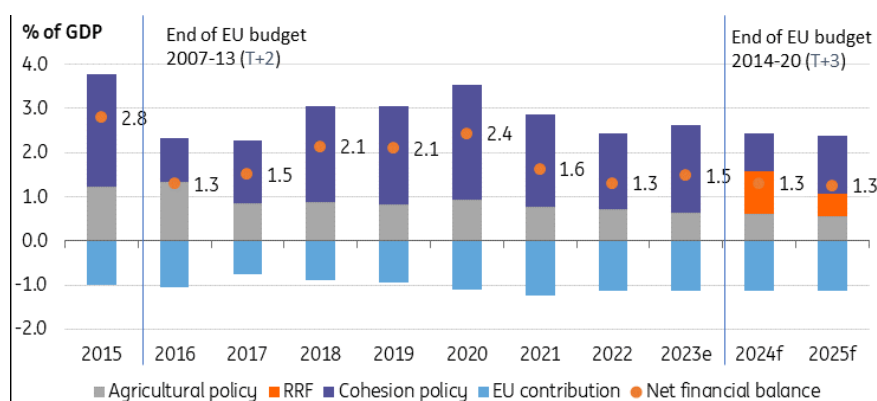
As for the economic effects, this will not give an extra boost to GDP growth but rather prevent an expected drag on GDP if RRF money were not there.

Disbursing three semi-annual tranches of RRF grants in 2024 sounds plausible

We assume that in 2024 Poland could receive three RRF grant tranches of about €8bn in total, as outlined in the operational arrangements between the EC and Poland, signed in December 2022. This would require that payments envisaged in tranches #2 and #3 are aggregated into a single tranche and requested for payment next spring and then disbursed after 3 to 4 months in late summer, following a procedure applied in other EU countries.

Annual flows of EU funds to Poland in 2015-25

% of GDP



Source: ING forecast based on MOF and NBP reports and data.

On the one hand, this is a realistic assumption given that the operational arrangements envisaged six instalments of about €15bn in total to be requested for payment by Q4 2024 (and possibly five instalments of about €12.5bn to be disbursed). On the other, the new government may opt for a revision or update of the National Recovery Plan (NRP) in order to better adjust to its priorities.

This seems a huge and time-consuming task, given that Poland’s current NRP consists of 177

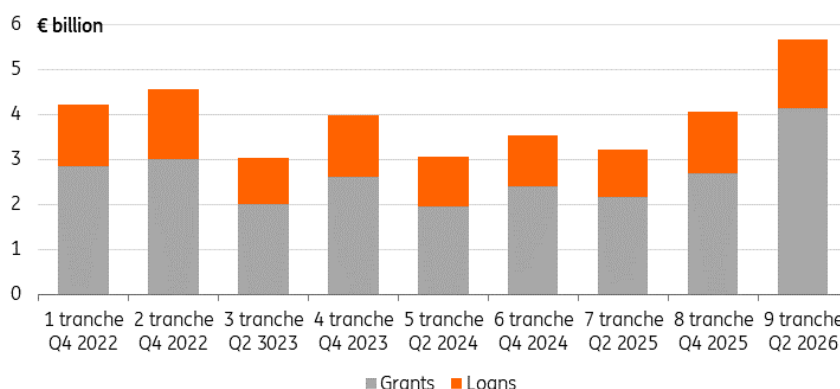
milestones and targets for investments and 106 for policy reforms. But, if there's a will, there's a way, especially if both sides can agree on policy dialogue. One semi-annual instalment of Poland's NRP amounts to the equivalent of around 0.3% of GDP.

On top of RRF grants, Poland could tap €12+ billion in preferential loans

In addition to grants, Poland may tap EU money from preferential RRF loans; the total envelope is even bigger (€35bn, equivalent to 6% of GDP). While disbursements of these loans could improve Poland's cash balance with the EU, the returnable funds are rather an alternative to proceeds from the issuance of Poland's international bonds. Therefore, we do not add them to EU transfers to Poland.

Initially, Poland requested €12 billion of loan allocation, but in the summer of this year, the outgoing government officially scaled this component up to €35 billion.

Initial timeline for payment requests from Poland's RRF grants and loans, 2022-26



Source: ING based on RRF Operational arrangements between the EC and Poland, December 2022.

Notes: Based on formal requests, the disbursements are assumed to be paid in the following quarter. Please note that the chart envisages the initial requested loan allocation of €12billion, which was scaled up to €35billion.

The mentioned EC-Poland operational arrangement envisaged disbursements of 34% of the allocated loans in the three instalments and 55% in five tranches, possibly to be disbursed by Q4 2024. If recalculated to the tripled loan allocation, Poland could tap €12-20billion from RRF loans in 2024. In the draft 2024 state budget, the government assumed €6.5billion funding from this source in the foreign financing of the record-high state budget borrowing needs.

So, the October 15th elections turned the risk of EU fund scarcity in 2024 into the possibility of EU fund abundance. The effective absorption of EU grants and reasonable access to EU loans could provide a solid financing base for policy reforms and investments of the new government.

So, is anyone really still surprised by the recent rally on the Polish assets early this week?

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