

Poland: Renewed fiscal stimulus limited in size

In order to shield the economy from a second lockdown, the government has renewed its anti-crisis measures. Their cost and scope will be much smaller than in the spring (PLN10-20bn vs PLN180bn). We have already included space for this in our fiscal forecast. So we still expect the deficit of the general government to reach 10% of GDP in 2020 and 5% of GDP in 2021



Source: Shutterstock

What support will Polish companies receive?

Today, the prime minister has presented details of the government's renewed fiscal stimulus aimed at supporting companies affected by Covid, especially from 25 industries (e.g. hospitality, entertainment, culture) to be introduced from 6 November. Those who satisfy specified conditions will be offered the following support:

1. Short-time work scheme, including standstill allowance
2. Exemptions from social security contributions
3. Co-financing of up to 70% fixed costs (not covered by revenue) and subsidies to change in

the business profile and leasing costs

4. Cancellation of loans from the Polish Development Fund (PFR) financial shield (which was by design subject to redemption under the condition of maintaining employment levels)
5. Long-term loans with public guarantees.

In addition, the deadline for the PFR preferential loan programme for large companies will be extended to March 2021. The social benefits for parents caring for children up to 8 years of age whose schools were closed will also be restored (although their popularity will probably be lower than in spring, as kindergartens and nurseries have not been closed, except for those with Covid-19 cases).

The impact on the budget

The estimated cost of the new anti-crisis shield is around PLN9-10bn, but it will increase by PLN5-10bn if the lockdown of the economy deepens. For comparison, the costs of the first anti-crisis shield in spring, including the PFR preferential loans (convertible to subsidies), were estimated at PLN183bn. This means that the government plans to be much more selective when it comes to support. The first step is to limit it to the 25 industries (representing a total of less than 15% of GDP) instead of all industries.

We have already added a moderate second fiscal impulse into our fiscal forecasts. Therefore we reiterate our prediction that the deficit of the general government will reach around 10% of GDP in 2020 and 5% of GDP in 2021. One of the risks we see is that the government proposes a selective cancellation of employment conditions (applicable only for restaurants, hotels, events companies with employment close to 5% of the total). That should relieve companies from these sectors, who benefited from public aid, from the obligation to keep employment unchanged for a year. If that is the case, they could start laying off workers, which would result in a slightly higher unemployment rate in 2021.

Author

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl