Report of ING Bank Śląski
and European Economic Congress (EEC)

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Engines of Polish economic growth. Concerns and postulates of businesses

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Table of contents

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Introduction

Poland has recorded a unique economic success in recent decades. Our GDP per capita has increased 3-fold since joining the EU in 2004, and the economy has shown incredible resilience during the global financial crisis and the Covid-19 pandemic. The unemployment rate is currently the lowest in the EU, the economy remains balanced in terms of the current account with foreign countries, it has attracted significant foreign direct investment and has been strongly integrated into European and global supply chains. The share of Polish exports in global trade has increased, and Poland has a high and structural surplus in trade in services. Over the past two decades, EU funds have supported GDP growth, but in our opinion, the adoption of the legal and regulatory order, as well as the building of institutions modelled on the Western European model, were more important than funds.

Numerous analyses of the sources of Polish economic success point to such factors as: a large internal market, a diversified economy, membership in the EU and access to the EU market, openness to trade and foreign investment, low labour costs, the entrepreneurial spirit of Poles and hard work (as evidenced by, among others, a high number of hours worked per year), and a strong SME sector.

On the basis of the lessons of the past, however, our report looks to the future. The key question is to what extent the factors mentioned above will allow growth to continue in the coming decades. Based on the opinion of Polish business, the report answers three questions:

(A) Is the current growth model running out and the external environment more difficult than it was in the early 2000s?

(B) Do Polish companies see the need for a change towards a new model, based on sectors with higher added value and innovation?

(C) How do Polish companies adapt to the changing external environment and are they ready for the challenges of the future?

We are glad that for the fourth year in a row we are publishing a joint report of ING Bank Śląski and the European Economic Congress (EEC). ING Bank Śląski and the PTWP Group, the organiser of the European Economic Congress, are proud to cooperate with Polish business – also in times of heightened geopolitical uncertainty. As a bank, we offer financing, consulting, sharing knowledge and experience. As an event and media company, we organise a platform for knowledge exchange, social dialogue and in-depth public discussion.

We hope that our joint report will become a point of reference and a stimulus for an in-depth discussion on the inevitable evolution of the Polish model of economic growth. We believe in the continuation of the success of "made in Poland" – despite the high volatility of the political, social and economic environment. One of our interlocutors was right when he said: "I do what I can influence".

Michał Mrożek
Vice President, ING Bank Śląski

Wojciech Kuśpik
Initiator and organizer of the European Economic Congress and CEO of PTWP Group

Main conclusions

Qualitative research conducted by ING Bank Śląski and the European Economic Congress (EEC). Edition No. 4. This report is based on in-depth interviews with 25 managers, business leaders in Poland and heads of 3 foreign chambers of commerce (German, Scandinavian and Italian) - combined with a macroeconomic and sectoral analysis of economists from ING Bank Śląski. Journalists from the PTWP Group websites conducted these interviews in the first quarter of this year – on the basis of a framework questionnaire developed in cooperation with ING Bank Śląski (these questions are included in the final part of the report). Full interviews are available in an open format on the WNP.PL portal – through links included in the report. In addition, in our study we use interviews from a special, jubilee project "25 for 25 WNP.PL".

Poland is a country of economic miracle, but the hitherto successful model of Polish economic growth, based on low labour costs and orientation towards exports, is running out. The European Union (and Poland) are currently under much stronger competitive pressure than in previous decades, which is well illustrated by the Draghi report. This is mainly due to China's expansion, US protectionism and heightened geopolitical uncertainty, with Russia's war in Ukraine still ongoing. After more than 20 years of membership, Polish companies have learned to navigate the single EU market well, but stagnation in Germany, Polish's largest trading partner, is a big challenge. High hopes are pinned on the change of government after the February elections to the Bundestag and the changes to the constitution, which breaks with excessive fiscal conservatism.

Conversations with business leaders indicate that the stagnation of industrial production in Poland and Central Europe is not only a reflection of a similar trend in German industry, but a more serious problem. Polish companies are signalling a significant deterioration in their competitiveness due to a sharp increase in labour costs in recent years, detached from productivity. Energy costs have also increased. In addition, companies refrained from major investments for a longer period of time. The stagnation of industry is the delayed effects of all these adverse changes.

All this translates into a decline in profitability, partly resulting from national policies (a surge in the minimum wage), instability of law and taxes, but also taking into account overregulation in Europe and the ambitious EU climate policy. Export sales are hampered by the strengthening of the zloty, which, however, may be temporary.

Finally, the structural weaknesses of the Polish economy are revealed to a greater extent (the ageing of the population, the lack of a comprehensive migration policy, education not adapted to the needs of the labour market, the unsatisfactory quality of public administration, low spending on R+D or the predominance of smaller companies).

The Polish economy is characterised by an overrepresentation of small and medium-sized companies, which have fewer investment opportunities, are less likely to decide to expand abroad, and are more sceptical of digitization, robotization, or the implementation of AI solutions than large companies. With such an economic structure, the process of catching up with richer countries will be difficult. Meanwhile, politicians still want to direct a lot of aid to small and medium-sized enterprises. A change in proportions and greater support for scaling the business is needed. Our interlocutors also see such a need. The business leaders we talked to demand that a Polish development strategy be created. There is a need to analyse comparative advantages, identify economic priorities and strategic sectors that could become engines of growth.

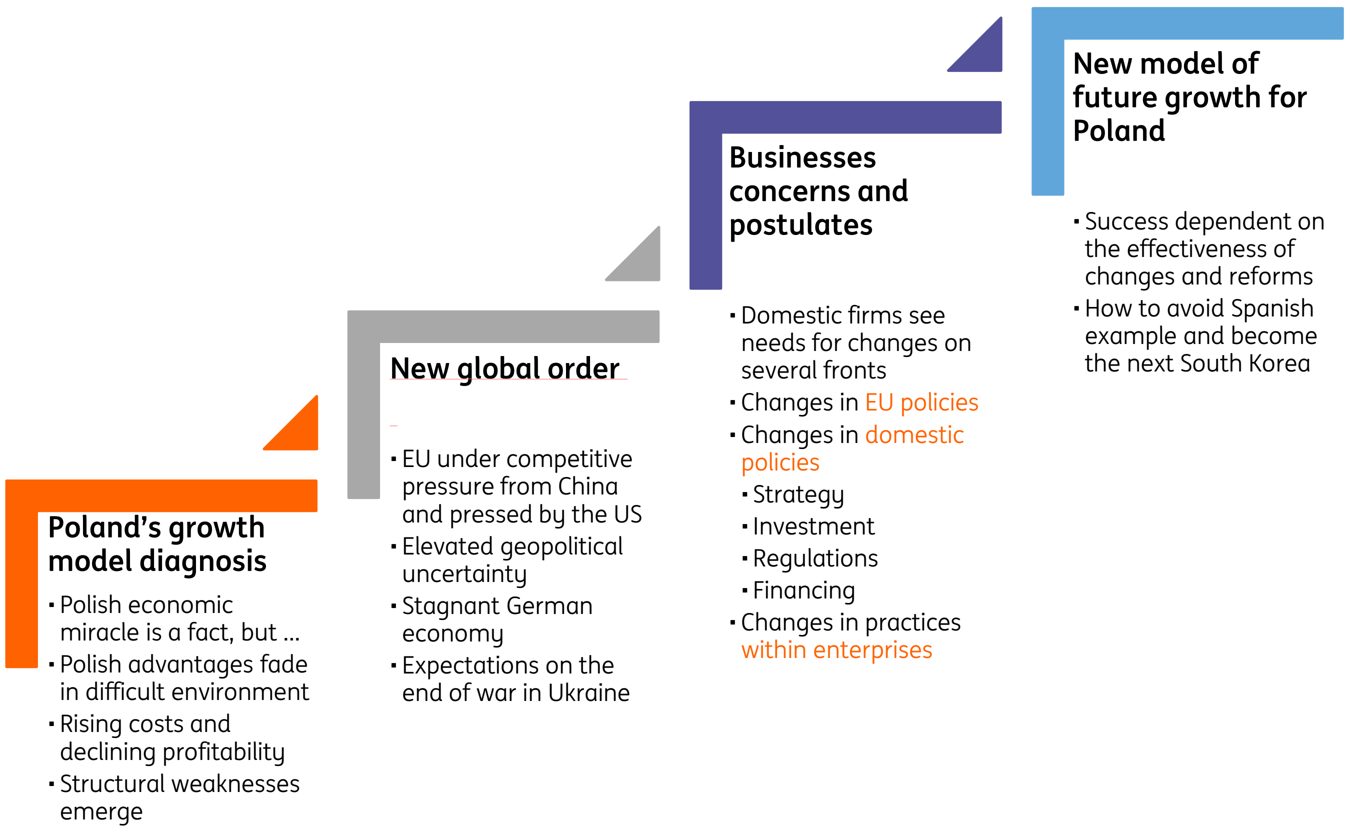
Polish companies see the need for changes towards a new growth model, based on sectors with higher added value and innovation. This will require responding to demographic challenges, working to deregulate the economy (horizontally and at the industry level) and accelerating investments in the energy transition to reduce market energy prices in the long term. Possible relief and transition periods in the implementation of EU climate policies and ESG regulations should be supportive. Poland must benefit from Europe's awakening in the face of growing isolationism and unpredictability of the US in the times of Donald Trump, from increasing defence spending and from the promotion of strategic autonomy in EU industry.

Polish companies are once again facing a great effort to turn challenges into strength. The answer to negative demographic trends is investments in labour-saving technologies – automation, robotization, AI. It is also about investments in transport and energy infrastructure and generally stimulating private investment. The latter will depend on the quality of deregulation, greater legal stability and partnership between the public and private sectors. Higher public investments in infrastructure and defence, as well as internal security, should be expected. A healthy banking system, low indebtedness of companies and the promotion of risky forms of financing increase the chances of investment and innovation.

All this makes Polish business, despite global turbulence, optimistic about the challenges of the future.

Analytical Schema

Schema 1 Report's Analytical Schema

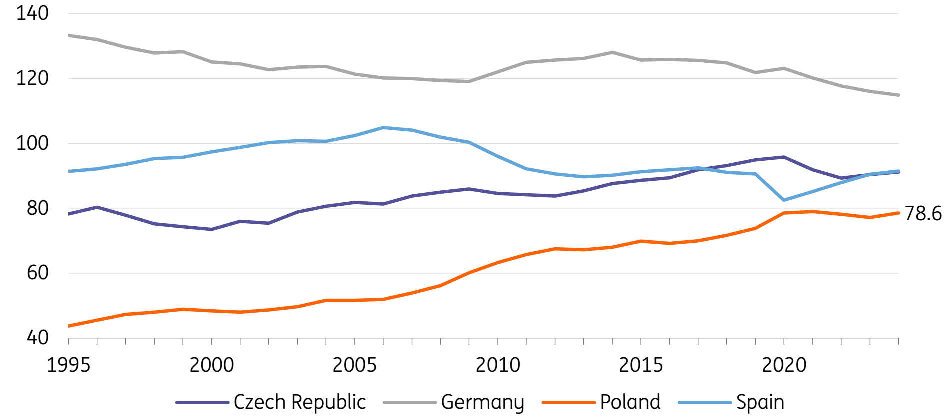


A. Diagnosis: The current successful model of Polish economic growth is running out

Poland is a country of an economic miracle

Poland has recorded impressive economic success in recent decades. Polish GDP per capita has increased 3-fold since joining the EU in 2004, and the economy has shown unique resilience during the global financial crisis of 2008-09 and the Covid-19 pandemic of 2020-21. In the mid-1990s, the level of Polish GDP per capita at purchasing power parity (PPP) corresponded to less than 44% of the EU average. In the year of accession to the EU – 2004 – it was almost 52% of the EU27 average, and in 2024 almost 80% of the EU average. Polish GDP has been growing steadily in recent decades, in per capita terms it has approached the levels of the Czech Republic or Spain, from which it was clearly lagging behind two decades ago.

Figure 1 GDP per capita by PPP (EU27=100)



Source: Eurostat

In recent decades, Poland has attracted substantial foreign investment and has become strongly integrated into European and global supply chains. The share of Polish exports in world trade has increased, and this has given the economy fuel for dynamic development, and the society the opportunity to get rich. Last year, Poland had a balanced balance of foreign trade in goods (the value of exports and imports of goods at about 40% of GDP each) and a substantial surplus (almost 5% of GDP) in trade in services. Over three decades, the export of Polish services increased by the equivalent of about 10% of GDP: from 3% of GDP to 13% of GDP.

Figure 2 Exports and imports of goods (% of GDP)

Source: Eurostat

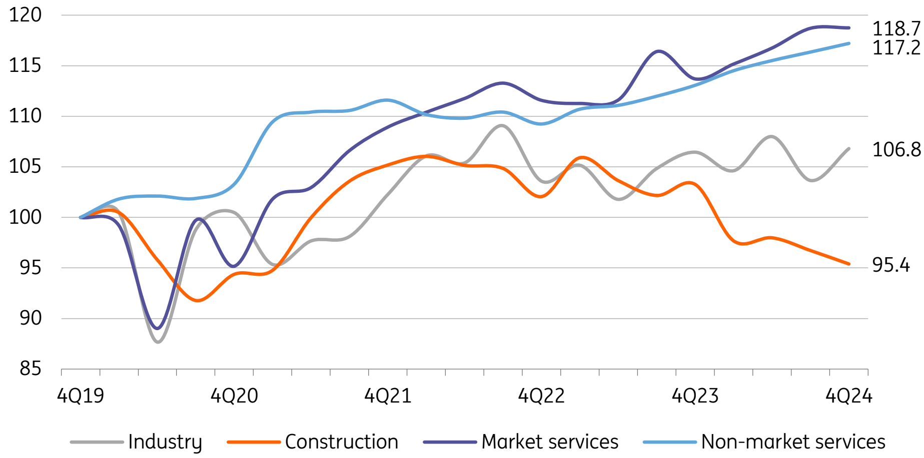
Figure 3 Exports and imports of services (% of GDP)

Source: Eurostat

Over the last 20 years, EU funds have supported GDP growth, but - in our opinion - the adoption of the legal and regulatory order, as well as the construction of institutions on the Western European model, were more important than funds. We have written about this extensively in our recent reports (regional and national).

After the disruptions of the Covid-19 pandemic, the structure of the Polish economy returned to a long-term trend - with a growing share of the services sector in the economy. After the post-pandemic recovery, industry remains stagnant due to stagnation in Germany and increasing competitive pressure from Asia.

Figure 4 Value added in the main sectors of the economy, 4Q19=100, seasonally adjusted data



Source: Eurostat, ING calculations.

The fundamentals of the Polish economy in the short term are solid. Last year, Poland was among the leaders of economic growth in the EU - and it should remain so in 2025; the unemployment rate is the second lowest in the EU. The economy remains balanced in current trade with foreign countries, and internally the inflation outlook is improving, while the high fiscal deficit is largely due to higher military spending.

Analyses of the sources of Polish economic success most often point to such factors as:

- Large internal market and strategic location in Europe
- Diversified economy (no monocultures)
- EU membership and access to the EU market
- Opening up to trade and foreign investment
- Wide access to qualified employees and low labour costs
- Expansion and modernisation of physical infrastructure
- The entrepreneurial spirit of Poles and hard work (a lot of high number of hours worked per year)
- A strong small and medium-sized enterprise (SME) sector
- Healthy banking sector.

These factors were often referred to in our interviews.

Strategic location and membership in the EU remain Poland's key asset

Our interlocutors also emphasized the role of qualified staff and diligence of Poles, the unique location and proximity of the Western market, NATO and EU membership. It enabled access to EU funds for infrastructure development and supported the construction of a logistics hub in the heart of Europe.

In addition to the benefits of a significant net inflow of EU funds, our interlocutors see the benefits of access to the huge single market in the first place, which has enabled the expansion of exports and the development of a large trade surplus, as opposed to the trade balance with other parts of the world. These positives are partly offset by the negatives, which we discuss later in the chapter – mainly about strong overregulation in the EU, inconsistency in the treatment of manufacturing companies in the EU and beyond, and environmental standards.

Western companies that are interested in the future reconstruction of Ukraine treat Poland as a logistics hub where they can "hook up" before entering the neighbouring market in the future. **Elisabetta Caprino** from the Italian Chamber of Commerce and Industry pointed out the easy access to competent employees, especially in the IT sector. She added that the large internal Polish market is a growing recipient of luxury goods, also from Italy.

Strategic location, EU membership and diligence as Polish's key strengths

Kamil Jedynak, President, OT Logistics Looking historically at the main advantages that contributed to the growth of the Polish economy after accession to the European Union, low labour costs should of course be mentioned. **Thanks to a wide base of qualified staff, Poland was able to effectively open up to Western markets**. An important advantage was also the **strategic location** of our country as a key transit country between Europe and the East. Significant **EU structural funds** were also important, supporting the development of infrastructure and modernisation of the economy. (...) Poland, both in the past and today, has a **huge potential for the development of transport infrastructure**, which can be an important factor in growth.	**Antoni Zbytniewski, Director, Fresh Logistics Polska** We can still take advantage of the **unique location of Polish on the map of Europe**. In terms of logistics, it is excellent. We are located at the intersection of communication routes. We are the logistics hub of Europe and a base of companies that are responsible for a very large part of the transport of goods in Europe. Of course, this applies mainly to road transport, because, for example, when it comes to the exchange of goods by sea, there is still a lot to be done here. If a company from, say, France, Italy or Spain wants to expand distribution in Central and Eastern Europe, it will probably choose southern Poland, Slovakia or the Czech Republic to locate a central warehouse.
Tomasz Ciąpała, President, G8 We were mainly favoured by **diligence, demography, above-average entrepreneurship, access to cheap education, foreign investments or a diversified GDP structure**, which is still based not only on services. This is the most important reason, but this list does not exhaust all factors and is much longer.	**Jakub Nowak, CEO, JNT Group** Poland is first of all **well located**, because we are the last large EU country in the east. That is why many companies settle in our area, invest in order to do business with countries located in the East. **Being a member of the European Union and NATO attracts investors** and gives a sense of security. These factors certainly favor entrepreneurship. In addition, (...) We are a generation of active, action-hungry managers. What does not help is the vagueness, changeability and unpredictability of the regulations.

In the difficult external environment, in the last few years, Poland's existing competitive advantages have been gradually fading

Some of the assets behind the Polish economic miracle have begun to fade in recent years. In this context, business leaders in unison mentioned low labour costs, wide availability of employees, including qualified ones, and low energy costs. Some emphasised that at a time when Polish companies began to take a wait-and-see attitude towards investment, our unique entrepreneurial spirit also suffered.

Low labour costs have increased significantly - following minimum wage hikes

Eurostat data confirm the rapidly narrowing gap in labour costs between Poland and the EU average. In 2008, they accounted for about one-third of the EU average, and in 2024 – already half. Nevertheless, in this comparison, the annual labour costs in the national economy, excluding public services such as administration, education and health, are now half that of Spain and almost 3 times lower than in Germany. Labour costs in Poland therefore remain competitive in relation to rates in Western Europe, but much less competitive in relation to countries from southern Europe outside the EU or competition from other continents, especially from Asia.

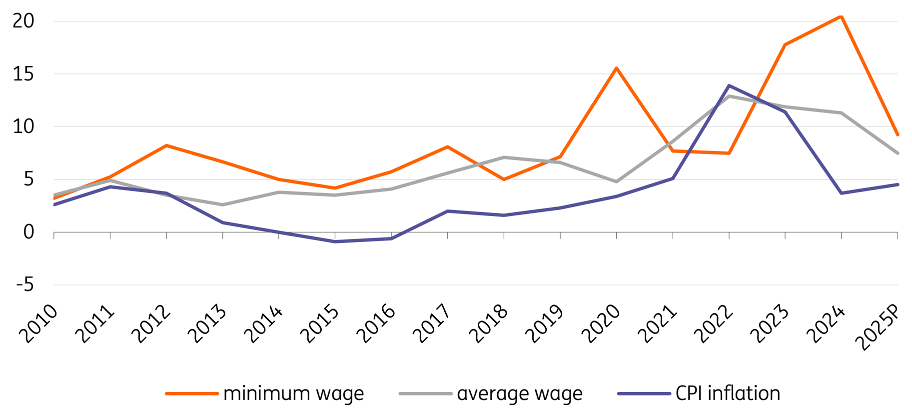
Table 1 Annual labour costs in the economy (excluding public services), in euro and % of the EU average

in €	2008	2012	2016	2020	2024
Poland	7.5	7.6	8.5	10.6	16.6
Czech Republic	9.3	10.1	10.4	14.5	18.2
Germany	28.4	30.9	33.1	37.2	44.1
Spain	18.9	20.9	20.7	22.5	25
EU27	21.6	24.4	25.4	28.1	33.2
as % of EU27					
Poland	35%	31%	33%	38%	50%
Czech Republic	43%	41%	41%	52%	55%
Germany	131%	127%	130%	132%	133%
Spain	88%	86%	81%	80%	75%

Source: Eurostat. Labour costs include employee wages plus taxes minus subsidies.

Our interlocutors often pointed to the dynamic increase in the minimum wage in recent years, especially in 2023-24, which translated into a sudden adjustment and increases in the entire salary grid - in order to maintain the right proportion between positions in companies. Even the data in the table above show that the change in the last 4 years has been more significant than in the previous 12 years. In this context, for example, manufacturers of household appliances began to consider or decided to move production from Poland to countries such as Romania or Turkey. The level and dynamics of labour costs in Asia was obviously much lower than in Poland. The President of Apator **Maciej Wyczesany** stated that during that period wage costs increased in Poland by 60% and in the Far East - by 10%.

Figure 5 Changes in minimum and average wage in the enterprise sector and CPI inflation (in %)



Source: CSO, ING.

Rising labour costs

Bartłomiej Dobosz, co-owner, SKB Group	**Maciej Wyczesany, President, Apator**
From the 1990s until recently, production costs in Poland were relatively low, especially compared to Western Europe. **We had not only low labour costs, but also attractive electricity prices and fairly low property taxes**. All this together has made our country a place of many foreign investments. However, this trend is ending... In terms of prices and cost levels, we are on a par with Western Europe. For now, we are still quite favourable in terms of costs, but we are becoming less and less competitive in terms of price.	We are no longer able to compete with low labour costs because **workers in Romania and Hungary are cheaper**. Polish business is fighting an unequal fight against exports subsidised by the governments of other countries. **Increases in the minimum wage in the last three years have exceeded 30 per cent. None of the companies, especially manufacturing companies, which were the driving force behind the Polish economic model, is able to improve their efficiency by 30 per cent within three years**. There is no such possibility. The minimum wage increases were too high in such a short time; Companies are not keeping up. The increase in the minimum wage affects the entire wage grid, which results in a wave of an increase in labour costs.
Waldemar Olbryk, President, Archicom	**Artur Bielak, Chief Financial Officer, Herbapol-Lublin**
The Polish economy has found itself at the junction of two models: the traditional one, based on low labour costs, and the modern one, driven by innovations that we create ourselves and dynamically adapt from the outside. We are approaching the point where we are no longer competitive in terms of costs. Of course, funds from the National Recovery Plan (NRP) and EU funds can stimulate investment and GDP growth, but **rising wages are a double-edged sword: it affects both the increase in the wealth of the society and the increase in costs in all sectors, including construction. In the face of rising labour** costs and challenges, we need to think about what can be our competitive advantage in the future.	The situation on the labour market is becoming an increasing challenge for companies. **Wage pressure is increasing, and at the same time it is more difficult to find qualified employees, especially in industries that require specialised knowledge**. In Poland, it is necessary to implement more effective professional activation programs and adapt the education system to the real needs of the market. The current education system does not provide adequate practical preparation, which is a barrier to the development of enterprises.

Shortages of workers, including qualified ones, and a change in the work ethos

Demographic factors mean that the availability of high-quality workers is increasingly limited, and the process of wage convergence is gaining momentum. Poland has the second-lowest unemployment rate in EU countries, and employment rates are higher than the EU average for most age groups. The exceptions are young people aged 15-19 and women aged 60-64, who more often take care of family members in Poland than in other EU countries. The limited capacity to mobilise additional labour means that the economy will have to move from extensive growth (more workers and working hours) to a more intensive model (more productivity per worker/hour worked).

Business leaders say that there is a shortage of specialists in our country, and the education system cannot keep up with the needs of the market, especially when it comes to technical competences. The CEO of Qemetica, **Kamil Majczak**, claims that there is a shortage of engineers and technology experts in the chemical industry, which is also due to the ageing of the population. The company cooperates with universities, invests in the development and competence of employees. **Paweł Adamowicz**, a representative of BSH, believes that staffing problems are particularly characteristic of industries that are characterized by seasonality of production and the associated fluctuation in the number of part of the staff. In the high season, they have much more difficulty building teams than a few years ago. Such companies value the flexibility of forms of employment based on temporary contracts. Amica's vice-president **Robert Stobiński** claims that access to educated staff has ceased to work in our favour. This mainly applies to the staffing of specialised positions – among welders, solderers, machine operators. This is due to the demographic situation and the decreasing number of young people entering the labour market.

More and more often, younger generations are not interested in taking up physical work, and some professions are starting to die out.

Shortages of skilled (blue-collar) workers

Bartłomiej Dobosz, co-owner, SKB Group

We are less and less willing to work physically. Of course, the engineering staff is at a high level, we have good managers, but there is also a **very big problem with the availability of manual workers**. It is about people with qualifications: bricklayers, plasterers, reinforced concrete workers, welders, but also plumbers and installers. We are starting to miss them very much.

On construction sites, the average age of workers is over 50 years. Inevitably, their productivity - simply due to physical fitness - is often lower. (...) Another thing is the cultural change that "discredits" physical work. In such a job, it happens that he gets cold or dirty. It is completely unsuitable for showing on social media, where the lives of young people take place today. As entrepreneurs, we should focus on dual education. See how well this works in Germany, where learning is divided between the classroom and the production plant!

Tomasz Ciąpała, President, G8

However, this coin has two sides and with the increase in wealth and comfort of life, many positions or professions that were attractive to generation X or the millennium are completely out of the orbit of interest of the new generations. That is **why some professions have already died out, some will disappear in the next decade**. A good example are Polish sewing factories, which collapse one after another... And this process cannot be stopped. A similar phenomenon was observed in Germany and France.

There is a shortage of people willing to work, labour costs are rising, the costs of energy carriers are rising... And we will mostly wear clothes sewn outside Europe. **Although customers declare that they like Polish brands, this is not a key aspect in the "purchasing process"**. The production of clothes on the Old Continent is becoming a niche.

Kamil Jedynak, President, OT Logistics

We are also noticing a significant change in the approach to work. More and more often, candidates do not show up for scheduled recruitment meetings or - despite the decision to hire - inform us at the last minute that they have changed their mind. These situations only confirm that the labour market in Poland is becoming one of the key factors that may limit the development of enterprises, also in our industry (...)

A key role here is played primarily by **a change in the approach to life and expectations of the young generation**. Many people today have completely different aspirations, looking for flexibility or development opportunities in more technologically advanced areas. Even a significant increase in salaries will not always be a sufficient incentive to convince young people to choose manual work.

Antoni Zbytniewski, Director, Fresh Logistics Polska

As we become wealthier as a society, **fewer and fewer people agree to work in more difficult conditions** (e.g. in our warehouses we work at a temperature of 0-2 degrees Celsius or 2-6 degrees Celsius). And if it does, a higher salary is expected. There is no other option: this must translate into the price of services and products.

Until recently, the supply of workers was very high. Now **that unemployment is low, difficult jobs will be priced higher and higher**.

Companies complain about the quality of education and unfavourable demographics

The quality of education was a frequent topic both in our project and in the series of 25 interviews for the 25th anniversary of the WNP.PL portal. According to **Adam Góral** from Asseco Poland, in Poland we were not able to rebuild the defective education system. We are still unable to instill in young people this self-confidence necessary to conquer the world. We have not created a system that builds a person mentally, and thus we limit our competitiveness. **Jarosław Gracel**, President of ASTOR, confirms that companies are increasingly taking responsibility for preparing pupils or students for future work in the company.

Decline in the quality of education and unfavourable demographic trends

Radosław Koelner, CEO, Rawlplug	Karolina Czekaj, Director, Adamed Pharma
The problems of the Polish labour market are not only due to demographic reasons and the worse structure of people of working age compared to the other two "social" groups. For me, the basis of prosperity in the future is education. Unfortunately, **we have destroyed the model of education**. There is a shortage of technical schools and other professionals at the level of secondary education, but also at the academic level, which - due to commercialisation reasons - has been depreciated. No one will convince me that a master's degree issued by a university in a small town has the same value as in renowned universities in Wrocław. At the same time, there are many disturbing phenomena of **depreciation of education in the academic community** of Wrocław. Repairing education is a difficult issue - both in terms of costs and infrastructure. Especially since the "education" department pays poorly. Therefore, there are structural problems here.	In many countries, the development of startups and technological innovations is based on close cooperation between science and business. Examples include models used at universities in the United States or Germany, where business incubators, dual education programs and joint research and development projects with companies are even standard. **In Poland, the value would be a revision of the entire education chain** – so that higher education better meets the needs of the economy based on knowledge and innovation. The key here would be to strengthen the "practical component", develop cooperation programs between universities and companies, and promote interdisciplinary fields of study combining science and business.
Jakub Nowak, CEO, JNT Group	**Jarosław Gracel, CEO, ASTOR**
In my opinion, the current condition of the labour market certainly slows down the development of business. I could sell much more, launching more brigades "in production". But I can't do it because I don't have access to the right number of potential employees (...) There are no Poles we could employ. We cannot count on this trend to change, because demography is inexorable and fewer and fewer inhabitants of our country are born. Therefore, the state should also support business in this area.	We do not look too much at the market and what is happening on it, but we shape our own reality. We cooperate with universities, offer students apprenticeships and internships to graduates, and then invest in their development and competences. This is a good practice and model. About 90 percent of interns stay with us for many years. In addition, we have created an innovative robot for industrial robotics education – astorino – with which we want to cause a revolution in the approach to education at the level of secondary and higher education around the world.

Once low, energy costs today are among the highest in the EU

The competitiveness of Polish companies is largely influenced by the price of electricity. Rising labour costs are also accompanied by an increase in energy prices in Poland - due to the unfavourable energy mix (a large share of coal in electricity production) in the context of an ambitious European climate policy and high prices of CO_2 emission allowances in the EU ETS system.

Jarosław Gracel from ASTOR noted that in the past energy costs in Poland were lower than in the West and had a positive effect on the economy. But since the EU Carbon Dioxide Trading System (ETS) came into force, energy in Poland – still based mainly on fossil fuels – has been expensive. Therefore, the number of products that are losing competitiveness on not only global but even EU markets is growing. This is a significant brake on the economy.

Electricity prices on the wholesale market in Poland are currently among the highest in EU countries, while the average in the Community is much higher than the average for the main competitive areas, i.e. the USA and China.

As digitisation, data centres, and the implementation of AI solutions will increase the demand for electricity, the price of energy is becoming an important factor not only for energy-intensive companies. For them, the great challenge will be to combine innovation with ecological production.

Wait-and-see attitudes in upheavals weaken the entrepreneurial spirit of Poles

Huge economic and political upheavals in recent years have also translated into companies' approach to risk and the adoption of more wait-and-see attitudes.

High energy costs for companies

Bartłomiej Dobosz, co-owner, SKB Group	**Wojciech Trojanowski, Member of the Board, Strabag**
Certainly, one of the problems is high electricity prices. In recent years, they have gone up sharply. We felt it at SKB - we were forced to revise the prices of some of our products very often, sometimes even quarterly. Other manufacturing companies are also in a similar situation. This raises concerns among the industrial community about the competitiveness of our economy. They are confirmed by the Draghi report published last year, which clearly shows that the countries of the European Union are less and less competitive compared to the rest of the world.	In the first place, **high energy costs are a problem for manufacturers**, i.e. in our industry for manufacturers of building materials. As a result, more expensive materials make the projects we carry out more expensive. So, yes, energy costs are a problem for us. We are talking here not only about electricity, but also about fuel costs (...) Above all, however, we try to present our customers, in all sectors, with the most energy-efficient solutions. We believe that the future of construction will be projects related to modernisation and thermal modernization and improvement of energy efficiency of buildings - we will not only build new things but also modernise existing buildings in terms of energy.
Tomasz Buraś, CEO, DHL Express Polska	**Agnieszka Zielińska, Director, Scandinavian-Polish Chamber of Commerce**
Energy in Poland is one of the most expensive in the entire European Union. These costs in our case are also due to delays that can be seen in the condition of our transmission network. One of the companies cooperating with us opened a factory here a few years ago. The decision was motivated by low labor costs and the efficiency of Poles. Now the same company is liquidating part of its production due to energy costs... As you can see, **this already has a real impact on business decisions in Poland**. On the other hand, this is the reason why Polish companies invest in alternative energy sources.	High energy costs are becoming increasingly important for Polish and European companies, indeed affecting production costs and, consequently, resulting in a reduction in their competitiveness on international markets. There are also fewer funds left in the budgets of enterprises for investments, e.g. in innovations.

External shocks and geopolitical uncertainty undermine investment and entrepreneurial spirit

Brunon Bartkiewicz, former CEO, ING Bank Śląski	Piotr Kledzik, CEO, PORR Inc.
A decade of too low investments means that we are starting to kill off the Polish entrepreneurial spirit. The willingness to take risks, to set up companies, to systematically expand them is decreasing. That is why the pace of (proper) investments is so important. What to do? We must be universally deeply convinced that there is far too little investment. And secondly: **you need to cherish the entrepreneur** – and support him comprehensively (including respect).	**One of the biggest problems is the change in the mentality of Poles**. I have been observing it since 1995, when I came to my company as a young trainee engineer. I remember perfectly well the factors motivating me and the whole generation that went through this "combat trail". And I see that today Polish society is generally motivated by other factors (...) I do not want to depreciate the phenomenon of work-life balance. (...) One would like to say "people used to be stronger". We should work a lot, because in this simple issue Polish society has caught up with Europe over the last 30 years. In the times of my generation, we went everywhere, conquered Germany, Norway, all the countries around.
Grzegorz Brona, CEO, Creotech Instruments	**Kamil Majczak, CEO, Qemetica**
On the one hand, increasing productivity requires expert employees, but also experts who are able to implement processes, rules, automation and robotization in the company. On the other hand, increasing productivity is associated with significant financial outlays - for example, the need to rebuild production facilities or digitization.	Also, the structure of our economy does not make it easier to build strong players at the international level. On top of that, volatile regulations and an overabundance of regulations make **many companies afraid to make long-term investment decisions**. Therefore, one thing is crucial: stability and support for innovation. Without this, it is difficult to talk about a further increase in competitiveness.

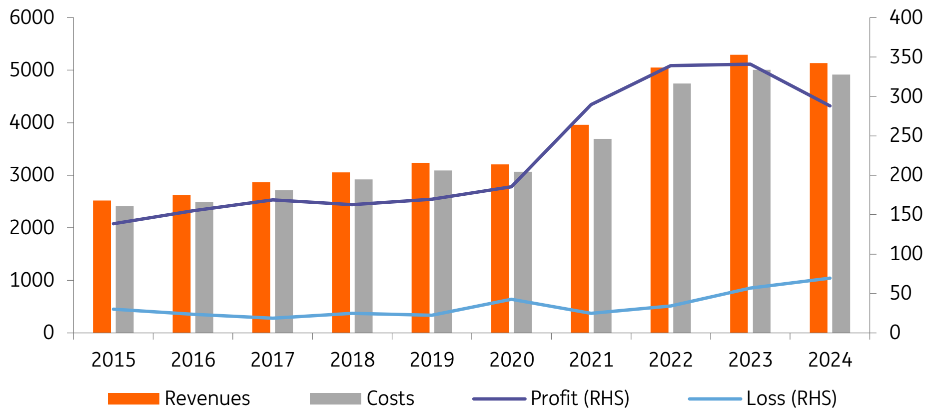
Rising operating costs are more burdensome, which translates into lower profitability

The profitability of companies operating in Poland is undermined by domestic policies (a surge in the minimum wage and an increase in labour costs, as well as fears of shortening the working week), instability of law and taxes, restrictive financial conditions (high NBP interest rates and a strong exchange rate of the zloty). Companies point to rising costs in relation to Asian markets, especially competition from China.

Among the "costs by type" are particularly energy costs, associated with the EU's very ambitious – compared to other regions of the world – climate policy. In this context, Draghi's report spoke of asymmetric decarbonisation on a global scale.

The loss of the Russian market after Russia's invasion of Ukraine can be treated as a cost of lost benefits for companies that were significantly oriented towards the East.

Figure 6 Financial results of enterprises in Poland (PLN billion)



Source: Central Statistical Office, ING calculations.

Rising costs and declining profitability of companies

Zbigniew Jakubas, owner of the Multico Capital Group	Robert Stobiński, Vice President, Amica
A new system has emerged in China: state or party capitalism. Beijing de facto controls the entire economy, including a significant part of private capital. The interweaving of state systems and private property has built a surprisingly efficient mechanism; Strict social control, still low wages, often instrumental treatment of environmental issues, hidden subsidies to industry, skilful production strategies and quick decisions created economic power.	The war in Ukraine has caused the Russian market to cease to exist for many companies, which has limited the size of the market. In addition, the uncertainty caused by the war has further limited it, **in many European countries we have seen a reduction in consumer spending in favour of savings** built for difficult times, which they expected. The second thing is the costs - personnel and energy - which have jumped up over the last three years. Overall, therefore, the significant reduction in demand was accompanied by a sharp increase in costs, leading to **a significant reduction in profitability**. While for the previous 10 years we have generated gross profits of over PLN 100 million each year, for the last three years we have been generating around PLN 20-30 million.
Tomasz Ciąpała, President, G8	**Ryszard Florek, President, Fakro**
Competitiveness - both of Europe and of Polish itself - is currently declining... We all know that the easiest way to compete, as in our country, is with low costs. Except that this stage is definitely behind us. **We urgently need new sources and foundations of competitiveness**. In the last four years, the operating costs of companies in Poland have been growing much faster than profits. Many industries (especially manufacturing - with a large share of labor or energy costs in the cost of manufacturing a product) are losing their competitiveness. To this can be added the **high level of interest rates**, which reduce the competitiveness of Polish companies, because they have to finance themselves with expensive working capital and investment loans.	**Political decisions on the labour market were made in isolation from market parameters.** A new example is the idea of shortening the working week... Of course, in industry we compete with countries where people work less than 40 hours a week, but they have modernized industry earlier and have higher labour productivity (...) The Chinese have "displaced" the old 72-hour working week with a new 40-hour week, but their monthly salary in industry is now about 7,000 zlotys (which is less than in Poland). And they are already moving low-margin production to countries with lower labour costs, because, for example, wages in India and Malaysia are about 5 times lower than in China. At the same time, with the Chinese robotisation density index, five times higher than in Poland, our manufacturers maintain an advantage in Europe only in shorter delivery times and lower logistics costs.

Costs are also driven up by overregulation at the EU level and divisions in the Community in times of crisis

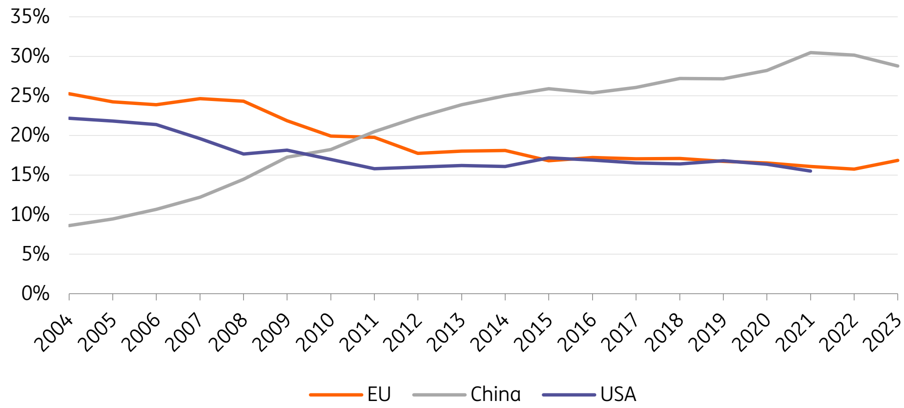
In the context of China's growing competitive advantages and its dominance in international trade, business representatives have often pointed to the costs of overregulation at the EU level. China's advantage in this respect is due to the weakness of the EU itself. The onerous nature of EU regulations is a significant obstacle to the simultaneous availability of EU funding in priority areas of the Community, m.in. in the green economy or innovation. In addition, in times of crisis, the unity of the Union in its common approach to challenges weakens, and the national interests of the member states begin to prevail.

Some admit that competition from China is not equal, m.in due to the state aid offered by this country, access to rare earth metals or preferential financing. **Ryszard Florek** from Fakro claims that the Chinese state subsidises exports. On the other hand, according to **Marek Piechocki** from LPP, his company is subject to extensive EU regulations that define the specifics of each product. At the same time, the European market is flooded with Asian production, which is not subject to any regulations and does not have to meet any requirements.

Tomasz Domogała from TDJ asks a series of "rhetorical" questions: "Can we really afford to allocate funds from the National Recovery Plan to strengthen Chinese companies at the expense of ours? Are we really "rebuilding" our country by buying Chinese equipment? Don't Polish companies deserve support because of the fact that they pay taxes here? Because first we impose high taxes, minimum wages, ESG and CO2 emission costs on European companies, and then, when European companies are a bit more expensive, it is precisely because of the above regulatory and bureaucratic factors that we decide to give business to companies from outside Europe that are not burdened by these regulations. Where is the point here?"

Draghi's report emphasises this topic, explaining the difference in economic growth between Europe and the US in recent decades. **Jakub Dzik** from the Impel Group recalled the saying: "in the United States they will invent it, in China they will copy, and in Europe they will regulate". And he added that - looking at what is happening, for example, in the context of AI - this is painfully true. **Zbigniew Jakubas** from Multico stated that the discussion on the introduction of a fair tax mechanism for giants from across the ocean is dragging on in the EU. According to him, this is proof of the "over-bureaucratisation" of the Community's structures and procedures, but also a lack of political courage.

Figure 7 Share of the EU, China and the US in the value added of global manufacturing (%)



Source: World Development Indicators. Manufacturing value added in current US$.

The costs of overregulation in the EU, unfair competition from China

Piotr Krupa, CEO, Grupa Kruk

Let me give you an example of a four-day working week. The postulate is perhaps interesting, but my friend, who is a Chinese entrepreneur, presented his position to me. He said: "We, as China, do not have to do anything, because **you, as Europe, are getting rid of competitiveness**. Introduce this four-day work week, your products will be even more expensive. You will stumble on it yourselves."

I encourage you to answer the question where the wealth of the nation comes from... I think that in our case it is rather from work, prudence, thrift, good law, and not from official nonchalance and wishful thinking.

Henryk Orczykowski, CEO, Stalprofil

The European Union also gives significant funds to companies, either directly or by supporting various investments. Later, however, it imposes such obligations on enterprises that this stimulating effect of public funds is "eaten" by these excessive obligations and burdens.

An additional factor is the growing economic patriotism in crisis periods in other countries; **instead of a common market, we are starting to have many small, closed national markets**. In Poland, this economic patriotism is not yet visible.

Marek Piechocki, co-founder and CEO, LPP

Control institutions put a lot of energy into checking the activities of each local entrepreneur, what their employment conditions are, how they attach tags and mark goods. Any irregularity is severely punished, while goods coming to Polish, mainly from Asia, are not subject to any control.

Let me give you a simple example. **The regulations in force in the EU strictly define the length of the strings in the hoods of the sweatshirts we produce**. Meanwhile, clothes or toys come to our market from Asia without any certificates, which may pose a real threat to the health and life of users. Nobody even controls these sales, which does not reflect well on our bureaucracy.

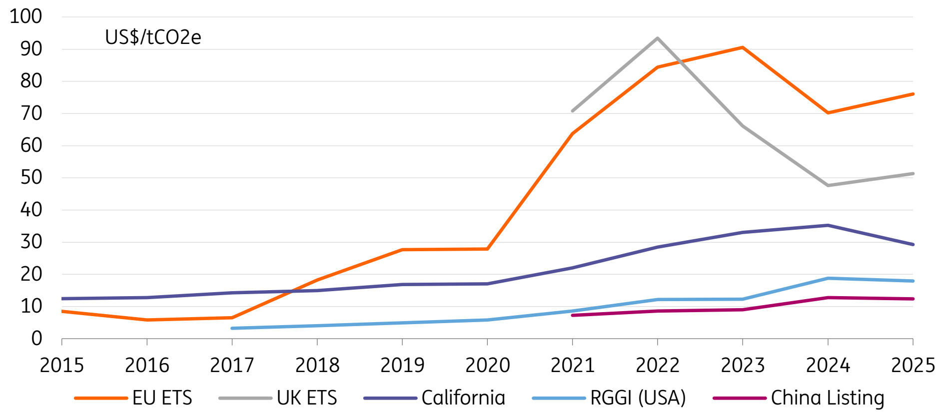
Elisabetta Caprino, Managing Director, Italian Chamber of Commerce and Industry in Poland

In some areas of the economy, **our continent is not able to compete at all with China**, which produces goods of a quality comparable to that of Europe at much lower costs. (...) Europe's importance on the economic map of the world is steadily decreasing. When it comes to the automotive industry, which is a key sector for Italian business: it is currently in a difficult position; mainly due to the challenges related to the electric vehicle (EV) market (...) The advantage of the Middle Kingdom is also due to the fact that Beijing has access to rare earth metals, which are needed, m.in for the production of batteries. This is also why the costs in Europe are much higher than those offered by the Chinese manufacturer. Beijing also provides its automotive companies with adequate financing.

Asymmetric decarbonisation in the EU compared to the world

The asymmetric decarbonisation of the EU results from an ambitious EU climate policy with limited efforts to protect the climate from other regions of the world. This is manifested by the price of European EUA emission allowances several or even several times higher than in other regions of the world. This is important for the energy sector and energy-intensive industries. **Paweł Adamowicz** from the BSH dryer factory claims that with attractive steel prices from India and China, even despite the customs duty, manufacturers are increasingly turning to materials and raw materials from Asia. Asymmetric decarbonisation can lead to an increase in global emissions, as industrial goods are produced on the basis of carbon-intensive technologies (so-called carbon leakage).

Figure 8 Average annual price of CO2 emission allowances in selected markets around the world (in $/tonne of CO2e)



Source: BNEF. Data for 2025 – average through 22.04.2025.

Asymmetric decarbonisation around the world

Maciej Wyczesany, President, Apator **When we talk about green energy in the EU, at the same time dozens of coal-fired power units have been built in China and India**. The EU is responsible for about 7% of global CO2 emissions, and we act as if our reduction of CO2 emissions is crucial on a global scale. The United States is withdrawing from the Paris Agreement. Before China moves away from coal, which it announces in the future, it will destroy European industry. .	**Henryk Orczykowski, CEO, Stalprofil** The regulations introduced by the European Union are right in their idea, because we need a more sustainable economy, climate protection, and transparency in action. **EU industry has lost its competitiveness even on its own ground**. However, unilaterally introducing such solutions, without the adoption of similar regulations by other countries, and at the same time maintaining an open, free market, causes the EU industry to lose competitiveness - even on its own territory. Companies from other countries - not burdened with the costs of climate protection and many activities related to regulatory or reporting obligations - can offer lower prices on the market. And in the end, it is the price that is the basis for choosing an offer or product.
Lars Gutheil, Director, Polish-German Chamber of Commerce and Industry AHK In the current difficult economic situation, ambitious environmental goals and the time horizon for their implementation should be re-examined so that they do not lead to a loss of competitiveness (as announced by the European Commission).	**Przemysław Sztuczkowski, CEO, Cognor** The dramatic hypocrisy of the European Union on climate issues clearly does not help in this. The indiscriminate tightening of the screw caused an increasing part of the manufacturing industry to move to Asia. Now it turns out that very low production costs in Asian or African countries result from terrible working conditions and a low level of environmental protection. Thus, the EU, by liquidating these industries on its territory, de facto increases the level of environmental pollution on a global scale.

The structural weaknesses of the Polish economy are becoming more evident today

Polish structural weaknesses have been known for years, but they were "covered" by the strength of our strengths in good times for the economy. These include the ageing of the population, the lack of a comprehensive migration policy, education that is not tailored to the needs of the labour market, the quality of public administration, low spending on R+D or the predominance of smaller companies, quite sceptical of technological changes (digitisation, robotisation or AI), not very focused on foreign markets, and the still insufficiently deep financial market.

Overregulation of the economy

Our interlocutors referred to the overregulation of the economy at many stages, starting with law-making at the EU level and the conditions of competition of the EU with other regions in the world, which we wrote about above. Here we will focus on the process of creating law at the national level, its interpretation by officials, enforcement and administrative and tax proceedings and, finally, the pursuit of rights before the courts. These steps are summarized in the diagram below.

Schema 2 Overregulation of the economy at various stages of law-making, enforcement and court proceedings

1 Law-making at EU level	EU climate targets more ambitious than the rest of the world Efficiency/competences/presence of Polish representatives in EU institutions
2 Conditions for international competition of the EU with the rest of the world, notably China and the US	Protecting the EU market from competition from China, which unfairly subsidizes its exports Access of Chinese companies to tenders at EU level, especially in the construction sector High prices of CO2 emission allowances and extensive ESG reporting Judgments of the The Court of Justice of the European Union
3 Law-making at the national level	The government's economic strategy and sectoral policies Support in foreign expansion and access to foreign employees Support for start-ups, financing innovation and "barriers to entry" Burden of regulation (number of provisions), including extensive transposition of EU law into national law (gold-plating) Legal stability and changes in the law (predictability of the law) Consultations with business (quality of law)
4 Interpretation of regulations and dealing with public officials	Public officials' approach to private businesses Case processing time Costs of handling regulatory requirements Complicated access to EU funds
5 Law enforcement, administrative and tax proceedings	Digitisation of public administration Ease and time of processing The principle of the presumption of innocence Reporting and audits
6 Enforcement of rights before commercial courts	Processing time Competences and workload of judges

Overproduction of law and its lack of stability are among the most common demands. Companies complain about the low quality of the law and bureaucratic burdens at each of the above stages - in general and in relation to regulations at the sectoral level (e.g. pharmaceutical or construction companies - industry regulations, large companies - excessive preferences of SMEs in access to EU funds). According to **Waldemar Olbryk** from Archicom, on the one hand, the EU offers funds to support green investments, but on the other hand, it introduces complicated regulations, sometimes detached from reality. However, not all regulations are a burden for companies; e.g. harmonisation of rules in the EU allows companies to avoid costs (e.g. roaming).

Regulatory Burden

Karolina Czekaj, Director, Adamed Pharma

Poland has become **one of the most overregulated countries in Europe**. The provisions of EU directives are often implemented in Poland in a more restrictive manner than in other member states, which increases the administrative burden for companies and limits their operational flexibility. One of the key problems is the **complicated tax system**. According to the Tax Complexity Index (which assesses the level of complexity of tax regulations), Poland is at the bottom of the ranking in Europe.

Entrepreneurs often struggle with **unclear regulations, frequent changes in the law and the lack of consistent individual tax interpretations or refusals to issue them**. This creates a lot of legal risk and uncertainty, which discourages investment and business development. In addition, **excessive bureaucracy in administrative processes significantly extends the time of investment implementation**, as a result of which companies more often decide to move their operations to countries with a more friendly regulatory environment.

Marek Piechocki, co-founder and CEO, LPP

Overregulation is one of the biggest problems of the European Union. I also have the impression that Poland, as one of its youngest members, tries to be a leader in this area and is often overzealous in introducing various types of regulations. Operating on various European markets, we can perfectly see how these EU rules are introduced by other member states. I can say that **the detail of the European Union regulations is intensified by the double Polish detail** (...)

In our company, about 120 people are currently involved in issues related to ESG reporting, which is a relatively new obligation for entrepreneurs. This is how many people are involved in the creation of non-financial reports that do not translate into our core business. This vividly shows the scale of the regulatory challenge faced by such a large company as LPP.

Sebastian Szymanek, CEO, Polpharma

As a pharmaceutical industry, we regularly talk to various ministries about our problems and needs. For several years, there has been a ready-made document that precisely indicates specific provisions in 15 regulations and acts that require simplification – not only in pharmaceutical law, but also in regulations on reimbursement, information system in health care, in the Code of Civil Procedure and in intellectual property law. Unfortunately, so far it has not received enough attention. (...)

The problem is that you can't change the situation with one move. **It is not a matter of a single decision, but of hundreds of small provisions in various legal acts** that unnecessarily complicate the activities of individual industries. Deregulation is necessary, but its implementation should take place in ministries, as part of working groups with the participation of representatives of specific sectors. They are the ones who know best in which direction the changes should go. You don't need the media for this - what counts is substantive work.

Hubert Woźniak, President, Rajpol Group

The situation with operational programmes is a glaring example of how **complicated procedures introduced by the national administration** limit our competitiveness in relation to identical entities from other European Union countries.

We are discussing this in the Ministry of Agriculture; there is a great **reluctance of officials to help producers** and to organize work so that operational programs work efficiently. Such an attitude is completely incomprehensible to us.

The most bizarre thing seems to be that the Polish taxpayer, by paying contributions to the European Union, supports producers of vegetables and fruit in European countries where these programs are implemented. Therefore, **not only do we not raise funds for investments, but we also support our competition**. This is an issue that needs to be improved urgently and decisively.

Przemysław Sztuczkowski, CEO, Cognor

We have an extremely **complicated and overdeveloped tax system**. We should think about simplifying it, but each change of government leads to its further growth. Another problem is the restrictiveness of this law. Even minor mistakes can result in very high penalties. Fiscal penal cases take an extremely long time. Just like the controls.

Officials create regulations that are convenient for them, **without real consultations with business**, so we have no influence on it. We do not have the opportunity to talk about these ideas with their authors, explain how the company operates and what impact specific regulations have on its operation - e.g. in the field of control.

Jacek Siwicki, CEO, Enterprise Investors

Over-regulation? Of course, there is something going on, it has to be counteracted, but also thanks to regulations, when I travel from Tallinn to Lisbon, I don't pay a lot of money for mobile calls. And when I go to Canada or the USA, I have to buy a special package so as not to ruin myself or the company. And this is also the face of "this hopeless Europe".

Efficiency of public administration

The quality of regulation goes hand in hand with the efficiency of administration and the competences of officials, including prosecutors and judges. It translates into time spent by entrepreneurs on administrative and control procedures or asserting their rights.

Zbigniew Jakubas from Multico drew attention to the scandalous lengthiness of prosecutorial proceedings and court proceedings; there are examples of cases that drag on for decades. In the case of prolonged trials, judges, prosecutors or lawyers have to recall the details of the case, including extensive documentation, after six months. An additional danger is the change of judges, because then cases de facto start again.

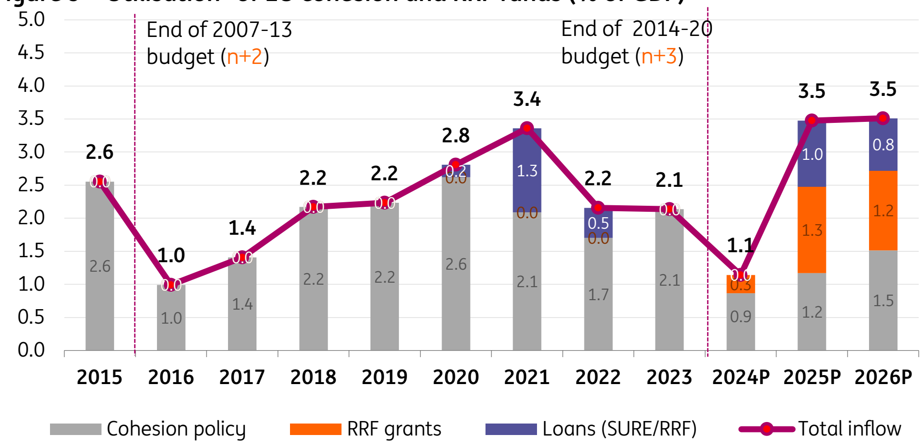
Krzysztof Pawiński from Maspex also points to the lengthiness of court proceedings and lost time for companies. It takes so long that in some cases, the parties may simply forget what they were thinking about. He cites the example of a business dispute in his company, which ended in a settlement, which lasted 13 years and during this time not even a judgment of the first instance was issued...

Complicated access to EU funds and weak lobbying on the EU forum

Bartłomiej Dobosz, co-owner, SKB Group We keep track of the availability of EU funds, we submit applications, trying to support ideas that increase competitiveness - innovative, leading to the development of product lines (...) Maybe it is worth considering how the administration in Poland can offer facilitations and allow companies to reduce the number of documents or more effectively support them in going through the meanders of EU projects. In business, it is not uncommon to have to act quickly (...). I hope that the money from the National Recovery Plan will be released on a wider scale, which will allow us to restart and strengthen construction production.	**Maciej Wyczesany, President, Apator** We operate in special economic zones and take advantage of the investment reliefs to which entrepreneurs are entitled. **As for the subsidy programs, most of them did not apply to large companies, so we practically did not use them**. The use of public funds is subject to very restrictive regulations regarding the settlement of this aid. This is a **significant administrative burden**, and if we take into account the generally large number of regulatory obligations, including ESG reporting, it provokes huge costs for companies – disproportionate to the results achieved..
Szymon Midera, CEO, PKO BP We need to work to **ensure that the administration is a partner in relations with business**. This is a key issue, because we are talking about the basics of removing barriers and changing the attitude of the administration. Regardless of the size of the company and the sector of its activity, the predictability of the law remains crucial. Stable law is the basis for long-term investments. The tendency to make decisions about investing money, often very large money, is directly related to the stability of the legal system. How to do it? It is worth starting with setting measurable goals, which is probably the most difficult; also at EU level. **So as to limit the variability of the law to an absolute minimum**. We do not need oversized further adjustments. We need a stable system that will enable us to compete with companies from Asia or the USA, including in the technological field.	**Jakub Nowak, CEO, JNT Group** **We lack strategic awareness and the ability to effectively fight for our interests in the EU.** Unfortunately, we behave towards her all the time like a poor relative full of complexes. And this attitude translates into the inability to effectively promote Polish products. We - as entrepreneurs - are not intimidated and insecure. Quite the opposite. Despite the fact that we operate in an unfavourable legal environment and have more difficult access to money, we are developing our businesses, we are competitive with Western corporations and we are generally doing well on the market (...). What is disturbing, however, is the lack of economic patriotism and strategic thinking of the government.

The efficiency of administration is also of key importance in obtaining EU funds. In this area, the Polish superstructure over the EU requirements has financial consequences. The absorption of EU funds will have a significant impact on domestic investments this year and next. Poland has substantial cohesion funds and the National Recovery Plan to use, under which the subsidy part (about EUR 25 billion) must be spent and settled by August 2026.

Figure 9 Utilisation* of EU cohesion and RRF funds (% of GDP)

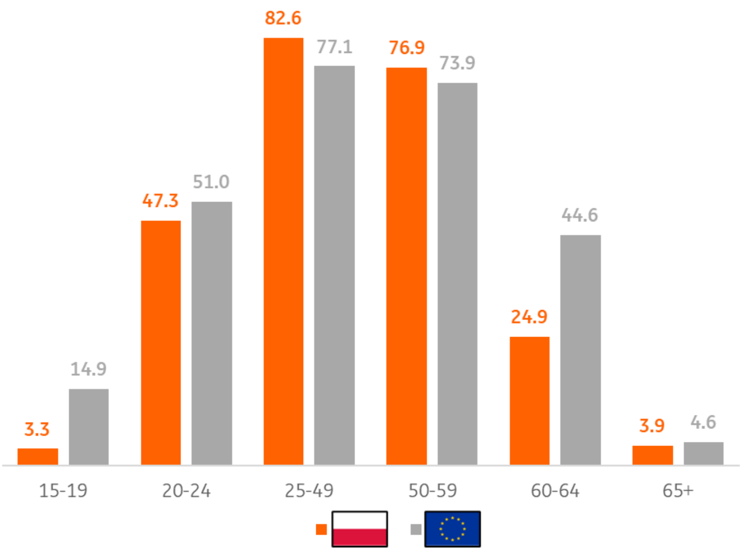


*) The use of EU funds means payments to beneficiaries, not flows of EU funds to Polish in a given year.
Source: GUS, MF, NBP, EC

Unfavourable demographic trends and the lack of a comprehensive migration policy

The ageing of the Polish society has been progressing much faster in recent years than in other EU countries. In recent years, there has been an increase in the rate of economic activity. However, our interlocutors see room for further improvement of this state of affairs. **Karolina Czekaj** from Adamed Pharma pointed to the possibility of women's professional activation through the introduction of instruments to support families and women returning to the labour market. It also sees the possibility of extending the professional activity of older people or supporting people with disabilities by adapting workplaces.

Figure 10 Women's employment rate in Poland and EU average, by age, 2023 (%)



Source: Eurostat.

With limited possibilities of influencing the birth rate, Poland still lacks a wise immigration policy, and the discussion about extending the retirement age has become a taboo subject in politics. **Brunon Bartkiewicz** from ING Bank Śląski claims that it is worth implementing an immigration policy focused on professionals as soon as possible. Today, Spaniards and Brazilians also want to work in Poland, but these spontaneous trends need to be helped. It is also worth effectively encouraging our compatriots to return "from the world".

Demography and immigrants in the Polish economy

Bartłomiej Dobosz, co-owner, SKB Group	**Karolina Czekaj, Director, Adamed Pharma**
I wonder what entire sectors of the Polish economy would look like if it were not for women who, forced by the war, came to Poland from Ukraine and - seeking shelter here - took up jobs in gastronomy, trade, and services.	An important aspect that should also be paid attention to is migration policy. Poland should create a more coherent and long-term system for attracting qualified workers from abroad.
Waldemar Olbryk, President, Archicom	**Paweł Borys, Managing Partner, MCI Capital**
Unemployment rates may even suggest stability, but the reality is slightly different – the number of people leaving the labour market is increasing and there are fewer and fewer new employees. As a result, official data may mask the scale of the problem. A deeper analysis shows that **there is simply a shortage of people in the "aging" labour market**, and we are deceiving ourselves a bit, thinking that the situation is under control. However, discussions about the retirement age, the durability of the current model or demography are part of a broader debate about inter-generational exchange.	Over the last decade, 3 million immigrants, including refugees, have appeared in Poland: they have saved our labour market. Our economy created one million new jobs during this period (an increase from about 16 to 17 million). Professional participation has also visibly increased, although we still have reserves - mainly in the professional activity of women. However, the demographic situation in Poland looks catastrophic. A slippery slope!

Artur Pollak from APA Group noted that - operating in the international space - the company has a growing problem with staff mobility. In the past, Polish employees were open to travelling, while now people do not want to move and prefer to work from home. Due to the greater comfort of work in Poland, employees have become less flexible, which increases operating costs.

Low R&D expenditures

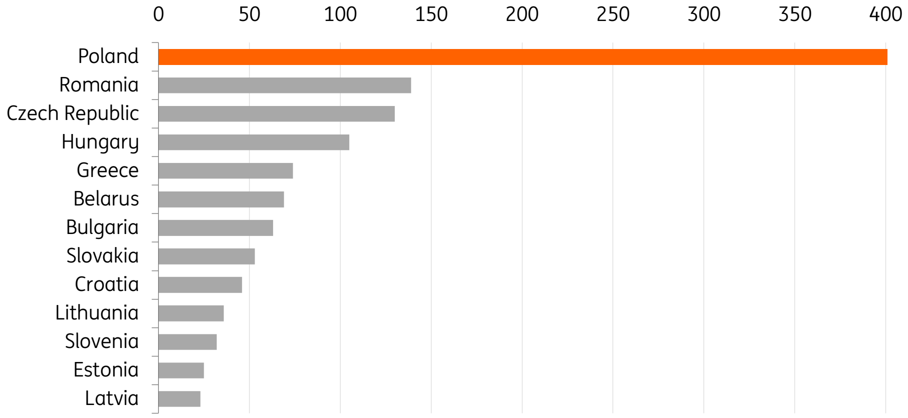
The transition to a knowledge- and innovation-based economy requires substantial investment in research and development and effective cooperation between science and business. Meanwhile, Poland still spends little on this area.

According to **Karolina Czekaj** from Adamed Pharma, Poland is not using its innovative potential. Indicators such as expenditure on research and development, the number of patents or cooperation between science and business are lower than in more innovative economies, such as Germany, Sweden or South Korea. Poland currently spends about 1.4% of GDP on R+D, while innovation leaders – over 3%. There are gaps in the support of innovative companies or mechanisms supporting the commercialization of innovations and scaling operations. **Artur Bielak** from Herbapol-Lublin also points to the insufficient commercialization of scientific research results in Poland. The reasons for the limited innovation activity may also lie in the approach of domestic companies, which do not necessarily see the need to compete in this area.

Attracting foreign direct investment remains an opportunity to increase innovative activity, provided that they allow for the transfer of know-how. The resource of almost 0.5 million IT specialists is a great asset, but many of them provide outsourcing services for foreign companies. As a result, it is international corporations that commercialize technologies developed in Poland, and domestic companies later have to buy licences for products that were created thanks to Polish experts.

Tomasz Domogała from TDJ admits that the Polish industry has historically been relatively non-innovative but adds that this is changing and the expenditure of industrial companies on R+D has doubled over the last 10 years. According to him, the time is coming to compete with technology, which will force companies to invest in innovation.

Figure 11 Number of IT developers in selected CEE countries (in thousands)



Source: Polish Development Fund, dealroom.co

Currently, the Polish economy is not very innovative

Karolina Czekaj, Director, Adamed Pharma

Many business owners focus mainly on the domestic market, which leads to less need to compete through innovation.

As a result, companies do not develop global competitive advantages and are less likely to invest in technologies that could differentiate them on the international arena.

Another problem is **the gap in the support system for innovative companies**. Although Poland offers subsidies and government programmes at an early stage of startup development, there are no effective mechanisms to support **their commercialisation and scaling of operations**. Many innovative projects are sold to foreign companies because **local companies do not have access to capital** or do not have the infrastructure to continue their development.

Agnieszka Zielińska, Director, Scandinavian-Polish Chamber of Commerce

It is crucial to set strategic directions for economic development. **It is necessary to increase investment in research and development**, especially since we have both highly qualified staff in companies and excellent scientific resources. Effective cooperation between business and science can become a driving force for further progress.

Scandinavian investors want to develop in Poland and, what is important from the point of view of know-how transfer, a relatively high percentage of entrepreneurs from Scandinavia (40 per cent) conduct research and development activities in our country. An increase in expenditure on R+D remains necessary for the growth of innovation and, consequently, the competitiveness of the market.

Dominika Bettman, entrepreneur, CEO of Microsoft in Poland in 2021-2025

Wicker is wonderful, but it certainly won't replace microprocessors. Until now, large foreign corporations have located their modern factories in our country (m.in. in the automotive sector or the food industry). Domestic (large companies) are rare. And it will be difficult to talk about any serious numerical jump in the near future.

Paweł Borys, Managing Partner, MCI Capital

We are also unable to use human resources. So what if we have about 350 ,000 IT specialists, if 85 per cent of them work for global companies – and in a purely service model. By not creating high-class Polish products, which immediately translates into margins and innovation.

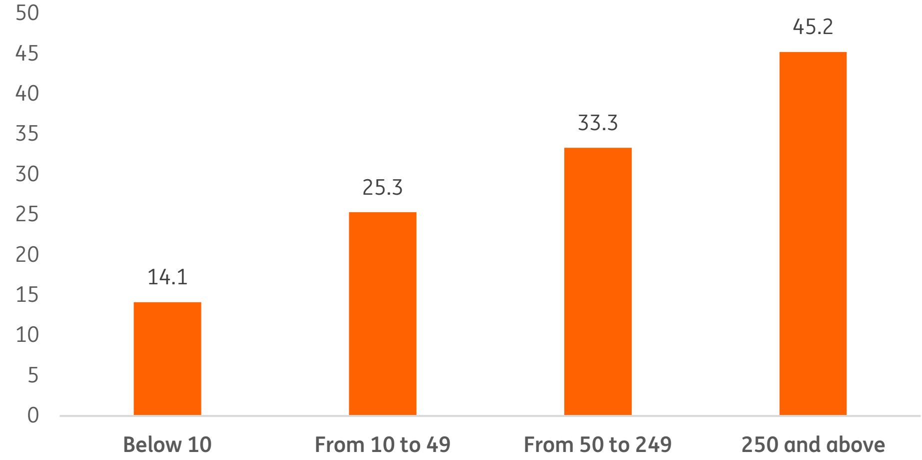
The predominance of SMEs is a barrier to innovation and internationalisation

The structure of enterprises is partly responsible for the low level of innovation of the Polish economy. Our economy is dominated by companies from the SME sector, which are usually less innovative, among others due to restrictions in access to financing, have fewer opportunities to scale their operations or expand into foreign markets. So far, the process of scaling Polish companies to the format of international corporations has failed. And it is often such companies that spend a lot on research and development and increase the average level of efficiency in the economy and the profitability of companies thanks to optimisation activities, improvements in management or product offering.

Polish companies are on average smaller than in the EU or Germany. Policies that protect small business (unintentionally) limit innovation, efficiency, and growth. Meanwhile, large companies with at least 250 employees are three times more efficient than the smallest companies. Hypothetically, if the size structure of companies in Poland was the same as in Germany, the average productivity would be nearly 15% higher.

Michał Sołowow from Synthos criticizes the criterion of small, medium and large companies, commonly used in the EU, among others in access to subsidies. He believes that shocking small and medium-sized companies results from statistics that politicians use for their purposes. At the same time, he asks the question, "how much money do we – as a society – burn through, investing in projects solely according to the criterion of business size". Michał Sołowow points out, however, that supporting entrepreneurship in the early stages of business development or helping young entrepreneurs start a business is needed.

Figure 12 Value added per employee in Poland in 2021, by number of employees employed in the company (€ thousand per year)



Source: Eurostat

According to **Dariusz Grzeszczak** from Erbud, however, the times when Polish companies were the subject of acquisitions are gone, and today Polish entities can draw from the European market. Erbud does not rule out further acquisitions in Germany.

With regard to the situation in the countryside, **Grzegorz Brodziak** from Goodvalley Agro mentioned the fragmentation of farms in Poland, which affects the production potential, profitability of production and limited investment opportunities. In EU agriculture, agricultural land lease plays an important role in improving the agrarian structure of agriculture. In the western part of Europe, leased agricultural land accounts for an average of 44%, in Poland – 17%. For the food production industry, the challenge is a profound change in the age structure in rural areas – a large decrease in the population in pre-working and working age, and an increase in post-working age.

SMEs less receptive to innovation and foreign expansion

Kamil Jedynak, CEO, OT Logistics

There are still some structural weaknesses. One of the key challenges is the low level of investment in research and development, as well as the lack of effective commercialization of innovations and scientific results.

Many companies, especially SMEs, lack the capital and support to fully exploit their potential internationally.

Jakub Nowak, CEO, JNT Group

What we lack is understanding on the part of the government. Politicians are not aware of the fact that this is a convenient time for Polish companies and they need to be created in an environment in which they will be able to effectively implement their plans related to expansion on foreign markets. We can follow the example of Germany: there the state supports the development of German business abroad, in Poland there is practically no help (...)

The company of Mr. Rafał Brzoska, who heads the deregulation team, is the best example that it is possible to succeed on foreign markets.

Tomasz Ciąpała, CEO, G8

There are about 5000 clothing brands in Poland, but only a dozen of them have a revenue scale of over 100 million. For various reasons, it is very difficult to achieve the already mentioned large scale in this market... We compete in our own country not only with local brands, but above all with foreign brands, which have very easy access to this market, a large, international scale of operations and a strong financial background.

They don't even have to make money on the Polish market - I can add to it for many years, but they want to be present in our country and build attractiveness in the eyes of Poles.

Elisabetta Caprino, Managing Director, Italian Chamber of Commerce and Industry in Poland

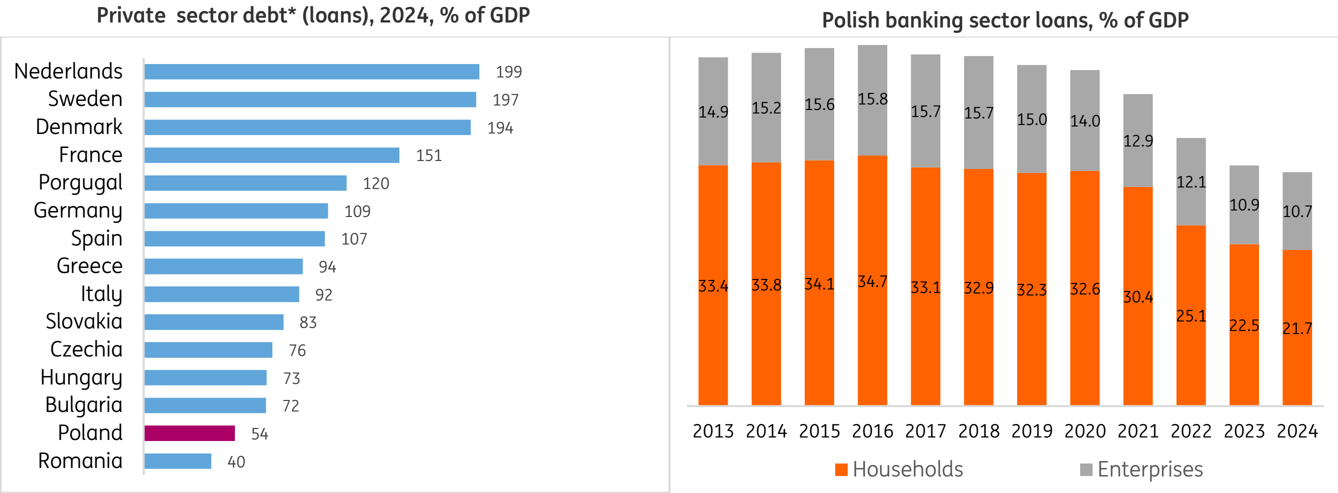
Of course, it is always worth striving to improve and strengthen your position in the international arena. Poland is gradually losing the advantage resulting from low production costs. Currently, companies operating at a medium or low level of technological advancement dominate; **there is a shortage of large companies from the high-tech sector**.

The dominance of the SME sector may be problematic for the Polish economy, given that banks may be less willing to grant them loans for risky ventures. In Poland, the capital market is still weaker than in other leading EU countries. For example, venture capital funds, which help in the development of competitiveness and innovation, are not very developed.

Still shallow financial market and strong zloty

Polish households and enterprises are among the least indebted in relation to GDP. In 2022, private debt corresponded to about 65% of GDP and was the second lowest in the EU, after Romania. This reflects the shallowness of the financial market.

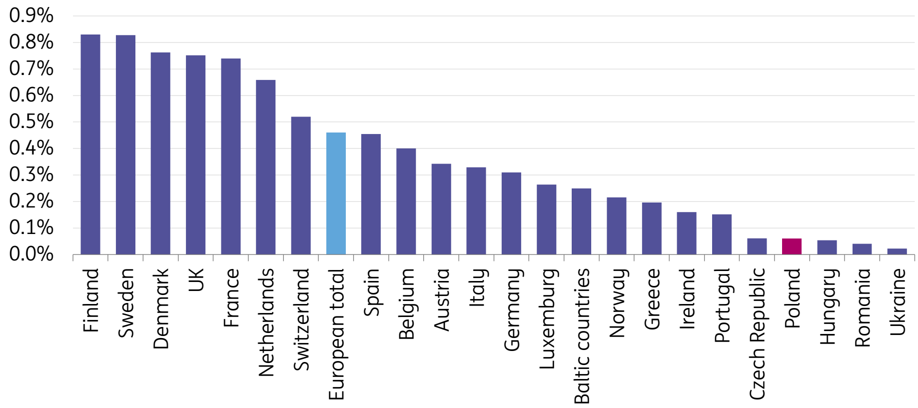
Figure 13 Low indebtedness of domestic private sector and deleveraging in the recent years



Source: GUS, Eurostat, NBP, ING.
*) Consolidated, Debt to non-financial enterprises, households and non-profit institutions serving households.

A mature capital market is based on complementarity – matching the needs of the growing economy with the sources of financing. For a start-up, the right financiers are not banks, but the support of a business angel or venture capital. Small businesses can be supported by government guarantees or preferential loans, and large companies can reach for financing from banks, the stock exchange, funds or debt financing on the capital market. In Poland, the scale of diversified financing is still limited, and bank loans are relatively expensive, which is influenced by, among other things, regulations and decisions of politicians.

Figure 14 Venture Capital & Private Equity investment in European firms, 2023 (% of GDP)



Source: Finnish Venture Capital Association

Recently, the zloty exchange rate has also started to weigh more heavily on some companies and has been a factor inhibiting export sales. Exchange rate fluctuations in the floating exchange rate regime are natural, although the periods of mismatch between the current price and the fair value may be relatively long. A way to get rid of the exchange rate risk with the main area of Polish trade is to introduce the euro.

Shallowness of the financial market, volatility of the zloty exchange rate and the introduction of the euro

Brunon Bartkiewicz, former CEO, ING Bank Śląski **Excessive fiscalisation of the banking sector** in Poland comes down to the fact that the banking offer for customers is excessively expensive. To ensure profitability, banks will always seek to shift the heavy fiscal and regulatory burden to the final cost of services. Meanwhile, the Polish economy needs cheap loans.	**Henryk Orczykowski, CEO, Stalprofil** In my opinion, the introduction of the euro could be an opportunity to increase the competitiveness of Polish companies in the European Union. In the steel industry (and in other industries as well) we are currently operating on very low margins and currency risks, **changes in the exchange rate sometimes eat away at companies' profits**. The introduction of the euro would stabilise the economy, make it easier for companies to create long-term action plans and prevent speculation in this area, and eliminate a huge area of risk.
Adam Góral, founder and CEO of Asseco Poland The ill-considered interference of the government, in the form of, for example, statements that banks earn too much, is bad. Such statements are harmful, they smell of a return to the communist times and statutory regulation of profitability. Let's not go in this direction. After all, **our banking system is a showcase of success**. He is stable, sure, he helped us get through the crisis of 2008-2009 with dry feet. Money must be kept in a bank that earns well, because a bank that does not earn money is dangerous. But we have not been taught that.	**Piotr Krupa, CEO, Kruk Group** I run my business in four currencies, in my settlements I include the Czech koruna, Romanian lei, euro and zloty. I am an absolute supporter of joining the eurozone, but the discussion on this issue in Poland is going in some absurd direction. People are divided into opponents and supporters of such a solution. And we would not be able to enter the eurozone because we do not meet the basic, boundary criteria, so what do we want to talk about... **We can dream about the eurozone**. However, I would like us to start dreaming about it. In order for one of the leading political leaders to boldly say "let's go this way", he would not be afraid of the so-called euro-dearness, because it is fake news. The eurozone is absolutely beneficial for the development of the economy.

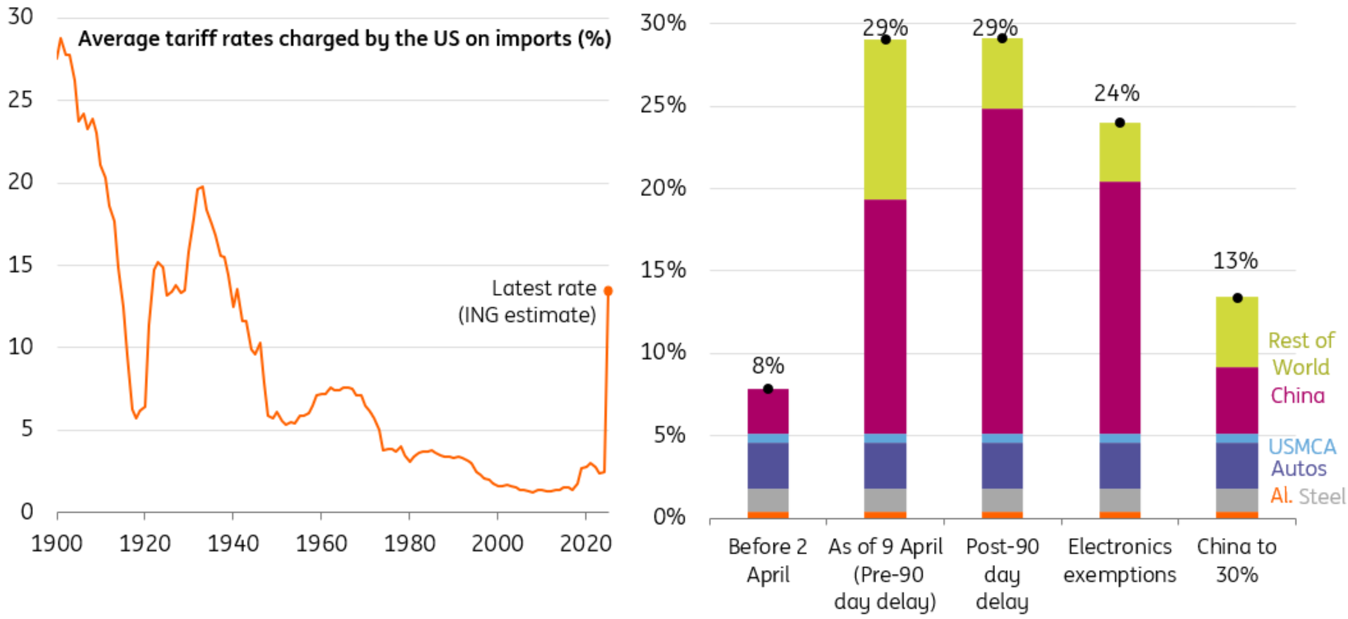
B. New global order

The evolution of the Polish model of economic growth coincides with a period of increased international turbulence. But the European Union (and Poland) are now subject to much stronger competitive pressure than in previous decades, as the Draghi report illustrates. This is mainly due to China's expansion, U.S. protectionism under Joe Biden, and America's isolationism amid Donald Trump's chaotic and inconsistent policies.

The current US president began his term with wide-ranging changes in trade policy (the tariff war with China escalated in early April), immigration, fiscal and deregulation policy. We estimate that based on Trump's decision in early April, average tariffs on goods imported into the US have risen from around 2.5% to more than 25%, which was the highest level in more than 100 years. In May, the US reached an agreement with China, which lowered the average US tariff rate below 15%.

Trump is pushing for a ceasefire in Russia's war in Ukraine as soon as possible, but his approach does not necessarily bode well for a lasting and just peace.

Figure 15 Average tariff rate on goods imported into the U.S. since 1900 and Trump tariff rates in 2025 (through mid-May), in %



Source: Historical Data - Tax Foundation via Macrobond. Trump's tariffs – ING estimates. The latest estimate as of mid-May 2025.

Geopolitical uncertainty and resilience of the Polish economy to shocks

Radosław Koelner, CEO, Rawlplug	**Grzegorz Brodziak, CEO, Goodvalley Agro**
The process of deglobalisation is only gaining momentum and will continue to develop for several years. On the one hand, the international environment is deteriorating as protectionism is on the rise. And Polish GDP depends to a large extent on the export of goods and services. Meanwhile, we are dependent, like the entire EU, on the import of cheaper components and subassemblies from the Far East, with which we are supposed to compete. In such a negative external environment, it will slow down our growth rate.	For at least two decades, we have been observing increasing global competitive pressure. Undoubtedly, this is influenced by China's consistent economic and trade policy, and now there is also the unpredictable, but generally protectionist trade policy of the United States. At the same time, Europe's economic position has been steadily declining in the EU, m.in through reduced productivity, lack of innovation, a shortage of skilled workers, high energy prices, the costs of climate transition and changes in international trade, as is clear from Mario Draghi's report published in September 2024.
Jarosław Gracel, CEO, ASTOR	**Konrad Świrski, CEO, Transition Technologies**
It is difficult to change the development model when we know neither the date nor the conditions of peace in Ukraine and to have an alternative on our necks: whether to focus on a defense strategy or focus on the development of added value outside the arms sectors... However, we should remember that the diversification of the processing industry sector has become a strength of the Polish economy for years. We have many production branches with attractive products, thanks to which the Polish economy is doing better when sudden disruptions and "black swans" occur than countries with high specialization and a dominant share of one or two industries – e.g. the automotive industry, such as in Germany, the Czech Republic and Slovakia.	We see a trend towards geopolitical change that could mean the end of global markets. Added to this is the uncertainty of the model of European economic development. In the export of advanced products, we have competition from China, market uncertainty caused by US policy, rising fossil fuel prices and the need to implement climate policy. (...) We are still in the EU, which means that we retain access to large markets, plus a good location (logistics) and relatively good staff (...) Polish companies are increasingly having to focus on international expansion (...) **Supplies from Poland are highly competitive with domestic production on markets such as Germany, Austria and Switzerland, France and the Nordic countries**. Of course, we are not as cheap as suppliers from India and other Asian countries.

The EU (and Poland) are now subject to much stronger competitive pressure than in previous decades, as illustrated by the Draghi report

In the context of progressive deglobalization, Polish companies are facing the need to diversify their customers and their product portfolio. **Radosław Koelner** from Rawlplug sees deglobalisation as a threat to Polish's economic development. Established streams of goods are disrupted, while Poland is a large industrial cooperator. In addition, due to the Covid-19 pandemic, Europe and America have incurred huge costs and indebted heavily in recent years.

Adam Krzanowski from Nowy Styl points out that competition from China is currently the most serious threat, as production costs are incomparable to those in Europe, among others due to the advancement of automation, combined with the diligence of the Chinese. When it comes to technical thought, China is already ahead of us – it has the same great universities and great determination to develop. According to him, the EU may not be able to cope without the protection of its market. The direction of sustainable development chosen by Europe is the right one, but – according to Adam Krzanowski – if we make these efforts ourselves, we will lose. Krzanowski admits that Poland has become a factory for Europe in many industries and many Polish companies produce for global brands, but such a dependence can be dangerous in the context of global turmoil. In addition, after the increase in the minimum wage by over 100% in a few years and with the strengthening of the zloty, Poland has become a relatively expensive country, so the reports about the reallocation of production should not come as a surprise, because the price plays a very important role.

For some industries, such as steel, the threat of losing competitiveness does not have to come from a distant Asian market. **Henryk Orczykowski** from Stalprofil claims that from the European perspective, Turkey, which has a large steel industry, has become very important, stresses that Europe should act effectively as a whole in the face of aggressive competition from other markets; For example, the already mentioned Turkey is an economically big threat to us. This is a huge economy - especially when it comes to the steel industry. According to **Robert Stobiński** from Amica, Poland has lost its attractiveness in favour of Romania, Serbia, Turkey and Egypt. The importance of unity in Europe in the face of geopolitical challenges is also emphasised by **Adam Góral** from Asseco Poland.

Challenging external environment and global trends

Adam Góral, founder and CEO of Asseco Poland	Maciej Wyczesany, CEO, Apator
I hope that what bothers Europe today in the policy of the United States will allow us, Europeans, to count on ourselves in the first place. (...) Donald Trump is able to sacrifice even relations with the most important allies. By ensuring good cooperation with the US, **we Europeans must learn to work better with ourselves**. The EU needs to be redefined, based on what unites us. (...) The second thread of the agreement has a basis that we are already well known, i.e. economic: **only fully united are we a trade partner for the US or China**. I will use the history of Asseco here. We combine feuding countries and different religions in terms of business. This model is the answer to the question of what to do to integrate the European Union wisely. Well, give the Member States the appropriate freedom, but at the same time integrate and support. The Union is a great value for us, only connected. Together, we are a partner for the largest players, separately we will not be able to do much, because - just like Asseco once - we are too small.	The conditions for competing on foreign markets are much more difficult for Polish companies than a few years ago. **The EU has opened up very strongly to products from China** and, as a result, we can see a huge Chinese expansion, practically in all industries (...) **We do not protect our market**. As a consequence, European companies cease to operate under conditions of equal competition. And in Poland, this is an extreme case, because Chinese companies have practically no restrictions here. We do not protect our market! **We are treated as a market to conquer. There is no transfer of technology and equal competition**, because there can be no equal competition when tariffs do not protect our market, and we hand over the market to China, Turkey or India. In all these markets, there are huge barriers to entry for foreign companies, these countries protect their own producers. (...) Chinese technologies are used without any restrictions in critical infrastructure. There are no standards in cybersecurity, control of suppliers of technologies and IT solutions used there.
Robert Stobiński, Vice President, Amica	**Dorota Pyć, CEO, Port of Gdańsk**
We have a lot of commercial, political and military conflicts in the world today. In addition, after the coronavirus pandemic, we went through a period of disruptions in supply chains and a shock increase in transport costs. These factors have weakened the attractiveness of the global market, while reinforcing the benefits of an open regional market in Europe. (...) From the point of view of cost savings, **we have already lost our attractiveness to countries such as Romania, Serbia, Turkey and Egypt**. Producing in these countries is still more expensive than in Asia, but investors are benefiting from logistics. Transport over shorter distances is dancing, and the risk of interrupting supply chains is much lower.	Maritime transport is a barometer of the global economy. Collapses in the global market, recessions and crises first affect shipping entrepreneurs. And today, the external environment is even more demanding than even a decade ago. The most obvious phenomenon is the ever-increasing containerization of global trade – a significant trend that is likely to continue in the future. Today, more than 60 percent of the world's trade in general cargo transported by sea is carried out in containers. Moreover, the market for container terminal operators is becoming more and more concentrated.

Stagnation in Germany is a big challenge

The challenge for Polish companies is the continuing stagnation in Germany, Poland's largest trading partner. In recent years, Germany, to an even greater extent than Poland, has experienced strong competitive pressure from China, which has copied the German model of economic growth based on exports. In recent years, China has strengthened its position in German export specialisations, such as automotive, chemicals and machinery.

According to ING forecasts, this year the German economy will experience a shallow recession for the third year in a row (GDP contraction of 0.2% in 2025). The weak economic situation in Germany – where about 27% of Polish exports of goods goes – will limit the scale of economic recovery in Poland. **Tomasz Buraś** from DHL Express Polska did not record a drastic decline in trade with Germany last year, but negative effects can be seen in the automotive sector. **Elisabetta Caprino** from the Italian Chamber of Commerce and Industry believes that the crisis in Germany will weaken Polish's economic position.

On the other hand, **Agnieszka Zielińska** from the Scandinavian Chamber claims that the economic stagnation in Germany mobilises Polish companies to diversify their markets, including increasing economic cooperation with Scandinavia. Promising areas are the green transition, Industry 4.0 technologies, biotechnologies, healthcare and the defence sector.

High hopes are associated with the change of government in Germany after the February elections to the Bundestag and the changes to the constitution, which breaks with excessive fiscal conservatism. Germany has announced a significant fiscal impulse of EUR 1 trillion over 10-12 years, from which our companies will also be able to benefit economically. With heightened geopolitical uncertainty, German consumers are maintaining an elevated savings rate and abandoning durable goods purchases, which is a problem for their producers. The negative impact of changes in the behaviour of the German consumer was noticed by **Paweł Adamowicz** from BSH and **Robert Stobiński** from Amica.

Effects of stagnation in Germany

Robert Stobiński, Vice President, Amica

Due to lower costs for many years, Poland became the largest hub for household appliances production in Europe, to which manufacturers from various countries – Germany, Spain, Italy and France – moved their production capacity. This has created strong ties between our economy and, above all, the German market, where we are currently experiencing a weakening of demand because **consumers in Germany have stopped spending money on certain durable goods**.

In Germany, restaurants are still full, people go on vacation, but limit their purchases of cars, apartments, household appliances and electronics. This is the result of an uncertain future, which means that this type of larger spending is being withheld. This, in turn, causes significant problems in exports to Germany..

Lars Gutheil, Director, Polish-German Chamber of Commerce and Industry AHK

Stagnation in Germany, but also in other European markets, in France and Italy, potentially weakens trade with Poland, and also has an indirect impact on Polish companies, e.g. those that supplied components for products.

However, the 2024 trade data with Germany indicate that the overall level of turnover has been maintained at a high level.

The formation of a new government in Germany may bring new impulses that will stimulate the economy and have a positive impact on cooperation with Polish contractors.

Dariusz Grzeszczak, CEO, Erbud

Indeed, the automotive industry is at a turning point, BASF is closing and laying off, on the list of the 100 largest technology companies in the world, Germany has only one representative - SAP. But I absolutely do not subscribe to the statement promoted by some Polish media that "Germany is ending" (...)

Germans may indeed be less proficient in applications and still use faxes, but with their bourgeois work ethos, conciliatory nature of discussions, transparency of expenses, respect for the principles of distribution of goods, they will set the tone not only on our continent for many years to come.

Adam Krzanowski, CEO, Nowy Styl

We are in a period of a certain suspension; many companies are wondering whether now is a good time to invest in anything at all. Especially here in Europe.

An example is Germany, our largest market, where we make over 30 percent of sales. There you can see how difficult last year was for the economy. Poland has done quite well during this time, while our western neighbours are still in crisis and the scenarios for 2025 are still pessimistic.

Expectations for a (even if not permanent) ceasefire in Ukraine are growing

An important element that may be conducive to investment decisions by the private sector would be the end of military operations in Ukraine. Nevertheless, the conditions of a ceasefire or peace in this country will be important and crucial for European security. An agreement imposed on Ukraine from the outside may prove unsustainable and would maintain uncertainty about the situation in the region.

According to our interlocutors, the situation in this neighbouring country is a source of increased uncertainty but also creates opportunities for Polish business. **Grzegorz Brodziak** from Goodvalley Agro calls for the development of a strategy for the enlargement of the EU to include Ukraine, which in the future will have a significant impact on the competitiveness of the Polish agri-food sector.

Henryk Orczykowski, a representative of the steel industry from Stalprofil, sees opportunities for development in the reconstruction of physical infrastructure after the end of the war in Ukraine. However, for the time being, the company is not taking any action - due to the uncertainty about the time of the ceasefire and the terms of cooperation with the Ukrainian authorities.

War and possible peace in Ukraine

Kamil Jedynak, President, OT Logistics

Uncertainty related to the situation in Ukraine - the war just across our border is perceived by Polish and foreign entrepreneurs as a serious investment risk.

Robert Stobiński, Vice President, Amica

The first condition determining the future will be the end of the war in Ukraine - for many different reasons; both access to perhaps cheaper energy, but certainly - to change the attitude of European consumers.

Artur Popko, CEO, Budimex Group

460,000 people work directly in the construction industry, and over a million if we count indirect professions or those cooperating with them. Currently, about **164.000 Ukrainians are employed in the industry**. If all of them returned to the country, the Polish construction industry would have a problem... However, I think that the reconstruction process, and thus the outflow of Ukrainians from our construction sites, will stretch over many years, which will probably weaken its effects on the Polish labour market.

Grzegorz Brodziak, CEO, Goodvalley Agro

With regard to the agri-food sector at the EU level, it is necessary to **develop an appropriate strategy for the enlargement of the European Union to include Ukraine**, m.in. in terms of the development of transport and transshipment infrastructure in order to improve the transit of Ukrainian agricultural products through Poland, and at the same time to prepare for the use of those Ukrainian raw materials that we currently import from other continents (e.g. soybean meal for the production of feed) and to refining them by appropriate processing. (...)

The prospect of increased competition should be **an impulse to modernise the Polish agri-food sector** - so that it becomes even more efficient.

Antoni Zbytniewski, Director, Fresh Logistics Polska

For several years, foreign investments in Poland have been slowing down mainly due to the war in Ukraine - we are a frontline country, and this is not conducive to the certainty of capital investment. It was similar in the case of Japan and South Korea.

If the conflict is resolved and the balance of political forces is conducive to our security, perhaps the scale of investments and the dynamics of development of our economy will accelerate, as in the case of the above-mentioned Asian countries. Generally, as it is said in business, investments are not conducive to an unstable legal environment and political swings, the lack of a clearly defined direction in the economy that would ensure a long-term situation on the market.

C. Concerns and postulates of businesses: in search of a new growth model, based on higher value-added sectors and innovation

Transition to a new growth model - this will require changes at the level of EU and national policies and addressing problems at the level of companies themselves. In this chapter, we discuss these three areas, listening carefully to the voice of our interlocutors.

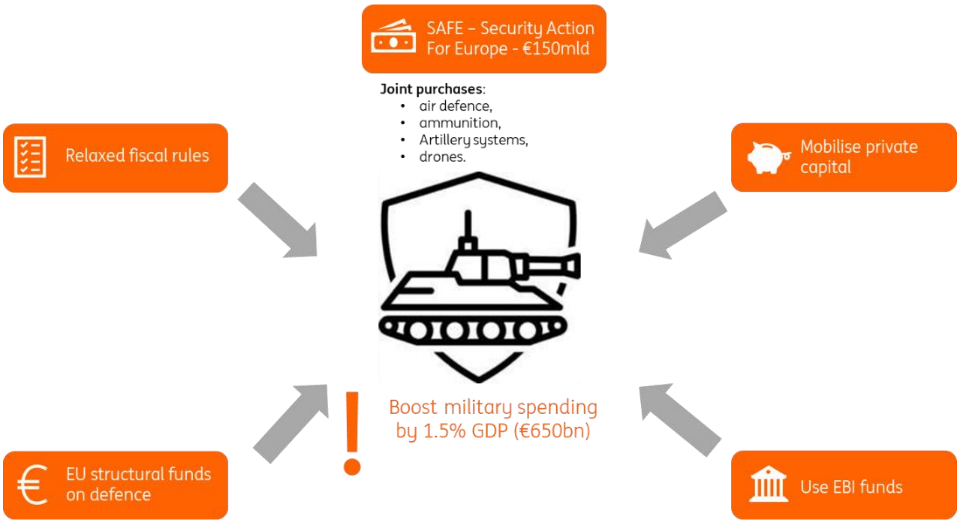
1. Changes in EU policies

Poland should benefit from Europe's awakening in Trump's unpredictable times

At the beginning of April, Donald Trump hit world trade hard, on the day of the "liberation of America" he announced among others 20% tariffs on goods from the EU, which, however, he suspended after a few days for 90 days. The EU also suspended the prepared tariffs on goods from the United States for 90 days. However, in the case of the Community, the previously introduced tariffs on steel and aluminium, cars, and the EU is also subject to a 10% universal tariff rate on other goods.

The policies and aggressive rhetoric of Trump and his administration have made Europe aware of security gaps and excessive dependence on the U.S. within NATO. The EU has responded to this challenge with a commitment to mobilise defence spending worth €800 billion by 2030 - as part of the ReArm Europe/Readiness 2030 initiative. The expenditure is also to be spent on strengthening the EU's industrial potential in arms production. The financing of the programme is to come in €150 billion from the EU level, and the loosening of fiscal rules should enable member states to mobilise €650 billion, including financing from development banks and commercial banks.

Figure 16 ReArm Europe / Readiness 2030. Financing of military expenditures



Source: European Commission.

Geopolitical upheaval could benefit Europe

Krzysztof Pawiński, co-founder, Maspex

Therefore, in my opinion, in our larger home, which is the European Union, **we need to increase the area of economic freedom, but in the EU's external relations we should adopt an adaptation strategy**. All this in order to find ourselves in the best possible way in this new geopolitical order that is currently emerging. Meanwhile, Mario Draghi's report showed that it is in this larger, EU house that we have a lot of challenges that weaken our position.

Reading this report shows dramatically bad conclusions for the Union. The level of economic freedom, even in the area of the flow of goods, is decreasing. The hydra of protectionism is being revived in individual countries. Draghi calculated the non-tariff barriers in the EU and it turned out that **the free movement of goods, which we are so proud of in the European Union, is not free at all** and is strongly limited by additional costs between individual countries. **In the area of services, the situation is even worse, and a common market for capital has not been created at all**.

On top of that, there is the already mentioned overshoot. There are 270 regulatory institutions within the European Union, which develop countless standards (...) High energy prices are pushing the production of goods out of the European market, and in this way we are slowly implementing the policy of deindustrialisation.

Adam Krzanowski, CEO, Nowy Styl

I wonder about the direction that America is taking under Donald Trump. The last few decades have been a time of free trade and now the United States is changing course and the question arises about the reactions of other economies. **Will Europe also decide to introduce tariffs to protect its market?** The European automotive industry, for example, is already losing all along the line with Chinese production. BYD's half-priced electric cars are unbeatable (...)

The matter is much more complex than that, and Europe has a lot to think about. Being in China, I clearly saw how this country is building its advantages. Indeed, China has cheaper raw materials, energy prices kept low by the state. But they also have an incredibly productive society and full automation in production plants. In addition, they are not too limited by norms and regulations.

Kamil Jedynak, CEO, OT Logistics

Growing tensions in global trade, related to m.in rivalry between the United States and China, also remain an important factor. A radical change in U.S. policy, including new tariffs or the desire to relocate production closer to the target market, carries many risks - mainly in the form of **disruption of supply chains**. At the same time, however, it may - paradoxically - create new development opportunities. Europe - in the face of growing distance in relations with the US - must "wake up" in economic and defence issues, review excessive regulations on companies and rethink the policy of the Green Deal. If these reforms are implemented, a change in the direction of U.S. policy in the long run may even strengthen the European - and thus also Polish - economy. In addition, this could lead to **greater unification of EU countries** , both in economic and security terms.

Konrad Świrski, CEO, Transition Technologies

In the IT sector, we expect rapid growth. This will happen because of geopolitical changes, such as nearshoring, closing the European Union area and supporting Polish companies, and - of course - due to the inevitable stimulation of the European defence industry and its own technologies.

The EU's strategic autonomy

As part of the implementation of the main conclusions of the Draghi report, the European Commission under the leadership of Ursula von der Layen focuses on the EU's strategic autonomy in selected areas of the European economy, such as the pharmaceutical industry, semiconductors, energy and critical metals.

The EU pharmaceutical industry is heavily dependent on imports of APIs from China and India. The experience of the pandemic has confirmed the resulting threats to Europe's drug safety. According to **Karolina Czekaj** from Adamed Pharma, standard technologies for the production of APIs have a very negative impact on the environment, and EU environmental standards require the development of pure APIs, which, however, is expensive and would translate into higher drug prices. **Sebastian Szymanek** from Polpharma noted that the largest projects are created in the US and Asia, mainly within large organizations; such a favorable ecosystem is also needed in Europe.

According to **Kamil Majczak** from Qemetika, the key dimension of the EU's strategic autonomy is access to cheap and stable energy. We discuss this topic in the next point. **Grzegorz Brona** from Creotech Instruments also drew attention to the necessary presence of Polish officials in the structures of international organisations.

The EU's strategic autonomy and its impact on Poland

Karolina Czekaj, Director, Adamed Pharma **Europe is facing a dilemma: should lower costs and price competitiveness be a priority, or should long-term drug safety and ecology be a priority**? Current actions indicate that the European Union is moving towards greater strategic autonomy, which requires effective financial and regulatory support for pharmaceutical companies.	**Kamil Majczak, CEO, Qemetica** **The strategic autonomy of the EU is an interesting concept, but it must be followed by real action** - simplification of regulations and their stability, investments in new technologies, development of the energy sector. Poland can benefit from this, but only if it is able to effectively use EU funds (...) Industry in Europe pays 2-3 times more for energy than competitors in other regions of the world, which obviously hits competitiveness. Without access to cheaper and stable energy, it will be difficult to maintain production at the current level.
Grzegorz Brona, CEO, Creotech Instruments We are afraid of strategic decisions at the level of the European Commission, related to the support of specific areas of the economy in individual countries - the "distribution of specialization" in Europe, which would bypass Poland as an area of development of high technologies. (...) Without an appropriate "critical mass" of excellent Polish officials in international structures, we have limited access to information about the plans of these institutions, and thus limited access to tenders or building consortia. Of course, this is changing, but it is a slow process.	**Artur Pollak, CEO, APA Group** The new strategy of the European Union assumes "economic autonomy". The European Commission is betting on reducing dependence on China and the US in key sectors such as semiconductors, energy and critical raw materials. For Polish, this means potential subsidies for the development of its own technologies and more stable supply chains.

Softening in the implementation of the EU climate policy and ESG reporting

The extraordinary geopolitical situation and fragmentation in global trade or the withdrawal of the US from the Paris climate agreement have raised the expectations of some companies for a change of course in the EU's climate policy. Our interlocutors devoted a lot of space to this issue in interviews. Almost all of them called for relief, transitional periods and other significant revisions, such as the exclusion of the possibility of trading emissions in the EU ETS by financial institutions. **Henryk Orczykowski** from Stalprofil argued that this would limit speculation and thus make the prices of emission rights more realistic.

In March, the EC did not propose changes to the climate goals (according to von der Leyen, they are "carved in stone"), but it bowed to business pressure when it came to the scope and burden of ESG reporting or reporting obligations when implementing the CBAM carbon border tax. Under the Omnibus initiative, in the former case, reporting obligations have been limited to large companies (it is estimated that they will apply to 500 companies in the EU, not around 4000), while in the case of CBAM, they have been limited to 20% of the largest importers, which still covers 99% of imported emissions. By the way, this also shows the scale of overregulation in the EU in this respect... ESG reporting was perceived by companies as a significant and unjustified bureaucratic burden.

Most of our interlocutors support climate care, but at the same time question the way EU policies achieve this goal and urge them to be adjusted. In industry, they cause the relocation of production outside the EU, to countries with less ambitious climate regulations (carbon leakage). We mentioned this in the diagnostic part of the report. Elisabetta Caprino from the Italian Chamber of Commerce and Industry in Poland postulates finding a balance between climate ambitions and the conditions for the development of European industry. She reminded that the EU is responsible for 7-8% of global CO_2 emissions, while the US is responsible for about 13-14% and China - for nearly 30%.

Expectations for the correction of the green transition in the EU

Paweł Adamowicz, Director of the Dryer Factory, BSH	Piotr Kledzik, President, PORR Inc
The European Union presents various legislative ideas, such as the development of special, additional emission fees or the introduction of regulations such as CBAM. However, they are a threat to EU manufacturers, because they impose additional fees on materials and components from non-EU countries. This increases our production costs. **And for imported ready-made devices that are imported to the European market, there are simply no additional fees**. If we want to take care of our carbon footprint, we need to take into account imported finished products. This is a certain lack of consistency. At the moment, we are not protecting the European market as we should. There is a lack of a holistic approach. If we want to take care of the carbon footprint and reduce CO2 emissions, we must also take into account the aspect of finished products, produced in countries outside the EU with a much higher carbon footprint than in Poland. Sealing this system is needed from the perspective of all manufacturers in Europe.	**Some green postulates were or are utopian.** They were an exaggeration. Meanwhile, we should go for such elements that are primarily pragmatic, useful and that work for us. Let me give you an example: one of the tycoons in the production of steel elements, which are the basis for my implementation, came to me from overseas. And I tell him: listen, I need "green" supplies, with a certificate. And he said: go ahead, but it will be 11 percent more expensive (...) When the public contracting authority announces a tender, we will lose by 10 percent, because we will be 10 percent too expensive. Because we will have an element that is too expensive, which others will price cheaper. Well, unless you say: we only want green steel facilities, we don't want others. And then everyone will count it and everyone will be 11 percent more expensive. So far, however, the state does not want this - and fortunately, because we would only "drive" the market, everything would go up. So, to sum up: the Green Deal – yes, the company supports it very much, PORR is green, but it has to be done wisely, it has to work for us and give the society measurable benefits.
Waldemar Olbryk, CEO, Archicom	**Antoni Zbytniewski, Director, Fresh Logistics Polska**
A green policy is a must; 'check' points should be added to it. I cannot imagine that in 2035 buildings will be passive. Taking into account the available technologies and the time of investment implementation, such a building should be designed today. And we – as an industry – have neither the technology nor the investment efficiency ratios for this type of facilities. In addition, you should remember about existing buildings. We have lived for hundreds of years building our cities, and within 10-15 years we want to make changes to the old fabric and infrastructure. (...). The energy transition is necessary, but it must take into account market realities.	**Diesel fuel will not be eliminated from truck transport quickly - only in the years 2030-2040 there may be a significant change** in the market of drives in heavy transport, as suggested by the latest studies of the European Environment Agency, m.in. However, it does not have to be conventional diesel. An alternative to it may be the HVO biofuel [hydrotreated vegetable oil], which can reduce emissions by up to 90 percent. compared to traditional diesel. Hydrogen and electrification are also at play. In our opinion, the market has not yet said its last word and this technology will continue to develop, because today its efficiency in the industry is incomparably lower than that of diesel..

Michał Sołowow, the owner of Synthos, argues that the energy transition that is being carried out by the EU is very expensive. He sees two solutions: turning Europe back from the green course or protecting the European market, i.e. the return of protectionism. According to him, goods and services sold in the EU and produced outside the EU should be burdened with the costs of the ETS in the same way as European ones. We are talking about protecting the market not through tariffs but equalising the burden of saving the planet. Every company from outside Europe that wants to sell on our market should document the origin of the energy used for production and pay the difference between the production costs of European companies, which are obliged to produce clean and therefore more expensive production. In the opinion of Michał Sołowow, such a solution would be fair.

Ireneusz Fąfara, Orlen's CEO, says that the biggest challenge for Orlen is what is happening at the level of European regulations. This is a long list of directives and standards to which we are subject, such as the ETS, RED III or many other regulations resulting from the Net Zero doctrine, which assumes that Europe will become zero-emission by 2050. believes that certain targets are too high or the deadlines for achieving them are too ambitious, while the support, both regulatory and financial, to achieve these goals is insufficient; Ireneusz Fąfara postulates lobbying for a just transition, and adjusting the regulations would be a step in the right direction.

2. Changes in national policies. A strategy for innovation needed

Postulates concerning national politicians took up the most space in the talks. They concerned responding to demographic challenges, deregulation of the economy (horizontally and at the industry level), creating and implementing law at many stages, and asserting rights before courts. What is needed is a reform of public administration, which should be efficient and digitised, and not convergent with the populist slogan of a cheap state. Business also calls for simplification and stabilisation of taxes.

Entrepreneurs have announced that they will accelerate investments in the energy transition in order to reduce market energy prices in the long term, and some solutions (e.g. the elimination of the solidarity fee on a direct line) could reduce them now. The recovery in private investments may be supported by the expected cuts in NBP interest rates. The new model of Polish growth needs cheaper bank loans, a deeper financial market and greater availability of risky forms of financing innovation.

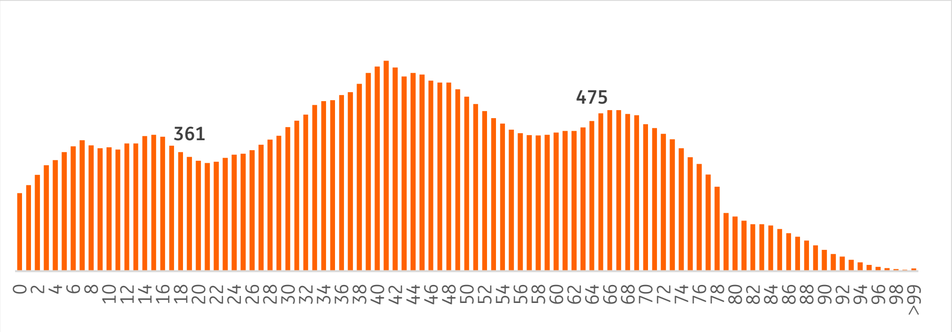
The list of these demands could be sorted out as part of the government's economic strategy, which companies lack. **Karolina Czekaj** from Adamed Pharma claims that Poland does not have clearly defined economic priorities and strategic sectors that could become a driver of growth. In order to become a more competitive economy, Poland should focus on the high-tech, biotechnology, pharmaceutical, as well as electromobility and renewable energy industries. Poland should also invest in the development of its own brands. **Paweł Borys** from MCI Capital (formerly PFR) believes that since there is no strategic plan, there is nothing to consistently stick to and you fall into a development drift, focusing only on current affairs.

Waldemar Olbryk from Archicom claims that Poland needs to develop a strategy of competitive advantage based on the competences of the future, technology and strategic thinking about the directions of development. This challenge applies to the entire economy – both technology companies and those that use technology in their operations. This will require collaboration on multiple levels and perseverance in implementation. The transformation must be systemic and include education, the labour market and a vision of the future. It is worth taking advantage of the experience of Scandinavia or Israel, which support start-ups and technological investments on a large scale.

A needed response to demographic challenges and a migration strategy

Demography is a key challenge for the labour market. For several years now, the groups reaching retirement age have been more numerous than those entering the labour market, and an exceptionally large group of current 40-year-olds will start to retire in some 15-20 years.

Figure 17 Demographic structure of the population, by age, in Thousand people, as at the end of 2024



Source: Demographic forecast of the Central Statistical Office.

When the opportunities for activating employment are limited (low unemployment, employment rates close to the EU average, incentives for older people to leave the labour market late) or politically blocked (raising the retirement age), an effective solution that can change the situation is an influx of immigrants. In recent years, Poland has become a country of immigrants from the former country of emigrants, which is also a testimony to the economic success of our country. Foreign workers, also from very distant countries, are already alleviating the shortage of workforce, e.g. in agriculture.

Our interlocutors support a well-thought-out migration policy and the use of lessons learned from the experience of other countries when it comes to the social integration of foreign workers.

Debate on inter-generational exchange and wise immigration policy

Hubert Woźniak, President, Rajpol Group	**Robert Stobiński, Vice President, Amica**
For several years now, our business has been based on foreigners, m.in because Poles do not want to work in this model. This is hardly surprising: most of our compatriots have no problem finding a full-time job all year round, so seasonal, hard work on the farm does not interest them. **So far, we have employed many people from abroad**, m.in. from Ukraine, but the number of citizens of this country residing in Poland and willing to take up this type of work has recently decreased significantly. More and more often you can meet workers from Nepal, Bangladesh or Colombia on our plantations. We are counting on the openness and dynamic actions of our state administration, which will make it easier for us to attract seasonal workers.	Immigrants are not equal to immigrants. Some of them actually have a work culture that meets our requirements, while some have a lower one. Some want to integrate with the society they are in or at least accept the fact that they are guests and therefore the leading culture is the culture of the country they have come to; some are more hostile and say, "No, you have to change your culture, because our culture is different." It is possible that there are not as many such cases as it seems, and they are only very much publicized for political reasons, around the elections, but the problem is really very important. Therefore, we must create such conditions that these are emigrants who want to work, and not only be in centres and use social assistance.
Jakub Nowak, CEO, JNT Group	**Paweł Adamowicz, Director of the Dryer Factory, BSH**
The situation is terrible because there is no workforce. We know that about a million Ukrainians have already returned to their country. In addition, on the one hand, we want to limit the influx of foreigners, and on the other hand, we want our economy to develop. **That is why we should issue permits to emigrants entitling them to work in our country**, because such a decision will bring a measurable financial effect. There are no Poles we could employ. We cannot count on this trend to change, because demography is inexorable and fewer and fewer inhabitants of our country are born. Therefore, the state should also support business in this area.	The Polish legal framework and procedures may not be the simplest, but we can act within them. We have been cooperating with employees from Ukraine for over 10 years. However, the Polish labour market must be ready for changes in the structure of employees - if only because of the end of the war. **That is why we have to look for new sources, open up to English-speaking employees, but also those who do not speak either Polish or English**. It is worth looking at the experiences of other Western countries – and drawing conclusions from the successes and mistakes of their migration policy (...). In Poland, in practice, the integration of the employee is handled by the employer.

Deregulation of the economy, reform of public administration and stable taxes

If it weren't for the word "tariffs", deregulation would be the economic word of early 2025 – especially in the context of collecting ideas in the initiative of Rafał Brzoska from InPost. Already in the diagnostic part, we have indicated the burden of excessive overregulation of the economy at the EU and national level, as well as during administrative and tax proceedings, law enforcement and enforcement of rights before courts.

Business leaders call for reducing overproduction and simplifying legal regulations, stability of regulations, and reducing the costs of reporting and reporting obligations. **Radosław Koelner** from Rawlplug claims that 18 out of 22 people in the accounting department in the parent company are state officials, because they deal with issues such as taxes, levies, and servicing the needs of the State Treasury. Only four people work for the company. According to him, the proportions are similar in other departments - occupational health, safety, environment and quality. Koelner also calls for a reform of the public administration and a slimming down of its structures (including the liquidation of various types of annexes to ministries - agencies and agencies that hinder business activities).

How overregulation and bureaucracy hamper business activity

Overproduction of law at the national level	**Robert Stobiński, Vice President, Amica** **The basic mistake is to assume that building bureaucracy and multiplying regulations can help in business development**. This is a fundamental element that gets in the way. Wherever we see very strong economic growth, very high GDP, there are significantly fewer regulations in relation to Europe. Politicians like to solve problems that they have previously created themselves (...) Entrepreneurs do not need help in realizing their visions. They want not to be disturbed. **We need constant and clear rules regarding tax systems, fiscal audits and others**. The entrepreneurs will do the rest themselves.
Unstable law. Frequent changes in regulations	**Artur Bielak, Chief Financial Officer, Herbapol-Lublin** **The key here is to ensure regulatory stability, simplify the tax system and reduce administrative barriers**. Entrepreneurs need a predictable legal and economic environment that will enable long-term development planning. Previous support programmes often involved excessive bureaucracy, which limited their effectiveness. An important factor is also the development of the capital market and mechanisms for financing innovative projects, which will allow for the dynamic development of the high-tech sector.
	Waldemar Olbryk, CEO, Archicom **Construction is a sector in which investment processes are long, and once a project is designed, it is difficult to suddenly change during implementation**. New regulations appearing every now and then cause that even unrealized investments fall into new requirements and restrictions. Another example? Sustainable development of the real estate industry could become a catalyst for innovation, but it requires simplified procedures, stable rules and greater participation of practitioners in the legislative process.
Excessive bureaucracy and uncertainty regarding the interpretation of the rules **Costs especially for smaller companies**	**Tomasz Ciąpała, CEO, G8** Our finance and accounting departments are absolutely overwhelmed by the **breadth of obligations, reports and the uncertainty of interpretation of all tax regulations**. This (...) provokes unnecessary costs. We should release this money and allocate it to investments, not to the production of unnecessary documents.
	Antoni Zbytniewski, Director, Fresh Logistics Polska A high level of regulation will always promote large entities. The more complicated and complex the regulations, the more resources are needed to support them. Corporate entities will always do better in such an environment, but for small companies this can be a serious problem. This is a general rule. As far as practice is concerned, I can cite an example of problems with sending offers. **Due to the GDPR, it is a multi-stage, very breakneck process**. Contrary to the past... The same is true of contracts. I used to go through them alone. Today, they are dealt with by the legal department, they are also examined in terms of compliance, m.in GDPR, international sanctions or corruption issues.
	Ryszard Florek, CEO, Fakro Today, we are bound by regulations that cost more and more. **We employ more and more people to serve the state, not business**. And more and more often we have to sue the state, which should favour us, not harm us (...) In Poland, the problem is not only the law itself, but above all its interpretation. Instead of the spirit of the law, only its letter is binding, often incompatible with the real economic conditions.
Dealing with officials **Poorly digitized administration**	**Wojciech Trojanowski, Member of the Board, Strabag** We operate to a large extent at the interface with the public economy or, to be more precise, with public contracting authorities. Therefore, one of the barriers remains the digital development of the public website. (...) I do not really believe that the state will play any special role in contributing to the particular growth of particular niches or sectors. **I would rather see the state as simply a good regulator and a stable legislator than a "driver" of change or a "driver" of innovation**. Certainly, in order to maintain the pace of economic growth - and we already know that we cannot rely on what has driven this growth over the last 30 years - we need to find ourselves in sectors with much greater added value.

Henryk Orczykowski from Stalprofil draws attention to the terribly long administrative procedures, giving as an example obtaining consent to invest in photovoltaics in one's own company. **Przemysław Sztuczkowski**, on the other hand, gives the example of the so-called direct power line, which would connect one's own RES source directly with the plant, where a 50% solidarity fee is required, as in the case of buying electricity from the grid. The need to reduce this fee was also pointed out by **Sebastian Jabłoński** from Respect Energy. According to him, the abolition of this fee would make it possible to reduce electricity prices for industry by 20-40%. The most striking example of a long-term blocking of investments in renewable energy sources in the power industry were the 10H requirements in the Wind Turbine Act.

Nevertheless, **Lars Gutheil** from the Polish-German Chamber of Commerce and Industry welcomes the government's announcements regarding deregulation and expects improvement. It emphasises the importance of dialogue between the government and business representatives and treats it as a qualitative change. The new deregulation initiative in the Polish economy is also well received by **Adam Góral** from Asseco Poland. According to him, it integrates the business environment and gives an opportunity for a broader view and changes in the legal system.

Dominika Bettman draws attention to the importance of digitization in the public sector, which helps business - and in this field Poland has some successes. **Agnieszka Kubera** from Accenture has a similar opinion. He argues that digitalisation would help public administrations make decisions quickly by sharing better information, eliminating duplication of processes and improving data collection. **Wojciech Trojanowski** from Strabag sees rather barriers to the digital development of the public side, which is important in sectors that rely - largely - on public procurement, such as construction.

Some of our interlocutors pointed out – in addition to horizontal deregulation – also the need to introduce many changes or reforms at the industry level. **Sebastian Szymanek** from Polpharma claims that it is necessary to listen carefully to the voice of many industries and specific changes in sectors.

Proposals for simplification and greater stability have often been formulated in relation to tax regulations and tax proceedings. **Robert Stobiński** from Amica claims that overregulated and unstable taxes affect prudent, conservative investment decisions, and complicated regulations encourage optimization in tax havens.

High military spending as an opportunity for many sectors

Polish companies also see their development opportunities in connection with the planned increase in defence spending – which applies to the EU as a whole – or its maintenance at a high level of about 5% of GDP in Poland for at least the next few years. We expect that the increase in defence spending (from around 2% of GDP on average in the EU in 2024 to 3.5% of GDP in 2028) will be driven mainly by military spending.

Bloomberg estimates that the EU can increase its production of drones, armoured vehicles, anti-tank weapons, small armaments and missiles with relative ease, but still has to rely on U.S. intelligence and communications services, and to a significant extent on U.S. air defence systems, artillery systems, fighter jets and helicopters.

Nevertheless, recent political commitments at EU level show that increasing the EU's own defence capabilities and deterrence systems is a priority. This will be an opportunity for sectors such as construction, the steel industry, the production of means of transport and the electronics industry.

To sum up: the key problem will be whether the stream of arms orders will be directed to domestic or foreign manufacturers.

Polish industry can benefit from arms procurement

Bartłomiej Dobosz, co-owner, SKB Group I hope that not only we, but the Polish industry in general will benefit from the growing needs of the defence sector in the coming years. **It is important that the money for defence goes to domestic manufacturers**, whether finished products or components - so that they can develop further. I do not agree with the opinion that the Polish industry is not able to meet the needs of the Polish army. It is able! And if you need to buy something abroad, let's choose wisely, along with good offset agreements.	**Radosław Koelner, CEO, Rawlplug** For the time being, military spending is boosting industry abroad. These expenses would be "productive" for our economy if the majority of purchase orders for the army remained in the country. But this is not the case, if only because the production of a tank in Korea is cheaper than in Poland. And also because **Polish industrial structures are not able to absorb such money** as the Polish budget has been spending on armaments for three years, nor are they able to develop as quickly as these expenses are growing. First, therefore, it is necessary to build a "production substance". Perhaps the situation will change in two years - if the state monopoly of production for the needs of the army is reduced. Today, this monopoly results in a limited ability to react quickly to changes in conditions and a rapid inflow of capital to the arms industry.
Lars Gutheil, dyrektor, Director, Polish-German Chamber of Commerce and Industry AHK Cooperation in military and defence technologies is becoming increasingly important. The introduction of **Industry 4.0** solutions will be important to increase productivity. Social and economic changes will increase the importance of the services market, which is already growing dynamically.	**Konrad Świrski, CEO, Transition Technologies** It is clear that the world is disintegrating into certain areas that are very protectionist. Companies are supported by government investments, companies with strong links to the military sector are strengthening... **The military sector is starting to play a very important role** (...) The current moment is unpredictable - due to the controversial decisions of the American president, but - paradoxically - it affects the development of the European industry, especially in the defence sector.

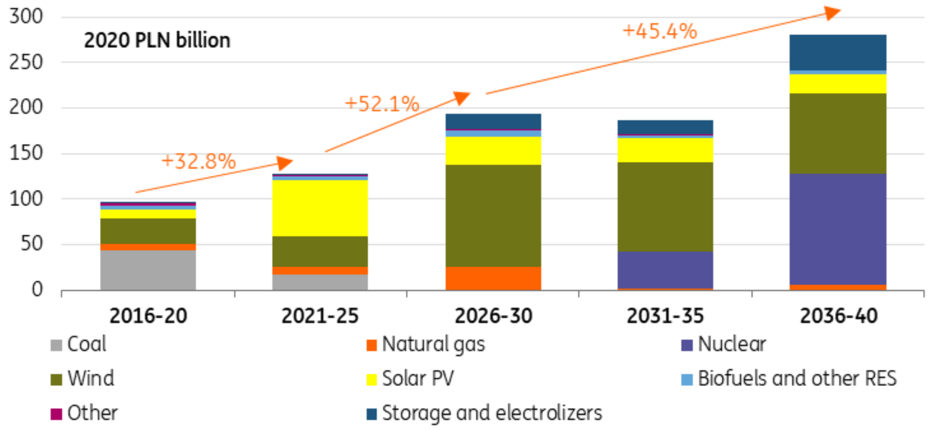
Accelerating investments in the energy transition and transport infrastructure

Maintaining international competitiveness will require accelerating the energy transition and significant investments in new capacities and electricity grids. Ambitious plans in this area were presented by the Polish Power Grids (PSE SA) at the beginning of the year, as we wrote in the article on Think.ing.com

We estimate that in the second half of this decade expenditure on new capacity in the energy sector should double compared to the second half of the previous decade (2016-20), and the largest investment programs will be investments in wind energy (offshore and onshore), photovoltaics, natural gas and energy storage. A prerequisite for greater integration of new capacities in the system is investments in grids, which will account for about 1/3 of investments in capacity.

Investments in the energy transition in this decade will be facilitated by access to EU funds from various sources, including the National Recovery Plan and the cohesion policy. The steel industry will be the beneficiary of the expected boom in energy investments, as noticed by **Henryk Orczykowski** from Stalprofil. **Elisabetta Caprino** from the Italian Chamber of Commerce and Industry in Poland notes that the energy transition is, on the one hand, a challenge for Polish competitiveness (coal and gas account for about 70% of the energy mix), but on the other hand, it can be an opportunity to attract investments and make a technological leap. According to **Dariusz Grzeszczak** (Erbud), the energy sector is not even a "strategic branch of business", but actually the foundation of any other industry. To make our economy more competitive, we need to provide cheaper, safe and stable electricity.

Figure 18 Planned investments in new power generation capacities in 5-year periods by source, PLN billion, constant prices 2020



Source: PEP 2040 (2021) and aKPEiK, WAM scenario, October 2024.

Sebastian Jabłoński from Respect Energy argues that a system based on renewable energy sources will be cheaper in the long term than one based on fossil fuels, if we take into account security issues and dependence on external suppliers. Green energy sources have zero marginal cost, which other technologies do not offer. However, it is difficult to reach this system - due to the need to balance the system. Energy storage facilities help in the daily cycle, but they are unprofitable in storing electricity for longer periods. Sebastian Jabłoński claims that when it comes to clean energy technologies such as photovoltaics or windmills, the cards have been dealt, which means that we are dependent on technology suppliers and it is difficult to compete with China. However, he adds that in the construction of a photovoltaic power plant, solar panels account for 20% of the costs, so the remaining 80% creates space for the development of local business.

The availability of EU funds, supplemented by private financing, should allow Poland to continue the modernization of its transport infrastructure (road, rail or port) and to continue investing in logistics.

Grzegorz Lot from Tauron Polska Energia also believes that in the long term, energy from wind, sun and water is more attractive in terms of price than fossil fuels. New, stable investments are needed. According to Lot, the certainty and flexibility of energy supply and its green origin are key for investors. He claims that it is necessary to build renewable energy sources, connections between countries - so that Europe is a self-sufficient continent, powered by green energy. This is how we can stand out and gain a competitive advantage against countries rich in energy resources.

Michał Wypychewicz from ZPUE believes that when we talk about green transformation in the energy sector, we are actually talking about energy security, which is today the foundation for the development of European economies. Energy from renewable energy sources is not only greener, but also much cheaper than that generated using fossil raw materials. Michał Wypychewicz adds that in the case of renewable energy sources, we are talking about a decentralized system, which is a much safer system in the event of a military threat.

Space for energy and infrastructure investments

Wojciech Trojanowski, Member of the Board, Strabag

Concrete data show that improvement must take place. We have a significant increase in positive sentiment both in industry and in private investments. **And we can see a clear unfreezing of public investments - a large number of tenders on the railways**. And also the continuation, although perhaps less than we expected, of investments in national roads and motorways in Poland, despite the fact that there is a visible shift to the fourth quarter. I assume that the transition period, which we always observe after local elections, will end and there will be a larger pool of investments at the local government level. In addition, we should note the announcements (and partly their implementation) of the preparations of mega-investments at the central level, i.e. the Central Communication Port or a nuclear power plant. We are also talking about **large investments in the military and health care sectors** (...)
Unfortunately, we have a delayed **offshore wind program** in the Baltic Sea by a few years. We also need to quickly regulate investments in onshore wind energy. And all this must be followed by the **transmission infrastructure** and the possibility of connecting to the system. Huge investments are necessary here, as already announced by Polskie Sieci Elektroenergetyczne.

Dorota Pyć, President, Port of Gdansk

In order to maintain competitiveness on international markets and ensure further development of Polish seaports, pragmatic investment is needed in **infrastructure**, in particular access infrastructure (primarily rail), as well as in port facilities, taking into account improvements in operational efficiency. The capacity of seaports may become a serious challenge in the future (...)

In the context of the development of the Port of Gdansk, Gaz-System's investment in an FSRU floating LNG terminal, i.e. a vessel storing LNG - liquefied natural gas and having an installation changing this raw material into gaseous form, which will then be injected into the transmission network (...)

Further construction and reconstruction of roads and investments in rail infrastructure to and from seaports, as well as inside the ports themselves, are needed. It is also worth looking at the maritime economy as a system of interconnected vessels - interdependent.

Lars Gutheil, Director, Polish-German Chamber of Commerce and Industry AHK

According to a recent KPMG survey, 22% of German companies are considering moving production to Central and Eastern Europe. Poland is listed first as the preferred location. The location close to the German market (Polish's largest trading partner), the quality of consistently developed **infrastructure** (railways, roads, ports, CPK, logistics centres – national and regional), the quality of business services, including logistics, as well as **the still attractive labour market** are Polish's strengths. In recent years, Poland has become a regional logistics hub, allowing it to operate on other European markets. (...) Domestic international players are also growing, including companies established in the 1990s, which are increasingly operating in advanced sectors of the economy.

Kamil Jedynak, President, OT Logistics

Current projects, such as the expansion of the **Baltic Hub in Gdansk** or the planned large **deep-water container port in Świnoujście**, indicate that Poland is focusing on the development of the infrastructure necessary to serve the rapidly growing segment of container transport.

We are also adapting to these trends by investing in the versatility of our ports, expanding the ro-ro handling capacity or preparing facilities for logistics and intermodal services dedicated to containers. This not only increases our trans-shipment potential, but is also in line with global trends.

Looking at the whole: the development of ports and the growing container trans-shipments prove that the Polish economy is doing better and better in international competition, becoming an important transit and logistics point on the map of Europe.

Boosting private investment. Lower interest rates and foreign investment will help

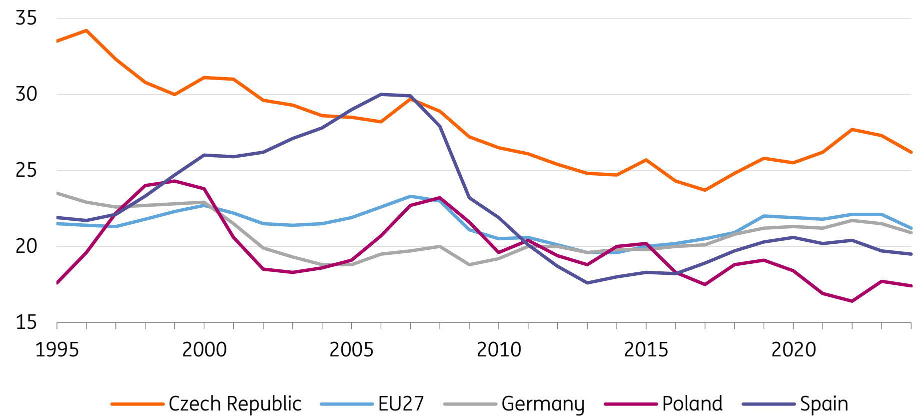
Our last year's report was dedicated to investments, in particular to identify the reasons for the regression in private investments of the corporate sector and to identify factors supporting investments in the future. Last year, investments fell by 2.2% in real terms. Private enterprises. Having concerns about the economic prospects and acting in survival or waiting mode, they refrained from higher investment spending. Especially since they remember the recent episode of very low interest rates, which is why they assess the current monetary policy as very restrictive.

Until now, Polish business has remained reluctant to invest, which resulted from increased uncertainty and a difficult external environment. They consisted of factors that we wrote about earlier in the report. These were in particular the war in Ukraine, the weakness of the German economy, the systematically increasing competitive pressure from China and other developing countries, and Trump's protectionist trade policy. Protectionist tendencies were also visible earlier, albeit on a smaller scale, during the presidency of Joe Biden, when the U.S. made significant efforts to attract investors in selected sectors, including clean energy technologies (IRA) and the IT sector (Chips Act).

Among the factors unfavourable to investments, our interlocutors also mentioned high interest rates. However, due to the improvement in inflation forecasts for this year and the expected deeper cuts in the ECB's interest rates, we see significant room for NBP rate cuts, even to 125 basis points this year and another 75 basis points by mid-2026. The NBP reference rate may fall to 3.75% in this period from 5.75% in April 2025. The argument for loosening the monetary policy in Poland is its excessive restrictiveness, visible in the low demand for credit and the pressure on the zloty's strengthening. The latter has indeed relented after a "dovish" turn in the rhetoric of the Monetary Policy Council after the meeting at the beginning of April this year and in the conditions of global exchange rate reshuffles due to Trump's tariff decisions.

The expected start of the NBP interest rate cut cycle this year should be conducive to a recovery in private sector investments in the short term. Poland will implement the necessary investments related to the energy and digital transformation due to the deadline for the use of subsidies from the National Recovery Plan (August 2026). **Kamil Majczak** from Qemetika noted that in countries that increased public investment, private investment spending also increased. **Lars Gutheil** from the German chamber of AHK positively assessed the role of special economic zones in attracting investors. But at the same time, he noticed a significant difference in financial resources and the quality of investor service in these zones, distinguishing the zones: Wałbrzych, Katowice and Łódź. On the other hand, **Ryszard Florek** (Fakro) praised the Estonian CIT as a tool stimulating the reinvestment of profits in Poland. In Estonia, as long as profits are reinvested into the company and not distributed, they remain untaxed.

Figure 19 Investment rate (% of GDP)



Source: Eurostat

High interest rates inhibit private investment

Bartłomiej Dobosz, co-owner, SKB Group Unfortunately, **interest rates are also hurting us today**. Money on the market is expensive, and most investments are made on credit. Meanwhile, the margin "on production" is several percent, so each additional percent in the cost of capital is a serious problem (...) Access to financing, of course, could be better - as it is in Germany or Asian countries. Banks there operate very efficiently. In Poland, the general increase in bureaucracy is also felt in the banking sector.	**Tomasz Buraś, CEO, DHL Express Polska** DHL Express in Poland is very profitable – it is part of a stable, global corporation. As a result, we do not have problems with access to external financing, which has been high in recent years, and therefore unfavourable. **In the last five years, however, some of our investments have slowed down. This is a consequence of interest rates in Poland**. We have to take this into account in our plans, because it provokes additional costs.
Wojciech Trojanowski, Member of the Board, Strabag In general, we need to increase the share of investments in domestic production, because we need more and more money for defence, for social spending, for demographic change, for the digitization of the economy, for improving competitiveness. This can only be done by increasing the percentage of investment – both private and public – in GDP. Private companies have money, and **investment decisions are greatly influenced primarily by the possibility of long-term planning and legal stability**.	**Ryszard Florek, President, Fakro** I don't know of a more effective source of funding for innovation than reinvesting the company's profits before taxation. Such capital is guaranteed to be used sensibly, because the entrepreneur will engage it in the development of a business that is already operating, based on market parameters and customer needs. And the best tool that Poland already has in its hand to stimulate reinvestment is the **Estonian CIT**. Unfortunately, as I mentioned, it applies only to some entities. This opportunity must be freed up to ensure the right level of private investment.

Deepening the financial market – traditional and risky forms

The low investment rate means that the Polish economy does not use its development opportunities. Investments require financing. On the other hand, the low level of "leverage" creates room for a significant increase in lending, Poland may also benefit from the deepening of the financial market, strengthening the stock market, wider access to riskier forms of financing, such as venture capital or private equity.

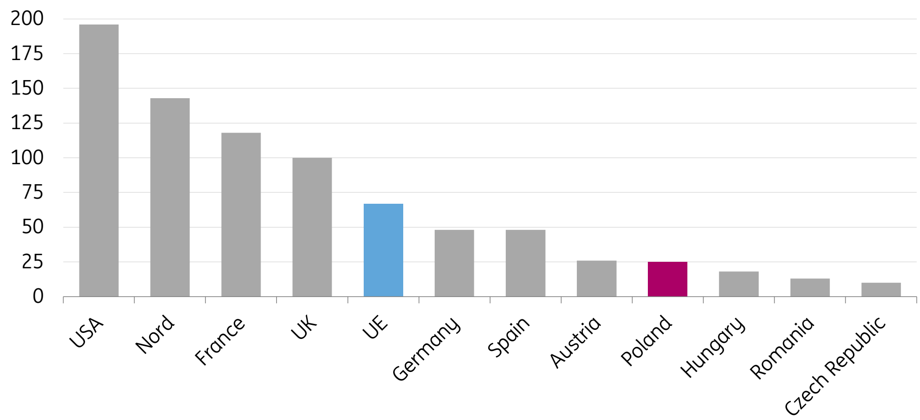
Financial deepening is one of the key success factors in innovative economies, as it ensures complementarity of available sources of financing and adaptation to the needs of companies at different stages of company development. The deep financial market is manifested both by easy access to traditional sources of financing from banks or the capital market, as well as by openness to risky forms of financing innovation. Poland has room for improvement in both areas.

In recent years, Polish companies have been "deleveraging", and the share of credit in GDP has fallen to the lowest levels in the EU. Today, there are more treasury bonds on banks' balance sheets than total loans to the economy. The Stock Exchange (WSE) appears to be stuck at an average level of growth with a capitalisation of around 25% of GDP, about 2.5 times lower than the EU average (2023). The President of the Warsaw Stock Exchange, **Tomasz Bardziłowski**, supports the strengthening and development of regional markets in Europe. European economies need huge resources to finance innovation, energy transition, infrastructure and the development of smaller companies. In his opinion, strong, local capital markets are better suited for this than a single, centralized trading floor.

Outflow of foreign investors from the Polish stock exchange

Wojciech Trojanowski, Member of the Board, Strabag	**Kamil Jedynak, President, OT Logistics**
Certainly, the Polish banking sector is very flexible and open to cooperation with customers, also when it comes to offering new products. When it comes to the availability of funding, the key issue is actually the zloty and interest rates in PLN. **As for the stock exchange, unfortunately in Poland it does not play the role it could have**. I think that fewer and fewer entrepreneurs see the advantages of the stock exchange, while more and more see problems related to functioning on the stock exchange. On top of that, there is a large nationalisation of the stock exchange, which also does not encourage other entities.	Currently, raising capital through the stock exchange or issuing bonds is clearly difficult. In recent years, **we have seen a large outflow of foreign investors from the Polish stock exchange**, which has made it quite chimerical and based on short-term fluctuations rather than long-term trends. Poland, on the other hand, is sometimes perceived as a country with a relatively high risk, which has a negative impact on the availability and costs of external capital.
Grzegorz Brona, President, Creotech Instruments	**Jakub Nowak, President, JNT Group**
Private investments require the existence of large Polish private capital, and this is only now beginning to be available; it took us a while to accumulate it... **It is also necessary to effectively encourage foreign private funds to enter Polish market**. And in principle, there are no formal restrictions. What remains is to promote our country as a stable market for long-term investments in innovation. I will also emphasize the issue of keeping key technologies in Polish hands, but this is another topic.	There are fewer and fewer foreign investors on our stock exchange. This is due to a very simple reason. **Entrepreneurs are discouraged by unclear regulations and the fact that they are constantly surprised by new, unfavourable and underdeveloped regulations**. A new law comes into force, which even the rulers do not understand and are not prepared to implement. An example of such a solution can be the deposit system, the introduction of which had to be postponed. This uncertainty makes potential investments postpone. Therefore, we should predict certain events and "profit" as much as possible.

Figure 20 Stock market capitalisation, 2023 (% of GDP)



Source: WSE. Nord stands for Nasdaq Nordics & Baltics.

In financing investments, Polish companies mostly rely on their own funds. **Lars Gutheil** from AHK cited the results of a survey among entrepreneurs, which shows that own funds have a 70% share in financing investments, 11% of companies rely on loans, credits and leasing. Companies rarely issue shares or bonds. Some of the interlocutors drew attention to the structure of the Warsaw Stock Exchange, a large part of which are entities with State Treasury shareholding, as well as the costs and burdensome procedures for raising capital by the stock exchange. Poland also lacks a developed market of venture capital and private equity funds that would support the development of companies through the transfer of know-how and access to international business networks.

Room for financial deepening

Kamil Majczak, CEO, Qemetica	Tomasz Ciąpała, President, G8
Qemetica has shown that **Polish companies can make large acquisitions** – we have taken over the production of precipitated silica from PPG in the United States. To do this, we have secured financing for PLN 3.4 billion from a consortium of 10 banks. This is a perfect example of good cooperation between business and banks. Our investment is also a sign that Polish companies can operate globally - if they have the right financial support. We focus on expansion - after the acquisition of PPG's business in the USA, we focus on further development in this market and do not rule out further acquisitions outside Europe.	**Private savings in Poland focused primarily on deposits and apartments**. Tax law is an incentive for this. Private funds should, of course, be more strongly redirected to support the development of Polish companies, primarily on the capital market. Many Polish companies have a high "potential to scale", but they have fallen into the trap of medium growth and need cheap capital for further development. **Today, our capital market rewards exiting private equity funds through the WSE**. I am talking about the needs of medium-sized companies, mainly family-owned, which should easily debut on the stock exchange and raise capital for further development there.

Economic growth based on innovation requires openness to experimentation and risky forms of financing that enable new companies to enter the market. **Karolina Czekaj** from Adamed Pharma notes that in Poland there are 8.7 start-ups per 100,000 inhabitants, while in Germany there are 24.8, in France 33, and in the United Kingdom - 61.8.

There are also no companies on a global scale in Poland that could acquire, finance and develop innovative companies. And that is why Polish start-ups often look for foreign investors and do not develop on the basis of local capital.

Growing the start-up ecosystem and attracting venture capital

Maciej Dyjas, Co-Owner, Griffin Capital Partners	Jacek Siwicki, President, Enterprise Investors
The capital market in our country is what it is – **there is still relatively little domestic capital**, and at the same time the transparency of where "investment opportunities" appear also remains much lower than in the West. And since this market is quite modest, - with some exceptions - neither an organised, professional system of institutions and services for entrepreneurs looking for capital, nor a network of high-class advisors and analysts who could support international investors has developed much.	The fact that the state and the European Union have put funds into VC and PE funds, investing in small, promising companies at an early stage, is a great idea (it is absolutely worth continuing in this direction). The idea that it should be done not by officials, but by professional private investors, who would also risk their own funds, putting up 50 per cent of the necessary sums, is very accurate.
Waldemar Olbryk, President, Archicom	**Grzegorz Brona, President, Creotech Instruments**
We still have an underdeveloped startup ecosystem and an inadequate education system. Poland has undergone an impressive economic transformation that can make us a place where innovative solutions are created and scaled up, but **we need to challenge the patterns of the past and adapt to new realities**. Flexibility, agility and innovation should be the foundations for further growth and competitiveness of our economy.	In the field of high technologies, there are many problems in further economic development. These areas require high financial outlays – in order to secure the accumulation of know-how and the automation of specialised production. **High-risk investment capital - a suitable source for this type of venture - has been bypassing Poland for years**. We are still not associated with the country of deep techs (...) In order to have highly qualified university graduates, **it is necessary to have highly qualified university employees**, who in turn learned from their masters... And yet many high-tech fields have not been developed in Poland in the past, which is why there is a shortage of such specialists at universities.

3. Changes in the corporate sector

Polish business is facing a test of long-term resilience in a difficult external environment. However, business representatives are aware that **there is a need for a technological change in the economy and an increasing competition on quality than price**. With hopes for positive changes in EU and national policies, the answer to negative demographic trends is to invest in labour-saving technologies – automation, robotisation or the implementation of artificial intelligence (AI) solutions. What is needed is better cooperation between business and science and cooperation with foreign countries, as well as attracting foreign direct investment, which carries a component of technological progress.

The starting point when it comes to the innovativeness of the economy shows a lot of room for improvement. Many Polish innovative projects are sold to foreign companies because local companies do not have access to capital or infrastructure for further development. **Radosław Koelner** from Rawlplug claims that digital solutions and AI should be introduced in companies as soon as possible, but his company is allegedly one of the few in the industry that can use AI. **Henryk Orczykowski** from Stalprofil believes that Polish companies are already at a global level and are thinking about AI or improving IT tools.

The need to move towards a more advanced economic model

Kamil Jedynak, President, OT Logistics In the face of global competition and increasing challenges – both technological and environmental – it is necessary to build strong foundations for modern sectors based on knowledge and advanced technologies. In the port area, this implies, among other things, **a greater emphasis on the automation and digitization of transshipment processes** and the development of infrastructure to handle increasingly diverse types of cargo. The growing importance of container transport or sea imports of petroleum products requires investments in modern infrastructure and technologies that allow for effective handling of the growing volume of cargo.	**Konrad Świrski, President, Transition Technologies** **Globally, in the IT sector, we need to move towards more advanced and more complex services. Simple things will be "cut" by artificial intelligence**. High specialisation remains the right way. And here in Poland it is expensive, but still cheaper than in the richest countries of Western Europe, where there is also a shortage of programmers. There we see a niche to which we direct our services.
Hubert Woźniak, President, Rajpol Group Poland is a large producer and exporter of fruit, especially apples and blueberries, and preserves based on them. Our main competitive advantage on the European and global markets is still the price (...) The problem is that **we have not created a brand of Polish apples, Polish blueberries on the European and world arena**. We win only with the price, which is a certain weakness and does not give the opportunity to build a large added value. The weakness of the Polish fruit market, however, is the lack of organization. Our producers and fruit growers are organized at the level of only a few percent, and in the case of our competitors from Italy or Spain, we can talk about the level of 80-90 percent.	**Antoni Zbytniewski, Director, Fresh Logistics Polska** We are starting to compete in a completely different league - we have been promoted to the group of developed countries. In my opinion, this is good. **However, playing in a higher league is a big challenge for the Polish economy**, requiring reliance on new technologies and the production of greater added value. (...) Productivity is also growing thanks to the fact that production systems focusing on efficiency based on Japanese or Western European experiences are being implemented in Poland - and this radiates to the entire economy, including logistics. **Polish companies are also highly digitally advanced**, at least at the corporate level, and this affects productivity. Digital tools are changing, we work in cloud systems..

Investments in labour-saving technologies – digitisation, automation, robotisation, AI

The obvious answer to the problems of labour shortages and rising labour costs is investments in automation, robotisation or the implementation of AI solutions. Especially since Poland has strong competences in the IT sector, automation, engineering and digital technologies. According to **Robert Stobiński** from Amica, automation or robotisation have been present for 15-20 years and companies have a lot of robots in their factories, especially in repetitive processes. **Karolina Czekaj** from Adamed Pharma believes that pharmaceutical production requires modern technologies, automation and digitisation, but access to them in Poland is limited due to high investment costs.

When it comes to AI, according to **Artur Pollak** from APA Group, its use in business is not happening as quickly as in private life. This involves, among others, staff training, analysis of legal conditions and risk identification. Larger companies are more active in this field, deciding on pilot projects or even full implementations. This can lead to a widening of the technology gap between larger and smaller companies. **Lars Gutheil** from AHK believes that – based on the same regulations – AI tools are intensively used in Scandinavia, but to a small extent by companies in Poland.

Maciej Wyczesany from Apator claims that sectors related to electronics, energy, software and automation should be promoted. According to him, programmes such as Clean Air are important, but they do not increase the competitiveness of the Polish economy.

Automation, robotisation, AI

Tomasz Buraś, CEO, DHL Express Polska	**Artur Popko, CEO, Budimex Group**
We also use AI, thanks to which we eliminate repetitive activities and tasks. A good example is customs clearance. A dozen or so years ago, everything was done manually, with a large number of papers – stamps, signatures (...) However, digitization and computerization are tools... You definitely have to have them. I believe that the essential thing is the need for business to operate effectively. The word "**agile**" is still popular – process solutions that can improve the functioning of companies. And no one knows better where we can function more efficiently than the people who participate in this process on a daily basis.	[Robotisation and automation]... In road and railway construction, it can be of great importance. Already, more and more functional machines are eliminating manual work. The average proportion is that today one person - the machine operator - replaces the work of 3-4 employees who performed this task just a few years ago. Automatic systems that do not even require an operator are also in use. However, the problem of the lack of technological conversion occurs primarily in residential construction and in the building materials industry... But I'm not saying "no" - technology is evolving..

Closer cooperation is needed, also with foreign entities

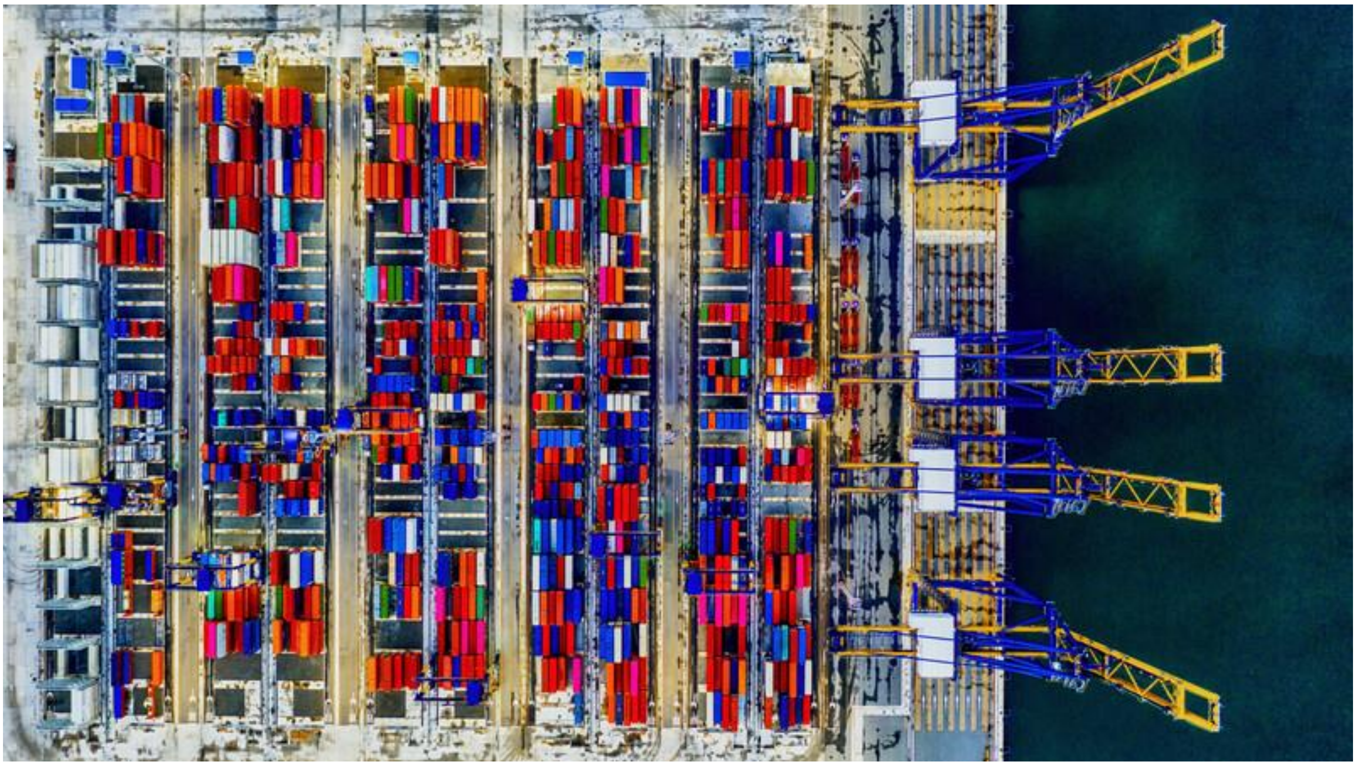
In an innovative economy, knowledge is easily "transferable" between companies, social relations are more important, and cooperation between business and the world of science is particularly important. The diffusion of technological progress requires greater cooperation between companies, also with the participation of foreign companies.

This aspect was pointed out by all representatives of foreign chambers of commerce in Poland. **Agnieszka Zielińska** from SPCC stated that Scandinavian investors want to develop in Poland, as evidenced by the high level of reinvestment of profits from the activities of these companies in our country. On average, Nordic investors reinvest 70% of profits (10 percentage points more than the average for all foreign investors), in the case of Swedish companies even 90%. **Lars Gutheil** from AHK noted that German companies are increasingly opening research and development centres in Poland, concerning, for example, the aviation and space, automotive, automation, energy and plastics industries. On the other hand, **Elisabetta Caprino** from the Italian Chamber of Commerce and Industry believes that Poland should attract global innovation leaders by creating better conditions for R&D centres.

Michał Wypychewicz from ZPUE expects support from the state in the promotion of Polish enterprises on the international arena. He claims that when the president of France arrives on an official visit, he is accompanied by a delegation of French business, which negotiates contracts and investments on this occasion. On the other hand, in Poland, relations between business and politics are still viewed with suspicion as corruption-generating situations. This lack of social trust must change. He admits that some time must pass to strengthen the international scale of Polish business. But we need to build Polish's soft power.

Cooperation and social capital needed to improve competitiveness

Bartłomiej Dobosz, co-owner, SKB Group Sometimes in Poland we try to look for solutions on our own. This is good in itself. However, we often come to those that someone has already come up with. **By skilfully cooperating with foreign entities, we shorten our path to innovation.**	**Ryszard Florek, President, Fakro** **The key to success in improving competitiveness is building strong social capital**. In countries where people, entrepreneurs and public institutions trust each other, there is also a high level of earnings for employees. But there are even more examples that where there is a deficit of cooperation - the level of income is low (...) In my opinion, in Poland, there are reserves of at least 50 per cent of economic growth in social capital.
Michał Wypychewicz, President, ZPUE Our biggest problem in Poland is the ability to accept our own mistakes. This is culturally inherent in us. **Such a noble pride that does not allow not only to admit to a mistake, but also to look for support in difficulties**. I think this is one of the biggest obstacles on the way to innovation, because it cannot be created without mistakes, attempts, abandoning unsuccessful projects and trying again (...) We definitely need to start with education. Today, the integration between universities and business is very weak and we have a lot to improve here. The knowledge gained at universities is totally uncorrelated with the so-called economy of the future.	**Dorota Pyć, President, Port of Gdansk** For the logistics and port sector, it is crucial to increase efficiency through automation, digitisation and good education policies. From the point of view of the maritime economy, the development of the university's potential, including maritime universities, is extremely important (...) **In addition to education, scientific research is also important**. Effective use of solutions created as a result of the work of research teams and scientific work in maritime industries is the key to the development of the Polish maritime economy.

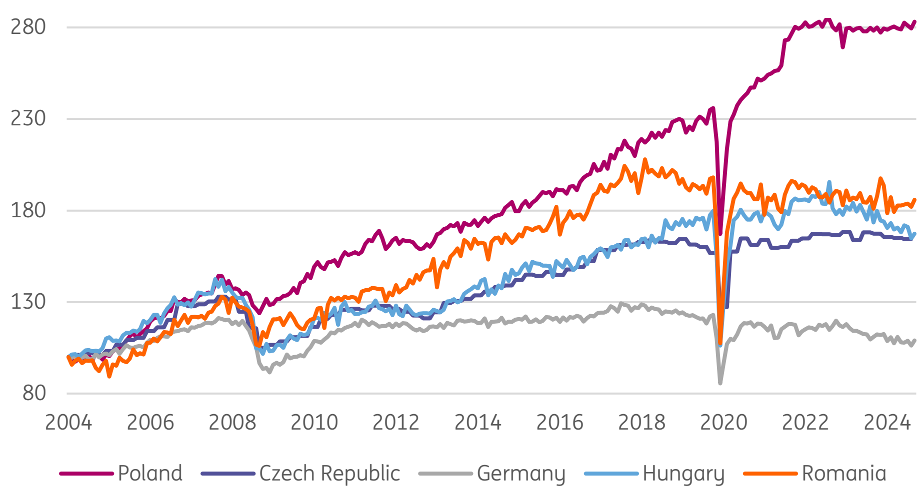


D. Conclusions, or how to become the second South Korea

"We need to rebuild the growth model of our economy. The mechanisms that allowed for the economic miracle in the last 30 years are running out. The fuel burns out. We need to shift from a 'low-cost, high-quality' mindset to 'specialised labour backed by large capital investments, backed by cheap energy and protected from being eliminated from supply chains'. This is the basis. This is what the whole world understands today. This requires us to take accelerated action to reverse the downward trend in investments. This is all happening too slowly. Expansion support should go faster. Public procurement for Polish companies should go faster. You should attack from all sides. With my feet too." Brunon Bartkiewicz from ING accurately sums up our report, although we came across this quote after preparing its outline...

The opinions of managers confirm our macroeconomic diagnosis. The accumulation of many negative factors has strongly undermined the growth capacity of the supply side of the economy. The effects are starting to appear only now, when the demand-side stimulation of GDP growth from recent years is running out. The observed stagnation of industrial production in Poland (see chart), repeating trends from Germany and the Czech Republic, is not only cyclical, but also the result of undermining the foundations of growth in recent years. Among them are: a sharp increase in labour costs along with increases in the minimum wage detached from the pace of productivity, an increase in energy costs as a result of omissions in the energy transition, inadequate education and an investment collapse.

Figure 21 Industrial production in Poland and selected EU countries (2004=100)



Source: MacroBond.

In our opinion, German, Central European and recently also Polish industry are losing the global war for the share of international trade. Asia and China are huge competitors for Germany, and Poland has further undermined its development opportunities through the above-mentioned mistakes in economic policy. But the Polish economy is still growing and remains the leader in the EU. The services sector is taking over an increasingly important role in the growth of the national GDP. In recent years, Poland has experienced a large inflow of FDI to the services sector, both shared services and research centres for new technologies. An important element of Polish's economic strategy should be to prepare the ground so that the diffusion of knowledge and technology from foreign companies to Polish service enterprises is more successful than in the case of industry. Examples of a successful transition of the economy to the dominant role of the service sector are presented by the Baltic States.

Korea, Taiwan, Israel and China are examples of countries where there has been a large diffusion of technology and skills from foreign companies to the sector of small and medium-sized enterprises. Unfortunately, in Poland this process had a limited scope. As a result, it was not possible to build large Polish international companies or to educate dominant sectors of the economy in which Poland has evident competitive advantages. The Polish economy is still characterised by an overrepresentation of small and medium-sized companies with a very diverse structure and rather low innovation.

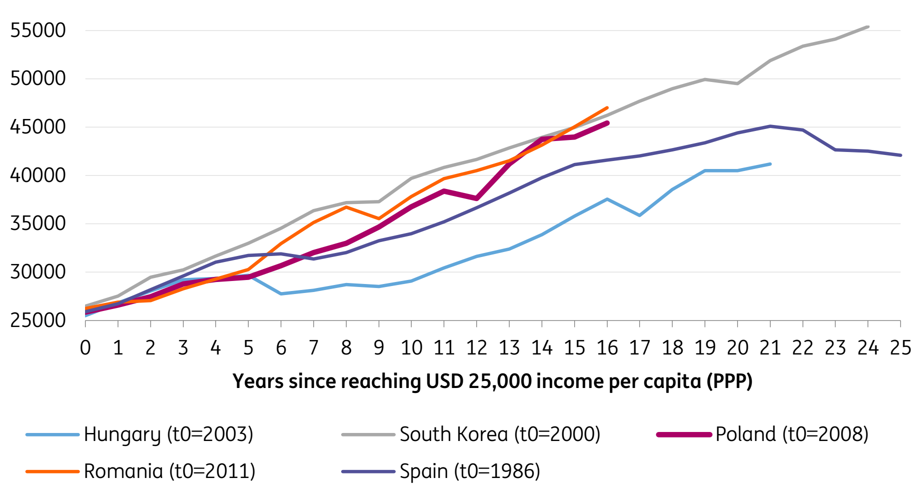
We see great opportunities in the inflow of new investments to Poland with the increase in investments in the defence industry in Europe. The goal of economic policy should be to prepare the conditions for this diffusion to occur this time. Defence investments cannot count on outsourcing outside the EU, which gives great opportunities for Polish companies to become the base of the defence industry from Western Europe.

Business representatives point out that the Polish economic model requires gradual adjustment. In the first place it is necessary to reduce taxes on labour and energy costs. Jarosław Gracel from ASTOR says: let's rely on what we are good at or have advantages in, and let's implement the "new" gradually, not by leaps and bounds.

We see the transition to a new model of Polish economic growth as an urgent task, although this process will take years, perhaps even decades. In the short term, in 2025-26, our economy will be based on "boosters", such as funds from the National Recovery Plan or higher military spending, it is worth using them to implement structural reforms, and this is how we perceive, m.in example, the initiative to deregulate the economy. But in the long term, in 3-4 years, Polish business must clearly focus on investments and innovations.

Referring to international comparisons: it is worth it for the Polish economy to follow a Korean rather than Spanish path of further convergence. South Korea is often cited as a country of rapid economic advancement – from a low-income country to a country that has managed to avoid the so-called middle-income trap and is now one of the most technologically advanced in the world. The country has based its growth model on investment, innovation, exports, and has focused on the promotion of large companies. After exceeding $25,000 in 2000 of average per capita income at purchasing power parity, the country remained on a sustainable path of further convergence.

Figure 22 GDP per capita (PPP) after exceeding 25,000 (in USD from 2021)



Source: IMF Country Report No. 25/6.

Such a success was not achieved, for example, by Spain, which, after reaching USD 25,000 per capita in 1986, first slowed down the GDP growth rate, and after about two decades recorded a decline in real income. Spain relied more on credit than South Korea in its growth model and less on investment, innovation or exports.

For about 15 years since crossing the USD 25,000 mark, Poland has been close to the Korean growth path. This process must continue. The example of South Korea, which is developing despite the constant threat from North Korea, shows that it is possible to maintain real convergence in conditions where state security is threatened. Moreover, the threat of war may be an additional impulse to mobilise domestic savings and build economic potential, including armaments. It is no coincidence that increased military spending in our country is partly implemented in South Korea.

Optimistic expectations for the future

Jakub Dzik, Member of the Board, Impel Group

And finally, the global economy: the move away from globalization, tariff wars that will or will not appear. We do not know whether we will produce in Poland or import from China, or maybe relations with China will become more difficult, because we will have to choose between them and cooperation with the United States.

The key is to observe and maintain Olympic calm. Discussions - a sharp "Twitter" exchange of views - are not able to build the success of the state. You have to be a statesman and do your own thing calmly. I really like the attitude of South Korea, which cooperates with China, cooperates with the United States - and does it very skilfully.

Dorota Pyć, President, Port of Gdansk

The outlook for the port industry is broadly positive. Despite global challenges, such as changes in supply chains or the geopolitical situation, the Port of Gdansk has great potential for further growth. The key activities are investments in infrastructure, development of digital technologies, expansion into new markets and development of logistics and intermodal services.

Tomasz Buraś, CEO, DHL Express Polska

In the eyes of foreign entrepreneurs – my colleagues – Poland is perceived as a country of exemplary success. This perception is very good, because Poland is achieving measurable economic successes (...)

The Polish economy is currently at the stage of moving towards services. Our country is at the forefront of many studies on great destinations for nearshoring and offshoring. Especially when it comes to shared service centres. Some say that Poland will be the new valley of AI.

Jakub Nowak, CEO, JNT Group

If there is a chance to end the war in Ukraine, Poland should be the main reconstruction hub. This is a reasonable solution also from a geopolitical perspective, because we are located in the immediate vicinity of places where military operations took place. It cannot be that Poland, which has been so strongly involved in helping Ukrainians, will not support the process of rebuilding the country destroyed by many years of armed conflict in business terms.

Adam Góral from Asseco pointed to inspirations from countries such as Korea and Japan, saying that if we do not learn from them humility, diligence, and reliability in assessing ourselves, it will be difficult for us to enter a higher level of development. According to **Dominika Bettman**, Asseco's strategy – i.e. the merger of medium-sized companies on a European or global scale – is in fact the only possible and promising option for Polish.

In an unstable world where the number of development options is increasingly limited, South Korea remains an example of a country that skilfully cooperates on the international stage.

Qualitative research of ING Bank Śląski and the European Economic Congress

Our report is based on in-depth interviews with 25 managers, business leaders in Poland and heads of 3 foreign chambers of commerce (German, Scandinavian and Italian) - combined with a macroeconomic and sectoral analysis of ING economists. Journalists from the PTWP Group portals conducted these interviews inspired by ING Bank Śląski in the first quarter of this year WNP.PL. In addition, the report uses selected interviews from the special, jubilee (WNP.PL turns a quarter of a century this year) project "25 for 25 WNP.PL". It is a series of interviews with 25 people who have notably co-shaped and continue to shape the economic image of our country.

Framework questionnaire for interviews with business leaders

In the interviews, WNP.pl journalists used the following framework questionnaire:

1

Is the current model of economic growth in Poland running out?

1. Which of the existing advantages in the conditions of the Polish economy are weakening, and which are maintaining their positive impact? Examples of growth drivers so far: relatively low labour costs; well-educated workforce; entrepreneurship of domestic business and a strong SME sector; level of foreign investment and reinvestment; opening of the EU market (as a result of accession to the Community and implementation of organisational and regulatory framework); expansion of exports and links with the German production and consumer market; quite large internal market and diversified structure of the economy; good location on the map of Europe.

2. In your opinion, how is Polish competitiveness shaping up today, especially on international markets? What are our own structural weaknesses (risks to growth and competitiveness)? Examples: demography and the situation on the labour market; persistently low innovativeness of the economy; not growing productivity fast enough; low level of investment; insufficient development of the capital market; lack of a group of large companies (even in comparison to Europe) and a definite dominance of the SME sector (investment conservatism); costs and limitations in the development of production as a result of the progress of the "green revolution"; insufficient or improper state activity (tax system, overproduction of law, the state of the capital market; high energy prices, our mix and underinvestment in the energy sector.

3. In the last decade, how have you benefited from the above-mentioned favourable conditions for the development of your company (scale of operations, main investments, management, exports)?

2

Do Polish companies see the need for changes towards a new model, based on sectors with higher added value and innovation? Is the external environment more difficult than it was 10-15 years ago? What threatens the Polish economy?

4. In order to maintain the dynamics of Polish economic growth and competitiveness, do you see an urgent and growing need to change our economic model in order to base it on sectors with higher added value, on innovation and higher productivity?

5. Is the situation on the labour market (demographic outlook, labour supply, low professional activation, rising labour costs, the level of employee competence and

education, immigration policy) a limitation for further economic development in Poland and do you feel such problems? What moves can change the deteriorating situation (especially the initiatives of the state administration)?

6. Has the competitive pressure in the world become much greater than a decade ago – looking at, for example, through the prism of the policy of China or the US (J. Biden's projects attracting investments to the country – Clean Energy Tech, Donald Trump's strong protectionism and his plan for export expansion)? What is the situation for Polish companies created by the economic stagnation in Germany and is it possible to effectively bet on other markets? Do these issues hinder/will hinder foreign expansion (exports, or investments outside Poland) in your case, and if so, to what extent?

7. What impact do the Polish government and the European Union have on the competitiveness of our economy? (what do they actually interfere with, and how can they be helpful for your industry and company? Can and how can Polish companies and sectors realistically benefit from the "strategic economic autonomy" promoted by the new EC (regulatory environment, funds)?

8. Do the high costs of energy in Europe, resulting from limited access to energy resources and the EU "green revolution" (even more severe in Poland), weigh heavily on Polish companies, affecting production costs and competitiveness? Should green policy be revised/postponed?

3

How do Polish companies adapt to the changing external environment and are they "ready to win the future"?

9. How to intensify productivity growth in our country? Are there any prospects for its significant improvement in the medium term through digitisation (including AI), automation, robotisation? What are still barriers in this area (innovation) in your industry?

10. What can accelerate and increase private investments in our country, including the most modern ones? Why has a significant intensification in this field failed in Poland for years – despite the grandiose announcements and forecasts of Polish governments?

11. Is access to external financing (banks, stock exchange) sufficient and does it support the production and sales expansion of the company? To what extent does your company benefit from this support?

12. To sum up: how do you see the forecast (growth/stagnation/regression) in your industry in the coming years? How does your company intend to maintain/improve its position (investments, innovations, foreign expansion, expansion of the business profile or even its change)?

Our interviewees

As in the previous four editions, the group of interviewees was very diverse (industries). The survey involved representatives of manufacturing companies, logistics and transport companies, as well as directors of three foreign chambers of commerce operating in Poland. They were people in managerial positions. Below we present the full list of interviewees and links to the conversations.

In addition, the report uses interviews conducted by the WNP.PL portal, which celebrates a quarter of a century this year and as part of a special project "25 conversations for 25 WNP.PL" talked to notable figures who co-shaped the economic image of our country. Links to these interviews (in Polish) are provided below.

Construction/Real Estate
Bartłomiej Dobosz, co-owner, SKB Group
Piotr Kledzik, President, PORR SA
Waldemar Olbryk, President, Archicom
Wojciech Trojanowski, Member of the Board, Strabag
Logistics & Transport
Tomasz Buraś, CEO, DHL Express Polska
Kamil Jedynak, President, OT Logistics
Dorota Pyć, President, Port of Gdansk
Antoni Zbytniewski, Director, Fresh Logistics Polska (Raben Group)
Steel industry
Henryk Orczykowski, CEO, Stalprofil
Food industry
Artur Bielak, Chief Financial Officer and Member of the Board, Herbapol-Lublin
Grzegorz Brodziak, President, Goodvalley Agro
Jakub Nowak, CEO, JNT Group
Hubert Woźniak, President, Rajpol Fruit Producers Group
Apparel industry
Tomasz Ciąpała, president, G8 (owner of Lancerto and Próchnik 1948)
Pharmaceutical industry
Karolina Czekaj, Director of Corporate Finance and Corporate Supervision, Adamed Pharma
Chemical industry
Kamil Majczak, CEO, Qemetica
Durable goods manufacturers
Paweł Adamowicz, Director of the Clothes Dryer Factory, BSH
Ryszard Florek, President, Fakro
Robert Stobiński, First Vice-President of the Management Board for Operations, Amica
Engineering
Grzegorz Brona, prezes, Creotech Instruments
Jarosław Gracel, CEO, ASTOR
Radosław Koelner, prezes, Rawlplug
Artur Pollak, prezes, APA Group
Maciej Wyczesany, President, Apator
IT industry
Konrad Świrski, CEO, Transition Technologies

Chambers of Commerce operating in Poland
Elisabetta Caprino, Managing Director, Italian Chamber of Commerce and Industry
Lars Gutheil, Chief Executive Officer, AHK Polish-German Chamber of Commerce and Industry
Agnieszka Zielińska, Managing Director, Scandinavian-Polish Chamber of Commerce

Source: WNP.PL

We also used quotes and references to interviews that made up the jubilee project "25 for 25 WNP.PL". They were: **Tomasz Bardziłowski**, President, Warsaw Stock Exchange; **Brunon Bartkiewicz**, President, ING Bank Śląski; **Dominika Bettman**, entrepreneur, general manager of Microsoft in Poland in 2021-2025; **Paweł Borys**, managing partner at MCI Capital, President of PFR in 2016-2024; **Tomasz Domogała**, owner and chairman of the supervisory board of TDJ; **Maciej Dyjas**, Managing Partner and Co-Owner, Griffin Capital Partners; **Jakub Dzik**, Member of the Management Board and CEO of the Impel Group; **Ireneusz Fąfara**, CEO, Orlen; **Adam Góral**, founder and CEO of Asseco Poland; **Dariusz Grzeszczak**, founder and President of the Management Board of Erbud; **Sebastian Jabłoński**, CEO, Respect Energy; **Zbigniew Jakubas**, owner of the Multico Capital Group; **Piotr Krupa**, CEO, Kruk Group; **Adam Krzanowski**, President, Nowy Styl; **Agnieszka Kubera**, Managing Director and President of Accenture in Poland; **Grzegorz Lot**, President, Tauron Polska Energia; **Szymon Midera**, President, PKO BP; **Krzysztof Pawiński**, co-founder, Maspex; **Marek Piechocki**, co-founder and CEO, LPP; **Artur Popko**, President of the Management Board of the Budimex Group; **Jacek Siwicki**, President, Enterprise Investors; **Przemysław Sztuczkowski**, President, Cognor; **Michał Sołowow**, owner, Synthos; **Sebastian Szymanek**, CEO, Polpharma; **Michał Wypychewicz**, President, ZPUE.

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Contribution from the European Economic Congress
Jacek Ziarno, Managing Editor of CIS Economic Trends
Journalists of the PTWP Group (authors of the interviews): Dariusz Ciepiela (2), Donata Chruściel (4), Luiza Jakubiak (1), Edyta Kochlewska (1), Jakub Lachert (3), Adrian Ołdak (4), Dariusz Malinowski (1), Piotr Myszor (3), Adam Sierak (2), Piotr Stefaniak (3), Michał Wroński (2), Jacek Ziarno (2).

Information and reservations

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