

Miscellanea



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Macroeconomic challenges and forecasts for Poland in the opinion of European financial congress experts – 8th edition

Introduction

The forecasts and opinions presented hereafter represent a quantitative and qualitative consensus from the responses to our questions received by 6 December 2021 from prominent Polish economists.

Quantitative forecasts were sent by 15 experts, and 42 experts presented their opinions concerning:

- the greatest threats to the economic situation,
- the greatest threats to the stability of the financial system,
- recommended actions in the area of economic policy.

Additionally, in this edition of the Report, we asked about the most important threats to the credibility of the Polish zloty in the perspective of 2023.

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Forecast

The dawn of 2021 took place in a situation with little optimism for the public health of Poles and considerable concern about the economic prospects of many households and businesses. The third wave of the pandemic in Poland at the end of last year was one of the most dangerous in the world. The same is unfortunately the case with the current, fourth wave. It has become clear that COVID-19 has become a long-term problem and risk, despite the availability of vaccines. As we warned in the previous Report and considering what is happening now, the introduction of additional measures to limit the spread of the pandemic may be repeated and affect the economic situation of many entrepreneurs. Nevertheless, the Polish economy recovered strongly in the first three quarters of 2021. Real GDP reached pre-crisis levels as early as Q2 of 2021. Although supply disruptions for some commodities and sharp increases in their prices have created problems for many industries, the strong labour market and consumer spending capacity (including a reduction in involuntary COVID savings) made the economic results satisfactory, although the effect of the very low baseline of 2020 should be borne in mind when interpreting the annual dynamics.

The economic situation in the coming quarters and years will be influenced not only by a tighter monetary policy, which has to fight high inflation, a weak zloty and rising inflation expectations, but also by an expected, at least slight, tightening in fiscal policy. All of this, within the perspective of the coming year, will be superimposed by the implementation of the Polish Deal (PL) and the implementation, after its possible approval by the European Commission (EC), of the delayed National Recovery Plan (NRP), the final shape of which has yet to fully emerge, although strong pressure from the EC concerning the implementation of reforms and spending on climate-energy and digital transformation should be expected.

We already know the preliminary GDP estimate for the third quarter of this year and the monthly basic macroeconomic data for the end of November. This is the starting point of the macroeconomic forecast prepared by the EFC experts.

According to the current forecasts of experts cooperating with the EFC, after a recession with a contraction of 2.5 percent last year, a strong economic rebound should be expected in 2021 with GDP dynamics at a level of 5.2%, and then decreasing to 4.4% in 2022 and to 4.0% in 2023. GDP projections indicate that experts expect a faster and larger, but much shorter rebound after 2020 than was seen in previous forecast editions. The average forecast of economic growth for 2022 decreased by 0.7 percentage points, and in 2023 by 0.4 percentage points. This decreasing optimism can be linked to higher inflation and the expected monetary policy response, as well as problems with the acceptance of Poland's National Recovery Plan (NRP), which provides for access to over EUR 58 billion (almost PLN 270 billion, over 12% of Poland's GDP). Domestic demand is set to grow faster than GDP (6.6%, 4.5% and 4.4% respectively in the years 2021–23), and it will also be the main growth factor. Experts see an increase in investment this

year (an increase of 6.7%) they are more optimistic than they were previously, but also much more optimistic about the coming years – investment is forecast to grow at a rate of about 6.5–6.7%. This is largely the result of the observed confusion with the NRP: even if the inflow of EU funds under the Facility for Reconstruction and Resilience, which is the main element of the Next Generation EU, does occur, it will be delayed (*in fact* it is already delayed). The increase in individual consumption this year will amount to as much as 5.8%, and 4.5% (in 2022) and 3.8% (in 2023). A strong growth in domestic demand, including the demand for imported goods, an increase in the prices of some imported goods and raw materials, as well as an increase in labour costs and the related decline in the competitiveness of the Polish economy has already caused and will cause in the future, a change in the current account of the balance of payments: already in 2021 a deficit of –0.3%. GDP will be recorded, which in the following years will grow to –0.7% of GDP in 2022 and –0.9% of GDP in 2023. This is a significant change in forecasts: previously the current account surplus of the balance of payments was forecast to decline gradually, now we have an increasing deficit.

The inflation expectations of the EFC experts have increased again. According to them, the projected inflation will be higher than it was in earlier forecasts during the survey period and will not return, not only to the vicinity of the inflation target, but even to the permissible band of deviations from the inflation target (the band of 1.5–3.5%) in the last year of the survey. Average inflation is estimated at 5.1% this year, it will be as much as 6.3% in 2022 and 4.4% in 2023. This is a significantly higher (even by 3 percentage points) level than in the government's forecasts: 4.3% in 2021, 3.3% next year and 3.0% in 2023, constituting the basis for the preparation of the state budget for 2022. The zloty's exchange rate against the euro is expected to remain relatively stable throughout the forecast period, but at a level 3–5% higher (weaker zloty) than in the previous edition of the forecast survey. Currently, it is at a level of approx. PLN 4.6/EUR and approx. PLN 4.0/USD. Another significant change, reflecting the change in the NBP's inflation narrative, are the forecasts of interest rates and bond yields. Interest rates are set to rise above 3% in 2023, and the yield on 5-year bonds will be 3.4% in 2023 (2.8% in 2021 and 3.4% in 2022). These values are twice as high as those reported in June this year. It is worth noting that EFC experts predicted an interest rate hike by the MPC, which took place on 8 December this year (i.e. after the quantitative forecasts were submitted for this study).

The situation of the labour market in Poland is set to remain relatively stable. As for unemployment, while there is not much room for a decline in the unemployment rate, it should remain at around 3%. Similarly, for employment, it is set to increase slightly by 0.5–1.0 percent during the forecast period, therefore the available supply of skilled workers will be limited. As a result of such a situation on the labour market, the upward pressure on wages will be visible in the forecasts. This year, salaries are set to increase by 8.4%, a similar trend will occur in 2022 (8.5%) and a little less in 2023 (6.8%). The slightly higher (nominal) wage growth forecasts are consistent with the higher inflation forecast.

Higher inflation in 2021 resulted in a better nominal execution of budget revenues in the current year, with planned expenditure in the budget based on the government's inflation forecast for the current year at 1.8%. At the same time, economic growth is slightly higher than forecasted at the stage of preparing the budget for 2021 (its structure is also favourable for the Minister of Finance). As a result, the situation of the public finances is better than expected in the first half of the year. This is reflected in the deficit estimate for 2021. Currently, it is projected at only 3.5% of GDP (and public debt at 56.3% of GDP). In the coming years, the forecasts are also slightly more favourable, although the deficit is expected to remain above 3% in both 2022 and 2023, and public debt will remain above 55% of GDP until at least 2023.

Banking experts predict a recovery in the area of loans to individuals and enterprises in the next two years.

The fastest real growth in the volume of debt is expected in the area of housing loans to households. This may be related to lowering the requirements of own contributions and escaping inflation. In a period of rapid increases in prices on the real estate market, this additionally stimulates the demand for apartments and may have an effect opposite to the one intended. In other words, this type of state interventionism will result in public money (BGK guarantees) to 'guarantee' buyers higher housing prices.

On the other hand, the projected increase in the volume of corporate loans after the crisis-induced slump in this market is optimistic.

Figure 1. Forecasts of selected macroeconomic indicators in 2020–2023

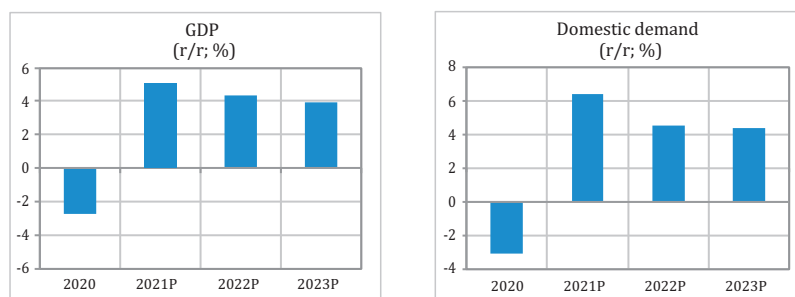
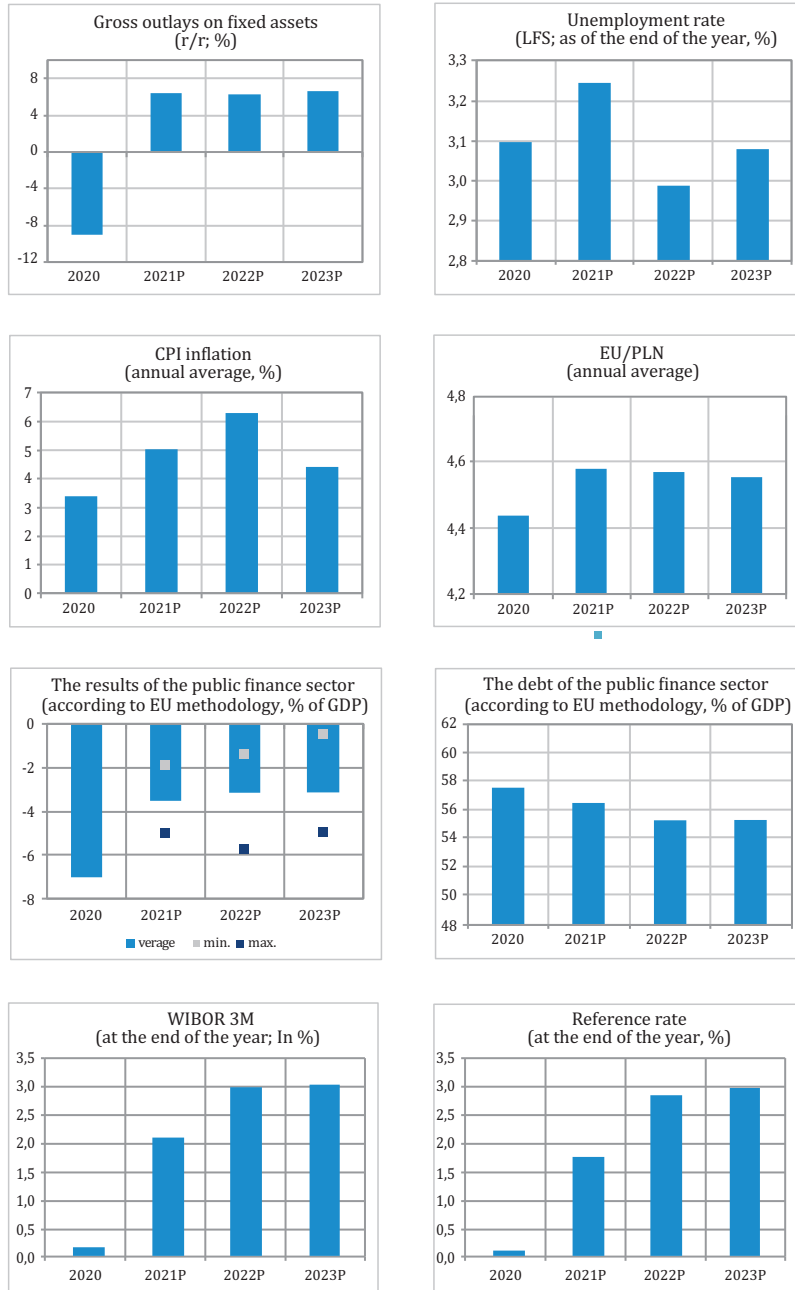


Figure 1 – continued



Indicator	Measure	2020	Survey results			Number of experts
			2021P	2022P	2023P	
GDP (y/y; %)	average	-2.5	5.2	4.4	4.0	[15]
	deviation		0.3	0.4	0.8	
Domestic demand (y/y; %)	average	-3.4	6.6	4.5	4.4	[13]
	deviation		1.0	1.0	0.6	
Individual consumption (y/y; %)	average	-3.0	5.8	4.5	3.8	[15]
	deviation		0.6	0.7	0.6	
Gross outlays on fixed assets (y/y; %)	average	-9.0	6.7	6.5	6.7	[14]
	deviation		1.4	2.5	2.1	
Unemployment rate (LFS, at the end of the year, %)	average	3.1	3.3	3.0	3.1	[12]
	deviation		0.2	0.3	0.5	
Remuneration in the national economy** (y/y; %)	average	6.6	8.4	8.5	6.8	[13]
	deviation		0.5	0.9	1.9	
People working in the national economy** (as at the end of the period, y/y; %)	average	-0.6	0.7	1.0	0.5	[11]
	deviation		0.3	0.6	0.5	
Inflation rate (CPI inflation annual average, %)	average	3.4	5.1	6.3	4.4	[14]
	deviation		0.1	0.3	0.7	
Inflation rate (CPI, XII, %)	average	2.4	8.0	4.8	3.8	[14]
	deviation		0.3	0.6	1.1	
EUR/PLN (annual average)	average	4.4	4.6	4.6	4.6	[12]
	deviation		0.0	0.1	0.3	
EUR/PLN (end of the year)	average	4.6	4.6	4.5	4.5	[14]
	deviation		0.0	0.2	0.3	
USD/PLN (annual average)	average	3.9	3.9	4.0	4.0	[12]
	deviation		0.1	0.1	0.2	
USD/PLN (end of the year)	average	3.8	4.1	4.0	3.9	[14]
	deviation		0.1	0.1	0.2	

Indicator	Measure	2020	Survey results			Number of experts
			2021P	2022P	2023P	
Reference rate (end of the year; %)	average	0.1	1.8	2.9	3.0	[15]
	deviation		0.2	0.6	0.8	
WIBOR 3M (end of the year; %)	average	0.2	2.1	3.0	3.1	[12]
	deviation		0.2	0.6	0.7	
Yield on 5Y bonds (annual average; %)	average	0.4	2.8	3.4	3.4	[10]
	deviation		0.9	0.6	0.8	
Public finance sector balance EU methodology (% of GDP)	average	-7.0	-3.5	-3.1	-3.2	[13]
	deviation		0.8	1.1	1.2	
Public finance sector debt EU methodology (% of GDP)	average	57.5	56.3	55.2	55.3	[12]
	deviation		1.4	2.9	4.6	
Balance of payments current account (% of GDP)	average	3.6	-0.3	-0.7	-0.7	[13]
	deviation		1.2	1.0	1.3	

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				2021P	2022P	2023P	
Debt volume on consumer loans to households (y/y; %)	average	8.4	-2.1	3.7	7.2	7.6	[5]
	deviation			1.7	1.6	0.7	
Debt volume on home loans to households (y/y; %)	average	6.6	7.6	8.2	7.4	5.8	[5]
	deviation			2.2	1.7	2.1	
Debt volume in the non-financial corporate sector (y/y; %)	average	3.0	-4.8	2.2	8.4	6.9	[5]
	deviation			2.4	2.4	1.2	
Household deposits (y/y; %)	average	9.7	10.7	6.0	6.5	7.0	[5]
	deviation			1.0	0.8	1.2	
Deposits from non-financial corporations (y/y; %)	average	10.0	19.0	11.4	4.5	4.6	[5]
	deviation			2.0	0.6	2.3	

The biggest threats to the economic development of Poland

As in the previous editions of 'Macroeconomic challenges and forecasts for Poland', we have created a map of the most important threats to the economic situation in Poland from the perspective of 2023. Regardless of the quantitative macroeconomic forecasts, experts cooperating with the EFC have identified the greatest potential threats to economic development. In this edition of the study, the threats were assessed in two stages: in the first stage, each of the experts was to present the three most important, in their opinion, threats to the economic situation. Based on the answers presented at this stage, it was possible to compile a list of the 7 most important threats that most often appear in the opinion of the experts. These are:

1. High and persistent inflation.
2. Uncertainty related to the development of the pandemic.
3. Rising interest rates.
4. Global problems with the availability of raw materials, materials and delays in deliveries.
5. Conflict with the EU.
6. Rising energy prices.
7. Shortages in the labour market and the wage and price spiral.

In the second stage, this list was used to assign by each of the experts a subjective assessment of the importance and probability of the occurrence of individual threats. The synthetic weight (significance) of individual threats was created as the sum of points assigned by experts to individual threats, with each expert having a total of 100 points at his/her disposal. In addition, each expert assessed the subjective probability of individual hazards and the synthetic assessment of the probability of the occurrence of a hazard is the arithmetic mean of the subjective probabilities. Below, we also present a compliance assessment of the indications of the experts as a percentage of the total number of experts who indicated a specific threat. Graphically, the results of the experts' opinions are presented in the figure on page 8 – 'The biggest threats to the economic development of Poland within the perspective of 2023', where the size of the circles illustrating individual threats is the sum of the products of the severity and probability of a given threat. They can be treated as the significance of the risk of the occurrence of this hazard.

In the current edition of the study concerning macroeconomic challenges and forecasts for Poland, four threats have gained a decisive advantage when it comes to the importance of a threat indicated by experts on average and the probability of its occurrence.

The threat that indicated a high degree of importance and a high probability of occurrence concerns the recurrence of infections, virus mutations and lockdowns, and the related uncertainties. According to EFC experts, this threat is still significant, and the probability of its occurrence turns out to be higher than six months ago in the June edition of the survey (7th edition), although it was also relatively high at

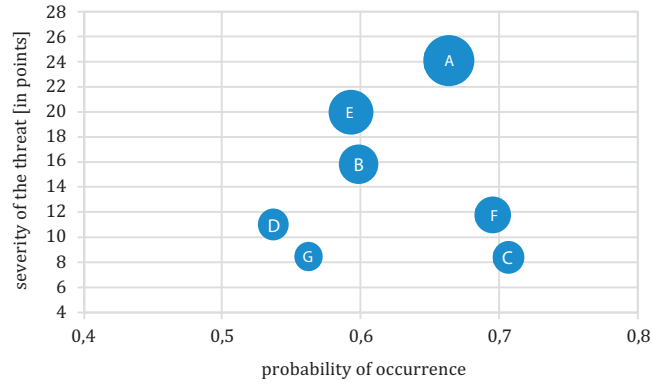
that point in time. The experiences of the last days and weeks, all over Europe, but especially in Poland, confirm the fears of the EFC experts, and the availability of the vaccine has not changed the perception of this threat all that much, which is significant.

Similarly, the concerns of the June edition of the survey are confirmed in terms of inflation. Six months ago, high and persistent inflation was identified as the third most important threat in the medium term. Unconvincing to EFC experts, the monetary authorities' narrative of temporarily higher inflation which is being observed at present, has in the meantime changed by 180° and the MPC has already raised interest rates three times. However, this still does not reassure economists: high, persistent inflation is currently identified as the most important threat to the economic situation, more important than the COVID-19 pandemic. High inflation, through redistributive effects, hits the poorest part of society, fuels the wage-price spiral, raises the inflation expectations of businesses, which in turn increases the cost of fighting inflation when trying to bring it down, inhibits investment, and is a hidden tax on savings. As may be seen in quantitative forecasts, EFC experts estimate that, on average, it will be significantly higher next year than this year.

The second most important threat to the economy, and therefore more important than the fourth wave of the pandemic and its consequences for the economy, that stands out in the current survey is the conflict with the EU. Billions of euros meant to help us to recover from the pandemic, reform the domestic energy sector, speed up digitalisation and support business, may be at risk because of the Poland-EU conflict that has been developing for months. The EU has a mechanism called money for the rule of law, under which the Union can suspend, reduce or restrict access to EU funds in proportion to the scale of the violations.

The fourth threat is rising energy prices, which are partly responsible for the high inflation that worries economists most, but are in themselves a potentially huge economic problem and challenge. Despite the recent boom in photovoltaic power plants, the Polish economy remains heavily dependent on coal and this is becoming a growing burden. The end of coal is inevitable for a number of reasons, including: the rising costs of its acquisition and use, the risks associated with dependence on imported (mainly from Russia) raw material (although the situation has temporarily reversed due to a sharp increase in the price of fossil fuels), difficulties in financing and maintaining production infrastructure, the negative impact on the climate and the rising cost of CO₂ emissions, the environmental risks associated with coal mining, the declining public acceptance of burning coal both in the energy sector and in heating. For these reasons energy prices in Poland will increase and will constitute a burden for the maintenance of the competitiveness of the Polish economy. That is why it is so important for experts to resolve the conflict with the EU, which would allow for the transfer of EU funds for energy sector and climate transformation.

Figure 2. The most important threats to the economic situation in Poland



* The size of the circles indicates the sum of the products of the weight of the factor and the probability of occurrence assigned by individual experts.

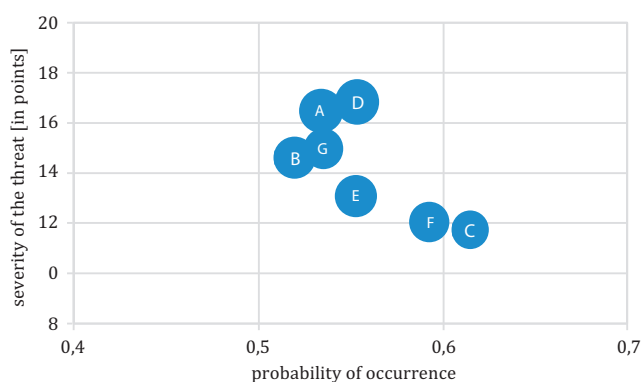
		Weight (1 indicates the highest weight)	Probability	Percentage of respondents
A	High and persistent inflation	1	0,66	100%
B	Uncertainty related to the development of the pandemic	3	0,60	98%
C	Rising interest rates	6	0,71	79%
D	Global problems concerning the availability of raw materials, materials and delays in deliveries	5	0,54	93%
E	Conflict with the EU	2	0,59	100%
F	Rising energy prices	4	0,69	93%
G	Shortages in the labour market and the wage and price spiral	7	0,56	86%

The biggest threats to the stability of the Polish financial system within the perspective of 2023 in the opinion of experts of the European Financial Congress

As in the two previous editions of the EFC forecasting consensus, the vast majority of experts (41 out of 42) believe that the most important threat to the stability of the Polish financial system in the coming years will be a deterioration in the value and quality of the loan portfolio. The post-crisis loss of value of the loan portfolio resulting from a deterioration in the financial situation of borrowers will be strengthened by increases in interest rates and a weakening of the exchange rate. Unfortunately, the vast majority of experts (also 41 out of 42) expect an accumulation of credit and legal risk resulting from the failure to resolve the issue of foreign currency housing loans and from the growing number of loan agreements with 'franc borrowers' being cancelled by courts. An additional element that may destabilise the Polish financial system is the risk related to climate change and the need to adapt in the process of the green transformation. A threat to the stability of the financial system in the long term is the excessive share of the State Treasury in the ownership of banks.

The above-mentioned threats mean that the rate of return on equity (ROE) and the market value of banks have been decreasing for several years, and the tax burden has increased. The decline in the investment attractiveness of banks means that in a crisis situation and the need to recapitalise them, the only source of capital will be taxpayers.

Figure 3. The biggest threats to the stability of the Polish financial system within the perspective of 2023



* The size of the circles indicates the sum of the products of the weight of the factor and the probability of occurrence assigned by individual experts.

Figure 3 – continued

	Weight (1 indicates the highest weight)	Probability	Percentage of respondents
A Foreign currency housing loans	2	0,53	98%
B The weakening of the zloty	4	0,52	86%
C Excessive share of the State Treasury in the ownership of banks	7	0,61	83%
D Deterioration of the value and quality of the loan portfolio as a result of the weakening of the exchange rate and interest rate increases	1	0,55	98%
E No countercyclical macroprudential policy	5	0,55	93%
F Risks related to climate change and the need to adapt in the process of the green transformation	6	0,59	88%
G Deterioration of the financial situation of borrowers	3	0,53	93%

The most important threats to the credibility of the zloty within the perspective of 2023

Currently, the Polish zloty, like the US dollar or the euro, may be termed a fiat currency, i.e. money not based on ore, but functioning only on the basis of trust in the currency issuer. As it is only based on trust in the state, which in turn depends on many factors, the credibility of the zloty is also the result of many factors. Due to the strong depreciation of the Polish currency which was observed in November this year, we asked a group of prominent Polish economists for their opinion on what currently determines the credibility of the PLN. Based on the opinions of 42 experts, mainly banking macroeconomists and academic professors, we distinguished eight homogeneous groups of factors:

1. **No credible monetary policy.** Currently, monetary policy is conducted contrary to the mandate of the central bank. The decisions which led to the most negative interest rates in our region are particularly questionable. Moreover, the independence of the NBP from the current economic policy is being questioned. The late start of monetary policy normalisation is also controversial.
2. Chaotic, illegible and **inconsistent information policy of the NBP** and the rhetoric of lowering expectations for interest rate hikes.
3. **Uncontrolled and persistent** inflation and underestimating the downward pressure on the zloty by the NBP and the MPC, a one-sided (and mainly doctrinal) approach to the instruments for fighting inflation.
4. **Escalation of Poland's** conflicts with the EU, and, consequently, a reduction in funds for Poland (crawling Polesxit), including a delay in the approval of the National Reconstruction Plan.

5. **The condition of public** finances, including the growing current account deficit and the temptations of excessive state indebtedness in the pre-election period combined with high and accelerating wage growth.
6. **A Growing** external threat, rising international political tensions and global risk aversion as a result of geopolitical tensions, including: increased border tensions, the escalation of tensions in currency markets, new shocks in the energy market, problems with high inflation and balance of payments issues with other countries of the region, as well as the faster normalization of monetary policy in the U.S. and a change in the perception of the Central European region by investors, deterioration in the competitiveness of the Polish economy as a result of restrictions to CO₂ emissions.
7. **A Growing** internal threat resulting from political instability in Poland and the unreliability of government decision-makers, excessive state participation in the banking sector, loss of investment attractiveness due to non-compliance with international law and discrimination against investors from outside the EU, lack of NRP funds combined with the loss of Poland's creditworthiness, a lack of reliable estimates concerning the impact of Polish Governance and budget projections.
8. **A Growing** legal risk in the banking sector related mainly to the lack of a clear solution to the issue of foreign currency loans for housing and a possible ruling of the Supreme Court, resulting in a significant scale of cancelled loan agreements.

In the next stage, we asked experts to rank particular groups of factors and the subjective probability of their occurrence. The synthetic results of the research are presented in the figure and table below.

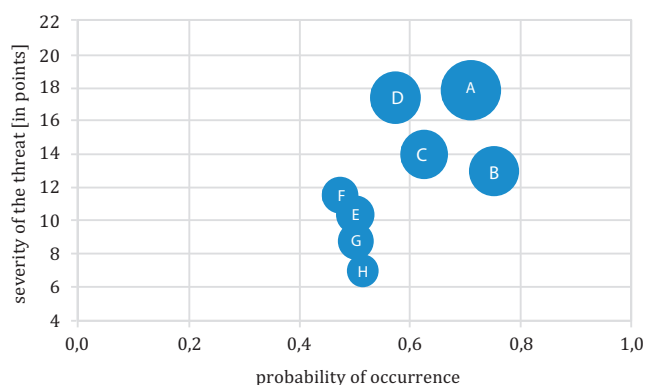
The monetary policy of the NBP is the greatest threat to the credibility of the PLN. It is conducted contrary to the mandate of the central bank, i.e. maintaining price stability. The decisions which led to the lowest interest rates in the region and the delayed start of monetary policy normalisation are assessed particularly critically. Additionally, there are issues related to the illegible and inconsistent information policy of the NBP. In the opinion of experts, the strength of the impact of this threat and the probability of its occurrence pose the highest risk. Moreover, the issue of the insufficient independence of the NBP from the current economic policy is raised. These threats are also the main causes of uncontrolled and persistent inflation, as well as rising inflation expectations.

Trust in the state, and therefore the credibility of the PLN, is being destroyed by the escalation of Poland's conflicts with the EU. The consequences of a 'crawling Polesit' may be a reduction in funds for Poland, including a delay in the approval of the National Reconstruction Plan.

To sum up, the lack of a credible monetary policy, the escalation of Poland's conflict with the EU, and uncontrolled and persistent inflation are the three most important threats to the credibility of the PLN now and in the near future. According to experts, their significance and the probability of their occurrence are higher than the external threats resulting mainly from tensions in international politics and

shocks in the energy market. An important factor undermining confidence in the zloty is also the condition of the public finances, the temptation to take on excessive state debt before the elections and the growing current account deficit. In general, in an assessment of threats to the credibility of the PLN, experts are exceptionally unanimous, and the dispersion of their opinions is relatively small.

Figure 4. The most important threats to the credibility of the zloty within the perspective of 2023



* The size of the circles means the sum of the products of the weight of the factor and the probability of occurrence assigned by individual experts.

		Weight (1 indicates the highest weight)	Probability	Percentage of respondents
A	No credible monetary policy	1	0,71	93%
B	Inconsistent information policy of the NBP	4	0,75	93%
C	Uncontrolled and persistent inflation	3	0,62	88%
D	Escalation of Poland's conflicts with the EU	2	0,57	98%
E	State of public finances	6	0,50	93%
F	Growing external threat	5	0,47	95%
G	Growing internal threat	7	0,50	88%
H	Growing legal risk	8	0,52	76%

Recommendations of the macroeconomists of the European Financial Congress

The three most important recommended areas of action in Polish economic policy until 2023

1. Controlling the inflation growth and creating conditions to protect society's savings against the loss of their real value

According to EFC experts, it is necessary to control inflation growth as soon as possible, it has clearly gone beyond the control of NBP monetary policy. The following is recommended:

- urgent restoration of trust (credibility) in the NBP and the Monetary Policy Council (MPC): the chaotic narrative of the domestic monetary authorities regarding inflation has notably reduced the possibility of influencing the inflation expectations of both businesses and consumers,
- clear and predictable monetary policy (departure from the surprise policy of the NBP), development of a medium-term monetary policy normalisation plan,
- making interest rates more realistic and halting the erosion of the value of cash savings of households,
- appointment for a fifth term of the MPC of persons distinguished by their knowledge of economics and finance, independence and aversion to high inflation, making the decisions of the NBP and the Monetary Policy Council independent of current politics,
- making significant improvements in the communication of the NBP and the MPC with the financial market and society, improvement in the consistency of the NBP information policy in the field of monetary and exchange rate policy.

2. Urgent end of the conflict with the EU in legal matters, triggering the release of funds for economic recovery after the pandemic and for the energy sector and climate transformation

Many activities recommended by EFC economists concern the strategy of economic reconstruction and the modernisation of the energy system. Investments that can be financed with EU funds are important for at least three reasons: they are important from the point of view of maintaining or increasing the economic potential of the Polish economy, they are a way to protect against the rising price of CO2 emission allowances and the effects of this increase on energy prices, they are a very good way of using EU funds, which is due in part to the linking of these funds with the requirements of necessary reforms to achieve climate and energy goals. In particular, the following is recommended:

- restoring the foundations of a democratic state of law, including respect for the rule of law,

- restoring confidence in the judicial system free from political influence, which will help to improve the climate for future private investments (still very low in Poland at present),
- quick agreement concerning the final shape of the National Reconstruction Plan with the European Commission and the elimination of the risk of restricting access to other EU funds,
- closing other (remaining) sources of conflict with the European Commission and other EU institutions,
- striving to improve the image of Poland in the international arena, which will help to improve the investment climate and reduce the pressure to weaken the zloty exchange rate,
- accelerating the transformation towards a low-carbon economy.

3. Normalisation of fiscal policy, improvement of the condition and transparency of public finances

Despite the fact that the budget situation in 2021, due to higher than assumed inflation, is better than forecasted in the previous edition of the Report, many EFC experts devoted their recommendations to the tax and budget policy. They suggest, first of all:

- the preparation of a credible medium-term fiscal stabilisation plan,
- sealing, reform of transparency and parliamentary control of public finances,
- changing the structure of budgetary expenditure into a more developmental one, reducing the growth rate of social expenditure, which has been excessively high in recent years,
- postponing the implementation of the so-called 'Polish Deal' so that there is time to understand the consequences of the proposed changes, making the necessary adjustments to the law prepared without broader consultations and analyses, and to give entrepreneurs time to prepare for these changes.

These three above-described areas of recommendations certainly dominated the economic policy proposals put forward by EFC experts. Among other proposed activities, however, the following can also be distinguished:

- changing the approach to the Covid-19 vaccination policy, introducing solutions that radically increase the inclination of Poles to be vaccinated (e.g. the possibility of participating in public life only for the vaccinated), so that the state of herd immunity can be achieved as soon as possible and further pandemic recurrences are avoided,
- a return to a personnel policy in state administration and State Treasury companies based on competences, not on political ties,
- increasing the stability of regulations in the area of economic law and abandoning the widening of the discretion of state bodies,
- solving the issue of foreign currency housing loans,
- undertaking actions aimed at increasing the professional activity of Poles and adopting a rational immigration policy, which should be one of the key responses to unfavourable demographic trends and the growing shortage of qualified employees.