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International

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S&P lowers Poland's foreign currency rating to “BBB+” on weakening institutions; Outlook *negative*

- On 15th January 2016, Poland had its rating outlook lowered to *negative* from *positive* by Standard and Poor's. Moreover, the agency lowered its long-term foreign currency sovereign credit rating on the Poland to 'BBB+' from 'A-' and its long- and short-term local currency sovereign credit ratings to 'A-/A-2' from 'A/A-1'.
- The outlook revision reflects S&P's expectation that Poland's institutions primarily charged with responsibility for conducting checks and balances such as constitutional court and public broadcasting have seen their independence being eroded significantly. This comes on the backdrop of a wave of various legislative measures initiated since the October 2015 election.
- Poland's new ruling party Law and Justice which holds an absolute majority in the parliament and the senate, has set out to make fundamental changes to Poland's institutions.

Key changes include:

- court's composition and decision-making process, which in S&P's view, will see the constitutional court's ability to work efficiently and independently undermined
- government's new media law which gives the state extensive powers to appoint and control the directors and supervisory boards of public broadcasters
- termination of contracts of all current senior, career civil servants and the removal of a constraint regarding previous party membership, therefore enabling the new government to change the structure of the civil service.
- Poland is currently rated A2 (Stable) by Moody and A- (Stable) by Fitch.

Selected Indicators	2014	2015e	2016F	2017F
Real GDP growth (%)	3.3	3.5	3.4	3.3
General government balance/GDP (%)	-3.3	-2.8	-3.2	-3.0
General government debt/GDP (%)	50.4	51.4	51.9	52.0
Net general government debt/GDP (%)	46.9	47.6	48.3	48.5
General government interest expenditure/revenues (%)	5.0	4.6	4.7	4.9
CPI growth (%)	0.1	-0.4	1.2	2.1
Current account balance/CARs (%)	-3.9	-1.6	-2.5	-3.1

Source: Standard & Poor's



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