

Poland: Market Profile

🕒 02 March 2021

📝 Fitch Solutions



1. Overview

Poland has reached high-income status over a relatively short period of time, and this has translated into remarkable progress in poverty reduction and shared prosperity. Few middle-income countries have experienced such consistent broad-based growth at a fast and stable rate. In the short-term, however, the main challenge is to mitigate the social and economic impact of the Covid-19 pandemic. Although the full impact of the virus remains uncertain, a prolonged outbreak would significantly curb economic activity, strain the health care system, affect supply chains, and depress investor sentiment and consumer demand, ultimately impacting the supply side and leading to a deeper recession. Despite the challenges of the pandemic, the outlook for the Polish economy over the next 10 years remains positive given the low levels of public debt and comparatively bright foreign direct investment outlook. That said, the three main challenges ahead for Poland are a shortage of labour in the economy, pro-cyclical government policies encouraged by the political calendar and adverse global factors. A tightening labour market will be positive for household consumption, but it will start to drag on economic activity as employment growth slows and labour shortages start to impede firms' ability to expand production. Furthermore, the rift between Poland and the European Union (EU) over Warsaw's controversial judicial reforms and rejection of EU-wide migrant relocation quotes will widen over the coming quarters given the government's unwillingness to give in to EU demands.

Sources: World Bank, Fitch Solutions

2. Major Economic/Political Events and Upcoming Elections

January 2020

Poland's new Finance Minister Tadeusz Kosciński announced that he wanted to tax United States tech company Airbnb on the revenues it earns in Poland.

February 2020

BGK signed an agreement with the European Investment Fund (EIF) for additional resources to support Polish small- and medium-sized enterprises (SMEs). Thanks to this agreement under the EU's SME programme COSME, the supported SME loan volume was expected to reach a total of PLN10.5 billion (EUR2.5 billion).

March 2020

On March 31, Poland's parliament approved a coronavirus rescue package to support the economy but rejected many changes proposed by the opposition such as mandatory weekly Covid-19 tests for medical workers. The lower house of parliament, the Sejm, controlled by the ruling PiS party, first approved a package offering up to PLN75 billion (USD18.1 billion) of additional budget spending on jobs and infrastructure.

March 2020

Poland's ruling party also fast-tracked changes to the electoral code as part of the rescue package which was approved by the Czech parliament on March 31 2020 to allow seniors and those under quarantine to vote by post in a bid to press ahead with presidential elections in May 2020.

July 2020

EU heads of government agreed on a new EUR750 billion Next Generation EU (NGEU) fund on July 21. The NGEU would be financed by joint debt issuance and would include grants worth EUR390 billion (EUR312.5 billion of which will be dedicated to Covid-19 recovery) to be distributed over 2021-2023.

Andrzej Duda won a slim majority in the July 12 presidential election, taking 51.2% against the main opposition Civic Platform candidate Rafal Trzaskowski, the Mayor of Warsaw. This marks the closest presidential election since 1989 (followed by Duda's 2015 victory, when he won 51.5% of the vote). Although officially running as an independent candidate, Duda's bid was endorsed by the PiS, which has a conservative stance on social issues but a more centre-left position on the economy. Voting patterns largely followed pre-existing divisions between Poland's conservative rural areas (particularly in the east of the country) which backed Duda, and more liberal urban constituencies, which supported Trzaskowski. The vote had originally been scheduled to take place in May 2020, though the government was forced to delay the election because of the Covid-19 outbreak, which reduced support for Duda.

August 2020

Poland's parliamentary elections were scheduled to take place in the autumn of 2023.

September 2020

The Polish government revealed plans to build six nuclear reactors by 2040. The country would invest USD40 billion in these reactors, which would have a total capacity of 9GW. Work on the first reactor was due to start in 2026, with operations planned to start in 2033. PGE EJ1, a special vehicle of state-run firm Polska Grupa Energetyczna, would carry out the work. Poland, which currently relies on coal for around 75% of its power generation, aims to generate 50% of its electricity from zero-emission sources by 2040.

December 2020

The EU and Mainland China had concluded in principle the negotiations for a Comprehensive Agreement on Investment (CAI). This deal followed a call between Xi Jinping and European Commission President Ursula von der Leyen, European Council President Charles Michel and German Chancellor Angela Merkel on behalf of the Presidency of the EU Council, as well as French President Emmanuel Macron. Mainland China had committed to a greater level of market access for EU investors than ever before, including some new important market openings. China was also making commitments to ensure fair treatment for EU companies so that they can compete on a better level playing field in Mainland China, including in terms of disciplines for state-owned enterprises, transparency of subsidies and rules against the forced transfer of technologies.

January 2021

At its latest monetary policy meeting on January 13, 2021, the National Bank of Poland's Monetary Policy Council (MPC) voted to keep its key policy rate on hold at 0.10%. The council also kept its lombard, deposit, rediscount and discount rates constant at 0.50%, 0.00%, 0.11% and 0.12%, respectively. The decision to hold rates for an eighth consecutive month comes after the central bank slashed rates by a cumulative 140 basis points (bps) between February and May 2020, taking its reference rate to the current level of 0.10%, which marks a historic low.

According to Poland's Deputy Prime Minister Jaroslaw Gowin, Fiat Chrysler Automobiles (FCA) would invest PLN755 million (USD203.9 million) in its plant in Tychy in Poland, where new hybrid and electric Jeep, Fiat and Alfa Romeo models will be built.

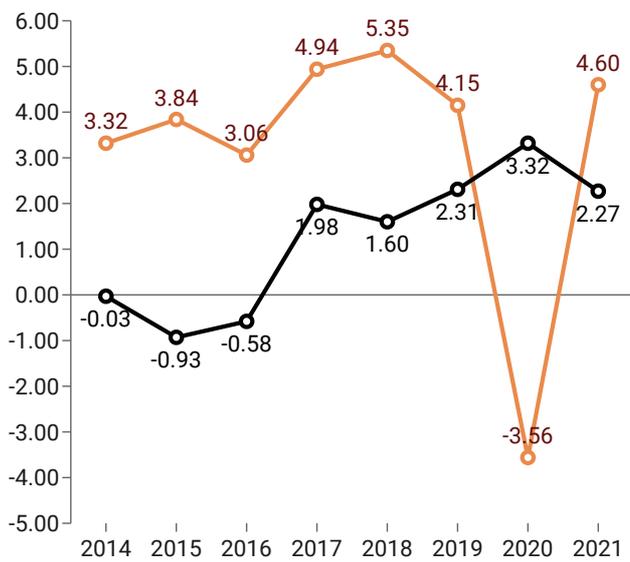
According to some reports, the global e-commerce platform, Amazon, was preparing to set up a Polish-based website to facilitate local shoppers to order directly from Amazon and not through its German site. Amazon had been present in Poland since 2014 with nine logistics centres, but customers have had to order via its international websites, adding to costs.

Sources: BBC country profile – Timeline, IMF, Reuters, Fitch Solutions

3. Major Economic Indicators

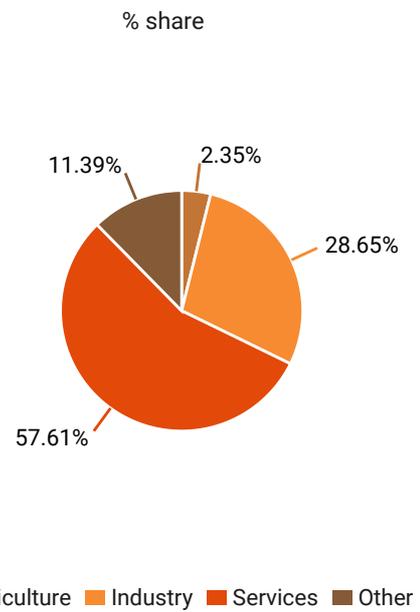
Real GDP and Inflation

GDP by Sector (2019)



— Real GDP — Inflation

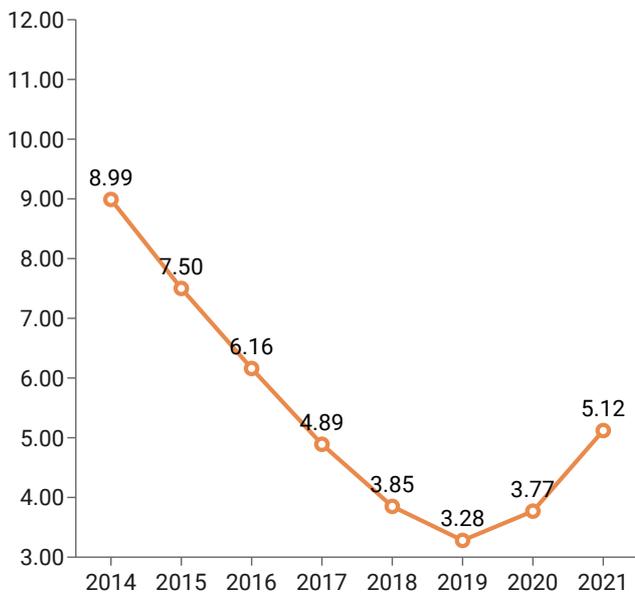
2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: January 24, 2021



■ Agriculture ■ Industry ■ Services ■ Other

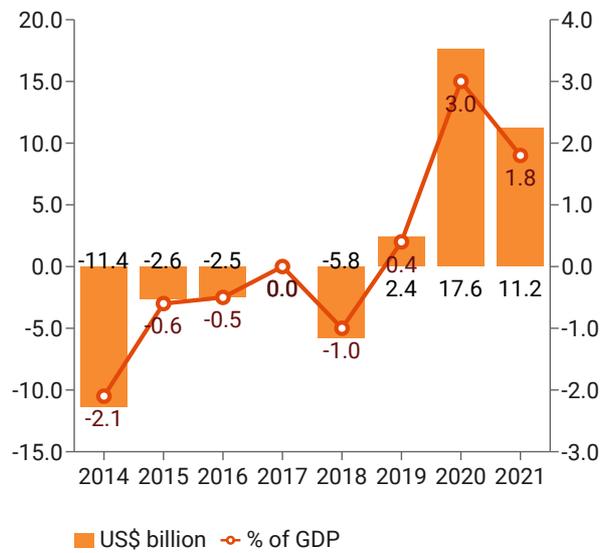
Note: 2020 data not yet available
Sources: World Bank, Fitch Solutions
Date last reviewed: January 24, 2021

Unemployment Rate



2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: January 24, 2021

Current Account Balance



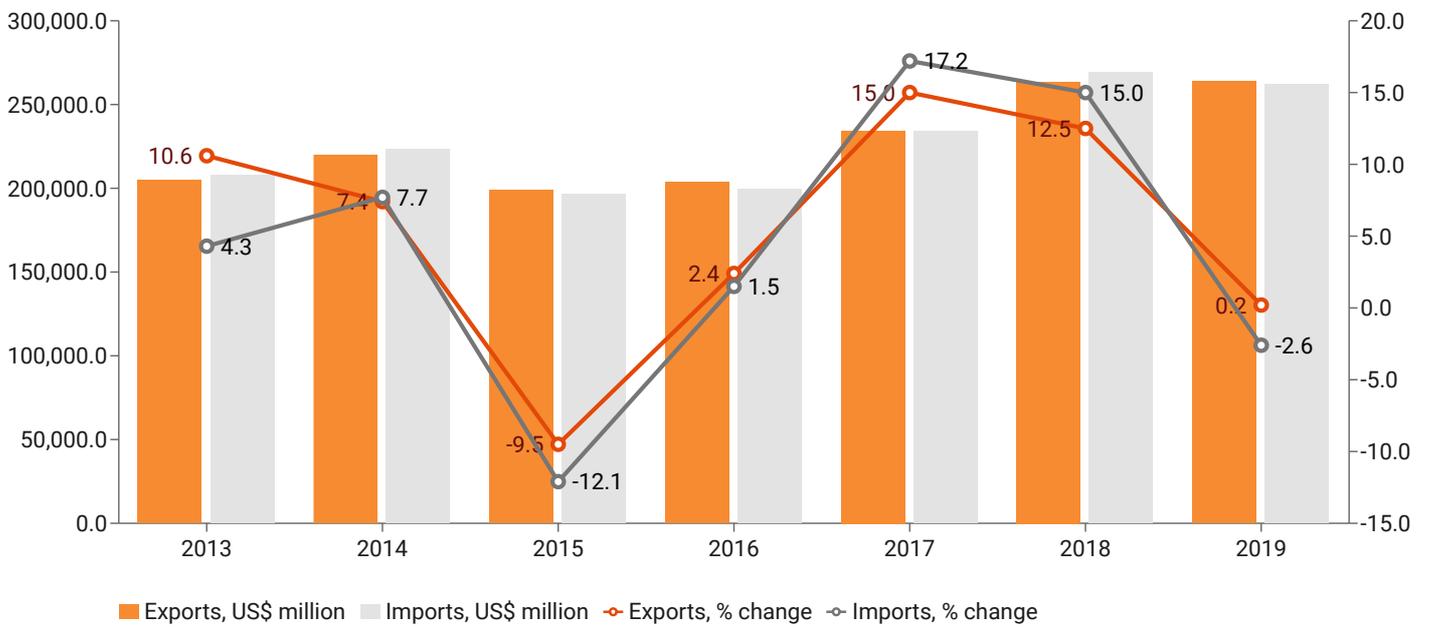
■ US\$ billion — % of GDP

2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: January 24, 2021

4. External Trade

4.1 Merchandise Trade

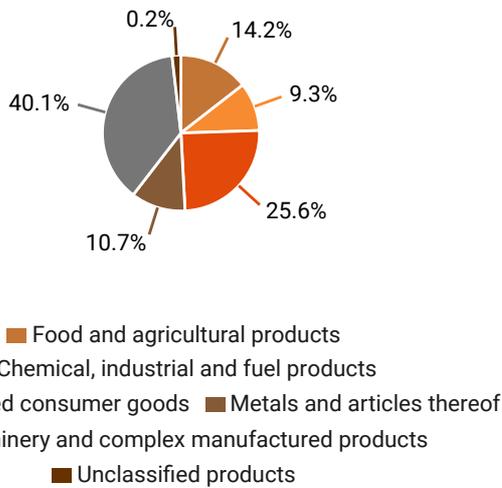
Merchandise Trade



Note: 2020 data not yet available
 Source: WTO
 Date last reviewed: January 24, 2021

Major Export Commodities (2019)

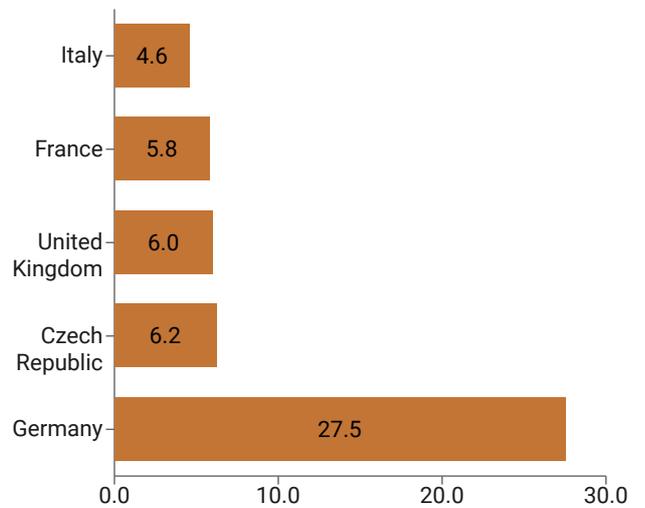
% share



Note: Values less than 1% not included (unclassified products); 2020 data not yet available
 Sources: ITC-Trade Map, Fitch Solutions
 Date last reviewed: January 24, 2021

Major Export Markets (2019)

% share



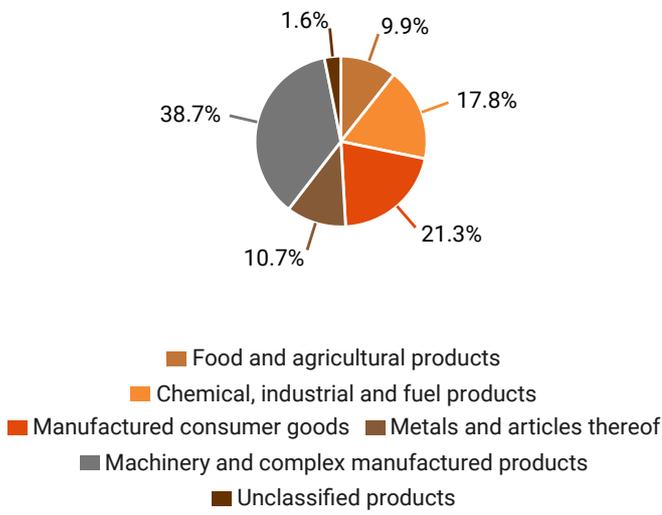
Note: 2020 data not yet available
 Sources: ITC-Trade Map, Fitch Solutions
 Date last reviewed: January 24, 2021

Major Import Commodities (2019)

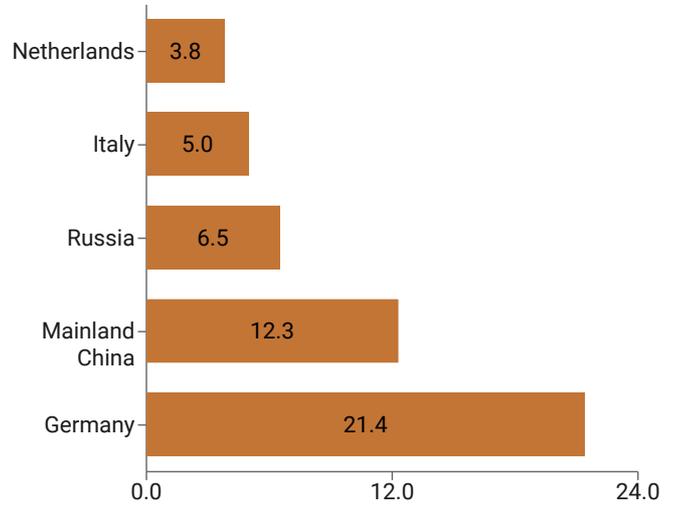
% share

Major Import Markets (2019)

% share



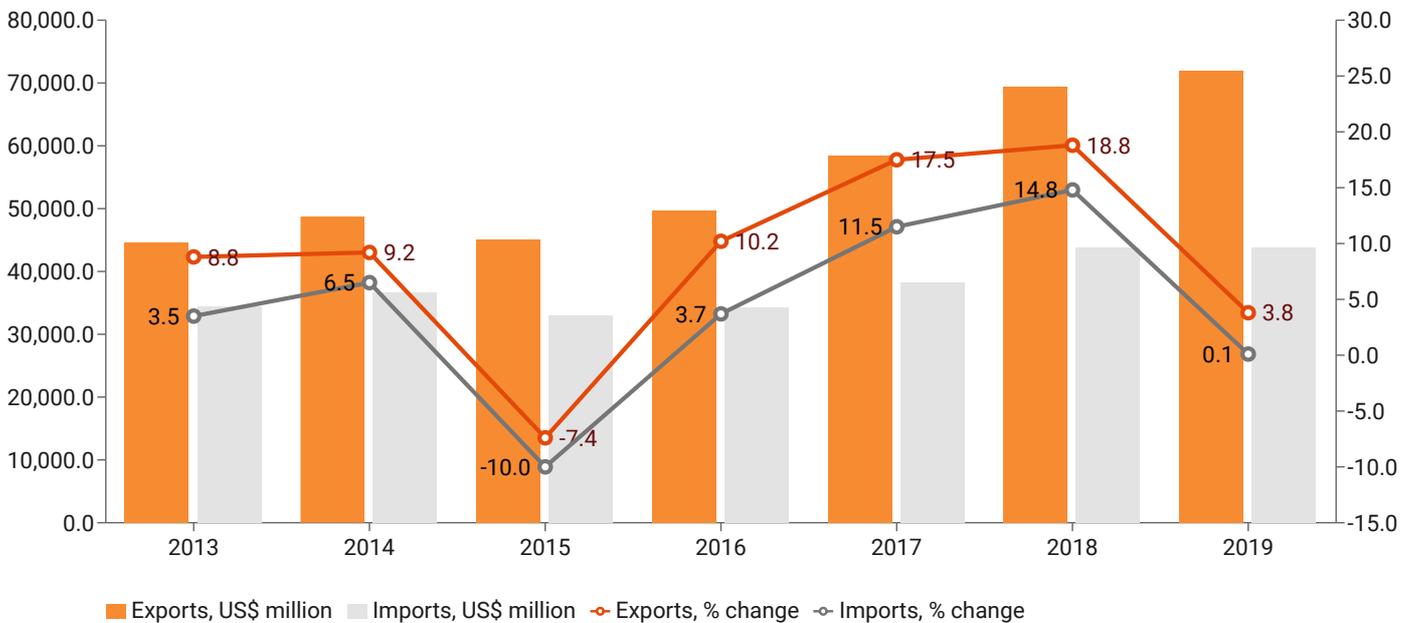
Note: 2020 data not yet available
 Sources: ITC-Trade Map, Fitch Solutions
 Date last reviewed: January 24, 2021



Note: 2020 data not yet available
 Sources: ITC-Trade Map, Fitch Solutions
 Date last reviewed: January 24, 2021

4.2 Trade in Services

Trade in Services



2019 (estimate), Note: 2020 data not yet available
 Source: WTO
 Date last reviewed: January 24, 2021

5. Trade Policies

- Poland has been a member of World Trade Organization (WTO) since July 1, 1995 and a member of General Agreement on Tariffs and Trade (GATT) since October 18, 1967.
- Poland has been a member of the EU since 2004. All EU member states are WTO members.
- Trade flows are largely unhindered by import tariffs, which at 1.5% on average, are among the lowest in the world, and non-tariff barriers to trade are minimal. There are no currency controls or import substitution policies that would burden importers, and trade standards and policies adhere to EU rules.
- Poland applies the EU's Common Customs Tariff, which means that goods manufactured and imported from within the EU are not subject to customs charges. The average tariff rate for EU states is just 1%, which is among the lowest globally, although goods imported from outside

the EU will incur duties of 0-17%.

- In April 2020, the EU notified the WTO's Council for Trade in Goods of the proposed suspension of concessions and other obligations of the agreement on Safeguards following tariff increases by the United States on certain goods. On the same day, the EU imposed rebalancing duties on imports of certain United States goods from May 2020.
- On August 27, 2020, the European Commission (EC) issued Regulation No. 2020/1221, eliminating the import duty on maize, sorghum and rye. The previous duty was set at EUR0.26 (USD 0.31) per tonne.
- On August 5, 2020, The EC extended anti-dumping duties on imports of Chinese corrosion-resistant steel. The EU set duties in February 2018 of between 17.2% and 27.9% for imports of certain corrosion-resistant steels from Mainland China.
- The EU has imposed various anti-dumping measures on a wide range of products, predominantly in the areas of textiles, machine parts, steel, iron and machinery on goods coming from Mainland China and a few other Asian nations to protect domestic industries. Currently, a number of products originating from Mainland China are subject to duties, including bicycles, bicycle parts, ceramic tiles, ceramic tableware and kitchenware, fasteners, ironing boards and solar glass. These products are of interest to Hong Kong and regional exporters. In November 2016, the EC imposed a provisional anti-dumping duty on imports of some primary and semi-processed metals from Mainland China. The rate of duty is between 43.5% and 81.1% of the net free-at-Union-frontier price before duty depending on the company. In the same vein, the rate of duty for similar goods from Belarus is 12.5% of the net free-at-Union-frontier price before duty. As of end December 2018 (latest data available), the EU did not apply any anti-dumping measures on imports from Hong Kong.
- In 2016, the EC introduced an import licensing regime for steel products exceeding 2.5 tonnes. The regulation was active until May 15, 2020.
- In February 2018, the Polish government officially enacted its Act on Electromobility and Alternative Fuels. The Act will introduce excise duty exemptions for electric vehicles (EVs), tax exemptions for companies using EVs, a new government procurement plan based on electrifying its government fleet as well as support for charging infrastructure development. This reform will position Poland well in terms of attracting investors that are higher up on the automotive and technology value chains.
- Value-added tax (VAT) is charged at a rate of 23% on the sale of goods, services and imports; 0% applies to exports and supplies of goods within the EU. Reduced rates are applicable to specified goods and services indicated in the VAT Act, such as food, agricultural products and medical equipment.
- In April 2015, the Polish parliament amended the pharmaceutical law, restricting exports of medicinal products from the country. The amendment also introduced strict reporting obligations for marketing authorisation holders and warehouses.
- In December 2019, the EU issued a regulation imposing additional import tariffs on a number of fruits and vegetables for the period 2020 to 2021.
- In January 2021, the EU announced the establishment of a transparency and export authorisation scheme for Covid-19 vaccines.

Sources: WTO – Trade Policy Review, Fitch Solutions

6. Trade Agreement

6.1 Multinational Trade Agreements

Active

1. Poland has been a member of the WTO since July 1, 1995 and the EU since 2004.
2. The EU: The EU is a political and economic union of 27 member states that are located primarily in Europe. As an EU member, Poland applies the EU Common Customs Tariff and enjoys tariff-free trade within the EU. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into force in 2002. It consists of 19 EU member states that use the euro; however, Poland still maintains its own currency.
3. EU-Canada Comprehensive Economic and Trade Agreement (CETA): This agreement was provisionally applied as of September 21, 2017. The agreement is expected to boost trade between partners as CETA removes all tariffs on industrial products traded between the EU and Canada. CETA also opens up government procurement. Canadian companies will be able to bid on opportunities at all levels of the EU government procurement market and vice versa, though some sectors are restricted. The agreement will only enter into force fully and definitively when all EU member states have ratified the agreement.
4. EU-Europe Free Trade Association (EFTA): This agreement includes Switzerland, Norway, Liechtenstein and Iceland. The European Economic Area (EEA) unites the EU member states and the four EEA EFTA states (Iceland, Liechtenstein, Norway and Switzerland) into an internal market governed by the same basic rules. The agreement on the EEA, which entered into force on January 1, 1994, aims to enable goods,

services, capital and persons to move about freely in the EEA in an open and competitive environment. This concept is referred to as the four freedoms.

5. EU-Turkey: The customs union within the EU provides tariff-free access to the European market for Turkey, benefitting both exporters and importers.
6. EU-Japan Economic Partnership Agreement (EPA) : In July 2018, the EU and Japan signed a trade deal to eliminate 99% of tariffs that cost businesses in the EU and Japan nearly EUR1 billion annually. According to the EC, the EU-Japan EPA will create a trade zone covering 600 million people and nearly a third of global GDP. The EPA was finalised in late 2017 after four years of negotiation and came into force on February 1, 2019 after the EU Parliament ratified the agreement in December 2018. The total trade volume of goods and services between the EU and Japan is estimated at EUR86 billion. The key parts of the agreement will cut duties on a wide range of agricultural products and it seeks to open up services markets, particularly financial services, e-commerce, telecommunications and transport. Japan is the EU's second biggest trading partner in Asia after Mainland China. EU exports to Japan are dominated by motor vehicles, machinery, pharmaceuticals, optical and medical instruments and electrical machinery.
7. EU-South African Development Community (SADC) EPA (Botswana, Lesotho, Mozambique, Namibia, South Africa and eSwatini): An agreement between EU and SADC delegations was reached in 2016 and is fully operational for SADC members following the ratification of the agreement by Mozambique. The remaining six members of the SADC now included in the deal (the Democratic Republic of the Congo, Madagascar, Malawi, Mauritius, Zambia and Zimbabwe) are seeking economic partnership agreements with the EU as part of other trading blocs – such as the East or Central African communities.
8. EU-Singapore FTA (EUSFTA): The FTA between the EU and Singapore aims to eliminate duties for industrial and agricultural goods in a progressive step-by-step approach. The FTA entered into force on November 21, 2019. The agreement creates opportunities for market access in services and investments, and includes provisions in areas such as competition policy, government procurement, intellectual property rights, transparency in regulation and sustainable development. The EU is Singapore's third largest trading partner in goods and its largest services trading partner. Under the agreement, 84% of Singapore's exports will enter the EU duty free, while tariffs for the remaining goods will be removed within the first five years.
9. EU-Vietnam FTA: In July 2018, the EU and Vietnam agreed on final texts for the EU-Vietnam FTA and the EU-Vietnam Investment Protection Agreement. On March 30, 2020, the EU Council concluded the FTA between the EU and Vietnam, which was followed by the Vietnamese National Assembly also ratifying the FTA in June 2020. The FTA between the two states entered into force on August 1, 2020. The agreements with Vietnam are the second (following those with Singapore) to have been concluded between the EU and a South East Asian country, and represent stepping stones to a greater engagement between the EU and the region.

Ratification Pending

1. EU-Central America Association Agreement (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Belize and the Dominican Republic): An agreement between the parties was reached in 2012 and is awaiting ratification (30 of the 34 parties have ratified the agreement as of October 2019). The agreement has been provisionally applied since 2013.
2. EU-United Kingdom (UK) Trade and Cooperation Agreement: The UK and the EU signed the Trade and Cooperation Agreement on December 30, 2020, and the deal was ratified in the UK and provisionally applied in the EU at the end of December 2020, pending full ratification following scrutiny by the European Parliament, which is due to conclude its session by February 2021 but can extend this. A legally scrubbed text of the agreement is then due to be formally ratified in April 2021. The agreement sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation and participation in Union programmes. It is underpinned by provisions ensuring a level playing field and respect for fundamental rights.

Under Negotiation

1. EU-Australia: The EU, Australia's second largest trade partner, launched negotiations for a comprehensive trade agreement between the two parties. Bilateral trade in goods between the two has risen steadily in recent years, reaching almost EUR48 billion in 2017, while bilateral trade in services added an additional EUR27 billion. The negotiations aim to remove trade barriers, streamline standards and put European companies exporting to or doing business in Australia on equal footing with those from countries that have signed up to the Trans-Pacific Partnership or other trade agreements with Australia. The Council of the EU authorised opening negotiations for a trade agreement between the EU and Australia on May 22, 2018. Negotiations are still ongoing as at January 2021.
2. EU-United States (Trans-Atlantic Trade and Investment Partnership): This agreement was expected to increase trade and services, but it is unlikely to pass under the current administration in the United States against the backdrop of rising global trade tensions.
3. EU-West Africa EPA: West Africa is the EU's largest trading partner in sub-Saharan Africa. EU's main imports from West Africa consist mainly of fuels and food products while its exports to West Africa consist of processed foods, machinery and chemicals and pharmaceutical

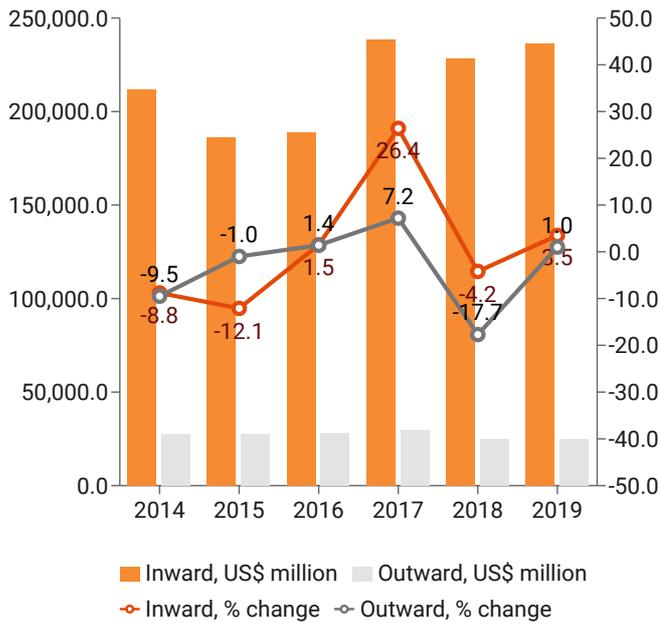
products. The EU has initiated an EPA with 16 West African states. Until the adoption of the full regional EPA with West Africa, EPAs with Côte d'Ivoire and Ghana have been entered into provisional application on 3 September 2016 and 15 December 2016 respectively.

Sources: WTO Regional Trade Agreements database, Fitch Solutions

7. Investment Policy

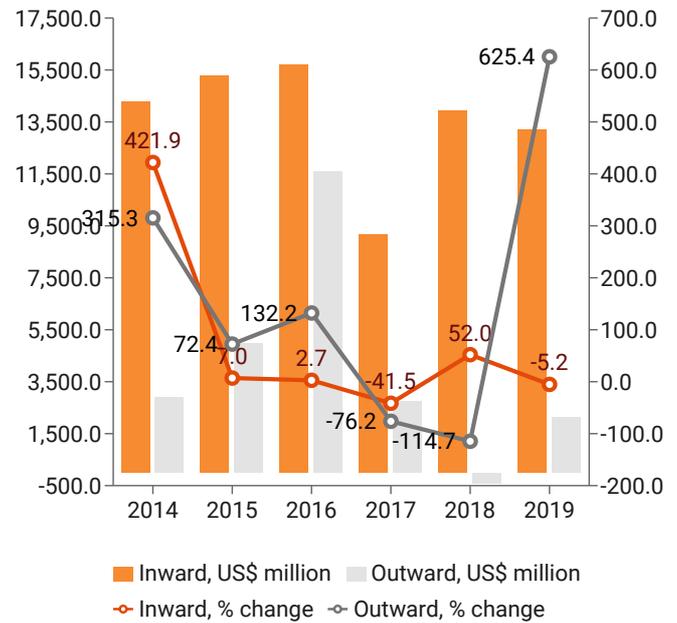
7.1 Foreign Direct Investment

Foreign Direct Investment Stock



Note: 2020 data not yet available
Source: UNCTAD
Date last reviewed: January 24, 2021

Foreign Direct Investment Flow



Note: 2020 data not yet available
Source: UNCTAD
Date last reviewed: January 24, 2021

7.2 Foreign Direct Investment Policy

1. There are a variety of Polish agencies involved in investment promotion. The Economic Development Ministry has two departments involved in investment promotion and facilitation: the Large Investment Support Department and the International Relations Department. The Foreign Affairs Ministry promotes Poland's foreign relations, including economic relations, and along with the Polish Chamber of Commerce organises missions of Polish firms abroad and hosts foreign trade missions to Poland. Starting February 2017, the Polish Investment and Trade Agency (PAIH) replaced the Polish Information and Foreign Investment Agency as the main institution responsible for the promotion and facilitation of foreign investment. The rebranding is connected with the expansion of the scope of the agency's activities. Apart from providing services to investors in the country, PAIH will support Polish investors abroad. The agency will operate as part of the Polish Development Fund, which integrates government development agencies. PAIH will coordinate all operational instruments, such as diplomatic missions, commercial fairs and programmes dedicated to specific markets and sectors, as well as promote the Polish economy and attract foreign investors to the country. These services are available to all investors.
2. Related laws and regulations on foreign investment are well established; however, some restrictions still remain on foreign direct investment (FDI), such as limits on foreign ownership and business activity in core sectors. The Act on the Control of Certain Investments entered into force in 2015 and provides for the screening of acquisitions in energy generation and distribution; petroleum production, processing and distribution; telecommunications and the manufacturing and trade of explosives, weapons and ammunition.
3. Poland's support for foreign investors is generally sectoral in focus; regional support is provided in the context of sectoral investments. Any company investing in Poland, either foreign or domestic, may apply for assistance from the Polish government. Foreign investors have the potential to access grants and certain incentives. There are 14 special economic zones (SEZs) located throughout Poland on major supply chain routes. The benefits available for locating in these zones include income tax exemption, real estate tax exemption, competitive land prices and close access to high-quality local suppliers.
4. Foreign ownership is permitted, with the exception of some sectors that are designated as strategic sectors. Polish law restricts foreign investment in land and real estate. Polish law limits non-EU citizens to 49% ownership of a company's capital shares in the air transport, energy, radio and television broadcasting and airport and seaport operations sectors.

5. Licences and concessions for defence production and management of seaports are granted on the basis of national treatment for investors from the Organisation for Economic Co-operation and Development countries.
6. Polish law restricts foreign investment in land and real estate. Since Poland's EU accession, foreign citizens from EU member states and EFTA countries (Iceland, Liechtenstein, Norway and Switzerland) do not need permission to purchase non-agricultural real estate or to acquire or receive shares in a company owning non-agricultural real estate in Poland. Land usage types, such as technology and industrial parks, business and logistic centres, transport, housing plots, farmland in SEZs, household gardens and plots up to two hectares are exempt from agricultural land purchase restrictions. Citizens from countries other than the EU and EFTA are allowed to purchase an apartment, 0.4 hectares of urban land, or up to half a hectare of agricultural land with building restrictions and restrictions on eligibility for government support programmes. In order to make large commercial real estate purchases, foreign citizens must obtain a permit from the Ministry of Interior (with the consent of the Defence and Agriculture Ministries), pursuant to the Act on Acquisition of Real Estate by Foreigners. Laws to restrict farm land and forest purchases came into force on April 30, 2016.

Sources: WTO – Trade Policy Review, government websites, Fitch Solutions

7.3 Free Trade Zones and Investment Incentives

Free Trade Zone/Incentive Programme	Main Incentives Available
There are 14 SEZs located throughout Poland on major supply chain routes	<ul style="list-style-type: none"> - Exemption from custom duties and VAT - Competitive land prices - Real estate tax and Income tax exemption - Good access to high quality local suppliers - The amount of government aid available to investors is subject to the EU's aid intensity programme, whereby projects in less developed regions benefit from incentives of up to 50% of the costs of new investment, with this percentage falling to 10% in the most developed region, Warsaw. - Investment grants of up to 50% of investment costs (or 70% for small or medium-sized enterprises) are available. Grants for research and development and other activities, such as environmental protection, training, logistics or use of renewable energy sources, are also available.

Sources: US Department of Commerce, Fitch Solutions

8. Taxation – 2021

- Value Added Tax: 23%
- Corporate Income Tax: 19%

Sources: Poland National Revenue Administration, Fitch Solutions

8.1 Important Updates to Taxation Information

- As of April 1, 2020, a new matrix of VAT rates entered into force. The amendment introduces new lists of goods and services, subject to reduced VAT rates.
- From January 1, 2021, corporate income tax (CIT) in Poland will see several significant changes. Limited partnerships will be treated as CIT taxpayers, and general partnerships will be subject to CIT where partners are not disclosed to the tax authorities. Furthermore, entities that generate revenue in excess of EUR50.0 million during a given tax year will be required to publish annual information on the execution of their tax policy.
- As of January 2019, an exit tax was introduced, which refers to taxation of unrealised profits related to moving one's assets to another country. The exit tax may be applicable to foreigners working in Poland and employees leaving Poland to work abroad.
- Effective from January 2019, an Innovation Box Regime (IBR) has been introduced. The IBR is aimed at incentivising innovative research and development activities by taxing profits from qualifying intellectual property rights at a preferential 5% tax rate.
- Poland's withholding tax rules have overhauled the existing system. Most of the changes were effective January 2019, except for the withholding tax mechanism for payments exceeding PLN2 million – this mechanism was postponed from June 1, 2019 to June 30, 2020. Under the requirements, reduced rates or exemptions, such as under a tax treaty, may only be applied directly if certain conditions are met. Otherwise, taxpayers that are eligible for a reduced rate or exemption must apply for a refund.

8.2 Business Taxes

Type of Tax	Tax Rate and Base
Corporate Income Tax (CIT)	19%; 9% corporate tax rate applies to revenue not exceeding EUR1.2 million
Branch Tax	19% on profits (same as CIT rate)
Capital Gains Tax	Treated as taxable income; 19%
Withholding Tax (interest, royalties, services)	20% on net earnings
Withholding Tax (dividends)	19% on net earnings
VAT	23% on sale of goods, services and imports; 0% applies to exports and supplies of goods within the EU. Reduced rates are applicable to specified goods and services indicated in the VAT act, such as food, agricultural products and medical equipment.
Social security contributions	An employer is obligated to pay: - between 19.21% and 22.41% of an employee's gross salary if below the cap of PLN156,810 in 2020 - between 3.22% and 6.41% of an employee's gross salary if equal or above the cap of PLN156,810 in 2020
Real Estate Tax	5%

Sources: National sources, Poland National Revenue Administration, Fitch Solutions

Date last reviewed: January 24, 2021

9. Foreign Worker Requirements

9.1 Localisation Requirements

Foreigners can only be employed in positions for which no suitable candidate could be found within Poland or in other EU member states. After a five-year period, EU citizens acquire the status of permanent resident if they continue to fulfil the respective conditions.

9.2 Obtaining Foreign Worker Permits for Skilled Workers

In order to employ foreign workers from outside the EU, businesses must apply for work permits according to the type of activity the worker will undertake and the length of their stay in Poland. The rules and regulations regarding labour mobility are broadly in line with EU directives, allowing for the free movement of labour within the EU. People from the EU do not need a work permit, but their employer must inform the job office about their position. Most non-EU citizens require a work visa and permit in order to work in the country, which generally takes about a month to obtain.

9.3 Blue Card

The Blue Card is intended for the stay of a highly qualified employee. A foreigner holding a Blue Card may reside in Poland and work in the job for which the Blue Card was issued or change that job under the conditions defined. High qualification means a duly completed university education or higher professional education which lasted for at least three years. The Blue Card is issued with a term of validity that is three months longer than the term for which the employment contract has been concluded; however, this is for a maximum period of two years. The Blue Card can be extended. One of the conditions for issuing the Blue Card is a wage criterion: the employment contract must contain gross monthly or yearly wage at least 1.5 times the gross average annual wage.

9.4 Visa/Travel Restrictions

The work permit holder must have worked and resided in Poland lawfully for at least two continuous years before becoming eligible to sponsor accompanying family members for residence in Poland. Dependants and family members that are non-EU or non-EEA citizens must enter Poland as tourists and obtain visas according to their nationality. Businesses that bring workers with family members that are EU/EEA/Swiss nationals can enter Poland with a valid identification document confirming their citizenship. Family members of EU/EEA/Swiss nationals who are not citizens of these countries can enter Poland with a valid travel document and a visa, if required. After a continuous period of residence of five years on Polish territory, an EU/EEA/Swiss national obtains permanent resident status. The European Parliament and the Council of the EU tightened the Schengen Borders Code regulations on external border crossings in November 2017 by making it mandatory for all non-EU persons crossing an external border to undergo thorough checks and make an entry in the computerised entry-exit system, which will be operational by 2020.

Sources: Government websites, Fitch Solutions

10. Risks

10.1 Sovereign Credit Ratings

	Rating (Outlook)	Rating Date
Moody's	A2 (Stable)	19/04/2019
Standard & Poor's	A- (Stable)	12/10/2018
Fitch Ratings	A- (Stable)	25/09/2020

Sources: Moody's, Standard & Poor's, Fitch Ratings

10.2 Competitiveness and Efficiency Indicators

	World Ranking		
	2018	2019	2020
Ease of Doing Business Index	27/190	33/190	40/190
Ease of Paying Taxes Index	51/190	69/190	77/190
Logistics Performance Index	28/160	N/A	N/A
Corruption Perception Index	36/180	41/180	45/180
IMD World Competitiveness	34/63	38/63	39/63

Sources: World Bank, IMD, Transparency International

10.3 Fitch Solutions Risk Indices

	World Ranking		
	2019	2020	2021
Economic Risk Index Rank	39/201	32/201	27/201
Short-Term Economic Risk Score	71.7	59.4	73.1
Long-Term Economic Risk Score	68.1	68.0	71.4
Political Risk Index Rank	41/202	45/201	44/201
Short-Term Political Risk Score	69.6	69.6	69.6
Long-Term Political Risk Score	75.6	75.2	75.2
Operational Risk Index Rank	32/201	34/201	34/201
Operational Risk Score	69.0	67.2	67.7

Source: Fitch Solutions

Date last reviewed: January 24, 2021

10.4 Fitch Solutions Risk Summary

ECONOMIC RISK

Poland's long-term economic outlook reflects the country's solid growth trajectory and steady convergence with Western EU member states. Poland's large domestic market, by regional standards, provides a measure of protection against a volatile global economy and uncertainty regarding the UK's decision to leave the EU. That said, the Covid-19 pandemic has thrown the world into uncharted economic territory, and pervasive uncertainty will continue to weigh on the market and its trading partners, and the impact of the 2020 recession will be far reaching and complex. The economy should rebound once regional and global demand recovers, further supported by resilient household spending amid the tight labour market, tax cuts, higher pensions and wage hikes.

OPERATIONAL RISK

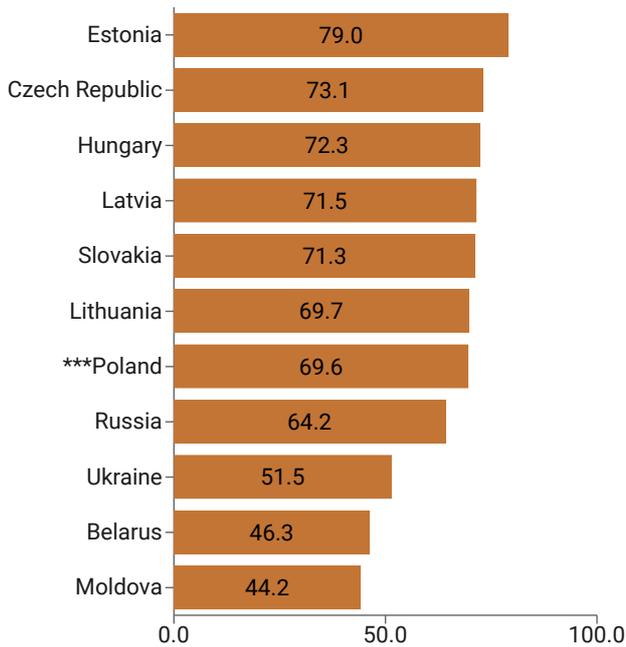
Poland remains an attractive investment destination, owing to factors such as a relatively safe operating environment, a well-developed domestic financial market and broad investment incentives, access to a large domestic and regional consumer market, EU membership and a diversified domestic manufacturing base. Strong road and rail connections, both regionally and globally, facilitate large cross-border trade for Poland. Some constraints stem from the government's increased populist leanings, which have seen an increasingly inward-looking policy environment take hold and which have led to increased tensions with the EU. Poland's rising utility costs and a tightening labour market present long-term challenges for investors. In the near term, economic activity will contract because of the coronavirus-related disruption to labour, regional trade and supply chains.

Source: Fitch Solutions

Date last reviewed: January 27, 2021

10.5 Fitch Solutions Political and Economic Risk Indices

Short Term Political Risk Index

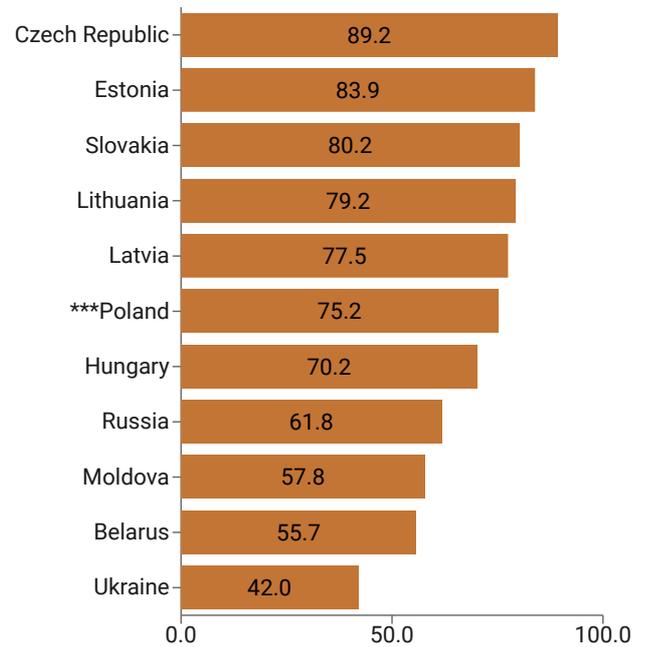


100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Political and Economic Risk Indices

Date last reviewed: January 24, 2021

Long Term Political Risk Index



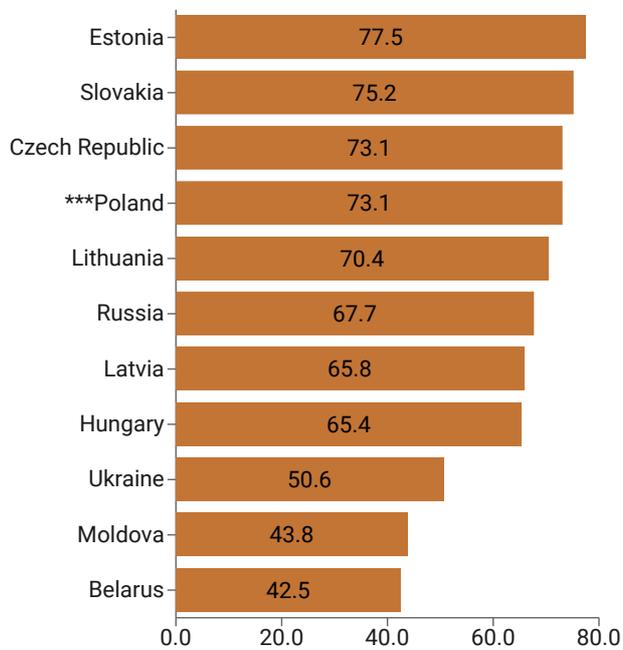
100 = Lowest risk; 0 = Highest risk

Source: Fitch Solutions Political and Economic Risk Indices

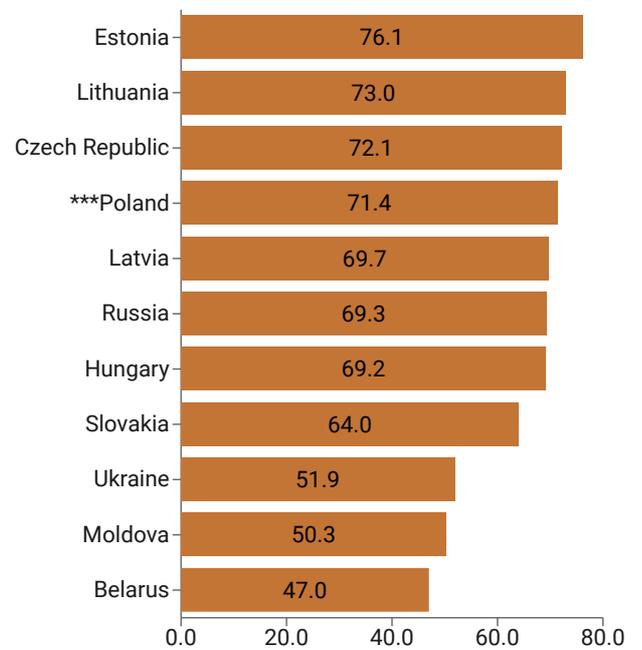
Date last reviewed: January 24, 2021

Short Term Economic Risk Index

Long Term Economic Risk Index



100 = Lowest risk; 0 = Highest risk
 Source: Fitch Solutions Political and Economic Risk Indices
 Date last reviewed: January 24, 2021



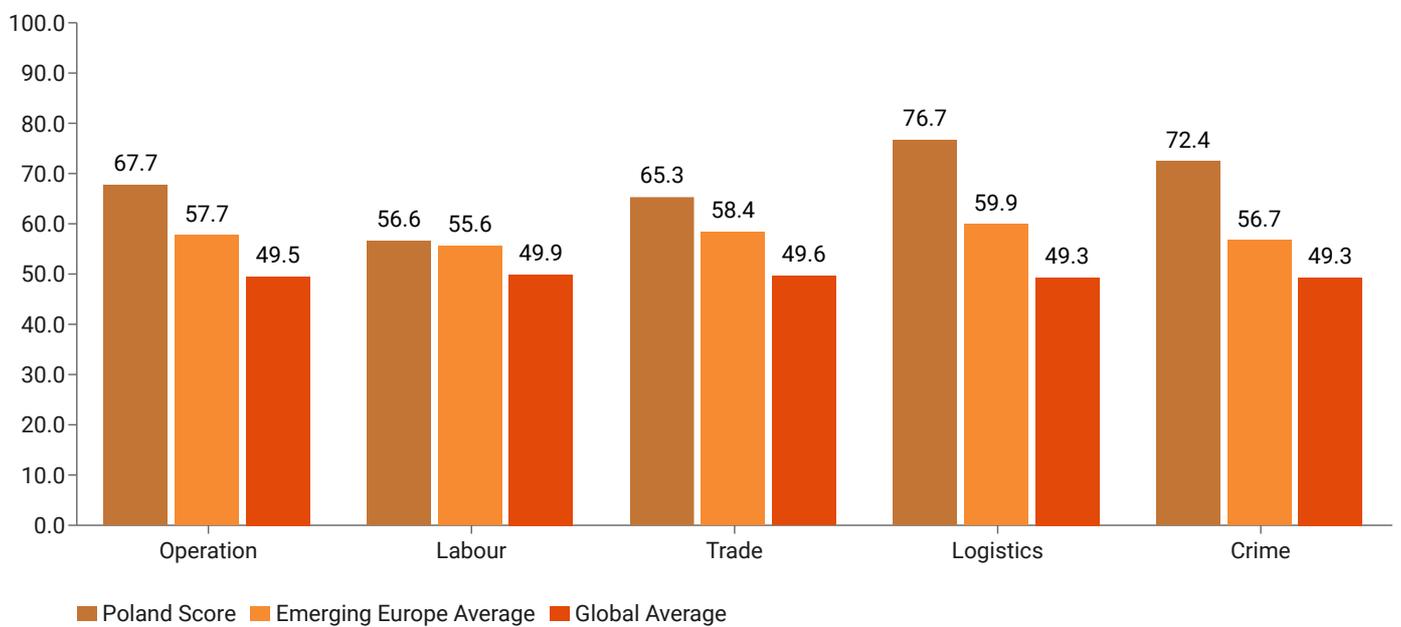
100 = Lowest risk; 0 = Highest risk
 Source: Fitch Solutions Political and Economic Risk Indices
 Date last reviewed: January 24, 2021

10.6 Fitch Solutions Operational Risk Index

	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
Poland Score	67.7	56.6	65.3	76.7	72.4
Central and Eastern Europe Average	62.2	57.6	62.6	67.2	61.3
Central and Eastern Europe Position (out of 11)	4	8	6	1	4
Emerging Europe Average	57.7	55.6	58.4	59.9	56.7
Emerging Europe Position (out of 31)	5	16	8	1	5
Global Average	49.5	49.9	49.6	49.3	49.3
Global Position (out of 201)	34	55	44	22	29

100 = Lowest risk; 0 = highest risk
 Source: Fitch Solutions Operational Risk Index

Poland vs Global and Regional Operational Risk Averages



Note: 100 = Lowest Risk, 0 = Highest Risk

Source: Fitch Solutions Operational Risk Index

Date last reviewed: January 24, 2021

Country/Region	Operational Risk Index	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk Index	Crime and Security Risk Index
Estonia	70.8	62.1	76.0	70.3	74.9
Czech Republic	69.2	59.3	67.2	73.9	76.2
Lithuania	69.1	60.3	71.0	72.2	72.7
Poland	67.7	56.6	65.3	76.7	72.4
Latvia	66.4	62.6	68.3	68.4	66.2
Hungary	63.9	55.1	64.2	71.1	65.1
Slovakia	62.5	50.2	67.3	63.9	68.9
Belarus	58.1	59.1	57.1	65.0	51.4
Russia	57.9	65.5	56.4	68.0	41.6
Ukraine	49.4	56.8	47.3	58.2	35.4
Moldova	48.8	45.9	48.1	51.2	49.9
Regional Averages	62.2	57.6	62.6	67.2	61.3
Emerging Markets Averages	46.8	48.3	47.1	45.8	46.1
Global Markets Averages	49.5	49.9	49.6	49.3	49.3

100 = Lowest risk; 0 = Highest risk

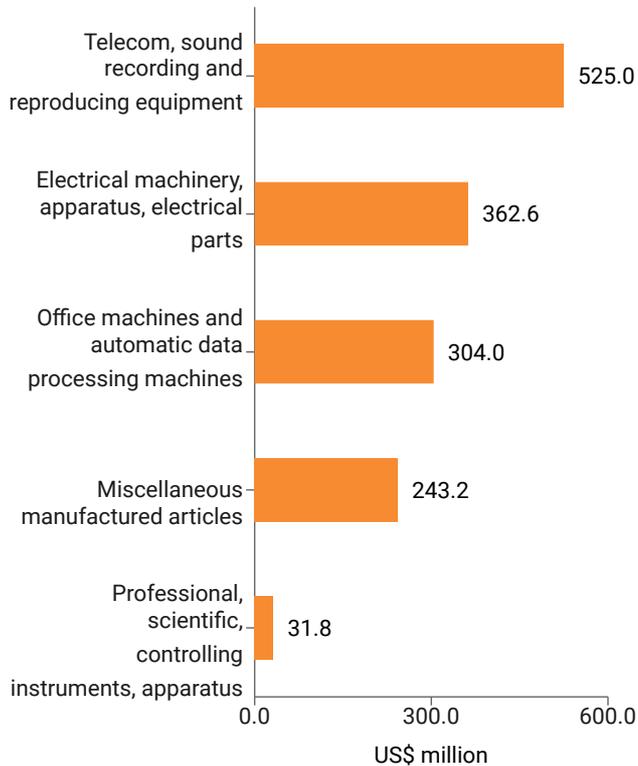
Source: Fitch Solutions Operational Risk Index

Date last reviewed: January 24, 2021

11. Hong Kong Connection

11.1 Hong Kong's Trade with Poland

Major Export Commodities to Poland (2019)

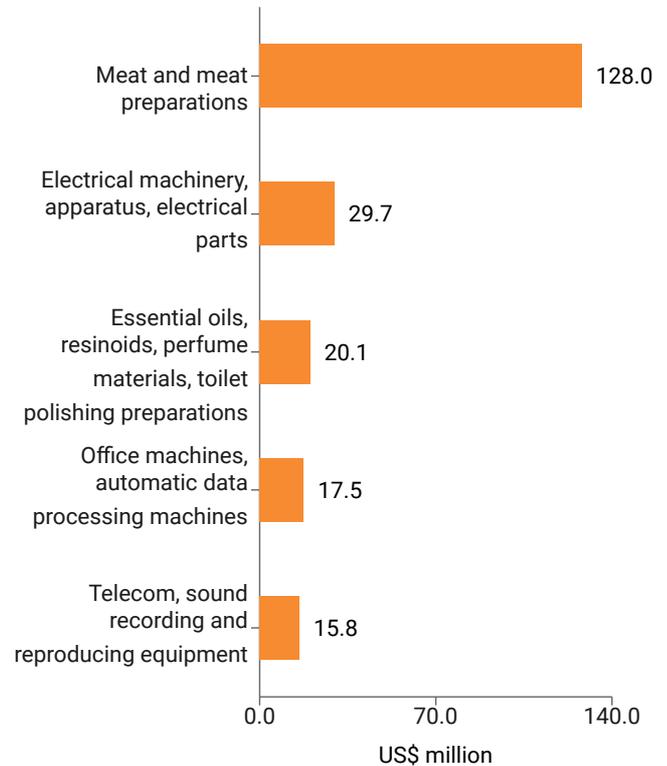


Note: Graph shows the main Hong Kong exports to Poland (by consignment)

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

Date last reviewed: January 24, 2021

Major Import Commodities from Poland (2019)

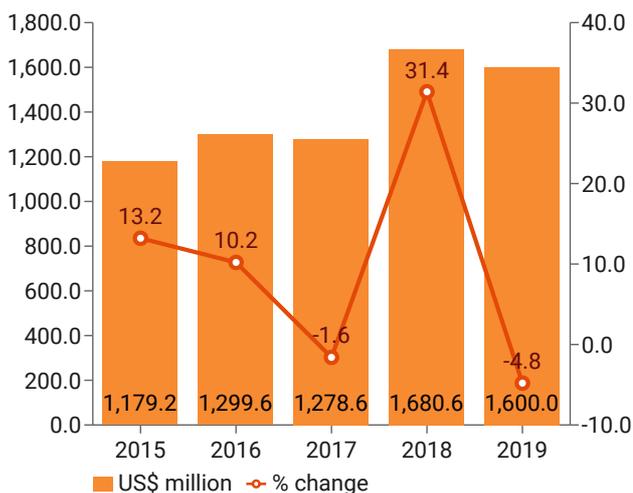


Note: Graph shows the main Hong Kong imports from Poland (by consignment)

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

Date last reviewed: January 24, 2021

Merchandise Exports to Poland



Note: Graph shows Hong Kong exports to Poland (by consignment)

Source: Hong Kong Trade Statistics, Census & Statistics Department

Date last reviewed: January 24, 2021

Merchandise Imports from Poland



Note: Graph shows Hong Kong imports to Poland (by consignment)

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

Date last reviewed: January 24, 2021

Exchange Rate HK\$/US\$, average

7.75 (2015)

7.76 (2016)

7.79 (2017)
7.84 (2018)
7.84 (2019)

	2019	Growth rate (%)
Number of Poland residents visiting Hong Kong	28,228	-4.9
Number of European residents visiting Hong Kong	1,747,763	-10.9

Source: Hong Kong Tourism Board
Date last reviewed: January 24, 2021

11.2 Commercial Presence in Hong Kong

	2019	Growth rate (%)
Number of EU companies in Hong Kong	2,334	22.5
- Regional headquarters	507	14.2
- Regional offices	764	23.0
- Local offices	1,063	26.5

Source: Hong Kong Census and Statistics Department

11.3 Treaties and Agreements between Hong Kong and Poland

Poland has double taxation agreements (DTAs) with Mainland China, but there are no separate agreements in place with Hong Kong. Mainland China has a DTA with Poland covering dividends (10% in both), royalties (0% in Mainland China and 10% in Poland) and interest (7% in Mainland China and 10% in Poland).

Source: [Hong Kong Department of Justice](#)

11.4 Chamber of Commerce or Related Organisations

The Poland Hong Kong Chamber of Commerce

The Poland Hong Kong Chamber of Commerce was established in 2009 with the aim of supporting individuals and businesses based locally and also promoting trade, networking and investment in Hong Kong.

Address: Level 3A, Causeway Corner, 18 Percival Street, Causeway Bay, Hong Kong

Email: info@polcham.hk

Source: [The Poland Hong Kong Chamber of Commerce](#)

Poland Hong Kong Business Association

Email: PLHK@PLHK.pl

Tel: (48) 22 623 8508

Fax: (48) 22 623 8314

Website: www.PLHK.pl

Please click to view [more information](#).

Source: [Federation of Hong Kong Business Associations Worldwide](#)

Consulate General of the Republic of Poland in Hong Kong

Address: Room 2506, Hopewell Centre, 183 Queens Road East, Wan Chai, Hong Kong

Tel: (852) 2840 0779

Fax: (852) 2596 0062

Source: [Consulate General of the Republic of Poland in Hong Kong](#)

11.5 Visa Requirements for Hong Kong Residents

Generally, HKSAR passport holders do not need a visa to visit the Schengen area for a stay of up to 90 days in any 180-day period. If a visa is required, a visa application must be completed prior to travel. It is obligatory to register the visa application online prior to visiting the consulate. The visa process takes 15 calendar days from the date of submitting the application. However, the time may vary according to the nature of the case and the number of applications submitted at the same time. The visa fee is EUR60.

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