Poland’s economic freedom score is 68.5, making its economy the 45th freest in the 2018 Index. Its overall score has increased by 0.2 point, with improved fiscal health and labor freedom scores outpacing a decline in government integrity. Poland is ranked 21st among 44 countries in the Europe region, and its overall score is below the regional average but above the world average.

Prioritization of social welfare spending has prompted investors to lower Poland’s economic growth projections for the next few years. Past structural reforms like trade liberalization, low corporate taxes, and a business-friendly regulatory environment facilitated the transition to a market-oriented economy. Remaining systemic challenges include deficiencies in road and rail infrastructure, a rigid labor code, a weak commercial court system, government red tape, and a burdensome tax system for entrepreneurs. Reforms are also needed to buttress the independence of the judiciary and reduce opportunities for corruption.

**ECONOMIC FREEDOM SCORE**

68.5

▲ UP 0.2 POINT

WORLD AVERAGE

61.1

REGIONAL AVERAGE (EUROPE REGION)

68.8

**NOTABLE SUCCESSES:**
Open Markets and Monetary Stability

**CONCERNS:**
Government Spending, Government Integrity, and Judicial Effectiveness

**OVERALL SCORE CHANGE SINCE 2014:**
+1.5

**FREEDOM TREND**

**QUICK FACTS**

POPULATION:
38.0 million

GDP (PPP):
$1.1 trillion

2.8% growth in 2016

5-year compound annual growth 2.6%

$27,764 per capita

UNEMPLOYMENT:
6.2%

INFLATION (CPI):
–0.6%

FDI INFLOW:
$11.4 billion

PUBLIC DEBT:
54.2% of GDP

BACKGROUND: Poland helped to bring about the demise of the Soviet Union in 1989, joined NATO in 1999, and became a member of the European Union in 2004. Buoyed by strong institutions, it was the only European country to record economic growth during the 2009 credit crisis. Prime Minister Beata Szydło’s conservative Eurosceptic Law and Justice Party won a parliamentary majority in 2015. The government has clashed with the EU over changes in the judiciary and attempts by the EU to impose mandatory migrant quotas. A strong manufacturing sector has helped Poland to become the EU’s sixth-largest economy. Tensions exist between the poorer and rural eastern region of the country and the more prosperous and industrialized western region.
Poland recognizes and enforces secured interests in property. The judiciary is independent but slow to operate and sometimes subject to political pressure. The court system remains cumbersome, poorly administered, and inadequately staffed. Anticorruption laws are not always enforced effectively. Several notable corruption probes that emerged in 2016 pointed to ongoing problems in state institutions.

The top income tax rate is 32 percent, and the corporate tax rate is a flat 19 percent. Other taxes include value-added and property taxes. The overall tax burden equals 32.1 percent of total domestic income. Over the past three years, government spending has amounted to 41.7 percent of total output (GDP), and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 54.2 percent of GDP.

Regulatory reform has stagnated, and levels of business freedom lag behind those in many other European countries. The nonsalary cost of employing a worker is relatively high. Unions exercise considerable influence on contract termination and other labor issues. Poland, the largest recipient of EU subsidies, has few price controls but does administer prices on pharmaceuticals, taxi services, and other goods and services.

Trade is extremely important to Poland’s economy; the combined value of exports and imports equals 101 percent of GDP. The average applied tariff rate is 1.6 percent. Nontariff barriers impede some trade. In general, government policies do not significantly interfere with foreign investment. The growing banking sector has become more competitive, and capital markets are expanding.