POLAND

Poland’s economic freedom score is 68.7, making its economy the 39th freest in the 2022 Index. Poland is ranked 25th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

The Polish economy gained strength in 2017 and 2018, slowed in 2019, and contracted in 2020. Growth resumed in 2021. Economic freedom has trended upward over those five years. With score increases in property rights and business freedom, Poland has recorded a slight 0.4-point overall gain of economic freedom since 2017 and remains in the upper reaches of the “Moderately Free” category. Fiscal health, monetary freedom, trade freedom, and investment freedom are strengths, but government spending’s weight on the economy remains a problem.

IMPACT OF COVID-19: As of December 1, 2021, 84,153 deaths had been attributed to the pandemic in Poland, and the government’s response to the crisis ranked 94th among the countries included in this Index in terms of its stringency. The economy contracted by 2.7 percent in 2020.

BACKGROUND: Poland played a pivotal role in ending Soviet domination of Eastern Europe, joined NATO in 1999, and became a member of the European Union in 2004. The conservative and Euroskeptic Law and Justice Party (PiS), first elected to power in 2015, won an even bigger parliamentary majority in 2019. In 2020, President Andrzej Duda of the PiS was narrowly reelected to a second five-year term. The government has prioritized closer cooperation with the U.S. while clashing with the EU over migration and judicial and media reforms. Tensions exist between the country’s poorer and rural eastern region and its more prosperous and industrialized western region. Coming out of the pandemic, Poland’s strong economy is returning to growth.
Secured interests in property and the sanctity of contracts are recognized and enforced by law. The registration system for land titles and mortgages is reliable. The Polish legal system is code-based and prosecutorial. The judiciary is independent, and courts function slowly but effectively. Laws, regulations, and penalties have been imposed to combat corruption among public officials and to counteract conflicts of interest.

The top individual income tax rate is 32 percent, and the top corporate tax rate is 19 percent. Other taxes include value-added and property taxes. The overall tax burden equals 35.4 percent of total domestic income. Government spending has amounted to 44.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.1 percent of GDP. Public debt is equivalent to 57.7 percent of GDP.

Members of the business community report that regulations have become less predictable. Outsized state-owned and state-controlled companies infringe on business freedom. Labor productivity has been rising. The unemployment rate varies a great deal across regions. The government has increased the minimum wage, and the rate of inflation rose steadily throughout 2021.

As a member of the EU, Poland has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Poland has an additional 340 country-specific nontariff barriers. Foreign and domestic investors are generally treated equally. The financial sector consists mainly of private banks, and capital markets are expanding.