**S&P rating agency raised Poland’s outlook to positive**

On 13 April 2018 rating agency Standard & Poor’s announced a decision about keeping Poland’s credit rating unchanged at the level of BBB+/A-2 for long and short term liabilities, respectively, in foreign currency and A-/A-2 for long and short term liabilities, respectively, in local currency. Rating’s outlook has been raised from stable to positive.

The positive outlook indicates an increased likelihood of Polish rating to be raised within the next 24 months. It is the second decision to improve Poland’s outlook recently.

*“We welcome S&P’s decision about raising rating’s outlook to positive. Now we are waiting for the next, natural step, which will be upgrading the rating. We are glad that agency notices positive changes happening in economic as well as fiscal sphere in Poland. Our achievements in the field of tightening tax system in Poland are undeniable. 2017 ended with very low budget deficit, and this positive trend extends to this year. Last year public debt decreased for the first time in nominal terms (excluding changes in Open Pension Funds in 2014). All of this could not have remained unnoticed by the most critical towards us rating agency.”* - Minister of Finance Teresa Czerwińska comments.

S&P agency in its press release justifying the decision indicates higher and sustainable economic expansion benefiting fiscal performance (GDP growth forecast for 2018 raised from 3.8% to 4.5%) as the factors behind raising outlook.

Change in outlook also resulted from rising confidence on tax compliance reforms having positive impact on public revenues. Rating’s constraints are among others: growing, but still modest, level of GDP per capita, net external liability position and adverse demographics. However, agency notices that rising wages are not a large constraint to competitiveness of Polish labour market.

According to the agency, Poland’s rating could be raised if the economy continues to expand at a buoyant pace without generating large external financing needs or government debt to GDP ratio remains on a downward trend. Rating can be raised if budgetary polices take into account pressure of declining working age population. On the other hand, rating could be lowered in case growth and fiscal performance deteriorated sharply and monetary settings proved inadequate to guard against economic overheating. Another reasons could be increase in quasi-fiscal activities by state-owned institutions or deterioration in external financing, including EU funds.

Agency in its press release clearly notices very good economic and fiscal situation, however, so far it is not reflected in the rating assessment, especially in the subcategory concerning economic situation. The assessment in this subcategory remained unchanged despite significantly better economic performance compared with previous agency’s forecasts. It is one of the elements of rating methodology that we do not agree with.