

# Poland's investment outlook: time to shift the growth model towards skills and innovation, according to EIB research

- The annual EIB Survey on Investment and Investment Finance (EIBIS) finds that after 25 years of weak investment performance, Polish corporates are now increasing their capital stock
- Nevertheless, investment activities at corporate level are still below EU average and the lack of a labour force with adequate skills is currently the most important barrier to increased investment
- Maintaining the growth momentum requires a new focus on productivity and innovation, and strong public and private sector involvement is needed to create a knowledge-based economy
- Municipalities are also stepping up their investment plans and are set to prioritise infrastructure modernisation over maintenance

In Poland, the macroeconomic outlook remains stable and promising. Robust economic growth is likely to continue in 2018, thanks to strong private consumption and a recovery in investment after a lull induced by the cyclical nature of EU funds. Nevertheless, important structural issues have to be overcome to secure the country's long-term convergence towards the EU and the sustainability of its growth model.

The main findings of the Annual EIB Survey on Investment and Investment Finance (EIBIS) were discussed today at a conference in Warsaw organised jointly by the European Investment Bank (EIB) and the National Bank of Poland (NBP). The latest edition of the traditional EIB corporate survey was complemented by a one-off municipal survey, providing additional, valuable information about local authorities' investment needs and capital accumulation barriers at the local level.

*"Poland's robust growth performance over the past 25 years went along with very low investment, and significant gaps in the capital stock remain", said **Debora Revoltella, Director of the Economic Department at the European Investment Bank (EIB)**. "To maintain its economic momentum, Poland needs to shift its growth model. This will require a focus on productivity, with strong private and public investment into the foundations of a knowledge-based economy. In parallel, the financing side has to be supportive and EU financial instruments can play a role here".*

*"Despite the obvious and large improvements in the investment activity of the corporate sector, the business investment rate in Poland appears to be among the lowest in the EU", commented **Vazil Hudak, Vice-President of the European Investment Bank**. "Investment in intangible assets is particularly low, even in comparison to other EU Member States that are in the catching-up process. The EIB is ready to step up and provide the necessary financing, so that*

*Poland can shift its growth model through high-quality investment, and continue its successful economic convergence towards the EU."*

*Link to the publication:*

[http://www.eib.org/attachments/efs/eibis\\_2017\\_poland\\_en.pdf](http://www.eib.org/attachments/efs/eibis_2017_poland_en.pdf)

### **Main findings of the EIBIS in a nutshell:**

**At the corporate level**, more Polish firms increased than decreased investment activity in the last financial year. This positive outlook continues into the current year, with all sectors expecting, on balance, to expand investment activity. However, around one-quarter of Polish firms (24%) feel they invested too little over the last three years, which is higher than the EU average (15%). While replacement is named as the main priority of firms' investment, companies are shifting towards building new capacities and developing new products. The top two perceived barriers to investment are skills shortages (89%) and general uncertainty about the future (87%). Both are more commonly cited in Poland than the EU average.

**At the local authority level**, over the last five years, slightly less than 60% of municipalities in Poland report an increase in investment activities in their jurisdictions and only 9% report a decrease. Yet, 38% of Polish municipalities believe investment activities in their jurisdiction have been below needs. The main obstacles to infrastructure investment activities for Polish municipalities is the length of the approval process. Access to external finance follows, weighing more than at the EU level. Municipalities mainly resort to their own resources and EU programmes to finance infrastructure.