Council of the European Union

Brussels, 14 January 2025
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NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	COUNCIL RECOMMENDATION endorsing the national medium-term fiscal-structural plan of Poland

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan of Poland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission, Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance,[1] together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure,[2] and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States[3] are the core elements of the reformed EU economic governance framework. The framework aims at promoting sound and sustainable public finances, and sustainable and inclusive growth and resilience through reforms and investments, and preventing excessive deficits. It also promotes national ownership and has a greater medium-term focus, combined with moreeffective and coherent enforcement of the rules.

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1 Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

2 Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

3 Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

(2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, inter alia by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium-term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure[4] path, which effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

(4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorses the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

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[4] Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF POLAND

(5) On 9 October 2024, Poland submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission in view of the reasons provided by Poland.

Process prior to the submission of the plan

(6) To frame the dialogue leading to the submission of national medium-term fiscal-structural plans, on 21 June 2024 the Commission sent, according to Article 9 of Regulation (EU) 2024/1263, the reference trajectory[5] to Poland. The Commission published the reference trajectory on 9 October 2024[6]. The reference trajectory is risk-based and ensures that, by the end of the fiscal adjustment period and in the absence of further budgetary measures beyond the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels over the medium term, and the general government deficit is brought below 3% of GDP over the adjustment period and maintained below that reference value over the medium term. The medium term is defined as the ten-year period after the end of the adjustment period. In accordance with Article 6, point (d), 7 and 8 of Regulation (EU) 2024/1263, the reference trajectory is also consistent with the deficit benchmark, the debt sustainability safeguard and the deficit resilience safeguard. The reference trajectory of Poland sets out that, based on the Commission's assumptions underpinning the prior guidance transmitted in June 2024 and assuming a 4-year adjustment period, net expenditure should not grow by more than the values provided in Table 1. This corresponds to average net expenditure growth of 4.5% over the adjustment period (2025–2028).

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5 Prior guidance transmitted to the Member States and Economic and Financial Committee includes trajectories with and without an extension of the adjustment period (covering 4 and 7 years, respectively). It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the European Commission Spring 2024 Forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

6 https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/national-medium-term-fiscal-structural-plans_en#poland.

Table 1: Reference trajectory provided by the Commission to Poland on 21 June 2024

	2025	2026	2027	2028	Average 2025–2028
Maximum net expenditure growth (annual, %)	5.3	4.6	4.2	3.9	4.5

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Poland and the Commission engaged in a technical dialogue from July to October 2024. The dialogue centred on the net expenditure path envisaged by Poland and its underlying assumptions (in particular potential output, interest rates, GDP deflator and fiscal multipliers), deviation from the no-backloading safeguard, as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in fair and green digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) According to the information provided by Poland in its plan, a consultation process with relevant national stakeholders (including social partners) prior to submission as foreseen in Article 11(3) of Regulation (EU) 2024/1263 did not take place, in line with the transitional provisions foreseen in Article 36(1), point (c), of Regulation (EU) 2024/1263. At the same time, according to the information provided by Poland in its plan, in September 2024, Poland engaged in a discussion regarding the proposed reforms and investments with civil society representatives and social partners in the framework of the national "European Semester Group".

Other related processes

(9) On 26 July 2024, the Council established the existence of an excessive deficit in Poland due to non-compliance with the deficit criterion[7]. The present Recommendation coincides with the Council Recommendation under Article 126(7) TFEU with a view to bringing an end to the situation of an excessive government deficit in Poland[8]. The simultaneous adoption of those recommendations, which is tailored to and justified by the transition to the new economic governance framework, ensures consistency between the recommended adjustment paths.

(10) On 21 October 2024, the Council addressed to Poland a series of country-specific recommendations (CSRs) in the context of the European Semester[9].

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF

(11) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

7 https://eur-lex.europa.eu/eli/dec/2024/2133/oj.

8 Recommendation for a Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Poland, 26.11.2024, COM(2024) 956 final.

9 Council Recommendation of 21 October 2024 on economic, budgetary, employment and structural policies of Poland.

Context: macroeconomic and fiscal situation and outlook

(12) Economic activity in Poland grew by 0.1% in 2023, due to positive net exports and buoyant investment, while inventories and private consumption contributed negatively. According to the European Commission Autumn 2024 Forecast, the economy is expected to grow by 3.0% in 2024, on the back of robust private and public consumption as well as a positive contribution from investment. In 2025, real GDP is set to increase by 3.6%, as growth of consumption remains strong, and investment accelerates. In 2026, real GDP is expected to increase by 3.1%, with positive contributions from private and public consumption as well as investment. Over the forecast horizon (i.e., 2024-2026), potential GDP in Poland is expected to grow by slightly below 3%, which is weaker than in previous years, driven by a lower labour contribution. The unemployment rate stood at 2.8% in 2023 and is projected by the Commission to amount to 2.9% in 2024, 2.8% in 2025 and 2.7% in 2026. Inflation (GDP deflator) is projected to decrease from 9.5% in 2023 to 3.9% in 2024 and reach 4.6% in 2025 and 3.0% in 2026.

(13) Regarding fiscal developments, in 2023 Poland's general government deficit amounted to 5.3% of GDP. According to the European Commission Autumn 2024 Forecast, it is set to reach 5.8% of GDP in 2024 and to decline to 5.6% of GDP in 2025 and, on a no-policy change basis, to 5.3% in 2026. The European Commission Autumn 2024 Forecast includes Poland's draft budget for 2025 that the government proposed to the national parliament in September. General government debt was 49.7% of GDP at end-2023. According to the European Commission Autumn 2024 Forecast, the debt ratio is expected to increase to 54.7% of GDP at end-2024. It is projected to increase to 58.9% of GDP at end-2025 and 62.4% at end-2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(14) Poland's national medium-term fiscal-structural plan covers the period 2025-2028 and presents a fiscal adjustment over four years.

(15) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263.

(16) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 4.5% over the years 2025-2028. The average net expenditure growth reported in the plan over the adjustment period (2025-2028) is broadly in line with[10] the average net expenditure growth in the reference trajectory transmitted by the Commission on 21 June 2024. The plan assumes potential GDP growth to decrease from 3.2% in 2024 and 3.3% in 2025 to 1.6% in 2028. In addition, the plan expects the growth rate of the GDP deflator to increase from 3.6% in 2024 to 5.0% in 2025, and then to gradually decrease to 4.7% in 2026, 4.3% in 2027 and 4.0% in 2028.

Table 2: Net expenditure path and main assumptions in Poland's plan

	2024	2025	2026	2027	2028	Average over the period of validity of the plan 2025–2028
Net expenditure growth (annual, %)	12.5	6.3	4.4	4.0	3.5	4.5
Net expenditure growth (cumulative, from base year 2023, %)	12.5	19.6	24.9	29.9	34.4	n.a.
Potential GDP growth (%)	3.2	3.3	2.0	1.7	1.6	2.2
Inflation (GDP deflator growth) (%)	3.6	5.0	4.7	4.3	4.0	4.5

Source: Medium-term fiscal-structural plan of Poland and Commission calculations.

10 The difference is not visible due to rounding.

Implications of the plan's net expenditure commitments for general government debt

(17) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, increase from 54.6% in 2024 to 61.3% of GDP in 2027 and decrease to 61.2% of GDP at the end of the adjustment period (2028), as per the following table. After the adjustment, over the medium term (i.e. until 2038), the debt ratio is expected to continue to decrease according to the plan, to 52.8% of GDP by 2038. Thus, according to the plan, general government debt would be brought below the Treaty reference value of 60% of GDP over the medium term. This is plausible based on the plan's assumptions, as debt is projected to stand below 60% of GDP by 2038 under all deterministic stress tests of the Commission's Debt Sustainability Analysis. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Articles 6, point (a), and 16(2) of Regulation (EU) 2024/1263.

Table 3: General government debt and balance developments in Poland's plan

	2023	2024	2025	2026	2027	2028	2038
Government debt (% of GDP)	49.6	54.6	58.4	60.9	61.3	61.2	52.8
Government balance (% of GDP)	-5.1	-5.7	-5.5	-4.5	-3.7	-2.9	-2.0

Source: Medium-term fiscal-structural plan of Poland.

Implications of the plan's net expenditure commitments for the general government balance

(18) Based on the plan's net expenditure path and assumptions, the general government deficit would gradually decline from 5.7% of GDP in 2024 to 2.9% of GDP in 2028. Thus, according to the plan, the general government balance would not exceed the 3% of GDP reference value at the end of the adjustment period (2028). In addition, in the ten years following the adjustment period (i.e. until 2038), the government deficit would not exceed 3% of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Articles 6, point (b), and 16(2) of Regulation (EU) 2024/1263.

Time profile of the fiscal adjustment

(19) The time profile of the fiscal adjustment, measured as the change in the structural primary balance, as described in the plan, is backloaded from 2025 to 2026-2028 compared to the linear path referred to as a rule under Article 6, point (c), of Regulation (EU) 2024/1263. According to the plan, this deviation from the no-backloading safeguard is justified under the transitional provision in Article 36(1), point (e) of Regulation (EU) 2024/1263 by the higher expenditure financed by RRF loans and co-financing of EU funds in 2025 (estimated to increase by 0.16% and 0.03% of GDP respectively), as well as by the increase in defence investment in 2025 (planned to increase by 0.25% of GDP). Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the no-backloading safeguard clause set out in Article 6, point (c), and the transitional provision in Article 36(1), point (e), of Regulation (EU) 2024/1263.

Table 4: Structural primary balance developments in Poland's plan

	2023	2024	2025	2026	2027	2028
Structural primary balance (% of GDP)	-2.5	-2.9	-2.6	-1.5	-0.5	0.4
Change in structural primary balance (pps.)	n.a.	-0.4	0.3	1.1	1.0	1.0

Source: Medium-term fiscal-structural plan of Poland.

Consistency of the plan with the excessive deficit procedure

(20) The net expenditure path set out in the plan is in line with the requirements under the excessive deficit procedure (in particular with the minimum annual structural adjustment established in Article 3(4), third subparagraph of Council Regulation (EC) 1467/97, after considering the planned increase in defence investment as a relevant factor).

Consistency of the plan with the deficit resilience safeguard

(21) The requirement of the preventive arm set out in Article 8 of Regulation (EU) 2024/1263 regarding the deficit resilience safeguard, which aims to provide a common margin relative to the deficit reference value of 3% of GDP, does not apply to Poland as the deficit is planned to be brought below 3% of GDP only in the last year of the adjustment period.

Consistency of the plan with the debt sustainability safeguard

(22) According to the plan, general government debt will be between 60% and 90% of GDP in 2026–2028. However, as according to the plan the government deficit would go below 3% of GDP in 2028, which would result in an abrogation of the decision establishing the existence of an excessive deficit in the year after the end of the adjustment period, the debt sustainability safeguard does not apply during the period covered by the plan.

Macroeconomic assumptions of the plan

(23) The plan is based on a set of assumptions which differ from the Commission's assumptions transmitted to Poland on 21 June 2024. In particular, the plan uses different assumptions for nine variables, namely the starting point (general government balance in 2024), potential GDP growth, the GDP deflator in 2024 and 2025, real GDP growth in 2024 and 2025, interest rates, debt structure, fiscal multiplier, stock-flow adjustments, and it includes a back-loaded adjustment profile. An assessment of these differences is provided below. The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference in assumptions considered in isolation.

- The plan assumes a worse initial position compared to the Commission's assumption. The structural primary balance was -2.6% of GDP in the prior guidance and is -2.9% of GDP in the plan. The lower structural primary balance in the plan reflects a worse budgetary outcome in the first three quarters of 2024 due to a lower revenue outturn than expected, in particular from VAT and corporate income tax, as well as higher spending than expected. Consequently, this assumption is deemed to be duly justified and contributes to a lower average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions.

- The plan assumes the GDP deflator to reach 3.6% in 2024, 5.0% in 2025, 4.7% in 2026, 4.3% in 2027, and 4.0% in 2028. This contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. In the prior guidance, the Commission projected a GDP deflator of 4.5% in 2024 and 4.2% in 2025. The difference between the plan and the prior guidance reflects the revised timeline for the full phase-out of energy support measures, which was previously assumed to occur in July 2024, but is delayed to January 2025 according to the existing Polish legislation as explained in the plan and also in line with the Commission Autumn 2024 forecast. GDP deflator growth projections for the remaining years of the plan are slightly below what the medium-term convergence rule from the higher starting value for 2025 would imply. Overall, this assumption is deemed to be duly justified.

- The plan assumes nominal implicit interest rates to reach 4.9% in 2024, 5.2% in 2025, 4.6% in 2026, 4.5% in 2027, and 4.4% in 2028. This contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. The Commission's prior guidance assumed nominal implicit interest rates of 4.8% in 2024, 4.8% in 2025, 5.1% in 2026, 5.2% in 2027, and 5.4% in 2028. The plan's lower implicit nominal interest rates reflect lower market interest rates, a higher share of debt with short-term market interest rates to reflect the significant amount of long-term debt issued with variable interest rates, an expected easing of central bank policy rates from 2025 and the very short maturity of Polish public debt. Overall, the plan's assumption is deemed to be duly justified by the use of more recent market data, a more granular debt decomposition and country specific factors relevant for debt projections.

- As mentioned above, the plan assumes a time profile of the fiscal adjustment, measured as the change in structural primary balance, that is backloaded to 2026–2028. This contributes to lower average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. This difference is driven by the reasons listed in recital 19. At the same time, the net expenditure growth rate in 2025 to which Poland commits implies a larger improvement in the structural primary balance in 2025 than indicated in the plan based on the Commission medium-term government debt projection framework. Consequently, this assumption is deemed to be duly justified.

On balance, the impact of the assumptions that are duly justified neutralises the impact of the worse initial fiscal position on average net expenditure growth. The remaining differences in assumptions, while not always consistent with the common DSA framework, do not have a significant impact on average net expenditure growth compared to the Commission's assumptions. The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with the net expenditure path.

Fiscal strategy in the plan

(24) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered through both expenditure restraint and discretionary revenue increases. The planned fiscal consolidation in 2025 is based on the planned expenditures and revenues included in the 2025 draft budget. It includes the fiscal impact of fixed personal income tax thresholds, increases of excise duties, cancellation of the lower VAT rate on food, withdrawal of energy support measures that were extended until the end of 2024 and freezing the nominal value of some social benefits (including Family 800 Plus and Active Parent programmes). In the following three years of the plan, the fiscal consolidation is to be achieved by measures on both revenue and expenditure side, with about equal contributions from each side. In 2026-2028, the main revenue measures include continuation of freezing of nominal thresholds for personal income tax and an increase of excise duties on alcohol and tobacco. On the expenditure side, the main measures are limiting of nominal *growth* of the government's intermediate consumption and of social security benefits excluding pensions. The specification of the policy measures to be adopted is to be confirmed or adjusted and quantified in the annual budgets. At the same time, there are risks to the implementation of the indicative fiscal strategy in the plan, which stem from risks to the macroeconomic assumptions underpinning the plan and the increasing spending needs on defence, which may imply restraint in other net expenditure items. The budget that the government tabled in the national parliament in September 2024 for 2025 specifies the policy measures through which the net expenditure commitment for 2025 will be achieved.

Reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

(25) The plan describes policy intentions concerning reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs, and to address the common priorities of the EU. The plan includes fourteen reforms and investments addressing the common priorities of the EU, of which eleven are financially supported by the Recovery and Resilience Facility and six by the cohesion policy funds.

(26) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes investments in high-speed internet, robotisation and digitalisation of businesses, digital transformation of businesses through the use of cloud computing as well as reforms concerning green transformation in urban areas and quality of water for human consumption and investment in sustainable use of water resources in rural areas. Those measures intend to address the challenges identified by the CSRs, notably those referring to digitalisation of businesses (recommended in 2024 and 2022), innovations (2022 and 2019) as well as water resources (2024).

(27) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes a reform that is expected to foster innovation and competitiveness of the economy by stronger protection of industrial property, measures enhancing access to public procurement for small and medium-sized businesses as well as a reform of the long-term care system. Those measures intend to address the challenges identified by the CSRs, notably those referring to long-term care (recommended in 2024, 2022 and 2019) as well as public procurement (2024).

(28) Concerning the common priority of energy security, the plan includes a wind energy reform as well as investments in offshore wind farms, energy storage systems, hydrogen technologies, energy infrastructure as well as energy efficiency and renewable energy support measures. Those measures intend to address the challenges identified by the CSRs, notably those referring to district heating (recommended in 2024), renewable energy and energy efficiency (2023 and 2022) and energy infrastructure (2019).

(29) Concerning the common priority of defence capabilities, the plan includes information on investments in strengthening Poland's defence capacity, presented in the EU and the NATO context. Spending on defence is set to increase from 2.6% of GDP in 2024 to 2.8% of GDP in 2025, including 0.25 pps. increase in military investments (from 0.7% of GDP to 0.9% GDP, respectively). In the following years of the adjustment period, spending on defence is set to amount to at least 3% of GDP (in cash terms) as required by national law.

(30) The plan provides information on the consistency and, where appropriate, complementarity with the cohesion policy funds and Poland's recovery and resilience plan (RRP). The dominant part of the measures included in the plan is financed by the RRP funds. The measures which do not concern the RRP are those related to protecting industrial property, enhancing public procurement and water for human consumption. Five measures additionally benefit from the funding of the cohesion policy funds and one measure additionally benefits from the Common Agricultural Policy.

(31) The plan provides an overview of the public investment needs of Poland related to the common priorities of the EU. Regarding fair green and digital transition as well as energy security, the plan evokes findings of 'The future of European competitiveness' report[11], emphasising the need for investments to lower energy prices, including through the RRP investments in producing and storing renewable hydrogen and building wind farms, as well as the need to improve digital skills and access to high-speed internet. Regarding social and economic resilience, the plan emphasises the need to achieve greater economic independence, including by ensuring the security of the supply chains of key critical raw materials and semiconductors. The plan also explains that for some public policies, including energy, health, social and education policy, a review of reforms and investments is underway limiting the scope for a more precise assessment of investment needs until 2028. Regarding the build-up of defence capabilities, the plan includes an increase in defence spending beyond 2% of GDP, in alignment with NATO commitments. The plan also refers to the changing external conditions, including Russia's war of aggression, and the EU's emerging strategic priorities and resulting investment needs.

Conclusion of the Commission's assessment

(32) Overall, the Commission is of the view that Poland's plan fulfils the requirements of Regulation (EU) 2024/1263.

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[11] Draghi, M., '*The future of European competitiveness*', European Commission, September 2024.

OVERALL CONCLUSION OF THE COUNCIL

(33) The Council welcomes the medium-term fiscal-structural plan of Poland and considers that its full implementation would be conducive to ensuring sound public finances and supporting public debt sustainability as well as sustainable and inclusive growth.

(34) The Council takes note the Commission's assessment of the plan. However, the Council invites the Commission to present its assessment of future plans in a separate document from the Commission recommendations for Council recommendations.

(35) The Council takes note of the Commission assessment of the net-expenditure path and the main macroeconomic assumptions in the plan, including in relation to the prior guidance by the Commission, as well as the implications of the plan's net expenditure path for government deficit and debt. The Council takes note of the Commission assessment that the macroeconomic and fiscal assumptions, while differing in some instances from the Commission's assumptions, including to cater for updated macroeconomic and fiscal data, are overall duly justified and underpinned by sound economic arguments. The Council takes note of the broad fiscal strategy of the plan and the risks to the outlook, which could affect the materialisation of the macroeconomic scenario and the underlying assumptions and the delivery of the plan's net expenditure path. The Council welcomes that relevant stakeholders were engaged with at the national level prior to the submission of the plan. The Council also notes that geopolitical risks may put pressure on defence expenditures. In particular, the Council notes that the worsening security environment due to Russia's war of aggression against Ukraine has a bearing on the economy with repercussions for public finances in Poland.

(36) The Council expects Poland to stand ready to adjust its fiscal strategy as needed to ensure delivery of its net expenditure path. The Council resolves to monitor closely economic and fiscal developments, including those underlying the scenario of the plan.

(37) The Council considers that further discussions to find a common understanding on the annual surveillance implications of the cumulative net-expenditure growth rates is warranted in time for the next round of fiscal surveillance.

(38) The Council takes note of the Commission description of the reforms and investment needs and intentions responding to the main challenges identified in the context of the European Semester, and stresses the importance of ensuring the delivery of such reforms and investments. The Council will, on the basis of reports submitted by the Commission, assess such reforms and investments and monitor their implementation within the framework of the European Semester.

(39) The Council looks forward to the annual progress reports from Poland that shall contain, in particular, information about the progress in the implementation of the net expenditure path as set by the Council, and the implementation of broader reforms and investments in the context of the European Semester.

(40) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Poland.

HEREBY RECOMMENDS that Poland:

1. Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

Done at Brussels,

For the Council
The President

Maximum growth rates of net expenditure

(annual and cumulative growth rates, in nominal terms)

Poland

Years		2025	2026	2027	2028
Growth rates (%)	Annual	6.3	4.4	4.0	3.5
	Cumulative*	19.6	24.9	29.9	34.4

* The cumulative growth rates are calculated by reference to the base year of 2023. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.