
MOODY'S: POLAND RISKS CREDIT DOWNGRADE, DIVESTMENT, OVER DEMOCRACY DEFICIT

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EurActiv

Global ratings agency Moodys warned Thursday (25 August) that an escalating constitutional crisis in Poland is threatening to hurt investment in the EUs largest eastern economy and could affect its credit rating.

Moodys pointed to a probe launched by prosecutors last week against the Constitutional Courts chief justice and the refusal of the right-wing Law and Justice (PiS) government to recognise the top courts rulings.

This is credit negative for Poland because it escalates a constitutional crisis that began late last year and will likely increase tensions with the European Union, with a higher risk of further impairing Polands investment climate, Moodys said in a statement.

EU FORMALLY WARNS POLAND IN RULE-OF-LAW ROW

The EU today (1 June) formally warned Poland that it should find a solution to roll back Warsaw's overhaul of the top Polish court, which critics say endangers its independence.

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The constitutional crisis already appears to have left its mark Moodys said, noting that real investment contracted by 2.2 percent in the first quarter of 2016 compared to 2015.

Although we expect private consumption to support real growth of 3.0 to 3.5 percent this year, the impaired investment climate threatens to reduce growth, it added.

In May, Moodys cut Polands outlook from stable to negative over fiscal risks posed by the PiS government, but left its A2 investment grade unchanged.

The change was Moodys first such move in over a decade and came after a deeper ratings cut in January by Standard and Poors, which blamed the PiS government for weakening institutions.

POLANDS CONSTITUTIONAL CONUNDRUM...EXPLAINED

Like other European nations, Poland will remain a source of conflicting messages in years to come. But the EU has nothing to worry about – the democratic government in place can be removed in a peaceful manner next time people come to vote, writes Piotr Macej Kaczyński.

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The European Commission has given Warsaw until the end of October to reverse its reforms to the Constitutional Court or face sanctions.

The Commissions ultimatum, issued in July, could eventually see Warsaw's voting rights suspended in the Council of Ministers, the EU's highest decision making body.

The Commission is demanding that the Constitutional Courts rulings are published and implemented normally.

PiS party leader Jaroslaw Kaczynski has lashed out at the EU disciplinary process, accusing the European Commission of acting illegally.

Kaynak/Source: