showCASE
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CASE – Centrum Analiz Społeczno-Ekonomicznych
CASE – Center for Social and Economic Research

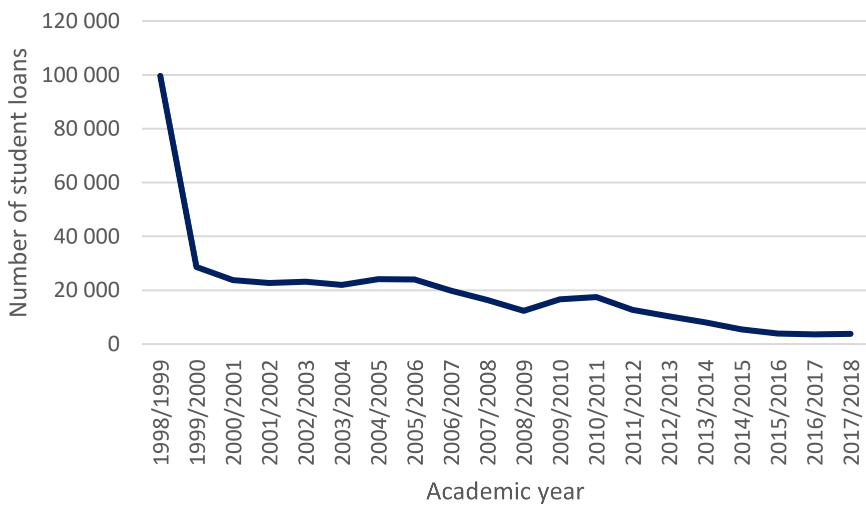
Overview: This week, our expert analyzes financing opportunities available to Polish students, trying to answer the question why study loans are not a popular choice in Poland.

Why are Polish students not interested in study loans?

By: Klaudia Wolniewicz-Slomka, Economist

The popularity of student loans varies significantly across countries. According to the OECD report "Education at a Glance 2017", almost 90% of English students at bachelor's or equivalent level benefited from public loans in 2015/2016, while less than 1% of Polish students during the same period did. Moreover, as shown in the Figure below, the share of Polish students who took student loans has been decreasing since 1998, when the public student loan program was introduced in Poland. In the first year of functioning, 100,000 students received financial support within a student loans scheme, while twenty years later only 3,700 did.

Figure: Student Loans Between 1998 and 2018



Source: data obtained from the Ministry of Science and Higher Education of Poland in the frame of the SHIFT project, 2018.

In general, students in Poland are eligible for student loans regardless of the type or field of studies and the type of university (public or private) they study at. However, they must hold Polish citizenship (although there are some exceptions to that rule), commence their studies before the age of 25, and their monthly household income cannot exceed PLN 2,500 net (EUR 595) per person. Student loans in Poland are attractive: the interest rate for 2018 stands at 0.875%, monthly tranches can run up to 1,000 (EUR 240), and the repayment can start 2 years after the end of studies.

Despite a number of changes that the government implemented since 1998, including (1) the increase of the income threshold, (2) the increase of the monthly tranche, and (3) the widening of the scope of merit-based loan waivers, among others, student loans still play a marginal role in the financing of higher education in Poland. With these extensive changes in mind, it is interesting to tackle the question why student loans are so unpopular among Polish students.

First of all, Poland has a dual system of the financing of tertiary education, which is based on state subventions and on tuition fees. Full-time studies at public universities are free of charge, a right guaranteed in the article 70 of the Constitution. As a result, most Polish students do not pay tuition fees for their studies. Secondly, numerous types of financial support are available for Polish students. There are means-tested (social) scholarships, merit-based scholarships for academic and sport achievements, and scholarships related to a personal situation for students with disabilities. Also, some public organizations offer special financial aid for students (for example the Ministry's of Science and Higher Education scholarship for outstanding educational achievements), as do NGOs and private companies. According to the report "Higher Education Institutions and Their Finances in 2016" published by the Polish Central Statistical Office, around 20% of Polish students received some kind of scholarship in 2016.

Equally importantly, the average costs of living for a Polish student, estimated in the "Portfel studenta" ("Student's wallet") at around EUR 370, are not particularly high, especially taking into account the many possibilities the Polish students have to gain income (scholarships, part-time jobs). Also, these costs are significantly lower than in other European countries. For example, monthly expenditure of a typical student in Sweden is around EUR 1,300, in Germany – EUR 903, in France – EUR 702, and in Czech Republic – EUR 506. The living costs are also kept in check by the fact that Polish students are frequently supported by parents. Last but not least, Polish students seem reluctant to enter into their adult lives with financial obligations. As noted by one of our interviewees, Polish students are more interested in non-repayable money because of the prospect of having to deal with mortgage in later life. Some students may also be mistrustful of the banks, and the fact that application processes are not digitalized does not help this sentiment.

Given this reality, a student loan is not the first choice of securing funding for a prospective student in Poland, a phenomenon grounded in the Polish system of the financing of higher education as well as in student finance and sentiments. It is therefore worth tracking whether the new mechanism proposed within the framework of the SHIFT project, such as an innovative funding model based on a combination of private and public money, could be adopted in Poland.

The text was written in the frame of "Strengthen Higher Education through Innovative financial Tools" (SHIFT), a project which CASE has been implementing since November 2017. During the first stage of the project, CASE experts conducted desk research, student surveys and in-depth interviews with the various stakeholders involved in the financing of higher education in Poland. The article highlights the most interesting results of the first stage of the project.

This week: IMF published new forecasts for Poland last week. The Fund expects Polish GDP to grow by 4.1% in 2018 and by 3.5% in 2019 (compared to 3.3% and 3.0%, respectively, in the previous forecast). The Fund also reduced its forecasts for the budget deficit by 0.8 pp., to 1.8% of GDP in 2018 and 1.9% in 2019. Forecasts for the cyclically adjusted balance are -2.7% and -2.6%. According to Poland's Central Statistics Office (GUS), wages grew in March by 6.7% (compared to 6.8% in February), and employment increased by 3.7% (the same as in February).

GDP (Q4 2017)

4.3% y/y (est.)

Down from 5.2 % in Q3 2017

Inflation (March 2018)

1.3% y/y

Down from 1.4% in Feb 2018

Unemployment (Feb 2018)

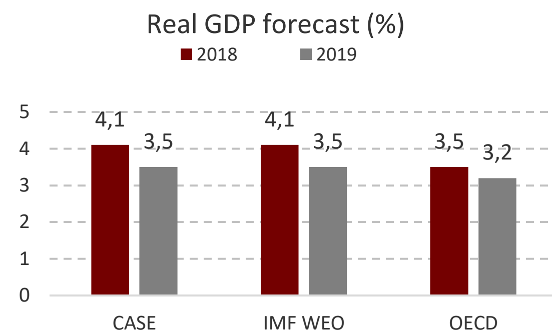
6.3%

Down from 6.5% in Jan 2018

NBP Base rate

1.5%

From 2% in Mar 2015



This week: Forbes published its 2018 ranking of the 200 wealthiest Russian businessmen. The number of dollar billionaires in Russia increased from 96 to 106 in 2018, and the threshold of entry to the top ten of the rating is now marked at the level of USD 12.5 billion. The ranking is topped by Vladimir Lisin, the owner of the Novolipetsk Metallurgical Plant (NLMK), with a fortune of USD 19.1 billion as estimated by Forbes.

GDP (Q4 2017)

0.9% y/y

Down from 2.2% in Q3 2017

Inflation (March 2018)

2.4% y/y

Up from 2.2% in Feb 2018

Unemployment (Feb 2018)

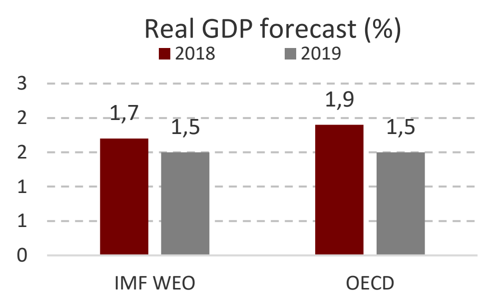
5.0%

Down from 5.2% in Jan 2018

CBR Base rate

7.25 %

From 7.5% in Feb 2018



This week: IMF raised its forecast for German economic growth, predicting a healthy 2.5% expansion of Europe's biggest economy this year. The forecast represents an increase of 0.2 p.p. from the January projection. For 2019, IMF expects a calendar-adjusted growth rate of 2%. The upbeat assessment follows a string of weaker-than-expected economic data and sentiment surveys that suggested a muted start to 2018.

GDP (Q4 2017)

2.9% y/y

Up from 2.8% in Q3 2017

Inflation (March 2018)

1.5% y/y

Up from 1.2% in Feb 2018

Unemployment (Feb 2018)

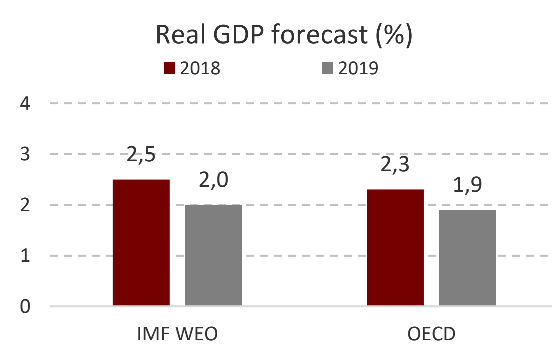
3.8%

Up from 3.6% in Jan 2018

ECB Deposit rate

-0.4%

From -0.3% in Dec 2015



Countries at a glance

Center for Social and Economic Research

This week: The Ukrainian government has signed an agreement with the European Commission to finance the Energy Efficiency Program in Ukraine, a mechanism dedicated to improving energy efficiency of buildings. The total cost of the program is EUR 268 million, of which the European Union's contribution will be EUR 50 million. Ukraine's state budget will channel around EUR 62 million to the Fund in 2018.

GDP (Q1 2018)

2.2% y/y

Down from 2.4% in Q4 2017

Inflation (March 2018)

13.2% y/y

Down from 14.0% in Feb 2018

Unemployment (Q1 2018)

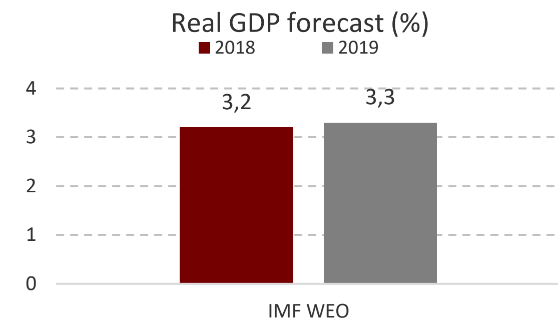
9.9%

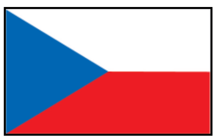
Up from 8.9% in Q4 2017

NBU Base rate

17.0%

From 16.0% in Jan 2018





This week: IMF increased its GDP growth forecasts for the Czech Republic to 3.5% in 2018 (+0.9 pp.) and 3% in 2019. The Fund expects the government to have a budget surplus of 1.1% of GDP in 2018 and 1% in 2019 (compared to 1.3% in 2017). The cyclically adjusted balance is expected to decrease to 0.4% of GDP in 2018 and 0.2% in 2019 from 0.7% in 2017.

GDP (Q4 2017)

5.5% y/y

Up from 5.1% in Q3 2017

Inflation (Mar 2018)

1.7% y/y

Down from 1.8% in Feb 2018

Unemployment (Q4 2017)

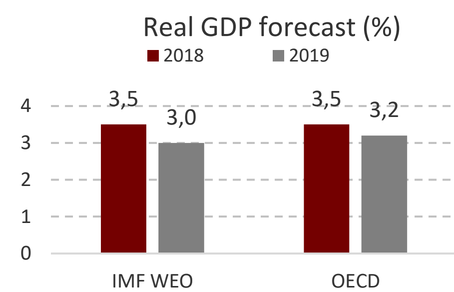
2.4%

Down from 2.8% in Q3

CNB Base rate

0.75%

From 0.5% (2nd Jan 2018)



This Week: IMF published new forecasts for Hungary, according to which economic growth will reach 3.8% this year and 3% in 2019. The governmental predictions are more optimistic, at 4.3% in 2018. IMF also expects that the unemployment rate will hover at 3.8% this year before dropping further to 3.5% in 2019.

GDP (Q4 2017)

4.4% y/y (est.)

Up from 3.9% in Q3 2017

Inflation (March 2018)

2% y/y

Up from 1.9% in Feb 2018

Unemployment (Q1 2018)

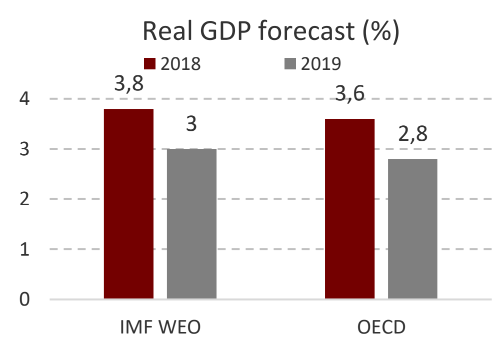
3.8%

Unchanged since Q4 2017

MNB Base rate

0.9%

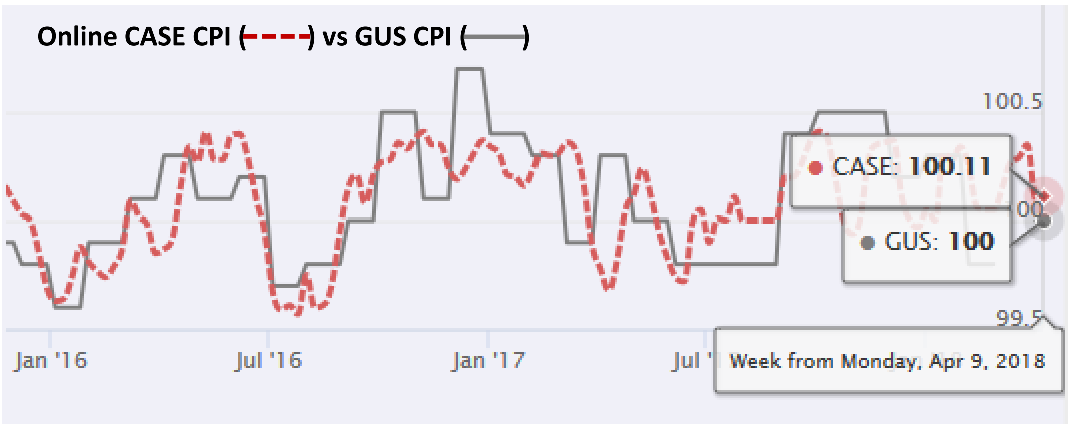
From 1.05% in May 2016



The weekly online CASE CPI

The online CASE CPI is an innovative measurement of price dynamics in the Polish economy, which is entirely based on online data. The index is constructed by averaging prices of commodities from the last four weeks and comparing them to average prices of the same commodities from four weeks prior. The index is updated weekly.

Our weekly online CASE CPI



Monthly CASE forecasts for the Polish economy

Every month, CASE experts estimate a range of variables for the Polish economy, including future growth, private consumption, and foreign trade, current account balance, and the CPI.

CASE economic forecasts for the Polish economy
(average % change on previous calendar year, unless otherwise indicated)

	GDP	Private consumption	Gross fixed investment	Industrial production	Consumer prices
2018	4.1	4.0	4.9	3.7	2.5
2019	3.5	3.6	3.3	3.8	2.3
	Nominal monthly wages	**Merchandise exports (USD, bn)**	**Merchandise imports (USD, bn)**	**Merchandise trade balance (USD, bn)**	**CA balance (USD, bn)**
2018	4.5	233.4	235.2	-1.8	-3.9
2019	3.7	242.7	244.6	-1.9	-4.1

For more information on our weekly online CASE CPI, please visit: http://case-research.eu/en/online-case-cpi To **subscribe** to our weekly showCASE newsletter, please click here. To see **previous issues** of showCASE, please visit: http://case-research.eu/en/showcase

Contributions: Stanislav Bieliei, Krzysztof Głowacki, Łukasz Janikowski, Katarzyna Sidło, Sara Skejo, Klaudia Wolniewicz-Slomka
Editor: Krzysztof Głowacki