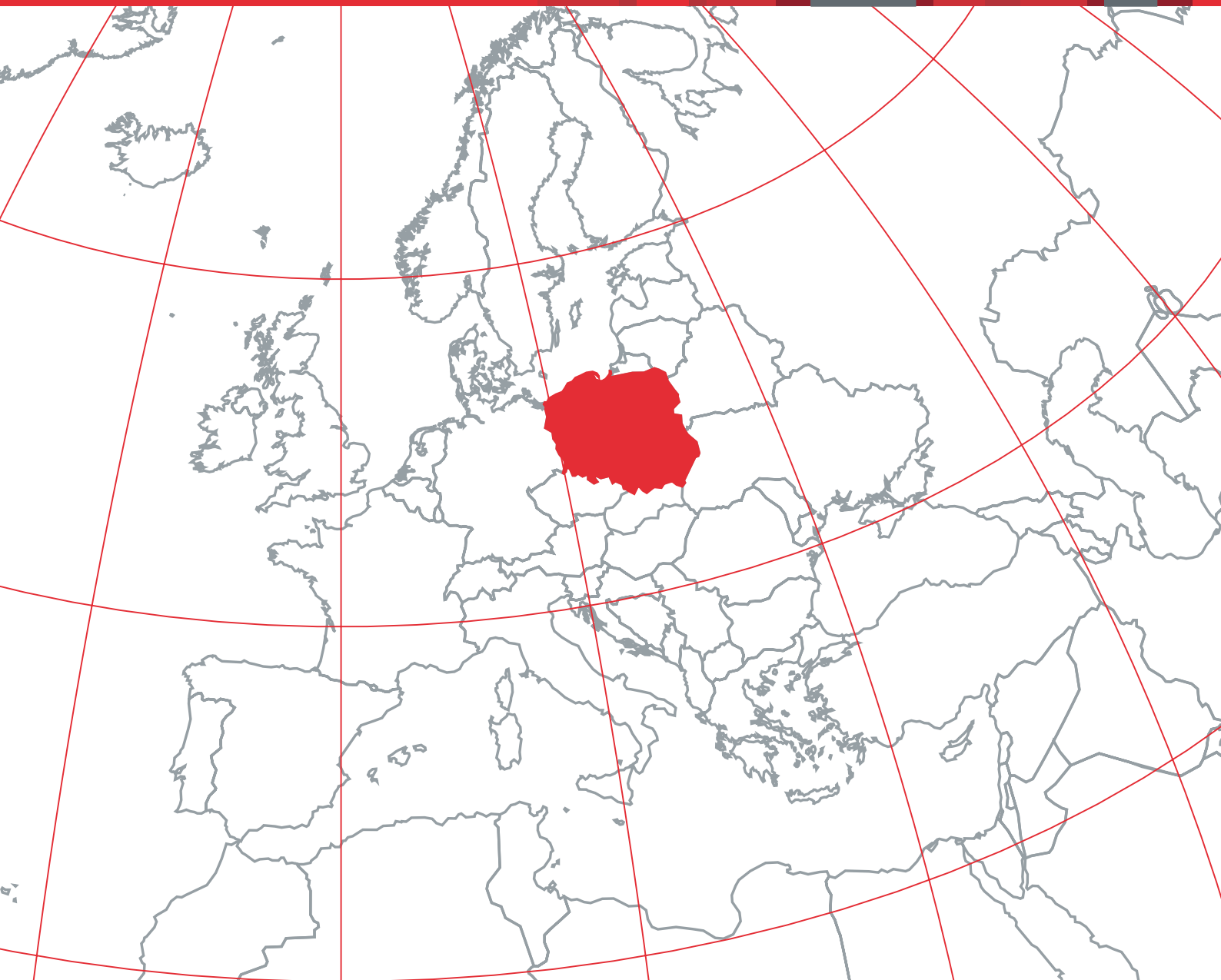


# Atradius Country Report

Poland – January 2013



## Overview

### General information

Capital:	Warsaw
Government type:	Parliamentary republic
Currency:	Zloty (PLN)
Population:	38.2 million

### Most important sectors (% of GDP, 2011)

Services:	63 %
Industry:	33 %
Agriculture:	4 %

### Main import sources (2011, % of total)

Germany:	28.2 %
Russia:	12.4 %
The Netherlands:	5.8 %
Italy:	5.2 %
China:	5.2 %

### Main export markets (2011, % of total)

Germany:	26.8 %
UK:	6.6 %
Italy:	6.5 %
Czech Rep.:	6.4 %
France:	6.3 %

## Key indicators

	2009	2010	2011	2012*	2013*
Real GDP growth (y-on-y, % change)	1.6	3.9	4.3	2.3	1.9
Consumer price inflation (y-on-y, % change)	3.8	2.7	4.2	3.7	2.9
Real private consumption (y-on-y, % change)	2.1	3.1	2.6	1.6	1.9
Retail sales (y-on-y, % change)	-0.3	3.3	6.7	2.6	1.2
Industrial production (y-on-y, % change)	-3.8	11.1	6.9	1.6	-0.1
Unemployment rate (%)	8.2	9.6	9.6	9.8	10.6
Gross fixed capital investments (y-on-y, % change)	-1.1	-0.3	9.0	0.3	1.8
Real net exports (EUR billion)	-3.6	-6.2	-3.6	0.2	1.2
Export growth (y-on-y, % change)	-6.8	12.2	7.7	3.0	1.9
Fiscal balance (% of GDP)	-1.8	-3.2	-1.7	-2.1	-2.0

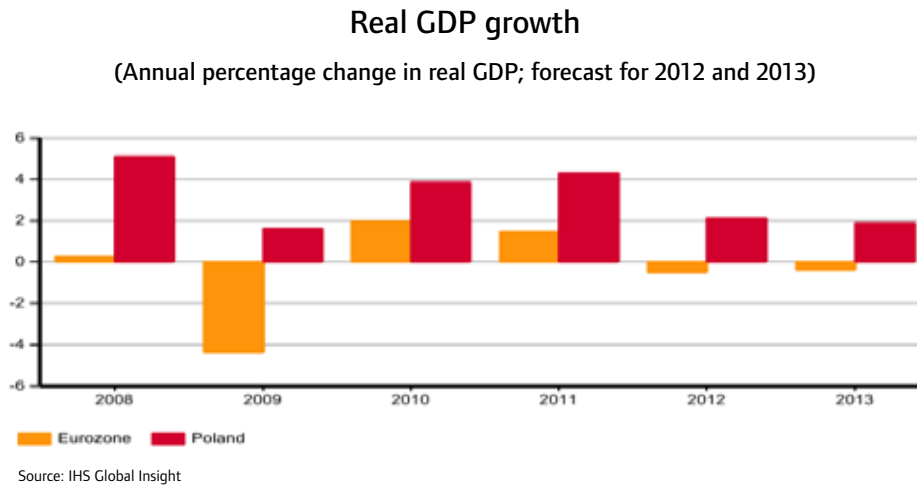
\*forecast

Source: IHS Global Insight

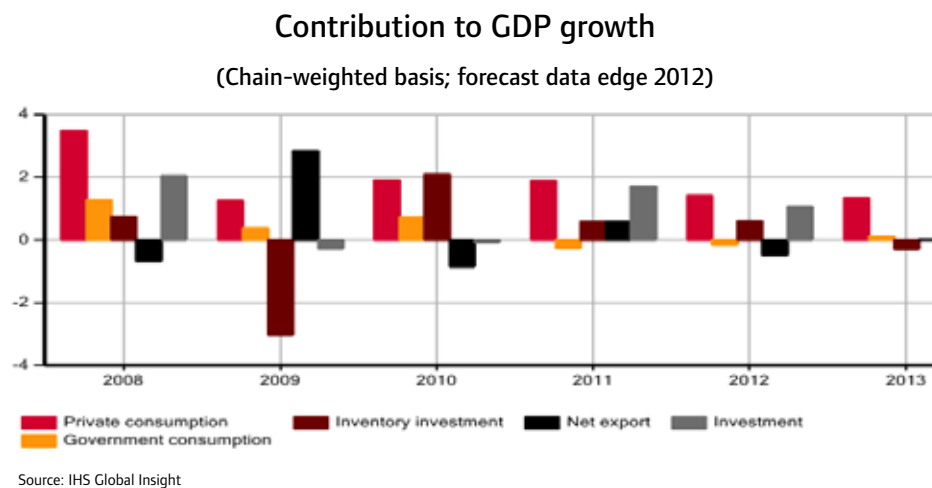
## Economic situation: Still better than many of its European peers

### Growth slows down

Compared to many other European countries, the Polish economy is performing relatively well: with an expected growth rate of 2.3% in 2012 and 1.9% 2013. However, this is still well below 2011's robust growth of 4.3%.



After a 3.4% year-on-year increase in Q1 of 2012, GDP growth slowed to 2.3% in Q2 and 1.4% in Q3. This trend is due partly to lower export demand from the Eurozone, but mainly to a weaker domestic economy: with lower investments and consumer spending following the government's imposition of austerity measures. Domestic demand decreased 0.7% in Q3 of 2012 after a 0.4% drop in Q2. These downward trends are expected to continue into 2013, but will be offset somewhat by an increase in government spending.

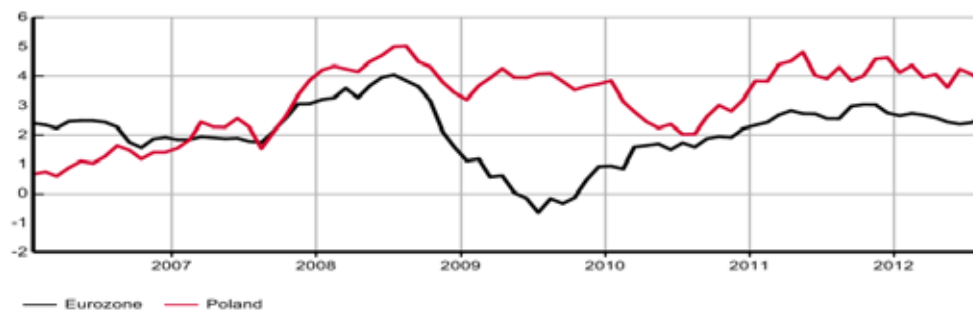


### Lower inflation in 2013

Inflation has been above the Eurozone average since the start of the financial crisis in 2008, but is now on a downward path and nearing the Eurozone average: after 3.7% in 2012 it is expected to decrease to 2.9% in 2013.

#### Consumer price inflation

(Annual percentage change)



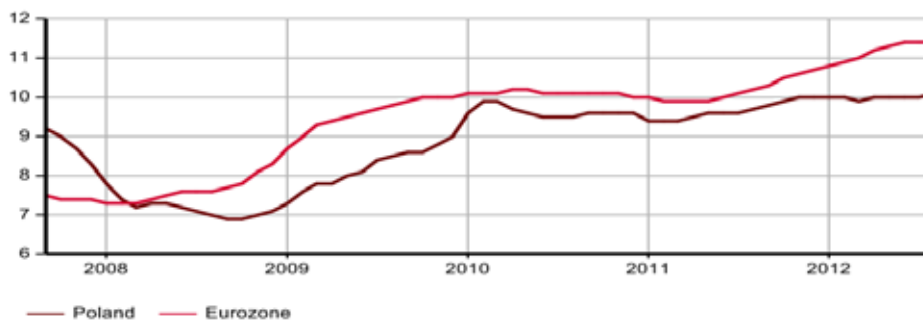
Source: IHS Global Insight

### Slow rise in unemployment

Unemployment has remained stable throughout 2012, at 9.8%, despite the moderating economic growth. The jobless rate is up from its 2008 low of 7.1%, but is still below the Eurozone level (see chart below). A further increase to 10.6% in 2013 is expected as economic performance dips.

#### Unemployment rate

(ILO uniform rate, percent)



Source: IHS Global Insight

### Interest rate cuts to support growth

During the 2008/2009 credit crisis the Polish currency depreciated sharply against the EUR. However, since then, the exchange rate has been relatively stable, with the EUR per zloty exchange rate fluctuating between 0.26 and 0.22 (see chart below). There is currently no reason to expect any major currency fluctuation.

Because of the current economic slowdown and lower inflation, the Polish central bank has cut its policy interest rate twice: in November and December 2012. It now stands at 4.25%, compared to 4.75% in September, and further cuts may be made if the economy remains weak.

**Exchange rate**  
(midpoint spot price, euro per zloty)

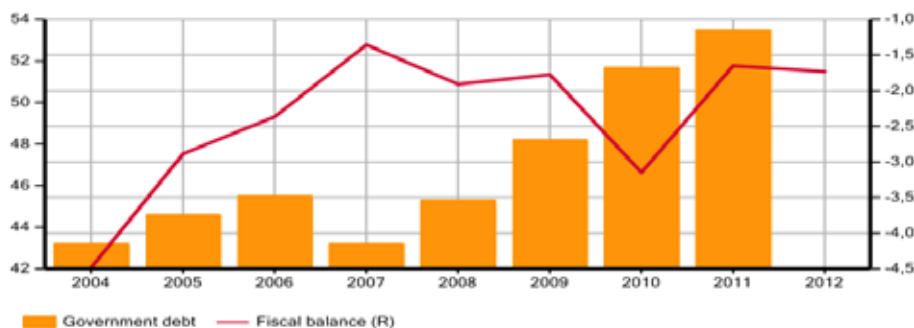


Source: IHS Global Insight

### Public finances are stable

Overall, the government's financial position is stable and relatively comfortable. The budget deficit improved significantly in 2011: to 1.7% of GDP. While last October it was expected to decrease further in 2012, to 1% of GDP, this forecast has since been revised downwards, to around 2% of GDP, as the government eases its deficit targets to maintain growth. Compared to other countries in the region, Poland's fiscal deficit is still satisfactory. However, public debt was already relatively high in 2007 (43% of GDP) and increased to 53% in 2011 (see chart below).

**Public debt and budget balance**  
(Government debt and budget balance in percent of GDP)



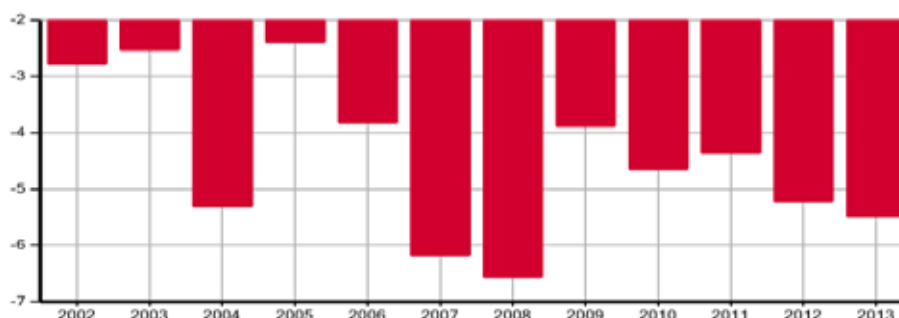
Source: IHS Global Insight

## Increasing current account deficit

The current account deficit is expected to be around 5.5% of GDP in 2012: a small increase on 2011. The latest figures show that exports increased 3% year-on-year in the first half of 2012, while imports barely changed, leading to an improvement in the trade deficit. Export growth was due mainly to increased demand from Russia, Ukraine and other emerging markets. The current account deficit is financed largely by portfolio investment in government bonds and only in small part by foreign direct investment (FDI). As a result, Poland is dependent on foreign financing and remains vulnerable to changes in the sentiment of international financial markets.

### Current account balance

(Current account balance in percent of GDP)



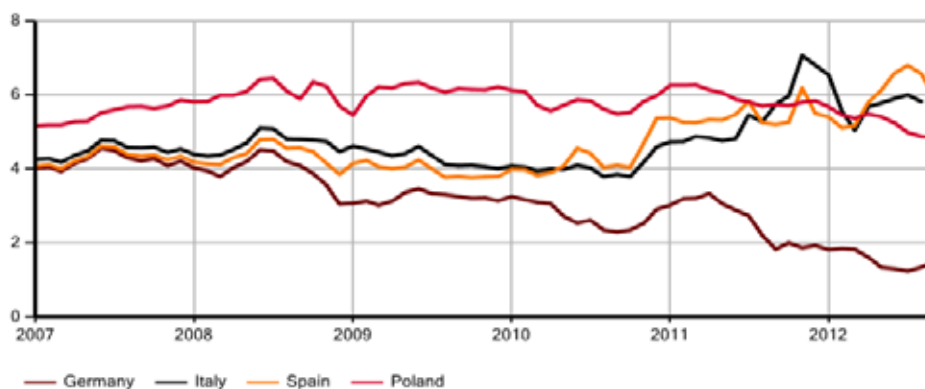
Source: IHS Global Insight

## Bond yields are quite low

Thanks to the satisfactory growth rates and relatively good public finances, the government can borrow at reasonably good rates on the financial markets. Indeed, the interest rates on 10-year government bonds have decreased over the past two years, following the pattern of 'safe-haven' Germany (see chart below). While this position could fall victim to the current volatile sentiment of international investors, Poland's prudent fiscal policy and robust economic growth should enable the government to continue to borrow at low rates in the medium-term future.

### Government bond yield
















(10-year government bond yields in percent per annum)



Source: IHS Global Insight

# Poland industries performance forecast

December 2012

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				



Excellent



Good



Fair



Poor



Bleak

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