



POLAND: A NEW GROWTH POLE IN EUROPE

Dr. HENRYKA BOCHNIARZ, Seattle, 12 January 2012

SOME CRUDE FACTS ABOUT POLAND



Location: in the heart of Europe

Population: 38.3 million, ranked **6th** in the EU, and **34th** in the world

GDP: EUR 354 billion in 2010, ranked **7th** in the EU (following Germany, France, Italy, Britain, Spain, and Holland and ahead of Belgium and Sweden), and **21st** in the world

Per capita GDP US \$ 18,800, i.e. 63% of the EU average, ranked **23rd** in the EU, and **64th** in the world

Exports (Jan.- Sep. 2011): US \$130 billion, ranked **9th** in the EU, and **27th** in the world

Source: Eurostat, CIA
Factbook, and EC

IT ALL STARTED IN 1989

- January 1989 Round Table led to the first partially democratic elections in the Eastern Block. The landslide victory of the Solidarity movement on 4 June 1989
- A trigger to the domino's effect on all communist regimes in E. Europe
- Fall of Berlin Wall in November 1989
- Fall of the Soviet Union in December 1991



REINTEGRATING INTO THE WESTERN WORLD



Poland's more than two decades of moving fast forward

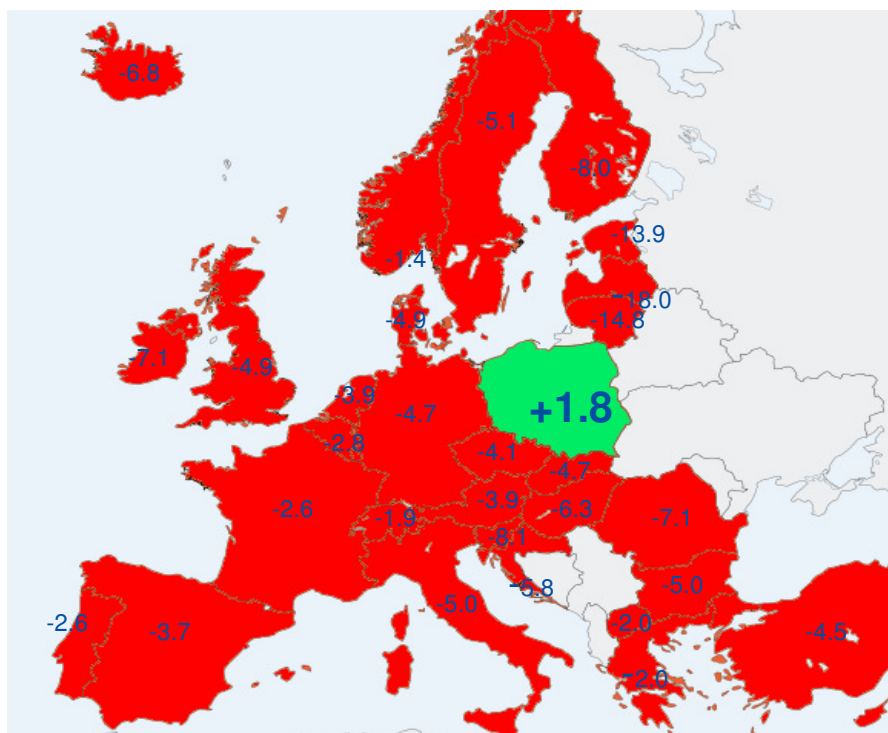
THE GROWTH FACTORS SINCE 1989

- **Plan of Balcerowicz:** radical free market reform, 1990
- **Grass roots capitalism:** about 1.4 million private companies, up to 250,000 start-ups every year
- **Privatization:** completed in most sectors
- **Influx of the FDI:** accumulated stock of FDI at US \$ 168 billion level
- **What is Poland's comparative advantage?**
 - Location at Europe's crossroads
 - Abundant and skilled labor
 - Entrepreneurship skills and values
 - Fast growing middle class

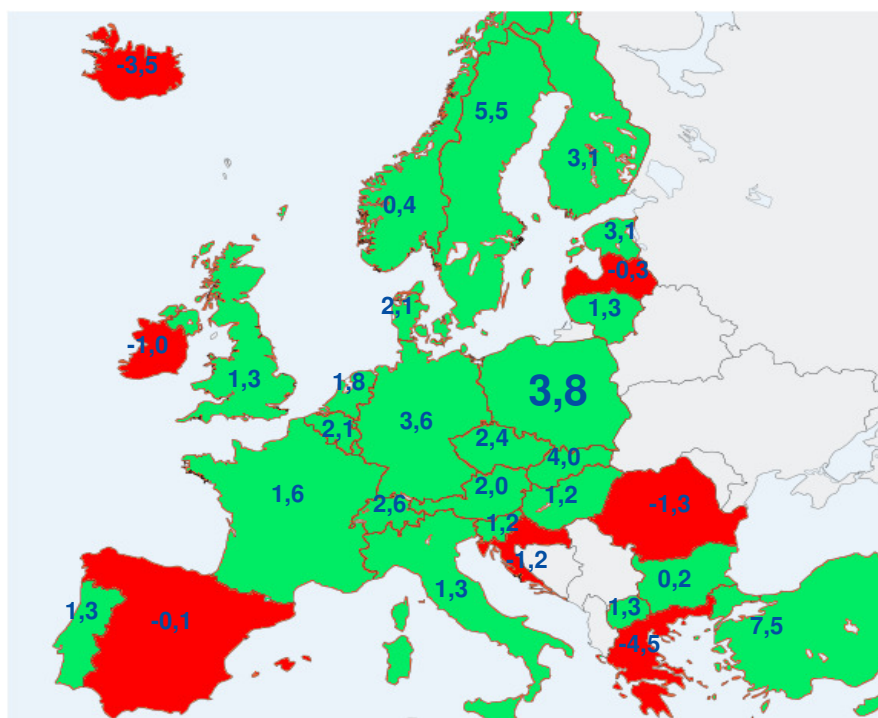
AND THEN THE CRISIS CAME...

Poland was the only EU country to avoid recession in 2009

GDP 2009 growth



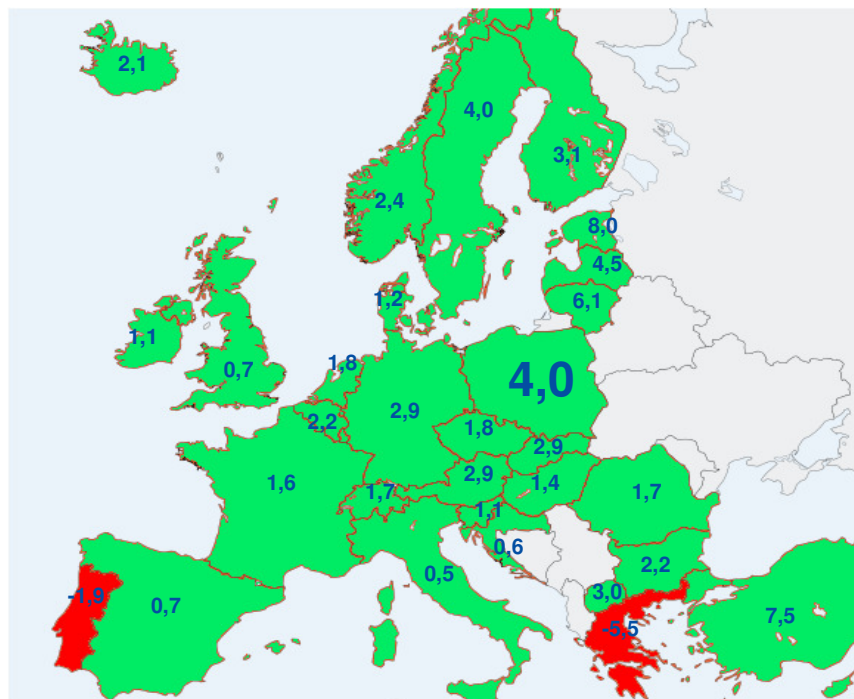
GDP 2010 growth



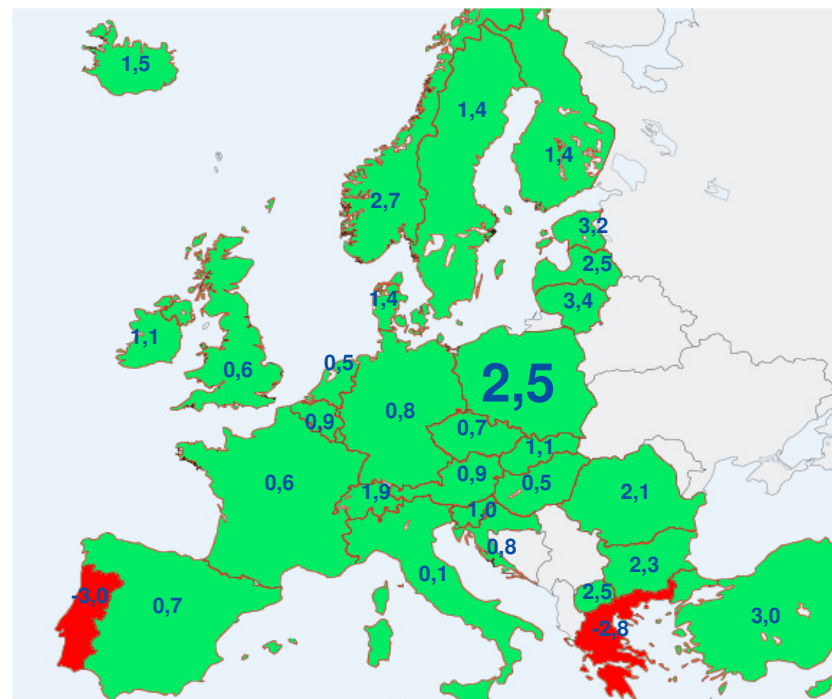
NOW POLAND IS THE EUROPE'S GROWTH LEADER

Poland is growing while most of Europe is hit by the debt crisis and stagnating

GDP 2011 growth forecast



GDP 2012 growth forecast



SOME SECRETS OF POLAND'S RESILIENCE

Demand factors:

- influx of the EU funds: net 67 billion Euro in 2007-13 EU budget
- strong fiscal stimulation since 2007

Structural factors:

- less dependence on foreign trade (39% relations of exports to GDP, against 69% in the Czech Republic and 78% in Hungary)
- larger and more diversified internal market than in other new member states
- flexibility of dominant SMEs

Cultural factors:

- Financial conservatism of banks and entrepreneurs (lessons from the 2000-2002 crisis)

Market factors:

- Depreciation of the Zloty, Poland's currency

POLAND'S COMPANIES MAINTAINED HIGH PROFITABILITY THROUGHOUT THE CRISIS



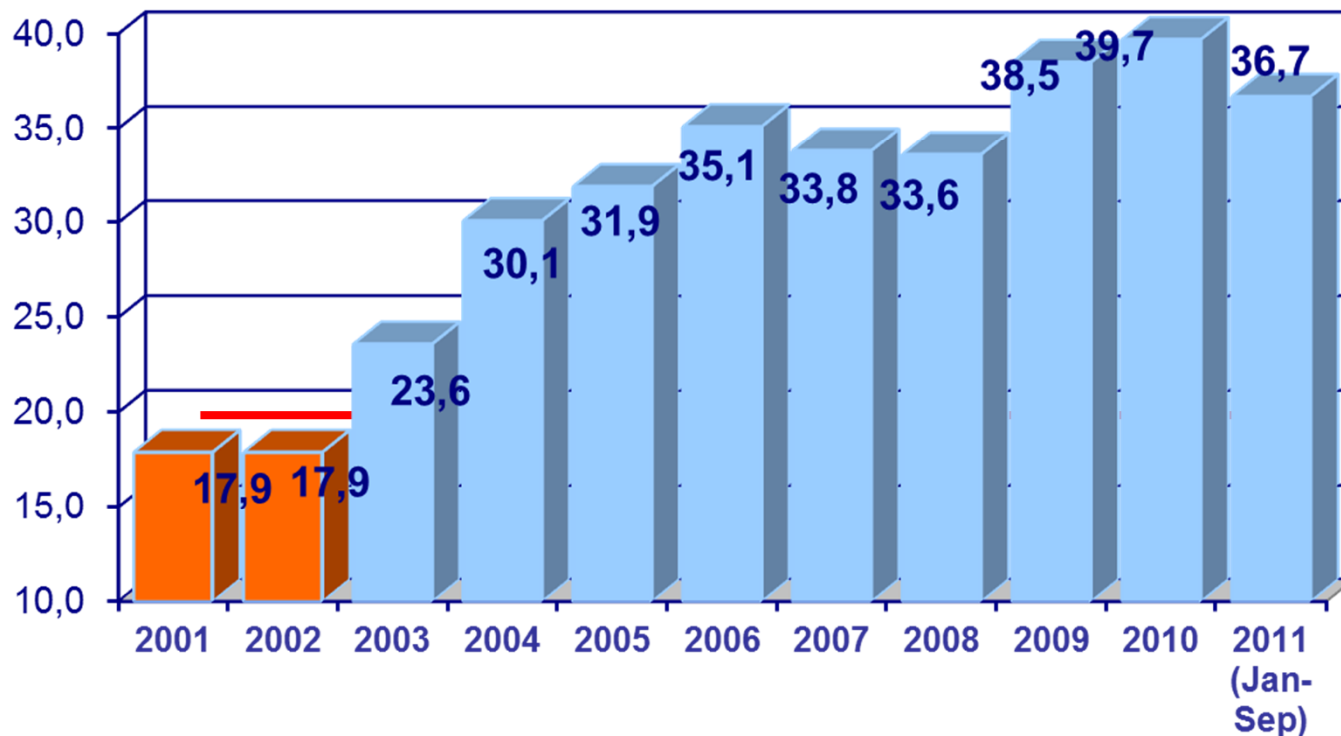
Profit margins (net return on sales) have recovered back to the pre-crisis level

Even in 2009 Poland's business stayed in the black

Source: Central Statistical Office

... AND EXTREMELY HIGH LIQUIDITY AS WELL

Cash liquidity ratio (per cent)



Cash Liquidity ratio = Relation between cash and short term (< 1y) liabilities

Usually it stands below 20%

Now it is a new cushion against the next economic slowdown

POLAND: A SUCCESS STORY

- **Continuing growth pattern since the EU accession**
 - Yearly average of 4.6 per cent in the 2004-10 period, against 1.3 per cent for the whole EU of 27 member states
- **Successful structural reforms**
 - Attracting FDI, special economic zones, pension funds, Warsaw Stock Exchange as the emerging financial hub
- **More structural reforms to come in 2012 and beyond**
 - Extension of pension age, balancing the State budget until 2015
- **Catching up with the affluent Western Europe**
 - 51 per cent of the average EU GDP per capita in 2004, and 63 per cent in 2010
- **Presidency of the EU**
 - Economic governance, Eastern Partnership
- **EURO 2012 Soccer Championship: a major event next June**
 - A massive construction program to be completed

POLAND IN THE EYES OF THE FINANCIAL MARKETS

Sovereign ratings:

- Poland is ranked A- from Fitch and S&P (7th best) i A2 from Moody's (6th best)
- no change since 2008 while most of the region's countries were downgraded
- all rating companies are looking for more fiscal consolidation in Poland
- all rating companies welcome plans of the new government

National debt

- Stands at 55 per cent of the GDP against the EU 27 average of 85.4 per cent
- No problem with debt financing on domestic and international markets

US - POLAND ECONOMIC RELATIONS: THE GROWTH POTENTIAL

- **The FDI flow**

The US FDI to Poland topped US \$ 20 billion after 2000. All major engineering, consumer products and ICT companies are present.

Poland's mid-sized companies start to expand abroad.

- **The growth opportunity areas**

Energy: (1) Poland's nuclear program to build two power plants by 2020;
(2) Poland's shale gas deposits development program

Business services: numerous Business Process Outsourcing (BPO) centers in Poland after 2004

Education and R&D exchanges: student and faculty programs

Industries: defense, aviation, health services, retirement services

- **Lewiatan, American Chamber of Commerce, and US-Poland Business Council work together on the US-Poland Business Summit in Q2, 2012**

A GENDER AGENDA: ANOTHER POLAND'S GROWTH POTENTIAL

- Gross hourly earnings**

The difference between average of male and female employees still persist at 9.8 points against the EU 27 average of 17.1 points

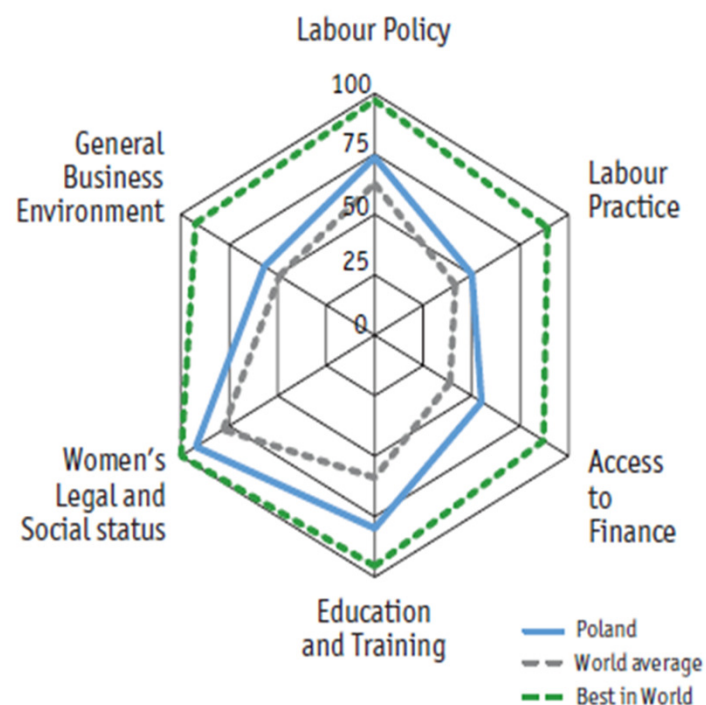
- Board members of listed companies**

In Poland only 5.8 per cent are female, while in Europe it is 9.7 per cent and in Scandinavian countries as many as 20.5 per cent

- Members of Parliament**

Previous Parliament had 94 female MPs (20.4 per cent). The new Parliament after October 2011 elections has 110 female MPs (24 per cent)

Women's Economic Opportunity ranking by the Economist Intelligence Unit:



LEWIATAN'S AGENDA 2012

- More deregulation and less red tape
- Better government procedures
- Continuation of the pension fund reform
- What next with the anti-crisis measures in the Labor Law?
- Radically improvement of the public procurement procedures
- Rationalization of the budgetary spending
- Faster distribution of the free emission rights
- Deregulation of the postal services
- Improvement of the corporate governance in the State-controlled sector
- Support for **BUSINESSEUROPE** in efforts to strengthen the Euro area management and stability
- Another EFNI conference in the City of Sopot, September 2012

THANK YOU

WWW.PKPPLEWIATAN.PL