

EXPORTS WARD OFF CRISIS

Poland's economic future

Will Poland's current economic situation – relatively good in comparison with other EU-27 countries – be as good in coming years? What is the chance that the Polish government's official forecast of a 3.0% GDP growth in 2010 will materialise? What is the likelihood of its sustainable growth over the next few years? Will that be affected by further developments in the global economy? What should then be the recommendations for those responsible for the country's economic policy? These were the questions discussed by leading Polish macroeconomic experts at a conference on Poland's social and economic future held at the Polish Economic Society (PTE) in Warsaw on May 13.

According to forecasts published in May 2010 on www.pte.pl, Poland's GDP growth rate can be expected to go up by 2.8% in 2010 and 3.2% in 2011. Professor Witold Orłowski of the Independent Centre for Economic Studies, Bohdan Wyżnikiewicz of the Gdansk Institute for Market Economics and Professor Leszek Jasiński along with experts from the Institute of Economics at the Polish Academy of Sciences (INE PAN) projected a GDP growth rate close to the average forecast figures. Professor Władysław Welfe of University of Łódź and Paweł Duriasz, chief economist of the PZU insurance group, forecast a higher growth rate reaching about 4% in 2010 and in 2011 and as much as 5%-6% after 2011. According to other projections by independent expert Tadeusz Chrościcki, Professor Jan Przystupa from the Institute for Market, Consumption and Business Cycles Research and the Chief

Economist of PKO BP bank Łukasz Tarnawa, Poland's GDP growth rate in 2010-2011 will not fall below 2% and will exceed 4% in subsequent years.

So far, companies in Poland have been immune to the crisis. This was stressed by Professor Czesław Skowronek of the Maria Curie-Skłodowska University. He pointed out that the Polish companies' financial results are favourable due to the sound management of reserves and a reduction of labour costs. He said that what companies do expect as regards the economic policy is consistent implementation of long promised streamlining of business operations as well as a stable and simplified the tax system.

When it comes to inflation, experts predict it is going to decline in Q2 and Q3 2010 to 2.5% as recommended in National Bank of Poland monetary policy assumptions for 2010, or even further. They are thus not in favour of raising interest rates in Q2 and Q3 2010.

It was pointed out that nothing certain can be said about the external environment of the Polish economy and that different development scenarios are possible. A more optimistic outlook would be possible if all European countries jointly and consistently imposed discipline in public finances. In such an event the prospect of Poland's entry into the euro zone would become realistic. Poland, however, would need to meet the Maastricht criteria first. Professor Andrzej Wernik, member of PTE's Scientific Council and author of the "Public Finances - 2020" projection observed that while cutting public expenditures is a priority, spending needs to be increased in some areas (to support innovative policies and

fund projects co-financed by EU). It is therefore crucial that outlays be restructured in other fields, regardless of the interests of large social groups, and unfavourable political circumstances, particularly in the general election year. He also said that realistic recommendations are needed with respect to tax policies. An increase of tax rates when growth rate is low would put off the prospect of reinforcing the current symptoms of recovery. Hence, to minimise the negative impact of taxes on economic development, the tax system has to be simplified and tax regulations changed less frequently.

MAREK MISIAK

FORECAST-LARGEST EU MEMBER STATES (END-JANUARY 2010)

	Real GDP growth		Inflation		Employment growth		Investment		Exports	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
annual % changes										
Germany	-5.0	1.8	0.3	1.0	-1.4		-20.9	2.0	-14.7	6.9
United Kingdom	-4.5	1.2	2.1	2.3	0.0	-0.9	-17.7		-10.9	1.9
France	-2.2	2.0	0.1	1.0	-1.7		-7.6		-10.8	5.5
Italy	-4.7	1.1	0.8	1.4	-2.8		-12.6	1.4	-19.0	4.0
Spain	-4.2		-0.3	1.7	-9.3		-24.6		-12.6	2.4
Netherlands	-4.0	1.5	1.3	1.0	-6.3		-23.1		-9.5	6.0
Poland	1.6	2.7	3.7	2.0	-0.9	0.1	0.0	5.0	-11.0	8.0
Belgium	-3.1	1.0	0.0	1.6	-2.1		-5.4		-12.1	3.0
Sweden	-4.4	1.7	-0.3	1.4	-4.2		-19		-12.3	7.5
Austria	-3.5	1.5	0.5	1.3	-1.6		-10.4	0.8	-14.6	4.6

Source: *BUSINESSEUROPE Economic Outlook (February 2010)*