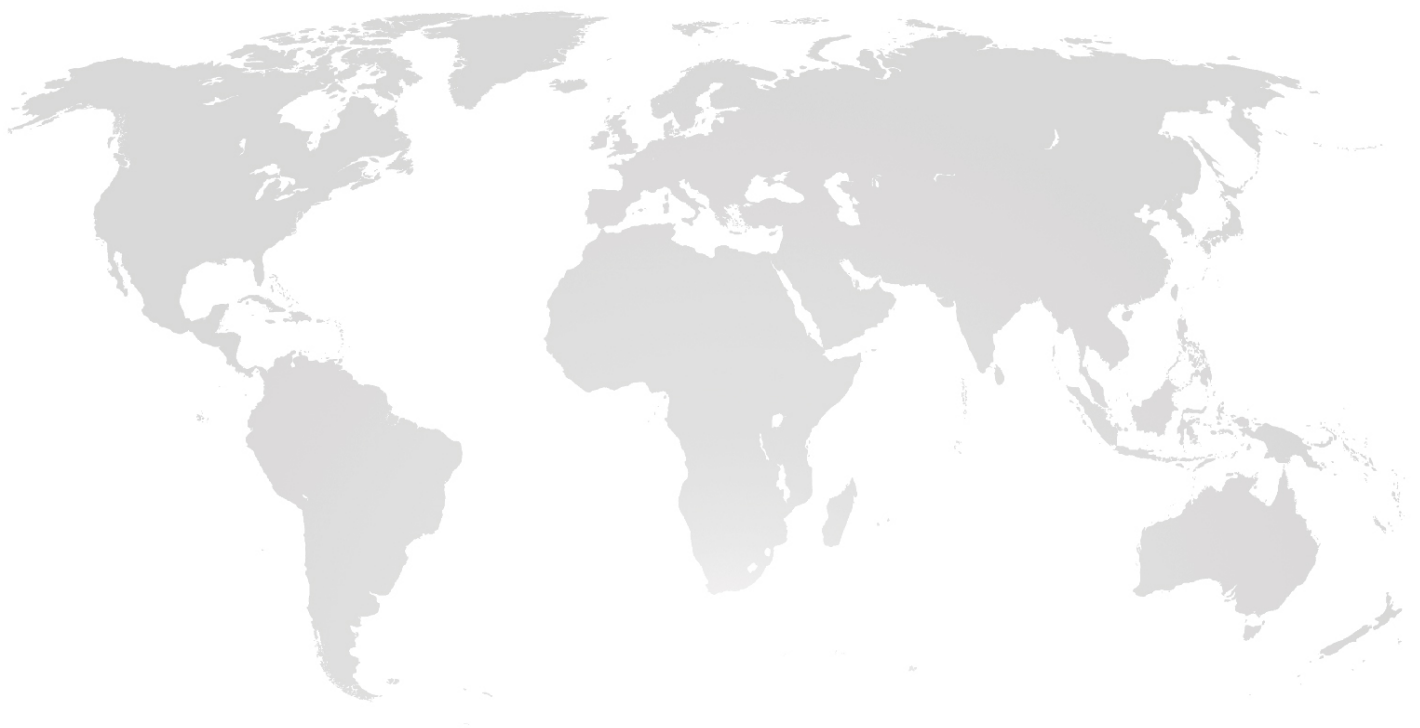


Country Insight Snapshot

Poland

December 2015






OVERVIEW

OVERALL COUNTRY RISK RATING: DB3B

Slight risk : Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

A

Rating Outlook: Deteriorating 

CORE OUTLOOK

- + Poland's population is relatively young by European standards and education levels are high.
- + A good domestic economic performance and the euro-zone crisis have reduced the brain drain that Poland has suffered from in recent years.
- Poland has an ageing population, which will lead to a fall in growth potential in the long term unless the government takes action.
- Poland's energy mix is unsustainable, and is highly focused on hydrocarbons and on Russia as a single supplier.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Poland's country risk rating after the new government's aggressive overhaul of the constitutional court endangers the rule of law.

CREDIT ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

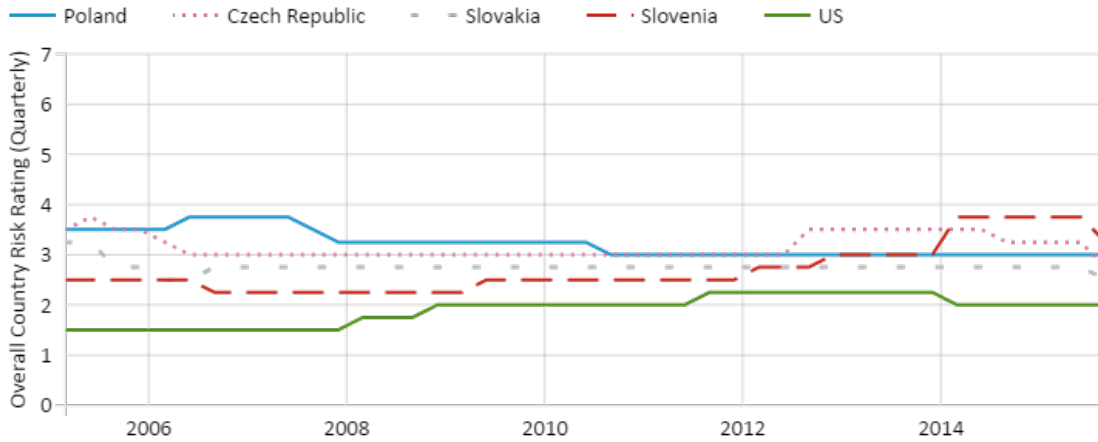
A

Key Development has had a negative impact on the outlook.



KEY INDICATORS

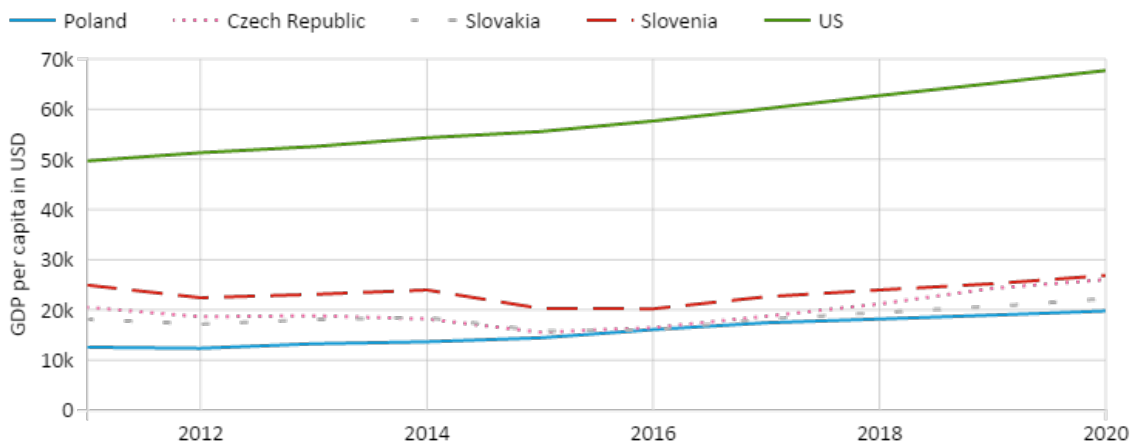
Rating History and Comparison



Source : Dun & Bradstreet

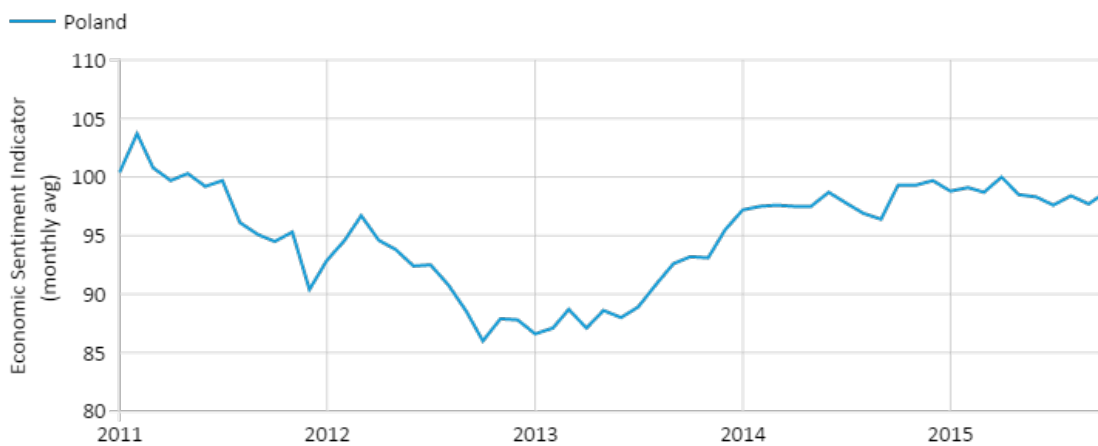
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-1.4	-1.3	-0.9	0.8	1.9	2.8	3.1	3.8
Govt balance, % GDP	-1.3	-1.9	-2.3	-2.2	-2.1	-2.0	-2.0	-1.9
Inflation, annual avge %	1.4	0.4	0.4	1.2	1.9	2.3	2.6	2.5
Real GDP Growth, %	-0.9	2.1	4.1	3.1	2.9	3.0	3.0	3.1
Unemployment, %	7.0	6.1	4.3	4.1	4.0	4.0	3.9	3.8

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

In the World Bank's *Doing Business 2016* report, Poland is ranked 25th (out of 189 countries surveyed), an improvement of seven places compared with last year. Positively, the ranking is on a par with most of the country's EU peers. Most noteworthy if compared with the 2015 report is the improvement in the 'paying taxes' sub-category, where Poland is now ranked 58th, up from a previous 96th. While preparing tax declarations is still more time consuming in Poland than the OECD average (271 hours per year versus 177 hours), the total tax rate as well as the number of payments required compare favourably. Worryingly, Poland is still lagging the OECD in terms of starting a business, taking 30 days and costing 12.2% of the income per capita, with 8 days and 3.2% being the OECD averages.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: SD

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: SD

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-2 months

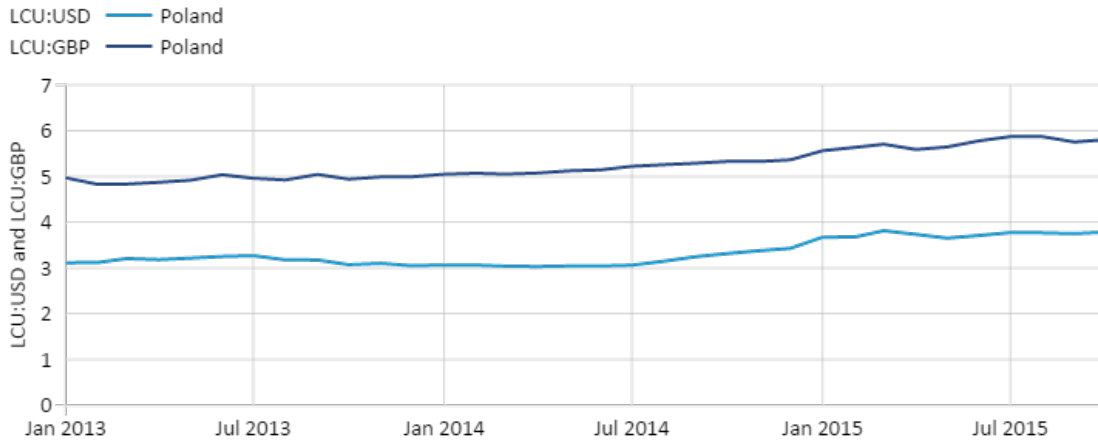
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



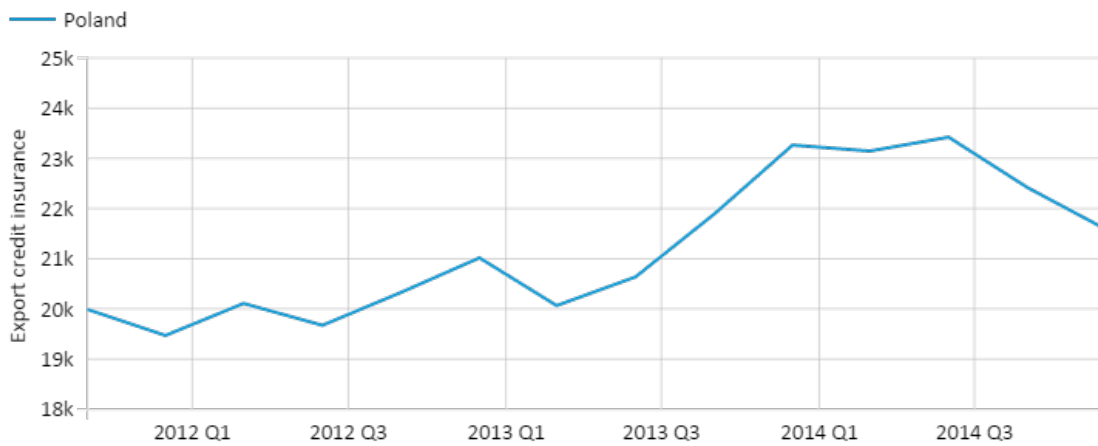
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU = Local Currency Unit

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Insecurity/Civil Disorder Risk

Risk rating downgrade

The newly-elected government under Prime Minister Beata Szydlo from the right of centre Law and Justice Party (PiS) is pressing ahead with an overhaul of Poland's constitutional court. This has raised serious concerns over the rule of law, and prompted a downgrade to Poland's country risk rating from DB3a to DB3b, while maintaining the 'deteriorating' outlook. In a move that experts have called unconstitutional, PiS, in co-operation with President Andrzej Duda (who won the presidential elections earlier this year on a PiS ticket) tried to block the appointment of several judges, all nominated by the outgoing government. If successful, by mid-2017 the majority of the judges in the influential constitutional court will have come into office on a PiS ticket, thereby making it less likely that the court will stop the government's intended overhaul of the political system.

It is not clear how the stalemate between PiS on the one side, and the opposition (as well as legal experts) on the other, would end. In mid-December, thousands took to the streets in front of the constitutional court's seat in Warsaw to protest against the moves, but there are no signs that Szydlo and Duda will back down. Superficially, the current quarrels might look like a legal problem but PiS' aggressive stance, only weeks after campaigning as a centrist force, raises concerns about the party's long-term plans. Since coming into office in November, Szydlo's government has alienated key EU partners by not honouring commitments the previous government had made in the wake of the refugee crisis, while also appointing close allies to key posts in the public administration, including a plan to tighten the PiS grip on state-controlled media. From a country risk perspective, the recent developments are worrisome and a further weakening of the rule of law cannot be ruled out. The independence of the judicial system could be seriously endangered, and the enforcement of claims against the Polish state or companies that are well connected to the government could become more complicated.

Short-Term Economic Outlook

Forward-looking indicators upbeat

Encouragingly, the political problems have, so far, not impacted the economy as several forward-looking indicators continue to show strong readings. In the manufacturing sector, the *Purchasing Managers' Index* (PMI, compiled by Markit) saw the highest new order inflow and output gains in four months, pushing the PMI to 52.2 points in November. The PMI has now stood above the 50-points growth threshold for 14 consecutive months. Also in November, the EU's *Consumer Confidence Indicator* reached the highest value since April with confidence indicators in the construction and service sectors also trending upwards. However, crucial to the medium- to longer-term growth outlook will be how the new government implements its plans to introduce additional taxes and levies in the (largely foreign owned) banking and retail sectors. We expect growth to come in at 2.8% in 2016, down from the estimated 3.2% seen in 2015.



COUNTRY PROFILE AND STATISTICS

Overview

Poland is located in Central Europe, east of Germany and west of Belarus and Ukraine, with 500 kilometres of Baltic Sea coastline. Since the end of communist rule in 1989, Poland has had freely-elected governments that have generally fostered the country's transition towards democracy and a market economy. However, a stable party system has yet to emerge, and coalition and policy patterns remain erratic.

Poland's EU accession in 2004 spurred a surge of economic growth. Tariff-free access to the vast Western European market and the additional legal security conferred by EU membership, combined with Poland's comparatively low labour costs, have attracted foreign manufacturing investment. These new companies (often export-oriented) have turned Poland into an open, internationally integrated economy. Partly as a result, Poland did not escape the effects of the global slowdown, although domestic demand remained supportive and the economy avoided recession. That said, per capita income is only around half that of Western European EU member states, and productivity gains have bypassed many domestically-oriented service providers and the large agricultural sector.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Beata SZYDLO
Capital	Warsaw
Timezone	GMT +01-00
Official language	Polish
Population (millions)	38.4
GDP (USD billions)	759.9
GDP per capita (USD)	19,786
Life expectancy (years)	81
Literacy (% of adult pop.)	99.8
Surface area (sq km)	312,690

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	4.86	1.85	1.56	3.31	3.2
Nominal GDP in USDbn	484.34	476.42	511.19	526.84	556.71
Nominal GDP in local currency (bn)	1,435	1,551	1,616	1,662	1,703
GDP per Capita in USD	12,550	12,340	13,237	13,642	14,418
Population (year-end, m)	38.59	38.61	38.62	38.62	38.61
Exchange rate (yr avge, USD-LCU)	2.96	3.26	3.16	3.15	3.06
Current Account in USDbn	-27.36	-18.61	-6.75	-11.52	-16.56
Current Account (% of GDP)	-5.65	-3.91	-1.32	-2.19	-2.97
FX reserves (year-end, USDbn)	92.65	103.4	102.24	96.46	102
Import Cover (months)	4.7	5.51	5.26	4.76	4.78
Inflation (annual avge, %)	3.9	3.7	0.8	0.1	-0.7
Govt Balance (% GDP)	-4.9	-3.7	-4	-3.3	-3.5

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	2.8	3	3.1	3.2	3
Nominal GDP in USDbn	619.8	672.2	700	729.3	759.9
Nominal GDP in local currency (bn)	1,775.7	1,882.2	1,995.1	2,114.8	2,241.7
GDP per Capita in USD	16,059	17,431	18,172	18,956	19,786
Population (year-end, m)	38.6	38.6	38.5	38.5	38.4
Exchange rate (yr avge, USD-LCU)	2.9	2.8	2.9	2.9	3
Current Account in USDbn	-10.8	-12.8	-14.8	-16.8	-18.9
Current Account (% of GDP)	-1.75	-1.9	-2.11	-2.3	-2.48
FX reserves (year-end, USDbn)	105.1	108.2	111.5	114.8	118.2
Import Cover (months)	4.85	4.92	4.99	5.06	5
Inflation (annual avge, %)	1	1.9	2.4	2.6	2.5
Govt Balance (% GDP)	-3.2	-3	-2.5	-2	-1.8

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Poland	Czech Republic	Slovakia	Slovenia	US
Income per Capita (USD)	14,418	15,538	15,794	20,300	55,527
Country Population (m)	38.6	10.5	5.4	2.1	321.8
Internet users (% of population)	66.6	79.7	80	71.6	87.4
Real GDP Growth (% p.a., 2016 - 2025)	2 - 4	3 - 4.5	2 - 4	0.5 - 3	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



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