



Decide with Confidence

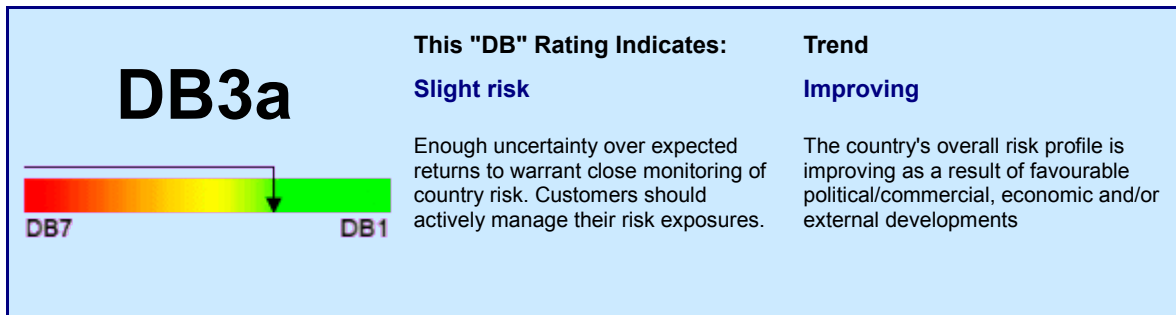
D&B Country RiskLine Report

POLAND

Region : Eastern Europe

Edition : April 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	38.3m
Surface area (sq km):	312,690
Capital:	Warsaw
Timezone:	GMT +01:00
Official language:	Polish
Head of government:	Prime Minister Donald TUSK
GDP (USD):	489.9bn
GDP per capita (USD):	13,381
Life expectancy (years):	75
Literacy (% of adult pop.):	99.9

Country 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.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	SD
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	SD
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D&B'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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:

0-2 months

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.

Trade & Commercial Environment

In the World Bank's *Doing Business 2014* report, Poland is ranked 45th (out of 189 countries surveyed); this is an improvement of ten positions compared with last year but the country is still placed below most of its EU peers. Poland ranks extremely well (3rd) in the 'getting credit' category, but scores poorly in terms of its tax regime (113th), starting a business (117th despite cutting some cumbersome legal requirements in 2012-13) and getting electricity (137th). Although the country has taken steps to strengthen the quality of its business environment, some 40 years of communist rule continues to take a toll on the country. In particular, Poland's infrastructure is outdated, complicating supply-chain management.

Export Credit Agencies

US Eximbank	Full cover available, no discretionary limits
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	4.5	1.9	1.6	2.7	3.3
Inflation, annual ave, %	3.9	3.7	0.8	1.4	2.1
Govt balance, % GDP	-5.0	-3.9	-4.2	-3.8	-2.0
Unemployment, %	9.7	10.1	10.4	11.0	10.5
C/A balance, % GDP	-4.3	-3.5	-2.5	-2.8	-2.9

Inflation and unemployment are based on EU-harmonised data.

Currency Information

Exchange Rates

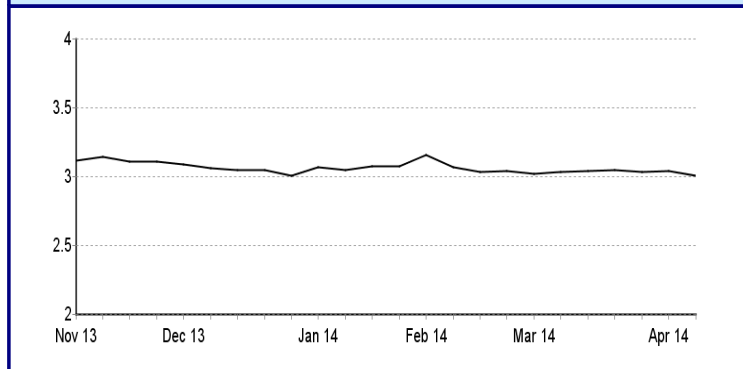
(London, 10 Apr 14)

EUR	4.1714
GBP	5.0413
JPY*	2.9602
USD	3.0052

*(x 100)

Local Currency

(Zloty [PLN]: USD)

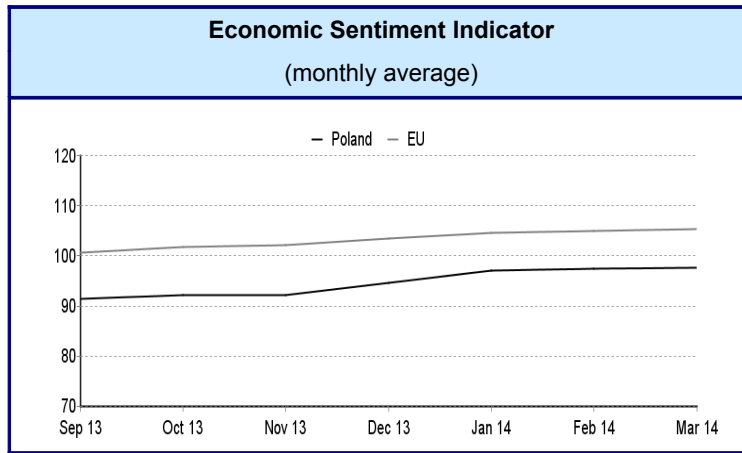


Local Currency

(Zloty [PLN]: USD)

	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
Week 1	3.112	3.086	3.063	3.152	3.020	3.038
Week 2	3.140	3.057	3.045	3.068	3.033	3.005
Week 3	3.108	3.044	3.071	3.031	3.034	
Week 4	3.103	3.042	3.072	3.040	3.048	
Week 5		3.002			3.034	

Economic Sentiment Indicator



Data Table						
Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
91.5	92.2	92.1	94.6	97.1	97.4	97.6
100.6	101.7	102.1	103.5	104.7	105.0	105.3

Risk Factor

Growth in the Polish economy gradually accelerated throughout 2013, creating hopes for a successful 2014. While real GDP grew by just 0.8% year on year (y/y) in Q1, it expanded by 1.3% and 1.8% in Q2 and Q3, respectively, before reaching 2.2% in the October-December period. With an annual growth rate of 1.6%, the economy expanded faster than most of its peers and forward-looking indicators provide optimism that this trend will continue. The country's *Economic Sentiment Index* (which remained below the long-term average of 100 points and the EU average of 105.3 points in March) has been on an upward trend for six consecutive quarters. Since the start of this year, the index (which tracks the industrial, retail, services and construction sector, as well as the *Consumer Confidence Indicator*) increased by 0.5 points to 97.6 points, the highest reading posted since April 2011. In the important manufacturing sector (which is highly integrated into European supply chains, and Germany's supply chains in particular), the *Purchasing Managers' Index* (PMI, compiled by Markit and HSBC) eased somewhat in March, dropping from 55.9 points to 54.0. However, the *PMI* came in above the 50-point benchmark that divides expansion in economic activity from contraction for the ninth month running. Production and new order inflow eased in March but remain sound.

Like many of its neighbouring countries, the inflation rate in Poland is below the central bank's target at the moment. In January and February, the *Harmonised CPI* increased by 0.6% y/y and 0.8%, respectively, well below the National Bank of Poland's 1.5%-3.5% target. However, unlike in Spain, Greece and other southern member states of the EU, Poland is not at risk of falling into deflation, especially as the economy is projected to pick up throughout 2014. Positively, the low inflation rate gives the bank some room to manoeuvre. In its latest meeting, the bank decided not to raise interest rates until September at the earliest and given the low inflationary pressure, we expect the key policy rate to remain at its current all-time low of 2.5% until Q1 2015. However, if the situation in neighbouring Russia and Ukraine escalates (not our core scenario) after the annexation of Crimea, we could see changes to the key policy rate (and the whole operating environment) earlier than initially thought.

Worryingly, the problems in Russia and Ukraine again highlight Poland's exposure to its Eastern neighbours. Exports to Russia (which comprised 5.1% of Poland's export profile in 2012) have fallen by 10.0% since the crisis began. Additionally, Poland is dependent on Russian gas imports and it remains to be seen how successful the government's current plans are to diversify energy import sources in the long term.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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Recommended Terms:

D&B'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:

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

Local Delays:

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

F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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