Decide with Confidence

D&B Country RiskLine Report

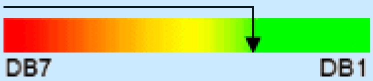
POLAND

Region : Eastern Europe

Edition : February 2013

D&B Country Risk Indicator

DB3a



This "DB" Rating Indicates:

Slight risk

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

Trend

Stable

The country's overall risk profile has not changed appreciably, even though some minor changes to its political, commercial, economic and/or external risk environment may have occurred

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:	37.2m
Surface area (sq km):	312,690
Capital:	Warsaw
Timezone:	GMT +01:00
Official language:	Polish
Head of government:	Prime Minister Donald TUSK
GDP (USD):	430.1bn
GDP per capita (USD):	11,562
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

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

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

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

Transfer Situation

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:	0-2 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

According to the January manufacturing PMI, new export orders showed a marginal reduction, with the weakest demand coming from European markets in particular. As for the sectors, it was the goods-producing sectors that register a more pronounce decrease in new orders, with volumes falling for the twelfth month in succession in January. Employment in those sectors has fallen continuously since September 2012, and purchasing activity since February. All this points to an elevation in payment and credit risks associated with transactions with Polish counterparties in the sectors producing goods, especially for export. D&B therefore advises investors to deal with those sectors with particular caution.

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

	2010	2011	2012	2013f	2014f
Real GDP growth, %	3.9	4.3	2.2	1.9	2.8
Inflation, annual ave, %	2.7	3.9	3.5	3.0	2.7
Govt balance, % GDP	-7.8	-5.1	-4.0	-3.0	-2.0
Unemployment, %	9.7	9.7	10.2	10.5	9.0
C/A balance, % GDP	-4.7	-4.3	-0.6	0.9	0.7

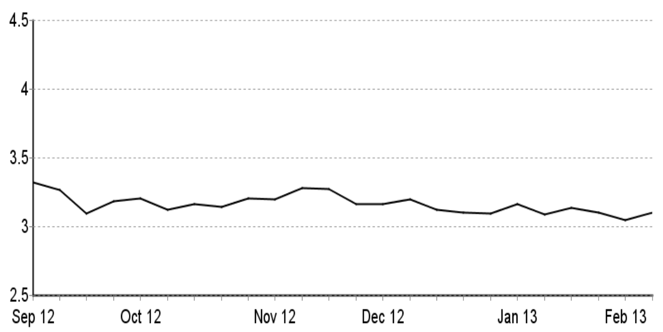
Inflation and unemployment are based on EU-harmonised data.

Currency Information

Exchange Rates (London, 11 Feb 13)	
EUR	4.1493
GBP	4.9109
JPY*	3.3439
USD	3.101
*(x 100)	

Local Currency

(Zloty [PLN]: USD)

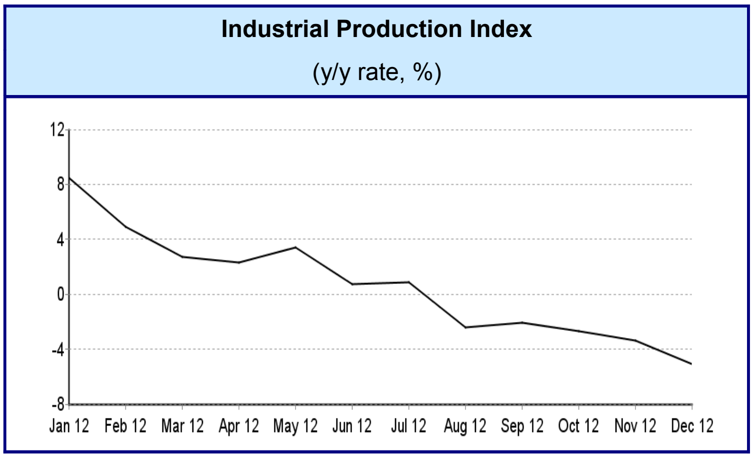


Local Currency

(Zloty [PLN]: USD)

	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13
Week 1	3.318	3.204	3.196	3.162	3.159	3.041
Week 2	3.261	3.118	3.277	3.194	3.085	3.101
Week 3	3.096	3.159	3.268	3.120	3.131	
Week 4	3.182	3.140	3.159	3.098	3.099	
Week 5		3.200		3.095		

Industrial Production Index



Data Table					
Jun 12	**Jul 12**	**Aug 12**	**Sep 12**	**Oct 12**	**Nov 12**
0.7	0.9	-2.4	-2.1	-2.7	-3.4

Risk Factor

The January manufacturing Purchasing Managers' Index (PMI) points to stabilization. It is a positive move, as it breaks the worsening trend of much of 2012; however it is still only a stabilisation of the rate of contraction, not an expansion. Industrial output in January 2013 is likely to be close to unchanged production compared to December 2012, which is positive following a very weak 10.6% year-on-year (y/y) fall in December data. The PMI reading for new export orders improved, however it is still the weakest rate of contraction in recent months rather than expansion. We believe that improving leading indicators in Germany should support new export orders in the coming months. However, total new orders and employment indicators weakened further in January, highlighting the fact that there is still a significant risk that GDP growth in Q1 2013 will be weaker than in Q4 2012.

January's stabilization in manufacturing bodes well for the country's GDP, as this sector makes around 30% of Poland's value added; however there are strong headwinds in 2013. First of all, the euro-zone crisis, which will continue to keep its members in contractionary territory (D&B's 2013 forecast is -0.1%) negatively affecting Polish exports. Domestic demand, which had been an economic growth driver, has shifted into a lower gear as (despite decelerating inflation) real wages will continue to contract in 2013 and employment growth will be meagre. This is especially visible in the construction sector following the boost it received from building work prior to the Euro 2012 soccer tournament. Investment will be influenced by a sizeable slowing down in structural fund flows from the EU in 2013 as the 2007-13 EU budget cycle comes to an end and new budget plans will not be announced before H2 2013. At the same time the implementation of the EU Climate and Energy package in Poland will induce companies to undertake new investments to conform to EU regulations. Moreover, marginal improvements in investment in H2 2013 and 2014 are likely to come due from public efforts to support the energy sector and set up a Polish Investment Fund to facilitate growth.

Headline inflation slowed to 2.4% year on year (y/y) in December 2012, from 2.8% y/y in November, and fell below the NBP's target of 2.5%. According to the January PMI recording inflation eased further with average input prices having fallen for the fifth time in seven months and output prices cut for the sixth time in seven months, and at the fastest rate since February 2010. Declining inflationary pressure and weak growth should support further rate cuts by the National Bank of Poland (NBP), which had begun its expansionary policy in November 2012 by bringing down its benchmark interest rate to 4.25% at year-end.

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:

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.

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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You can contact your local D&B Customer Services departments by clicking here.

Worldwide Network

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