

Country Insight Snapshot

Poland

September 2018





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: Stable

CORE OUTLOOK

- + Integration into German supply chains, especially in the automotive sector, provides stability.
- + A good domestic economic performance and the euro-zone crisis have reduced the 'brain drain' that Poland has suffered 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

The row between Poland and the EU intensifies following the appointment of a new head of the Supreme Court, despite the incumbent refusing to step aside.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

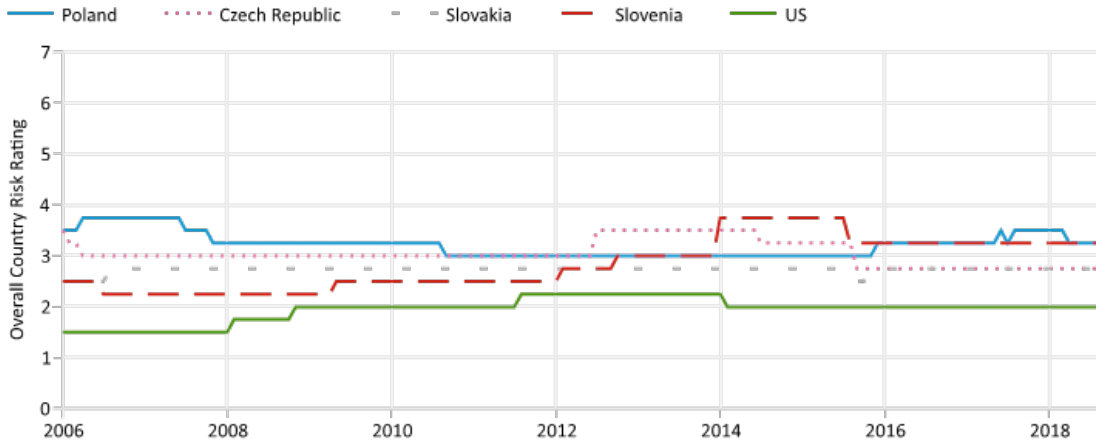
Trend: Deteriorating

Key Development has had a negative impact on the outlook.



KEY INDICATORS

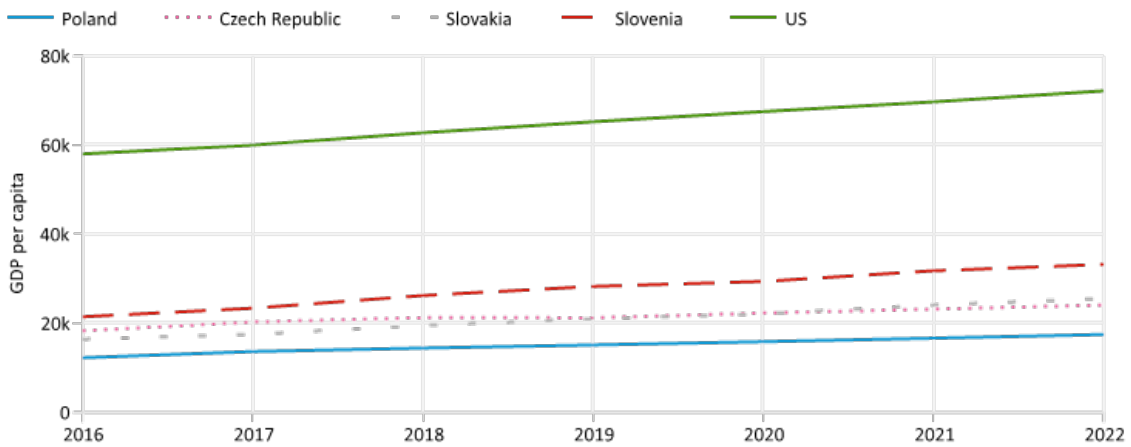
Rating History and Comparison



Source : Dun & Bradstreet

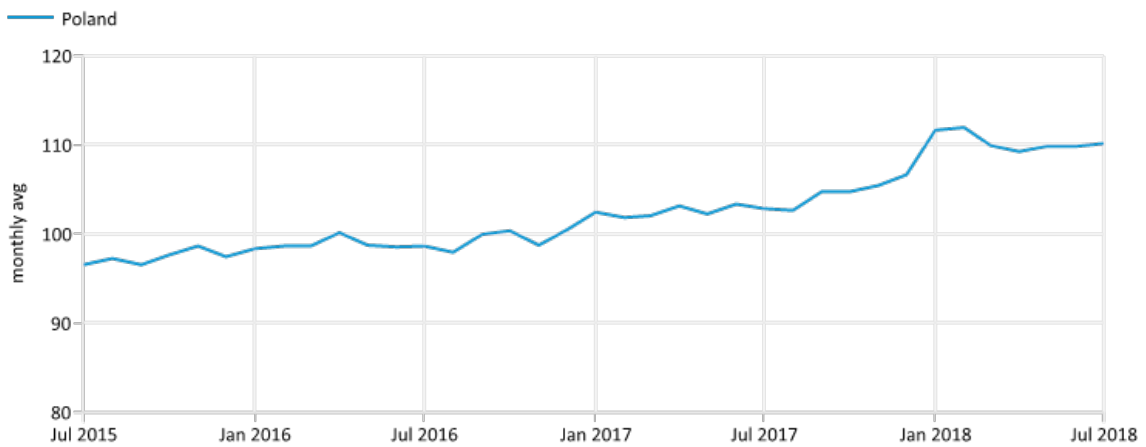
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2015	2016	2017	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-0.6	-0.3	0.2	1.1	0.6	0.3	0.0	-0.3
Govt balance, % GDP	-2.6	-2.3	-1.7	-1.4	-1.0	-0.7	-0.3	-0.1
Inflation, annual avge %	-0.7	-0.2	1.6	1.5	1.7	2.3	2.0	1.9
Real GDP Growth, %	3.7	3.0	4.6	4.7	4.4	4.1	3.7	3.4
Unemployment, %	7.5	6.2	4.9	5.3	5.8	6.0	6.1	6.3

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

In the *Global Competitiveness Report 2017-2018*, compiled by the World Economic Forum, Poland is ranked as the world's 39th most competitive economy, out of 137 countries surveyed. This ranking is down three positions from the previous year's report, although Poland's overall score remained at 4.6 (on a scale of 1 to 7). In a regional comparison, the country scores reasonably well vis-a-vis its eastern peers, but is lagging its western neighbours (Germany is ranked 5th, and the Czech Republic 31st). The biggest obstacles for doing business in Poland, according to the survey's respondents, are (in order of importance): tax regulations, tax rates, restrictive labour regulations, policy instability, and inefficient government bureaucracy. At the other end of the spectrum, Poland scores well in the indices of market size (21st globally) and health and primary education (38th).

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.

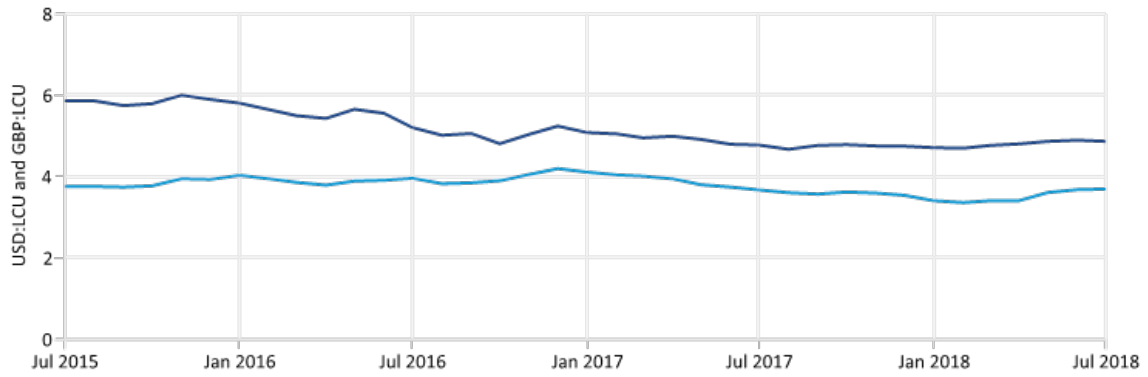
FX/Bank Delays: 0-1 month

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

USD:LCU — Poland
GBP:LCU — Poland

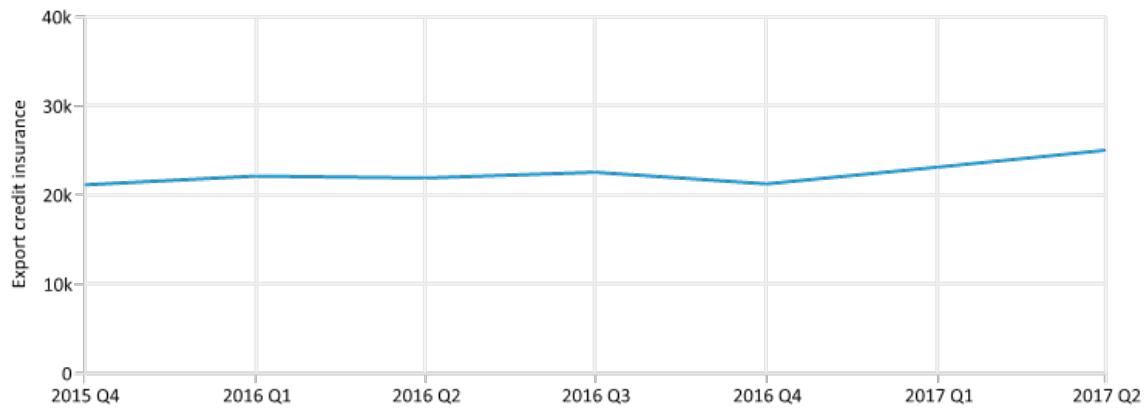


Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Polish zloty

Credit Conditions

— Poland



Source : Export Credit Agencies

Insured export credit exposures, USDm; increase going into 2017 is partly due to methodology changes.



RISKS AND OPPORTUNITIES

Political/Insecurity Risk

New Supreme Court chief appointed

The dispute between Poland and the EU over the issue of judicial reform shows no signs of abating. The government wants to lower the retirement age of Supreme Court judges from 70 to 65, effectively meaning that 27 of the Court's 74 judges will be forced to retire, giving rise to complaints that the government is trying to pack the judiciary with its supporters. Ignoring these complaints, Polish President Andrzej Duda appointed a new acting head of the court in mid-September, even though the incumbent, Malgorzata Gersdorf, who is 65, is refusing to step aside, arguing that her term runs out in 2020. Meanwhile, Duda came in for heavy criticism in mid-September for stating that the EU has little relevance to Poles. These latest developments bring Poland a step closer to being sanctioned by the EU, one possibility being the withdrawal of much-needed funding.

Short-Term Economic Outlook

Current account surplus to increase

There was a current account deficit of EUR809m in July 2018, up from a gap of EUR240m in June. The June outcome meant that the current account saw a shortfall of EUR288m in Q2, compared to a surplus of EUR388m in Q1. In 2017, Poland's current account recorded a surplus of 0.2% of GDP, with this forecast to grow to surpluses of 1.1% of GDP this year and 0.6% of GDP in 2019. Import demand is sound - due, as implied above, to strong household consumption. Import growth in Q1 2017 was 8.7% y/y, decelerating to 6.0% y/y in Q2 and 5.7% y/y in Q3, with an uptick to 8.9% y/y in Q4. There was an easing to 3.5% y/y in Q1 2018, followed by a stronger 6.5% y/y expansion between April and June.

Finally, real GDP growth stood at a buoyant 5.1% y/y in Q2 2018, in line with expectations. Domestic demand is driving much of the current round of growth, in particular household consumption. In turn, strong private spending is being propelled by declining unemployment and better wage growth. With respect to the former, the rate of joblessness was 5.9% in July, the same as in June - but down from 6.9% at the start of 2018. Meanwhile, corporate sector wages rose strongly by 7.2% y/y in July, albeit down from 7.5% y/y in June and a recent high of 7.8% y/y in April. Household confidence remains good, with the Consumer Confidence Index (BWUK) in positive territory in the 16 months up to and including August. Retail sales were up by 9.3% y/y in July. In the commercial sphere, the manufacturing Purchasing Managers' Index (PMI) was 51.4 in August, a decline from 52.9 in July, but ahead of the 50 threshold which separates contraction from expansion. On the monetary front, despite a very loose monetary policy - the key policy rate was kept at an all-time low of 1.5% in early September - inflation is low; in July the HICP rose by 1.4% y/y, the same as in June. We project inflation at 1.5% in 2018 and 1.7% in 2019.



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/policy patterns remain erratic.

Poland's EU accession in 2004 spurred a surge in 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 of this, 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 Mateusz MORAWIECKI
Capital	Warsaw
Timezone	GMT +01-00
Official language	Polish
Population (millions)	38.2
GDP (USD billions)	524.0
GDP per capita (USD)	13,728
Life expectancy (years)	77.3
Literacy (% of adult pop.)	99.8
Surface area (sq km)	312,690

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017
Real GDP growth (%)	1.4	3.3	3.7	3.0	4.6
Nominal GDP in USDbn	524	545	477	471	524
Nominal GDP in local currency (bn)	1,655	1,719	1,798	1,857	1,980
GDP per Capita in USD	13,668	14,234	12,462	12,321	13,728
Population (year-end, m)	38.3	38.3	38.3	38.2	38.2
Exchange rate (yr avge, USD-LCU)	3.2	3.2	3.8	3.9	3.8
Current Account in USDbn	-6.7	-11.4	-2.7	-1.4	0.9
Current Account (% of GDP)	-1.3	-2.1	-0.6	-0.3	0.2
FX reserves (year-end, USDbn)	102.2	96.5	91.4	110.5	109.0
Import Cover (months)	5.3	4.6	5.0	5.8	5.0
Inflation (annual avge, %)	0.8	0.1	-0.7	-0.2	1.6
Govt Balance (% GDP)	-4.1	-3.6	-2.6	-2.3	-1.7

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	4.7	4.4	4.1	3.7	3.4
Nominal GDP in USDbn	552	578	605	633	663
Nominal GDP in local currency (bn)	2,099	2,225	2,359	2,500	2,650
GDP per Capita in USD	14,497	15,198	15,939	16,724	17,555
Population (year-end, m)	38.1	38.0	37.9	37.8	37.7
Exchange rate (yr avge, USD-LCU)	3.8	3.9	3.9	4.0	4.0
Current Account in USDbn	6.1	3.7	1.8	-0.3	-2.3
Current Account (% of GDP)	1.1	0.6	0.3	0.0	-0.3
FX reserves (year-end, USDbn)	112.2	115.6	119.1	122.7	126.3
Import Cover (months)	5.0	5.1	5.1	5.2	5.3
Inflation (annual avge, %)	1.5	1.7	2.3	2.0	1.9
Govt Balance (% GDP)	-1.4	-1.0	-0.7	-0.3	-0.1

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Poland	Czech Republic	Slovakia	Slovenia	US
Income per Capita (USD)	14,497	21,324	19,610	26,298	62,824
Country Population (m)	38.1	10.6	5.4	2.1	326.8
Internet users (% of population)	73.3	76.5	80.5	75.5	76.2
Real GDP Growth (% p.a., 2018 - 2027)	2.0 - 4.0	3.0 - 4.5	2.0 - 4.0	0.5 - 3.0	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



LINKS

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