

International Business Report 2007

Country focus

Grant Thornton 

Poland



The Grant Thornton International Business Report (IBR) 2007 examines the attitudes, plans and trends of 7,200 businesses in 32 countries across six continents. IBR builds on data collected in previous surveys* and boasts 15-year trend data for EU countries and 5-year trend data for international participants.

This year's survey reveals that businesses in most countries remain optimistic about economic prospects for the year ahead. For the fourth consecutive year, India tops the league table as the most optimistic country with an optimism/pessimism balance** of +97%, whilst Japan is at the bottom this year with a balance of -5%. Meanwhile, businesses in the UK are significantly more optimistic about 2007 (+43%) than they were about 2006 (+8%).

Levels of optimism have risen significantly amongst EU*** businesses. This year a balance of +46% of EU businesses are positive about their country's economy compared to a balance of +18% in 2006. Levels of optimism, however, vary extensively throughout the EU countries with the Netherlands recording the highest balance with +86% optimistic, while Italian companies are considerably less optimistic about their economy over the next year (+21%).

Economic growth accelerated from a weak (by recent Polish standards) 3.6% in 2005 to 5.8% last year. Both domestic demand and exports were exceptionally strong, and industrial output rose by 11.8% after a modest 3.7% rise in 2005. But consumer spending growth at 5.1% and fixed investment up by almost 17% meant that imports rose sharply, producing a negative net trade contribution to GDP growth. Inflation was comfortably below 2.0% for most of 2006 helped by an appreciating exchange rate.

* the European Business Survey (EBS) charted the views and trends of privately held businesses in Europe between 1993 and 2002. This was followed by the International Business Owners Survey (IBOS) which ran from 2003 to 2006.

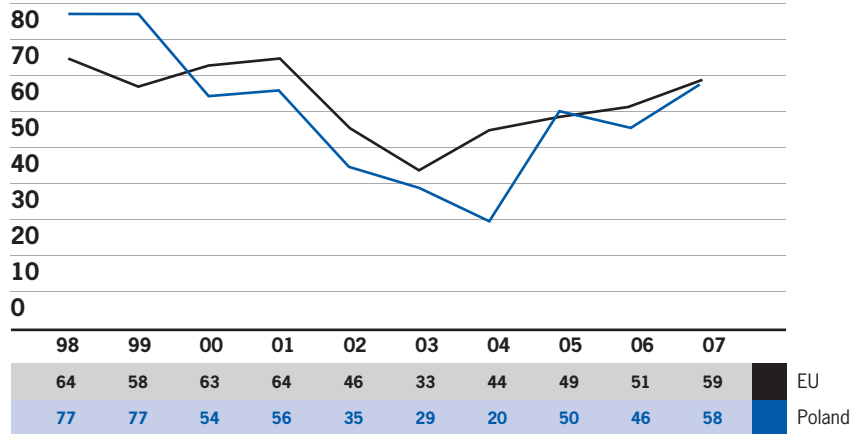
** the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

*** for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey - France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Poland, Spain, Sweden and the UK.

Business expectations/turnover

- Polish businesses are more optimistic about turnover prospects (+58%) than they were in 2006 (+46%).
- Their levels of optimism regarding turnover performance are marginally below the EU average (+59%).
- The level of optimism surrounding investment in plant & machinery of 72% is the highest in Europe (EU average of +42%).

Turnover expectations (% balance *)

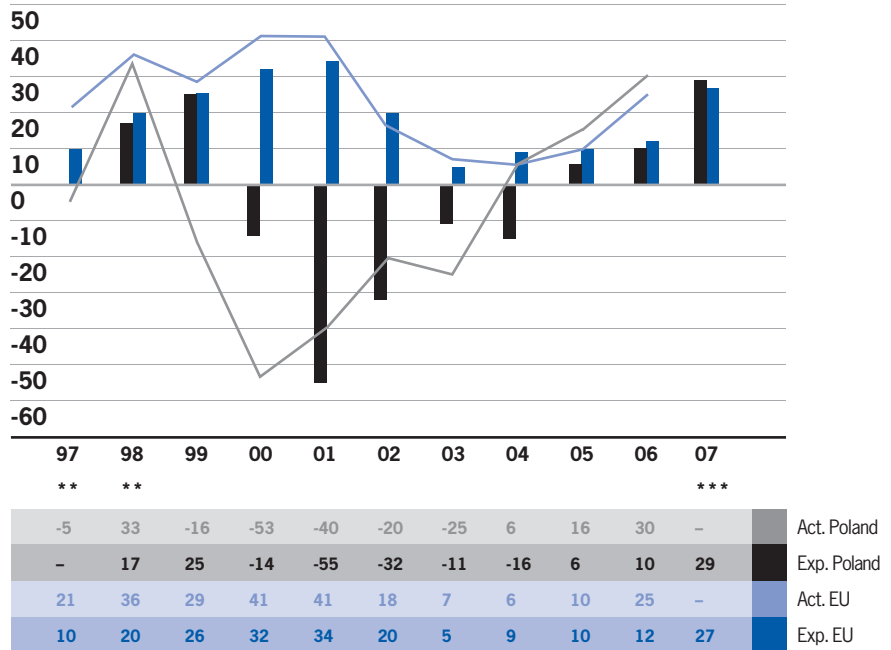


* the balance is the proportion of companies reporting that they are optimistic less those reporting they are pessimistic
Source: Grant Thornton International Business Report 2007

Employment

- Expected employment growth in Poland has grown from 10% in 2006 to 29% in 2007.
- EU companies overall are slightly less optimistic about employment growth than Polish businesses (27% compared to 29%).
- In 2006, actual employment growth in the Poland was significantly higher than expected; a balance of +10% expected employment to increase, whereas a balance of +30% was the actual employment increase during this period.

Employment history (% balance *)

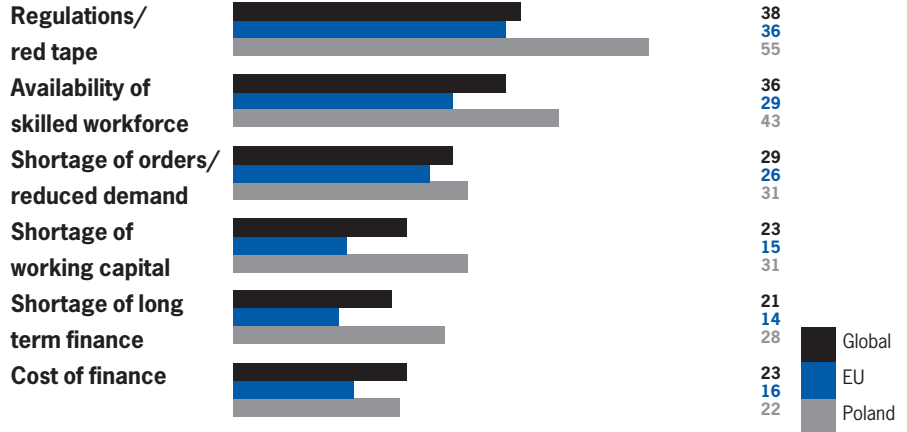


* the balance is the difference between the proportion of businesses indicating an increase and those indicating a decrease
** no data available
*** 2007 data will be documented in IBR 2008
Source: Grant Thornton International Business Report 2007

Constraints

- Regulations/red tape and availability of skilled workforce and are both major constraints on expansion for Polish businesses (55% and 43%).
- Regulations/red tape is far more of an issue for Polish businesses than for businesses in the rest of Europe (36%) and globally (38%).
- Apart from the cost of finance (22%), all these factors are far more of an issue for businesses in Poland than globally.

Constraints (%*)

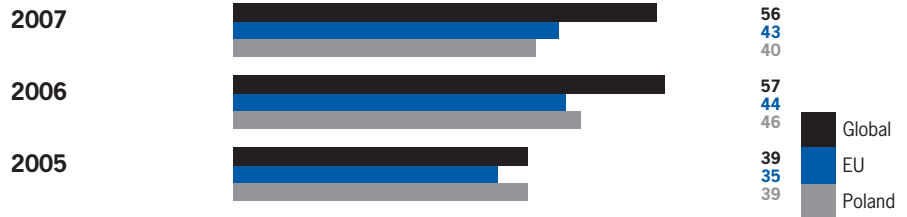


* % companies rating constraint 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint
 Source: Grant Thornton International Business Report 2007

Stress levels

- This year, a lower proportion of business owners in Poland reported an increase in stress levels than in 2006.
- 40% report that they have experienced a rise in stress levels, much less than the global figure of 56%.
- In order to gain insight into how business owners manage stress, we also asked about how many hours they work a week. On average, business owners in Poland work 52 hours per week, just under the global average of 53 hours.

Rise in stress levels (%*)

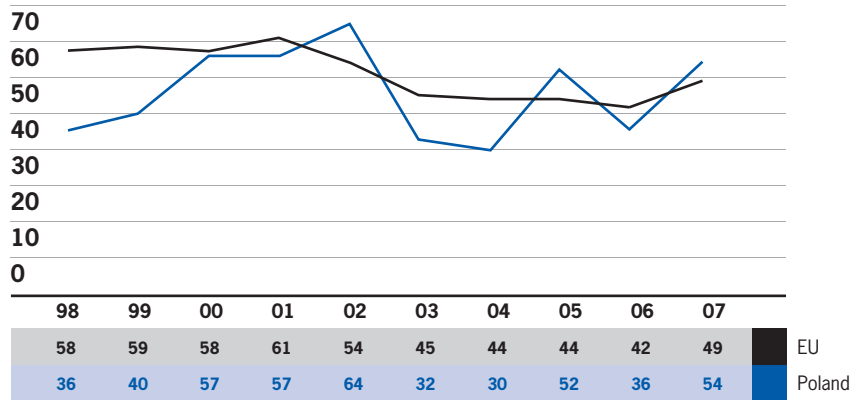


* % of respondents indicating that stress levels had increased or increased significantly over the past year
 Source: Grant Thornton International Business Report 2007

International trade

- The proportion of Polish companies exporting has increased from 36% in 2006 to 54% in 2007.
- EU firms as a whole have also seen export levels rise this year from 42% to 49%, although less so than in Poland where the proportion exporting is now 5% higher than the EU average.

Proportion of businesses exporting (%)



Source: Grant Thornton International Business Report 2007

Globalisation

- Polish businesses are more likely to see globalisation as an opportunity than a threat to their business with 49% viewing it as an opportunity and 31% viewing it as a threat.
- Businesses in the EU are marginally less likely to see globalisation as an opportunity (48%) compared to Polish businesses, however, they are also much less likely to see globalisation as a threat (20%).
- Polish businesses are the most threatened by globalisation in the EU and third most threatened globally.

Impact of Globalisation (%)

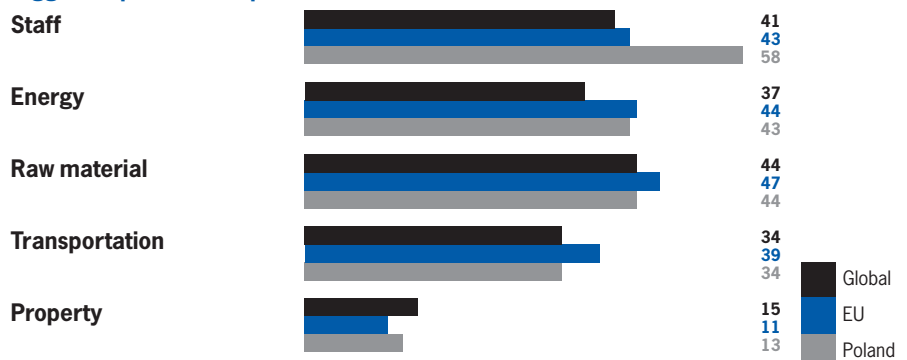


Source: Grant Thornton International Business Report 2007

Impact on cost pressures

- Over half of Polish businesses (58%) expect staff costs to have a major impact on their cost pressures over the coming year.
- Staffing cost pressures in Poland are significantly above the EU average of 43%.
- EU businesses are more likely to cite transportation costs and raw material costs as having a major impact on their cost pressures than Polish businesses.

Biggest impact on cost pressures



Source: Grant Thornton International Business Report 2007

Polish activity remains robust this year. Against expectations that the upsurge had peaked in the second half of 2006, year on year GDP expansion reached 7.4% in the first quarter of 2007. Poland's strong performance underpins the forecasted growth at over 6% for the year as a whole, a brisk outturn that reflects all round strength. Consumer spending growth, supported by a strong increase in incomes, record low interest rates encouraging household credit and falling unemployment, is expected to accelerate to 5.4%, while investment is projected to register double-digit growth as in 2006. Polish export growth remains healthy, but is easing slightly despite the ongoing strength of the eurozone economy, particularly Germany's.

To find out more about the Grant Thornton International Business Report (IBR) and to obtain copies of topical supplements, including focuses on emerging markets, energy and environmental issues and European business, please visit www.internationalbusinessreport.com.

Summaries are also available for each of the 32 participating countries, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against those of businesses around the world.

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Participating countries

Argentina	Ireland	Russia
Armenia	Italy	Singapore
Australia	Japan	South Africa
Botswana	Luxembourg	Spain
Brazil	Mainland China	Sweden
Canada	Malaysia	Taiwan
France	Mexico	Thailand
Germany	The Netherlands	Turkey
Greece	New Zealand	UK
Hong Kong	Philippines	US
India	Poland	

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