

Focus on: Poland

International Business Report 2010 – Country focus series

The recovery

Since contracting slightly in the final quarter of 2008, the Polish economy has accelerated even in the midst of the worst global recession in generations. Poland's size and the growth momentum of recent years mean that in the short run indigenous demand was strong enough to support growth in the first half of 2009. This was supplemented in Q3 2009 by a big boost from exports, which benefited from the eurozone's emergence from recession as well as various car-buying incentive schemes in the region.

The key indicators are highlighted below:

- following growth of 1.7 per cent year-on-year in Q3, the economy is expected to expand by 2.7 per cent in Q4
- industrial output grew by 9.8 per cent in the 12 months to November, the best performance since the spring of 2008
- exports contracted by 23 per cent between January and October 2009
- unemployment continues to climb, reaching 11.9 per cent of the workforce in December 2009; over the course of 2009 the number of people out of work increased by 28.5 percentage points.

Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Poland, the experiences and attitudes of its privately held businesses and how they have been affected by the economic crisis along with how they are dealing with recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Poland are considerably more optimistic on the outlook for the economy over the next 12 months in 2010, than they were in 2009. The majority of businesses believe they will see an upturn in the global economy in the second half of 2010 to 2011. Employment expectations may not have improved, however, optimism concerning revenue and profitability expectations have increased markedly.



Looking ahead

Real GDP growth is expected to remain strong – certainly by European standards – supported by buoyant domestic demand. Household spending should be sustained by strong wage inflation, steady job creation and continuing expansion of consumer debt, although debt levels are likely to remain low by general European standards. Businesses are expected to continue to invest heavily, helped by EU structural funds, which will boost spending on infrastructure. However, investment spending is expected to move back to a slower growth path at five per cent per annum, following double digit growth in 2006-08.

The above factors may, however, be accompanied by negative trends which will constrain real GDP growth to a trend rate of four per cent per annum. Both total population and working-age population are expected to decline markedly. The fiscal deficit is a constraint as the government strains to meet the Maastricht criteria for eurozone entry. The economy has relied on robust productivity gains to offset strong wage growth, which has allowed unit labour costs to fall. Emigration is expected to slow considerably, but if labour continues to flow out of the country, wages could rise rapidly, which would have an adverse impact on competitiveness and dampen growth prospects.

As the economy exits recession, all businesses will need to face new challenges and take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for PHBs

Poland compared to the EU average	2008	2009	2010	2010
	Poland	Poland	Poland	EU
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	+78%	-12%	+44%	+7%
Change in employment levels				
Balance of PHBs expecting an increase over those expecting a reduction	+42%	-3%	-3%	-1%
Constraints on expansion				
Regulations/red tape	63%	45%	51%	34%
Shortage of orders/reduced demand	27%	38%	38%	41%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.



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International Business Report results

The Grant Thornton IBR 2010 reveals that businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in Poland are more optimistic about prospects for 2010 with an increase of 56 percentage points from an optimism/pessimism balance¹ of -12 per cent in 2009 to +44 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

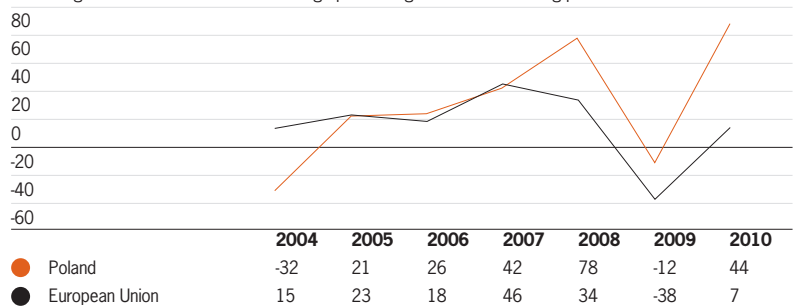
Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy, compared to a balance of -16 per cent in 2009.

Optimism/pessimism

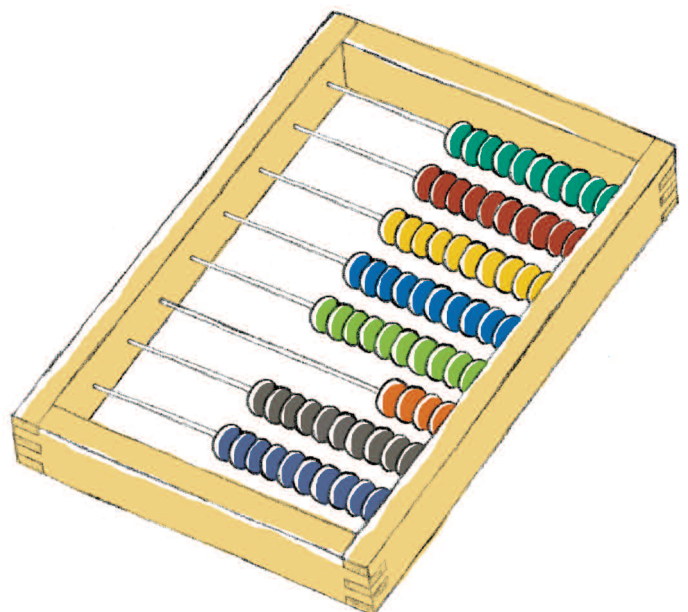
- businesses in Poland are considerably more optimistic about their country's economic outlook (+44 per cent) compared with 2009 (-12 per cent)
- levels of optimism regarding economic outlook have risen by 56 percentage points from 2009 in Poland, compared with a 45 percentage point rise observed in the EU² region as a whole.

Figure 2: Outlook for the economy over the next 12 months: 2004-2010

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



¹ the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

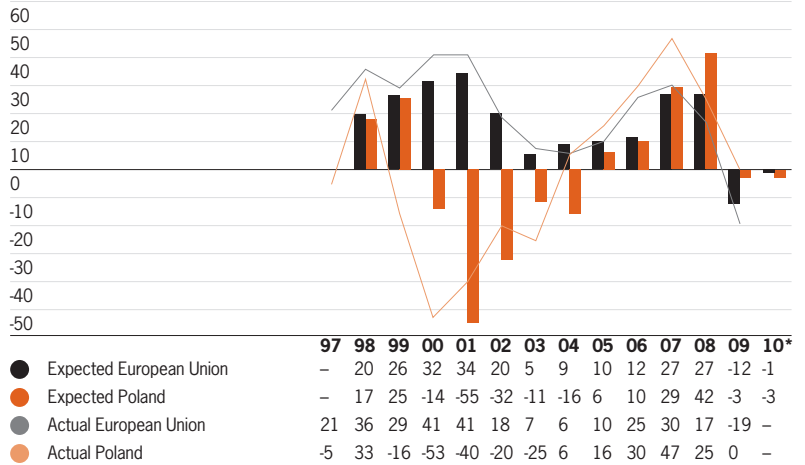
² for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

Employment

- businesses in Poland expect employment to contract in 2010, with the balance of businesses expecting the same three per cent drop as they did last year; businesses in the EU as a whole are marginally more optimistic (-1 per cent)
- actual employment levels in Poland in 2009 remained the same as the previous year; this compares well to the three per cent drop that was expected.

Figure 3: Employment history: 1997-2010

Percentage balance of businesses



*2010 data will be documented in IBR 2011

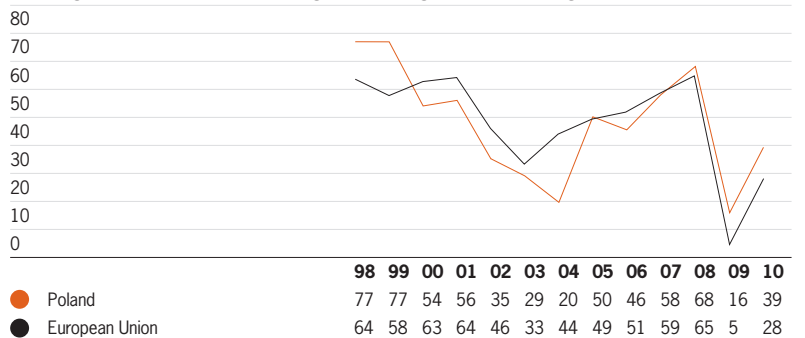
Source: Grant Thornton IBR 2010

Revenue expectations

- optimism levels regarding revenue prospects have risen in Poland this year by 23 percentage points, from +16 per cent in 2009 to +39 per cent
- the EU average has also increased by 23 percentage points, from +5 per cent in 2009 to +28 per cent.

Figure 4: Revenue expectations: 1998-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



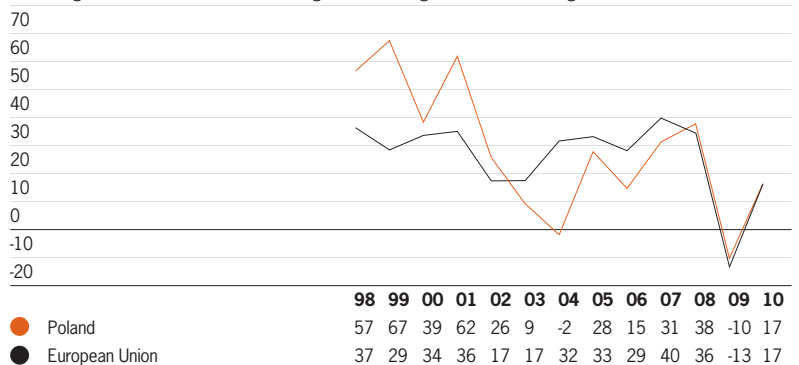
Source: Grant Thornton IBR 2010

Profitability expectations

- profitability expectations amongst businesses in Poland have also risen this year by 27 percentage points, from -10 per cent in 2009 to +17 per cent
- the EU average has increased by 30 percentage points, from -13 per cent in 2009 to the same level as Poland (+17 per cent).

Figure 5: Profitability expectations: 1998-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



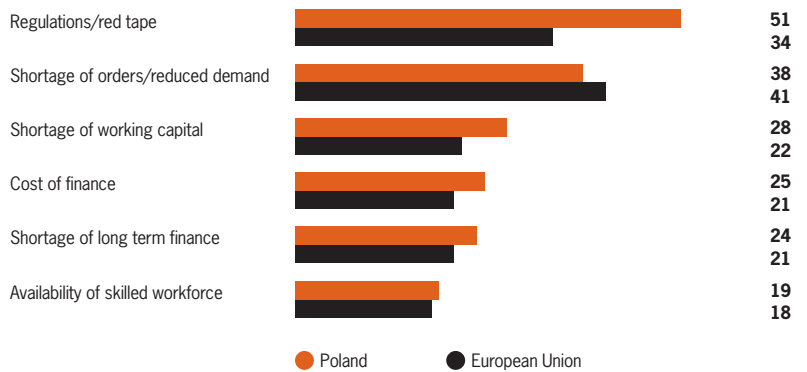
Source: Grant Thornton IBR 2010

Constraints

- as in 2009, regulations/red tape is viewed as the major constraint restricting expansion for businesses in Poland this year; at 51 per cent this is considerably higher than the EU average (34 per cent) and the 2009 Poland average (45 per cent)
- again as in 2009, the second greatest constraint on expansion for businesses in Poland is a shortage of orders/reduced demand; at 38 per cent this is slightly lower than the EU average (41 per cent)

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



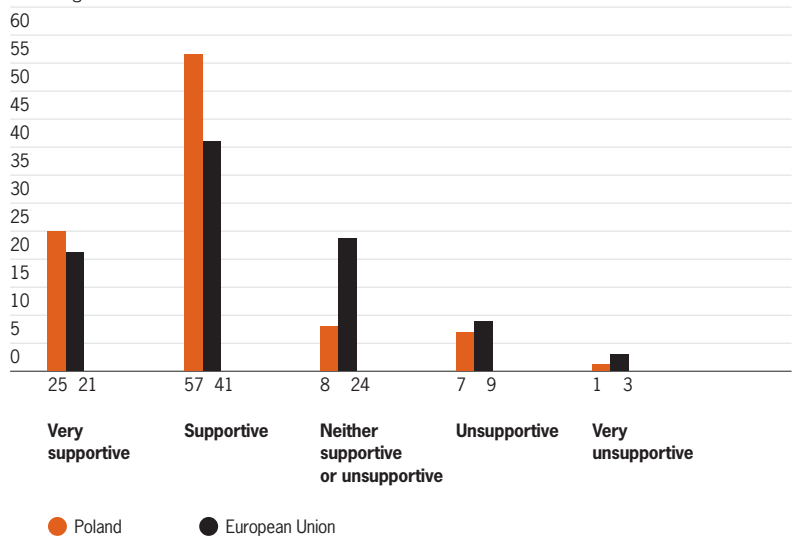
Source: Grant Thornton IBR 2010

Support of lender

- four-fifths of businesses in Poland class lenders as supportive or very supportive towards their business (82 per cent); significantly higher than the EU average (62 per cent)
- eight per cent businesses in Poland class lenders as unsupportive or very unsupportive towards their business, just below the EU average (12 per cent)
- one-quarter of businesses, on average, across the EU class their lenders as neither supportive or unsupportive.

Figure 7: Level of support provided by lenders

Percentage of businesses

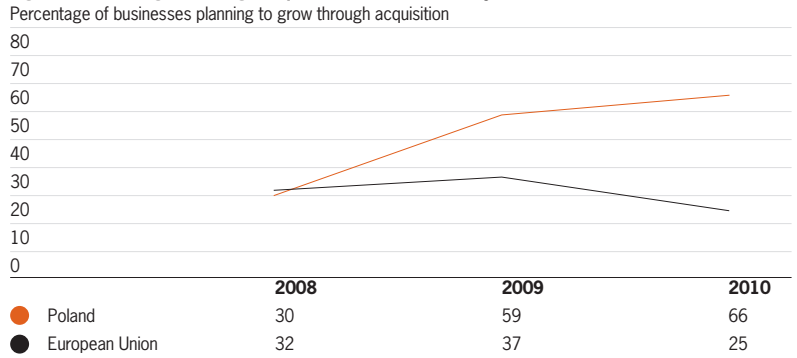


Source: Grant Thornton IBR 2010

Mergers & acquisitions

- two-thirds of businesses in Poland (66 per cent) plan to grow through acquisition in the next three years, this is more than twice as high as the EU average of 25 per cent
- three-quarters of these businesses expect this to be through domestic acquisition whilst around half are expecting to make cross-border acquisition
- the key drivers, for more than half of these businesses, are access to new geographic markets and/or to acquire new technology or established brands.

Figure 8: Plans to grow through acquisition in the next three years

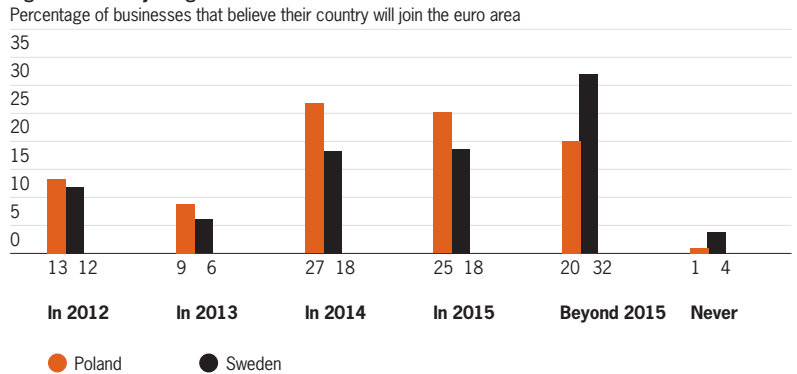


Source: Grant Thornton IBR 2010

Euro area membership

- almost half of businesses in Poland think their country will adopt the euro by 2014, compared to around one third of businesses in Sweden
- 74 per cent of businesses in Poland believe their country will have joined by 2015, compared to just 54 per cent of their counterparts in Sweden.

Figure 9: Poland joining the euro area

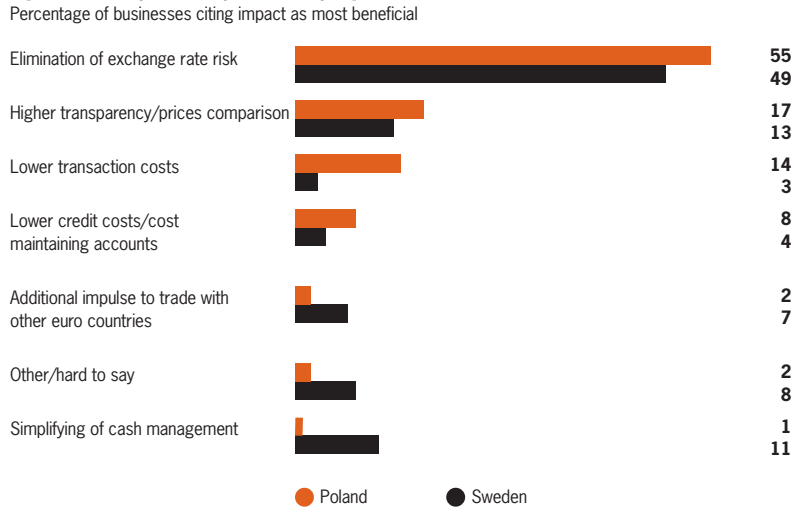


Source: Grant Thornton IBR 2010

Impact of adopting the euro

- the elimination of exchange rate risk is viewed as the most positive impact of joining the euro by businesses in Poland (55 per cent) and Sweden (49 per cent)
- lower transaction costs are cited by 14 per cent of businesses in Poland, but by just three per cent of their counterparts in Sweden.

Figure 10: Most positive impacts of adopting the euro

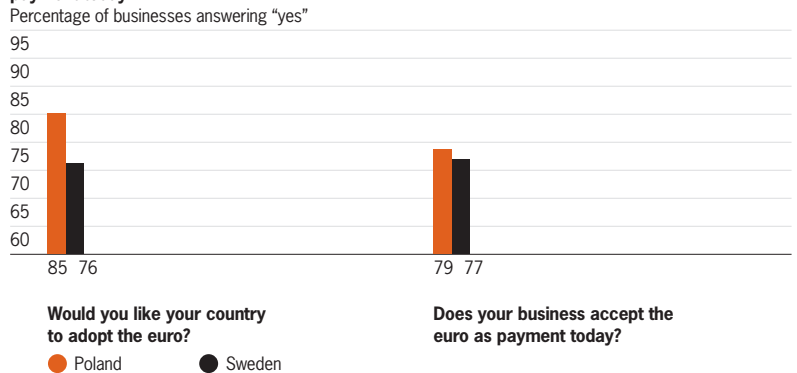


Source: Grant Thornton IBR 2010

Attitudes towards the euro

- 85 per cent of businesses in Poland would like to adopt the euro
- businesses in Sweden are less positive about the euro, although 76 per cent would like their country to join
- 79 per cent of businesses in Poland already accept the euro, a slightly greater proportion than do in Sweden (77 per cent).

Figure 11: Would businesses like their country to adopt the euro? And do they accept it as payment today?



Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the ‘engine’ of the world’s economy. In Poland 150 PHBs were surveyed across all industry sectors. These businesses ranged from medium to large in size with total employees of between 100 and 499.

To find out more about IBR and to obtain copies of reports and summaries visit: www.internationalbusinessreport.com. The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

Participating economies

Argentina	Japan
Armeria	Malaysia
Australia	Mexico
Belgium	Netherlands
Botswana	New Zealand
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Kingdom
Ireland	United States
Italy	Vietnam



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