

Poland

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most countries remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic country with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining India at the top for the first time (also +95 per cent), whilst Japan is still at the bottom this year with a balance of -49 per cent. Meanwhile, PHBs in Poland are more optimistic about 2008 (+78 per cent) than they were about 2007 (+42 per cent).

Levels of optimism have fallen amongst European Union (EU)² businesses. This year a balance of +34 per cent of EU businesses are positive about their country's economy compared to a balance of +46 per cent in 2007. However, levels of optimism vary extensively throughout the EU countries with Denmark recording the highest balance with +74 per cent optimistic, while Spanish PHBs are most pessimistic about their economy over the next year (-5 per cent).

The Polish economy

Economic growth peaked in the first quarter of this year, rising by 7.2 per cent year-on-year. However, growth has softened since then, rising by 6.1 per cent in the final three months of 2007. Despite the easing of growth in recent quarters the economy grew by an average of 6.5 per cent in 2007, the best performance in a decade.

Domestic demand remains the key driver of growth, driven by investment, with investment growth averaging more than 20 per cent for 2007 as a whole investment activity has benefited from a sustained period of low real interest rates. Consumer demand remains robust as wage growth remains solid, although retail sales growth has eased slightly. However, the domestic economy has not appeared to suffer any real impact as a result of the wider global economic turbulence brought on by the credit crunch.

While key export market growth rates have eased in the second half of 2007, export growth has held up remarkably well. However, net exports continue to drag growth down owing to the persistent strength of domestic demand.



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

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

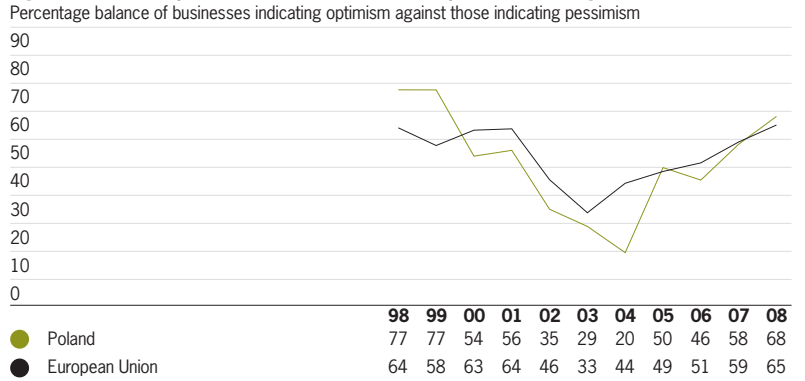
Business expectations/revenue

- PHBs in Poland are more optimistic about revenue prospects (+68 per cent) compared to 2007 (+58 per cent).
- Optimism levels regarding turnover performance are now above the EU regional average of +65 per cent.
- Polish businesses are more optimistic about selling prices (+48 per cent) than businesses in the EU as a whole (+39 per cent).

Employment

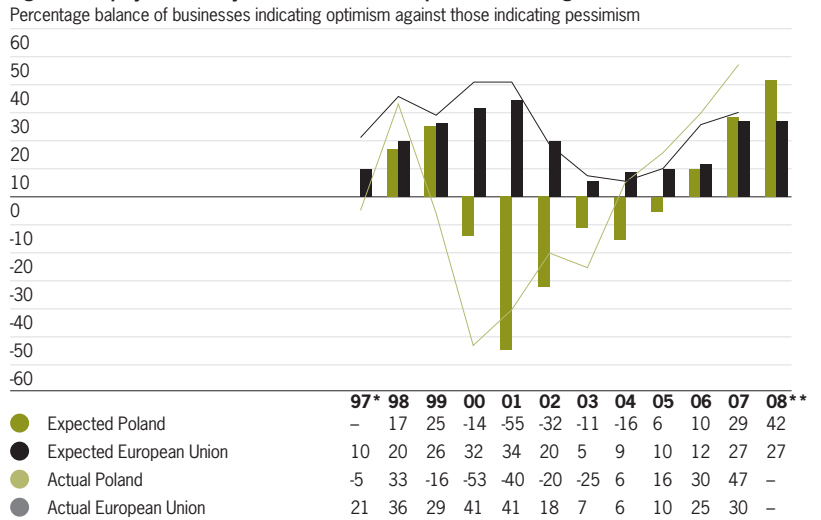
- A balance of +42 per cent of PHBs in Poland expect employment to grow in 2007 compared to +29 per cent in 2007.
- PHBs in Poland are much more positive regarding employment in 2008 compared to EU businesses as a whole (+27 per cent).
- Actual reported employment growth in Poland in 2007 (+47 per cent) far outstripped the level expected.

Figure 1: Revenue expectations for Poland and the European Union average 1998-2008

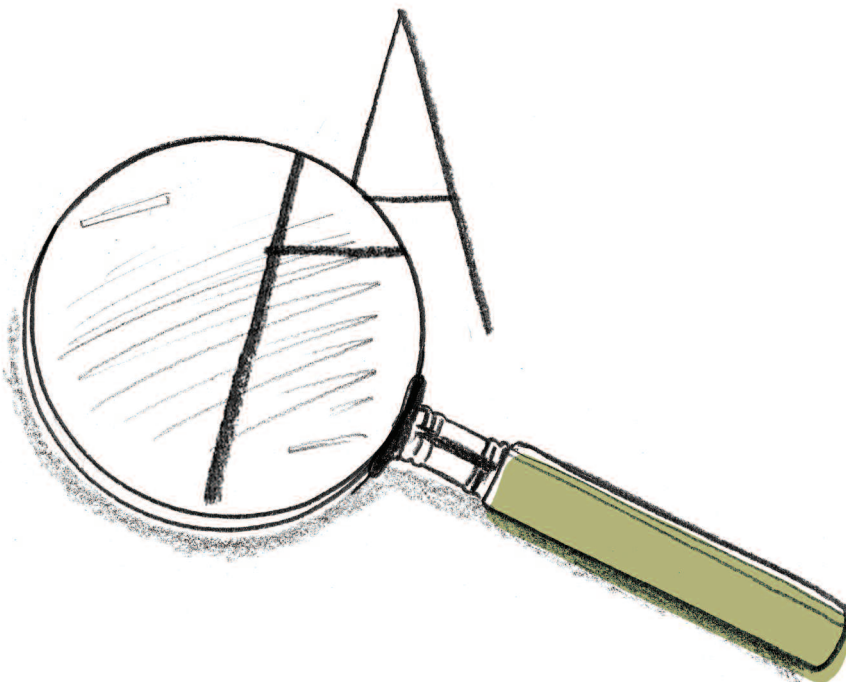


Source: Grant Thornton IBR 2008

Figure 2: Employment history of Poland and the European Union average 1997-2008



*no data available for Poland
 **2008 data will be documented in IBR 2009
 Source: Grant Thornton IBR 2008



Constraints

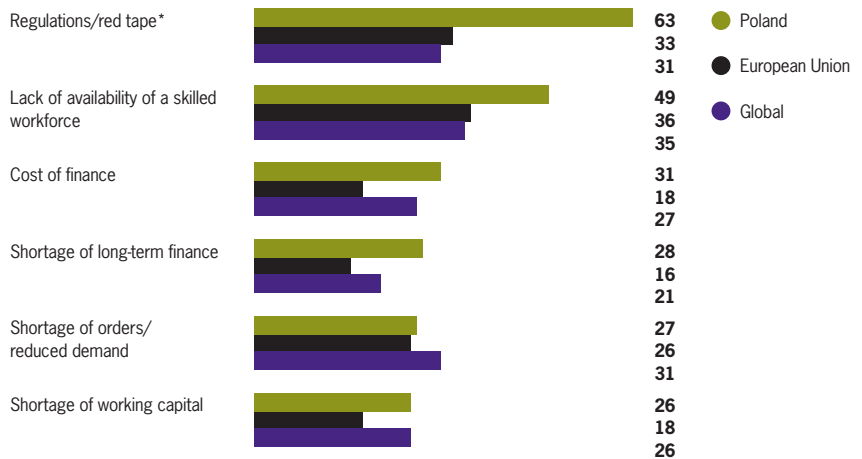
- Regulations/red tape are viewed as the major constraint on expansion for PHBs in Poland (63 per cent).
- A lack of availability of a skilled workforce is viewed as the second largest constraint (49 per cent). This is viewed as the largest constraint for businesses in the EU as a whole (36 per cent) and globally (35 per cent).
- Just 18 per cent of all businesses in the EU cite the cost of finance as a constraint, compared to 31 per cent of PHBs in Poland.

Emerging markets

- The most important factor for Polish businesses, when determining whether to invest internationally, is market size and growth potential (72 per cent), as is true for businesses globally.
- The proportion of PHBs in Poland that export (55 per cent), is above both the EU average (53 per cent) and the global average (39 per cent).
- Similarly to businesses in the EU as a whole, 54 per cent of PHBs in Poland import.
- 42 per cent of PHBs in the Poland see their primary competition coming nationally.

Figure 3: Largest constraints on growth for Polish businesses compared to the European Union and the global average

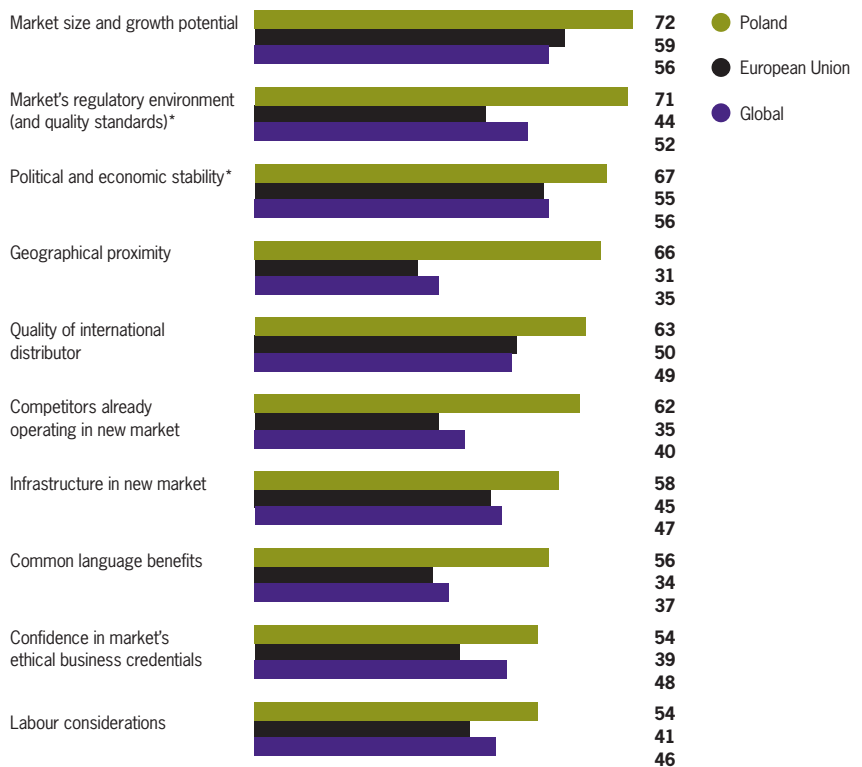
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



*excluding mainland China
Source: Grant Thornton IBR 2008

Figure 4: Importance of factors determining foreign investment

Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



*excluding mainland China
Source: Grant Thornton IBR 2008

Competitiveness

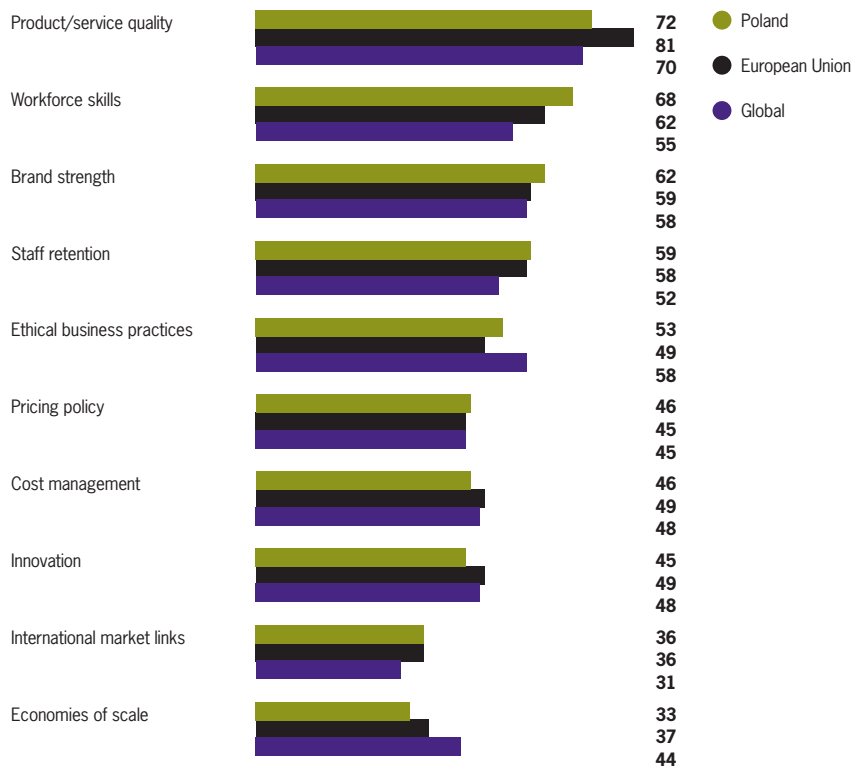
- PHBs in Poland see their greatest source of competitive advantage as product service quality (72 per cent), as is true of businesses in the EU and globally.
- 68 per cent of PHBs in Poland regard workforce skills as a source of competitive advantage, compared to 55 per cent of businesses globally.
- Economies of scale are cited by 44 per cent of businesses globally, compared to 33 per cent of Polish businesses.

Corporate social responsibility (CSR)

- The recruitment/retention of staff is viewed as the biggest driver towards more ethical practices by PHBs in Poland (74 per cent), as is true of businesses in the EU and globally.
- 80 per cent of PHBs in Poland have donated to community causes/charities in the past year, as opposed to 62 per cent of businesses in the EU as a whole.
- Just 35 per cent of PHBs in Poland have incorporated their policies into a written CSR document, compared to 56 per cent of businesses globally.

Figure 5: Main sources of competitive advantage for Polish businesses compared to the European Union and the global average

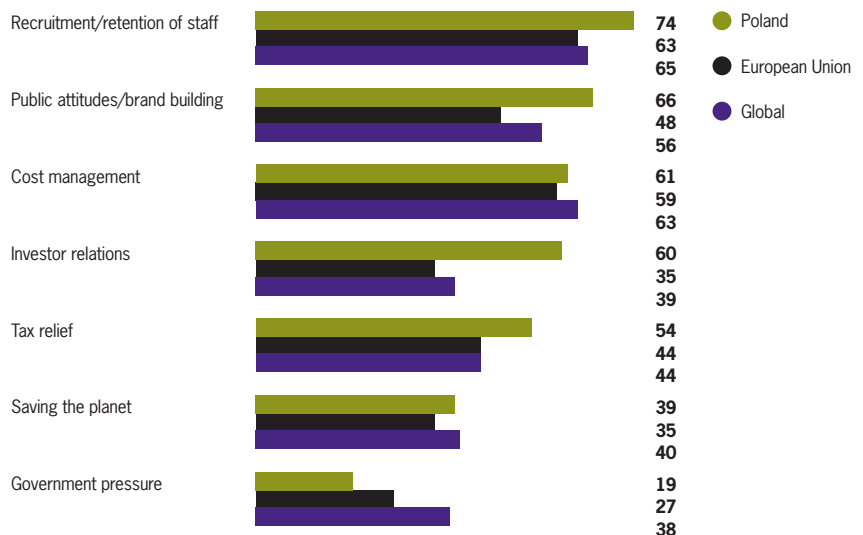
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Polish businesses compared to the European Union and the global average

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



*excluding mainland China

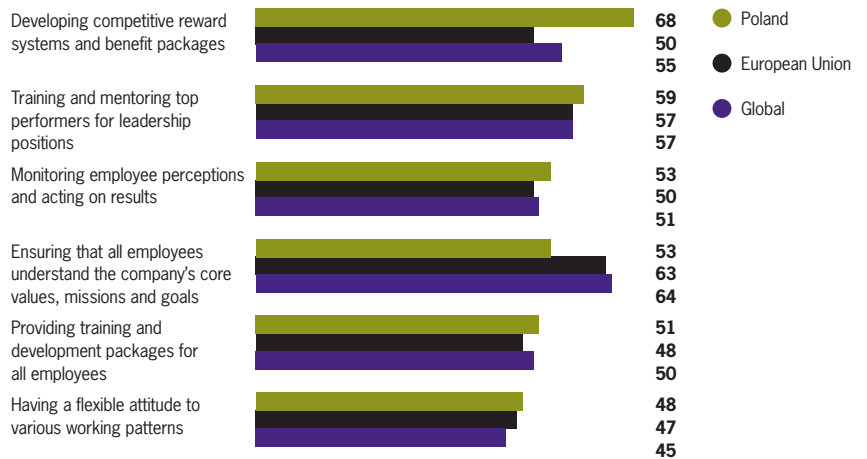
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of PHBs in Poland more focused on retention than they were one year ago has risen from +35 per cent in 2005 to +62 per cent in 2008. This is above both the EU average (+52 per cent) and the global average (+59 per cent).
- Around two-thirds of PHBs in Poland develop competitive reward systems and benefit packages to aid recruitment and retention.
- Increased operating costs are viewed as the major problem staff retention issues have caused PHBs in Poland (54 per cent).
- It is costing 82 per cent of PHBs in Poland significantly more to pay their staff than it was 12 months ago. This is well above both the EU average (58 per cent) and the global average (63 per cent).

Figure 7: Usage of recruitment and retention tools for Polish businesses compared to the European Union and the global average

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Polish economy

The pace of growth is expected to ease further during 2008 and 2009, as the economy suffers from capacity constraints and the impact of the modest monetary tightening feeds through to the real economy. In addition, the economy may not be fully insulated from the fallout of the credit crisis, with weaker export markets and softer EU growth. Growth is expected to slow to 5.2 per cent in 2008, before easing further to 4.5 per cent in 2009. Despite this, the EU sentiment indicator for Poland rose again in recent months, supporting a robust outlook going forward.

Domestic demand will remain the main motor of growth as both business and consumer confidence remain robust. However, both consumer demand and investment activity is expected to slow from the exceptionally strong levels seen last year. Consequently, consumer demand eases and investment activity may fall from its 20 per cent highs in 2007 to more sustainable levels of 13.5 per cent this year and 10.8 per cent in 2009

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six-year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

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



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