

Economic Bulletin

Tusk: I believe Poland will master crisis

I believe Poland will master the crisis, if I didn't I'd resign, PM Donald Tusk said Thursday in the Sejm reporting on the government's anti-crisis steps.

Tusk said that his government's main concern was aiding the unemployed and "the weakest and most crisis-prone" groups.

He added that 3 billion zlotys from the EU's Human Capital Fund will go for aiding unemployed this year.

Tusk also announced special programmes to protect jobs and aid job-changing employees.

The PM also appealed for above-political accord on the euro and repeated his proposal to suspend budget aid to political parties in 2009 and 2010.

Tusk also assured that despite the crisis Poland planned to launch 40-60 billion zlotys' worth of construction projects and 400-500 million euros' worth of energy investments.

In 2009 Poland will be Europe's biggest construction site, Tusk said.

Finance Minister Jacek Rostowski said that "if this year the euro costs 4.8 zloty the budget will have to pay 1 bn 400 mn zloty of additional interests." In his opinion euro adoption is the only way out. "Weak zloty considerably increases debt servicing costs," he addend. It is the government intention that Poland adopts euro in 2012.

Rostowski maintained the government was determined to keep the deficit on the budget law-set level of 18.2 bn zloty.

World Bank forecasts 2 pct GDP growth in Poland

The World Bank in its newest report on the state of Poland's economy forecasts a 2 per cent GDP growth in 2009. "A 2 per cent increase of the GDP in 2009 is attainable," said Thomas Laursen of the WB presenting the report for Poland and the Baltic states on Friday.

■ Industrial output fell by 14.9 per cent year-on-year in January 2009 after a 4.4 percent decrease year-on-year in December 2008, and fell 5.8 percent month-on-month, the Central Statistical Office GUS reported on Thursday.

■ The finance ministry has exchanged part of EU funds on the market to increase the value of the zloty against the euro, USD and Swiss franc.

■ The decision on joining ERM2 currency mechanism Remains unchanged without amendments to the Constitution, Civic Platform PO caucus head Zbigniew Chlebowski said.

■ The average gross wage in January 2008 went up 8.1 pct year-on-year to 3,215.75 zlotys and fell 6.2 pct against the December level, the Central Statistical Office (GUS) announced on Tuesday.

■ The number of flats commissioned in January 2009 rose by 33.5 percent from January 2008 to 19,541, the Central Statistical Office (GUS) reported on Wednesday. The number of flats commissioned in January fell by 37.0 percent month-on-month, GUS reported.

■ The value of direct foreign investments in Poland in 2008 amounted to some 11.2 billion euro, down 33 pct on 2007 when it was at 16.6 bn euro, the Economy Ministry analysis and forecasts department estimates.

According to Laursen Poland is in the best fiscal and financial situation among all new EU countries. The report also notes that government's determination to stick to budget discipline is an important anti-crisis factor.

- Forming trade deficit after December stood at 24 bn 761.7 mn euro, GUS said.
- In January 2009 the finance ministry paid 1 bn 504.8 mn euro of principal on foreign debt and 289.8 mn euro of interests.
- The state budget recorded a surplus of 2,914.4 million zlotys after January 2009, the Finance Ministry reported on Monday. State's expenditures totalled 24,756.0 million zlotys, or 7.7 percent of the planned sum of 321,221.1 million zlotys. Budget's receipts stood at 27,670.4 million zlotys, or 9.1 percent of the annual plan of 303,034.8 million zlotys.
- The net financial result of the banking sector in 2008 went up 7.9 percent year-on-year to 14.7 billion zlotys, the Financial Supervision Committee (KNF) has announced.
- The state treasury debt at the end of December 2008 went up by 4.6 pct from November or, by 25 bn 259.5 mn zloty and totalled 569 bn 945.5 mn zloty. The debt rose by 13.6 pct or, 68 bn 414.5 mn zloty Since the start of the year.

Euro adoption beneficial in long term - NBP

The adoption of the euro in Poland will bring benefits to the economy in a longer term, but because of the ongoing financial crisis Poland should not join the ERM2 mechanism this year, according to a central bank report on Poland's euro adoption.

The report, presented here Monday, says that the euro adoption will lead to the reduction of FX risk, lowering of transaction costs, decline of nominal interest rates and greater price transparency, among other things.

"The assessment of Poland's currency integration (with the euro zone -ed.) remains open. Some benefits and costs may appear with a changing intensity, which is difficult to predict," central bank president Sławomir Skrzypek said when presenting the report at a press conference on Monday.

Exports can be 12 pc higher and the GDP 0.7 pc higher compared with a scenario when Poland does not enter the euro zone, according to one NBP expert. He put the combined GDP increase in a longer term at up to 7.5 pc. However, "turbulence in financial markets suggests that these benefits should be seen as largely potential," the expert added.

"The very high risks (involved in the zloty's presence in ERM2) and research presented in our report make us believe that it is hard to give solid arguments for joining the ERM2 under the existing conditions," the expert concluded.

However, deputy finance minister Ludwik Kotecki reiterated Monday that the government stood by its timetable of joining the euro zone. "I do not agree with this part of the NBP report which deals with ERM2," he said. "There are risks, of course, but they can be managed and limited."

The timetable provides for the euro adoption in 2012 and for joining the ERM2 in mid-2009.

1 USD = 3.78 PLN

1 EUR = 4.77 PLN

FINANCE

Bank Gospodarstwa Krajowego (BGK) will be entitled to grant export credit to foreign buyers of Polish commodities and services which is to improve the sectors' sale, according to an amendment proposed by the government and passed by the Sejm. The amendment are to make it possible for BGK, the state bank, to support government socio-economic and regional development programmes.

JOB

New regulations that took effect this month facilitate procedure of granting work permits to foreigners. The principle of Poles having the priority of employment is still in force. In line with new regulations job permits are given immediately without a promise of a work permit, as it was until now.

ROADS

Firms from Poland, France, Portugal, Slovakia, the Czech Republic, Austria, Italy, Germany, Greece, Spain, Ireland and Macedonia are interested in the construction of the 2nd stretch (Szarow-Tarnow) of the A4 Cracow-Tarnów motorway in Malopolska, southern Poland. The 57-kilometre stretch of the motorway is to be concluded in the 2nd half of 2011.

FINANCE

In 2008 banks granted 57.1 mn zloty worth of housing credit to individual customers, up 2 pct on 2007 figure, the Union of Polish Banks has said. The average value of a credit granted in 2008 totalled 199,000 zloty, up 11 pct from the previous year. The number of credits serviced by banks at the end of 2008 was at some 1 bn 300 mn zloty against 1 bn 135 mn zloty in December 2007.