

# Economic Bulletin

## **Balkenende on Polish-Dutch economic cooperation**

Dutch investors are active in Poland and Polish firms are increasingly active on the Dutch market, PM of Holland Jan Peter Balkenende said after a meeting with deputy PM and Economy Minister Waldemar Pawlak.

According to the Dutch PM Europe has to meet common energy challenges like energy renewable sources and scientific research. "It is important for the two sides to meet and discuss common challenges and problems, Balkenende told journalists after the meeting.

He added that the talk with deputy PM Pawlak centred on the need to lift administrative barriers and the labour market. He stressed the importance of the two questions for both countries.

According to the economy ministry the Kingdom of the Netherlands is Poland's 6th economic partner with the value of Polish-Dutch exchange growing by 15 pct annually.

The Kingdom of the Netherlands is 1st on Poland's list of foreign investors.

## **Gov't adopts updated convergence programme**

The government on Tuesday adopted an updated convergence programme under which Poland will reduce its public finance sector deficit to 1 pct of GDP in 2011, the government press office (CIR) wrote in a communique after the government meeting last Tuesday week.

According to the finance ministry between 2006 and 2010 the deficit of government institutions and local government in relation to GDP will significantly decrease from 3.8 pct to 1.5 pct according to estimates.

As of 2009 Poland will introduce two rates of personal income tax, namely 18- and 32-pct. The government envisages that the persistent reduction of deficit and favourable macroeconomic

■ In February 2008 unemployment went down to 11.5 percent from 11.7 pct in January 2008, the Central Statistical Office (GUS) reported on Wednesday. The number of registered jobless stood at 1,778,500, down by 34,800 people or 1.9 percent from January. In December 2007 unemployment went up to 11.4 percent from 11.2 pct in November.

■ Retail sales went up by 23.8 percent year-on-year in February 2008 after a 20.9-percent growth y/y in January 2008 and rose 0.3 percent month-on-month, Central Statistical Office GUS reported on Wednesday. In real terms retail sales went up by 19.2 pct y/y in February after a 16.1-pct increase y/y in January and 0.3 percent month-on-month.

■ New industrial orders went up by 2.4 percent year-on-year in February 2008 after an 8.8-percent increase year-on-year in January, the Central Statistical Office GUS reported on Wednesday. In February 2008 new industrial orders went down 6.4 percent month-on-month. In January 2008 they fell 11.8 percent.

■ The Monetary Policy Council (RPP) on Wednesday raised all interest rates by 25 base points. The central bank (NBP) reference rate will now stand at 5.75 percent. The RPP decision means that the 7-day intervention rate will be not lower than 5.75 percent, the lombard rate

situation will cut the debt of government and self-government institutions from 47.6 pct in 2006 to 42.3 pct in 2010.

In line with the forecast, the average real pace of GDP growth between 2008 and 2010 will be slower than between 2006 and 2007.

According to the government current account deficit between 2008 and 2010 will decrease to some 6 pct of GDP.

Main goals of the government economic policy include the reduction of fiscal burden (the cut of PIT rate in 2009), increase in number of people professionally active, stepping up privatisation, the simplification of economic and tax laws and the preparation of the Polish economy to enter the Euro zone.

will be not lower than 7.25 percent, the rediscount rate will be not lower than 6.0 percent and the deposit rate not lower than 4.25 percent.

■ The government adopted a draft law on commercialization of the Polish Post. The government wants to transform the post into a state-controlled public company. A related bill is to reach parliament next month.

■ Industrial productivity in January and February 2008 went up by 8.7 pct from the same period of 2007, the Central Statistical Office GUS has reported.

■ The State Treasury Ministry, in line with earlier announcements, crossed out KGHM, Telekomunikacja Polska, Polkomtel, Exatel and BOT – Górnictwo i Energetyka (Mining and Energy) from the list of strategic importance companies. The ministry included in the list Tauron Polska Energia and Polska Grupa Energetyczna (Polish Energy Group). The list of companies of substantial importance to public order and security includes now 13 firms, namely PGNiG, Grupa Lotos, Operator Logistyczny Paliw Płynnych (Liquid Fuels Logistic Operator), PKN Orlen, Tauron Polska Energia, PGE, PSE - Operator, Operator Gazociągów Przesyłowych Gaz-System (industrial gas lines operator), PERN Przyjaźń (Friendship), PPPP Naftoport, PKP, TP Emitel and Inowrocławskie Kopalnie Soli Solino (Inowrocław-based Salt Mines).

■ Investments outlays grew by 26.2 percent in 2007 against the 2006 figure, Central Statistical Office GUS reported on Wednesday. According to the report, total investment outlays in 2007 stood at 104,982.6 million zlotys.

## National Development Plan boosts GDP growth in 2007

Owing to the implementation of the National Development Plan (NPR) GDP grew even by 1.71 point in 2007, indicates a report on the impact of structural funds and the Cohesion Fund on the Polish economy between 2004 and the 1st half of 2007.

According to estimates of the Central Statistical Office GUS GDP real growth in 2007 was at 6.5 pct. "It is estimated that due to the implementation of NPR in 2006 GDP grew by some 0.18 point to 1.24 percentage point and in 2007 it went up by 0.57 percentage point to 1.71 percentage point, reads the report.

The NPR is a document outlining directions of Poland's economic development after its accession to the EU.

Secretary of state at the regional development ministry Katarzyna Jahns has told a news conference that in the said period more than 80.7 thousand projects were implemented as part of the NPR. Their total value amounted to 96.9 billion zloty. Of said projects 49,000 were concluded, 31.7 thousand are underway. By mid-2007 concluded were projects worth 16 billion zloty in which EU funds accounted for 7.7 bn zloty.

The report indicates that EU funds helped increase the level of investments (from 8.5 pct to 13.6 pct in 2007) and the number of workers (by nearly 316,000 in relation to the original scenario or, without the NPR).

Most EU funds was assigned for the development of rural areas, fishery and forestry (44.7 thousand or, 55 pct).

Considerable part of structural funds went to farmers that took advantage of 43 pct of projects.

In the said period a total of 2,752 projects worth 1 bn 618 mn zloty were devoted to the labour market and human resources. Since the start of the Sectorial Operational Programme on Human Resources Development support has been granted to 1,198.7 thousand people, chiefly jobless. Of them 45 pct have fund jobs, 14 pct started their own business and 13 pct continues studies.

**1 USD = 2.23 PLN**

**1 EUR = 3.52 PLN**

### TRADE

The Polish pharmaceutical market will grow by some 7 pct annually. By 2015 the value of sale will nearly reach 38 billion zloty with pharmacies accounting for the biggest share of income, believes Roland Berger Strategy Consultants director Krzysztof Badowski.

### INVESTMENTS

The BMW group will invest some 30 million zloty (13.3 mn USD) in Slubice-based logistics and warehouse centre for spare parts and accessories for Polish and German BMW outlets.

### ENERGY

RWE Innogy belonging to RWE concern will construct in Poland wind farms generating 200 mega Watts. Together with earlier announced projects of wind farms in Suwałki and Tychów the RWE concern will generate 280 mega Watts of renewable energy in Poland.