


SPRING 2011 ECONOMIC OUTLOOK FOR POLAND: ANSWERS FROM PKPP
MAIN FORECAST

| <i>Annual % change</i> | 2010 | 2011 |
|------------------------------------|------|------|
| Real GDP growth | 3,8 | 4,2 |
| Consumer price inflation | 2,9 | 3,5 |
| Unemployment rate | 9,7 | 8,9 |
| Employment growth | 2,0 | 2,0 |
| Government net lending (% of GDP) | -7,9 | -5,0 |
| Gross public debt (% of GDP) | 53,5 | 54,3 |
| Current account balance (% of GDP) | -3,0 | -3,2 |

Components of aggregate demand - in real terms

| <i>Annual % change</i> | | |
|--|------|------|
| Private consumption | 3,2 | 3,0 |
| Public consumption | 3,5 | 2,0 |
| Investment (Gross Fixed Capital Formation) | -2,0 | 6,0 |
| Private non-residential investment | 0,0 | 0,0 |
| Exports | 10,2 | 16,0 |
| Imports | 10,7 | 17,0 |

ECONOMIC SENTIMENT

| | <i>Positive</i> | <i>Negative</i> | <i>Unchanged</i> | | | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|-----------------------------|
| Trend in business climate over the next 6 months | Industry | | | | | |
| | Services | | | | | |
| Trend in profitability over the next 6 months | Industry | | | | | |
| | Services | | | | | |
| Investment intentions over the next 6 months | <i>Increase (faster pace)</i> | <i>Increase (slower pace)</i> | <i>Unchanged</i> | <i>Decrease (slower pace)</i> | <i>Decrease (faster pace)</i> | |
| | Industry | Services | | | | |
| Influence on companies' investment decisions | <i>Global demand</i> | <i>Domestic demand</i> | <i>Cost of finance</i> | <i>Availability of finance</i> | <i>Company Profitability</i> | <i>Capacity Utilisation</i> |
| | positive | positive | neutral | neutral | neutral | neutral |
| Driving force behind investment decisions in the next 6 months | <i>Replacement</i> | <i>Extension</i> | <i>Rationalisation</i> | <i>Innovation</i> | | |
| | neutral | neutral | positive | positive | | |
| Overall trend in employment | <i>Industry: past 6 months</i> | <i>Industry: next 6 months</i> | <i>Services: past 6 months</i> | <i>Services: next 6 months</i> | | |
| | Up | Up | Up | Up | | |

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

| <i>Compared to 6 months ago, cost/access to finance has been... for SMEs</i> | sharply up / restrained | up / more difficult Cost | same Access | down / easier |
|--|--------------------------------|------------------------------------|-----------------------|----------------------|
| <i>for larger companies (>250 employees)</i> | | Cost | Access | |

| <i>Over the next 6 months, cost /access to finance will be... for SMEs</i> | sharply up / restrained | up / more difficult Cost | same Access | down / easier |
|--|--------------------------------|------------------------------------|-----------------------|----------------------|
| <i>for larger companies (>250 employees)</i> | | Cost | Access | |

| | <i>Consolidation of banking sector balance sheets</i> | <i>Access to capital markets</i> | <i>Encouraging equity financing through tax reforms</i> | <i>Better use of existing EU instruments (including EIB)</i> | <i>Greater potential for Public-Private-Partnerships</i> |
|---|---|----------------------------------|---|--|--|
| Measures to alleviate current financial difficulties for SMEs | Very limited effect | Very limited effect | Very limited effect | Moplrate effect | Very limited effect |
| Measures to alleviate current financial difficulties for midsize and large companies | Very limited effect | Important effect | Very limited effect | Important effect | Very limited effect |



POLICY MIX

| | <i>Tight, appropriate for the euro area</i> | <i>Tight</i> | <i>Appropriate yes</i> | <i>Loose</i> | <i>Loose, appropriate for the euro area</i> |
|--|---|--------------------------------|---|---|---|
| <i>Monetary policy is...</i> | | | | | |
| <i>Consistency between fiscal and monetary policies</i> | <i>adequate yes</i> | <i>inadequate</i> | | | |
| <i>Regarding the sustainability of public finances, government shows ...</i> | <i>excellent commitment</i> | <i>satisfactory commitment</i> | <i>neither satisfactory nor unsatisfactory commitment</i> | <i>unsatisfactory commitment</i> yes | <i>no clear commitment creating an extremely worrying situation</i> |
| <i>Exit Strategies</i> | <i>excessive focus</i> | <i>sufficient focus</i> | <i>neither satisfactory nor unsufficient focus</i> | <i>unsufficient focus</i> | <i>so far ignored</i> |
| <i>Tight fiscal rules and more effective institutions</i> | | | | yes | |
| <i>Greater efficiency of public administrations</i> | | | | | yes |
| <i>Credible cost-cutting measures</i> | | | | | yes |
| <i>Increased scope of public-private partnerships</i> | | | | | yes |
| <i>Reform of pension systems</i> | | | | | yes |
| <i>Improved efficiency of healthcare sector</i> | | | | yes | |
| <i>Entry Strategies</i> | <i>excessive focus</i> | <i>sufficient focus</i> | <i>neither satisfactory nor unsufficient focus</i> | <i>unsufficient focus</i> | <i>so far ignored</i> |
| <i>More and better-targeted education and training</i> | | | yes | | |
| <i>More and better targeted R&D and innovation efforts</i> | | | | yes | |
| <i>Prioritisation of infrastructure investments</i> | | | | yes | |
| <i>Growth enhancing tax reforms</i> | | | | yes | |
| <i>In 2015, the government deficit will...</i> | <i>respect the 3% limit yes</i> | <i>be in balance no</i> | | | |