

## EC: Poland is the only EU country to show GDP growth

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Poland is the only EU member state to note a positive GDP growth at 1.2% this year, while the whole European economy is predicted to shrink by 4.1% due to the world crisis, the European Commission said in its autumn economy forecast.

EC thus upgraded its September projection which envisaged a 1% growth in Poland. The Commission expects further economic growth in Poland of 1.8% in 2010 and 3.2% in 2011. EC underlines that Poland is doing well in the times of crisis. Sound foundations have helped the Polish economy to survive the global crisis in better shape than other CEE countries, an EC statement says.

The recovery process is slowed down, however, by the situation on the Polish labour market where negative effects of the crisis have produced a delayed effect. According to EC forecasts unemployment in Poland will reach 8.4% this year and 9.9% next year. Unemployment in 2011 is expected to reach 10% which is slightly better than the projected EU average – respectively: 9.1%, 10.3% and 10.2%.

Higher unemployment rate combined with slower wage growth are expected to negatively influence Polish consumption. EC is expecting a minor increase in investments in Poland owing to public spending. Due to the increase in external demand caused by the improving situation in other EU countries, Polish exports are expected to increase, although the growth may be hampered by the appreciation of the country's currency, the zloty.

EC has criticized the lack of structural reforms of Polish public finances, which is considered the cause of sudden rise in budget deficit from 3.6% of GDP in 2008 to a projected 6.4% in 2009. According to EC next year's deficit may reach 7.5%. Poland has been under the excessive public deficit procedure since July: last year it saw a deficit of 3.6% of GDP. It was given until 2012 to decrease the deficit to 3% - the limit required under the Maastricht Treaty.

EC forecasts that public debt in Poland will come to 51.7% of GDP this year and

57% next year. It warns that in case of unchanged government policy, the debt will mount to 61.3% in 2011 – above the limit allowed under the Maastricht Treaty and the 60% limit allowed under the Polish Constitution, wnp.pl reports.

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