

# Poland

## Current Events

### **Poland and Kazakhstan intensify economic cooperation**



Kazakh President Nursultan Nazarbayev, who started a two-day visit to Poland on Monday, met Polish President Andrzej Duda in Warsaw to discuss Eastern policy and economic cooperation. The two presidents signed a declaration on bilateral cooperation in energy, transport, space research, science, technology, finance, environmental protection and agriculture. Following the meeting President Duda said at a joint press conference with President Nazarbayev that he hopes for further development of economic relations between the two countries.

"I would like our relations as well as our joint declaration on economic cooperation to translate into real-term development of business contacts", Duda said.

On Tuesday the two presidents will take part in the Polish-Kazakh Economic Forum in Warsaw at which a number of cooperation agreements will be signed between the countries and between companies.

Source: The Warsaw Voice

### **Poland vows to keep 2017 budget deficit under EU limit amid slower growth and higher spending**



Poland's Finance Ministry is building a PLN 383.4 billion budget for 2017, letting its central budget deficit rise PLN 4.56 billion from the 2016 mark to a max of PLN 59.3 billion, the ministry said in a statement of the 2017 budget draft. The general government deficit is still expected to hold below 3% of GDP, namely at 2.9%.

The budget is built on the assumption of a PLN 3.6% growth in 2017, down from the 3.9% assumption presented earlier this year. The ministry also cut its 2016 GDP growth forecast, to 3.4% from 3.8%.

Revenues are planned at PLN 324 billion, up by PLN 10 billion from the 2016 budget figure. VAT receipts are expected to grow 11% to PLN 143 billion. Better tax collection is expected to yield PLN 10 billion in higher revenues. Dividend receipts are planned at PLN 3 billion. 2017 will bring a full-year of the tax on bank and insurance assets implemented at end-February

this year plus a full year of the new retailer tax, set to be implemented from beginning September.

The focus on new revenue streams and improved collections comes as the government of Law & Justice (PiS) works to fund a heady array of spending vows, most notably a PLN 500 per child family subsidy expected to cost PLN 17 billion for partial implementation in 2016 ahead of a full-year PLN 23 billion price tag in 2017, prior estimates have shown.

Other major spending efforts are related to: retirement age cuts, one-off allowances for select pensioners and disability benefit claimants, increased spending on national defense and infrastructure, higher income thresholds for certain family benefits, wage hikes in the budget sector, free medicines for persons aged 75+ and higher subsidies for farming insurance.

Source: The Warsaw Voice

### **GDP growth may accelerate to 3.5pct in Q3 – deputy PM**



Poland's GDP growth stands a chance of rebounding to above 3.5% year on year in Q3 and Q4, which would imply FY2016 growth rate of 3.4-3.5%, deputy PM and Development Minister Mateusz Morawiecki told Polska The Times newspaper in an interview.

The Polish government is also working on stimulating investments. The quality of growth is more important than the actual growth rate, the minister said.

Source: The Warsaw Voice

### **Poland's industrial output expected to grow 5pct in August**



Poland's industrial output will likely grow by some 5% year on year in August, Development Ministry experts say. "Development Ministry analysts forecast that in August 2016 we should record a 5% [y/y] increase in industrial output," the statement reads. The 3.4% annual decline in industrial output in July may have reflected a weakening in exports, judging from deep declines in automotive and furniture production, Poland's major export goods, the daily Rzeczpospolita writes. Construction output decline deepened to 18.8% in July, reflecting lack of investments resulting from a transition in EU financial perspectives. The poor output data suggest that the GDP growth acceleration expected in H2 may not materialize. Rise in private consumption fueled by the government's child benefit program 500+ and a good labor market situation may not suffice to offset the negative effect of stagnating exports and investments, BZ WBK chief economist Maciej Reluga said. Development Ministry experts say, however, that Poland's annual decline in July industrial output should not be treated as a reversal of a growth trend and data from the coming months "should allow for an adequate assessment of the direction of changes in the activity in the industrial sector."

Source: The Warsaw Voice

## **PZU insurer in M&A talks with several banks**



Poland's top insurer PZU is currently negotiating the purchase of several banking assets, CEO Michal Krupinski told public radio Jedylnka.

"I would not comment on specific transactions," Krupinski said, when asked about potential purchase of Raiffeisen Polbank and UniCredit's Pekao. "It is too early to talk about concrete targets and about buying these banks."

In early July Krupinski said PZU would mull potential acquisition of Raiffeisen and Pekao assets, while mid-July he told PAP Polish news agency the group could take advantage of potential acquisition opportunities in the event of foreign banks deciding to sell their Polish units. PZU holds a 29.22% stake in Alior Bank and is about to integrate it with the newly acquired assets of BPH.

Source: The Warsaw Voice

## **Poland in road tenders worth PLN 29bn**



The Polish government is currently carrying out road construction tenders worth PLN 29 billion and is working on new tenders in compliance with amended public procurement law and road construction optimization process, Ministry of Infrastructure and Construction said.

Currently, "63 stretches of total length of 759 km and worth PLN 29 billion are in tenders," the ministry told PAP Polish news agency.

Poland "is gradually preparing new tenders so that they are in line with new regulations of the public procurement law and so that they take into account rules of road construction optimization process the infrastructure ministry is working on together with road construction sector," the officials said. "Therefore, one cannot talk about a standstill in the road construction."

Within the current EU financing perspective, 94 deals have been signed for 1,330 km of roads worth over PLN 51 billion, the ministry also said.

Sector representatives have been complaining that the number of public tenders have decreased in recent months.

Source: The Warsaw Voice

## Polish businesses expand into Germany



A growing number of Polish companies are setting up shop in Germany, defying the stereotype of Poland as a land of subcontractors and cheap labor force for its western neighbor. Quite a few German businesses have Polish owners these days, and Polish entrepreneurs increasingly secure deals to carry out innovative projects in that country. One recent example is a Polish firm selected to help design an artificial intelligence system for automaker BMW.

Germany has for years been Poland's main economic partner and the chief market for Polish companies with foreign expansion plans. A total of 1,700 Polish-owned businesses are active in Germany. Many started out by seeking out partners in that country and subsequently developed distribution networks. Several years ago, Polish businesses started taking over their German counterparts.

Two years ago, Poland's Nowy Styl group paid 70 million euros to acquire Germany's Rohde&Grahl, a leading furniture producer in Europe. Prior to that, Nowy Styl took over German seating manufacturer Sato Office. Earlier this year, Polish chip board manufacturer Grajewo swallowed its German parent company Pfleiderer, and physiotherapy equipment manufacturer Medort purchased German rival Richter Reha Technik GmbH. Poland's Comarch, Asseco and Orlen corporations have also bought businesses in Germany.

The Agat company from the central Polish town of Koluszki made headlines last year when it won a tender to build a train wash system for Germany's national rail operator SBahn. The 4.5-million-euro deal gave a substantial boost to Agat's business in Germany and encouraged the Polish company to set up a subsidiary in that country. Agat has been active in Germany for some time now, but previously it limited itself to sending employees to handle business projects there. "Now, with our own company registered in Germany, we will find it easier to seek new contracts on the local market and expand further into Europe," said Agat CEO Zbigniew Winkiel. He added that Agat offered an automated train wash system "while most trains in Germany are still cleaned with a mop and a bucket" of water.

As they expand into Germany, some Polish companies seek to acquire local family businesses, especially those without successors, according to Igor Stenzel, a lawyer with law firm CMS. This particularly applies to businesses established in eastern Germany after the country's reunification in 1990, he says. Other Polish businessmen target bankrupt German companies, and still others simply establish subsidiaries in that country, Stenzel adds.

Source: The Warsaw Voice