

News in brief



Top leaders go to Krynica

President Andrzej Duda, PM Beata Szydlo, deputy PM Mateusz Morawiecki and possibly also ruling party leader Jaroslaw Kaczynski are some of the key political figures appearing at this year's economic forum in Krynica, according to daily Rzeczpospolita. Foreign guests will include presidents of Georgia, Montenegro and Macedonia, writes the newspaper.

Mr. Morawiecki, who is expected to praise the government's economic successes and sound budget policy at the event, is seen as the most likely winner of the forum's Man of the Year award.

A Polish Dream

Poland needs a Polish Dream, in which access to all the basic goods, housing and jobs is available to all, deputy PM Mateusz Morawiecki said in a wide ranging interview for daily Polska The Times.

Such Polish Dream would entail breaking the glass ceilings and creating equal opportunities to all, he claimed, calling such vision "a solidary republicanism."

Poland needs a strong state that limits the influence of professional corporations that have had way too much say in the post-transformation Poland.

Elsewhere in the interview he stressed the need for industrialization of Poland as a way of avoiding the middle-income trap, stressed the need for eliminating tax havens and decried the regressive nature of VAT tax vis-a-vis income.

Budget outlays increased

The Polish government plans to increase next year's budget outlays on tangible assets by PLN 2 billion year on year to PLN 21.3 billion, with two thirds of the sum allocated to defense (PLN 10.5 billion), infrastructure (PLN 3 billion) and healthcare (PLN 0.9 billion), the daily Dziennik Gazeta Prawna reports.

Central budget spending accounts for around a fourth of public investments, while local expenditure accounts for a half, so the latter deserves more attention, BGK bank economist Tomasz Kaczor commented.

Local spending has to speed up next year or else Poland will fail to absorb its EU funds, he warns. Private investments should kick off more visibly at the turn of 2017 or in early 2018, Kaczor expects. Without the public sector setting the example, it is hard to expect the private sector to step up to the plate, he said.

110 billion in investment inflows

The Polish government eyes over PLN 110 billion in investment inflows to special economic zones by 2027 thanks to the new program prepared by the Development Ministry, the daily Puls Biznesu writes of the plans that may be presented at the upcoming economic forum in Krynica. These investments should create over 150,000 jobs and ensure some PLN 4 billion inflows to the central and local budgets, the ministry estimates. The Polish government plans to extend tax breaks duration to up to 10-15 years or up to 20 years if a project is located in a special economic zone. Investments located in areas with higher unemployment as well as microfirms and SME will be eligible for higher incentives.

Largest companies reluctant to spend more

Investments in Poland are rebounding slower than expected due to reluctant spending by the largest companies, especially energy firms, daily Dziennik Gazeta Prawna (DGP) writes quoting Credit Agricole Polska chief economist Jakub Borowski. Similar reluctance can be observed in the SME sector, Borowski's counterpart at Bank Millennium Grzegorz Maliszewski adds.

This may be a side effect of the finance ministry's efforts at improving tax enforcement, with some of the measures hindering companies' financial liquidity.

Another likely reason is the approaching retirement age cut, Borowski remarks. Buying new equipment often requires taking on new staff, which is already difficult and will become even more difficult once those entitled to early retirement start leaving, hence the reluctance to invest, he explains. Investments should start bouncing back in the coming quarters, but if the stagnation continues and individual consumption remains high, economic growth could fizzle out in the longer run, experts interviewed by DGP warn.

LG Chem to invest in Poland

South Korea's LG Chem intends to invest at least EUR 800 million in Poland, the daily Puls Biznesu writes citing a person familiar with the matter. The firm announced in a financial report on Tuesday it would spend KRW 436 billion (ca. PLN 1.37 billion) on capacity expansion at its Polish e-car battery production plant near Wrocław between August 2017 and June 2020. But the Koreans are about to secure another investment permit in the Tarnobrzeg special economic zone, which will be announced during the Krynica Economic Forum, according to the daily's findings. Also another South Korean company, SK Innovation, is considering opening an e-car battery production plant in Poland, the daily's informer claims.

Power groups: no changes in market competition

Listed natural gas group PGNiG expects no significant changes in market competition following the removal of tariffs for wholesale clients, the daily Parkiet writes citing the company's press office. Prices proposed to clients are already market-shaped, and are more affected by seasonality of supply and demand, according to PGNiG.

Also power group Energa expects no price decreases on account of market liberalization.

Chemicals group Azoty, one of the main consumers of natural gas in Poland, points to the need to make the energy exchange TGE, which will remain the only price-shaping center, more liquid. Fuel group PKN Orlen worries about increased price risks resulting from the liquidation of tariffs. Copper miner KGHM expects stronger competition, which should in the long run bring gas prices down, but not in the segment of high-nitrogen gas monopolized by PGNiG.

DEP to cooperate with KGHM

British miner Darley Energy Poland (DEP) is ready to drop its pursuit of a EUR 1.4 billion compensation from Poland if it can cooperate with listed metals group KGHM in exploration of the contested potassium and magnesium salt deposits in the Baltic Sea, Darley's shareholder Kamlesh Parmar declared as cited by the daily Parkiet. DEP can provide the necessary capital for exploratory works, Parmar said. KGHM sees DEP as one of many firms with whom cooperation on the project would be possible, KGHM's press office informed Parkiet. The firm has so far carried out a number of tests and will continue drilling works this year. KGHM "is not changing the terms of the license," press office said.

Automotive exports rises

Polish automotive exports rose by 11.4% year on year to EUR 11 billion in the first five months of the year and could exceed EUR 26 billion in the entire 2017, according to forecasts of AutomotiveSuppliers.pl cited by Rzeczpospolita daily. The coming years are likely to bring subsequent records thanks to new foreign direct investments in plants producing car parts and engines, the daily writes.

Household consumption accelerated

Polish GDP growth in Q2 was confirmed at 3.9% year on year, but its structure surprised, as household consumption accelerated to 4.9% and contributed 2.9 pps to growth, while investments edged up by just 0.8% and added a mere 0.1 pps, major dailies report. The 12M rolling investment rate slipped to 17.7% of GDP in Q2, the weakest result since 1996. Economic growth not supported by investments is deficient as it does nothing to modernize or build up GDP-generating assets, chief economist of employers' lobby Konfederacja Lewiatan Malgorzata Starczewska-Krzysztozek commented for Rzeczpospolita daily. But investments should start boosting the economy already in H2, most economists expect, forecasting 4.1% GDP growth in Q3 and 4% in Q4. Inventories remain a question mark. Their 1.9 pps contribution to Q2 growth suggests firms have been preparing for economic improvement in H2, Credit Agricole's Jakub Olipra said.

Warsaw skyscraper wins Property Oscar”

Warsaw Spire, an office tower developed by Ghelamco Poland, was voted the best office project at this year's MIPIM real estate exhibition in Cannes, France. The only Polish submission for the MIPIM Awards 2017, the Warsaw Spire office tower is a flagship project by the Polish subsidiary of Ghelamco, a Belgian-based developer. Opened last year just west of Warsaw city center, the skyscraper beat competition from cities such as London and Rome. Ghelamco Group founder Paul Gheysens collected the main MIPIM prize for the Warsaw Spire at an awards ceremony in Cannes March 16. The most prestigious event for the international real estate industry, the MIPIM exhibition has for 30 years brought together leading developers, contractors, investors, consultants and property market experts from around the world. They come to the French resort to share expertise, network and showcase their top projects. Every year, the best new projects and designs compete for the event's awards, and this year the most coveted of those went to Ghelamco Poland. The competition judges and MIPIM participants named the Warsaw Spire the Best Office & Business Development in the world, ahead of a total of 250 submissions from 44 countries.

Jeroen van der Toolen, the managing director at Ghelamco CEE, described the MIPIM Award 2017 for Ghelamco Poland as the “ crowning achievement of the work put in the Warsaw Spire project by everyone involved in it.

I would very much like to thank all those who believed in our vision and invested their knowledge, time and hearts in the Warsaw Spire development, van der Toolen said in Cannes. The project has transformed Warsaw’s image and become a global symbol of new thinking about commercial construction.”

The 220-meter-tall skyscraper houses 109,000 square meters of office space, making it both the largest and tallest office building in Poland. The tower has redefined Warsaw’s cityscape, becoming an icon of its rapid growth. The building forms a whole with Plac Europejski (Europe Square), a new public space replacing a former industrial quarter.

EU Funds for Polish Start-Up Company

An innovative medical company in Poland has been awarded a PLN 7 million (EUR 1.7 million) grant as part of a major European Union program that offers funds for research and innovation. The Polish company will invest the money in what it says is the world’ s first device enabling screening tests of sleep and sleep apnea.

Granted under the EU’ s EUR 80 billion Horizon 2020 program, the funds will go to Interclinic, a start-up company that first came to public attention three years ago by raising almost USD 500,000 in a Kickstarter crowdfunding campaign. The start-up needed the funds to complete work on Neuroon, a smart sleeping mask to probe into the quality of sleep through brain wave analysis. The final product was developed and delivered to all campaign contributors in April 2016. The Neuroon device has since become an international hit and is selling particularly well in Japan, the United States and Hong Kong.

Interclinic now wants to take its research to the next level by using Neuroon technology to develop a new device for the automated, screening diagnosis of sleep disorders with a focus on sleep apnea. The grant will enable the Polish start-up to run clinical tests and launch mass production.

Now in its second phase, Horizon 2020 is the largest program in EU history to offer grants for research and innovation. The program’s budget is a record EUR 80 billion for 2014-2020. Over 19,000 grant applications have been submitted across the EU so far and notably, Interclinic is the only Polish company to have received a grant this year. The funds for Interclinic were awarded under Horizon 2020’ s prestigious SME Instrument, which benefits innovative small and medium-sized enterprises (SMEs). To date, seven businesses from Poland have received funds under Horizon 2020’ s second phase.

Alicja Grzegorek, the founder of the Zafiro Solutions Company, which helped Interclinic apply for the grant, says the European Commission appreciated the high potential presented by the Polish invention. This is a major success in Europe because only around 4 percent of applicants actually win a grant, says Grzegorek.

According to Interclinic board member Sylwester Biernacki who is also the CEO and a shareholder of the listed ATM SA company Interclinic can serve as an example of Poland’s gigantic potential to foster start-ups whose operation could transcend national borders and reach markets in Europe and around the world.”

Sleep apnea, the key area of Interclinic’s research, is a condition where incidents of shallow breathing and pauses in breathing occur repeatedly during sleep. Sleep apnea of clinical significance is found in an estimated 24 percent of the world’s adult male population and 9

percent of all adult women. The figures mean the problem affects around 1.5 million people in Poland. According to Kamil Adamczyk, a physician and managing director of Interclinic, sleep apnea is sometimes manifested through ordinary snoring while it is the hidden consequences that pose the main threat. Research clearly indicates that sleep apnea increases the risk of conditions such as hypertension, strokes and impotence in men.”

The Interclinic project will run for two years and end with the company going commercial with its research results.

Source: The Warsaw Voice