

# A few remarks on the case study of Poland

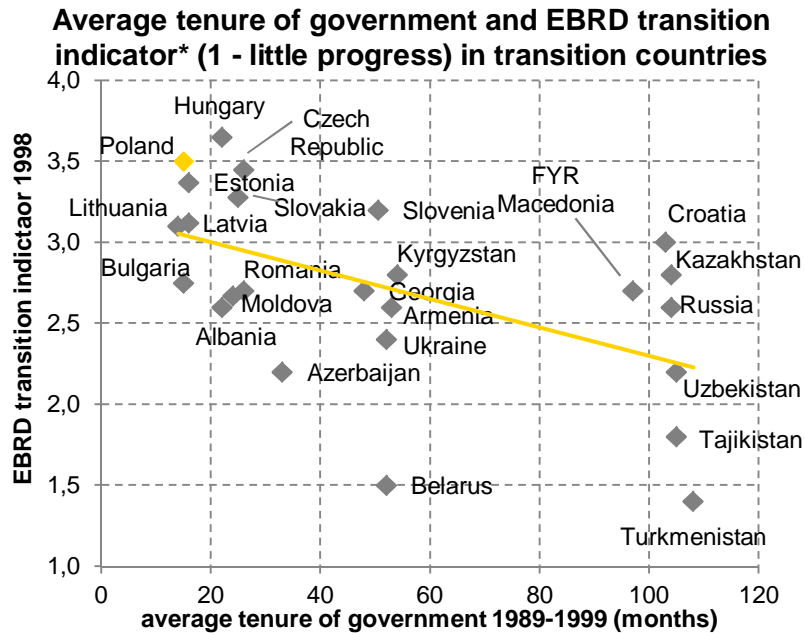
Jan Krzysztof Bielecki  
EY Chairman of the Partners Board

3 March 2015



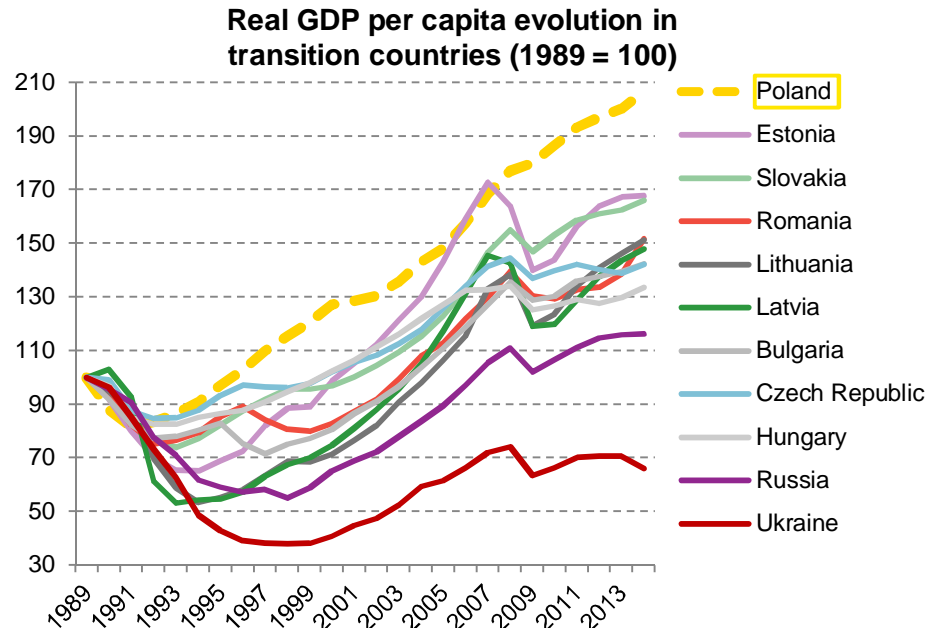
# Political and economic transition can go hand in hand

- ▶ Contrary to intuition, more political turnover (shorter tenures), less power of political executives and more fragmented political system (multi party coalitions) supported the reform progress for the transition countries in the 1990s (*EBRD, Transition Report 1998*).
- ▶ In countries with successful reform effort (e.g. Poland), with some delay, economy prospered consolidating new institutions and democracy (*EBRD, Transition Report 2014*).
- ▶ While some economies thrive without much democracy (e.g. China), the new research suggests a casual link between democracy and GDP growth (*Acemoglu et al., 2014*).



Source: *EBRD, Transition Report 1998*

\* Scores reflect the assessments of EBRD country economists.

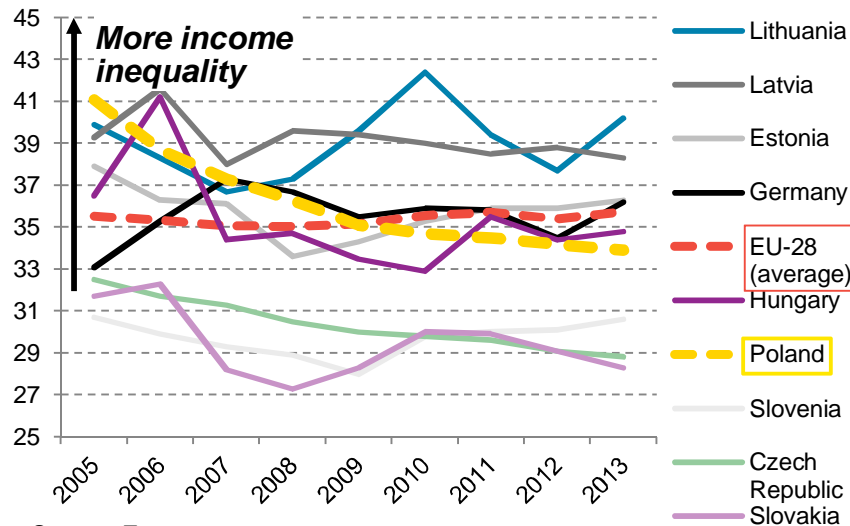


Source: *EBRD, Transition Report 1998* (data for 1989-1996), *IMF* (data for 1997-2014)

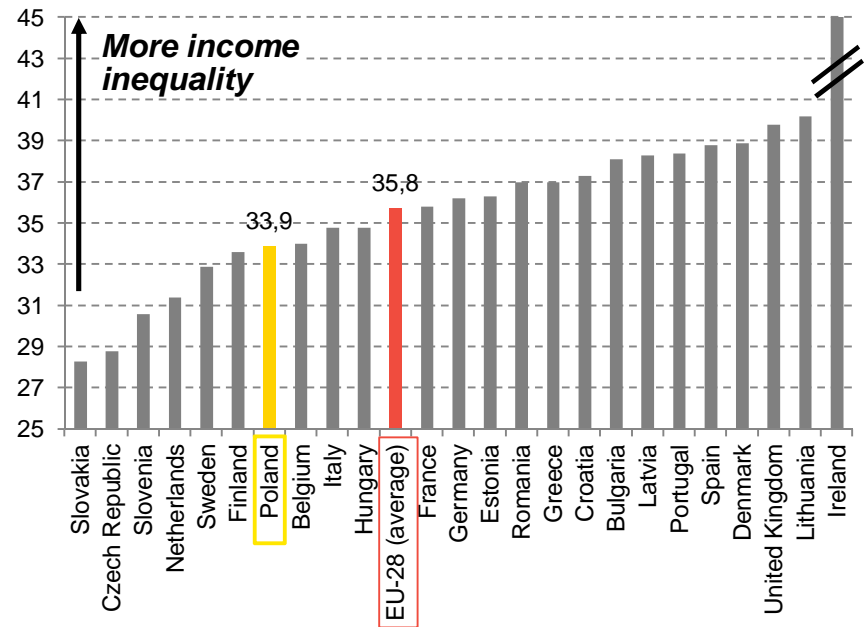
# Polish economic growth has been accompanied by the declining income inequality

- ▶ In Poland income inequality has been declining since 2005.
- ▶ In 2013 the distribution of incomes was more equal in Poland than in the most EU countries.

Gini coefficient\* of equivalised\*\* disposable income before social transfers (pensions excluded from social transfers) in 2005-2013 for selected EU countries



Gini coefficient\* of equivalised\*\* disposable income before social transfers (pensions excluded from social transfers) in 2013 for selected EU countries



Source: Eurostat

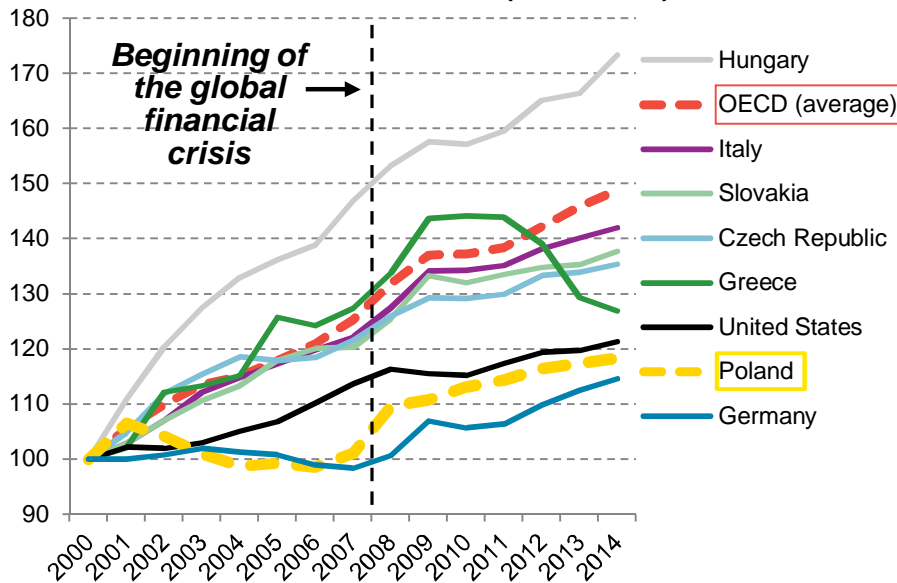
\* 0 - perfect equality (everyone has the same income)  
 100 - perfect inequality (only one person has all the income)  
 \*\* Equivalised income is income that takes account of the differences in a household's size and composition.

Source: Eurostat

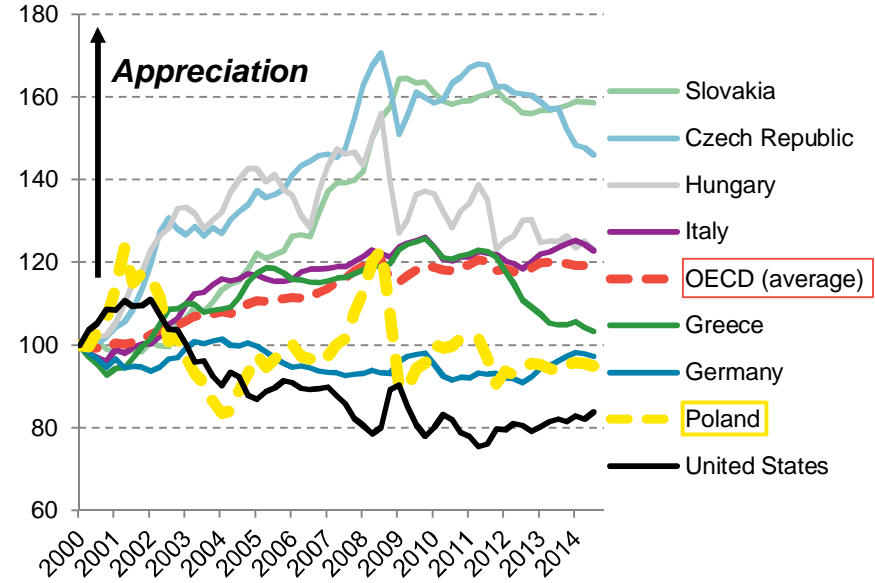
# Polish producers have been benefiting from improved labor cost competitiveness

- ▶ Polish labor costs have been growing relatively slow in relation to labor productivity.
- ▶ Effective nominal exchange rate in Poland has been relatively stable in the long run.
- ▶ As labor costs have not been domestically overinflated or affected by exchange rate mechanism, Polish producers have been gaining international cost competitiveness (measured by real effective exchange rate).

Nominal unit labor costs\* in Poland and selected OECD countries (2000 = 100)



ULC-deflated real effective exchange rate in Poland and selected OECD countries (2000 = 100)



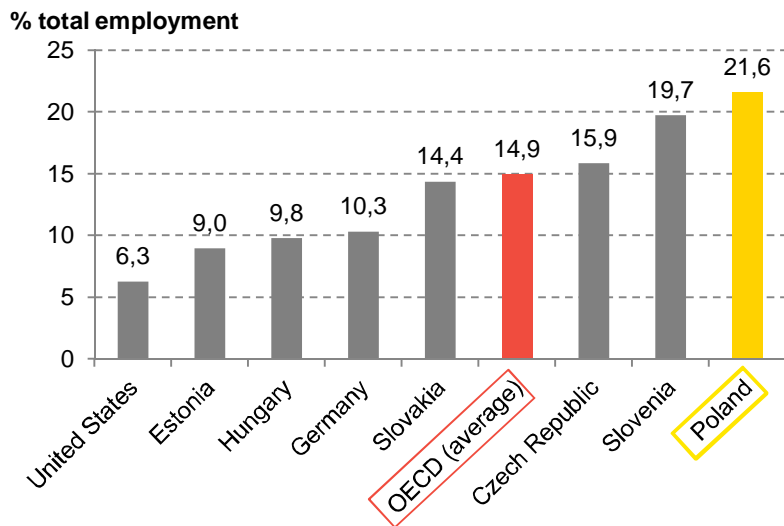
Source: European Commission (AMECO database)

\*Nominal unit labor costs = (compensation of employees/number of employees)/(GDP at constant prices/total employment)

# Entrepreneurship has been playing an important role in Poland (especially during the economic transition)

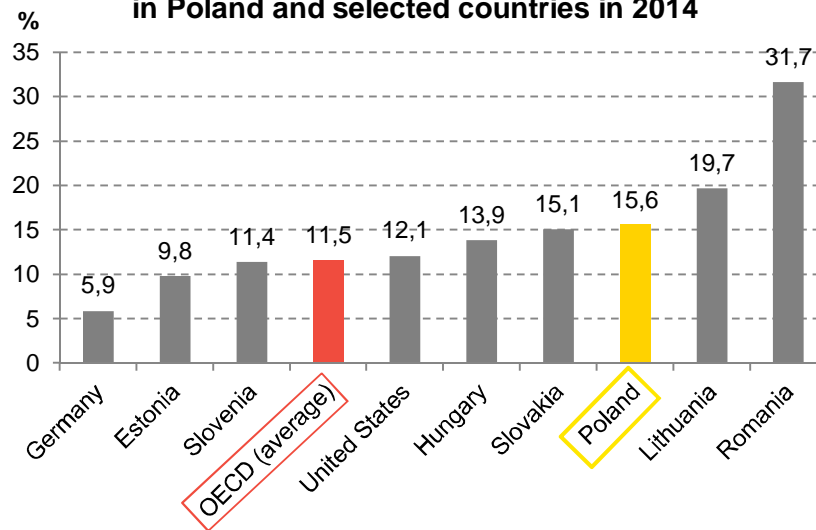
- ▶ Small businesses were crucial for the Polish economy during the economic transition.
- ▶ The role of self-employed and small enterprises in Poland is still more important than in most OECD countries.
- ▶ Relatively many people in Poland that are not currently involved in any entrepreneurial activity intend to start a business within three years.

**Share of self-employed\* in total employment for selected countries in 2014**



Source: European Commission (AMECO database)  
 \* data includes self-employed in agriculture and self-employed that are probably not entrepreneurs (e.g. self-employed because of tax optimisation)

**Percentage of individuals aged 18-64 who intend to start a business within three years in Poland and selected countries in 2014**

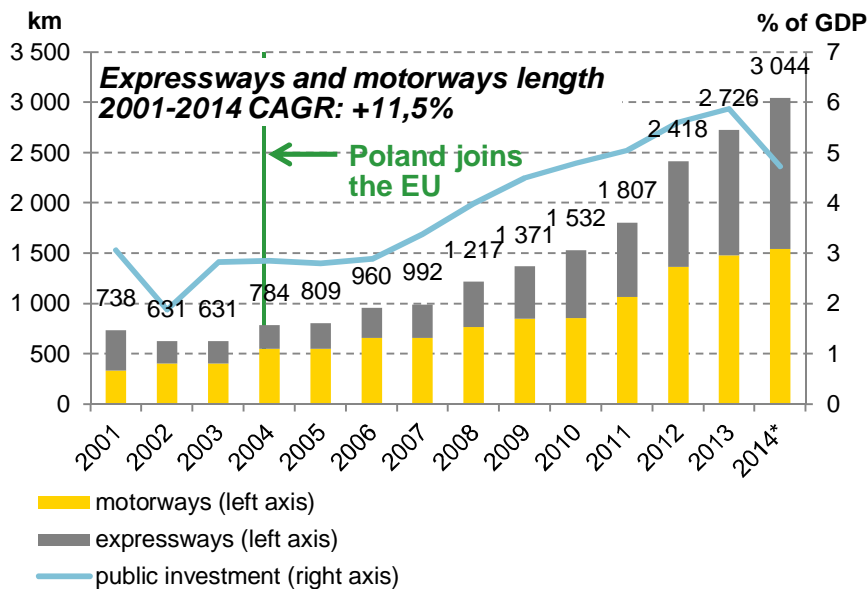


Source: Global Entrepreneurship Monitor, 2014 Global Report

# Infrastructure investment in Poland was important during the crisis and remains a challenge in the long run

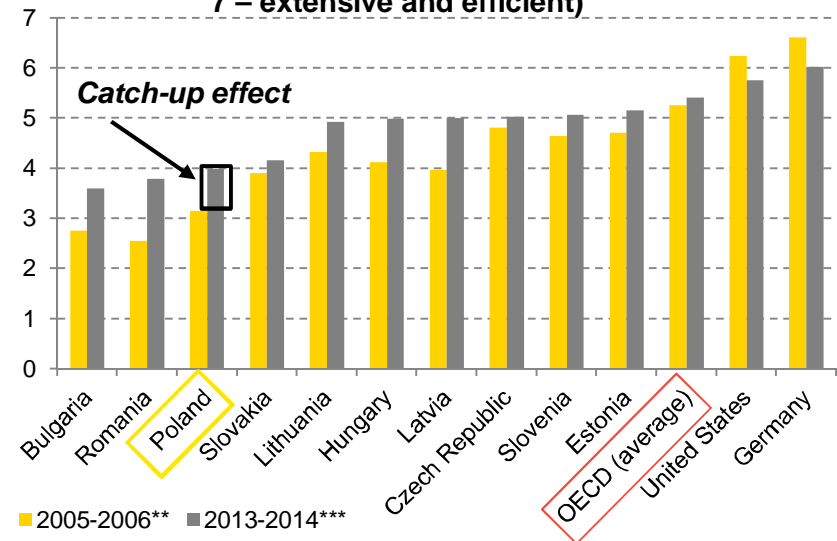
- ▶ After joining the EU Poland has experienced a surge in public investment, especially in road infrastructure. It helped to boost demand in Poland during the global financial crisis.
- ▶ The quality of Polish infrastructure has significantly improved, supporting the long term growth fundamentals. However, there is still a substantial infrastructure gap between Poland and other countries from the region and OECD.

**Length of motorways, length of expressways and public investment in Poland**



Source: Central Statistical Office of Poland  
 \* Estimate based on GDDKiA 2014 annual report

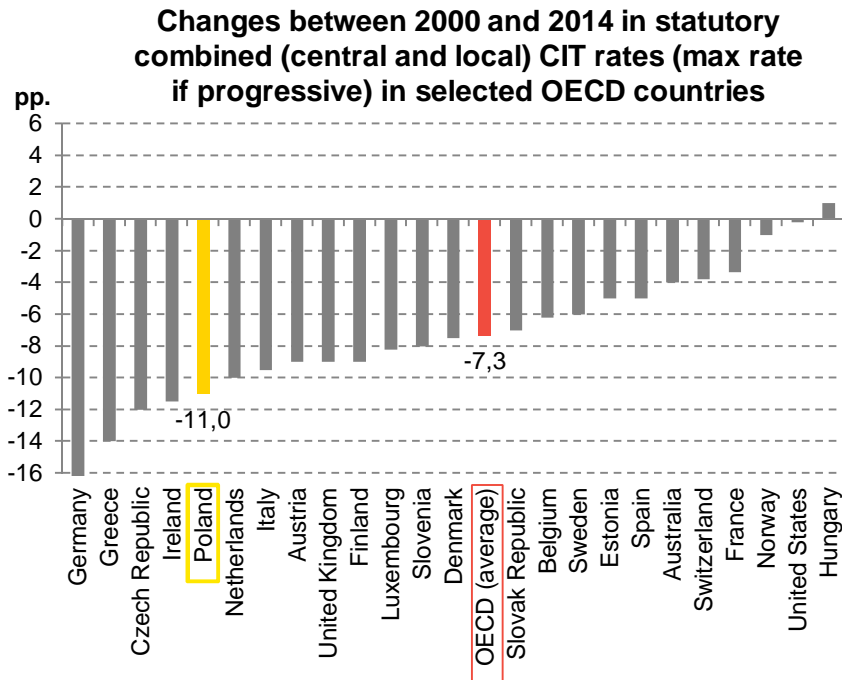
**Assessment of quality of overall infrastructure (e.g. transport, telephony, energy) for Poland and selected countries (1 – extremely underdeveloped, 7 – extensive and efficient)**



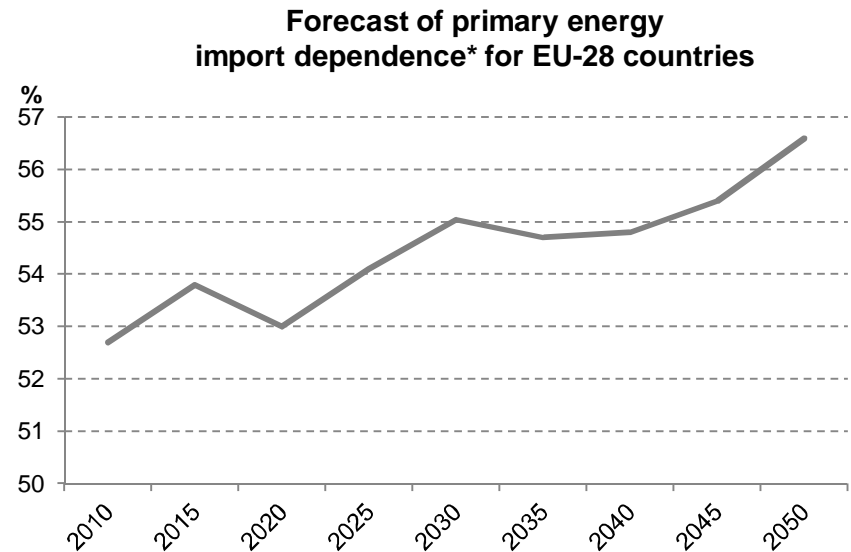
Source: World Economic Forum, The Global Competitiveness Report 2006-2007\*\*/2014-2015\*\*\* (Executive Opinion Survey)

# International tax issues and development of EU Energy Union should be high on the future policy agenda

- ▶ Tax competition, tax avoidance and tax evasion constitute a major policy challenge for the developed countries and for the EU common market.
- ▶ Regulatory changes and investment are essential for the development of EU Energy Union that may boost European cost competitiveness and increase diversification of energy suppliers.



Source: OECD



Source: European Commission, „EU Energy, Transport and GHG Emissions Trends To 2050 Reference Scenario 2013”, 2013  
 \*  $(\text{Import-Export}) / (\text{Gross Inland Consumption} + \text{Consumption of International Bunkers})$