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PANORAMA

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Poland – solid economic growth results in a sustainable decrease of company insolvencies

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The current global economic situation could be summarised as a gradual recovery for advanced economies and turbulent times for emerging countries. This would not appear to be the case for the emerging economies of Central and Eastern Europe which, in most cases, are on an improving track. Poland is outperforming this regional group. On a micro-economic level, company insolvencies in Poland are mirroring its acceleration in economic growth. Better economic prospects with decreasing unemployment, rising wages and improved consumer and business sentiments, have triggered higher GDP growth and contributed to a decrease in the number of business insolvencies. At the same time, Polish companies remain active exporters and they have been able to increase foreign trade volumes to new destinations, as well as to their core markets. Thanks to a number of improved conditions, insolvencies of Polish businesses dropped by 5.1% in 2014. So far, this year has generated lower

dynamics. Insolvencies decreased by 3.3% in the first half of 2015, with economic growth of 3.4% recorded in the same period. Nevertheless, bankruptcies are twice as high as those in the first half of 2008, and the decrease in insolvencies is lagging behind the improved economic environment.

Detailed insolvency statistics confirm the positive effects of increasing private consumption and higher retail sales. Most of the sectors directly dependent on household demand are showing improved levels of solvency. Consumers are not only focusing on daily necessities but they are also more willing to purchase durable goods. Good prospects on the labour market, deflation and the low interest rate environment are among the factors supporting household spending. Sizeable contractions in the number of insolvencies have been recorded by the food manufacturing and retail sectors, among others. This report analyses the sectorial breakdown of insolvencies, to review which sectors are benefitting - and which

are suffering - from the current business environment. Despite increased trading volumes and the improved sentiment, we have noticed a substantial rise in bankruptcies among transport companies, while consolidation processes and market developments have triggered insolvencies in the wholesale sector. This Panorama also discusses the impact of private consumption on business insolvencies and forecasts the level of dynamics needed in order to notice a stabilisation in the number of bankruptcies. According to our analysis, the macro environment is affecting the level of insolvencies. In Poland, GDP growth of 3.1% and private consumption dynamics of 2.9% are necessary in order to stabilize the number of company bankruptcies. Both of these levels have been already reached by the Polish economy. Our forecast assumes that the entire year of 2015 will bring a drop of business insolvencies by 8%. This improvement will be continued next year, when insolvencies are anticipated to decrease by 5%.

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