

Export and Investment Promotion Planning System

88/89 Trade and Economic Overview

Mission: 471 WARSAW

Country: 099 POLAND

THE POLISH ECONOMY CONTINUES TO PRESENT A PICTURE OF MODERATE GROWTH & RELATIVE STABILITY AGAINST A BACKGROUND OF PERSISTENT UNDERLYING PROBLEMS. NATIONAL INCOME HAS INCREASED BY BETWEEN 3% & 6% ANNUALLY SINCE 83 BUT STILL HAS NOT REACHED ITS 78 PEAK. INDUSTRIAL PRODUCTION GROWTH HAS BEEN CONSISTENTLY POSITIVE INCREASING 4.4% IN 86 & 3.1% DURING THE 1ST 6 MONTHS OF 87. AGRICULTURAL PRODUCTION HAS ALSO CONTINUED TO SHOW POSITIVE RESULTS IN RECENT YRS. INCLUDING THE OUTCOME OF THIS YR'S HARVEST. INFLATION WHILE REDUCED FROM THE 82 PEAK OF 101.5% IS STILL HOVERING AT AN OFFICIALLY ESTIMATED LEVEL CLOSE TO 20%. SHORTAGES OF SOME GOODS PERSIST. THE GOV'T HAS NOT BEEN ABLE TO MAINTAIN DISCIPLINE IN WAGES. THE HOUSING SITUATION APPEARS TO BE WORSENING. THE GOV'T IS TRYING TO REINVIGORATE THE ECONOMIC REFORM PROGRAM ORIG. INTRODUCED IN 82 WITH A SO-CALLED "SECOND-STAGE" OF REFORM. THE GOV'T HAS NOW PUBLISHED A DETAILED & CONCRETE TIMETABLE FOR REFORM MEASURES INCLUDING A REORGANIZATION & REDUCTION IN THE NO. OF MINISTRIES. POLAND IS ACTIVELY SEEKING TO ATTRACT FOREIGN INVESTMENT IN BOTH SERVICES & PRODUCTION. THE POLISH GOV'T ALSO PERMITS SMALL SCALE 100% FOREIGN OWNED INVESTMENTS COMMONLY KNOWN AS "POLONIA" FIRMS. POLAND'S HARD CURRENCY TRADE SURPLUS IS INSUFFICIENT TO SERVICE POLAND'S US\$35.7 BIL. HARD CURRENCY DEBT (AS OF JUNE 30/87). BOTH COMMERCIAL BANKS & OFFICIAL CREDITORS HAVE CONCLUDED NEW RESCHEDULING AGREEMENTS WITH POLAND. POLAND'S DEBT SERVICING BURDEN PLACES A SEVERE CONSTRAINT ON POLAND'S ABILITY TO INCREASE HARD CURRENCY IMPORTS. CDA IS POLAND'S 4TH LARGEST CREDITOR HOLDING DEBTS OF APPROX. \$2.4 BIL. AS A CONSEQUENCE POLAND REMAINS OFF-COVER FOR EDC FINANCING & EXPORT INSURANCE. THE POLISH GOV'T HAS DRAFTED A 5-YR PLAN IN THE 86-90 PERIOD. DURING THIS PERIOD NAT'L INCOME IS EXPECTED TO GROW BETWEEN 3.0 & 3.5% PER YR. INFLATION IS TO BE BROUGHT BELOW 10% BY 90 AT THE SAME TIME THAT PRICES ARE ALLOWED TO MOVE CLOSER TO MKT-CLEARING LEVELS. THE GOV'T IS ANTICIPATING 3-4% ANNUAL GROWTH IN EXPORTS TO & IMPORTS FROM HARD CURRENCY TRADE PARTNERS. ANY HOPE OF REACHING PLAN GOALS REQUIRES VIGOROUS IMPLEMENTATION OF ECONOMIC REFORM. ALTHOUGH CDN EXPORTS TO POLAND CONTINUE TO DECLINE POSS. EXIST FOR FURTHER SALES. EUROPEAN & JAP. FIRMS ARE ACTIVE IN THE MKT. WITH THE LIFTING OF THE LAST REMAINING SANCTIONS IN FEB. 87 USA FIRMS ARE RETURNING TO THE MKT. BUSINESS IS STILL CONT. ON A CASH BASIS (SOME EST. PLACE THIS A HIGH AS \$US4 BIL/YR) IN CERTAIN PRIORITY SECTORS ENJOYING HARD CURRENCY CENTRAL ALLOCATIONS OR FROM ROD ACCOUNTS (BANK DEP. OF HARD CURRENCY EARNED FROM EXPORTS TO BE USED BY THE ENTERPRISE FOR DIRECT PURCHASE FROM WEST. SUPPLIERS). BEST PROSPECTS ARE TO BE FOUND IN THE AREAS OF ESSEN. RAW & SOME PROCESSED MATERIALS HEALTH & MEDICAL PRODUCTS FORESTRY PULP & PAPER EQUIP. CONSTRUCTION & AGRICULTURAL EQUIP & PRODUCTS.