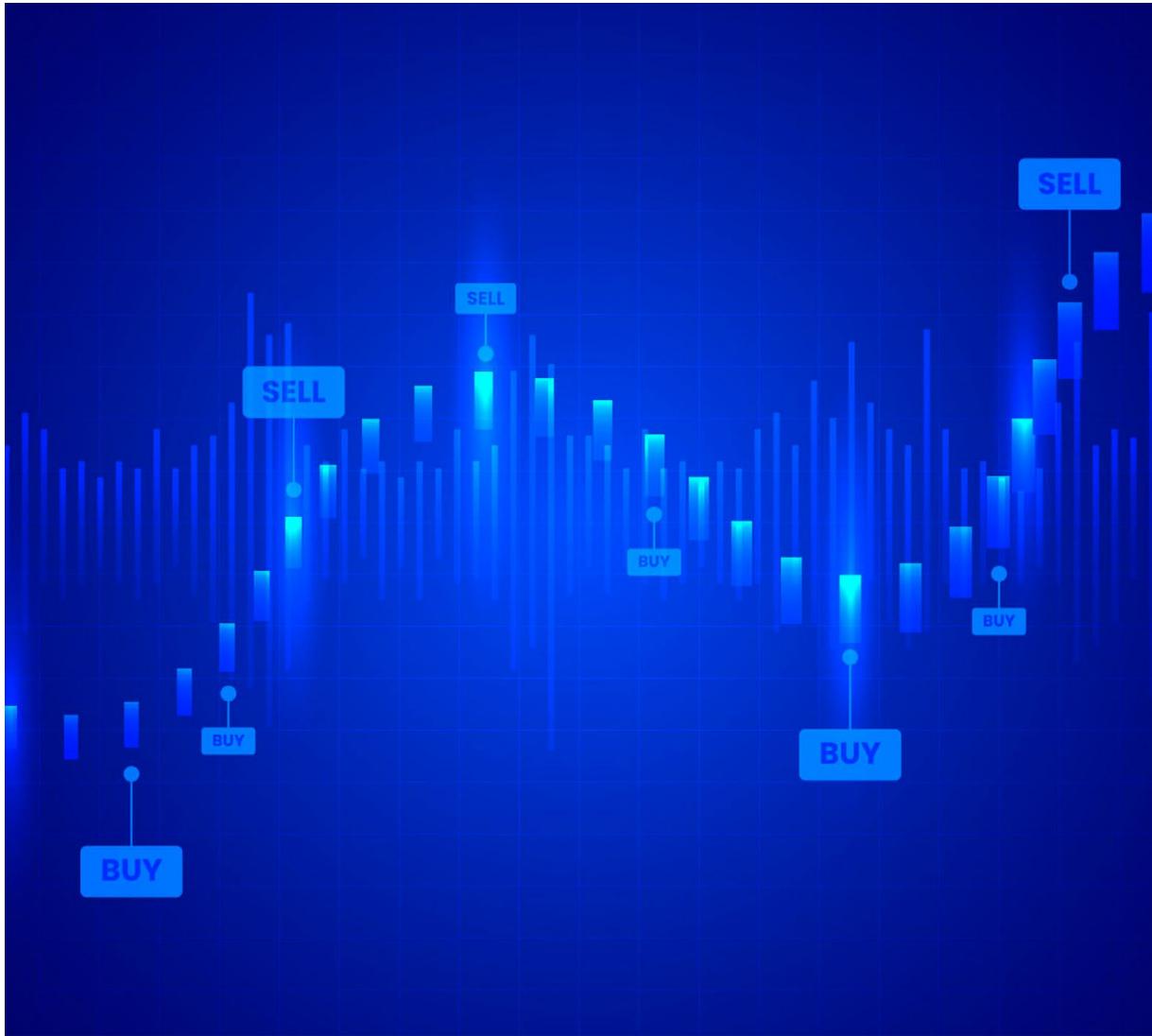




POLISH TRADE IN THE FACE OF ECONOMIC AND GEOPOLITICAL CHANGES

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Special Issue Report Summary



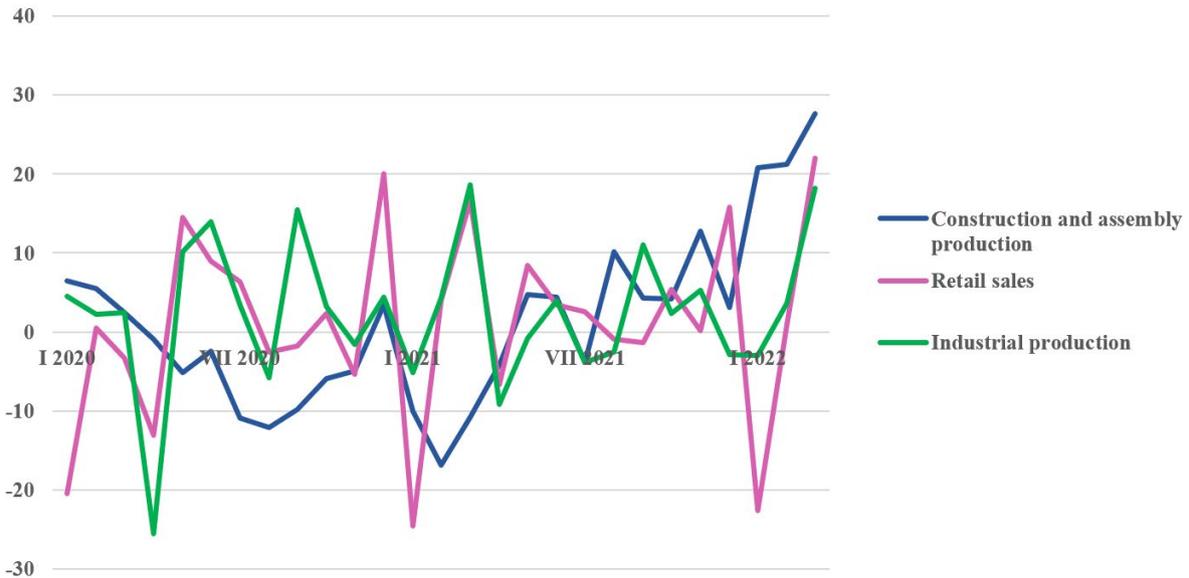
Trade, like the world economy as a whole, has reached a Lewis turning point where most of the world's productive capacity that was unused has been exhausted. This means that the world will struggle to increase productivity within given sectors, as it will be impossible to use the surplus labor that was previously available. In turn, the inter-sectoral redeployment of workers will have a high opportunity cost, which, with labor shortages, will change the competitiveness of those

companies that will not be able to provide the factors of production, in the form of labor, within the business model being pursued. The new growth model that the global economy is entering is supply-constrained growth, in which it will be very difficult to develop efficient productivity as we have known it before. There will be irreversible structural changes that will reconfigure global supply chains, alter trade, and rebuild the structures of individual economies.

CONCLUSIONS AND RECOMMENDATIONS FOR POLAND

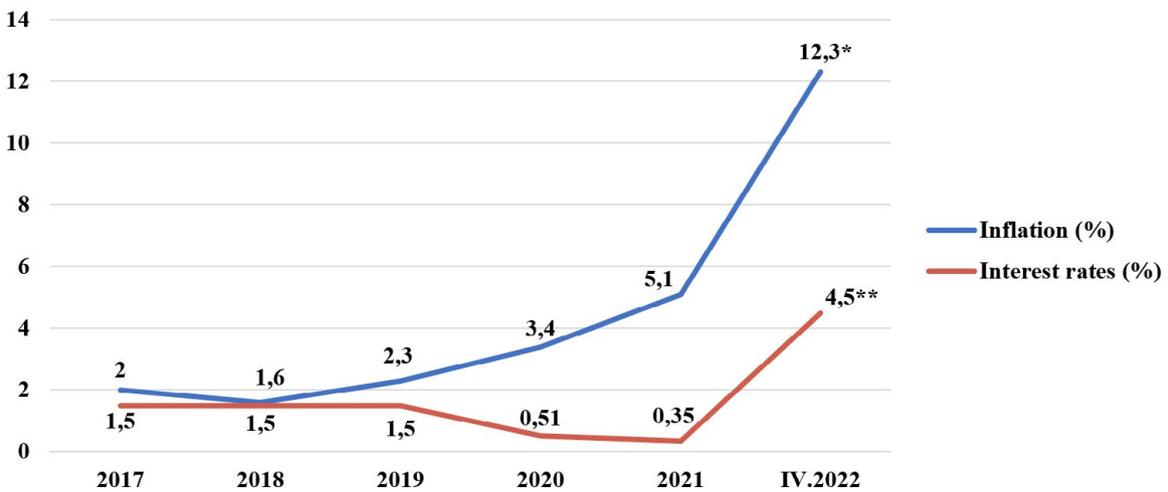
- Polish trade is entering a new pattern of economic growth where the use of surplus labor as a factor of production will become increasingly difficult and subject to greater opportunity cost, only partially and not always balanced by technology.
- The reduction of supply to unsatisfied demand and the difficult search for economic reserves of productivity, as a global phenomenon, will become an important part of the Polish trade sector.
- The trade sector in Poland is the third largest sector of the Polish economy. It accounted for about 17.4% of gross value added in 2020, with per-sector trade volumes well above 20% of GDP.
- Between 2008 and 2014, the relative contribution of exports to GDP generation was 66% in Poland, demonstrating the effective economic convergence that businesses have been pursuing. In turn, a positive trade balance in 2014 and 2019-2021 demonstrates an export surplus and the potential for real value added.
- Russia's war with Ukraine and rising agricultural production costs have led to a global food crisis where 38 countries are on the brink of famine. At the same time, government controls on food exports in dozens of countries will worsen the food crisis, becoming a catalyst for inflation, impoverishment of the population, and an attempt to create a new balance of power in the global economy.
- China's economic warfare with many countries around the world and its quest to take control of all ocean trade, will exacerbate China's export shortfall which could amount to \$140 billion. This creates a larger gap in the mismatch between global supply and demand by blocking public access to shipping locations, making it impossible to observe and arrange the supply chain.
- High prices for electricity, gas, and liquid fuels will be a major component of the increase in input costs in 2022, as producer inflation (PPI), which will largely translate into consumer inflation (CPI). The impact of Russia's war with Ukraine on inflation is still negligible. Inflation dynamics will remain under strong pressure from the government's aid and welfare spending, which, without downward adjustment, will deprive the NBP and the Monetary Policy Council of an effective opportunity to apply the basic monetary policy instrument of interest rates.
- Inflation dynamics are out of control and 60% of countries have seen a deterioration in their public debt profile, bringing the risk of internal violence to 50% of them. CPI no longer measures full non-consumer spending and is disconnected from perceived inflation, and estimating inflation-adjusted economic growth can distort statistically reported GDP.
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Dynamics of selected macroeconomic indicators (monthly, unseasonal, y/y, %)

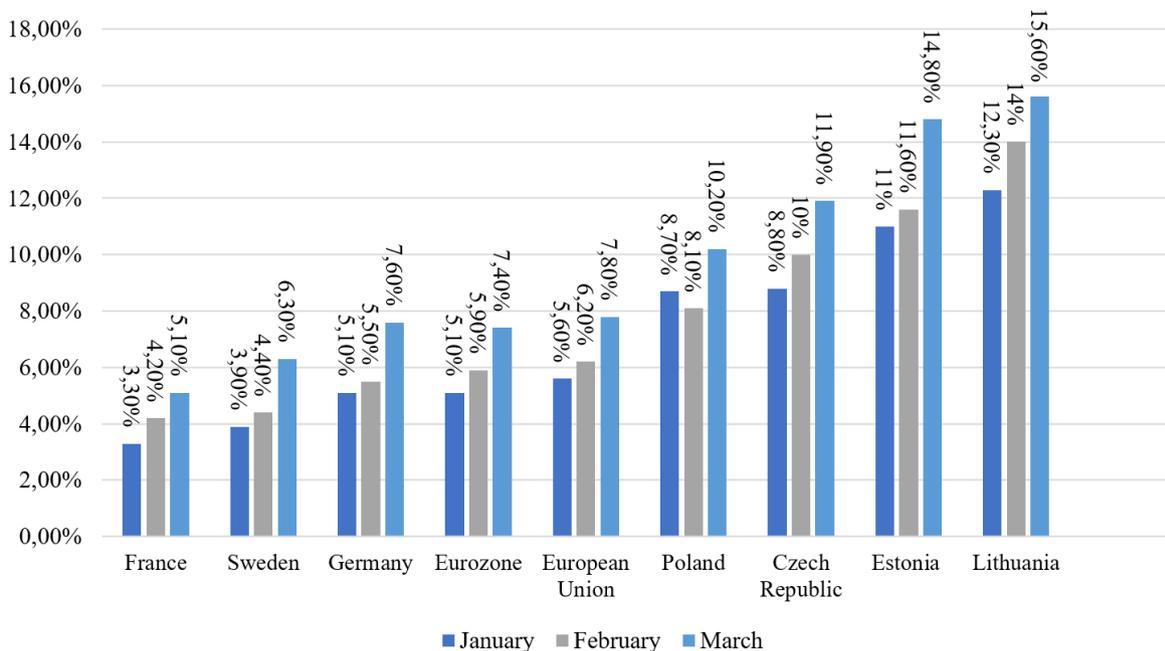
Source: own compilation based on CSO data.



Inflation dynamics vs. interest rates over the period 2017-2022 (Poland)

* CSO reading as of 29.04.2022.

**Reference rate in force until 5 May 2022.

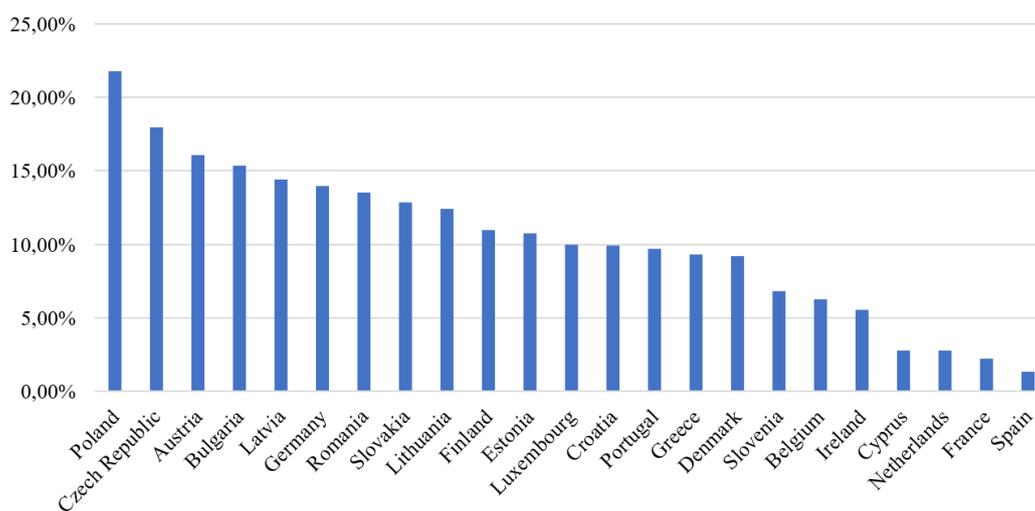


Annual inflation January-March 2022 for selected EU member states

Source: own elaboration based on Eurostat data.

Liquid fuels are an important element of inflationary processes and have a significant impact on the final price of goods and services produced and offered for sale. Every week, the European Commission reports on changes in petrol prices in the European Union in a special bulletin focused on overviews of the fuel market in individual European countries.

With the onset of Russia's war with Ukraine, fuel prices increased in every country, but the increases varied widely. Some countries have attempted to limit the effects of high fuel price increases by adjusting indirect tax rates and the policy of payment of allowances by selected groups (e.g. France) or by reducing VAT rates on fuel (e.g. Poland and Slovenia).



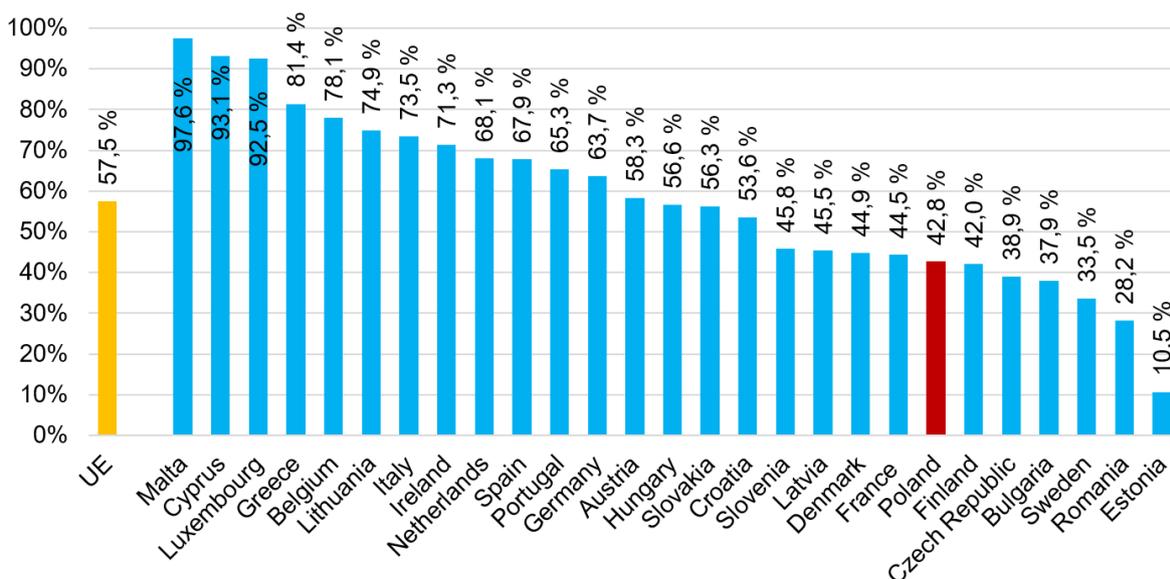
Petrol price changes in selected European countries - comparison of prices from 3rd week of February and 1st week of April 2022 - change in %.

Source: own compilation based on EU Weekly oil bulletin data.

POLAND HAS A GOOD ENERGY INDEPENDENCE RATIO IN COMPARISON WITH OTHER EU COUNTRIES

The countries most dependent on energy import in the EU are Malta, which covers as much as 98% of its demand by this means, Cyprus (93%), Luxembourg (93%) and Greece (81%). In this ranking Poland is much better, i.e. in 21st place. Nevertheless, import of energy from Russia to Poland constitutes

almost 43%. The lowest indicator in this ranking is characteristic for Estonia (only 10.5%). Taking into account the European Union as an importer of Russian energy, the value is at the level of 57.5%, which places Poland among the countries less dependent on Russian energy import.



Dependence on energy imports in EU countries in 2020. (w %)

Source: own elaboration based on Eurostat data.

POLAND HAS GUARANTEED FOOD SECURITY

Over the period 2012-2021, an increase in the value of the Food Safety Index for Poland was recorded from 70.5 points to 74.9 points. During this period, only 6 European countries recorded a higher growth of this index, namely: Russia (increase of 9.4 points), Bulgaria (7.4 points), Belarus (6.9 points), Romania (6.2 points), Great Britain (6.1 points) and Serbia (4.6 points). It is worth mentioning that in 2012 only Great Britain had an index higher than that of Poland and higher than 70 points. The highest GFSI in Poland was achieved in 2019. (76.9 points), while the next two years saw a decline in its value. It is worth mentioning

that this is a global trend, observed in most regions and countries regardless of per capita income level. It was primarily influenced by the COVID-19 pandemic and the associated disruption of supply chains and income declines due to freezing economies. The EU also points to the key role of risks from climate change and environmental degradation. A further decline in the global GFSI score can also be expected due to Russia's military invasion of Ukraine and the significant impact of both countries on the global food market and the consequent difficulties in the areas of food affordability and physical access.

Tab. World Food Security Index (GFSI)

Country	Global Food Security Index (GFSI)									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Ireland	80,0	80,6	80,4	80,9	82,6	83,7	84,8	84,7	84,5	84,0
Austria	79,6	79,0	79,0	79,9	79,6	79,2	78,7	79,2	80,1	81,3
United Kingdom	74,9	76,7	77,3	80,2	79,7	80,1	79,3	80,6	80,6	81,0
Finland	80,6	79,6	80,2	81,9	84,1	84,1	83,9	84,5	85,2	80,9
Switzerland	78,9	78,9	78,5	77,7	78,8	78,3	81,1	79,7	80,2	80,4
Netherlands	77,5	77,7	76,9	78,5	79,0	78,7	81,0	81,2	80,0	79,9
France	79,1	78,7	79,0	79,7	78,6	80,7	79,6	78,5	78,4	79,1
Germany	77,6	77,6	77,1	78,6	80,1	80,4	79,4	79,7	79,6	78,7
Sweden	77,3	77,9	78,0	79,5	80,3	82,1	80,8	80,5	78,3	77,9
Czech Republic	74,9	74,3	74,5	75,6	79,7	78,8	77,6	79,4	78,8	77,8
Denmark	76,5	77,1	78,2	78,5	77,7	78,4	77,8	78,0	76,7	76,5
Italy	76,4	75,9	77,2	77,6	77,3	76,9	76,1	76,1	76,5	76,4
Belgium	76,1	76,4	77,1	77,9	77,5	78,3	78,1	76,9	76,9	76,1
Norway	79,4	80,5	80,2	80,3	79,9	79,3	80,5	79,7	78,5	76,0
Portugal	76,7	75,7	74,8	76,1	76,9	76,2	77,4	76,6	76,5	75,2
Poland	70,5	72,7	74,6	74,1	74,5	74,6	74,4	76,9	75,2	74,9
Russia	65,4	66,5	65,9	65,6	63,5	69,8	72,6	73,4	73,9	74,8
Spain	73,8	74,7	74,2	74,9	75,2	74,1	74,8	74,3	74,8	73,6
Greece	71,0	72,0	75,1	76,6	75,4	75,9	75,5	74,6	74,1	73,3
Romania	66,2	67,3	69,2	70,3	71,2	71,3	69,9	71,9	73,8	72,4
Hungary	68,2	67,9	68,9	71,7	72,5	72,5	70,6	71,3	72,0	72,1
Belarus	64,0	64,6	67,5	64,0	67,9	66,3	71,5	73,5	70,4	70,9
Bulgaria	63,1	63,9	63,7	66,8	67,3	67,7	66,0	66,9	68,7	70,5
Slovakia	67,5	69,0	68,5	71,1	71,7	71,4	68,5	68,6	68,1	68,7
Ukraine	57,8	56,1	58,2	54,9	50,7	54,1	53,2	56,3	58,8	62,0
Serbia	56,8	57,9	61,1	63,9	60,6	62,2	60,6	61,3	61,2	61,4

Source: own elaboration based on: Economist Impact, Global Food Security Index, Year-on-year trends. <https://impact.economist.com/sustainability/project/food-security-index/Index> (access: 16.04.2022).

The summary reveals the practical laws of supply and demand, international trade, and in light of the ongoing war between Russia and Ukraine, it remains an invaluable compass for our economy. Retail chains affiliated with POHiD have been an

important part of the economic landscape of Poland for over 30 years, being the driving force of trade and the whole economy. So far they have invested in our country more than 60 billion EUR and created nearly 250 thousand jobs.

Renata Juskiewicz

President of the Board, POHiD



Wydawnictwo Naukowe
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