Prior to the world financial crisis, Poland was an exemplary case of a successful neoliberal transition into the market economy. According to a recent report from the Organisation for Economic Co-operation and Development (OECD), Poland was second lowest among 30 member states in child poverty and fourth in income inequality, with the richest 10% of the population gaining a bigger share of market income and paying a lower share of the tax burden than in any other OECD state except Turkey. Privatizations have affected most acutely the social sectors (pensions, health care and education), while state support has been extended to businesses (e.g., the Deputy Prime Minister has announced a plan to support companies that had engaged in risky currency options markets) but not to citizens.

This gloomy picture, however, is getting even darker as the crisis unfolds. The initial impact was a drastic devaluation of the Zloty (the national currency) by approximately 25-30% within six months in relation to the euro and the Swiss franc – and a plunge in the Warsaw stock exchange. While this initially affected primarily Polish financial markets and companies involved in currency options, it has now begun to affect the national political debate, particularly with the more recent decrease in national revenues and decline in investments and exports. Further, contrary to initial (rather optimistic) scenarios, the financial crisis is having a significant impact on access to finance for both Polish businesses and consumers.

**Unemployment**

Recent labour market surveys indicate that unemployment has increased from 9% to 12% since the beginning of the crisis, including in white-collar positions. However, the actual numbers of people without any means of livelihood are higher, and only 15.5% of those unemployed are entitled to an allowance and eligible for public health care. The rest are on their own.

In addition, the statistical average does not reflect the hardships in towns where one significant employer, from whom the majority of households derive their livelihoods, is closing due to plummeting orders or opportunistic manoeuvres: for example, some companies are reportedly blaming the financial crisis in order to lay off workers and cut costs.

The effects of the financial crisis are most severely felt by those who do not have any savings, means to produce their own food or rural family ties (despite being on the verge of extinction under pressure from large scale agriculture, smallholder farms still survive in Poland). However, the new middle class families are also in a tight spot, especially young couples with children who have incurred huge mortgages with adjustable interest rates, or in foreign currencies, to purchase their dwellings.

**Access to finance and long-term growth perspectives**

As a result of the so-called “credit crunch” (a sudden reduction of access to credit and an increase in its costs), the prospects for the country’s economic growth have declined substantially: from a reported 6.5% in 2007 and 5.5% in 2008 to a prediction for 2009 ranging between 2.5% and 3.7%.

Furthermore, Poland has started to be affected by a sudden halt in capital inflow, followed by increasing risk aversion among investors and the crowding-out effect, as competition grows among the strongest EU economies for public debt financing. The situation has been further exacerbated by the foreign exchange crisis: the weakening Zloty had a damaging impact on companies that entered into currency options contracts as well as on persons repaying foreign currency mortgages.

The supply of credit has been strongly limited in all segments of the credit market, and more than 80% of the banks have introduced far more rigorous criteria for extending credit of any type. In particular, they have increased the requirements concerning the level of security and, in the case of mortgage loans, the amount of the borrowers’ own contributions. Also, almost every bank has raised its credit margins – from 1-2% in mid-2008 to 7-8% in the first quarter of 2009. The cost of money in the interbank market has increased substantially due to an unprecedented decline in mutual trust between financial institutions. The Polish Financial Supervision Commission (FSC) has sharpened liquidity ratios and reporting obligations. The banks’ assessment of the prospects

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4 Rybicki, K. Finansowanie rozwoju Polski w kryzysie. Ernest & Young, February 2009.

5 All data based on report by the National Bank of Poland. Situation of the credit market in the first quarter of 2009, Warsaw, January 2009.

6 In July 2008, the Polish Financial Supervision Authority imposed an obligation on banks to maintain and report their quantity liquidity standards, thereby improving banks’ liquidity and helping to contain the “confidence crisis”. See: <www.knf.gov.pl/wetlowe/Rzekzenie_stanowiska_nadzoru/uchwaly/index.html>.
the economy is very negative, and they expect further restrictions in lending to enterprises.\textsuperscript{7} Consumers: the mortgage market standstill The banks’ prevailing policy of setting the required amount of own contribution at 30% rules out any possibility of purchasing their own homes for the majority of people, while there is already a shortage of around 2 million flats on the market.\textsuperscript{8} The most likely result will be a drastic increase in rents, but the prices of apartments for sale will not necessarily fall quickly. Also, the costs of servicing foreign currency mortgage loans (79%–81% of the total credit portfolio in 2008)\textsuperscript{9} drastically increased, due to the sudden drop in the value of the Zloty and a very unfavourable change in the banks’ policy regarding the calculation of the spread.

The public believes that banks are manipulating the exchange rates at the clients’ cost. At present the difference between the purchase and the selling rate can reach as much as 12%,\textsuperscript{10} while even the Office of Competition and Consumer Protection is unable to impose exchange rate restrictions. Consumer groups are therefore forming through the Internet in order to purchase foreign currencies in wholesale quantities, hoping to negotiate the amount of spread and sometimes even renegotiate terms and conditions of credit agreements.\textsuperscript{11}

Credit crunch and threat of massive bankruptcy Already 15% of enterprises are having problems obtaining operating credit.\textsuperscript{12} For every one out of two enterprises, banks have tightened the terms and conditions for lending, a situation that will certainly get worse in 2009. According to preliminary forecasts, banks will have 50% less funds for lending in 2009 than in the preceding year. It is very likely that they will start sending en masse calls to companies for repayment or renegotiation of loans, claiming default on the terms of the credit agreement.\textsuperscript{13} In 2008, because of competitive pressure, banks granted a gigantic number of loans with minimum margins of interest, but those loans are now becoming a burden. Small and medium-sized companies that do not have significant security in their private capital are particularly threatened.

On top of the credit crunch, thousands of companies fell into the trap of currency options and are now struggling on the verge of bankruptcy. Encouraged by the banks, companies were buying options in massive amounts to protect their export profits. After the rapid devaluation of the Zloty they not only lost all invested capital but have also amassed a huge amount of debt due to poorly protected contracts.

The democratic deficit Other major problems include the fall in State income and the rising costs of servicing the public debt. They go hand in hand with the prevailing democratic deficit: there was no public debate on the new emergency loan from the World Bank in the amount of EUR 3.75 billion, and the State’s activities are largely opaque to the media, elected politicians and the public. When the Depository Trust & Clearing Corp., which operates as a central registry of credit swaps trades, published its details, including the top 1,000 contracts, it turned out that the Republic of Poland and other sovereign states engaged in derivatives trading as much as the private sector. Since the early 2000s the OECD, the World Bank and the International Monetary Fund (IMF) have organized trainings and seminars for finance ministry officials to persuade them to engage in creating and dealing in markets for state debt. When the State operates like a commercial firm, it abandons its citizens, especially those who do not generate income for the State or market.

Gendered effects In 1989 and 1990, when Poland embarked on the free-market road, the first casualties were women garment workers, as inefficient factories closed and nothing replaced them. Today the revamped garment sector, where women again predominate, is shrinking again as import orders (mainly from Germany) fall and local subcontractors downsize or close, resulting in an estimated net job loss of 40,000.\textsuperscript{14}

Trapped in the grey economy The decrease in family incomes due to the economic crisis might cause pauperization of whole social groups, particularly among the lower and middle classes. It is very likely that this will in turn have a more significant impact on women, since they traditionally are the main responsible for family well-being (this is particularly true among the lower income groups). According to some analysts, crises amplify the grey (informal) sector in the Polish economy as many, especially small entrepreneurs try to minimize labour costs and avoid taxation and other costs associated with formal employment. It seems very likely that the growth of the grey economy will affect women more than men, as they are more often engaged in low paid jobs, especially in the private service sector (e.g. in retail).


\textsuperscript{8} Online survey by Money.pl. Available from: <www.money.pl/banki/apartytaryku/kredyty/hipoteczne/tylko_dla_bogatykh.142,0,376462.html>.

\textsuperscript{9} Data from the Association of Polish Banks reported at a conference in December 2008. Available from: <www.zbp.pl/site.php?MS=MTI0NTI5MTI=>.


\textsuperscript{11} Dominik, T. “Polacy buntuja się przeciwko bankom.” POLSKA The Times, 29 December 2008.

\textsuperscript{12} Survey conducted by the Polish Confederation of Private Employers Lewiatan. See: <www.pplewiatan.pl>.

