

# Poland

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## Macroeconomic overview

Despite a considerable slowdown in 2009, Poland was less affected by the global recession than other countries. Real GDP growth in 2009 reached 1.7% and was the lowest level of economic growth since 2002. On the other hand, in 2009 Poland was the only EU Member State which recorded a positive GDP growth, that was mainly driven by final household consumption (which increased by 2.5%) and external demand (2.5%).

At the end of 2009, the unemployment rate amounted to 11.9%, for an average annual value of 8.2% (corresponding to an increase of 1.1% compared to 2008). The increase of the average real gross wages in the private sector was 1.9%.

Inflationary pressure in 2009 was moderate: the average annual inflation rate reached 4.0% (4.2% in 2008). By December 2009 the inflation rate was 3.5%. The monetary policy of the National Bank of Poland was less restrictive than in previous years, and the policy rate was lowered to 3.5% at the end of the year.

## Housing and mortgage markets

In 2009, the performance of the Polish construction sector was influenced by the global financial crisis to some extent. The number of building permits issued in 2009 amounted to about 179,000 units (representing a 22% decrease in comparison with 2008) and about 143,000 dwellings were under construction (which represented a 18% decrease on 2008). More than 160,000 dwellings were completed in 2009.

Particularly in the first half of 2009 a moderate decrease in property prices was recorded – mainly in major cities. Over the second half of the year this downward trend stopped mainly due to the fact that the banks loosened their lending criteria (which had been tightened since Q3 2008). Since then, property prices stabilised and no sharp increases are expected in the near future. The limited availability of housing remains a problem for the average Polish homebuyer – the number of square meters available for buying for an average monthly salary ranged from 0.42 to 0.46.

At the end of 2009 there were nearly 1,375,000 residential mortgage loan contracts outstanding (compared to around 1.3 million agreements at the end of 2008). About 188,000 new residential mortgage loan contracts were granted in 2009, a decrease of almost 35% in comparison with 2008. At the end of the year, outstanding residential debt amounted to PLN 236 billion (equal to an increase of 10.5% in comparison with December 2008), which corresponded to nearly EUR 57 billion (equal to a flat increase on December 2008). The new trend in 2009 was driven by a growing demand for domestic currency-denominated loans – i.e. 72% of new loans were PLN-denominated, while the CHF-denominated share decreased considerably from 68.6% to 17.2%, but the EUR-denominated loans became more and more popular – moving from 0.4% of new loans in 2008 to 9.2% in 2009.

During 2009, lending policy was generally still tighter than in the lending boom years, and the share of high LTV loans sharply decreased. The majority of loans had LTVs between 50 and 80% (corresponding to a share of 45.2%), while loans with a higher LTV than 80% were recorded for 26% of new loans, and 28.8% of new loans had an LTV below 50%.

The share of doubtful loans amounted to 1.5% of outstanding loans in December 2009 (2.4% as regards PLN-denominated loans, 1% as regards foreign-denominated loans).

## Funding

During the previous years, mortgage funding in Poland was mainly deposit based. The total value of covered bonds' new issuance amounted to PLN 360 million (EUR 88 million), which represented a significant decrease compared to 2008 values (PLN 820 million, i.e. EUR 197 million). No securitisation transactions were concluded in Poland in 2009.

	EU27, 2009	Poland, 2009	Poland, 2008
<b>GDP growth (%)</b>	-4.2	1.7	5.0
<b>Unemployment rate (%)</b>	8.9	8.2	7.1
<b>Inflation (%)</b>	1.0	4.0	4.2
<b>% owner occupied</b>	68.2	75.0	75.0
<b>Residential Mortgage Loans as % GDP</b>	51.9	18.2	15.6
<b>Residential Mortgage Loans per capita, EUR thousand</b>	12.37	1.48	1.48
<b>Total value of residential loans, EUR million</b>	6,125,727	56,569	56,539
<b>Annual % house price growth</b>	-6.8	n/a	n/a
<b>Typical mortgage rate (euro area), %</b>	2.71	2.25	5.92
<b>Outstanding Covered Bonds as % outstanding residential lending</b>	23.2	1.0	1.0

Sources: EMF, Eurostat, ECB, Bank of Poland, National Statistics Office

### Notes:

- Typical mortgage rate in the euro area refers to the APRC (Source: ECB)
- EU owner occupation rate weighted average derived from EMF calculations based on latest available data.

Poland=2004