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Poland has been the only country in Europe experiencing a positive GDP growth during the first 3 quarters of 2009. Along with the handful of countries like China and India, Poland is seeing positive rates of development despite the challenging times of economic downturn when global markets are forced to face effects of the recession.

The question remains: what is so different about Poland compared to the rest of Europe and even the rest of the world economies and what are the favourable economic drivers and conditions in the country?

There are many speculations and hypotheses among local and worldwide economists surrounding the reasons behind the positive growth observed in Poland.

Some say it may be a result of the floating exchange rate: at the beginning of crisis the Polish currency has slightly declined in value. While this boosted domestic economic activity, it also caused damage to local entrepreneurs that have taken credits in foreign currencies to finance business ventures. However, a similar currency deflation that occurred in Hungary did not prevent the economy of this country from the substantial decline in that followed.

Others say that it is the large size of the Polish economy and the domestic market that make the country less prone to the global recession. On the other hand, other large economies in Europe like Germany, France, Italy and Spain have been severely affected by the global economic crises.

Some of the other popular theories mention the entrepreneurship and the optimism of the Polish companies; the learnings from crisis in Russia and Asia in the 90-ties and 2002-2004 (when Polish corporations lost large parts of their export business), the quick reaction of the Polish government in the areas of currency exchange rate control, financial guarantees offered and public spending cutting; strict bank policies in credit granting terms.

So what is the real reason behind the positive growth of the country in these turbulent economic times? Most likely, it is the mix of all factors above combined with a certain degree of luck. Let's wait till the next year, when the global economic revival signs are going to be more prominent, to conduct a more in-depth analysis and to draw the final conclusions.

As for now, the Polish economy does have a reason to celebrate this success, but should stay alert to other signs of the recession such as growing unemployment rate and public budget deficit that are already prominent in other European countries. The country should actively develop mitigation plans targeting the areas at risk such as the public spending, unemployment and the inflow of foreign direct investments, in order to revive the 5%+ GDP growth rates in the future.

Figure: Annual Changes in GDP (%, quarterly year on year) based on OECD and Eurostat