

FREE Network Project
April 2020

COVID-19 in the Region of FREE Network

The Case of Poland



COVID-19
PAPER SERIES

Introduction

The Covid-19 pandemic is affecting all the inhabited continents of this planet and leaves none of us untouched. It has already killed thousands of people across the globe, closed down cities, borders and businesses and most countries are still just in the initial phase of this crisis. Although there is 24/7 reporting on the pandemic, much of the focus in international media has been on the most affected countries and richer countries in Eastern Asia, the EU and the US. Much less attention has been given to countries around the Baltics, in Eastern Europe and the Caucasus. However, these countries are home to more than 200 million people and to the institutes that form the Forum for Research on Eastern Europe and Emerging Economies, i.e. the FREE network. We have therefore started to collect data on this region from official sources with the ambition to offer a regularly updated, comprehensive and easily comparable overview of the health impact of the Covid-19 pandemics, as well as the policies and practices countries in the region adopt to deal with it. The countries in the network and the region we include are Belarus, Georgia, Latvia, Poland, Russia, Sweden, and Ukraine. For comparison we also include Italy as a point of comparison since it is a country that has been particularly badly affected and we have several people in our faculties that know Italian and follow these developments closely.

The quality of the health data will by necessity vary between countries and this also affects the comparability of numbers. For example, the ability and willingness to test the population for the virus differs significantly between countries and will obviously affect the number of infections that is reported to the European Centre for Disease Prevention and Control (ECDC), the main source of data on health outcomes in our tables and graphs. Other data that we report, such as border or school closures, are easier to compare, but there may still be differences in how these policies are implemented on the national level. However, we still believe that it is useful to compile this data for our region in one place as a starting point for discussions on how the virus is spreading and governments respond to the crisis.

Since the FREE network focuses on economic issues, we put particular emphasis on high-frequency indicators in this area and on measures governments have taken to deal with the economic consequences of the pandemic. In the initial phase of this collaborative project, the focus will be on providing a descriptive picture of the state of the situation using the best data we can find, but over time, this will be complemented by more in-depth policy analysis of the measures and implications for the economies in the region.

The main data is presented in a summary page that facilitates comparisons between countries, and this is complemented with more detailed country pages.

Poland in the FREE Network Covid-19 Project (April 4, 2020)

Basic Facts

Poland is a country of around 38 million people. The area is 312 thousand sqkm which gives a population density of 124.7 persons/sqkm. The capital is Warsaw with 1.8 million inhabitants, other major cities are Kraków (0.8mn), Łódź (0.7mn), Wrocław (0,6) and Poznań (0,5). Poland has been a member of the EU since 2004, but along with some other new members has not adopted the EURO currency.

Different responses to the crisis across countries depend partly on the organization of political authority, as reflected in the level of regional decentralization of decision making in key areas of authority, and the strength and independence of public agencies. In the case of Poland, the government has four levels, the central government, 16 regions (voivodeships), 314 counties (powiaty) and 2477 municipalities (gminy). From the point of view of involvement in response to the Covid-19 pandemic, different layers of government are responsible for different public services, with counties being the most involved in the provision of healthcare and secondary education, while municipalities are in charge of social support, local transport, primary schools and other types of care.

In Poland the highest decisive body with regard to the pandemic is the Ministry of Health. The Principal Sanitary Authority (Główny Inspektor Sanitarny) deals specifically with the country's epidemiological situation and infectious diseases, and is subordinate to the Ministry of Health.

Health Indicators

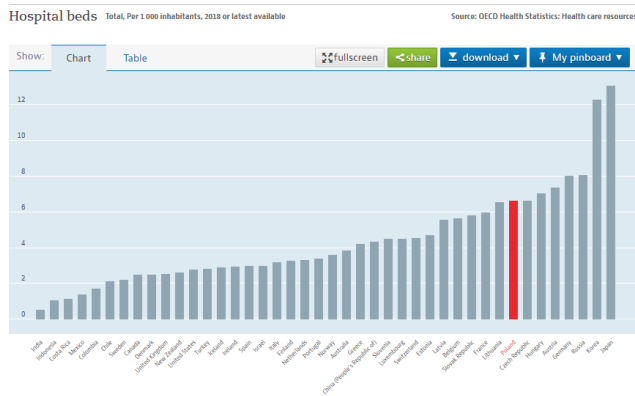
While Poland lags far behind many other developed countries in terms of the availability of medical staff (2.4 doctors and 5.1 nurses per 1000

inhabitants in 2017), the Polish health care system scores much better with regard to resources like hospital beds (6.6 beds per 1000 inhabitants).

Generally, from the perspective of efficient treatment provided to large numbers of patients infected with Covid-19, the most important country statistics concern the health infrastructure related to infectious diseases. With respect to wards devoted to infectious diseases in general hospitals had a capacity of only 2997 beds in 2018, which accounted for 1,65% of all available hospital beds. As far as medical professionals are concerned, in 2020 Poland had 1120 actively working medical doctors with a specialization in infectious diseases. They constituted as few as 0,75% of all specialists, which gives an indication of how small this field is in Poland. Assuming an uncontrollable dissemination of the disease, Polish health care resources would quickly face a huge overburden.

Figure 1. Number of nurses, doctors and hospital beds per 1000 inhabitants





Source: OECD Health Statistics.

According to official announcements, the territory of Poland was free from the Covid-19 disease until as late as March 3, when the first case was confirmed. Patient 0 came by bus from abroad after participating in the Carnival celebrations in Nordrhein Westfalen in Germany. Several other initial patients returned to Poland from Italy. Since then the disease spread throughout the whole country, having infected at least 3266 people as of one month later (according to official statistics).

Financial Indicators

The Warsaw Stock Exchange belongs to the main stock markets in Central and Eastern Europe. Along with 25 other countries, it is included in the FTSE Russel list of economically developed markets. As of 2019 the Warsaw Stock Exchange had 460 listed companies, 50 of them foreign. Since the emergence of the Covid-19 disease in Poland in early March, the main index of companies at the Warsaw Stock Exchange, called WIG, faced value loss exceeding 17% (Figure 2).

Poland keeps its own currency, the Polish Zloty (PLN), which is a free floating currency. According to the exchange rate data from the National Bank of Poland (NBP), which provides the average daily exchange rate of the Zloty with the world's most important currencies, during the last month Poland's currency dramatically lost value in comparison to both the Euro and the US dollar.

Figure 2. Volatility of one of the main indices at the Warsaw Stock Exchange (WIG) and the Polish currency in March



Source: Warsaw Stock Exchange; Central Bank of Poland (NBP).

In Poland, the number of newly registered unemployed is given in monthly intervals and reflects the number of people who have registered at the County Employment Agency (Powiatowy Urząd Pracy) for the first time in a particular month. However, publicly available data comes with a lag of three months, so unless statistics are provided earlier the impact of isolation policies introduced due to the pandemic will not be known publicly for some time.

Government Health Policies

The Minister of Health announced a state of epidemic emergency in the territory of Poland on March 14, raising it further to a state of epidemic 6 days later. Measures counteracting the epidemic were introduced centrally in Poland by the Minister of Health, and were gradually extended:

- Restriction on the size of public gatherings: limited to 50 (with an exception for religious



gatherings); then 5 and finally 2 people (except for families),

- Ban on all non-essential mobility; limitations on access to public spaces like parks, playgrounds and recreational areas; distance of 2 meters between people in public places; further restrictions for minors,
- Bars and restaurants closed and allowed only to provide take-away food,
- Childcare institutions, all schools and higher education institutions closed, online education provided,
- Foreigners banned from travelling into Poland (with exceptions), while all Poles arriving from abroad quarantined for 14 days after arrival,
- Shopping malls, sports and recreation centers, sports events, cinemas, theatres, etc. closed; subsequently hairdressers, beauty salons, physiotherapy, hotels etc.,
- Restrictions on the number of people using public transport,
- Restrictions on the number of people in shops, obligation to wear disposable gloves, designated shopping hours only for 65+,
- Restrictions in workplaces: distance between coworkers, access to protective equipment,
- Certain hospitals devoted exclusively to patients with (suspicion of) COVID-19.

Government Economic Policies

The government implemented the so called "Anti-crisis shield" which came into force on April 1. The package includes a number of broad measures to support enterprises and workers for the period of three months and includes both direct financial support as well as provisions regarding financial liquidity for companies. In March, the National Bank of Poland decreased interest rates and announced that it will support access to credit through targeted longer-term refinancing operations and if necessary, provide monetary stimulus through large scale open market operations.

Short Summary of Measures

Labor market:

1. Increased flexibility of employee daily and weekly hours of work;
2. Extension of childcare leave for parents with children aged 0-8;
3. In case activities affected by revenue reduction (revenue fall by 15% year-to-year or 25% month-to-month):
 - a. Self-employed or employees on non-standard contracts to receive a one-off benefit equivalent to 80% of minimum wage;
 - b. Companies to receive support equivalent to 50% of the minimum wage for inactive employees due to the stoppage, provided individual salaries are not reduced by more than 50%;
 - c. Companies to receive support equivalent to up to 40% of average wage for employees whose hours are reduced by 20%;
 - d. Additional employment support provided to SMEs in case of higher revenue loss;
 - e. Relaxation of work and stay permits for foreigners.

Tax breaks:

1. Social security contributions to be paid by the government for self-employed and employees employed in small enterprises (up to 9 employees) for three months;
2. Tax payments and social security contributions on earnings and profits can be delayed.

Emergency loans, guarantees and support:

1. Small-scale loans to small companies;
2. Reduced administrative requirements and relaxation of numerous regulatory rules;
3. Increased liquidity of firms through channels supported by the Polish Development Fund (PFR):



- a. extension of de minimis guarantees to SMEs;
 - b. equities and bond issues to be financed by PFR;
 - c. subsidies to commercial loan interest payments from BGK;
 - d. commercial turnover insurance from Export Credit Insurance Corporation (KUKK);
4. Relaxation of regulations related to contracts with public institutions (e.g. related to delays).

Monetary policy:

1. On 17.03.2020 NBP lowered the main reference interest rate by 0.5 pp and reduced the rate of obligatory reserves from 3,5% to 0,5%.
2. NBP announced the readiness to engage in large scale open market operations;
3. Targeted longer-term refinancing operations to allow credit refinancing by commercial banks.





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