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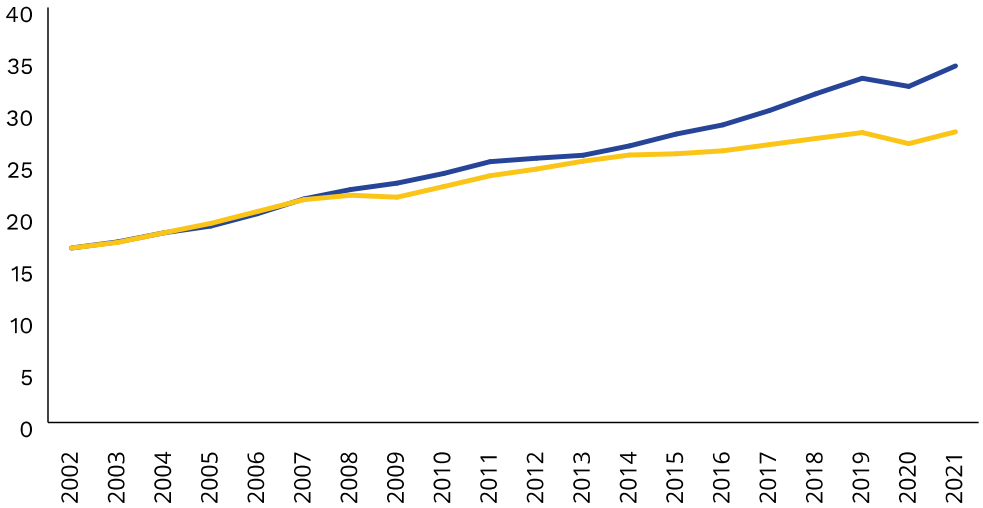
Polish Economy and the European Union's Single Market

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Rafał Riedel, University of Opole, Poland © Liechtenstein Institute, December 2022

On 1st January 2023 the European Single Market turns 30 years old. Poland – as the new member state – has been participating in it for almost two decades. According to European Commission, the Single Market adds to the EU economies 8–9% of GDP (compared to the WTO terms of trade).

Real vs hypothetical (beyond Single Market) GDP growth in Poland (in thousands of USD).



Like in the case of the other Central and East European economies, the Polish GDP growth is stimulated by export. The Polish export within the Single Market reached 216 bln Euros in 2021, and constitutes 75% of its total exports.

In 2004 Poland started its membership in the EU with a trade deficit, whereas in 2021 it noticed a trade surplus of 24 bln Euros. From the moment of accession, Poland's import grew 3,2 times, whereas the Polish export grew more dynamically – 4,5 times.

Thanks to the participation in the Single Market 3,324 mln of new jobs were created in Poland. Just the demand from the German consumers added 1,15 mln jobs in Poland. It is estimated that up to 1,5 mln Poles work permanently in some other Single Market economy. Their incomes reached 3,5 bln Euros in 2021, and their cash transfers to Poland span between 2,5 and 3 bln Euros annually. Just like the opening of the labour markets was perceived quite positively in 2004, at the time of high unemployment in Poland, nowadays it is portrayed much more as a brain-drain problem.

The Central and Eastern European economies – and Poland as the largest one in the region, the most – have been absorbing Foreign Direct Investments (FDI) continuously after the EU enlargement. Inward FDIs measured relative to GDP have risen or remained on stable levels in all of the CEE countries. It is estimated that the EU membership adds to the inflowing FDI by 4,07% annually.

Moreover, the FDI influx increased dynamically after the EU accession. In 2004-2020 in the case of Poland it was 262 bln USD, whereas in a comparable period 1990-2003, it was almost five times lower – 56 bln USD.

The cost-benefit analysis of the Polish participation in the European Union goes far beyond the bare measurement of the budgetary transfers. Being part of the Single Market and entertaining the four freedoms brings an enormous added value to the Polish economy. Free flow of capital stimulated the inflow of FDI.

Free flow of labour opened the Western job-markets and millions of Polish workers took the opportunity of employment abroad in seasonal or permanent positions. Free trade of goods and services contributed to boosting the Polish imports and exports, and made Poland a surplus economy.

Poland is also moving up on the value chain in the European Single Market. Still in 2001 Poland was the leader in exporting black and brown coal, in 2010 it was furniture, whereas already in 2020 it was a leader in selling monitors and other electronics.

Important to note – 55% of the Polish export is generated by foreign investors. This figure is still unique compared to other economies from the region where the domestic capital stands behind 25% of the Czech, 18% of Romanian, and 13% of Slovak exports.

Inflow of Foreign Investment

	FDI inward (as % of GDP)	
	2005	2018
CZECHIA	44,2	66
SLOVAKIA	**60,4**	57
HUNGARY	54,1	57
POLAND	**28,2**	**39**

Interestingly, the high dependence on Germany has been the dominant feature of the Polish economy for ever (in the recorded history of economic development). For example, in 1929 the German economy had a 32% share in the Polish export, whereas in 2020 it was at a very similar level – 29%. Such a low diversification in export is typical for emerging economies and it characterizes other Central and East European states.

Iceland Liechtenstein Norway grants
Norway grants

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