The Influence of Financial Crisis in 2008: Poland, CIS (Russia, Kazakhstan, Ukraine), China and Japan

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Outline

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• Different countries: Poland, CIS (Russia, Kazakhstan, Ukraine), China, Japan
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Global financial crisis in 2008

The financial crisis of 2007–2008, is the worst financial crisis since the Great Depression of the 1930s. It resulted in the threat of total collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world. It led to the 2008–2012 global recession and contributing to the European sovereign-debt crisis. Every countries search the different ways to fight the crisis.
The impact of a global financial crisis on Poland
Poland, the green island in Europe

The global economic crisis has had a profound effect on the public finances of many countries, especially those in Europe. Unlike the majority of European countries, Poland has actually fared very well in the face of this recession. Yet, despite optimistic remarks by the ruling politicians Poland is not totally immune to the effects of the crisis.
Changes in GDP during the financial crisis in Poland

GDP (billions of USD)

Year

Source: www.worldbank.org
GDP growth in Poland

Source: www.tradeeconomics.com
Factors that restrained the effects of global financial crisis in Poland

In 2009, Poland, as the only EU economy, managed to sustain an economic growth. While the GDP was estimated to have fallen in the EU in 2009 by 4.9%, Poland has achieved a 6.7% higher result. Polish relatively good result was a cumulative effect of a number of factors, both endo- and exogenic, which all restrained the effects of global financial crisis in the country. These factors include:

- Depreciation of PLN,
- A relatively lower export-to-GDP ratio,
- Flexible credit line,
- The government anti-crisis plan.
Comparison of GDP growth in the EU in 2009

Poland. Completely green island?

It can appear, to the outsider, that Poland maintained a certain level of immunity to the financial crisis.

Regardless, the global financial crisis has had an impact on Poland, its economy, and its public finances. Despite the significant economic gains that were being made during the two years previous to the crisis, Poland’s interdependence on its neighbours quickly slowed its growth.

Additionally, Poland’s unemployment rate has been gradually increasing after the onset of the crisis, starting at the end of 2008 and rising ever since.
Unemployment rate during the global financial crisis in Poland

Source: www.stat.gov.pl
The impact of the global financial crisis on unemployment

Year 2009 was very unfavourable for the EU labour market. Considerable hampering of production in the industry and construction sectors led to increase unemployment and the reduction of employment. Average annual unemployment rate in the EU amounted in 2009 to 8.9%, which put an end to the unemployment rate reduction trend which continued since 2004.

The similar situation we can observe in Poland. Moreover, the recession in the Euro area economies affected Poland mostly in regard to the decrease in demand for Polish products. Considering that our European neighbours are Poland’s largest trading partners there was a natural decline in Polish exports. In 2009 the unemployment rate rise to 12.1% and its growth is being continued since that.
Foreign Direct Investment inflow to Poland

FDI (millions of EUR)

Year

2006 2007 2008 2009 2010 2011 2012

FDI (millions of EUR)
15 061 17 242 10 085 9 863 10 473 13 567 9 086

Source: www.mg.gov.pl
Foreign capital in Poland

In terms of the FDI inflow to Poland, the year 2008 reflected global downward tendencies. After record-breaking year 2007, where the inflow of over 17 billion EUR was recorded, in 2008, the value of FDI amounted to 10 085 EUR and was by 42% compared to the previous year.

The decline in foreign direct investment value was a result of persistent global economic recession. Difficulties observed in that period, especially in branches where production is mainly exported, had an adverse effect on financial results of these companies and on possibilities to finance new investments, including in Poland.

Economic downturn in Poland and in the world observed from the second half of 2008, and thus a decline in profits from business activities, resulted in increased aversion to risk and reduction of new investments to maintain their current liquidity.
The consequences of the crisis - impacts on human’s everyday life in Poland

- Lack of trust for banking institutions among people,
- Rising unemployment and dropping household incomes,
- Increasing fear due to the fact that many people may lose their jobs,
- Pessimistic economic expectations,
- Reduced consumer spending,
- Contraction in government social spending (for example health care),
- Due to high unemployment, young people often emigrate in order to find better paid jobs.
Feeling insecure due to the global financial crisis

During times of financial crisis, companies often have to make cuts like layoffs. When companies plan cuts, they often focus on eliminating those corporate functions that do not appear to be contributing to the company’s profitability. That is why there can occur an effect of the financial crisis which can be noticed as growth in insecurity feelings among employees.

Adaptive psychological mechanism of a human make the unresolved and maintained over time fear, become anxiety and stress, which in turn can cause physical and mental illness (such as depression). There can also occur a state of powerless and helplessness of not having control over one’s life, which multiplies the effects of job insecurity. Moreover, employees are becoming less engaged in their work and have low motivation and that leads to their poor performance.
Polish response to the financial crisis

In immediate response to the crisis, Poland released the „Stability and Development Plan- Strengthening the Polish economy in the time of the world financial crisis” on November 30, 2008. The plan called for action and legislation amounting to 91.3 billion zloty in activities to stimulate investment in the Polish economy as well as support consumer conditions.

Primary activities that were outlined in the plan included:
- Maintaining the stability of public finances,
- Maintaining the stability of financial system (included guarantees for deposits, inter-bank loans, and the creation of a Financial Stability Committee),
- Implementing a „Trust Package” by the National Bank of Poland to increase the liquidity of the banking system.
Polish response to the financial crisis

The plan also called on Polish public finances to reduce the cost of debt servicing, which especially was critical considering the scope of the crisis and the credit situation. The plan noted that any decision to increase the budget deficit may lead to the abrupt decline in valuation of its debt, which would be counterproductive. The plan also delineated a reduction in general budget spending by 1.7 billion zloty to allow flexibility in the movement of resources.

In addition, the National Bank of Poland complemented the Stability and Development Plan with anti-crisis measures such as:

- Mitigating economic downturn for workers and entrepreneurs,
- Providing assistance in the repayment of housing loans to people who lost their jobs
- Support medium and large enterprises, implementing projects important for the Polish economy (with the use of loans and guarantees from the Industry Restructuring Agency).
The impact of a global financial crisis on CIS (Russia, Kazakhstan, Ukraine)
The USSR was the one of biggest and powerful country in the world.
RUSSIA GDP
GDP of the Republic of Kazakhstan

KAZAKHSTAN GDP
Billions of U.S. dollars

SOURCE: WWW.TRADINGECONOMICS.COM | THE WORLD BANK
UKRAINIAN GDP
RUSSIAN INFLATION

Russian Inflation 1996-2011

Diagram showing the trend of Russian inflation from 1996 to 2011.
KAZAKHSTAN INFLATION
UKRANIAN INFLATION
The count of unemployment people

- EU 10%.
- Russia ~ 7%.
- Ukraine ~ 7.5%
- Kazakhstan ~ 6.5%
Unemployment rate in Russia
Unemployment rate in Kazakhstan (%)

- 2001: 10.4%
- 2003: 9.3%
- 2005: 8.8%
- 2007: 8.1%
- 2009: 7.3%
- 2011: 5.3%
Unemployment rate in Ukraine

Unemployment Rate in Ukraine
Percentage of the Labor Force

SOURCE: WWW.TRADINGECONOMICS.COM | STATE STATISTICS COMMITTEE OF UKRAINE
The impact of a global financial crisis on China
Impact on China

A Relatively small impact on Chinese financial situations
B Impact on economic growth
C Impact on employment
D Impact on inflows
E Inflation
F Impact on China’s foreign trade
the unemployment number

The unemployment rate
Policies to deal with the influence

Short-term measure

Strategic investment and expand the construction of basic investment

Long-term measure

Expand demand at home
At proper time to open to the other countries
Increase the cooperation and inspection
The impact of a global financial crisis on Japan
GDP in Japan

GDP

2002 2003 2004 2005 2006 2007 2008 2009 2010 2011
GDP in Japan
Conclusions

The influence of financial crisis on GDP, FDI and CPI has some relationship with the country’s economic construct. The Russia and China and Japan has a bigger drop and the other countries has little influence. The rise of unemployment rate of all relative countries is very obvious, it means that the financial crisis had influenced the other fields. Each country had some policies to reduce the negative influence, and they made an achievement now.
Group members
Thanks for your attention