

New Europe Economics & Strategy

www.eurobank.gr/research

Monday, June 21, 2010

Focus Notes: Poland

Poland's Presidential elections call for a run-off to be held on July 4, 2010

- ✓ Acting Polish President Bronislaw **Komorowski** and ruling's party candidate **received 41.2%** of the vote (94% of ballots were already counted). His major component Jaroslaw **Kaczynski**, the late Polish President Lech Kaczynski's brother and head of the main opposition party, **received 36.7% of the vote**. Thus, none of the candidates is gaining an overall majority in this first round and the two candidates will face each other in the **run-off** which will be held **on July 4, 2010**.
- ✓ **Komorowski is favoured to win in the second round**. Nevertheless, it is expected to be a tight race. Recall that, the Prime Minister, Donald Tusk, lost the run-off to Lech Kaczynski (the late President) after leading in the first round of voting by 3%, five years ago. **The key** of the second round's outcome will be the **voters of Mr Napieralski**, the center-left candidate which was in the third place and received nearly 14% of the vote. Mr Napieralski has not endorsed any of the two candidates yet. However, Mr Napieralski voters are socially liberal, mostly urban, young Poles who are most likely to prefer the liberal Komorowski to the socially conservative Kaczynski.
- ✓ Komorowski backs a timetable for euro adoption, fiscal policies aiming in curbing country's budget deficit and pro-market reforms. On the other hand, Kaczynski is known for his nationalism, opposes setting a date for euro adoption and calls for increasing spending to offset the impact of the global crisis. Kaczynski's base is made up of older, rural and religious Poles. All in all, the **outcome of the presidential elections** will determine **how quickly Poland will pursue euro adoption and deficit reduction**.
- ✓ According to the Polish constitution, **the President**, along with parliament, is responsible for **foreign policy**, the President represents Poland abroad, is the **head of the army**; hence he can

Research Team:

Gikas Hardouvelis, *Chief Economist and Director of Research*
 Platon Monokroussos, *Head of Financial Markets Research*
 Tassos Anastasatos, *Senior Economist*
 Ioannis Gkionis, *Research Economist*
 Stella Kanellopoulou, *Research Economist*
 Galatia Phoka, *Emerging Markets Analyst*
 Theodoros Rapanos, *Junior Economic Analyst*

Sales Team:

Fokion Karavias, *Treasurer*
 Nikos Laios, *Head of Sales*
 Yiannis Seimenis, Ioannis Maggel, *Corporate Sales*
 Stogioglou Achilleas, *Private Banking Sales*
 Petropoulos Theodore, *Institutional Sales*
 Karanastasis Kostas, *Retail Sales*

EFG Eurobank Ergasias, 8 Othonos Str, GR 105 57, Athens, Tel: (30210) 3718 906, 3718 999, Fax: (30210) 3337 190, Reuters Page: EMBA, Internet Address: <http://www.eurobank.gr>

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exert considerable influence in the above areas if he desires. In addition, Polish President has the **power to veto any laws**. His veto can be overridden by a 3/5 parliamentary majority, which is difficult for any parliament to achieve. For this reason a win for Komorowski would consolidate ruling government's position, ending divisions that caused frequent conflict during Lech Kaczynski's presidency.

- ✓ The outcome of yesterday's Polish presidential elections was close to expectations and thus the market impact was relatively muted. Komorowski's win in the run-off is broadly perceived as positive to financial markets.

*Dr Stella Kanellopoulou, Research Economist
skanellopoulou@eurobank.gr*