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IMF Executive Board Approves US$20.58 Billion Arrangement for Poland Under the Flexible Credit Line

The Executive Board of the International Monetary Fund (IMF) today approved a one-year SDR 13.69 billion (about US$20.58 billion; 1,000 percent of quota) arrangement for Poland under the Flexible Credit Line (FCL). The Polish authorities intend to treat the arrangement as precautionary, which means that they do not intend to draw from the FCL.

The arrangement for Poland is the second commitment, after Mexico, under the IMF's FCL, which was created in the context of a major overhaul of the Fund's lending framework on March 24, 2009 (see Press Release No. 09/85 and Public Information Notice 09/40). The FCL is particularly useful for crisis prevention purposes as it provides the flexibility to draw on the credit line at any time. Disbursements are neither phased nor conditioned on compliance with policy targets as in traditional IMF-supported programs. This flexible access is justified by the very strong track records of countries that qualify for the FCL, which gives confidence that their economic policies will remain strong.

Following the Executive Board's discussion on Poland, Mr. John Lipsky, First Deputy Managing Director and Acting Chair, made the following statement:

"Poland's economic growth has been very strong and well-balanced in recent years. Private consumption growth has been robust, the external position is sustainable, and the banking sector is well-capitalized. The avoidance of acute imbalances during the boom years reflects a very strong and timely policy implementation. A long-standing and effective inflation-targeting regime and a freely-floating exchange rate have helped build confidence in monetary institutions and anchor inflation expectations. The authorities' EU commitments and their euro adoption target have provided a strong fiscal anchor. Banking supervision has been fully compliant with EU laws and directives. Its institutional framework has been buttressed by the unification of financial supervision and the creation of the Financial Stability Committee.

"Despite very strong fundamentals, Poland's economy is now facing the risk of spillovers from the global crisis through both the real and financial sector channels. Exports have contracted and economic activity has slowed in early 2009, reflecting a deep recession in its main trading partners. A sharp slowdown in credit growth is underway as banks have begun to tighten credit criteria. Nonetheless, Poland has maintained access to international capital markets.

"The authorities have responded in a timely and effective manner to the global downturn. They have embarked on a monetary loosening cycle, and stand ready to cut rates further if downside risks to the economy materialize. Financial sector stability has been safeguarded, through liquidity provision and intensified surveillance. Despite the slowdown in growth, the authorities remain committed to the 2009 state budget, primarily by cutting expenditure at the state level. They reaffirmed their full commitment to strengthen the medium-term fiscal framework to maintain a sustainable path for public debt.

"The Executive Board considered that a precautionary arrangement under the Flexible Credit Line (FCL) for Poland would play an important role in supporting the authorities' policy response, boosting market confidence, and placing Poland in a better position to manage adverse developments. The FCL arrangement for Poland will also have a positive regional impact," Mr. Lipsky said .

Poland joined the IMF on June 12, 1986; its quota is SDR 1.36 billion (about US$2.06 billion). The country's latest use of Fund resources was under a Stand-By Arrangement that expired on March 4, 1996.