

## Will Poland and Ukraine score with EURO 2012?

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EURO 2012 investments helped to boost investments in both countries

EUR 30.2 bn invested whereof approx. 90% spent on infrastructure in Poland & Ukraine

1 million tourists expected to attend the matches, bringing in total at least EUR 800mn to both countries

EURO 2012 expected to contribute an additional 2% to Polish GDP growth between 2008 – 2020

### Quantifiable Effects of the Euro 2012

	Poland	Ukraine
Investment in EURbn (over 5 yrs.)	19.8	10.4
in % of GDP	5.2	9
Employment effect in tsd.	20 - 30	69
in % of labour force	0.11 - 0.17	0.31
Number of visitors in tsd.	500 - 700	500
Average tourist expenditures in EUR	800	800
Total tourist spending in EURmn	400 - 560	400
% of GDP	0.11 - 0.16	0.32
Overall long-term GDP increase	1.4-2.7%	

Source: Erste Group Research

Poland and Ukraine have spent EUR 30.2 bn on infrastructure and sports venues in total, resulting in high capital investments growth (9% for Ukraine and 8.5% for Poland) and softening the negative effects of the financial crisis. Roughly a million tourists will come to watch the matches, each staying for an average 3-4 nights and spending around EUR 800. In addition the host countries will be left with significantly improved infrastructure.

### Poland's heavy infrastructure investments could boost foreign direct investment

86% of Poland's EURO 2012 investments of EUR 19.8bn (5.2%

of GDP) were related to the transport infrastructure modernization (roads, urban transport, railways and airports). Poland, which had the fourth lowest density of motorway networks in the EU, has improved its transportation system, which will likely increase the efficiency and productivity of domestic producers. "This can attract more foreign direct investments, as the poor infrastructure used to be the most important factor that was discouraging investments in Poland", explained Birgit Niessner, Chief Analyst Macro/Fixed Income CEE at Erste Group. Consequently, the investments should help to bring the unemployment rate to the government target of 12.3% at the end of 2012. "Additionally, the organizers managed to reduce the share of investments in sports infrastructure to below 10%, which is very important, as the huge capacity of sports venues has proven to be the biggest problem organizers usually struggle with after such a large-scale event", concludes Niessner.

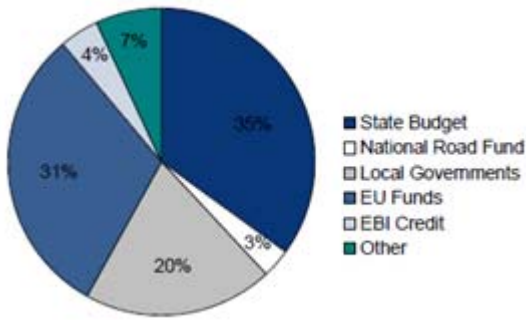
### Only modest increase in tourism

According to Erste analysts, there won't be a significant increase in the number of visitors to Poland due to the championship - the 500-700 thousand additional tourists compares to the regular annual increase the country has been witnessing (13.1 mn tourists in 2011 from 12.4 mn in 2010). "The overall effect of tourism-related benefits will probably be short-lived, only helping to cover extraordinary costs (e.g. security measures). As for long-term effects, they are even more disputable in our view", explains Niessner when arguing why she sees the EUR 800 visitor expenditure per person as more realistic than the EUR 1,000 expected by Poland. "On the other hand, if Poland makes it - with a little bit of luck - to a medal position, this would be reflected in the real economy, increasing consumer confidence and household consumption, thus spurring economic growth."

### Financing structure of investments

#### Lower EU funds transfer in 2013 may lead to rate hikes

31% of all investments were financed via EU funds, helping to increase the net EU funds transfer from 0.9% of GDP in 2009 to 2.4% in 2011. "This figure should decline to 0.9% in 2013, which could influence the FX rate and, in an extreme scenario, Monetary Policy Council (MPC) decisions as well. The government widely used the exchange of these funds to support the zloty if necessary, exchanging them either at the central bank or on the market. Should these exchanges cease, the MPC will



Source: Poland Ministry of Sport and Tourism

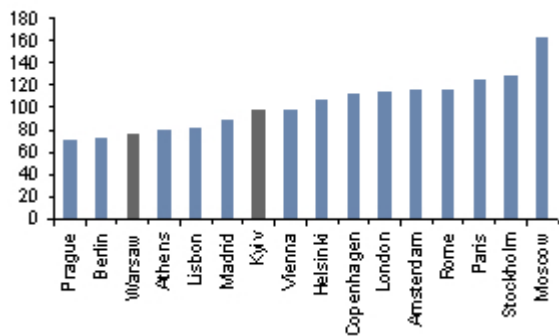
remain alone in its struggle for a stronger zloty and may be tempted to hike earlier”, foresees Niessner.

### Ukraine’s transport infrastructure took lion’s share of total expenditure

In total the country has spent 9% of GDP from 2008 to 2012 to prepare for EURO 2012, generating employment for 69,000 people per year. 85% of all expenditures were spent on badly needed infrastructure: “Changes to transport and sports infrastructure were long overdue and can hardly be seen as creating overcapacity just for the wellbeing of tourists. Completely new airport terminals were built in each hosting city, including new runways in all cities except Kyiv. The roads connecting the biggest cities have been completely renovated.

For example, the 540 km distance between Lviv and Kyiv used to be covered by trains with trips taking 7-10 hours. The imported Korean trains will be travelling at 180 km per hour on newly built railroads, which is a huge leap for Ukraine. Municipalities greatly expanded their transport inventory, mainly with locally manufactured large buses,” explains Niessner. “The investment may not have been done if not for the event. Moreover, it is highly likely that construction companies and municipalities will keep on lobbying for continuing expenditures after the championship ends.”

### Hotel stay in the Ukraine is more expensive than in Poland (average hotel prices in GBP)



Source: The Hotel Price Index

### Expensive hotel rates may deter tourists

Ukraine has been much criticized for its high room rates, which could discourage football tourists and decrease tourist inflow. “Currently, hotel prices in Ukraine, especially during football matches, are extremely high. This is a result of the tough construction permit process, which limits the number of hotels. Among the arriving football teams, only two chose Ukraine as their base, due to high rent prices.”

### Getting world public to love Ukraine will be a tricky game

Ukraine is also facing some tough public relations challenges and this will make it difficult to create a positive public image. “There is an image problem on the political side: Several European politicians have decided not to visit Ukraine in protest to the sentencing of Yulia

Tymoshenko. However, once the championship starts we expect the games to acquire a dynamic of their own and supersede political discussions.”

[EURO Champion 2012 \[pdf; 147.7 KB\]](#)