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The stability of the Polish financial system after the turn of the transformation

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Abstract

The financial system plays a key role in the functioning of the market economy. Since the turn of the transformation in Poland, the national financial system is immune to disturbances. There has been its destabilization, even though at various times in addition to the ongoing phenomena of varying intensity positively affecting the stability of the financial system, there have also occurred the processes proving the increasing risk of certain types of risks, and even negative effects of the conditions were observed. It was not internal situation of the institution of the financial system that caused significant threats to the stability of it. Good overall financial situation of the system is not spoiled by the risks arising from the deterioration of prospects for the Polish economy and its external environment (the global economic and financial crisis, the macroeconomic situation in the EU countries and the developed countries not belonging to the EU, including the economic slowdown in the main economic partners of Polish).

Keywords: financial system, financial system stability, risk (threat) for the stability of the domestic financial system

1. Introduction

The author suggests a synthetic evaluation of the financial system in Poland from the point of view of its stability. The financial system is in fact an integral part of the economic system, and this – a part of the social system.

The evaluation covers the period from the turn of the transformation in Poland, which took place in 1989 to May 2015. End of the timeframe of the assessment was determined by the availability of data that have been obtained from reports on the stability of the Polish financial system drawn up by the central bank in Poland – National Bank Polish (NBP).

2. The financial system - the concept and role in a market economy

In a market economy the financial system plays a key role in its functioning, especially the mechanism by which the service is liberating purchasing power. The financial system is formed by those here are closely linked and mutually conditioning elements: financial institutions, financial instruments, financial markets and infrastructure and the rules governing

their operations¹. According to a more synthetic definition ingested in reports, NBP financial system consists of: financial institutions, financial markets and various types of regulation (laws and downstream) forming links between financial institutions and markets². It has been observed that the importance of the financial system in the economy is growing steadily since the late 1970s. and the substrate that is liberalization and deregulation of financial markets involving the gradual abolition of administrative barriers restricting competition in world markets and risk of mitigation of standards in the activities of financial institutions. The development and smooth operation of the financial system is essential for the real economy and consequently for economic growth and social welfare.

The term: stability of the financial system (financial stability) is not clearly defined, both in the scientific literature as well as in official publications from banks in the world³. NBP assumes that the stability of the financial system means a situation in which the financial system as a whole does not tend to sustained lack of liquidity and – in extreme cases – to insolvency⁴. Therefore this is a condition in which the system performs all its functions in a continuous and efficient, even when unexpected and adverse disturbances occur on a significant scale⁵. The stabilization of the financial system is no risk of a currency crisis (lack of confidence in the currency) and financial (usually understood as the emergence of strong interference in the system of financial intermediation, causing dislocations in the real economy is a consequence of a lack of confidence in the stability of the whole or parts of the financial system of the economy)⁶. Of particular importance for the stability of the financial system is maintaining the stability of the banking system, and this is due to the role that banks play in financing the economy and settlement of payments. Limiting foreign investors' confidence to the financial system in the country may lead to their withdrawal from transactions with domestic entities⁷. The stability of financial systems has at different times and in different degrees been the focus of central banks. Accelerated (for some time being) globalization of financial markets has caused primary importance of the stability of the financial system since the mid 1990s. On the basis of the studied publication it states that the stability of the financial system has direct interrelation with the functioning of the entire economy. It depends on internal factors (inherent in the system) and external (non-systemic), which are divided into domestic and foreign ones⁸.

¹ See Szczepańska O.: *Stabilność finansowa jako cel banku centralnego*. Wydawnictwo Naukowe SCHOLAR, Warsaw 2008, p. 13-14.

² Raport o stabilności systemu finansowego styczeń 2000 – czerwiec 2001. Ed. M. Gołajewska, R. Kokoszczyński, Z. Polański. NBP, Warsaw, December 2001, p. 7: www.nbp.pl (accessed: 28.09.2015).

³ See. Szczepańska O.: Op. cit., p. 13, 18-22, 28, 33-38.

⁴ Raport o stabilności systemu finansowego styczeń 2000..., op. cit., p. 7.

⁵ Raport o stabilności systemu finansowego czerwiec 2008. Ed. J. Osiński, P. Szpunar, D. Tymoczko. NBP, Warsaw 2008, p. 3: www.nbp.pl (accessed: 28.09.2015).

⁶ Raport o stabilności systemu finansowego 2003. Ed. J. Osiński, A. Sławiński, P. Wyczański. NBP, Warsaw, May 2004, p. 7: www.nbp.pl (accessed: 28.09.2015).

⁷ Raport o stabilności systemu finansowego czerwiec 2008. Op. cit., p. 3, 10.

⁸ Raport o stabilności systemu finansowego styczeń 2000..., op. cit., p. 7-8.

3. The analysis of the stability of the financial system in Poland

The market financial system in Poland began to develop in a consistent manner since the late 1980s. Since that date, over the years, namely 1990s, within ten years of systemic transformation, made his jumping development. Despite the fact that the financial system was still lower than in developed countries, its size and the supply and quality of services significantly increased, which resulted from the process of reforming banks and other financial institutions. Throughout the analyzed period, the main link in the Polish financial system was the banking sector⁹.

Although at various times throughout the analyzed period phenomenon of positively affecting the stability of the financial system occurred with varying intensity, as well as processes increasing the risks of certain types, and even the negative effects of circumstances were felt, it did not destabilize the domestic financial system – in terms of its resistance disorders. Significant threats to the stability of the financial system do not reflect internal situation of its institutions (banks and others), at the most their financial results deteriorated. The unexpected downturn (slowdown in growth) in 2001-2002 caused a decline in the pace of development of the financial system, but they grew faster than the overall economy. Share of non-bank financial institutions in the financial system rose, however, continued to dominate the banking sector. In the negative effects of recession were felt in the first half of 2003. But was not analyzed undermined the stability of the system and did not appear systemic risk¹⁰. In 2003 economy began a phase of recovery¹¹, and in 2004 it grew even faster, which positively affected the stability of the financial system. Improvement of the situation of the real sector, especially businesses, meant to improve the operating conditions of the financial system. This was reflected in improved indicators describing its stability, which referred to all elements of the system, especially banks as the institutions most important to preserve the stability of the whole. Strengthening stability of the financial system was significantly affected by actions of the banks themselves, such as restructuring, reduction of operating costs, improvement of quality of risk management, technical modernization, including introduction of integrated information systems¹². In the period from 2003 till the turmoil in the global financial market in the second half of 2007 short-term risks to the domestic financial system remained at a low level (only in 2003 certain risk increased). This resulted mainly from a good macroeconomic situation, good financial situation of enterprises and households, which led to the increase in domestic demand, and financial sector development. It's all a positive effect on the stability of the domestic financial system. Non-bank financial institutions became an increasingly important part of the financial sector. The trends observed in the financial markets abroad have not been a source of significant threats to the stability of the financial system¹³.

⁹ Ibid., p. 5-6, 8.

¹⁰ Raport o stabilności systemu finansowego czerwiec 2001 – grudzień 2002. Ed. J. Osiński, A. Sławiński, P. Wyczański. NBP, Warsaw, August 2003, p. 5-6: www.nbp.pl (accessed: 28.09.2015).

¹¹ Raport o stabilności systemu finansowego 2003. Op. cit., p. 5.

¹² Raport o stabilności systemu finansowego 2004. Ed. M. Gołajewska, J. Osiński, P. Wyczański. NBP, Warsaw, July 2005, p. 5-6: www.nbp.pl (accessed: 28.09.2015).

¹³ Raport o stabilności systemu finansowego 2005. Ed. J. Osiński, P. Wyczański. NBP, Warsaw, June 2006, p. 5-6: www.nbp.pl (accessed: 28.09.2015); Raport o stabilności systemu finansowego 2006. Ed. J. Osiński, D. Tymoczko, P. Wyczański. NBP, Warsaw, May 2007, p. 7-9: www.nbp.pl (accessed: 28.09.2015); Przegląd stabilności systemu finansowego – I półrocze 2007 r. Ed. A. Głogowski, M. Gołajewska, D. Tymoczko. NBP, Warsaw 2007, p. 3-4: www.nbp.pl (accessed: 28.09.2015).

Good financial system in Poland was not collapsed by the severe crisis in global financial markets that began in August 2007, although that caused an increase in short-term and medium-term risks to its functionality. That was because the financial crisis triggered the economic crisis in the real economy. In its wake the situation in the world's major economies deteriorated, including the main Polish trade partners (economic slowdown), which was a source of danger of falling export demand, and thus worsening outlook for economic growth in our country. Moreover, significant changes occurred within the financial institution sector, especially in the banking sector, which could have negative consequences for financial stability in the future¹⁴. The increased risk in the financial system has created challenges for public institutions maintaining the stability of the financial system. 21.12.2007 the Minister of Finance, President of the NBP and the Chairman of the Financial Supervision Commission (KNF) signed an Agreement on cooperation in support of stability of the domestic financial system. At its agreement was established the Financial Stability Committee (KSF), which aims to ensure effective cooperation to promote and maintain stability of the domestic financial system, including coordination and exchange of information among the parties to the Agreement. Since October of 2008 NBP and the government have taken actions to sustain the economic growth during the global financial crisis and recession in developed economies¹⁵. The global economic and financial crisis has caused a significant deterioration of the macroeconomic situation and the operating conditions of the financial system in Poland at the turn of 2008 and 2009, but even though, our economy has proved more resilient than others in the EU. Shortly thereafter, though this crisis is still strongly influenced the Polish economy, it has been accelerating its growth, therefore the outlook for domestic economic situation and reduced uncertainty about the future economic situation perceived by traders¹⁶.

This does not mean that risks have disappeared in a foreign environment, due to their source which was the macroeconomic and financial situation in other countries. It must be remembered that the Polish financial system is functioning in an increasingly integrated international environment, and global demand has been subject to considerable uncertainty. Foreign risk factor was the development of the macroeconomic situation in the EU countries and the developed countries not belonging to the EU. In the aftermath of the global crisis the interdependence among macroeconomic trends, the situation of financial institutions and the situation of public finances in these countries has increased. In most developed countries the crisis has brought recession, disturbances in the functioning of financial markets, the increase in public deficits compounded by the necessity of financial support to banks by governments and increasing the expansionary fiscal policy stance in the fight against recession. From the second half of 2009. Situation on global financial markets was improving and therefore reduced the investment risk. The macroeconomic data indicate that in the second half of 2009. Also ended a period of recession in most countries, followed by the recovery, but the pace of economic growth in the euro area remained low. Since September of 2009 the forecasts of global economic growth also improved. This optimistic assessment of economic prospects and low interest rates in major

¹⁴ Raport o stabilności systemu finansowego czerwiec 2008. Op. cit., p. 7-10; Przegląd stabilności systemu finansowego październik 2008. Ed. J. Osiński, P. Szpunar, D. Tymoczko. NBP, Warsaw 2008, p. 7-8: www.nbp.pl (accessed: 28.09.2015).

¹⁵ Raport o stabilności systemu finansowego czerwiec 2008. Op. cit., p. 11; Przegląd stabilności systemu finansowego październik 2008 r. Op. cit., p. 10-12; See. Raport o stabilności systemu finansowego czerwiec 2009 r. Ed. P. Szpunar. NBP, Warsaw, June 2009, p. 12-16: www.nbp.pl (accessed: 28.09.2015).

¹⁶ Ibid., p. 7-8; Raport o stabilności systemu finansowego grudzień 2009 r. Ed. P. Szpunar. NBP, Warsaw, December 2009, p. 7-8: www.nbp.pl (accessed: 28.09.2015).

economies of the world resulted in an increase in capital inflows on the financial markets of countries with so-called growing economies¹⁷, seen by the end of the first quarter of 2010. A preferred phenomena taking place in the second half of 2009 accompanied by the intensification of fiscal problems in some euro area countries (the high level of public debt and deficit of public finances) – later it was even said there was a danger of escalation of the crisis in public sector debt. The difficult budgetary situation has become a source of uncertainty for the economic situation and the situation on financial markets, despite the global economic trends indicating a recovery. The increase concerns about the long-term solvency of some countries (particularly Greece) and the resulting increase in aversion to risk-taking investment have increased volatility in financial markets. Although the EU and international organizations took actions to reduce concerns about the solvency of some countries that lowered their risk of re-global recession, but the implementation of corrective programs were fraught, with considerable uncertainty. In the event of their failure it was possible there will follow an increase in risk aversion and the occurrence of disturbances in financial markets, which in turn could pull together an economic slowdown and the capital flowing away from emerging economies. Despite appropriate risk reduction measures for the stability of the global financial system, it remained at an elevated level¹⁸.

Since the second half of 2011 there could be observed a deterioration in prospects for the Polish economy and its external environment. Forecasts pointed to a significant slowdown in economic growth in Poland by 2014 which – as expected – should not jeopardize the stability of the domestic financial system¹⁹. One of the reasons for the projected economic slowdown, refer to the completion of the investments related to EURO 2012. Moreover, pervasive information about the crisis led to increased propensity to save and a drop in consumption in a more prudent budgeting. According to the Ministry of Finance in 2013 public debt was supposed not to exceed 55 percent prudential threshold (in fact exceeded it)²⁰, but it was realized that the government will not be able to run the funds through borrowing, as he had done in previous years. Moreover we observed distinguishing feature of Polish companies, which is the ability to adjust to the market situation. Therefore, they needed to treat global crisis as a spur to action, seek innovative

¹⁷ Term emerging economies or emerging markets determines a new group of national economies accelerated development in South-East Asia, Latin America and Central and Eastern Europe: Jantoch-Drozdowska E.: Korporacje transnarodowe w procesie globalizacji. „Ruch Prawniczy Ekonomiczny i Socjologiczny” 2006, Vol. 2, p. 157.

¹⁸ Raport o stabilności systemu finansowego lipiec 2010 r. Ed. P. Szpunar. NBP, Warsaw 2010, p. 8-11: www.nbp.pl (accessed:28.09.2015); Raport o stabilności systemu finansowego. Grudzień 2010 r. Ed. P. Szpunar. NBP, Warsaw, December 2010, p. 8-10, 12: www.nbp.pl (accessed: 28.09.2015); Raport o stabilności systemu finansowego. Lipiec 2011. Ed. P. Szpunar. NBP, Warsaw 2011, p. 7: www.nbp.pl (accessed: 28.09.2015); Raport o stabilności systemu finansowego. Grudzień 2011 r. Ed. P. Szpunar, A. Głogowski, M. Gołajewska. NBP, Warsaw 2011, p. 8: www.nbp.pl (accessed: 28.09.2015).

¹⁹ Ibid.; Raport o stabilności systemu finansowego. Lipiec 2012 r. Ed. P. Szpunar, A. Głogowski. NBP, Warsaw 2012, p. 8: www.nbp.pl (accessed: 28.09.2015); Raport o stabilności systemu finansowego. Grudzień 2012 r. Ed. P. Szpunar, A. Głogowski. NBP, Warsaw 2012, p. 8: www.nbp.pl (accessed: 28.09.2015); Raport o stabilności systemu finansowego. Lipiec 2013 r. Ed. P. Szpunar, A. Głogowski. NBP, Warsaw, July 2013, p. 9: www.nbp.pl (accessed: 28.09.2015); Cf. Wyżnikiewicz B., Fundowicz J., Lada K., Łapiński K., Peterlik M.: Stan i prognoza koniunktury gospodarczej In: Kwartalne prognozy makroekonomiczne. February 2013, No 77. IBnGR. Oddział w Warszawie, p. 1-5: www.ibngr.pl (accessed: 28.09.2015).

²⁰ Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), World Economics Outlook (WEO), International Financial Statistics (IFS): portal.euromonitor.com (accessed: 28.09.2015).

solutions and well-analyze its strategy and business plans²¹. NBP macroeconomic projection of November 2013 pointed to the acceleration of economic growth in Poland in 2014-2015 (compared to 2013) and to a delayed reaction to the labor market (predicted 2015 the increase in employment and decrease in the unemployment). It was believed that this delayed reaction probably will reduce the profitability of financial institutions for some time after the acceleration of economic growth²².

Since the second half of 2011 there still remained a high uncertainty about global economic development, including the scale and duration of the economic slowdown in major Polish economic partners. The main risk factor for the stability of the Polish financial system was the development of the situation in the EU countries (largely unstable condition of the eurozone) and highly developed countries which are not members of the EU, since 2012 onwards, in fact economic growth decreased. The uncertain macroeconomic outlook, which increase the risk of economic slowdown in the world, along with budget problems in some EU countries (the severity of the debt crisis) caused the persistence of tensions in global financial markets. A reduction of such tensions can contribute to the use of stabilization mechanisms operating in the EU. Work began on the project of an integrated European banking supervision, having to cover of the euro area countries first. Such surveillance would allow the use of the means to make the financial situation of banks independent of on the budgetary situation of countries in which they operate. If actions did not lead to lasting regain investor confidence by countries with difficult budgetary situation, it is possible escalation of negative feedback, in which the mutually reinforcing concerns about the solvency of countries and financial institutions will re-slowdown in economic growth, decrease the liquidity of financial markets, the outflow of capital and difficulties in refinancing the debt by financial institutions²³.

Forecasts of economic growth in the world economy (particularly in the euro area) in 2013-2014 were gradually lowered. Thus, the prospects of further deterioration underwent environment of the Polish economy, which affects the conditions of the financial system. Despite the weak outlook for economic growth, the continuing fiscal crisis and significant capital needs of banks in some euro area countries, the financial markets optimism strengthened. Stabilization of the situation on the financial markets favored expansionary monetary policy of major central banks. The most likely scenario for the global economy was a gradual acceleration of economic growth, but moved away in time. Despite the considerable resistance of Polish financial system, low growth prospects and the persistence of the debt crisis in the euro zone, caused increased risks to the stability of the domestic financial system²⁴. In the second half of 2013 the outlook of the Polish economy environment improved. However, the developed in the autumn of 2013 GDP growth forecasts for the global economy (particularly in the euro area) for 2014-2015, have not changed significantly. Compared with previous expectations most likely scenario for the world economy, which is a gradual acceleration of economic growth, was even further postponed. The most important risk factor for the stability of the Polish financial system has become a boom in

²¹ Reach the Central and Eastern Europe. What makes companies invest in Poland? ConQuest Consulting, Warsaw 2013, p. 56: www.conquest.pl (accessed: 28.09.2015).

²² Raport o stabilności systemu finansowego. Grudzień 2013 r. Ed. P. Szpunar, A. Głogowski. NBP, Warsaw 2013, p. 10: www.nbp.pl (accessed: 28.09.2015).

²³ Raport o stabilności systemu finansowego. Grudzień 2011 r. Op. cit., p. 7-10; Raport o stabilności systemu finansowego. Lipiec 2012 r. Op. cit., p. 7-11; Raport o stabilności systemu finansowego. Grudzień 2012 r. Op. cit., p. 7-11.

²⁴ Raport o stabilności systemu finansowego. Grudzień 2013 r. Op. cit., p. 8-9.

the environment of the Polish economy. On the other hand the importance of national risk factors associated with a less favorable situation of some financial institutions proved to be smaller²⁵. Due to circumstances associated with the global economic situation since the second half of 2011 in the Polish banking sector was present the risk of ownership changes²⁶. In the view of the identified adverse international factors affecting the Polish situation, a positive fact was the relatively good condition of the German economy as one of the most important Polish trade partners²⁷.

In the period from December 2013 until the end of May 2014 perspectives functioning of the national financial system improved. The results of stress tests, which examines the sensitivity of banks operating in Poland, the occurrence of extremely adverse conditions, confirmed the high banks' resilience to the effects of even strong economic slowdown and market turbulence. The situation of the banks – the largest segment of the financial system – generally remained good and stable. Since 2008 – the beginning of the global crisis, no bank in Poland found itself in a situation which would require a recapitalization by public funds. It was assessed that ownership changes may lead to increased concentration in the banking sector (the problem of institutions "too big to allow their bankruptcy"). More difficult was the situation in capital unions equities (CU), but their meaning (limited scale of operations and small relationship with the rest of the financial sector) in the Polish financial system remained low, and therefore did not affect the stability of the financial system. On good level remained the situation of non-credit financial institutions (insurance companies, pension funds, investment funds). Due to the nature of the services provided and the traditional nature of products and investments, these institutions do not cause risks to the stability of the entire financial system. In addition, the relationship between them and the banks were small. It identified significant sources of risk to the financial system of non-economic nature: legal risks, including those related to administrative procedures and litigation (depreciation of the zloty and the associated increase in the burden repayment of foreign currency loans) and operational risk, particularly in the area of ICT (exposure to crashes and cybernetic attacks). Although growth forecasts for the world economy for the years 2014-2015 (especially in the euro area) have not changed significantly, the likelihood of recurrence of strong slowdown in developed economies declined. This resulted in a reduction of risk to the stability of the domestic financial system. However, re-stagnation in main Polish trade partners could not be ruled out. It was emphasized that among other things, the EU's economic situation may affect the severity of the conflict between Russia and Ukraine. However, the data for the euro area indicate that since the second quarter of 2013 GDP grew, albeit at a low rate, due to the decline in economic growth of large emerging economies and low economic activity part of the large economies of the euro area. Situation of the Polish economy was - accelerated economic growth, and no imbalance on this scale (which might endanger the prosperity and security of the operation of financial institutions). On the commercial real estate market excess supply increased, but it was not a threat to the stability of the domestic financial system, since most of the projects were financed by foreign entities. All in all, improving economic growth prospects and high

²⁵ Ibid., p. 9-13.

²⁶ Raport o stabilności systemu finansowego. Grudzień 2011 r. Op. cit., p. 10-11; Raport o stabilności systemu finansowego. Lipiec 2012 r. Op. cit., s. 11; Raport o stabilności systemu finansowego. Grudzień 2012 r. Op. cit., p. 11-12; Raport o stabilności systemu finansowego. Lipiec 2013 r. Op. cit., p. 15; Raport o stabilności systemu finansowego. Grudzień 2013 r. Op. cit., p. 15.

²⁷ Reach the Central..., op. cit., p. 56.

resistance of key segments of the domestic financial system disorders, contributed to reducing risks to the stability of the domestic financial system. It was then rated as moderate²⁸.

In the next six months (from June to the end of November 2014) uncertainty about macroeconomic developments in the Polish neighbouring countries' economies increased, mainly in the countries which are main Polish trade partners. However, the resistance of the domestic financial system to the materialization of identified risks was still high, as confirmed by the stress tests of banks. The economic environment of the Polish financial sector was not a significant source of risk for its stability, despite the fact that there has been no improvement expected in the immediate environment of the Polish economy. The growth rate of the world economy was fairly moderate, forecasts pointed to gradual recovery in the Polish economy, but slower than expected earlier and subject to greater uncertainty. Factors that hinder the economic recovery in the euro zone were among others: structural problems unsolved problem of high public and private indebtedness, and large budget deficits in some countries, low inflation, uncertainty about the economic impact of mutual EU and Russia sanctions in connection with the ongoing Russo Ukrainian conflict. It should be noted that the risk aversion in emerging markets increased. The Polish economy recovery continued, and economic growth was sustainable and what was important in the face of increased uncertainty in the environment of the Polish economy. Continuing favorable trends in the labor market (mainly increase in employment and wages), a good financial condition of enterprises, improving situation of public finances, functioning domestic money market, stable zloty to the euro, remaining steady the residential real estate market. In contrast to the banking sector remains fragile situation remained unions. The situation of non-credit financial institutions remained stable. Though uneconomical risks were still present, mainly legal and operational ones²⁹.

According to the latest available data for the period from the end of 2014 till the end of May 2015, the situation abroad and in Poland improved. The recovery in the global economy, recorded in the last quarter of 2014 imprinted, but there were differences between countries and regions. Visible acceleration of GDP growth in the euro zone, as the most important for the Polish area, resulted in an increase in economic activity in Central and Eastern Europe. Uncertainty factors were: problems of geopolitical broader implications of developments in Greece and scale of a possible increase in risk aversion in global financial markets, the possibility of a faster than expected withdrawal of the largest central banks of loosening monetary policy, which could lead to restrictions on investment in emerging markets. Whereas financial stability was conducive to stable economic growth in Poland, because there were no imbalances in the domestic economy that might threaten economic growth and security of the operation of financial institutions. Only commercial real estate market still increased excess supply, but as before it was not a threat to the stability of the domestic financial system due to the funding of most of the projects by foreign entities. For a long time interest rates remained low. These trends were not a significant problem for the stability of the domestic financial system, as is evidenced by still favorable results of stress tests. NBP pointed out that factor that may negatively affect the stability of the financial system (especially the banking sector) and on economic growth, can be a realization of certain projects during the election campaign. In Poland continued favorable trends,

²⁸ Raport o stabilności systemu finansowego. Lipiec 2014 r. Ed. P. Szpunar, A. Głogowski, M. Gołajewska. NBP, Warsaw, July 2014, p. 9-17: www.nbp.pl (accessed: 16.09.2015).

²⁹ Raport o stabilności systemu finansowego. Styczeń 2015 r. Ed. J. Osiński. NBP, Warszawa, January 2015, p. 8-14: www.nbp.pl (accessed: 16.09.2015).

mainly in the labor market and in the financial health of the corporate sector, as well as related to the process of reducing the budget deficit and improvement in external balance. Given the structure of the financial system, a risk associated with the portfolio of foreign currency loans (but the scale of threats decreased) was still present, as well as lasting longer tendency to increase market concentration and the creation of "too big to fail institutions". As before, the situation remained unchanged for non-credit financial institutions and credit unions (in Polish SKOK)³⁰.

4. Conclusion

In the analyzed period Polish financial system functioned stably. This means that the entire system, not just the individual elements, worked properly. A key feature was its banking system, which means that the scale of systemic risks was crucially determined by that. The analysis found a high resistance of Polish banking system to the effects of strong economic slowdown and market turbulence. Difficulties of credit unions, as an insignificant element of the Polish financial system, do not cause interference in its functioning. But here arises the need to request changes in the cooperative banking model – in terms of effective restructuring of credit unions.

The stability of the financial system depends on its environment – both domestic and foreign. It seems that the Polish financial system was more influenced by the conditions in the international environment. They generated recurring risk factors, which related primarily to developments in countries that are major Poland's trading partners. Despite a series of threats to international environment of the Polish economy they did not endanger the stability of the financial system.

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³⁰ Raport o stabilności systemu finansowego. Lipiec 2015 r. Ed. J. Osiński. NBP, Warsaw, July 2015, p. 8-14: www.nbp.pl (accessed: 16.09.2015).

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