

Overview: This week, our guest writer Sophia Huda explains how Poland’s spate of landfill fires is a symptom of the EU’s uncontrollable garbage problem.

Waste not, want not

By: [Sophia Huda](#), *Freelance Consultant in Waste Management*

At the beginning of this year, China implemented a new policy called “National Sword”, which puts restrictions on waste imports by banning certain materials and putting in place contamination restrictions on other materials. China has long been the world’s rubbish bin – in 2016, the rest of the world exported [28.6 million tonnes](#) of paper and 8.5 million tonnes of plastic waste to the country, out of which the European Union (EU) alone accounted for roughly 8 million tonnes and 1.6 million tonnes respectively. Otherwise put, Europe was shipping 13% of its paper waste and 60% of its plastic waste across the world to be dealt with. So, while Europe was vaunting its high recycling rates, the reality is that a good chunk of its waste was being sent overseas.

Sending waste to another part of the world to be taken care of is a highly controversial practice. Firstly, it is not particularly sound from the environmental point of view – sending a used plastic bottle thousands of kilometres away to be recycled just adds to its total environmental footprint. Although the EU regulations require that exported plastic waste be recycled to the same standards as in the EU, [there is not a lot of oversight to ensure foreign recyclers are complying](#). Moreover, waste exported to China and other countries is [often sorted by informal workers operating under unsafe working conditions](#). Furthermore, it stands to reason – or at least in a perfect world it should – that we should only consume (and waste) as much as we can process.



Photo : [cloud2013](#), flickr

Unfortunately, the immediate reaction to the Chinese ban was not to address how much waste we produce but to find alternative markets for exporting European and North American waste. Those new markets include South East Asian countries like Vietnam and Indonesia who do not have the capacity to handle the tonnes and tonnes of waste paper

and plastic Europe, and the rest of the world, produces. As a result, after only a few months these countries have [already considered implementing their own version of National Sword](#) and Vietnam has halted all plastic waste imports for several months.

Another alternative market for waste happens to actually be in Europe itself, in Poland. The country has [recently been hit by a plague of landfill fires](#), suspected to be set to help companies avoid recycling rules and create more space for more waste. Poland's Interior Minister Joachim Brudziński [specifically pointed to China's waste ban](#) as a reason behind the illegal landfills and fires. Poland imports 400,000 tonnes of waste from its Western European neighbors every year, and is home to an estimated [120 illegal landfills](#). Organized crime, which has long had a hand in the waste management industry, has exploited the fact that Western European countries like Germany have higher landfill fees by importing thousands of tonnes of waste across Poland's western border and burying it in illegal landfills. Burning garbage can produce toxic smoke that is harmful to people's health and improperly managed landfills can seep toxic chemicals into the soil and groundwater sources, contaminating water and leading to potential health problems. This environmental and public health threat currently taking place in Poland is a symptom of our inability to consume less and thus produce less waste. It does not have to be like this, however. The Chinese waste restrictions are an ideal opportunity to invest in developing Poland's and other EU member states waste and recycling infrastructure and create a circular economy for Europe.

While the recycling infrastructure in Europe is generally better than that of North America – the EU recycling rate is 39%, with some countries like Austria with rates as high as 63%, while the US average is 34% – Europe still lacks the collection and sorting capacity to produce high quality paper and plastic recycle that can be used to manufacture new products. Fortunately, China's National Sword policy may actually provide a solution to that problem. The EU has set a 50% recycling target for all its member states by 2020 and the European Commission's Strategy on Plastic and its Circular Economy Package will help further boost demand for recycle. Along with the waste export restrictions, this will create a greater incentive to invest in the domestic recycling infrastructure to produce cleaner waste streams and feed the market for recycled materials.

But recycling should not be seen as a panacea. Ultimately, Europeans need to reduce their waste – which has always been the first priority in waste management – by reducing their consumption. The EU's [recent proposal to ban single use plastics](#) is one step towards reducing waste, but Europeans still produce nearly 60 million tonnes of paper waste, 88 million tonnes of food waste, and 10 million tonnes of electronic waste every year. As the European recycling industry waits for the effects of National Sword to level out, Europeans need to reckon with the amount of waste they produce and the sad fact that we humans continue to consume more goods and produce more waste than we know what to do with.



This week: The final CPI reading for May confirmed an increase to 1.7% from 1.6% y/y in April, mainly due to the hike in fuel prices by 5.6% m/m. According to the data published by the National Bank of Poland, the current account balance in April amounted to negative EUR 21 million, well above market expectations. The reason for this surprising outcome was a highly positive balance of trade in goods (EUR 314 million).

GDP (Q1 2018)

↑ 5.2% y/y

Up from 4.9% in Q4 2017

Unemployment (Apr 2018)

↓ 6.3%

Down from 6.6% in Mar 2018

Inflation (May 2018)

↑ 1.7% y/y (est.)

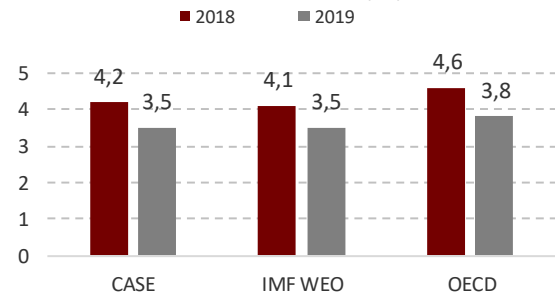
Up from 1.6% in Apr 2018

NBP Base rate

1.5%

From 2% in Mar 2015

Real GDP forecast (%)



This week: Russia's government wants to gradually increase the retirement age to 65 years old for men and 63 for women (from 60 and 55 respectively) due to the Russian budget being under pressure from a growing number of pensioners and decreasing workforce, Prime Minister Dmitry Medvedev said. Meanwhile, the government also proposed raising value added tax (VAT) to 20% from 18%, starting from 2019. According to the First Deputy Prime Minister Anton Siluanov, an increase could provide an additional EUR 8.29 billion a year to government revenue.

GDP (Q1 2018)

↑ 1.3% y/y (est.)

Up from 0.9% in Q4 2017

Unemployment (April 2018)

↓ 4.9%

Down from 5.0% in Mar 2018

Inflation (May 2018)

■ 2.4% y/y

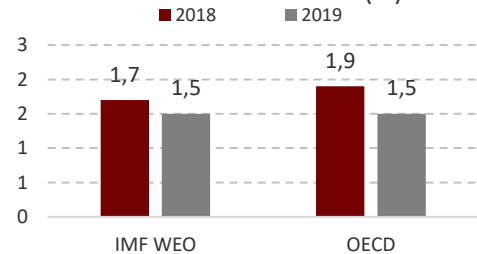
Unchanged since Mar 2018

CBR Base rate

7.25%

From 7.5% in Feb 2018

Real GDP forecast (%)



This week: On June 15th, Germany's central bank announced that it expected German GDP to grow by 2% this year, a significant climb-down from the 2.5% it forecasted in December. Despite the fact that the Bundesbank sharply downgraded its economic growth forecast for this year, it became more optimistic over the 2019 prospects, saying the present boom should not be adversely affected by the rising danger of a trade war with the US.

GDP (Q1 2018)

↓ 2.3% y/y

Down from 2.9% in Q4 2018

Unemployment (April 2018)

■ 3.5%

Unchanged since Mar 2018

Inflation (April 2018)

↑ 2.2% y/y

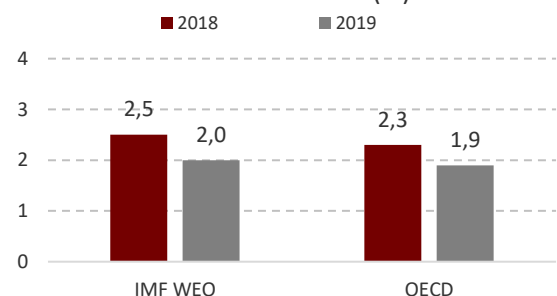
Up from 1.4% in March 2018

ECB Deposit rate

-0.4%

From -0.3% in Dec 2015

Real GDP forecast (%)





This week: According to the State Statistics Service of Ukraine, export of goods to the EU countries for the period of January-April 2018 increased by 26.6%, up to USD 6.629 billion, while imports of goods from the EU countries increased by 12.8% to USD 6.927 billion. Total Ukrainian deficit of trade in goods for the same period amounted to USD 1.423 billion, 1.5 times higher than the deficit for the same period last year (USD 968.6 million).

GDP (Q1 2018)

↑ **3.1% y/y**

Up from 2.2% in Q4 2017

Unemployment (Q1 2018)

↑ **9.9%**

Up from 8.9% in Q4 2017

Inflation (May 2018)

↓ **11.7% y/y**

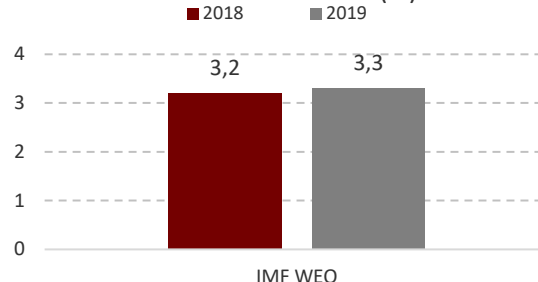
Down from 13.1% in Apr 2018

NBU Base rate

17.0%

From 16.0% in Jan 2018

Real GDP forecast (%)



This week: The Czech National Bank has decided to introduce new mortgage limits to mitigate risks connected with the expansion of bank loans and the probable miscalculations of risks by banks and clients. From October 1, 2018, the upper limit on the debt service-to-income (DSTI) ratio will be set at 45%, and an upper limit on the debt-to-income (DTI) ratio will be fixed at 9. In particular cases, banks will be able to exceed these levels for up to 5% of loans. At the same time, the CNB decided to increase the countercyclical capital buffer rate to 1.5%, with effect from July 1, 2019.

GDP (Q1 2018)

↓ **4.4% y/y (est.)**

Down from 5.5% in Q4 2017

Unemployment (Q1 2018)

■ **2.4% (est.)**

Unchanged since Q4 2017

Inflation (May 2018)

↑ **2.2% y/y**

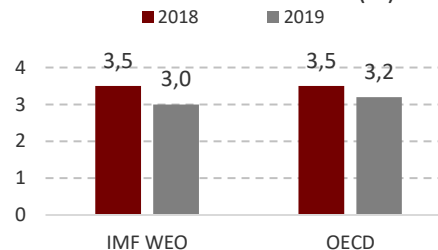
Up from 1.9% in April 2018

CNB Base rate

0.75%

From 0.5% in Jan 2018

Real GDP forecast (%)



This week: The Hungarian Minister of Foreign Affairs and Trade, Péter Szijjártó, announced that the government is preparing an action plan to make Hungary more attractive for investments. At the end of the month Mr. Szijjártó is to meet with Minister for Innovation and Technology, László Palkovics, to finalize the plan based on the proposals, which they will then forward to the government with the aim of improving the country's competitiveness.

GDP (Q1 2018)

↑ **4.7% y/y (est.)**

Up from 4.4% in Q4 2017

Unemployment (Q1 2018)

↑ **3.9%**

Up from 3.8% in Q4 2017

Inflation (May 2018)

↑ **2.8% y/y**

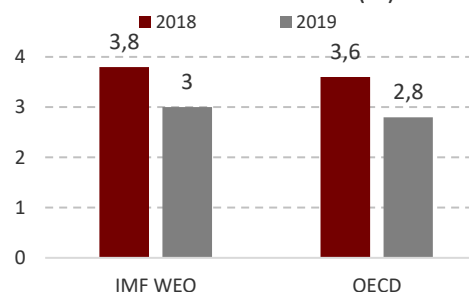
Up from 2.3% in Apr 2018

MNB Base rate

0.9%

From 1.05% in May 2016

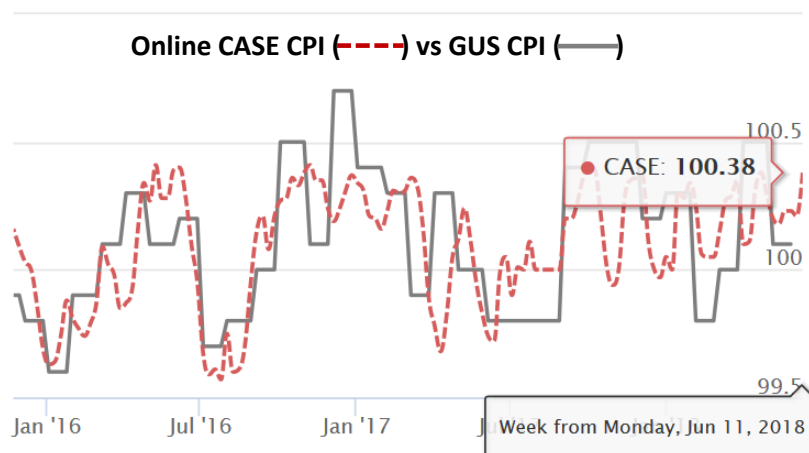
Real GDP forecast (%)



The weekly online CASE CPI

The online CASE CPI is an innovative measurement of price dynamics in the Polish economy, which is entirely based on online data. The index is constructed by averaging prices of commodities from the last four weeks and comparing them to average prices of the same commodities from four weeks prior. The index is updated weekly.

Our weekly online CASE CPI



Monthly CASE forecasts for the Polish economy

Every month, CASE experts estimate a range of variables for the Polish economy, including future growth, private consumption, and foreign trade, current account balance, and the CPI.

CASE economic forecasts for the Polish economy

(average % change on previous calendar year, unless otherwise indicated)

	GDP	Private consumption	Gross fixed investment	Industrial production	Consumer prices
2018	4.2	4.1	4.9	3.7	2.5
2019	3.5	3.6	3.3	3.8	2.3
	Nominal monthly wages	Merchandise exports (USD, bn)	Merchandise imports (USD, bn)	Merchandise trade balance (USD, bn)	CA balance (USD, bn)
2018	4.5	233.4	235.2	-1.8	-3.9
2019	3.7	242.7	244.6	-1.9	-4.1

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