

Metallurgical Sector in Poland

**Economic Information Department
Polish Information and Foreign Investment Agency**

Introduction

The metallurgical sector is one of the most crucial branches of industry in Poland. Production on the Polish metallurgical sector increased in the last 2 years and its further increase is forecast at least until 2015.

A majority, that is 23% of enterprises, has its registered office in the area of Śląskie Province.

In comparison to the national average, in the metallurgical sector very large enterprises prevail.

Metallurgical products represent an important position in Polish trading. However, an outflow of foreign investments was observed in this sector.

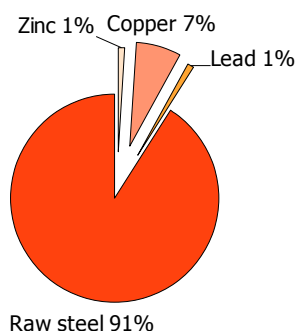
Description of the Polish Metallurgical Sector

Metallurgical industry is one of the most significant branches of processing industry that deals with preparation of extracted ores to receive pure metal thereof, refining of metals, their heat treating, chemical and heat treating (quenching, etc.), molding to give them specific shapes, and alloy production.

Metallurgical industry may be broken down in ferrous and non-ferrous metallurgy.

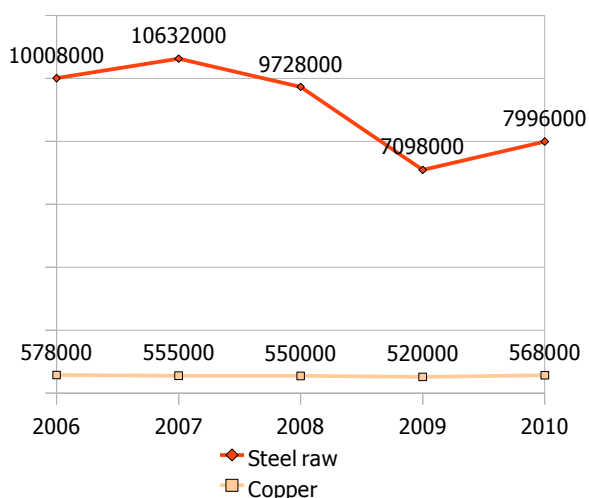
In Polish conditions a large majority of metallurgical production is constituted by steel (91%). Copper production is also noticeable (7%). The share of other metals in the sector amounts to 1%. Since 2009, upon shutting down of the aluminum works in Konin, Poland has no aluminum works in its territory.

:: Graph 1 Metallurgical sector structure in Poland



Source: Own work on the basis of GUS [Central Statistical Office]

:: Graph 2 Production of steel and copper in Poland in years 2006-2010



Source: Own work on the basis of GUS [Central Statistical Office]

In the first seven months of 2011 the production of steel increased by 7.2% which indicated continuation of a trend from 2010 (increase by 12.3%). Despite a production growth in the last two years, it did not return to the level from before the appearance of the crisis in 2009. The future development depends to a large extent on the condition in the automotive industry which is the key recipient of the Polish steel sector. An estimated production growth in this sector in years 2011-2015 amounts 5% a year¹. The increasing prices of electrical power which

constitute a large part of steel works costs constitute a significant threat. A higher excise duty on electricity entails lower competitiveness of Polish companies, in particular those applying EAF technologies.

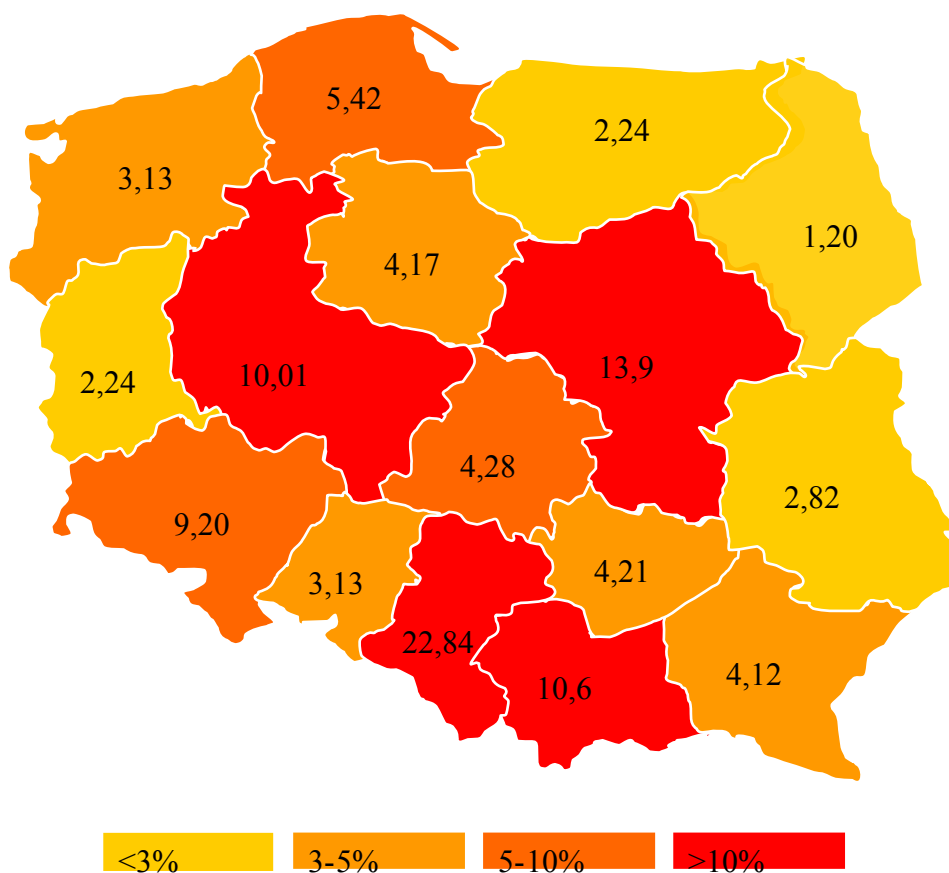
The copper sector in turn was more stable in the last two years, despite the condition of the world economy. Yearly production of this metal in Poland amounted to 550 thousand tonnes.

¹ Poland Metals Report – Q4 2011, BMI – Industry Forecast Scenario

Geographical Structure

By the end of quarter 3 of 2011, 1918 enterprises operated in the metallurgical sector in Poland². The largest majority of them was located in Śląskie Province (22.84%). A relatively high number of them was also located in Mazowieckie Province (13.9%), Małopolskie Province (10.6%) and Wielkopolskie Province (10.10%). The lowest share in turn was represented by Podlaskie Province (1.20%), Lubuskie Province and Warmińsko-Mazurskie Province (both 2.24%).

:: Graph 3 Number of entities running an activity related to the metallurgical sector
(as for quarter 2 of 2011)



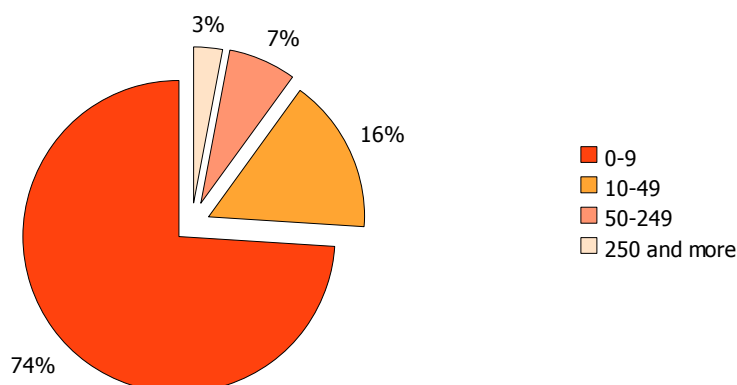
Source: Own work on the basis of GUS [Central Statistical Office]

Three quarters of enterprises operating in this sector is represented by micro-enterprises (having 9 employers). However, this percentage is significantly lower than the national average for all the enterprises (about 95%). This tendency is present also in other categories, that is the number of large-sized companies in the metallurgical sector is higher than average in the Polish economy. In the 10-49 range it constitutes 16% of companies (4% for the entire economy), in the 50-249 range it amounts to 7 % (0.8%, respectively) and large-sized companies, having over 250 employers, represent 3%, compared to 0.13% for the entire economy³.

². Data of the REGON register, GUS [Central Statistical Office] 2011

³. Ibidem

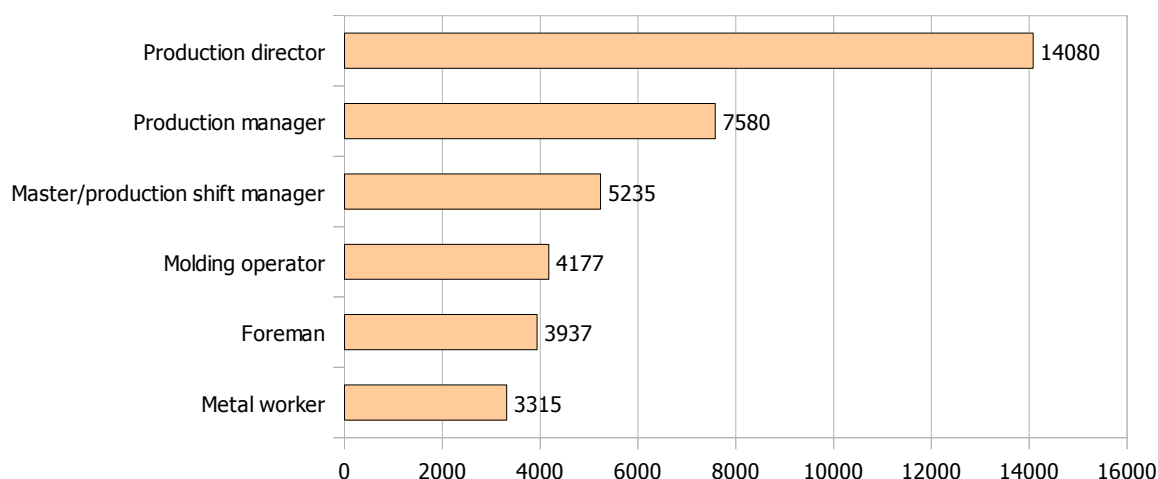
:: Graph 4 Companies operating in the metallurgical sector in Poland by employment size



Source: *Own work on the basis of GUS [Central Statistical Office]*

Labor Market Potential

:: Graph 5 Average monthly salaries on specific positions in the metallurgical sector



Source: *Own work on the basis of: Ogólnobranżowy Raport Płacowy Wiosna 2011 [Intersectoral Salary Report Spring 2011], Advisory Group TEST HR, 2011*

Students and Graduates

As for 2011, 1.84 million persons studied in Poland of which 1853 (0.1%) on the faculty of metallurgy. Most of them that is 75% studied in Małopolskie Province, and 16% in Śląskie Province. In year 2009/2010, out of 478000 graduates, 468 graduated in metallurgy – 222 in Śląskie Province and 214 in Małopolskie Province⁴.

Salaries

Salaries in the metallurgical sector may be considered average in respect of earnings in other sectors. Considering the average salary of production

managers (PLN 7580) in respect of managers from other 12 sectors, salaries in the production branch are at the middle level. Higher salaries are recorded, i.e. in the IT sector or consulting, whereas lower ones - in marketing and customer service sectors.

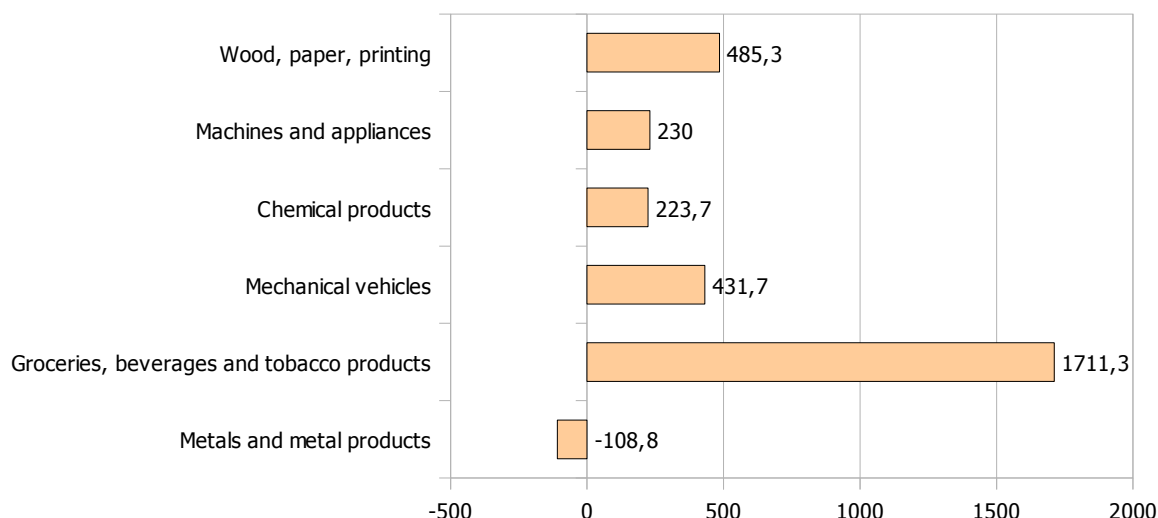
The amount of earnings was strictly related to the role played by the employers. The management earned the highest salaries, whereas the differences were smaller among qualified workers. Wages of qualified workers were noticeably higher in respect of those offered in other sectors⁵.

⁴ According to GUS [Central Statistical Office]

⁵ Ogólnobranżowy Raport Płacowy Wiosna 2011 [Intersectoral Salary Report Spring 2011], Advisory Group TEST HR, 2011

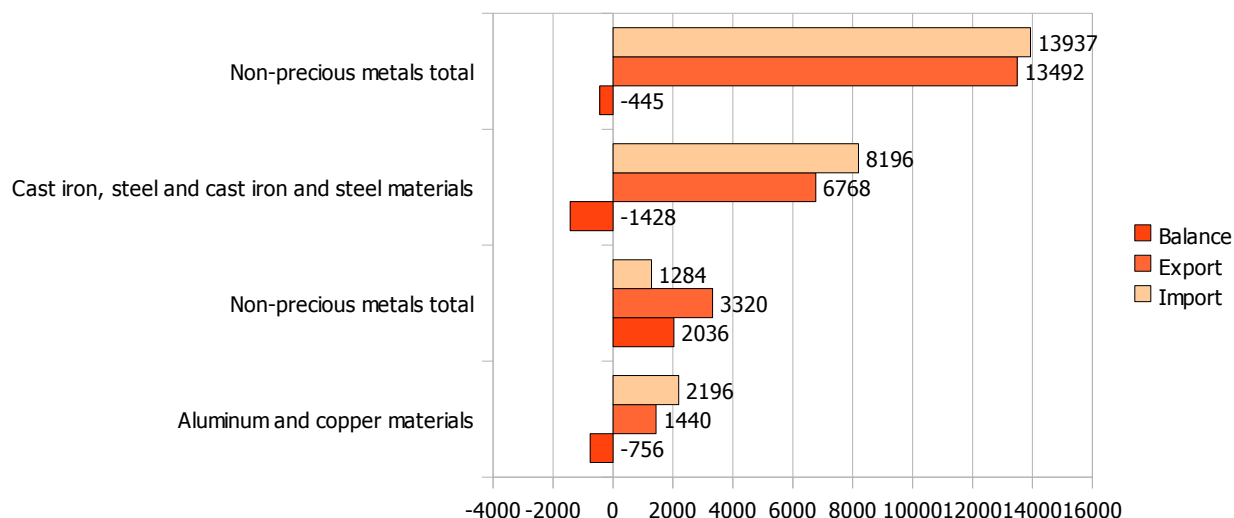
Foreign Direct Investments in the Sector, and Trade.

:: Graph 6 Flow of direct foreign investments in the sector of processing industry in Poland in 2009



Source: *Own work on the basis of NBP [National Bank of Poland]*

:: Graph 7 Polish trading in the metallurgical sector



Source: *Own work on the basis of GUS [Central Statistical Office]*

The flow of foreign direct investments in 2009 amounted to EUR 9.9 billion, of which EUR 3.4 billion was constituted by the processing industry. In the metallurgical sector an outflow of capital equal to EUR 108.8 was observed. This tendency puts this branch in an unfavorable position, particularly in comparison with other branches of processing industry that in the majority of cases recorded a flow of foreign investments.

Accumulated foreign investments in the Polish metallurgical sector amounted to EUR 5.8 billion which constituted 12% of investments in the processing branch, and 4% in the total of foreign investments⁶.

Polish international trade in the metallurgical sector amounted to EUR 24.7 billion. In addition, Poland faced a slight deficit equal to EUR 445 million. It constitutes less than 10% of the trade of Poland. Cast iron, steel, cast iron and steel products represented the largest share in the international trade. These were followed by copper and copper products. A positive balance of trade in this field is worth noticing – exports exceeded import by more than twice⁷.

Bank of Poland] 2010.

⁷ Rocznik statystyczny handlu zagranicznego 2011 [Yearbook of Foreign Trade Statistics 2011], GUS [Central Statistical Office] 2011.

⁶ Zagraniczne inwestycje bezpośrednie w Polsce w 2009 r. [Foreign Direct Investments in Poland in 2009], NBP [National

Support

Government Assistance

Investments from priority sectors may apply for support in a form of government subsidy. They include:

automotive, electronic, aviation, biotechnological, modern services and research and development sectors. The assistance is granted on the basis of a minimum number of the workplaces created or the amount of investment expenses incurred.

Supported sector	Minimum workplace number	and	Minimum investment value	Maximum amount of assistance
Support for the creation of new workplaces				
automotive, aviation, biotechnology, IT and electronic	250		40 million PLN	from PLN 3 200 to 15 600 PLN per one workplace
BPO	250		2 million PLN	
R&D	35		3 million PLN	
Other	500		1 billion PLN	

Supported sector	Minimum workplace number	and	Minimum investment value	Maximum amount of assistance
Support for the creation of new workplaces				
automotive, aviation, biotechnology, IT and electronic	50		160 million PLN	2-10,5% of the investment value
Other	500		1 billion PLN	

Note: average exchange rate EUR 1 = PLN 4.00 (August 2010)

Funds of the European Union

In years 2007-2013 Poland is granted a significant flow of the EU funds which amount to over EUR 67 billion. Entrepreneurs may apply for the funds from the following Operative Programs (OP):

- 5 national Operative Programs:
 - Infrastructure and Environment,
 - Innovative Economy,
 - Human Capital,
 - Development of Eastern Poland,
 - Technical Assistance,

- 16 Regional Operative Programs,
- Programs of European Regional Cooperation.

Exemptions from tax on legal persons CIT (rate: 19%)

They are available in Special Economic Zones that is in selected regions of Poland where economic activity is run on special terms. Exemptions from income tax amount to 30%-50% of investment expenses or costs of personnel employment in the period of 2 years, whichever are higher.

Exemptions from the Tax on Real Estate

The exemption depends upon the number of new workplaces created and if the local self-government has a policy of tax exemptions. The rates of the tax on real estate are established locally in the framework of maximum rates in a defined year. In 2011 the maximum rates applied amount to PLN 21.05/ m² for buildings PLN 0.80/ m² for the land and 2% for the construction.