



THE CONSUMER MARKET

IN POLAND



Polish Information and Foreign Investment Agency
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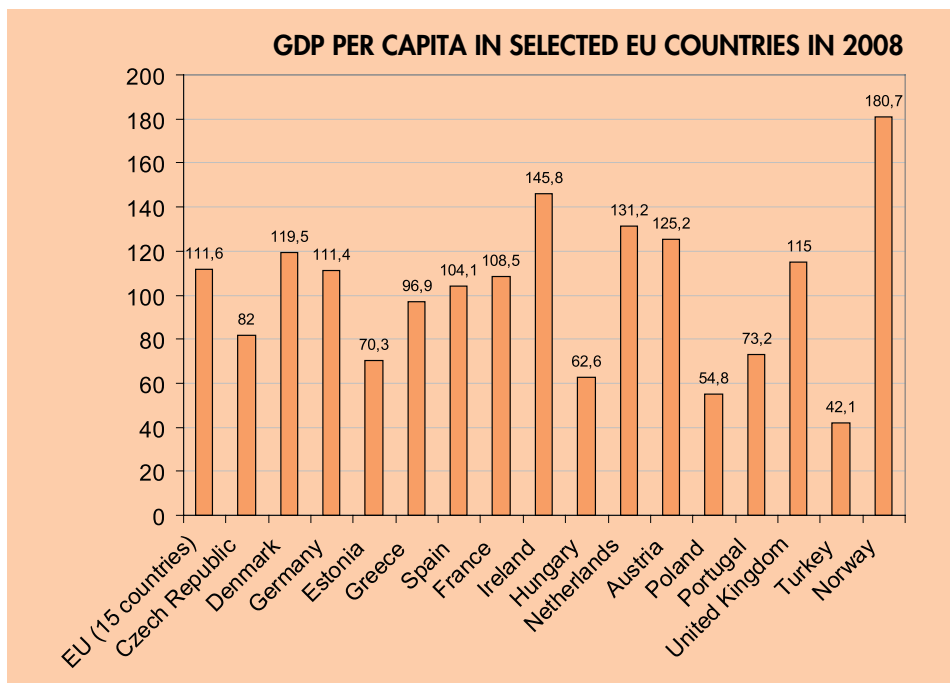
1. GDP per capita in Poland

According to Central Statistical Office (GUS) estimates, Polish GDP per capita in 2007 was PLN 30,638 which means 10.21% growth in comparison to 2006 (PLN 27,799) and 18.9% growth in comparison to 2005 (PLN 25,767).

2. GDP per capita in Poland and the EU average

According to GUS data for 2008, GDP per capita in Poland, measured with the help of the purchasing power standard (PPS), is half the average for the European Union.

Polish GDP per capita measured in this way is lower than the GDP per capita in such other new EU member states as the Czech Republic, Hungary.



3. Poland's population – characteristics

- Poland is one of the largest countries in the European Union. In terms of the number of residents it is ranked 6th among EU nations.
- Poland also forms the largest market among new EU member states and has more consumers than the other 9 new EU members combined.
- Poland's population is relatively young. The proportion of residents over 60 (65)¹ is the lowest in Europe.
- According to Eurostat in 2006 projections, Poland's demographic profile will follow the EU average. The elderly dependency ratio will grow from a current level of about 19% to 33% by 2025 and to 51% by 2050.

	2005	2006	2007
Total population (thousand)	38,157	38,137	38,125
Urban population (% of total population)	61.4	61.3	61.2
Women, per 100 men	107.0	107.0	107.0
Population of retirement age (%)	15.4	15.7	15.9

Source: Central Statistical Office (GUS)

Poland's population by age group (% of total population)			
	2005	2006	2007
< 17	20.6	20.1	19.6
18 - 59 (64)	64.0	64.2	64.4
60 (65) or over	15.4	15.7	16.0

Source: Central Statistical Office (GUS)

¹ Age 60 for women, age 65 for men.

4. Employment, wages and old-age pensions in Poland

The data presented in the table below illustrate the improvement on the Polish labour market:

- There was a significant decline in the unemployment rate from 12.3% in 2007 to 9.6% in 2008.
- The number of employed people as well as the average paid employment rose from 2007 to 2008.
- Average wages and retirement pay (pension) are gradually increasing in Poland.

	2th quarter 2007	2th quarter 2008
Employment		
employed people ¹ as of end of period in thousand	8,070.6	8,329.5
previous period = 100	100,8	100,3
average paid employment ¹ in thousand	7,777.0	8,077.4
previous period = 100	101.0	100.5
unemployment rate in %	12.3	9.6
Wages and retirement pay and pension from non-agricultural social security system		
average monthly gross wage and salary in national economy in PLN	2,644.34	2,951.36
previous period = 100	97,6	98,9
gross wage and salary excluding annual bonuses	2,635.15	2,946.58
average monthly real gross wages and salaries (%)	96.4	97.6
average retirement pay and pension from non-agricultural social security system gross in PLN	1,296.74	1,433.44
previous period = 100	100.7	106.4

Source: GUS

¹ Employed people excluding economic entities employing up to 9 persons.

5. Overall consumption and consumption in the household sector

- Overall consumption in Poland and individual consumption have both been growing over the last few years.

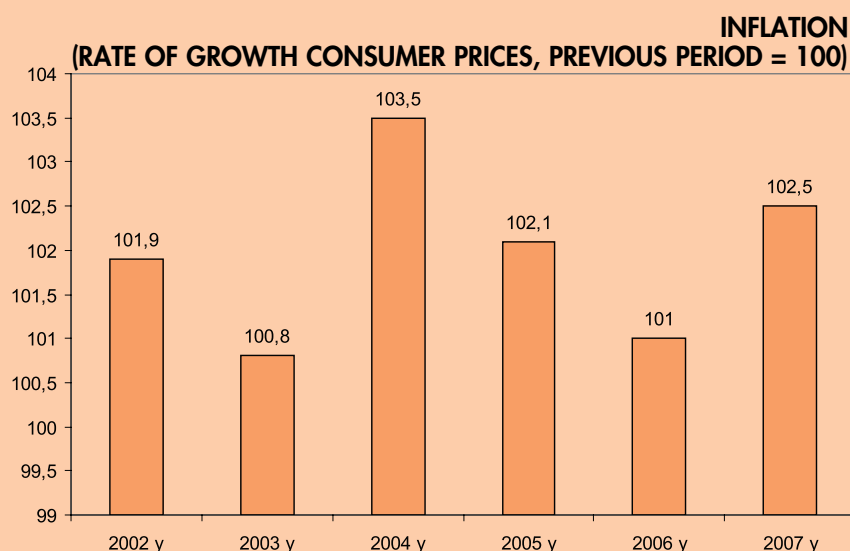
USE OF NOMINAL INCOME ACCOUNT OF HOUSEHOLDS SECTOR

	2000	2005	2006
	in mln PLN		
Total resources	534,995	679,415	720,116
Individual consumption expenditure	469,793	614,294	652,827
Gross saving	65,202	65,121	67,289

Source: GUS, 2008

6. Inflation

- Poland, which grappled with hyperinflation just over a decade ago, has managed to curb inflation to a level below the European average.
- Consumer prices rose in 2004, mainly as a result of Poland's accession to the European Union.
- In 2007 inflation rise to 2.5%, from 1% in 2006.



Source: Central Statistical Office (GUS)

7. Interest on private deposits and credits

- Low inflation and stabilization of the Polish currency have contributed to a gradual reduction in bank interest rates in 2007. However, in the second half of 2008, among other things, as a result of the financial world crisis, as well as has grown credit rates and meaningfully interest bearing deposits.

8. Households and population

- According to the last National Census in Poland (May 2002), the Polish consumer market is made up of almost 13.5 million households. More than 67% of households are situated in urban areas.
- Over the last few years the size of Polish households, in terms of the number of persons forming the average household, has diminished.

9. Profile of Poland's population by main source of income

- According to data provided by the National Population and Housing Census from May 2002, almost 70% of Poland's residents have their own source of income.
- The largest numbers of Polish residents live on earnings from employment (41.20%, including revenues from rental).
- On the other hand, there is a significant group of people who are supported by others (29.40%).

10. Profile of population by level of education

- The general level of the Polish population's education has been improving steadily. The fastest growth is observable in the number of people who have completed a higher education. The number of university students and graduates is on the rise.

STUDENTS AND GRADUATES OF HIGHER EDUCATION INSTITUTIONS IN POLAND

students in thousand	2003/2004	2004/2005	2005/2006	2007/2008
	1,858.70	1,926.10	1,953.80	1,937.40
graduates in thousand	2002/2003	2003/2004	2004/2005	2006/2007
	366.1	384.0	391.5	410.1

Source: GUS

- People with higher education form the group of customers who are most inclined to adopt modern life styles, accept innovations, and appreciate goods and services that ensure more comfortable conditions for work, life and recreation.

VOLUME DEPOSITS AND CREDITS BY HOUSEHOLDERS (IN MLN PLN)

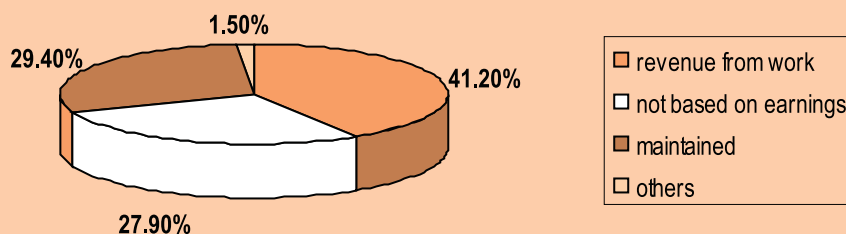
	09.2007	12.2007	09.2008
Deposits	239,933.6	254,912.7	320,317.4
Credits	237,780.7	253,189.4	318.414,7

Source: National Bank of Poland (NBP)

	Households (million)	Population in households (million)	Average number of persons forming a household
Total	13.4	37.8	2.84
Urban areas	9.0	23.3	2.6
Rural areas	4.4	14.5	3.33

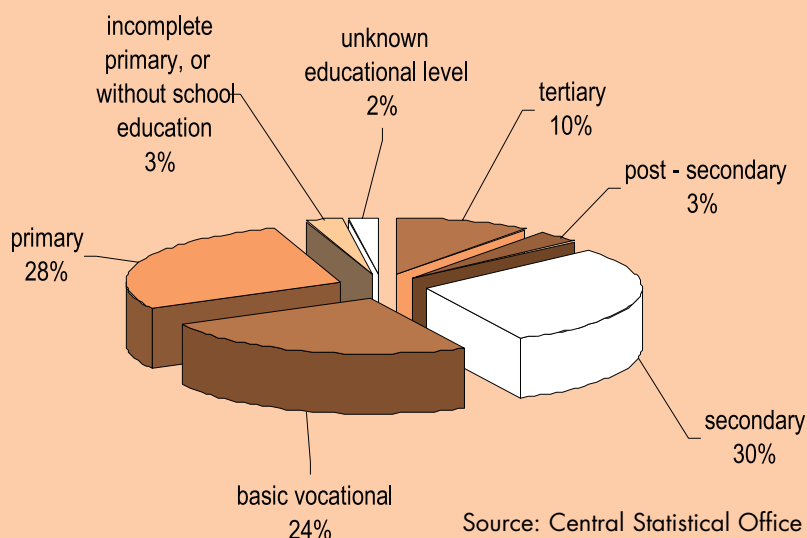
Source: GUS, on the basis of National Census, May 2002

Polish population by main source of maintenance in 2002



Source: Central Statistical Office (GUS)

Polish population by educational level in 2002



Source: Central Statistical Office (GUS)

11. Monthly disposable income per capita of Polish households in 2007

- The Country economic growth has significant influence on Polish households' life standard. According to the last CEBOS survey (Jun 2008) in the last 15 years number of Polish families living in cost driven style or having problems with fulfilling basic everyday life needs has dropped from 52% to 30%.

MONTHLY DISPOSABLE INCOME PER CAPITA OF POLISH HOUSEHOLDS IN 2007

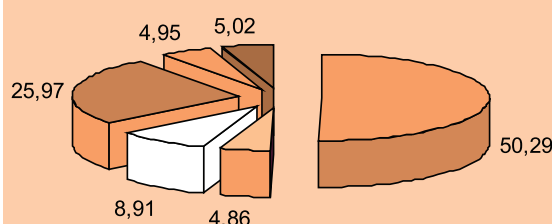
		Overall total	Employee households	Farmers' households	Households of self-employed people	Pensioners' households
Available income:	PLN	928.87	915.17	846.76	1,251.07	937.63
	USD	375.3	369.76	342.12	505.48	378.84
of which disposable income:	PLN	894.53	886.70	820.78	1,208.60	887.85
	USD	361.43	362.30	331.63	488.32	358.73

Source: GUS, www.stat.gov.pl, income in USD: calculations on the basis of NBP's average exchange rate as of December 2007

12. Profile of monthly income per capita in Polish households

- In 2007, as in previous years, the largest share of the income of the average Pole came from employment (50.29%).
- 25.97% of monthly income came from social insurance benefits and social allowances, including old age pensions and disability pensions.

MONTHLY INCOME PER CAPITA IN POLISH HOUSEHOLDS AS A PERCENTAGE OF AVAILABLE INCOME IN 2007



Source: Central Statistical Office (GUS)

from employment

from farm/plot

from activities conducted on one's own account

from social insurance benefits and social allowances

from properties (ownership and lease) not connected with economic activity

other income

13. Profile of monthly expenditures in 2007 and growth rate

- The monthly per capita expenditures of Polish households were PLN 890.95 in 2007 and increased by 4% in nominal terms, but decreased by 1.7% in real terms in comparison with 2006.
- The profile of the Polish household's expenditures is gradually becoming similar to that typical for developed countries.
- In 2006 a rise (in nominal terms) was recorded in expenditures on non-food articles and services, clothing and footwear, lodging and energy, household equipment and maintenance, communications, recreation and culture, restaurants and hotels.
- During the same period, expenditures on food and non-alcoholic beverages, alcoholic beverages and tobacco products, healthcare, transport and education fell.

PROFILE OF MONTHLY EXPENDITURES OF POLISH HOUSEHOLD IN 2007 AND GROWTH RATE

	Share in total expenditures (%)		Share in total expenditures (%)
Consumer goods and services, including:	95.8	Transport	9.3
food and non-alcoholic beverages	26.6	communications	5.0
alcoholic beverages and tobacco products	2.7	recreation and culture	7.6
non-food articles and services	66.5	including educational articles	0.7
clothing and footwear	5.7	education	1.4
lodging and energy	18.4	restaurants and hotels	1.9
household equipment and maintenance	5.5	other goods and services, including:	5.3
healthcare, including:	4.9	personal hygiene	2.6
pharmaceuticals	3.2	other expenditures, including:	4.2
medical services	1.3	donations for other households	3.5

Source: GUS

14. Monthly per capita consumption of selected food articles in Polish households in 2007, excluding consumption in food catering outlets

MONTHLY PER CAPITA CONSUMPTION OF SELECTED FOOD ARTICLES IN POLISH HOUSEHOLDS IN 2007

	unit of measure	consumption per capita	growth rate (2005 = 100)
Bread	kg	5.29	89.7
pasta	kg	0.38	105.5
flour	kg	0.90	84.1
groats, rice, flakes	kg	0.43	89.6
meat, including:	kg	5.39	98.4
raw meat	kg	3.07	97.8
▪ including poultry	kg	1.44	93.5
meat products and other products containing meat	kg	2.20	99.5
▪ including high-quality cured meat products	kg	0.60	111.11
fish (excluding ready-to-serve products and breaded fish)	kg	0.45	107.1
fresh milk	litre	3.84	86.7
cheese	kg	0.88	101.1
sour and sweet cream	litre	0.40	93.0
eggs	pieces	13.49	89.0
oils and other fats	kg	1.42	92.8
animal fats	kg	0.47	90.4
▪ including butter	kg	0.30	96.8
vegetable fats	kg	0.95	95.0
fruit	kg	3.40	91.4
vegetables, including:	kg	10.77	86.7
▪ potatoes	kg	5.60	83.8
sugar	kg	1.42	92.8

Source: GUS

15. Percentage of various groups of households equipped with certain types of durable goods in 2007 (%)

PERCENTAGE OF VARIOUS GROUPOF OF HOUSEHOLD EQIPPED WITH CERTAIN TYPES OF DURABLE GOODS IN 2007 (%)

	Overall total	Employee households	Farmer households	Households of self-employed people	Pensioners' households
TV set	98.5	99.0	99.7	98.7	98.4
satellite and cable television equipment	51.8	58.9	29.3	67.8	44.3
Home theater system	14.3	20.7	9.4	29.8	4.6
radio cassette player with CD player	28.0	34.5	33.1	42.4	17.2
MP3 player	21.8	31.5	20.6	42.0	5.8
CD player	13.8	18.8	14.0	25.0	5.8
radio set	57.5	50.2	66.6	51.8	69.9
videorecorder	39.2	45.9	46.7	52.2	30.7
DVD recorder	40.6	54.5	42.9	60.6	20.6
video camera	7.8	10.4	4.4	24.1	3.0
personal computer	50.1	69.4	52.8	81.2	20.2
▪ with Internet access	36.6	51.2	25.9	70.4	14.7
printer	33.6	46.3	36.8	64.5	12.8
mobile phone	79.3	96.1	89.0	97.3	52.8
electric washing machine and spin – dryer	97.1	98.2	99.3	98.8	96.6
automatic washing machine	84.7	90.9	79.3	96.4	78.8
vacuum cleaner	94.8	96.6	95.0	97.8	94.0
refrigerator or freezer	98.9	99.1	99.9	99.1	98.8
microwave	42.4	52.5	42.0	67.3	27.2
dishwasher	7.4	9.0	5.5	24.9	3.4
bicycle (excluding bicycles for children)	62.9	71.6	91.9	71.7	49.1
motorcycle, scooter, motor-bicycle	4.2	4.8	13.2	7.0	2.2
car	52.5	65.1	86.5	87.8	33.0

Source: GUS

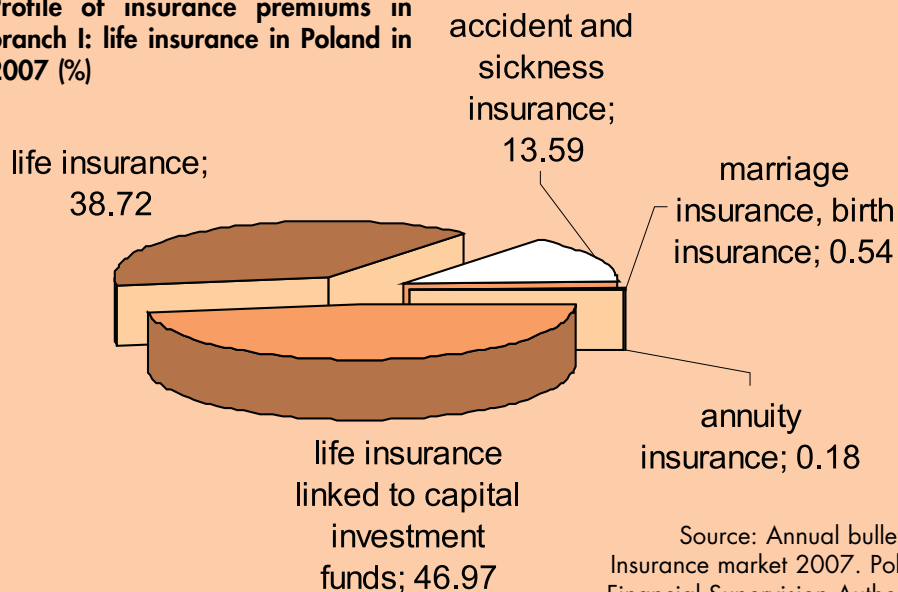
16. Savings of Polish households

- The largest share of Polish household savings is still deposited in banks. At the end of September 2008 deposits in PLN and foreign currencies accounted for 43.5% of savings.
- Bank deposits plus cash (outside the banking system) made up 55.7% of Polish household savings.
- Savings in investment funds were 11.2%, and their share in overall savings increased in 2007 at the fastest pace.

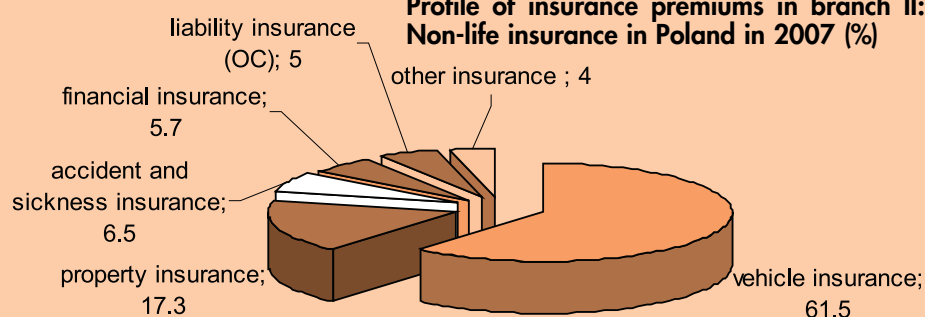
17. Insurance

- Polish consumers allocate more and more money to various forms of insurance. This means that Polish residents begin to attach an ever greater importance to the possibilities of insuring themselves and their family resources needed in unexpected and difficult situations.
- There were 65 insurance companies operating on the Polish insurance market in 2007.
- In the first half of 2008, the assets of insurance companies have grown to PLN 121,500 million which represents 6,5% growth compared to 2007.

Profile of insurance premiums in branch I: life insurance in Poland in 2007 (%)



Profile of insurance premiums in branch II: Non-life insurance in Poland in 2007 (%)



18. Housing construction

Housing construction will be the fastest growing segment of the construction market in Poland. Housing construction market growth will be driven by the activity of Polish real-estate developers. More and more companies are operating on the housing construction market and are engaged in building flats for sale.

HOUSING CONSTRUCTION IN POLAND 2006-2007 (IN THOUSAND)

	2007	2006=100
Number of housing starts	185.1	134,2
Number of building permits issued	247.7	147,1

Source: *Materiały Budowlane* 2/2008

19. Housing credits

The general level of housing credit has grown more than twice in Poland in 2006-2008.

VOLUME HOUSING CREDITS (IN MLN PLN)

09.2006	70,752.4
09.2007	108.861.3
09.2008	153,242.7

Source: National Bank of Poland (NBP)

20. Prospects for the Polish consumer market

Poland is a country with over 38 million inhabitants, which makes it the largest consumer market by population in the group of 10 new EU member states. But according to forecasts by Euromonitor International, the Polish consumer market will not be one of the most dynamic markets in Europe as far as forecast consumer expenditures on household goods and services are concerned. It will grow but at a slower pace than in many other European countries, as is presented in the table below.

The consumer trust indicator measured by the Central Statistical Office of Poland (GUS) in October 2008 showed that the consumer mood worsen in 2008 as a result of an economic slow-down and the world financial crisis.

Consumer expenditure on household goods and services in selected countries (USD million at constant 2004 prices) – forecast

	2006	2017	change (%)
Czech Republic	3,261	4,404	35.05%
Denmark	7,226	9,958	37.81%
Germany	106,321	132,950	25.05%
Hungary	3,753	4,310	14.84%
POLAND	6,799	8,062	18.58%
Slovakia	1,026	1,271	23.88%
Ukraine	1,492	1,938	29.89%
United Kingdom	89,334	109,046	22.07%

Source: WYG International calculations on the basis of
"European Marketing Forecasts 2005/2006",
Euromonitor International



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