The IT sector in Poland

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Introduction

The objective of the present report is to present the current situation and projections concerning the IT sector in Poland.

In 2009 for the first time the value of the IT sector decreased. According to projections, in 2010 a revival is to take place – an increase of 2.9% is forecast in relation to the previous year.

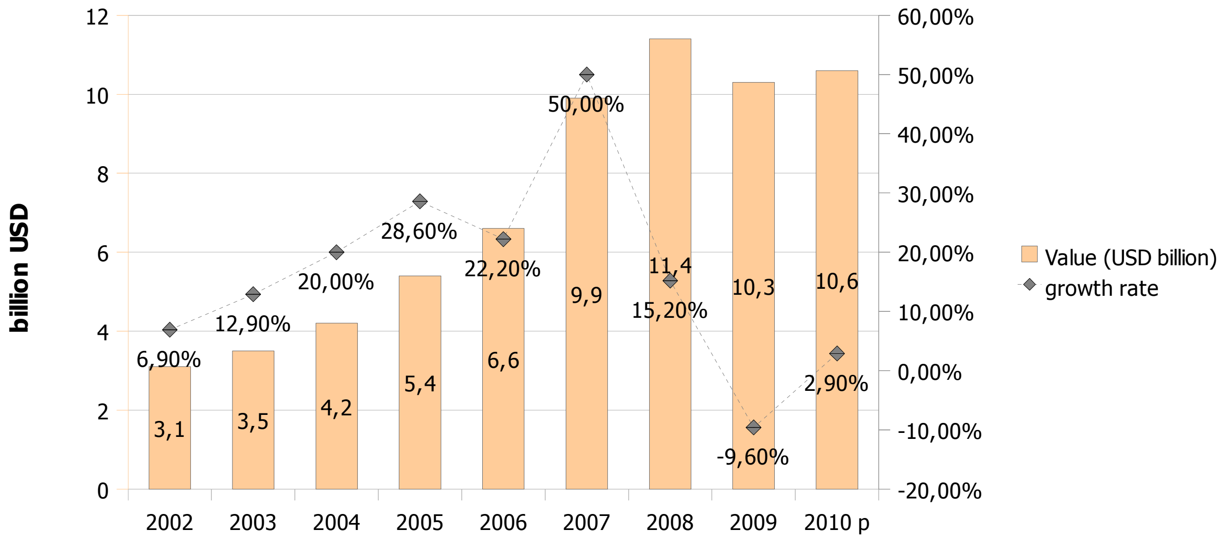
In 2010 the economic situation of the sector was assessed as considerably better than in the previous year. Approx. 75% of the surveyed entities assessed the situation on the market as positive.

In 2008 the inflow of direct investments to the IT sector amounted to € 115 million, and their cumulative value reached the level of € 500 million.

The Characterisation of the IT market in Poland

In 2009, according to estimates, the value of the IT market amounted to USD 10.3 billion. This was a decline of 9.7% in relation to the previous year, and the first decline since 20 years ago[1].
One of the main reasons for this state was the reduction in the level of purchases of IT hardware by companies. On one hand this was caused by the crisis – 50% of expenditures on IT are outlays by companies dealing in banking or telecommunications and Governmental institutions, and it was mostly those companies that held back their investments. On the other hand, the weakening of PLN in 2009 caused changes in the budgets of companies depending on currency rates[2].
In 2009, among the ten largest IT enterprises in Poland only two recorded an increase in revenue in relation to 2008. In the case of Asseco Poland SA it amounted to 16%, and in the case of Komputronik SA 14%[3].

:: Figure 1. The value of the IT market in Poland in the years 2002-2010



p - projection

Source: Own work based on IDC, 2010.

Projections for the year 2010, however, point to an approx. 3% year-on-year increase. It consists of an increase in all segments – hardware by 3%, software by 5% and services by approx. 2%. Expenditures by enterprises on IT in the years 2008-2012 are expected to grow by 12.8% on a year-on-year basis[4].

Positive opinions on the development of the IT market are also expressed by KBC Securities analysts. According to their report, Polish IT enterprises listed on the Warsaw Stock Exchange in 2010 should achieve better results than in the previous year, due to the actions undertaken in 2009 for the purpose of cost reduction. The projection of the revenues of IT companies indicates an increase of 6.5%-10.6% on average in the years 2010-2011[5].

1. A. Jadczak, A. Maciejewski, *Computerworld Top 200*, 2010.
2. Ibidem.
3. P. Kusiciel, *Polski rynek IT: wzrosły przychody połowy firm [The Polish IT market: the revenue of half of companies increased]*, Dziennik Internautów *[Internet Users' Journal]* [accessed at 13.08.2010].
4. *Polish IT Sector Report*, Internet Securities, April 2010.
5. *Polish IT Sector*, KBC Securities, 6 January 2010.

The situation in the IT industry

The situation in the IT market in 2010 is evaluated as much better than in the previous year. In 2009 75% of those surveyed evaluated the situation on the market as average or bad. In turn, in 2010 nearly 75% of enterprises evaluated the situation positively. Approx. 15% claimed that nothing had changed, and approx. 10% evaluated the situation as worse. In comparison, in 2009 the market was positively evaluated by approx. 24% of the surveyed and negatively by 30%.[6]

The structure of the IT market in Poland

The IT sector can be divided into three basic segments, i.e. hardware, software and services. In 2009 their share of market amounted to, respectively, 54%, 31% and 15%. The decrease in the value of the market had the greatest influence on the sales of hardware, which in 2009 was 19% lower than a year ago.[7]

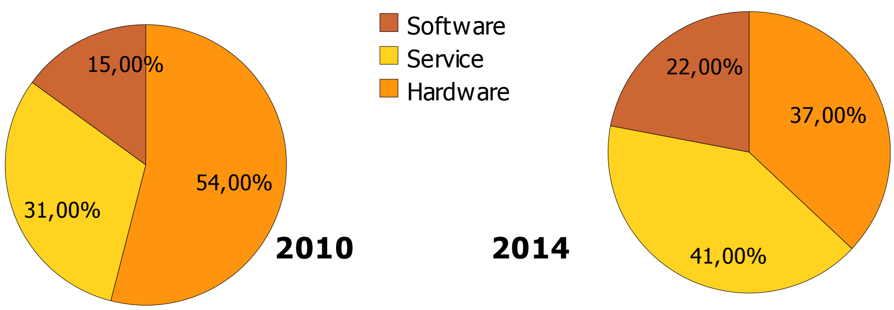
According to projections, in 2010 the proportions of the share in the market will not change. Hardware is the most important segment, accounting for approx. 54% of its value. Services are projected to constitute 31%, and software - 15%.[8]

In comparison to the structure from the previous years, a trend can be noticed characterised by a decrease in the significance of the hardware segment (59% in 2008, 63% in 2007) and an increase of the significance of services (28% in 2008, 24% in 2007) and software (13% in 2008 and in 2007).[9]

The direction of the changes is a reflection of modernisation of the sector and of Poland's becoming similar to the markets of developed European countries.[10] According to the projections, by 2014 a further decrease of the share of hardware is expected, for the benefit of two remaining segments.[11]

In the segments of services and software, the most important activity (with respect to revenue of companies) in the first three quarters of 2009 was consulting in the area of software, which accounted for over 45% of the revenue. Services connected with processing data and software consulting were also of high significance. In total, the total share of these three groups amounted to 73.7%, i.e. slightly less than in the 1st quarter itself (75.0%).

:: Figure 2. The structure of the IT market in Poland in the years 2010 and 2014

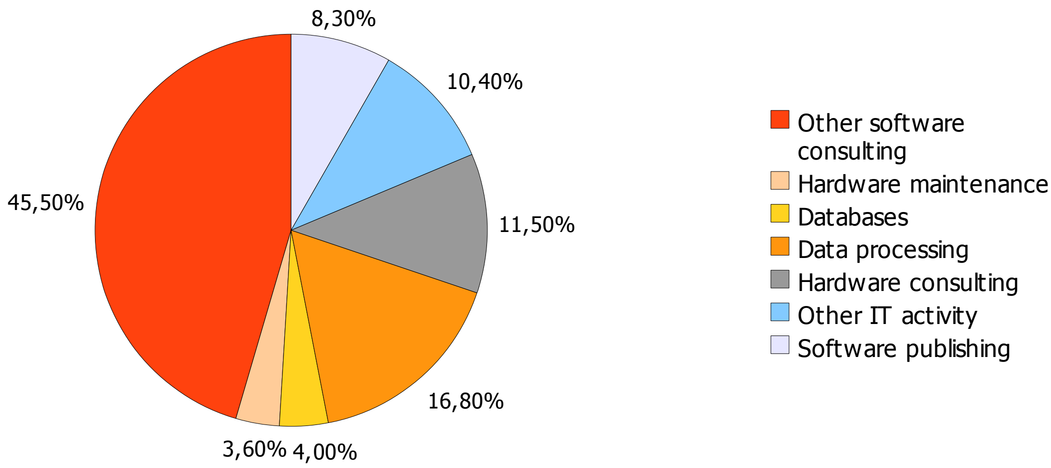


Projected shares

Source: IDC, 2010; *Poland Information Technology Report*, Business Monitor International, 2010.

6. IDC, 2010.
7. Ibidem.
8. Ibidem.
9. *Sektor informatyczny w Polsce [IT Sector in Poland]*, The Polish Information and Foreign Investment Agency, 2009.
10. A. Jadczak, A. Maciejewski, op. cit.
11. *Poland Information Technology Report*, Business Monitor International, 2010.

:: Figure 3. The software and services segments in the 1st – 3rd quarter of 2009 (value of sales)



Source: Effect/CSO after *Polish IT Sector Report*, Internet Securities, April 2010.

The Labour market potential

Students and graduates

As at the end of November 2008 IT majors were being studied by 87.8 thous. people. These people constituted over 4.5% of all students in Poland. The highest number of students among these majors occurred in the Mazowieckie Voivodship (15,500) and the Łódzkie Voivodship (11,700). Their percentage share was the largest in the Łódzkie Voivodship (7.96%), the Lubuskie Voivodship (6.19%) and the Dolnośląskie Voivodship (5.49%). In turn, the lowest share occurred in the Kujawsko-Pomorskie (1.9%), the Świętokrzyskie (2.75%), the Wielkopolskie and the Lubelskie voivodships (respectively 3.01% and 3.02%).[12]

As at the same day, over 15 thous. people completed IT studies. The majority came from the Łódzkie (2,600), the Mazowieckie and the Śląskie voivodships (2,000 each). Among all graduates in given voivodships, the graduates of IT majors constituted the largest percentage in the Łódzkie (8.8%), Podkarpackie (5.3%) and Lubuskie voivodships (5.1%). Their proportion was the lowest in the Świętokrzyskie (1.3%) and the Kujawsko-Pomorskie voivodships (1.4%).[13]

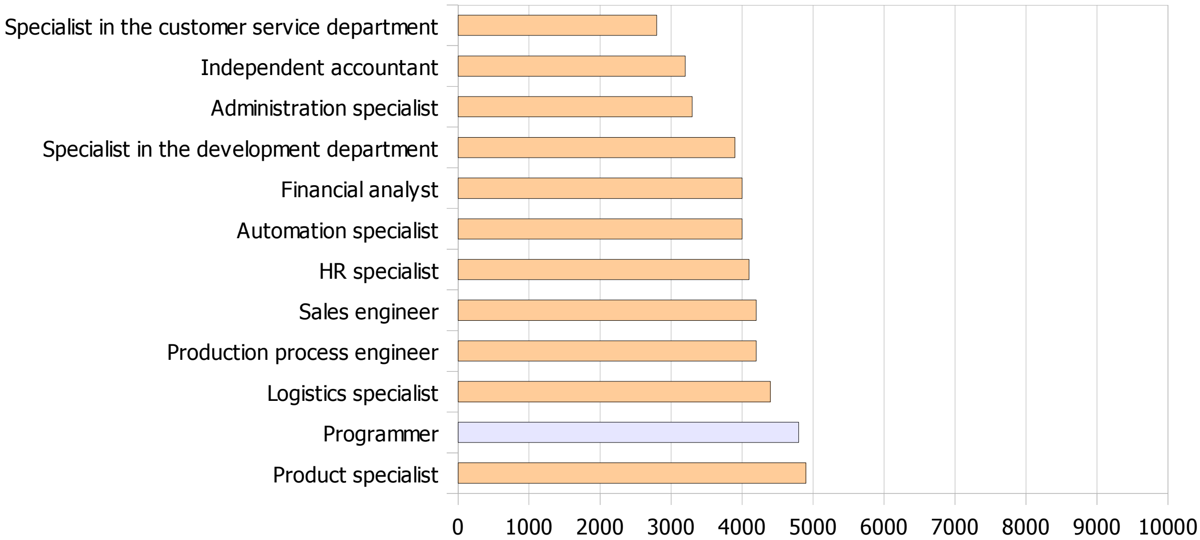
Remuneration in the IT sector

The analysis of remuneration of specialists in different industries shows that IT specialists are one of the best-paid vocational groups. Taking into consideration the median of remuneration of programmers, in 2010 they occupied the second position, after product specialists (first position in the previous year).[14]

The survey from the beginning of 2010 indicates a diversification of remuneration in the IT sector similar to the previous year. In relation to 2009, the median remuneration of computer repairers (who earn the least) increased by PLN 250. In relation to the previous year, the median remuneration of directors of IT divisions rose by over PLN 1,100.

12. Central Statistic Office, 2009.
13. Ibidem.
14. *Ogólnobranżowy Raport Płacowy Wiosna 2010*, Advisory Group TEST HR, 2010.

:: Figure 4. The median remuneration of specialists in various industries



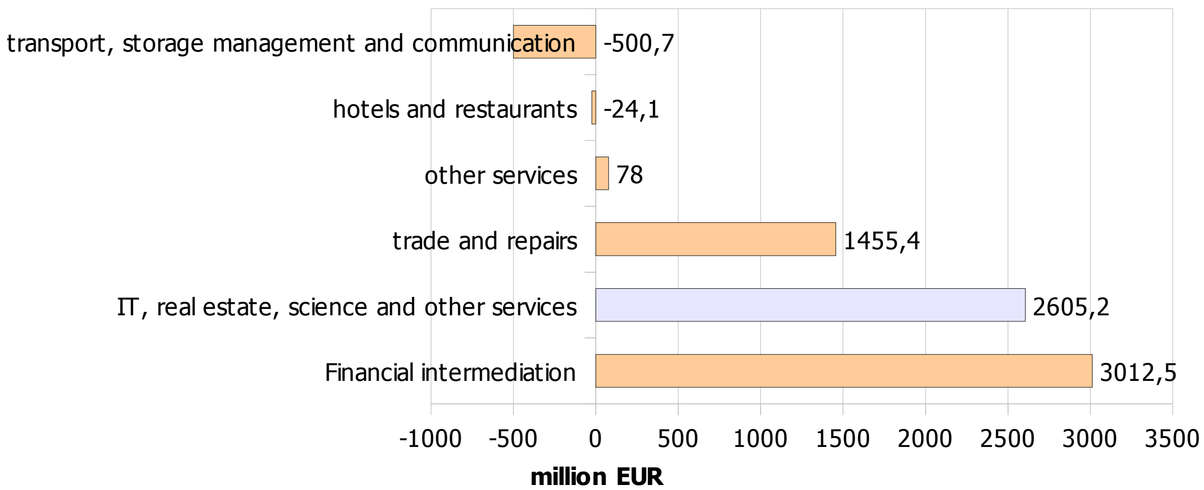
Source: *Ogólnobranżowy Raport Płacowy Wiosna 2010 [General Industry Report on Remuneration]*, Advisory Group TEST HR, 2010.

Foreign direct investments in IT in Poland

In 2008 the inflow of foreign direct investments into Poland amounted to approx. € 10 billion. Over 66% of this amount involved the services sector. Investments in the IT industry amounted to € 115 million, and their cumulative value amounted to € 500 million. In turn, the income generated by foreign investments involved in the industry in the same year reached the level of € 149 million.[15]

According to data from fDiMarkets.com, in Poland since 2003, 122 projects of the greenfield type have been started and announced in the IT sector. Their total value amounted to USD 2.1 billion and as a result it is planned to create nearly 15,000 new jobs.[16]

:: Figure 5. The inflow of direct foreign investments in the services sector into Poland in 2008



Source: Own work based on *Zagraniczne inwestycje bezpośrednie w Polsce w 2008 roku*, Narodowy Bank Polski, January 2010.

15. *Zagraniczne inwestycje bezpośrednie w Polsce w 2008 roku [Direct foreign investments in Poland in 2008]*, Narodowy Bank Polski [Polish National Bank], January 2010
16. fDiMarkets.com, 2010.

Governmental aid

The mainly supported sectors are the automotive sector, the aviation sector, the IT and electronics sector, BPO and the R&D sector. Aid is received on the basis of the minimum number of newly-created jobs or the value of incurred investment outlays.

Supported sector	Minimum number of jobs	and	Minimum value of investment	Maximum value of aid
Support for creating new jobs				
Automotive, aviation, biotechnological, IT and electronics	250		40 million PLN	From PLN 3 200 to PLN 18 700 per job
BPO	250		-	
R&D	35		3 million PLN	
Other	500		1 billion PLN	

Supported sector	Minimum number of jobs	and	Minimum value of investment	Maximum value of aid
Support for creating new jobs				
Automotive, aviation, biotechnological, IT and electronics	50		160 million PLN	1-10% of the investment's value
Other	500		1 billion PLN	

Note: average exchange rate of € 1 = approx. PLN 4.0 (August 2010)

European Union Founds

For the years 2007-2013 Poland has had a huge guaranteed supply of EU funds – over € 67 billion.

Entrepreneurs can apply for funds from the following Operational Programmes (OP):

- 5 national Operational Programmes:
  - Infrastructure and environment,
  - Innovative economy,
  - Human Capital,
  - Development of Eastern Poland,
  - Technical assistance,
- 16 Regional Operation Programmes,
- European Territorial Cooperation Programmes.

Exemptions from CIT (19% rate)

Available in Special Economic Zones, i.e. in selected regions of Poland where business activity is run under special conditions. Exemptions from income tax amount to 30%-50% of investment outlays, or the two-year cost of employing workers, whichever is higher.

Exemptions from property tax

Exemption depends on the number of newly-created jobs and whether the Local Government applies a policy of tax exemptions. Rates of property tax are set locally, and maximum annual rates amount to PLN 20.51/m^2 for buildings, PLN 0.77/m^2 for land and 2% of the value of constructions.