



**POLISH INFORMATION AND
FOREIGN INVESTMENT AGENCY**

The Electronics Market in Poland

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The electronics market in Poland

The electronics sector's share of GDP is about 1.6-1.7%. Turnover in the electronics sector amounted to about 2.2% of total sales in Polish industry. The value of the Polish electronics market is about €7.3 billion, while the value of the sold production of the Polish economy amounts to roughly €4 billion.

The scale of foreign capital involvement in the Polish electronics industry has been systematically increasing. This process is currently related to the profitability of production development in Poland connected to the relatively low wages in comparison to other EU countries, the advantageous geographical location of Poland and the availability of EU markets there. Virtually every major electronics company in Poland is owned in part or in whole by one of the foreign multinational concerns. This phenomenon should be seen as a result of technological pressure and the globalisation processes in the sector. International exchange in the electronics sector is permanently and very dynamically increasing with each year. The value of Polish exports between 1995 and 2007 rose to about 19 times of its former value, exceeding \$8.5 billion in 2007. In the meantime, imports grew 7 times larger, reaching a value of over \$13 billion. Poland has become a European power in the production of next-generation TV sets (LCD and plasma displays)¹.

The electronics sector, according to the Polish Classification of Activities, mainly covers the manufacture of office equipment and computers, as well as the production of radio, television, and telecommunications equipment and appliances. Other activities in the sector include the production of switchgears, instruments and devices for measurement, inspection, research, and positioning, and control equipment for industrial processes, which

only influence the sector's results up to a small percentage. In a broader sense, the electronics sector also includes the household appliances industry.

The structure of the electronics market

The largest share in the structure of the Polish electronics market (value-wise) belongs to the segments of telecommunications equipment (34%), computer hardware (28%), electronic components and parts (21%) and household appliances (17%). The small share of GDP of this sector to date (1.6% in 2007) and the small share of electronics in the total sales figures for Poland (2.2% in 2007) point to the dramatic potential for growth in the electronics market in Poland.

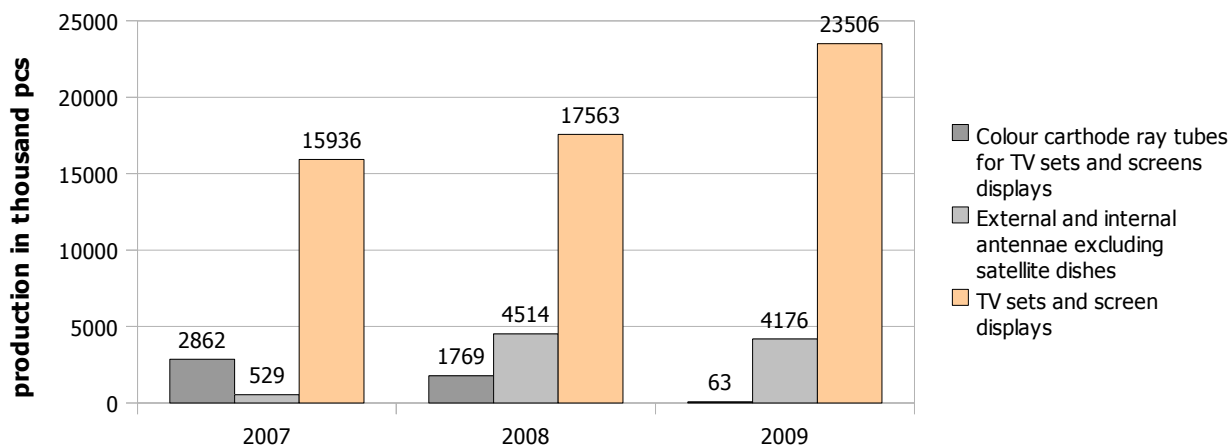
The consumer electronics market in Poland

The value of the consumer electronics market, which includes computers, mobile phones and audio-video equipment is estimated to be about \$5.8 billion in 2010. According to the predictions of the experts from *Business Monitor International*, the value of the market will steadily rise (by approximately 5.7% each year), reaching \$7.2 billion in 2014. This is caused by the growing popularity of digital products, the falling prices, and society's rising income.

With the development of new production techniques for the production of flat screen TV sets, the production of cathode ray tubes for TV sets is rapidly falling (from 1769 thousand pcs in 2008 to 63 thousand in 2009), and the production of flat screen TV sets is strongly growing. In 2009, the production reached a record level of 23.5 million pcs.

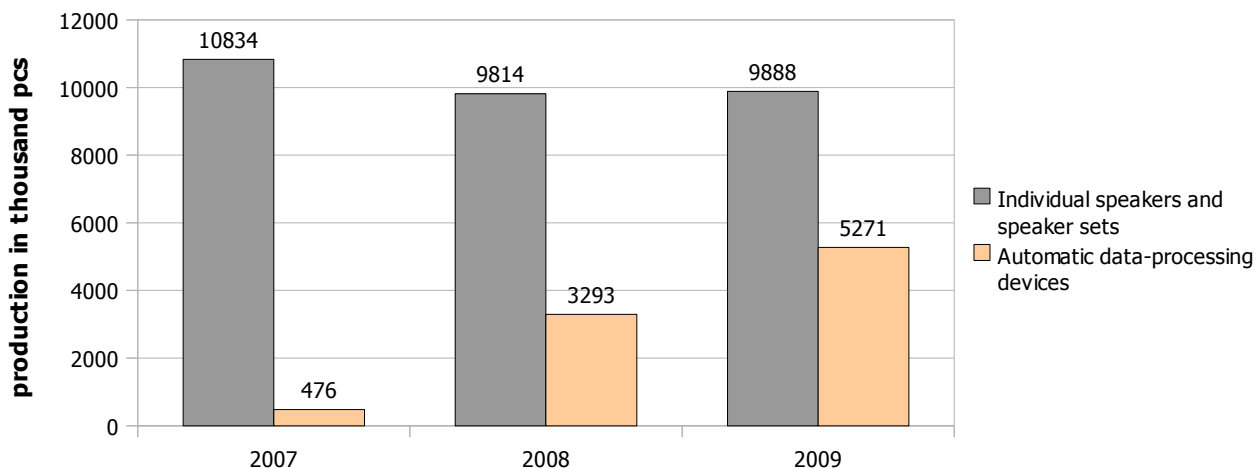
1. <http://www.ire.pl/index.php?module=htmlpages&func=display&pid=21>

:: Figure 1. Cathode ray tubes, TV sets, and antennae production in Poland



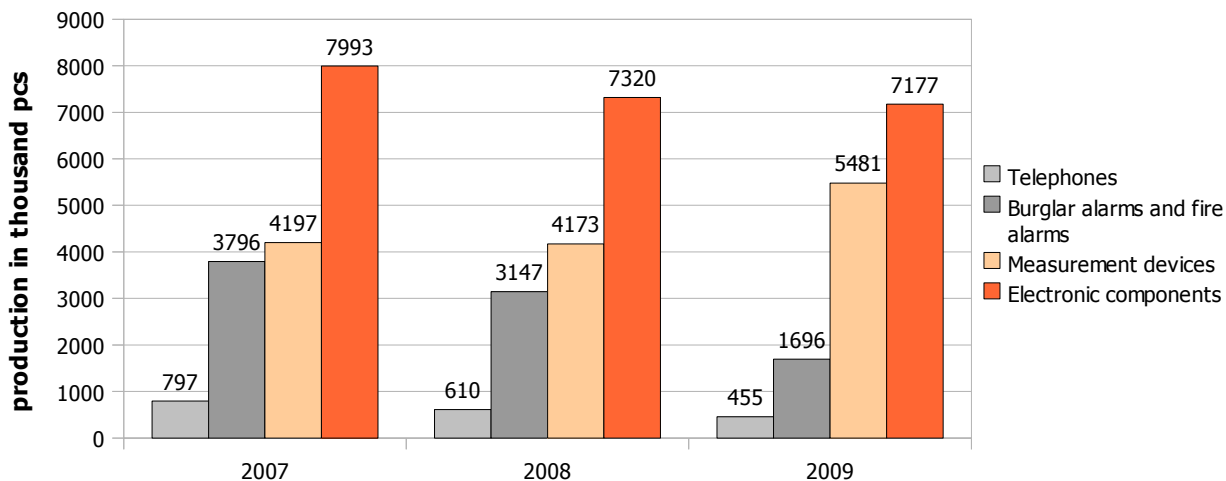
Source: CSO, 2010.

:: Figure 2. The production of speakers and automatic data-processing devices in Poland



Source: CSO, 2010.

:: Figure 3. The production of telephones, measurement devices and components in Poland



Źródło: CSO, 2010.

The household appliances market in Poland

It follows from the estimates of Polish producers that Poland has become Europe's leading producer of household appliances, overtaking Italy. On average, about 80 to 90 percent of production is exported. The plants located in Poland are advanced and highly efficient, and exports are steadily assisted by the low employment costs.

According to the data from the Central

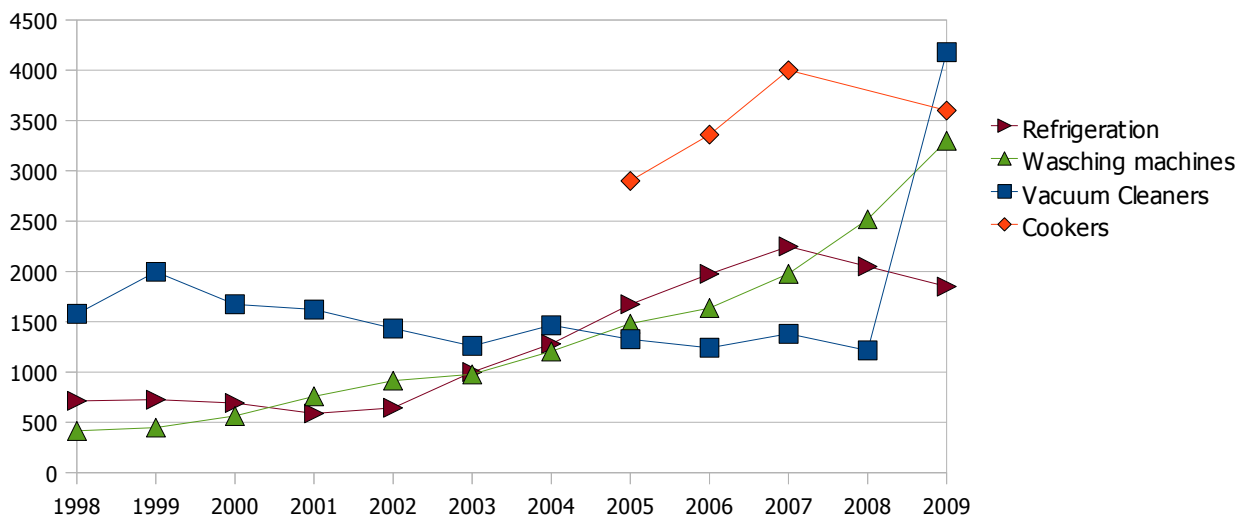
Statistical Office (CSO), in 2008 exports of washing machines, refrigerators, dishwashers, dryers, and cookers reached a value of PLN 4.92 billion. The largest share in the export of Polish household appliances belonged to cookers – 26%, (with a value of PLN 1252 million). Second place was occupied by washing machines – 23% (PLN 1153 million). Dryers had the third largest share in the export of household appliances - 21% (PLN 1023 million). After them were - dishwashers -18% (PLN 908 million), and refrigerators – 12% (PLN 579 million).

:: Table 1. The production of household appliances in Poland in the years 2003-2009, in thousand pcs

	2003	2004	2005	2006	2007	2008	2009
Refrigerators	1001	1280	1691	1976	2326	2255	1886
Washing machines	977	1207	1473	2129	1977	2519	3 278
Vacuum cleaners	1261	1460	1315	1230	1381	1251	1013
Household dressers	858	989	1016	1026	1258	5259	3683
Cookers	1203	1432	1640	1289	1504	1751	1215

Source: CSO

:: Figure 4. The production of household appliances in Poland



Source: CECED Poland, Association of Household Appliances Producers

Poland has become the leading producer of household appliances in Poland thanks to the acquisition of existing Polish plants and the construction of new plants by foreign investors.

Currently the household appliances sector in Poland is concentrated in the following voivodships: Dolnośląskie (Whirlpool and Electrolux,

FagorMastercook, LG Electronics), and Łódzkie (Indesit, BSH – Bosch and Siemens Home Appliances Group). In the Wielkopolskie Voivodship, in Wronki, an Amica plant is situated (acquired by Samsung washing machine and refrigerator sections), and the Podkarpackie Voivodship houses a Zelmer plant.

Students and graduates

As at the end of November 2008, there were 16.3 thousand students of electronics and telecommunications, and 19.6 thousand students of electrical engineering. They constituted over 1.9% of all students in Poland. The largest number of students in these fields was in the Dolnośląskie, Małopolskie, and Śląskie voivodships. The largest percentage of all students in the voivodship from these fields was in Łódzkie (7.96%), Lubuskie (6.19%), and Dolnośląskie (5.49%); the lowest, in turn – was in Kujawsko-Pomorskie (1.9%), Świętokrzyskie (2.75%), Wielkopolskie, and Lubelskie (3.01% and 3.02% respectively)².

About 6.3 thousand people graduated in electronics and telecommunications, and electrical engineering, the largest numbers being in the Dolnośląskie, Małopolskie, and Śląskie voivodships.

Employment

In the first quarter of 2010 (as at 31 March 2010) there were 5477.8 thousand people working in the enterprise sector. Their average gross monthly remuneration was PLN 3340.89.

In comparison to 2009, in the first quarter of 2010 employment in the production of computers, electronic and optical devices rose by 2.6%. The average remuneration also rose by 2.7% and amounted to PLN 3227.40 per month. On the other hand, employment in the production of electrical equipment decreased in the first quarter of 2010 in comparison to 2009 by 5.2% and numbered 84.8 thousand people. Wages in the production of electrical equipment rose by 6.2% when compared to the corresponding period of 2009, and amounted to PLN 3279.55 gross monthly.

:: Table 2. Average employment in the electronics sector (in thousand people)

Specification	2009	I quarter of 2010
Production of computers, electrical and optical devices	54,2	56,6
Electrical equipment production	86,8	84,8

Foreign direct investments in electronics sector in Poland

In 2008 the inflow of foreign direct investments (FDI) to Poland amounted to about €10 billion. According to the initial data from the National Bank of Poland (NBP) in 2009 the inflow of FDI was lower and amounted to €8.4 billion. The situation looks much better for the first half of 2010. The estimated data for the first half of 2010 shows an inflow of 6.3 billion euro. This would be 75% of the inflow for whole of 2009.

In the years 1996-2008, according to NBP's data, the FDI value in the production of office equipment and computers, radio, television, and communications equipment was €1446.3 million.

In the last decade, PAIiZ completed 35 investment projects in the electronics sector. Their value amounted to €1276.8 million, and 21 391 new job positions were created as a consequence. The most important foreign investors include LG Philips (LCD displays, the Kobjrzyce, Dolnośląskie Voivodships,), Sharp, LG Electronics, and three producers of telecommunications equipment - Siemens, Alcatel, and Lucent Technologies.

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 Funds

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/m² for buildings, PLN 0.77/m² for land and 2% of the value of constructions.