

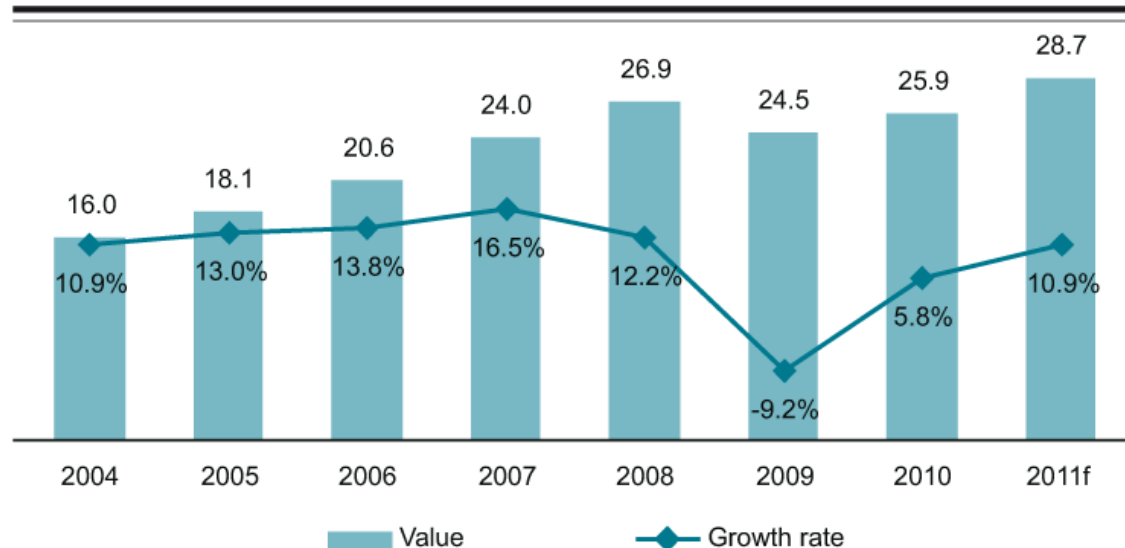


## **Polish IT market to see double-digit growth in 2011**

After the crisis, the IT market in Poland recorded a significant rebound last year. Gradually increasing IT demand and a bigger volume of orders from the business sector allow forecasting the market growth at more than 10% this year.

## IT market in Poland exceeds expectations

### Value (PLN bn) and growth rate (%) of the IT market in Poland, 2004-2011



f – forecast

Source: PMR Report „IT market in Poland 2011. Development forecasts for 2011-2015”

**PMR**  
www.pmrpublications.com

In 2010, the Polish IT market saw a recovery. In fact, the direction the trend would take was relatively easy to predict. What came as a positive surprise was the growth rate, which recorded 2.5 percentage points above the expectations. According to the report “IT market in Poland 2011. Development forecasts for 2011-2015” published by PMR, a market research company, the value of the IT market in Poland, as measured in local currency, increased by 5.8%, nearing PLN 26bn in 2010. PMR forecasts from the first half of the previous year assumed the growth rate of 3.3%. In the end, the hardware market proved most predictable. The discrepancy between PMR 2010 predictions and the actual change in the market value was the lowest and reached approximately PLN 100m.

The fact that the software market bounced back was a positive surprise. Implementations and updates of IT systems took place in large enterprises, but software solutions, usually finished products, attracted increased interest of firms from the SME sector. Licence purchases at public administration affected the market as well.

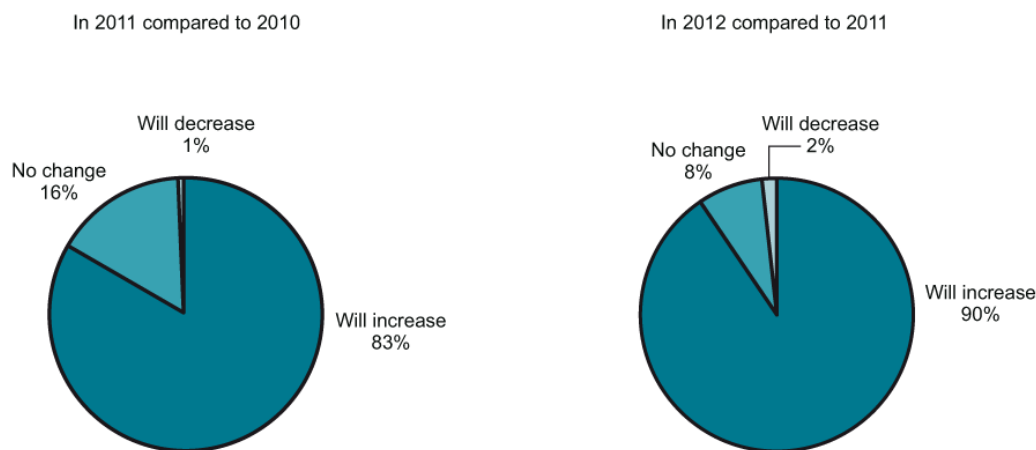
The global financial crisis had a limited impact on the Polish economy and was not a shake-up for the Polish IT market. However, 2010 saw relatively low results in terms of outlays on fixed assets. The year before, we did not expect strong improvement due to drops observed in the first quarter, but we assumed a minimum growth. Eventually, the investment shrank by 2% in real terms year on year. In 2011, we can observe some improvement. In Q1 2011, GDP increased by 4.4% and outlays by as much as 6%, which was the best result since 2009.

Last year, the share of IT outlays in large firms expanded once more. It was partly due to the fact that budgets in this segment were no longer frozen and the results for the entire market in the segment were much better than expected. In the coming years, spending of large businesses is going to be of strategic importance for IT providers. It is unlikely that the share of large-scale firms should drop below 50% in the next two or three years, particularly as the hardware replacement cycle is becoming longer. Another

driver is going to be the need to migrate to more modern software in large businesses in order to replace that implemented in the initial stage of the market development.

## Forecasts reflect moderate optimism

### Assessment of the changes in the IT market value to take place in Poland in 2011 and 2012



Based on a survey conducted in 2010 and 2011 by PMR among the 200 largest IT companies in Poland.  
Source: PMR Report "IT market in Poland 2011. Development forecasts for 2011-2015"

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As in previous years, this year's edition of PMR survey carried out in May and June among the managerial staff of the 200 largest IT companies featured questions about changes on the IT market. As PMR forecasted last year, most of the respondents estimate that the value of the market in the analysed period expanded. The forecasts for IT market value in 2011 remain optimistic. As many as 83% of the respondents were of the opinion that the value would grow, and just 1% expect a decrease. The average forecasted growth change is going to reach the level of about 9%. Further forecasts show clearly that, after a brief period of crisis, the IT industry is regaining its faith in development and value growth. Some 90% of high-level staff of top IT businesses in Poland PMR surveyed believe that the sector will maintain the upward tendency.

The Polish IT market managed well in the period of economic slowdown and did not suffer serious effects of the global crisis. Naturally, the solid macroeconomic results helped, bringing about both an actual, measurable effect, as well as a psychological effect, highly desirable on the global financial markets during the crisis. From the point of view of investors, Poland remained one of the few countries that emerged unscathed from the crisis. Polish entrepreneurs, as well as households, did not reduce demand on a mass scale, which together with a decrease in export could have led to economic breakdown.

In fact, the global financial crisis has had an invigorating influence on the IT industry, giving it new challenges, but also new opportunities for providers of IT solutions. The key issues were cost reduction, improved efficiency and liquidity control. Entrepreneurs became more demanding and aware of decisions they make, and the level of expectations and requirements in terms of profit from investment went up.

On the other hand, PMR survey conducted in both small and medium enterprises last year, and large firms this year, does not indicate that players have cut their spending on a mass scale. Most of the 800 SMEs PMR surveyed last year assumed only a small yearly decrease in IT expenses. They also emphasised that in 2009 their IT budgets were not especially reduced.

Most of the 400 large firms PMR surveyed in April 2011 declared that their IT outlays either did not change or increased last year. When asked about their forecasts for the next twelve months, the respondents mainly gave the same answers.

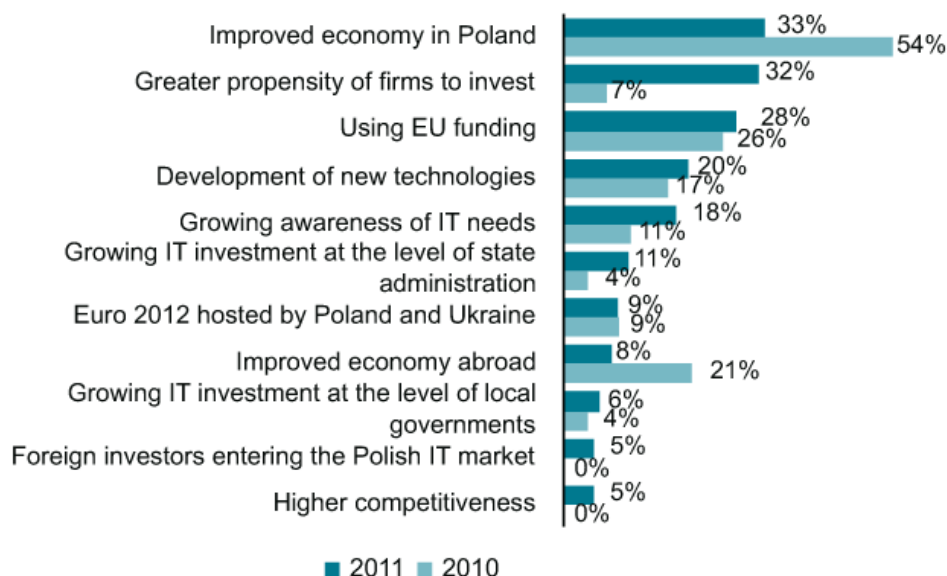
Taking into account the current situation on the market, interviews with market participants regarding the performance in the first half of the year and the backlog of

orders for this year, PMR decided to adjust its forecasting model to a more aggressive scenario, and thus revised the forecasts up. "All in all, we now expect that in 2011 the IT market in Poland has real chances to report a double-digit growth rate, while a result below 7% should be treated as a negative surprise" – comments Pawel Olszynka, a PMR analyst and one of the report authors.

### Findings from the survey among 200 largest IT companies

In this year's edition of the survey carried out among the management personnel of 200 largest IT companies, PMR once more asked its respondents what they believed to be the crucial drivers for the development of the Polish IT industry. It turns out that the main such factors, according to the key IT players in Poland, are the improved economic situation of the country (33% of responses), greater propensity of businesses to invest in IT (32%), using EU funding for IT investments (28%), development of new technologies (20%), or just the higher awareness of IT needs (18%).

### Main growth drivers for the IT market in Poland in the next two years, 2010-2011



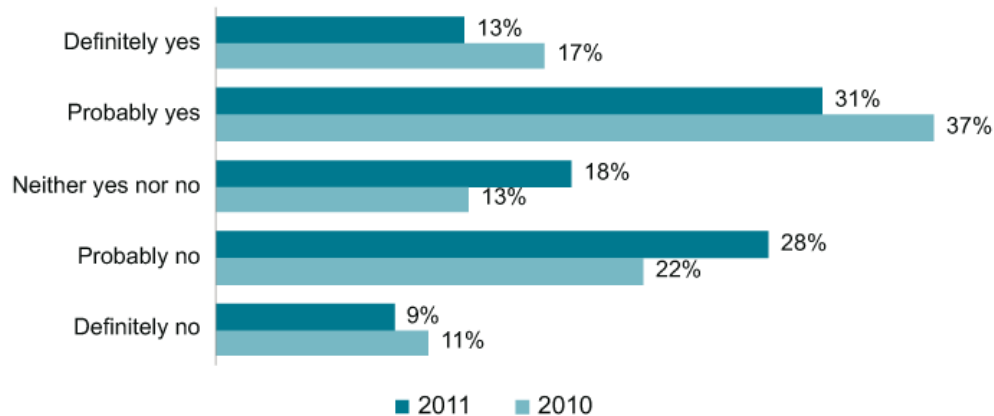
Based on a survey conducted in 2010 and 2011 by PMR among the 200 largest IT companies in Poland. Source: PMR Report "IT market in Poland 201. Development forecasts for 2011-2015"



It is worth noting that the number of answers concerning the impact of the economy in Poland and in the world dropped (33% compared to 54% in 2010, and 8% compared to 21% in 2010, respectively). It is another sign that the crisis affecting the IT industry as recently as last year is now slowly becoming the past. There are now new growth opportunities, like the previously mentioned increasing tendency of companies to invest (25 p.p. higher than the year before), or the development of new technologies (increase by 3 p.p.), as well as greater awareness of IT needs (7 p.p. higher).

The hosting of Euro 2012 is a considerable challenge for the Polish economy, including the IT market. PMR has asked its respondents whether in their opinion the IT market in Poland is likely to benefit from organising the European Football Championship in 2012. Close to a half (44%) gave positive answers, and one in ten was quite sure of such profits. For one in five respondents (18%), hosting the Euro 2012 will have no direct effect on their business activity. One in three (37%) was of the opinion the event was not likely to boost the profit of their firm. In the same survey carried out a year earlier, the percentage of firms having positive opinions was 10 p.p. higher.

## Respondents' opinion on whether Euro 2012 hosted by Poland and Ukraine will have a positive effect on their company's results, May 2011



Based on a survey conducted by PMR in 2010 and 2011 among the 200 largest IT companies in Poland.  
Source: PMR Report "IT market in Poland 2011. Development forecasts for 2011-2015"

  
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Interestingly, the same question but asked with regards to the potential positive effects for the whole IT industry in Poland brings more optimistic results. IT companies tend to see potential benefits for the IT market as a whole rather than for each of the companies individually. Nearly two out of three respondents (69%) agreed that Euro 2012 would have a positive effect on the IT market in Poland, and one in five definitely believed so. A fifth thinks that hosting the event is not going to bring any profits to the IT industry.

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### About PMR



PMR ([www.pmrporate.com](http://www.pmrporate.com)) is a British-American company providing market information, advice and services to international businesses interested in Central and Eastern European countries as well as other emerging markets. PMR's key areas of operation include business publications (through [PMR Publications](#)), consultancy (through [PMR Consulting](#)) and market research (through [PMR Research](#)). Being present on the market since 1995, employing highly skilled staff, offering high international standards in projects and publications, providing one of most frequently visited and top-ranked websites, PMR is one of the largest companies of its type in the region.

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