

The Automotive Sector in Poland

Sector profile



Polish Information and Foreign Investment Agency 2013

Financed by the Ministry of the Economy

ISBN 978-83-63371-17-3

Table of content

Overview of the sector in Poland	3
Value and structure of sales	4
Companies and labour market	5
Export	7
Car manufacturers in Poland	8
Foreign investment	9
The rationale for the development of automotive industry in Poland	10
Perspectives of the sector	12
Testimonial	13
Available forms of public assistance	14
Main institutions and industry organizations	15
Contact details for investors	15

Overview of the sector in Poland

- In the recent years Poland has become a major manufacturer of motor vehicles and supplier of parts for European manufacturers. Poland specializes in combustion engines.
- The automotive sector, along with neighbouring industries, generates 8.6% of added value to the Polish economy.¹
- 2012 marked another period of decline in the production of the sector in Poland and Europe. 2013 saw no improvement to the situation.
- Among others, the markets of developing countries pose an opportunity for the growth of the automotive industry (worldwide, in Europe and Poland).

The term “automotive sector” denotes companies conducting business defined in division 29 of Polish Classification of Activity: “Manufacture of motor vehicles, trailers and semi-trailers”. This division includes three groups:

- **manufacture of motor vehicles**, covering the manufacture of passenger cars, buses, goods vehicles and other motor vehicles; this group also includes manufacturers of engines for motor vehicle and tractors;
- **manufacture of bodies (coachwork) for motor vehicles, manufacture of trailers and semi-trailers,**
- **manufacture of parts and accessories for motor vehicles.**

The above classification does not include motorcycles and motorcycle engines, parts and accessories, and does not include the manufacture of military fighting vehicles.² Due to the marginal share of motorcycle manufacturers on the Polish motor vehicle market, the statistics concerning manufacturing presented in this study do not include this group. The manufactures of tires, car batteries and windows is classified outside of division 29 of Polish Classification of Activity.

Poland, despite strong competition in the region (the Czech Republic, Slovakia, Hungary) is an important European player in the automotive sector. Other countries from the region manufacture more passenger cars, but Poland specializes in car parts – 60% of sold production of the sector in 2012 constituted of car parts and accessories. In result Poland is 2nd biggest car parts manufacturer in Central and Eastern Europe. Out of 40 car engines factories in CEE region, 16 are located in Poland.

¹ KPMG estimate, source: Condition of automotive sector and its role in the Polish economy, October 2013.

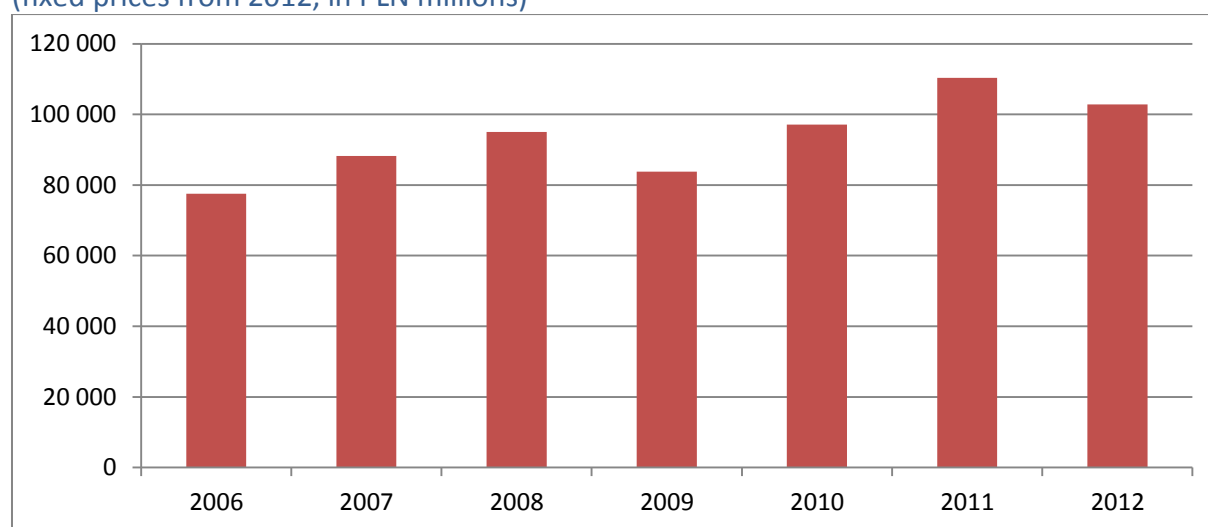
² Both types of vehicles are classified in division 30 of Polish Association of Activity, “Manufacture of other transport equipment”.

The range of products manufactured by Polish suppliers is very wide and includes among others: powertrains (Toyota, two plants, Volkswagen Motor Polska, Fiat Powertrain and Isuzu Motors), steering systems (Nexteer Automotive, TRW, Delphi, Mando Corporation, NSK), lighting systems (Valeo, Automotive Lighting), cooling systems (Delphi, Valeo, Hutchinson), coachworks and chassis (Gedia, Kirchhoff), tyres (Michelin, Bridgestone, Goodyear), car glass (Pilkington, Saint-Gobain Sekurit, PGW), internal systems (Boshoku, Faurecia), seats (Faurecia, Sitech, Johnson Controls, Lear Corporation), security systems (TRW, Autoliv).

Value and structure of sales

In 2012, the value of sold production of the automotive sector (without VAT and excise tax) in Poland amounted to PLN 102.8 billion. This represented 10.7% of sold production of the processing industry and 9.0% of total industry sales. The sector employed 153.4 thousand persons which represents 7.5% employed in the processing industry and 6.2% employed in the industry.³ Generally, in widely defined automotive sector, taking into account indirect effects, there were 762 thousand working in the sector in Poland⁴.

Figure 1. Value of sold production of the Polish automotive sector throughout 2006-2012 (fixed prices from 2012, in PLN millions)



Source: own calculations based on: Central Statistical Office, Outlays and results of industry in 2012. Concerns companies employing above 9 persons

The growth of the sales of Polish manufacturers of the automotive sector may be considered impressive: in numerous periods two-digit growth rates were achieved. The crisis of 2008 caused a decline in growth to 7.7% and a reduction of sales by nearly 12% in 2009.

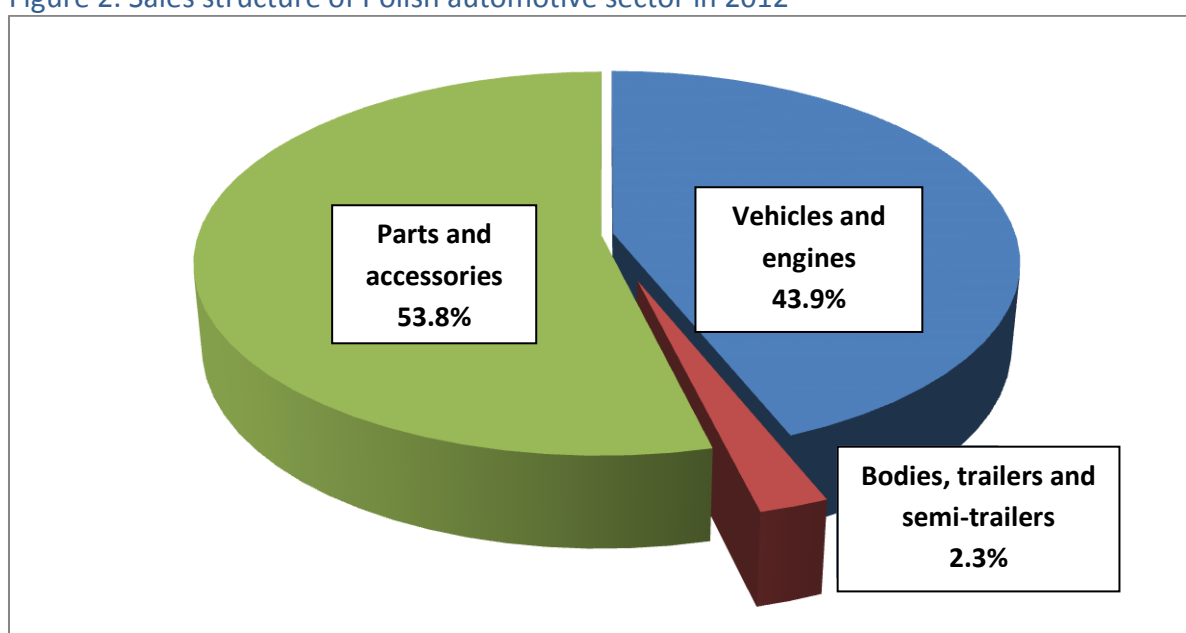
³ Central Statistical Office, Outlays and results of industry in 2012. Concerns companies employing above 9 persons.

⁴ KPMG, Condition of automotive sector and its role in the Polish economy, October 2013.

Throughout 2010-2011 an annual growth of approx. 15% was achieved and only a slump on the markets of the main buyers in 2012 caused a decrease of sales by 6.8%. In 2013, we may expect a slight growth; the value of sold production within the first half of 2013 amounted to 100.9% of the value for the analogous period of 2012. Future results depend on whether EU countries will be capable of returning on the path of economic growth.

By groups, in the first half of 2013, the decrease of sold production of motor vehicles and engines continued (94.6% of the value from the first half of 2012), while the value of sold production of bodies (coachwork), trailers and semi-trailers slightly grew (by 0.2%). A considerable growth (by 6.7%) was, however, recorded in the group of parts and accessories which account for over a half of the sold production of the sector.

Figure 2. Sales structure of Polish automotive sector in 2012



Source: own calculations based on: Central Statistical Office, Outlays and results of industry in 2012 (taking into account excise tax), for companies employing above 49 persons

Companies and labor market

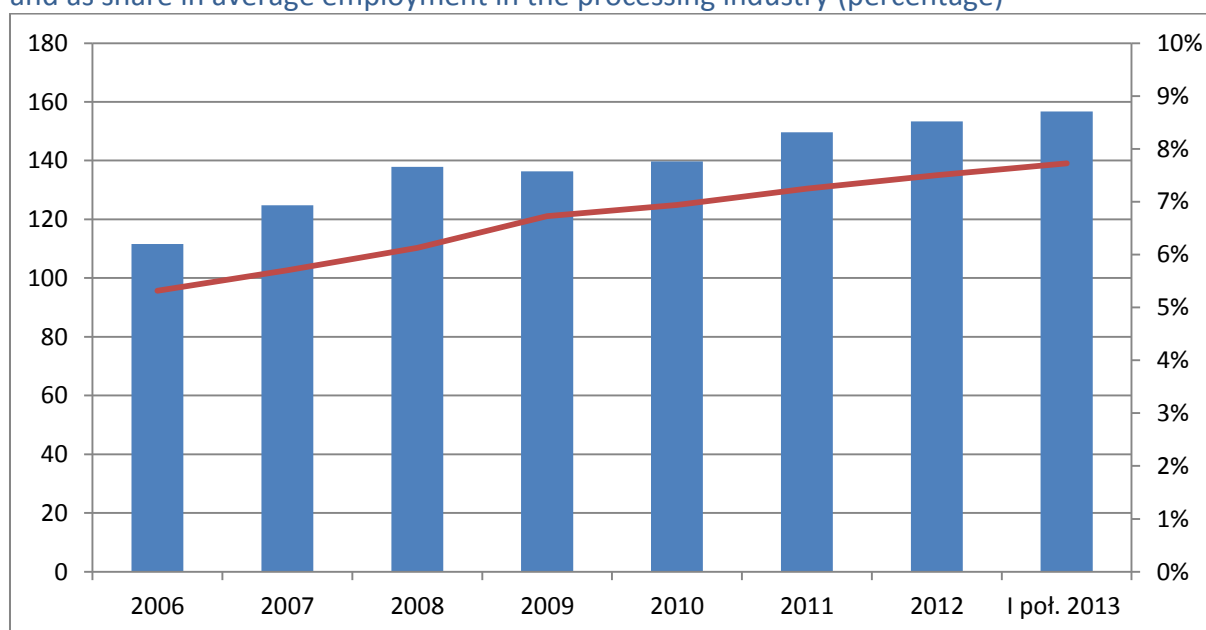
In 2012 there were almost **900 companies** operating on the automotive sector in Poland, out of them 270 were owned by foreign investors. 500 of them has ISO/TS 16949 certificate. According to the Statistical Office, the largest companies (above 249 employees) accounted for 84% of employment and 92% of revenues from sales of the entire sector.

The automotive sector sees a constant growth of employment. From 2006 to the 1st half of 2013 the average employment increased by 40% to 156.7 thousand. The only year where a decline of employment in the sector was recorded was 2009 (but it was insignificant, by 1.2%). Previously, the average growth of employment in the sector was in the two digits.

2010-2013 saw a decline in the growth rate: in 2011 employment increased by 7.1%, and in the remaining periods grew by approx. 2.5% per annum.

A systematic growth of the share of employment in the automotive industry in total employment in the processing industry is noticeable. From 2006 to mid-2013 this share increased by 40% from 5.3 to 7.7%. However, this growth was not followed by a growth of the share of the sector in the value of sold production of the processing industry; this share invariably ranges between 11 and 12%. This, however, is not caused, as would appear, by the marked decrease of labour productivity (measured as the value of sold production in fixed prices per employed) in the automotive sector, but rather the growth of productivity in other divisions of industrial production. Labour productivity in the automotive sector throughout 2006-2013 was similar while in the entire processing industry it increased by over 40%. Nevertheless, labour productivity in the automotive sector is still approx. 40% higher than in the entire processing industry.⁵

Figure 4. Average employment in the automotive sector in absolute values (in thousands) and as share in average employment in the processing industry (percentage)



Source: Central Statistical Office, Outlays and results of industry in 2012. Concerns companies employing above 9 persons

Average monthly gross **wages and salaries** in the automotive sector in the first half of 2013 amounted to PLN 4 096.80, which represents 116% of the average wage and salary in the processing industry. In the recent years this proportion ranged from 111-116% assuming the lowest values in 2009 and 2012, i.e. in the years of decline of the sold production of the automotive sector.⁶ Wages in the sector vary greatly: the average wage and salary in the manufacture of cars and engines is 80% higher than in the group of companies

⁵ Based on data of the Central Statistical Office for companies employing above 9 persons.

⁶ As above.

manufacturing bodies (coachwork), trailers and semi-trailers and 56% higher than in companies involved in manufacturing parts and accessories⁷.

Car mechanic is one of most widespread majors in vocational education and widely represented in whole Poland.⁸ In 2012 3710 graduates of vocational school received a diploma of a car mechanic, and 4200 graduates of technical colleges were granted diplomas of automotive technician.⁹

Among university students technical majors are constantly gaining popularity – in 2011 the number of students of technical universities grew by 50%. In 2012 among 5 most popular universities, there were 4 technical universities.

Export

75% of revenues from the sales of the Polish automotive sector come from export sales. This ratio is highest among large companies (at least 250 employees) and amounts to 77%. In medium companies (50-249 employees) export accounts for 55% of revenues, while in small companies (10-49 employees) only for 26%. Large companies are responsible for 95% of export sales of the entire sector.

In 2012, the export of the Polish automotive industry was worth EUR 17.6 billion (92% of the value of export from 2011). European Union markets accounted for 82% of this amount. The main recipients of Polish automotive export are Germany (with over a 30% share in the value of export), Italy (10%), Great Britain (9%), France (6%) and the Czech Republic (5%).¹⁰

The key component (43%) of Polish automotive export are car parts and accessories, 2nd passenger cars, 3rd utility vehicles.

⁷ Based on data of the Central Statistical Office for companies employing above 49 persons.

⁸ The state of vocational education in Poland, KOWEZiU Warszawa 2013.

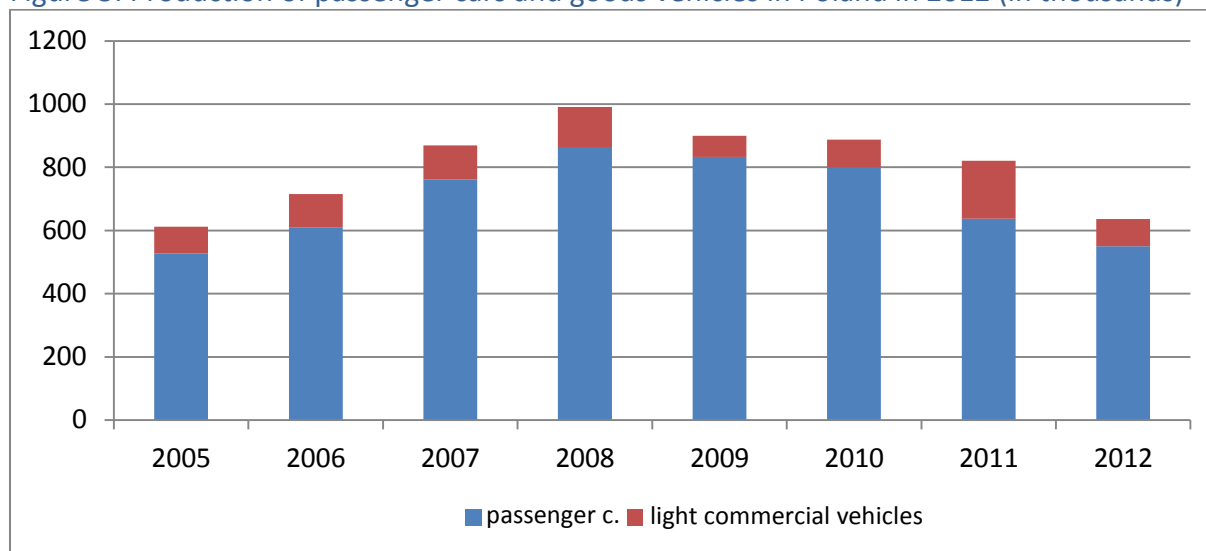
⁹ Central Examination Commission, 2012.

¹⁰ Eurostat, after: information of the Minister of the Economy concerning the situation in the Polish automotive industry.

Car manufacturers in Poland¹¹

In 2012, the total production of **passenger cars and light commercial vehicles in Poland amounted to 635.8 thousand vehicles**. As compared to 2011, this represented a drop by 23%. 98% of produced passenger cars were exported.

Figure 5. Production of passenger cars and goods vehicles in Poland in 2012 (in thousands)



Source: Samar, after: Polish Automotive Industry Association, 2013 Report

In the sector of **passenger car and light commercial vehicles** up to 3.5 tonnes, the **largest manufacturer is Fiat Auto Poland**. The models manufactured by the company are Fiat 500, Lancia Ypsilon and Ford Ka. In 2012, the Fiat plant in Tychy manufactured 22% less cars than in 2011. This was caused by the phasing out of the Panda model, the production of which was ultimately discontinued in December 2012.

Volkswagen Poznań produced 19% less cars than in 2011. The plant commissioned 145 thousand pieces of the VW Caddy (in the passenger and light commercial vehicle version) and 17 thousand pieces of the T5 light commercial vehicle.

General Motors Manufacturing Poland recorded a 28% decline in production. The plant in Gliwice manufactured the Opel Astra III and IV models in multiple body versions and Cascada convertible. The company plans to start manufacturing of Astra V model in 2015.

General Motors in 2013 purchased from Isuzu the remaining shares in Tychy diesel engines plant, so an operator that manufactures both cars and engines has been created.

¹¹ After: Polish Association Of Automotive Industry, Automotive Industry, 2013 Report.

Table 1. Production of passenger cars and light commercial vehicles in Poland in 2012

Producer	total		passenger cars		light commercial vehicles up to 3.5 t	
	thousand pcs	share	thousand pcs	share	thousand pcs	share
Fiat	349	55%	347	63%	1	1%
VW	162	25%	78	14%	85	99%
Opel	125	20%	125	23%	0	0%
total	636	100%	551	100%	86	100%

Source: Samar, after: Polish Automotive Industry Association, 2013 Report

In 2012, 7.2 thousand **lorries** were produced in Poland. Nearly all were manufactured in the **MAN plant in Niepołomice**.¹² MAN's production decreased by 14.7% in 2012. 82% motor vehicles manufactured by MAN were exported, mainly to Russia, France, the Czech Republic, Great Britain and Germany.

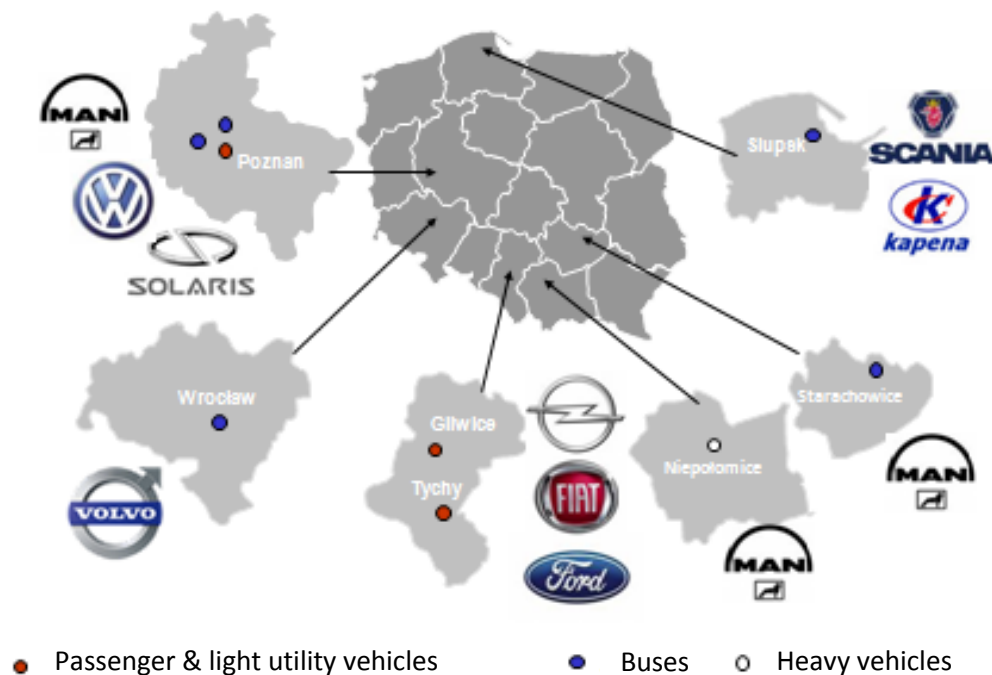
3.8 thousand **buses** were manufactured in Poland, this is 19.6% less than in 2011. The largest share was recorded by MAN (35%), Solaris Coach & Bus (24%), Volvo (18%) and Scania Production Słupsk (9%). 83.6% of vehicles were exported. Moreover, bus manufacturers delivered 64 trolleybuses (Solaris), 700 bus underbodies (including MAN 500 pcs) and 300 chassis (MAN).

Foreign investment

According to KPMG experts, the development of the automotive industry in Poland is driven by foreign investment. The inflow of foreign direct investment (FDI) to the automotive sector (Polish Classification of Activity division 29) in 2012 amounted to EUR 1.75 billion, compared to EUR 500 million in 2011 (almost tripled) . The accumulated value of FDI in the sector as at the end of 2012 amounted to EUR 9.5 billion which represented 17% of foreign investment in the entire processing industry. According to KPMG forecasts, despite a possible downturn in 2012 and 2013, the accumulated value of investment in the sector as at the end of 2015 may exceed PLN 37.5 billion.

¹² Other manufacturers in Poland are Jelcz Komponenty, factory supplying heavy vehicles for the military, and DZT Fabryka Samochodów w Lublinie, manufacturing Honker light commercial vehicles.

Image 1. The main car manufacturers in Poland



Source: PAliIZ, 2013

Although 25% of the companies in the automotive sector in Poland are owned by foreign capital, in fact all important companies belong to international corporations.

Foreign automotive companies place in Poland not only manufacturing plants, but, due to well educated engineers, also develop R&D activities. The flagship investment is Delphi corporation, that apart from 4 plants owns 2 R&D centres in Krakow and Ostrów Wielkopolski. The division in Krakow employs 900 people and is the bigger R&D centre in Polish automotive sector. Other examples of R&D activities in Poland in the sector are: Tenneco, TRW, Valeo, Faurecia, Wabco, Eaton, Draexlmaier, Volkswagen.

The rationale for the development of automotive industry in Poland

- abundance of qualified workforce across several major Polish automotive regions.
- easy and prompt access to major OEMs and suppliers in CEE and Western Europe.
- dozens of potential locations which offers unrivaled in CEE conditions for new production and R&D establishments.
- high growth potential for sales of new cars in Poland.
- attractive system of investment incentives including cash grants and tax holidays.

Moreover, the automotive sector has been chosen as a priority sector by Polish government. This is reflected by project assisted by Polish Information and Foreign Investment Agency.

Between 2008 and 2013, out of 294 project accomplished by PAIiZ, 53 were from the automotive sector and included global leaders like Fiat, Volkswagen or Delphi. The estimated value of these investments was EUR 2,5 billion, and the number of jobs created was almost 12 thousand. The most of the projects came from Germany (12), the USA (11) and Japan (10).

At the beginning of December 2013, was the mostly represented sector among PAIiZ projects – there were 33 active projects (out of total 161), worth EUR 1,3 billion and estimated employment of 9 000 people.

Table 2. Accomplished investment projects from automotive industry In PAIiZ 2008-2013

Category	2008	2009	2010	2011	2012	2013
Number of projects	14	2	5	8	16	10
Value (milions EUR)	298	227	106	595	816	312
Employment	3020	650	1040	1280	3400	2600

Source: PAIiZ, 2013

Situation of the sector in Poland and Europe

2012 marked the fourth consecutive year of a decline in the production of motor vehicles in Poland. The drop in the production of passenger cars reached 14%. The situation in the segment of commercial vehicles is slightly better: in 2012, production nearly reached pre-crisis levels. As a result of a downturn in production, Poland lost the region leader position (to the Czech Republic and Slovakia).¹³

In the European Union, in 2012, production of passenger cars dropped by 4.9% to PLN 17.4 million.¹⁴ According to the European Automobile Manufacturer's Association (ACEA) in 2012 the sales of passenger cars in Europe dropped from 12 million vehicles (with sales in the pre-crisis years ranging from 15 to 16 million passenger cars per year), which represents a 8.2% drop as compared to 2011. This is the largest decline in the last 20 years. At the beginning of 2013, the average utilization of production capacities in European factories amounted to approx. 60% but barely exceeding 33% in some locations. It was necessary to temporarily withhold production, and layoffs and even plant shutdowns were being considered.¹⁵

¹³ KPMG, Condition of automotive sector and its role in the Polish economy, October 2013.

¹⁴ Polish Association Of Automotive Industry, Automotive Industry, 2013 Report.

¹⁵ Information of the Minister of the Economy concerning the situation in the Polish automotive industry, 19 April 2013.

Faced with the crisis in the automotive industry, the European Commission reactivated the High Level Group on Competitive Automotive Regulatory System for the 21st Century (CARS 21) established to improve the competitiveness of the European automotive sector and implement the “European strategy on clean and energy efficient vehicles” adopted in 2010. The works lead to publishing “CARS 2020: Action Plan for a competitive and sustainable automotive industry in Europe” in November 2012. The recommendations presented in the strategy pertain to:

- supporting the development of advanced technologies and innovation,
- improving market conditions,
- enhancing competitiveness on global markets,
- supporting the restructuring of the European automotive industry.

Also in Poland measures are being introduced to improve the situation of companies and revive the automotive market. At the beginning of 2013, the government adopted the “Catalogue of actions stimulating the automotive industry and market in Poland”. The main three directions for the proposed measures include:

- maintaining or expanding the current production bases with maintaining jobs in the sector,
- expanding markets for the products of the Polish automotive industry to EU and third country markets,
- striving to rejuvenate the car pool in Poland, among others, by introducing changes in the tax system and promoting alternative propulsions systems and fuels.

Perspectives of the sector

The crisis prevailing in Europe validates the expectation of further decline in demand for the cars produced on the Old Continent, as well as the related drop in production. Due to the global nature of the automotive market, European products must compete with products from all parts of the worlds, both on the global, as well as local markets. The added difficulty stems from the fact that the markets of developed countries, the traditional clients of the automotive industry, are already saturated and offer no possibilities for the further growth of sales.

The markets of **developing countries** are perceived to be the main development opportunity of the global, including European, automotive industry. For example, while the rate of motorization (number of light vehicles per 1000 inhabitants) in the USA amounts to 815, in Italy to 690, and in Germany to 550, in Brazil it is just 155, 50 in China and 10 in India¹⁶. The spread of motorization in developing countries is only starting.

¹⁶ OICA data for 2011, after: Polish Association Of Automotive Industry, Automotive Industry, 2013 Report.

The sheer growth of export to developing countries will not be enough to offset the decline in production in Europe. Other development opportunities for the automotive industry include:

- Development of eco-friendly solutions, i.e. replacing fuels currently in use with new types or development of new vehicle propulsions systems. Considering that the automotive industry is the largest private investor in research and development (5% of revenues, EUR 26 billion, more than the pharmaceutical and telecommunications industry jointly¹⁷) there are hopes for the rapid development of such technologies.
- Change of the operating principles of automotive markets: offering services, not goods. Abandoning the existing vehicle sales model and ensuring their maintenance services in favour of *new mobility solutions* where the vendor attempts to deliver the clients services related to transportation (rent, short-term use etc.) that best match their needs.
- Development of extreme market segments: budget and premium cars. The low-cost segment will be met with demand in developing countries and less affluent consumer from the local markets. The premium class will retain the brand value which is associated with specific experiences and expectations of buyers. In below-premium classes, the differences between makes become less significant as on the developed European market quality, durability and reliability are no longer features that distinguish the particular manufacturers.

Testimonial

Pearl Stream

“When in 2010 together with our partner JP Weber we planned an investment in Strzelce Opolskie, we did not expect that the project will be so successful. We did not focus only on maintaining good contacts with companies from Wrocław electronic sector, but also, in 2011, we extended the production for Korean customers from automotive industry in Upper Silesia who supply parts of KIA and Hyundai in Czech Republic and Slovakia. Thanks to good relations with authorities, we were able to build new factory in only six months. We employed over 400 people in 18 months. The strategic location of A4 motorway between large urban areas provide us proximity to our strategic clients. The growing presence of Korean investments open new opportunities”.

Kye Soo Park, President of Pearl Stream

¹⁷ Polish Association Of Automotive Industry, Automotive Industry, 2013 Report.

Available forms of public assistance

Entrepreneurs carrying out new investment projects in Poland may take advantage of various forms of investment incentives granted as part of public assistance, in particular:

- tax exemptions in Special Economic Zones (SEZ),
- exemptions from local taxes, including property tax,
- government grants for strategic investments,
- support from EU funds,
- tax incentives for the acquisition of new technologies, and research and development,
- technology and industrial parks.

The primary tax incentive is exemption from income tax in one of 14 special economic zones that will remain active until 2026. Each zone has numerous sub-zones in various parts of Poland. In the special economic zones investors may count on the availability of attractive investment lands equipped with the necessary utility infrastructure and comprehensive assistance in legal and administrative procedures related to their project.

Communes also incentives have at their disposal – they are authorized to grant exemptions from local taxes and levies, including property tax. Cash subsidies for the support of new investments come from the State budget (government grants) and EU funds.

Government grants (for the creation of new jobs and investments) are granted under the Program for supporting investments of major importance to the Polish economy for the years 2011–2020 for investments in the following sectors:

- automotive,
- electronic,
- aviation,
- biotechnology,
- modern services,
- research and development activity.

Moreover, considerable investments from other sectors (creating at least 200 new jobs with qualified costs of at least PLN 750 million or creating at least 500 new jobs with qualified costs of at least PLN 500 million) may also be eligible for support under the Program.

As a member of the EU, Poland is the largest beneficiary of support from EU funds. The funds are allocated to, among others, innovative investments, research and development, infrastructural projects, environment protection, renewable sources of energy, employee trainings.

Throughout 2007-2013 Poland had at its disposal approx. EUR 67 billion and in the new 2014-2020 budget this will be approx. EUR 73 billion. The priority in the new budget will be to support the research and development activity of enterprises.

As the investment incentives are available under various programs, and vary in terms of conditions and availability in time, we suggest contacting the Polish Information and Foreign Investment Agency to obtain current information about available incentive packages.

Main institutions and industry organizations

- **Polish Automotive Industry Association**
Al. Niepodległości 69
02-626 Warszawa
Phone: +48 22 322 71 98
Fax: +48 22 322 76 65
www.pzpm.org.pl
- **Association of Automotive Parts Manufacturers and Distributors** ul. Za Dębami 3
05-075 Warszawa
Phone./Fax.+48 22 773 00 18
E-mail: info@sdcm.pl
www.sdcn.pl
- **Polish Chamber of Automotive Industry**
ul. Grażyny 13/15
02-548 Warszawa
Phone: (22) 646 08 18, (22) 440 84 59
Fax.: (22) 845 25 73
E-mail: sekretariat@pim.org.pl
www.pim.pl
- **Automotive Market Research Institute Samar**
ul. Wąwozowa 11/4
02-796 Warszawa Poland
Phone: +48 228 597 552, +48 228 597 553
E-mail: contact@samar.pl
www.samar.pl
- **MotoFocus**
ul. Za Dębami 3
05-075 Warszawa
Phone/Fax.+48 22 773 8774
www.motofocus.pl
- **AutomotiveSuppliers.pl s.c.**
ul. Staniewicka 14
03-310 Warszawa
Phone +48 22 215 05 05
Fax. +48 22 435 88 23
E-mail:
review@automotivesuppliers.pl
<http://automotivesuppliers.pl>

Contact details for investors

Polish Information and Foreign Investment Agency
Foreign Investment Department,
Ul. Bagatela 12, 00-585 Warszawa, Polska
Tel. (+48) 22 334 9875, fax (+48) 22 334 99 99
e-mail: invest@paiz.gov.pl