

# **Household Appliances Sector** in Poland



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# Household Appliances Sector in Poland

## Sector Profile

## CONTENTS

Did you know that .....	3
Executive summary .....	3
Global Household Appliances Market .....	4
The Households Appliances Market in Europe .....	4
Exports Development .....	4
Import Development .....	5
Household Appliances in Poland .....	5
Polish Import and Export .....	8
The Household Appliances Investments in Poland .....	9
WHY POLAND .....	10
The Investment Competitiveness of Poland .....	10
Available Forms of Public Aid .....	11
Regional Aid 2014-2020 .....	12

## Did you know that

- Poland is one of the main players on the household appliances sector in Europe, in competition with Germany and Italy;
- The main manufacturing centres in Poland are: Wrocław, Łódź and Wronki near Poznań;
- 27 factories operating in Poland employ approx. 22 thousand people;
- Poland specialises in the manufacturing of large household appliances: washing machines, dryers, dishwashers, cooling equipment;
- Household appliances factories in Poland started to appear after the WWII. The best known factories include: Zakłady Sprzętu Grzejnego Wromet in Wronki established in 1945, (currently Amica Wronki S.A.); Wrocławskie Zakłady Metalurgiczne (from 1946) operating later as Wrozamet, current FagorMastercook S.A.; Zelmer - established in 1951 in Rzeszów – currently the largest Polish producer of small household appliances; Zakłady Metalowe “Zakrzów” in Wrocław – from 1952 (operating later as Polar, currently Whirlpool Polska S.A.)<sup>1</sup>;
- From the beginning of transformation in Poland the sector attracted many investors who constructed a very modern and internationally competitive industry on the basis of the existing infrastructure, knowledge and qualifications of its employees.

## Executive Summary

The household appliances sector includes equipment and tools designated for multiple and general use by consumers in households. The most frequently used form of classification is the division into electric and non-electric equipment. The first category was divided in two sub-sections: “large” and “small” household appliances. “Large” household appliances include: fridges, freezers and their combinations, ovens, dishwashers, washing machines, dryers, washer-dryers (free standing or designed as built-in). The second category is the “small” household equipment including: vacuum cleaners, kettles, coffee makers, irons, grinders, blenders, juicers, food processors, toasters, slicers, mincers. Non-electrical equipment includes pots, pans, pressure cookers, kettles. In addition the household appliances sector is divided into basic segments: refrigeration, laundry and heating equipment. According to the definition by the experts from TechNavio, a research company, household appliances are everyday use equipment increasing the standard of consumers’ living in everyday activities such as cleaning, washing or cooking<sup>2</sup>.

Global forecasts for the household appliance market are very positive. According to TechNavio experts the estimated market size in 2018 is expected to reach USD 272.9 billion and will continue to grow by 4.52%, against USD 223.4 billion in 2013<sup>3</sup>. In the EU states, the household appliances market remains an important sector of economy, despite the observed slump, with its share competitive to automotive and electronics sectors. The European household appliances market creates a million jobs each year and it is responsible for EUR 53 billion of its GDP<sup>4</sup>. On the other hand, thanks to the large and absorbing internal market and the geographical location, it is a manufacturing and distribution centre of the sector. The household appliances produced in Poland are exported to Europe. Thanks to this, Poland is considered one of the largest net exporters in the European Union in the washing field<sup>5</sup>.

According to the representatives of the European Parliament and the Commission, the most important task for the sector’s future in Europe is the cooperation with the European institutions in 4 areas: creating clear and transparent legal regulations, the improving sustainable lifestyle, creating an on-line platform for following new trends in the household appliances sector within the Digital Single Market in the European Union and accelerating the economic growth in the EU states<sup>6</sup>.

<sup>1</sup> CECED Poland – Związek Pracodawców AGD (the Association of Household Appliances Employers).

<sup>2</sup> Global Household Appliance Market 2014-2018, TechNavio.

<sup>3</sup> Home Appliances 2025, CECED Europe.

<sup>4</sup> Ibid.

<sup>5</sup> The Economic Impact of the Domestic Appliances Industry in Europe, Europe Economics.

<sup>6</sup> Home Appliance 2025, CECED – European Committee of domestic equipment manufactures.

## Global Household Appliances Market

The global household appliances market is the sector dominated by “large” equipment, with its market share amounting to approx. 80-84%. In 2013, the market was worth USD 223.4 billion<sup>7</sup>. The largest players in the equipment production include: AB Electrolux, BSH Bosch und Siemens Hausgeräte GmbH, Haier Electronics Group Co. Ltd., Koninklijke Philips N.V., LG Electronics Inc., Panasonic Corp., Samsung Electronics Co. Ltd. and Whirlpool Corp. The largest markets of household appliances are: China, Japan, Germany and South Korea. According to the sector experts, the future highest growth in the sector is in Tanzania (22.2%), Bangladesh (12.4%), Bolivia (12.1%), Jordan (9.4%) and Sri Lanka (9.2%)<sup>8</sup>. In 2013, the highest revenues from regional distribution, were the Asian and Pacific countries at 49-53%. This was followed by the EMEA countries with the revenue at 34-38% and both Americas - 11-15%.<sup>9</sup>

In 2014-2018, the global household appliances market will grow by 4.52% per annum<sup>10</sup>. According to the experts from TechNavio this increase will result from several trends. What are the sectors creating the growth of the global household appliances sector? New technologies and increasing the outlays for research and development are the key elements of the sector globally. In addition, the growing interest in intelligent household devices and increasing demand and wealth of the emerging economies population.

## The Households Appliances Market in Europe

In 28 European Union states, there are 3,600 companies operating in this sector with Electrolux AB, B/S/H Hausgeräte GmbH and Indesit SpA acting as key players who are also one of the ten biggest producers in the world<sup>11</sup>. According to the Europe Economics data in 2013, 121 million appliances were produced in the 28 EU states of which 59.5% constituted “large” household appliances and 38.8% “small” household appliances while 1.5% constituted ventilation, heating and air conditioning equipment. The above data includes both the equipment manufactured for the Community market and for export purposes. In 2013, the total turnover of household equipment producers all over the European Union was worth EUR 48 billion including both the production for internal markets and for export. Despite the observed decrease (in 2008 the turnover amounted to EUR 52 billion) and employment reduction, this sector remains an important one in the European Union<sup>12</sup>.

The size and position of the household appliances sector in the European states is reflected in its share in creating the GDP. The largest share of the sector in the GDP is observed in developed countries, such as Germany, Italy and Turkey.

## Exports Development

The largest exporters of household appliances in Europe are: Germany, Italy, Poland and Turkey. On the other hand, the largest outlet for the European household products is Russia and the United States.

Household appliances representing the largest share of imported consumer appliances, they also have the highest share in the appliances exported to the European Union states. These include: electro-thermal appliances (dryers, electric irons), refrigerators and freezers.

<sup>7</sup> Ibid.

<sup>8</sup> [www.reportlinker.com/p02392430-summary/Domestic-Appliance-Markets-in-the-World-to-Market-Size-Trends-and-Forecasts.html](http://www.reportlinker.com/p02392430-summary/Domestic-Appliance-Markets-in-the-World-to-Market-Size-Trends-and-Forecasts.html).

<sup>9</sup> [www.reportlinker.com/p02392430-summary/Domestic-Appliance-Markets-in-the-World-to-Market-Size-Trends-and-Forecasts.html](http://www.reportlinker.com/p02392430-summary/Domestic-Appliance-Markets-in-the-World-to-Market-Size-Trends-and-Forecasts.html).

<sup>10</sup> Global Household Appliance Market 2014-2018, Techavio.

<sup>11</sup> The Economic Impact of the Domestic Appliances Industry in Europe, (Europe Economics) March 2015.

<sup>12</sup> Ibid.

Germany, Italy and France are the leaders in exporting electro-thermal appliances. Russia is the largest outlet for the European household appliances. This market receives almost 22% of the appliances manufactured in the EU. The second largest recipient of the products are the United States with 11% of the European goods exported there. It should be taken into account that the majority of the European countries observes the advantage of exports over the imports of household appliances, so they are net exporters. The largest net exporter of washing appliances is Poland, refrigerators and freezers – Turkey and razors and clippers – the Netherlands. Germany is the largest net exporter of electromechanical devices, dishwashers and vacuum cleaners, while Italy<sup>13</sup> lead the exports of electro-thermal appliances.

## Import Development

In 2013, 62% household appliances imported into the EU market originated from China. According to the analysis performed by Europe Economics, the share does not show the actual import from China. These devices may be assembled in China but they may constitute an insignificant share of added value in the whole supply chain. Turkey is the second largest supplier of household appliances into the European market with the size of 18% of household appliances imported<sup>14</sup>.

What challenges does the European household appliances sector face? The most important ones include the share in the development of global research and development activities. According to The Economic Impact of the Domestic Appliances Industry in Europe, 79 out of 124 companies in the household appliances sector performing their research and development activities are located in the EU and in Turkey.

## Household Appliances in Poland

Thanks to many years of household appliances manufacturing history, Poland became an attractive location for global corporations operating in the sector. Over two decades household appliances manufacturers have been investing in Poland and they constructed a very modern and internationally competitive industry on the basis of the existing infrastructure, knowledge and qualifications of its employees. According to the research by Euromonitor, Poland became one of the European leaders in manufacturing in the household appliances sector, with the “large” appliances becoming the Polish speciality.

Today, Poland is one of the main players on the household appliances manufacturers in Europe, competing e.g. with Germany and Italy. This largely results from the qualified personnel, lower labour costs and the presence of global corporations leading in the sector and attracting the attention of foreign investors.

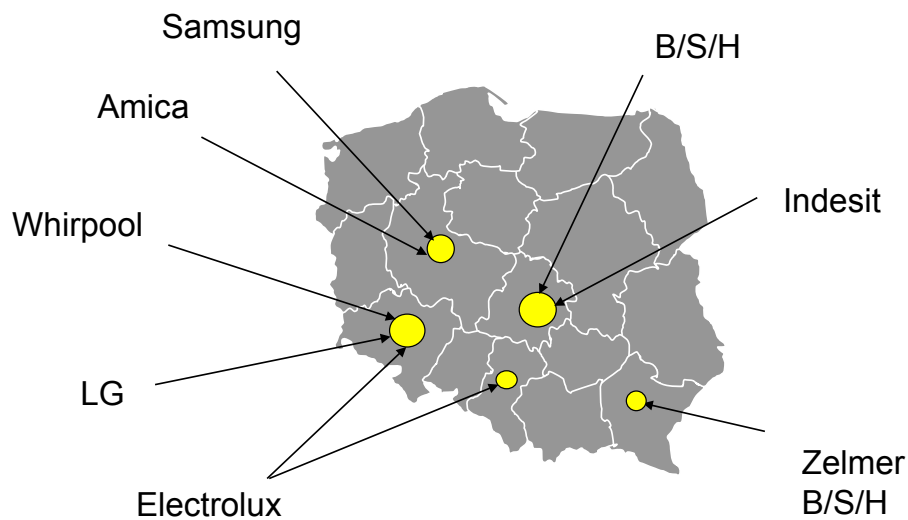
According to the initial data of the Central Statistical Office (GUS), the production sold in June 2015 was higher by 7.6% against the same period last year, with significant growth observed in the production of electrical devices by 25.1%<sup>15</sup>.

<sup>13</sup> The Economic Impact of the Domestic Appliances Industry in Europe, (Europe Economics), March 2015.

<sup>14</sup> Ibid.

<sup>15</sup> Data from GUS.

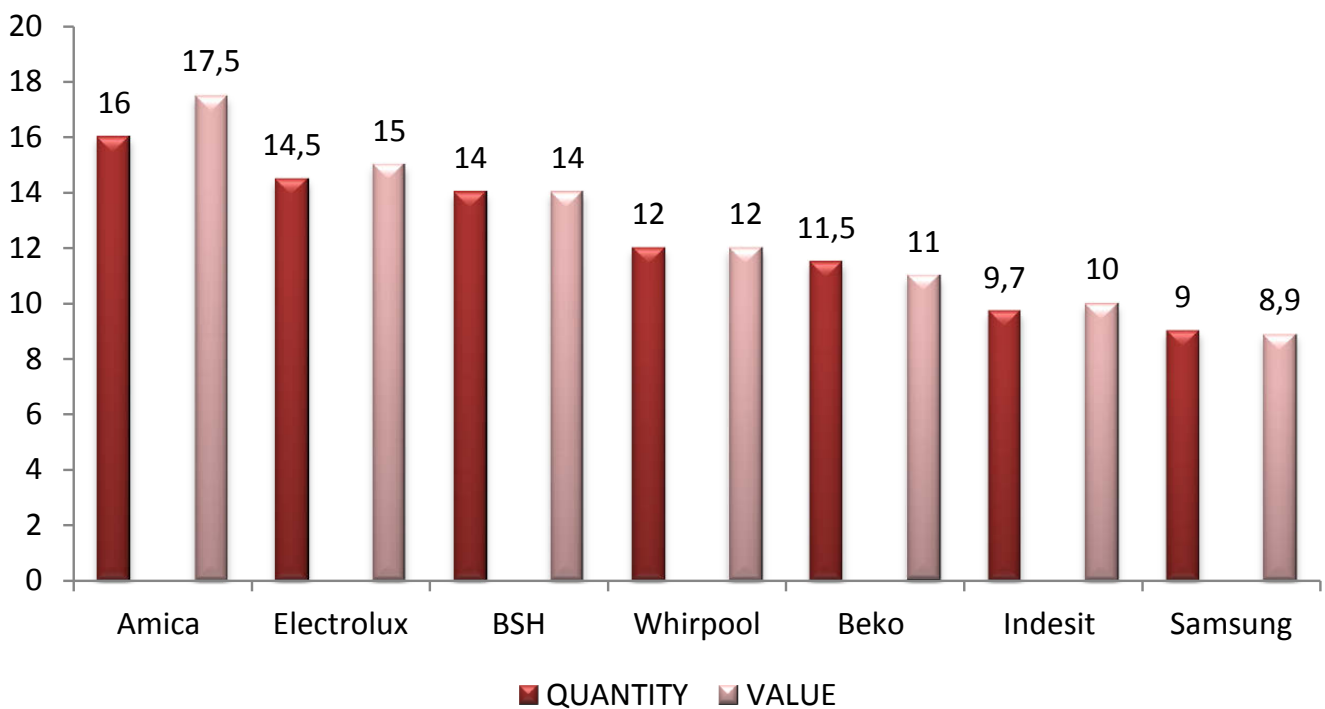
Fig. 1. Main producers of household appliances in Poland



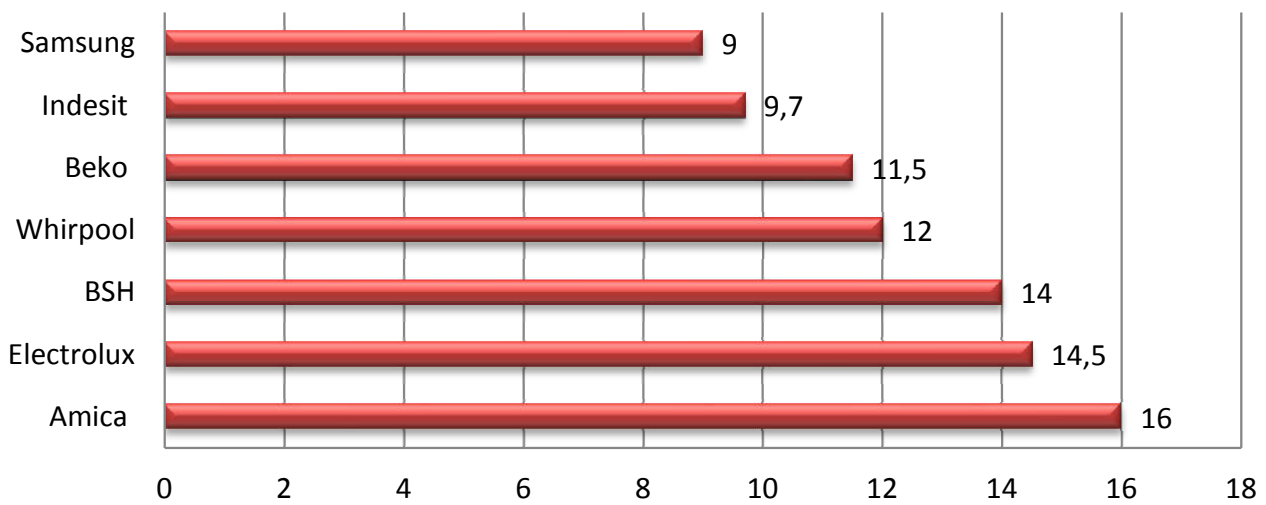
Source: [www.paiz.gov.pl](http://www.paiz.gov.pl)

Next to foreign capital, Polish companies also operate here and are more and more successful in their presence on foreign markets. For instance – 70% of products by Amica, the largest Polish producer of household appliances, are sent abroad and sold in 40 countries. Zelmer, a company which in 2013 merged with B/S/H, has a strong position in the Western European countries.

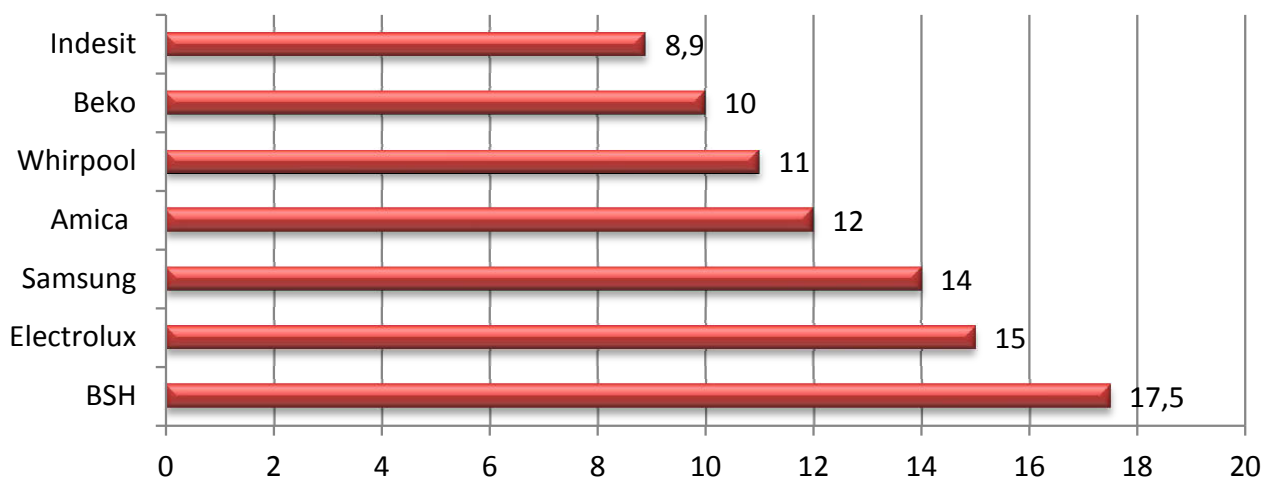
Fig. 2. The quantitative and qualitative share of the largest household appliances manufacturers in Poland



## QUANTITY



## VALUE



Source: CECED Poland.

The table below presents the production of household appliances in Poland in 2005-2014. The growing trend of analysed products is clearly visible. Refrigerators and dishwashers show the highest dynamics in terms of the number of produced appliances. In 2014, almost 3 million dishwashers more than in 2005 were produced. On the other hand, the production of refrigerators and freezers has continuously increased since 2005. In 2014, over 3 million of these appliances were produced.



Table 1. Annual production (in thousands of units) household appliances in Poland

	2005	2008	2009	2010	2011	2012	2013	2014
Fridge-freezers	1,674	2,253	1,886	1,867	2,066	2,221	2,885	3,183
Dishwashers	960	2,043	2,340	2,780	2,966	3,110	3,471	3,842
Automatic washers and driers	1,447	2,471	3,190	4,025	4,372	4,957	5,634	6,366
Cookers	873	1,705	977	1,214	1,405	1,507	1,373	1,371
Vacuum Cleaners	1,325	1,289	1,029	892	1,165	1,068	947	1,036
Ovens	119	595	728	968	1,087	1,293	1,350	1,924
Mixers, blenders, food processors	1,055	5,298	3,491	5,460	5,494	4,894	4,541	5,314

Source: GUS, Production of Industrial Goods.

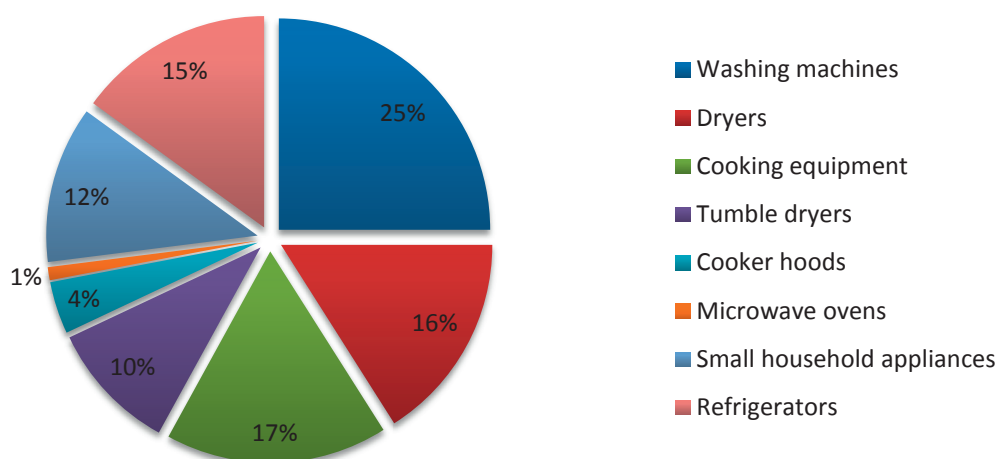
## Polish Import and Export

The volume of the national household appliances marked is estimated at approx. PLN 8 billion of which PLN 6 billion are “large” household appliances, while 2 billion are the “small” ones. In 2014, the production quantity exceeded 20.1 million appliances and was higher by 13% against 2013. In Poland, approx. 22 thousand of people are employed in 27 household appliances manufacturing plants. Taking into account the location of plants, the following five Polish provinces are the leaders: Dolnośląskie, Łódzkie, Wielkopolskie, Podkarpackie, with the largest manufacturing hubs in: Wrocław, Łódź and Wronki near Poznań. The main specialities of Poland include the production of washing machines, dryers and dishwashers. However, the increasing trend in the manufacturing of refrigerating equipment is observed lately.

The export of household appliances is mainly earmarked to the European Union countries. Almost 85% of the national production is exported, with Germany, Great Britain, France and Italy as the largest recipients of Polish products. The household appliances market constitutes a significant part of revenues for Polish producers and last year it was worth almost PLN 17 billion<sup>16</sup>.

Taking into account the inflows from export, the household appliances sector is worth PLN 22 billion (the export together with sales in Poland in 2013).

Fig 3. The household appliances export from Poland in Q1 of 2015 divided by products



Source: CECED Poland.

<sup>16</sup> CECED Data.

What challenges are faced by the household appliances producers? According to the experts from CECED Poland, the household appliances producing companies should concentrate more on the innovation in their products as well as on communicating and educating its consumers with regards to energy efficiency.

## THEY CHOSE POLAND

An investor's perception of Poland:

"Indesit has developed in Poland since 1992, establishing new plants and creating new jobs. Our activity indicates that Poland is very important in the global policy of Indesit Company. We look at this country not only through its strategic location for our sector. For us Poland means first of all the people we can cooperate so well." (Antonio Melone, Production CEO, Indesit Company Polska)

## The Household Appliances Investments in Poland

The most important investors in the household appliances sector in Poland are the representatives of global corporations, including e.g. Electrolux, operating in Poland for over two decades. Today, Poland belongs to one of the key locations in the company's business development map. The company has established three modern factories: in Siewierz, Żarów, Oława and Świdnica. Also, a Global Finance & Accounting Centre in Kraków, Logistics Centre in Oława and Finished Products Warehouse in Pruszków. The company created approx. 3,000 new jobs, with the invested capital amounting to over EUR 132 million<sup>17</sup>.

B/S/H (Sprzęt Gospodarstwa Domowego Sp. z o.o.) is the Polish subsidiary of the German corporation B/S/H Bosch und Siemens Hausgeräte GmbH and the owner of brands: Bosch, Siemens, Gaggenau and Zelmer. The company employs approx. 3.5 thousand people in Poland. Three factories in Łódź manufacture washing machines, dishwashers and tumble-dryers, and the factory in Rogoźnica produces small household appliances. In 2015, the company took over the Fagor Mastercook factory. Due to this takeover, BSH intends to invest PLN 120 million in the factory development and resume the production and create 500 new workplaces by the end of 2019<sup>18</sup>.

One of the largest Italian investors in Poland and the largest investor in the Łódź region – Indesit Company specialises in the production of "large" household appliances. They invested over EUR 300 million in Poland<sup>19</sup>. Apart from manufacturing plants the company located here the registered offices of the marketing, sales, logistics and controlling management. The Global Finance & Accounting Centre functioning in the headquarters of Indesit Company in Łódź, serves also such countries as the Czech Republic, Hungary, Great Britain and Italy. In 2014, the European Commission issued the consent for the acquisition of Indesit by Whirlpool. The company will take over the control over the Italian household appliances producer for the amount of EUR 758 million. The organisational structures resulting from the merger continued in 2015. Whirlpool has three factories in Poland, manufacturing refrigerators, dishwashers and cookers and its Products Development Departments are also located there. Over the last two years, the company has invested in the renewal of manufacturing lines, introduced new models of refrigerators and freezers and launched a new line for dishwashers.

With its nine factories and sub-suppliers, Kobierzyce near Wrocław became the key Polish and European manufacturing centre. The companies operating there specialise in producing washing machines and refrigerators.

Amica Wronki, a Polish company, is one of the most dynamically developing exporter on the national scale. Currently, 70% of its output is earmarked for export. In 2014, the construction of a factory in Wronki commenced, and the production capacity will grow up to 1.5 million cookers and ovens, while the threshold of 2 million products is expected to be exceeded in 2018<sup>20</sup>. Amica was taken over by Samsung in 2010. The project in Wronki was the first Samsung Electronics investment in a household appliances manufacturing plant in the European Union.

<sup>17</sup> <http://newsroom.electrolux.com/pl/electrolux-w-polsce/>.

<sup>18</sup> <https://www.bsh-group.com/laender/pl/index.php?page=106400>.

<sup>19</sup> [http://www.indesitcompany.pl/inst/pl/press\\_room/press-releases-detail.action?id=2074](http://www.indesitcompany.pl/inst/pl/press_room/press-releases-detail.action?id=2074).

<sup>20</sup> <http://press.amica.pl/pr/287156/amica-realizuje-kolejna-inwestycje>.

In February 2015, a modern manufacturing line was open with its purpose to increase the capacity and to expand the range of washing machines and refrigerators made in Wronki. The investment value was estimated at PLN 387.5 million. The company's products are exported to over 40 countries<sup>21</sup>. In addition, in August 2015, Amica finalised the purchase of over 40% shares in the French Sideme, a company dealing in distribution of household appliances<sup>22</sup>. The purpose of this transaction is to boost the sale of Polish products. France is the third largest European market of household appliances.

Many of these investments were implemented in Poland with the support of the Polish Information and Foreign Investment Agency (PAIIZ). Over the last decade (2004-2014), the Agency successfully completed 12 projects in the household appliances sector. From January to August 2015 the Agency has successfully completed two investments in the sector. Their total value amounted to EUR 115.04 million, and the companies are to employ 251 people<sup>23</sup>.

The PAIIZ information indicates that in terms of capital engagement, the investment by Whirlpool in 2004 was the largest household appliances sector project (worth EUR132 million) together with this year's investment by Korean Samsung, worth EUR 92.04 million<sup>24</sup>.

## WHY POLAND

The advantages of Poland:

- many years of tradition in the manufacturing household appliances;
- availability of qualified, experienced human resources;
- developed network of sub-suppliers and partners;
- the presence of key global corporations operating in the sector together with vast technological resources;
- the geographical location of Poland with easy access to the EU markets and Eastern Europe markets;
- the absorption of the internal market – 12 million households;
- investment incentives – tax exemptions, government grants offered to investors.

## The Investment Competitiveness of Poland

Global corporations choose Poland eagerly as the location of their new investments in Europe. The investment potential of Poland is confirmed in many international rankings created by institutions monitoring investment trends:

- In the flagship report regarding foreign direct investments, World Investment Report 2015 published by UNCTAD, Poland was among 20 largest recipients of foreign direct investments attracting the FDI amounting to USD 13.9 billion;
- According to the survey by the Polish-German Chamber of Industry and Commerce (AHK) Poland appeared to be the most attractive destination for investments in Central and Eastern Europe for the third time;
- According to Bloomberg 2014, Poland is the best country for running a business in the region;
- In the FDI Intelligence report, Poland is third on the list, just after China and the US, as the best location for manufacturing investments in the world;
- The competitiveness of Polish industry was noticed in the European Competitiveness 2014 Report by the European Commission, where it is stressed that the Polish industry enjoyed the highest growth in its output volume, by over 20% in 2008-2014;
- The Investment Attractiveness of Europe 2015 Report by E&Y indicates, on the other hand that Poland is once again the most attractive country in Central Europe for investments;
- The confirmation of suitable conditions for running business in Poland is also the fact that Poland took the highest ever, 25th place in the Doing Business 2016 ranking. Attractive climate is one of key factors affecting the sector development in Poland.

<sup>21</sup> <http://www.amica.pl/strona/15-Firma>.

<sup>22</sup> <http://evertiq.pl/news/15182>.

<sup>23</sup> The PAIIZ data.

<sup>24</sup> Ibid.

## Available Forms of Public Aid

Investors implementing new investments in the household appliances sector in Poland may count on assistance in the form of public aid. The aid is available on national level – as government grants and on regional level, as investment incentives available in special economic zones and real estate tax exemptions.

In Special Economic Zones, i.e. divided areas designated for running business operations on preferential conditions, the entrepreneurs may rely on the availability of fully equipped areas, assistance in legal and administrative procedures and for income tax exemptions and property tax exemptions. The amount of regional aid depends on the location of an investment, the amount of incurred outlays and the size of an enterprise applying for the aid.

The entrepreneurs planning their investments in the household appliances sector may also use the government “Programme for the support of investments of considerable importance for Polish economy 2011-2020”. The Programme provides for financial contributions to new investment (the investment grant) and contribution to costs of creating new jobs (the employment grant). The funds are paid in proportion to the degree of performance of obligations specified in the agreement between the investor and the Minister of Economy. The aid available under the Programme may be joined with other forms of support.

Communes also offer incentives to entrepreneurs as they are entitled to establish exemptions from the real property tax.

Table 2. Financial Contributions for Creating New Jobs (the employment grant)<sup>25</sup>

Sector	New Jobs	And	Eligible Costs of a New Investment (PLN million)	Grant per One Job (PLN)
Production:*				
• automotive				
• biotechnology				
• household appliances	250		PLN 40 million	
• aviation				
• agriculture-food processing				
BSS	250		PLN 1.5 million**	from 3,200 to 15,600***
R+D	35		PLN 1 million**	
Significant Investments in other Production Sectors	200 or 500		PLN 750 million or PLN 500 million	

Source: PAIIZ.

Financial contribution is not granted to the investments located in a district where unemployment rate is lower than 75% of the national average.

\*\* Excluding office space rental costs

\*\*\* Additional 20% for the location in the east of Poland

\*\*\*\* Additional 5pp for the location in the east of Poland

<sup>25</sup> For more information see: [www.paiz.gov.pl/strefa\\_inwestora/grant\\_rzadowy](http://www.paiz.gov.pl/strefa_inwestora/grant_rzadowy).

Table 2. Financial Contribution to the Eligible Costs of the New Investment (the Investment Grant)

Sector	New Jobs	And	Eligible Costs of a New Investment (PLN million)	Eligible Costs of a New Investment (PLN million)
Production:*	50		PLN 160 million	from 1.5% to 7,5%**** of eligible costs
<ul style="list-style-type: none"> <li>▪ automotive</li> <li>▪ biotechnology</li> <li>▪ electronics with household appliances</li> <li>▪ aviation</li> <li>▪ agriculture and food processing</li> </ul>				
Significant Investments	200 or 500		PLN 750 M or PLN 500 M	
R+D	35		PLN 10 million**	up to 10% of eligible costs

Source: PAIIZ.

\* The financial contribution is not granted to the investments located in a district with unemployment rate below 75% of the national average.

\*\* Excluding office space rental costs

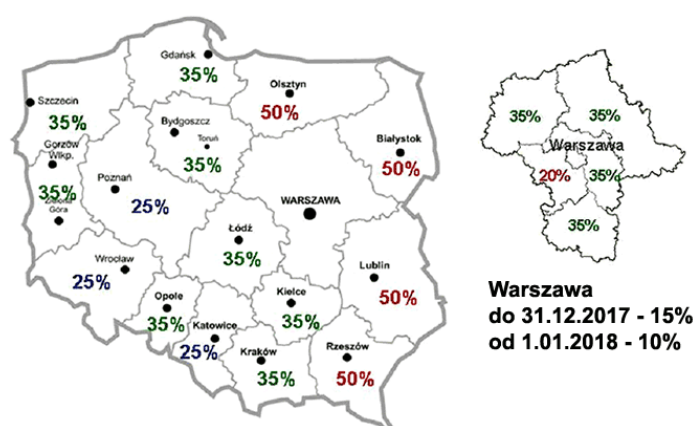
\*\*\* Additional 20% for the location in the east of Poland

\*\*\*\* Additional 5pp for the location in the east of Poland

## Regional Aid 2014-2020

A new Regional Aid Map for 2014 - 2020 is valid in Poland from 1 July 2014. According to this Map, the basic maximum level of regional public aid, i.e. the percentage share of the aid in the eligible costs, amounts to:

Regional Aid Map for 2014 - 2020<sup>26</sup>



Source: PAIIZ.

\*In the above map: Warsaw until 31.12.2017 – 15%

From 1.01.2018 – 10%

<sup>26</sup> For more information see: [www.paiz.gov.pl/strefa\\_inwestora/zachety\\_inwestycyjne\\_w\\_sse#](http://www.paiz.gov.pl/strefa_inwestora/zachety_inwestycyjne_w_sse#).

Polish Information and Foreign Investment Agency  
ul. Bagatela 12, 00-585 Warsaw  
Tel.: 00 48 22 334 98 75  
E-mail: [invest@paiz.gov.pl](mailto:invest@paiz.gov.pl)

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