

Why Poland?

Summary

Area: 312,679 km² (120,726 mi²)

Population: 38 million

Population growth rate (change): -0.1%

Population density: 124.1 people per km²

Urban population: 60.5%

Capital city: Warsaw

Official language: Polish

Currency: Polish Zloty (PLN)

Nominal GDP: US \$474.8 billion (World Bank 2015)

Real annual GDP Growth: 3.9% (last revision, October 2016)

GDP per capita: US \$12,492.2

Annual inflation rate: CPI 0.0% (November 2016)

Unemployment rate: GUS: claimant rate 8.2% (November 2016); Eurostat economically inactive 6.0% (November 2016)

General government gross debt: 51.3% of GDP

Fiscal balance: -2.6% of GCDP

Current account balance: -0.2% of GDP

Current account balance: US \$-1.1 billion

Exports of goods to UK: £8,251 million (2015)

Imports of goods from UK: £3,637 million (2015)

Inward direct investment flow: US \$13.9 billion

Exports + imports as share of GDP: 95.9%

[Source: mostly FCO Economics Unit (Latest update, Oct 2016)]

Geography

Situated in north-central Europe, between latitudes 49° and 55° N, and longitudes 14° and 25° E, and bordering Germany to the west, the Czech Republic and Slovakia to the south, Ukraine and Belarus to the east and Lithuania, Russia and the Baltic Sea to the north, Poland straddles three main areas – the coastal lakes and dunes along the Baltic coast in the north; the low-lying flat North European Plain across the centre; and to the south, high mountain ranges culminating in the rugged Tatra Mountains, the highest part of the Carpathians along Poland's southern border with Slovakia.



Government overview - political situation

Poland has pursued a policy of economic liberalisation since 1990 and Poland's economy was the only one in the EU to avoid a recession through the 2008-09 economic downturn. Short-term, the key policy challenge is to consolidate debt and spending without stifling economic growth. Over the longer term, Poland's economic performance should improve if the country addresses some of the remaining

deficiencies in its road and rail infrastructure, business environment, rigid labour code, commercial court system, government red tape, and burdensome tax system.

Bilateral relations between Poland and the UK are strong. Poland is an ally on the Better Regulation agenda, which aims to improve business conditions in the EU by reducing the regulatory burden on firms. Poland and the UK also share best practice on improving regulations at a domestic level. Both countries would like to see a fully functioning and effective digital single market.

[Source: Overseas Business Risk/gov.uk]

Business environment

The key takeaways for companies wanting to visit the market are:

- just two hours from the UK by plane
- low-risk market with same EU market regulatory framework as the UK
- significant opportunities for UK companies in a number of key sectors
- Poland is the largest beneficiary of EU funds (over €105.8 billion in 2014-2020)
- resilient economy which has seen growth throughout the global economic crisis, with catch-up growth potential remaining
- largest consumer market in newly-joined EU countries – a springboard for regional expansion
- wealthier consumers clustered in seven high-growth agglomerations (Warsaw, Poznan, Wroclaw, Krakow, Gdansk/Tri-City, Katowice/Upper Silesia, Lodz)
- greatly improved transport infrastructure in recent years, with hundreds of kilometres of new motorways, faster inter-city trains, better logistics.

Resources

PAHil Polish Agency for Trade and Investment covers a wide range of economic and business areas, including information on doing business in Poland, economic statistics, trends, foreign trade details, inter-EU trade and a breakdown by industry and sector. See: www.paiz.gov.pl/en?lang_id=17

[Source: FCO Overseas Business Risk/gov.uk]

Business and human rights

Poland has ratified most of the European and international human rights treaties and considers fostering human rights as an important policy.

Poland has ratified 81 ILO conventions including eight of the most important conventions. Domestic labour law is compliant with EU regulations, including those on anti-discrimination. Poland has developed a network of labour inspectorates. Trade unions are legal, employees are allowed to strike but only under the conditions set out in the relevant domestic legal act.

Poland has a published government strategy to combat the problems of human trafficking and labour exploitation. Poland is one of the main source countries for revealed victims of labour exploitation in the UK. This issue is being addressed both by Poland and the UK.

Sexual orientation remains an issue in Poland. Poland does not allow or recognise civil partnerships or same-sex marriages.

[Source: FCO Overseas Business Risk/gov.uk]

Economic overview

Poland has enjoyed uninterrupted growth since 1992. GDP per capita went up from 49% of the €25 average in 2004 to 68% of the €28 average in 2014. In 2008, GDP grew by 5% and, despite the global economic crisis, Poland was the only EU country to record positive growth in 2009. GDP growth in 2015 was at 3.9%, despite external headwinds such as the Russia-Ukraine conflict. Key growth drivers include corporate investment, private consumption and exports, with a historic trade surplus. Longer term, Poland has catch-up growth potential remaining to developed economies. According to PwC, the economy is forecast to grow around 3% per annum until 2030 and 2.5% per annum until 2050.

Poland is ranked 36th in The World Economic Forum's Global Competitiveness report for 2016-17.
See: www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1

Poland is the largest of the newer European Union (EU) member states. It has been one of the fastest developing countries in the EU in recent years. Its GDP growth is currently 3.7% (October 2016), for 2015 it was 3.9%, well above the EU average.

€82.5 billion from EU structural and cohesion funds for the years 2014 to 2020 is being invested in a range of projects in Poland. See: www.eur-lex.europa.eu/summary/glossary/structural_cohesion_fund.html?locale=en

In its latest report (2015-16), the World Bank ranked Poland as the 24th easiest country in which to do business.

The largest UK investors in Poland include Tesco Plc, Glaxo SmithKline, AVIVA Plc, BP, Shell Overseas Holdings Ltd, HSBC, BUPA and Unilever.

Benefits to UK businesses

There are clearly many historical, political and emotional reasons why there are such strong ties between Poland and the UK – but there are many economic reasons too why investing in Poland makes sense. Benefits for UK businesses exporting to Poland include:

- huge domestic market with over 38 million consumers
- English increasingly spoken, particularly by the younger generation (in 10th place globally in EF's Global English Proficiency Index).
- strong, dynamic economy
- gateway to emerging markets of eastern Europe
- over 300 flights a week between UK and Poland

Strengths of the Polish market include:

- strategic location at the crossroads of European trade and transport routes
- entry point to other Central and Eastern European (CEE) countries and emerging markets further east
- €105.8 billion of EU funds will be allocated to Poland between 2014 and 2020
- young, well-educated workforce
- vast experience in trade with eastern Europe
- investment incentives in Special Economic Zones (SEZ), business and technology parks
- availability of foreign lawyers, accountants and consultants in Poland to help foreign investors

Read the EU's practical guide to doing business in Europe at: www.europa.eu/youreurope/business/index_en.htm

Contact a Department for International Trade (DIT) Poland export adviser at: www.greatbusiness.gov.uk/ukti for a free consultation if you are interested in exporting to Poland.

Contact UK Export Finance (UKEF) at: www.gov.uk/government/organisations/uk-export-finance for trade finance and insurance cover for UK companies. You can also check the current UKEF cover position for Poland at: www.gov.uk/guidance/country-cover-policy-and-indicators#poland

[Source: FCO Overseas Business Risk/DIT/UKEF/gov.uk/BPCC]

Growth potential

Further growth is expected as a result of:

- increased exports
- improved economic outlook in the eurozone
- growing demand from emerging markets
- domestic consumption

EU funds

The EU has allocated €82.5 billion to Poland through the structural and cohesion fund programme. This will help maintain Poland as a market offering growth, stability and good prospects for UK business. The EU funds will contribute to investment in Polish:

- infrastructure
- environmental and technology projects
- human development
- regional development

Find out more at: www.eur-lex.europa.eu/summary/glossary/structural_cohesion_fund.html?locale=en

Emerging Europe

The Central and Eastern Europe (CEE) region offers considerable potential to British business. UK exports are worth over £16 billion, with goods exports doubling over the past decade, and services exports – over £4 billion – trebling.

Economic forecasts for CEE are very positive. GDP growth is expected to reach 4 to 5% per annum over the next 20 years. Poland can act as a gateway into the other CEE markets.

The CEE region:

- is easily accessible from the UK
- offers a market of over 100 million consumers
- has widespread use of English as the business language
- is making major investments in energy, transport and other infrastructure as a result of billions in EU funding
- is an entry point into eastern Europe

Watch the DIT YouTube videos on growing your business in CEE markets, at: www.youtube.com/playlist?list=PLW9Q9i8L1YhX_C48FICre2JAefWEJF_cP.

Trade agreements

Poland is a member of the EU, the World Trade Organization (WTO) and other international bodies. Goods manufactured in the UK are exempt from import duties. Poland is also a member of the Schengen area.

Contact the UK Single Market Centre, at: www.gov.uk/government/groups/uk-single-market-centre bringing together all the practical support available to UK businesses and consumers to help them benefit from the EU single market.

Trade between the UK and Poland

During the 1990s, Poland adopted international trading rules and norms – entering CEFTA and EFTA in 1993, signing the EU association agreement in 1994, and entering the WTO in 1995. Finally, EU accession in 2004 ended all import duties between EU member states. The impact of these events, especially EU accession, has left a clear mark on the value of Poland's imports and exports. In just the first eight years after joining the EU, UK imports to Poland quadrupled.

Four main phases can be discerned in the UK/Poland's trade relationship. The first phase, between 1990 and 1997, when Poland first opened-up to international markets, is characterised by very fast growth in trade in both directions. Poland's imports from the UK grew by an annual average of 27%, significantly faster than Polish exports to the UK (17%). Between 1997 and 2003 growth of imports from the UK slowed down markedly (to 2%), while Polish exports to the UK continued to rise rapidly (by 29%). The third phase, following Poland's accession to the EU through to 2008, again shows high acceleration in trade in both directions, with Polish imports from the UK growing by 22% annually, while Polish exports to the UK grew at an impressive 45%. The fourth phase, (2008 to 2016) covers the crisis and post-crisis years, and shows another slowdown in growth of imports from the UK (2%), while Polish exports to the UK grew by 10% annually.

Looking at UK exports to Poland, the main categories traded are highly-processed, high value-added goods – the proportion of primary resources such as fuels has fallen, and chemical and pharmaceutical products risen from 12.7% in 1996 to 25% in 2014, but some other highly-processed categories have lost importance, such as machine, mechanical and electrical equipment falling from 30% to 20%. The categories with highest growth in value since 1996 are the chemical industry (£0.7 billion), a rise of 403%; transport equipment (£0.4 billion), a rise of 376%; and machine, mechanical and electrical equipment (£0.3 billion), a rise of 90%.

[Source: British Polish Chamber of Commerce]

Future outlook

Poland's international trade continues to develop. The EU now accounts for 77.1% of Polish exports, but by 2020 is projected to fall to 72.7% as Poland opens more towards markets in Africa and South America. An early example of this diversification is the recent rise of food exports to Africa after Russia's embargo in 2014.

Poland's economic relationship with the UK also continues to develop in other ways, with significant FDI inflows, movement of Polish entrepreneurs to the UK, and sizeable trade in services – which somewhat improves the UK's trading balance with Poland from minus £5 billion in goods to minus £4.6 billion considering goods and services. The role of closer connections between enterprises, such as direct sourcing and contract manufacturing, is also rising.

One of the stated policy goals of Poland's new conservative government is to raise the role of exports from companies owned by domestic capital, who at present account for around 50% of the value of Poland's exports (estimates range from ~40% to ~60%). The remainder is FDI-owned firms – brands such as Fiat, VW, GM, Ikea, Samsung, which base their production in Poland, as well as direct sourcing by foreign investors, such as the £300 million a year of food exports by Tesco.

Planned measures to support Polish firms include the creation of an Export Support Agency, and strengthening of the SME sector. Finally, one of the main limiting factors for UK imports to Poland, especially in consumer products, has been high prices and low levels of disposable income. As Poland's economic growth continues and incomes rise, the attractiveness of UK products will only improve. Its GDP growth for 2015 was 3.9% (last revision October 2016), well above the EU average.

UK enterprises were slower to react to opportunities in the CEE region than their European counterparts because of a perception that English-speaking markets worldwide held more promise, considering fewer practical barriers to entry. Correct or not, this perception is now changing and the CEE region is becoming a higher-priority destination for UK exporters.

In response to this change in approach, the UK Government, as part of its strategy to encourage 100,000 new exporters by 2020, has established a network of Overseas Delivery Partners (ODP) to support UK exporters in the CEE region (with ODPs in six countries, soon to be extended to ten) and worldwide (40 ODPs). As the ODP in Poland, the BPCC provides export support services for UK companies looking to enter the market.

[Source: British Polish Chamber of Commerce]

- Poland is ranked 30th out of 168 countries in Transparency International's latest corruption perception index, 2015 (the UK ranked 10th): www.transparency.org/cpi2015/#results-table
- Poland is ranked 24th out of 190 in the World Bank's 2016-17 Ease of Doing Business index (the UK ranks 7th): www.doingbusiness.org/rankings
- The World Economic Forum's Global Competitiveness report 2016-17 ranks Poland 36th out of 138 (the UK is ranked 7th), five places higher than the previous year: www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf

Contact a DIT export adviser at: www.greatbusiness.gov.uk/uktifor for a free consultation if you are interested in exporting to Poland.

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies. You can also check the current UKEF cover position for Poland. See: www.gov.uk/guidance/country-cover-policy-and-indicators#poland

[Source: Department for International Trade (DIT)/gov.uk]

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