Industry clusters

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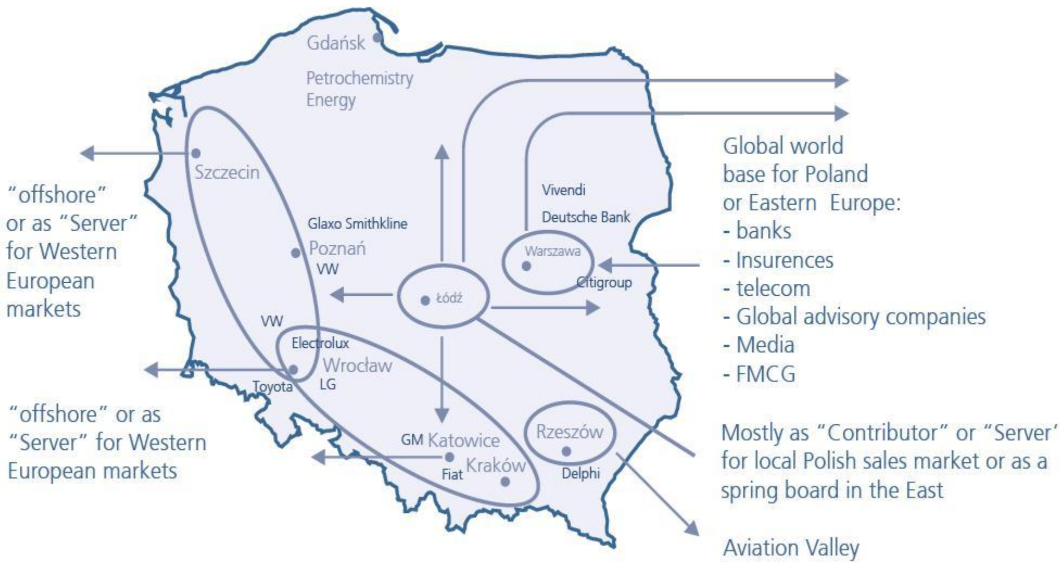
Polish industry is based on two main pillars. One on traditional industries, which have survived the post communist times and have been adapted to new modern forms of activity. The second pillar are newly created industrial clusters formed through large initial investments in the form of Greenfield investments by foreign global players.

Industry clusters in Poland



Source: Polish Investment and Trade Agnecy, *Poland your business Partner. Invest in Poland, 2016.*

These foreign global investors have attracted new suppliers and helped to develop existing polish companies to match new production requirements. Here, the creation of **Special Economic Zones** was one of the major aspects which determined the development of new modern industries. **Especially for small and medium sized companies**, the growing scale of developing industry clusters became as important for the local market as the local cost competitiveness for the global reach of the companies.

Since **industry clusters** form an area of special Know-how among the labour market, the advantage for direct investing companies has had a strong influence on the time needed to reach the targeted volume within the defined quality. The graphics above show certain kinds of developing industry clusters in Poland with their directions for the global selling market, as well as the industry clusters in the different voivodships.

During the communist period, Poland put a lot of emphasis on its heavy industries including its mining, metallurgy, machine construction, shipbuilding and arms sectors. After the political, social and economical turnaround of the late 1980's however, this kind of industry was no longer supported by the government who needed to change and reduce the nature of its employment. This created the possibility of establishing new industries in Poland and opened the way for foreign investment. **Nowadays, the industrial sector employs approximately 30% of all employed Poles**.

Industry clusters in the voivodships

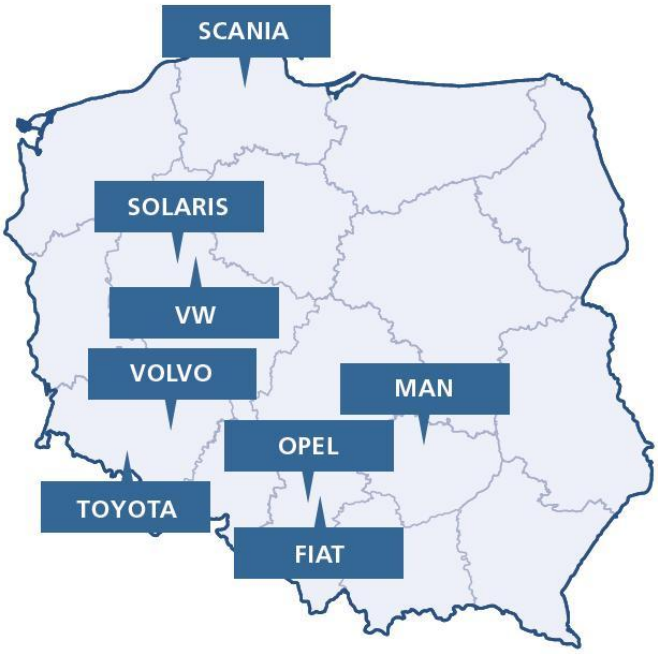
Voivodships	Field of industry
Dolnośląskie	High-Tech, Machine Industry Automotive, BPO
Kujawsko-Pomorskie	Chemical, High-Tech, Machine and Food Industry
Lubelskie	Machine and Food Industry, BPO, Logistics, Tourism
Lubuskie	Timber, Food and Electrical Industry
Łódzkie	BPO, Household goods, Logistics
Małopolskie	Chemical Industry, BPO, Tourism, High-Tech
Mazowieckie	Food and Building Industry, BPO
Opolskie	Food, Building and Chemical Industry
Podkarpackie	Air Craft Industry
Podlaskie	Food and Machine Industry, Tourism
Pomorskie	Tourism, High-Tech, Water Economy
Śląskie	Tourism, BPO, Automotive
Świętokrzyskie	Metal and Building Industry, Health and Rehabilitation Sector
Warmińsko-Mazurskie	Tourism, Timber and Food Industry, alternative Energetic
Wielkopolskie	Automotive, Logistic, BPO
Zachodniopomorskie	Logistics, Food and Timber Industry, BPO

Source: Polish Investment and Trade Agnecy, *Poland your business Partner. Invest in Poland, 2016.*

The most popular industries include:

- **The automotive industry**: Fiat (Tychy), Opel (as former part of GM, Gliwice), Volkswagen (Poznań), and GM DAT (former Korean Daewoo, Warsaw) is producing cars, and Volvo (Wrocław), Solaris (Poznań) and MAN (Poznań) is producing buses. There is also a wide range of suppliers producing components for factories and customers. Other world producers present in Poland include GM Fiat, Isuzu, Volkswagen and Toyota who produce engines and gearboxes.
- **Home appliances**: all world leading producers have plants in Poland, including Whirlpool (Wrocław), Electrolux (several plants in Silesia and Lower Silesia), Bosch and Siemens (Lódź, Wrocław) and Indesit (Lódź).
- **Food production**: many different, mostly Polish companies, producing different meat, vegetable and fruit products, as well as beverages. This also includes investment of foreign companies like Nestle, Mondelez, Mars and Unilever.
- **Electronics**: with the strongest emphasis on TV sets. Due to the presence of LG, Poland is a strong producer of TV sets. Every third TV set sold in Europe is produced in Poland.
- **Cosmetics**: Avon, Beiersdorf, Procter&Gamble and others.
- **Other consumer goods**: Goodyear, Michelin and Bridgestone.
- **Petrochemical**: PKN Orlen is the biggest Polish company, with LOTOS and PGNiG following closely behind.
- **Others**: including the aviation and train construction industries, textiles, ceramic, furniture, communication and IT technology, all of which are strongly represented in Poland.

The traditional industries are also present. Mining is mostly concentrated around the Silesian coal basin and copper mining in Dolnośląskie. There are also several steelworks in Silesia.



Source: Polish Investment and Trade Agnecy, *Poland your business Partner. Invest in Poland, 2016.*

Automotive industry

Market overview

The Polish automotive sector (including related services) **is one of the largest in Central and Eastern Europe** and is one of the key industries in Poland in terms of production value, employment, capital expenditures as well as shares in exports. In reference to the number of manufactured passenger cars, Poland has been the third largest manufacturer in the Central and Eastern Europe region (after Czech Republic and Slovakia). **Poland is the regional leader** in the manufacturing of light commercial vehicles as well as heavy trucks, buses, and coaches.

Of the 40 manufacturing plants specializing in vehicle and engine assembly in the Central and Eastern Europe Region, 16 are located in Poland. The industry is concentrated in southern and western Poland. Poland's position in this respect will be further strengthened in the next years, especially thanks to new investments, i.e. after the planned launch date of the new Volkswagen plant in Września and investment of Mercedes Benz in Jawor. The investment of Volkswagen began in 2014 and was one of the biggest greenfield automotive investments in Europe in the 21st century. The value of the project amounts to 800 million euros. The new plant, which will produce light commercial vehicles, in the long term will employ ca. 3000 people. The second big project is the first production plant of Mercedes-Benz in Poland. Daimler AG will invest about 500 mln euros in the new factor in Jawor (Lower Siliesia) and production at the new Daimler site I scheduled to start in 2019.

The vast majority of goods produced by Polish automotive industry are exported to European union member states with Germany as the biggest recipient of 30% of Poland's total exports.

Market potential/perspectives

- Automotive manufacturing remains one of the largest and most dynamic industries in Poland.
- Taking into account the present economic situation, in order for Poland to maintain its position on the global market in the automotive industry it is necessary to at least maintain the level of production from some previously years, i.e. 800-900 thousand cars annually.

Source: Polish Investment and Trade Agnecy, *Poland your business Partner. Invest in Poland, 2016.*

Aviation

The aviation industry is one of the fastest and most invasively growing segments of the Polish industrial sector, whose recent growth should be largely contributed to high technical culture and skills of personnel in factories that have been operating in Poland for more than 50 years, the influx of foreign investment, the successful development of cluster and cooperation initiatives and the implementation of the offset, relating mainly to the orders from the Polish army. In comparison to other countries in the region Polish aviation sector is undoubtedly the strongest in the area of Central and eastern Europe.

The aviation sector in Poland consists currently of more than 130 companies, employing ca. 23 thousand people. Production in the aviation industry is targeted mainly for export to countries such as: the United States, Indonesia, Italy, Spain and Germany. The biggest domestic customer is the Polish government and its affiliates institutions, ordering aircraft, helicopters and spare parts to them for the army, police, border guards and emergency rescue services.

Manufacturing companies associated with the aviation industry are strongly concentrated in the south-eastern part of the country, where they form **one of the strongest cluster initiatives in Poland – The Aviation Valley**.

Offset agreements signed between the Polish government and foreign suppliers such as: Lockheed Martin, Airbus Group, Avio have had great importance for the development of the Polish aviation industry. Within the framework of agreements more than 50 contracts have been completed directly in the aviation sector. The most important effect of which were the significant increase in the number of orders related to manufacturing, services and maintenance of various aircraft and transfer of advanced technology.

Market potential / perspectives

Polish accession to the European Space Agency (ESA), which took place in 2012, may have significant importance for the further development of the Polish aviation and aerospace. Currently Polish companies participate in several ESA scientific missions, such as Integral, Rosetta, BepiColombo and Solar Orbiter and Earth observation in the Envisat and GMES. Development of the sector is strongly supported by the National Centre for Research and Development (in 2015 the annex to the agreement from 2012 was signed). The support will be provided for projects in the field of modern technologies with the greatest market potential.

Industry concentration

More than 100 companies concentrated in South – Eastern Poland, while some other major players located in South and Central Poland.

The Aviation Clusters

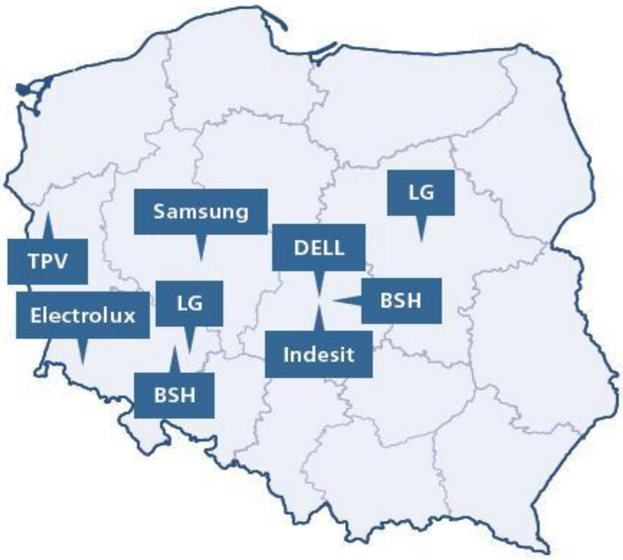
There are four clusters operating in the sector. **The Aviation Valley Association** is one of the most successful cluster initiatives in Poland and currently represents over 100 companies from aviation industry. Several other companies are in the process of applying for membership. Aviation Valley is located in southeastern Poland, famous for its aerospace industry and pilot training centres. This region has a heavy concentration of aerospace industry, scientific research centers, as well as educational and training facilities. Most of companies associated in the Aviation Valley are located in Podkarpackie Region and the town of Rzeszów is the seat of the association. The long-term objective of the Aviation Valley Association is to transform southeastern Poland into one of Europe's leading aerospace regions, which would be able to provide a diverse cross section of products and services for the most demanding clients.**The most prominent members of the cluster are**: Sikorsky Aircraft Corporation, Pratt & Whitley, Augusta Westland, Ladish, and Goodrich Aerospace Poland.

The second cluster is the Silesian Aviation Cluster, the association of companies operating around Bielsko Biała. The main representatives of the cluster are: AVIO and Zakłady Lotnicze Marganski & Mysłowski.

The third cluster – **Greater Poland Aviation Cluster** – is located in the region of Kalisz. Its main member companies are Pratt & Whitney Kalisz and Wytwórnia Sprzetu Komunikacyjnego PZL-Kalisz, which, among other things, makes aircraft engines.

The last cluster is the Lower Silesian Aviation Cluster. The cluster's partners work on development of favourable conditions for growth and location of new aviation companies in this area, promotion of the Polish aviation industry abroad and growth of the research sector. The potential of the industry in Lower Silesia is confi rmed by international corporations such as Paradigm Precision or UTC Aerospace Systems that have already invested in the region.

Major plants in Poland



Source: Polish Investment and Trade Agnecy, *Poland your business Partner. Invest in Poland, 2016*.

Electronics

In the last decade the electronics industry in Poland has grown significantly mostly thanks to numerous foreign direct investments. The scale of forging capital involvement in the Polish electronics industry has been systematically increasing. Virtually every major electronics manufacturer in Poland is a subsidiary of a foreign multinational company.

The electronics sector mainly covers the manufacture of office equipment, computers, as well as radio, television, and telecommunications equipment and appliances. Poland benefited greatly from the development of new technologies used in flat screens, as most of market leaders, such as LG and TPV have chosen Poland as their main production hub. As a result, Poland has become a European leader in the production of LCD and plasma screens, and TV sets, annually manufacturing over 20 million units.

It is estimated that in recent years **Poland also became Europe's leading producer of household appliances**, replacing Italy. Again, growth of manufacturing activities should be mainly attributed to the expansion of foreign companies such as Electrolux, Whirlpool, BSH, Samsung, LG, which invested in Poland both through an acquisition of existing plants, and through Greenfield projects.

Currently, household appliances manufacturers are concentrated in South Western Poland (LG, Whirplool, Electrolux) and central Poland (BSH, Indesit). **On average more than 80% of home appliances products are exported** (mainly to CEE and Western Europe). The household appliances export volume may be broken down as follows: washing machines 28%, cookers 18%, dishwashers 17%, refrigerators 20%, dryers 12%, others 5%. The year 2015 was a very good for electronics and household appliance. According to the industry experts the year 2016 should finish with record sale in the sector.

Market potential / perspectives
Relatively low labor costs, improving infrastructure and central location will keep Poland as the main electronics manufacturing hub in the Central and Eastern Europe Region.

Source: Polish Investment and Trade Agnecy, *Poland your business Partner. Invest in Poland, 2016.*

Food Industry

Market overview

In the last 20 years, the Polish food sector has undergone a significant transformation. It was one of the industries that was reborn soon after the crisis associated with political transformation and has become the major stimulus to economic growth. Due to permanent technical, technological and organizational development, the Polish food sector has become a modern and innovative industry comparable with other European countries. A major factor accelerating the development of the sector was Polish accession to the European Union in 2004. Due to the attractive incentive system and EU funds, Poland was enabled to adopt plants to the standards required by the EU. Additionally, foreign investments in Polish food sector have become an important source of innovation in the food industry.

Poland as an attractive food producer and supplier in Europe. Currently, the food sector is one of the key sectors of the Polish economy in terms of production, 5% employment, as well as shares in export. In 2015, the value of sold production of food industry exceeded 44.7 billion EUR. The food sector accounted for 13.2% in the total export of goods. The food industry employed approx. 385 thousand people. The food sector is relatively resistant to economic fluctuations. The global crisis of 2008 caused only a 1% slowdown in the food industry, but since 2009 the industry recorded promising yearly growth rates of 3–6%.

The total value of food industry investments amounts to EUR 9.5 bn. Due to food investments in Poland, 6,000 new jobs were created while 750 new ones appeared in 2015. Despite growing competition and market turbulence, such as sanctions on Russia, Poland's foreign trade in food products is growing. In 2015, exports come to EUR 23,6 bn (up 5.6 times that of in 2003). The positive foreign trade balance was more than 13 times larger and reached EUR 6.7 bn. The 2016 estimates are also bright. Poland ranked eighth among major EU food exporters. The value of the balance of trade in agro-food products ranks Poland fifth among the eleven countries of the European Union with a positive balance of trade in these products (other EU countries are net importers of food). The most frequently traded goods in Polish agro-products are food industry products.

In 2015 the main export partner of the Polish food sector was the European Union, 82%. Traditionally, Polish agro-food products were exported mainly to Germany (22% of the total export, 5.3 billion EUR sold goods, a 6.7% increase compared to 2014), United Kingdom (9% share in total export, exported goods worth 1.7 billion, an increase of 7% compared to 2014) and the Czech Republic with a 6% of total export.

In 2015 total export of food products to CIS countries decreased and amounted to EUR 1.1 billion, about 34% lower than in the previous year. Reducing exports to this group of countries is mainly due to the embargo on the import of many food products introduced in 2014 by the Russian Federation.

Industrial concentrations

The food industry in Poland incorporates nearly 2 500 companies. The key players in the food sector in terms of total revenues are producers of alcohol, meat and meat products as well as companies from the dairy sector. The food industry clusters are: Dolny Śląsk and Opolskie as well as Wielkopolskie, Lódzkie and Mazowieckie.

Market perspectives

- The food sector is responsible 13% of Polish GDP
- Poland is the eight largest exporter of food amongst EU countries.
- The sectors has successfully survived the economy crisis, is relatively resistant to economic fluctuations and recently noted optimistic growth rates.
- Poland has huge potential for the production of organic food.
- Further development of the sector is possible through the creation of Polish food brands in foreign markets.
- The competitiveness of the Polish food industry is growing through networking and cluster initiatives.

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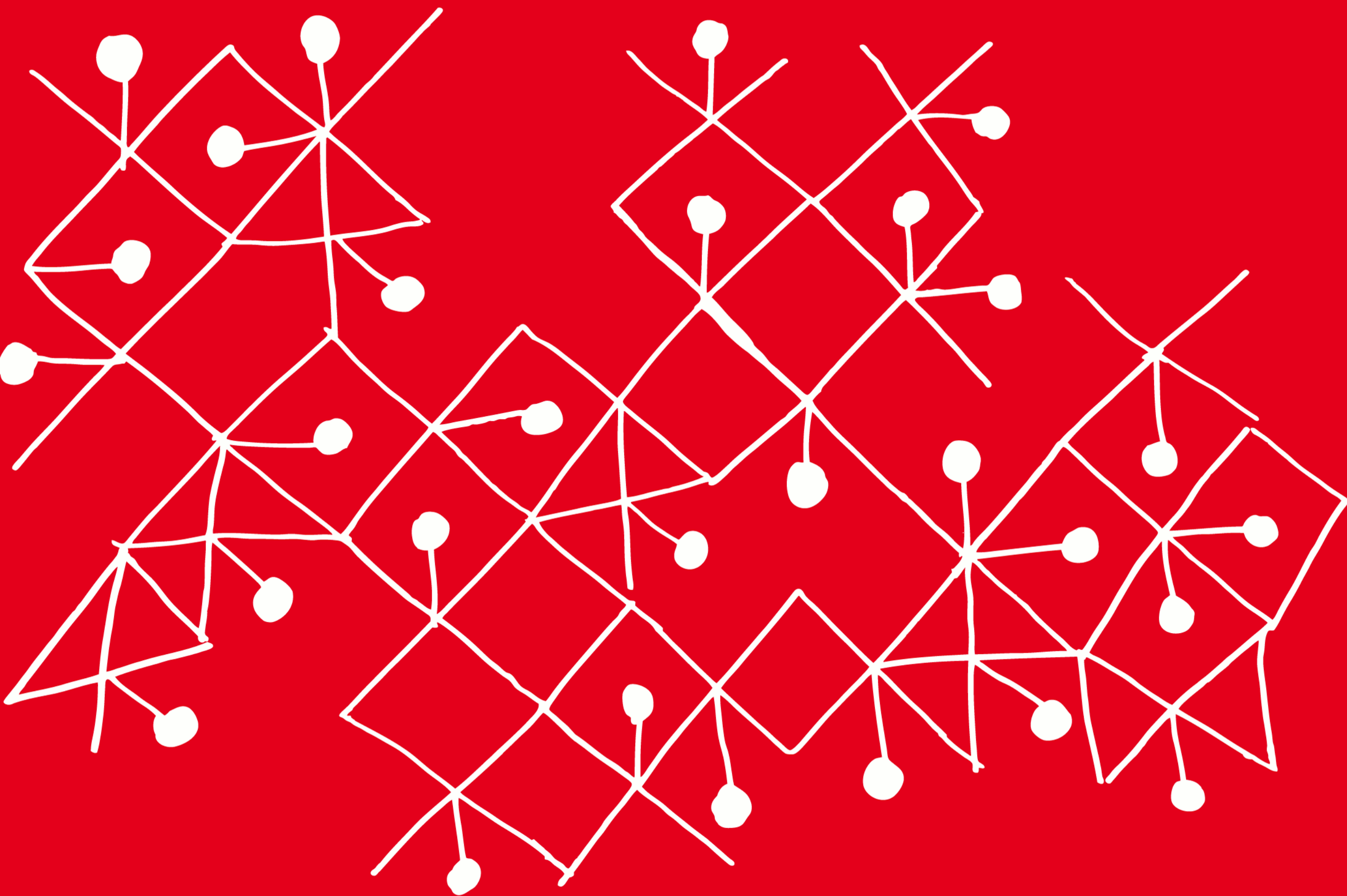
Source: Polish Investment and Trade Agnecy, *Poland your business Partner. Invest in Poland, 2016.*



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