

BOATING INDUSTRY IN POLAND



REPORT ON THE POLISH BOATING INDUSTRY 2020-2021
AND THE IMPACT OF COVID-19 ON THE BOATING INDUSTRY IN POLAND



Polska



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Sebastian Nietupski

President of POLBOAT - the Polish Chamber of Yachting Industry and Water Sports

The Polish marine industry has been developing for years and is faring very well, constantly increasing its potential and extending the scope of activity. Currently, the marine industry is considered one of the most important, most innovative and most dynamically developing branches of the Polish economy.

The potential of our shipyards amounts more than 25,000 recreational vessels per year. In the segment of motorboats up to 11 metres in length, we are the European leader and the second producer in the world, just after the United States. These are boats produced both under Polish brand names and for large foreign shipyards. This proves the high position of the Polish marine industry in the world and shows that it is truly competitive. Due to a smart policy of reinvesting most of the income generated in the last two decades, our factories are among the most modern ones in Europe.

Each year, the high quality of the yachts produced in Poland brings them numerous prestigious awards and even more nominations for Polish companies in competitions organised throughout the world. Galeon Yachts, Sunreef, Delphia, Northman or Parker Poland are a well-known and appreciated Polish brands. Besides that there is a long list of distinctions for boats produced in Poland for Western brands – Saxdor, Jeanneau, Beneteau, Axopar. Cormate, Sting and many more.



Another important fact is that the Polish marine industry is more than just yacht yards and includes a highly developed network of producers of components and parts, as well as suppliers of production and maintenance materials for boats and yachts. The superb quality of the services allowed many of our suppliers like Kotniz, Sail Service, Pacyfic and many others to establish lasting cooperation with leading producers of yachts all over the world.

The beginning of the coronavirus pandemic in Poland was difficult for our yacht manufacturers and other companies related to the industry. The subsequent phases of easing the restrictions and the awareness that sailing a sailboat or motorboat is one of the safest forms of spending time resulted that the situation was changing for the better. The significant increase in interest in yachting has translated into the number of orders for new vessels in Polish shipyards and currently all shipyards and related companies are working at full capacity.

Moreover, an important element further increasing the importance of the marine industry in Poland is the constantly developing marinas infrastructure, as well as charter and training activities.

The organisation which comprises the leading entities active in the broadly defined marine industry in Poland is The Polish Chamber of Marine Industry and Water Sports – POLBOAT. The Chamber is a member of ICOMIA and EBI, international organisations of the marine industry, in which our representatives are members of supervisory boards. This clearly demonstrates the position of the Polish marine industry in the international arena.



Introduction - a brief historical overview, the main factors that contributed to the dynamic development of the industry

After the end of World War I in 1918, when Poland regained independence after 123 years of partition, the country's coastline was only 30 km long, but it was enough to arouse an exceptional interest in the sea and in water sports among the Polish people. After the end of World War II in 1945, Poland's coastline increased to 500 km, which opened new opportunities in the development of maritime economy and water sports. The harbours and shipyards in Gdańsk, Gdynia, Szczecin, and Ustka started developing.

In the 50s, the Soviet Union decided that Poland would be given the task of producing yachts for all the other members of the communist bloc. Small private shipbuilding workshops were replaced with large, state-owned yacht yards, which were to generate inflow of foreign currencies.

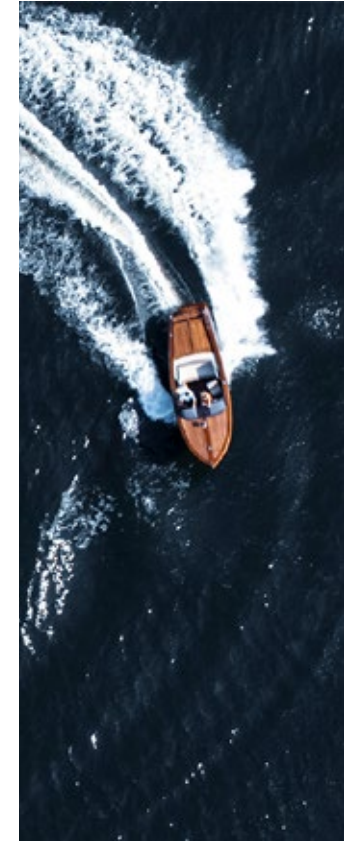
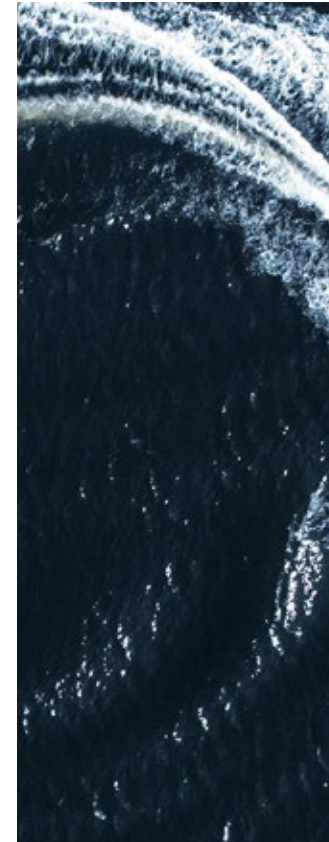
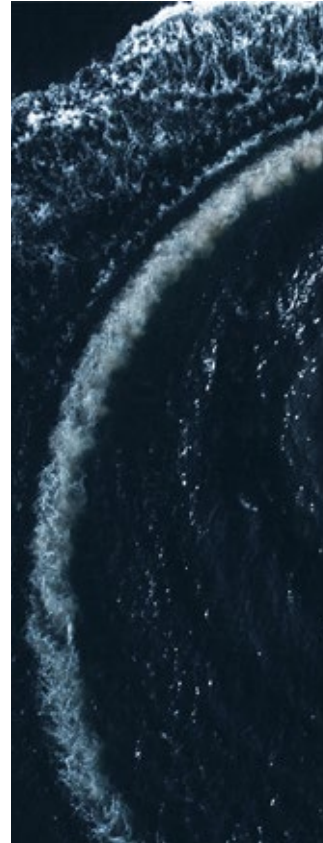
In the 70s, Polish shipyards started using on a permanent basis the technology of constructing yachts of laminates, which accelerated the production processes.

The 70s and 80s were successful for our shipyards, which exported most of their production to the 'East' and 'West', despite the foreign trade was a state monopoly. Yachts from our shipyards have been shown at many exhibitions in socialist countries, as well as in the "west", for example at the BOOT Dusseldorf. Despite the passage of years, yachts manufactured at that time can still be found in Poland, Russia, Bulgaria, Lithuania, Latvia and many western countries.

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In the 80s, Polish shipyards also exported vessels to France, Sweden, Finland, Germany, Switzerland, USA and Canada.

The systemic transformations that took place in the beginning of 90s in Poland, in the other 'socialist' countries and the Soviet Union resulted in severe disturbances in the economy of the entire region. Large yacht yards in Gdańsk and Szczecin were unable to adjust to the new capitalist reality. Initially their assets were taken over by smaller privately-owned companies that attempted to continue building yachts and selling equipment. And after the collapse of both large state-owned shipyards in Gdańsk and Szczecin, new private shipyards and boatbuilding workshops are being built in other regions of Poland in their place under the new capitalist conditions, managed by well-trained and experienced staff. Attractive relations between the prices of Polish boats and yachts and the prices in Western European countries resulted in the interest in our production in the "west". New shipyards are beginning to be built, and more and more companies supplying the necessary equipment and rigging for the production of yachts.

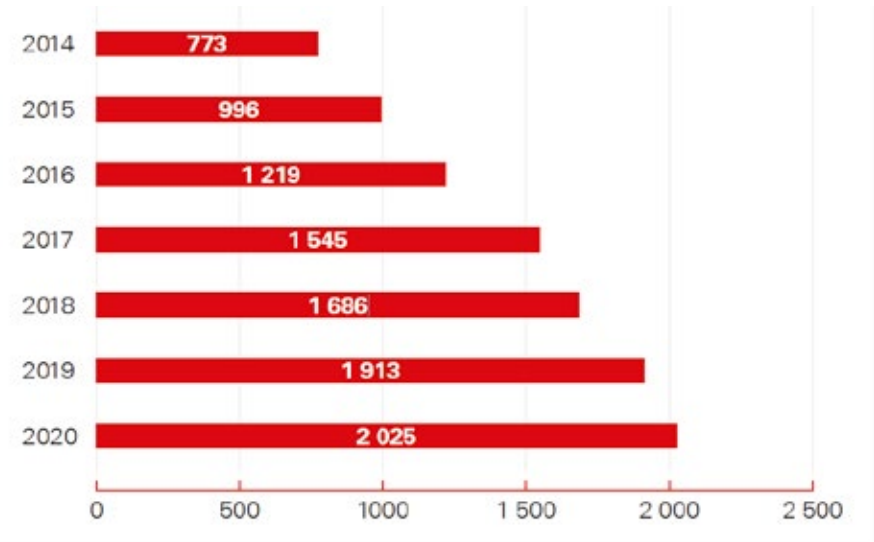


Overall picture of the boating industry in Poland

Currently, the Polish boating industry consists of approx. 1000 companies, which provide employment to nearly 50,000 workers. About 150 of these companies are boat manufacturers, but the Polish boating industry is not just boatyards, but also a large number of various suppliers of equipment and materials used in building boats, distributors of various types of equipment, dealers of foreign brands of boats, design offices, manufacturers of assortment such as life jackets or special clothing, charter and insurance companies, media, organizers of boat shows, etc.

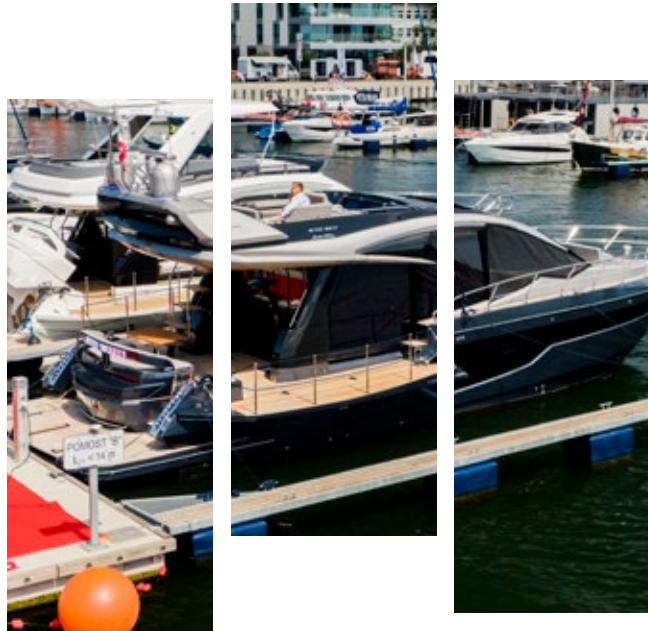
The potential of Polish boatyards is estimated at over 25,000 yachts per year. Polish shipyards produce both small boats worth tens of thousands of zlotys and yachts costing several or a dozen million EUR. In terms of design, our yachts are second to none worldwide. The development of technology and design allows us to provide demanding customers with top quality workmanship.

Geographically, boat production is located mainly in the north of the country. The largest and the most important shipyards are based in four regions of Poland: Western Pomerania (Szczecin), Pomerania (Gdansk, Gdynia), Warmia and Masuria (Ostróda, Olecko, Giżycko) and Podlasie (Augustów). It is where more than 80% of Polish sailing and motor yachts are built. These four regions are the cradle of Polish sailing and maritime industry. It is also where the scientific and research base of the industry developed, giving the industry a strong position on international markets.



The value of Polish motor yacht exports in 2014-2020.
Source: KPMG in Poland based on GUS data.

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Polish yachts promote our country and the Polish government supports the Polish yacht industry. Support from the Ministry of Development, primarily addressed to small and medium-sized enterprises, is designed to stimulate their development, increase production and employment and, more importantly, increase their chances of successfully competing in overseas markets. In addition, the Ministry of Development subsidizes innovation. Companies in the yachting industry conduct research and development activities relating to modern, environmentally friendly propelling solutions for boats and yachts.



Classification of vessels

Vessels are mainly divided based on their propulsion system - sailing or motor, but they can also be divided according to their construction, equipment or intended use - for recreation or tourism, sports, training, representation or maritime education. Sailing yachts are those whose primary propulsion device is a sailing rig, but they may also have an auxiliary engine. Motor yachts are boats whose primary propulsion device is mechanical. Yachts with primary propulsion equivalent to sailing and motor are called motorsailers

The term 'yacht' does not apply to vessels (even if structurally very similar) serving specific functional purposes: patrol, rescue, military, transport or economic.



Small sailing yachts are commonly known as sailboats, while small motor boats are called powerboats. Large sailing yachts are called tallships, while vessels comparable to motor yachts, but having specific utility functions, are most often referred to as cutters: pilot, patrol, fishing, etc.

Yachts launched commercially by manufacturers in the EU must meet technical requirements for recreational vessels, and as a result are assigned to one of four design categories. This is related to the intended use of the yacht on a given body of water, and the categories must be assigned by the yacht manufacturers. Category A vessels are suitable for ocean sailing, B for sea-going, C for coastal sailing and D for sheltered waters. This qualification does not apply to custom-built yachts, historical replicas, racing yachts, etc. It does, however, provide a method of categorizing them by area and sailing conditions.

Yachts are mostly mono-hulls, with a single hull. However, there are designs with more than one hull - e.g. double -hull - catamarans and triple hull - trimarans.

In terms of hull construction securing stability the most popular division is centerboard yachts, ballast yachts, centerboard - ballast yachts and multihulls. Yachts with centerboards include sport yachts like the Optimist and the Omega class. Ballast yachts are usually larger sea-going yachts.

With regard to the hull construction material, we divide them into three groups: wood, metal or laminates/composite materials. In line with Polish legislation, sea-going yachts are additionally divided into recreational ones, i.e., used for sports and leisure activities, and commercial ones, where activities such as transport or training are carried out.



Data on production and export of Polish yachts and boats

POLBOAT has been collecting production data from the market for a number of years. Since 2010, we have seen a virtually constant increase in production of 10-15%. In recent years, this growth in volume is not as dynamic, but the turnover value is constantly on the rise. This is because in recent years we have been producing larger and better equipped vessels, but also more expensive. For statistical purposes POLBOAT gathers data by categories - sailing yachts, motor boats with inboard engines, motor boats with outboard engines and Rigid Inflatable Boats.

Production and export in 2016-2020									
Year	Total	Sailing Yachts	Including export	Motor Boats with Inboard Engines	Including Export	Motor Boats with outboard Engines	Including Export	Inflatable boats	Including Export
2016	19705	1455	923	460	405	17600	16048	190	150
2017	21912	1419	945	543	487	19750	18250	200	160
2018	23997	1440	947	394	364	21960	20369	203	161
2019	24273	1454	951	366	333	22252	20571	201	158
2020	23608	1609	1032	321	220	21475	19539	203	160

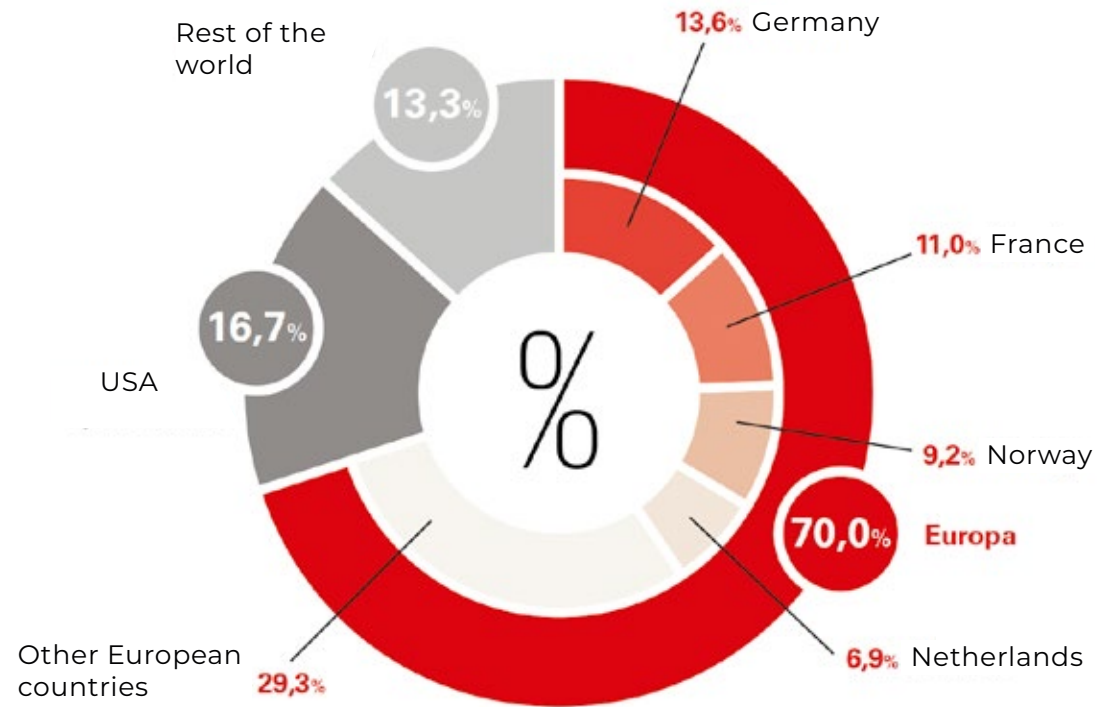
Source: POLBOAT

Poland's position in Europe and in the world

The most recent data from the Polish Economic Institute indicates that Poland is the eighth exporter of yachts and other recreational and sports vessels in the world and fifth in Europe. Our position has not been affected by the pandemic. From January to September 2021, exports were 38 percent higher than in the same period of 2019.

The data provided by PEI shows that in H1 2021, Poland's share in global yacht exports increased by 1,2 percentage points, to 4,7 percent.

According to the data of the Central Statistical Office, we export most vessels to the USA (in 2020, the United States accounted for 16,7 percent of the value of Polish exports), Germany (13,6 percent) and France (11 percent). Polish yachts also find buyers in other European countries as well as countries outside the EU, including Turkey, Russia, Canada, Australia, China, Japan, Thailand and the Middle East. The value of motor yacht exports is also increasing. In 2020, it amounted to PLN 2 billion, although as early as 2018 it was PLN 1,6 billion.



The share of individual directions of Polish exports of motor yachts in 2020.
Source: KPMG in Poland based on GUS data.

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We specialize in motor boats from 6 to 11 meters in length, with outboard engines. In this most popular segment, due to price availability and easy transport, Poland is the undisputed European leader and takes second place in the world just behind the USA.

Ten countries with the biggest export value of outboard yachts and other leisure units in 2020.			
Rank	Country	Export	Global share
1	US	690.0	30,8%
2	Poland	516,5	23,1%
3	Taipei, China	196,5	8,8%
4	China	149.0	6,7%
5	Canada	134.4	6,0%
6	Finland	74.2	3.3%
7	Portugal	54.0	2.4%
8	Italy	41.8	1.9%
9	Singapore	37.1	1.7%
10	United Kingdom	30.1	1.3%

Source: Fondazione Edison on ITC - UN Comtrade data

OUTBOARD MOTOR BOATS PRODUCTION IN 2020 (UNITS)	
Country	Units
USA	153598
Poland	21475
Brazil	9464
Finland	5430
New Zeland	4856
Sweden	4841
France	3661
Turkey	2961
Japan	2891
Czech Republic	1300
Norway	970
Estonia	260
Croatia	209
Sri Lanka	146
Spain	75

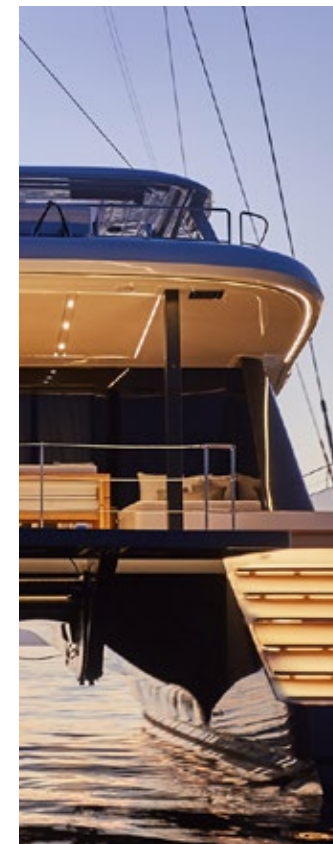
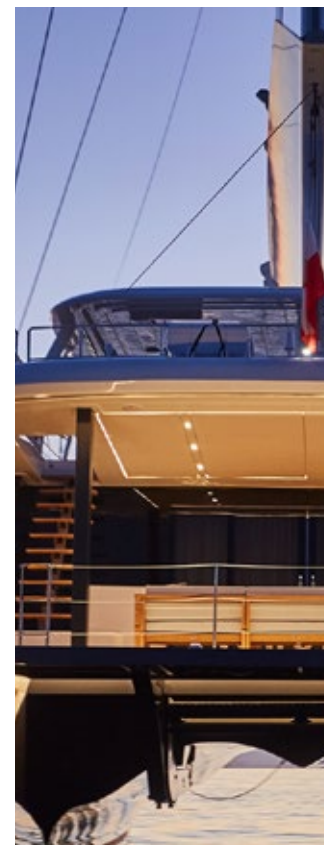
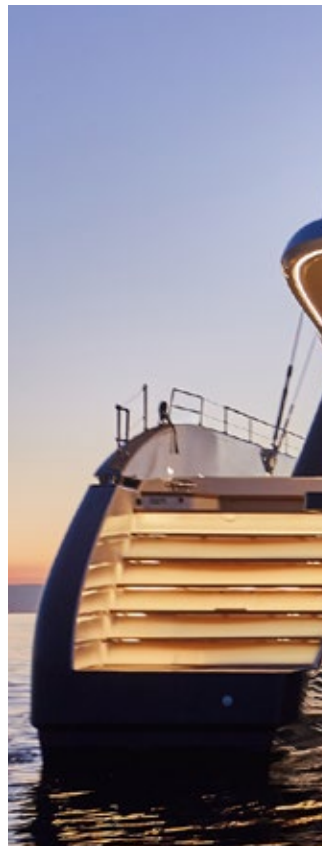
Source: ICOMIA Statistics Book 2021

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But the showpieces of the Polish maritime industry are luxury products: large luxurious motor yachts mainly from the GALEON shipyard, as well as sailing and motor catamarans from SUNREEF YACHTS, and recently also superyachts, thanks to the 133-foot Viatoris yacht produced by the Conrad shipyard from Gdansk. The shipyard is currently in the final stages of producing another, even grander, superyacht.

Polish specialty are also sailing yachts primarily intended for recreational cruises on inland waterways. a. Other such products are displacement boats intended for recreational cruising on rivers, canals and lakes, houseboats intended for domestic use (some houseboats do not have propulsion as they are usually moored, kept immobile at a fixed point and often connected to utilities, however, many of them are capable of operation with their own power supply) and following new trends - electric and solar boats. More and more Polish shipyards are launching production of these types of vessels.

The strongest and indisputable assets that set Polish shipyards apart are: the relatively low production costs as well as the huge potential within numerous companies, in terms of technology, quality of finish and design. As experts from the Polish Economic Institute point out, Polish yacht building yards are among the most modern in Europe.



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Ostróda Yacht is a case in point. It is the largest manufacturer of pleasure boats in Poland and, as part of the French Groupe Beneteau, also in Europe. The company forms part of an international capital group, which is a world leader in manufacturing of yachts and recreational and sports boats. This guarantees limitless market access on a global level and financial stability. Currently the company produces over 30 models of motor and sailing yachts in the quantity of about 4000 units per year. Situated in Ostróda on an area of more than 16 hectares, the shipyard has halls and production facilities of 40,000 m². The plant is equipped with the most modern, high-performance ventilation systems and unique technological solutions on a global scale. The investments made in the last 15 years, including first of all the automation of production processes and innovative hull injection technology, have made Ostróda Yacht shipyard one of the most modern factories in Europe, specializing in production of motor boats up to 10m in length. The engineering team of designers and constructors implements 10 new models of yachts and boats each year, constantly modernizing them and improving their utility parameters. As far as the style of their products is concerned, they work closely with Polish, Italian, French and American designers. The experienced technological team is constantly enhancing production processes in order to increase productivity, reduce material and energy consumption, reduce waste and pollution emissions, and improve health and safety conditions.

The advantage of Polish boatyards over other yards located in the EU is that Polish manufacturers ensure lower production costs while using the highest quality know-how and exactly the same materials as other European shipyards in Western Europe, Southern Europe or Scandinavia. For their production they can use designs of world-famous companies that deal with high-end design. A great example of such production is one of the 25-meter yachts from the Galeon shipyard, which features exclusive ebony finishes, high-gloss lacquered natural wood inlaid with mother of pearl in combination with natural exotic animal skins. The individual cabins have been designed independently of each other and all their decorative elements are handcrafted.

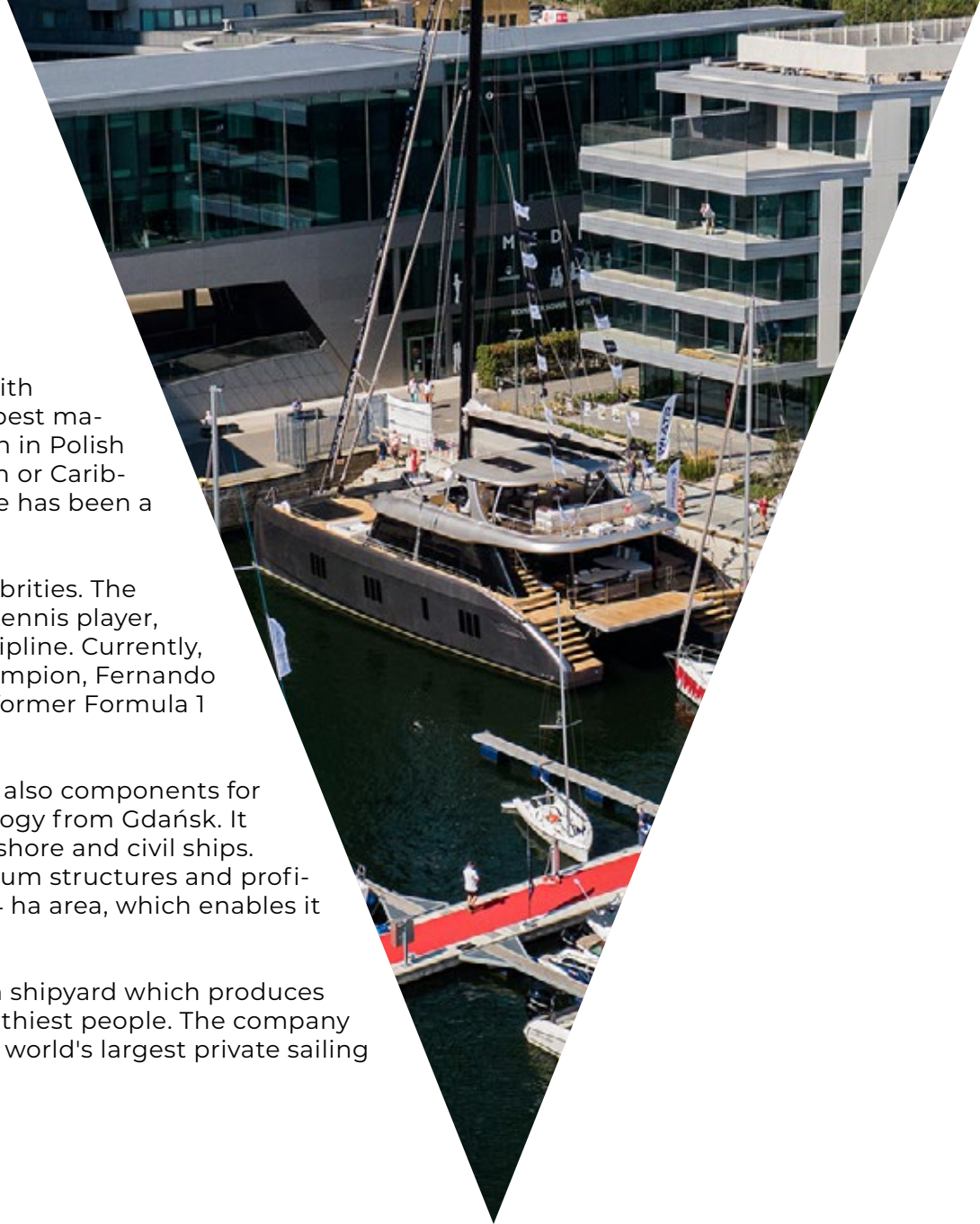
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Over the last few years, Polish yachts have become synonymous with luxury. Sunreef Yachts shipyard from Gdansk is reputed to be the best manufacturer of luxury catamarans in the world. Yachts do not remain in Polish waters too long, though. As a rule, they head for the Mediterranean or Caribbean. It doesn't mean that the shipyard has no Polish clients. There has been a growing number of them recently.

Sunreef Yachts enjoy great popularity worldwide. They attract celebrities. The Polish yacht 80 Sunreef Power is owned by Rafael Nadal, Spanish tennis player, recognized as one of the greatest players in the history of this discipline. Currently, the shipyard is also building a fully electric yacht for Formula 1 champion, Fernando Alonso. The ambassador of the shipyard's line of electric yachts is former Formula 1 driver and champion, Nico Rosberg.

We are well known not only for producing high quality yachts, but also components for them. The most famous company in this regard is Aluship Technology from Gdańsk. It deals with production of aluminum and steel constructions for offshore and civil ships. The company has a 12,6m wide automated welding line for aluminum structures and profiles. It is the largest installation of its kind in Europe. It works on a 4 ha area, which enables it to produce structures of any size.

Aluship Technology supplies components to e.g. Oceanco, a Dutch shipyard which produces custom yachts and whose clients include some of the world's wealthiest people. The company based in Gdansk had its share in the creation of "Black Pearl" - the world's largest private sailing yacht. The cost of the vessel is estimated at 200 million dollars.



Strengths and weaknesses of the Polish yacht industry

Strengths

- Lower production costs, to a large extent based on lower wages. This is still an advantage today, but at the same time a threat - as the economy grows, wage pressures appear and this advantage slowly diminishes.
- High efficiency and good quality (good materials, precision workmanship).
- Individual approach to customers, unique designs, possibility of personalizing orders.
- Recognized reputation.

Weaknesses

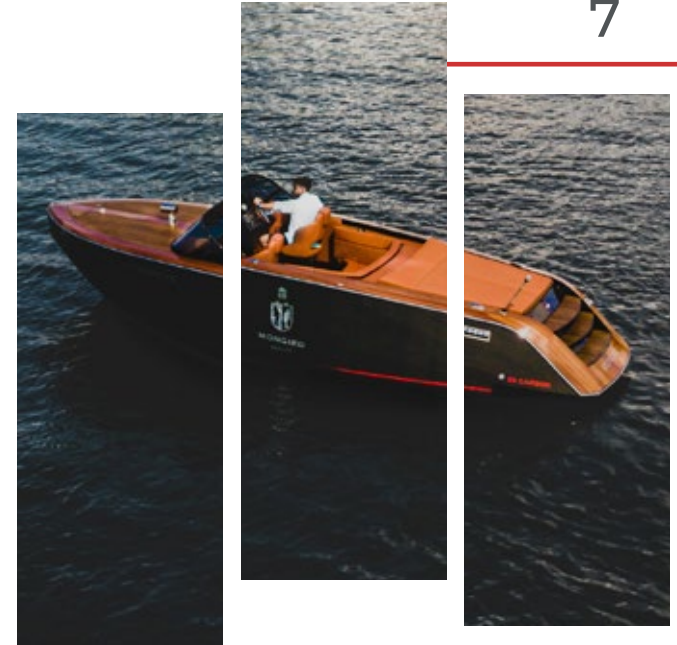
- High investment costs.
- Lack of capital.


Threats

- Cheaper labor is an increasingly weaker asset
- Shortage of skilled labor. This problem may intensify in 5-6 years. Most young secondary school graduates pursue higher education. There is a shortage of vocational schools educating craftsmen (carpenters, boat builders, upholsterers) at a satisfactory level. In search of jobs, many workers leave for the old EU countries. Shipyards are already experiencing a shortage of production workers.

Opportunities

- Polish shipyards are increasingly involved in cooperation with scientific institutions. They take advantage of accessibility and facilities e.g. at the Faculty of Ocean Engineering and Shipbuilding at the Gdansk University of Technology. Professional research and development centers are being established e.g. in Olecko or Węgorzewo. Research is conducted there on propulsion systems, materials used in production or the latest technologies that may play an integral role in the future.
- An additional advantage of the Polish yacht market is the introduction by domestic shipyards of innovative and modern solutions, which in essence dictate trends and become an inspiration for other manufacturers. Folding sides are a perfect example.





The yachting industry in Poland in 2020-2021 given the impact of COVID-19

COVID-19 appeared in Poland in the first half of March 2020 and very swiftly affected the yachting industry as well. And though the shipyards were operating all the time, following strictly all applicable hygiene and safety recommendations, there were serious problems with broken supply chains, transportation, and employees. Many companies wondered whether they would be able to maintain their liquidity and employment at the same level, especially since the entrepreneurs had virtually no support from the government at that stage. The subsequent easing of restrictions and the awareness that sailing or motor boating is one of the safest ways to spend time caused the situation to start improving.

From the second half of May 2020, there was a week by week increase in demand for new sailing and motor yachts. Literally everything available was being sold - sailing yachts, motor boats, houseboats and water scooters. Expecting the pandemic to last longer, some people in 2020 decided to sign purchase contracts with delivery in 2021. This situation escalated in 2021.

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Some people made a decision to buy, which they'd delayed for months or years. Others decided not to avail of charter services so as not to expose themselves and their family to the risk of sharing a yacht with other crews, and also in order to maximize the comfort of their yacht vacation - the owner's vessels are always configured in line with the client's preferences and usually have more lavish amenities. In many cases, it is the coronavirus that has helped clients make bold decisions.

On top of that, the reduction in interest rates caused interest rates on deposits to drop almost to zero. Even the best ones guaranteed no more than half a percent per year. Additionally, the inflation rate was very high. Some people did not want to keep their financial surpluses in bank accounts or deposits. And yachts stick to the price. More profit can be made by buying a yacht, even if it is not intended for charter. Boats on the secondary market do not lose too much of their value. That is why people with a steady economic position and excess liquidity are now more willing to make purchasing decisions.





Overall situation related to the impact of Covid-19 on the yachting industry

In a telephone survey conducted in January 2021 on a group of 100 companies, SMEs and large enterprises representing different market segments - manufacturers, suppliers and charter companies - "definitely good" was rated by about 10% of respondents, "good" - was answered by nearly 50%, and "moderately well" by - 23%. Only 9,2% of the companies considered their current situation "unchanged" and only 8% of the companies said their situation was worse than the previous year.

These are very good results, considering that in the earlier survey - in April/May 2020. - about 60% of companies complained about the bad situation and expected a significant drop in turnover later in the year.

Such good mood in the industry was caused by the fact that back in April 2020 very few people hoped that 2020 would bring anything positive, and certainly no one thought that from June on there would be such an increased interest in yachting, not only in Poland but also in Western Europe and Scandinavia (the most important directions for Polish exports), which would translate into a record number of orders, despite the lack of possibility to present yachts at boat shows that were canceled worldwide due to the pandemic.

In a telephone survey conducted in early 2022, 8,4% of the companies surveyed rated their situation as "definitely good," 48,4% responded "good" , and- 34% "moderately well" . Only 5,2% of companies considered their current situation to be "unchanged," and only 4% of companies said their situation was worse than a year ago. So despite the fact that 2021 was their companies' best year ever, their moods are toned down due to the issues at hand and the awareness of existing threats in the near future.

The turnover of companies in the yachting industry in 2020-2021

Overall, in 2020, almost 50% of companies admitted that their turnover increased compared to 2019. Nearly 30% recorded a financial result at a similar level to the previous year. In contrast, most of the remaining companies, with a turnover lower than in 2019, stressed that the scale of the decline was ultimately much lower than companies had expected just six months before.

On the flipside, 2021 brought an increase in turnover for nearly 90% of companies. Certainly, the significant increase in product manufacturing costs (raw materials, components, transport, labor costs) contributed partially, which translated into higher prices of final products. But most of all, it was the effect of the increased interest in yachting caused indirectly by the pandemic and thus the increased number of orders for new yachts and boats coming from dealers, individual clients and charter companies. It should be noted that many companies have noticed a significant increase in turnover on the Polish market.

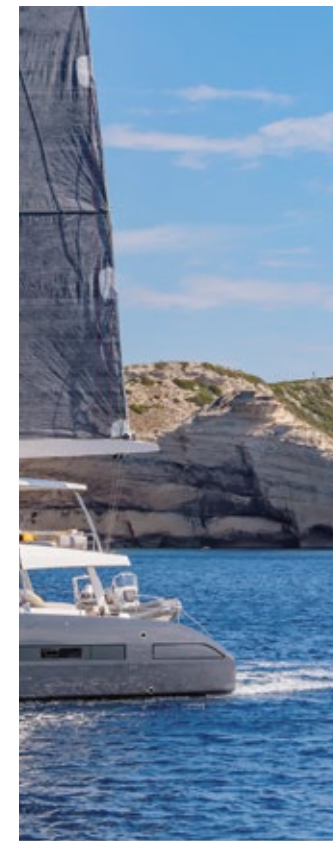
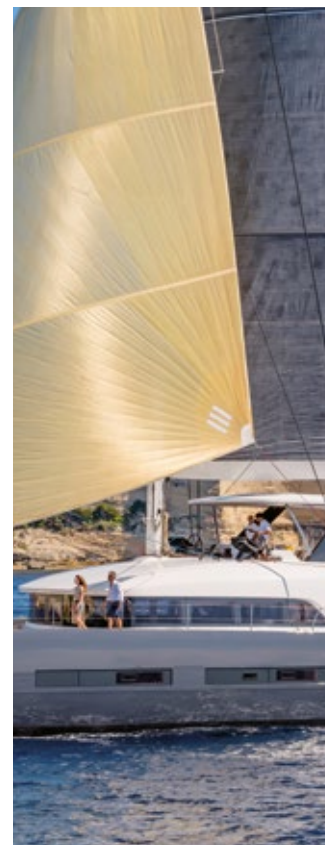
At the end of 2020, suppliers were in the best position. Nearly 70% of them ended the year with turnover higher than the year before. At the end of 2021 over 85% of companies in this sector declared an increase in turnover. In addition to the growing needs of shipyards caused by the increased number of ordered vessels, this was paradoxically also due to problems with the availability of various types of components. After supply chain problems in 2020, when any material or product used in the production of yachts was available, in 2021 shipyards ordered goods with a large surplus, storing them in case of future supply problems.

Among yacht manufacturers, more than 40% reported turnover growth at the end of 2020. But even more companies reported the turnover at a similar level to the previous year, which was the result of the execution of orders actually collected in 2019. In the group of manufacturers, the increase in turnover is clearly visible in the 2021 season, which both in terms of the number of vessels produced and the turnover was a record. The growth of 30% and more was noticeable in every segment - in sailing yachts, motor boats both with inboard and outboard engines, houseboats or RIBs. As mostly highlighted

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by shipyards whose turnover growth was less than 30%, this was due more to a lack of capacity expansion or problems or delays in deliveries than to a lack of additional orders. Some manufacturers in 2021 tried to optimize production, e.g. by limiting the availability of some of their models and focusing on making more of their best-sellers, incurring lower production costs and often generating the highest unit profit.

In the case of charter companies, in 2020 almost half of them had a turnover lower than in the previous year, but it should be emphasized right away that most of these companies are also engaged in other activities that were more strongly affected by the negative effects of the pandemic - training, organization of sailing camps or events for companies. These losses could not be recovered, but the charter part itself, with the season being extended - until October - was evaluated very positively in the survey. The year 2021 was a record year for charter companies. Whoever could, seeing the extraordinary growth of interest in yachting, increased the fleet and had full occupancy. In this group of companies, it can only be added that charters in the Baltic Sea, due to the problem in foreign ports, did not have as large increases as yacht rentals inland.





Employment in the yachting industry in Poland in 2020-2021

Despite a difficult beginning of 2020 and fears of having to cut back, yachting companies mostly managed to end the year with the same level of human resources, with one in five even increasing their workforce. At the same time, it is worth noting that those companies that declare similar staffing levels say that there was some turnover during the 12 months of 2020. They also point out that, contrary to the popular opinion about the growing unemployment rate, the market has not improved at all in this respect and it is still not easy to find new employees.

With expected increases in turnover in 2021, companies mostly hoped to increase employment. Overall, only nearly half hired additional staff. This is mainly due to the lack of experienced workers on the market.

For the 2022 season, the largest staffing needs are declared by shipyards - nearly 70% and the vast majority of charter companies. Among suppliers, these trends are almost equally distributed - 52% intend to hire, 48% - do not. Interestingly, no one is thinking about downsizing at the moment.



Use of government support schemes

The Polish government introduced a plan to support entrepreneurs, the main points of which were:

- Exemption from social and health insurance contributions
- Partial state coverage of workers' wages
- Loans to employers to maintain cash flow from business activities.

This concerned mainly small and medium-sized enterprises, but from mid-June also large enterprises could benefit from financial support to maintain financial liquidity or pay wages or other costs related to their day-to-day operations

Obviously, obtaining financial support was associated with different conditions. It was necessary to show a decrease in turnover by at least 25% compared to the previous month or the same month of the previous year. The companies also had to show that their problems were related to the negative effects of Covid-19.

On the whole, 54% of companies did not use any form of subsidy. Some were not eligible, even during the most difficult period from late March to mid-May 2020. Some responded that they did not want any support from the Polish government at all and were not particularly interested in the opportunities provided. On the other hand, from the group of companies that received subsidy from the anti-crisis shields (46%), almost half admitted that the support was at a minimum level, most often in the amount of PLN 5,000. The proportions are most evenly distributed among suppliers. 51,85% of companies received any sort of state support, 48,15% managed without such support. Among manufacturers, the majority - 62,8% - did not use the anti-crisis shields, and 37,2% received support. Different results can be seen in the group of charter companies. Here as much as 63,64% received support from the government, 37,2% had to manage without any help.

It should be appreciated that from mid-June 2020, large enterprises were also covered by the Financial Shield instruments. As a result, almost 40% of them received such aid.



Main problems

In April 2020, the industry predicted that the main worries would be a scarcity of orders due to, among other things, the cancellation of trade fairs and a lack of product showcasing opportunities. Fortunately, those forecasts did not come true. Orders were and are still coming in. At the moment, the main problems are delays in the supply chains, mainly concerning engines, both inboard and outboard, but also electronics and other parts or components. This can cause delays in the production process, with unfinished vessels waiting for a missing component, taking up production space, thus preventing work on other boats.

While companies report that the availability of components has generally improved, most of them also complain about the rising costs of raw materials and transport. This is all the more important as a shipyard, when a customer or a dealer orders a boat, usually sets a selling price, but is not able to predict what the actual manufacturing costs will be. As the companies emphasize, due to the situation related to the pandemic, currently no one is able to prognosticate based on data from previous years. Nobody can either predict the demand in the long term or determine the costs, because they are constantly on the increase.

The problems continue to be related to employees. And while employee absenteeism, caused by Covid-19 among other things, is decreasing, there is also a problem of rising costs.



Threats

Despite the generally good situation in the industry, there is moderate optimism as companies are aware of the uncertain times in which they have to operate.

The main threats that the industry identifies for the remainder of the year are mainly uncertainties. Currently, this is mainly related to the situation beyond Poland's eastern border – in Ukraine. Apart from the natural fear of military actions near our national territory, many companies may suffer from various types of relations with companies located in countries involved in the military conflict. This does not only concern customers from these countries, but also various types of suppliers. The situation in Ukraine and Russia can quickly spill over to other countries. This in turn could exacerbate the existing supply chain problems.

Companies are primarily concerned about negative effects on supply chains, rising costs of raw materials and components, and thus increasing the cost of producing the final product, which may imply reduced profitability. Another negative effect related to this may be a drop in demand caused by excessive increase in the prices of yachts and boats. This mainly concerns the Polish market, which has finally been activated, but it may also have a bad impact on the level of exports and sales in markets where Polish companies can now effectively compete in terms of prices.

The uncertain situation also has an adverse effect on investment in companies. Although some adhere to the principle that 'you should do your job', in the survey many companies underscored caution in their actions.



Conclusions

During the Covid-19 pandemic various sectors of the Polish economy came to a complete standstill, but fortunately the Polish yachting industry continued to operate. The pandemic resulted in many more people than in recent years choosing to spend their vacation at home rather than abroad, often opting for a safe time off on the water, isolating themselves during the uncertain times and developing their natural immunity while staying outdoors. From the second half of May 2020 onwards, there was a week by week huge increase in boat sales on the foreign market as well as the domestic market and a huge increase in interest in yachting. Charter companies were fully staffed and shipyards had reached their production capacity limits.

When it comes to forecasts for 2022, based on orders already placed for yachts and boats from Polish shipyards, it looks like the turnover will be similar to that of 2021, or maybe even slightly better. According to the information from manufacturers, there is no change in the trend and although everyone admits that the situation has calmed down a bit and people are starting to plan their holidays again choosing the plane as a means of transport, the interest in new vessels is still high and the waiting time for a dream boat is lengthening all the time. On the other hand, some suppliers forecast a weaker result for 2022, which, however, is not the consequence of a decrease in orders for yachts from Polish shipyards, but is due to maximum stocking in shipyards and a reduction of orders in line with current needs.

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Thus, the interest in yachting is not waning and is further stimulated by various projects. Seeing the growth of yachting in 2020, POLBOAT organized the Grow Boating action "Become a waterman". The initiative, aimed at people who have never sailed before, allowed several thousand people to take part in free sailing yacht or motorboat cruises, and the information provided made it easier to take the next steps on the water.

In contrast, the lack of trade fairs caused by the pandemic and the lack of opportunities to present yachts and boats to potential customers, could result in a decrease in orders for the following season. Therefore, the Board of the Polish Chamber of Marine Industry and Watersports POLBOAT in 2020 decided to organize an annual event that would give Polish shipyards the opportunity to showcase watercraft, conduct business meetings with companies in the industry and with potential customers. In 2021, POLBOAT YACHTING FESTIVAL was attended by all leading Polish shipyards, including two of the most important export brands: Galeon and Sunreef Yachts.

The exhibition turned out to be a great success and the most prominent magazines of Europe, Asia, USA and UAE wrote about Polish yachts. The special formula and attractive program, coupled with the growing interest in yachting as a form of recreation conducive to maintaining social distance in the Polish society, resulted in a large number of specific contacts and orders for new yachts.





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In fact, if the geopolitical situation does not deteriorate and does not have a major impact on yacht production or overall interest in yachting and the purchase of this type of goods, 2022 shows promise to be a good year.

Admittedly, some companies believe that the trend may change in the long run, or even that it is necessary to prepare for the upcoming crisis, which the industry was expecting in 2020, and instead came Covid-19, which, exactly in the case of this industry, gave it an extra boost.

A large number of companies emphasize problems concerning human resources. But in this case, a vocational curriculum at the high school level can help. Currently, first schools have started teaching the "Boat Builder" profession. Next are planning to start enrollment for the class in 2022 and in 2023. Additionally, thanks to POLBOAT's efforts, secondary schools in Poland have the opportunity to teach "Yacht



Construction Technician" from September 2022 on. All these educational institutions will have a strong partner from the yachting industry, to support them, e.g., in the training of teaching staff as well as in practical activities both on the school premises and in the shipyard.

Also, companies belonging to POLBOAT actively collaborate with technical universities. This resulted, for example, in launching a new course at Gdansk University of Technology, "Design and Construction of Yachts", which as early as in the first year was on the list of top 10 most popular majors.

Furthermore, there are plans to create an Industry Skills Center, which will provide training in modern facilities, primarily geared for adults.

All of these factors give hope that Polish shipyards will continue to develop and expand, and thanks to investments in new technologies, advanced machinery and R&D centers, they will continuously improve their know-how and competitive advantage.



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