POLISH INFORMATION AND FOREIGN INVESTMENT AGENCY

INFORMATION TECHNOLOGY SECTOR IN POLAND

Invest in Poland

IT Sector worldwide

There are several trends which may be observed on the global IT market:

- products are closely connected with services and their development and sales are mutually dependent,
- IT companies rarely specialize in one type of service,
- institutions are the major group of IT purchasers,
- long-term IT markets results depend mainly on economic factors (economic growth, economic condition, financial results of major purchasers, institutional solutions, etc.)

According to analysts from Gartner (research & advisor company), in 2012 the growth in the global IT market value will be at the level of 2%. Previous more optimistic forecasts were changed on the account of the postponement of administrational expenses in the USA and Europe. In 2012 the total value of IT markets (excluding telecommunications hardware solutions) worldwide will reach USD 3.28 billion. More than a half (52.7%) of the IT services will belong to the group of 1% growth in sales. Business software market will rise by 5%, becoming 8.5% of the whole IT market, and hardware solution market will increase by 4.3%, constituting 12.8% of the market. The remaining 26% of the market will belong to IT services sales which will rise by ca. 1.5%.

Gartner analysts' prognoses for the global IT industry for next several years include:

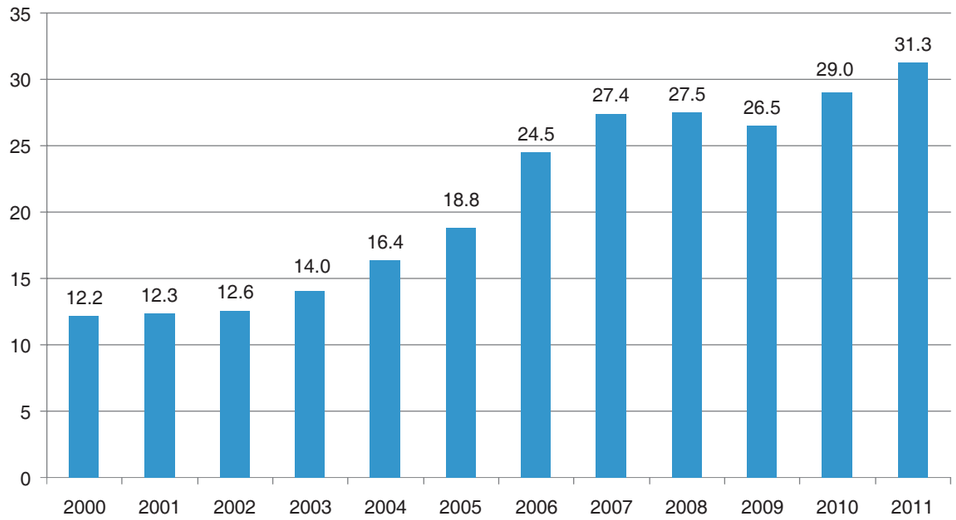
- rapid development of Asian companies, mainly Chinese and Indian,
- development of new markets: cloud computing market, big data market, mobile solutions market and social media market,
- consolidation wave leading to the situation when 20% of major IT service providers in the world will disappear from the market[1].

Characteristics of the sector in Poland

IT sector is divided into three closely connected segments: hardware, software and IT services. In 2011 the total income of the sector in Poland was PLN 31.3 billion. Most of this amount (57%) came from hardware sales. 14% of the income was generated by software sales and 29% by IT services (implementations, integrations, technical service, consultancy, trainings and outsourcing) sales.

PLN 31.3 billion income means **growth at the level of 8.3%** (PLN 2.3 billion) as compared to 2010. The growth is little smaller than in the previous year (PLN 2.5 billion). However, it means that the IT sector has stabilized. Relatively fast, the market made up for the losses suffered in 2008 which were caused by a slowdown in economy (only symbolic growth of sales was noticed) and considerable (by PLN 0.9 billion) decrease in incomes in 2009.

Chart 1. The value of Polish IT market in 2000–2011 (sales income in PLN billions)

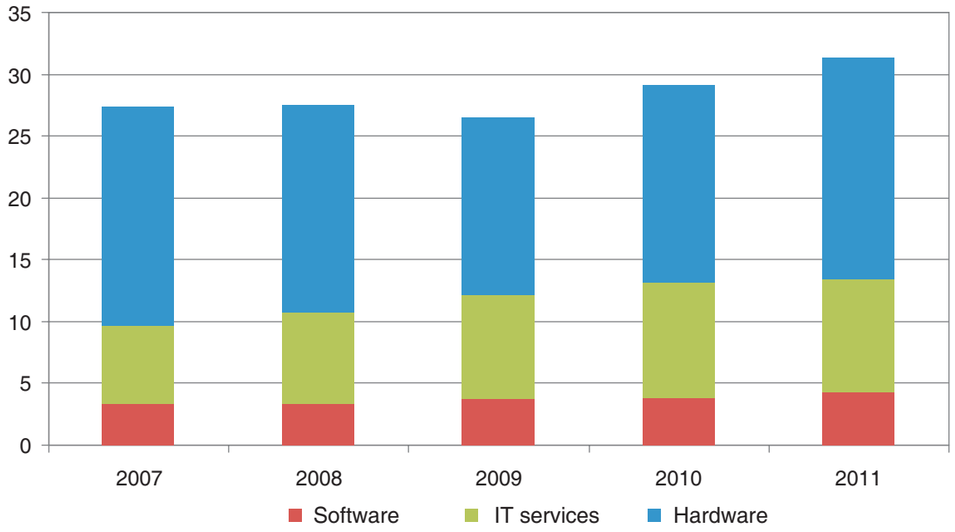


Source: Computerworld Top200, 2012.

[1] Sources: http://www.computerworld.pl/news/381787, www.computerworld.pl/news/386589.

The analysis of the changes in the sector structure shows that there are distinct trends in particular market sectors. IT services and software sales have increased substantially in last five years. The 2008–2009 recession in the sector had negative effects mainly on hardware sales which decreased in all categories – PCs, servers and network devices. Postponing hardware extension or replacement are some ways to cut the costs of running a business activity, hence such actions were perfectly understandable during economic slowdown.

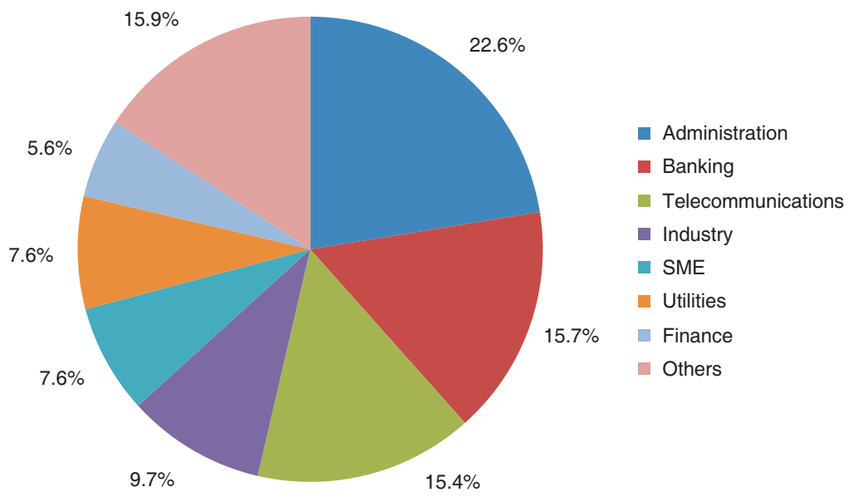
Chart 2. The structure of Polish IT market in 2007–2011 (sales income in PLN billions)



Source: Computerworld Top200, volumes 2010–2012.

About 1/3 of IT sales income in Poland is generated by 350 major companies[2]. Their most important clients are public administration and institutions as well as large companies (about 5000). 22.6% of incomes of the largest IT companies come from products and services sales to the administration. Next important clients are: bank sector (15.7%, together with finance sector account for 21.3 %), telecommunications sector (15.4%) and the industry sector (9.7%).

Chart 3. Sectors with highest shares in sales of major IT companies



Source: Computerworld Top200 2012.

[2] Source: Computerworld Top200, 2012. The remaining 2/3 of the market are consumer sales and sales of small companies, not included in the Top200 research.

Hardware made in Poland as well as modern software developed in Poland are getting growing recognition abroad. **In 2010 hardware export reached the amount of EUR 2.4 billion which gives 90% growth as compared to two previous years.** At the same time Poland had surplus in hardware trade amounting to EUR 330 million, which is a considerable change after the EUR 1 billion deficit noted in previous years. The key advantages of Polish IT sector on foreign markets are: high qualifications of specialists in hardware and software production, high product quality and relatively low costs of production.

Computerworld Top200 report lists **330 IT companies operating in Poland in 2011 whose sales coming from IT products and services reached at least PLN 1 million.**

Table 1. Top 10 IT companies in Poland

	Company	Sales from IT products and service in 2011 (PLN mln)	Change in 2011/2012	Employment
1	HP Polska	3041.0	9%	1800
2	ABC Data	2958.6	10%	324
3	ACTION	2758.4	34%	465
4	AB	2514.0	30%	304
5	Flextronics International Poland	1870.4	17%	b.d.
6	Tech Data Polska	1557.3	–2%	205
7	IBM Polska	1323.7	2%	b.d.
8	Asseco Poland	1322.1	14%	3197
9	Microsoft	1300.0	1%	b.d.
10	Incom	1019.1	8%	150

Source: Computerworld Top200 2012.

Among the ten top companies there are hardware producers (AB, Flextronics), distributors (Action, ABC), software developers (Microsoft) and businesses generating their incomes mostly by providing IT services (Asseco). **Most of the companies are parts of international companies, i.e. they are Polish branches of foreign companies or belong to international capital groups in the IT industry.** It is also worth noticing that more domestic companies have started operating on foreign markets: Asseco, Comarch or Ericpol are companies which have proven their reliability in the East-Central Europe.

One of the factors attracting international IT companies to Poland is the availability of highly qualified employees. **There are over 100,000 workers employed in the IT sector in Poland (in the services, excluding distribution network).** What is more, continuous and dynamic growth of employment is expected as a result of outsourcing performed for companies outside the IT sector.

In 2011 median salary in Polish IT companies was PLN 5.500[3]**.** In the same period an average gross salary in the domestic economy amounted to PLN 3.500. The range of standard salaries in 2012 in enterprises located in large and very large cities is presented in the table below.

Table 2. Salaries in IT professions in Poland in 2012

Position	Average salary (PLN)
System administrator	6000 – 9000
Database administrator	6000 – 9000
Network administrator	5000 – 8000
Business analyst	7000 – 10 000
System analyst	6000 – 9000

[3] Source: Computerworld Top200 2012.

Position	Average salary (PLN)
IT CEO	15 000 – 25 000
Safety engineer	6000 – 10 000
System development manager	9000 – 13 000
IT manager	8000 – 12 000
Project manager	8000 – 12 000
Application implementation consultant	7000 – 10 000
Java programmer	6000 – 10 000
.Net programmer	6000 – 10 000
C++ programmer	5000 – 8000
Website programmer	4000 – 7000
Helpdesk specialist	3000 – 5500
Software tester	4000 – 7000

Source: JPLG PODDANY&GRZESZCZYK.

Educational background and qualifications of Polish IT specialists are highly recognized. **Resources on the labour market increase each year by 15.000 graduates of IT faculties on university level.** In 2010/2011 there were 74,000 students of IT sciences. On the lower level of education, **IT profile classes in technical and postsecondary schools gathered 99.500 students.** There were also 11.500 students of 'information management' profile in specialized secondary schools.

The quality of provided service and creativity of Polish IT specialists very often exceeds employers' expectations. Each year young Polish information technologists earn high rankings in international programming contests such as ImagineCup, Code Jam or Central European Programming Contest (CEPC).

Foreign investments

IT sector is very popular among foreign investors. **According to estimations of Polish Information and Foreign Investment Agency, about 70% of major IT companies in Poland belong to foreign capital.** The largest global concerns such as Microsoft, HP, Google, Oracle, IBM or SAP have their branches in Poland, which is a proof of growing importance of Poland as a sales area as well as an IT services and products provider. Foreign companies are present in almost all regions and large Polish cities, yet the most popular areas are cities with the most intense educational offer that provide large numbers of young and well-qualified employees (Warsaw, Wroclaw).

Foreign investments are the key factor in IT markets growth. According to Computerworld Top200 report, investors' interest in East-Central Europe's market is increasing after a three-year-break. The previous wide wave of investments in the IT sector took place before 2008 when international companies were interested in fast acquisition of shares on the new markets. They were buying large, already operating enterprises which had a stable position on the market. Sometimes the price was higher than in the case of similar companies from Western Europe. Fusions and takeovers took place among software developers, distributors and system integrators. Such transactions were most popular in 2007–2008.

In 2009 East-Central Europe's markets stopped being perceived as attractive for investors from the IT industry. It led to decrease in the number and value of investments. In 2012 the interest in local IT companies increased once again as a result of improving economic condition in the states of this European region. **The estimated value of fusions and takeovers of IT companies in East-Central Europe in 2012–2014 will reach EUR 500 million.** However, the investors are cautious in making decisions: they look for smaller companies in good financial shape, properly managed and having a stable and diverse group of clients. **The most attractive markets for investments are Poland and Turkey,** followed by Russia and Romania.

IT sector perspectives in Poland

The main growth drivers of Polish IT market are: the inflow of foreign investments, EU funds availability and new directions in sector development.

According to Pierre Audion Consultants, in 2015 Poland will be the second (after Russia) IT market in East-Central Europe. The growth on the IT services and software market in 2011–2015 is estimated to reach 7.2% per year[4].

Similar prognoses are formulated for the third of the IT market segments, the hardware. According to CompaniesandMarkets.com, average annual growth of the hardware sales in 2011–2014 will reach 7.7%[5].

Table 3. The forecast for software and IT services markets development in East-Central Europe

Country	Average growth in market in 2011–2015	Market value in 2015 (EUR mln)
Czech Republic	6.7%	2 414
Poland	7.2%	4 097
Romania	8.8%	1 067
Russia	11.3%	10 786
Slovakia	6.2%	975
Turkey	13.3%	2 209
Hungary	1.8%	957
Others	8.4%	2 789

Source: Computerworld Top200 2012.

Opinion polls carried out among management staff in IT companies also present optimistic results. According to Computerworld Top200 report, 44% of IT companies directors found the situation on the market as good, 3% as very good, 46% claimed it was mediocre, 5% as bad, 2% as very bad. At the same time 49% expected a considerable positive change on the market in 2012, 34% did not expect any change and 15% expected the situation to get worse. However, it must be stressed that concerns about the recession on the market did not result from fears for domestic market crash but they were connected with the crisis in Western Europe. According to the respondents, a slowdown in global economy may decrease the demand for IT products and services by large international companies, including their Polish branches or direct subsidiaries.

The administration sector will remain the major purchaser of IT services and products in Poland. Investments undertaken by central and regional institutions are mostly motivated by EU funds which are intensively utilized in IT solutions implementation. The EU funds availability in the 2014–2020 financial perspective ensures continuous and stable growth of administration expenses in this field. It must be observed that **Poland is claimed to be the most effective state in using EU funds for IT projects development.** It is due to several reasons: determination in obtaining funds, effective management and broad interest of the local authorities.

Administration's efforts to create and develop information society in Poland are expressed by means of appointing the Ministry of Administration and Digitization. The Ministry plans to encourage the development of tele-information infrastructure in order to *broaden the access to the Internet and improve digital skills of Polish people.* Moreover, it coordinates public administration informatization projects, thus creating the cornerstones of the e-administration system. Furthermore, it develops and implements governmental Strategy for the Development of Information Society. Each of these activities will generate considerable demand for IT products and services, which will contribute to the sector development in Poland.

The second – after administration – group of great potential as receivers of IT is public services sector. The expenses of the *utilities* sector on IT grew by 44% (PLN 247 million) in 2011. Particularly important is the power industry which is going to face at least two crucial challenges connected with IT investments. The first challenge is the transformation and liberalization of energy market which requires searching for solutions which increase business effectiveness and offer attractiveness. Companies will look for transmission grid monitoring systems, information analysis products and solutions that increase cost effectiveness, reliability of service, support billing processes etc. Investments in renewable energy resources will cause the necessity of system integration among particular energy producers. The second challenge is the development of "intelligent energy networks". This will call for new kinds of products and services – from "smart

[4] Source: Computerworld Top200, 2012. The analysis does not concern the hardware market.
[5] Source: Polski rynek elektroniki konsumenckiej, http://evertiq.pl

metering", through Home Area Networks, to urban energy effectiveness management systems ("smart cities") – and will add additional momentum to IT investment processes.

Transport sector noted even greater growth than *utilities* – by 53% in 2011. Public services, road building and maintenance, railroading and airports are sectors with large number of investments including IT solutions. The development is possible thanks to intensive application of EU funds. Future growth will be driven by infrastructure investments and development of the intelligent transport systems (monitoring and management solutions for urban traffic, public transport, air traffic etc.). Railways will be the area of intensive investments, due to the technical gap differentiating it from its counterparts in Western Europe.

Banking and **telecommunications** are traditional large purchasers of IT products and services. Their ICT investments in 2011 increased by 7 and 13% respectively. Both Polish and European **banking sectors** are aiming at centralization of their financial operations, in order to standardize the communication processes and reduce their operating costs. There are at least two new trends in **telecommunications**: the development of intelligent networks, associated with reduction of differences between wired and wireless networks, and the development of smart devices, bringing a significant increase in demand for bandwidth – and thus, forcing solutions that reduce energy cost of data processing. All of these processes will further increase investments in IT products and services.

It is worth to note that both in banking and telecommunications **investments in IT solutions are crucial for remaining competitive.** Thus the scenario of serious cuts on expenses is doubtful, even during optimization of operating costs in companies forced by the slowdown in economy.

The development of IT sector – in Poland as well as worldwide – is also driven by innovations and new market trends. Some new directions of the IT markets development are:

- **applications for mobile products** – 92% of the representatives of major Polish IT companies expect this segment to develop rapidly[6],
- **Cloud computing** – 95% of respondents forecast the development of this service in the next 2 years.

What is also found attractive (yet not that enthusiastically) are IT safety markets and software sharing from the Cloud.

IT clusters in Poland

IT companies' efforts to improve competitiveness are manifested by creating cluster initiatives. Clusters join enterprises, even these competing with each other, which cooperate basing on the synergy effect in business activities. Examples of the forms of such cooperation are preparing a joint offers, lobbing activities, joint placement of orders or joining distribution channels. Clusters often engage the representatives of science who look for the ways of commercialization of research results, business organizations and local governments interested in enterprise development in their regions.

"Clusters in Poland 2012" catalogue issued by Polish Agency for Enterprise Development lists 12 clusters engaged in information technology. Four of them specialize in IT, the rest operate also in telecommunications (ICT clusters)[7].

Table 4. IT and ICT clusters in Poland

Name	Sector of activity	Region of activity (province)
ICT Amber	telecommunications, telephony, information technology	warmińsko-mazurskie
Interizon – Pomerania ICT Cluster	information technology, electronics, telecommunications, automatics and robotics	pomorskie
Digital Archiving Cluster	long term data storage	lubuskie, wielkopolskie, dolnośląskie and pomorskie
The ICT West Pomerania Cluster	information technology, telecommunications	zachodniopomorskie
Knowledge and Innovation Community for Information and Communication Technologies Cluster	information technology, communication, electronics, automatics, development of information society	dolnośląskie
The Mazovia ICT Cluster	information technology, telecommunications, electronic media	mazowieckie
Wielkopolska ICT Cluster	information technology, telecommunications	wielkopolskie
Eastern ICT Cluster	information technology, telecommunications	lubelskie
Alternative IT Cluster	information technology	mazowieckie, lubelskie, podkarpackie, małopolskie, łódzkie
Eastern Poland IT Companies Cluster	information technology, hardware, marketing	podkarpackie, świętokrzyskie, lubelskie, podlaskie, warmińsko-mazurskie
SynergIT Cluster	information technology	wielkopolskie
Opole IT Cluster OP-Info	information technology	opolskie

Source: "Clusters in Poland", PAED, 2012.

[6] Research conducted for PMR report "IT market in Poland 2012. Development forecast for 2012–2016".
[7] The catalogue mentions only formal clusters, i.e. the ones which identify themselves as clusters, employ a coordinator, have a head office, a website etc. Cluster-like associations may operate basing on informal regulations, without formalizing the cooperation by setting up a cluster.

Available forms of state aid

Investors carrying out new investment projects in Poland may rely on various forms of support in form of so-called regional aid. Support instruments include non-refundable grants from the state budget and from the EU funds. Exemptions from CIT in Special Economic Zones and from local taxes are also available.

Entrepreneurs planning an investment in several strategic sectors (including the IT sector) may apply for two kinds of governmental grants: for creation of new jobs (employment grant) and for costs of new investments (investment grant). The grants are available under governmental **"Programme for encouraging the investments of key importance for Polish economy in 2011–2020"**. Payments are made in form of co-financing of the costs incurred, proportionally to the degree of implementation of the commitments stated in the agreement between the investor and the Ministry of Economy.

Grants financed from the EU structural funds have been largely consumed. One year before the end of the current budget (2007–2013) more than 80% of the allocated resources were already distributed. There are still some resources remaining for investors implementing R&D projects. New financial measures from the Structural Funds will be launched in the upcoming financial perspective of 2014–2020.

Special Economic Zones are selected areas where economic activity may be performed under favorable conditions. Entrepreneurs setting their business in SEZ can benefit from income and real estate tax exemptions (in municipalities that have taken the appropriate resolution). SEZs offer also attractive investment locations equipped with necessary technical infrastructure, as well as comprehensive support in legal and administrative procedures related to the implementation of the projects.

Incentives for entrepreneurs are available also on the local level. Polish municipalities are entitled to set up tax and local fees exemptions, including real estate tax exemption.

Testimonial

"We chose Poland to create our first Acxiom Global Service Centre (GSC) after successfully building out a small team of IT graduates in our existing Warsaw office in 2005. This Team was highly motivated and became a proof of concept for the Future GSC, which is now in both Warsaw and Gdansk. Our Polish associates are bright and educated to a high standard, they have been seamlessly integrated into our Technical Teams supporting our Global business."

Jan Królewiak, Vice President, Acxiom Europe.

Major sector events

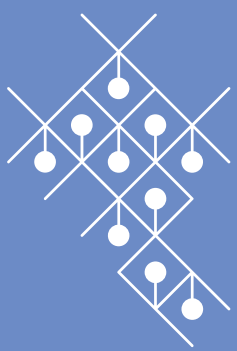
Table 5. Major IT fairs in Poland

Fair	Localization
IT Business Solutions Fair	various localizations
IT Career Fair	various localizations
IT Business and IT Home Fair	Szczecin
IT and IT Expert Fair	Szczecin
Broadband Technologies Fair – INFOSTRADA	Lublin
International Fair of Electronic Communication	Łódź
Programming Career Fair	Łódź
ON/OFF Consumer Electronics and Video Game Fair	Warsaw
Job Fair for Electronics Engineers and Computer Scientists	Warsaw

Key institutions and organization in the IT sector

Polish Chamber of Commerce for Electronics and Telecommunications
00-739 Warszawa, ul. Stępińska 22/30
tel. 22 840 65 22
www.kigeit.pl

The Polish Chamber of Information Technology and Telecommunications
00-380 Warszawa, ul. Kruczkowskiego 8
tel. 22 628 22 60
www.piit.org.pl



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