

The Machinery Sector in Poland

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I n t r o d u c t i o n

The aim of this report is to present the actual situation and projections for the machine sector in Poland.

The machine sector in Poland in recent years has been developing very dynamically. In the period from 2003 to 2007 its annual pace was double digit. In 2009 the value of the sector was PLN 22.3 billion – according to estimates approx. 23% less than the previous year. In 2010 the pace should, according to the forecast, achieve a positive value, and then stabilise in the following years at the level of approx. 9% annually.

From among the 7 500 enterprises operating in the analysed industry, most of them operated in the Mazowieckie, Śląskie and Wielkopolskie Voivodships. About 80% of them can be considered micro-businesses, where employment does not exceed 9 employers.

The influx of foreign direct investments into the sector was € 1.44 billion in 2008 and their cumulative value reached € 1.95 billion.

Charakterystyka sektora maszynowego w Polsce

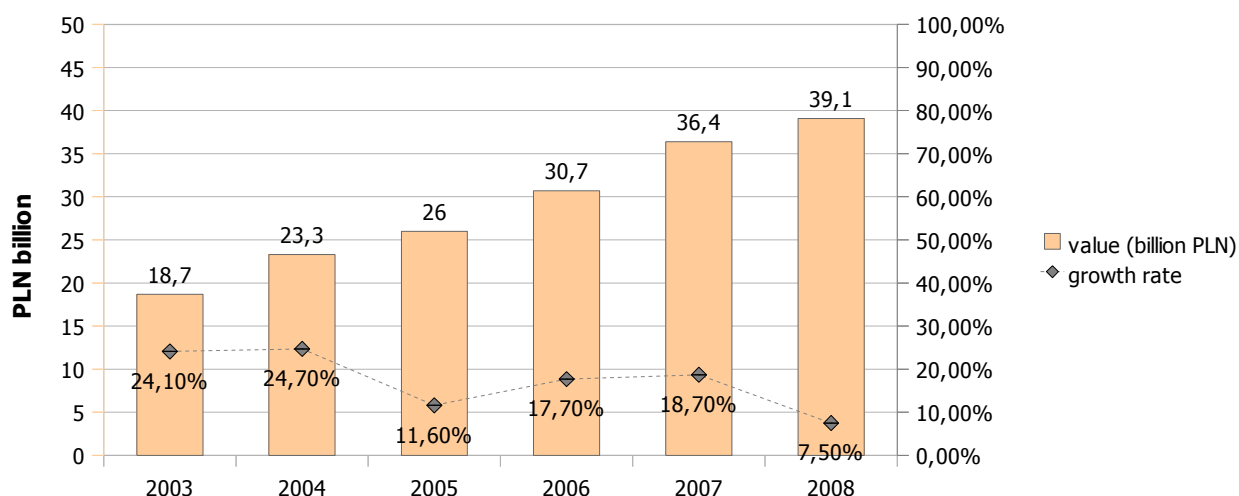
The machinery industry is a branch of heavy industry. It includes the manufacturing of machines used in other branches of the industry. Among its products are mainly machines for the mining, metallurgical, power and agricultural industries, as well as machine tools and engines.

In 2009, the value of the machinery market in Poland was approx. PLN 22.3 billion.¹ This data, however, cannot be compared with

previous years, because, since 2009, the Central Statistical Office (CSO) has used a different classification of business activity.²

In the years 2003-2007, the market was developing dynamically – the pace reached two digits. In 2008 it went down to 7.5% and in 2009, according to Oxford Economics, it was negative and was -23.6%.³

:: Figure 1. The value of the machinery market in Poland in the years 2003-2008

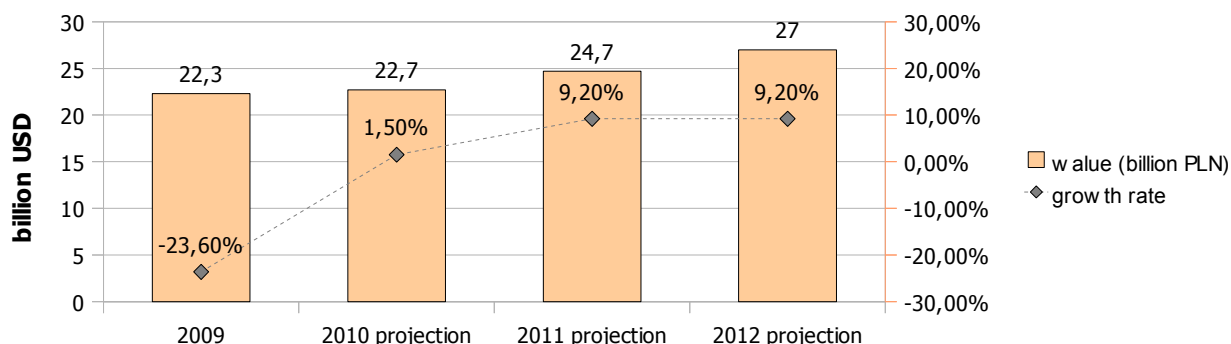


Source: Own work based on CSO.

Forecasts for the subsequent years anticipate a return, after the slump in 2009, to a positive growth in the machinery market as early as in 2010. Figure 2 illustrates the prospects for

the development of this sector until 2012, taking into consideration the currently-used Polish Classification of Goods and Services – PCGS 2008.

:: Figure 2. The value of the machinery market in Poland in the years 2009 and a forecast for the subsequent years



Source: Own work based on CSO, Oxford Economics 2010.

1. *Produkcja wyrobów przemysłowych w 2009 r.* [The production of industrial goods in 2009], CSO 2010.
2. The Polish Classification of Goods and Services (PCGS) 2008 instead of PCGS 2004.
3. *Produkcja wyrobów przemysłowych w 2003-2009 r.* [The production of industrial goods in 2003-2009], CSO 2004-2010, By Country Industry Forecasts: Autumn 2010, Oxford Economics 2010.

Product structure

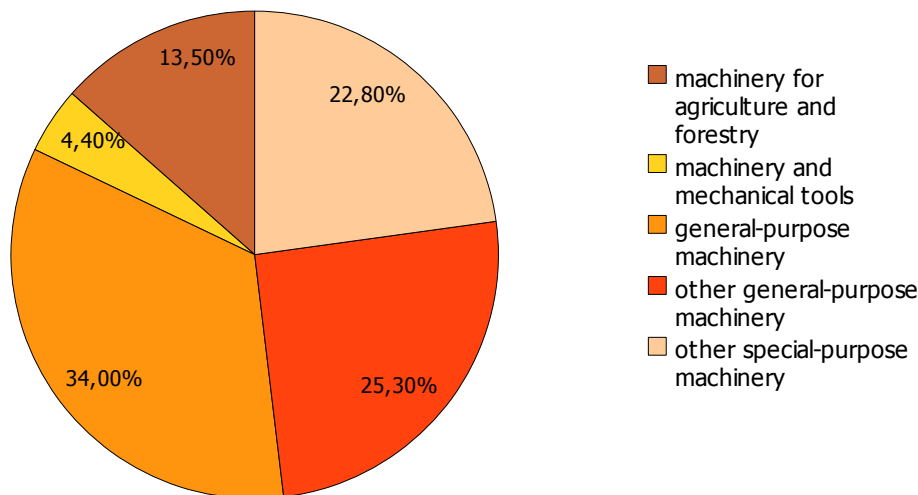
The machinery sector in Poland can be divided into five main segments:

- general-purpose machinery,
- other general-purpose machinery,
- other special-purpose machinery,
- machinery for agriculture and forestry,

- machinery and mechanical tools.

In 2009, the biggest share in the industry was in "general purpose machines", which constituted 34% of the sector's production value. "Other general purpose machines" and "other special purpose machines" constituted a share of over 20%.⁴

:: Figure 3. The structure of the machinery sector in Poland in 2009



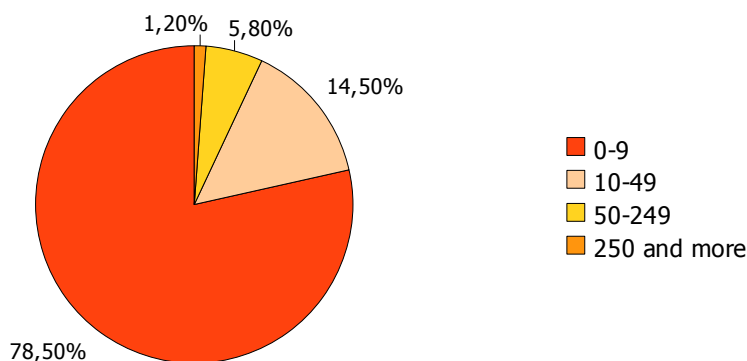
Source: Own work based on CSO, 2010.

Geographical structure

According to the CSO data, by the end of the 2nd quarter of 2010 in Poland there were over 7 500 businesses operating in the machinery sector. Most of them (17,9%) had their offices in

the Mazowieckie Voivodship. A relatively large number of them is also located in the Śląskie (15,8%) and Wielkopolskie (10,5%) Voivodships. The lowest number was found in Lubelskie (2,4%), Warmińsko-Mazurskie (2,2%) and Podlaskie (1,6%).⁵

:: Figure 4. Companies operating in the machinery sector in Poland by number of employees



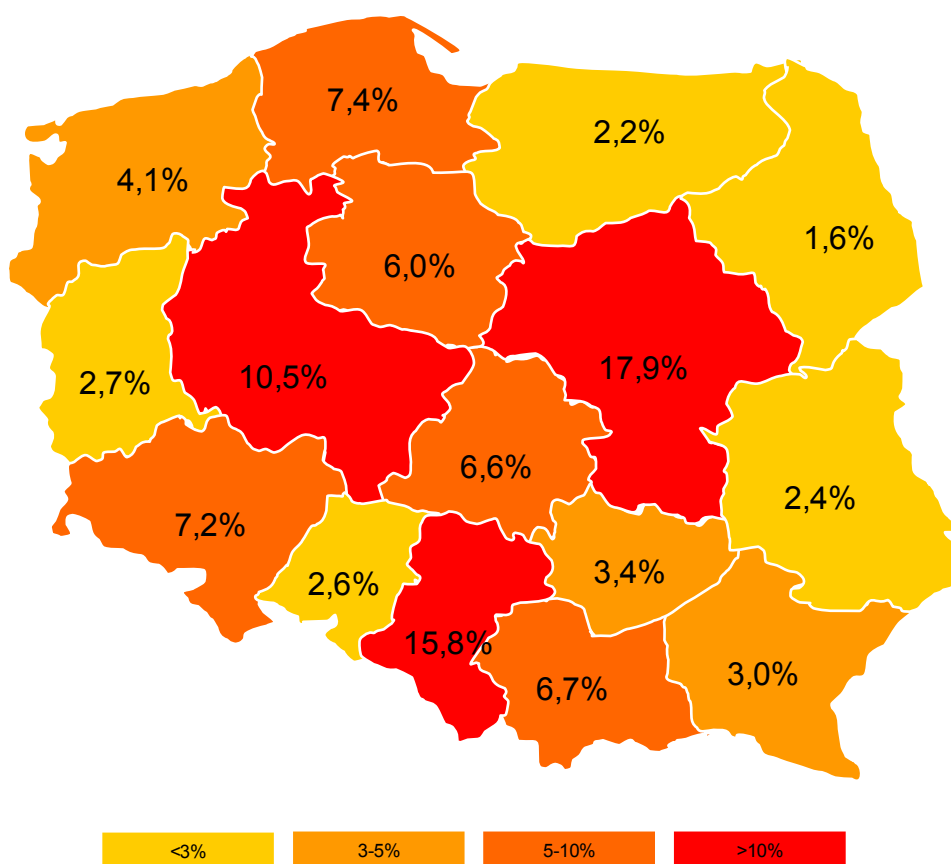
Source: Own work on CSO, 2010.

4. *Produkcja wyrobów przemysłowych w 2009 r. [Production of industrial goods in 2009], op. cit.*

5. Data from the REGON register, CSO 2010.

Most companies in the machinery sector belong to the micro-business group (employing up to 9 people). The 78.5% level is lower, however, than in the case of all businesses in Poland, where it is almost 95%. A similar discrepancy can be observed in other categories. Overall in the employment range 10-49 there is about 4% of entities but in the case of the analysed sector the figure is 14.5%. In the category of 50-249 there is 5.8% compared to 0.8% overall. Major companies employing over 250 people constitute 1.2% of the sector but only 0.13% overall.⁶

:: Figure 5. The number of entities operating in the machinery sector (in the 2nd quarter of 2010)



Source: Own work based on CSO, 2010.

6. Ibidem.

The potential of the labour market

University students and graduates

As at the end of November 2008, in Poland there were 1.93 mln university students, 33,000 (1.7%) of whom were students of "mechanics and machine construction" majors. The highest proportion of the students of these majors were in the Mazowieckie Voivodship (almost 6,000) and Wielkopolskie (over 3,000), and only 588 in Opolskie. Most of the students in the analysed group fell into the category described by CSO as "others", which are MON (Ministry of Defence) schools and MSWiA (Ministry of the Interior and Administration) (5.68%).⁷

As on the same day, there were over 5 600 graduates of the above-mentioned majors among the 420,000 graduates overall. The largest number of persons who graduated from these studies were in Mazowieckie (888 people) and in Wielkopolskie (728). Again, the majority of graduates of these schools were from the MON and MSWiA (3,41 %).⁸

It should be mentioned that mechanics and machine construction can be found on the list of the majors requested by Ministry of Science and

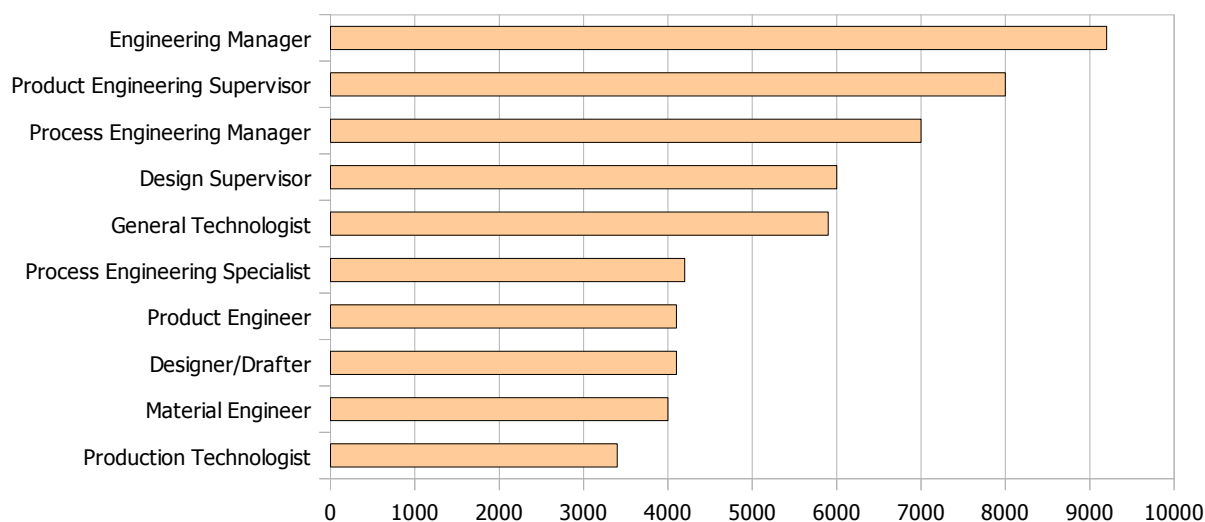
Higher Education. The students of these majors not only receive scholarships within the framework of the Ministry of Science and Higher Education programme financed from EU funds, but the fact of studying one of these particular majors can alone mean better chances of finding a job. These are majors of strategic importance for the development of the country, which are and will probably be in demand in the future.⁹

Pay in the machinery sector

Persons employed in the machinery sector receive relatively high pay compared to other sectors. Manufacturing process engineers place 4th when it comes to salary, taking into account specialists from 12 sectors. The median of their salaries in 2010 was PLN 4,300. The workers placed higher were logistics specialists, programmers and product specialists.¹⁰

Salaries in this sector depend on which group of workers you are in. The lowest salaries – with a median of about PLN 3,500 – are those of technologists. Engineers employed in the industry can expect about PLN 4,000. Managers earn from PLN 6,000 to 7,000, depending on the department, and directors earn PLN 9,000.¹¹

:: Figure 6. The median of monthly salaries in particular posts in the machinery sector



Source: The Industry-wide Wage Report Spring 2010, Advisory Group TEST HR, 2010.

7. *Studenci szkół wyższych według kierunków studiów i województw (łącznie z cudzoziemcami)* [Students of universities by majors and voivodships (including foreigners)], CSO 2009.
8. *Absolwenci szkół wyższych według kierunków studiów i województw (łącznie z cudzoziemcami)* [University graduates by majors and voivodships (including foreigners)], CSO 2009.
9. *Znamy już listę uczelni, które dostaną pieniądze na zamawiane kierunki studiów* [We already know the list of universities which will receive money for the requested majors], Gazetaprawna.pl, 24 May 2010.
10. *Ogólnobranżowy Raport Płacowy Wiosna 2010* [Industry-wide Salary Survey Spring 2010], Advisory Group TEST HR, 2010.
11. Ibidem.

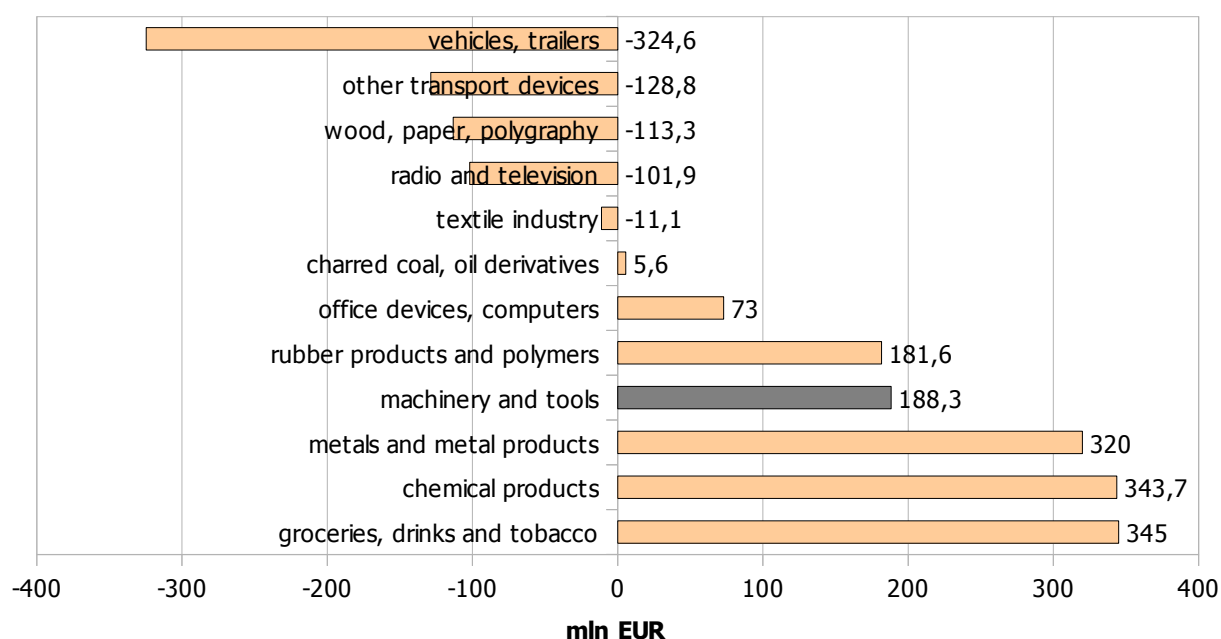
Foreign direct investments in the sector

In 2008 the influx of foreign direct investments (FDI) into Poland reached approx. € 10 billion, including € 1.44 billion for processing industry investments. Investments in the machinery sector constituted over € 188 mln. The cumulative investment value of this sector was €

1.95 billion, and the revenue of the foreign investors involved in this sector that year was € 205 mln.¹²

According to the data from fDiMarkets.com, since 2003, in Poland, there have been 104 open and announced projects of the Greenfield type in the machinery sector. Overall, their value amounted to USD 1.1 billion and led to planned creating of 11,000 new work places.¹³

:: Figure 7. The inflows of foreign direct investment in the processing industry sector in Poland in 2008.



Source: Own work based on *Direct Foreign Investments in Poland in 2008*, National Bank of Poland, January 2010.

12. Zagraniczne inwestycje bezpośrednie w Polsce w 2008 roku [Direct foreign investments in Poland in 2008], CSO 2010.

13. fDiMarkets.com, 2010.

Governmental aid

The mainly supported sectors are the automotive sector, the aviation sector, the IT and

electronics sector, BPO and the R&D sector. Aid is received on the basis of the minimum number of newly-created jobs or the value of incurred investment outlays.

Supported sector	Minimum number of jobs	and	Minimum value of investment	Maximum value of aid
Support for creating new jobs				
Automotive, aviation, biotechnological, IT and electronics	250		40 million PLN	From PLN 3 200 to PLN 18 700 per job
BPO	250	-		
R&D	35		3 million PLN	
Other	500		1 billion PLN	

Supported sector	Minimum number of jobs	and	Minimum value of investment	Maximum value of aid
Support for creating new jobs				
Automotive, aviation, biotechnological, IT and electronics	50		160 million PLN	1-10% of the investment's value
Other	500		1 billion PLN	

Note: average exchange rate of € 1 = approx. PLN 4.0 (August 2010)

European Union Funds

For the years 2007-2013 Poland has had a huge guaranteed supply of EU funds – over € 67 billion.

Entrepreneurs can apply for funds from the following Operational Programmes (OP):

- 5 national Operational Programmes:
 - Infrastructure and environment,
 - Innovative economy,
 - Human Capital,
 - Development of Eastern Poland,
 - Technical assistance,
- 16 Regional Operation Programmes,
- European Territorial Cooperation Programmes.

Exemptions from CIT (19% rate)

Available in Special Economic Zones, i.e. in selected regions of Poland where business activity is run under special conditions. Exemptions from income tax amount to 30%-50% of investment outlays, or the two-year cost of employing workers, whichever is higher.

Exemptions from property tax

Exemption depends on the number of newly-created jobs and whether the Local Government applies a policy of tax exemptions. Rates of property tax are set locally, and maximum annual rates amount to PLN 20.51/m² for buildings, PLN 0.77/m² for land and 2% of the value of constructions.