

Poland

Investment Zone



MINISTRY
OF ENTREPRENEURSHIP
AND TECHNOLOGY

presentation for the
Commercial Counsellors
Club

June 18, 2018



Poland: Investment Zone

Poland has fallen into 5 development traps

Polish GDP per capita is equal to not more than 45% of **US GDP**.

Half of the Polish population earn **less than PLN 2.5 thousand net**.

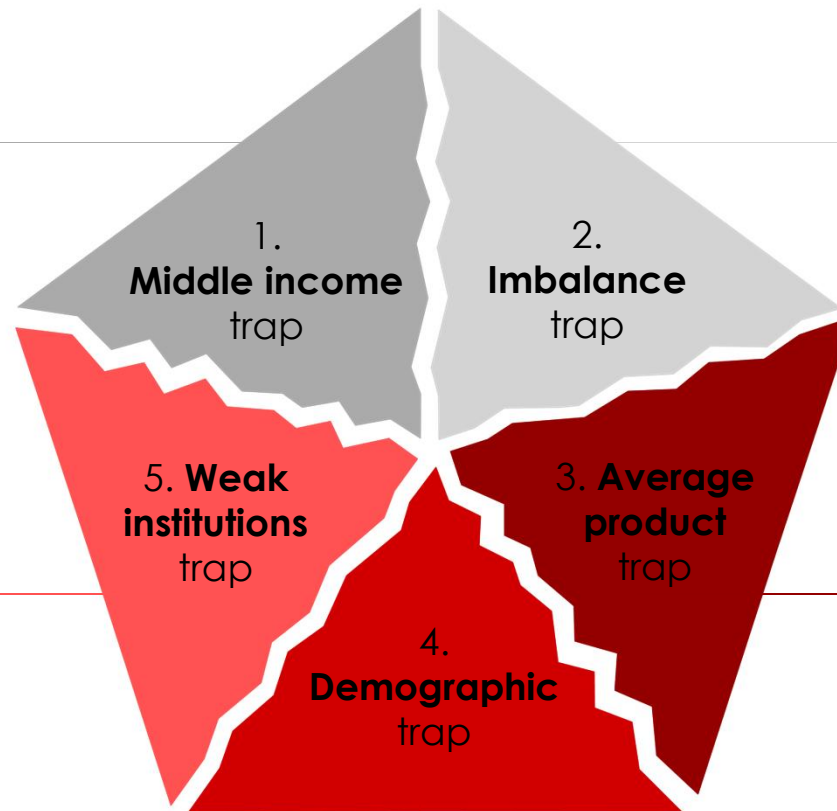
Salary levels are equal to **1/3** of those in the developed countries.

VAT collection gap amounts to PLN 35-55 billion.

CIT collection gap amounts to PLN 10-40 billion.

44 amendments to the VAT Act since 2004.

No coordination of public policies.



PLN 95 billion are transferred to foreign investors every year.

Foreign liabilities amount to **PLN 2 trillion**.

2/3 of Polish exports are generated by **foreign companies**.

50% of industrial production are generated by **foreign companies**.

R&D expenditure does not exceed **1% GDP**.

Only 6 Polish companies are world **champions**.

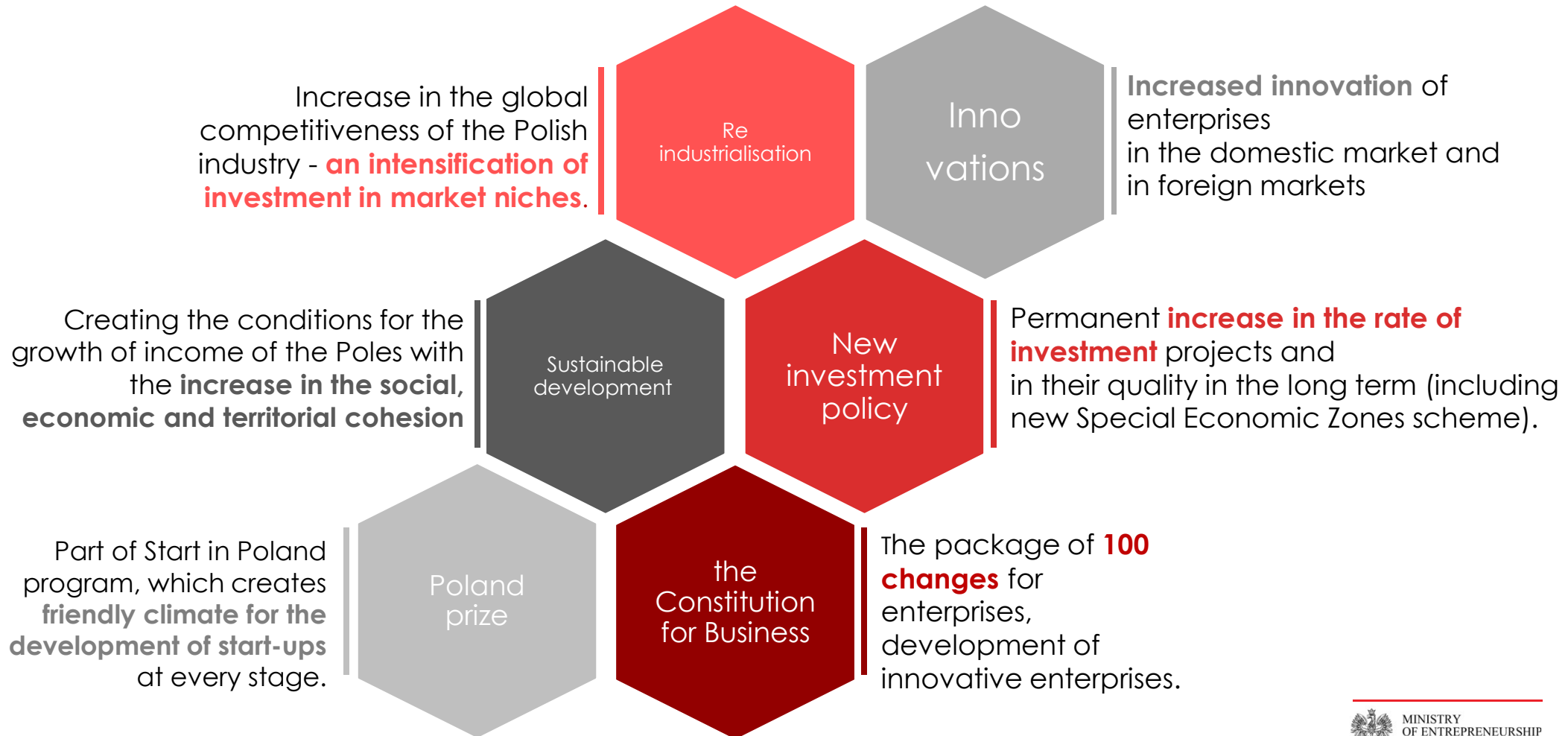
Only 13% of SMEs innovate (vs. **31%** in the EU).

High-tech sectors account for not more than **5% of exports**.

There are now **7 million people of pre-working age** (aged 0-17 years). In 20 years time, the number will decline to **5.6 million**.

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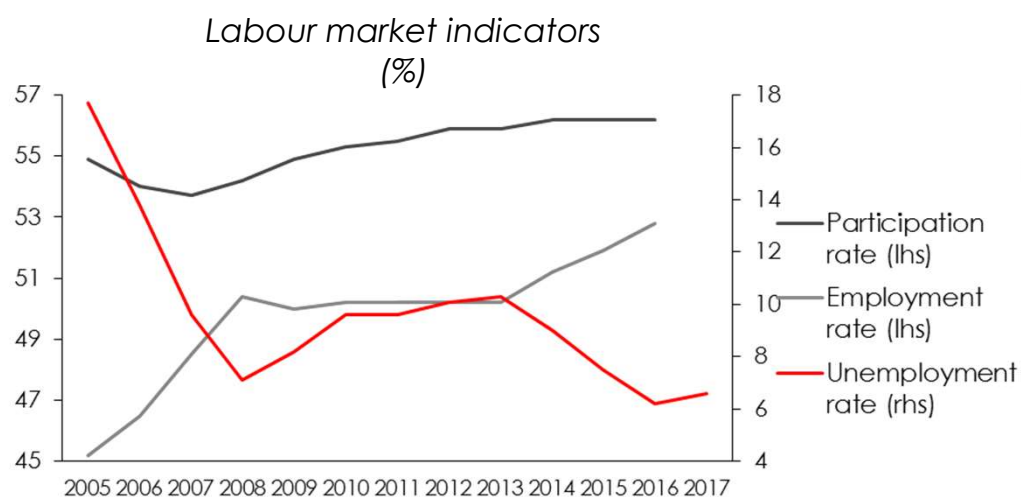
Poland has fallen into 5 development traps



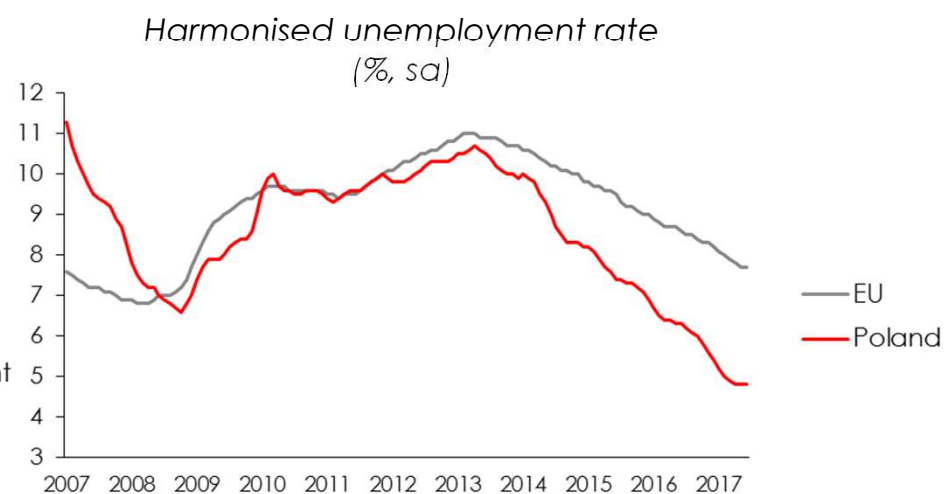
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Labour market performance

- Employment rate has increased significantly since 2013
- Participation rate (15 years and over) stabilized in 2015-2016 after having grown over seven consecutive years
- Unemployment rate has fallen since mid-2013 much faster than in the EU



Note: Labour Force Survey, 15 years and over; data from 2010 are not fully comparable with data for previous years;



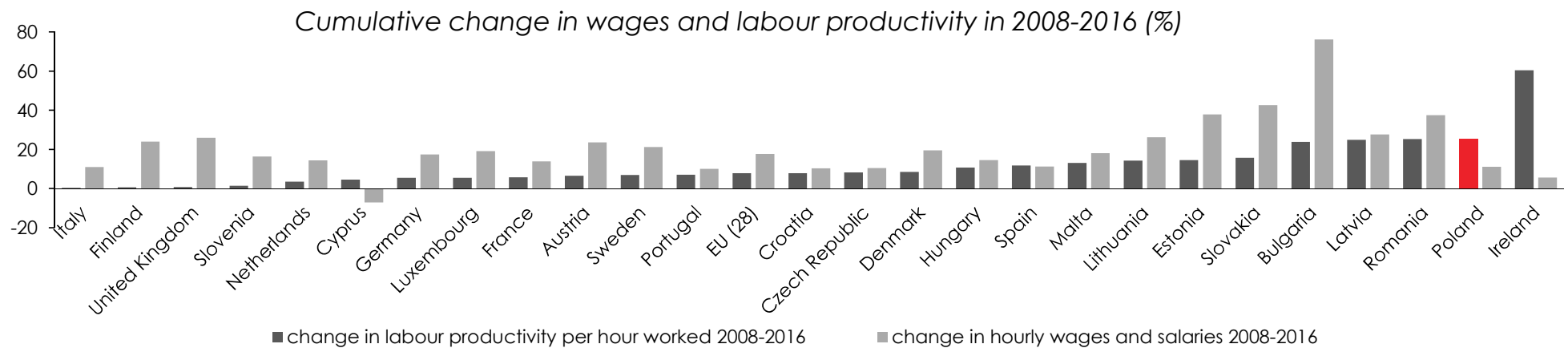
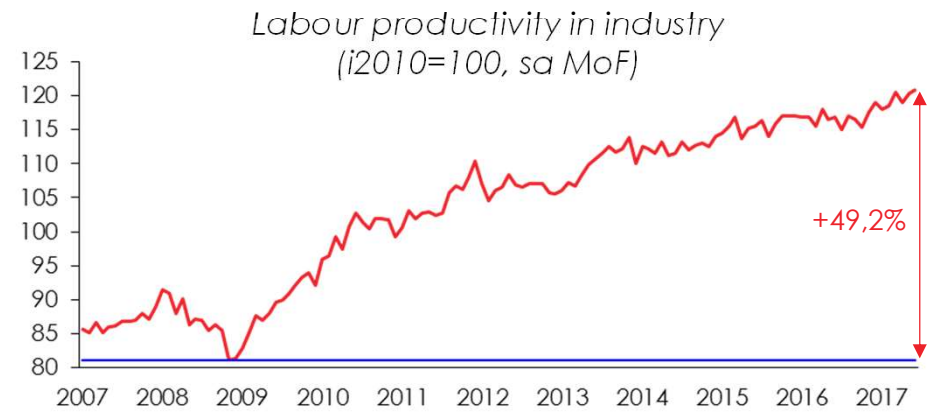
Note: monthly data

Source: Eurostat, GUS

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Polish producers benefiting from rising labour productivity

- Labour productivity growth in Poland in 2008-2016 – one of the highest compared to other EU countries
- Rising labour productivity combined with moderate wage growth result in relatively low unit labour costs

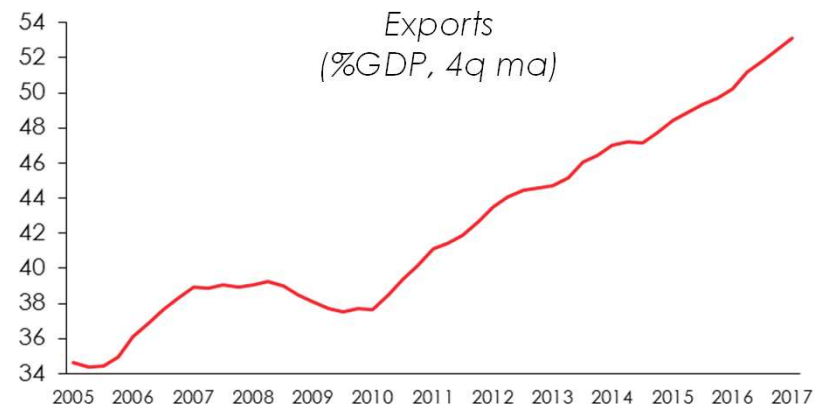


Source: Eurostat, GUS, own calculations

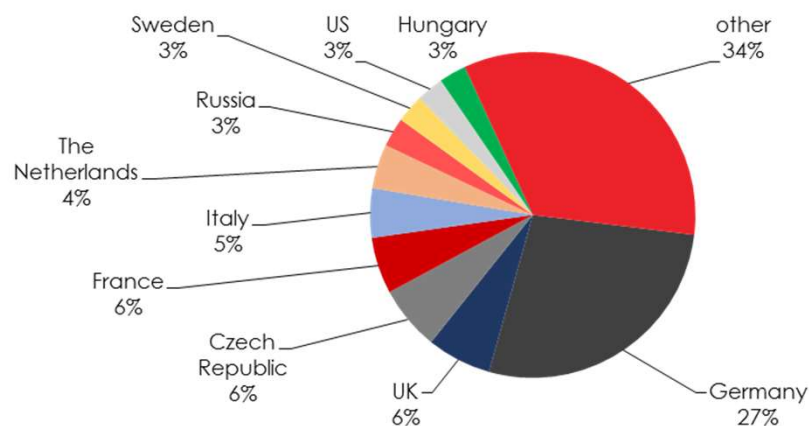
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Export growth and diversification

- Germany remains the main trading partner of Poland with 27% share in total exports (data from January to May of 2017)
- Poland's exports performance is linked to German exports, due to high integration in the international production chains
- Growing trade links with non-European partners additionally support export growth
- An improvement in exports dynamics to eastern markets was observed in recent months. However only about 4.8% of Polish exports goes to Russia and Ukraine (data for the first quarter of 2017) compared to ca. 8% in 2013

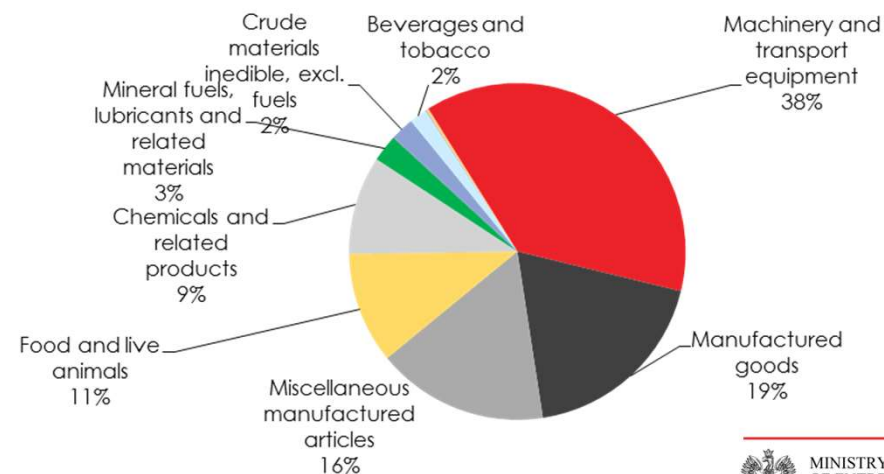


Exports destinations (% , I-V 2017)



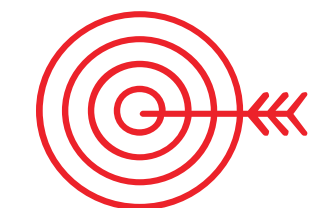
Source: GUS , Ministry of Finance

Exports of goods - structure (% , I-V 2017)



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Europe's favourite FDI destination



Investment
attractiveness



1st place in the CEE region – the most attractive country to establish operations



1st place in terms of number of the investment projects in the CEE (256 projects, 12% y-o-y increase)



1st place in Europe in SSC projects (24% of total number)



2nd place in the whole of Europe in terms of created jobs through FDI (22100 jobs – only the UK was better)

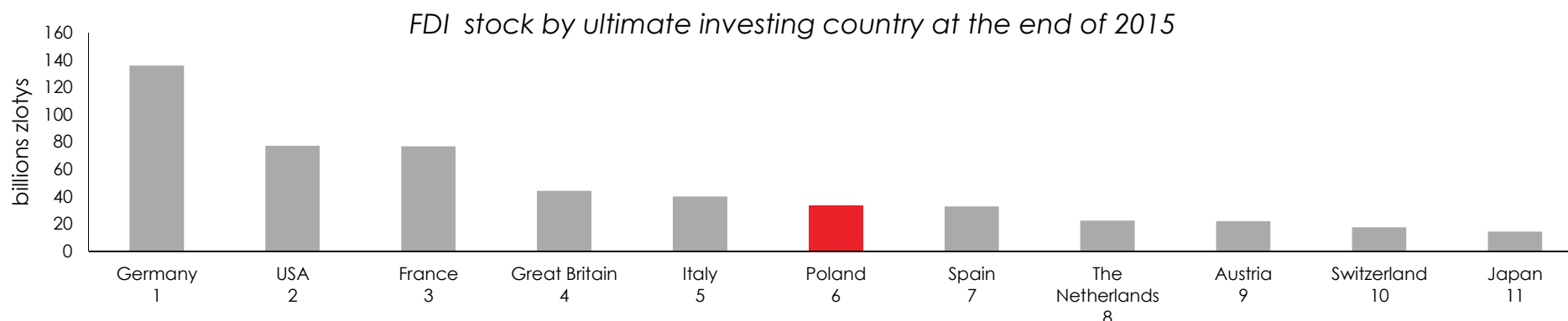


3rd place best country in world to invest in for 2018 by World Bank Group.



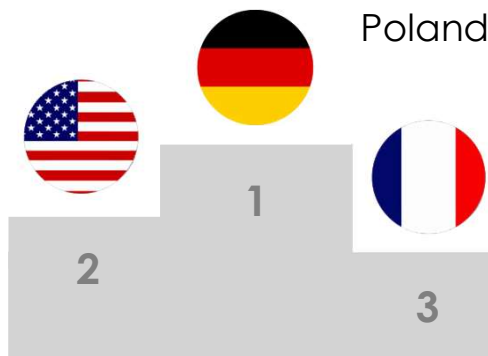
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FDI stock in Poland at the end of 2015



UNITED STATES OF AMERICA

A number of manufacturing, business services and R&D investment in Poland



GERMANY

Poland's biggest trade and investment partner

FRANCE

Strong presence in retail, manufacturing and banking sectors in Poland

Source: The National Bank of Poland, 2016

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US as a strategic investor



US Foreign direct investments (FDI) are **one of the engines**, which over the past quarter of a century fueled the growth of the Polish economy and created jobs, provided capital and new technologies, supported trade.



US investors are present in Poland for **over 25 years**. More than half (52%) of American companies in Poland began investing in our country in the first period of economic transformation.



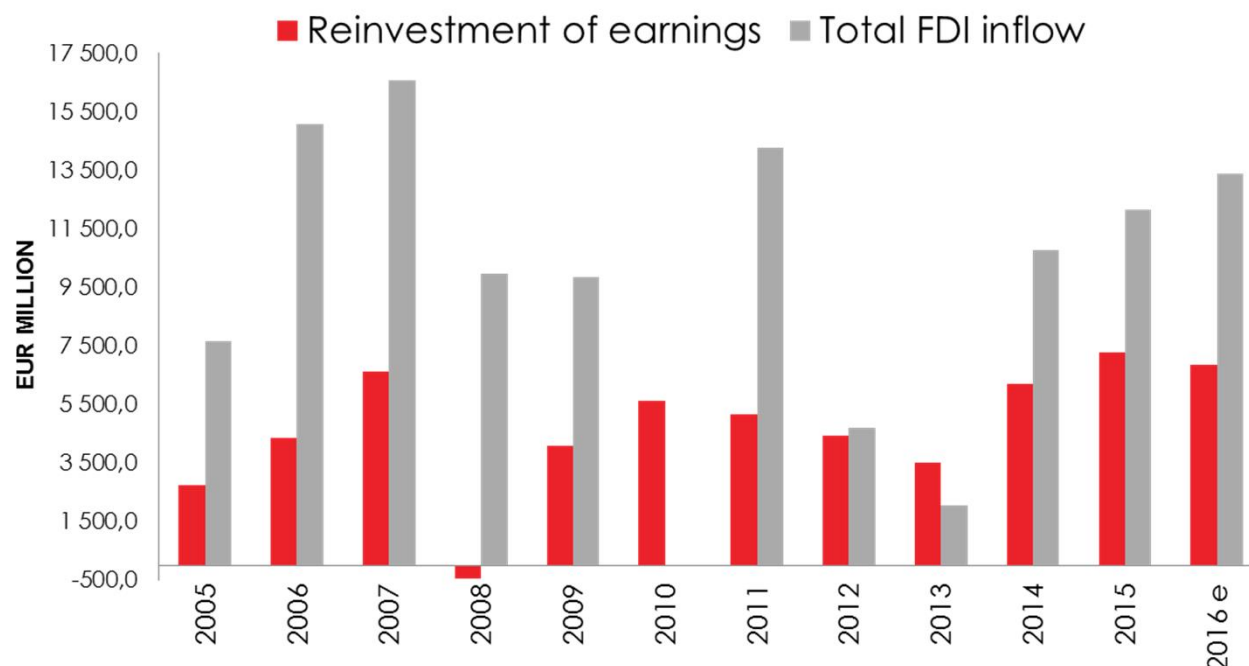
The value of the U.S. capital invested in Poland at the end of 2016 reached **USD 4.7 bn**, but most of the investment are done by proxies of US companies in US, so the real value of the investments from US companies is bigger.



According to the EY report **20 %** of FDIs that came to Poland in 2016 were from US.

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Reinvestment of earnings in Poland



Poland is one of the best countries for business in Europe:

- 1st place in the CEE region – the most attractive country to establish operations (EY European Attractiveness Survey 2016)
- 24th place in Doing Business 2017

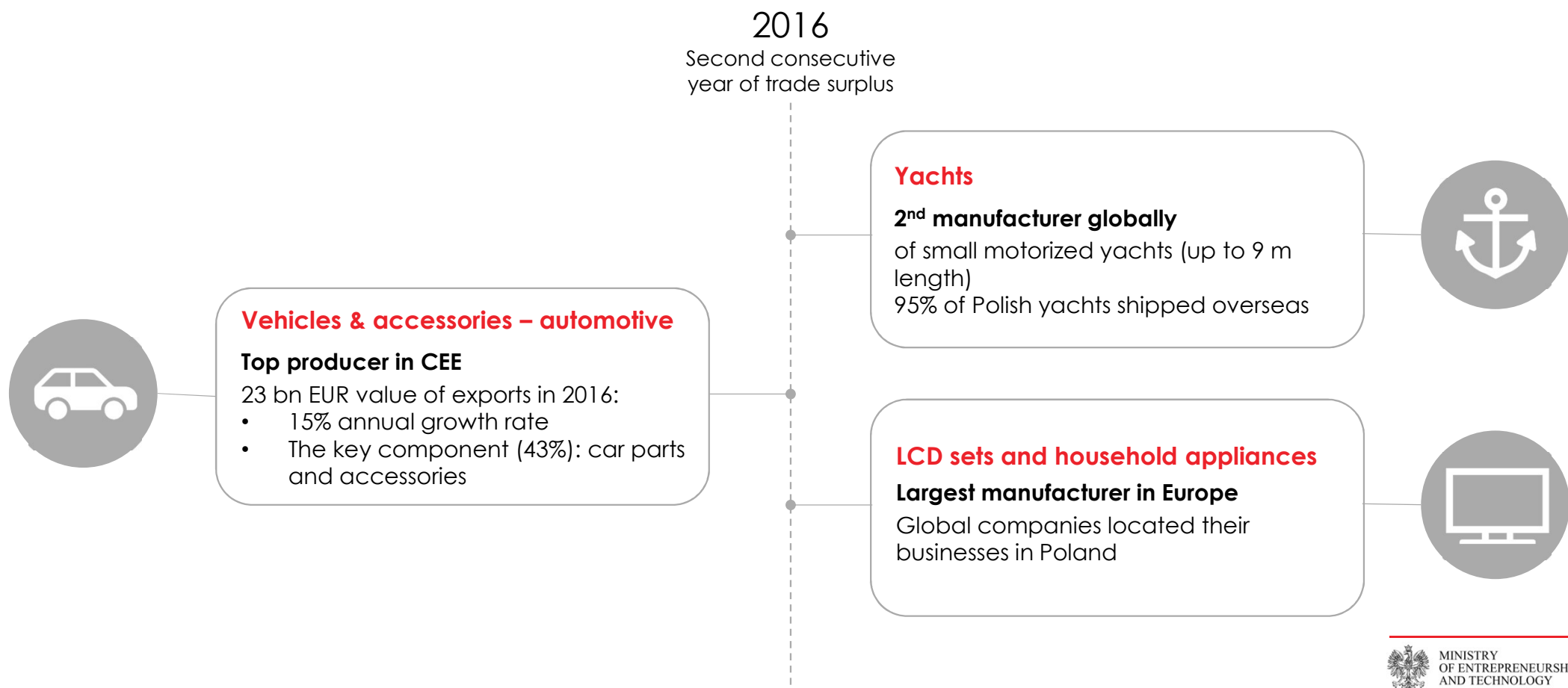
REINVESTMENTS ARE ONE OF THE MOST CRITICAL PART OF FDI INFLOWS IN POLAND

It confirms, that investment and business climate in Poland is very attractive!

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Poland's exports hits

Polish companies gradually attract new customers around the World



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Poland's exports hits



Furniture

Numerous Polish companies with global success

8 bn EUR in exports in 2016:

- 4th global exporter (2nd in Europe)
- 7th global manufacturer



Windows and doors (wooden and PVC)

The leader in exports in Europe

- 600 m EUR in exports in 2016
- Exports grew tenfold between 2004 and 2016

Agri – food sector

Leading producer of sweets, dairy, meat, fruits & veg

EUR 25 bn of exports value in 2016

Over EUR 7 bn of trade surplus

80% of exports into the EU



Aviation sector

Over 130 companies manufacturing

Over EUR 1 bn of output

90% of production exported



New technologies

Computer games and FinTech






Over EUR 1 bn of computer games exports in 2016

Over 80% of FinTech services exported



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The scope of the change

	BEFORE	AFTER
 THE SCOPE OF SUPPORT	25 thousand ha (0,08 per cent of the Polish territory)	The whole territory of Poland
 SUPPORT PERIOD	Until the end 2026	from 10 to 15 years additionally 5 years in current SEZs (max. 15 years)
 INVESTOR SERVICE	Differentiated approach	Single standard to assist an investor
 OPERATIONAL AREA	Dispersed	Single
 QUALITY INVESTMENT	Only quantitative criteria	Quantitive and qualitative criteria adapted to the conditions of specific localization of the investment

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The scope of support

Current situation:

- Tax incentive is available only in the 25000 ha area
- Investment depends on inclusion of the investment site into SEZ
- Long decision-making process



After the change:

- Tax incentive is available throughout Poland
- Fast and efficient administration decision

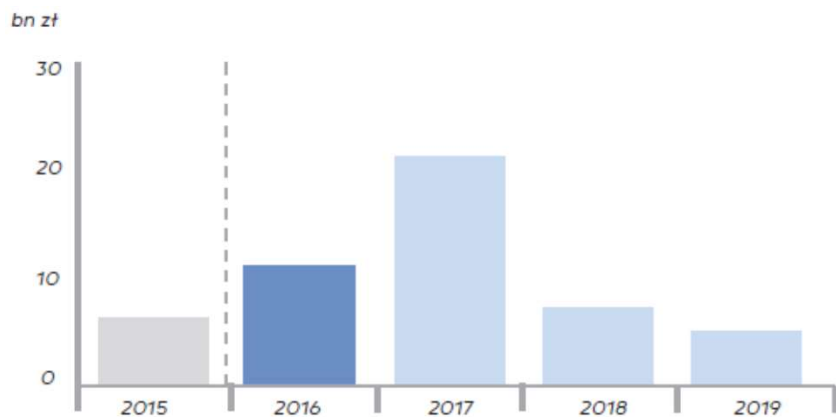


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Support period

Current situation:

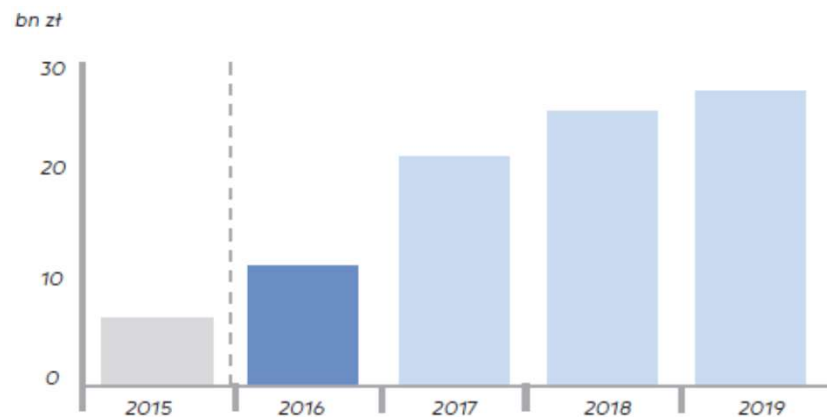
- Time of the existence of SEZs - **until the end of 2026**
- Tax relief max. 8 years



Forecast of Investment expenditure in the SEZs in case operation is terminated in 2026

After the change:

- Tax incentive is available in the period between **10 and 15 years**
- Preference for a new investment located in the present SEZs
- Unchanged conditions for the investment presently in operation



Forecast of Investment expenditure after the change implementation

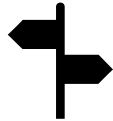
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Investor service



SINGLE STANDARD OF INVESTOR SERVICE

- Uniform service standard in offered state aid and external communication



PRECISE AND COMPREHENSIVE INFORMATION

- Comprehensive information on regional investment conditions



REGIONAL INVESTOR SUPPORT

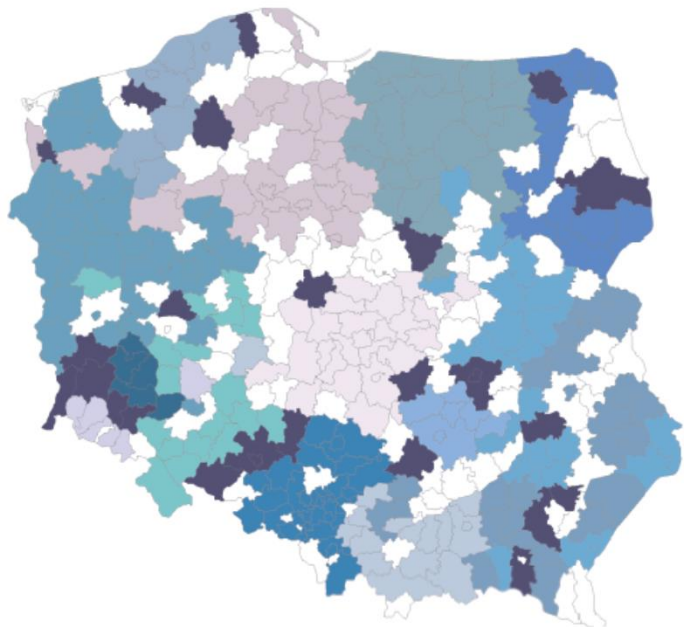
- Strengthening of the contacts with research institutions, academia, business environment entities and other regional agents and focused approach

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Operational area

Current situation:

- Dispersed operational area for Management companies

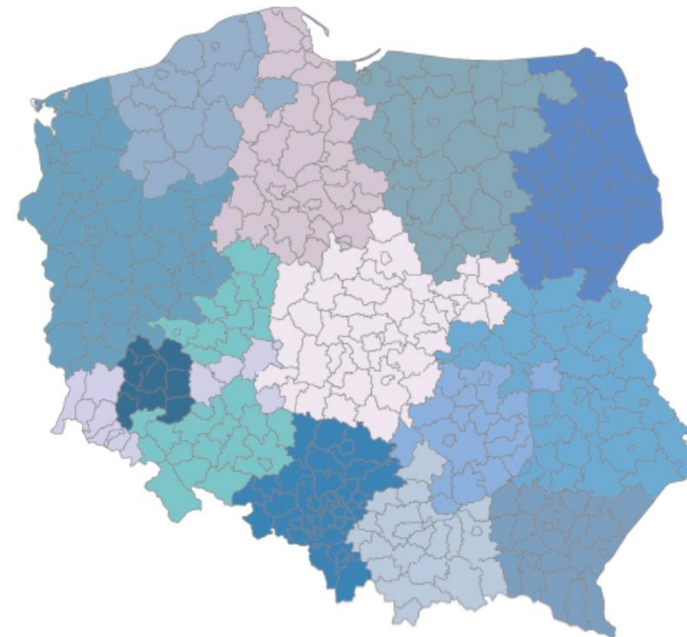


Special Economic Zones
in Poland



After the change:

- Single operational area for Management companies



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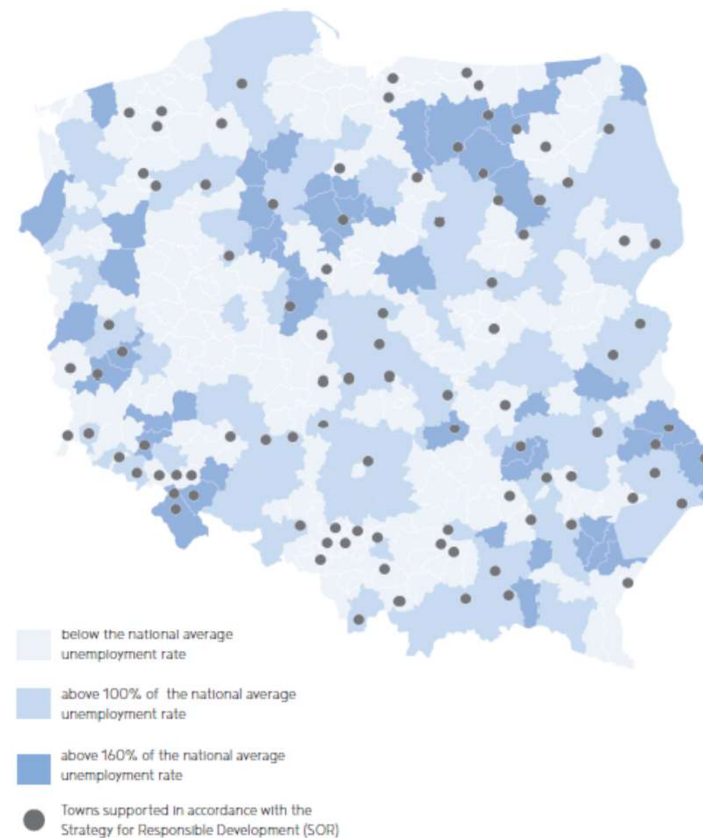
Quality investment

Qualitative criteria:

- Sustainable development
- Structural development
- Scientific development
- HR development

Quantitative criteria:

- Investment expenditure



The Polish Investment Zone



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