

BPCC CEO newsletter

UK



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Latest trends in UK-Polish trade

by Michael Dembinski, Head of Policy, BPCC

According to British statistics, trade between Poland and the UK for the first half of 2008 is surging in both directions. Yet the official Polish figures show minimal growth in Polish exports to the UK and falling UK exports to Poland. The reason is that the UK figures are quoted in pounds – a currency that's taken a tumble over the past 12 months – while the Polish figures are in zlotys, which have been appreciating swiftly over the same period.

Polish trade statistics (GUS)		
	Polish exports to UK	UK Exports to Poland
Jan-Jun 2008	11.52 billion PLN (up 3.2%)	6.69 billion PLN (down 0.9%)
Jan - Jun 2007	11.16 billion PLN	6.75 billion PLN

UK trade statistics (ONS)		
	Polish exports to UK	UK Exports to Poland
Jan-Jun 2008	£2.2 billion (up 26.5%)	£1.4 billion (up 20.0%)
Jan - Jun 2007	£1.6 billion	£1.1 billion

It's also worth looking at the overall structure of Polish trade compare to a year ago. With the exception of France, the percentage of Polish exports going to western European countries (including the UK) has fallen, while a rising proportion of Polish export is now heading to countries of Central and Eastern Europe – including Russia and Ukraine. At the same time, the value of Poland's imports

from Russia (mainly oil and gas) has increased by a whopping 33%. Britain's exports to Poland have shrunk as a proportion of overall Polish imports from 3.1% in the first six months of last year to 2.8% in the first six months of this year.

UK (according to GUS)	Ranking I-VI 08	Share of PL total trade, I-VI 07	Share of total trade, I-VI 08
Export market	4th	5.9%	5.7%
Import source	8th	3.1%	2.9%

While Poland occupies a lower place in the ranking of the UK's trade partners, it's worth noting that in 2000, Poland was the UK's 27th largest export market and 35th largest import source. Having said that, the 27th largest export market in 2000 represented 0.7% of Britain's total exports, while currently the 20th largest export market represents only 0.6% of UK exports.

UK (according to ONS)	Ranking I-VI 08	Share of PL total trade, I-VI 07	Share of total trade, I-VI 08
Export market	4th	0.6%	0.9%
Import source	8th	0.8%	1.0%

The purpose of this historical comparison is to show that UK exporters are missing out on an open, fast growing and low-risk market. Polish exporters, many of whom are foreign investors who've built factories in Poland over the past ten years or so, have not been slow in making the most of the opportunities offered by EU membership. Poland's share of UK imports

BPCC RECOMMENDS

25 September, Warsaw
British Polish Real Estate Forum
 Polonia Palace Hotel, Al. Jerozolimskie 45
 Start: 9:00

How will the supply side affect property prices? After massive rises in mid-2007, building material prices have stabilised, but labour costs in the construction sector continue to run ahead of the national average. How will the Polish property market perform in 2009 and beyond? How do foreign investors – both institutional and individual – see the Polish market? Are they concerned about overheating – which has affected neighbouring countries' real estate markets? The BPCC will be holding its first British Polish Real Estate Forum to bring together property experts, practitioners and investors to take a close look at market trends and opportunities. Two parallel sessions – one focused exclusively on the residential, the other on commercial property – will consider the key factors that contribute to the dynamics of market growth.

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29 September, London
British Water – British Polish Chamber of Commerce Conference:
Business Opportunities in the Polish Water Sector
 BritishWater, 1 Queen Anne's Gate, London SW1
 Start: 9.30

Poland is one of British Water's priority markets and will be the biggest recipient of EU funds in the 2007-2013 budget round. Many billions of euros are to be spent bringing Poland's water infrastructure up to EU standards. At the same time, the PPP model is becoming increasingly seen by many Polish local authorities as an alternative to traditional project financing. For UK companies earning money in Poland, the strong Polish zloty should make doing business in

more than doubled from 0.4% from 0.1% from 2000 to 2008.

Some 70% of Poland's exports to come from just 5% of exporters, large international companies well insulated against the harshest effects of currency appreciation. Poland's smaller exporters, however, are struggling with the strong zloty.

As the economies of the UK and western Europe slows down, British manufacturers need to look at growth markets. Next year, the UK economy is forecast to grow by 1%, the Eurozone's by 1.3%. Poland, meanwhile, is expected to grow by 4.3%. Poland, now in the Schengen

group of countries, is easy to get your goods to; if you're exporting to Germany, Italy or Scandinavia it's really not much further away and not that difficult.

Turning to those sectors of UK industry seeing greatest growth in export sales to Poland, the most salient are pharmaceuticals (up 74% year on year) paints and coatings (47%) and machine tools (35%). And a final 'did you know' – nearly half of all razor blades used in the UK come from Poland! (this is mostly to do with the relocation of Gillette's factory from West London to Łódź). ■

Investment Incentives in Poland - regional aid

Part 2

by **Agnieszka Tałasiewicz**, Tax Partner, Ernst & Young

Multi-Annual Support Programmes – a system of incentives for major investments

The Multi-Annual Support Programme (MASP) is designated for large investments considered crucial to Poland's economy. MASP is financed from the Polish budget.

In order to apply for support within this scheme, investments should be implemented in a priority sector, such as the automotive, electronics, or biotechnology, shared services centres, BPO, R&D centres; etc. Under this programme, at least one of the following conditions has to be met:

- ▶ minimum number of new jobs to be created is 250, or
- ▶ investment value is at least €40 million.

This aid scheme may combine different types of incentives, such

as initial investment support, an employment grant, preferential land purchase, CIT exemption in SEZs, property tax exemption, or assistance in setting up cooperation between the investor and academic institutions. Also, whenever people are employed in a location where the unemployment rate exceeds the national average, the investor can apply for 10% more aid than the base values.

To benefit from this aid scheme, investors must negotiate an aid package with the Polish Information and Foreign Investment Agency (PALIIZ) and the Ministry of the Economy. The amount of aid to be received depends on the outcome of negotiations. ■



Scaling the information barriers that hamper international trade

by **Piotr Mikulski**, Information Manager, BPCC

Since Poland joined the EU in 2004, traditional barriers in international trade have disappeared. Both Polish and British can ignore such obstacles to trade as tariffs, export taxes, contingents or quota limits. This is one of the reasons for the dynamic surge of Polish exports to the UK. In 2007 Polish companies sold products and services to the UK worth 22.6 billion zł. This is over 37% more

compared to 2004 and 13.3% up on 2006.

According to official Polish statistics, the UK has a trade deficit with Poland of 8.6 billion zł. British export is rising steadily, though from a lower base. In 2007 Poles bought 23% more UK products and services than in 2004 and 19% more than in 2006. This result is surprisingly low especially when recent economic changes are considered.

make doing business in this economy even more enticing!

An overview session, giving an update on the Polish water sector, will be followed by a pre-lunch one-to-one matchmaking and networking opportunity. After lunch there will be presentations on such areas as project finance, law and forthcoming projects.

Details and registration:

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Deadline: 5th September

9 October, Warsaw International Business Finance Finance Forum

The International Business Finance Forum is aimed at getting Polish and British entrepreneurs together with international financiers to discuss business opportunities and financing strategies – and to swap business cards. The forum will provide delegates with the most up-to-date information from the best-informed sources.

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13 November, Warsaw British Polish Agrifood Forum Falenty near Warsaw

For the third time in as many years, the BPCC is holding its annual British-Polish Agrifood Forum. This popular event brings together food producers, processors and buyers from the UK and Poland, updating delegates from both countries as to the latest market trends. Two parallel seminar sessions are held in the morning, one in Polish about the UK agrifood market, and one in English focused on the Polish agrifood market. In the afternoon, face-to-face matchmaking enables delegates to get down to business with other companies.

During the event, a major food exhibition gives delegates, visitors and the media a chance to taste the very best in Polish and British food.

British Polish Agrifood Forum is designed for growers, packers, transporters, marketers and retailers of food from both countries. As in previous years, the event ends with a cocktail reception featuring the best of food and drink from both countries – an excellent time for an informal chat and swapping of business cards.

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There are two main factors that make Poland attractive to exporters. First is a significant increase in consumer spending (15% year on year) and rapid rise of average wages (from £320/month to £740/month in the four years since Accession). Polish society is becoming upwardly mobile and its purchase power has strengthened. What has also strengthened is the Polish currency and this is the second major factor which might potentially make Poland one of the main overseas markets in Europe for UK products and services. The 20% rise in the value of the zloty against the pound in 2007 and 42% rise since Accession, results in increased competitiveness of many British products on the Polish market.

However, due to information barriers these facts are hardly known in the UK. The majority of British companies who visited Poland a few years ago are not aware of the fact that their products are no longer too expensive or too elite for Polish consumers. To mention just one; Scotch whisky exports to Poland rose by 60% to £16m last year – one of the best examples of Poles getting to like British products (Polish beer sales to the UK were £15m last year).

Because of rapid rises in labour costs and the value of the zloty, Poland can no longer compete with low-cost countries as a sourcing destination. Many products can be manufactured cheaper in the Ukraine, Turkey or China. If British companies' focus is solely on price, Poland would not be the first place to look for subcontractors and component producers. Where Polish companies can now compete is when a balance of quality and price is taken into consideration. Factors such as culture, localisation and trade experience are to be included on the Polish pros list too. Cooperation with China would be most effective when large orders are taken into consideration. Otherwise transport costs and

time, different culture and business styles or simply the time difference between Beijing and London would outweigh the potential benefits of the Chinese cheap labour force.

Given all of this, Poland seems to be an attractive alternative for British SMEs who wish to expand their activities overseas and are looking for potential business partners. But to a UK firm, it's irrelevant whether it sources the products its after from Poland, Lithuania or Hungary or anywhere elsewhere in the CEE region. The factor influencing its decision will be the barriers it encounters. What are the major trade barriers at the moment? Easy access to information is something that can actually make the difference. Awareness of business conditions is also something of crucial importance.

Overcoming barriers

Many British SMEs find it hard to gain exact information of strategic importance on particular sectors of the Polish market or reliability of potential business partners. Public agencies are often slow to respond to market enquiries. Due to the language barrier and lack of English materials about the Polish market, it is difficult for British SMEs to carry out research on their own.

With this in mind, the BPCC has prepared a package of solutions to make it easier for UK exporters, investors and sourcing agents to gain information on current economic trends in Poland. The BPCC can provide information and support in such areas as partner search, market entry strategies, in-depth analysis of a specified sector or distribution advice. These are specially tailored to suit UK companies. ■

For more information on exporting to Poland please contact:

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British Polish Chamber of Commerce Seminar

Opportunities in a fast-moving, high growth EU economy

Monday 17 November, Liverpool / St. Helens

Tuesday 18 November, Leeds

Wednesday 19 November, Birmingham

Thursday 20 November, Bristol

(Dates to be confirmed)

Delegate price: £15.00+VAT BPCC members, £30.00+VAT non-members

Next year, Poland's growth is likely to be three or even four times faster than the UK's economy. Consumer spending is growing at 15% year on year, the zloty is at an all-time high against the pound.

The BPCC has once again assembled a panel of Polish market experts to present an up-to-date picture of the market opportunities for UK companies in this fast-moving and recession-proof market. The sessions will cover key aspects of doing business in Poland. The agenda is designed to show just how much has changed in the four and half years since Poland joined the EU, and how new opportunities have arisen for UK companies that were not present even a year ago.

If you are an exporter doing business with France, Germany, Scandinavia, Holland or Spain – there's no reason why you shouldn't be selling to Poland, with the pound currently 42% more competitive against the zloty compared to the exchange rate at which Poland joined the EU. Average monthly wages in Poland have soared from £320 then to £785 today. Poland is now in the Schengen group of countries, which means your transports can drive across from Germany without stopping at the border.

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Visit:
www.bpcc.org.pl/events
for regularly updated calendar
and for details on how to get
involved

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