



## POLAND – Largest domestic market

### A flourishing industry

Poland has a long and proud tradition of manufacturing cars, stretching back to the days when Fiat opened its first factory there in the 1930s. Low labour costs, a large domestic market and the ready availability of qualified personnel, combined with the country's leading role in components manufacturing, make Poland one of the most attractive countries in Europe in the eyes of the global automotive sector.

The Polish car industry, one of the country's first sectors to be privatised in the early 1990s, is playing an increasingly important role in the national economy: its share in GDP creation was around 4% in 2007, and it represented 11.2% of total industrial production. The country produced nearly 700,000 cars in 2007, with production rose by 33% within 9 months of 2008.

Direct automotive employment*	125,000
as share of total manufacturing	5.7%
Production of motor vehicles	785,000
of which production of passenger cars	695,000
Car fleet (in 1,000)	13,384
Car density (per 1,000 population)	383
* total employment depending on automotive sector is around five times higher	

With a population of approximately 38.1 million inhabitants, total GDP surpassing € 307 billion, and a growth rate of just below 6.6% (2006 figures), Poland is both one of the largest and one of the most economically dynamic new members of the European Union. In 2007 it produced nearly 785,000 cars, trucks, and buses giving it a 1.1% share in the worldwide production of passenger cars and a 4% share in the European auto industry.

The Polish automotive industry consists of approximately 270 registered companies, the majority of which (80%) produce spare parts and accessories. Together, these companies employ about 125,000 people (2007 figures).

### Dynamic exports and a growing domestic market

About 97% of the Polish car industry's output is exported. Automotive exports are dominated by passenger cars, spare parts, components and diesel engines. The total value of automotive exports in 2007 reached an estimated € 16.6 billion, representing 16.4% of total national exports. Germany is the biggest purchaser of Polish automotive components (over 40%), followed by Italy, France, Belgium and the Czech Republic.

There are almost 13.5 million passenger cars registered in Poland. Domestic car sales amounted to around 293,000 units in 2007. This figure represented approximately 1.8% of total EU new car sales and over 24% of the new EU members' market. Good economic growth, growing investments and construction also had a considerable impact on the truck market (over 3.5t), which rose from 15,870 units sold in 2006 to 22,600 units in 2007.

In recent years, Poles have bought increasing numbers of better quality cars. According to analysts, there was significant annual growth in car sales, due in part to increasing prosperity and the availability of credit. In 2007 Poles run up PLN 6.4 billion for car credits (+33% than in 2006). Very good results were noted by lease companies. Value of leased road transport vehicles (including passenger cars) rose by 59% up to PLN 19.45 billion in 2007.

### **FDI**

Poland's automotive industry was one of the first sectors to be privatised in the early 1990s and has attracted more than € 4 billion of foreign investment to date. Foreign investors including cars and automotive parts producers such as Fiat, GM, Volkswagen, Toyota, Fiat-GM Powertrain, Delphi, Faurecia, Isuzu, Eaton, Lear and Volvo have flocked to Poland.

Foreign investors are attracted by Poland's strong performance in the components sector. Indeed, the country is a leading manufacturer of items such as tyres, car seats and upholstery, car electronics, electric cables, car brake's systems. Components manufactured in Poland are installed in a wide variety of brands such as Mercedes, Nissan, Opel, Porsche, Toyota, Volkswagen, Isuzu, Fiat, Citroen, Honda, Peugeot, Volvo, BMW, Rolls-Royce, Lamborghini and Ferrari. Engines in particular are slowly becoming a "Polish specialty".

### **Regional clusters**

Polish manufacturing clusters, both in traditional and more high-tech branches, have a strong regional element, with spontaneous bottom-up networking. The automotive sector plays a fundamental role in regional clusters, with the biggest automotive production centers located on the outskirts of four major cities, namely Katowice, Wrocław, Poznań and Warsaw.

General Motors has invested heavily in an Opel plant in the Special Economic Zone in Katowice, while Japanese manufacturer Isuzu Motors is part of a cluster producing new generation high-pressure engines. Fiat-GM Powertrain Polska has begun production of modern turbo diesel engines, and Japanese NGK Ceramics manufactures automotive ceramic. Significant inputs hold also VW-Poznan, Toyota Motor Manufacturing Poland and MAN Nutzfahrzeuge which run new truck factory nearby Krakow in October 2007. Cluster mapping and various studies show that there is strong potential for the development of competitive cluster structures in the country.

### **R&D**

Poland is facing an increasing demand for R&D, and the automotive industry is one of the sectors leading this positive trend. Delphi Automotive Systems and TRW were among the first foreign companies to invest in R&D in Poland by creating centres of excellence in Krakow and Czestochowa. As a result of this dynamic process, demand for research activities in technical universities and specialised institutes is on the rise. The spill-over effects of the development of automotive production and sales can be observed across the entire economy.