

Poland's Fastener Market in a Big Growth



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One of the former Polish prime ministers, a dozen or so years ago, said that in Poland large global manufactures are setting up only assembly plant. For the fastener business you can not expect better news. The biggest number of fasteners is being used during the assembly process.

BUSINESS IN POLAND

Today fastener business in Poland is on one of the most impressive growth in Europe. Thanks to good industry result demand of bolts, screws and nuts is growing year by year. In 2017 year industrial manufacturing had a growth of +7,3% (construction was even better with +12,1%) and in 2016 it was +4,2%. In February this year Poland was chosen by the U.S. News as the 3rd best country to invest in the world (1st was Philippines and 2nd Indonesia). Poland's GDP is growing every year since 1992 with yearly average 4,1% (and 4,7% in 2017 yr). Thanks to that GDP per capita now is at the level of 29 thousand USD and in 1992 it was only 6 thousand USD. Such a stunning success was achieved thanks to the huge entrepreneurship of millions of Poles. In a country where 16,5 million people work (out of 38 million of all inhabitants), 1,5 million active enterprises operate. It is these hard-working people that led the country, in just one generation, to a situation where young people from other countries (mainly from Belarus and Ukraine) are coming to Poland more and more willingly to work (unemployment rate in Poland is below 5%). Small and medium-sized enterprises employ 70% of employees from all companies. Thanks to that economy of Poland is flexible, independent and capable of defending against external crises (when the whole world suffered in 2009, the Polish economy grew at a rate of 2,8%). What is very important - Poland has its own currency, the Polish zloty (PLN), which allows it to pursue an independent monetary policy to the European Union. During the financial crisis of 2008-2010, the

Polish zloty weakened by up to 40%, stimulating the increase in profitability of export.

INDUSTRY IN POLAND

Industry in Poland is responsible for the creating 40% of the GDP and 30,5% of jobs. Southern Poland is more industrialized than the northern one with the largest concentration of factories in the Upper Silesian region (the second, behind the Ruhr District in Germany, the most industrialized region in Europe). According to the Deloitte report, Polish industry is the second most competitive in Europe, after Germany. The most important advantage of Poland over other countries is access to talented and qualified employees. It should be added that for many young and talented people, work in industry is a big ennoblement.

From the point of view of using fasteners, the most important industry in Poland will be: furniture, automotive, aerospace, domestic appliance and construction. Poland is 4th largest furniture exporter in the world (more than 12 bln of EUR). There are 22 000 companies producing the furniture in Poland, most of them small and medium ones. 85% of the total production is going for export. Big brands (such as IKEA) has opened their factories in Poland. Wood industry and good law for forests (You have to plant a new tree before cutting old one) causes that the entire industry based on wood raw material is dynamically growing. Not only furniture had a good growth but also window – door industry (also with plastic and aluminum windows) is at the top position in European Union with export value of 1,8 bln of EUR. What is most important – furniture, door and window is being produced all over Poland, in every region.

Automotive - Poland do not have own brand (like Skoda in Czech Republic) for the passenger car, but there are two factories for the OEM automotive: Fiat (Fiat Chrysler Automobiles) and Opel (former General Motors, now PSA Group). Production

in Poland of cars was 515 thousand of units in 2017 yr. Maybe it is not very impressive, but there are also a lot of TIER-1 and TIER-2 factories for automotive (like for example: Toyota Motor, Valeo, Faurecia, Delphi, Kirchoff). All the passenger cars industry is based in south of Poland, from Cracow on the east to Upper Silesia and Lower Silesia on the west. More OEM's factories are in the light commercial vehicle and trucks division. There are Volkswagen and MAN. But most impressive is the bus production, with 5300 units produced Poland is 3rd biggest producer in European Union (after Germany and Sweden). Many brands, like MAN, Volvo, Neoplan and Scania has their factories in Poland. But the most impressive (with more than 1500 units produced) is Polish brand – Solaris.

Aerospace - One of the fastest growing industry in Poland. With more than 100 production companies (with 23 000 employees) 90% of the aerospace potential is based in South-East Poland Aviation Valley. Aerospace industry export generates more than 2 bln of EUR. The most recognizable brand which operates in Poland are Sikorsky, AgustaWestland and Airbus Military. Aerospace industry in Poland is connected mainly to military expenditures.

Construction - The construction industry is another very large consumer of fasteners. The investment boom has been taking place in Poland for over ten years. New airports and football stadiums have been built all over the country. Only for the new roads Polish Government want to invest more than 40 bln of EUR until 2023 and 10 bln of EUR for the railways until 2021. Because of the air passengers growing more than 20% year to year Government wants to build a new Central Airport with the cost of 10 bln of EUR (with the new railway station and whole road infrastructure) for 100 mln of passangers near the Warsaw.

Electronics and Domestic Appliances - With the production value more than 16 bln of EUR it is a big consumer of fasteners. In Poland ▶

► there are a huge factories of cooking and washing machines together with refrigerators, such as: Bosch, Siemens, Samsung, Whirlpool, Electrolux, LG, Zelmer (domestic brand) and biggest Polish Amica. For the electronics there are: Dell, LG, Flextronics, Sharp.

FASTENER INDUSTRY

According to mine calculation in Poland there are 1500 companies working in the fastener business. There are dozens of small trading companies (below 6 employees) working in their region. But there are also a big producers with export all over the Europe. Production of fasteners in Poland is shown in table 1 (1 EUR = 4,2 PLN; 1 TYR = 0,85 PLN). Since 2003 Polish production has almost triple. Main production is being made for the metal screws, bolts, special products and screws for wood and window.

Table 1: Production of fasteners in Poland in 2003-2016 [PLN million]

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
595	792	890	859	910	946	795	1076	1521	1456	1355	1421	1370	1520

Source: own calculation based on the data of the Central Statistical Office (Statistics Poland)

Polish production of fasteners cannot fill the domestic consumption. Therefore import is very developed. From 2003 to 2016, Polish import has increased almost threefold (look at table 2). The largest import was recorded in 2016, it has already exceeded the value of PLN 2,8 billion. Import is growing almost the same as domestic demand.

Table 2: Import of fasteners to Poland in 2003-2016 [PLN million]

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
893	1167	1163	1482	1647	1693	1581	1889	2298	2163	2189	2434	2588	2836

Source: own calculation based on the data of the Central Statistical Office (Statistics Poland)

Biggest source of import comes from Germany. Almost 30% of all fasteners to Poland are coming from the western neighbor. Next is Taiwan, Italy and China. Especially import from China is growing year by year. For the 2016 year Turkey was on the 16th place. It means that international trade with Poland is at a low level, and Turkish companies do not properly use the potential of the Polish market.

Table 3: Import of fasteners by country to Poland in 2015-2016 [PLN million]

Country	2015	2016	Together	% of the Polands import
Germany	752,2	861,7	1 613,9	29,8%
Taiwan	300,8	298,6	599,4	11,1%
Italy	246,1	278,0	524,1	9,7%
China	247,0	263,3	510,3	9,4%
USA	117,7	154,8	272,5	5,0%
France	86,1	91,8	177,9	3,3%
Japan	82,0	91,6	173,6	3,2%
Vietnam	89,8	74,5	164,3	3,0%
Czech Republic	51,7	78,3	130,0	2,4%
Sweden	75,1	52,9	128,0	2,4%
South Korea	57,7	67,3	125,0	2,3%
Slovakia	62,5	61,2	123,7	2,3%
United Kingdom	56,6	56,6	113,2	2,1%
Spain	49,1	61,1	110,2	2,0%
India	41,5	46,0	87,5	1,6%
Turkey	n.a.	32,9		

Source: own calculation based on the data of the Central Statistical Office (Statistics Poland)



- Poland is a very important distribution center on the Central and Eastern European fastener market. Since 2003, export has increased four times, reaching a record 1,4 billion PLN in 2016 (table 4). What is worth it noted, Poland is still gaining more markets. Biggest growth was just after the introduction of anti-dumping duties by the European Commission for Chinese fasteners. From 2009 to 2011, Polish exports increased as much as 73%, which in a way can confirm the thesis that many companies in Europe have shifted purchases to Poland.

Table 4: Export of fasteners from Poland in 2003-2016 [PLN million]

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
359	513	546	594	700	725	617	829	1073	1057	986	1159	1336	1409

Source: own calculation based on the data of the Central Statistical Office (Statistics Poland)

The largest clients of Polish fasteners are Germany and the United Kingdom (table 5). What is important, by gaining access to Polish distributors, You can also gain access to smaller markets, such as the Czech Republic, Slovakia, Romania and Hungary, which traditionally source in Poland. Polish companies are already large enough and well organized to import good amounts from Asian markets and buy from specialized producers in Europe.

Table 5: Export of fasteners by country from Poland in 2015-2016 [PLN million]

Country	2015	2016	Together	% of the Poland's export
Germany	480,1	555,7	1 035,8	37,7%
United Kingdom	103,0	116,5	219,5	8,0%
Czech Republic	80,1	77,1	157,2	5,7%
France	68,6	80,9	149,5	5,4%
Sweden	71,2	67,4	138,6	5,0%
Slovakia	37,2	51,9	89,1	3,2%
Russia	42,3	46,6	88,9	3,2%
Romania	35,9	43,5	79,4	2,9%
Hungary	37,1	38,9	76,0	2,8%
Belgium	32,9	38,5	71,4	2,6%
Norway	30,7	30,7	61,4	2,2%
Netherlands	25,6	28,7	54,3	2,0%
USA	27,5	20,7	48,2	1,8%

Source: own calculation based on the data of the Central Statistical Office (Statistics Poland)



Quality - What the companies in Poland particularly pay attention to is, of course, quality. On the construction market, it is important to have the CE mark or the Polish construction sign B. Without this, it is impossible to handle large investments. The certificate required by the automotive ISO / TS 16949 in Poland has about 500 companies TIER-1 and TIER-2. In addition to quality, the price-availability - lead time relationship is also important. What is a big advantage of Turkish manufacturers for Poland is the time and cost of delivery. Also - there are no customs duty on most fasteners between Turkey and Poland.

The culture of doing business in Poland makes face-to-face contact the most important. We have a saying in Poland, **'No matter what you know but important who you know'**. This is why - if you want to have a business in Poland - You have to meet right people at the right place. ■