CBI MARKET SURVEY

THE CHEMICALS MARKET IN POLAND

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the chemicals market in Poland. The information is complementary to the information provided in the CBI market survey covering the EU chemicals market. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1. Market description: consumption and production

Industrial demand

- Poland is a small to medium-sized consumer of chemicals, accounting for 3% of total EU consumption
- In 2005, total Polish chemical industrial demand amounted to € 17.1 billion, representing an annual average growth rate of 17% during the review period (European Chemical Industry Council (CEFIC), 2006).
- The role of Poland is of increasing importance, with market growth far exceeding growth figures in the EU as a whole.
- In comparison with other European countries, especially the EU15 countries, the consumption of chemicals per capita is relatively low. Whereas in Germany, for example, this indicator is approximately € 1,478 and in Belgium € 2,447 per capita, in Poland it is only about € 445 per capita. The demand for chemicals, however, is growing rapidly. In 2005 it was about € 17 billion, i.e. 20% higher than in 2003.

Table 1.1 Industrial demand for chemicals in the EU and Poland, 2001-2005, in € million

	2001	2003	2005	Average annual growth
EU25	496,581	507,835	564,598	3.3%
Poland	13,241	13,362	17,136	6.7%

Source: CEFIC (2006)

- The construction industry grew rapidly in 2006 and made a large contribution to the growth in total demand for chemicals. Production of this industry increased by 17.5% in 2006 (Annual report over 2006 by the Polish Chamber of Chemical Industry).
- After years of stagnation, demand from manufacturers of auto vehicles, trailers and semi-trailers also increased significantly in 2006. Their production value increased by 22%.
- Other major customers of the chemicals industry also performed well in 2006. Sales of the furniture industry increased by 13%. The food industry registered a growth in production of 7% and the textile industry 8%.

Production

- The Polish chemical industry is by far the largest in Central Europe. However, compared to the chemical industries in Western Europe, it is relatively small, accounting for 1.7% of total turnover of the European chemical industry.
- In 2005, turnover of the Polish chemical industry amounted to € 10 billion, representing an annual average growth rate of 7% between 2001 and 2005 (CEFIC, 2006). In 2006, sales of chemicals (incl. rubber and plastics) increased by another 14.8% to € 20.8 billion.

- The turnover of the chemical industry accounted for 12.9% of the turnover of the entire Polish manufacturing industry in 2006. In 2005, this figure was only 10.2% (Polish Chamber of Chemical Industry, 2006).
- The different sub-sectors showed very different developments. For example, the production of some plastics increased significantly, while the production of many non-organic products decreased due to unfavourable weather conditions, subsequent lower demand from the agricultural sector and a resulting limitation in fertilizer production. For information on specific products, please refer to the annual reports of the Polish Chamber of Chemical Industry.
- The major part of the domestic production is taking place in the paints sub-sector.
- In addition, there are several large Polish fertiliser plants and pharmaceutical companies which have high technology, with considerable investment and ownership by foreign strategic players.
- Some large-performance chemical companies have made joint-venture agreements, in order to attract investment or gain support in marketing.

Trends

- The profitability of chemical companies decreased between 2004 and 2006, due to increased manufacturing costs. These costs mainly increased as a result of increased prices for raw materials and energy, and higher salaries (+6%).
- In spite of widespread privatisation, covering a large majority of enterprises, there remains a high proportion of state ownership in this sector. Conversely, pharmaceutical companies are being rapidly privatised, with considerable investment and ownership by foreign strategic players.
- Some high performance chemical companies have been pursuing joint-venture agreements as a vehicle for attracting investment or gaining support in marketing.
- The production capacity is not always sufficient to satisfy domestic demand for chemicals and therefore there is significant import.
- Since the use of Internet to sell and advertise products has been constantly increasing, e-business will become more and more popular in the chemical industry in the future. At this moment, there is no detailed information on involvement of the chemical industry in e-business.

Opportunities and threats

- There are good opportunities for developing countries, since Poland’s industrial demand for chemicals has increased during recent years.
- The opportunities are mostly restricted to supplies through traders. The Polish market for chemicals is relatively immature and there has so far been no tendency to invest in developing countries by Polish chemical companies. The costs of employment remain rather low in comparison with developed countries (for example Western Europe) so there are not many incentives to move production from Poland to developing countries.

Useful sources

- For more information on the chemical industry in Poland, Polish trade associations mentioned in section 6 of this survey can be a valuable source. The European Federation CEFIC (http://www.cefic.org) is also of interest.
- The Central Statistical Office of Poland can also be a source of information (http://www.stat.gov.pl/english/index.htm).
- ChemIndustry.com, (http://chemindustry.com/index.html) is also of interest, both for chemical information and finding companies in Poland.

2. Trade channels for market entry

- In general, the trade channels in Poland do not differ from the trade channels which have been mentioned in the CBI market survey covering the EU chemicals market. The traditional approach of contacting traders, intermediate processing companies, agents and

wholesalers (either with or without processing capacity, dependent on the chemical) remains the most effective method.
- Polpharma is the largest fine chemicals producer in Poland - http://www.polpharma.pl
- For a comprehensive list of companies active in the chemical sector in Poland, please refer to the website of the Polish Chamber of Chemical Industry - http://www.pipc.org.pl/eng/members.htm
- The website of chemindustry provides additional chemical companies in Poland - http://chemindustry.com/index.html

3. Trade: imports and exports

Imports
- Poland is a small importer of chemicals, accounting for 2% of EU imports.
- In 2006, Poland imported € 1.1 billion / 925 thousand tonnes of chemicals, representing an average annual increase of 15% during the review period.
- Imports of chemicals by Poland consisted of organic chemicals (42%), oleo chemicals (33%), dyes and pigments (15%) and inorganic chemicals (10%).
- Leading suppliers of chemicals to Poland are Germany (26%), The Netherlands (13%), France (9%) and Czech Republic (6%).
- In 2006, developing countries supplied 8% of all imports by Poland, which is just above the EU average of 7%. Imports from developing countries increased strongly by an annual average rate of 27% in the period reviewed, amounting to € 82 million / 101 thousand tonnes in 2006. The main developing country suppliers to Poland are Bosnia and Herzegovina (25%) and India (2%).

Exports
- Poland is ranked tenth among EU exporters of chemicals. Its exports increased by 16% annually, amounting to € 676 million / 668 thousand tonnes in 2006.
- All selected product groups showed an increase in exports during the review period. Exports of dyes and pigments and inorganic chemicals showed the strongest increase, by an annual rate of 28%.

Opportunities and threats
- Poland could be classified as an average EU trader in chemicals. It seems, based on the figures, that opportunities for developing country suppliers do exist. The import share of developing countries is substantial and increasing, while total imports are also showing a positive development.
- Especially for inorganic and organic chemicals, there seem to be opportunities for developing country suppliers, as imports from developing countries are growing the most for these product groups.

Useful sources
- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int
- Eurostat, the official statistical office of the EU - http://epp.eurostat.cec.eu.int

4. Price developments

- The CBI market survey covering the EU chemicals market, presents general information on prices. These price indications do not differ from those in Poland.
- The prices of most commodity chemicals can be found relatively easily. Useful sources are http://www.cnionline.com (subscription site with information on companies, markets, products, strategies, mergers, acquisitions, capacity expansions, forecasts and trends in the chemical industry) and http://www.icislor.com (subscription site for prices on the petrochemical and oil markets).
- However, the prices of fine and specialty chemicals are more difficult to obtain. They are not published and can vary widely from one application area to another. Obtaining reliable

price information in these segments often requires asking a distributor, or asking a producer for a quotation.

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information, go to 'Search CBI database' at http://www.cbi.eu/marketinfo.

6. Business practices

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Poland, visit the following websites:

Trade Associations
- PIPC, the Polish Chamber of Chemical Industry - http://www.pipc.org.pl
- Polish Chemical Society - http://www.ptchem.lodz.pl/en/index.html

Trade Fairs
- The 11th International Conference on Chemistry and the Environment was most recently held in Torun, September 9-12, 2007 - http://www.50zjazd.ptchem.pl/en.
- Also in September 2007, there was the International Trade Fair for Mining, Power Industry, metallurgy and Chemical Industry in Katowice. It takes place every two years - http://www.eventseye.com/fairs/trade_fair_event_1653.html

Trade Press
- Wiadomości Chemiczne - http://www.chem.uni.wroc.pl/wiadchem.html
- Chemical Analysis Polish - http://malina.ichf.edu.pl/pjch/index.html
- Chemik Polish Journal - http://www.miesiecznikchemik.webpark.pl/index1en.htm
- Physical Chemistry Chemical Physics International journal - http://www.rsc.org/Publishing/Journals/CP/index.asp

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