

Poland sustains good climate for international business

Survey - „Investment climate in Poland”
Edition 2016 – summary

May, 2017



Introduction

Poland's economy has been growing continuously for more than a quarter of a century. According to data from the International Monetary Fund, over the past 25 years the country's annual GDP growth rate averaged 3.7 per cent, compared to 1.7 per cent recorded in the same period by the countries of the current European Union.

Poland today is very much different from that of less than thirty years ago. Still, foreign investment continues to play an important role in building the country's economic success, and creating favorable conditions for investing capital "on the banks of the Vistula" remains one of the most important objectives of the Polish economic policy.

The success of measures undertaken by Polish authorities in this scope will also depend on monitoring the opinions of investors who have already established their businesses in Poland on the various aspects determining the conditions for doing business in our country.

With this in mind, the Grant Thornton together with Polish Information and Foreign Investment Agency (PAIIZ) and HSBC bank systematically checks how foreign investors assess the conditions for investing capital and doing business in Poland. The year 2016 marks a decade since the survey is being held. In this report which we are pleased to present our findings developed on the basis of responses provided by representatives of 103 businesses with foreign capital operating in Poland.

The tenth anniversary edition of the survey gives cause for optimism. The overall assessment of the investment climate in Poland is the highest since 2007, i.e. since the questionnaire was put into a format allowing for comparison. Moreover, like last year, nearly all of the businesses surveyed declared that they would choose Poland again if they were again faced with the choice of where to locate their business.

Wishing you a pleasant read!

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Investors: no regrets

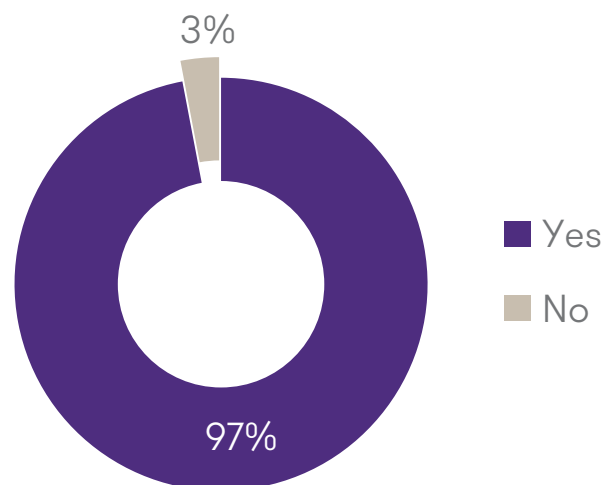
The survey demonstrates that the vast majority of foreign investors are happy with their decision to begin doing business in Poland

As many as 97 per cent of investors who participated in the study admitted that if they were faced with the same decision again, they would choose Poland again as the location for investment. Only one business in more than 30 claims that it was not the optimal choice and they would decide otherwise today. These results are very similar to those of last year, when 98 per cent of foreign investors declared that they would choose Poland again and 2 per cent – a different location.

The consistently high level of satisfaction reported by investors with regard to the decision to invest in Poland shows that our economy is an attractive location for foreign capital, offering relatively high returns on direct investment. Therefore, the potential obstacles to attracting even more foreign capital to Poland lie not so much in macroeconomic conditions and the institutional framework of doing business, but rather in the inclination of foreign investors to even consider Poland as the place to invest.

Would your company invest in Poland again?

Percentage responses, 2016



Source: own study by Grant Thornton, HSBC & Invest in Poland.

Poland – an investor-friendly business destination

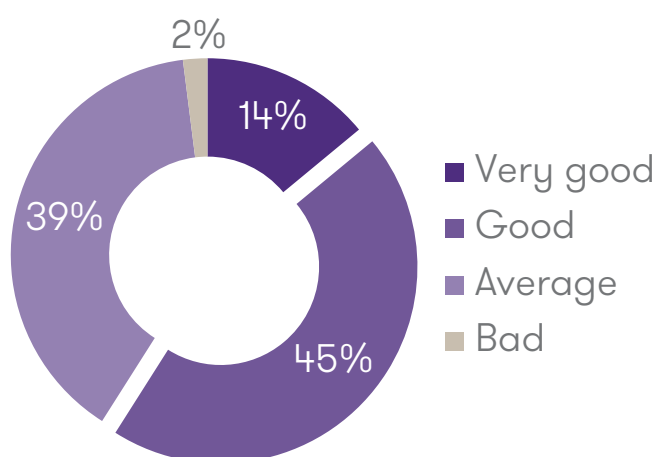
Foreign investors feel at home in Poland. Most of them perceive this country as a 'good' place to operate and develop their business

Representatives of foreign companies who participated in the study were asked to provide an overall rating of Poland as a place to do business. On a scale from 1 to 5, where one stood for "very bad" and 5 – "very good", investors gave Poland an average rating of 3.72 points.

This means that the predominant rating was "good" (45 per cent of responses). Only in a small number of cases (2 per cent) did investors choose the "bad" option, and there was not a single "very bad" response. These data suggest that investments in Poland bring satisfactory rates of return, and cases of unsatisfactory performance are few and far between.

How do you rate the overall investment climate in Poland?

Percentage responses, 2016



Source: own study by Grant Thornton, HSBC & Invest in Poland.

Investment climate better than ever before

Despite recent political upheaval in Poland the perceived investment climate is the best in the survey's history

Importantly, in this year's survey the overall rating of the investment climate in Poland went up slightly compared to that of the year before – on a scale from 1 to 5, the average rating in the most recent survey was 3.72 pts compared to 3.65 pts the year before. This year's result is the highest in the ten-year history of the survey.

These data suggest that despite the significant changes on the political scene which have taken place in Poland between the previous and current editions of the survey (the first change of ruling party in eight years), the conditions for doing business have not deteriorated. It seems that despite the tougher rhetoric on foreign capital policy, the real conditions for doing business have not changed for the majority of foreign firm in Poland.

The overall rating of the investment climate in Poland in the history of the survey
(in pts)



Source: own study by Grant Thornton, HSBC & Invest in Poland. Results on a 1-5 scale



Poland's greatest strengths

Macroeconomic factors, workers and material resources are considered the biggest advantages of Poland as FDI location

Survey findings indicate that according to investors the greatest advantages of Poland as a place to do business originate from macroeconomic factors, such as market size and stability. The competitive advantage of the Polish economy also comes from high-quality human resources, that is hard-working, loyal and well qualified personnel.

Material resources, too, provide a strong argument for investing “on the banks of the Vistula”, for instance easily accessible raw materials, good sites and increasingly modern infrastructure.

MACROECONOMIC FACTORS

- size of the internal market (average rating 3.95)
- economic stability (3.88)
- access to financing (3.64)

HUMAN RESOURCES

- labour productivity (3.78)
- employee loyalty (3.77)
- availability of qualified human resources (3.68)

MATERIAL RESOURCES

- accessibility of materials, stocks and components (3.85)
- infrastructure (3.7)
- quality of investment sites (3.62)

Source: own study by Grant Thornton, HSBC & Invest in Poland. Results on a 1-5 scale

Room for improvement

Commercial law, taxation rules and bureaucracy are the biggest weaknesses of Poland in the eyes of foreign investors

Out of the 26 factors defined by the authors of the report, the poorest ratings were scored in categories related to the legal aspects of doing business in Poland. This includes the low effectiveness of commercial courts, the unstable and ambiguous law, procedures related to licensing and obtaining concessions and the complex tax system.

It should be noted, however, that the average rating in none of these items was less than halfway down the scale (2.5 pts), and only three scored below 3 pts. This proves that investors perceive legal aspects as rather neutral to their business, and not as serious obstacles to doing business..

QUALITY OF COMMERCIAL LAW

- stability and predictability of law (2.6)
- clarity and coherence of legal regulations (3.1)

TAXATION

- tax-related formalities (2.83)
- level of tax burden (3.05)

MATERIAL RESOURCES

- efficiency of courts (2.74)
- controls and inspections (3.11)
- process for obtaining licences and/or concessions (3.33)
- starting a business (3.44)

Source: own study by Grant Thornton, HSBC & Invest in Poland. Results on a 1-5 scale

Commentary

“The overall rating of the investment climate in Poland is **the highest in the history of the survey**. The vast majority of foreign investors would reinvest their capital.

Yet, there are areas which have an adverse impact on the evaluation of our country in the eyes of foreign investors. This is particularly true of the unclear and unstable law, largely due to the overproduction of legislation. The government should make it a priority to make Poland’s legal system more friendly”



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