REPORT ON THE CONDITION OF SMALL AND MEDIUM–SIZED ENTERPRISE SECTOR IN POLAND IN 2011–2012

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Report on the condition of small and medium-sized enterprise sector in Poland in 2011–2012

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Chapter 2. Small and medium-sized enterprises in Poland

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2.1. Share of SMEs in GDP creation

- According to the CSO data prepared for the purposes of this report, companies operating in Poland generate nearly three-quarters of Polish GDP (71.8% in 2011). Given the significant decline in this indicator in 2010 (by 0.7 percentage points as compared to 2009), which followed years of uninterrupted growth between 2006 and 2009, the result attained in 2011 points to a positive direction of changes.

- In terms of structure of the enterprise sector’s contribution to GDP, SMEs generate every other zloty (47.3%), whereas the smallest companies account for nearly every third zloty (29.4%) generated. The share of medium-sized enterprises is three times smaller (10.1%) as compared to microenterprises, and the contribution of small enterprises is nearly four times lower (7.8%).

- The size of the sector of micro and small enterprises in Poland, as measured by its share in the gross value added of enterprises, is markedly lower than in the EU. Medium-sized and large companies contribute significantly greater to the generation of gross value added in Poland than in the EU–28.

- Over the years, a significant upward trend has been observed among Polish companies, confirmed primarily by the increasing share of large enterprises in GDP generation. In the case of small and medium-sized enterprises, their share in GDP varies and the identification of clear trends is difficult.

According to the Eurostat data, share of the enterprise sector in Polish GDP (46.9% in 2010) is slightly lower than the average for the European Union countries (48.3%), which is an unsatisfactory result from the point of view of the degree of development of the Polish economy, its needs and development opportunities. The enterprise sector constitutes a major factor in economic development. Meanwhile, the level of value added generated by an average enterprise remains among the lowest in the EU. Despite this, the share of gross operating surplus in the value added of Polish enterprises is higher than in any other of the 27 European countries analysed.

Figure 1. Share of gross value added generated in the enterprise sector in Poland and in selected EU countries and Norway in 2010

Source: Own calculations based on Eurostat data.

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1 In this chapter, the SME sector is understood as enterprises employing up to 249 persons: microenterprises - 0-9, small - 10-49, medium-sized - 50-249 employees.

2 Unless otherwise indicated, CSO data encompass companies that belong to the sections B-J, L-N, P-S of PKD 2007, Eurostat data - BN and S95 NACE Rev. 2, (section K is covered only partially and applies to insurance services, credit institutions and pension funds), whereas in the case of EC data (SBA Fact Sheet 2013), it is: B-J, L-N NACE Rev. 2.

3 It is the gross value added, which remains available to an enterprise after deducting personnel costs and taxes linked to production, increased by subsidies received.
According to the CSO data, companies operating in Poland generate nearly three quarters of the Polish gross domestic product (GDP). Following a slight decline in their share in 2010, 71.8% generated in 2011 may mean a return to an upward trend growth observed in the years 2006–2009. The structure of enterprise contribution to GDP reveals that SMEs generate every other zloty (47.3%), with the smallest companies accounting for every third zloty generated (29.4%). The share of medium-sized enterprises is three times smaller (10.1%) than the share of microenterprises, while in the case of small enterprises it is almost four times larger (7.8%). In 2011, in relation to 2010, the contribution of large firms to the generation of GDP by enterprises increased, while the share of micro and medium enterprises decreased and the contribution of small enterprises remained at a similar level.

**Figure 2.** Contribution to GDP of groups of enterprises by number of persons employed in Poland (Figure – 2011, Table – 2004–2011)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (million PLN)</th>
<th>Gross added value generated by enterprises</th>
<th>Gross added value generated by other entities</th>
<th>Duties and taxes⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>total</td>
<td>SME total</td>
<td>SME micro</td>
<td>SME small</td>
</tr>
<tr>
<td>2004</td>
<td>923 248</td>
<td>70.5%</td>
<td>48.6%</td>
<td>31.0%</td>
</tr>
<tr>
<td>2005</td>
<td>983 302</td>
<td>70.3%</td>
<td>47.8%</td>
<td>31.5%</td>
</tr>
<tr>
<td>2006</td>
<td>1 060 031</td>
<td>70.7%</td>
<td>47.8%</td>
<td>31.0%</td>
</tr>
<tr>
<td>2007</td>
<td>1 176 737</td>
<td>70.8%</td>
<td>47.3%</td>
<td>30.4%</td>
</tr>
<tr>
<td>2008</td>
<td>1 275 432</td>
<td>71.1%</td>
<td>47.2%</td>
<td>29.9%</td>
</tr>
<tr>
<td>2009</td>
<td>1 343 366</td>
<td>72.3%</td>
<td>48.4%</td>
<td>30.4%</td>
</tr>
<tr>
<td>2010</td>
<td>1 416 447</td>
<td>71.6%</td>
<td>47.6%</td>
<td>29.6%</td>
</tr>
<tr>
<td>2011</td>
<td>1 528 127</td>
<td>71.8%</td>
<td>47.3%</td>
<td>29.4%</td>
</tr>
</tbody>
</table>

Source: Own calculations based on CSO data prepared for the purposes of this Report.

The Eurostat figures indicate that the sector of micro and small enterprises in Poland is clearly smaller than in the EU, as measured by the contribution of this sector to the generation of gross added value by enterprises. According to the available data, microenterprises in Poland account for 15.9% of gross value added of businesses, while in the EU–27 their share amounts to 21.2% (5.3 percentage points difference). A similar difference is observed in the case of small enterprises (5 percentage points - 13.2% and 18.2% respectively). Medium-sized and large companies evidently contribute to a greater extent to the generation of gross value added in Poland as compared to the EU–27 (Figure 3).

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⁴ This item includes taxes and duties on imports (including excise tax), VAT - tax on goods and services (on domestic and imported goods), excise duty on domestic products, taxes on certain types of services (e.g. gambling and betting), payments (contributions) made by the state budget to the budget of the European Union as the so-called traditional own resources, i.e. customs duties, agricultural and sugar duties, payments (contributions) calculated on the basis of value added tax, goods subsidies.
In recent years, a clear upward trend has been observed amongst Polish companies, evidenced primarily by an increasing contribution of large enterprises to GDP generation, with a simultaneous decrease in the share of smaller (micro) enterprises. According to the CSO data, in the years 2004–2011, the importance of large firms in GDP in Poland increased (from 21.9% in 2004 to 24.5% in 2011). In the case of medium-sized and small enterprises, it is difficult to identify clear trends, as their contribution to the generation of GDP between 2009 and 2011 ranged from 10.1% to 10.4%, for medium-sized enterprises and from 7.7% to 7.9% in the case of small enterprises. A downward trend (from 30.4% in 2009 to 29.4% in 2011) has been observed among microenterprises in the years 2009–2011.

The CSO data show that the dynamics of gross value added generated by enterprises in Poland has been incessantly growing since 2005 in all groups of enterprises. In 2011, a slight slowdown in the growth rate was only reported in the case of medium-sized companies (Figure 4).

Just as the structure of gross value added of the enterprise sector in Poland classified by size, the industry structure of the sector also diverges from the EU average (Figure 5). A significantly lower level of development – measured by the share in gross value added – in Poland as compared to the EU is a characteristic feature of the service sector – according to the data from the SBA FactSheet, this sector accounts for 30.3% of gross value added generated by small and medium–sized enterprises, while in the EU the share of services in gross value added amounts to nearly 41%. As a result, trade and industry have a clearly greater contribution to gross value added in the Polish economy as compared to highly developed economies. With the development of the economy and the development of service industries, these sectors
(as evidenced by the experience of Western countries) should lose their importance, which is also observed in Poland. This is confirmed by the EC data (SBA Fact Sheet 2013), according to which in the years 2008-2010, the share of Polish companies in gross value added was systematically decreasing in the sector of industry and trade (from 29.2% to 29.1% and from 29.7% to 28.7%, respectively), while the contribution of enterprises from the service sector increased (from 26.5% to 30.3%). The pace of these changes remains slow.

**Figure 5.** Structure of gross value added of SMEs by sector of economy in Poland (left) and EU–28 (right) in 2010

Source: Own calculations based on the SBA 2013 Fact Sheets, European Commission, Brussels 2013.

An average company in Poland generates significantly lower gross value added than an average company in the European Union. The best results are attained by small Polish companies which, according to data for 2010 generate more than half of the gross added value of an average company of this category in the EU–28 (55.1%, EUR 438 400), followed by medium and large companies generating slightly less than half of that value (respectively 47.5%, EUR 2.3 million and 44.8%, EUR 26.6 million). The greatest difference as compared to the EU average is observed in the sector of microenterprises, whose gross value added amounts to less than one-third of the value for an average company in this category in the EU–28 (29.4%, EUR 186 000). A general upward trend has been observed among all groups of companies in Poland in terms of size and share of value added generated by an average company in Poland, as compared to the average results for the EU–28.

### 2.2. Number and structure of enterprises

- Poles are a nation of entrepreneurs – the level of entrepreneurship measured as the proportion of entrepreneurs or those planning to start a business among the working population is above the EU average. In terms of the number of enterprises, Poland ranks sixth in the European Union.
- Approximately 1.8 million businesses are currently operating in Poland. As compared to 2010, this figure has increased by 3.4%. The vast majority of them – as many as 99.8% – are small and medium-sized enterprises.
- Polish SMEs operate primarily in the sector of services and trade (76%), less often in construction (13.4%) and industry (10.6%).
- As compared to the EU average, the SME sector in Poland is increasingly dominated by microenterprises, and the share of small firms represents about half of the share of small enterprises in the EU.
- The structure of Polish enterprises increasingly resembles the EU structure. From 2008 onwards, there has been a decline in the growth of microenterprises and an increase in the number of large companies.
- In 2010, Poland was among the EU countries with the highest number of new enterprises – in this respect, it ranked second after France.
Enterprises operating in Poland and the European Union

According to data of the Central Statistical Office, approximately 1.78 million active businesses\(^1\) operated in 2011. However, according to the Eurostat data, 1.52 million enterprises\(^2\) operate in Poland, which ranks Poland at the sixth place in the EU in terms of their number.

According to the Eurostat data\(^3\) in 2011, the total number of companies in the EU-28 was about 22 million. Their number is the largest in Italy (3.87 million, i.e. approximately two and a half times more than in Poland). Italy is followed by France (2.5 million), Germany (2.2 million) and Spain (2.1 million). The number of enterprises operating in the UK (1.7 million) is similar to Poland. In Central Europe, the situation is as follows: apart from Poland, the largest number of enterprises is registered in the Czech Republic (1.0 million), Hungary (550 000), Slovakia (415 000), Romania (409 000) and Bulgaria (310 000) (Figure 6). However, when comparing the number of companies to the country’s population, it turns out that there are 40 enterprises per 1000 inhabitants in Poland. In the European Union, the highest value of this indicator is recorded in the Czech Republic (964), followed by Portugal (791), Slovakia (771), Sweden (691) and Italy (641); while the lowest values are observed in Romania (201), Germany (261) and the United Kingdom (271).\(^9\)

The analysis of changes in the number of firms in the European Union in 2009–2011 shows an upward trend – in 2010, the number of enterprises increased by 5.5% as compared to 2009 (from 20.6 million to 21.8 million companies); in 2011, the increase has been slower and amounted to 0.8% (from 21.8 million in 2010 to 21.9 million\(^4\)). In 2011, the largest increase in the number of enterprises as compared to the previous year was recorded in Estonia and Sweden (by 5.3%), the Netherlands (4.3%) and Germany (4.1%). The largest decrease in the number of enterprises in 2011 was observed in Spain (by 16.5%), Romania (8.5%), Portugal and Ireland (3.4%)\(^6\), i.e. mostly in the countries that have been most affected by the economic crisis.

**Figure 6.** Number of enterprises in Poland and in selected EU countries in 2011 (in thousands)

![Number of enterprises in Poland and in selected EU countries in 2011](image_url)


Micro, small and medium-sized enterprises represent the overwhelming majority of enterprises in the EU (99.8%).\(^7\) The situation in Poland is no different. SMEs constitute a vast majority of the total number of 1.78 million companies operating in Poland, which ranks Poland at the sixth place in the EU in terms of their number.

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\(^2\) Eurostat data for 2011 refer to sections B-N and S 95 NACE Rev. 2 (section K is covered only partially and includes insurance services, credit institutions and pension funds).

\(^3\) Eurostat data for 2011 refer to the number of enterprises; data for 2010 only in relation to Italy, France and Lithuania.

\(^4\) Based on Eurostat data for 2011 (in the case of Italy, France and Lithuania, 2010 data regarding the number of enterprises).

\(^5\) Eurostat data for EU-27.

\(^6\) Eurostat data.

\(^7\) Eurostat data for 2011.
in Poland (99.8%). However, as compared with the EU average, the SME sector in Poland is increasingly dominated by microenterprises, whose share in the total number of companies is 95.9% (92.5% in the EU). The share of small businesses in the total number of SME in Poland (3.1%) is about half of the EU average (6.2%), while the share of medium-sized companies is close to the EU average (0.9% in Poland, 1.0% in the EU).

After a period of growth in the number of companies actively operating in Poland (2006–2008), there was a substantial drop in their number (by 6%) in 2009 as compared to the previous year. It concerned mainly the smallest entities – the number of small businesses decreased by 7.5% and the number of microenterprises by 6.4%. Between 2010 and 2011, the number of active enterprises increased again (by 3.2% in 2010 as compared to 2009 and by 3.4% in 2011 as compared to 2010), and in 2011 this value returned to the level recorded in the years 2007–2008.

**Figure 7.** Total number of companies operating in Poland and the number of enterprises by size between 2004 and 2011 (in thousands).

The analysis of the growth rate of the number of companies from the SME sector in Poland between 2004 and 2011 shows an increase of this ratio in the years 2006–2008 (by an annual average of 2.1%). This period coincides with a marked upturn in the Polish economy. In 2009, there was a 6.4% decline in the number of SMEs, and in 2010 and 2011 the growth rate of the number of enterprises accelerated (average annual growth during this period was 3.3%).

**Industry structure of enterprises**

Industry structure of Polish small and medium-sized enterprises is shown in Figure 8. Many SMEs operate in the sector of services (46.5%), trade (29.5%) and construction (13.4%); fewer are active in the industrial sector (10.6%). Meanwhile, large companies are predominantly involved in industrial activity (52.8%); as compared to SMEs, they are present to a lesser extent in services (28.1%), trade (13.5%) and construction (5.6%). In industry, large companies are focused mainly on *Manufacturing* (47.4% of large companies operate in this sector), while in services – on *Administrative and support service activities* (7.9%) and *Transportation and storage* (6.0%). When it comes to the services sector, Polish SMEs operate mainly in the area of *Professional, scientific and technical activities* (11.2%), *Transportation and storage* (8.2%), as well as *Human health and social work activities* (7.6%).

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13 Own calculations based on CSO’s publication *Activity of non-financial enterprises in 2011 and its previous editions.*
14 *Activity of non-financial enterprises in 2011, CSO, 2013.*
In comparison with the other EU countries, the industry structure of enterprises in Poland is slightly different. According to the Eurostat\textsuperscript{15}, nearly three-quarters of Polish SMEs operate in trade (35.5%, as compared to 28.6% in the EU) and services (36.3%, against 45.9% in the EU), one in seven in construction (15.8%, against 15.2% in the EU) and one in ten in industry (12.5%, against 10.4% in the EU). As compared to the average for EU countries, Poland is therefore characterized by a much larger number of enterprises operating in trade and a smaller number of those operating in the service sector. However, the industry structure of Polish enterprises is gradually changing (the number of service enterprises has been increasing, and consequently the Polish structure resembles the EU structure). The share of companies operating in industry is slightly higher than in the EU (by 2.1 percentage points).

The majority (92.1%) of all businesses in the SME sector are natural persons conducting an economic activity. Legal persons and entities without legal personality represent 7.9% of small and medium-sized enterprises. The youngest enterprises, established in 2011, account for 11.8% of all entities\textsuperscript{16}.

**Number of newly established enterprises**

The number of companies established in the years 2003–2012 was higher than the number of liquidated entities. However, although an upward trend was observed in both categories, the number of liquidated companies grew slightly faster as compared to the number of newly established companies. Despite the economic downturn in the years 2009–2010, the number of newly established companies dynamically increased – in 2009 it grew up to 404 000 (an increase of 18.7% as compared to 2008), and in 2010 to 466 000 (an increase of 15.3% as compared to 2009). The negative impact of the economic slowdown on Polish enterprises, however, became evident in 2011, and was evidenced by a significant decrease in the number of new companies (to 408 000 – a 12.5% decrease as compared to 2010). In the same year, the number of liquidated enterprises was higher than the number of newly established companies (419 000). Among other reasons, the change in the number of companies could also be attributed to the verification of the REGON database conducted by the CSO\textsuperscript{17}. However, already in 2012, the number of newly registered enterprises increased significantly and exceeded the level of 500 000 (517 700 – a 26.8% increase as compared to 2011 and an 11% increase as compared to 2010). In 2012, there was also a significant decrease in the number of companies removed from the REGON register – to 311 000. The number of companies liquidated that year was approximately 25% lower than in 2011 (Figure 9).

\textsuperscript{15} Eurostat data for 2010 pertaining to sections B-N and S 95 NACE Rev. 2 (section K is covered only partially and includes insurance services, credit institutions and pension funds).

\textsuperscript{16} *Creation and operation conditions, development prospects of Polish enterprises established in the years 2007-2011*, CSO 2013. Data pertain to micro and small enterprises.

\textsuperscript{17} In 2011, the CSO updated the REGON register based on information obtained from the PESEL register and the National Court Register.
Figure 9. Number of newly established and liquidated companies (in thousands) and the survival rate in the first year of operation (in %) in Poland between 2003 and 2012

![Graph showing the number of newly established and liquidated companies and survival rate in Poland between 2003 and 2012.]

Source: Own calculations based on CSO’s publication *Creation and operation conditions, development prospects of Polish enterprises established in the years 2007-2011* and its previous editions. Data pertain to micro and small enterprises.

In 2012\(^1\), just as in the previous years, the majority of enterprises were established in the sectors of *Trade* (153 500; 29.7%) and *Construction* (53 500; 10.3%), followed by *Manufacturing* (39,000, 7.5%). *Trade, Construction* and *Manufacturing* account also for the highest number of liquidated entities (108 500 – 34.9%, 42,300 – 13.6%, 25 600 – 8.2% respectively). Nearly 92% of all newly established enterprises are natural persons conducting economic activity, including the self-employed\(^2\). The majority of new businesses are established in cities (an average of three out of five new enterprises – 61.4%). One in five companies is set up in rural communities (18.5%) or in rural-urban communities (20%).\(^3\)

In 2010, 2.33 million enterprises were established in the European Union. According to the Eurostat data, Poland is among the EU countries with the largest number of new companies (270 000 in 2010). A larger number of companies were established only in France – 377 000, and fewer in Italy, Germany, Spain and the United Kingdom (265 000, 258 000, 242 000 and 211 000 respectively)\(^4\) (Figure 10).

As for the number of enterprises liquidated in 2010, their total number in the EU was only slightly lower than the number of newly created enterprises (2.28 million). In this area, Poland performs better than such countries as Italy, Spain and the United Kingdom, where the number of liquidated companies was greater than the number of newly created entities.\(^5\)

Figure 10. Number of newly established and liquidated enterprises in Poland and in selected EU countries in 2010 (in thousands)

![Graph showing the number of newly established and liquidated enterprises in Poland and selected EU countries in 2010.]

Source: Own calculations based on Eurostat data.

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\(^1\) Based on CSO data, extracted from the REGON register and prepared for the purposes of this report. Data refer to Section B -U PKD 2007.


\(^3\) Ibidem.

\(^4\) Eurostat data for 2010. Data refer to Section B-N and S 95 NACE Rev. 2 (section K is only partly included and it regards insurance services, credit institutions and pension funds).

\(^5\) Ibidem.
Survival rate of enterprises

According to the CSO, three out of four enterprises survive the first year of operation in Poland (in 2011, the survival rate was 76.6%). In subsequent years, the survival rate tends to fall: down to 54% in the second year and 32% in the fifth year of operation.

Since 2007, the survival rate of companies has been gradually improving. In previous years, despite a favourable economic situation, only two third of enterprises survived their first year of operation; since then, the survival rate has increased. However, in 2011 this figure was slightly lower than in two previous years (Figure 9).

Among Polish enterprises that survived the first year of activity, the number of legal persons slightly surpassed the number of natural persons (79.6% and 76.3% respectively), as well as companies with employees as opposed to those without employees (86.1% and 75.3%) [24].

The highest survival rates in 2011 were observed among enterprises from the Information and communication section (88.2%), Professional, scientific and technical activities (87.3%), Industry (83.0%) and Transportation and storage (80.0%), while the lowest survival rate characterized the following sections: Accommodation and catering (63.0%), Arts, entertainment and recreation (67.6%), Education (69.6%), Trade and repair of motor vehicles (69.7%).

The analysis of data concerning the long-term survival of enterprises (2007-2012) classified according to PKD sections shows that among companies founded in 2007, by far the highest survival rate (until 2012) was recorded amongst companies operating in the Health care section (56.7%), followed by Real estate and business activities (42.2%), Transportation (37.8%) and Industry (30.1%). The lowest survival rate was observed in the following sections: Hotels and restaurants (19.3%), Financial intermediation (21.6%) and Construction (26.6%) [25].

Entrepreneurship in Poland and in the EU

The level of entrepreneurship in Poland is above the EU average [26]. The analysis of the results by individual indicators (Figure 11) shows that entrepreneurship defined as the share of adults who have started a business or are taking steps to start one, reaches the level of 25% – as compared to the EU average of 23%.

The largest difference as compared to the EU average occurs in relation to the following indicators: “feasibility of becoming self-employed”, defined as the percentage of adults who think it is feasible to become self-employed (Poland – 49%, EU – 30%), “preference for self-employment ” measured as the percentage of adults who would prefer to be self-employed (Poland – 47%, EU – 37%) and “entrepreneurial intention”, i.e. the percentage of adults who intend to start a business within the next 3 years (Poland – 22%, EU – 13%).

Poland has reached a lower level than the EU average only in relation to two indicators – “share of adults who agree that school education helped them develop an entrepreneurial attitude” (Poland – 45%, EU – 50%) and “share of adults who think that successful entrepreneurs receive a high status in the society” (Poland – 57%, EU – 69%) [27].

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23 Ibidem.
24 Creation and operation conditions, development prospects of Polish enterprises established in the years 2007-2011, GUS 2013. Data pertain to micro and small enterprises.
25 Types of business entities established in 2007-2008 were distinguished according to the Polish Classification of Activities 2004 (PKD 2004), while those created in 2009-2011 - in accordance with the Polish Classification of Activities 2007 (PCA 2007).
26 Data compiled from 2013 SBA Fact Sheets, European Commission, Brussels 2013.
27 Ibidem.
Poland ranks among the EU countries with the highest value of the indicator of those with "entrepreneurial intention" – the share of adults who intend to start a business within three years. The value of this indicator is higher only in Romania (Figure 12).

The available data evidences a high level of entrepreneurship among Poles and the results achieved by Poland in this respect are generally above the EU average. However, actions still must be taken in order to improve the education system, as its effectiveness in preparing for the role of an entrepreneur in Poland is assessed as worse than the European Union average. Actions are also needed to improve the public perception of the status of entrepreneur.

2.3. Entrepreneurs and the labour market (persons employed and employees)

- From Poland’s entry into the EU until 2008, the number of persons employed in the EU was gradually increasing and so did the level of wages of enterprise employees. In 2009, the positive trend was reversed. It was not until 2011 that the number of persons employed in European companies started growing again (by approximately 4.5 million people in the EU–27 and by 0.1 million people in Poland as compared to 2009).
Small and medium-sized enterprises play a decisive role in the situation of the labour market in Poland and the EU. In 2011, the number of persons employed in enterprises reached the level of over 9 million, among whom 6.3 million (70.2%) worked in SMEs.

On the other hand, the average number of employees in enterprises amounted to 6.6 million people in 2011. The employees of micro, small and medium-sized companies (over 3.9 million people) accounted for more than half (60.5%) of the total number of enterprise employees. Nearly one-third worked in large companies (39.5%). The total number of employees decreased in 2011 as compared to the previous year by more than 232,000 (2.5%).

Microenterprises run by natural persons and large companies organized or incorporated by legal persons are the largest employers in Poland. Together, they account for more than 5.7 million jobs among the total of 9 million jobs in enterprises.

By the end of 2011, the number of persons employed in newly established micro, small and medium-sized enterprises (registered in REGON) amounted to 443,800, with 68.2% of them being employed in enterprises run by natural persons.

Employed persons and employees in Poland and in the European Union

European enterprises employ over 130 million people. The most populous countries of the European Community, namely Germany (26.2 million of persons employed in enterprises), United Kingdom (17.7 million), Italy (15.3 million), France (15.2 million) and Spain (10.1 million), contribute most to the total number of persons employed in the EU, representing nearly two-thirds of the total number of persons employed in the EU-28 (about 85 million people). In the corporate sector of the remaining 22 countries of the European Union, a total of over 46 million people are employed; Poland is the leader of this group (8.4 million people). Among EU-28 countries, 15 countries at the bottom of the ranking account for a total of over 19 million of persons employed; the majority of them are small countries, both in terms of population and the number of persons employed (under 3 million). These include Belgium, Slovenia and Croatia, Estonia, Cyprus and Luxembourg (Figure 13).

Between 2005 and 2008, an increase in the number of persons employed in enterprises was observed in Poland and the EU (14.4% and 6.5% respectively). In the case of the SME sector in Poland and the EU employment growth in the above period was 12.8% in Poland and 6.2% in the EU-27. The following year, i.e. 2009, brought a significant slowdown in the positive trend observed in the previous years. The number of persons employed in enterprises declined over the year by approximately 3.4 million (EU-27), including about 300,000 in Poland, i.e. by 3.4% as compared to 2008, which should be attributed to the economic slowdown in countries that are Poland’s major economic partners.

However, the following years saw improvement. In 2011, the number of persons employed in European enterprises increased by 4.5 million (EU-28) as compared to 2009. During this period, the largest increase in the number of persons employed was recorded in Germany and amounted to nearly 1.5 million people (with the largest surge in 2011: approximately 1.3 million people). At the same time, the downward trend was sustained in nine countries of the EU-27. Negative changes are clearly visible in the case of Spain, where the number of persons employed in 2011 fell by nearly 2 million people, as compared to the previous year. In the same period, Poland saw a slight increase in the number of persons employed in enterprises – from 8.3 to 8.4 million.

According to the forecasts of the European Commission, between 2010 and 2014 the number of persons employed in European companies will increase by over 6 million (4.6%), among whom more than one million will find employment in the SME sector. Germany is likely to remain the leader of positive changes in the labour market in the years to come. In 2014, an increase by over 2.6 million people in the number of persons employed in companies operating in Germany is expected as compared to 2009, of which about 1.1 million in the SME sector. Growth in the number of persons employed will also be observed in Poland. According to the estimates of the European Commission, Polish companies will create more than 600,000 jobs by 2014, of which two-thirds (approx. 430,000) in micro, small and medium-sized enterprises.

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29 Croatia was not taken into account in calculations for this period due to the lack of data.
30 Small Business Act Database 2013.
According to forecasts from SBA Fact Sheet, in 2014 negative trends in the labour market will persist in Spain and France, where over 1.5 million jobs are to disappear, mostly in SMEs (over one million). The size of the working population in the European economy is markedly affected by large companies, which have steadily increased employment since 2009. In 2014, the most favourable change in the number of employed persons will be recorded in large (4%) and medium-sized enterprises (3%). Forecasts for small and microenterprises are less favourable. In 2011–2013, the number of persons employed in these companies is expected to fall on average by 0.3% per annum. An improvement is not to be expected until 2014 (by 0.6% as compared to the previous year).

The dynamics of the number of persons employed in Poland is strongly dependant on the economic situation in other Member States of the European Union (Figure 14). Economic slowdown in the EU started in 2008, resulting in 2009 in a 7% decrease in the growth rate of employment in the EU. The following years brought a temporary improvement. In 2010, the annual growth rate of the number of persons employed in the European economy (2.9%) returned to its 2007 level (2.5%). The change, however, was not durable, and the slowdown in GDP growth in 2011 resulted in the deterioration of the situation on the labour market and a 1.5% decline in the number of persons employed in the EU–28 (as compared to 2010).

In 2005–2011, Polish economy grew at an average rate of 4.9%, which was a significantly better result (3.5 percentage points) as compared to an average growth rate of the EU economy (1.5%). In the same period, Poland also reported a higher growth rate of the number of persons employed (1.5%) as compared to the EU–28 (0.7%). The relatively better condition of the Polish economy, however, did not protect companies operating in the country from layoffs and an 8% decrease in the growth of the number of persons employed in 2008–2009. The unfavourable situation generated by the economic slowdown in 2008 had a negative impact on Poland’s economic growth and employment growth. Even in 2011, GDP growth rate (4.5%), as well as the growth of the number of persons employed in enterprises (1.9%) did not return to the 2007 level, when an increase of 6.8% and 4.8% respectively was recorded as compared the previous year.

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31 Growth calculated as compared to 2009, on the basis of data for 2009-2010 and estimates for 2011-2014. Study on the basis of the EC data (SBA Database 2013) for the purposes of this publication; accessed in November 2013.
Enterprises operating in Poland are slightly smaller than their counterparts from other EU countries. According to Eurostat\(^{32}\), with a rate of approximately 4.5 employees per enterprise, Poland ranks 18th among 27 European countries (Figure 15)\(^{33}\). The EU average is 5.3 employees per enterprise. The highest average number of employees per company is recorded in Germany (11) and the UK (10), which means that despite the economic slowdown, enterprises in these countries maintain a level of employment that is twice as high as in Polish companies.

The situation in Poland is comparable to the EU average if we consider the number of persons employed per enterprise – Poland ranks 15th in the group of analysed countries, with a score of approximately 6 persons per enterprise – similar to the EU average (6 people). Germany (12.1) and the UK (10.7) are leaders also in this area. As compared to the results from 2008, the average number of persons employed and employees per enterprise in Poland remains at a similar level in the case of employees, with a slight increase in the number of persons employed – from the 19th to the 18th position among countries of the EU–27 in 2010.

Figure 15. The number of persons employed and the number of employees per company in Poland and in selected EU–27 countries in 2010

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\(^{32}\) Eurostat, data for 2009.

\(^{33}\) Eurostat data - Structural Business Statistics Database for 2010, available from September 2013, pertaining only to 27 out of 28 EU countries – lack of data on Greece.
In 2011, the number of persons employed in enterprises in Poland totalled 9 million, of whom 6.3 million (70.2%) worked in SMEs. On the other hand, in the same year, the number of employees in enterprises amounted to nearly 6.6 million. Nearly one third of them were employed in large companies (39.5%). The employees of micro, small and medium-sized enterprises (3.9 million people) are the majority (60.5%) of all employees of enterprises. The difference between the number of persons employed and the number of employees of enterprises amounts to over 2.4 million; these are mainly self-employed persons and their contributing family members.

Over the past five years, the number of persons employed in the national economy grew by 1.0%, reaching at the end of 2012 the level of 14.2 million people. The increase in the number of persons employed in 2012 as compared to 2008 was observed in the following sections: Administrative and support service activities (13.6%), Professional, scientific and technical activities (12.4%) and Agriculture, forestry and fishing (11.7%). In the case of Information and communication, water supply, sewerage and waste management and Human health and social work activities, the growth rate ranged from 11.2% to 8.5.

The number of persons employed in the national economy in 2012, as compared to the previous year, decreased slightly (0.4%). The decrease occurred mainly in the public sector (1.7%) and, to a certain extent, also in the private sector (less than 0.1%). In 2012, the number of persons employed increased in the following sections: Information and communication (3.9%), Accommodation and catering (3.7%), Administrative and support service activities (2.8%), Professional, scientific and technical activities (2.5%), Human health and social work activities (2%), Financial and insurance activities (0.9%). In turn, a decrease was observed in Electricity, gas, steam and air conditioning supply (6.2%), Construction (4.6%), Arts, entertainment and recreation (4.1%), as well as Trade and repair of motor vehicles (1.7%).

The growth rate ranged from 11.2% to 8.5%. Since Poland’s accession to the European Union, the number of employees in these entities has grown visibly faster than the number of persons employed, with more than 900 000 jobs created by Polish companies. From 2004 to 2011, the number of employees in SMEs increased at a pace that was one-third faster than the growth of the number of persons employed – 16% vs. 11%.

Employment changes in enterprises over the past nine years has been the result of a significant slowdown in economic growth after 2008 (Figure 16). Between 2004 and 2008, Polish companies created a record number of jobs (1.1 million), evidencing an impressive growth rate (18%). The greatest acceleration of this trend was observed in the years 2006–2008 (12.4%). 2008 brought a change to these positive trends and the number of employees decreased in 2010 as compared to 2008 (a decrease of 250,000 employees and 3.6%). In 2011, the positive trend returned and the number of enterprise employees (6.6 million people) approached the 2008 level (6.7 million people).

Between 2004 and 2008, an increase in the number of employees was particularly evident in small enterprises where it was the highest (25%). In the case of microenterprises, there was an 18% increase in the number of employees in 2008 as compared to 2004. It is worth noting that between 2004 and 2008 employment in microenterprises increased at a pace that was two and half times faster than the growth of the number of employed persons in these entities (7%). This growth evidences the improving potential of microenterprises in relation to other Polish companies. As compared with 2008, a gradual decline was observed in 2009 in the number of employees in each category of enterprises. The total number of employees in enterprises decreased in 2011 by over 232 000 (2.5%). The largest decline was observed in large companies (3.7%), along with a slight decline in micro and medium-sized companies (2%). In the case of small companies, a slight increase in employment was observed as compared to 2008.

Just as in previous years, in 2011 the average number of persons employed and employees per entity in the enterprise sector was 5.1 and 3.7 persons. The record number of persons employed was recorded in large enterprises (844 persons per entity). On average, two persons work in a microenterprise in Poland.

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35 Ibidem, p.11.
37 Ibidem, p. 10.
38 Ibidem, p. 21.
40 Ibidem.
Figure 16. Changes in the number of employees in enterprises by size in the years 2004–2011 (2004 = 100%) in Poland

Source: Own calculations based on CSO data.

Structure of persons employed and employees of small and medium-sized enterprises

According to Eurostat data for 2011, the share of persons employed in the SME sector in the total number of persons employed in enterprises in Poland is slightly higher than the average for the EU–28 (69% vs. 67.2%). The share of persons employed in microenterprises (36.8%) and medium-sized enterprises (18.8%) in the total number of persons employed in enterprises is higher than the average for the EU–28 (respectively 29.5% and 17.1%). Meanwhile, the share of persons employed in small enterprises (13.4%) is much lower than the average for the EU–27 (20.5%). The share of persons employed in large companies in Poland and in the EU–28 is similar (30.9% vs. 32.8% respectively).

According to data from the Central Statistical Office\(^{41}\), Polish micro and small companies provide the majority of jobs (52%, 4.7 million people) in the enterprise sector. One in five persons employed works in medium-sized companies (18.2%, 1.6 million people), and one in three in large enterprises (30%, 2.7 million people).

Figure 17. Structure of persons employed and employees of enterprises in Poland in 2011.

Source: Own calculations based on CSO data.

Enterprise structure in terms of employment is somewhat different. Poland is characterised by a large number of microenterprises with a low level of employment, which results in a limited contribution of microenterprises to total employment. As previously noted, the number of employees of enterprises in 2011 amounted to 6.6 million people (as compared to 6.5 million in 2010, 6.6 million in 2009 and 6.7 million in 2008). The total employment in enterprises (19.7%) is almost twice lower than the total number of persons employed in microenterprises. This trend has not changed since 2010.

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\(^{41}\) CSO, data for 2011.
The decisive factor affecting employment in microenterprises is the high proportion of the self-employed in this group (69.6%, 1.19 million people in 2011)\(^{42}\). In small (16.6%), medium-sized (24.2%) and large enterprises (39.5%), the level of employment is approximately one-third higher than the number of persons employed.

**Industry structure of companies in Poland**

According to CSO data, 29.3% of enterprise employees in Poland work in the service sector (an increase of 2 percentage points as compared to the previous year). The share of those employed in the industry sector slightly rose (by over 4 percentage points) – from 34.6% in 2010 to 38.81% in 2011. The share of trade in employment in Poland fell over the year by 5 percentage points, from 27.2% in 2010 to 22.4% in 2011.

Employment structure by industry resembles the structure of persons employed in enterprises in Poland in 2011. The highest proportion work in services (33.6%), trade (24.9%) and industry (31.4%) (Figure 18). The industry structure of the number of employed persons is changing very slowly. The share of trade in the economy is slowly declining (decrease in the number of persons employed from 32% in 2004 to 24.9% in 2011). After a slow decline in the share of industry in economy recorded in the years 2004–2009\(^{43}\), in 2011, there was an increase in the share of persons employed in this sector (over 31%) as compared to 2004. A positive growth trend continued in the service sector – from 30.9% to 33.6% between 2004 and 2011. In case of construction, a rising trend regarding the share of persons employed in this sector to the number of persons employed in enterprises lasted until 2009, when it amounted to 12.8%, which represents an increase of 3.6 percentage points as compared to 2004. In 2011, this ratio did not change as compared to 2010 and remained at the level of 10.2%.

**Figure 18. Structure of the number of persons employed in Polish SMEs in 2011, according to PKD classification, 2007**

![Figure 18](image)

Source: Own calculations based on CSO data for 2011.

**Share of persons employed and employees by legal form of enterprise\(^{44}\)**

In 2011, the number of employees in entities run by natural persons (representing 92% of enterprises in Poland) was 3.9 million, i.e. 42.7% of the total number of persons employed in enterprises. In turn, the average number of employees in entities run by natural persons (1.7 million people) constitutes one-fourth of the total number of enterprise employees (26.2%). The vast majority (93.3%) of persons employed in entities run by natural persons are employed in small and microenterprises (3.6 million people). In 2011, one in twenty persons employed worked in medium-sized companies run by natural persons (5.4%), while one in a hundred was employed in a large company (1.2%).

The opposite trend is observed in enterprises with legal personality. Despite the small share of legal persons in the total number of enterprises (8%), these companies create jobs for more than half of all persons employed (5.2 million people).

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\(^{42}\) CSO data for 2010, based on the SP3 form. Data pertain to the number of entrepreneurs whose revenues are generated exclusively by the provision of work for another company, without incurring costs associated with work (e.g. purchase of materials, tools).

\(^{43}\) Decrease in the number of workers from 27.8% in 2004 to 25% in 2009.

\(^{44}\) CSO, data for 2010 based on SP3 form. The data pertain to the number of entrepreneurs whose revenues come solely from working for another company, without incurring any personnel costs (e.g. purchase of materials, tools).
57.3%) and the vast majority of employees (4.8 million people, 73.8%). Half of persons employed in legal entities (51.8%) work in large companies; nearly one third (27.8%) in medium-sized entities, and only one in five (21.2%) in a microenterprise or a small enterprise with legal personality.

In terms of remuneration, legal entities effectively compete with enterprises run by natural person conducting economic activity. In 2011, the average monthly salary of a person employed in an enterprise run by legal persons was PLN 4 028 and it was approximately 16% higher than an average salary in the enterprise sector (PLN 3 481). In 2011, monthly salaries of persons employed in these enterprises were on average PLN 2 000 higher. The highest average remuneration in the enterprise sector was observed in large legal entities (PLN 4 288), while the lowest in microenterprises run by natural persons (PLN 1 735). In 2011, the minimum monthly wage in Poland amounted to PLN 1 386.

**Persons employed in enterprises established after 2010**

By the end of 2012, the number of persons employed in micro, small and medium-sized enterprises registered in 2011 amounted to 443 800, among whom 68.2% were employed in companies run by natural persons conducting economic activity. The majority of persons employed in enterprises operating since 2011, in various areas of the economy, worked in trade (21.3%), construction (14.3%) and industry (12.3%) sector. The smallest number of them in jobs related to arts, entertainment and recreation (0.9%), as well as real estate activities (1.1%). The average number of persons employed per company established in 2011 was 2.1. In the group of legal entities established in the same year, employment amounted to 8.3 persons per company, which means that it was more than five times higher than the average number of persons employed in companies founded by natural persons (1.6 persons). Similar differences were observed between entities with employees and those employing only enterprise owners and their family members.

**Personnel costs in the employment structure of enterprises**

For many years, enterprises in Poland have benefited from a certain competitive advantage in relation to companies in other EU countries, namely low labour costs. In 2010, personnel costs per employee in Poland amounted to EUR 11 100 – a 13% increase as compared to 2009 (EUR 9800); consequently, in terms of personnel costs Poland currently ranks fifth from the bottom among EU countries. The highest personnel costs are observed in Norway (over EUR 60 000), followed by Denmark, the Netherlands, Belgium and Sweden (approx. EUR 50 000) (Figure 19).

**Figure 19.** Personnel costs per employee in Poland and in selected countries in 2010 (in thousands EUR) and the share of remuneration in personnel costs (in %)

![Figure 19](image)

Source: Own calculations based on Eurostat data.

From the point of view of employers, Poland is also an attractive country in terms of the share of social security costs incurred by businesses in total personnel costs. According to Eurostat data for the analysed countries, Poland is one of the

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45 Registered in REGON.

46 Creation and operation conditions, development prospects of Polish enterprises established in the years 2007-2011, CSO, Warsaw 2013.
countries where social insurance costs are below the EU average (17.1% as compared to 21%). The highest share of social security costs is observed in Sweden (30.7%), France (29.9%) and Italy (28.4%). In turn, the lowest value of this ratio is recorded in Denmark (8.8%), as well as the UK and Cyprus (below 13%).

As compared to 2009, Poland’s position in terms of the share of wages and salaries in personnel costs of enterprises has not changed significantly. In 2010, the remuneration of Polish workers accounted for 82.85% of total personnel costs (in 2009 it was 82%); thus, Poland ranks 10th among European countries, above the average (80%) for the analysed EU countries. However, the difference between Poland and the leader of the ranking – Luxembourg (86.8%) – is insignificant. The lowest share of wages in personnel costs – below 70% – is observed in Sweden.

Figure 20. Growth rate of remuneration per employee in the enterprise sector between 2003 and 2010 (2003=100%)

In countries where wages and salaries are rising rapidly, the level of personal costs incurred by businesses is low. In 2009, the economic slowdown in the EU resulted in the restrained this trend in Poland for three subsequent years. Between 2004 and 2008, the average monthly salary per employee in Poland increased by one-third (28%), with a nominal increase in the average wage in the corporate sector from PLN 2,336 to PLN 2,987 (approximately 28%). In 2008, the average annual growth of the average wage was 9.3%. Since then, in the years 2009–2011, the average annual growth rate of wages in the enterprise sector has not exceeded 6%. The situation was the result of the economic downturn and a decline in demand for labour, associated with the worsening of the economic situation and problems on the EU labour market. Taking into account the dynamics of an average wage in 2011 as compared to 2010 (5.5%), an increase was observed in all companies. During this period, the largest wage increase per employee was observed in medium-sized and large companies (an increase of 6%). The lowest increase was recorded in microenterprises (2.6%).

2.4. Financial standing and productivity of enterprises

- After a marked slowdown in 2009, the growth rate of total revenues of companies significantly accelerated in 2010 and 2011 (up to 111.2% in 2011 as compared to 2010). Prospects for 2012 are, however, quite pessimistic. The worsening economic situation indicates that a decline in revenue growth in both SMEs and large entities can be expected in 2012.

- Starting in 2003, turnover in the corporate sector almost doubled (an increase of 87.9%), and it increased by more than two-thirds (68.1%) in SMEs. This improvement allowed to exceed in 2011 the average annual revenue growth from

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47 Own calculations based on Activity of non-financial enterprises, published by the CSO in 2010–2013.
48 Unless otherwise indicated, the CSO data encompass companies that belong to sections B-J, L-N, P-S PKD 2007, Eurostat data – B-N and NACE Rev. S95. 2 (section K is covered only partially and regards insurance services, credit institutions and pension funds); the EC data (SBA Fact Sheet): B-J, L-N NACE Rev. 2.

* Data on return on assets, return on equity, liquidity and liabilities pertain only to companies keeping accounts.
in Poland between 2004 and 2012 (previous year = 100%) of growth of total revenues was observed in microenterprises (an increase of 5.7%). Prospects for the coming years are more optimistic. A clear downturn in 2012 and a strong correlation between GDP and enterprises’ revenues indicate that we can expect a clear decline in revenue growth in both SMEs and large entities in 2012.

As a result of the economic recovery in 2010 and 2011, nominal growth rate of revenues from total activity of enterprises, following a marked slowdown in 2009, accelerated significantly (up to 111.2% in 2011 as compared to 2010; an increase from PLN 3 297.4 billion to PLN 3 666.4 billion). As every year, the growth of SMEs’ revenue was lower (increase by 10.4% to PLN 2 050.3 billion from 1 857.9 billion in 2010) than in large companies (an increase of 12.3%) (Figure 21). In 2011, revenue growth was observed in all categories of companies. In SMEs, revenue growth in 2011 relative to 2010 was highest in the case of small entities (115.8%), and slightly lower in medium-sized companies (111.7%). The slowest pace of growth of total revenues was observed in microenterprises (an increase of 5.7%). Prospects for the coming years are more pessimistic. A clear downturn in 2012 and a strong correlation between GDP and enterprises’ revenues indicate that we can expect a clear decline in revenue growth in both SMEs and large entities in 2012.

Figure 21. Nominal dynamics of total revenues in the enterprise sector, in SMEs and large enterprises against GDP dynamics in Poland between 2004 and 2012 (previous year = 100%)

Source: Own calculations based on CSO data for 2004–2011 prepared for the purposes of this Report (data regarding revenue growth in 2012 are authors’ own estimations).

After 2009, which was a year of declining revenues for small and medium–sized companies or their slight increase in large entities, subsequent years brought a positive change. In 2010, economic situation improved, which translated into a better performance of enterprises; data for 2011 indicate further improvement in these entities. Since 2003, turnover in the corporate sector almost doubled (an increase of 87.9%) and it increased by more than two-thirds (68.1%) in SMEs. As a consequence of this improvement, in 2011 all categories of enterprises exceeded the average annual revenue growth of the years 2003–2011, with the most significant change in small businesses – growth rate increased by 8.7 percentage
points as compared to the value of average annual growth. Average annual growth was also clearly exceeded by medium-sized companies (an increase of 3.9 percentage points), and by large entities (an increase of 1.9 percentage points). In 2011, annual growth of microenterprises reached the level of the average annual growth recorded in the period between 2003 and 2011.

The European Commission’s data prepared for the purposes of SBA FactSheet2012 shows a significant difference between enterprises in Poland and the EU average in terms of turnover growth rate (Figure 22). According to them, the growth rate of the turnover of enterprises in Poland in the years 2005–2008 (162.1%) was significantly higher than in the EU–27 (121.9%) and in the years 2009–2013 (data for 2010–2013 are estimates), it was slightly higher (117.0% and 114.8% respectively). Available data and estimates for the years 2003–2013 indicate that the growth rate of turnover of small enterprises in Poland is three times (exactly 2.9-fold) higher than in the EU–27, two and half times higher (2.4) in micro and large enterprises and almost twice as high (1.9) in medium-sized companies. Similar trends can be observed when we analyse the value added of enterprises in Poland and the EU. This is due to the lower level of development of the Polish economy and its systematic attempts at catching up with developed countries – less developed economies generally grow at a faster pace than developed countries.

According to Eurostat data, the level of productivity of the enterprise sector in Poland measured by the results per person employed or per company, is markedly lower than the EU average. For example, Polish companies rank 21st in terms of turnover per persons employed among 26 European countries (with a score of EUR 99.800 in 2011), ahead of Croatia, Lithuania, Latvia, Romania and Bulgaria (Figure 23). According to this measure, the most productive enterprises are based in Luxembourg (EUR 555 200), Norway (EUR 25 100) and Belgium (EUR 361 100). The results of Polish companies in terms of production, value added and gross operating surplus per person employed or per enterprise are similar to other EU countries. Polish companies lag behind those from strong EU economies due to their restricted access to technologies, equipment and organizational solutions, which translate into a relatively low share of value added in total production value.

Figure 22. Dynamics of turnover per person employed in categories of enterprises by number of persons employed in Poland (dashed line) and the EU–27 (full line) in the years 2005–2013 (2005 = 100%)

Source: Own calculations based on data from SBA FactSheet2012.

Until 2008, the productivity of companies grew significantly faster in Poland than in the EU – according to the SBA FactSheet 2012, increase in the turnover of an average Polish company in 2005–2008 was 28.8%, as opposed to only 9.0% in the EU; this was reflected in the position of Polish companies in the EU ranking. However, after a period of dynamic growth in the Polish companies in 2009, as compared to 2008, there was a clear decline in turnover per person employed (according to Eurostat – by 16%); this rate was highest in the entire group of 23 EU countries for which data is available. In 2010, in relation to 2009, there was a marked improvement in all EU countries except Slovakia, where growth remained negative. In 2010, only a few countries managed to make up for their losses from 2009 in terms of turnover per person employed. Despite the fact that, as a country, Poland’s position was not particularly favourable, Polish companies did well as compared to EU enterprises; they ranked sixth in terms of the growth rate of turnover per worker (16%) in 2010 as compared to 2009.
In relation to 2008, turnover decrease per person employed in Polish companies reached 3%. In 2011, Polish companies recorded a turnover growth of 7.4%, and thus ranked 11th among 24 European countries.

Figure 23. Turnover per person employed (in 2011, in EUR thousands) and its dynamics (2010-2011) in enterprises in Poland and in selected European countries

Source: Own calculations based on Eurostat data.

The economic potential of Polish enterprises measured in this manner against the EU is not high. However, when we consider productivity not in terms of size of economic activity of companies, but in terms of results achieved in relation to outlays, the situation of Polish companies looks far better. For example, in terms of wage-adjusted labour productivity (Figure 24), according to Eurostat in 2010 Polish companies ranked sixth amongst the 27 analysed European countries, with a score of EUR 179 200, clearly ahead of such countries as Italy (EUR 126 100), Spain (EUR 131 700) or Sweden (EUR 133 600). Therefore, despite low productivity of an average person employed or an average enterprise, productivity is considerably higher in relation to wages and personnel costs; it remains the biggest competitive advantage of the Polish economy and Polish businesses as compared to other European countries.

Figure 24. Wage-adjusted labour productivity (in EUR thousands in 2010) and its dynamics (2009-2010) in enterprises in Poland and selected European countries

Source: Own calculations based on Eurostat data.

The productivity of Polish companies differs significantly depending on enterprise category, sector of the economy and the size of the company. According to CSO data, an average person employed in the enterprise sector generated in 2011 a revenue of nearly PLN 406 100 (PLN 372 200 in 2010); the highest results (PLN 586 900, that is approximately one-fifth higher) were achieved by persons employed in trade and repairs: the lowest result (over six times less, or PLN 58 100) was achieved by persons employed in other services. Clearly, the productivity of persons employed grows proportionally to the

49 UE-28 without Denmark, Greece, the Netherlands and Malta.
size of the enterprise. The productivity of an average person employed in a small or a medium-sized enterprise is almost double as compared to the productivity of a microenterprise (203% and 216% respectively), and nearly three times higher in a large enterprise (277%). In addition, the difference between large enterprises and SMEs has been steadily increasing, while differences between micro, small and medium-sized enterprises remain at a similar level.

Productivity disparities observed between SMEs and large entities indicate different rates of revenue growth per person employed between different categories of enterprises classified by size. In 2003–2011, large enterprises achieved the highest growth in revenue per person employed (an increase of 90%), with a significantly smaller increase in costs (about 84%). The second highest score was recorded by medium-sized companies (revenue increased by 64% and costs by 63%). Lower revenue growth was achieved by microenterprises (revenue increased by 48% and costs by 42%). In turn, between 2003 and 2011 small enterprises increased their average costs per person employed by 41%, while recording a 39% rise in revenues. This result – worse than the result of any other category of enterprise classified according to their size – may evidence the relatively greater difficulty of small enterprises in developing business. On the one hand, these entities have to face greater restrictions than microenterprises, to which a number of regulations do not apply. On the other hand, their potential is not large enough to deal with the imposed restrictions as easily as larger entities do.

**Figure 25.** Changes in revenues and costs per employee in Polish enterprises by size between 2003 and 2011 (2003 = 100%)
Despite the economic recovery, lower level of profitability in 2011 affected all categories of enterprises apart from large companies. Gross turnover profitability rate in this group increased slightly (i.e. from 6.2% to 6.6%) (Figure 26), exceeding the average level recorded by medium–sized companies, and it came close to the profitability of small entities. Among large companies, return on assets has also improved (an increase from 5.4% to 5.8%), as well as return on equity (increase from 10.2% to 11.1%). Just as in previous years, microenterprises proved most efficient in terms of the gross turnover profitability rate, with a result of 15.0%, which was, however, lower than the result of 2010 (16.8%). In the group of small and medium–sized companies, a decrease was observed in all profitability indicators: gross turnover, return on assets and return on equity. In the latter, gross turnover profitability rate fell slightly (from 7.6% to 7.0%), with a more noticeable decline in the value of return on assets (down from 5.6% to 2.1%) and return on equity (down from 12.1% to 5.0%). In the group of medium–sized companies, moderate declines in profitability were observed: gross turnover profitability rate (from 6.7% to 5.4%), return on assets (from 4.7% to 4.0%) and return on equity (from 9.6% to 8.5%).

Economic recovery was reflected in financial indicators. High economic growth rate in 2011 (4.5%) resulted in the release of funds accumulated in current assets of enterprises, which brought a decrease in liquidity ratios. In 2011, the lowering of the second–degree liquidity ratio, encompassing cash and cash equivalents, as well as less liquid assets, i.e. current liabilities, occurred to a similar extent in all categories of companies (Figure 28). Declines in all categories reached the level of 6.9–7.2 percentage points. Financial liquidity of companies, measured by the first–degree liquidity ratio, decreased to 39.3% (from 41.8% in 2010). Although the decline in first–degree liquidity occurred only in the category of medium–sized companies, it was significant (from 39.8% in 2010 to 33.7% in 2011). The remaining categories of companies managed liquid assets more conservatively, probably expecting an economic slowdown the following year. An increase in quick liquidity was observed in small and large companies (respectively from 40.6% to 41.5% in 2010 and from 40.0% to 41.4% in 2011).
Following the economic recovery in 2011 (an increase of 4.5% as compared to 2010), the value of short-term liabilities financing the current operation of an average company clearly (11.4%) increased, reaching the level of PLN 12.5 million. It should be noted that this increase was significantly higher than the average growth between 2006 and 2011 (6.5%). In 2010, all categories of companies recorded an increase of their short-term debt. In 2010, the lowest level of growth in this area was observed in large companies (8.9%), which represented a slight acceleration as compared to the years 2003–2010 (average annual growth of 8.3%). A more significant increase in short-term liabilities was observed in small (17.3%) and medium-sized (15.7%) enterprises, which represented a significantly higher increase as compared to the average value for the years 2006–2011 (8.0% and 6.1% respectively).

In 2011, a significant increase (by 16.1%, to PLN 6.0 million) in long-term liabilities per company was observed; in the majority of cases, these liabilities were used to finance investment activities. By far the highest increase in long-term debt in 2011 as compared to 2010 was reported in large companies (23.3%), which in comparison with an average annual increase in 2003–2010 (1.3%) meant an explosion of debt in large entities. In small and medium-sized enterprises, the increase was also significant (respectively 7.7% and 11.2%) and faster than the average growth in 2003–2010.

### 2.5. Investment of enterprises

- Capital expenditure per company in the SME sector in 2011, as compared to the previous year, increased by 13% and exceeded PLN 80 billion, with PLN 161 billion investments throughout the enterprise sector.
- Capital expenditure per company in the SME sector in 2011, as compared to the previous year, increased by PLN 4 000
Capital expenditure

In 2011, 17.2% of companies were involved in investment activities, which was 2.6 percentage points more than in the previous year. Capital expenditure in the corporate sector in 2011 amounted to PLN 161.2 billion, which represents an increase of 14% as compared to 2010. In 2003–2009, capital expenditure of large companies was higher than the capital expenditure of companies from the SME sector. A particularly significant difference in the level of investment of this category of companies was observed in 2008. In 2009, investments in the SMEs sector and in large companies decreased, as well as the difference in terms of investment levels between large companies and SMEs: from PLN 14.4 billion to PLN 5.6 billion (almost thrice). In 2010, for the first time in seven years, the value of investments of large companies was lower than the value of investments of SMEs (by approximately PLN 700 million). This trend was maintained in 2011, although the difference in the value of expenditure decreased to PLN 407 million.

The share of the SME sector in investment of the enterprise sector fluctuated in 2003–2011 between 44% and 50%, slightly exceeding 50% in the past two years. It should also be noted that the value of funds earmarked for investment activities by the SME sector is comparable to the amount spend by large enterprises. In 2011, the value of SMEs’ investment amounted to PLN 80.8 billion; in the case of large companies it was PLN 80.4 billion. As compared to the previous year, there was a 13% increase in the case of SMEs and a 14% increase in the case of large companies.

When it comes to the value of investments per company from the SME sector as compared to 2003, it increased more than twofold (from PLN 21 500 to PLN 45 400). In 2011, capital expenditure per enterprise in Poland increased by PLN 4,000 as compared to 2010. An average company increased its capital expenditure by 13.6%. The largest increase in investment was observed in the category of medium-sized enterprise (by 14.1%), followed by large (13.9%), micro (13.8%) and – at the end – small enterprises (11.1%). It is worth noting that in the case of the smallest companies, investment increased by nearly 30% as compared to 2009.

Figure 30. Total capital expenditures of the SME sector (PLN billion) and per enterprise (PLN thousand) and capital expenditure in large companies (PLN billion) in Poland between 2003 and 2011

Source: Own calculations based on Activity of non-financial enterprises in 2011, CSO 2013.
From the point of view of different categories of enterprises classified by size, large companies invested in 2011 the largest amount of funds – their investments account for approximately 50% of total capital expenditure (Figure 31). They were followed by medium-sized companies, whose expenses accounted for 20.95% of the total value of investments. Small and micro companies represented the smallest share of capital expenditure (11.63% and 17.54% respectively). It should be emphasized that the structure of capital expenditure in the enterprise sector in each category of enterprises classified by size was similar to the structure of 2010.

Among the enterprises from the Polish SME sector, those from the service sector invest most (35.4% of total capital expenditure of SMEs), followed by the industrial sector (31%). The remaining capital expenditure is incurred by companies involved in trade (16.71%) and construction (16.89%) (Figure 32). As compared to the previous year, trading companies decreased their share in total expenditure by 1.75 percentage points; changes in other sectors were insignificant.

Among large companies, the investment structure by sector is different – the largest share of capital expenditure among enterprises is observed in industry (62.38%), followed by services (26.36%), trade (9.51%) and construction (1.74%).

**Figure 31. Structure of capital expenditure in the enterprise sector by size of enterprise in 2011**

- Large: 49.31%
- Medium: 20.95%
- Small: 14.60%
- Micro: 17.74%

**Figure 32. Structure of capital expenditure in SMEs by sector in 2011**

- Industry: 25%
- Trade and repair of motor vehicles: 17%
- Manufacturing: 17%
- Services: 15%
- Construction: 11%
- Transport and邮政: 11%

Taking into account investment activities of enterprises in 2003–2011, three sub-periods can be distinguished: first – from 2003 to 2008, second – from 2008 to 2010, and third – from 2010 to the analysed 2011. It should be noted that in 2003–2008, in all categories of enterprises, the growth rate of investment activity, as compared to 2003, increased significantly – both in total and per enterprise (Figure 33). The growth rate of total expenditure in 2008 as compared to 2003 was the highest in large enterprises (212%), followed by medium-sized companies (204%), micro (198%) and small enterprises (170%). The situation of individual companies was comparable, though in this perspective microenterprises (which doubled their investments per company) ranked first, followed by medium-size (183%), large (179%) and small enterprises (134%). This positive trend began to change in 2009, when first declines in the value of investment as compared to the previous year were recorded; further reduction in investment took place in 2010. In the third period (2010–2011), a clear increase was observed in the value of both overall and per company investment in all categories of companies with the exception of microenterprises, which maintained a constant growth rate (both overall and on the per company basis) throughout the analysed period. In 2011, as compared to 2003, they increased expenditure by 280% overall and by 273% per company.
33. Dynamics of capital expenditure in Poland in categories of companies by size (left) and dynamics of capital expenditure per enterprise (right) between 2003 and 2011 (2003 = 100%)

Source: Own calculations based on CSO data prepared for the purposes of this Report.

In 2011, the value of capital expenditure represented on average 4.4% of the total revenue of enterprises, i.e. 0.1 percentage point more than in 2010. Generally, the share of capital expenditure in revenue seems to grow proportionally to enterprise size, although differences between subsequent categories of enterprises are not very significant. In microenterprises, it amounts to 3.72%, in small – 3.61%, in medium-sized – 4.39%, and in large enterprises to 4.98%. As compared to the previous year, expenditure to revenue ratio in microenterprises was 0.3 percentage point higher, whereas in medium-sized and large enterprises it was 0.1 percentage point higher. However, it decreased by 0.1 percentage point in small enterprises. Interestingly, fluctuations in the ratio of expenditure to revenue were visible in small, medium-sized and large enterprises in the reporting period. Only microenterprises systematically increased their share of capital expenditure in relation to revenue.

Figure 34. Average capital expenditure in the revenue of enterprises by size in %

Source: Own calculations based on CSO data prepared for the purposes of this Report.

The largest share of capital expenditure in total revenue in observed in enterprises providing services – 8%, followed by those from the construction sector (5.42%) and industry (5.19%); the lowest share of capital expenditure in revenue is recorded in trade companies (1.61%).

Investment activities of enterprises in selected European countries in 2010

Compared to other countries, investment in fixed assets of an average company in Poland (EUR 23 400) are much lower than the value of investments of its counterparts from more developed European countries: Switzerland (EUR 248 230),
Norway (EUR 116,960), Austria (EUR 104,510) or even Latvia (EUR 29,290), Croatia (EUR 30,320) and Spain (EUR 31,520). In terms of fixed assets per enterprise, Poland ranks 19th among EU countries, ahead of Lithuania (EUR 22,930), Portugal (EUR 21,440), Bulgaria (EUR 20,900), Hungary (EUR 19,700) and the Czech Republic (EUR 19,650) (Figure 35). It should be noted that the previous year, i.e. in 2009, only Hungary scored lower than Poland. In 2010, Poland was one of the few countries (Norway, Ireland, Germany, UK, Sweden, Romania, Cyprus, Italy, and Spain) where an investment in fixed assets per enterprise increased as compared to 2009. Despite an increased level of capital expenditure of enterprises in the above countries in 2010, they remain lower than the results of 2008 – on average by 31% for all the countries in question. Poland was one of those countries (together with Norway, Austria, Ireland, Germany, Sweden, Cyprus, Hungary and the Czech Republic) where a decline in expenditure observed in 2010 as compared to 2008 – the year of the largest economic downturn in the euro zone and in the U.S. – was less than 20%. The list of countries with the largest decrease in capital expenditure as compared to 2008 includes Slovakia (86%), Latvia (64%), Bulgaria (54%), Slovenia (45%), Luxembourg (44%), Estonia (43%) and Croatia (43%). Italy was the only country where capital expenditure per company increased as compared to 2008 (6%).

**Figure 35.** Investment in fixed assets per enterprise (in EUR thousand) and its dynamics in Poland and in selected countries (2008=100)

![Investment in fixed assets per enterprise (in EUR thousand) and its dynamics in Poland and in selected countries (2008=100)](image)

*Source: Own calculations based Eurostat data for 2008–2010.*

**Sources of investment financing**

In 2011, as in previous years, the dominant source of financing investment for Polish SMEs were own funds – they represented 63.4%. They were followed by domestic loans (17.5%) and foreign sources of funding (9%). Significantly less important were budgetary funds – 3.6%, other sources – 5.3% and unfunded capital expenditure – 1.2% (Figure 36).

The larger the company, the greater the share of own resources in financing investment (small enterprises – 59.44%, medium-sized – 65.58%, and large – 73.72%) – this rule is determined by the economic potential of each type of enterprise. Large companies benefit most from domestic budgetary resources (4.72%), followed by medium-sized (3.68%) and small enterprises (3.34%); this means that large companies use public funds more often than small enterprises, even though the scale of investment in large companies is greater. In turn, small businesses are a leader

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50 Eurostat data (2010): B-N and S 95 NACE Rev. 2. Data are not available for all EU countries.

The most significant changes in the structure of financing investment, as compared to 2010, were observed in small and large enterprises. In 2011, small businesses financed investments rather with loans facilities (an increase by 2.16 percentage points) than with foreign funds (a decrease of 3.53 percentage points). At the same time, the share of other sources in their financing structure increased (by 2.52 percentage points). To a greater extent than in the previous year, large companies used their own resources (an increase of 2.34 percentage points) renouncing domestic loan facilities (a decrease of 2.38 percentage points) and using other sources to a greater extent (an increase of 2.83 percentage points).

**Figure 36. Sources of financing capital expenditure in 2011 in the SME sector (without microenterprises)**

![Bar chart showing sources of financing capital expenditure in 2011 in the SME sector.]

Source: Own calculations based on CSO data prepared for the purposes of this Report.

**Structure of expenditure by group of fixed assets**

The structure of capital expenditure of SMEs by groups of fixed assets in 2011 was comparable to the structure observed in 2010. The major part of capital expenditure of SMEs (50.8%) is investment in real estate. Approximately one third is spent on machinery and equipment (30.9%), with a noticeable downward trend (down from 44.4% in 2006). In the case of other groups of fixed assets, it is difficult to identify any clear trends.

**Figure 37. Structure of capital expenditure of SMEs by group of fixed assets in 2011**

![Bar chart showing structure of capital expenditure of SMEs by group of fixed assets in 2011.]

Source: Own calculations based on CSO data prepared for the purposes of this Report.

The smaller the company, the greater the share of expenditure on buildings and structures (microenterprises – 54.6%, small – 62.1%, medium-sized – 41.0%, large – 39.9%) and transport equipment (microenterprises – 23.7%, small – 11.1%, medium-sized – 18.0%, large – 9.0%). This tendency can be accounted for by the lesser economic potential of small entities and the scale of expenditure associated with such investments. For this reason, smaller companies can invest relatively less
in machinery and equipment (microenterprises – 21.7%, small – 25.6%, medium-sized – 40.5% and large – 49.9%), which results in their under-investment in technology.

2.6. Conclusions

The level of entrepreneurship in Poland is relatively high. The country ranks fourth in the EU in terms of entrepreneurship measured as the percentage of entrepreneurs in total employment (18% for Poland against the EU average of 14%). The entrepreneurship rate defined as the share of adults who have started a business or are taking steps to do so is 25% in Poland, against the EU average of 23%. In addition, in terms of the number of enterprises, the Polish economy ranks sixth in the EU – according to Eurostat data, there are 1.52 million enterprises in Poland (the CSO estimates this number at 1.78 million based on slightly different measures). Moreover, the number of Polish enterprises is systematically increasing. Until 2008, the number of companies had been rapidly growing, although the economic downturn in 2009 resulted in a significant (6%) decline. In 2010 and 2011, the number of actively operating companies increased again (by 3.2% in 2010 and by 3.4% in 2011).

New enterprises do not cease to appear. Over the past ten years, newly established enterprises outnumbered those that were liquidated. In 2012 alone, approximately 518 000 new enterprises were registered, which represented an increase of nearly 27% as compared to the previous year, while the number of liquidated enterprises (311 000) was approximately 25% lower than in 2011.

Compared to the EU average, the SME sector in Poland is increasingly dominated by microenterprises, while the share of small enterprises is about half that of the EU. The share of microenterprises in the total number of companies in Poland is 95.9% (in the EU it is 92.5%). The share of small enterprises in the total number of SMEs in Poland (3.1%) is about half of the EU average (6.2%), while the share of medium-sized companies is close to the EU average (0.9% – Poland, 1.0% – the EU).

The majority (92.1%) of all businesses in the SME sector are natural persons conducting economic activity. Legal persons and entities without legal personality represent 7.9% of small and medium-sized enterprises. Polish SMEs operate primarily in services and trade (76%), less often in construction (13.4%) and industry (10.6%).

From the point of view of the distance between Poland and the most developed countries, the enterprise sector generated a relatively small part of the gross domestic product; the structure of the GDP generation is also unsatisfactory. According to Eurostat data, the share of the enterprise sector in Polish GDP (46.9% in 2010) is slightly lower than the EU average (48.3%); what is more, Poland’s results in 2010 decreased and the gross value added generated by a typical enterprise or an employee of the enterprise sector remains one of the lowest in the EU. According to the Central Statistical Office, in 2011 Polish companies generated 71.8% of total GDP, which was 0.5 percentage point less than in 2009 – the year of a considerable economic downturn. The smallest companies generate every third zloty (29.4%), while medium-sized entities one in ten zlotys (10.1%) and small enterprises one in thirteen zlotys (7.8%). It is worth noting that the share of medium-sized and large companies in the generation of Polish GDP has been increasing, while the share of micro and small enterprises has been diminishing.

The impact of the economic boom of 2010 and 2011 on the corporate sector had a minor impact on the situation in the labour market. In 2005–2008, both in Poland and in the EU, a fairly rapid growth in the labour market was observed, and in 2009 and 2010 the demand for labour fell for the first time in the period between 2003 and 2010. This was reflected in 2009 with a clear decrease in the number of persons employed (by approximately 430 000, i.e. 3.9%) and of employees (by approximately 185 000, i.e. 2.8%), and – in 2010 – by a further reduction in the number of wage earners (employment decline of 0.9%), with a small rise in the number of self-employed owners (0.3% increase in employment). In 2011, the downward trend was halted – according to the CSO, the number of workers in the enterprise sector rose by 1.9% and employment by 1.5%. Poland’s results in this area were slightly better than the EU average – according to Eurostat, the number of persons employed in Poland rose in 2011 by 0.1%, against a decline of 0.3% on average for 25 European countries.

According to the CSO data for 2011, the number of persons employed in enterprises in Poland amounted to 9 million, of whom 6.3 million (70.2%) worked in the SME sector. On the other hand, the number of employees in enterprises in the same year amounted to nearly 6.6 million people, including 3.9 million (60.5% of enterprises) in the SME sector. Microenterprises run by natural persons and large companies created by legal persons are the largest employers

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in Poland. Taken together, they create jobs for more than 5.7 million people among the total number of 9 million people working in enterprises.

The number of persons employed in newly established micro, small and medium-sized enterprises (registered in REGON) amounted to 443,800 at the end of 2011. 68.2% of them were employed in enterprises run by natural persons.

In terms of the average number of persons employed and employees, enterprises in Poland are smaller than their counterparts from EU countries. According to Eurostat data, an average Polish enterprise employs 4.5 persons, ranking 18th among 27 European countries with an average of 5.3. This situation does not change significantly when measurement is based on the average number of persons employed per company. With an average of 5.7 persons employed per enterprise, Polish companies rank 15th among the analysed countries, where the average number of persons employed per enterprise is 6.1. As compared to 2009, the average number of employees and persons employed in Polish enterprises has decreased (from 4.7 and 5.8 respectively). Poland also ranks 2nd in terms of self-employment (with a score of 1.2), calculated as the difference between the number of persons employed and employees, while the EU average is 0.8.

For many years, companies in Poland have benefitted from their competitive advantage in relation to companies from other EU countries, namely low labour costs. In 2009, Poland ranked first among the 28 analysed European countries with a score of 13.3% (against the EU average of 22.1%) in terms of the share of personnel costs in production costs; just as in the remaining 27 EU countries, in 2010 this value decreased in Poland, although less than in other countries. In addition, in terms of personnel costs per employee—EUR 11,000—Poland ranked 5th among the countries with the lowest personnel costs in the EU–28; however, this value increased significantly in 2010. Poland remains an attractive country for employers in terms of the share of social security costs in personnel costs. The value of this indicator for Poland (19.0%) is the 6th lowest in the EU.

As a result of the economic recovery in 2010–2011, the financial situation of enterprises clearly improved. After the slowdown in 2009, the nominal growth rate of revenues from total activity of enterprises significantly accelerated (up to 111.2% in 2011). Revenue growth in SMEs was lower (by 10.4%) than in large companies (an increase of 12.3%). Since 2003, turnover in the enterprise sector had nearly doubled (an increase of 87.9%), and rose by more than two-thirds (68.1%) in SMEs. In addition, the growth rate of turnover in small enterprises in Poland is three times (2.9-fold) higher than in the EU–27; in micro and large enterprises, it is two and half times higher (2.4-fold), and in medium-sized companies it is twice as high (1.9). Forecasts for the coming years are, however, more pessimistic. Due to the economic downturn in 2012, a decline in revenue growth can be expected for that year.

Productivity of the enterprise sector in Poland, measured by results per person employed or per enterprise is markedly lower than the EU average. Polish enterprises rank 21st in term of turnover per person employed among 26 European countries (with EUR 99,800 in 2011). The results of Polish enterprises are similar in terms of production, value added and gross operating surplus. Until 2008, the productivity of companies in Poland grew significantly faster than in the EU—between 2005 and 2008 the turnover of average company in Poland grew by 28.8% against 9.0% in the EU. However, after this period, in 2009 Polish companies recorded a significant decline in turnover per person employed (by approximately 16%)—the highest among 23 EU countries for which data is available. In 2010, Polish enterprises ranked 6th in the EU in terms of the growth rate of turnover per person employed (16%).

When we consider productivity not in terms of the size of the economic activity of companies, but results achieved in relation to expenditure, the situation of Polish companies looks far better. According to Eurostat, in terms of wage-adjusted productivity, in 2010 Polish companies ranked sixth amongst the 27 analysed European countries, with a score of EUR 179,200 and clearly ahead of such countries as Italy (EUR 126,100), Spain (EUR 131,700) or Sweden (EUR 133,600). The level of productivity expressed as gross value added per EUR 1 of remuneration (1st place among 29 EU countries), or per EUR 1 of personnel costs (3rd place) is also high. Therefore, despite low productivity per person employed or per enterprise, productivity is considerably higher in relation to the level of wages and personnel costs and remains the biggest competitive advantage of the Polish economy and Polish businesses as compared to other European countries.

After the years 2009–2010, when investment activities of the enterprise sector were affected by the deteriorating economic situation, a visible upswing took place in 2011. Capital expenditure of enterprises increased in 2011 to PLN 161.2 billion (i.e. by 14%) and the number of companies engaged in investment activities increased to 17.2% (i.e. by 2.6 percentage points). It should be emphasized that the amount of funds earmarked for investment activities in the SME sector is comparable to the value of investments made by large enterprises. SMEs’ investment in 2011 amounted to PLN 80.8 billion, while the total value of investment of large companies was PLN 80.4 billion; there was a 13% increase in the case of SMEs and a 14% increase among large firms as compared to the previous year.
An average company increased its capital expenditure to an extent similar to the figure for all enterprises (13.6%). The largest increase in expenditure was observed in an average medium-sized enterprise (spending increased by 14.1%), followed by large (up 13.9%), micro (up 13.8%) and small enterprises (11.1%). In the case of the smallest companies, capital expenditure increased by nearly 30% as compared to 2009. SMEs allocated the major part of capital expenditure (50.8%) on investments in buildings and structures, as well as machinery and equipment (30.9%). Two-thirds (63.4%) of SME capital expenditure was financed by own funds, and 17.5% by domestic loans.

As compared to other European countries, investment activity of Polish companies remains insufficient in terms of productivity and development needs. Investments in fixed assets made by an average Polish company (EUR 23 400) are much lower as compared to more developed European countries; they are more than ten times lower than the value of investment of Switzerland – the leader in this field (EUR 248 200) and amount to less than half of those of Romania (EUR 48 300). In terms of fixed assets per enterprise, Poland is ahead of Lithuania (EUR 22 930), Portugal (EUR 21 400), Bulgaria (EUR 20 900), Hungary (EUR 19 700) and the Czech Republic (EUR 19 650). It should be noted that in the previous year, i.e. in 2009, only Hungary recorded a poorer result than Poland. In 2010, Poland was part of a small group of countries (Norway, Ireland, Germany, UK, Sweden, Romania, Cyprus, Italy, and Spain), where an increase of investment in fixed assets per enterprise was observed as compared to 2009.

Finally, it should be emphasized that the development level of Polish companies is much lower as compared to other European countries. This is evidenced by the relatively low number of persons employed and employees, low productivity expressed by gross value added per person employed or per company, as well as the scale of operations in terms of average turnover and their insufficient presence in foreign markets. Inefficiency does not seem to be the problem of Polish enterprises. This is evidenced by the high level of productivity expressed as results in relation to expenditure, including gross value added per EUR 1 of remuneration (1st place among 29 European countries) or EUR 1 of personnel costs (3rd place). What seems to be the problem from the point of view of the development of companies in Poland is access to resources, in particular financial resources, adequate human resources and technological equipment which are particularly important for promoting the economic potential of Polish enterprises.

In the long run, Polish enterprises grow slightly faster than EU average and significantly faster than their counterparts from Western Europe. After the dynamic growth observed until 2008, a significant slowdown took place in 2009 (in terms of basic growth categories) and – in some cases – even return to the level from several years before the crisis. In 2010 and 2011, Polish companies recorded a clear upswing and a higher growth than the EU average, recorded in virtually all areas of activity apart from the labour market. Nevertheless, development activities of Polish companies, including investments and R & D, are less significant than the EU average, although they are steadily expanding. These positive developments should continue even after the business climate in the EU improve and European companies embrace investment in development on a greater scale than at present.
Chapter 4. Internationalisation of the Polish economy and long-term trends*

Jacek Łapiński

In absolute terms, Poland’s economy is poorly internationalised. Foreign trade value per capita is relatively low – according to the latest available data, it amounted to EUR 8,900 in 2009; thus, Poland ranks 31st among OECD countries. According to the WTO, the total value of exports of goods from Poland in 2012 (USD 183.4 billion) accounted for a fraction of the global value of trade in goods (1.0%) and was slightly lower than the value of imports (USD 196 billion, 1.05%). Similarly, the share of Polish exports (USD 37.8 billion, 0.87%) and imports of commercial services (USD 31.5 billion, 0.76%) accounted for a small proportion of trade. These poor results are due to the relatively low level of development of the Polish economy. However, when considering the level of internationalisation of Polish economy from the point of view of the relation of foreign trade to GDP (83.9% in Poland in 2010) as compared to countries of a similar size, Poland’s results are comparable to those of Germany (86.9%) and clearly better than those of Spain (54.7%) and France (53.3%); they are significantly worse than the results of Hungary (165.6%) and Slovakia (162.7%)52.

The level of internationalisation of the Polish economy seems to be growing steadily – according to OECD data, there has been a clear increase in per capita trade (from USD 800 in 1990 to USD 8,900 in 2009), Poland’s share in global exports (from 0.38% in 1990 to 1.07% in 2008) and the ratio of foreign trade to GDP (from 45.9% in 1990 to 83.9% in 2010). According to Eurostat, Poland has ranked 4th in the EU in terms of export dynamics since 2007. Between 2003 and 2012, this value was 308.0%, second only to Latvia, Slovakia and Lithuania. However, these countries are much smaller than Poland and naturally they are also more internationalised. The growth of Polish exports is also evidenced by the fact that nearly over the entire 1990–2008 period, the growth rate remained at a level that exceeded the growth rate of imports of the rest of the world – the so-called OECD export performance index for Poland amounted to 1.06% and was the same as, for instance, the index of Norway (1.06%).

![Figure 1. Dynamics of exports in Poland and the other EU countries in 2000–2012 (2000 = 100%) (in %)](source: Own calculations based on Eurostat data.)

52 According to the OECD data (http://stat.oecd.org)

* In this chapter, data on export and import of Polish enterprises relates to products. They do not include services.
Foreign trade of Polish enterprises against the background of the economic situation

The dynamics of Polish exports, and consequently also the pace of internationalisation of the Polish economy, due to its strong focus on Europe, is strongly correlated with GDP dynamics in the European Union (Figure 2). Consequently, due to the economic downturn in the EU in 2012 (GDP decline of 0.4% as compared to 2011), the Polish export dynamics slowed down – according to Eurostat, its growth rate declined from 7.3% in 2011 to 3.1% in 2012. Inflation-adjusted export growth in 2012 was also markedly lower than in 2010 (15.2%) and 2011 (7.3%), but significantly higher than in 2009, when exports collapsed (a decrease of 9.5%). It should be emphasized that this increase was not homogeneous across different categories of enterprises. According to the CSO, the nominal increase of exports in 2012 was significantly higher in SMEs (13.5%) than in large enterprises (3.6%). After a period of stagnation in 2008 and 2009, the SME sector rapidly increased its turnover from exports – in 2010, nominal growth was 13.3% and in 2011 – 15.5%. Micro enterprises increased their exports in nominal terms by over a quarter (26.5%), small companies by more than one-sixth (16.2%), and medium-sized by approximately 9%.

Figure 2. Real dynamics of exports in Poland against the real GDP dynamics in the EU in the years 2003–2012 (in %)

Source: Own calculations based on Eurostat data (previous year = 100%).

Due to their strong dependence on exports, imports into Poland are characterized by a strong geographical concentration in the EU countries. This concentration determines a strong correlation between the dynamics of exports and imports (mainly from the EU) and the GDP growth in Poland. Therefore, a significant decrease of the Polish economic growth rate – from 4.5% in 2011 to 1.9% in 2012 – and of demand, especially in terms of investment demand, resulted in a decrease in the imports dynamics (from 104.8% in 2011 to 97.0% in 2012). In 2012, the Polish import growth rate fell to its lowest level since 2003, apart from the collapse in 2009, when imports declined by one-sixth (16.4%) as compared to 2008. CSO data shows that, as opposed to exports, the nominal growth rate for imports was significantly lower in SMEs (98.3%) than in large companies (103.9%). This deterioration in 2012 occurred after the rapid growth of imports in 2010 and 2011, both in SMEs (13.1% and 20.1%) and in large enterprises (20.2% and 17.4%).

Figure 3. Real dynamics of imports and exports (left axis) against the real dynamics of GDP (right axis) in Poland between 2003 and 2012 (in %)

Source: Own calculations based on Eurostat data (previous year = 100%).
The extent and pace of internationalisation of economies is determined by the number of companies interested in internationalising their business through exports or imports. Unfortunately, Polish companies rarely decide to undertake export activities and the number of Polish exporters is relatively low. According to estimates based on CSO data for 2011, among the entire population of Polish enterprises, only 3.9% of companies (77 100 in 2012) conducted export activities. This result for the enterprise sector is clearly lowered by micro enterprises, among which only one in forty (or 2.6%) sells its products abroad (49 600 in 2012). The remaining groups perform better. Export activities are conducted by slightly more than a quarter of small enterprises (28.6%, or 17 100 in 2012), by one in two medium-sized enterprises (45%, or 7,300 in 2012) and two out of three large enterprises – 66.9% (2 200 in 2012). The share of enterprises engaged in exports in between 2007 and 2012 has been growing, albeit not steadily.

Similar estimates regarding importers indicate that their number and percentage are significantly higher as compared to exporters, although the value remains a one-digit number. In 2011, the percentage of companies engaged in import operations was 7.1% (126 800 in 2012). Just as in the case of exports, by far the smallest proportion of importers is recorded among micro enterprises: only one in eighteen micro enterprises imported goods from abroad (5.4%, 92 700). Large entities engage in imports more frequently. Import activities are conducted by more than one third of all small business (39.2%, 21 600), more than every other medium-sized enterprise (57.3%, 9 000) and almost all large companies (89.1%, 2 800). Just as in the case of exports, an upward trend has also been observed in the number of importers: in 2007, 6% of enterprises imported goods from abroad, whereas in 2012 their percentage rose to 7.1.

Table 1. Percentage of Polish exporters and importers between 2007 and 2013

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<td>3.3%</td>
<td>3.6%</td>
<td>3.5%</td>
<td>3.9%</td>
</tr>
<tr>
<td>0-9</td>
<td>2.2%</td>
<td>1.8%</td>
<td>2.1%</td>
<td>2.0%</td>
<td>2.6%</td>
</tr>
<tr>
<td>10-49</td>
<td>28.4%</td>
<td>32.0%</td>
<td>32.1%</td>
<td>32.4%</td>
<td>28.6%</td>
</tr>
<tr>
<td>50-249</td>
<td>43.9%</td>
<td>47.7%</td>
<td>48.6%</td>
<td>47.5%</td>
<td>45.0%</td>
</tr>
<tr>
<td>&gt; 249</td>
<td>64.3%</td>
<td>69.1%</td>
<td>66.1%</td>
<td>66.3%</td>
<td>66.9%</td>
</tr>
</tbody>
</table>

Source: Own calculations based on CSO data prepared for the purposes of this Report and Activity of non-financial enterprises in 2011 and its previous editions.

The above data indicate that, overall, Polish companies that decide to internationalise their activities, most often decide to do it in the simplest form, that is, by importing goods from the EU. The number of Polish enterprises importing goods from EU countries (112 500 in 2012) is twice as high as the number of enterprises exporting their products to the EU markets (56 400 in 2012). This is clearly the easiest and least risky manner in which to undertake international cooperation. However, certain trends indicating the growing importance of non-EU markets in imports are observed. While the difference between the number of EU importers and exporters to the EU – despite fluctuations – has remained significant for a number of years, in the case of non-EU markets this difference seems to be fading. In the case of foreign trade with countries outside of the EU,

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53 This value is approximate due to the different methodology of collecting data regarding the number of exporters and the total number of enterprises. The proportion of exporting companies was calculated by the ratio of the number of exporters developed by the CSO for the purposes of this publication, presenting the total number of enterprises to the number of non-financial enterprises, published by the CSO in Activity of non-financial enterprises in 2011 and in its previous editions.
the number of companies that exported their goods from Poland in 2012 (35 200) was comparable to the number of Polish importers (35 500) (Figure 4).

**Figure 4.** Number of Polish importers from the EU and outside the EU and the number of exporters to the EU and outside the EU between 2007 and 2013 (in thousands)

Due to the fact that importing is simpler and less risky than exporting, the main difference between Polish importers and exporters is a larger share of micro enterprises and a smaller share of other categories of enterprises, namely small, medium-sized and large in importing (Figure 5). Micro-enterprises represent 70.7% of importers from the EU and 61.9% of non-EU importers, as well as 62.3% of exporters to the EU and 53.9% of enterprises exporting to countries outside the EU. This is due to the fact that the exports require access to more substantial financial and human resources; in many cases, it involves long-term investment, as finding customers or clients abroad is much more expensive than domestically. Imports, in turn, can be performed more easily and more often on an ad hoc basis, depending on the emerging sales opportunities. It is often part of a longer supply chain of large enterprises.

**Figure 5.** Structure of the number of importers (left) and exporters (right) according to geographical directions: EU (inner) and non-EU (outer) in 2012

Polish companies are more willing to undertake export activities to EU countries than to non-EU countries. In 2011, 3.0% (56 400 in 2012) of Polish companies decided to export goods to EU markets, and 1.7% (35 200 in 2012) to non-EU countries. Among SMEs, this percentage is slightly lower – 2.8% of them export to EU markets and 1.6% outside the EU. As compared to other EU countries, the share of Polish exporters is rather low. The share of exporters among Polish enterprises is considerably smaller than in other European countries. According to Eurostat data for 2010, the proportion of Polish
exporters to the EU was 3.4%, while of those exporting outside the EU – 1.7%, representing respectively the 3rd and 5th lowest positions among 21 EU countries\textsuperscript{54}.

The number of exporters in each category of enterprises by number of employees has been subject to significant fluctuations over the years, which in the case of micro and small businesses is difficult to explain in terms of both scale and direction of change. For example, the number of small exporters significantly increased in 2008 (by 35%), followed by a decline in 2009 (by 7.1%) and an increase in 2010 (by 5.6%). In 2011, the number of small exporters declined (by 7.7%). The opposite trend was observed among micro enterprises (Figure 6). These fluctuations may indicate the presence of less stable micro and small enterprises in foreign markets as compared to medium and large exporters, whose number is not subject to so many changes.

\textbf{Figure 6.} Growth rate in the number of exporters in Poland between 2007 and 2012 in individual categories of enterprises by number of persons employed (2007=100%)

Just as in the case of the number of importers and exporters, the ratio of imports to exports evidences that imports surpass exports, although the two figures are slowly equalizing. While in 2007, the ratio of imports to exports amounted to 84.6%; in 2012 it reached 93.1%, which indicates a favourable trend in the internationalisation of Polish companies. In turn, the geographical structure of foreign trade indicates a slightly reduced focus on the EU in the case of imports as compared to exports. EU countries account for nearly two-thirds of imports (67.7%), one-third are imports to other countries (32.3%), while in the case of exports, the difference is greater: three-quarters (76.0%) are exports to EU countries, against one-fourth (24.0%) of exports outside the EU. Both variables – imports from the EU and outside the EU and exports to the EU and outside the EU – evidence a slow increase in the importance of non-European markets – the share of non-EU markets in Polish imports increased from 27.0% in 2007 to 32.3% in 2012, while exports increased from 21.1% to 24.0%.

\textsuperscript{54} EU-28 countries apart from Belgium, Croatia, Greece, Ireland, Italy, Malta and the Netherlands.
It is worth noting that the value of imports of micro and small enterprises is greater in the case of trade with EU countries than non–EU countries. The value of goods imported by the smallest enterprises accounted for 7.7% of total imports from the EU and 5.5% of imports from outside the EU and, in the case of small companies, it was 14.5% and 8.1% respectively. In turn, exports of micro and small enterprises is more oriented towards countries outside the EU – the share of microenterprises in exports to the EU amounted to 4.5% and to 6.6% outside the EU; in the case of small businesses, it was 7.8% and 8.4% respectively. This may be due to the fact that it is easier to import from the EU than from outside the EU, while the opposite is true in the case of exports. EU markets are characterized by fierce competition, on average greater than outside the EU, making it harder for small enterprises to be successful. Therefore, imports from outside the EU, as compared to imports from the EU, are more dominated by large companies (66.2% of total imports), as well as exports outside the EU (56.6%), although to a lesser extent. This is due to the fact that even large Polish companies find it difficult to succeed in EU markets.

According to the CSO data prepared for the purposes of this report, in 2012, an average Polish exporter sold abroad goods with a total value of PLN 7.8 million, while in the case of SMEs it was PLN 2.5 million. In relation to other groups of companies, the value of exports of an average micro exporter is rather low and amounts to PLN 0.6 million. The turnover value generated through exports by an average small exporter was nearly five times higher (PLN 2.8 million); this value was twenty-three times higher in the case of medium-sized entrepreneurs (14.1 million PLN) and two hundred fifty-eight times higher in the case of large companies (PLN 156.8 million). According to Eurostat data for 2010, the average turnover
generated an average Polish exporter through trade with the EU by (EUR 1.9 million, EUR 0.6 million in the case of SMEs) is slightly lower (9%) than the average for the EU-25\textsuperscript{15} (EUR 2.1 million; EUR 1.0 million in the case of SMEs). The results of companies exporting outside the EU are clearly lower – turnover generated through trade with countries outside the EU by an average Polish exporter (EUR 1.0 million, EUR 0.3 million for SMEs) are much lower (by 46%) than for the EU-25 (EUR 1.8 million, 0.8 million in the case of SMEs).

Between 2007 and 2012, an average Polish exporter recorded a stable, although limited increase in the value of exports (on average 3.9% annually), which was mainly due to the poor economic situation in the countries of the European Union. Clear differences are visible when we consider groups of companies classified according to the number of employees. In the same period, similar increases of export revenues were reached by small, medium and large companies – their growth amounted to 30–36%. Only in 2008, and in the case of medium-sized companies also in 2009, these enterprises experienced declines in the value of turnover generated through exports (small enterprises by 23%, medium-sized by 9% and large by 4%). In the years 2007–2012, micro enterprises reported poorer results (3% increase in exports in the period 2007–2012), with higher increases only in 2010 and 2008 (by 12.8% and 7.5%), which, however, strongly declined in 2011 (12.9%).

The volatility of the value of exports per exporter in Poland indicates a relatively high unsteadiness of export activities of enterprises; this is particularly true in the case of micro and small businesses, as opposed to medium-sized and large enterprises. When analysing the data, one should bear in mind that these fluctuations were also compounded by the economic crisis. Despite this, in the period between 2007 and 2012, in all groups of enterprises apart from micro enterprises, the value of exports per exporter was rising. Interestingly, in 2007–2012, the value of export growth of an average exporter was inversely proportional to the size of the company. In the case of exports to the EU, micro enterprises recorded in this period an increase of 11.2%, small entities – by 7.6%, medium-sized – by 7.9% and large by 4.1%; in the case of exports outside the EU, these values were 17.8%, 13.3%, 9.2% and 7.7% respectively.

Polish companies generate a relatively high proportion of their revenue through exports. According to calculations based on the CSO data, 15.2% of revenues of in 2011 were generated through exports. The lowest value of this ratio is observed among micro enterprises (3.1%); significantly (2.5 times) more is generated by small enterprises (8.0%). In the case of medium-sized enterprises, it is 4 times more (12.3%) and 6.5 times more (20.2%) in large companies. As compared to other EU countries, these values seem high. According to calculations based on the Eurostat data, the share of turnover generated through exports in total turnover of all Polish enterprises in 2010 was about one-quarter higher than in the EU56 (25.8% difference). The share of exports in the revenue of large Polish companies was 52.6% larger as compared to large European enterprises. Small and medium-sized companies also performed above the EU average (by 23.3% and 12.6% respectively). The

\textsuperscript{15} EU-28 countries apart from Belgium, Croatia and Ireland.
\textsuperscript{16} EU-28 without Belgium, Croatia, Greece, Ireland, Italy, Malta and the Netherlands.
The performance of micro enterprises was clearly weakest as compared to EU companies; their result was 49% lower than the EU average.

**Table 2.** Share of exports in revenue generated through the sale of products, goods and materials in subsequent categories of enterprises per number of workers in 2007–2013

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>0–9</th>
<th>10–49</th>
<th>50–249</th>
<th>&gt; 249</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>13.4%</td>
<td>3.3%</td>
<td>7.3%</td>
<td>10.8%</td>
<td>20.3%</td>
</tr>
<tr>
<td>2008</td>
<td>13.1%</td>
<td>3.0%</td>
<td>6.4%</td>
<td>10.4%</td>
<td>19.1%</td>
</tr>
<tr>
<td>2009</td>
<td>13.7%</td>
<td>2.9%</td>
<td>7.6%</td>
<td>10.7%</td>
<td>18.8%</td>
</tr>
<tr>
<td>2010</td>
<td>14.6%</td>
<td>3.2%</td>
<td>8.4%</td>
<td>11.3%</td>
<td>19.1%</td>
</tr>
<tr>
<td>2011</td>
<td>15.2%</td>
<td>3.1%</td>
<td>8.0%</td>
<td>12.3%</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

Source: Own calculations based on CSO data prepared for the purposes of this Report and the publication entitled *Activity of non-financial enterprises in 2011* and its previous editions.

In turn, CSO data for 2011 show that among 50 500 companies employing more than 9 persons (entities submitting F-01 financial reports), the share of revenue from exports in total turnover (revenues generated through the sale of products, goods and materials) was one-fifth (20%). The highest turnover from exports is generated by businesses conducting other service activities (Section S – 59%), while the lowest by entities involved in arts, entertainment and recreation (Section R – 1%). The share of exports in the turnover of the largest section, C – *Manufacturing*, reaches the level of 44%. The data also shows that, as a general rule, the size of a company is proportionate to the share of exports in its turnover. Therefore, small enterprises generate only 8.5% of turnover through exports, medium-sized entities – 15.3%, and large – 25.3%. This rule, however, does not always apply. In the case of a significant number of NACE sections – for example, E, F, G, H, J, Q – turnover generated through exports by medium-sized entities is higher than the value generated by large enterprises.

The vast majority of products (and services) exported by Polish companies are manufactured, at least partially, by these companies themselves. The sale of goods (finished products, semi-finished products and services) accounts for as much as 80.1% of revenues that Polish companies generate through the sale of goods and materials. It is supplemented by the sale of goods and materials. Naturally, the largest share of products in the value of generated revenues is observed in service enterprises (96.8%) and construction companies (92.1%), slightly lesser – in industrial companies (86.2%); by far, the smallest percentage is observed in trade companies (16.5%). It is worth noting that larger undertakings focus more on the sale of their products, and to a lesser extent on trading in commodities produced by other enterprises. Thus, the highest share of revenue generated through the sales of products is observed in large companies (83.6%), followed by medium-sized (76.3%) and small entities (53.4%).

Industry plays a much smaller, while trade a greater role in imports as compared to exports. In 2012, industrial companies generated half of the total value of Polish imports (51.7%), and more than two-thirds of the value of exports (70%). Trading companies, in turn, accounted for one-third (33.3%) of the value of goods imported into Poland; they represented one-seventh (14%) of the total value of exports. This is due to the fact that industrial companies mainly export finished products or semi-finished products, while imports are merely complementary to domestic purchases and support production with better quality or cheaper materials than those available in the country. On the other hand, in the case of trade companies, selling goods imported from abroad can constitute an essential part of their business. Other sectors of the economy are of minor importance to Polish imports – the share of services in imports is estimated at 2.8%, as compared to 0.6% in the case of construction; as for exports, these values are 0.4% and 1.5% respectively.

### Export and import specialisation of Polish enterprises

Polish exports are dominated by specialised exporters, half (51%) of whom are companies with foreign capital. Two-thirds (66%) of exports of enterprises employing more than 9 persons is conducted by 4 600 entities (28% of exporters) specialised in exporting, that is, enterprises whose revenues generated through exports represent more than 50% of their total revenues (Figure 10). Their turnover generated through exports is five times higher per exporter (PLN 79.3 million) than in the

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57 E - Water supply, sewerage, waste management and remediation activities; F – Construction, G - Wholesale and retail trade, repair of motor vehicles and motorcycles, H - Transportation and storage, J - Information and communication, Q - Human health and social work activities.
case of non-specialised exporters (PLN 16.3 million). In addition, half of the total value of exports (49%) is performed by 2,800 highly specialised and export-oriented entities (16% of exporters); exports account for over 75% of their turnover. Their average revenue from exports is PLN 94.6 million per company – almost six times more than the amount generated by specialised exporters18. 2007–2012 was a period of expansive export growth (66%).

Figure 10. Structure of the number of exporters and importers (inner circle) and the value (in PLN billion) of exports and imports (outer), by degree of export specialisation of enterprises (share of exports in revenues generated through sales of products, goods and materials) in 2012.

In turn, the smallest, but the largest in terms of the number (6 500, or 40%), group of entities consists of those that do not specialise in exports, and for whom the share of exports in revenue from sales is lower than 10%. Their total export turnover accounted for only 3% of the total value of exports of enterprises (Figure 10), and amounted to PLN 2.5 million on average per company. They were characterized by the lowest growth rate – in the years 2007–2012, export growth per enterprise in this category was 16%. The situation is slightly better for 2 600 entities, for which exports accounted for 10–25% of revenues. They generated 8% of total exports of enterprises employing more than 9 persons, and the average value of exports per enterprise was PLN 17.5 million. In 2007–2012, they recorded high (48%) growth in the average value of export revenue per enterprise.

In addition to these two extreme groups of entities, there are 2 500 enterprises whose share of exports in sales revenues is quite high – it ranges between 25% and 50%; they seem to be quite a strong and dynamic group of exporters. Such operators generate about 23% of total revenues from exports among Polish enterprises, and the value of exports per company amounts to PLN 50.7 million. This group is characterized by the highest rate of export growth per company among all groups of exporters. Between 2007 and 2012, nominal export growth of an average entity of this type was 82%. With the exception of 2009, when the economic downturn in the EU and in the world resulted in a clear decline, the period between 2007 and 2012 was most advantageous for this group of companies.

Due to the fact that import is dispersed among a larger number of companies than export, Polish companies conduct their export activities on a larger scale than imports. It is manifested by the fact that the proportion of companies specialising in exports is much larger than the proportion of import-oriented enterprises – in a group of entities employing more than 9 persons, the share of specialised exporters (28.2%) is significantly higher than the share of specialised importers59 (15.8%). In addition, the proportion of highly specialised exporters is much higher (17.5%) than the proportion of specialised importers (4.7%). Conversely, the proportion of import-oriented entities60 is significantly higher (68%) than the proportion of those with low level of export specialisation (56.2%). Furthermore, available data indicates positive trends in the internationalisation of the Polish companies – in the case of exports, growing tendencies can be observed in the degree of specialisation (Figure 11).

18 Data for 2012.
59 Specialised importers are those whose value of imports was higher than 50% of their own costs of products, goods and materials.
60 The share of imports in the cost of products, goods and materials is less than 25%.
Imports, however, are more focused in terms of the value of turnover than exports. A relatively small number of entities account for a significant part of import turnover – 2,900 specialised companies (15.8% of all companies) are responsible for the two-thirds (66.7%) of total imports of Polish enterprises. At the same time, two-thirds (65.7%) of exports are implemented by 4,600 entities (28.2% of companies). A high concentration of imports is a characteristic feature of manufacturing (11.2% of all companies specialised in importing account for 69.2% of their total value), as well financial and insurance activities (14% of companies account for 79.7% of imports). In turn, in the case of trade, specialisation is reduced – 30.6% of companies account for 67.5% of imports.
Enterprises with foreign capital in the export of Polish companies

Companies with foreign capital largely contribute to Polish export. Foreign capital forms part of the liabilities of one-third of exporters (31.2%, 5,000 entities), achieving export value totalling nearly two-thirds of all Polish exports of enterprises employing more than 9 persons (61.7%). The annual turnover of an average entity of this type is three and a half times higher (67.4 million PLN) than the turnover of an average entity without access to such capital (PLN 19.0 million). Many of them are larger entities – one-fifth (19%) are large companies and two-fifths (39%) are medium-sized companies. The vast majority of companies with foreign capital represent two sections of the Polish Classification of Activity – three-quarters of them work in manufacturing or trade (76%). 46% are specialised exporters, for whom revenues generated through exports exceed 50% of their total revenues.

Just as in the case of exports, imports are also dominated by entities with foreign capital. Nearly two-thirds (63.5%) of import carried out by companies employing more than 9 persons is carried out by entities with foreign capital, which account for one-third of such enterprises (36.5%). Enterprises engaged in financial and insurance activities (Section K, 59.1%) are the largest group of enterprises with foreign capital among importers – they account for two-thirds of exports of enterprises engaged in such activities (68.5%). Entities with foreign capital are characterized with high import intensity – 74% of enterprises whose imports account for 75% or more of the cost of products, goods and materials hold foreign capital, against only 49% of those whose imports account for less than 10% of these costs.

Conclusions

Polish economy is characterized by a low level of internationalisation, mainly due to its relatively low level of development. In relation to the size of the economy, foreign trade, however, seems strong as compared to other countries of similar size. Also, long-term trends in this area are positive. With the growth of the Polish economy, Polish participation in international trade has been slowly growing.

Strong links between the Polish economy and companies in the EU markets result in fluctuations in the value of exports, and consequently also in the value of imports, depending on the economic situation in the EU and Poland. This became evident in 2009, when the economic crisis caused a slump in foreign trade, as well as in 2011 and 2012, when the economic downturn in Poland and the EU slowed down the growth of Polish imports and exports.

Polish companies relatively rarely undertake export activities, but are more likely to engage in imports. The results of micro enterprises in this respect are decidedly worst, while other groups of companies do relatively well as compared to other EU countries. The larger the enterprise, the more likely it is to consider undertaking import or export activities. Despite fluctuations in the dynamics of the number of firms, certain growth trends have been emerging over the years.

The structure of foreign trade between 2007 and 2012 indicates the predominance of imports over exports, but it is visible that both values are starting to level out, and the data for 2013 indicates a surplus in foreign trade. In turn, the geographical structure indicates a strong European focus of foreign trade; over the years, the growing importance of markets outside the EU becomes clearly visible.

Polish micro and small companies are characterized by a slightly greater specialisation in imports from the EU than outside the EU and exports outside the EU rather than to the EU. Therefore, imports from outside the EU, as compared to imports from the EU, tend to be dominated by large enterprises, just as export outside the EU. This is due to the fact that importing from the EU is easier than importing from outside the EU. EU markets are characterized by fierce competition, which constitutes a major obstacle for small companies.

In the years 2007–2012, an average Polish exporter achieved a relatively small increase in the value of exports. However, when one looks at groups of companies classified by the number of employees, clear fluctuations become visible. The high volatility of the value of exports per exporter among various groups proves a relatively high volatility of export activities, especially visible among micro and small entities as compared to medium and large enterprises.

Polish companies generate a large proportion (over one-seventh) of their revenues through exports, which is a good result as compared to other EU countries. The share of exports in the revenues of large companies is 50% lower as compared to large
EU enterprises. Small and medium-sized companies from Poland performed better than the EU average. The performance of micro enterprises was weakest – their results were 49% lower as compared to the results of EU companies.

Polish exports are dominated by specialised exporters, half of whom are companies with foreign capital. Approximately 25% of export-oriented companies account for two-thirds of exports carried out by entities employing more than 9 persons. Revenues generated through exports by an average company are nearly six times higher than revenue from exports generated by non-specialised exporters.

Companies with foreign capital contribute significantly to Polish exports. One-third of exporters are holders of foreign capital; their activities account for nearly two-thirds of the total value of Polish exports among enterprises employing more than 9 persons. On average, the annual turnover of an entity with foreign capital is three and a half times higher than the turnover of an entity without foreign capital.

Just as in the case of exports, imports are dominated by entities with foreign capital. Among companies employing more than 9 persons, two-thirds of imports are implemented by entities with foreign capital, which account for as little as about one-third of the total number of such companies. Three-quarters of highly specialised importers are entities with foreign capital.