

# HSBC Global Connections

## Trade Forecast Update: Poland

February 2012

Forecast exploring the future of world trade and the opportunities for international businesses

- World trade to grow by 86% in the next 15 years (2012-2026)
- International trade growth will accelerate from 2014
- Companies to increase trade activity by 4.70% annually to achieve projected growth
- Fastest growing emerging sectors support trade infrastructure and the transportation of goods around the world
- Poland's trade growth from 2012-2026 will be 109.76%
- Polish companies to increase trade activity annually by 5.69% over the next 15 years
- Poland's fastest emerging growth sector is computers and data processing equipment (15.40% annualised over the next five years)

### Trade overview

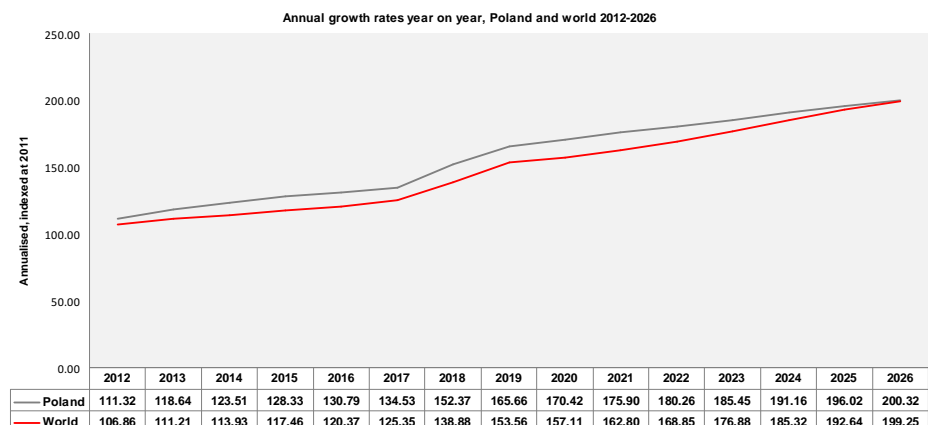
As the world continues to face well-documented economic challenges, the Trade Forecast suggests grounds for optimism for international businesses. Despite the current climate the overall trend for international trade is positive with growth acceleration sooner than expected from 2014, rather than 2015. After 2014 the global economy ends a period of slow growth and contraction and sees an upturn in trade in line with GDP forecasts. Over the next five years it is forecast that world trade will grow at an annualised rate of 3.78% (see below graph for year-on-year predictions), due primarily to the expectation of an earlier recovery of the overall global economy. In the period 2017-2021, the Forecast predicts even more rapid annualised growth at 6.23%, as world demand for traded goods recovers its dynamism. As a result world trade is predicted to grow by 86.00% in the next 15 years, taking total trade activity in that year to \$53.8 trillion.

The Trade Forecast predicts that Polish trade will outpace world trade growth at 5.69% annualised over the next five years. This increases to 6.80% 2017-2021. This equates to growth of 109.76% over the whole period. Because of the annualised pace of change in Poland and the above world average growth rates, companies in Poland will need to increase their international trade activity by 5.69% if they are to keep pace.

### Poland's trade outlook

Poland's trade index, based to 2011, will grow faster than the world average. It is important to note that: first, the pace of trade growth before 2019 is higher than is average for the world reflecting the speed at which Poland is integrating into global supply chains, especially in the automotive and electronic equipment sectors.

After that, the pace of change slows so that overall, trade growth is only just above world trade growth for the 2011-2026 timeframe. A deceleration of growth over the long term is inevitable as Poland develops into a world trading power. Second, the rate of growth is slower than was forecast in the last quarter. This is due to slowing of global trade conditions generally in the near term which affect Poland's trade because of its dependency on global supply chains. Poland, nevertheless, will remain the 10th largest emerging trade nation in the world over the next five years.



### Alan Keir, Group Managing Director and Global Head, HSBC Commercial Banking:

"Where once businesses followed economic investment, now, forward-thinking companies lead, taking matters into their own hands and making business happen. Whether that's taking advantage of shorter-term growth in international trade, which despite economic uncertainty sits at \$1trillion a year, or by creating new supply chains that open up trade corridors, businesses are connecting themselves to future opportunities. The reality is that growth opportunities lie internationally. The companies that succeed will be planning for that today."

## Trade corridors and trends

Poland's largest export partners are Germany, France and the UK, while its largest import partners are Germany, China and Italy, both due to Poland's increasing role in the automotive sector supply chain. Slovakia and Romania are large and growing export partners, with trade with these two countries forecast to increase by 7.73% and 7.15%, respectively. Trade between Poland and Africa is increasing as Africa's demand for cars, mobile telephone, television and radio equipment increases – Rwanda is Poland's largest emerging export partner, set to increase by 21.11% over the next five years (albeit from a small base). This is also reflected in trade with Paraguay, Peru and Malaysia. The Trade Forecast predicts that imports from China will grow at 8.73% annualised over the next five years. South Korea and Japan are large import partners with trade set to grow by 8.59% and 7.31% fuelled by inward investment from businesses in these countries. Emerging import partners are Paraguay (18.78% annualised to 2016), Qatar (17.81%) and Kuwait (16.12%). These represent largely emerging commodity trade sectors such as oil and gas.

Poland's Emerging Growth Importers and Exporters (2012-2016)							
Poland's Largest (2012) Export Partners Ordered by Value	CAGR (2012)	Emerging Growth Export Partners	%	Poland's Largest (2012) Import Partners Ordered by Value	CAGR (2012)	Emerging Growth Import Partners	%
Germany	5.25%	Rwanda	21.11%	Germany	4.72%	Cayman Islands	21.70%
France	6.94%	Cayman Islands	19.87%	China	8.73%	Algeria	19.98%
United Kingdom	7.13%	Myanmar	17.56%	Italy	4.26%	Paraguay	18.78%
Czech Republic	7.08%	Bangladesh	15.03%	France	3.48%	Qatar	17.81%
Italy	5.75%	Paraguay	13.75%	Czech Republic	6.24%	Bahrain	17.59%
Russia	5.90%	Peru	12.39%	Netherlands	6.76%	Bermuda	16.98%
Netherlands	7.02%	Kenya	12.32%	Russia	5.90%	Kuwait	16.12%
Sweden	5.71%	Lebanon	12.19%	South Korea	8.59%	Venezuela	15.75%
Hungary	5.95%	Malaysia	12.06%	United Kingdom	5.32%	Rwanda	15.18%
Spain	6.65%	Singapore	11.63%	Belgium	5.42%	Cambodia	14.55%

N.B. Emerging Growth Import and Export Partners are trade partners that are growing most quickly over the period, albeit potentially from a small base.

## Sector watch

The table below shows Poland's fastest growing export and import sectors by partner:

Poland's Fastest Growing Export and Import Sectors by Partner (2012-2016)					
Export Sector	Export Partner	CAGR (2012-16)	Import Sector	Import Partner	CAGR (2012-16)
Vegetables, dried, not further prepared	China	255.19%	Equipment to project, disperse or spray liquid, powder	Bulgaria	227.50%
Women's, girls overcoats, etc, knit or crochet	Netherlands	182.87%	Wallpaper and similar wall coverings etc of paper	Bulgaria	165.15%
Cut flowers, dried flowers for bouquets, etc	Sweden	136.96%	Electronic sound reproducing equipment, non-recording	Thailand	145.60%
Paper, board, clay, inorganic coated at least one side	Norway	123.11%	Fish, frozen, whole	Estonia	86.15%
Uncoated paper and paperboard nes	Hong Kong	122.70%	Articles for funfairs, table and parlour games	Hungary	80.62%
Household, laundry-type washing machine, washer-drier	Belgium	117.71%	Carboxylic acids (additional oxygen function), derivatives	Czech Republic	75.40%
Photographic cameras (except cine), accessories	UAE	116.43%	Television receivers, video monitors, projectors	Austria	69.08%
Flat-rolled iron/steel, >600mm, clad, plated or coated	India	110.88%	Padlocks, locks, clasps with locks, keys	Brazil	67.96%
Polyacetals, polyethers, polycarbonates, etc, primary	UAE	99.76%	Manganese ores, concentrates, iron ores >20% Manganese	India	67.89%
Oil seeds and oleaginous fruits nes	United Kingdom	93.89%	Petroleum gases and other gaseous hydrocarbons	Cyprus	67.83%

NB: Fastest growing import and export sectors by partner are developed from the country's top 50 export and import partners and are selected alongside the trade sectors that constituted values of above \$100 million at the end of 2010. The top 10 fastest growing partners by sector were selected for this table.

## Sector opportunities

**Electronic Equipment:** The interplay between imports and exports indicates the nature of Polish trade. Growth import sectors include office machinery from China and LCDs from South Korea. These imports are set to grow rapidly over the next five years at 13.70% and 13.43% while exports of computers to the UK and to the Netherlands are set to grow by 17.79% and 15.90%, respectively. Similarly, imports of radio parts from China are processed and exported to Hungary and Germany; the forecast predicts imports to increase by 12.33% while exports will increase by 13.86% to Hungary and 10.48% to Germany. Poland plays a key role here as both a manufacturer and as a hub in the global supply chain.

**Automotive production:** Poland is integral to the European car manufacture supply chain and produces both car components and finished cars. Exports of cars to the UK are set to increase by 8.75% annually to 2016, and to France by 8.28%. This suggests that despite flat demand overall in Europe, there are emerging trade corridors in this sector. Behind this, Poland will increasingly export car components for manufacture elsewhere: exports to Spain will increase by 7.57% annualised to 2016 and to France by 7.40%. More specifically, Poland's imports of, spark ignitions from Italy are forecast to grow annually at 8.83%, suggesting that Italy is taking an increasing share of the spark ignition market into Poland which, more generally, is set to increase by just 1.88%. Key drivers in this market, however, are high-level skills and innovation, businesses need to focus on these if they are to grow at the predicted 5.7% annualised rate of trade growth in this sector in Poland.

**Agriculture:** The Polish agricultural sector is growing rapidly, although does not feature in the top 10 sectors or emerging sectors because it is already well-established. Poland is set to increase its imports of cocoa shells, used to create copra, animal feed as well as being used in the extraction of coconut oil, by 19.86%, while exports of copra are set to increase at 21.49% (annualised). Companies in this sector need to be innovative in order to develop the strengths Poland has developed in the supply of these products to European markets.

### HSBC Trade Connections Trade Forecast

The Trade Forecast predicts how trade is going to develop over the next five, 10 and 15 years. It forecasts overall trade growth (exports, imports and total trade) globally, in global regions, and individual countries. Spanning 37 countries, it covers the top 10 sectors for exports and imports for each of these. The forecast has a unique approach to understanding the drivers of trade from a business perspective, informed by: trade trends, macroeconomic and market influences trade (for example GDP, oil prices, inflation, foreign direct investment), and business environment influences on trade (including regulation, demographics, access to capital and finance). The research has been commissioned by HSBC and undertaken by Delta Economics.

The economic and business narratives stem from a broader documentary search that includes material from National Statistical Offices, the World Bank and International Monetary Fund, economic blogs, the Economist Intelligence Unit, Bloomberg, the Financial Times and other professional and financial services news websites.

### About HSBC Commercial Banking

Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. HSBC is one of the world's most international commercial banks with over three million customers in more than 60 markets.