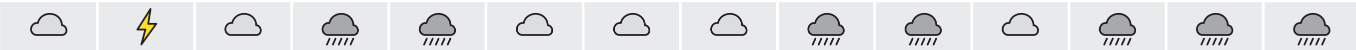
Poland

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted by the consequences of the lockdown (e.g. transport and supply chain issues and lack of foreign seasonal workers). While agriculture value added is forecast to contract by about 5% in 2020, the prospects for a quick rebound are good.

Automotive/Transport

Remains Bleak

The automotive sector suffers from lower sales for passenger cars and commercial vehicles. In 2020 automotive and transport value added are expected to shrink by almost 30%. The transport subsector is hit by travel restrictions, supply chain disruptions and the economic slowdown. Many businesses are more indebted than their counterparts in other sectors. Payment delays are higher than in other sectors and have increased in H1 of 2020. In both the automotive and transport segment, it is expected that the number of business failures will increase in the coming months.

Chemicals/Pharmaceuticals

Remains Fair

Businesses active in the chemicals and pharmaceuticals industries generally have sufficient business financials, good payment records and a low insolvency rate compared to other industries. Pharmaceutical producers and wholesalers will benefit from increasing health expenses, and value added is expected to increase by more than 11% in 2020. That said, deteriorating domestic and global demand have a negative impact on chemicals performance, with value added expected to shrink by about 1% in 2020.

Construction/ Construction materials

Remains Poor

Operating margins are very tight in this industry, with increased credit risk mainly for smaller players. Due to the ongoing recession, businesses are additionally affected by postponement of projects and reduced order volumes. Construction value added is forecast to contract by more than 5%. So far, payment delays and insolvencies have not increased in the previous months. It is expected that construction business failures in 2020 will remain at the same level as in 2019.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Subdued consumer sentiment and rising unemployment could hamper a strong rebound in the short-term. Retail value added is expected to contract by about 2% in 2020, but no major increase in retail insolvencies is expected.

Electronics/ICT

Remains Fair

The lockdown in April has accelerated digitalization trends in many companies and households (at least in remote working/ learning area) and therefore supported ICT sales. E-commerce has boomed, helping not only softwarehouses developing solutions, but also electronics retailers. At the same time, the impact of the coronavirus pandemic on IT integration projects remains to be seen. Government stimulus measures have so far improved the short-term liquidity of electronics and ICT companies. ICT value added is expected to grow by about 1% in 2020, followed by a 5% increase in 2021.

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Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial Services

Remains Fair

The sector remains relatively robust, but it is impacted by the general economic downturn. Expected financial troubles led to increased provisions, which decreased profits. The current low-interest rate environment forces financial institutions to redesign their business models and optimize their processes. Finance value added is expected to decrease 5% in 2020.

Food

Remains Fair

Food is one of Poland's strongest industries, accounting for a 9% share in the EU food industry. Competition in the Polish food market is high and businesses´ profit margins low, especially in the food retail segment. Many smaller and independent retailers are working on tiny and even negative margins. The meat production segment struggles with low margins, price pressure and the repercussions of repeated outbreaks of African swine fever. The number of protracted payments is generally high in the food industry, as larger businesses use their leverage against suppliers, demanding long payment terms or prolonged payments in order to improve their own cash flow. Food value added is expected to increase 1% in 2020.

Machines/Engineering

Remains Poor

The business outlook has deteriorated, as orders on hand and production have sharply decreased. Domestic and international demand from key buyer sectors like automotive has sharply declined. After growing 4% in 2020, engineering value added is expected to contract by more than 9% in 2020, followed by a 8% rebound in 2021. For the time being, a sharp increase in payment delays and insolvencies is not expected.

Metals

Remains Poor

After initially benefitting from the lockdowns in Italy and Spain, metal producers and traders suffer due to deteriorating demand from key buyer sectors since the beginning of Q2 of 2020. This is particularly due to the downturn of automotive production, but also due to lower demand from construction. Metals value added is forecast to contract by 17% in 2020. It is expected that after the expiry of government support, the number of insolvencies will start to increase in Q1 of 2021.

Services

Remains Poor

Due to the comprehensive lockdown measures in face of the coronavirus outbreak, many segments have suffered, especially hotels and catering, restaurants, bars, entertainment and cultural events, tourism, travel agencies and tour operators. Hotels and catering value added is expected to decrease by more than 7% in 2020, and a large number of restaurants has gone bankrupt or ceased activities.

Steel

Remains Poor

Steel manufacturers, processors and distributors have suffered due to deteriorating demand from key buyer sectors since the beginning of Q2 of 2020. This is particularly a result of the downturn of automotive production, but also lower demand from construction. Both domestic and export sales are expected to remain subdued over the coming months, and steel value added is forecast to contract by more than 12% in 2020.

So far, payment delays increased only in March and April 2020. With the implementation of government stimulus measures (like the PFR Financial Shield amounting to about EUR 22 billion), businesses received large financial support and could improve their cash position. However, it is expected that after the expiry of government support, the number of insolvencies will start to increase in Q1 of 2021.

Textiles

Remains Poor

Producers, wholesalers and retailers are suffering from deteriorated sales due to the lockdown and decreasing private consumption. Value added is expected to decrease by more than 14% in 2020, after annual growth in 2018 and 2019. Textile retailers insolvencies are expected to increase in the coming months.