

Source: Atradius

Industry performance

Changes since January 2021 - Sources: Atradius, Oxford Economics

Agriculture



Remains Fair

Agriculture value added is forecast to increase by about 0.5% in 2021 after decreasing 2% in 2020. As the largest poultry producer in the EU, Polish farmers have been severely hurt by the outbreak of the bird flu (H5N8) in early 2021, as millions of birds had to be culled. Due to rising labor costs and lack of seasonal workers, prices for agricultural products are increasing.

Automotive/Transport



Up from Bleak to Poor

In H2 of 2020 a recovery in demand from main importers of car parts (Germany, Czech Republic and Spain) positively impacted sales of Polish manufacturers, helped by their cost/price advantage. However, production in H1 of 2021 was affected by supply disruptions and semiconductor shortages. Sales of passenger cars decreased 27%, while commercial vehicles sales increased 9.5%. In Q2 of 2021 vehicle production levels exceeded those of Q2 of 2020, but were lower than in Q2 of 2019.

While automotive production and sales are expected to gain momentum in H2 of 2021 several downside risks remain, such as an ongoing shortage of semiconductors. Additionally, another wave of the pandemic or rising inflation or could harm demand. At the same time, the shift towards e-mobility will adversely affect combustion-engine related-suppliers producing parts and items which are no more needed in new hybrid/electric vehicles.

Mainly in H1 of 2020 the transport subsector was hit by travel restrictions, supply chain disruptions and the economic slowdown. In Q1 of 2021 transport business insolvencies increased slightly. While performance and outlook of the passenger transport subsector remains muted, goods transport businesses have benefited from the surge in e-commerce and lower fuel prices.

Transport value added is forecast to increase by about 2% in 2021, after a 7% contraction last year. Due to the improved economic outlook demand for transport services is currently high, and both new truck registrations and truck orders have increased in Poland. However, as of 2022 the EU Mobility Package will lead to tighter regulations and higher costs for road transport operators, which could force smaller players to leave the market.

Chemicals/Pharmaceuticals



Remains Fair

Businesses active in the chemicals and pharmaceuticals industries generally have sufficient financial strength, good payment records and a low insolvency rate compared to other industries. In the pharmaceuticals segment, the coronavirus pandemic shifted the focus from drugs to medical supplies. Producers and wholesalers benefited from increasing health expenses, with value added expected increase by about 1.5% in 2021 after growing 5% in 2020. Chemicals value added is forecast to increase by more than 5% in 2021.

Construction/ Construction Materials



Remains Poor

Operating margins are very tight in this industry, with increased credit risk mainly for smaller players. Due to the economic recession in 2020, businesses were additionally affected by postponement of projects and reduced order volumes. Construction value added contracted 3% last year, and in Q1 of 2021 business insolvencies increased significantly year-on-year.

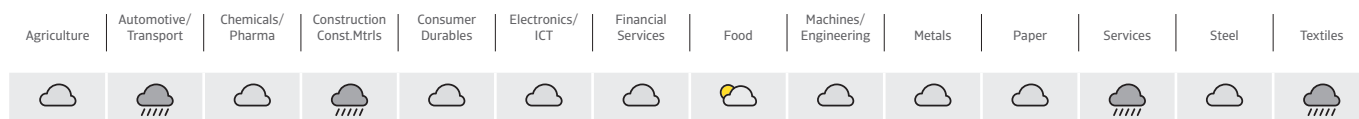
Construction value added is expected to rebound by only 1.5% in 2021. The sharp increase in construction materials prices has a negative effect on builders' margins, and has also caused investors to postpone building projects for the time being. Another issue is the expiry of government support measures. Therefore, in H2 of 2021 construction insolvencies are expected to increase further. Most vulnerable are businesses with a low level of diversification in their work portfolio, focused on infrastructure and/or office/hotels buildings.

Consumer Durables



Remains Fair

Private consumption of non-food consumer goods deteriorated in early 2020 due to the coronavirus impact, with many businesses temporarily closed as a result of the lockdown. However, sales rebounded strongly in H2 of 2020, especially in the household appliances and furniture subsectors. In H2 of 2021 growth is expected to slow down somewhat, due to a spending shift from goods to services. After a 3.1% contraction in 2020, private consumption is forecast to increase by 6%, with retail sales increasing by about 7%.



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Electronics/ICT



Remains Fair

In 2020 ICT value added increased 3.6%, as the pandemic-related lockdown accelerated digitization trends in many companies and households (at least in the remote working/learning area), thus supporting ICT sales. E-commerce has boomed, helping not only software houses developing solutions, but also electronics retailers. The economic rebound supports ongoing demand for ICT goods and services, but sales will be slightly lower in H2 of 2021, due to a spending shift from goods to services. ICT value added is expected to grow by about 3% in 2021.

Financial Services



Remains Fair

The sector remains relatively robust, with no substantial increase in non-performing loans seen so far. In 2020 the banking sector recorded lower results due to the pandemic and provisions for foreign-denominated mortgage loan issues. As a consequence, banks tried to improve their results by increasing commissions and charges. After decreasing over the past couple of months, demand for new bank loans is expected to increase in H2 of 2021, due to the ongoing economic rebound.

Food



Up from Fair to Good

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 are low, especially in the food retail segment. Many smaller and independent retailers are working on tiny or even negative margins. The meat production segment struggles with low margins, price pressure, and the repercussions of repeated outbreaks of African Swine Fever, and the recent outbreak of the bird flu (H5N8). 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.

However, food sector value added expanded 1% in 2020, and with the easing of lockdown measures leading to the reopening of restaurants, bars etc., output is expected to increase by more than 4% in 2021.

Machines/Engineering



Up from Poor to Fair

Orders on hand and production sharply decreased in H1 of 2020, as domestic and international demand from key buyer sectors like automotive declined. After a 12.2% contraction last year engineering value added is estimated to rebound by about 10% in 2021.

Metals



Remains Fair

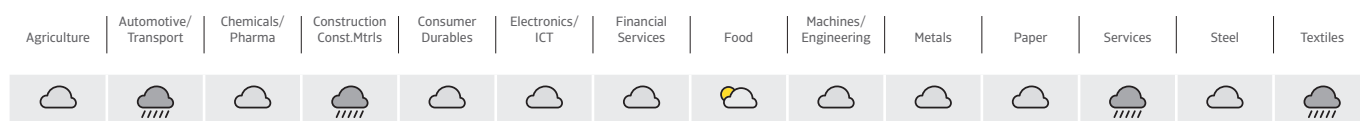
Businesses in this industry benefit from increased metals demand due to the economic rebound, coupled with a shortage of supply. Metals suppliers are currently able to shorten payment terms and to pass on higher energy and raw material costs to end-customers. The impact of the expiry of government support measures on the financial strength of businesses is limited. After an 8% contraction in 2020, metals value added is expected to rebound by the same amount in 2021. However, due to sharply increased commodity prices some metal businesses with less financial strength could face working capital issues.

Services



Remains Poor

Due to the comprehensive lockdown measures, many segments have suffered, especially hotels and catering, restaurants, bars, entertainment and cultural events, tourism, travel agencies and tour operators. Business closures and insolvencies have substantially increased in those segments, despite additional fiscal support for the industry worth PLN 2 billion. While the ongoing economic rebound and the easing of confinement measures should lead to a rebound in H2 of 2021, service sector value added is forecast to increase by only 1.5% in 2021 after a 3.6% contraction last year.



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Steel



Remains Fair

After a very weak steel sector performance in Q2 of 2020, there has been a strong rebound since Q3, driven by restocking and resumption of production by end-customers. Due to 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.

In H1 of 2021 the market conditions for steel processors and wholesalers remained benign, due to the ongoing increase in demand, coupled with an unprecedented rise in steel prices due to supply shortages. Steel businesses can pass on increased iron ore and energy prices to their buyers. Additionally, steel manufacturers and large wholesalers have been able to shorten payment periods with their customers, which, in need for the scarcer steel supply, currently cannot afford to pay after deadline. Sector performance will remain robust in H2 of 2021, due to ongoing demand from key buyer sectors, post-pandemic construction programs sponsored by the EU recovery fund, and extended EU quotas/anti-dumping duties on steel imports. Steel value added is expected to increase by almost 10% on 2021 after an 8.4% contraction in 2020.

However, downside risks remain. Due to the sharp price increase for steel products weaker construction businesses (e.g. those holding long-term building contracts without escalation clauses) could face losses and even insolvencies, and this could adversely affect their steel suppliers.

Textiles



Remains Poor

Producers, wholesalers and retailers suffered from deteriorated sales due to the lockdown measures and lower private consumption. Textiles value added contracted 6% in 2020. Changed shopping patterns (towards more e-commerce) will continue to increase pressure on brick-and-mortar retailers.