



Towards ŁÓDŹ

June 2024

Publication Partner



INVEST IN ŁÓDŹ



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Nearshoring

Becoming an integral part of strategic planning for businesses.

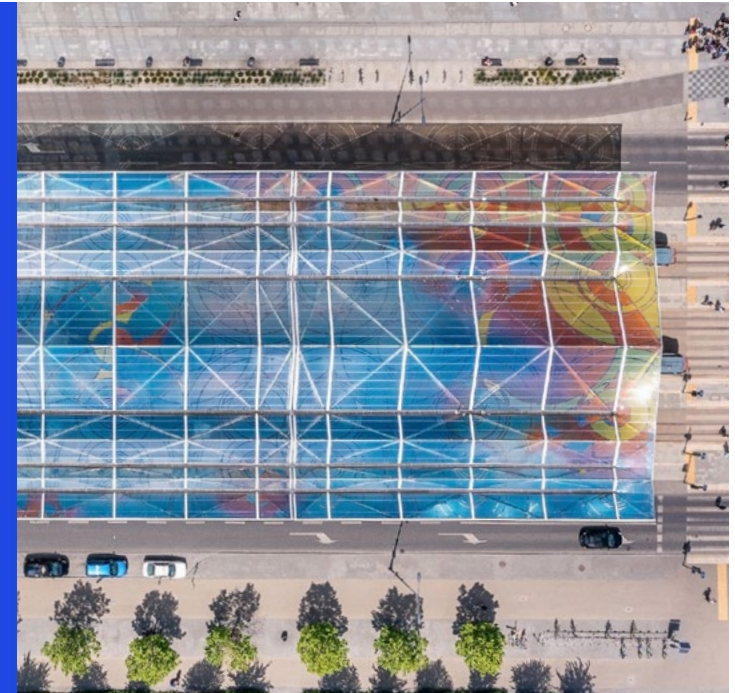


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Why Łódź?

The Łódź region stands out as an attractive destination for new investment within Poland. With city-led initiatives, an inventive Special Economic Zone, an advantageous geographical location, and a well-developed transport infrastructure, the city is set to experience significant growth in the coming years.

Image: Tram Center Piotrkowska from above, source: The City of Łódź Office.



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Nearshoring is a reality, driven by economic uncertainty and geopolitical tensions.



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Preface

Faced with a dynamically changing business landscape, companies worldwide are increasingly turning to strategies that allow them to respond effectively to new challenges and capitalize on new opportunities.

Over the years, globalization and technological progress have transformed the way companies operate. In response to the escalating risks, an increasingly common de-risking strategy adopted by global companies is to modify supply chains based on low-cost Asian locations and move production closer to end customers, known as **nearshoring**. Bringing supply chains closer to the end consumer is also in line with the ESG agenda, which aims to reduce the embedded carbon footprint of final products and create more sustainable business models.

Nevertheless, sustainability goes beyond climate issues while optimizing supply chains seems insufficient. In Europe, the role that companies can play in protecting the environment and supporting human rights is increasingly on the minds of stakeholders. With the Green Deal accompanied by a wide range of regulations, the European Commission has put forward a legal framework that will require companies to demonstrate what they are doing to protect the environment and human rights.

More and more European companies are required to consider the negative human rights and environmental impacts of their operations, as well as their subsidiaries and other companies in the value chain. The concept of a sustainable value chain implies making the best use of the competitive advantages of a geographic region in the pursuit of activities that create and deliver products or services to end users.

In the wake of this regional shift, Poland stands a chance of becoming one of the main beneficiaries, thanks to its status as one of the leading locations for nearshoring in Europe. In the context of these changes, **Łódź** is emerging as one of the most attractive locations in Poland for business relocation, offering a range of opportunities. Its advantageous geographical location, business-friendly environment with an expanded investment incentive mechanism, advanced transport infrastructure, well-developed office, and warehouse market, availability of attractive investment areas for manufacturing, large talent pool, and sustainable development strategy are likely to play a key role in attracting new investors.

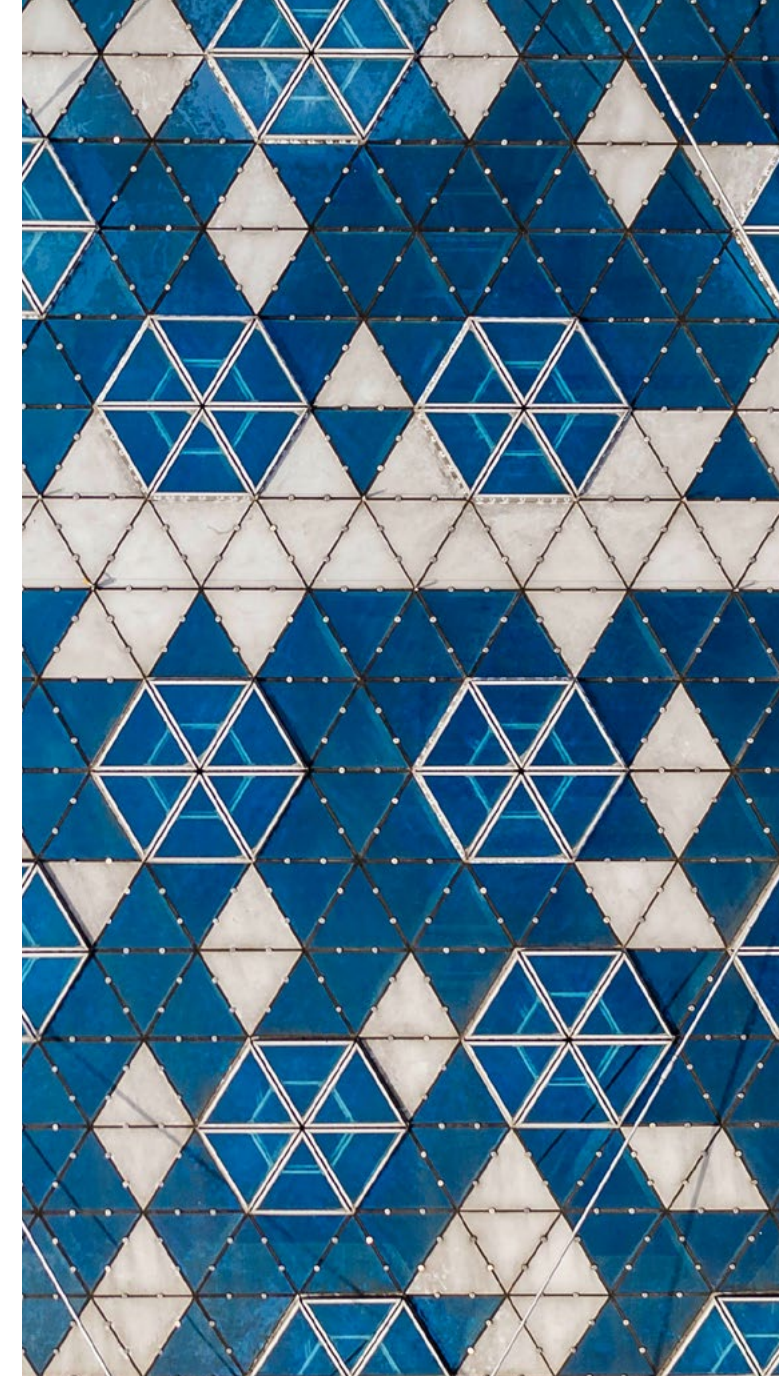


Image: An aerial view of the roof details of Łódź Fabryczna Railway Station.



01 Nearshoring

About nearshoring

Geopolitical and climate challenges are changing supply chains

Global supply chains have always been exposed to numerous risks stemming from disruptions caused by unexpected events, changing trade agreements, or geopolitical unrest. However, currently, with increased geopolitical risk, trade sanctions, an energy crisis, rapidly changing climate patterns, high inflation, high financing costs, and weakened consumption, the scale of challenges is extraordinary. At the same time, global value chains have proven to be inflexible in the face of disruptions on both the demand and supply sides, as well as escalating issues related to marine transport. In the next years, climate change, trade wars and geo-

political conflicts are also expected to contribute increasingly to supply chain disruptions. Rising costs are forcing adjustments to transport networks, warehouse locations, supplier networks, building characteristics and the amount and type of energy consumed. Companies can mitigate the risk of supply shortages by diversifying the number of suppliers and geographical locations, thereby building greater agility and resilience in their supply chains.

Additionally, growing concerns about environmental sustainability and carbon emissions have spurred efforts to reevaluate supply chain practices. With the manufacturing sector alone responsible for 23% of greenhouse gas emissions in the EU, according to

the European Commission, there is an intensified focus on adopting more sustainable production and transportation methods. Additionally, there's a concerted effort of the EU to achieve strategic autonomy by securing access to critical resources and technologies while minimizing external dependencies.

As a result, European companies must focus on the sustainability and social impact of their activities to meet strategic, financial and regulatory requirements. The EU countries' approach to navigating these challenges involves a combination of diversifying supply sources, investing in strategic sectors, and fostering international cooperation with partners from the region to ensure stability despite the global uncertainty.



Distortion of the supply chain as a driver for change

The evolving dynamics of global trade and the intensification of major power rivalries have prompted a reevaluation of supply chain strategies. Changes are driven by following the **key factors**:

1. **Geopolitical risks**
2. **Supply chain vulnerabilities**
3. **Decarbonization and environmental concerns**
4. **Need for strategic autonomy**
5. **Growing costs and the necessity of oversight**

In response to these challenges, there is a growing trend towards:

- 01 **Reshoring:** bringing production back to the country of origin
- 02 **Nearshoring:** moving production to neighboring countries
- 03 **Friendshoring:** shifting production to politically allied countries.

Mentioned strategies are aimed at reducing dependency on distant suppliers, while simultaneously enabling faster and more flexible responses to potential disruptions.

Risks to business growth over the next three years based on KPMG 2023 CEO Outlook report

KPMG CEO Outlook survey analyzed insights from CEOs at large companies on the key challenges and opportunities in driving business growth. CEOs are applying a strategic lens to tackle both near-term risks to growth they see such as geopolitics and cyber, and structural changes like new regulations including climate disclosure rules and tax policy, making adjustments to investments and supply chains.

What do CEOs view as risks to growth for their business?

CEOs now rank geopolitics and political uncertainty as the greatest risk to the growth of their business — be it navigating a company's presence in a conflict zone or attempting to navigate disrupted supply chains and manage price fluctuations.

Source: KPMG report "KPMG 2023 CEO Outlook".



-  Geopolitics and political uncertainty
-  Operational issues
-  Emerging/disruptive technology
-  Supply chain
-  Regulatory concerns
-  Environmental/ climate change
-  Interest rates
-  Cybersecurity
-  Reputational risk
-  Talent

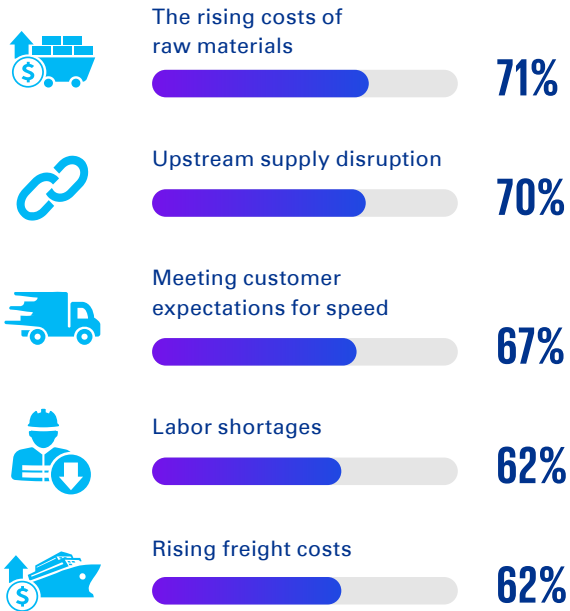


Today's supply chains are not set up to handle the new speed of delivery, customer convenience, and the blurring of channel boundaries, so their physical network design and future operating model may require major adjustments in response to immediate risks and challenges.

nearly **50%** of respondents describe their supply chain as vulnerable to distortion

Source: KPMG report "Future of supply chain".

Over the next 12 to 18 months, respondents anticipate a variety of challenges in the context of their supply chains, with the most pressing including:



Source: KPMG report "Future of supply chain".

Relocating production closer to home emerges as a viable solution to reduce transportation costs, and carbon footprint, and enhance overall supply chain resilience and oversight.

Benefits of nearshoring

Given the pressure on to improve sustainability and avoid disruptions, shortening supply chains can increase agility and cost efficiency while reducing emissions.

Nearshoring can be a strategic approach for companies aiming to make their operations more efficient, responsive, and resilient while also supporting broader goals around sustainability and economic stability.

By relocating business operations and services to neighboring or nearby countries, nearshoring offers several benefits:

01

Cutting transportation costs

Moving production closer to an end customer gives possibility to save on transportation costs.

02

Lower labor costs

Nearshoring gives possibility to choose partner with cheaper labor force.

03

Resilience of supply chains

Shorter supply chain is more resilient to global disruptions in transportation.

04

Access to larger talent pool

Labor force with higher education and qualification gives possibility to optimization and automatization of processes.

05

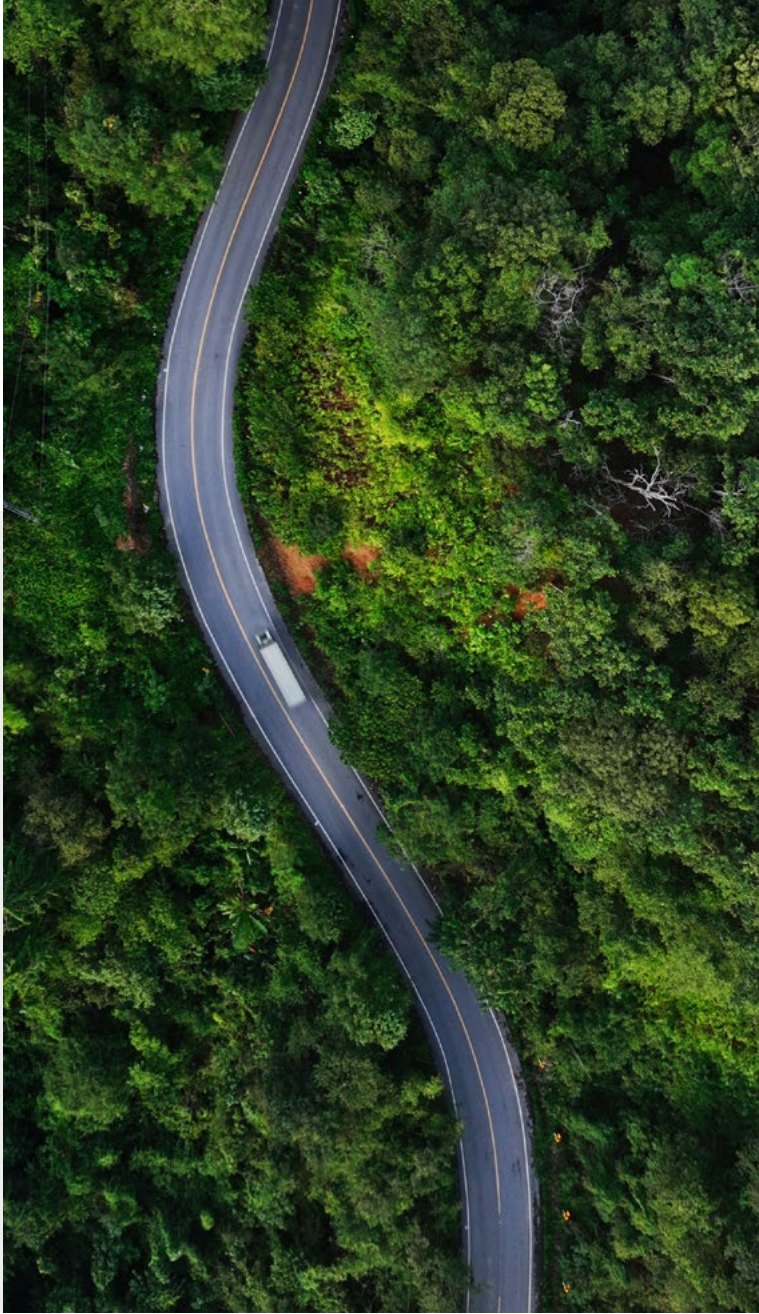
Reduced environmental footprint

Shipping is responsible for 3% of the total CO₂ emissions and about 10% of those from transportation.

06

Culture and communication

Hiring workers with similar culture and language to your end customers helps business to understand the clients' needs better.



Europe towards nearshoring

Changing sourcing strategy in Europe

European companies are considering changing their sourcing primarily to reduce risk. The constant pressure on supply chains has led to a shift away from seeking places where production costs are lowest, instead prioritizing flexibility, reliability, proximity, and sustainable development.

The European Union has been one of the more proactive governmental bodies worldwide in introducing legislation related to sustainable supply chain development, and this shapes the perspective. Flexibility, risk reduction, and efforts to cut costs often align with sustainable development in supply chains. This combination, along with legislation, strengthens the argument for reshoring sourcing back to countries within Europe or its peripheries.

According to the Reuters and Maersk survey "The State of European supply chains", **Poland** (chosen by 23% of respondents) along with Germany (19%), are favored as attractive locations for nearshoring high-value manufacturing capabilities. As manufacturing processes become more automated and products more complex, there is a need for locations with the appropriate infrastructure and diverse skills, which is why these two countries are at the forefront.

Protection of EU competitiveness

Given the increasing rivalry between global economic powers, the European Union is taking further steps to protect the competitiveness of the European economy in global markets. Changes to EU legislation aim to help the clean technology sector to remain competitive and innovative, and other industrial sectors to transform to lower emissions and keep production within the EU. To protect the competitiveness of the EU economy, the Green Deal Industrial Plan and selected legislation aim to support semiconductor production, secure supply chains for critical raw materials, and provide support for new manufacturing plants, including easing state aid rules. Additionally, through RePowerEU, the European Commission is addressing local challenges related to the security of the supply of traditional energy feedstocks and the low-carbon transition.

The European Union is intensifying efforts to safeguard the competitiveness of its economy to challenge growing global economic competition. Recent changes in the EU legislation are geared towards strengthening the clean technology sector's competitiveness while aiding other industries in transitioning to lower emissions.

Green Deal Industrial Plan and related regulations are designed to support the achievement of a climate neutral European Union by 2050. With these proposals, the European Commission has responded to current challenges – the need to support low-emission industries, to diversify supply chains for energy and critical raw materials, especially for zero-emission technologies, and to support an independent source of microchips, the backbone of new technologies.

EU legislation to address current challenges

Green Deal Industrial Plan

European Chip Act

STEP

Net Zero Industry Act

Critical Raw Materials Act

REPowerEU

CBAM

Source: European Commission.

Poland as a nearshoring destination



9th

Nearshoring Index Rank
Poland ranks 9th across the world in the Nearshoring Index Rank www according to Savills. Among EMEA countries, Poland ranks 6th.

28th

Logistics Performance Index
Poland ranks 28th out of 160 countries according to the World Bank’s Logistics Performance Index.

4th

Supply production relocation
According to Maersk and Reuters Events, Poland is the fourth most attractive country for supply production relocation.

USD 82 bn

FDI inflow
Between 2022 and 2023, foreign enterprises allocated more than 82 billion USD for manufacturing projects in 15 nearshoring locations in Central and Eastern Europe and North Africa (62% increase compared to the pre-pandemic years of 2018–2019), as reported by FDI Markets research.

USD 14 bn

Manufacturing investments
Poland saw manufacturing investments reach 13.85 billion USD between 2022 and 2023, a significant increase from the 5.65 billion USD recorded in 2020–2021. These figures represent all FDI investments in manufacturing, excluding the energy sector (according to FDI Intelligence).

Poland has the potential to become one of the most **attractive locations for relocating manufacturing activities** which is recognized in numerous rankings for its favorable business environment.

Source: World Bank, 2022, Logistics Performance Index, Maersk, Reuters, 2023, A generational shift in sourcing strategy, FDI Intelligence, 2024, The rise of nearshoring FDI close to Europe, Savills, 2022, Nearshoring Index Rank.

Drivers of nearshoring to Poland

1. Reduced the length and the vulnerability of supply chains

Operational reliability by minimizing the risk of disruptions and delays, allowing businesses to respond more swiftly and effectively to market demands and changes.

2. Sustainable specification of production and logistics facilities

New facilities often meet high environmental standards, appealing to companies committed to sustainability.

3. Lower transport costs

Shorter distances reduce shipping costs and delivery times, improving market responsiveness.

4. Competitive labor costs

Poland offers lower operating costs with access to a skilled and educated workforce, making it cost-effective for businesses.

5. Higher level of investors oversight

Proximity improves control and quick resolution of issues, ensuring quality and operational efficiency.

6. Flexibility in site selection and location

A wide range of location options across Poland from urban centers to special economic zones allows for strategic site selection based on business needs.

7. Financial incentives and public support

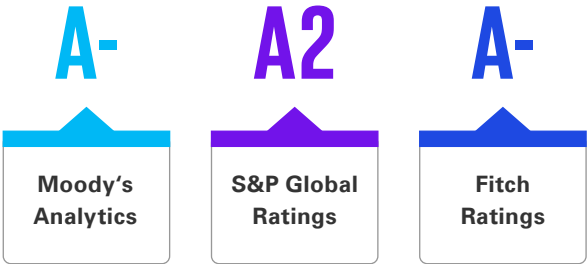
Various grants, tax reliefs and subsidies at both local and EU level make Poland an economically attractive investment option.

8. Reduced CO₂ emissions

Shortening the supply chain reduces carbon emissions, aligning with sustainability goals.

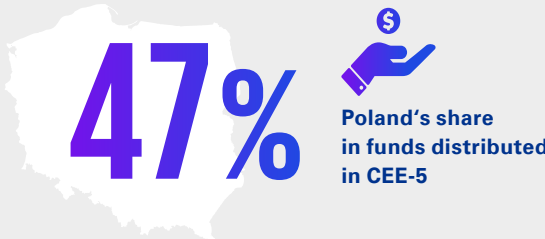
Poland offers a business-friendly environment by emerging as a global leader in rapid development combined with economic stability. The International Monetary Fund reports that Poland's GDP per capita has increased more than ninefold since 1981.

IMF projections suggest that Poland's GDP will continue to thrive. Despite the unbalanced economic situation across Europe, Poland maintains high credit ratings.



Being a member of the European Union, Poland benefits from various incentives for investors from the Cohesion Policy and Fair Transportation Fund. The financial framework for 2021–2027, approved by the European Parliament and the EU Council, is promising with the budget for Poland estimated at more than EUR 76 billion. Among the CEE-5 Region, 47% of the EU funds are to be distributed to Poland. The country provides an extensive system of business support mechanisms, including: tax relief, government programs and Special Economic Zones spread across the country.

Cohesion policy funds 2021–2027

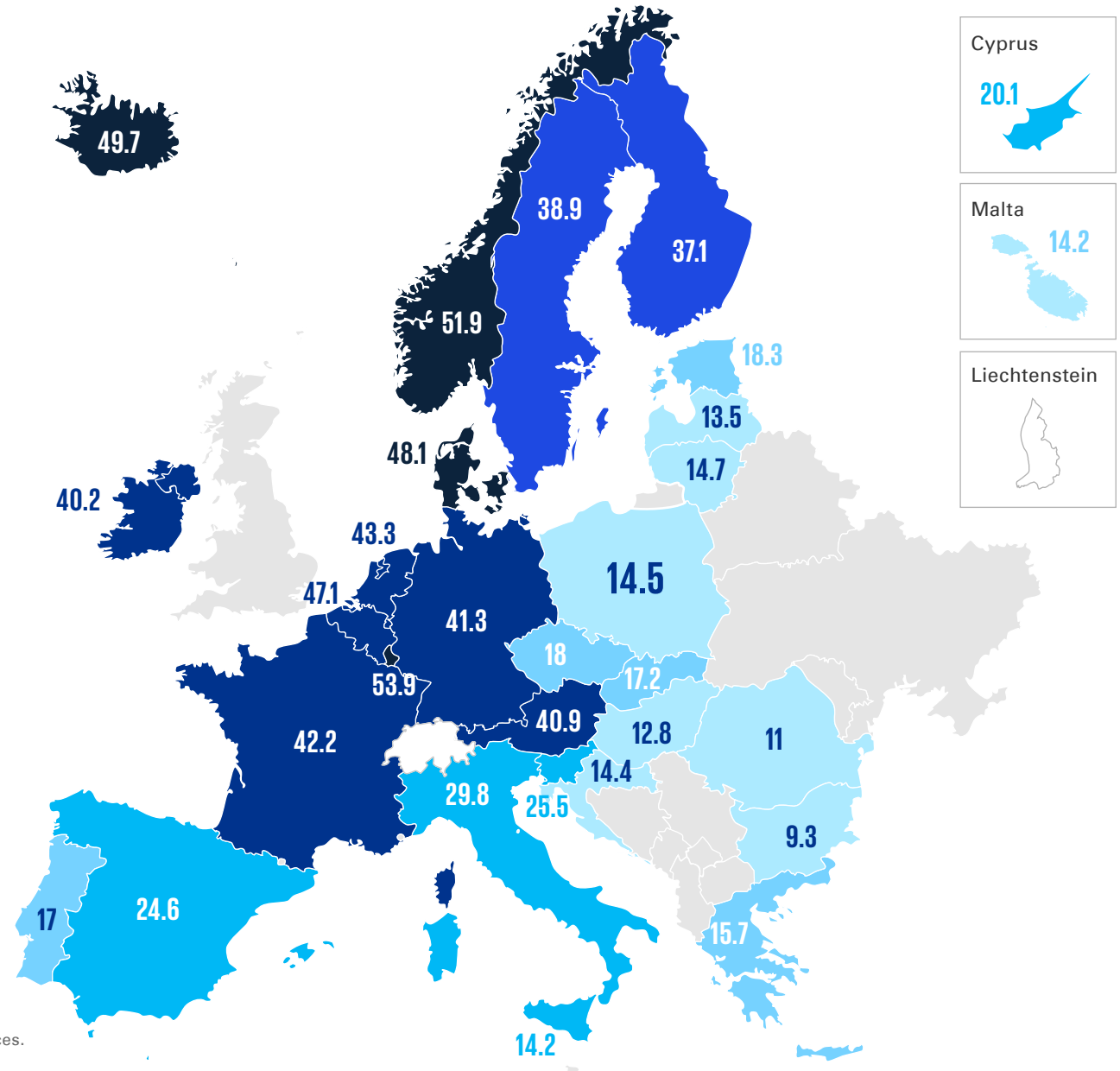
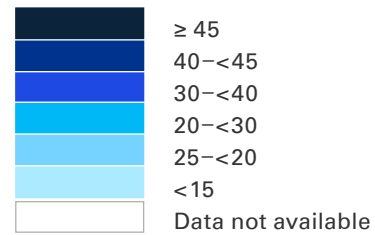


Source: Eurostat.

Poland attracts investors with low labor costs (EUR 14,5 per hour on average) when compared to the European average, while also offering a large talent pool of well-qualified workforce. Despite the appraised 12.5% increase in the average salary in Poland over the last year, it remains low compared to Western European countries and the EU average, which is estimated at EUR 31,8 in the EU.

Hourly labor costs 2023 in euro, whole economy* (enterprises with 10 or more employees)

EU = €31.8 per hour



*Excluding agriculture, forestry and fishing, public administration, defence and compulsory social security, activities of households as employers, and activities of extraterritorial organisations and bodies. Source: Eurostat**.

**Austria, Spain, Finland and Iceland: data are taken from national sources.

02

Why Łódź?

Why Łódź?

Łódź stands out as a magnet for investors and manufacturers, boasting a skilled workforce, strategic location, and robust infrastructure.

With 19 universities nurturing talent, initiatives like "Youth in Łódź" retain young professionals. Strategically located at the heart of Poland, Łódź enjoys seamless access to major European cities, facilitated by a robust transportation network comprising highways, expressways, and railway connections. Notably, the rail route to Chengdu in China has revolutionized intermodal transport, significantly reducing transit times and solidifying Łódź's status as a pivotal entry point into Europe.

Moreover, the region boasts a vast market potential, with over 260 million people within a 1000 km radius, providing an extensive consumer base for businesses. Recognized for its investment attractiveness, Łódź is home to the ŁSEZ, offering lucrative incentives and opportunities for growth and innovation, particularly in manufacturing and business services. The city's economic sectors, including IT, manufacturing, and life sciences, thrive with notable companies. Real estate markets flourish, supported by sustainable development initiatives.

In essence, Łódź is a dynamic hub primed for investment, innovation, and sustainable growth, offering a high quality of life and ample opportunities for growth and prosperity.

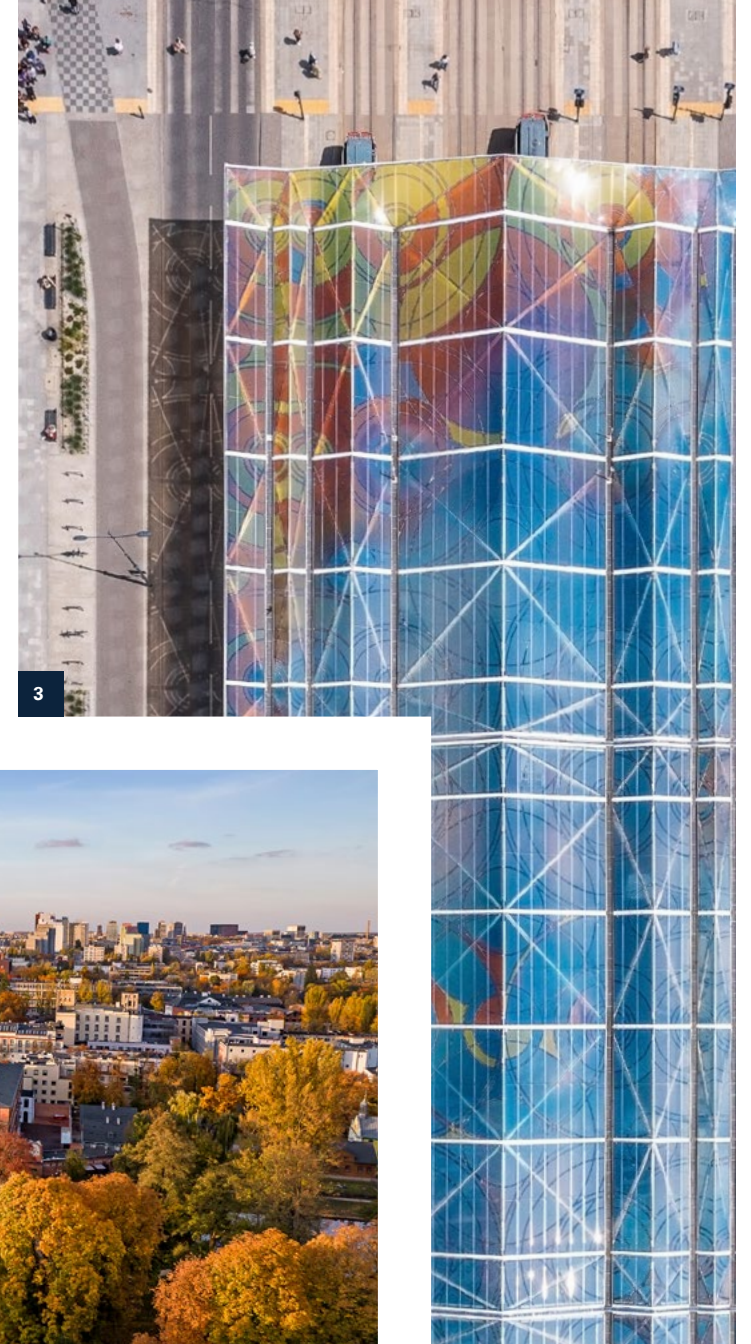
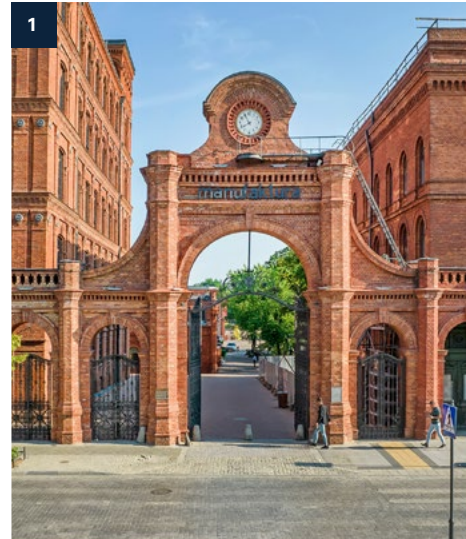


Image 1: Manufaktura - a multipurpose complex in restored factory. Image 2: The panorama of the city – view of the Central Textile Museum called „White Factory“. Image 3: Tram Center Piotrkowska from above, source of the image 3: The City of Łódź Office.

Human resources & Education

A key element in attracting new investors is ensuring access to a local pool of skilled talent. Łódź is the fourth largest city in Poland in terms of population, with approximately 660,000 residents, following Warsaw, Kraków, and Wrocław. Furthermore, it should be noted that nearly twice as many people live within the agglomeration area.

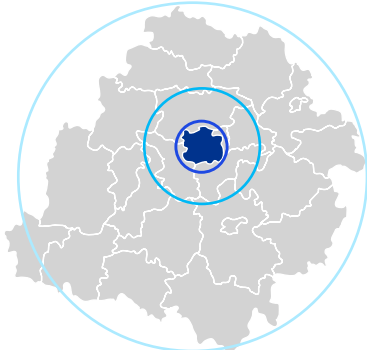
As a hub for knowledge-based industries, Łódź boasts 19 universities with over 72,000 students. The city aims to create favorable business conditions and development opportunities for young people through initiatives, which aim to attract new residents and prevent young talent from leaving the city. Łódź is committed to promoting new technologies and creating a favorable

investment environment, particularly for the IT, manufacturing and logistics sectors.

In cooperation with local universities and employers, Łódź has launched the largest program in the country, known as "Youth in Łódź". This initiative includes various activities, such as scholarship programs and professional internships, to support young talent from an early stage. In addition, Łódź City Hall is working with educational institutions and other partners to improve the skills of the local workforce to meet the growing demand for advanced skills in modern business services. New academic program are being introduced to complement existing ones, and the curriculum is evolving to become more practical and better prepare students for in-demand careers.

In addition, the city is establishing numerous centers that bridge the gap between university, and industry, offering free co-working spaces, clusters, and labs where the latest technological advances are utilized, fostering a culture of collaboration and knowledge sharing.

Fourth-largest Polish city



660,000
people in Łódź

1,200,000
people in The Łódź Agglomeration

2,500,000
people in The Łódź Voivodeship



Source: Promotional materials from <https://invest.lodz.pl>.

University of Łódź

32,000 students | 4,000 graduates | 12 departments

World University Rankings: Emerging Europe and Central Asia 2021; American Corner; Technology Transfer Center; Polish Language Center.

Business tailor-made study courses & postgraduate studies: Linguistic for Business, Banking and Digital Finance, Business Process Automation, Fintech, AML Analyst.

Łódź University of Technology

11,500 students | 3,200 graduates
9 departments | 17 interdisciplinary Institutions

Technology Transfer Centers; International Studies; Research Teams; Oldest Textile Faculty in Poland.

Business tailor-made study courses & postgraduate studies: Computer Science, Automation and Robot Controlling, Modelling and Data Science

Logistics & Transport infrastructure



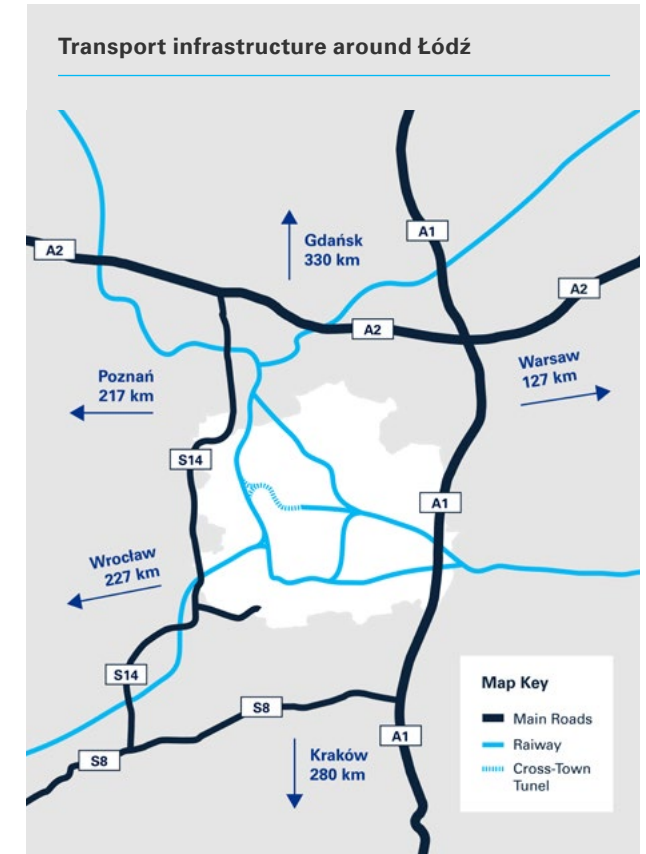
Image: Tram Center Piotrkowska.

The central location in the country makes this region very appealing to investors.

The city is distinguished by convenient connections with the largest European locations, as well as an appropriate commute to the capital, with which it has established strong business relations as part of the Łódź-Warsaw duopolis model.

Proximity to the main roads in Poland and the railway infrastructure, including the connection between Łódź and Chengdu in China makes the region attractive not only for the manufacturing and distribution sector.

- Łódź is located in the central part of Poland with proximity to all major Polish cities and Europe's capitals. Within 500 km there are cities such as: Berlin, Prague, Vienna, Bratislava, Budapest and Vilnius.
- In the proximity of Łódź there are located 2 highways (A1, A2) and 2 expressways (S8, S14). Łódź is the only city in Poland with a complete ring road of expressways that encircles the entire city.
- The rail route to Chengdu plays a crucial role in bolstering intermodal transport across the Central and Eastern European region. The establishment of a railway connection from Łódź Olechów to China has greatly enhanced the appeal of this area, positioning Łódź as a primary entry point into Europe for rail-delivered goods from Asia. This connection not only boosts the city's prospects for developing low-carbon transportation and upgrading rail infrastructure but also fosters growth in intermodal transport enterprises within the light manufacturing and broader e-commerce sectors. The railway connection with China reduced the transport time from 1.5 months via sea to 2 weeks by railway.
- International airports: Reymont airport (15 minutes driving from the city center), Chopin Airport in Warsaw (90 minutes driving from the city center).



Source: Promotional materials from <https://invest.lodz.pl>.

- The railway is well-developed around the city with fast connections to all major Polish cities. The construction of the cross-city tunnel will soon make Łódź Fabryczna the main railway transfer station in the region.

The city has a comprehensive public transport system, focused around Łódź Fabryczna railway station, which serves as the main transport hub for rail, train and bus services. In addition, the construction of the Łódź Diametral Tunnel, a 17 km railway tunnel under the city center, is underway to improve the efficiency of intracity transport. In addition, the city is focusing on environmental concerns by implementing initiatives such as municipal bike-sharing programs and the introduction of electric scooters.

There are over 260 million people within a 1,000 km radius of the center of Łódź, providing a huge target market for manufacturers located near the city. This large population ensures quick and easy access to end consumers, which can facilitate business development. This area includes countries such as the Central and Eastern European (CEE) region, the Baltic States, Germany, Austria and Denmark, further increasing the market potential and enabling convenient business operations on a large scale.

By expanding its road and rail infrastructure, Łódź capitalizes on its strategic central position in Poland and its location at the junction of key European transport corridors. This enhances the city's appeal and provides prime opportunities for business expansion, particularly making it an attractive hub for the manufacturing and logistics industry.

**Population within 1,000 km
from Łódź city center
261.03m people**

Source: Promotional materials from <https://invest.lodz.pl>.



Image: Łódź Fabryczna railway station from above.



Investment attractiveness

Łódź is consistently recognized in various rankings for its attractiveness for investment and doing business. The vibrant entrepreneurial ecosystem and numerous incentives offered by the local authorities further enhance its attractiveness as a business destination.

Selected 2023 Awards

ABSL

Recognition in the categories:

- Cooperation with local universities (1st place)
- Cost of renting office space (1st place)
- Cooperation with a local investor support unit (1st place)
- Level of wages (1st place)

Emerging Europe

Recognition in the categories:

- CEE's Most Business-Friendly City (4th place)
 - Business Climate (2nd place)
 - Talent Pool (3rd place)
- The study covered 100 cities in Europe and beyond

European Cities and Regions of the Future 2023

Recognition in the category:

- Top 10 Mid-Sized European Cities Of The Future
- 2023 Business Friendliness (2nd place)

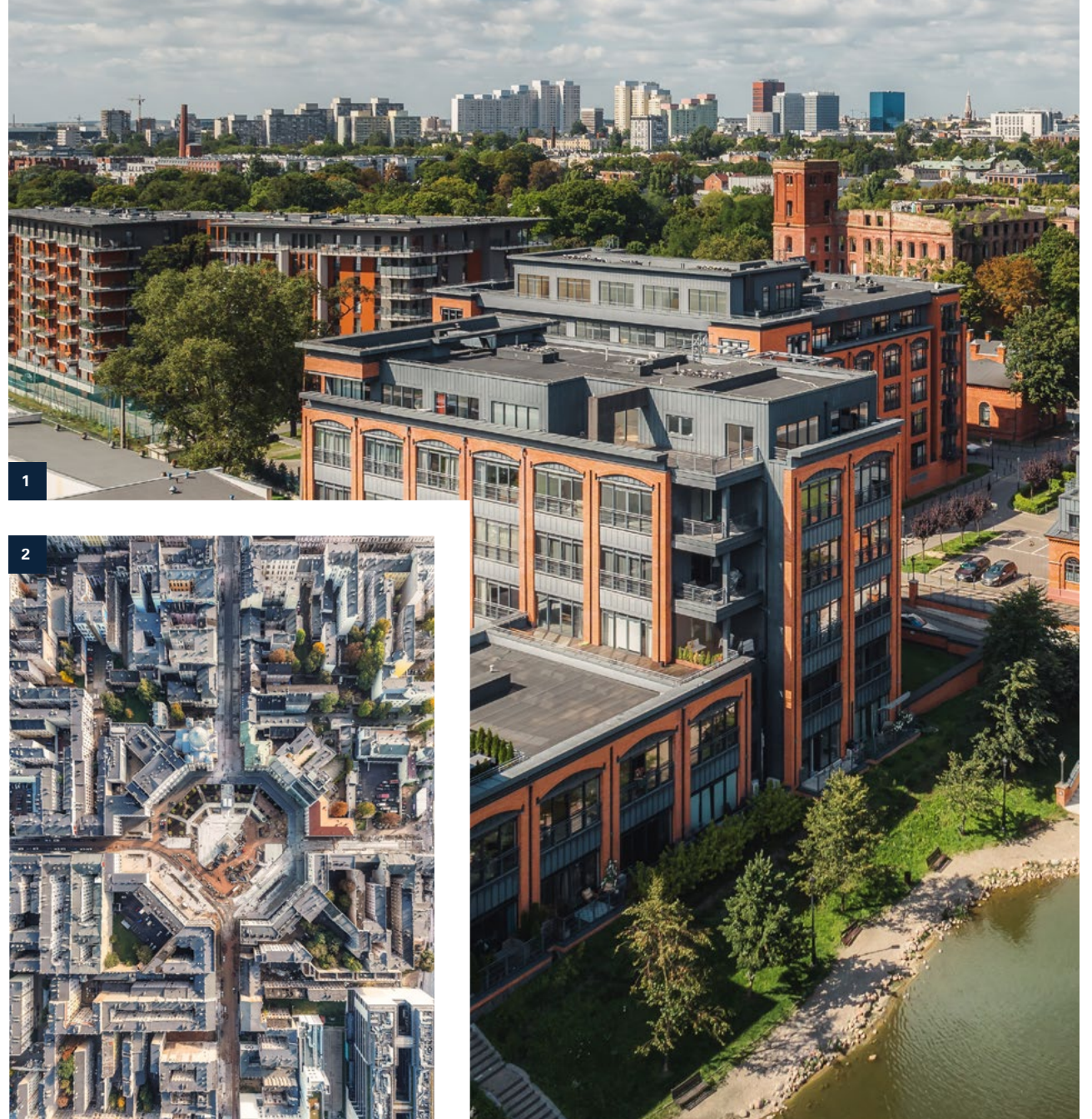


Image 1: Modern Loft Apartments and offices in restored factory complex, source: Arecki Photo.

Image 2: Plac Wolności (Freedom Square) from above, source: Arecki Photo.

Source: Promotional materials from <https://invest.lodz.pl>.

The Łódź Special Economic Zone

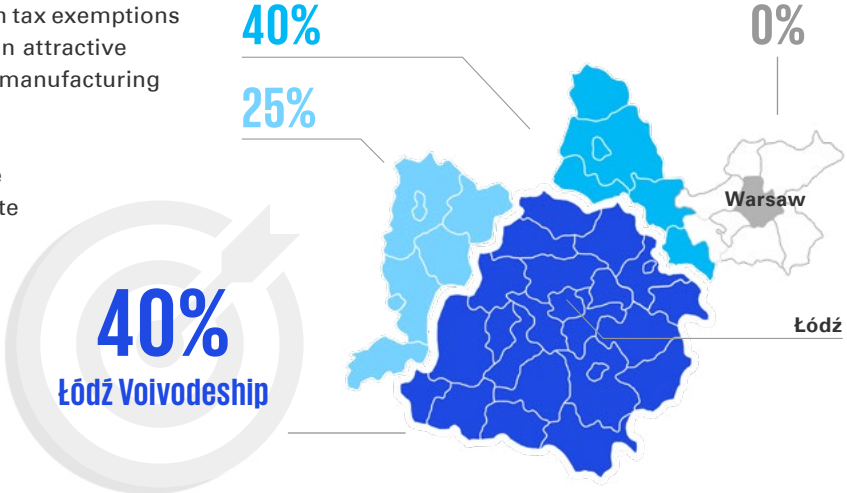
The Łódź Special Economic Zone (ŁSEZ) covers the Łódź Voivodeship, part of the Mazowieckie Voivodeship and the eastern region of the Wielkopolskie Voivodeship. The ŁSEZ ranked 10th in the Free Zones of the year 2022 by FDI, which confirms the region's attractiveness for new investments.



The ŁSEZ presents a compelling array of incentives and opportunities for businesses looking to establish or expand their presence in Poland. With tax exemptions reaching nearly 70%, the ŁSEZ offers an attractive proposition for investments in both the manufacturing industry and business services sector.


Moreover, the ŁSEZ provides a diverse selection of investment areas, real estate options, and manufacturing parks, accompanied by robust support for new ventures. With its comprehensive range of offerings and forward-thinking approach, the ŁSEZ emerges as a prime destination for businesses seeking growth and innovation opportunities in Poland.

Public aid map for 2022–2027




Tax exemption form „CIT” (1)

Services (IT, BPO, SSC and others)

 **40%**₍₂₎ × **2**₍₃₎ × **X**₍₄₎ = **Granted public aid as an exemption from CIT**

Manufacturing

 **40%** × **cost of land acquisition, cost of acquisition, expansion or modernization of fixed assets (e.g. machinery) cost of acquisition of intangible assets** = **Granted public aid as an exemption from CIT**

(1) Simplified schemes. More information on: <http://sse.lodz.pl/en/>; (2) Support level in Łódź; (3) Two-years employment cost of an employee; (4) Number of newly hired employees. Map and Infographic, source: Promotional materials from <https://invest.lodz.pl>.

ŁSEZ support programs



Image: EC1 City of Culture – post-industrial former first commercial power plant complex converted into a cultural center, source: The City of Łódź Office.

1. Investment planning

Tax-exemption

The ŁSEZ offers a tax exemption for new investments and redevelopments. The program is aimed at the manufacturing industry and Business Services and gives the possibility to reduce tax by almost 70%.

Investment areas

The ŁSEZ has a wide offer of investment areas, real estate and manufacturing parks. Within the zone, new investors can get support with opening new businesses and production.

Partners' Zone

The ŁSEZ helps to create a wide network of contacts with other investors and manufacturers. With the help of the Partner Zone program, it is easier to access help from experts in many areas of business.

2. Technology and innovation

Accelerating programs

The ŁSEZ supports start-ups and small businesses. Sharing experience, infrastructure and sources, helps new businesses to be established in Poland. ŁSEZ has supported more than 200 startups, so far.

Rethink Digital HUB

Helps companies with digital transformation by offering experts' insights, additional courses and Test Before Invest services.

Re_connect

The ŁSEZ is the only Economic Zone in Poland that offers **metaverse** technology and helps to implement it in businesses by offering many courses and knowledge sharing.

3. Business development

Re_Open_UK

Helps to reduce the negative impact of Brexit on the Polish economy and businesses.

Technical School of Automation and Robotics TAiR

One of the most innovative technical schools in Poland. Established by ŁSEZ and its partners, gives the possibility to qualify the future workforce with additional practical experience.

Source: Promotional materials from <https://invest.lodz.pl>.

Unveiling economic potential

Exploring Łódź's economic sectors



IT & FinTech

The city has a strong presence of providers of advanced technologies for both banks and other financial institutions, including insurers, leasing companies and FinTechs. In the 2023 edition of the Polish FinTech Map by the Cashless portal, Łódź is ranked third, just behind Warsaw and Poznań. 6% of FinTechs operating in Poland are based in Łódź. Thanks to the cooperation between FinTech Central Poland, the University of Łódź, Invest in Łódź (Central Poland) and other companies and institutions, the first edition of postgraduate FinTech studies was launched in October 2023. In Łódź there are various companies and startups from the sector, such as: IDEMIA, MakoLab.com and BlnarApps.



Business services & IT

Łódź is developing dynamically in the field of modern technologies, which is evidenced by the presence of 110 BPO/SSC companies and over 200 IT companies employing a total of 65,000 specialists. The city offers many job opportunities for experts in various fields, especially those related to high technology. Investors have recognized the city's development and are increasingly choosing Łódź as a location for both new projects and the expansion of existing businesses. As a result, the city is increasingly attracting attention as an investment destination in the technology and business services sectors. Among the most significant and valuable projects in terms of innovation and the size and quality of employment opportunities are initiatives such as Wella Company (Center of Excellence, Germany), Vention (IT, USA), InfoPulse (IT, Ukraine), EY (Center of Excellence), Alorica (BPO, USA), Daikin (Japan), First Derivative (Ireland) and DataArt (USA). Since 2022, Łódź has been hosting DevConf, a prestigious international conference for professional software developers.

Investment potential of Łódź:
the strongest sectors of the
city economy

65,000 specialist



Business services
110 SSC/CoE/GBS/BPO centers



IT >200 IT companies



Life sciences



Manufacturing



Distribution & Logistics

Source: Promotional materials from <https://invest.lodz.pl>.



Life sciences

The region has significant research and development capabilities focused on biological, medical and chemical sciences, as well as medical institutions such as the Medical University, the Polish Maternal Health Institute, the Institute of Occupational Medicine and the Łódź Regional Science and Technology Park. This park is dedicated to research into new types of cosmetics and nanomaterials. Within these centers, numerous research and development initiatives are underway, providing a solid foundation for the development of the biotechnology and nanotechnology sectors in the region. According to the latest available statistics, up to 4,000 specialists are working in biotechnology and pharmaceuticals in Łódź. It is worth mentioning that Łódź offers more than 20 study programs related to this industry. In the past two years, several new laboratories have been opened in Łódź, including MOLEcoLAB, Brain, the Clinical Research Support Center and the Bacteriophage Biotechnology Center of Proteon Pharmaceuticals.



Manufacturing

The manufacturing sector in Łódź is a major driver of the local economy and plays a crucial role in the city's industrial landscape. Historically known as one of the major textile production centers in Europe, Łódź has diversified its manufacturing base over the years and is now home to a wide range of industries. These include automotive, engineering, electronics, plastics, chemicals and food processing. One of the key strengths of the manufacturing sector in Łódź is its skilled workforce, supported by several technical universities and vocational schools in the region. This provides a steady stream of qualified personnel for the various manufacturing industries operating in the city. Well-known brands such as ABB, B/S/H/, Miele and Whirlpool operate in Łódź.



Distribution & Logistics

The distribution and logistics sector in Łódź is a vital part of the city's economy. The city's central location in Poland makes it an ideal distribution center for both domestic and international markets. Łódź's proximity to major European markets provides easy access to key trading partners, making it an attractive location for companies engaged in cross-border trade. There are 3 intermodal terminals located in the city and on its outskirts, with a total annual throughput of 170,000 TEU. An additional intermodal terminal is under construction and will have an annual throughput of 120,000 TEUs by 2026. The distribution and logistics sector in Łódź is characterized by a wide range of companies, including transport companies, warehousing facilities, freight forwarders, and logistics service providers.

Real estate market

Office market

Łódź is the sixth-largest regional office market in Poland, accounting for 5% of the total office stock. At the end of Q1 2024, the total office stock in Łódź amounted to 638,000 m².

The city has a wide range of A- and B-class office space, but also a unique offer of modern office space in revitalized post-industrial buildings, which distinguishes Łódź from other business destinations in the country. Listing just a few examples of such projects that stand out with their unique, post-industrial style of modern interiors: Monopolis, Fuzja, Textorial Park, OFF Piotrkowska, or WIMA scheme under construction. In addition, more than 30,000 m² of modern office space is currently under construction. Asking rents for modern office space remain competitive when compared with other major regional cities ranging from EUR 9.00 and EUR 15.00 m² per month.

Another distinguishing feature of modern office supply is the location of the vast majority of modern office buildings in the city center, whereas in other business centers, office buildings are spread throughout the city. The city offers a wide range of office space available for lease, as over 136,000 m² of modern space remained vacant at the end of Q1 2024. Additionally, the Łódź market is home to many co-working operators, including City Space, CoSpot, Loftmill, Business Link, and New Work.

50%
of modern office space
being currently under
construction is expected
to be delivered to
the market in 2025

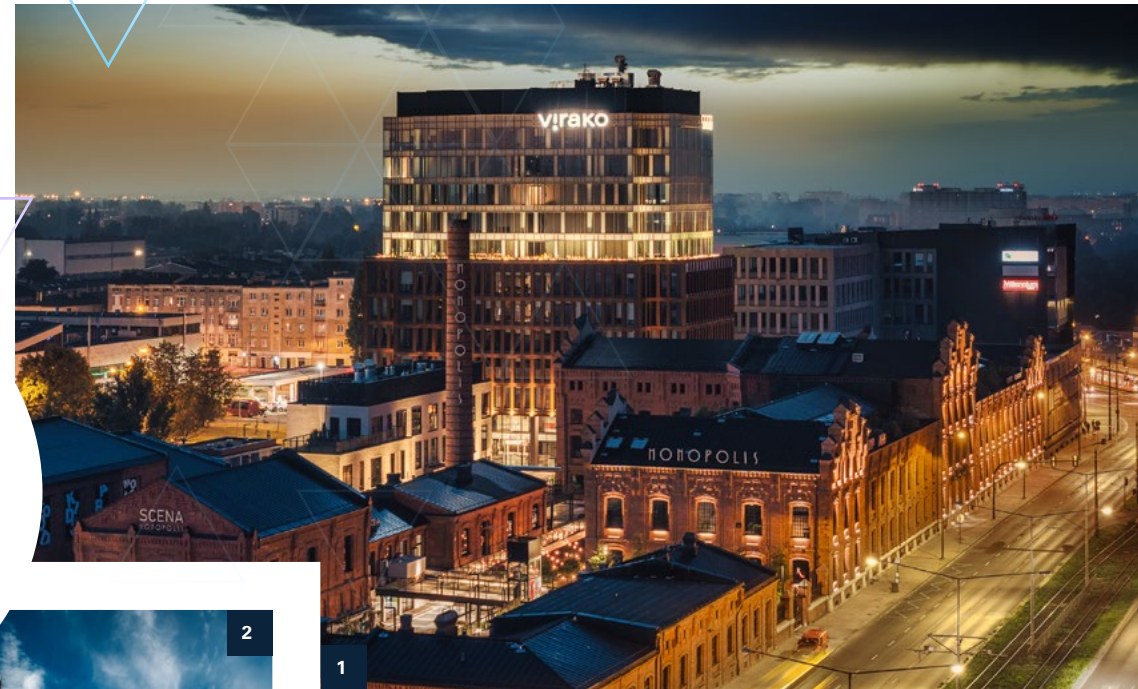


Image 1: Monopolis – office & retail complex, source: Arecki Photo. Image 2: Fuzja – a multipurpose post-industrial complex, source: Arecki Photo. Image 3: Łódź City Gate, source: The City of Łódź Office.

Warehouse market

Central Poland is the third-largest warehouse market in Poland, trailing only Warsaw and Upper Silesia. At the beginning of Q2 2024, the region's modern warehouse space totalled 4.54 million m², with nearly 300,000 m² delivered to the market within the last 12 months. As a consequence, the warehouse stock in Central Poland accounted for nearly 14% of the total volume in the country. Additionally, at the beginning of Q2 2024 more than 400,000 m² of modern warehouse space in Central Poland was under construction. Central Poland is an exceptionally attractive location for the e-commerce sector, logistics operators, manufacturers and retail chains, which locate their distribution centers serving the country or the CEE region in Łódź Voivodship. Key warehouse hubs in the region are Stryków, Piotrków Trybunalski, and ŁSEZ in the south and east suburbs of Łódź.

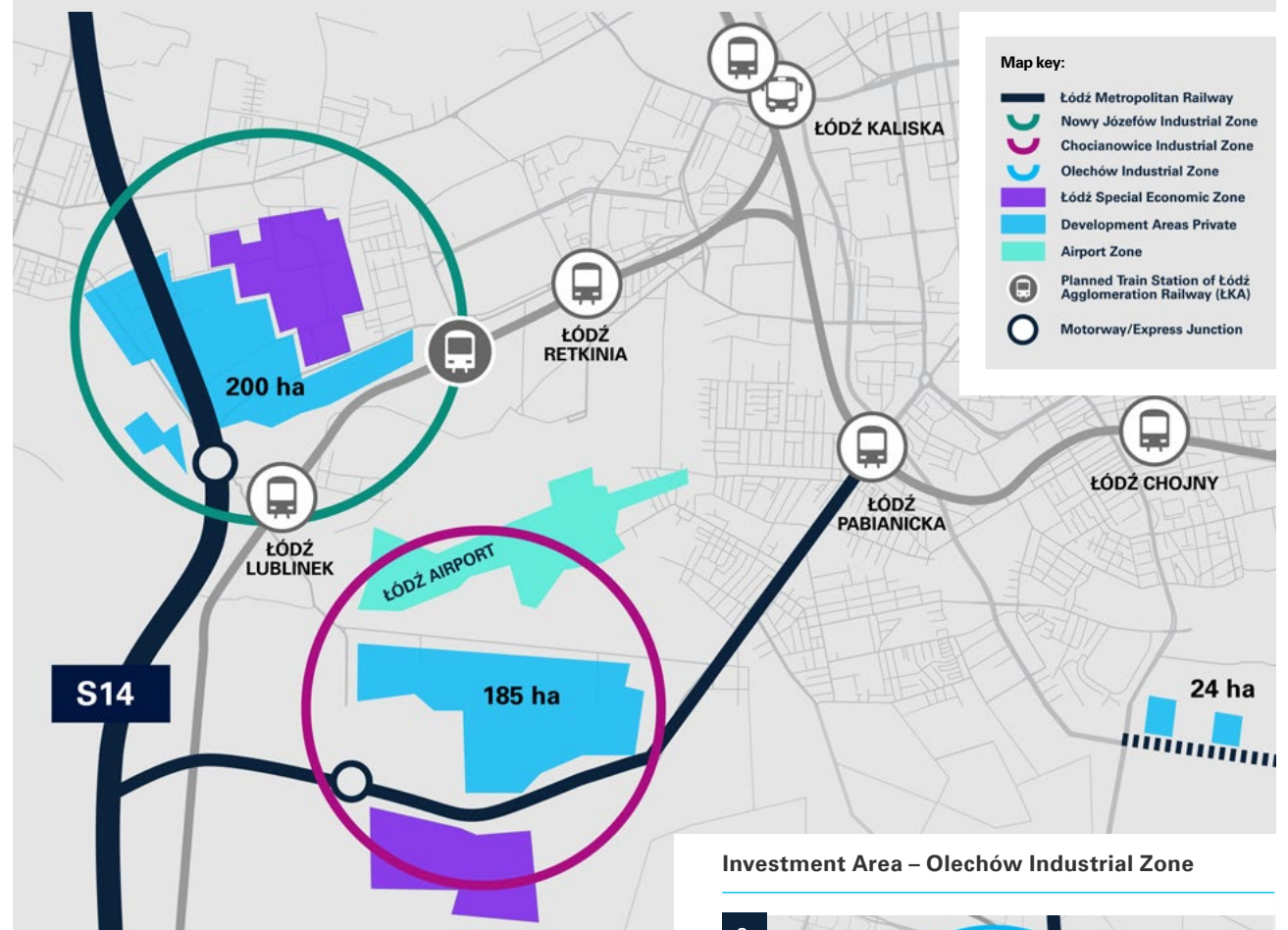
2023 saw lower take-up which translated into an increase in the availability of vacant space. Nevertheless, e-commerce, nearshoring, and the reconfiguration of supply chains are expected to strengthen demand. At the end of Q1 2024, the vacancy rate in Central Poland increased up to 10.2%, representing more than 460,000 m² of modern space available for lease.

Rents for warehouse space increased in last year, but remain at one of the lowest levels in Europe and the region. Asking rates in Central Poland range from EUR 3,50 to EUR 5,00 m² per month.

Land market

The Łódź region benefits from high availability of attractive investment areas for manufacturing projects, especially in the ŁSEZ. In the region, there is approximately 400 hectares of land available to investors from the manufacturing sector who can benefit from modern infrastructure solutions. The city authorities have been

1 Investment Areas – Nowy Józefów Industrial Zone and Chocianowice Industrial Zone



Maps 1 and 2, source: Promotional materials from <https://invest.lodz.pl>.

making efforts to attract new investors and facilitate the process of building new branches. The list of incentives includes, among others: plots fully prepared for investments at an attractive price, tax exemptions, and free assistance in completing formalities related to the exemption from property tax.

2 Investment Area – Olechów Industrial Zone

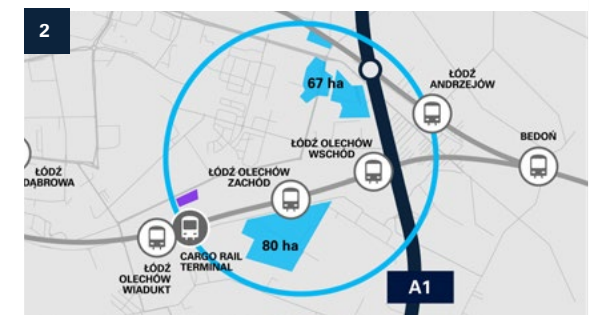




Image: Traugutta Street in Łódź.

Sustainable city

The Łódź development strategy is founded on the principles of sustainable growth. The city is actively engaged in a variety of social initiatives, educational programs and events that enhance ecological consciousness and promote environmental care.

These efforts, together with projects that increase the city's green spaces, are involved in creating Łódź's reputation as an eco-friendly metropolis. Nearly one-fifth of Łódź is adorned with greenery, encompassing more than 30 city parks, of which 11 are historic. Furthermore, the city has ambitious plans for the future, including hosting the Horticultural EXPO in 2029.

The city's primary goal is to cultivate a reputation as a green urban area, focusing on both the improvement of urban greenery within its borders and on broader environmental and sustainable development aspects.

The city is involved in numerous international initiatives and projects that made an impact on the environment, such as:

- EU mission: climate-neutral and smart cities.
- CrAft cities: a project that aims to make cities climate-neutral, beautiful and inclusive.
- ICLEI: a network of over 2,500 local and regional governments committed to sustainable urban development.
- Blue Green Infrastructure: an urban concept assuming the creation of a network of interconnected green areas, primarily along river valleys.
- Sponge City concept: soaking in rainwater, retains excess stormwater, then filters and releases

Łódź is highly ranked in several ecological rankings:

3rd place
Green Cities
Europolis Ranking

5th place
Green Cities Forbes
2021 Ranking



National Geographic – Best of The World 2022 distinction among 25 cities in the sustainable development category



Recognition for innovative Green Bond issuance in the category of big cities in the “Innovative Local Government” contest by PAP Local Government Service

Source: Promotional materials from <https://invest.lodz.pl>.

the water slowly (WOSP Square, Dabrowski Square as examples of adding more greenery to the current concrete structure).



Image: Park Źródlika in Łódź.

Selected Eco-Projects

01

EU Mission

Łódź has been chosen to take part in a program EU Missions: climate-neutral & Smart Cities that is one of the strategic initiatives implemented by the European Commission. The program aims to create more than 100 climate-neutral and smart cities by 2030 and ensure that cities act as experimentation and innovation hubs to promote climate-neutral cities by 2050.

02

FRONTH1P

Łódź also participated in the FRONTH1P (a FRONT-runner approach to systemic circular, holistic & inclusive solutions for a new paradigm of territorial circular economy) project, financed from the EU funds (European Horizon 2020).

The solutions developed within the project will contribute to decarbonizing production and consumption systems, improving quality of life, enhancing interaction between urban and rural regions, and ultimately leading to economic growth. The proposed model will be implemented and demonstrated in the Łódź Voivodeship. It is expected that as a result of the project, CO₂ emissions in the region could decrease by 2–3%.

03

ECO MAPPING

The eco-mapping initiative serves as a strategic tool, enabling the identification and prioritization of environmental challenges and opportunities within the city. Complementary to this approach is the development of an economic model of transition, aligning economic activities with ecological

goals. This roadmap not only aims to mitigate environmental impact but also seeks to capitalize on emerging green sectors, fostering innovation and economic growth.

04

ECO PACT

The EKO Pact initiative, a collaborative program between the municipality and businesses, is designed to promote environmental conservation. Through this collaboration, the city receives support in implementing eco-friendly solutions, while businesses are offered extensive assistance in transitioning towards more sustainable practices. Additionally, as part of this collaboration, the city provides numerous training opportunities and educational resources to foster sustainable business development.

Quality of life

The city offers an increasingly higher quality of life by attracting new investors, creating greater career development opportunities and providing an interesting space to enjoy leisure time.

Over recent years, the city has experienced a profound transformation with the ultimate aim of crafting an environment that is welcoming not just to tourists but primarily to its residents. Thanks to various initiatives, Łódź is becoming increasingly appealing each year.

Projects like the New Center of Łódź are reshaping the city center into a vibrant hub for both residents and businesses, characterized by exciting attractions and innovative architecture. Moreover, leveraging Łódź's post-industrial heritage and distinctive historical structures, old factories are being repurposed into places full of life. These improvements in public spaces are altering how the city is viewed, as evidenced by numerous prestigious awards.



Image: Tram Center Piotrkowska, source: The City of Łódź Office.



Access City Award 2024
The award for exceptional efforts to include people with disabilities in the social and economic life of cities

1st place

in Pearls of the Local Government Ranking 2024 performed by Dziennik Gazeta Prawna. Łódź announced as the leader in best practices in the digitization category

4th place

in the "Smart City" Ranking in 2022

2nd place

in Forbes „People-Friendly Cities“ Ranking 2021

Source: Promotional materials from <https://invest.lodz.pl>.

Known as the Polish center of street art, Łódź is increasingly attracting foreign artists to its growing number of murals, revitalizing its aging structures and old tenements with artistic flair.



The transformation of neglected post-industrial sites, often in the city center and with historic factory buildings, sets Łódź apart from other Polish cities. In Łódź, developers continue to undertake remarkable projects that stand out for their unique ambience and architectural intrigue; these revitalizations have resulted in distinctive places that showcase innovative architectural designs.



The city is home to unique interactive exhibitions and museums, often housed in beautifully restored historic buildings that retain their original architecture.



Łódź is continuously working to improve. The quality of life of citizens, by providing various digital solutions which make many facilities more accessible to residents and tourists visiting the city.



Recognised worldwide, Łódź is part of the UNESCO network of Cities of Creativity and holds the prestigious title of UNESCO City of Film. As the heart of Polish cinematography, Łódź has fostered generations of filmmakers and actors, and its cultural life is enriched by popular festivals of film, theatre, music, art and literature, many of which enjoy international acclaim and a distinctive character.

Image 1: Manufaktura – an arts center, shopping mall, and leisure complex in restored factory. Image 2: The Izrael Poznański Palace. Currently houses the Museum of the City of Łódź. Image 3: The panorama of the city. Piotrkowska Street from Plac Wolności (Freedom Square) toward the south, source: Arecki Photo. Image 4: Piotrkowska Street.

Future of Łódź

The directions of the city's development are determined by the **Łódź Development Strategy 2030+**, which defines the activities of Łódź in the spatial, economic and social dimensions.

The urban development strategy is focused on eco-friendly growth and enhancing the city's resilience. This strategy document places a strong emphasis on fostering a "greener city", promoting a sustainable economy, and developing robust infrastructure and transportation. It also focuses on creating opportunities for increased civic engagement and the development of human capital.



Image: The panorama of the city, Piotrkowska Street toward the north.

Key strategic goals for Łódź:

01 **Łódź strong and resilient**

Achieving resilience is essential, ensuring that Łódź's management systems in social, economic, and spatial domains can withstand both external and internal pressures, and maintaining all infrastructures, including social facilities, in optimal condition.

02 **Łódź economic and social development**

Enhancing the economic and social frameworks of Łódź is vital for ensuring the prosperity of its current and future residents. Decisions made now are investments in a better quality of life, improved spaces, and a robust economic environment for generations to come.

03 **Łódź responding to stakeholder expectations**

Adapting to the needs and expectations of those who live, work, and execute their projects in Łódź is increasingly important. The city aims to provide an environment that supports optimal functionality and community well-being.

04 **Łódź inspiring**

Łódź is actively seeking innovative ideas to boost its appeal, not just to residents but also to visitors. The new development strategy includes leveraging input from its citizens to generate fresh concepts and eco-friendly initiatives.



Image: Image: Łódź Fabryczna railway station, source: The City of Łódź Office.



03 What is next?

Nearshoring is a reality, driven by economic uncertainty and geopolitical tensions.

Changes in strategic models to help with supply chain resilience:

- 01 Automation and digitalization
- 02 Offshoring to nearshoring
- 03 From "just-in-time supply chains" to "just-in-case supply chains"
- 04 Integrating supply chain management into structural decision-making
- 05 Diversifying sourcing
- 06 Reconfiguration of manufacturing plants
- 07 Building agile and future-ready systems

Global trends

With increased geopolitical risk, trade sanctions, an energy crisis, rapidly changing climate patterns, high inflation, high financing costs, and weakened consumption, the scale of challenges is extraordinary.

In the next years, climate change, trade wars and geopolitical conflicts are also expected to contribute increasingly to supply chain disruptions. As a result, manufacturers are seeking solutions to mitigate the impact of these factors and build resilience in their supply chains.

Manufacturers are adopting various technologies and are also looking at transferring various business operations, specifically in terms of selecting locations for moving their manufacturing capability or a key supplier, which will be more viable to the demand location. Additional support to the supply chain can be provided by diversifying resources which can eventually reduce the impact of events with shocks and shortages.

Organisations need to maintain a healthy balance between being resilient and cost effective along with having an agile system to ensure an efficient supply chain mechanism. The existing trends can help organisations build a resilient supply chain, which is indeed an important factor in determining their financial success.



1. Technology and automation in supply chains

Technology today plays a vital role in managing industrial manufacturing, particularly in areas such as inventory, supply chain and operations management. Rising costs are driving the industry to more efficiently utilize existing assets and contracts, making investments in monitoring, analyzing, and automating decision-making in supply chains crucial. Artificial intelligence (AI), the Internet of Things (IoT), autonomous robots, big data analytics and other cutting-edge technologies bring benefits in several areas, including cost-cutting, supply chain reorganization or accelerated delivery. The leading objective of Industry 4.0 is to excel in manufacturing operations: to become faster, more efficient, and customer oriented.

2. Sustainable development

Among the priorities of major companies, sustainable development is emphasized, with a particular focus on reducing energy consumption and shortening the distance that goods must travel. As compliance with ESG regulations is becoming a key driver for the vast majority of companies, the carbon emission reduction efforts accelerating. In this context, nearshoring is ranked high as large distances from Asia to Europe can be avoided.

3. Agility of the supply chain

Companies do their best to increase organizational resilience by redesigning their supply chains to be more flexible, agile and responsive to market changes. Flexible and agile supply chains allow companies to respond quickly to market signals, in particular projected and actual changes in customer demand, and to adjust production levels, raw material and material requirements, and the direction and type of transport.

The next few years will see significant changes in distribution networks. Many forward-looking companies are hedging their bets by locating close to sources of supply to mitigate risk and diversify product sources. Increasingly common strategies include a geographically broader network of suppliers with higher inventory levels, diversified production locations through the creation of regional hubs, and investment in technology. Just-in-time (JIT) inventory management is gradually being replaced by just-in-case (JIC) inventory management, which involves holding larger inventories closer to customers or creating additional production facilities.



33%

of companies

plan to increase their focus on sustainable sourcing as part of their future supply chain strategy.

37%

of companies

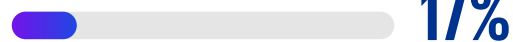
have recently replaced manual labor with advanced robotics or automation in their warehouse operations.

Source: KPMG 2024 CEO Outlook Pulse Survey.

CEO's top operational priority over the 2024



Execution of ESG initiatives



Prioritize inflation proofing capital and input costs



Improving supply chain agility and resilience



Advancing digitization and connectivity across the business



Improving the customer experience



Source: KPMG 2024 CEO Outlook Pulse Survey.

Circular supply chain

Circular supply chains refer to systems in which resources are continuously reused, recycled or repurposed, rather than discarded after a single use. This concept has significant implications for business as it promotes sustainability, resource efficiency, and cost savings. By minimizing waste and maximizing the value extracted from resources, circular supply chains reduce pressure on natural ecosystems and dependence on finite resources. They also encourage innovation and the development of new business models based on the concept of a closed-loop system. This shift towards circularity not only reduces environmental impact, but also creates economic opportunities by creating new markets for recycled materials, stimulating job growth in green industries, and increasing supply chain resilience. Ultimately, embracing circular supply chains is critical to building a more sustainable and prosperous economy in the long term.

To reduce supply disruptions and price volatility, a more circular supply chain could create

USD 4.5 trillion

in material value opportunities by 2030.

Elements of this new supply chain may include critical raw materials. The EU and US have identified 30 and 50 critical raw materials respectively that have the potential to disrupt supply chains and cause significant increases in the cost of goods sold.

Human rights in manufacturing and production

Companies have a responsibility to ensure that their supply chains comply with high standards of human rights, decent working conditions and fair labor practices. The harvesting of agricultural commodities and the extraction of minerals are associated with several human rights vulnerabilities, including the presence of often marginalized workers and a lack of transparency and regulation in countries of origin.

In the EU, protecting human rights and ensuring fair working conditions is a cornerstone of its regulatory framework. Strict laws are in place to protect workers' rights and promote social justice in all Member States. These laws cover a range of issues, including fair pay, working hours, health and safety standards and the prohibition of discrimination in the workplace. The EU is also committed to tackling forced labor and child labor, both within its borders and in its global supply chains.

Workforce of the future

As supply chain transformation continues, there will be a demand for new roles and skills to support the implementation of new activities and tasks. Companies are approaching this challenge in a variety of ways, such as balancing immediate needs with long-term strategies, and seeking to recruit individuals who are adept at working within increasingly digital supply chains. As companies adopt advanced robotics and automation, they need to redesign roles to accommodate the collaboration between digital technologies and human workers.

This trend requires education to adapt to the needs of the labor market, as the shift to a mode of operation in which people lead but are supported by digital tools is inevitable, and new skills are needed to maintain the competitiveness of human resources.



Healthcare and life sciences

The move towards precision medicine, advances in medtech and the emergence of data-as-a-service will accelerate supply chain innovation in the sector. While these changes present opportunities, taking advantage of them will require the ability to navigate newfound complexities. The increasing precision of medical treatments will require more meticulous logistics operations, improved planning, and sophisticated coordination capabilities.

For some life sciences companies, this may mean redefining supply chains, as the complexity of medtech supply chains will require sophisticated systems to efficiently move multiple components. These complex supply chains may include specialized requirements such as cold chains and cryo chains, managing the intricacies of transporting biomatter, and coordinating the availability of medical personnel upon product arrival to ensure optimal shelf life.

How can we help?

KPMG assists clients at all stages of the nearshoring process, starting from preparation phase of the project and ending at the opening of activities or exit from the investment project in a sale and leaseback formula.

Always at the forefront of new business trends and market changes, KPMG meets the needs of clients while preparing nearshoring package as supportive response to the growing needs of the logistics, warehouse, and production sectors of the economy.



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PHASE 1

- Feasibility study of a proposed project encompassing economic and market analysis of the relevant industry sector as well as technical and strategic economic analysis of the project
- Tailor made legal and tax advisory
- Site or ready made facility search and selection
- Land or existing facility acquisition and assistance in obtaining relevant permits
- Securing debt finance and public subsidies for the project
- General contractor tendering process management
- Project management and technical advisory in the project development process
- Due diligence services: ESG, commercial, financial, legal, tax
- ESG advisory
- Comprehensive HR advisory services

PHASE 2

- Advising and assisting in the process of selecting contractors and subcontractors for the construction process
- Supervising preparation work of the construction site and monitoring the works' progress

PHASE 3

- Production or logistics facility construction monitoring
- Assistance with property and facility management providers' selection
- Providing technical and financial audits with operating cost reviews
- Guidance on HR processes to be incorporated



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