

HSBC Global Connections

Forecast Data Modelled by Oxford Economics, based on HSBC Global Research Macro Data.

HSBC Global Connections Report Poland

February 2013

An overview of world trade and the opportunities for international businesses

Trade Flows – An acceleration in total Polish goods exports is forecast for the next couple of years, with the rate of expansion rising from 2012's 2.3% to 5.8% in 2013 and 7% in 2014. Nevertheless, despite this, GDP growth is forecast to slow in the short term before picking up to 2.9% by 2014, dragged down by weak domestic demand conditions.

Sector Insights – Poland's involvement in the heavy manufacturing industry will continue to drive trade growth, with industrial machinery and transport equipment forecast to see robust expansion out to 2030. It is anticipated that there will be something of a shift in the composition of exports, as high-tech ICT equipment displaces lower-value traditional export sectors such as animal products and textile and wood manufactures.

Overview of Present Situation

Due to its large internal market, Poland is less trade-dependent than many of its Central and Eastern European neighbours. Hence, despite an acceleration in exports forecast for the next few years, domestic weakness arising from sluggish investment and private consumption is still expected to drag.

The geographical composition of Poland's goods exports is forecast to remain fairly stable in the years out to 2030. Geographical proximity and EU membership means that large European countries, notably Germany, France and the United Kingdom, will continue to be the dominant markets for Poland's merchandise exports over this period.

However, although they are likely to remain a relatively small proportion of total goods exports, the fastest-growing trade relations are forecast to be with the emerging economies of Asia, notably China, India, Vietnam and Malaysia. Total exports to these countries are forecast to see double-digit growth all the way out to 2030, driven by these countries' rapid expansion of demand.

The composition of Polish exports by sector of production is forecast to remain broadly stable out to 2030. Poland's key export sectors, namely industrial machinery and

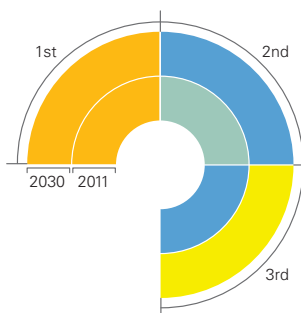
transport equipment, will continue to provide a source of export growth: in addition to demand from established European markets, developing nations will also increase their demand for capital goods and automobiles as part of the processes of capital accumulation and transition to middle-income status. However, Poland is also expected to move increasingly into high-tech lighter manufacturing of items such as ICT equipment as the domestic workforce becomes increasingly skilled.

Top Five Export Destinations*

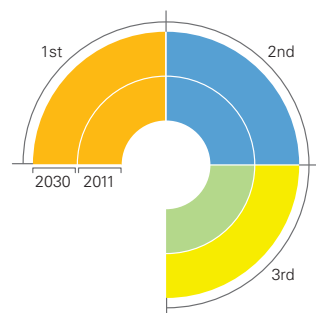
Rank	2011	2030
1	Germany	Germany
2	UK	UK
3	France	France
4	Turkey	Turkey
5	USA	China

Top Three Import and Export Sectors in Poland 2011 and 2030*

Imports



Exports



■ Petroleum & petroleum products
■ Road vehicles & transport equipment
■ Textiles & wood manufactures
■ ICT equipment
■ Industrial machinery

*Note: Table only considers goods exports between the 23 economies in the sample

Corridors to watch

Due to the advantages bestowed by low transport and transaction costs and absence of tariff barriers, geographical proximity and the EU Single Market mean that the bulk of Poland's goods exports will continue to be bought by large European countries like Germany, France and the United Kingdom.

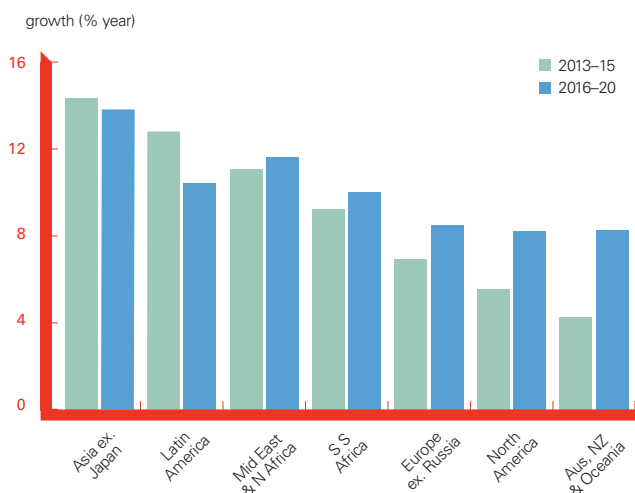
However, although they are likely to remain a small proportion of total exports even out to 2030, the most dynamic trade relations will be with emerging Asia. This is forecast to be the case both in the short term, as the Asian economy recovers from its recent slowdown while Europe remains stuck in a prolonged crisis, and in the longer term, as the Asian economies engage in catch-up growth and loom larger in the world economy.

In particular, India is forecast to generate greater than 20% annual growth in export demand over the coming few years, and just over 10% annual growth on average during the 2020s. Vietnam and China are also forecast to generate double-digit annual growth rates of around 10-14% out to 2030. Indeed, China is anticipated to

displace the US's position among Poland's principal non-EU export destinations by 2030, constituting a large market for capital goods and consumer durables.

Regional Export Flows

Source: Oxford Economics



Fastest Growing Exports (% year)

Rank	Destination	2013-15	Destination	2016-20	Destination	2021-30
1	India	21	India	16	Vietnam	12
2	Vietnam	18	Vietnam	15	China	12
3	Korea	17	China	15	India	11
4	Mexico	17	Turkey	13	Malaysia	10
5	HK	16	Malaysia	13	Turkey	10
6	Saudi	14	Brazil	12	Indonesia	9
7	Brazil	14	Korea	12	Egypt	9
8	Turkey	13	Indonesia	12	Saudi	8
9	Indonesia	13	UAE	11	Bangladesh	8
10	UAE	12	Mexico	10	UAE	8

Fastest Growing Imports (% year)

Rank	Origin	2013-15	Origin	2016-20	Origin	2021-30
1	India	20	India	17	Vietnam	11
2	Egypt	17	Vietnam	14	India	11
3	Mexico	16	Turkey	14	Bangladesh	11
4	Bangladesh	15	China	14	China	10
5	Turkey	15	Bangladesh	13	Turkey	9
6	China	14	Mexico	12	Mexico	8
7	Canada	14	Canada	12	Malaysia	8
8	Vietnam	12	Malaysia	11	Canada	8
9	Indonesia	12	Egypt	11	Egypt	8
10	HK	12	Brazil	10	Indonesia	7

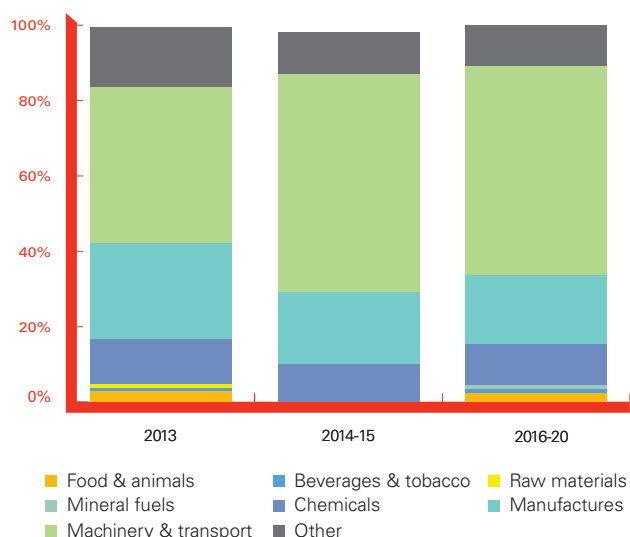
Sectors to watch

Poland's core export sectors, namely industrial machinery and transport equipment, will continue to be the key to export growth. Demand for these high-value exports will continue to come from developed European countries, which will continue to represent large business and consumer markets out to 2030. However, these items will also increasingly be sold to emerging Asia, which will demand capital goods to build up its own production capacity, and transport equipment for both production and consumption purposes as transport infrastructure improves and a middle-class emerges in the process of catch-up growth. Exports of industrial machinery and transport equipment are therefore forecast to contribute around 45% of export growth in the years to 2030.

Poland is also expected to move into high-tech lighter manufacturing as the Polish workforce becomes increasingly skilled, with ICT equipment contributing just under 10% of export growth out to 2030, displacing more traditional exports like animal products and low-tech textile and wood light manufactures.

Sector Contribution to Increase in Merchandise Exports %

Source: Oxford Economics



% Contribution To Overall Growth In Merchandise Exports

Rank	Sector	2013–15	Sector	2016–20	Sector	2021–30
1	Industrial machinery	26	Industrial machinery	26	Industrial machinery	28
2	Transport equipment	16	Transport equipment	20	Transport equipment	17
3	ICT equipment	12	ICT equipment	10	Mineral manufactures	9
4	Textile and wood manufactures	8	Mineral manufactures	8	ICT equipment	8
5	Mineral manufactures	8	Chemicals	7	Chemicals	8
6	Chemicals	7	Textile and wood manufactures	6	Prefab buildings	5
7	Prefab buildings	6	Prefab buildings	5	Textile and wood manufactures	5
8	Misc. manufactures	5	Misc. manufactures	4	Misc. manufactures	4
9	Plastics	3	Animal products	3	Animal products	3
10	Iron and steel	3	Plastics	3	Plastics	3

% Contribution To Overall Growth In Merchandise Imports

Rank	Sector	2013–15	Sector	2016–20	Sector	2021–30
1	Industrial machinery	28	Industrial machinery	27	Industrial machinery	31
2	Transport equipment	10	Transport equipment	11	Transport equipment	9
3	ICT equipment	8	ICT equipment	9	ICT equipment	9
4	Scientific apparatus	6	Scientific apparatus	7	Scientific apparatus	7
5	Chemicals	6	Mineral manufactures	6	Mineral manufactures	6
6	Mineral manufactures	6	Chemicals	6	Chemicals	5
7	Textile and wood manufactures	6	Textile and wood manufactures	5	Clothing and apparel	5
8	Plastics	6	Plastics	5	Textile and wood manufactures	4
9	Clothing and apparel	4	Clothing and apparel	4	Plastics	4
10	Unclassified goods	4	Misc. manufactures	4	Prefab buildings	4

“Rapid industrialisation and increasing wages, coupled with maturing consumer demand in many of the countries along the South-South corridor are driving different types of global trade growth. This report highlights how these trends are changing the types of goods imported, manufactured and subsequently exported.

As countries shift towards higher value sectors there are significant opportunities for companies to evolve and grow. Some of the faster growing, emerging markets show a shift from basic commodities trading in sectors such as Cereals or Sugar, to become a refiner or producer of branded goods based on those raw materials. In many of the developed markets there is a shift towards increasingly specialised sectors such as Chemicals and Pharmaceutical products as companies seek opportunities for higher returns.

About the Data:

About the HSBC Global Connections report— Modelled by Oxford Economics

Oxford Economics has tailored a unique service for HSBC which forecasts bilateral trade for total exports/imports of goods, based on HSBC's own analysis and forecasts of the world economy to generate a full bilateral set of trade flows for total imports and exports of goods, and balances between 180 pairs of countries. Oxford Economics produces a global report for HSBC, plus regional reports and country specific reports on the following 23 countries: Hong Kong, China, Australia, Indonesia, Malaysia, India, Singapore, Vietnam, Bangladesh, Canada, USA, Brazil, Mexico, Argentina, UK, France, Turkey, Germany, Poland, Ireland, UAE, Saudi Arabia, & Egypt.

Oxford Economics employs a global modelling framework that ensures full consistency between all economies, in part driven by trade linkages. The forecasts take into account factors such as the rate of demand growth in the destination market and the exporter's competitiveness. Exports, imports and trade balances are identified, with both historical estimates and forecasts for the periods 2013–15, 2016–20 and 2021–30.

Oxford Economics – formerly Oxford Economic Forecasting – was founded in 1981 to provide independent forecasting and analysis tailored to the needs of economists and planners in government and business. It is now one of the world's leading providers of economic analysis, advice and models, with over 500 clients. Oxford Economics commands a high degree of professional and technical expertise, both in its own staff of over 70 professionals based in Oxford, London, Belfast, Paris, the UAE, Singapore, Philadelphia and New York, and through its close links with Oxford University and a range of partner institutions in Europe and the US.

About HSBC Bank plc

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.

For more information please see:
www.hsbc.com/globalconnections

Emerging markets are developing at a phenomenal pace and are set to reshape world trade patterns over the next 20 years. By expanding their operations in to new, higher value sectors, they are driving more developed nations to specialise and diversify to compete. Understanding which sectors are growing in which markets, delivers huge opportunities for businesses as they plan for the future and aim to capitalise on these trends.”

James Emmett

HSBC Global Head of Trade & Receivables Finance

About the HSBC Sectors:

The model looks at two-digit classifications from the COMTRADE database, grouped in to a set of thirty headings. The sector data has been tracked by country, to give an insight in to the primary drivers of trade between the 25 countries and territories in the sample. The sector data has been calculated to show growth as a percentage of the overall contribution to growth, to ensure that the model highlights the sectors which are representing the biggest drivers of growth. More information about the sector modelling can be found on <http://www.globalconnections.hsbc.com/>

Sector classification headings:

- 1 - Animals & Animal products, Cereals, Sugars, sugar preparations & honey, Coffee and other spices
- 2 - Beverages, Tobacco
- 3 - Crude animal and plant materials, Oil-seeds, Crude fertilizers, Metalliferous ores
- 4 - Petroleum and petroleum products, Gas, natural & manufactured, Other mineral fuels & electric current
- 5 - Animal & vegetable oils
- 6 - Organic chemicals & inorganic chemicals, Pharmaceutical products, Fertilizers, Plastics
- 7 - Textiles & wood manufactures, Mineral manufacturers, Iron & steel, Non-ferrous metals
- 8 - Industrial machinery, ICT equipment, Road vehicles & transport equipment
- 9 - Prefab buildings, fixtures & furniture, Clothing & apparel, Scientific & photographic apparatus, Miscellaneous manufactured articles
- 10 - Commodities and transactions not classified elsewhere in the SITC, primarily gold in non-coin form.