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Foreign direct investment in Poland and Polish direct investment abroad in 2021



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Introduction

Introduction

The annual report on foreign direct investment in Poland and Polish direct investment abroad was prepared on the basis of statistical data compiled by Narodowy Bank Polski from reports sent by business entities to NBP. These reports contain the data needed to analyse Poland's multifaceted economic ties with foreign countries; in particular, they are used to prepare the balance of payments and international investment position. In the report, data available as at 1 September 2022 were used.

The report presents information on direct investment in various cross sections. A basic criterion used for classification of direct investment is the location of its control centre in the country or abroad. Accordingly, direct investment from the point of view of a given economy is divided into investment controlled by non-residents and investment controlled by residents. In the case of Poland, we refer to foreign direct investment in Poland and Polish direct investment abroad. The above presentation differs from that adopted in the balance of payments and international investment position, where direct investment is a part of foreign assets and liabilities.

Due to the interest in direct investment issues on the part of analysts of economic processes, some information is presented in more detailed breakdowns beyond the basic scope established by international standards.

The report also includes information on direct investment in the global economy as a whole in comparison to the previous year. A separate section of the study was devoted to analysing income from foreign direct investment in Poland, including its profitability, and the tendency of entities to reinvest earnings. The material also describes the development of foreign investment in the case of Belarus, the Russian Federation and Ukraine. This is of particular importance given the ongoing armed conflict and the potential impact of the resulting restrictions on the flow of capital to and from these countries.

Explanations of the method of data presentation are included in the Methodological note, which is part of the report. The terms used in the report are explained in the Glossary of terms forming a part of the Methodological note.

Summary

Summary

As a result of the post-pandemic recovery in 2021, a significant increase in foreign direct investment flows around the world was noted. According to reports from international organizations (including UNCTAD), 2021 brought definite signs of recovery in cross-border direct investment capital flows. The increase was 64%. At the same time, it is worth noting that the level of these investments was higher than before the pandemic, i.e. in 2019. Poland was also among the countries that registered above-average foreign direct investment inflows. This growth was largely due to the decision of foreign direct investors to reinvest in Poland the profits earned by the entities in which they are investors.

Polish direct investment abroad was also subject to global trends. Compared to 2020, its volume more than doubled. However, in contrast to the global situation, the balance of these investments was less than before the pandemic.

Foreign direct investment in Poland

Capital inflows from foreign direct investment in 2021 increased by PLN 114 billion in comparison to the previous year. The dominant position in capital inflows was, as in the previous years, reinvestment of earnings (PLN 75.5 billion). The balance of transactions also expanded as a result of equity acquisitions and capital injections (PLN 19.5 billion), and transactions related to debt instruments (PLN 19.1 billion). Foreign direct investment inflows reached 4.3% of GDP in 2021.

Foreign-owned companies achieved very good financial results in 2021, so the importance of reinvested earnings was greater than the transfer of new capital from abroad. As a result, the flows came from countries with the highest capital exposure to Poland. These include Spain (net transactions of PLN 14.1 billion), Germany (PLN 13.5 billion) and the Netherlands (PLN 12.7 billion).

At the end of 2021, the highest liabilities due to inward direct investment in Poland amounted to PLN 1,099 billion and were PLN 137 billion, i.e. 14.2% higher than at the end of the previous year. As in earlier years, the main factor in this growth was an increase in liabilities from shares and other forms of equity.

If we consider the country of origin of the ultimate controlling parent (UCP) in the enterprise group, Germany remained the largest direct investor in Poland in 2021. The balance of their receivables from inward investment positions in Poland amounted to PLN 209.5 billion at the end of the year under review. France came next (PLN 107.1 billion), followed by the Netherlands (PLN 103.1 billion). In fourth place were the United States (PLN 96.1 billion), and in the fifth place, similarly to the previous year, was the United Kingdom (PLN 59.5 billion). The value of Polish investments in Poland (made through special purpose entities established abroad) amounted to PLN 51.6 billion. This gave Polish entities seventh place among the analysed investors.

The improving economic situation and rebounding economies after the pandemic in 2020 contributed to strong growth in non-resident direct investment income in Poland. In 2021, it reached a record level of PLN 122.7 billion, nearly 40% higher than in 2020, of which reinvested earnings amounted to PLN 75.6 billion (an increase of more than 60%), and dividends paid amounted to PLN 39.0 billion (an increase of 18.3%). Interest income increased only slightly (by 1.6%) and amounted to PLN 8.1 billion. In line with the strong growth in income, investment profitability calculated in relation to liabilities also rose by 3.1 percentage points to 12.8%. The increase in income resulted in an increase in the ratio of inward direct investment income in Poland to GDP from 3.8% in 2020 to an all-time high of 4.7% in 2021.

The highest income from direct investment in Poland was recorded by investors from the Netherlands (PLN 31.6 billion), Germany (PLN 20.6 billion) and Luxembourg (PLN 16.1 billion). If income was attributed to the country in which the ultimate controlling parent has its seat, the highest income would be recorded by investors from Germany (PLN 23.9 billion), followed by the Netherlands (PLN 12.6 billion), France and the United States (PLN 10.9 billion and PLN 10.5 billion, respectively).

Polish direct investment abroad

In 2021, the balance of transactions from Polish direct investment abroad was more than double that in 2020, amounting to PLN 7.0 billion. Flows related to reinvested earnings accounted for the largest share of the transaction structure. In 2021, direct investment entities paid their dues to Polish investors. The value of these transactions amounted to PLN -3.9 billion.

Net receivables at the end of 2021 rose above the pre-pandemic COVID-19 level, to PLN 109.7 billion. However, it is still lower than at the end of the record year of 2016 (PLN 116.5 billion), i.e. before the start of the liquidation of structures used for tax optimization. The aforementioned repayments of debt by the affiliates to Polish investors contributed to a slight decrease in receivables from debt financial instruments (by PLN 1.6 billion).

The highest positive transaction balances of Polish direct investors abroad were recorded in Norway (PLN 3.4 billion), mainly as a result of reinvestment of earnings, Sweden (PLN 2.3 billion), as a result of debt repayment, and Liechtenstein (PLN 2.2 billion). Lower balances occurred in the case of Lithuania (PLN 1.3 billion) and the Czech Republic (PLN 1.2 billion).

In 2021, among the countries with the highest positive receivables, the high places were occupied by Luxembourg, Cyprus and the Netherlands. During the period under review, domestic investors continued to use these countries to optimize their investment structures. At the end of 2021, Polish direct investment abroad controlled by residents amounted to PLN 78.3 billion and accounted for 70% of the value of Polish direct investment abroad. Of this amount, PLN 15.6 billion are investments located in Poland.

In 2021 residents' income from foreign investment amounted to PLN 13.9 billion. It was influenced by the rebound after the 2020 pandemic and the improvement in the global economy that followed. The size of this income was more than 160% higher than in the previous year.

Chapter 1

Foreign direct investment in Poland

Foreign direct investment in Poland

In 2021 in Poland, as in the world, direct investment inflows increased significantly and returned to pre-COVID-19 levels. As in the previous years, the main contributor was reinvestment of earnings. A characteristic feature of 2021 was a significant increase in transactions involving debt instruments.

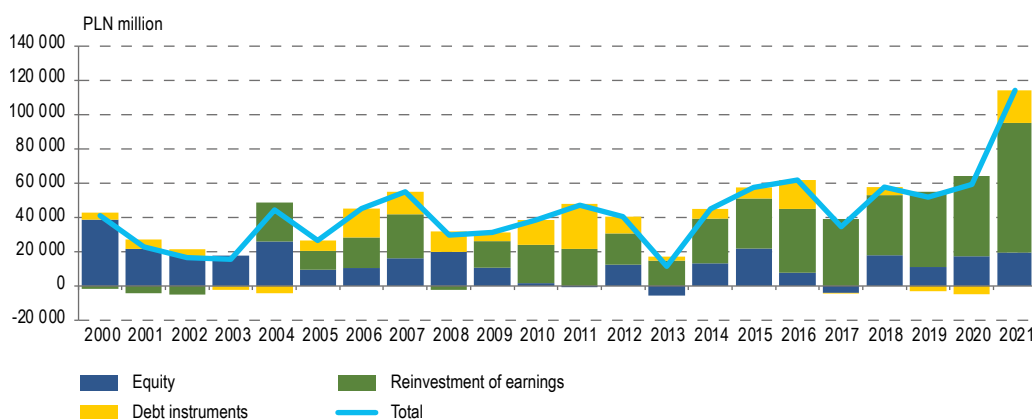
As a result of the rapid improvement in the balance of transactions in Poland, the stock of inward investment exceeded PLN 1.0 trillion. At the same time, the income of foreign direct investors increased, reaching a historic high.

1.1. Foreign direct investment transactions to Poland

In 2021, the global economy saw a recovery from the recession caused by the COVID-19 pandemic. The inflow of inward direct investment to Poland was significantly higher than in the previous year, amounting to PLN 114.2 billion. The structure of inward direct investment transactions in Poland was dominated, as in the previous years, by reinvestment of earnings (PLN 75.6 billion). They were about 60% higher than in 2020, indicating a good, stable financial situation for foreign capital entities.

In contrast to the previous year, there was a strong inflow of capital from debt instruments, amounting to PLN 19.1 billion, and a larger inflow of capital related to transactions from acquisitions of shares and other forms of equity interests than in 2020. This amounted to PLN 19.5 billion compared to PLN 17.4 billion in 2020. Such a large increase in capital inflows from debt instruments and their positive impact on the balance of inward direct investment inflows to Poland means that foreign capital entities incurred new obligations towards foreign direct investors. This indicates a greater demand for trade financing than a year ago, which was previously limited by the pandemic.

Figure 1. Inward direct investment transactions to Poland in 2000–2021



The ratio of the value of inward direct investment transactions in Poland to GDP increased significantly in 2021 to over 4%. This is a consequence of a significant increase in the balance of inward investment transactions to Poland, with a high GDP growth rate in 2021, despite it being lower than the increase in transactions. In both cases, the high growth rates were due to the rebound observed domestically and globally after the 2020 pandemic.

Figure 2. Ratio of the overall inward direct investment transactions to Poland to current-price GDP in 2000–2021



The geographic structure of inward direct investment inflows to Poland was dominated by investors from countries with the largest overall capital exposure in Poland. The largest amount of direct investment in 2021 came from: Spain (PLN 14.1 billion), Germany (PLN 13.6 billion), the Netherlands (PLN 12.7 billion) and France (PLN 12.6 billion). Inward investment inflows from these four countries accounted for almost half (46.4%) of net inward direct investment inflows to Poland in 2021. Noteworthy is the high level of transactions involving shares and other forms of equity in the case of Spain and Austria, with large declines in the case of France and Luxembourg. This was the result of several large single transactions. As a result, there has been a regrouping in the top inward direct investors transacting in Poland.

The largest outflow of net capital from inward direct investment was recorded for Portugal (PLN -0.7 billion). This was due to the withdrawal of a foreign investor, i.e. the liquidation of the structure used for financing in an enterprise group. In addition, in the case of Luxembourg, the largest divestments were recorded, which was related to the aforementioned single transactions.

As in the previous years, the largest inflow of inward direct investment to Poland was recorded in the services sector.¹ This inflow amounted to PLN 58.3 billion, an increase of PLN 18.3 billion in comparison to the previous year. In this sector, the most funds went to the following sections: professional, scientific and technical activities (PLN 23.1 billion), wholesale and retail trade, repair of motor vehicles and motorcycles (PLN 18.5 billion) and real estate activities (PLN 11.4 billion).

¹ Services include entities in sections G–U.

In contrast, capital outflows were recorded in administrative and support services (PLN -1.1 billion). This was in connection with the restructuring of one of the capital groups (the non-resident's shares were taken over by another non-resident from the same capital group²), as a result of which the incurred liabilities to foreign direct investors were repaid.

Figure 3. Inward direct investment transactions to Poland in 2021 broken down by partner country

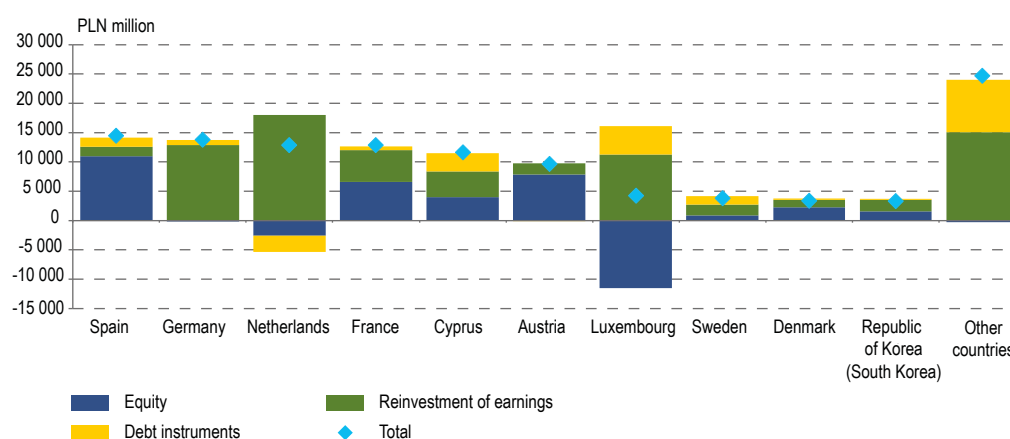
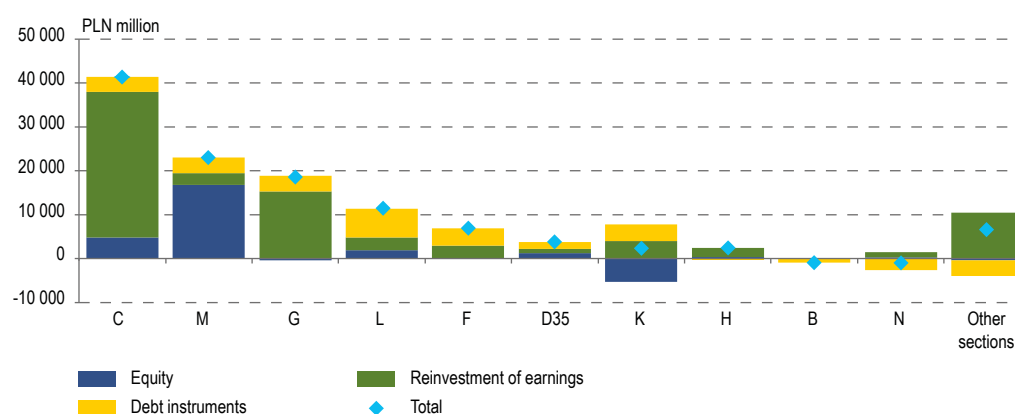


Figure 4. Inward direct investment transactions to Poland in 2021 broken down by economic activity



C – Manufacturing; D35 – Electricity, gas, steam and air conditioning supply; F – Construction; G – Wholesale and retail trade; repair of motor vehicles and motorcycles; H – Transport and storage; J – Information and communication; K – Financial and insurance activities; L – Real estate activities; M – Professional, scientific and technical activities; N – Administrative and support service activities.

² Such a transaction does not constitute divestment from the perspective of economic ties.

The inflow of foreign direct investment to manufacturing amounted PLN 41.4 billion. It was almost three times as much as in the previous year (PLN 15.1 billion), and it was due to an exceptionally high level of reinvestment of earnings and capital inflows from debt instruments (in 2019 and 2020, entities were repaying previously incurred liabilities towards their foreign direct investors). This is a result of the improving economy and the gradual return of economic indicators to pre-pandemic COVID-19 levels, as well as a result of the significant earnings made by domestic direct investment entities. It is worth emphasizing the relatively large outflow of capital in the form of shares and other forms of equity from the financial activities section.

Box 1. The pandemic and changes in global direct investment flows

In 2021, global inward direct investment inflows increased significantly compared to the previous pandemic year. According to UNCTAD¹ data the increase was 64%: from USD 963 billion in 2020 to USD 1,582 billion in 2021. In addition, in 2021 the level of transfers was higher than before the pandemic, i.e. in 2019, when it amounted to USD 1,481 billion.

Geographically, in 2021, developed countries, particularly European Union Member States and North American countries, were the biggest beneficiaries of capital inflows.² In the latter group, the United States deserve special mention, where high capital inflows were associated with an increase in corporate earnings and an inflow of M&A (mergers and acquisitions) transactions, particularly in the information and communication, trade, transport and storage, finance and insurance, and professional services. The third group of countries that recorded a high level of direct inward investment inflows were developing Asian countries. The region was dominated by China, which is becoming an increasingly important region on the global direct investment map, and two financial centres: Hong Kong and Singapore.

The pandemic that hit the global economy in 2020 has strongly reduced capital inflows in EU Member States and North American countries. In addition, in Asian countries, the inflows in question have been increasing in each successive year. In 2020, they were even several dozen per cent higher than in all developed countries.

Outflows of inward direct investment³ in 2021, like the inflows discussed earlier, also increased significantly compared to the previous year. Global capital outflows totalled USD 1,707 billion and were as much as 118.8% higher than in 2020, when they totalled USD 780 billion, and 51.9% higher than in 2019 (USD 1,124 billion).

In 2021, nearly a third of the value of the direct investment made abroad by residents of developed countries belonged to investors originating from the United States, which was linked to an increase in their capital exposure to Europe, Mexico and Singapore in wholesale trade and finance. Inward direct investment by EU residents resulted from acquisitions of entities in the United States by German and Irish investors

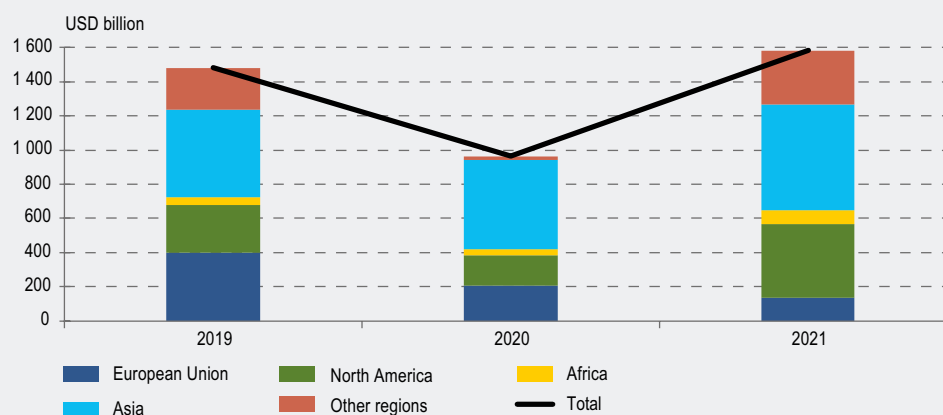
¹ UNCTAD, "World Investment Report 2022".

² Capital inflow is defined as direct investment in a country by a direct investor with a seat abroad.

³ By capital outflow we mean here the direct investments of a given country made abroad.

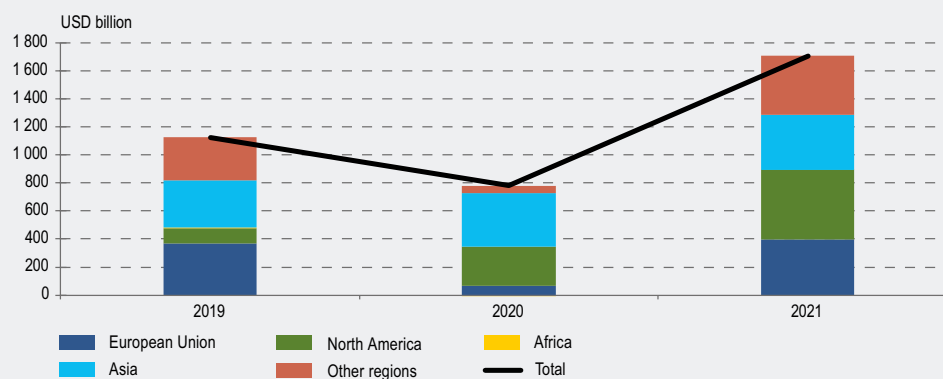
engaged in the medical technology, aviation services and petrochemicals business. The expansive countries also include three Asian ones: China, Hong Kong and Singapore, as well as Saudi Arabia and the United Arab Emirates, which are investing in the petrochemical industry.

Figures B1.1. Global foreign direct investment inflows in 2019–2021



Source: compiled at NBP on the basis of UNCTAD data.

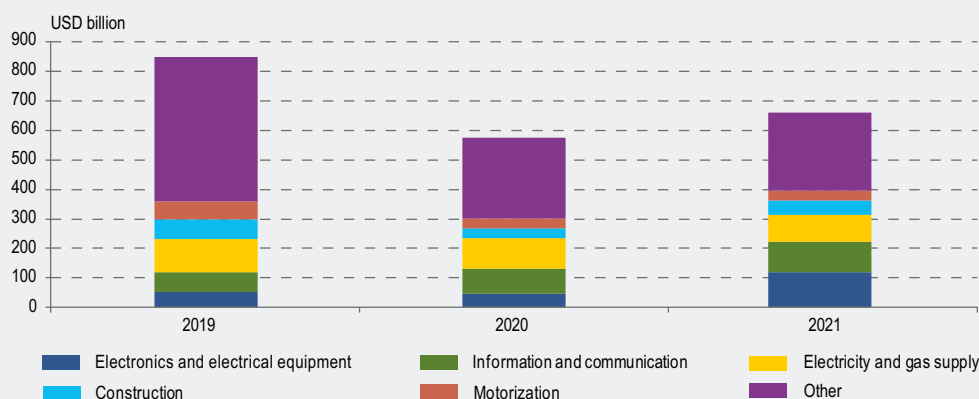
Figure B1.2. Global foreign direct investment outflows in 2019–2021



Source: compiled at NBP on the basis of UNCTAD data.

With regard to outflows in 2019–2021, there were similar trends to those for capital inflows. On the one hand, the 2020 pandemic in EU countries significantly reduced the level of investments made by their residents abroad. On the other hand, investors coming from Asian countries, despite the pandemic, recorded a steady increase in their involvement in other countries. In the same year in North America, the decline in foreign investment inflows was accompanied by an increase in foreign investment placed by residents outside the country.

Figure B1.3. Value of announced investments in greenfield projects in 2019–2021



Source: NBP based on data from UNCTAD reports: “World Investment Report 2021” and “World Investment Report 2022”.

In its report, UNCTAD focuses on three types of direct investment: cross-border M&A transactions, international projects requiring public co-financing, and projects implemented from scratch (greenfield) projects. In the case of M&A investments, these are actual flows of funds, while the other two types of investments refer to projects that have been announced but not necessarily implemented.

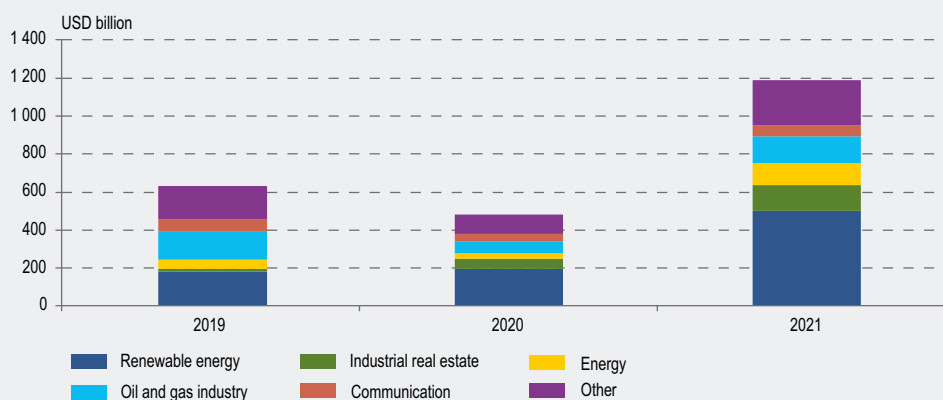
In the 2019–2022 period, investors indicated their willingness to commit capital to greenfield projects in the electronics and electrical equipment manufacturing, information and communication, electricity and gas supply, and construction and automotives. It is worth noting the increase in such deals in 2020 and 2021 in the information and communication services, which may be the result of an increase in demand for IT communication solutions as the result of pandemic constraints.

Among the announced international projects requiring public co-founding in 2021, renewable energy production projects were in first place, which is related to the energy transition. In second place was industrial real estate. Investors were also interested in projects in the oil and gas industry and power production other than from renewable sources. Since this group includes publicly funded investments, the increase could be the result of, among other things, the use of aid earmarked to mitigate the effects of the COVID-19 pandemic.

For M&A transactions in 2021, the most popular were investments in entities operating in the information and communication, pharmaceutical, finance and insurance, trade, and the electric and electrical equipment sector. First, this may be due to the increased attractiveness of a particular industry and the emergence of opportunities during the pandemic (e.g. the electric and electrical equipment sector). Second, existing investors may be planning to pull out of their investments due to the high valuation of companies that have appreciated in 2020 (information, communication and pharmaceutical

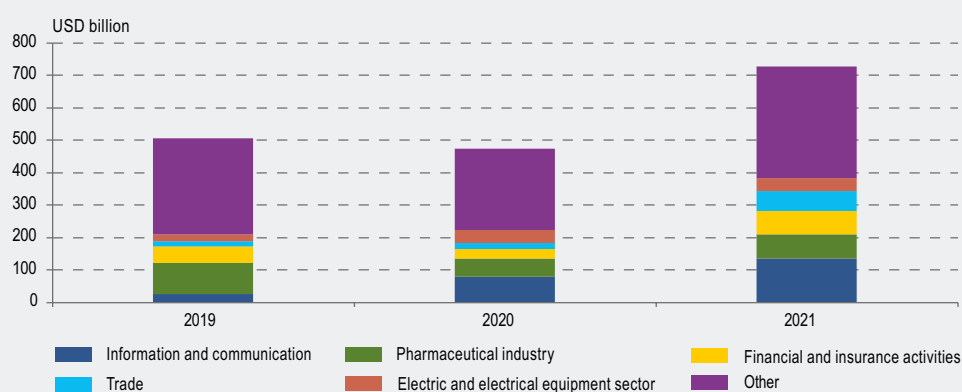
industries). Third, there are investment opportunities related to the low valuation of companies whose value fell during the pandemic (trade). Fourth, foreign investors may be planning to take over a market or scale up their operations.

Figure B1.4. Value of announced international projects in 2019–2021



Source: NBP based on data from UNCTAD reports: “World Investment Report 2021” and “World Investment Report 2022”.

Figure B1.5. Value of M&A investments in 2019–2021



Source: NBP based on data from UNCTAD reports: “World Investment Report 2021” and “World Investment Report 2022”.

In Poland, as in most countries around the world, there was a sharp increase in capital inflows in 2021. Compared to the previous year, the increase was nearly 95%: from USD 15.2 billion in 2020 to USD 29.6 billion in 2021. However, it should be noted that unlike other developed countries, Poland did not register a decline in capital inflows in 2020. On the contrary, its value was slightly higher than in 2019, when it amounted to USD 13.5 billion. In addition, the level of capital outflows in 2019–2021 fluctuated and amounted to USD 1.9 billion in 2019, USD 1.38 billion in 2020 and USD 1.8 billion in 2021.

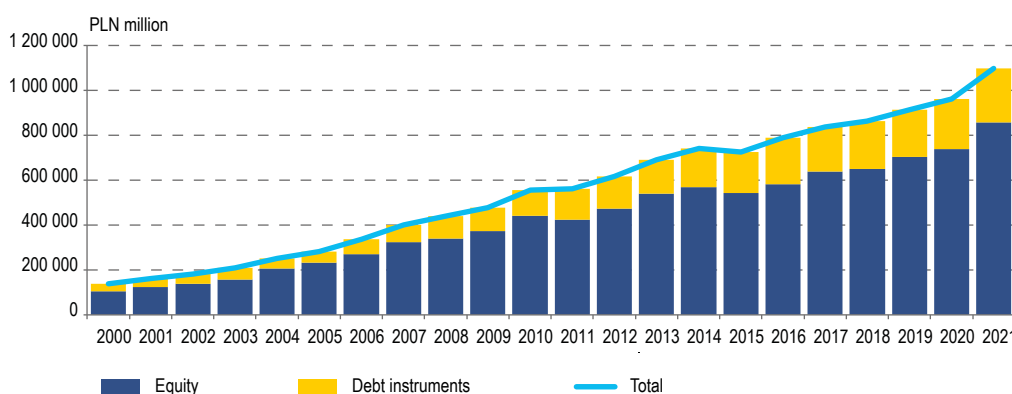
1.2. Foreign direct investment positions in Poland

Between 2000 and 2021 there was a steady increase in inward direct investment liabilities in Poland; only in 2015 was there a slight decrease. As a percentage of GDP, this growth has remained around 40% for many years.

At the end of 2021, the highest liabilities due to inward direct investment in Poland amounted to PLN 1,099.1 billion and were PLN 136.9 billion, i.e. 14.2% higher than at the end of the previous year. As in the previous year, the main factor in these changes was an increase in liabilities from shares and other forms of equity ownership. The value of these liabilities at the end of 2021 was PLN 857.9 billion (an increase of PLN 119.6 billion, or 16.2%, compared to 2020). Liabilities related to debt financial instruments amounted to PLN 241.2 billion and were PLN 17.4 billion higher, i.e. 7.8%. The reported increase in Poland's inward direct investment liabilities in 2021 referred to data expressed in zlotys, euros and US dollars.

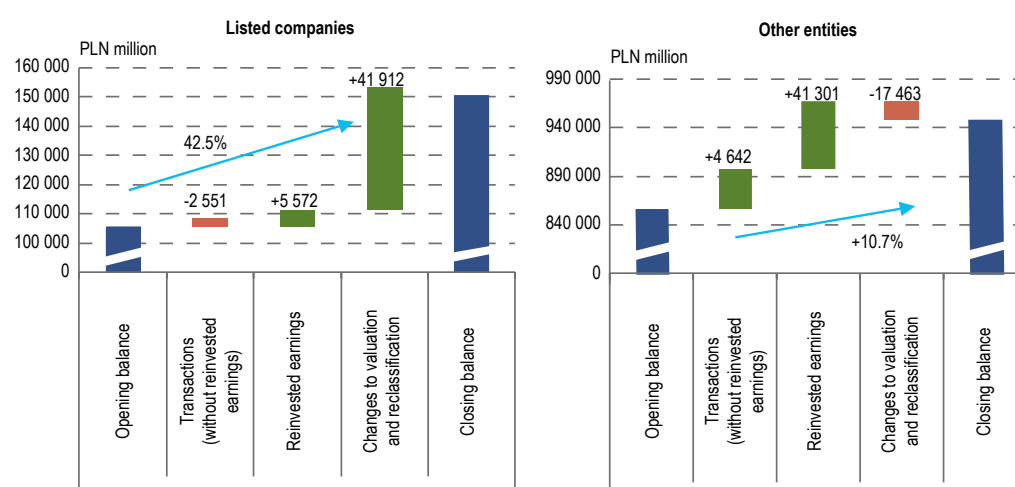
The structure of inward direct investment liabilities in Poland as of the end of 2021 remained unchanged. It was dominated by liabilities from shares and other forms of equity holdings of Polish direct investment entities. At the end of 2021, the share of these liabilities was 78%.

Figure 5. Foreign direct investment positions in Poland in 2000–2021



In 2021, in contrast to the previous year, there was a significant increase in the balance of liabilities due to inward direct investment in listed companies (growth of 42.5% against a decline of 3.1% in 2020). This was mainly due to changes in valuation and reclassification of entities in the monetary financial institutions sector (PLN 35.5 billion). In the case of other entities, the increase in their liabilities (by PLN 6.4 billion) was, as a year earlier, determined by reinvested earnings, which were higher, taking negative values, reclassifications and revaluations.

Figure 6. Structure of changes in the state of liabilities due to inward direct investment in Poland in 2021 in listed companies and other entities



The geographic structure of the liabilities due to inward direct investment to Poland towards foreign direct investors in Poland as of the end of 2021 remained unchanged. The largest liabilities were recorded towards direct investors from the Netherlands, Germany and Luxembourg.

In 2021, as in the previous years, in the case of the Netherlands, Luxembourg, Cyprus and Malta, liabilities considered by the residency of the ultimate controlling parent were much lower than those considered by the seat of the direct investor. This means that direct investment entities seated in these countries intermediate in direct investment within enterprise groups. In addition, in the United States, the opposite situation is observed – with many times higher liability balances by residence of the ultimate controlling country than by residence of the direct investor. In unidentified countries, the value of liabilities of the ultimate investing country was higher at the end of 2021 than a year earlier, but their share of liabilities due to inward direct investment in Poland was lower and it amounted to 10.7% (11.7% in 2020).

In 2021, the structure of liabilities due to inward direct investment by ultimate controlling parent changed slightly. As in the previous year, direct investors from Germany and France accounted for the largest liabilities. In third place, the United States was replaced by the Netherlands. The UK retained its fifth position, while Poland was overtaken by Spain. In the case of Poland's liabilities, this means that ultimate controlling parents with residency

in Poland, invested in domestic direct investment entities through special purpose entities established in other countries.

The structure of liabilities by type of economic activity of Polish direct investment entities in 2021 compared to the previous year also did not change. The largest value of liabilities was for entities engaged in manufacturing, wholesale and retail trade, and financial activities.

Figure 7. Foreign direct investment position in Poland at the end of 2021 broken down by country of immediate investor

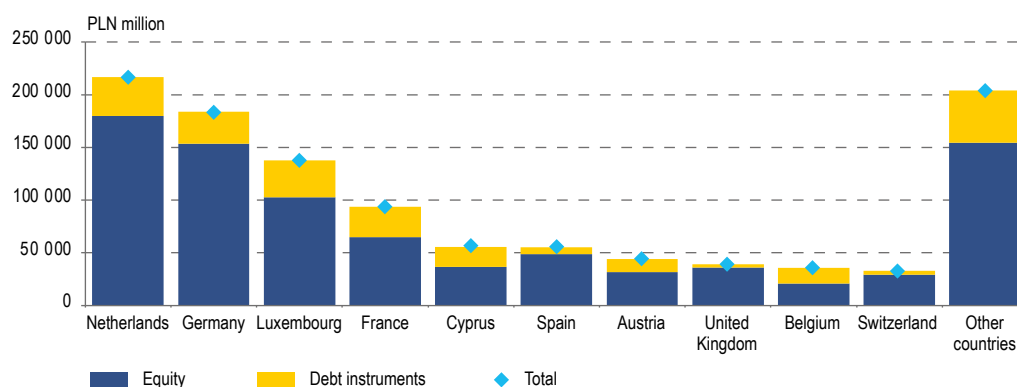


Figure 8. Foreign direct investment in Poland according to the immediate investing country (IIC) and the ultimate investing country (UIC) at the end of 2021

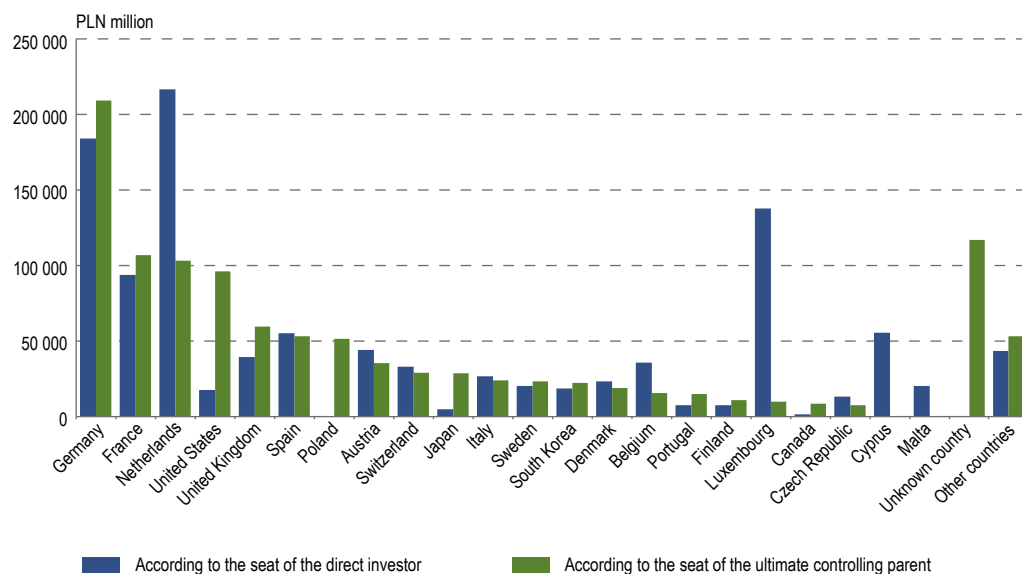
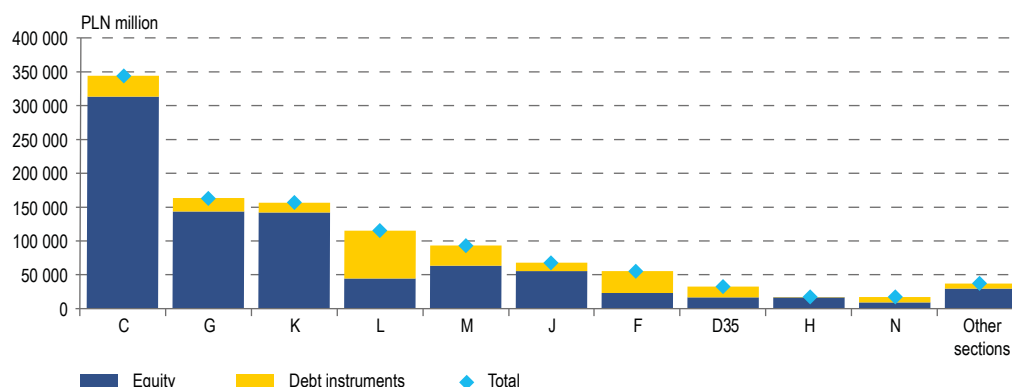


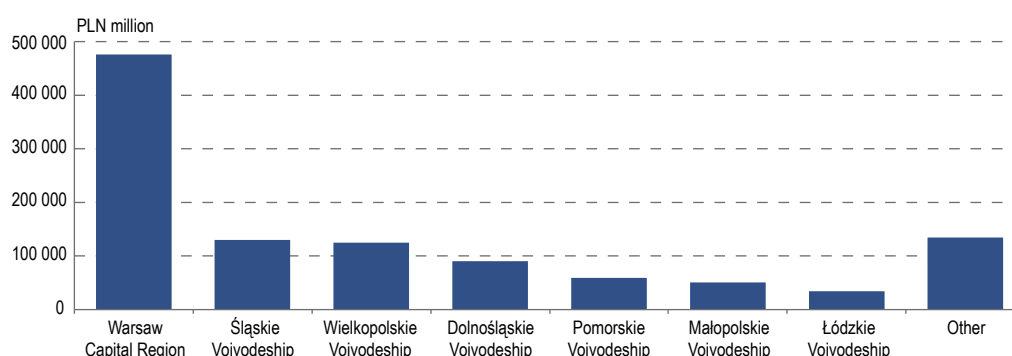
Figure 9. Structure of liabilities due to inward direct investment in Poland in selected industries at the end of 2021



C – Manufacturing; D35 – Electricity, gas, steam and air conditioning supply; F – Construction; G – Wholesale and retail trade; repair of motor vehicles and motorcycles; H – Transport and storage; J – Information and communication; K – Financial and insurance activities; L – Real estate activities; M – Professional, scientific and technical activities; N – Administrative and support service activities.

Inward direct investment by region is presented according to where it is formally registered, i.e. where the reporting entity has its seat, rather than where the capital expenditures are actually made. In many cases, these are different regions of the country than the one in which the reporting entity has its seat. As a result, the data presented in this arrangement may not correspond to the actual location of investments in the territory of Poland. Therefore, great care should be taken when interpreting the regional distribution of liabilities due to inward direct investment presented below.

Figure 10. Foreign direct investment position in Poland in respective regions according to NUTS2 at the end of 2021



As of the end of 2021, there was little change in the structure of net liabilities due to inward direct investment in Poland according to NUTS2 regions. The largest net liabilities (PLN 476.0 billion, i.e. 43.3% of total net liabilities) were recorded for the Warsaw Capital Region, where they increased by PLN 9.5 billion compared to the end of 2020. The consistently

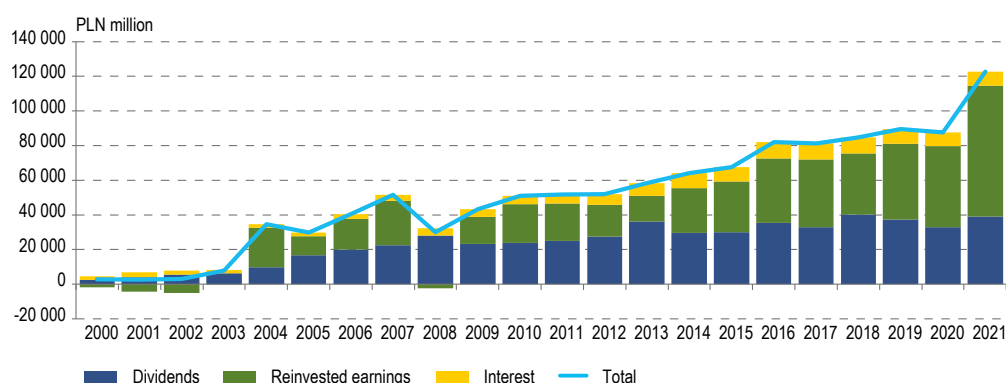
high position of this region is mainly due to the fact that the largest number of reporting entities with the status of direct investment entities, which are holders of funds of foreign direct investors, has been established there. The Śląskie Voivodeship came out in second position (PLN 130.1 billion, an increase of PLN 35.6 billion), and Wielkopolskie Voivodeship fell to third position (PLN 124.6 billion, an increase of PLN 22.0 billion).

1.3. Income on foreign direct investment in Poland

Foreign direct investors' income from direct investments made in Poland in 2021 reached its highest value historically: PLN 122.7 billion. Compared to 2020, in which they amounted to PLN 87.7 billion, in 2021 earnings were more than 38% higher (PLN 35.0 billion.)

Analysing the structure of income from inward direct investment in Poland, it can be noticed that the largest part of it was reinvested earnings. In 2021, their share of total income was 61.6% (PLN 75.6 billion), while in 2020 it was lower, accounting for 53.3% (PLN 46.7 billion). The amount of reinvested earnings was the highest ever, due to the very good financial situation of enterprises with foreign capital. In second place were declared dividends, whose share of total income amounted to 31.8% (PLN 39.0 billion), compared to 37.6% (PLN 33.0 billion) a year earlier. Accrued interest accounted for just over 6.6% (PLN 8.1 billion) of total income, and was nearly 2.5 percentage points lower than in 2020.

Figure 11. Income on foreign direct investment in Poland in 2000–2021



In 2021, total income from inward direct investment in Poland accounted for 4.7% of GDP at current prices. In comparison, during the time when the 19 per cent CIT rate was in force (i.e. since 2004), their share averaged 3.7%. The observed increase in this indicator may be due to the post-pandemic rebound, causing, in particular, an increase in demand and an improvement in corporate profitability.

Figure 12. Share of the overall inward direct investment transactions to Poland to GDP at current prices in 2000–2021

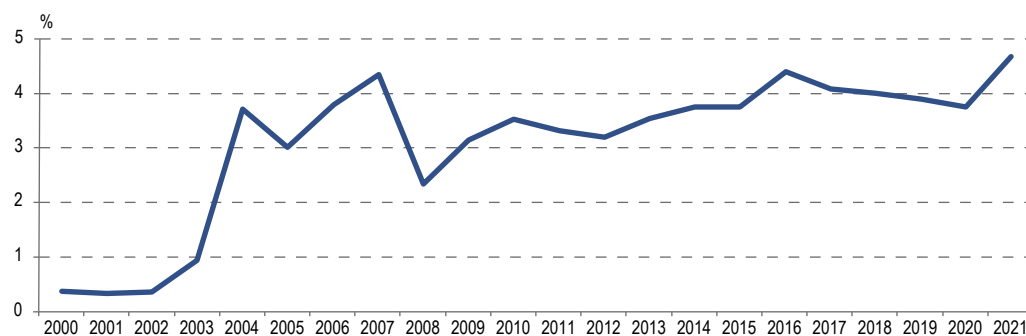
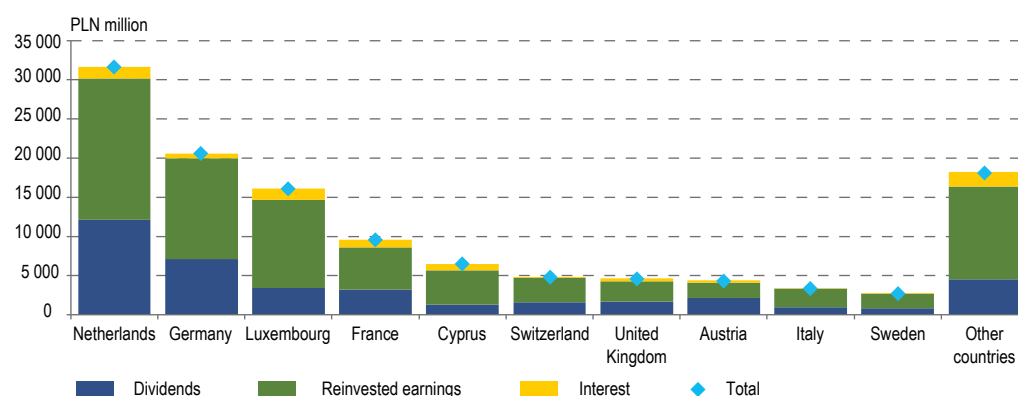


Figure 13. Income on foreign direct investment in Poland in 2021 broken down by country of direct investor



In 2021, the largest share of income due to inward direct investment in Poland was generated by entities owned by investors who are residents of the European Union (87.3%). In particular, these were companies in which shares were held by investors from the Netherlands (PLN 31.6 billion, accounting for 25.8% of total income), Germany (PLN 20.6 billion, 16.8% of total income), Luxembourg (PLN 16.1 billion, 13.2% of total income) and France (PLN 9.6 billion, 7.8% of total income). It is noteworthy that investors from these countries spent most of their income on reinvestment, which was well above their declared dividends. The smallest portion of income, however, was accrued interest.

The distribution of income changes in 2021, unlike in the previous years, was dominant on the growth side. The highest growth rate of income on inward investment in Poland was achieved by entities (direct investors) resident in the Netherlands, Germany, Luxembourg, France and Cyprus. It is worth noting that three of these countries – the Netherlands, Luxembourg

and Cyprus – are often used as intermediary countries for direct investment. Germany and France, on the other hand, are countries whose residents have some of the largest receivables from inward direct investment in Poland compared to direct investors from other countries.

An analysis of inward direct investment income in Poland shows that in 2021 for the Netherlands and Luxembourg, income broken down by the ultimate investing country was significantly lower than according to the immediate investing country. In the case of the United States, we are seeing the opposite situation. It is also worth paying attention to the high level of income when the ultimate controlling parent is based in Poland. This indicates that Polish residents are using special purpose entities to make investments in Poland.

Figure 14. Growth rate and value of income on inward direct investment in Poland in 2021 broken down by country of direct investor

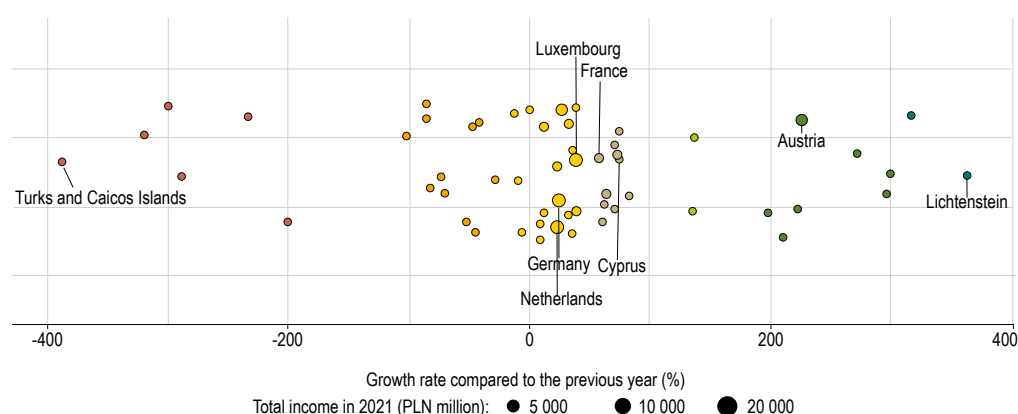
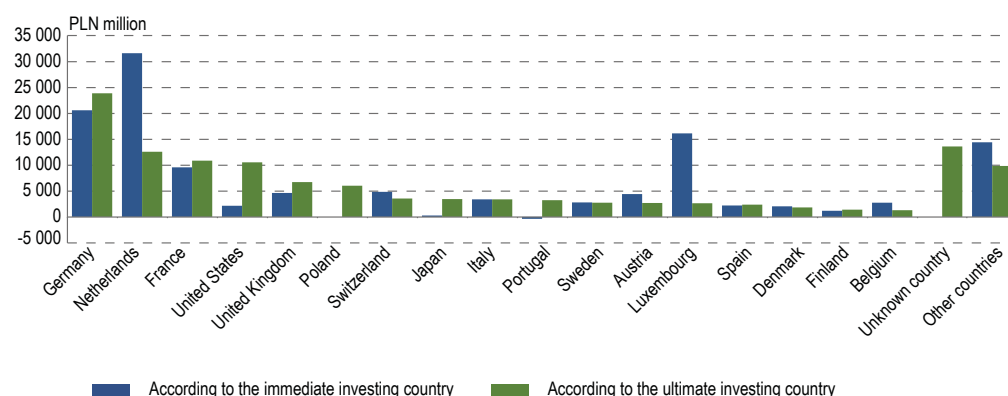


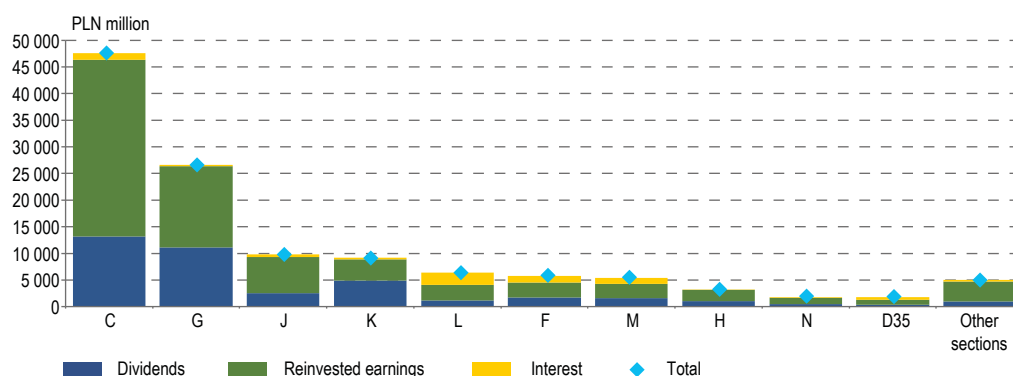
Figure 15. Income due to inward direct investment in Poland according to the immediate investing country (IIC) and the ultimate investing country (UIC) in 2021



The largest share of income due to inward direct investment in Poland in 2021 was generated by investments in the manufacturing sector (PLN 47.6 billion, or 38.8% of total income). Slightly more than one-fifth of income (PLN 26.6 billion, 21.7%) went to direct investment entities

operating in the wholesale and retail trade and repair of motor vehicles and motorcycles industries. Income generated in the information and communication sector in 2021 was at the level of PLN 9.8 billion (8% of total income), and in the financial and insurance industry it amounted to PLN 9.2 billion (7.5%).

Figure 16. Income on foreign direct investment in Poland in 2021 broken down by economic activity



C – Manufacturing; D35 – Electricity, gas, steam and air conditioning supply; F – Construction; G – Wholesale and retail trade; repair of motor vehicles and motorcycles; H – Transport and storage; J – Information and communication; K – Financial and insurance activities; L – Real estate activities; M – Professional, scientific and technical activities; N – Administrative and support service activities.

In 2021, compared to the previous year, the largest increase in inward direct investment income in Poland was recorded in construction, although its level remained relatively small (an increase of PLN 3 billion). High growth rates were also registered by entities in manufacturing (an increase of PLN 29.9 billion, trade (an increase of PLN 18.4 billion) and information and communication (an increase of PLN 7.1 billion). However, there was a decrease in income in professional, scientific and technical activities (of PLN 5.8 billion).

Figure 17. Growth rate and value of income due to inward direct investment in Poland in 2021 broken down by economic activity

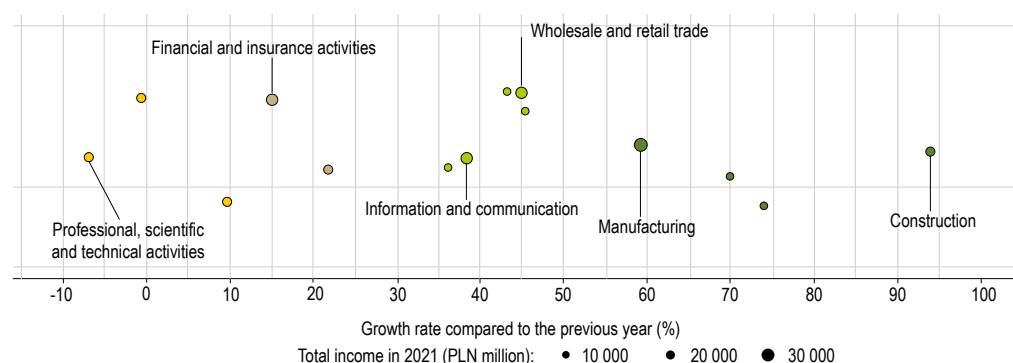
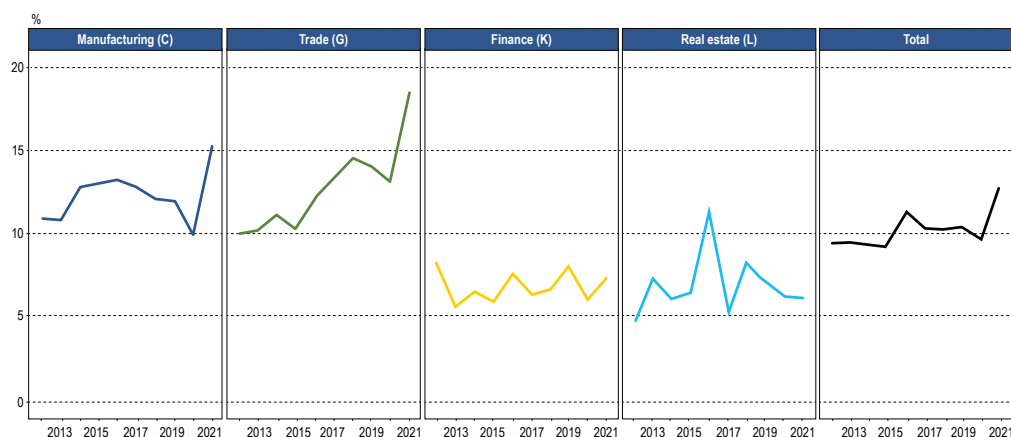


Figure 18. Total profitability ratio by type of economic activities of direct investment entities in Poland in 2012–2021



Industry (C) – Manufacturing; (G) – Wholesale and retail trade; repair of motor vehicles and motorcycles; (K) – Financial and insurance activities; (L) – Real estate activities; Total – Total income from inward direct investment in Poland.

Note: the industries shown generate more than 70% of total income due to inward direct investment.

After a decline in profitability ratio³ of inward direct investment in 2020, the following year saw a significant increase – to 12.7% (an increase of 3.1 percentage points). In 2021, the highest profitability was observed in investments in activities related to wholesale and retail trade (18.5%) and manufacturing (15.3%). The profitability of these two industries increased by more than 5 percentage points compared to 2020 (respectively from 13.1% and 9.9% in 2020). In the case of wholesale and retail trade, this was due to the sharp post-pandemic increase in income in 2021, with a much lower increase in liabilities in 2020. On the other hand, investments in real estate related activities (6.2%) and the financial and insurance sector (7.4%), were characterized by lower and less volatile profitability. In the first of these industries, the profitability of investments did not change compared to 2020. On the other hand, in the finance and insurance activities, the analysed ratio increased by 1.4 percentage points (from 6%).

Box 2. Income on foreign direct investment in Poland in 2015–2021

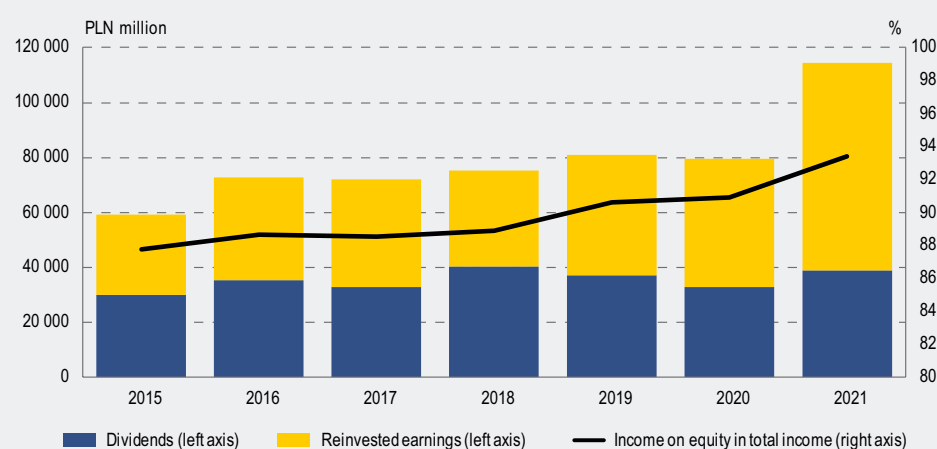
Income earned by foreign direct investors has been trending upward since 2015. Their largest component, i.e. equity income (the sum of reinvested earnings and declared dividends), generally remains relatively stable and accounts for about 90% of total direct investor income. In contrast, income from debt (interest on debt instruments) is still not the main source of returns on investments made by foreign investors.

For equity income, the upward trend observed since 2015 was interrupted in 2020, the main reason being the outbreak of the COVID-19 pandemic. In 2020, losses or declines in earnings of Polish direct investment entities, especially evident between the first and second quarters (lockdown), were observed in manufacturing (especially

³ The profitability ratio is the quotient of income from inward direct investment in Poland in a given year to the previous year's level of liabilities towards foreign investors.

in the section related to the manufacture of motor vehicles, trailers and semi-trailers) and in financial and insurance activities (mainly in the other monetary intermediation section). Not all companies with foreign investor participation have reported losses or reduced earnings. Among the residents, there were some companies that made higher profits in 2020 than in the previous years. These included companies engaged in wholesale trade excluding motor vehicles and motorcycles, telecommunications, and entities engaged in other information and communication activities.

Figure B2.1. Income on equity due to foreign direct investment in Poland in 2015–2021



Dividend policy of foreign direct investors

The coronavirus pandemic did not significantly affect the dividend policy of Polish direct investment entities, which consistently paid dividends¹ in 2020. The number of such companies decreased from 1,032 in 2019 to 983 in 2020. This translated into a decrease in the value of their declared dividends from PLN 30 billion to PLN 24 billion (the aforementioned group of entities usually show lower dividends, although there are also declarations of high values). However, it should be noted that the dividends declared in 2020 came from profits made before the pandemic, i.e. in 2019, which was a record year in terms of earnings made over the entire 2010–2019 period.

The number of direct investment entities that declare dividend payments each year and the value of the declaration have not changed significantly since 2015. During this period, these entities paid out an average of about 75% of the previous year's earnings to foreign investors. The largest payouts were received by investors from Germany and the Netherlands; the latter may only have been an intermediary country used

¹ In the box we present entities by the regularity of declaring dividends – regularly and irregularly. For technical reasons, those who declared dividends regularly in the current and previous year were considered to be regular dividend declarers. Adopting longer periods of continuous dividend payments hardly changes the results in the sample under examination. However, it should be noted that the classification method used means that among those with a regular policy there are both cases of annual declaration and less frequent declaration.

for tax optimization. This is because Dutch investors belonged to groups in which the ultimate investing country were based in other countries.

Figure B2.2. Value of dividends declared and number of entities in groups with different regularity of dividend payments in 2015–2021

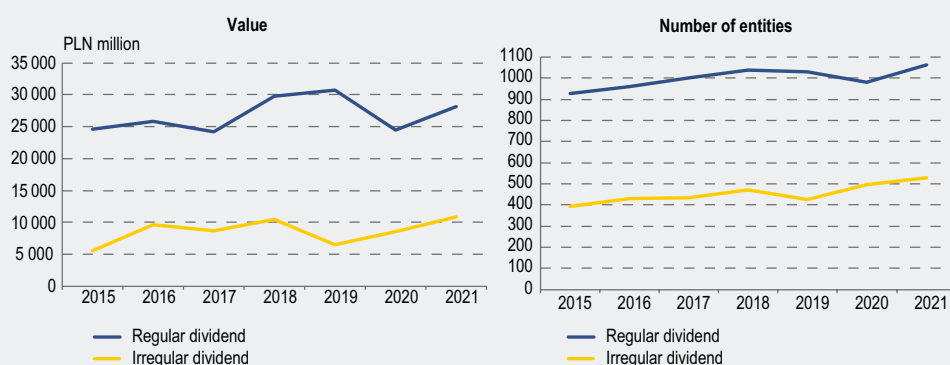
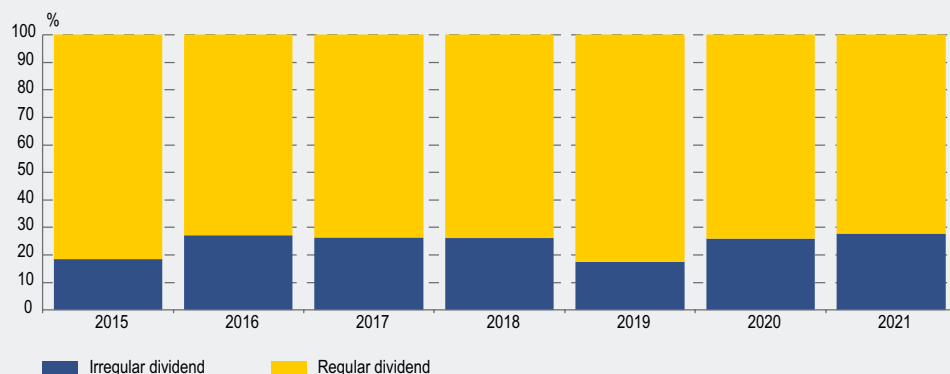


Figure B2.3. Share of regular and irregular dividends in the value of total dividends from foreign direct investment in Poland in 2015–2021



Reinvested earnings

In 2021, there was a record value of reinvested earnings from foreign direct investment in Poland, mainly due to a significant increase in earnings of domestic direct investment entities.² Compared to 2020, the increase in these earnings (by 43%) was greater than the increase in dividends declared by these entities³ (29%).

² An alternate name for gains/losses from current operations is income from equity interests.

³ Reinvested earnings are the profits earned in a given reporting period by direct investment entities less dividends declared during the period. Thus, the higher the value of dividends declared, the lower the value of earnings reinvested.

Analysis of reinvested earnings in 2015–2021 by country of residence of the direct investor shows stability in the geographic structure of income due to foreign direct investment. During the period in question, the average value of earnings left in domestic direct investment entities by investors from the Netherlands, Germany, Luxembourg, France and Cyprus accounted for about 70% of total reinvested earnings. However, it should be noted that the aforementioned Cyprus and Luxembourg investors were part of capital groups headed by Polish residents (so-called roundtripping.) Reinvested earnings from other countries, especially from Austrian investors, also increased significantly in 2021. In 2015–2021, the rate of reinvested earnings from the countries under consideration showed an upward trend.

Figure B2.4. Reinvested earnings due to foreign direct investment in Poland by country of residence of direct investor in 2015–2021

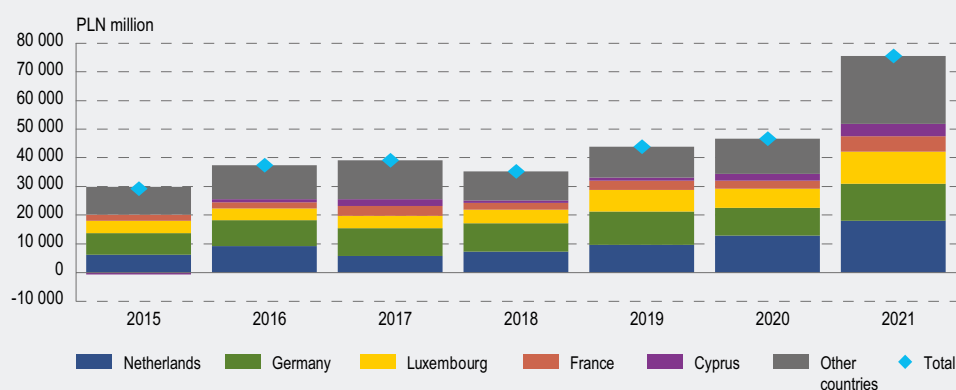
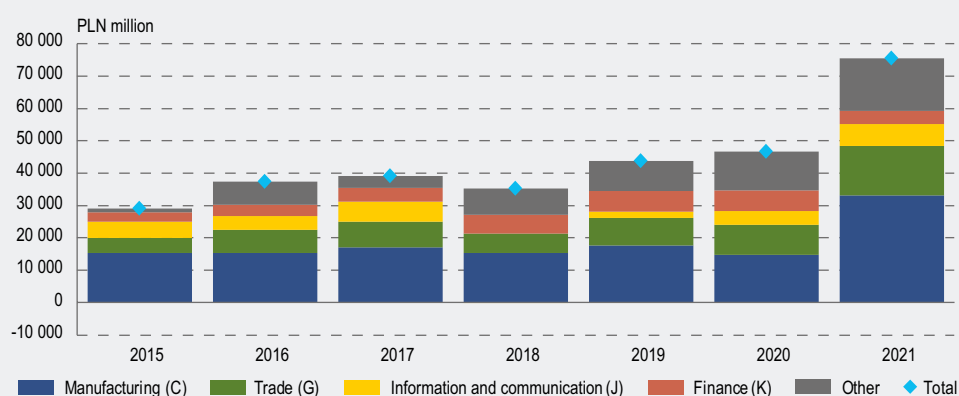


Figure B2.5. Reinvested earnings due to foreign direct investment in Poland by type of economic activity in 2015–2021



As with the presentation of data by country of residence of the direct investor, a stable industry structure over time is also observed for the types of economic activities

carried out by domestic direct investment entities. In 2015–2021, foreign investors reinvested the profits they earned in entities related to manufacturing (especially the manufacture of motor vehicles, trailers and semi-trailers, and the manufacture of food, beverages and tobacco products), trade (mainly wholesale trade, excluding trade in motor vehicles and motorcycles), information and communication, and financial and insurance activities. In the case of the last type of economic activity, a decline in reinvested earnings in 2021 was observed. This was associated with an increase in the value of dividends declared by these entities. It should also be noted that in 2021 monetary financial institutions (banks) made less earnings than in the previous years due to having to establish reserves for legal risks associated with Swiss franc-denominated mortgages.

Reinvested earnings of direct investment entities

In 2010–2020, Poland was a relatively attractive location for foreign direct investment. This is evidenced by the relatively high positive rate of retained earnings⁴ (averaging about 40% during the period under review). This rate shows how much of the given year's earnings were retained by foreign investors in direct investment entities.

In 2010–2020, foreign investors retained in Polish direct investment entities an average of 45% of earnings on current operations in a given year. During this period, the highest retention rate was recorded in 2019 (investors retained 59.3% of current earnings in companies), and the lowest in 2012 (20.8%).

During the 2010–2020 period, the earnings retention rate showed an upward trend. During this time, it increased by 4.9 percentage points: from 46.1% in 2010 to 51.0% in 2020. A decline was recorded only in 2012, 2015 and in 2017. During these years, foreign investors financed themselves by paying higher dividends from Polish direct investment entities.

⁴ The earnings retention rate was calculated using the following formula:

$$retention\ rate_t = \frac{income_t - div_{t+1}}{income_t}$$

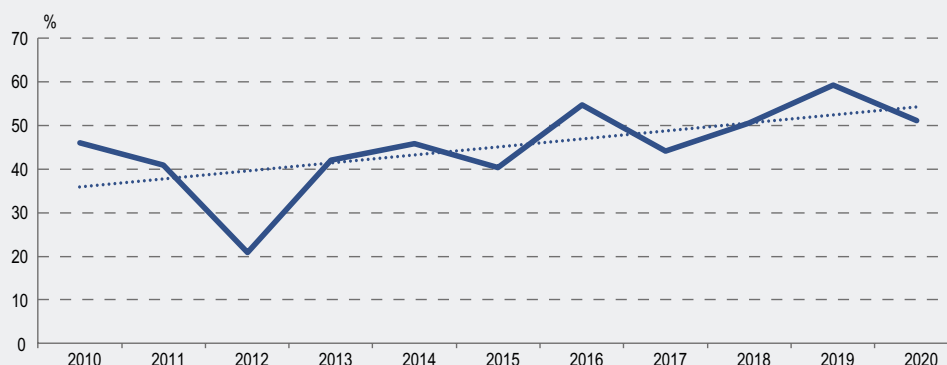
where:

$income_t$ – profit/loss from current operations is understood as the sum of declared dividends in a given year and reinvested earnings in a given year,

$div_{(t+1)}$ – dividend declared in the following year from the earnings in the given year ($income_t$).

The earnings retention rate is not the same concept as the rate of reinvestment of earnings. The first refers to the actual distribution of profit/loss earned on current operations into a portion paid out as dividends and a portion left in direct investment entities. The reinvestment rate, on the other hand, is calculated by the reduction of the earnings of a given year by the declared dividend from the previous year's earnings (the method of calculating reinvested earnings is derived from the Handbook of International Statistics). Interpretation of the rate of reinvestment of earnings is therefore made much more difficult by negative reinvested earnings, which occur when the value of profit/loss from current operations of a given year is less than the value of dividends declared in a given year from profit/loss from current operations in the previous year. The earnings retention rate is free of the aforementioned interpretation problem, but has other drawbacks. Unlike the rate of reinvestment of earnings, it is calculated with a longer delay due to the lack of data on the value of dividends declared in the following year (at the time of presentation of this report, it could only be calculated up to 2020).

Figure B2.6. Earnings retention rate in direct investment entities in 2010–2020



In 2020, the earnings retention rate reached the 2018 level. The analysis shows various reasons for this phenomenon. In 2018, an increase in earnings from current operations was observed, while the value of dividends declared decreased. In contrast, the situation was the opposite in 2020, i.e. the reduction in earnings caused by the economic crisis as a result of the COVID-19 pandemic was accompanied by a slight increase in the value of dividends paid.

The above analysis indicates that Poland is an attractive location for foreign direct investment, with investors reinvesting the earnings in the company's development. This may be evidenced by the relatively high, rising rate of earnings retention. Its decline occurred in situations of economic disruption, such as the outbreak of the COVID-19 pandemic. At the same time, it should be noted that the value of declared dividends, which are a source of return on invested capital for the foreign investor, is quite stable over time.

Chapter 2

Polish direct investment abroad

Polish direct investment abroad

The value of Polish direct investment transactions increased significantly due to the improving economic conditions. As in the previous years, reinvestment of earnings dominated, reaching historically high levels. In contrast to previous years, debt financial instrument transactions reduced the size of the transaction balance.

Along with the increase in transactions, receivables from Polish investments abroad also increased. Income from these investments also reached historically high values thanks to very good economic conditions.

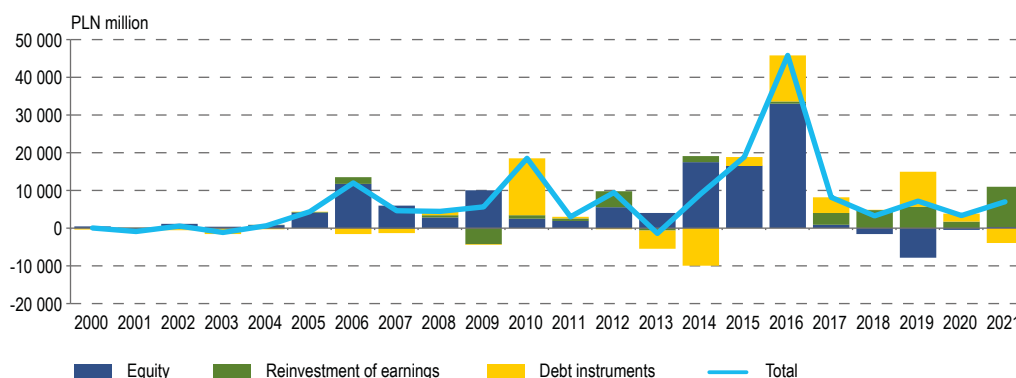
2.1. Polish direct investment transactions abroad

In 2021, the net value of transactions of Polish direct investors abroad amounted to PLN 7.0 billion, twice as much as a year earlier. Unlike in the previous years, the structure of Polish direct investment abroad in 2021 was dominated by reinvestment of earnings (PLN 10.6 billion). On the other hand, the value of transactions from the purchase of shares and other forms of equity interests, in contrast to previous periods, was positive and amounted to PLN 0.3 billion.

Transactions related to debt instruments were negative, indicating that direct investment entities were paying off their debts towards Polish investors. The value of these transactions in 2021 amounted to PLN -3.9 billion.

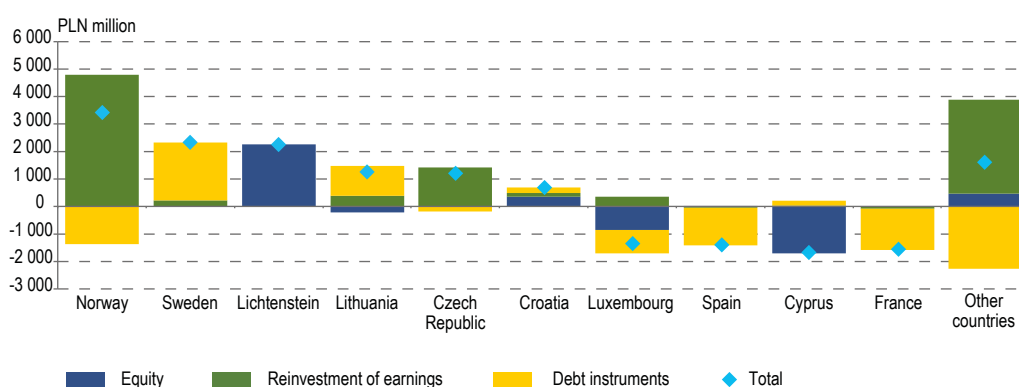
An analysis of the structure of Polish direct investors' transactions abroad shows a growing share of reinvestment of earnings, indicating that Polish direct investors are strengthening their financial position in foreign markets. As in the previous years, the overall balance of transactions by Polish direct investors was affected by single transactions carried out by large entities.

Figure 19. Polish direct investment transactions abroad in 2000–2021



For the structure of Polish outward direct investment transactions in the last four years, the negative balance of transactions involving shares and other forms of equity participation was symptomatic. Their negative value indicates a net capital outflow on this account, which is due, among other things, to individual transactions. Polish investors were liquidating the investment structures through which they had made investments in Poland several years earlier. In 2021, for the first time in several years, there were positive transactions involving stocks and other forms of equity.

Figure 20. Geographical structure of transactions related to Polish direct investment abroad in 2021

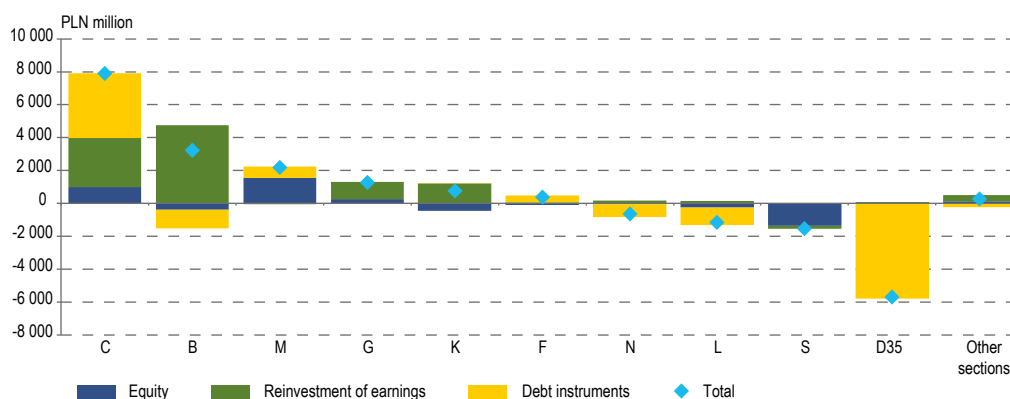


The highest activity of Polish direct investors was recorded in Norway (PLN 3.4 billion), Sweden (PLN 2.3 billion), Liechtenstein (PLN 2.2 billion) and Lithuania (PLN 1.3 billion). In Norway, the dominant form of investment was reinvestment of earnings (PLN 4.8 billion). In Sweden, on the other hand, debt instruments prevailed, reflecting the continued repayment by Polish direct investors of debts towards affiliates located there. The structure of transactions in Liechtenstein was dominated by shares and other forms of equity interests. This was due to the restructuring of enterprise groups with Polish capital.

Next in the ranking of countries of interest to Polish investors were the Czech Republic (PLN 1.2 billion), Croatia (PLN 0.7 billion), the Russian Federation (PLN 0.6 billion) and Ukraine (PLN 0.6 billion). Both in the case of the Czech Republic and other countries to which Polish investors have directed capital, the flows have resulted from large individual transactions.

In 2021, under Polish direct investment abroad the capital was mainly withdrawn from France (PLN -1.6 billion), Cyprus (PLN -1.5 billion), Spain (PLN -1.4 billion) and Luxembourg (PLN -1.3 billion). This was the result of large individual transactions carried out by Polish investors.

Figure 21. Polish direct investment transactions abroad broken down by economic activity (NACE sections) in 2021



C – Manufacturing; D35 – Electricity, gas, steam and air conditioning supply; G – Wholesale and retail trade; repair of motor vehicles and motorcycles; I – Accommodation and food service activities; J – Information and communication; K – Financial and insurance activities; L – Real estate activities; M – Professional, scientific and technical activities; N – Administrative and support service activities; S – Other service activities.

In 2021, the largest amount of capital from Polish direct investment flowed into industries related to manufacturing (PLN 7.9 billion). This sector was dominated by investments in debt instruments (PLN 3.9 billion) and reinvestment of earnings (PLN 2.9 billion). In 2021, Polish investors also allocated significant funds to investments in professional, scientific and technical activities (PLN 2.2 billion) and services (PLN 1.1 billion). In contrast, the largest investment outflow was recorded in the electricity generation and supply section (PLN -5.7 billion), which was affected by a large single transaction.

2.2. Polish direct investment positions abroad

At the end of 2021, Polish outward direct investment positions increased significantly. They amounted to PLN 109.7 billion and were PLN 10.9 billion higher (an increase of 11%) than at the end of 2020. As in the previous years, receivables from shares and other forms of equity dominated in the period under review – at the end of 2021, their share in the total amount of receivables was 81.0%. The value of these receivables was PLN 12.6 billion higher, i.e. 16.5%, compared to the balance at the end of the previous year, and amounted to PLN 88.9 billion. In turn, receivables due to debt instruments amounted to PLN 20.8 billion and, due to repayments of debt, they decreased by PLN 1.7 billion, i.e. by 9%.

In 2021, entities located in Cyprus, the Netherlands, Luxembourg and Malta had the highest receivables. However, in most cases, entities based in these countries were used for optimization of investment structures. The value of Polish outward direct investment controlled by residents amounted to PLN 78.3 billion, of which 32.7% (PLN 25.6 billion) went to the countries listed above.

Receivables of direct investment entities based in Cyprus, the Netherlands, Luxembourg, Norway and other intermediate countries amounted to PLN 15.6 billion and accounted for 60.4% of receivables from these countries. These were receivables from entities with

a target investment in Poland. It is also worth noting that the amount of these receivables has decreased compared to 2020.

Figure 22. Polish outward direct investment position in 2000–2021

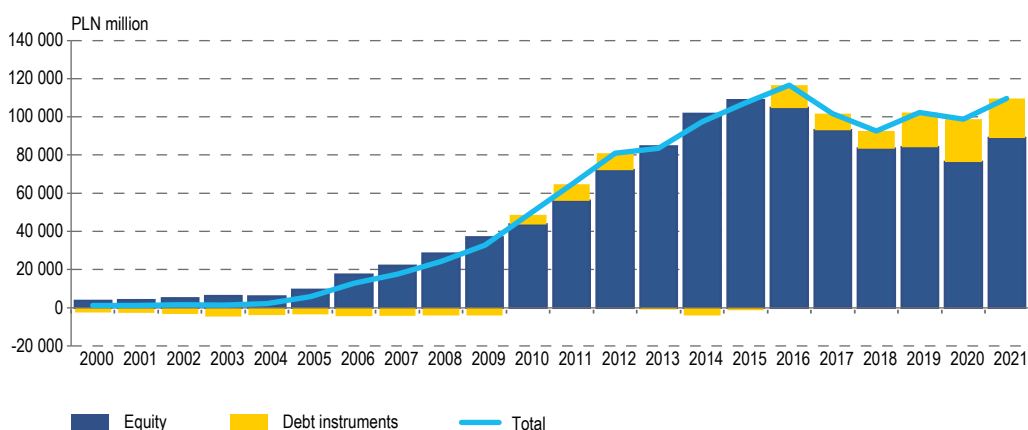
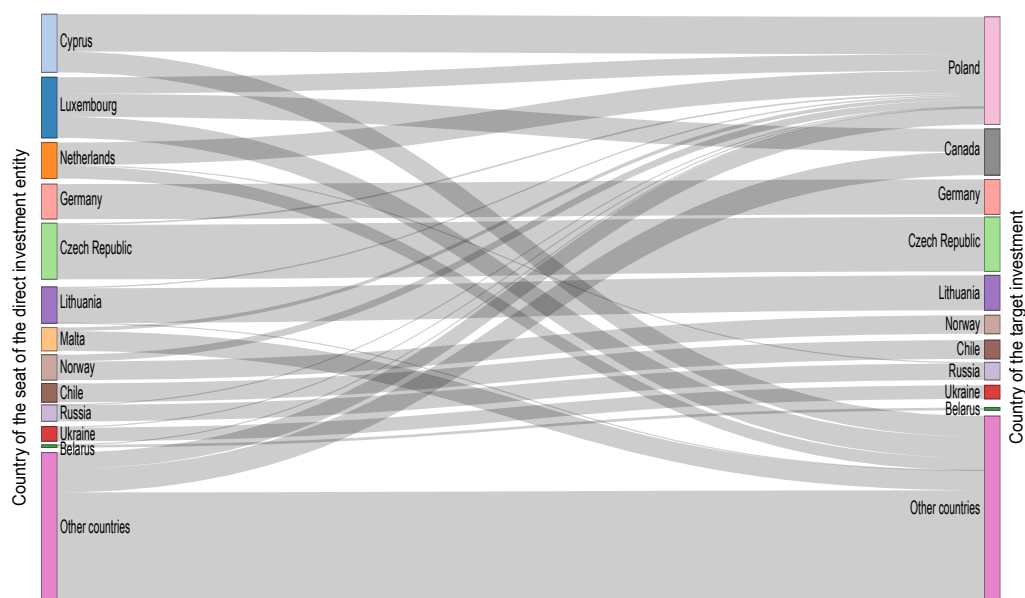


Figure 23. The country of the direct investment entity and the country of the target investment broken down by receivables of resident-controlled investors at the end of 2021

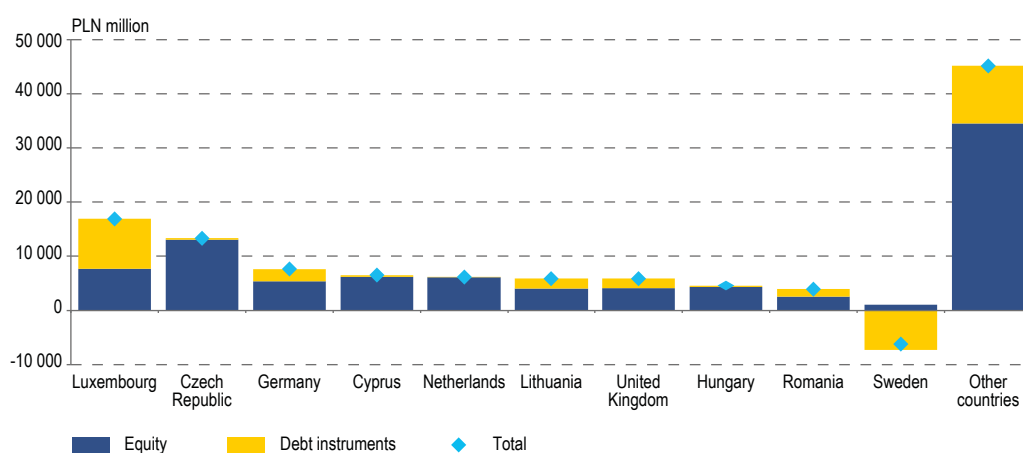


The geographic structure of the balance of residents' receivables from Polish direct investment abroad at the end of 2021 has changed slightly since the end of the previous period. Luxembourg remained in first place with the highest positive receivables (PLN 16.9 billion), while the Czech Republic came in second (PLN 13.3 billion). The third country with the largest receivables was Germany (PLN 7.6 billion). It should be noted that among the largest receivables (with the exception of those from Luxembourg), receivables from shares

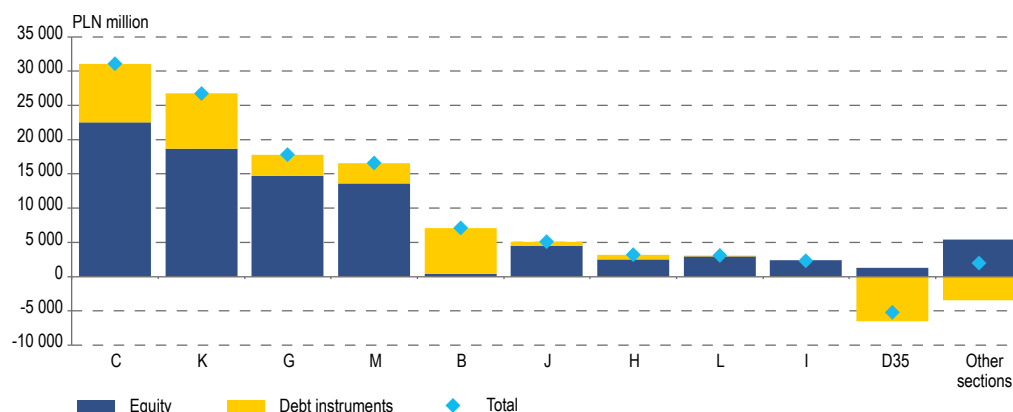
and other forms of equity interests dominated. They accounted for more than 70% of each of these countries' total receivables. In contrast, as in the previous year, Luxembourg had the highest share of receivables from debt financial instruments; their share was 54.6%.

As in the previous years, we observe a negative balance of receivables from Polish direct investment in Sweden. This is due to the fact that liabilities on debt financial instruments of entities with the seat in Poland towards their affiliates registered in Sweden were higher than receivables arising from capital invested in these companies. To raise funds, the entities issued bonds in European markets with a repayment guarantee provided by the Polish parent company. This method of issuing on foreign markets was due to Poland's capital gains tax. It caused that the effective cost of financing with bonds issued in Poland compared to those issued by a Swedish entity was higher by the value of the tax. The shares in the Swedish company represent a positive capital investment in Sweden. By issuing debt securities, the company transferred the funds raised in the form of debt instruments to the parent company or to other entities in the country. This resulted in a liability under Polish direct investment abroad, i.e. negative net receivables value. In 2021, as in previous years, due to bond maturities and the lack of new issues, there were large repayments of the parent companies' obligations to their Swedish affiliates. This resulted in a reduction in Sweden's negative position and an increase in direct investment receivables abroad.

Figure 24. Polish direct investment position abroad broken down by countries in 2021



Analysing the structure of the balance of receivables at the end of 2021 by type of activity of foreign direct investment entities, we also note some changes from the previous period. While a year earlier the largest receivables were from entities related to financial and insurance activities, in 2021 the most important source of receivables for Polish direct investors were foreign companies in the manufacturing sector (PLN 31.1 billion), followed by entities engaged in financial and insurance activities (PLN 26.7 billion), wholesale and retail trade (PLN 17.8 billion) and professional, scientific and technical activities (PLN 16.6 billion).

Figure 25. Polish direct investment position abroad broken down by industry in 2021

B – Mining and quarrying; C – Manufacturing; F – Construction; D35 – Electricity, gas, steam and air conditioning supply; G – Wholesale and retail trade; repair of motor vehicles and motorcycles; H – Transportation and storage; I – Accommodation and food service activities; J – Information and communication; K – Financial and insurance activities; L – Real estate activities; M – Professional, scientific and technical activities; S – Other service activities.

In 2021, the total value of foreign direct investment entities' receivables related to electricity, gas, steam and air conditioning generation and supply was negative. This was the result of an excess of negative receivables from debt financial instruments over receivables from shares and other forms of equity interest. This means that entities with the seat in Poland have obligations due to debt financial instruments to companies engaged in this type of activity.

Box 3. Belarus, the Russian Federation, Ukraine – direct investment in 2014–2021

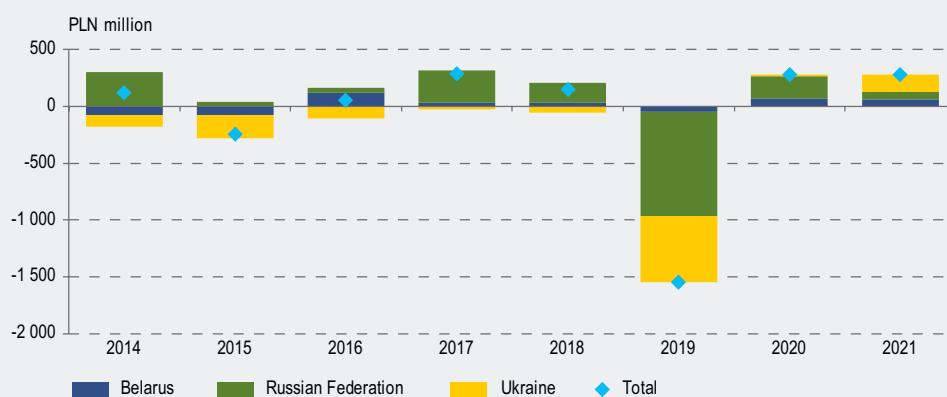
Armed conflicts and economic crises as a result of multifaceted interconnections affect the economies of many countries, including Poland. One such relationship is the cross-border capital flows registered under inward direct investment, which is a significant item in a country's balance of payments. For this reason, it is worth tracing changes in direct investment resulting from the Russian Federation's aggression against Ukraine and the resulting economic sanctions.

Direct investments of Belarus, the Russian Federation and Ukraine in Poland

In 2014–2021, the total share of investment from Belarus, the Russian Federation and Ukraine in foreign direct investments in Poland did not exceed 0.8%, and the total share of income accounted for no more than 0.2% of income received by foreign direct investors.

During this period, the volume of direct investment from these three countries was characterized by high volatility and did not exceed PLN 300 million in both inflow and outflow of capital. The exception is 2019, when as a result of negative transactions involving shares and other forms of equity interest, reinvested earnings and debt financial instruments, there was a strong capital outflow in the amount exceeding PLN 1.5 billion.

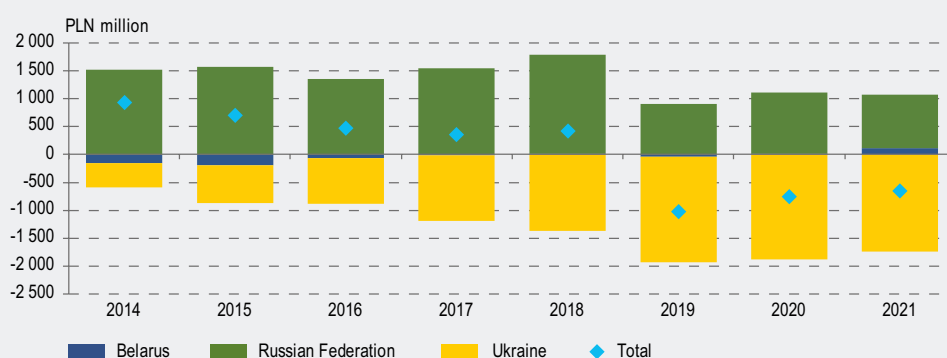
Figure B3.1. Direct investment of Belarus, the Russian Federation and Ukraine to Poland in 2014–2021



Until 2019, the sum of the year-end balances of direct investment liabilities of Belarus, the Russian Federation and Ukraine was positive, while in subsequent years we observe its negative level. The notable exception is Ukraine, with a negative liability balance throughout the period under review. This means that at the end of the year, the equity of Polish direct investment entities with Ukrainian participation does not cover the losses generated and should therefore be increased.

Throughout the analysed period, direct investors from the Russian Federation and Belarus generated positive income from direct investment in Poland.

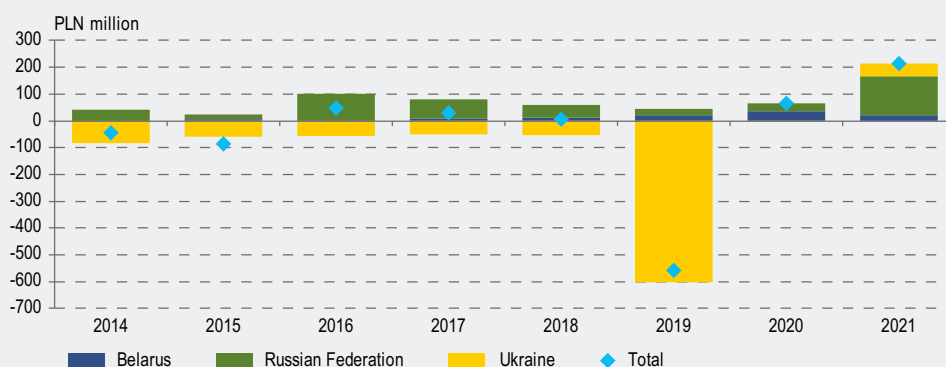
Figure B3.2. Belarus, the Russian Federation and Ukraine direct investment positions in Poland in 2014–2021



In 2014–2021, direct investment from Belarus, the Russian Federation and Ukraine went mainly to entities engaged in the production of food, beverages and tobacco products, wholesale and retail trade excluding motor vehicles and motorcycles, and management-related consulting. During the period under review, the share of entities from each

of these sections in the total capital inflows from the three countries, the level of their liabilities and the income they earned, exceeded 10%.

Figure B3.3. Income on direct investment in Poland of Belarus, the Russian Federation and Ukraine in 2014–2021



Polish direct investments in Belarus, the Russian Federation and Ukraine

The total share of Polish direct investment in Belarus, the Russian Federation and Ukraine in the total value of Polish outward direct investment in the period under review was volatile. By 2018, it had risen steadily, to 15.6%. There was a decline to 8.8% in the following year, and stabilization at 18.1% in the next two years. The share of receivables of Polish direct investors from capital involvement in direct investment entities with the seats in these three countries and the share of income earned by them was similar.

The value of transactions related to Polish direct investment in these three countries was negative only in 2014. This was due to negative Polish direct investment in the Russian Federation and Ukraine, which was not offset by positive Polish direct investment in Belarus. Negative direct investment in these two countries was the result of negative reinvested earnings¹ and liabilities due to debt financial instruments. They exceeded contributions from shares and other forms of equity holdings. In other years, transactions related to Polish direct investment were positive, with the highest level in 2021 in the amount exceeding PLN 1.2 billion.

In 2014–2021, the total receivables of Polish direct investors from equity involvement in direct investment entities having their seats in Belarus, the Russian Federation and Ukraine, as well as from shares and other forms of equity and debt financial instruments, has changed. In terms of receivables, the first position was held by entities investing in the Russian Federation. However, it is worth noting the systematic increase in the involvement of Polish capital in Ukraine; currently, the share of receivables in Ukraine exceeds 36% of total receivables from the three countries.

¹ Negative value of reinvested earnings means that the losses of direct investment entities are higher than their earnings and dividend payments.

Figure B3.4. Polish direct investment in Belarus, the Russian Federation and Ukraine in 2014–2021

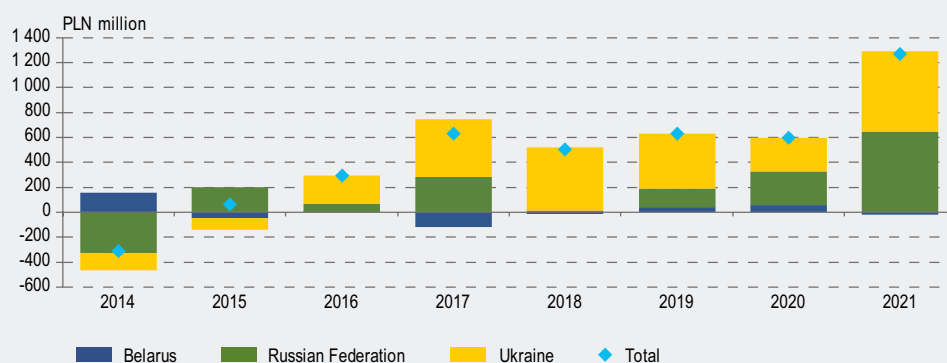
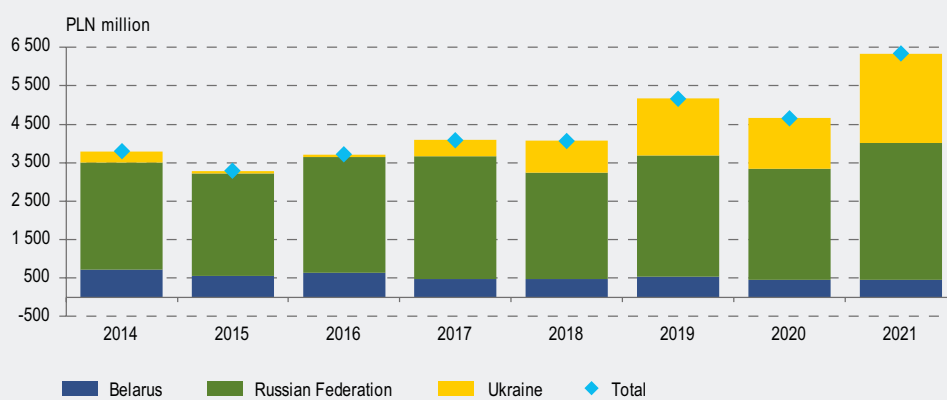


Figure B3.5. Polish direct investment positions in Belarus, the Russian Federation and Ukraine in 2014–2021

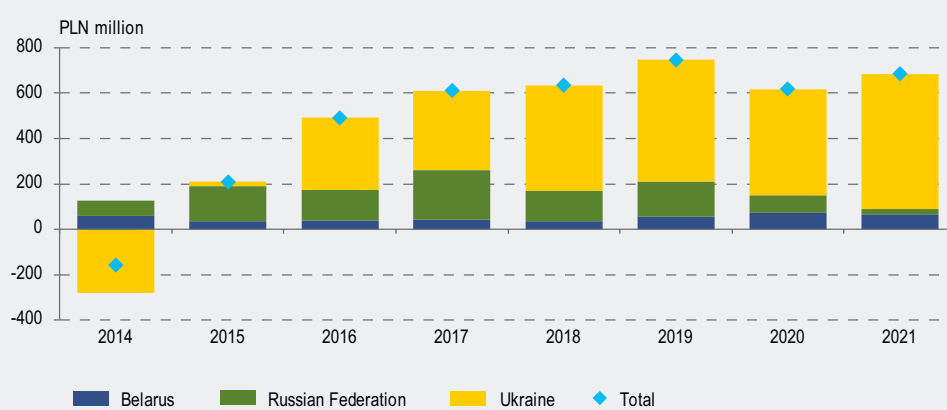


With the exception of 2014, the income of Polish direct investors achieved positive values. Negative income in 2014 was determined by negative reinvested earnings, which were not offset by income from dividends and interest on debt financial instruments. In subsequent years, income from reinvested earnings was positive. Since 2017, the level of income from Polish investments in the three countries has been relatively stable at around PLN 600 million. This is due to a systematic increase in income from Ukrainian entities, while revenue from entities from the Russian Federation has declined. At the same time, it is worth noting the relatively small increase in residents' income from direct investment in the analysed countries (by 11%) in relation to the recorded increase in total income from Polish direct investment (by more than 160%). This was partly due to a sharp decline in investment income from the Russian Federation.

Polish direct investment in Belarus, the Russian Federation and Ukraine was mainly in direct investment enterprises engaged in the production of wood, paper, printing

and reproduction, metals and fabricated metal products excluding machinery and equipment, as well as wholesale and retail trade excluding motor vehicles and motorcycles. These enterprises were also the main source of income for Polish direct investors. In contrast, the largest amount of receivables at the end of the year came from direct investment entities engaged in the production of food, beverages and tobacco products and retail trade excluding motor vehicles and motorcycles.²

Figure B3.6. Residents' income from outward direct investment in Belarus, the Russian Federation and Ukraine in 2014–2021



Analysis of the data shows that the war between the Russian Federation and Ukraine and the related economic sanctions may have little impact on the value of transactions, receivables and income due to the negligible share of direct investment of Belarus, the Russian Federation and Ukraine in inward direct investment to Poland. On the other hand, restrictions on transactions with these countries may have a much greater impact on individual domestic entities in which direct investors from these three countries were the dominant shareholders.

In addition, in the case of Polish outward investment, the ongoing armed conflict may have a negative impact on the status, balance of transactions and income of direct investors due to their significant share in Polish outward direct investment. This is especially true for entities that have invested in companies in the Russian Federation and are withdrawing from that market due to the economic and political sanctions imposed on Russia.

In 2022, given the observed withdrawal of entities from the Russian market, we can expect a negative balance of transactions and a significant decline in receivables from Polish direct investments in the Russian Federation.

² The share of entities from these industries in the total capital inflows from the three countries, the state of their liabilities and the income they earned amounted at least to 10% during the period under review.

2.3. Income on Polish direct investment abroad

In 2021, the total income of residents on Polish outward direct investment amounted to PLN 13.9 billion. The amount was more than 2.5 times higher than in 2020, when it amounted to PLN 5.2 billion (an increase of PLN 8.6 billion). A key reason for this growth was the rebound after the difficult pandemic year of 2020.

Income generated was mainly used for reinvestment, which amounted to PLN 10.6 billion, or more than three-quarters of total income. It is worth mentioning that reinvested earnings increased more than 6 times compared to the previous year, when they amounted to PLN 1.7 billion. This was influenced by the improving economic conditions and, consequently, the profitability of companies. Declared dividends accounted for 16.9% of total income, amounting to PLN 2.3 billion, and accrued interest just under PLN 0.9 billion (6.5%). In comparison to 2020 results, both of these categories recorded a decrease of PLN 0.2 billion and less than PLN 0.1 million, respectively.

Figure 26. Income on Polish direct investment abroad in 2000–2021

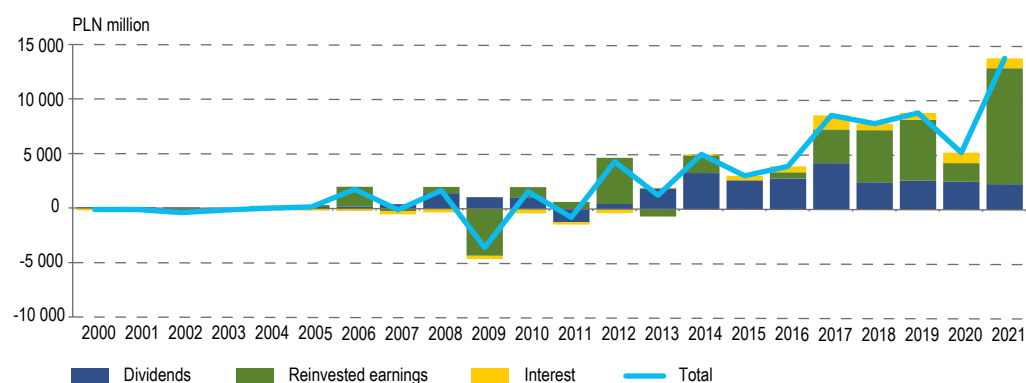


Figure 27. Share of the overall income on Polish direct investment abroad in GDP at current prices in 2000–2021

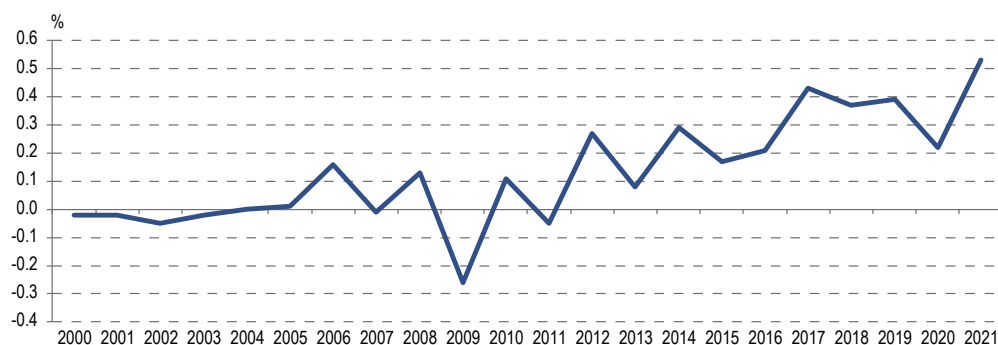
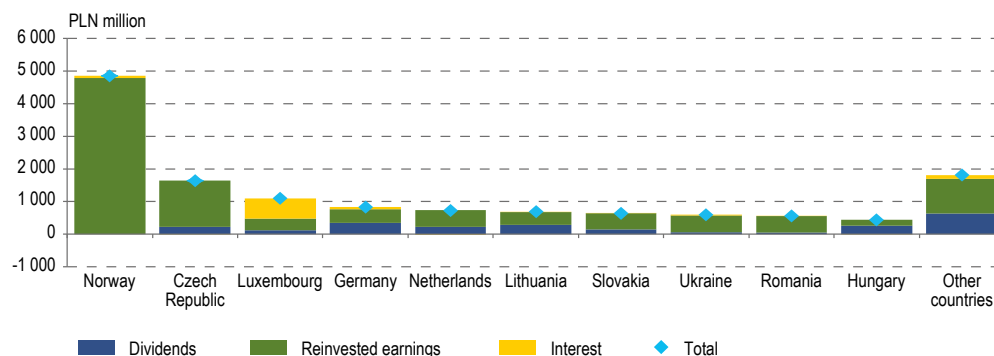
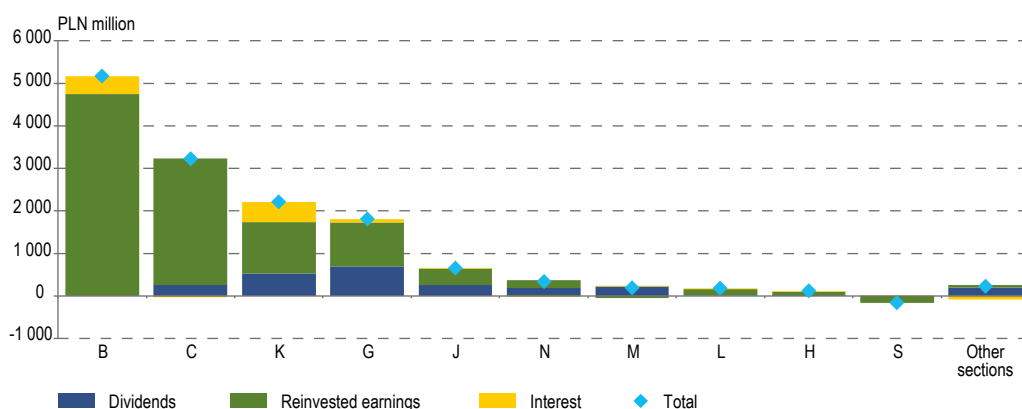


Figure 28. Income on Polish direct investment abroad broken down by countries in 2021

In 2021, the share of total income from Polish outward direct investment in GDP at current prices increased by 0.3 of a percentage point, from 0.2% to 0.5%. The share has been on an upward trend over the past decade, although it has fluctuated more or less from year to year. In particular, a large drop in this indicator was observed in 2020, which was related to the outbreak of the COVID-19 pandemic.

In 2021, the main source of income from Polish outward direct investment was income from direct investment entities with seats in Norway (PLN 4.9 billion, accounting for 35% of total income), the Czech Republic (PLN 1.6 billion, 11.8% of total income), Luxembourg (PLN 1.1 billion, 7.9% of total income) and Germany (PLN 0.8 billion, 6% of total income). It is worth noting that compared to 2020, the situation changed significantly. In the previous year, Polish foreign investors received the highest income from direct investment companies located in Cyprus.

Figure 29. Income on Polish direct investment abroad in 2021 broken down by economic activity

B – Mining and quarrying; C – Manufacturing; F – Construction; G – Wholesale and retail trade; repair of motor vehicles and motorcycles; I – Accommodation and food service activities; J – Information and communication; K – Financial and insurance activities; L – Real estate activities; M – Professional, scientific and technical activities; N – Administrative and support service activities; S – Other service activities.

As in the previous years, the distribution of income from Polish outward direct investment also varied in 2021. In most of the analysed countries, reinvested earnings accounted for the largest part of it. Investments in Norway, the Czech Republic, Ukraine and Romania accounted for more than 80% of total income. Only in the case of investments in Luxembourg was accrued interest (PLN 0.6 billion) higher than reinvested earnings (PLN 0.4 billion).

In 2021, most sectors recorded positive income generated by foreign direct investment entities. The exception was other service activities. The highest income (PLN 5.2 billion) was earned by foreign direct investment entities engaged in mining and quarrying. This was followed by companies in the manufacturing sector (particularly in the Czech Republic, Lithuania and Ukraine), whose income amounted to PLN 3.2 billion. The next were the entities operating in the financial and insurance sector (particularly in Luxembourg, Ukraine, the Netherlands and Lithuania), which generated income in the amount of PLN 2.2 billion. Further down the list were companies operating in the industries such as wholesale and retail trade and repair of motor vehicles and motorcycles, which generated income of PLN 1.8 billion (in particular, entities operating in Germany, the Czech Republic, Slovakia and Hungary). It is worth mentioning that the structure of the income in question varied, with reinvested earnings accounting for the largest share in most industries.

Methodological note

Methodological note

Standard of direct investment statistics

Narodowy Bank Polski has published data on foreign direct investment since 1996, in accordance with international standards, gradually implementing their subsequent versions.

The basic standard with comprehensive rules for direct investment statistics is the Organization for Economic Cooperation and Development (OECD) document entitled: *The Benchmark Definition of Foreign Direct Investment 4th edition (Benchmark Definition)*. The document was first developed in 1983 and has been updated several times since then. In 2008, the fourth, current edition of this standard was elaborated and it has already been implemented by many countries.⁴

The principles contained in the *OECD Benchmark Definition of Foreign Investment 4th edition* are fully consistent with the concept and definitions of direct investment contained in the sixth issue of the International Monetary Fund standard, related to the balance of payments and the international investment position.⁵ They are also compliant with the concept of the system of national accounts – SNA 2008 and its European counterpart – ESA 2010.⁶ It is worth mentioning that work is currently underway to update the standards in question. The subject of this work includes the rules for qualifying entities as subsidiaries and affiliates, the establishment of applicable rules for the valuation of these entities and so-called cash pooling.

The standards published by the OECD concentrate on inward direct investment. They specify ways of presenting receivables and payables, methods of presenting transactions relating to inward direct investment, and ways of disclosing related income – in aggregate or by country of residence of transaction partners, as well as by types of economic activity.

The latest edition of the *OECD Benchmark Definition* also addresses the new rules for presenting direct investment. It recommends, among other things:

- presentation in accordance with the revised directional principle (a new method of treating entities with the status of “fellow enterprises”),
- distinguishing direct investment according to the country of the seat of the ultimate investing country,
- presentation with a breakdown into assets/liabilities.

Based on the presented standard, Narodowy Bank Polski publishes data in accordance with users’ needs. At the same time, fulfilling its international obligations, NBP provides international organizations with direct investment data in accordance with the needs of these institutions.

⁴ *OECD Benchmark Definition of Foreign Direct Investment – 4th edition*, 2008, OECD.

⁵ *Balance of Payments and International Investment Position Manual – 6th edition*, 2007, IMF.

⁶ European System of Accounts (European System of National and Regional Accounts) introduced by Regulation No. 549/2013 of the European Parliament and of the Council.

When discussing standards in the field of direct investment statistics, it should be noted that they allow different methods of data collection and asset valuation. This results in differences between the data presented according to these standards and the detailed data presented according to the rules implemented at the European Union level.

According to OECD standards, the preferred method for valuating financial assets and liabilities is their market value. At the same time, other measurement methods that are an approximation of the market value are acceptable. According to the rules adopted at the EU level, reporting entities in Poland and other EU countries present investments in listed shares according to their market valuation. Other forms of equity interests or equity involvement of a similar nature are reported in the value of equity per shareholder.

Another difference between the OECD standard and EU requirements relates to investment funds. In compliance with the decision taken at the EU level, contrary to the OECD standard, assets and liabilities of investment funds are not recognised in direct investment, even if they exceed the threshold of 10% of votes.

In this report, NBP presents balances of liabilities (and correspondingly receivables) from inward direct investment (Polish direct investment abroad), rather than cumulative transaction values. The parties, contrary to cumulative transactions, take into account valuation changes, exchange rate differences and reclassifications.

It should be mentioned that in the relations between affiliated entities in Poland, no technical reserves occur, therefore they are not presented in the Polish statistics of direct investment. This topic is being monitored on an ongoing basis and, if necessary, the data in the report can be supplemented with these reserves.

The data on direct investment was purged of transactions, positions and income of special purpose entities having their seats in Poland. The operations carried out by these entities formally comply with the current definition of direct investment, but due to their nature they do not correspond to the traditional understanding of direct investment. As recommended by international organizations, they are not included in the presentation by investment direction.

Data sources of direct investment

Reports of reporting entities (also referred to in the report as reporting entities) submitted to Narodowy Bank Polski on designated dates represent the basic source of data on inward direct investment in Poland and Polish outward investment. Such data are submitted to NBP as part of reporting for the purposes of the balance of payments and the international investment position by banks and by other residents.⁷ Data are collected from residents whose

⁷ The legal basis for the collection of data on direct investment in Poland consists of the following: Regulation of the Minister of Development and Finance of 9 August 2017 concerning the provision of data required for the preparation of the balance of payments and the international investment position to Narodowy Bank Polski (Journal of Laws of 18 August 2017, item 1548) and Resolution No. 78/2009 of the Management Board of Narodowy Bank Polski of 29 October 2009 concerning the procedure and detailed rules of submission of the data required for the preparation of the balance of payments and the international investment position by banks to Narodowy Bank Polski, as amended (Official Gazette of NBP of 19 November 2009, No. 18, item 20).

total foreign assets and liabilities exceed PLN 7 million (natural persons) or PLN 10 million (residents other than investment firms). Investment firms (including banks) submit reports irrespective of the amount of foreign assets and liabilities held.

Information provided by reporting entities other than investment companies relates to their own transactions. In turn, investment companies (including banks) that maintain securities accounts report data on their transactions and provide aggregate data on the clients of these institutions.

Information is collected on a monthly, quarterly and annual basis.

The sources of data on direct investments based on securities are reports sent by Polish investors (regarding assets) and issuers or financial intermediaries (regarding liabilities). They contain data divided into individual securities. These data are collected using the “paper-by-paper” method.⁸

Data on foreign direct investment in companies holding dematerialized shares are collected at the level of individual series of shares (ISIN⁹ numbers), based on available financial statements of issuers and monthly reports of custodian banks and brokerage houses.

Other additional data sources for direct investment statistics include press releases, financial statements of entities, information available on the Internet, particularly on the websites of reporting entities, and direct contacts with entities.

The information obtained as described in this section of the Methodological note is mainly used to verify and update the register of reporting entities.

Method of compilation and presentation of data on inward direct investment

Data for statistics on inward direct investment are submitted by reporting entities in electronic form through the reporting portal. The data are then subsequently verified and processed by the dedicated internal electronic system of Narodowy Bank Polski.

In the process of verification and compilation of data on securities with the ISIN code, data contained in the CSDB database of the European Central Bank, information from the National Depository for Securities (KDPW) and information acquired from issuers themselves are additionally used.¹⁰

⁸ The reporting entity provides the value of the transaction/position of receivables or liabilities and the identification number of each security, on the basis of which other information is identified.

⁹ The International Securities Identification Number is an international identification code assigned to securities issued on financial markets. It is an alphanumeric code of 12 characters, with a structure defined in accordance with the ISO 6166 standard.

¹⁰ Central Securities Database (CSDB) – in existence since 2010, a central database of securities issued and held by European Union entities;
<https://www.ecb.europa.eu/pub/pdf/other/centralisedsecuritiesdatabase201002en.pdf>.

In this report, in accordance with the rules applicable in direct investment statistics, data are presented in compliance with the directional principle,¹¹ excluding domestic special purpose entities that do not apply this principle. In addition, for the purposes of the balance of payments and the international investment position, information on direct investment is presented according to the balance sheet principle (on an assets/liabilities basis) taking into account domestic special purpose entities. The result of the discrepancy in the presentation method is the lack of possibility of a simple comparison of data from the discussed sources.

Presentation according to the seat of ultimate controlling parent

The statistics of inward direct investment to Poland according to the country of the ultimate controlling parent's seat in the enterprise group to which the direct investor (UIC – ultimate investing country) belongs, gives a slightly different view of the geographical allocation of liabilities due to inward direct investment in Poland. With this approach, the value of liabilities towards entities from such countries as Luxembourg and the Netherlands strongly decreases. This arises from the specific role of these countries in cash flows. The companies established in those countries are often used as an indirect link in the ownership chain within enterprise groups, with the purpose of more flexible disposal of the target investment and more favourable taxation of passive income. In the case of the United States, the opposite situation can be observed – receivables of US entities from direct investment in Poland are significantly higher when presented by the seat of the ultimate controlling parent in the enterprise group, rather than by direct investor. This means that companies managed by ultimate controlling parents from the United States often invest in Poland (and in Europe in general) through entities based in other places, mainly, for example, in the Netherlands and Luxembourg.

Analysing direct investment by the country of the ultimate controlling parent in the enterprise group, to which the direct investor belongs, makes it easier to determine the strength of real economic ties between countries. It helps to identify the political and legal environment which may determine such relations. In particular, it enables to identify the real capital flow conditions under direct investment and to determine whether investment decisions result from agreements related to mutual investment or tax regulations.

Identifying the country of the seat of the ultimate controlling parent in the enterprise group to which a direct investor belongs is not easy, especially in the case of private equity funds and individuals. Establishing the residency of individuals is often impossible for reasons of legal protection and bank secrecy. The trace usually breaks off in countries defined as tax havens, where banks and financial intermediaries guard the identity of their clients. The effect of these regulations and related restrictions is still a relatively high share of direct investors for which the country of the seat of the ultimate controlling parent in the enterprise group remains unclassified. Currently, there are no legal tools to improve this situation. International standards of identification of the seat of the ultimate controlling parent are not very precise and work on an agreement on recommendations in this area is still in progress.

¹¹ Presentation of direct investment data according to the principle of directionality introduces a division into outward direct investment and inward direct investment.

Calculation of reinvested earnings

In recent years, reinvested earnings have accounted for nearly half of inward direct investment income in Poland. A similar situation has persisted for the past decade or so: reinvested earnings make up a significant portion of direct investors' income.

Reinvested earnings are income generated by the reporting entity from equity instruments (or a portion thereof), not paid to the direct investor in the form of dividends, but invested in the entity that generated the income. For a direct investor, it is income from equity instruments.

The basis for calculating income from equity instruments is profit or loss from current operations, reported on annual reporting forms. This category has no clear equivalents in the standard income statement. This is a value calculated for the purposes of direct investment statistics, based on information that is in the books of reporting entities, as follows:

$$\begin{array}{r} \text{Profit/loss from current activity} \\ = \\ \text{Operating result} \\ + \\ \text{Financial income (dividends declared, accrued interest)} \\ - \\ \text{Financial costs (accrued interest)} \\ + \\ \text{Unpaid earnings of direct investment entities (domestic and foreign)} \\ - \\ \text{Losses of direct investment entities (domestic and foreign)} \end{array}$$

The operating result that is part of this formula should be calculated in the manner adopted in the national accounts, i.e. excluding the result of revaluation, non-recurring asset impairment charges, extraordinary profits and losses, and the result of the one-time sale of significant assets of the entity.

Profit or loss from current operations is calculated only in the relationship of the reporting entity – direct investor/direct investment entity. Profit or loss from current operations is adjusted for completed research and development expenses and related depreciation and amortization expenses.

Glossary

Control shall be understood as holding directly and/or indirectly more than 50% of voting power in the governing body of another entity.

Current operating performance means profit or loss from operation activity plus interest receivable, less accrued interest, plus unpaid earnings of direct investment entities and less losses of these entities.

Debt instruments mean all forms of investing other than the acquisition of shares or equities, or reinvestment of earnings associated with such shares or equities or other involvement of an equity nature. Debt instruments include, among others, credits and loans, debt securities, trade credits and other unsettled payments between entities in a direct investment relationship.

Direct investment entity means an entity in whose governing body a direct investor holds, directly or indirectly, alone or jointly with entities controlled by it, at least 10% of votes. An entity controlled by another direct investment entity is also a direct investment entity.

Direct investment income means the return on the direct investment position, that is, the return on equity and debt investment, and income from debt instruments. Direct investment income is calculated on an accrual basis, i.e. regardless of the payment term. Income on debt instruments issued and held by financial intermediaries is excluded from direct investment income; similarly, these instruments are not included in the investments in question.

Direct investment positions mean the value of direct investment at the end of a given period equal to the position at the beginning, plus/minus transactions, exchange rate differences and valuation.

Direct investment's flows mean financial flows between entities from the enterprise group in a given period.

Direct investor is an entity that directly or indirectly, alone or together with entities it controls, has at least 10% of the voting power in the governing body of another entity.

Enterprise group means a group created by a parent company and entities in which it acts as a direct investor. The entities are in a direct investment relationship. In the event that an entity holds votes in the governing body of another entity through the entity it controls, it is assumed that such an entity holds all the votes of the intermediary entity. The enterprise group may include both non-residents and residents. The enterprise group does not need to be equivalent to the capital group defined in the accounting standards.

Equity comprises segregated funds of branches, shares in subsidiaries and affiliates (excluding preferred shares with the characteristics of debt instruments) and other forms of involvement of an equity nature.

Fellow enterprises are at least two entities that belong to the same enterprise group but are not direct investors or direct investors with respect to each other (the mutual voting share in the governing bodies of these entities, both direct and indirect, if any, is less than 10%).

Influence is understood as holding directly and/or indirectly at least 10% of voting power in the governing body of another entity.

Inward direct investment means investment by a non-resident direct investor in a direct investment enterprise – resident. This applies when non-residents (direct investors) have an influence on or control over residents (direct investment entities).

Mergers and acquisitions (M&A) mean transactions as a result of which companies previously operating independently are merged and a new company is established, the acquisition of an entity by another entity still operating on the market, or shares of another company are acquired and control over it is held, with the simultaneous maintenance of organizational separation. In direct investment statistics, mergers and acquisitions are defined as transactions on existing shares (other than new issue shares) if, as a result of such transactions, the purchaser controls at least 10% of votes in the governing body of the other entity.

Outward direct investment is investment by a resident direct investor in a non-resident direct investment enterprise. This applies when residents (direct investors) have an influence on or control over non-residents (direct investment entities).

Reinvestment of earnings/reinvested earnings are the profits earned in a given reporting period by direct investment entities, less dividends declared during the period. A negative amount of reinvested earnings means that direct investment entities recorded losses in a given period or that the amount of dividends declared exceeded the earnings.

Special purpose entities (SPE) in the statistics associated with the balance of payments and the international investment position, mean entities created in order to carry out financial activity in favour of other enterprises of the enterprise group. Very often they neither employ any personnel nor carry out operating activities on the territory of the country they are present in. Most commonly they are engaged in holding activity and raising capital on behalf of and for other entities from the enterprise group. In the case of the former function, a special purpose entity is the owner of other entities in the enterprise group and transactions with its participation are mainly related to shares in subsidiaries. The latter of the aforementioned functions is associated with the raising of capital from the issuance of securities, borrowing and the raising of capital from other sources, and the transfer of funds raised in such a manner to other companies of the enterprise group. The components of the balance sheet of such entities are comprised almost exclusively of foreign assets and liabilities.

Super dividends/liquidating dividends mean dividends arising as a result of re-distribution of profit from previous years. They are usually higher than dividends paid regularly. In accordance with the current standards, they are classified as withdrawals of equity, rather than income.

Transactions of special purpose entities mean that in a given reporting period an inflow of foreign funds is recorded, increasing the capital of special purpose entities; subsequently, such funds are transferred by such entities to foreign branches or subsidiaries abroad. The occurrence of transactions of special purpose entities results in recording symmetrical

entries, both in inward direct investment in the country and in outward direct investment. Inflow of capital due to transactions of special purpose entities does not have a significant impact on domestic production and employment.

Ultimate controlling parent is an entity that influences other entities, especially the entity that controls them.

Statistical annex

Statistical annex

Appendix presents selected data from the direct investment tables. Detailed tables (also in EUR and USD) are available on the NBP website.

Foreign direct investment in Poland:

<https://www.nbp.pl/homen.aspx?f=/en/publikacje/ziben/ziben.html>

Polish direct investment abroad:

<https://www.nbp.pl/homen.aspx?f=/en/publikacje/piben/piben.html>

Table 1. Foreign direct investment in Poland – transactions in 2000–2021 (in PLN million)

Year	Equity net	Reinvestment of earnings net	Debt instruments net	Total FDI inflows net (5 = 2 + 3 + 4)
1	2	3	4	5
2000	38 771.0	-1 739.0	4 018.0	41 050.0
2001	21 672.0	-4 259.0	5 427.9	22 840.9
2002	17 432.0	-4 991.0	4 002.0	16 443.0
2003	17 733.0	-328.0	-1 917.5	15 487.5
2004	25 978.5	22 620.0	-4 193.9	44 404.7
2005	9 569.8	10 937.0	6 034.6	26 541.3
2006	10 558.1	17 646.0	17 032.2	45 236.3
2007	16 154.1	25 610.0	13 141.5	54 905.7
2008	19 796.9	-2 301.0	12 096.9	29 592.8
2009	10 692.3	15 497.0	5 134.8	31 324.1
2010	1 612.8	22 448.0	14 523.8	38 584.6
2011	-804.9	21 572.0	26 416.7	47 183.8
2012	12 447.0	18 254.1	9 756.6	40 457.7
2013	-5 674.7	14 732.2	2 401.2	11 458.7
2014	13 297.0	25 939.5	5 774.8	45 011.3
2015	21 879.0	29 145.1	6 539.4	57 563.4
2016	7 749.5	37 295.4	16 817.9	61 862.8
2017	-3 991.5	39 048.7	-391.9	34 665.3
2018	17 887.9	35 161.9	4 724.2	57 774.0
2019	11 068.7	43 786.9	-2 985.0	51 870.6
2020	17 379.9	46 719.6	-4 841.2	59 258.3
2021	19 560.4	75 561.6	19 113.8	114 235.8

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 2. Foreign direct investment in Poland – positions at the end of the year in 2000–2021
(in PLN million)

Year	Equity net	Debt instruments net	Total FDI positions net (4 = 2 + 3)
1	2	3	4
2000	105 043.0	33 657.6	138 700.6
2001	123 619.0	37 405.6	161 024.6
2002	138 155.0	43 402.6	181 557.6
2003	156 789.0	53 106.4	209 895.4
2004	206 089.5	45 409.4	251 499.0
2005	232 454.3	49 144.2	281 598.5
2006	269 723.2	67 288.9	337 012.1
2007	323 225.0	77 016.1	400 241.1
2008	340 238.2	99 344.2	439 582.4
2009	373 166.4	103 971.0	477 137.5
2010	441 739.2	114 332.4	556 071.7
2011	424 678.7	137 225.3	561 904.0
2012	472 597.9	144 077.8	616 675.7
2013	540 261.4	149 989.1	690 250.5
2014	569 116.5	172 600.0	741 716.5
2015	543 296.5	182 255.0	725 551.5
2016	582 603.7	206 170.5	788 774.3
2017	639 015.7	197 826.7	836 842.4
2018	649 860.0	213 093.4	862 953.4
2019	704 006.3	209 668.8	913 675.1
2020	738 358.1	223 821.8	962 179.9
2021	857 909.9	241 207.5	1 099 117.4

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 3. Foreign direct investment in Poland – changes of the position in public listed companies and other companies in 2021 (in PLN million)

Description	Public listed companies net	Other companies net	Total FDI positions net (4 = 2 + 3)
1	2	3	4
Positions at the beginning of the year	105 808.1	856 371.8	962 179.9
Transactions (excluding reinvestment of earnings)	-2 551.2	41 225.4	38 674.2
Reinvestment of earnings	5 571.7	69 989.9	75 561.6
Valuation changes, exchange rate changes, reclassifications	41 912.3	-19 210.6	22 701.7
Positions at the end of year	150 740.9	948 376.5	1 099 117.4

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 4. Foreign direct investment in Poland – positions at the end of 2021 broken down by ultimate investing country and immediate investing country (in PLN million)

Description	DSD code	According to ultimate investing country	% total	According to immediate investing country	% total
1	2	3	4	5	6
Germany	DE	209 497.5	19.1	184 008.6	16.7
France	FR	107 054.6	9.7	93 814.7	8.5
Netherlands	NL	96 140.5	8.8	17 431.8	1.6
United States	US	103 110.6	9.4	216 701.5	19.7
United Kingdom	GB	59 554.2	5.4	39 235.2	3.6
Spain	ES	51 620.2	4.7	0.0	0.0
Poland	PL	35 407.7	3.2	44 099.6	4.0
Austria	AT	53 096.5	4.8	55 218.4	5.0
Switzerland	CH	29 061.9	2.6	33 036.0	3.0
Japan	JP	28 776.2	2.6	4 857.5	0.4
Italy	IT	23 344.6	2.1	20 222.4	1.8
Sweden	SE	24 106.7	2.2	26 584.8	2.4
Korea, Republic of (South Korea)	KR	22 212.3	2.0	18 493.0	1.7
Denmark	DK	18 771.5	1.7	23 123.8	2.1
Belgium	BE	15 466.9	1.4	35 742.9	3.3
Portugal	PT	8 627.6	0.8	1 488.2	0.1
Finland	FI	10 682.3	1.0	7 396.4	0.7
Luxembourg	LU	14 750.6	1.3	7 486.5	0.7
Canada	CA	9 940.9	0.9	137 698.2	12.5
Czech Republic	CZ	7 449.7	0.7	13 170.9	1.2
Cyprus	CY	0.0	0.0	55 605.5	5.1
Malta	MT	0.0	0.0	20 142.5	1.8
World not allocated	W09	117 145.2	10.7	0.0	0.0
Other countries	–	53 299.2	4.9	43 559.0	4.0
Total World	W0	1 099 117.4	100.0	1 099 117.4	100.0

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 5. Foreign direct investment in Poland – positions at the end of 2021 by regions at NUTS2 level (in PLN million)

Regions at NUTS 2	Foreign direct investment position in Poland at the end of 2020 year net	Change in 2021 year net	Foreign direct investment position in Poland at the end of 2021 year net (4 = 2 + 3)
1	2	3	4
Dolnośląskie Voivodeship	74 287.3	15 753.0	90 040.3
Kujawsko-pomorskie Voivodeship	15 858.2	3 230.5	19 088.6
Lubelskie Voivodeship	7 060.0	301.2	7 361.2
Lubuskie Voivodeship	10 242.8	2 294.4	12 537.1
Łódzkie Voivodeship	28 490.9	5 693.9	34 184.9
Małopolskie Voivodeship	39 906.8	10 529.8	50 436.6
Mazowiecki Regionalny	14 791.2	3 485.9	18 277.1
Opolskie Voivodeship	10 003.9	2 408.9	12 412.8
Podkarpackie Voivodeship	21 274.3	2 888.2	24 162.5
Podlaskie Voivodeship	3 420.6	664.2	4 084.8
Pomorskie Voivodeship	41 025.7	18 107.1	59 132.9
Śląskie Voivodeship	94 517.6	35 603.2	130 120.8
Świętokrzyskie Voivodeship	7 807.0	2 415.5	10 222.5
Warmińsko-mazurskie Voivodeship	4 916.0	448.2	5 364.2
Warsaw Capital Region	466 505.7	9 504.4	476 010.1
Wielkopolskie Voivodeship	102 669.3	21 961.3	124 630.6
Zachodniopomorskie Voivodeship	19 402.7	1 647.7	21 050.3
Total	962 179.9	136 937.5	1 099 117.4

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 6. Income on foreign direct investment in Poland in 2000–2021 (in PLN million)

Year	Dividends net	Reinvested earnings net	Income on debt (interest) net	Total direct investment income net (5 = 2 + 3 + 4)
1	2	3	4	5
2000	2 447.0	-1 738.0	2 128.1	2 837.1
2001	4 003.0	-4 258.0	2 906.7	2 651.7
2002	5 571.0	-4 992.0	2 364.8	2 943.8
2003	6 309.0	-328.0	1 953.3	7 934.3
2004	9 837.0	22 619.0	2 140.5	34 596.5
2005	16 790.0	10 937.0	2 107.3	29 834.3
2006	20 078.0	17 645.0	2 772.5	40 495.5
2007	22 432.0	25 609.0	3 481.3	51 522.3
2008	28 095.0	-2 302.0	4 267.2	30 060.2
2009	23 356.0	15 499.0	4 425.2	43 280.2
2010	23 829.0	22 448.0	4 687.8	50 964.8
2011	24 945.0	21 572.0	5 256.2	51 773.2
2012	27 518.2	18 254.1	6 258.3	52 030.6
2013	36 267.7	14 732.2	7 234.8	58 234.7
2014	29 592.4	25 939.5	8 595.7	64 127.6
2015	30 091.6	29 145.1	8 270.1	67 506.9
2016	35 372.9	37 295.4	9 281.3	81 949.6
2017	32 865.0	39 048.7	9 306.1	81 219.8
2018	40 221.8	35 161.9	9 391.8	84 775.5
2019	37 274.7	43 786.9	8 417.0	89 478.6
2020	32 973.3	46 719.6	7 979.8	87 672.7
2021	39 015.1	75 561.6	8 110.6	122 687.2

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 7. Foreign direct investment in Poland – income in 2021 broken down by ultimate investing country and immediate investing country (in PLN million)

Description	DSD code	According to ultimate investing country net	% total	According to immediate investing country net	% total
1	2	3	4	5	6
Germany	DE	23 870.5	19.5	20 583.1	16.8
Netherlands	NL	12 572.4	10.2	31 633.1	25.8
France	FR	10 861.1	8.9	9 566.5	7.8
United States	US	10 540.5	8.6	2 187.7	1.8
United Kingdom	GB	6 703.7	5.5	4 638.4	3.8
Poland	PL	6 016.5	4.9	0.0	0.0
Switzerland	CH	3 559.6	2.9	4 827.1	3.9
Japan	JP	3 427.5	2.8	290.1	0.2
Italy	IT	3 392.2	2.8	3 386.0	2.8
Portugal	PT	3 257.5	2.7	-371.5	-0.3
Sweden	SE	2 728.5	2.2	2 789.9	2.3
Austria	AT	2 714.4	2.2	4 411.1	3.6
Luxembourg	LU	2 629.9	2.1	16 133.9	13.2
Spain	ES	2 394.3	2.0	2 216.8	1.8
Denmark	DK	1 827.6	1.5	2 041.3	1.7
Finland	FI	1 412.0	1.2	1 192.4	1.0
Belgium	BE	1 300.0	1.1	2 732.0	2.2
World not allocated	W190	13 608.3	11.1	0.0	0.0
Other countries	–	9 870.7	8.0	14 429.3	11.8
Total World	W0	122 687.2	100.0	122 687.2	100.0

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 8. Return on foreign direct investment in Poland broken down by economic activity in 2012–2021 (in %)

Description	DSD code	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	2	3	4	5	6	7	8	9	10	11	12
Total	FDI_T	9.4	9.4	9.3	9.1	11.3	10.3	10.1	10.4	9.6	12.8
including:											
Manufacturing	C	10.9	10.8	12.7	13.0	13.2	12.8	12.1	12.0	9.9	15.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	G	10.0	10.3	11.1	10.3	12.1	13.3	14.5	14.1	13.1	18.5
Financial and insurance activities	K	8.3	5.6	6.5	5.8	7.6	6.4	6.7	8.2	5.9	7.4
Real estate activities	L	4.7	7.4	6.1	6.4	11.3	5.2	8.3	7.1	6.3	6.1

Notes:

Data excluding resident special purpose entities.

Last updated: September 2022.

Table 9. Polish direct investment abroad – transactions in 2000–2021 (in PLN million)

Year	Equity net	Reinvestment of earnings net	Debt instruments net	Total FDI outflows net (5 = 2 + 3 + 4)
1	2	3	4	5
2000	488.0	-52.0	-362.0	74.0
2001	-196.0	37.0	-704.1	-863.1
2002	1 115.0	-297.0	-263.0	555.0
2003	404.0	-44.0	-1 528.5	-1 168.5
2004	822.5	83.0	-298.9	606.7
2005	4 069.8	182.0	105.6	4 357.3
2006	11 702.1	1 806.0	-1 537.8	11 970.3
2007	5 995.1	-229.0	-1 115.5	4 650.7
2008	2 858.9	576.0	1 042.9	4 477.8
2009	10 046.3	-4 304.0	-106.2	5 636.1
2010	2 504.8	921.0	15 109.8	18 535.6
2011	1 940.2	636.2	464.8	3 041.2
2012	5 573.8	4 215.0	-341.6	9 447.2
2013	4 029.9	-671.8	-4 784.2	-1 426.1
2014	17 480.8	1 609.6	-9 948.2	9 142.2
2015	16 469.2	21.8	2 339.8	18 830.7
2016	32 955.3	583.0	12 197.9	45 736.2
2017	909.6	3 113.3	4 176.3	8 199.2
2018	-1 562.6	4 777.2	3.5	3 218.2
2019	-7 813.0	5 589.2	9 342.3	7 118.5
2020	-495.7	1 704.8	2 109.3	3 318.4
2021	329.0	10 630.5	-3 934.3	7 025.1

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 10. Polish direct investment abroad – positions at the end of the year in 2000–2021
(in PLN million)

Year	Equity net	Debt instruments net	Total FDI positions net (4 = 2 + 3)
1	2	3	4
2000	3 605.0	-2 495.4	1 109.6
2001	3 982.0	-2 768.4	1 213.6
2002	4 852.0	-3 195.4	1 656.6
2003	6 060.0	-4 629.6	1 430.4
2004	5 905.5	-3 817.6	2 088.0
2005	9 324.3	-3 530.8	5 793.5
2006	17 269.2	-4 457.1	12 812.1
2007	21 925.0	-4 199.9	17 725.1
2008	28 387.2	-4 085.8	24 301.4
2009	36 753.4	-3 964.0	32 789.5
2010	43 566.2	5 064.4	48 630.7
2011	56 053.9	8 629.3	64 683.2
2012	72 050.8	8 855.3	80 906.1
2013	84 492.1	-984.4	83 507.7
2014	101 476.9	-4 128.5	97 348.4
2015	108 624.3	-1 374.7	107 249.6
2016	104 538.3	11 955.8	116 494.2
2017	92 878.2	8 742.0	101 620.3
2018	83 253.2	9 304.1	92 557.3
2019	84 091.9	18 216.0	102 307.9
2020	76 304.5	22 491.8	98 796.3
2021	88 894.3	20 810.5	109 704.8

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 11. Income on Polish direct investment abroad in 2000–2021 (in PLN million)

Year	Dividends net	Reinvested earnings net	Income on debt (interest) net	Total direct investment income net (5 = 2 + 3 + 4)
1	2	3	4	5
2000	76.0	-52.0	-157.9	-133.9
2001	74.0	37.0	-228.3	-117.3
2002	70.0	-297.0	-187.2	-414.2
2003	57.0	-44.0	-165.7	-152.7
2004	131.0	83.0	-183.5	30.5
2005	139.0	180.0	-182.7	136.3
2006	188.0	1 804.0	-233.5	1 758.5
2007	404.0	-228.0	-290.7	-114.7
2008	1 426.0	576.0	-339.8	1 662.2
2009	1 056.0	-4 305.0	-313.8	-3 562.8
2010	1 074.0	921.0	-402.2	1 592.8
2011	-1 218.8	636.2	-191.2	-773.8
2012	474.3	4 215.0	-359.2	4 330.1
2013	1 912.9	-671.8	43.3	1 284.4
2014	3 329.5	1 609.6	97.5	5 036.6
2015	2 653.0	21.8	397.1	3 071.9
2016	2 834.6	583.0	544.0	3 961.6
2017	4 239.9	3 113.3	1 289.8	8 643.0
2018	2 507.5	4 777.2	595.5	7 880.3
2019	2 656.1	5 589.2	632.4	8 877.8
2020	2 569.6	1 704.8	973.2	5 247.6
2021	2 346.3	10 630.5	899.2	13 876.0

Notes:

Data excluding resident special purpose entities.

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 12. The value of declared dividends and the number of entities in groups with different regularity of dividend payments in 2015–2021 (in PLN million)

Year	Value		Number of entities	
	non-systematic dividend	systematic dividend	non-systematic dividend	systematic dividend
1	2	3	4	5
2015	5 539.4	24 552.2	394.0	927.0
2016	9 582.1	25 790.8	431.0	960.0
2017	8 695.1	24 169.9	435.0	1 000.0
2018	10 480.7	29 741.1	473.0	1 040.0
2019	6 547.8	30 726.9	424.0	1 032.0
2020	8 538.7	24 434.6	497.0	983.0
2021	10 866.1	28 149.0	528.0	1 064.0

Notes:

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 13. Share of systematic and non-systematic dividends in the value of total dividends on foreign direct investment in Poland in 2015–2021 (in %)

Year	Non-systematic dividend	Systematic dividend
1	2	3
2015	18.4	81.6
2016	27.1	72.9
2017	26.5	73.5
2018	26.1	73.9
2019	17.6	82.4
2020	25.9	74.1
2021	27.9	72.1

Notes:

Totals may not equal the sum of components due to rounding.

Last updated: September 2022.

Table 14. Profit retention rate in direct investment entities in 2010–2020

Year	Profit retention rate
1	2
2010	46.1
2011	40.8
2012	20.8
2013	42.0
2014	45.8
2015	40.3
2016	54.8
2017	44.1
2018	50.6
2019	59.3
2020	51.0

Note: last updated: September 2022.

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