

# Foreign investors in Małopolska region in 2014

## Summary

Małopolskie Obserwatorium  
Rozwoju Regionalnego

Departament  
Polityki Regionalnej

# **FOREIGN INVESTORS in Małopolska region in 2014**

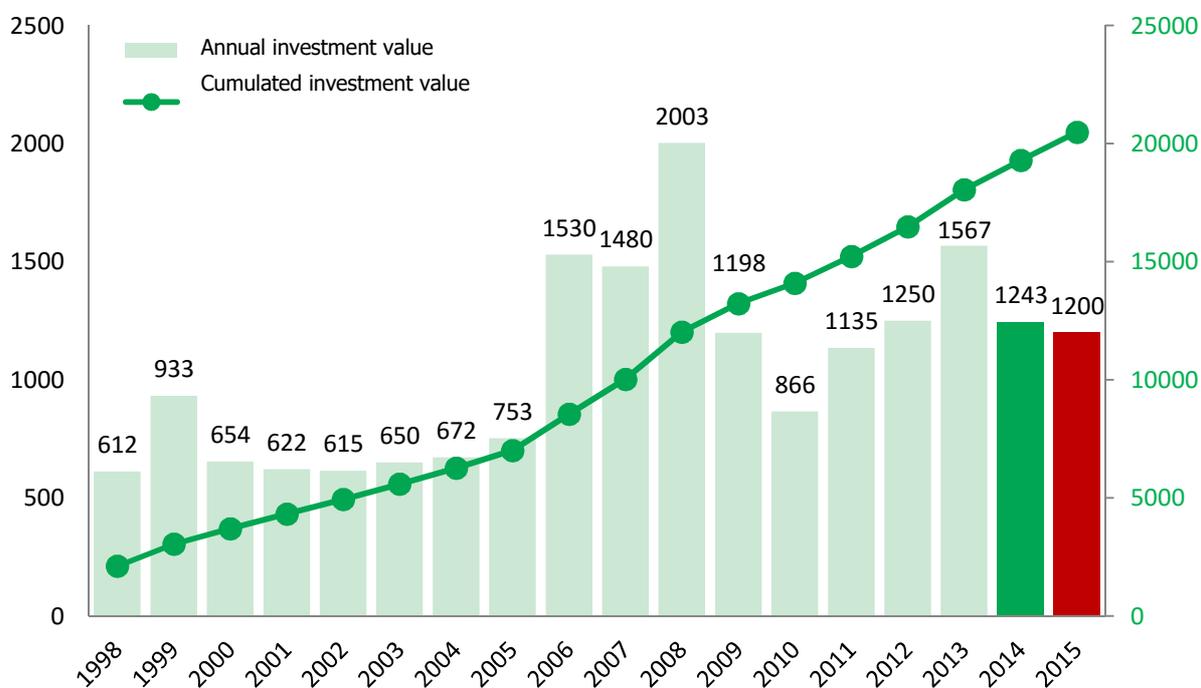
## **Summary**

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## General information/Introduction

The total amount of capital invested in the region after 1989 surpassed USD 19.3 billion: an equivalent of USD 5725.08 per resident in the region. Looking at the activity of foreign investors the importance of Małopolska in Poland ranges from its 5.8% share in the total number of registered firms to 6.5% in terms employment and 6.6% in terms of share capital. Małopolska is among Polish regions with the greatest dynamics of increase in the number of firms with foreign capital, although is still way behind the regions who are leaders in creating attractive location for foreign investment, ie. Mazovia, Dolnoslaskie, Wielkopolska and Silesia.

**Fig. 1.** Value of FDI in Małopolska region (yearly and cumulative) in 1998-2014 and prediction for 2015



**Source:** authors' survey

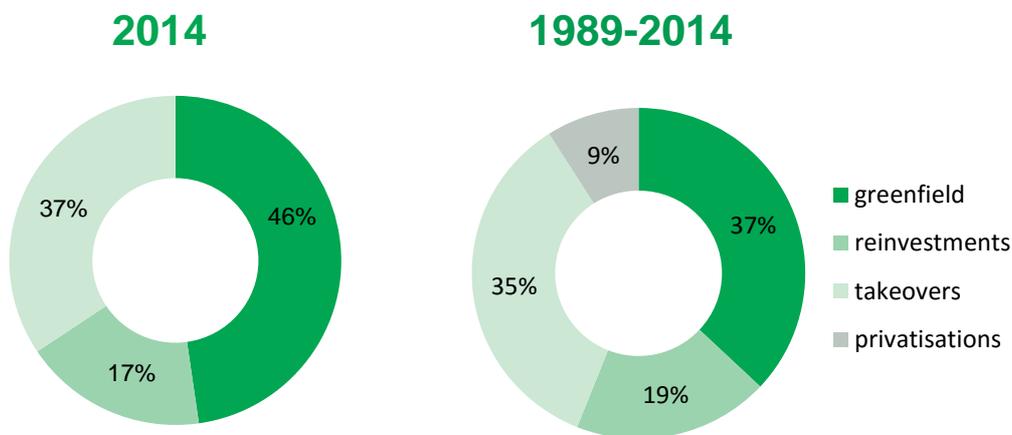
The volume of FDI in 2014 within the area of the region amounted to **USD 1 243 million** (fig. 1). At the same time, the involvement of investors in 2014 was lower than in the previous year. However, it should be taken into consideration that a significant value of the investment in 2013 was the result of acquisition of shares of Zakłady Azotowe Tarnów. Value of this acquisition accounted for ca. 19% of the total investment in the region. Investment on this scale are rather incidental, therefore, the authors of this report conclude that the volume of investments in Malopolska has reached similar level annually since 2011. The volume of FDI in 2014 was lower than in 2013 (about 20.7%) and in 2012 (about 0.6%).

## Size and structure of investments in 2014

Distinguishing for 2014 was the lack of capital investment in privatization. The largest investments were incurred for greenfield investments (particularly for the objects created from the basics in the previous years). The share of this type of investment was 46% and reached USD 568.52 million in the analysed period (USD 86 million more than in 2013).

Share of acquisitions of private firms in 2014 were similar to previous years – 37% of investments (USD 454.37 millions). The volume of this category of investments was lower by ca. USD 100 million in the analysed year in comparison to the 2013. Reinvestment spending in firms taken over or privatized with foreign capital involvement reached 17% and the volume of USD 220.11 million, similarly to previous years. Total greenfield investments since 1989 reached USD 7.06 billion at the end of 2014. Reinvestment in the analysed year amounted to USD 3.65 billion, mergers and acquisitions reached the value of USD 6.77 billion. The lower value of FDI (USD 1.8 billion) results from privatization transactions. However, this value increased significantly since 1989 as a result of privatizations carried out in 2013.

**Fig. 2.** FDI structure in 1989-2014 and in 2014 according to investment type (in %)



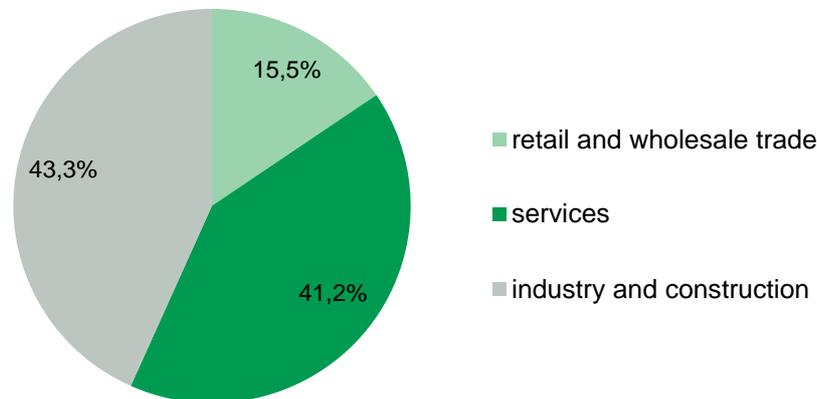
**Source:** authors' survey

## Foreign investments according to economic sectors and brunches

In 2014 the share of the industrial sector in general value of FDI in Małopolska reached 43.3%, slightly lower than the previous year. Over 72% of investment in the region was attracted by Section C of PKD (Polish Classification for Activities) – manufacturing. The volume of investments in this category reached over 72% of FDI in the whole sector. Similarly to 2013 the chemical industry was a branch that was most attractive to foreign investors. The share of investment in the service sector reached over 41%, and the value of investments in the services sector was 20% lower in comparison to 2013. The largest volume of investments in the service sector related to the real estate, which is the result of

the development of the office market in Krakow. The share of trade sector in foreign investments stabilized at 15.5%.

**Fig. 3.** FDI in Małopolska region w 2014 according to economic sectors



**Source:** authors' survey

## Largest investors

The study identified 96 investors who spent at least USD 1 million in 2014. In this group of investors 20 companies contributed at least USD 10 million, 11 of them USD 30 million or more. Investment input was characterized by a high level of concentration. Half of investments pertained to 10 investors and 25 largest firms were responsible for 3/4 of investments.

Greatest sums were spent on taking over existing firms. Starwood Capital Group from the United States paid over USD 150 million for Quattro Business Park, an office building in Krakow. This transaction made it number one among largest investors in Małopolska region in 2014. The second biggest investor in 2014 was Auchan (France), that took over hypermarkets Real in Poland, the third Griffin Group that took over Lubicz Office Centre. Further great transactions pertained to the modernization of assets acquired in previous years. Elektrociepłownia Kraków (French EdF) and Azoty Tarnów (russian Acron and EBOiR) invested over USD 50 million in the industrial sector.

Largest greenfield investments were made in 2014 by Skanska Property (Sweden). They spent ca. USD 43 million on building "Kapelanka 42 office". TriGranit Development closed second stage of Bonarka 4 Business (office centre) investment. In the industrial sector french Valeo invested in enlargement of factories in Skawina and Chrzanów.

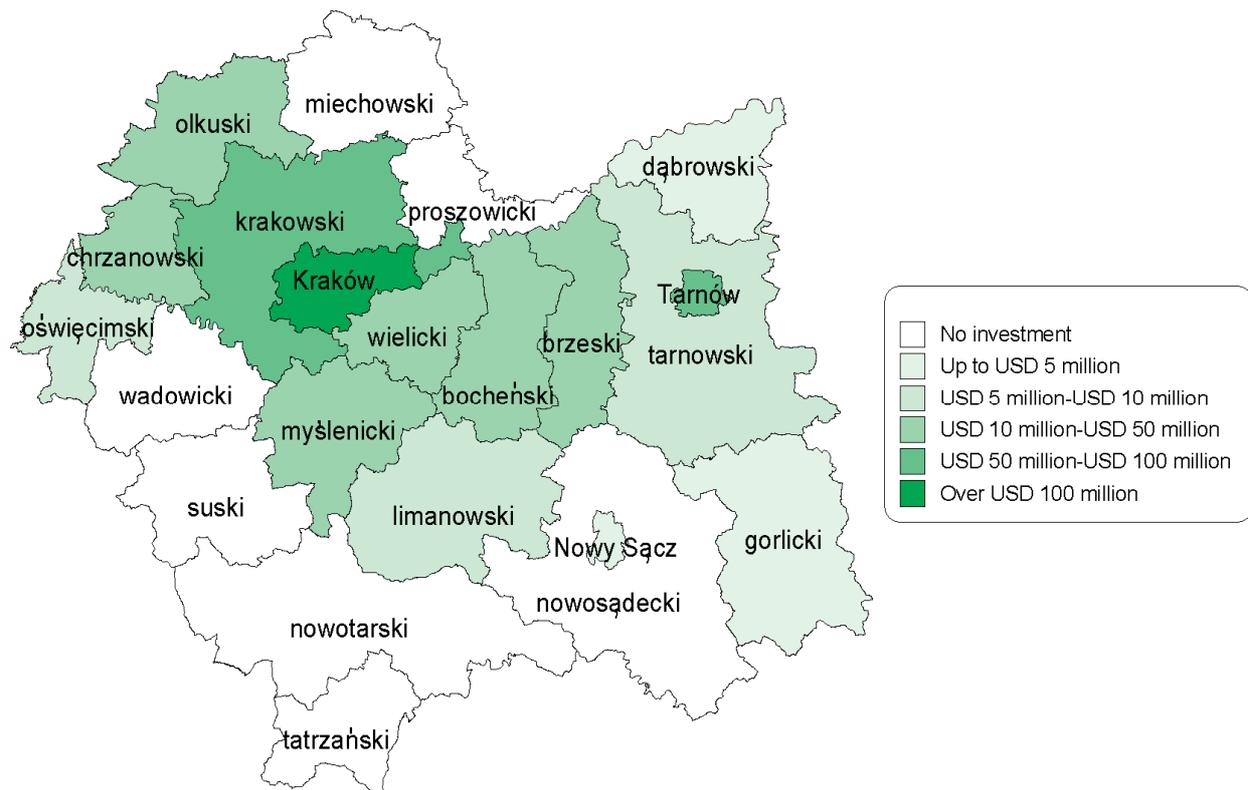
## Spatial dimension of FDI within the region

Małopolska region is characterised by a visible and progressive concentration in terms of FDI location. In 2014 3583 companies (74.4% of all companies in the region) were registered in Krakow. Their number increased by nearly 10% in comparison to 2013.



Spatial dimension of FDI in Małopolska region in 2014 is similar to the previous years since 1989. Foreign investments in the region tend to concentrate mainly in Krakow. In 2014 the percentage share of Krakow in the general investment incurred by the entities with foreign capital was significantly higher than in the entire analyzed period. The total value of foreign investments in Krakow in 2014 was USD 872.52 million. It has grown by 5.8% in comparison to the previous year and represented 70.2% of total FDI in 2014 in Małopolska.

**Map 1.** Value of FDI in Małopolska region in 2014



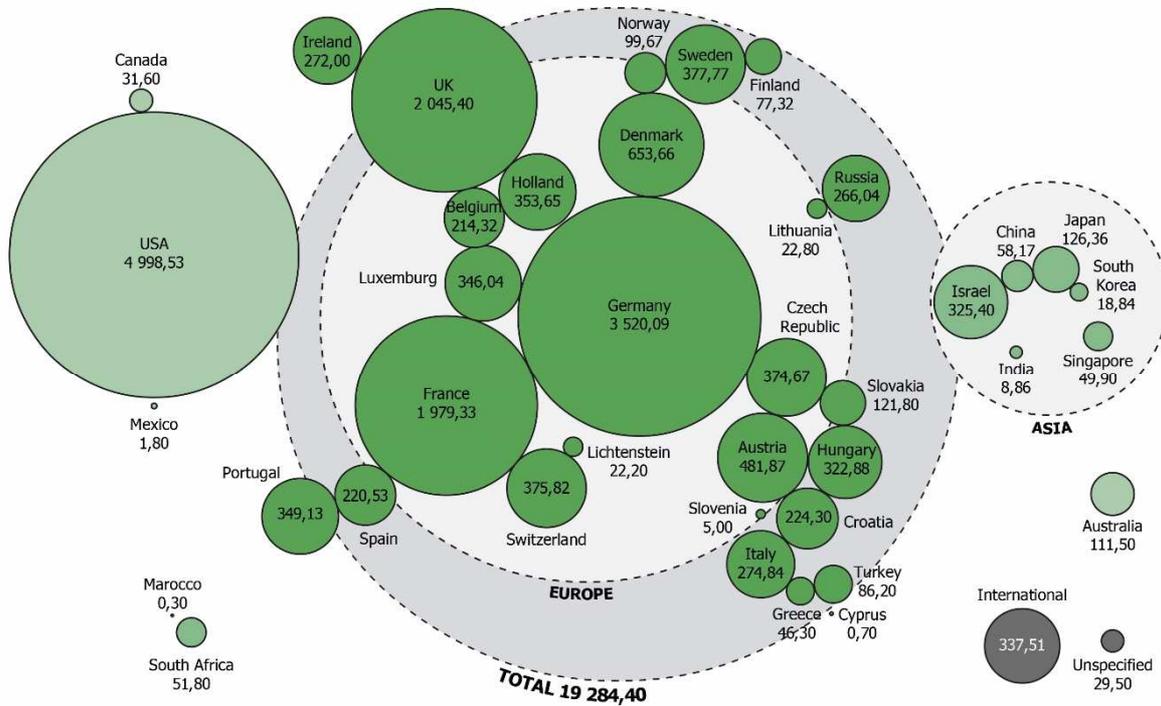
**Source:** authors' survey

### Sources of foreign capital

Between 1989-2014 economic entities recruited from European countries. Europe was the source of 67.7% of all foreign investments in the analyzed period. American investors were responsible for ca. 26% of all FDI in the region (99% of that was invested by companies from USA).



**Map 2.** Engagement of capital by individual countries in Małopolska region in 1989-2014 (in USD million)

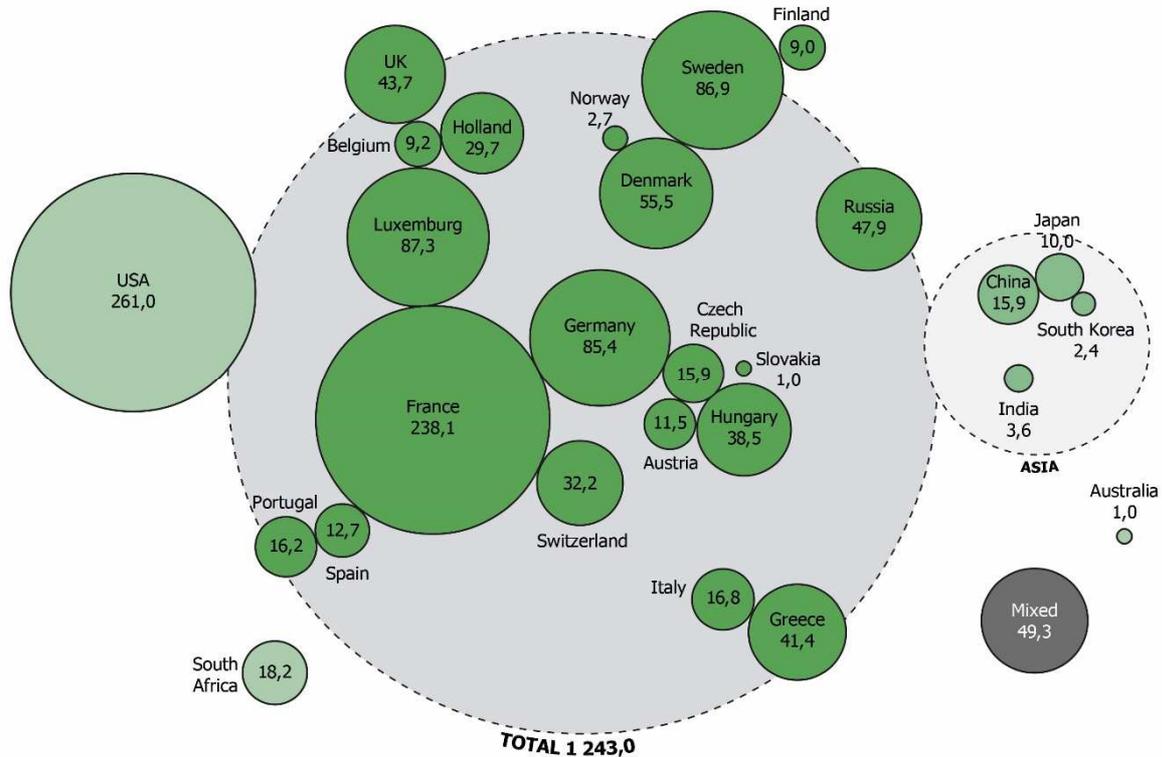


**Source:** authors' survey

Looking at the countries of origin of foreign investors in Małopolska in 2014, they represented twenty eight countries (five more than in 2013). There was still no representation from South America. The majority of investments continue to flow from European countries - 71% of FDI (8% more than in 2013). Investment from North America were at the same level as in 2013 (21%). USA and France were responsible for over 40% of all FDI - investors from those countries spent over USD 230 million in 2014 in Małopolska.



**Map 3.** Engagement of capital by individual countries in Małopolska region in 2014 (in USD million)



**Source:** authors' survey

### Special Economic Zones(SEZ) and Economic Activity Zones (EAZ)

In Małopolska there are three special economic zones. However, the most popular for foreign investors is Krakow Technology Park SEZ. Since the beginning, Krakow economic zone granted the authorization for business activity for 140 entities. 44 of them were granted in 2014 and it was one of the largest shares of all authorizations issued in Poland (in the analyzed year). Investors in Krakow Special Economic Zone spent in 2014 ca. USD 77.4 million, which is only 3.1% of the total investment in SEZ in Poland, giving Krakow the 9 location in the country in terms of volume of FDI.

31.12.2014 the volume of investment incurred by authorized foreign investors located in the zone amounted to USD 464.1 million. The majority of new foreign investments were located in Niepołomice Subzone and in Krakow Technology Park SSE. The volume of FDI in the Niepołomice Subzone amounted to USD 214.8 million at the end of 2014. It accounts for over 46% of FDI in the Krakow Special Economic Zone. The volume of FDI in the Krakow Subzone amounted only to ca. USD 106.6 million. This confirms that the role of Krakow SEZ is not important on national scale in stimulating foreign investment. However, when it comes to the Małopolska region, it has significant impact on attracting foreign investment to metropolitan area of Krakow: the so-called Krakowski Obszar Metropolitalny (KOM – Krakow Metropolitan Area). The share of FDI in the SEZ was 6.3% of total foreign investment in 2014 in Małopolska.



Małopolska sees Economic Activity Zones as a great stimulator of entrepreneurship and job creation. At the end of 2014 there were 31 Economic Activity Zones in Małopolska, financed by European Union from Regional Program in Małopolska 207-2013 - 5 of them created in 2014. 35% of all EAZ are located (in whole or in part) in Special Economic Zones. According to latest survey on economic zones in Małopolska (2015) the share of FDI in EAZ was ca. 25% (in terms of the number of investors).

### **Modern business services sector**

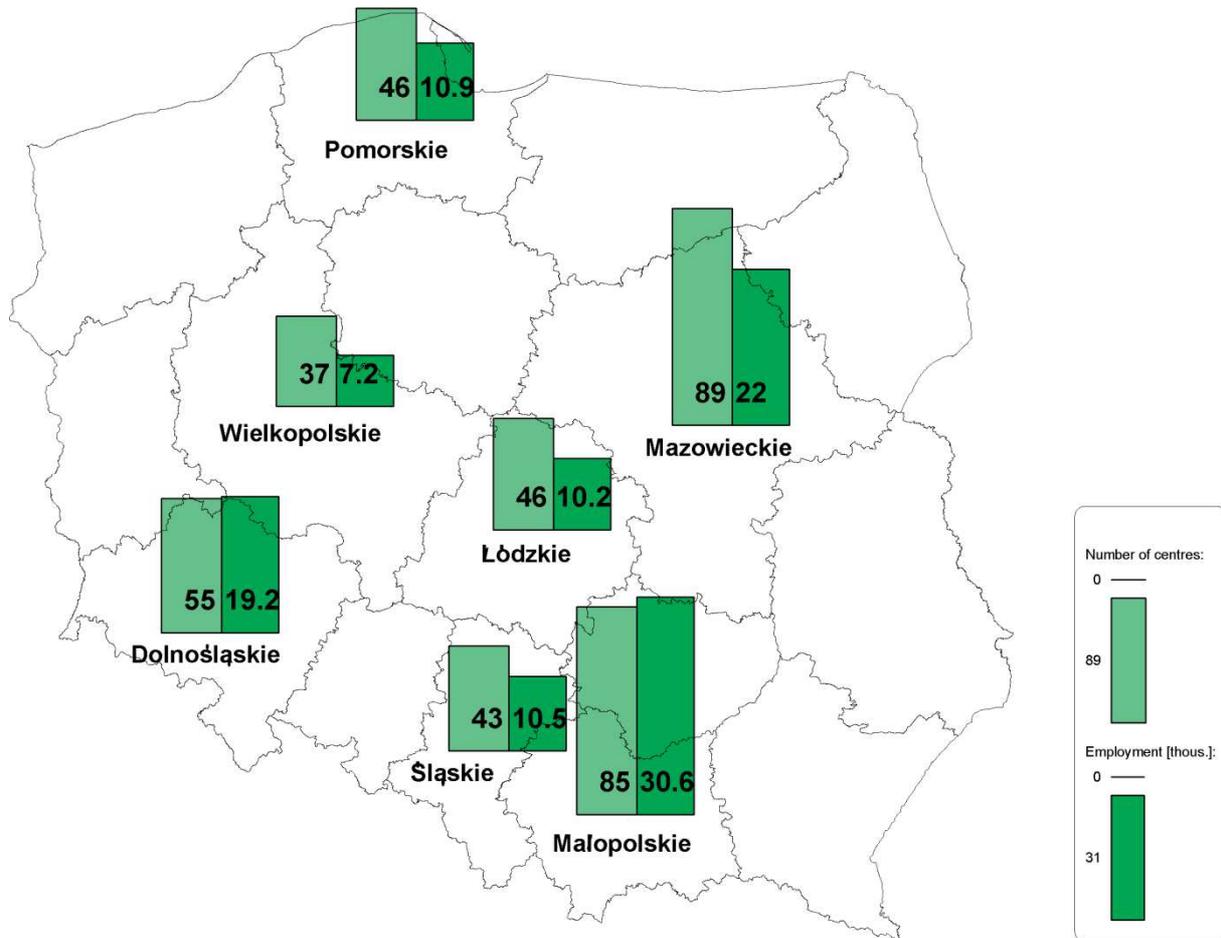
Analyses of modern business services sector in Małopolska, that includes in particular the activities of shared services centers (SCC), business process outsourcing (BPO), IT outsourcing (ITO) and business centers of research and development (R & D), shows that the financial services sector gains importance and has a significant impact on employment in the region.

Analyzing the business services sector in each region, it may be noticed that it is most developed in Małopolska. It should be emphasized that in 2014 it was limited to the Krakow Metropolitan Area (Krakow and Zabierzów in particular).

Małopolska is a national leader in terms of the number of service centers for business and in terms of the volume of employment generated by this sector. In 2014 there was in Małopolska 85 centers employing approx. 30 thousand employees



**Map 4.** Spatial dimension of main centres of modern business sector entities in 2014



**Source:** authors' survey

Modern business service centers had 81 foreign investors in 2014 in Małopolska. Main sources of foreign capital in this sector were the United States, Britain and France. These countries accounted for almost 75% of the surveyed population.

The pace and the scale of creation of modern services centers in Krakow proves that the city is a very attractive location for the establishment and development of this type of businesses. In 2014 Krakow was ninth in the "Tholons Top 100 Outsourcing Destinations" rank, ahead of Dublin - the only European city that was in the top ten for the last 5 years.

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