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POLAND-US TRADE RELATIONS 2020

TRADE IN THE SHADOW OF THE PANDEMIC

November 22, 2021



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Introduction

In recent years, we have observed a growing interest in Polish enterprises on the U.S. market. In 2020, the value of Polish exports of goods and services to the United States totaled \$12.2 billion. Over the past decade these exports have grown at an average annual rate of 10%, almost twice as fast as Polish exports overall. As a result of such dynamic export expansion of Polish enterprises overseas and increased competitiveness of goods and services offered, the share of the United States in total Polish exports increased from 1.83% in 2010 to 2.88% in 2020.

Trade in goods

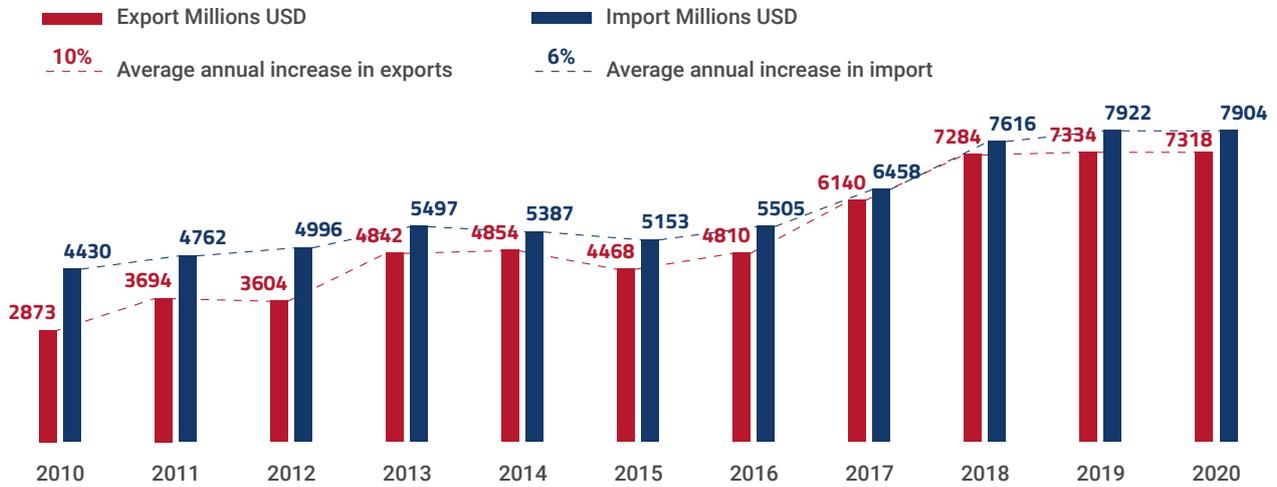
The United States is now ranked eighth out of all foreign markets and the first non-European recipient of Polish manufactured goods. The value of export sales of Polish goods in the U.S. has increased by 52% in the last five years (2016-2020).

EXPORT

Despite the COVID-19 pandemic, last year was characterized by only a slight decline in the value of sales of Polish goods in the U.S. market. International transport of goods to the United States was relatively uncomplicated at a time when many companies were experiencing significant difficulties in maintaining continuity in their supply chains from Asia. As a result, the optimistic mood among Polish companies present with their goods in the United States persists.



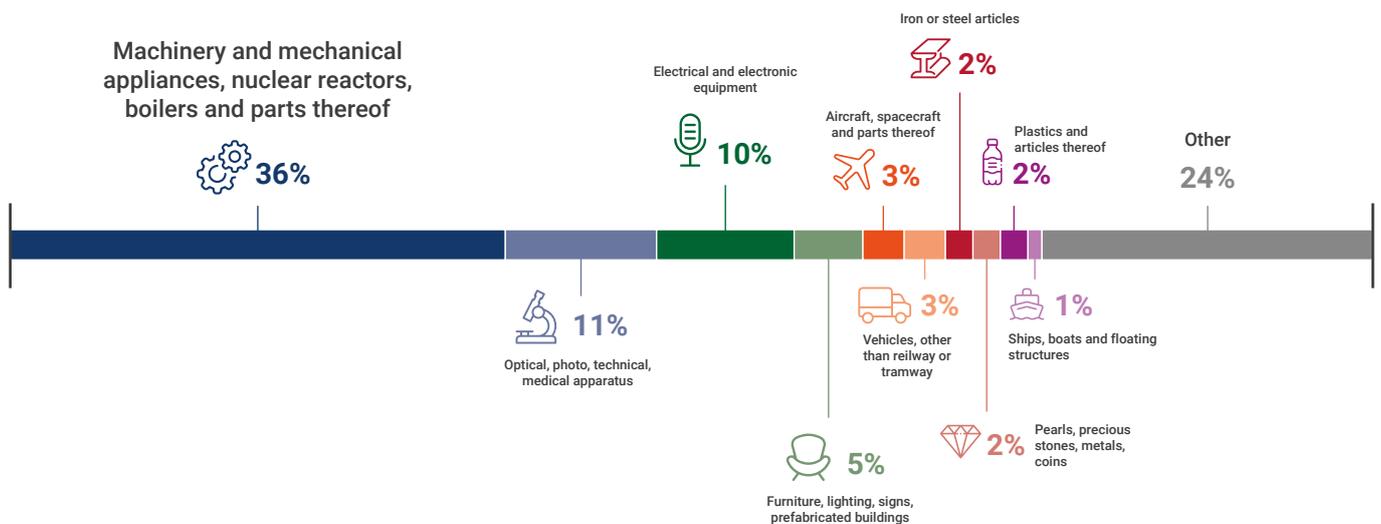
Pic. 1. Poland-US trade in goods in 2010-2020 (\$ million)



Source: based on UN Comtrade Statistics.

The most important export goods to the United States have invariably been for years machinery and mechanical appliances, nuclear reactors and boilers, incl. parts, covering over one third of Polish exports to the USA. Export of this category has grown firmly for many years thanks to the development of specialization of Polish suppliers of intermediate goods in aviation and automotive sector. Since 2010, exports of machinery and mechanical equipment, have increased fivefold.

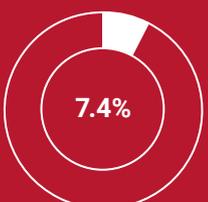
Pic. 2. Polish export of goods to the United States in 2020 (\$ million) – main groups of products



Source: based on UN Comtrade Statistics.



Pic. 3. Industrial products in Polish export to the United States – export specializations

	Share in total Polish export to the U.S., %	Share of Polish suppliers in the U.S. import, %	Poland on the list of suppliers to the U.S. market	Annual growth in value between 2016-2020, %
 <p>Parts of turbo-jet or turbo-propeller engines</p>	 <p>10.6%</p>	 <p>7.4%</p>	#7	14% [↑]
 <p>Digital process units*</p>	 <p>7.8%</p>	 <p>1.8%</p>	#4	399% [↑]
 <p>Hearing aids (excluding parts and accessories)</p>	 <p>5.2%</p>	 <p>24.5%</p>	#1	106% [↑]
 <p>Wooden furniture, other than for office, kitchen or bedroom use</p>	 <p>2.1%</p>	 <p>1.7%</p>	#10	104% [↑]
 <p>Silver in unwrought forms</p>	 <p>1.9%</p>	 <p>4.5%</p>	#6	9% [↑]

Source: based on UN Comtrade Statistics, International Trade Center (ITC) Trade Map.

Note:

* Processing units for automatic data processing machines, whether or not containing in the same housing one or two of the following types of unit storage units, input units, output units (excl. those of heading 8471.41 or 8471.49 and excl. peripheral units)



In the presented group of goods that constitute Polish export specializations to the American market, we have traditionally ranked first in parts of turbo-jet or turbo-propeller engines, whose sales value in the U.S. in 2020 amounted to nearly USD 778 million. The U.S. market receives half of total Polish exports of these products. Poland is the 7th supplier of these parts to American companies. Exports in this product category have increased over the last three years by 82%.

What draws the most significant attention on this list is the second position of the most popular products from Poland, i.e. units of automatic data processing machines. This group may include portable computers, as well as processors and disks for computers. It is quite a broad statistical category; however, we have a few producers of such equipment in our country.

Poland is currently the most prominent European supplier of processing units for automatic data processing machines to the U.S. market, although as recently as 2010, Polish manufacturers generated sales revenues of just over \$1 million from the U.S. market. In 2020, the export value of these devices amounted to \$569 million, which was only 1/5 less than the sales of Chinese manufacturers in the United States.

It is likely that the increased interest of the American consumer in Polish computers, processes and servers can be explained by the high import duties on Chinese imports to the U.S. market. In this group of goods, the import duty from China in the U.S. is 40%. Products in this category originating from the EU (including Poland) are not subject to tariffs in the United States.

IMPORT

In 2020, U.S. manufacturers delivered goods worth a total of \$7.9 billion to Poland. This value corresponds to 3% of the total value of Polish imports and ranks the United States in 8th place on the list of importers.

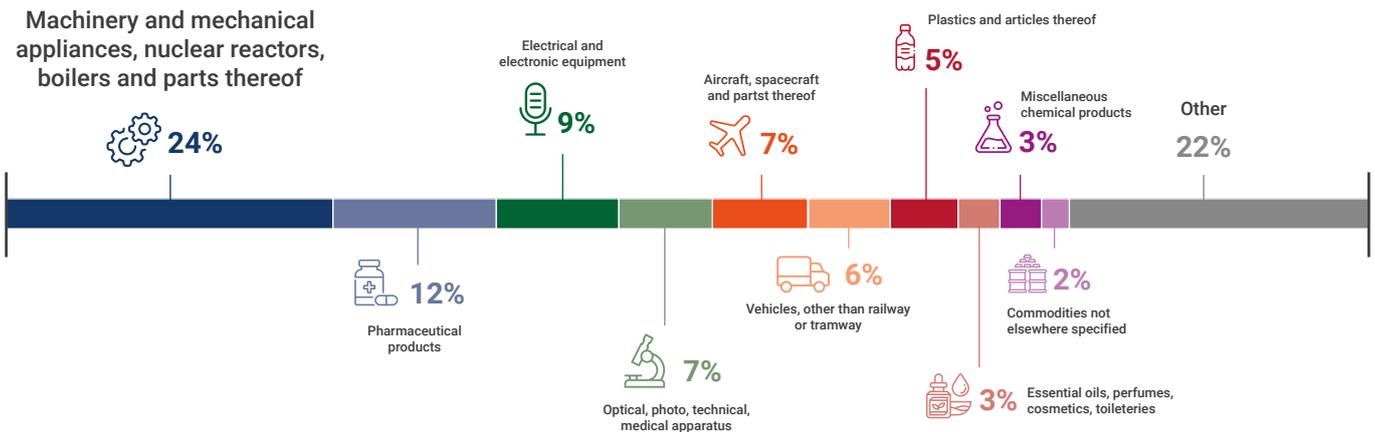
Since 2016, the value of imports from the United States to Poland has increased by 44%, so imports grew slightly slower than exports during the analyzed period. The differences in export and import dynamics are also noticeable in the longer term, resulting in a decreasing deficit in the Polish-American goods trade.



The main commodity groups imported to Poland from the U.S. are machinery, mechanical appliances, nuclear reactors, boilers and parts thereof, in which the most important are turbo-jet engines and parts of turbo-jet or turbo-propeller engines. Together, these two categories of goods account for 11.5% of Polish imports from the U.S. The second popular category of imported goods is pharmaceutical products. The most important among them are immunological products, which currently rank as the most important product imported from the United States – 9.6% of the total value of Polish imports. This position is the effect of COVID-19 vaccine imports.

Poland is not a particularly important sales market for U.S. manufacturers. It comes 38th on the list of U.S. export markets and has only 0.3% of total U.S. exports.

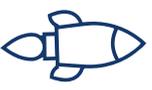
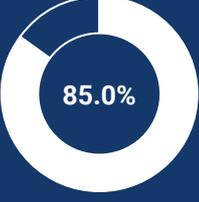
Pic. 4. Polish import of goods from the United States in 2020 – main groups of products



Source: based on UN Comtrade Statistics.



Pic. 5. Polish import of industrial products from the United States – import specializations

	Share in total Polish import from the U.S., %	Share of the U.S. suppliers in the Polish import, %	U.S. on the list of suppliers to Poland	Annual growth in value between 2016-2020, %
 Immunological products, in measured doses	 9.6%	n/a	#6	14% [↑]
 Turbo-jet engines of a thrust >25kN	 6.3%	 85.0%	#1	67% [↑]
 Parts of turbo-jet or turbo-propeller engines	 5.2%	 46.3%	#1	4% [↑]
 Aeroplanes and other aircraft*	 3.5%	 60.0%	#1	6% [↑]
 Commodities not specified according to kind	 2.2%	 7.5%	#4	86% [↑]

Source: based on UN Comtrade Statistics, International Trade Center (ITC) Trade Map.

Note:

* unladen weight exceeding 15,000 kg



Trade in services

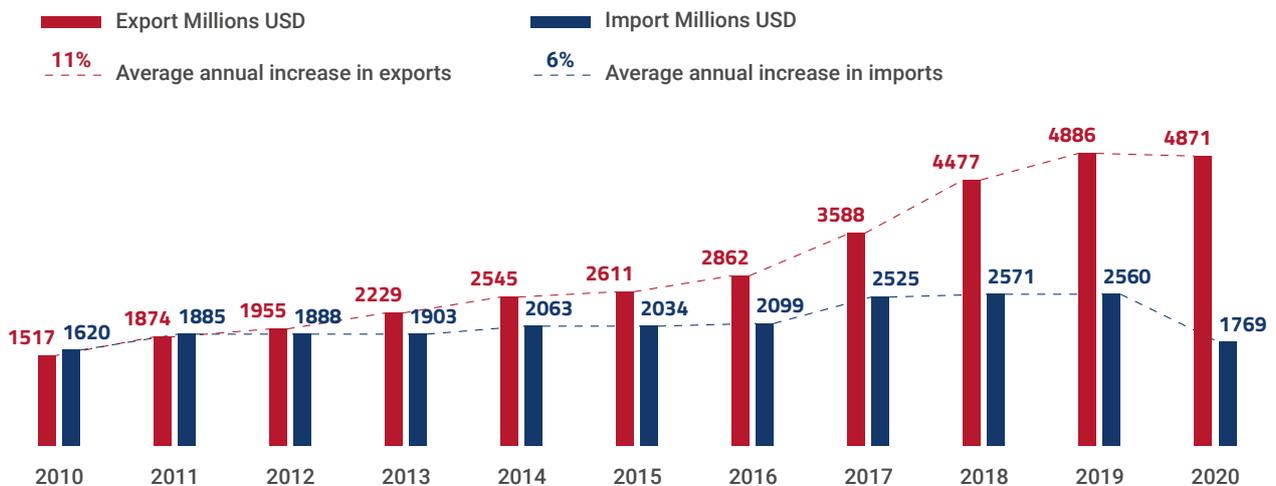
EXPORT

Between 2010 and 2020, service exports to the United States more than tripled, reaching 4.9 billion USD last year, which is 7.3% of total service exports. It was the second most important market for foreign operations of Polish service providers, after Switzerland.

Exports of services to the United States grew at an average annual rate of 11% in 2010-2020, while Polish total service exports rose two times slower.

A significant acceleration in the dynamics of service exports from Poland to the United States occurred after 2016 – since then, these exports have increased by 70%.

Pic. 6. Poland-US trade in services in 2010-2020 (\$ million)



Source: based on UN Comtrade Statistics.

In 2010-2020 the highest increase seen was fees charged for the use of intellectual property from 16 million USD to 390 million USD and in the value of exports of processing services to U.S. entities from 4 million USD to 64 million USD. However, the categories mentioned above do not yet have a significant position in the structure of service exports from Poland to the United States.



The most important Polish service specialization on that market is the category of other business services, which occupies almost half of all services and includes the following subcategories: research and development, management consulting, and technical and trade-related services (e.g., architectural, engineering, scientific and technical).

Due to the lack of subcategory details (data availability on October 20), it is impossible to assess services exports by subcategory.

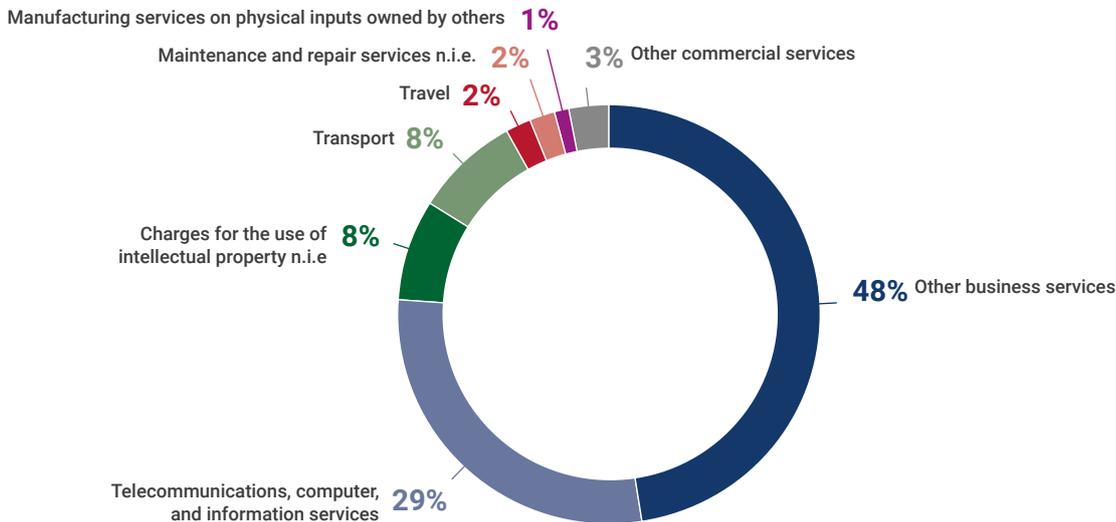
In recent years, IT and information and communication technology (IT/ICT) services are among the fastest growing types of services provided across borders and have attracted attention in Polish service exports to the United States. This industry is becoming the dominant type of non-tangible input in all branches of activity as well as everyday life. In addition, these services are more accessible as their costs decrease, resulting in greater availability and increasing demand for additional system functionality. For example, the monthly cost of operating applications in the so-called cloud was 150 thousand USD in 2000, and now is now less than hundred dollars.

Although the U.S. is home to the world's largest IT/ICT companies, such as Microsoft, IBM, Oracle, Apple, Teradata, Cognizant, DXC Technology, Equinix, CenturyLink, Digital Realty (data processing and hosting), Accenture, (IT consulting services) and HP, the U.S. market still has a very high demand for these services. The reason for the high demand is not only the growing interest in ICT services in every industry, but also the high wage difference between IT professionals and experts working in this field. Skilled workers in the technology industry are among the most sought-after on the labor market, not only in the United States. The still persistent wage arbitrage between American and Polish workers is the main reason for the high interest in ICT services provided by Polish companies.

Poland is a significant investment destination in the CEE region for American corporations, such as IBM, Facebook, Google, Intel, HP, and Microsoft, locating their business service centers, software houses, and R&D centers in Poland. The result of their operations are services provided across borders and sent via internet to various locations of branches of these companies around the world, including the United States. The American market of IT services is very absorptive and relatively open to foreign providers.



Pic. 7. Polish exports of services to the U.S. in 2020 – main service categories



Source: based on UN Comtrade Statistics.

IMPORT

Since 2012, a trade surplus in the mutual provision of services between Poland and the United States is recorded. Currently, imports of services from the United States are significantly less than exports and amounted to 1.8 billion USD in 2020. The last year decrease was primarily related to restrictions on tourism related to the global coronavirus pandemic – the value of tourism services provided to Polish entities fell from USD 759 million to USD 200 million. Despite these declines, the United States became the No. 1 origin market for imported services in 2020 (No. 5 in 2018).

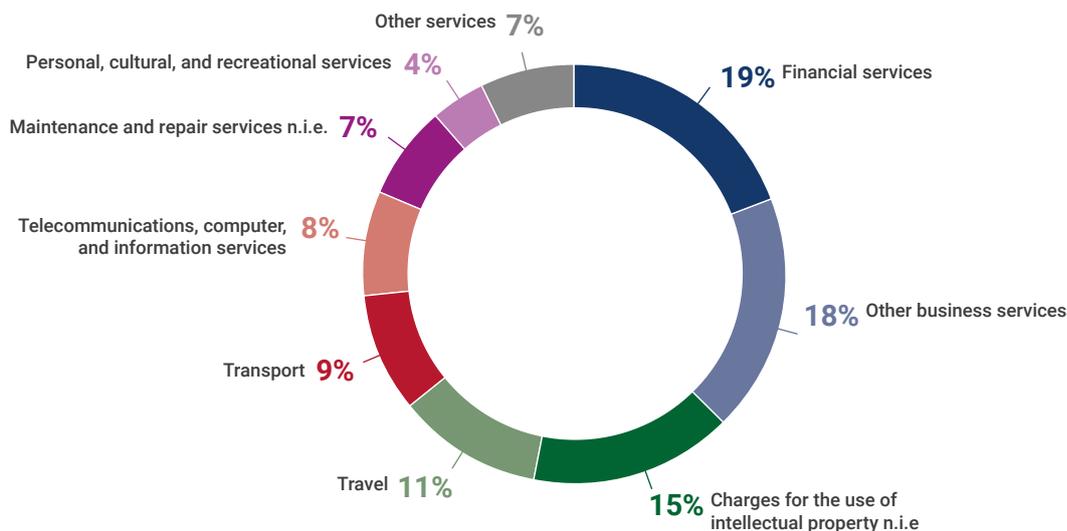
Imports of services from the United States grew at an average annual rate of 2% from 2010 to 2020, and these changes were much smaller than the changes in Poland’s total services imports, which grew by 6% each year.



The most significant Polish service imports from the United States are financial services, where the most important are services for which set fees and commissions are charged, which are probably banking services. These are services that involve investing or raising money, as well as ensuring adequate cash flow. They are provided to individuals, businesses, and other entities.

The second category of import services from the United States are other business services. Their imports to Poland in 2020 reached 322 million USD. The most important one is management consulting services (163 million USD) and then technical, trade and other business services, e.g. packaging, maintenance (137 million USD).

Pic. 8. Polish imports of services to the U.S. in 2020 – main service categories



Source: based on UN Comtrade Statistics.



Conclusions

Poland-US trade relations have shown remarkable resilience to economic turmoil. Polish trade with the United States has been growing faster than with other trading partners in general for the last years. Export specialization has been based on goods that are inputs in other production processes and cost-competitive consumer goods such as furniture. Furthermore, the export of knowledge-based services is gaining importance – Polish companies can provide to their American customers an adequate supply of highly skilled workforce and high competence and expertise offered at attractive costs. A sales offer based on such grounds ensures a stable, long-term competitiveness and a certainty of long-term cooperation with partners from overseas.

Polish exports to the U.S. have been relatively little affected by the recent crisis so far. However, it is highly probable that in the long run, the continuing U.S.–China trade conflict will further accelerate American interest in the European market, including Poland, and positively influence the development of mutual trade.

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