

Polish Factoring Association

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Polish
Factoring
Association

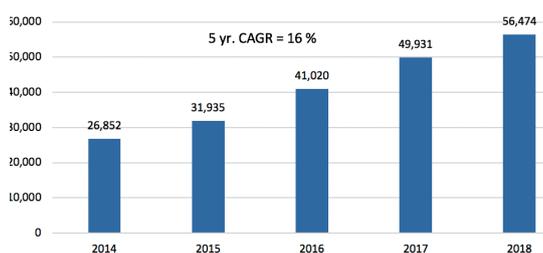


Poland

Introduction

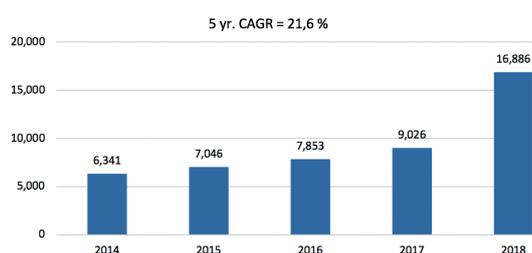
Yet another year has shown that the Polish factoring market holds great promise for today's factors. On the one hand, the factoring industry is still undeveloped (the industry is a bit over 20 years old), on the other hand, the market is recording significant growth. The 25 factoring companies that are members of the Polish Factors Association (PFA), achieved a turnover of EUR 56.5 billion in 2018. The PFA estimates that if data for the other 25 factors, that are not PFA members, is included then the total turnover for the Polish market in 2018 was EUR 60.4 billion¹. Over the last five years the industry has shown a compound growth rate of 16 per cent in volume and 21.6 per cent in clients, as in the graphs below.

Total Factoring Volume (EUR Millions)



Source: Polish Factoring Association,
Dec. 31st 2014 - Dec. 31st 2018.

Client numbers 2013 - 2018



The volumes of factoring turnover have been steadily increasing since 2008, and it is the most dynamic sector of the Polish financial services market. That is evidenced by the market's growth in 2018, which was 13 per cent. This was exceptionally impressive and was well above the economy's growth rate of about 5.1 per cent and above the growth rate for the financial services sector which was between 5 per cent and 10 per cent.

The GDP penetration ratio reached 12.4 per cent in 2018. Over the last 20 years the ratio has risen from 0.9 per cent to 12.4 per cent (EU average 10.4 per cent).² With 2.4 per cent of the EU's factoring market, the Polish market is the eighth largest in the EU³.

There are 50 entities in Poland's factoring industry, and they employ more than 1,300 people.

Factoring Industry Environment

Poland is the sixth largest economy in Europe. Economic growth remained buoyant in 2018. Poland's GDP grew by an estimated 5.1 per cent in 2018⁴. The growth rate of the Polish economy was well above the European average which was about 1.7 per cent. The good condition of the country's economy has been noted in various OECD reports and by international rating agencies.

The main driver of growth has been domestic consumer demand, which rose by 5.3 per cent in 2018. Export activity was volatile in 2018. The value of exports reached EUR 221 billion, (up by seven per cent). Just over 80 per cent of exports went to other EU countries. The five largest export markets are listed in Figure 1.

Polish Factoring Association

Domestic Factoring Volume (EUR Millions)

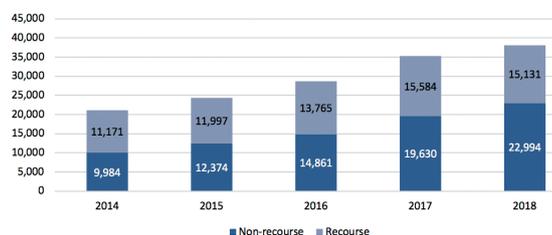


Figure 1. Polish Exports in 2018

Country	Volume (EUR bn)	% market share
Germany	62.2	28.2
Czech Republic	14.1	6.4
United Kingdom	13.7	6.2
France	12.2	5.5
Italy	12	4.6

The main markets outside the EU were USA and China.

Imports also grew in 2018. The value of imports amounted to EUR 226.1 billion, (up by 9.7 per cent).

Polish Imports in 2018

Country	Volume (EUR bn)	% market share
Germany	50.6	22.4
China	26.2	11.6
Russia	16.6	7.4
Italy	11.3	5.0
France	9.8	3.6

The trade deficit amounted to EUR 5.1 billion in 2018 (compared with a positive balance of EUR 0.5 billion in 2017).

Market Performance and Supply

The value of the Polish factoring market in 2018 was EUR 60.4 billion. The industry is at a mature stage, and the market is fragmented and highly competitive. Five mayor players have a combined 53 per cent share, and the leader holds 13 per cent. Even though there is quite strong competition between the players, there is still room for new players to enter the market. A market niche is being created by new entities which are mostly fintechs.

Factoring Products and Services

The portfolio of products offered by Polish factors is comprehensive. Both the independent factoring entities and the banks deliver the broad range of 'classic' factoring facilities, as well as tailored ones.

- **Domestic factoring**

- Non-recourse factoring
- Recourse factoring
- Collection only
- Reverse factoring
- Maturity factoring

All of these services are delivered either as notified or non-notified type. The most common payment terms: 30 to 90 days.

- **International factoring export**

- Export, non-recourse factoring based on two-factors' system
- Export, recourse factoring based on two-factors' system
- Direct export factoring
- Collection only

The most common payment terms: up to 180 days.

- **International factoring import**

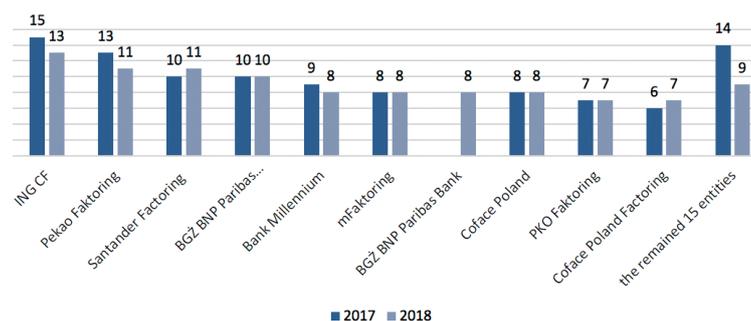
- Import factoring, backing the co-working export factor (cover and collection)
- Collection only

In 2018 there were 50 financial entities providing factoring of which 39 were non-bank organisations specialising in factoring services. The other 11 were trade finance departments of commercial banks⁵.

Of the 28 members of the Polish Factoring Association, 23 are specialist factoring companies and service providers to factoring industry and five are commercial banks.

Figure 2. illustrates the 2018 market shares of the factors belonging to the Polish Factors Association. They make up about 90 per cent of the total market.

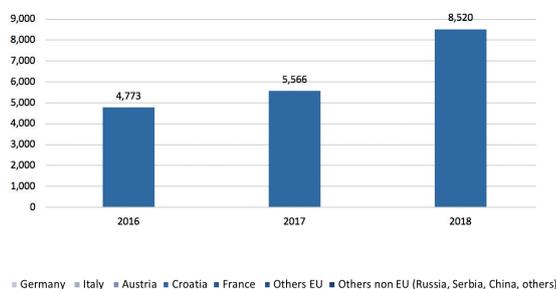
Figure 2. Market Share by Factoring Service Provider (%)



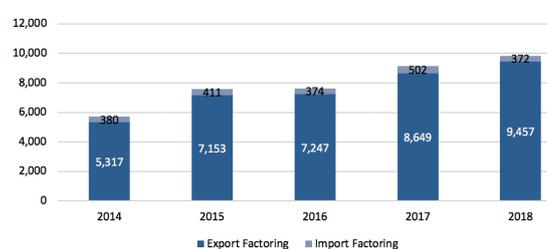
Source: Data collected by Polish Factoring Association, Dec. 31st 2018.

Polish Factoring Association

Domestic Reverse Factoring (EUR Millions)



International Factoring Volume (EUR Millions)



What is noteworthy about the market shares is that 24 per cent is accounted for by six banks: (BNP Paribas, Millennium Bank, Citi Handlowy, Alior Bank, HSBC and BOŚ Bank), and eight factoring subsidiaries of banks share the next 61 per cent (ING Commercial Finance, Santander Factoring, BGŻ BNP Paribas Faktoring, Pekao Faktoring, mFaktoring, PKO Faktoring, BPS Faktor and Faktorzy SA).

The mix of factoring facilities (in terms of type of service) is in line with global trends. In 2018 the value of non-recourse domestic factoring and reverse factoring totalled EUR 31.5 billion (56 per cent of total factoring turnover) whilst recourse domestic factoring services amounted to EUR 15.1 billion (27 per cent of total factoring turnover). This reflects a long-term trend where non-recourse factoring has consistently been growing as a proportion of the total turnover.

Polish factors increased their international factoring operations in 2018 by 7.4 per cent from EUR 9.1 billion to EUR 9.8 billion. The value of export factoring was EUR 9.5 billion, while import factoring was EUR 0.3 billion in volume.

The utilisation of factoring services by industry sectors is shown in the pie chart.

The number of factoring clients in 2018 was 17,000. This was a massive increase on 2017 when the number of clients was 9,026. This huge increase was largely due to the growth of clients from the micro business sector, who were being serviced by factors and fintechs.

The number of processed invoices reached 1.5 million, and the average face value of an invoice in 2018 was EUR 3,700.

In 2018 the average Polish factor dealt with 18 contractors and issued 885 invoices with a turnover of EUR 3.3 million.

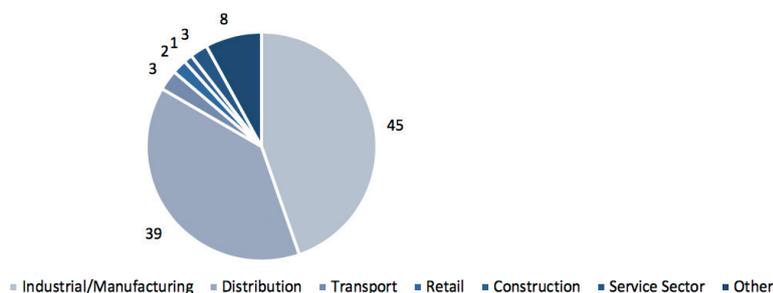
Future Trends

Poland has assessed very effectively the value of factoring as a financial instrument. Remembering that Poland is the sixth largest economy in Europe and that there are over two million businesses in Poland, the demand for factoring could be much greater. The current number of factoring clients is 17,000, thus the potential for factoring is immense, the number of the clients looking for factoring could be as much as 100,000. The increase in the popularity of factoring is based not only on clients' needs for short-term financing but also as a helping hand in decreasing the risk level of day-to-day operations. What should be noted here is that the factoring market is approaching a mature stage. Polish factors offer a full range of products derived from the trade receivables model and the performance of the services' quality corresponds to world standards.

The market looks attractive and there is still room for new players. Real GDP growth remains strong at 5.1 per cent in 2018 and is forecasted to be four per cent in 2019 and 3.7 per cent in 2020⁶ (Fitch forecasts 1.7 per cent in 2019 and 1.6 per cent in 2020). The components of this growth are expected to remain similar to those of 2018, with domestic demand providing the strongest contribution. Private consumption is projected to be supported by faster wage growth and record-high consumer confidence. In forecasting the future for factoring, the motor of growth may well be distribution and retail as they represent 40 per cent of total factoring turnover.

Poland remains an exceptional place for doing factoring business.

Market Share by Industry Sector - 2018 (%)



Source: Statistics by Polish Factoring Association, Dec. 31st 2018.

Legal Framework

The law in Poland does not specify whether factoring is a banking activity. Hence factors in Poland do not need the permission of the National Bank of Poland in order to trade nor do they need to obtain a permit from the Polish Financial Supervision Authority. This creates ideal conditions for the development of the factoring market, in which Polish entrepreneurs are more and more eager to engage in.

Factoring agreements have to be in accordance with the provisions of the Civil Code (the Act of 23 April 1964) or since 2005 article 1: 102 (1) Principles of European Contract Law. There isn't a ban on the assignment of receivables in general, although in practice a ban on the assignment of receivables to commercial contracts is becoming more and more common in Poland. The law governing the assignment of receivables is within the Code of Civil Procedure, and results directly from article 509 § 1 of the Civil Code.

¹ Estimated turnover for whole Polish market, by PFA. The factoring turnover by entities from outside PFA is EUR 5 billion

² EU Federation statistics: Turnover volumes by country, 2nd Half 2017

³ Ibidem.

⁴ Polish National Statistics Office: Preliminary data published on Jan. 31st, 2019.

⁵ Ibidem.

⁶ Poland. Inflation and GDP projection; March 2019; Economic Analysis Department of the National Bank of Poland.