

Poland

MARKET REVIEW

More than PLN54bn in financing provided in H1 2024. The Polish leasing industry counts the first half of 2024 as very successful. It financed movable and immovable property worth a total of PLN54.2bn. This is 13.5% higher compared to the same period in 2023. Leasing companies provide financing to entrepreneurs in the form of both leasing and leasing loans. Leasing transactions by far dominate among the contracts concluded. Their value amounted to PLN47.8bn (a jump of 14.5%) in H1 2024, while the value of leasing loans was PLN6.4bn (up 6.3%).

Although the industry's performance in the second quarter had a marginally lower growth rate than in the first quarter (12.4% in Q2 2024 vs. 14.6% in Q1 2024), this year's results remain in line with forecasts for this year. Experts at the Polish Leasing Association (ZPL) estimate that the market will grow by more than 12% throughout 2024, with total assets financed by leasing companies exceeding PLN115bn. As a reminder: in 2023, for the first time in history, the level of investments financed by leasing in a single year exceeded PLN100 bn.

The structure of asset financing by leasing companies has remained unchanged for years. Vehicles account for the largest share with 73%, followed by machinery and equipment with 23%, other transactions together with real estate account for 4% in this structure.

Funding by asset:

- Vehicles – PLN39.9bn (up 17.2%)
- including light vehicles – PLN29.7bn (up 32%)
- including heavy vehicles – PLN9.6bn (down 14%)
- Machinery and equipment – PLN12.6bn (up 5%)
- Other movables – PLN1.98bn (up 5%)
- Real estate – PLN0.29bn (up 0.7%)

The main driving force of the leasing industry in Poland is light vehicles, i.e. passenger cars and vans up to 3.5 tons GVW. In the first half of 2024, leasing companies financed one-third more light vehicles than in the same period of 2023. The same cannot be said for heavy vehicles. The value of their financing has decreased. Anyway, for the past three quarters, heavy-vehicle financing has been in clear negative territory. This is influenced by economic stagnation in the eurozone and decelerating

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exports. On top of that, the transportation industry is facing a number of challenges, which is affecting trucking companies' investments in new vehicles. However, ZPL experts hope that with the rebound in exports, sentiment in the transportation

Table 1: New business by asset type (PLNm)

	I-VI 2023	I-VI 2024	Change
Vehicles	34,037.8	39,892.2	17.2%
passenger	19,226.2	25,420.0	32.2%
commercial	3,219.7	4,313.8	34.0%
heavy vehicles	11,160.5	9,647.5	-13.6%
typical trucks	2,059.7	2,143.5	4.1%
truck tractors	5,894.5	4,947.2	-16.1%
semi trailers / trailers	2,599.7	1,896.5	-27.0%
buses	606.5	660.3	8.9%
others	431.5	510.9	18.4%
Machines	12,032.4	12,601.4	4.7%
IT	499.7	541.4	8.3%
Ships, aircrafts, railway	730.0	689.6	-5.5%
Others	232.6	245.1	5.3%
Equipment	47,532.6	53,969.6	13.5%
Real estate	295.8	297.8	0.7%
Total financing	47,828.5	54,267.4	13.5%

Source: ZPL

industry will improve and demand for heavy road transport will increase.

The machinery and equipment financing segment was dominated by agricultural machinery and construction equipment. They accounted for 23% and 21%, respectively, in the structure of machinery and equipment financing by leasing companies. However, while the value of construction equipment financing increased (by 33%, to PLN2.6bn), agricultural machinery declined (by almost 4%, to PLN2.8bn). The decline in the value of agricultural machinery financing was influenced by the confusion caused by the entry into force at the beginning of 2024 of changes in the law on the basis of which farmers began to be treated as consumers rather than entrepreneurs, which limited their access to financing provided by leasing companies. However, in April 2024, an amendment went into effect that repealed a provision unfavourable to farmers. The industry therefore hopes that there will also be a rebound in the financing of agricultural machinery with a leasing loan. In addition, incoming EU money under the National Reconstruction and Resilience Plan (NRP), as well as cohesion programs, should generally increase business interest in machinery and equipment.

According to ZPL's experts, 2024 will bring economic growth linked to strong consumer spending and rising business investment, which will clearly support the leasing market's performance. And although in 2024 the investment dynamics in the economy will be lower than last year, but based much more on investment, including investment by SMEs. In turn, the SME sector is the main recipient of leasing companies' offerings (considering both leasing and leasing loan). Micro and small companies, i.e. those with a turnover of up to PLN20m, are the largest group of leasing product customers in Poland. According to data for H1 2024, micro companies (customers with a turnover of up to PLN5m) accounted for 53.4% of leasing company customers. Companies with a turnover of PLN5 to PLN20m accounted for almost 1% of leasing companies' customers, and companies with a turnover of more than PLN20 m accounted for 26% of the leasing companies' customer structure.

Since the beginning of this year, the leasing industry, represented by

Table ??: New business by asset type (PLNm)

	2022	2023	Change
Vehicles	59,582.6	73,583.3	23.5%
passenger	31,214.2	42,525.7	36.2%
commercial	6,056.2	7,631.8	26.0%
heavy vehicles	21,534.8	22,600.8	5.0%
typical trucks	4,398.4	4,332.4	-1.5%
truck tractors	11,185.2	12,252.9	9.5%
semi trailers / trailers	5,105.6	4,857.5	-4.9%
buses	845.7	1,158.0	36.9%
others	777.4	824.9	6.1%
Machines	25,056.6	25,031.8	-0.1%
IT	1,079.5	1,035.1	-4.1%
Ships, aircrafts, railway	1,076.7	1,658.6	54.0%
Others	699.4	515.5	-26.3%
Equipment	87,494.9	101,824.3	16.4%
Real estate	621.3	690.5	11.1%
Total financing	88,116.2	102,514.9	16.3%

Source: ZPL

the Polish Leasing Association, has been engaged in intensive activities aimed at legislative system changes. The industry is waiting, for example, to allow a documentary form for the conclusion of a leasing contract, which will enable remote conclusion of leasing contracts, making external financing more convenient for the entrepreneur.

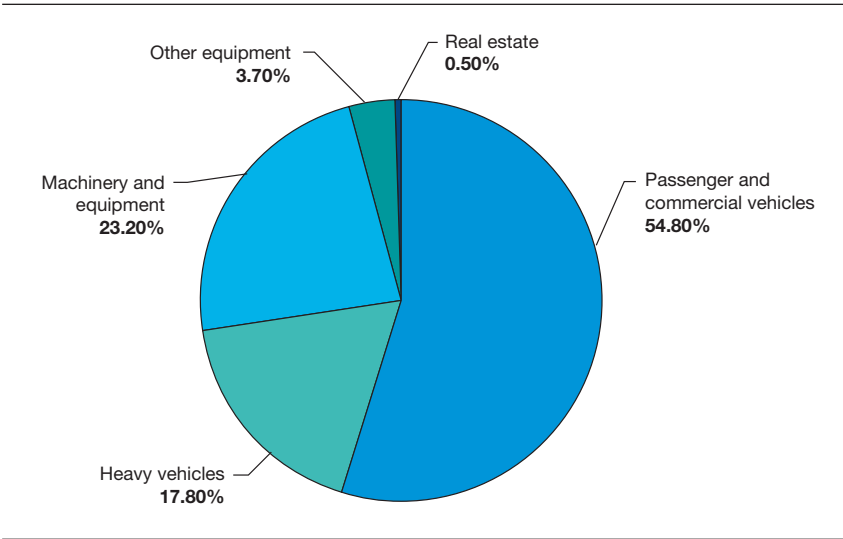
Record 102 bn investments financed by leasing in 2023.

The leasing industry's results for the full year 2023 also showed an optimistic upward trend. The value of financing provided – PLN102.5bn – represents an increase of 16.3% compared to 2022.

What was the structure of financing leased items in 2023?

The leading sector for the Polish leasing industry is light vehicle financing. In percentage terms, it is 48.9% of the total market, and

Table ??: Structure of financing of assets in H1 2024



Source: ZPL

together with trucks, as much as 70.9%. Machinery and other equipment accounted for about 24.4%, and other transactions (including real estate) reached almost 5%.

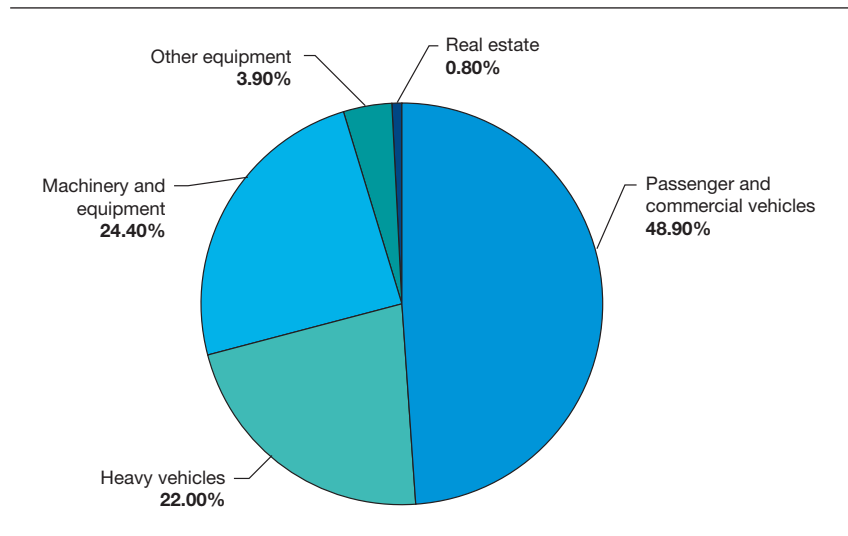
Among light vehicles, 85% are passenger vehicles, while 15% are vans and trucks up to 3.5 tons gross vehicle weight. Among trucks, leasing is most often used to finance the purchase of truck tractors (54%), semi-trailers and trailers (22%), vehicles over 3.5 tons gross vehicle weight (19%) and buses (5%). In the machinery market, on the other hand, leasing was most often used to finance agricultural machinery (24.7%), construction equipment (17.5%), plastics and metalworking machinery (12.6%), medical equipment (5.1%) and food machinery (3.5%). Within this group, other machinery and equipment, such as elevators, ice cube makers, commercial containers and knitting machines account for 33.6% of the market.

Leasing market with prospects for further growth. The Polish Leasing Association (ZPL) published a report in February 2024, “Leasing on the path of transformation. 30 years we are driving the economy,” prepared with EY-Parthenon. The occasion is the 30th anniversary of ZPL’s operation, which will be celebrated in 2024. According to the report, the Polish leasing market is on a path of steady growth – it is the fastest growing market in the European Union. Considering the value of new financed investments, it ranks 5th in Europe (according to Leaseurope data for 2022).

Over the past 30 years, the leasing market has had to exercise patience on several occasions, observing a decline in investment dynamics as a consequence of the difficult macroeconomic situation. However, no perturbations, either in the medium or long term, have shaken the stability of the industry.

Since 2005, the leasing market has grown more than sixfold: from PLN16bn in financed assets in 2005 to PLN102bn in 2023. By 2023, the industry has broken through the PLN200bn barrier in the value of all

Table ??: Structure of financing of assets in 2023



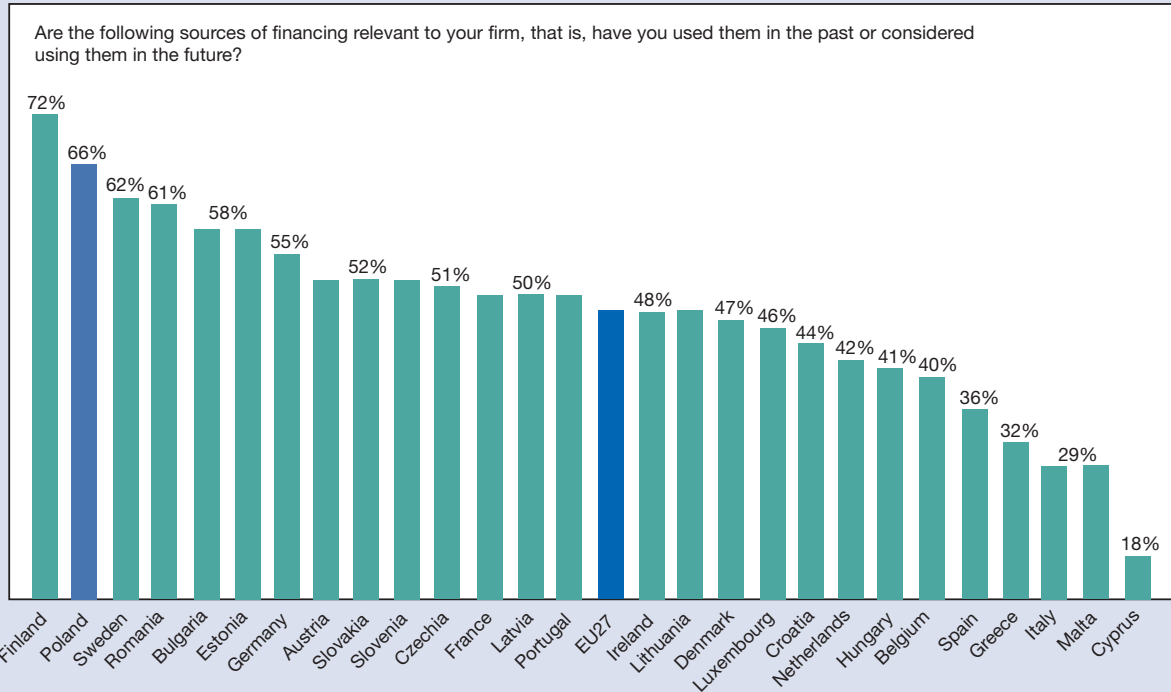
Source: ZPL

assets in use by more than one million customers. This confirms that leasing is an important tool to drive the economy. It is also worth noting that in Poland – compared to other EU countries – leasing is the preferred way for entrepreneurs to finance investments. According to the European Commission’s SAFE survey –

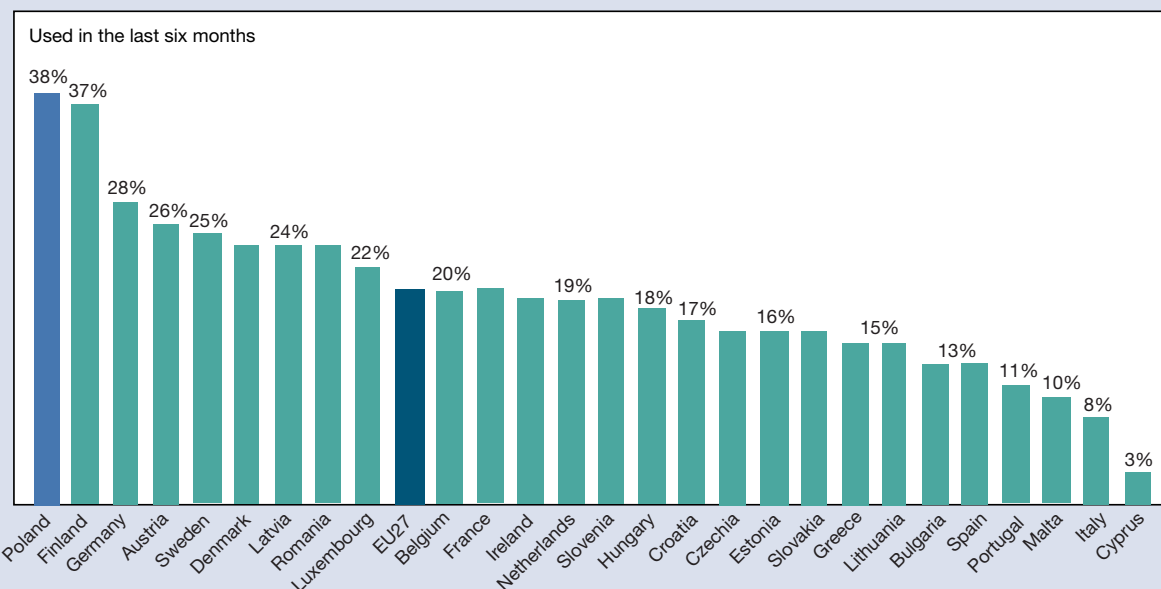
Table ??: Penetration rate by asset and by country (2022)

	PR (equipment)	PR (Retail)	PR (Equipment and retail)
Poland	44%	0%	22%
Sweden	47%	0%	23%
United Kingdom	40%		40%
Lithuania	35%	0%	16%
Denmark	34%	1%	17%
France	33%	3%	17%
Estonia	31%		31%
Slovakia	30%	1%	18%
Belgium	29%	3%	18%
Netherlands	29%		29%
Norway	28%	0%	9%
Germany	25%	1%	15%
Bulgaria	24%	0%	16%
Croatia	20%	0%	11%
Italy	20%	3%	13%
Spain	19%	1%	11%
Austria	17%	2%	9%
Portugal	17%	5%	10%
Czech Republic	15%	1%	9%
Latvia	15%		15%
Slovenia	14%	0%	7%
Hungary	11%	1%	6%
Switzerland	8%		8%
Greece	3%	2%	2%
Total	26%	2%	16%

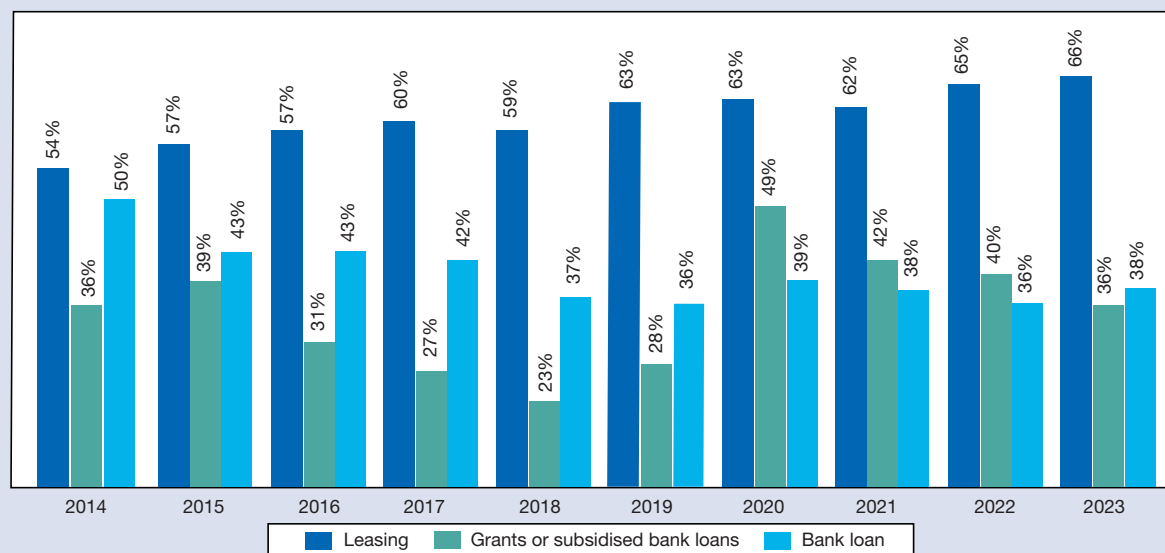
Source: Leaseurope

Table ??: Leasing or hire-purchase

Source: European Commission – survey on the access of enterprises to finance (SAFE) – December 2023

Table ??: Have firm obtain such sources of financing in the past six months? Leasing or hire -purchase

Source: European Commission – survey on the access of enterprises to finance (SAFE) – December 2023

Table ??: Relevance of leasing, bank loan and grants for SMEs in Poland

Source: European Commission – survey on the access of enterprises to finance (SAFE) – December 2023

leasing is indicated by 66% of surveyed companies in the SME sector (data for 2023). This compares to 38% for a bank loan.

The total value of investments financed by leasing over 30 years is as much as PLN1 trillion. Nearly 50% of Poland's GDP is generated by sectors with a high share of leasing in capital expenditures. Also, more than half of new vehicles are registered by leasing and rental companies.

What is important to emphasize is that the financing of movable assets with leasing and leasing loans is higher than financing with investment loans. The value of all movable assets at the end of last year financed by leasing amounted to the aforementioned PLN200bn, while by investment credit it was less than PLN170bn.

According to the report, the Polish leasing market will change in the next few years under the influence of several key trends. The first is ESG, a trend related to vehicle electrification, energy transition and decarbonization efforts in the European Union. The second is to change the business model. This trend is related to building ecosystems and a shift in the role of leasing companies from financing assets to providing full asset management, including responsibility for maintenance, refurbishment, remarketing and disposal. This will transform the approach to customer service, focusing on providing the customer with a comprehensive experience, and going beyond the standard role of leasing companies as well as financing. The third trend affecting the industry is digitalisation – the digitisation of customer communication channels and entire organisations. And the final trend will be product innovation. Leasing companies are offering increasingly new solutions to support their customers, such as Mobility-as-a-Service and Product-as-a-Service, based on a subscription model.

Regulatory and legal barriers are the most important issues that leasing companies believe are hindering market development. As part of the survey, leasing industry representatives identified such barriers and risks as:

- regulatory barriers preventing full digitization of sales (registering the car with the authorities, or requiring a qualified signature for remote leasing contracts as a consequence of a code requirement);
- legal barriers in the form of restrictions on the use of subsidies when financing investments with leasing;
- lack of full understanding by customers of the specifics of leasing, especially in comparison with alternative forms of financing – such as credit.

Despite the barriers, leasing in Poland actively participates in government programs aimed at supporting small and medium-sized enterprises. With government leasing guarantees and warranties, it assists companies that have difficulty obtaining financing in the market. It also supports the green transition through subsidies for lessees interested in purchasing zero-emission cars.

On the positive side, leasing companies have a good view of the economy in the next five years. As many as 77% of respondents to the EY-Parthenon and ZPL survey believe the sector's prosperity will be good, and an additional 18% believe it will be very good. Compared to other European countries, leasing in Poland is an exceptionally popular service. The leasing penetration rate in fixed asset capital expenditures in the movable market is the highest in Europe (44%, data from Leaseurope's 2022 report).

Caption



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