



Cement industry's contribution to the Polish economy

Executive Summary

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Characteristics of the cement industry in Poland

The cement industry, which was associated under the Polish Cement Association 30 years ago, is among the key sectors of the Polish economy. Comprising of 12 modern plants and employing directly approximately 3,800 people, this sector continuously supplies its products to the domestic construction sector and supports the Polish economy with its growth. It has thus steadily contributed during the last three decades of economic miracle, which is how historians have been referring to the recent period in Polish history, where the country has been rapidly closing the gap which for centuries separated Poland from the most developed countries.

The years of economic transformation have been also marked as a time of rapid change of the domestic cement industry, which, although inherited valuable human capital from the communist era, was on the other hand affected by completely outdated production facilities and know-how. The steps and billions in investments undertaken as a result of a broad privatisation process have led to equipping cement plants with state-of-the-art technologies, making them among the most modern in Europe today. As a result of eliminating obsolete wet proces production lines, 50% of the production capacity of the domestic industry was replaced and 40% was modernised.

Cement production in Poland has been steadily increasing since 2015, and then stabilized at around 19 million tons between 2018 and 2022. However, in 2023, there was a significant decrease in production by 14% year-on-year, reaching a level of 16.8 million tons.

The cement industry in Poland is primarily focused on domestic supplies, which account for 96-98% of total sales.

Cement exports from Poland during the period 2013-2022 remained relatively low compared to domestic sales. In the mentioned period, the ratio of export volume to domestic sales fluctuated between 1.9-5.2%, with the highest level in 2014 and the lowest in 2019. This was undoubtedly a result of the high demand for cement in Poland, as well as the transportation conditions in our region.

In the case of imports, Poland primarily acquires cement from Germany, although the significance of this source has been declining in recent years. Until recently, Belarus was also an important source of cement supply, with 534 thousand tons imported to Poland in 2021. However, in 2022, a ban on importing cement from Belarus was introduced¹. In recent years, we have observed an increase in cement imports from Ukraine, from 0.3 thousand tons in 2015 to nearly 332 thousand tons in 2023. Ukraine's share in cement imports to Poland reached 29% in 2023, almost equaling the volume of supplies from Germany. This is due to the fact that Ukrainian producers are not subject to the stringent climate regulations introduced in the EU. In particular, they do not bear the costs associated with CO₂ emissions, as is the case with EU plants. This exemplifies the essence of carbon leakage - the continued increase in cement imports to Poland from countries not subject to stringent climate regulations could threaten the functioning of the domestic cement industry.

¹ European Union and Polish sanctions imposed on Belarus in connection with the armed conflict in Ukraine <https://www.biznes.gov.pl/pl/portal/001587> accessed: October 28, 2024

Economic effects of cement industry activity

Based on the EY Spectrum model², which is an extended version of the input-output model, the cement industry can be said to impact the Polish economy not only through:

- directly generated value added (~GDP), employment and government revenues, but also:
 - demand generated in the supply chain (**indirect effects**), and
 - consumer demand generated by employees of the cement industry and its suppliers (**induced effects**)³.

In 2021, through direct, indirect and induced demand side effects, the cement industry generated in the Polish economy the following:

- approx. PLN 5.1bn gross value added
- approx. 23.8 thousand jobs
- approx. PLN 3.2bn of government revenues.

Sectors which gained the most (in terms of value added) from the demand generated by the cement industry include:

- transport, postal services and telecommunication sector (PLN 458m)
- electricity, gas, water and recycling sector (PLN 363m), and
- trade (PLN 307m).

The greatest effects for employment were generated by the cement industry:

- in the transport, postal services and telecommunication sector- 3,767 jobs
- electricity, gas, water and recycling sector- 3,032 jobs and
- trade - 2,311 jobs.

Of the PLN 3,207 million of government revenues generated by the cement industry, the central government received PLN 2,225m, the social security subsector PLN 467m, the local government PLN 266m.

In addition to the analyzed fees, cement plants, as entities utilizing the environment, pay fees for environmental usage. Furthermore, by extracting minerals from deposits, cement industry is obligated to pay exploitation charges related to the extraction of raw materials, which amounted to approximately 30 million PLN in 2021 (SPC estimates). They also allocate financial resources to a reclamation fund for future expenses related to the decommissioning of mining areas.

The greatest effects in terms of value added, employment and local government revenues were generated in districts in which individual cement plants included in this analysis are located (poviats: krapkowicki, opatowski, żniński, jędrzejowski, pajęczkański, kielecki, chełmski).

The districts with the greatest effects in terms of number of jobs supported were: Capital city of Warsaw, opatowski powiat, krapkowicki powiat, city of Kraków, kielecki powiat and chełmski powiat.

Public levies paid due to cement industry activity to the greatest extent supported the local budgets in the poviats: krapkowicki, opatowski, chełmski, żniński and kielecki.

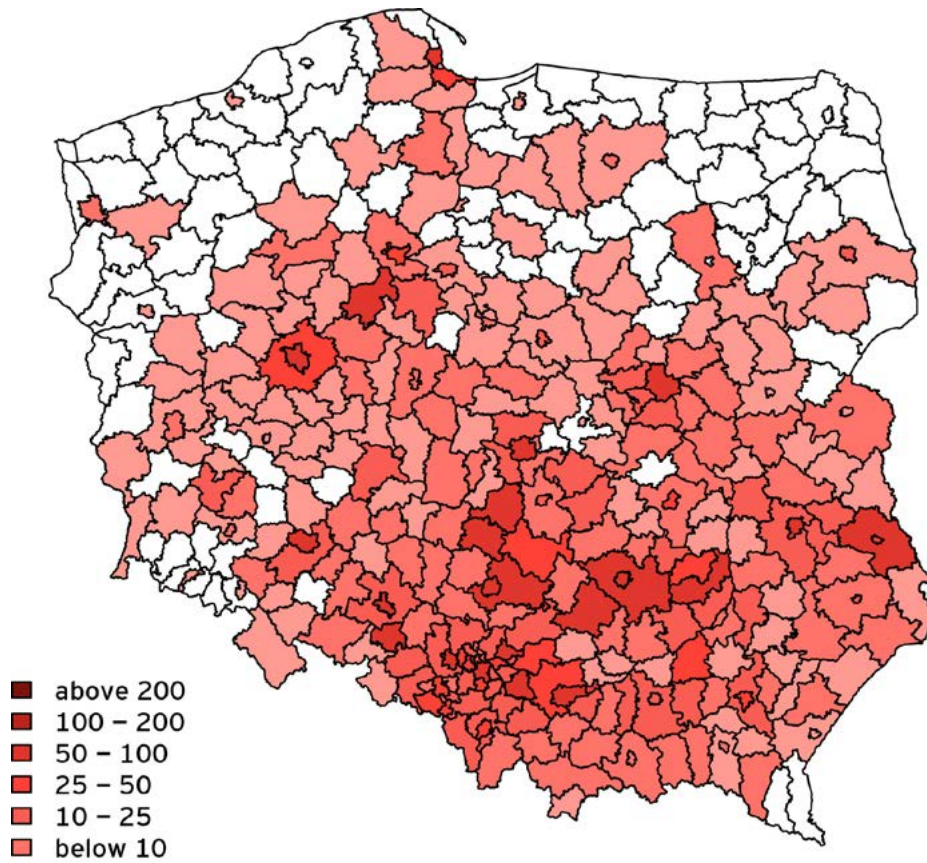
Apart from the demand-side effects generated by its operations, the cement industry also influences economy through its investments and supply-side effects. Examples of sectors in which these types of influence is relatively strong are construction and concrete production.

The scale of construction sector activity in Poland (PLN 397.8bn of total value added generated in 2023 and approx. 2.8 millions of jobs supported) means that any potential problems resulting from a limited of domestic cement availability, leading to disturbances in the construction sector, could have potentially strong, negative consequences for the entire economy. It can be hypothesized that supply-side effects generated by the cement industry in the construction sector will be of particular importance in the coming years, when intensified infrastructure investments will form an important channel for strengthening the economy.

2 The EY Spectrum model is a unique method of analysis developed by EY Poland. It is a combination of the input-output model and modern spatial econometric techniques, accounting for flows of goods and services both between different sectors (industries) and individual regions (districts) of the country.

3 A description of the approach to the economic analysis of the effects of the industry activity is presented in Chapter 2.

Chart 1. Gross value added generated by the cement industry activity on the poviats level in Poland in 2021 (millions PLN)



Source: EY Spectrum model on the basis of data provided by 8 companies associated in the Polish Cement Association.

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