



The Luxury Goods Market in Poland

Edition 2018

KPMG.pl



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Introduction

We are truly pleased to present the 9th edition of the report on the luxury goods market in Poland. The invariable interest in our publications is a source of satisfaction for us and provides a strong motivation to continue our work on this topic.

The conclusions of this year's report are positive. The number of affluent people living in Poland has increased significantly: according to our estimates, there should already be over 1.3 million such people in 2018. The number of rich and very rich people has been also growing. Additionally, as a new tax, the so-called 'solidarity levy', will be introduced in 2019, this year's edition presents, for the first time, data for people whose annual pre-tax income exceeded PLN 1 million. In 2017, there were more than 23 thousand such people living in Poland.

The situation on the luxury goods market looks equally good: the value of all segments of luxury consumer goods has increased in comparison with the previous year. Moreover, according to forecasts the growth trend will continue in the coming years. The fastest growing segments will include luxury jewellery and watches, luxury cars and premium cars, as well as alcohols.

We would like to extend our thanks to all the companies, organisations and individuals who were involved in the preparation of this report. We believe that it will make an interesting and inspiring read.



Andrzej Marczak
Partner at KPMG in Poland



Tomasz Wiśniewski
Partner at KPMG in Poland

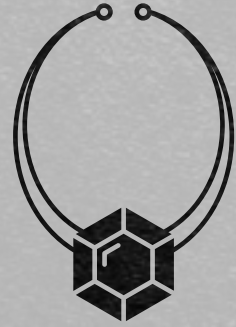
Key findings

1 In 2017, there were 1.2 million affluent people living in Poland, by 15% more than in the previous year. The total value of their pre-tax income amounted to over PLN 260 billion. According to forecasts, 1.6 million affluent people may live in Poland by 2021, and their pre-tax income may increase to PLN 381.1 billion.

2 In 2017, the number of rich Poles exceeded 194 thousand of which 50 thousand were very rich. In both cases, the largest number of such Poles lived in the Mazowieckie, Wielkopolskie and Śląskie voivodships.

3 From 1 January 2019 onwards, a new tax will be introduced for individuals whose pre-tax income exceeds PLN 1 million per annum. In 2017, there were over 23 thousand people in Poland with such income, most of them in the Mazowieckie voivodship.

4 The value of the luxury goods market in Poland is estimated to stand at nearly PLN 24 billion in 2018. Compared to the previous year, this marks an increase by 13.8%.



Luxury goods:

– any goods (including services) which bear a commonly recognised luxury brand on a specific market or which gain a luxurious character due to their characteristics (uniqueness, high price, etc.).

High-earners/affluent persons

– those earning a monthly income **above PLN 7.1 thousand pre-tax**

Rich people

– those earning a monthly income of **over PLN 20 thousand pre-tax**

Very rich people

– those earning a monthly income of **over PLN 50 thousand pre-tax**

5

Premium and luxury cars represent the largest segment of luxury goods. We estimate that the value of this market will amount to PLN 15.5 billion in 2018, and may increase to PLN 26.4 billion by 2023.

6

The segment of luxury clothing and accessories has a large share in the luxury goods market, i.e. as much as 12%. This category may reach PLN 2.9 billion in 2018, of which luxury women's clothing represents over 48%.

7

The luxury jewellery and watches segment has been growing very dynamically: compared to the previous year, the value of this category increased by 10% in 2018. More than 80% of luxury watches available on the market are intended for men with 67% of luxury jewellery being intended for women.

8

In 2018, the value of the luxury alcohols market may total PLN 1.2 billion. As much as 62% of this entire segment is taken by whisky (whiskey).



1.

Buyers of luxury goods in Poland and their financial situation

In 2017, the number of affluent persons in Poland with a pre-tax monthly income exceeding PLN 7.1 thousand increased once again. Compared to the previous year, 157 thousand new taxpayers made it to this income band. An increase was also noted in the group of rich people, with income above PLN 20,000 pre-tax per month and very rich people whose pre-tax income exceeded PLN 50,000 per month.

Affluent Poles in numbers

In 2017, the total pre-tax income of affluent individuals amounted to PLN 260.3 billion, and their number reached 1,199 thousand, of which 860 thousand paid taxes according to the regular tax thresholds, while 339 thousand paid an income tax at the flat rate of 19%. According to our estimates, the total number of affluent people will amount to

1,303 thousand in 2018, and their total pre-tax income will increase to PLN 284 billion. Good economic prospects mean that we can look into the future with optimism. According to our estimates, the number of affluent people living in Poland will reach over 1.6 million in 2021. Their total pre-tax income will rise to over PLN 381 billion.

Number of affluent individuals in Poland (thousands)



Source: KPMG in Poland on the basis of data from the Ministry of Finance; (p) – forecast

The following definitions* have been introduced for the purposes of the report:

High-earners /affluent persons

– those earning a monthly income **above PLN 7.1 thousand pre-tax**

Rich people

– those earning a monthly income of **over PLN 20 thousand pre-tax**

Very rich people

– those earning a monthly income of **over PLN 50 thousand pre-tax**

*The terms affluent, rich and very rich refer only to pre-tax monthly income and are not equivalent to the value of assets held by individuals included in these categories.

Rich individuals are the most important customers for producers and distributors of luxury goods, i.e. those with a pre-tax monthly income exceeding PLN 20,000, as well as very rich people with an income above PLN 50,000 pre-tax. In 2017, Poland had 194.4 thousand taxpayers from the first group and 50 thousand from the second group. Their total pre-tax income amounted to PLN 125.2 billion and PLN 72.6 billion, respectively.

This year, for the first time, we present data for people whose annual pre-tax income exceeded PLN 1 million. From 1 January 2019, taxpayers from this group will be subjected to the so-called 'solidarity levy', amounting to 4% of the income above PLN 1 million pre-tax. According to the data from the Polish Ministry of Finance, in 2017 there were 23.2 thousand people living in Poland with an annual income exceeding PLN 1 million pre-tax. The vast majority of them (21 thousand) paid their tax at the flat rate of 19%.

The largest number of affluent people live in the Mazowieckie voivodship. This is not surprising given that Warsaw is the country's business centre, and the

GDP per capita of this region weighted by the purchasing power parity has been above 100% of the EU average for several years. In total, in 2017, a total of 341 thousand affluent people paid their taxes in the Mazowieckie voivodship, of which 55.8 thousand can be classified as rich and 12.2 thousand as very rich. The voivodship was also inhabited by the largest number of taxpayers with an annual pre-tax income exceeding PLN 1 million, i.e. 5.9 thousand, which constituted 25.4% of the total number of all individuals with such income paying their taxes in Poland.

The following voivodships can also boast a large population of affluent inhabitants: Śląskie (125 thousand), Dolnośląskie (108 thousand) and Małopolskie (106 thousand). In each voivodship, the number of taxpayers from this group increased in comparison to the previous year. The largest number of new people earning more than PLN 7.1 thousand pre-tax per month was recorded in the Mazowieckie voivodship (+38 thousand) and in the Śląskie, Dolnośląskie and Małopolskie voivodships (+16 thousand in each).

PLN 121 thousand

WAS THE AVERAGE MONTHLY INCOME OF PEOPLE WITH AN ANNUAL PRE-TAX INCOME ABOVE PLN 50 THOUSAND

PLN 187.7 thousand

WAS THE AVERAGE MONTHLY INCOME OF PEOPLE WITH AN ANNUAL PRE-TAX INCOME ABOVE PLN 1 MILLION

Rapid economic growth and rising salaries translate into a dynamic increase in the number of affluent people with monthly incomes above PLN 7.1 thousand pre-tax. In 2017, Poland already had nearly 1.2 million such citizens, and the total pre-tax income in this group exceeded PLN 260 billion. According to our estimates, the number of affluent taxpayers will increase to 1.3 million in 2018. In comparison, ten years ago, Poland had 574 thousand affluent residents.

The largest number of affluent individuals live in the Mazowieckie, Śląskie and Dolnośląskie voivodships. These are some of the most dynamically developing regions, which also serve as the country's business and industrial centres. At the other extreme, there are Lubuskie, Świętokrzyskie and Opolskie voivodships, with only 65 thousand affluent people in total. We estimate that over the next three years the number of people earning more than PLN 7.1 thousand pre-tax in Poland will go up to 1.6 million.

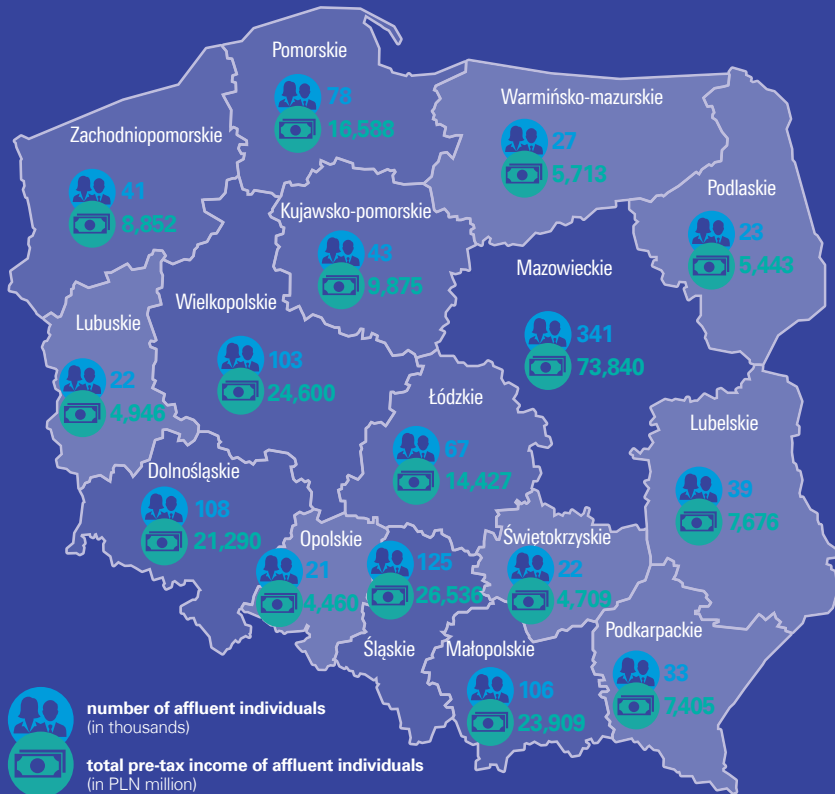
Following the introduction of a new tax for individuals whose annual income exceeded PLN 1 million, we present data for this group of taxpayers for the first time in our report. In 2017, there were 23.2 thousand such individuals living in Poland. These taxpayers generated a total income of PLN 52.2 billion pre-tax. Notably, 91% of people in this group paid the 19% flat-rate tax.

This year also saw an increase in the number of people classified as HNWI, i.e. high net worth individuals, with net assets of more than USD 1 million. In 2018, there were 61.6 thousand such residents in Poland, by 4.6 thousand more than in the previous year.



Andrzej Marczak
Partner
KPMG in Poland

The number of affluent individuals with pre-tax monthly income exceeding PLN 7.1 thousand and their total pre-tax income, by voivodships (2017)



1,199 thousand

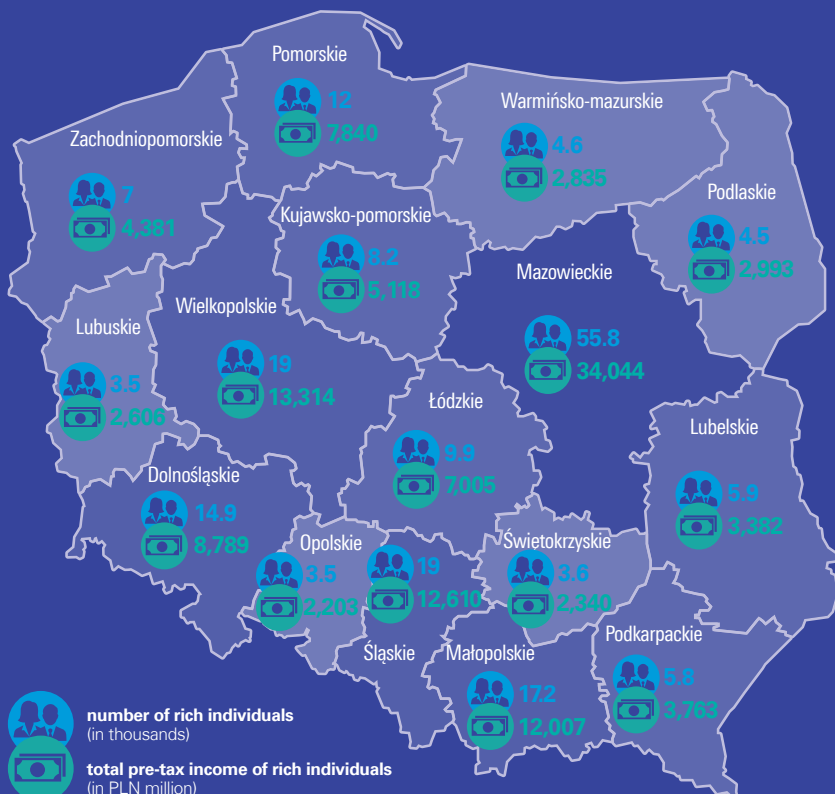
NUMBER OF AFFLUENT PEOPLE LIVING IN POLAND

PLN 260.3 billion

TOTAL PRE-TAX INCOME OF AFFLUENT PEOPLE LIVING IN POLAND

Source: KPMG in Poland based on data from the Ministry of Finance.

The number of rich individuals with pre-tax monthly income exceeding PLN 20 thousand and their total pre-tax income, by voivodships (2017)



194.4 thousand

NUMBER OF RICH PEOPLE LIVING IN POLAND

PLN 125.2 billion

TOTAL PRE-TAX INCOME OF RICH PEOPLE LIVING IN POLAND

Source: KPMG in Poland based on data from the Ministry of Finance.

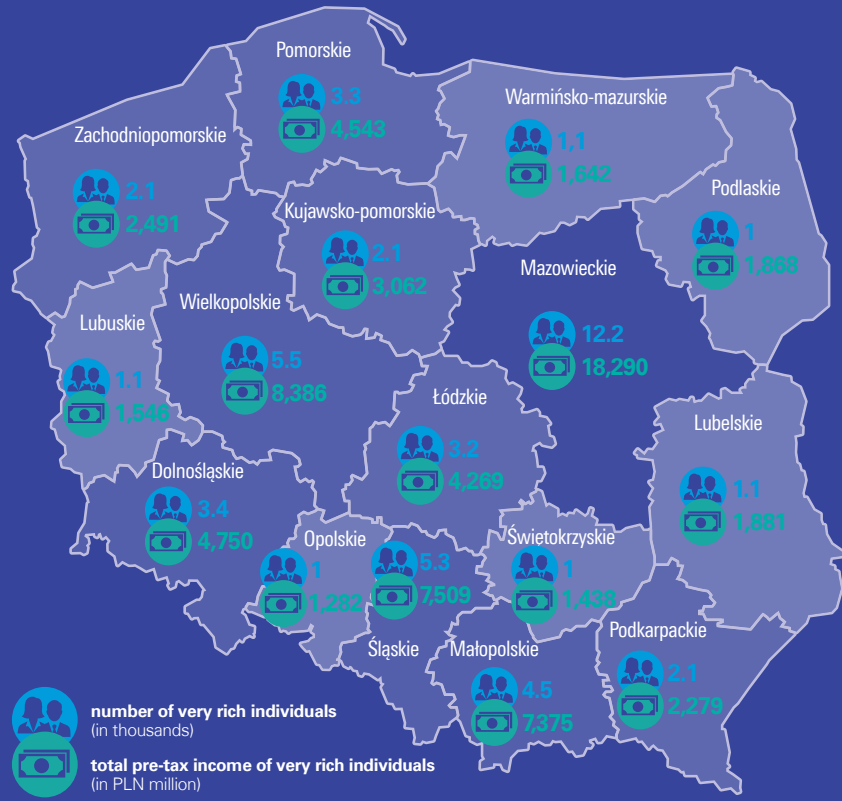
The number of very rich individuals with pre-tax monthly income exceeding PLN 50 thousand and their total pre-tax income, by voivodships (2017)

50 thousand

NUMBER OF VERY RICH PEOPLE LIVING IN POLAND

PLN 72.6 billion

TOTAL PRE-TAX INCOME OF VERY RICH PEOPLE LIVING IN POLAND



Source: KPMG in Poland based on data from the Ministry of Finance.

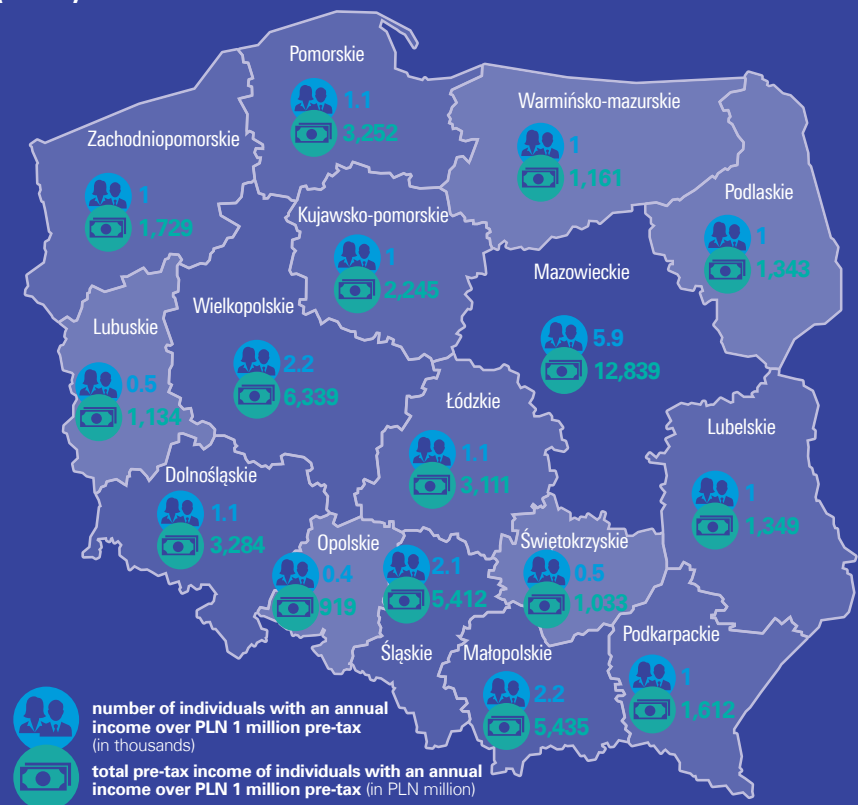
The number of individuals with pre-tax annual income exceeding PLN 1 million and their total pre-tax income, by voivodships (2017)

23.2 thousand

NUMBER OF INDIVIDUALS WITH AN ANNUAL INCOME OVER PLN 1 MILLION PRE-TAX

PLN 52.2 billion

TOTAL PRE-TAX INCOME OF INDIVIDUALS WITH AN ANNUAL INCOME OVER PLN 1 MILLION PRE-TAX



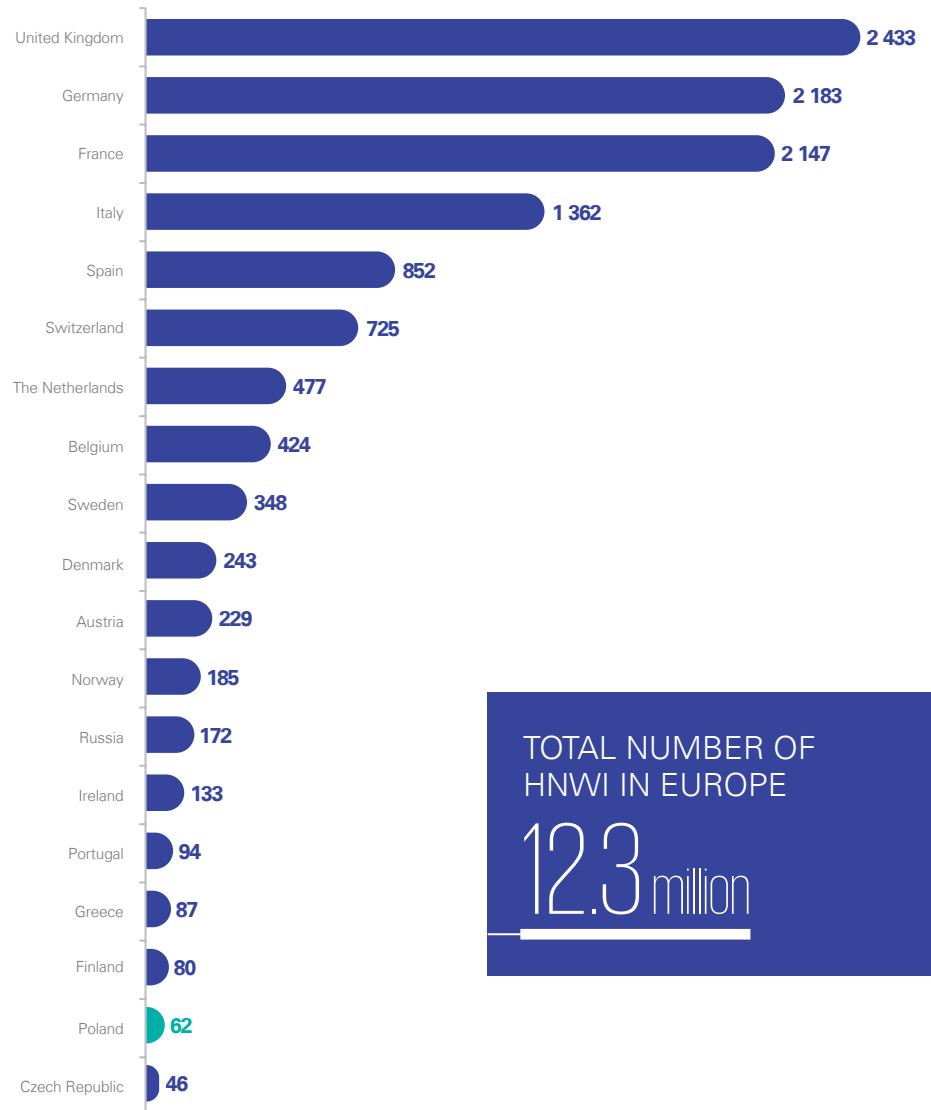
Source: KPMG in Poland based on data from the Ministry of Finance.

High net worth individuals (HNWI) is defined as the group of the richest people in a country whose net assets (including real estate after deduction of debts) exceed USD 1 million. According to the Global Wealth Databook 2018, prepared by Credit Suisse, Poland has almost 62 thousand such people. Compared to 2017, this number has increased by almost 5 thousand.

Compared to European countries, Poland is characterised by a small number of HNWI. For example, in the UK, Germany and France there are more than 2 million of HNWI, with nearly 1.4 million in Italy. Poland can be likened with countries such as the Czech Republic (46,000), Finland (80,000) or Greece (87,000). However, the latter countries have with a much smaller population. As a result, the percentage of HNWI in Poland is the lowest one (0.16%) compared to Western European countries.

The largest share of HNWI in Poland have assets ranging from USD 1 to 5 million: 54 thousand individuals. Assets worth more than USD 50 million are owned by 215 people, of which only 17 individuals can boast assets worth more than USD 500 million.

Number of HNWI in selected European countries (in thousands, 2018)



TOTAL NUMBER OF HNWI IN EUROPE
12.3 million

Number of HNWI in Poland by wealth level (2018)



HNWI (High net worth individuals): individuals with net assets exceeding USD 1 million.

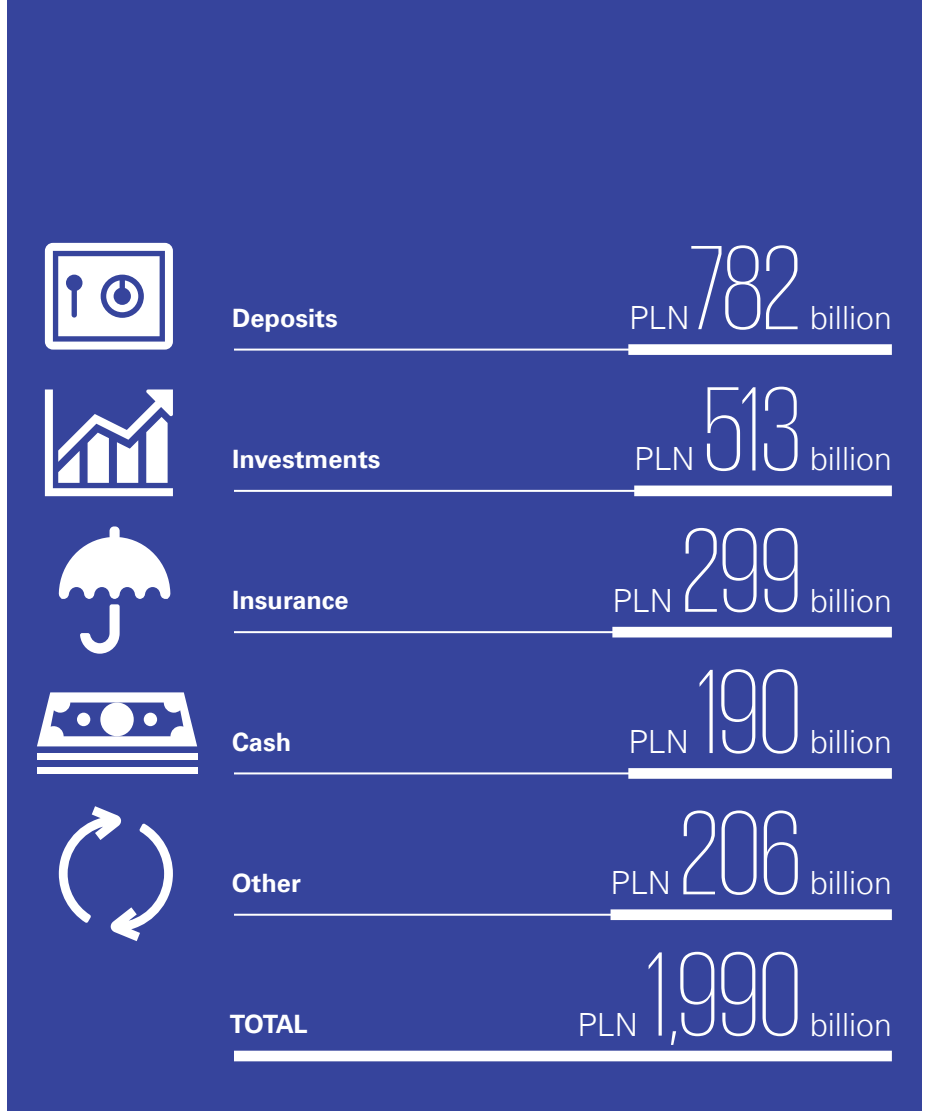
Source: KPMG in Poland based on Credit Suisse data.

Assets held by Poles

The total value of assets accumulated by Polish households amounted to PLN 1,990 billion at the end of the second quarter of 2018, which marked an increase by 2.6% compared to the same period last year. At the same time, the value of liabilities increased by 3.7% y/y to PLN 736 billion, which means that Polish households had net assets worth PLN 1,254 billion at the end of the first half of 2018. As a result, the net assets held by Poles increased by PLN 16 billion compared to the first half of 2017.

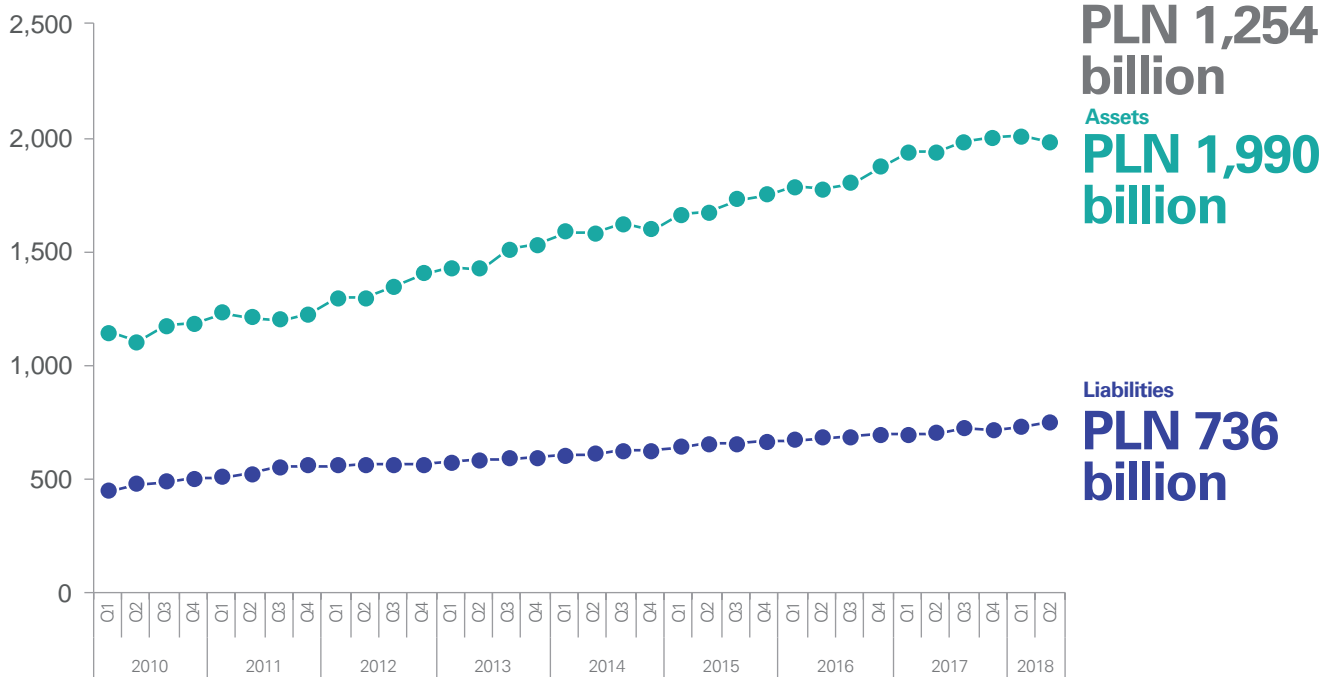
Invariably, the largest part of household assets in Poland are deposits, and their value increased by 6.0% y/y, reaching PLN 782 billion in the second quarter of 2018. When it comes to investments, Poles gathered assets worth PLN 513 billion, of which the largest part comprised shares, equities as well as shares or participation units in investment funds.

Poles still keep a relatively large part of their savings in cash. During the last year, its value increased by 10.4% to PLN 190 billion.



Source: KPMG in Poland based on NBP data.

Financial assets and liabilities of households (PLN billion, Q2 2018)



Source: KPMG in Poland based on NBP data.



OVER
4 TIMES

MORE SAVINGS ARE
ACCUMULATED BY POLES
ON BANK DEPOSITS
THAN IN CASH



2.

The luxury goods market in Poland

In 2018, the value of the luxury goods market is estimated at nearly PLN 24 billion. This represents an increase of 13.8% compared to 2017. The fastest growing segments include: jewellery and watches, luxury and premium cars, as well as alcohols. Forecasts for 2023 are also promising: according to our estimates, the luxury goods market will reach a value exceeding PLN 39 billion.

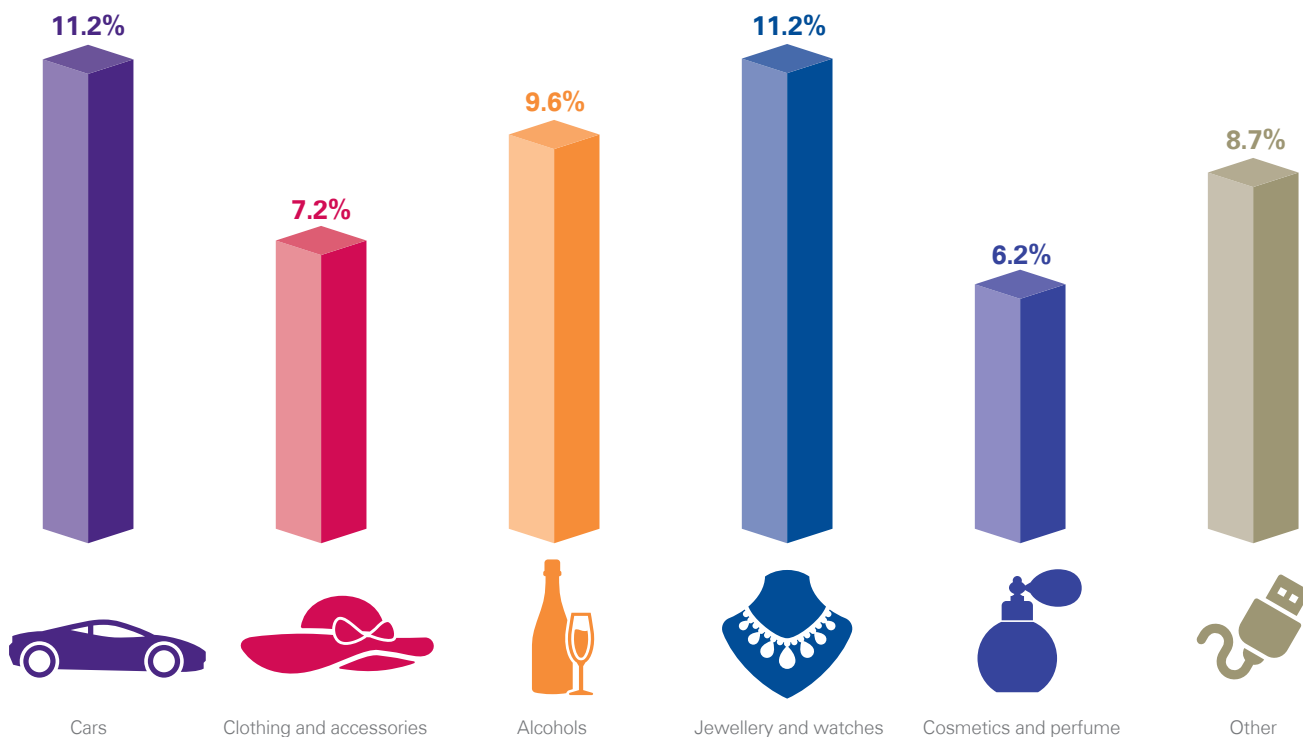
For the purposes of this report, the category of luxury goods includes mainly consumer goods (including luxury clothing and accessories, jewellery and watches, cosmetics and perfume as well as alcohols), luxury cars and premium cars, luxury real estate (apartments and residences), as well as hotel and SPA services.

In this year's edition, as in previous years, luxury and premium cars represent the largest category. In 2018, the value of this market is estimated at PLN 15.5 billion. The second most important segment comprises luxury clothing and accessories: its value in 2018 may reach PLN 2.9 billion.

Subsequent important categories on the luxury goods market are: luxury real estate, hotel and SPA services, as well as alcohols.

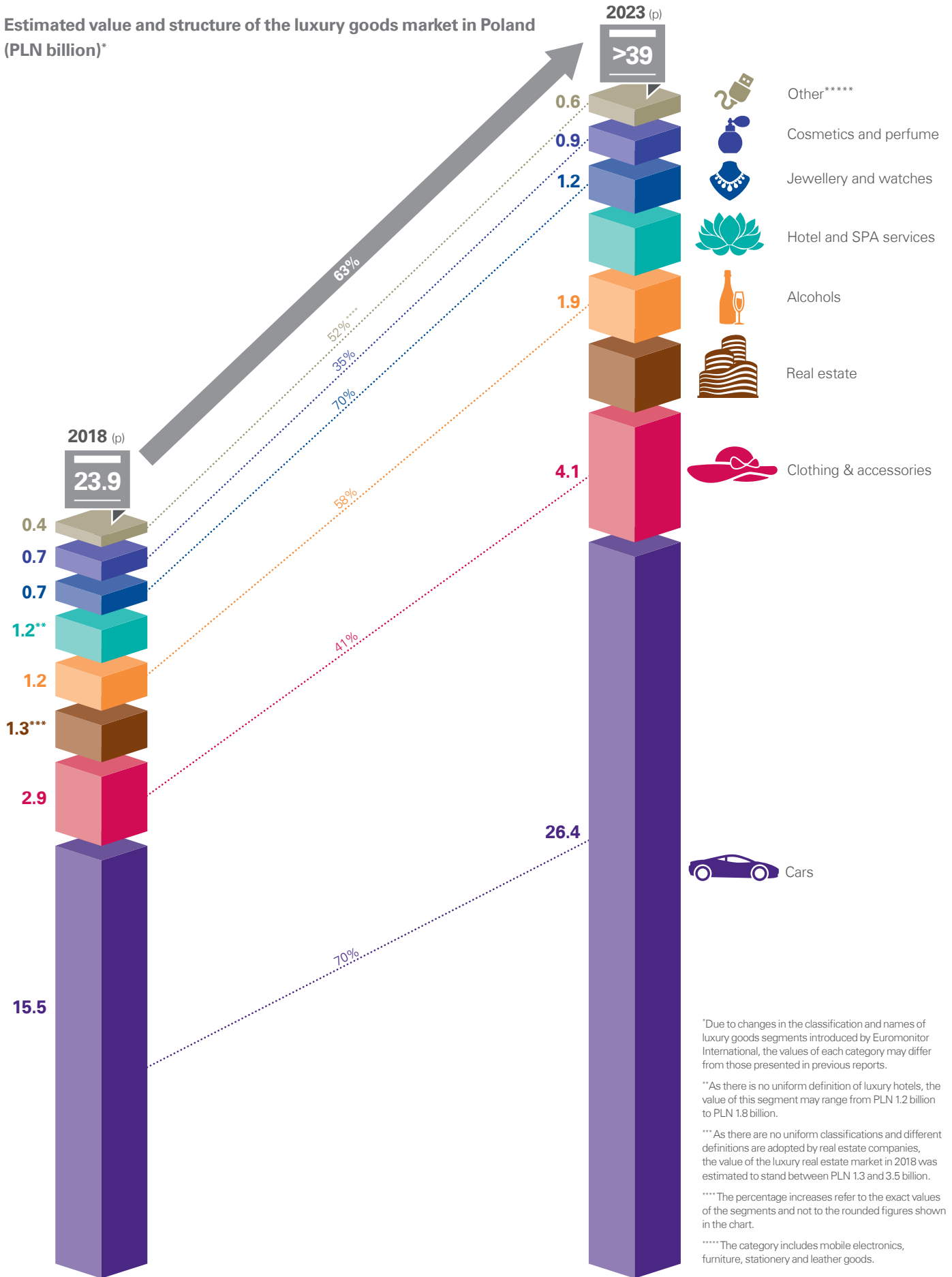
In comparison with the previous year, the highest increase was recorded in the segment of luxury and premium cars (17% y/y). According to forecasts, this market may reach the value of PLN 26.4 billion by 2023, i.e. a growth rate of about 70% versus 2018. Luxury jewellery and watches are another fast-growing segment. In comparison to the previous year, its value in 2018 may increase by 10.2%, reaching PLN 723 million. Particularly dynamic growth is observed on the luxury watch market: its total value is likely to almost double by 2023.

Predicted annual average growth rates in selected segments in 2018–2023



Source: KPMG in Poland based on data from Euromonitor International, Poland's Central Statistical Office, desk research.

Estimated value and structure of the luxury goods market in Poland (PLN billion)*



*Due to changes in the classification and names of luxury goods segments introduced by Euromonitor International, the values of each category may differ from those presented in previous reports.

**As there is no uniform definition of luxury hotels, the value of this segment may range from PLN 1.2 billion to PLN 1.8 billion.

***As there are no uniform classifications and different definitions are adopted by real estate companies, the value of the luxury real estate market in 2018 was estimated to stand between PLN 1.3 and 3.5 billion.

****The percentage increases refer to the exact values of the segments and not to the rounded figures shown in the chart.

*****The category includes mobile electronics, furniture, stationery and leather goods.

Source: KPMG in Poland based on data from Euromonitor International, Poland's Central Statistical Office, desk research. (p) – forecast

The total value of the luxury goods market in 2018 is estimated at PLN 23.9 billion, i.e. by 13.8% more than last year. The largest segment, as in the previous 12 months, comprises premium and luxury cars. This segment grew by 17% and reached PLN 15.5 billion. We estimate that it will grow equally fast in the following years, likely to reach PLN 26.4 billion by 2023. The jewellery and watches segment is also characterised by an equally impressive growth rate: in the next 5 years, it may increase by 70% and reach PLN 1.2 billion. In terms of growth rate, the segments of luxury alcohols as well as clothing and accessories are also worth noting.

We expect the growing trend in the luxury goods market to continue. The main growth drivers will include the growing affluence of the Polish society, an increasing number of affluent people and lifestyle changes resulting in a greater popularity of premium and luxury products. Based on our estimates, the value of the luxury goods market will exceed PLN 39 billion in 2023.



Tomasz Wiśniewski
Partner
KPMG in Poland





Cars

In 2017, a total of 65.5 thousand premium and luxury cars were registered in Poland. We estimate that this year the number of vehicles sold will increase to 76.5 thousand while the total value of the market will reach PLN 15.5 billion. This means that this segment is the largest category of the luxury goods market in Poland.

Mercedes continues to hold its leadership among the most popular premium brands, accounting for as much as 24% of registrations in the first three quarters of 2018. Audi came second, with BMW ranking third. The biggest increase since the previous year was recorded by Jaguar, which sold three times as many vehicles. In total, 65.3 thousand new premium cars were registered in Poland in 2017, while in 2018 the figure may reach 76.3 thousand.

Maserati remains the leader in the category of luxury cars. Noteworthy is the dynamic growth of registrations of Ferrari and Bentley cars: the increases amounted to 11 (+52%) and 19 (+90%) cars versus the first three quarters of 2017. Also, Aston Martin, Lamborghini and Lotus also achieved large growths, but none of them exceeded 10% in the sales volume of luxury cars. In 2017, a total of 189 vehicles in this category were registered. We estimate that the number will rise to 251 this year.

According to KPMG's estimates, the total value of the premium and luxury car market will amount to PLN 15.5 billion in 2018.

Estimated value of the premium and luxury cars segment

PLN 15.5 billion

Source: KPMG in Poland based on PZPM/CEP data.

Estimated number of registrations of new premium cars in 2018

76,259 vehicles

Source: KPMG in Poland based on PZPM/CEP data.

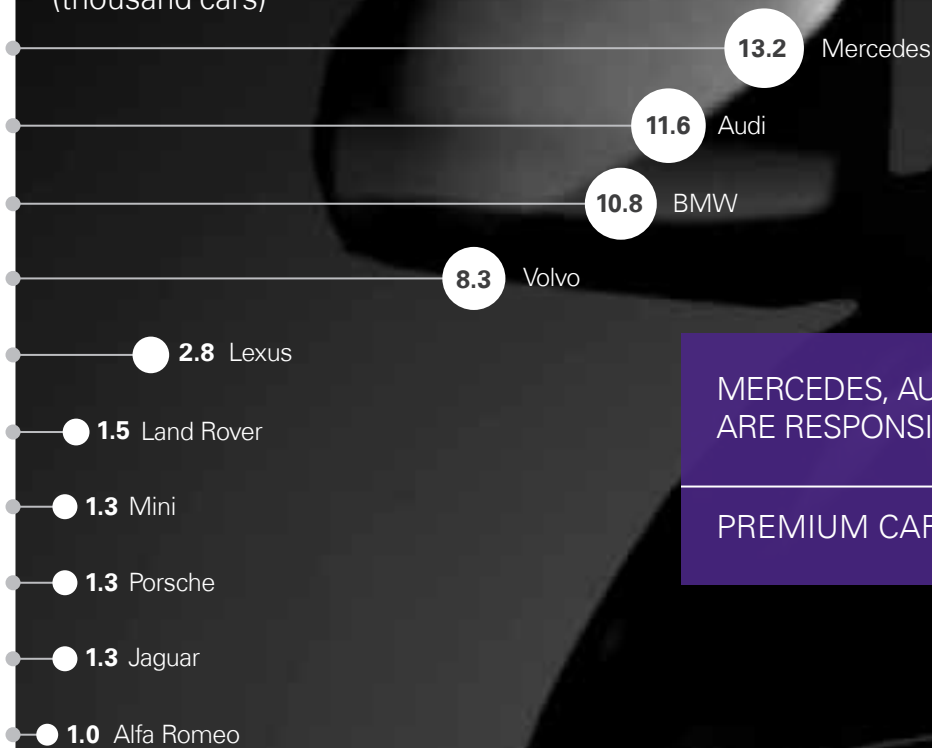
Estimated number of registrations of new luxury cars in 2018

251 vehicles 

Source: KPMG in Poland based on PZPM/CEP data.

Registrations of new cars from selected premium brands

Q1-Q3 2018 (over 1 thousand cars)
(thousand cars)



Source: KPMG in Poland based on PZPM/CEP data.

MERCEDES, AUDI AND BMW
ARE RESPONSIBLE FOR

66%

PREMIUM CAR REGISTRATIONS

New registrations of luxury cars Q1-Q3 2018 (cars)



Source: KPMG in Poland based on PZPM/CEP data.

LAMBORGHINI

RECORDED THE HIGHEST
INCREASE IN SALES
AMONG LUXURY BRANDS
IN THE FIRST THREE
QUARTERS OF 2018
(+333% Y/Y)

The passenger car market in Poland

Data for Q1-Q3 2018 for the entire segment

Cars from the premium and luxury segments represented



of passenger car registrations

Number of registered passenger cars



The most popular segment, which additionally recorded the highest growth of



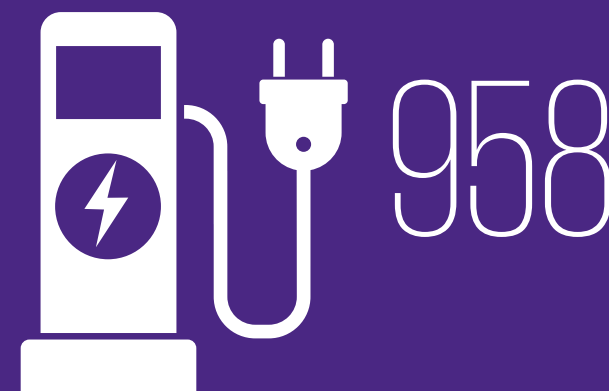
SUVs
i crossovers
(118.3 thousand)

Skoda, Toyota and Volkswagen represented over



of registrations among popular brands

Number of registered electric cars



Source: KPMG in Poland based on PZPM/CEP data.

The BMW brand strategy is based on boldly creating the future of the automotive industry. That is why we have our own understanding of luxury, i.e. what cars in this segment should represent for customers. The most luxurious line from the brand, the 7-series, 8-series, X7 or the visionary i8-series, stands out on the market not with its traditional 'glitzy' splendour, but with its progressive character. It involves technological innovation (digitisation or semi-autonomous driving systems) and the implementation of sustainable solutions, in particular electrification. Of course, we still offer the highest comfort, but we also see that luxury is about much more than that. Thanks to this cutting-edge approach we noticed a growing interest from completely new groups: entrepreneurs from new tech or Internet companies; start-up owners, ever younger users. For them, a car is no longer a status symbol, but they expect the highest technological advancement: they are pioneers, they want to participate in global change and make choices with the environment in mind. Another trend is to re-evaluate the priorities among the affluent customers: from material goods to the appreciation of free time and self-determination. Nowadays, these factors determine what luxury is. Material goods, such as cars, are expected to represent these values. In other words, to give fun and a sense of freedom.



Baudouin Denis
General Manager
BMW Group Polska

We have seen that the good economic situation in Poland reflects the purchasing power of consumers in the super premium segment, and this power has been constantly growing. This is also noticeable on the part of manufacturers, where the investments in design, technology and development are incomparable to previous years. The pace at which new models premiered on the market has never been so fast. Aston Martin, for example, has committed to presenting a new model each year for the next seven years and is consistently implementing this plan.



In line with consumers' expectations, there is an increasing number of utility models. Cars from the highest segment are no longer used as an additional car in the garage. Instead, they are increasingly seen as everyday means of transport. In response to this demand, we offer SUV models, which will soon be added to model ranges in almost all brands.

There is also a growing awareness of the value of the product among the target group. This is evidenced in their readiness to order the most exceptional, limited models for which they have to wait even a few years. In addition, over the course of a decade, the prices of these models have risen significantly, reaching even several million euros. Limited editions and short series are very sought-after and often viewed as a form of investment.

Michał Maske
Sales & Marketing Manager
Aston Martin Warsaw



Clothes and accessories

The value of the luxury clothing and accessories market is estimated at almost PLN 2.9 billion, which marks an increase by 7.2% compared to the previous year. This is the second largest segment of luxury goods in Poland. It consists of clothing, footwear, and accessories such as glasses, belts, gloves, and scarves.

Luxury clothing and accessories is a fast-growing market segment. According to forecasts, the average annual growth of this category in 2018–2023 will amount to 7.2%, and the estimated value of the market will exceed PLN 4 billion in 2023.

The main share in the luxury clothing segment is held by women's clothing, and the value of this subsegment accounts for more than 60% of the entire category. However, higher growth is noted in men's clothing.

Footwear is the most dynamically growing subcategory: according to estimates, its value in 2018 will increase by 8.7%, and with more than 10% a year later.

Compared to other countries, Poland has a relatively small market of luxury clothing: it represents merely 6.8% of the total market value. For the sake of comparison, this category has a market share of 22.7% in Italy, 21.8% in France and 10.4% in the United Kingdom.

Estimated value of the segment clothes and accessories in 2018

PLN 2.9 billion

The estimated average annual growth in the clothing and accessories market in 2018–2023



Shares of different categories in the luxury clothes market

61% 34% 5%
women's men's children's

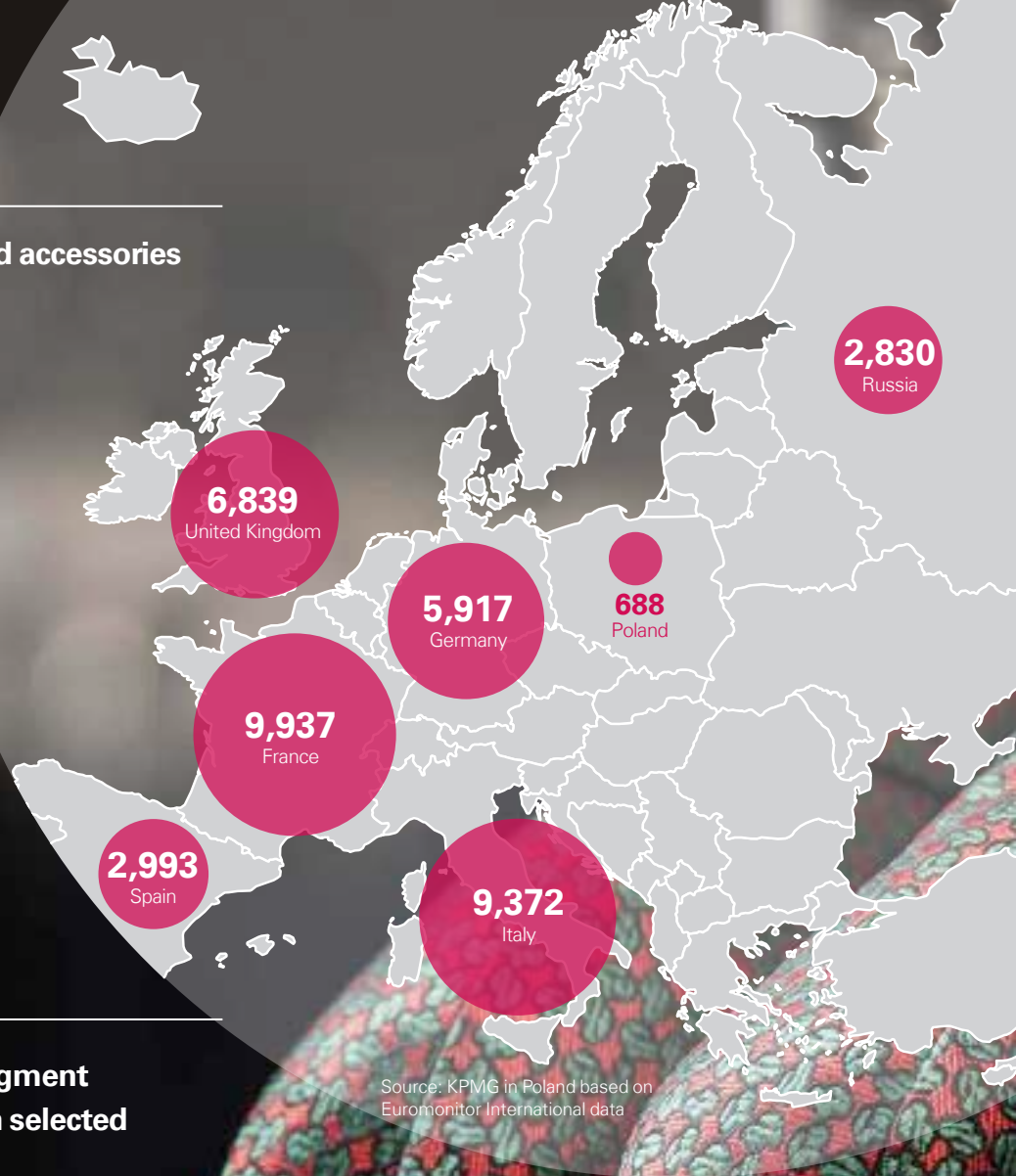


9%

In 2018, the largest increase y/y in the category of luxury clothing and accessories was recorded in the footwear segment.

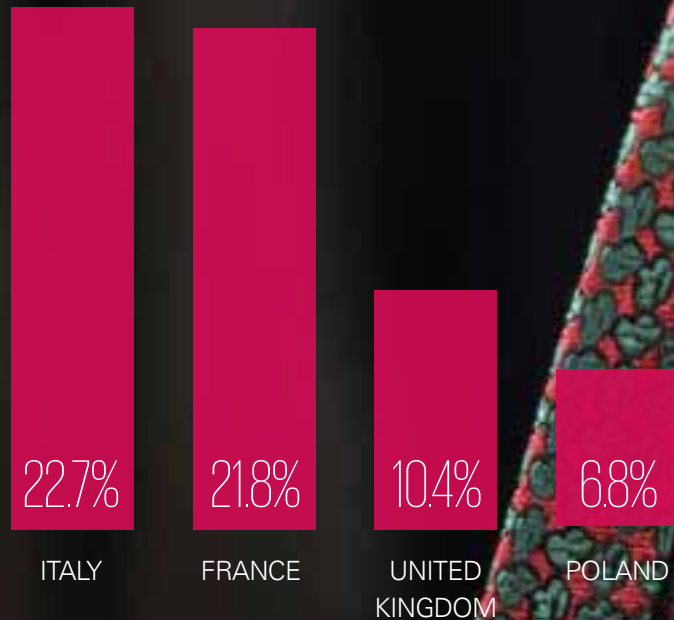
Value of the luxury clothing and accessories market in selected countries

(total, EUR million, 2018)



Source: KPMG in Poland based on Euromonitor International data

Share of the luxury clothing segment in the whole clothing market in selected countries



THE ESTIMATED VALUE OF THE MARKET IN 2023 WILL EXCEED

PLN 4 BILLION

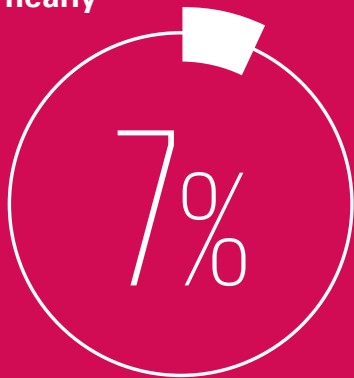
Clothing and accessories market in Poland

Estimated data for 2018 for the entire segment

The value of the clothing and accessories market can amount to

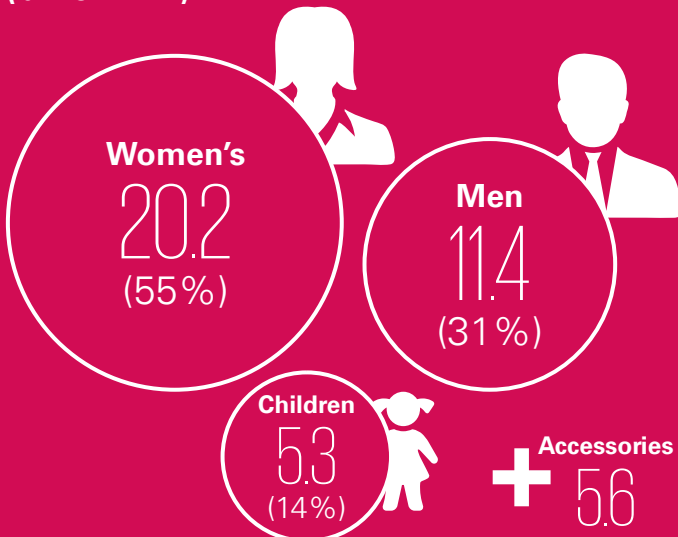
PLN **42.5** billion

Luxury clothing and accessories represented nearly



of the value of the entire clothing and accessories market

Value and market share (%) of clothing (billion PLN)



The value of segments and their share in the total clothing and accessories market (PLN billion)



Subcategory with the highest sales value



Source: KPMG in Poland based on Euromonitor International data.



Real estate

The growing affluence of the Polish society and the improving economic situation mean that luxury real estate market is characterised by stable growth. The largest number of luxury apartments and residences in Poland are located in Warsaw. Apart from the country's capital, Cracow, the Tricity, Wrocław and Poznań have a relatively large luxury real estate market.

A property can be classified as luxury not only on the basis of its price, but also factors such as location, aesthetic impression, quality, technological solutions and uniqueness. The increasing variety in the luxury real estate market means that companies are able to reach a wider range of customers. In order to meet the growing expectations, companies must put emphasis not only on quality, but also on solutions and facilities tailored to the needs of potential buyers, who might have their own specific lifestyle, preferences or interests.

In comparison with foreign markets, Poland has relatively low prices of luxury properties. According to a report by Poland Sotheby's International Realty one square metre of an apartment in New York, Paris or London costs from 5 to 10 times as much as in Poland.

We estimate that the value of the luxury real estate market may reach PLN 1.3 billion in 2018. Due to differences in the definitions, this value may fluctuate and reach even as much as PLN 3.5* billion.

*Data based on the Poland Sotheby's International Realty report (2017)

Selected factors which determine the luxury status of real estate

 price

location 

 finishing

surrounding
area 

 infrastructure

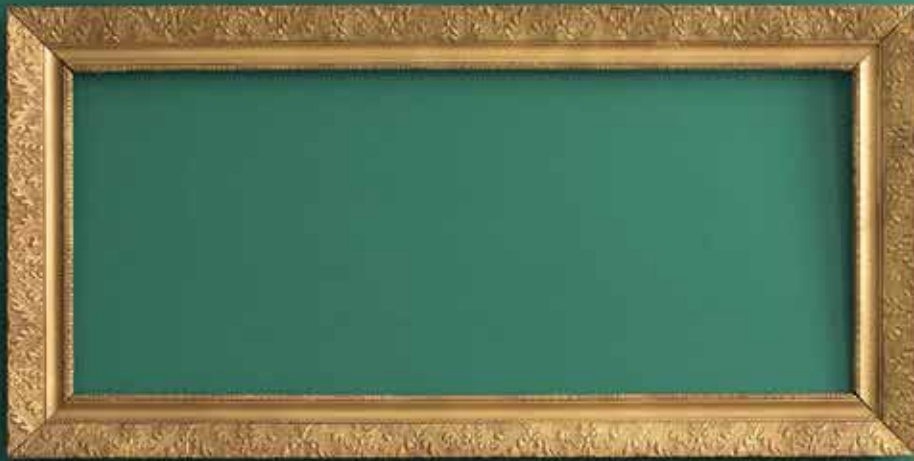


We see a significant 'rejuvenation' of affluent customers, both worldwide and in Poland. This change has been greatly influenced by the leap forward in the IT and new technologies industry" this is where the 'new affluent' consumers largely originate from. They are very conscious and modern, and they follow global trends. Poland, after the turbulent 20th century, also shows symptoms of the phenomenon that has been common in Western countries for centuries, i.e. young people inherit parents' or relatives' property. The odds are that both the number of affluent people in Poland and the scale of wealth accumulated by Poles should continue to grow.

Once a person joins the group of affluent people, this entails a change in lifestyle, so the demand for luxury goods is growing. This is a good omen, especially for the upper end of the real estate industry. Growing wealth also means more cash to invest, and real estate, including premium and luxury properties, currently represents one of the more secure and profitable investments. In addition, a luxury house or apartment costs at least several million zlotys, so it is not possible in practice to buy a luxury property as a sign of aspirations. These goods are reserved exclusively for those who can really afford them.

Arkadiusz Wojciechowski

Executive Director
Poland Sotheby's
International Realty







We have developed the definition of premium apartments and residences thanks to the experience gained at Tacit Investment during the sale of the Cosmopolitan apartment building. This was a response to the ambiguous and opaque terminology used in this market.

We assumed that the segment of exclusive apartments accounts for 1% of all residential properties available on a market. There are about 200 such transactions currently recorded in Warsaw per year, where such apartments are sold at a price exceeding PLN 20,000 per square metre today. Some transactions are at prices that exceed PLN 35,000 or even 40,000 per square metre, although there are only a dozen or so such properties in the city. In markets outside Warsaw, especially where the supply of residential property is much more restricted, we increased the sample size to 3% to make sure that the number of transactions is representative.

The outlook for the premium real estate segment in Poland is very good. Exclusive products are on the rise and we believe that this trend will continue into the future. Encouraged by stable demand, developers undertake new projects, drawing conclusions from previous projects. Any current customer in the premium segment is a potential buyer of another premium product. True luxury means having it 'because I would like to have this address in my collection,' or 'because I can afford it,' even if they spend only a short time per year at the address.

As Poles grow more wealthy, the range of the premium segment grows globally. However, according to our definition, the exclusive segment will always remain at 1%, and the price per square metre, which defines this 1%, will rise. The success factor for the best properties will be whether they can reach higher prices in the secondary market versus those paid on the primary market.

Any premium property has, of course, a unique location, namely a unique and impressive view that such a location guarantees. The most beautiful parks, the most important city squares, sunrises and sunsets seen from the apartment windows are the most important pricing factors. Also important is the size and quality of the space, the unique design and finishing materials, as well as additional services for the residents. In a sense, customers also buy time that they do not have to spend on something that someone else does for them, such as concierge services. They also buy prestige and address which confirms that they belong to an elite club.

Karolina Kaim
President
Tacit Investment

Most buyers in the premium segment are private business people, entrepreneurs, owners of family businesses scattered all over Poland, artists and athletes. We are convinced that they will have more choice each year, also in local markets, where new projects for the most demanding customers are constantly emerging.



Alcohols

The market of luxury alcohols in Poland may reach almost PLN 1.2 billion in 2018. Despite the growth of 9.7% y/y, this category represents a small part of the entire alcohol market, with an estimated value of PLN 62.5 billion.

The market for luxury alcohols is made up of spirits, with an estimated share of 72%, as well as wines and champagnes. Spirits include, inter alia, whisk(e)y, which has the highest growth rate of all luxury alcohols. Its sales value has increased by 11% as compared to the previous year.

Current forecasts of the luxury alcohol market show that its value will amount to PLN 1.9 billion in 2023, which is equivalent to an average annual growth rate of 9.6%. Although the market for luxury alcohols has been growing year by year, it is quite small in Poland in comparison with other Western European countries. In the UK, the luxury spirits market is estimated at over PLN 10.3 billion, in France it is almost PLN 9.5 billion, and with about PLN 4.7 billion in Germany.

The value of the luxury alcohols market in 2018 is estimated at

PLN 1.2 billion

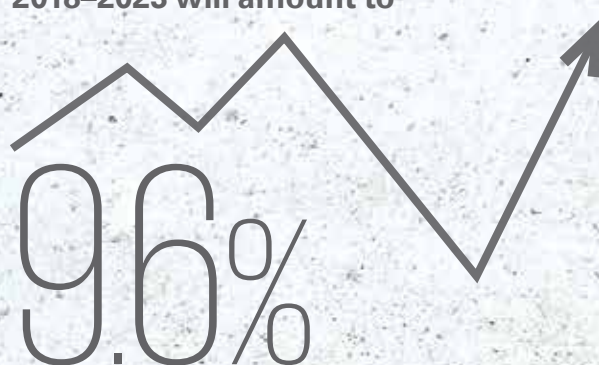


Spirits represent over

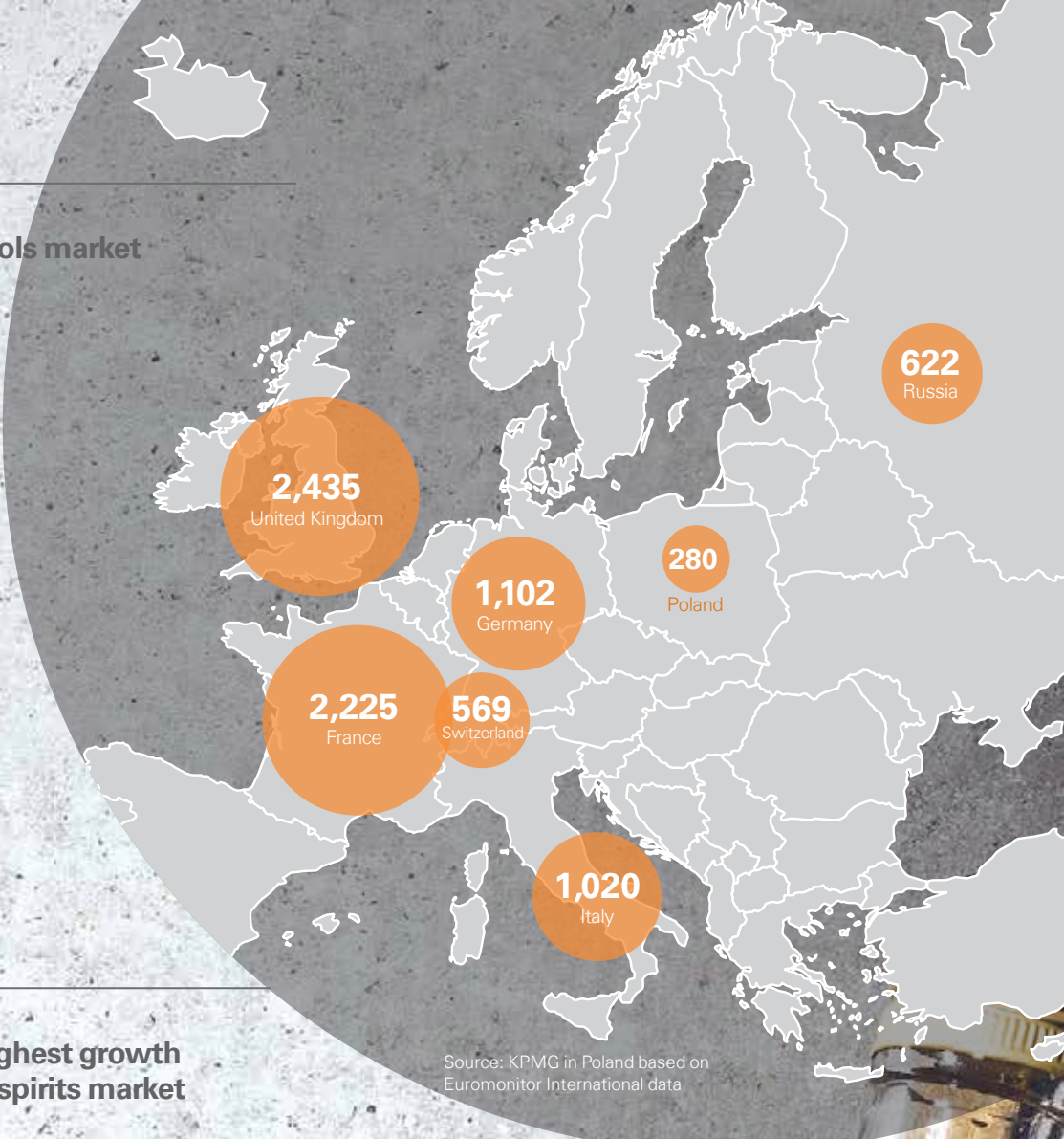
2/3

of luxury alcohols

The estimated average annual growth of the luxury alcohol market in 2018–2023 will amount to



The value of luxury alcohols market in selected countries
(total, EUR million, 2018)



Source: KPMG in Poland based on Euromonitor International data

Whisk(e)y reached the highest growth in 2018 y/y on the luxury spirits market



THE PREDICTED VALUE OF THE MARKET IN 2023 WILL AMOUNT TO

PLN 1.9 BILLION



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The alcohol market in Poland

Estimated data for 2018 for the entire segment

The value of the alcohol market may reach

PLN 62.5 billion

From 2012 onwards, the segment of

whisk(e)y

rose by

113% (PLN 3.7 billion)



Luxury alcohols represent less than



of the total alcohols market



is the estimated increase in the value of the wine segment in 2018 y/y

Value and share (%) in the alcohols market (PLN billion)



Source: KPMG in Poland based on Euromonitor International data.



Łukasz Piwowarczyk
Head of Reserve Poland
DIAGEO

The sales of Diageo Reserve luxury portfolio in Poland confirm the continuing premiumisation trends. Within our range, we have noticed a relatively higher growth in the de luxe category. This is the result of the shift from the premium segment to a higher segment rather than a result of increased consumption of alcohol within the group of consumers. In retail, changes are particularly noticeable during the holiday periods.

Whisky remains the strongest alcohol type in our portfolio in Poland, but our gins, rums and vodkas are growing dynamically in the de luxe segment. Consumers stick to 'their' alcohol categories but are looking for more luxurious alternatives.

Poles are also more likely to drink on premises, where high-end brands are becoming increasingly sought-after and available. Poland's first World Class Cocktail Festival 2018 had as many as 8,000 participants and was the second largest event of its kind after London.

Clearly, consumer choices are based not only on the classic understanding of quality and exclusiveness. In addition, the market developments are influenced by Millennials. Luxury products, including alcohols, are increasingly present online. Consumers in this segment expect innovation, unique experience, community building and sustainable development. The premium and super-premium segments feel at home in these areas.



Krzysztof Maruszewski
President
Stilnovisti Investments

Poles are growing more wealthy and have increasing expectations towards life. Today, we want to keep the life-work balance. Education helps. Open access to everything that is happening in the world is made possible through digitisation and social media. Since we can see the luxury that people in different parts of the world can afford, we also want the same thing. Until now, the largest number of our customers were people in their forties, who achieved professional success, mostly in their own businesses. For several years now, we have seen an increase in young people among our customers: those have achieved success by running start-up projects. This trend goes beyond Poland. Our customers include Poles and foreigners. Three years ago we opened an office in Dufftown, Scotland, which allowed us to attract investors not only from Scotland, but also from the USA and Asia. An average investor wants to diversify their investment portfolio. Since the share of alternative investments in the portfolio should not exceed 20% of the total capital, these are rather affluent individuals since the minimum investment threshold for barrels is PLN 20 thousand. When customers decide to invest in whisky barrels, they usually have a good overview of the market. For example, they know the difference in investments in wine and whisky, what single malt whisky is and how wooden barrels influence the final taste of whisky. In comparison with the previous years, our customers are more educated and willing to gain this knowledge. For several years now, we have been trying to help them. We publish two quarterly magazines entirely devoted to whisk(e)ly: Magazyn Whisky on the Polish market Whisky Quarterly on the international markets.

The segment of luxury alcohols in Poland is relatively small in comparison with Western Europe, but it has been growing very dynamically. According to Scotch Whisky Association data, imports of Scotch single malt whisky to Poland increased by more than 35% in volume in the first half of 2018. In value terms, the result is similar: 32% up. This means that Poles drink whisky increasingly often. They travel around the world, get to know other cultures and also educate themselves about spirits. The high growth dynamics of the premium alcohols segment is confirmed by a IWSR report: according to that research company, Poland is one of the markets with the greatest potential for several promising categories (such as e.g. single malt whisky). Last year's consumption of whisky accounted for 10% of the total consumption of spirits. According to IWSR forecasts, the share of whisky in this segment will increase to 14% in just 4 years. In the next 5 years, the whisky market in the world is likely to be safe. Investments in whisky are not dependent on the turbulence in the financial markets. The growing number of distilleries in Scotland shows how much the industry is growing, gaining new markets. And whoever has once fell in love with loved whisky will surely remain faithful.

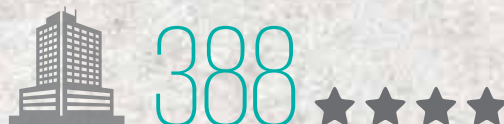
Hotel and SPA services

The luxury hotel and SPA sector is one of the largest segments of the luxury goods market. The number of such facilities in Poland has been increasing year by year. At the same time, the value of this sector has been growing.

During the last year, three five-star hotels were opened in Poland. The opening of the Hotel Europejski by the European Raffles chain, one of the key players on the world map of exclusive hotels, was an important event. Despite the development of this segment on the Polish market, still few facilities meet the criteria of global luxury. In total, at the end of July 2018 Poland had 68 facilities of this type with over 8,800 rooms. According to GUS (Poland's Central Statistical Office), only two voivodships still have no five-star hotels: Łódzkie and Lubuskie.

As there is no uniform definition of luxury hotels, the value of this segment may range from PLN 1.2 billion to PLN 1.8 billion.

The number of hotels in Poland (2018)*



Source: KPMG in Poland on the basis of data from the Polish Central Office of Statistics.

*As at the end of July 2018.

The number of rooms in 5-star hotels, per voivodship (2018)*



Source: KPMG in Poland on the basis of GUS data.

*As at the end of July 2018.



The hotel and SPA services market in Poland

Estimated data for the entire segment

The value of the hotel and SPA market is likely to reach (2018)

PLN **6.8 billion**

Poland has*

2,592 hotels which offer a total of

136,080

hotel rooms

Source: KPMG in Poland based on GUS data.
*Data for the first half of 2018

In 2017, the number of tourists staying in hotel facilities totalled

24.1 million 

(18.1 million domestic tourists) and 6 million foreign tourists)

Source: KPMG in Poland based on GUS data. (dotyczy turystycznych obiektów noclegowych posiadających 10 i więcej miejsc noclegowych)

5 most popular poviats by number of nights spent*



Source: KPMG in Poland based on GUS data.
*Data for the first half of 2018

2.6% share of 5-star hotels in the total number of hotels

6.5% share of rooms in 5-star hotels in the total number of hotel rooms

Source: KPMG in Poland based on GUS data.
*Data for the first half of 2018



The luxury hotel market in Poland is still at an early stage of development. True luxury is still hard to come across, although this market has grown from one year to another. The awareness of hotel guests is also growing, which means their expectations are also increasing. This has a positive impact on the development of the entire segment. Taking into account the three Dr Irena Eris SPA Hotels (in Krynica-Zdrój, Polanica-Zdrój and in Wzgórza Dylewskie), the growth prospects for this market are good. The most important thing in our hotels is the highest level of customer service combined with the highest quality of services. Our guests expect, above all, individualised approach and exceptional comfort. Equally important is the range of treatments from the Cosmetic Institute, located in each of the hotels. Any economic slowdown may cause minor problems for facilities catering to the MICE segment (Meetings, Incentives, Conferences, Exhibitions), but those which focus on individual guests should not be affected.

Henryk Orfinger
CEO
Dr Irena Eris





Jewellery and watches

The luxury jewellery and watches market has been growing dynamically: compared to the previous year, the value of this segment has risen by 10.2%. In 2018, the estimated total sales of luxury jewellery and watches amounted to PLN 723 million, of which jewellery accounted for over 60%.

The prospects for this category are also very good. Analyses have shown that by 2023 the value of this category will reach PLN 1.2 billion (PLN 687 million for jewellery and PLN 544 million for watches), which represents an increase by 70% compared to 2018. The luxury watches segment is characterised by a particularly high growth rate (+13% y/y). The average annual growth rate for this subcategory in 2018–2023 stands at 14%, making it one of the fastest growing segments.

Men are the main buyers of luxury watches: as much as 80% of the value of the whole category comes from men's watches. The opposite situation is observed in luxury jewellery, where 67% of the value of the entire segment is generated by women's jewellery.

As in the sector of luxury clothing and accessories, the largest European markets include Italy, United Kingdom and France. In each of these countries, the estimated value of the market is likely to exceed EUR 3 billion in 2018.

**Estimated growth of the luxury
jewellery and watches market in 2018**

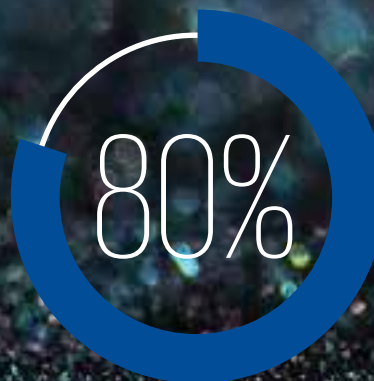
10%

**The value of the luxury jewellery and
watches market in 2018 may reach**

PLN 723 million

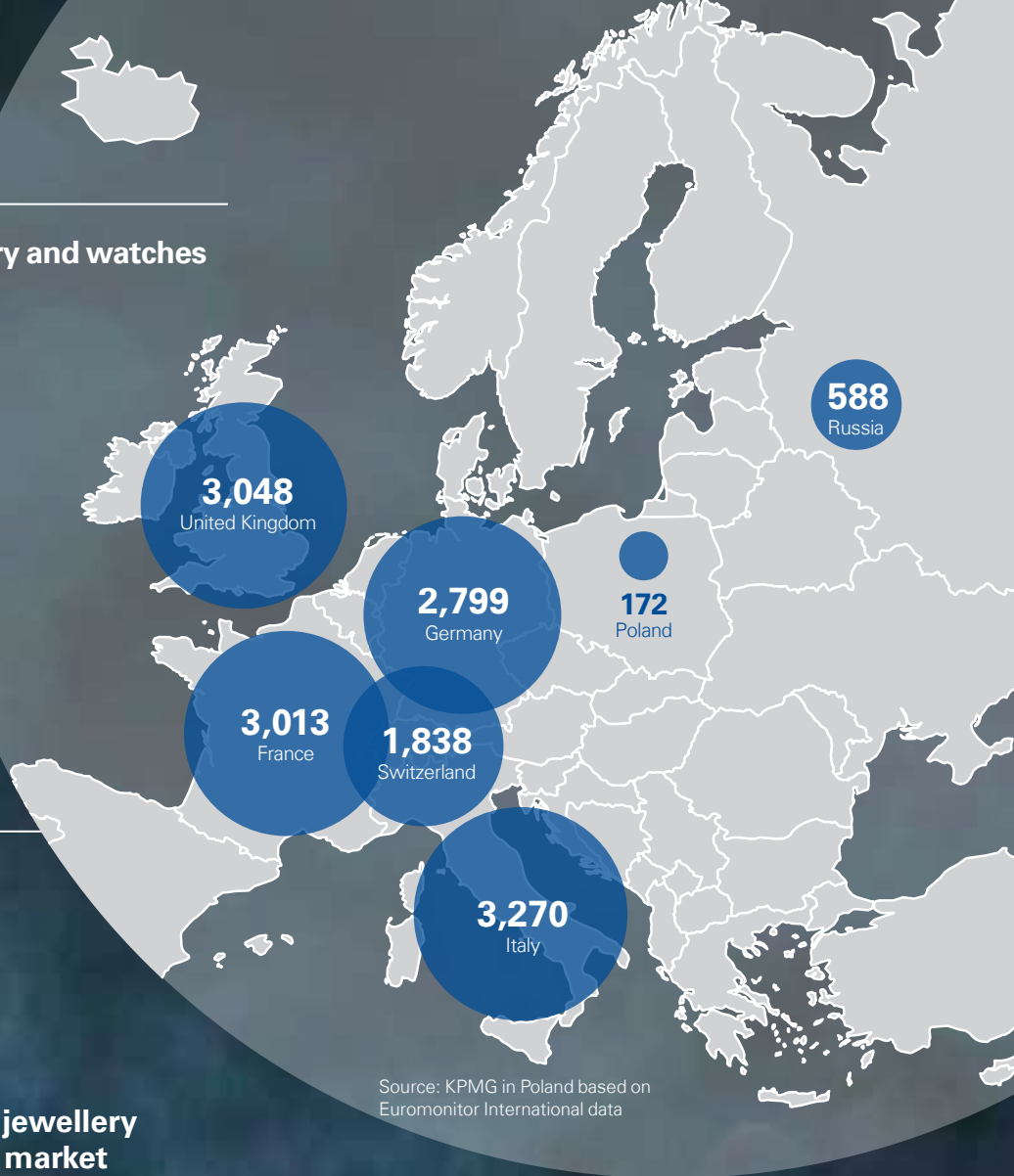


**the value of the luxury jewellery
market is generated by women's luxury
jewellery**



**all luxury watches are luxury men's
watches**

The value of the luxury jewellery and watches market in selected countries
(total, EUR million, 2018)



Source: KPMG in Poland based on Euromonitor International data

Luxury jewellery accounts for almost

2/3

of the luxury jewellery and watches market

Average annual growth of the luxury jewellery and watches market in 2018–2023



PREDICTED MARKET VALUE
IN 2023 WILL EXCEED
PLN 1.2 BILLION



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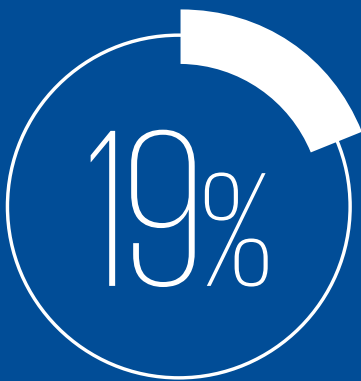
The jewellery and watches market in Poland

Estimated data for 2018 for the entire segment

The value of the jewellery and watches market is likely to reach

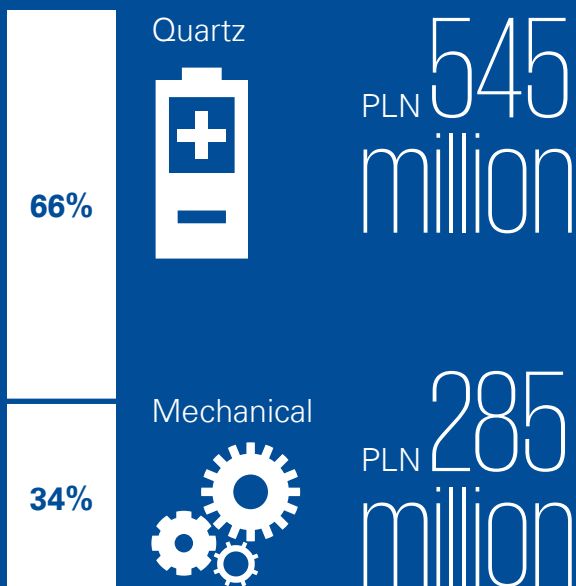
PLN 3.8 billion

Luxury jewellery and watches represent

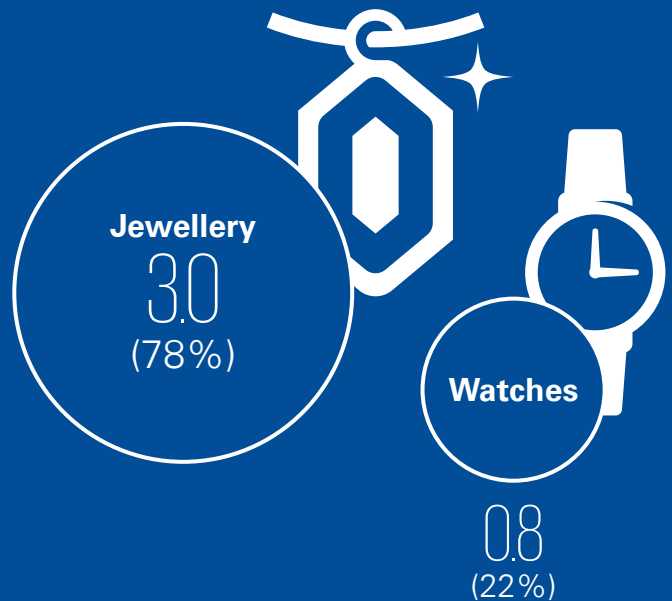


of the entire jewellery and watches market

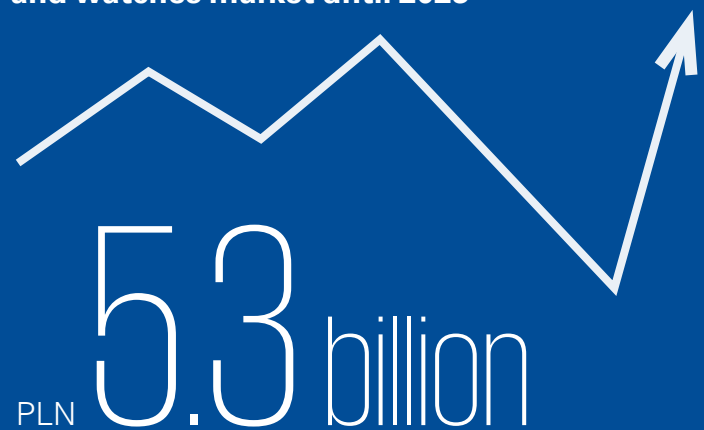
The value of the watch segment by type of mechanism



The value and market share (%) (PLN billion)



The projected growth of the jewellery and watches market until 2023



Source: KPMG in Poland based on Euromonitor International data.



As Poles are growing more affluent and generally change their perception of jewellery products, we gain new customers each year. However, we would not benefit from this trend so much without our insights into the changing trends and consumer needs. Today's customers are looking for interesting design, and distinctive products to express themselves. The jewellery stores are visited not only by people looking for traditional products, but also by the generation of digital natives, who want to show off and distinguish themselves from their peers. At W.KRUK, we understand this trend, which is why we leverage our potential resulting from our brand's long tradition to create modern, attractive and affordable products. Young men are another interesting group that has been growing dynamically in recent years: they tend to buy top class watches at earlier stages of their lives. They become loyal customers and, after the first purchase, they come back for more models of watches. Customers interested in modern W.KRUK accessories are a new, important group for us: we offer design and workmanship quality comparable to products from foreign selective brands. We have been developing this category since 2016, recording multiple growth every year.

In the long run, the luxury goods market in Poland has a very large development potential within several years. Of course, as warned by some analysts, a temporary fluctuation due to macroeconomic factors is likely. However, the market for luxury jewellery and watches is so specific that, unlike cars or new technologies, these categories do not lose value over time. An investment in a Rolex watch or diamond jewellery can be among the most reliable ones in difficult times. Seeing the high growth potential in the coming years, we invest in the brand experience and the W.KRUK's range. In 2016, we introduced a new flagship showroom concept, which we have consistently launched in major cities and locations. As an exclusive Rolex representative, we have been developing a chain of W.KRUK Rolex boutiques since 2004, offering luxury jewellery and top quality watches. For some of them, people in Poland and all over the world have to wait for even a few years. And still, the waiting list is not empty. The representative office of the most famous watch brand in the world and the level of services we offer means we are credible for international super premium brands that we would like to launch on the Polish market. We have planned several important premieres for 2019. They involve long-term investments: financially, in terms of image, and in the area of customer relations, where we prove that the experience of purchasing the most famous brands abroad is not different in terms of the service quality or expertise offered by W.KRUK.

Radosław Jakociuk
President of the
Management Board
W.KRUK



The luxury goods market in Poland has an enormous potential as the Polish society has been growing ever more wealthy. Poles are highly informed consumers of jewellery products, so we look to the future with optimism. Purchases are increasingly made online, which is reflected in the growing number of orders placed in our online store. In response to the evolving needs of our customers, we introduce new technological solutions that support sales and enhance communication. Each year, we conduct comprehensive surveys of the target group in YES stores. Over the years, the customer image has not undergone any significant changes: our stores are most frequently visited by women who choose jewellery for themselves.

Monika Klejewska
Director of Marketing
Department
YES

Cosmetics and perfume

According to estimates, the value of the luxury cosmetics and perfume market will reach 650 million PLN in 2018. This represents an increase of 5% compared to the previous year. Like the luxury jewellery and watches market, this is a fairly small segment, yet characterised by increasing growth dynamics.

The largest share in this category is held by perfume, which accounts for almost 60% of the total value of the luxury cosmetics and perfume segment. Colour cosmetics are becoming increasingly important as the fastest growing subcategory of the luxury cosmetics and perfume segment. Its value will increase by 7.6% versus 2017, and it may increase by more than 50% by 2023.

The value of this category will continue to grow in the near future. The average annual growth rate in 2018–2023 will stand at 6.2%, and the market will reach the estimated value of PLN 877 million in 2023.

Despite the growing demand for these products in Poland, the Polish market is still small in comparison with the largest European countries. For example, the value of this segment in France is about 17 times higher.

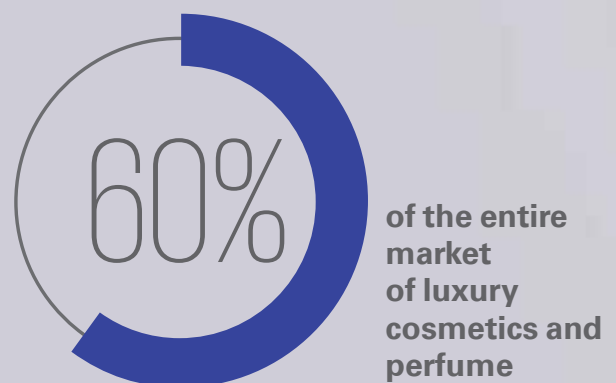
The value of the luxury cosmetics and perfume market in 2018 is estimated at

PLN 650 million

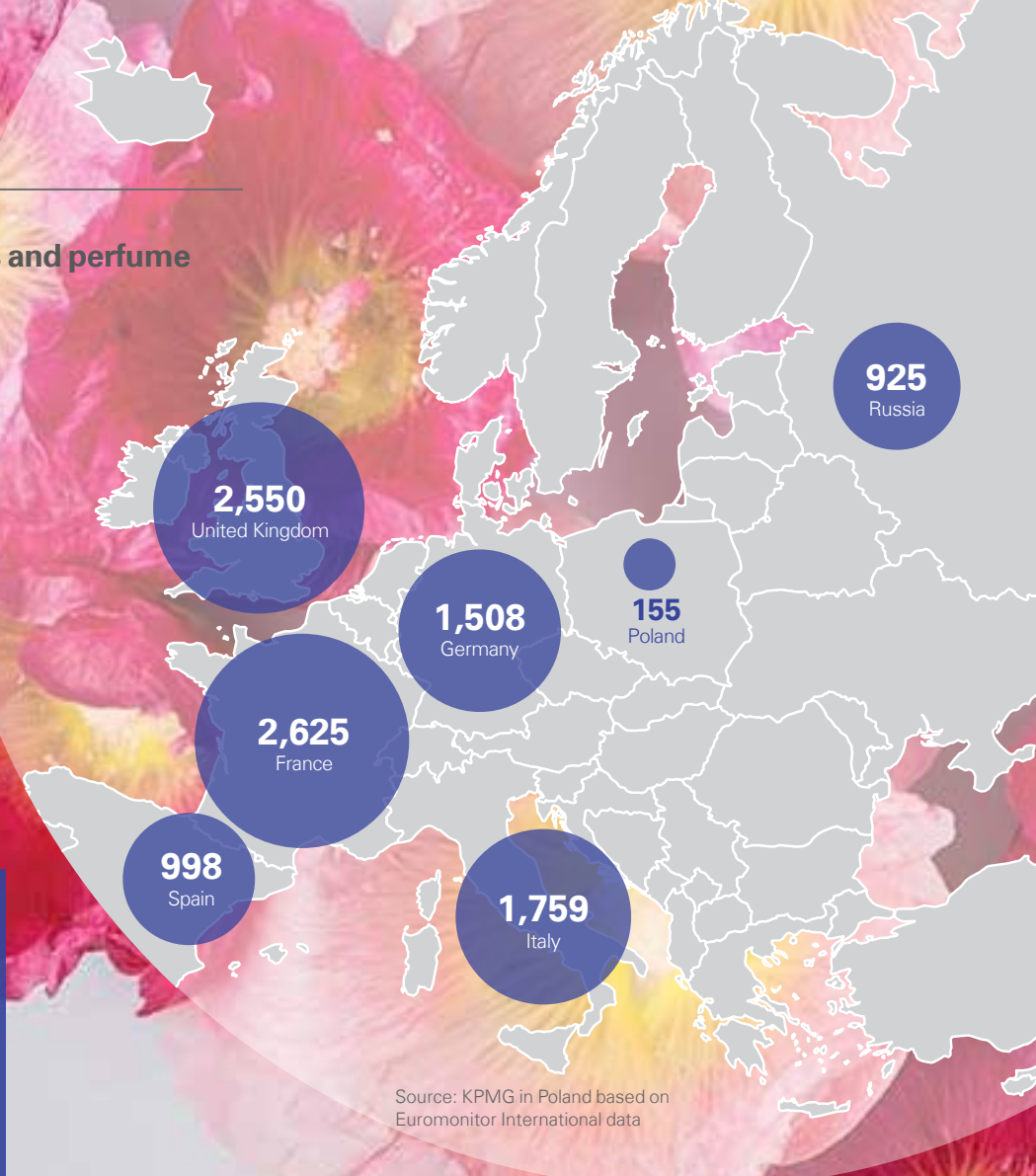
Estimated average annual growth of the luxury cosmetics and perfume market in 2018–2023



Luxury perfume represents



The value of luxury cosmetics and perfume market in selected countries
(total, EUR million, 2018)



Source: KPMG in Poland based on Euromonitor International data

THE FRENCH

MARKET OF LUXURY COSMETICS AND PERFUME IS 17 TIMES BIGGER THAN THE POLISH MARKET.

Colour cosmetics are becoming increasingly popular. In 2018, they achieved growth of

7.6%_{y/y}



THE PROJECTED MARKET VALUE IN 2023 WILL REACH

PLN 877 MILLION



The cosmetics and perfume market in Poland

Estimated data for 2018 for the entire segment

The value of the cosmetics and perfume market may reach

PLN **18.3** billion

The fastest growing segment

colour
cosmetics



recorded an increase of 50% in 2012–2018

Luxury cosmetics and perfume represented



of the entire cosmetics and perfume market

Men will spend



PLN **838** million
on shaving products
and accessories

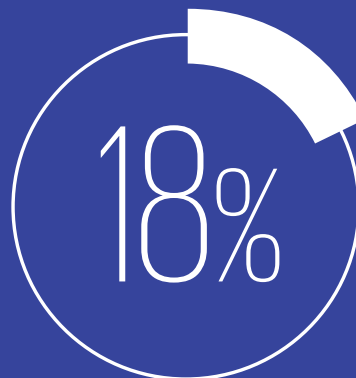
The largest segment:

skincare
products



PLN 4 billion, 22% of the total market

Hair care products represent



of the value of the entire cosmetics
and perfume market

Source: KPMG in Poland based on Euromonitor International data.



Joanna Łodygowska
Head of Communication
Department
Dr Irena Eris

The Polish market of luxury perfume and cosmetics is still several times smaller in comparison with Western European markets. However, it has been steadily growing for many years. If we look at the growth forecasts from a few years ago, we can see that this growth is higher than expected. The growing number of affluent Poles will drive the demand for this and other categories. Consumers of luxury goods attach the highest importance to the highest quality and quality of customer service. One year after the opening of the first Dr Irena Eris Concept Store, the section devoted to premium brands in Warsaw's Galeria Mokotów has fulfilled its role. Customers appreciate the display of products, and their innovativeness, which we can communicate through professional, reliable advice. They also appreciate the exceptionally elegant interior place where they explore all areas where Dr Irena Eris brand is active. We have a large group of loyal customers who come regularly. Today, loyalty is no longer merely a virtue: it has turned into measurable business value. The luxury brand is expected to offer much more, particularly unique experience. And this is what we offer in our Dr Irena Eris Concept Store but also in other touchpoints, such as Dr Irena Eris Cosmetic Institutes or Dr Irena Eris SPA Hotels. The unique experience and innovation are very important to us. The Dr Irena Eris brand is one of the few brands in Europe with its own research facilities. We constantly invest in science, which generates new patents and new, technologically advanced and safe products. Dr Irena Eris is still the only non-French brand in the Comité Colbert association of luxury brands, alongside brands such as Chanel, Cartier, Hotel Ritz and Louis Vuitton.





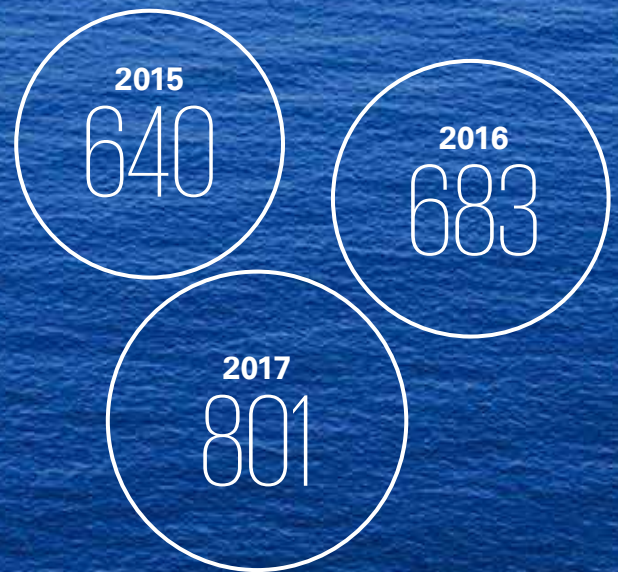
Yachts

Yachting yards in Poland are among the most modern facilities in Europe. The boats produced there are known and appreciated all over the world for their quality, design, state-of-the-art solutions and many years of experience in the production of such vessels.

Polish shipyards specialise in the production of motor yachts with a length of up to 9 meters. In terms of production volume, Poland is the leader in Europe, ranking second in the world (after the USA). Luxury yachts enjoy a special popularity. In 2017, the leading manufacturers sold a total of 801 vessels of this type. Compared to 2016, their number increased by 118, and by 161 versus 2015. Thanks to new investments, Polish yacht manufacturers have been able to increase their production capacity, increasingly focusing on improving and introducing innovations in the production of the most prestigious vessels.

Each year, the models produced are ever more expensive and more luxurious. Given the high prices, the demand for luxury yachts in Poland is quite limited, which is why most of the output is exported. The main sales destinations for Poland-made luxury yachts are: the United States, Western Europe, Russia and the Middle East, where they enjoy great popularity and recognition.

Number of luxury vessels sold by leading Polish yacht manufacturers



Source: KPMG in Poland based on Polboat data.

Main export destinations for Polish yachts



Source: KPMG in Poland based on Polboat data.



Over the years, we have observed a growing interest in both Sunreef Yachts catamarans and charter services among Polish customers. We hope that this trend will persist. We meet ever more Poles at nautical fairs all over the world, which proves, among others, that they are developing interest in the yacht industry, which was previously available only to a highly restricted group of users, mostly for budget reasons. We are convinced that the coming years will see a higher number of Polish owners of various types of vessels. In the last 3 years, we acquired four new customers from Poland, whereas during the years 2002–2015 we only had one owner from Poland.

Worth mentioning is that we produce a total of 12 to 20 sailing and motor boats each, and the cost of a single vessel starts from EUR 1.5 million.

Karolina Paszkiewicz–Kołacz
PR & Marketing Director
Sunreef Yachts



An increasing number of customers buy luxury goods. This group is constantly expanding. Entrepreneurs who used to be smaller have grown enough to afford a yacht (although we are aware that this change is more visible when it comes to expensive cars or apartments). The larger ones, on the other hand, switch to larger vessels. We can see it by the size of the yachts sold by the leading manufacturers.

The industry still remembers the deep crisis of 2008 and is cautious about the market prospects in the coming years. On the one hand, we increasingly hear that the economy is going to slow down, with a crisis expected in 2–3 years. On the other hand, some analysts predict that the market will thrive for even 5 years. Perhaps without spectacular leaps but the growth will be steady.

To sum up, Polish yacht-making companies take a careful stance, show caution when taking debt for investments and try to make the most of the favourable economic situation.

Sebastian Nietupski
President
POLBOAT
Polish Chamber of Marine
Industry and Water Sports







With the increasing level of wealth in the Polish society, the number of owners of sailing and motor yachts has increased year after year. In the past, only sailing enthusiasts were customers. At present, regulations (depending on, e.g. the body of water or the length of the vessel) allow people to sail even 12-metre yachts without any permissions.

The growing infrastructure (modernised and new marinas), technical facilities and repair service as well as the provision of top quality services drive buyers' interest in boats.

For some customers, a yacht is a dream that they can afford to fulfil only after reaching a certain financial threshold. For others, a yacht is an alternative luxury good versus a summer residence or sports car. Yet others see a yacht as a way to invest their capital.

Charter companies in Poland are a large group of buyers: in view of the growing interest in yachting, they expand their range by adding new vessels. In order to effectively compete on the market, they make efforts to replace the older vessels with new ones.

Ewa Kot
Member of the
Management Board
POLBOAT
Polish Chamber of Marine
Industry and Water Sports

At present, we have not seen any signs of a slowdown in the luxury goods market. The leading Polish shipyards have engaged their production capacity for at least 2 years. The number of yachts registered in Poland has been rising. This is undoubtedly conducive to the further expansion of marinas, servicing companies and the industry as a whole.

Of course, in order to grow, we must expand our pool of buyers and try to attract new groups of customers to yachting.





Aircraft

According to the Civil Aviation Authority, Poland has 1,305 aircraft and 221 helicopters registered by natural persons and companies. Aircraft represents an expensive investment and the number of private aircraft is quite small. Most of the newly registered airplanes and helicopters belong to companies: more than 81% of flying machines are owned by companies.

Despite the high price, the number of new registrations has increased year after year. Compared to 2017, there are 49 more aircraft in 2018, with an increase by 70 since 2016. Private airplanes are considered to be among the most luxurious goods. In addition to high-speed transport, private individuals acquire these goods for safe travel. In addition, the growing infrastructure, improved quality and design of the machines supplied by manufacturers, as well as an increasing number of schools and airports mean that the interest in this market continues to grow.

273

airplanes are registered by natural persons in Poland*

*As at November 2018.

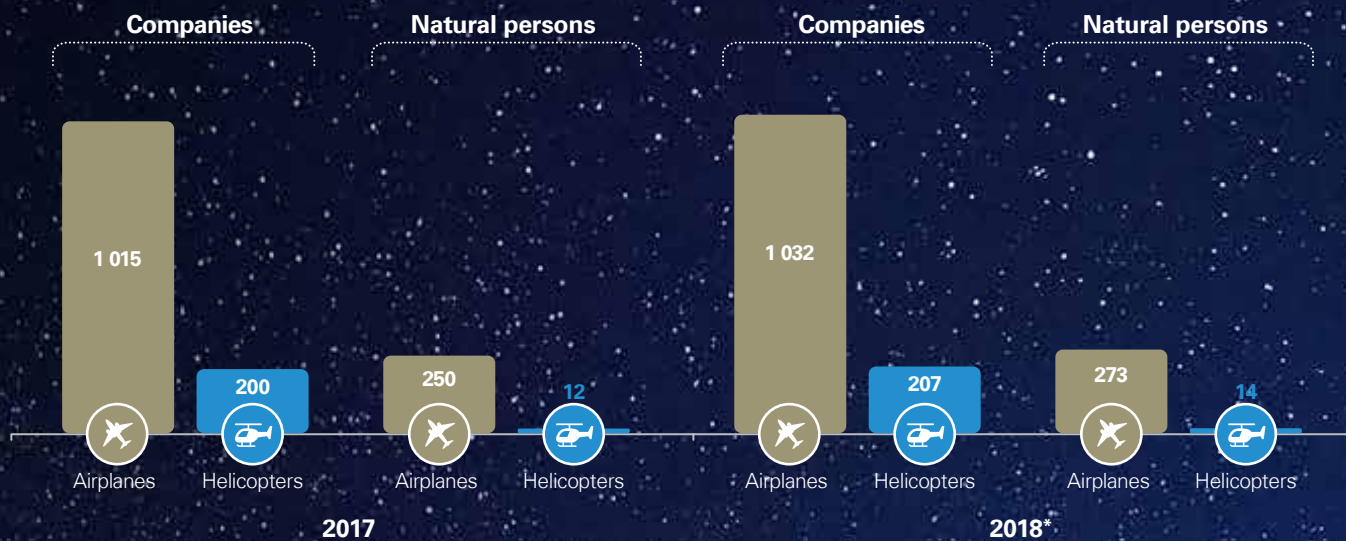


Private planes are still rare in the Polish skies. Only a small number of people can afford to own such a machine exclusively. For years, fractional ownership programmes have been popular around the world. This idea allows people to experience luxury in its purest form while incurring much lower acquisition and maintenance costs of the aircraft, as they are spread over all members of the programme. One advantage of this solution is that shareholders have access to all aircraft offered under the programme. In the case of the largest operator in the world, even several hundred airplanes are available.

One of the limitations of owning an aircraft, especially in the last few years, has been the limited availability of skilled pilots, as airlines and large operators of aircraft compete for them. As a result, airplanes are increasingly not sold to individual buyers for this very reason.

Marek Gajdziński
Partner
KPMG in Poland

Number of aircraft and helicopters registered in Poland



Source: KPMG in Poland based on data from the Civil Aviation Authority in Poland.
*As at November 2018.



The following data sources were used in this report:

- Credit Suisse;
- Euromonitor International (the data used in the report are as of October 2018);
- GUS (Central Statistical Office of Poland);
- Ministry of Finance, Poland;
- National Bank of Poland;
- Polish Automotive Industry Association;
- Polboat;
- Civil Aviation Authority in Poland;
- Poland Sotheby's International Realty.

Contact



KPMG Sp. z o.o.

ul. Inflancka 4A
00-189 Warsaw
T: +48 22 528 11 00
F: +48 22 528 10 09
E: kpmg@kpmg.pl

Andrzej Marczak

Tax
Partner
E: amarczak@kpmg.pl

Tomasz Wiśniewski

Advisory
Partner
E: twisniewski@kpmg.pl

Magdalena Maruszczak

Marketing & Communications
Director
E: mmaruszczak@kpmg.pl

KPMG.pl

KPMG offices in Poland

Warsaw

ul. Inflancka 4A
00-189 Warsaw
T: +48 22 528 11 00
F: +48 22 528 10 09
E: kpmg@kpmg.pl

Kraków

ul. Opolska 114
31-323 Kraków
T: +48 12 424 94 00
F: +48 12 424 94 01
E: krakow@kpmg.pl

Poznań

ul. Roosevelta 22
60-829 Poznań
T: +48 61 845 46 00
F: +48 61 845 46 01
E: poznan@kpmg.pl

Wrocław

ul. Szczytnicka 11
50-382 Wrocław
T: +48 71 370 49 00
F: +48 71 370 49 01
E: wroclaw@kpmg.pl

Gdańsk

al. Zwycięstwa 13A
80-219 Gdańsk
T: +48 58 772 95 00
F: +48 58 772 95 01
E: gdansk@kpmg.pl

Katowice

ul. Francuska 36
40-028 Katowice
T: +48 32 778 88 00
F: +48 32 778 88 10
E: katowice@kpmg.pl

Łódź

ul. Składowa 35
90-127 Łódź
T: +48 42 232 77 00
F: +48 42 232 77 01
E: lodz@kpmg.pl

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