

## **Profitability change trends in the wood sector in Poland in the years 2008-2014**

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**Abstract:** The study presents profitability change trends in the wood sector enterprises in Poland. The comparative analysis was conducted in three industries: wood, furniture and pulp and paper. The changes have been presented in contrast to industry in total and industrial processing which comprises wood sector enterprises. The study covered the years 2008-2014. The ratios under analysis are: return on sales, profitability rates of gross and net turnover.

*Keywords:* industry, industrial processing, wood sector, enterprises, profitability

### INTRODUCTION

The business environment and sources of competitiveness in the woodworking industry have changed notably since the 1990s. In internationalized markets, wood products and raw materials are traded globally and competitiveness of the companies can no longer be built on abundant forest resources within national boundaries [Lähtinen K. 2007, p. 149]. The functioning of Polish economy in market conditions influenced the increase in international trade exchange. The merchandise of wood sector industry is of significant importance in Polish foreign trade [Ratajczak E., Szostak A., Bidzińska G. 2008, p. 100]. In particular, Polish wood has a great potential. In 2014 it reaches the eighth position among all global furniture manufacturers. Ahead from Poland, starting from the highest position are: China, the USA, Italy, Germany, Japan, Brazil and Great Britain [Więckowska M. 2014, p. 96]. Every year almost 90% of furniture sold production is destined for export. Moreover, as one of the very few sectors of Polish industry, the furniture industry yields a positive commercial balance that is the value of products sent abroad greatly exceeds the value of imported products [Grzegorzewska E., Nizialek I., Więckowska M. 2014, p. 13]. Other branches of the wood sector also play an important role in Polish economy. Due to the above, it is of great significance to keep a certain level of profitability for a longer period of time in companies that constitute this sector. It has an even greater meaning as in times of ongoing globalisation of the world economy all markets are tightly bound.

### OBJECTIVE AND RESEARCH METHODOLOGY

This article aims to define change trends in the profitability of wood sector enterprises. The research covers the years 2008-2014. The primary source of research material were the reports entitled 'Financial results of economic entities' published annually by the Central Statistical Office (GUS). The research comprises the industries that constitute the wood sector, that is the wood, furniture and pulp and paper industries. The analysis has been set against industrial processing and industry in total. The research presents changes in the values of chosen ratios of profitability, that is: return on sales ratio, profitability rates of gross and net turnover (table 1).

Table 1. Profitability ratios under analysis.

Itemisation	Numerator	Denominator
Return on sales	Financial result on sales	Revenues from total activity
Gross turnover profitability rate	Gross financial result	Revenues from total activity
Net turnover profitability rate	Net financial result	Revenues from total activity

Source: 'Financial results of economic entities 2014'

## RESEARCH RESULTS

From the research conducted by the Central Statistical Office it follows that in the years 2008-2014 the return on sales ratio in industry decreased from 5.1% to 4.5%. A smaller fall in profitability in this field was noted in industrial processing. At the end of the analysed period the ratio amounted to 5.1%. Among the companies of the wood sector the greatest return on sales ratio was noted in the pulp and paper industry. In the analysed period it increased from 7.7% to 9.4%. As regards the furniture industry the return on sales almost doubled from 3.3% to 6.2%. Similar tendencies were visible in companies manufacturing wood and wood products. At first the return on sales ratio amounted to 4.3%, and at the end of the analysed period it was 6.5%.

Table 2. Return on sales ratio in wood sector compared to industrial processing and industry in total in the years 2008-2014.

Itemisation	2008	2009	2010	2011	2012	2013	2014
Total industry	5.1	5.0	5.1	5.2	4.3	4.3	4.5
Industrial processing	5.3	5.4	5.2	5.5	4.6	4.9	5.1
Wood industry	4.3	5.5	3.9	5.5	4.0	5.4	6.5
Furniture industry	3.3	7.5	6.2	5.1	4.6	6.3	6.2
Pulp and paper industry	7.7	9.5	7.2	7.8	8.1	9.0	9.4

Source: 'Financial results of economic entities' 2008-2014

In 2008 the relation between gross financial result and revenues from total activity was at its lowest in companies operating in wood industry and amounted to 2.0%. In the analysed period there was a visible increase in gross profitability – in 2004 the ratio was at the level of 6%. Similar tendencies were noted in furniture industry – the relation between gross financial result and revenues from total activity rose from 2.4% to 6.1%. Again in the wood sector the greatest ratios were noted in pulp and paper industry. Gross profitability of the companies increased from 6.6% to 9.4% and was much higher than in total industry and industrial processing.

Table 3. Gross turnover profitability rate in the wood sector compared to industrial processing and industry in total, 2008-2014.

Itemisation	2008	2009	2010	2011	2012	2013	2014
Total industry	4.3	4.9	5.3	4.9	4.3	4.5	4.4
Industrial processing	3.8	4.8	5.1	4.9	4.5	4.8	4.4
Wood industry	2.0	3.5	2.8	4.0	4.0	5.1	6.0
Furniture industry	2.4	6.2	6.0	4.7	4.7	6.2	6.1
Pulp and paper industry	6.6	9.2	7.4	7.1	8.6	9.2	9.4

Source: 'Financial results of economic entities', 2008-2014.

As regards the relation between net financial result and revenues from total activity, again the lowest results were observed in the manufacture of wood and wood products. It needs to be emphasised that in the analysed period net profitability of the companies in question increased greatly, that is from 1.3% to 5.6%. In companies operating in the pulp and paper industry the net profitability ratio was at its highest again. In the analysed period the relation in question increased from 5.6% to 8.5% and greatly exceeded the level noted for total industry as well as industrial processing.

Table 4. Net turnover profitability rate in the wood sector compared to industrial processing and industry in total, 2008-2014.

Itemisation	2008	2009	2010	2011	2012	2013	2014
Total industry	3.4	4.1	4.4	4.0	3.5	3.8	3.7
Industrial processing	3.0	4.0	4.3	4.1	3.8	4.2	3.8
Wood industry	1.3	2.9	2.0	3.2	3.5	4.3	5.4
Furniture industry	1.7	5.3	5.0	4.1	4.1	5.4	5.6
Pulp and paper industry	5.6	8.2	6.4	6.5	7.7	8.4	8.5

Source: 'Financial results of economic entities', 2008-2014.

## CONCLUSIONS

Wood sector plays an important role in Polish economy. It particularly applies to the furniture branch with 90% of its production heading abroad. Economic situation in foreign markets may then influence the level of profitability of Polish entrepreneurs operating in the wood sector.

From the analysis conducted by the Central Statistical Office it follows that the return on sales ratio increased in all branches of wood sector (9.4%). However, what needs to be emphasised is the doubling of the rate in the furniture branch while in industry the return on sales decreased.

Similar tendencies were noted as regards the gross and net turnover profitability rates. Similarly, in the whole analysed period the pulp and paper section turned out to be the most profitable. What needs to be emphasised is the fact that the discrepancy in relation to profitability of the wood and furniture industries reduced. It needs to be noted that profitability of gross and net turnover of all the branches constituting the wood sector has

increased greatly since 2013 and its level has been visibly higher than in industrial processing and total industry.

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**Streszczenie:** W opracowaniu zaprezentowano tendencje zmian w poziomie rentowności przedsiębiorstw sektora drzewnego w Polsce. Analizę porównawczą przeprowadzono w przemyśle drzewnym, meblarskim i celulozowo-papierniczym. Przedstawiono zmiany na tle przemysłu ogółem i przetwórstwa przemysłowego, do którego zaliczane są przedsiębiorstwa sektora drzewnego. Badaniami objęto lata 2008-2014. Wśród wskaźników poddanych analizie znalazły się: wskaźnik rentowności ze sprzedaży, wskaźnik rentowności obrotu brutto i wskaźnik rentowności obrotu netto.

*Słowa kluczowe:* przemysł, przetwórstwo przemysłowe, sektor drzewny, przedsiębiorstwa, rentowność

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