



**NBP**

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Narodowy Bank Polski

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No. 01/18 styczeń 2018

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# **NBP Quick Monitoring Survey**

Economic climate in the enterprise sector. Summary

Economic Analysis Department

## Summary

In the second half of 2017, enterprises recorded high demand. In 2017 Q3 revenues from sales grew, with domestic sales growing stronger, while export growth was slightly slower. Assessments of demand in 2017 Q4 were also favourable, as was the outlook for 2018 Q1.

Growth in labour costs picked up in 2017 Q3 as a result of higher (than in the previous quarter) wage growth in the enterprise sector, which was accompanied by further growth in employment. At the same time, more companies indicate problems finding employees with suitable qualifications. The forecasts of enterprises indicate the continuation of growth in demand for labour and wage growth in 2018 Q1.

Data for 2017 Q3 indicate a slowdown in the negative trend of profitability ratios observed in recent quarters. The increased profits and profitability were the result of rising sales; however, at the same time profits were held back by rising costs of commodities and labour costs. In light of the results of the NBP Quick Monitoring Survey, in 2017 Q4 the situation of enterprises improved, but enterprises expect a slight deterioration in their economic condition in 2018, particularly at the beginning of the year. Despite an appreciation of the currency in recent months, the exchange rate continues to be a factor supporting the profitability of enterprises in the medium term.

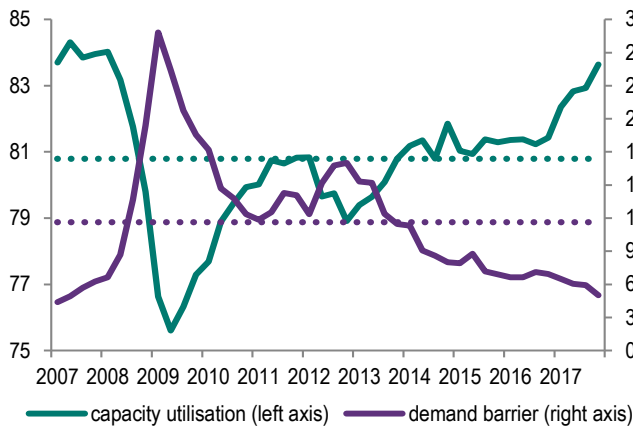
In 2017 Q4, producer prices in industry grew in quarterly terms, although annual growth of the PPI index was lower than in the previous quarter. The forecasts of the surveyed enterprises indicate the continuation of growth trends in the prices of materials and commodities, as well as own prices in 2018 Q1.

Investment in the medium and large enterprises sector grew in real terms by only 0.1% y/y in 2017 Q3, slower than investment growth in the national economy (3.3% y/y), which was to a large extent the result of the decline in investment in the energy sector. In costs by type of expense, only investments in transport equipment increased. A cyclical decomposition of investment growth showed a positive contribution of the cyclical component, and at the same time investment will be supported by the growing use of EU funds. According to the results of the NBP Quick Monitoring Survey, enterprises intend to make far more new investments than they declared in last year's plans, although this will not be at the beginning of the year. Moreover, the planned investments are to a lesser extent aimed at expanding productive capacity. Above all, it is enterprises from the public sector and sectors with high use of EU funds that are announcing growth in investment activity.

The level of financial safety in the enterprise sector remains high. The credit indebtedness of enterprises is rising steadily, accompanied by the continued high concentration of credit. Own funds continue to play a greater role in financing the development of enterprises. The results of the NBP Quick Monitoring Survey indicate that in 2017 Q4 the percentage of enterprises applying for credit rose, but at the same time the percentage of approved applications fell. Forecasts for 2018 Q1 suggest no significant changes in the needs of the enterprise sector for bank finance. In 2017 Q3 the ability of enterprises to service credit remained high.

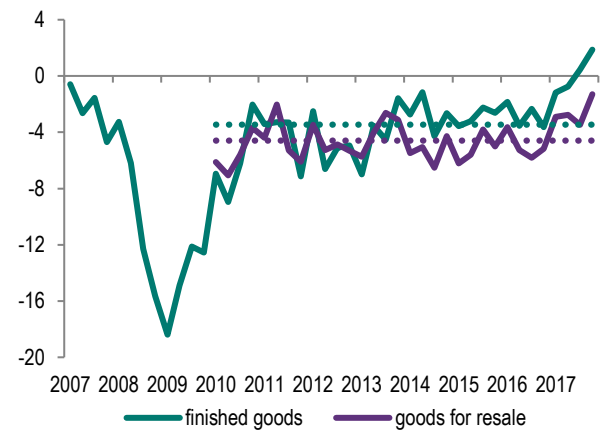
Although liquidity ratios for the enterprise sector remain at a safe level, in 2017 Q3 they fell slightly. The importance of trade credit to finance current operations also increased.

**Figure 1 Demand barrier and capacity utilisation**



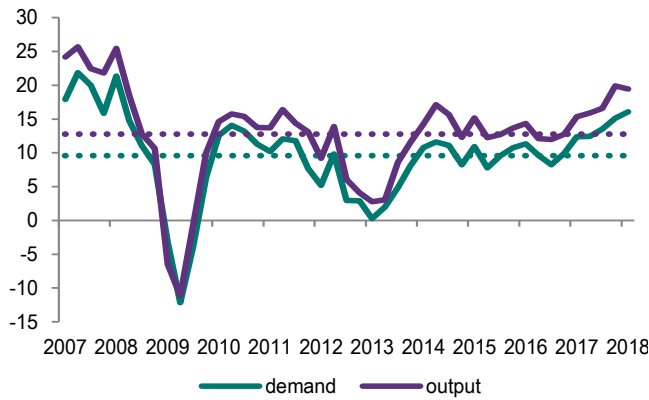
Source: NBP Quick Monitoring Survey

**Figure 2 Inventory gap**



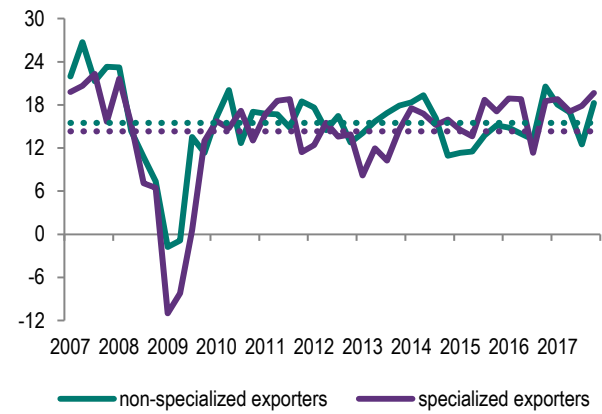
Source: NBP Quick Monitoring Survey

**Figure 3 Forecasts of demand and output**



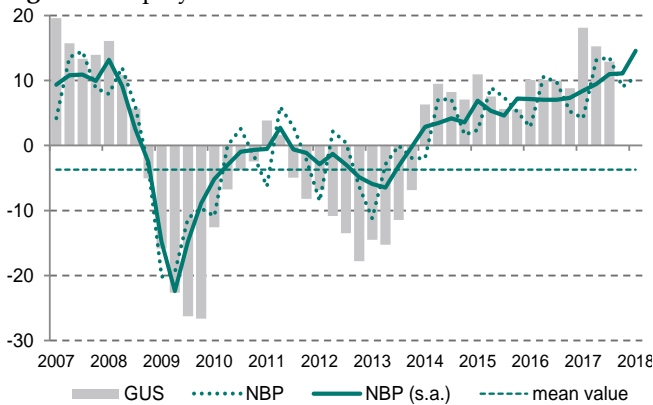
Source: NBP Quick Monitoring Survey

**Figure 4 Export forecasts**



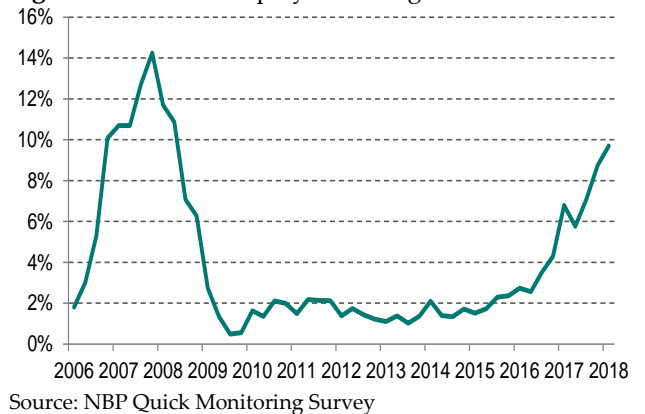
Source: NBP Quick Monitoring Survey

**Figure 5 Employment forecasts**



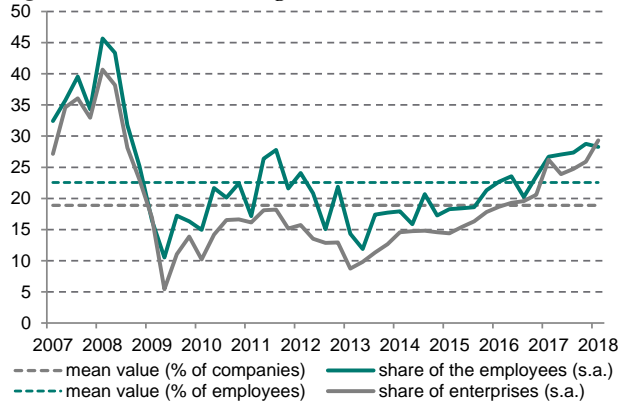
Source: NBP Quick Monitoring Survey and GUS data on financial performance

**Figure 6 Barrier of employee shortages**



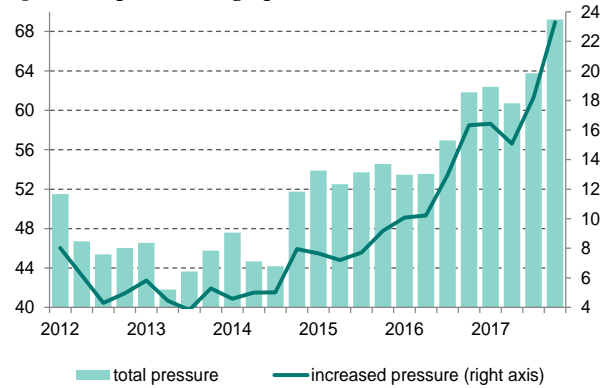
Source: NBP Quick Monitoring Survey

**Figure 7** Forecasts of wage increases



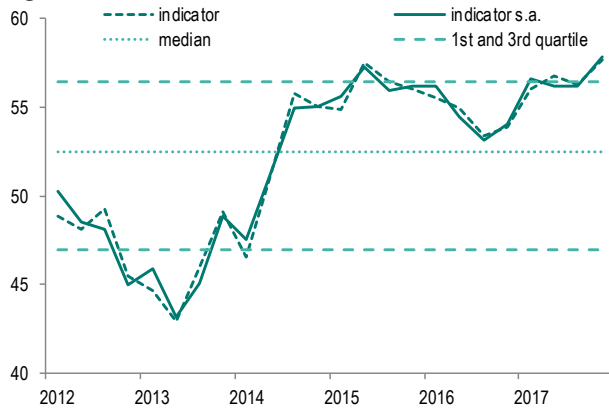
Source: NBP Quick Monitoring Survey

**Figure 8** Upward wage pressure



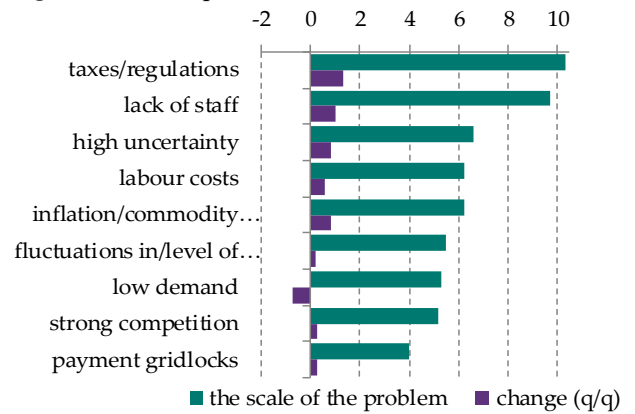
Source: NBP Quick Monitoring Survey

**Figure 9** Assessment of the economic situation



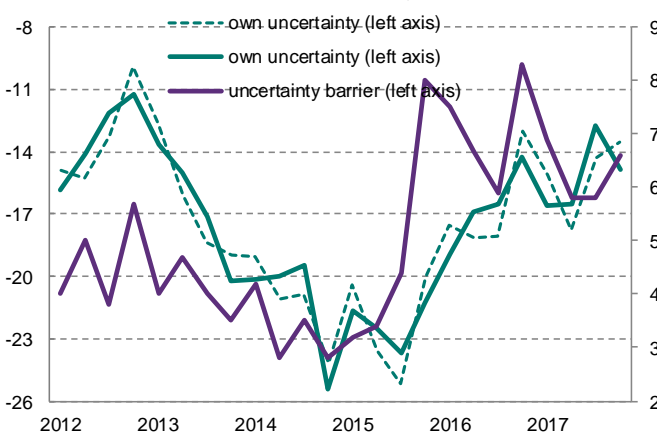
Source: NBP Quick Monitoring Survey

**Figure 10** Development barriers



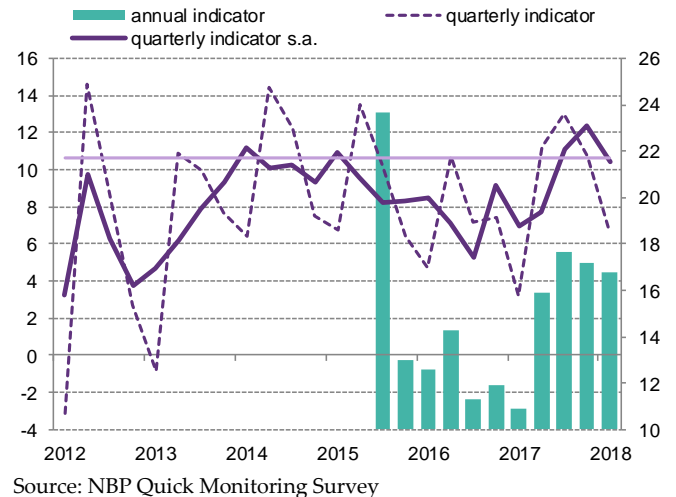
Source: NBP Quick Monitoring Survey

**Figure 11** Assessment of uncertainty



Source: NBP Quick Monitoring Survey

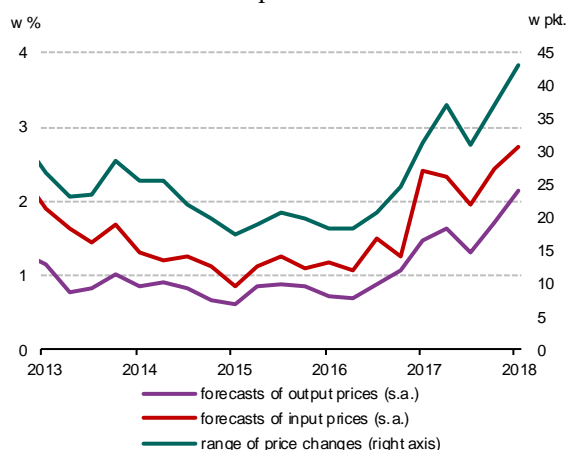
**Figure 12** Quarterly and annual forecasts of the economic situation



Source: NBP Quick Monitoring Survey

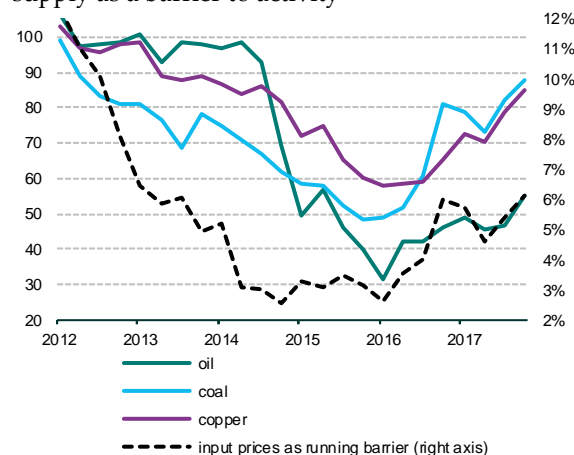
Summary

**Figure 13** Expectations of higher prices of materials, commodities and own prices



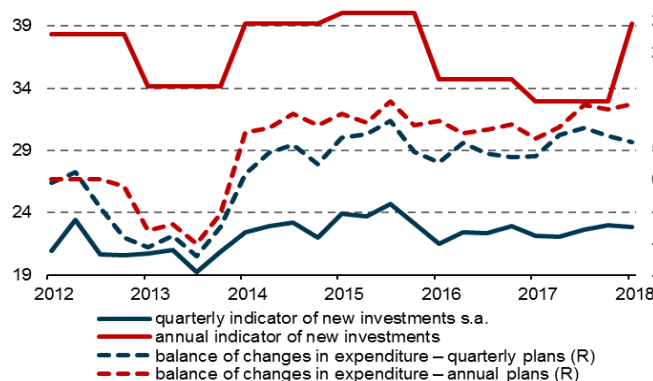
Source: NBP Quick Monitoring Survey

**Figure 14** Commodity prices (USD) and prices of supply as a barrier to activity



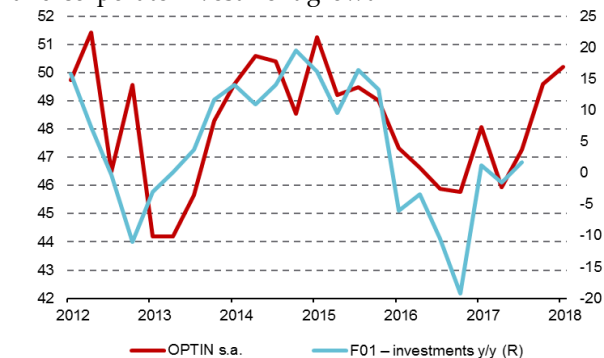
Source: NBP Quick Monitoring Survey, Bloomberg

**Figure 15** Forecasts of new investments and the level of fixed capital formation



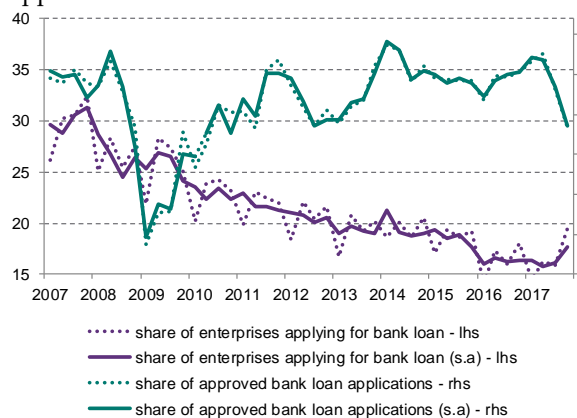
Source: NBP Quick Monitoring Survey

**Figure 16** General assessment of investor optimism and corporate investment growth in



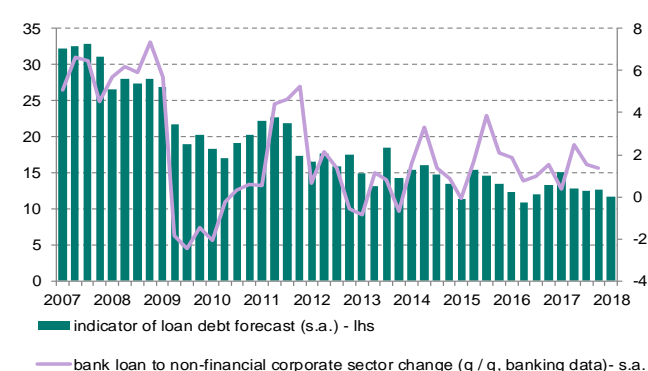
Source: NBP Quick Monitoring Survey, GUS data on financial performance

**Figure 17** Percentage of filed and approved loan applications



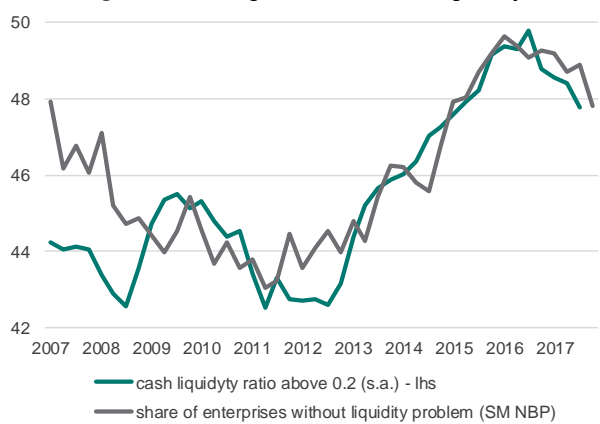
Source: NBP Quick Monitoring Survey

**Figure 18** Index of forecasted demand for credit



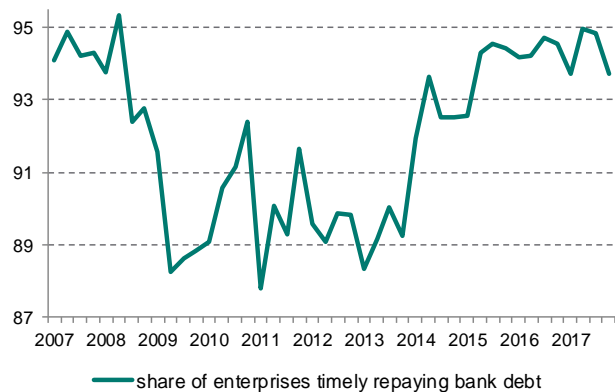
Source: NBP Quick Monitoring Survey, NBP bank statistics

**Figure 19** Enterprises' financial liquidity



Source: NBP Quick Monitoring Survey, GUS data on financial performance

**Figure 20** Ability to service bank loans



Source: NBP Quick Monitoring Survey

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Warsaw, 2018