

No. 03/18 July 2018

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# **NBP Quick Monitoring Survey**

**Economic climate in the enterprise sector. Summary**

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## Summary

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In 2018 Q1 demand in the enterprise sector remained solid, despite a fall in sales revenues, particularly from export sales. In 2018 Q2, according to the declarations of enterprises, demand was also assessed as strong. This is confirmed by, among others, the high capacity utilisation. However, it is distributed unevenly, among others, across sectors – the highest capacity utilisation is observed in construction. The outlook for demand in 2018 Q3 also remains good, in relation to both domestic and foreign sales.

In 2018 Q1 costs in the enterprise sector grew faster than revenues. Labour costs grew the fastest; however, this was not translated into a significant increase in their share in total costs. Both rising unemployment and rising wages contributed to the growth in labour costs. According to the declarations of enterprises, in 2018 Q2 there were growing problems filling job vacancies. However, compared to the second quarter, plans for 2018 Q3 suggest slightly lower recruiting needs and slower wage growth. Although the pressure on wage growth will remain high, it should not intensify in the near future.

In 2018 Q1 a decline in both the financial results and profitability in the enterprise sector was noted. Operating costs rose faster than revenues – mainly due to negative exchange rate differences. The forecast formulated by the surveyed respondents also indicated a deterioration in the situation of firms. At the same time, primarily in industries orientated towards the domestic market, including trade and construction, the percentage of profitable firms increased as well as the median of profitability ratio distribution. A fall in profitability was mainly observed among exporters.

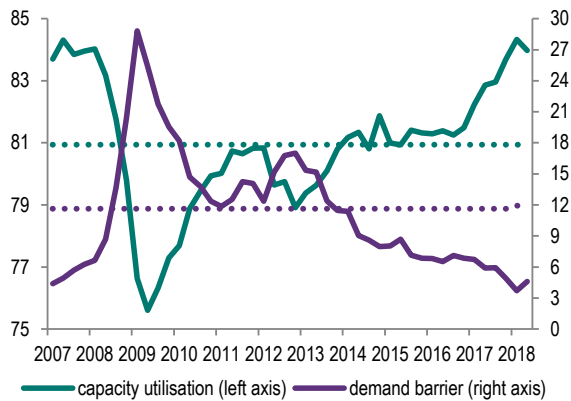
According to the declarations of enterprises, their general situation in 2018 Q2 remained good, although there was a noticeable deterioration of forecasts for 2018 Q3 and over the year. The deterioration in the optimism of expectations was related primarily to the expected further increase in costs.

Investment in the enterprise sector increased in 2018 Q1, and except for the power industry, the growth rate was high. Similarly to 2017, investment in the small and medium-sized enterprises sector rose mainly thanks to the recovery in investments of enterprises with a predominance of public capital. However, the level of expenditure of these firms is still low, both compared to 2014-2015 and in relation to fixed assets held. Investment growth of private enterprises was weaker than that of public enterprises, but the level of investment of this sector is at a record high and is stable in relation to assets. In the light of the NBP Quick Monitoring forecasts, a further recovery of investment in public sector enterprises can be expected.

In 2018 Q1, corporate debt resulting from loans rose slightly, to a larger extent as a result of an increase in short-term debt rather than changes in long-term liabilities. Enterprises' interest in bank loans remained moderate, and in 2018 Q2 a fall in the percentage of firms applying for loans was observed as well as a fall in the percentage of enterprises planning to apply for this form of financing in 2018 Q3. In the first half of 2018 the liquidity and payment situation of the enterprise sector remained stable and safe.

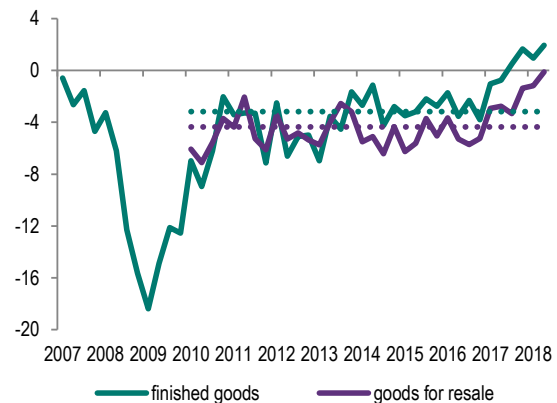
In 2018 Q1, in the Polish economy a marked slowdown in producer price growth was observed. This was caused by slower growth in prices of raw materials and intermediate goods. However, the currently rather weak growth in global production prices may pick up in 2018 Q3 as a result of increased growth of producer prices in industry. Such growth is also suggested by the survey data.

**Figure 1** Demand barrier and capacity utilisation rate



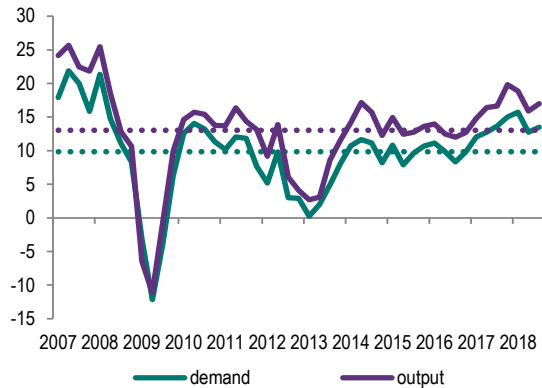
Source: NBP Quick Monitoring Survey

**Figure 2** Inventory gap (difference between replies: “too little inventory” – “too much inventory”)



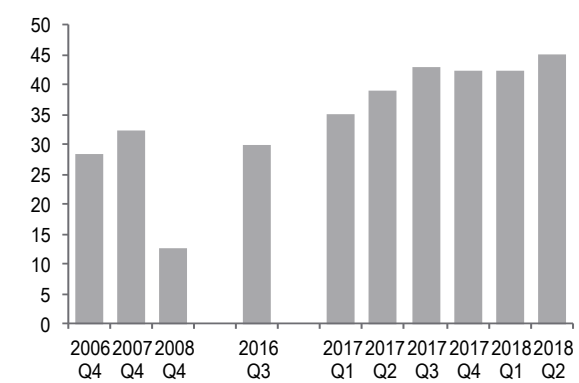
Source: NBP Quick Monitoring Survey

**Figure 3** Forecasts of demand and output



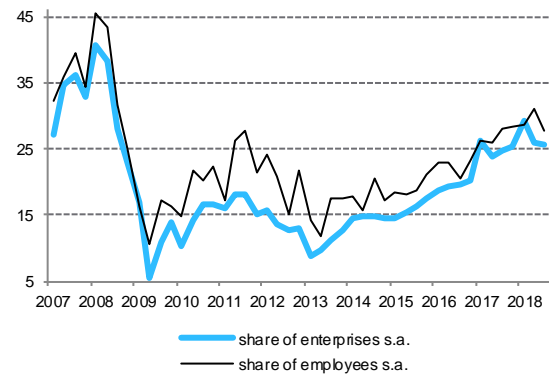
Source: NBP Quick Monitoring Survey

**Figure 4** Percentage of firms reporting vacancies



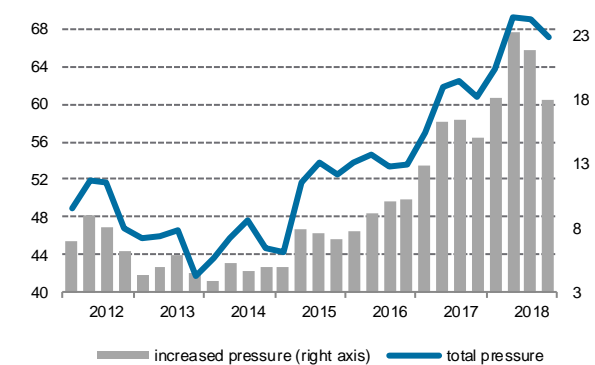
Source: NBP Quick Monitoring Survey

**Figure 5** Forecasts of wage increases



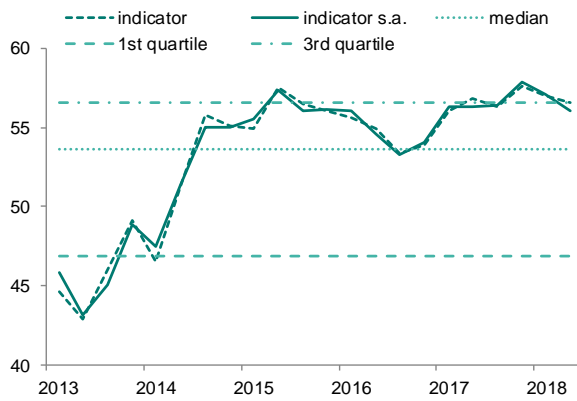
Source: NBP Quick Monitoring Survey

**Figure 6** Upward wage pressure



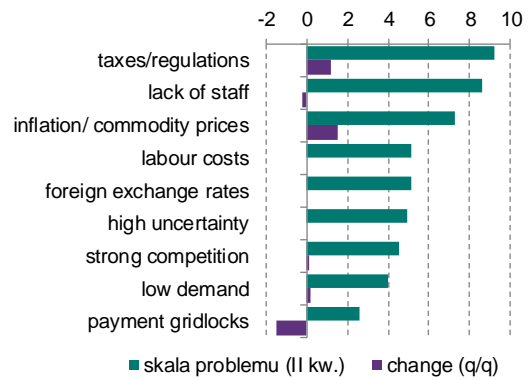
Source: NBP Quick Monitoring Survey

**Figure 7** Assessment of the current economic situation



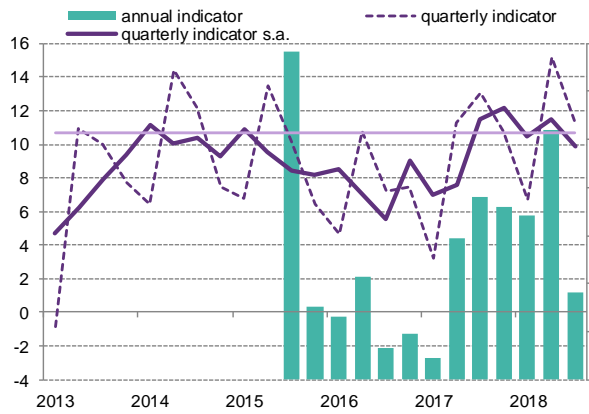
Source: NBP Quick Monitoring Survey

**Figure 8** Development barriers



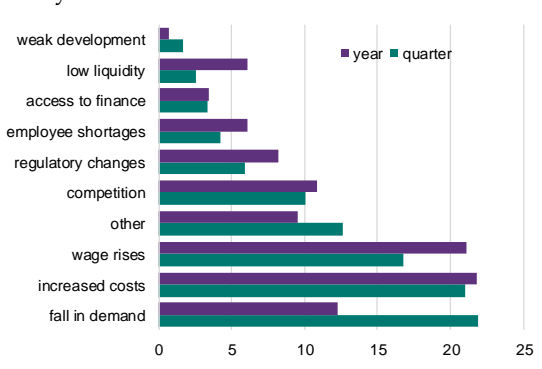
Source: NBP Quick Monitoring Survey

**Figure 9** Quarterly and annual forecasts of the economic situation



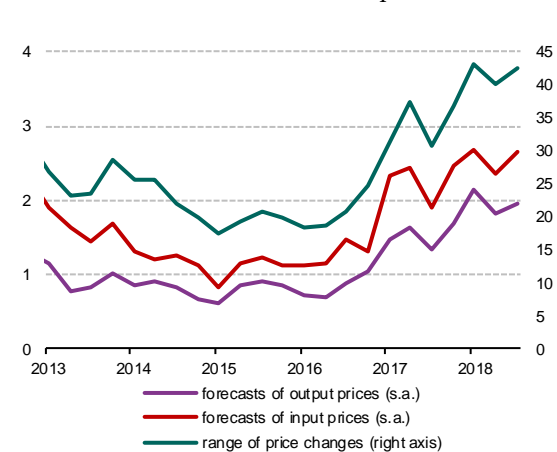
Source: NBP Quick Monitoring Survey

**Figure 10** Reasons for the deterioration in quarterly and annual forecasts



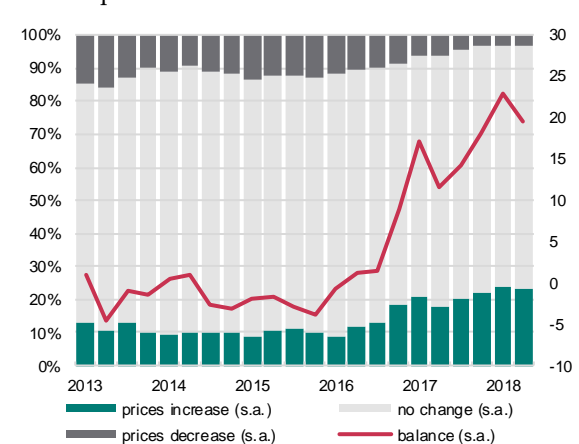
Source: NBP Quick Monitoring Survey

**Figure 11** Forecast indicators of higher prices of materials, commodities and own prices



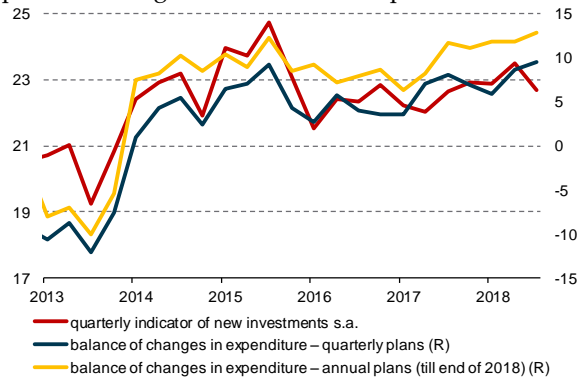
Source: NBP Quick Monitoring Survey

**Figure 12** Percentage of firms declaring changes in producer prices or prices of services and the current price ratio



Source: NBP Quick Monitoring Survey, Bloomberg

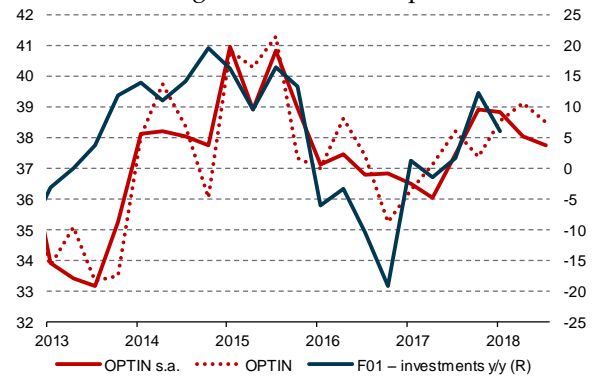
**Figure 13** Index of new investments and the planned change in level of fixed capital formation



Ratio of new investments – share of enterprises planning to begin new investments in the coming quarter

Source: NBP Quick Monitoring Survey

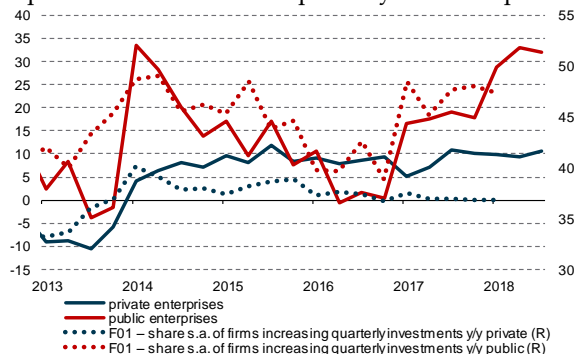
**Figure 14** General assessment of investor optimism and investment growth in the enterprise sector



OPTIN – share of enterprises planning to begin new investments, increased expenditure, or expansion of the scale of investment projects already underway.

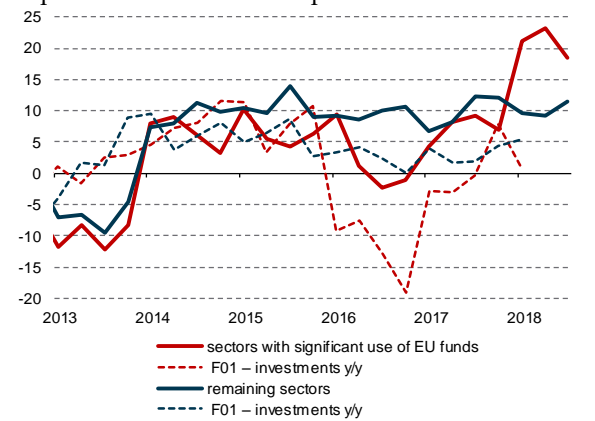
Source: NBP Quick Monitoring Survey, financial results, GUS data, NBP study

**Figure 15** Planned changes in the level of total expenditure in the annual plans by ownership



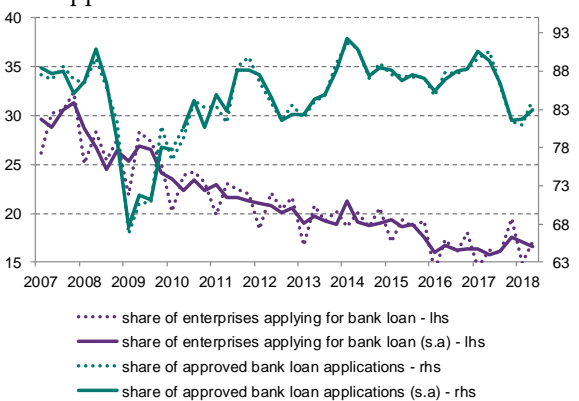
Source: NBP Quick Monitoring Survey, financial results, GUS data, NBP study

**Figure 16** Planned changes in the level of total expenditure in the annual plans



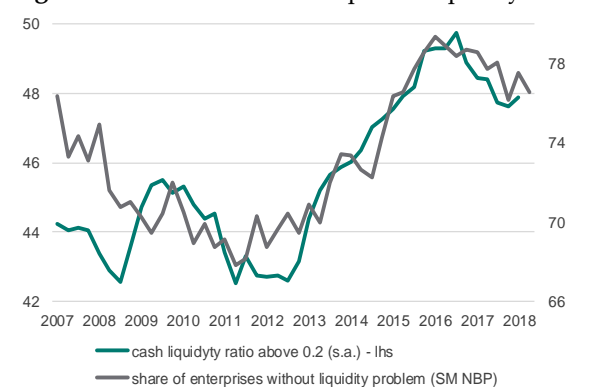
Source: NBP Quick Monitoring Survey, financial results, GUS data, NBP study

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



Source: NBP Quick Monitoring Survey

**Figure 18** Assessment of enterprises' liquidity



Source: NBP Quick Monitoring Survey, financial results, GUS data, NBP study