

NBP

Narodowy Bank Polski

No. 04/17 October 2017

NBP Quick Monitoring Survey

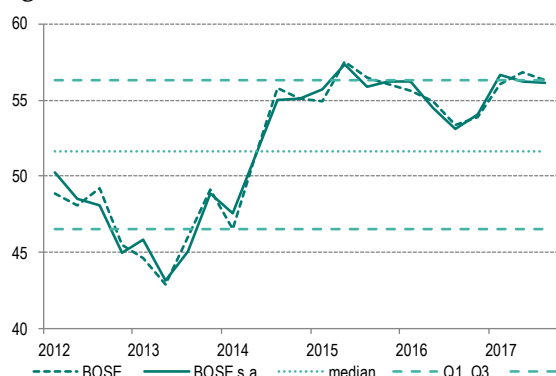
Economic climate in the enterprise sector. Summary

Economic Analysis Department

Summary

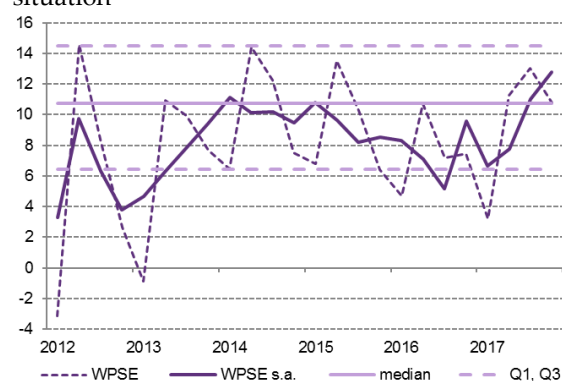
The condition of the enterprise sector continued to be sound and stable in 2017 Q3, in particular in terms of demand. Expectations of further sales and output growth warrant an optimistic outlook for enterprises for 2017 Q4. The one-year forecasts, however, have been adjusted slightly downwards. This might have been due to rising producer costs and problems reported by enterprises, including in particular changing tax regulations, resulting in increasing uncertainty as to the level of future tax, administrative and reporting burdens.

Figure 1 Assessment of the economic situation



Source: NBP Quick Monitoring Survey

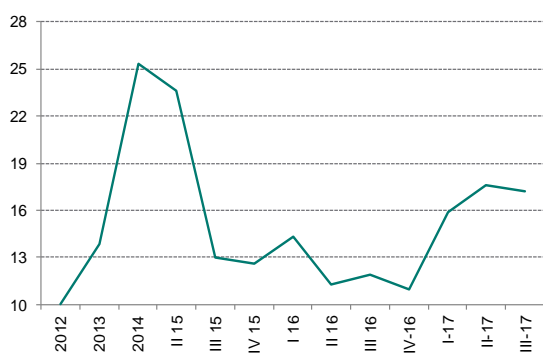
Figure 2 Quarterly forecasts of the economic situation



Source: NBP Quick Monitoring Survey

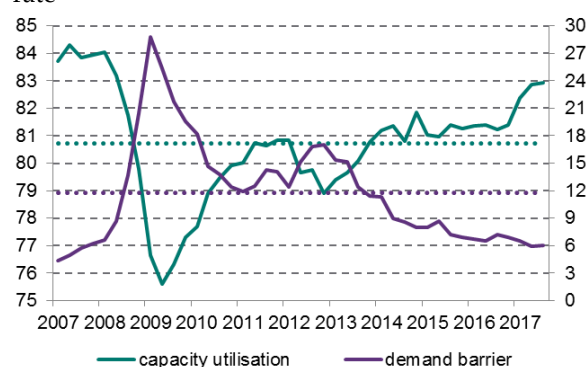
After the slightly weaker 2017 Q2, especially with regard to export sales, demand conditions in the corporate sector improved in Q3. For the first time since 2008 capacity utilisation exceeded the 83% in 2017 Q3. Also, the demand barrier reported by enterprises remained low. One of the negative effects of the robust output growth is the low stock of finished goods. The persistently modest level of investment in productive capacity is conducive to price growth.

Figure 3 Annual forecasts of the economic situation



Source: NBP Quick Monitoring Survey

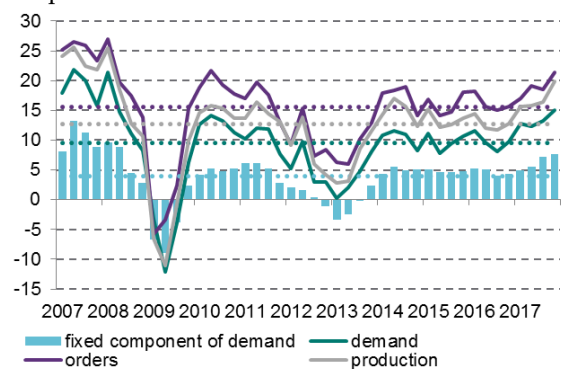
Figure 4 Demand barrier and capacity utilisation rate



Source: NBP Quick Monitoring Survey

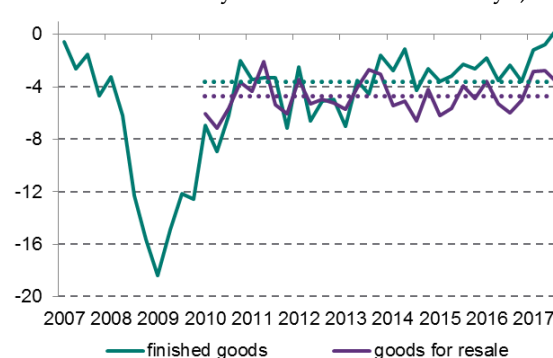
Forecasts of orders, demand and output for 2017 Q4 continue to follow an upward trend. Thus, we may expect further sales growth in, both domestic and export. Expectations are becoming increasingly optimistic in the majority of sections and classes under analysis.

Figure 5 Forecast indicators: demand, orders and output



Source: NBP Quick Monitoring Survey

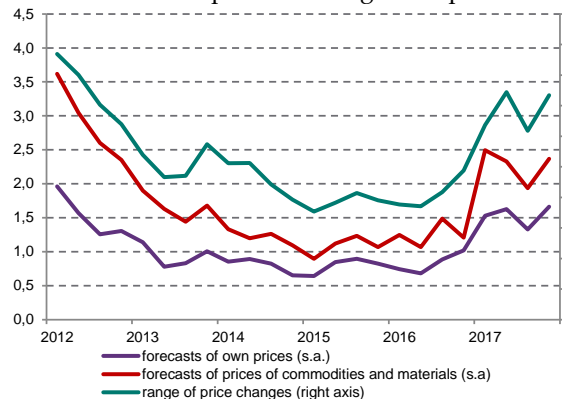
Figure 6 Inventory gap (difference between replies: “too little inventory” – “too much inventory”)



Source: NBP Quick Monitoring Survey

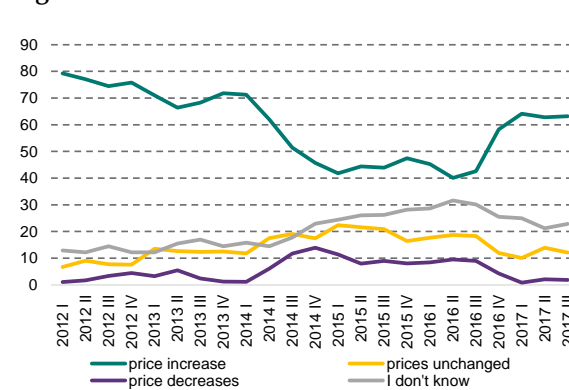
Following the downward adjustment of inflation forecasts observed in the previous quarter, enterprises are expecting a sharper producer price growth in 2017 Q4. The main reason for the forecast price growth is the expected increase of commodity prices. However, the pick-up in inflation, is additionally prompted by the quickly growing demand, shrinking inventory and increasingly higher pressure to raise wages. However, according to the respondents, inflation should not rise any further in long term, which seems to be confirmed by the levelling of the expectations of the CPI in the next 12 months.

Figure 7 Forecasts of higher prices of materials and commodities and plans to change own prices



Source: NBP Quick Monitoring Survey

Figure 8 CPI forecasts in annual terms

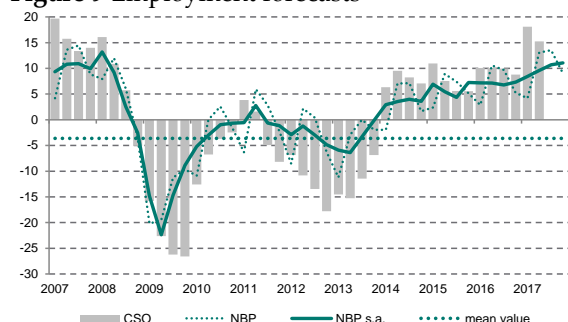


Source: NBP Quick Monitoring Survey

Firms continue to plan to expand employment. Demand for employees remains high, which translates into mounting problems in finding employees and a growing number of vacancies. Thus, the difficulties in filling vacancies are slowly becoming the most significant barrier for Polish enterprises. These problem are only partially solved by an inflow of foreign employees: companies hiring foreigners are reporting problems with staffing vacant all positions even more frequently than others. The situation is additionally compounded by rising labour costs. This problem is at present reported slightly less frequently than difficulties with finding employees, which may be explained by the fact that wages have not picked up.

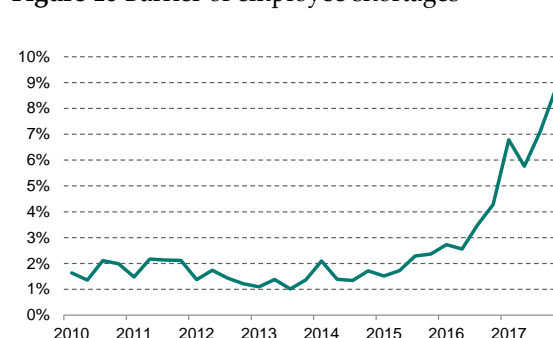
The share of labour costs in corporate operating costs has increased slightly again but it still falls much below its pre-accession value. However, the situation varies across the industries, and e.g. in the service sector (except for trade) rising labour costs are currently the most important driver of cost increases.

Figure 9 Employment forecasts



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

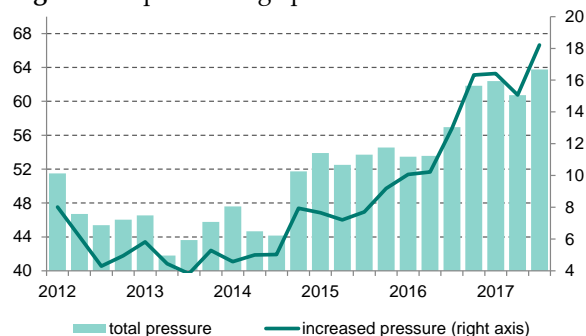
Figure 10 Barrier of employee shortages



Source: NBP Quick Monitoring Survey

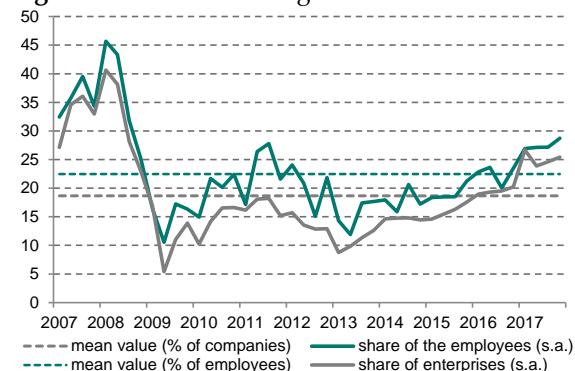
In 2017 Q4 the average wage may be expected to rise further. The rises are driven both by increasing pressure from employees, and higher turnover and profits, i.e. the good financial standing of enterprises. As assessed by enterprises, however, the growth of productivity falls increasingly often behind the growth of wages.

Figure 11 Upward wage pressure



Source: NBP Quick Monitoring Survey

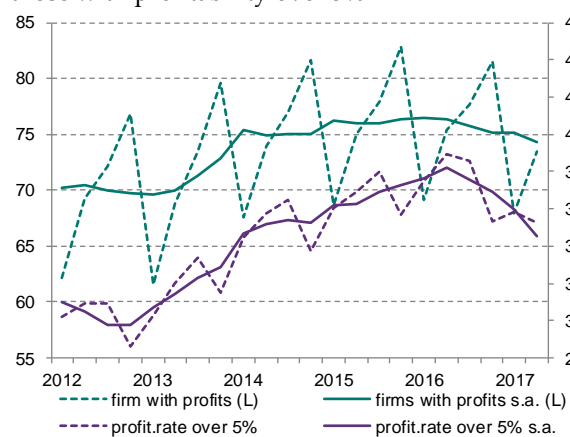
Figure 12 Forecasts of wage increases



Source: NBP Quick Monitoring Survey

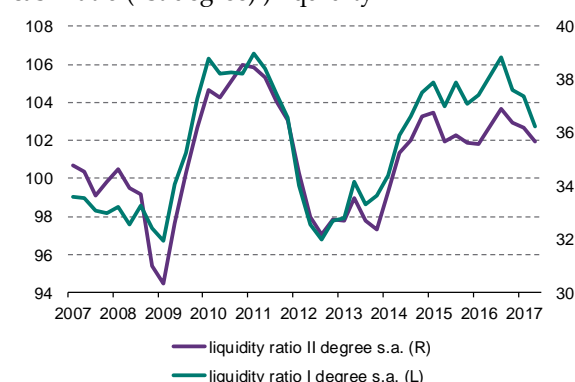
The fall in corporate profitability and liquidity is becoming progressively more pronounced. While the situation differs among the sections, the trend is noted in many industries and classes. Moreover, the fall in both those indicators is taking place despite rising revenues, and in many cases they are caused by the costs growing faster than revenue, which results, among others, from the rise prices of production factors. A less significant factor adversely affecting corporate liquidity seems to be payment backlogs. Their scale has not grown significantly in the recent period. The share of firms facing delayed payments is, however, very high (3/4 of enterprises in the sample have encountered this problem), but the share of overdue payments in total trade payables is low (many enterprises face delayed payments, but the scale of the phenomenon is not big enough to cause liquidity problems for most of them).

Figure 13 Percentage of profitable enterprises and those with profitability over 5%



Source: data on financial performance, GUS data, NBP compilation

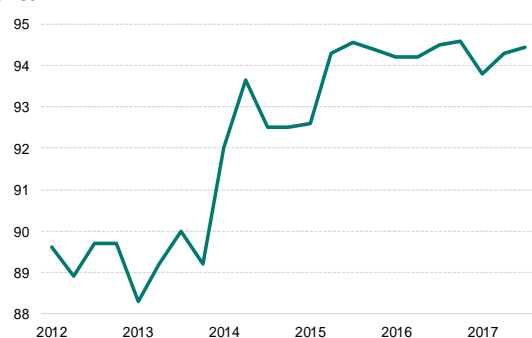
Figure 14 Quick ratio (2nd degree) liquidity and cash ratio (1st degree) liquidity



Source: data on financial performance, GUS data, NBP compilation

Demand for credit (in particular that reported by the smallest enterprises) remains low, with no sign of growth. Thus, its concentration in the economy is rising (more credit goes to very large entities). Together with good financial performance and low price of credit, it is one of the reasons for high repayment rate of such liabilities. For 2017 Q4, twice fewer entities are planning to increase credit indebtedness than in the period of the highest declared demand for this form of funding (2007-2008).

Figure 15 Service of debt resulting from credit: percentage of enterprises with no problems in this area



Source: NBP Quick Monitoring Survey

Figure 16 Demand for credit: percentage of filed and approved loan applications



Source: NBP Quick Monitoring Survey

Warsaw, 2017