

No. 04/18 October 2018

NBP Quick Monitoring Survey

Economic climate in the enterprise sector

Summary

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The determinants of demand in the non-financial enterprise sector remain favourable for the second year in a row. In 2018 Q2, sales growth in the enterprise sector picked up, and the percentage of firms in which this growth (y/y) is positive is close to its historic high. The level of capacity utilisation is also high in the surveyed companies. The opinions of respondents indicate that in 2018 Q3 the demand situation was also favourable. The expectations of enterprises for 2018 Q4 are good, although attention is drawn to the weakening demand and output forecasts.

Since 2017, the financial situation of the enterprise sector (at an aggregate level) has remained sound and stable. Although in 2018 Q2 the profitability of the sector fell, this was the result of smaller income from dividends and negative exchange rate differences. On the other hand, sales profitability has risen. Profitability at the level of a median enterprise has also improved. It can be expected that in 2018 Q3 the financial situation of the sector at an aggregate level also remained sound, as indicated by, among others, enterprises' positive self-assessment of their condition.

However, firms' long-term expectations are already less optimistic – enterprises' forecasts of their own economic situation in 2019 are slightly worse. This may be the result of, on the one hand, the deterioration in forecast demand, and on the other hand, the increase in costs of some raw materials and labour, as well as the expected significant increases in energy costs. These changes, amid deteriorating demand assessments, may more easily translate into lower profitability over the horizon of this analysis. Enterprises declare rather high resistance to possible changes in sales and costs of raw materials and labour. However, there are some sectors in which sensitivity to changes in the above-mentioned factors is greater.

The results of the Quick Monitoring Survey suggest a slight weakening of wage cost pressure, remaining, however, at a relatively high level. Expectations regarding employment growth will remain stable, but lower than the high growth of 2017. In turn, according to the opinions of the respondents, wage growth pressure will weaken slightly. In 2018 Q2 the increase in wage cost growth was significantly lower than the increase in operating costs growth and the growth of total costs. Despite these favourable signals from the point of view of enterprises, difficulties in finding employees matching the needs and financial possibilities of companies remain.

In 2018 Q2 investment growth picked up significantly. In particular, attention is drawn to the marked growth in investment of private enterprises, including the domestic part of this sector. Investment growth is supported by both the growing investment activity of firms from sectors that are independent of EU funding, as well as the still very high investment rate in sectors to which most of the aid is directed. However, in light of the survey expectations, the outlook for the development of investment activity in the horizon of the quarter is deteriorating.

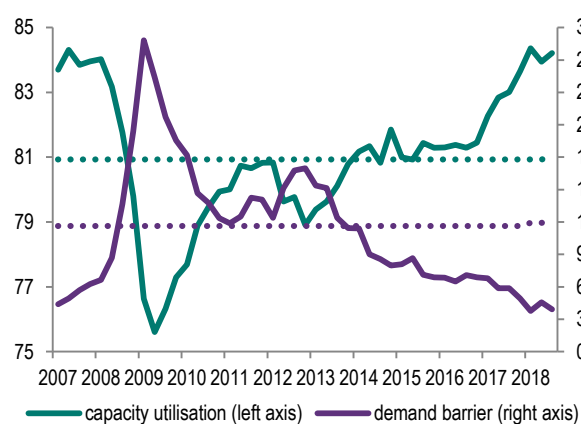
The liquidity of enterprises in 2018 Q2 was at a sound, stable level. The survey results indicate that in 2018 Q3 liquidity and the ability to service liabilities also remained at a safe level for the sector as a whole. In certain sectors these indicators were worse.

In 2018 Q2 lending growth remained below sales growth and investment growth. In 2018 Q3 the percentage of borrowers remained low and static, despite the good availability of this source of funding.

Own funds continue to play a dominant role in financing investment. The expectations of enterprises suggest the continued growth in debt close to the current level in 2018 Q4.

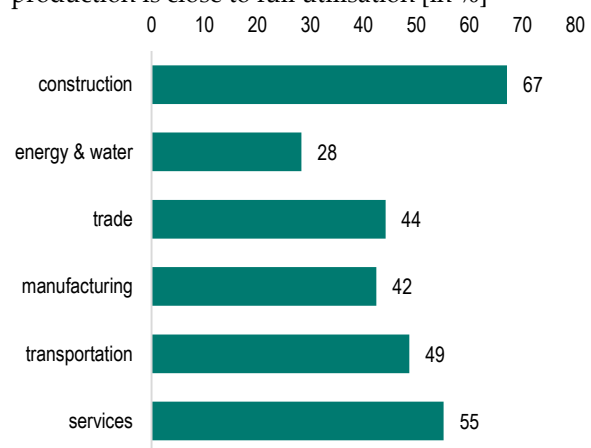
After a marked slowdown, an acceleration in producer price growth was observed in 2018 Q2. This was caused by a marked acceleration in price growth of raw materials and intermediate goods. The growth rate of output prices may accelerate slightly in 2018 Q4. The surveyed enterprises also expect slightly higher CPI in the course of the next 12 months.

Figure 1 Demand barrier (s.a.) and capacity utilisation rate (s.a.) [in %]



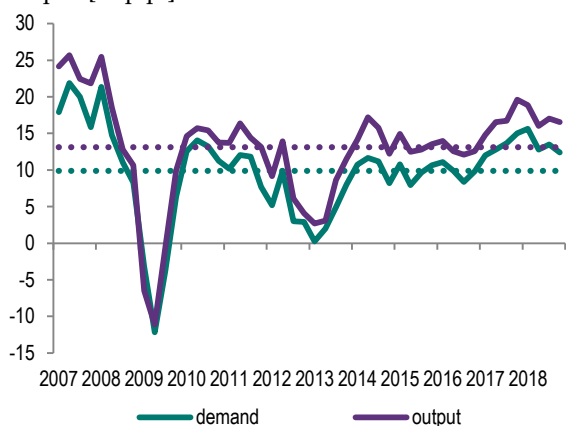
Source: NBP Quick Monitoring Survey

Figure 2 Percentage of firms reporting that production is close to full utilisation [in %]



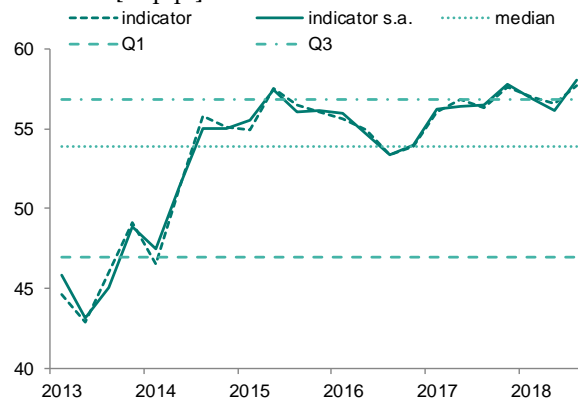
Source: NBP Quick Monitoring Survey

Figure 3 Forecast indicators (s.a.) of demand and output [in p.p.]



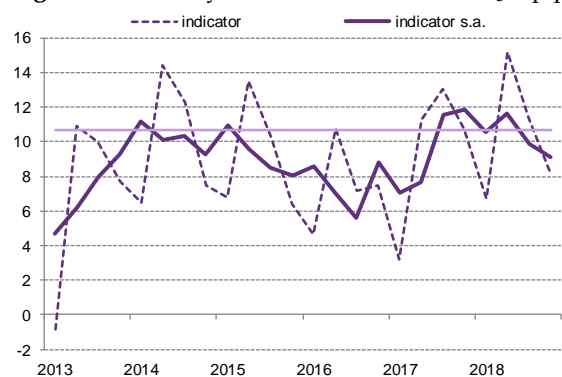
Source: NBP Quick Monitoring Survey

Figure 4 Assessment of the current economic situation [in p.p.]



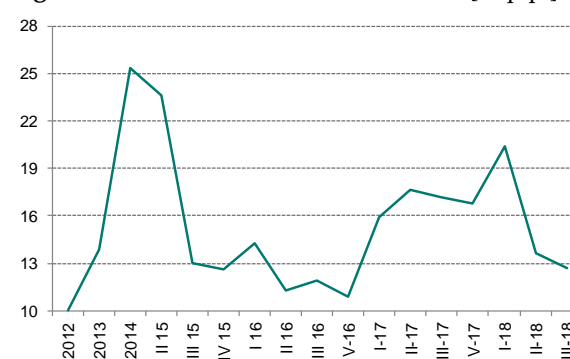
Source: NBP Quick Monitoring Survey

Figure 5 Quarterly forecast of the situation [in p.p.]



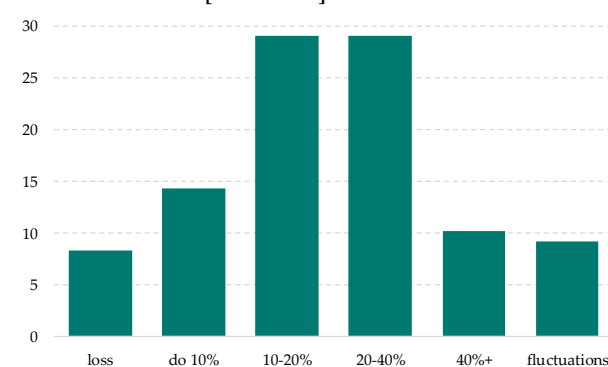
Source: NBP Quick Monitoring Survey

Figure 6 Annual forecast of the situation [in p.p.]



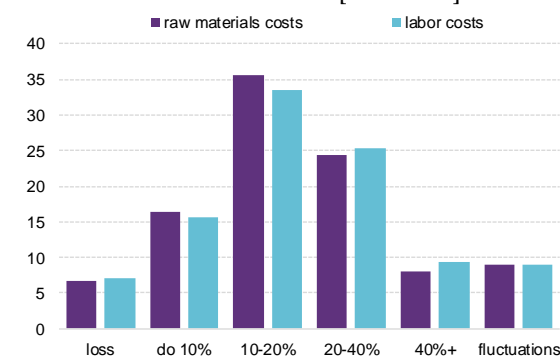
Source: NBP Quick Monitoring Survey

Figure 7 Distribution of answers to the question about the sensitivity of enterprises to a fall in income. On the horizontal axis the scale of changes that would cause difficulties [data in %]



Source: NBP Quick Monitoring Survey

Figure 8 Distribution of answers to the question about the sensitivity of enterprises to a rise in costs. On the horizontal axis the scale of changes that would cause difficulties [data in %]



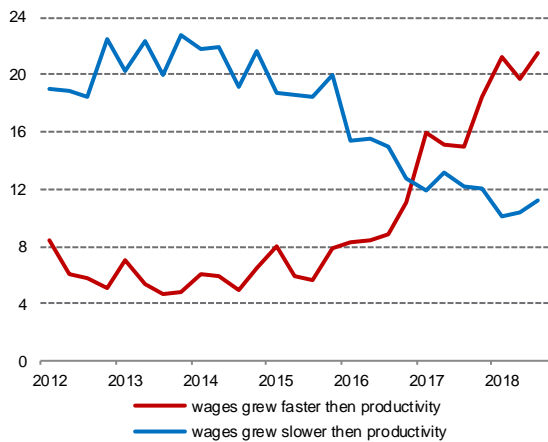
Source: NBP Quick Monitoring Survey

Table 1 Sensitivity of the enterprise sector to a 30% rise in energy prices

share of energy costs in sales costs	percentage of the population	share in income of the population	percentage of firms incurring losses		sales growth compensating a 30% increase in energy costs (mean of distribution)
			with unchanged energy costs	after a 30% increase in energy costs	
to 1%	54.9	66.8	17.0	18.3	0.1
1-5%	35.7	25.7	21.8	30.0	0.7
5-10%	5.9	5.3	21.2	40.2	2.1
10-20%	1.7	1.4	28.5	58.7	4.1
20-30%	0.5	0.2	23.0	72.4	7.2
above 30%	1.4	0.6	12.9	95.3	12.5

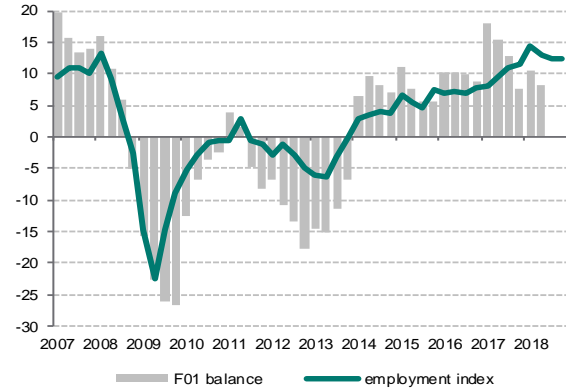
Source: financial results for 2017, GUS data, NBP study

Figure 9 Wages and productivity [in %]



Source: NBP Quick Monitoring Survey

Figure 10 Forecast of the employment level and the balance of percentages of enterprises increasing and reducing employment [in pp.]



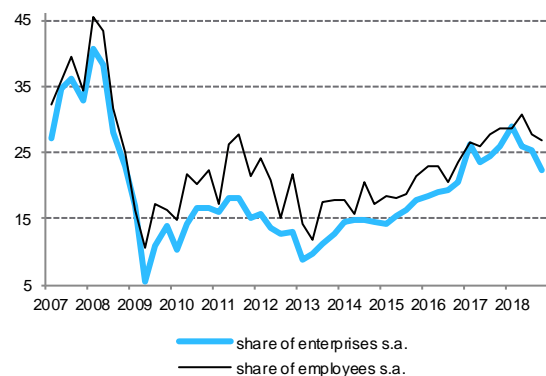
Source: NBP Quick Monitoring Survey and financial results, GUS data, NBP study

Figure 11 Barrier of employee shortages (based on an open question about barriers to development) [in %]



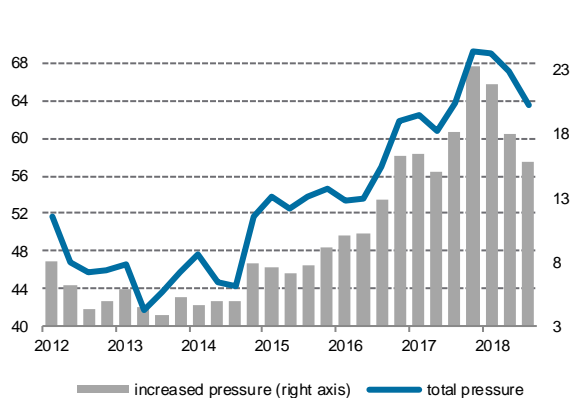
Source: NBP Quick Monitoring Survey

Figure 12 Forecasts of wage increases [in %]



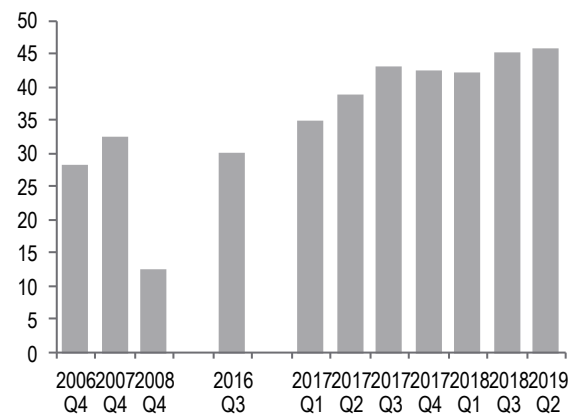
Source: NBP Quick Monitoring Survey

Figure 13 Upward wage pressure [in %]



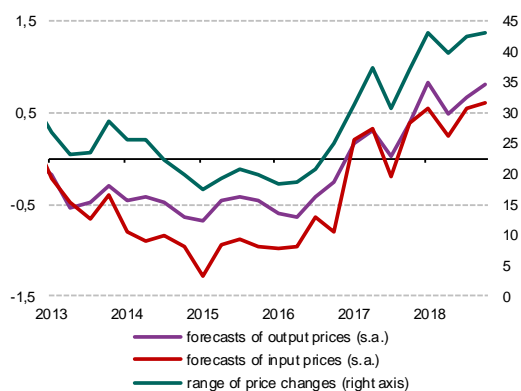
Source: NBP Quick Monitoring Survey

Figure 14 Percentage of firms reporting vacancies [in %]



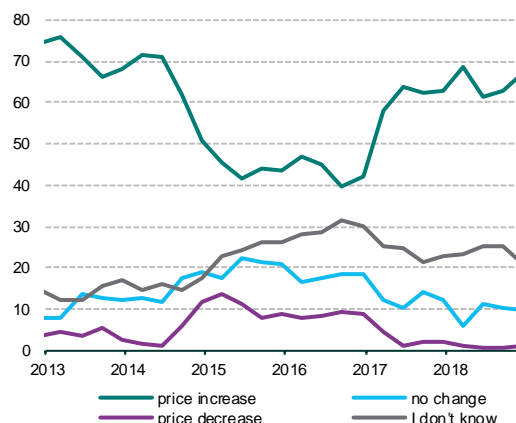
Source: NBP Quick Monitoring Survey

Figure 15 Expectations of changes in own prices as well as in prices of materials and commodities [in pp.]



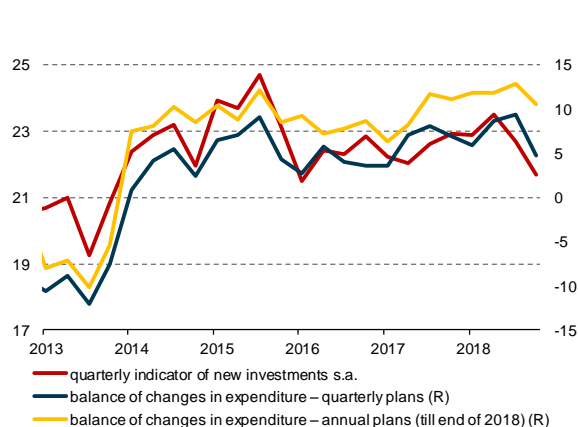
Source: NBP Quick Monitoring Survey

Figure 16 CPI forecast one year ahead [in pp.]



Source: NBP Quick Monitoring Survey

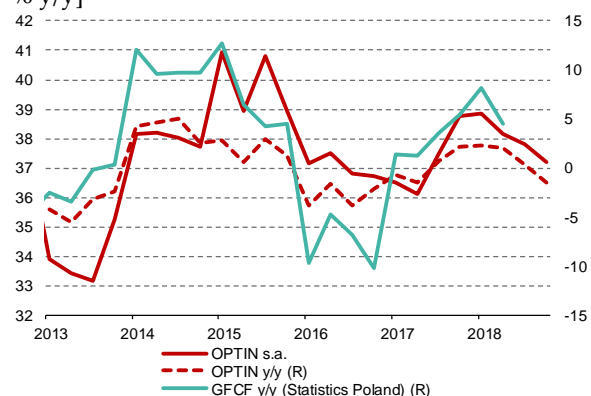
Figure 17 Ratio of new investments [in % of the number of enterprises] and the planned change in the level of fixed capital formation [in pp.]



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

Source: NBP Quick Monitoring Survey

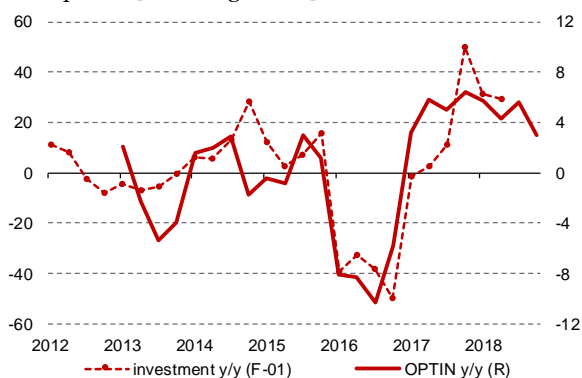
Figure 18 General assessment of investor optimism [OPTIN, in % of the number of enterprises] and investment growth in the national economy [in % y/y]



OPTIN - general assessment of investor optimism calculated as the share of firms planning to launch investment, increase expenditure, or expand their scale

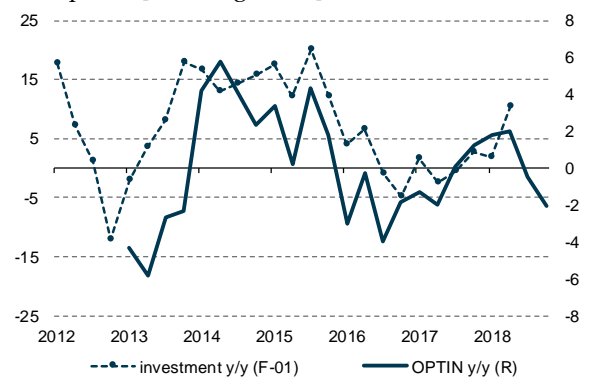
Source: NBP Quick Monitoring Survey, GUS, NBP study

Figure 19 OPTIN and investment growth in public enterprises [annual growth]



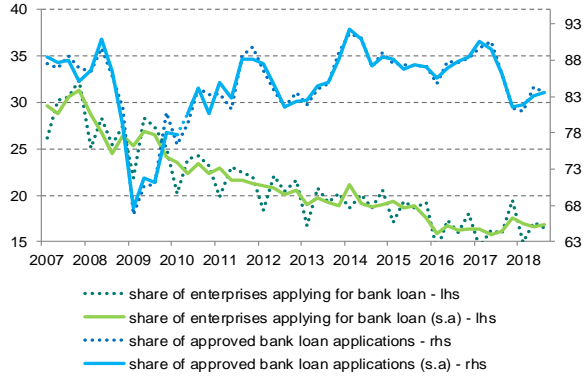
Source: NBP Quick Monitoring Survey, financial results, GUS data, NBP study

Figure 20 OPTIN and investment growth in private enterprises [annual growth]



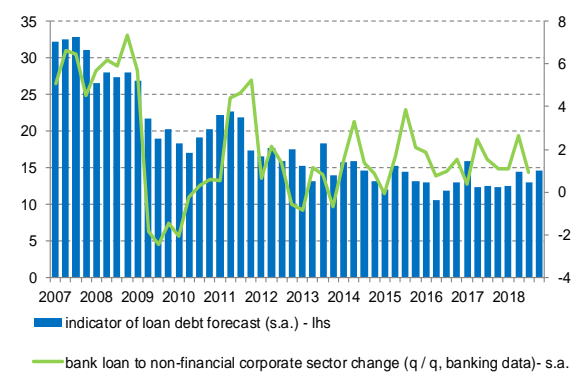
Source: NBP Quick Monitoring Survey, financial results, GUS data, NBP study

Figure 21 Percentage of filed and approved loan applications



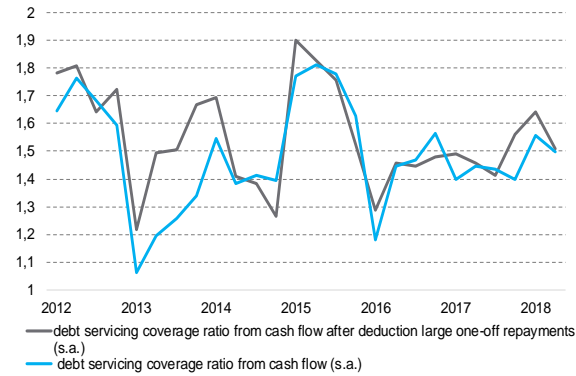
Source: NBP Quick Monitoring Survey

Figure 22 Forecast indicators of demand for credit¹



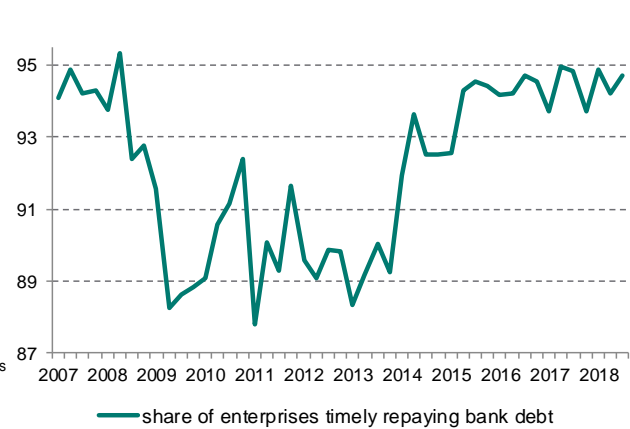
Source: NBP Quick Monitoring Survey, NBP monetary and financial statistics, NBP study

Figure 23 Ratios of debt servicing with financial surplus [in p.p.]



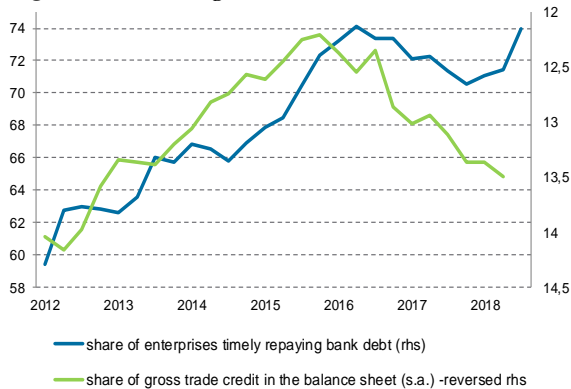
Source: financial results, GUS data, NBP study

Figure 24 Loan debt-servicing [in %]



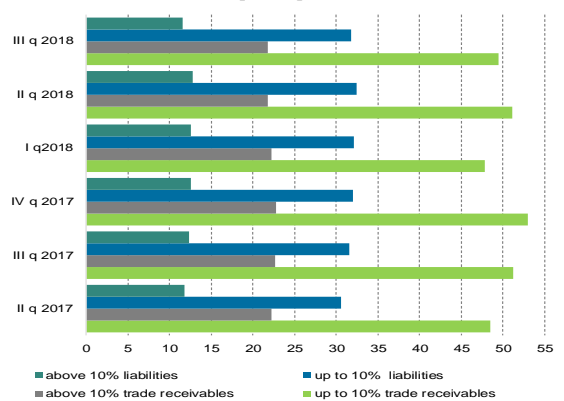
Source: NBP Quick Monitoring Survey

Figure 25 Servicing of trade liabilities [in %]



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

Figure 26 Overdue receivables and liabilities from deliveries and services [in %]



Source: NBP Quick Monitoring Survey

¹ Quarterly growth in lending and other monetary claims of financial institutions according to NBP data for 2018 Q3 concerns data for July 2018.

