

NBP

Narodowy Bank Polski

No 01/20 January 2020

NBP Quick Monitoring Survey

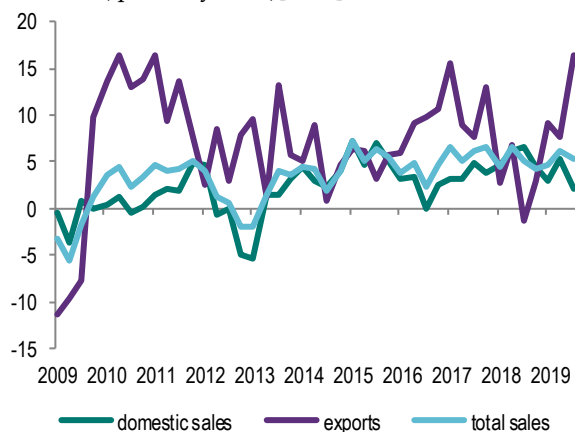
**Economic climate in the enterprise sector
Summary**

Economic Analysis Department

Warsaw, 2020

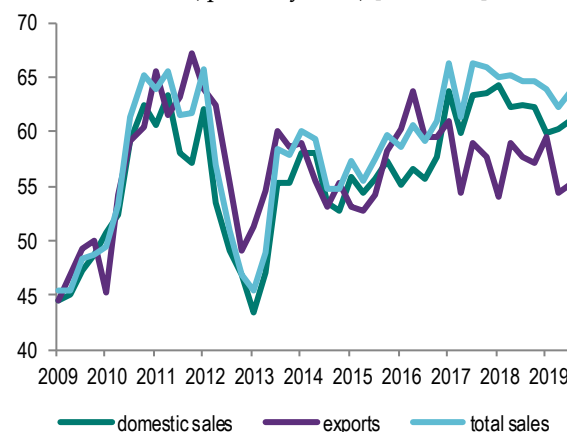
In 2019 Q3, the annual growth of sales revenue declined - both in nominal and real (PPI adjusted) terms. This was the product of weaker domestic sales growth, partially offset by a substantial pick-up in external sales growth. Both the slow domestic sales growth and the robust external sales growth result, to a great extent, from base effects. On the other hand, positional measures point to a short-term stabilisation of sales conditions, but also to their weakening in the longer term, especially with regard to foreign sales.

Figure 1 Real (PPI-adjusted) y/y growth of sales revenue (quarterly data)[in %]



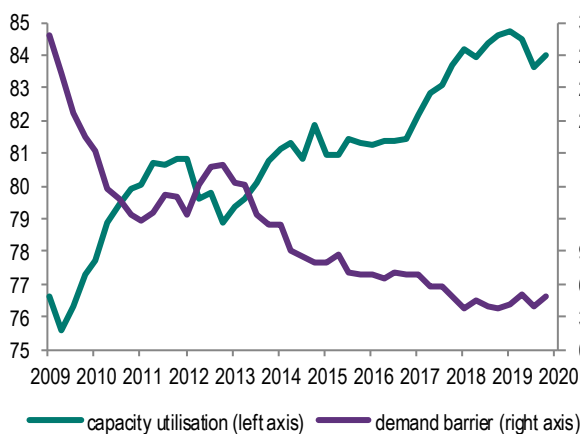
Source: financial results, GUS data, NBP study

Figure 2 Percentage of firms observing y/y increase in sales revenue (quarterly data) [in %, s.a.]



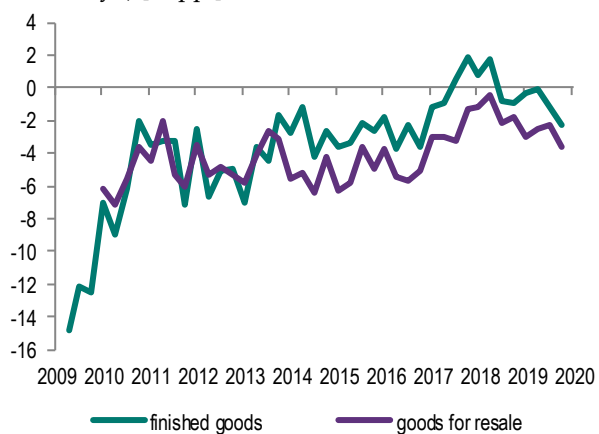
Source: financial results, GUS data, NBP study

Figure 3 Capacity utilisation (s.a.) and demand barrier (s.a.) [in %]



Source: NBP Quick Monitoring Survey

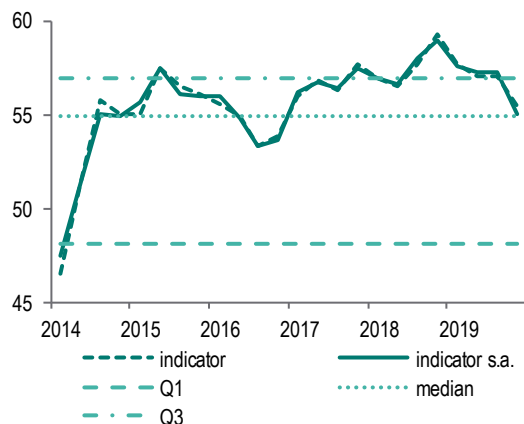
Figure 4 Inventory shortage indicator (s.a., balance of responses: “too little inventory” - “too much inventory”) [in pp.]



Source: NBP Quick Monitoring Survey

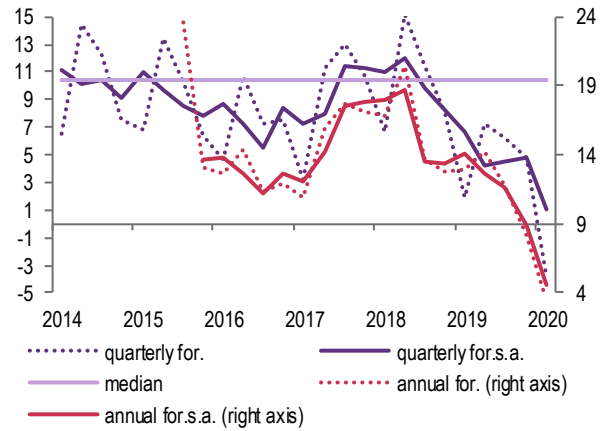
In 2019 Q4, assessments of demand in the enterprise sector remained high. It can thus be expected that sales growth in 2019 Q4 was similar to 2019 Q3, and its main driver was the industrial and retail sector. Yet the surveyed enterprises' assessments of the economic climate in that quarter had weakened markedly, hitting a level close to the median results from the entire period covered by the study. Also, in light of the expectations, a possibility of a marked deterioration in corporate performance in 2020 is not to be excluded.

Figure 5 Assessment of current economic situation (in pp.)



Source: NBP Quick Monitoring Survey

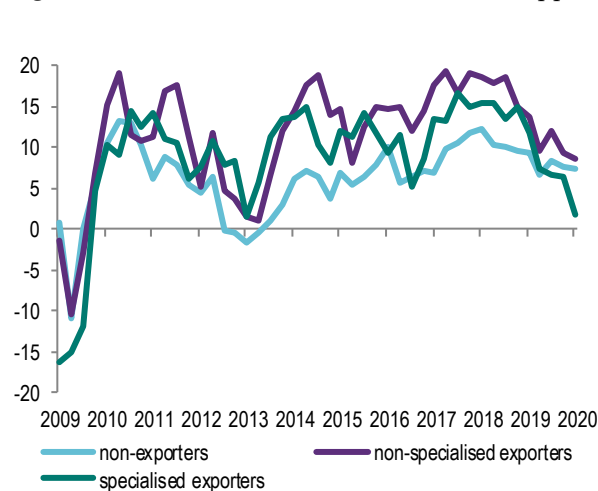
Figure 6 Quarterly and annual forecasts of the situation (in pp.)



Source: NBP Quick Monitoring Survey

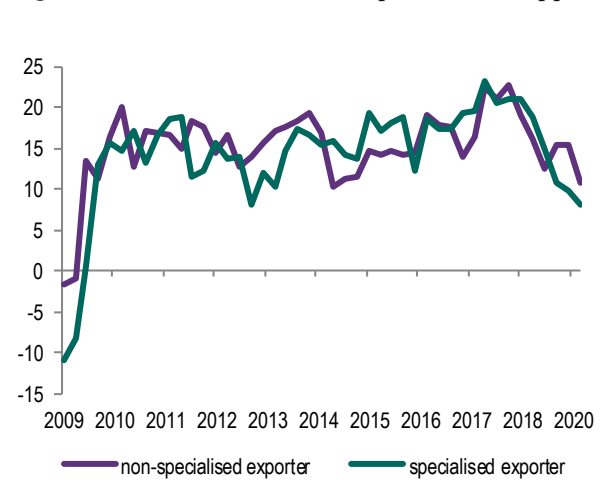
Forecasts of domestic demand in 2020 Q1 are running at levels close to the previous quarter's and to the long-term average. Yet for the last two years they have followed a mild downward trend. Forecasts of exports in 2020 Q1 are, in turn, substantially weaker than a quarter ago and below the long-term trend, and are also tending sharply downwards. In the longer term, however, they are favourable.

Figure 7 Indicators of forecast demand (s.a.) [in pp.]



Source: NBP Quick Monitoring Survey

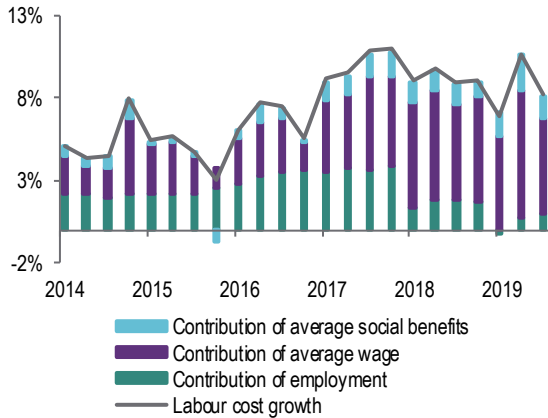
Figure 8 Indicators of forecast exports (s.a.) [in pp.]



Source: NBP Quick Monitoring Survey

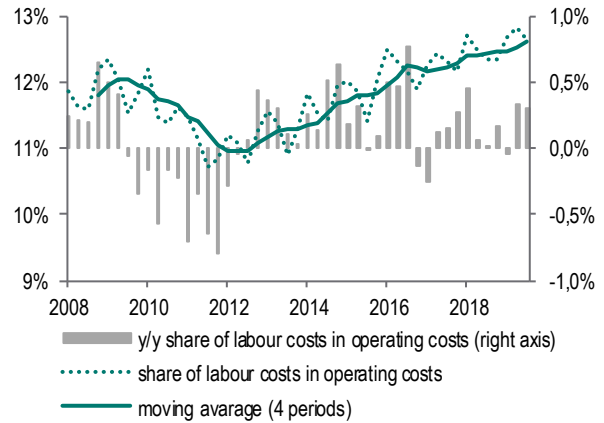
In 2019 Q3, labour cost growth diminished markedly - reaching the lowest levels since early 2017. Since mid-2019 wage pressure in enterprises has been decreasing while still running high. The balance of both the quarter-on-quarter and year-on-year forecasts of employment have fallen. The most recent data from the NBP Quick Monitoring Survey point to further weakening of the so far high demand for labour.

Figure 9 Contribution of components to labour cost growth y/y



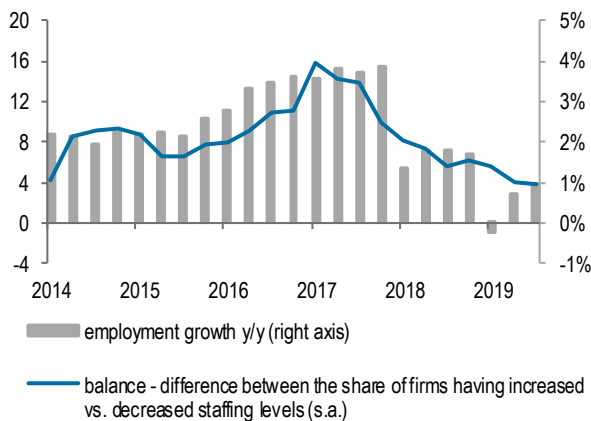
Source: financial results, GUS data, NBP study

Figure 10 Share of labour costs in operating costs



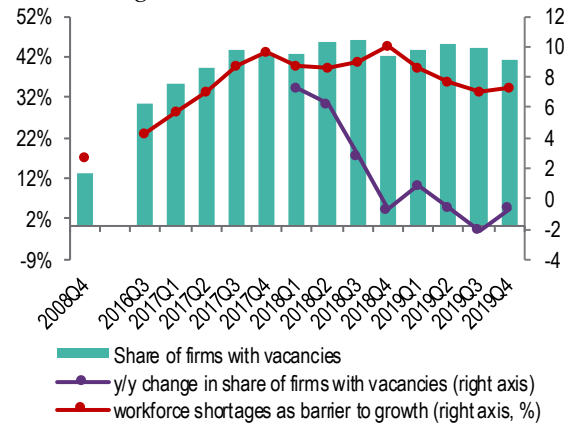
Source: financial results, GUS data, NBP study

Figure 11 Employment index (F01) and employment growth y/y



Source: financial results, GUS data, NBP study

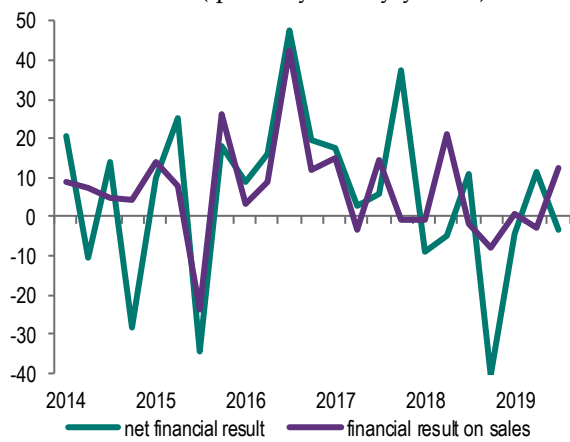
Figure 12 Percentage of firms reporting vacancies; percentage of firms declaring workforce shortages as barrier to growth



Source: NBP Quick Monitoring Survey

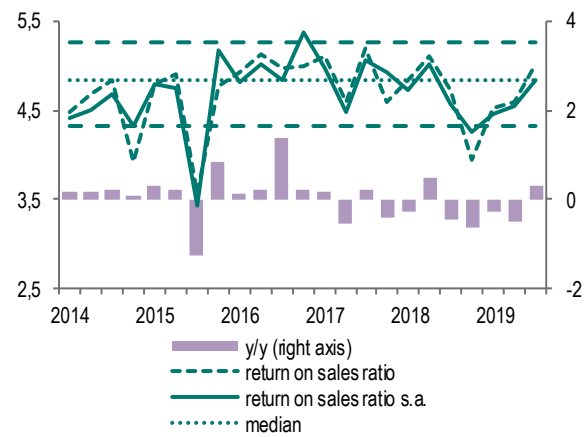
In 2019 Q3, the net financial result decreased - mainly as an effect of a decline in the result on financial operations. Consequently, net turnover profitability has also diminished, having remained in a downward trend for 10 quarters, and entrepreneurs expect it to deteriorate further in 2020. On the other hand, the result on sales has increased markedly - due to growth losing more momentum than sales growth. Following four quarters of decline, net profitability has also improved - primarily due to slower wage growth.

Figure 13 Growth of financial result on sales and of net financial result (quarterly data, y/y, in %)



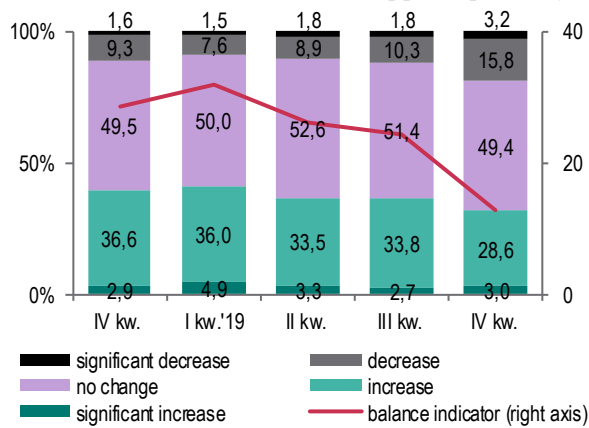
Financial surplus=net financial result+depreciation
 Source: financial results, GUS data, NBP study

Figure 14 Return on sales ratio



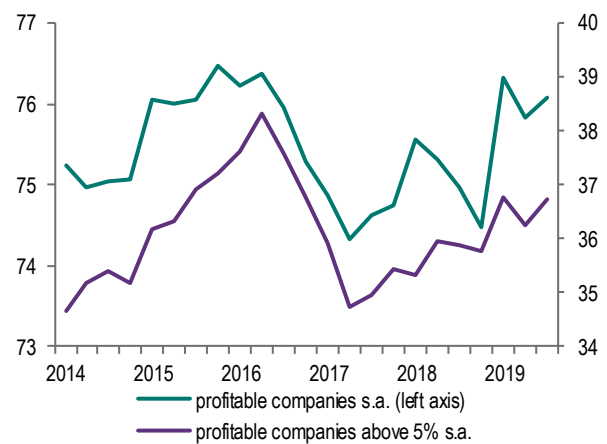
Source: financial results, GUS data, NBP study

Figure 15 Forecasts of changes in profitability over the next 12 months and the balance of responses based on these forecasts (in % and pp., respectively)



Source: NBP Quick Monitoring Survey

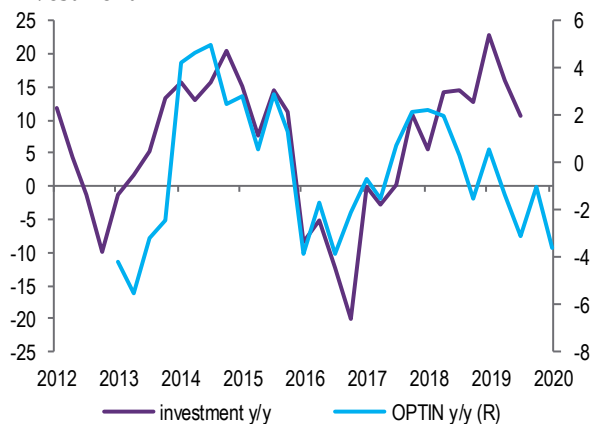
Figure 20 Percentage of profitable companies and those with profitability above 5% (data s.a.)



Source: financial results, GUS data, NBP study

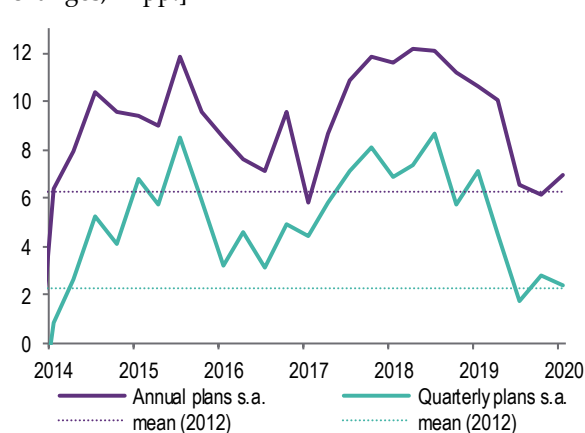
According to the expectations of the NBP Quick Monitoring Survey, corporate investment growth in 2019 Q3 declined, mainly on account of decelerating investment of the public sector enterprises and flagging activity of specialised exporters. In light of the NBP Quick Monitoring findings, investment activity may weaken further, both in the horizon of the next quarter and the entire year.

Figure 16 OPTIN s.a. and growth of SPN investment



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

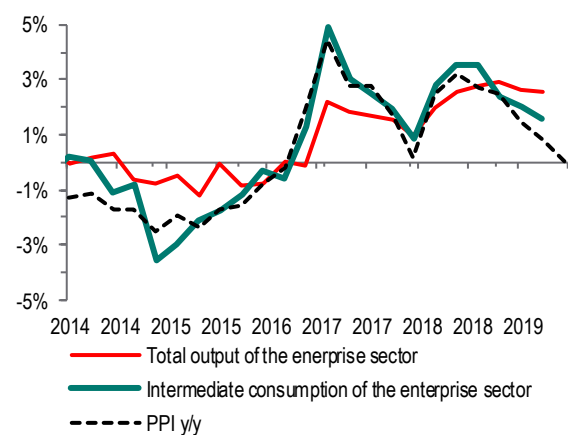
Figure 17 Planned change in outlays [balance of changes, in pp.]



Source: NBP Quick Monitoring Survey

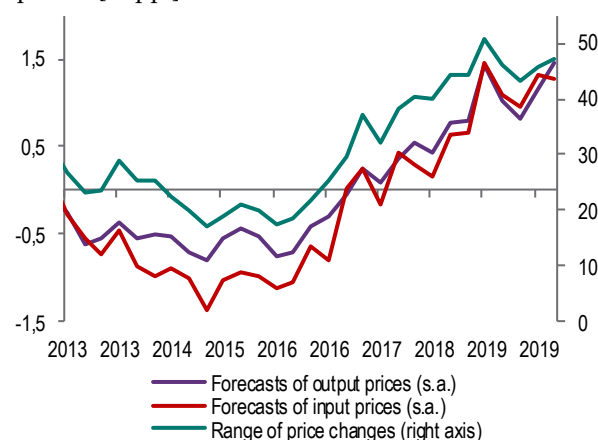
In 2019 Q3 the gross production prices in the non-financial enterprise sector increased at a moderate pace, and somewhat more slowly than in the first half of the year, and the levels of output prices relative to supply prices supported profitability. Yet the surveyed enterprises expect acceleration of growth in producer prices in 2020 Q1 due to the relatively high expectations about the pace of growth of prices of raw materials and commodities and concerns about wage growth.

Figure 18 Annual growth in gross output prices, intermediate consumption and PPI [in %]



Note: PPI data for 2019 Q4 based on October and December
Source: financial results, GUS data, NBP study

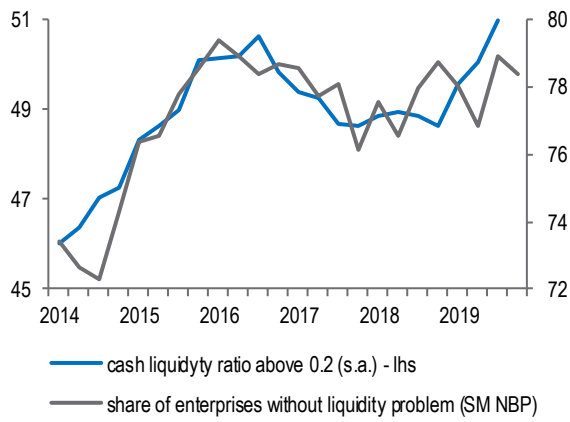
Figure 19 Expectations of changes in own prices and prices of raw materials and commodities in the next quarter [in pp.]



Source: financial results, GUS data, NBP study

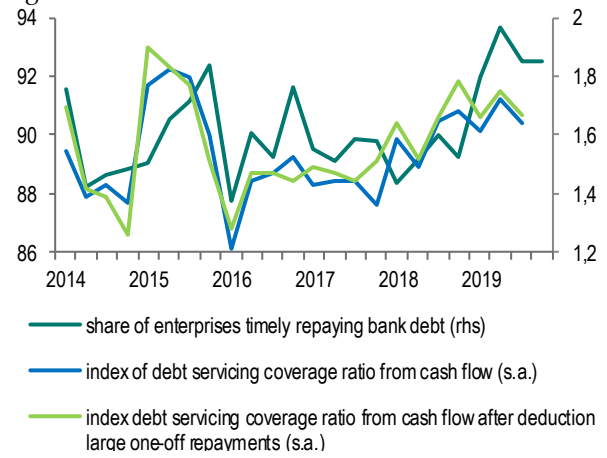
The liquidity situation of enterprises in 2019 Q3 remained sound and stable. At the same time, the percentage of firms in which cash liquidity has reached a level deemed as secure is at its all-time high. Enterprises' declared ability to service non-bank debt remains high. Respondents' expectations indicate that also in 2020 Q1 liquidity and ability to service debt will remain at a safe level.

Figure 20 Enterprises' assessments of liquidity [percentages of answers]



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

Figure 21 Index of debt servicing from profit against declared debt service



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

