



NARODOWY
BANK POLSKI

No 03/21 (July 2021)

NBP Quick Monitoring Survey

Economic climate in the enterprise sector
Summary



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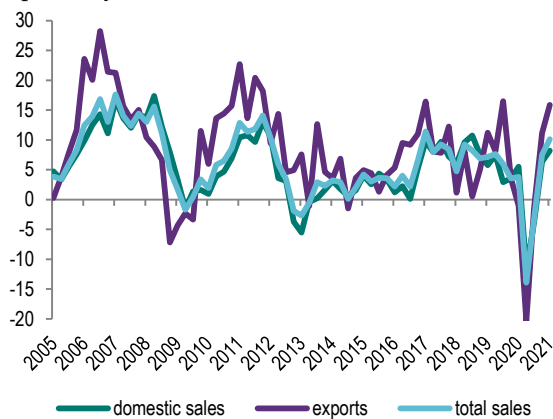
NBP Quick Monitoring Survey

**Economic climate in the enterprise sector
Summary**

In 2021 Q1, sales revenue of the non-financial corporations (NFC) sector covered by the F-01 statistics report of Poland (Główny Urząd Statystyczny, GUS) grew robustly, both in nominal and real terms. In particular, export sales revenue was observed to rise rapidly. The results of the NBP Quick Monitoring Survey and other data available on a monthly basis suggest that this favourable situation continued into 2021 Q2, with sales and demand indicators in the exporter group running even higher than before the onset of the pandemic.

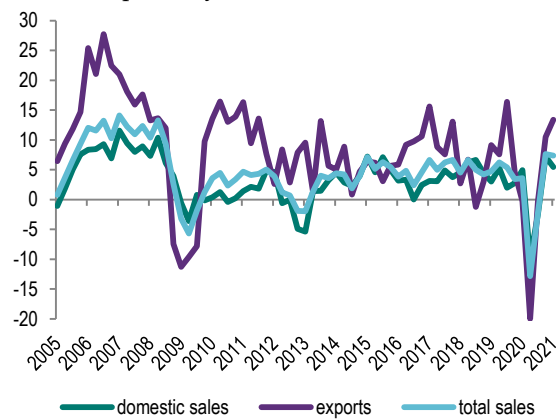
Forecasts also point to a further improvement in the outlook for aggregate demand – both in a quarterly and yearly horizon – but mainly in manufacturing. Export forecasts also continue to be very favourable.

Figure 1 Nominal y/y growth of sales revenue (quarterly data)[in %]



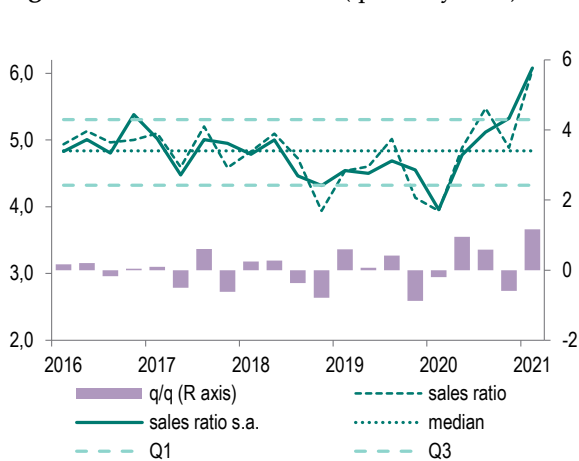
Source: Financial statements, GUS data, NBP study

Figure 2 Real (PPI-adjusted) y/y growth of sales revenue (quarterly data) [in %]



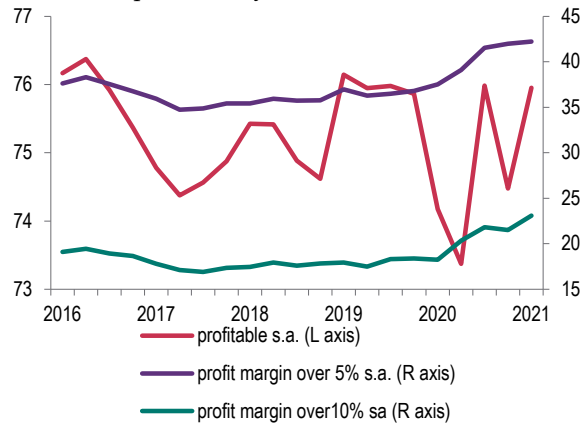
Source: Financial statements, GUS data, NBP study

Figure 3 Return on sales ratio (quarterly data)



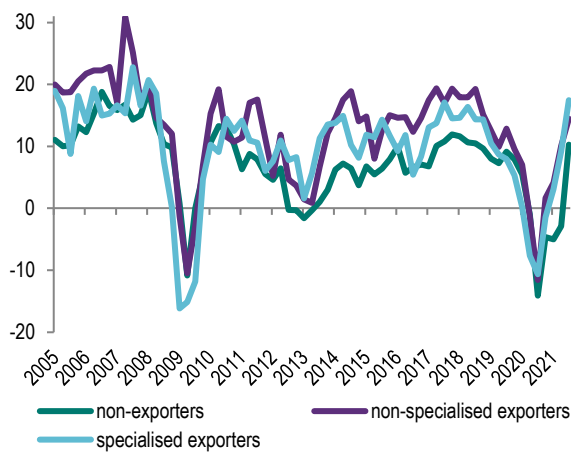
Source: Financial statements, GUS data, NBP material

Figure 4 Percentage of profitable companies and those with profitability above 5% (data s.a.)



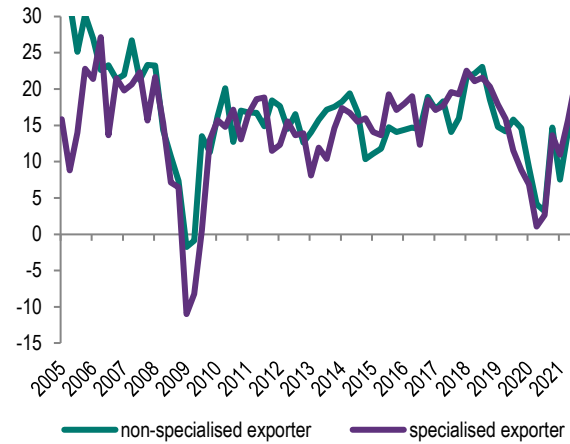
Source: Financial statements, GUS data, NBP study

Figure 5 Quarterly Demand Forecast Indicator (s.a.) [in pp.]



Source: NBP Quick Monitoring Survey

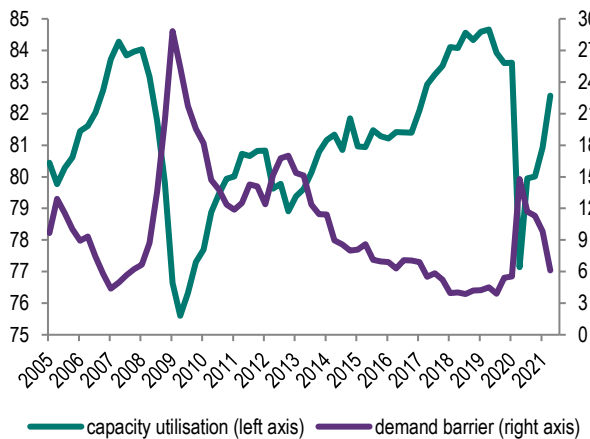
Figure 6 Quarterly Export Outlook Index (s.a.) [in pp.]



Source: NBP Quick Monitoring Survey

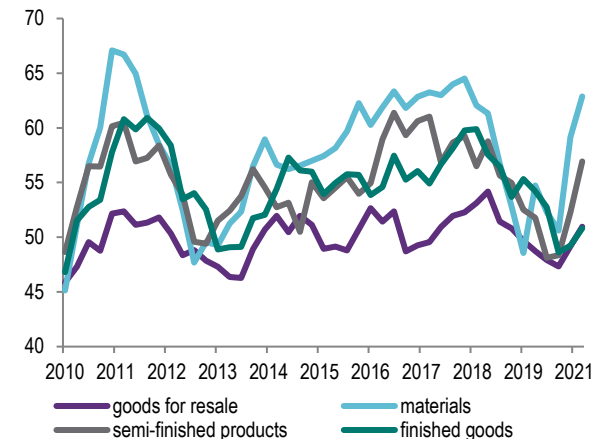
One of the significant sources of risks, apart from threats related to the possibility of the fourth wave of the COVID-19 pandemic – probably having less impact on the real economy than the previous surges in infections – will be inventory shortages. Whereas in 2021 Q1 these referred mostly to the availability of supply goods in selected industries, now, in the opinion of companies not only does it affect more industries and goods categories, but has also climbed to the highest level in the history of the survey. At the same time, developments in different inventory categories can be viewed in terms of businesses preparing to meet higher demand in the future.

Figure 7 Capacity utilisation (s.a.) and demand barrier (s.a.) [in %]



Source: NBP Quick Monitoring Survey

Figure 8 Percentage of firms observing y/y inventory growth [in %, s.a.]

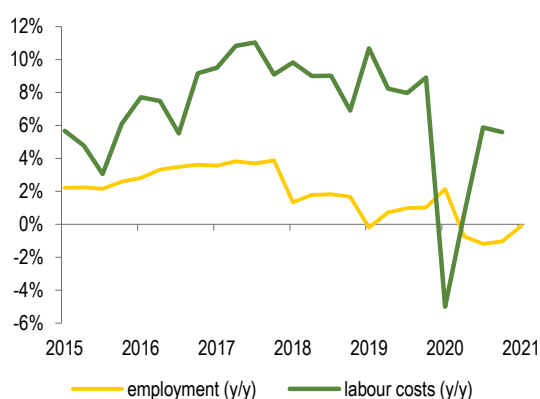


Source: Financial statements, GUS data, NBP study

In light of the GUS F-01 data for 2021 Q1, employment growth in y/y terms remained negative, but higher than in the previous quarter and positive in q/q terms. Employment growth was hampered by lay-offs in industries directly and indirectly affected by the pandemic restrictions. However, according to the NBP Quick Monitoring Survey data, employment forecasts are bright – the highest in the history of the survey. For another consecutive quarter, large enterprises have presented the most upbeat expectations, but the share of small and medium-sized firms planning to increase employment is also rising.

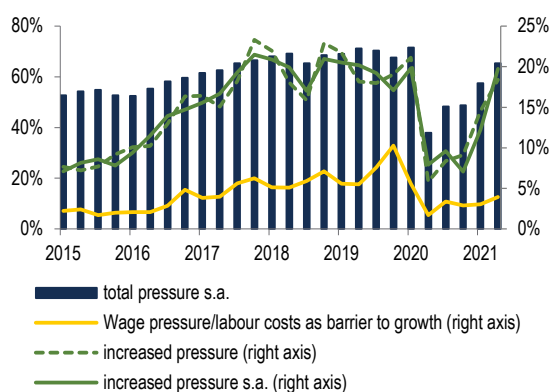
Labour costs in 2021 Q1 proved marginally lower than the quarter before, but their share in operating costs was still above their long-term average. The average wage growth also slowed down, although only in the private sector. The results of the NBP Quick Monitoring Survey point to rising wage pressure in 2021 Q2 across many classes of companies. However, the intensity of the pressure is markedly lower than before the pandemic. Moreover, more than 36% of the respondents, or approx. 9 pp. more than in the previous survey, expect wages to rise in Q3. Despite the rise in labour demand and the increased wage pressure, respondents expect wage increases to remain close to the long-term average. On average, companies plan to raise wages by 5.4% y/y, compared to 4.9% y/y in the previous quarter. In 2021 Q2, the relationship between wage growth and labour productivity growth improved; in 82% of the entities the change in wages was no higher or close to the change in labour productivity.

Figure 9 Employment and labour cost growth (y/y)



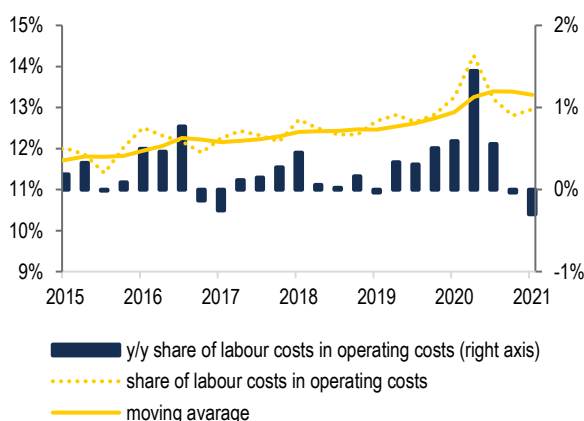
Source: Financial statements, GUS data, NBP study

Figure 10 Percentage of firms experiencing wage pressure; percentage of firms reporting wage pressure/high labour costs as a barrier to growth



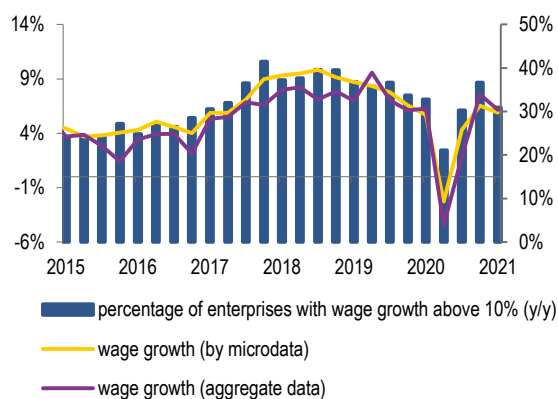
Source: NBP Quick Monitoring Survey

Figure 11 Contribution of labour costs to operating costs



Source: Financial statements, GUS data, NBP study

Figure 12 Wage growth by microdata and aggregate data

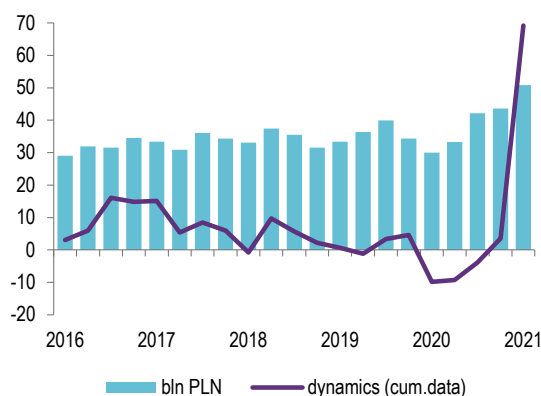


Source: Financial statements, GUS data, NBP study

The high revenue growth amid a simultaneous considerable reduction in some of the indices of capital intensity of production, rendered, according to GUS F-01 forms for 2021 Q1, a record profit of the NFC sector for this period: both in gross and net terms as well as in nominal and real terms. At the same time, this entailed a substantial increase in profitability, whose forecasts both in the quarterly and yearly horizon are also promising.

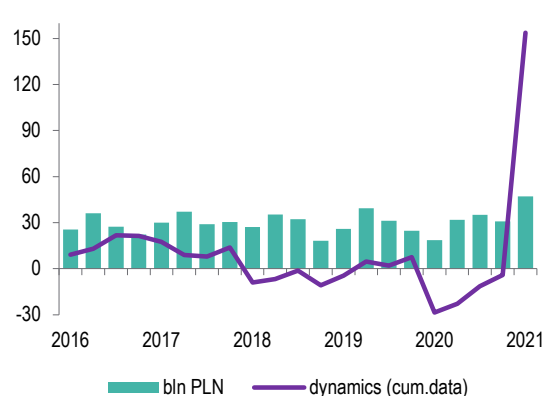
Companies expect further improvement in 2021 Q3 and over the next 12 months, with a particular surge in sentiment in industries where the pandemic restrictions have been relaxed recently. It has to be noted, however, that the record financial performance in 2021 Q1 partially stemmed from the exceptional circumstances in the initial stages of restriction-lifting. As the situation returns to normal, some of the costs, including expenditure on training, business travel etc., will probably pick up, while the direct strong effects of the assistance under the Shields will weaken.

Figure 13 Financial result from sales (quarterly data, PLN billion) and its annual growth (cumulative data)



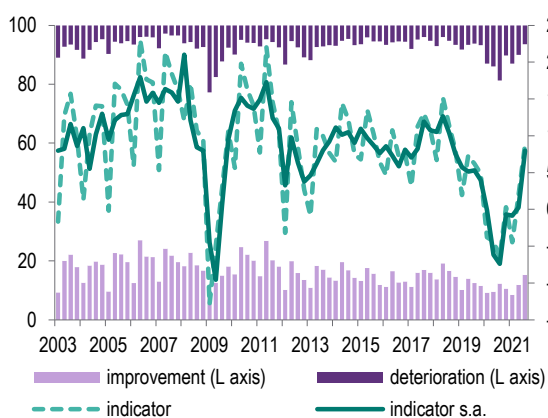
Source: Financial statements, GUS data, NBP study

Figure 14 Net financial result (quarterly data, PLN billion) and its annual growth (cumulative data)



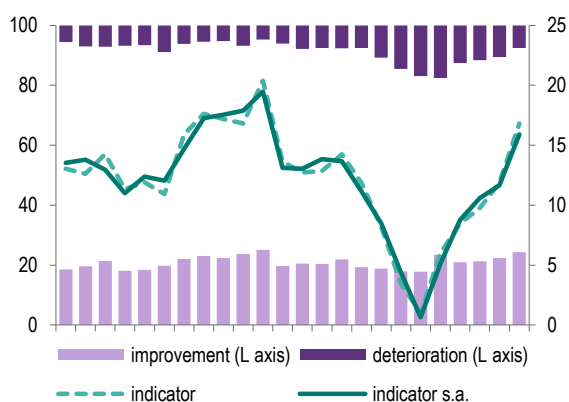
Source: Financial statements, GUS data, NBP study

Figure 15 Quarterly forecasts of the situation (balance, in pp) and percentage of firms expecting improvement or deterioration (in%)



Source: NBP Quick Monitoring Survey

Figure 16 Annual forecasts of the situation (balance, in pp.) and percentage of firms expecting improvement or deterioration (in%)



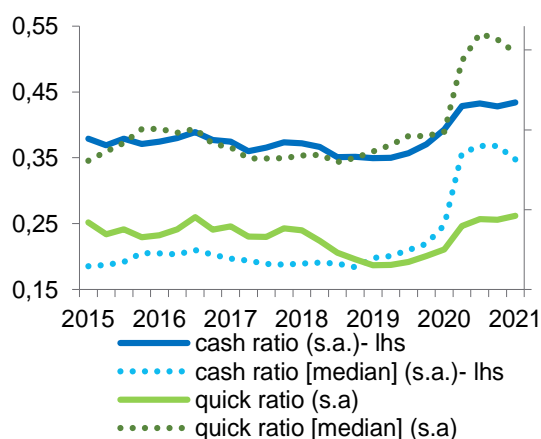
Source: NBP Quick Monitoring Survey

In 2021 Q1, average liquidity ratios for NFCs remained high; in particular, the percentage of enterprises maintaining the cash ratio above 0.2 hit an all-time high (61% of the respondents). Companies' declarations also show that the assessment of the liquidity situation in 2021 Q2 in most of the surveyed classes was better

than in the previous quarter, although in some of them only marginally so. The forecasts of the liquidity situation in the next 12 months also increased, with expectations of improvement prevailing. Enterprises' declared ability to service non-bank debt remained high.

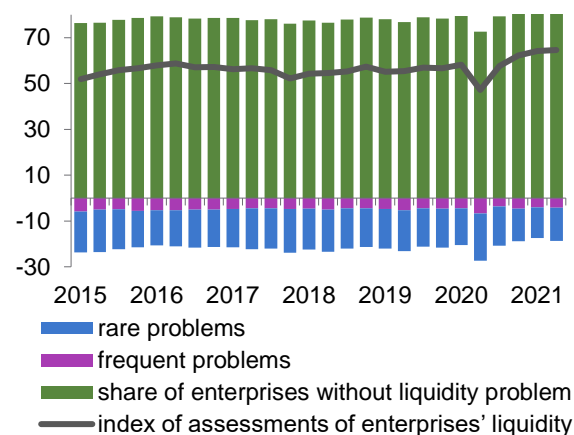
In 2021 Q2, demand for bank credit remained low, based on the declarations of the surveyed firms – only 15% of the firms sought it. According to the forecasts of the NBP Quick Monitoring Survey, this situation will not change much in 2021 Q3. According to the respondents' opinions, companies' capacity to service bank debt on time increased slightly, reaching a relatively high level. Firms expecting it to improve also in a 12-month horizon prevail in the sample. In combination with the very good assessments of liquidity, this translated into higher availability of bank financing – approx. 85% of the loan applications were granted.

Figure 17 Quick ratio (2nd degree) and cash ratio (1st degree) liquidity [in pp.]



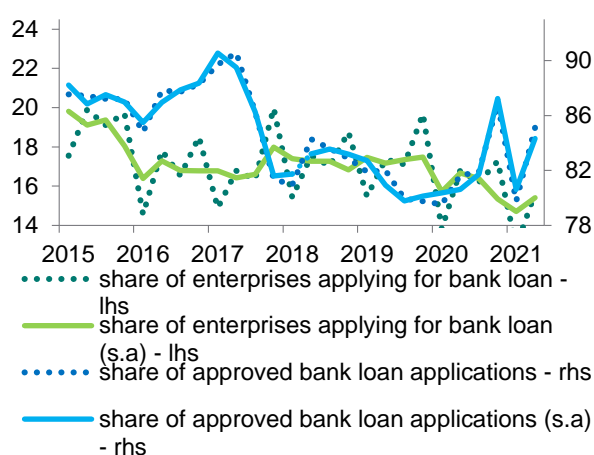
Source: Financial statements, GUS data, NBP study

Figure 18 Assessments of enterprises' liquidity (balance) against the percentage of firms by their assessments of the liquidity situation (in %)



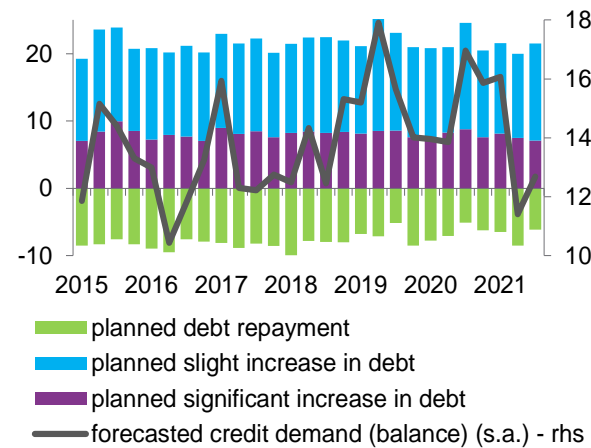
Source: NBP Quick Monitoring Survey

Figure 19 Percentage of filed and approved loan applications



Source: NBP Quick Monitoring Survey

Figure 20 Forecasts of demand for credit [percentages of responses] and balance of demand for credit

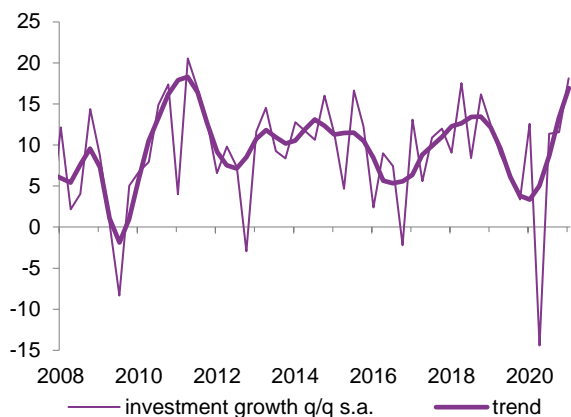


Source: NBP Quick Monitoring Survey

In 2021 Q1 – for the first time in nine months – fixed capital expenditure in NFCs increased. The recovery was observed in many groups of enterprises, including public sector companies and big investors. Owing to the sound financial situation of enterprises, investment sentiment also improved significantly, reaching

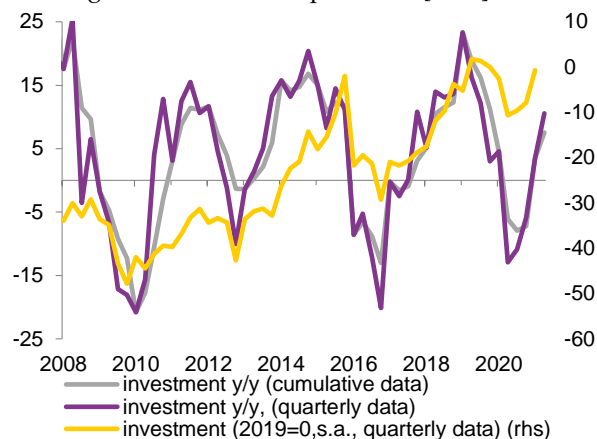
higher levels than those seen before the onset of the pandemic. Among other things, companies regained interest in new business development, whose levels reached record highs not seen since the global financial crisis.

Figure 21 Investment growth q/q, s.a. [in%, quarterly data]



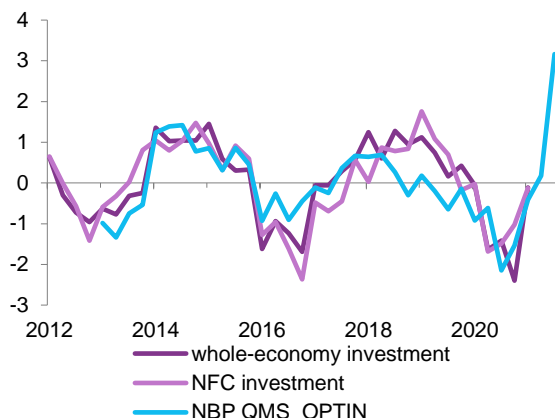
Source: Financial statements, GUS data, NBP material

Figure 22 Real investment growth in medium-sized and large non-financial corporations [in %]



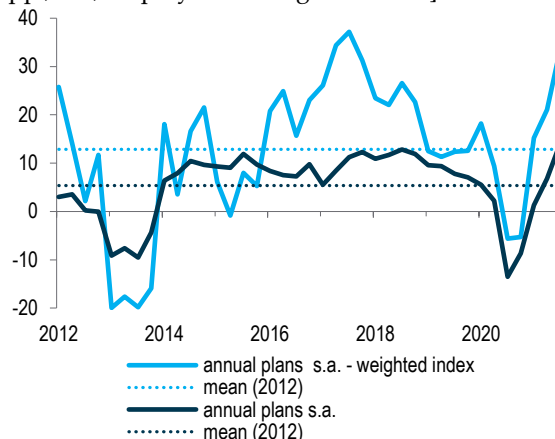
Source: Financial statements, GUS data, NBP material

Figure 23 NFC and whole-economy investment growth, NBP QMS OPTIN y/y [standardised data]



Source: Financial statements, GUS data, NBP material

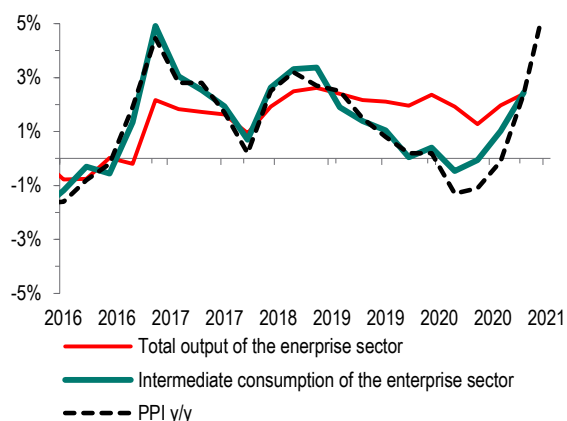
Figure 24 Planned change in the scale of the investment during the year, [balance of changes, in pp., s.a., employment weighted index]



Source: NBP Quick Monitoring Survey

In the first half of 2021, Polish industry saw accelerated producer price growth – chiefly due to rising prices (y/y) of energy and supply goods. Amid the progressive improvement in demand, the continued increase in the prices of the materials and commodities used in the production process, as well as (although to a lesser degree) wages – contribute to a marked rise in expectations for producer price inflation in 2021 Q3.

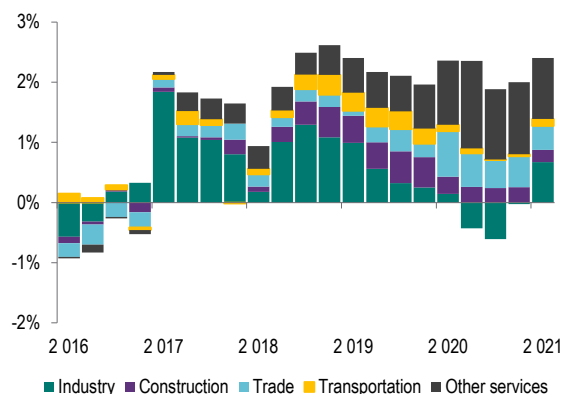
Figure 25 Annual growth in aggregate output prices, intermediate consumption and PPI [in %]



Note: PPI data for 2019 Q4 based on October and December figures

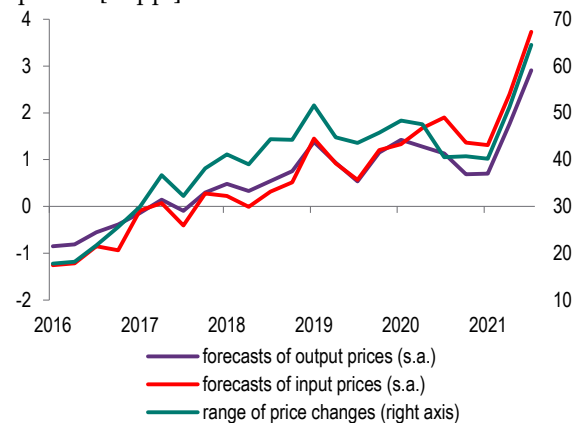
Source: GUS, NBP study

Figure 26 Impact of price changes in sections on aggregate output price growth in the corporate sector [in pp.]



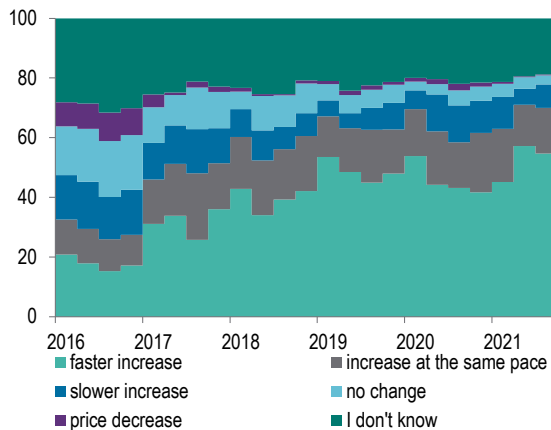
Source: GUS, NBP study

Figure 27 Expectations of changes in own prices and prices of raw materials and commodities in the next quarter [in pp.]



Source: NBP Quick Monitoring Survey

Figure 28 Forecasts of CPI in one year [in pp.]



Source: NBP Quick Monitoring Survey

Technical notes:

1. The study is based on two data sources: the NBP Quick Monitoring Survey and Reports on income, costs, financial results and investment outlays on fixed assets (hereinafter referred to as GUS Reports).
2. NBP Quick Monitoring Surveys have been conducted without interruption since the end of 1997. The latest survey took place in June 2021. 2,570 entities selected from all over the country participated in the survey, representing: all the NACE sections apart from agriculture, forestry and fisheries; both ownership sectors; the SME sector and large entities. The micro enterprise sector is under-represented.
3. Enterprises are obliged to submit the GUS Reports at the end of each quarter. The reporting obligation applies to enterprises employing more than 49 persons as at the end of the preceding year. The number of enterprises covered by the survey as at the end of March 2021 was 16,065. The following are subject to the reporting obligation: all NACE sections apart from the financial sector and agriculture, forestry and fisheries.

The full version of the report in Polish is available on the NBP website:

http://www.nbp.pl/home.aspx?c=/ascx/koniunktura_prezentacja.ascx

www.nbp.pl

