



NARODOWY
BANK POLSKI

No 01/22 (January 2022)

NBP Quick Monitoring Survey

Economic climate in the enterprise sector
Summary



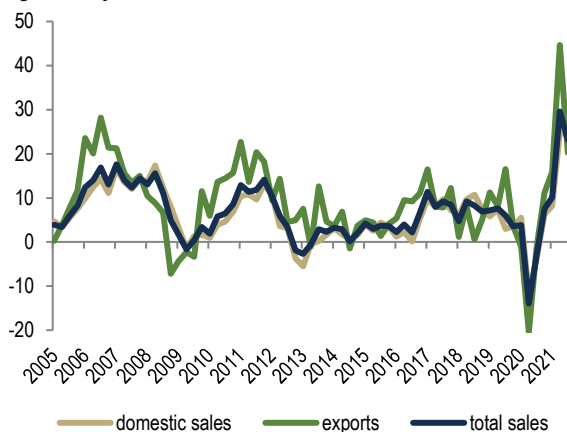
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Economic climate in the enterprise sector Summary

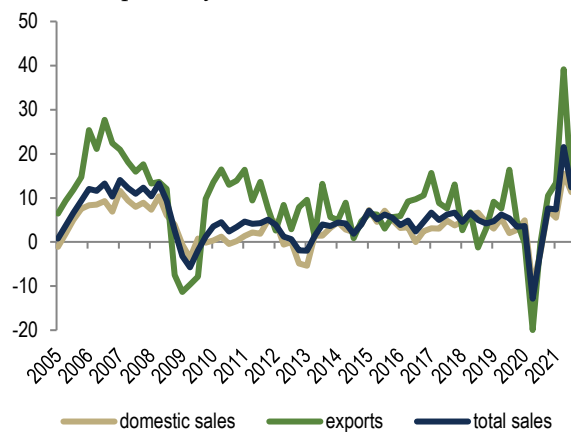
In 2021 Q3, the sales revenue of the non-financial enterprise sector (NFC) rose by 23.2% y/y in nominal terms; real growth (discounted with the PPI index) was 12.4% y/y. Median revenue growth and the share of firms observing year-on-year growth in sales revenue also point to favourable supply conditions in 2021 Q3. The high pace of sales growth also results – to a small degree – from the low base effect caused by the pandemic restrictions in 2020 Q3. It can also be concluded that the NFC sector has largely returned to its pre-pandemic activity levels: in 2021 Q4 capacity utilisation was running at a similar level as the previous quarter and close to the pre-pandemic level across most types of enterprises broken down by target markets (both exporters and non-exporters).

Figure1 Nominal y/y growth in sales revenue (quarterly data) [in %]



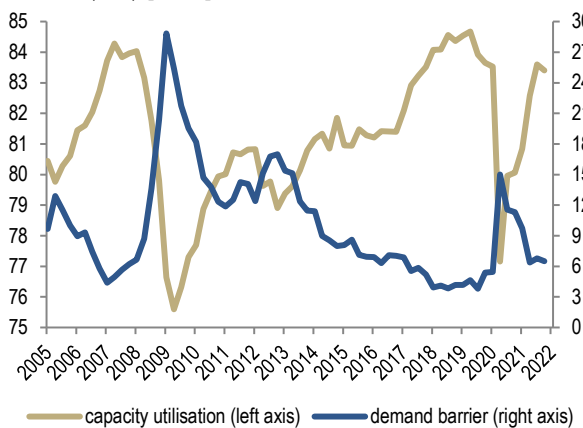
Source: Financial statements, GUS data

Figure2 Real (PPI-adjusted) y/y growth in sales revenue (quarterly data) [in %]



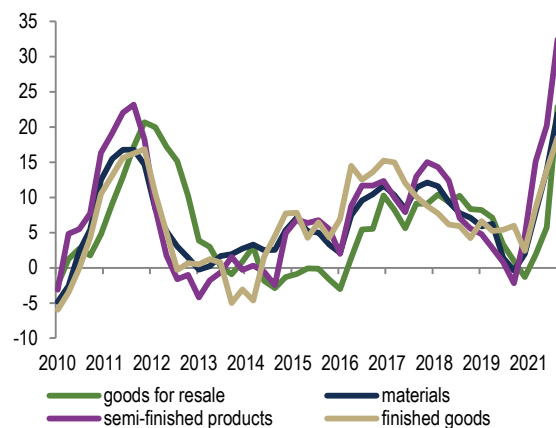
Source: Financial statements, GUS data

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



Source: NBP Quick Monitoring Survey

Figure4 Nominal y/y growth in inventories [in %]

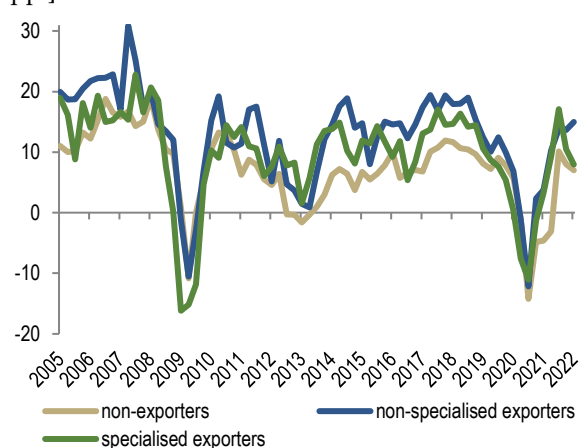


Source: Financial statements, GUS data

Despite the rapid inventory growth in 2021 Q3, in Q4 the inventory shortage intensified, resulting mainly from supply chain disruptions. The shortage of materials was particularly grave among producers of durable consumer goods, intermediate goods and in the construction sector. Forecasts point to slightly slower growth in demand – both domestic and external – in the horizon of a quarter and its stabilisation over the horizon of a year. However, the demand forecast indicators are high to keep the demand situation favourable. On the

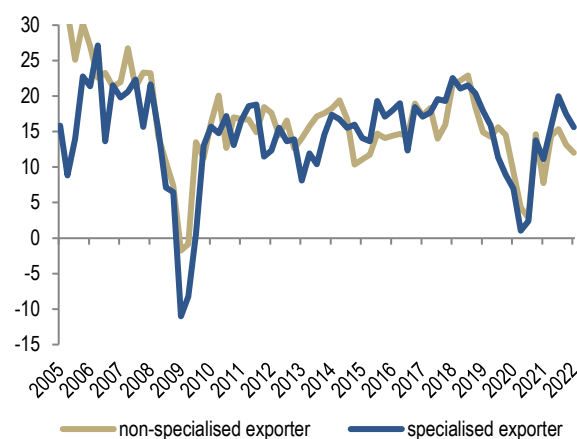
other hand, assessments of uncertainty in the NFC sector have increased to their 2020 levels – in part due to threats related to the further development of the COVID-19 pandemic and the new legal and tax solutions. Yet owing to the solid situation of the non-financial corporate sector, including its liquidity, exposure to the bankruptcy risk remains moderate.

Figure 5 Quarterly demand forecast indicator (s.a.) [in pp.]



Source: NBP Quick Monitoring Survey

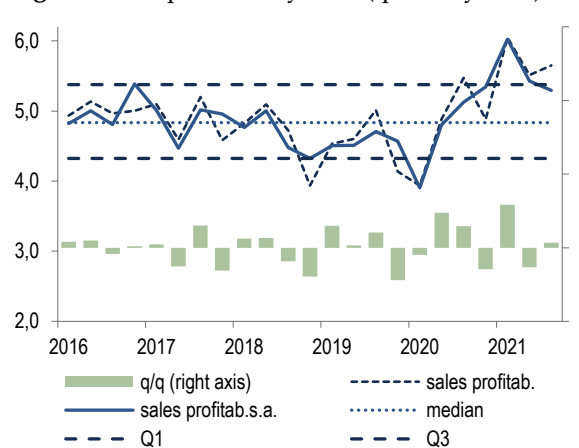
Figure 6 Quarterly export outlook indicator [in pp.]



Source: NBP Quick Monitoring Survey

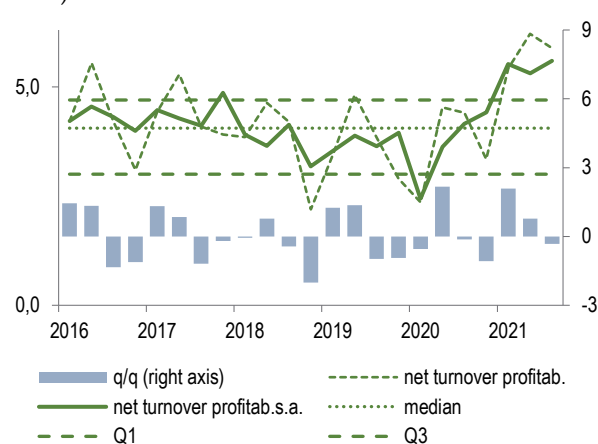
Favourable sales conditions in 2021 Q3 were accompanied by two-digit increases in aggregate profit, historically strong profitability ratios and a high share of profitable firms. At the same time, growth in a range of efficiency measures declined in 2021 Q3. At the end of 2021, due to, among other things, a rapid rise in some of the costs – the situation of non-financial corporations was markedly weaker than the quarter before as assessed the surveyed enterprises.

Figure 7 Sales profitability ratio (quarterly data)



Source: Financial statements, GUS data

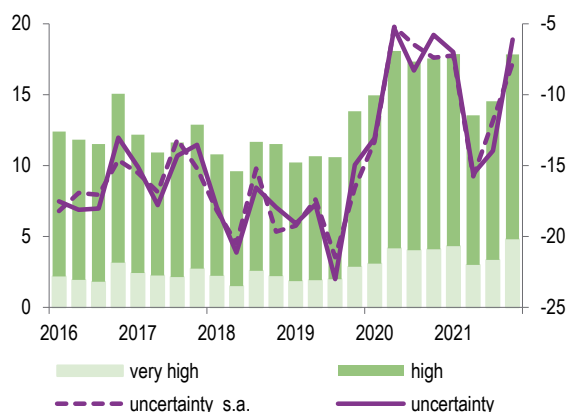
Figure 8 Net turnover profitability ratio (quarterly data)



Source: Financial statements, GUS data

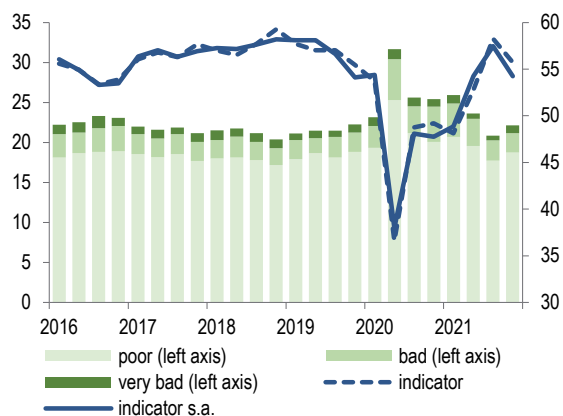
Forecasts, especially those for 2022 Q1, also suggested a further deterioration in firms' financial situation. Moreover, enterprises expect some decline in profitability in year-on-year terms. In some sections, especially those previously subject to pandemic restrictions, assessments and forecasts of own financial situation are highly volatile.

Figure 9 Assessment of uncertainty – balance indicator (in pp., growth denotes higher uncertainty) and percentage of companies with high uncertainty (in %)



Source: NBP Quick Monitoring Survey

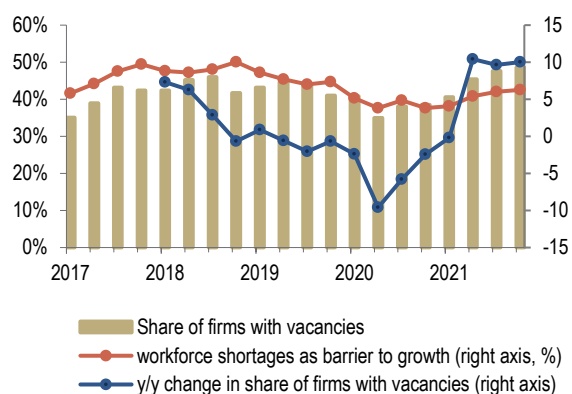
Figure 10 Assessment of current economic situation (balance, in pp.) and percentage of enterprises in a poor, bad and very bad condition (in %)



Source: NBP Quick Monitoring Survey

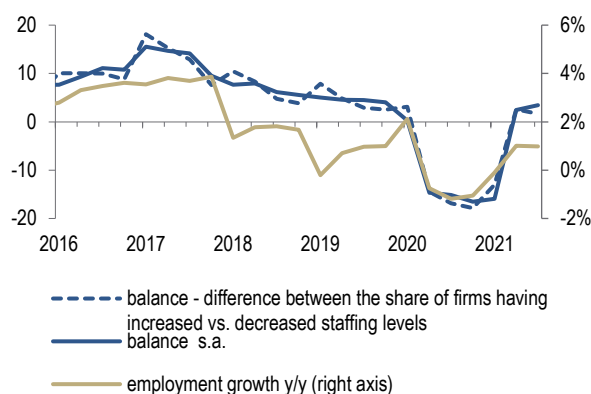
The NBP Quick Monitoring Survey findings point to a further increase in demand for labour: the share of firms expecting to expand the workforce as well as those reporting vacancies is historically high. Assessments are less upbeat in the industries most exposed to the restrictions resulting from the path of the COVID-19 pandemic.

Figure 11 Percentage of companies reporting job vacancies; percentage of companies considering labour shortage as barrier to growth [%]



Source: NBP Quick Monitoring Survey

Figure 12 Employment growth [y/y, %] and balance of employment [y/y, p.p.]

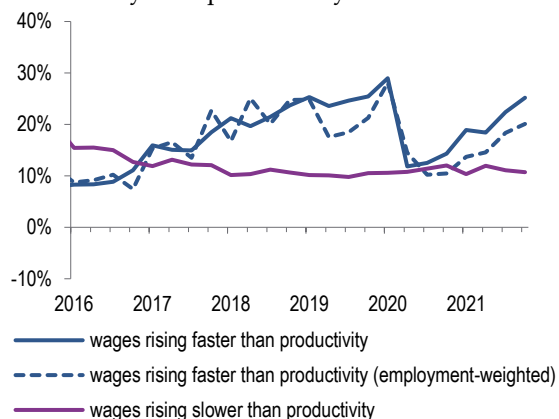


Source: Financial statements, GUS data

The surveyed enterprises are reporting a sharp rise – to an all-time high – in wage pressure. However, its pass-through to wage increases is easing off – while the share of firms forecasting higher average wages in the coming quarter (also to a highest-ever level) increased, wage growth is markedly less robust than in the previous three rounds of the survey. At the same time, the average magnitude of the planned wage increases has risen, while the median has remained stable. In entrepreneurs’ current assessments, the most pressing motive for the change in wage level is employee demands substantiated with the price rises in the economy. Despite this, the percentage of firms (weighted with workforce size) declaring that they will factor in inflation in their wage setting policies is close to the average of the previous years (i.e. 2010-2013, when this mechanism

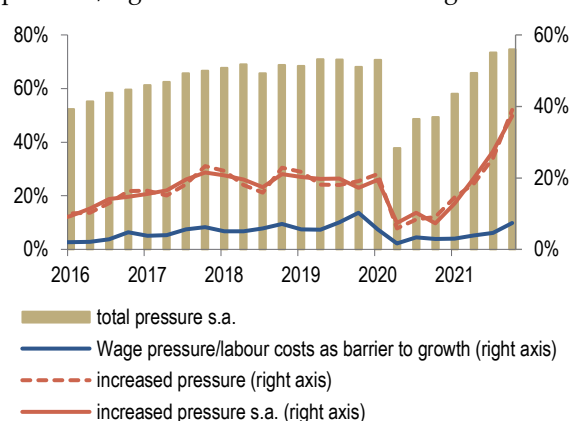
was investigated as part of the Annual Survey by NBP). Although in firms' assessments, in 2021 Q4 the relationship between the pace of wage increases and labour productivity deteriorated, a vast majority of entities (close to 75%) declare that labour productivity is growing no slower than wages. It should also be noted that according to financial data, the impact of real wage growth on corporate profitability in 2021 Q3 was offset by rising labour productivity.

Figure 13 Percentage of firms with wages rising faster than productivity and those with wages rising more slowly than productivity



Source: NBP Quick Monitoring Survey

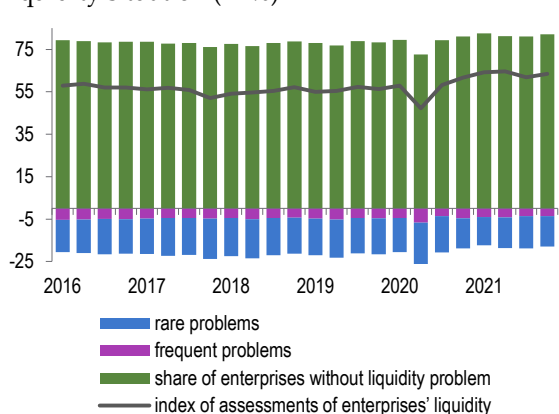
Figure 14 Percentage of firms experiencing wage pressure; percentage of firms reporting wage pressure/high labour costs as barrier to growth



Source: NBP Quick Monitoring Survey

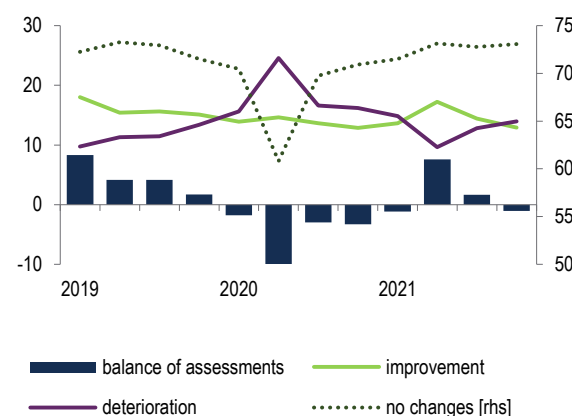
In 2021 Q3 the liquidity of the corporate sector according to the F-01 GUS forms remained high, despite a gradual decline. It was also assessed to be high in 2021 Q4 by the NBP Quick Monitoring Survey respondents. However, firms' expectations for the following 12 months are less optimistic – more respondents expect the situation in this area to deteriorate than to improve; this is the case in most analysed cross-sections.

Figure 15 Assessment of firms' liquidity (balance) and percentage of enterprises by assessment of liquidity situation (in %)



Source: NBP Quick Monitoring Survey

Figure 16 Forecasts of enterprises' liquidity situation [in %] and balance of assessments

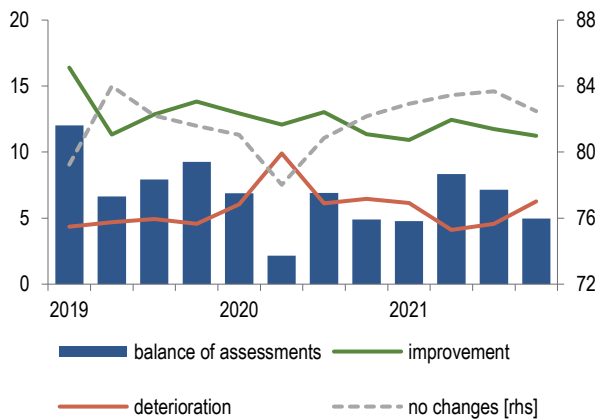


Source: NBP Quick Monitoring Survey

In line with firms' expectations reported in the NBP Quick Monitoring Survey, at the end of 2021 Q3 credit debt growth of the non-financial enterprises sector continued on an upward trend. However, the increase in

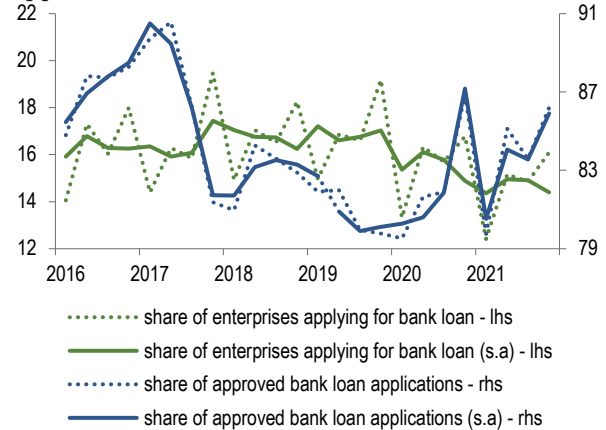
debt resulting from loans was small. According to the findings of the NBP Quick Monitoring, the percentage of enterprises applying for bank loans also continues to be low. On the other hand, the percentage of approved loan applications is rising. At the same time, although the capacity to service this debt was very high in the second half of 2021, the 2022 forecasts indicate the probability of a slight deterioration.

Figure 17 Forecast of debt service on loans [in %] and balance of assessments



Source: NBP Quick Monitoring Survey

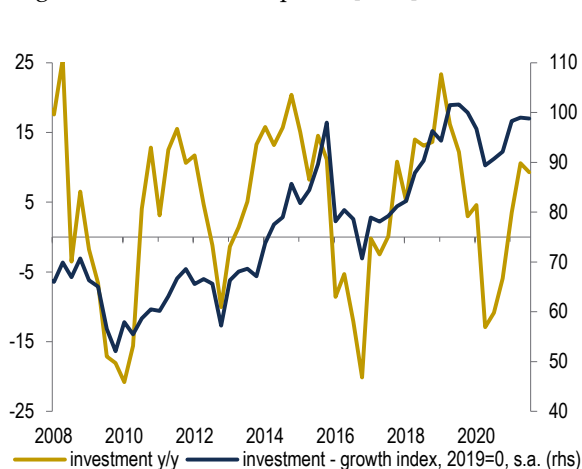
Figure 18 Percentage of filed and approved loan applications



Source: NBP Quick Monitoring Survey

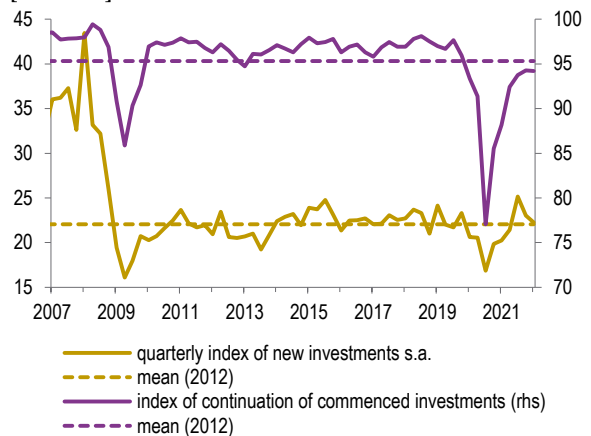
Despite a certain deterioration, corporate investment sentiment remains strong and is better than a year ago. In the analysed cross-sections, all the components of the OPTIN indicator deteriorated, more so with regard to quarterly than annual forecasts. Although these declines might be temporary – resulting from, among others, high uncertainty as to the economic impact of the 5th wave of the Covid-19 pandemic – in light of firms’ opinions, the slowdown in investment activity in 2022 Q1 may be considerable after all. As the industry sector companies experiencing problems in maintaining the required inventory levels more often intend to invest in capacity expansion, this may alleviate some supply tensions of this nature in the future.

Figure 19 Investment growth in medium-sized and large non-financial enterprises [in %]



Source: Financial statements, GUS data

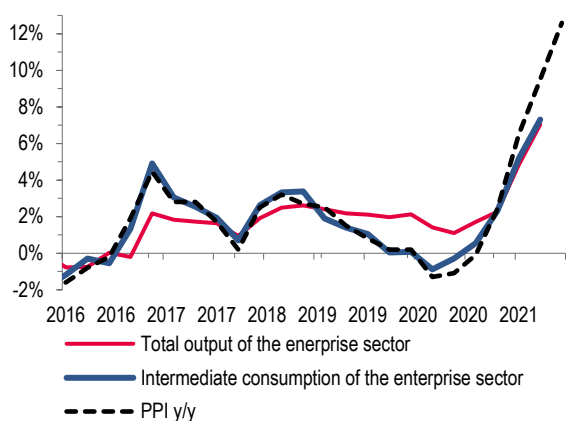
Figure 20 Quarterly index of new investments and continued previously commenced investments [% firms]



Source: NBP Quick Monitoring Survey

The findings of the NBP Quick Monitoring Survey point to higher producer price inflation expectations among the survey respondents, which is mainly driven by the steeply rising supply prices. On the other hand, the anticipated wage growth had a significant, but markedly smaller impact on these expectations. Enterprises also report problems with fully including the higher prices of production factors in the prices of products offered. This, on the one hand, is a sign of the demand barrier emerging in certain markets, while on the other hand it may lead to a deterioration in the financial condition of these entities. At the same time, the high volatility of supply factors (including their availability, as well as prices of commodities and raw materials) was the reason why expectations of demand had a negligible impact on forecasts of producer prices in 2022 Q1.

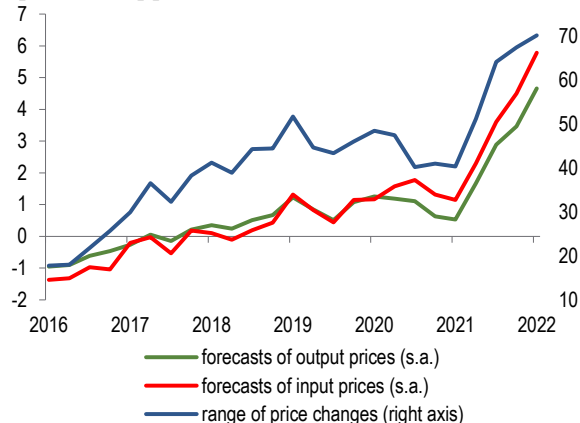
Figure 21 Annual growth in gross output prices, intermediate consumption and PPI [in %]



Note: PPI data for 2021 Q4 based on October and December

Source: Financial statements, GUS data

Figure 22 Expectations of change in own prices and prices of raw materials and commodities in the next quarter [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 December 2021. 2626 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 September 2021 was 17,002. 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

