



NARODOWY
BANK POLSKI

No 03/22 (July 2022)

NBP Quick Monitoring Survey

Economic climate in the enterprise sector
Summary



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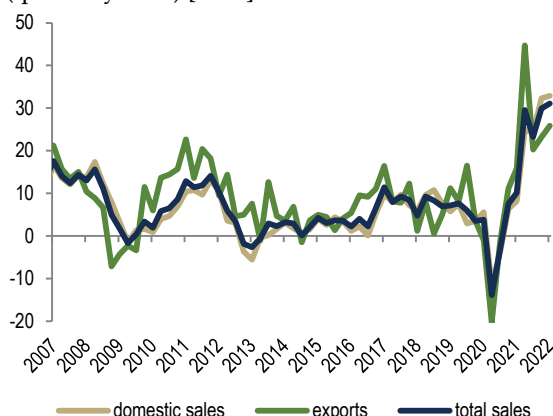
NBP Quick Monitoring Survey

Economic climate in the enterprise sector

Summary

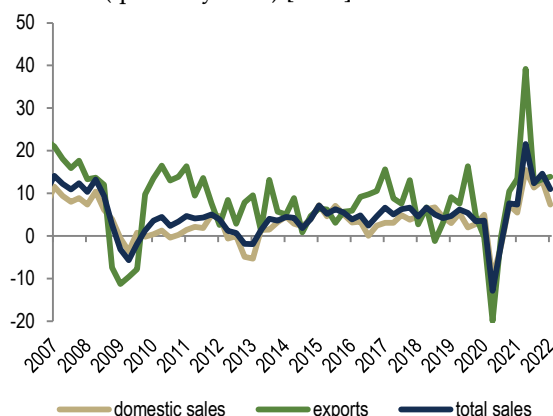
The economic results of the enterprise sector included in the Statistics Poland F-01 form for 2022 Q1 show that the sector will enter the expected period of substantial slowdown in a good economic condition: the nominal growth of total sales was at its highest since 2000. The profits and profitability of the enterprise sector were also very sound. The improvement was supported by rapid growth in revenue amid a relatively slower rise in costs. This was made possible by, among others things, the fact that despite sharp rises in some variable cost components – notably commodity and energy costs – changes in the periodically fixed costs, including wages, were relatively smaller. Due to the high level of economic activity, labour productivity in aggregate increased faster than wages, although the situation varied heavily across sectors.

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



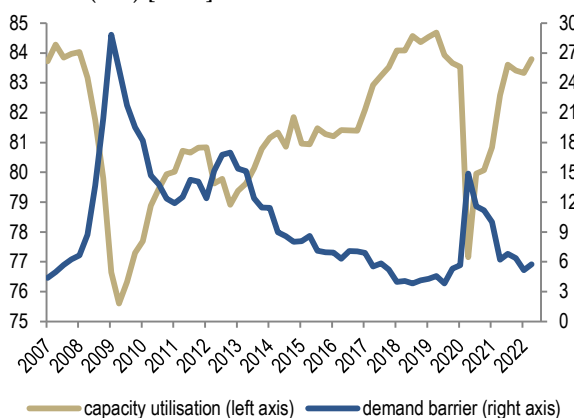
Source: Financial statements, GUS data, NBP study

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



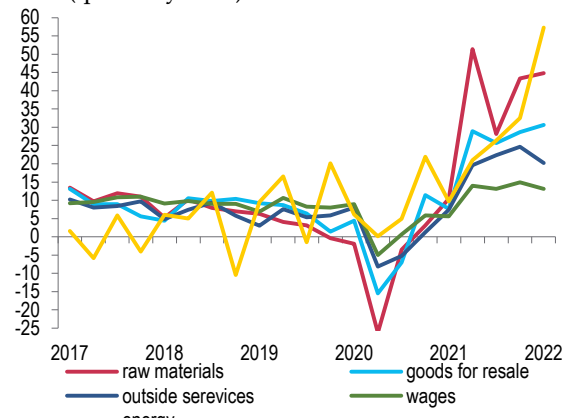
Source: Financial statements, GUS data, NBP study

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



Source: NBP Quick Monitoring Survey

Figure 4 Growth in selected components of sales costs (quarterly data)

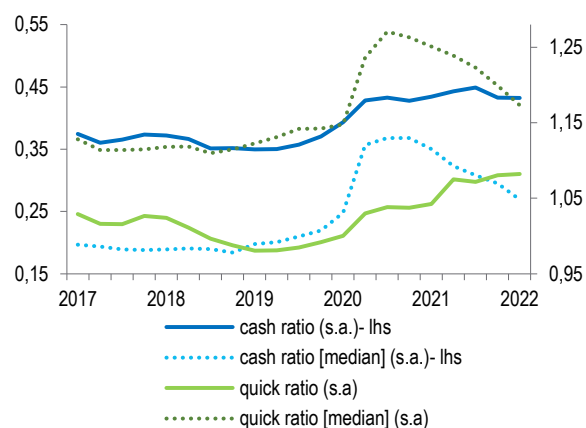


Source: NBP Quick Monitoring Survey

Also the liquidity position of enterprises continued to be very good in 2022 Q1, although the changes in the component liquidity indices suggest its deterioration ahead. The previously high growth in cash and other liquid assets is slowing down markedly. Liquidity deterioration is also confirmed by the NBP Quick Monitoring data, where both a decline in the percentage of firms without liquidity problems and a deterioration in the balance of 12-month liquidity forecasts are observed. Yet a number of indices testify to the still safe situation of the sector in terms of its operating security and liquidity maintenance. These include

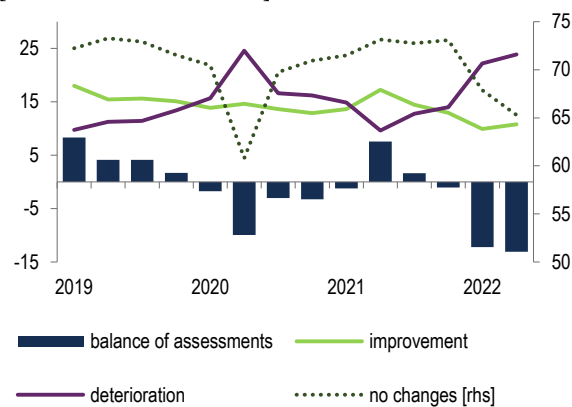
a high ratio of advances against future deliveries to sales and the level of short term investment relative to sales costs. The ratio of working capital to total revenue has also remained on an upward trend.

Figure 5 Quick ratio and cash ratio [in pp.]



Source: Financial statements, GUS data, NBP study

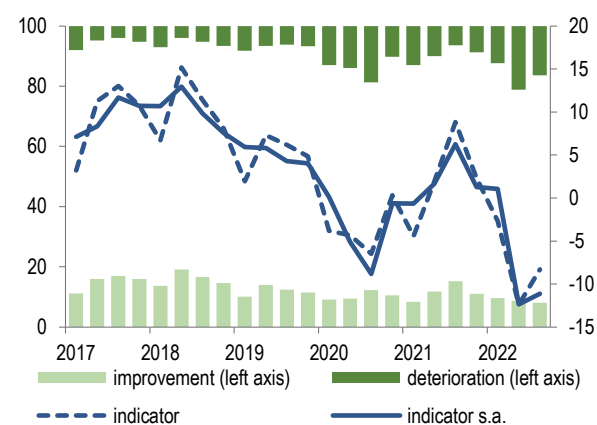
Figure 6 Forecasts of enterprises' liquidity situation [balance of assessments]



Source: NBP Quick Monitoring Survey

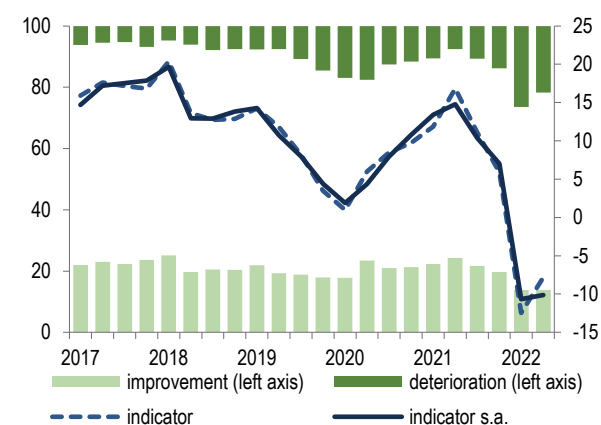
However, these favourable corporate financial results – both in terms of amounts and indicators – should be interpreted with caution, given the steep price growth, as the impact of inflation on the financial situation of enterprises is complex. The following may be particularly problematic in this context: accounting for costs, particularly depreciation, valuation of inventories and fixed assets as well as the construction of appropriate deflators. As a result, the financial perceptions of the enterprise sector, especially in aggregate, may be overly optimistic, while the qualitative assessments made by entrepreneurs may be paradoxically, worse.

Figure 7 Quarterly forecasts of the situation (balance, in pp.) and percentage of firms expecting improvement vs. deterioration (in %).



Source: NBP Quick Monitoring Survey

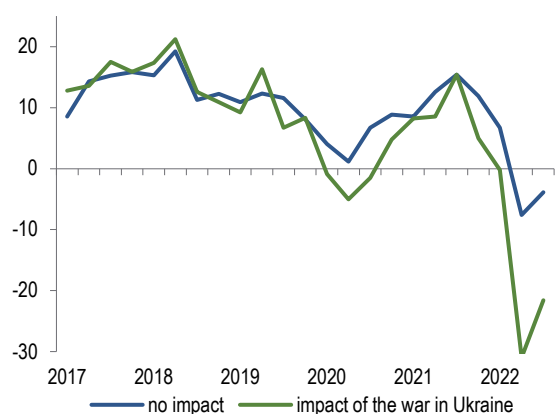
Figure 8 Annual forecasts of the situation (balance, in pp.) and percentage of firms expecting improvement vs. deterioration (in %).



Source: NBP Quick Monitoring Survey

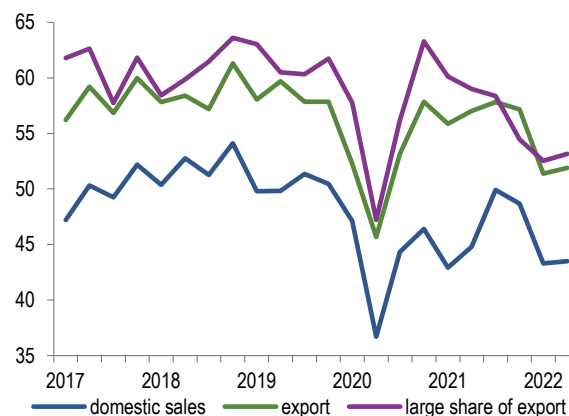
In light of the NBP Quick Monitoring, indicators of the conditions in the enterprise sector in 2022 Q2 deteriorated for the second consecutive quarter and were considerably worse than the year before. The slump was observed across many industries and classes analysed, although in some of them the most recent assessments – following the significant declines of the previous round of the NBP Quick Monitoring – were revised upwards. Like the quarter earlier, the rapidly rising prices and costs were mentioned as the main problems currently faced by companies. The war in Ukraine is also having a negative impact; its evidently detrimental consequences are already experienced by almost every fourth respondent. The negative effects of the conflict are also increasingly mentioned by exporters and importers. In contrast, in 2022 Q2 the scale of the problem of the mismatch between the levels of inventory and the enterprise’s needs diminished significantly. Yet the observed changes probably result from the deteriorating demand outlook and not from a smaller scale of strains in supply chains. In 2022 Q2, the uncertainty experienced by enterprises weakened slightly on the previous quarter; however, it remained well above the long-term average.

Figure 9 Annual forecasts of the situation in the group of enterprises experiencing the impact of the war in Ukraine and in other enterprises (in pp., s.a.)



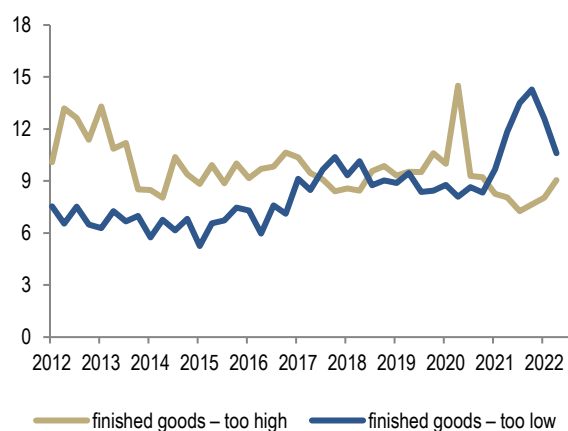
Source: NBP Quick Monitoring Survey

Figure 10 Assessments of profitability (percentage of enterprises with a satisfactory level of profitability, in %)



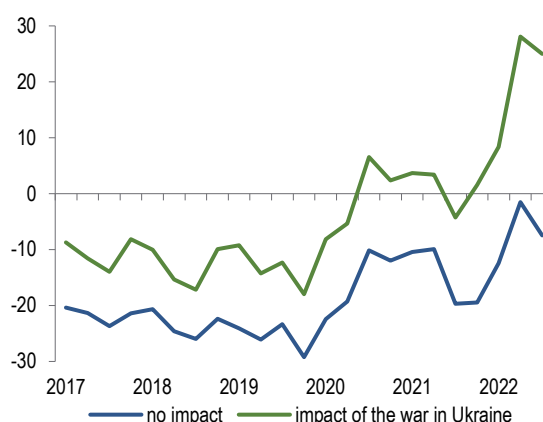
Source: NBP Quick Monitoring Survey

Figure 11 Percentage of enterprises declaring mismatches in finished goods inventories (s.a.) [in %]



Source: NBP Quick Monitoring Survey

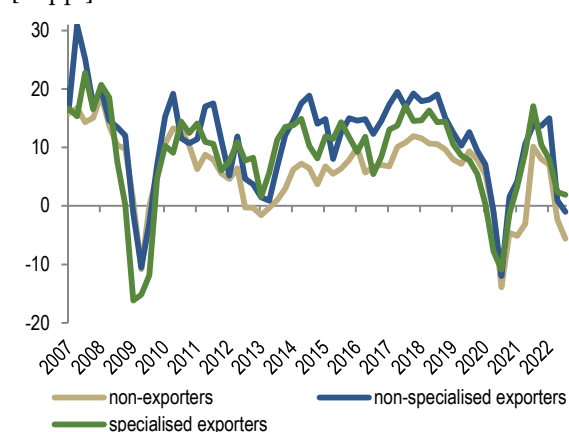
Figure 12 Assessments of uncertainty in the group of enterprises experiencing the impact of the war in Ukraine and in other enterprises (in pp., s.a.)



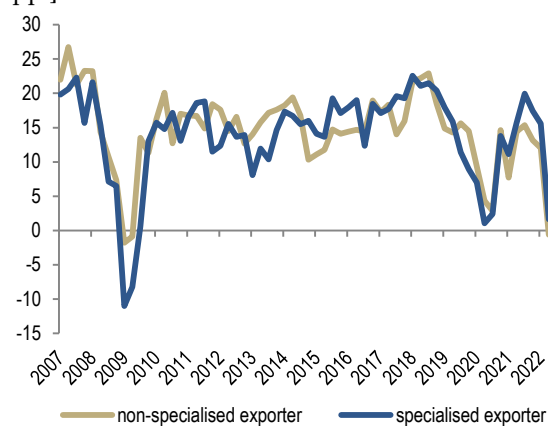
Source: NBP Quick Monitoring Survey

The forecasts of the economic situation in the coming quarter and the subsequent 12 months – while having improved somewhat on the previous reading – have remained strongly pessimistic, running at one of the lowest levels in history. Almost 70% of the respondents believe that the probability of a significant economic slowdown exceeds 1/2. It has to be emphasised, though, that these expectations may have been affected by the war in Ukraine. Predictions relating to demand itself are indeed more favourable – firms expect a slight rise in external demand in the horizon of the next three months. In contrast, in the perspective of a year, enterprises expect a stagnation in domestic demand, and stable growth of foreign demand.

Figure 13 Quarterly demand forecast indicator (s.a.) [in pp.] **Figure 14** Quarterly Export Outlook Index (s.a.) [in pp.]



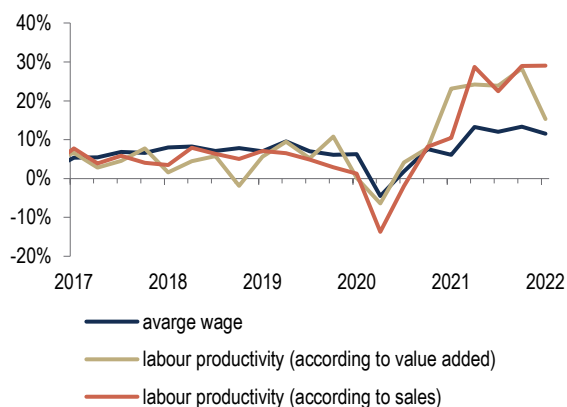
Source: NBP Quick Monitoring Survey



Source: NBP Quick Monitoring Survey

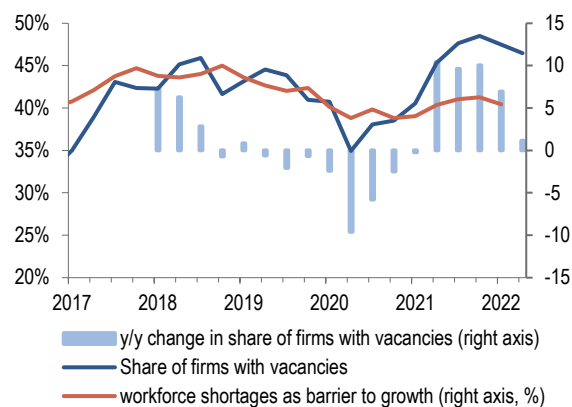
The weaker economic outlook has affected labour market conditions markedly. Survey data suggest further normalisation of demand for work – as is indicated both by the smaller share of firms with vacancies than in the previous round and by quarterly and annual employment forecasts. Despite the q/q decline, these indicators are still relatively high, and in some sectors (transport, construction, energy sector) demand for labour is higher than in the previous quarter. Although wage pressure has intensified compared to the previous quarter, the scale of this increase is significantly smaller than in the second half of 2021. At the same time, despite its record level, the enhanced wage pressure has been assessed by firms as one of the minor problems associated with high inflation.

Figure 15 Labour productivity growth and wage growth [y/y; in %]



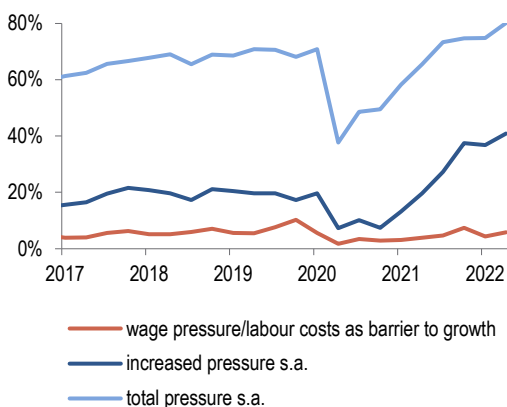
Source: Financial statements, GUS data, NBP study

Figure 16 Percentage of companies with job vacancies; percentage of companies indicating labour shortage as a barrier to growth [in %]



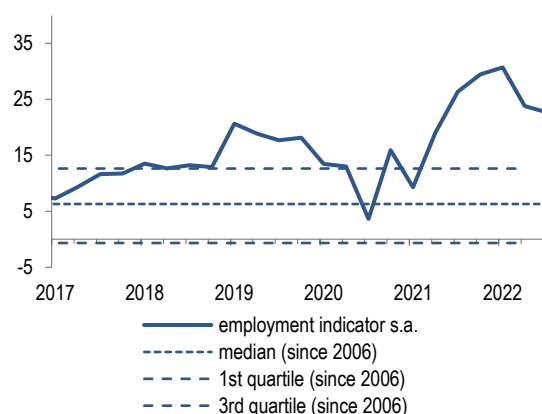
Source: NBP Quick Monitoring Survey

Figure 17 Percentage of firms experiencing wage pressure; share of firms indicating wage pressure/high labour costs as a barrier to growth [in %]



Source: NBP Quick Monitoring Survey

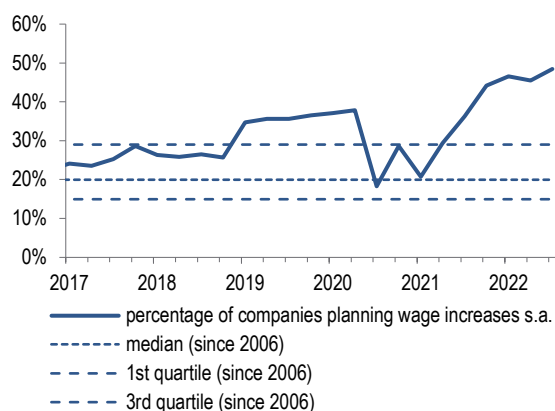
Figure 18 Index of quarterly employment forecasts [in pp.]



Source: NBP Quick Monitoring Survey

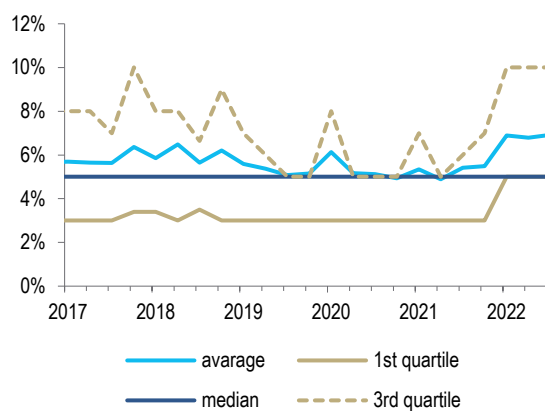
In contrast, the share of firms planning to raise wages has risen slightly on the previous quarter and is currently running at its highest level on record. Yet the average planned pay rise is, despite the accelerating inflation, close to the figure observed in the previous two quarters (and just under 2 pp. higher than its long-term average). On the other hand, in q/q terms, the average pay rise anticipated in the next 12 months has increased, and survey data suggest that the outlook for a firm’s own economic situation may be a substantial factor in its propensity to raise wages.

Figure 19 Share of firms expecting average pay to rise in the next quarter s.a. [in %]



Source: NBP Quick Monitoring Survey

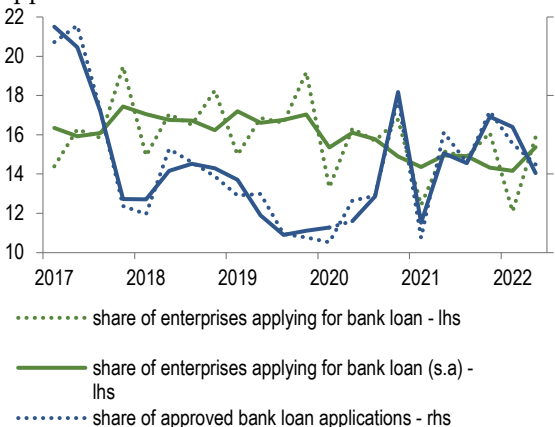
Figure 20 Average expected pay rises and their positional measures of dispersion [in %]



Source: NBP Quick Monitoring Survey

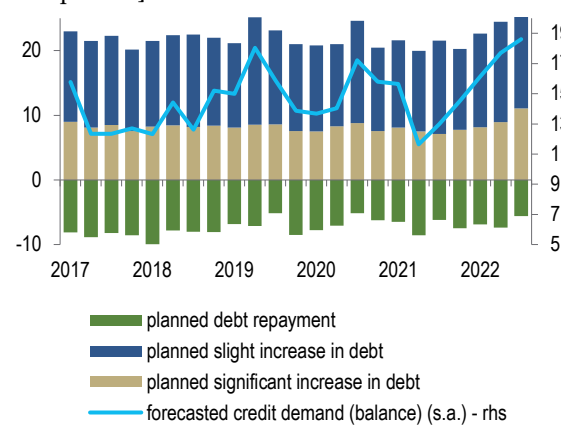
The rising price level may be one of the reasons why, despite the bleaker economic outlook and the simultaneous soundness of the liquidity position of enterprises, the growth in the sector’s credit debt continues to trend upwards, and the demand for bank financing in the next quarter declared by the surveyed firms has also risen somewhat. Debt service, notwithstanding a slight deterioration, has remained very good. Yet the balance of forecasts of credit debt service has turned negative, thus pointing to the growing pessimism of the firms themselves and to their concerns about a future deterioration in that area. This situation is also anticipated by the banking sector, because – although according to the NBP Quick Monitoring data for 2022 Q2, the share of enterprises seeking a bank loan has increased slightly – the percentage of firms having obtained a loan approval decreased again in q/q terms.

Figure 21 Percentage of filed and approved loan applications



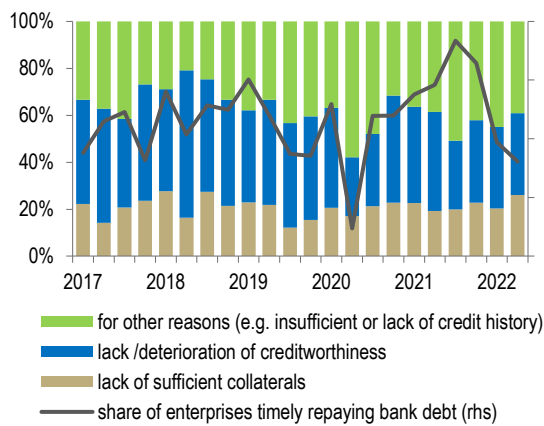
Source: NBP Quick Monitoring Survey

Figure 22 Forecast of demand for credit [percentage of responses]



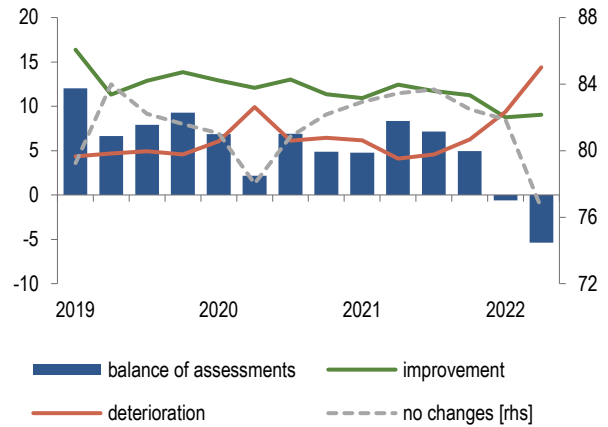
Source: NBP Quick Monitoring Survey

Figure 23 Declared credit debt service and structure of reasons to reject a loan application [% of responses]



Source: NBP Quick Monitoring Survey

Figure 24 Forecast of debt service [% of responses]



Source: NBP Quick Monitoring Survey

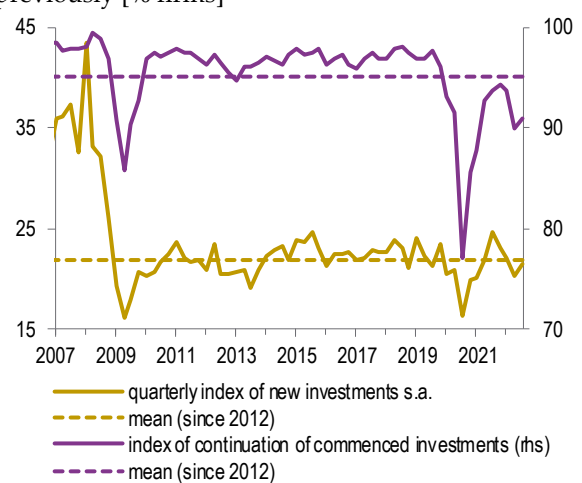
In light of the NBP Quick Monitoring, following three quarters of decline in investor optimism, investors' confidence (measured with the OPTIN indicator) has gained a little relative to the previous readings, but continues to be weaker than the year before. There was a substantial improvement – to very high levels – in the assessments by the bigger firms, possibly due to more upbeat expectations related to the potential implementation of the National Recovery Plan. However, due to the small scale of improvement in q/q terms, the synthetic optimism measure (OPTIN) is still running low. A growing challenge for companies, generating a range of mostly negative effects on their investment activity, is price growth (the main and increasingly reported barrier to company activity for the past five quarters) – in light of the NBP Quick Monitoring results, companies experiencing strong inflationary effects displayed weaker investment activity.

Figure 25 OPTIN s.a. [share of firms with positive assessment of investment activity, in %]



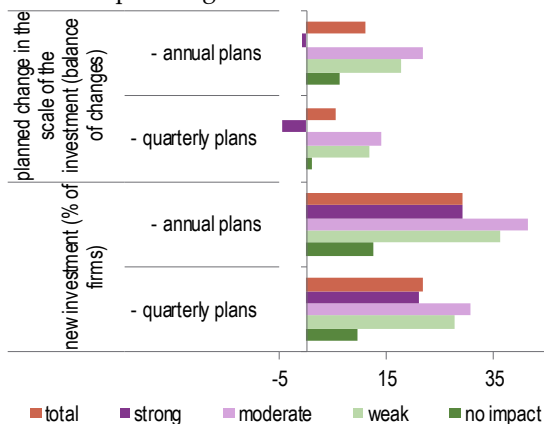
Source: NBP Quick Monitoring Survey

Figure 26 Quarterly index of new investments and index of continuation of investments launched previously [% firms]



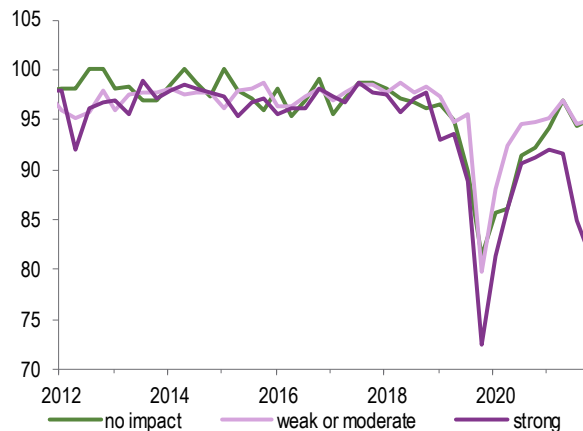
Source: NBP Quick Monitoring Survey

Figure 27 Assessments of firms' investment activity and the impact of inflation on problems in investment planning



Source: NBP Quick Monitoring Survey

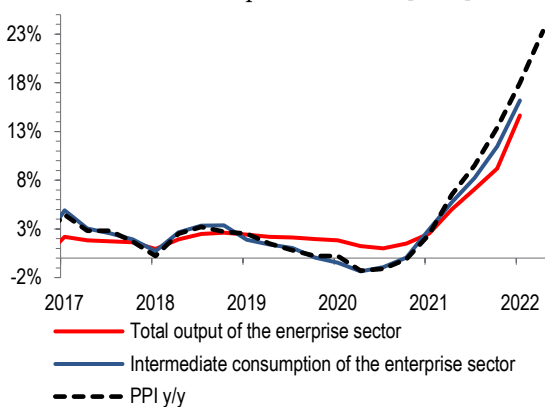
Figure 28 Index of continued investment projects and impact of inflation on problems in investment planning [% of investors]



Source: NBP Quick Monitoring Survey

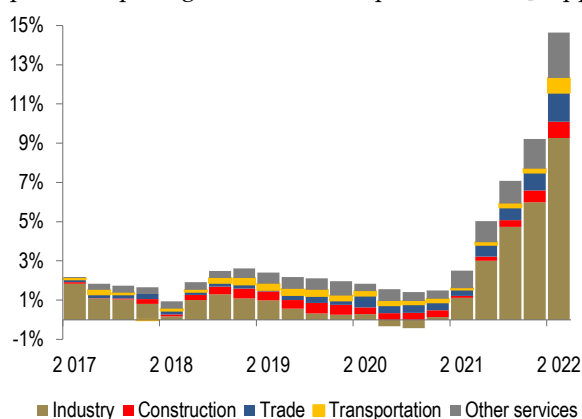
The rise in the index of price pressure – to the highest level ever recorded – and industrial producer prices data for April and May point to accelerated producer price growth in the non-financial corporate sector in 2022 Q2. On the other hand, the expectations of the surveyed entities suggest the continuation of producer price growth in 2022 Q3 at a pace close to that observed in the previous survey. Factors contributing to the halting of the upward trend in the index of price forecasts included the slightly lower, albeit still very high, expectations about supply prices. The steeply rising prices of materials and commodities used in the production process remain the most important driver of expectations about producer price inflation – far more important than wage pressures and rising wage costs.

Figure 29 Annual growth in gross output prices, intermediate consumption and PPI [in %]



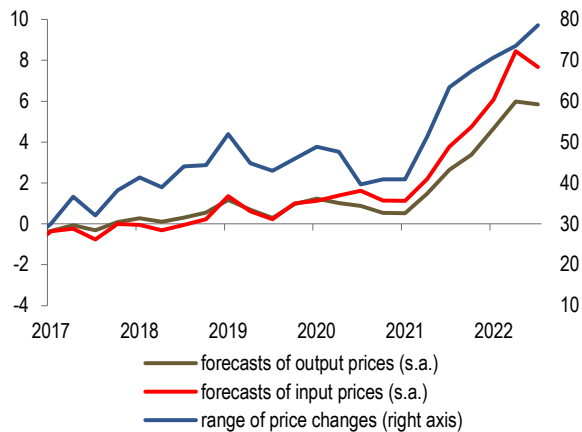
Note: PPI data for 2021 Q4 based on October and December
Source: Financial statements, GUS data, NBP study

Figure 30 Impact of price changes in sections on global producer price growth in the corporate sector [in pp.]



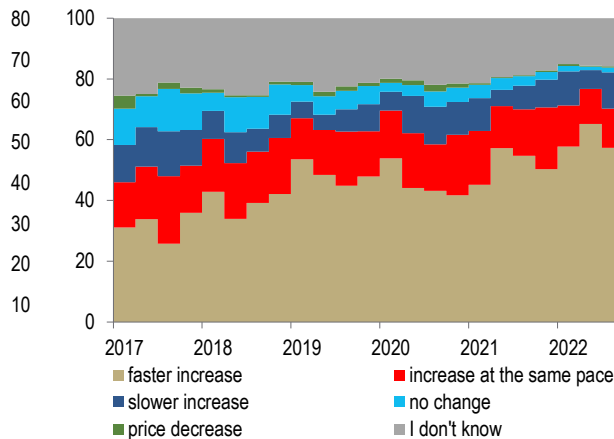
Source: Financial statements, GUS data, NBP study

Figure 31 Expectations of change in own prices and prices of raw materials and commodities in the next quarter [in pp.]



Source: NBP Quick Monitoring Survey

Figure 32 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 2022. 2,669 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 2022 was 16,435. 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

