



NARODOWY
BANK POLSKI

No 04/22 (October 2022)

NBP Quick Monitoring Survey

Economic climate in the enterprise sector
Summary



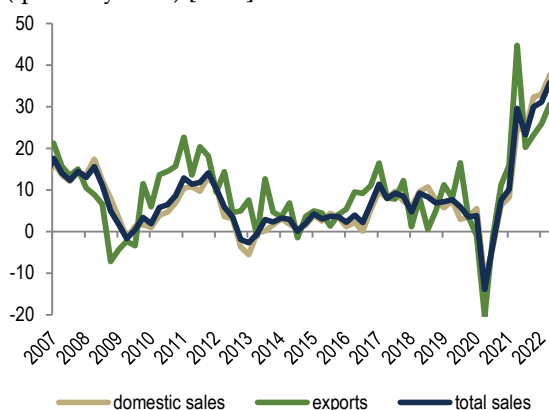
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Economic climate in the enterprise sector Summary

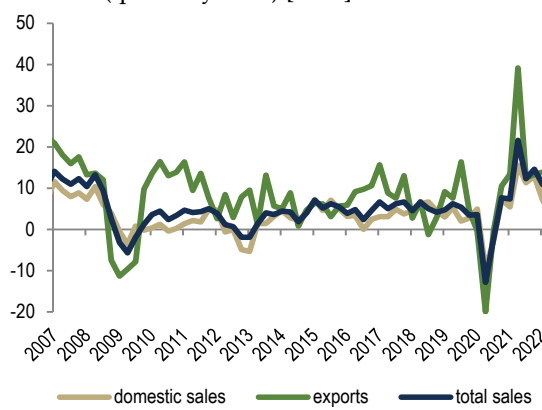
In 2022 Q2, the real y/y growth in revenue from overall sales of the non-financial enterprise sector included in the Statistics Poland F-01 form was positive, but slower than in the previous period. Nevertheless, these real-terms revenues still grew at rates set by long-term trends. The slowdown in total revenue growth was driven by the markedly weaker domestic sales growth, which was not fully offset by the robust growth in foreign sales, sustained since the previous quarter. Moreover, the analysis of individual data shows that in real terms, most of the enterprises under review saw a decline in domestic sales revenue in 2022 Q2.

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



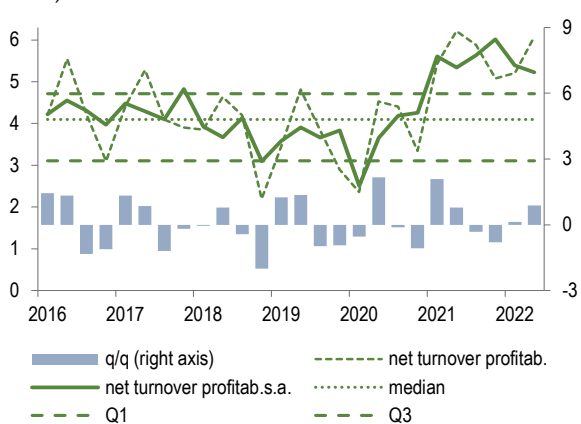
Source: Financial statements, GUS data, NBP study

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



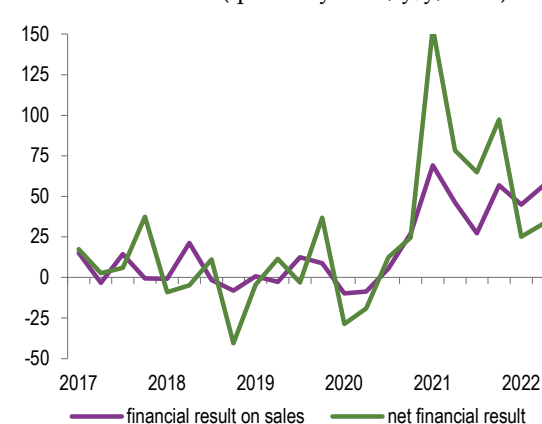
Source: Financial statements, GUS data, NBP study

Figure 3 Net turnover profitability ratio (quarterly data)



Source: Financial statements, GUS data, NBP study

Figure 4 Growth of financial result on sales and of net financial result (quarterly data, y/y, in %)

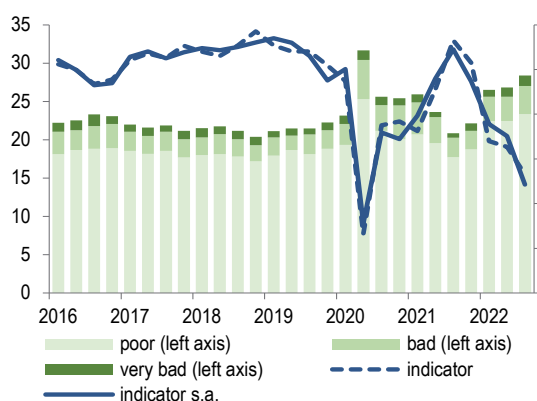


Source: Financial statements, GUS data, NBP study

As costs were rising at a slower rate than revenues, the financial performance of the enterprise sector continued to be very good in 2022. This sound financial performance was achieved despite the rapidly rising supply prices and the still relatively high wage growth. The sector's aggregate financial result rose at double-digit rates for the eighth consecutive quarter. However, in 2022 Q2, the overall financial result was dragged by a marked decline in the result on other activities, among others, due to a significant increase in interest expenses, among others. As a result, the sector's persistently high profitability on total business operations weakened slightly in 2022 Q2, despite an improvement in core business. In terms of the respective industries, profitability continued to vary, although the differences between industries diminished.

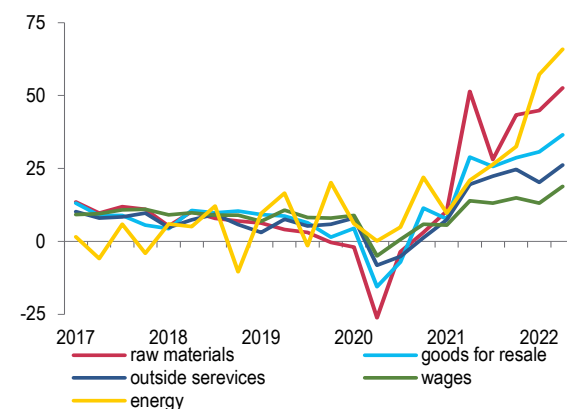
The results of the NBP Quick Monitoring Survey confirm a further deterioration in the enterprise sector’s economic condition. Its assessments in 2022 Q3 were markedly worse than the year before. These assessments deteriorated across most of the analysed industries and classes, except for the largest entities in the sample and energy-related industries. At the forefront of the problems faced by companies according to their declarations were once again the rapidly rising prices and costs, especially electricity prices. In 2022 Q3, after a brief period of improvement in the previous quarter, the uncertainty companies experienced also rose to an all-time high.

Figure 5 Assessment of current economic situation (balance, in pp.) and percentage of enterprises in a poor, bad and very bad condition (in %)



Source: Financial statements, GUS data, NBP study

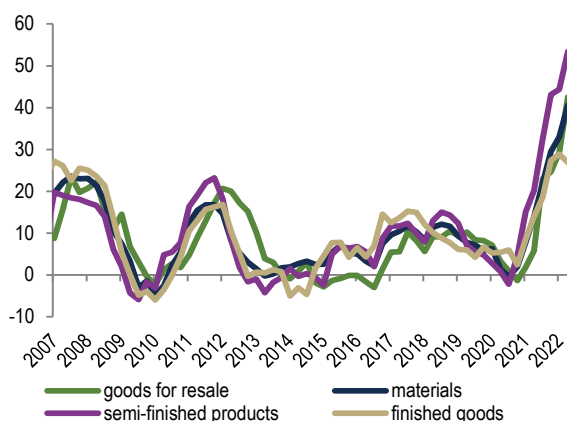
Figure 6 Growth in selected components of sales costs (quarterly data)



Source: Financial statements, GUS data, NBP study

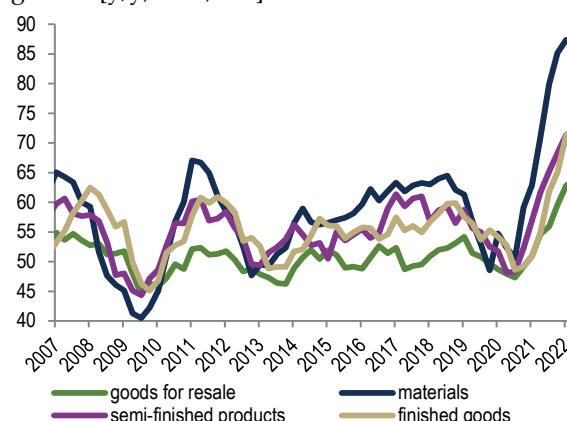
In 2022 Q3, the percentage of businesses indicating that their inventory level was too low declined, but remained high. In contrast, the share of firms declaring that they were overstocked rose sharply. The observed changes result from the deteriorating demand outlook, but also from the smaller scale of strains in supply chains.

Figure 7 Nominal y/y growth in inventories [in %]



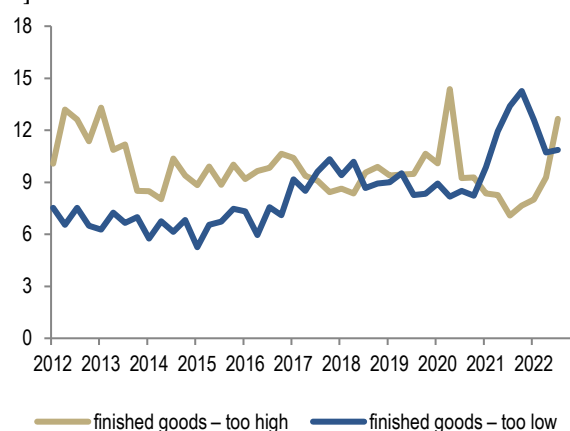
Source: Financial statements, GUS data, NBP study

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



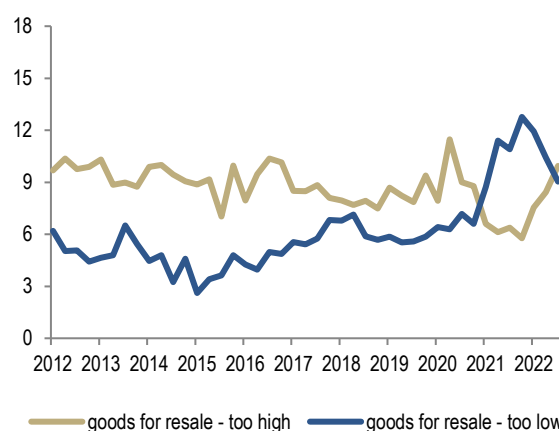
Source: Financial statements, GUS data, NBP study

Figure 9 Percentage of enterprises declaring mismatches in finished goods inventories (s.a.) [in %]



Source: NBP Quick Monitoring Survey

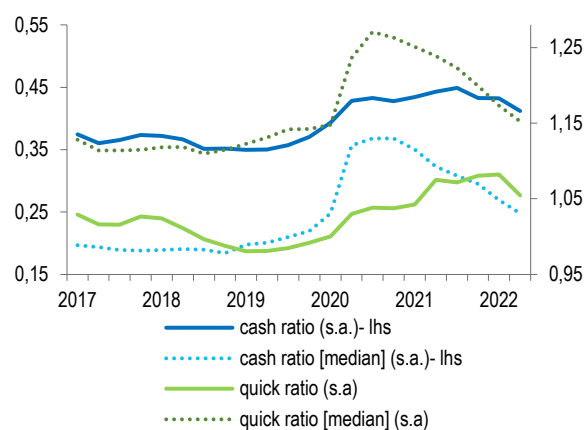
Figure 10 Percentage of enterprises declaring mismatches in commodity inventories (s.a.) [in %]



Source: NBP Quick Monitoring Survey

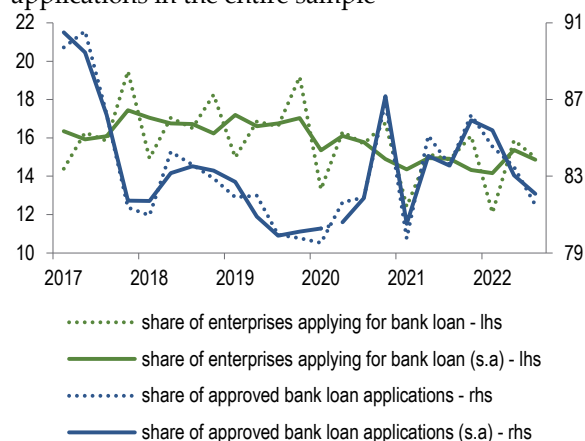
The results of the NBP Quick Monitoring Survey indicate that the liquidity situation of companies also deteriorated in 2022 Q3. The surveyed firms' declared their capacity to settle both non-bank and bank debt on time had deteriorated further. In 2022 Q3, the percentage of companies that had filed a loan application remained low and the availability of loans declined. Despite these developments, the liquidity of the enterprise sector was at a safe level.

Figure 11 Quick ratio and cash ratio [in pp.]



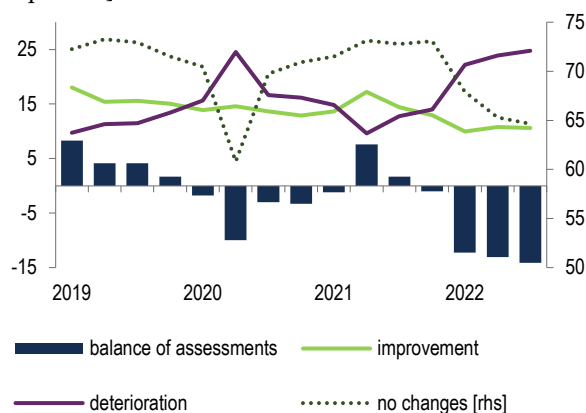
Source: Financial statements, GUS data, NBP study

Figure 12 Percentage of filed and approved loan applications in the entire sample



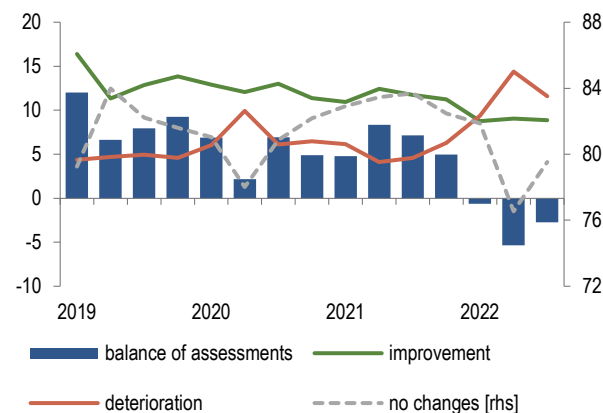
Source: Financial statements, GUS data, NBP study

Figure 13 Forecasts of enterprises' liquidity situation [balance of assessments and percentages of responses]



Source: NBP Quick Monitoring Survey

Figure 14 Forecasts of bank debt service [balance of assessments and percentages of responses]

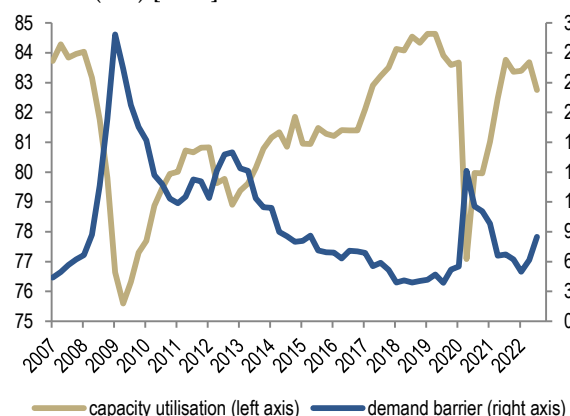


Source: NBP Quick Monitoring Survey

Despite the deterioration in a range of assessments, the real decline in economic activity of the companies analysed in 2022 Q3 may have been relatively limited. Indeed, with the exception of the consumer durables producers group, the declared change in capacity utilisation was insignificant.

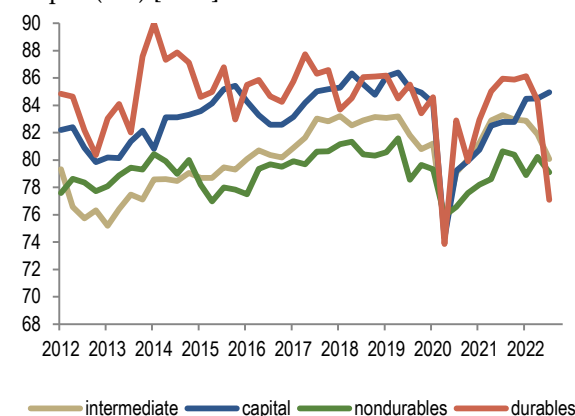
Following a slight upward revision of forecasts in the previous quarter, companies' expectations of their economic condition for 2022 Q4 and for the next 12 months worsened, hitting historical lows. The decline in optimism of annual forecasts extended across almost all of the analysed sections and classes, except for the energy sector.

Figure 15 Capacity utilisation (s.a.) and demand barrier (s.a.) [in %]



Source: NBP Quick Monitoring Survey

Figure 16 Capacity utilisation by designation of output (s.a.) [in %]

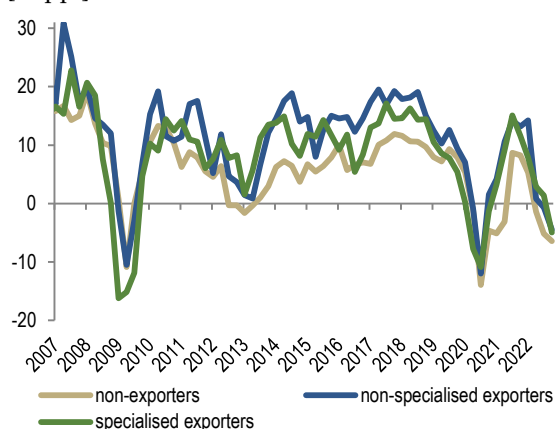


Source: NBP Quick Monitoring Survey

Demand forecasts suggest a steeper decline in domestic demand in 2022 Q4, with foreign demand stabilising. In the horizon of one year, firms expect a steeper fall in domestic demand, amid a stable rise in external demand.

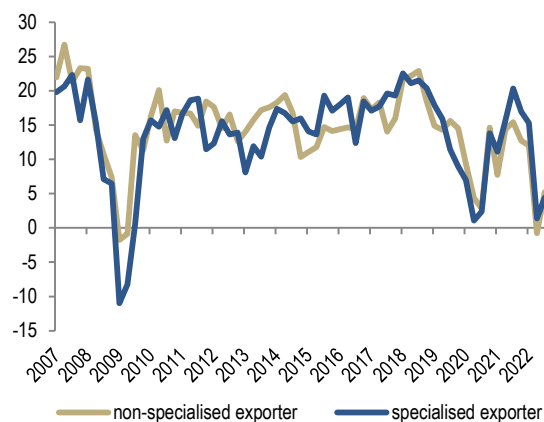
Entrepreneurs' forecasts from September 2022 envisage a decline in profitability in the enterprise sector over the next 12 months. The rise in raw materials prices is cited as a key cause of the expected fall in profitability.

Figure 17 Quarterly demand forecast indicator (s.a.) [in pp.]



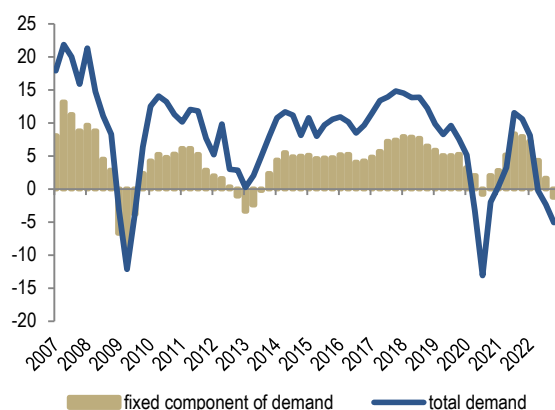
Source: NBP Quick Monitoring Survey

Figure 18 Quarterly Export Outlook Index [in pp.]



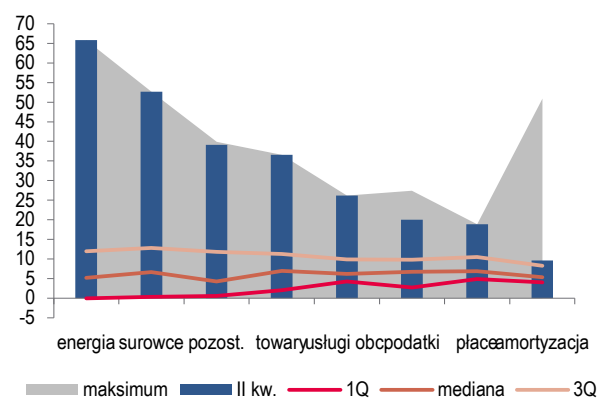
Source: NBP Quick Monitoring Survey

Figure 19 Quarterly demand forecast indicator (s.a.) [in pp.]



Source: NBP Quick Monitoring Survey

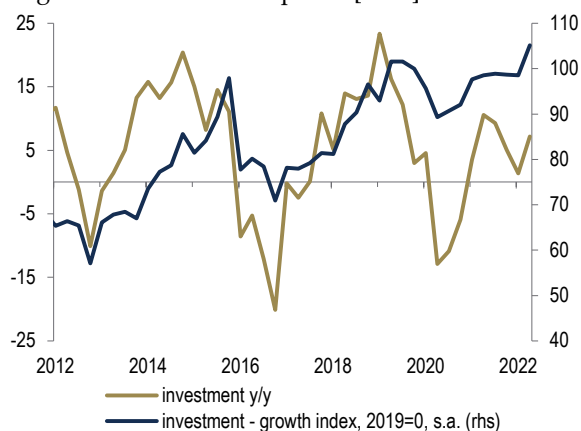
Figure 20 Growth in the key components of sales costs in 2022 Q2 and their historical levels (quarterly data; 1st, 2nd and 3rd quartile and the maximum relate to the growth of costs measured in 2007-2022)



Source: Financial statements, GUS data, NBP study

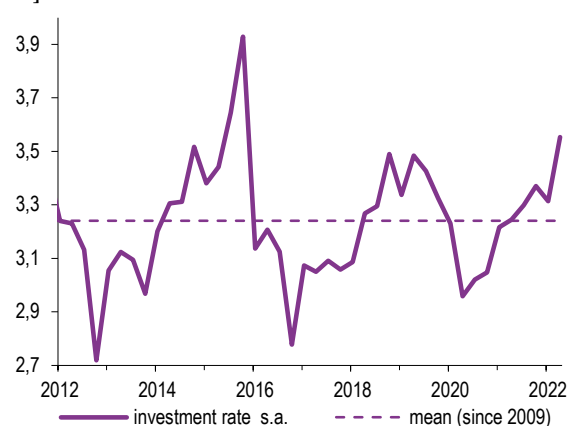
In line with the findings of the NBP Quick Monitoring Survey, 2022 has seen another slump in corporate investment optimism, not least due to the elevated inflation, which reduces the financial space for capital expenditure. All the components of the OPTIN index fell significantly, reaching low levels, and forecasts of investment growth for the coming quarter are negative for the first time since the onset of the pandemic. The flagging investment sentiment was observed in most cross-sections except for, among others, state-owned companies. As many of these firms are implementing major projects, the response of total capital expenditure may be weaker than suggested by qualitative indicators based on response rates.

Figure 21 Investment growth in medium-sized and large non-financial enterprises [in %]



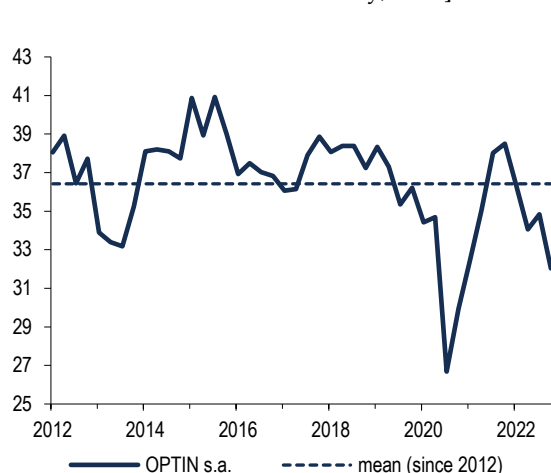
Source: Financial statements, GUS data, NBP study

Figure 22 Investment rate [investment to assets, in %]



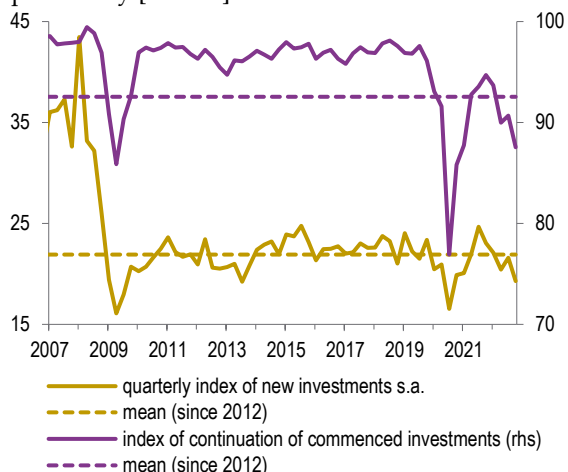
Source: Financial statements, GUS data, NBP study

Figure 23 OPTIN s.a. [share of firms with positive assessment of investment activity, in %]



Source: NBP Quick Monitoring Survey

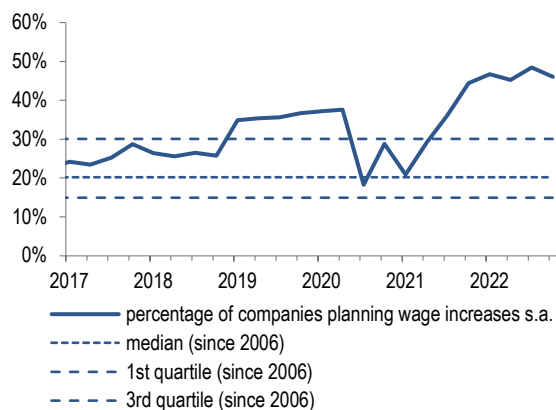
Figure 24 Quarterly index of new investments and due to continuation of investments launched previously [% firm]



Source: NBP Quick Monitoring Survey

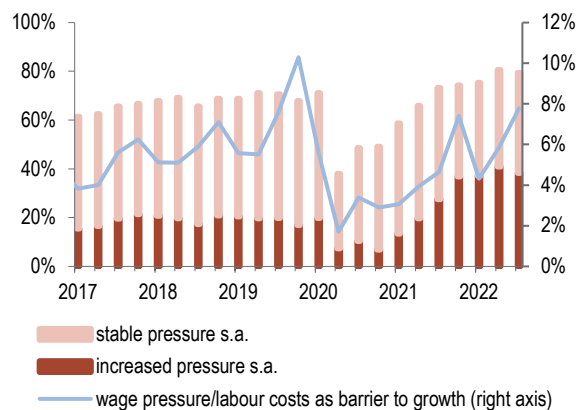
The slowdown in economic activity observed in many areas is also translating into a gradual cooling of labour market conditions. Survey data show a slight quarter-on-quarter decline in the share of firms experiencing elevated wage pressure, and in the percentage of businesses planning wage increases. There was also a fairly large quarter-on-quarter fall in the employment outlook index. However, the persistently high share of businesses with vacancies indicates that labour demand in the enterprise sector is still relatively high. Wage pressure also remains very high. On the other hand, businesses' high sensitivity to increases in labour costs – given the current situation – may be a factor holding back wage growth. Almost 32% of the companies surveyed claim that there is currently no financial room for wage increases.

Figure 25 Share of firms expecting average pay to rise in the next quarter s.a. [%]



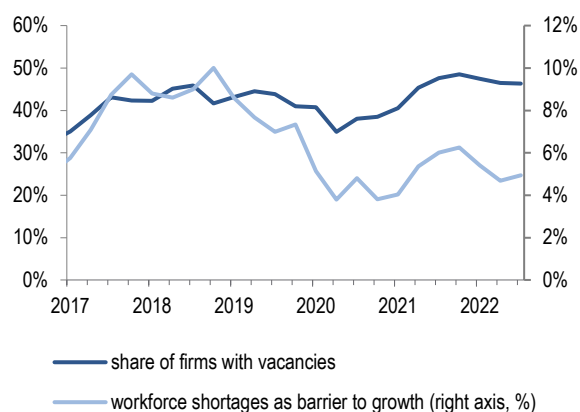
Source: NBP Quick Monitoring Survey

Figure 26 Share of firms experiencing wage pressure; share of firms indicating wage pressure/high labour costs as a barrier to growth [%]



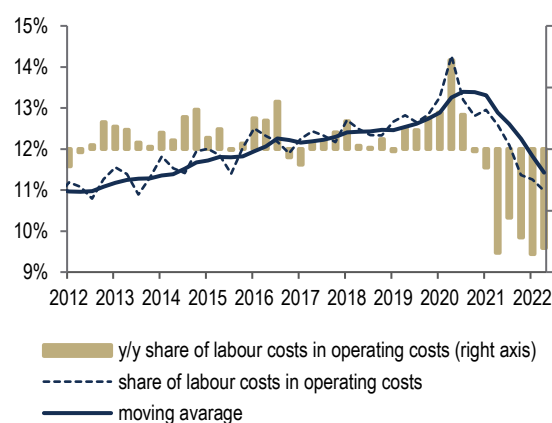
Source: NBP Quick Monitoring Survey

Figure 27 Percentage of companies with job vacancies; percentage of companies indicating labour shortage as a barrier to development [%]



Source: NBP Quick Monitoring Survey

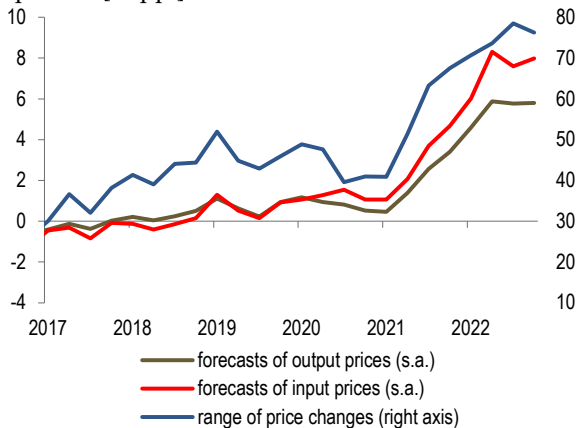
Figure 28 Share of labour costs in operating costs [in %, pp.]



Source: Financial statements, GUS data, NBP study

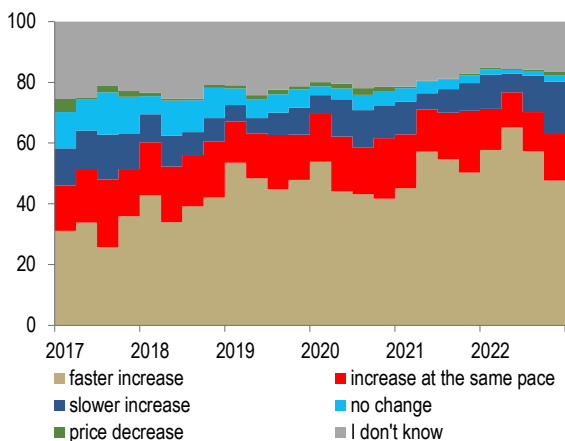
Data on price indices of sold production of industry for July and August point to a weakening in the rising trend in producer price growth, which is in line with the expectations of the surveyed enterprises relating to the entire third quarter of 2022. Also in 2022 Q4, the enterprises surveyed under the NBP Quick Monitoring Survey anticipate that the growth in those prices will stabilise, although at a high level close to that observed in the previous survey. Respondents voice similar expectations with regard to the subsequent 12 months. The robustly rising supply prices remained the main driver of producer price growth, with higher wage costs cited markedly less often.

Figure 29 Expectations of change in own prices and prices of raw materials and commodities in the next quarter [in pp.]



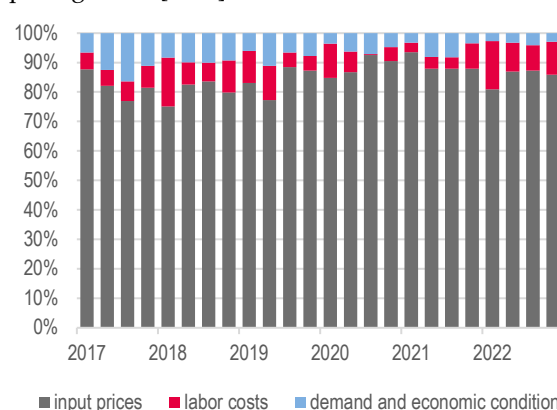
Source: NBP Quick Monitoring Survey

Figure 31 Forecasts of CPI in one year [in pp.]



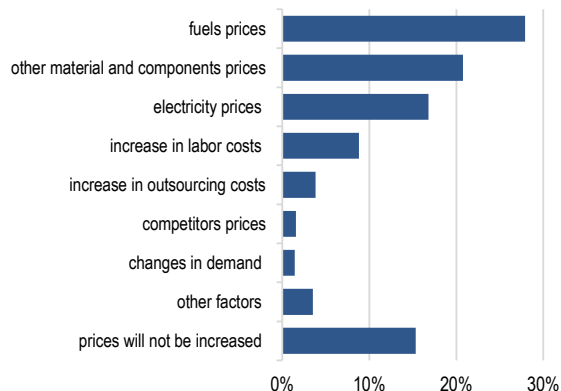
Source: NBP Quick Monitoring Survey

Figure 30 Impact of forecasts of production factors and demand conditions on forecasts of producer price growth [in %]



Source: NBP Quick Monitoring Survey

Figure 32 Factors with a decisive impact on developments in producer prices – percentage of firms indicating a given factor



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 September 2022. 2,648 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 June 2022 was 17,020. 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

