



NARODOWY
BANK POLSKI

No 01/23 (January 2023)

NBP Quick Monitoring Survey

Economic climate in the enterprise sector

Summary



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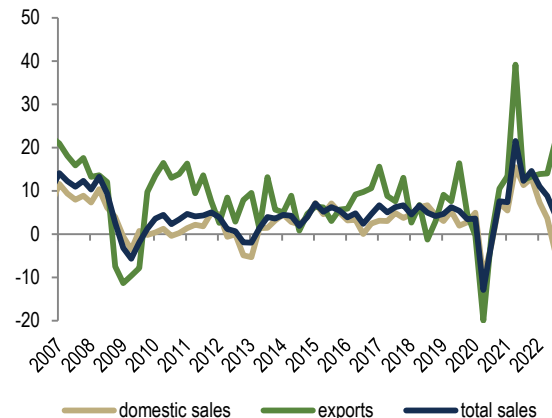
According to the GUS F-01 data for 2022 Q3, the profit and net profitability of the non-financial corporation (NFC) sector declined, yet the financial situation of the sector remained relatively sound. Corporate revenue growth declined and became more reliant on foreign demand – real (PPI-adjusted) growth in revenue from external sales is running markedly above the long-term trend, in contrast to domestic sales growth.

Figure 1 Assessment of current economic situation (balance, in pp.)



Source: NBP Quick Monitoring Survey

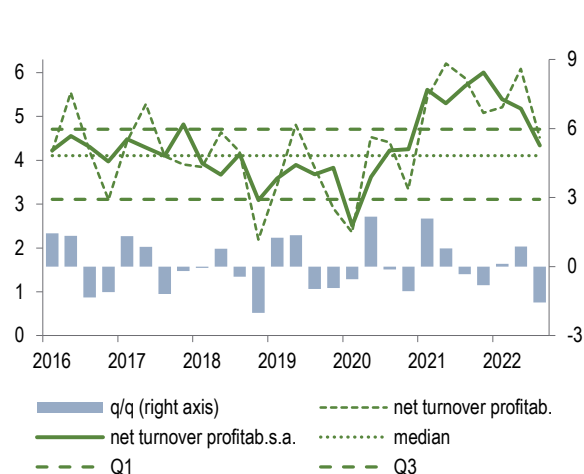
Figure 2 Real (PPI-adjusted) y/y growth in sales revenue (quarterly data) [in %]



Source: Financial statements, GUS data, NBP study

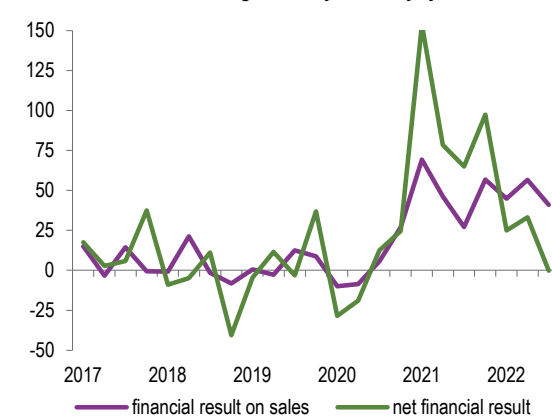
The growth in sales revenue continued to exceed growth in costs, which translated into a marked rise in profit from sales. At the same time, the sector's net profit, following two years of robust growth, was lower than the year before as a result of a decline in profit from financial operations and other activities. Consequently, while the profitability of the NFC sector remained high, the profitability of net turnover decreased markedly.

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 %)

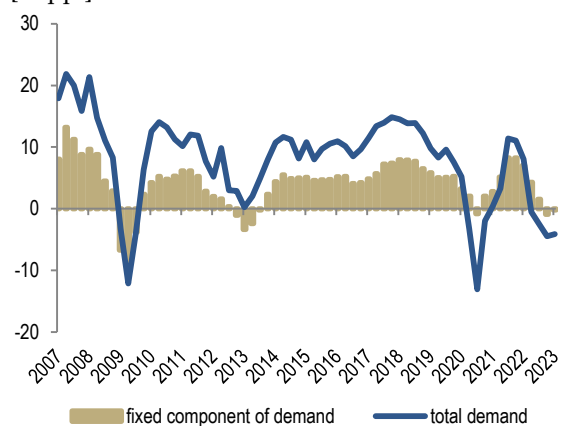


Source: Financial statements, GUS data, NBP study

The quarterly forecasts of the overall situation of companies and of demand have improved slightly, although both indicators remain low. This is partly due to a decline in corporate pessimism, stemming from more favourable than previously expected developments in the European energy market and the course of the war in Ukraine. Firms are also voicing better assessments of the demand outlook a year ahead, albeit only with

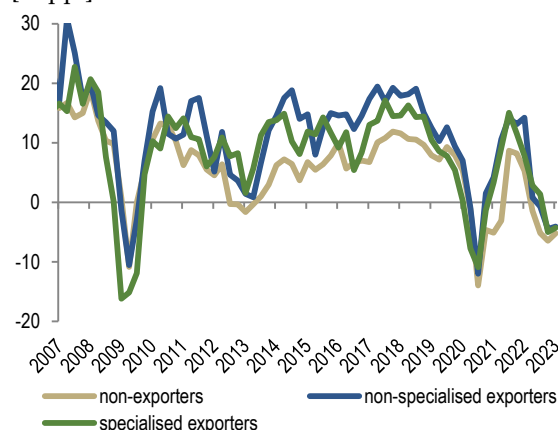
regard to external demand. The most optimistic assessments of overall demand are expressed by firms providing non-market services, those in the energy sector and producers of investment goods; the least optimistic – by manufacturers of durable consumer goods. On the other hand, enterprises expect a substantial rise in demand in 2024 and 2025, although in their opinion growth in this horizon will be primarily driven by foreign demand.

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



Source: NBP Quick Monitoring Survey

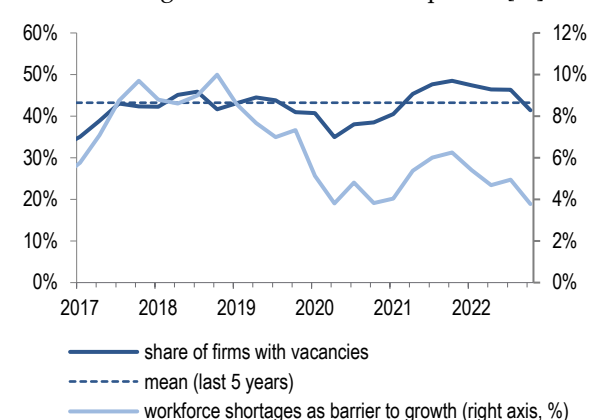
Figure 6 Quarterly demand forecast indicator (s.a.) [in pp.]



Source: NBP Quick Monitoring Survey

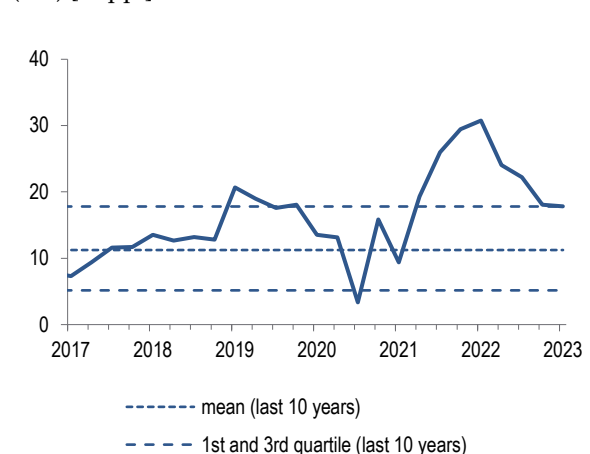
Survey data point to a weakening in demand for labour. The share of enterprises with vacancies fell markedly on the previous quarter, running below the 5-year average. At the same time, the difference between the number of firms planning to hire more staff in the quarterly and yearly horizons and firms announcing job cuts has shrunk.

Figure 7 Percentage of companies with job vacancies; percentage of companies indicating labour shortage as a barrier to development [%]



Source: NBP Quick Monitoring Survey

Figure 8 Index of quarterly employment forecasts (s.a.) [in pp.]

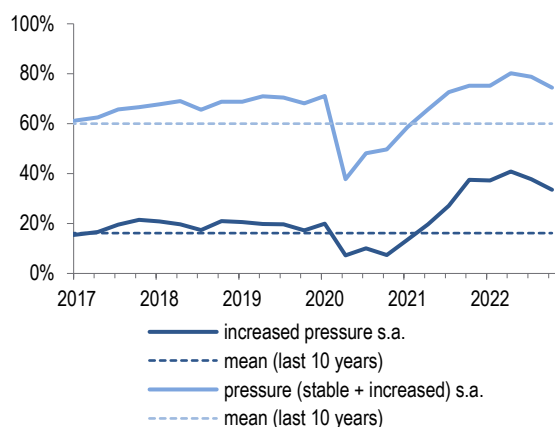


Source: NBP Quick Monitoring Survey

Respondents report weaker wage pressures, although the percentage of firms experiencing such pressures is still relatively high. Moreover, despite the easing pressures on pay rises, the share of entities expecting to raise wages in the following quarter has risen slightly; the scale of the planned rises has also increased, which may owe to the increase in the minimum wage introduced at the beginning of 2023. At the same time,

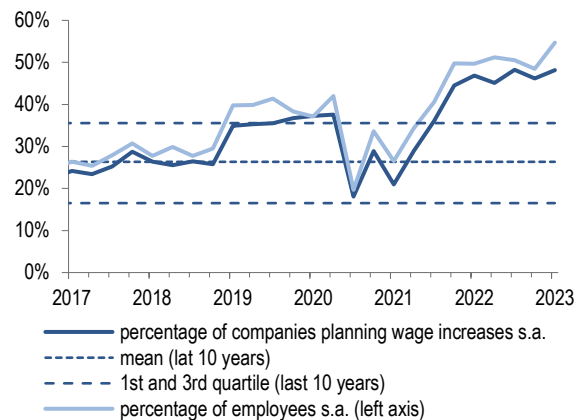
according to the surveyed firms, the relationship between wage growth and labour productivity growth has improved again.

Figure 9 Share of firms experiencing wage pressure (s.a.) [%]



Source: NBP Quick Monitoring Survey

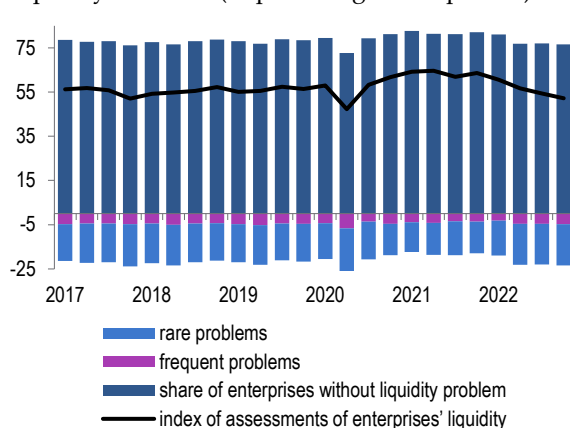
Figure 10 Share of firms planning to rise average pay in the next quarter (s.a.) [%]



Source: NBP Quick Monitoring Survey

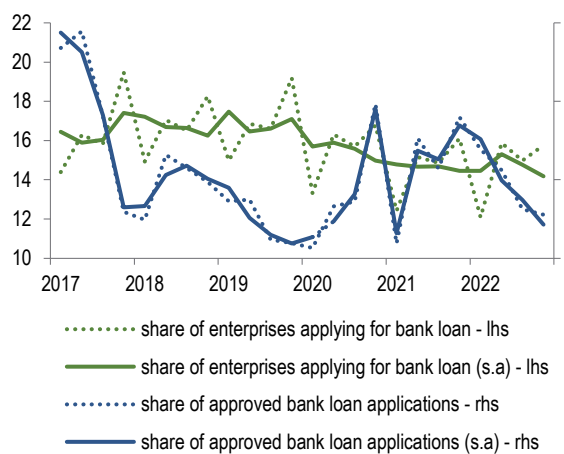
Since mid-2021, the average cash ratio and quick ratio in enterprises has been falling, but the liquidity situation of the corporate sector remains relatively good. At the same time, respondents report a decline in demand for credit and a diminished availability of loans. Assessments of the quality of debt servicing are also worsening. However, the level of operational security of the NFC sector and its ability to maintain liquidity should be assessed as adequate.

Figure 11 Assessments of enterprises' liquidity (balance) against their own assessments of the liquidity situation (in percentage of responses)



Source: NBP Quick Monitoring Survey

Figure 12 Percentage of filed and approved loan applications in selected cross-sections



Source: NBP Quick Monitoring Survey

In 2022 Q3, investment growth in the NFC sector slowed down. In addition, the surveyed firms manifest little interest in new investment projects or the continuation of project currently under implementation. As a result, in 2023 Q1 investment activity in the NFC sector may be expected to weaken again, although the scale of the weakening may be mitigated by the improved investment climate in the largest enterprises. In line with the

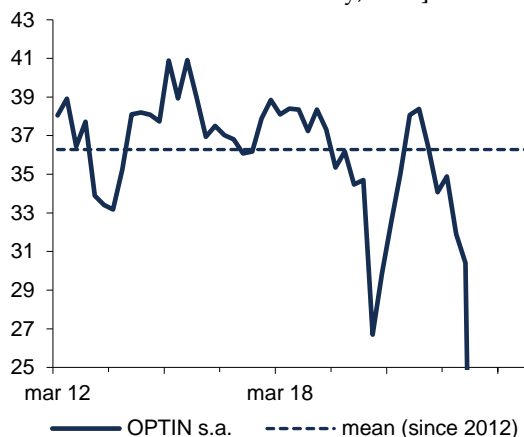
respondents' opinions, their longer-term investment activity will be closely dependent on the economic conditions. Indeed, they declare that amid a more severe and more permanent slowdown, cutbacks to investment outlays may be one of their key adjustment strategies.

Figure 13 Average and weighted average y/y investment growth [%, nominal, median]



Source: Financial statements, GUS data, NBP study

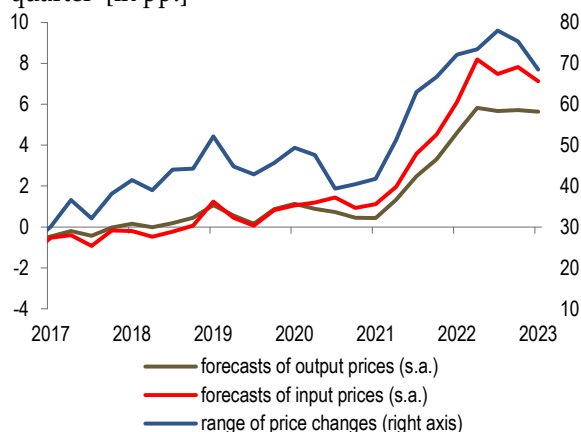
Figure 14 OPTIN s.a. [share of firms with positive outlook for investment activity, in %]



Source: NBP Quick Monitoring Survey

The surveyed firms anticipate slower growth in the prices of the offered products in 2023 Q1, although this growth will remain high. The decline in the expected producer price inflation has been driven by the slightly lower forecasts of the growth in the supply prices of commodities, raw materials and energy, while supply costs continued to be the prime factor affecting businesses' inflation expectations. In respondents' opinion, indexation elements have played a relatively small role in the developments of producer prices, as these are not widespread either in firms' remuneration policies or pricing policies.

Figure 15 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 16 Percentage of firms using indexation mechanisms in setting producer and supply prices



Source: NBP Annual 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). The current edition of the study has been complemented with data from the Annual NBP Survey. The survey was conducted in December 2022 on a sample of 1,696 enterprises.
2. NBP Quick Monitoring Surveys have been conducted without interruption since the end of 1997. The latest survey took place in December 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 September 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

