



NARODOWY
BANK POLSKI

No 02/23 (April 2023)

NBP Quick Monitoring Survey

Economic climate in the enterprise sector
Summary



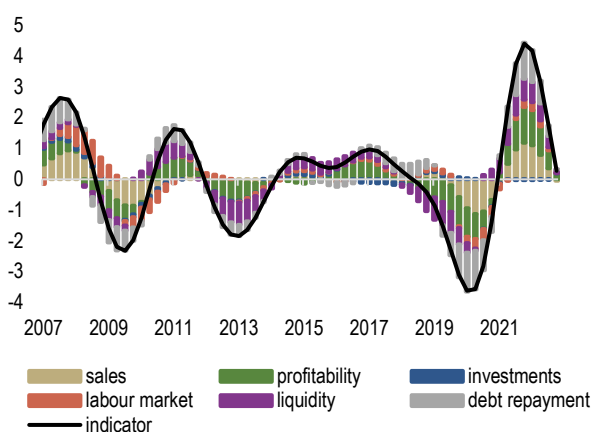
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Economic climate in the enterprise sector Summary

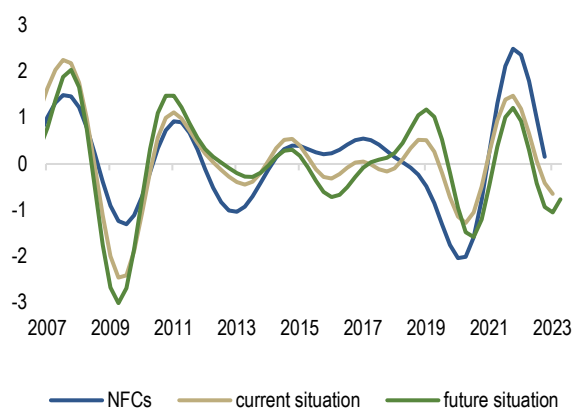
In 2022 Q4, the economic and financial condition of the non-financial corporation (NFC) sector continued to deteriorate, which is indicated by another – fifth in a row – decline of the synthetic indicator of the economic and financial condition (SSEF) based on GUS F-01 GUS reports. However, the deterioration occurred following a period of favourable economic conditions in the NFC sector, and currently the SSEF runs at the level of its long-term average. Its decline in this period resulted primarily from the lower growth of domestic sales and export sales, worse corporate solvency and a fall in corporate profitability. Most notably, in 2022 Q4 – for the first time since the outbreak of the pandemic – nominal growth in domestic and external sales revenue was lower than the previous quarter in most NACE sections under analysis and in all groups of enterprises by destination of production and market services.

Figure 1 Synthetic economic and financial condition indicator (SSEF) in NFCs



Source: Financial statements, GUS data, NBP study

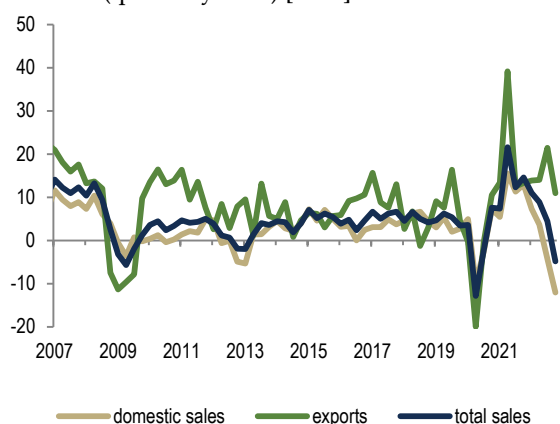
Figure 2 Standardised synthetic indicators: of the economic and financial condition in NFCs (SSEF), of the current situation and future situation



Source: Financial statements, GUS data, NBP study, NBP Quick Monitoring Survey

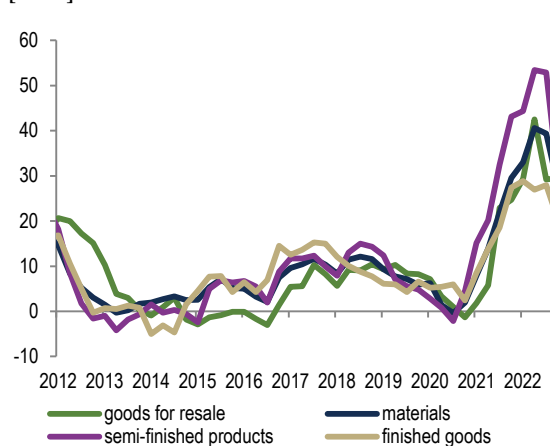
At the same time, the sales situation in the domestic market was markedly worse than that of export sales. While revenue from domestic sales, in real terms, was lower than a year ago, as far as export sales are concerned, real growth continued – albeit at a slower pace than in 2022 Q3 – and its level exceeded substantially the long-term trend. The relatively better condition of exports was largely due to the activity of the largest exporters, and in the case of 50% of export firms, external sales were not higher than a year ago. On the other hand, the poorer business performance of firms on the domestic market resulted from both a deterioration in consumer sentiment and also the rationalisation of the level of inventories – which increased more than average in a number of enterprises during the peak of the energy and commodity crisis, caused by the war in Ukraine and also supply chain disruptions.

Figure 3 Real (PPI-adjusted) y/y growth in sales revenue (quarterly data) [in %]



Source: Financial statements, GUS data, NBP study

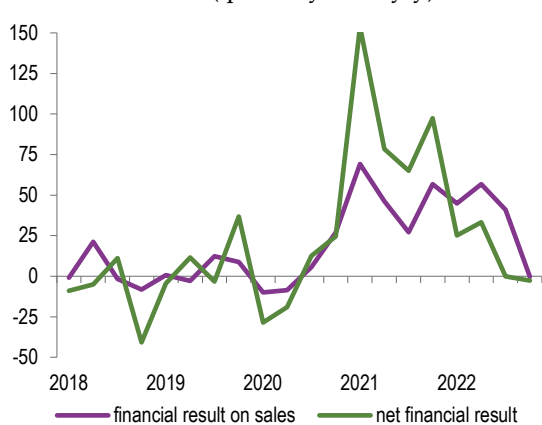
Figure 4 Nominal y/y growth in inventories [in %]



Source: Financial statements, GUS data, NBP study

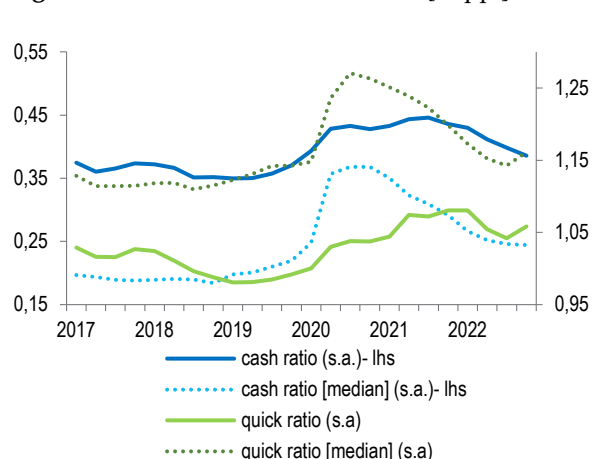
In 2022 Q4, for the second time in a row, the nominal aggregate financial result of the NFC sector declined on an annual basis. The decline was stronger than in the previous quarter, which was the effect of a larger loss on financial operations and the first decrease of the net result on sales since the outbreak of the pandemic. As a result, the return on sales also decreased – both in quarterly and annual terms – however it remained at the level of the median of the distribution. The sector’s liquidity also declined, but it had no negative impact on its loan servicing capacity or its bankruptcy risk.

Figure 5 Growth of financial result on sales and of net financial result (quarterly data, y/y)



Source: Financial statements, GUS data, NBP study

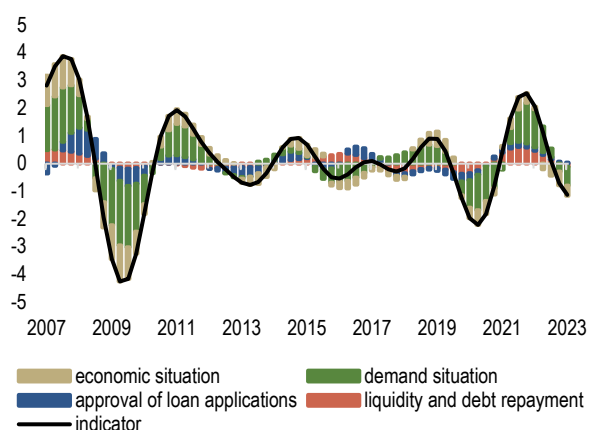
Figure 6 Quick ratios and cash ratios [in pp.]



Source: Financial statements, GUS data, NBP study

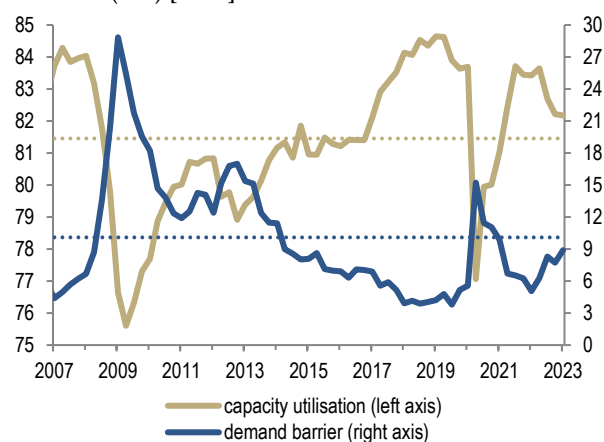
The indicated changes in the financial condition of firms were reflected in the results of the NBP Quick Monitoring Survey. In particular, assessments made by firms – included in the synthetic current condition indicator – point to a progressive weakening of the economic situation in the enterprise sector. In 2022 Q3, assessments on nearly all areas affecting the current condition of firms deteriorated, with demand conditions deteriorating to the largest extent.

Figure 7 Synthetic current condition indicator



Source: NBP Quick Monitoring Survey

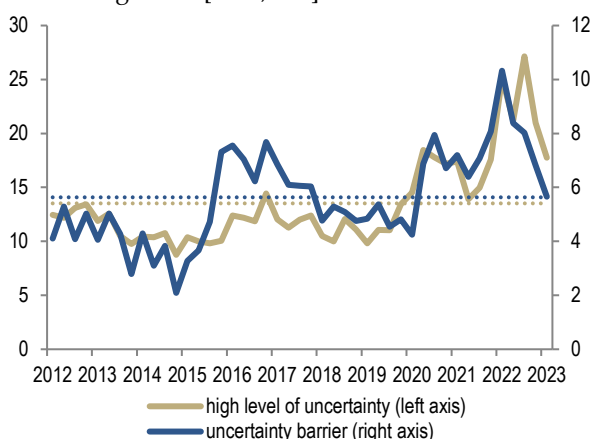
Figure 8 Capacity utilisation (s.a.) and barrier to demand (s.a.) [in %]



Source: NBP Quick Monitoring Survey

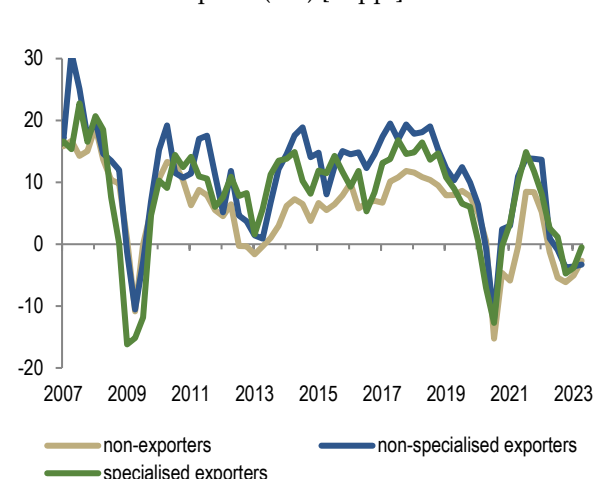
The improved situation on the commodity markets, no escalation of the war in Ukraine and the normal functioning of supply chains led to a decline in all uncertainty measures under analysis and a better outlook for the NFC sector. The forecasts of the economic situation for 2023 Q2 and the subsequent 12 months have improved, albeit remaining low. The rise in optimism of the forecasts has been reported across a substantial majority of industries and classes analysed. Quarterly expectations about demand are also more upbeat – enterprises expect the downward trend of domestic demand to come to a halt in 2023 Q2 and external demand to grow moderately in this period. In the perspective of a year, corporate expectations are also markedly more favourable than in the previous quarter. Over this horizon, enterprises expect domestic demand to stabilise and external demand to grow; this growth is expected to be relatively high but lower than prior to the Russia’s invasion of Ukraine.

Figure 9 Percentages of enterprises assessing uncertainty as high and indicating uncertainty as a barrier to growth [in %, s.a.]



Source: NBP Quick Monitoring Survey

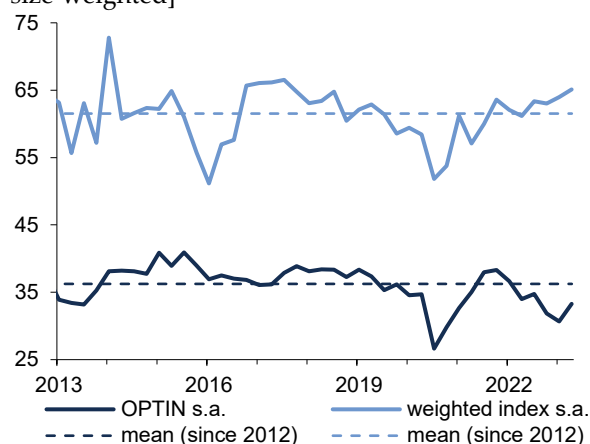
Figure 10 Quarterly demand forecast indicator by investment in exports (s.a.) [in pp.]



Source: NBP Quick Monitoring Survey

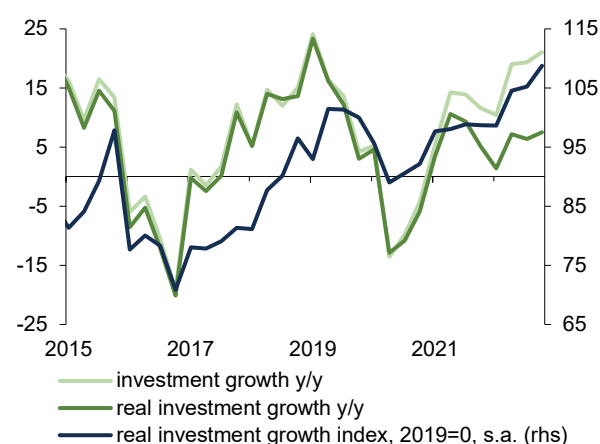
The rise in corporate optimism has only partially translated into an improvement in their planned investment activity. In view of the NBP Quick Monitoring Survey data, the investment sentiment varies – it is low across the NFC sector and markedly better in the group of large entities, where it has been the best since 2018.

Figure 11 OPTIN s.a. [share of firms with positive outlook for investment activity, in %, employment size-weighted]



Source: NBP Quick Monitoring Survey

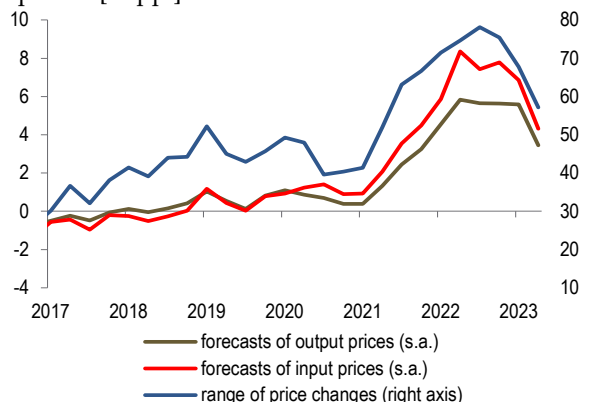
Figure 12 Investment growth of medium-sized and large non-financial corporation sector [in %]



Source: Financial statements, GUS data, NBP study

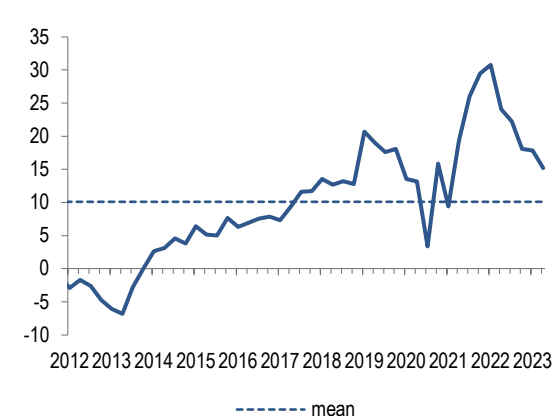
Despite the expected improvement in the economic conditions, including demand conditions, the NBP Quick Monitoring Survey respondents predict that price growth will continue to slow on a quarterly and annual basis, and their forecast indicator has declined for the third quarter in a row. Several factors contributed to these favourable expectations. First of all, firms forecast a continuation of the marked decline in the growth in supply prices of raw materials and commodities – the forecast average has declined to the greatest extent in the history of measurement of this indicator. The situation on the labour market will contribute to halting inflationary processes. The value of quarterly employment forecasts decreased in 2023 Q1 again, and the decrease concerned all groups of entities under analysis. This decrease was accompanied by a stabilisation of wage pressures experienced by firms amid, a renewed weakening of the degree of its transmission to the expected wage increases. As a result, the share of firms forecasting a rise in wages in the next quarter has dropped and so has the average growth of planned pay rises – although it remains at an all-time average level. According to the survey-responding firms, at the same time, a marked pay rise in 2023 Q1 amid weaker economic activity has translated into a worse ratio of wage growth to growth in labour productivity.

Figure 13 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 14 Index of quarterly employment forecasts [in pp., s.a.]



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). 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 March 2023. 2,556 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 December 2022 was 17,713. 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

nbp.pl

