



NARODOWY
BANK POLSKI

No 03/24 (July 2024)

NBP Quick Monitoring Survey

Economic climate in the enterprise sector
Summary



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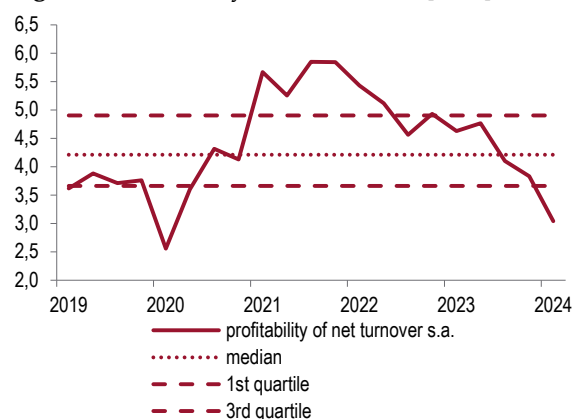
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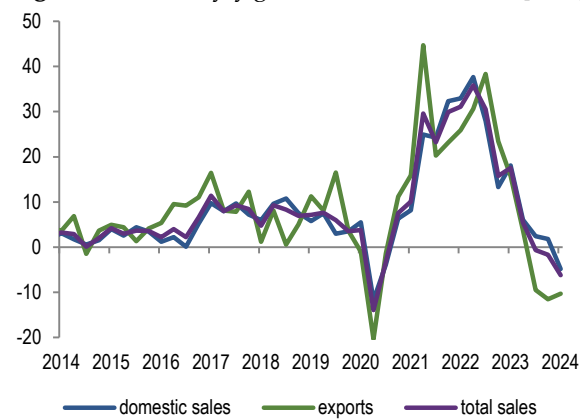
The financial situation of the enterprise sector deteriorated in 2024 Q1. The sector's net financial result was significantly lower than a year ago, mainly on the back of a decline in the result on sales. This was driven by a fall in domestic sales, the first since the pandemic, accompanied by a further decrease in foreign sales. At the same time, the profitability of the sector's net turnover diminished due to rising cost intensity of operations primarily resulting from steep labour cost growth. Lower profitability was coupled with a fall in most other measures of corporate efficiency and performance. On the other hand, the liquidity of the enterprise sector was at a record-high.

Figure 1 Profitability of net turnover [in %]



Source: Financial statements, GUS data, NBP study

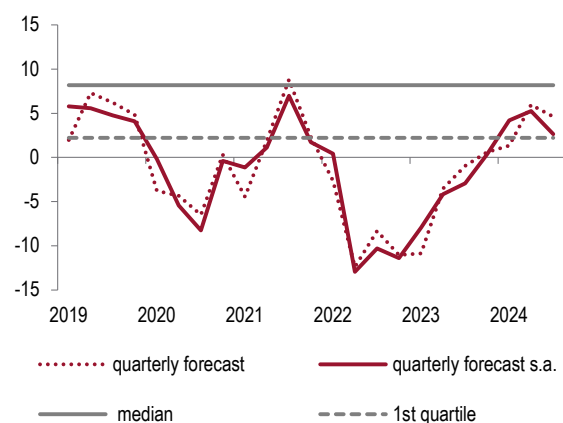
Figure 2 Nominal y/y growth in sales revenue [in %]



Source: Financial statements, GUS data, NBP study

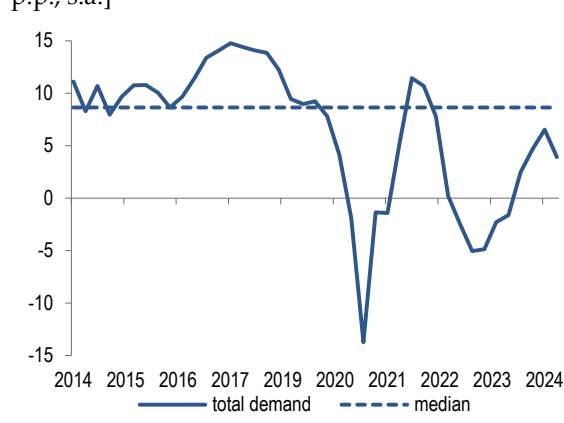
The findings of the NBP Quick Monitoring Survey suggest that firms' economic situation deteriorated somewhat in 2024 Q2. Firms expect it to deteriorate further in 2024 Q3, given the less optimistic expectations of domestic demand growth than the previous quarter, particularly in the domestic market. A particularly pronounced weakening of demand forecasts was observed in consumer services and construction.

Figure 3 Quarterly forecasts of the situation [in p.p.]



Source: NBP Quick Monitoring Survey

Figure 4 Quarterly demand forecast indicator [in p.p., s.a.]

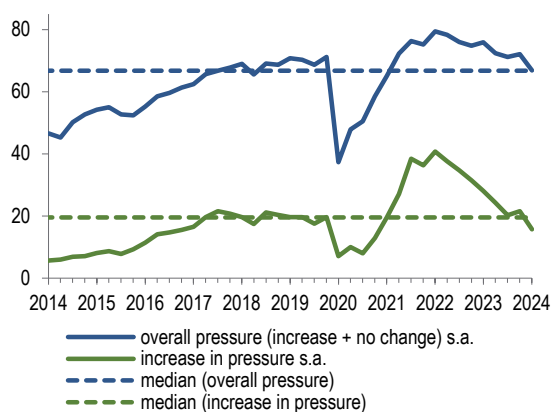


Source: NBP Quick Monitoring Survey

The deterioration in the sector's economic situation was accompanied by lower employment forecasts in both the quarterly and one-year horizon. At the same time, despite easing wage pressure, the percentage of

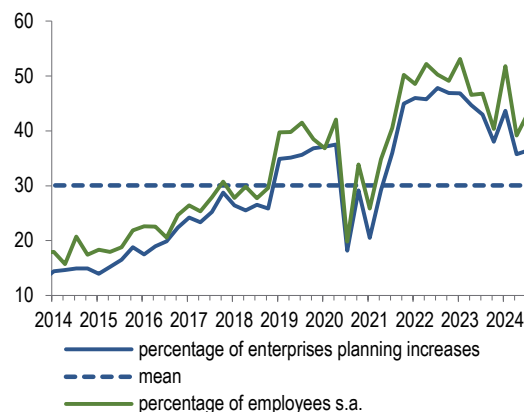
companies declaring wage increases in Q3 rose, although not in a one-year horizon. On the other hand, the scale of pay rises planned over the quarterly and one-year horizon decreased.

Figure 5 Share of firms declaring wage pressure [in %, s.a.]



Source: NBP Quick Monitoring Survey

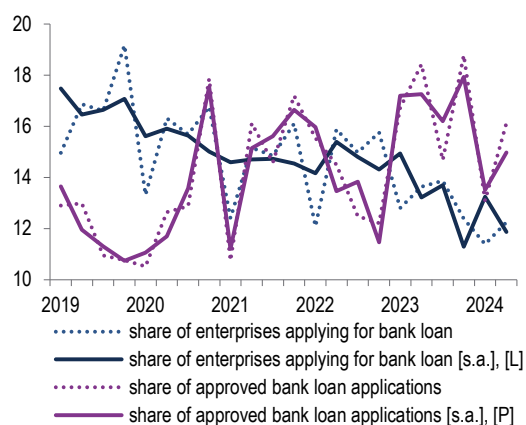
Figure 6 Share of firms expecting average pay to rise in the next quarter [in %]



Source: NBP Quick Monitoring Survey

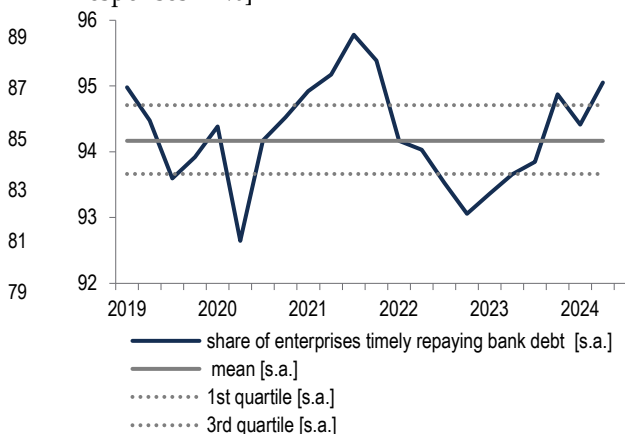
Credit debt of the non-financial corporate sector did not change significantly in 2024 Q1 in annual terms. At the same time, the NBP Quick Monitoring Survey results for Q2 show that interest in applying for bank financing remained low, with a further fall in the percentage of SMEs and large enterprises seeking a loan. This was coupled with a rise in the share of SME sector firms which received a positive credit decision. The declared quality of debt servicing improved in Q2 and was high.

Figure 7 Percentage of filed and approved loan applications [in %]



Source: NBP Quick Monitoring Survey

Figure 8 Declared servicing of credit debt [share of responses in %]

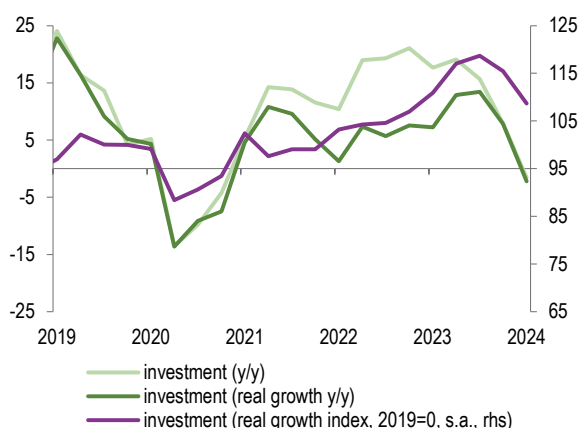


Source: NBP Quick Monitoring Survey

In 2024 Q1, investment activity of entities covered by the GUS F-01 report declined, following a marked increase in 2023. The fall in investment was restricted to state-owned enterprises and was due, among other things, to the winding-down of EU spending under the 2014-2020 EU financial framework. The results of the NBP Quick Monitoring Survey also point to a weakening in the investment optimism of enterprises, which had previously been growing for a number of quarters. Indeed, the number of businesses interested in

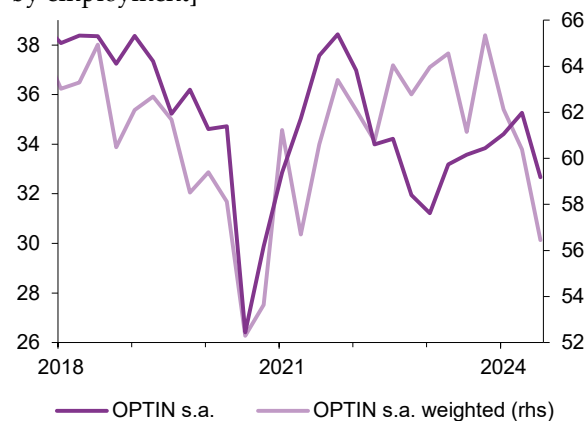
starting new investments declined, and plans for quarterly and annual changes in the level of investment expenditure were scaled back.

Figure 9 Investment growth in medium-sized and large non-financial enterprises [in %]



Source: Financial statements, GUS data, NBP study

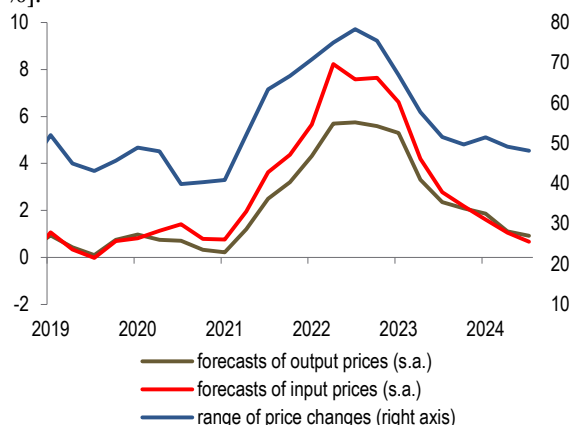
Figure 10 OPTIN, share of firms with positive forecasts of investment activity [in %, s.a., weighted by employment]



Source: NBP Quick Monitoring Survey

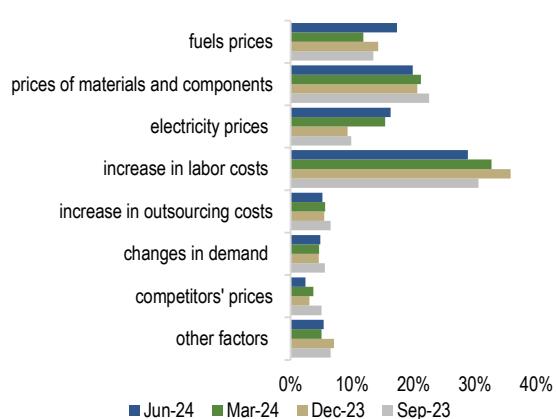
The companies surveyed in the NBP Quick Monitoring Survey indicate a further slight decrease in the scale of the planned increases in own prices in 2024 Q3. Forecasts of price growth declined across most of the analysed business areas, the decline being associated with slower growth in unit production costs, according to the surveyed entities. By contrast, companies anticipate higher growth in their own prices over the next 12 months.

Figure 11 Expected changes in own production prices and prices of materials and commodities [in %].



Source: NBP Quick Monitoring Survey

Figure 12 Factors with a decisive impact on the forecast growth in production prices [in %]



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 2024. 2608 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 2024 was 16,938. 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

