

## Introduction

In the period from January to July of this year, the economic situation was characterised by a high and stable growth generated by domestic demand, both investment and consumer one. The financial situation of the surveyed enterprises was more favourable than in the 1<sup>st</sup> half of last year. The dynamics of their investment activity speeded up considerably, under good business conditions and positive entrepreneurs' expectations on domestic and foreign demand, occurring at the same time with a very high level of production capacity utilisation of enterprises. The growing tendencies of employment as well as wages and salaries strengthened. As for inflation phenomena, in the period from January to July of this year, the dynamics of prices in relation to the corresponding period of the previous year was higher than recorded respectively last year, with the increase in the prices of sold production of industry and consumer goods and services being in July lower than in June of this year. The dynamics of foreign trade turnover was slower than last year, however from the beginning of this year import was growing faster than export, which deteriorated the negative turnover balance.

In the period of the seven months of this year, sold production of industry was higher than last year by 10.7% (in July – an increase by 10.4%). The two-digit growth was observed in the production of consumer durables goods, capital goods and intermediate goods. In the period in question, labour productivity in industry went up by 7.1%, with the average employment growing by 3.4%, and monthly gross wages and salaries – by 8.3%.

In the period from January to July of this year, construction and assembly production increased by 29.6% in annual terms, with the average employment rising by 9.6%, and wages and salaries – by 15.1%.

In July, the year-on-year increase in retail sale was slightly higher than in the 2<sup>nd</sup> quarter of this year, respectively, and within the seven months of this year it amounted to 15.1%. The dynamics in the sale of motor vehicles, motorcycles and parts continued to be much above the average.

In the 1<sup>st</sup> half of this year the dynamics of foreign trade turnover was lower than observed last year. As a result of the higher growth of import than of export, the negative turnover balance of goods deepened. Exports to the Central and Eastern Europe grew considerably, as well as imports from the developing countries. Transport equipment, machinery and appliances continued to constitute the greatest share in the turnover of goods. Further improvement of terms-of-trade in foreign trade was observed (in particular with the Central and Eastern Europe), with appreciation of the Polish zloty.

The financial situation of enterprises in the 1<sup>st</sup> half of this year was more favourable than in the previous year. Revenues from the total activity were growing faster than costs. This influenced the improvement of the costs level indicator and brought about considerably greater profits than in the 1<sup>st</sup> half of last year. Improved financial performance was noted in most of the surveyed sections (except for mining and quarrying), of which a considerable improvement was observed in manufacturing, trade

and repair, real estate, renting and business activities, transport, storage, communications and construction. The financial situation of exporters was better than in the previous year, however the dynamics of export sale was slightly lower than last year. Exporters accounted for 48.8% of the reported companies (against 47.4% in the previous year). In the structure of costs, the share of material consumption costs and third party services costs increased, whereas the share of taxes, charges, depreciation, energy consumption and other costs, decreased. The share of gross wages and salaries in total costs did not change.

Total investment outlays in entities employing more than 49 people in the 1<sup>st</sup> half of this year were in constant prices by 31.4% higher than in the previous year (against an increase by 15.6% in the 1<sup>st</sup> half of last year). A considerable growth was observed in the outlays on buildings and structures – by 40.5% (after a fall, respectively, in the previous year), and the high increase in the outlays on purchases continued (27.5%). Outlays grew the most in real estate, renting and business activities – by approx. 87% and in construction – by approx. 78% (against a lower growth than average last year). In the second year in a row, the investment activity increased in manufacturing, electricity, gas and water supply and in financial intermediation.

In agriculture, agro meteorological conditions were favourable for cereals, rape and agrimony, while they influenced adversely the yields of fruit, which according to preliminary estimates will be much lower than in the preceding year. The prices of cereals, after very low yields in the previous year, however continued to be much higher than last year, although in the recent months their growth has been restrained. With high supply, the prices of cattle for slaughter kept falling. The low profitability of swine breeding initiated the process of the stock reduction. The growing tendency of the prices of poultry and milk continued.

In the period from January to July of this year, the dynamics of prices in the basic areas of national economy in relation to the corresponding period of the previous year was higher than recorded respectively last year. In July, the year-on-year growth of consumer prices was lower than in June of this year, and in sold production of industry slowing down of the dynamics was observed from March of this year. Prices in construction were rising faster than in the previous periods. As compared to June of this year, the prices of consumer goods and services declined, which resulted from seasonal discounts in the prices of food, and the continuing fall in the prices of clothes and footwear. Producer prices were going up more slowly than in the preceding month. In July of this year, the Harmonised Index of Consumer Prices (HICP) amounted to 2.5% (against 2.6% in June of this year); a corresponding index for the EU was 2.0%.

In the period from January to July of this year, the average employment in the enterprise sector increased by 4.5% in annual terms, which applied to most sections, except for mining and quarrying as well as electricity, gas and water supply. Unemployment kept falling – according to labour offices, at the end of July, the number of the unemployed dropped significantly as compared to the corresponding period of the last year – by 587.3 thousand to 1856.1 thousand people, and the rate of registered

unemployment – by 3.5 pt, respectively, to 12.2%. The Labour Force Survey indicated that in the 2<sup>nd</sup> quarter of this year, the unemployment rate decreased per annum by 4.5 pt to 9.6%. However, its level continued to be, after Slovakia, one of the highest in the European Union.

The growing employment was still accompanied by the increase in wages and salaries. In July, the year-on-year average monthly real gross wages and salaries in the enterprise sector grew by 7.1%, while in the period of the seven months – by 6.3%, respectively. Prices in construction were rising at the higher pace. It was subsequent month of the year-on-year fall in real gross retirement pays and pensions.

After the seven months of this year, there was a surplus in the state budget (PLN 615.6 million). The realisation of the Budget Act assumptions was higher on the side of revenues than on the side of expenditures. The high dynamics of revenues was observed particularly in income tax revenues, which resulted in an increase of their share in total revenues.

## Selected indicators regarding the economic situation of the country

Specification a - 2006, b - 2007	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Registered unemployed persons (in thous.) ..... a	2866,7	2865,9	2822,0	2703,6	2583,0	2487,6	2443,4	2411,6	2363,6	2301,8	2287,3	2309,4
..... b	2365,8	2331,1	2232,5	2103,1	1985,1	1895,1	1856,1					
Unemployment rate <sup>1)</sup> (in %) ..... a	18,0	18,0	17,8	17,2	16,5	15,9	15,7	15,5	15,2	14,9	14,8	14,9
..... b	15,1	14,9	14,4	13,7	13,0	12,4	12,2					
Paid employment in the enterprise sector in thous. persons ..... a	4862	4861	4870	4889	4901	4918	4928	4943	4957	4971	4986	4995
..... b	5048	5070	5089	5105	5116	5144	5160					
Sold production of industry <sup>2)</sup> : previous month=100 ..... a	92,0	100,0	116,4	90,4	107,3	102,6	93,8	102,4	109,2	104,3	97,3	93,3
..... b	100,2	97,9	114,7	91,4	103,0	100,2	98,0					
corresponding month of previous year=100 ..... a	109,8	110,2	116,4	105,7	119,1	112,2	114,3	112,6	111,6	114,8	112,0	105,9
..... b	115,4	113,0	111,3	112,6	108,1	105,6	110,4					
Construction and assembly production <sup>2)</sup> : previous month=100 ..... a	27,8	113,1	134,0	112,4	133,3	124,6	88,8	112,3	118,9	110,9	78,6	144,8
..... b	37,9	110,5	119,0	110,6	113,2	111,2	101,4					
corresponding month of previous year=100 ..... a	92,2	96,5	115,5	104,1	113,4	115,7	104,9	115,3	121,0	128,7	123,3	117,9
..... b	160,5	156,7	139,1	136,9	116,3	103,7	118,4					
Dwellings completed (from the beginning of year) ... a	10192	18946	28284	35603	42206	50361	59906	68414	76581	87822	99363	115353
..... b	10138	18794	26454	34744	43583	52709	62738					
Price indices of consumer goods and services: previous month=100 ..... a	100,2	100,0	99,9	100,7	100,5	99,7	100,0	100,3	100,2	100,1	100,0	99,8
..... b	100,4	100,3	100,5	100,5	100,5	100,0	99,7					
corresponding month of previous year=100 ..... a	100,6	100,7	100,4	100,7	100,9	100,8	101,1	101,6	101,6	101,2	101,4	101,4
..... b	101,6	101,9	102,5	102,3	102,3	102,6	102,3					
December of previous year=100 ..... a	100,2	100,2	100,1	100,8	101,3	101,0	101,0	101,3	101,5	101,6	101,6	101,4
..... b	100,4	100,7	101,1	101,6	102,2	102,2	101,9					
Price indices of sold production of industry: previous month=100 ..... a	100,2	99,9	100,7	101,5	100,4	100,9	100,7	99,9	100,0	99,5	99,3	99,5
..... b	100,6	100,3	100,5	100,5	100,4	100,5	100,4					
corresponding month of previous year=100 ..... a	100,3	100,7	100,9	101,7	102,3	103,0	103,5	103,3	103,6	103,2	102,5	102,6
..... b	103,1	103,5	103,3	102,2	102,1	101,7	101,5					

<sup>1)</sup> Ratio of registered unemployed persons to the economically active civil population.

<sup>2)</sup> Indices were calculated in constant prices of 2000.

(cont.)

Specification a - 2006, b - 2007	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	
Average monthly nominal gross wage and salary in the enterprise sector <sup>1)</sup> (in zł) ..	a	2471,09	2526,22	2613,67	2570,05	2549,70	2624,93	2647,80	2611,93	2611,16	2657,99	2759,65	3027,51
	b	2663,55	2687,48	2852,71	2786,29	2776,92	2869,69	2893,71					
previous month=100 .....	a	88,6	102,2	103,5	98,3	99,2	103,0	100,9	98,6	100,0	101,8	103,8	109,7
	b	88,0	100,9	106,1	97,7	99,7	103,3	100,8					
corresponding month of previous year=100 .....	a	103,6	104,8	105,4	104,0	105,2	104,5	105,6	105,3	105,1	104,7	103,1	108,5
	b	107,8	106,4	109,1	108,4	108,9	109,3	109,3					
Average monthly real gross wage and salary in the enterprise sector monthly average of 2000=100 .....	a	105,0	107,3	111,2	108,6	107,2	110,6	111,5	109,6	109,5	111,5	115,7	127,2
	b	111,6	112,4	118,7	115,4	114,5	118,2	119,4					
Profitability rate of gross turnover <sup>2)</sup> - from the beginning of year (in %)	a	.	.	4,8	.	.	5,6	.	.	5,8	.	.	5,8
	b	.	.	6,1	.	.	6,5	.					
Profitability rate of net turnover <sup>3)</sup> – from the beginning of year (in %) .....	a	.	.	3,6	.	.	4,5	.	.	4,7	.	.	4,7
	b	.	.	4,9	.	.	5,3	.					
State budget balance - from the beginning of year (in mn zł) .....	a	772,2	-6716,2	-9275,4	-10070,2	-14717,9	-17694,2	-15543,4	-14482,5	-14610,2	-16636,7	-18580,5	-25063,1
	b	3144,1	-2992,3	-5177,0	-2090,9	-4297,2	-3646,6	615,6					
Average exchange rates in zł – National Bank of Poland:													
100 US dollars .....	a	315,99	317,44	322,29	319,82	304,91	317,13	314,92	304,54	311,53	309,19	297,35	288,68
	b	298,37	298,05	293,59	282,79	279,97	283,99	275,00					
100 EUR.....	a	382,45	379,37	387,48	391,94	389,41	401,64	399,70	390,14	397,02	390,26	382,99	381,30
	b	387,87	389,58	388,69	381,92	378,24	380,79	376,85					
Foreign trade in mn zł													
exports .....	a	24577,0	24983,4	29384,8	26564,7	28668,5	29939,6	27790,1	27487,6	32108,5	33560,8	32070,2	26643,8
	b	29004,8	29085,3	33461,4	29832,4	30594,3	30603,6	.					
imports .....	a	27428,1	28094,0	33006,6	29459,6	33826,8	33354,7	32932,9	31746,5	35988,1	38329,2	36266,7	33596,8
	b	33248,2	32222,8	39129,2	34845,8	36063,7	34970,9	.					
balance .....	a	-2851,1	-3110,6	-3621,8	-2894,9	-5158,3	-3415,1	-5142,8	-4258,9	-3879,6	-4768,4	-4196,5	-6953,0
	b	-4243,4	-3137,5	-5667,8	-5013,4	-5469,4	-4367,3	.					

<sup>1)</sup> Including contributions to compulsory social security.

<sup>2)</sup> Relation of gross financial result to revenues from total activity.

<sup>3)</sup> Relation of net financial result to revenues from total activity.