

## Introduction

After the high economic growth in the 1<sup>st</sup> half of this year, created by the growing domestic demand – both capital demand and consumption – in July and August in main areas of economy these tendencies continued. The positive phenomena in the labour market strengthened – the employment growth rate improved with unemployment falling considerably. In the conditions of growing demand for labour and a favourable financial situation of enterprises that has occurred for a few years, the growth pace of average gross wages and salaries in the enterprise sector was increasing at the same time. The year-on-year increase in consumer prices in August of this year was much lower than observed in the previous periods of this year. The high dynamics of retail sale continued. The increase of turnover in foreign trade was slower than last year, with import growing faster than export, which worsened the negative exchange balance.

In industry in August of this year, the growth in sold production of industry amounted to 9.0%, and in the period of eight months, it exceeded the level of last year by 10.5%. Production in manufacturing continued to grow faster than on average (12.4%). Labour productivity increased in that period by 6.7%, with higher average employment by 3.5% and growth of average monthly gross wages and salaries by 8.6%. Among main industrial groupings, sale in enterprises producing mainly consumer durables goods, capital goods and intermediate goods increased the most. Capacity utilization in manufacturing and construction was record high.

In the period from January to August of this year, construction and assembly production increased in annual terms by 27.0%, with higher dynamics of production being observed at the beginning of the year, among others, in connection with exceptionally favourable atmospheric conditions for construction and assembly works and a relatively low level of reference in the previous year. The good business tendencies in construction caused further increase in employment which was higher than on average (in the period from January to August of this year by 9.4%) and in wages and salaries (by 15.6%). The number of completed dwellings went up by 8.0%, the high increase in the number of dwellings with issued building permits and which construction has begun to be observed.

The dynamics of export of goods was slower than last year (in current prices, in the period from January to July of this year, the growth amounted to 10.8%). As a consequence of the growing demand for imported goods, import increased by 14.6%. Import growing faster than export caused deficit growth of goods exchange, in particular in turnover with developing countries. With appreciation of the zloty, the price conditions in foreign trade were improving – in the period from January to July of this year the total terms of trade amounted to 102.4 (against 97.4 last year, respectively). This was influenced by favourable price relations in trade exchange with the Central and Eastern Europe countries and with developing countries.

The subsequent months of 2007 confirm consolidation of the positive changes in the labour market. In August, further acceleration of the annual pace of growth in average

employment in the enterprise sector (4.8%) was recorded. Due to the decreasing number of the unemployed, the unemployment rate went down to 12% however the number of people without a job is relatively high in relation to job vacancies. The percentage of persons economically inactive is still high, yet the growing number of the employed and the high pace of unemployment declining caused improvement in the relation of employed to persons not employed.

In August, the tendency of fast growth in average monthly gross wages and salaries in the enterprise sector continued, both in nominal terms (an increase by 10.5%), and in real terms (9.1%). In almost all sections, the increase in wages and salaries was accompanied by a significant growth in average employment, which increased the dynamics of wage fund and revenues of households. The highest growth in wages and salaries continued to be recorded in construction (17.8%). In August was observed further decrease in the purchasing power of average gross retirement pays and pensions of farmers, and as a result, after eight months of this year, the fall in the annual terms amounted to 0.6%. In the period from January to August of this year, real retirement pays and pensions in the employee system went up – by 0.9%.

In agriculture, according to the pre-result estimate, the yields of cereals, rape and agrimony, potatoes and ground vegetables will be higher than those of last year, while the yields of fruit, due to frosts that occurred in May, will be considerably lower. The prices of cereals remained at a considerably higher level than in the previous year, and their fall recorded at the beginning of the new season was restrained in August. With the high supply, the procurement prices of cattle for slaughter were lower than last year. The prices of pigs for slaughter were growing gradually. The prices of poultry and milk showed further increase.

The dynamics of prices in basic areas of national economy in the period from January to August of this year, in relation to the corresponding period of last year, was higher than recorded in the previous year, respectively. In industry, since June of this year, the growth in prices has been running below 2%, while in construction, it is still very high (8.8%). In August the year-on-year increase in consumer prices was lower than in the previous months of this year (1.5%). As compared to July of this year, the consumer prices fell, which was influenced mainly by the seasonal drop in prices of food (including in particular vegetables), further decreases in the prices of clothes and footwear, as well as declining prices of goods and services connected with communications, transport, recreation and culture. The producer prices were going up more slowly than last month. In August of this year, the Harmonised Index of Consumer Prices (HICP) amounted to 2.1% (against 2.5% in July of this year); the corresponding index for the EU amounted to 1.9%.

The high economic growth rate, the good financial situation of enterprises, as well as the improvement of the situation in the labour market had a positive impact on the level of the state budget revenues. With the lower dynamics of expenditures than revenues, the surplus of the state budget after eight months of this year amounted to PLN 274.8 million.

### Selected indicators regarding the economic situation of the country

Specification	August 2007		January-August 2007
	changes in % against:		
	August 2006	July 2007	January-August 2006
Paid employment in the enterprise sector.....	+4,8	+0,4	+4,6
Registered unemployed persons (end of period).....	-24,5	-1,8	x
Average monthly gross wage and salary in enterprise sector.....	+10,5	-0,3	+8,8
of which in industry .....	+9,9	-0,4	+8,6
Sold production of industry (constant prices) .....	+9,0	+1,1	+10,5
mining and quarrying .....	-8,3	+0,4	-1,0
manufacturing .....	+10,4	+1,6	+12,4
electricity, gas and water supply .....	+1,4	-5,2	-4,9
Construction and assembly production (constant prices).....	+14,6	+8,7	+27,0
Dwellings completed .....	+32,6	+4,1	+8,0

Specification	June	July	August
	changes in % as compared with the previous month		
Prices of sold production of industry .....	+0,5	+0,3	+0,2
Prices of consumer goods and services .....	0,0	-0,3	-0,4
of which:			
food and non-alkoholic beverages .....	-1,0	-1,6	-0,6
alkoholic beverages, tobacco .....	+0,9	+1,4	+1,1
dwelling .....	+0,3	+0,2	+0,2
housing, water, electricity, gas and other fuels .....	+0,3	+0,2	+0,2
of which electricity, gas and other fuels .....	+0,1	+0,1	+0,2
furnishings, household equipment and routine maintenance of the house .....	+0,2	+0,2	+0,1
transport .....	+1,5	+0,3	-0,2
of which fuels for personal transport equipment .....	+2,9	+0,7	-0,6

## 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	1821,9				
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	12,0				
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	5182				
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	98,1	101,1				
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	109,0				
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	108,7				
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	118,5	114,6				
Dwellings completed (from the beginning of year) ..... a	10192	18946	28284	35603	42206	50361	59906	68414	76581	87822	99363	115353
..... b	10152	18825	26835	35412	43648	51753	62588	73867				
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	99,6				
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	101,5				
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	101,6				
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	100,3	100,2				
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	101,4	101,7				

<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											
	2471,0	2526,2	2613,6	2570,0	2549,7	2624,9	2647,8	2611,9	2611,1	2657,9	2759,6	3027,5
	9	2	7	5	0	3	0	3	6	9	5	1
	2663,5	2687,4	2852,7	2786,2	2776,9	2869,6	2893,7	2885,9				
b	5	8	1	9	2	9	1	7				
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
	b	88,0	100,9	106,1	97,7	99,7	103,3	100,8	99,7			109,7
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
	b	107,8	106,4	109,1	108,4	108,9	109,3	109,3	110,5			108,5
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
	b	111,6	112,4	118,7	115,4	114,5	118,2	119,4	119,5			127,2
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	2	9	2	4	5	2	7	5
	b	3144,1	2992,3	5177,0	2090,9	4297,2	3646,6	541,3	274,8			1
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
	b	298,37	298,05	293,59	282,79	279,97	283,99	275,00	279,81			288,68
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
	b	387,87	389,58	388,69	381,92	378,24	380,79	376,85	381,00			381,30
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
	b	28971,3	29101,0	33482,9	29779,4	30490,7	31020,3	29815,5				26643,8
imports .....	a	27428,1	28094,0	33006,6	29459,6	33826,8	33354,7	32932,9	31746,5	35988,1	38329,2	36266,7
	b	33336,3	32281,8	39244,8	35011,3	36727,4	36379,6	36924,5				33596,8
balance .....	a	2851,1	3110,6	3621,8	2894,9	5158,3	3415,1	5142,8	4258,9	3879,6	4768,4	4196,5
	b	4365,0	3180,8	5761,9	5231,9	6236,7	5359,3	7109,0				6953,0

<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.

