

## **Introduction**

In May of this year, tendencies observed in the preceding months in the basic areas of economy maintained. Both the scale of deterioration in the economic situation and its effects is still lower in Poland than in most European countries. A drop in sold production of industry, as well as a considerably slower growing construction and assembly production were accompanied by the weakening of the dynamics of producer prices. With a growth rate of the prices of consumer goods and services, as well as of nominal wages and salaries, weaker than in April of this year, a further significant slowdown occurred in the dynamics of real gross wages and salaries in the enterprise sector. A growth in the purchasing power of average retirement pays and pensions in annual terms in May of this year was higher than that of wages and salaries. Average employment in the enterprise sector dropped once again. Despite another seasonal improvement, the registered unemployment rate exceeded the one recorded a year before. After five months of this year, the level of budget deficit was considerably higher than in the corresponding period of the previous year.

In May of this year, a drop in sold production of industry in annual terms was lower than a month earlier and amounted to 5.2%, and after seasonal adjustment – to 5.9%. Sales dropped in all sections (with the highest drop occurring in mining and quarrying – by 15.6%) and in most industry divisions. In the period of January-May of this year, production was by 9.3% lower than a year before, with a considerable drop (by approx. 14%) being recorded in enterprises manufacturing mainly intermediate and capital goods, as well as energy, with a slight growth in production of consumer goods. Construction and assembly production in May of this year only slightly exceeded the one recorded a year before (by 0.2%), and a high growth maintained only in the units specialising in civil engineering. Retail sales dropped by 0.5%, and for another month in turn a considerable sales drop was recorded in the units trading in solid, liquid and gaseous fuels, as well as in motor vehicles, motorcycles, parts.

The business tendency surveys conducted in June of this year still indicate the negative assessments of the general business tendency climate in manufacturing and in construction. The pessimistic forecasts concerning future construction and assembly production, as well as the financial situation of construction enterprises, slightly improved. In manufacturing, the entrepreneurs' assessments concerning the current order book as well as production are less pessimistic than in May of this year, and the forecasts in this scope are favourable. In contrast, the current assessments and expectations concerning the ability to pay debts remain unfavourable. The forecasts of trade units concerning the economic situation, sales as well as the financial situation are still negative and worse than a month before.

On the labour market, a deeper decrease in average employment in the enterprise sector was recorded (in May of this year a drop by 1.7% in annual terms, with the highest drop occurring in manufacturing). The registered unemployment rate decreased to 10.8%, but it was higher than a year before. The results of the survey on the demand for labour for the 1<sup>st</sup> quarter of this year indicate a considerable year-on-year drop in the number of new jobs.

A further weakening occurred in the dynamics of average nominal wages and salaries in the enterprise sector (a growth by 3.8% against 4.8% in April of this year). Real wages and salaries in May of this year grew in annual terms at the lowest rate since September 2005 (i.e. by 0.3% against 1.1% a month before). The dynamics of the purchasing power of retirement pays and pensions in both systems was higher than in April of this year.

The prices of consumer goods and services in May of this year grew in annual terms to a slightly lower extent than a month before (3.6%). A slight weakening of the dynamics concerned, *inter alia*, the prices of goods and services in the scope of dwelling, as well as the prices of food and non-alcoholic beverages. Producer prices grew slower than in the preceding months in industry (3.7%) and in construction (0.4%).

On the agricultural market in May of this year, the prices of basic cereals were still dropping in monthly terms (except for the prices of rye and wheat in procurement), and were considerably lower than in May of the previous year. After a few months of growth, the prices of animals for slaughter dropped, though they were still at a considerably higher level than a year before. Despite the gradual improvement in the profitability of pigs fattening, the prices of piglets for further breeding on marketplaces dropped in monthly terms for the first time since February of the previous year.

In foreign trade, in the period of four months of this year, a more rapid drop maintained in imports than in exports, which influenced an improvement in the negative balance of total commodity turnover. The commodity turnover (expressed in PLN) declined with all groups of countries, except for developing countries. The favourable dynamics of trade in agricultural and food products influenced an increase in the share of this group in total commodity turnover. The terms of trade index in the period of January-March of this year reached a favourable level, which was influenced by a considerable improvement in the price conditions in trade with the Central and Eastern European countries.

In the period of January-May of this year, the revenues of the state budget amounted to PLN 111051.2 million, and the expenditures – to PLN 127453.7 million. In consequence, the budget deficit amounted to PLN 16402.5 million, which accounted for 90.2% of the amount assumed in the Budget Act for 2009.

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

Specification a – 2008, b – 2009		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Registered unemployed persons (in thous.)	a	1813,4	1778,5	1702,2	1605,7	1525,6	1455,3	1422,9	1404,4	1376,6	1352,3	1398,5	1473,8
	b	1634,4	1718,8	1758,8	1719,9	1683,4							
Unemployment rate <sup>1</sup> (in %)	a	11,5	11,3	10,9	10,3	9,8	9,4	9,2	9,1	8,9	8,8	9,1	9,5
	b	10,5	10,9	11,2	11,0	10,8							
Average paid employment in the enterprise sector in thous. persons	a	5339	5363	5376	5382	5383	5383	5392	5391	5395	5397	5386	5353
	b	5374	5352	5325	5309	5292							
Sold production of industry <sup>2</sup> :													
previous month=100	a	104,4	101,5	100,7	104,1	90,9	105,2	97,3	91,2	116,6	101,9	86,9	96,9
	b	93,7	102,4	115,6	93,1	98,2							
corresponding month of previous year=100	a	110,5	114,7	100,7	114,4	101,4	106,5	104,8	95,6	105,5	98,0	89,4	94,4
	b	84,7	85,4	98,1	87,8	94,8							
Construction and assembly production <sup>2</sup> :													
previous month=100	a	36,0	123,6	115,8	112,8	107,9	115,9	95,8	98,9	111,4	110,8	79,9	150,1
	b	37,9	117,2	115,1	112,0	107,6							
corresponding month of previous year=100	a	108,6	121,3	116,8	120,9	115,9	119,4	113,4	102,9	109,6	105,6	100,4	102,0
	b	107,4	101,9	101,2	100,5	100,2							
Dwellings completed (from the beginning of year)	a	14640	25617	35415	49132	58856	69283	83913	95097	107484	123276	135312	165189
	b	22091	31826	41463	53506	63659							
Price indices of consumer goods and services:													
previous month=100	a	100,7	100,4	100,4	100,4	100,8	100,2	100,0	99,6	100,3	100,4	100,2	99,9
	b	100,5	100,9	100,7	100,7	100,5							
corresponding month of previous year=100	a	104,0	104,2	104,1	104,0	104,4	104,6	104,8	104,8	104,5	104,2	103,7	103,3
	b	102,8	103,3	103,6	104,0	103,6							
December of previous year=100	a	100,7	101,1	101,5	101,8	102,6	102,9	102,8	102,4	102,8	103,2	103,4	103,3
	b	100,5	101,3	102,0	102,7	103,2							
Price indices of sold production of industry:													
previous month=100	a	101,3	100,5	100,2	99,8	100,8	100,3	99,8	100,1	100,4	100,0	99,8	99,6
	b	102,3	102,6	100,0	99,1	99,7							
corresponding month of previous year=100	a	102,5	102,8	102,5	101,9	102,4	102,2	101,7	101,4	102,0	102,4	102,2	102,7
	b	103,6	105,7	105,5	104,8	103,7							
Price indices of construction and assembly production:													
previous month=100	a	100,3	100,4	100,4	100,5	100,3	100,3	100,3	100,2	100,1	100,1	100,0	99,9
	b	99,9	99,8	99,9	99,9	99,9							
corresponding month of previous year=100	a	107,4	107,0	106,5	106,0	105,2	104,7	104,3	104,0	103,7	103,4	103,2	102,9
	b	102,4	101,8	101,3	100,7	100,4							

<sup>1</sup> Ratio of registered unemployed persons to the economically active civil population. <sup>2</sup> Indices were calculated in constant prices of 2005.

(cont.)

Specification a – 2008, b – 2009	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	2975,54	3040,46	3152,96	3144,87	3076,14	3222,47	3234,96	3172,54	3176,84	3247,77	3326,94	3428,01
	b	3215,75	3195,56	3332,65	3294,76	3193,90							
previous month=100 .....	a	91,7	102,2	103,7	99,7	97,8	104,8	100,4	98,1	100,1	102,2	102,4	103,0
	b	93,8	99,4	104,3	98,9	96,9							
corresponding month of previous year=100 .....	a	111,7	113,2	110,5	112,9	110,8	112,3	111,8	109,9	111,2	110,1	107,6	105,6
	b	108,1	105,1	105,7	104,8	103,8							
Average monthly real gross wage and salary in the enterprise sector monthly average of 2005=100 .....	a	112,1	114,1	117,9	117,2	113,7	118,8	119,3	117,5	117,3	119,4	122,0	125,8
	b	117,5	115,9	120,1	117,9	113,8							
Profitability rate of gross turnover <sup>2</sup> from the beginning of year (in %) .....	a	.	.	5,9 3,0	.	.	6,0	.	.	5,7	.	.	4,2
Profitability rate of net turnover <sup>3</sup> from the beginning of year (in %) .....	a	.	.	4,6 2,2	.	.	4,9	.	.	4,5	.	.	3,3
State budget balance - from the beginning of year (in mn zł) .....	a	4407,3	-136,6	1802,9	554,3	-1876,9	-3380,7	-2744,7	-317,4	-4224,6	-11485,3	-14972,8	-24346,2
	b	2918,0	-5250,9	-11219,8	-15306,1	-16402,5							
Average exchange rates in zł – National Bank of Poland:													
100 US dollars .....	a	245,37	243,05	228,16	218,52	219,04	216,94	206,74	219,26	234,97	269,80	292,09	297,15
	b	317,17	363,14	354,12	334,80	323,37							
100 EUR.....	a	360,80	358,25	353,74	344,44	340,69	337,60	326,00	328,84	337,12	358,55	372,07	401,77
	b	421,81	464,42	462,37	441,93	441,05							
Foreign trade <sup>4</sup> in mn zł													
exports .....	a	33458,3	35209,8	34093,1	37305,5	32507,8	33997,3	33573,4	29831,8	36303,9	36816,3	31235,2	25020,9
		29545,1	33641,4	37410,0	32424,6	.							
imports .....	a	38909,5	41068,7	41731,8	43872,2	39472,3	41912,2	41231,6	36833,9	43281,7	44645,5	39285,1	33588,3
		33161,5	35936,6	39846,8	34265,4	.							
balance .....	a	-5451,2	-5858,9	-7638,7	-6566,7	-6964,5	-7914,9	-7658,2	-7002,1	-6977,8	-7829,2	-8049,9	-8567,4
		-3616,4	-2295,2	-2436,8	-1840,8	.							

<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. <sup>4</sup> Provisional data.