

Introduction

In 2007, the high pace of economic growth continued. The growing tendencies – created by strong domestic demand, both investment and consumer demand – covered all the main sectors of economy. The positive changes in the labour market strengthened – a growth in the number of the employed persons and newly created jobs and reduction of unemployment. Financial results of enterprises were more favourable than in the previous year, which influenced on improvement of wages and salaries as well as financing of investment projects. Similarly to a number of other countries, in 2007, the increase in prices of consumer goods and services was higher than in the previous year.

According to the preliminary estimate, gross domestic product in 2007 was in real terms by 6.5% higher than in the previous year, against the growth by 6.2% in 2006 and 3.6% in 2005. Gross value added in national economy increased by 6.6%, while in 2006 by 6.0%, and in 2005 by 3.3%. Dynamics of GDP strengthened mainly due to the accelerated pace of growth in gross added value in market services – to 6.9%, and in construction – to 15.6%. The increase in gross added value in industry was lower than in 2006 (7.7% against – 10.0%).

Domestic demand grew in the pace observed in 2006 (7.3%). This was caused by an increase in total final consumption expenditure by 4.2%, of which in individual consumption expenditure – by 5.2%, with a higher than in 2006 growth in capital formation (19.1%). Gross fixed capital formation, after the increase by 15.6% in 2006, in 2007 grew by 20.4%, i.e. the most in ten years. The investment rate increased to over 22%, against 19.7% in 2006 and 18.2% in 2005. The high dynamics of investing was mainly influenced by a positive assessment of prospects for domestic and foreign demand according to economic entities, as well as the necessity of increasing capacity utilisation. The implementation of investment projects was fostered by a good economic and financial situation of enterprises, assets obtained from bank credits and gradual absorption of EU funds.

Consumer demand was formed by the high growth of real wages and salaries, growing credit indebtedness of households, and an attractive offer of consumer goods, with the continuing positive tendency of consumer confidence. The dynamics of people's real income related to social benefits was low.

This was the second year in a row when at a similar scale net export had a restraining influence on the pace of economic growth.

According to estimates, in 2007, the increase in sold production of industry in total was 9.5%, against 11.2% in 2006 r. In enterprises in which the number of employees exceeds 9 persons, industrial production was by 9.7% higher than in the previous year, with increased labour productivity by 6.0% and average monthly gross wages and salaries by 8.9%. Among main industrial groupings, sale in enterprises producing mainly durable consumer goods (by approx.

18%), and capital goods (by approx. 17%) increased the most. The level of production in divisions and groups regarded as technological progress carriers grew, as compared to 2006, by 13.9%.

It is estimated that construction and assembly production in 2007, realised on the basis of contract system by all construction enterprises (i.e. including entities employing up to 9 persons), was higher than in the previous year by over 12%. The pace of growth in construction and assembly production in entities in which the number of employees exceeds 9 persons in 2007 amounted 15.7%. The considerable increase in sale was influenced, inter alia, by growth observed in the group of enterprises involved mainly in building of constructions; civil engineering (by 15.4%) as well as in entities making mainly building installation (by 16.4%). In the structure of production, the share of investment works increased to 72.0%. The positive tendencies in dwelling construction strengthened. In annual terms, 133.8 thousand dwellings were completed – considerably more than in the previous fifteen years (excluding 2003). Simultaneously, the number of dwellings in which construction has begun and those for which permits have been granted increased (respectively by 34.2% as compared to 2006 and by 47.1%). In industry and construction, among the greatest limits to conducting activity, enterprises indicated the shortage of skilled labour and growing costs of employment.

According to estimates, in 2007, the dynamics total of retail sales in constant prices was higher than in the previous year (an increase by approx. 8.0% against 7.2%). Retail sales realised by commercial and non-commercial enterprises in which the number of employees exceeds 9 persons grew by 14.0%. The sale of cars and motor equipment increased particularly dynamically (by 36.4%), and also that of furniture, radio and television equipment as well as household equipment (by 23.0%).

Global agricultural production increased (according to preliminary estimates) by 6.0%, against the fall by 1.2% in 2006 and 4.3% in 2005. The generally favourable atmospheric conditions contributed to higher plant production than in the previous year (by 9.2%). Also animal production grew (by 2.9%). The increase in plant production, as compared to low results in 2006, was caused by a significant growth in yields of most crops, of which in particular cereals (by 24.6%), rape and agrimony (by 28.7%), potatoes (by 31.3%) as well as ground vegetables (by 13.1%). Yields of tree fruit were much lower than in the previous year (by 53.3%) – due to frosts in the period of flowering.

In the agricultural market, most of the basic products of plant origin as well as poultry and milk cost much more than in 2006, while prices of pigs, piglets and cattle declined. Deteriorated profitability of breeding of pigs caused reduction of the stock by 6.3% in annual terms. The numerical force of all weight and utility groups in a herd decreased, with the greatest decline being observed in the group of pigs weighing 50 kg and more. In December 2007, the stock of cattle in total was by 2.4% greater than in the corresponding period of 2006. The population of calves increased the most (by 6.9%), as well as young cattle of 1–2 years old, and cows (2.0% each). It was another year when the price relation of agricultural products sold by farmers to prices of goods

and services purchased by them was favourable. The “price gap” equalled to 106.5, while in 2006 it was 102.0, and in 2005 – 96.0.

The turnover of foreign trade kept growing quickly, although more slowly than in the previous three years. In the period from January to November 2007, as compared to the corresponding period of 2006, export calculated in EUR increased by 14.5%, while import by 16.9%. Exports to the Central and Eastern Europe countries grew significantly (by 25.2%), of which to Russia (by 25.5%) and to Ukraine (by 29.0%). Imports from China increased the fastest, which after Germany and Russia was the third greatest supplier of goods to our market. Despite the favourable terms of trade indicators, the negative foreign trade balance deteriorated (after eleven months minus EUR 14.8 million, against – EUR 11.0 million last year). The negative balance was created by the turnover with developing countries and the Central and Eastern Europe countries, while in foreign trade with the European Union, the balance was positive, yet lower than in the previous year.

The increase in demand had a favourable influence on financial results achieved by non-financial enterprises. In the period from January to September 2007, the increase in revenues from the total activity was higher than the cost of obtaining them, which improved, as compared to 2006, the cost level indicator as well as increased the profitability and liquidity of enterprises. The percentage of export oriented companies as well as the share of sale for export in total sale grew. Financial results of banks were more favourable than in 2006, while in the insurance sector economic and financial indicators have formed on much lower level than in 2006 in connection with a deep fall of results in property insurance institutions.

The average annual increase in prices of consumer goods and services amounted to 2.5% and was higher than in the two previous years. Prices of construction and assembly production grew by 7.8%, and those of sold production of industry were rising slightly more slowly (by 2.3%). In December 2007, in annual terms, prices of consumer goods and services were higher by 4.0%, exceeding the limit of the inflation target specified by the Monetary Policy Council (2.5%). The accelerated increase in prices – particularly in the last four months of the previous year – was affected mainly by quickly growing prices of food. In December 2007, food and non-alcoholic beverages were by 7.9% more expensive than in the previous year. Also prices, inter alia, of transport related goods and services rose considerably (by 8.9%), as well as those of alcoholic beverages and tobacco products (by 5.4%) and housing related goods and services (by 3.9%).

Despite the increased inflation, the purchasing power of average monthly wages and salaries in the enterprise sector increased by 6.7% (against 4.2% in 2006). This was caused by a considerably higher increase in average nominal wages and salaries than in the previous years (by 9.2%), of which in particular in construction (by 15.5%), trade and repair (by 10.4%) as well as manufacturing (by 9.7%). Real social benefits dropped. In December 2007, the purchasing power of average retirement pays and pensions in the employee system was by 2.3% lower than in December 2006 (in average annual terms – it did not change). Real retirement pays and pensions of farmers declined (by 3.6% and 1.6%, respectively).

The situation in the labour market improved considerably. The number of the employed persons and employment was growing systematically, while unemployment declined. The average paid employment in enterprise sector (in entities in which the number of employees exceeds 9 persons) was by 231.9 thousand greater, i.e. by 4.7% than in 2006 (in 2006, the increase reached 3.0%, and in 2005 – 1.9%). At the end of December, the number of registered unemployed was 1746.6 thousand and within twelve months it dropped by 562.8 thousand, i.e. by 24.4%. As compared to the state as of the end of the years 2002-2003 (a period of the highest unemployment rate), the number of the unemployed in our country dropped by nearly half, and the unemployment rate – from 20% to 11.4%. Among the unemployed, the share of older people (over 50 years of age) grew, while it declined among young people (25 years old and fewer) as well as among long-term unemployed.

The improvement in the labour market is reflected by the results of the Labour Force Survey. They indicate an increase in the number of the employed persons and in the employment rate. According to this survey, in the 3rd quarter of 2007, the unemployment rate was 9.0% and it decreased by 4.0 pts, as compared to the state of the previous year, of which the most (by 7.2 pts) among young people. However, it was still by over 2 times higher in this group than in the entire population. The employment rate reached in the 3rd quarter 49.2% (in the preceding year 47.6%).

In 2007, the increase in revenues of the state budget (by 19.4%) was higher than that of expenditures (by 13.6%). As a result, the budget deficit amounted to PLN 16.9 billion (56.4% of the amount assumed in the Budget Act). Also higher than assumed and than realised in 2006 were particularly tax proceeds related to indirect tax – by 14.9%, corporate income tax – by 27.1% and personal income tax – by 25.2%.

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	1777,8	1720,9	1719,4	1746,6
Unemployment rate ¹⁾ (in %) a	18,0	18,0	17,8	17,2	16,5	15,9	15,7	15,5	15,2	14,9	14,8	14,8
..... b	15,1	14,8	14,3	13,6	12,9	12,3	12,1	11,9	11,6	11,3	11,2	11,4
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	5192	5220	5233	5241
Sold production of industry ²⁾ : 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	100,9	105,7	109,7	95,2	91,3
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	108,9	105,4	110,8	108,5	106,2
Construction and assembly production ²⁾ : 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	108,5	104,1	115,4	83,7	147,5
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	114,4	100,2	104,3	111,0	113,0
Dwellings completed (from the beginning of year) ... a	10192	18946	28284	35603	42206	50361	59906	68414	76581	87822	99363	115353
..... b	10185	18902	26976	35732	44221	52887	64357	75773	86444	101180	115532	133826
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	100,8	100,6	100,7	100,3
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	102,3	103,0	103,6	104,0
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	102,3	103,0	103,7	104,0
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	100,3	100,0	99,7	99,9	99,5
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	101,8	101,8	102,0	102,5	102,5

¹⁾ Ratio of registered unemployed persons to the economically active civil population.

²⁾ 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 ¹⁾ (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	2885,97	2858,83	2951,67	3092,01	3246,0
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	99,7	99,1	103,2	104,8	105,0
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	110,5	109,5	111,0	112,0	107,2
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	119,5	117,5	120,6	125,7	131,7
Profitability rate of gross turnover ²⁾ - from the beginning of year (in %)	a	.	.	4,8	.	.	5,6	.	.	5,8	.	.	5,8
	b	.	.	6,1	.	.	6,5	.	.	6,4	.	.	.
Profitability rate of net turnover ³⁾ – from the beginning of year (in %)	a	.	.	3,6	.	.	4,5	.	.	4,7	.	.	4,7
	b	.	.	4,9	.	.	5,3	.	.	5,2	.	.	.
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	541,3	304,1	178,9	-4403,9	-6024,8	16921,7
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	279,81	272,86	260,42	249,15	247,54
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	381,00	378,99	370,52	365,56	360,42
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	29179,2	29349,2	33867,9	30200,4	31670,9	31725,1	31108,3	31284,5	33319,5	36660,1	34234,3	.
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	33686,5	32805,1	39868,7	35613,2	37167,5	37563,6	37649,4	34531,0	38592,9	42508,3	38842,8	.
balance	a	-2851,1	-3110,6	-3621,8	-2894,9	-5158,3	-3415,1	-5142,8	-4258,9	-3879,6	-4768,4	-4196,5	-6953,0
	b	-4507,3	-3455,9	-6000,8	-5412,8	-5496,6	-5838,5	-6541,1	-3246,5	-5273,4	-5848,2	-4608,5	.

¹⁾ Including contributions to compulsory social security.²⁾ Relation of gross financial result to revenues from total activity.³⁾ Relation of net financial result to revenues from total activity.