

Introduction

In October 2007 dynamics of production and sale in main areas of economy improved, after the slowdown observed in September. In the period from January to October of this year, a high pace of economic growth was recorded, stimulated to a large extent by domestic demand. The positive tendencies in the labour market strengthened – employment grew and unemployment was reduced. The high growth of average wages and salaries in the enterprises sector continued, which along with considerable dynamics of credits, affected the increase of demand on the part of households. At the same time, the year-on-year increase in consumer prices and in construction and assembly production prices was higher than in the period of ten months of last year, while the growth in prices of sold production of industry was similar to that observed in the corresponding period of the previous year. The financial situation of enterprises was more favourable than in the period from January to September 2006. The growth of investment outlays was much higher than last year. With a slower increase in export than in import, the negative foreign trade balance deteriorated in annual terms.

In October 2007, the year-on-year growth in industrial production was 10.6%, while in the period from January to October – 9.9%, with increased labour productivity by 6.3% and employment by 3.4%. Among main industrial groupings, the greatest increase was still recorded in the case of durable consumer goods, and a further fall was observed in enterprises producing mainly energy-related goods.

The year-on-year increase in construction and assembly production in October 2007 equalled to 4.3%, whereas in the period of ten months of this year – 17.6%. The growth of paid employment in construction was higher than average. In the period of ten months of this year, the number of completed dwellings went up considerably, as well as the number of dwellings for which permits have been granted and dwellings in which construction has begun.

The high dynamics of retail sale continued – in October 2007 the year-on-year growth was 16.3%, while in the period from January to October 2007 – 14.4%.

In the period of three quarters of 2007, in entities employing 50 persons and more, the financial situation was more favourable than in the previous year. The increase in revenues from the total activity was higher than the cost of obtaining them, which improved the cost level indicator as well as the profitability rate of gross and net turnover, however the basic indices obtained after three quarters were slightly lower than in the 1st half of this year. In the type structure of costs in total, an increase was observed in the share of services made by other contractors' costs as well as wages and salaries. The share of export sale in total sale grew from 20.3% to 20.7%. In the group of exporting entities, the share of units reporting net profit increased (80.6% against 77.9% in the previous year).

In the period of three quarters of this year, the growth in total outlays in the analysed companies was higher than in the corresponding period of last year (in constant prices it was 30.8%, and in the period from January to September of last year – 19.8%), but in comparison to the 1st half of this year, it was slightly lower. The increase in outlays on buildings and structures was much higher than in the previous year (37.1%, against 4.9%). The share of purchase in total outlays decreased from 67.9% last year to 65.0%, with continued high,

although slower than in the previous year, dynamics of outlays on the transport equipment (36.5%, against 48.4%). The growth in outlays realized by entities with foreign capital was slightly higher than average.

After nine months of this year, in foreign trade, dynamics of goods turnover calculated both in PLN and EUR was lower than observed last year. The increase pace of import was higher than that of export. The negative foreign trade balance deteriorated, however it was positive with developed countries (including the EU countries), while negative – with the Central and Eastern Europe countries and the developing countries. Export to Russia and Ukraine as well as import from China grew considerably. The terms of trade indicator was favourable (103.4, against 98.1 last year).

In the agricultural market in October 2007, a further fall in cow milk procurement was observed (by 4.1% in annual terms), despite a high increase in procurement prices (by 30.5%). Prices of cereals remained at a considerably higher level than last year. Again, a decline in procurement prices of cattle and pigs was recorded, as well as a high increase in procurement prices of poultry.

In the period of ten months of this year, prices of consumer goods and services went up by 3.0% (against 1.6% last year). Inter alia, prices of transport, food and non-alcoholic beverages, alcoholic beverages and tobacco were rising faster than in the previous year. In October 2007 consumer prices went up by 0.6% as compared to September 2007, whereas, inter alia, housing-related prices were higher than in the previous months. A high increase in prices of food was recorded the second time in a row. Prices connected with recreation and culture decreased. Prices in industry in October 2007 as compared to December of last year, rose by 3.3% (against 3.8% last year) and among sections, the highest growth was observed in mining and quarrying. Dynamics of prices acceleration was also visible in construction (an increase by 7.6%, against 3.6%). In October, the average monthly prices of sold production of industry dropped by 0.2% comparing to September, and in construction and assembly production grew by 0.5% (similarly to September of this year).

In October 2007, the increase of average real gross wages and salaries in the enterprise sector was higher than recorded both last year and last month, and equalled to 8.0% and 2.6%, respectively, while in the period from January to October of this year, average wages and salaries were higher by 7.0%. In October 2007, average real retirement pays and pensions in the employee system decreased in annual terms by 1.4%, and in the period of ten months of this year, rose by 0.5%. Retirement pays and pensions of individual farmers declined by 3.1% and 1.0%, respectively.

In the labour market, the year-on-year increase was observed in average employment in the enterprise sector (by 5.0% in October 2007). Employment in trade and repairs, as well as in real estate, renting and business activities was growing faster than in the previous periods, while it was decreasing in mining and quarrying and in electricity, gas and water supply. The registered unemployment rate kept falling – to 11.3% in October 2007. According to the Labour Force Survey, the unemployment rate in the 3rd quarter of this year was 9.0%. Its utmost decline was observed among young people, however it was still the highest among all age groups (20.7%). The share of long-term unemployed persons in the total number of the unemployed decreased significantly (to 45.0%). The systematically growing number

of job offers in the 3rd quarter of this year (in annual terms) resulted in an increased employment rate by 1.6 pts – to 49.2%.

After ten months of this year, the state budget deficit amounted to PLN 4 429.3 million, which accounted for 14.8% of the amount assumed in the Budget Act for the whole year.

Selected indicators regarding the economic situation of the country

Specification	October 2007		January-October 2007
	changes in % against:		
	October 2006	September 2007	January-October 2006
Paid employment in the enterprise sector	+5,0	+0,5	+4,7
Registered unemployed persons (end of period).....	-25,2	-3,2	x
Average monthly gross wage and salary in enterprise sector ...	+11,0	+3,2	+9,2
of which in industry.....	+10,2	+1,2	+8,9
Sold production of industry (constant prices)	+10,6	+9,4	+9,9
mining and quarrying	+2,5	+11,3	-0,1
manufacturing.....	+10,8	+8,4	+11,5
electricity, gas and water supply	+11,8	+23,1	-3,2
Construction and assembly production (constant prices).....	+4,3	+15,4	+17,6
Dwellings completed	+24,4	+4,5	+15,3

Specification	August	September	October
	changes in % as compared with the previous month		
Prices of sold production of industry	+0,3	0,0	-0,2
Prices of consumer goods and services	-0,4	+0,8	+0,6
of which:			
food and non-alkoholic beverages	-0,6	+2,4	+1,7
alkoholic beverages, tobacco	+1,1	+0,6	+0,3
dwelling	+0,2	+0,3	+0,5
housing, water, electricity, gas and other fuels	+0,2	+0,3	+0,6
of which electricity, gas and other fuels	+0,2	+0,4	+0,9
furnishings, household equipment and routine maintenance of the house	+0,1	+0,1	+0,2
transport	-0,2	+0,2	0,0
of which fuels for personal transport equipment	-0,6	+0,4	-0,2

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		
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		
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		
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	109,4		
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	110,6		
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		
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		
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	87245	101228		
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		
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		
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		
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	99,8		
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	102,2			

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		
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		
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		
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		
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	-4429,3		
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		
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		
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	29128,6	29290,1	33774,1	30038,1	31560,3	31576,2	30817,9	30611,2	31991,1	.		
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	33522,6	32567,5	39632,4	35396,3	36898,4	37233,6	37153,6	34405,6	37403,8	.		
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	-4394,0	-3277,4	-5858,3	-5358,2	-5338,1	-5657,4	-6335,7	-3794,4	-5412,7	.		

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.