

## Introduction

April was succeeding month of high growth in production in the main areas of economy. The positive tendencies in the labour market strengthened. The year-on-year increase of consumers' and industry producers' prices observed in April was lower than in the previous month, however the dynamics of prices in construction speeded up. The financial situation of the surveyed companies was better than in the 1<sup>st</sup> quarter of last year. The level of capacity utilization of enterprises continued to grow. The increase of outlays was much faster in comparison with the relatively low growth in the previous year. The dynamics of external trade turnover, after three months of this year was slower than in the preceding year, with imports growing slightly faster than exports.

In April, sold production of industry, as compared to the corresponding month of last year, went up by 12.4% (after seasonal adjustment, an increase by 10.9%). In manufacturing, production increased by 14.1%. Growth was observed in a number of divisions, with the highest one in manufacture of other non-metallic mineral products, metal products, machinery and equipments. In the period from January to April of this year, as compared to the corresponding period of the preceding year, the increase of total production equalled to 12.9%, of which sale in enterprises producing mainly consumer durables goods – approx. 22%, capital and intermediate goods – approx. 20% each, consumer non-durables goods – approx. 9%, while a fall was observed in production of energy-related goods – by approx. 5%. Labour productivity in industry increased in that period by 9.3%, with growing employment by 3.3% and average gross wages and salaries – by 8.0%.

In April the construction and assembly production grew by 36.7% year-on-year (after seasonal adjustment, an increase by 26.8%), accompanied by increasing dynamic of both employment (9.7%) and average wages and salaries (14.8%). The increase in retail sale was still high (13.6%), but lower than in the 1<sup>st</sup> quarter of this year. The sale of transport services in April was by 13.4% higher than in the previous year.

The assessment of the general business tendency climate in May of this year in the surveyed activities is more optimistic than in the previous year. However, enterprises more frequently indicate acute shortage of skilled labour and in construction – also growing costs of employment and materials as well as shortage of equipment, materials and raw materials.

In foreign trade, after three months, the increase in exports was slightly lower than in imports. High dynamics was observed in exports to the Central and Eastern Europe countries. The negative total trade exchange balance of goods deteriorated as compared to the situation in the previous year. The prices in exports that went up faster than in imports, affected the improvement of the terms of trade. In the structure of imports, as compared to the 1<sup>st</sup> quarter of the previous year, imports of commodities intended for capital goods increased the most.

In the 1<sup>st</sup> quarter of this year, the financial results of the surveyed entities were better than in the previous year. The greatest improvement was observed in manufacturing, trade and repair, transport, storage and communication, in construction. The basic economic and financial indicators improved considerably, with basic relations achieved by exporters which were more favourable than for the total population of entities (excluding the financial liquidity ratio of the first degree). The share of export sale in net revenues from the sale of products,

goods and materials went up by 0.6 point to 21.1%. In the structure of costs, an increase was observed in the share of material consumption costs, as well as in the share of services made by other contractors.

In the labour market, further systematic increase of the year-on-year average employment in the enterprise sector was observed (in April of this year – by 4.4%), with the greatest increase – in construction (by 9.7%). The rate of unemployment registered in that period decreased by 3.5 points to 13.7%, in comparison with the previous month unemployment rate decreased by 0.7 point. Positive changes in the labour market are also reflected in the results of the Labour Force Survey in the 1<sup>st</sup> quarter – increase of the number of employed persons and decreasing of unemployment rate, in the bigger scale than in the previous year. The year-on-year fall in the unemployment rate was similar for women and men. Unemployment decreased faster in urban areas than in the rural areas. Despite the considerable improvement, the situation of young unemployed people and those with the lowest level of education remains difficult.

As for inflation phenomena, in April of this year, consumer prices were rising to a similar degree as in March (0.5%), with prices of transport goods and services increasing the most (similarly to the previous two months). Above the average was also the increase in prices of food and non-alcoholic beverages. The year-on-year increase of consumer prices was slightly lower than in March respectively (2.3% against 2.5%).

In industry, the year-on-year increase in prices equalled to 2.3% (against 3.3% in March), which resulted from lower dynamics of prices in all sections as compared to the previous periods (the greatest increase was observed in mining and quarrying). The tendency of speeding up the increase of prices in construction continued (to 7.5%).

In the agricultural market, the prices of most crop products as well as poultry for slaughter and milk were higher than in the previous year, however for two months the dynamics of cereals prices has gradually decreased. Despite the growth in average monthly prices, prices of piglets traded within market-place turnover as well as pigs for slaughter remained below the level of the previous year. As a result, the year-on-year profitability index of fattening of pigs went down from 8.8 to 5.2.

The purchasing power of people continued to grow. In April, with the year-on-year moderate dynamics of consumer prices, the high increase of nominal wages and salaries was observed (although slightly lower than in March of this year) in the enterprise sector, with the greatest increase in construction, trade and repair, transport, storage and communication. The year-on-year increase in purchasing power of wages and salaries in the period from January to April was 6.0%. Real gross retirement pays and pensions in the employee system grew in that period by 2.5%, and in the case of individual farmers – by 1.1%. The high dynamics of credits for households continued to be observed, with a much slowly increase of their deposits.

After four months of this year, the implementation of the Budget Act on the side of revenues was higher than on the side of expenditures. The state budget deficit equalled to PLN 2060.7 million, which accounted for 6.9% of the amount assumed in the Budget Act for the entire year 2007.

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

Specification	April 2007		January-April 2007
	changes in % against:		
	April 2006	March 2007	January-April 2006
Paid employment in the enterprise sector .....	+4,4	+0,3	+4,2
Registered unemployed persons (end of period).....	-22,2	-5,8	x
Average monthly gross wage and salary in enterprise sector ....	+8,4	-2,3	+8,0
of which in industry.....	+7,3	-3,8	+8,0
Sold production of industry (constant prices) .....	+12,4	-8,7	+12,9
mining and quarrying .....	+3,7	-3,2	+0,1
manufacturing.....	+14,1	-8,7	+15,7
electricity, gas and water supply .....	-1,4	-11,2	-7,5
Construction and assembly production (constant prices).....	+36,7	+10,5	+50,4
Dwellings completed .....	+10,5	-6,1	-2,2

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

## 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								
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								
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								
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	91,3								
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	112,4								
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	110,5								
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	136,7								
Dwellings completed (from the beginning of year) ..... a	10192	18946	28284	35603	42206	50361	59906	68414	76581	87822	99363	115353
..... b	9390	18127	26738	34827								
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								
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								
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								
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	100,6								
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	102,3								

<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								
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								
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								
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								
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	.								
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	.								
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	-2060,7								
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								
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								
Foreign trade in mn zł												
exports .....	a 24577,5	24968,6	28754,9	26535,4	28664,0	29828,0	27764,2	27362,5	31969,8	33436,0	32156,7	26282,3
	b 28878,7	28691,0	32784,4	.								
imports .....	a 27329,1	27981,8	32863,8	29346,6	33699,2	33211,3	32518,8	31539,3	35613,4	38018,2	36363,1	32470,9
	b 32824,1	31691,2	37645,9	.								
balance .....	a -2751,6	-3013,2	-4108,9	-2811,2	-5035,2	-3383,3	-4754,6	-4176,8	-3643,6	-4582,2	-4206,4	-6188,6
	b -3945,4	-3000,2	-4861,5	.								

<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.