

## Introduction

In the 1<sup>st</sup> quarter of this year a further weakening of the economy dynamics was observed. The results obtained in the period of January-March of this year in most basic areas of economy were worse than the favourable ones recorded a year earlier, and generally weaker than in the last months of the previous year. In sold production of industry there was a drop recorded, deeper than in the 4<sup>th</sup> quarter of the previous year. Following the gradual weakening of the growth rate in 2008, construction and assembly production as well as retail sales in the 1<sup>st</sup> quarter of this year were slightly lower than in the corresponding period of the previous year. The producer prices in industry grew considerably faster in annual terms than in the preceding periods, while the producer prices in construction, as well as the prices of consumer goods and services grew slower. The increase in employment, as well as in the average wages and salaries in the enterprise sector slowed down, compared to the increase recorded in the 2<sup>nd</sup> half of the previous year. The registered unemployment rate at the end of March of this year was, for the first time since 2003, higher than a year earlier. The basic tendencies in Polish economy were more favourable than in the majority of EU countries.

In March of this year, a year-on-year drop in sold production of industry maintained. However, it was considerably less significant than in January and February of this year, which was, *inter alia*, due to the influence of seasonal factors. A further weakening in annual terms occurred in the dynamics of construction and assembly production, while retail sales for the second month in a row reached the level below the one recorded a year earlier. The low dynamics in the basic areas of economy was accompanied by a drop in the average paid employment in the enterprise sector, caused mainly by the reduction of employment in industry.

The business tendency surveys conducted in April of this year indicate that the entrepreneur assessments are less pessimistic than a month before. The forecasts concerning the financial situation are more favourable than in March of this year. Construction and industrial enterprises expect an improvement in the scope of order-book and production, and the retail trade units – in the scope of current and future sales. The forecasts concerning employment are negative but better than signalised a month before.

A further decline in sold production of industry in the 1<sup>st</sup> quarter of this year (10.0%, compared to 6.3% in the 4<sup>th</sup> quarter of the previous year) was influenced mainly by the worsening of the dynamics in manufacturing as well as in mining and quarrying. By main industrial groupings, a considerable decline occurred in the majority of groups, except for production of non-durable consumer goods which maintained at a slightly higher level than a year before. Construction and

assembly production in the 1<sup>st</sup> quarter of this year was by 1.3% lower than the very high one recorded a year before, with a drop occurring in the enterprises dealing mainly with building construction (by 6.8%), accompanied by a growth in other types of construction activity. Following a gradual weakening of the growth rate, observed in subsequent quarters of the previous year, in the period of January-March of this year, retail sales dropped in annual terms (by 1.4%). A drop was recorded in the four groups with the highest share in sales, with the deepest drop occurring in the units trading in motor vehicles, motorcycles and parts, as well as in solid, liquid and gaseous fuels. The decline of retail sales in these two groups in March of this year was lower than in the two preceding months.

Average paid employment in the enterprise sector in the 1<sup>st</sup> quarter of this year reached the level only slightly higher than a year earlier (by 0.1%, compared to a growth of 3.9% in the 4<sup>th</sup> quarter of the previous year). A growth in employment maintained in most types of service activity, as well as in construction, while the deepest drop occurred in manufacturing. The unemployment rate in March of this year was once again higher in comparison to the preceding month (by 0.3 percentage point to 11.2%), exceeding the rate recorded a year earlier (10.9%).

In the 1<sup>st</sup> quarter of this year, the average gross wages and salaries in the enterprise sector grew at a slower rate, both nominal (6.3%) and real (3.2%), than in the 4<sup>th</sup> quarter of the previous year (in annual terms). Following the valorisation conducted in March of this year, the growth rate in gross retirement pays and pensions in the 1<sup>st</sup> quarter of this year was close, in annual terms, to the one observed in the last quarter of the previous year.

The prices of consumer goods and services in the 1<sup>st</sup> quarter of this year grew by 3.3% in annual terms, i.e. slower than in the subsequent quarters of the previous year. The highest dynamics of consumer prices was still observed in the scope of goods and services associated with dwelling, as well as in the prices of alcoholic beverages and tobacco. However, a year-on-year drop in the prices of clothing and footwear, recorded in the entire 2008, and a drop in the prices of goods and services related to transport, and especially the prices of fuels, observed in the last quarter of the previous year, maintained. The prices of sold production of industry grew in the 1<sup>st</sup> quarter of this year at a considerably higher rate (5.0%) than in the subsequent quarters of the previous year, the fastest growth occurring in the electricity, gas, steam and air conditioning supply section, which was connected, *inter alia*, with considerable raises in the prices of electricity in January of this year. The prices of construction and assembly production were higher than a year earlier by 1.8%.

On the agricultural market in the 1<sup>st</sup> quarter of this year, with a deepening drop in the procurement of animals for slaughter (in annual terms), a significant increase in its prices was observed. The prices of cereals and milk were considerably below the level recorded a year before.

In the period of January-February of this year, the foreign trade turnover was lower than a year before. As a result of a deeper drop in imports than in exports, the negative balance of turnover improved. The commodity turnover with all EU partners lowered. The favourable dynamics of trade in agricultural and food products, higher than a year earlier, influenced a growth in the share of these commodities in total turnover, as well as the improvement of the turnover balance.

In the period of January-March of this year, the state budget revenues reached the level of PLN 66328.3 million, expenditures – PLN 76933.3 million, and the budget deficit amounted to PLN 10607.0 million, accounting for 58.3% 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									
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									
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									
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	115,5									
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	98,0									
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									
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									
Dwellings completed (from the beginning of year)	a	14640	25617	35415	49132	58856	69283	83913	95097	107484	123276	135312	165189
	b	19541	29880	41819									
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									
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									
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									
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	100,1									
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	105,6									
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									
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									

<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									
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									
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									
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									
Profitability rate of gross turnover <sup>2</sup> from the beginning of year (in %) .....	a	.	.	5,9	.	.	6,0	.	.	5,7	.	.	4,2
Profitability rate of net turnover <sup>3</sup> from the beginning of year (in %) .....	a	.	.	4,6	.	.	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	-24590,5
	b	2918,0	-5250,9	-10607,0									
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									
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									
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
		28673,2	31829,4	.									
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
		32831,9	34449,7	.									
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
		-4158,7	-2620,3	.									

<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.