

## Introduction

In the 1<sup>st</sup> quarter of this year, the high growth in basic areas of economy continued. The dynamics of the production in industry, construction and retail sale was faster than observed in the last quarter of the previous year. This had a positive influence on the situation in the labour market – the year-on-year employment was increasing faster in the 1<sup>st</sup> quarter of this year than in the previous periods, with the decreasing unemployment rate. Also the year-on-year growth in average wages and salaries in the enterprise sector was higher than in the successive quarters of last year. The year-on-year dynamics of prices in basic areas of national economy increased in the 1<sup>st</sup> quarter as compared to the 4<sup>th</sup> quarter of the previous year.

Sold production of industry in the 1<sup>st</sup> quarter of this year grew by 13.0% as compared to the corresponding period of previous year. In manufacturing, production exceeded the last year's level by 16.1%, with a fall observed in mining and quarrying by 2.3%, as well as in provision of electricity, gas and water supply – by 7.5%. The highest year-on-year growth was observed in sale in enterprises producing consumer durables goods (by approx. 26%) and intermediate goods (by approx. 21%). The sale of capital goods increased by approx. 19%. The growth in manufacture, among others, of other non-metallic mineral products, metal products, machinery and equipments, rubber and plastics products, was higher than in the preceding quarters. The dynamics of the activity connected with manufacturing products regarded as technological progress carriers continued to be high (among others, manufacture of motor vehicles, trailers and semi-trailers, radio, television and communication equipment and apparatus, medical, precision and optical instruments, watches and clocks). Labour productivity in industry in the 1<sup>st</sup> quarter of this year was higher than in the previous year by 9.5%, with employment growth by 3.2%, and nominal gross wages and salaries rising by 8.3%.

Construction and assembly production increased by 51.1%, compared to the 1<sup>st</sup> quarter of last year (after seasonal adjustment, in the successive months of this year, this growth ranged between 27-31%). The considerable growth in production and the high dynamics of labour productivity, with rising employment (by 8.7%), were accompanied by the fast growth in average gross wages and salaries (nominally by 14.0%).

The results of the business tendency surveys of April in manufacturing and construction show optimistic expectations as regards both the order-books and production, with a visible year-on-year increase in the significance of limits to activity of the enterprises, connected with the shortage of skilled labour, and in construction – also with the costs of materials. The difficulties related to obtaining credits are diminishing.

The year-on-year retail sale went up by 17.4% in the 1<sup>st</sup> quarter (against the growth by 12.6% in the 4<sup>th</sup> quarter of last year). The increase in the sale of transport services also continued to be high (approx. by 10%), while the sale of communication services grew

insignificantly (by approx. 1%).

The year-on-year export of goods (expressed in EUR) in the period from January to February of this year increased by 16.4%, while import – by 15.2%. Much above the average dynamics of export was observed in the trade with the Central and Eastern Europe countries. The increase of turnover with the European Union was higher than in total (on both sides). As a result, the turnover balance with the above mentioned groups of countries improved (with the Central and Eastern Europe countries, it remained negative, and with the EU – positive). The total trade exchange balance was negative and deteriorated due to a greater deficit with the developing countries.

In the 1<sup>st</sup> quarter of this year, further straightening in the dynamics of employment was observed in the enterprise sector (growth of 4.1%), with the greatest increase in construction. Employment in mining and quarrying in provision of electricity, gas and water supply kept falling.

The tendency of the falling number of newly registered unemployed continued, with further increase of people removed from the unemployment rolls. Consequently, the year-on-year number of the unemployed decreased by 589.6 thous. people to 2232.5 thous. at the end of March of this year, and was by 98.7 thous. lower than in the previous month. Their share in the total number of economically active population amounted to 14.4%, i.e. it was by 3.4 points lower than in the previous year and by 0.5 point lower than at the end of February of this year.

As for inflation phenomena, in the 1<sup>st</sup> quarter of this year, the year-on-year increase of consumer prices equalled to 2.0% (against 1.3% in the previous quarter), with a faster increase than in the 4<sup>th</sup> quarter of last year, in prices of food, and the growth in the housing prices was also high. The average monthly consumer prices rose by 0.5% in March, with prices of transport goods and services rising the most (by 2.5%), whereas prices of food increased by 0.9% in that period.

In industry, in the 1<sup>st</sup> quarter of this year, the year-on-year increase of prices equalled to 3.3% (after the growth by 2.8%, respectively, in the 4<sup>th</sup> quarter of last year), with a slower increase, though still high, of prices in mining and quarrying (by 8.8%, including in mining of metal ores – 13.4%); in manufacturing, prices went up by 2.6%. In construction, the increase of prices speeded up to 5.6%.

In the agricultural market, in the 1<sup>st</sup> quarter, the tendency concerning high year-on-year dynamics of prices of crop products continued, and also prices of cattle and cattle for slaughter kept rising, prices of poultry went up considerably, while prices of piglets traded on market-place turnover and pigs for slaughter decreased.

In the 1<sup>st</sup> quarter, the year-on-year purchasing power of average monthly gross wages and salaries in the enterprise sector increased by 5.9% (against 4.5% in the 4<sup>th</sup> quarter of last year). The higher dynamics of real wages and salaries was connected with the higher dynamics of nominal wages and salaries than in the previous periods. The growth of wages and salaries was above the average, among others, in construction, manufacturing as well as

trade and repair.

The year-on-year increase in average real gross retirement pays and pensions in the 1<sup>st</sup> quarter of this year was lower than in the previous periods.

The consumer confidence tendency surveys indicate that households evaluate their financial situation and the possibility of substantial purchases more optimistically than in the previous year.

The state budget deficit, after three months of this year, equalled to PLN 4842.4 million, which accounted for 16.1% of the amount assumed in the Budget Act for 2007.

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

Specification	March 2007		January-March 2007
	changes in % against:		
	March 2006	February 2007	January-March 2006
Paid employment in the enterprise sector .....	+4,5	+0,4	+4,1
Registered unemployed persons (end of period).....	-20,9	-4,2	x
Average monthly gross wage and salary in enterprise sector ....	+9,1	+6,1	+7,8
of which in industry.....	+9,5	+5,6	+8,3
Sold production of industry (constant prices) .....	+11,3	+14,7	+13,0
mining and quarrying .....	-2,0	+10,5	-2,3
manufacturing.....	+13,7	+16,6	+16,1
electricity, gas and water supply .....	-6,7	-2,4	-7,5
Construction and assembly production (constant prices).....	+39,1	+19,0	+51,1
Dwellings completed .....	-7,8	-1,4	-5,5

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

## 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									
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									
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									
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									
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									
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									
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									
Dwellings completed (from the beginning of year) ..... a	10192	18946	28284	35603	42206	50361	59906	68414	76581	87822	99363	115353
..... b	9390	18127	26738									
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									
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									
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									
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									
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									

<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									
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									
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									
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									
Profitability rate of gross turnover <sup>2)</sup> - from the beginning of year (in %)	a	.	.	4,8	.	.	5,6	.	.	5,8	.	.	5,8
	b	.	.	.									
Profitability rate of net turnover <sup>3)</sup> – from the beginning of year (in %) .....	a	.	.	3,6	.	.	4,5	.	.	4,7	.	.	4,7
	b	.	.	.									
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	25084,1
	b	3144,1	-2992,3	-4842,4									
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									
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									
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	28865,3	28796,4	.									
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	32732,6	30940,7	.									
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	-3867,3	-2144,3	.									

<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.