

## Introduction

In the period January-February of this year, the growth in the production in industry and construction as well as in the sale of the surveyed market services was higher than in the 4<sup>th</sup> quarter of last year. The positive tendencies in the labour market have strengthened. The dynamics of employment and average wages and salaries in the enterprise sector was developing systematically, which is accompanied by a growing number of job vacancies. Although the number of the unemployed decreased considerably, the unemployment rate remains at a relatively high level of 14.9%. The year-on-year dynamics of prices, both the consumer and producer ones in the two months of this year was higher than in the 4<sup>th</sup> quarter of last year, respectively, whereas in February, the average monthly prices went up more slowly than in January of this year (except for construction). The favourable financial results of enterprises in 2006, achieved for the third consecutive year, as well as the continuing possibilities of sales both in the domestic and foreign markets led to a considerable increase in the investment outlays.

In February of this year, the high increase in sold production of industry continued (12.9%, and 13.0% after seasonal adjustment). As a result, within the period of the two months, it grew by 14.0%, including in manufacturing – by 17.4%, with falling production in other sections. The increase exceeding 20% occurred in the production of intermediate goods, as well as consumer durables and capital goods.

The year-on-year dynamics of construction and assembly production continued to be very high in February of this year – the growth equalled to 57.1% (30.9% after seasonal adjustment, as compared to 29.9% respectively in January of this year). Production in enterprises involved in buildings of constructions; civil engineering increased the most. Employment in construction increased in this period by 8.5% (as compared to 7.0% in January of this year).

The year-on-year retail sale, in the period January-February of this year, increased by 16.6%, and the sale of services in transport – by 12.9%. In foreign trade in January of this year, similarly to 2006, the import dynamic was higher than the export's (import expressed in EUR was by 15.7% higher than last year, and export – by 14.9%), which worsened the negative exchange balance.

The year-on-year dynamics of prices in basic areas of economy, in the period January-February of this year, was higher than observed in the 4<sup>th</sup> quarter of last year. In February of this year, in industry, prices were going up more slowly than in January (0.3%). Prices in mining and quarrying kept falling, and no significant movements were observed in electricity, gas and water supply (after a quite high seasonal increase at the beginning of the year). The growth of prices in manufacturing was slightly higher than last month (with prices of manufacture of coke, refined of petroleum products rising the most, following a drop in the previous months; similarly to January, a considerable growth in prices of manufacture of other non-metallic mineral products was recorded). Prices in construction went up more than

in the previous periods (0.6%). In the agricultural market, in February, the growing tendency for prices of cereals continued. Prices of most products of animal origin were also higher than last month, except for prices of piglets and pigs for slaughter traded on market-place. The average monthly prices of consumer goods and services rose by 0.3% (in January, the growth amounted to 0.4%). The slower increase was noted, among others, in food prices and housing-related prices. After a drop in the previous five months, transport-related prices of goods and services went up.

The year-on-year purchasing power of average gross wages and salaries in enterprise sector in the period January-February of this year grew by 5.4% (i.e. more than in the 4<sup>th</sup> quarter of last year). The high dynamics of nominal wages and salaries, considerably exceeding the average level, has been observed for a few months, particularly in construction.

The results of non-financial enterprises in 2006 was much better than in 2005. A faster pace of revenues growth from the total activity than the level of costs contributed to an improvement of cost index, much higher profits than in 2005 and an increase in the profitability rates. For a few years, the liquidity ratios have been improving systematically. The percentage of exporters increased, and the share of export sale in the total sale grew from 18.7% to 20.2%. With the exception of financial liquidity ratios, the basic economic and financial relations achieved by exporters became more favourable than for the total surveyed enterprises. In the total cost composition, the share of material consumption costs increased, and the share of services made by other contractors grew slightly, whereas the share of gross wages and salaries, taxes, charges and depreciation decreased.

The year 2006 was marked by developments in investment processes. This was due to very good financial results achieved by companies in the period of the recent three years, a high level of production capacity use, increased absorption of EU funds, as well as an increase in domestic and foreign demand for goods and services. In 2006, in companies employing more than 49 persons, the increase in investment outlays amounted (in constant prices) to 19.2%, and a much higher pace of an investment outlays increase was observed in the purchases than buildings and structures (25.6%, as compared to 8.1%). This was another year of increased investments in many sections connected with the service activity, i.e. real estate, renting and business activities, trade and repair, as well as transport, storage and communications. For the second consecutive year, the outlays in financial intermediation and construction went up significantly. In manufacturing, the dynamics of outlays was higher than last year. The investment outlays share of companies with foreign capital was larger than in 2005.

The state budget deficit after the two months of this year equalled to PLN 3030.3 million, which accounted for 10.1% of the amount assumed in the Budget Act for 2007.

## Selected indicators regarding the economic situation of the country

Specification	February 2007		January-February 2007
	changes in % against:		
	February 2006	January 2007	January- February 2006
Paid employment in the enterprise sector .....	+4,3	+0,4	+4,1
Registered unemployed persons (end of period).....	-18,7	-1,5	x
Average monthly gross wage and salary in enterprise sector ...	+6,4	+0,9	+7,1
of which in industry.....	+6,4	+1,2	+7,8
Sold production of industry (constant prices) .....	+12,9	-2,1	+14,0
mining and quarrying .....	-4,4	-4,0	-2,6
manufacturing.....	+15,8	-1,9	+17,4
electricity, gas and water supply .....	-4,0	-3,4	-6,8
Construction and assembly production (constant prices).....	+57,1	+10,8	+58,4
Dwellings completed .....	-0,2	-7,0	-4,3

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

## 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	2867	2866	2822	2704	2583	2488	2443	2412	2364	2302	2287	2309
..... b	2366	2331										
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										
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										
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										
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	112,9										
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	110,8										
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	157,1										
Dwellings completed (from the beginning of year) ..... a	10192	18946	28284	35602	42205	50360	59905	68413	76580	87765	99234	115187
..... b	9390	18127										
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										
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										
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										
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										
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	103,6										

<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										
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										
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										
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										
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	-3030,3										
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										
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										
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	28076,7	.										
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	31454,4	.										
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	-3377,7	.										

<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.