

## Introduction

In the 1<sup>st</sup> half of this year, an economic slowdown was observed, the consequences of which affected the financial situation of enterprises, the labour market and the condition of public finance. However, the intensity of unfavourable phenomena in Poland was considerably lower than in other EU countries. A drop in sold production of industry, retail sales, as well as in services of transport was recorded, but in the 2<sup>nd</sup> quarter of this year its scale was smaller than in the first three months. Construction and assembly production, despite a drop in the 1<sup>st</sup> quarter of this year, in the entire 1<sup>st</sup> half of the year was at a slightly higher level than in the previous year. According to preliminary estimate, production of main crops in agriculture will also be slightly higher than the year before. With the significant price dynamics of consumer goods and services, and the weakening dynamics of nominal wages and salaries, the purchasing power of average gross wages and salaries in the enterprise sector grew much slower than in the period of January-June the previous year. Average employment in the enterprise sector in the 1<sup>st</sup> half of this year was lower than the year before, and its decrease deepened in subsequent months of this year. Since April of this year a slight seasonal improvement was observed in the scope of registered unemployment. However, the rate of unemployment in June of this year exceeded the one recorded the year before.

Sold production of industry in the 1<sup>st</sup> half of this year was by 8.3% lower than in the period of January-June the year before. A deep drop in sales was observed in enterprises manufacturing mainly intermediate goods, related to energy, as well as capital goods (approx. 12%-13%), while an increase – in enterprises manufacturing consumer goods. A drop in production was accompanied by the lowering of average employment – by 4.6%, the deepest being in manufacturing. Construction and assembly production, with still a significant increase in employment and in wages and salaries, was by 1.4% higher than in the previous year. Retail sales lowered in the 1<sup>st</sup> half of this year by 0.7%, which was influenced, *inter alia*, by a deep sales drop in the entities selling motor vehicles, motorcycles, parts, as well as solid, liquid and gaseous fuels.

According to the July surveys, the indicator of the general business tendency climate in enterprises operating in manufacturing and in construction is still negative. Pessimistic assessments of the present and forecast financial situation maintain. Slight optimism is observed in manufacturing, in the scope of forecasts relating to order books, as well as to sold production. The indicator of the general business tendency climate in retail sales remains negative. Among the limits in conducting economic activity in all of the surveyed areas,

the enterprises mention, *inter alia*, insufficient demand, and additionally indicate, *inter alia*, the increased significance of the uncertainty of the economic environment – in manufacturing, competition of other firms, as well as difficulties in obtaining credits – in construction, and difficulties in clearance with customers – in trade.

Average employment in the enterprise sector in the 1<sup>st</sup> half of this year amounted to the level lower than a year before (by 0.5%), which was influenced by a drop occurring in manufacturing (by 5.8%), in real estate activities (by 1.9%) and in electricity, gas, steam and air conditioning supply (by 0.3%). In most remaining sections, an increase in employment was recorded. In June of this year, a seasonal drop observed since April in the rate of unemployment (reaching the level of 10.7%) continued, though it was still higher than a year before.

The growth pace of average monthly gross wages and salaries in the enterprise sector amounted in the 1<sup>st</sup> half of this year to 5.0% (in real terms to 1.6%). With a considerable growth in consumer prices, the purchasing power of average monthly gross wages and salaries in the 2<sup>nd</sup> quarter of this year increased only slightly (by 0.2%), and in June of this year its drop was recorded in annual terms (by 1.4%). In the 1<sup>st</sup> half of this year, the dynamics of real gross retirement pays and pensions, both in the employee system as well as for farmers, was higher than the dynamics of real wages and salaries.

A growth in the prices of consumer goods and services in the 1<sup>st</sup> half of this year amounted to 3.5% and was lower than the year before. A considerable price growth concerned, *inter alia*, goods and services associated with dwelling (by 8.4%), as well as food and non-alcoholic beverages (by 4.5%). The dynamics of producer prices in industry was higher than the year before (a growth by 4.6%), with the highest price growth occurring in electricity, gas, steam and air conditioning supply (by 19.1%), and the lowest in manufacturing (by 2.2%). The prices of construction and assembly production grew at a slower rate than in the 1<sup>st</sup> half of the previous year (1.1%).

On the agricultural market in the 1<sup>st</sup> half of this year, the prices of most agricultural products were higher than in the corresponding period of the previous year, with the prices of cereals and milk being considerably lower than a year earlier. With lower supplies for procurement, a high growth was recorded in the prices of animals for slaughter, especially pigs. Since the beginning of the year, a gradual improvement of the profitability of pigs fattening has been observed, reaching in June of this year the level favourable to producers (11.1). According to preliminary estimate (conducted at the beginning of July of this year) cereal, rape and turnip rape production, as well as ground vegetables production will

be slightly higher than the previous year's good production. In contrast, tree fruit production will be lower than the extremely high one in the previous year.

As a result of a slower drop in exports than in imports, in the period of January-May of this year an improvement of the negative total balance was observed in annual terms. The commodity turnover in PLN with all groups of countries was lower than a year before, except for the turnover with developing countries. Since the beginning of the year, a gradual improvement of the positive balance of the commodity turnover with developed countries, including EU countries, was observed. As a result of the higher value of the agri-food goods turnover, the share of this group in total turnover increased. After four months of this year, the terms of trade index reached a favourable level, which was mainly influenced by the price relations in turnover with the countries of Central and Eastern Europe.

In the period of January-June of this year, the revenues of the State budget reached the level of PLN 134330.7 million, and the expenditures – PLN 150987.1 million. In consequence, the budget deficit amounted to PLN 16656.4 million, which accounted for 91.6% 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	1719,9	1683,4	1658,7						
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	11,0	10,8	10,7						
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	5309	5292	5280						
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	115,6	93,1	98,2	106,2						
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	98,1	87,8	94,8	95,7						
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	112,0	107,7	116,3						
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	100,5	100,3	100,6						
Dwellings completed (from the beginning of year)	a	14640	25617	35415	49132	58856	69283	83913	95097	107484	123276	135312	165189
	b	22091	31826	41463	53506	63659	76018						
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	100,7	100,5	100,2						
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	104,0	103,6	103,5						
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	102,7	103,2	103,4						
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	100,0	99,1	99,7	100,6						
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	105,5	104,8	103,7	104,0						
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	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	100,7	100,3	99,9						

<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	3294,76	3193,90	3287,88						
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	98,9	96,9	102,9						
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	104,8	103,8	102,0						
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	117,9	113,8	116,9						
Profitability rate of gross turnover <sup>2</sup> from the beginning of year (in %) .....	a	.	.	5,9	.	.	6,0	.	.	5,7	.	.	4,2
				3,0	.	.	.						
Profitability rate of net turnover <sup>3</sup> from the beginning of year (in %) .....	a	.	.	4,6	.	.	4,8	.	.	4,5	.	.	3,3
				2,2	.	.	.						
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	-24346,2
	b	2918,0	-5250,9	-11219,8	-15306,1	-16356,7	-16656,4						
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	334,80	323,37	321,46						
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	441,93	441,05	450,81						
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
		29421,9	33476,6	37424,1	32887,9	31094,5	.						
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
		33255,4	36042,1	40282,6	35685,0	33185,2	.						
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
		-3833,5	-2565,5	-2858,5	-2797,1	-2090,7	.						

<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. <sup>4</sup> Provisional data.