

## **Business Surveys, Business Cycles**

Polish Contribution to the 30<sup>th</sup> CIRET Conference

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## Preface

It has become a tradition that after each international conference of the Centre for International Research on Economic Tendency Surveys (CIRET), selected papers of Polish authors are published in the *Papers and Studies* – a journal of the Research Institute for Economic Development at the Warsaw School of Economics (RIED WSE). CIRET international conferences, which are held every other year, give researchers the opportunity to present and discuss their latest investigations. The biennial conference is the meeting place for top scientists from all over the world and it successfully integrates academic and business community involved in business survey and business cycles. The academics from Poland have been involved in these events for more than 20 years. The 30<sup>th</sup> CIRET conference was held in New York in October 2010, hosted by Conference Board, sponsored by Bloomberg. The main topic was “Economic Tendency Surveys and Services Sector”.

In this 86 volume of *Papers and Studies* nine papers are published. The papers come from the major Polish centers with the longest tradition of business surveys and business cycles research, i.e. Research Institute for Economic Development at the Warsaw School of Economics, and Poznań University of Economics. They are divided into three sections corresponding to the major topics of the conference.

The first part is related to the last global recession of 2007-2009. In the paper prepared by E. Adamowicz, S. Dudek, D. Pachucki, and K. Walczyk, the impact of the last financial crisis on real economy in selected European economies is presented. The authors investigated the synchronization, depth and duration of business cycle in the EU. They examined quantitative and qualitative variables: output, consumption, retail sales, and consumer sentiment indexes. They found the survey data as a good leading indicators signalling forthcoming recession.

In the paper prepared by M. Drozdowicz-Bieć, the author discussed selected reasons why Poland avoided the recession of 2007-2009. She focused on: low dependence on credit in private sector in the Polish economy, small external ties, large scale of shadow economy, fast growing productivity, and the inflow of EU funds.

P. Białowolski investigated in his paper the impact of overdue receivables on economic decision of enterprises in Poland. Almost 8,000 companies were surveyed in 2009, the final period of the last worldwide recession. The author found out the financial sector reports that overdue receivables affect the decision-making of the financial sector only to a small extent. Small companies are affected to the highest

extent by the payment delays. For the large companies the negative impact on investment is the most significant.

The second section consists of papers concerning methodological aspects of business surveys.

S. Dudek and D. Pachucki in the paper: “Unobserved Component Model with Observed Cycle”, developed the model which allows for short term forecasting. Authors assumed that the qualitative and quantitative data has the same cyclical component. That way the cyclical fluctuations in qualitative data can be estimated by the fluctuations of business survey data. The model was developed for Poland and other selected European countries.

Two authors: B. Kowalczyk and E. Tomczyk in the paper “Non-response and Weighting System in Business Tendency Surveys: Are Expectation Influenced?” undertook the problem of various weighting schemes and non-response issues and their influence on expectations. The expectation series comes from surveys. They found that expectations of Polish industrial enterprises concerning relative changes in industrial production are independent from modifications of survey weighting schemes and are not rational: even though unbiased, the entrepreneurs do not efficiently use freely available information.

S. Białowąs in the paper: “The Methods Used in r Economic Tendency Research”, discussed the results of an international questionnaire introduced among centres involved in the business tendency surveys. The representatives of these centres were asked about methods used in their research, the evaluation of the accuracy of applied methodology, forecasting in the short and the long run and the costs of most popular methods. The author found that econometric methods are the most frequent and accurate methodology. However, those methods did not determine the frequency of application – in this respect, economic barometers and business tendency survey turned out to be the leaders.

The third part consists of three papers related to the macroeconomic analyses based on quantitative and qualitative data.

In the paper prepared by J. Garczarczyk and R. Skikiewicz, the authors developed several variations of Composite Leading Indexes for the banking sector in Poland, particularly for PLN loans and PLN deposits. They used qualitative and quantitative data for compositions, than assessed the usefulness of created economic barometers for the forecasting. The majority of barometers was characterized by a high correlation with the reference data and could be used as good forecasting tools.

M. Kokocińska and J. Jankiewicz analyzed the relationships between consumer confidence indexes and macroeconomic variables. The main goal of the research is to identify factors influencing consumers' opinion and check whether changes in consumer confidence lead to changes of chosen economic variables. Those relationships were analyzed with the use of the data published by Eurostat for 10 countries which joined the European Union in 2004.

The last paper in this edition of *Paper and Studies* comes from the 29<sup>th</sup> CIRET conference but has not been published yet. The issue considered by authors: P. Białowolski, P. Zwiernik, and D. Żochowski is related to the inflation which has become a serious worldwide problem again. The authors investigated the inflation process in Poland in 1999-2005. They applied Markov Switching Models for modelling the inflation. The authors proposed how to distinguish higher and lower inflation periods using the MS framework. They found that information embedded in the Future Inflation Index is very useful in modelling inflation, and improves the forecasting power of models.

We hope that the readers will find something interesting and inspiring to study business cycle.