

## IX. SUMMARY

### *IRG SGH barometer*

Usually the first quarter of a year brings about a slowdown in general economic activity which manifests in a quarterly decline in the IRG SGH barometer (BARIRG). In this regard the 1<sup>st</sup> quarter of 2020 is not an exception. The barometer decreased by 2.8 pts to -8.9 pts, and is now by 6.6 pts lower than one year earlier. The slowdown hit particularly the manufacturing and, to a somewhat lesser extent, construction industries. Firms' and consumers' expectations concerning the next quarter are modestly optimistic, however, before the results of the surveys were processed, nobody had anticipated how the COVID-19 epidemic would have spread around Europe. Surely, it will make a negative impact on the Polish economy of a size and scope that can hardly be assessed now.

### *Agriculture*

In the 1<sup>st</sup> quarter of 2020 situation in the Polish agriculture continued to deteriorate. The agricultural confidence indicator (IRGAGR) dropped by 4.0 pts to -6.8 pts. The fall was larger than in the previous quarter. The smoothed money income indicator, one of the two components of IRGAGR, declined by 5.9 pts to -13 pts, and the confidence indicator, the second component of IRGAGR, decreased by 3.0 pts to 5.6 pts. Although the general indicator and its components slipped, they are now higher than one year earlier by 5.1, 7.2 and 0.9 pts, respectively. The slowdown is rather typical, however, the magnitude of the deterioration is apparent. The lack of confidence amongst farmers is etched in the results of the January survey – they do not expect any significant betterment over the next quarter.

### *Manufacturing industry*

The beginning of the year marked the lowest industrial confidence indicator (ICI) since December 2012. In the middle of the quarter some vague signs of recovery were noticed, however, in March the COVID-19 pandemic reached Poland, and, in consequence of the measures taken to prevent it from spreading around, manufacturing activity collapsed. After a decline by 2.8 pts in January and a rise by 4.8 pts in February, the indicator slumped by 18 pts in March. This is the largest monthly drop of the indicator ever recorded. In total ICI has lost 16.6 pts since December 2019, and is now 28.5 pts down from the March, 2019 figure. Negative cyclical factors in unison with the adverse shock to the economy reduced manufacturing production and orders. Financial situation of manufacturers worsened and their confidence wavered. It is only employment that has not been fiercely affected so far.

### *Construction*

In the first quarter of 2020 the construction confidence indicator (CCI) is negative and equal to -11 pts, which is 0.3 pts up from the fourth quarter 2019 figure. The declining tendency which has been noticed for two years slowed down slightly, due to unusually mild winter conditions. On the annual basis, however, the indicator is still on the decline. In January, when the survey was held, construction firms expected their business perspectives to improve.

### *Trade*

Business situation in the trade sector improved in the 1<sup>st</sup> quarter of 2020. The IRG SGH trade confidence indicator (IRGTRD) quarterly increased by 8.8 pts to 0.8 pts, but is now 9.4 pts down from the respective year 2019 figure and 3.8 pts down from the four-quarters' average over the last ten years (which amounts to 4.6 pts). Though the confidence indicator and the balances of: traders' general and financial situation, purchases of (domestically produced and foreign) goods, employment and storage space declined, the surveyed firms assessed their general economic situation as good. In January they expected their trading activity to improve over the next two quarters.

### *Banking*

In the 4<sup>th</sup> quarter of 2019 the IRG SGH banking confidence indicator (IRGBAN) decreased by 18.6 pts to -6,3 pts. It is now 3.0 pts up from the respective year 2018 figure. The result was mainly caused by a decrease in banks' profits. It is expected that the situation in the banking sector will improve in the 1<sup>st</sup> quarter of 2020, and the indicator will rise to -0.8 pts. It needs to note, however, that the survey had been conducted before the COVID-19 epidemic spread around Poland. It is supposed that its negative economic consequences will be much severe than expected in the time the survey was held.

### *Households*

At the beginning of 2020 consumer confidence diminished. The IRG SGH consumer sentiment index (CSI) quarterly decreased by 3.1 pts to -9.6 pts. The decline of the indicator is much due to worsening prospects of general economic situation in Poland – almost half of the surveyed households (47.7%) expect the economy to contract over next 12 months. As a result of growing fear of higher inflation and unemployment consumers revised downwards their financial situation. Rising inflation expectations are the headline of the January consumer survey results – more than 56% of the respondents expect the inflation rate to increase.