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## IX. SUMMARY

### *IRG SGH barometer*

The IRG SGH barometer (BARIRG) in the 2<sup>nd</sup> quarter of 2020 equals to -35.85 pts. Compared to the 1<sup>st</sup> quarter it decreased by 26.95 pts, and is now 35.4 pts down from the respective year 2019 figure. Instead of seasonal recovery which typically comes up in this time of a year, the Polish economy faced a shock of the unprecedented magnitude. Economic activity came under the impact of the COVID-19 pandemic and the following lockdown. The surveys were conducted mostly in the 2<sup>nd</sup> half of April, when a large part of the economy was still shut down, and producers and consumers were unconfident about their economics prospects. All six indicators which contribute to the barometer declined, with some of them hitting record low.

### *Agriculture*

In the 2<sup>nd</sup> quarter of 2020 situation in the Polish agriculture continued to deteriorate. The agricultural confidence indicator (IRGAGR) dropped by 11.6 pts. The decline was larger than recorded in two previous quarters. The smoothed money income indicator, one of the two components of IRGAGR, decreased by 5.7 pts, and the confidence indicator, the second component of IRGAGR, fell by as many as 23.3 pts. Therefore, the deterioration is – to a great extent – a result of the lack of farmers' confidence, most probably effected by the lockdown of the economy that followed the outbreak of the COVID-19 pandemic. In consequence, the magnitude of the slowdown in the agriculture sector hit record high. Farmers expect a slight betterment over the next quarter.

### *Manufacturing industry*

Due to restrictions imposed on the economy in order to suppress the COVID-19 pandemic manufacturing activity collapsed. The decrease of both the industrial confidence indicator (ICI) and the survey balances recorded in March and April hit record high. In May the declining tendencies slowed down, and in June distinct recovery came up. Nevertheless, still the indicator and survey balances keep low levels, close to the ones recorded during the Great Recession and European debt crisis.

The indicator declined by 10 pts in April. In May it increased by 8.9 pts, and another 10.6 pts in June. In total, compared to the March figure, ICI grew by 9.5 pts to the level of -19.3 pts, which is 15.3 pts down from the June, 2019 figure. Manufacturers expect business situation to improve over the next months.

### *Construction*

The pandemic has seriously affected the construction industry. The results of the business survey taken in April are in many respects comparable with the ones recorded during recessions which followed the dot-com bubble (2001-2002), Great Recession (2008-2009) and European debt crisis (2013). The construction confidence indicator (CCI) declined to -36.3 pts, the third lowest number ever recorded. All the survey balances (production, domestic and export orders, employment, prices, investment and financial situation) decreased both on quarterly and annual bases. For the first time in the history of the survey, the balances of production and orders are negative in the second quarter of a year. The balance of firms' assessments of general economic situation in the country hit record low. Payment gridlocks are coming forth to be a critical problem for construction firms. Pessimism is widespread, and expectations are low, so no significant improvement is foreseen to come up in the near future.

### *Trade*

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Business situation in the trade sector deteriorated in the 2<sup>nd</sup> quarter of 2020. The IRG SGH trade confidence indicator (IRGTRD) quarterly decreased by 29.6 pts to -28.8 pts, and is now 30.1 pts down from the respective year 2019 figure and 27.6 pts down from the second quarters' average over the last ten years (which amounts to -1.2 pts). 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 very weak. They expect their trading activity to diminish over the next two quarters.

### *Banking*

Contrary to what was expected, situation in the banking sector deteriorated. In the 1<sup>st</sup> quarter of 2020 the IRG SGH banking confidence indicator (IRGBAN) decreased from -6,3 pts to -21,3 pts. The decline was caused by the drop in the balances of profits, result on banking activity and employment. Banks are expecting the situation to continue worsening in the 2<sup>nd</sup> quarter – the leading indicator is equal to -34.1 pts.

### *Households*

In the 2<sup>nd</sup> quarter of 2020, consumer confidence deteriorated sharply. The IRG SGH consumer confidence indicator (IRGKGD) declined by 40.5 pts (to -50.2 pts), which is the record high decrease. Even during the 2008-2009 financial crisis, the cumulated drop over 4 consecutive quarters was much lower, rounding up to 35 pts. All components of the indicator diminished, with the balance of fears of getting unemployed soaring by almost 63 pts to hit record high. Currently, more than 91% of consumers expect an increase in unemployment in the country in the upcoming 12 months (ca. 40% in the previous quarter, and ca. 36% a year ago). The majority of consumers (over 70%) expect unemployment to rise “significantly” (compared to 12% one year ago). Despite the fact that the European Commission forecasts the mildest (amongst EU economies) recession in Poland in 2020 (4.3%), the fear of rising unemployment in Poland is very strong, with only Hungary, Portugal and Estonia noting higher figures. For the sake of comparison, the recession in Germany is expected to be 6.5% while 51% of consumers declare significant concern about rising unemployment.

The survey participants express deep pessimism about the overall situation in the economy. The balance dropped by approx. 43 pts. Negative assessment of the macroeconomic environment results in poor prospects of financial situation of households (the respective balance declined by as much as 37 pts) and diminishing propensity to save.

On the whole, the COVID-19 crisis brought about a downturn in consumer confidence which is likely to last over the next quarters.