

## IX. SUMMARY

### *IRG SGH barometer*

Economic situation in Poland in the 4<sup>th</sup> quarter of 2020 deteriorated. The IRG SGH barometer (BARIRG), an indicator of economic activity, composed of business and consumer survey data on six sectors of the Polish economy, decreased by 5.1 pts in comparison to the 3<sup>rd</sup> quarter. It is now 15.7 pts down from the respective year 2019 figure. All the components of the barometer are negative and, in majority, lower than in the previous quarter. The recovery which came in summer turned out to be unsustainable. The second wave of the COVID-19 pandemic came to a surprise with its magnitude and increased uncertainty amongst economic agents, which, together with negative seasonal factors that are about to come around, make business and consumer confidence low, and so the economic situation is expected to be.

### *Agriculture*

In the 4<sup>th</sup> quarter of 2020 the agricultural confidence indicator (IRGAGR) decreased by 1.7 pts. The decline is due to a fall in farmers' confidence, which was one of the largest in the history of the survey. The slump in confidence was indirectly effected by the second wave of COVID-19 pandemic, high uncertainty on its further development and the economic outlook in Poland. The decline of IRGAGR was mitigated by an increase in money income of farmers, which was a result of a rise in prices of basic agri-food products, sustained by the demand from households and abroad. Farmers reduced, however, purchases of fertilizers, nutritive fodder and plant protection products, as well as investment in machinery and buildings. They are highly pessimistic about their near future economic prospects. The next quarter is usually a period of seasonal slowdown in agricultural production, so, taking all together into count, no betterment should be expected over the coming months.

### *Manufacturing industry*

The recovery in manufacturing production we noticed in the 3<sup>rd</sup> quarter was broken down with the advent of the second wave of the COVID-19 pandemic. Since August the industrial confidence indicator (ICI) and the survey balances have been showing alternating rise and fall month over month. In total the indicator decreased by 4.6 pts (compared to the August figure), and is the same number down from the November 2019 value. However, the cumulative increase in the 2<sup>nd</sup> half of the year was enough to overturn the declining tendency which had lasted nearly 2 years. Manufacturers are although pessimistic about their business prospects in the near future.

### *Construction*

After moderately optimistic forecasts made in the 3<sup>rd</sup> quarter, construction firms are now revising downwards their assessment of business situation in the construction sector. This is due to high daily increases in the number of COVID-19 infections in the last few weeks, both in Poland and the entire European Union. As a consequence, the fourth quarter in a row we have been recording deterioration in business confidence. The IRG SGH construction confidence indicator (IRGCON) declined quarterly by almost 5.0 pts to -23.2 pts. Compared to the 4<sup>th</sup> quarter of 2019 it is now lower by nearly 12 pts. The risk of introducing lockdown again and high uncertainty affect firms' forecasts for the next quarter. Assuming that seasonal factors are about to negatively hit the sector over the next months, no improvement should be expected to come soon.

### *Trade*

Business situation in the trade sector decreased in the 4<sup>th</sup> quarter of 2020. The IRG SGH trade confidence indicator (IRGTRD) quarterly decreased by 4.0 pts to -8.8 pts, and is now 0.8 pts down from the

respective year 2019 figure, and lower by 2.9 pts than the four-quarters' average over the last ten years (which amounts to -5.9 pts). The confidence indicator and the balances of traders' general and financial situation diminished, but the surveyed firms assessed their general economic situation as good. They expect their trading activity to decrease over the next two quarters.

### *Banking*

In the 3<sup>rd</sup> quarter of 2020 the banking sector performance improved. The IRG SGH banking confidence indicator (IRGBAN) grew by 40 pts to -7,4 pts. The increase was due to a rise in the balances of profits, result on banking activity and employment. The improvement is of short duration, however. Since the beginning of 2013 situation in the banking sector has been highly volatile. The standard deviation increased by 3.2 pts in comparison to the years 1999-2012, and the average declined by 16.3 pts, explicitly showing diminishing trends over time in the last recent years. The surveyed banks expect the state of the sector to lessen ever more in the 4<sup>th</sup> quarter (the leading indicator is -39.6 pts).

### *Households*

Consumer confidence in the 4<sup>th</sup> quarter (the survey was conducted between October 16 and November 5) diminished again after a rebound in the previous quarter. The IRG SGH consumer confidence indicator (IRGKGD) declined quarterly by 11.8 pts to -37.7 pts. All components of the indicator decreased. The plunge of consumer confidence was a result of the second wave of the pandemic and the following partial lockdown of the economy, particularly of the service sector. The slump was milder than the one recorded in spring, but low consumer confidence persists. The fall of IRGKGD was mainly caused by poor assessments of general economic situation in the country and rising concerns over higher unemployment.