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FLUCTUATIONS IN ECONOMIC ACTIVITY OF POLISH MANUFACTURING IN THE PERIOD OF 1992-2004

Introduction

Modern global economics is shifting its macroeconomic basics to microeconomic ones. Globalisation is microeconomic in its nature. Economic entities obey the rules of competition. An enterprise meets competition requirements and conditions only if it is capable of generating profits in the open market.

Simultaneously, technical development and new technological implementations as well as their absorption by companies are becoming more and more important.

It seems that the government influence must become restricted; yet, first of all, it must be changed so that it matches current global tendencies.

According to the new classic economy, the government is to create conditions for economic freedom, generate a system of institutions and guard money value.

The above conditions are differently met even in well developed market economies. In European Union it is Great Britain where the requirements are met to the greatest extent.

Charged with their past, transformation and emerging market economies may need more time to coordinate micro and macroeconomic areas.

Economies such as the one in Poland operate under the influence of dual transformation and globalisation shocks. Transformation shock is diminishing, whereas globalisation shock is on the increase. Although what is being discussed is rather a process and the very term 'shock' may be a bit of misuse, in the case of Poland both factors are linked to actual dates: 1989 (transformation commencement) and 2004 (entering the European Union). For diagnosing and forecasting economic tendencies, two sets of factors are particularly important. Firstly, the number of factors vital for analyzing the condition of economy increases with time. Secondly, globalization processes concerning most of the world's economies overlap national economic processes in particular countries. It is especially apparent in emerging markets, in which growing independence of enterprises accompany institutional stagnation.

In a situation of the two contrary tendencies, economic forecasting may be particularly difficult. There is also a risk of using fragmentary indicators to diagnose a state of economy for particular political purposes. Therefore, it is particularly important to apply various approaches for diagnosing the economy, including those less conventional, however recognized in the world.

There are quantitative and qualitative research methods. What can be observed nowadays is a considerable development of quantitative statistics and adjustment to the European standards along with diminishing importance of qualitative statistics. Qualitative statistics was of utmost importance at the beginning of transformation, when quantitative statistics was only developing in new circumstances. Then business cycle method was of a great informative value.

Currently, the importance of the method is on the increase again. It is so since there are more and more factors influencing companies' decision-making processes and it has become more and more difficult to set simple cause-and-effect relationships. Besides, research carried out on sample groups of companies is time-consuming and rather expensive, and, moreover, it lacks continuity.

Information about economic tendencies in enterprises reflects the influence of all factors simultaneously, including economic and political environment.

Therefore, results produced by means of the business cycle method may become original and reliable information on actual processes occurring within companies. Some further analyses, especially in the field of merging qualitative and quantitative indicators seem indispensable.

The business survey method has been employed by Central Statistical Office in Poland since 1992[1]. On the basis of the research it is possible to investigate long term economic changes and mark some fundamental periods, which constitute economy development phases.

Because of the complexity and variety of factors influencing economic situation, it is particularly useful to turn to simple diagnostic methods.

Identification and measurement of economic fluctuation indicators may be carried out by means of different methods. One of them is a business cycle method combined with an analysis of selected macroeconomic indicators tendencies.

Accounting for principally selected indicators assumed in the analysis, apart from the first transformation stage, which should be looked upon separately, there is a logical foundation to decide on two other phases, i.e. 1996-2001, and 2002 – up-to-date.

The year 1996 is common for all shown indicators; while 2001 is characteristic only for those that depict ultimate effects and not the ones being a change cause. Moreover, tendencies concerning the job market and barriers of enterprises' activ-

[1] Certain academic centres including... Research Institute of Economic Development in Warsaw School of Economics apply business cycle surveys to carry out business cycle research.

ity are also very significant. Well-founded is the hypothesis that 1996-1999 was the period when in Polish economy a substantial microeconomic restructuring process took place. The end of this period, especially the year 1999, can be perceived as a kind of breakthrough, which started a period of a positive EU entry influence on enterprises' activities.

1. Business survey method distinctiveness in microeconomic fluctuation testing

The classical business cycle theory assumes that the fundamental aim is a search for leading indicators and business cycle turning points forecast. Long time series are an indispensable condition to do so. The study proves that even if the long time series condition is fulfilled, achieving th above aims in the circumstances of dynamic economic environment changes and unpredictable shocks encounters piling difficulties even in the most stable market economies. Under the conditions of continuing globalisation, the above observations concern especially emerging markets. As it has already been mentioned, lack of standards typical of traditional market economies makes it difficult for Polish economy to compile accurate short-term forecasts. The areas in question are as follows: privatisation level and intensity, institutions operation, particular economic system elements incoherence, business climate, or economic policy. Because of variety of changes in political and economic environment, it is becoming more and more difficult to identify any cause-and-effect relations in economy.

Having considered so understood short-term diagnosis and economic forecast limitations, business cycle study by means of business cycle test in a different field, i.e. long-term economic change tendencies denominating, emerges as valuable. In particular, it affects time spans denominating certain business cycle phase distinctiveness as well as microeconomic fluctuation character.

Shifting the emphasis to the microeconomic level leads to the conclusion that economic forces which inspire an increase tendency do not differ from those inspiring fluctuation. According to the real business cycle concept, the key factor evoking instability is supply shocks. Bearing this concept in mind, it must be assumed that main production and employment fluctuations are driven by large, irregular changes in technological progress[2].

The real business cycle theory assumes that technological shocks change production efficiency indicators and promote a continuous effect on the growth path. Yet it is quite difficult to explain the phenomenon of recession by means of the

[2] B. Snowdon, H. Vane, P. Wynarczyk, *Współczesne nurty teorii makroekonomii*, Wydawnictwo Naukowe PWN, Warszawa 1998, p. 257.

above mentioned indicator, which appears in different countries and periods. During recession there is no shortage of technology availability. For that reason, Hansen and Prescott broadened the interpretation of technological shocks so that now it is possible to think about each and every change in production as of a potential source of economic growth[3].

Such broadened technological shocks interpretation constitutes a new research field for evolution of economies where there is a substantial influence of macroeconomic environment on operating of enterprises. Transformation economies belong to this group.

The influence of enterprises' economic decisions as well as economic policy decisions is best reflected in research called economic barometer.

Essentially business cycle indicators[4] express accumulated force of endogenous and exogenous indicators per saldo. Their uniqueness consists in absorption of both elements of microeconomic choice and diverse economic environment changes. A set of indicators as well as the power of their influence are changeable in time. Regarding market economy functioning in Poland, it is possible to notice that at the initial transformation stage qualitative business cycle indicators explanatory force was incomparable to governmental statistics. Then indicators were used supplementary in already sanctioned quantitative statistics. Recently there has been a rise in the importance of the research because of more indicators interpretation possibilities with regards to the new classical economics. Based on the above observation, there are no apparent relations between economic policy and enterprises' economic situations. Subsequent governments and their programmes appear not to be anyhow related to real fluctuations occurring at the level of enterprises. A contradiction between increased marketising of enterprise sector and no macroeconomic policy coherence relevant to this tendency may be noticed. The weakness of macroeconomic policy basically concerns institutional, legislative and budgetary policy as well as views on unemployment reduction. This fundamental shortage of synchronization makes enterprises' economic activity a resultant of macro and microeconomic indicators influence[5]. Enterprises' economic activ-

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[3] G.D. Hansen, E.D. Prescott, *Did Technology Cause the 1990-1991 Recession*? American Economic Review 1993, May.

[4] Business cycle indicators are to be understood as qualitative indicators, constructed on the base of business cycle study carried out by means of a business cycle test. The methodology was introduced to by Central Statistical Office in 1992 by a Poznań School of Economics team. Simultaneously enterprise economic activity research by means of the method in question has been carried out by Instytut Rozwoju Gospodarczego Szkoły Głównej Handlowej.

[5] Analysing the most essential business cycle indicators course as well as GNP growth rate indicators in Poland it becomes obvious that the most dynamic economic growth occurred till the mid 90-ies, when in the microeconomic indicators there was a well developed and not restricted by the government private enterprise sector; and since 2003 when there has been

ity growth occurs when a microeconomic indicator impulse is particularly strong and is ascribed to a certain historical breakthrough period. The formation of market economy at the beginning of the 90-ies and Poland's EU accession, triggering a comparable wave of new or reactivated enterprise economic activity should be viewed as examples of historical breakthrough periods[6]. Enterprises proved to be particularly venturesome and innovative. The essential determinant of a high level of competition, which has already been achieved by Polish enterprises, is an apparent increase in labour efficiency.

Entering the path of a higher and continuing productivity is, in turn, a result of a technological impulse and its shifts in time. Approximately estimated period of the above mentioned shifting and its macroeconomic results may be identified by means of selected quantitative and qualitative indicators.

In general, tendencies of changes in enterprises' economic activities may be illustrated with the use of selected qualitative business cycle indicators.

Out of many indicators, which may be obtained from monthly or quarterly business cycle surveys, essential for fluctuation characteristics, the author has chosen only those that are indirectly connected with business climate and financial situation in enterprises. It has been assumed that all the rest of business surveys elements are ultimately reflected in the indicators illustrative of financial situation of enterprises. It does not mean however, that a further in-depth analysis of other elements influencing business situation is meaningless. That is a subject of separate analyses.

The analysed time span envelops 1992-2004 (the first semester).

Presented below are the qualitative indicators the following groups:

- business cycle climate and general economic situation indicators,
- payables management and receivables level indicators,
- competitive import barriers and national budget charge business cycle indicators.

Business cycle climate indicators are calculated as an arithmetical average of balance of answers concerning the current and the close-future forecast for enterprises' economic situation.

General economic situation indicators as well as the ones regarding payables management and receivables level constitute the discrepancy between the weighted percentage of negative and positive responses. The indicators are weighted by the worth of sold production of industry. They have a rising tendency when gen-

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a strong influence of Poland EU accession, and the government has been engrossed in political activities.

[6] According to Fitch, an international rating agency, a medium-term perspective for Polish enterprises, based on 5% GNP growth forecast for 2004 and 2005, is moderately positive. Fitch claims the Polish companies are over the times of slow income increase, maximum cost cut and poor operation results. PAP, 23 May 2004.

eral economic situation per saldo improves, payables management per saldo enhances, and receivables level per saldo decreases.

Business cycle indicators concerning competitive import barriers and national budget charges are a ratio of answers declaring the above restrictions and all the answers received to a business cycle survey question.

Business survey research in Poland is carried out partly in a monthly- and partly in a quarterly view. Therefore, in the case of the first two groups of indicators, time series are shown in a monthly perspective, while in the case of the third one, the perspective is quarterly. All indicators are first shown in their original form and subsequently after seasonal adjustment[7].

The mentioned indicators groups reflect a wide range of macro and microeconomic effects. The consequences fundamentally involve the following areas: enterprises' economic activity level, economic financial situation, enterprise sector international competitiveness. All the macroeconomic indicators regarded and employed by economists are, in a way or another, a derivative of the economic areas. Not only does it relate to the unemployment rate but also to such values as GDP growth rate, private consumption level, price level, import and export increase rate. Since the indicators may be regarded as a partial economic barometer, their informative value is of great importance.

Economic climate indicators incorporate all factors influencing microeconomic situation of enterprises, both market and not market associated ones. Those not related to the market mainly concern government policy and its particular decisions of undertaking or not undertaking various political steps affecting the economy. Economic restrictions indicators indirectly point out the influence of macroeconomic decisions on the enterprise sector[8]. The effects usually bring about some financial consequences as well as challenges of foreign competition.

2. Tendencies of changes in selective business survey qualitative indicators as a criterion for identifying economic fluctuations in Poland

Estimation of selected indicators leads to identifying the period of 1996-2001 as a separate research time span. It is based on the fact that the turn of 1995/1996 is the period of the first breakdown of increase tendencies (lasting since 1992), whereas the

[7] Method Census X 11, M.K. Evans, *Practical Business Forecasting*, Blackwell Publishing, Oxford 2003, p. 212.

[8] M. Kokocińska, *Sytuacja koniunkturalna a konkurencyjność*, in: E. Skawińska (ed.), *Konkurencyjność przedsiębiorstw, nowe podejście*, Wydawnictwo Naukowe PWN, Warszawa-Poznań 2002, p. 113-144.

turn of 2002/2003 was the time of reversing the falling tendencies into rising ones. In the case of the indicators concerning economic barriers and short term employment policy, the turn of 1999/2000 appears to matter as well. Depending on an indicator, it may be interpreted as a significant suppression of long-lasting trends and creating conditions for a rise in economic activities of enterprises, which has been observed since the turn of 2002/2003. The phenomena in question are: a change in tendency to reduce employment (not presented in this paper) and the change of a rising tendency into a falling one in the field of competitive import barriers.

Considering not only indicators values for a given year but also an estimated tendency, it is possible to notice that despite main indicators downward trend till the end of 2002, the situation at the end of 1999 is also characteristic and constitutes a kind of a breakthrough. The business cycle climate tendency line goes then from plus values tominus values and comes back to its upward tendencies in the year 2003. Yet, it is still below zero.

Figure 1 depicts the most essential industry business cycle indicators, such as: business climate indicator and general economic situation indicator.

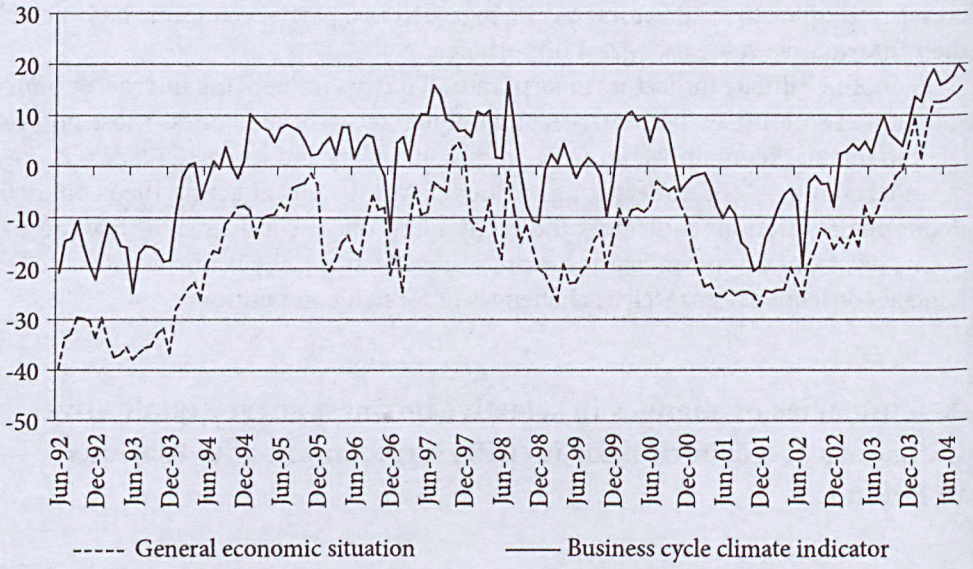


Figure 1. Monthly qualitative business cycle indicators for business cycle climate and general economic situation 1992-2004

Source: Business Cycle Study and Research, Central Statistical Office, Warsaw 1996, 1999, 2001, 2004. A monthly and quarterly survey

The year 1996 is a beginning of a new period of business cycle indicators. Both, economic climate indicator value and general economic situation indicator value are definitely below the ones of 1995. The level of the indicators slightly fluctuates

in the period of 1996 thru 1999 to settle at the end of 2002 at the level unquestionably lower in relation to the initial one. Considering the above indicators enterprises claim that economic situation appraisal in the year 1999 is similar to that of 1994 with an upward tendency line. Finally, the lowest indicators value after 1996 can be observed at the end of the downward tendency line, i.e. in 2001. Their value is similar to that of 1993. The general economic situation indicators after seasonal adjustment show fluctuations in the period of 1996-2001. Moreover, the fluctuation line has a downward tendency and its lowest points reach relatively lower and lower values. The turn of 2001/2002 is a turning point in business cycle fluctuations. Economic activity of enterprises starts to gather pace, which means that microeconomic changes carried out by that time constituted a stable basis of increasing enterprises' competitiveness.

A particular view of manufacturing industry operating in 1996 and not a straightforward economic situation interpretation is due to two different, apparently clashing, pieces of information arising from micro and macroeconomic approaches.

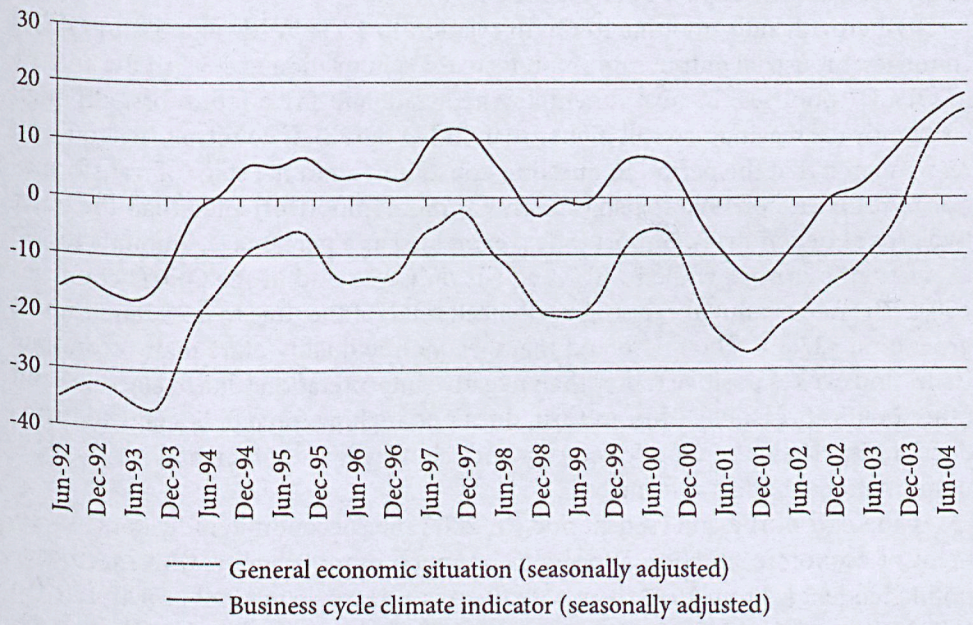


Figure 2. Monthly qualitative business cycle indicators for business cycle climate and general economic situation 1992-2004 (seasonally adjusted)

Source: Business Cycle Study and Research, Central Statistical Office, Warsaw 1996, 1999, 2001, 2004. A monthly and quarterly survey

In light of macroeconomic indicators, the year 1996 is still to be regarded as a positive period in the economy, due to such symptoms as: unemployment and inflation rate decrease as well as GDP increase. In 1997, similarly to 1996, GDP

increase rate is still bigger than 6% per annum. However, a downward tendency is already apparent in the private consumption rate.

At the same time, in light of microeconomic indicators, there is a decrease in enterprises' profitability and each 1 PLN of profit is generated by a bigger and bigger cost. At that time the index of monthly average real gross wages and salaries systematically rises. Assuming that 1992=100, the index rises from 104.2 in 1995 to 109.9 in 1996 and 120.3 in 1997. That means an increase by respectively 5.7, 6.5 and 3.9 per cent. The latest significant increase of the index takes place in 1999 compared to 1998, which is followed by a period of inflexibility of wages and salaries[9]. In the turn of 1995 and 1996 for the first time there has been a decrease in the number of enterprises showing net profit in relation to a general number of companies. Then the decrease amounts to two rate points (from 66% to 64%) and indicates an evident downfall tendency to achieve the level of 56% in 2001. Suppression of this decreasing trend occurs only in 2002.

When compared to EU or OECD countries, fundamental macroeconomic indicators growth rates appear to be favourable[10].

GDP growth rate amounts to 6% in relation to 1.7% in EU and 3% in OECD countries, industrial output rate amounts to 8.3% in relation to 0.5% in EU and 3% in OECD countries. In turn, unemployment rate and price indicators, although constantly decreasing, are still higher than in EU or OEDC countries (it should be remembered that the period in question constitutes an initial stage of transformation). At the end of 1996 Polish economy is more import-oriented than the other two groups of countries. Import index, expressed as a percentage, amounts to 152 in relation to export, while in EU it equals only 95.2 and in the OECD countries 100.4. The rate of annual export growth itself totals at the time to 6.7%, and import growth rate 27.8%. The micro and macroeconomic duality blurs many economic issues and evokes positive rather than negative interpretation (due to elections and other political reasons). This, in turn, does not anyhow force politicians to introduce indispensable economic reforms and, above all, a fundamental for the economy, national budget reform.

At the end of the analysed period, in 2002 microeconomic indicators assessment of economic situation appears to be much more coherent with macroeconomic tendency. From 1996 thru 2002 there is a decrease in GDP growth rate (to 1.4%), although in 1999 it still amounts to 4.1%. Industry output also falls to 1.4% with a parallel increase in unemployment rate to 19.8%. During the period there is a systematic increase in import-export ratio, resulting in bigger demand for foreign goods than for domestic ones. The years 1999/2000 appear as a turning point,

[9] Poland, International Economic Report, World Economy Research Institute, 2003/2004, Warsaw School of Economics, 2004, Statistical Anex, p. 197.

[10] Based on Poland quarterly statistics, Central Statistical Office, vol. XII, 20003, no. 2 Warsaw, Jan 2004, pp. 66-71.

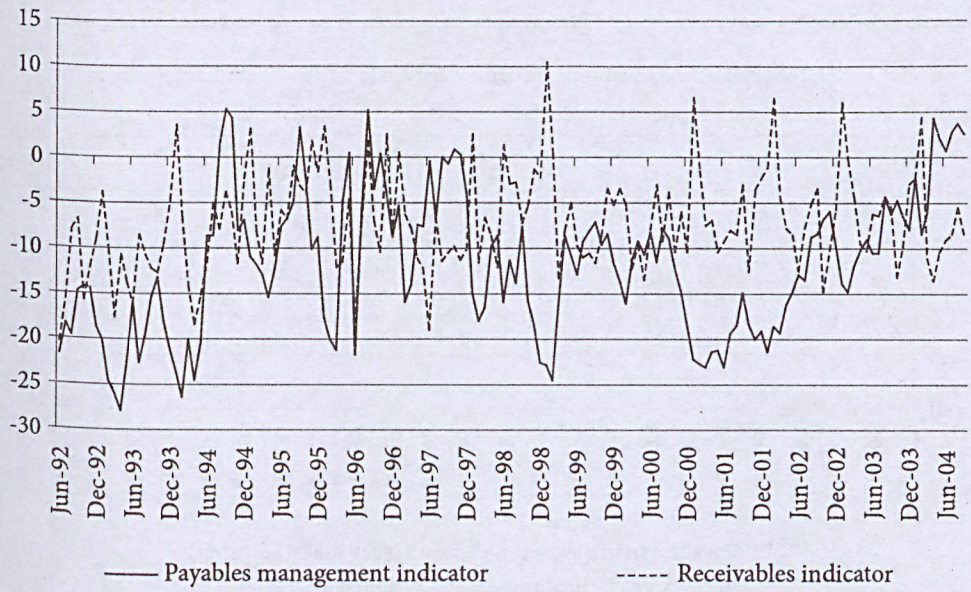


Figure 3. Monthly business cycle qualitative indicators in the field of payables management and receivables in 1992-2004

Source: Business Cycle Study and Research, Central Statistical Office, Warsaw 1996, 1999, 2001, 2004. A monthly and quarterly survey

which is proved by business cycle qualitative indicators (figure 3). The only positive tendency of the phase is a regular inflation level decrease. In 2002 inflation rate equals 1.9% whereas in 1998 it became a double-digit number. Such a situation was due to monetary policy and inflation rate decrease in EU form where commodities as well as lower prices were imported.

Systematic microeconomic situation worsening within the analyzed time span are reflected by business cycle qualitative indicators in the area of payables and receivables level. Figure 3 and 4 depict both original indicators and those after seasonal adjustment.

As figure 3 shows, the turn of 1995 and 1996 should be considered the end of both indicators parallel upward tendencies in the area of manufacturing sector. At the time, the indicators remain in close interdependence. Multidirectional indicators changes and ever-increasing differences between and among indicators lines are typical of the period 1996 thru 2001. It means that enterprises financial liquidity is destabilized. The situation improvement may be observable after 2001, when the range between payables and receivables indicators decreases with simultaneous directional convergence. Both indicators have shown a similar, increasing tendency.

Indicators after seasonal adjustment (figure 4) show that far more fluctuations concern payables than receivables. It is significant that from 1995/1996 to 2004

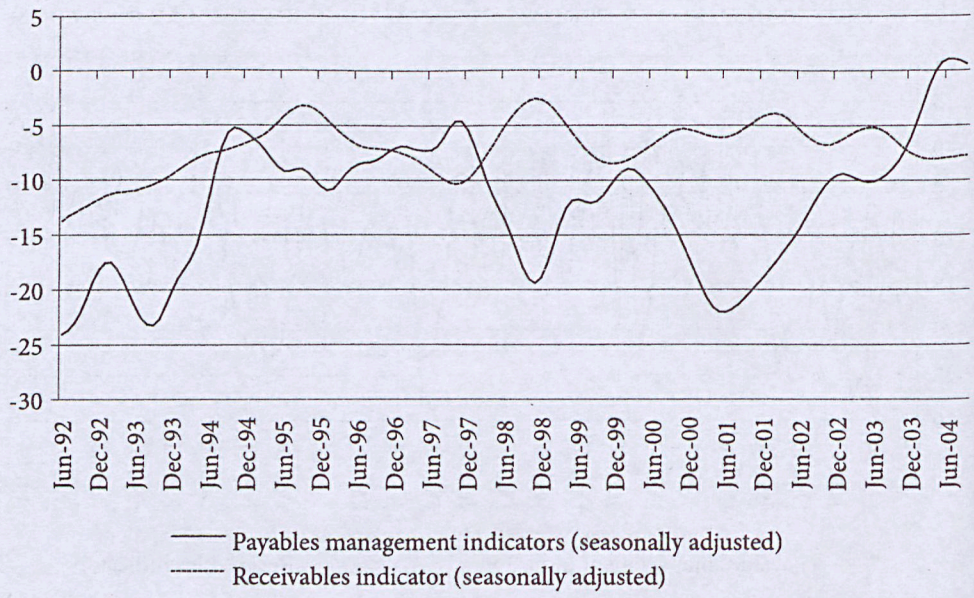


Figure 4. Monthly business cycle qualitative indicators in the field of payables management and receivables in 1992-2004 (seasonally adjusted)

the receivables level rose, which leads to a conclusion that solvency of enterprises was influenced not only by collecting payments from business partners but also by other factors.

All that period was characterized by a variety of changes in the image of two indicators: one went up whereas the second went down. They were different in their directions. This situation suggested destabilization of the financial liquidity.

This period is based on mutual credit payments: stronger enterprises imposed conditions to the smaller ones. Only after 2001 does the financial situation start to stabilize. Financial liquidity improves mainly due to an increase in ability to manage payables. It should be noticed, however, that all indicators have negative values, and in all the analyzed period, fluctuations of receivables indicator are smaller than those of payables management indicator. This, in turn, leads to the conclusion that the ability to settling payables is additionally influenced by other factors than just level of collecting receivables.

The indicator of ability to affect payments is closely correlated with general business climate indicators, which is depicted in figure 5. The highest correlation ratio is observable for zero shift in time.

As figure 5 shows, both business climate indicators and payables management indicators after seasonal adjustment have a similar course. The differences originate in a range of indicators in different periods. For future economic fluctuations tendencies the turn of 2001/2002 is particularly significant, as it was a start of eco-

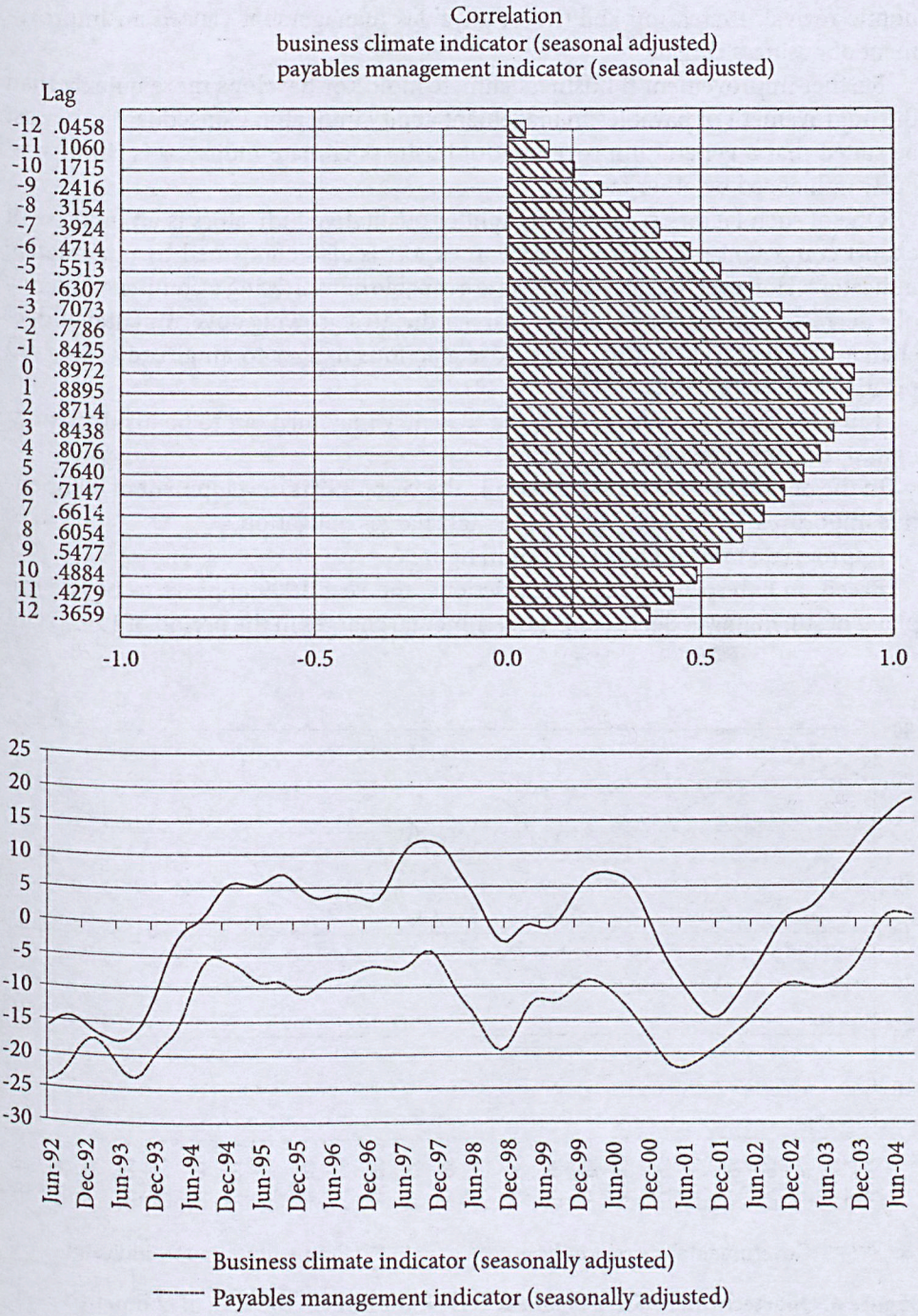


Figure 5. Correlation between business climate indicators and payables management in 1992-2004 (seasonally adjusted)

nomic revival. Increasing abilities of payables management caused an improvement of business climate.

Further improvement if business climate indicator develops more quickly than the improvement of payables management ability indicator. Consequently, it must be stated that a general improvement of business climate indicator is simultaneously influenced by other factors.

One of such factors emerging in light of qualitative indicators is an increase of export competence. A rapid increase in export is also confirmed by quantitative indicators. However, business surveys are capable of indicating a counter-tendency of a decrease in competitive import barrier due to a growing governmental budget charges barrier. This, in turn, may pose a serious danger to an already observed positive export tendency.

Thus, the factors resulting from the EU entry may turn out to be insufficient in light of the lack of tax policy reforms.

In the period of 1996-2004, especially the year 1999 is development of competitive import restrictions and governmental charges obligation.

Appropriate indicators are shown in figure 6.

Based on enterprise analysis restrictions, the year 1999 appears to be the last phase of still high, yet decreasing, governmental charges in the period of 1992-2004

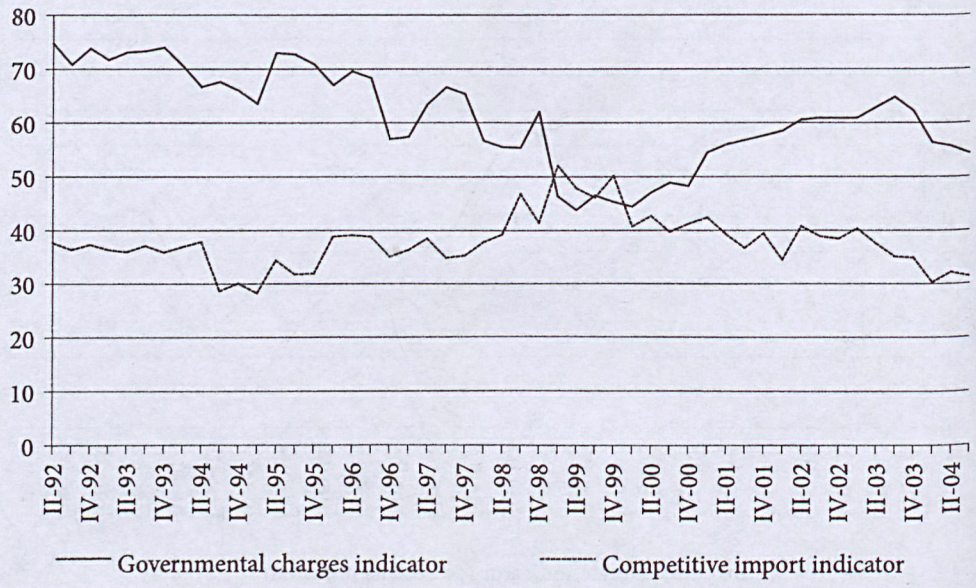


Figure 6. Quarterly qualitative business cycle indicators in the area of competitive import and governmental charges in 1992-2004

(especially the last stage because of CIT taxation decrease). In 1996, 60% out of all surveyed enterprises claim the existence of enterprise activity restrictions whereas in 1999 the number diminishes to 40%. At the end of 1996-2003, after that temporal indicator decrease, the indicator levels off again at 60%. Since 1995/1996, an upward trend has been typical of competitive import restrictions. In 1999 half enterprises consider competitive import their activities restriction. In the period of 1992-2002, it is the year 1999 that is a breakthrough because of the highest barriers level. From the business cycle development point of view, the period of 1996-2003 may be regarded as the time of competitive import, governmental charges, downward economic trend till 2000 no due to fiscal restrictions but because of competitive import related to limited domestic commodities demand. The rate of individual consumption growth descends at the time and amounts to 8.7% in 1996 and 5.2% in 1999. And yet, it is still higher than GDP growth rate and neither is it lower than in EU and OECD countries.

The same indicators, after seasonal adjustment, are shown in figure 7. Seasonal adjustment does not change the main picture of both indicators.

Some additional foreign trade worsening agent is foreign turnover suppression in trade exchange with Russia. After adjusting period and having accepted new market economies rules prevailing in drawing contracts and settlements, in 1997 export to Russia amounts to 8% of export and import share constitutes over 6%.

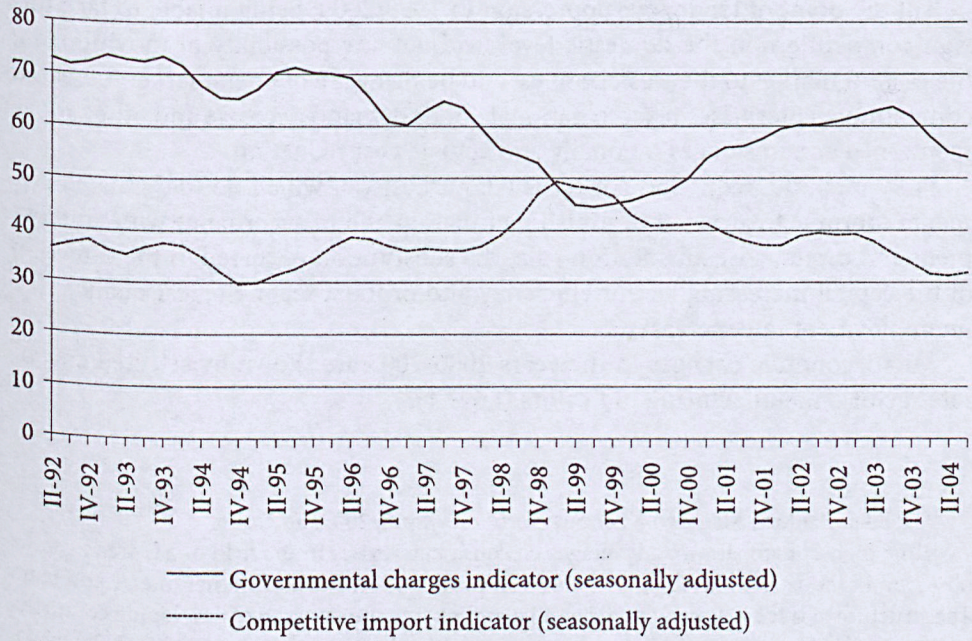


Figure 7. Quarterly qualitative business cycle indicators in the area of competitive import and governmental charges in 1992-2004 (seasonally adjusted)

1998 is the scene of actual Polish Russian economic relations suppression. At that time, a Russian external indebtedness service crisis and maximum rubel devaluation occur. Decrease in Polish export still gathers pace in 1999 and it is only in 2000 when its restoration is launched[11].

Escalating competitive import restrictions inform however of Polish enterprises falling behind the imported goods. It should be kept in mind that enterprises international competitiveness interpretation in light of the indicator is dual in its nature. On the one hand, during the period in question there is a competitive gap caused by the already mentioned falling behind the commodities imported form the western economies. On the other hand, difficulties connected with export to Russia are triggered not only by the Russian crisis but also by struggle for the Russian market with and among manufacturers from European Union and the United States, which basically contributes to emerging east markets high requirements. In the investigated period export growth rate equals 6.7% in 1996, and 2.9 in 1999, in relation to the previous year. The years 1999/2000 appear to be of a breakthrough in the export tendency. It is confirmed by both quantitative and qualitative indicators. Along with a new business cycle beginning, i.e. the turn of 2002/2003, export growth rate increases form the nominal 113.3 in 2002 to 127.3 in 2003[12].

According to the business cycle indicators, at the end of the period only 37% of surveyed enterprises indicate existing competitive import restrictions weighed against 50% in 1999.

Till the point of tendency suppression in 1999/2000, being unable to face foreign competition on the domestic level, without any possibility of moving from the eastern market to the western ones, and being aware of open market increased competition, enterprises react to national goods demand decrease and other above mentioned circumstances rationally and actuate cost reduction.

First of all, the reduction concerns labour costs, of which not pay-related elements continue to grow. At diminishing inflation and in accordance with employment and capital cost substitution rule, the substitution occurred in the direction of the capital increasing labour efficiency and product technological quality. Yet, unemployment rate increases.

Microeconomic changes in the years 2000-2003 are shown by selected corporate sector – manufacturing indicators (table 1).

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[11] D. Filar, Bankier, Magazyn Klientów Korporacyjnych, 2003, no 2, p. 6.

[12] The highest comparative advantages of Polish enterprises in the field of EU trade can be observed in industries like: fuel, steel and iron products, textiles and clothes, metalsand fruit. The structure of trade between the EU and Poland reflects the situation of developing countries, i.e. the model of export specialization based on relative abundance of resources. E.M.Pluciński, Ekonomia gospodarki otwartej, *Wybrane zagadnienia teoretyczno-empiryczne z perspektywy członkostwa Polski w UE*, Dom Wydawniczy Elipsa, Warszawa 2004, p. 375.

Table 1

Selected corporate sector-manufacturing indicators in the period of 2000-2003 (in %)

Indicators	2000	2001	2002	2003
Cost level	98.3	99.5	98.7	96.5
Net return on sales	0.7	-0.4	0.3	2.3
Sold production in constans prices		98.6	102.0	111.9
Companies with a net profit (in the total number of companies)	61.2	59.6	64.5	71.6
Companies with a net profit (share in total corporate sector revenue)	73.0	69.7	73.4	80.5
Financial liquidity rations iidegree	72.8	71.0	68.6	79.3
Labor productivity		103.7	108.7	117.6
Productivity pay ratio		103.0	94.6	87.7
Employment		94.8	93.8	97.5

Source: Poland, International Economic Report, 2003/2004, Warsaw School of Economics, World Economy Research Institute, p. 83-88.

According to the above data, in the period of 2000-2003 enterprises consumed the effects of microeconomic restructuring carried out prior

to the year 2000. It particularly concerns the increase of work efficiency as well as decrease of cost level. The percentage of enterprises with net profit rose to 80 per cent. At the same time, all financial indicators went up. That means that enterprises started to consume profits. The question arises however, what the profits will be spent on. To a great extent it depends on economic policy.

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