

Poland's Economy. Financial Markets

February 2000

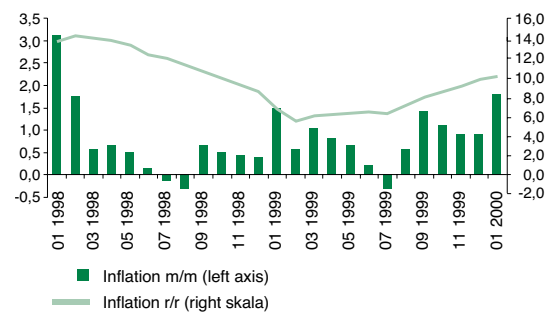
No. 8

Major economic tendencies:

- A growing current account deficit, which hit 7.6% of GDP in 1999, has become Poland's major macroeconomic problem. To solve it, not only a restrictive monetary policy, but above all the reform of the public finances sector and better co-ordination of economic policy (scope and timing of privatisation), fiscal policy (size and way of funding the public finances deficit) and monetary policy are necessary. This year will be crucial as it will decide about the rate of economic growth and the structure of the economy for the years to come.
- In January, inflation increased moderately by 1.8% m/m, reaching 10.1% y/y. Provided that there is no substantial zloty weakening in the near future, inflation should remain at a high level, hitting 10% over the next 2 months. The chief factors to sustain inflation in 1Q this year will be a very low basis last year, an increase in indirect taxes (excise duty, VAT) and an increase in fuel prices.
- In January, industrial output tumbled unexpectedly by 19% m/m, experiencing only an insignificant increase of 7.9% compared to January 1999 when a recession due to the Russian crisis occurred. Hopefully, very poor January performance will be offset in February. Otherwise, we will have to face an unexpected and difficult to explain deterioration of industrial output.
- In 1999, the unemployment rate reached 13.0% and it seems that a significant reduction in the unemployment figure will be difficult to achieve in the near future. The economy is not developing sufficiently fast to absorb oversupply of labour made redundant due to the restructuring process of state companies, public services and sectors subject to restructuring such as the mining industry, the steel industry, and due to the employment rationalisation process in private companies.
- In the next few months, the Monetary Policy Committee will face a dilemma - to what extent is it possible to continue tightening monetary policy given poor industrial output performance and a high unemployment rate, and whether or not a potential increase in interest rates would effectively offset the deterioration of the current account deficit. As regards inflationary tendencies, monetary policy will unfortunately not be able to counteract them effectively for at least the next two quarters because the reason for the current high inflation is related to cost factors (indirect taxes, fuel prices) and supply (food), rather than demand factors. At present, the key to solve most of these macroeconomic problems is fiscal policy.

Arkadiusz Krześniak

Inflation - Consumer Prices



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Poland's current economic situation.

Poland's economy entered 1999 successfully, as it grew at the rate of 4.1% due to a combination of a loose monetary policy and unexpected loosening of fiscal policy. Owing to strong internal demand due to a relatively cheap loans and the occurrence of the so called deferred consumption, and poor external demand, the current account deficit increased. Concerns over an excessively high current account deficit, which hit 7.6% of GDP in 1999, and the comments from Monetary Policy Committee members to adopt a tightening monetary policy bias fuelled the expectations of a warning interest rate increase over the next few months. When it turned out that inflation in January is not as high as expected, there appeared uncertainty in money and treasury bond markets as regards the further course of monetary policy. Very poor industrial output data in January this year, released on 18 February, led to a sell off of Polish treasury securities, which brought about a yield increase. Although such a strong industrial output decrease might be caused by an excessive inventory accumulation in December 2000, it greatly reduces the probability of an interest rate hike in the near future. The key index will be January's current account deficit, which will be released on 1 March. In the long run, Poland's economy is not able to function well at the current account deficit over 7% of GDP, and therefore, over the next year, corrective processes must take place to stabilise the deficit and then gradually reduce it. In the face of a strong cross-border trade decrease and services deficit increase, the only measure to improve the macroeconomic situation is export stimulation. It must be linked to a responsible fiscal policy to lead to a reduction in the public finances deficit, and therefore, to an increase in domestic savings. In addition, a question arises whether or not funding the public finance deficit with privatisation revenues is a proper solution as it must lead to an excessive zloty appreciation and inevitable current account deficit generation in a floating rate system (with which we practically have to deal in Poland). Monetary policy cannot effectively correct the external imbalance if it is generated by too loose a fiscal policy. It seems that this year we will face a more restrictive fiscal policy, which may mean that problems related to the macroeconomic imbalance will be successfully solved. This year, external factors will have a positive impact on Poland's economy - the EURO zone demand will be rebuilt, a further inflow of direct foreign investments should be expected, which will contribute to increasing capital expenditures in the economy, and therefore, will constitute a strong demand factor to stimulate economic growth. Given a favourable course of events, an excess of labour leading to a temporary unemployment increase should be progressively absorbed by developing industrial sectors. To make it possible, it is necessary to pursue economic policy intended to level out economic growth rates in individual regions of Poland. An excessive concentration of growth only in some regions would not allow a smooth absorption of excess of labour from industrial sectors subject to restructuring. Hence, it seems that this year's economic policy is challenging, but its goals are still likely to be achieved.

Tab. 1. Inflation indicators

	09 1999	10 1999	11 1999	12 1999	01 2000	02 2000F
Consumer Price Index (m/m %)	1.4	1.1	0.9	0.9	1.8	0.9
Consumer Price Index (y/y %)	8.0	8.7	9.2	9.8	10.1	10.5
Producer Price Index (m/m %)	0.9	0.8	0.6	0.5	0.5	0.6
Producer Price Index (y/y %)	6.2	6.8	7.3	8.0	8.2	8.2
Monthly average FX rate (y/y %)	13.1	17.6	23.3	19.6	15.9	-
Import Price Index (y/y %)	4.7	-	-	-	-	-

Tab. 2. Activity indicators

	08 1999	09 1999	10 1999	11 1999	12 1999	01 2000
Retail Sales Index (m/m %)	0.6	0.4	4.6	-2.3	23.2	-
Retail Sales Index (y/y %)	25.9	24.8	25.1	32.2	34.6	-
Households loans (y/y %)	45.4	47.6	46.0	52.2	53.0	52.8
Industrial Output (m/m %)	4.6	9.3	0.1	-1.0	5.7	-19.0
Industrial Output (y/y %)	7.1	8.6	8.9	15.7	19.1	7.9
Exports, current prices (in payment terms, y/y %)	-17.8	-12.5	-12.3	-11.0*	-8.3	-
Imports, current prices (in payment terms, y/y %)	0.1	-13.2	-14.0	0.5*	-3.5	-
Foreign trade (NBP, USD mio)	-1233	-1309	-1139	-1561	-1706	-
State Balance (PLN mio)	-12.1	-11.3	-12.1	-12.1	-12.6	-0.9

Tab. 3. Poland's Economy

	1996	1997	1998	1999E	2000F
Gross Domestic Product (y/y%) (fixed prices) of which:	6.0	6.8	4.8	4.1	5.0
Individual Consumption (y/y%)	8.3	6.9	4.9	5.0	5.5
Gross expenses on fixed assets (y/y%)	19.7	21.7	14.5	6.9	11.5
Exports, constant prices (y/y%)	9.7	13.7	9.4	0.5	7.5
Imports, constant prices (y/y%)	28.0	22.0	14.6	-0.6	12.0
Inflation (average annual %)	19.9	14.9	11.8	7.3	8.6
Inflation (year end, y/y %)	18.5	13.2	8.6	9.8	7.0
Unemployment Rate (year end, y/y%)	13.2	10.3	10.4	13.0	13.2
Current Account Balance / GDP (%)	-1.0	-3.2	-4.2	-7.6	-7.3
Public Debt / GDP (%)	51.1	47.9	43.1	44.6	44.0

y/y - year on year m/m - month on month
 E - estimated F - forecast

Sources: CSO, NBP, WBK forecasts and estimates

* official data adjustment



Tab. 4. Foreign Exchange Rate Forecasts*

Period	EUR/USD	USD/PLN	EUR/PLN	DEM/PLN	FRF/PLN	NLG/PLN	GBP/PLN	GBP/USD
18.02.2000	0.9856	4.1021	4.0430	2.0672	0.6164	1.8346	6.5927	1.6072
0 - 1 month	0.98 - 1.01 ↔	4.10 - 4.14 ↑	4.04 - 4.17 ↑	2.06 - 2.13 ↑	0.61 - 0.64 ↑	1.83 - 1.89 ↑	6.59 - 6.71 ↓	1.60 - 1.62 ↔
1 - 3 month	1.01 - 1.04 ↑	4.11 - 4.14 ↔	4.17 - 4.25 ↑	2.13 - 2.17 ↑	0.64 - 0.65 ↑	1.89 - 1.93 ↑	6.71 - 6.74 ↔	1.62 - 1.64 ↑
3 - 6 month	1.04 - 1.07 ↑	4.05 - 4.11 ↓	4.25 - 4.34 ↑	2.17 - 2.24 ↑	0.65 - 0.67 ↑	1.93 - 1.97 ↑	6.68 - 6.74 ↔	1.64 - 1.66 ↑
6 - 12 month	1.08 - 1.10 ↑	4.04 - 4.11 ↔	4.34 - 4.52 ↑	2.22 - 2.31 ↑	0.67 - 0.69 ↑	1.97 - 2.05 ↑	6.71 - 6.95 ↑	1.66 - 1.69 ↔

* - the most likely rate volatility band in a specific period, ↑, ↔, ↓ – Directional Bias of Currency

Forecast date: 18.02.2000

Note: Informational forecast based on information currently available. WBK Treasury and International Division cannot guarantee that exchange rates will follow the patterns as shown above.

Source: WBK Treasury & International

Tab. 5. Interest Rate Forecasts*

Period	Official Rates		Yields			Market Rates	
	Intervention	Lombard	52T T-bills	2Y Treasur Bonds	5Y Treasur Bonds	1M WIMEAN	3M WIBOR
18.02.2000	16.50	20.50	16.90	16.00	13.66	16.95	17.55
0 - 1 month	16.5 ↔	20.5 ↔	16.7 - 17.5 ↓	15.5 - 16.5 ↓	12.0 - 13.8 ↓	16.7 - 17.4 ↓	17.0 - 17.5 ↓
1 - 3 month	16.5 ↔	20.5 ↔	16.0 - 17.5 ↓	14.5 - 15.7 ↓	11.3 - 12.3 ↓	16.4 - 17.2 ↓	16.7 - 17.3 ↓
3 - 6 month.	16.5 ↔	20.5 ↔	15.0 - 16.5 ↓	13.5 - 14.7 ↓	10.5 - 11.8 ↓	15.4 - 16.7 ↓	15.6 - 16.8 ↓
6 - 12 month	13.5 - 16.5 ↓	17.0 - 20.5 ↓	14.0 - 15.0 ↔	11.7 - 13.5 ↓	10.3 - 11.0 ↓	13.9 - 15.5 ↓	13.9 - 15.6 ↓

* - the most likely rate volatility band in a specific period, ↑, ↔, ↓ – Directional Bias of Currency

Forecast date: 18.02.2000

Note: Informational forecast based on information currently available. WBK Treasury and International Division cannot guarantee that exchange rates will follow the patterns as shown above.

Source: WBK Treasury & International

Gross Domestic Product

In 1999, Gross Domestic Product increased by 4.1%. The chief economic growth driver in 1999 was strong internal demand, stimulated by a combination of loose monetary and fiscal policies. The results of poor external demand are reflected in corporate profitability, which led to a limitation in investment growth by over a half and caused a sharp decrease in value added growth in the construction industry. In terms of supply, the driver of the economy is still industry whose growth in 1999 represents a break from Russian crisis effects in the Polish economy. High growth of individual consumption, higher than in 1998, is worrying. Although the gap between internal demand growth and GDP growth lessened in 1999, it was largely due to an investment demand weakening, which may restrain GDP growth in the next few years.

Inflation - consumer prices

In January, a price increase was modest at 1.8% m/m and it slightly topped 10%, reaching 10.1% y/y. The price increase in January this year was slightly greater than the price increase in January 1999, despite the fact that food prices were growing much faster - by 1.6% m/m against a 0.1% food price increase in January 1999. At the same time, services prices increased just by 2.7%, which is much below the 3.4% increase experienced in January last year. This means that most likely a part of the services price increase as expected in January will actually take place in February this year. Moreover, an 8-10% change of goods from the basket performed in January could have had an impact on inflation data. A revision of the weight system from the consumer basket will take place in March. January inflation data were positively received by the market. However, inflation should continue to go up, to ca. 10.5% y/y in February, and then for a few months it will remain at 9-10% y/y.

Inflation - producer prices

In January, sold industrial output prices increased, as expected by the market, by 0.5% m/m and 8.2% y/y. Manufacturing activity prices increased just by 0.5% m/m after a 0.7% increase in December last year. A zloty rise in January made the inflationary pressure decrease. It seems also that companies came across a strong demand barrier in January this year after a very good 4Q 1999 performance. If sold industrial output prices rise only moderately in February, it will be a proof for the demand barrier in 1Q this year. In January construction and assembly output prices rose by 0.6% m/m and were 7.8% higher than last year.

Industrial output

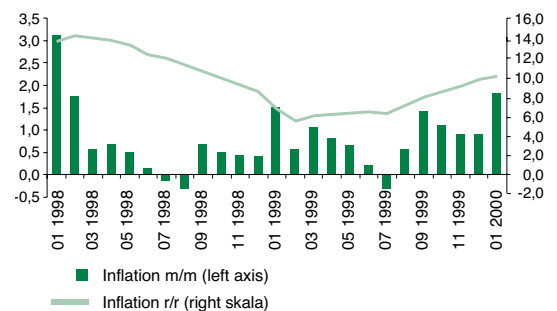
In December 1999, industrial output was not as strong as expected by the market. It increased by 5.7% m/m and 19.1% y/y. Although it indicates a recovery in the industry in 4Q 1999, this result is not that spectacular if the number of business days is included. If it is included, annual output growth is approx. 16%. In 4Q 1999, industrial output increased by 14.5% y/y and 8.9% q/q. In December 1999, processing industry output went up by 22.1% y/y, which means that a processing industry improvement was the major industrial output growth factor. However, industrial output performance for January this year is disappointing. In January, industrial output declined by as much as 19.0% m/m - a result not experienced for years. The market had been expecting a decline of ca. 7-8% and annual growth within 20%. Annual output growth was only 7.9%. Such a strong monthly decrease in output was largely due to a 19.4% decrease in processing industry output growth. This may mean two things - the 4Q 1999 boom was a seasonal phenomenon, caused, among others, by the preparations of the economy for the turn of the year or the economy is currently entering a recession phase due to a high interest rate level and poor external demand. In January, construction and assembly output decreased by 57.7% m/m, still it was 4.5% up on last year.

Tab. 6. Economic Growth in 1999

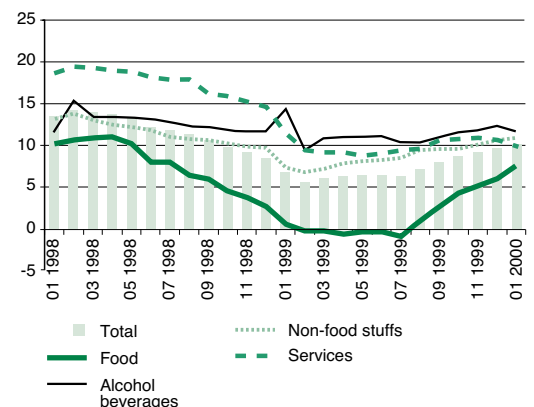
(change % y/y, fixed prices)	1998	1999
GDP growth	4.8	4.1
Total consumption	4.1	4.2
Individual consumption	4.7	5.0
Investments	13.8	6.8
Domestic demand	6.4	4.9
Gross value added	4.7	3.8
Industry	4.3	4.7
Construction	9.1	3.8
Market Services	4.8	4.6

Source: CSO

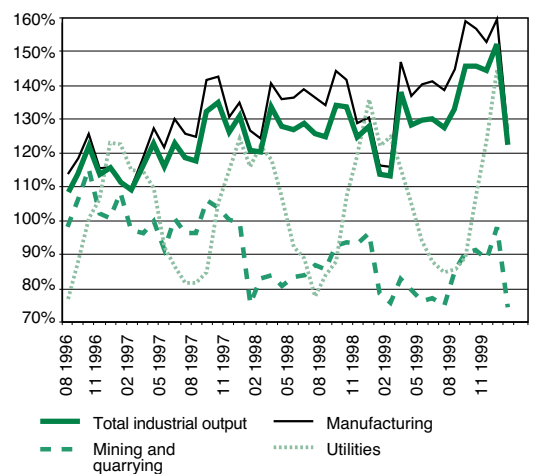
Inflation - Consumer Prices



Inflation y/y



Industrial Output (monthly average 1995=100)





Money supply

In January, money supply decreased by 3.1% m/m. Money supply growth was 15.0% y/y in nominal terms, and money supply growth was only 4.5% y/y in real terms. In January, the decline in money supply was due to a 14.5% decrease in business deposits and a 12% decrease in the credit to the general government. Personal loans increased just by 0.8% m/m, but their growth was still high year-on-year a 52.9%. Personal deposit growth of 4.3% m/m was a positive signal. Although they are very good, January's data are probably distorted by the year end and Y2k. February's money supply results must be good to postpone the danger of an NBP interest rate increase.

Monetary policy

As expected, at a Monetary Policy Committee meeting on Wednesday, 26 January, no changes were introduced to monetary and exchange rate policies. The MPC discussed the course of inflationary processes and the current situation in financial markets. Comments from two MPC members, Bogusław Grabowski and Dariusz Rosati, suggest that the Monetary Policy Committee assumed a strong monetary policy tightening bias. The chief factors that may cause an increase in interest rates by approx. 100 to 150 basis points over 2-3 months may be as follows:

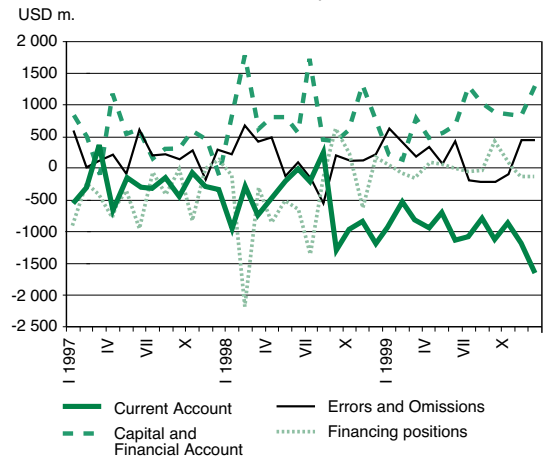
- 1) no improvement in the current account in January this year, especially increased trade deficit
- 2) high rate of personal loan growth in February this year
- 3) signals of potential fiscal policy loosening/deficit in ZUS, increased public finances deficit/.

Moderate inflation in January this year and very poor industrial output performance will currently be arguments against an interest rate hike. However, if it turned out that in February this year personal loan growth reaches monthly growth of ca. 3 to 4% and in January the current account deficit topped USD 1bn and the output decrease that month was only temporal, the MPC could be willing to further tighten monetary policy. It seems, however, that at present Poland's economic policy faces a dilemma what is the appropriate response to mounting macro-economic tensions. Without the co-ordination of fiscal policy and monetary policy, they cannot be solved effectively.

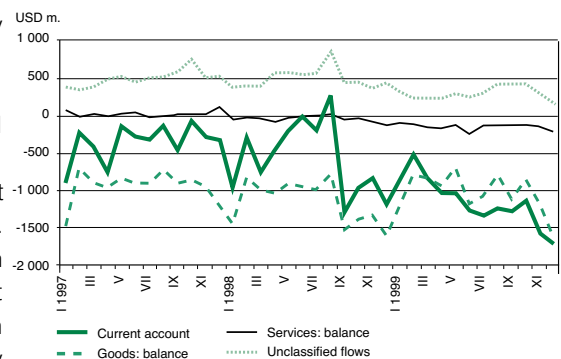
Balance of payments

In 1999, the current account deficit reached USD 11.7bn, i.e. 7.6% of GDP. Compared to 1998, the current account deficit increased by 70%, i.e. USD 4.8bn. Such a significant increase in the current account deficit was largely due to a decrease in the cross-border trade balance of nearly 40% and over a threefold increase in the services trade deficit. The merchandise trade balance deteriorated only by 5.4%. Cross-border trade generated nearly half of the current account deficit increase, services generated 23% of the deficit growth and merchandise trade generated just 15.5% of the current account deficit increase. A decrease in exports was 12.4% y/y and it was greater than a decrease in imports (6.8%). At the same time, there was a reduction in the degree of funding the current account deficit with the capital and financial account which funded only 78.7% of the deficit in 1999 against 157.5% in 1998. The balance was funded by a reduction in external reserves. In 1999, direct foreign investments funded 57% of the current account deficit, portfolio investments 9.7%, and other investments 12%. Official gross fx reserves increased in January by 0.3%, i.e. USD 79m up to USD 25.6bn. Compared to January 1999, fx reserves decreased by 5.6%, i.e. USD 1.5bn.

Balance of Payments



Current account



	1999	1998	Percentage change	Change
A) Current account (USD m)	-11660	-6858	70.0	-4802
Trade balance	-14462	-13720	5.4	-742
Exports	26386	30122	-12.4	-3736
Imports	40848	43842	-6.8	-2994
Services balance	-1623	-508	219.5	-1115
Income balance	-800	-568	40.8	-232
Current transfer balance	1589	1942	-18.2	-353
Unclassified trade balance	3636	5996	-39.4	-2360
B) Capital and financial account	9182	10800	-15.0	-1618
Direct investment balance	6642	4966	33.7	1676
Portfolio investment balance	1126	1330	-15.3	-204
Other investment balance	1405	4431	-68.3	-3026
C) Error and deletion balance	2257	1766	27.8	491
A + B + C	-221	5708	-103.9	-5929

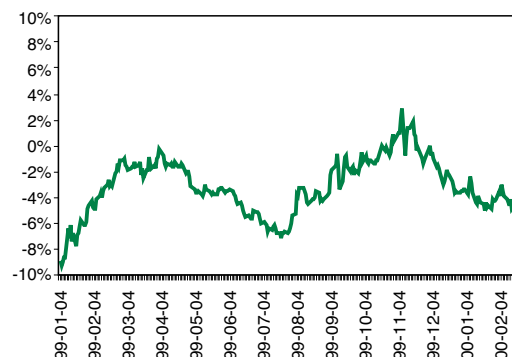
The zloty strengthened at the beginning of 2000. A risk of zloty weakening in the near future.

At the end of January and in the first three weeks of February, the zloty strengthened relative to the currency basket due to a favourable macroeconomic situation world-wide, an increasing interest in emerging markets at the start of 2000, hopes for zloty floatation and large fx market flows related to privatisation transactions. The zloty strengthening was impeded by political uncertainty concerning the stability of the governing coalition and poor macroeconomic indices - mainly the current account deficit.

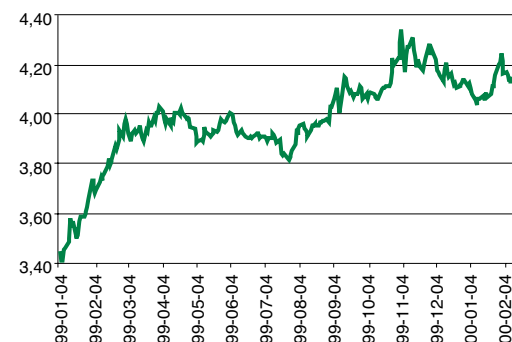
In the second week of January, zloty transactions were entered into between USD/PLN 4.09 and 4.04. The zloty deviated by 2.6 to 3.7% on the stronger side of parity. Substantial zloty volatility followed from speculations on fast zloty floatation. Once it became clear that the government had not discussed this issue at a meeting on Tuesday, 11 January, the zloty returned to USD/PLN 4.06 to 4.08 band (3.3 to 2.8% from parity). In the third week of January, zloty transactions were entered into between USD/PLN 4.11 and 4.06. The zloty deviated by 3.0 to 4.0% on the stronger side of parity. On Tuesday, 18 January, the zloty strengthened due to inflation data in line with expectations, and then it weakened on Wednesday, 19 January, due to slightly weaker than expected industrial output data and the NBP Governor's statement that as much as 50% of privatisation revenues might be transferred to the special NBP fx account. Awaiting the results of a vote of no confidence against Minister Wąsacz had a significant impact on the market. However, the reaction to the rejection of the vote of no confidence was negative - the zloty weakened on 24 January afternoon to 3.64% on the stronger side of parity owing to insignificant support for the ruling coalition and the expectations of changes to the government in the near future. In the last week of January, zloty transactions were entered into between USD/PLN 4.1850 and 4.0820, and EUR/PLN 4.0876 and 4.1530. The zloty deviated by 2.8 to 3.8% on the stronger side of parity. In principle, in the last week of January, the zloty rate was determined by corporate orders to buy and sell fx and by EUR/USD rate change. In the first week of February, zloty transactions were entered into between USD/PLN 4.1640 to 4.2670, and EUR/PLN 4.0790 and 4.1370. The zloty deviated by 1.5 to 3.3% on the stronger side of parity. Interest rate increases by FED and ECB had a significant impact on the zloty rate. Increases of 25 basis points were interpreted positively by the market. In the second week of February, USD transactions were entered into between PLN 4.1300 and 4.1880, and EUR transactions - between PLN 4.07 and 4.1350. The zloty deviated by 2.85 to 3.9% on the stronger side of parity. After a comment from MPC members on the assumption by the MPC of a monetary policy tightening bias, the zloty slightly weakened. However, the zloty strengthened due to corporate orders and greater optimism relating to the purchase by Citibank of Bank Handlowy shares.

In the third week of February, the zloty was strengthening as a result of an inflow of portfolio capital, after a decrease in interest rates in Hungary, being invested in shares on the Warsaw Stock Exchange and in government securities, which had reached very attractive yields. The zloty deviated by 3.5 to 5.3% on the stronger side of parity, hitting a 7-month record of 5.3% on Friday, 18 February. However, after very poor industrial output data in January had been released, the zloty lost nearly 1% and weakened at the close to 4.5% on the stronger side of parity. Given the accumulation of negative macroeconomic indices, poor industrial output data that point out the possibility of a big current account deficit in January, in the near future, there is a risk of weakening of the zloty. The level accepted by the NBP is that around parity, and therefore, a zloty weakening even of 4% compared to the current situation. However, it will depend on treasury securities market and capital market reactions to poor output data in January this year and tendencies in foreign trade.

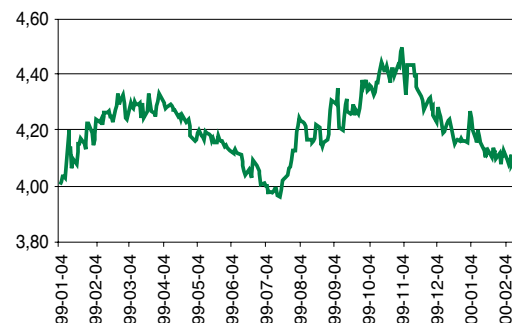
Deviation of exchange rate from central parity



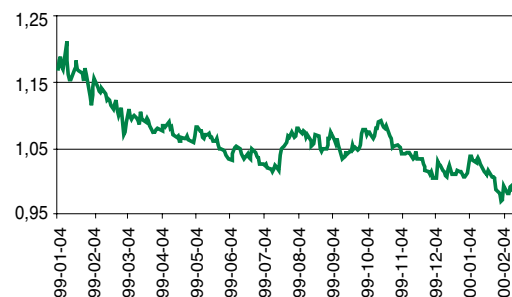
USD/PLN



EUR/PLN



EUR/USD





Interest rates

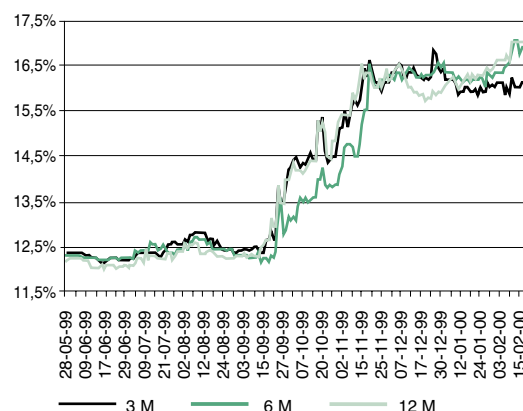
In the fourth week of January, in the money market, there occurred an interest rate increase of 30 to 50 basis points following the obligatory reserve settlement on Friday, 28 January. Overnight liquidity slightly improved after a substantial liquidity shortage related to the obligatory reserve settlement. In the first week of February, in the money market, there was a fall in short term rates of 40 to 215 basis points as a result of a liquidity improvement following the obligatory reserve settlement at the end of January. Overnight liquidity improved significantly. In the second week of February, there appeared significant O/N overliquidity when the Finance Ministry paid banks approximately PLN 2 bn due to the redemption of 2-year fixed bonds. On Friday, 11 February, O/N rates tumbled to 5.00/13.00. WIBOR rates greater than 1 month were increasing because of interest rate hike expectations over the next two months after the comments from Monetary Policy Committee members to adopt a monetary policy tightening bias. In the third week of February, there still remained short term overliquidity, which reduced the O/N money price and receded only after the drainage of excess money following NBP open market operations. Moderate inflation in January this year and good money supply results slightly lessened interest rate hike expectations in the near future, which caused a fall in WIBOR rates greater than 1 month of more than 50 basis points. However, an increase in the money price cannot be excluded in the near future if January current account data prove to be poor.

Treasury bills

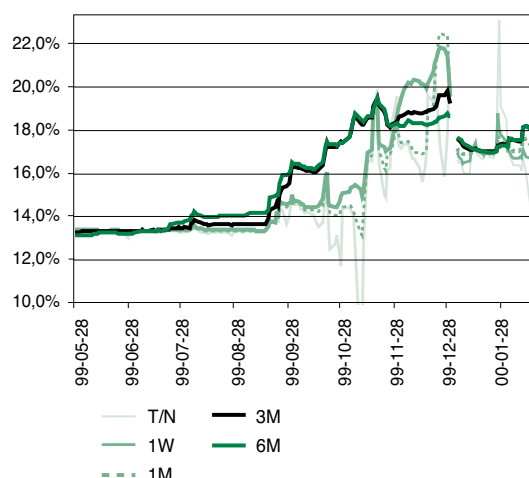
At a treasury bill auction on Monday, 17 January, the 13-week treasury bill yield fell by 24 basis points, and 52-week treasury bill rose by 15 basis points up to 16.25%. 13-week bill supply was very small - only PLN 100m, which was the reason for the average yield fall. This year, the Finance Ministry applies very sharp cost limits to public debt servicing. The Finance Ministry seeks to keep the 13-week bill yield low as it determines the interest rate of 3-year variable bonds. At a treasury bill auction on Monday, 24 January, the 13-week treasury bill yield decreased by 11 basis points, 26-week bill yield decreased by 31 basis points and 52-week bill yield increased by 3 basis points. The falls of average 13-week and 26-week bill yields were due to very small supply - PLN 100m in each category. In the third week of January, in the treasury bill secondary market no significant changes took place. At a treasury bill auction on Monday, 31 January, demand of PLN 1.744bn was experienced with a Finance Ministry offer at PLN 900m. Despite an excess of demand over supply because of a large treasury bond offer at an auction on Wednesday, 2 February, 13-week and 52-week treasury bill yields at Monday's auction increased by 5 and 16 basis points respectively. In the fourth week of January, in the secondary treasury bill market, yields rose moderately. At a treasury bill auction on Monday, 7 February, demand of PLN 1.873bn was experienced with a Finance Ministry offer at PLN 900m. Despite an excess of demand over supply following the expected large treasury securities supply, 13-week, 26-week and 52-week treasury bill yields rose by 8, 12 and 22 basis points at the Monday's auction. In the first week of February, in the treasury bill secondary market, there was an increase in treasury bill yields which was the greatest for 6M, 9M and 12M - by 20, 30 and 20 basis points respectively.

On Monday, 14 February, demand of PLN 1.6bn was experienced with a Finance Ministry offer of PLN 1.0bn (100 m 13-week, 200 m 26-week and 700 m 52-week). Treasury bill yields rose, reaching average 15.77% for 13-week bills, 16.54% for 26-week bills and 16.98% for 52-week bills. In the second week of February, in the treasury bill secondary market, there was an increase in treasury bill yields which was the greatest for 6M, 9M and 12M - by 30, 30 and 35 basis points respectively. In the third week of February, treasury bill yields stabilised at 16.10% for 3M bills, 16.85% for 6M bills and 16.90% for 12M bills. In the near future, treasury bill yields should continue to go up or stabilise at high levels.

**T-Bill yields
(secondary market)**



WIBOR rates



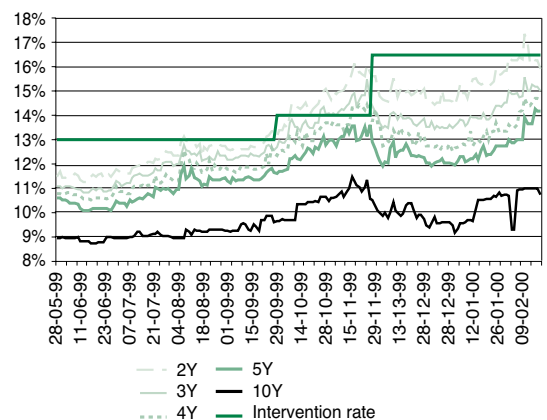
Treasury bonds

The secondary treasury bond market remained calm throughout the second week of January except Wednesday, 12 January, when due to profit taking from the previous primary market auction, 2-, 3- and 4-year bond yields increased by 60 basis points, and 5-year bond yields increased by approx. 30-40 basis points. Inflation and industrial output data in December 1999 did not have any impact on the market. At a treasury bond auction on Wednesday, 19 January, the Finance Ministry sold PLN 400m worth of 10-year fixed rate bonds yielding 6%. As expected, the yield at the auction topped 10%. The average yield was 10.57% and the maximum yield was 10.67%.

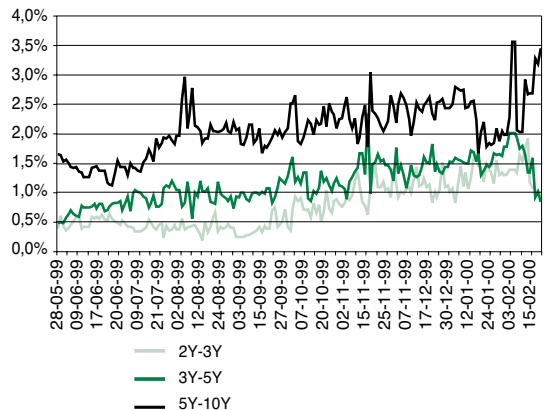
The secondary treasury bond market remained calm throughout the third week of January except Wednesday, 19 January, when 3-year yields increased by 24 basis points. After Wednesday's auction, 10-year bond yields rose up to the yield obtained in the primary market. On Wednesday, 26 January, investors began to sell off their treasury bonds, preparing their portfolios for higher yielding securities to be purchased at an auction on Wednesday, 2 February. At a treasury bond auction on Wednesday, 2 February, the Finance Ministry sold PLN 1.5bn worth of 5-year fixed rate bonds yielding 8.5% and 2-year zero-coupon bonds of PLN 1bn. Such large treasury bond supply in the primary market caused a sharp yield increase - the average 5-year bond yield was 13.064% and 2-year bond yield reached 16.127%, and their maximum yields were 13.275% and 16.318% respectively. In the first week of February, in the treasury bond secondary market, treasury bond yields were rising relative to mounting concerns over an interest rate increase in 1Q this year. A 2-year bond yield increase was as many as 45 basis points, whereas at the longer end of the curve, yields increased by 10 to 20 basis points. At a treasury bill auction on Wednesday, 9 February, the Finance Ministry sold 10-year variable bonds of PLN 330m. The average price amounted to PLN 979.09 and the minimum price was PLN 974.30 with the nominal value of PLN 1000. Bids totalled PLN 430m and the offer was PLN 400m. At an auction on Wednesday, 9 February, the Finance Ministry converted the health service debt of PLN 333m into fixed rate bonds (PLN 251 m into 2-year bonds, PLN 66 m into 3-year bonds, and PLN 16 m into 5-year bonds). Banks offered a debt of PLN 1.7bn for conversion. As very few bids were accepted and it is more profitable for banks to hold bonds rather than a non-liquid debt, even a high yielding debt, the Finance Ministry obtained yields below market levels. In the treasury bond secondary market, treasury bond yields increased on Thursday, 10 February, in response to information about the tightening bias assumed by the Monetary Policy Committee. A 2-year bond yield increase was as many as 99 basis points, whereas at the longer end of the curve, yields increased by 50 and 90 basis points for 4Y and 5Y respectively.

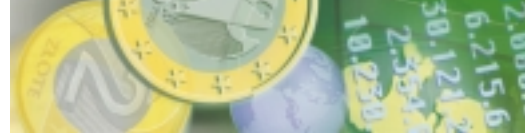
In the third week of February, treasury bond yields slightly fell relative to good inflation results in January and external demand for Polish treasury securities whose yields had achieved very attractive levels. In the near future, treasury bond prices will be determined by portfolio flows following from the interest rate differential between individual emerging economies and the assessment of the current macroeconomic situation, especially the current account deficit and industrial output. A further fall in treasury bond prices cannot be excluded.

**T-Bond yield
(secondary market)**



Differences in T-Bond yields





Sold industrial output results in 1999

According to data from the Central Statistical Office, total sold industrial output in 1999 increased against the previous year by 4.4% (against 4.8% in 1998). An increase in industrial activity in companies of more than 5 employees was 5.3% and in the case of gas and electricity supply the increase was 3.0%. At the same time, a 5.7% decrease in production was experienced in quarrying and mining industries.

Between 1998 and 1999, there was a slowdown in the economy due to both internal and external factors, such as a cooled down policy and export decrease triggered by the Russian crisis. Last year, earlier output results were gradually being restored. Quarterly sold industrial output changes, presented in the graph below, present this phenomenon quite well. In 4Q 1998 and 1Q1999, sold industrial output was lower than in the same periods the year before. Industrial output falls were -0.8 and -3.1% respectively. 2Q 1999 was characterised by an inconsiderable output increase of 1.2%. In the latter half of last year, quarterly sold industrial output changes confirmed the reversal of the tendency. In 3Q, sold industrial output increased by 7.4%, and in 4Q - by 11.7%.

Among 21 manufacturing sectors subject to analysis, as many as 14 were characterised by an industrial output increase, and the other 7 recorded results worse than in 1998 (in constant prices). Above all, output in the following sectors increased: publishing and printing (by 21.1%), manufacture of rubber and plastic products and manufacture of vehicles, trailers and semi-trailers (in both cases by 17.1%). The share of these industries in the total sold industrial output in 1999 was 3.1%, 3.7% and 6.9% respectively. On the other hand, definitely fewer goods were manufactured in the following sectors:

- manufacture of metal products (by 9.4%),
- manufacture of tobacco products (by 6.4%).

These sectors represented 4.8% and 1.0% respectively of the total sold industrial output last year.

In 1999, a decline in results of sectors related to the Russian market was experienced (sectors of great export importance before the Russian crisis) such as: manufacture of textiles, processing of leather and manufacture of leather products, manufacture of clothing and furriery and manufacture of chemicals and chemical products. According to data from the Central Statistical Office, in the first three quarters of 1999, there occurred a decrease in exports to Russia of the following goods (as per the SITC section):

- machinery, equipment and transport equipment by 68.2%,
- various industrial products by 66.6%,
- foodstuffs and livestock by 65.2%,
- commodities classified by raw material by 50.9% and
- chemical industry products by 49.8%.

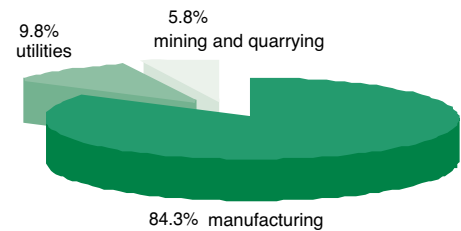
In the first three quarters of 1999, the major Polish companies' partners both as regards exports and imports were companies based in European Union countries. In the period subject to analysis of the previous year, the share of these countries in total exports shifted up to 71.0% (from 66.9% in the same period in 1998), and in imports up to 65.5% (from 65.4%). In 1999 January-September period, 10.7% more commodities were exported to European Union countries than in the previous year while imports increased by 6.2%. Germany is Poland's most important EU partner. The share of Germany in total exports increased over 1999 three quarters up to 36.3%.

And imports from Germany in this period represented 25.4% of total imports. As per the SITC section, the sale to Germany of the following goods increased:

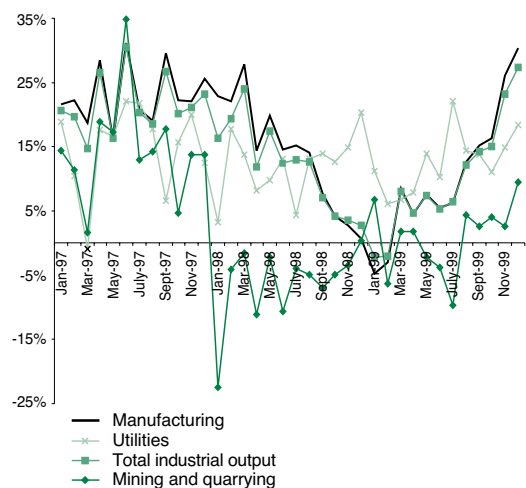
- inedible raw material except for fuel by 13.21%,
- various industrial products by 12.8%,
- industrial commodities classified by raw material by 6.7%,

The value of chemical and related products exported to Germany decreased by 2.9%.

Structure of total industrial output (I-XII 1999)



Industrial Output Growth (y/y, current prices)



Industrial output

Industrial output structure

One fifth of total sold industrial output in 1999 were food products and beverages. Electricity, gas, steam and hot water supply covered nearly 9%. Almost 85% of total sold industrial output is classified as manufacturing activity. Moreover, the following sectors were characterised by a relatively high share of total sold industrial output:

- manufacture of motor vehicles, trailers and semi-trailers (6.9%),
- manufacture of chemicals and chemical products (5.8%).

Total highly processed products as a share of total output may be estimated at 19.5% of total sold industrial output (in comparison to 19.2% in 1998). Chemical industry products constitute 13.4% of total industrial output compared to 12.8% in 1998. On the other hand, the share of foodstuffs, metal and light industry decreased last year.

Productivity

In 1999, there was an improvement in labour productivity in all sectors of manufacturing industry. First of all, the productivity increased in manufacturing of motor vehicles, trailers and semi-trailers (by over 23% in constant prices). This was determined by a sharp output increase (by 17.1%) with a simultaneous employment rate decrease of 5k people. A significant productivity improvement occurred also in the following sectors:

- manufacture of electrical machinery and apparatus by 18.1%,
- manufacture of pulp and paper by 17.6% and
- manufacture of other non-metallic mineral products (15.2%).

A productivity increase as regards the manufacture of electrical machinery and apparatus was due to a substantial output increase of 14.4% against 1998 and a fall in the employment rate of 3.2%, i.e. 3k people. The productivity increase in the manufacture of pulp and paper was of a similar nature. Output increased by 14.7% whereas the employment rate in this sector dropped by 2.5% (1k people). Analogously, in the case of the manufacture of non-metallic mineral products, the increase in productivity with an inconsiderable employment rate drop resulted in increased labour productivity (12.8% and -3.2% respectively).

An insubstantial increase in productivity (below 1%) took place in the following three sectors: manufacture of clothing and furriery, manufacture of metals, and manufacture of coke, refined petroleum products and derivatives. The former two sectors were characterised by a drop of both output results and employment rate. On the other hand, in the case of the manufacture of coke, refined petroleum products and derivatives, there has been no change in the size of these two figures experienced.

Production factors

The total investment outlays in industry in the first three quarters of 1999 increased by 1.1% against 26.3% in the same period in the previous year. Mainly, investments were made in food and car industry. The share of these sectors in the total sold industrial output was 20.3 and 6.9% respectively in 1999. The shares of these investments in total investments expenditure in industry were respectively 12.3% and 8.5%. Out of all employed in the corporate sector, every tenth person worked in the sectors referred to above.

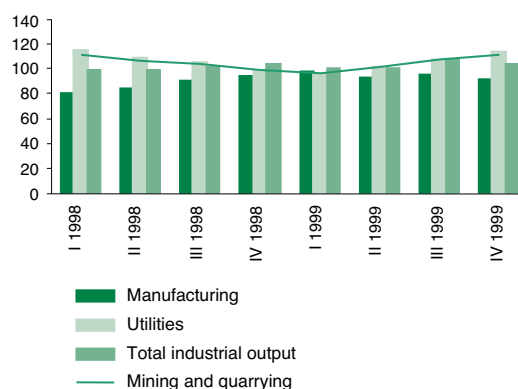
In 1999 January-September period, investment expenses increased in the following sectors:

- manufacture of wood and wood, straw and wicker products and manufacture of motor vehicles, trailers and semi-trailers by over 60%;
- manufacture of textiles, manufacture of coke, refined petroleum products and derivatives, manufacture of other non-metallic mineral products and manufacture of radio, television and communication equipment and apparatus by over 50%.

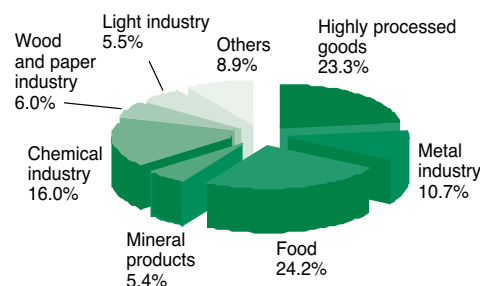
In 1999, wood industry products constituted 3.0% of total sold industrial output at the average employment of 106k people. The manufacture of textiles as a share of industrial output in 1999 was 1.8% at the employment similar to the manufacture of wood and wood products (107k people). The manufacture of coke, refined petroleum products and derivatives; the manufacture of other non-metallic mineral products and the manufacture of radio, television and communication equipment and apparatus as a share of total sold industrial output was 10.4%.

On the other hand, a decrease in capital expenditures over three 1999 quarters occurred in the leather industry (processing of leather and manufacture of leather products), tobacco industry (manufacture of tobacco products), clothing industry (manufacture of clothing and furriery) and in quarrying and mining industries. The manufacture of leather and clothing products and furriery constituted together 2.8% of total industrial output and employed 4.8% of the total employed. The manufacture of tobacco products was 1.0% of total industrial output at the employment of 10k people (with a downward tendency). The average employment in the mining industry last year decreased by 40k.

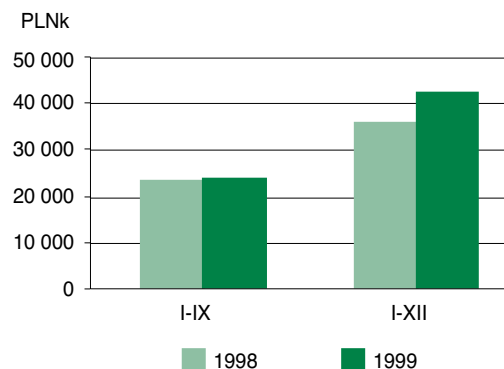
Industrial Output Growth y/y



Structure of total industrial output (I-XII 1999)



Total investment expenses in industry





Employment

Last year, together with the changes of individual sector manufacturing results, changes of the average employment in enterprises were taking place. In 1999, the average employment was 5m 795k people and it was lower by 1%, i.e. 61k people than in the previous year. The greatest drop in the employment occurred in mining and quarrying industries. As these sectors were subject to restructuring, last year 41k people less worked there against 1998. In the manufacture of machinery and equipment, manufacture of textiles and manufacture of metals, there also occurred substantial reductions in the employment. In these three sectors, there were 50k people less employed. Decreases in the average employment rates in some sectors were partially offset by increases in others. The average employment increased in 5 of the 21 manufacturing categories subject to analysis. The employment in publishing and printing grew by 6k people. Furthermore, the average employment in the manufacture of rubber and plastic products and manufacture of metal products increased by 4k people and 2k people respectively.

Real wages

Last year, real wages grew by 3.1%. In nominal terms, corporate wages increased by 10.4% against average annual inflation at 7.3%. This increase was lower than in 1998 when real corporate wages increased by 3.8%.

The greatest increase in real wages concerned the manufacture of radio, television and communication equipment and apparatus (7.4%), manufacture of pulp and paper (6.4%) and publishing and printing (5.7%). There was a decrease in real wages in mining and quarrying industries subject to restructuring and in the manufacture of clothing and furriery.

Labour market

In 1999, there was a significant increase in the unemployment rate from 11.4% in January up to 13% as at the end of December (compared to 10.4% in December 1998). This increase was related to the restructuring process of heavy industry and to the introduction of the pension reform (registration in job centres to calculate premiums). At the end of 1999, the following provinces were characterised by the highest unemployment rate: warmińsko-mazurskie (22.8%), lubuskie (17.5%), zachodniopomorskie (17.5%). On the other hand, a relatively low unemployment rate was recorded in the following provinces: mazowieckie (9.6%), śląskie (9.9%) and małopolskie (10.3%).

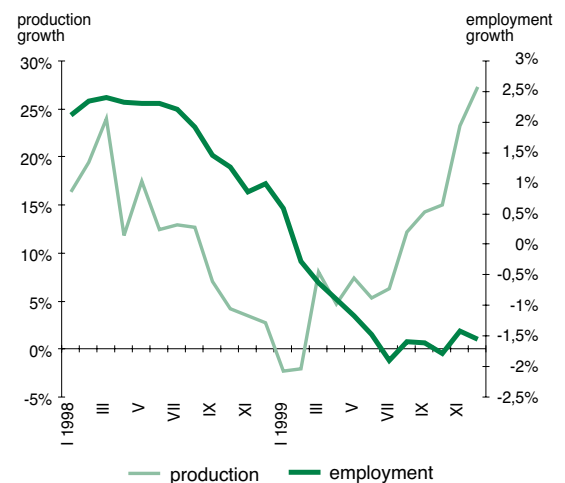
Last year, the number of unemployed increased by 28.3%. At the end of 1999, in job centres, over 2.3m unemployed were registered, of which 55.6% were women. Most often, the unemployed registered in job centres had worked earlier (76.3%). At the end of 1999, the number of unemployed was 1 793k of whom 9.7% had been made redundant. The unemployed registered in job centres at the end of December 1999 represented mainly rural residents (44.9). Out of the registered unemployed at the end of 1999, as many as 76.4% were not entitled to unemployment benefit (of whom 45.6% represented rural residents). A substantial number of the registered unemployed had been looking for a job for over a year (38.7%). The greatest share of the registered unemployed represented those with 10-20 year experience (25.2%). A high share of unemployed were those who had previously worked in private sector units (66.2%) of whom 28.2% had worked in manufacturing companies (mainly in wholesale and retail and garages - 19% and in the construction industry - 10.5%).

The predominating group among the registered unemployed had graduated from vocational schools (every third person).

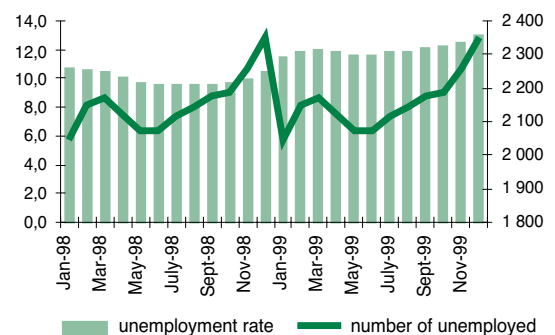
In December, the number of job offers in job centres was 33k against 49.2k in November (65% of these offers covered steady jobs). At the end of 1999, job centres had offers only for 6.1k people, i.e. 385 people registered as unemployed fell on one offer.

According to data from the Central Statistical Office, in the near future 86.1k people will be dismissed, of whom 38k from the public sector.

Total industrial output and average employment (y/y)



Unemployment rate and number of unemployed (1998-1999)



Foreign trade after 11 months

After 11 months of 1999, Poland had a negative foreign trade balance of over PLN 65bn (current prices). In the January-November period, import growth slightly exceeded export growth. Exports increased against the same period in 1998 by 6.9% and they amounted to over PLN 96bn at the end of November last year. After 11 months, imports totalled PLN 162bn and they were 8.7% up on the same period in the previous year.

The geographical structure of Poland's trade underwent a number of changes. Against 11 months of 1998, there was a decrease in exports to central and eastern Europe countries (including Russia). Therefore, the share of these countries in the total exports dropped (from 20.7 to 16.8%), while the share of exports to developed countries, including the European Union, grew (from 73.5 to 76.6%). Imports experienced opposite changes. The share of developed countries dropped (from 74.7 to 74.2%) and the share of central and eastern Europe countries grew (from 13.1 to 14.1%).

There are closer and closer connections between Poland and European Union countries. Compared to the same period in the previous year, over 11 months of 1999 exports to these countries increased by 10.5% and imports increased by 7.9%. In effect, the share of European Union countries in the total exports represented 70.6% of the total exports. Imports from these countries represented 65.2% of total imports. Exports to the European Union amounted to PLN 68.488bn at the end of November and imports - to PLN 106.085bn.

Central and eastern Europe countries also represent an important market for Poland. In 1999 January-November period, the merchandise trade with these countries amounted to PLN 6.609bn. Exports to these countries dropped by 13.4% and imports grew by 16.3%.

Last year, Poland's major export and import partner continued to be Germany. The trade balance with this country was negative and totalled PLN 6.069bn (against PLN 5.635bn in 1998 January-November period). After 11 months, exports to Germany amounted to PLN 35.159bn which was 6.5% up on the same period 1998. Imports reached PLN 41.227bn and they increased by 6.6%.

Russia, which after 11 months 1999 came in eleventh against the second position the year before, lost its high export place. Exports to Russia dropped by 53.5% and imports increased by 21.6%. In effect, the negative trade balance with Russia deepened and amounted to PLN 6.795bn at the end of November. Against the same period 1998, the share of Russia in total exports decreased from 5.8% to 2.5%. Its share in total imports increased from 5.1% to 5.7%.

In the January-November period, the product structure of Poland's foreign trade also changed. There was a drop in exports in the following SITC sections: foodstuffs and livestock (by 9.6%), chemicals and related products (by 2.9%) and mineral fuel, grease and related materials (by 0.8%). A substantial increase in exports, by 32.3%, occurred in the following sections: oil, vegetable and animal fats and wax. However, the share of this section in total exports was inconsiderable. As regards imports, it decreased in the following sections: vegetable and animal fats and wax (by 25.3%), foodstuffs and livestock (by 5.4%) and inedible raw materials except fuel (by 5.3%). In other sectors, an import increase was noted. Particularly high in the case of beverages and tobacco (by almost 44%).

The structure of import distribution did not escape changes. In the January-November period, against the same period 1998, a drop in investment imports was experienced from 15.7 to 14.8%. At the same time, consumer imports and supply imports increased up to 20.3% (from 19.7%) and 64.8% (from 64.4%) respectively.

Above all, investment imports covered the electrical and machine industry (99.6% of total investment imports). In supply imports, electrical and machine industry and chemical industry products predominated (35.2 and 21.7% respectively). For consumer purposes, besides electrical and machine industry products, chemical industry products were imported (31.7 and 23.0% respectively).

Tab. 7. Foreign Trade Growth and Structure in 1999 January-November period

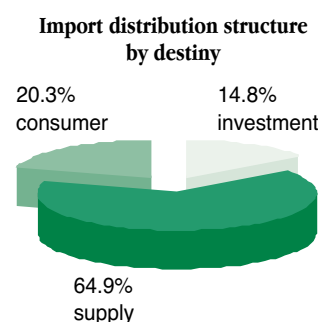
	Annual growth		Structure %	
	PLN	USD	I-XI 1998	I-XI 1999
Exports	106.9	94.8	100.0	100.0
Developed countries	11.5	99.0	73.5	76.6
Including EU	110.5	98.0	68.4	70.6
Developing countries	121.3	106.8	5.8	6.6
Central and Eastern Europe of which CEFTA	86.6	76.5	20.7	16.8
	117.8	104.3	7.3	8.1
	Annual growth		Structure %	
	PLN	USD	I-XI 1998	I-XI 1999
Imports	108.7	95.3	100.0	100.0
Developed countries	108.0	94.4	74.7	74.2
Including EU	107.9	94.1	65.7	65.2
Developing countries	104.8	92.7	12.2	11.7
Central and Eastern Europe of which CEFTA	116.3	102.6	13.1	14.1
	112.7	99.6	6.5	6.7

Sources: CSO

Tab. 8. Foreign Trade Growth and Structure in 1999 January-November period as per the SITC sekcji

structure	exports	imports
Foodstuffs and livestock	8.6	5.5
Beverages and tobacco	0.4	0.8
Inedible raw materials excluding fuel	3.1	3.1
Mineral fuel, grease and derivatives	5.1	7.0
Animal and vegetable oil, fats and wax	0.2	0.4
Chemicals and derivatives	6.1	14.4
Industrial commodities classified by raw material	25.1	21.1
Machinery, equipment and transport equipment	29.6	37.9
Various industrial products	21.1	9.6
growth	exports	imports
Foodstuffs and livestock	90.4	94.6
Beverages and tobacco	114.3	143.8
Inedible raw materials excluding fuel	117.0	94.7
Mineral fuel, grease and derivatives	99.2	118.6
Animal and vegetable oil, fats and wax	132.2	74.7
Chemicals and derivatives	97.1	113.4
Industrial commodities classified by raw material	107.8	109.1
Machinery, equipment and transport equipment	113.5	108.5
Various industrial products	108.8	110.0

Sources: CSO



Economic Release Calendar February/March 2000

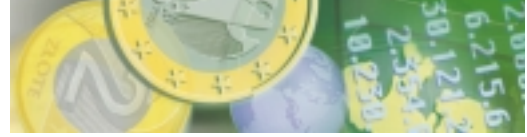
Monday	Tuesday	Wednesday	Thursday	Friday
14 February PL: Money supply (I) PL: Agricultural prices (I) PL: Employment and salaries and wages (I)	15 PL: Inflation (I) PL: State budget (I) HU: <i>Salaries and wages (XII)</i>	16	17 E11: <i>EBC Meeting</i> GER: <i>Business climate indicator IFO</i>	18 PL: Industrial production and construction (I) PL: Producer price index (I) HU: <i>Current account balance (XII)</i> HU: <i>Production (XII)</i> US: <i>Inflation (I), Trade balance (XII)</i>
21 CZ: <i>Trade balance (I)</i>	22 PL: Economic situation (I)	23 PL: Monetary Policy Council meeting PL: Food prices (I half of II)	24 HU: <i>Investments (4 Q 1999)</i> E11: <i>Balance of payments (XII)</i> US: <i>Durable goods orders (I)</i>	25 E11: <i>Production (XII)</i> US: <i>GPD (4 Q 1999)</i> HU: <i>Trade balance (XII)</i>
28 CZ: <i>Money supply (XII)</i> GER: <i>Producer price index (II)</i>	29 CZ: <i>Money supply (I)</i> HU: <i>Unemployment (I)</i> E11: <i>Inflation HICP (I)</i> E11: <i>Trade balance (XII)</i>	1 March PL: Balance of payments (I) E11: <i>Unemployment (I)</i> CZ: <i>State budget (II)</i> HU: <i>Producer price index (I)</i>	2 E11: <i>EBC meeting</i>	3 E11: <i>Money supply (I)</i> US: <i>Unemployment (II)</i> HU: <i>Industrial production (I)</i>
6 PL: Food prices (II half of II) E11: <i>Producer price index (II)</i>	7 PL: Gross fx reserves (II) PL: NBP balance sheet (II) GER: <i>Production (I)</i> HU: <i>Trade balance (I)</i>	8 GER: Unemployment (II) GER: Industry orders. (I) CZ: <i>Inflation (II)</i> CZ: <i>Unemployment (II)</i> CZ: <i>Foreign reserves (II)</i>	9 CZ: <i>Salaries and wages (4 Q 1999)</i>	10 CZ: <i>Industrial production (I)</i> CZ: <i>Salaries i Employment in industry (I)</i> GER: <i>Trade balance (I)</i>
13 CZ: <i>Producer price index (II)</i> CZ: <i>Constructions (I)</i>	14 PL: Money supply (II) PL: Dwellings (II) PL: Salaries, wages and employment (II) US: <i>Retail sale (II)</i> HU: <i>Inflation(II)</i>	15 PL: Inflation (II) US: <i>Production (II)</i>	16 E11: <i>EBC meeting</i> E11: <i>GPD (4 Q 1999)</i> US: <i>Producer price index (II)</i>	17 PL: Production of industry and construction (II) PL: Producer price index (II) US: <i>Inflation (II)</i>
20 E11: <i>Inflation HICP (II)</i>	21 US: <i>FED Meeting</i> US: <i>Trade balance (I)</i> CZ: <i>Trade balance (II)</i> CZ: <i>Balance of payments (1999)</i>	22 CZ: <i>GDP (4 Q 1999)</i>	23 PL: Food prices (I half of III) E11: <i>Production (XII)</i> E11: <i>Balance of payments (I)</i>	11 PL: National accounts (4 Q 1999) US: <i>Durable goods ordes (II)</i>



Basic Macroeconomic Data

CATEGORY	unit	1999											
		February	March	April	May	June	July	August	September	October	November	December	January
PRICES													
Consumer price index (y/y)	%	5.6	6.2	6.3	6.4	6.5	6.3	7.2	8.0	8.7	9.2	9.8	10.1
Consumer price index (m/m)	%	0.6	1.0	0.8	0.7	0.2	-0.3	0.6	1.4	1.1	0.9	0.9	1.8
Production price index (y/y)	%	3.7	4.7	5.0	5.2	5.2	5.5	5.9	6.2	6.8	7.5*	8.0	8.2
Production price index (m/m)	%	0.6	1.1	0.6	0.5	0.1	0.5	0.9	0.9	0.8	0.7*	0.5	0.5
Price index of assembly and construction production (y/y)	%	9.4	9.0	8.6	8.4	8.1	7.8	7.8	8.2	8.3	8.6*	9.1	7.8
Price index of assembly and construction production (m/m)	%	0.9	0.7	0.5	0.6	0.3	0.3	0.6	0.9	0.7	0.6*	0.5	0.6
Exchange rate USD/PLN (y/y)	%	7.2	14.0	17.0	15.2	13.3	12.2	10.2	13.1	17.6	23.3	19.6	15.9
Exchange rate USD/PLN (m/m)	%	7.1	3.9	1.5	-1.6	0.2	-1.5	1.8	3.3	0.7	3.5	-2.0	-1.6
Exchange rate EUR/PLN (m/m)	%	3.4	0.9	-0.1	-2.4	-2.1	-2.0	4.4	2.2	2.7	-0.1	-4.0	-1.4
Real gross wages and salaries in enterprise sector (y/y)	%	2.1	5.1	4.3	3.4	3.6	3.2	3.4	3.9	1.9	-0.3	2.3	-
ACTIVITY INDICATORS													
Gros domestic product (y/y)	%	-	1.5	-	-	3.0	-	-	4.9	-	-	4.1**	-
Industrial production (y/y)	%	-5.8	3.3	0.3	2.2	1.0	1.4	7.1	8.6	8.9	15.7*	19.1	7.9
Industrial production (m/m)	%	-0.4	21.8	-7.0	1.2	0.1	-2.0	4.6	9.3	0.1	-1.0*	5.7	-19.0
Construction and assembly production (y/y)	%	-3.0	1.2	2.8	4.2	4.9	-0.3	4.3	5.2	-0.1	6.1*	12.3	4.5
Construction and assembly production (m/m)	%	5.7	19.1	10.3	10.8	9.6	-0.5	6.4	8.9	4.4	-18.0*	49.3	42.3
Retail sales of goods (y/y)	%	12.5	25.6	16.3	19.3	25.3	26.4	25.9	24.8	25.1	32.2	34.6	-
Retail sales of goods (m/m)	%	6.4	25.5	-0.9	3.1	2.1	4.2	0.6	0.4	4.6	-2.3	23.2	-
Exports on a customs base (y/y)	%	-6.3	-6.5	12.0	7.7	12.2	2.1	-0.7	12.3	15.0	3.3	12.5	-
Exports on a customs base (m/m)	%	-10.4	10.1	23.1	-10.8	1.8	-3.3	-3.1	4.4	12.8	-1.8	-11.5	-
Imports on a customs base (y/y)	%	-1.6	-6.5	7.8	9.7	10.1	5.4	7.3	14.8	11.2	9.8	19.6	-
Imports on a customs base (m/m)	%	-17.0	10.0	31.3	-9.1	0.5	-0.5	1.1	-1.7	14.7	2.4	-3.4	-
LABOUR MARKET													
Number of unemployed	thous. persons	2 147	2 170	2 122	2 073	2 074	2 116	2 144	2 178	2 187	2 257	2 350	-
Rate of unemployment	%	11.9	12.0	11.8	11.6	11.6	11.8	11.9	12.1	12.2	12.5	13.0	-
Average employment in enterprise sector	thous. persons	5 818	5 808	5 799	5 779	5 771	5 748	5 747	5 735	5 738	5 723	5 679	5 319
Average monthly gross wages and salaries	PLN	1 626	1 742	1 780	1 767	1 827	1 852	1 823	1 875	1 881	1 946	2 186	1 882
Nominal increase in salaries (y/y)	%	8.0	11.7	11.1	10.2	10.5	9.9	11.1	12.3	10.9	9.0	12.3	17.2
STATE BUDGET													
State incomes	PLN bn	17.3	27.7	37.8	46.8	56.5	65.8	76.8	89.0	100.6	112.5	125.9	-11.0
State outflows	PLN bn	24.6	36.5	46.7	57.0	67.9	78.4	88.9	100.2	112.6	124.6	138.5	-11.8
Budget state deficit	PLN bn	-7.3	-8.7	-9.0	-10.2	-11.3	-12.5	-12.1	-11.3	-12.1	-12.1	-12.6	-0.9
Domestic government debt	PLN bn	-	131.7	-	-	133.4	-	-	130.9	-	-	-	-
Foreign government debt	PLN bn	-	127.3	-	-	123.0	-	-	130.5	-	-	-	-

Basic Macroeconomic Data



CATEGORY	unit	1999											
		February	March	April	May	June	July	August	September	October	November	December	January
BALANCE OF PAYMENTS													
Current account	USD m	-512	-833	-938	-690	-1 138	-1 055	-786	-1 147	-849	-1 178	-1 640	-
Trade balance	USD m	-784	-825	-1 036	-1 031	-1 303	-1 322	-1 233	-1 309	-1 139	-1 561	-1 706	-
Exports	USD m	2 495	2 398	2 161	1 989	2 122	2 092	2 078	2 044	2 221	2 151	2 515	-
Imports	USD m	3 279	3 223	3 197	3 020	3 425	3 414	3 311	3 353	3 360	3 712	4 221	-
Services: net	USD m	-110	-155	-163	-128	-111	-125	-129	-127	-128	-140	-208	-
Unclassified transactions: net	USD m	242	237	232	300	253	301	429	423	426	299	174	-
Capital and financial account	USD m	154	796	491	548	726	1 279	1 015	877	863	834	1 297	-
Direct investment	USD m	317	530	364	403	426	297	1 393	745	363	789	681	-
Portfolio investment	USD m	-177	-46	3	-251	196	70	227	-432	451	809	306	-
MONEY SUPPLY													
Money supply	PLN bn	227	230	231	233	236	238	242	246	251	255	263	255
Money supply (y/y)	%	27.2	27.6	25.7	24.5	22.9	21.1	19.6	20.9	22.4	22.9*	19.3	15.1
Money supply (m/m)	%	2.3	1.5	0.2	1.1	1.2	0.9	1.4	1.7	1.9	1.5*	3.5	-3.1
Total deposits (y/y)	%	29.8	29.5	28.1	26.8	24.6	22.5	21.2	22.3	23.5	24.2*	18.3	15.6
Total deposits (m/m)	%	2.1	1.2	0.0	1.4	0.8	0.8	1.7	1.9	1.8	2.1	2.4	-1.7
Households loans (y/y)	%	33.7	35.8	37.4	39.2	41.1	42.9	45.4	47.6	46.0	52.2*	53.0	52.8
Households loans (m/m)	%	1.6	3.2	3.1	3.8	4.5	4.7	4.5	4.5	3.7	4.3*	4.5	0.8
Corporate loans (y/y)	%	28.8	28.2	27.2	27.2	25.0	25.4	24.0	23.8	24.5	23.7	21.6	20.6
Corporate loans (m/m)	%	2.7	1.6	1.2	1.6	0.6	0.8	2.0	3.0	2.5	2.2	-1.5	2.3
FINANCIAL INDICATORS													
Average deviation from central parity	%	-2.1	-0.2	-0.2	-2.4	-3.7	-5.6	-2.9	-0.5	0.8	2.0	-1.3	-3.0
Average exchange rate USD	PLN	3.7948	3.9430	4.0016	3.9368	3.9431	3.8827	3.9510	4.0799	4.1092	4.2527	4.1696	4.1036
Average exchange rate EUR	PLN	4.2494	4.2886	4.2843	4.1830	4.0969	4.0166	4.1946	4.2881	4.4031	4.3974	4.2200	4.1608
Average exchange rate DEM	PLN	2.1727	2.1928	2.1905	2.1387	2.0947	2.0537	2.1447	2.1925	2.2513	2.2484	2.1577	2.1274
Average WIBOR T/N	%	13.15	13.32	13.46	13.36	13.29	13.30	13.27	13.67	13.82	15.49	17.64	17.42
WIBOR 1M	%	13.36	13.36	13.36	13.35	13.34	13.34	13.39	13.83	14.72	16.94	20.47	17.11
WIBOR 3M	%	13.25	13.23	13.22	13.26	13.31	13.38	13.64	14.32	16.64	18.55	19.03	17.18
Average yield 3M bills	%	12.17	12.52	12.36	12.35	12.28	12.40	12.56	12.54	13.71	15.41	16.29	16.01
Average yield 12M bills	%	11.39	12.15	12.05	12.22	12.18	12.33	12.44	12.91	14.63	15.98	16.01	16.19
Average yield 2Y bonds	%	10.87	11.16	10.92	11.32	11.50	12.09	12.75	13.09	14.63	15.39	14.78	14.87
Average yield 10Y bonds	%	-	-	-	8.95	8.89	9.06	9.23	9.59	10.50	10.59	9.83	10.14
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	13.0	13.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0	16.5	16.5	16.5
Rediscount rate	%	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	19.0	19.0	19.0
Lombard rate	%	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	20.5	20.5	20.5
Monthly devaluation rate	%	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3

** initial data for 1999 r. * corrected data



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