Poland's Economy. Financial Markets

March 2000 No. 9

Major economic tendencies:

- On Wednesday, 23 February, the Monetary Policy Committee surprised markets with an unexpected, warning rate hike of 100 basis points. The intervention rate was raised to 17.5%, the rediscount rate to 20% and the lombard rate to 21.5%. As the hike was accompanied by a tightening bias, it represented quite a strong signal. The main motivation of the Monetary Policy Committee was to counteract inflation. It seems that the Monetary Policy Committee wishes to give a strong signal of it's intent to meet its inflation target of 5.4-6.8%.

- In February, industrial output increased by 7.2% m/m and 16.3% y/y. In the last two months, industrial output was unusually volatile, it tumbled by 19% in January and rose by over 7% in February. Industrial output rose evenly at 6% to 7.5% in all three sections in February after surprising two digit falls in the three sections in January. In the first quarter of 2000, industrial output growth was 11% up on the first quarter of 1999. However, an 8% fall may be expected compared to the fourth quarter of 1999. It seems that domestic demand is starting to slow down in response to November's rate hike.

- February's price increase was in line with our own and market expectations and it totalled 0.9% m/m and 10.4% y/y. In February, inflation should reach its peak. Producer prices have been rising at a steady pace of slightly over 8% y/y.

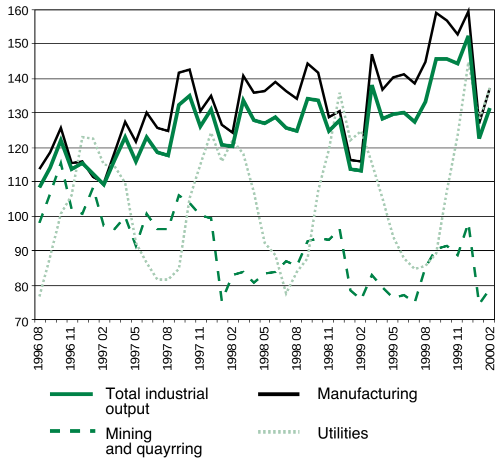
- In January, the current account deficit reached 7.7-7.8% of GDP. A decrease in exports y/y and an increase in imports are disturbing signals. In the latter half of the year, we are expecting current account stabilisation at about 7.3% of GDP.

- Substantial demand for Polish securities by foreign investors has been causing a decline in primary and secondary market yields.

- The zloty continiues to strengthen on relatively good macro-economic indicators and very large interest rate differentials.

Arkadiusz Krześniak

Industrial output
(average 1995=100)



In this Issue:

Poland's current economic situation.

At the end of February, the market was surprised by an unexpected rate hike of 100 basis points and January's current account deficit. This led to a strong increase in interest rates in the money market and a rise in treasury securities yields. Subsequent to the release of balance-of-payments data on 1 March this year, sentiment improved as the market had been expecting much worse data. Very good money supply data, neutral inflation and much better industrial output results brought about a decrease in treasury bill yields in primary and secondary markets and an increase in bond prices in the secondary market. Foreign investors have assessed that Poland's macroeconomic situation should be stable in the short term, and that the zloty will remain strong this year. The prospect of an inflation fall in the long run and high Polish securities yields resulted in substantial demand by foreign portfolio investors in March. Foreign demand for Polish stocks, which was strong in February, reduced in March along with a slowdown of an upward trend on the Warsaw Stock Exchange.

Having remained at 10% y/y for a time, inflation will gradually decline in the first and second quarters of this year. It is still uncertain whether this year's inflation target will be met, but the Monetary Policy Committee is not going to change its tightening bias in the short term. The strong zloty, stable producer prices, planned agricultural product trade liberalisation with the European Union, high interest rates and a slowdown in individual consumption ought to reduce inflation.

It seems that money and bond markets judge the current situation less pessimisticly, which, in conjunction with foreign demand, leads to a fall in market rates and a decrease in yields. Despite the lack of any material fx flows, the zloty was very strong and remained at a level that exceeded 6% deviation from parity (stronger than parity). However, the zloty equilibrium level is substantially lower at 4-5% against parity.

It seems that the economy has started responding to the rate hike in November last year. In January and February growth in personal leading notably decelerated and stabilised in year-on-year terms at approximately 52%. Simultaneously, the monthly growth of personal deposits increased. A radical fall in retail sales in January and poor industrial output in the first two months of this year may mean that consumer demand growth is experiencing a slowdown in the first quarter 2000. If so, the warning NBP rate hike in February will prove unjustified. Consumer behaviour may be conditional on seasonality (excessive consumption in December, a reduction in car loans at the beginning of this year). But it follows from consumer surveys that consumers are indeed planning to cut back their expenditures on fixed goods over the coming months.

Tab. 1. Inflation indicators

	10 1999	11 1999	12 1999	01 2000	02 2000	*03 2000F*
Consumer Price Index (m/m %)	1.1	0.9	0.9	1.8	0.9	*0.8*
Consumer Price Index (y/y %)	8.7	9.2	9.8	10.1	10.4	*10.2*
Producer Price Index (m/m%)	0.8	0.7	0.5	0.5	0.5	*0.7*
Producer Price Index (y/y%)	6.8	7.5	8.0	8.2	8.1	*7.7*
Monthly average FX rate (y/y%)	17.6	23.3	19.6	15.9	9.0	-

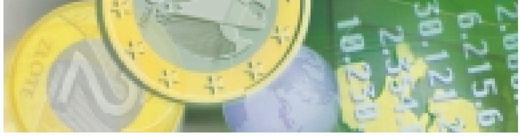
Tab. 2. Activity indicators

	09 1999	10 1999	11 1999	12 1999	01 2000	02 2000
Retail Sales Index (m/m %)	0.4	4.6	-2.3	23.3	-32.3	-
Retail Sales Index (y/y %)	24.8	25.1	32.2	34.6	23.5	-
Households loans (y/y%)	47.6	46.0	52.2	53.0	*52.5**	51.7
Industrial Output, (m/m%)	9.3	0.1	-0.9	5.7	-19.0	7.2
Industrial Output, (y/y%)	8.6	8.9	15.9	19.1	7.9	16.3
Exports, current prices (in payment terms, y/y%)	-12.5	-12.3	-11.0	-10.0*	-9.0	-
Imports, current prices (in payment terms, y/y%)	-13.2	-14.0	0.5	-3.2*	1.7	-
Foreign trade (NBP, USD mio)	-1309	-1139	-1561	-1765*	-1458	-
State Balance (PLN mio)	-11.3	-12.1	-12.1	-12.6	-0.9	-4.5

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***	***9.0***
Inflation (year end, y/y %)	18.5	13.2	8.6	***9.8***	***6.9***
Unemployment Rate (year end, y/y %)	13.2	10.3	10.4	***13.0***	***13.8***
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***	***43.5***

y/y - year on year　　m/m - month to month
E - estimated　　F - forecast
Sources: CSO, NBP, WBK forecasts and estimates
* corrected data



Tab. 4. Poland – medium-term forecast

Interest rate	1999	1Q 2000	2Q 2000	3Q 2000	4Q 2000	2000	2001	2002	2003	2004	2005
1 M	14.56	17.59	17.82	16.72	15.55	16.92	12.5	8.8	7.2	5.6	5.2
3 M	14.71	17.85	17.85	16.64	15.57	16.98	12.5	8.9	7.4	5.9	5.5
6 M	14.60	17.87	17.72	16.52	15.50	16.90	12.4	9.0	7.5	6.2	5.8
12 M	14.80	18.07	17.92	16.67	15.65	17.08	12.6	9.2	7.6	6.3	5.9
Lombard rate	17.59	21.17	21.50	20.50	19.33	20.63	15.0	11.4	8.9	7.6	7.2
Intervention rate	13.72	17.17	17.50	16.50	15.33	16.63	12.0	8.5	7.0	5.6	5.2
Treasury bonds yields											
3 Y	11.87	14.80	14.90	14.17	13.46	14.33	11.8	10.0	8.9	8.0	8.0
5 Y	11.12	12.84	12.55	11.88	11.41	12.17	10.5	9.5	8.7	7.8	7.8
10 Y	9.63	10.48	10.35	9.66	9.25	9.94	9.0	8.6	8.0	7.7	7.6
T-bills yelds											
13-weeks	13.12	16.28	16.43	15.28	14.70	15.67	11.7	8.1	6.9	6.6	6.0
52-weeks	12.97	16.79	16.78	15.63	15.05	16.07	11.9	8.3	7.1	6.8	6.2
Exchange rates											
USD/PLN	3.965	4.118	4.079	4.081	4.142	4.105	4.12	4.30	4.55	4.90	5.00
EUR/PLN	4.226	4.072	4.077	4.296	4.477	4.231	4.42	4.50	4.70	5.00	5.00
EUR/USD	1.066	0.989	1.000	1.053	1.081	1.031	1.07	1.05	1.03	1.02	1.00
Average depreciation (currency basket)	-	-	-	-	-	1.8%	2.5%	3.0%	5.1%	7.0%	1.0%
USD/PLN (end of period)	4.148	4.104	4.055	4.123	4.120	4.120					
EUR/PLN (end of period)	4.169	3.969	4.136	4.383	4.477	4.477					
EUR/USD (end of period)	1.005	0.967	1.020	1.063	1.087	1.087					
Macroeconomic indicators (end of period)											
Real GDP (y/y %)	4.1	5.3	5.5	4.6	4.4	5.0	5.5	5.2	5.1	5.5	6.0
Inflacja (y/y %) (end of period)	9.8	10.2	9.9	8.0	6.9	6.9	5.9	5.0	4.0	3.7	3.5
Inflation (y/y %) (average)	7.3	10.2	9.9	8.9	7.1	9.0	6.5	5.3	4.4	3.9	3.5
Current account/GDP (%)	-7.6	-8.0	-7.4	-7.0	-6.6	-7.3	-6.7	-6.4	-6.2	-5.8	-5.3
Budget deficyt/DGP (%)	-2.1	-2.8	-2.3	-1.9	-1.7	-2.2	-2.0	-1.9	-1.7	-1.5	-1.3
Public debt/GDP (%)	44.6	43.2	42.8	42.8	43.5	43.1	39.2	36.7	34.7	32.9	30.5
Domestic public debt/GDP (%)	20.7	19.4	19.2	19.2	19.5	19.3	16.9	15.6	14.7	14.0	12.6
Foreign debt total/GDP (%)	37.0	36.8	36.4	36.5	37.0	36.7	32.1	28.1	26.5	25.2	24.0

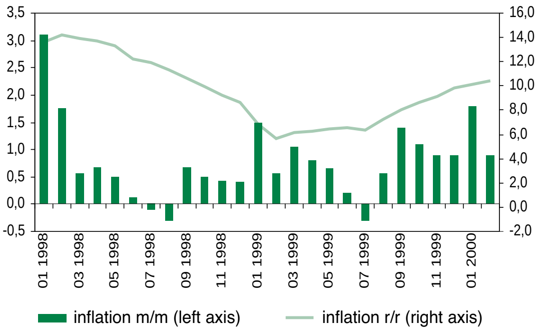
Forecast data: 20.03.2000

Notice: Forecasts based on information currently available. WBK Treasury and International Division cannot guarantee that the indicators will follow the patterns as shown above.

Inflation - consumer prices

February's price increase was in line with our and market expectations and it totalled 0.9% m/m and 10.4% y/y. Food price growth slowed down still 1.1% m/m. Services prices increased only by 0.9% in month-to-month terms. A monthly rise in goods prices of 0.8% was also moderate. It is noteworthy that January's inflation data were adjusted following a change to the consumer basket. The services price increase was 3.0% versus 2.7% as released earlier. It partially justifies a moderate services price increase in February. Annual inflation should peak in February and then should start falling gradually to around, and slightly below, 10%. Excise tax increases and continuing high oil prices will slow consumer price falls in the second quarter of 2000.

Inflation in years 1998-2000



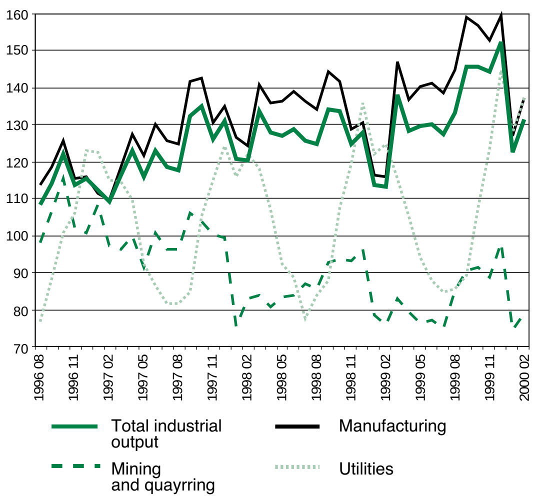
Source: CSO

Inflation - producer prices

In February, sold industrial output prices rose by 0.5% m/m and 8.1% y/y, similar to January. They were consistent with market expectations. Manufacturing producer prices grew a bit more strongly than in other sections, due to high fuel prices. In the coming months, industrial output prices are likely to be stable. Low profit margins in industry will not leave much room for price cuts even if the strong zloty reduces cost inflation from imported goods. Stable producer prices are indicating stable consumer inflation in the short term. A moderate increase in producer prices may signify a demand barrier in the first quarter of this year.

Construction and assembly output prices in February increased by 0.7% m/m and were 7.6% up on last year.

Industrial output
(average 1995=100)



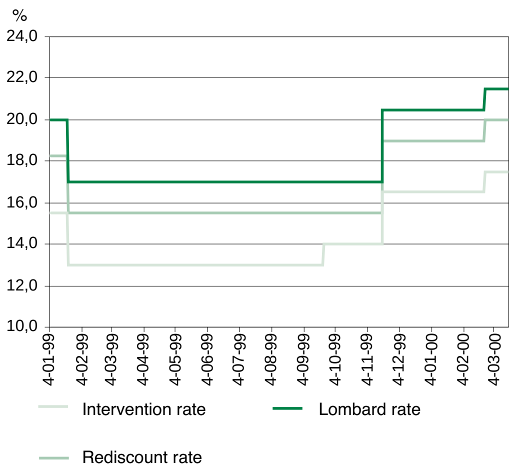
Source: CSO

Industrial output

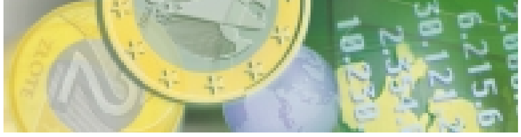
In February, the increase in industrial output was greater than the 10.2% expected by the market. Industrial output grew by 7.2% m/m and 16.3% y/y. In the last two months, industrial output was unusually volatile, it tumbled 19% in January and rose by over 7% in February. Output increased evenly by 6% to 7.5% in all three industrial sections in February, subsequent to two digit falls in all the three sections in January. In the first two months of 2000 industrial output increased by 11.9% against the 1999 January-February period due to a substantial output fall at the beginning of 1999. Industrial output rose by only 5.2% against 1998 January-February period and it slipped by 14.4% compared to 1999 November-December period. January 2000 and December 1999 were exceptional months. It seems that industrial output growth is indeed experiencing a slowdown in the first quarter 2000, but this slowdown is not as significant as might be expected after January's data release. In the first quarter of 2000, industrial output may be 11% up on the first quarter of 1999. However, an 8% fall compared to the fourth quarter 1999 is likely. Domestic demand seems to be decelerating in response to November's rate hike. In such a situation, February's rate hike of 100 basis points seems unjustified and may signify too strong a reaction by the Monetary Policy Committee.

Construction and assembly output grew by 6.6% m/m in February and was 5.5% up on last year.

Interest rates' changes



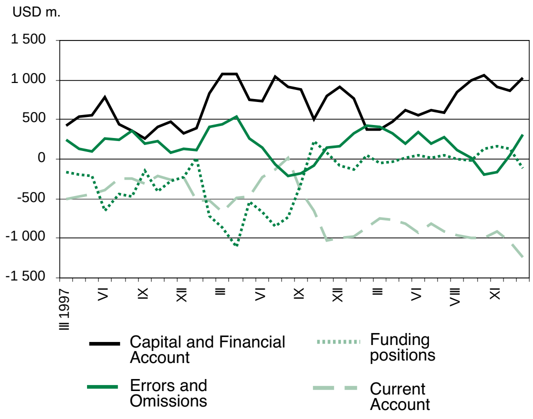
Source: NBP, WBK S.A. Treasury and International Finance



Balance of payments

In January this year, the current account deficit reached USD 1.206bn. The market accepted these poor current account deficit data as, based on comments of high ranking Finance Ministry officers and private forecasts of some Monetary Policy Committee members, a higher gap had been expected. The current account deficit reached about 7.7-7.8% of GDP. The most disappointing number related to exports. In year-on-year terms, they slipped by 9.0%. At the same time, imports grew by 1.7% y/y. As a result, the trade balance worsened by 20% in year-on-year terms. The services deficit stabilised at a disappointing level of USD 200m. The only positive signal is a monthly improvement in cross-border trade, which regained USD 300m. It appears that the very large current account deficit in December 1999 was a temporary phenomenon. Significant imports in December can be attributed to Y2k-related factors as companies accumulated stocks to guard themselves against any disruptions in supplies due to the Y2k problem. However, weak exports in January may signify that Poland's industry is entering a slowdown phase. Poland's economy is largely conditional on imports. A bias toward tightening monetary policy cannot effectively prevent the current account deficit from widening, unless GDP growth experiences a substantial decrease. We do not believe that a rate hike is a proper response to a growing current account deficit since it results primarily from poor export performance. However, the Monetary Policy Committee is likely to keep its tightening bias, especially if the public finance deficit widens.

Balance of Payments

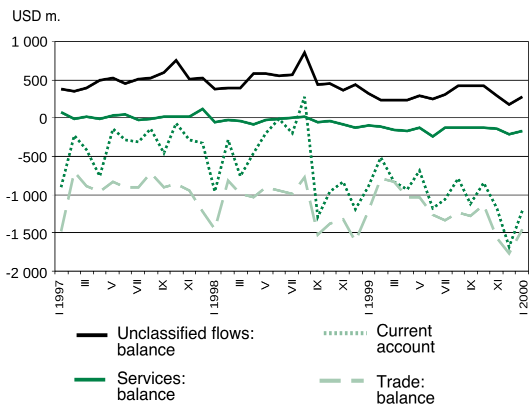


Source: NBP, own estimations

Good money supply data in February.

February's money supply data are very good. In February, money supply rose by 1.0% m/m. Money supply increase in nominal terms was 13.5% y/y but the increase in real terms was only 2.8%. Personal loans grew by just 1.1% m/m, which represents a decline in personal loan growth in year-on-year terms to 52.2% against 52.9% in January this year. A continued increase in personal deposits is a very positive signal - in February, they increased by 2.6% m/m.

Current Account
(some positions)

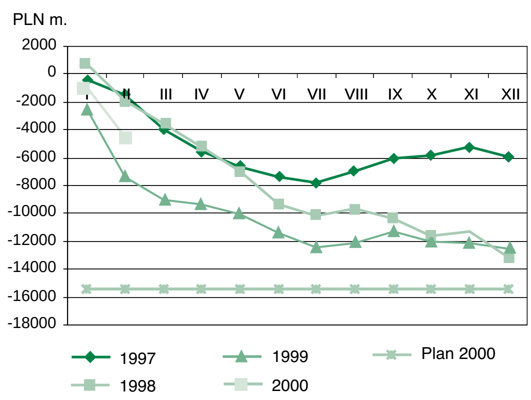


Source: NBP

State budget

In February, the central budget deficit experienced a material rise to PLN 4.5bn, reaching 29.3% of the deficit planned for 2000 at PLN 15.4bn. In February, the budget deficit grew by PLN 3.6bn mainly due to lower income and higher domestic debt service costs. Budget revenues were PLN 3.2bn behind plan as a result of lower income from indirect and corporate taxes. At the same time, following high market rates, the domestic debt servicing cost was about PLN 700m above plan. Normally we could expect a higher level of budget deficit in the first half of the year. This year that seasonal factor would appear to be exacerbated by weaker economic activity in January-February period.

Budget balance
(cumulative)



Source: Finance Ministry

Public debt stabilised in 1999

Poland's public debt stabilised in 1999 at 43.2% of GDP, the same level as in 1998. Public sector debt grew by approximately 11% to PLN 264.1bn. In the next fell years, a reduction in the public debt to GDP ratio may be expected. Foreign debt rose at a slightly faster pace than domestic debt.

The zloty gained on relatively good macroeconomic indices in February.

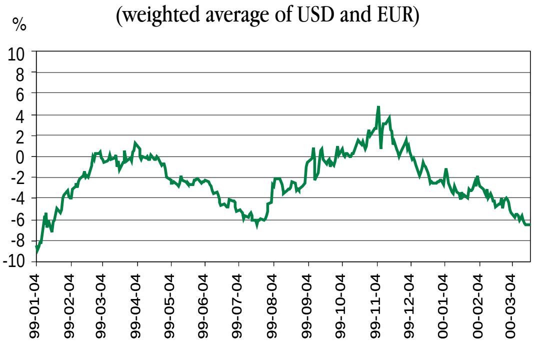
In the last week of February, the USD traded between PLN 4.0580 and PLN 4.1220. The zloty deviated between 3.7 and 5.2% higher than parity. It was very volatile due to uncertainty about the MPC meeting and January's current account data. On Wednesday, 23 February, the zloty weakened in the morning to 3.7% on the stronger side of parity due to rumours about a possible increase in crawling devaluation rate, but subsequent to the markets assessment of this move as unreasonable, the zloty stabilised at 4.2% above parity. After a rate increase, the zloty went up to 4.5% on information about the possibility of full zloty floatation.

In the first week of March, the USD traded between PLN 4.0940 and PLN 4.2100. The zloty deviated by 3.65 to 5.6% higher than parity. In the first week of March, the zloty was very volatile due to fears of January's current account data. The zloty gained after the release of current account data since they were in the middle of market expectations. On Wednesday morning, the current account deficit was expected to be much worse, about USD 1.5bn, so the market welcomed the USD 1.2bn deficit with relief. After the release of current account data, the zloty stabilised at 5.3% higher than parity. In the latter half of the week, the zloty was much more stable, though it weakened on comments that the current account deficit might increase in 2000. However, the weaker zloty tiggered foreign demand which supported the Polish currency. In the first week of March, the zloty was also supported by foreign demand for Polish T-bonds at the auction on Wednesday, 1 March.

In the second week of March, the USD traded between PLN 4.0800 and PLN 4.1480. The zloty deviated by 5.2 to 6.3% higher than parity. The zloty traded in a narrow band up to 0.5% daily movement with relatively small turnovers. On Thursday and Friday, the zloty gained on the comment of MPC member, Grzegorz Wójtowicz, that the current account deficit would drop below 7% this year.

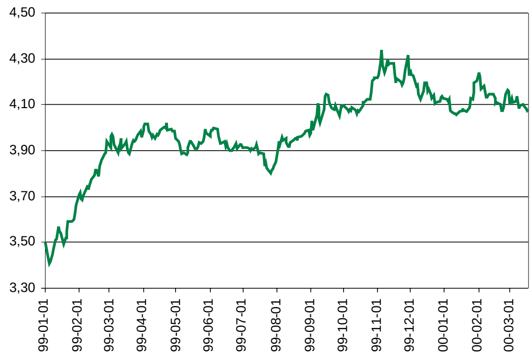
In the third week of March, the zloty gained on good macroeconomic indicators in February. The USD traded between PLN 4.0700 and PLN 4.1095. The zloty deviated by 5.6 to 6.6% on the stronger side of parity. As in the previous week, daily zloty fluctuations did not exceed 0.5%. Very good money supply data, fairly good inflation data and better than expected industrial output data in February boosted the zloty in the third week of March. After the release of better than expected industrial output data on Friday, 17 March, the zloty reached a 14 month high at 6.6%. On Monday, 20 March, at the fixing, the zloty weakened to 6.45% above parity. The current zloty level, significantly over 6% higher than parity, seems a bit too high in view of macroeconomic indicators, mainly poor export results and a large current account deficit. Currently, the chief factor contributing to the high level of the zloty is foreign demand for Polish T-bills and T-bonds whose yields are very attractive in the light of the expectations of a strong zloty in 2000. The situation may change in the event of a market rate decrease or a material delay in privatisation flows. The instability of the ruling coalition may also pose risk, but although it exists, political risk in Poland does not represent a threat to Poland's economic fundamentals. In particular, the economic paradigm adopted (privatisation, opening to foreign investments, employment rationalisation, foreign trade liberalisation, heavy industry restructuring) is not likely to change following a change in political scene in Poland.

Deviation of exchange rate from central parity
(weighted average of USD and EUR)



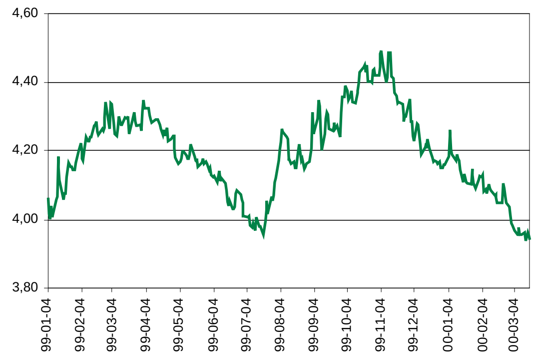
Source: NBP, Reuters

USD/PLN



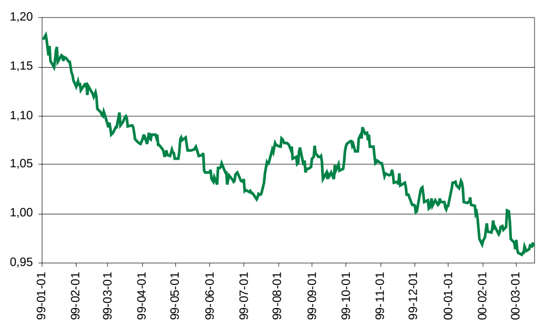
Source: NBP, Reuters

EUR/PLN

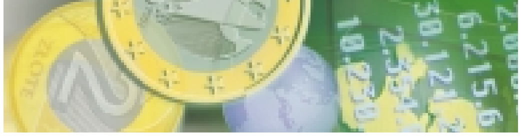


Source: NBP, Reuters

EUR/USD



Source: NBP, Reuters



Interest rates

WIBOR rates longer than one month fell in the last week of February as the market assessed that another rate hike was unlikely in the near future. At the beginning of the last week of February, short term (O/N and T/N) rates were low. They stabilised after a market liquidity drainage by the NBP. But on Monday, 28 February, overnight rates were very low, closing at 7.0/12.5%. Banks still have difficulties managing short term liquidity.

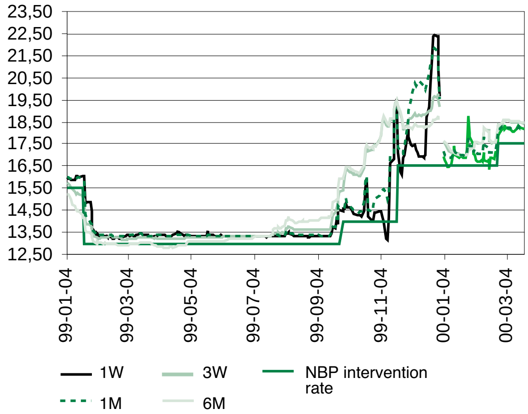
In the first week of March overnight rates were volatile. On Monday and Tuesday, they were high at the lombard rate level as a result of a liquidity shortage after satisfying the obligatory reserve requirement at the end of February. On Wednesday, 1 March, they stabilised and returned to the NBP intervention rate level. WIBOR rates longer than one month were about 1% higher than the intervention rate, which reflected the market uncertainty over further monetary policy tightening in the coming months. Overnight rates stabilised in the second week of March. On Monday, 13 March, overnight rates went up to 18.10/18.40 due to a liquidity shortage following the settlement of bonds purchased at the fixing on 1 March. WIBOR rates longer than one month stabilised at about 1% higher than the intervention rate, but 1-week and 1-month WIBOR rates were gradually falling as in the opinion of the market the risk of another rate hike in March was insignificant. In the third week of March, overnight rates were stable at the intervention rate level. Longer term WIBOR rates were also stable. Such a situation continueed up to the end of March.

Treasury bills

At the primary auction, 21 February, 52-week T-bill yields reached 17.00%, 2 points up on the previous auction. Average 26-week and 13-week T-bill yields were 16.79% and 15.79% respectively. The Finance Ministry sold PLN 1.1bn of T-bills (PLN 100m of 13-week T-bills, PLN 200m of 26-week T-bills and PLN 800m of 52-week T-bills). At the primary auction, 28 February, investors bade PLN 1.513bn. The Finance Ministry sold PLN 1.0bn of T-bills (PLN 100m of 13-week T-bills, PLN100m of 26-week T-bills and PLN 800m of 52-week T-bills). The average yield of 52-week T-bills was 17.70%, 70 basis points up on the previous auction. The average yields of 26-week and 13-week T-bills were 17.30% and 16.32% respectively. At the secondary market auction, 6 March, investors bid PLN 1.656bn for T-bills. The Finance Ministry sold PLN 1bn of T-bills (PLN 100m of 13-week T-bills, PLN 100m of 26-week T-bills and PLN 800m of 52-week T-bills). The average yields of 52-week T-bills reached 18.06% and they were 36 basis points up on the previous auction. The average yields of 26-week and 13-week T-bills were 17.56% and 16.45% respectively. At the auction, 13 March, investors bid PLN 3.191bn for T-bills.

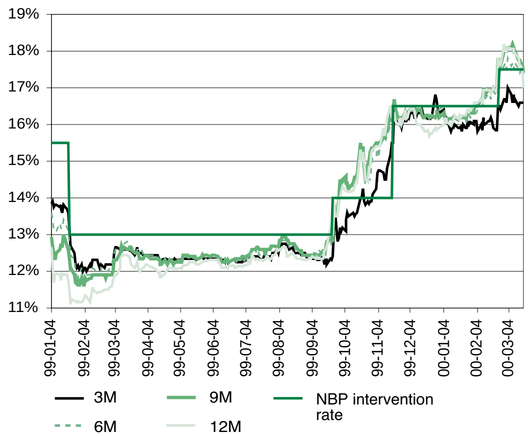
The Finance Ministry sold PLN 1bn of T-bills (PLN 100m of 13-week T-bills, PLN 100m of 26-week T-bills and PLN 800m of 52-week T-bills). Yields decreased as demand exceeded supply threefold. At the auction, 13 March, the average yields of 52-week T-bills reached 17.99%, 7 basis points down on the previous auction. The average yields of 26-week and 13-week T-bills were 17.54% and 16.42% respectively.

WIBOR rates



Source: NBP, WBK S.A. Treasury and International Finance

T-Bill yield (secondary market)



Source: NBP, WBK S.A. Treasury and International Finance

Treasury bonds

On Thursday, 24 February, secondary market T-bond yields rose by 65 to 90 basis points after an unexpected rate hike at 1% on Wednesday, 23 February. In the latter half of the week, the yields were at a similar level. On the T-bond secondary market, the yield increase was 81 basis points in the case of 2-year bond yields to 20 basis points in the case of 5-year T-bond yields. The yield of 10-year T-bonds did not respond to the rate hike as it would not impact fundamental macroeconomic trends in the long run. At the primary market auction, 1 March, Poland sold PLN 1.2bn of zero-coupon T-bonds maturing on 21 December 2001 and PLN 1.6bn of 8.5%-coupon T-bonds maturing on 12 February 2005. The average yield of 2-year T-bonds was 17.24% and 5-year T-bonds - 13.71%. Maximum yields were 17.33% and 13.80% respectively. Total demand for PLN 2.8bn T-bonds was PLN 8.8bn, of which over a half was foreign demand. At the auction on 15 March, Poland sold 10-year T-bonds with 6% interest. In spite of substantial demand, three times as large as supply, yields increased. The maximum yield was 10.70% while the average yield was 10.66%, 9 basis points up on the auction last month.

In the first week of March, secondary market T-bond yields were stable except for Wednesday, 1 March, when notable demand for T-bonds on the primary market led to a decrease in T-bond yields in the secondary market.

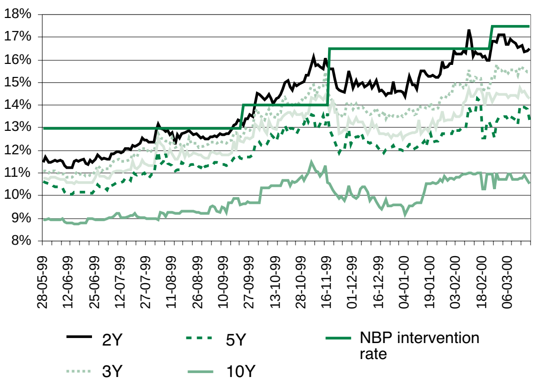
Poland boosted the issue size of 10-year benchmark bonds to EUR 600m following significant demand by foreign investors. These bonds were valued just 82 basis points below comparable German T-bonds, which is a very good result. According to the Finance Ministry, all the revenues from the issue of eurobonds of PLN 600m will be allocated to the repayment of Poland's foreign debt, and therefore, they will not be exchanged in the fx market.

In the second week of March, T-bond yields at the shorter end of the yield curve declined following the demand triggered off by the expected current account improvement in 2000. In the third week of March, among others due to significant demand for Polish 2-,5- and 10-year T-bonds, secondary market yields dropped by about 20 to 50 basis points. Foreign investors purchased approximately PLN 1bn of T-bonds. Polish macroeconomic indicators did not exhibit any signs of deteriorating in February and long term inflation prospects are still favourable although the yield spread between Polish securities and comparable securities in the EURO zone is still large.

Such a situation makes Polish T-bills and T-bonds very attractive to foreign investors.

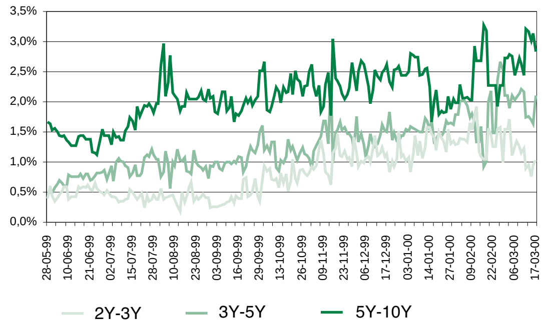
In the near term, the yields of Polish T-bonds should decline as there is no deterioration of macroeconomic indicators and great interest on the part of foreign investors.

T-Bond yield (secondary market)

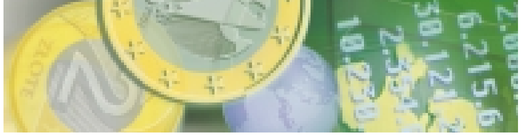


Source: NBP, WBK S.A. Treasury and International Finance

Differences in T-Bond yields



Source: WBK S.A. Treasury and International Finance



Monetary policy

On Wednesday, 23 February, the Monetary Policy Committee surprised markets with an unexpected rate hike of 100 basis points. The intervention rate was increased to 17.5%, the rediscount rate to 20% and the lombard rate to 21.5%. As this hike was accompanied by the adoption of a tightening bias, it represented quite a strong signal. The MPC announced that the main reason for raising interest rates was continuing inflationary pressures. Most probably, however, the MPC intended chiefly to curb inflationary expectations. Besides, the MPC's decision may have been affected by fears of a negative current account development. From the macroeconomic perspective, the 100 basis point hike will not have a material impact on the economy. Such a move per se cannot prevent the current account from deteriorating. It must be borne in mind that the current account deficit has not risen mainly due to a trade deficit increase but rather to a decline in cross border trade level which can be counteracted by means of administrative and/or fiscal policy measures. To some extent, the rate hike will curb GDP growth as it will cool down domestic demand. There is indirect evidence that private demand has already started slowing down (lower car sales, lower industrial output). Apart from that, the impact of November's hike has not fully materialised. The recent decision by the MPC should be regarded as an important warning signal both to consumers and to the government. Consumers should be aware that the cost of loan draw downs will go up and the government should realise that it is essential to tighten fiscal policy, especially in the public finance sector.

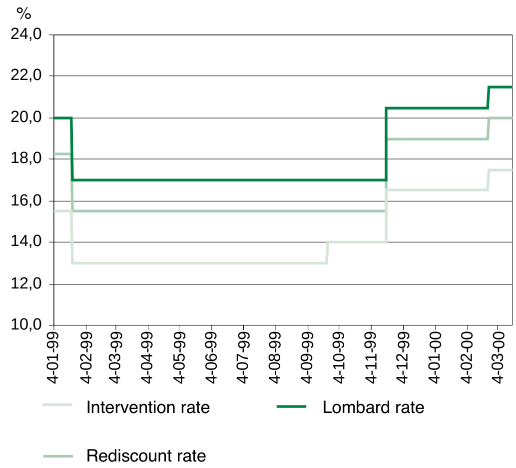
The current macroeconomic situation does not justify any further rate hikes. January's current account data were moderately negative, inflation data in February were not the worst and money supply data in February were very good.

It seems that if there is no significant deterioration in the current account, NBP interest rates will be kept at their existing levels for about two quarters. There is still the risk of another rate hike as the Monetary Policy Committee has not changed its tightening bias. At present, however, the more probable scenario is a longer holding period of current, high NBP rates.

It is worth noting that full zloty floatation was discussed again. Jarosław Bauc, finance vice-minister, announced that the zloty floatation should take place within weeks. After the latest rate hike, a better relationship between authorities responsible for fiscal and monetary policy can be expected as there is further risk of an increase in central government deficit funding costs. February's data on the execution of the state budget prove that a high cost of public debt service in the coming months will be a factor increasing the budget deficit.

According to the OECD, Poland needs restrictive fiscal and monetary policies in order to regain macroeconomic stability. High inflation and a large current account deficit pose a great threat to economic stability, and therefore, they ought to be carefully monitored. OECD representative suggests Poland should focus on finalising state sector privatisation and on reducing and restructuring heavy industry, among others mining and steel industry, to limit state subsidies. The report judges the state-supported social insurance reform positive because it has paved the way for a public debt reduction.

Interest rates' changes

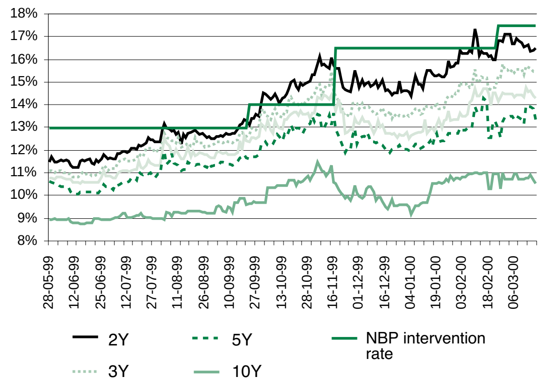


Source: NBP, WBK S.A. Treasury and International Finance

Deviation of exchange rate from central parity
(weighted average of USD and EUR)

Source: NBP, Reuters

T-Bond yield
(secondary market)



Source: NBP, WBK S.A. Treasury and International Finance

Corporate financial situation in 1999

In 1999, the financial standing of Polish companies considerably weakened. Initial data confirm a continuing adverse tendency of faster growth of costs than revenues. As a result, legal entities have poorer financial performance. Gross financial performance in 1999 fell by 23.6% year on year, and net financial results dropped by 90.4%. The greatest decrease took place in manufacturing activity where 1999 performance represented only 11.6% of 1998 performance. In transport, storage and telecommunications sectory, there occurred the greatest losses. In these sectors, net financial results slipped from minus PLN 424.3m in 1998 to minus PLN 2098.2m as at the end of 1999. Mining and quarrying industries, where the net loss amounted to PLN 3108.2m, were also characterised by negative net results last year.

In the period from January to December 1999, gross financial performance achieved by companies totalled PLN 12.8bn, of which gross profit was PLN 38.4bn and gross loss PLN 25.6bn. Gross financial results by companies in 1999 was only PLN 500m against PLN 5.3bn in 1998. There has been a drop detected in the number of companies that reported net profit; in 1999, they represented 65.9% of total companies (in the previous year 67.0%).

Macroeconomic indicators reflect the deteriorating corporate sitiuation in 1999. Compared to 1998, there has been an increase in expense indicators and a decrease in liquidity and gross and net turnover indicators. These tendencies predominated chiefly in the public sector. In the private sector, the trends were quite different (the cost level indicator dropped and liquidity and yield slightly increased).

Output

Despite expectations, in January this year no definite rise in output occurred to contribute to an improvement in the financial standing of companies. Sold industrial production went up by 7.9% against the same month last year and it was lower by 19.0% compared to December 1999. Such a considerable fall in industrial output be driven by a number of factors, a relatively high output level at the end of last year related to the Y2k problem, a seasonality effect and a change in the calculating methodology introduced by the Central Statistical Office. The fall in output occurred mainly in mining and quarrying industries (-4.7 y/y and -23.7 m/m). In the processing industry, a significant decline in output against January 1999 impacted the following areas:

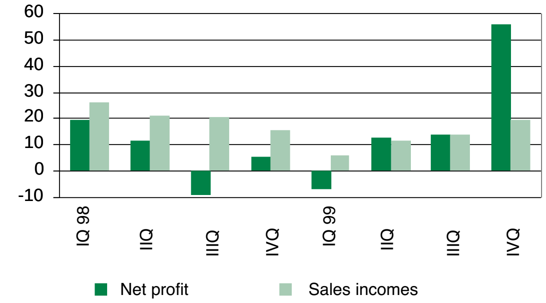
- manufacture of tobacco products (-39.1%);
- manufacture of motor vehicles, trailers and semi-trailers (-5.4%) and
- manufacture of clothes and furriery (decrease by 5.1%).

January proved a very difficult month for many companies. Month on month, output fell in 18 out of 21 manufacturing activity sections. The greatest drop, by over 70%, occurred in the manufacture of other transport equipment and the manufacture of tobacco products. In the case of medical, precision and optical instruments, watches and clocks, a significant decline took place (by over 60%). Output drops did not impact three sections: processing of leather and manufacture of leather products, manufacture of textiles, and pulp and paper. In year-on-year terms, output increases were 1.9%, 8.9% and 11.7% respectively.

Structure of industry

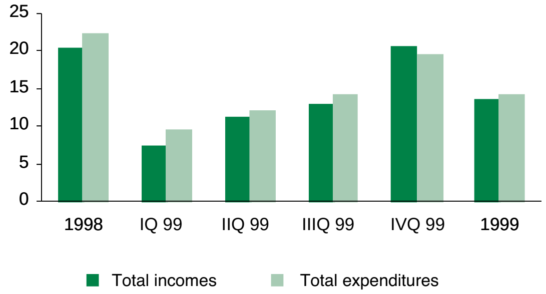
Over 81% of sold industrial output is classified to the manufacturing sector. Products manufactured come mainly from food, car and chemical industries. Products from these sectors represent 19.4%, 6.9% and 6.0% of sold industrial output respectively (as at January this year). In the case of the manufacture of foodstuffs, a decrease in total output is noticeable (against January 1998, before the Russian crisis, by nearly 3 percentage points). The share of the manufacture of chemicals and chemical products remains at approximately the same level. The share of the manufacture of motor vehicles, trailers and semi-trailers is lower than at the corresponding period last year by 1 percentage point, but it is higher than in January 1998.

Dynamics of sales incomes and net profit of enterprises (y/y)



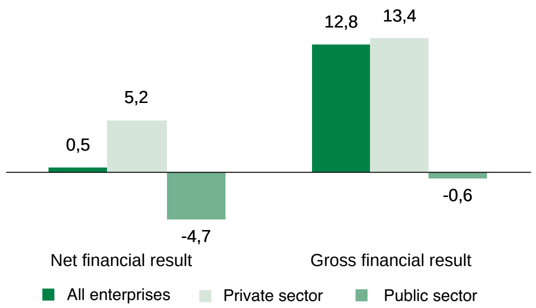
Source: CSO

Yearly dynamics of total incomes and expenditures of enterprises



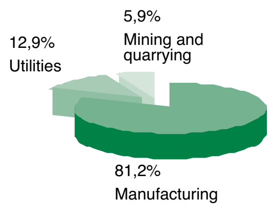
Source: CSO

Gross and net financial results of enterprises in 1999 (PLN bn)

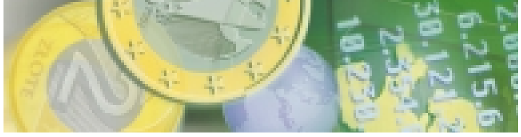


Source: CSO

Total sold production structure in January 2000



Source: CSO



Productivity

In January this year, there occurred an efficiency increase (year on year) in all industrial sections except for the tobacco industry (due to a substantial output decline). Particularly high productivity, i.e. the size of output in PLN m per employee, took place in the following areas:

- coke, refined petroleum products and derivatives (PLN 61.5m per one staff), and
- motor vehicles, trailers and semi-trailers (PLN 23.4 m per one staff)
- pulp and paper (PLN 23.3 m per one staff).

Simultaneously, the average efficiency in the manufacturing section amounts to PLN 11.0 m per employee. The following industries experiences relatively low efficiency: manufacture of clothes and furriery, manufacture of leather and manufacture of other transport equipment. It was PLN 3.0, 4.4 and 4.3m respectively per employee.

Chiefly, the increase in efficiency follows a fall in the employment in individual sectors (excluding the manufacture of coke, refined petroleum products and derivatives). This trend was accompanied by an increase in output for the last 12 months. The following four sectors showed contrarian trends: tobacco, mining and quarrying, motor vehicles, trailers and semi-trailers and clothing.

Real wages/salaries

In January, nominal wages in the corporate sector fell against the previous month, which was largely due to a seasonality effect. For the last 12 months, there has been a rise in real wages in most sectors, except for: mining and quarrying, the manufacture of tobacco products, the manufacture of pulp and paper, the manufacture of coke, refined petroleum products and derivatives. The decrease in mining and tobacco industries was related to a decline in the output of these sectors in year-on-year terms. Efficiency rose only in mining.

In pulp and paper industry and the manufacture of coke, refined pertoleum products and derivatives output increased by 25.5% and 29..3% respectively. Despite the high productivity in these sectors real wages did not increased.

Business tendencies

February's research of business trends by the Chief Statistical Office shows an improvement in business trends in three sectors industrial processing, building and trade.

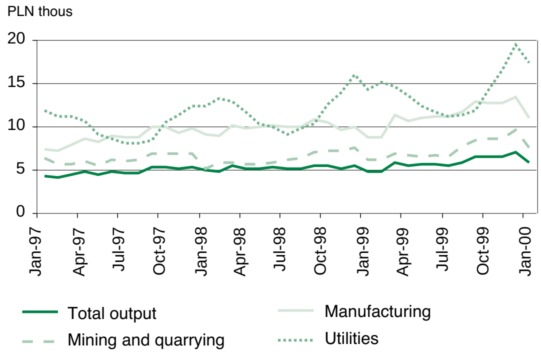
The general climate of industrial trends was judged better than in January and the same period last year. The assessment was positive despite negative assessments of the current situation mainly due to more optimistic expectations for the future. Private sector companies assessed the climate of industrial trends better than public companies. In February, the indicator of the general climate of industrial reached 9.0%. Producers considered current output negative, which was linked to limited demand. Their assessments of future output were clearly optimistic. Similarly, the current financial situation of companies was judged negative (the ability to settle payments and collect receivables from counterparties in a timely manner was regarded as negative). In the future, an improvement in the financial standing of companies and continuity of the existing tendency to reduce employment is expected.

Business tendency assessments differed in individual industrial production sectors. The highest positive assessments were given by:

- publishing and printing companies (plus 34 points);
- pulp and paper product manufacturers (plus 23 points) and
- non-metallic mineral product manufacturers (plus 22 points).

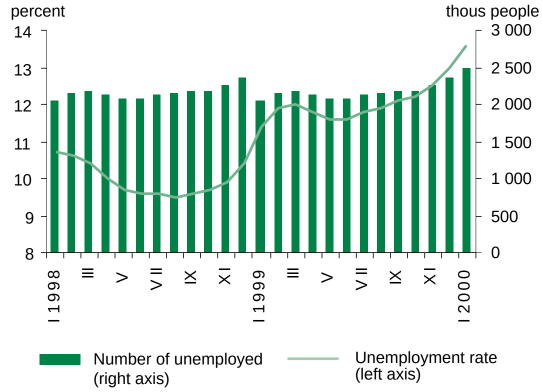
The most negative business tendency assessments came from the manufacturers of clothes, machinery and equipment and textiles, i.e. industrial sectors where output has dropped recently.

Productivity in industry



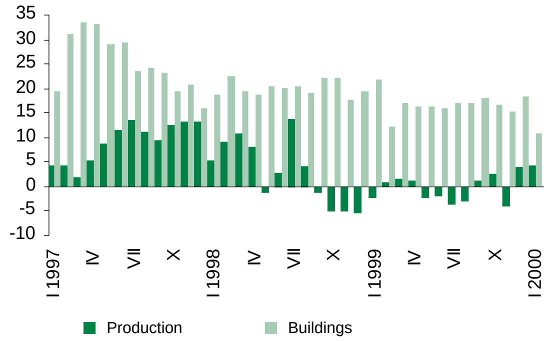
Source: CSO

Unemployment rate and number of unemployed



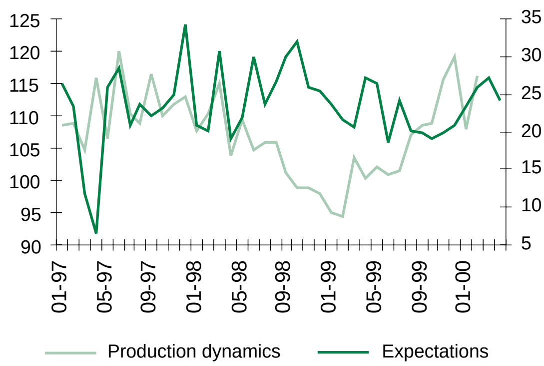
Source: CSO

Total industry climate indicator



Source: CSO

Production growth and expectations



Source: CSO

In January, the labour market continued to deteriorate. The unemployment rate substantially increased reaching 13.6% against 13.0% as at the end of 1999. Compared to the corresponding period last year, the rise hit 2 percentage points. In the lubuskie province, the unemployment rate rose by nearly 4 percentage points. Moreover, a relatively high unemployment ratio was noted in the following provinces: Pomorskie, Zachodnio-pomorskie and Warmińsko-Mazurskie. For the last 12 months, the increase in unemployment has been linked to heavy industry restructuring processes (mining and steel industries), the deteriorating standing of Polish companies and changing demopgraphics.
The highest unemployment rate was noted in the following provinces:

- warmińsko-mazurskie (23.7%),
- lubuskie (18.4%),
- zachodniopomorskie (18.3%),
- kujawsko-pomorskie (17.3%) and
- dolnośląskie (16.5%).

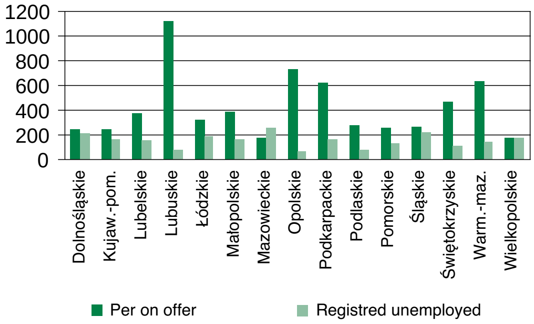
A particularly high percentage of the professionally active had no work in seven poviats (Polish administrative unit) where it exceeded 30%. These are the regions of Warmia and Mazury (poviats: bartoszycki, olecko-gołdapcki, piski) and Western Pomerania (poviats: białogardzki, gryficki, sławieński and świdnicki).
The unemployment rate was relatively low in the following provinces: mazowieckie (10.1%), śląskie (10.6%) and ma opolskie (10.8%).

In January, the number of jobless rose to 2 478 k (of whom nearly 55% represented women). Chiefly, the increase in the number of unemployed compared to the end of 1999 took place in the following provinces: śląskie (by 7.4%), opolskie (by 6.6%), lubuskie (by 6.4%) and wielkopolskie (by 5.9%). The lowest increase in the number of unemployed occurred in the following provinces: świętokrzyskie (by 4.5%) and podkarpackie (by 4.6%). In January, there were 249k of unemployed registered in job centres, of whom 20% were those who had not worked before and 9% covered those who had been employed and made redundant due to company-related reasons. Nearly 122k of jobless were excluded from the registration of job centres in January (5.2% of total unemployed). A significant portion of these individuals took up jobs offered by job centres or received advances to start their own businesses (48.8%). Over 42k people were crossed off registrations as they were not willing to take up a job. A portion of unemployed acquired pension or disability pension rights (2.1% of people excluded from the registration of job centres in January).
Those that remained in job centre registrations represented mainly those who had been employed before (77.4%) of whom 9.9% had lost their work due to company-related reasons. Rural residents made up a large group of jobless (44.3%). At the end of January this year, 76.2% of total registered did not have the right to the unemployment benefit (in śląskie, podlaskie and lubelskie provinces over 80%).
In January, 38.3k job offers were submitted to job agencies of which 56% covered steady jobs. There were 284 applicants for each job offer. In this respect, the situation in the country was very diversified. The greatest number of people per one job offer was noted in the lubuskie province (over 1120 people) and the smallest in the mazowieckie province (174 people).
According to CSO data, at the end of January, 700 companies declared the dismissal of 36.1k staff of whom 14.1k people were from the public sector.

The number of companies in individual provinces remains very diverse and impacts the employment rate in a given region. As at the end of 1999, the greatest number of companies were registered in mazowieckie and śląskie provinces which were characterised by the smallest unemployment rate at the end of January. In these provinces, commercial law companies predominated and represented 86.8 and 90.9% of total companies respectively. Relatively few companies were registered at the end of last year in the following provinces: świętokrzyskie and podlaskie (in relation to the entire country). It was not linked to a relatively high unemployment rate against other regions (15.5 and 13.0% respectively against 13.6% in the entire country).
A lower correlation occurred between the unemployment rate in individual provinces and the output growth in these regions. It may mean that regional labour markets are largely conditional on the standing of small enterprises.

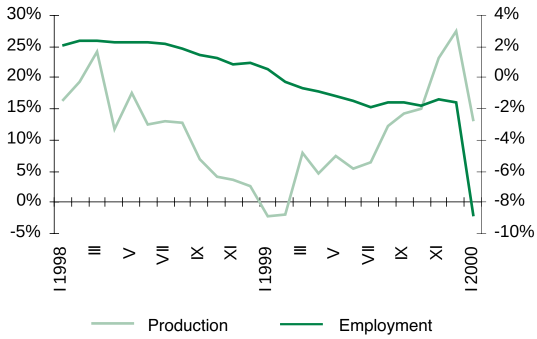
In January, the average employment rate in the corporate sector slipped by 8.8% against January 1999 totalling 5.319k people. The last 12 months have been particularly difficult for the food industry where the employment rate has dropped by 41k people. Furthermore, due to restructuring processes, fewer people have been working in mining and quarrying industries. For the last 12 months, the employment rate has increased only in two industries: the manufacture of coke, refined petroleum products and derivatives, and utilities. Compared to January 1999, there has been an increase in the employment rate by 6k people.

Number of unemployed and number of persons per 1 offer in January 2000



Source: CSO

Total industrial output and average employment



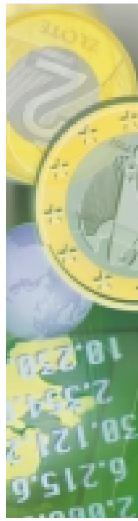
Source: CSO

	Unemployment rate		Enterprise's number		Industrial production
	January 1999	January 2000	31 December 1998	31 December 1999	Yearly dynamics January 99
Poland	11.4	13.6	159 041	168 786	107.9
Provinces:					
Dolnośląskie	14.2	16.5	12 833	13 826	98.4
Kujawsko-pomorskie	15.3	17.3	6 949	7 268	124.7
Lubelskie	11.5	13.3	5 751	5 984	112.8
Lubuskie	14.7	18.4	4 508	4 771	115.5
Łódzkie	12.6	14.7	7 933	8 350	106.6
Małopolskie	8.3	10.8	10 059	10 733	103.7
Mazowieckie	8.4	10.0	41 573	44 530	103.8
Opolskie	11.8	14.0	3 239	3 464	129.6
Podkarpackie	13.4	15.0	3 916	4 129	118.0
Podlaskie	12.3	13.0	2 779	2 882	111.2
Śląskie	8.0	10.6	16 949	17 958	104.3
Świętokrzyskie	13.1	15.5	3 018	3 140	114.9
Warmińsko-mazurskie	21.0	23.7	4 016	4 142	110.8
Wielkopolskie	9.0	11.2	14 023	14 931	111.1
Zachodniopomorskie	15.6	18.3	8 353	8 852	108.6

Sources: CSO

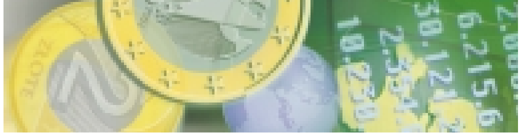
Economic Release Calendar March/April 2000

Monday	Tuesday	Wednesday	Thursday	Friday
20 March E11: HICP inflation (II) HU: Foreign trade, reserves (I)	**21** US: FED meeting US: Foreign trade (I) CZ: Foreign trade (II) CZ: Current account balance (1999) HU: Construction (I)	**22** CZ: GDP (4 Q 1999)	**23** POL: Food prices (I half of III) E11: Production (XII) E11: Balance of payments (I) GER: Inflation (II)	**24** POL: National (4 Q 1999) US: Durable goods orders (II)
27	**28** HU: Unemployment (II)	**29** POL : MPC meeting	**30** E11: EBC meeting HU: GDP (4 Q 1999)	**31** CZ: Money supply (II)
3 April POL Food prices (II half of III) POL: Balance of payments (II) POL: Foreign trade payments (II) HU: Balance of payments (II)	**4**	**5**	**6** US: Wholesale (II) GER: Industrial orders (II)	**7** POL: NBP balance sheet (III) POL: Gross official reserves (III) POL: Business climate US: Employment (III) CZ: FX reserves (III)
10 CZ: Inflation (III) CZ: Production, employment (II) CZ: Salaries and wages (II)	**11**	**12**	**13** E11: EBC meeting US: Producer prices (III) CZ: Producer prices (III)	**14** POL: Agriculture goods prices (III) POL: Money supply (III) US: Inflation (III) US: Production of industry (III)
17 POL: Inflation (III)	**18** POL: Producer price index (III) POL: Sold production of industry (III)	**19** US: Foreign trade (II)	**20**	**21** CZ: Foreign trade (III)
24 Easter	**25** POL: Food prices (I half of IV)	**26** US: Durable goods orders (III)	**27** E11: EBC meeting	**28** CZ: Money supply (III)



Basic Macroeconomic Data

CATEGORY	unit	1999											
		March	April	May	June	July	August	September	October	November	December	January	February
PRICES													
Consumer price index (y/y)	%	6.2	6.3	6.4	6.5	6.3	7.2	8.0	8.7	9.2	9.8	10.1	10.4
Consumer price index (m/m)	%	1.0	0.8	0.7	0.2	-0.3	0.6	1.4	1.1	0.9	0.9	1.8	0.9
Production price index (y/y)	%	4.7	5.0	5.2	5.2	5.5	5.9	6.2	6.8	7.5	8.0	8.2	8.1
Production price index (m/m)	%	1.1	0.6	0.5	0.1	0.5	0.9	0.9	0.8	0.7	0.5	0.5	0.5
Price index of assembly and construction production (y/y)	%	9.0	8.6	8.4	8.1	7.8	7.8	8.2	8.3	8.6	8.9	7.7*	7.6
Price index of assembly and construction production (m/m)	%	0.7	0.5	0.6	0.3	0.3	0.6	0.9	0.7	0.6	0.8	0.6	0.7
Exchange rate USD/PLN (y/y)	%	14.0	17.0	15.2	13.3	12.2	10.2	13.1	17.6	23.3	19.6	15.9	9.0
Exchange rate USD/PLN (m/m)	%	3.9	1.5	-1.6	0.2	-1.5	1.8	3.3	0.7	3.5	-2.0	-1.6	0.8
Exchange rate EUR/PLN (m/m)	%	0.9	-0.1	-2.4	-2.1	-2.0	4.4	2.2.	2.7	-0.1	-4.0	-1.4	-1.8
Real gross wages and salaries in enterprise sector (y/y)	%	5.1	4.3	3.4	3.6	3.2	3.4	3.9	1.9	-0.3	2.3	6.5	6.8
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	1.5	-	-	3.0	-	-	4.9	-	-	4.1**	-	-
Industrial production (y/y)	%	3.3	0.3	2.2	1.0	1.4	7.1	8.6	8.9	15.9	19.1	7.9	16.3
Industrial production (m/m)	%	21.8	-7.0	1.2	0.1	-2.0	4.6	9.3	0.1	-0.9	5.7	-19.0	7.2
Construction and assembly production (y/y)	% %	1.2	2.8	4.2	4.9	-0.3	4.3	5.2	-0.1	5.9	12.3	4.6	5.5
Construction and assembly production (m/m)	%	19.1	10.3	10.8	9.6	-0.5	6.4	8.9	4.4	-18.2	49.3	-57.7	6.6
Retail sales of goods (y/y)	%	25.6	16.3	19.3	25.3	26.4	25.9	24.8	25.1	32.2	34.6	23.5	-
Retail sales of goods (m/m)	%	25.5	-0.9	3.1	2.1	4.2	0.6	0.4	4.6	-2.3	23.2	-32.3	-
Exports on a customs base (y/y)	%	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)	%	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)	%	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)	%	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	2 170	2 122	2 073	2 074	2 116	2 144	2 178	2 187	2 257	2 350	2 478	-
Unemployment rate	%	12.0	11.8	11.6	11.6	11.8	11.9	12.1	12.2	12.5	13.0	13.6	-
Average employment in enterprise sector	thous. persons	5 808	5 799	5 779	5 771	5 748	5 747	5 735	5 738	5 723	5 679	5 319	5 316
Average monthly gross wages and salaries	PLN	1 742	1 780	1 767	1 827	1 852	1 823	1 875	1 881	1 946	2 186	1 882	1 926
Nominal increase in salaries (y/y)	%	11.7	11.1	10.2	10.5	9.9	11.1	12.3	10.9	9.0	12.3	17.2	17.9
STATE BUDGET													
State incomes	PLN bn	27.7	37.8	46.8	56.5	65.8	76.8	89.0	100.6	112.5	125.9	11.0	20.3
State outflows	PLN bn	36.5	46.7	57.0	67.9	78.4	88.9	100.2	112.6	124.6	138.5	11.8	24.8
Budget state deficit	PLN bn	-8.7	-9.0	-10.2	-11.3	-12.5	-12.1	-11.3	-12.1	-12.1	-12.6	-0.9	-4.5
Domestic government debt	PLN bn	131.7	-	-	133.4	-	-	130.9	-	-	134.4	-	-
Foreign government debt	PLN bn	127.3	-	-	123.0	-	-	130.5	-	-	129.7	-	-



Basic Macroeconomic Data

CATEGORY	jednostka	1999											
		March	April	May	June	July	August	September	October	November	December	January	February
BALANCE OF PAYMENTS													
Current account	USD m	-833	-938	-690	-1 138	-1 055	-786	-1 147	-849	-1 178	-1 683	-1 206	-
Trade balance	USD m	-825	-1 036	-1 031	-1 303	-1 322	-1 233	-1 309	-1 139	-1 561	-1 765	-1 458	-
Exports	USD m	2 398	2 161	1 989	2 122	2 092	2 078	2 044	2 221	2 151	2 470	1 928	-
Imports	USD m	3 223	3 197	3 020	3 425	3 414	3 311	3 353	3 360	3 712	4 235	3 386	-
Services: net	USD m	-155	-163	-128	-111	-125	-129	-127	-128	-140	-208	-170	-
Unclassified transactions: net	USD m	237	232	300	253	301	429	423	426	299	174	278	-
Capital and financial account	USD m	796	491	548	726	1 279	1 015	877	863	834	1 405	966	-
Direct investment	USD m	530	364	403	426	297	1 393	745	363	789	744	766	-
Portfolio investment	USD m	-46	3	-251	196	70	227	-432	451	809	256	169	-
MONEY SUPPLY													
Money supply	PLN bn	230	231	233	236	238	242	246	251	255	263	255	258
Money supply (y/y)	%	27.6	25.7	24.5	22.9	21.1	19.6	20.9	22.4	22.9	19.3	15.1	13.7
Money supply (m/m)	%	1.5	0.2	1.1	1.2	0.9	1.4	1.7	1.9	1.5	3.5	-3.1	1.0
Total deposits (y/y)	%	29.5	28.1	26.8	24.6	22.5	21.2	22.3	23.5	24.2	18.3	15.7	14.7
Total deposits (m/m)	%	1.2	0.0	1.4	0.8	0.8	1.7	1.9	1.8	2.1	2.4	-1.6	1.3
Household loans (y/y)	%	35.8	37.4	39.2	41.1	42.9	45.4	47.6	46.0	52.2	53.0	52.5	51.7
Household loans (m/m)	%	3.2	3.1	3.8	4.5	4.7	4.5	4.5	3.7	4.3	4.5	0.6	1.1
Corporate loans (y/y)	%	28.2	27.2	27.2	25.0	25.4	24.0	23.8	24.5	23.7	21.6	20.8	18.8
Corporate loans (m/m)	%	1.6	1.2	1.6	0.6	0.8	2.0	3.0	2.5	2.2	-1.5	2.5	1.0
FINANCIAL INDICATORS													
Average deviation from central parity	%	-0.2	-0.2	-2.4	-3.7	-5.6	-2.9	-0.5	0.8	2.0	-1.3	-3.0	-3.7
Average exchange rate USD	PLN	3.9430	4.0016	3.9368	3.9431	3.8827	3.9510	4.0799	4.1092	4.2527	4.1696	4.1036	4.1353
Average exchange rate EUR	PLN	4.2886	4.2843	4.1830	4.0969	4.0166	4.1946	4.2881	4.4031	4.3974	4.2200	4.1608	4.0850
Average exchange rate DEM	PLN	2.1928	2.1905	2.1387	2.0947	2.0537	2.1447	2.1925	2.2513	2.2484	2.1577	2.1274	2.0886
Average T/N WIBOR	%	13.32	13.46	13.36	13.29	13.30	13.27	13.67	13.82	15.49	17.64	17.42	16.43
1M WIBOR	%	13.36	13.36	13.35	13.34	13.34	13.39	13.83	14.72	16.94	20.47	17.11	17.43
3M WIBOR	%	13.23	13.22	13.26	13.31	13.38	13.64	14.32	16.64	18.55	19.03	17.18	17.84
Average 3M T-bill yield	%	12.52	12.36	12.35	12.28	12.40	12.56	12.54	13.71	15.41	16.29	16.01	16.11
Average 12M T-bill yield	%	12.15	12.05	12.22	12.18	12.33	12.44	12.91	14.63	15.98	16.01	16.19	16.99
Average 2Y T-bond yield	%	11.16	10.92	11.32	11.50	12.09	12.75	13.09	14.63	15.39	14.78	14.87	14.91
Average 10Y T-bond yield	%	-	-	8.95	8.89	9.06	9.23	9.59	10.50	10.59	9.83	10.14	10.20
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	13.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0	16.5	16.5	16.5	17.5
Rediscount rate	%	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	19.0	19.0	19.0	20.0
Lombard rate	%	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	20.5	20.5	20.5	21.5
Monthly devaluation rate	%	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3

* corrected data, ** initial data for 1999, *Sources: CSO, NBP, Reuters*

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