Poland's Economy. Financial Markets

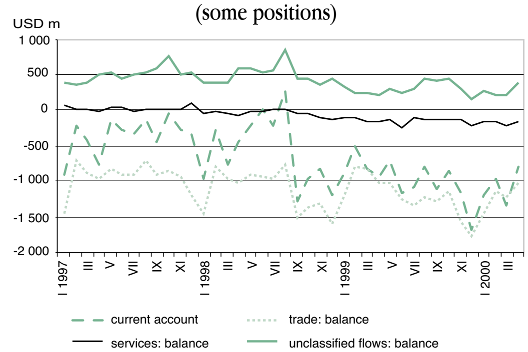
June 2000 No. 12

Major macroeconomic trends:

- The break-up of the AWS and UW coalition and the establishment of an AWS minority government have aroused concern over the fiscal policy in the second half of this year and in 2001. The public finance deficit in 2001 should not be lower than 2% of GDP. The government headed by Jerzy Buzek may have difficulties passing the 2001 budget that would be sufficiently restrictive. This will probably lead to early elections in the spring next year.
- Interest rates are likely to remain unchanged until the end of this year. Should the 2001 budget prove insufficiently restrictive, there is a risk of an interest rate hike in Q3 or Q4 this year.
- A high current account deficit, the break-up of the AWS-UW coalition and concern over the relaxation of the fiscal policy in the second half of this year made the zloty strengthen in the first half of June by only an average 0.2 against the currency basket compared to May this year. Although over a few months the zloty may gain following privatisation revenues, it is likely to weaken against USD and EUR, especially at the end of this year and next year.
- Inflation hit 10.0% y/y in May, having increased by 0.7% m/m. The market had expected inflation to range between 9.7% and 9.9% y/y. May's inflationary impulse is only of a cost nature – fuel prices increased by 4.6%, electricity by 4.7% and the zloty shed on average of 6.2% against the US dollar and 1.8% against the euro.
- In May, sold industrial output prices rose by 0.8% against 0.7% in April. Year-on-year, the increase in producer prices was 7.7% compared to 7.4% in April.
- In May, industrial output rose by 7.9% m/m and 12.3% y/y. In January-May 2000, industrial output was 9.8% up on the same period in the previous year.
- April's balance-of-payments data show a substantial improvement in the current account deficit to USD 819m after March's deficit of 1.3bn. The current account deficit shrank by over USD 500m, which coupled with the adjustment of March's figures brought the current account gap to the level of 8.0-8.1% of GDP.
- May's money supply data were neutral to foreign exchange and bond markets. At present, money supply does not exert inflationary pressure.
- Increase in the yields on treasury bills and bonds due to concern over too loose a fiscal policy and a potential tightening of the monetary policy.

Arkadiusz Krześniak

Current Account
(some positions)



Source: NBP, own estimations

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Poland's current economic situation

June has brought better indicators of April's current account gap and May industrial output, neutral money supply data and negative May's inflation results. The break-up of the AWS-UW coalition and the establishment of an AWS minority government has aroused concern over the fiscal policy in the second half of this year and in 2001. It seems that the decrease in 2001 public finance deficit to 1.5% of GDP and the 2001 budget deficit to 1.3% of GDP as proposed by former Finance Minister, Leszek Balcerowicz, will be very difficult to achieve due to political conditions (presidential elections in October 2000 and probably early parliamentary elections in the spring of 2001). AWS declared their willingness to reduce the public finance deficit to 2.2% of GDP in 2001. New Finance Minister, Jarosław Bauc, does not have sufficient support within AWS to follow a very restrictive draft budget. In our opinion, the odds that the public finance deficit will represent less than 2.0% of GDP in 2001 are small.

Given a low saving rate in the economy and the high current account deficit, a relatively restrictive fiscal policy needs to be pursued. This year, the fiscal policy has been significantly tightened due to the substantial underestimation of inflation in macroeconomic budget assumptions. In the second half of this year, there will occur factors loosening the fiscal policy – payments of compensations for pensioners and state sector staff due to the indexation of their wages.

After a strong increase in April, wages rose in May only by 1.8% y/y in real terms. But, similar to the latter half of 1999, there occurred inflationary pressure following a supply shock: increases in fuel prices, electricity and food prices as a result of the drought. The zloty remains quite volatile at about PLN 4.40 against the US dollar, waiting for TP S.A. privatisation flows in July.

Although the Monetary Policy Council cannot control the course of inflationary processes until the end of this year, given the current account deficit and potential relaxation of the fiscal policy in the second half of this year and in 2001, the MPC may be willing to tighten the monetary policy. Interest rates are likely to remain unchanged until the end of this year but there has appeared a risk of an NBP interest rate hike in Q3 or Q4 this year. Despite the fact that over a few months the zloty may strengthen due to privatisation flows, the Polish currency is likely to continue to lose against USD and EUR, especially at the end of this year and next year. High real interest rates encourage Polish companies to incur foreign exchange debts; however, taking into account a high risk of a stronger depreciation of the zloty, such loans may prove difficult to repay in the future.

Given weaker domestic demand, Poland's economy is awaiting an increase in external demand for Polish exports.

The unemployment rate has been falling for the last two months, but it follows from seasonal factors rather than from a decrease in structural unemployment.

Tab. 1. Inflation indicators

	01 2000	02 2000	03 2000	04 2000	05 2000	*06 2000P*
Consumer Price Index (m/m %)	1,8	0,9	0,9	0,4	0,7	*0,6*
Consumer Price Index (y/y %)	10,1	10,4	10,3	9,8	10,0	*10,1*
Producer Price Index (m/m %)	0,5	0,5	0,4	0,7	0,8*	*0,6*
Producer Price Index (y/y %)	8,2	8,1	7,3	7,4	7,7*	*8,3*
Average monthly FX rate (USD, y/y%)	15,9	9,0	3,7	5,8	14,3	-

Tab. 2. Activity indicators

	12 1999	01 2000	02 2000	03 2000	04 2000	05 2000
Retail Sales Index (m/m %)	23,2	-32,1	5,0	17,2	2,2	-
Retail Sales Index (y/y %)	34,6	20,3	25,4	16,9	19,9	-
Household loans (y/y %)	53,0	52,5	51,8	52,1	49,8*	49,7
Industrial Output (m/m %)	5,7	-19,0	7,3	11,6	-8,4*	7,9
Industrial Output (y/y %)	19,1	7,9	16,4	6,8	5,3*	12,3
Exports, current prices (in payment terms, y/y %)	-10,0	-9,3	-19,1	-3,7*	-3,8	-
Imports, current prices (in payment terms, y/y %)	-3,2	1,5	-3,8	7,3*	-2,3	-
Foreign trade (NBP, USD m)	-1 765	-1 458	-1 140	-1 241*	-1 045	-
State Budget Balance (PLN m)	-12,6	-0,9	-4,5	-6,9	-8,9	-10,0

Tab. 3. Poland's Economy

	1996	1997	1998	*1999E*	*2000P*
Gross Domestic Product (y/y %) (fixed prices) of which:	6,0	6,8	4,8	***4,1***	***5,2***
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***	***7,9***
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***	***9,5***
Inflation (year end, y/y %)	18,5	13,2	8,6	***9,8***	***7,5***
Unemployment Rate (year end, y/y %)	13,2	10,3	10,4	***13,0***	***14,0***
Current Account Balance/GDP (%)	-1,0	-3,2	-4,2	***-7,6***	***-7,8***
Public Debt / GDP (%)	51,1	47,9	43,1	***44,6***	***43,2***

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

Tab. 4. Poland – medium-term forecast (average in period unless otherwise stated)

Interest rate	1999	1Q 2000	2Q 2000	3Q 2000	4Q 2000	2000	2001	2002	2003	2004	2005
1 M	14,56	17,58	18,08	17,82	17,75	17,80	15,7	13,2	11,2	9,2	8,4
3 M	14,71	17,83	18,42	18,13	17,69	18,01	15,8	13,2	11,4	9,4	8,6
6 M	14,60	17,85	18,54	18,25	17,97	18,15	15,8	13,2	11,5	9,5	8,7
12 M	14,80	18,05	18,74	18,40	18,12	18,33	15,9	13,4	11,6	9,6	8,8
Lombard rate	17,59	21,17	21,50	21,50	21,50	21,42	18,8	15,5	13,0	11,0	10,2
Intervention rate	13,72	17,17	17,50	17,50	17,50	17,42	15,5	13,0	11,0	9,0	8,2
Treasury bonds yields											
3 Y	11,87	14,60	16,20	16,34	16,15	15,82	14,9	11,5	9,5	8,5	8,0
5 Y	11,12	12,78	13,93	14,18	13,98	13,72	13,0	10,2	9,0	8,2	7,8
10 Y	9,63	10,41	11,60	12,02	11,50	11,38	10,1	9,3	8,5	8,1	7,6
T-bills yelds											
13-weeks	13,12	16,24	16,75	17,17	17,50	16,91	15,0	12,3	10,3	8,3	7,4
52-weeks	12,97	16,93	17,66	17,52	17,85	17,49	15,3	12,5	10,5	8,5	7,6
Exchange rates											
USD/PLN	3,9650	4,1138	4,368	4,385	4,450	4,329	4,58	4,95	5,30	5,45	5,55
EUR/PLN	4,2260	4,0665	4,085	4,257	4,453	4,215	4,70	5,10	5,40	5,50	5,50
EUR/USD	1,0660	0,9885	0,935	0,971	1,001	0,974	1,03	1,03	1,02	1,01	0,99
Average depreciation (currency basket)	-	-	-	-	-	4,3%	8,6%	8,3%	6,5%	2,3%	0,9%
USD/PLN (end of period)	4,1483	4,1428	4,385	4,430	4,460	4,460	4,70	5,20	5,40	5,50	5,60
EUR/PLN (end of period)	4,1689	3,9650	4,175	4,364	4,505	4,505	4,89	5,30	5,50	5,50	5,50
EUR/USD (end of period)	1,0050	0,9571	0,952	0,985	1,010	1,010	1,04	1,02	1,02	1,00	0,98
Macroeconomic indicators (end of period unless otherwise stated)											
Real GDP (y/y %)	4,1	6,0	5,5	4,6	4,4	5,2	5,5	5,2	5,1	5,5	6,0
Inflation (y/y %)	9,8	10,3	10,1	9,1	7,5	7,5	6,8	5,7	4,3	3,8	3,5
Inflation (y/y %) (average)	7,3	10,3	10,0	9,8	8,0	9,5	7,3	6,3	5,0	4,1	3,5
Current account/ GDP (%)	-7,6	-8,3	-8,2	-8,0	-7,1	-7,8	-7,2	-7,2	-7,1	-6,3	-5,7
Budget deficit/GDP (%)	-2,1	-2,8	-2,3	-1,9	-1,7	-2,2	-2,0	-1,8	-1,6	-1,5	-1,2
Public debt/GDP (%)	44,6	-	-	-	-	43,2	38,8	36,6	34,7	32,2	31,1
Domestic public debt/GDP (%)	20,7	18,7	19,9	19,9	20,2	19,7	18,0	17,1	16,2	14,7	13,7
Foreign debt total/GDP (%)	37,0	35,5	37,7	37,9	38,4	37,4	30,7	29,0	27,5	26,4	26,0

Forecast data: 19.06.2000

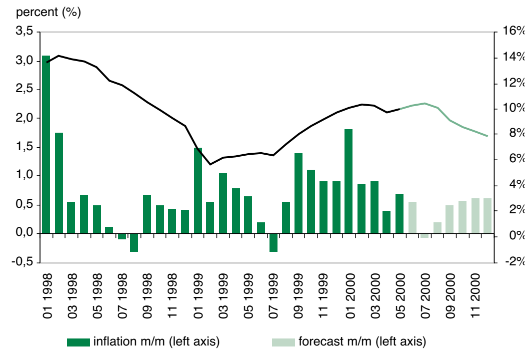
Notice : Forecasts based on information currently available. WBK Treasury and International Division cannot guarantee that the indicators will follow the patterns as shown above.

Inflation – consumer prices

In May, inflation hit 10.0% y/y, having increased by 0.7% m/m. The market had expected inflation to range between 9.7% and 9.9% y/y. May's inflationary impulse is only of a cost nature – fuel prices increased by 4.6%, electricity by 4.7% and the zloty weakened by 6.2% against the US dollar and by 1.8% against the euro.

Current inflationary tendencies are not very good. Inflation reached 0.7% m/m and 10.0% y/y in May. This was largely due to an increase in electricity and fuel prices. A supply shock following smaller food supply in May and June as a result of the drought has not translated into food prices that have risen just by 0.4% m/m. Moreover, oil prices still remain at a high level and the risk of the zloty depreciation in the second half of 2000 is significant. Currently, there is no possibility of meeting the inflation target for 2000. In June-August, inflation is likely to stand at over 10% y/y. At the end of the year, inflation will probably range between 7.5 and 8.0%.

Inflation – consumer prices



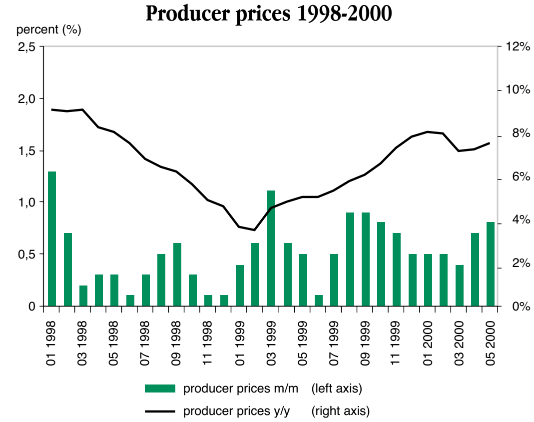
Source: CSO, own forecast

Inflation – producer prices

In May, sold industrial output prices increased by 0.8% compared to 0.7% in April. Year-on-year, the increase in producer prices amounted to 7.7% against 7.4% in April. In January-May 2000, the increase in output prices was 0.3% down on the same period last year, totalling 2.9%. The reason for the greater rise in producer prices are increases in electricity prices (prices in the sector of utilities grew by 1.8% in May after an increase of 1.6% in April). The other factor stimulating the increase in sold industrial output prices was a weakening of the zloty in April and May. Prices in the mining industry surged by 1.9% m/m following a rise of 1.0% in April.

In the construction industry, prices increased in May by 0.9% m/m and 8.6% y/y. In all the categories of producer prices, there was a quicker increase in prices than in the same period last year.

Producer prices 1998-2000



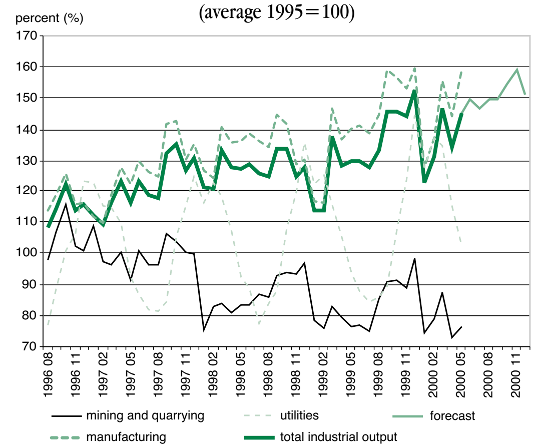
Source: CSO

Industrial output

In May, industrial output increased by 7.9% m/m and 12.3% y/y. In January-May 2000, industrial output increased by 9.8% against the same period last year. The increase in industrial output was largely due to an over 10% monthly increase in manufacturing industry output. In May, the number of business days were greater by 2 days than in April and output climbed slightly less than would be implied from the number of business days. This would mean that in industry there are no demand barriers and output is increased more or less in proportion to the number of business days. Given poor domestic demand, the demand impulse most probably comes from export orders. A strong increase in producer prices prevailing in April and in May was also of a cost rather than demand nature. Continued tightening of monetary policy would not have a significant impact on producer prices. The average annual increase in industrial output should amount to 8-9% in 2000.

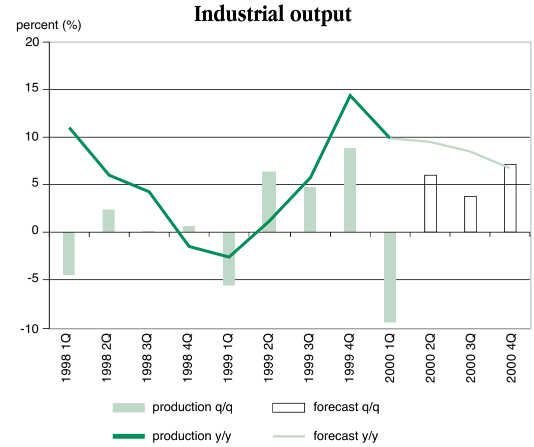
In May, construction and assembly output increased by 16.6% m/m, but was 0.7% lower year-on-year. An increase in monthly growth is of a seasonal nature and does not represent a change in the trend.

Industrial output
(average 1995=100)



Source: CSO, own forecast

Industrial output



Source: CSO, own forecast

Balance of payments

April's balance-of-payments data showed an improvement in the current account deficit to USD 819m after the deficit of USD 1.3bn in March. The current account deficit shrank by USD 500m, which coupled with the adjustment of March's data brought the current account deficit to the level of 8.0-8.1% of GDP. This unexpected improvement stems from two reasons:

1. Improvement in the trade balance of about USD 200m.
2. Unexpected increase in unclassified flows of USD 180m.

The improvement in the trade balance is not very good news as it follows from a greater fall in imports than in exports. This means continuing weak domestic demand and no signs of recovery in exports yet.

Although the unexpected increase in unclassified flows may mean that cross-border trade started picking up in Poland, it is more likely just temporary recovery due to seasonal factors (Easter, good weather). It may have also been influenced by the exchange of foreign currency into the zloty by private individuals who take advantage from the weak zloty.

Trade performance is still far from satisfactory: in January-April 2000 exports declined by 8.4% y/y while imports increased by 2.0% y/y in the same period. These data may be slightly distated by weakening of the euro against the US dollar. Poland's trade deficit with the euro zone is much lower when calculated in EUR rather than in USD. In any case, an improvement in exports should still be expected.

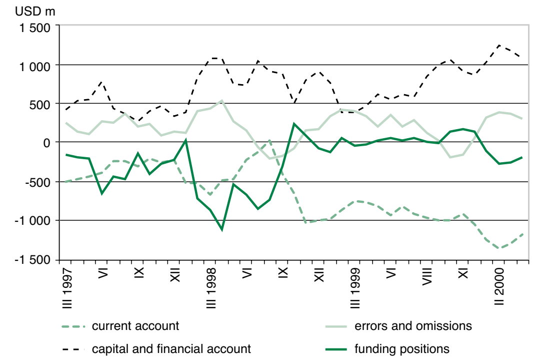
The reasons for the increase in the current account deficit are different from those in 1999. This year, the current account gap has weakened largely due to the growing trade deficit rather than a decrease in the cross-border trade balance (which has already deteriorated enough) or a worse services balance.

Funding the current account deficit remains safe. In January-April 2000, direct foreign investments financed 45.2% while portfolio investments financed 55.9% of the current account deficit against 46.1% and 8.7% in January-April 1999. Direct foreign investments cover a stable part of the current account gap and any changes in the balance of portfolio investment flows are balanced out with the changes in the balance of foreign loans and swap transactions.

Money supply

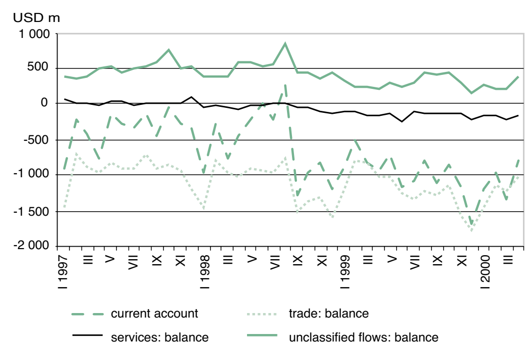
May's money supply data released on 14 June were neutral to the foreign exchange and bond market. Money supply is under control. The annual growth of money supply standing at 15% is equal to the total of the average inflation (about 10%) and average economic growth (about 5%). This means that money supply has a neutral impact on inflation. An increase in the pace of personal loan growth to 3.6% m/m and a decrease in personal deposit growth to 1.0% m/m may serve as a warning, although monthly money supply growth of 1.1% is very moderate.

Balance of Payments
(average for last 3 months)



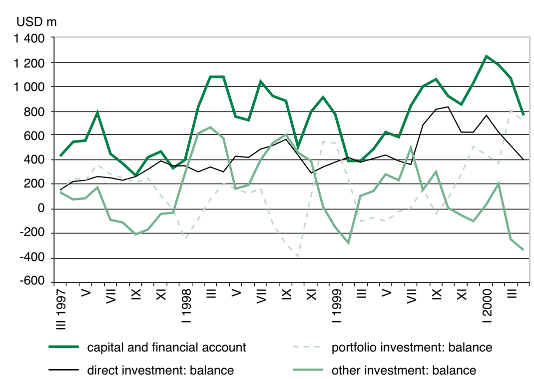
Source: NBP, own estimations

Current Account
(some positions)



Source: NBP, own estimations

Capital and Financial Account
(3-month average)



Source: CSO, own forecast

Zloty stays weak in anticipation of privatisation flows

The high current account deficit, break-up of the AWS-UW coalition and concern over the relaxation of the fiscal policy in the second half of this year and in 2001 made the zloty strengthen by an average 0.2% in the first half of June against the currency basket compared to May this year. The market was still shallow with the average daily turnover of between USD 1.5 to 2bn. The daily volatility of the zloty exchange rate decreased but was still high. In the last week of May and first weeks of June, the zloty strengthened against the US dollar from USD/PLN 4.53 (May 18) to USD/PLN 4.32 (June 5) ignoring information about the growing crisis in coalition. This was largely due to a much lower than expected current account deficit in April. Following the break-up of the coalition on June 6, the zloty returned to the level of about PLN 4.40 for USD. Given the strengthening of the euro against the US dollar in June, the zloty weakened against this currency.

It seems that over the last weeks the zloty rate has been supported by the sale of foreign exchange for the zloty due to privatisation related currency outflows. Small sums flowed through the market, preventing a deeper weakening of the zloty in response to negative political events.

In the coming months, the zloty may strengthen against the US dollar given the TP S.A. privatisation transaction of about 35% of the estimated value up to USD 4bn. Most probably, the transaction will be held in July this year. It remains to be seen what portion of privatisation revenues will flow into the special foreign exchange account. In the coming months, privatisation flows are likely to strengthen the zloty to below PLN 4.30 for USD. After TP S.A. privatisation flows discontinue, the zloty should weaken at least to the level prevailing in May this year (approximately PLN 4.50 for USD).

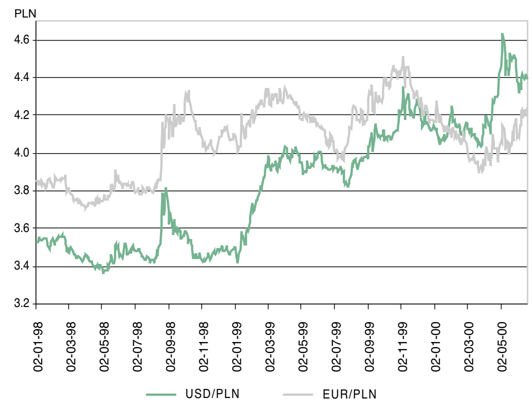
The zloty equilibrium rate against USD is now about PLN 4.50 against the US dollar. However, given a significant trade deficit (about 9.9% of GDP) and substantial diminishing of privatisation flows after 2001, the depreciation of the zloty against USD and EUR is unavoidable. It can amount to around 15 to 20% over the next two years.

Poland's exposition to short term capital flows

The size of foreign exchange reserves is high, totalling USD 25.8bn in May, which is a safe level considering that they cover 7.5 months of imports. Changes in the stock of the FX reserves follow largely from the changes in the USD/EUR rate and the repayment of the foreign debt. Since the beginning of this year, the stock of the FX reserves has shrunk by USD 500m (in terms of flows). In December 1999, Poland's foreign debt totalled USD 60.5bn, of which USD 7.3bn was short term debt, or 12.1% of total debt. However, Poland's exposition to short term capital flows is greater because the stock of portfolio investments as at the end of 1999 was USD 8.9bn, of which USD 6.8bn represented the government's long term debt securities and USD 2bn represented long term debt papers issued by the non-governmental sector. This means that Poland's total exposition to short term capital flows amounted to USD 16.1bn (26.6% of total foreign debt and 63.1% of foreign exchange reserves in this period) as at the end of 1999. According to balance-of-payments data, in January-April 2000, foreign portfolio investments were USD 2.5bn, of which debt investments were USD 2.2bn and investments in stocks were USD 300m. The change in the balance of other investments was USD 500m.

Therefore, Poland's estimated debt in April may total USD 62.5bn and Poland's exposition to short term capital movements in April was about USD 18.1bn (29.0% of total foreign debt and 70.1% of foreign exchange reserves in this period). In our opinion, this level is still safe, albeit close to the risk limit.

Average exchange rate of PLN against USD and EUR (fixing)

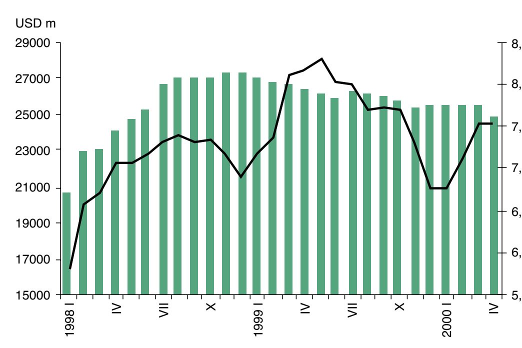


Source: NBP, Reuters

EUR/USD

Source: NBP, Reuters

Gross Official Reserves and Import Cover Indicator



Source: NBP, CSO, own estimations

Interest rates

As we had expected, at its meeting on May 24, the Monetary Policy Council did not change interest rates and, at the same time, confirmed its tightening bias. As expected, the MPC issued a moderately positive statement assessing Poland's macroeconomic situation. In the money market, rates were quite stable. Short term overliquidity diminished as no changes were introduced into the monetary policy at the MPC meeting. Longer term WIBOR slightly decreased, but wide spreads between WIBOR and WIBID rates continued. In the first week of June short term WIBOR rates rose and long term ones fell. In the second and third week of June, short-term overliquidity led to a decrease in short term WIBOR rates. Long term WIBOR rates rose due to uncertainty over the fiscal policy next year.

At a Monetary Policy Council meeting held on June 21, no changes in the monetary policy should be expected.

Treasury bills and bonds

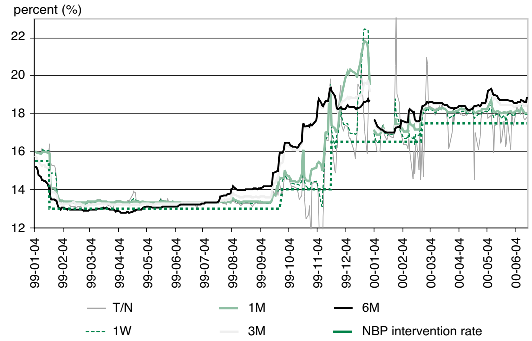
In the last week of May, treasury bill yields were stable or were increasing in the secondary market. Only on Tuesday (May 23) treasury bill yields rose by 20 to 40 basis points, but then the situation stabilised. In the secondary market, treasury bond prices were volatile as market players were reacting to oncoming political news. Although no significant increase in yields was detected, market sentiment was moderately negative.

In the first week of June, treasury bill and treasury bond yields changed slightly in the secondary market. The yields on 12-month treasury bills were from 17.90% to 17.60%. On May 29, the yields on 2-year treasury bonds stood at 17.73%, and at 17.30% at the end of the week. The yields on 5-year bonds at the beginning of the week were 15.02% and at the end of the week 14.23%. In the first week of June, the yields on 10-year treasury bonds also dropped from 12.17% on Monday to 12.06% on June 5. The decrease in the yields on securities in the secondary market were largely due to a smaller current account gap in April.

In the secondary market, in the second week of June, there was an increase in the yields on securities. The yield curve inched up in the 2-year and 3-year sector by 50 and 60 basis points while the longer end moved up by approximately 30 basis points. The yields on 12-month treasury bills rose by about 5 basis points to 17.85% on Friday, June 16. In the case of 2- and 5-year treasury bonds, the increase was 59 and 56 basis points respectively. On Friday, in the secondary market, treasury bond yields were: 2-year 17.90% and 5-year 14.79%.

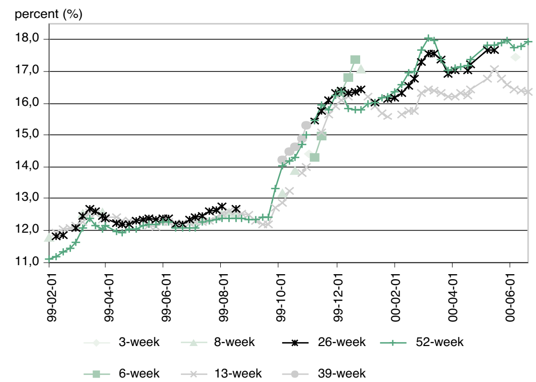
In the third week of June, in the secondary market, there was an increase in yields resulting from poor inflation data and fears of too high a public finance deficit in 2001. Investors did not react to good industrial output data. The yield curve moved up by 25-50 basis points. The yields on 12-month treasury bills were 17.95% on Friday, June 16, and increased by additional 10 basis points on June 19. The yields on 2-year bonds rose in the third week of June by 50 basis points, amounting to 18% on Friday, June 16. The yields on 5-year treasury bonds were 14.90%, or 40 basis points up on the beginning of the third week of June

WIBOR rates



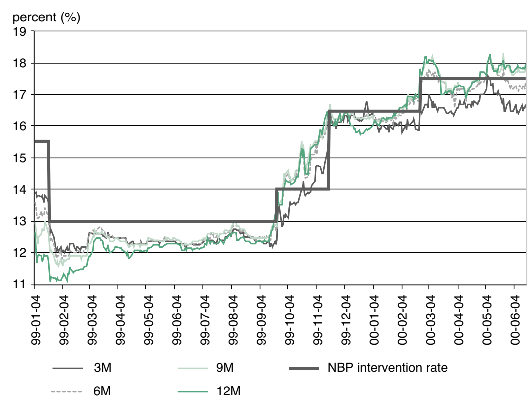
Source: NBP, WBK S.A. Treasury&International Division

T-Bill yield (primary auctions)



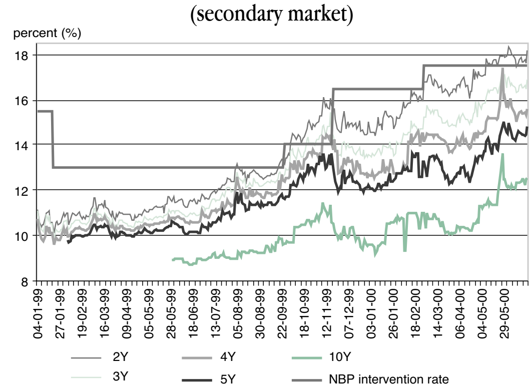
Source: NBP, WBK S.A. Treasury&International Division

T-Bill yield
(secondary market)



Source: NBP, WBK S.A. Treasury&International Division

T-Bond yield
(secondary market)



Source: NBP, WBK S.A. Treasury&International Division

At the end of May, the budget deficit grew compared to April from PLN 8,872.4m to PLN 10,006m. Thus, it represented 65% of the amount planned for the whole year (57.6% after April). A relatively high degree of budget deficit does not arouse concern – budget spendings are usually greater than budget revenues at the beginning of the year, and the situation reverses in the second half-year.

After five months, budget revenues amounted to PLN 51,798m (36.8% of those planned for the whole year). A month before, these figures were PLN 40,909m and 29% respectively. Since the beginning of this year, budget revenues have been steadily increasing month-on-month by about PLN 10bn to PLN 11bn, but the individual constituents of these revenues have been volatile. Nevertheless, the structure of revenues does not significantly depart from the budget act structure.

Corporate income tax revenues, which were growing slowest at the beginning of the year, have been realised to the greatest extent (40.7%). Indirect tax and personal income tax revenues have been realised to a lesser degree against the plan (36.4% and 32.8% respectively) but have been growing steadily month-on-month. Compared to last year, corporate income tax revenues have been realised to a greater degree, personal income tax revenues – to a lesser degree, and indirect tax revenues – to a similar degree.

The Finance Ministry fears that the planned personal income tax revenues will not be fully realised and sees a possibility of exceeding the plan as regards corporate income tax.

The fact that in the latter half of the year a number of private individuals will start paying their taxes at a higher tax rate will not radically improve the situation. It can be assumed that, for fear of home concessions being liquidated, a greater number of taxpayers have used these concessions while settling for the previous tax year (this would explain smaller inflows so far) and still use them this year, as a result of which the collection of their monthly income prepayments has been relinquished.

High corporate tax revenues can partially stem from higher inflation and can signify improvement in the situation of larger companies at the beginning of this year, especially when compared to last year.

It is important that indirect tax revenues do not step away from those of last year as they represent over 60% of total revenues and even a small deficiency of them could lead to a material increase in the deficit. On the other hand, despite an inflationary premium, the extent of the realisation of these revenues has not risen, which may stem from weaker demand in Q1 this year.

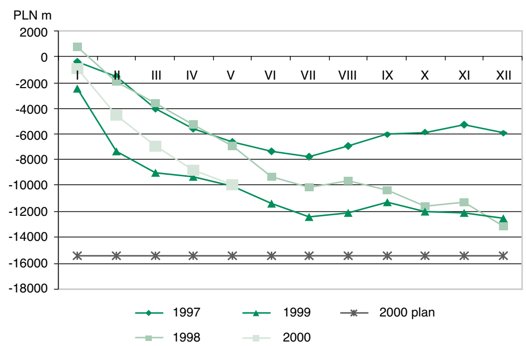
At the end of May this year, budget spending totalled PLN 61,804m (39.5% of the plan for the whole year). After April it was PLN 49,781m and 32% respectively. The degree of spending against the plan has been growing faster after each month than that of revenues, and therefore, the extent of the budget deficit has been rising fast. The monthly growth of spending has been stable, amounting to approximately PLN 12 to 13bn whereas budget spending components have been more volatile. Like that of revenues, the structure of spending does not substantially depart from the budget structure.

Considering that the budget needs to incur loans are usually higher in the first half-year, expenses allocated to servicing both the domestic and foreign debt have been realised to a surprisingly low degree (36.7% and 35.5% respectively). This can be explained by the fact that the deficit is funded to an increasingly greater degree with long term securities (the balance of this year's issues of treasury bills and treasury bonds by their nominal value is PLN -1,591m and PLN 7,240m, respectively) and that privatisation revenues both from this year and last year have been used.

Out of the other expenditures, the subsidy to the Labour Fund has been realised to a high degree (51.6%) which can be related to the higher unemployment rate and a lower amount of funds at its disposal. In addition, the realisation of a subsidy to the Social Insurance Fund and to the Pension and Disability Pension Fund (of 35.4% and 40.2% respectively) proves that the greatest problems are over for the Social Security (ZUS).

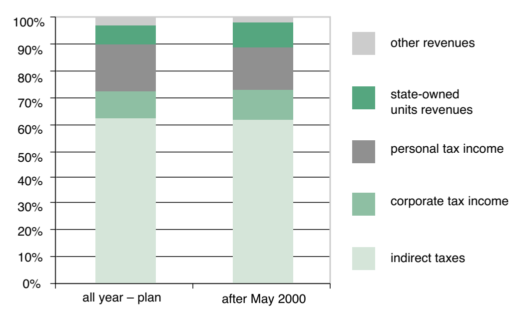
There are no substantial threats to meeting this year's budget goals, both on the expense side and on the revenue side

Budget balance (cumulative)



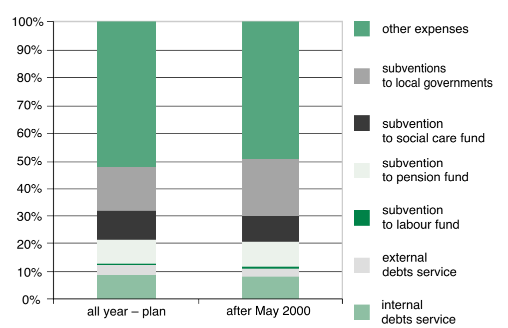
Source: Finance Ministry

Revenues - structure



Source: Finance Ministry

Expenses - structure



Source: Finance Ministry

Poland's foreign trade on the customs basis and on the cash basis (January 1997 – March 2000)

From January 1997 to March 2000, Poland's exports and imports on the customs basis were characteristic of a slight upward trend. Because imports were growing a bit faster than exports, the balance was experiencing small gradual deterioration. At the end of this period, it was 14% lower than at its beginning – in March 2000, the deficit totalled USD 1,593m against PLN 1,394m in January 1997.

The lowest export value was achieved in August 1997 (USD 1,887.6m) and the highest export value in September 1997 (USD 2,675.7m). Every year, peak exports occurred in September and then reduced in January. A similar seasonality effect could be observed in the case of imports. As falls in imports at the beginning of these years were stronger than those in exports, there were the lowest balance deficits in this period (the lowest balance in the whole period occurred in January 1998: USD –1,016m). On the other hand, the highest deficit was reported in September 1998 (USD –2,183.4m).

Poland's foreign trade on the cash basis was also characteristic of an increased turnover, but in this case exports were growing faster than imports (by 24.6% and 6.8% in the January 1997-March 2000). In effect, in March 2000, the trade deficit diminished to USD 1,240m, or by 16%, against January 1997.

On the payments (cash) basis, exports reached their peak level in July 1998 (USD 2,936m) and their lowest level at the beginning of 1997 – USD 1,905m. Imports were lowest in February 1997 (USD 2,650m) and highest in December 1998 (USD 4,297m). In December, imports reached their highest annual level. In the case of exports, the seasonality effect was less observable. On the payments basis, the balance stayed lowest in December and January, and then, improved and remained at more or less the same level for the rest of the year. The lowest balance was USD 1,765m in December 1999, and the highest – USD 709m in February 1997.

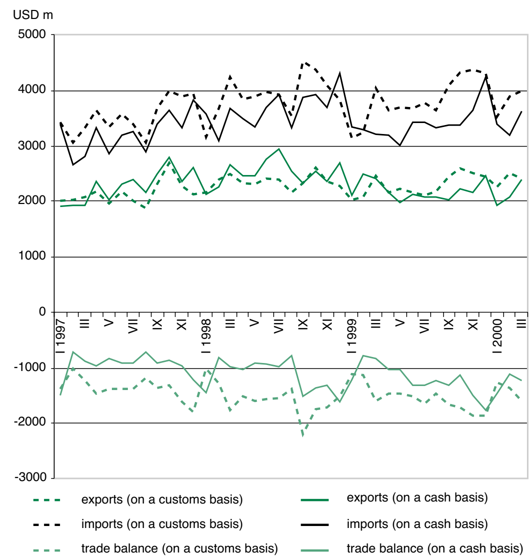
While comparing the value of Poland's foreign trade on both bases, certain discrepancies can be observed in the period analysed. The balance on the customs basis is more unfavourable to Poland nearly for the whole period. This is largely due to a higher import value on this basis – the surplus amounts to as much as 20%. This situation can be explained with delayed payments against the flow of goods. The import value on both bases balances out at the end of each year following the settlement of overdue payments. Another reason can be compensation transactions, made in a non-cash manner across international corporations – between companies – a parent company and its subsidiaries.

On the other hand, exports, which were characteristic of reverse dependency to February 1999, have been greater on the customs basis than on the cash basis since March 1999 (up to 20% in course of the year). An earlier surplus of exports on the cash basis in comparison with the customs basis (of about 10-15%) could result from a delayed inflow of previous receivables. In the summer 1998 (when the difference was largest, totalling 18.5%), the shortening of payment dates in relation to exports to Russia may have added to it. At the end of the year, similarly to imports, export values on both bases also balanced out.

As export and import differences on both bases summed up, the definitely greatest differences can be observable in the comparison of Poland's foreign trade balances on these two bases. In 1997, the balance on the customs basis was approximately 60%, in 1998 nearly 80%, and at the beginning of 1999 as much as 90% lower than on the cash basis. Afterwards, this difference diminished to approximately 20-30%. At the turn of each year, the balances on both bases were very alike.

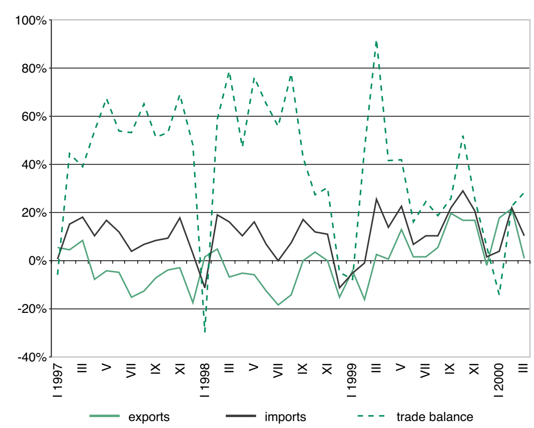
The correlation ratio, which amounts to 45% for exports, 64% for imports and 48% for trade balances, additionally illustrates the differences between the customs and cash bases of Poland's foreign trade.

Comparison of Poland's foreign trade turnover on a customs and on a cash basis



Source: CSO, NBP

Differences in Poland's foreign trade turnover: customs and cash basis

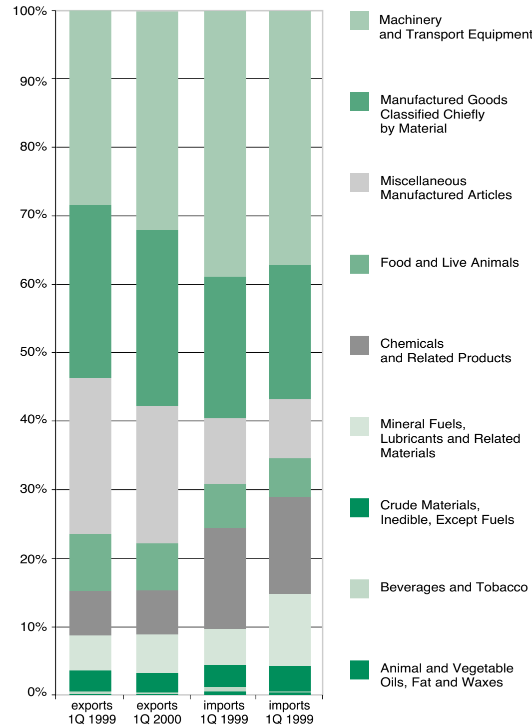


Source: CSO, NBP
NOTICE: Surplus of turnover on customs against cash basis is presented in %.

Poland's foreign trade structure by product in the first quarter 2000

In Poland's foreign trade structure by product (by SITC nomenclature) Machinery and Transport Equipment prevail (approximately 30% of total exports and nearly 40% of total imports). Industrial products by Raw Material and Miscellaneous Goods represent a significant share in exports of over 20%. Industrial products by Raw Material have a share of about 20% in imports and Chemicals and Related Products come in third, standing at 14%. While considering the changes in the structure of Poland's foreign trade in the first quarter 2000 against the same period last year, it should be noted that there was a larger increase in exports only in the vase of goods of the greatest share, i.e. Machinery and Transport Equipment – from 28.4% to 31.9%. On the other hand, there was a fall in the share of Miscellaneous Industrial Products from 22.9% to 20.1%, in addition to Food and Livestock from 8.4% to 6.8%. Greater changes took place in the structure of imports. A twofold increase in the share of Mineral Fuel, Grease and Related Materials – from 5.6% to 10.6% - stands out clearly, shifting this group up from the 6th to the 4th position in the structure of imports. This is related to a rise in oil prices. The largest falls in imports affected groups like Beverages and Tobacco (-57%) and Animal Oil, Fat and Wax (-40%), but the share of these groups in the structure of Poland's imports was very small in the first quarter 2000 (0.3%). The largest absolute fall affected the share of Machinery and Transport Equipment, totalling 1.8% (to 37%). The foreign trade structure by product is improving – the exports of highly-processed products are growing and the imports of these products are falling.

Poland's foreign trade structure by products (by SITC)



Source: CSO

Poland's foreign trade turnover by countries

From August 1997 to March 2000, Poland's exports to European Union states increased by as much as 50% (from USD 1,158m to USD 1,744.4m). They always reached their peak values in October (maximum in 1998: USD 1,973.2m). The increase in imports, on the other hand, was 28% (from the lowest level of USD 1,941.1m as at the beginning of the period to USD 2,493m as at the end), but they amounted to as much as USD 3,167.3m in September 1988. The lowest annual figures always occurred in January, leading to the best balances in this month (the lowest deficit of USD 572.1m occurred in January 2000). The highest deficit was reported in September 1998 – USD 1,432.7m. In the whole period, the balance of Poland's foreign trade with the EU stayed at nearly the same level – in March 2000 the deficit reached USD 748.6m whereas in August 1997 it totalled USD 783.1m, which translates into an increase of 4.4%.

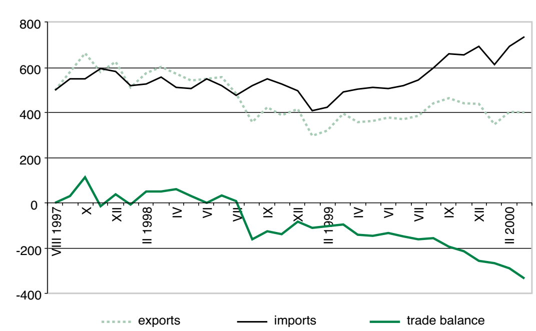
Poland's foreign trade turnover with the European Union (USD m)

Source: CSO

In the trade with the countries of Central and Eastern Europe (Albania, Belarus, Bulgaria, the Czech Republic, Estonia, Hungary, Lithuania, Latvia, Moldova, Russia, Romania, Slovakia, Slovenia, the Ukraine), Poland reported (with exceptions) a positive balance until August 1998 (peak in October 1997 USD +113.4m). At that time, given the crisis in Russia, exports fell rapidly, affecting the balance – in September 1998, the deficit amounted to USD 161.4m. Since that time, exports have been more or less stable while imports, especially in relation to refined petroleum, whose price has been rising rapidly, have been growing quite strongly. As a result, the deficit deteriorated to USD 334.3m in March 2000. Exports were highest in October 1997 (USD 662.7m) and lowest in January 1999 (USD 295.6m). In the whole period, from August 1997 to March 2000, exports decreased by 20%.

On the other hand, imports increased by nearly 50% (from USD 500m to USD 736m). The lowest imports took place in January 1999 (USD 407.1m).

Poland's foreign trade turnover with countries of Central and Eastern Europe (USD m)



Source: CSO

Output results

In the first four months of this year, the value of sold industrial output was over PLN 140bn, of which over 80% had been produced in the manufacturing industry. In January-April, industrial output increased by 9.2% (in constant prices). The greatest rise was recorded in the manufacture of coke and in the manufacture of rubber and plastic products where output growth exceeded 20% year-on-year. In a number of industrial sectors, there was a fall of output. In the mining industry, which is subject to restructuring, it reduced by about 1.6%. Output decreased also in light industry, i.e. Manufacture of Clothing, Furry and Leather Products.

Structure of industry

These changes in output in individual industrial sectors did not have a significant impact on the structure of Polish industry. In April this year, like in March, most industrial goods were produced by the manufacturing with a simultaneous fall in this share against April 1997 of 2.2%. The share of processing in total sold industrial output stood at 84.1%. Mining and quarrying were 5.1% of total sold industrial output compared to 1.9% in April last year.

Similarly to previous periods, the greatest share in industrial output was characterised by Food, Car and Chemical industries. A systematically diminishing share of the Food industry that stood at 3.6% in April this year compared to 5.5% in the same period in 1997 should be taken into consideration.

Productivity in industry

Polish companies are gradually increasing the efficiency of their production largely through reducing employment and boosting the value of manufactured goods. In April this year, particularly high effectiveness, calculated as the value of output per employee, characterised the coke industry. Since April last year, this sector has been experiencing quite high output growth. In addition, the following industries achieved high productivity in April this year: Tobacco, Car, Paper and Chemical industries. For example, in the manufacture of Tobacco Products, there was a decrease in productivity against the same period in 1999, but this productivity was still high when compared to other industries. A fall in productivity could be seen in one more sector – the Manufacture of Medical, Precision and Optical Instruments, Watches and Clocks – where it dropped by 4.2% in year-on-year terms.

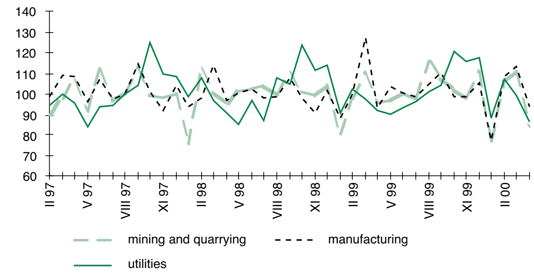
Employment and wages in industry

In most of industrial sectors, a tendency to reduce employment could be seen following, among others, from the restructuring processes of companies. In January-April 2000, the average employment in the companies subject to a survey by the CSO fell by 3.6%.

The greatest fall in employment occurred in the manufacturing of metals and in the manufacturing of leather products (of 19.4 and 14.5% respectively). A significant reduction in employment took place in the restructured mining industry where the number of staff was 37k down on the same period in 1999. An increase in the average employment occurred only in five sectors. It was particularly high in the manufacture of coke where average employment growth exceeded 24%. According to the survey by the CSO, in the near term, companies are planning to continue their dismissals.

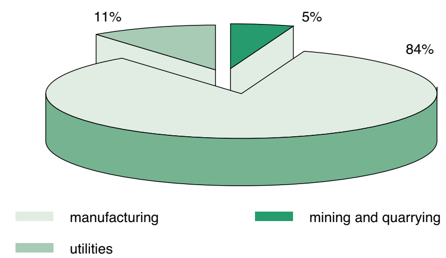
In April there was an increase in real wages in industry which influence on the size of domestic demand. The wages decreased only in Mining and Tobacco industries. The greatest rise in wages against April 1999 occurred in the manufacturing of Other Transport Equipment and in the Chemical industry (of 11.5 and 10.7% respectively). The highest nominal wages in April this year were characteristic of the Coke and Tobacco industry where pre-tax wages went beyond PLN 3k. The lowest average wages were in light industry: the manufacture of Textiles, Leather Products, Clothing and Furry.

Annual growth of industrial output
(current prices)



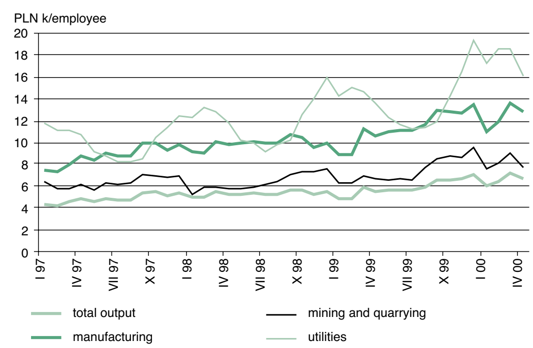
Sources: CSO

Total sold output structure in April 2000



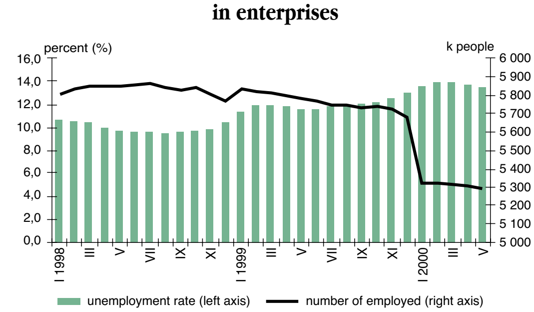
Sources: CSO

Productivity in industry



Sources: CSO

Unemployment rate and average employment in enterprises



Source: CSO

Trends in manufacturing

In May, the assessment of the general business trends in industry improved slightly. Positive assessments prevailed: 27% of companies surveyed by the Central Statistical Office considered the business trends positive, and 17% negative. The indicator of the general business trends in industry was a bit higher than in April, amounting to 10 points (against 3.9 points). The general business climate was assessed better in the private sector than in the state sector, but this difference diminished when compared to April. The assessments of the business trends were diversified depending on individual sectors. Similarly to April, the best assessment of the business climate in May was provided by Printing and Publishing companies where the indicator of the general business climate was 29 points. In addition, positive, relatively high assessments came from the manufacturers of Motor Vehicles, Non-metallic Products and Rubber and Plastic Products. Negative assessments of the business climate were given, above all, by light industry enterprises, i.e. the manufacturers of Textiles, Rubber Products and Clothing.

In May, the assessments of demand, both domestic and external, improved, and therefore, manufacturers decided to keep output at a level similar to that of April. They predict the continuing growth of demand in June and anticipate increased demand for industrial products. Hence, output forecasts for June are good. However, despite the increased demand for manufacturing products, the size of already excessive stocks rose in the companies surveyed.

The corporate financial situation in May was judged negative by the companies surveyed. It had an impact on increasing their capacities for settling financial commitments and problems related to collecting receivables from counterparties. In the future, manufacturers expect an improvement in the corporate financial situation and predict a slight increase in staff dismissals.

Retail trade

According to the assessments by the companies surveyed by the CSO, the business climate of retail trade did not improve in May and the indicator of the general climate was close to zero. The companies surveyed viewed the current economic situation as negative, both with regard to sales and their financial standing. At the same time, no significant improvement in these figures was anticipated in the future. In the coming three months, a decrease in the sales of, above all, Textiles, Clothing and Footwear is expected. In June, employment in retail trade will continue to reduce, especially in the sales of Cars. Only the companies selling Furniture, Radio and Television Equipment and Household Goods are planning to increase their employment.

Consumer sentiment

A survey carried out by Demoskop shows that in June consumer sentiment significantly deteriorated. The loss of optimism by consumers was related to a political crisis (coalition break-up) and a considerable probability of an increase in food prices following May's drought in agriculture. At the same time, inflation expectations became greater as buyers tolerated increasingly higher prices and salesmen were more and more inclined to increase the prices. The purchases of fixed goods planned for the future decreased.

This survey proves a limitation in demand that was noticed by manufacturers, tradesmen and consumers. In the future, producers are expecting an improvement both in domestic and external demand. In the opinion of tradesmen, a significant increase in sales is hardly probable (excluding purchases). Consumers are not planning to increase their expenditures on fixed goods either and are expecting a rise in inflation.

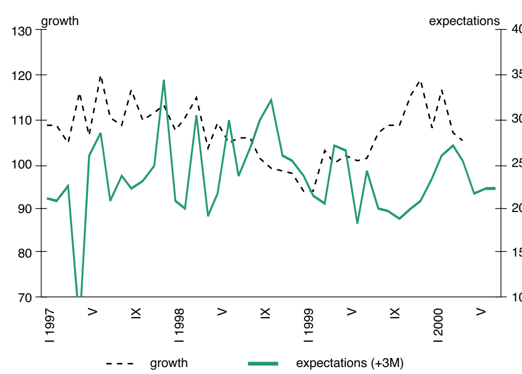
Business trends in Poland

Source: CSO

Employment and expectations

Source: CSO

Industrial output



Source: CSO

Economic Release Calendar June/July 2000

Monday	Tuesday	Wednesday	Thursday	Friday
June 19	**20** POL: Unemployment (V) *USA: Foreign trade (IV)*	**21** POL: Monetary Policy Council meeting *CZ: Foreign trade (V)*	**22** **Corpus Christi**	**23**
26 *CZ: GDP (I Q. 2000)*	**27** POL: Food prices (I half of VI) *USA: Fed meeting*	**28** *USA: Fed meeting* *USA: Durable goods orders (V)*	**29**	**30** *CZ: Foreign Investments and loans (III)* *CZ: Money supply (V)* *USA: Consumer sentiment (VI)*
July 3 POL: Balance of payments (V) POL: Foreign trade on a cash basis (V) POL: Food prices (II half of VI) *CZ: State budget (VI)*	**4**	**5**	**6** *USA: Factory orders (V)* *GER: Factory orders (V)* *GER: Unemployment (VI)*	**7** POL: Economic trends in industry, construction and retail trade (VI) POL: Balance of NBP (VI) POL: Gross official reserves (VI) *USA: Employment (VI)* *GER: Industrial output (V)*
10	**11** *CZ: Foreign reserves (VI)*	**12** *CZ: Inflation* *CZ: Unemployment*	**13** *USA: Money supply (VI)* *CZ: Output, sales, average earnings and employment in industry and construction (VI)*	**14** POL: Employment and wages in corporate sector (VI) POL: Money supply (VI) *USA: Retail sales (VI)* *USA: Industrial output (VI)*
17 POL: Inflation (VI) POL: State budget (VI) *CZ: Producer prices (VI)*	**18** POL: Industrial output (VI) POL: Producer price index in industry and construction (VI) *USA: Inflation (VI)* *CZ: Retail sales (V)*	**19** POL: Monetary Policy Council meeting *USA: Foreign trade (V)*	**20** POL: Unemployment (VI)	**21**
24 POL: Food prices (I half of VII) *CZ: Foreign trade (VI)*	**25**	**26**	**27** *USA: Durable goods orders (VI)*	**28** POL: Unemployment (II Q. 2000) *USA: Consumer sentiment (VII)*

CATEGORY	unit	1999 June	1999 July	1999 August	1999 September	1999 October	1999 November	1999 December	2000 January	2000 February	2000 March	2000 April	2000 May
PRICES													
Consumer price index (y/y)	%	6,5	6,3	7,2	8,0	8,7	9,2	9,8	10,1	10,4	10,3	9,8	10,0
Consumer price index (m/m)	%	0,2	-0,3	0,6	1,4	1,1	0,9	0,9	1,8	0,9	0,9	0,4	0,7
Production price index (y/y)	%	5,2	5,5	5,9	6,2	6,8	7,5	8,0	8,2	8,1	7,3	7,4*	7,7
Production price index (m/m)	%	0,1	0,5	0,9	0,9	0,8	0,7	0,5	0,5	0,5	0,4	0,7*	0,8
Price index of assembly and construction production (y/y)	%	8,1	7,8	7,8	8,2	8,3	8,8	9,1	7,7	7,5	7,7	8,3*	8,6
Price index of assembly and construction production (m/m)	%	0,3	0,3	0,6	0,9	0,7	0,8	0,5	0,6	0,6	0,9	1,1*	0,9
Exchange rate USD/PLN (y/y)	%	13,3	12,2	10,2	13,1	17,6	23,3	19,6	15,9	9,0	3,7	5,8	14,3
Exchange rate USD/PLN (m/m)	%	0,2	-1,5	1,8	3,3	0,7	3,5	-2,0	-1,6	0,8	-1,1	3,5	6,2
Exchange rate EUR/PLN (y/y)	%	-	-	-	-	-	-	-	1,3	-3,9	-7,9	-6,6	-2,6
Exchange rate EUR/PLN (m/m)	%	-2,1	-2,0	4,4	2,2	2,7	-0,1	-4,0	-1,4	-1,8	-3,3	1,3	1,8
Real gross wages in enterprise sector (y/y)	%	3,6	3,2	3,4	3,9	1,9	-0,3	2,3	6,5	6,8	3,1	5,2*	1,8
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	3,0	-	-	4,9	-	-	6,2	-	-	-	-	-
Industrial production (y/y)	%	1,0	1,4	7,1	8,6	8,9	15,9	19,1	7,9	16,4	6,8	5,3*	12,3
Industrial production (m/m)	%	0,1	-2,0	4,6	9,3	0,1	-0,9	5,7	-19,0	7,3	11,6	-8,4*	7,9
Construction and assembly production (y/y)	%	4,9	-0,3	4,3	5,2	-0,1	5,9	12,3	4,6	5,6	4,2	-5,6*	-0,7
Construction and assembly production (m/m)	%	9,6	-0,5	6,4	8,9	4,4	-18,2	49,3	-57,7	6,6	17,5	-0,1*	16,6
Retail sales of goods (y/y)	%	25,3	26,4	25,9	24,8	25,1	32,2	34,6	20,3	25,4	16,9	19,9	-
Retail sales of goods (m/m)	%	2,1	4,2	0,6	0,4	4,6	-2,3	23,2	-32,1	5,0	17,2	2,2	-
Exports on a customs basis (y/y)	%	2,1	-0,6	13,0	17,8	15,3	29,3	27,0	29,4	12,6	20,1	-	-
Exports on a customs basis (m/m)	%	-3,4	-3,0	4,9	14,9	7,0	-0,5	-4,4	-9,4	-3,5	31,5	-	-
Imports on a customs basis (y/y)	%	5,5	7,3	14,9	12,5	15,1	30,4	34,7	30,0	27,4	8,7	-	-
Imports on a customs basis (m/m)	%	-0,5	1,0	-1,6	15,9	6,2	4,1	-2,9	-20,1	8,1	12,0	-	-
LABOUR MARKET													
Number of unemployed	thous. persons	2 074	2 116	2 144	2 178	2 187	2 257	2 350	2 478	2 528	2 534	2 490	2446
Unemployment rate	%	11,6	11,8	11,9	12,1	12,2	12,5	13,0	13,6	13,9	13,9	13,7	13,5
Average employment in corporate sector	thous. persons	5 771	5 748	5 747	5 735	5 738	5 723	5 679	5 319	5 316	5 308	5 301	5 292
Average monthly gross wages in corporate sector	PLN	1 827	1 852	1 823	1 875	1 881	1 946	2 186	1 882	1 926	1 992	2 067	1 988
Nominal increase in wages (y/y)	%	10,5	9,9	11,1	12,3	10,9	9,0	12,3	17,2	17,9	13,7	15,5	12,0
STATE BUDGET													
Budget revenues	PLN bn	56,5	65,8	76,8	89,0	100,6	112,5	125,9	11,0	20,3	31,0	40,9	51,8
Budget expenditures	PLN bn	67,9	78,4	88,9	100,2	112,6	124,6	138,5	11,8	24,8	38,0	49,8	61,8
State budget deficit	PLN bn	-11,3	-12,5	-12,1	-11,3	-12,1	-12,1	-12,6	-0,9	-4,5	-6,9	-8,9	-10,0
Domestic government debt	PLN bn	133,4	-	-	130,9	-	-	134,7*	-	-	141,9	-	-
Foreign government debt	PLN bn	123,0	-	-	130,5	-	-	129,7	-	-	128,2	-	-

CATEGORY	unit	1999							2000				
		June	July	August	September	October	November	December	January	February	March	April	May
BALANCE OF PAYMENTS													
Current account	USD m	-1 138	-1 055	-786	-1 147	-849	-1 178	-1 683	-1 207	-954	-1 344*	-819	-
Trade balance	USD m	-1 303	-1 322	-1 233	-1 309	-1139	-1 561	-1 765	-1 458	-1 140	-1 241*	1 045	-
Exports	USD m	2 122	2 092	2 078	2 044	2221	2 151	2 470	1 922	2 038	2 371*	2 076	-
Imports	USD m	3 425	3 414	3 311	3 353	3360	3 712	4 235	3 380	3 178	3 612*	3 121	-
Services: net	USD m	-111	-125	-129	-127	-128	-140	-208	-174	-171	-202	-178	-
Unclassified transactions: net	USD m	253	301	429	423	426	299	174	286	225	218	398	-
Capital and financial account	USD m	726	1 279	1 015	877	863	834	1 405	1 485	647	1 074*	580	-
Direct investments	USD m	426	297	1 393	745	363	789	744	763	354	430*	403	-
Portfolio investments	USD m	196	70	227	-432	451	809	256	244	587	1 598*	-47	-
MONEY SUPPLY													
Money supply	PLN bn	236	238	242	246	251	255	263	255	258	262	266	269
Money supply (y/y)	%	22,9	21,1	19,6	20,9	22,4	22,9	19,3	15,1	13,7	13,8	15,2	15,1
Money supply (m/m)	%	1,2	0,9	1,4	1,7	1,9	1,5	3,5	-3,1	1,0	1,6	1,5	1,1
Total deposits (y/y)	%	24,6	22,5	21,2	22,3	23,5	24,2	18,3	15,7	14,7	15,5	16,6	16,8
Total deposits (m/m)	%	0,8	0,8	1,7	1,9	1,8	2,1	2,4	-1,6	1,3	1,9	0,9	1,5
Household loans (y/y)	%	41,1	42,9	45,4	47,6	46,0	52,2	53,0	52,5	51,8	52,1	49,8*	49,7
Household loans (m/m)	%	4,5	4,7	4,5	4,5	3,7	4,3	4,5	0,6	1,2	3,4	1,6*	3,6
Corporate loans (y/y)	%	25,0	25,4	24,0	23,8	24,5	23,7	21,6	20,8	18,8	18,1	19,1	18,0
Corporate loans (m/m)	%	0,6	0,8	2,0	3,0	2,5	2,2	-1,5	2,5	1,0	0,9	2,0	0,7
FINANCIAL INDICATORS													
Average deviation from the central parity**	%	-3,7	-5,6	-2,9	-0,5	0,8	2,0	-1,3	-3,0	-3,7	-6,2	-5,1**	-
Average exchange rate USD	PLN	3,9431	3,8827	3,9510	4,0799	4,1092	4,2527	4,1696	4,1036	4,1353	4,0902	4,2347	4,4988
Average exchange rate EUR	PLN	4,0969	4,0166	4,1946	4,2881	4,4031	4,3974	4,2200	4,1608	4,0850	3,9507	4,0033	4,0758
Average exchange rate DEM	PLN	2,0947	2,0537	2,1447	2,1925	2,2513	2,2484	2,1577	2,1274	2,0886	2,0200	2,0469	2,0839
Average T/N WIBOR T/N	%	13,29	13,30	13,27	13,67	13,82	15,49	17,64	17,42	16,43	17,97	17,58	18,00
WIBOR 1M	%	13,34	13,34	13,39	13,83	14,72	16,94	20,47	17,11	17,43	18,18	18,17	18,12
WIBOR 3M	%	13,31	13,38	13,64	14,32	16,64	18,55	19,03	17,18	17,84	18,44	18,34	18,40
Average 3M T-bill yield	%	12,28	12,40	12,56	12,54	13,71	15,41	16,29	16,01	16,11	16,57	16,72	16,98
Average 12M T-bill yield	%	12,18	12,33	12,44	12,91	14,63	15,98	16,01	16,19	16,99	17,55	17,29	17,86
Average 2Y T-bond yield	%	11,50	12,09	12,75	13,09	14,63	15,39	14,78	14,87	14,91	16,57	16,39	17,42
Average 10Y T-bond yield	%	8,89	9,06	9,23	9,59	10,50	10,59	9,83	10,14	10,20	10,78	10,55	11,89
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	13,0	13,0	13,0	14,0	14,0	16,5	16,5	16,5	17,5	17,5	17,5	17,5
Rediscount rate	%	15,5	15,5	15,5	15,5	15,5	19,0	19,0	19,0	20,0	20,0	20,0	20,0
Lombard rate	%	17,0	17,0	17,0	17,0	17,0	20,5	20,5	20,5	21,5	21,5	21,5	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	0,0

** corrected data, ** up to April 11 2000, Sources: Central Statistical Office, National Bank of Poland, Finance Ministry, Reuters, own estimations*

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