Poland's Economy. Financial Markets

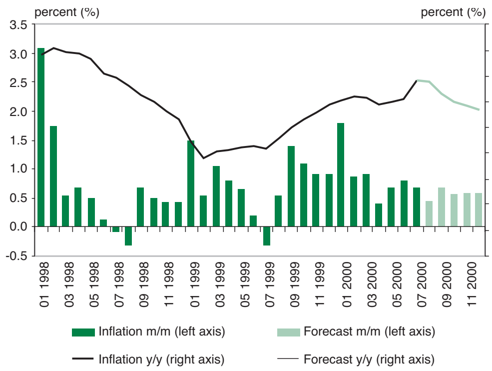
August 2000 No. 14

Major macroeconomic trends:

- July's inflation stood at 0.7% in month-on-month terms, hitting 11.6% year on year. From January to July, prices rose by 6.2% compared to an increase of 4.5% in the same period last year. This high inflation was mostly caused by a rise in food and services prices (up 0.7% and 1.1% m/m respectively) (page 4).
- July's industrial output was substantially lower than expected by the market which had anticipated a significantly smaller fall in output. In July, industrial output shed 6.9% m/m and in year-on-year terms it gained only 7.8%. The market had expected an increase of roughly 10 to 12% y/y. Such a considerable fall could not be justified exclusively by seasonal factors (a typical weakening of output in the holiday season). Industrial output data prove that domestic demand is weak (page 4).
- June's current account gap widened to USD 870m after a record low of USD 401m in May. In line with our expectations, imports accelerated in June. Despite an increase in the trade deficit, balance-of-payments data are quite good indicating that the improvement in exports continues. However, to significantly reduce the current account gap, it is essential that exports continue to grow (page 5).
- The zloty strengthens on privatisation receipts and the expectations of an interest rate hike. However, in the long term, the zloty must weaken for the external imbalance resulting from a growing foreign trade gap to redress. In the near term, the euro is likely to remain weak unless interest rates are hiked in the euro zone (page 6).
- An increase in market interest rates and yields on treasury papers given the expectations of a hike of NBP official interest rates (page 7).
- Although the increase in inflation was prompted by supply shocks, the Monetary Policy Council is likely to hike interest rates despite a real risk of curbing economic growth in 2001. The purpose of this hike would be to counteract inflationary expectations and would amount to roughly 200 basis points. It can be decided upon at the forthcoming meeting of the Monetary Policy Council to be held on August 30. This would represent the last hike after which in approximately 3 months' time the MPC would enter phase of relaxing monetary policy (page 8).

Arkadiusz Krześniak

Inflation – consumer prices



Source: CSO, own forecast

In this issue

Poland's current economic situation

In August, inflation came to the fore. Following the release of food prices for the first half of July, it became clear that July's inflation would exceed 11% y/y. It led to an increase in treasury bond yields and market interest rates. On the days after the release of July's inflation data (August 16), the money and bond market responded very rapidly, there was an increase in the yields practically along the whole curve, which was particularly visible in 1Y and 2Y segments. The market is currently discounting a hike of roughly 200 basis points within one to two months. In our opinion, the only reason for which the MPC may hike interest rates is their desire to counteract overly high inflation expectations. According to our forecasts, August's inflation is likely to exceed 11% y/y again. Money supply is under control, domestic demand is weakening as a result of high real interest rates and a decrease in the society's purchasing power due to inflation and a continuing high unemployment rate. A business trend survey by the Central Statistical Office indicates that demand for industrial products shrank in July. Growth in retail sales is decelerating, similarly to demand for fixed assets. All these indicators prove that the economy has been cooled down by high real interest rates. In addition, July's industrial output data show that a weakening of demand must be a factor in this fall, much deeper than would follow from seasonal factors. On the one hand, the rapidly increase in inflation stems from supply shocks (a rise in fuel prices and a fall in agricultural output), but on the other hand, increases in regulated prices and last year's precipitous fall in inflation also played a role. Last year, inflation was suppressed largely by low food prices and the Russian crisis that put pressure on cutting producer prices. Low food prices deepened the natural cycle of production in agriculture which was affected by the drought in the spring and at the beginning of the summer this year. The food market is unlikely to be stabilised by intervention purchases of cereals overseas, although a cut in prices is possible. Although the interest rate can not properly respond to these supply factors, the Monetary Policy Council may decide to hike interest rates. In our opinion, it is likely to amount to approximately 200 basis points. After 2 to 3 months when annual inflation decelerates due to the base effect (since September last year annual inflation has significantly accelerated), interest rates should be cut to the existing level. Provided there is another hike, it will be the last one in this cycle of tightening the monetary policy. Next year, the monetary policy should enter a relaxation phase. In the current situation, the only effective tool to curb inflation is the exchange rate. Although the zloty may strengthen on privatisation proceeds, tender for UMTS licences and the inflow of portfolio capital if interest rates are hiked, this strengthening will only be temporary.

Tab. 1. Inflation indicators

	03 2000	04 2000	05 2000	06 2000	07 2000	*08 2000F*
Consumer Price Index (m/m %)	0.9	0.4	0.7	0.8	0.7	*0.2*
Consumer Price Index (y/y %)	10.2	9.8	10.0	10.2	11.6	*11.2*
Producer Price Index (m/m %)	0.4	0.7	0.9	1.0*	0.5	*0.6*
Producer Price Index (y/y %)	7.3	7.4	7.9	8.9*	8.9	*8.6*
Average monthly FX rate (USD, y/y%)	3.7	5.8	14.3	11.6	11.3	-

Tab. 2. Activity indicators

	02 2000	03 2000	04 2000	05 2000	06 2000	07 2000
Retail Sales Index (m/m %)	5.0	17.2	2.2	-0.6	2.8	-
Retail Sales Index (y/y %)	25.4	16.9	19.9	15.1	14.8	-
Household loans (y/y %)	51.8	52.1	49.8	49.9	79.4	45.7
Industrial Output (m/m %)	7.3	11.6	-8.5	7.7	1.2*	-6.9
Industrial Output (y/y %)	16.4	6.8	5.3	12.1	13.4*	7.8
Exports, current prices (in payment terms, y/y %)	-19.1	-3.7	-5.9	21.0*	14.9	-
Imports, current prices (in payment terms, y/y %)	-3.8	7.3	-2.8	9.3*	1.4	-
Foreign trade (NBP, USD m)	-1 140	-1 241	-1 075	-894*	-1 034	-
State Budget Balance (PLN m)	-4.5	-6.9	-8.9	-10.0	-10.8	-11.3

Tab. 3. Poland's Economy

	1996	1997	1998	1999	*2000F*
Gross Domestic Product (y/y %) (fixed prices) of which:	6.0	6.8	4.8	4.1	***5.1***
Individual Consumption (y/y %)	8.3	6.9	4.9	5.1	***4.9***
Gross expenses on fixed assets (y/y %)	19.7	21.7	14.5	6.9	***6.3***
Exports, constant prices (y/y %)	9.7	13.7	9.4	2.0	***11.5***
Imports, constant prices (y/y %)	28.0	22.0	14.6	4.4	***7.0***
Inflation (average annual %)	19.9	14.9	11.8	7.3	***10.2***
Inflation (year end, y/y %)	18.5	13.2	8.6	9.8	***9.1***
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	***-7.4***
Public Debt/GDP (%)	51.1	47.9	43.1	44.6	***43.2***

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

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

Interest rates	1999	1Q 2000	2Q 2000	3Q 2000	4Q 2000	2000	2001	2002	2003	2004	2005
1 M	14.56	17.59	18.14	18.39	18.78	18.00	16.7	13.8	11.4	9.2	8.4
3 M	14.71	17.84	18.50	18.55	18.74	18.17	16.6	14.0	11.6	9.4	8.6
6 M	14.60	17.85	18.67	18.69	19.10	18.37	16.6	14.1	11.7	9.5	8.7
12 M	14.80	18.05	18.86	18.84	19.25	18.75	16.8	14.3	11.8	9.6	8.8
Lombard rate	17.59	21.17	21.50	22.17	22.50	21.83	20.4	16.0	13.2	11.0	10.2
Intervention rate	13.72	17.17	17.50	18.17	18.50	17.83	16.4	13.5	11.2	9.0	8.2
Treasury bonds yields											
3 Y (bid)	11.87	14.62	16.30	17.17	17.26	16.32	16.0	11.9	9.5	8.5	8.0
5 Y (bid)	11.12	12.78	14.01	14.49	14.57	13.95	13.5	10.2	9.0	8.2	7.8
10 Y (bid)	9.63	10.41	11.69	12.59	11.92	11.64	10.0	9.3	8.5	8.1	7.6
T-bills yields											
13-week	13.12	16.25	16.72	17.62	18.32	17.22	16.3	13.4	10.9	8.6	7.6
52-week	12.97	16.94	17.68	18.49	18.70	17.95	16.6	13.6	11.1	8.8	7.8
Exchange rates											
USD/PLN	3.9650	4.1132	4.3762	4.343	4.430	4.315	4.52	4.89	5.30	5.55	5.80
EUR/PLN	4.2260	4.0629	4.0872	4.018	4.209	4.094	4.48	5.03	5.40	5.49	5.56
EUR/USD	1.0660	0.9878	0.9344	0.925	0.950	0.950	0.99	1.03	1.02	0.99	0.96
Average depreciation (currency basket)	-	-	-	-	-	2.7%	7.1%	10.3%	7.8%	3.2%	2.8%
USD/PLN (end of period)	4.1483	4.1428	4.3907	4.352	4.460	4.460	4.58	5.20	5.40	5.70	5.90
EUR/PLN (end of period)	4.1689	3.9650	4.2075	4.026	4.237	4.237	4.72	5.34	5.45	5.53	5.58
EUR/USD (end of period)	1.0050	0.9571	0.9583	0.925	0.950	0.950	1.03	1.03	1.01	0.97	0.95
Macroeconomic indicators (end of period unless otherwise stated)											
Real GDP (y/y %)	4.1	6.0	5.5	4.7	4.0	5.1	5.2	5.2	5.1	5.5	6.0
Inflation (y/y %)	9.8	10.3	10.2	10.5	9.1	9.1	6.9	5.7	4.3	3.8	3.6
Inflation (y/y %) (average)	7.3	10.3	10.1	11.0	9.4	10.2	7.9	6.3	5.0	4.1	3.7
Current account/ GDP (%)	-7.6	-7.9	-7.9	-7.3	-7.0	-7.4	-7.0	-6.9	-6.7	-6.3	-5.9
Budget deficit/GDP (%)	-2.1	-2.8	-2.3	-1.9	-1.7	-2.2	-2.0	-1.8	-1.6	-1.4	-1.2
Public debt/GDP (%)	44.6	-	-	-	-	43.2	38.8	36.6	34.8	32.6	30.5
Foreign public debt/GDP (%)	20.7	-	-	-	-	20.1	18.2	17.2	16.6	15.3	14.1
Foreign debt total/GDP (%)	39.0	-	-	-	-	38.2	36.2	32.7	29.3	28.2	26.9

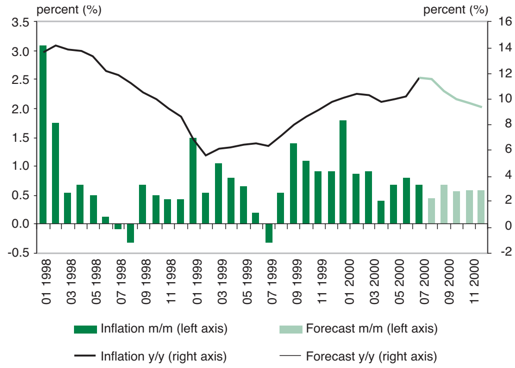
Forecast date: 21.08.2000

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

July's inflation stood at 0.7% in month-on-month terns, hitting 11.6% year on year. From January to July, prices rose by 6.2% compared to an increase of 4.5% in the same period last year. This high inflation was mostly caused by a rise in food and services prices (up 0.7% and 1.1% m/m respectively). The prices of nearly all food categories went up, there persisted high growth in the prices of bread (5.2%), meat (3.7%), sugar (9.6%) and flour (7.0%). The duty-free imports of 1.1m tonnes of cereals will not stabilise food prices given the fact that the shortage in the market will amount to roughly 2.5m tonnes and that high prices of meat are likely to remain. The 3% VAT rate in agriculture to be introduced in September will represent another inflationary impulse. The rise in services prices was prompted by an increase in telecommunication prices (5%), housing rent (1.9%), electricity (1.0%) and water (0.9%). In addition, the prices of public transport and medical services climbed. Inflation trends seem to be continuing although, over the last two years, inflation has mounted primarily as a result of supply shocks. At present, the likelihood of an interest rate hike to be decided upon on August 30, is significantly greater. The hike, if any, may amount to 2 percentage points. The purpose of the potential hike would be to counteract excess inflationary expectations as both monetary factors and domestic demand are under control.

Inflation – consumer prices

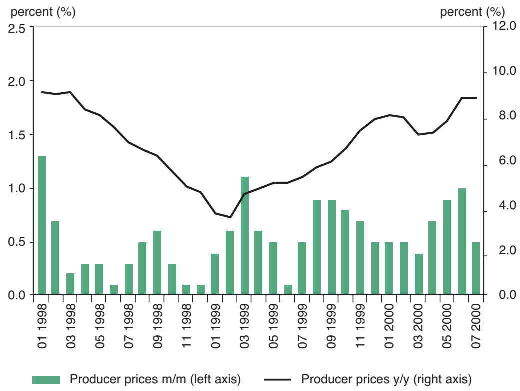


Source: CSO, own forecast

Inflation – producer prices

In July, sold industrial output prices rose by 0.5% m/m and 8.9% y/y compared to an increase of 1.0% m/m and 8.9% y/y in June. The rise in producer prices in July was lower than that in previous months given the strengthening of the zloty and a fall in fuel prices in the home market. An increase in the prices of manufacturing activity was just 0.4% m/m whereas a substantial rise was observable in utilities (0.8% m/m compared to 1.9% in June). Due to high oil prices in world markets, further increases in fuel prices in Poland should be expected. For this reason, in the coming months, despite weak domestic demand, producer inflation is likely to stay at 0.5 to 0.7% m/m. At the end of this year, we project the indicator of producer prices to fall to approximately 7.7% y/y.

Producer prices 1998-2000

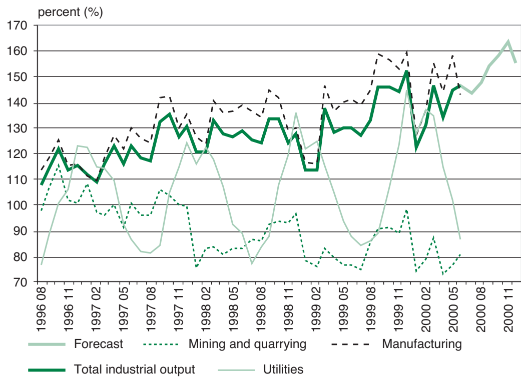


Source: CSO

Industrial output

July's industrial output was much lower than expected by the market which had anticipated a much smaller fall in output. In July, industrial output shed 6.9% m/m and in year-on-year terms it gained 7.8%. The market had expected an increase of roughly 10 to 12% y/y. Such a significant drop could not be justified exclusively by seasonal factors (a typical weakening of output in the holiday season). Industrial output data show a limiting of domestic demand. The situation of foreign trade starts stabilising and it seems that a reduction in industrial output should not be triggered off by a drop in external demand. Manufacturing output decreased in July by 7.6% m/m after a very moderate increase of 1.2% m/m in June. If there is no growth in industrial output in August, it will mean that domestic demand is overly cooled down by real interest rates. Recent industrial output data may represent an argument against the interest rate hike making it more difficult for the Monetary Policy Council to decide upon a further tightening of the monetary policy.

Industrial output
(monthly average, 1995=100)

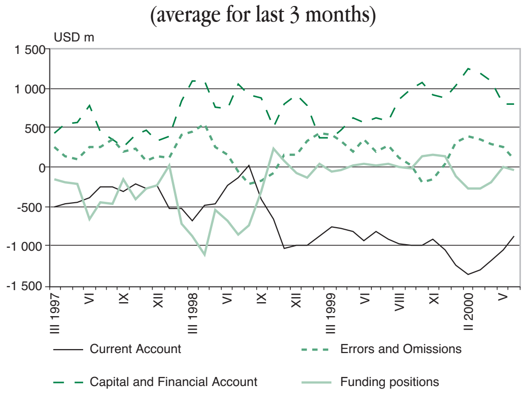


Source: CSO, own forecast

Balance of payments

June's current account gap totalled USD 870m after a record low amounting to USD 401m in May. As we expected, imports accelerated in June. In that month, imports grew to a greater extent than exports – by 5.2% and 1.3% m/m respectively. The trade deficit increased by 15.7% reaching USD 1.034bn. Despite this increase in the trade deficit, balance-of-payments data are relatively good indicating that the improvement in exports continues. From January to June, exports fell by 0.7% y/y whereas imports grew by 3.0% y/y. At the same time, it was the third month in a row that the balance of unclassified current flows exceeded USD 300m. In the first half of this year, the whole growth in the current account gap of USD 640m was caused by an increase in the trade deficit which grew by USD 670m compared to the same period last year. This was due to an increase in imports (up roughly USD 580m) and a fall in exports (down roughly USD 90m). In the first half of 2000, the growth in the services deficit (up USD 221m) against the first half of 1999 was compensated for by the increase in the balance of unclassified current flows (up USD 205m) and an increase in current transfers of USD 50m. In the first half of 2000, the current account gap was 47% financed by direct investments and 48% by portfolio investments. The balance of other investments was negative making the capital and financial account balance cover only 58% of the current account deficit. Swap transactions funded 28% of the current account deficit. The remaining part of the current account gap (14.5%) was in the first half-year financed by a fall in the balance of foreign exchange reserves which covered 7.5 months of imports in June. In July, 7.9 months of imports were covered by foreign exchange reserves. The situation of foreign trade indicates that at present the primary reason for the growth in the current account gap is continuing weak exports.

Balance of Payments
(average for last 3 months)

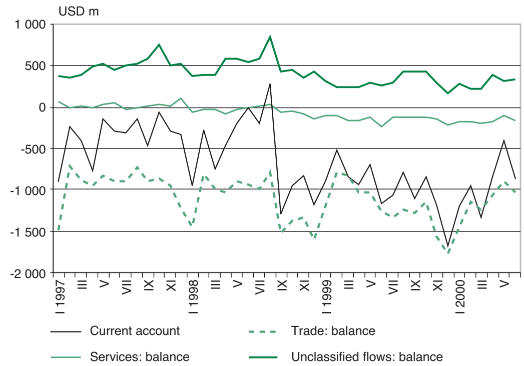


Source: NBP, own calculations

Manufacturing industry trends

As stated by the Central Statistical Office, the general climate of business trends in the manufacturing industry in July was assessed better than in June and better than in July of 1998 and 1999. The indicator of general business trends stood at plus 8 points in July compared to plus 5 points in June. Out of all the companies surveyed by the CSO, 26% judged the business trends positive and 18% negative. The others reported that their situation had not changed. The business trends were assessed more positive by private companies than state-owned ones. The best business trends were observed in printing and publishing companies while the worst in clothing companies. In July, as a result of a fall in domestic demand, producers resigned from a part of their output which did not restrain stocks from growing, however. The projections of the future size of demand are optimistic. The current financial standing of companies was judged negative. Difficulties related to the timely settlement of payments mounted, but a significant improvement was observed in collecting receivables. Producers expect a further improvement in this respect. Entrepreneurs predict that additional cuts in employment will take place and producer prices will be rising slower than they anticipated a month before. July's general climate of business trends in construction was judged positive at a level similar to that of June's (+29). This judgement was impacted by positive assessments of the current situation and slightly worse than the previous month's assessments for the future. The indicator of the general climate of business trends in retail sales continued to be negative (-4 points) standing slightly worse than a month before. The assessment of current sales deteriorated and projections for the coming months improved.

Current Account
(some positions)



Source: NBP

Business trends in Poland

Source: CSO

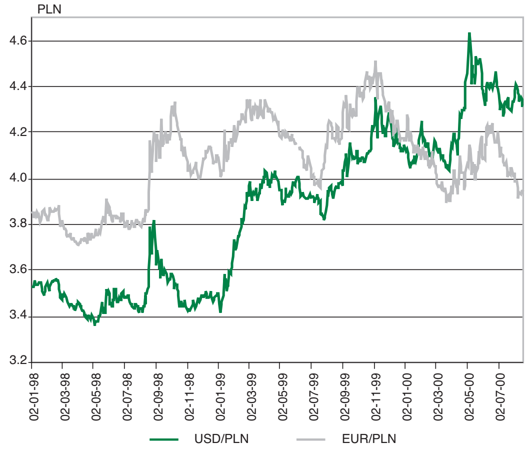
Zloty strengthens on privatisation receipts and expectations of interest rate hike.

Following a strengthening to PLN 4.30 for USD 1 in the last week of July, before the release of current account gap data, the zloty weakened to PLN 4.43 for USD 1. After the release of June's current account deficit data, which, although much weaker than in May, still showed an improvement in exports, and in anticipation of proceeds from the privatisation of TP S.A., the zloty started picking up as of August 3. As the final date of the privatisation of TP S.A. was approaching and the expectations of an interest rate hike were growing in strength after very high July's inflation, as at August 18, the zloty strengthened to PLN 4.31 for USD 1. The possibility of an interest rate hike of 200 basis points to be introduced at the meeting on August 30, and the fact that high interest rates are likely to be kept at least until the end of this year again made the interest rate differential in Poland and abroad attractive to foreign investors. The tender for UMTS licences to be held in October this year will be another factor strengthening the zloty. As a result, at least within the coming 2 to 3 months, the risk of a significant weakening of the zloty is quite low. The interest rate hike may lead to another inflow of portfolio capital and to the further appreciation of the zloty, or it may at least keep the zloty at the level of PLN 4.30-4.35 for USD 1. The stabilisation of the current account situation, stemming from an increase in demand for Polish exports and a better situation in cross-border trade, staves off the risk of a foreign exchange crisis. The interest rate hike, through an increase in market interest rates and a strengthening of the zloty, may act as a factor deteriorating the situation of Polish exports in the near term, and in consequence, hampering the stabilisation of the current account. In the long term, the zloty must weaken for the external imbalance, resulting from the growing foreign trade deficit, to redress.

Euro significantly weaker against US dollar.

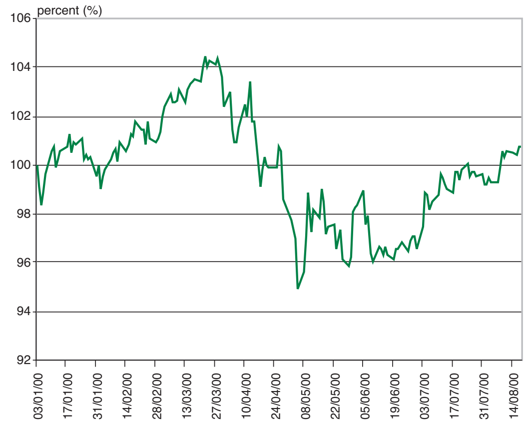
The euro strengthened against the US dollar in the last week of July to USD 0.9430, after which, at the beginning of August, it again started losing in value against the US dollar following signals that the US economy was decelerating. On Wednesday, August 9, the euro fell below USD 0.90 for EUR 1, reaching USD 0.8990. After substantially higher inflation in July in the euro zone, the expectations of an interest rate hike to be decided upon at a meeting of the Central European Bank on Thursday, August 31, intensified. A hike of 25 to 50 basis points is likely. On Monday, August 21, the euro stood at USD 0.9050 for EUR 1. Given the potential hike by the ECB, the euro may strengthen to USD 0.92 for EUR 1. In the near future, the euro will probably remain stable. The euro is likely to strengthen within the coming 6 months, still at the end of this year it is hardly likely to hit the parity against the US dollar. After higher than expected unemployment rate and good inflation data in the US, at a forthcoming meeting to be held on August 22, the FED will probably not raise interest rates, but they may keep their tightening bias.

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



Source: NBP, Reuters

Changes in the zloty value at fixing against USD and EUR
(3.01.2000 = 100)



Source: Reuters, own calculations

EUR/USD

Source: NBP, Reuters

Interest rates

Except for overliquidity on 27 and 29 July typical of the month end, O/N WIBOR rates have been stable over the last three weeks. T/N and S/W rates fell slightly and 1M WIBOR rates were stable. Since the second half of August, longer term WIBOR rates have been increasing. After the release of adverse inflation data for July, all rates from 1M upwards surged strongly. As at August 17, 1M, 3M and 6M WIBOR rates reached 18.19%, 19.77% and 20.01% respectively. The money market is currently discounting an NBP interest rate hike of approximately 200 basis points over one month. For the last month, the difference between 1M and 3M WIBOR rates substantially deepened. Such a situation has taken place before any official interest rate hikes over the last twelve months. There has been an increase in yields all along the curve affecting mostly the 1Y segment. Thus, the market is expecting the hike to be short-lived and interest rates to fall in the longer term.

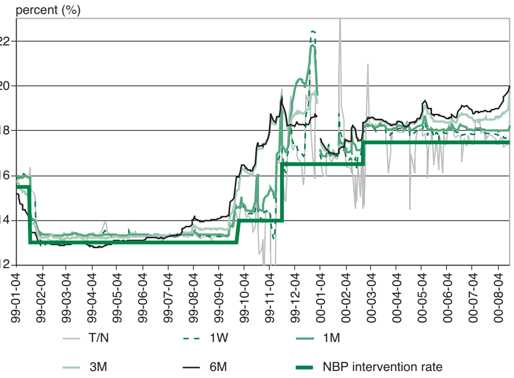
Treasury bills

Over the last four weeks, the yields on 52-week treasury bills have been stable, standing at slightly over 17.70% in the primary market. The yield on 2-week treasury bills increased at the auction on August, 16, given a very small bid as investors abstained from purchasing before the release of inflation data. After the release of inflation data on Thursday, August 17, the yields on all treasury bills in the secondary market gained 40 to 60 basis points with the strongest response on the part of longer term treasury bills. The market is convinced that interest rates will be raised in the near future.

Treasury bonds

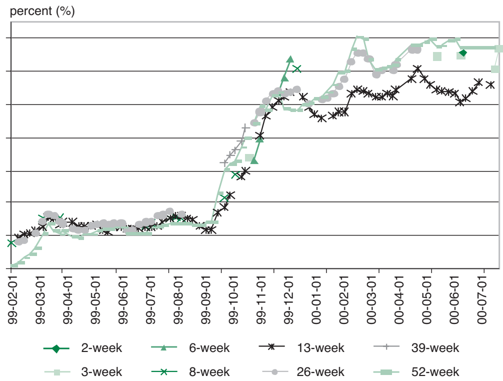
On Monday, July, 24, the Finance Ministry converted PLN 751 worth of health service debt into fungible bonds (PLN 331.2m into 2-year bonds with a 12% coupon and PLN 419.3m into 3-year bonds with a 12% coupon), with the offer to convert the debt by banks totalling PLN 1.218bn. Approximately PLN 2.3-2.4bn of the debt still remains to be bought up. At the auction on Wednesday, August 2, the Finance Ministry sold PLN 800m worth of 5-year fixed rate bonds with an 8.5% coupon and PLN 800m worth of 2-year zero-coupon bonds. The bid for these bonds was considerable, amounting to PLN 3.9bn and PLN 3.3bn respectively. The average yields on 5-year bonds was 14.324% compared to 13.778% a month before and the average yields on 2-year bonds stood at 17.389% compared to 17.372% previously. Peak yields were 14.324% and 17.389% respectively. At the auction on Wednesday, August 9, the Finance Ministry sold PLN 200m of 10-year floating rate treasury bonds. The bid for these bonds totalled PLN 568.4m while the average weighted auction price was PLN 983.96 for PLN 1000 of the nominal value. Over the last month, yields on treasury bonds in the secondary market have been rising, influencing primarily shorter terms. The yields started lifting immediately upon the release of the preliminary data on food prices in the first half of July (July 23). In the near future, before the MPC meeting, yields on treasury bonds are likely to stay high. Provided there is an interest rate hike of 200 basis points, it may result in a further fall in the prices of 2-year bonds, still it will probably be positive in respect of the longer end of the yield curve.

WIBOR rates



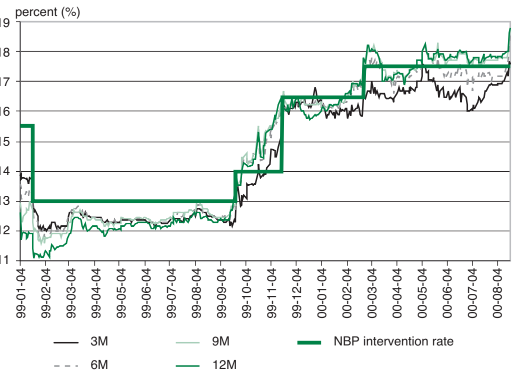
Source: NBP, WBK S.A. Treasury&International Division

T-Bill yield
(primary auctions)



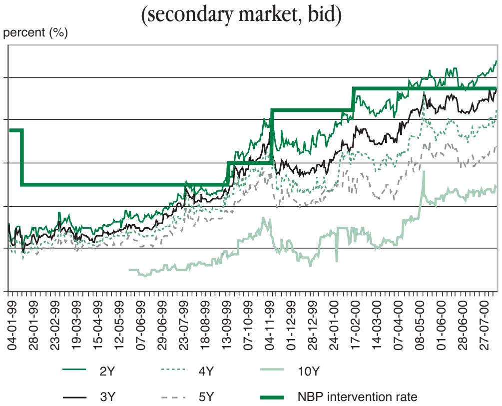
Source: NBP, WBK S.A. Treasury&International Division

T-Bill yield
(secondary market)



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

T-Bond yield
(secondary market, bid)

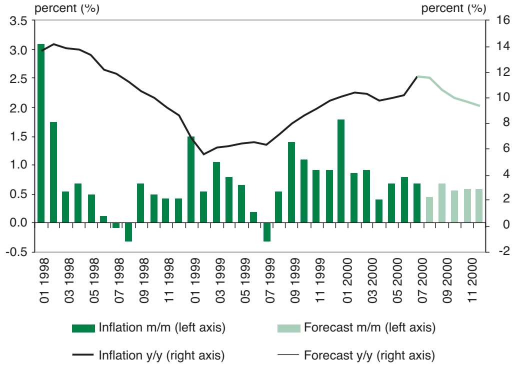


Source: NBP, WBK S.A. Treasury&International Division

Monetary policy

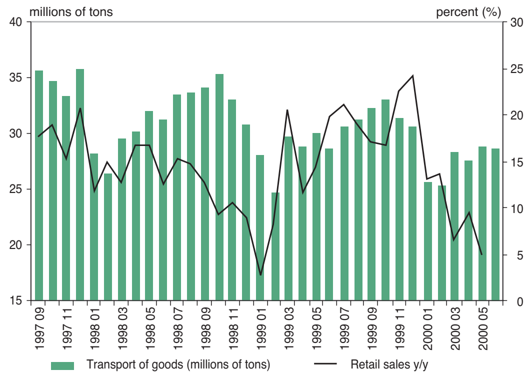
After a significant increase in inflation in July this year triggered off by a strong rise in food and services prices, the likelihood of an NBP interest rate hike became higher. If inflation continues to stay at over 11% in August, inflation expectations are likely to increase. At the beginning of this year, inflationary impulses followed the weakening of the zloty and were of an interim nature. The rise in food prices may also carry on into the fourth quarter of this year, which will be related to an increase in meat prices. In addition, the state intervention in the cereal market (duty-free quota on the import of 1.1m tonnes) will be carried out much too late. The prices of oil, very quickly translating into changes in consumer prices, will also be rising in the foreseeable future. Other reasons why consumer inflation will mount will be increases in regulated prices as well as in excise and indirect taxes. This factor will prevail in the coming years, slowing down the fall in inflation. A question arises to what extent a growing number of competitors in the domestic market can reduce prices. Although the increase in inflation was generated by supply shocks, the Monetary Policy Council may feel compelled to hike interest rates despite a real risk of limiting economic growth in 2001. The interest rate hike may also have a negative impact on the balance of payments, strengthening the zloty, and in consequence, widening the current account deficit. High real interest rates would probably lead to a further increase in the foreign debt of Polish businesses. One of the solutions to this situation would be to hike interest rates by roughly 200 basis points for at most one quarter. This would limit inflationary expectations and would not lead to the economy being overly cooled down (a weakening of GDP growth and a stronger increase in unemployment). Another solution would be to keep NBP interest rates at their existing level over at least two quarters and to start cutting interest rates at the end of the first quarter of 2001. We estimate the probability of an NBP interest rate hike at approximately 60%. The next meeting of the Monetary Policy Council will be held on 30 August this year. The Council will then set the inflation target for 2001. We predict that in order for this target to be met, it must be set at a level exceeding this year's inflation target of 5.4-6.8 by 0.2 to 0.5 percentage points.

Inflation – consumer prices



Source: CSO, own forecast

Internal demand

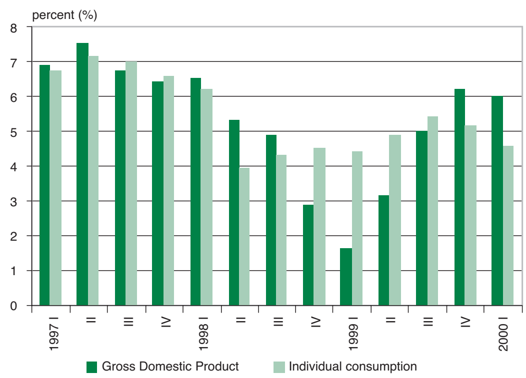


Source: CSO

Money supply

Money supply fell in July by 2.5% m/m compared to an increase of 5.9% m/m in June. This fall in money supply in July was not surprising, it could be expected by observing ten-day period data. The main reason for the decrease in money supply was a drop in the volume of personal loans of 15.0% m/m following the repayment of PKN Orlen loans. The growth in personal loans disimproved to 45.7% y/y while the growth in corporate loans was stable, standing at 18.7% y/y. A decrease in the debt of the budget sector of 2.3% m/m was also a positive element. Personal deposits rose steadily by 1.0% m/m with the annual growth of 18.5%. Corporate deposits fell by 14.3% m/m and returned to the level of before the privatisation of PKN Orlen. Since the beginning of this year, money supply has increased by 5.4% compared to a rise of 8.0% last year. Monetary factors are not putting any pressure on inflation. Money supply is under control and the growth in personal loans in year-on-year terms is decelerating.

Growth of GDP and individual consumption (y/y)



Source: CSO

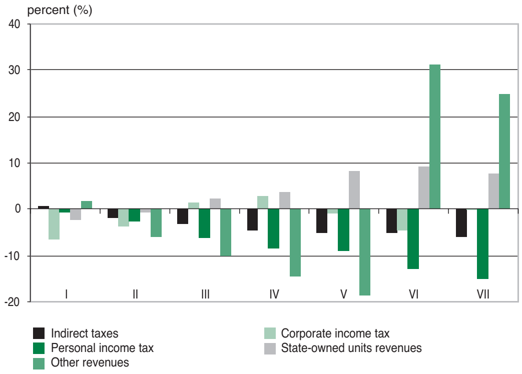
Budget performance in July this year

At the end of July, the state budget deficit totalled PLN 11.3bn, equivalent to 73.4%, of the year-long budgeted figure (PLN 15.4bn) compared to 70% after June and 97.2% last year. In other words, the growth in the budget deficit decelerated compared to the average pace of the first half-year, and a substantial improvement took place against last year. After seven months, budget receipts amounted to PLN 74.8bn, equivalent to 53.1%, of the plan for the whole year against 45.6% a month before. At the same time, budget expenditures were realised in the amount of PLN 86.1bn, equivalent to 55.1%, of the year-long plan compared to 48% after June. In July, budget proceeds grew slightly faster than budget expenditures. A strong increase was observable in corporate tax and customs duties income. Indirect tax income grew at a pace similar to that of previous months, standing at a satisfactory level. It represents the most steadily growing income in individual months. The realisation of proceeds from personal income tax continues to be low, and their increase was again relatively small. It was the second month in a row that the realisation of expenses on domestic debt service had substantially increased. Expenses on external debt service are low. But the payment of subsidies to the Labour Fund and subsidies to local governments is well advanced. It still remains unknown by how much the educational part of subsidies to local governments will increase as a result of its adjustment after identifying its underestimation and what will be the source of financing this increase. The situation of the budget is stable although expenditures on domestic debt service and the Social Insurance Fund for Farmers are becoming fundamentally greater.

State treasury debt

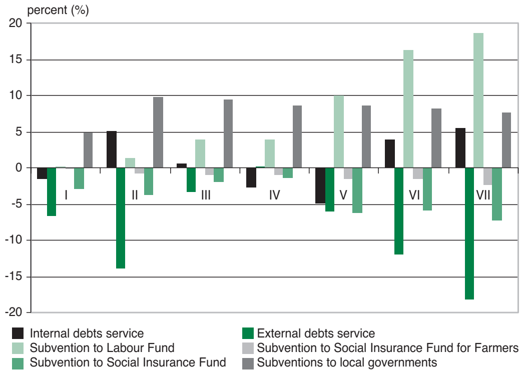
As at the end of May, the debt of the State Treasury grew by PLN 278.8bn in nominal terms, of which domestic debt represented PLN 144.8bn, equivalent to 51.9%, and external debt amounted to PLN 134.0bn, equivalent to 48.1% of total debt. Over the last three years, the share of external debt in total debt has decreased – from 53.1% as at December 1997 to 49.1% as at December 1999. At the same time, the share of market debt in total debt has increased very speedily – from 57.8% as at the end of 1997 to 77.1% as at May this year. The average maturity period of Polish treasury papers, after a considerable fall from 4.47 years as at December 1997 to 2.61 years as at December 1999, became gradually longer in subsequent months. A significant fall in the average maturity period of Polish treasury papers between 1997 and 1999 was related to replacing non-market instruments of very long maturities with market instruments of considerably shorter maturities. The average maturity period of Polish treasury bonds increased from 2.7 years as at December 1997 to 3.2 years as at May this year. It followed among others, from the introduction of 10-year bonds in 1999. Over the last three years, the Finance Ministry has been reducing the share of treasury bills in domestic debt in exchange for treasury bonds, largely fixed rate bonds. In the same period, the contribution of NBP to financing domestic debt has decreased (from 15.7% as at 1997 to 13.4% as at May this year), similarly to that of commercial banks (from 47.0% as at 1997 to 39.2% as at May 2000). On the other hand, the contribution of the non-banking sector to funding domestic debt has increased (from 31.1% as at 1997 to 36.6% as at May this year). An analysis of the redemption profile of domestic debt leads to the conclusion that over the next two years the encumbrance of the State Treasury due to maturing Polish treasury bonds will increase at least twofold to PLN 21.5 and 23.3bn in 2001 and 2002 while the value of maturing treasury bills in these years is likely to be 60 to 80% of the value of maturing bonds. On the other hand, in 2004-2009, the State Treasury will be mostly encumbered with the repayment of capital instalments on external debt totalling USD 22.7bn (average USD 3.3bn per annum) while in 2000-2001, for example, the repayments will amount to an average of USD 1.25bn.

Revenues – deviation from trend*



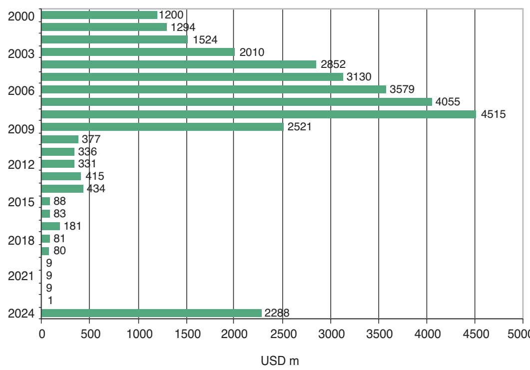
Source: Finance Ministry, own calculations
**trend means the constant increase by 8.33% a month*

Expenses – deviation from trend*



Source: Finance Ministry, own calculations
**trend means the constant increase by 8.33% a month*

Schedule of capital instalments of Poland's foreign debt



Source: Finance Ministry

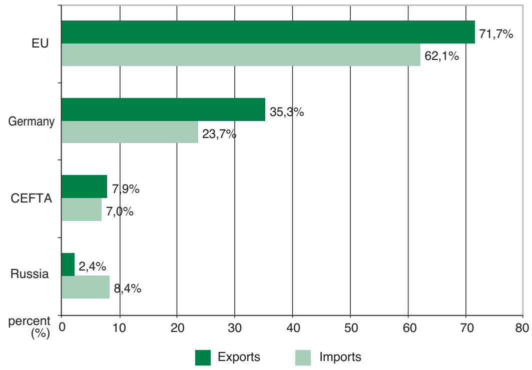
Geographical structure of foreign trade

From January to May 2000, no material change occurred in the geographical structure of Poland's foreign trade compared to the same period last year. Despite a fall in their contribution to the trade structure (of nearly 2%), Poland's main partner is still Germany, with a 35% share in Polish exports and an almost 25% share in imports. The contribution of the entire European Union to the structure of imports also reduced (to 62.1% from 65.7% a month before). Exports to the EU continue at the same high level (71.7%). The share of CEFTA states in Poland's trade turnover inched up (less than 0.5%), amounting to 7% in total imports and 7.9% in total exports. On the other hand, a strong increase was observable in imports from Russia – from 4.9% to 8.4% (primarily due to higher oil prices) whereas the share of exports to Russia did not change and was significantly smaller than that of imports (2.4%). In the first five months of 2000, exports from Russia to the European Union were 12.1% up on the same period in 1999, whereas imports from the European Union increased by only 3.4%. This positive trend is also observable if we compare trade turnover generated in May this year to that generated in May 1999 – exports were 8.9% up and imports 3.2% down on last year. Although for the last two months both exports and imports from the EU decreased, from January to May over the last three years neither exports nor the trade balance have reached a higher level. In terms of trade turnover with the countries of Central and Eastern Europe, against last year, substantially faster growth in imports than in exports (imports up 45.7% and exports up 13.8%) was observed from January to May 2000. Still, in April and May there occurred a stronger fall in imports and despite a decrease in exports, the balance slightly improved. The geographical structure of foreign trade is gradually improving and being diversified while total exports are growing (by 12.2% from January to May 2000 against the same period in 1999).

Foreign trade by product

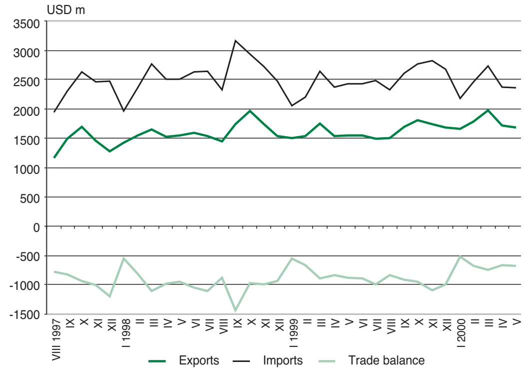
The largest share in the product structure of Poland's foreign trade (in USD according to the SITC sections) represent Machinery and Transport Equipment (over 30% of total exports and nearly 40% of total imports). Over one quarter of exports covers Manufactured Goods Classified by Raw Material and less than 20% Miscellaneous Manufactured Goods. Similarly, Manufactured Goods Classified by Raw Material have a large share (of roughly 20%) in imports and chemicals and related products occupy the third position (14.4%). From January to May 2000, in the product structure of Poland's exports, the share of the largest group of goods – Machinery and Transport Equipment – increased from 29.6% to 32.5% compared to the same period last year. On the other hand, there was a fall in the share in exports of Miscellaneous Manufactured Products from 21.7% to 18.6%, in addition to Food and Livestock from 8.1% to 6.6%. In the structure of imports, an increase in the share of Mineral Fuels, Lubricants and Related Materials from 5.8% to 9.8% was clearly observable, and as a result, this product group advanced from 6th to 4th position in the product structure of imports. It was related to a rise in oil prices. The share of Manufactured Goods and Machinery and Transport Equipment in imports is slowly decreasing. The product structure of trade is improving – the export of highly processed products is growing and the import of these products is falling.

Geographic structure of Poland's foreign trade (I-V 2000)



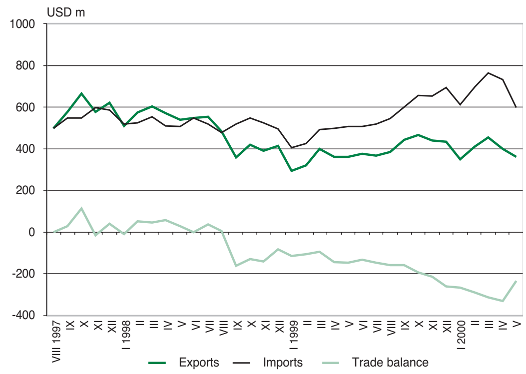
Source: CSO

Poland's foreign trade turnover with the European Union



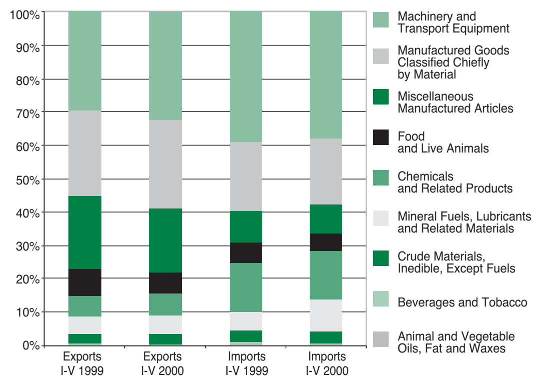
Source: CSO

Poland's foreign trade turnover with countries of Central and Eastern Europe



Source: CSO

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



Source: CSO

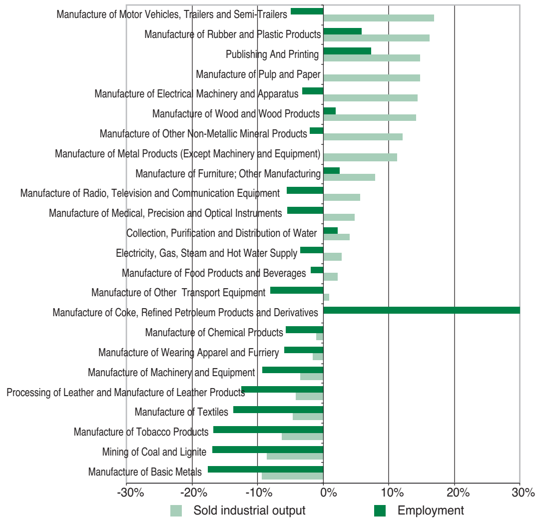
Impact of foreign trade on industrial output

In relation to a number of product groups, there was simultaneous growth in exports and imports in 1999, with exports growing stronger than imports. Most often, it followed an increase in the output of a section or sections of a given group of manufacturing goods. This affected, for example, transport equipment, whose exports were 16.9% and imports 14.5% up on 1998 and the output of the two industrial sections increased by 16.9% and 1%. A similar situation can be observed in the manufacture of plastics, wood, pulp and paper and machinery, equipment and electrical and technical equipment. Imports (7.1%) predominated over exports (4.7%) in relation to such goods as leather and leather products or basic metals and products thereof. Output of both these sections significantly fell in 1999. The exports of foodstuffs deteriorated considerably falling by 16.1% while the imports of these products picked up slightly (5.1%). At the same time, there was an increase in the output of foodstuffs and beverages of 2.2%. There was a significant increase in the imports (15.5%) and fall in the exports (1.4%) of chemical industry products, accompanied by a drop in output in this section by 1.0%. In short, growth in exports has a definitely positive impact on the size of output in a given section. Growth in imports has a stronger negative influence on output than a fall in exports as in the latter situation it is presumably easier to find alternative markets. However, an increase in imports alone does not affect output too strongly provided there is a similar or higher increase in exports. It would indicate that the domestic market is in some way separated from external markets.

Industrial output and employment in 1999

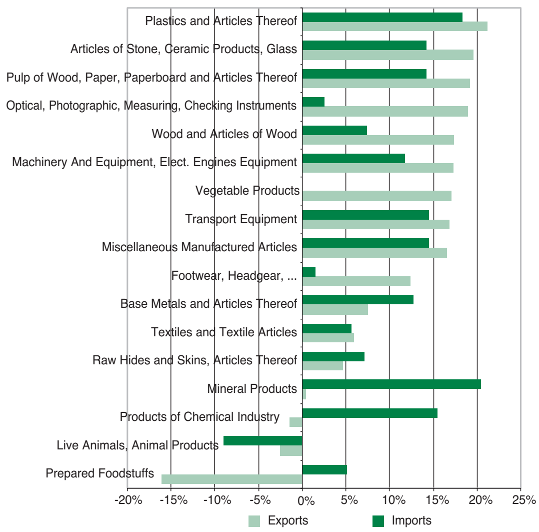
Compared to 1998, in 1999, the greatest increase in sold industrial output in real terms (according to NACE) had an effect on the manufacture of motor vehicles, trailers and semi-trailers amounting to 16.9%. In addition, seven more sections reported an increase in output of at least 10%. In the manufacture of motor vehicles, employment tumbled 4.9%, similarly to the manufacture of electrical machinery and apparatus where employment fell despite output growth. In the manufacture of pulp and paper, employment remained unchanged with an increase in output of 14.8% whereas in the printing and publishing section an increase in output of 14.8% was accompanied by a rise in employment of 7.4%. In other words, output growth did not always entail an increase in employment, and a rise in employment, if any, was lower than that in output. It can confirm positive changes in these sections, and primarily an increase in the effectiveness of output. In real terms, there was no change to the output of coke, refined petroleum and derivatives, nevertheless, employment in this section surged 30%. Most probably, this result is a statistical effect of the merger between Plock Refining and CPN oil & gasoline distribution company and a transfer of the latter's staff to another NACE section. There was a drop in output of eight sections, in each case tied in with a stronger fall in employment. Output and employment decreased most in the manufacture of basic metals by 9.4% and 17.6% respectively. Equally strong drops affected hard and brown coal mining, the textile industry and the manufacture of tanned hide. The falls in output and employment in these sections improve the structure of industry, but on the other hand, they are an important reason for the rise in the unemployment rate. In general, changes to the output of individual sections of Poland's industry improve its structure. Another positive phenomenon is an increase in the effectiveness of most of them, although it usually follows from cuts in employment rather than growth in output.

Real changes in production and employment by sections of NACE (1999 vs. 1998)



Source: CSO

Changes in exports and imports of chosen products by PCN (1999 vs. 1998)



Source: CSO

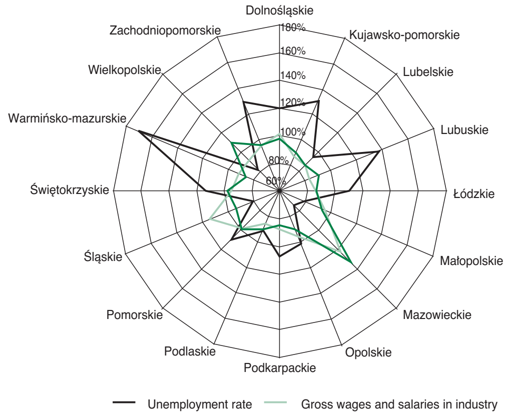
Economic situation of provinces

The major factors that differentiate the economic situation of Polish provinces are the unemployment rate, remuneration and industrial output. In June 2000, the lowest unemployment rate was observed in the following provinces: Mazowieckie (10.1%), Małopolskie (10.7%), Śląskie (10.9%) and Wielkopolskie (11.1%) – these rates were 3.4-4.4% down on the unemployment rate of whole Poland (13.5%). On the other hand, the following provinces had the highest unemployment rate: Warmińsko-Mazurskie (23%), Lubuskie (18.5%) and Kujawsko-Pomorskie (17.6%) whose rates were 4.1-9.5% above the average. In the first half of this year, gross monthly salaries above the average (PLN 1,987.41) were received by employees in the following provinces: Mazowieckie (121%), Śląskie (114%) and Dolnośląskie (101%) while the lowest by those in Lubuskie, Podlaskie, Lubelskie and Łódzkie provinces (83-86% of the average). In the construction industry, salaries exceeded the average (PLN 1,873.84) in two provinces only: Mazowieckie (131%) and Wielkopolskie (109%). The lowest were earned in the construction industry in Podkarpackie, Warmińsko-Mazurskie, Lubelskie and Łódzkie (84-97%). The largest part of sold industrial output in the first half of this year was generated in Mazowieckie (20%), Śląskie (17%) and Wielkopolskie (10%) provinces while the smallest in Podlaskie (1.6%), Lubuskie (2.2%) and Świętokrzyskie (2.4%) provinces. Dolnośląskie (27.2%), Pomorskie (22.3%) and Opolskie provinces were characterised by the fastest growth in output whereas Kujawsko-Pomorskie (8.3%), Łódzkie (8.5%) and Podlaskie (9.1%) reported the slowest growth in output. In the construction industry, the largest part of sold industrial output belonged to Mazowieckie (32.7%) and Śląskie (12.5%) provinces and the smallest to Podlaskie, Lubuskie and Warmińsko-Mazurskie (1.6%-2.0%). It follows from this analysis that there still exists considerable regional diversification in Poland. There are provinces of a much better economic situation than others (Mazowieckie, Śląskie, Wielkopolskie) as well as provinces whose situation is much worse when compared to the rest of the country (Lubuskie, Podlaskie, Warmińsko-Mazurskie).

Foreign capital companies

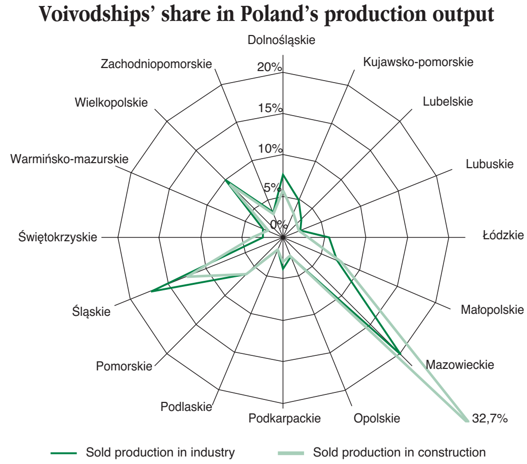
Out of 7,815 listed companies registered in Poland as at the end of the second quarter of this year, 1,134 of them (14.5% of all companies) have foreign shareholders. Nearly a half of listed foreign capital companies are based in the Mazowieckie province (530). There are also a lot of them in Wielkopolskie (91), Śląskie (85), Małopolskie (71), Pomorskie (68) and Dolnośląskie (67) provinces. The smallest number of these companies are seated in Warmińsko-Mazurskie (11), Opolskie (16) and Podlaskie (18) provinces. The largest percentage of the total number of listed foreign capital companies represent companies in Mazowieckie (24.5%), Podlaskie (15.9%) and Opolskie (14.4%) while the smallest those in Warmińsko-Mazurskie (7.2%) and Kujawsko-Pomorskie (8.6%). The greatest amount of foreign capital flows into the Mazowieckie province given its capital nature while Podlasie and Opolszczyzna, as cross-border regions, are the object of interest of foreign investors. The situation is similar in relation to limited liability companies. As at 30 June this year, out of 143,775 limited liability companies registered in Poland, 40,833 had foreign shareholders (28.4%). Out of these, most are based in Mazowieckie (13,794), Dolnośląskie (4,161) Wielkopolskie (3,681) and Śląskie (3,488) provinces. Foreign capital companies represent the greatest percentage of the total number of limited liability companies in eastern provinces – Lubuskie (44.6%), Zachodniopomorskie (38.5%), Dolnośląskie (34.9%) Opolskie (33.6%) and Wielkopolskie (29.3%) as well as Mazowieckie (34.5%). It could be explained by a closer economic relationship of these regions with the European Union, especially Germany, stemming from their geographical location.

Camparison of voivodships to state average



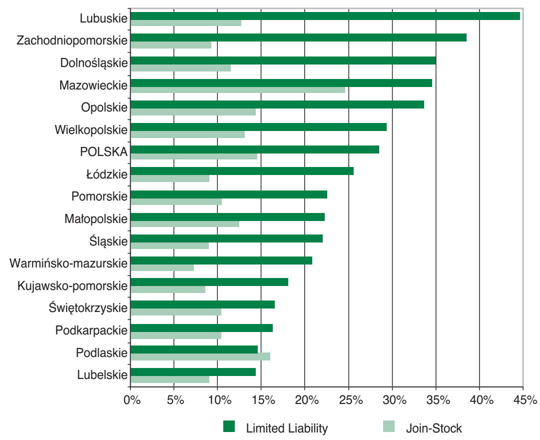
Source: CSO

Voivodships' share in Poland's production output



Source: CSO

Companies with foreign participation as a share of all companies – as of 30 June 2000



Source: CSO

Economic Release Calendar August/September 2000

Monday	Tuesday	Wednesday	Thursday	Friday
21 August POL: Unemployment (VII) *CZ: Foreign trade (VII)*	**22** *GER: IFO Business climate (VII)* *USA: FED meeting*	**23** POL: Food prices (I half of VIII)	**24** *GER: Producer prices (VII)* *USA: Durable goods orders (VII)*	**25**
28	**29**	**30** POL: Monetary Policy Council meeting	**31** *CZ: Money supply (VI)* *EUR: ECB meeting* *USA: Factory orders (VII)*	**1 September** *CZ: State budget (VIII)* *USA: Consumer sentiment (VIII)* *USA: Employment (VIII)*
4 POL: Food prices (II half of VIII) POL: Balance of payments (VII) POL: Foreign trade on a cash basis (VII) *CZ: Current account (H1 2000)*	**5**	**6** *GER: Factory orders (VII)* *GER: Unemployment (VIII)*	**7** POL: Economic trends in industry, construction and retail trade (VIII) POL: Balance of NBP (VIII) POL: Gross official reserves (VIII) *GER: Industrial output (VII)*	**8** *CZ: Inflation (VIII)* *CZ: Unemployment (VIII)* *CZ: Output, sales, average earnings and employment in industry (VII)* *CZ: Foreign reserves (VIII)*
11 *CZ: Output, sales, average earnings and employment in construction (VII)*	**12**	**13** *CZ: Producer prices (VIII)*	**14** POL: Employment and wages in corporate sector (VIII) POL: Money supply (VIII) *CZ: Retail sales (VII)* *USA: Retail sales (VIII)* *USA: Money supply (VII)*	**15** POL: Inflation (VIII) POL: State budget (VIII) *CZ: PKB (Q2 2000)* *USA: Inflation (VIII)* *USA: Industrial output (VIII)*
18 POL: Industrial output (VIII) POL: Producer price index in industry and construction (VIII)	**19**	**20** POL: Unemployment (VIII) *USA: Foreign trade (VII)*	**21** *CZ: Foreign trade (VIII)*	**22**
25 POL: Food prices (I half of IX)	**26**	**27** *USA: Durable goods orders (VIII)*	**28**	**29** *CZ: Money supply (VII)* *USA: Consumer sentiment (IX)*

Basic Macroeconomic Data

		1999					2000						
CATEGORY	unit	August	September	October	November	December	January	February	March	April	May	June	July
PRICES													
Consumer price index (y/y)	%	7.2	8.0	8.7	9.2	9.8	10.1	10.4	10.3	9.8	10.0	10.2	11.6
Consumer price index (m/m)	%	0.6	1.4	1.1	0.9	0.9	1.8	0.9	0.9	0.4	0.7	0.8	0.7
Production price index (y/y)	%	5.9	6.2	6.8	7.5	8.0	8.2	8.1	7.3	7.4	7.9	8.9*	8.9
Production price index (m/m)	%	0.9	0.9	0.8	0.7	0.5	0.5	0.5	0.4	0.7	0.9	1.0*	0.5
Price index of assembly and construction production (y/y)	%	7.8	8.2	8.3	8.8	9.1	7.7	7.5	7.7	8.3	8.4	8.8*	9.1
Price index of assembly and construction production (m/m)	%	0.6	0.9	0.7	0.8	0.5	0.6	0.6	0.9	1.1	0.7	0.7*	0.5
Exchange rate USD/PLN (y/y)	%	10.2	13.1	17.6	23.3	19.6	15.9	9.0	3.7	5.8	14.3	11.6	11.3
Exchange rate USD/PLN (m/m)	%	1.8	3.3	0.7	3.5	-2.0	-1.6	0.8	-1.1	3.5	6.2	-2.2	-1.7
Exchange rate EUR/PLN (y/y)	%	-	-	-	-	-	1.3	-3.9	-7.9	-6.6	-2.6	1.9	1.3
Exchange rate EUR/PLN (m/m)	%	4.4	2.2	2.7	-0.1	-4.0	-1.4	-1.8	-3.3	1.3	1.8	2.4	-2.5
Real gross wages in enterprise sector (y/y)	%	3.4	3.9	1.9	-0.3	2.3	6.5	6.8	3.1	5.2	1.8	1.3	-2.2
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	-	4.9	-	-	6.2	-	-	6.0	-	-	-	-
Industrial output (y/y)	%	7.1	8.6	8.9	15.9	19.1	7.9	16.4	6.8	5.3	12.1	13.4*	7.8
Industrial output (m/m)	%	4.6	9.3	0.1	-0.9	5.7	-19.0	7.3	11.6	-8.4	7.7	1.2*	-6.9
Construction and assembly production (y/y)	%	4.3	5.2	-0.1	5.9	12.3	4.6	5.6	4.2	-5.6	-0.6	1.2*	-3.0
Construction and assembly production (m/m)	%	6.4	8.9	4.4	-18.2	49.3	-57.7	6.6	17.5	-0.1	16.8	11.6*	-4.7
Retail sales of goods (y/y)	%	25.9	24.8	25.1	32.2	34.6	20.3	25.4	16.9	19.9	15.1	14.8	-
Retail sales of goods (m/m)	%	0.6	0.4	4.6	-2.3	23.2	-32.1	5.0	17.2	2.2	-0.6	2.8	-
Exports on a customs basis (y/y)	%	13.0	17.8	15.3	29.3	27.0	29.4	12.6	20.1	24.1	30.7	-	-
Exports on a customs basis (m/m)	%	4.9	14.9	7.0	-0.5	-4.4	-9.4	-3.5	31.5	-7.9	7.3	-	-
Imports on a customs basis (y/y)	%	14.9	12.5	15.1	30.4	34.7	30.0	27.4	8.7	14.8	26.2	-	-
Imports on a customs basis (m/m)	%	-1.6	15.9	6.2	4.1	-2.9	-20.1	8.1	12.0	-4.1	10.5	-	-
LABOUR MARKET													
Number of unemployed	thous. persons	2 144	2 178	2 187	2 257	2 350	2 478	2 528	2 534	2 490	2 446	2437	-
Unemployment rate	%	11.9	12.1	12.2	12.5	13.0	13.6	13.9	13.9	13.7	13.5	13.5	-
Average employment in corporate sector	thous. persons	5 747	5 735	5 738	5 723	5 679	5 319	5 316	5 308	5 301	5 292	5 295	5 284
Average monthly gross wages in corporate sector	PLN	1 823	1 875	1 881	1 946	2 186	1 882	1 926	1 992	2 067	1 988	2 049	2 036
Nominal increase in wages (y/y)	%	11.1	12.3	10.9	9.0	12.3	17.2	17.9	13.7	15.5	12.0	11.5	9.2
STATE BUDGET													
Budget revenues	PLN bn	76.8	89.0	100.6	112.5	125.9	11.0	20.3	31.0	40.9	51.8	64.2	74.8
Budget expenditures	PLN bn	88.9	100.2	112.6	124.6	138.5	11.8	24.8	38.0	49.8	61.8	75.0	86.1
State budget deficit	PLN bn	-12.1	-11.3	-12.1	-12.1	-12.6	-0.9	-4.5	-6.9	-8.9	-10.0	-10.8	-11.3
Domestic government debt	PLN bn	-	130.9	-	-	134.7	-	-	141.9	-	-	-	-
Foreign government debt	PLN bn	-	130.5	-	-	129.7	-	-	128.2	-	-	-	-

Basic Macroeconomic Data

CATEGORY	unit	1999 August	1999 September	1999 October	1999 November	1999 December	2000 January	2000 February	2000 March	2000 April	2000 May	2000 June	2000 July
BALANCE OF PAYMENTS													
Current account	USD bn	-786	-1 147	-849	-1 178	-1 683	-1 207	-954	-1 344	-850	-401*	-870	-
Trade balance	USD bn	-1 233	-1 309	-1 139	-1 561	-1 765	-1 458	-1 140	-1 241	-1 075	-894*	-1 034	-
Exports	USD bn	2 078	2 044	2 221	2 151	2 470	1 922	2 038	2 371	2 032	2 407*	2 439	-
Imports	USD bn	3 311	3 353	3 360	3 712	4 235	3 380	3 178	3 612	3 107	3 301*	3 473	-
Services: net	USD bn	-129	-127	-128	-140	-208	-174	-171	-202	-177	-105*	-157	-
Unclassified transactions: net	USD bn	429	423	426	299	174	286	225	218	398	324	337	-
Capital and financial account	USD bn	1 015	877	863	834	1 405	1 485	647	1 074	672	653*	-154	-
Direct investments	USD bn	1 393	745	363	789	744	763	354	430	449	310*	342	-
Portfolio investments	USD bn	227	-432	451	809	256	244	587	1 598	131	20*	125	-
MONEY SUPPLY													
Money supply	PLN bn	242	246	251	255	263	255	258	262	266	269	285	278
Money supply (y/y)	%	19.6	20.9	22.4	22.9	19.3	15.1	13.7	13.8	15.2	15.2	20.6*	16.4
Money supply (m/m)	%	1.4	1.7	1.9	1.5	3.5	-3.1	1.0	1.6	1.5	1.1	5.9	-2.5
Total deposits (y/y)	%	21.2	22.3	23.5	24.2	18.3	15.7	14.7	15.5	16.6	16.8	23.3*	18.8
Total deposits (m/m)	%	1.7	1.9	1.8	2.1	2.4	-1.6	1.3	1.9	0.9	1.6	6.4*	-2.9
Household loans (y/y)	%	45.4	47.6	46.0	52.2	53.0	52.5	51.8	52.1	49.8	49.9	79.4	45.7
Household loans (m/m)	%	4.5	4.5	3.7	4.3	4.5	0.6	1.2	3.4	1.6	3.8	25.2*	-15.0
Corporate loans (y/y)	%	24.0	23.8	24.5	23.7	21.6	20.8	18.8	18.1	19.1	17.9	19.7*	18.7
Corporate loans (m/m)	%	2.0	3.0	2.5	2.2	-1.5	2.5	1.0	0.9	2.0	0.6	2.2*	0.0
FINANCIAL INDICATORS													
Average deviation from the central parity**	%	-2.9	-0.5	0.8	2.0	-1.3	-3.0	-3.7	-6.2	-5.1**	-	-	-
Average exchange rate USD	PLN	3.9510	4.0799	4.1092	4.2527	4.1696	4.1036	4.1353	4.0902	4.2347	4.4988	4.3994	4.3229
Average exchange rate EUR	PLN	4.1946	4.2881	4.4031	4.3974	4.2200	4.1608	4.0850	3.9507	4.0033	4.0758	4.1740	4.0684
Average exchange rate DEM	PLN	2.1447	2.1925	2.2513	2.2484	2.1577	2.1274	2.0886	2.0200	2.0469	2.0839	2.1341	2.0801
Average WIBOR T/N	%	13.27	13.67	13.82	15.49	17.64	17.42	16.43	17.97	17.58	18.00	17.72	17.86
WIBOR 1M	%	13.39	13.83	14.72	16.94	20.47	17.11	17.43	18.18	18.17	18.12	18.12	18.05
WIBOR 3M	%	13.64	14.32	16.64	18.55	19.03	17.18	17.84	18.44	18.34	18.40	18.53	18.51
Average 3M T-bill yield	%	12.56	12.54	13.71	15.41	16.29	16.01	16.11	16.57	16.72	16.98	16.45	16.52
Average 12M T-bill yield	%	12.44	12.91	14.63	15.98	16.01	16.19	16.99	17.55	17.29	17.86	17.84	17.78
Average 2Y T-bond yield	%	12.75	13.09	14.63	15.39	14.78	14.87	14.91	16.57	16.39	17.42	17.91	17.73
Average 10Y T-bond yield	%	9.23	9.59	10.50	10.59	9.83	10.14	10.20	10.78	10.55	11.89	12.48	12.55
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	13.0	14.0	14.0	16.5	16.5	16.5	17.5	17.5	17.5	17.5	17.5	17.5
Rediscount rate	%	15.5	15.5	15.5	19.0	19.0	19.0	20.0	20.0	20.0	20.0	20.0	20.0
Lombard rate	%	17.0	17.0	17.0	20.5	20.5	20.5	21.5	21.5	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	0.0	0.0	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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