Poland’s Economy. Financial Markets

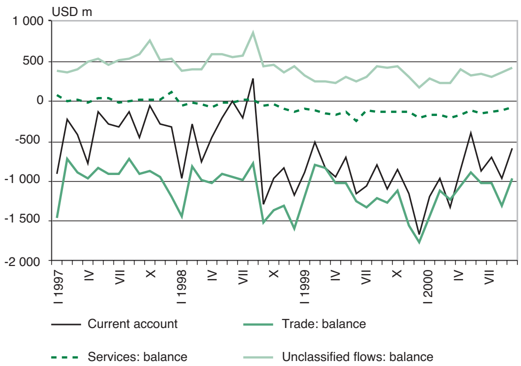
November 2000 No. 17

Major macroeconomic trends:

- In line with market expectations, October’s inflation stood at 0.8% m/m and 9.9% y/y. Both the figure and structure of October’s inflation are positive, showing that supply shocks, hiking the prices of foodstuffs and services, have abated. (p. 4)
- October’s industrial output growth, as expected, amounted to 2.2% m/m and 7.2% y/y. In October, signs of a greater weakening of industrial output growth appeared despite the month being one day longer. (p. 4)
- A low rise in October’s producer prices (0.5% m/m and 7.9% y/y) is another confirmation of weak domestic demand. (p. 4)
- September’s current account gap, running at USD 594m, was much below market expectations ranging between USD 700-1000m. The current account gap shrank to 7.2% of GDP from 7.6% of GDP in August, making it likely that the current account deficit will fall to 7% of GDP at the end of 2000. (p. 5)
- October’s money supply increased by 2.4% m/m and 14.6% y/y, which means a real increase of 4.3% y/y. Real money supply growth continues low, although signs of growth in household credit are visible. (p. 5)
- After a weakening in the second half of October, prompted by the closure of TP S.A. privatisation transaction, the zloty stabilised at PLN 4.56-4.58 for USD in November. (p. 6)
- Improvement in Poland’s macroeconomic fundamentals in October brought about stabilisation and a fall in yields on treasury papers in November. The market anticipates more signals proving a slowdown of Poland’s economy and signals from the Monetary Policy Council showing a change in the direction of the monetary policy. (p. 7)
- The government’s draft budget for 2001 does not mean a less restrictive fiscal policy next year. However, it may be difficult to achieve. (p. 8 and 9)

Arkadiusz Krześniak

Current Account
(selected positions)



Source: NBP

In this issue

Poland's current economic situation

Macroeconomic data released in November were much better than those from previous months. Very good current account data for September and an expected fall in inflation to a single-digit figure in October had the greatest effect on Poland's financial markets. Similarly, budgetary appropriations for 2001 were not critically received by the market as the budget deficit for 2001 had not been increased over the declared 1.6% of GDP. The budget proposed by the government is achievable despite a number of threats on the fiscal side, which can make the actual economic deficit next year higher. The draft budget assumes that the tightness of the monetary policy next year will be alleviated. It seems that, at present, the main problem will be economic growth and any potential difficulties in the labour market. Nominal processes in the economy (inflation, wages) do not pose any threat to Poland's economic growth and macroeconomic stability. Money supply continues to be stable and, despite some signs of a revival in credit action, there is no danger of a credit boom. In the near term, a further curbing of the consumer purchasing power could be expected as a result of high real interest rates, increase in the unemployment rate and no inflationary pressure, as far as wages are concerned. Poland's external situation has stabilised, but quick shrinkage in the trade deficit is hardly probable in the near term. After signs of a slowdown in October, industrial output should reduce its growth in the coming months as a result of weaker domestic demand and a slowdown in world economic growth. In the short run, oil prices are likely to stay high. It seems that the cycle of interest rate hikes in the euro zone and the US has not come to an end yet. Given a decrease in the economic growth pace, in Poland, the Monetary Policy Council should slowly become more and more inclined to adopt a neutral attitude to the monetary policy. In the coming weeks, the zloty should be stable and, possibly, weaken after the release of October's balance-of-payments performance. The zloty rate will be affected by a weak euro, whose downward trend may continue in the near term.

Tab. 1. Inflation indicators

	06 2000	07 2000	08 2000	09 2000	10 2000	*11 2000F*
Consumer Price Index (m/m %)	0.8	0.7	-0.3	1.0	0.8	*0.6*
Consumer Price Index (y/y %)	10.2	11.6	10.7	10.3	9.9	*9.6*
Producer Price Index (m/m %)	1.0	0.6	0.4	0.8	0.5	*0.6*
Producer Price Index (y/y %)	8.8	9.0	8.4	8.3	7.9	*7.9*
Average monthly FX rate (USD, y/y %)	11.6	11.3	10.3	10.1	12.8	-

Tab. 2. Activity indicators

	05 2000	06 2000	07 2000	08 2000	09 2000	10 2000
Retail Sales Index (m/m %)	-0.6	2.8	-0.7	1.4	-0.8	-
Retail Sales Index[a] (y/y %)	15.1	14.8	10.3	11.2	10.4	-
Household loans (y/y %)	49.9	79.4	45.7	42.9	40.9*	38.8
Industrial Output (m/m %)	7.7	1.2	-6.9	6.1	5.0	2.2
Industrial Output (y/y %)	12.1	13.4	7.8	9.2	5.0	7.2
Exports. current prices (in payment terms, y/y %)	21.0	13.0	18.2	9.3*	19.0	-
Imports. current prices (in payment terms, y/y %)	9.3	0.4	3.0	8.6*	1.3	-
Foreign Trade Balance (NBP, USD m)	-894	-1 041	-1 042	-1 324*	-965	-
State Budget Balance (PLN m)	-10.0	-10.8	-11.3	-13.0	-14.0	-15.4

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	***4.9***
Individual Consumption (y/y %)	8.3	6.9	4.9	5.1	***3.5***
Gross expenses on fixed assets (y/y %)	19.7	21.7	14.5	6.9	***5.0***
Exports, constant prices (y/y %)	9.7	13.7	9.4	2.0	***13.1***
Imports, constant prices (y/y %)	28.0	22.0	14.6	4.4	***9.5***
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	***9.2***
Unemployment Rate (year end, y/y %)	13.2	10.3	10.4	13.0	***14.5***
Current Account Balance/GDP (%)	-1.0	-3.2	-4.2	-7.6	***-7.0***
Public Debt/GDP (%)	51.1	47.9	43.1	44.6	***43.6***

y/y - year on year m/m - month to month F - forecast
Sources: CSO, NBP, WBK forecasts
* corrected data, [a] in current prices

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

CATEGORY	1999	1Q 2000	2Q 2000	3Q 2000	4Q 2000	2000	2001	2002	2003	2004	2005
Interest rates											
1M	14.55	17.63	18.14	18.55	19.60	18.48	18.3	15.0	12.0	9.7	8.6
3M	14.73	17.87	18.50	19.06	19.62	18.76	18.1	15.2	12.2	9.9	8.8
6M	14.57	17.87	18.67	19.36	19.78	18.92	18.0	15.3	12.3	10.0	8.9
12M	14.77	18.07	18.86	19.51	19.60	19.01	17.8	15.5	12.4	10.1	9.0
Lombard rate	17.59	21.08	21.50	22.01	23.00	21.90	20.8	16.5	13.8	11.5	10.4
Intervention rate	13.72	17.08	17.50	18.17	19.00	17.94	16.8	14.0	11.8	9.5	8.4
Treasury bonds yields											
3L (bid)	11.89	14.60	16.28	17.04	16.90	16.21	15.9	11.9	9.5	8.5	8.0
5L (bid)	11.12	12.77	13.98	14.39	15.00	14.04	13.4	10.2	9.0	8.2	7.8
10L (bid)	9.63	10.36	11.64	12.55	12.80	11.84	10.0	9.3	8.5	8.1	7.6
T-bills yields											
13-week	13.16	16.24	16.74	17.33	17.00	16.83	15.8	13.3	11.0	8.7	7.7
52-week	13.00	16.92	17.68	18.25	18.10	17.74	16.7	13.7	11.2	8.9	7.9
Exchange rates											
USD/PLN	3.9675	4.1132	4.3762	4.3897	4.599	4.368	4.60	4.94	5.30	5.55	5.80
EUR/PLN	4.2270	4.0629	4.0872	3.9781	3.946	4.025	4.17	4.82	5.39	5.49	5.56
EUR/USD	1.0660	0.9878	0.9344	0.9062	0.858	0.923	0.91	0.98	1.02	0.99	0.96
Average depreciation (currency basket)	-	-	-	-	-	2.4%	4.4%	11.5%	9.5%	3.3%	2.8%
USD/PLN (end of period)	4.1483	4.1428	4.3907	4.5404	4.590	4.590	4.67	5.20	5.40	5.70	5.90
EUR/PLN (end of period)	4.1689	3.9650	4.2075	3.9960	3.947	3.947	4.32	5.32	5.45	5.53	5.58
EUR/USD (end of period)	1.0050	0.9571	0.9583	0.8801	0.860	0.860	0.93	1.02	1.01	0.97	0.95
Macroeconomic indicators (end of period unless otherwise stated)											
Real GDP (y/y %)	4.1	6.0	5.2	4.6	3.7	4.9	4.7	5.1	5.2	5.5	6.0
Inflation (y/y %)	9.8	10.3	10.2	10.3	9.2	9.2	6.9	5.7	4.3	3.8	3.6
Inflation (y/y %) (average)	7.3	10.3	10.1	10.8	9.5	10.2	7.9	6.3	5.0	4.1	3.7
Current account/ GDP (%)	-7.6	-7.9	-7.9	-7.4	-7.0	-7.0	-6.9	-6.8	-6.8	-6.4	-5.9
Budget deficit/GDP (%)	-2.0	-2.8	-2.3	-1.9	-1.7	-2.2	-2.7	-1.9	-1.6	-1.4	-1.2
Public debt/GDP (%)	44.6	-	-	-	-	43.6	40.7	37.8	35.8	33.5	31.3
Foreign public debt/GDP (%)	20.7	-	-	-	-	20.4	18.6	17.5	16.7	15.4	14.2
Total foreign debt/ GDP (%)	39.0	-	-	-	-	39.4	37.0	33.3	29.5	28.4	27.1

Forecast date: 20.11.2000

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

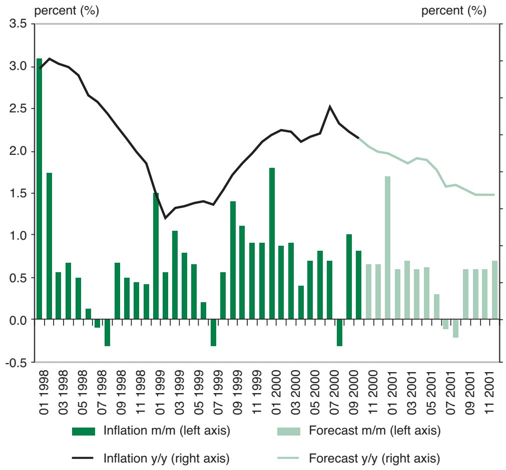
Inflation

October's inflation, as we expected, amounted to 0.8% m/m and 9.9% y/y. Inflation was also consistent with the expectations of the market which anticipated a fall in inflation to a single-digit figure. Both the size and structure of October's inflation are positive, showing that supply shocks, hiking the prices of foodstuffs and services, have abated. The rise in food prices (0.8% m/m) was lower than it seemed from preliminary Central Statistical Office data. The limitation on the rise in food prices was caused largely by a reduction in the rise in flour and meat prices and a fall in potato and sugar prices. Service prices rose by 0.9% m/m, brought about by an increase in the prices of central heating and water supply, and also in rent and public transport services. From January to October 2000, inflation amounted to 7.8%. This increase in inflation was mostly prompted by a rise in services prices (of 10.2%), leading to a rise in consumer prices of 3.2 percentage points. A rise in the prices of foodstuffs (of 7.1%) and non-food goods (of 6.7%) made inflation climb by 3.3% and 2.1% respectively. In general, inflation data are positive and prove that inflation is entering a downward phase. The impact of supply shocks was slightly smaller in October than in previous months. It seems that the food market situation has stabilised. However, high oil prices may have a negative effect on Poland's inflation in the coming months. Unless a material rise in oil prices takes place in the coming months, it may be expected that December's inflation will stand at 9.2%.

Industrial output

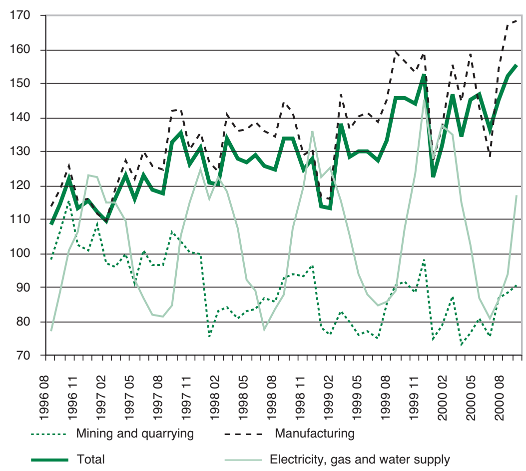
October's inflation output growth, as we expected, amounted to 2.2% m/m and 7.2% y/y. Industrial output growth was lower than market expectations which were slightly below 8% y/y. In October, signs of a greater weakening of industrial output growth appeared despite the month being one day longer. It was particularly visible in weak monthly output activity (1.2% m/m). In October, industrial output growth was supported by seasonal output growth in the utilities section. A low rise in October's producer prices (0.5% m/m and 7.9% y/y) is another confirmation of weak domestic demand. Sold industrial output prices rose by 0.4% m/m and 7.4% y/y. Assembly and construction output is still lower than last year, showing the restraint on investment activity caused by high real interest rates. In our opinion, if industrial output continues to reduce in the coming months and no supply shocks are observable (largely on the oil prices side), and if the zloty depreciates to a small extent only, then the Council may change its tightening bias to neutral in the coming 2 to 3 months. Another step, over 3 to 4 months, would be a cautious interest rate cut (of 100 to 150 basis points). At a forthcoming MPC meeting (November 29), more signals of a relaxation of the tightening bias could be expected. In the near term, the MPC should enter a phase of a less restrictive monetary policy unless negative trends on the fiscal side emerge.

Inflation – consumer prices



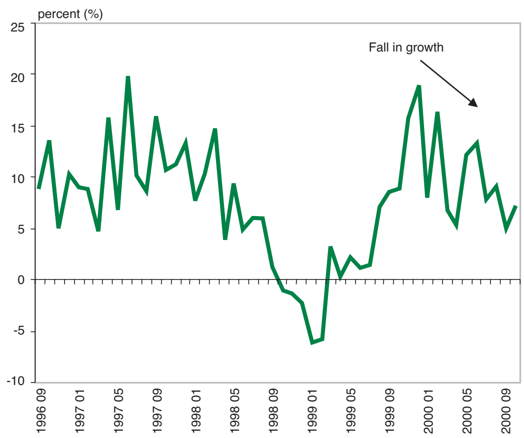
Source: CSO, own forecast

Industrial output
(monthly average 1995 = 100)



Source: CSO

Industrial output y/y



Source: CSO

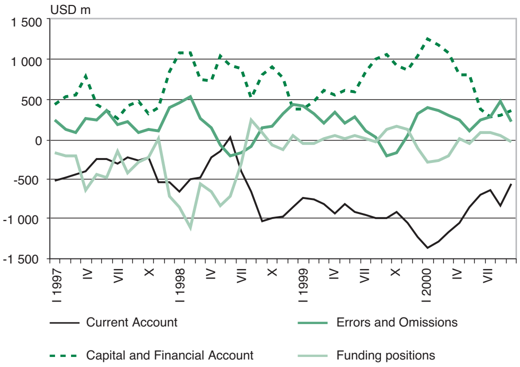
Low September's current account deficit

September's current account gap totalled as little as USD 594m, much below market expectations ranging between USD 700-1000m. The current account deficit shrank to 7.2% of GDP from 7.6% of GDP in August, making a fall in the current account gap to 7% of GDP likely at the end of 2000. In October, the deficit may amount to about USD 1.0bn due to a postponement of USD 187m interest on Poland's foreign debt payable to the Paris club and payment of interests on Brady's bonds. The postponement of a portion of Poland's debt was one of the reasons for such a low current account deficit – in September, only USD 80m of interest was repaid. Adjusted by the postponed interest, September's deficit would amount to USD 781m, which would also be good news. In contrast to August, the mixture of the current account deficit is favourable as the fall in September's deficit was due to a decrease in the trade deficit, totalling only USD 965m relative to USD 1.324bn in the previous month. Exports grew by 7.1% m/m while imports shrank by 5.5% m/m. From January to September 2000, exports picked up 4.2% compared to the same period last year whereas imports grew by only 3.2%. As a result, the trade balance, from January to September this year, inched up 1.3% compared to the same period last year. The cross-border trade balance is very favourable, amounting to USD 420m in September (up 41.4% m/m). From January to September this year, the capital and financial account financed 56.5% of the current account deficit in comparison with 64.9% last year. Direct foreign investments funded 45.3% of the current account deficit, relative to 57.9% last year. The share of portfolio investments in funding the current account gap increased (32.3% compared to minus 4.3% last year). Despite a fall in domestic demand, no permanent improvement in the merchandise trade should be anticipated in the fourth quarter this year. On the export side, there are still threats, like slower growth in the euro zone economy and a limitation on the pace of economic activity in Poland. In October, the current account deficit may reach USD 1bn (in a 12-month scale 7.2-7.3% of GDP).

Money supply

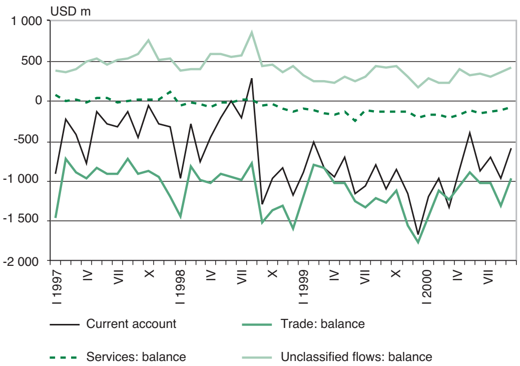
In October, money supply increased by 2.4% m/m and 14.6% y/y, which means real growth of 4.3% y/y. Real money supply growth continues low, although there are signs of growth in household credit. This time, unlike last year, it is a result of low purchasing power of the households who, to a greater degree, must fund themselves with overdrafts. The increase in money supply was due to significant growth in personal loans (2.2% m/m) and business loans (1.3% m/m). It seems that in the near term growth in personal overdrafts will be observable, in addition to a fall in corporate liquidity. Personal deposits grew by 2.2% m/m and business deposits by 6.1% m/m. As a result of the conclusion of the TP S.A. transaction, the state sector's debt tumbled quite significantly – by PLN 11.9bn, equivalent to 20.5% m/m. The process of a reduction in cash in circulation continued (down 1.7% m/m).

Balance of Payments
(average for last 3 months)



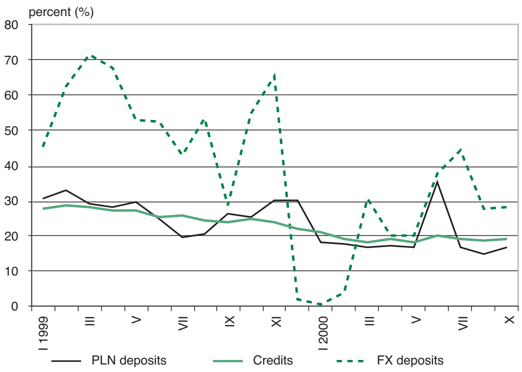
Source: NBP, own calculations

Current Account
(selected positions)



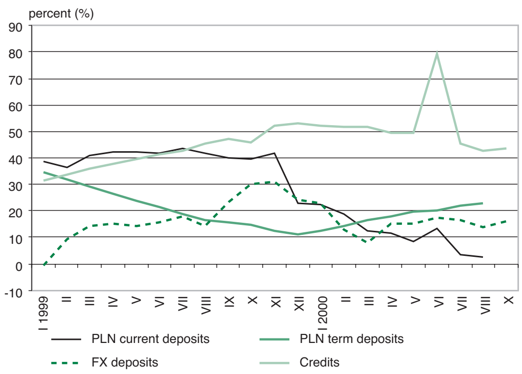
Source: NBP

Corporate deposits and credits y/y



Source: NBP, own calculations

Household deposits and credits y/y



Source: NBP, own calculations

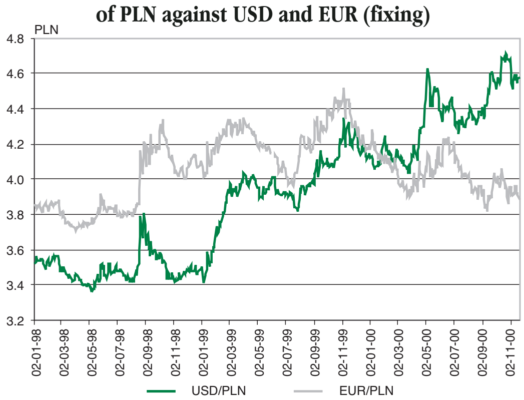
Zloty stabilises in November

After the conclusion of TP S.A. transaction, starting from 12 to 31 October, the zloty stayed at approximately PLN 4.67 to 4.72 for USD, more or less in the bracket of +/-1% against the old parity. After very good September's current account data were released (on 2 this month), on the first days of November, the zloty firmed to around PLN 4.50 for USD. However, this strengthening was short-lived as the market assessed that the improvement in the current account deficit had been prompted by once-off factors, like a postponement of a portion of interest on Poland's foreign debt to October. From November 7, the zloty ranged between PLN 4.55 and 4.58 for USD, strengthening transitorily to about PLN 4.54 for USD on 16th, after October's inflation data, in line with market expectations, were released. Following the release of weak industrial output data for October (17th November), the zloty weakened briefly to PLN 4.59 for USD. The release of final budgetary appropriations for 2001 did not have a special effect on the market as, in line with expectations, the economic deficit was kept at 1.6% of GDP. During the first 20 days of November, the zloty firmed by an average 1.4% in comparison with October. In the coming weeks, the zloty should be quite stable and, possibly, fluctuate between PLN 4.56 and 4.59 for USD. The zloty may weaken after October's current account data are released as it may reach USD 1bn. Currently, however, there are no direct threats to Poland's macroeconomic situation – inflation should fall in the coming months and weak domestic demand should stabilise the current account deficit. Similarly, political factors are likely to play a less important role, irrespective of the date of parliamentary elections in 2001, the new political structure is practically determined. Considering that there are no assumptions relaxing the fiscal policy in the budget bill for 2001, there is a possibility that the budget will be passed by the Seym over the next 4 months.

Euro supported by ECB interventions

At the end of October, the euro fell below USD 0.85, hitting a record low of USD 0.8230 for EUR and JPY 88.93 for EUR on October 26. However, much smaller than expected GDP growth in the third quarter in the US (2.7%) restrained the downward trend of the euro. At the beginning of November, the euro strengthened against the US dollar as a result of an unexpected intervention in defence of the euro, on 3rd, by the European Central Bank and a number of euro zone central banks (including Bundesbank and the Bank of France). During the intervention, started at the level of USD 0.8620 for EUR, the euro gained approximately 1.7 cent, fluctuating between USD 0.88 and 0.87 in the afternoon. However, this intervention turned out to be hardly effective, given continuing low unemployment and higher than expected rise in US wages and also given that the central banks of the US and Japan did not participate in the intervention. Additional interventions of the ECB in defence of the euro were held on 6 and 9 November, firming the euro to over USD 0.86. Uncertainty about the result of the US presidential elections supported the euro against the US dollar; still, increasing chances for Bush to become the president weakened the euro against the US dollar. The ECB does not come out in support of a specific level of the euro, but rather tries to restrain the downward trend of the common currency. Fears of additional interventions by the ECB, started from lower and lower levels, will be the main factor to restrain the downward trend of the euro. It will be possible to strengthen the euro against the US dollar after the difference in the economic growth pace between the US and the euro zone grows smaller and after the differential in interest rates between these two regions reduces.

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

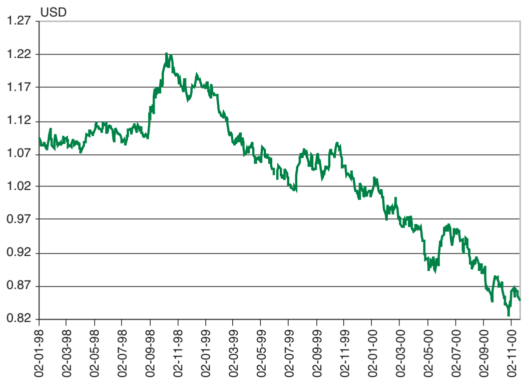


Source: NBP, Reuters

Zloty - deviation from parity*

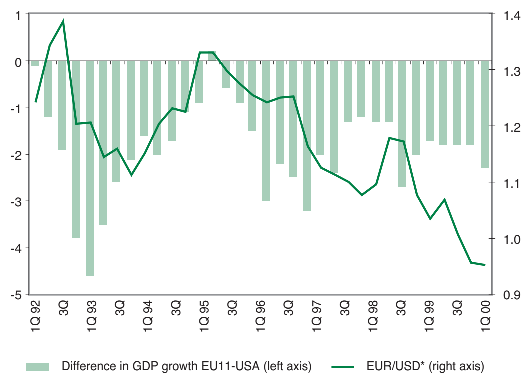
Source: NBP, Reuters, own calculations
** since 12.04.2000 parity value as of 11.04.2000*

EUR/USD



Source: NBP, Reuters

GDP growth differential between EU11 & US and EUR/USD*



Source: Eurostat, Reuters
** before 1999 ECU/USD*

Interest rates

The settlement for the obligatory reserve on the last days of October brought a very severe lack of liquidity. On November 30, O/N rates reached 28%. After the settlement for the obligatory reserve, the banking system's liquidity stabilised. The price of short-dated money, in the first three weeks of November, was stable – O/N rates stayed at the level of open market operations. In November, given much better macroeconomic fundamentals (current turnover, inflation), the price of 1M money fell. After an increase to 19.77% (November 27), 1M WIBOR stabilised at 19.42%. Similarly, 6M WIBOR, having reached 19.93% (October 27), dropped to 19.74% (November 20). The market does not expect any essential threats, bringing about an interest rate hike over the coming months.

Treasury bills

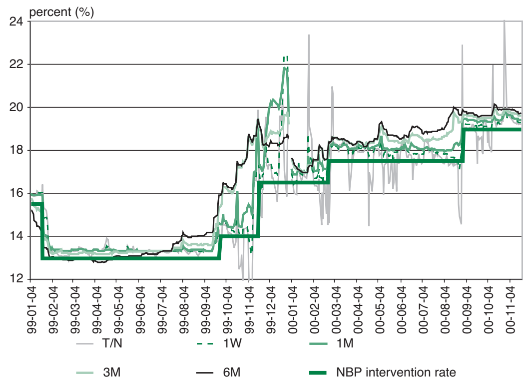
At the end of October and during the first three weeks of November, yields on treasury bills were falling as a result of decreasing offer of these papers and an improvement in macroeconomic fundamentals, practically ruling out an NBP interest rate hike. A slight increase in yields on treasury bills in the secondary market was due to a sale of bills from the portfolio of one of commercial banks.

Treasury bonds

Over the past 30 days, in the treasury bonds market, a decrease has been observable. The yield curve shifted down 20 points in the 10Y sector, 50 points in the 5Y sector and 60 points in the 2Y sector. This decrease in yields was prompted by two factors: (1) very good September's current account performance and (2) low October's industrial output growth. Both factors, coupled with quite an ambitious draft budget for 2001, make the market anticipate an early NBP interest rate cut. Poland's treasury bonds market is relatively sensitive to changes in emerging market sentiment. In the second week of November, because of concern over Argentina's insolvency, yields on treasury bonds increased briefly by 10 to 20 basis points. These days, sentiment in the treasury bonds market have been quite good; yet, there has been no clear demand. Investors have been awaiting more signals allowing them to assess the achievability of budgetary appropriations for 2001. It seems that, in the near term, there will be no negative signals from the budget sphere.

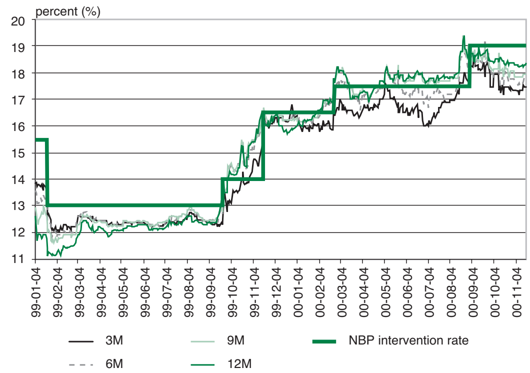
An improvement in Poland's macroeconomic fundamentals stabilised and decreased yields on treasury papers in November. The market is expecting more signals showing a slowdown of Poland's economy and signals from the Monetary Policy Council showing a change in the direction of monetary policy.

WIBOR rates



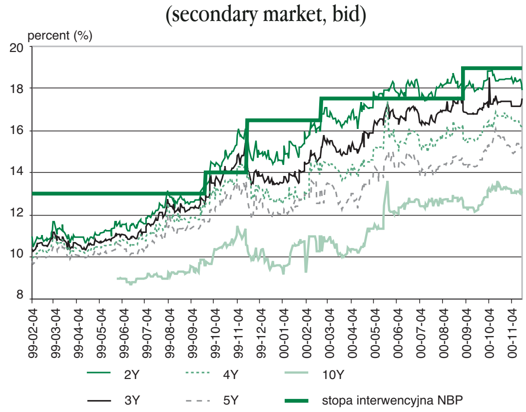
Source: NBP, WBK S.A. Treasury and International Division

T-Bill yield
(secondary market)



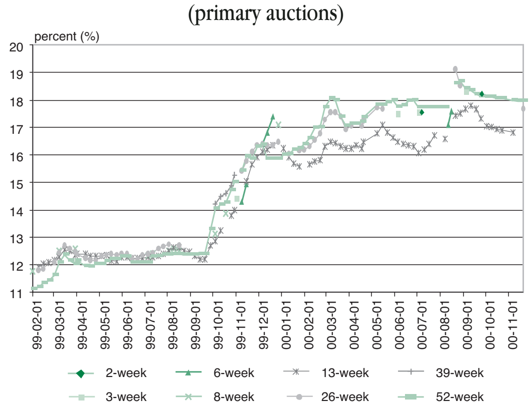
Source: NBP, WBK S.A. Treasury and International Division

T-Bond yield
(secondary market, bid)



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

T-Bill yield
(primary auctions)



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

Draft budget for 2001

An analysis of the macroeconomic assumptions for the draft budget leads to a conclusion that they are quite realistic with two fundamental exceptions. First, economic growth budgeted in 2001 (5.1%) will be probably lower, at 4.7%. Second, average annual inflation is likely to be higher – around 7.7% rather than 7.2% assumed in the budget. In the draft budget, it is assumed that in 2001 there will be a recovery of growth in gross expenses on fixed assets (to 8.5%) and growth in individual consumption will be only slightly lower than in 1999 (assumed at 4.2%). We believe these assumptions are excessively optimistic. The planned rise in gross wage in the state economy of 1.9% in real terms does not justify such a level of individual consumption. The government also assumes very slight growth in unemployment in 2001 of 0.3% to 14.9% in comparison with 14.6% projected for the end of 2000. With very immaterial growth in average employment in the state economy (of 44k, or 0.5%) and average annual growth in workforce of 250 to 300k expected over the coming years, the unemployment rate is likely to be higher. The government's assumptions for the average exchange rate in 2001 are interesting. It is assumed that the zloty will weaken against the USD-EUR basket by 4.1% with an excess of the capital and financial account (+USD 12.3bn) over the current account deficit (-USD 11.5bn). It must mean either the accumulation of FX reserves (interventions weakening the zloty) or a negative balance of errors and omissions of the balance of payments amounting to USD 0.8bn. The government assumes that the inflow of portfolio investments will amount to USD 3.0 bn next year. The assumption for the current account deficit up to 6.7% of GDP must be judged as fully realistic. On the other hand, assumed high growth in exports (9.5% in real terms) is debatable. In our opinion, the current account deficit will stabilise, with smaller growth in both exports and imports. Next year's budget deficit will total PLN 21.7bn, equivalent to 2.7% of GDP, in comparison with a deficit of PLN 15.4bn (2.2% of GDP) this year. The economic deficit, representing a sum of the budget, local government's, funds' and health care system's deficits and also compensations for wages and pensions, less subsidies to the second pension fund pillar, will account for 2.5% of GDP this year, which means a slight tightening of the fiscal policy when compared to last year (of 0.2% of GDP, or PLN 1.4bn). The budgeted shrinkage of the economic deficit by 0.9% of GDP (or PLN 7.2bn) in 2001 is dependent on a positive balance in the health care sector, funds' balance and control over growth in the local government's deficit. A transfer of public savings to the second pension fund pillar is planned, accounting for 1.8% of GDP, or PLN 14.4bn in 2001, compared to 1.1% of GDP (PLN 7.6bn) this year. In our opinion, the biggest threat to the budgetary appropriations for 2001 may be continuing growth in local governments', health care system's deficit and an increase in the required subsidy to the Social Insurance Company (ZUS) as a result of overdue contributions to pension funds.

Tab. 5. Real GDP (previous year = 100)

	Unit	1999	2000 Act	2000 EF	2001 Forecast
GDP created	%	104.1	105.2	105.0	105.1
Exports	%	98.5	105.5	113.1	109.5
Imports	%	101.4	108.9	109.4	107.7
Domestic demand	%	104.8	106.2	104.3	104.8
Consumption	%	104.3	103.9	103.4	103.7
- private	%	105.1	104.4	103.7	104.2
- public	%	101.1	102.0	102.0	101.5
Accumulation	%	106.3	112.5	107.1	108.0
- investment outlays for fixed assets	%	106.9	113.0	106.1	108.5
- inventories change	%	90.1	100.0	135.0	98.0

Source: Budget act

Tab. 6. Other macroeconomic indicators

	Unit	1999	2000 Act	2000 EF	2001 Forecast
Prices					
Increase in consumer goods and services prices	%	7.3	5.7	10	7.2
Increase in sold production of industry prices	%	5.7	3.9	7.9	6.2
Wages					
Gross average wages in national economy	PLN	1706.74	1826	1920	2098
Average retirement pay and pension from non-agricultural social security system	PLN	813.70	855	877	974
Labour market					
Average employment in national economy	thous	9770.3	9868	9571	9615
Average number of retirees and pensioners	thous	9452.8	9588	9426	9437
Number of unemployed	thous	2349.8	1920	2650	2726
Unemployment rate	%	13.1	11.5	14.6	14.9
FX rates					
PLN/USD	PLN	3.9675	4.04	4.38	4.66
PLN/EUR	PLN	4.2270	4.42	4.03	4.10
Nominal interest rate of open market operations	%	13.7	15.2	17.9	16.8

Source: Budget act

Tab. 7. Balance of payment

	Unit	1999	2000 Act	2000 EF	2001 Forecast
Current account	USD m	-11569	-10490	-11258	-11486
Merchandise trade: balance	USD m	-14380	-14015	-14654	-15007
- receipts from exports	USD m	26347	31885	27906	31673
- payments for imports	USD m	40727	45900	42560	46680
Unclassified transactions: balance	USD m	3635	4200	4021	3885
Capital and financial balance	USD m	8253	10100	10843	12248
Direct investments	USD m	6348	7500	7823	7366
Relations:					
Current account balance / GDP	%	-7.4	-6.1	-7.0	-6.7

Source: Budget act
EF - Execution Forecast

Draft budget for 2001

Like this year, the greatest responsibility for funding the budget deficit has been laid on privatisation revenues. In 2000, privatisation revenues will total PLN 26.9bn (financing 174.7% of the budget deficit) while in 2001 privatisation revenues may amount to PLN 18bn and finance 92.8% of the budget deficit. According to the government's assumptions, the role of Poland's non-banking sector in funding the deficit should grow more important – from 33% in 2000 to 47.8% in 2001, whereas the repayment of its foreign debt is likely to be substantially limited (from PLN 5.3bn this year to PLN 1.8bn in 2001).

The key assumption to achieving next year's budget is the size of NBP interest rates. The government assumes that the average annual intervention rate will amount to 16.8% in 2001. It means that in the whole of 2001 NBP interest rates would be cut by 250 to 300 basis points and that the first cut will be held at the beginning of next year. Considering the fact that the economy is slowing down and that real interest rates are very high, this assumption is quite realistic. Demand for Polish treasury bonds will grow larger on condition that we will again find ourselves in the environment of falling interest rates.

The Finance Ministry wants to raise PLN 25.2bn from bonds issues compared to PLN 26.6bn planned for this year. The issue of bills in 2001 will reach PLN 36.4bn while the issue of eurobonds will be similar to this year's (PLN 600m). The financing of the budget deficit next year with treasury papers should increase by PLN 2.8bn, prompted by a greater extent of funding this deficit with treasury bills. The net issue of treasury bonds should diminish by PLN 2.1bn with a simultaneous increase in financing with fixed rate bonds of PLN 870m. In addition, the role of foreign funding is projected to increase; still, its share in financing the deficit will remain negative. It is planned to increase the issue of foreign bonds (up to PLN 2.330bn), which will bring about an increase in financing the budget with this position of PLN 430m. It is planned to buy back Brady bonds of relatively low value of PLN 120m.

The budget for 2001 is very tight. Apart from any potential difficulties in raising the planned PLN 3.4bn of proceeds projected in the budget-related bill, it will be hard to achieve the assumed decrease in the local government's, health-care sector's deficits and also the lack of growth in commitments of the Social Insurance Company (ZUS) to Open Pension Funds. In short, the government's draft budget for 2001 does not mean a less restrictive fiscal policy next year. On the contrary, it is planned to decrease the economic deficit quite radically. Considering threats on the revenue side and a danger of growth in the public sector's deficit, it may be hard to accomplish, however.

Tab. 8. Economic deficit and its components

	1999	2000	2001	1999	2000	2001
	PLN bn			% of GDP		
Central government balance	**-12.5**	**-15.4**	**-21.7**	**-2.0**	**-2.2**	**-2.7**
Local administration balance	-1.0	-2.7	-3.9	-0.2	-0.4	-0.5
Health sector balance	-0.8	-0.9	0.2	-0.1	-0.1	0.0
State agency balance	-6.1	-3.7	-0.2	-0.1	-0.5	0.0
Other	0.4	0.5	0.7	0.1	0.1	0.1
Compensation scheme	0.0	-3.4	-2.5	0.0	-0.5	-0.3
Transfers to pension funds	3.1	7.6	14.4	0.5	1.1	1.8
Current transfers	3.1	7.6	10.9	0.5	1.1	1.4
Past dues	0.0	0.0	3.5	0.0	0.0	0.4
Economic deficit	**-16.8**	**-18.0**	**-13.0**	**-2.7**	**-2.5**	**-1.6**

Source: Budget act

Tab. 9. Budget deficit and its funding

PLN bn	2000*	2001*	2001 revenues
Total financing of budget gap	15.400	21.747	166.105
DOMESTIC SOURCES OF FINANCING	20.701	23.552	122.185
Privatisation revenue	26.900	18.000	18.000
Treasury paper	5.411	8.166	64.296
Market treasuries	6.740	9.009	61.616
T-bills	-4.426	-0.026	36.396
T-bonds	11.166	9.035	25.220
floating rate	1.132	-1.865	3.364
fixed rate	10.034	10.900	21.856
FOREIGN SOURCES OF FINANCING	-5.301	-1.805	43.920
International bonds	1.232	1.665	2.330
Brady bonds	0.000	-0.120	0.000

** denotes the net balance during the given year*
Source: Budget act

Tab. 10. State budget revenues

PLN bn	2000	2001
Total revenue	137.1	160.5
Value Added Tax	53.1	62.3
Excise Tax	29.1	33.7
Personal Tax	23.0	25.7
Corporate Tax	16.0	17.0
Customs inflows	5.2	5.0
Other inflows	10.8	16.8
Spending total	152.5	182.3

Source: Budget act

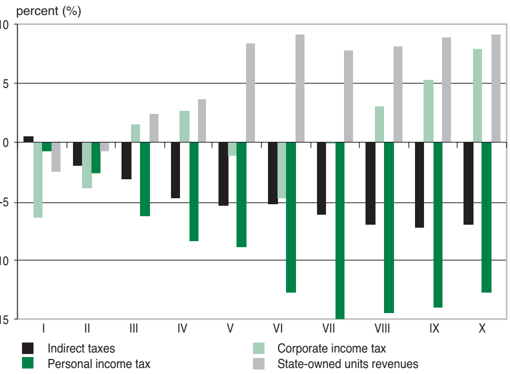
Budget deficit 100% executed in October

At the end of October, the budget deficit totalled PLN 15.40bn, or 100% of the year-long budgeted figure, compared to 90.8% in September. After moderate growth in the deficit in September, this time it sped up, and so as not to exceed the budgeted deficit, in November and December expenditures cannot be higher than income earned. During the ten months of this year, revenues of PLN 110.5bn were realised, representing 78.4 of the year-long plan, compared to PLN 69.5% a month before. Budget expenditures totalled PLN 125.90bn, equivalent to 80.5% of the year-long plan, compared to 71.6% after September. In October, budget expenditures were PLN 1.4bn higher than income, although growth in the realisation of revenues and expenditures, calculated in percentage points, was equal. On the income side, trends observable over the past months persisted, i.e. strong growth in the realisation of corporate tax revenues up to 91.2% and moderate monthly growth in the realisation of indirect and personal tax revenues with too low realisation over the whole year – 76.3% and 70.5% respectively. In order to make up for previous months, the monthly realisation of revenues from these taxes must be higher. On the expenditures side, a strong increase of 12.9 and 13.4 percentage points affected the service costs of debt, both domestic and external, to 88.3% and 78.2%. An increase in the realisation of subsidies to two social insurance funds (Social Insurance Fund and Farmers' Social Insurance Fund – both to roughly 82%) was slightly smaller, albeit similarly strong. The increase in these four positions is the main reason for the fast growth in the budget deficit in October. The realisation of subsidies to local governments grew quite moderately, staying relatively high at 90.7%. The realisation of subsidies to the Labour Fund increased slower than in previous months, but this position is also significantly high – 91.0%. The fast growth in the executed budget deficit in October and the accomplishment of 100% of the figure planned for the whole year poses a risk of exceeding the planned size of the deficit.

Operation to decrease overliquidity in the banking system

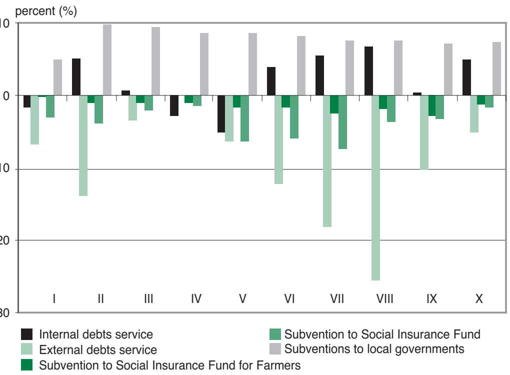
As part of the operation of the unconditional sale of converted state treasury payables, commenced on September 19, the National Bank of Poland has held 9 auctions. So far, the operation intended to diminish overliquidity in the banking sector has proceeded quite slowly – the NBP has offered only PLN 300m worth of bonds, successively from each series, per Thursday auction. These bonds have maturity dates similar to those available in the market, but as they are admitted to secondary trade with residents only, money-market makers are quite cautious in buying them. It is a typical investment paper, for which demand should be seen by pension and investment funds. To date, given pricing problems, demand by these funds has not been large, either. After the first two auctions of a probing nature, the NBP decided to offer very small amounts of bonds. So far, most bid prices tabled by banks have been rejected by the central banks, but auction yields are slowly approaching those earned in the secondary market although converted bonds are nonliquid instruments. According to the assumptions of the Finance Ministry, the NBP should sell bonds with the nominal value of PLN 1.5bn (so far, bonds with the nominal value of PLN 1.3bn have been sold). The government assumes that in 2001 bonds of the nominal value of PLN 6.2bn will be sold, which would mean the sale of approximately 500m of bonds a month.

Revenues – deviation from trend*



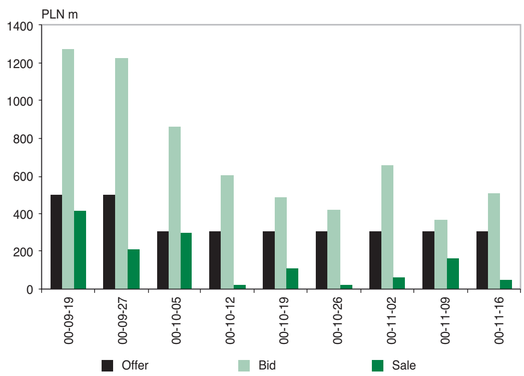
Source: Finance Ministry, own calculations
** trend means the constant increase by 8.33% a month*

Expenses – deviation from trend*



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

Auctions of converted T-bonds

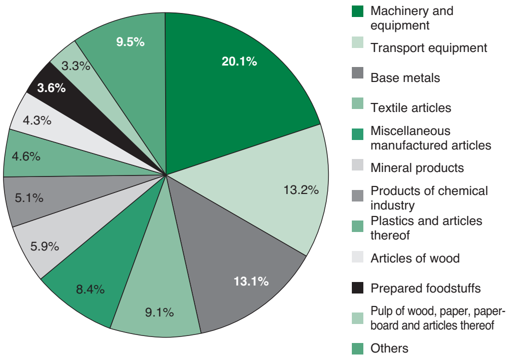


Source: NBP

Output of industry export sectors

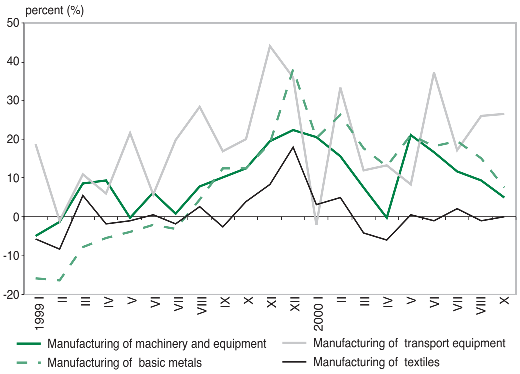
Out of PCN commodities classification sectors, 11 have at least a 3% share in Poland's total exports, as indicated by performance from January to June 2000, and represent over 90% of total exports. The greatest share represent Machinery and Equipment (20.1%), Transport Equipment (13.2%), Base Metals (13.1%) and Textile Materials (9.4%). There is certain concentration of exports – the share of the first three sectors increased in comparison with last year. For most months between January 1999 and September 2000, the total output of the three sectors manufacturing machinery and equipment was increasing year-on-year. In 1999, annual growth was increasing, hitting 22.6% in December. At the beginning this year, this growth slowed down quite considerably. After a significant increase in May, over the past few months a trend of weakening output growth has been observable. The output of the two sectors manufacturing transport equipment was increasing year-on-year in the period under discussion. The upward trend of output growth in 1999 was characterised by strong fluctuations in subsequent months. At the beginning of this year, it collapsed – output tumbled by 2.0% y/y. However, this year, an upward trend is also coming into sight. In the first half of 1999, the output of sectors manufacturing base metals and metallic products decreased while in the second half of 1999 and this year the output of these sectors increased. Output growth year on year in these sectors was increasing from minus 16% to 38% in 1999. This year, output growth has been decelerating. Output of sectors manufacturing textile materials stayed similar to the same period last year for most months of the period being considered. It was only at the turn of 1999 and 2000 that a slight increase in output could be seen. Over the past months, output growth year on year has stabilised. In industry sectors manufacturing goods of a significant share in Poland's exports output has grown by an average 9 to 10% y/y over the past two years. This year, output growth has been weakening although business trends in European Union countries have improved and exports to the European Union have grown. It is so as a result of weak domestic demand which has a much larger impact on output growth in Poland. Poland's exports to the European Union will grow if GDP growth exceeds 2% in the European Union. At the turn of 2000 and 2001, a rise in fuel prices may pose a threat to the value of imports. An analysis of data from the beginning of 1999, when oil started becoming more and more expensive, shows that the rise in oil prices has an impact on growing imports. In the period of the strongest rise in oil prices of 170% y/y (February 2000), the value of imports grew by 21% y/y and the volume of imports grew by approximately 12%.

Exports by products – PCN section (I-VI 2000)



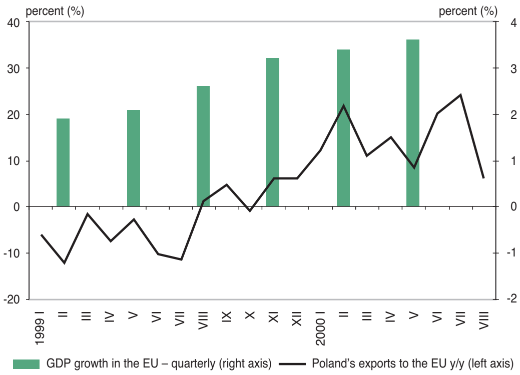
Source: CSO

Export sectors output y/y



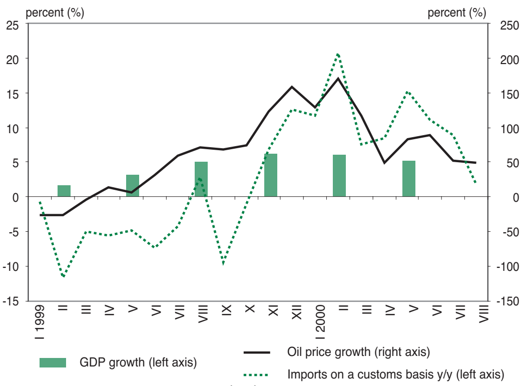
Source: CSO

GDP growth in the EU and Poland's exports to the EU



Source: CSO, Eurostat

Imports growth and oil price growth

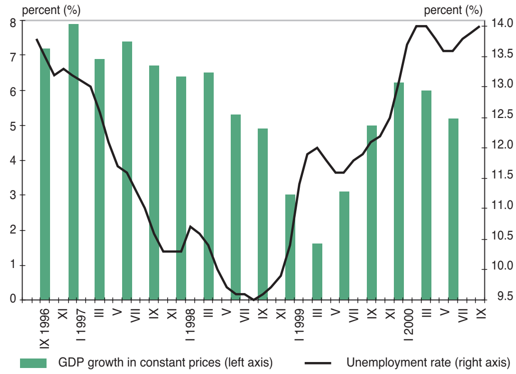


Source: CSO, Reuters, own calculations

Unemployment profile in Poland

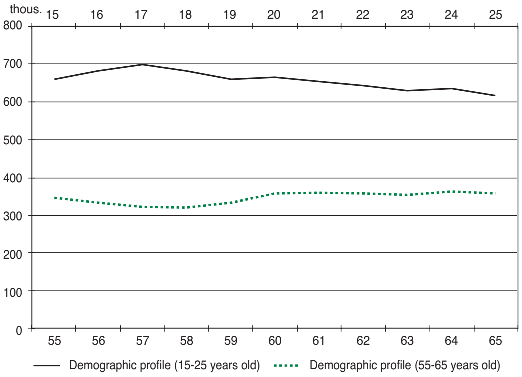
From August 1996 to August 1998, unemployment shrank in Poland from 13.8% to 9.5%. It was triggered by GDP growth of roughly 7% per quarter. This fast economic growth gave rise to new workplaces and, as a consequence, reduced unemployment. In the second and third quarter 1998, GDP growth stayed at around 5% and it is when the unemployment level reached its trough (9.5%). But when the pace of economic growth weakened to 3% in the last quarter of 1998 and 1.6% in the first quarter of 1999, following the Russian crisis, the unemployment rate started to climb quite rapidly – hitting 12% in March 1999. Despite the fact that economic growth was much faster in subsequent quarters (approximately 5-6%), this adverse trend of mounting unemployment rate was not held back or limited to any extent. The pace of mounting unemployment in Poland since mid-1998 until now has remained very high. In September this year, the unemployment rate hit 14% and the number of jobless totalled 2529 thousand people. The reasons for this are progressive restructuring of the economy (mining, steel industry), weak domestic demand, demographic structure of the society and little flexibility of the labour market. In order to curb growth in unemployment, it is necessary to follow a policy stimulating the creation of new workplaces, which will be possible if GDP exceeds 5% a year. Tools for this end may be fiscal solutions (lower taxes, allowances, etc) and new labour code regulations. These should reduce labour costs, thereby boosting employment. Greater flexibility of the labour market will give employers more freedom in responding to changes in the economy and adjusting to changes in business trends (easier reduction in employment if adverse business trends and recruitment of new staff if improved business trends). In our opinion, the unemployment rate will continue to mount in the coming months, albeit a bit slower than over the past two years. The restructuring of industry may not proceed as dynamically as previously and effects of greater flexibility of the labour market should also come into view. Unemployment may increase to 14.5% at the end of 2000 and in December 2001 it is likely to hit 16.2%. In Polish conditions, a very important factor influencing the unemployment rate is the demographic structure of the society. Over the coming years far more people will enter the labour market than leave it. Every year, there will appear a substantial surplus of people ready for work – 250-300 thousand people while the market is becoming less and less absorptive, even for those with higher education (number of university graduates increased from 3.7 thousand in 1996 to 15.6 thousand in August 2000). As a result of excessive supply of workforce, young people have smaller and smaller chances to find employment – in September this year 157.4 jobless graduates were registered. For this surplus to be absorbed, economic growth of 5-6% per annum is necessary. The share of unemployed without the right to benefit in the total number of registered unemployed is mounting and has already topped 80%. It is due to the fact that it is becoming more and more difficult to find a job, especially for those uneducated (who represent most of unemployed) and therefore, few manage to do so while receiving benefit. In addition, the longer one remains unemployed, the lower his/her chances to find a job.

GDP growth and unemployment rate



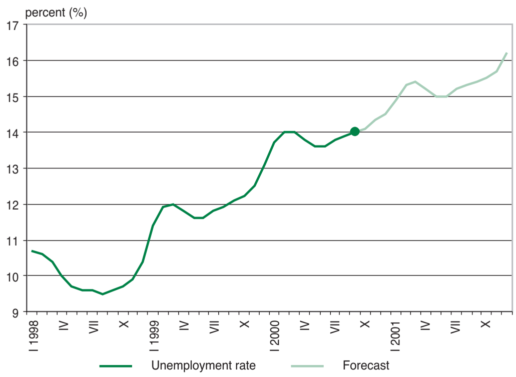
Source: CSO

Demographic profile
(15-25 years old, 55-65 years old)



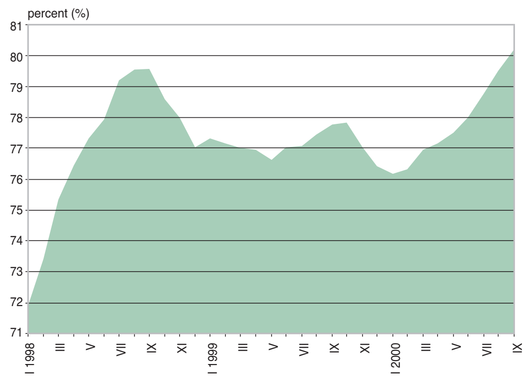
Source: CSO

Unemployment rate forecast



Source: CSO

Share of unemployed without benefit rights in total number of unemployed



Source: CSO

Economic Release Calendar November/December 2000

Monday	Tuesday	Wednesday	Thursday	Friday
20 November *HU: Balance of payments (IX)* *HU: Retail sales (IX)*	**21** *CZ: Foreign trade (X)* *GER: Business sentiment survey IFO (X)* *USA: Foreign trade (IX)*	**22** POL: Unemployment (X)	**23** POL: Food prices (I half of XI)	**24**
27	**28** *USA: Durable goods orders (X)* *USA: Consumer confidence (XI)*	**29** POL: Monetary Policy Council meeting	**30** *EUR: ECB meeting* *CZ: Money supply (X)*	**1 December** POL: Balance of payments (X) POL: Foreign trade on a cash basis (X) *CZ: State budget (XI)*
4 POL: Food prices (II half of XI)	**5** *GER: Unemployment (XI)* *USA: Factory orders (X)*	**6** *GER: Factory orders (X)*	**7** POL: Official reserve assets (XI) POL: Balance of NBP (XI) POL: Economic trends in industry, construction and retail trade (XI) *GER: Industrial output (X)*	**8** *CZ: Inflation (XI)* *CZ: Unemployment (XI)* *USA: Employment (XI)*
11 *CZ: Industrial output (X)*	**12** *CZ: Construction output (X)* *GER: Balance of payments (X)* *GER: GDP (3Q)*	**13** *CZ: GDP (3Q)* *CZ: Producer prices (XI)* *USA: Retail sales (XI)*	**14** POL: Money supply (XI) POL: Employment and wages in corporate sector (XI) *USA: Producer prices (XI)* *USA: Money supply (XI)*	**15** POL: Inflation (XI) POL: State budget (XI) *CZ: Retail sales (X)* *USA: Inflation (XI)* *USA: Industrial output (XI)*
18 POL: Industrial output (XI) POL: Producer price index in industry and construction (XI)	**19** *USA: Foreign trade (X)*	**20** POL: Unemployment (XI) *USA: FED meeting*	**21** *CZ: Foreign trade (XI)*	**22** *USA: Durable goods orders (XI)* *USA: Consumer sentiment (XII)*
25 **Christmas**	**26** **Christmas**	**27** POL: Food prices (I half of XII)	**28**	**29** *CZ: Money supply (XI)*

Basic Macroeconomic Data

CATEGORY	unit	1999 November	1999 December	2000 January	2000 February	2000 March	2000 April	2000 May	2000 June	2000 July	2000 August	2000 September	2000 October
PRICES													
Consumer price index (y/y)	%	9.2	9.8	10.1	10.4	10.3	9.8	10.0	10.2	11.6	10.7	10.3	9.9
Consumer price index (m/m)	%	0.9	0.9	1.8	0.9	0.9	0.4	0.7	0.8	0.7	-0.3	1.0	0.8
Production price index (y/y)	%	7.5	8.0	8.2	8.1	7.3	7.4	7.9	8.9	9.0	8.4	8.3	7.9
Production price index (m/m)	%	0.7	0.5	0.5	0.5	0.4	0.7	0.9	1.0	0.6	0.4	0.8	0.5
Price index of assembly and construction production (y/y)	%	8.8	9.1	7.7	7.5	7.7	8.3	8.4	8.8	9.1	8.7	8.1*	7.9
Price index of assembly and construction production (m/m)	%	0.8	0.5	0.6	0.6	0.9	1.1	0.7	0.7	0.4	0.5	0.2*	0.5
Exchange rate USD/PLN (y/y)	%	23.3	19.6	15.9	9.0	3.7	5.8	14.3	11.6	11.3	10.3	10.1	12.8
Exchange rate USD/PLN (m/m)	%	3.5	-2.0	-1.6	0.8	-1.1	3.5	6.2	-2.2	-1.7	0.8	3.0	3.3
Exchange rate EUR/PLN (y/y)	%	-	-	1.3	-3.9	-7.9	-6.6	-2.6	1.9	1.3	-5.9	-8.7	-9.8
Exchange rate EUR/PLN (m/m)	%	-0.1	-4.0	-1.4	-1.8	-3.3	1.3	1.8	2.4	-2.5	-2.9	-0.8	1.4
Real gross wages in enterprise sector (y/y)	%	-0.3	2.3	6.5	6.8	3.1	5.2	1.8	1.3	-2.2	1.1	0.4	0.5
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	-	6.2	-	-	6.0	-	-	5.2	-	-	-	-
Industrial output (y/y)	%	15.9	19.1	7.9	16.4	6.8	5.3	12.1	13.4	7.8	9.2	5.0	7.2
Industrial output (m/m)	%	-0.9	5.7	-19.0	7.3	11.6	-8.4	7.7	1.2	-6.9	6.1	5.0	2.2
Construction and assembly production (y/y)	%	5.9	12.3	4.6	5.6	4.2	-5.6	-0.6	1.2	-2.9	-2.1	-3.7*	-1.7
Construction and assembly production (m/m)	%	-18.2	49.3	-57.7	6.6	17.5	-0.1	16.8	11.6	-4.6	7.2	7.0*	6.5
Retail sales of goods (y/y) [a]	%	32.2	34.6	20.3	25.4	16.9	19.9	15.1	14.8	10.3	11.2	10.4	-
Retail sales of goods (m/m) [a]	%	-2.3	23.2	-32.1	5.0	17.2	2.2	-0.6	2.8	-0.7	1.4	-0.8	-
Exports on a customs basis (y/y)	%	29.3	27.0	31.8	35.4	15.8	20.9	23.9*	34.3*	37.9*	17.0	-	-
Exports on a customs basis (m/m)	%	-0.5	-4.4	-7.7	13.9	5.4	-6.9	4.3	4.7*	-0.4*	-11.0	-	-
Imports on a customs basis (y/y)	%	30.4	34.7	31.2	34.7*	12.2*	13.5*	31.6*	24.0*	20.9*	12.2	-	-
Imports on a customs basis (m/m)	%	4.1	-2.9	-19.4	13.3	9.4*	-8.1*	16.6*	-6.3*	-1.5*	-8.7	-	-
LABOUR MARKET													
Number of unemployed	thous. persons	2 257	2 350	2 478	2 528	2 534	2 490	2 446	2 437	2 478	2 496	2 529	-
Unemployment rate	%	12.5	13.1*	13.7*	14.0*	14.0*	13.8*	13.6*	13.6*	13.8*	13.9	14.0	-
Average employment in corporate sector	thous. persons	5 723	5 679	5 319	5 316	5 308	5 301	5 292	5 295	5 284	5 271	5 269	5 274
Average monthly gross wages in corporate sector	PLN	1 946	2 186	1 882	1 926	1 992	2 067	1 988	2 049	2 036	2 051	2 088	2 089
Nominal increase in wages (y/y)	%	9.0	12.3	17.2	17.9	13.7	15.5	12.0	11.5	9.2	11.9	10.7	10.4
STATE BUDGET													
Budget revenues	PLN bn	112.5	125.9	11.0	20.3	31.0	40.9	51.8	64.2	74.8	86.2	98.0	110.5
Budget expenditures	PLN bn	124.6	138.5	11.8	24.8	38.0	49.8	61.8	75.0	86.1	99.2	111.9	125.9
State budget deficit	PLN bn	-12.1	-12.6	-0.9	-4.5	-6.9	-8.9	-10.0	-10.8	-11.3	-13.0	-14.0	-15.4
Domestic government debt	PLN bn	-	134.7	-	-	141.9	-	-	143.7	-	-	-	-
Foreign government debt	PLN bn	-	129.7	-	-	128.2	-	-	135.8	-	-	-	-

CATEGORY	unit	1999 November	1999 December	2000 January	February	March	April	May	June	July	August	September	October
BALANCE OF PAYMENTS													
Current account	USD bn	-1 178	-1 683	-1 207	-954	-1 344	-850	-401	-860	-701	-961*	-594	-
Trade balance	USD bn	-1 561	-1 765	-1 458	-1 140	-1 241	-1 075	-894	-1 041	-1 042	-1 324*	-965	-
Exports	USD bn	2 151	2 470	1 922	2 038	2 371	2 032	2 407	2 397	2 473	2 271*	2 432	-
Imports	USD bn	3 712	4 235	3 380	3 178	3 612	3 107	3 301	3 438	3 515	3 595*	3 397	-
Services: net	USD bn	-140	-208	-174	-171	-202	-177	-105	-159	-131	-119*	-79	-
Unclassified transactions: net	USD bn	299	174	286	225	218	398	324	337	309	350	420	-
Capital and financial account	USD bn	834	1 405	1 485	647	1 074	672	653	-165	343	725*	128	-
Direct investments	USD bn	789	744	763	354	430	449	310	363	488	169*	239	-
Portfolio investments	USD bn	809	256	244	587	1 598	131	20	90	232	-234*	-104	-
MONEY SUPPLY													
Money supply	PLN bn	255	263	255	258	262	266	269	285	277	278	281	287
Money supply (y/y)	%	22.9	19.3	15.1	13.7	13.8	15.2	15.2	20.6	16.2	14.9	14.1*	14.6
Money supply (m/m)	%	1.5	3.5	-3.1	1.0	1.6	1.5	1.1	5.9	-2.7	0.3	1.0*	2.4
Total deposits (y/y)	%	24.2	18.3	15.7	14.7	15.5	16.6	16.8	23.3	18.5	17.1	16.1*	17.4
Total deposits (m/m)	%	2.1	2.4	-1.6	1.3	1.9	0.9	1.6	6.4	-3.1	0.5	1.1*	3.0
Household loans (y/y)	%	52.2	53.0	52.5	51.8	52.1	49.8	49.9	79.4	45.7	42.9	40.9*	38.8
Household loans (m/m)	%	4.3	4.5	0.6	1.2	3.4	1.6	3.8	25.2	-15.0	2.5	3.0*	2.2
Corporate loans (y/y)	%	23.7	21.6	20.8	18.8	18.1	19.1	17.9	19.7	18.8	18.2	17.4*	16.0
Corporate loans (m/m)	%	2.2	-1.5	2.5	1.0	0.9	2.0	0.6	2.2	0.1	1.4	2.3*	1.3
FINANCIAL INDICATORS													
Average deviation from the central parity [b]	%	2.0	-1.3	-3.0	-3.7	-6.2	-5.1	-	-	-	-	-	-
Average exchange rate USD [c]	PLN	4.2527	4.1696	4.1036	4.1353	4.0902	4.2347	4.4988	4.3994	4.3229	4.3593	4.4900	4.6369
Average exchange rate EUR [c]	PLN	4.3974	4.2200	4.1608	4.0850	3.9507	4.0033	4.0758	4.1740	4.0684	3.9486	3.9152	3.9696
Average exchange rate DEM [c]	PLN	2.2484	2.1577	2.1274	2.0886	2.0200	2.0469	2.0839	2.1341	2.0801	2.0189	2.0018	2.0296
Average WIBOR T/N [c]	%	15.51	17.69	17.50	16.29	17.92	17.64	17.33	17.73	17.87	17.31	18.84	19.74
WIBOR 1M [c]	%	16.77	20.45	17.26	17.44	18.17	18.15	18.13	18.13	18.05	18.24	19.39	19.47
WIBOR 3M [c]	%	18.53	19.03	17.30	17.85	18.44	18.34	18.60	18.55	18.51	19.12	19.55	19.68
Average 3M T-bill yield [c]	%	15.35	16.28	16.03	16.13	16.56	16.72	17.01	16.49	16.48	17.38	18.17	17.53
Average 12M T-bill yield [c]	%	15.95	15.99	16.18	17.00	17.57	17.31	17.86	17.85	17.76	18.34	18.65	18.41
Average 2Y T-bond yield [c]	%	15.39	14.78	15.10	16.17	16.56	16.85	17.78	18.02	17.77	18.27	18.11	18.54
Average 10Y T-bond yield [c]	%	10.63	9.81	10.13	10.55	10.42	10.56	11.89	12.46	12.53	12.72	12.40	13.24
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	16.5	16.5	16.5	17.5	17.5	17.5	17.5	17.5	17.5	19.0	19.0	19.0
Rediscount rate	%	19.0	19.0	19.0	20.0	20.0	20.0	20.0	20.0	20.0	21.5	21.5	21.5
Lombard rate	%	20.5	20.5	20.5	21.5	21.5	21.5	21.5	21.5	21.5	23.0	23.0	23.0
Monthly devaluation rate [b]	%	0.3	0.3	0.3	0.3	0.3	0.3	-	-	-	-	-	-

** data officialy corrected, [a] in current prices, [b] up to April 11 2000, [c] average including non-working days, Sources: CSO, NBP, Finance Ministry, Reuters, own estimations*

WBK

WIELKOPOLSKI BANK KREDYTOWY SA

Treasury and International Division

ul. Kozia 10, 61-835 Poznań
tel. (0 61) 856 58 35 secretary, fax (0 61) 856 55 65

This analysis based on information until 20.11.2000 has been prepared by

ECONOMIC ANALYSIS UNIT

Arkadiusz Krześniak – Treasury Economist
Aleksander Krzyżaniak – Assistant
Sławomir Nosal – Assistant

tel. 0 61 856 58 23, fax 0 61 856 55 65, e-mail: research@wbk.com.pl

WBK web site (including Economic Service web page): http:\\www.wbk.pl
Intra-day economic comments on Reuter's: WBKECON

INTERNATIONAL DEPARTMENT

Dorota Bernatowicz – Director of the Department

tel. 0 61 856 48 20, fax 0 61 856 48 28, e-mail: dorber@wbk.com.pl

TREASURY SERVICES DEPARTMENT

Tadeusz Kopeć – Director of the Department

tel. 0 61 856 50 10, fax 0 61 856 55 65

Dealing Unit - Poznań

Piotr Kinastowski	*Deputy Director*	0 61 856 58 22
CORPORATE DESK		
Juliusz Szymański	*Head of the Unit*	0 61 856 58 25
Marzenna Urbańska	*Dealer*	0 61 856 58 25
Adam Wandzilak	*Dealer*	0 61 856 58 25
Katarzyna Kamińska	*Dealer*	0 61 856 58 25
COMMERCIAL DESK		
Waldemar Polowczyk	*Dealer*	0 61 856 58 14
Hanna Nowak	*Dealer*	0 61 856 58 14
Zbigniew Mańke	*Dealer*	0 61 856 58 14

Dealing Unit - Warsaw

Al. Jana Pawła II 25, Atrium Tower, 00-854 Warszawa
tel. 022 653 46 88, fax 022 653 46 79

Krzysztof Pietrkiewicz	*Deputy Director*	0 22 653 46 70
Jarosław Górski	*Treasury Executive*	0 22 653 46 57

Marketing Unit

Anna Talarczyk	*Head of the Unit*	0 61 856 58 49
		e-mail: anatal@wbk.com.pl

Please telephone contact the Marketing Unit if you wish to obtain our bulletin via e-mail.

The following sources were used in preparing this bulletin: Cetral Statistical Office, National Bank of Poland, Finance Ministry, Reuters.