

Poland's economy – Financial Markets

March 2001

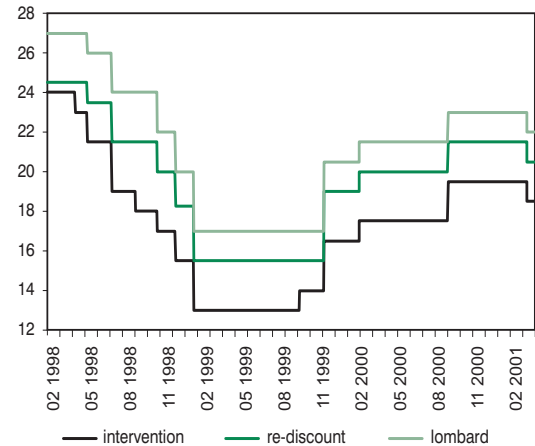
No 21

Major economic trends

- The MPC cut interest rates by 100 bps starting from 1 March. The limited scope of that cut, in line with our expectations, signals that the MPC will not cut rates too aggressively this year. We expect a cut by 100 bps in April and by 150 bps in the 4th quarter this year. However, given fast inflation fall, the MPC may decide on a quicker rate cut – in March already. (p. 8)
- January current account deficit amounted to USD 887m, higher than USD 600-800m expected by the market. In January 2001 the current account gap declined to 6.0% of GDP in comparison to 6.2% of GDP at the end of 2000. (p. 4)
- In February industrial output fell by 2.7% m/m and by 0.1% y/y. This result was in line with our expectations but it was below market expectations which were at 0.5% m/m. The fall in the manufacturing growth was deeper and amounted to 3.4% m/m. (p. 4)
- Inflation in February amounted to 0.1% m/m and 6.6% y/y, much below market expectations of 7.0% y/y. It was also lower than Finance Ministry's expectation (6.8-7.0%) and our forecast of 6.9%. However, market reaction for these data was neutral with tendency to take profits on the zloty. (p. 5)
- Within last 30 days the zloty strengthened significantly against the euro and the US dollar, reaching the deviation of 11.4% from the old parity on Wednesday 7 March. We expect a high volatility of the zloty in coming weeks. The zloty is currently overvalued by ca. 10%. (p. 6)
- Correction in the treasury bond market. Since 19 February the yield curve moved up by 20 and 30 bps respectively in sectors 2Y and 3Y, by 40 bps in 4Y sector and by 25 bps in 5Y sector. The largest correction occurred in the longer end of the yield curve. In 9Y and 10Y sectors the yields rose by 70 and 65 bps respectively. (p. 7)

Arkadiusz Krześniak

NBP Interest Rates (%)



Source: NBP

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Highlights

The end of February and March saw spectacular firming of the zloty. This was caused by a number of factors: (1) limited scope of NBP interest rate cut; (2) very high real interest rate differential in Poland and abroad; (3) firming of the EUR against the USD; (4) rumours of exchanging on the FX market compensation payments for slave workers of the Third Reich. Evidently the zloty is currently overvalued and fundamental factors should act toward its weakening in the near term. We estimate PLN equilibrium level to be at old parity i.e. weaker by some 9-10% than now. In the near term we do not exclude high volatility of the unit, particularly in light of high volatility of EUR/USD rate and deteriorating global economic conditions.

Very fast falling inflation in Poland is caused by reversal of negative trends in food and oil markets. Due to falls in prices of food and oil, thanks to significant firming of the zloty and due to the fall in domestic demand growth, the CPI has been declining very fast in recent months. Moreover, increases in regulated prices are spread more evenly and their influence on CPI is much less this year.

In the coming months we expect annual inflation to stabilise. At the year end inflation may be at the lower end of MPC target. Such a rapid fall in inflation leads to the following risks. First, too rapid curbing inflation via controlling domestic demand is not long-lived, and may lead to a hike in inflation as soon as domestic demand starts rising. Second, positive trends in fuel and food markets may revert. Third, low inflation and low economic growth will lead to a decrease in revenues from indirect taxes, and may pose a threat to the budget. Fourth, the zloty will probably weaken in the second half of this year, which will exert upward pressure on inflation. Despite current, very pronounced fall in CPI and continued low inflation in the coming months, risk factors are still present. Consequently, the Monetary Policy Council will not decide to cut rates very aggressively. The most likely scenario is that the MPC will be cutting rates gradually. After last interest rate cut the monetary condition index increased more softly in March what means that monetary conditions are not tightening so rapidly. If the MPC wants to adjust the level of nominal interest rates to the fall in inflation, they may cut by another 100 pbs already in March. We think, however, that a rate cut in April (by 100 pbs) is more likely. Another 100-150 basis point rate cut may take place in 4Q2001.

Macro-economic situation in coming months will be stable. Inflation should be low and domestic demand will probably be weak. Export performance is likely to be still satisfactory, but due to the excessively firm zloty and global slowdown, deterioration in the current account may be expected in 2H2001. The unemployment rate will be rising to 16,8% in December this year, while nominal wages will be increasing only moderately. It is hard to see any dangers to stability of the economy, stemming from money supply.

Tab. 1. Inflation indicators

	10 2000	11 2000	12 2000	01 2001	02 2001	03 2001 F
Consumer Price Index (m/m, %)	0.8	0.4	0.2	0.8	0.1	0.7
Consumer Price Index (y/y, %)	9.9	9.3	8.5	7.4	6.6	6.4
Producer Price Index (m/m, %)	0.6	0.0	-0.9	-0.3*	0.1	0.1
Producer Price Index (y/y, %)	8.0	7.2	5.6	4.7*	4.2	4.1
Average monthly FX rate (USD, y/y, %)	12.8	7.2	3.5	0.2	-1.0	-

Tab. 2. Activity indicators

	09 2000	10 2000	11 2000	12 2000	01 2001	02 2001
Retail Sales Index (m/m, %)	-0.8	1.5	-3.4	20.8	-29.8	-1.7
Retail Sales Index (y/y, %)	10.4	7.2	5.8	3.2	7.3	-0.2
Household loans (y/y, %)	40.9	38.9	34.8	31.7	31.3	29.3
Industrial Output (m/m, %)	5.0	2.1	-3.1	-1.4	-8.9	-2.7
Industrial Output (y/y, %)	5.0	7.1	4.7	-2.2	10.1	-0.1
Exports, current prices (in payment terms, y/y, %)	18.6	13.5	23.4	11.7*	29.5	-
Imports, current prices (in payment terms, y/y, %)	1.3	6.5	-5.4	-10.3	16.7	-
Foreign Trade Balance (NBP, USD m)	-972	-1058	-858	-1038*	-1457	-
State Budget Balance (PLN m)	-14.0	-15.4	-14.9	-15.4	-5.1	-12.0

Tab. 3. Poland's Economy

	1997	1998	1999	2000 E	2001 F
Gross Domestic Product (fixed prices, y/y, %)	6.8	4.8	4.1	4.1	4.0
Individual Consumption (y/y, %)	6.9	4.9	5.4	2.4	3.6
Gross expenses on fixed assets (y/y, %)	21.7	14.5	6.5	3.1	5.0
Exports, constant prices (y/y, %)	13.7	9.4	-2.6	16.0	9.4
Imports, constant prices (y/y, %)	22.0	14.6	1.0	7.6	7.9
Inflation (average annual, %)	14.9	11.8	7.3	10.1	6.2
Inflation (year end, y/y, %)	13.2	8.6	9.8	8.5	6.0
Unemployment Rate (year end, %)	10.3	10.4	13.0	15.0	16.8
Current Account Balance / GDP (%)	-3.2	-4.2	-7.5	-6.2	-6.2
Public debt / GDP (%)	47.9	43.1	44.6	43.8	40.4

y/y – year on year; m/m – month to month; E – estimation; F – forecast
Source: CSO, NBP, own forecasts and estimations

* corrected data



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

Category	1999	1Q 2000	2Q 2000	3Q 2000	4Q 2000	2000	1Q 2001	2Q 2001	3Q 2001	4Q 2001	2001	2002	2003	2004	2005
Interest rates															
1M	14.55	17.63	18.14	18.55	19.65	18.50	19.15	17.60	17.30	16.00	17.51	15.0	12.0	9.7	8.6
3M	14.73	17.87	18.50	19.06	19.70	18.78	18.60	17.40	17.40	16.00	17.35	15.2	12.2	9.9	8.8
6M	14.57	17.87	18.67	19.36	19.75	18.92	18.10	17.10	17.00	15.50	16.93	15.3	12.3	10.0	8.9
12M	14.77	18.07	18.86	19.51	19.60	19.01	17.70	16.70	16.20	15.40	16.50	15.5	12.4	10.1	9.0
Lombard rate	17.59	21.08	21.50	22.01	23.00	21.90	22.70	21.00	21.00	19.50	21.05	16.5	13.8	11.5	10.4
Intervention rate	13.72	17.08	17.50	18.17	19.00	17.94	18.70	17.00	17.00	15.50	17.05	14.0	11.8	9.5	8.4
Treasury bonds yields															
3L (bid)	11.89	14.60	16.28	17.04	16.85	16.20	14.55	13.85	13.65	12.65	13.68	11.9	9.5	8.5	8.0
5L (bid)	11.12	12.77	13.98	14.39	14.85	14.00	13.07	12.57	12.47	11.47	12.40	10.2	9.0	8.2	7.8
10L (bid)	9.63	10.36	11.64	12.55	12.59	11.79	10.42	10.42	10.42	10.12	10.35	9.2	8.5	8.1	7.6
T-bills yields															
13-week	13.16	16.24	16.74	17.33	17.53	16.96	17.22	16.32	16.32	15.32	16.30	12.4	10.1	7.8	6.8
52-week	13.00	16.92	17.68	18.25	18.24	17.77	17.06	16.16	15.50	14.50	15.81	12.8	10.3	8.0	7.0
Exchange rates															
USD/PLN	3.9675	4.1132	4.3762	4.3897	4.5033	4.3465	4.098	4.167	4.303	4.385	4.238	4.60	5.00	5.35	5.55
EUR/PLN	4.2270	4.0629	4.0872	3.9781	3.9179	4.0110	3.786	3.851	4.038	4.173	3.962	4.51	4.95	5.23	5.35
EUR/USD	1.0660	0.9878	0.9344	0.9062	0.8700	0.9172	0.924	0.924	0.938	0.952	0.935	0.98	0.99	0.98	0.96
Average depreciation (currency basket)	–	-0.1%	3.5%	-1.2%	0.5%	2.0%	-6.4%	1.7%	4.1%	2.6%	-1.9%	11.2%	9.2%	6.3%	3.1%
USD/PLN (end of period)	4.1483	4.1428	4.3907	4.5404	4.1432	4.1432	4.15	4.180	4.345	4.400	4.400	4.80	5.20	5.50	5.60
EUR/PLN (end of period)	4.1689	3.9650	4.2075	3.9960	3.8544	3.8544	3.725	3.900	4.084	4.224	4.224	4.80	5.10	5.35	5.35
EUR/USD (end of period)	1.0050	0.9571	0.9583	0.8801	0.9303	0.9303	0.898	0.933	0.940	0.960	0.960	1.00	0.98	0.97	0.96
Macroeconomic indicators (end of period unless otherwise stated)															
Real GDP (y/y, %)	4.1	6.0	5.2	3.3	2.4	4.1	2.5	3.0	4.9	5.6	4.0	4.0	4.3	5.0	5.1
Inflation (y/y, %)	9.8	10.3	10.2	10.3	8.5	8.5	6.4	6.4	5.4	6.0	6.0	5.6	4.2	3.8	3.6
Inflation (y/y, %) average	7.3	10.3	10.1	10.8	9.2	10.1	6.8	6.6	5.5	5.6	6.2	5.8	4.9	4.0	3.7
Current account/GDP (%)	-7.6	–	–	–	–	-6.2	–	–	–	–	-6.2	-6.6	-6.7	-6.5	-6.1
Budget deficit/ /GDP (%)	-2.0	–	–	–	–	-2.2	–	–	–	–	-2.7	-2.1	-1.8	-1.5	-1.3
Public debt/ /GDP (%)	44.6	–	–	–	–	43.8	–	–	–	–	40.4	39.2	37.6	35.7	33.5
Foreign Public debt/ /GDP (%)	20.7	–	–	–	–	20.4	–	–	–	–	17.7	17.1	16.6	15.7	14.5
Total foreign debt/ /GDP (%)	39.0	–	–	–	–	39.5	–	–	–	–	35.2	33.9	32.3	30.4	27.7

Forecast date: 21.03.2001

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

Higher current account deficit in January

Current account deficit in January amounted to USD 887m, higher than USD 600-800m expected by the market. In January 2001 the current account gap declined to 6.0% of GDP in comparison to 6.2% of GDP at the end of 2000. Trade deficit in January 2001 was almost equal to that of January 2000, totalling USD 1460m. In January exports declined to USD 2.5bn while imports reached USD 3.95bn, partially due to delayed import payments from December since companies expected stronger zloty in January. In January exports increased by 29.5% y/y while imports rose by 16.7% y/y. Non-classified flows balance was lower than in December and amounted to USD 250m.

We do not consider these data as positive despite a strong y/y export growth. Extraordinary export growth resulted from a very low base in January 2000. We think that increasing imports may be an early warning signal of an early deterioration in the current account.

In longer run it is impossible to maintain high export growth taking into account strongly overvalued zloty and a relatively weak euro. Another threat to Poland's exports will be economic slowdown that will start to influence it in negative way as of the end of the second quarter this year.

Taking into account that income balance was strong due to a one-off factor: additional inflows of USD 242m from the sale of collateral for Brady bonds, we think that the current account has slowly started to deteriorate.

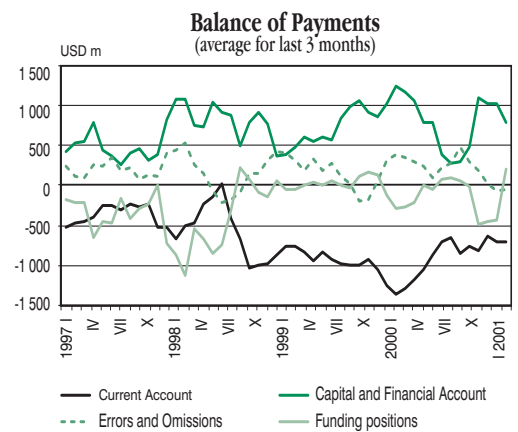
In our opinion, these moderately negative data were among the factors refraining the MPC from more aggressive rate cut at its last meeting.

Weaker industrial output in February

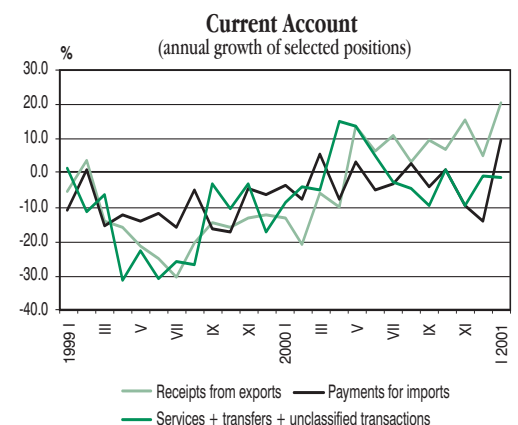
In February industrial output fell by 2.7% m/m and by 0.1% y/y. This result was in line with our expectations and it was below market expectations which were at 0.5% m/m. The fall in manufacturing growth was deeper and amounted to 3.4% m/m. The highest annual growth of output was reported in the manufacture of metal products (of 11.0%), plastic products (of 9.4%), electrical machinery and apparatus (of 9.0%). The fall in the annual growth of output was the largest for the manufacture of tobacco products (35.8%), office equipment and computers (20.3%), basic metals (9.3%), motor vehicles (8.8%). The increase in the annual growth appeared in sectors oriented rather to exports and the strongest decrease was observed in the production for external markets.

On the one hand these data are an evidence of a very weak domestic demand and on the other hand they point out that exports growth probably begins to decline.

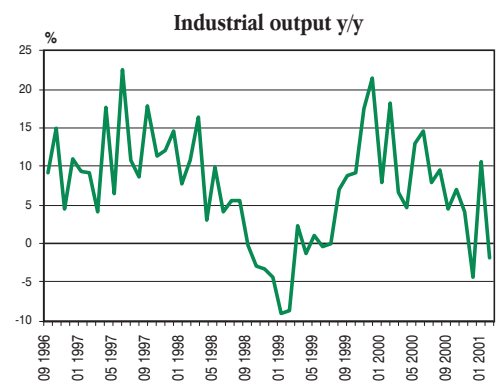
The February construction output was up 7.4% on January and it fell by 9.1% y/y. A low annual growth in construction results from decreasing investment outlays in the economy, slowed down with restrictive monetary policy.



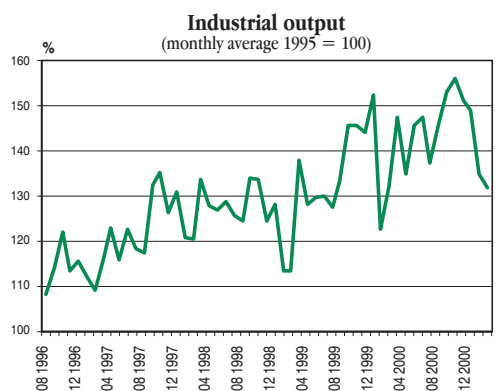
Source: NBP, own calculations



Source: NBP



Source: CSO



Source: CSO



Further fall in inflation in February

Inflation in February amounted to 0.1% m/m and 6.6% y/y, much below market expectations of 7.0% y/y. It was also lower than Finance Ministry's expectation (6.8-7.0%) and our forecast of 6.9%. However, market reaction for these data was neutral with the tendency to take profits on the zloty.

Data for February are already based on new consumption basket corresponding with the structure of household consumption in 2000. For that reason some components of CPI for January have been revised. Changes were made, among others, in prices of food and services, but overall CPI for January was left unchanged. Due to a change in the aggregation method starting from the beginning of this year, current series of components of CPI are not comparable to past ones.

Consumer inflation in February was very low, mainly because of 0.2% fall in food prices and 0.1% fall in fuel prices. Increase in prices of train tickets was levelled off by fall in prices of telecom services. Increased excise tax on alcohol beverages translated fully into prices of these goods, while prices of tobacco products continued to fall. Prices of such basic consumer goods as clothing and shoes fell by 0.5% m/m. It is yet another evidence of falling consumer demand. On the contrary, prices of housing increased due to the low price elasticity of demand. CPI data suggest that the increase in the prices of non-food products is still low. Taking into account, that fuel prices fell by 0.1% in February, while energy prices increased by 0.4% and food prices fell by 0.2% it seems that monthly core inflation (food and energy prices excluded) was again higher than monthly headline inflation.

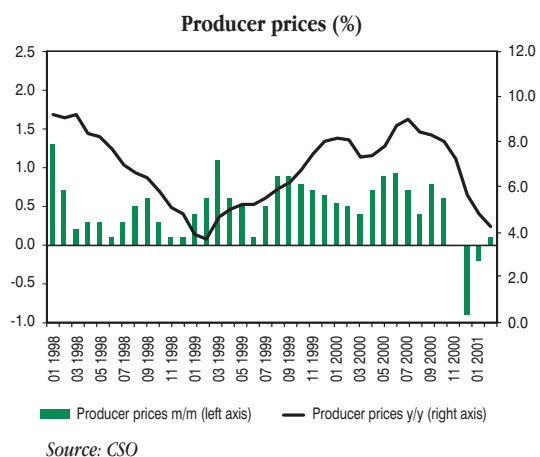
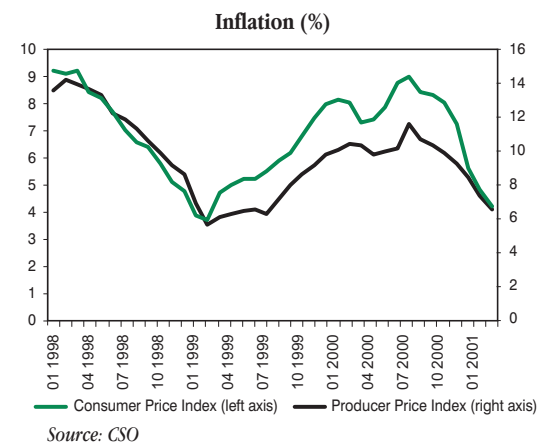
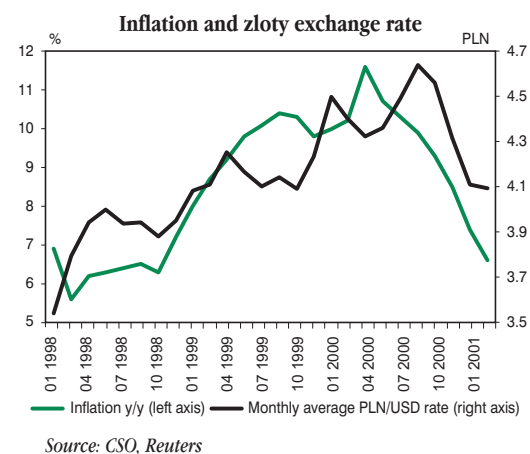
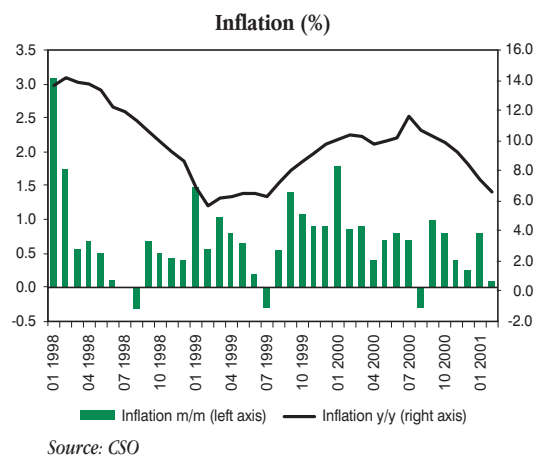
Despite the fact that inflation data are very good, they do not change the general picture. Factors that caused inflation growth last year (weakening of the zloty, increase in food prices, high oil prices) this year act in favour of a low inflation. At the same time, influence of increases in regulated prices at the beginning of this year was relatively small. We still expect that an interest rate cut (of 100-150 bps) may take place in April. Data on inflation for March should be positive as well.

Low increase in producer prices in February

Producer prices rose only by 0.1% m/m and 4.2% y/y in February. Low increase in producer prices proves that there is a strong demand barrier that prevents increase in prices. On the other hand, strong zloty causes that producers are under extra competitive pressure from imports.

The increases in producer prices were observed in the section of electricity, gas and water supply (of 0.2%) and manufacturing (of 0.1%). The prices fell in mining and quarrying (by 0.7%). Prices of manufacturing of coke and refined petroleum products rose strongly (by 1.7%). The fall in producer prices of machinery and equipment, metal products, furniture, plastic and other products continued. Prices of radio and television equipment fell by 0.4% and prices of clothing by 0.5%. The fall in prices in these two sectors proves a weak consumer demand. The strongest price fall appeared in the manufacture of tobacco products (of 1.7%).

Prices in construction rose moderately by 0.5% m/m and 6.5%, which results from small demand.



The zloty

Within the last 30 days the zloty strengthened significantly against the euro and the US dollar. Starting from 22 February, the zloty was strengthening against the currency basket in the expectation for MPC decision on interest rate cut. Rather negative data on current account for January did not cause weakening of the zloty. Also an interest rate cut of 100 bps introduced on 1 March did not cause expected weakening of the zloty. The reason for this was simple. Despite the fact that the market took into account the possibility of a 100 bps cut, the expectations were usually towards a more aggressive cut of 150 bps. A cut of 100 bps was interpreted as an announcement of high interest rates in the nearest future. The gradualist attitude to cutting interest rates means the possibility of another profit taking on Treasury bonds after next cuts in NBP rates. At the end of February and until 12 March the zloty was supported by demand from German banks and expectations for exchanging some part of money for compensations for slave workers in the Third Reich.

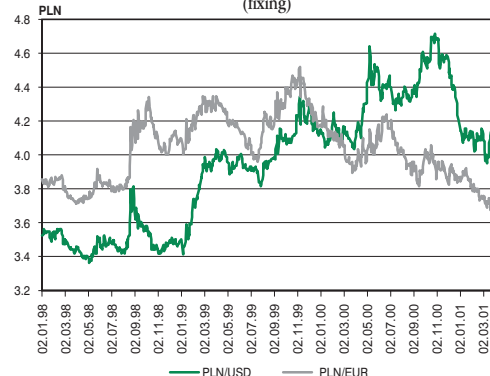
Despite the fact that the exchange rate of the zloty is currently at full float, the market still assesses the strength of the zloty in relation to EUR-USD basket. It is sensible because of a strong correlation between PLN and EUR.

The zloty reached the maximum deviation of 11.4% from the old parity on Wednesday 7 March. The strengthening of the zloty was connected with the strengthening of the EUR against the USD to over 93 cents. The very strong zloty caused voices about the necessity to carry out interventions weakening the zloty. However, MPC members confined to verbal interventions, assuring at the same time, that the NBP would not use the policy of fx interventions because it would be contradictory to the policy of direct inflationary goal. After a very good data on inflation, on 15 March late afternoon the profit taking on PLN occurred. This was additionally strengthened by the EUR weakening to the level of 90 cents. Until 20 March the zloty lost about 2% against the currency basket. In the near term the zloty should stay at the level of 9% deviation from the old parity, following the EUR/USD rate. It will mean a high volatility of the zloty. The PLN should gradually weaken to 7% deviation from the old parity in coming weeks.

The euro

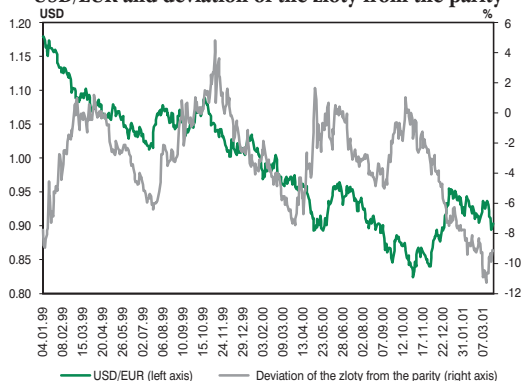
Surprisingly enough, despite negative signals from the US economy, the euro was not able to cut through the level of 94 cents, which could make easier further strengthening of the EUR against the USD. Paradoxically in face of the risk of the global recession resulting from weak US and Japanese economies, investors regarded the USD as the safest currency. Moreover, restrictive Fed policy at the end of 2000 and still relatively high interest rates in the USA resulted in the strong dollar against other currencies. However, this situation may reverse in near term because stock exchange in the USA has still a potential to fall, especially if the Board of Federal Reserve is too cautious in cutting interest rates. The exchange market is convinced that the ECB will stay back with interest rate cuts, which will cause the difference between euro-zone and the USA to be smaller then one might expect. It would mean that the euro stays rather weak against the USD. We forecast that at the end of 2001 the euro will be at the level of USD 0.96

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



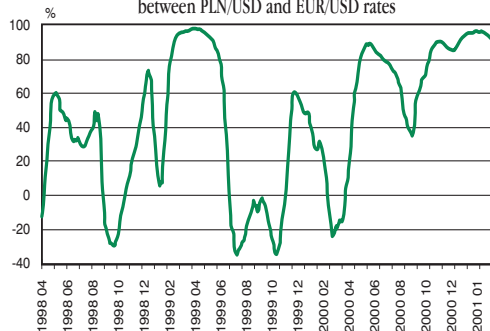
Source: NBP, Reuters

USD/EUR and deviation of the zloty from the parity



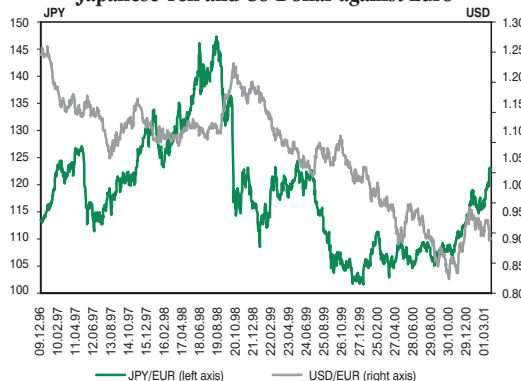
Source: NBP, Reuters, own calculations

90-day Correlation Indicator between PLN/USD and EUR/USD rates



Source: NBP, Reuters, own calculations

Japanese Yen and US Dollar against Euro



Source: Reuters, NBP



Interest rates

Within the last 30 days the key event was the NBP interest rate cut of 100 bps implemented since 1 March. After the cut, money market rates up to 1M decreased. 1M WIBOR reached the lowest level of 18.36% on 8 March, but next week 1M rate stabilised at 18.50%. The NBP rate cut did not influence 3M rate as the market expected the cut in first quarter. The rates from 6M up decreased little after the MPC began interest rate cut phase.

In the money market, starting from 15 March, daily rates rose by 100 to 300 bps. O/N rates reached 23.00% on Friday. This lack of liquidity resulted from the payments to Social Insurance Company. In line with expectations operation of decreasing overliquidity in the banking sector by the outright sale of converted T-bills causes significant fluctuations in short-term rates. Last two months the shortage of liquidity appeared in the obligatory reserve settlement period at the end of month.

Treasury bills

In March the supply of T-bills was reduced to PLN 4.8bn (the supply at the auction on 26 March included) in comparison to PLN 5.3bn in February. The supply of 52-week bills decreased from PLN 4bn to 3.1bn, the supply of 26-week bills increased from PLN 900m to 1.3bn and the supply of 13-week bills stayed unchanged at the level of PLN 400m. The average yields at three auctions to 19 March changed slightly against February and amounted to 17.08% (rise of 4 bps) for 13-week T-bills, 17.01% (fall of 4 bps) for 26-week bills and 16.68% (fall of 1 bp) for 52-week bills. A proportion of demand to supply deteriorated totalling 1.8 in March against 2.7 in February.

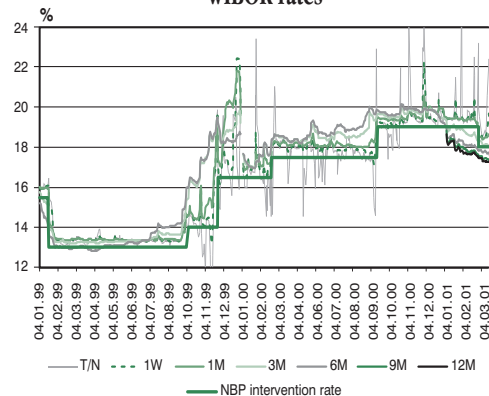
In the secondary market the yields on short T-bills remained stable. In comparison to 19 February the yield on 3M bills fell by 20 bps (on 23 February) and the yield on 6M bills stayed unchanged. After a fall at the end of February, in March the yields on longer T-bills rose. The yield on 9M bills increased by 20 bps and on 12M bills by 10 bps compared to 19 February.

Treasury bonds

At the T-bonds auction on 7 March the average yield on 2Y bonds increased to 15.44% against 15.30% a month before and the yield on 5Y bonds decreased to 12.35% from 12.58% in February. The supply of both 2Y and 5Y bonds was reduced and it totalled PLN 600m and 1.9bn respectively against PLN 800m and 2.5bn a month ago.

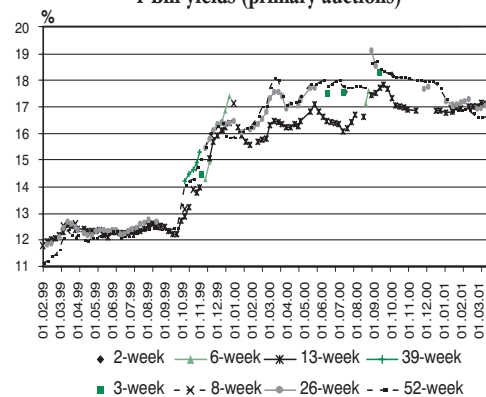
In the secondary market the yields rose on Tuesday 13 March due to a slight profit taking. In comparison to previous Friday the yield curve moved up by 10 bps in 2Y sector, by 15 and 20 bps respectively in 4Y and 5Y sectors and by 15-25 bps at the longer end. Within last 30 days the yields on T-bonds were increasing given the risk of enlarging financing budget deficit with Treasury bonds due to difficulties with collecting privatisation revenues. On the other hand, a high demand on Poland's T-bonds in a few previous months caused that their prices have become too high. The market started to slowly consider whether the scope of this year interest rate cuts would actually total 450 bps. Since 19 February the yield curve moved up by 20 and 30 bps respectively in sectors 2Y and 3Y, by 40 bps in 4Y sector and by 25 bps in 5Y sector. The largest correction occurred in the longer end of the yield curve. In 9Y and 10Y sectors the yields rose by 70 and 65 bps respectively. Foreign investors' involvement has been until now the largest in these sectors.

WIBOR rates



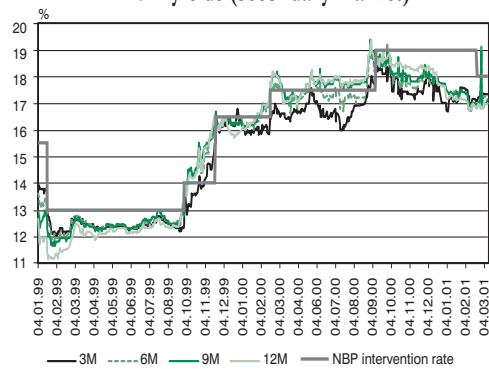
NBP, WBK S.A. Treasury and International Division

T-Bill yields (primary auctions)



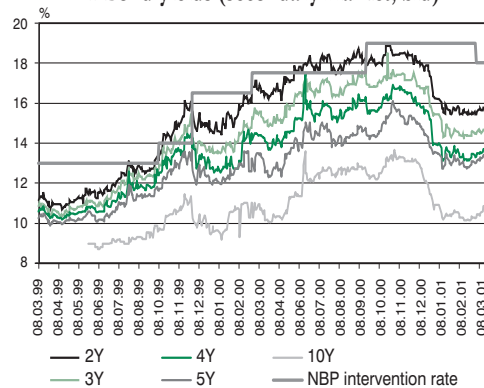
Source: NBP, WBK S.A. Treasury and International Division

T-Bill yields (secondary market)



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

T-Bond yields (secondary market, bid)



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

Monetary policy

The MPC cut rates by 100 bps.

On the second day of its two-day meeting on 27 and 28 February, the Monetary Policy Council cut all main interest rates by 100 bps. The intervention rate was cut to 18.00 pct, re-discount rate was cut to 20.50 pct and the lombard rate was cut to 22.00 pct. The MPC retained its neutral stance, however. The fact, that the MPC cut rates by only 100 basis points and they did not move to an easing bias, means that in essence, the cut was a cautious adjustment of restrictiveness of monetary policy to falling inflation. The Monetary Policy Council cannot afford to neither overshoot the inflation target for this year (6-8% in December) again, nor miss the quite ambitious medium term goal of 4% in 2003. In the statement after the rate cut, the MPC pointed to a significant fall in consumer and producer inflation, and to a decline in core inflation in December. Moreover, the external imbalance narrowed significantly, as the current account gap shrank. Money supply is under control, and declining domestic demand leads to curbing inflation. The Council also pointed to a decline in inflationary expectations of banks and households, what - combined with an introduction of 0,5 bn tonnes tariff quota on grain imports - will lead to the alleviation of inflationary pressure. A small scope of the rate cut is to signal consumers that nominal interest rates will be still high. The MPC underlined the following threats to achieving this year's inflation target: (1) uncertainty over the size of public finance deficit and economic deficit this year; (2) a risk of lower than planned privatisation revenues, what would lead to an increase in costs of servicing public debt and diminish the funding of the current account gap via foreign direct investments; (3) a risk of increase in food prices; (4) a risk of increase in over-liquidity on the money market via government actions (e.g. recent sale of collateral of Brady bonds); (5) a risk of increase in domestic demand due to compensation payments and pension valorisation.

The decision of cutting the rates by 100 bps has already been discounted by the market. There was no reaction on T-bond market. The zloty, however, contrary to expectations, firmed significantly from PLN 4.07 per USD to PLN 4.032 per USD, on expectations that interest rates will be high in the near future.

After last interest rate cut the monetary condition index increased more softly in March, which means that monetary conditions are not tightening so rapidly. If the MPC wants to adjust the level of nominal interest rates to fall in inflation, they may cut by another 100 pbs already in March.

Money supply

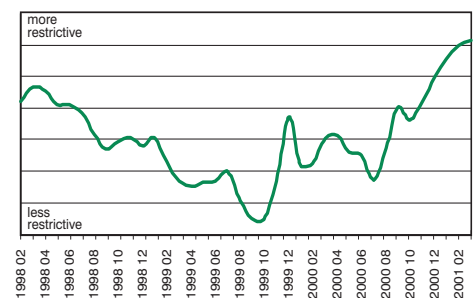
Money supply rose in February by 0.9% m/m and 14.5% y/y, equivalent to PLN 2.7bn, reaching PLN 295.3bn compared to the fall of 0.6% in January. Personal deposit growth increases – a year ago, in February 2000 it was at the level of 15.0% y/y and now it reached 22.9%. Personal credit growth decreases – it amounts to 29.3% y/y now while at the beginning of 2000 it was exceeding 50%. In monthly terms personal credits fell by 0.4%. Corporate credit growth continued to fall and totalled 0.8% m/m and 11.9% y/y. High real interest rates and increase in unemployment rate in Poland led to a fall in propensity to consume and increase in propensity to save. Despite the decrease in net debt of the budget sector of 2.2% m/m, which compensated the increase in corporate credits, money supply increased following a 1.8% rise in net foreign assets. Data on money supply are positive, since they do not cause any inflationary threats.

Tab. 5. Recent MPC's decisions

Date	Decision
20 Jan 1999	Intervention rate cut by 250 bps (13.0%) Rediscount rate cut by 275 bps (15.5%) Lombard rate cut by 300 bps (17.0%)
24 Mar 1999	Monthly PLN devaluation rate decreased to 0.3% PLN fluctuation band extended to do +/-15%
22 Sep 1999	Intervention rate up by 100 bps (14.0%)
17 Nov 1999	Intervention rate up by 250 bps (16.5%) Rediscount rate up by 350 bps (19.0%) Lombard rate up by 350 bps (20.5%)
23 Feb 2000	Intervention rate up by 100 bps (17.5%) Rediscount rate up by 100 bps (20.0%) Lombard rate up by 100 bps (21.5%)
11 Apr 2000	Full floating of the zloty
30 Aug 2000	Intervention rate up by 150 bps (19.0%) Rediscount rate up by 150 bps (21.5%) Lombard rate up 150 bps (23.0%)
20 Dec 2000	Neutral stance in monetary policy adopted
28 Feb 2001	Intervention rate cut by 100 bps (18.0%) Rediscount rate cut by 100 bps (20.5%) Lombard rate cut by 100 bps (22.0%)

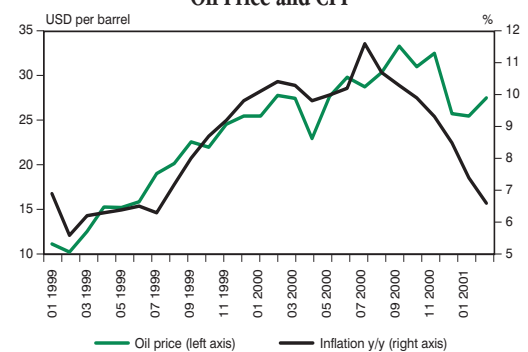
Source: NBP

Monetary Conditions Index



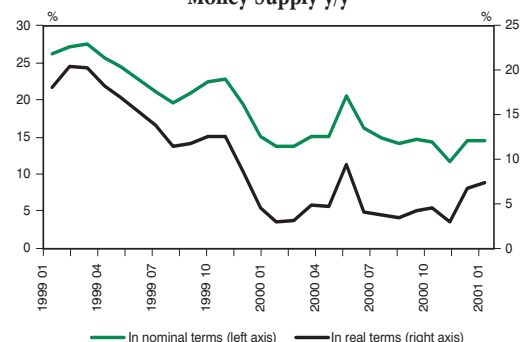
Source: NBP, CSO, own calculations

Oil Price and CPI



Source: Reuters, CSO

Money Supply y/y



Source: NBP, own calculations



State treasury debt

During last years the structure of state treasury debt was changeable. The share of domestic debt increases, while share of foreign debt declines. In December 1997 it amounted to 46.9% and 53.1% of the total debt respectively, while in December 2000 it was 54.9% and 45.1%.

Together with the development of the Polish market of debt papers, the market debt plays an increasingly important role in the structure of state treasury debt – within the last three years their share increased from 57.8% to 80.0%. Non-market debt decreased that time from 42.2% to 18.6% of total debt. Saving bonds become more important in financing state treasury debt, now their value amounts to PLN 1.95bn, which is 1.3% of Polish debt.

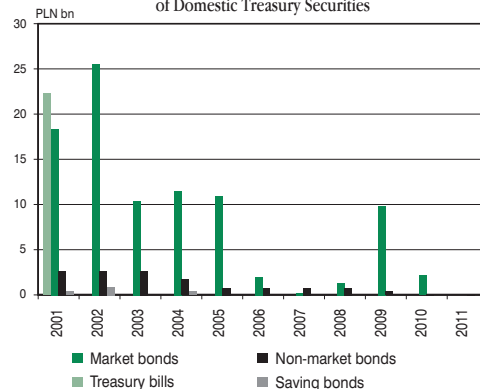
The average duration of Polish treasury papers was at 4.5 years in 1997-1998, but in 1999-2000 it was shorter amounting to 2.6 years. However, the duration of market instruments increased from 1.5 years in December 1997 to 2.6 at the end of 2000. The duration of Treasury bonds lengthened from 2.73 to 3.13 years and in case of Treasury bills it shortened from 0.47 to 0.34 years. The duration of saving bonds is nearly two years. In comparison to 1997, the duration of non-market instruments is currently much shorter: 3.2 against 10.5 years.

In the structure of Polish debt, fixed rate T-bonds are becoming more and more important. Their value at the end of 1997 amounted to PLN 18.5bn, which represented 17.8% of domestic debt, while in December 2000 it totalled PLN 76.9bn and share in the structure reached 52.4%. The importance of variable rate bonds is falling (their share declined from 35.8% in 1997 to 22.3% in 2000). The same situation is in case of T-bills (drop from 31% to 16% respectively).

Last year, the share of non-banking sector in the subject structure of domestic debt increased from 37.6% in December 1999 to 40,9% next year. The share of State Treasury debt held by commercial banks declined this

time from 42.7% to 35.7%. Following the sale of converted bonds, the State Treasury debt against NBP decreased from 14.4% in 1999 to 11.3% in 2000. More treasury papers are in possession of foreign investors – their share in debt structure increased from 5.3% in 1999 to 12.1% in 2000.

Maturity Dates
of Domestic Treasury Securities



Source: Finance Ministry

Timetable of Capital Instalments
of Poland's Foreign Debt



Source: Finance Ministry

Tab. 6. Treasury domestic debt

	Dec 1999		Dec 2000		change	
	PLN m	structure	PLN m	structure	PLN m	in %
Treasury domestic debt	134 676.2	100.0%	146 818.2	100.0%	12 142.0	9.0%
National Bank of Poland	19 330.3	14.4%	16 524.7	11.3%	-2 805.6	-14.5%
converted bonds	16 439.0	12.2%	14 217.0	9.7%	-2 222.0	-13.5%
Domestic banks	57 457.2	42.7%	52 438.7	35.7%	-5 018.5	-8.7%
T-bills	16 828.8	12.5%	11 838.9	8.1%	-4 989.9	-29.7%
2Y zero-coupon bonds	924.7	0.7%	4 159.3	2.8%	3 234.6	349.8%
3Y variable rate bonds	3 275.5	2.4%	1 761.3	1.2%	-1 514.2	-46.2%
5Y fixed rate bonds	15 299.5	11.4%	16 361.9	11.1%	1 062.4	6.9%
restructuring bonds	6 161.1	4.6%	6 402.6	4.4%	241.5	3.9%
Domestic non-banking sector	50 687.8	37.6%	60 102.8	40.9%	9 414.9	18.6%
T-bills	9 551.7	7.1%	10 947.3	7.5%	1 395.6	14.6%
3Y variable rate bonds	7 642.0	5.7%	8 888.5	6.1%	1 246.5	16.3%
5Y fixed rate bonds	10 530.0	7.8%	14 445.7	9.8%	3 915.6	37.2%
10Y variable rate bonds	4 455.2	3.3%	5 718.2	3.9%	1 263.0	28.3%
saving bonds	494.0	0.4%	1 953.4	1.3%	1 459.4	295.4%
obligation due to not increasing wages in budget sphere	11 670.4	8.7%	9 564.5	6.5%	-2 105.9	-18.0%
Foreign investors	7 200.7	5.3%	17 752.0	12.1%	10 551.3	146.5%
2Y zero-coupon bonds	656.8	0.5%	4 067.9	2.8%	3 411.1	519.4%
5Y fixed rate bonds	5 686.3	4.2%	11 304.1	7.7%	5 617.8	98.8%

Source: Finance Ministry

Budget deficit exceeded 50% of the plan

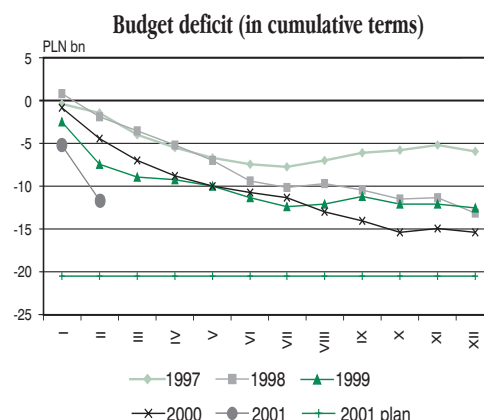
After two months of this year the budget deficit totals PLN 11.964bn, representing as much as 58.2% of the gap planned in the budget for the whole year, compared to 25.0% after January. Relatively high budget deficit at the beginning of the year is typical, however this year after two months it is the highest for the last five years. In order to compare, a year ago the budget deficit after February amounted to 29.3% of the plan and in 1999 the deficit at the end of February represented 57.7%. In 1999, however, four reforms were introduced, with social insurance system reform among them that caused trouble in the Social Insurance Company (ZUS) over collecting contributions.

After February total budget revenues amounted to PLN 20.977bn, equivalent to 13.0% of the plan for the whole year against 7.2% a month ago. Budget expenditures totalled PLN 32.940bn, equivalent to 18.1% of the whole annual plan in comparison to 9.2% after January. It means that in February the revenues were lower than in January and the expenditures stayed at the same level, which resulted in the acceleration in the budget deficit performance.

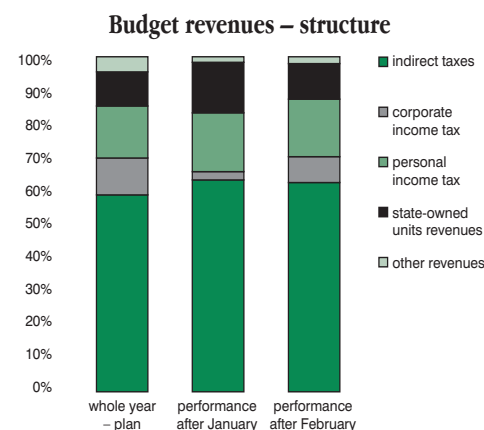
All the items on the revenue side are characterised by low performance after February. The revenues from indirect taxes reached 13.8% of the plan, which means a significant slowdown against January. They are under an adverse influence of a few factors with lower than assumed inflation among them that probably will cause diminishing this year's income from tax. The revenues from the personal income tax (13.9%) increased slower in February, too. It results from rising unemployment and low nominal wages growth. A more frequent use of tax reductions by natural persons in previous year in settlements with the Tax Office may also contribute to decreasing revenues from this tax this year. The revenues from corporate income tax were relatively high in February and their low levels against the plan (9.4%) follow from low inflows in January.

On the expenditure side, for the second month in the row the subvention to local governments is realised to the highest degree (26.8%). The spending for domestic debt service (21.9%) is also high, due to the large amount of treasury bills maturing at the beginning of this year. Subsidy levels to both social insurance funds are also high, especially to ZUS totalling 18.4% (to KRUS 17.3%). In February a significant increase in the subsidy to ZUS took place given the start of pay off of compensation for pensioners for 2000. No significant interest payments on foreign debt were observed neither in January nor in February, which resulted in only 3.7% performance of expenditures on foreign debt service.

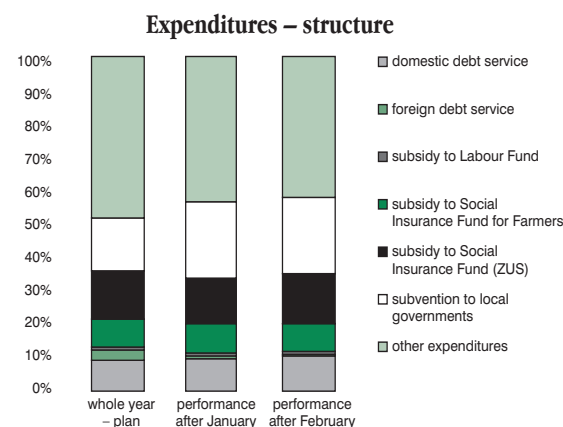
A few days before the release of the above data, the Finance Minister Jaroslaw Bauc foresaw reaching by the deficit 50% of the plan in February and then 70% at the end of March. It seems that after a fulfilment of first part of this forecast, it is now possible that its second part will also be realised. In March the pay off of compensation for 2000 is continued and low inflation contributes to diminishing the most important for the budget revenues from indirect taxes that make for 59% of total budget revenues.



Source: Finance Ministry



Source: Finance Ministry



Source: Finance Ministry

Unemployment



Strong increase in an unemployment rate in 2001

There was a strong increase in the unemployment rate in Poland in the last months of 2000 and at the beginning of 2001. An upward trend lasting since mid-1998 has additionally accelerated and the unemployment rate was growing gradually from 14.1% in October to 14.5% in November, 15.0% in December and 15.6% in January 2001. Within only three months, it rose by 1.5 percentage points. Winter months are most adverse for the growth of unemployment. In 1998-2001 the unemployment rate was rising mostly in January – by 0.65 pct point on average. In December the rise was also very high amounting to 0.53 pct. point. November increases were at the level of 0.3 pct point and in February at 0.23 pct point. The best situation in unemployment is observed in the second quarter every year. The seasonal employment is growing over that period and an influx of fresh graduates does not appear in the labour market yet. The strongest fall in the unemployment was noted in April (by 0.27 pct. point on average) and in May (by 0.23 pct. point). In years 1999 and 2000 the unemployment rate was reducing only in this two months.

Considering regional differences, the highest unemployment rate in January 2001 was noted in the following provinces: warmińsko-mazurskie (25.5%), lubuskie and zachodniopomorskie (both 21.4%). The lowest unemployment was noted in these provinces: mazowieckie (11.5%), małopolskie (12.4%) and wielkopolskie (12.9%).

In January 2001 there were 2.836m registered unemployed persons. Analysing changes in employment figures for the enterprise sector and the employment figures for the national economy in 1998-2001, it is visible that there is about 50% more unemployed than it would result from the fall of employment. The employment declined by 617 thousands and unemployment grew by 943 thousands. Some part of unemployment is generated also by the public sector and another part consists of graduates (they represent about 6% of the unemployed) and other persons previously unemployed (24% of total unemployment).

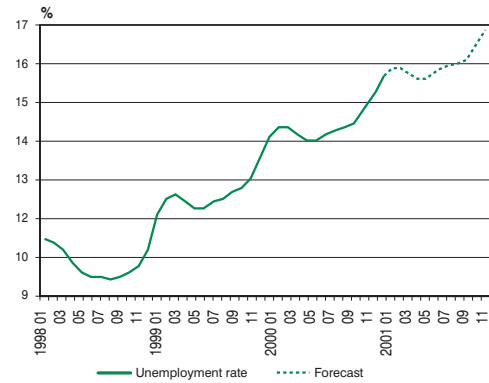
In the near term, the number of unemployment will grow significantly as a result of employment restructuring in the face of a break down in demand, among others in the automobile sector (Daewoo-FSO, FIAT, Jelcz).

According to our forecast, the unemployment rate in the first quarter this year will reach 15.9%. Then, after a fall to 15.5% in the year-half, there may be a rise even to 16,8% in December.

Shortening of the weekly working time

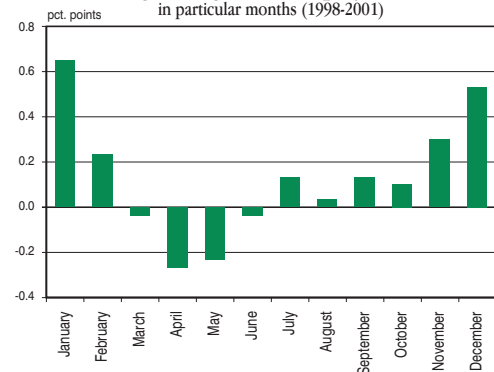
At the end of last year, the Sejm made changes to the Labour Code, introducing a 5-day working week, however keeping the weekly working time at the level of 42 hours. At the beginning of 2001, working on Senate's amendments to this bill, the Parliament decided ultimately to shorten the weekly working time from 42 to 40 hours. It will be achieved gradually – in 2001 - 42 hours, in 2002 the working time will shorten to 41 hours per week and in 2003 the target 40 hours will be reached. The adopted solution will result in, on the one hand, an increase in enterprises' costs, which may lead to laying off employees, and on the other hand it may contribute to a rise in employment in order not to reduce the production output. The pace of economic growth and elasticity of demand for work will vastly determine which of these two scenarios will be adopted. During good business climate, entrepreneurs will be eager to employ new workers in order not to lose market standing and income. On the contrary, when it will be difficult to dispose of the output, the shorter working time will lead to the enlargement of losses and may cause bankruptcies of weaker companies, leading to unemployment growth. The lower elasticity of demand for work, the less influence of a shorter working time on employment decrease. Because the long-term elasticity of demand for work is higher than short-term elasticity, it may be expected that a negative impact on employment, if such occurs, will be much stronger in the longer term. The neutral solution from the entrepreneurs' point of view would be a compilation of shortening working time and lowering tax payments that increase work costs.

Unemployment rate



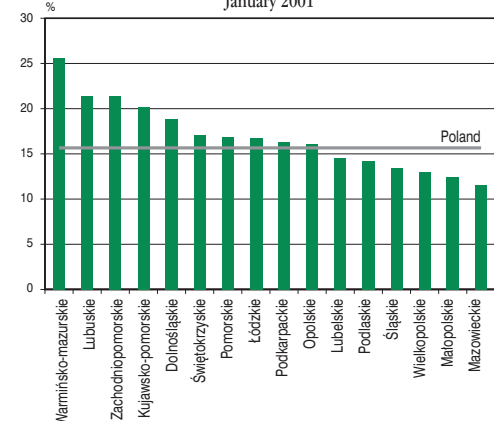
Source: CSO, own forecast

Average changes in unemployment rate in particular months (1998-2001)



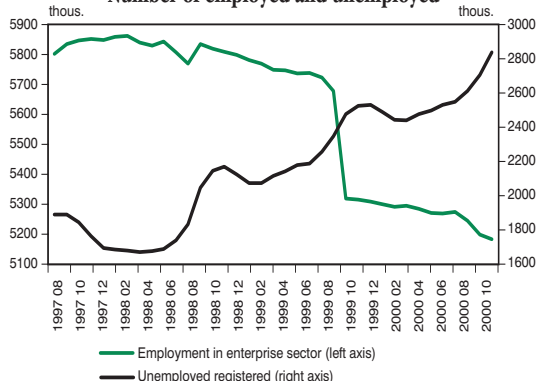
Source: CSO, own calculations

Unemployment rate in voivodships January 2001



Source: CSO

Number of employed and unemployed



Source: CSO

Business climate indicators and growth indicators

The indicators of business climate in industry, construction and retail sales, which have been released by the CSO, are calculated on the basis of poll research conducted among entrepreneurs. These polls firstly are based on subjective estimates and secondly are prepared on the basis of certain sample of entrepreneurs. On the other hand, the CSO releases indicators based on objective data concerning these sectors which are the indicators of real annual output growth in industry and construction and of real annual retail sales growth. The question appears as to what extent the business climate research results are convergent with actual growth of output and sales.

Industry

Out of three pairs of indicators of business climate and real growth, indicators of climate in industry and of industrial output growth are the most correlated ones. The correlation coefficient calculated for the data from January 1997 to January 2001 totals 0.42. At the beginning of this period to about mid-1998 both indicators were shaped in a similar way, firstly forming an upward trend and then the downward one. Afterwards to the beginning of 2000 the business climate indicator fluctuated strongly, as being based on subjective assessments it is sensitive to changes in perception. In the same time the growth indicator continued to fall and then it formed an upward trend. Since the beginning of 2000 both indicators have formed a downward trend. Regular patterns, according to which the climate indicator precedes the growth indicator and informs of its future trend, do not exist.

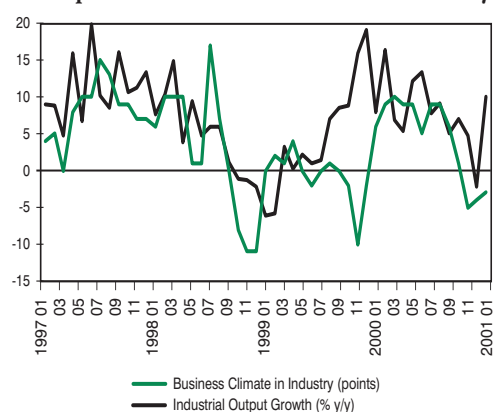
Construction

The indicators of climate in construction and of construction output growth are least correlated. The correlation coefficient for data from January 1997 to January 2001 amounts to 0.33. The business climate indicator is characterised by strong, visible seasonal fluctuations. The highest values are observed in April or May and the lowest in December or January. Over the whole analysed period the downward trend of business climate in construction persisted. In long term, the real annual output growth indicator also forms the downward trend. In this case, however, seasonal fluctuations are not observed.

Retail sales

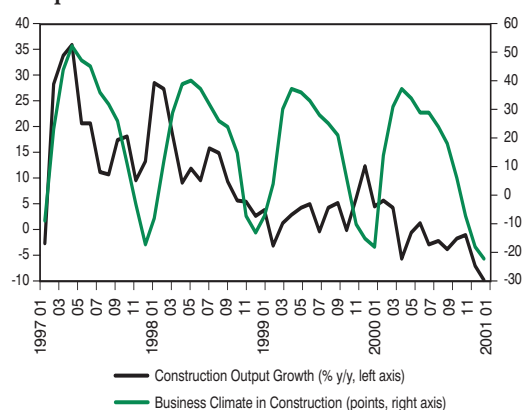
The indicators of business climate in retail sales and of annual growth in retail sales in the period of January 1997 – December 2000 are characterised by a correlation coefficient of 0.38. The retail sales climate indicator show seasonal fluctuations, but they are less regular than in construction. The lowest values always appear in January and the highest values appear irregularly. In the period of 1997-99 both indicators were quite changeable and did not form any trend. At the end of 1999 and the beginning of 2000 both of them started to fall forming an upward trend. At the end of the analysed period the indicators reached the lowest values.

Output Growth and Business Climate in Industry



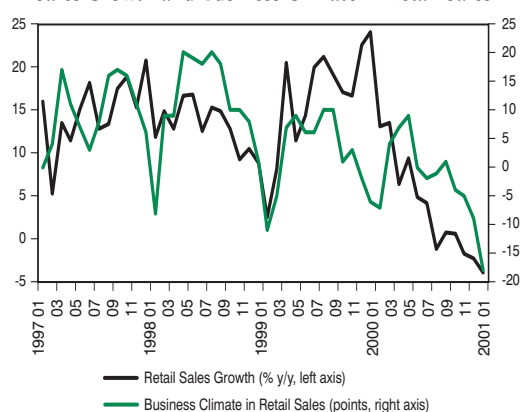
Source: CSO

Output Growth and Business Climate in Construction



Source: CSO

Sales Growth and Business Climate in Retail Sales



Source: CSO



Economic Release Calendar March / April 2001					
Monday	Tuesday	Wednesday	Thursday	Friday	
19 March CZ: Retail sales (Jan)	20 CZ: Balance of payments (2000) USA: Fed meeting USA: State budget (Feb) USA: Foreign trade (Jan)	21 POL: GDP (4Q) POL: Unemployment (Feb) GER: Business climate IFO (Feb) USA: Inflation (Feb)	22 CZ: GDP (4Q) CZ: Foreign trade (Feb)	23 POL: Food prices (1st half of Mar)	
26	27 POL: MPC meeting USA: Durable goods orders (Feb)	28 POL: MPC meeting	29 EUR: ECB meeting	30	
2 April POL: Balance of payments (Feb) POL: Foreign trade on a cash basis (Feb) CZ: State budget (Mar)	3 POL: Food prices (2nd half of Mar)	4 POL: Economic trends in industry, construction and retail trade (Mar) GER: Unemployment (Mar)	5 GER: Factory orders (Feb)	6 CZ: Construction output (Feb) USA: Unemployment (Mar)	
9 POL: Balance of NBP (Mar) POL: Official reserve assets (Mar) CZ: Inflation (Mar) CZ: Unemployment (Mar) GER: Industrial output (Feb)	10 CZ: Industrial output (Feb)	11 GER: Current account (Feb) GER: Trade balance (Feb) EUR: ECB meeting	12 CZ: Producer prices (Mar) USA: Retail sales (Mar) USA: Producer prices (Mar)	13 POL: Employment and wages in corporate sector (Mar)	
16 Easter Monday	17 POL: Inflation (Mar) POL: Money supply (Mar) POL: State budget (Mar) CZ: Retail sales (Feb) USA: Inflation (Mar)	18 USA: Foreign trade (Feb)	19 POL: Industrial output (Mar) POL: Producer price index in industry and construction (Mar)	20 POL: Unemployment (Mar)	
23 GER: Business climate IFO (Mar)	24 CZ: Foreign trade (Mar)	25 POL: Food prices (1st half of Apr) USA: Durable goods orders (Mar)	26 EUR: ECB meeting	27	

Basic Macroeconomic Data

Category	unit	March	April	May	June	July	August	September	October	November	December	January	February
PRICES													
Consumer price index (y/y)	%	10.3	9.8	10.0	10.2	11.6	10.7	10.3	9.9	9.3	8.5	7.4	6.6
Consumer price index (m/m)	%	0.9	0.4	0.7	0.8	0.7	-0.3	1.0	0.8	0.4	0.2	0.8	0.1
Production price index (y/y)	%	7.3	7.4	7.9	8.9	9.0	8.4	8.3	8.0	7.2	5.6	4.7*	4.2
Production price index (m/m)	%	0.4	0.7	0.9	1.0	0.6	0.4	0.8	0.6	0.0	-0.9	-0.3*	0.1
Price index of assembly and construction production (y/y)	%	7.7	8.3	8.4	8.8	9.1	8.7	8.1	7.8	7.6	6.9	6.8	6.5
Price index of assembly and construction production (m/m)	%	0.9	1.1	0.7	0.7	0.4	0.5	0.2	0.5	0.4	0.2	0.4*	0.5
Exchange rate USD/PLN (y/y)	%	3.7	5.8	14.3	11.6	11.3	10.3	10.1	12.8	7.2	3.5	0.2	-1.0
Exchange rate USD/PLN (m/m)	%	-1.1	3.5	6.2	-2.2	-1.7	0.8	3.0	3.3	-1.6	-5.4	-4.7	-0.4
Exchange rate EUR/PLN (y/y)	%	-7.9	-6.6	-2.6	1.9	1.3	-5.9	-8.7	-9.8	-11.2	-8.1	-7.1	-7.7
Exchange rate EUR/PLN (m/m)	%	-3.3	1.3	1.8	2.4	-2.5	-2.9	-0.8	1.4	-1.7	-0.6	-0.4	-2.5
Real gross wages in enterprise sector (y/y)	%	3.1	5.2	1.8	1.3	-2.2	1.1	0.4	0.5	0.8	-1.9	2.4	1.1
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	6.0	-	-	5.2	-	-	3.3	-	-	2.4	-	-
Industrial output (y/y)	%	6.8	5.3	12.1	13.4	7.8	9.2	5.0	7.1	4.7	-2.2	10.1	-0.1
Industrial output (m/m)	%	11.6	-8.4	7.7	1.2	-6.9	6.1	5.0	2.1	-3.1	-1.4	-8.9	-2.7
Construction and assembly production (y/y)	%	4.2	-5.6	-0.6	1.2	-2.9	-2.1	-3.7	-1.7	-1.1	-6.9	-9.7*	-9.1
Construction and assembly production (m/m)	%	17.5	-0.1	16.8	11.6	-4.6	7.2	7.0	6.6	-17.6	40.3	-59.3	7.4
Retail sales of goods ^a (y/y)	%	16.9	19.9	15.1	14.8	10.3	11.2	10.4	7.2	5.8	3.2	7.3	-0.2
Retail sales of goods ^a (m/m)	%	17.2	2.2	-0.6	2.8	-0.7	1.4	-0.8	1.5	-3.4	20.8	-29.8	-1.7
Exports on a customs basis (y/y)	%	16.0*	21.1	24.0	34.6*	39.8*	29.2*	24.1*	26.7*	20.2	-	-	-
Exports on a customs basis (m/m)	%	5.5	-6.8	4.3	4.9*	0.7	-3.0*	10.3*	9.2*	-5.6	-	-	-
Imports on a customs basis (y/y)	%	12.2	13.5	31.7	24.1	21.5	15.9	8.2*	15.8*	2.8	-	-	-
Imports on a customs basis (m/m)	%	9.4	-8.0	16.6	-6.2	-1.1	-6.1	8.2*	13.6*	-7.6	-	-	-
LABOUR MARKET													
Number of unemployed	thous.	2 534	2 490	2 446	2 437	2 478	2 496	2 529	2 548	2 613	2 703	2 836	2 877
Unemployment rate	%	14.0	13.8	13.6	13.6	13.8	13.9	14.0	14.1	14.5	15.0	15.6	15.8
Average employment in corporate sector	thous.	5 308	5 301	5 292	5 295	5 284	5 271	5 269	5 274	5 247	5 199	5 184	5 189
Average monthly gross wages in corporate sector	PLN	1 992	2 067	1 988	2 049	2 036	2 051	2 088	2 089	2 160	2 350	2 069	2 075
Nominal increase in wages (y/y)	%	13.7	15.5	12.0	11.5	9.2	11.9	10.7	10.4	10.2	6.4	9.9	7.7
STATE BUDGET													
Budget revenues	PLN bn	31.0	40.9	51.8	64.2	74.8	86.2	98.0	110.5	123.0	135.7	11.6	21.0
Budget expenditures	PLN bn	38.0	49.8	61.8	75.0	86.1	99.2	111.9	125.9	137.9	151.1	16.7	32.9
State budget deficit	PLN bn	-6.9	-8.9	-10.0	-10.8	-11.3	-13.0	-14.0	-15.4	-14.9	-15.4	-5.1	-12.0
Domestic government debt	PLN bn	141.9	-	-	143.7	-	-	153.4	-	-	-	-	-
Foreign government debt	PLN bn	128.2	-	-	135.8	-	-	134.2	-	-	-	-	-

Basic Macroeconomic Data



Category	unit	March	April	May	June	July	August	September	October	November	December	January	February
BALANCE OF PAYMENTS													
Current account	USD m	-1 344	-850	-401	-860	-701	-961	-592	-852	-416	-816*	-887	-
Trade balance	USD m	-1 241	-1 075	-894	-1 041	-1 042	-1 324	-972	-1 058	-858	-1 038*	-1 457	-
Exports	USD m	2 371	2 032	2 407	2 397	2 473	2 271	2 424	2 520	2 654	2 759*	2 489	-
Imports	USD m	3 612	3 107	3 301	3 438	3 515	3 595	3 396	3 578	3 512	3 797*	3 946	-
Services: net	USD m	-202	-177	-105	-159	-131	-119	-90	-100	-104	-155*	-106	-
Unclassified transactions: net	USD m	218	398	324	337	309	350	420	485	295	340*	248	-
Capital and financial account	USD m	1 074	672	653	-165	343	725	357	2 192	528	351*	1 494	-
Direct investments	USD m	430	449	310	363	488	169	242	4 653	537	570*	490	-
Portfolio investments	USD m	1 598	131	20	90	232	-234	-72	-345	504	135*	794	-
MONEY SUPPLY													
Money supply	PLN bn	262	266	269	285	277	278	281	287	291	294	293*	295
Money supply (y/y)	%	13.8	15.2	15.2	20.6	16.2	14.9	14.1	14.6	14.4	11.8	14.6*	14.5
Money supply (m/m)	%	1.6	1.5	1.1	5.9	-2.7	0.3	1.0	2.4	1.3	1.1	-0.6*	0.9
Total deposits (y/y)	%	15.5	16.6	16.8	23.3	18.5	17.1	16.1	17.4	17.0	15.5	17.5*	17.0
Total deposits (m/m)	%	1.9	0.9	1.6	6.4	-3.1	0.5	1.1	3.0	1.7	1.1	0.1*	0.8
Household loans (y/y)	%	52.1	49.8	49.9	79.4	45.7	42.9	40.9	38.9	34.8	31.7	31.3	29.3
Household loans (m/m)	%	3.4	1.6	3.8	25.2	-15.0	2.5	3.0	2.3	1.2	2.1	0.2*	-0.4
Corporate loans (y/y)	%	18.1	19.1	17.9	19.7	18.8	18.2	17.4	16.1	14.0	13.5	12.2*	11.9
Corporate loans (m/m)	%	0.9	2.0	0.6	2.2	0.1	1.4	2.3	1.4	0.4	-1.9	1.2*	0.8
FINANCIAL INDICATORS													
Average deviation from the central parity ^b	%	-6.2	-5.1	-	-	-	-	-	-	-	-	-	-
Average exchange rate USD ^c	PLN	4.0902	4.2347	4.4988	4.3994	4.3229	4.3593	4.4900	4.6369	4.5606	4.3143	4.1108	4.0925
Average exchange rate EUR ^c	PLN	3.9507	4.0033	4.0758	4.1740	4.0684	3.9486	3.9152	3.9696	3.9035	3.8802	3.8648	3.7689
Average exchange rate DEM ^c	PLN	2.0200	2.0469	2.0839	2.1341	2.0801	2.0189	2.0018	2.0296	1.9958	1.9839	1.9761	1.9270
Average WIBOR T/N ^c	%	17.92	17.64	17.33	17.73	17.87	17.31	18.84	19.74	20.07	19.50	19.73	19.82
Average WIBOR 1M ^c	%	18.17	18.15	18.13	18.13	18.05	18.24	19.39	19.47	19.65	19.83	19.44	19.33
Average WIBOR 3M ^c	%	18.44	18.34	18.60	18.55	18.51	19.12	19.55	19.68	19.75	19.67	18.97	18.61
Average 3M T-bill yield ^c	%	16.56	16.72	17.01	16.49	16.48	17.38	18.17	17.53	17.44	17.60	17.12	17.29
Average 12M T-bill yield ^c	%	17.57	17.31	17.86	17.85	17.76	18.34	18.65	18.41	18.31	18.01	17.23	16.97
Average 2Y T-bond yield ^c	%	16.56	16.85	17.78	18.02	17.77	18.27	18.11	18.54	18.23	17.20	15.68	15.48
Average 10Y T-bond yield ^c	%	10.42	10.56	11.89	12.46	12.53	12.72	12.40	13.24	13.06	11.50	10.44	10.23
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	17.5	17.5	17.5	17.5	17.5	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Rediscount rate	%	20.0	20.0	20.0	20.0	20.0	21.5	21.5	21.5	21.5	21.5	21.5	21.5
Lombard rate	%	21.5	21.5	21.5	21.5	21.5	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Monthly devaluation rate ^b	%	0.3	0.3	-	-	-	-	-	-	-	-	-	-

* data officially 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



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 21.03.2001 has been prepared by

ECONOMIC ANALYSIS UNIT

Arkadiusz Krześniak – Treasury Economist, tel. 0 61 856 58 23

Aleksander Krzyżaniak – Assistant, tel. 0 61 856 55 80

Sławomir Nosal – Assistant, tel. 0 61 856 44 57

fax 0 61 856 55 65, e-mail: research@wbk.com.pl or name.surname@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 Kopec – Director of the Department

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

Dealing Unit - Poznań			Dealing Unit - Warsaw		
Piotr Kinastowski	<i>Deputy Director</i>	0 61 856 58 22	Al. Jana Pawła II 25, Atrium Tower, 00-854 Warszawa tel. 022 653 46 88, fax 022 653 46 79		
CORPORATE DESK					
Juliusz Szymański	<i>Head of the Unit</i>	0 61 856 58 25	Krzysztof Pietrkiewicz	<i>Deputy Director</i>	0 22 653 46 70
Marzenna Urbańska	<i>Dealer</i>	0 61 856 58 25	Jarosław Górski	<i>Treasury Executive</i>	0 22 653 46 57
Adam Wandzilak	<i>Dealer</i>	0 61 856 58 25			
Katarzyna Kamińska	<i>Dealer</i>	0 61 856 58 25	Marketing Unit		
COMMERCIAL DESK					
Waldemar Polowczyk	<i>Head of the Unit</i>	0 61 856 58 14	Anna Talarczyk	<i>Head of the Unit</i>	0 61 856 58 49 e-mail: anatal@wbk.com.pl
Hanna Nowak	<i>Dealer</i>	0 61 856 58 14			
Zbigniew Mańke	<i>Dealer</i>	0 61 856 58 14			

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

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