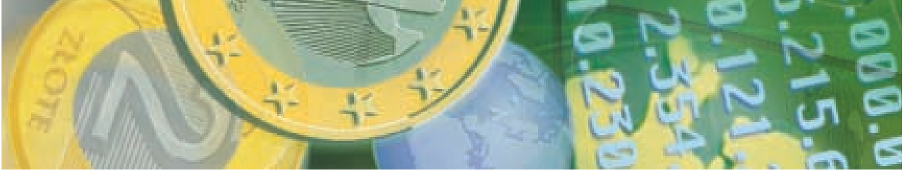


Poland's economy – Financial Markets

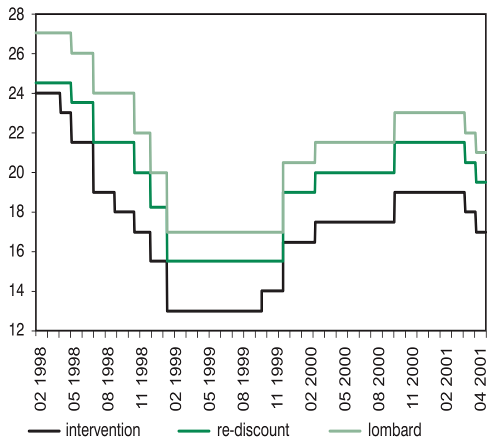
April 2001 No 22

Major economic trends

- The current account deficit in February amounted to USD 449m in comparison to USD 932m in January. This result was below market expectations of USD 500-900m. The trade deficit in February was significantly lower than in January totalling USD 714m.
- March industrial output rose by 14.6% m/m and by 2.8% y/y, which was much better than increase of 0.8% m/m expected by the market. The increase in industrial output mainly resulted from rise in growth of manufacturing output to 17.1% m/m and 3.6% y/y.
- Producer prices rose in March by 0.2% m/m and were 3.9% up y/y. The increase in producer prices mainly resulted from increase in price of gas in March that was partially compensated by strengthening of the zloty and a fall in oil prices.
- CPI for March amounted to 0.5% m/m and 6.2% y/y in line with our forecast. March inflation was at upper range of market expectations. Natural gas price hike had the biggest impact on March inflation. We estimate the total effect of this hike at 0.3 percentage point. Consumer inflation in March was moderate due to further firming of the zloty (by 1.5%) and 3.4% fall in fuel prices.
- Within last 30 days the zloty was strengthening further against the EUR-USD basket, on average by 0.9% weekly. The strengthening of the zloty against the euro at the end of March followed from among others exchanging the UMTS payment by two concessionaires. Also another NBP interest rate cut by 100 bps since 29 March was followed by the strengthening of the zloty by about 0.8% against the EUR-USD basket. In coming weeks the zloty should weaken.
- On 28 March, the second day of a two-day meeting, the Monetary Policy Council decided to cut all main interest rates by 100 bps. The intervention rate was cut to 17.00%, re-discount rate to 19.50% and lombard rate to 21.00%. The decisions are effective from 29 March.
- State budget deficit at the end of March totalled PLN 15.055bn, equivalent to 73.3% of the 2001 budget plan, against 58.2% after February. Budget amendment is unavoidable.
- Within last 30 days the yield curve moved down and became more flat.

Arkadiusz Krześniak

NBP Interest Rates (%)



Source: NBP

In this issue

- NAPM, US manufacturing activity indicator, rose in March to 43.1 points against forecasted fall to 42.2 points. Euro-zone PMI fell stronger than forecasted to 51.2 points, the record low for two years.
- Consumer and business sentiment indicator in the Euro-zone had fallen in March to 102.2 points from 102.8 in February. The business trend indicator in the Euro-zone industry fell considerably in March to 0.59 points from 0.97 points in February, which means an evident deterioration in business confidence.
- Unemployment rate in the European Union did not change in February in comparison to January and totalled 8.7%. The highest unemployment among 15 countries of the EU is in Spain (13.7%) and the lowest in Luxembourg (2.0%).
- On Thursday 5 April the Bank of England cut interest rates by 25 bps. Main repo rate now amounts to 5.5%. This was the second rate cut this year. The cut was a reaction to a recent deterioration of economic performance in Great Britain due to a slowdown in US economy.
- Contrary to expectations, the European Central Bank did not cut interest rates at meeting on Wednesday 11 April. Refinance rate was left at 4.75%, lending rate at 5.75% and deposit rate at 3.75%. The ECB President Wim Duisenberg said that conditions in the global economy had deteriorated but the risk of global recession was low. The ECB forecasts of economic growth in the Euro-zone still remain optimistic as they foresee GDP growth of 3%. It follows from the Duisenberg's statement at the press conference that the ECB will still be cautious in interest rates cuts. The decision not to change the level of interest rates was taken on consensus basis. The interest rates in the Euro-zone should remain flat until the ECB meeting on 10 May.
- German industrial production rose in February by 0.6% m/m against increase of 1.5% in January. The increase resulted mainly from an improvement in the construction sector.
- In March US retail sales fell by 0.2% and producer prices declined by 0.1%. Both data on retail sales and producer prices point to a slightly stronger than expected slowdown in US economy and are another reason for cutting interest rates by the Fed at the next meeting on 15 May.
- On Wednesday 18 April the Fed unexpectedly cut interest rates by 50 basis points. The Fed Funds rate now amounts to 4.5%. It was the fourth interest rate cut in this year and second made between regular meetings. Fed warned about the risk of further slowdown.
- US inflation in March amounted to 0.1% m/m in line with market expectations. In February the inflation was at the level of 0.3%. The core inflation, calculated excluding prices of food and energy, totalled 0.2% against 0.3% in February.
- Inflation in the Euro-zone amounted to 2.6% y/y in March and remained unchanged compared to February. The core inflation (excluding prices of energy, food, cigarettes and alcohol) amounted to 1.8% y/y against 1.7% in February. Inflation in the Euro-zone exceeds currently the level of 2.0% assessed by the ECB, which makes an argument against cutting the interest rates.
- US industrial production increased in March by 0.4% m/m after a 0.4% fall in February. These data are positive since a decrease of 0.1% was expected.

Tab. 1. Inflation indicators

	11 2000	12 2000	01 2001	02 2001	03 2001	*04 2001 F*
Consumer Price Index (m/m, %)	0.4	0.2	0.8	0.1	0.5	*0.7*
Consumer Price Index (y/y, %)	9.3	8.5	7.4	6.6	6.2	*6.5*
Producer Price Index (m/m, %)	0.0	-0.9	-0.3	-0.1*	0.2	*0.4*
Producer Price Index (y/y, %)	7.2	5.6	4.7	4.1*	3.9	*3.6*
Average monthly FX rate (USD, y/y, %)	7.2	3.5	0.2	-1.0	-0.7	–

Tab. 2. Activity indicators

	10 2000	11 2000	12 2000	01 2001	02 2001	03 2001
Retail Sales Index (m/m, %)	1.5	-3.4	20.8	-29.8	-1.7	–
Retail Sales Index (y/y, %)	7.2	5.8	3.2	7.3	-0.2	–
Household loans (y/y, %)	38.9	34.8	31.7	31.3	29.4*	25.6
Industrial Output (m/m, %)	2.1	-3.1	-1.4	-8.9	-2.5*	14.6
Industrial Output (y/y, %)	7.1	4.7	-2.2	10.1	0.1*	2.8
Exports, current prices (in payment terms, y/y, %)	13.5	23.4	11.7	27.4*	17.9	–
Imports, current prices (in payment terms, y/y, %)	6.5	-5.4	-10.3	16.8*	-2.2	–
Foreign Trade Balance (NBP, USD m)	-1058	-858	-1038	-1499*	-714	–
State Budget Balance (PLN m)	-15.4	-14.9	-15.4	-5.1	-12.0	-15.1

Tab. 3. Poland's Economy

	1997	1998	1999	2000	*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	*6.1*
Inflation (year end, y/y, %)	13.2	8.6	9.8	8.5	*6.1*
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	*40.3*

y/y – year on year; m/m – month to month; 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	17.02	15.97	15.30	16.83	15.0	12.0	9.7	8.6
3M	14.73	17.87	18.50	19.06	19.70	18.78	18.60	16.77	15.77	15.20	16.57	15.2	12.2	9.9	8.8
6M	14.57	17.87	18.67	19.36	19.75	18.92	18.10	16.17	15.37	14.90	16.11	15.3	12.3	10.0	8.9
12M	14.77	18.07	18.86	19.51	19.60	19.01	17.70	15.63	14.97	14.50	15.68	15.5	12.4	10.1	9.0
Lombard rate	17.59	21.08	21.50	22.01	23.00	21.90	22.70	20.60	19.67	19.00	20.47	16.5	13.8	11.5	10.4
Intervention rate	13.71	17.08	17.50	18.01	19.00	17.90	18.70	16.60	15.67	15.00	16.47	14.0	11.8	9.5	8.4
Treasury bonds yields															
2L (bid)	12.42	15.34	17.55	18.05	17.92	17.37	15.59	14.20	13.47	13.10	14.09	12.3	9.8	8.7	8.2
3L (bid)	11.89	14.60	16.28	17.04	16.85	16.20	14.55	13.83	13.37	13.00	13.69	11.9	9.5	8.5	8.0
5L (bid)	11.12	12.77	13.98	14.39	14.85	14.00	13.07	12.85	12.30	12.20	12.62	10.2	9.0	8.2	7.8
10L (bid)	9.63	10.36	11.64	12.55	12.59	11.79	10.42	10.48	10.27	10.10	10.33	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	16.01	15.00	14.10	15.58	11.6	9.2	7.0	6.0
52-week	13.00	16.92	17.68	18.25	18.24	17.77	17.06	15.22	14.23	13.40	14.97	12.0	9.5	7.2	6.2
Exchange rates															
USD/PLN	3.9675	4.1132	4.3762	4.3897	4.5033	4.3465	4.0876	4.117	4.302	4.363	4.217	4.58	5.00	5.35	5.55
EUR/PLN	4.2270	4.0629	4.0872	3.9781	3.9179	4.0110	3.7765	3.747	4.024	4.111	3.914	4.46	4.95	5.23	5.35
EUR/USD	1.0669	0.9878	0.9344	0.9067	0.8708	0.9172	0.9240	0.910	0.935	0.942	0.928	0.97	0.99	0.98	0.96
Average depreciation (currency basket)	–	-4.2%	3.2%	-1.3%	0.3%	1.5%	-6.1%	-0.1%	6.1%	1.8%	-2.7%	11.6%	10.1%	6.2%	3.0%
USD/PLN (end of period)	4.1483	4.1428	4.3907	4.5404	4.1432	4.1432	4.1000	4.180	4.345	4.365	4.365	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	3.6170	3.846	4.084	4.125	4.125	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	0.8822	0.920	0.940	0.945	0.945	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	2.2	4.1	2.3	3.1	4.9	5.8	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	6.2	6.4	5.4	6.1	6.1	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	6.5	5.5	5.7	6.1	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	–	–	–	–	40.3	39.1	37.6	35.7	33.5
Foreign Public debt/ /GDP (%)	20.7	–	–	–	–	20.4	–	–	–	–	17.6	17.0	16.6	15.7	14.5
Total foreign debt/ /GDP (%)	39.0	–	–	–	–	41.8	–	–	–	–	36.4	34.9	33.0	31.2	28.3

Forecast date: 23.04.2001

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

Very low current account deficit in February

The current account deficit amounted in February to USD 449m in comparison to USD 932m in January. This result was below market expectations of USD 500-900m. The trade deficit in February was significantly lower than in January totalling USD 714m. In February exports slightly decreased to USD 2.4bn, while imports fell considerably to USD 3.1bn. Compared to February 2000, exports rose by 17.9% and imports declined by 2.2%. Balance of unclassified transactions was at the level from last month totalling USD 240m. Income balance decreased to USD 5m given interest payment to Paris Club.

Grzegorz Wojtowicz of the MPC assessed that the current account deficit had fallen in February to 5.7% of GDP from 6.1% in January. He sustained his forecast that the deficit would reach 5.0% of GDP at the end of the year.

Improvement in the current account in February is a result of substantial decrease in the trade deficit following from significant fall in imports that was exceptionally high a month ago. This is another sign of weak domestic demand. Exports are stabilising and in coming months should level off.

Very good data on industrial production and lower than market expected producer prices in March

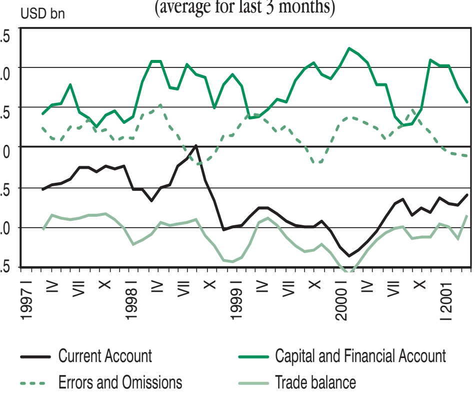
March industrial output increased by 14.6% m/m and by 2.8% y/y, which was much better than increase of 0.8% m/m expected by the market.

The increase in industrial output mainly resulted from rise in growth of manufacturing output to 17.1% m/m and 3.6% y/y. Very good industry performance may partially result from seasonal factors. There were two working days more in March than in February, which resulted in strong m/m growth. March 2001 was by one day longer than March 2000, which caused that the seasonally adjusted growth was stronger. Such a strong growth of output points that exports are still strong. It also proves that in first quarter this year economic slowdown is not as strong as some analyst foresaw.

Producer prices rose in March by 0.2% m/m and were 3.9% up y/y. The increase in producer prices mainly resulted from increase in price of gas in March that was partially compensated by strengthening of the zloty (by 1.5%) and a fall in oil prices.

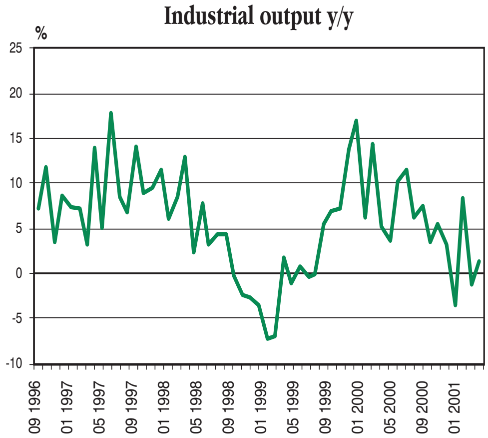
Data on industrial output and on producer prices will be probably neutral for the MPC. An interest rate cut by 100 bps may be expected in May if the MPC does not submit to political pressure and does not decide to cut interest rates earlier.

Balance of Payments
(average for last 3 months)



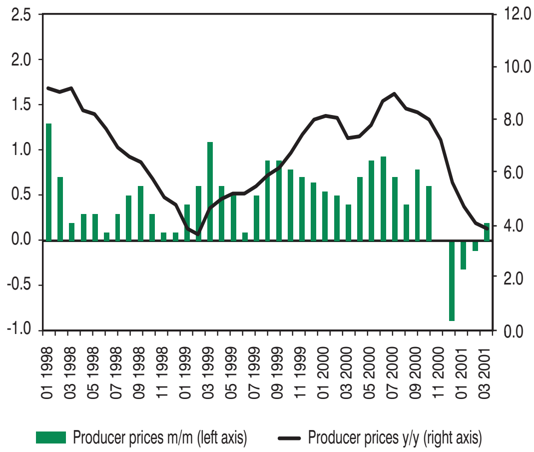
Source: NBP, own calculations

Industrial output y/y



Source: CSO

Producer prices (%)



Source: CSO

Inflation still falls in March

CPI for March amounted to 0.5% m/m and 6.2% y/y in line with our forecast. March inflation was at upper range of market expectations.

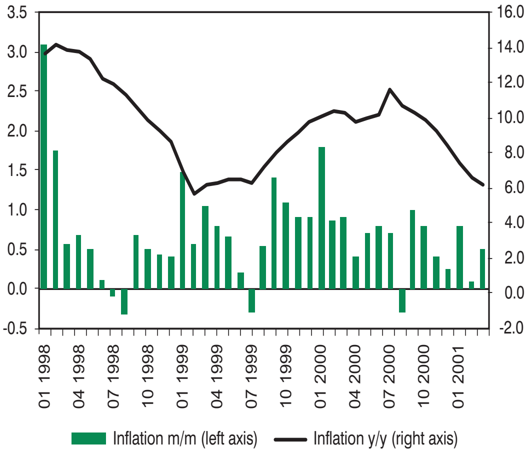
Consumer inflation in March was moderate due to further firming the zloty (by 1.5%) and 3.4% fall in fuel prices. Natural gas price hike had the biggest impact on March inflation. We estimate the total effect of this hike at 0.3 percentage point. Food prices increased by 0.5% m/m and it seems that period of deflation in food prices is definitely over.

Prices of such basic consumer goods as clothing and shoes fell by 0.2% m/m after 0.5% m/m fall in February. Falling inflation increases real disposable income of consumers, and therefore supports consumer demand.

Core inflation has increased in March. We expect that CPI will stabilise in coming months at the level slightly higher than 6% y/y. It is likely, however, that CPI will fall below 6% y/y in three months time, due to base effect.

March inflation was neutral for FX and T-bond markets, as it would probably be neutral for the MPC. With CPI slightly higher than market consensus we think that rate cut at next meeting of the MPC on 25 and 26 of April is rather unlikely.

Inflation (%)

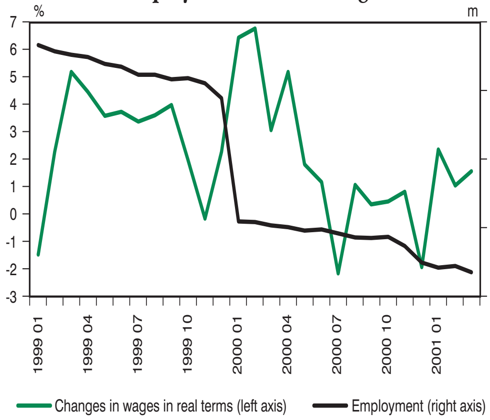


Source: CSO

Employment and real wages

Employment in Poland in 1999-2001 was slowly sliding. The pace of decrease in the employed number would be at the level of 2-3% per year if there were no rapid fall at the turn of 1999/2000. In January 2000 the fall amounted to as many as 360,000 persons in comparison to December 1999, so just within one month the number of employed decreased by 6.3% (threefold compared to the previous two years). Such a large drop was largely due to cuts in employment in industry (of 135k), trade, both retail (53k) and wholesale (47k) and in the construction industry, where 51k employees were dismissed. Following this decrease, a slight downward trend was continued and it lasts until now – in the first quarter 2001 the number of employed was 2.5% lower than a year ago. At the turn of 1999/2000, when the employment fell rapidly, the real wages increased significantly reaching at the beginning of 2000 the highest level for last three years (6.8% in February). Afterwards the real wages declined considerably, mainly due to high inflation. They reached minimum in July 2001 (real fall of 2.2% y/y). At the beginning of 2001 the real wages increased – in March the growth amounted to 1.6% y/y.

Employment and Real Wages

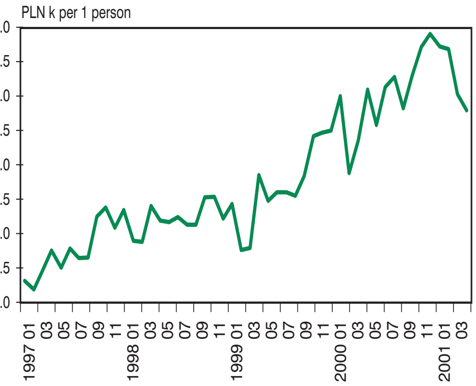


Source: CSO, own calculations

Changes in the labour productivity

The labour productivity in Poland has increased gradually in recent years. It followed from the fact that the production was growing, while the employment was falling. Since the beginning of 1997 to October 2000 the productivity increased almost twice (from PLN 4.2 to 8.0k output produced by one worker). Certain stagnation occurred in 1998, but in the next years an upward trend was continued. At the end of 2000 and at the beginning of 2001 the labour productivity fell, however this is a typical, seasonal effect – at the turn of each year production output is lower and as a consequence the labour productivity declines.

Labour Productivity



Source: CSO, own calculations

The euro

The reasons for the weakness of the euro in recent weeks are the decreasing difference among interest rates in the USA and the Euro-zone and deteriorating global economic prospects. After the Fed cut interest rates by 50 bps on Tuesday 20 March and then unexpectedly cut rates by next 50 bps between regular meetings on Wednesday 18 April and after the European Central Bank left the interest rates unchanged at the meeting on 11 April the fed fund rate fell below ECB refinance rate. The USD/EUR rate reached a short-term minimum of USD 0.8690 on Wednesday 18 April after unexpected rate cut by Fed, but than it increased to USD 0.9080 per EUR on Monday 23 April.

The zloty

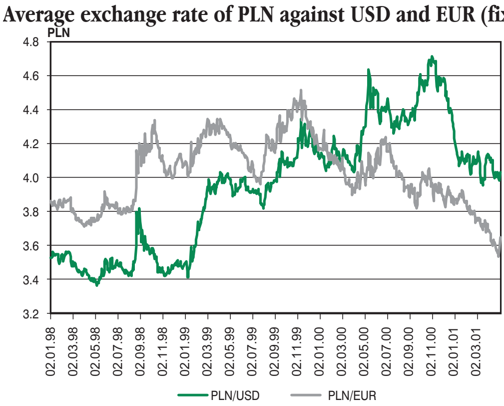
During last 30 days the zloty was still strengthening against the EUR-USD basket, by 0.9% a week on the average. The strengthening of the zloty against the euro at the end of March was caused among others by exchange of UMTS payments by two concessionaires. Next NBP interest rate cut by 100 bps on 28 March also caused the firming of the zloty by 0.8% against EUR-USD basket. After rate cut the PLN/USD rate fell from PLN 4.11 per USD (28 March) to PLN 3.9850 (9 April) and PLN 3.9750 (19 April). In the period of 4-23 April it maintained in a band of between 3.9750-4.05 PLN per USD. Two subsequent interest rate cuts by 100 bps in March caused the strengthening of the zloty by about 2%. Simultaneously the market began to expect more gradual cuts. It exerted extra pressure; strengthening the zloty due to portfolio capital inflows that were caused by expectations to gain capital profits on T-bonds market. Within last 30 days the euro was falling against the zloty, weakening from PLN 3.68 per EUR (20 March) to the record low level of 3.5302 PLN (19 April). The strengthening of the euro against the zloty appeared on 19 and 23 April due to increase in USD-EUR rate.

If the market recognises that the MPC stops cutting interest rates for a while, again the expectation on privatisation foreign currency inflows and the information on cumulating budget deficit will play a key role. This year both the budget financing and the zloty exchange rate strongly depend on few key privatisation processes (TP S.A., PZU and PKN Orlen). Gaining PLN 18bn planned from privatisation is little probable, which means the budget amendment and weakening of the zloty in the second half this year. In coming weeks the zloty should weaken.

USD/EUR

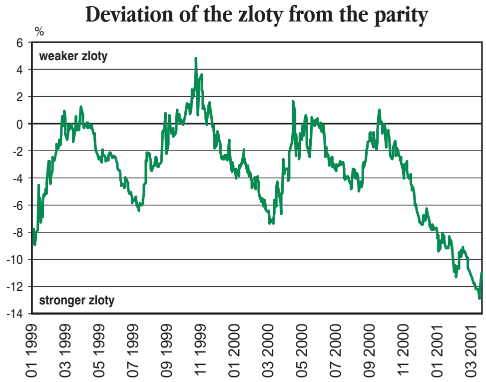
Source: Reuters

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



Source: NBP, Reuters

Deviation of the zloty from the parity



Source: NBP, own calculations

Tab. 5. Potential privatisation in 2001 – most important companies

Company	Stake for sale	Privatisation type	Planned term	Planned inflow
TP S.A.	30%*	public offer, strategic investor	until end of 2001	ca. PLN 10bn
Rafineria Gdanska	75%	strategic investor†	decision until end of April, sale until end of June	
PZU S.A.	50%**	public offer	until end of 2001	ca. PLN 5bn
PKN Orlen	18%	public offer or strategic investor	until end of 2001	PLN 3.3bn
KGHM	10%	public offer	decision until end of April	ca. PLN 1.6bn
Zakłady Chemiczne POLICE	above 50%	strategic investor		
Zakłady Azotowe KEDZIERZYN-KOZLE		strategic investor	until end of June 2001	
Zakłady Azotowe TARNOW	above 10%	strategic investor	offers until 27 April, decision until 21 May	min. PLN 12m
Zakłady Azotowe PULAWY	46%	public offer	May, June 2001	

*) 20% in public offer, of which the strategic investor (France Telecom) may buy 6%; FT has also the call option for a 10% stake of TP S.A.: PLN 38 per 1 share
**) 21% for consortium Eureko and BIG BG
†) 2 offers – MOL (Hungary) and Rotch Energy (Great Britain)

In 2001 in direct and indirect privatisation ca. 280 companies should be sold. Planned inflows from privatisation amount to PLN 18bn, but much of them is uncertain, e.g. TP S.A. which should bring the highest budget income.

Source: Own elaboration based on Reuters, PAP, Rzeczpospolita

Treasury bills

Within last 30 days shorter end of yield curve declined by 60 to 110 bps, which resulted from the next NBP interest rate cut in March and from market expectations of other rate cuts during the next 12 months. The yield on 3M T-bills fell by 60 bps and the yields on longer T-bills (6M to 12M) lost 90-110 bps. In April the supply of T-bills was reduced again to PLN 3.3bn in comparison to PLN 4.8bn in March. The supply of 52-week bills decreased from PLN 3.1bn to 1.6bn and the supply of 26- and 13-week bills stayed unchanged at the level of PLN 1.3bn and 400m respectively. The average yields at auctions in April fell considerably against March. The average yield on 13-week T-bills fell by 78 bps to 16.28%, the yield on 26-week bills declined by 78 bps to 16.19% and the yield on 52-week lost 98 bps reaching 15.67%. A proportion of demand to supply significantly improved totalling 3.6 in April against 2.2 in March.

Treasury bonds

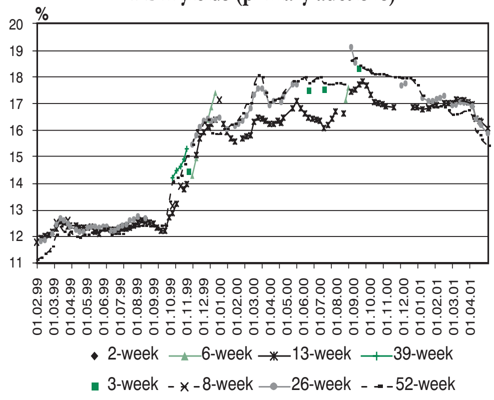
Within last 30 days the yield curve in 2Y sector decreased by 125 bps, in 3Y sector by 80 bps and in 4Y sector by 45 bps. The yield on 5Y T-bonds did not change and the falls on the longer end of the curve were moderate, by 40 and 35 bps respectively in 9Y and 10 sectors.

At the T-bonds auction on 4 April the average yield on 2Y bonds decreased to 14.82% against 15.44% a month before and the yield on 5Y bonds increased to 12.52% from 12.35% in March. The supply of 2Y bonds was enlarged from PLN 600m to 1.4bn and supply of 5Y bonds was reduced from 1.9bn to 1bn. The proportion of demand to supply was high and it totalled 5.5 and 4.1 respectively, but it did not result in increase in yield in case of 2Y bonds. On 11 April, at the auction of 10Y variable rate T-bonds the supply totalled only PLN 200m and the demand for them amounted to PLN 727.2m and it was much lower than in February (USD 2.1bn). The average price totalled PLN 1011.37 per PLN 1000 of nominal value.

Converted bonds of State Treasury

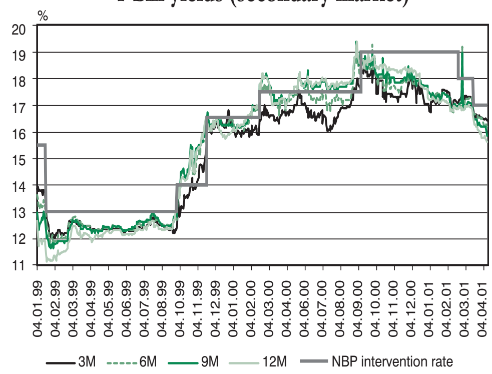
Since 19 September 2001, at 34 auctions of Finance Ministry's converted debt bonds the NBP offered PLN 10.6bn worth of T-bonds. The NBP sold PLN 6.2bn of the bonds, of which were PLN 1.6 bn of KO0402 bonds. The sale of other issues amounts to: DK0809 – PLN 1.5bn, TK1202 – PLN 1.3bn, CK0403 – PLN 1.2bn and PK0704 – PLN 500m. A monthly sale of bonds was the highest in the period of January-March this year, when it totalled PLN 0.9-1.4bn while in other months it amounted to PLN 450-600m. In the first quarter at few auctions the supply totalled PLN 600m while usually the offer at one auction totals 300m. In this period a certain increase in overliquidity in banking sector appeared, which resulted in higher sale of converted bonds and also in higher issue of NBP bonds. Due to limited disposal (secondary turnover is admissible among residents only) the yields at auctions of converted debt are higher than at other T-bonds auctions. The difference totalled 20 to 80 bps. The same as in case of other Treasury bonds, the yields on converted bonds fell by 200-300 bps since September last year.

T-Bill yields (primary auctions)



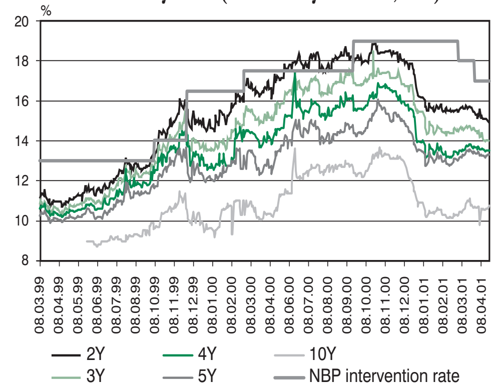
Source: NBP, WBK S.A. Treasury and International Division

T-Bill yields (secondary market)



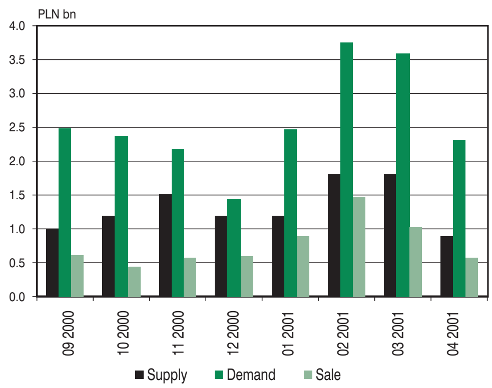
Source: NBP, WBK S.A. Treasury and International Division

T-Bond yields (secondary market, bid)



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

Converted Bond Auctions



Source: NBP

Interest rates

In the first week of April money market rates were quite stable. Short-term WIBOR rates (O/N, T/N, 1W) increased slightly in comparison to Friday 31 March (by 4-8 bps). 1M WIBOR rate stayed at the level close to the previous week (fall of 1 bp) and long-term WIBOR rates fell the most in 12M term – by 25 bps.

In the second week of April the strong lack of liquidity prevailed in money market. On 9 and 10 April O/N offer rate was at 19% to 20% level and after Wednesday fall to normal level it rose again reaching 20% and 22% on Thursday and Friday, respectively. WIBOR rates from 1M upwards were stable. Short end of yield curve was flat in segment up to 3M due to the fact that the market did not expect a cut in interest rates within one to two months' horizon.

In the third week of April there were a slight lack of liquidity in the money market. O/N rates (offer) were at the level of 18-19%. WIBOR rates in 1M term and longer remained stable.

Buy back of Brady Bonds

On Monday 9 April the Finance Ministry bought back on the secondary market USD 289.3m worth of outstanding RSTA Brady Bonds with a maturity date in October 2024. As a result, the nominal value of outstanding Brady Bonds was reduced from about USD 4.4bn to 4.1bn. The operation was financed with the part of funds received from eurobonds issue that were on the currency account of the Finance Ministry within the NBP. Probably Poland may buy back more Brady Bonds this year.

The MPC cut interest rates again by 100 bps in March

On the second day of its two-day meeting, on 28 February, the Monetary Policy Council cut all main interest rates by 100 bps. Intervention rate was cut to 17.00 pct, re-discount rate was cut to 19.50 pct and lombard rate was cut to 21.00 pct. MPC decision is effective from 29 March.

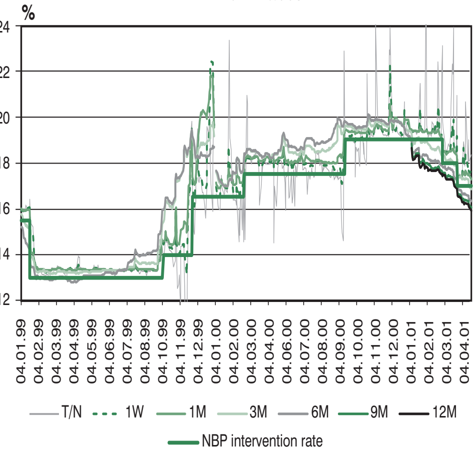
This is already the second cut by 100 basis points in the current easing cycle (previous one was effective from 1 March). Despite most analysts expecting a rate cut in April, a 100 bps cut was entirely discounted by the money market. In the FX market, however, similarly as after the previous cut, the zloty firmed from PLN 4,1290 to PLN 4,1060 against the USD and from PLN 3,66 to 3,63 PLN versus the EUR. In the T-bond market yields remained unchanged.

The fact, that the MPC cut interest rates again by 100 bps may be interpreted as further adjustment of nominal interest rates to falling inflation. After two subsequent cuts the MPC will be able to reject accusations that they do not react to increasing unemployment and falling GDP growth. Monetary policy still remains restrictive, however.

After further strong fall in annual inflation in March (6,2% y/y) the falling trend in inflation may be set back in the coming months. The MPC have to solve a puzzle, what is an appropriate level of tightness of monetary policy in light of loose fiscal policy on the one hand, and falling GDP growth rate on the other hand. The data on inflation in March will make the MPC to refrain from further interest rate cuts until March or June. Next rate cut of 100 bps is possible in 2-3 months time, unless an increase in domestic demand appears and unless the inflationary pressure occurs from food prices or as a result of possible weakening of the zloty in coming months. In current situation, since the core inflation increased in March, retreat in inflation or its stabilisation is possible.

The MPC will probably retain its neutral bias. We expect NBP interest rate cuts of 200 bps by the end of 2000.

WIBOR rates



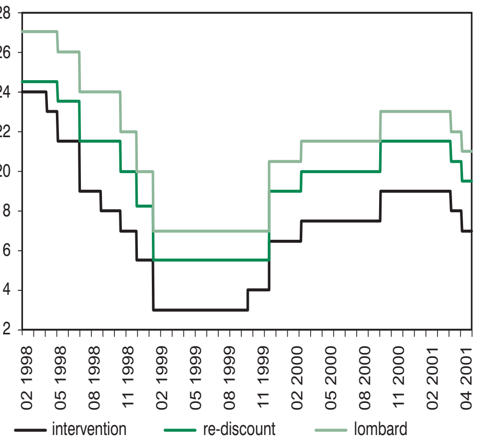
Source: NBP, WBK S.A. Treasury and International Division

Tab. 6. 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%)
28 Mar 2001	Intervention rate cut by 100 bps (17.0%) Rediscount rate cut by 100 bps (19.5%) Lombard rate cut by 100 bps (21.0%)

Source: NBP

NBP Interest Rates (%)

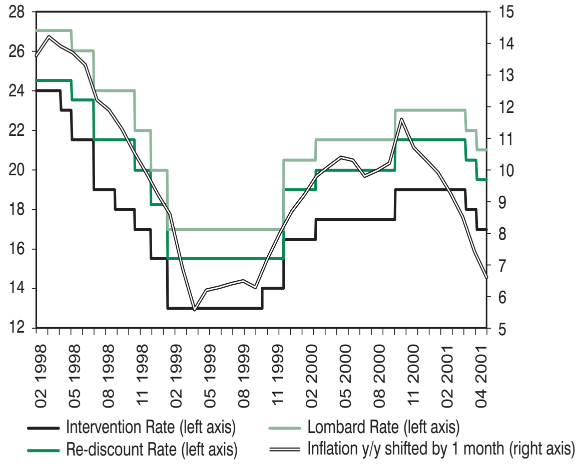


Source: NBP

NBP interest rates and inflation

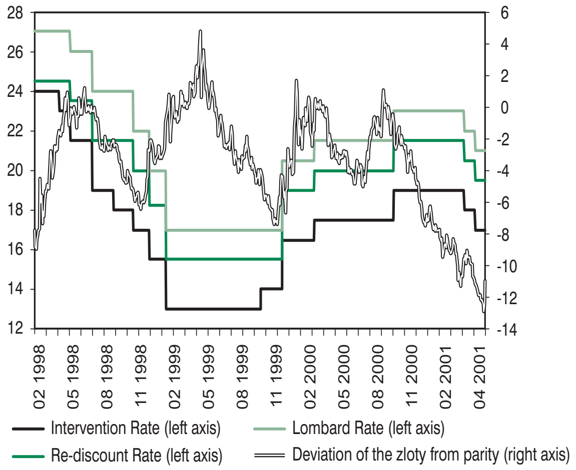
The history of the MPC activity in Poland is short (since 17.02.1998) but the financial market experienced already all the types of monetary policy: loose, neutral and restrictive. Since the creation of the MPC in February 1998 to the beginning of 1999, the interest rates were cut more than the inflation fell. It was mainly due to the fact that the MPC tried to stimulate the domestic demand, weakened by the Russian crisis. Within all this period the intervention rate was cut by as much as 11, rediscount rate by 9 and lombard rate by 10 percentage points. Meanwhile, the inflation declined from 14.2% in February 1998 to 8.6% in December, that is by 5.6 percentage points, so the rates decreased twice as much as inflation. The inflation fall was continued to 5.6% in February 1999, while the rates remained stable. From January to August 1999 there was the longest period of stabilisation. Inflation grew only slightly (amounting to 6.3% in July), which allowed the MPC to keep interest rates unchanged (13-17%). The scope of interest rate cuts made by the MPC in 1998 and at the beginning of 1999 appeared to be too big and in the second half of 1999 the inflation started to grow rapidly. Owing to this the real interest rates became very low (their lowest level was 4.9-7.6% in November 1999). Such situation induced the higher propensity to take credits, which resulted in the additional inflationary pressure. The inflation rose to the level of 11.6% in July 2000, which means that it was by 5.3% percentage points higher than a previous year. That time (August 1999 – August 2000, because the MPC knew data from last month), all the interest rates had been raised by 6 percentage points, so the pace of raising them was similar to the pace of inflation growth. Since August 2000 the inflation started to fall, mainly thanks the exhausting of the external shocks (rises in prices of fuel and food), which previously stimulated consumer price increase. Important reasons for declining inflationary pressure were also increasing real interest rates – in February 2001 they were at the very high level of 11.6-15.4%. The MPC did not react for the lower inflation by cutting interest rates. The Council was anxious about the repetition of such situation like in 1998-1999, when after excessive rate cuts inflation backed to the high level. Therefore the MPC became more cautious in conducting the monetary policy. At the end of February 2001 the MPC decided to cut all interest rates by 1 percentage point. The MPC repeated that move in the next month, because a downward trend in inflation is still continued – in March 2001 inflation was at the level of 6.2%, 5.4 percentage points below its maximum in July.

NBP Interest Rates and Inflation shifted by 1 month (%)



Source: NBP, CSO

NBP Interest Rates and FX Rate (%)

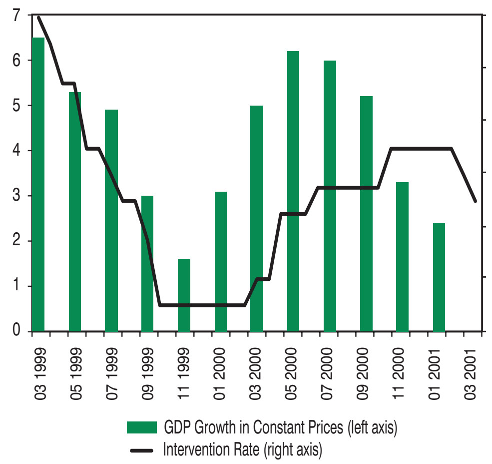


Source: NBP, CSO

Interest rates and economic growth

In 1998, as a result of the Russian crisis, the pace of economic growth in Poland slowed down significantly. The real GDP growth fell from 6.5% in the first quarter of 1998 to 1.6% a year later. In this period the MPC cut interest rates by 9-11 percentage points in order to stimulate the economic growth. In 1999, followed from the low interest rates, the domestic demand was rising, which contributed to a faster economic growth of 6.2% in the fourth quarter 1999. However, it caused also an increase of the inflationary pressure, in 2000 strengthened additionally by external shocks. Taking it into account the MPC increased all interest rates within a year (September 1999 – August 2000) by 6 percentage points. Despite the strong fall in inflation at the end of 2000 and at the beginning of 2001, the MPC has retained interest rates unchanged for a long time. Very high real interest rates led to stifling domestic demand and economic slowdown to 2.4% in the last quarter 2000.

Intervention Rate and Economic Growth (%)

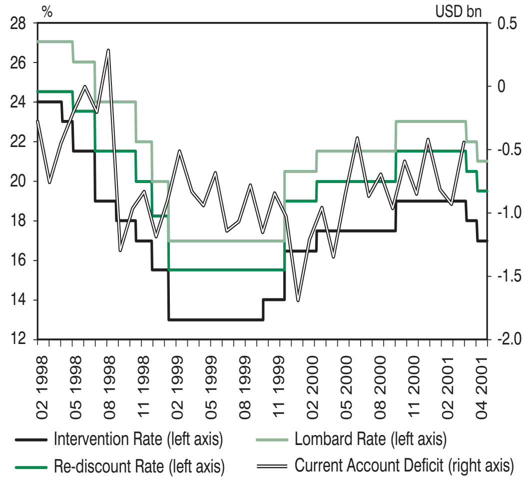


Source: NBP, CSO

Interest rates and the current account

As a result of the Russian crisis, balance on the current account of Poland deteriorated dramatically, falling within only one month from +USD 281m in August 1998 to –USD1295m in September 1998. The deficit widened further to USD 1689m in December 1999 (data released in February 2000) and that time (February) the MPC decided to raise interest rates in order to limit imports by stifling the domestic demand. High real interest rates contributed at a considerable degree to a decrease in the current account deficit. In May 2000 it amounted to USD 410m, in next month it fluctuated in a range of USD 400-900 totalling USD 449m in February 2001. The improvement in the current account deficit (especially in relation to the GDP) helped the MPC to make a decision on interest rate cuts at last two meetings by 2 percentage points in total.

NBP Interest Rates and Current Account

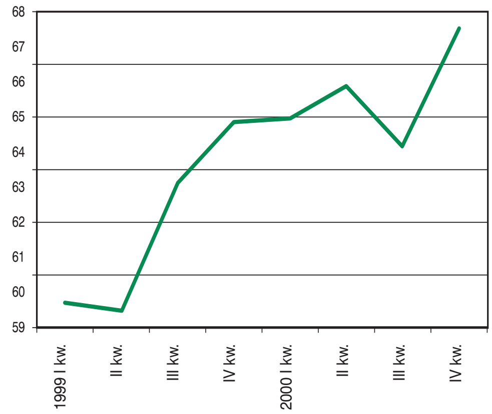


Source: NBP

Poland's foreign debt

In the fourth quarter 2000, the Poland's foreign debt increased by USD 3.35bn to USD 67.517bn that is by 5.2% in comparison to the previous quarter. Therefore the foreign debt increases further after a fall noted in the third quarter 2000. Both long- and short-term debt rose, although the level of short-term debt was much lower than in the same period 1999 (down 20.8%). The foreign debt of the National Bank of Poland in the whole 2000 was significantly lower than a year ago (on average below USD 0.5bn against over USD 1.8bn in 1999). In 2000 the foreign debt of central and local government sector increased compared to 1999, mainly due to bigger Eurobond issue. The foreign debt of the banking sector, after a significant rise in 1999, in 2000 fell slightly. In the second half of the last year there was a considerable growth of direct investors' credits and long term treasury papers possessed by portfolio investors. The foreign debt of non-government and non-banking sector increases gradually (except for the third quarter of 2000, when a slight fall was noted). In the last quarter of 2000, that increase amounted to 10.8% in comparison to the previous quarter and 14.9% y/y. There was a substantial growth of that sector's debt in long-term treasury papers, mainly due to eurobond issue.

Poland's Foreign Debt (USD bn)



Source: NBP, CSO

Budget deficit approached 75% of plan

At the end of March budget deficit totals PLN 15.055bn, which makes for as much as 73.3% of deficit planned in the budget for 2001, against 58.2% after February. For the second month in a row the deficit is the highest in comparison to last few years. To compare, last year the deficit realised after March amounted to 45.1% of plan and in 1999 the deficit at the end of first quarter amounted to 70.2% of the plan, but at that time four costly reforms were introduced. This year the reason for high budget deficit is low economic growth, which resulted in lower budget revenues.

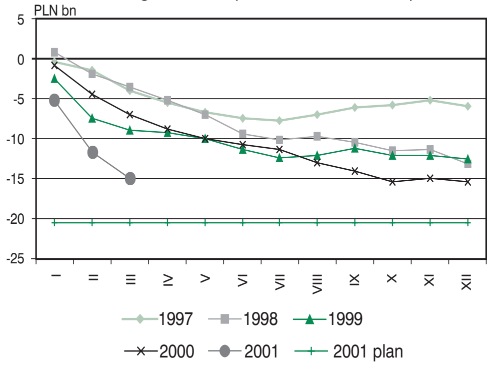
After March total budget revenues totalled PLN 31.603bn, equivalent to 19.6% of the whole year plan, compared to 13.0% a month ago. Budget expenditures were realised at PLN 46.659bn, representing 25.7% of the yearlong plan against 18.1% after February. In March the revenues were higher than in February and the expenditures lower than in two previous months. Deviation of the revenue realisation from 25%, which would mean equal performing of 8.33% a month, is large.

Except for revenues of state units, realisation of which reached 27.5%, as a result of payment of first instalment for UMTS licences, other revenues are realised to rather low extent. The revenues from indirect taxes reached only 20.2% of plan, which is particularly disturbing as they make for almost 60% of planned revenues. In March the revenues from personal income tax (18.2% of plan) were rising much slower than in February because of the beginning of return payments by Tax Offices in settlement for previous year. In April probably some acceleration in performing these revenues when taxpayers will pay the amount due from settlement for 2000. The performance of revenues from corporate income tax was the lowest from among tax revenues, since it reached 17.4% of plan.

On the expenditure side, the subvention to local governments is performed to the significant extent (34.0%). The subsidy to Labour Fund reached very high level of performance, as much as 36.9%, in comparison with 14.7% a month ago. The realisation of spending on domestic debt service is high (28.9%), with regard to higher amount of Treasury bills maturing in first quarter compared with next ones. The performance of expenditures on both the social insurance funds is similar, at 25.3% and 25.2% for Social Insurance Company (ZUS) and Social Insurance Fund for Farmers (KRUS) respectively. In March the pay off of compensation for 2000 was finished. In March an interest payment to Paris Club creditors were made, which resulted in an increase in spending on foreign debt service to 12.9%.

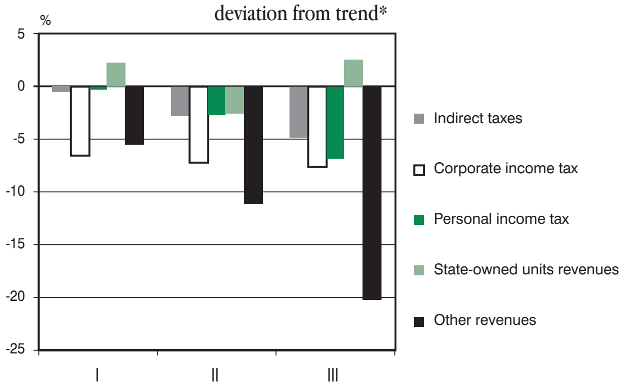
On the day when the above data were released the Finance Minister Jaroslaw Bauc foresaw that after April the deficit would exceed 80% of the plan. Afterwards he expressed the anxiety that unless the GDP growth increased in next months and the zloty weakened the serious difficulties with budget performance would appear. In our opinion, the most probable scenario now is gradual increasing in budget deficit till May. In June some improvement is possible because of payment from NBP profit. However, in the second half this year the budget deficit will approach or even exceed 100% and budget amendment increasing the spending will be necessary, since cuts in expenditures are almost impossible just before parliamentary elections.

Budget deficit (in cumulative terms)



Source: Finance Ministry

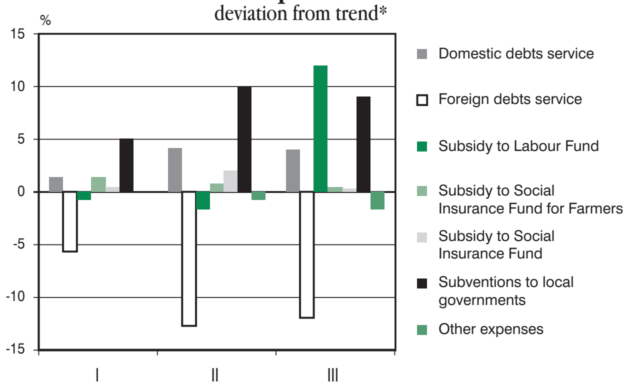
Revenues
deviation from trend*



*) trend means the constant increase by 8.33% a month

Source: Finance Ministry, own calculations

Expenses
deviation from trend*

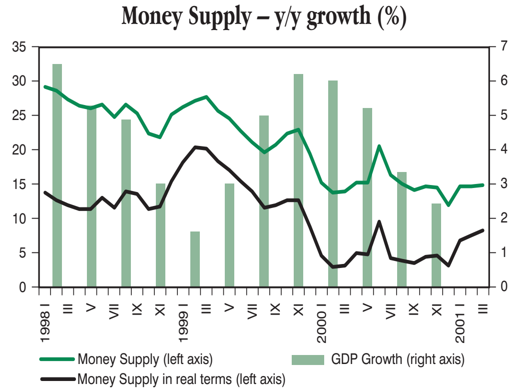


*) trend means the constant increase by 8.33% a month

Source: Finance Ministry, own calculations

Money supply

In 1998 an annual growth in money supply in real terms was stable at the level of 11-14%. At the end of 1998 and the beginning of 1999 the increase in this growth to 20% appeared as reaction to interest rate cuts, and the reaction occurred about six month after first cut when total cuts amounted to 7 percentage points. In 1999 real growth in money supply fell to only 3-4% and it maintained at this level in 2000. At the beginning of 2001 the growth in real terms increased since the inflation fell. Real growth of GDP reached the maximum three quarters after the real annual growth in money supply was the highest.



Source: NBP, CSO, own calculations

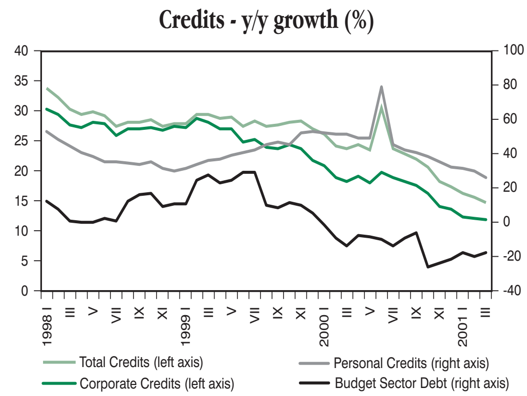
Deposits

Personal deposits have the largest share in the zloty deposits and they make for about 75% of total PLN deposits now. At the beginning of 1997 this ratio totalled 65%.

In absolute terms, personal deposits are characterised by constant increase. The rate of this increase, measured with annual growth is strongly dependent on changes in interest rates. In 1998-99 the growth in household deposits was falling from 42% y/y to 13%. The acceleration in this fall occurred in 4Q 98, six months after first cut in NBP rates. In January 2000 a downward trend was broken, in four months after first decision of interest rate rise. In following months the annual growth increased to 22-24% and at the end of 2000 it stabilised at this level.

Corporate deposits are also characterised by certain increase, but it is not as constant as in case of personal deposits and not so dependent on changes in interest rates. Annual growth of these deposits increased from 15% to 30% in 1998, and in 1999 and 2000 it fell to about 10%.

Foreign currency deposits are characterised by quite variable annual growth, to certain degree dependent on the zloty exchange rate. Within first three quarters 1998 it fell from 30% to 0% and within next four quarters it rose to 40% (in the same time the zloty weakened by 25%). Since 4Q 1999 the growth fell to about 7-9% now and short-term increase in it was connected with weakening of the zloty.



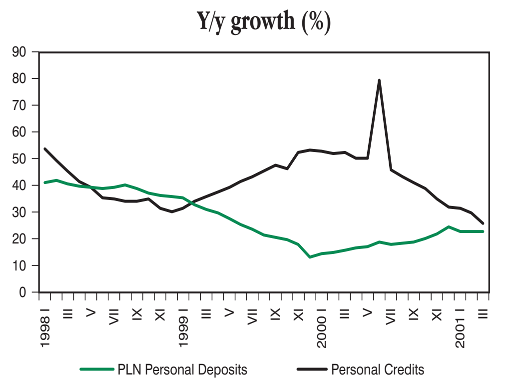
Source: NBP, own calculations

Credits

Corporate credits are the largest part of total credits. The share of them totals about 75% now and it fell from about 85% at the beginning of 1997.

In analysed period corporate credits are characterised by constant increase, but the rate of this increase measured with annual growth is falling. In 1998 the growth was falling relatively slowly – from 31% to 27%, which might result from the cuts in interest rates in this time. Starting from 1Q 99 the fall was much stronger and now the corporate credit growth totals 12% y/y now. The slower increase in the corporate credits results from the fact that larger companies replace this way of gaining capital with bonds or taking credits from foreign banks.

Personal credits are characterised by continuous increase, the rate of which is strongly dependent on interest rate changes. In 1998 the annual growth of personal credits was falling from 53% to 30%, but since June (2 months after first interest rate cut by the MPC) the fall became much slower. At the end of 1998 and the beginning of 1999 the credit growth started to increase reaching 53% in December 1999. At the beginning of 2000 (about 3-4 months after first interest rate hike) the growth stabilised and in following months it slowly fell to 29% now.



Source: NBP, own calculations

Economic Release Calendar April / May 2001

Monday	Tuesday	Wednesday	Thursday	Friday
23 April POL: Unemployment (Mar) *GER: Business climate IFO (Mar)*	**24** *CZ: Foreign trade (Mar)*	**25** POL: MPC meeting POL: Food prices (1st half of Apr) *USA: Durable goods orders (Mar)*	**26** POL: MPC meeting *EUR: ECB meeting*	**27**
30	**1 May** **Labour Day**	**2** POL: Balance of payments (Mar) POL: Foreign trade on a cash basis (Mar) *CZ: State budget (Apr)*	**3** **Constitution Day**	**4** *USA: Unemployment (Apr)*
7 POL: Balance of NBP (Apr) POL: Official reserve assets (Apr) *GER: Factory orders (Mar)*	**8** POL: Economic trends in industry, construction and retail trade (Apr) POL: Food prices (2nd half of Apr) *GER: Unemployment (Apr)*	**9** *GER: Industrial output (Mar)*	**10** *CZ: Inflation (Apr)* *CZ: Unemployment (Apr)* *EUR: ECB meeting* *GER: Current account (Mar)* *GER: Trade balance (Mar)*	**11** *CZ: Construction output (Mar)* *USA: Retail sales (Apr)* *USA: Producer prices (Apr)*
14 POL: Money supply (Apr)	**15** POL: Inflation (Apr) POL: State budget (Apr) *CZ: Industrial output (Mar)* *CZ : Producer prices (Apr)* *GER: Inflation (Apr)* *USA: Fed meeting*	**16** *USA: Inflation (Apr)*	**17** POL: Employment and wages in corporate sector (Apr)	**18** POL: Industrial output (Apr) POL: Producer price index in industry and construction (Apr) *USA: Foreign trade (Mar)*
21 POL: Unemployment (Apr) *CZ: Retail sales (Mar)*	**22** *GER: Business climate IFO (Apr)*	**23** POL: Food prices (1st half of May) *CZ: Foreign trade (Apr)* *EUR: ECB meeting*	**24**	**25** *USA: Durable goods orders (Apr)*
28	**29**	**30**	**31**	**1 June** POL: Balance of payments (Apr) POL: Foreign trade on a cash basis (Apr)

Basic Macroeconomic Data

Category	unit	April	May	June	July	August	September	October	November	December	January	February	March
PRICES													
Consumer price index (y/y)	%	9.8	10.0	10.2	11.6	10.7	10.3	9.9	9.3	8.5	7.4	6.6	6.2
Consumer price index (m/m)	%	0.4	0.7	0.8	0.7	-0.3	1.0	0.8	0.4	0.2	0.8	0.1	0.5
Production price index (y/y)	%	7.4	7.9	8.9	9.0	8.4	8.3	8.0	7.2	5.6	4.7	4.1*	3.9
Production price index (m/m)	%	0.7	0.9	1.0	0.6	0.4	0.8	0.6	0.0	-0.9	-0.3	-0.1*	0.2
Price index of assembly and construction production (y/y)	%	8.3	8.4	8.8	9.1	8.7	8.1	7.8	7.6	6.9	6.8	6.5	6.1
Price index of assembly and construction production (m/m)	%	1.1	0.7	0.7	0.4	0.5	0.2	0.5	0.4	0.2	0.4	0.4*	0.5
Exchange rate USD/PLN (y/y)	%	5.8	14.3	11.6	11.3	10.3	10.1	12.8	7.2	3.5	0.2	-1.0	-0.7
Exchange rate USD/PLN (m/m)	%	3.5	6.2	-2.2	-1.7	0.8	3.0	3.3	-1.6	-5.4	-4.7	-0.4	-0.8
Exchange rate EUR/PLN (y/y)	%	-6.6	-2.6	1.9	1.3	-5.9	-8.7	-9.8	-11.2	-8.1	-7.1	-7.7	-6.5
Exchange rate EUR/PLN (m/m)	%	1.3	1.8	2.4	-2.5	-2.9	-0.8	1.4	-1.7	-0.6	-0.4	-2.5	-2.0
Real gross wages in enterprise sector (y/y)	%	5.2	1.8	1.3	-2.2	1.1	0.4	0.5	0.8	-1.9	2.4	1.1	1.6
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	–	–	5.2	–	–	3.3	–	–	2.4	–	–	–
Industrial output (y/y)	%	5.3	12.1	13.4	7.8	9.2	5.0	7.1	4.7	-2.2	10.1	0.1*	2.8
Industrial output (m/m)	%	-8.4	7.7	1.2	-6.9	6.1	5.0	2.1	-3.1	-1.4	-8.9	-2.5*	14.6
Construction and assembly production (y/y)	%	-5.6	-0.6	1.2	-2.9	-2.1	-3.7	-1.7	-1.1	-6.9	-9.7	-9.1	-8.6
Construction and assembly production (m/m)	%	-0.1	16.8	11.6	-4.6	7.2	7.0	6.6	-17.6	40.3	-59.3	7.4	18.2
Retail sales of goods [a] (y/y)	%	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)	%	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)	%	21.2*	24.0	34.9*	40.1*	29.4*	24.4*	27.9*	24.0*	18.6	29.5	9.9	–
Exports on a customs basis (m/m)	%	-6.7*	4.2*	5.2*	0.7	-3.1*	10.5*	10.0*	-3.6*	-8.5	0.8	-3.3	–
Imports on a customs basis (y/y)	%	13.5	31.7	24.0*	21.5	15.9	8.2	16.2*	3.7*	3.7	14.1	-3.8	–
Imports on a customs basis (m/m)	%	-8.0	16.6	-6.3*	-1.0*	-6.1	8.1*	14.0*	-7.0*	-2.9	-11.3	-4.5	–
LABOUR MARKET													
Number of unemployed	thous.	2 490	2 446	2 437	2 478	2 496	2 529	2 548	2 613	2703	2 836	2 877	2899
Unemployment rate	%	13.8	13.6	13.6	13.8	13.9	14.0	14.1	14.5	15.0	15.6	15.8	15.9
Average employment in corporate sector	thous.	5 301	5 292	5 295	5 284	5 271	5 269	5 274	5 247	5 199	5 184	5 189	5 170
Average monthly gross wages in corporate sector	PLN	2 067	1 988	2 049	2 036	2 051	2 088	2 089	2 160	2 350	2 069	2 075	2 149
Nominal increase in wages (y/y)	%	15.5	12.0	11.5	9.2	11.9	10.7	10.4	10.2	6.4	9.9	7.7	7.9
STATE BUDGET													
Budget revenues	PLN bn	40.9	51.8	64.2	74.8	86.2	98.0	110.5	123.0	135.7	11.6	21.0	31.6
Budget expenditures	PLN bn	49.8	61.8	75.0	86.1	99.2	111.9	125.9	137.9	151.1	16.7	32.9	46.7
State budget deficit	PLN bn	-8.9	-10.0	-10.8	-11.3	-13.0	-14.0	-15.4	-14.9	-15.4	-5.1	-12.0	-15.1
Domestic government debt	PLN bn	–	–	143.7	–	–	153.4	–	–	146.8	–	–	–
Foreign government debt	PLN bn	–	–	135.8	–	–	134.2	–	–	120.8	–	–	–

Basic Macroeconomic Data

Category	unit	April	May	June	July	August	September	October	November	December	January	February	March
BALANCE OF PAYMENTS													
Current account	USD m	-850	-401	-860	-701	-961	-592	-852	-416	-816	-932*	-449	–
Trade balance	USD m	-1 075	-894	-1 041	-1 042	-1 324	-972	-1 058	-858	-1 038	-1 499*	-714	–
Exports	USD m	2 032	2 407	2 397	2 473	2 271	2 424	2 520	2 654	2 759	2 448*	2 394	–
Imports	USD m	3 107	3 301	3 438	3 515	3 595	3 396	3 578	3 512	3 797	3 947*	3 108	–
Services: net	USD m	-177	-105	-159	-131	-119	-90	-100	-104	-155	-111*	-83	–
Unclassified transactions: net	USD m	398	324	337	309	350	420	485	295	340	248	243	–
Capital and financial account	USD m	672	653	-165	343	725	357	2 192	528	351	1 359*	955	–
Direct investments	USD m	449	310	363	488	169	242	4 653	537	570	486*	420	–
Portfolio investments	USD m	131	20	90	232	-234	-72	-345	504	135	788*	676	–
MONEY SUPPLY													
Money supply	PLN bn	266	269	285	277	278	281	287	291	294	293	296*	301
Money supply (y/y)	%	15.2	15.2	20.6	16.2	14.9	14.1	14.6	14.4	11.8	14.6	14.6*	14.8
Money supply (m/m)	%	1.5	1.1	5.9	-2.7	0.3	1.0	2.4	1.3	1.1	-0.6	1.0*	1.8
Total deposits (y/y)	%	16.6	16.8	23.3	18.5	17.1	16.1	17.4	17.0	15.5	17.5	17.1*	16.7
Total deposits (m/m)	%	0.9	1.6	6.4	-3.1	0.5	1.1	3.0	1.7	1.1	0.1	0.9*	1.6
Household loans (y/y)	%	49.8	49.9	79.4	45.7	42.9	40.9	38.9	34.8	31.7	31.3	29.4*	25.6
Household loans (m/m)	%	1.6	3.8	25.2	-15.0	2.5	3.0	2.3	1.2	2.1	0.2	-0.3*	0.4
Corporate loans (y/y)	%	19.1	17.9	19.7	18.8	18.2	17.4	16.1	14.0	13.5	12.2	12.0*	11.7
Corporate loans (m/m)	%	2.0	0.6	2.2	0.1	1.4	2.3	1.4	0.4	-1.9	1.2	0.9*	0.7
FINANCIAL INDICATORS													
Average deviation from the central parity [b]	%	-5.1	–	–	–	–	–	–	–	–	–	–	–
Average exchange rate USD [c]	PLN	4.2347	4.4988	4.3994	4.3229	4.3593	4.4900	4.6369	4.5606	4.3143	4.1108	4.0925	4.0599
Average exchange rate EUR[c]	PLN	4.0033	4.0758	4.1740	4.0684	3.9486	3.9152	3.9696	3.9035	3.8802	3.8648	3.7689	3.6952
Average exchange rate DEM[c]	PLN	2.0469	2.0839	2.1341	2.0801	2.0189	2.0018	2.0296	1.9958	1.9839	1.9761	1.9270	1.8893
Average WIBOR T/N[c]	%	17.64	17.33	17.73	17.87	17.31	18.84	19.74	20.07	19.50	19.73	19.82	19.33
WIBOR 1M[c]	%	18.15	18.13	18.13	18.05	18.24	19.39	19.47	19.65	19.83	19.44	19.33	18.36
WIBOR 3M[c]	%	18.34	18.60	18.55	18.51	19.12	19.55	19.68	19.75	19.67	18.97	18.61	18.01
Average 3M T-bill yield[c]	%	16.72	17.01	16.49	16.48	17.38	18.17	17.53	17.44	17.60	17.12	17.29	17.20
Average 12M T-bill yield[c]	%	17.31	17.86	17.85	17.76	18.34	18.65	18.41	18.31	18.01	17.23	16.97	16.85
Average 2Y T-bond yield[c]	%	16.85	17.78	18.02	17.77	18.27	18.11	18.54	18.23	17.20	15.68	15.48	15.60
Average 10Y T-bond yield[c]	%	10.56	11.89	12.46	12.53	12.72	12.40	13.24	13.06	11.50	10.44	10.23	10.68
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	17.5	17.5	17.5	17.5	19.0	19.0	19.0	19.0	19.0	19.0	19.0	17.0
Rediscount rate	%	20.0	20.0	20.0	20.0	21.5	21.5	21.5	21.5	21.5	21.5	21.5	19.5
Lombard rate	%	21.5	21.5	21.5	21.5	23.0	23.0	23.0	23.0	23.0	23.0	23.0	21.0
Monthly devaluation rate [b]	%	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

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