

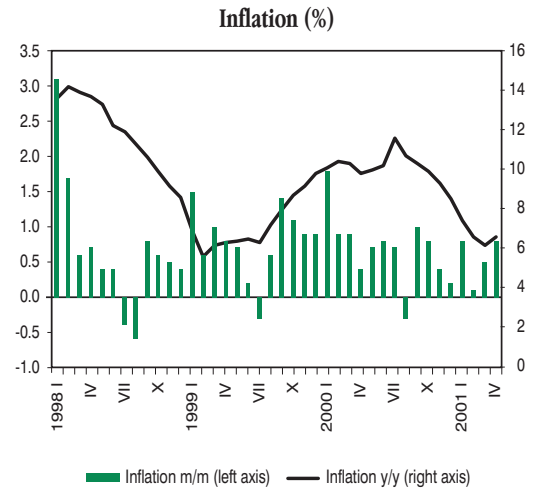
Poland's economy – Financial Markets

May 2001

N° 23

Główne tendencje w gospodarce

- In March, the current account deficit totalled USD 742m against USD 461m in February and against USD 1346m in March 2000. In relation to the GDP the deficit fell to 5.3% from 5.7% in February and 8.3% in March 2000. This data was in line with market expectations and did not cause any changes in the zloty exchange rate.
- In April, industrial output fell by 7.8% m/m after a rise of 14.7% in March. In comparison to April 2000, production was higher by 3.6% against the increase of 2.9% y/y in March. Output growth in April was lower than 4.3% y/y expected by the market.
- In April, prices of sold industrial output increased by 0.2% m/m against the rise of 0.2% in March. In year-on-year terms, producer prices rose in April by 3.4% compared to the increase of 3.8% in March.
- In April, inflation amounted to 0.8% m/m against 0.5% in March. In year-on-year terms, consumer price index increased to 6.6% from 6.2% in March but it was much lower than in April last year when it totalled 9.8%. This is the first increase in inflation indicator since July 2000.
- Further strengthening of the Polish currency against the EUR-USD currency basket. On 8 May the deviation of the zloty from the old parity was record high, amounting to 14.0% on the appreciation side. The zloty is currently strongest against the euro in the history and against the dollar since August 1999. In the coming two-three months the zloty will remain strong. The weakening will occur in the second half of this year.
- During the last 30 days the yield curve in bond sector gradually rose as unfavourable macroeconomic data was published.
- In April the Monetary Policy Council did not change the level of main interest rates and maintained the neutral stance in the monetary policy.
- As at the end of April, the State's budget deficit was PLN 18.430bn, which accounted for 89.7% of the budgeted deficit (PLN 20.539bn), whereas a month ago the deficit was 73.3% against the plan. Amendment to the budget is highly probable.
- Unemployment rate fell to 15.8% in April from 15.9% in March. However, this fall is of a seasonal nature recurring every year. In the second half of the year the unemployment will start to grow again.



Source: CSO

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International survey

- According to the 2001 and 2002 forecast of economic growth in the European Union, candidate countries, the USA and Japan published by the European Commission, the deterioration of economic climate in the USA will reduce the GDP growth in the EU by 0.25 percentage point. The commission forecasts that the economic growth in the EU will total 2.8% in 2001 and 2.9% in 2002, while in the USA 1.6% and 3.0% respectively. Forecasts of the International Monetary Fund are slightly more pessimistic. The IMF forecasts the GDP growth in the euro-zone at the level of 2.4% this year and 2.8% next year and in USA at 1.5% and 2.5% respectively. According to the IMF, owing to the economic slowdown in the US economy, other interest rate cuts may be necessary in the coming months.
- On 10 May, the European Central Bank unexpectedly cut interest rates by 25 bps. After this decision, the refinance rate amounts to 4.5%. In the opinion of the ECB Governor, Wim Duisenberg, the inflationary pressure in the Euro-zone is under control and the rate cut is to stimulate economic growth.
- The Monetary Policy Council of the Bank of England also cut interest rates by 25 bps on 10 May. It was a third rate cut this year, expected by the market. The repo rate amounts to 5.25% now.
- On 15 May, the American Federal Reserve Bank (Fed) cut interest rates by 50 basis points. The main rate – Fed Fund rate now amounts to 4.0% and this is its lowest level in the last 7 years. The rediscount rate was cut to 3.5%. The Fed makes efforts to stimulate growth in the US economy. This is already the fifth interest rate cut in this year (each by 50 bps). The Fed suggested that it was ready for more reductions in interest rates, if the American economy does not improve.
- In April, inflation in the Euro-zone amounted to 0.5% m/m and 2.9% y/y, which means a significant increase from 2.6% y/y in March. Inflation rose mainly due to increasing food prices in relation to BSE and Foot and Mouth Disease. This data was released a week after an unexpected interest rate cut by the ECB that was substantiated with decreasing inflationary pressure.
- In April, US inflation totalled 0.3% m/m, against 0.1% in March and 0.4% expected by analysts.
- The US unemployment rate increased in April to 4.5% from 4.3% in March. The number of employed in non-farm sectors fell by 223,000 persons, while the increase of 5,000 was expected. The April fall in employment was the highest since February 1991.
- NAPM index (National Association of Purchasing Management), US manufacturing activity indicator, increased in April to 43.2 points from 43.1 a month ago. In January 2001 this indicator fell to 41.2 points, the lowest in the last ten years. An index value lower than 50 points means a fall in production.
- The business climate indicator in the Euro-zone decreased in April to 0.36 points from 0.58 in March. It means a significant deterioration in the business climate – the indicator totalled 1.39 points a year ago.
- In Q1 2001, US productivity fell by 0.1% in comparison to the forecasted growth of 1.2%. This was the first fall in productivity for six years.

Tab. 1. Inflation indicators

	12 2000	01 2001	02 2001	03 2001	04 2001	05 2001 P
Consumer Price Index (m/m, %)	0.2	0.8	0.1	0.5	0.8	0.7
Consumer Price Index (y/y, %)	8.5	7.4	6.6	6.2	6.6	6.6
Producer Price Index (m/m, %)	-0.9	-0.3	-0.1	0.2	0.2	0.4
Producer Price Index (y/y, %)	5.6	4.7	4.1	3.8*	3.4	2.9
Average monthly FX rate (USD, y/y, %)	3.5	0.2	-1.0	-0.7	-5.1	-

Tab. 2. Activity indicators

	11 2000	12 2000	01 2001	02 2001	03 2001	04 2001
Retail Sales Index (m/m, %)	-3.4	20.8	-27.6*	-1.7	17.5	-
Retail Sales Index (y/y, %)	5.8	3.2	10.9*	-0.2	0.1	-
Household loans (y/y, %)	34.8	31.7	31.3	29.4	25.7*	25.0
Industrial Output (m/m, %)	-3.1	-1.4	-8.9	-2.5	14.7*	-7.8
Industrial Output (y/y, %)	4.7	-2.2	10.1	0.1	2.9*	3.6
Exports, current prices (in payment terms, y/y, %)	23.4	11.7	27.4	17.9	11.4	-
Imports, current prices (in payment terms, y/y, %)	-5.4	-10.3	16.8	-1.9*	-2.3	-
Foreign Trade Balance (NBP, USD m)	-858	-1038	-1499	-724*	-888	-
State Budget Balance (PLN m)	-14.9	-15.4	-5.1	-12.0	-15.1	-18.4

Tab. 3. Poland's Economy

	1997	1998	1999	2000	2001 P
Gross Domestic Product (fixed prices, y/y, %)	6.8	4.8	4.1	4.1	3.8
Individual Consumption (y/y, %)	6.9	4.9	5.4	2.4	3.4
Gross expenses on fixed assets (y/y, %)	21.7	14.5	6.5	3.1	4.8
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	5.8
Unemployment Rate (year end, %)	10.3	10.4	13.1	15.0	17.0
Current Account Balance / GDP (%)	-3.2	-4.2	-7.5	-6.2	-5.7
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	19.03	17.42	16.10	15.30	16.96	15.0	12.0	9.7	8.6
3M	14.73	17.87	18.50	19.06	19.70	18.78	18.53	17.15	15.80	15.15	16.66	15.2	12.2	9.9	8.8
6M	14.57	17.87	18.67	19.36	19.75	18.92	18.02	16.25	15.37	14.90	16.13	15.3	12.3	10.0	8.9
12M	14.77	18.07	18.86	19.51	19.60	19.01	17.61	16.12	15.10	14.50	15.83	15.5	12.4	10.1	9.0
Lombard rate	17.59	21.08	21.50	22.01	23.00	21.90	22.62	20.97	19.67	19.00	20.56	16.5	13.8	11.5	10.4
Intervention rate	13.71	17.08	17.50	18.01	19.00	17.90	18.62	16.97	15.67	15.00	16.56	14.0	11.8	9.5	8.4
Treasury bonds yields															
2L (bid)	12.42	15.94	17.55	18.05	17.92	17.37	15.59	14.50	13.70	13.50	14.32	12.3	9.8	8.7	8.2
3L (bid)	11.89	14.60	16.28	17.04	16.85	16.20	14.54	14.00	13.50	13.00	13.76	11.9	9.5	8.5	8.0
5L (bid)	11.12	12.77	13.98	14.39	14.85	14.00	13.12	12.90	12.30	11.50	12.46	10.2	9.0	8.2	7.8
10L (bid)	9.63	10.36	11.64	12.55	12.59	11.79	10.46	10.60	10.30	10.10	10.37	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	16.00	15.20	14.50	15.73	11.6	9.2	7.0	6.0
52-week	13.00	16.92	17.68	18.25	18.24	17.77	17.06	15.40	14.60	14.00	15.27	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	4.04	4.13	4.25	4.14	4.58	5.00	5.35	5.55
EUR/PLN	4.2270	4.0629	4.0872	3.9781	3.9179	4.0110	3.7765	3.55	3.74	3.95	3.75	4.40	4.90	5.20	5.30
EUR/USD	1.0669	0.9878	0.9344	0.9067	0.8708	0.9172	0.9240	0.88	0.91	0.93	0.91	0.96	0.98	0.97	0.95
Average depreciation (currency basket)	-	-4.2%	3.2%	-1.3%	0.3%	1.5%	-6.1%	-3.7%	3.8%	4.4%	-5.7%	14.3%	10.3%	6.5%	2.7%
USD/PLN (end of period)	4.1483	4.1428	4.3907	4.5404	4.1432	4.1432	4.1000	4.07	4.18	4.30	4.30	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	3.58	3.85	4.04	4.04	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	0.88	0.92	0.94	0.94	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	2.3	3.0	4.3	5.5	3.8	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	6.2	5.5	5.8	5.8	5.3	4.2	3.8	3.6
Inflation (y/y, %) average	7.3	10.3	10.1	10.8	9.2	10.1	6.7	6.5	5.5	5.6	6.1	5.8	4.9	4.0	3.7
Current account/GDP (%)	-7.6	-	-	-	-	-6.2	-	-	-	-	-5.7	-6.3	-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: 22.05.2001

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

Further improvement in the current account

In March, the current account deficit totalled USD 742m against USD 461m in February (revised up from USD 449m) and against USD 1346m in March 2000. This data was in line with market expectations and did not cause any changes in the zloty exchange rate. Trade deficit amounted to USD 888m in March against USD 780m in February. Compared to February, exports rose by 10.4% and imports by 13.2%. In year-on-year terms, exports increased by 11.4% and imports fell by 2.3%. Within the whole first quarter this year, the trade deficit totalled USD 3.128bn against USD 3.85bn a year ago. Exports amounted to USD 7.464bn, which means an increase of 18.0% compared to the same period last year. Imports amounted to USD 10.592bn, which means an increase of 4.1%.

The data on current account deficit in March can be assessed as positive. It confirms an ongoing downward trend in deficit in relation to GDP – in March it totalled 5.3% against 5.7% in February. In comparison to previous year, there was a significant improvement, since in March 2000 current account gap reached a record-breaking level of 8.3% of GDP, which caused serious anxiety about the possibility of a currency crisis. The present level of the gap can be assessed as relatively safe. The increase in exports is still observed, however, recently, some slowdown has appeared, which can result from an over-strong zloty decreasing the profits of exporters. In the coming months the current account deficit in relation to GDP should remain stable, although at the end of this year, a slight increase may appear.

Fall in industrial output

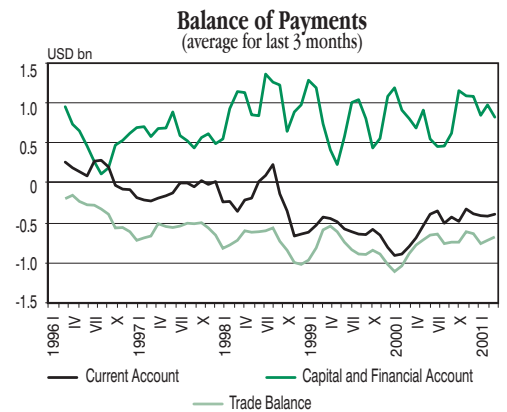
In April, industrial output fell by 7.8% m/m after a rise of 14.7% in March. In comparison to April 2000, production was higher by 3.6% against the increase of 2.9% y/y in March. Output growth in April was lower than 4.3% y/y expected by the market.

The significant decrease in output, compared to March, mainly resulted from a fall in electricity, gas and water supply by 8.7% m/m and in manufacturing by 7.8% m/m. However, the production fall was lower than that implied as April had two working days fewer. This data shows that, on the one hand, domestic demand does not improve and, on the other hand, exports slowing down due to the strong zloty. The industrial output growth of 7.7% this year (as stated in the budget bill) seems to be very difficult to achieve.

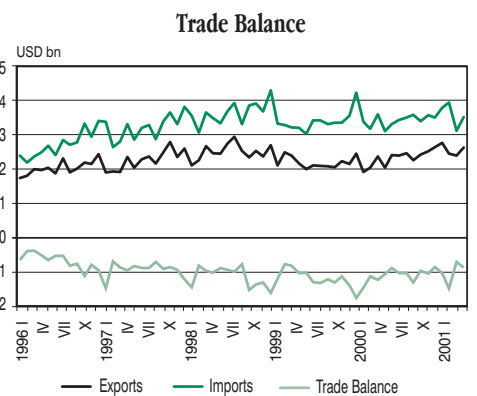
PPI lower again

In April, prices of sold industrial output increased by 0.2% m/m against a rise of 0.2% in March. In year-on-year terms, producer prices rose in April by 3.4% compared to an increase of 3.8% in March.

Moderate growth of producer prices in April mainly resulted from strengthening of the zloty that month by 1.0% on average against the dollar and by 2.8% against the euro. This data like the data on industrial output point to a low internal demand. On the other hand, the inflationary pressure decreases.



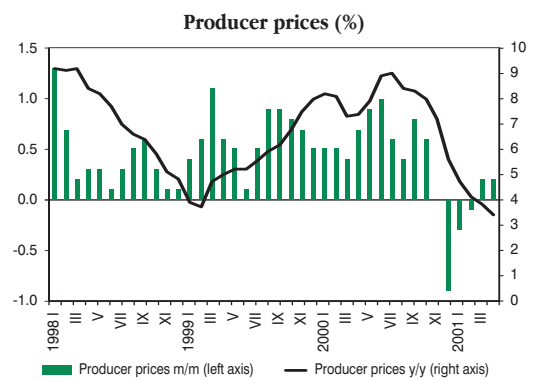
Source: NBP, own calculations



Source: NBP



Source: CSO



Source: CSO



Inflation increase in April

In April, inflation amounted to 0.8% m/m against 0.5% in March. In year-on-year terms, consumer price index increased to 6.6% from 6.2% in March but it was much lower than in April last year when it totalled 9.8%. This is the first increase in inflation indicator since July 2000. The main reason for this situation was a relatively high increase in prices of food and non-alcoholic beverages (1.5% m/m and 7.0% y/y). Seasonal rises in prices of vegetables and fruit (by 8.5% and 8.3% m/m respectively) were the most significant in this group. Moreover, the March rise in gas prices had a strong impact on April inflation. It caused the increase in prices of energy by 0.9% m/m and 12.1% y/y in April. Fuel prices did not change in April against March, and compared to April 2000 they fell by 2.6%.

The April increase in inflation mainly resulted from seasonal rise in food prices and from rise in the gas price. It means that it is only a correction in a downward inflation trend lasting since August 2000. In the coming months, inflation should fall again. In May, a fall in inflation will be rather slight due to rises in fuel prices. Unless some unexpected troubles appear, inflation should fall below 5.5% in summer months, which will be the lowest level for 24 years. In the second half year, the inflation may slightly increase to 5.8% y/y in December.

The Data on inflation was in line with market expectations and did not cause any changes in it. In our opinion, the Monetary Policy Council will probably not cut interest rates at the next meeting on 29 and 30 May. However, there is a possibility of interest rate cut by 100 bps in June. The next interest rate cut of 100-150 bps may be implemented at the end of Q3.

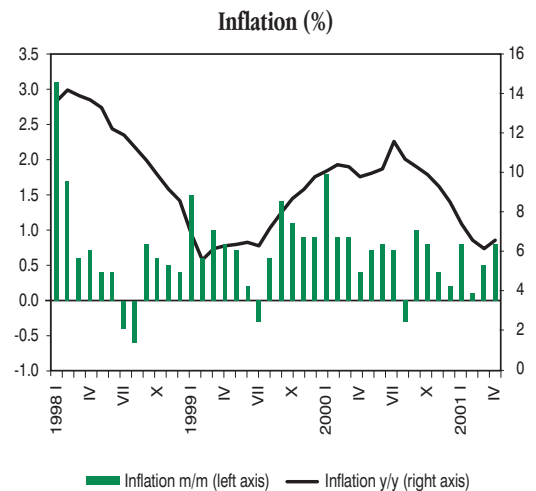
Money supply

In April, money supply increased by 0.6% m/m equivalent to PLN 1.87bn to PLN 302.87bn against the rise of 1.9% m/m in March. The annual growth of money supply totalled 14.0% in nominal terms and 6.9% in real terms. The rate of money supply growth was lower in April than in previous months.

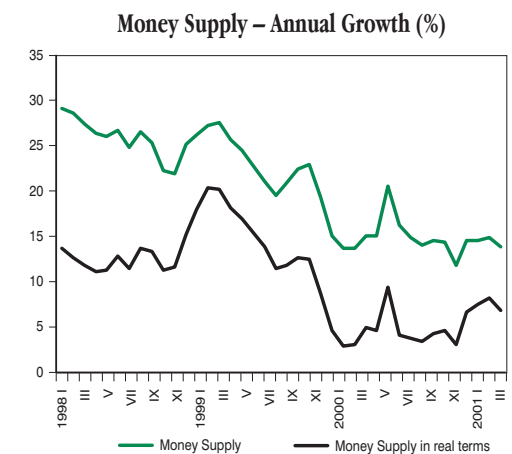
In comparison to the previous month, in April total deposits rose moderately. Personal deposits increased by 1.0% and corporate deposits rose by 1.3%. Personal credits grew by 1.1% and corporate credits fell by 0.1%. In April, there was a significant rise in budget sector debt. It was 6.3% higher than in March.

The propensity to save has weakened lately, but it is still higher than a year ago. In April, annual growth in personal deposits amounted to 21.4%, which means a slight slowdown compared to previous months, nevertheless, it is higher than in April 2000 (16.6%). Annual growth in personal credits was at the level of 25.0%, so a downward trend lasting since the beginning of 2000 is continued. Within 16 months the rate of growth in personal credits declined from 53.1%.

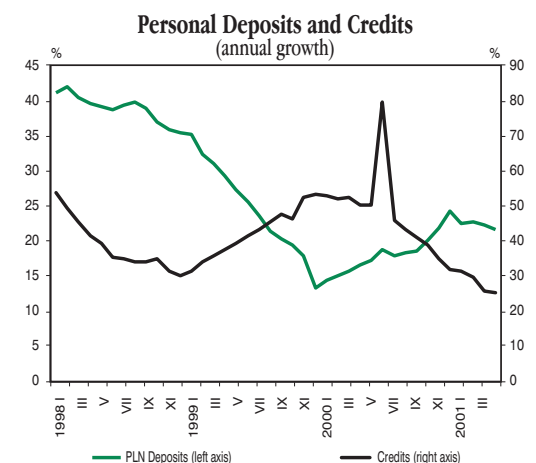
The data on money supply proves that there is no inflationary pressure from the monetary factors.



Source: CSO



Source: NBP, CSO, own calculations



Source: NBP, own calculations

Foreign exchange market

Euro

Within the last 30 days the euro was weakening against the dollar. The euro FX rate declined from the level of USD 0.908 reached on 23 April to USD 0.867 on 22 May, which means a fall of 4.5%. The Eurodollar is currently at the lowest level for 6 months. One of the most important reasons, which made the euro continue a downward trend against the dollar recently, is the growing difference between interest rates in the Euro-zone and the USA. The interest rate cuts introduced in the USA in order to stimulate the economic growth increased confidence in dollar. The European Central Bank delayed the interest rate cut for a long time. It is true that they made it quite unexpectedly at the meeting on 10 May, but the market did not perceive this movement in a positive way. Previously the MPC members assessed that the inflationary pressure remains too strong. The cut totalled 25 basis points and currently the refinance rate amounts to 4.5%. However, the interest rates in the USA were cut even more aggressively. On 15 May the Fed introduced the fifth interest rate cut this year, again by 50 basis points, lowering the fed fund rate to 4.0%, the lowest level for the last seven years. Moreover, the bad macroeconomic data on the European economy additionally weakened the euro. In the week after the interest rate reduction by the ECB and assurances about controlling the inflation, it turned out that in April the inflation in the Euro-zone increased quite significantly – to 2.9% y/y from 2.6% in March – and it is much higher than the ECB inflation target settled at 2%.

Zloty

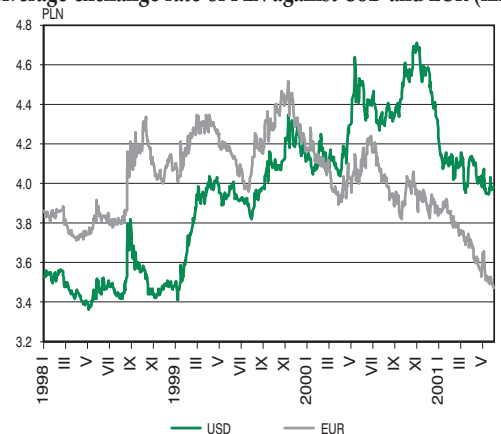
Within the last 30 days the zloty was still strengthening against the EUR-USD currency basket. On Tuesday 8 May the deviation of the zloty from the old parity was highest in the history, amounting to 14.0% on the appreciation side. Afterwards, the zloty weakened temporarily as a result of information on high budget deficit and the deviation dropped to 12.6%, but when investors confirmed that the MPC would probably not cut interest rates in May, the deviation increased again to 13.8% and stayed at this level during the last few days. Against the euro, the zloty is strengthening all the time, hitting new records almost every day. At fixing on 22 May the zloty reached PLN 3.4755 against the euro, the lowest level since the introduction of the common European currency at the beginning of 1999. In comparison to fixing on 23 April, the zloty strengthened against the euro by 4.7%. Strengthening of the zloty against the dollar was not as substantial and totalled 1.4%. However, the zloty remains very strong also against the American currency, PLN 3.9443 per USD reached on 7 May is the lowest level since 16 August 1999. After the correction in the middle of May (PLN 4.0306 per USD on 14 May) the zloty is strong again – below PLN 4 per USD.

In our opinion, in the coming two-three months the zloty will remain strong due to the maintenance of very high level of real interest rates and relatively profitable macroeconomic data (falling inflation, improvement in the current account deficit). The prospect of compensation payments to slave workers of the Third Reich will also contribute to strength of the zloty (DEM 1.8bn should inflow to Poland). In the second half of this year there may be a weakening of the Polish currency, since after the interest rate cuts (by 2 percentage points in total by the end of Q3) the foreign capital inflow will decrease. Moreover, an important role will be played by budget deficit difficulties; the current account balance may deteriorate as well.



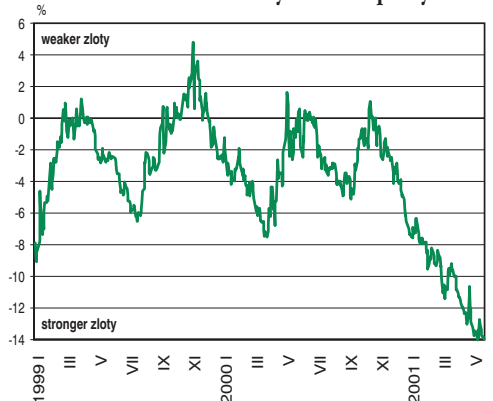
Source: Reuters

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



Source: NBP, Reuters

Deviation of the zloty from the parity



Source: NBP, own calculations



Money and T-bond market

Interest rates

During the last month (since 23 April) longer rates of money market increased by about 25-30 basis points after releases of unfavourable macroeconomic data. 3M WIBOR rate increased stronger (by 47 bps), due to the fact that market expectations of interest rate cut moved from May to June.

In the last week of April, certain lack of liquidity maintained in the money market as banks approached the day of obligatory reserve settlement. On Thursday 26 April, daily rates increased to over 20%.

In the first and second week of May, short rates were at the level of open market operations, but in the third week, on Thursday 17 May, the prices of one-day deposits increase to above 20%. It resulted from lower liquidity in banking sector, which was related to tax payments.

Treasury bills

In May, the supply of T-bills was reduced slightly to PLN 3.2bn (with offer planned for auction on 28 May) in comparison to PLN 3.3bn in April. The supply of 13-week bills decreased from PLN 400m to 300m and the supply of 26- and 52-week bills stayed unchanged at the level of PLN 1.3bn and 1.6bn respectively. At the first three auctions in May, the average yields decreased against April. The average yield on 13-week T-bills fell by 30 bps to 15.97%, the yield on 26-week bills declined by 29 bps to 15.90% and the yield on 52-week bills decreased by 25 bps reaching 15.43%. The proportion of demand to supply deteriorated significantly totalling in April from 1.99 to 2.09 for particular T-bills and 2.03 on average against 3.64 in April.

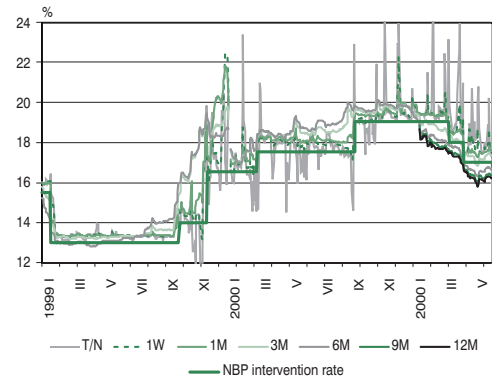
Within the last 30 days the yields on T-bills in the secondary market were relatively stable. The yield on 3M bills remained unchanged and, in other bill terms, yields increased slightly by 10 to 30 bps.

Treasury bonds

At the T-bonds auction on 9 May, the average yield on 2Y bonds (OK 0403) decreased to 14.52% against 14.82% a month before and the yield on 5Y bonds (PS 0506) increased to 12.74% from 12.52% in April. The supply of 5Y bonds was enlarged from PLN 1bn to 1.5bn and supply of 2Y bonds was reduced from PLN 1.4bn to 900m. Compared to previous auctions, investors' offer was low and the proportion of demand to supply totalled 2.0 and 2.1 respectively. On 16 May, at the auction of T-bonds, PLN 700m worth of 10Y bonds (DS 1110) was offered and demand amounted to PLN 1.2bn. The average yield amounted to 11.39%.

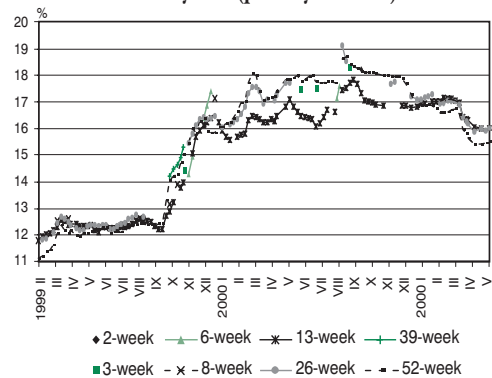
During the last 30 days the yield curve in bond sector was gradually moving up, starting from the day of the release of data on high increase in food prices in the first half of April. This data proved that y/y inflation indicator will increase in April. A further rise in yields appeared after release of data for the second half of April as well as after the release of inflation indicator and the information on budget performance in April. The yields increased the most in 9Y-10Y sector – by 80 bps, and in 2Y-5Y sector by 30 to 60 bps.

WIBOR rates



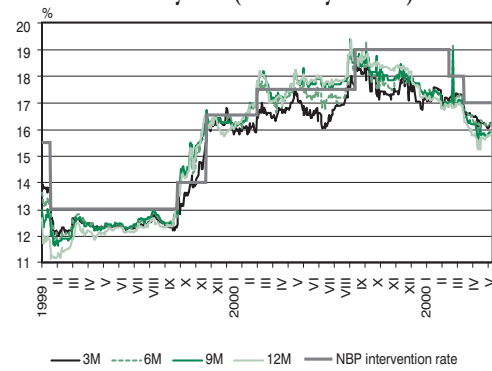
Source: NBP, WBK S.A. Treasury and International Division

T-Bill yields (primary auctions)



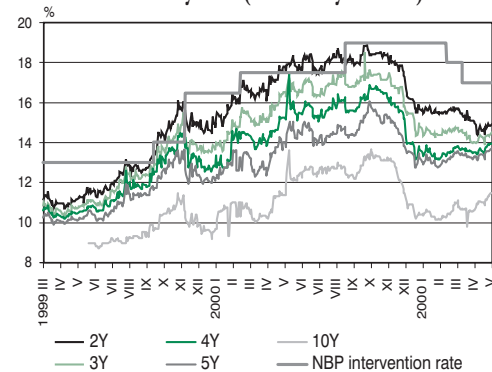
Source: NBP, WBK S.A. Treasury and International Division

T-Bill yields (secondary market)



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

T-Bond yields (secondary market)



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

Monetary policy

No changes in monetary policy in April

On 25 and 26 April, at its monthly regular meeting, the Monetary Policy Council decided not to change the level of main interest rates and to maintain the neutral stance in the monetary policy.

In a substantiation of this decision, the MPC stressed positive shaping of the inflationary processes and pointed to the related threats. Further falls in consumer prices, core inflation and producer prices were noticed in March. Also, decreasing inflationary expectations of households were pointed. High budget deficit after March was regarded as a threat due to the fact that cumulating expenditure may cause an increase in inflationary pressure. In the opinion of the Council, a similar effect may be produced by payments of various compensations. On the other hand, there still exist sources of potential inflationary pressure on the markets of agriculture products and food.

The MPC decided that they need time to see the effects of their two previous decisions on interest rate cuts and to make sure that positive trends in inflation will be continued.

In their statement, the Council noticed negative tendencies in production and employment, but, in their opinion, currently, the monetary policy has limited influence on the situation in the real sector. Possible interest rate cuts would not lead to permanent increase in employment.

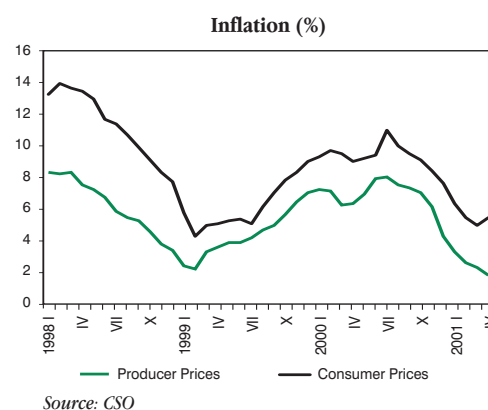
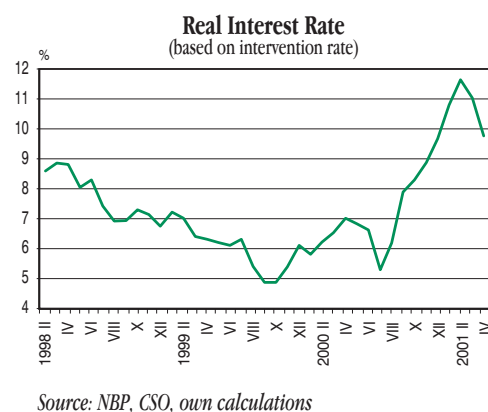
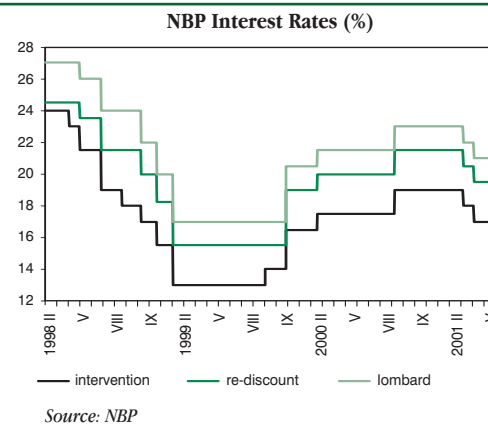
The April decision of the Monetary Policy Council means that despite the signals of economic growth slowdown, the MPC still watch their only target, which is inflation.

On Monday 21 May, at the special one-day meeting, the Monetary Policy Council discussed and passed the "Report on implementation of monetary policy assumptions in 2000" and the "Report on the activity of National Bank of Poland in 2000". The MPC also passed the "Report on inflation in 2000" at this meeting.

On the same day, the MPC members met with the Ministers of Finance and Economy. The MPC were interested in the current position and prospects of public finance, progress in privatisation and the situation on the labour market. The ministers were informed about the implementation of the monetary policy.

In May, another regular MPC meeting will take place. It will be held on 29 and 30 May. At this meeting, the decision on interest rate levels will be taken. We estimate that there is a possibility of interest rate cut by 100 basis points already in May, however, it is more probable that the MPC will refrain from the rate cut now and the rates will be cut in June. In the case of cutting rates in May or June by 100 bps, another interest rate cut may be introduced this year in August or September.

There is also another possible scenario, in which the Council will decide to cut interest rates in May or June by 150 or 200 bps before the expected fall in inflation in summer months. Owing to this, expectations of next interest rate cuts will not cause a speculative capital inflow, which should contribute to awaited weakening of the zloty. However, taking into account hitherto behaviour of the MPC members, we consider the first scenario as more probable.





Budget deficit performance close to 90%

As at the end of April, the State's budget deficit was PLN 18.430bn, which accounted for 89.7% of the budgeted deficit (PLN 20.539bn), whereas a month ago the deficit was 73.3% against the plan. It was another month when the deficit was extremely high as compared to the past few years. In comparison, the deficit as at the end of April last year was 57.6% against the plan. In April 1999, when four expensive reforms were being implemented the deficit accounted for ca 75% of the plan, i.e. much less than this year. In 2001, the main reason for the high budget deficit is low economic growth and, as a result, lower inflows to the budget.

As at the end of April, the budget revenues totalled PLN 42.403bn, i.e. 26.3% of the annual plan, whereas a month ago, this figure was 19.6%. The budget expenditures amounted to PLN 60.834bn, which represents 33.5% of the annual plan (25.7% as at March-end). In April, the revenues and expenditures were higher than in March. There is high adverse variance as regards revenues against the 33.3% benchmark.

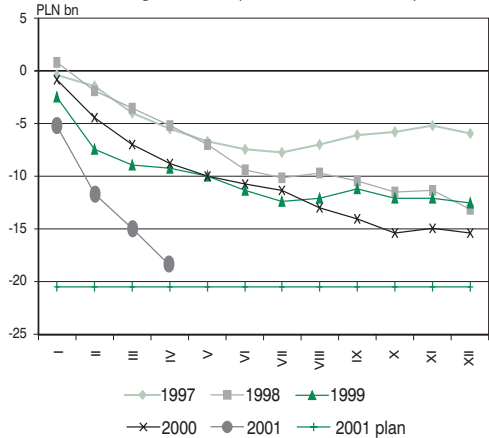
Low growth in GDP has the largest impact on revenues from indirect taxes that after four months of 2001 have been realised only in 26.6%. Other factors that negatively impacted these inflows have been: high exports, low inflation and strong zloty. Revenues from personal income tax accounted for 26.5% of the plan, i.e. April saw a slight acceleration which we expected and which resulted from payments of the tax due for the past year. Revenues from corporate income tax are low, i.e. they account for only 24.5% of the plan. However, in the case of revenues from income taxes it should be noted that they are usually lower in the first half-year, whereas indirect taxes are not susceptible to such seasonal fluctuations, and hence their low collection against the plan after four months is very dangerous.

On the expenditure side, the subsidy to Fundusz Pracy (Labor Fund) was realised to the largest extent (56.5% of the plan). However, an even greater threat for the budget is posed by subventions to local governments (42.8%) as expenditures for this purpose have a 15-fold higher share in the budget structure. As at April-end, the expenditures on the domestic debt service accounted for 33.5% of the plan, whereas on the foreign debt service – 36.3% because in April the second part of repayment to the Paris Club was made. Subsidies to the Social Insurance (ZUS) were 31.3% and to the fund for farmers (KRUS) were 34.6%. In June the benefits will be inflation-adjusted which will slightly accelerate the budget progression in this respect.

Jarosław Bauc, Minister of Finance, expects that May will record a further growth in the deficit, whereas in June it should decline to PLN 17bn (ca 83% of the plan) as a result of the NBP profit distribution and payment of another instalment for the UMTS license. Bauc expects that this level will be maintained over the subsequent months, however this projection is based on the assumption that the second half of 2001 will see a robust revival of the economic growth and weakening of zloty. However, if the GDP growth will be substantially lower than the budgeted growth of 4.5%, the Minister does not rule out amendments to the budget. Janusz Steinhoff, Minister of Economy, pointed at the possibility of cutting the expenses.

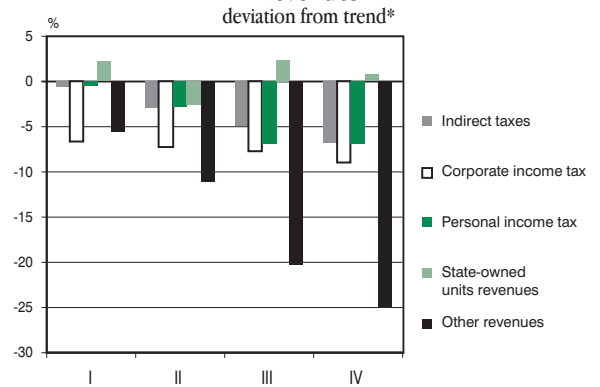
We sustain our opinion that it will be necessary to revise the budget by increasing the deficit in the second half of the year, because cost savings prior to parliament elections are not likely.

Budget Deficit (in cumulative terms)



Source: Finance Ministry

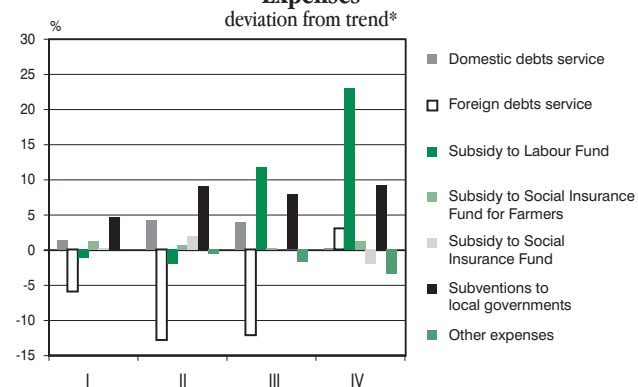
Revenues



* trend means the constant increase by 8.33% a month

Source: Finance Ministry, own calculations

Expenses



* trend means the constant increase by 8.33% a month

Source: Finance Ministry, own calculations

Core inflation

Types of core inflation

In May, the National Bank of Poland published for the first time the core inflation indicators that were calculated by the NBP themselves. Measures of the core inflation should be constructed in such a way as to show permanent trends in consumer price movements. Such indicators are set by excluding seasonal fluctuations from the inflation (e.g. in case of food prices) and fluctuations caused by temporary supply shocks (e.g. fuel prices). Since indicators of the core inflation are more stable than an ordinary consumer price index, they are a useful analytical tool for examining the inflation phenomena. We presented the analysis of the core inflation using our own estimates and calculations in our bulletins of December 2000 and February 2001. As from now on, the core inflation indices will be official indicators published monthly by the NBP on www-sites of the central bank.

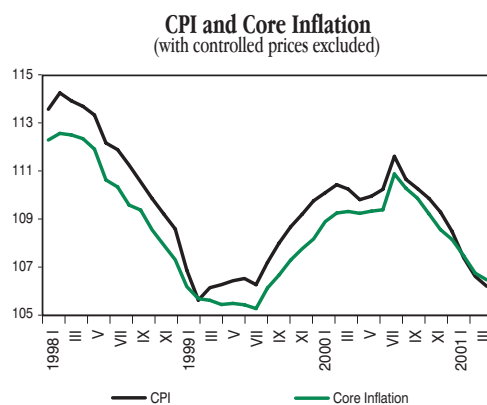
- The NBP calculates five core inflation indices:
- core inflation after the exclusion of regulated prices,
- core inflation after the exclusion of the highest volatility prices,
- core inflation after the exclusion of the highest volatility prices and fuel prices (this measure is an auxiliary indicator which allows to identify the impact of fuel prices on the growth in the general price index),
- net inflation after the exclusion of food and fuel prices,
- 15% trimmed average (smoothing the series of price indices through eliminating 15% of the smallest and 15% of the largest price movements as compared to the previous period).

Recent core inflation data

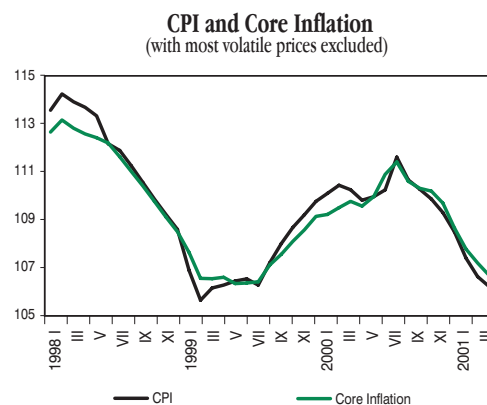
Throughout 2000 the core inflation was on a lower level than the consumer inflation indicator which was driven by such factors as food and fuel prices excluded from the core inflation. In 2001 this tendency has reversed, because the factors that primarily contributed to the growth in inflation before, have now contributed to its fall. In this situation, the core inflation indicators remained higher than a regular inflation rate.

March saw the further decline of all core inflation measures. This downward tendency has continued since the middle of 2000. The core inflation, excluding the regulated prices, fell in March down to 6.5% y/y from 6.8% in February. The core inflation, excluding the highest volatility prices dropped from 7.2% to 6.7%, and additionally after excluding the fuel prices it fell from 7.3% to 7.1%. Net inflation, excluding food and fuel prices dropped from 6.8% to 6.7%, where the 15% trimmed average declined from 7.1% in February to 6.8% in March.

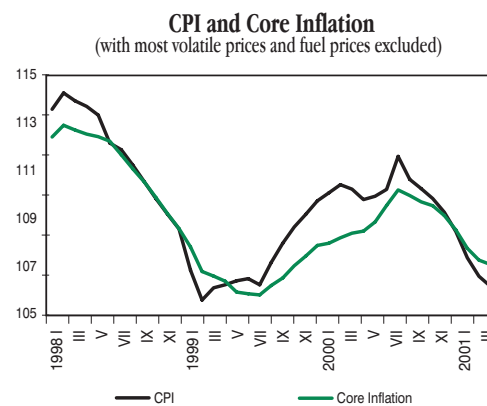
Information on the core inflation in April is not yet available. Nor is there detailed information of the Chief Statistics Office (GUS) on individual inflation components. On the basis of data for the basic inflation categories it can be estimated that in April the net inflation went up to 6.8%-6.9%. This index continues to be higher than the consumer price index, because the excluded drop in fuel prices (y/y) reduces the inflation rate. However, the growth in net inflation is lower than in regular inflation because of a significant growth in food prices, which offsets the former. Net inflation in May is expected to fall.



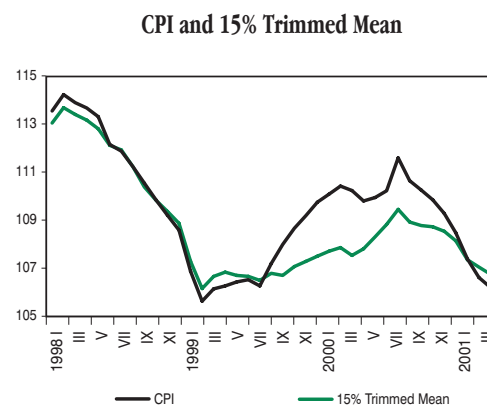
Source: CSO, NBP



Source: CSO, NBP



Source: CSO, NBP



Source: CSO, NBP



Core inflation and decisions of the Monetary Policy Council (RPP)

Analysis of the core inflation level prompts views on the influence of the Monetary Policy Council's decisions on inflation. Recently, this influence in Poland has been rather limited. Over 1999-2000 the core (net) inflation was stable despite as many as four increases in interest rates, in total by 600 bps. The Council fought against the inflation caused by volatile factors, such as growth in food or fuel prices, excluded from the core inflation. On the other hand, the core inflation indicators are significant factors which RPP takes into account when taking decisions on interest rates. Although the regular consumer price index has been substantially declining since July 2000, the Council decided not to cut interest rates until as late as the end of February when they knew the figures for the January fall in the core inflation which previously had remained flat.

Unemployment

Unemployment rate fell from 15.9% in March to 15.8% in April. The number of the unemployed dropped by 20.7k persons and totalled 2.878 million. Fall in the unemployment in April is of a seasonal nature recurring every year. Over the years 1998-2000, this drop was even stronger than in 2001 (on the average it was over 0.2 p.p.). This is related to taking up seasonal employment by the unemployed –8800 people in March and 12 500 in April. May will witness a continued drop in unemployment (by 0.1-0.2 p.p.); in June its level should still be stable but in months to follow the unemployment will start to grow again up to 17% at the year-end.

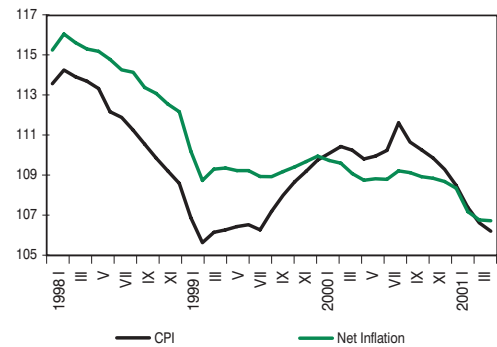
Business trends

In April, general business climate in industry has deteriorated. The business climate indicator fell from –3 in March to –5 in April. At present, its level is lower than in corresponding month over the past seven years. 20% of the polled enterprises signalled the improvement in the business trends, whereas 20% signalled its deterioration. Other enterprises stated that their standing had not changed. In April manufacturers experienced a slightly lower fall in the domestic demand than in March, however the foreign demand has weakened slightly more. The current production continued to be limited. Projections as regards the future demand are optimistic, though slightly more prudential than those formulated a month ago. Entrepreneurs assessed negatively their financial standing and expect its further deterioration in upcoming months. Therefore, high staff redundancies can be expected to continue. The business climate was assessed most optimistically by manufacturers of products made from non-metallic raw materials (indicator +15p.) and chemicals (+12p.). The worst assessments were delivered by manufacturers of leather products (–33p.) and textiles (–32p.).

The business climate indicator in the construction industry increased in April up to +15 points from +10 in March. Better than in March were the assessments of the current portfolio of orders (+1p. in April) and of the current building-assembly production, though the latter stayed negative (–7p.).

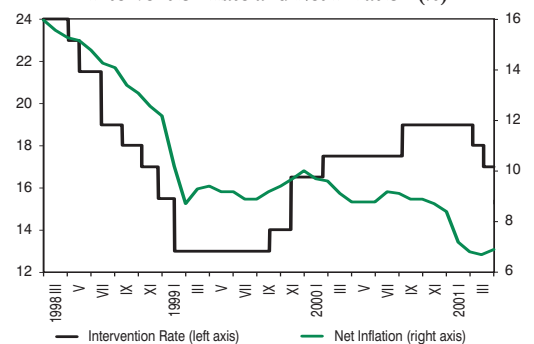
Business trends in retail trade improved by 3 points on March, though it was still assessed negatively (–9p.). There was a slight growth in sales but the financial standing of enterprises continues to be difficult.

CPI and Net Inflation
(with food and fuel prices excluded)



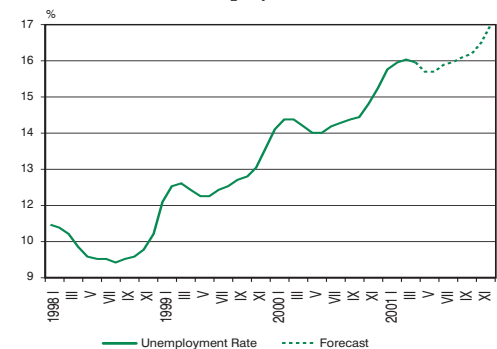
Source: CSO, NBP

Intervention Rate and Net Inflation (%)



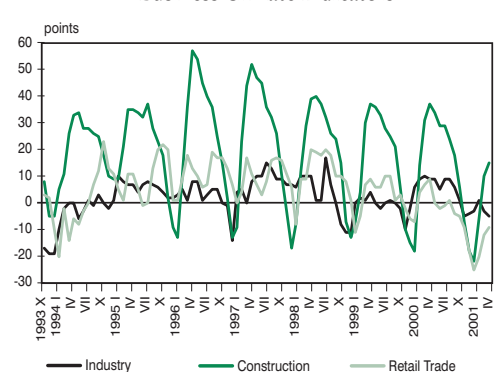
Source: NBP, CSO

Unemployment Rate



Source: CSO, own forecast

Business Climate Indicators



Source: CSO

Poland's foreign trade in 2000

In 2000, exports in current prices calculated by GUS based on customs declarations totalled USD 31651.3m, i.e. up 15.5% on 1999. Imports amounted to USD 48940.2m, i.e. up 6.6% on 1999. Trade turnover closed with a negative balance of – USD 17288.9 m against –USD 18503.9m previous year. Therefore, the trade deficit decreased by 6.6%.

Exports and imports expressed in zloty grew by 26.8% and 16.8%, respectively, whereas the trade deficit was higher by 2.1%. Exports and imports expressed in Euro increased by 33.9% and 23.3%, respectively and the negative balance increased by 7.7%.

According to the figures for 11 months of 2000, exports in fixed prices increased by 25.2% and imports went up by 11.3%.

In 2000, as compared to 1999, the share of the developed countries (with the largest significance) in Poland's trade turnover remained unchanged in respect of exports, i.e. it was 76,3%, and fell substantially in respect of imports, i.e. from 74.1% to 70.9%. The share of Central and Eastern Europe countries has grown. As regards exports, this growth was slight – from 17.0% to 17.3%, whereas in imports it was much stronger – from 14.2% to 18.5%. The share of developing countries, however, has significantly shrunk. In 2000, exports to this group of countries amounted to 6.4% of total exports (6.7% last year), and imports accounted for 10.6% (11.7% last year).

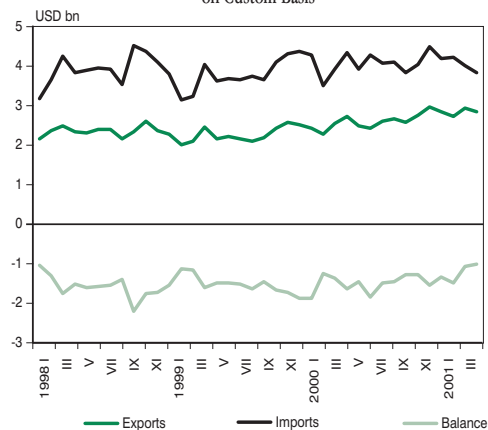
Strong fall in significance of the developed countries in the geographical structure of imports results from the lower share of the European Union countries in total imports (from 64.9% to 61.2%), including Germany – Poland's largest trade partner - from 25.2% to 23.9). Furthermore, the strong growth in significance of countries from Central and Eastern Europe in the import structure reflects the growing share of Russia (second largest trade partner of Poland in imports). In 2000, imports to Russia accounted for 9.4% of total imports (against 5.9% in 1999). The value of imports from Russia increased primarily because of an average oil price higher in 2000 by ca 60% as compared to 1999.

As regards the trade turnover with the European Union countries, 2000 saw the growth in exports by 14.6% up to USD 22143.6m and growth in imports by 0.4% up to USD 29950.8m. Deficit in trade with these countries has significantly improved, falling from USD 10449.1m in 1999 to USD 7807.2m.

As regards the trade turnover with countries of Central and Eastern Europe, the trade deficit has significantly deteriorated, it increased from USD 1855.3m in 1999 to USD 3586.3m in 2000. Exports to these countries grew by 17.7% to USD 5475.3m, and imports increased by as much as 39.3% up to USD 9061.6m.

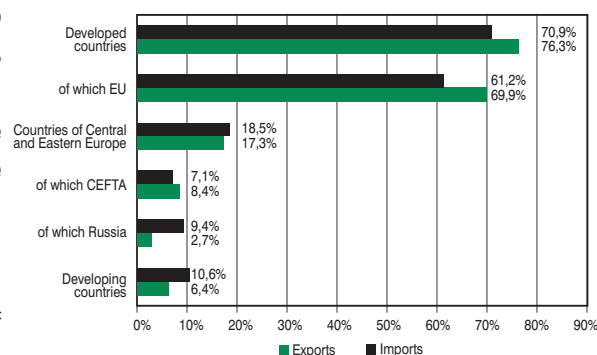
In 2000, in foreign trade structure by product (according to SITC), both on the exports and imports side, the greatest share represented machinery, equipment and transport equipment. They accounted for 34.2% of exports and 37.0% of imports against 30.3% and 38.2% respectively in 1999. Industrial goods classified by raw material came in second (24.8% of exports and 20.0% of imports against 25.5% and 20.7% in 1999). Miscellaneous industrial goods came in third in exports – they accounted for 18.3% against 20.9% in 1999. In imports, chemicals and related products came in third (drop in the share from 14.3% in 1999 to 14.1%).

Poland's Foreign Trade Turnover on Custom Basis



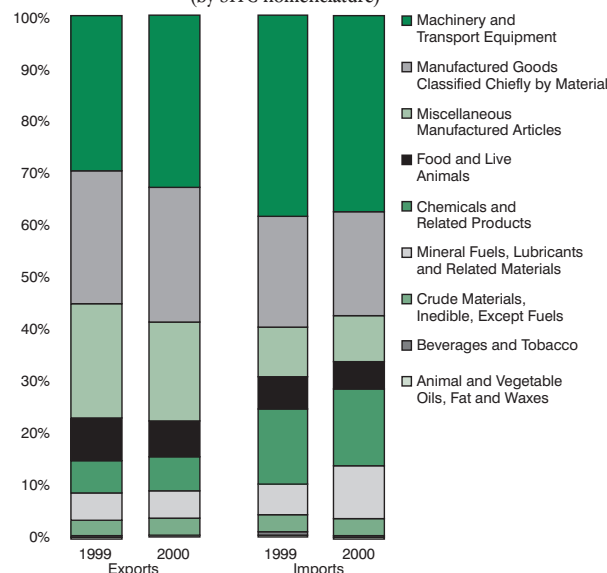
Source: CSO

Geographic structure of Poland's foreign trade in 2000



Source: CSO

Foreign trade structure by products (by SITC nomenclature)



Source: CSO



Economic Release Calendar May / June 2001					
Monday	Tuesday	Wednesday	Thursday	Friday	
21 May POL: MPC meeting 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 EUR: Foreign trade (Mar)	24	25 USA: Durable goods orders (Apr)	
28	29 POL: MPC meeting GER: GDP (1Q)	30 POL: MPC meeting	31	1 June POL: Balance of payments (Apr) POL: Foreign trade on a cash basis (Apr) CZ: State budget (May) USA: Unemployment (May)	
4 POL: Food prices (2nd half of May)	5 POL: Economic trends in industry, construction and retail trade (May) CZ: Balance of payments (1Q) EUR: Unemployment (Apr) EUR: Producer prices (Apr)	6 EUR: Business climate indicator (May)	7 POL: Balance of NBP (May) POL: Official reserve assets (May) EUR: ECB meeting GER: Unemployment (May) GER: Factory orders (Apr)	8 CZ: Inflation (May) CZ: Unemployment (May) GER: Industrial output (Apr) EUR: GDP (1Q)	
11	12 GER: Current account (Apr) GER: Trade balance (Apr)	13 USA: Retail sales (May)	14 Corpus Christi EUR: Balance of payments (1Q) USA: Producer prices (May)	15 POL: Inflation (May) POL: Money supply (May) POL: State budget (May) CZ: Money supply (May) USA: Inflation (May)	
18 POL: Employment and wages in corporate sector (May) EUR: Inflation (May)	19 POL: Industrial output (May) POL: Producer price index in industry and construction (May) EUR: Industrial output (Apr)	20 POL: Unemployment (May)	21 EUR: ECB meeting USA: Foreign trade (Apr)	22 GER: Business climate IFO (May)	
25	26 USA: Fed meeting USA: Durable goods orders (May)	27 POL: Food prices (1st half of June) USA: Foreign trade (Apr) USA: Fed meeting	28	29	

Basic Macroeconomic Data

Category	unit	May	June	July	August	September	October	November	December	January	February	March	April
PRICES													
Consumer price index (y/y)	%	10.0	10.2	11.6	10.7	10.3	9.9	9.3	8.5	7.4	6.6	6.2	6.6
Consumer price index (m/m)	%	0.7	0.8	0.7	-0.3	1.0	0.8	0.4	0.2	0.8	0.1	0.5	0.8
Production price index (y/y)	%	7.9	8.9	9.0	8.4	8.3	8.0	7.2	5.6	4.7	4.1	3.8*	3.4
Production price index (m/m)	%	0.9	1.0	0.6	0.4	0.8	0.6	0.0	-0.9	-0.3	-0.1	0.2	0.2
Price index of assembly and construction production (y/y)	%	8.4	8.8	9.1	8.7	8.1	7.8	7.6	6.9	6.8	6.5	5.7*	5.0
Price index of assembly and construction production (m/m)	%	0.7	0.7	0.4	0.5	0.2	0.5	0.4	0.2	0.4	0.4	0.1*	0.3
Exchange rate USD/PLN (y/y)	%	14.3	11.6	11.3	10.3	10.1	12.8	7.2	3.5	0.2	-1.0	-0.7	-5.1
Exchange rate USD/PLN (m/m)	%	6.2	-2.2	-1.7	0.8	3.0	3.3	-1.6	-5.4	-4.7	-0.4	-0.8	-1.0
Exchange rate EUR/PLN (y/y)	%	-2.6	1.9	1.3	-5.9	-8.7	-9.8	-11.2	-8.1	-7.1	-7.7	-6.5	-10.3
Exchange rate EUR/PLN (m/m)	%	1.8	2.4	-2.5	-2.9	-0.8	1.4	-1.7	-0.6	-0.4	-2.5	-2.0	-2.8
Real gross wages in enterprise sector (y/y)	%	1.8	1.3	-2.2	1.1	0.4	0.5	0.8	-1.9	2.4	1.1	1.6	-1.3
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	-	5.2	-	-	3.3	-	-	2.4	-	-	-	-
Industrial output (y/y)	%	12.1	13.4	7.8	9.2	5.0	7.1	4.7	-2.2	10.1	0.1	2.9*	3.6
Industrial output (m/m)	%	7.7	1.2	-6.9	6.1	5.0	2.1	-3.1	-1.4	-8.9	-2.5	14.7*	-7.8
Construction and assembly production (y/y)	%	-0.6	1.2	-2.9	-2.1	-3.7	-1.7	-1.1	-6.9	-9.7	-9.1	-8.2*	-10.8
Construction and assembly production (m/m)	%	16.8	11.6	-4.6	7.2	7.0	6.6	-17.6	40.3	-59.3	7.4	18.6*	-2.9
Retail sales of goods ^a (y/y)	%	15.1	14.8	10.3	11.2	10.4	7.2	5.8	3.2	10.9	-0.2	0.1	-
Retail sales of goods ^a (m/m)	%	-0.6	2.8	-0.7	1.4	-0.8	1.5	-3.4	20.8	-27.6	-1.7	17.5	-
Exports on a customs basis (y/y)	%	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)	%	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)	%	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)	%	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.	2 446	2 437	2 478	2 496	2 529	2 548	2 613	2 703	2 836	2 877	2899	2 878
Unemployment rate	%	13.6	13.6	13.8	13.9	14.0	14.1	14.5	15.0	15.6	15.8	15.9	15.8
Average employment in corporate sector	thous.	5 292	5 295	5 284	5 271	5 269	5 274	5 247	5 199	5 184	5 189	5 170	5 156
Average monthly gross wages in corporate sector	PLN	1 988	2 049	2 036	2 051	2 088	2 089	2 160	2 350	2 069	2 075	2 149	2 176
Nominal increase in wages (y/y)	%	12.0	11.5	9.2	11.9	10.7	10.4	10.2	6.4	9.9	7.7	7.9	5.2
STATE BUDGET													
Budget revenues	PLN bn	51.8	64.2	74.8	86.2	98.0	110.5	123.0	135.7	11.6	21.0	31.6	42.4
Budget expenditures	PLN bn	61.8	75.0	86.1	99.2	111.9	125.9	137.9	151.1	16.7	32.9	46.7	60.8
State budget deficit	PLN bn	-10.0	-10.8	-11.3	-13.0	-14.0	-15.4	-14.9	-15.4	-5.1	-12.0	-15.1	-18.4
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	May	June	July	August	September	October	November	December	January	February	March	April
BALANCE OF PAYMENTS													
Current account	USD m	-401	-860	-701	-961	-592	-852	-416	-816	-932	-461*	-742	-
Trade balance	USD m	-894	-1 041	-1 042	-1 324	-972	-1 058	-858	-1 038	-1 499	-724*	-888	-
Exports	USD m	2 407	2 397	2 473	2 271	2 424	2 520	2 654	2 759	2 448	2 393*	2 641	-
Imports	USD m	3 301	3 438	3 515	3 595	3 396	3 578	3 512	3 797	3 947	3 117*	3 529	-
Services: net	USD m	-105	-159	-131	-119	-90	-100	-104	-155	-111	-85*	-78	-
Unclassified transactions: net	USD m	324	337	309	350	420	485	295	340	248	243	239	-
Capital and financial account	USD m	653	-165	343	725	357	2 192	528	351	1 359	964*	-182	-
Direct investments	USD m	310	363	488	169	242	4 653	537	570	486	383*	398	-
Portfolio investments	USD m	20	90	232	-234	-72	-345	504	135	788	699*	892	-
MONEY SUPPLY													
Money supply	PLN bn	269	285	277	278	281	287	291	294	293	296	301	303
Money supply (y/y)	%	15.2	20.6	16.2	14.9	14.1	14.6	14.4	11.8	14.6	14.6	14.9*	14.0
Money supply (m/m)	%	1.1	5.9	-2.7	0.3	1.0	2.4	1.3	1.1	-0.6	1.0	1.9*	0.6
Total deposits (y/y)	%	16.8	23.3	18.5	17.1	16.1	17.4	17.0	15.5	17.5	17.1	16.8*	16.1
Total deposits (m/m)	%	1.6	6.4	-3.1	0.5	1.1	3.0	1.7	1.1	0.1	0.9	1.7*	0.4
Household loans (y/y)	%	49.9	79.4	45.7	42.9	40.9	38.9	34.8	31.7	31.3	29.4	25.7*	25.0
Household loans (m/m)	%	3.8	25.2	-15.0	2.5	3.0	2.3	1.2	2.1	0.2	-0.3	0.4	1.1
Corporate loans (y/y)	%	17.9	19.7	18.8	18.2	17.4	16.1	14.0	13.5	12.2	12.0	11.7	9.4
Corporate loans (m/m)	%	0.6	2.2	0.1	1.4	2.3	1.4	0.4	-1.9	1.2	0.9	0.6*	-0.1
FINANCIAL INDICATORS													
Average deviation from the central parity	%	-0.7	-0.4	-2.7	-3.8	-2.8	-0.6	-2.4	-5.0	-7.4	-8.8	-10.1	-11.8
Average exchange rate USD	PLN	4.4988	4.3994	4.3229	4.3593	4.4900	4.6369	4.5606	4.3143	4.1108	4.0925	4.0599	4.0175
Average exchange rate EUR	PLN	4.0758	4.1740	4.0684	3.9486	3.9152	3.9696	3.9035	3.8802	3.8648	3.7689	3.6952	3.5904
Average exchange rate DEM	PLN	2.0839	2.1341	2.0801	2.0189	2.0018	2.0296	1.9958	1.9839	1.9761	1.9270	1.8893	1.8357
Average WIBOR T/N	%	17.33	17.73	17.87	17.31	18.84	19.74	20.07	19.50	19.73	19.82	19.33	18.56
Average WIBOR 1M	%	18.13	18.13	18.05	18.24	19.39	19.47	19.65	19.83	19.44	19.33	18.36	17.45
Average WIBOR 3M	%	18.60	18.55	18.51	19.12	19.55	19.68	19.75	19.67	18.97	18.61	18.01	17.17
Average 3M T-bill yield	%	17.01	16.49	16.48	17.38	18.17	17.53	17.44	17.60	17.12	17.29	17.20	16.44
Average 6M T-bill yield	%	17.64	17.26	17.16	17.92	18.47	17.83	17.78	17.84	17.43	17.09	17.16	16.36
Average 9M T-bill yield	%	17.84	17.76	17.67	18.28	18.55	18.11	17.97	17.91	17.40	17.15	17.01	16.11
Average 12M T-bill yield	%	17.86	17.85	17.76	18.34	18.65	18.41	18.31	18.01	17.23	16.97	16.85	15.80
Average 2Y T-bond yield	%	17.78	18.02	17.77	18.27	18.11	18.54	18.23	17.20	15.68	15.48	15.60	14.59
Average 5Y T-bond yield	%	14.28	14.60	14.14	14.53	14.50	15.53	15.10	13.93	13.08	12.92	13.33	13.47
Average 10Y T-bond yield	%	11.89	12.46	12.53	12.72	12.40	13.24	13.06	11.50	10.44	10.23	10.68	10.61
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	17.5	17.5	17.5	19.0	19.0	19.0	19.0	19.0	19.0	19.0	17.0	17.0
Rediscount rate	%	20.0	20.0	20.0	21.5	21.5	21.5	21.5	21.5	21.5	21.5	19.5	19.5
Lombard rate	%	21.5	21.5	21.5	23.0	23.0	23.0	23.0	23.0	23.0	23.0	21.0	21.0

* data officially corrected, * in current prices

Sources: CSO, NBP, Finance Ministry, Reuters, own estimations



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