

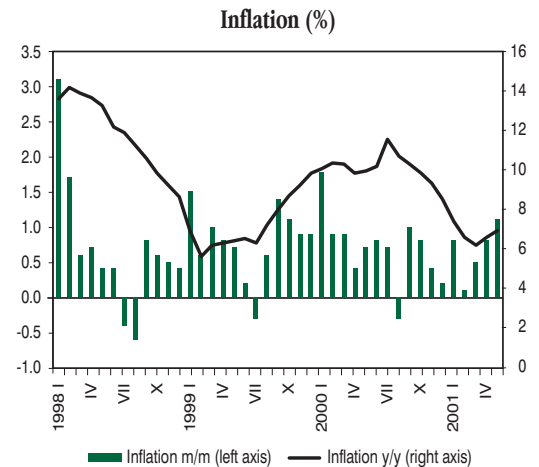
Poland's economy – Financial Markets

June 2001

No 24

Main economic trends

- In April the current account deficit totalled USD 614m against USD 749m in March. Trade deficit also improved – in April it fell to USD 752m from USD 907m in March. In relation to the GDP, the current account deficit fell in April to 5.1% from 5.3% in March. Taking into account the fact that in April Poland paid almost USD 300bn of foreign debt costs, this data must be assessed as very good.
- Industrial output increased by 2.9% m/m in May and in year-on-year terms fell by 1.0%. In January-May period production rose by 2.5% compared to the same period last year.
- Producer prices increased by 0.1% m/m in May against the rise of 0.2% in April. In year-on-year terms, the prices rose by 2.5%, which means a significant fall in producer inflation from 3.4% y/y in April and 7.9% in May 2000.
- Inflation amounted to 1.1% m/m and 6.9% y/y in May against 0.8% and 6.6% respectively in April. However, year-on-year inflation was considerably lower than in May 2000, when it totalled 10.0%. In May three core inflation indicators fell and two rose.
- Further strengthening of the Polish currency against the EUR-USD basket. On 13 June the deviation of the zloty from the old parity reached the record level of 15.9% on the appreciation side. The zloty is currently the strongest against the euro in history and against the dollar since August 1999. The zloty will remain strong until the end of the third quarter.
- The yield curve continued moving up over the last 30 days due to the adverse effect of poor food price and CPI data published in that time and cabinet member comments on the possibility of budget deficit expansion.
- The Monetary Policy Council did not change interest rates at the meeting in May and maintained the neutral stance in the monetary policy.
- In May the state budget deficit reached PLN 20.39bn, equivalent to 99.3% of deficit planned in the 2001 budget, against 89.7% in April. For the first time in the last few years almost the whole budget deficit was realised just after 5 months. In the second half-year expenditure cuts will be conducted and deficit increase is also necessary.



Source: CSO

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Highlights

The rate of growth of Poland's GDP has slowed down significantly since Q3 2000. The latest report issued by EUROSTAT shows that Poland has stopped catching up with E12 countries as Poland's per capita GDP reached merely 39% of the E12 average in 2000 for the second year in a row.

The deceleration in GDP growth has been accompanied by a fall in CPI figures (from 11.6% in July 2000 down to 6.9% in May 2001) and by an even larger drop in producer prices (from 9.0% to 2.5% in the same period of time as above). The combination of the figures indicates that domestic demand remains low. Substantial drops have also been recorded in the business activity indicator, and the companies surveyed in compiling the index reported that their financial standing was deteriorating. This bleak picture of the condition of Poland's economy is duly reflected in the projections of GDP growth this year. The forecasts have been revised down several times and most of them now put the figure at ca. 3.0%.

A positive development is the improvement in the balance of payments, mostly due to good export performance and low imports. The ratio of the C/A deficit to GDP fell from 8.3% in March 2000 to 5.1% in April 2001.

Unfortunately, the condition of the national budget keeps deteriorating. The assumptions underlying the Budget Act turned out to be untenable and by the end of May the budget deficit reached 99.3% of the figure planned for the whole year. Consequently, the cabinet is likely to revise the budget. The Minister of Economy said recently that the revision might involve both slashing some expenditures and expanding the deficit figure. Another major risk for the budget is the likelihood that privatisation revenues may fall short of the figure planned for the year (PLN 18 billion). The latter risk is exacerbated by various political factors: the parliament is to hold a non-confidence vote on the Treasury Minister quite soon, the opposition SLD party threatened that it would press for holding a no-confidence vote on the Finance Minister. The market is bound to be more and more adversely impacted by the parliamentary election campaign.

The poor condition of the public finance sector is the main reason behind the tight monetary policy pursued by the Monetary Policy Council (real interest rates have stayed above 10% since December 2000). The governing objective adopted by the council is lowering the inflation figure to 4% by the end of 2003 and the council members have repeatedly criticised the loosening of the fiscal policies.

In contrast, the monetary situation is good. Money supply remains under control, lending activity is falling sharply, and the propensity to save remains on a high level. Both trends naturally follow from the interest rate policy in place.

The drop in inflation accompanied by rising real interest rates and improving balance of payments data generated substantial interest in Polish financial markets. The growing demand for Polish debt securities and expectations of high FX flows due to privatisation transactions led to gradual strengthening of the zloty. Polish currency rose to more than 15% above the old parity.

Substantial increase has been recorded in the unemployment rate. This dangerous development is likely to be contained in the next couple of months.

Tab. 1. Inflation indicators

	01 2001	02 2001	03 2001	04 2001	05 2001	06 2001 F
Consumer Price Index (m/m, %)	0.8	0.1	0.5	0.8	1.1	0.3
Consumer Price Index (y/y, %)	7.4	6.6	6.2	6.6	6.9	6.4
Producer Price Index (m/m, %)	-0.3	-0.1	0.2	0.2	0.1	0.3
Producer Price Index (y/y, %)	4.7	4.1	3.8	3.4	2.5	1.9
Average monthly FX rate (USD, y/y, %)	0.2	-1.0	-0.7	-5.1	-11.5	-

Tab. 2. Activity indicators

	12 2000	01 2001	02 2001	03 2001	04 2001	05 2001
Retail Sales Index (m/m, %)	20.8	-27.6	-1.7	17.5	4.0	-
Retail Sales Index (y/y, %)	3.2	10.9	-0.2	0.1	1.9	-
Household loans (y/y, %)	31.7	31.3	29.4	25.7	25.1*	22.1
Industrial Output (m/m, %)	-1.4	-8.9	-2.5	14.7	-7.7*	2.9
Industrial Output (y/y, %)	-2.2	10.1	0.1	2.9	3.6	-1.0
Exports, current prices (in payment terms, y/y, %)	11.7	27.4	17.9	10.3*	28.3	-
Imports, current prices (in payment terms, y/y, %)	-10.3	16.8	-1.9	-2.5*	8.1	-
Foreign Trade Balance (NBP, USD m)	-1038	-1499	-724	-907*	-752	-
State Budget Balance (PLN m)	-15.4	-5.1	-12.0	-15.1	-18.4	-20.4

Tab. 3. Poland's Economy

	1997	1998	1999	2000	2001 F
Gross Domestic Product (fixed prices, y/y, %)	6.8	4.8	4.1	4.0*	3.2
Individual Consumption (y/y, %)	6.9	4.9	5.4	2.4	2.3
Gross expenses on fixed assets (y/y, %)	21.7	14.5	6.5	3.1	2.5
Exports, constant prices (y/y, %)	13.7	9.4	-2.6	16.0	6.5
Imports, constant prices (y/y, %)	22.0	14.6	1.0	7.6	3.2
Inflation (average annual, %)	14.9	11.8	7.3	10.1	6.3
Inflation (year end, y/y, %)	13.2	8.6	9.8	8.5	6.2
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	-5.5
Public debt / GDP (%)	47.2	43.2	43.0	38.7	38.0

y/y – year on year; m/m – month to month; F - forecast

Source: CSO, NBP, own forecasts and estimations

* corrected data

Medium term forecast of Poland's economy



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	17.50	16.40	16.00	17.23	14.4	12.0	9.7	8.6
3M	14.73	17.87	18.50	19.06	19.70	18.78	18.53	17.15	16.00	15.60	16.82	14.2	12.2	9.9	8.8
6M	14.57	17.87	18.67	19.36	19.75	18.92	18.02	16.50	15.60	15.30	16.36	13.9	12.3	10.0	8.9
12M	14.77	18.07	18.86	19.51	19.60	19.01	17.61	16.10	15.30	15.00	16.00	13.5	12.4	10.1	9.0
Lombard rate	17.59	21.08	21.50	22.01	23.00	21.90	22.62	21.00	19.91	19.50	20.76	17.0	13.8	11.5	10.4
Intervention rate	13.71	17.08	17.50	18.01	19.00	17.90	18.62	17.00	15.91	15.50	16.76	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	14.90	14.40	13.60	14.62	12.3	9.8	8.7	8.2
3L (bid)	11.89	14.60	16.28	17.04	16.85	16.20	14.54	14.40	14.00	13.30	14.06	11.9	9.5	8.5	8.0
5L (bid)	11.12	12.77	13.98	14.39	14.85	14.00	13.12	13.40	12.90	12.00	12.86	10.2	9.0	8.2	7.8
10L (bid)	9.63	10.36	11.64	12.55	12.59	11.79	10.46	11.20	11.00	10.40	10.77	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	16.20	15.40	14.50	15.83	11.6	9.2	7.0	6.0
52-week	13.00	16.92	17.68	18.25	18.24	17.77	17.06	15.65	14.80	14.10	15.40	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	3.99	4.05	4.18	4.08	4.40	4.65	4.80	4.95
EUR/PLN	4.2270	4.0629	4.0872	3.9781	3.9179	4.0110	3.7765	3.48	3.48	3.72	3.63	4.09	4.51	4.66	4.75
EUR/USD	1.0669	0.9878	0.9344	0.9067	0.8708	0.9172	0.9240	0.873	0.86	0.89	0.89	0.93	0.97	0.97	0.96
Average depreciation (currency basket)	-	-4.2%	3.2%	-1.3%	0.3%	1.5%	-6.1%	-5.3%	0.7%	5.2%	-8.0%	10.5%	8.2%	3.2%	2.5%
USD/PLN (end of period)	4.1483	4.1428	4.3907	4.5404	4.1432	4.1432	4.1000	4.00	4.10	4.25	4.25	4.50	4.75	4.90	5.00
EUR/PLN (end of period)	4.1689	3.9650	4.2075	3.9960	3.8544	3.8544	3.6170	3.42	3.61	3.83	3.83	4.28	4.66	4.77	4.75
EUR/USD (end of period)	1.0050	0.9571	0.9583	0.8801	0.9303	0.9303	0.8822	0.855	0.88	0.90	0.90	0.95	0.98	0.97	0.95
Macroeconomic indicators (end of period unless otherwise stated)															
Real GDP (y/y, %)	4.1	5.9	5.0	3.1	2.4	4.0	2.3	1.2	3.0	4.5	2.8	4.0	4.5	5.0	5.1
Inflation (y/y, %)	9.8	10.3	10.2	10.3	8.5	8.5	6.2	6.4	5.8	6.2	6.2	5.3	4.5	4.0	3.6
Inflation (y/y, %) average	7.3	10.3	10.1	10.8	9.2	10.1	6.7	6.6	5.7	6.0	6.3	6.0	4.8	4.2	3.7
Current account/GDP (%)	-7.6	-	-	-	-	-6.2	-	-	-	-	-5.5	-6.0	-6.5	-6.5	-6.0
Budget deficit/ /GDP (%)	-2.0	-	-	-	-	-2.2	-	-	-	-	-2.9	-2.5	-2.2	-1.8	-1.5
Public debt/ /GDP (%)	43.0	-	-	-	-	38.7	-	-	-	-	38.0	36.7	35.6	34.1	33.5

Forecast date: 25.06.2001

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

Poland's economy

Further improvement in the current account

In April the current account deficit totalled USD 614m against USD 749m in March. After the first four months of 2001 the deficit reached USD 2.782bn, while a year ago it totalled USD 4.370bn, which means the decline of 36.3%. Trade deficit also improved – in April it fell to USD 752m from USD 907m in March and within first four months this year it amounted to USD 3.9bn. Despite the strong zloty, the exports remained at high level of USD 2.608bn in April. In January-April 2001, exports rose by 20.2% (compared to the same period last year) to USD 10.04bn. In April imports fell to USD 3.360bn from USD 3.522bn in March and within the first four months this year it increased by 5.0% on previous year to USD 13.94bn. Significant improvement appeared in non-classified flow balance – compared to March, the surplus rose by 61% to USD 385m. In relation to the GDP, the current account deficit fell in April to 5.1% from 5.3% in March.

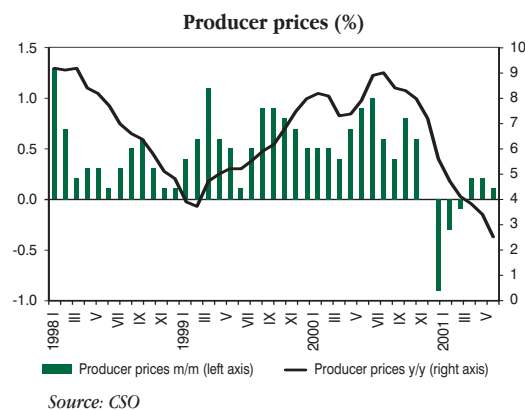
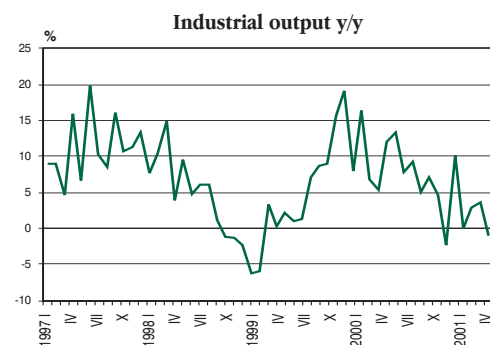
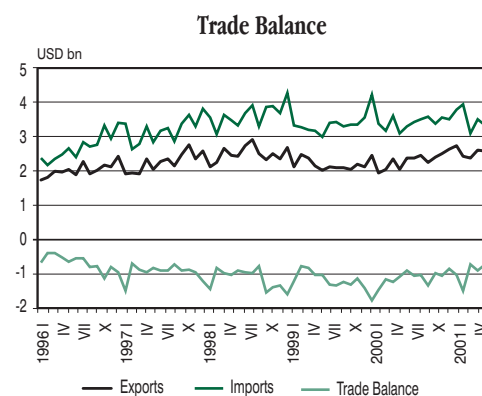
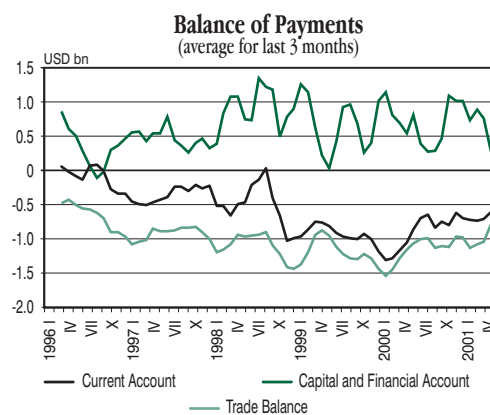
Taking into account the fact that in April Poland paid almost USD 300bn of foreign debt costs, this data must be assessed as very good. It was much better than the market expected, thus after the release of this data the zloty strengthened. The improvement in the current account balance mainly results from restrictive monetary policy of the MPC. High interest rates decrease domestic demand, which, on the one hand, causes a fall in imports and, on the other hand, it forces producers to look for demand abroad, which stimulates exports.

Weak industrial output and very low producer prices in May

Industrial output increased by 2.9% m/m in May and in year-on-year terms fell by 1.0%. Month-on-month rise was lower than it would result from 1 more working day in May compared to April. In January-May period production rose by 2.5% compared to the same period last year. Falls in industrial output y/y appeared in mining and manufacturing and a rise y/y was observed in water, electric and gas supply. However, compared to April this year and to May 2000, deterioration in annual growth appeared in all sectors.

Producer prices increased by 0.1% m/m in May against the rise of 0.2% in April. In year-on-year terms, the prices rose by 2.5%, which means a significant fall in producer inflation from 3.4% y/y in April and 7.9% in May 2000. This data was much lower than market expectations, which assumed the level of 2.9-3.0% y/y. The highest increase in prices was observed in energy, water and gas supply (0.3% m/m and 11.8% y/y), however the rise in manufacturing prices was very small (0.1% m/m and 0.8% y/y).

Data on industrial output and producer prices prove again that the domestic demand is very weak now, which results in significant slowdown in economic growth. The inflationary pressure is weak, the increase in consumer prices was caused by seasonal rise in food prices and by the increase in fuel prices.





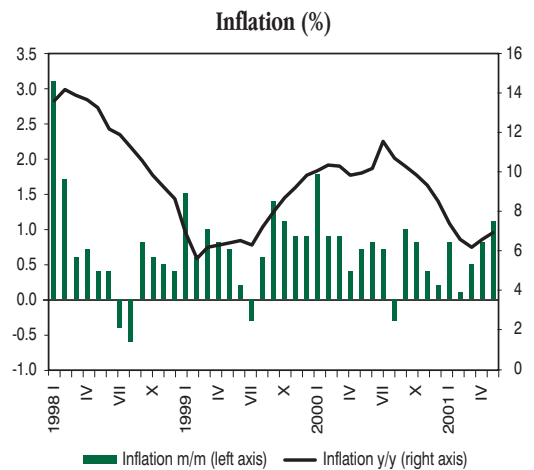
Unexpected inflation increase in May

Inflation amounted to 1.1% m/m and 6.9% y/y in May against 0.8% and 6.6% respectively in April. However, year-on-year inflation was considerably lower than in May 2000, when it totalled 10.0%. In January-May 2001, inflation reached 3.3% against 4.7% in the same period of 2000. The main reason for the inflation increase in May was a significant rise in prices of food and non-alcoholic beverages (by 1.6% m/m), much higher than it was published by the CSO in preliminary information on food prices in May (they released these prices increased by 0.7% m/m). This difference increased that the Consumer Price Index, which was consequently higher than market expectations of 6.6% y/y. Increases in fuel price (by 2.1% m/m) and in TP S.A. telephone subscription also contributed to the increase in consumer inflation in May. In June the seasonal increase in food prices should be over. The fuel prices also decrease this month, thus the inflation indicator may fall even to 0.3% m/m and 6.4% y/y. In July the deflation of ca. 0.2% m/m should appear and CPI will decline to 5.5% y/y. However, in the second half year inflation will gradually rise reaching 6.2% in December.

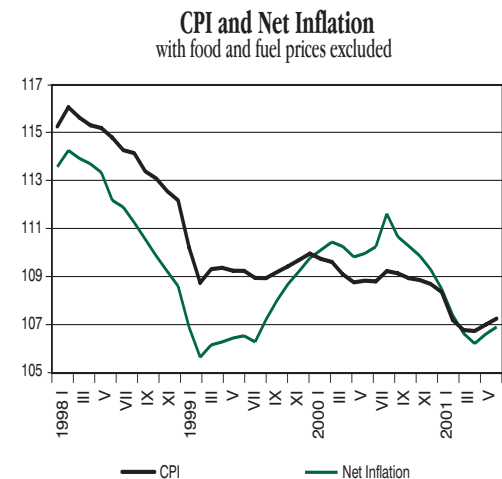
In May three core inflation indicators fell and two rose. 15% trimmed mean, the best core inflation measure in a long period, decreased to 6.5% from 6.8% last month. The core inflation calculated excluding prices of food and fuel increased in May to 7.2% y/y from 7.0% in April.

GDP

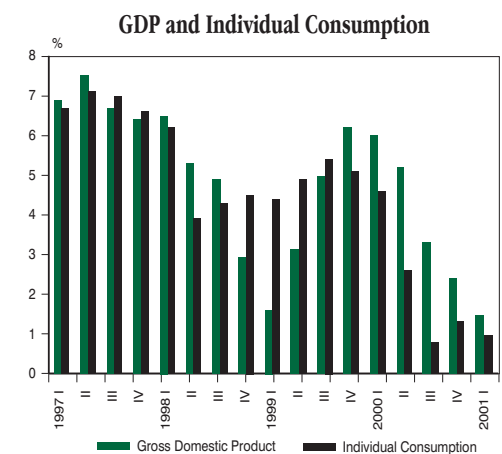
In the first quarter 2001, GDP growth was 2.3% against 2.4% in the fourth quarter 2000. The CSO revised down the data on GDP growth in 2000. The growth was 4.0% and not 4.1% as announced earlier. Domestic demand in the first quarter 2001 dropped by 1.4% against 1.8% increase in the fourth quarter 2000. Consumption rose in the first three months of 2001 by 1.2% and investments by 1.5%. However, the forecast on GDP growth in the second quarter 2001 is much more pessimistic. Such conclusions are implied by poor data on industrial output and construction production in April and May. The Finance Minister, Jaroslaw Bauc, estimates that the GDP growth in the second quarter will amount to 0.7-1.3%. Our adjustment to the forecast on GDP growth in the whole 2001 was decreased to 2.8%. Consequently, the scale of budget deficit overrun will be higher than PLN 7.5bn assumed so far and will most probably exceed PLN 10bn.



Source: CSO



Source: NBP, own calculations



Source: CSO

Foreign exchange market

The zloty

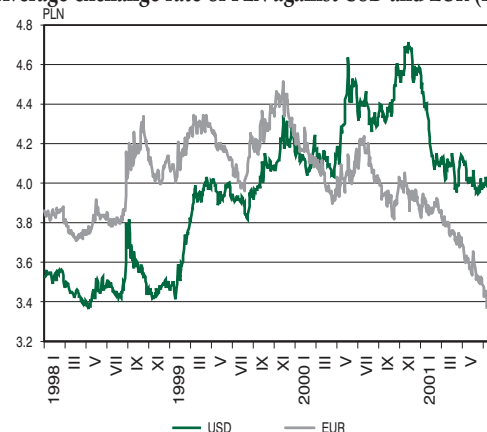
Until 13 June, the zloty strengthened against the EUR-USD basket. On Wednesday 13 June, the deviation of the zloty from the old parity was record high, amounting to 15.9% on the appreciation side. The strength of the zloty was connected with exchanging DEM by German banks to pay compensation for slave workers of the Third Reich. Moreover, the market assessed that the dangers caused by political factors (rejection of the amendment to the NBP Act, disciplining the AWS deputies before voting over the motion of no-confidence vote against the Treasury Minister) had been overcome. At fixing on 12 June, the zloty reached PLN 3.3564 per EUR, which had been the lowest level since the introduction of the euro at the beginning of 1999. The zloty remains extremely strong also against the US currency. The rate of PLN 3.9432 per USD reached on 13 June is the lowest level since 16 August 1999. Last week the zloty weakened due to the information on high budget deficit in May and rising probability of a budget amendment increasing the budget deficit by at least PLN 2bn, which would translate into the rise from 2.6% of the GDP to 2.9%. The deviation from the parity declined to 14.4% on 21 June, though it increased on the same day to 14.9% as the German banks probably started exchanging DEM for PLN. At the beginning of the next week the zloty maintained at the level of 14.9-15.0% deviation from the parity.

In the near future, the zloty will remain strong. Privatisation inflows, high interest rates and compensation payments for slave workers of the Third Reich are the factors that will keep the zloty strong until the end of the third quarter. A fall in its value could be caused by a significant interest rate cut, but the slight-cuts policy would not weaken the zloty and there is little chance for cuts higher than 100-150 basis points. The zloty may weaken in the fourth quarter. It will be a period of uncertainty connected with a new situation after the parliamentary election, which will probably result in lower foreign portfolio capital inflow. Additionally, increasing budget problems, which most probably will not be solved in the near future, will play very important role. It may also turn out that not all planned privatisation transactions will come into being. Moreover, in the second half year, the current account balance may also deteriorate.

The euro

Towards the end of May and at the beginning of June, the falling tendency of the euro against the USD was continued. On 11 June, the euro rate dropped to USD 0.843. Within the following week, the euro got strengthened in relation to the intervention carried out on the currency market by the Swedish central bank, which sold US dollars to strengthen the krone. As a result, the krone rose to the highest level within the past two weeks both against USD and the euro. The euro also strengthened. It cost USD 0.8669 and was the strongest against USD since 22 May. However, in the last week the euro lost again against the US dollar reaching USD 0.8525 per EUR on Thursday 21 June.

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



Source: NBP, Reuters

Deviation of the zloty from the parity



Source: NBP, own calculations

USD/EUR



Source: Reuters



Money and T-bond market

Interest rates

Over the last 30 days (since May 21) money market interest rates fell by ca 20 bp. in the 1M-12M sector. A more significant drop was recorded only in the WIBOR 3M rate, which is now 39 bp. lower than a month ago. Market pricing seems to be based on the expectation that the Monetary Policy Council will cut NBP interest rates by 100 bp. in June, and the rates keep sliding down as the date of the meeting is drawing near. However, recent inflation data and the budget woes have weakened these expectations and WIBOR rates started rising slightly.

O/N WIBOR rates have remained exceptionally stable over the last 30 days and stayed on the open market operation level for most of that time. The O/N and T/M rates rose to 19-20% only on May 28-30 due to liquidity shortages before the close of the reserve requirement period.

Treasury bills

The supply of Treasury bills remained on the May level on regular Monday tenders and equalled PLN 3.2 billion (including the bills to be tendered on June 25). The supply of 13 week bills rose from PLN 300 million to PLN 400 million, the supply of 26 week bills fell from PLN 1.3 billion to PLN 1.2 billion, and the supply of 52 week bills remained unchanged at PLN 1.6 billion. A new feature was the tender of 2-week bills for the value of PLN 2.8 billion held on June 8. Compared with May the yields on T-bills kept rising until June 18. The yields on 13 and 52-week bills went up by 7 bp., reaching 16.05% and 15.49%, respectively and the yield on 26-week bills increased by 6 bp. to 15.98%. The yield on the bills tendered at the additional auction averaged at 17.15%. However, the ratio of T-bill demand to T-bill supply fell again to 1.50- 2.13, averaging at 1.78 vs. 2.03 in May.

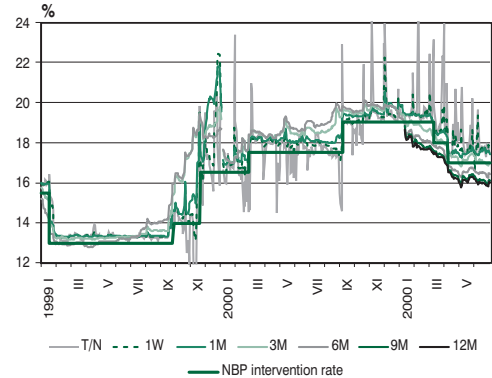
The yields on T-bills traded on the secondary market remained quite stable over the last 30 days, though they fell by 5-10 bp. compared with May 21 after rallying early in June by 10-20 bp.

Treasury bonds

The yields on Treasury bonds rose at the tender held on June 6. The yield on 2-year bonds (OK 0403) reached 14.77%, up from 14.52% in May, and the yield on 5-year bonds increased to 13.07%, up from 12.77% in the previous month. The supply of 2-year bonds rose to PLN 1.5 billion, up from PLN 900 million, and the supply of 5-year bonds dropped from PLN 1.5 billion to PLN 800 million. Following the May pattern, investor demand was lower than usual. The ratio of bond demand to bond supply totalled 1.4 and 2.3 respectively. The offer of variable coupon 10-year bonds (DZ 0110) tendered on April 11 equalled PLN 200 million vs. the demand of PLN 552.9 million. The price averaged at PLN 1009.62 for a bond of PLN 1000 in face value, i.e. slightly below the April figure (PLN 1011.37).

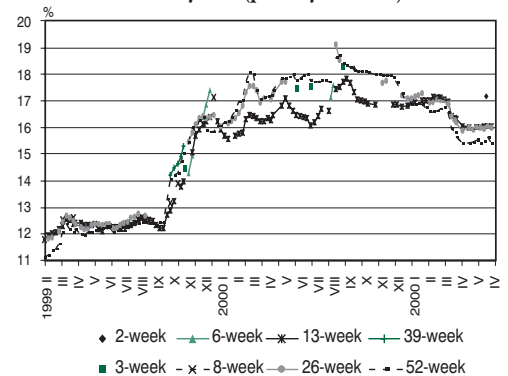
The yield curve continued moving up over the last 30 days due to the adverse effect of poor food price and CPI data published in that time and cabinet member comments on the possibility of budget deficit expansion. The rise was very similar for all terms (40-50 bp.), and was triggered by the fact that the news referred to above made some international investors realise their profits.

WIBOR rates



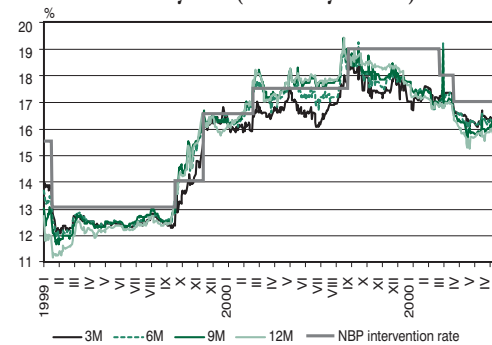
Source: BZ WBK S.A. Treasury and International Division

T-Bill yields (primary auctions)



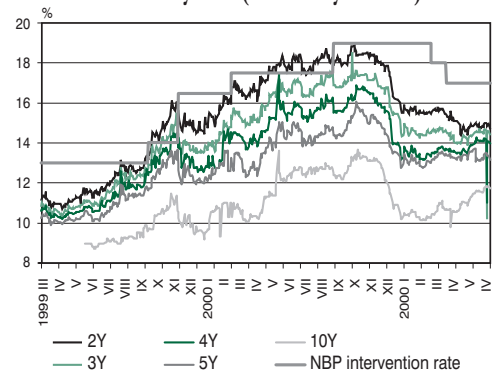
Source: BZ WBK S.A. Treasury and International Division

T-Bill yields (secondary market)



Source: BZ WBK S.A. Treasury and International Division

T-Bond yields (secondary market)



Source: BZ WBK S.A. Treasury and International Division

Monetary policy

NBP interest rates unchanged in May

On the second day of its regular monthly meeting (May 30) the Monetary Policy Council decided to leave NBP interest rates unchanged and retain its neutral monetary policy bias. Consequently, the intervention rate remained at 17.0%, the discount rate at 19.5%, and the lombard rate at 21.0%.

The main reason quoted by the council for leaving the rates unchanged was the condition of the public finance sector, i.e. the high budget deficit level and low privatisation revenues. The council said that the economic budget deficit level stipulated in the Budget Act might be overshoot and reminded that high public finance deficit makes it difficult to pursue a less strict monetary policy, leading to an adverse mix of monetary and fiscal policies.

The council believe that the rise in the CPI figure recorded in April should not be taken to mean that the rate of inflation has returned to a rising trend, even though increases have also been registered in 4 out of 5 core inflation measures and most of them turned out to be higher than the CPI figures. The council pointed out that both facts were compensated for by the drops in PPI and inflation expectations of the general public. However, the May council meeting did not find any improvements in future inflation drivers in comparison with April, and noted the emergence of producer arrangements aimed at product price increases and price hikes introduced by companies dominating on the market. Another possible inflation driver noted by the council was the payment of compensations to Nazi forced labourers (ca. DM 1.8 billion), which is likely to stimulate consumer demand.

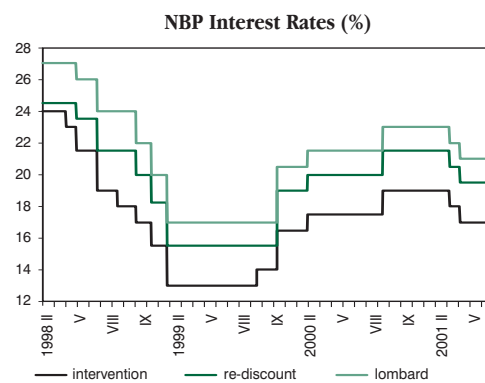
In general, the council concluded that monetary factors remain amenable to maintaining a low price environment in the future.

Discussing external factors, the council pointed out the risk to further export increase due to lower growth projections released for the US, E 12 (primarily in Germany), and Russia.

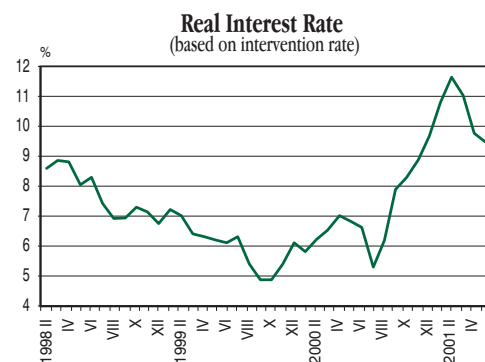
The decision of the council to leave the rates unchanged shows that council members do not yield to political pressures (cf. the comments of numerous politicians demanding interest rates cuts voiced in the weeks preceding the May meeting). The decision shows also that the council remains faithful to its only goal, i.e. lowering the rate of inflation.

Given the poor CPI figures for May and the work on expanding the size of the budget deficit, we believe that the June meeting of the council will also leave NBP interest rates unchanged.

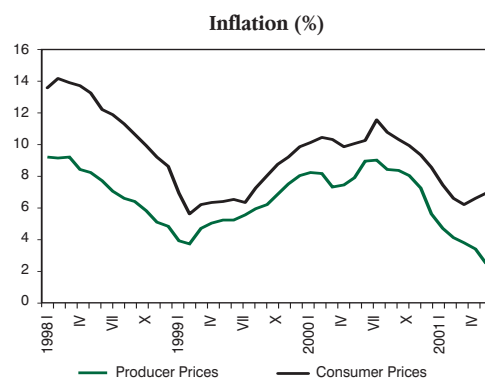
We think that the rates might be cut in July, provided that the June inflation figure drops to 6.4-6.5% y/y and the cabinet decides to slash budget expenditures and leaves the deficit figure intact. A key feature of this scenario is also the failure of the no-confidence vote on the Treasury Minister, helping to maximise the privatisation revenue figure. We believe that the likelihood of this scenario is ca. 70%.



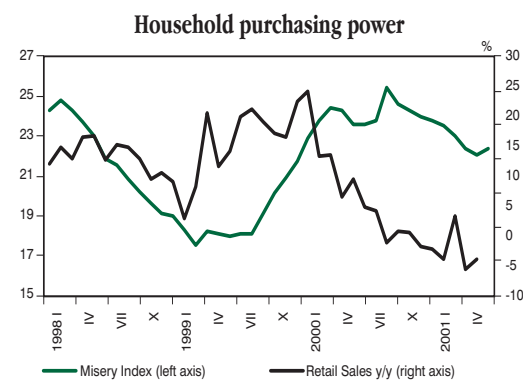
Source: NBP



Source: NBP, CSO, own calculations



Source: CSO



Source: CSO, own calculations

State budget



Budget deficit realised almost in 100%

In May the state budget deficit increased by PLN 1.96bn reaching PLN20.39bn, equivalent to 99.3% of deficit planned in the 2001 budget, against 89.7% in April. For the first time in the last few years almost the whole budget deficit was realised just after 5 months. To compare, in 2000 the deficit amounted to 65.0% of the plan after May and in 1999 (difficult due to introduction of 4 reforms) to 80%.

In January-May 2001, revenues worth of PLN 52.65bn were collected, equivalent to 32.7% of the whole year plan. Expenditures amounted to PLN 73.04bn, representing 40.2% of the plan against 33.5% in April. In May both the revenues and expenditures were lower than in the previous months 2001, but the fall was more significant in expenditures, which may mean that the Finance Ministry already started to limit them.

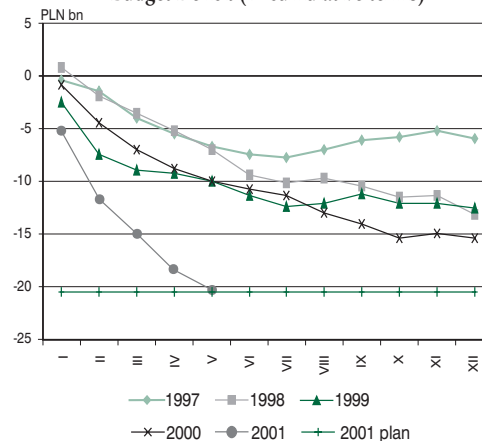
Very high budget deficit this year results mainly from lower than planned tax revenues following weaker economic growth, high exports, low inflation and strong zloty. In June the deficit should decrease due to inflows of the NBP profit (PLN 4.87bn) and from UMTS licences (PLN 1.08 bn). However, in following months, the revenues will be lower again.

In reaction to such situation the Finance Ministry announced that they would cut expenditures and increase budget deficit. According to the Finance Minister Jarosław Bauc, the government will take the decision on reducing the expenditure and increasing the deficit only when the macroeconomic data after the second quarter is known. Thus, it is possible that the current government will prepare the budget review, however, it will be accepted only by the future Parliament. The Director of the Public Debt Department in the Finance Ministry said that the increase in budget deficit by PLN 7-8bn, which would have to be financed from additional issue of debt securities, would pose threat to the debt securities market. However, additional issue of PLN 2-4bn should not, in his opinion, pose any risk. Previously the Economy Minister Janusz Steinhoff said that the deficit rise should not exceed PLN 2bn.

Lower economic deficit in 2000

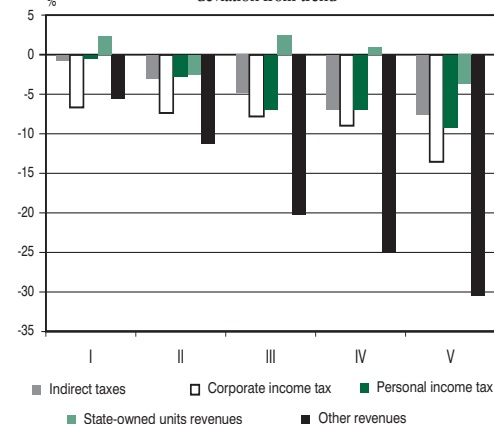
Towards the end of May, the Finance Ministry revised down 2000 economic deficit to 2.0% of GDP from earlier 2.7%. According to final calculations the deficit totalled PLN 13.9bn last year, and not PLN 19.0bn as estimated earlier. The biggest differences between the previous calculations and the actual values was in the outturn of state funds, whose deficit was considerably lower, and of health care sector, where a surplus appeared instead of deficit. This data implies that in 2000 the fiscal policy became more restrictive (from the economic deficit of 2.7% of the GDP in 1999). However, on the other hand, the data means that this year the policy will be less stringent, taking into account the fact that economic deficit will exceed 1.8% assumed in the budget. In addition, significant adjustments may point to the fact that the government has incomplete information on situation in these areas. This also proves that there is little clarity in public finance.

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

Tab. 6. Economic deficit

	2000*			2001		
	2000*	2000	2001	2000*	2000	2001
	PLN bn			% of GDP		
Central government	-15.4	-15.4	-20.5	-2.2	-2.2	-2.6
Local government	-3.3	-3.1	-3.1	-0.5	-0.5	-0.4
Health sector	-0.9	0.7	0.0	-0.1	0.1	0.0
State agency	-3.7	-0.6	-0.1	-0.5	-0.1	0.0
Other	0.5	0.7	0.7	0.1	0.1	0.1
Compensation scheme	-3.4	-3.4	-2.5	-0.5	-0.5	-0.3
Transfers to pension funds	7.6	7.5	14.4	1.1	1.1	1.8
Treasury Ministry inflows correction	-0.4	-0.4	-	-0.1	-0.1	-
Revenues from UMTS	-	-	-3.1	-	-	-0.4
Economic deficit	-19.0	-13.9	-14.2	-2.7	-2.0	-1.8

*) data before revision

Source: Finance Ministry

Money supply

Money supply

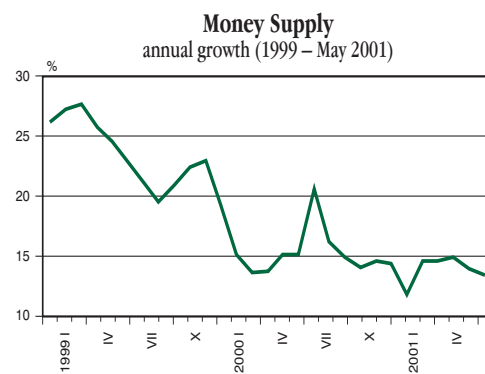
Money supply rose by 0.6% m/m and by 13.5% y/y in May. In year to date terms it has gone up by 3.5% vs. 2.0% in the corresponding period of 2000. Money supply has remained stable at 14.0-14.9% since August 2000. The only exception was December 2000, when it went up by 11.9%.

Lending to the non-financial sector decreased by 0.1% m/m in May. In year to date terms it has gone up by 2.4% vs. 8.0% in the corresponding period of 2000. The slow-down in loan origination both to individuals and businesses has been noticeable since early in 2001. The growth in personal lending decreased to 22.1% y/y in May, down from 25.1% in April and 49.9% in May 2000. At the same time lending to businesses decelerated to 8.3% y/y in May from 9.5% in April and 17.9% in May 2000. The growth rate in personal lending is likely to continue falling in the months to come, and the figure for business loan origination should stabilise at the low level recorded last month.

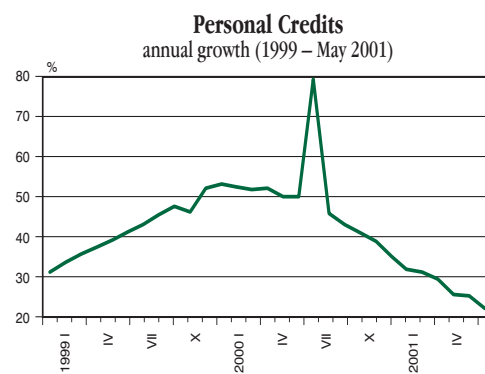
The growth rate in personal deposits has almost caught up with the growth rate in lending. It rose to 21.3% in May, up from 17.1% in May 2000. The growth rate has stabilised since October 2000 and may soon outrun the growth in lending. The propensity to save should stay quite high due to the high real interest rate environment (the monetary policy in place remains tight) and the low consumption level.

The debt of the public sector rose considerably in May (5.7% m/m). This is the highest growth rate recorded this year. The figure comprises the balances of deposits and loans disbursed to the national budget account. The public debt was falling until March this year (PLN 45.4 billion in March 2001, down from 65.7 billion in July 1999), The largest change was recorded in October, when the syndicate of France Telecom and Kulczyk Holdings purchased a 30% stake in TP S.A. for the record high price tag of more than \$4 billion. Privatisation revenues are bound to have a significant impact on money supply this year, too. If the government fails to raise PLN 18 billion on state asset disposal, which is quite likely, the public sector debt to the banking sector will rise as the Ministry of Finance will be forced to increase the supply of T-bills and Treasury bonds.

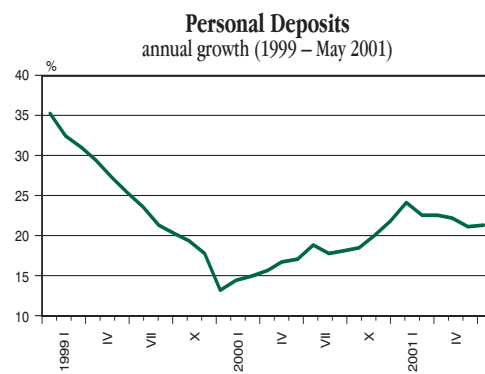
Both trends prevailing in the banking system (falling growth rates in lending volumes and high propensity to save) are likely to continue. Even if interest rates are cut by 200 bp., as expected by the markets, the interest in loans should not rise dramatically. Growing unemployment and meagre salary growth make individuals view their financial condition in quite pessimistic terms and discourage them from taking out consumer loans. At the same time the fall in domestic demand and high interest rates discourage companies from pursuing capital expenditure projects and make them shrink business activity levels, resulting ultimately in lower GDP growth rate.



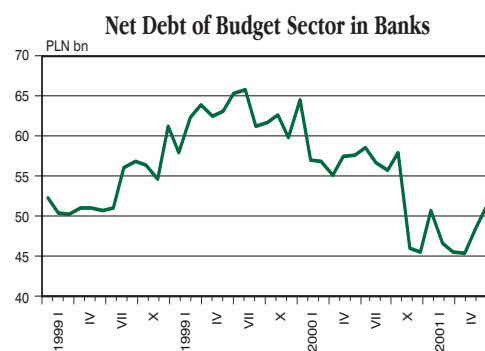
Source: NBP, own calculations



Source: NBP, own calculations



Source: NBP, own calculations



Source: NBP

Salaries, privatisation, debt



Salaries

The average gross salary in the manufacturing sector fell to PLN 2163 in May from 2176 in April. At the same time it rose by 8.8% in y/y and by 1.8% in real terms.

The y/y growth rate has remained stable below the 10% mark since December 2000 and fluctuated between 5.2-9.9%.

Between January and May this year the average salary totalled PLN 2126 vs. PLN 1971 in the corresponding period of 2000. In nominal terms it rose thus by 7.9%.

The low salary growth rate should continue in the months to come as the meagre GDP growth and mounting unemployment do not spur the workforce to fight for pay hikes.

Privatisation: the latest developments

On Tuesday, June 19 the cabinet adopted an updated version of the privatisation schedule for the power generation industry for 2001-2003.

The non-confidence vote on the Treasury Minister is to be held early in July. If the minister is removed, it could expose the privatisation plans for 2001 to substantial risk of delays and pose a threat to the condition of the public finance. The next parliament sitting has been scheduled for July 4-6, but the vote may be held during an extraordinary session as the Sejm has a large number of outstanding issues to be completed before the general election is held.

According to the Treasury Minister, the funds raised in the public offering of a 50% stake in PZU S.A. (the largest insurer in Poland) should total at least PLN 5 billion and be credited on the budget account late this year or early in 2002. A 21% stake will be offered to Eureko, who already hold a 21% stake in PZU S.A. along with BIG S.A. The prospectus may be signed off in September.

The Economic Committee of the Cabinet (KERM) approved the privatisation of the Warsaw Stock Exchange. The cabinet is to debate the issue in the last week of June. The next step will be the selection of the privatisation advisor and the preparation of all requisite documents and timetables. The State Treasury will retain a 25% stake plus one share and up to 40% will be offered to strategic investor. Around 30% of the remaining shares will be subscribed for by brokerage houses and financial institutions, and ca. 5% will be offered to employees (to be bought and not distributed gratuitously). Right now the State Treasury holds a 98% stake in the Stock Exchange and 2% is held by brokerage houses.

The defence sector company which is the closest to completing its privatisation process is Pa?stwowe Zak?ady Lotnicze Warszawa-Ok?cie (Warszawa-Ok?cie State Aviation Enterprise). The ministry wants to raise PLN 100 million this year by selling stakes in the defence sector and completed collecting firm offers for the purchase of stakes in PZL Rzeszów and WSK?widnik in late June.

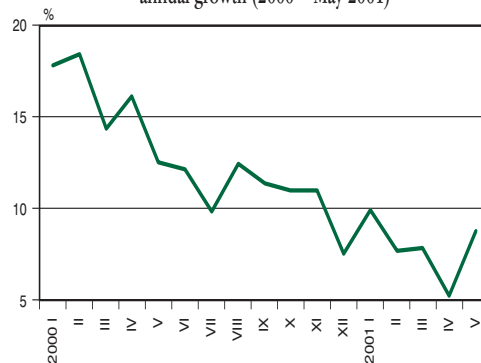
Debt

Total Treasury debt rose by 0.1% in March, reaching PLN 273.085. In Q1 the debt rose by 2.3%.

The domestic debt rose by 1.7% in March and by 6.1% in Q1, reaching PLN 154.844 billion. The share of bond debt increased to 53.7% in March, up from 52.2% in December 2000, while the share of T-bill debt rose to 17.3%, up from 15.9% as of the end of 2000.

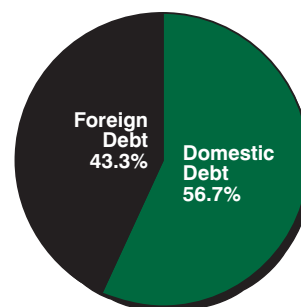
The external debt fell by 1.9% in March and by 2.1% in Q1, totalling PLN 118.241 billion. The largest part of the debt is made up of restructured Paris club debt (ca. 85.7 %) and the Brady bonds (15.1%).

Wages in Corporate Sector
annual growth (2000 – May 2001)



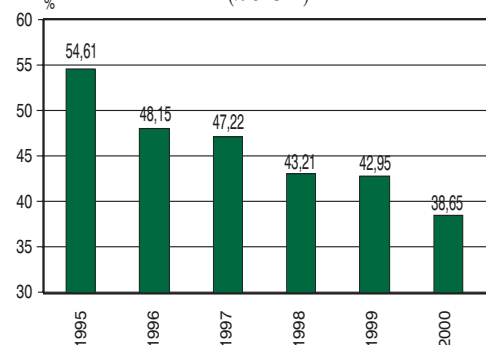
Source: CSO, own calculations

Public Debt Structure
March 2001



Source: Finance Ministry

Public Debt
(% of GDP)



Source: CSO

The USA

The US economy continues to slow down as the macroeconomic data do not indicate substantial changes. Industrial production has been falling for eight months now and it shrank again in May by 0.8%. Capacity utilisation in manufacturing fell to 77.4% (down from 78.2% in April), labour productivity decreased by 1.2% in Q1, and unit costs of employment rose by 6.3% (a 1.2% drop in productivity has not been recorded since 1993). Q1 GDP growth has been restated at 1.3% (down from 2.0% released earlier), and the NAPM index, tracking business activity levels, has been falling for more than a year. However, the rate of inflation remains stable and has not exceeded 3.7%. In May the m/m figure totalled 0.4% and the y/y figure reached 3.6%.

There are more and more comments claiming that the US economy will rebound quite soon, but a quick recovery is not too likely.

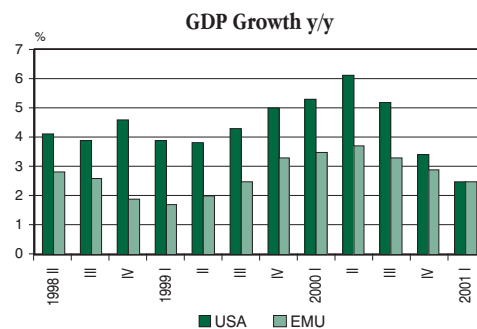
The place of the US economy in the business cycle provides good arguments for interest rate cutting and the FED has done so five times this year (50 bp. each time). Right now the federal funds rate equals 4.0% and the markets expect another cut to be effected at the FED meeting scheduled for June 26-27. This time the cut is expected to reach 25 bp.

The Euro-zone

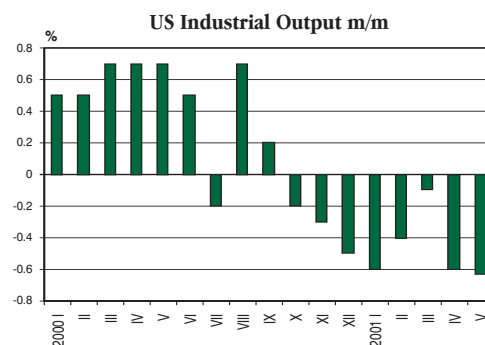
The slow-down has also affected the E 12 countries. Their industrial production growth rates are shrinking, business activity levels are falling, and business and consumer confidence indexes are sinking. The European Commission has recently lowered its GDP growth projection for 2001 to 2.9-2.5%, down from 3.0% forecast in the previous month. However, the economies are expected to return to the fast growth trend in the long term. Investors are especially interested in the developments in German economy, where the projections of GDP growth have already been lowered down to 1.7%.

In contrast to the FED, the ECB is facing a serious dilemma as the falling GDP growth rate is accompanied by high inflation. In May the CPI figure rose to 3.4%, while the ECB objective for the year was 2.0%. In Germany the rate of inflation reached 3.5% (the highest level since 1993) and in France it equalled 2.5%. The main drivers of the rise are the prices of foodstuffs and energy.

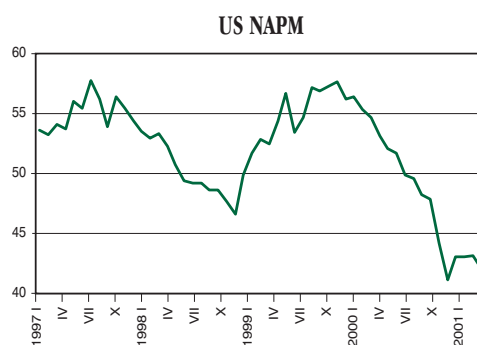
The continuing inflationary pressure is one of the most painful problems for the E 12 economies and the main obstacle to loosening ECB monetary policy. The basic ECB interest rate is now equal to 4.50%. It is higher than in the US and technically it should send the euro up (due to interest rate differential), but it is not the case as investors contemplate the possibility of a rate cut to be effected in the E 12 anyway due to waning business activity.



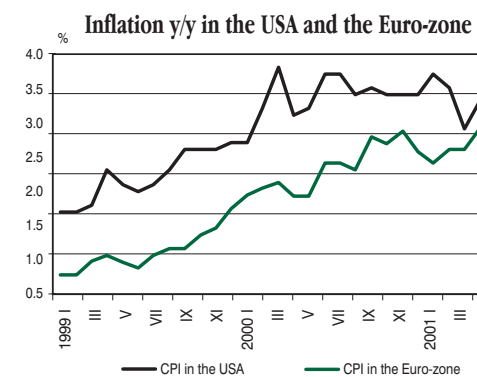
Source: Reuters



Source: Reuters



Source: Reuters



Source: Reuters



Economic Release Calendar June / July 2001				
Monday	Tuesday	Wednesday	Thursday	Friday
25 June POL: GDP (1Q) POL: Unemployment (May) CZ: GDP (1Q)	26 POL: MPC meeting FRA: Inflation (May) USA: Fed meeting USA: Durable goods orders (May) USA: Consumer sentiment (June)	27 POL: MPC meeting (decision) POL: Food prices (1st half of June) USA: Fed meeting (decision)	28 ITA: Inflation (June)	29 POL: Balance of payments (May) POL: Foreign trade on a cash basis (May) FRA: Unemployment (May) FRA: Producer prices (May) USA: GDP (1Q)
2 July CZ: State budget (June) USA: NAPM (June)	3 POL: Food prices (2nd half of June) EUR: Business climate indicators (June) EUR: Unemployment (May) USA: Industrial orders (May)	4 POL: Economic trends in industry, construction and retail trade (June) EUR: Producer prices (May)	5 GER: Unemployment (June) GER: Factory orders (May) EUR: ECB meeting	6 POL: Balance of NBP (June) POL: Official reserve assets (June) FRA: GDP (1Q) USA: Unemployment (June) USA: Wages (June)
9 CZ: Foreign reserves (June) GER: Industrial output (May)	10	11 CZ: Inflation (June) CZ: Unemployment (June) CZ: Construction output (May) GER: Current account (May) GER: Trade balance (May)	12	13 POL: Money supply (June) POL: Employment and wages in corporate sector (June) CZ: Money supply (June) CZ: Industrial output (May) EUR: GDP (1Q - revision) USA: Retail sales (June) USA: Producer prices (June)
16 POL: Inflation (June) POL: State budget (June) CZ: Producer prices (June) ITA: Industrial output (May)	17 USA: Industrial output (June)	18 POL: Industrial output (June) POL: Producer price index in industry and construction (June) FRA: Industrial output (June) EUR: Inflation (June) USA: Inflation (June)	19 CZ: Retail sales (May) EUR: ECB meeting USA: Foreign trade (May) USA: Leading indicators (June)	20 POL: Unemployment (June) EUR: Industrial output (May)
23 GER: Business climate IFO (June)	24 POL: Food prices (1st half of July)	25 CZ: Foreign trade (June)	26 USA: Durable goods orders (June)	27 EUR: Foreign trade (May) USA: GDP (2Q)
30	31 POL: Balance of payments (June) POL: Foreign trade on a cash basis (June) FRA: Unemployment (June) FRA: Producer prices (June) ITA: Producer prices (June) USA: Consumer sentiment (July)	1 August USA: NAPM (July)	2 POL: Food prices (2nd half of July) EUR: ECB meeting USA: Industrial orders (June)	3 POL: Economic trends in industry, construction and retail trade (July) USA: Unemployment (July)

A glance at the economy

Category	unit	May	June	July	August	September	October	November	December	January	February	March	April
PRICES													
Consumer price index (y/y)	%	10.2	11.6	10.7	10.3	9.9	9.3	8.5	7.4	6.6	6.2	6.6	6.9
Consumer price index (m/m)	%	0.8	0.7	-0.3	1.0	0.8	0.4	0.2	0.8	0.1	0.5	0.8	1.1
Production price index (y/y)	%	8.9	9.0	8.4	8.3	8.0	7.2	5.6	4.7	4.1	3.8	3.4	2.5
Production price index (m/m)	%	1.0	0.6	0.4	0.8	0.6	0.0	-0.9	-0.3	-0.1	0.2	0.2	0.1
Price index of assembly and construction production (y/y)	%	8.8	9.1	8.7	8.1	7.8	7.6	6.9	6.8	6.5	5.7	4.9*	4.7
Price index of assembly and construction production (m/m)	%	0.7	0.4	0.5	0.2	0.5	0.4	0.2	0.4	0.4	0.1	0.3	0.5
Exchange rate USD/PLN (y/y)	%	11.6	11.3	10.3	10.1	12.8	7.2	3.5	0.2	-1.0	-0.7	-5.1	-11.5
Exchange rate USD/PLN (m/m)	%	-2.2	-1.7	0.8	3.0	3.3	-1.6	-5.4	-4.7	-0.4	-0.8	-1.0	-0.9
Exchange rate EUR/PLN (y/y)	%	1.9	1.3	-5.9	-8.7	-9.8	-11.2	-8.1	-7.1	-7.7	-6.5	-10.3	-14.5
Exchange rate EUR/PLN (m/m)	%	2.4	-2.5	-2.9	-0.8	1.4	-1.7	-0.6	-0.4	-2.5	-2.0	-2.8	-2.9
Real gross wages in enterprise sector (y/y)	%	1.3	-2.2	1.1	0.4	0.5	0.8	-1.9	2.4	1.1	1.6	-1.3	1.8
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	5.2	-	-	3.3	-	-	2.4	-	-	2.3	-	-
Industrial output (y/y)	%	13.4	7.8	9.2	5.0	7.1	4.7	-2.2	10.1	0.1	2.9	3.6	-1.0
Industrial output (m/m)	%	1.2	-6.9	6.1	5.0	2.1	-3.1	-1.4	-8.9	-2.5	14.7	-7.7*	2.9
Construction and assembly production (y/y)	%	1.2	-2.9	-2.1	-3.7	-1.7	-1.1	-6.9	-9.7	-9.1	-8.2	-10.8	-11.9
Construction and assembly production (m/m)	%	11.6	-4.6	7.2	7.0	6.6	-17.6	40.3	-59.3	7.4	18.6	-2.9	15.3
Retail sales of goods ^a (y/y)	%	14.8	10.3	11.2	10.4	7.2	5.8	3.2	10.9	-0.2	0.1	1.9	-
Retail sales of goods ^a (m/m)	%	2.8	-0.7	1.4	-0.8	1.5	-3.4	20.8	-27.6	-1.7	17.5	4.0	-
Exports on a customs basis (y/y)	%	34.9	40.1	29.4	24.4	27.9	24.0	18.6	29.9*	11.7*	11.4	-	-
Exports on a customs basis (m/m)	%	5.2	0.7	-3.1	10.5	10.0	-3.6	-8.5	1.1*	-2.0*	5.2	-	-
Imports on a customs basis (y/y)	%	24.0	21.5	15.9	8.2	16.2	3.7	3.7	14.3*	-3.3*	1.3	-	-
Imports on a customs basis (m/m)	%	-6.3	-1.0	-6.1	8.1	14.0	-7.0	-2.9	-11.2*	-4.2*	14.6	-	-
LABOUR MARKET													
Number of unemployed	thous.	2 437	2 478	2 496	2 529	2 548	2 613	2703	2 836	2 877	2899	2 878	2841
Unemployment rate	%	13.6	13.8	13.9	14.0	14.1	14.5	15.0	15.6	15.8	15.9	15.8	15.7
Average employment in corporate sector	thous.	5 295	5 284	5 271	5 269	5 274	5 247	5 199	5 184	5 189	5 170	5 156	5 135
Average monthly gross wages in corporate sector	PLN	2 049	2 036	2 051	2 088	2 089	2 160	2 350	2 069	2 075	2 149	2 176	2 163
Nominal increase in wages (y/y)	%	11.5	9.2	11.9	10.7	10.4	10.2	6.4	9.9	7.7	7.9	5.2	8.8
STATE BUDGET													
Budget revenues	PLN bn	64.2	74.8	86.2	98.0	110.5	123.0	135.7	11.6	21.0	31.6	42.4	52.6
Budget expenditures	PLN bn	75.0	86.1	99.2	111.9	125.9	137.9	151.1	16.7	32.9	46.7	60.8	73.0
State budget deficit	PLN bn	-10.8	-11.3	-13.0	-14.0	-15.4	-14.9	-15.4	-5.1	-12.0	-15.1	-18.4	-20.4
Domestic government debt	PLN bn	143.7	-	-	153.4	-	-	146.0	-	-	154.8	-	-
Foreign government debt	PLN bn	135.8	-	-	134.2	-	-	120.8	-	-	118.2	-	-

A glance at the economy



Category	unit	May	June	July	August	September	October	November	December	January	February	March	April
BALANCE OF PAYMENTS													
Current account	USD m	-860	-701	-961	-592	-852	-416	-816	-932	-461	-749*	-614	-
Trade balance	USD m	-1 041	-1 042	-1 324	-972	-1 058	-858	-1 038	-1 499	-724	-907*	-752	-
Exports	USD m	2 397	2 473	2 271	2 424	2 520	2 654	2 759	2 448	2 393	2 615*	2 608	-
Imports	USD m	3 438	3 515	3 595	3 396	3 578	3 512	3 797	3 947	3 117	3 522*	3 360	-
Services: net	USD m	-159	-131	-119	-90	-100	-104	-155	-111	-85	-82*	-101	-
Unclassified transactions: net	USD m	337	309	350	420	485	295	340	248	243	239	385	-
Capital and financial account	USD m	-165	343	725	357	2 192	528	351	1 359	964	-33*	-95	-
Direct investments	USD m	363	488	169	242	4 653	537	570	486	383	343*	560	-
Portfolio investments	USD m	90	232	-234	-72	-345	504	135	788	699	891*	-197	-
MONEY SUPPLY													
Money supply	PLN bn	285	277	278	281	287	291	294	293	296	301	303	305
Money supply (y/y)	%	20.6	16.2	14.9	14.1	14.6	14.4	11.8	14.6	14.6	14.9	14.0	13.5
Money supply (m/m)	%	5.9	-2.7	0.3	1.0	2.4	1.3	1.1	-0.6	1.0	1.9	0.6	0.6
Total deposits (y/y)	%	23.3	18.5	17.1	16.1	17.4	17.0	15.5	17.5	17.1	16.8	16.1	15.5
Total deposits (m/m)	%	6.4	-3.1	0.5	1.1	3.0	1.7	1.1	0.1	0.9	1.7	0.4	1.0
Household loans (y/y)	%	79.4	45.7	42.9	40.9	38.9	34.8	31.7	31.3	29.4	25.7	25.1*	22.1
Household loans (m/m)	%	25.2	-15.0	2.5	3.0	2.3	1.2	2.1	0.2	-0.3	0.4	1.1	1.3
Corporate loans (y/y)	%	19.7	18.8	18.2	17.4	16.1	14.0	13.5	12.2	12.0	11.7	9.5*	8.3
Corporate loans (m/m)	%	2.2	0.1	1.4	2.3	1.4	0.4	-1.9	1.2	0.9	0.6	0.0*	-0.5
FINANCIAL INDICATORS													
Average deviation from the central parity	%	-0.4	-2.7	-3.8	-2.8	-0.6	-2.4	-5.0	-7.4	-8.8	-10.1	-11.8	-13.7
Average exchange rate USD	PLN	4.3994	4.3229	4.3593	4.4900	4.6369	4.5606	4.3143	4.1108	4.0925	4.0599	4.0175	3.9807
Average exchange rate EUR	PLN	4.1740	4.0684	3.9486	3.9152	3.9696	3.9035	3.8802	3.8648	3.7689	3.6952	3.5904	3.4856
Average exchange rate DEM	PLN	2.1341	2.0801	2.0189	2.0018	2.0296	1.9958	1.9839	1.9761	1.9270	1.8893	1.8357	1.7822
Average WIBOR T/N	%	17.73	17.87	17.31	18.84	19.74	20.07	19.50	19.73	19.82	19.33	18.56	17.91
Average WIBOR 1M	%	18.13	18.05	18.24	19.39	19.47	19.65	19.83	19.44	19.33	18.36	17.45	17.50
Average WIBOR 3M	%	18.55	18.51	19.12	19.55	19.68	19.75	19.67	18.97	18.61	18.01	17.17	17.22
Average 3M T-bill yield	%	16.49	16.48	17.38	18.17	17.53	17.44	17.60	17.12	17.29	17.20	16.44	16.24
Average 6M T-bill yield	%	17.26	17.16	17.92	18.47	17.83	17.78	17.84	17.43	17.09	17.16	16.36	16.21
Average 9M T-bill yield	%	17.76	17.67	18.28	18.55	18.11	17.97	17.91	17.40	17.15	17.01	16.11	15.84
Average 12M T-bill yield	%	17.85	17.76	18.34	18.65	18.41	18.31	18.01	17.23	16.97	16.85	15.80	15.67
Average 2Y T-bond yield	%	18.02	17.77	18.27	18.11	18.54	18.23	17.20	15.68	15.48	15.60	14.59	14.92
Average 5Y T-bond yield	%	14.60	14.14	14.53	14.50	15.53	15.10	13.93	13.08	12.92	13.33	13.47	13.38
Average 10Y T-bond yield	%	12.46	12.53	12.72	12.40	13.24	13.06	11.50	10.44	10.23	10.68	10.61	11.30
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	17.5	17.5	19.0	19.0	19.0	19.0	19.0	19.0	19.0	17.0	17.0	17.0
Rediscount rate	%	20.0	20.0	21.5	21.5	21.5	21.5	21.5	21.5	21.5	19.5	19.5	19.5
Lombard rate	%	21.5	21.5	23.0	23.0	23.0	23.0	23.0	23.0	23.0	21.0	21.0	21.0

* data officially corrected, * in current prices

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



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