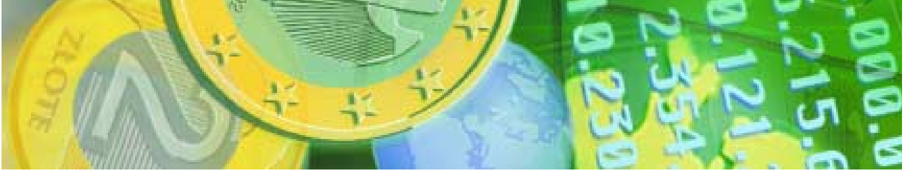


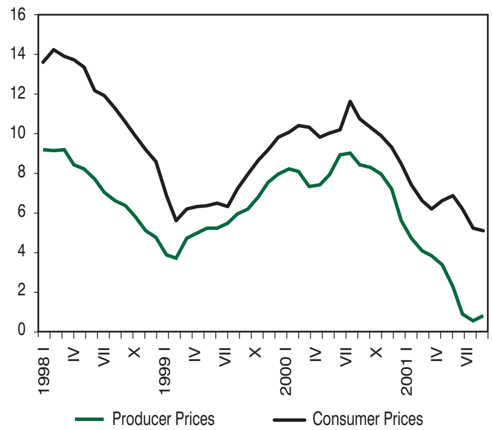
Poland's Economy – Financial Markets

October 2001 Nº 27

Main economic trends

- Since the beginning of 2000 the pace of the economic growth in Poland has been weakening. The second quarter 2001 – when the GDP increased only by 0.9% – was probably the worst. Starting from the third quarter, a slight improvement may be expected.
- In the first half 2001, domestic demand decreased. In the third quarter some revival symptoms appeared.
- Inflation remains in a downward trend. At the end of this year it will be definitely lower than NBP inflation target set in the range of 6-8%.
- PPI increased in August for the first time since July 2000, although only to 0.8% y/y. Last month producer inflation fell to the record low level of 0.6% y/y.
- After very weak results in the second quarter this year, industrial production slightly improved in July and August.
- Monetary aggregates (money supply, credits and deposits) remain under control.
- Favourable tendencies in the balance of payments are maintained. Threats of deterioration in export results in the second half this year did not materialise. One of the most important macroeconomic indicators – current account to GDP – decreased to the safe level of 4.6% of GDP.
- Real interest rates are still at very high level, despite interest rate cuts introduced by the Monetary Policy Council.
- Uncertainty about the future government and next year's budget act remains a risk factor.
- Situation in the labour market still deteriorates. The unemployment rate will be probably rising in 2002.
- Despite very important events that happened last month in Poland (parliamentary election) and in the world (terrorist attacks in USA), the zloty remained stable.
- In September, the yield curve in T-bond sector in the secondary market became flatter for the second month in a row. It was due to the fact that foreign investors' bid on short-term papers was higher.

Inflation (%)



Source: CSO

In this issue

External situation and developments on the political scene dominated the domestic market in September.

Impact of events of 11 September in the USA on the Polish situation should be limited although there exist concerns about the future condition of the Polish economy.

The terrorist attacks can have the effect of temporary weakening of the economic growth rate in the world. Through lower demand, it will also impact the GDP and inflation in Poland.

The possibility of recession in the USA and stagnation in the European Union persuaded UBS Warburg investment bank to reduce their forecast on economic growth for countries classified as emerging markets. 'Turkey and Poland are most responsible for the reduction in forecasts in this region.' The growth forecast for Poland for this year was reduced to 1.7% against 2.7% assumed earlier. The next year forecast was cut to 2.5% from earlier 3.5%.

In September, the CSO informed about the GDP growth in the second quarter 2001. It was the lowest growth in almost 10 years. The reasons for poor economic situation are as follows: a drastically falling domestic demand and a slowdown in the global economy. Concerns arise about a drop in gross fixed assets capital expenditure in the second quarter by 8.4%.

Starting from the third quarter this year, slight improvement can be expected. Positive signals come from data on balance of payments. Growth in imports in August and higher personal customers' interest in borrowing in the third quarter may suggest that the domestic demand starts recovering. Unclassified turnover was very high for the second month in a row, which proves that border trade is developing. Exports – despite concerns about its slowdown in the second quarter – disclosed quite good performance. Average exports value (according to NBP data) was USD 2.521bn in the period January – August against USD 2.355bn on average in 2000.

Poor data on economic situation and further inflation fall argue for another interest rate reduction. However, much will depend on the economic policy that the winning coalition SLD-UP wants to follow. It was some surprise for the market that SLD-UP did not win parliamentary majority and accordingly, SLD-UP will look for support from other political groups or will form a minority government. At present, coalition with PSL seems probable. The key problem will be to finance this and next year deficit in public finance.

The MPC members positively assessed most of Marek Belka's proposals. However, it is still not entirely sure if Prof. Belka will become the Finance Minister in Leszek Miller's government – as announced earlier.

Election results arose some confusion on financial markets as these already managed to discount the fact that SLD-UP would have majority in the Parliament. In expectation of meetings with possible coalition members to form a government, trade will remain limited.

At present, the most important seems to be whether the new government will want to drastically cut expenditures and introduce unpopular among voters reforms, which is necessary to avoid a crisis in public finance next year.

Tab. 1. Inflation indicators

	04 2001	05 2001	06 2001	07 2001	08 2001	*09 2001 P*
Consumer Price Index (m/m, %)	0.8	1.1	-0.1	-0.3	-0.3	*0.5*
Consumer Price Index (y/y, %)	6.6	6.9	6.2	5.2	5.1	*4.6*
Producer Price Index (m/m, %)	0.2	0.0	-0.4	0.3*	0.5	*0.4*
Producer Price Index (y/y, %)	3.4	2.3	0.9	0.6*	0.8	*0.4*

Tab. 2. Activity indicators

	03 2001	04 2001	05 2001	06 2001	07 2001	08 2001
Retail Sales Index (m/m, %)	17.5	4.0	1.7	-1.3	0.5	2.9
Retail Sales Index (y/y, %)	0.1	1.9	4.3	0.2	1.5	3.0
Household loans (y/y, %)	25.7	25.1	22.1	-1.3	20.3*	20.3
Industrial Output (m/m, %)	14.7	-7.7	3.1	-2.8	-1.4*	5.9
Industrial Output (y/y, %)	2.9	3.6	-0.9	-4.8	0.9*	0.7
Exports, current prices (in payment terms, y/y, %)	10.3	26.2	2.7	3.3	3.4*	17.3
Imports, current prices (in payment terms, y/y, %)	-2.5	5.3	10.2	-1.7	-3.8*	3.1
Foreign Trade Balance (NBP, USD m)	-907	-708	-1165	-902	-825*	-1042
State Budget Balance (PLN m)	-15.1	-18.4	-20.4	-18.7	-19.4	-21.0

Tab. 3. Poland's Economy

	1997	1998	1999	2000	*2001 P*
Gross Domestic Product (fixed prices, y/y, %)	6.8	4.8	4.1	4.0	*2.2*
Individual Consumption (y/y, %)	6.9	4.9	5.4	2.4	*2.2*
Gross expenses on fixed assets (y/y, %)	21.7	14.5	6.5	3.1	*1.5*
Exports, constant prices (y/y, %)	13.7	9.4	-2.6	16.0	*9.0*
Imports, constant prices (y/y, %)	22.0	14.6	1.0	7.6	*3.0*
Inflation (average annual, %)	14.9	11.8	7.3	10.1	*5.8*
Inflation (year end, y/y, %)	13.2	8.6	9.8	8.5	*5.2*
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	*-4.8*
Public debt / GDP (%)	47.2	43.2	43.0	42.3	*44.5*

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

Source: CSO, NBP, own forecasts and estimations

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

Category	2000	I kw. 2001	II kw. 2001	III kw. 2001	IV kw. 2001	2001	2002	2003	2004	2005
Interest rates										
1M	18.50	19.03	17.44	15.61	14.65	16.70	11.7	9.9	8.1	7.1
3M	18.78	18.53	17.09	15.37	14.40	16.40	11.5	9.7	8.0	7.0
6M	18.92	18.02	16.50	15.03	14.10	15.90	11.2	9.4	7.8	6.9
12M	19.01	17.61	16.07	14.82	13.90	15.60	11.0	9.2	7.6	6.7
Lombard rate	21.90	22.62	20.95	19.08	18.14	20.20	15.2	12.8	11.2	9.9
(end of period)	23.00	22.00	19.50	18.50	17.50	17.50	14.0	12.0	10.5	9.5
Intervention rate	17.90	18.62	16.95	15.08	14.14	16.20	11.2	9.4	7.7	6.7
(end of period)	19.00	18.00	15.50	14.50	13.50	13.50	10.0	8.5	7.0	6.5
Treasury bonds yields										
2L (bid)	17.37	15.59	14.91	14.37	13.60	14.70	9.8	8.7	7.5	6.6
3L (bid)	16.20	14.54	14.36	14.20	13.30	14.15	9.5	8.5	7.4	6.5
5L (bid)	14.00	13.12	13.38	13.43	12.00	13.00	9.0	8.2	7.3	6.4
10L (bid)	11.79	10.46	11.22	11.81	10.40	11.00	8.5	8.1	7.1	6.2
T-bills yields										
13-week	16.96	17.20	16.26	14.44	13.50	15.40	11.0	9.4	7.5	6.6
52-week	17.77	17.02	15.70	14.67	13.70	15.30	10.7	9.0	7.2	6.6
Exchange rates										
USD/PLN	4.3465	4.0876	3.9895	4.2168	4.23	4.13	4.40	4.60	4.76	4.94
EUR/PLN	4.0110	3.7765	3.4884	3.7545	3.91	3.73	4.09	4.28	4.33	4.40
EUR/USD	0.9172	0.9240	0.8744	0.89	0.925	0.90	0.93	0.93	0.91	0.89
USD/PLN (end of period)	4.1432	4.1000	3.9871	4.2367	4.28	4.28	4.50	4.72	4.85	5.00
EUR/PLN (end of period)	3.8544	3.6170	3.3783	3.8810	4.00	4.00	4.18	4.34	4.37	4.40
EUR/USD (end of period)	0.9303	0.8822	0.8473	0.9160	0.935	0.935	0.93	0.92	0.90	0.88
Macroeconomic indicators										
Real GDP (y/y, %)	4.0	2.3	0.9	2.2	3.5	2.2	3.0	4.0	5.0	5.0
Industrial output (y/y, %)	7.1	4.4	-0.7	-0.5	6.4	2.4	4.2	4.8	6.0	6.2
Inflation (y/y, %) (end of period)	8.5	6.2	6.2	4.6	5.2	5.2	5.0	4.2	4.0	3.6
Inflation (y/y, %)	10.1	6.7	6.6	5.0	4.9	5.8	5.3	4.8	4.2	3.7
Unemployment rate (%) (end of period)	15.0	15.9	15.8	16.1	17.0	17.0	18.8	18.5	17.5	16.0
Current account/GDP (%) (end of period)	-6.2	-5.3	-5.4	-4.5	-4.8	-4.8	-5.5	-6.0	-6.5	-6.8
Economic deficit/GDP (%)	-2.0	-	-	-	-	-4.3	-4.4	-3.9	-3.6	-2.8
Public debt/GDP (%)	42.3	-	-	-	-	44.5	46.0	46.5	45.0	42.0

Forecast date: 3 October 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.

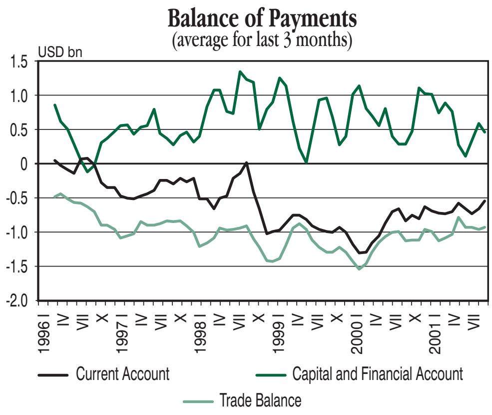
Current account deficit – still low

The current account deficit totalled in August USD 392m against USD 285m in July and USD 961m in August 2000. Slightly worse result as compared to July stems from a trading deficit increase to USD 1.042bn from USD 825m in July. Both exports (USD 2.663bn) and imports (USD 3.705bn) were higher than in July. The higher growth of the latter, implying a growth in domestic demand, led to an increase in trading deficit. Data on foreign trade is a signal of economic revival, whose first signs appeared in the third quarter this year.

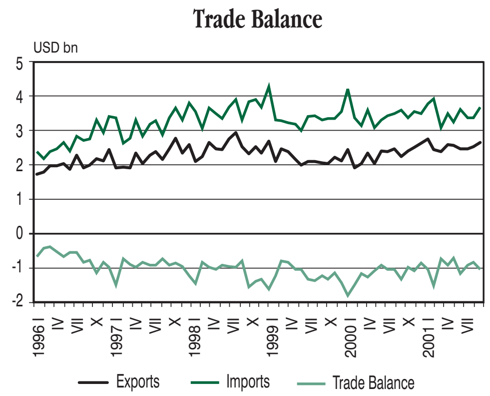
Surplus in unclassified turnover was high for the second moth in a row and amounted to USD 478m. It proves that border and bazaar trade is developing.

In relation to GDP, current account deficit fell to about 4.6% from 5.0% in July. The current level is the lowest from March 1999.

In January-August 2001 period, the current account deficit totalled USD 5.052bn against USD 7.257bn in the corresponding period last year. Trade deficit was USD 7.793bn versus USD 9.237bn a year ago. In January-August this year, exports rose by 12.6% y/y to USD 20.164bn and imports increased by 3.0% y/y to USD 27.957bn. In YTD terms, there is an improvement in CA deficit and trade deficit. Export growth increased and import growth decreased. Favourable tendencies were maintained as exports grow faster than imports. In the months to come, the current trends in the balance of payments should be continued, which will have positive impact on the currency market.



Source: NBP, own calculations



Source: NBP

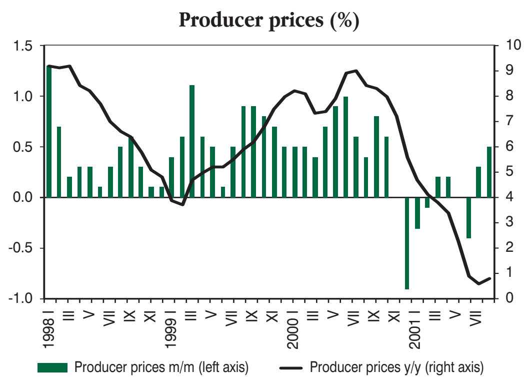
Good data on industrial output, rise in producer inflation

Industrial output increased by 5.9% m/m and 0.7% y/y in August. There was even a higher growth in production: 6.7% m/m and 0.8% y/y. Production sector comprising energy, water and gas supply traditionally showed highest annual growth of 0.8% y/y, although it was only 0.7% m/m. The situation in mining looks worst – m/m indicator did not change, which triggered a fall by 10.1% y/y. In the construction sector, despite the growth by 2.7% m/m, negative annual variance even deepened to -14.0% from -10.3% a month ago.

In January-August period production rose by 1.2% compared to corresponding period last year. This data was much better than expected and may be the first signals of slight economic revival in the third quarter this year. After very weak economic growth in 2Q (only 0.9% of GDP growth), there should be an improvement in the second half year.

In August, prices of sold industrial output rose by 0.5% m/m and 0.8% y/y. Moreover, the July data was corrected upwards (0.3% m/m and 0.6% y/y from respectively 0.1% and 0.4%). It is the first growth of the producer inflation indicator y/y since July 2000. August PPI increase was bigger than expected (the average growth was forecasted at 0.4% y/y). One of the reasons was a big rise in prices of coal mining – by 1.6% m/m. Also manufacturing prices rose higher than in previous months (by 0.5% m/m), though they were lower by 1.3% than in August 2000. Higher than expected increase of producer prices also confirms the thesis of a revival in economic processes in August.

Source: CSO



Source: CSO

Further consumer inflation fall

In August, inflation was –0.3% m/m and 5.1% y/y (fall from 5.2% y/y in July). This data met the market expectations. Between January-August, increase in consumer prices amounted to 2.5% against 5.9% in the corresponding period last year. August was the third month in a row with deflation. This was mainly due to decreasing prices in the group of food and non-alcoholic beverages (by 1.3% m/m). Moreover, there was a drop in prices of fuel (by 0.6% m/m) as well as clothing and footwear (by 0.5% m/m). The fall in the last group may prove a low domestic demand. The annual consumer price growth at 5.1% has been the lowest since the beginning of economic transformations in Poland. In September, the CPI will drop to ca. 4.6% but towards the end of the year it will be slightly above 5%. However, there is a risk that if the new government introduced 5% import tax next year and increased VAT from 22% to 24% (both solutions are being considered) then as early as in January, inflation would rise by ca. 2 percentage points.

In August, for the third time in a row all core inflation indicators fell in y/y terms. They ranged from 4.2%-6.5% against 4.5%-6.7% in July. The falls were 0.2%-0.5%.

The core inflation indicator calculated after the exclusion of controlled prices from the basket (controlled prices are those whose significant part consists of excise tax – e.g. in the case of fuel or alcohol products, or those which are subject to other regulations – e.g. electricity) dropped to 4.8% in August from 5.2% in July. The indicator measured after the exclusion of highest volatility prices is still at the lowest level of all the core inflation indicators and amounts to 4.2% against 4.5% in the previous month. After the exclusion of highest volatility prices and fuel prices, inflation decreased to 4.6% from 5.4% in July. The core inflation indicator in the form of the 15%-trimmed average reduced to 5.0% from 5.5% a month earlier. Out of all core inflation indicators, the net inflation is at the highest level. It does not comprise food and fuel prices, decreasing in the recent months. In August, it dropped to 6.5% from 6.7% in the previous month.

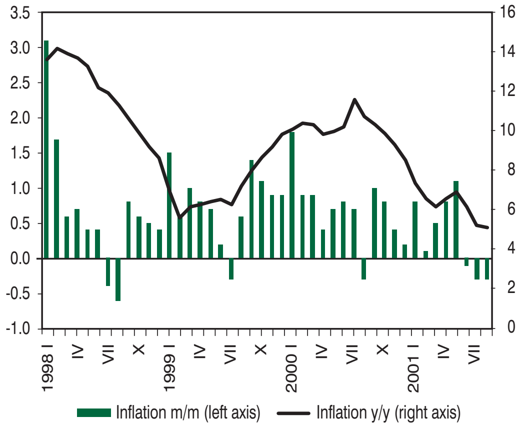
Poor economic growth in the second quarter 2001

In the second quarter this year, Poland's Gross Domestic Product increased by 0.9% y/y in real terms, against an increase of 2.3% in the first quarter and 5.0% in the corresponding period last year. It was the worst growth in the last 10 years. This data, implying significant slowing down, was in line with expectations. GDP growth amounted to 1.6% in the first half of 2001.

Domestic demand decreased by 1.2% in 2Q (versus a fall of 1.4% in the previous quarter) mainly due to declining investment spending. Gross accumulation decreased by as much as 10.6% (against a fall by 3.8% in the first quarter). Fixed assets capital outlays dropped by 8.4% while the previous quarter saw their increase by 1.5%. On the other hand, individual consumption rose by 1.7%, which is more than in the previous quarter. Gross added value increased by 0.8%, although its rise appeared only in services (by 3.7%), while it fell in industry (by 1.2%) and in construction by (8.0%).

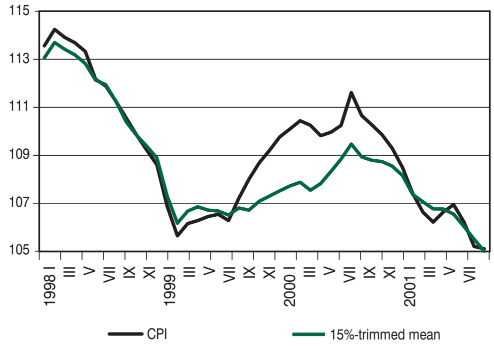
Falling domestic demand and slowdown in global economy are the reasons for a poor condition of the Polish economy. Better industrial output and higher imports in August allow to expect a little improvement in the third quarter. However, we expect that in the whole 2001 GDP will grow by ca. 2% against 4% in 2000.

Inflation (%)



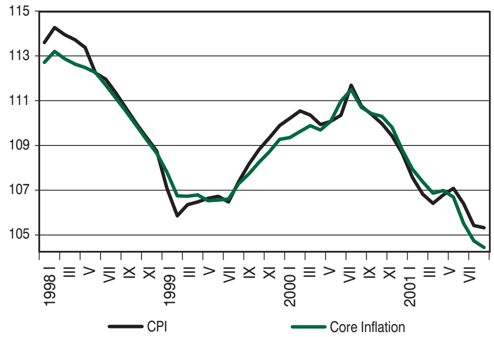
Source: CSO

CPI and 15%-trimmed mean



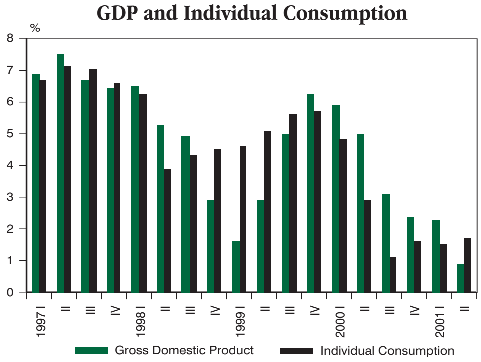
Source: CSO, NBP

CPI and Core Inflation
with most volatile prices excluded



Source: CSO, NBP

GDP and Individual Consumption



Source: CSO

The zloty

Despite very important developments, which took place both in Poland (parliamentary election) and in the world (terrorist attacks on the United States) last month, the zloty remained stable. Towards the end of September, its rate both against the dollar and the euro was almost at the same level as at the end of August. Also the deviation from the old parity at the end of both of these months was identical (5.9% on the stronger side).

In September, the average rate of the Polish currency in relation to the dollar was at PLN 4.2185 per USD (at fixing). As compared to August, it means the strengthening of the zloty by 0.6% against the American currency, however, as compared to the rate in September 2000, the zloty was stronger by 6.0%. After a short weakening against the dollar to USD 4.2602 on 4 September, the zloty gradually firmed up, reaching PLN 4.1305 on the wave of pre-election speculations on Friday, 21 September. However, at the end of the month, when it turned out that there would be serious difficulties with the establishment of the new government, the zloty weakened to PLN 4.2367 per USD.

The average zloty rate against the euro was PLN 3.8450 in September, which means a slight weakening of the Polish Currency (by 0.6%) against the previous month and the strengthening by 1.8% y/y. The lowest zloty rate against the euro was recorded on 5 September (PLN 3.7682). Then, there was a weakening to PLN 3.9569 on 17 September. At the end of the month, the zloty reached PLN 3.8810 per EUR.

The average deviation from the old parity was 6.5% (on the appreciation side)against 6.6% a month ago. The lowest deviation occurred the euro was strong – on 17 April – and amounted to 4.8%. Later on, as a result of pre-election strengthening of the Polish currency, the deviation increased to 7.9% on 21 September, however, at the end of the month it returned to ca. 6%.

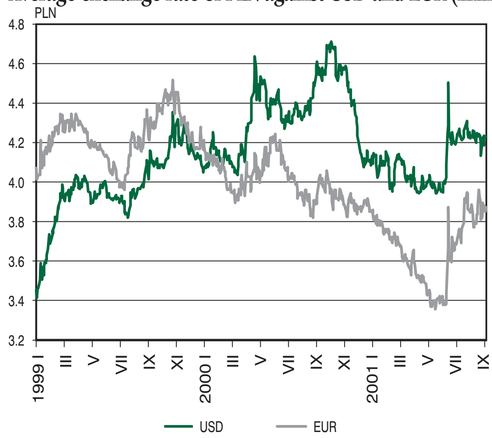
The euro

At the beginning of September, the upward trend of the euro against the dollar, continued since the beginning of July was corrected. The EURUSD rate dropped below the barrier of USD 0.90 per EUR. The euro weakened as a result of profit taking. On Tuesday 4 September, there was a stronger weakening to the level of USD 0.8860 after unexpectedly good data on the situation in manufacturing sectors of the American industry. Good data on the unemployment in Germany stopped the fall. However, later on, the euro was getting stronger after poor data from non-manufacturing sectors of the American industry and very high unemployment rise in the USA, again exceeding the level of USD 0.90.

The terrorist attacks on the USA (Tuesday 11 September) were followed by the dollar weakening against the euro, although the dollar drops in the first days after the tragedy were not strong. Only towards the end of the week, the fall of the American currency against the euro deepened due to increased concerns on the market that the attacks on the USA could stop already poor economic growth and that the American economy would not avoid recession. The euro increased to USD 0.9244. All published macroeconomic data remained overshadowed by events in the USA. On 17 September, the rate of the European currency rose to the highest level in the last 6 months and exceeded the level of USD 0.93. There was a great uncertainty on the financial markets and investment risk rose. However, later on, the sentiments calmed down and the dollar firmed up to ca. USD 0.91 per EUR at the end of September. The American currency was also supported by intervention of the Bank of Japan.

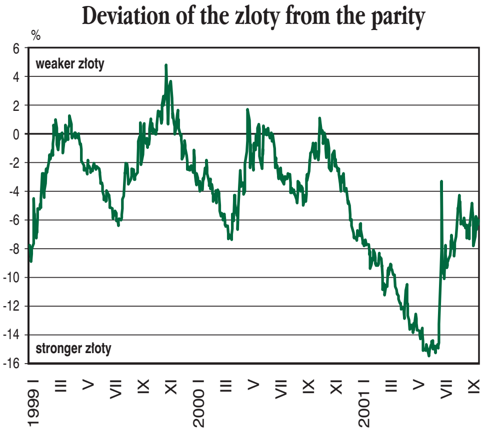
After the cut of interest rates executed by the Fed on 2 October, the dollar weakened against the euro to USD 0.9230, however, unexpected increase of the NAPM index for the non-manufacturing sector above 50bp led to the dollar rise to USD 0.9140 per EUR.

Average exchange rate of PLN against USD and EUR (fixin



Source: NBP, Reuters

Deviation of the zloty from the parity



Source: NBP, own calculations

USD/EUR

Source: Reuters

Interest rates

Since the end of August, longer WIBOR rates (in 1M to 12M terms) fell by 25-85bps. The fall occurred mainly in the second half of September when, after a number of interest rate cuts by central banks of leading world economies, expectations arose that also the MPC would reduce interest rates in September. This expectation was strengthened by information on inflation fall in August and the fact that SLD, considered, even before the election, a front-runner for independent government, presented its main economic policy assumptions. Just before the Council meeting, WIBOR rates were lower by 55-90bp than at the end of August. Ultimately, an interest rate cut was not executed and towards the end of September there was a slight increase in WIBOR rates. However, the scale of this growth was reduced by quite strong expectations for an interest rate cut in October.

One-day WIBOR rates were quite stable in September. The rise above the level of open market operations took place on 12 September as a result of confusion and a fall in market liquidity after the terrorist attacks in the USA. In the last week of the month, first the O/N rate fell slightly above 10%, with the excess of funds due to once-off postponement of payment for NBP bills by the NBP. However, in the second half of the week, the closeness of the settlement day for obligatory reserve increased daily rates above the level of open market operations.

Treasury bills

At auctions in September, supply of Treasury bills amounted to PLN 3.8bn (in nominal value) compared with PLN 2.1bn offered in August. The supply of 13-week bills totalled PLN 500m and was the same as in August and the supply of 52-week bills was increased to PLN 3.2bn from 1.6bn. In addition, quite rare 8-week bills of PLN 100m were offered. Weighted average yields from auctions in September decrease for the third month in a row. The yield on 13-week bills fell by 4 bps, reaching 13.77% and the yield on 52-week bills decreased by 45 bps to 13.89%. A stronger fall in T-bill yield was impacted by the last September auction, where 13-week bills were not offered and which took place accompanied by strong expectations for interest rate reductions. The ratio of T-bill demand to T-bill supply improved slightly, totalling 2.24 for 13-week bills, 4.04 for 52-week bills and 3.86 on average versus 3.37 in August.

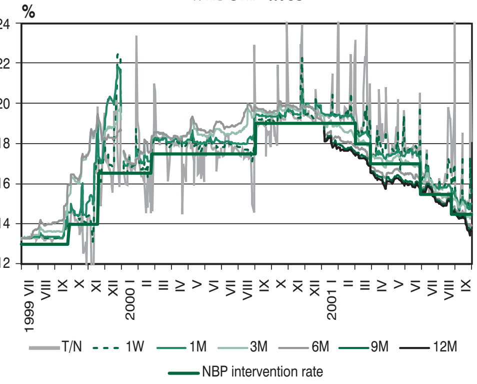
For the bigger part of September, the yields on T-bills traded on the secondary market were quite stable. Only in the middle of the month, there occurred a strong and fast fall, when expectations for an NBP interest rates cut appeared. At the end of September, as compared to the end of August, the yields on bills were lower by 85-100 bps.

Treasury bonds

At the auction of Treasury bonds held on 5 September, average yields decreased slightly. The yield on 2-year bonds (OK 0803) reached 143.99% versus 14.06% on 1 August, and the yield on 5-year bonds (PS 0506) was at the level of 13.02% versus 13.09% a month ago. The supply of 2-year bonds was totalled PLN 1.8bn and the supply of 5-year bonds PLN 500m. Investors' demand for 2-year bonds was high, however, in the case of 5-year bonds it was so low that not the whole offer was sold. The ratio of bond demand to bond supply totalled 2.8 and 1.4 respectively. At the auction of 10-year bonds (DS 1101) on 19 September, the offer of bonds totalled PLN 400m. With rather average demand (PLN 1.45bn), the average yield totalled 11.42%.

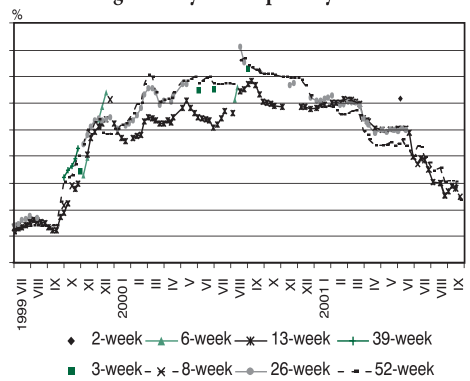
In September, for the second moth in a row, the yield curve in bond sector on the secondary market became flatter. At the shorter end, the yields fell by about 90 bps and in longer terms, by 50 bps. It stems from the fact that foreign investors were more interested in shorter-term securities.

WIBOR rates



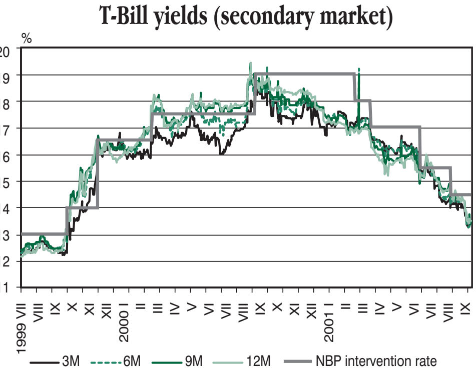
Source: BZ WBK S.A. Treasury and International Division

Average T-Bill yields at primary auctions



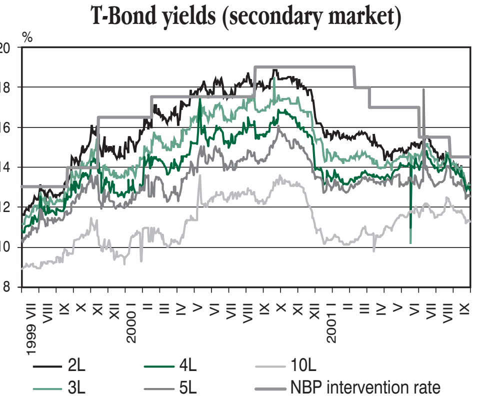
Source: BZ WBK S.A. Treasury and International Division

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

State budget draft for 2002

The work on the 2002 budget draft is continued. As early as in August, the preliminary estimates of the Finance Ministry showed that in the next year budget the deficit can amount to PLN 88bn. Later on, these calculations were confirmed by a group of experts established by the Economy Minister. It would not be possible to finance such high budget deficit and that is why, when developing the budget draft, the government had to reduce expenditures and seek sources to increase revenues. Both the government, (AWS), and the opposition (SLD) were of the opinion that the budget deficit should not exceed PLN 40bn.

The budget draft was prepared in the Finance Ministry under supervision of Minister H. Wasilewska-Trenkner. It was based on the macroeconomic assumptions to the 2002 budget adopted by the Cabinet at the beginning of September. On Friday 28 September, the draft was passed by the government with a few changes to the finance ministry's proposal. For example, instead of increasing the VAT rate from 22% to 24%, 5% import tax was introduced. In addition, the government did not accept the changes in the system of financing Protected Labour Enterprises and maintained the possibility of joint settlement of income tax by spouses. Moreover, in line with the finance ministry's proposals, a border fee for incoming to Poland was introduced and a number of principles for granting various social care benefits were changed. Inflationary increase of salaries in the public sector was abandoned with the exclusion of an inflationary increase of disability and old age pensions. These and other measures allowed to reduce the budget deficit to the desirable PLN 40bn. For 2002, the revenues were planned at PLN 157.23bn and expenditures at PLN 197.23bn. Detailed data is presented in tables by the text. On Saturday 29 September, i.e. a day before the constitutional deadline, the budget draft was submitted to the Parliament.

On the other hand, the SLD-UP coalition, which counted on winning the election and forming an independent government, developed their own budget draft. In the middle of September, SLD-UP announced that a month after the election, they would present a self-amendment to the budget. Just before the election, the coalition presented Prof. Marek Belka as the Deputy Prime Minster and Finance Minster in the new government. Belka presented his proposal to solve problems with public finance. He was a supporter of the next year budget deficit maximum at the level of PLN 40bn and for increasing this year deficit by PLN 8bn, which would help to repay the outstanding amounts to the Open Pension Fund. The reduction of the deficit should be conducted by way of expenditure cuts, and ca 20-25% is to come from revenues increase. Belka allowed the possibility of increasing VAT, cancelling the joint taxation of spouses, annulment of numerous allowances, freezing tax thresholds and the introduction of capital income tax. However, he was against an import tax and not having an inflationary increase of disability and old age pensions. After the submission of the budget draft by the AWS government, the SLD-UP coalition assessed it negatively and announced presentation of a completely new draft.

For today, it is difficult to envisage the final version of the next year budget. The current AWS government sent to the Parliament a budget draft, which in this version will probably not be the subject of debate in the Parliament as it will be changed by the new government. However, due to the fact that SLD-UP did not win the majority in Seym, the procedure of forming the government may take longer, and moreover, it is uncertain, what fiscal policy will be followed by the new government.

Table 5. Macroeconomic assumptions

	2000	2001		2002
		Budget Act	forecast	forecast
GDP real growth	4.0	4.5	2.3	2.5
contribution in %:				
foreign trade balance	0.9	0.4	1.1	1.0
consumption	1.9	2.7	1.2	0.7
- individual	1.7	2.5	1.1	0.5
- public	0.2	0.3	0.1	0.2
accumulation	1.1	1.4	0.0	0.9
- fixed assets costs	0.8	1.4	0.4	0.8
- trading funds growth	0.3	0.0	-0.4	0.0

Source: Finance Ministry

Table 6. Macroeconomic assumptions

	2001	2002	2003	2004
Consumer price index	106.0	105.1-105.5	104.6	104.0
Producer price index	101.9	104.0	104.2	103.7
Investment price index	102.5	103.8	104.0	103.6
Average intervention rate	16.3	13.2	11.1	9.2

Źródło: Ministerstwo Finansów

Table 7. Budget revenues (PLN m)

	2001	2002
Tax revenues, in which:	126,456.2	146,670.2
from value added tax	53,495.1	58,784.8
from excise tax	29,577.6	31,900.0
from import tax		11,564.0
from corporate income tax	14,950.0	14,692.2
from personal income tax	23,384.4	24,935.2
from customs duties	4,371.0	4,014.0
Non-tax revenues, of which:	15,933.9	10,495.7
from NBP profit	4,868.8	1,866.2
entrance fee		1,200.0
Foreign revenues	1,289.3	64.2
TOTAL	**143,679.4**	**157,230.0**

Source: Finance Ministry

Table 8. Budget expenditures (PLN m)

	2001	2002
Subventions, of which:	103,160.9	111,039.4
to local governments	43,603.7	42,445.5
to Social Insurance Fund	26,412.0	29,794.7
Benefits for individuals	14,966.3	14,776.5
Current expenses	31,034.5	30,443.4
Settlement with banks	1,755.1	3,585.4
Public debt service, of which:	21,872.6	27,200.0
domestic debt service	16,610.4	22,042.8
foreign debt service	5,135.7	5,157.2
Capital expenditure	8,814.7	10,185.3
TOTAL	**181,604.1**	**197,230.0**

Source: Finance Ministry

Still low performance of planned revenues

Between January-August, the state budget deficit amounted to PLN 20.964bn, which accounted for 71.9% of the deficit planned in the amended budget. Therefore, there was a slight increase from 66.5% of the new plan after July. As to compare, the budget deficit after August 2000 accounted for 84.5%, and after eight months of 1999 for ca. 97% of the plan. This year data looks relatively good. However, taking into account the fact that this year there is a shortage of revenues, which despite the budget amendment, are considerably overstated, the performance of the budget act will not be possible without expenditures reduction.

At the end of August, total budget revenues amounted to PLN 90.292bn, equivalent to 59.2% of the annual plan against 51.8% after the previous month. Budget expenditures totalled PLN 111.256bn, which accounted for 61.3% of the plan against 54.1% after July. Both expenditures and revenues are at levels clearly lower than 66.6% level, meaning evenly spread performance of the plan. This fact implies that these plans may not be performed.

On the revenue side, realisation of tax inflows is still low. It is the lowest for corporate income tax due to poor financial standing of a number of companies. On the expenditure side: foreign debt servicing cost are low (44.1%), however, there will be large payments to the Paris and London Club in September and October (ca. PLN 1.3 bn interest in total). Due to high unemployment, the expenses for subsidies to the Labour Fund are high (88.0%), however, limited transfers to Open Pension Funds are followed by low expenses for subsidies to the Social Insurance Fund (51.0%). There seems to be no threat to the performance of the budget act on the expenditure side.

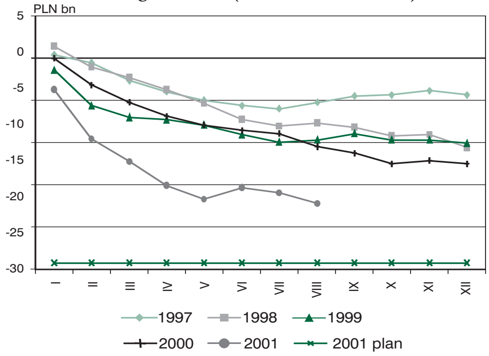
Privatisation

On 5 September, an agreement was concluded, by force of which, the France Telecom consortium and Kulczyk Holding were to acquire 12.5% of Telekomunikacja Polska S.A. stake from the State Treasury, paying in total PLN 3.5bn, i.e. PLN 20 per share, which is a 50% premium in relation to the Stock Exchange price. As a result of this transaction, the consortium will increase its share in TP S.A. from 35% to 47.5%. In addition, FT received an option to purchase further 2.5% plus one share in 2002. The agreement stipulates that the payment for the stake will be made in foreign currency. The Finance Ministry informed that all the proceeds from the transaction will inflow to the government currency account in the NBP.

On 25 September, the government approved the private sale of 21% of PZU stake, which will enable the Eureko consortium, the strategic investor, a purchase of PZU shares. Accordingly, it will increase its exposure in the company from current 30% to 51%. Earlier, the State Treasury Ministry intended to dispose of this stake by way of public offer. It was to refer to 50% of PZU stake. At present, however, it is not certain when the public offer might be carried out. Relevant preparatory work is still continued, however, due to the poor economic situation on the market, the time of the public offer was put off to the end of 2002. So far, it has not been announced when the transaction with Eureko will be closed.

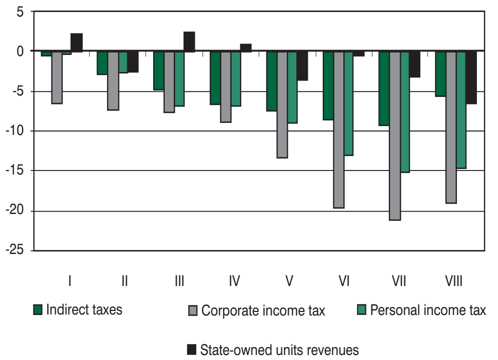
On 2 October, the government agreed to a conditional sale of 17.6% of PKN Orlen S.A. stake to a Hungarian fuel company – MOL. If the transaction is conducted, this will be the beginning of the development of a Central European crude oil concern. The next step would be the acquisition of an equivalent MOL stake by PKN. However, it is not certain whether the process will be continued as the SLD representatives announced reconsideration of this decision.

Budget Deficit (in cumulative terms)



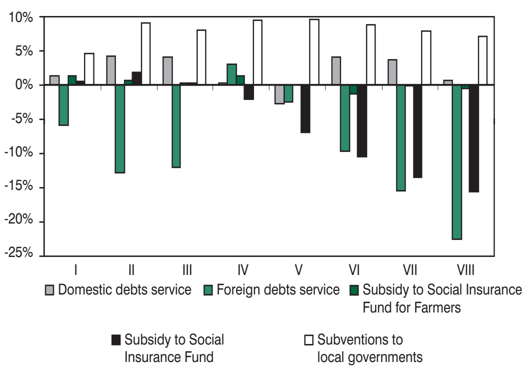
Source: Finance Ministry

Selected Budget Revenues – deviation from trend*



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

Selected Budget Expenses – deviation from trend*



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

Monetary Policy Council left interest rates unchanged

In line with expectations of majority of analysts, the Monetary Policy Council did not change interest rates at its September meeting. The MPC stance in the monetary police remained neutral. This year, the Council cut interest rates four times, by 450bp in total.

This time political factors were decisive – uncertainty in the sector of public finance. Economic situation: falling inflation and economic growth slowdown work in favour of the decision to reduce interest rates. The Council will probably focus on economic factors only after the clarification of political situation and commencement of the public finance rehabilitation programme.

The Council pointed to internal threat posed by the risk of economic growth slowdown in the world in relation to the terrorist attacks in the USA. This would mean the deterioration of domestic demand for Polish commodities, i.e. worsening of external conditions for the development of the Polish economy, however, simultaneously, it would be a factor reducing inflationary pressure. In this situation, an increase in crude oil prices is probable. This would have negative impact on possibilities of economic development and inflation in Poland.

The Council highlighted that it would assess the public finance rehabilitation plan from the point of view of economic deficit in the sector of public finance. The approval of the amount of PLN 40bn as the upper end for the 2002 budget deficit was related to the planned reduction of the economic deficit.

Poor data on economic situation and further inflation fall argue for another interest rate cut. However, according to the NBP Governor, the interest rate reduction will not replace blocked structural reforms, including the key reform of the labour market and rationalisation of budget expenditures. The NBP will be persuading the government to carry out these measures and declares good will to co-operate. Rising tax charges imposed on businesses and individuals will be the factor slowing down the economy growth and can increase inflationary pressure.

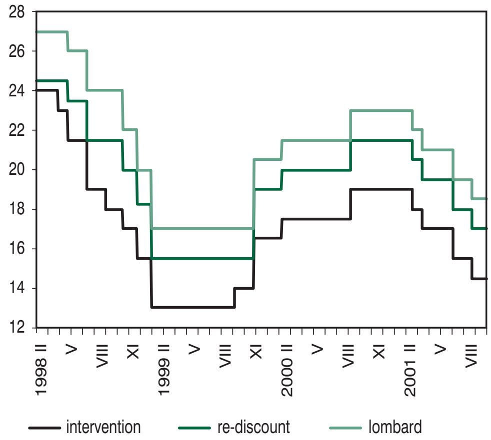
If the new government presents the budget, close to the MPC expectations, then another interest rate reduction is possible as early as in October.

On 2 October, the Monetary Policy Council presented 'Monetary Policy Assumptions for 2002'. In this document, the Council emphasises the importance of structural reforms for the stabilisation of the economic situation in Poland. The implementation of necessary reforms is, for the MPC, a condition for further interest rate reductions. When setting the inflationary target for 2005 (5% +/-1%), the Council took into account the possibility to increase the VAT rate next year and assumed that the existing favourable tendencies in food market would be maintained.

On 3 October, at an extraordinary meeting, the Monetary Policy Council analysed the 2002 budget draft prepared by Jerzy Buzek's government. The MPC did not find any rehabilitation plan for public finance in this draft. The Council suggested the introduction of changes in the tax system, liberalisation of the job market, completion of privatisation process as well as deregulation of fuel markets and telecommunication. In the MPC opinion, the economic deficit next year should be considerably lower than the proposed 4.5%. However, the Council did not question the assumptions referring to the economic growth rate (2.5%) and the inflation level (5.1% – 5.5%).

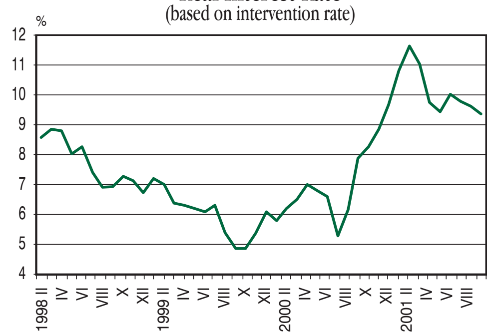
A regular MPC meeting will be held on 24-25 October.

NBP Interest Rates (%)



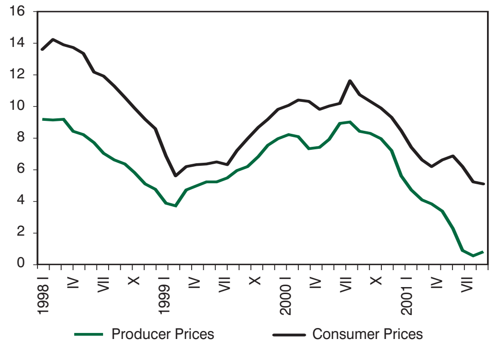
Source: NBP

Real Interest Rate
(based on intervention rate)



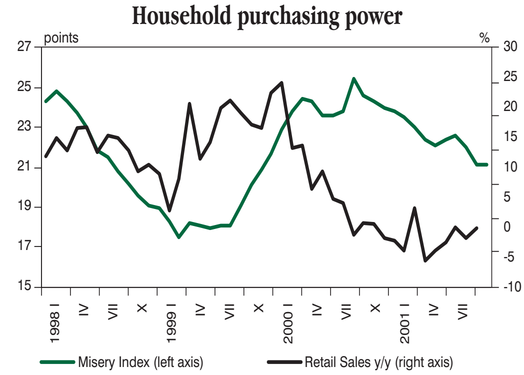
Source: NBP, CSO, own calculations

Inflation (%)



Source: CSO

Household purchasing power



Source: CSO, own calculations

Money supply

August did not bring any material changes in loan and deposit markets of the banking system.

Money supply increased by 1.2% against 2.3% a month ago, reaching PLN 318.45bn. Over 90% growth in deposit value was a component of this rise. Part of the deposit growth stemmed from a growth in PLN value of fx deposits as a result of zloty depreciation.

This year, money supply rises faster than in 2000. After eight months this year, the money supply growth is 8.2% against 5.5% in the corresponding period last year. Nominal annual growth rate rose to 14.6% from 13.5% in July and 14.9% in August 2000.

Moderate growth of lending action in August this year

In August, personal loans increased by PLN 1.3bn as compared with July. Monthly growth (2.5% m/m) was lower than a month ago (3.6% m/m). In y/y terms, the growth was unchanged as compared with the previous month, i.e. at the level of 20.3%. For a few months, the y/y growth has oscillated around the level slightly above 20%.

In the case of business loans the growth was PLN 3.3bn. In y/y terms, business loan grew by 9.8% (against 9.2% in July and 7.1% in June this year).

Loans for the whole non-financial sector grew by 2.1% against 2.4% a month ago. July and August were the two months with a monthly growth exceeding 2% while between November last year and June this year it did not exceed 1%.

Still high rate of zloty personal deposit growth

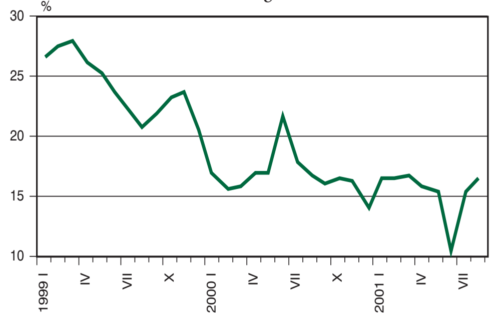
In August, zloty personal deposit value increased by PLN 1.55bn (i.e. 0.9% m/m) against July this year and compared to August 2000 by PLN 29.1bn (i.e. by 20.3%). Annual deposit growth increased last year, reaching 24.1% in December. Since then, it slightly decreased, however, for a few months now it has been oscillating around 20%.

In YTD terms, between January – August, personal deposits grew by 11.9% against 15.5% in the corresponding period last year.

The scale of adjustments to interest rates on deposits and loans in commercial banks was lower than the change of NBP interest rates. So far, interest rates on deposits have undergone larger changes than interest rates on loans.

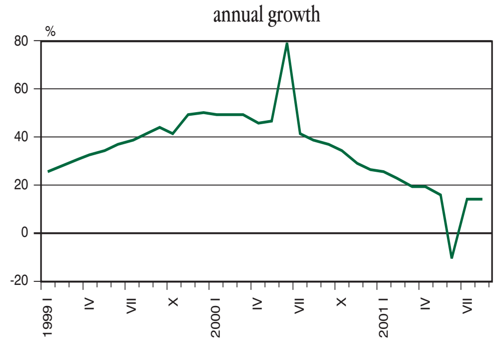
Since March 2001, an upward trend of public debt in the banking system has been maintained. At the end of August, it closed at PLN 51.6bn.

Money Supply
annual growth



Source: NBP, own calculations

Personal Credits
annual growth

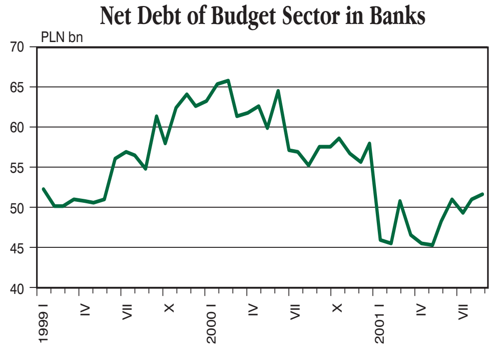


Source: NBP, own calculations

Personal Deposits
annual growth

Source: NBP, own calculations

Net Debt of Budget Sector in Banks



Source: NBP

The terrorist attacks on the USA and their impact on the economy are the most important developments of the last few weeks. As a result of these tragic events, there can appear some weakening in the American economy.

Further development of the economic situation in the USA will, to much extent, depend on how consumers will behave, as 2/3 of the American GDP depends on consumer demand. In analysts' opinion, the last events can significantly undermine trust of American consumers and entrepreneurs. Then, the American economy, which grew only by 0.3% in the second quarter, will not be able to avoid recession.

The American economy can also be jeopardised by the fact that the tragedy occurred at the moment when it was hoped that the American economy would start to recover.

More and more economists point to the possibility of recession in the USA. London Centre for Economics and Business Research forecasts that the GDP will drop by 2.9% in the third quarter and by 1.6% in the next.

The American tragedy generated huge losses of airline and insurance companies and mass reductions in employment. This will certainly have impact on sectors related to those, which suffered most.

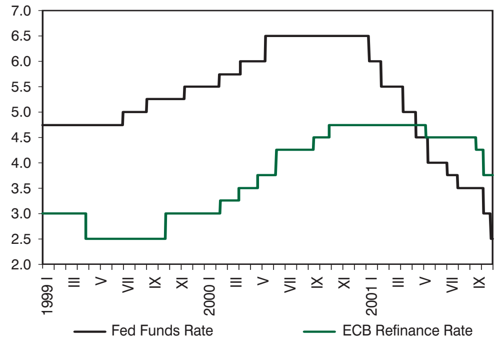
Starting from 17 September, central banks started a wave of interest rate reductions. The American Fed took the decision as the first one – even before the resumption of stock exchange trading after a four-day break – in order to prevent a sudden sale of shares and improve investors' sentiments. The Fed was followed by e.g. The European Central Bank, the Bank of Canada, the Bank of Switzerland, the Bank of England and the Bank of Japan. However, world stock exchanges are still concerned that interest rate cuts are insufficient to protect the global economy against recession.

Pessimistic scenarios for the USA for the months to come and further negative information on situation in the American economy made the Fed reduce interest rates by 50bp also on 2 October, being the ninth interest rate cut since the beginning of the year. From 3 October, the main USA interest rate has been 2.50% and is the cheapest since 1962. Two rate reductions by 50bp in such a short time prove that the American central bank is afraid of the effects of forecasted recession in the USA.

In the assessment of the International Monetary Fund, it is difficult to say at present what will happen to the USA economy. Events of 11 September will have impact on economic activity in the short run and will increase the risk of a lower growth rate not only in the USA but also in other countries. According to the International Monetary Fund, the world economy, even before the attacks on the USA, was on the verge of recession and now its developmental outlook deteriorated even more.

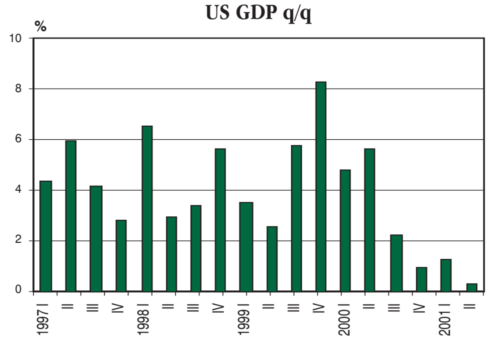
Problems will probably not omit the European economies, either. In particular, Germany seems threatened with recession due to strong trading relationships with the USA. The GDP forecasts for the whole euro zone were revised down to ca. 1.4% in 2001 (from earlier 1.8%) and to 1.1% in 2002 (from 2.2% before 11 September).

Interest Rates in the USA and the euro zone (%)



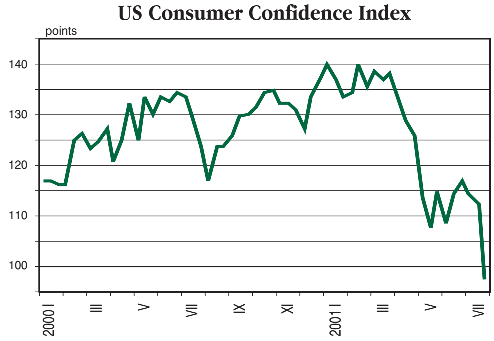
Source: Fed, ECB

US GDP q/q



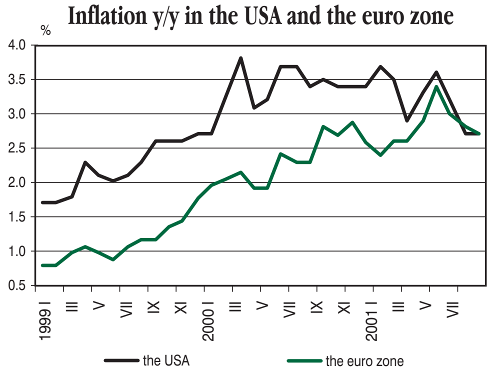
Source: Reuters

US Consumer Confidence Index



Source: Reuters

Inflation y/y in the USA and the euro zone



Source: Reuters

Economic Release Calendar October / November 2001

Monday	Tuesday	Wednesday	Thursday	Friday
1 October *ITA: Producer prices (Aug)* *EUR: PMI (Sep)* *USA: NAPM (Sep)*	**2** *EUR: Unemployment (Aug)* *EUR: Business climate indicators (Sep)* *USA: Fed meeting*	**3** POL: MPC meeting POL: Food prices (2nd half of Sep) POL: Business climate in industry. construction and retail trade (Sep) *EUR: Retail sales (July)* EUR: Producer prices (Aug)	**4** *USA: Factory orders (Aug)*	**5** POL: Balance of NBP (Sep) POL: Official reserve assets (Sep) *GER: Industrial orders (Aug)* *USA: Unemployment (Sep)*
8	**9** *GER: Industrial output (Aug)* *GER: Unemployment (Sep)*	**10** *GER: Current account (Aug)* *GER: Trade balance (Aug)*	**11** *EUR: ECB meeting* *EUR: GDP (2Q)*	**12** POL: Money supply (Sep) POL: Employment and wages in corporate sector (Sep) *FRA: Inflation (Sep)* *USA: Retail sales (Sep)* *USA: Producer prices (Sep)*
15 POL: Inflation (Sep) POL: State budget (Sep) *ITA: Industrial output (Aug)*	**16** *FRA: Industrial output (Aug)* *ITA: Inflation (Sep)*	**17** POL: Industrial output (Sep) POL: Producer prices (Sep) *EUR: Inflation (Sep)* *EUR: Industrial output (Aug)*	**18**	**19** *USA: Inflation (Sep)* *USA: Foreign trade (Aug)*
22 POL: Unemployment (Sep)	**23** POL: Food prices (1st half of Oct) *GER: Business climate IFO (Sep)*	**24** POL: MPC meeting	**25** POL: MPC meeting (decision) *EUR: ECB meeting* *USA: Durable goods orders (Sep)*	**26** *EUR: Foreign trade (Aug)* *EUR: Money supply (Sep)*
29	**30** *ITA: Producer prices (Sep)*	**31** POL: Balance of payments (Sep) POL: Foreign trade on a cash basis (Sep) *FRA: Unemployment (Sep)* *FRA: Producer prices (Sep)* *ITA: Inflation (Oct)*	**1 November** **All Saints Day**	**2** *USA: Unemployment (Oct)*
5 POL: Food prices (2nd half of Oct) *EUR: Retail sales (Aug)*	**6** *GER: Unemployment (Oct)* *EUR: Unemployment (Sep)* *EUR: Producer prices (Sep)* *EUR: Business climate indicators (Oct)* *USA: Fed meeting*	**7** POL: Business climate in industry, construction and retail trade (Oct) POL: Balance of NBP (Oct) POL: Official reserve assets (Oct) *GER: Industrial orders (Sep)*	**8** *GER: Industrial output (Sep)* *EUR: ECB meeting*	**9** *USA: Producer prices (Oct)*

A glance at the economy

Category	unit	October	November	December	January	February	March	April	May	June	July	August	September
PRICES													
Consumer price index (y/y)	%	9.9	9.3	8.5	7.4	6.6	6.2	6.6	6.9	6.2	5.2	5.1	-
Consumer price index (m/m)	%	0.8	0.4	0.2	0.8	0.1	0.5	0.8	1.1	-0.1	-0.3	-0.3	-
Production price index (y/y)	%	8.0	7.2	5.6	4.7	4.1	3.8	3.4	2.3	0.9	0.6*	0.8	-
Production price index (m/m)	%	0.6	0.0	-0.9	-0.3	-0.1	0.2	0.2	0.0	-0.4	0.3*	0.5	-
Price index of assembly and construction production (y/y)	%	7.8	7.6	6.9	6.8	6.5	5.7	5.0	4.5	3.8	3.6*	3.5	-
Price index of assembly and construction production (m/m)	%	0.5	0.4	0.2	0.4	0.4	0.1	0.3	0.3	0.1	0.2*	0.3	-
Exchange rate USD/PLN (y/y)	%	12.8	7.2	3.5	0.2	-1.0	-0.7	-5.1	-11.5	-9.7	-3.2	-2.6	-6.0
Exchange rate USD/PLN (m/m)	%	3.3	-1.6	-5.4	-4.7	-0.4	-0.8	-1.0	-0.9	-0.3	5.4	1.4	-0.6
Exchange rate EUR/PLN (y/y)	%	-9.8	-11.2	-8.1	-7.1	-7.7	-6.5	-10.3	-14.5	-18.8	-11.5	-3.2	-1.8
Exchange rate EUR/PLN (m/m)	%	1.4	-1.7	-0.6	-0.4	-2.5	-2.0	-2.8	-2.9	-2.8	6.2	6.2	0.6
Real gross wages in enterprise sector (y/y)	%	0.5	0.8	-1.9	2.4	1.1	1.6	-1.3	1.8	-1.3	2.7	1.7	-
ACTIVITY INDICATORS													
Gross domestic product (y/y)	%	-	-	2.4	-	-	2.3	-	-	0.9	-	-	-
Industrial output (y/y)	%	7.1	4.7	-2.2	10.1	0.1	2.9	3.6	-0.9	-4.8	0.9*	0.7	-
Industrial output (m/m)	%	2.1	-3.1	-1.4	-8.9	-2.5	14.7	-7.8	3.1	-2.8	-1.4*	5.9	-
Construction and assembly production (y/y)	%	-1.7	-1.1	-6.9	-9.7	-9.1	-8.2	-10.8	-11.7	-10.0	-10.3*	-14.0	-
Construction and assembly production (m/m)	%	6.6	-17.6	40.3	-59.3	7.4	18.6	-2.9	15.5	13.8	-4.9*	2.7	-
Retail sales of goods [a] (y/y)	%	7.2	5.8	3.2	10.9	-0.2	0.1	1.9	4.3	0.2	1.5	3.0	-
Retail sales of goods [a] (m/m)	%	1.5	-3.4	20.8	-27.6	-1.7	17.5	4.0	1.7	-1.3	0.5	2.9	-
Exports on a customs basis (y/y)	%	27.9	24.0	18.6	29.9	13.4	17.9	9.4*	6.0*	-2.5*	-4.2	-	-
Exports on a customs basis (m/m)	%	10.0	-3.6	-8.5	1.1	-0.5	9.6	-13.5	1.0*	-3.2*	-1.1	-	-
Imports on a customs basis (y/y)	%	16.2	3.7	3.7	14.5	-3.1	2.8	0.9*	-12.1*	-10.2*	-3.9	-	-
Imports on a customs basis (m/m)	%	14.0	-7.0	-2.9	-11.0	-4.2	16.1	-9.8	1.6*	-4.3*	6.0	-	-
LABOUR MARKET													
Number of unemployed	thous.	2 548	2 613	2703	2 836	2 877	2899	2 878	2 841	2 849	2 872	2 893	-
Unemployment rate	%	14.1	14.5	15.0	15.6	15.8	15.9	15.8	15.7	15.8	15.9	16.0	-
Average employment in corporate sector	thous.	5 274	5 247	5 199	5 184	5 189	5 170	5 156	5 135	5 121	5 097	5 074	-
Average monthly gross wages in corporate sector	PLN	2 089	2 160	2 350	2 069	2 075	2 149	2 176	2 163	2 148	2 199	2 192	-
Nominal increase in wages (y/y)	%	10.4	10.2	6.4	9.9	7.7	7.9	5.2	8.8	4.9	8.0	6.9	-
STATE BUDGET													
Budget revenues	PLN bn	110.5	123.0	135.7	11.6	21.0	31.6	42.4	52.6	67.8	78.9	90.3	-
Budget expenditures	PLN bn	125.9	137.9	151.1	16.7	32.9	46.7	60.8	73.0	86.5	98.3	111.3	-
State budget deficit	PLN bn	-15.4	-14.9	-15.4	-5.1	-12.0	-15.1	-18.4	-20.4	-18.7	-19.4	-21.0	-
Domestic government debt	PLN bn	-	-	146.0	-	-	155.0	-	-	160.3	-	-	-
Foreign government debt	PLN bn	-	-	120.8	-	-	118.2	-	-	111.2	-	-	-

A glance at the economy

Category	unit	October	November	December	January	February	March	April	May	June	July	August	September
BALANCE OF PAYMENTS													
Current account	USD m	-852	-416	-816	-932	-461	-749	-519	-734	-956	-285*	-392	-
Trade balance	USD m	-1 058	-858	-1 038	-1 499	-724	-907	-708	-1 165	-902	-825*	-1 042	-
Exports	USD m	2 520	2 654	2 759	2 448	2 393	2 615	2 564	2 473	2 477	2 557*	2 663	-
Imports	USD m	3 578	3 512	3 797	3 947	3 117	3 522	3 272	3 638	3 379	3 382*	3 705	-
Services: net	USD m	-100	-104	-155	-111	-85	-82	-62	-68	-67	-95	-14	-
Unclassified transactions: net	USD m	485	295	340	248	243	239	385	315	274	451	478	-
Capital and financial account	USD m	2 192	528	351	1 359	964	-33	-143	525	636	574*	152	-
Direct investments	USD m	4 653	537	570	486	383	343	535	321	604	447*	470	-
Portfolio investments	USD m	-345	504	135	788	699	891	-177	-471	-304	70*	136	-
MONEY SUPPLY													
Money supply	PLN bn	287	291	294	293	296	301	303	305	308	315*	318	-
Money supply (y/y)	%	14.6	14.4	11.8	14.6	14.6	14.9	14.0	13.5	8.0	13.5*	14.6	-
Money supply (m/m)	%	2.4	1.3	1.1	-0.6	1.0	1.9	0.6	0.7	0.8	2.3*	1.2	-
Total deposits (y/y)	%	17.4	17.0	15.5	17.5	17.1	16.8	16.1	15.5	9.1	15.4*	16.3	-
Total deposits (m/m)	%	3.0	1.7	1.1	0.1	0.9	1.7	0.4	1.0	0.5	2.5*	1.3	-
Household loans (y/y)	%	38.9	34.8	31.7	31.3	29.4	25.7	25.1	22.1	-1.3	20.3*	20.3	-
Household loans (m/m)	%	2.3	1.2	2.1	0.2	-0.3	0.4	1.1	1.3	1.2	3.6*	2.5	-
Corporate loans (y/y)	%	16.1	14.0	13.5	12.2	12.0	11.7	9.5	8.4	7.1	9.2*	9.8	-
Corporate loans (m/m)	%	1.4	0.4	-1.9	1.2	0.9	0.6	0.0	-0.4	0.9	2.1*	2.0	-
FINANCIAL INDICATORS													
Average deviation from the central parity	%	-0.6	-2.4	-5.0	-7.4	-8.8	-10.1	-11.8	-13.7	-15.0	-9.9	-6.6	-6.5
Average exchange rate USD	PLN	4.6369	4.5606	4.3143	4.1108	4.0925	4.0599	4.0175	3.9807	3.9705	4.1859	4.2459	4.2185
Average exchange rate EUR	PLN	3.9696	3.9035	3.8802	3.8648	3.7689	3.6952	3.5904	3.4856	3.3894	3.5998	3.8218	3.8450
Average exchange rate DEM	PLN	2.0296	1.9958	1.9839	1.9761	1.9270	1.8893	1.8357	1.7822	1.7330	1.8405	1.9541	1.9659
Average WIBOR T/N	%	19.74	20.07	19.50	19.73	19.82	19.33	18.56	17.91	17.78	15.99	17.19	15.88
WIBOR 1M	%	19.47	19.65	19.83	19.44	19.33	18.36	17.45	17.50	17.38	16.11	15.73	14.97
WIBOR 3M	%	19.68	19.75	19.67	18.97	18.61	18.01	17.17	17.22	16.88	16.01	15.35	14.73
Average 3M T-bill yield	%	17.53	17.44	17.60	17.12	17.29	17.20	16.44	16.24	16.12	15.26	14.23	13.81
Average 6M T-bill yield	%	17.83	17.78	17.84	17.43	17.09	17.16	16.36	16.21	16.03	15.29	14.38	13.93
Average 9M T-bill yield	%	18.11	17.97	17.91	17.40	17.15	17.01	16.11	15.84	15.81	15.32	14.65	14.02
Average 12M T-bill yield	%	18.41	18.31	18.01	17.23	16.97	16.85	15.80	15.67	15.61	15.38	14.61	14.01
Average 2Y T-bond yield	%	18.54	18.23	17.20	15.68	15.48	15.60	14.59	14.92	15.22	15.13	14.40	13.57
Average 5Y T-bond yield	%	15.53	15.10	13.93	13.08	12.92	13.33	13.47	13.38	13.29	13.85	13.50	12.92
Average 10Y T-bond yield	%	13.24	13.06	11.50	10.44	10.23	10.68	10.61	11.30	11.74	11.87	11.97	11.57
MONETARY POLICY INSTRUMENTS													
Intervention rate	%	19.0	19.0	19.0	19.0	19.0	17.0	17.0	17.0	15.5	15.5	14.5	14.5
Rediscount rate	%	21.5	21.5	21.5	21.5	21.5	19.5	19.5	19.5	18.0	18.0	17.0	17.0
Lombard rate	%	23.0	23.0	23.0	23.0	23.0	21.0	21.0	21.0	19.5	19.5	18.5	18.5

** data officialy corrected, [a] in current prices*

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

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