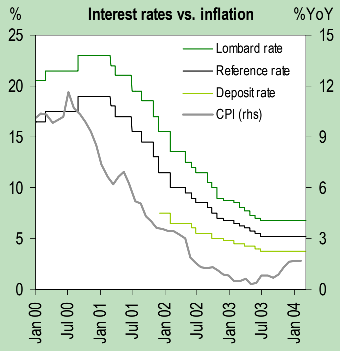
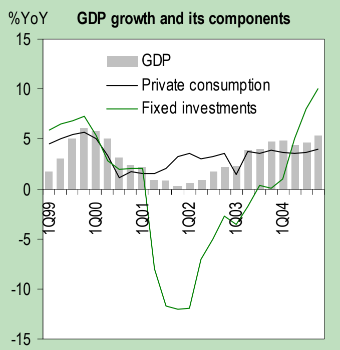
Bank Zachodni WBK

MACROscope

Polish Economy and Financial Markets

March 2004





In this issue:

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Biasing expectations

- **In February the Monetary Policy Council left interest rates unchanged, but quite surprisingly it "did not rule out a shift into the tightening bias at the next meeting".** In our opinion, the MPC statement aimed at improving its credibility and influencing market expectations as regards future path of interest rate moves. However, it seems this could have been achieved without mentioning "tightening bias" possibility, especially as this change of wording was not precisely explained during the press conference. For that reason, we hope for improvement in communication at the next meeting. Regardless of (lack of) precision in the recent MPC's statement, it seems likely that we will not see any more interest rate reductions this year. On the other hand, we are not excessively worried about "a possibility of tightening bias" and we do not expect a hike of interest rates either. We think that after March meeting the MPC will reiterate again (and the situation may repeat again in the following months) a warning about a possibility of changing bias from neutral to restrictive.

- **The Polish economy entered more advanced stage of economic recovery.** It is being signalled more and more clearly by available statistical data and results of business climate surveys. Obviously, it was also one of the motivations for increased concern of the MPC in February. Economic growth in the last quarter of 2003 exceeded expectations, reaching 4.7%YoY, and this year also set off positively with high dynamics of industrial output and retail sales. Good economic figures made us revise up GDP growth forecast for 2004 to 4.8%. However, it seems that export-led economic recovery is not imminent for sudden inflation rise or external imbalance.

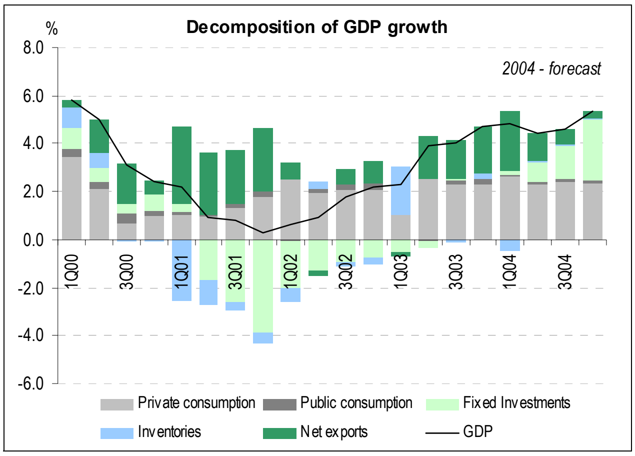
- **Another, still the most important, element of uncertainty for financial markets (and for the MPC) is fiscal policy.** The government increased estimations of financial effects of the Hausner plan, but still above 40% of "savings" is connected with higher revenues, rather than lower savings. And still, the risk of exceeding safety thresholds as regards public debt to GDP ratio is very high. This way of criticism, although known for a couple of months already, was one of the Civic Platform's key points, when the party refused to fully back the government's fiscal reform programme. What is more important, however, the PO will support some of the most important elements of the Hausner plan, which, together with forming new coalition of SLD-UP-FKP, decreased political risk and improved sentiment on the Polish financial market at the beginning of March. We expect this will be maintained as another bills from the Hausner plan will be accepted in the parliament, and will last until the government's first attempts to prepare budget for 2005.

Financial market on 27 February 2004:

NBP deposit rate	3.75	WIBOR 3M	5.50	PLN/USD	3.9313
NBP reference rate	5.25	Yield on 52-week T-bills	5.93	PLN/EUR	4.8746
NBP lombard rate	6.75	Yield on 5-year T-bonds	6.67	EUR/USD	1.2399

This report is based on information available until 09.03.2004

Economic update

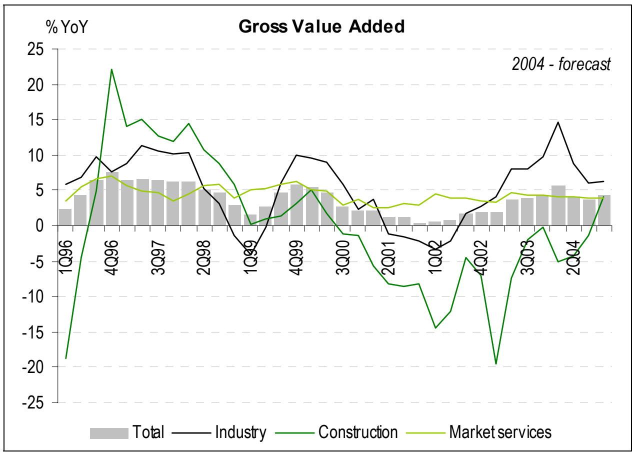


Economic growth predictions revised up

▪ GDP growth in 4Q03 topped 4.3%YoY (above expectations) due to strong consumption growth and net exports. Investment activity remained idle – 4Q03 saw merely 0.1%YoY increase. In sum, domestic demand is still rising slower than aggregate GDP, which is positive for the economy's external imbalance.

▪ First economic figures for 2004 and results of business climate surveys (see below) confirmed strengthening of economic revival and continuation of fast development in key sectors in the subsequent quarters. We can still hope for soon improvement of investment dynamics.

▪ We have upgraded GDP growth forecasts for 2004 to 4.8% (in 4Q04 even 5.4%YoY). Private consumption should remain strong, importance of fixed investments should rise, while net exports' contribution (still positive) would decline a little.



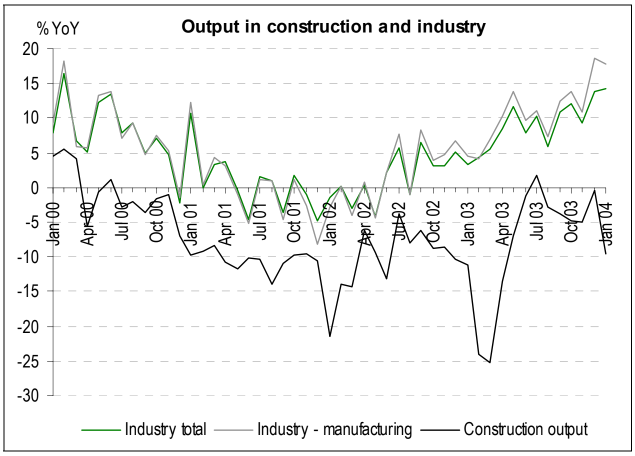
Export-oriented production fuels economic recovery

▪ Industry is the main driver of GDP growth on the supply side. Growth of gross value added in industry in 4Q03 (9.7%YoY) was at the highest level in four years.

▪ The fastest expansion recorded in export-oriented branches, being promoted by extremely favourable zloty exchange rate against euro and some economic revival in the EU countries.

▪ In the subsequent quarters the structure of value added formation would be similar, however dynamics in industrial sector (though still positive) should go down a little in the second half of this year, while construction sector is expected to recover from depression.

▪ Persistently strong private consumption would promote robust growth of value added in market services.



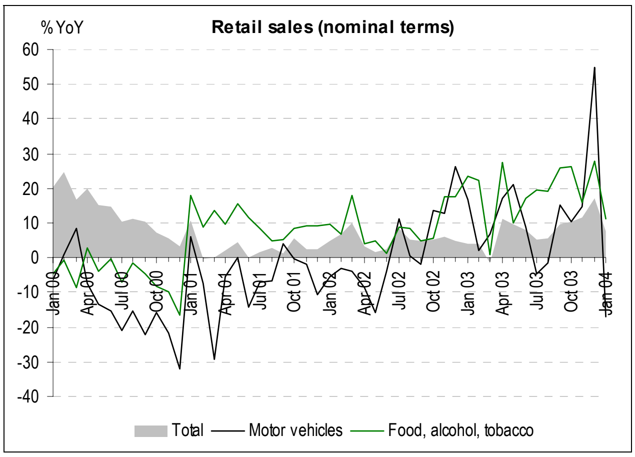
Contradicting signals from industry and construction

▪ Industrial output growth in January (14.3%YoY) at the highest level since early 2000 and much above expectations. Lower number of working days has not affected the results negatively.

▪ Production growth in industry adjusted for seasonal factors recorded record-high level of 16.9%YoY.

▪ In contrast, construction output figures were a bitter disappointment. Production fell 9.5%YoY (against –0.5%YoY in December) despite very low base in January 2003. Construction output level in January was the lowest since at least early 1995. All groups of construction companies experienced a downturn.

▪ Such figures do not prove the hypothesis about investment improvement, however they also do not rule out such scenario – still possible option is high increase of investment outlays on machinery and tools, transport vehicles or software.



Source: CSO, BZWBK own estimates

Retail trade still strong despite downturn in car sales

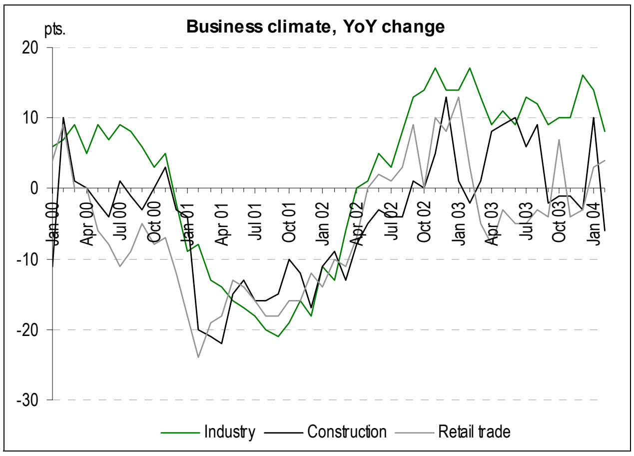
▪ In January retail sales increased (in nominal terms) 7.6%YoY against 17.3%YoY in December. It is still a very good result.

▪ Changes in tax system triggered upsurge in car sales at the end of 2003, which temporarily raised retail sales dynamics. In January car sales nosedived, dragging overall index down.

▪ Nevertheless, most of other groups of products (except for cosmetics and drugs) continuously recorded fast, double-digit growth of sales in year-on-year terms.

▪ Recent consumer confidence survey shows increasing propensity to consume among households, which together with improvement of disposable income should preserve relatively strong growth rate of private consumption demand (and retail sales).

Economic update

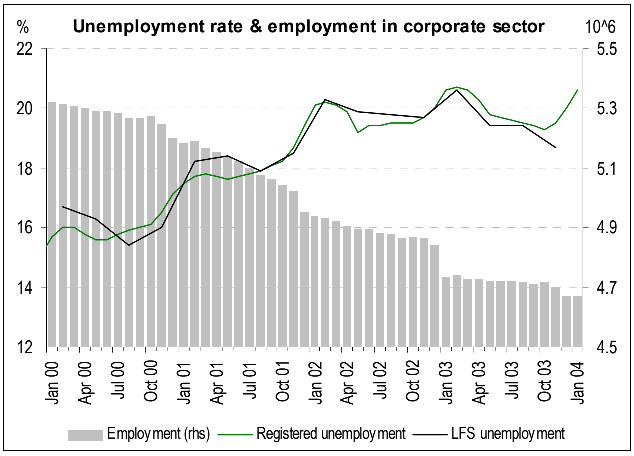


Business climate surveys confirm warming up in economy

▪ Positive assessment of economic conditions in industry, recovering in trade. Improving expectations of future production and new orders amid lower planned layoffs. Climate index in industry higher than in corresponding period of previous years.

▪ Much worse atmosphere in construction sector, caused by falling current output, orders and financial results. However, entrepreneurs' forecasts show improvement in following months.

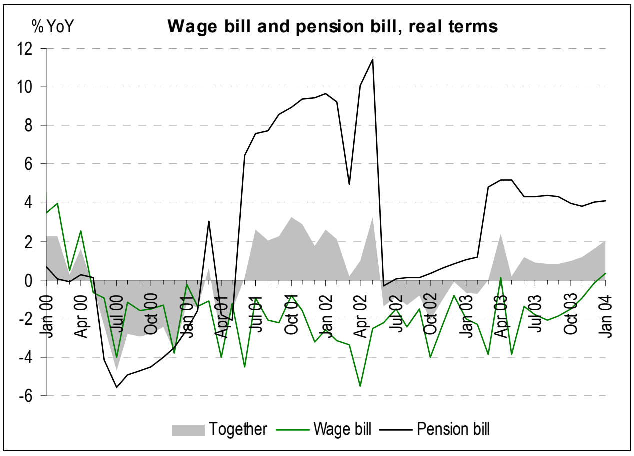
▪ Quarterly NBP survey confirmed the economy entered more advanced stage of recovery. Clear improvement of demand forecasts, increase of capacity utilisation, falling inventories, higher ratio of firms planning investments and slight improvement of employment forecasts in 1Q04 show strengthening foundations of the economy.



Still no recovery on the labour market

▪ The unemployment rate jumped to 20.6% in January due to strong seasonal effect, but according to government official's hints it should stabilise at this level in February and then drop to 20.4% in March, initiating not only seasonal, but also annual drop in the registered unemployment rate. This is confirmed by quite untypical (as regards seasonality) decline in the unemployment rate in 4Q03 according to Labour Force Survey.

▪ Rapid improvement in the annual growth rate of employment (-1.4% in January versus average –3.3% in 2H03) was a result of low base from January 2003, when employment unexpectedly fell by over 100.000. Actually, the situation on the labour market did not change much – despite robust growth of retail sales and output, and quite bright outlook for the future, enterprises still refrain from increasing employment.

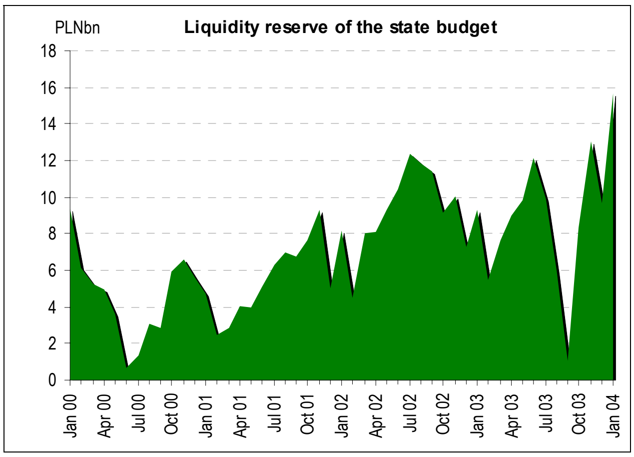


Wage pressure still under control

▪ Average wage growth in the enterprise sector was 3.5%YoY in January against 5.1%YoY in December and 4.1%YoY in November. Thus, in line with our expectations, surprisingly high wage hikes in the final two months of last year were a temporary phenomenon.

▪ However, moderate wage growth and shallower fall in employment translated into higher growth rate of wage bill in the enterprise sector. In nominal terms in grew 2.1% in the year. In real terms the growth was a mere 0.2%YoY, but it was the best result since April 2000.

▪ Given relatively high rise in social benefits, overall wage bill in the economy recorded healthy growth, which bodes well for maintaining good pace of individual consumption in early 2004.



Source: CSO, NBP, FinMin, BZWBK own estimates

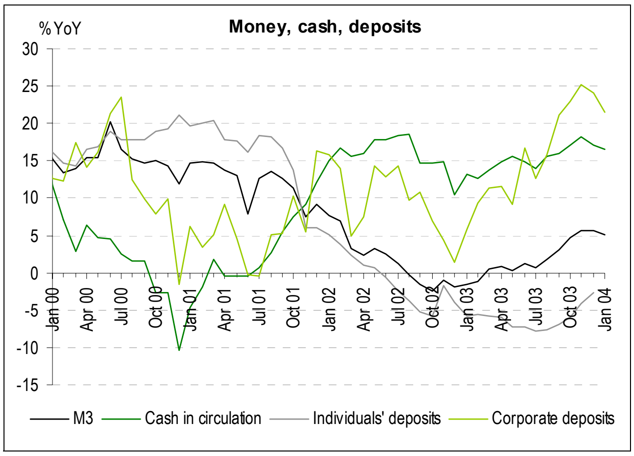
Good start of the year for the central budget

▪ Central budget deficit after January totalled PLN4.23bn, i.e. only 9.3% of the annual plan, and it was lower than in the analogous period of a few previous years. Unofficial hints on budget performance after February show positive trend was maintained.

▪ Nevertheless, one should remember that due to methodological changes in budget accounting, path of budget revenues and expenditures – and consequently also the deficit – could be substantially different than recorded in previous years.

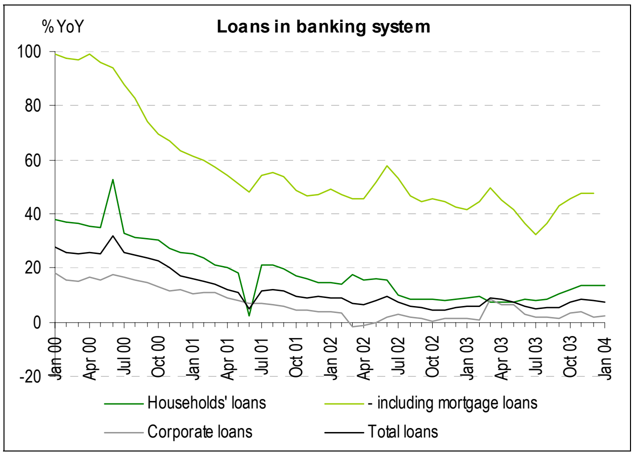
▪ Contrary to common fears, liquidity of the budget at the start of the year is very high. Liquidity cushion at the end of January reached almost PLN16bn, indicating that finance ministry has some flexibility in financing the budget borrowing needs.

Economic update



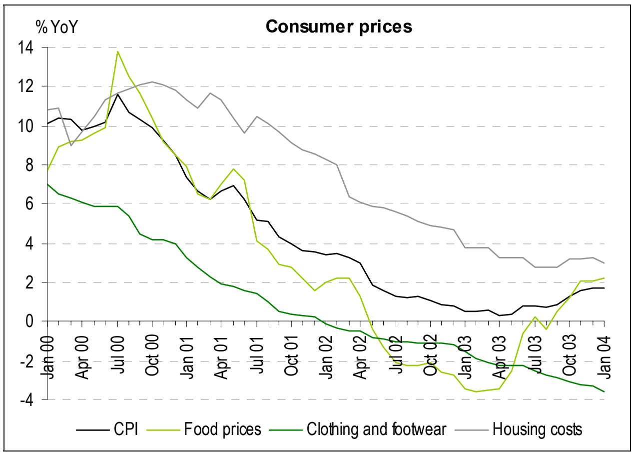
Seasonal drop in money supply and deposits

- January saw seasonal drop in money supply M3 of 1.8%MoM and its annual growth rate decelerated slightly to 5.1% from 5.6% a month earlier. Taking into consideration exchange rate movements, drop of M3 was 2.1%MoM. Seasonal, monthly drops were recorded in both main components of money supply (deposits and cash in circulation).
- Annual growth rate of cash in circulation was maintained at high level and annual rise in total deposits was 3.4% against 3.8% in December and average drop of 1.1% in 2003.
- Corporate deposits keep surging (thanks to improving financial results and liquidity of enterprises coupled with low investment activity), but also growth rate of households deposits improved again – they decreased by only 1.6%YoY versus average fall of 5.6% in 2003.



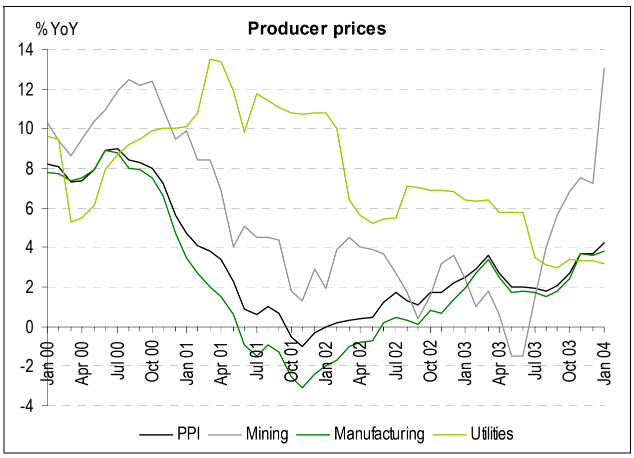
Continued trends in credits

- Total claims of the banking sector in January increased by 7.4%YoY against 8.1%YoY a month earlier and 6.9%YoY on average in 2003.
- Moderate growth of households' borrowing (13.8%YoY versus 13.6%YoY in December and 9.6% on average in 2003) and still low growth of corporate credits (2.6%YoY versus 2.1%YoY in December and 3.5%YoY on average in 2003).
- In general the data showed there is still no revival on the corporate credit market, which is consistent with delaying rebound in investment activity.
- However, it seem that credit activity will grow in next months, as private consumption keeps rising robustly and fixed investment should finally recover from stagnation.



Nice surprise – lower than expected CPI in January

- Consumer inflation in January stabilised at 1.7%YoY seen in December, below market consensus forecast.
- Inflation is still pushed upward almost solely by supply-side factors and controlled prices. High oil prices translated into acceleration of transport prices to 3.6%YoY, housing costs grew 2.6%YoY and food prices went up by 2.2%YoY.
- Meanwhile, clothing and footwear prices were still much lower than a year ago, which suggests that demand pressure in the economy remains constrained.
- We forecast that annual CPI will stay below 2% in the nearest months. However, since 2Q04 it will start to gradually accelerate, reaching 2.5% at the end of the year. Rise in inflation rate will stem from low base effect, high oil prices and continued reversal of positive supply shock on the food market.

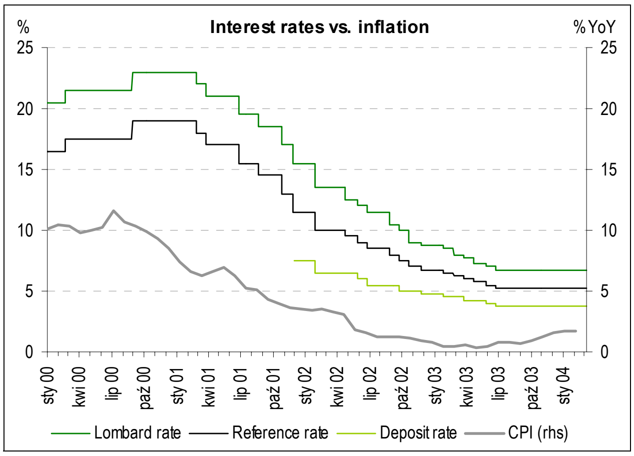


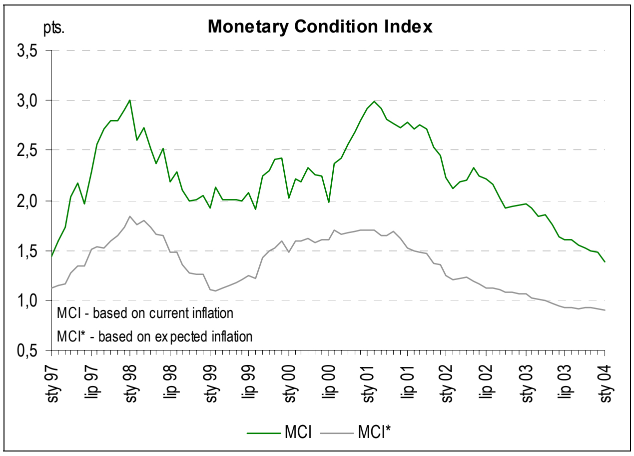
Source: CSO, NBP, BZWBK own estimates

Acceleration of PPI, rise in inflation expectations

- Annual growth rate of producer prices unexpectedly jumped in January to as much as 4.2% from 3.7% in the two previous months.
- The highest growth was seen in mining, which confirms that acceleration of PPI is caused largely by supply-side factors (surging prices of raw materials, mainly oil). This is also confirmed by the fact that price growth in manufacturing resulted from hike in fuel prices.
- February saw continuation of rise in households' inflation expectations observed since November 2003 (resulting from increase of current price index as well as from worsening structure of answers to survey questions). It seem that the rise is related to fears of possible price growth after EU entry in May, which suggests that rise in inflation expectations is temporary.

Central bank watch





Important elements of NBP statement
Continuing presence of some factors supporting the continuation of a low inflation level: continued moderate money supply level, continued low growth rate of loans in the economy, after acceleration of salary growth trends in December, the January statistics do not confirm a weakening of corporate salaries discipline.
Growth trends in the economy are clearly consolidating. (…)This will gradually increase inflationary pressure.
There has been no change to the importance of factors hampering the stabilisation of inflation at a low level. The Council re-emphasises that the most important of these is the condition of public finance. (…) The Council notes with disquiet those decisions of the Sejm that worsen the condition of the state budget for 2004 and in following years.
Other possible factors of inflationary pressure are: high growth rate of cash in circulation, further growth in oil prices, systematic growth in the PPI indicator, growth in inflationary expectations reported in the course of the past three months and worsening of response structure to survey questions.
Growth in price of foodstuffs in 2004 may be greater than is predicted presently.

MPC members appointed by President Aleksander Kwasniewski

Name	Description
Dariusz Filar, prof. of economics at Gdańsk University, chief economist at Pekao S.A	He thinks that the most important goal of the MPC is to maintain low inflation and introduce euro in Poland. The zloty should be free-floating until entry to the ERM2, while stay in the ERM2 as short as possible.
Andrzej Sławiński, prof. of economics at Warsaw School of Economics, adviser to the NBP governor	Expert in FX policy and financial markets. Advocate of free-float FX regime although in the past he did not exclude FX interventions. According to him the zloty should rebound in the coming months.
Andrzej Wojtyna, prof. of economics at Krakow School of Economics	He thinks that at the moment there are no reasons for interest rate cut. The new MPC should give “a wise signal” to the market in order to preserve credibility. He is opposed to narrowing bands within the ERM2 and fixing or pegging the zloty before entering the ERM2.

Source: CSO, NBP, BZWBK own estimates

Interest rates unchanged until year-end

- The Monetary Policy Council kept all interest rates on hold in February; the reference rate remained at 5.25%.
- Neutral bias in monetary policy maintained, but at the same time the MPC “did not rule out a shift into the tightening bias at the next meeting”.
- We think that given current, very uncertain economic situation it was too early to close the door for monetary policy easing.
- But the MPC did it to increase its credibility, and therefore we do not expect interest rates reductions in 2004.
- On the other hand, we are not excessively worried about “tightening bias” and we do not expect a hike of rates this year.
- The MPC confirmed its commitment to the Medium-term strategy of monetary policy, approved by the previous Council.

Where this restrictiveness comes from?

- Monetary expansion in the latest months was a result of zloty weakening, which is in the central banks’ opinion temporary, and thus there is no reason to counteract it.
- Talking about more restrictive monetary policy when current inflation is very close to the lower end of the target is very forward-looking, but at the same time it requires strong belief in forecasting models.
- The MPC emphasised the strength of economic recovery taking place, which could gradually increase inflationary pressure.
- In the previous statements the recovery and rising inflationary pressure have been noticed as well, however the MPC used to add that “it should not endanger the inflation target”. This time disclaimer has gone, which might suggest that the central bank’s opinion on this issue has changed.

Higher credibility, but still poor communication

- Several new MPC members underscored many times that they would focus on the improvement of communication with the financial market, and that the wording of the MPC’s first decisions must be particularly well chosen.
- The statement issued after the MPC meeting was very similar to those that we have seen in previous months and did not offer big help in explaining MPC’s resolve to tighten the policy bias.
- Individual comments of MPC members did not clear up the situation either (see the next page for details).
- Possibly the MPC’s assessment of the situation in public finance has deteriorated, although this was also not so clear from the statement.
- Another chance to improve communication policy very soon.

All the President’s Men

- Although the list of President’s appointees was slightly different than expected (in particular it did not include Edmund Pietrzak who seemed to be almost certain nominee), in general the President’s choice confirmed expectations.
- Market positively perceived new MPC. Jerzy Hausner praised the new members as "competent and extremely well prepared".
- The presidential trio is likely to support Leszek Balcerowicz in efforts to balance policy views in the panel, which would give more power to swing rate decisions of Balcerowicz.
- One should expect better communication with the government (some new members did not exclude a possibility of joint setting of the inflation target). The MPC will meet economy and finance ministers very soon.

Central bank watch

Comments of the central bank representatives	Remarks
Leszek Balcerowicz, NBP president PAP, MPC press conference, 25th February MPC meeting proceeded in good, content-related atmosphere. We have a team, which will be guided by its constitution goal of price stability in Poland. Question: What conditions have to be met in order to make MPC change the bias next month? Answer: Inflation environment would have to be better than currently. All interviews and statements of new MPC members will have to be consulted with the press office of the central bank.	When asked during the press conference about the conditions that have to be met in order to make MPC change the bias next month NBP president Leszek Balcerowicz, answered in fact what should happen to prevent such move This may suggest that maintaining neutral bias would be possible only in very positive scenario, with optimistic news as regards support for the Hausner programme in the parliament, stronger zloty and limited signs of inflationary pressure in the economy. Nevertheless, we believe that even if the bias would be shifted to tightening in March, one should not be afraid about rate hikes this year. We hope that the change in information policy of the MPC (its members are not allowed any more to contact directly with media) would limit a number of unnecessary comments, which used to bring nervousness and volatility on the market during the tem of office of the previous Council. After February's meeting we saw only a few interviews of MPC members. Does it mean that only one view (the hawkish one) will be presented to the public?
Jan Czekaj, MPC member PAP, 16th February Everybody expected higher inflationary pressure but it does not exist. Unemployment is still high, so there is no pressure from consumer demand. It seems that inflation is kept under control. A high FX rate against the euro does not translate for the time being into price growth. Inflation is kept under control, chiefly by demand.	Low inflation in January, as well as the fact that inflationary pressure is mainly on the supply-side, brought a number of dove-ish comments f new MPC members. Stanisław Nieckarz and Stanisław Owsiak said roughly the same thing after inflation release. It seems, however, that during the meeting other arguments were prevailing and more dove-ish members were convinced (outvoted) to build credibility of the Council at the beginning of its tenure.
Dariusz Filar, MPC member PAP, 24th February Reducing inflation to the European level is too great achievement of the previous MPC that we could allow wasting it. (…) We must work on the way of communication with the market. Entering the ERM2 system in 2007 and the euro zone in 2009 this is my forecast. I believe that by the time of entering ERM2 the zloty should remain free floating. Proposal of changing obligatory reserve requirements has to be based on detailed and exact forecasts.	Comments of new MPC member Dariusz Filar, appointed by the president Kwaśniewski, confirmed market expectations, that he should be a reasonable central banker with well balanced views on monetary policy. Filar's opinion on the FX policy is very similar to most of other members' views. Likewise two other members of the new MPC (Wojtyna and Owsiak), Dariusz Filar said he would put much attention to the communication policy. We truly hope that those declarations would have some tangible effect in a short time. Filar also joined Leszek Balcerowicz's opinion that one should not expect any further change of reserve requirement ratio, although such step might be considered at a later stage.
Andrzej Sławiński, MPC member PAP, Reuters, 3rd March For now, the economic recovery is still at an early stage and there is no strong inflationary pressure yet, but monetary policy affects the situation in months from now. […] The probability of an interest rate hike right now is higher than that of a rate cut. […] Central bank in every country would start thinking that the probability of necessity to respond with change in interest rate level if it saw beginning of sustainable economic recovery. Monetary policy should be sensible and should not bring any elements surprising for the markets. Lack of surprises in monetary policy is important also because of the fact that many Poles have invested their savings on the bond market through pension funds [OFE]. This is why, among others, we must avoid uncertainty on the market. If increased uncertainty makes the funds to change composition of investment portfolios it results in higher costs of transactions that decrease future gains. The smaller concerns for the budget the faster reversal of present trend on the FX market. Analysis of Poland's balance of payments shows the zloty's weakness is most likely temporary. Changes in FX rate will be of greater importance for inflationary process when the economy enters a phase of faster growth.	As regards the MPC's warning about a possibility of changing bias to restrictive, Sławiński said this was aimed at improving transparency of monetary policy. At the same time he warned against too literal interpretation of the statement. He said the MPC only wanted to say "rate hikes are more likely than cuts". Well, we think it is necessary that the central bank explains its wording during the next meeting. What's interesting, Sławiński put much emphasis on the issue of monetary policy decisions' influence on changes in open pension funds assets. This is not likely to mean the NBP started to pay more attention to wealth effect in monetary policy transmission mechanism, but it seems central bankers do not want to negatively affect investment policy of pension funds and would aim at smoothing changes in expectations regarding monetary policy. Recent zloty weakness is perceived by the central bank as temporary, which suggests that there is no substantial risk of significant pass-through effect on consumer inflation. This would confirm that hawkishness of the Council in February was mainly a result of possible inflation pressure connected with economic recovery. Do all MPC members share such view?
Halina Wasilewska-Trenkner, MPC member Radio PiN, 27th February The elements stimulating cautiousness are, first of all, the situation in public finances, or a looming widening public debt, and a transition into the state of permanent imbalance. The other issue distorting the picture are exchange rate moves. Our economy is sound and this should not create reasons for a weakening of the zloty, but on the other hand we have an unstable political situation, which causes tinkering at the FX. The implementation of the Hausner plan will cause that Poland will not go beyond a 55% debt to GDP ratio.	There is no doubt that after several years in the Ministry of Finance, Halina Wasilewska-Trenkner is the MPC member very well-versed in fiscal policy matters, and its influence and risks created for the economy. However, it seems that transmission mechanism from poor situation in public finances into future inflation, which is perceived by the MPC, could be explained in more details to market participants. Especially, as one should exclude a risk of indirect influence via exchange rate depreciation, as most of recent MPC members' comments stressed expected zloty strengthening. Unless these were only attempts to verbally intervene on the FX market?

Government and politics

Savings in social area, PLN billions

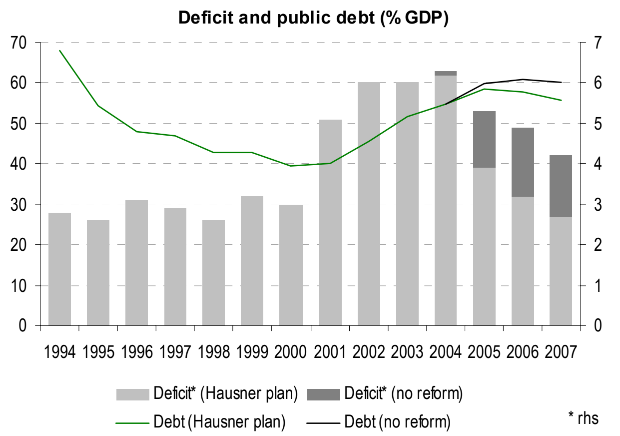
	Savings in spending	Increase of revenues	TOTAL	TOTAL (January version)
2004	0.07	-	0.87*	0.83
2005	5.86	2.64	8.49	6.98
2006	9.89	3.04	12.93	11.38
2007	8.6	3.18	11.78	10.16
2004-07	**24.41**	**8.86**	**34.08**	**29.36**

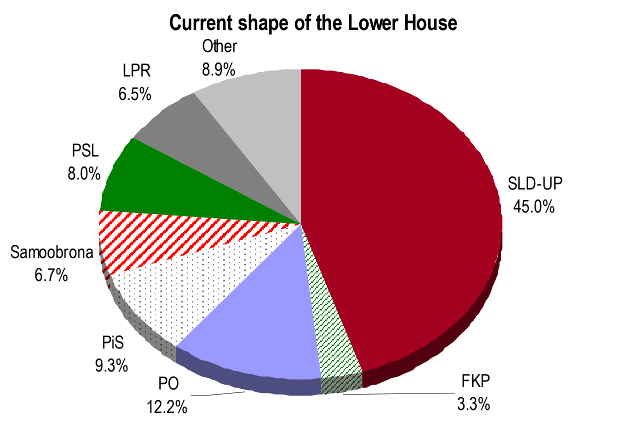
* Includes PLN808m savings in system of support for disabled, which were included already in 2004 Budget Act.
Source: Ministry of Economy, Labour and Social Policy

Savings in administration area, PLN billions

	Savings in spending	Increase of revenues	TOTAL	TOTAL (January version)
2004	0.11	-	0.11	0.11
2005	1.89	4.37	6.26	6.11
2006	2.26	4.58	6.84	6.68
2007	2.49	4.80	7.28	7.12
2004-07	**6.75**	**13.74**	**20.49**	**20.02**

Source: Ministry of Economy, Labour and Social Policy





More savings in the Hausner plan

- New set of documents, called "The legislative package" of the fiscal reform programme, included updated estimates of financial results of the fiscal austerity programme.
- The amount of savings proved to be higher than outlined in the previous version of the Hausner plan adopted by the government.
- Total amount of savings in 2004-2007 period is now supposed to top PLN54.4-54.6bn, instead of PLN49.4bn, assumed at the end of January.
- The bulk of additional savings (in comparison with January version of the plan) have been achieved in the social area
- The reform programme has not been watered down, but this will be important for the market only if there is political support for the package in the parliament.

Large part of savings on the revenue side

- In the document there appeared a clear distinction between savings resulting from constraining future spending level and "savings" due to increase of revenues in the following years.
- Revenue growth plays very important role in the whole reform programme, as it is responsible for more than 41% of total savings over the period of four years.
- In the administration area the situation is even more extreme - revenue boost represents 67% of total savings.
- This should not be a subject of "new critique", as it was already known in October 2003 (at least for careful readers of government's documents).
- Very negative change in the plan was connected with increased obligatory contribution to social security fund from businesses.

First safety threshold broken. When next?

- According to FinMin's estimates the public debt reached ca. 51% of GDP in 2003. Final calculations will be released in April
- In line with the Public Finances Act, this means that in the next budget the relation of budget deficit to budget revenues should be lower as compared to the previous year.
- Breaking next thresholds would imply much more severe prudential measures.
- The Hausner plan, on which we do not change our critical opinion, does not eliminate the risk of exceeding 60% of public debt to GDP ratio.
- However, this plan is the only available conception of public finance reform, which slightly decreases the risk of breaking this constitutional limit.

With or without PO

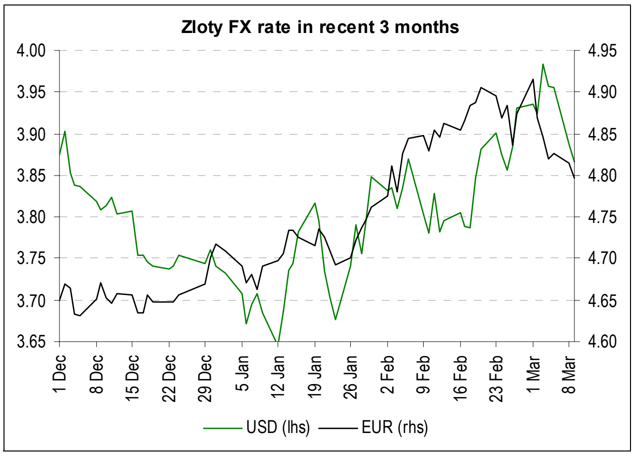
- The Civic Platform (PO) refused to fully back the government's fiscal reform programme.
- …but it will support some of the most important elements of the Hausner plan (changes in social security system for farmers, pension indexation scheme and pre-retirement benefits).
- The party would surely call for rejection of a few bills only. Other bills would be regarded on case-by-case basis and the PO would try to improve government's proposals, which means that its support in other cases is still possible.
- SLD-UP formed a coalition with the Federation Parliamentary Caucus (FKP) headed by Roman Jagieliński, which increases chances for adoption of all changes proposed by the government in the parliament.

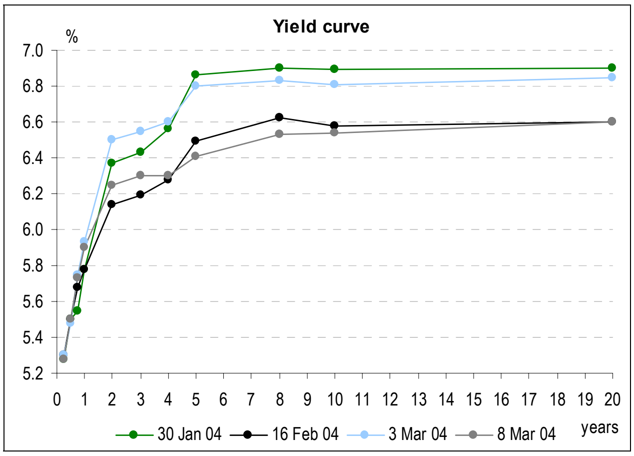
Source: Ministry of Finance, Ministry of Economy, Labour and Social Policy, Lower House, BZWBK own estimates,

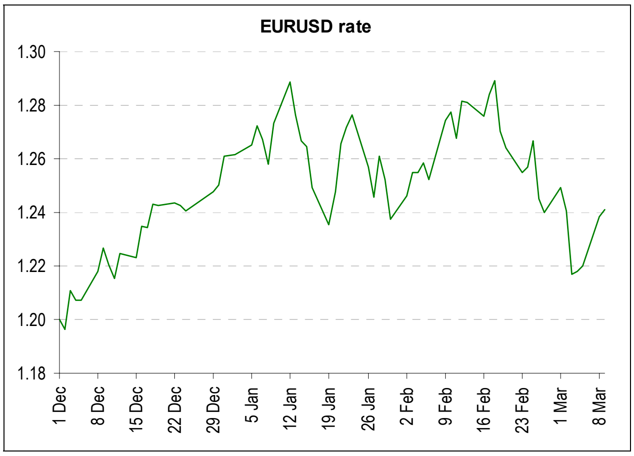
Government and politics

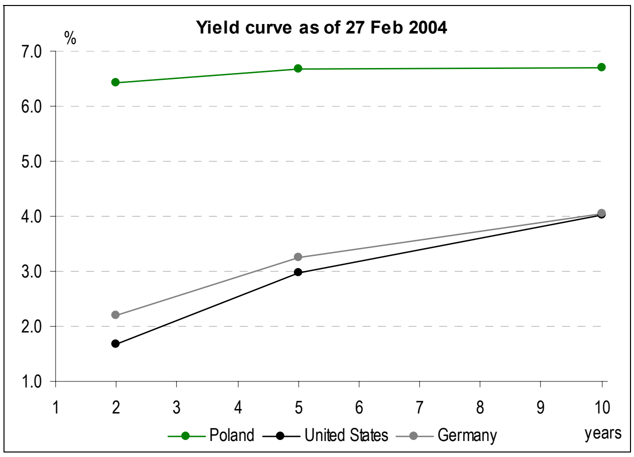
Comments of government representatives and politicians	Remarks
Leszek Miller, Prime Minister; PAP, Reuters, 23-24th February In votes on the Hausner plan the SLD and UP caucuses will be for sure bound by discipline. […] Gaining occasional majority from voting to voting is likely as well as lasting majority. Various things may happen. In some votes PO may vote for the bills and in other cases they could leave the hall. If it turns out that there is no majority for this plan in present parliament there should be earlier elections so that we could look for majority in the new parliament.	The most likely scenario is support of the PO for all these bills, which bring crucial part of savings in the Hausner plan and are the most important for financial market. Although a few next months would still be a period of considerable uncertainty over public finance reform, the final result would show an implementation of large part of the government's plan. Such scenario was confirmed during the voting on the first bills in the parliament. Also, chief of SLD parliamentary caucus, Krzysztof Janik, was elected the leader of the party. One should not expect major changes in the party's policy, including its strong support for the Hausner plan.
Jerzy Hausner, deputy PM and economy minister; PAP, 1st March At the moment I estimate the FX rate of 4.3-4.5 per euro as giving a chance [to avoid crossing 55% limit of debt to GDP], but I do not say that the price is decisive. The rate of PLN4.1 would be decisive. I think that the real rate of the zloty, in terms of its purchasing power, is within the band of 4.3-4.5 to euro, that rate would benefit the economy and be very safe for public finances.	Exchange rate will be one of the most crucial elements when calculating public debt to GDP ratio this year (year-end rate, not average, will be important). Average market EURPLN forecast for December 2004 amounts to 4.62, which is higher than the levels indicated by deputy PM Hausner. However, we should remember that there are a few other methods to avoid breaking safety thresholds of public debt. What is interesting, even opposition's politicians have started to talk about them (see below).
Krzysztof Pater, deputy economy minister; PAP, 2nd March [Eurostat's decision] provides some framework, has no reference to a specified country and states that individual matters will be explained during bilateral consultations in the coming weeks. There are procedures that allow to modify the final notification because talks on reliability of EU statistics are underway in the ECOFIN itself. It is unacceptable that reforms lead to an exclusion of the country beyond the criteria, and it is kind of punishment, and on the other hand other pension systems are potentially insolvent. Our system has public features and should be classified as a such.	Literal interpretation of the Eurostat's communiqué implies that when calculating public finance balances according to ESA95 methodology (which is binding in our reporting for the EU), the deficit and debt levels would have to be higher than assumed previously. The deficit of the public finance sector would be higher because the flows into the private pension funds (OFE) would not add to general government revenues (the contributions to the OFE amount to ca. 1.6% in 2004). Such situation could imply that Poland would face harder conditions of meeting Maastricht fiscal criteria, so the date of possible euro adoption could move away in time, behind 2010. Nevertheless, the Eurostat's communiqué should not be treated as a final decision. As the stats office stated itself, this was just a general announcement and the application of these rules for specific countries would be made on case-by-case basis.
Andrzej Raczko, finance minister; PAP, 20th February Some of the amendments [to the VAT bill, passed by the Sejm] are contradicting with EU directives. Now we will undertake efforts in the Ministry of Finance and European Integration Office to convince the senators to adjust the bill and to restore its compatibility with EU 6th directive [on VAT]. The EU sixth directive says clearly that VAT on construction materials cannot be subject to reduced rate. If we introduce 7% VAT rate [on those materials], we will violate this rule. Additionally, financial effects [of the reduction of this VAT rate] could be estimated at PLN385-400m.	During voting on VAT bill in the Sejm deputies (including SLD's MPs) voted against a few of government's proposals. As a consequence, bills which were sent to the Senate were against the EU's legislation and additionally decreased budgetary revenues. According to estimations of MPC member Halina Wasilewska-Trenkner, budget lost at least PLN613m in 2004, as measured since 1 May till year-end. This effect for the full year could be higher by PLN400-500m. The Senate has already voted on these bills. While senators introduced a few additional changes (which may slightly decrease budgetary revenues) majority of Sejm's proposals were rejected. VAT bill was sent back to the Sejm in much better shape than it was accepted by the Lower House (revenues shortage in the budget of ca. PLN300m).
Zbigniew Kaniewski, treasury minister; PAP, Reuters, 3rd March Faster privatisation is not a joke. There is a serious situation in Poland and we are working at double pace in the ministry. We plan to offer PKO BP shares for public and sale up to 30% stake of the Treasury on the bourse. We have plans that the ministry will offer to investors up to 30% of PKE in a public offer in Q404. […] Privatisation of Enea on the bourse is planned for Q42004 or Q12005 at the latest. […] We have plans to offer a minority PGNiG stake on the Warsaw bourse and foreign stock exchanges in Q42004.	Treasury Minister's statements are supportive for the fixed income market, as high revenues from privatisation would mean lower supply of treasury papers and lower risk of breaching public debt safety threshold at 55% of GDP this year. However, inability of the present government to effectively carry out privatisation process in the past (that is why treasury minister had to assure that quicker privatisation is not a joke), decreases credibility of Kaniewski's declarations. It is worth to reiterate that public finance sector situation this year is much more serious (high budget deficit, sharply rising public debt), which may force more decisive steps.
Zyta Gilowska, deputy chief of the Civic Platform Puls Biznesu, 24th February We have to do everything to avoid collision with this barrier [exceeding by debt 60% of the GDP]. Obviously a state that is not able to fulfil the rules from its constitution is incredible. Besides, we have a few ways to defend: changing methodology of calculating public debt, negotiations with the NBP, rigorous savings and inflow of aid funds from the Union.	It seems that in the following months we will hear more and more voices calling for adopting the so-called special measures to avoid breaking public debt to GDP safety thresholds. It is interesting that parliamentary opposition also have started to talk about it. But politicians should remember that rigorous savings may be forced not necessarily by breaking the constitutional level (60% of GDP), but already when the level of 55% of GDP is broken. Change of the methodology on ESA95 may lower public debt by expected payments from government's guarantees. Additionally, a change of economic growth GDP estimations (upwards) may lower relation of debt to GDP. As regards "negotiations with the NBP", earlier repayment of a part of foreign debt may be considered.

Market monitor









Source: Reuters, BZ WBK

First votes over the Hausner plan strengthened the market

- In February Polish market was still mainly under influence of rumours around the Hausner plan and from time to time zloty depreciation and rise in bond yields took place.
- The situation calmed down after publication of good data on inflation and budget performance. However, uncertainty increased again after unexpected PM's announcement on giving up party leadership and voting in Sejm, when SLD MP's overruled government's proposals. MPC's decision and statement strengthened the zloty slightly but weakened bonds due to decrease in expectations (including ours) for interest rate cuts.
- As a result of gradual depreciation, at the end of February the zloty was weaker than in January by more than 2% against dollar-euro basket. The yield curve was close to the level from end-January, though during the month it was fluctuating in a 30-50bp wide ranges.
- In early March the FX market was waiting nervously for PO's opinion on the Hausner plan, which resulted in record weak zloty against the euro (4.942). Despite negative opinion, a few days later PO supported three bills from the plan. Besides, government coalition was enlarged and SLD elected its new chief. As a result of sentiment improvement the Polish currency appreciated by some 1.5% and the yield curve moved downward by 25-40bps.
- Outlook for Polish market improved after successful votes over bills from the Hausner plan. It was the first clear-cut signal of declining uncertainty on the financial market and confirming that passing the plan is possible. Probably next votes will bring increased uncertainty. However, from the point of view of financial market the first trials for planning next year's budget will be the most important.

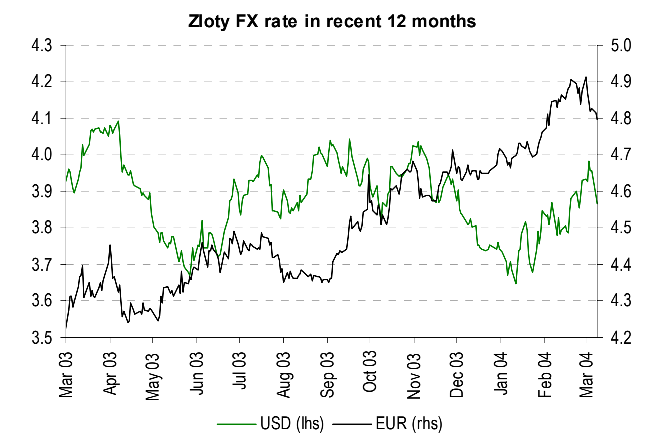
Enormous fluctuations in FX rates

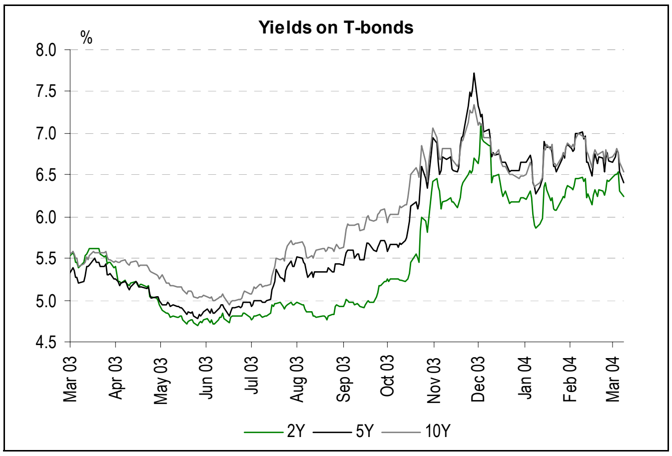
- FX markets are remaining volatile. After a summit of finance ministers of G7 countries (6-7 Feb) the EURUSD rate returned to upward trend supported by denials from central bankers concerning plans of interventions on the market. On 18 Feb it reached historical high exceeding 1.29. Afterwards the dollar was depreciating following data on weak sentiment and amid profit taking.
- On 2 March (Tue) the EURUSD rate recorded the deepest daily fall in its history from some 1.24 to 1.22 amid forecasts of strong US employment data. Only in Friday's afternoon, after the data release (much worse than expected) the rate started to rise and made up for the loss by Monday.
- In our opinion FX quotations will remain unstable but in next months further increase in EURUSD rate is likely even to historical high levels.

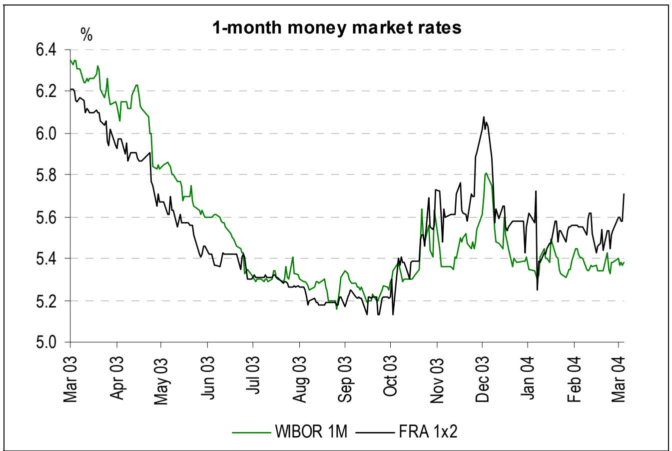
Higher rates and deficit in the US will weaken bond market

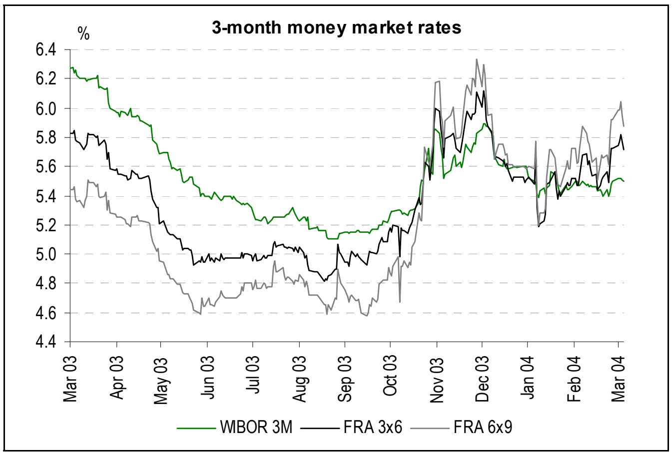
- Sentiment fluctuations on the Polish market result in changes in risk premium for Polish bonds measured with the difference between expected 5Y interest rate in Poland and in the Eurozone in 5 years time. In February it was fluctuating from 133bps to 179 bps and at month-end it was close to January's level. In early March it declined by some 10bps.
- On the main fixed income markets downward trend in yields is still continued. At the beginning of March it was disrupted temporarily due to expectations of interest rate hikes in the United States.
- In short term we expect further fall in yields (weak data from the labour market), however afterwards they should be rising given interest rate raises by the Fed. Besides, high budget deficit in the United States results in a risk of pressure for yield increase.

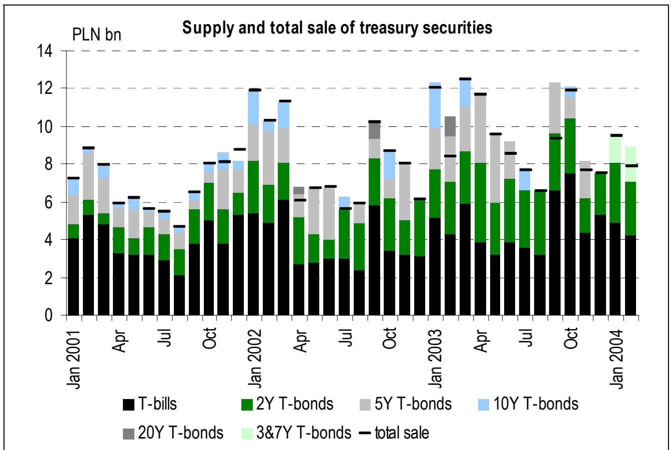
Market monitor











Treasury bill auctions (PLN m)

Date of auction	OFFER / SALE		
	13-week	52-week	Total
02.02.2004	-	1,000 / 1,000	1,000 / 1,000
09.02.2004	-	1,000 / 1,000	1,000 / 1,000
16.02.2004	-	1,100 / 1,100	1,100 / 1,100
23.02.2004	-	1,100 / 1,100	1,100 / 1,100
February total	**-**	**4,200 / 4,200**	**4,200 / 4,200**
01.03.2004	-	1,000 / 1,000	1,000 / 1,000
08.03.2004	-	1,000 / 1,000	1,000 / 1,000
15.03.2004	-	1,200	1,200
22.03.2004	-	1,200	1,200
29.03.2004	100	1,200	1,300
March total	**100**	**5,600**	**5,700**

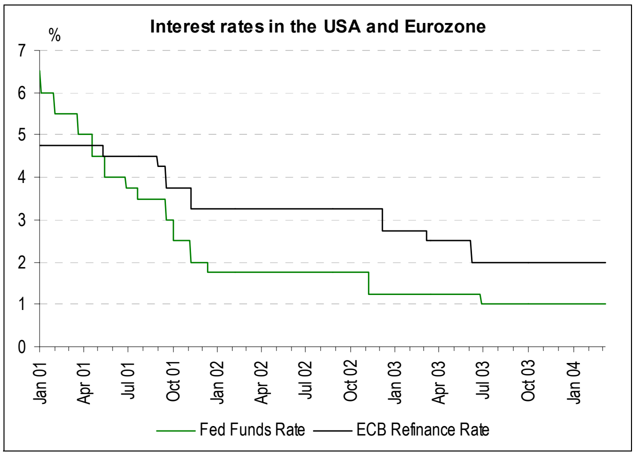
Treasury bond auctions in 2004(PLN m)

month	First auction				Second auction				Third auction			
	date	T-bonds	offer	sale	date	T-bonds	offer	sale	date	T-bonds	offer	sale
January	07.01*	OK0406	3,200	3,200	14.01	WZ0307/0911	1,500	1,407	-	-	-	-
February	04.02*	OK0406	2,900	2,600	11.02	WZ0307/0911	1,800	1,110.8	-	-	-	-
March	03.03	OK0406	2,500	2,500	10.03	DS1013	1,700	-	17.03	DS0509	1,500-2,500	-
April	07.04	OK0806	-	-	14.04	DS1013	-	-	21.04	5L	-	-
May	05.05	OK0806	-	-	12.05	WZ0307/0911	-	-	19.05	5L	-	-
June	02.06	OK0806	-	-	9.06	WZ0307/0911	-	-	16.06	5L	-	-
July	07.07	OK0806	-	-	14.07	DS1013	-	-	-	-	-	-
August	04.08	OK0806	-	-	11.08	WZ0307/0911	-	-	-	-	-	-
September	01.09	OK0806	-	-	8.09	WS0922	-	-	15.09	5L	-	-
October	06.10	OK1206	-	-	13.10	10L	-	-	20.10	5L	-	-
November	03.11	OK1206	-	-	10.11	WZ0307/0911	-	-	17.11	5L	-	-
December	01.12	OK1206	-	-	-	-	-	-	-	-	-	-

* with supplementary auction

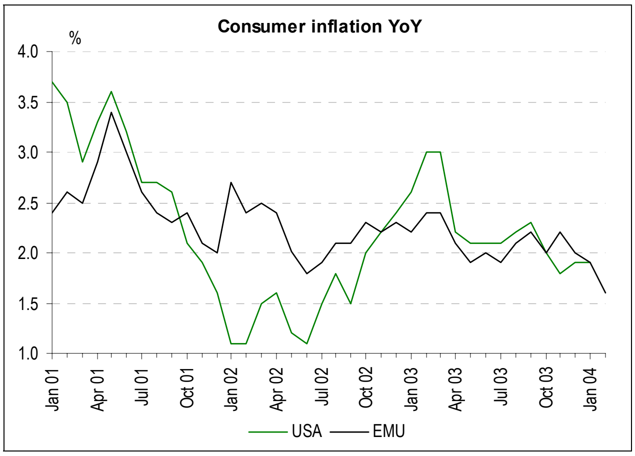
Source: Ministry of Finance, Reuters, BZ WBK

International review



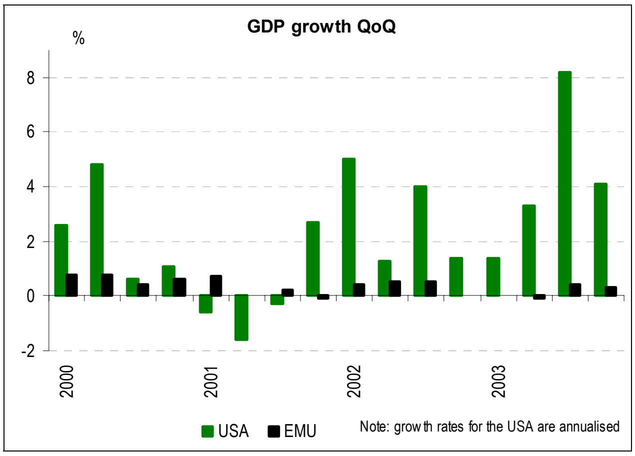
EBC stressed its independence, Fed rates still unchanged

- On 4 March, in line with expectations of analysts' majority, the Governing Council of the ECB did not change interest rates for a ninth month in a row. Refinance rate was maintained at 2.0%. After the decision the ECB president assessed that present bank's policy was proper. He said that rates were low enough to stimulate economic growth and particularly stressed that bank's policy should independent and it must not give in any pressure.
- At the same day the Bank of England kept the main interest rate at 4.0%.
- The next meeting of the Federal Open Market Committee is planned for 16 March. At the beginning of the month, some shy expectations of interest rate hike appeared on the market amid forecasts of strong employment data for February. Finally, the data disappointed and markets will wait for a change in rates.



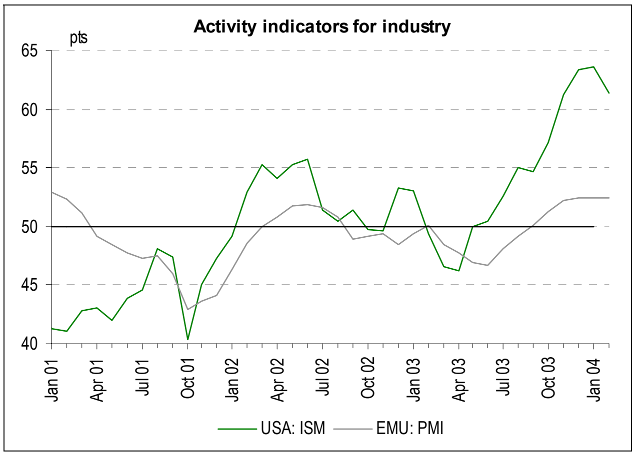
Consumer inflation quickly falling in the Eurozone

- In the Eurozone preliminary estimations of inflation in January were revised downward in final release. Finally CPI decreased by 0.2%MoM and annual inflation rate declined to 1.9% from 2.0% in December. Analysts expected confirmation of preliminary release at 2.0%YoY. According to preliminary estimations for February, inflation recorded further fall to 1.6%YoY – the lowest since Nov 1999. The figure was below market forecast at 1.7%. The inflation fell below ECB's inflationary ceiling target at 2.0%.
- In the United States data on inflation exceeded market consensus forecast. In January consumer prices increased by 0.5%MoM, while analysts forecasted increase of 0.3%. This figure resulted in a stabilisation in annual inflation rate at 1.9%, unchanged from December. Core inflation rate remained at 1.1%YoY – the lowest level since January 1966.



4Q03 GDP figures confirmed

- In early March more detailed GDP figures were released in the Eurozone. Flash estimate from mid-February was confirmed, which also matched market expectations. In fourth quarter 2003 GDP increased by 0.3%QoQ. In annual terms the Eurozone's economy grew by 0.6% in 4Q03 accelerating from 0.3% in 3Q. The European Commission confirmed growth forecasts for 1Q04 and 2Q04, both at the level of 0.3-0.7%QoQ.
- According to preliminary information on economic growth in the United States, US GDP increased by 4.1%QoQ in 4Q03, which was slightly stronger than the figure released a month ago in advanced information, when the it was estimated at 4.0%. The preliminary data were also better than economists' expectations at 3.6% but significantly weaker than 3Q03 figure of 8.2%, which was the highest pace of economic growth in almost twenty years.



Source: Reuters, ECB, Federal Reserve

Stopped increase in activity and business climate indices

- In February economic activity in the Eurozone's industry was rising at the same pace as in January, which matched analysts' expectations. Reuters PMI index remained at 52.5pts in February, unchanged from previous month and in line with market forecast. In the United States the activity in industry recorded an increase in February, but slower than a month earlier and than expected. It still remains considerably faster than in the Eurozone. The ISM index fell to 61.4 pts in February against 63.6 pts in January and 62.0 pts forecasted.
- Index IFO – major business climate indicator for Germany - recorded a first fall since April last year, amounting to 96.4pts in February versus 97.5pts in January, while forecasts pointed to the further increase to 97.6pts. Assessment of present situation is better than a month ago but expectations for future deteriorated.

What's hot this month

Monday	Tuesday	Wednesday	Thursday	Friday
1 March POL: T-bill auction *EMU: PMI (Feb)* *USA: ISM (Feb)*	**2** *EMU: Unemployment (Jan)*	**3** POL: T-bond auction OK0406 *EMU: Producer prices (Jan)*	**4** *GER: Unemployment (Feb)* *EMU: ECB meeting* *EMU: GDP (4Q)* *USA: Factory orders (Jan)*	**5** *EMU: Retail sales (Dec, Jan)* *USA: Unemployment (Feb)*
8 POL: T-bill auction	**9**	**10** POL: T-bond auction DS1013 *ITA: GDP (4Q)* *USA: Foreign trade (Jan)*	**11** *USA: Retail sales (Feb)*	**12** POL: Money supply (Feb) POL: Balance of payments (Jan) POL: Wages & employment (Feb) *FRA: Inflation preliminary (Feb)* *FRA: Industrial output (Jan)* *USA: Producer prices (Feb)*
15 POL: Inflation (Jan, Feb) POL: T-bill auction *ITA: Industrial output (Jan)* *USA: Industrial output (Feb)*	**16** *ITA: Inflation final (Feb)* *USA: Fed meeting*	**17** POL: Industrial output (Feb) POL: Producer prices (Feb) POL: T-bond auction DS0509 *EMU: Inflation final (Feb)* *EMU: Industrial output (Jan)* *USA: Inflation (Feb)*	**18**	**19** POL: Retail sales (Feb) POL: Unemployment (Feb)
22 POL: T-bill auction POL: Business climate (Mar) *EMU: Foreign trade (Jan)*	**23** POL: Core inflation (Jan, Feb) *FRA: Inflation final (Feb)*	**24** *EMU: Balance of payments (Jan)*	**25** POL: Food prices (1H Mar) *USA: GDP (4Q)*	**26** *GER: IFO (Mar)* *EMU: Money supply (Feb)*
29 POL: T-bill auction	**30** POL: MPC meeting (1st day)	**31** POL: MPC meeting (decision) POL: Balance of payments (4Q) *EMU: Inflation preliminary (Mar)* *EMU: Economic sentiment; Business climate (Mar)* *USA: Factory orders (Feb)*	**1 April** *EMU: ECB meeting* *EMU: Unemployment (Feb)* *EMU: PMI (Mar)* *USA: ISM (Mar)*	**2** *EMU: Producer prices (Feb)* *EMU: Retail sales (Feb)* *USA: Unemployment (Mar)*
5 POL: T-bill auction	**6** *GER: Unemployment (Mar)*	**7** POL: T-bond auction OK0806	**8** *USA: Producer prices (Mar)*	**9**

Source: CSO, NBP, Finance Ministry, Reuters

Data release calendar for 2004

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
MPC meeting	20-21	24-25	30-31	-	-	-	-	-	-	-	-	-
GDP*	-	20	-	-	-	-	-	-	-	-	-	-
CPI	15	16[a]	15[b]	14	14	14	14	16	14	14	15	14
Core inflation	23	-	23[b]	23	24	22	23	24	22	22	23	22
PPI	20	18	17	20	20	18	19	18	17	19	19	17
Industrial output	20	18	17	20	20	18	19	18	17	19	19	17
Retail sales	23	20	19	22	24	23	21	20	21	21	24	21
Gross wages, employment	16	13	12	15	17	16	14	13	14	14	17	14
Unemployment	23	20	19	22	24	23	21	20	21	21	24	21
Foreign trade	about 50 working days after reported period											
Balance of payments*	2	-	31	-	-	30	-	-	-	-	-	-
Balance of payments	30	-	12[c]	13	14	16	-	-	-	-	-	-
Money supply	14	13	12	14	14	14	-	-	-	-	-	-
NBP balance sheet	7	6	5	7	7	7	-	-	-	-	-	-
Business climate indices	22	20	22	22	21	22	22	20	22	21	22	22
Food prices, 1-15	-	9[c], 25[d]	25	23	25	25	23	25	24	25	25	23

* quarterly data,
[a] preliminary data, January, [b] January and February, [c] January, [d] February
Source: CSO, NBP

Economic data and forecasts

Monthly economic indicators

		Feb 03	Mar 03	Apr 03	May 03	Jun 03	Jul 03	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
Industrial production	%YoY	4.3	5.5	8.5	11.7	7.9	10.3	5.9	10.9	12.1	9.2	13.9	14.3	14.2	19.6
Retail sales [c]	%YoY	4.2	-1.7	11.0	9.7	8.1	5.4	5.5	9.7	10.3	11.4	17.3	7.6	8.2	10.6
Unemployment rate	%	20.7	20.6	20.3	19.8	19.7	19.6	19.5	19.4	19.3	19.5	20.0	20.6	20.6	20.4
Gross wages [b c]	%YoY	2.1	0.7	4.2	0.0	3.1	2.4	1.9	2.2	3.0	4.1	5.1	3.5	3.6	3.7
Employment [b]	%YoY	-3.9	-4.0	-3.7	-3.5	-3.6	-3.2	-3.2	-3.1	-3.2	-3.3	-3.5	-1.4	-1.4	-1.3
Export [d]	%YoY	10.4	9.7	3.9	8.4	3.4	6.8	2.1	17.2	9.1	6.6	7.6	8.0	8.4	2.4
Import [d]	%YoY	0.3	1.6	-6.2	3.1	-4.0	7.2	2.7	11.0	2.7	0.4	4.3	6.6	2.6	1.7
Trade balance [d]	EURm	-511	-520	-446	-471	-206	-693	-315	-316	-247	-468	-704	-450	-300	-500
Current account balance [d]	EURm	-726	-542	-340	-457	-103	-351	-58	-55	325	-337	-722	-250	-450	-500
Current account balance [d]	% GDP	-2.7	-2.7	-2.4	-2.4	-2.3	-2.2	-2.3	-2.2	-1.9	-1.9	-2.0	-2.0	-1.8	-1.8
Budget deficit (cumulative)	PLNbn	-11.7	-15.5	-18.0	-23.2	-23.8	-27.7	-29.6	-33.1	-34.8	-35.5	-37.0	-4.2	-10.2	-19.7
Budget deficit (cumulative)	% realisation	31.7	41.9	48.7	62.8	64.4	74.9	80.0	89.4	94.2	96.1	100.0	9.3	22.6	43.5
CPI	%YoY	0.5	0.6	0.3	0.4	0.8	0.8	0.7	0.9	1.3	1.6	1.7	1.7	1.8	1.8
PPI	%YoY	2.9	3.6	2.7	2.0	2.0	1.9	1.8	2.1	2.7	3.7	3.7	4.2	3.8	3.1
Broad money (M3)	%YoY	-1.2	0.5	0.8	0.3	1.3	0.7	1.7	3.1	4.7	5.6	5.6	5.1	5.2	5.7
Deposits	%YoY	-3.8	-2.3	-2.3	-2.9	-1.9	-2.5	-1.7	-0.2	1.5	3.3	3.8	3.4	3.8	5.0
Credits	%YoY	5.7	8.7	8.7	7.6	5.9	5.0	5.2	5.4	7.5	8.5	8.1	7.4	9.2	8.7
USD/PLN	PLN	3.87	4.01	3.96	3.74	3.80	3.90	3.92	3.98	3.92	3.94	3.79	3.74	3.84	3.87
EUR/PLN	PLN	4.17	4.33	4.30	4.33	4.44	4.44	4.37	4.46	4.59	4.62	4.66	4.71	4.85	4.80
Reference rate [a]	%	6.25	6.00	5.75	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
WIBOR 3M	%	6.37	6.17	5.90	5.53	5.38	5.26	5.16	5.17	5.42	5.68	5.69	5.46	5.46	5.50
Lombard rate [a]	%	8.00	7.75	7.25	7.00	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Yield on 52-week T-bills	%	5.83	5.67	5.43	4.75	4.66	4.85	4.82	4.91	5.30	5.95	6.02	5.59	5.78	5.90
Yield on 2-year T-bonds	%	5.66	5.52	5.16	4.78	4.79	4.89	4.86	5.02	5.53	6.31	6.49	6.17	6.34	6.35
Yield on 5-year T-bonds	%	5.58	5.36	5.15	4.88	4.90	5.17	5.38	5.60	6.04	6.86	6.82	6.65	6.76	6.60
Yield on 10-year T-bonds	%	5.67	5.52	5.41	5.13	5.03	5.37	5.60	5.93	6.36	6.92	6.75	6.65	6.81	6.60

Source: CSO, NBP, FinMin, BZ WBK

[a] at the end of period [b] in corporate sector [c] in nominal terms [d] balance of payments data on transaction basis

Quarterly and annual economic indicators

		2002	2003	2004	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04
GDP	PLNbn	780.4	815.0	872.1	187.1	200.2	201.3	226.4	198.5	213.2	215.9	244.5
GDP	%YoY	1.4	3.7	4.8	2.3	3.9	4.0	4.7	4.8	4.4	4.6	5.4
Total consumption	%YoY	2.8	2.5	3.0	1.1	2.8	2.9	3.3	3.0	2.8	3.0	3.2
- Private consumption	%YoY	3.3	3.1	3.7	1.4	3.8	3.5	3.9	3.7	3.5	3.7	4.0
Fixed investments	%YoY	-5.8	-0.9	7.0	-3.6	-1.7	0.4	0.1	1.0	5.0	8.0	10.0
Industrial production	%YoY	1.1	8.7	10.1	4.4	9.1	8.9	12.2	16.0	9.9	7.0	7.3
Retail sales (real terms)	%YoY	1.9	7.9	5.8	1.2	9.8	6.4	12.4	7.3	6.0	5.0	5.0
Unemployment rate [a]	%	20.0	20.0	19.2	20.6	19.7	19.4	20.0	20.4	19.4	19.0	19.2
Gross wages (real terms)	%YoY	1.5	2.0	1.4	1.4	1.7	1.7	3.2	1.8	1.4	0.9	1.6
Export [b]	%YoY	6.0	7.4	6.2	7.7	5.1	9.0	7.8	6.8	7.0	6.0	5.0
Import [b]	%YoY	3.5	2.5	4.4	3.0	-2.5	7.2	2.5	3.4	4.0	4.0	6.0
Trade balance [b]	EURm	-7 701	-5 462	--4 769	-1 600	-1 118	-1 325	-1 419	-1 250	-770	-1 103	-1 645
Current account balance [b]	EURm	-5 404	-3 676	-2 839	-1 584	-895	-463	-734	-1 200	-539	-441	-658
Current account balance [b]	% GDP	-2.7	-2.0	-1.5	-2.6	-2.2	-2.1	-2.0	-1.8	-1.6	-1.6	-1.5
Budget deficit (cumulative) [a]	PLNbn	-39.4	-37.0	-45.3	-15.5	-23.8	-33.1	-37.0	-19.7	-28.7	-36.3	-45.3
Budget deficit (cumulative) [a]	% GDP	-5.0	-4.5	-5.2	-8.3	-4.2	-4.6	-1.7	-9.9	-4.2	-3.5	-3.7
CPI	%YoY	1.9	0.8	2.2	0.5	0.5	0.8	1.5	1.8	2.1	2.6	2.4
CPI [a]	%YoY	0.8	1.7	2.4	0.6	0.8	0.9	1.7	1.8	2.3	2.6	2.4
PPI	%YoY	1.0	2.6	3.8	3.0	2.2	1.9	3.4	3.7	4.4	3.9	3.1
Broad money (M3) [a]	%YoY	-2.0	5.6	9.0	0.5	1.3	3.1	5.6	5.7	6.2	7.0	5.8
Deposits [a]	%YoY	-4.2	3.8	8.0	-2.3	-1.9	-0.2	3.8	5.0	6.6	7.9	5.9
Credits [a]	%YoY	5.3	8.1	11.9	8.7	5.9	5.4	8.1	8.7	11.1	11.6	12.6
USD/PLN	PLN	4.08	3.89	3.74	3.90	3.83	3.93	3.89	3.81	3.71	3.76	3.69
EUR/PLN	PLN	3.85	4.40	4.68	4.19	4.36	4.42	4.62	4.79	4.63	4.70	4.62
Reference rate [a]	%	6.75	5.25	5.25	6.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25
WIBOR 3M	%	9.09	5.69	5.51	6.37	5.60	5.20	5.60	5.47	5.45	5.45	5.65
Lombard rate [a]	%	8.75	6.75	6.50	7.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Yield on 52-week T-bills	%	8.18	5.33	5.14	5.75	4.94	4.86	5.76	5.76	5.00	5.00	4.80
Yield on 2-year T-bonds	%	7.94	5.38	6.30	5.58	4.91	4.92	6.11	6.29	6.20	6.50	6.20
Yield on 5-year T-bonds	%	7.86	5.61	6.74	5.50	4.98	5.38	6.57	6.67	6.50	7.00	6.80
Yield on 10-year T-bonds	%	7.34	5.77	6.77	5.60	5.19	5.63	6.68	6.69	6.60	7.00	6.80

Source: GUS, NBP, BZ WBK

[a] at the end of period [b] balance of payments data on transaction basis

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