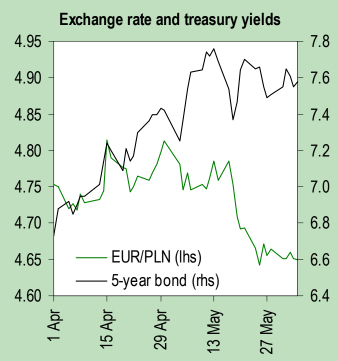
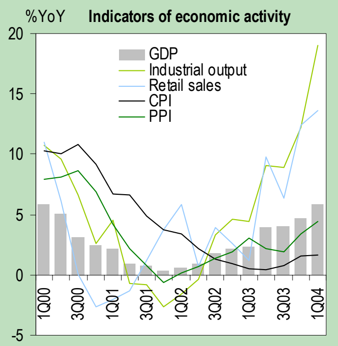
Bank Zachodni WBK

MACROscope

Polish Economy and Financial Markets

June 2004





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Pre-election boom

- **Within the next few days the President Aleksander Kwaśniewski will again nominate Marek Belka as the Prime Minister.** For the last couple of weeks a sense of stability has been observed on the Polish financial markets – the zloty strengthened by some 4% and treasury yields were quite stable. It seems that the market has been pricing-in the scenario involving support for Belka's government at the third and final stage, but it is still very unclear whether it will be possible for the SLD to gain a majority of votes in parliament. Especially as it seems that even SLD politicians are more sceptical about gaining majority support after events in the Sejm, when the opposition managed to win, from political point of view, an important vote on the report on the so-called Rywin-gate. Possibly, a poor result in the elections to the European Parliament will induce some deputies to support Belka's cabinet, as they would have cold feet at the perspective of early elections to the domestic parliament. However, it is worth remembering that even majority parliamentary support for Marek Belka is not an equivalent to parliament's support for the key fiscal austerity bills in the Hausner plan. That is why we are not optimistic as regards the situation on the Polish financial market in the next few months.

- **The Polish economy ignores the political turmoil and continues its recovery.** April's data showed that, at the beginning of the second quarter, the economy gathered momentum and confirmed that a continuation of economic acceleration and GDP growth this year will be much higher than anyone could have imagined some six months ago. While April's data suggested that economic growth in this quarter might be closer to 6% rather than to 5%, it is difficult to asses to what extent it was driven by a one-off boost in sales and production connected with EU entry (amid expectations of higher prices after accession). As we expect some deceleration in the movement of the main macroeconomic indicators in the May-June period, for now we are sticking to our GDP growth forecasts for this year.

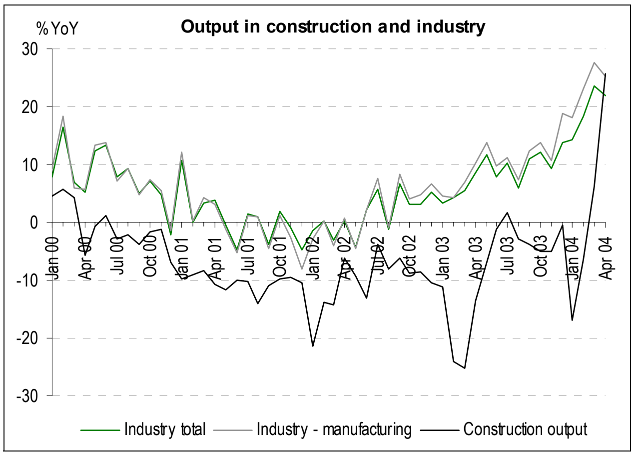
- **The central bank sees more and more signs of mounting inflationary pressure, but it points out that some part of price growth may stem from temporary factors related to the EU entry.** In line with expectations, the MPC kept rates on hold in May and maintained neutral n monetary policy. We expect that the MPC would like to wait a few months before it finally judges to what extent the recent upsurge in prices was caused by transitory factors, and to what extent it could translate into a long-run upward trend in inflation. We still assume that the first hike will take place in July at the earliest, as the assessment of the situation would require a bit more than just data from one month after EU accession.

Financial market on 31 May 2004:

NBP deposit rate	3.75	WIBOR 3M	6.00	PLN/USD	3.8044
NBP reference rate	5.25	Yield on 52-week T-bills	6.88	PLN/EUR	4.6509
NBP lombard rate	6.75	Yield on 5-year T-bonds	7.55	EUR/USD	1.2225

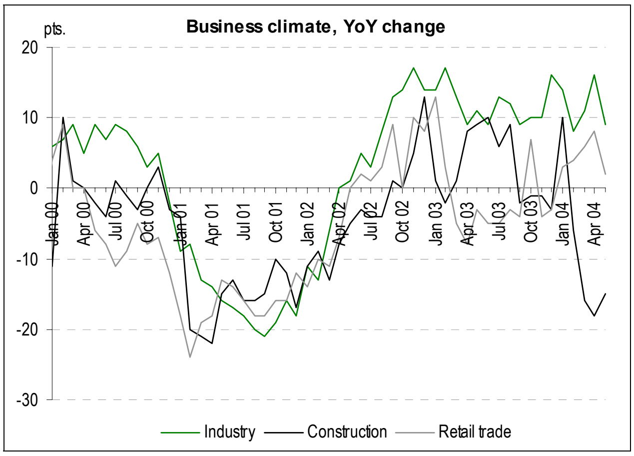
This report is based on information available until 04.06.2004

Economic update



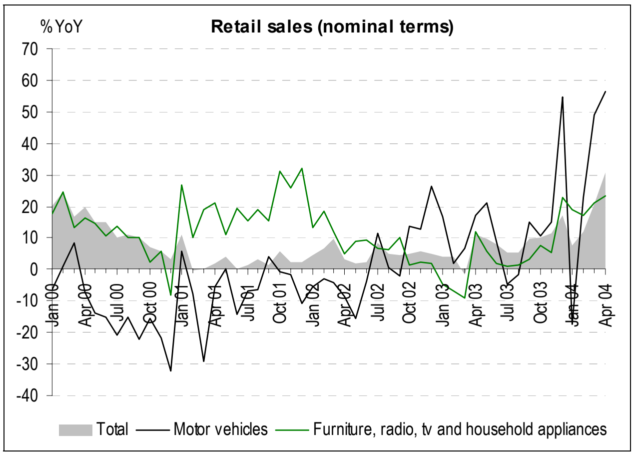
Still very high output growth (also in the construction!)

- In April, industrial production rose by 21.9%YoY, which was higher than market forecasts, but also higher than average growth in 1Q04 (18.7%). The seasonally adjusted growth amounted to 20.6%YoY, and was the highest for at least ten years.
- The output in manufacturing was mainly responsible for this increase as it grew by as much as 25.2%YoY, while the annual increase in the mining sector was at 19.3%.
- What is more, construction output, which was lagging behind most other macroeconomic indicators, showed a record increase (the highest in the last six years) of 25.8%YoY.
- One of the possible explanations for this buoyancy might have been higher sales pre-accession, as VAT on construction materials rose to 22% on 1 May.



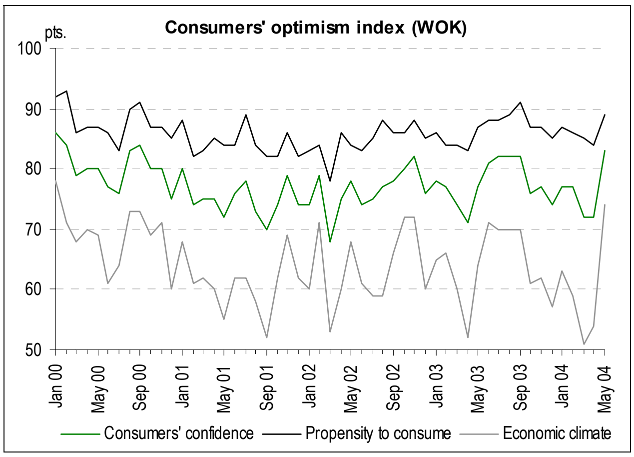
Business climate indices as a first hint of the mood in May

- Similarly as in previous months, some improvement in the industry and retail trade sectors took place, while another deterioration in mood was observed in the construction sector.
- The indicator for industry fell to 14pts from 20pts in April; the economic climate indicator for retail trade was at minus 14pts, slightly better than in April (-16pts), but it was only 2pts higher than in May 2003; in the construction sector, the business climate improved on a seasonal basis in May, but it fell by 15pts on the annual basis, which was the worst result for May in 10 years.
- The annual changes in the business climate index (in pts) for May, as compared to April's result and to the average from 1Q04, suggest that the economic climate has slightly deteriorated in May. We will have to wait a couple of months to see confirmation of this phenomenon in macroeconomic data.



Retail sales up by 30%! This won't last forever

- Retail sales in April were higher than expected and increased by as much as 30.6%YoY compared to 20.7%YoY growth in March and 13.5%YoY average growth in 1Q04.
- Similarly to March, the highest growth was observed in the motor vehicles section (growth of 56.3%YoY), due to expected change in VAT regulations after the EU accession.
- Two-digit level growth was observed in most retail sales sectors (24.9%YoY growth in food, alcohol and tobacco sector; 23.5% in furniture, radio, TV and household appliances).
- Much stronger than expected, April's economic figures were boosted by pre-accession sales (amid expectations of higher prices after the accession) and we expect some deceleration in macroeconomic indicators when this effect is over.

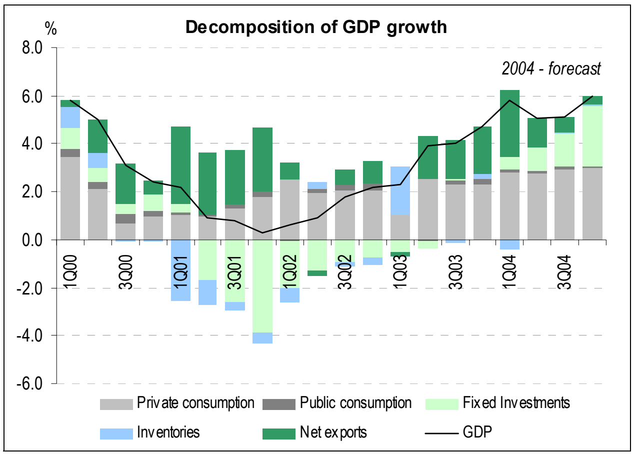


Source: CSO, Ipsos-Demoskop, BZWBK own estimates

Boosted consumer optimism

- High consumer optimism was also present in the results of the consumer confidence opinion poll by Ipsos-Demoskop.
- The overall indicator of consumer optimism grew by 11pts. A rise in positive assessment of the economic situation was even stronger and amounted to 20pts.
- Besides a change in the government, the improvement in consumer optimism could also have been a result of EU entry. Despite a decrease in the fear of unemployment, households' evaluation of their own situation was quite cautious. The indicator of propensity to consume increased by only 5pts.
- What is interesting, and important from monetary policy's point of view, is that May saw a fall in households' inflationary expectations.

Economic update



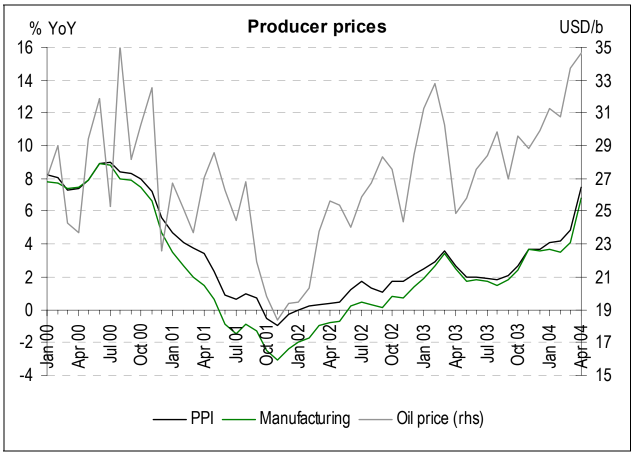
Excellent beginning of the second quarter

▪ April's economic data confirmed a continuation in the economic recovery and that GDP growth this year will be much higher than anyone could have imagined some six months ago.

▪ Private consumption and net exports were the most important elements behind GDP growth acceleration.

▪ This was on the basis of excellent financial results from companies in 1Q04 (net profits increased to PLN13.4bn from PLN3.1bn in 1Q03).

▪ The Ministry of Finance presented its GDP growth forecast for 2Q04 at around 6%. April's data indeed suggested that economic growth in this quarter might be closer to 6% rather than to 5%, but for now we are sticking to our forecast of 5.1%, as we expect some deceleration in the May-June period. We forecast that the Polish economy will expand by 5.5%YoY in 2004.



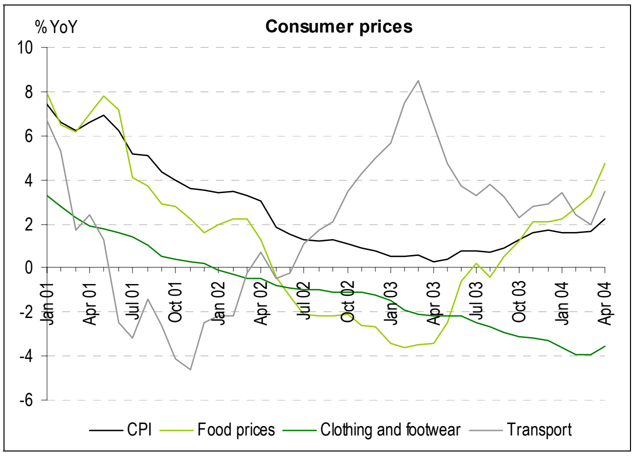
High commodity prices responsible for PPI increase

▪ PPI inflation rose by as much as 2% on a monthly basis, which brought the annual dynamics up to 7.5% (from 4.9% in March).

▪ This was much higher than all forecasts, and the growth was observed mainly in the commodity sectors – prices in the manufacture of coke and refined petroleum products went up by 13.4%, prices in the manufacture of basic metals up by 13.1%, prices in coal-mining up by 9.2%.

▪ In addition to sharp PPI growth in the industrial sector, prices in the construction sector rose by 1.1%MoM and 1.5%YoY.

▪ The production prices index may rise to some 9% in May amid still high fuel prices, which were heading downward in the analogous period of last year. Despite OPEC's decision to increase output quotas for crude oil, its prices are rather unlikely to drop soon due to persisting geo-political risk.



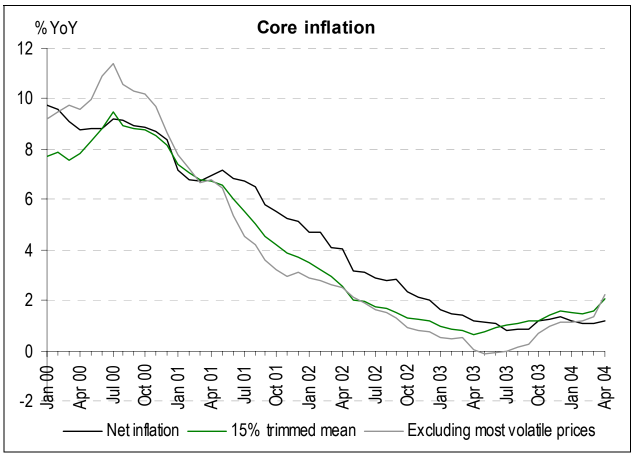
CPI inflation hit two-year high

▪ High production costs do not translate very quickly into higher CPI inflation, as it is quite likely that producers lower their margins in the first instance.

▪ Consumer prices rose 0.8%MoM in April, taking the annual inflation rate up to a two-year high of 2.2%, from 1.7% in March, which was below market forecast.

▪ The main reasons for CPI increase was the result of unfavourable supply shocks (high fuel and food prices), which means there are no signs of demand-side pressure on the CPI.

▪ Tendencies in prices of other goods and services remained broadly unchanged in comparison with previous months, which means that supply shocks are not visible in prices of other goods and services. We forecast CPI inflation at 2.8% in December 2004.



Source: CSO, NBP, BZWBK own estimates

Core inflation follows CPI on the road up

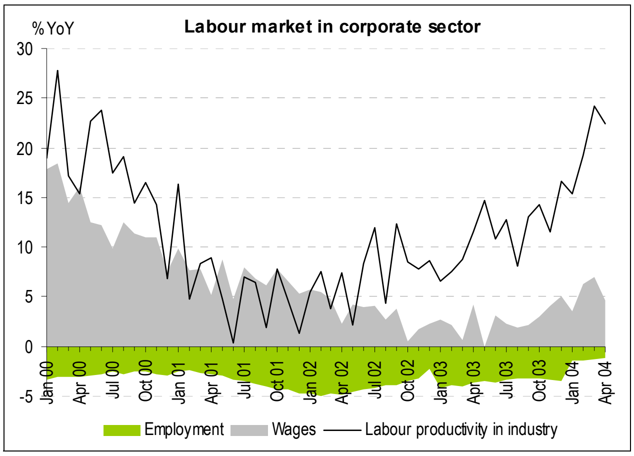
▪ Net inflation (CPI excluding food and fuel prices) recorded a moderate increase of 0.1pp, rising from 1.1%YoY to 1.2%YoY. This definitely confirmed that the current inflation surge results chiefly from two supply-side factors.

▪ The rise in the four remaining core inflation indices was much stronger and ranged from 0.5pp (15%-trimmed mean) to 0.9pp (CPI excluding most volatile prices).

▪ One measure, i.e. CPI excluding controlled prices, exceeded the CPI inflation rate (only by a notch, reaching 2.26%YoY) .

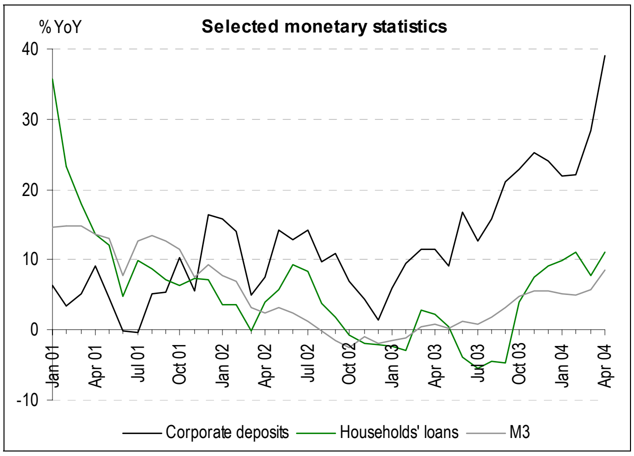
▪ Increase in core inflation may suggest that even if sources of rising inflationary pressure are mainly on the supply-side, they may feed into the growth in prices of other goods and services, contributing to stronger inflationary pressure in the medium term.

Economic update



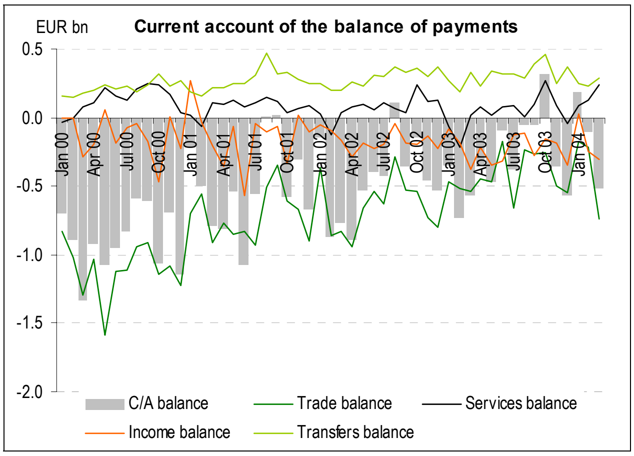
Wages lower, employment higher than expected

- Wages were lower than expected, rising by 4.6%YoY (against a market consensus of 6.5%), which was also lower than the increase observed in 1Q04 (5.6%YoY on average).
- Increase in employment in the corporate sector (0.2%MoM) was the highest since January 1999, but it is too early to know if this is the first significant hint of rising demand for labour.
- Wage bill in the enterprise sector rose by 3.4%YoY on nominal basis and by 1.2%YoY in real terms – slower than in 1Q04.
- This is still quite robust growth, representing a significant potential for private consumption growth in the coming months. However, we do not think that the growth in disposable income coming from higher wages will become particularly dangerous for causing inflation in Poland amid high growth in labour productivity.



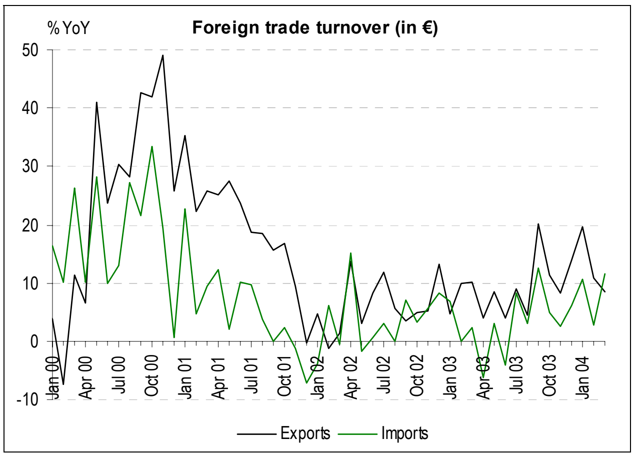
Strong growth in monetary statistics

- Money supply acceleration in April (to 8.4%YoY from 5.7%YoY) was a result of stronger increase in deposits and still high increase in cash in circulation.
- Very high growth in corporate deposits (39%YoY) suggests that firms are able to increase investments, as a result, amongst other things, of improving financial results.
- On the credit side, household borrowing keeps rising vigorously - by 4.1%MoM (the strongest growth since July 2001) and 18.2%YoY in April.
- Although the scale of credit growth is higher than expected, it is related largely to a rapid development of the mortgage market, and it seems there are still few reasons to worry about a possible threat of inflation from monetary developments.



Slightly higher current account deficit

- In March, the current account deficit widened to €519m against €101m a month earlier and €566 a year earlier. The result was higher than expectations.
- The main reason for that was a much higher than expected trade gap, which grew to €744m against €218m in the previous month and €541m in March 2003.
- Apart from the trade balance, the C/A in March was also made worse by deficit on income account which totalled €306m versus €131m in February. Transfers and services accounts recorded surpluses of €293m and €238m, respectively.
- We do not see reasons for worries about the external balance of the Polish economy, but one should expect a moderate deterioration in the current account, along with some strengthening in domestic demand.



Source: CSO, NBP, BZWBK own estimates

Still very good foreign trade statistics

- For the first time in many months, NBP figures for March showed the annual import growth rate (11.7%YoY against 2.7%YoY in February) was higher than export growth rate (8.5%YoY against 10.9% in the previous month).
- However, one should remember that there was a much lower statistical base for imports, as its rates of growth were strongly subdued in early 2003, compared to exports, which have been rising substantially for a couple of years.
- It is also possible that the value of imports was boosted by the fact that many importers advanced some transactions before EU entry. This may also concern export, but to a lesser extent.
- Acceleration in import growth was not only related to one-off factors, but most likely stemmed also from a gradual buoyancy in domestic demand.

Central bank watch

Important elements of the MPC statement from 26 May 2004

Factors favouring a low inflation rate: continued low growth rate in corporate loans; continued high growth rate of labour productivity; continued high unemployment.

Factors giving rise to the risk of inflation growth: growth in inflationary expectations observed from the beginning of the year stabilised in May 2004 on a higher level; significant growth in the PPI; ever stronger signs of a significant revival of domestic demand; the growth trend in retail trade may have a permanent basis; indications of renewed investment activity; supply factors constitute an ever greater threat to further increase in inflationary pressure; lack of public finances reforms and political instability are the source of continued uncertainty on financial markets leading to an increase in the yield of treasury securities and the weakening of the zloty exchange rate.

These factors combined with a decisive increase in economic activity, whose scale surpasses expectations, indicate a high likelihood of further increase in inflation. However, prepared analyses indicate that some of the indicators influencing an increase in inflationary expectations may be connected with Poland's European Union accession and probably have a temporary character. It may be assumed that data soon to become available will allow to better assess the force of influence of the transitory effects.

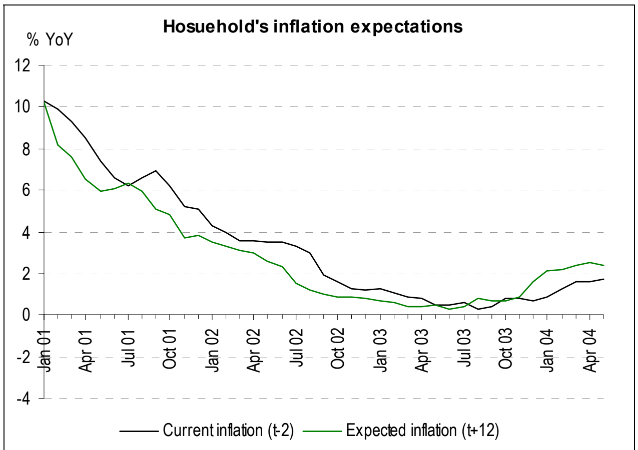
Important elements of Inflation report for 1Q04

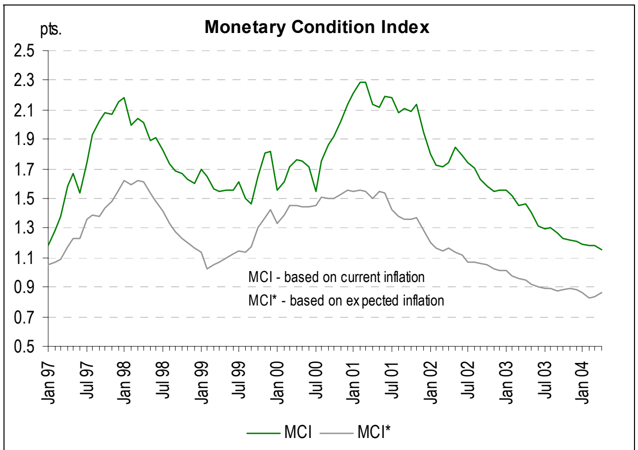
Current inflation was affected mainly by supply-side factors such as rising food prices and growing raw material prices on the world markets. However, in the central bank's opinion, significantly faster growth of prices since April was already to a larger extent a consequence of stronger demand pressure, which was partly related to fears of price hikes after Poland's entry to the EU.

According to predictions based on April data and on a simplified assumption of steady interest rates, the likelihood that inflation will top the higher end of the target range of 1.5-3.5% is higher than 50%.

Since the beginning of the year there is escalation of factors increasing inflationary pressure while factors favouring a low inflation rate are becoming less and less important at the same time.

The results of several analyses indicate that a part of factors causing rise in inflation expectations might be related to Poland's entry to the EU. Hence, these factors are probably of temporary nature. One can assume that data, which will be published in the nearest time will enable to assess the strength of temporary effects. (…) However, one cannot exclude that if the economic recovery was accompanied by negative supply shocks, upward trend in inflation expectations could become more permanent and seriously threaten realization of the inflation target.





Source: CSO, NBP, Reuters

Rates on hold… as yet

- The MPC decision in May was in line with expectations. The Council maintained the restrictive bias in monetary policy adopted a month earlier, but interest rates were kept on hold – the reference rate has stood at 5.25% since June last year.
- The official statement after the MPC meeting and comments of its members at the press conference showed that, although the MPC sees many factors increasing the likelihood of further inflation acceleration, they also think that part of these factors may be related to effects of Poland's entry to the EU on May 1, which would mean the that any rise in inflation is temporary.
- We still predict that the first rate hike will take place in July, as proper assessment of the economic situation and inflation outlook will require analyses of the data for more than one month after accession to the EU.

Inflation target will be at threat in 2005

- Similar conclusions on the economic situation and inflationary pressure as presented in the statement after May's meeting of the MPC was included in the "inflation report" for 1Q04.
- Central bankers repeated their warning that there is an increasing probability of further inflation acceleration, giving rise to a risk of breaching the upper end of the inflation target in 2005.
- In the view of NBP staff, demand pressure on prices has mounted, but to some extent this was related to EU entry, which means that a part of inflationary pressure might be transitory.
- The NBP predicts that, after a continuous rise in inflation in 2005, it should ease in 2006, which implies that the range of increasingly likely interest rate hikes should not be significant.

Inflation expectations are the main risk factor

- Inflation expectations are at the top of the list of factors pointing to higher risk of stronger inflationary pressure.
- May saw a slight fall in households' inflation expectations, but according to the NBP some measures of inflation expectations rose again, and the expected rise in prices in retail trade reached the highest level since 1997.
- However, the NBP stresses that households' inflationary expectations were strongly affected – very often in an unjustified way – by fears of price hikes after Poland's entry to the EU.
- The NBP stressed that there had been significant rise in inflationary expectations of inflation within enterprises and, to an even greater extent in their forecasts of goods and service sold by them. For the first time since 2Q01 price hikes were announced by more than a half of the firms surveyed.

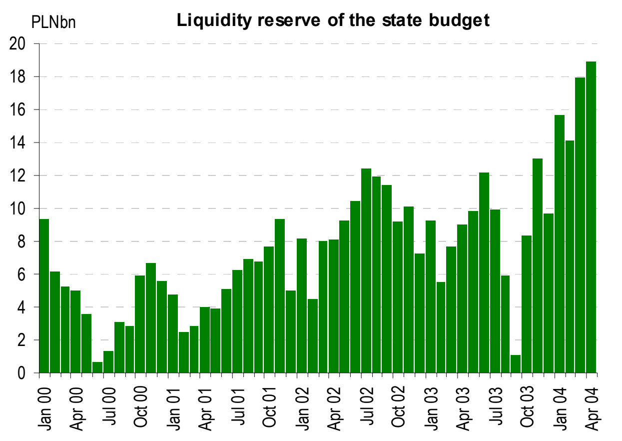
Approach already restrictive – policy still expansive

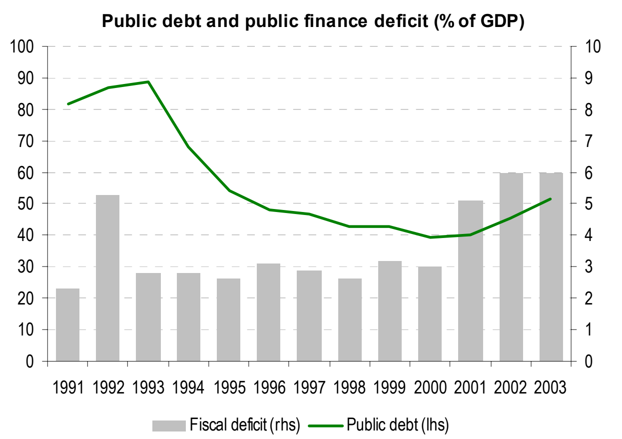
- By adopting a restrictive approach to monetary policy, just as by previously announcing such a change, the MPC has constrained its room for manoeuvre. Without changing the monetary policy bias back to neutral again, it will be very difficult for the central bank to keep nominal interest rates unchanged.
- Real interest rates will be down due to a rise in inflation rate and inflationary expectations. Currently, the 3-month WIBOR rate is the lowest in real terms since late 1996.
- The monetary condition index (MCI), which takes into consideration not only changes in real interest rates, but also exchange rate movements, has been falling during the last 12 months (especially using current inflation in the calculation of real interest rates) even though nominal interest rates have been kept on hold for the whole period.

Central bank watch

Comments of the central bank representatives	Remarks
Dariusz Filar, MPC member; Reuters, 18 May There is no such thing as automatically thinking that a change to a tightening policy bias means that the next meeting will bring an interest rate hike. Definitely, there is no such automatism. International experience tells us that decisions on interest rate have to be well adjusted to the pace of the economic recovery. It is not good if monetary authorities overreact and do not let the economy achieve its proper growth pace. One must remember that 1-percentage-point margins around a continuous inflation target at 2.5% are only a kind of safety margins and the central point of the target is the essence. Also the reference value set by Maastricht [criterion] is now exactly at 2.5%. If we want to think about the prospect of the euro, we have to make the economy, producers and consumers get used to the idea that 2.5 percent is the optimal value, also when it comes to prospects of entering the Eurozone.	After earlier comments which supported market expectations for an early interest rate hike, MPC member Dariusz Filar presented a more balanced view, suggesting that a decision on an interest rate hike is rather unlikely in the next one or two months after having changed to a restrictive approach. Filar stressed that a possible decision to change interest rates would not be automatic and would be dependent on economic developments in the coming months. The statistical data for May and June, i.e. the period directly after Poland's accession to the EU, must be monitored by the MPC with great vigilance and will require an exceptionally thorough analysis by the Council. This suggests that the MPC might wait with their next move on monetary policy until it obtains the figures for June (i.e. at least until July). What is more, the central banker pointed out that changes in interest rates must closely match the scale of economic acceleration, and the MPC must not overreact because this would stop the economy from reaching its optimal growth pace. All in all, in our opinion Filar's statements suggest that the most likely date for the first interest rate hike is July.
Stanisław Nieckarz, MPC member; Trybuna, 22 May At the moment, inflation pressure is not so big that it could result in exceeding the upper level of the MPC's inflation target, that is 3.5%. There are no grounds for weakening the zloty. The current fluctuations are a result of various operations of a portfolio (speculation) capital.	Statements from Stanisław Nieckarz show that the views of MPC members on inflationary pressure are different. While some MPC members sees a greater and greater risk of breaching the upper end of the inflation target, the others do not see any threat to achieving the central bank's target. This means that pushing through fast and large interest rate hikes in the MPC will not be easy, and the range within which monetary policy may possibly be tightened should be moderate.
Andrzej Sławiński, MPC member; PAP, 26 V Even though revival of inflation growth was a consequence of the economic recovery, according to our investigation the factors pushing inflation up did not have, do not have, and would not have a cumulative effect. This gives the central bank the comfort that we have just used, and allows us to wait and watch further developments in the economy in order to take what is the most appropriate decision in the Council's opinion.	Andrzej Sławiński is one of the MPC members who see a possible inflation risk in the immediate future, but are cautious in the evaluation of inflation outlook. His statements confirm our view that the MPC would like to wait some time before raising the interest rate in order to better asses the influence of one-off factors on inflation. In Sławiński's opinion, the MPC has some leeway and might wait and watch further developments in the economic situation, so that the rate-setting panel could make a proper decision on interest rate level.
Halina Wasilewska-Trenkner, MPC member; Reuters, 2 VI Various simulations show that if there were no action taken to rein in inflation, meaning interest rates were not raised, then, at the end of the first quarter next year or soon after, inflation would exceed the upper end of the target. Inflation figures for March and April have been to a large degree distorted by EU entry. In June these effects should be to a large degree evident, although they will be fully known only in a year's time. Uncertainty over the government is distorting the normal functioning of the economy and in this case June will also bring some decisive information. There is also the question of OPEC's decision on output. (...) June will either eliminate or confirm risk elements. It will let us look at the economic processes without temporary distortions, it will be easier to assess inflationary processes. Today, it is difficult to judge how strong the necessity to raise interest rates in June will be. One cannot rule it out, but it is not a foregone conclusion.	According to Halina Wasilewska-Trenkner the intensity of rising inflationary pressure should be clearer in June, but it was too early to say whether interest rates would go up as early as this month. The answer will depend heavily on macroeconomic data and important political events, which can have an impact on the outlook for inflation. Wasilewska-Trenkner pointed out three crucial aspects of June which should be decisive for assessing the risk of inflation. Firstly, she mentioned the uncertainty over the government, which is distorting the normal functioning of the economy. However, in our opinion it is very difficult to assess the impact on inflation of different political scenarios. Secondly, OPEC's decision on oil output and thirdly, monthly macroeconomic figures (the first data after EU entry). All in all, MPC members' statements suggest that data for May to be published in June may be enough for the MPC to judge inflationary pressure and take a decision about the proper level of interest rates as early as June.
Andrzej Wojtyna, MPC member; Rzeczpospolita, 27 V [Q. Will the Council want to prevent excessive increase in inflation?] It depends on what importance can be attached to the inflation forecast when we are taking this decision. There are many institutional changes at the moment that disrupt these projections. A central bank which is operating well must always be forward-looking since there are some delays in economic policy. In this context, it would be wrong to stop revival in investment demand […] Therefore, the current months are very interesting and difficult as far as assessment of future investment demand is concerned. It is very important for the sustainability of the revival to strengthen it. Nobody would be pleased – including the central bank– if the GDP growth rate fell from 6% to 2%.	Andrzej Wojtyna recommends no hurry, but caution in assessing the economic situation and inflationary pressure. He decisively stressed that the Council should be cautious with tightening monetary policy, so as not to harm economic recovery. Like most of other MPC members, Wojtyna said that there are many factors, which makes it difficult to assess the chances of inflation. He pointed out that there is still no certainty as regards investment demand, and in turn it is still not certain whether the economic recovery is sustainable. Wojtyna's comments seem to confirm our view that the MPC will want to wait for data for May and June before it will possibly take a decision to raise the interest rate. Of course, one has to remember about reservation put in by Halina Wasilewska-Trenkner. If macroeconomic figures for May show beyond all doubts there is a need to raise the rate, the MPC will not hesitate to do so.

Government and politics





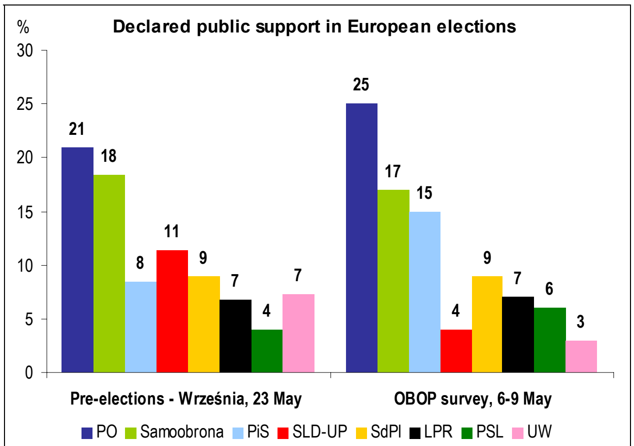
Confidence vote for Belka – take three

Likely distribution of votes in the last voting over confidence motion for Marek Belka's cabinet (third step of the procedure).

DEFINITELY FOR	DEFINITELY AGAINST
SLD (157), UP (15)	PO (55), PiS (43), LPR (27)
POSSIBLY FOR	**POSSIBLY AGAINST**
FKP (17), Unaffiliated deputies (21)	PSL (37), SdPl (33), Samoobrona (31), SKL, PBL, RKN, PP, ROP (24)
TOTAL FOR max. 210 votes	**TOTAL AGAINST** ~ 190-240 votes

COULD ABSTAIN:
part of the SdPl, part of the Samoobrona part of the PSL

Simple majority of votes is sufficient to win the vote of confidence in the third step.



Source: Ministry of Finance, OBOP, Pentor

Budget surplus in April! But public debt keeps growing...

- After 4 months, the budget deficit reached 24.3% of the plan for the year, which means that April alone saw a PLN816m surplus. It was a very good result.
- … reached due to exceptionally high revenues from indirect taxes – they rose almost PLN10bn in April, i.e. 18.2% faster than last year. CIT revenues dropped in April after record-high growth in March, however, in the first four months they were still high, reaching 50% of the plan for entire year.
- High budget revenues confirmed economic recovery, although they were partially influenced by the one-off effect of EU entry.
- Budget expenditure under control, 10% higher than last year.
- The first two-three months after EU entry will be critical for the budget – a time-extension given to settle VAT after 1 May resulted in a temporary slump in budget revenues.
- However, according to the Ministry of Finance, the budget deficit, after five months, increased only to 35% of the plan. It means that budget problems are not that severe. The ministry says that reaching a budget deficit lower than planned (even below PLN40bn) is possible in December.
- Preliminary budget assumptions for 2005 assume a PLN38.8bn deficit (against PLN45.3bn in 2004) amid 5% GDP growth and 2.8% average inflation.
- Public debt, augmented by predicted pay offs from state guarantees, increased to 51.6% of GDP in 2003 from 46.7% in 2003, breaching the first safety threshold.
- The fast increase in debt continued in 1Q04 – the state treasury debt rose by PLN28.1bn, i.e. 2.7% of GDP. We estimate that total public debt topped 54% of GDP after the first quarter.
- Public debt is very likely to breach 55% of GDP by the end of this year, enforcing deep cutbacks in the 2006 budget.

Belka's government or earlier elections?

- The Sejm proposed no candidates for Prime Minister within two weeks after the failure of the vote of confidence in Marek Belka, so the second stage in the procedure for the formation of a government was a failure.
- The initiative went back to President Kwaśniewski, who will nominate Belka again (11 June). A vote of confidence will take place after the elections to the European Parliament (by 25 June).
- Belka's chances lowered recently, inter alia, after political clash on the so-called Rywin gate. The success of the government is conditional on how many opposition's deputies abstain from voting.
- If there is another failure, the President will dissolve parliament and call early elections – most likely at the beginning of September, as most of the parties oppose elections in August.

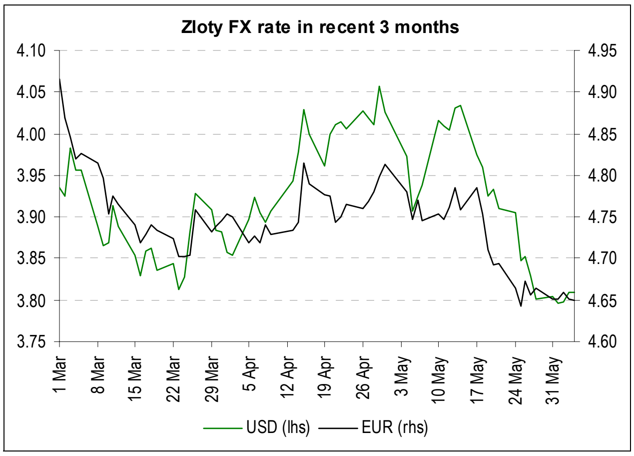
Europarliament elections just round the corner

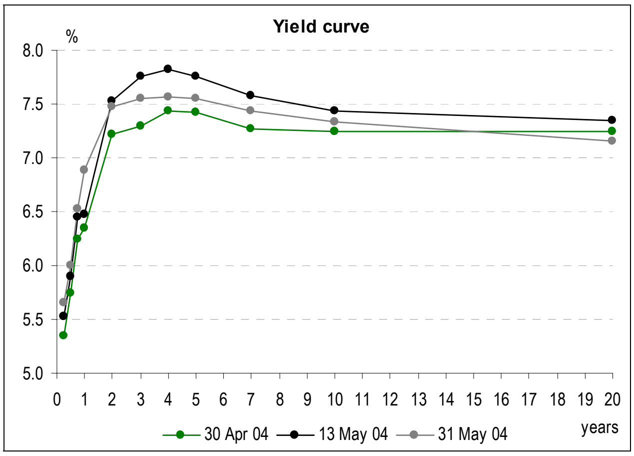
- Elections to the European Parliament on 13 June will be a test of popularity for all political parties.
- Opinion polls show Civic Platform (PO) in the lead. Self-defence is still second, however, it has been losing support for several months, while the popularity of Law and Justice (PiS) is rising.
- According to the polls, turn-out during the elections could be very low.
- We expect to see a drop in motivation to press for early parliamentary elections after 13 June, as the election campaign will cease and many politicians would be afraid of soon losing their jobs in parliament.

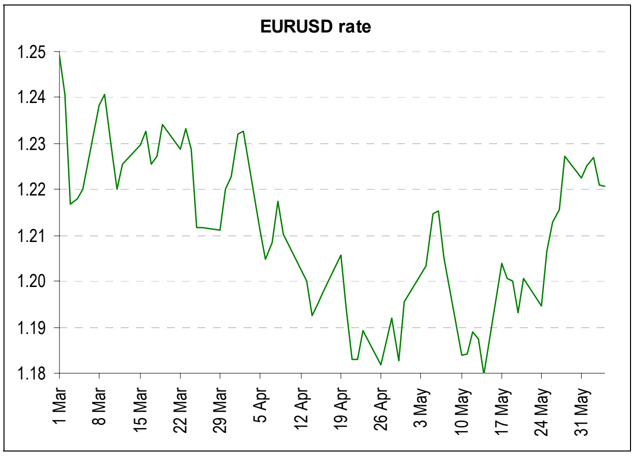
Government and politics

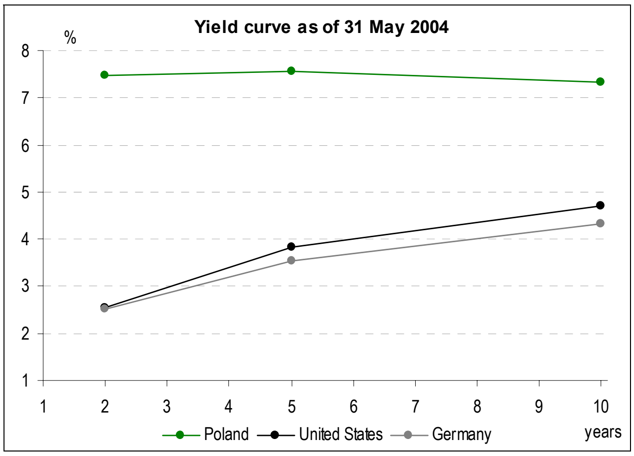
Comments of government representatives and politicians	Remarks
Aleksander Kwaśniewski, President Polskie Radio III, 3 June In my opinion and some experts' opinion [delaying the election date until September] is impossible if Belka's government fails to receive a vote of confidence. The president has no power to decide when to dissolve the parliament and when to call elections. [...] The constitution does not specify it. [...] But, in my opinion, this is inconsistent with the spirit of the constitution. Radio Zet, 2 June I believe that, in general, premature elections are a foregone conclusion. Now we are looking for a date which would be the most efficient from the point of view of what must be organised. We will be discussing every date with our political partners. I think no proposal should be rejected. This government must arise and it should have a set time-window. It would be best if we moved beyond 1 January. The elections might be held right after that because 1 January is important for many issues: healthcare sector, budget, absorption of EU funds.	The Civic Platform (PO) proposed that if Belka's bid for government fails, the elections should take place in September rather than in early August. The Polish Constitution says that if a government fails to receive a vote of confidence in the three-step procedure, the President should shorten parliament's term of office and order elections. The election date should fall no later than within the 45 day period from the official announcement of the presidential order on the shortening Sejm's term of office. PO politicians suggested that such rules allow for some elasticity, namely the president can wait some time after the rejection of the vote of confidence in the cabinet before ordering the dissolution of Parliament. What is important is that this will not only depend on his will, but also on the fact that the president is obliged to wait for the opinions of the speakers of the Sejm and the Senate. Either of them could theoretically delay the publication of their opinions, which in turn would delay the presidential order on the shortening of the Sejm's term of office. However, such an interpretation is rejected by many law experts and political groups, including the SLD. Also, President Kwaśniewski believes there is no possibility of setting the date of early elections in September if there is no vote of confidence in Marek Belka. He confirmed that the most likely date for early elections would be 8 August.
Marek Belka, Prime Minister IAR, PAP, 31 May I don't believe there is strong connection between what happened in the Sejm on Friday and the mission of forming a government. [...] In the next round of talks about forming a government I will be more active and I would like to handle most of consultations myself. I have already started them. I am talking with political parties about some opening out on programme issues and also on personal changes. If those proposals are consistent with my philosophy, I am ready for compromise. I am an optimist and I believe there is a chance of finding a majority ready to support my cabinet.	Regardless of the weather and political developments, Marek Belka remains optimistic about chances of the Sejm's support for his cabinet. Unfortunately, contrary to his opinion, it seems that after a conflict on the political scene regarding conclusions from the report on the so-called Rywin gate, and the consequent political isolation of the SLD, the chances of Belka's cabinet winning a vote of confidence have dropped. However, the politicians' consultations are in progress and everything is possible. Belka has announced his readiness for compromise as regards his programme and personal issues. Probably this does not mean a revolution, but it seems we can forget about the Hausner plan for the moment .
Jerzy Hausner, deputy PM, economy and labour minister PAP, 28 May It is certain that in 1Q04 GDP growth was at least 6.5%, and we can talk about growth approaching 6% in 2Q. Rzeczpospolita, 25 May I must protect us against the scenario in which we exceed 60% of public debt in relation to the GDP. This threat may already become real next year. If it turns out that the decisions taken give no chance of avoiding the threat or the policy which is conducted makes this chance very small, I will say: enough! PAP, 24 May An improvement in the situation in the labour market will be more visible this year, and especially from 2005. I think that Poland will reach a level of employment said to be safe, of the order of 10-12%, or the same as in Spain, in three to four years time. PAP, Reuters, 26 May, 21 May This is a very sensible decision [of the MPC about no rate hike]. It certainly supports economic growth. One should realise that interest rates will be lifted if inflationary pressure is high. [...] And frankly speaking, you have to expect it even next month.	Deputy PM Jerzy Haunser realises that the chances of carrying out his austerity package are diminishing. In an interview with the *Rzeczpospolita* daily, he said that he was more sceptical about the implementation of the reform package than previously, as the political situation had became very complicated. He expressed a readiness for compromise solutions in order to win additional support for the government's austerity program, but announced that he would resign if the main goal of the planned reform (keeping public debt below 60% of GDP) was not feasible. Well, Hausner's pessimism confirms our opinion, repeated many times in the past, that even if Belka's cabinet wins the vote of confidence in the Sejm, it will be very difficult to find a majority in Parliament to get through his planned public finance reform. It seems that, in such a situation, it would be quite an achievement for the government if it manages to avoid a significant rise in public spending, while one should forget about real spending cuts. Hausner's growing pessimism as regards the chances for the implementation of the government's austerity plan goes hand in hand with growth in his optimism with regard to the country's economic situation. Hausner said that it was sure that GDP growth exceeded 6.5% in 1Q04 and added that it could approach 6% in the second quarter. The official data for the first quarter will be released in the second half of June, and it is quite possible that the GDP figure will confirm Hausner's and NBP's expectations.
Andrzej Raczko, finance minister PAP, 21 May We are working on budgetary assumptions. Our convergence plan is the starting point, which means the same budget deficit as was assumed in the medium-term strategy [PLN38.8bn]. We can lower this limit if spending cuts turn out to be possible. As for now, it is difficult to say whether this year's budget deficit will be lower than planned. We need three more months to see a confirmation of strong revenue growth.	The first trial-runs on the 2005 budget fail to surprise. Budget deficit is planned at the level assumed in *Medium-term strategy for public finances*. It is not an ambitious goal, given that the strength of economic recovery and inflation buoyancy are higher than expected, which should imply much higher budget revenues. However, taking into account the current political situation, which probably implies abandoning or at least a significant delay in savings in public finances, one can hardly count on a bolder deficit reduction. According to unofficial information from the FinMin, the macroeconomic assumptions for 2005 budget are also quite cautious: GDP growth at 5%, average inflation 2.8%.

Market monitor









Source: Reuters, BZ WBK

Monetary policy is another unknown for market

- In May, expectations of an interest rate hike became just as equally important for the mood on the Polish market as the situation on the political scene, which had been the most important in recent months. Both the factors resulted in significant price volatility last month.
- First half of May saw a weakening that was particularly deep on the bond market. Initially, it resulted from lowering Poland's debt rating and then, as the day of the vote of confidence in the gove-rnment approached, its chances of success declined. After the vote, the mood improved and bonds partially made up for losses. The zloty followed an appreciation trend that continued in the second half of May after the release of strong data from the real sector. However, the data supported the expectations of a rate hike, which influenced bond prices in a negative way. Only MPC statement calmed these hopes and yields fell slightly.
- At the end of May, the zloty was stronger than on the last day of April by more than 4% against a dollar-euro basket. The yield curve moved upwards by 10-25bps last month and inversion of the yield curve in the segment above 4Y became clearer.
- The first week of May saw a significant increase in rates on the money market which approached the level of the lombard rate in the shortest . It resulted from a lack of liquidity in the banking sector due to draining the money from the market by the Ministry of Finance. Therefore the T-bill auction on 10 May was cancelled.
- In early June, the zloty was stable at a relatively strong level while yields on bonds were rising again.
- At present, the outlook for the Polish market is related to the tense political situation and a future monetary policy that is under a question mark. Deteriorating expectations concerning the develop-ment of political situation may mean that zloty depreciation and further rise in yields are possible in the third quarter.

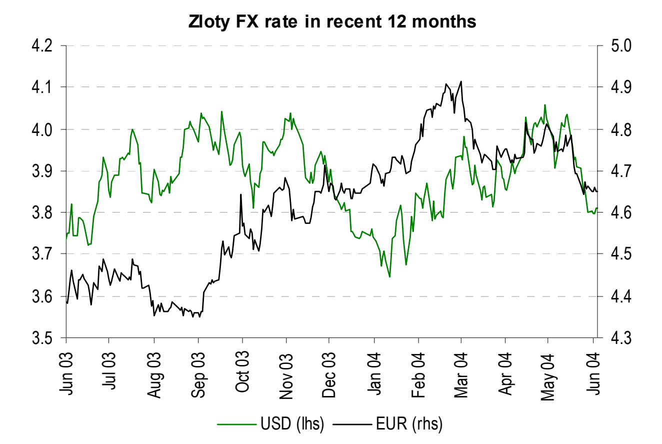
Dollar is weakening due to war in Iraq and oil prices

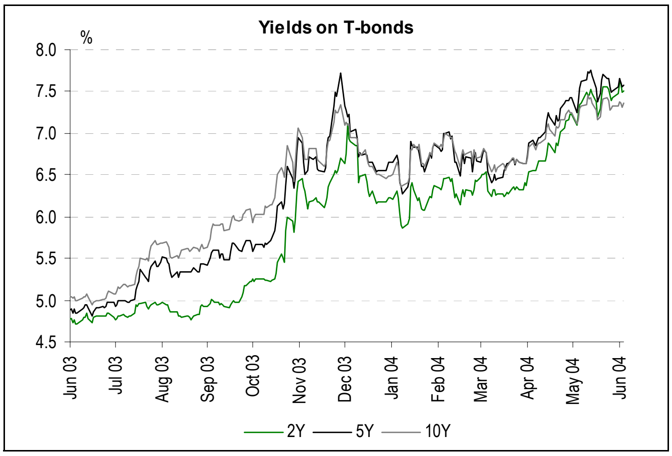
- FX markets are remaining volatile. In May, fluctuations in main FX rates were much bigger than in the two previous months which saw moderate calm .
- In early May, the dollar strengthened against the euro to 1.18 given very the strong data from the American labour market, but starting from mid-May it was weakening. Deterioration in sentiment for the dollar resulted mainly from the escalation of situation in Iraq and high price of crude oil, as both factors influence a growth outlook in negative way. As a result the EURUSD rate approached a level of 1.23, the highest rate since the end of March.
- The next two months will be critical for the dollar due to the difficult situation in Iraq and the EURUSD rate will probably remain clearly above 1.20. Afterwards a stabilisation around this level is expected.

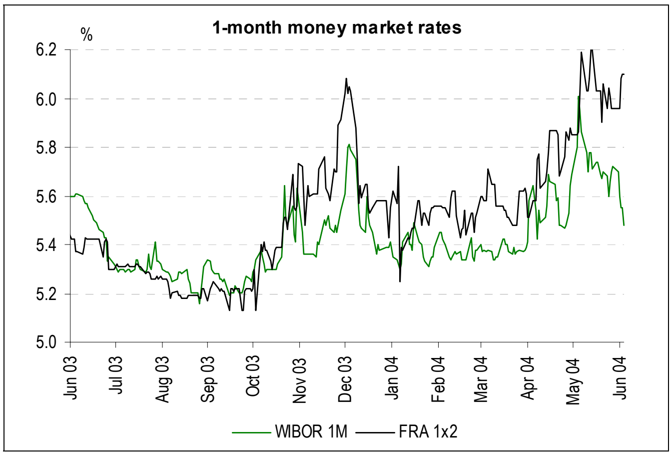
Yields will go up further

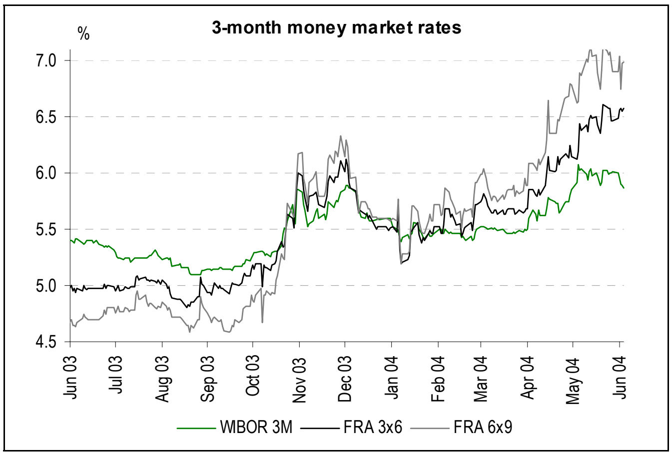
- Despite an increase in yields, in May the risk premium for Polish bonds measured by the difference between expected 5-year interest rate in Poland and in the Eurozone in five years time declined by some 10bps from 180bps at the end of April, and, at its highest point the drop even reached 25bps. It could indicate an improved perception of Poland's perspectives after EU accession.
- Following significant rise since early April when expectations of interest rate hike were strengthening, in May yields on bonds on the main markets stabilised, but at the same time the forecast of rate hike remained unchanged.
- Up to the end of the year, we foresee a further increase in yields, but it may follow on from significant volatility due to relevant risk factors, mainly high oil price and geopolitical tension that result in a threat of slowdown in growth.

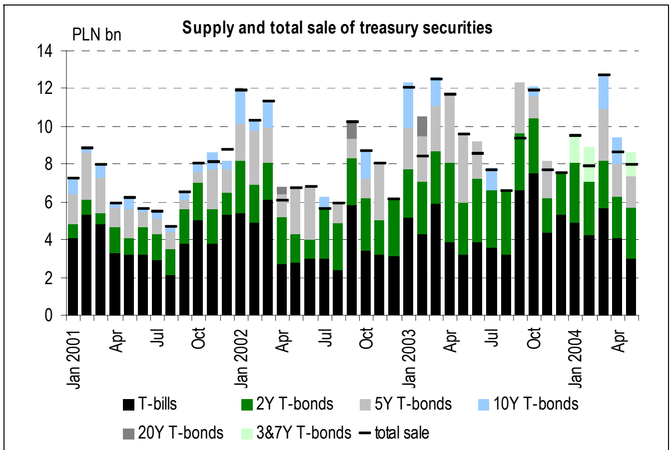
Market monitor











Treasury bill auctions (PLN m)

Date of auction	OFFER / SALE 13-week	52-week	Total
10.05.2004	-	(1,000)*	cancelled
17.05.2004	-	1,000 / 1,000	1,000 / 1,000
24.05.2004	-	1,000 / 1,000	1,000 / 1,000
31.05.2004	-	1,000 / 1,000	1,000 / 1,000
May total	**-**	**3,000 / 3,000**	**3,000 / 3,000**
7.06.2004	-	1,000	1,000
14.06.2004	-	1,000	1,000
21.06.2004	-	1,000	1,000
28.06.2004	100	1,000	1,100
June total	**100**	**4,000**	**4,100**

* planned supply

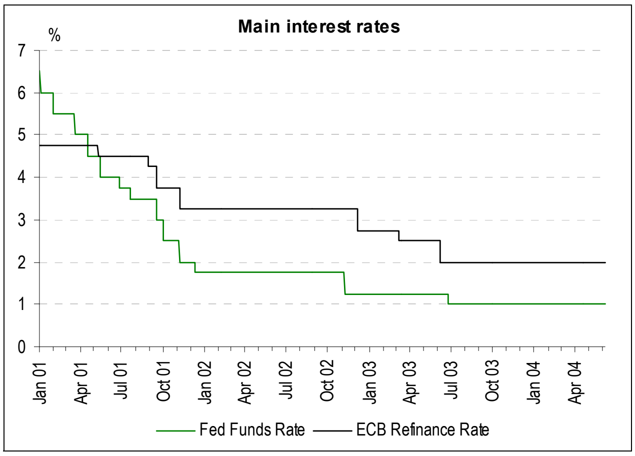
Treasury bond auctions in 2004(PLN m)

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	3,200.0	3,200.0	14.01	WZ0307/0911	1,500.0	1,407.0	-	-	-	-
February	04.02*	OK0406	2,900.0	2,600.0	11.02	WZ0307/0911	1,800.0	1,110.8	-	-	-	-
March	03.03	OK0406	2,500.0	2,500.0	10.03	DS1013	1,700.0	1,700.0	17.03*	DS0509	2,760.0	2,760.0
April	07.04	OK0406	2,200.0	2,200.0	14.04	DS1013	1,400.0	577.0	21.04	DS0509	1,700.0	1,700.0
May	05.05	OK0806	2,700.0	2,039.5	12.05*	WZ0307/0911	1,200.0	1,181.0	19.05	DS0509	1,700.0	1,695.0
June	02.06	OK0806	2,200.0	2,200.0	9.06	WZ0307/0911	1,000-1,500	-	16.06	5Y	1,700-2,700	-
July	07.07	OK0806	-	-	14.07	DS1013	-	-	-	-	-	-
August	04.08	OK0806	-	-	11.08	WZ0307/0911	-	-	-	-	-	-
September	01.09	OK0806	-	-	8.09	WS0922	-	-	15.09	5Y	-	-
October	06.10	OK1206	-	-	13.10	10Y	-	-	20.10	5Y	-	-
November	03.11	OK1206	-	-	10.11	WZ0307/0911	-	-	17.11	5Y	-	-
December	01.12	OK1206	-	-	-	-	-	-	-	-	-	-

* with supplementary auction

Source: Ministry of Finance, Reuters, BZ WBK

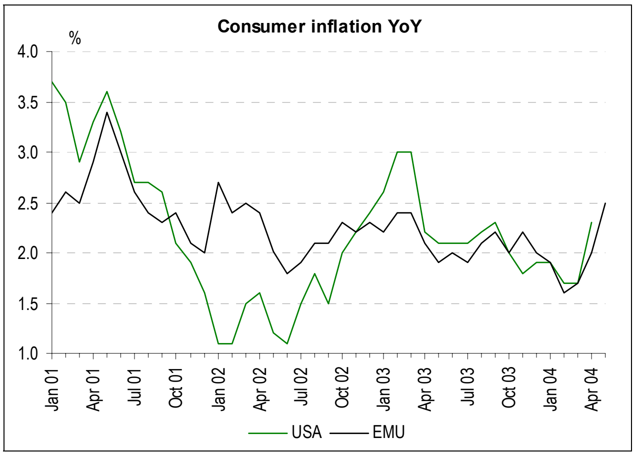
International review



Interest rate hike in the US soon

▪ On 3 June, in line with expectations, the ECB's Council kept its refinance rate at 2% for the twelfth month in a row. During the press conference, the ECB president Jean-Claude Trichet concluded that high oil prices were a threat to the sustainability of economic growth but, in his opinion, price growth was under control. He stressed that in recent months economic recovery in the Eurozone had gained momentum. However, analysts expect interest rate raise only next year, as the economic growth is still too weak.

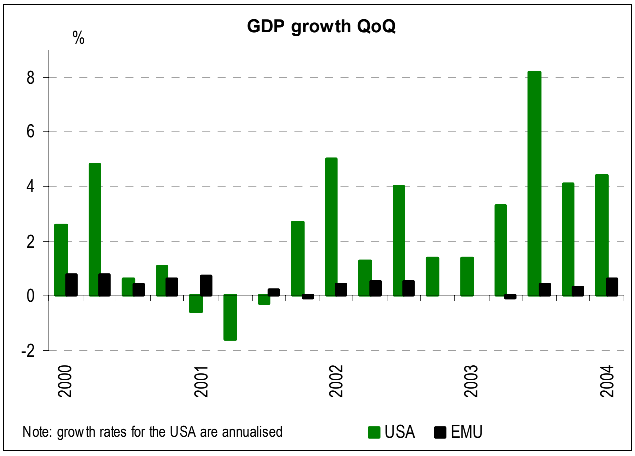
▪ In the United States the next two-day meeting of the Federal Open Market Committee is planned for 29-30 June. Market expectations indicate that an interest rate hike by 25pbs in June is almost certain. In our opinion, interest rates will have risen by a further 100bps by the end of the year.



Higher inflation after increase in energy prices

▪ In the Eurozone, preliminary estimations of inflation in April were confirmed in a final release which exactly matched market consensus forecast. Consumer prices increased by 0.4%MoM and annual inflation rate accelerated to 2.0% from 1.7% in March. According to the preliminary estimations for May, inflation increased to even 2.5%YoY. High prices of energy resulted in an increase to the highest level for more than two years and inflation exceeded the market forecast of 2.4%, moving away from the upper end of the ECB's inflation ceiling target of 2.0%.

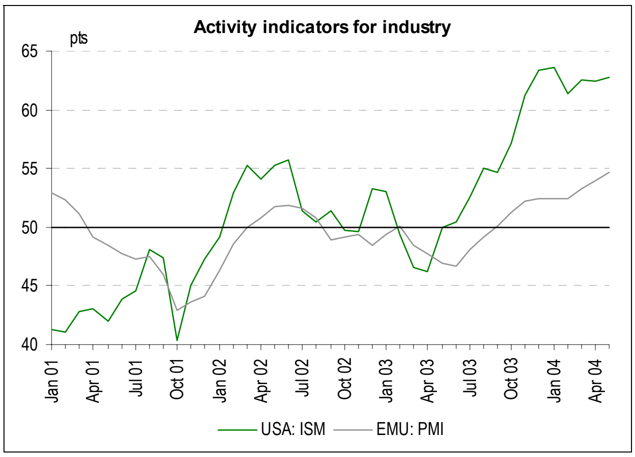
▪ In the United States the data on inflation was better than market consensus forecast. In April, consumer prices increased by 0.2% MoM, while 0.3% rise was forecasted by analysts. The figure resulted in a significant increase in inflation to 2.3%YoY from 1.7% in March. Annual core inflation rate went up to 1.8% from 1.6%.



Economic recovery in the Eurozone confirmed

▪ At the beginning of June, more detailed GDP data was released within the Eurozone. In line with expectations, the flash estimate was confirmed. In the 1Q04, GDP increased by 0.6%QoQ. In annual terms the Eurozone's economy grew by 1.3% in 1Q accelerating from 0.6% in 4Q03. The European Commission confirmed growth forecasts for 2Q04 and 3Q04 at 0.3-0.7%QoQ and 0.4-0.8%QoQ, respectively.

▪ According to preliminary information, American GDP increased by 4.4%QoQ in 1Q04, which was a stronger figure than in the advanced information a month ago (4.2%). The revised data was also slightly better than the figure from 4Q03, i.e. 4.1%, but below economists' forecast at 4.5%. The report confirmed what was hinted a month ago that an increase in inflationary pressure was recorded at the beginning of this year.



Source: Reuters, ECB, Federal Reserve

Economic activity accelerates unexpectedly

▪ Contrary to expectations, in May economic activity in industry in the Eurozone was rising faster than in April and at the highest pace for three and half years. Reuters PMI index rose to 54.7pts in May from 54.0pts in April, while a fall to 53.8pts was expected. Similarly, in the US a growth in industry activity recorded an unexpected acceleration in May, while forecasts pointed to a slowdown. The ISM index increased to 62.8pts in May against 62.4pts in April and 62.0pts forecasted. In both cases, the figure above the level of 50pts means an improvement in activity.

▪ Exactly in line with expectations, the German index IFO amounted to 96.1pts in May against 96.3pts in April. The assessment of the present economic situation is worse than a month ago, but expectations for the future have improved. The IFO institute judged that a moderate economic revival will continue.

What's hot this month

Monday	Tuesday	Wednesday	Thursday	Friday
31 May POL: T-bill auction	**1 June** *EMU: GDP (1Q)* *EMU: PMI (May)* *USA: ISM (May)*	**2** POL: T-bond auction OK0806 *EMU: Producer prices (Apr)* *EMU: Unemployment (Apr)*	**3** *EMU: ECB meeting* *USA: Factory orders (Apr)*	**4** *EMU: Retail sales (Apr)* *USA: Unemployment (May)*
7 POL: T-bill auction *GER: Unemployment (May)*	**8**	**9** POL: T-bond auction WZ0307 & WZ0911	**10** **Public holiday Corpus Christi** *FRA: Industrial output (Apr)*	**11** *USA: Producer prices (May)* *USA: Foreign trade (Apr)*
14 POL: Inflation (May) POL: Money supply (May) POL: T-bill auction *ITA: Industrial output (Apr)* *FRA: Inflation preliminary (May)* *USA: Retail sales (May)*	**15** *ITA: Inflation final (May)* *USA: Inflation (May)*	**16** POL: Balance of payments (Apr) POL: Wages & employment (May) POL: 5-year T-bond auction *EMU: Inflation final (May)* *USA: Industrial output (May)*	**17** *EMU: Industrial output (Apr)*	**18** POL: Industrial output (May) POL: Producer prices (May) *EMU: Foreign trade (Apr)*
21 POL: T-bill auction	**22** POL: Core inflation (May) POL: Business climate (Jun)	**23** POL: GDP (1Q) POL: Retail sales (May) POL: Unemployment (May) *FRA: Inflation final (May)*	**24**	**25** POL: Food prices (1H Jun) *GER: IFO (Jun)* *EMU: Balance of payments (Apr)* *USA: GDP (1Q)*
28 POL: T-bill auction *EMU: Money supply (May)*	**29** POL: MPC meeting (1st day) *USA: Fed meeting (1st day)*	**30** POL: MPC meeting (decision) POL: Balance of payments (1Q) *ITA: Inflation preliminary (Jun)* *EMU: Inflation preliminary (Jun)* *EMU: Economic sentiment; Business climate (Jun)* *USA: Fed meeting (decision)*	**1 July** *EMU: ECB meeting* *EMU: PMI (Jun)* *EMU: Unemployment (Jun)* *USA: ISM (Jun)*	**2** *EMU: Producer prices (Jun)* *USA: Unemployment (Jun)* *USA: Factory orders (Jun)*
5 POL: T-bill auction *EMU: Retail sales (May)*	**6**	**7** POL: T-bond auction OK0806	**8**	**7**

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	26-27	25-26	29-30	-	-	-	-	-	-
GDP*	-	20	-	-	-	23	-	-	-	-	-	-
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	21	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	21	23	21	20	21	21	24	21
Foreign trade	about 50 working days after reported period											
Balance of payments*	2	-	31	-	-	30	-	-	30	-	-	-
Balance of payments	30	-	12[c]	13	14	16	13	11	10	-	-	-
Money supply	14	13	12	14	14	14	14	13	14	-	-	-
NBP balance sheet	7	6	5	7	7	7	7	6	7	-	-	-
Business climate indices	22	20	19	22	21	22	21	20	21	21	22	21
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

		May 03	Jun 03	Jul 03	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04	May 04	Jun 04
Industrial production	%YoY	11.7	7.9	10.3	5.9	10.9	12.1	9.2	13.9	14.4	18.3	23.5	21.9	12.1	20.3
Retail sales [c]	%YoY	9.7	8.1	5.4	5.5	9.7	10.3	11.4	17.3	7.6	12.1	20.7	30.6	20.5	20.6
Unemployment rate	%	19.8	19.7	19.6	19.5	19.4	19.3	19.5	20.0	20.6	20.6	20.5	20.0	19.5	19.4
Gross wages [b c]	%YoY	0.0	3.1	2.4	1.9	2.2	3.0	4.1	5.1	3.5	6.3	7.0	4.6	5.8	5.8
Employment [b]	%YoY	-3.5	-3.6	-3.2	-3.2	-3.1	-3.2	-3.3	-3.5	-1.4	-1.5	-1.3	-1.1	-1.0	-0.9
Export [d]	%YoY	8.4	4.0	8.9	4.4	20.1	11.4	8.2	14.0	19.6	10.9	8.5	12.5	8.8	8.6
Import [d]	%YoY	3.1	-4.0	8.3	3.0	12.5	4.9	2.5	6.2	10.6	2.7	11.7	19.4	6.5	10.9
Trade balance [d]	EURm	-472	-179	-657	-232	-266	-254	-503	-545	-173	-218	-744	-837	-403	-300
Current account balance [d]	EURm	-470	-97	-375	-55	-57	314	-356	-566	191	-101	-519	-537	-347	-244
Current account balance [d]	% GDP	-2.4	-2.3	-2.3	-2.4	-2.2	-2.0	-1.9	-2.0	-1.7	-1.4	-1.3	-1.4	-1.4	-1.5
Budget deficit (cumulative)	PLNbn	-23.2	-23.8	-27.7	-29.6	-33.1	-34.8	-35.5	-37.0	-4.2	-9.4	-11.8	-11.0	-16.0	-20.5
Budget deficit (cumulative)	% realisation	50.6	58.5	66.3	74.3	82.2	90.3	98.2	100.0	9.3	20.7	26.1	24.3	35.3	45.3
CPI	%YoY	0.4	0.8	0.8	0.7	0.9	1.3	1.6	1.7	1.6	1.6	1.7	2.2	2.6	2.9
PPI	%YoY	2.0	2.0	1.9	1.8	2.1	2.7	3.7	3.7	4.1	4.2	4.9	7.5	9.0	8.9
Broad money (M3)	%YoY	0.3	1.3	0.7	1.7	3.1	4.7	5.6	5.6	5.1	5.1	5.7	8.4	7.0	6.7
Deposits	%YoY	-2.9	-1.9	-2.5	-1.7	-0.2	1.5	3.3	3.7	3.4	3.5	4.8	8.3	7.0	7.3
Credits	%YoY	7.6	6.1	4.9	5.2	5.4	7.5	8.5	8.1	7.4	7.7	6.1	8.9	10.7	10.9
USD/PLN	PLN	3.74	3.80	3.90	3.92	3.98	3.92	3.94	3.79	3.74	3.84	3.89	3.97	3.93	3.85
EUR/PLN	PLN	4.33	4.44	4.44	4.37	4.46	4.59	4.62	4.66	4.71	4.85	4.77	4.76	4.72	4.66
Reference rate [a]	%	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
WIBOR 3M	%	5.53	5.38	5.26	5.16	5.17	5.42	5.68	5.69	5.46	5.46	5.49	5.69	5.99	5.90
Lombard rate [a]	%	7.00	6.75	6.75	6.75	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	%	4.75	4.66	4.85	4.82	4.91	5.30	5.95	6.02	5.59	5.78	5.87	6.20	6.65	6.90
Yield on 2-year T-bonds	%	4.78	4.79	4.89	4.86	5.02	5.53	6.31	6.49	6.17	6.34	6.34	6.83	7.41	7.50
Yield on 5-year T-bonds	%	4.88	4.90	5.17	5.38	5.60	6.04	6.86	6.82	6.65	6.76	6.60	7.13	7.57	7.60
Yield on 10-year T-bonds	%	5.13	5.03	5.37	5.60	5.93	6.36	6.92	6.75	6.65	6.81	6.65	7.02	7.32	7.35

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	781.1	814.7	877.7	187.1	200.2	201.3	226.4	200.4	214.5	217.0	245.9
GDP	%YoY	1.4	3.8	5.5	2.3	3.9	4.0	4.7	5.8	5.1	5.1	6.0
Total consumption	%YoY	2.8	2.5	3.6	1.1	2.8	2.9	3.3	3.2	3.4	3.6	4.0
- Private consumption	%YoY	3.3	3.1	4.4	1.4	3.8	3.5	3.9	4.0	4.2	4.5	5.0
Fixed investments	%YoY	-5.8	-0.9	7.7	-3.6	-1.7	0.4	0.1	4.0	6.0	8.0	10.0
Industrial production	%YoY	1.1	8.7	17.0	4.4	9.1	8.9	12.2	19.0	18.0	15.4	15.6
Retail sales (real terms)	%YoY	1.9	7.9	15.6	1.2	9.8	6.4	12.4	13.6	21.8	15.0	12.0
Unemployment rate [a]	%	20.0	20.0	19.2	20.6	19.7	19.4	20.0	20.5	19.4	19.0	19.2
Gross wages (real terms)	%YoY	1.5	2.0	3.0	1.4	1.7	1.7	3.2	3.8	2.8	2.6	3.0
Export [b]	%YoY	6.0	9.1	8.5	8.4	5.4	11.4	11.1	12.6	10.0	7.0	5.0
Import [b]	%YoY	3.5	3.3	9.4	3.1	-2.5	8.2	4.5	8.3	12.4	9.0	8.0
Trade balance [b]	EURm	-7 701	-5 345	-6 060	-1 600	-1 118	-1 325	-1 302	-1 135	-1 540	-1 540	-1 845
Current account balance [b]	EURm	-5 404	-3 550	-2 991	-1 584	-895	-463	-608	-429	-1 128	-616	-738
Current account balance [b]	% GDP	-2.7	-1.9	-1.6	-2.6	-2.2	-2.1	-1.9	-1.3	-1.4	-1.5	-1.6
Budget deficit (cumulative) [a]	PLNbn	-39.4	-37.0	-41.0	-15.5	-23.8	-33.1	-37.0	-11.8	-20.5	-31.0	-41.0
Budget deficit (cumulative) [a]	% GDP	-5.0	-4.5	-4.7	-8.3	-4.2	-4.6	-1.7	-5.9	-4.1	-4.8	-4.1
CPI	%YoY	1.9	0.8	2.5	0.5	0.5	0.8	1.5	1.6	2.6	3.0	2.8
CPI [a]	%YoY	0.8	1.7	2.8	0.6	0.8	0.9	1.7	1.7	2.9	3.0	2.8
PPI	%YoY	1.0	2.6	7.1	3.0	2.2	1.9	3.4	4.4	8.5	8.2	7.3
Broad money (M3) [a]	%YoY	-2.0	5.6	9.7	0.5	1.3	3.1	5.6	5.7	6.7	7.5	6.4
Deposits [a]	%YoY	-4.1	3.7	8.7	-2.3	-1.9	-0.2	3.7	4.8	7.3	8.4	6.4
Credits [a]	%YoY	5.2	8.1	11.9	8.7	6.1	5.4	8.1	6.1	10.9	11.6	12.6
USD/PLN	PLN	4.08	3.89	3.90	3.90	3.83	3.93	3.89	3.82	3.92	3.96	3.90
EUR/PLN	PLN	3.85	4.40	4.73	4.19	4.36	4.42	4.62	4.78	4.71	4.75	4.68
Reference rate [a]	%	6.75	5.25	6.00	6.00	5.25	5.25	5.25	5.25	5.25	5.50	6.00
WIBOR 3M	%	9.09	5.69	5.89	6.37	5.60	5.20	5.60	5.47	5.86	5.97	6.27
Lombard rate [a]	%	8.75	6.75	7.50	7.75	6.75	6.75	6.75	6.75	6.75	7.00	7.50
Yield on 52-week T-bills	%	8.18	5.33	6.50	5.75	4.94	4.86	5.76	5.75	6.24	7.00	7.00
Yield on 2-year T-bonds	%	7.94	5.38	7.04	5.58	4.91	4.92	6.11	6.28	6.86	7.50	7.50
Yield on 5-year T-bonds	%	7.86	5.61	7.44	5.50	4.98	5.38	6.57	6.67	7.10	8.00	8.00
Yield on 10-year T-bonds	%	7.34	5.77	7.27	5.60	5.19	5.63	6.68	6.70	7.00	7.70	7.70

Source: GUS, NBP, BZ WBK

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

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