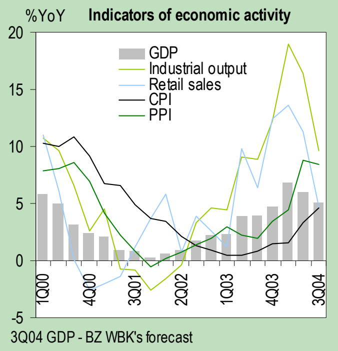
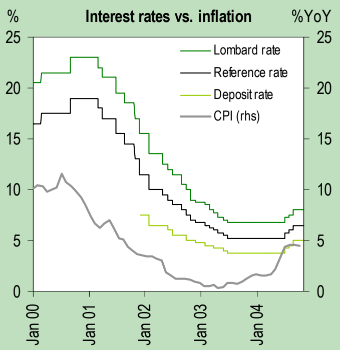
Bank Zachodni WBK

MACROscope

Polish Economy and Financial Markets

November 2004





In this issue:

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Let's wait and see

- **In October the Monetary Policy Council kept interest rates on hold again.** For the first time since the beginning of tightening cycle, monetary policy decision did not surprise the financial market. Arguments against the hike were also consistent with expectations: ongoing zloty appreciation, low wage pressure, weaker than expected revival in investments, dying off impact of EU accession on domestic prices, reversal of negative trends on the food market. Consequently, "the balance of risks to future inflation" became more favourable for inflation perspectives than one month before. Nevertheless, the MPC pointed out that "although the probability of inflation settling above the target of 2.5% over the monetary policy transmission horizon has been to some extent reduced, it is still higher than the probability of inflation falling under 2.5%", which was the reason for maintaining tightening approach in monetary policy, and in our opinion announced subsequent interest rate hikes. In the upcoming months the most important indicators for the decision about the next rate hike would be: FX market development, fuel and food prices, corporate wages and investments. As for now, the MPC adopted the wait-and-see approach.

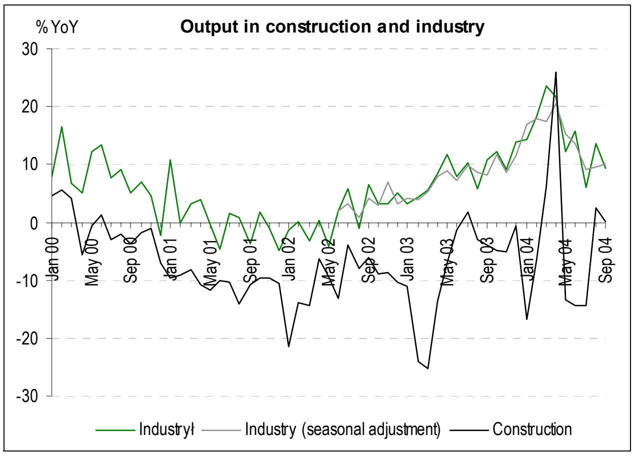
- This year's budget is still under control, and everything suggests that at the end of the year it would be possible to reach deficit lower than planned in the budget act (possibly even by PLN5bn). **Unfortunately, medium-term fiscal perspectives are still biased with substantial uncertainty**, that we have pointed out in the assessment of 2005 budget draft in the previous MACROscope**.** In the Convergence Report 2004 the European Commission argued that Poland could be unable to meet fiscal convergence criteria until 2007, and our country, together with Hungary, has been granted the last place in the ranking, summarising the number of areas that need improvement. Anyway, it is not so sure that Polish authorities will wish for entering the euro zone as soon as possible. While current government maintains optimistic plans of adopting the single currency, the date of this operation would be heavily dependent on the next government. Meanwhile, some of the parties that potentially could form a ruling coalition after the election strongly oppose early accession to the euro zone, which signals possible tensions in the next government and the parliament.

- **Macroeconomic data for September have confirmed ongoing steady economic growth.** Industrial production and retail sales were still growing fast. Also, construction output saw some increase, and results of business climate surveys suggested that the nearest future should be more positive for this sector, which sustained hopes for strong investment revival at the end of this year. Economic figures for the third quarter confirmed continuation of economic expansion, although the pace of GDP growth slowed down in this period, to 5.1% according to our estimates. In September inflation rate dropped for the first time in 13 months, reaching 4.4%. We believe that until the year-end inflation would remain in 4.3-4.4% range, and at the beginning of 2005 it would accelerate amid hike in administered prices.

Financial market on 29 October 2004:					
NBP deposit rate	5.00	WIBOR 3M	6.84	PLN/USD	3.3960
NBP reference rate	6.50	Yield on 52-week T-bills	6.93	PLN/EUR	4.3316
NBP lombard rate	8.00	Yield on 5-year T-bonds	7.06	EUR/USD	1.2755

This report is based on information available until 05.11.2004

Economic update



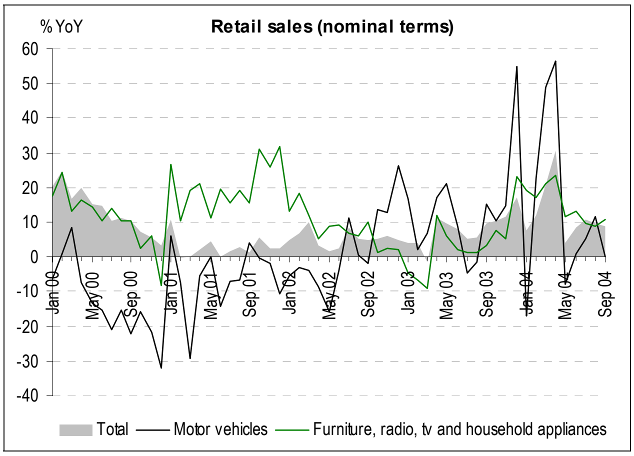
Stable upward trend in industrial output

▪ In line with our expectations, we saw a continuation of stable upward trend in industrial output in September (although it was not as impressive result as before accession to the EU).

▪ Seasonally adjusted growth in industrial output totalled exactly 10%YoY after 9.5%YoY rise in July and 9.2%YoY increase in June. Unadjusted growth was lower and amounted to 9.3%YoY.

▪ In the remainder of the year, growth rate of industrial output should remain close to 10% (except for October, when it is likely to fall below 5% due to lower number of working days).

▪ Construction output increased by 0.1%YoY, but seasonally adjusted growth rate was -3.9%YoY. This was neither big positive surprise, nor deep disappointment. We still think that there is a chance for faster growth in construction output in 4Q04, along with stronger rebound in investment activity.



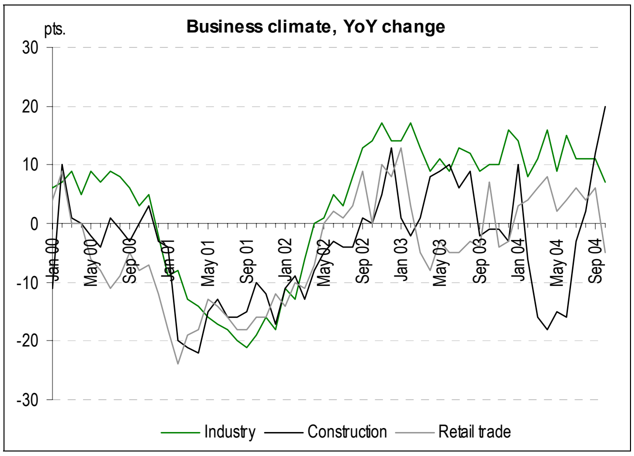
Healthy growth in retail sales

▪ Retail sales grew 0.7%MoM and 8.8%YoY in nominal terms in September. This reflected stable, not excessively strong growth in individual consumption. At the moment, it seems there is no significant threat to inflation from this side.

▪ Apart from car sales, growth in retail sales seems to be relatively stable in a few recent months. According to our estimates growth in retails sales excluding autos was 9.7%YoY in September after 9.4% rise in August, 11.5% jump in July and 9.5% increase in June.

▪ In real terms, retail sales growth was constrained by rising inflation (from 1.6% in 1Q04 to 4.6% in 3Q04). In September it was 3.9%YoY, slightly weaker than 4.4% in August.

▪ In general, results of the economy for 3Q04 confirmed that pace of the economic growth in this period decelerated to 5.1%.



Spring in construction sector in autumn?

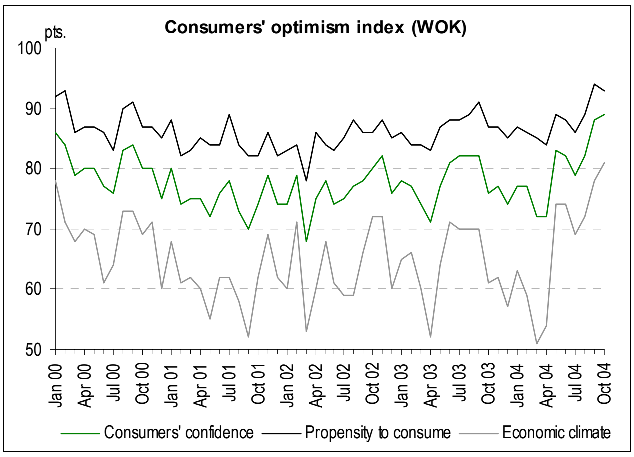
▪ Results of business climate survey for October brought very positive signal – significant improvement in construction sector.

▪ Construction reported considerable increase in the indicator of economic climate, rebound in new orders and rise in current production. Moreover, enterprises expected further rise in production, inflow of new orders and improvement of their financial situation in future.

▪ This increases hopes that strong rebound in investment has finally started.

▪ Despite seasonal drop, business climate in industry is still much better than a year ago. This bodes well for output in this sector in the nearest future.

▪ Considerable deterioration of moods in retail trade. However, this is more an effect of tighter competition than weaker consumption.



Source: CSO, BZWBK own estimates

Consumers are more and more upbeat

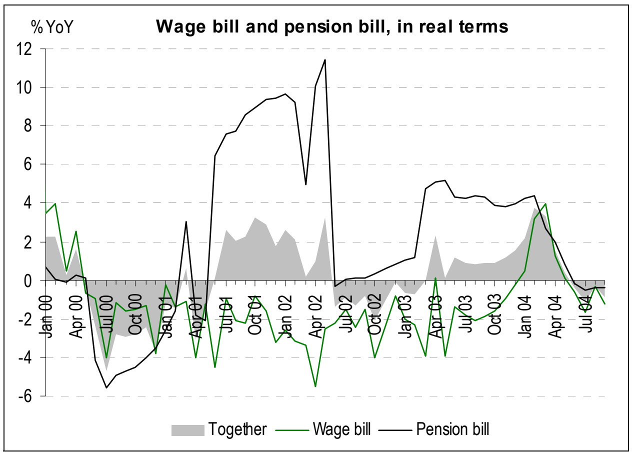
▪ After strong rise in September, also October saw increase in consumers' optimism as compared to analogous period of 2003. This confirms that positive tendency has become established.

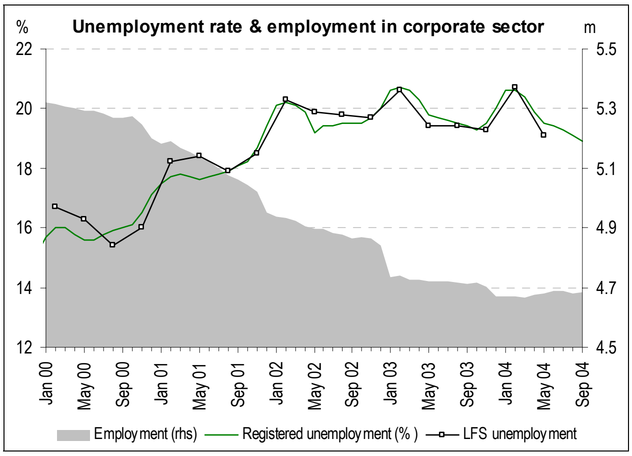
▪ An important signal, boding well for consumption increase, is a significant weakening of fear of unemployment.

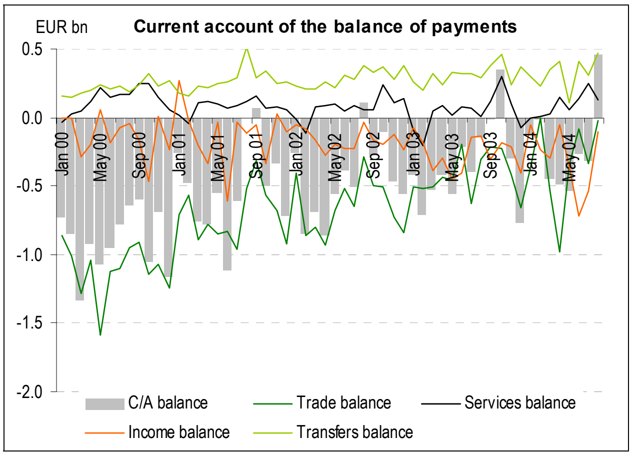
▪ In general, the results of consumers' optimism survey suggested that the final quarter of this year should see some acceleration in individual consumption growth. Consumption will be fuelled additionally by direct payments for Polish farmers for 2004 (around PLN8bn), but one should remember that this effect will be spread over a few quarters.

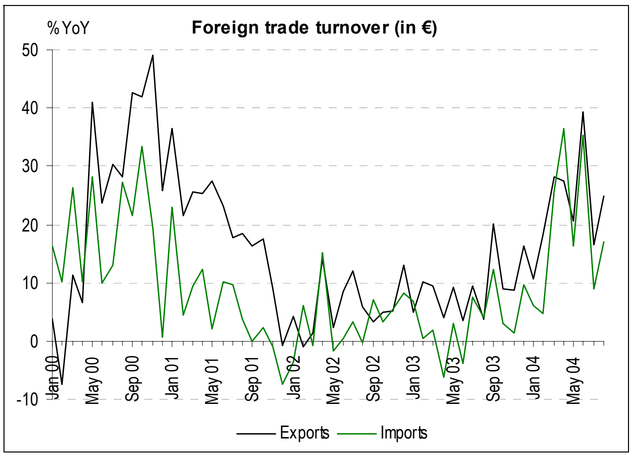
▪ Also, the survey showed that inflation expectations remained at relatively low level.

Economic update









Source: CSO, NBP, BZWBK own estimates

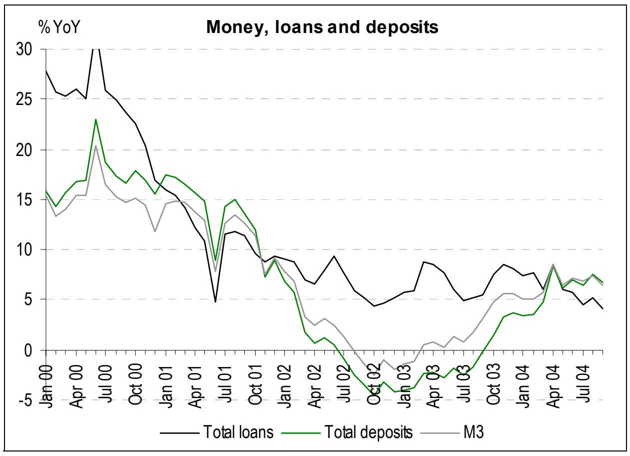
Economic expansion is still jobless

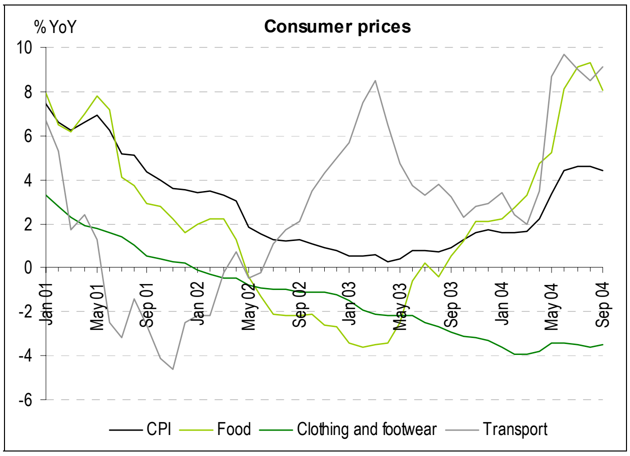
- Situation on the labour market, particularly risk of increased wage pressure resulting from higher inflation expectations, were one of the most important elements analysed by the MPC recently.
- From this point of view, September's labour market statistics brought rather calming signs.
- Average wage in the enterprise sector rose only 3.7%YoY (1.1%MoM) in October against 5.1%YoY rise a month earlier. The annual wage growth was much lower than average market forecast of 4.8% and our prediction at 4.7%.
- Taking into account fall in employment rate of 0.6%YoY (although it is worth noticing that labour demand rose 0.1% on a monthly basis), wage bill in the enterprise sector increased a mere 3.1%YoY in nominal terms.
- Given September's level of inflation rate, wage bill in real terms recorded another drop, this time by 1.3%YoY.
- In general, September's labour market statistics from the enterprise sector showed that risk of wage-inflation spiral is not very significant at the moment.
- Wage discipline in enterprises may be maintained in future due to persistently high level of the unemployment rate (even taking into account high level of the natural unemployment rate in Poland).
- Although one can see some improvement in this field (the number of the unemployed fell below 3m for the first time for 3 years), and the annual pace of unemployment reduction gradually accelerates (in September it was 0.5%YoY), the scale of imbalance on the labour market is still high enough (at the end of the year the unemployment rate will rise to above 19% from 18.9% in September), so that constrain excessive consumption growth and its possible inflationary consequences.

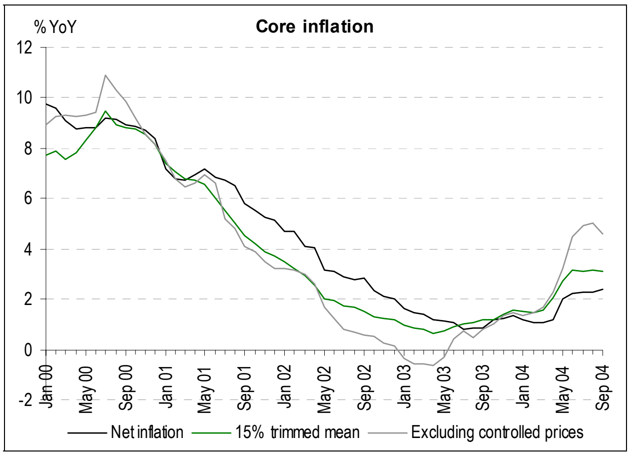
…and without threats to external balance of the economy

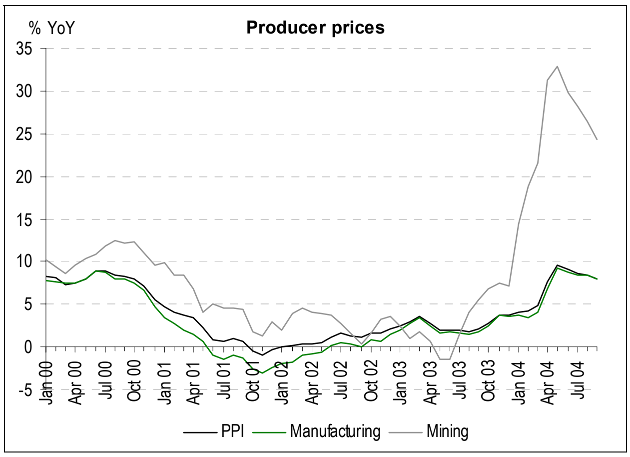
- Since the change in methodology after the EU entry in May, balance of payments statistics are still very difficult to predict.
- Taking into account the unpredictability, trade gap of €26m recorded in August was broadly in line with market forecasts (the median forecast was €143m and ours stood at €119m).
- A big surprise was a large surplus on the current account (€462m, while the market consensus was €100m).
- This was possible thanks to very high surplus on transfers account (it was €472m with inflows at €717m), which was a consequence of positive balance of financial flows between Poland and the EU (in August, payments from Brussels were €357m, while Poland's contribution to the EU budget amounted to €183m). Current account balance was also positively affected by low deficit on the income account.
- Exports and imports rose by 24.8%YoY and 16.9%YoY, respectively. High foreign trade turnover confirm the ongoing expansion of the Polish economy and show that strengthening of the zloty has not done much harm to Polish exporters so far.
- We expect that exports will keep growing at the two-digit pace in the nearest months. High growth in imports (again) suggests some revival in investment activity.
- According to our estimates, 12-month cumulative current account deficit in relation to GDP reached 1.4% after August, falling from 1.7% after the previous month.
- This confirms that despite fast economic expansion there are still no significant threats to external balance of the Polish economy. We predict gradual widening of current account gap throughout 2005, but will remain at safe level (below 2% of GDP).

Economic update









Source: CSO, NBP, BZWBK own estimates

Distortions in monetary statistics

▪ Money supply measured by M3 aggregate rose 0.2%MoM and 6.4%YoY in September (against 7.4%YoY growth a month earlier). Monetary statistics for September were affected by strong zloty appreciation, which lowered zloty value of both assets and liabilities denominated in foreign currency.

▪ Growth in deposits in the banking sector amounted to 6.8%YoY against 7.6%YoY rise in August (with the lowest fall in households' deposits since June 2002), and credit growth decelerated to 4%YoY from 5.2% in August.

▪ In October's monetary statistics one should expect even bigger distortions, which will be related to privatisation of the PKO BP Currently observed trend should not be drastically changed. Growth in money supply and its counterparts should slightly accelerate in the nearest future, but without significant threat to inflation.

CPI fell for the time since 13 months, core measures stable

▪ Consumer prices rise 0.3%MoM in September, which lowered annual inflation rate to 4.4% from 4.6% in August. The number was exactly in line with our forecast, but slightly higher than the market consensus of 4.3%.

▪ Many investors had assumed that inflation will fall even below 4.3%, as September's CPI figures from Czech Republic, Hungary and Slovakia showed much deeper than expected declines due to positive shock on the food market.

▪ Indeed, food prices were the main reason for inflation deceleration in September, but the strength of this factor was not as significant as in other countries of the region.

▪ At the same time, however, September saw acceleration in transport prices to 9.1%YoY from 8.5%YoY a month earlier. This stemmed from 1.9%MoM rise in fuel prices (high oil prices).

▪ It seems that one negative price shock (on the food market) began to gradually reverse, while the second one (on the fuel market) remains an important risk factor for inflation outlook. The similar situation should be seen in the remainder of the year. Food prices will continue to decelerate growth in annual terms, while annual growth in fuel prices will remain high.

▪ Two core inflation measures noted a slight dip in September, while the three others slightly increased.

▪ The two most important measures remained at low level, close to the inflation target. Net inflation inched up to 2.4%YoY from 2.3%YoY, and 15% trimmed mean dropped to 3.1%YoY from 3.2%YoY a month earlier. The other measures remained at around 5%YoY.

▪ The figures suggests that there are no particularly significant threats to medium-term inflation outlook and apart from negative supply shocks there is no inflationary pressure currently.

PPI lower than expected, but remains a risk factor

▪ Data on producer prices for September were a positive surprise, showing PPI growth of 0.1%MoM and 8.0%YoY against the market consensus and our forecast both at 8.4%YoY.

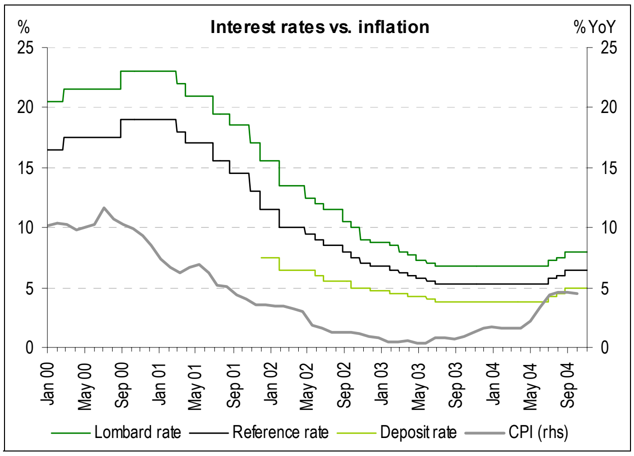
▪ Low PPI in September resulted mainly from downward revision of PPI for August to 8.5%YoY from 8.7%YoY.

▪ Drop in PPI may be interpreted as an indication that pressure on producer prices has been gradually fading.

▪ According to the NBP, producer prices are still inflation risk factor, because there is growth mainly in domestic prices, while the zloty strengthening lowered prices in export and weakened effect of rising prices of oil and other commodities.

▪ So far, the transmission from producer prices to consumer prices has been very limited, but this may change along with further rise in capacity utilisation.

Central bank watch



Important fragments of the MPC statement from 27 October 2004

In the period since the last meeting of the Council the appreciation trend of the zloty as well as the low pace of wage growth have been continued while the price effects of Poland's accession to the European Union have been fading away. In consequence, the balance of risks to future inflation points to a rise in the probability of inflation running lower than outlined in the scenario presented in the August *Inflation Report*.

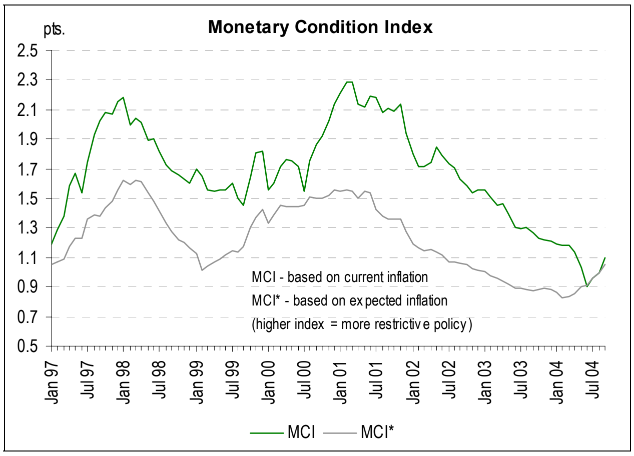
According to NBP estimates in 2004 Q3 the growth rate of the GDP amounted to 4.5%.

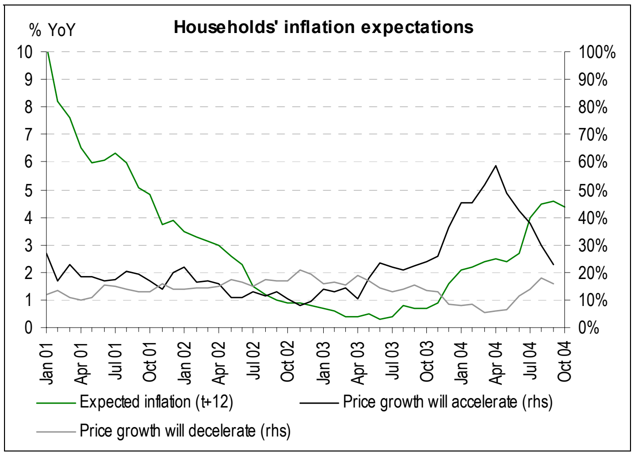
The preservation of a moderate pace of wage growth accompanied by a high dynamics in labour productivity will result in making inflation decrease faster than it was presented in the August *Report*.

The available data as well as NBP survey evidence point to a slower than expected recovery in investments.

The possibility of inflation decrease in the first half of 2005 is further supported by the latest food price forecasts, which suggest the diminishing of pro-inflationary shocks in the food market. Current assessment of this year's harvest by the Central Statistical Office (GUS) is more optimistic than the one available at the time the August *Report* was prepared.

In this situation the Council estimates that although the probability of inflation settling above the target of 2.5% over the monetary policy transmission horizon has been to some extent reduced, it is still higher than the probability of inflation falling under 2.5%.





Source: CSO, NBP, BZWBK own estimates

The second consecutive month without a hike

- In October the MPC left interest rates on hold for the second time in a row. However, for the first time since the beginning of tightening cycle the decision did not surprise the financial market.
- Arguments against a hike were consistent with expectations: ongoing zloty appreciation, low wage pressure, weaker than expected revival in investments, dying out impact of EU accession on domestic prices, reversal of negative trends on food market.
- Consequently, "the balance of risks for future inflation" changed in favour of more positive perspectives than last month.
- Nevertheless, the MPC pointed out that "although the probability of inflation settling above the target of 2.5% over the monetary policy transmission horizon has been to some extent reduced, it is still higher than the probability of inflation falling under 2.5%".
- … which justified maintaining tightening bias in monetary policy and in our opinion signals more rate hikes to come.
- Key factors for upcoming rate hike decision would be in the nearest future: data on food and fuel prices, growth in wages and employment, investment outlays.
- In November we will see third quarter data about investments in big enterprises, and in December full GDP figures for the third quarter. In November, updated NBP's inflation projection will be released as well, which is likely to show that without any more interest rate hikes it is still impossible to reduce inflation back to 2.5% in the medium run.
- Those arguments should convince the MPC to another 25-bps rate hike by the end of this year.
- In August only two MPC members voted against 50-bps rate hike: Mirosław Pietrewicz and Stanisław Nieckarz. One month earlier also Jan Czekaj and Stanisław Owsiak opposed a hike.

… however monetary policy is getting more restrictive

- Monetary Condition Index (taking into account level of real interest rates and real effective exchange rate) has been constantly rising since the middle of this year.
- Apart from three interest rate hikes delivered by the MPC, it was also affected by significant real appreciation of the zloty – since May until September real effective exchange rate of the zloty has strengthened by almost 9%, and since the beginning of this year it was more than 11%.
- The MPC has recently clearly suggested that if zloty appreciation continued, the moment of the next interest rate hike might move away in time.
- … because exchange rate channel of monetary transmission is stronger and faster than interest rate channel.

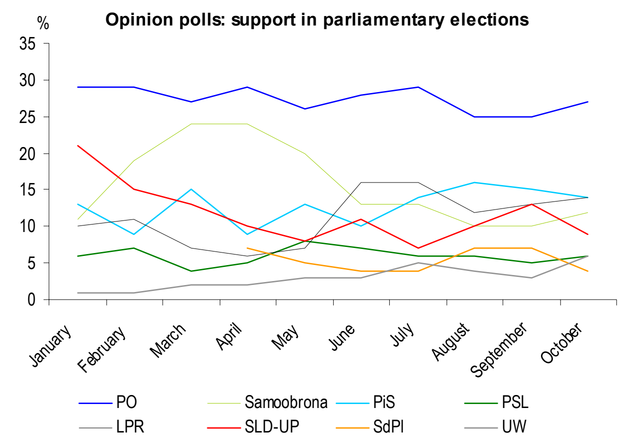
Inflation expectations are improving

- In September a synthetic index of households' inflation expectations has improved slightly, for the first time in a long time. Inflation rate expected in a 12 month horizon dropped to 4.4% from 4.6% in July and August.
- However, the structure of households' answers has been improving for a couple of months already – the ratio of people predicting acceleration in price growth has been quickly falling, while the ratio of those who expect prices to grow slower or at the same rate has been constantly rising.
- A reversal in CPI upward trend will help in reduction of inflation expectations index in the nearest months.
- Also, inflation forecasted by bank analysts over 11 months horizon has been coming down – median of forecasts for September 2005 amounted to 2.5%, just in the NBP's target.

Central bank watch

Comments of the central bank representatives	Remarks
Leszek Balcerowicz, NBP governor; Reuters, 29 October NBP estimates point to 4.5% [of GDP growth in 3Q04]. As it turns out, according to the CSO, the growth rate in the third quarter will be higher, which we are pleased with, because it shows that economic recovery maintains.	NBP governor brought into question GDP growth predictions of the central bank's research staff and most of market analysts. What is interesting, Balcerowicz's statement suggests that his judgement is based on CSO information and is not a guess. Official data will be published around 10 December. Possibly, a positive surprise coming from GDP growth data will be one of reasons to hike rates again.
Krzysztof Rybiński, deputy NBP governor; PAP, 22 October Our experts' forecasts show that inflation at the end of the year will be slightly above 4.0%. It seems that there is the risk that the cycle of inflation reduction will be slower than forecasted by the finance minister. […] Very strong growth in oil prices is observed, much higher than it was forecasted in August's projection. It influences inflation pushing it up, especially in short term – four-six quarters horizon. Afterwards the inflation is falling due to the influence of high prices on economic growth. […] Since the August projection was published the zloty appreciated and much depends on the outlook for the zloty in the nearest quarters if it will appreciate or remain unchanged of depreciate.	Deputy NBP president Krzysztof Rybiński said that the central bank's experts were less optimistic than the Ministry of Finance as regards the pace of inflation reduction in Poland. Finance minister Mirosław Gronicki predicts that CPI growth should be slightly below 4% in December 2004, and then it could drop even to ca. 2% in April-June 2005. According to the NBP, inflation rate should reach "slightly more than 4%" at the end of 2004, and its subsequent reduction should be slower and longer than foreseen by the Ministry of Finance. More detailed path of future inflation expected by the NBP will be presented in the bank's updated inflation projection, which – according to Rybiński – will be published on 30 November. It means that again, the market will get to know the results of the projection only after the MPC meeting. Unfortunately.
Dariusz Filar, MPC member; MPC press conference; PAP, 27 October We realise the risks that are accompanying exchange rate forecasting. On the other hand, we cannot overlook the fact that zloty appreciation took place and the strengthening continued for a long period so that certain trend has formed. And this appeared in the MPC statements. Exchange rate has reached certain level and it should be regarded as such. **Andrzej Sławiński, MPC member;** Rzeczpospolita, 25 October The MPC did not raise rates because the zloty has strengthened. Strong impact of the zloty on inflation in Poland does not stem from the MPC's belief in anything. It is an empirical fact.	Recent comments of the central bank officials clearly underscored the significance of ongoing zloty appreciation for restrictiveness of monetary policy. Although some of the MPC members pointed out high uncertainty connected with exchange rate forecasting, yet – as Andrzej Sławiński clearly articulated in press article – "in September the Council did not raise interest rates, because the zloty has strengthened". Probably, similar situation took place also in October. Of course, other signals about low wages pressure, low investment activity, or slow improvement on the labour market, also have their meaning. Nevertheless, it seems that if zloty appreciation trend was maintained, the moment of the next interest rate hike could be delayed somehow. Still, it does not mean that we have came to an end of monetary tightening cycle as regard the reference rate of the central bank.
Halina Wasilewska-Trenkner, MPC member; PAP, 2 November If the increase in prices in 1Q next year have a temporary character, then no interest rate rise would be necessary. If it turns out that other elements affect the rise, then unfortunately it could be the case that it will be necessary. If such risk occurs [of inflationary pressure in future] we will have to counteract it. In the horizon, in which our decisions affect inflation, it seems that thanks to different events there is a chance that inflation will return to the range. If it turns out that it is not enough, then we would have to adjust the instrument, which we have at our disposal, so that inflation returned to the middle of the range.	Wasilewska-Trenkner's comments indicate that she believes some of inflation risks has eased recently, but at the same time she recognises Poland still faces potentially strong inflationary pressure. She stressed the MPC did not intend to react to transitory pick-up in the current inflation rate, but is going to focus on medium-term outlook. In our opinion, this suggests the rate-setters might not necessarily wait with another rate hike until 1Q05 when CPI inflation is likely to rise again, but may act earlier in reaction to new signals of threats to the inflation target in the medium-term (e.g. data on investment in the biggest firms to be published in late November or GDP growth figures for 3Q04 to be published in early December).
Andrzej Wojtyna, MPC member; Reuters, 21 October At present, factors that limit price growth are dominant in the current inflation picture: increases in wages is lower than increase in work productivity, output gap is probably still negative, pro-inflationary impact of the accession is fading and the zloty remains strong making monetary policy more restrictive. However, one should remember the Council's forward looking policy and the closing of the output gap. So the fact that the balance of risks has not changed since September does not mean that rates would not be changed over the nearest months. […] The main risk for inflation results from the fact that negative output gap will change into positive and inflationary pressure will be rising. […] If domestic demand is rising at faster pace than potential GDP for several quarters then negative demand gap will close and can turn into positive. Looking back, the Council could have put emphasis differently when justifying August decision. Interest rate hike was meant to give the government more credibility in wage negotiations. […] The markets overestimated the degree to which the Council identified with the [inflation] projection.	Professor Andrzej Wojtyna seems to represent the similar view on monetary policy perspectives. While the balance of factors positive and negative for inflation prospects is quite positive, one should remember about closing output gap, which may change this balance of risks in future. This suggests that the Council will be closely watching the growth rate of domestic demand, and in particular signs of investment revival. Wojtyna expects that investment upturn should take place soon, becoming a main driver of economic growth in Poland. MPC member added that financial market had "overestimated the degree to which the Council identified with the projection" in August, because higher than expected rate hike was aimed mostly at giving the government support in wage negotiations in the Three-Party Committee. According to Wojtyna, the new projection will show more positive inflation prospects than the former one. He said that the MPC would not take part in preparing November's update of inflation projection, which suggests the level of rate-setters' identification with the projection will not increase, but he stated that the projection would gradually become more and more important for the Council.

Government and politics



Confidence vote passed! Election in spring or autumn?

▪ In line with expectations, the government headed by Marek Belka won voting in the Sejm over motion of confidence with significant majority of votes. Also, motions of no-confidence in healthcare minister and foreign affairs minister have been rejected.

▪ … although uncertainty regarding the deputies' choice has risen shortly before the voting, because of internal conflicts in the SLD.

▪ In line with earlier vows of the politicians, this should imply that earlier parliamentary elections will take place in spring, at the end of May 2005. However, recent information signals decreasing support for this election date. Part of the SLD and part of the opposition is interested in keeping Sejm's term of office until end (autumn 2005).

▪ Opinion polls confirm that forming a government with a consistent economic programme would be very hard after next elections.

Results of voting in Sejm on introduction of 50% PIT rate

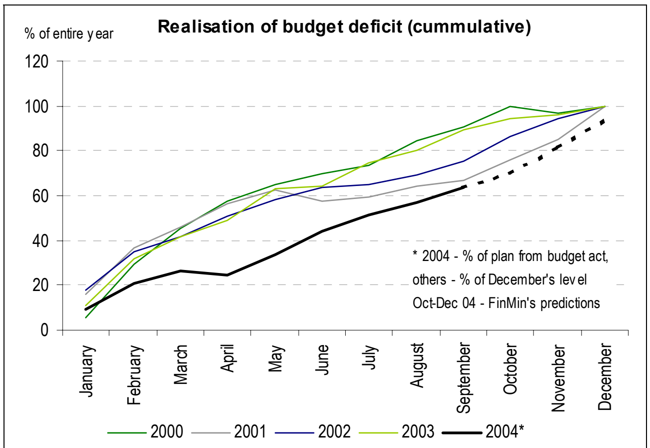
	FOR	AGAINST	Abstained	Absent
SLD	131	4	4	18
PiS	39	0	0	5
PSL	36	1	0	3
SdPl	29	0	0	4
Samoobrona	22	0	0	9
LPR	19	0	1	5
Minor caucuses	19	6	3	7
Unaffiliated	16	4	1	3
UP	14	0	0	1
PO	0	52	0	4

The closer the election, the higher taxes

▪ The Sejm and the Senate passed introduction of additional 50% PIT rate for the richest citizens, earning more than PLN600,000 per year. The tax becomes effective since 2005.

▪ Such high revenue threshold implies that a rise in taxes will affect only a small group of people, and potential revenues from this source would be negligible. This suggests the motion was a purely a part of pre-election campaign. According to Ministry of Finance's estimates, the rise in PIT will affect ca. 4,000 people, yielding ca. PLN240m revenues to the budget.

▪ However, those estimates did not take into account possible rise in tax evasion. According to finance minister Mirosław Gronicki, if only 20% of the richest taxpayers switched form of taxation from PIT to CIT next year, the gain for the budget would die off, while bigger scale of tax evasion would hurt budget revenues.



2004 budget under control, but 2005 is still under question

▪ State budget deficit reached 63.9% of the annual plan after September, which was consistent with FinMin's suggestions.

▪ The result was better than in analogous period of previous years. The data confirmed that there should be no major problems with realising budget this year, and the deficit in December should be more than PLN2bn lower than planned PLN45.3bn.

▪ Meanwhile, the parliament is still working over motions, expected to bring fiscal savings incorporated into the 2005 budget bill.

▪ Government's motion rising entrepreneurs' social contributions has no support in the parliament. SLD and SdPl have submitted their own motions, ensuring lower budget revenues.

▪ Also, support for farmers' pension system reform is dubious, while it was estimated to bring additional PLN1bn to the budget. If those bills are rejected, more spending cuts will be needed.

EC forecasts of fiscal parameters (% GDP)

	Public finance deficit	Gross public debt
	Poland	
2004	-5.6	47.7
2005	-4.1	49.8
2006	-3.1	49.3
	Czech Republic	
2004	-4.8	37.8
2005	-4.7	39.4
2006	-4.3	40.6
	Hungary	
2004	-5.5	59.7
2005	-5.2	59.5
2006	-4.7	58.9

EC and ECB sceptical about Poland's road to euro

▪ The European Commission and the European Central Bank published Convergence reports 2004 – documents summarising EU member states' achievements on the road to the euro zone.

▪ Poland, together with Hungary, has been classified in the last place among the new member states, having the highest number of areas, which do not comply with the euro zone entry criteria.

▪ According to the European Commission, risks surrounding fiscal situation in Poland could result in delaying the country's road towards the single currency, and the date of meeting convergence criteria assumed by the government (2007) would not be met.

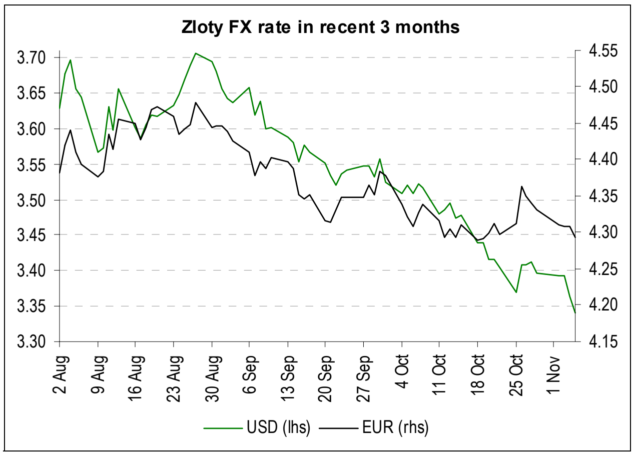
▪ Interestingly enough, official macroeconomic forecasts presented by the Commission several days later, were quite optimistic, and better than for other countries in the region (see table on the left).

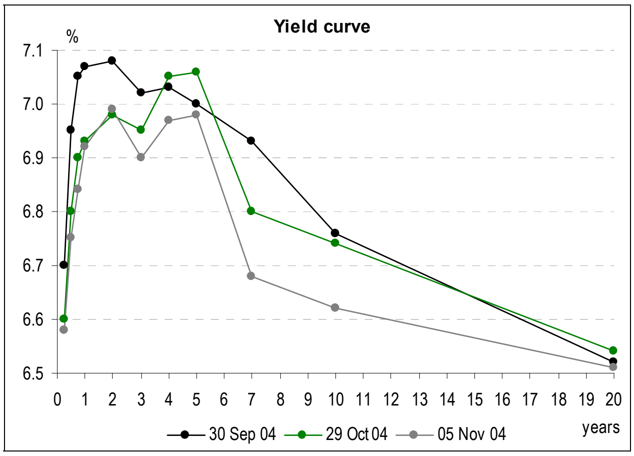
Source: CBOS, Ministry of Finance, European Commission, BZ WBK own estimates

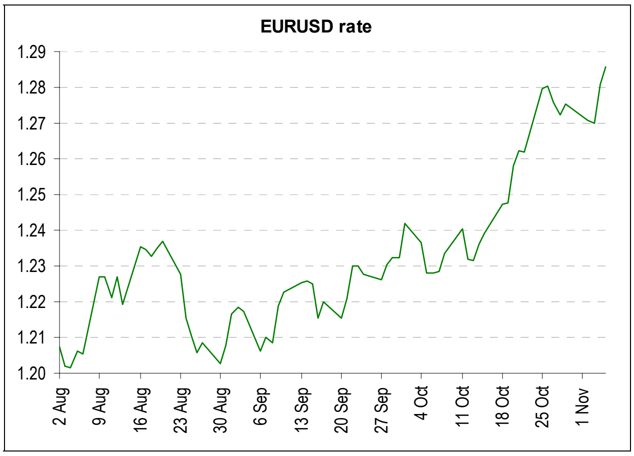
Government and politics

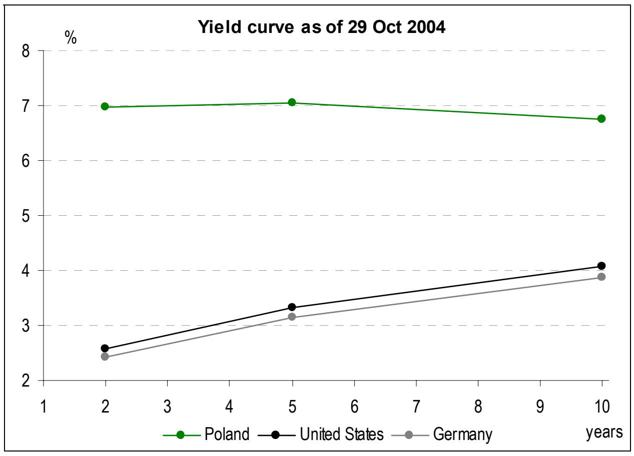
Comments of government representatives and politicians	Remarks
Marek Belka, Prime Minister Reuters, 21 October I always stress that joining the monetary union is a goal of our economic policy, but I have never given any date. I say yes to entering the euro because it will bring many benefits, but not yes at any price. This is a goal that should be the crowning of economic reforms. Of course we would like it to happen soon as possible. **Jerzy Hausner, deputy PM, economy and labour minister** PAP, Reuters, 22 October Our thinking is economic growth, public finance reform, taking actions to boost competitiveness and entering the euro zone. The horizon of thinking about it is 2009, not earlier.	The Convergence Reports published by the European Commission and the European Central Bank at the end of October suggested that the date of Poland's entry to the euro zone may be delayed due to inability of meeting fiscal criteria of nominal convergence. On the one hand, Polish government officials remained optimistic and assured that the situation was not that bad and the criteria should be met on time. On the other hand, they admitted that many depends on future government's consistent policy, and that sustaining fast pace of economic growth and competitiveness of the economy is more important than fast adoption of the common currency.
Jerzy Hausner, deputy PM, economy and labour minister PAP, 4 November I am sure that GDP growth in the third quarter exceeded 5%, and was at 6% in the first three quarters of the year. I do not agree with the opinion that GDP growth in the third quarter was below 5%. I predict that it was 5.2-5.5%. In the whole year the economy should expand by 5.7-5.8%. The registered unemployment rate will amount to 18.9-19% in December 2004.	Not only the NBP governor, but also government's officials – deputy PM Jerzy Hausner and finance minister Mirosław Gronicki – agreed recently that although GDP growth in 3Q04 was lower than in two first quarters of the year, it was probably not as weak as some economists had suggested. We guess that the officials based their comments on some tentative results from the stats office. It is good, because our GDP forecast for 3Q04 is relatively close to mentioned levels and points to 5.1% growth.
Mirosław Gronicki, finance minister Reuters, 4 November Till the end of the year we should have a gradual fall in inflation to around 4% but in the first months of 2005 it may jump, depending on the impact of regulated price hikes. […] This will not be particularly strong growth and maybe there would be no growth [in the inflation rate]. I think that inflation will linger between 4.0 and 4.5% until March. If there is no excessive impulse due to increased transfers [from the EU], there should be no problems with inflation. We still think that inflation will be below 3%. (…) Surely the natural rate for consumption demand growth is 3 to 4.5% -- a rate which allows inflation to remain between 2-3%. On the basis of data from the beginning of the year the NBP calculated that profitability level of the EURPLN is 4.2. If unit labour costs considerably fell during the year, now the profitability level of the EURPLN rate may be lower. This will be dynamic and towards the end of the next year the level may be below 4PLN.	Inflation path outlined by the finance minister seems to be quite optimistic. It assumes relatively low acceleration in price growth at the beginning of 2005, sharp drop in inflation below 2.5% in mid-year (amid high base effect), and then only slight rebound in the last months of the year – so that inflation rate stays below 3%YoY in 2H05. We do not know what assumptions regarding interest rates underlie such scenario. Nevertheless, it seems that even with such optimistic predictions one such expect slight monetary tightening in the nearest future, because the scenario is still different from the central bank's preferred path – MPC members repeated many times that the MPC's goal is to bring inflation back permanently to 2.5%, not only to the band of admissible fluctuations around the target. And one should also keep in mind that – according to the NBP deputy president – central bank's forecasts suggest that inflation reduction in the medium run would be slower and weaker than foreseen by the ministry of finance.
PAP, 4 November The amendment to public finance act [implementing ESA95 methodology] should be ready already this year. For sure, the European methodology will not be in force in the budget for 2005. However, the budget should constructed basing on this methodology.	The minister of finance declared already several months ago that he would present a motion that would allow calculating public debt in Poland according to ESA-95 scheme. However, it does not imply complete implementation of ESA-95 in public finance accounting. Still, the solution would prevent breaching 55% of GDP threshold by the public debt.
Elżbieta Suchocka-Roguska, deputy finance minister PAP, 5 November We do not expect any problems with budget performance in the first months of 2005. We estimate that after November the budget gap will reach around 81% [of the full-year plan]. Deficit in the entire rate may be PLN2.5bn lower than planned.	Execution of 2004 budget is still better than planned, and FinMin's estimates suggest that budget deficit at the end of December could be more than PLN2bn lower than planned PLN45.3bn. However, those calculations seem quite conservative, while minister Hausner mentioned that deficit could be lower even by PLN5bn, which is closer to our predictions.
Jarosław Kaczyński, PiS president PAP, 5 November PiS opts against fast introduction of the euro and we agree neither for 2009 nor 2010. This date will be open for us in the future. [...] Entering the euro zone is a bit like situating a patient in the isolation ward hoping that such strong therapy would cure him.	The key decisions on the euro adoption, and most likely on the ERM2 entry, will be made by the next government formed after the election. Unfortunately, there are substantial differences in opinions between potential future coalition partners in this regard. Likely coalition between the PO and the PiS will not be easy. This refers particularly to economic affairs. The euro entry is not the only issue. Let us recall that contrary to the PO, the PiS supported introduction of the 50% PIT rate for the richest taxpayers, and additionally it would like to eliminate the MPC, and modify the basic goal of the central bank to put more emphasis on growth rather than fighting inflation.

Market monitor









Source: Reuters, BZ WBK

The zloty is the strongest against the dollar for seven years

▪ October brought no major surprises either in monetary policy or on political scene. Therefore positive moods maintained on the Polish market. Despite considerable volatility during the month yields on bonds remained almost unchanged, while the zloty recorded further clear appreciation.

▪ At the beginning of last month the market was strengthening, continuing trends which begun already in September. It was supported by upgrading an outlook of the rating on Poland's debt by S&P agency and weak data from US labour market. Only a confusion before a voting over the vote of confidence for the government caused a slight weakening, but the victory resulted in rebound. Negative overtone of Convergence Report weakened the zloty, though a response was not as rapid as one could have expected. The data on high food prices influenced the fixed income market negatively, but it made up for the loss partially since some investors recognised MPC's statement as dove-ish.

▪ Moreover, one should bear in mind that in October the zloty was under appreciation pressure due to PKO BP privatisation given a possible demand from foreign institutions. Therefore at the end of the month the zloty was stronger than on the last day of September by more than 2% against the dollar-euro basket. Meanwhile the yield curve changed insignificantly since changes did not exceed ±10bps.

▪ In early November the zloty appreciation accelerated. The zloty strengthened rapidly being under the influence of rising EURUSD rate. The USDPLN rate reached the lowest level since mid-1997. The fixed income market strengthened, as well amid information on higher than planned revenues from privatisation.

▪ We expect that present strong levels will maintain on both the FX and fixed income markets till the end of the year.

The US dollar getting even weaker

▪ Situation on FX markets is still unstable. Since August-end the US dollar has weakened considerably against the euro. In second half of October the trend accelerated after a series of unfavourable data from the American economy and the EURUSD rate exceeded a level of 1.25 earlier than assumed by us.

▪ In connection with presidential election, political uncertainty joined doubts regarding sustainability of the revival. After the victory of the present president the EURUSD rate increased to 1.29. Some analysts are afraid that Bush's administration is likely to support weaker dollar to defend American economy against accumulating current account deficit.

▪ Even very good data from the labour market did not help the dollar. We expect that the EURUSD rate will remain close to a level of 1.30 till the end of first quarter of 2005.

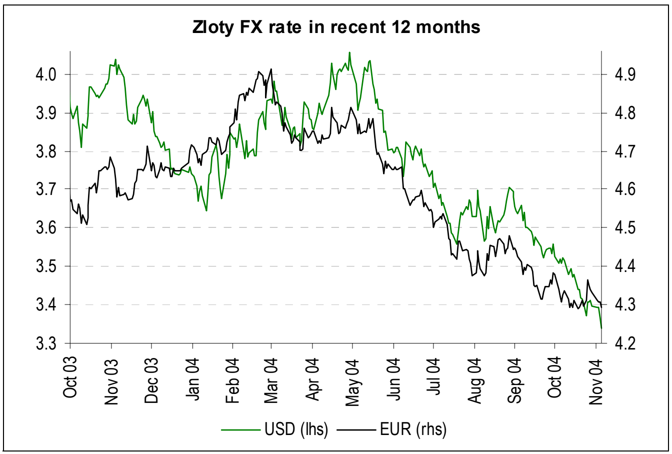
The fixed income market is more stable

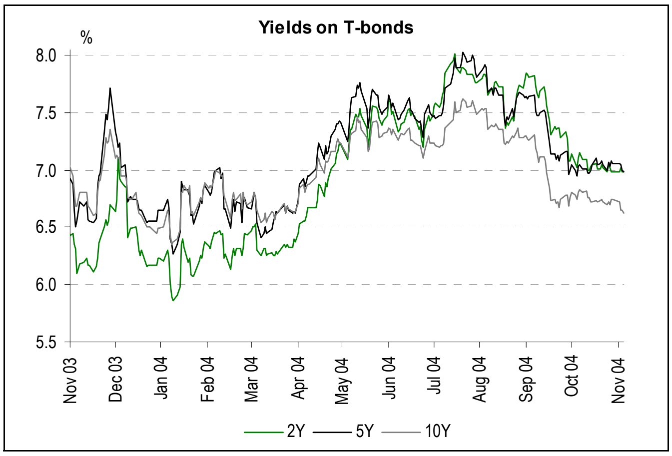
▪ In October, on slight changes in prices, the risk premium for Polish bonds measured with a difference between expected 5-year interest rate in Poland and in the Eurozone in five years time remained unchanged at around 145 basis points after moderate fluctuations within a month.

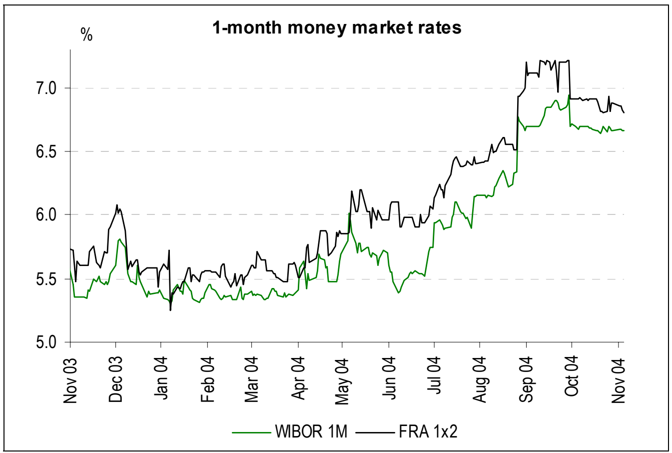
▪ Last month yields on the fixed income market in the United States followed a horizontal trend and a downward trend that has been continuing since mid-June, despite rate hikes, has not been broken, yet. The victory of George W. Bush in presidential election resulted in only small and short-lived weakening on the fixed income market.

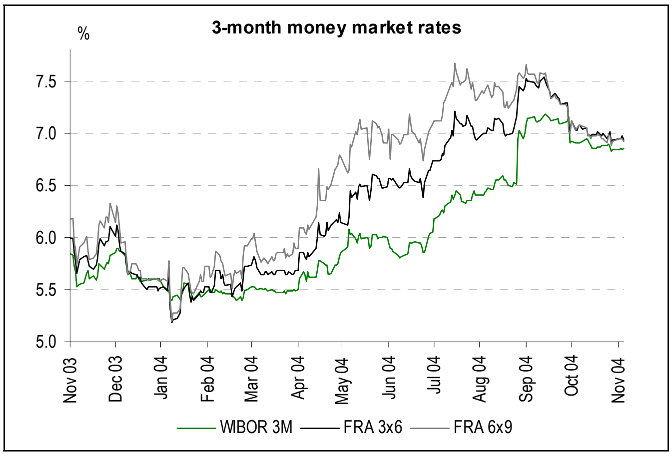
▪ The outlook for fixed income market is highly uncertain. Nevertheless, in the main scenario we expect moderate increase in yields until the end of 2004 and in 2005.

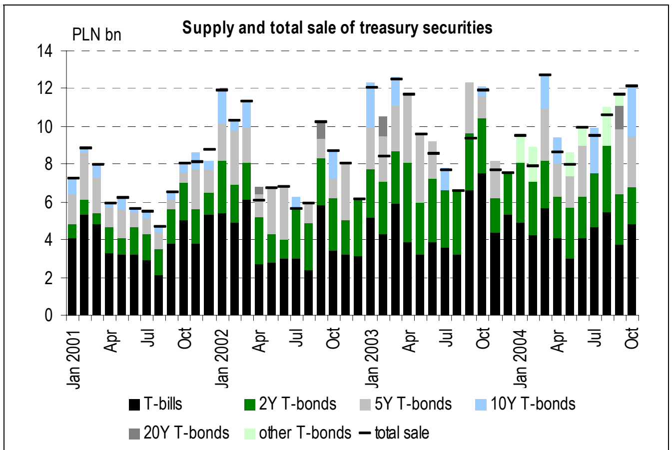
Market monitor











Treasury bill auctions (PLN m)

		OFFER / SALE	
Date of auction	**13-week**	**52-week**	**Total**
4.10.2004	100 / 100	900 / 900	1,000 / 1,000
11.10.2004	100 / 100	800 / 800	900 / 900
18.10.2004	100 / 100	800 / 800	900 / 900
25.10.2004	-	1,000 / 1,000	1,000 / 1,000
29.10.2004	-	1,000 / 1,000	1,000 / 1,000
October total	**300 / 300**	**4,500 / 4,500**	**4,800 / 4,800**
8.11.2004	-	1,000	1,000
15.11.2004	-	1,000	1,000
22.11.2004	-	1,000	1,000
29.11.2004	-	1,100	1,100
November total	**-**	**4,100**	**4,100**
December*	**100**	**2,200 - 3,900**	

* estimations based on preliminary information for 4Q04

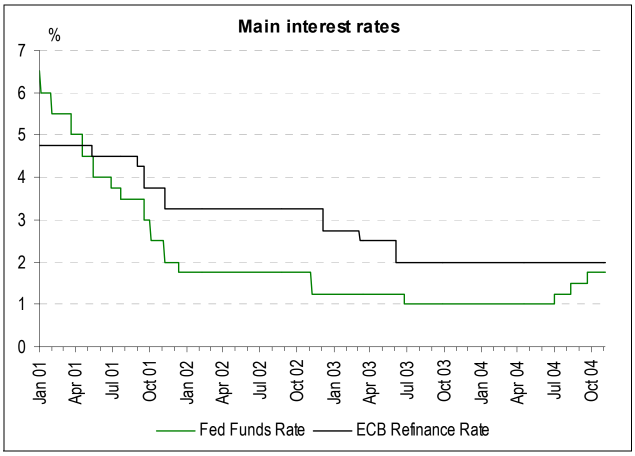
Treasury bond auctions in 2004(PLN m)

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	1,000.0	1,000.0	16.06*	DS0509	2,640.0	2,640.0
July	07.07*	OK0806	2,800.0	2,800.0	14.07*	DS1013	2,400.0	2,001.0	-	-	-	-
August	04.08*	OK0806	3,480.0	3,086.0	11.08*	WZ0307/0911	1,550.0	1,470.0	-	-	-	-
September	01.09	OK1206	2,700.0	2,700.0	8.09*	WS0922	1,200.0	1,200.0	15.09*	DS0509	3,480.0	3,480.0
October	06.10	OK1206	2,000.0	2,000.0	13.10	DS1015	2,600.0	2,600.0	20.10	DS0509	2,700.0	2,700.0
November	03.11	OK1206	2,000.0	2,000.0	10.11	WZ0307/0911	1,000-2,000	-	17.11	DS0509	2,000-3,000	-
December	01.12	OK1206	2,000-3,000	-	-	-	-	-	-	-	-	-

* with supplementary auction

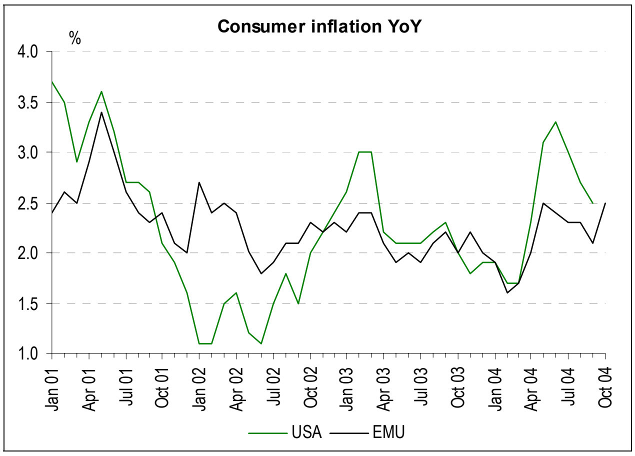
Source: Ministry of Finance, Reuters, BZ WBK

International review



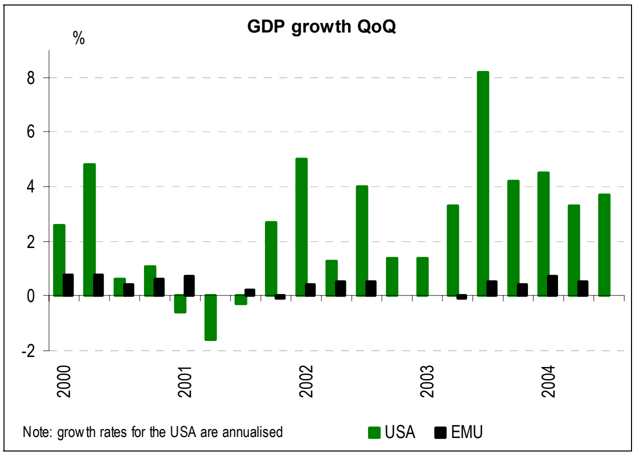
ECB's rates still unchanged, Fed will make another move

- In line with expectations, the Governing Council of the European Central Bank did not change interest rates at the meeting on 4 November. Since June 2003 the main Eurozone's rate – refinance rate – has stood at 2.0%. The ECB president Jean-Claude Trichet warned that recent increase in inflation was a worrisome development but in medium-term the prices should remain under control. He also said that economic growth remained on track though its sustainability was a bit endangered. First interest rate hike by the ECB is likely only in mid-2005.
- In the US next meeting of the Federal Open Market Committee is planned for 10 November. Market expectations point that fourth consecutive interest rate hike of 25 basis points is highly probable. The FOMC will meet once more this year on 14 December.



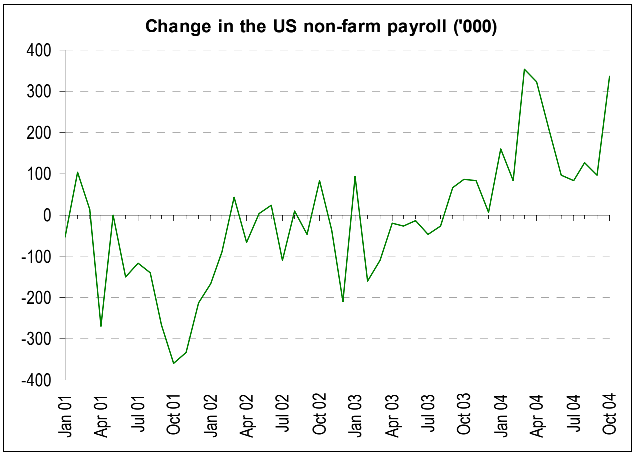
Unexpected inflation surge in the Eurozone

- In the Eurozone, preliminary estimations of inflation in September were revised downward in final release, matching market forecast. The prices increased by 0.2%MoM and annual inflation rate fell to 2.1% from 2.3% in August. According to preliminary estimations, in October inflation rose to 2.5%YoY, clearly above the market consensus forecast at 2.2%. As a result of high oil prices inflation reached the highest level for five months. For six consecutive months it has exceeded the target of 2.0%.
- In the United States data on inflation matched the expectations. In September the consumer prices increased by 0.2%MoM. This figure resulted in a decrease in annual inflation rate to 2.5% from 2.7% in August. However, core inflation figure was a bit higher than expected. It amounted to 0.3%MoM, while 0.2% was foreseen. Annual core inflation rate increased to 2.0% from 1.7%.



Condition of the American economy is improving

- According to advanced information on economic growth in the United States, GDP growth amounted to 3.7%QoQ in the third quarter this year, clearly more than 3.3% recorded in the second quarter this year. Though the figure was weaker than market consensus forecast at 4.2% the data suggest that condition of the American economy is good. Significant acceleration in consumer demand was recorded in the third quarter.
- Data on Eurozone's economic growth in the second quarter released in mid-October confirmed earlier estimations. GDP recorded a rise of 0.5%QoQ and 2.0%YoY in this period. However, the figures for the first quarter were revised upwards by 0.1pp. to 0.7% and 1.4%, respectively. Moreover, the European Commission confirmed growth forecasts for 3Q04 and 4Q04. Both of them are at the level of 0.3-0.7%QoQ.



Source: Reuters, ECB, Federal Reserve

Very strong figures from American labour market

- Data from the US labour market turned out to be much better than expected. In October non-farm payroll employment increased by as much as 337,000, the most for 7 months, significantly above market consensus forecast at 169,000. What is more, figures for August and September were revised upwards by net 113,000. The unemployment rate recorded a rise to 5.5% in October from 5.4% in September given increase in a number of job seekers, while market forecast pointed to the unchanged rate.
- Index of German entrepreneurs' sentiment IFO recorded unexpected rise to 95.3pts in October from 95.2pts in September. It was the first increase in the index in three months, while market consensus forecast pointed to a fall to 94.8pts. The assessment of present economic situation deteriorated and expectations for future are better than a month ago.

What's hot this month

Monday	Tuesday	Wednesday	Thursday	Friday
1 November **All Saints' Day** *EMU: PMI (Oct)* *USA: ISM (Oct)*	**2** *USA: Election Day*	**3** POL: T-bond auction OK1206 *GER: Unemployment (Oct)* *USA: Factory orders (Sep)*	**4** *EMU: Producer prices (Sep)* *EMU: Unemployment (Sep)* *EMU: ECB meeting*	**5** *GER: Industrial output (Sep)* *EMU: Retail sales (Sep)* *USA: Employment (Oct)*
8 POL: T-bill auction	**9**	**10** POL: Money supply (Oct) POL: T-bond auction WZ0307, WZ0911 & IZ0816 *FRA: Industrial output (Sep)* *USA: Fed meeting* *USA: Foreign trade (Sep)*	**11** **Independence Day** *GER: GDP (3Q)*	**12** *ITA: Industrial output (Sep)* *ITA: GDP (3Q)* *FRA: Inflation preliminary (Oct)* *FRA: GDP (3Q)* *EMU: GDP (3Q)* *USA: Retail sales (Oct)*
15 POL: Inflation (Oct) POL: T-bill auction *ITA: Inflation final (Oct)*	**16** *USA: Producer prices (Oct)*	**17** POL: T-bond auction DS0509 POL: Wages & employment (Oct) *EMU: Inflation final (Oct)* *EMU: Industrial output (Sep)* *USA: Inflation (Oct)* *USA: Industrial output (Oct)*	**18**	**19** POL: Industrial output (Oct) POL: Producer prices (Oct) *FRA: Inflation final (Oct)*
22 POL: T-bill auction POL: Business climate (Nov) *EMU: Foreign trade (Sep)*	**23** POL: Retail sales (Oct) POL: MPC meeting (1st day)	**24** POL: MPC meeting (decision) POL: Unemployment (Oct) POL: Core inflation (Oct)	**25** POL: Food prices (1H Nov) *GER: IFO (Nov)* *EMU: Balance of payments (Sep)*	**26**
29 POL: T-bill auction *EMU: Money supply (Oct)*	**30** POL: Balance of payments (Sep) *ITA: Inflation preliminary (Nov)* *EMU: Inflation preliminary (Nov)* *EMU: Economic sentiment; Business climate (Nov)* *USA: GDP (3Q)*	**1 December** POL: T-bond auction OK1206 *EMU: GDP (3Q)* *EMU: Unemployment (Oct)* *EMU: PMI (Nov)* *USA: ISM (Nov)*	**2** *GER: Unemployment (Nov)* *EMU: ECB meeting* *EMU: Producer prices (Oct)* *USA: Factory orders (Oct)*	**3** *EMU: Retail sales (Oct)* *USA: Employment (Nov)*
6 POL: T-bill auction	**7**	**8**	**9** *GER: Industrial output (Oct)*	**10** *USA: Producer prices (Nov)*

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	27-28	24-25	28-29	26-27	23-24	-
GDP*	-	20	-	-	-	9	-	-	8	-	-	-
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	23	23	23	22	24	21
Gross wages, employment	16	13	12	15	17	16	14	13	14	14	17	14
Unemployment	23	20	19	22	21	23	23	23	23	22	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	29	30	30
Money supply	14	13	12	14	14	14	14	13	14	14	10	14
NBP balance sheet	7	6	5	7	7	7	7	6	7	7	5	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

		Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04	Nov 04
Industrial production	%YoY	12.1	9.2	13.9	14.4	18.3	23.5	21.8	12.2	15.8	6.0	13.7	9.3	3.5	10.4
Retail sales [c]	%YoY	10.3	11.4	17.3	7.6	12.1	20.7	30.6	4.0	8.6	10.9	9.6	8.8	9.4	11.8
Unemployment rate	%	19.3	19.5	20.0	20.6	20.6	20.4	19.9	19.5	19.4	19.3	19.1	18.9	18.8	18.9
Gross wages [b c]	%YoY	3.0	4.1	5.1	3.5	6.3	7.0	4.6	4.4	4.5	3.6	5.1	3.7	4.3	4.6
Employment [b]	%YoY	-3.2	-3.3	-3.5	-1.4	-1.5	-1.3	-1.1	-0.9	-0.7	-0.7	-0.8	-0.5	-0.4	-0.2
Export [d]	%YoY	9.1	8.7	16.4	10.6	18.3	28.2	27.6	20.5	39.4	16.5	24.8	10.9	16.3	18.3
Import [d]	%YoY	2.9	1.4	9.6	6.1	4.6	25.8	36.4	16.2	35.2	9.0	16.9	10.1	17.4	18.3
Trade balance [d]	EURm	-223	-420	-658	-369	-9	-535	-986	-349	-89	-340	-26	-200	-320	-500.0
Current account balance [d]	EURm	347	-295	-770	-130	-14	-447	-487	-543	-269	-318	462	-350	-320	-300.0
Current account balance [d]	% GDP	-2.2	-2.1	-2.2	-2.1	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.3	-1.5	-1.8	-1.8
Budget deficit (cumulative)	PLNbn	-34.8	-35.5	-37.0	-4.2	-9.4	-11.8	-11.0	-15.3	-19.9	-23.2	-25.9	-29.0	-31.5	-37.0
Budget deficit (cumulative)	% realisation	94.2	96.1	100.0	9.3	20.7	26.1	24.3	33.8	43.9	51.3	57.1	63.9	69.5	81.7
CPI	%YoY	1.3	1.6	1.7	1.6	1.6	1.7	2.2	3.4	4.4	4.6	4.6	4.4	4.4	4.3
PPI	%YoY	2.7	3.7	3.7	4.1	4.2	4.9	7.6	9.6	9.1	8.6	8.5	8.0	7.5	7.4
Broad money (M3)	%YoY	4.7	5.6	5.6	5.1	5.1	5.7	8.5	6.4	7.2	6.8	7.4	6.4	9.2	7.2
Deposits	%YoY	1.5	3.3	3.7	3.4	3.5	4.8	8.4	6.2	6.9	6.4	7.6	6.8	10.6	6.9
Credits	%YoY	7.5	8.5	8.1	7.4	7.7	6.1	8.5	6.1	5.7	4.6	5.2	4.0	9.9	7.9
USD/PLN	PLN	3.92	3.94	3.79	3.74	3.84	3.89	3.97	3.93	3.78	3.64	3.64	3.58	3.46	3.35
EUR/PLN	PLN	4.59	4.62	4.66	4.71	4.85	4.77	4.76	4.72	4.59	4.47	4.43	4.37	4.32	4.32
Reference rate [a]	%	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	6.00	6.50	6.50	6.50	6.75
WIBOR 3M	%	5.42	5.68	5.69	5.46	5.46	5.49	5.69	5.99	5.91	6.34	6.58	7.12	6.89	6.92
Lombard rate [a]	%	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	7.50	8.00	8.00	8.00	8.25
Yield on 52-week T-bills	%	5.30	5.95	6.02	5.59	5.78	5.87	6.20	6.65	6.79	7.15	7.24	7.38	7.00	7.10
Yield on 2-year T-bonds	%	5.53	6.31	6.49	6.17	6.34	6.34	6.83	7.41	7.44	7.80	7.66	7.51	7.04	7.15
Yield on 5-year T-bonds	%	6.04	6.86	6.82	6.65	6.76	6.60	7.13	7.57	7.50	7.79	7.65	7.33	7.03	7.10
Yield on 10-year T-bonds	%	6.36	6.92	6.75	6.65	6.81	6.65	7.02	7.32	7.27	7.44	7.36	6.96	6.75	6.80

Source: CSO, NBP, Finance Ministry, BZ WBK own estimates

[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	890.3	187.1	200.2	201.3	226.0	203.7	216.2	221.3	249.0
GDP	%YoY	1.4	3.8	5.9	2.3	3.9	4.0	4.7	6.9	6.1	5.1	5.7
Total consumption	%YoY	2.8	2.5	3.4	1.1	2.8	2.9	3.3	3.3	3.4	3.4	3.5
- Private consumption	%YoY	3.3	3.1	4.1	1.4	3.8	3.5	3.9	4.0	3.8	4.2	4.3
Fixed investments	%YoY	-5.8	-0.9	7.0	-3.6	-1.7	0.4	0.1	3.5	3.3	8.0	10.0
Industrial production	%YoY	1.1	8.7	13.2	4.4	9.1	8.9	12.2	19.0	16.4	9.6	7.7
Retail sales (real terms)	%YoY	1.9	7.9	9.1	1.2	9.8	6.4	12.4	13.6	11.3	4.7	6.6
Unemployment rate [a]	%	20.0	20.0	19.2	20.6	19.7	19.4	20.0	20.4	19.4	18.9	19.2
Gross wages (real terms)	%YoY	1.5	2.0	1.3	1.4	1.7	1.7	3.2	3.8	1.6	-0.4	0.3
Export [b]	%YoY	6.0	9.1	20.6	8.4	5.4	11.4	11.1	19.3	29.1	16.8	17.5
Import [b]	%YoY	3.5	3.3	17.4	3.1	-2.5	8.2	4.5	12.6	29.3	11.6	16.5
Trade balance [b]	EURm	-7 701	-5 077	-4 283	-1 529	-1 089	-1 155	-1 304	-909	-1 438	-566	-1 370
Current account balance [b]	EURm	-5 404	-4 109	-3 120	-1 641	-1 176	-568	-724	-592	-1 302	-206	-1 020
Current account balance [b]	% GDP	-2.7	-2.2	-1.6	-2.7	-2.4	-2.4	-2.2	-1.7	-1.7	-1.5	-1.6
Budget deficit (cumulative) [a]	PLNbn	-39.4	-37.0	-40.5	-15.5	-23.8	-33.1	-37.0	-11.8	-19.9	-29.0	-40.5
Budget deficit (cumulative) [a]	% GDP	-5.0	-4.5	-4.5	-8.3	-4.2	-4.6	-1.7	-5.8	-3.7	-4.1	-4.6
CPI	%YoY	1.9	0.8	3.5	0.5	0.5	0.8	1.5	1.6	3.3	4.6	4.3
CPI [a]	%YoY	0.8	1.7	4.4	0.6	0.8	0.9	1.7	1.7	4.4	4.4	4.4
PPI	%YoY	1.0	2.6	7.2	3.0	2.2	1.9	3.4	4.4	8.8	8.4	7.4
Broad money (M3) [a]	%YoY	-2.0	5.6	7.8	0.5	1.3	3.1	5.6	5.7	7.2	6.4	7.8
Deposits [a]	%YoY	-4.1	3.7	7.3	-2.3	-1.9	-0.2	3.7	4.8	6.9	6.8	7.3
Credits [a]	%YoY	5.2	8.1	9.6	8.7	6.1	5.4	8.1	6.1	5.7	4.0	9.6
USD/PLN	PLN	4.08	3.89	3.68	3.90	3.83	3.93	3.89	3.82	3.89	3.62	3.38
EUR/PLN	PLN	3.85	4.40	4.55	4.19	4.36	4.42	4.62	4.78	4.69	4.43	4.31
Reference rate [a]	%	6.75	5.25	6.75	6.00	5.25	5.25	5.25	5.25	5.25	6.50	6.75
WIBOR 3M	%	9.09	5.69	6.23	6.37	5.60	5.20	5.60	5.47	5.87	6.68	6.92
Lombard rate [a]	%	8.75	6.75	8.25	7.75	6.75	6.75	6.75	6.75	6.75	8.00	8.25
Yield on 52-week T-bills	%	8.18	5.33	6.58	5.75	4.94	4.86	5.76	5.75	6.24	7.26	7.07
Yield on 2-year T-bonds	%	7.94	5.38	6.98	5.58	4.91	4.92	6.11	6.28	6.86	7.66	7.11
Yield on 5-year T-bonds	%	7.86	5.61	7.11	5.50	4.98	5.38	6.57	6.67	7.10	7.59	7.08
Yield on 10-year T-bonds	%	7.34	5.77	6.94	5.60	5.19	5.63	6.68	6.70	7.00	7.25	6.82

Source: CSO, NBP, Finance Ministry, BZ WBK own estimates

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

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