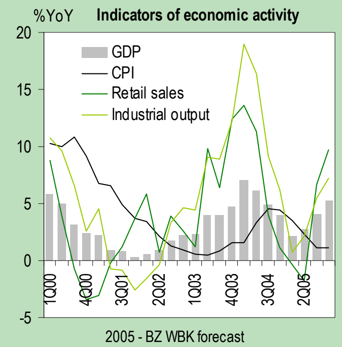
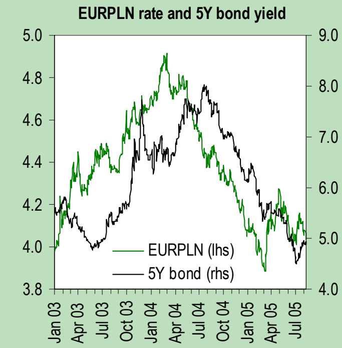
Bank Zachodni WBK

MACROscope

Polish Economy and Financial Markets

August 2005





In this issue:

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Sentiment swings

- **Last month we wrote here that "medium-term economy outlook is not as gloomy as suggested by the recent indicators". Several publications of data for June were enough to make other market players believe it.** Results of the industrial output and retail sales exceeded the expectations of most analysts, information from the labour market was very good and the analyses of the business climate (also those conducted by the central bank) confirmed the revival in the economy. Following the publication of economic figures, the Polish interest rate market recorded a material weakening which was fuelled by the growing yields on the global markets. Hence, after substantial drops in yields as a result of the Monetary Policy Council's decision in June, the movement was reversed. In early August, the yields level was higher than before the cuts by 75 bp (in June and July) and before the re-introduction of the easing bias. FRA curve indicates again that the end of the cuts cycle can occur at the level of 4.5%, whereas still in mid-July the 9X12 contracts were traded at nearly 4%.

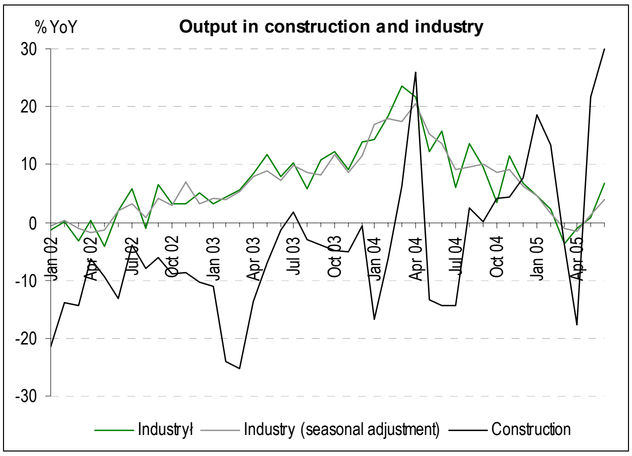
- **We still anticipate that the GDP growth significantly speeds up in H2, but information about the industrial output for July which is critical for determining the market sentiment prior to the next MPC meeting can be slightly disappointing**. Stronger than expected data for July were probably interpreted by the market players as a change in trend which triggered the upward change in forecasts for the following month. The market consensus indicates the production growth by 4-5% YoY. Since the data for June were more or less in line with our projection we did not change the growth forecast for July which was ca. 1%. It should be highlighted that after adjustment by seasonal effects and number of business days it would mean a pretty decent growth of ca. 5% - the fastest this year. Majority of analysts expect a drop in official rates by 25 bp in August and so do we. However, if the production growth were to be as much as 5% (two digit growth adjusted seasonally), then the MPC might even make no cuts. On the other hand, if the production data are in line with our projection, then the debt on the market will strengthen, particularly at the end of the yield curve which can go steep amid rising trend in yields on the global markets (by the year-end the rate of 10Y Bunds and Treasuries can come close to 3.5% and 5.0%, respectively).

- **The MPC decision will be impacted not only by the current data (the pace and composition of GDP in Q2 are important) but also by the contents of the new *Inflation Report***, which will not be known to the market participants before the MPC meeting (publication on the same day as the decision). This time, then, foreseeing the MPC decision will be difficult, though it is worth to notice that the June MPC's official statement clearly outlined the factors important for the MPC and allowed the market to correctly anticipate the July decision.

Financial market on 29 July 2005:					
NBP deposit rate	3,50	WIBOR 3M	4,90	USDPLN	3,3461
NBP reference rate	5,00	Yield on 52-week T-bills	4,45	EURPLN	4,0401
NBP lombard rate	6,50	Yield on 5-year T-bonds	4,65	EURUSD	1,2074

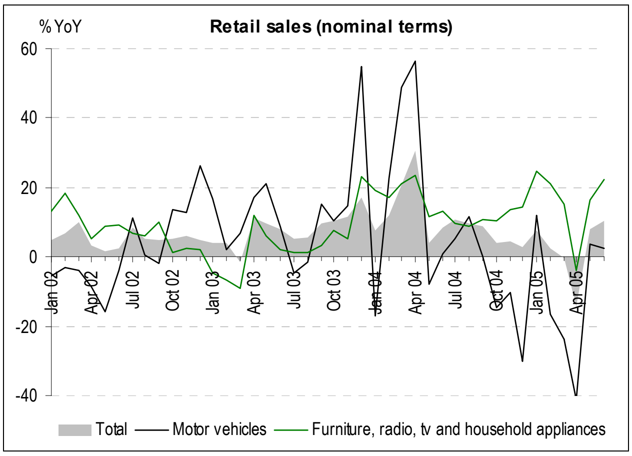
This report is based on information available until 10.08.2005

Economic update



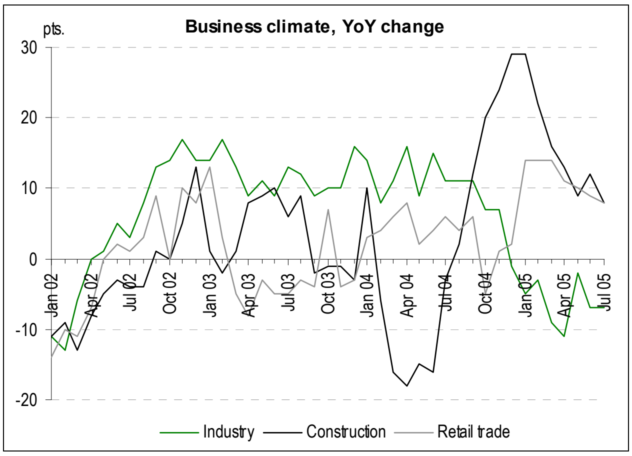
Output growth beat forecasts

- Industrial output growth in June (6.8%YoY) was slightly lower than our forecast (7.8%YoY), but much higher than the market consensus (4.5-5%YoY).
- June also saw a surge in construction output (29.9%YoY). Although it resulted to some extent from low base effect, strong recovery in construction is a fact and this may reflect a revival in investment activity.
- Growth rate of industrial and construction output was positively affected by higher number of working days in June this year, which constrains optimism to a degree, but generally the output figures confirmed our estimates of GDP growth in 2Q05 at the level of 2.8%YoY and our expectations of acceleration in economic growth in the remainder of the year.



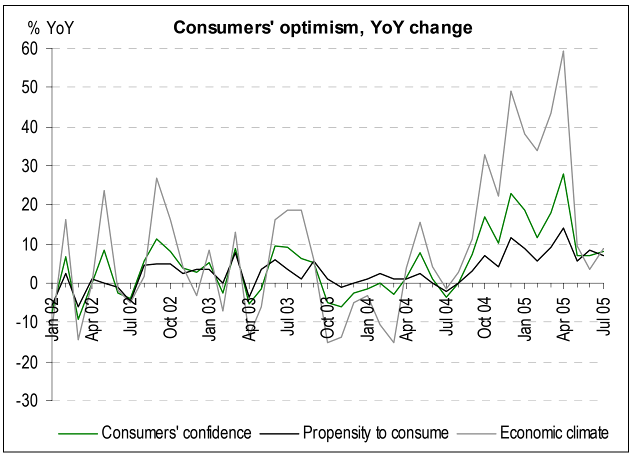
Retail sales also much better than expected

- Upbeat look at prospects for economic activity is also justified by robust growth in retail sales. In June, it grew 10.5%YoY in nominal terms and pace of real increase was at 8.8%YoY, the highest level since the pre-accession boom in February-April 2004.
- All components of retail sales recorded positive annual growth rate in June. Rise in sale of motor vehicles was weak (a mere 2.5%YoY), but majority of other sectors experienced healthy, two-digit increases (e.g. sales of furniture and households' appliances jumped by 22.4%YoY).
- The data confirmed that consumption demand started to revive and this tendency should be continued in next quarters of the year due to improvement in labour market conditions among others (see below). Thus, the second half of the year should bring much better results of the economy than the first one.



Entrepreneurs' moods still optimistic

- Good prospects for the economy were also confirmed by results of business climate survey for July.
- Business climate indicators in the three analysed sectors remained almost unchanged as compared to the previous month (industry saw rise to 11pts from 10pts, construction rose to 20pts from 19pts and retail trade recorded decline to –7pts from –6pts), and the annual rate of change in the indices also did not move much.
- Assessment of current as well as future orders' portfolio and production in industrial firms slightly improved in July. The assessment of current and future orders was also upbeat in construction. What is more, builders plan to increase employment. Moods in retail trade are relatively the weakest, but they improve fast in comparison with the analogous period of last year.

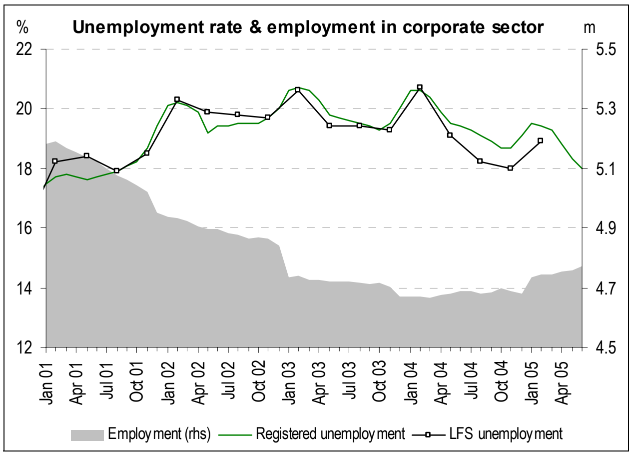


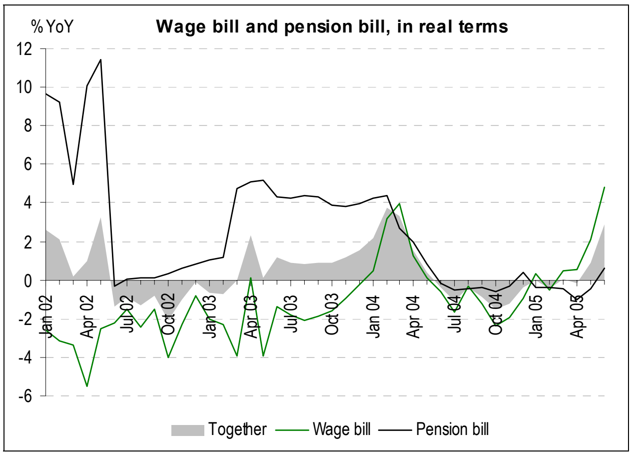
Source: CSO, Ipsos, own calculations

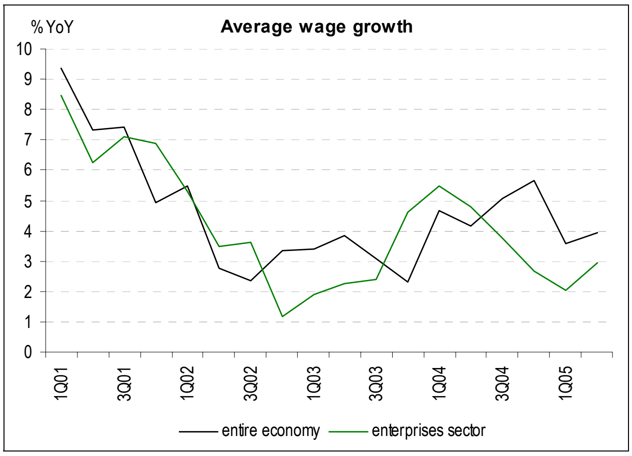
Continued improvement in consumers' confidence

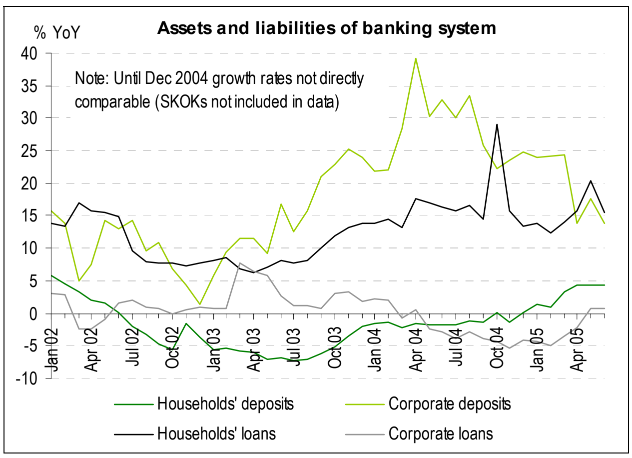
- Results of consumer confidence survey carried out by Ipsos in July showed slight worsening in comparison with the previous month.
- However, the deterioration is of seasonal character while in annual terms all sub-indices of consumer confidence keep growing at quite a solid pace. However, the growth is not as fast as between October 2004 and April 2005.
- Ipsos institute said that consumers feel more and more confident about their future financial situation and become more and more willing to incur a debt in form of bank loans.
- All in all, the results of the survey seem to bode well for forecasted by us revival in consumption demand in the second half of this year.

Economic update









Source: CSO, NBP, own calculations

The lowest unemployment rate in four years

- Improvement in consumers' moods and expected strengthening in consumption demand stem to a large extent from the continuation of positive trends on the labour market.
- The basic manifestation of that is continuous reduction in unemployment. The registered unemployment rate in June reached 18%, which was the lowest level in four years.
- Reduction in unemployment in summer is a typical seasonal phenomenon, but it considerably declined also in annual terms. The registered unemployment rate fell by 1.4pp as compared to June 2004 and the number of unemployed dropped by almost 8%YoY. What is more, new job offers grew by 32%YoY.
- We expect fall in the unemployment rate to 17.3% in October and to 17.7% in December (rise in 4Q05 will result solely from the influence of strong seasonal pattern).

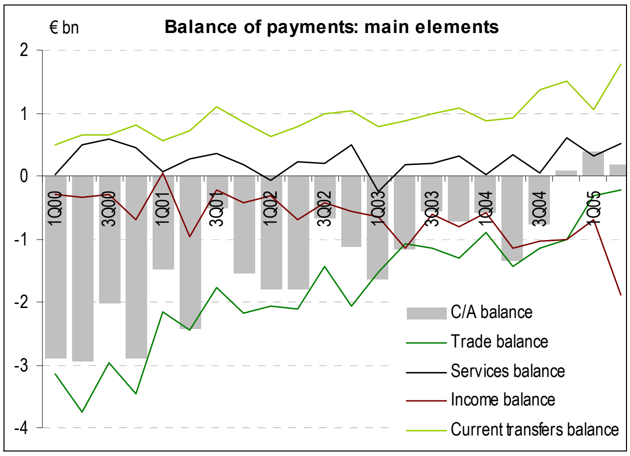
Acceleration in wage growth, solid rise in employment

- Average employment in the enterprise sector remains in upward trend, rising by 1.7%YoY in June. In the first half of this year, Polish firms created 90,000 of new jobs in net terms while net change in employment in the analogous period of 2004 was almost zero.
- At the same time, June saw a clear acceleration in the pace of growth in average wage in the enterprise sector. However, one should note that total wage growth was positively affected by wage hike in mining (30%YoY) while wage growth in other sectors was very moderate, reaching 2.1%YoY in industry and 0.6%YoY in trade and services.
- Large wage increase in mining was most likely a one-off and one may expect that increase in average wage in the enterprise sector will not be so high in the nearest months. However, acceleration in wage growth has been observed for a few months already, so the June result seems to reflect a permanent trend.
- Combination of faster wage growth and more evident increase in employment translated into sharp improvement in the pace of growth in wage bill in the enterprise sector. Nominal growth in wage bill amounted to 6.3%YoY, which was the best result since late 2001, and in real terms wage bill grew by 4.8%YoY, which was the best result in many years (a large role in case of real growth rate is played by rapid inflation fall).
- It is worth to note that acceleration in wage growth takes place also in the whole economy, not only in the enterprise sector. According to the CSO, 2Q05 saw nominal growth in average monthly wage of 3.9%YoY versus 3.6%YoY in 1Q05. In real terms (taking into consideration inflation fall), acceleration in wage growth was much more evident, which suggests improvement in consumption demand.

Monetary statistics confirm the economy is growing

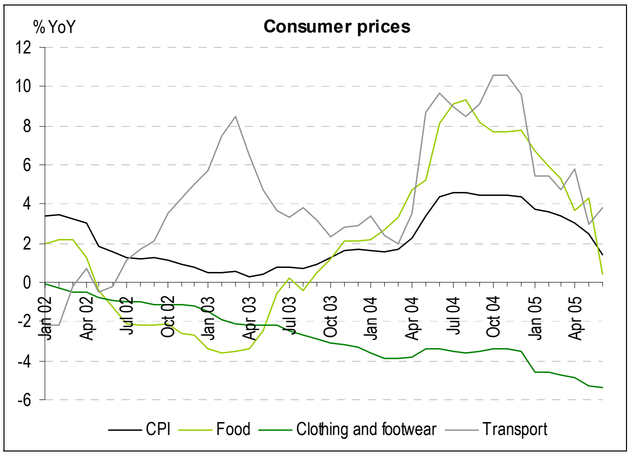
- After temporary effect of large IPO (Lotos refinery) in May, monetary statistics for June showed a return to earlier observed tendencies.
- Annual growth in money supply decelerated to 10.7%YoY from 13.2%YoY in May. Total deposit grew by 9.2%YoY, which resulted from growth in households' deposits of 4.3%YoY and jump in corporate deposits of 13.8%YoY.
- Total loans increased by 7.5%YoY. There was some revival in corporate borrowing (rise of 0.8%YoY). Households' borrowing continued fast increase (15.5%YoY).
- Loans are in the upward trend, which is supportive for consumption and investment. However, improvement in corporate loans is not strong enough to herald beginning of investment boom.

Economic update



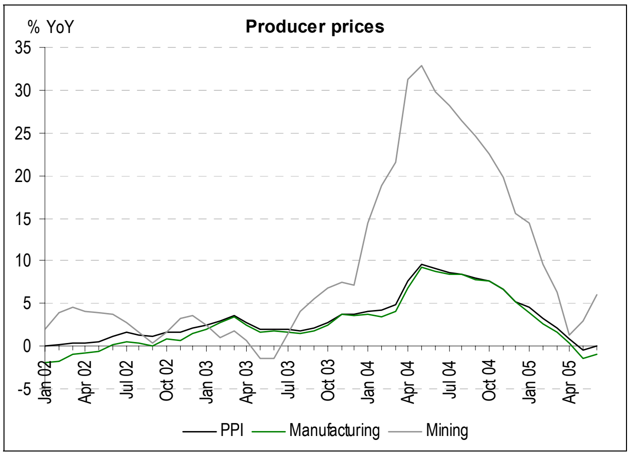
Good signals from balance of payments statistics

- After negative surprise in data for May, balance of payments statistics for June were much better than expected, showing strong import rise (good signal as regards strength of domestic demand) and even faster growth in exports. As a results, a trade surplus was recorded. Contribution of net export to GDP growth in 2Q05 most likely was again in solid positive value.
- Services account in June was in surplus of €278m with services exports exceeding €1.2bn (record high level). Current transfers recorded a record high surplus of €767m, mainly due to large net transfers from the EU (€377m). Income account was deep in the red for the second month in a row (-€850m) amid high dividends payments. However, surpluses in other elements of current account offset the gap in income account easily.



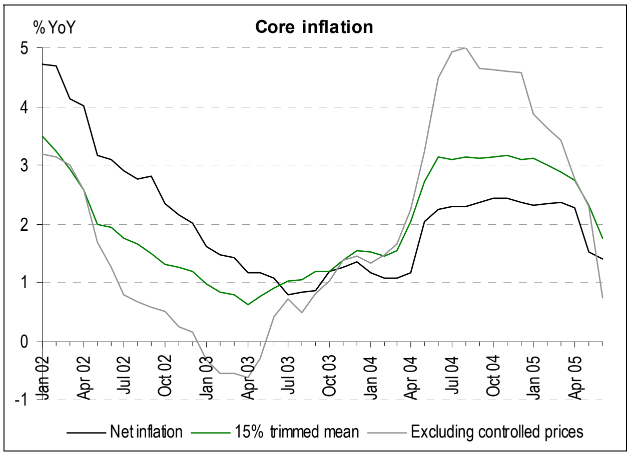
CPI below fluctuation band around target

- Very rapid deceleration in growth rate of food prices (to 0.4%YoY in June from 4.3%YoY in May) brought about sharp fall in inflation rate in June. It amounted to a mere 1.4%YoY, i.e. CPI inflation fell below the lower end of the allowed fluctuation band around the inflation target.
- On the other hand, there was rise in prices of tobacco (1.1%MoM) and fuels (0.8%MoM due to hike in oil prices and zloty weakening), but it has not large effect on inflation.
- Prices of other goods and services in CPI basket were very stable, indicating that there is lack of demand pressure in the Polish economy at the moment.
- Until the end of the year inflation should fluctuate around 1%YoY. The risk factors are fuel prices and further developments on the food market.



PPI very low, but indicates risk from oil prices

- Producer prices in June rose by 0.3%MoM and 0.1%YoY versus 0.5%YoY drop in May. Thus, PPI proved higher than majority of forecasts, which pointed to slight decrease or no change in producer prices in annual terms.
- The main reason for acceleration in PPI growth was strong rise in oil prices, which translated into hike in prices of refinery products (7.5%MoM and 18.4%YoY).
- This remind of risk connected to oil prices, but even with high fuel prices, annual growth rate of PPI will remain very low in the nearest months. Only towards the end of the year one may expect acceleration in PPI inflation to slightly above 2%YoY. All in all, looking at performance of producer prices it seems that inflationary pressure (at least from the demand side) is under control.

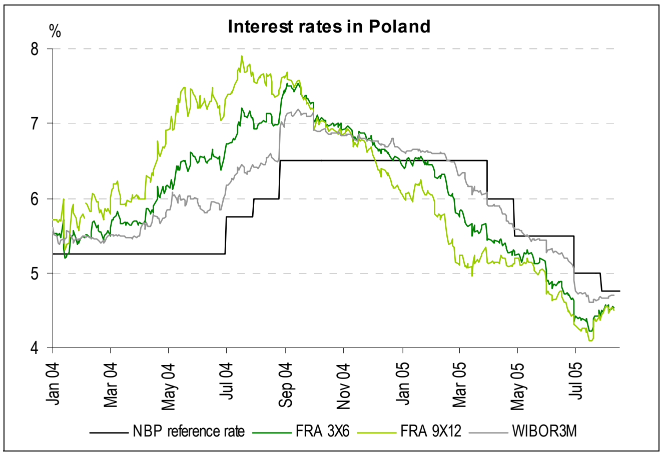


Source: CSO, NBP, own calculations

Core inflation confirms lack of demand pressure…so far

- Fall in majority of core inflation measures was not as deep as in case of CPI, which reflects the fact that the main source of sharp decline in the headline inflation rate is deceleration in food prices growth. However, taking into account that net inflation in June was a mere 1.4%YoY, one can draw a conclusion that currently also demand pressure on prices is subdued.
- Likewise in case of the headline inflation rate, in analysis of core inflation the central bank does not focus on current situation, yet on the medium-term inflation outlook. From this point of view the question arise whether core inflation will remain under control, if/when economic growth clearly accelerates. As long as an answer to that question is not known, the MPC will probably be cautious in its monetary policy.

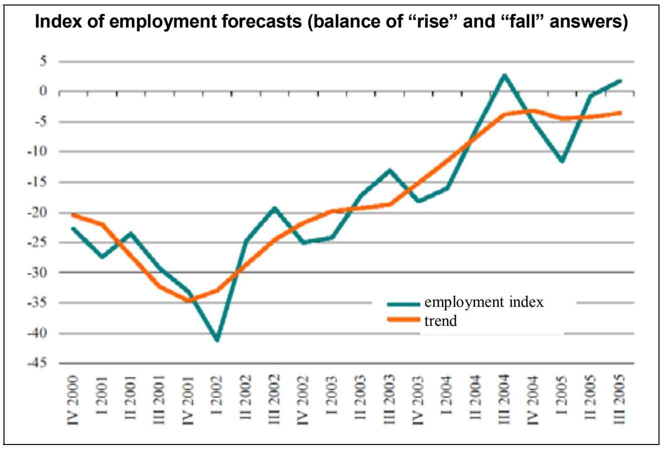
Central bank watch



Crucial fragments of the MPC statement from 27 July 2005
The current forecasts show that starting from 2005 Q3 oil prices will remain at a considerably higher level than it was expected in the May Inflation Report and before the previous meeting of the Council in June. This increase in crude oil prices raises the risk of inflation growth and also of a weakening in economic growth in the USA and euro area alike.
Available data may confirm the Council's expectations from June 2005 that the economic growth deceleration in 2005 Q1, signalled by the GUS, is temporary in nature. The data to be released in the coming months should allow for a better assessment of the scale of the expected improvement in economic activity.
It can be expected that in the months to come inflation will remain low, i.e. markedly below the target of 2.5%. However, there exists a risk of higher inflationary pressure related to increased forecasts of oil and gas prices, even though this may also lead to the dampening of economic growth.
In the Council's assessment, in spite of the fact that data on economic activity in June 2005 proved better than expected and despite higher forecast prices of fuels, the probability of inflation running below the inflation target in the monetary policy transmission horizon still exceeds the probability of its moving above the target.

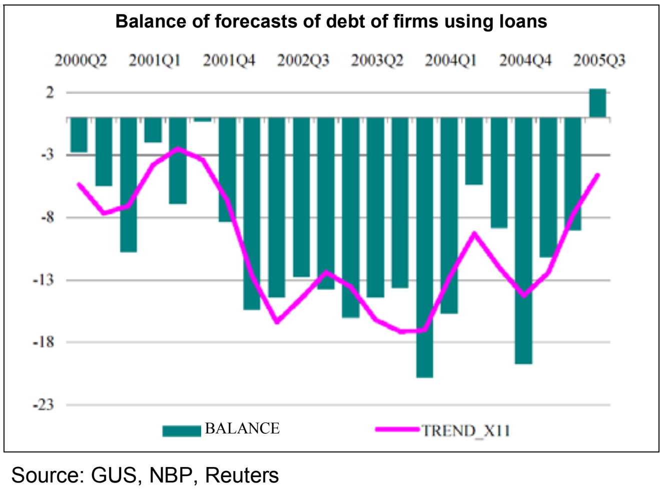
Another rate cut, no surprise this time

- The MPC reduced main interest rates by 25 bp in July, which means that reference rate fell to record-low 4.75%. Easing bias in monetary policy was maintained.
- This time, the decision was consistent with the view of vast majority of market analysts.
- The MPC justified its move by continually favourable inflation perspectives, even though recently released data about economic activity in June somehow reduced the Council's pessimism regarding economic activity prospects that had arisen after weak GDP data for 1Q05.
- The MPC stated in the communiqué that only economic data due to appear in the nearest months will allow for better assessment of scale of possible economic activity revival. One should notice that at the next meeting, the MPC will already know GDP data for 2Q05 that could shed more light on pace of economic recovery in subsequent quarters (especially as regards pickup in investment activity).
- The Council will also have at its disposal new medium-term projections of inflation and GDP growth, prepared by the NBP staff (however, the projections will not take into account GDP data for 2Q05). New projections are likely to show still optimistic, low path of inflation and weaker GDP growth than predicted in May's report.
- If GDP figures for 2Q05 do not show surprisingly strong rebound in domestic demand, but rather a moderate economic growth in currently predicted range 2.5-2.8%, then probably the MPC will decide to cut interest rates one more time in August, by cautious 25 bp, still seeing no excessive risk that inflation would breach inflation target in the medium run.



NBP survey confirms good business climate

- Quarterly NBP's report about economic climate in 3Q05 showed that a picture of the economic situation is still quite favourable, although not free from some flaws.
- Despite slight worsening in current sentiment in enterprises and current investment plans, they still remain optimistic, and equivalent indices are close to record highs, which bodes well for future.
- According to NBP, lower investment activity in 1Q05 resulted from revision of investment plans in 20% of firms, mostly in construction sector.
- There has been substantial improvement in employment perspectives (the second highest index in survey's history) and planned demand for loans (record-high index).



... and revival on loans market

- Recovery on the credit market has been confirmed by the results of NBP's quarterly senior loan officer opinion survey. They showed easing in criteria for giving loans in 3Q05, the strongest in case of short-term loans for firms and in consumption loans.
- Banks informed about a rise in demand for credit, the strongest since 2Q04 (when pre-accession boom in the economy). The rise in companies' demand for loans was motivated mostly by growing needs for financing investment and circulating capital.
- The results confirmed that in the second half of the year one could expect to see a revival in domestic demand in the Polish economy, which would be accompanied by faster increase in loans as well.

Source: GUS, NBP, Reuters

Central bank watch

Comments of the central bank representatives	Remarks

Leszek Balcerowicz, NBP governor, MPC chairman

MPC press conference, 27 July

Political risk has not disappeared. In fact, risk for public finances is rising. Before our public finances were permanently repaired, they were spoiled again. (...) If one approves benefits for one profession, one should expect it will not be without effect on other groups' behaviour. Financial consequences (of the bill) reach billions of zlotys (...). It is made in a situation when public finances have not been restored, but problems have been covered by factors that must not be persistent. (...) Numerous legislative proposals could cause rise in public finance deficit and in consequence a delay in meeting criteria of euro zone entry.

We have various signals, out of which a substantial part does not confirm pessimism that could arise from official CSO data about the first quarter.

Remarks

Parliament's legislation at the end of its term of office apparently was not appreciated by the MPC, and especially its chairman Leszek Balcerowicz. At the press conference after MPC meeting he stressed firmly risks for economic growth perspectives and for stability of public finances in subsequent years that arise from harmful bills accepted by the deputies in last months. Issues related to fiscal policy, strategy of fiscal deficit reduction and strategy of euro zone accession will gain especially high importance for the MPC after the election, when the new cabinet is formed. The shape of path of fiscal deficit reduction proposed by the new government and planned timeline of euro adoption will determine further path of changes in monetary policy to a large extent, e.g. by delaying or making closer a necessity to fulfil inflationary Maastricht convergence criterion. Most likely, the MPC will want to meet new government representatives just after the election to discuss economic strategy for subsequent years.

Jan Czekaj, MPC member

TVN 24, 28 July

With big probability we could say that until year-end inflation rate will be below inflation target. Next year inflation also should not exceed the middle of target range (2.5%). On the other hand, several information appeared acting in the opposite direction. We have to wait for confirmation of this trend until data about 2Q05

Dariusz Filar, MPC member

Radio PiN, 28 July

August is important for two reasons. Before the MPC meeting we will receive the first more complete information about the second quarter. And in this second quarter not only GDP growth is important, but also composition of this growth. We return to the issue of investment all the time – to what degree they will be important in economic growth in 2Q05. At the end of August we will also have new inflation projection, based on NBP's econometric models, and it will also clear up future prospects a lot.

Andrzej Sławiński, MPC member

Reuters, 3 August

The overall economic situation looks favourable. There is still uncertainty about the strength of the recovery, but it is under way and the most likely scenario is of economic growth combined with low inflation (which will remain below inflation target for quite a long time, even despite high oil prices). Monetary policy in Poland should be conducted with a high measure of caution. We have a small, open economy, which is much influenced by difficult-to-predict changes in the exchange rate, and where economic forecasts are surrounded by substantial uncertainty.

Halina Wasilewska-Trenkner, MPC member

Reuters, 8 August

The easing bias shows that a possibility to reduce interest rates this year still exists, but when it will happen, whether it will happen and its scale will depend on further information and what the projection will show.

Rising oil prices pose an inflation risk. (...) It seems that a risk of substantial price increases is limited and inflation will remain near the target also next year. But until recently one talked about inflation in the 1.5-2.5 percent range and now there's risk that it can be a little more than 2.5 percent.

Available information signals that the economy is returning to high growth. And everything suggests that such economic growth will be maintained also next year.

Remarks

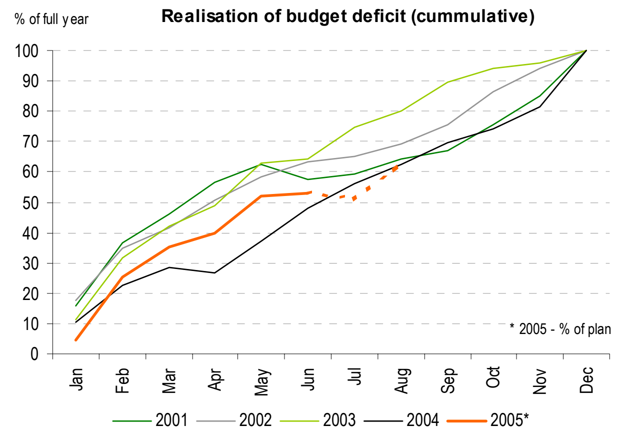
In practice, all comments made by MPC members after last decision about 25 bp interest rate cut (even though they were not very numerous) confirmed our assessment of situation that arose after July's MPC meeting.

On the one hand, the MPC's pessimism regarding perspectives of economic growth in the rest of the year has diminished. The Council agreed in July that economic data for June "may confirm [...] that the economic growth deceleration in 1Q05, signalled by the CSO, is temporary in nature", although it has not gained certainty yet regarding strength of possible recovery. In the MPC's opinion, only macroeconomic data to be released in next few months will allow for better assessment of scale of forthcoming revival in the economic activity. Especially important will be GDP statistics for 2Q05 that will be published at the end of August – this was suggested by MPC member Dariusz Filar. The biggest unknown at the moment is a scale of upturn in investment and this number in the data for second quarter should be analysed with special attention. There is no doubts that apart from statistical data, also conclusions from new *Inflation Report*, including e.g. updated medium-term projections of inflation and GDP, will be very important for the MPC. Although revision of the projections will not take into account GDP data for 2Q05 (as it will be prepared before data release), but the MPC will be able to adjust outcome of projection by its own judgement, comparing projection's assumptions regarding 2Q05 results and actual CSO data.

On the other hand, despite higher optimism regarding GDP growth, in the central bank's view perspectives of inflation are still very favourable. Majority of MPC members do not expect excessive rise in inflation in the next several years and even assuming clear improvement in economic growth and despite appearance of risk connected with high oil prices, they predict inflation rate should remain close to the middle of inflation target. What is more, high oil prices are perceived by this part of the Council as a risk factor for GDP growth, which could lead to lower inflation in effect. Such point of view, presented e.g. in Andrzej Sławiński' s comments, was also reflected in the MPC's official communiqué released after the meeting in July. One should notice, however, that not all MPC members share this view – for example, Halina Wasilewska-Trenkner and Dariusz Filar – and perceive high oil prices as bigger risk for inflation than GDP growth in the near term, which causes their lower enthusiasm towards further rate cuts.

In general, still quite good perspectives of inflation could convince the MPC that another tiny 25 bp rate cut is possible in August. But MPC members' comments show they also see a need for maintaining caution in monetary policy in the face of appearing risk factors and uncertainty. Thus, one should not count on deeper scale of monetary easing before parliamentary election. Decisions after the election will depend not only on economic data but also on the shape of the government and its economic policy.

Government and politics



This year's budget under control

- After six months of this year, budget deficit reached PLN18.5 bn, i.e. almost 53% of annual plan. Although it was above earlier hints from FinMin, the data were not bad and confirmed that realisation of this year's budget is under control, and weaker than earlier predicted economic growth should not cause significant disturbances in realisation of budget bill.
- Good performance of budget revenues was possible thanks to favourable situation in tax receipts.
- According to deputy finance minister, after 7 months budget gap shrank to 51.1% of annual plan, which implies that July alone saw a surplus of almost PLN600m.
- High tax revenue is one of the signals confirming that Poland's economy gets back on a track of the economic expansion in 2H05.

Financial effects of approved bills (% of GDP)

	Extension of rights for early retirement	Pension rights for miners	Total costs
2007	0.09	0.00	0.09
2008	0.25	0.02	0.27
2009	0.22	0.06	0.29
2010	0.20	0.13	0.33
2011	0.17	0.20	0.38
2012	0.11	0.25	0.36
...			
2020	0.03	0.29	0.35

Source: estimates of Ministry of Social Policy

Harmful bills passed at the end of Sejm's tenure

- At the end of its term of office, the Polish parliament approved bills granting special pension privileges for miners and delaying until 2007 early retirement rights.
- According to social policy ministry, those two bills will generate costs for the state budget reaching ca. PLN1bn in 2007, 4bn in 2008, over 6bn in 2009, and PLN6-7bn in subsequent years.
- Prime Minister Marek Belka asked the president Aleksander Kwaśniewski to veto those bills. Meanwhile, against opinions of economic experts and government stance, the president signed into law bills approved earlier by the parliament, and also harmful for the economy: bill raising minimal wage in the economy and the one putting a cap on interest rate on loans.

Economic indicators forecasted by PiS

	2005	2006	2007	2008	2009
GDP growth (%)	3.3	4.5	5.5	6.5	7.0
Inflation (%)	2.0	3.0	3.5	3.0	2.5
Interest rate (%)	5.2	4.5	5.0	4.5	4.0
Employment rise (%)	-	3.5	3.4	3.3	3.2
Unemployment rate (%)	18.0	16.0	14.0	12.0	9.0
Transfers from EU (% PKB)	-	3.1	4.1	3.9	3.9

Source: Law and Justice's economic programme

Law and Justice presented the economic programme

- Main objective of the Law and Justice's economic programme is job creation. The strategy assumes that until 2009 GDP growth will rise to 7% and the unemployment rate will fall to 9%.
- Budget deficit in 2006 should be reduced to PLN30bn in 2006 (self-amendment to budget bill) and maintained at this level for several next years, which would reduce deficit/GDP ratio amid accelerating economic growth.
- Even if convergence criteria needed for euro zone entry will be fulfilled in 2007, euro adoption is a "secondary issue" for PiS and will be considered in future, only if it is beneficial for Poland.
- PiS wants to stimulate economic growth by tax allowances for firms creating new jobs. Also, they plan reduction in PIT (initially two rates 18% and 32%, later 18% and 28%) and VAT (basic rate from 22% to 18%, reduced rate from 3% to 7%).

Support for political parties

	PBS poll		GFK Polonia poll	
	support (in %)	number of seats	support (in %)	number of seats
PiS	22 (25)	125	24 (21)	136
PO	25 (21)	143	23 (18)	131
Samoobrona	16 (13)	89	14 (15)	79
LPR	11 (9)	65	10 (13)	58
SLD	7 (12)	38	10 (11)	56
PSL	4 (4)	-	5 (6)	-

Note: GFK Polonia poll prepared for Rzeczpospolita daily between 5-7 August; PBS poll prepared for Gazeta Wyborcza on 5-7 August.
Previous month's results in parenthesis

Rising support for PO and chanced for PO-PiS majority

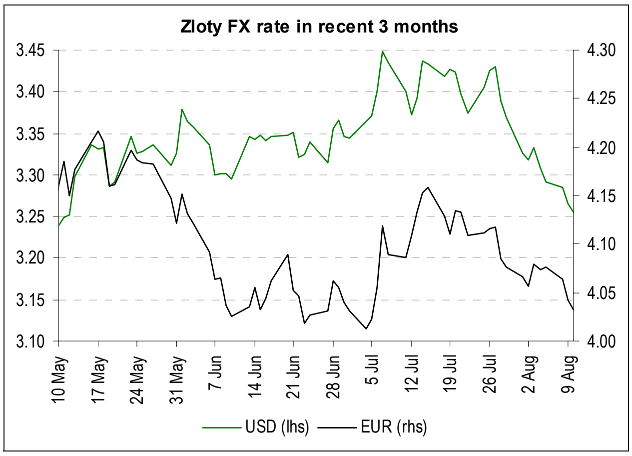
- Recent opinion surveys show rising support for the Civic Platform (PO). It won the first place in two polls made in August by PBS and OBOP, while in others (where PiS was in the lead) gained significant rise in support. Surveys showed also that PO-PiS coalition could count on safe majority of seats in the Sejm.
- Additionally, PO leader Donald Tusk moved into the pole position in the ranking of candidates for the president's chair.
- Such outcomes would be a realisation of positive scenario from the financial market's point of view. One should remember however, that it is still over one month until election. Additionally, surveys show that only 5 political parties could win enough support to get into the parliament in September, which implies that PO-PiS coalition may face quite a strong opposition in the parliament.

Source: Ministry of Finance, Gazeta Wyborcza, Rzeczpospolita, www.pis.org.pl

Government and politics

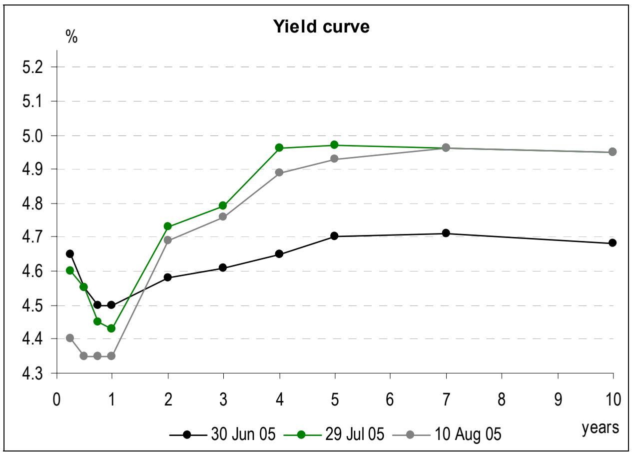
Comments of government representatives and politicians	Remarks
Elżbieta Suchocka-Roguska, deputy finance minister Reuters, PAP, 2 August After July the deficit fell to 51.2% of the plan and reached PLN17.9bn. Revenues reached 58% and expenditure 56.9% of annual plan. We estimate that in July we recorded surplus thanks to higher PIT inflows and slightly higher CIT revenues, and probably thanks to higher inflows from dividends. In August, realisation of the budget could accelerate. There will be PLN1.3bn to pay for special pension supplement. However, the deficit should not exceed 65% (of the plan).	Better than expected performance of the state budget in July, resulting according to deputy minister from high tax revenues, is another indication that the Polish economy is recovering from a slowdown observed in the first half of the year. Even though performance of the state budget will worsen in August and September, when delayed pension payments will take place - although this deterioration should not be dramatic according to the ministry's estimates, it seems there are no major threats to this year's budget and one may even count the actual budget gap will be a few percent lower than the planned deficit of PLN35bn.
Jacek Męcina, deputy economy and labour minister PAP, 3 August July was another month of unemployment fall, this time to 17.9%. I hope in August jobless rate will fall by at least 0.2 pct. points, and in optimistic scenario in September it could be even 17.5-17.6%. July was fourth consecutive month of drop in number of unemployed. So it is clear we are facing positive trend of fall in the number of unemployed.	The economy ministry's predictions are consistent with our forecasts. Situation on the labour market has been improving at accelerating pace and one should expect this trend to be maintained in subsequent months. It would be supported by general improvement in business climate in the second half of the year. The expected continuation of unemployment reduction supports our expectations for a rebound in consumption demand in the second year-half.
Paweł Kowalewski, head of FinMin's debt department Reuters, PAP, 1 August Last week the ministry held operation of exchange of foreign currencies worth several hundred millions euros. The transaction was a realisation of new policy of public debt management. Such operations are by no means designed to influence the exchange rate, these are not currency interventions. We want to manage public debt well. In August we have a buy-back of some bonds and we have to properly manage funds to make it the cheapest possible way, so we have decided for currencies exchange. Such operations, the exchange of foreign currencies raised in international issues into zlotys, may be carried out in the near future. It will depend on the situation on the market, however I doubt it could take place this month.	Information about finance ministry's sale of foreign currencies worth several hundred euros on the market and possible similar operations in future triggered appreciation of the zloty at the beginning of August and could be a factor supporting the Polish currency in following weeks (although pre-election uncertainty will surely act in the opposite direction). Let's remind that in the first half of the year the ministry carried out large issuances of foreign debt, taking advantage of low yields in international markets and favourable exchange rate. Now, a sell-off of then accumulated foreign currencies will allow the ministry for more flexibility at the domestic primary debt market. A confirmation of this is the ministry's announcement about reduction of supply of treasury bills until the end of this year (T-bill auctions will be held every two weeks, instead of every week).
Ludwik Kotecki, head of FinMin's research department PAP, 1 August; Reuters, 5 August In July we will have 0.4% monthly deflation, but year-on-year inflation will be at 1.1% At the end of year YoY inflation should not exceed 1%. At the moment we estimate – and this is estimate based on resultd of the entire quarter in production – that GDP growth will be in 2.5-2.7% range [in 2Q05]. On the demand side, we believe that investment growth has recovered. (...) We estimate that industrial output in July rose 6-7%. It will be good result being a continuation of result from June, despite the fact that July saw one working day less than last year. In subsequent years we predict continuation of June's trend, and taking into account rise in employment, we predict output to rise ca. 5% in the entire 2005.	Our forecasts of inflation in July and GDP in 2Q05 are slightly more optimistic than the FinMin's predictions. We forecast annual CPI growth to reach 1%YoY – mostly thanks to quickly falling food prices, however in December we predict 1.1%. GDP growth in the second quarter rose 2.8% in our opinion, e.g. in effect of upturn in investment growth to 5%. In entire 2005 GDP growth should rise 3.7% in our view, which is in line with the ministry's forecasts. In turn, industrial production growth in our forecasts is much lower, at 1.1%YoY. Polls among bank economists showed there is substantial discrepancy in analysts' views, as predictions range between –7% and 8.8%YoY in PAP survey, and average is at ca. 4%. Thus, realisation of our scenario would be a surprise for the market, that could push yields down on the short end of the yield curve.
Jarosław Kaczyński, PiS leader Reuters, 1 August We do not think that this issue (flat tax rate) is of primary concern. This is not a matter that could destroy future coalition. We differ between each other, however we also have a lot in common. I do not believe that differences in economic programmes could obstruct formation and functioning of coalition with the Civic Platform. **Jan Rokita, PO leader** Radio TOK FM, 22 July When I look at our friends from the Law and Justice in the last year, then it looks to me their evolution goes in right direction. (...) I think in this issue (taxes) they evolve in the right direction. (...) I do not believe than PO's withdrawal from its economic programme could be possible. Obviously, the winner has right to implement its own programme, it is out of question, however I think there is no chance of engaging PO in the government that would be a government of disaster.	Recent comments of leaders of parties that, according to public opinion polls, have the biggest chances to win parliamentary elections in the autumn, suggest that contrary to earlier declarations, PO-PiS coalition could get agreement after election over economic programme, and especially over tax strategy. And it could be the case not necessarily only if bigger support in the parliamentary election will be achieved by PO. This is positive news for the financial market, especially together with recent opinion polls that show growing chances that PO-PiS alliance could reach majority of seats in the parliament, which will allow for creation of government with stable political backing in the Sejm. Especially, that economic programme of PiS published recently also assumes reduction of tax burden, which – even though less decisive – could also have positive impact on economic growth prospects in Poland. Crucial issue for financial market is difference of views between PO and PiS as regards euro adoption. Lack of determination for fast euro zone entry in PiS could cause that victory of this party could be welcome with smaller enthusiasm by financial market players. Another worrisome issue is PiS' liking of interventionist policy in some areas of economy (for example, recent call for stopping a merger of Bank BPH and Pekao SA).

Market monitor



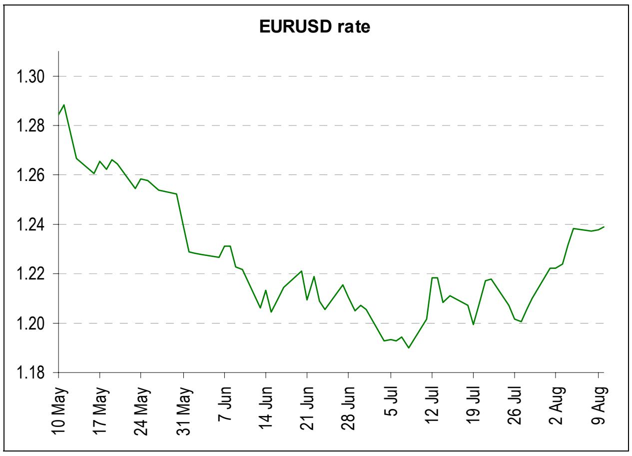
Zloty – strengthening after weakening

- Last month saw a few waves of zloty depreciation, firstly as a result of high current account deficit and low demand on bond auction, then sell-off on the fixed income market, connected with higher-than-expected data on production and retail sales, contributed to the weakening of the Polish currency, which was. In mid-July the zloty rate exceeded 4.15 against the euro and 4.43 against the US dollar. However, beginning of August was quite favourable for the zloty given information from the Ministry of Finance that it sold foreign currencies on the market . Also, rising EURUSD rate was a supporting factor.
- July's weakening of the zloty was temporary and did not mean that market started to price-in higher political risk ahead of election. We expect the EURPLN rate to trade in 4.0-4.1 range in August with possible breaking of 4.1 level closer to election date.



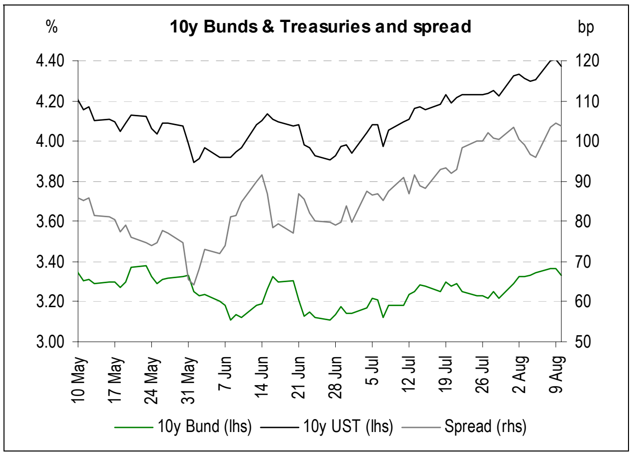
Strong data and international market brought yields up

- During last couple of weeks the Polish fixed income market witnessed quite substantial weakening, which was driven by both strong domestic economic data and rising yields on the international markets.
- After a substantial fall in yields in the aftermath of June's MPC decision, we saw a reversal of the whole move. At the beginning of August yields were higher as compared to levels before rates reduction by total 75 bp (in June and July) and change in bias into easing. FRA curve is currently pricing-in that the easing cycle may end at 4.5%.
- As we predicted last month, the spread between yields at the short- and long-end of the curve increased and this trend may be continued if the MPC decides to cut rates in August and yields abroad continue to rise.



Euro the strongest for couple of months

- As we expected last month, the euro stopped to decline in the range of 1.19-1.20. We did not rule out breaking upward level of this range and indeed this happened at the beginning of August. The euro appreciated to the highest level since May (above 1.24).
- Despite the fact that interest rate differentials continue to be dollar supportive, appearing information confirming economic revival in the euro zone and rumours about rise of euro share in central banks' reserve assets resulted in significant rise of euro against the greenback. In the near time the EURUSD rate will be probably traded in 1.20-1.25 range.
- China has finally revalued the yuan. The adjustment (2.1%) was smaller than expected (ca. 10%), thus limiting the impact on foreign exchange markets. However, the new regime facilitates further adjustment ahead.

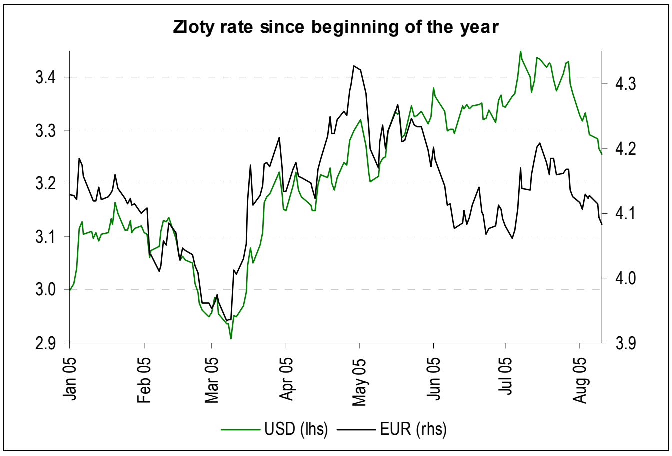


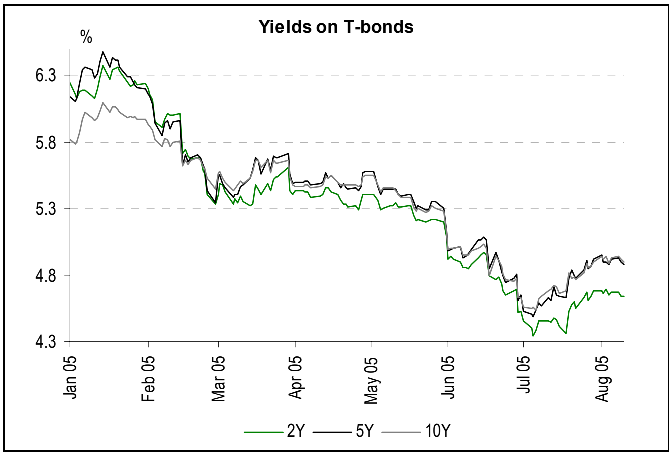
Source: Reuters, BZ WBK

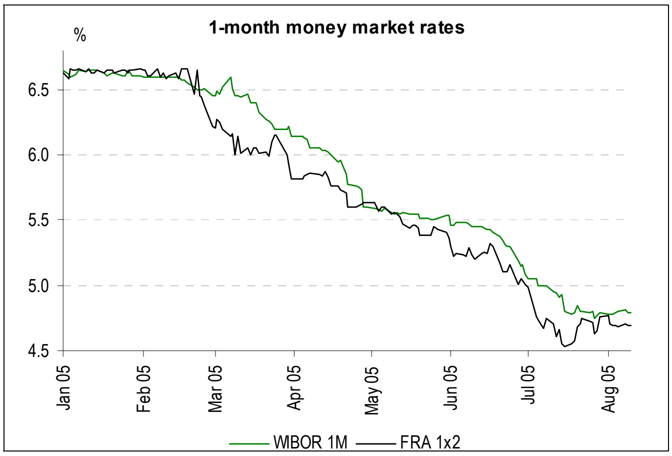
Yields abroad sharply up

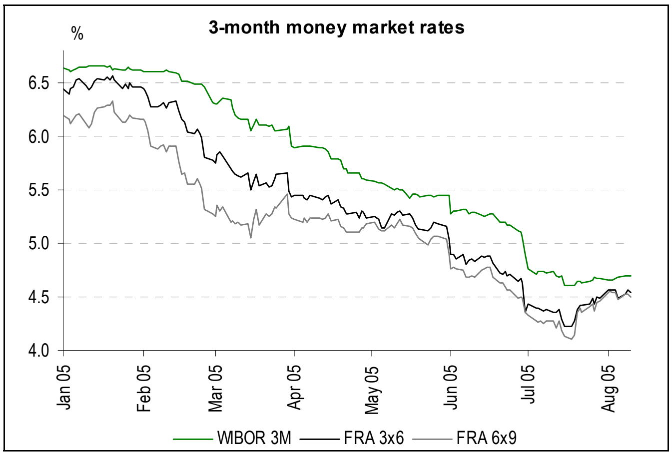
- Bearish mood prevailed on the fixed income markets. Recently published data confirmed not only the strength of the US economy, but showed also some economic rebound in the euro zone. After July's yields increase of ten-year papers by 7 bp (Bunds) and 24 bp (Treasuries), beginning of August saw further adjustment (by 15 and 19 bp, respectively). As the Polish economic data also supported rise in yields, the 5/5y spread between the euro and the Polish curve was maintained at the level of some 65 bp.
- We do not expect the 5/5 spread to decrease before the Polish parliamentary election, and therefore further rise in yields abroad may still translate into higher market interest rates at the long-end of the Polish curve. And it is possible that until the end of the year ten-year euro and US papers will reach levels of 3.5% and 5.0%, respectively.

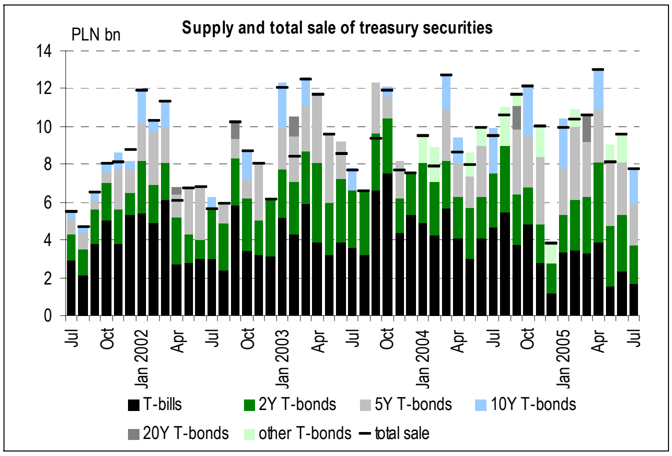
Market monitor











Treasury bill auctions (PLN m)

Date of auction	13-week	OFFER / SALE 52-week	Total
06.06.2005	-	600/600	600/600
13.06.2005	-	600/600	600/600
20.06.2005	-	600/600	600/600
27.06.2005	100/100	400/400	400/400
Total June	**100**	**2 200 / 2 200**	**2 300 / 2 300**
04.07.2005	100/100	600/600	700/700
11.07.2005	100/100	400/400	500/500
18.07.2005	100/100	400/400	500/500
Total July	**300/300**	**1 400 / 1 400**	**1 700 / 1 700**
08.08.2005	**-**	**500/500**	**500/500**
22.08.2005	**-**	**400-600**	**400-600**
Total August*	**-**	**900 – 1 000**	**900 – 1 000**

* estimations based on Ministry of Finance preliminary information

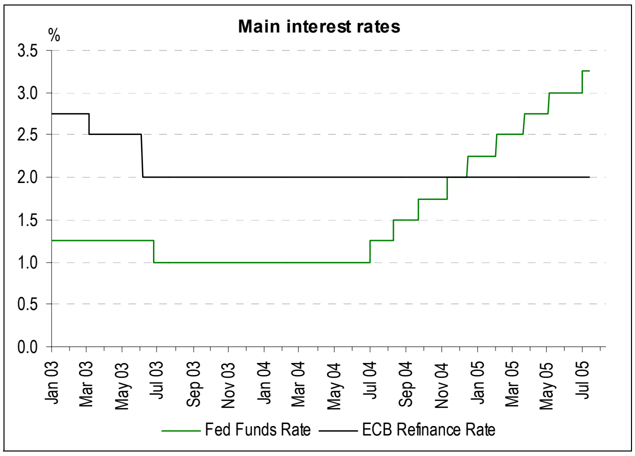
Treasury bond auctions in 2005 (PLN m)

month	First auction date	T-bonds	offer	sale	Second auction date	T-bonds	offer	sale	Third auction date	T-bonds	offer	sale
January	05.01	OK0407	2 000	2 000	12.01	DS1015	2 600	2 130	19.01	PS0310	2 500	2 500
February	02.02*	OK0407	2 760	2 760	09.02*	IZ0816	960	960	16.02*	PS0310	3 840	3 200
March	02.03*	OK0407	3 000	3 000	09.03	WS0922	1 400	1 400	16.03	PS0310	2 900	2 900
April	06.04	OK0407	3 500	3 500	13.04	DS1015	2 200	2 130	20.04*	PS0310	2 750	2 750
May	04.05*	OK0807	3 120	3 120	11.05	IZ0816	1 000	0	18.05*	PS0310	3 360	3 360
June	01.06*	OK0807	3 000	3 000	08.06*	WZ0911	1 440	1 440	15.06	PS0310	2 800	2 800
July	06.07	OK0807	2 000	2 000	13.07	DS1015	1 800	1 800	20.07	PS0310	2 200	2 200
August	03.08*	OK0807	3 240	3 240	10.08	12Y CPI	500	500	-	-	-	-
September	07.09	2Y	-	-	14.09	20Y	-	-	21.09	5Y	-	-
October	05.10	2Y	-	-	12.10	10Y	-	-	19.10	5Y	-	-
November	02.11	2Y	-	-	09.11	12Y CPI	-	-	16.11	5Y	-	-
December	07.12	3&7Y Float	-	-	-	-	-	-	-	-	-	-

* with supplementary auction

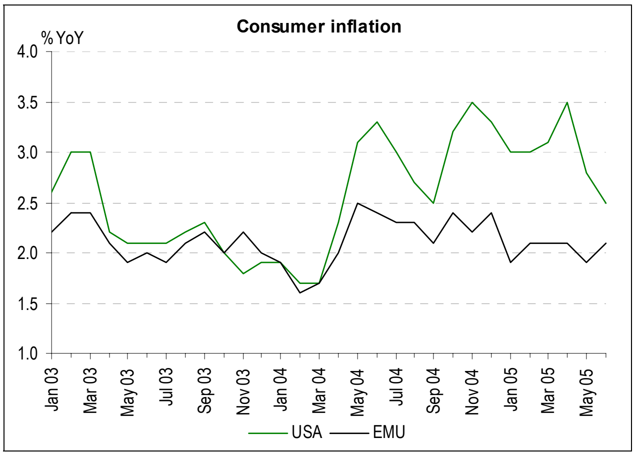
Source: Ministry of Finance, Reuters, BZ WBK

International review



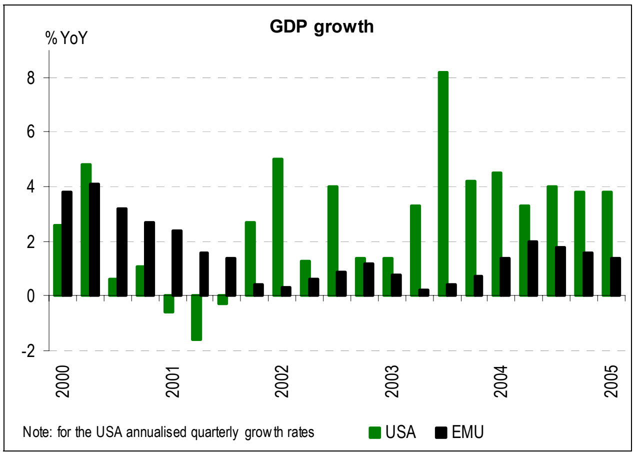
Central banks' decisions with no surprises

- The European Central Bank left the main refinance rate unchanged at 2.0%, while the Bank of England cut main rate by 25 bp (to 4.5%), which was the first reduction in UK's interest rates for more than two years. As regards future decisions, the ECB will probably leave rates on hold for an extended period (unless inflation falls well below 2% and economy slows significantly), while policy tightening may take place in 2H06. In UK a further 0.25% cut is possible in September or October.
- FOMC raised the Fed fund rate by 25bp to 3.5%. The statement was largely unchanged suggesting that accommodative monetary policy could continue to be removed at a measured pace. The Fed funds rate will most likely rise further to 4.00-4.25% by year end and a continuation of tightening will take place next year.



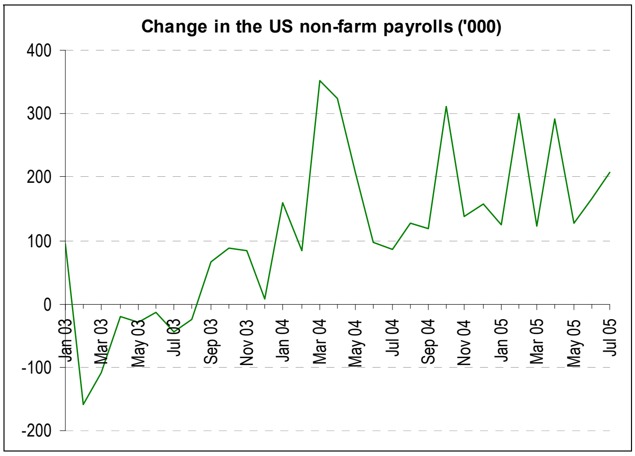
Inflation stabilisation

- US consumer prices held steady in June as falling energy prices (by 0.5%) offset growth in prices of foodstuff (by 0.1%). The core CPI inched up 0.1% for a second straight month. Market expectations were agreed at 0.3% and 0.2% for headline and core measures respectively. In annual terms US inflation went down to 2.5% from 2.8% a month ago. US producer prices were also unchanged. Energy costs in PPI rose by 1.1%, while food prices fell by 1.1%. Outside of the two volatile categories, core PPI fell 0.1%, which the first decline in four months.
- Euro zone consumer prices rose by 0.1%MoM or 2.1%YoY in June, confirming flash estimate and market forecasts. Inflation rose further to 2.2% in July according to flash estimations. Money supply growth in the euro zone exceeded expectations of 7.1%YoY and amounted to 7.5%.



Positive data on economic growth

- The US economy rose by 3.4%YoY in 2Q05 according to preliminary data, which will be revised twice in coming months. As for now, however, many indicators confirm economic expansion - ISM in manufacturing reached the highest level this year; July's Chicago PMI index rose to 63.5 from 53.6; personal income rose 0.5% and consumer spending increased 0.8% in June confirming strong rise in consumer demand and optimistic trend in households' earnings; New York Fed index showed expansion for the second month in a row; retail sales growth was above expectations.
- Relatively positive data were also released in the euro zone. GDP growth amounted to 1.4%YoY in the first quarter (against market consensus forecast of 1.3%), and economic activity indicators (PMI, IFO, ZEW) also beat expectations.



Strong employment growth, lower trade deficit

- US non-farm payrolls rose 207,000 in July, stronger than 183,000 predicted by market consensus. Additionally, figures for May and June have been revised up by 42,000 in total. Unemployment rate remained unchanged in July at 5%, the lowest level since late 2001. Positive numbers confirmed that July saw strong job creation in the American economy, being an argument for further Fed's interest rate hikes.
- US trade deficit narrowed unexpectedly in May to US$55.3bn (against market expectations of US$57bn) as exports rose to a new record and imports retreated from the record high level set in April. Net inflows into the US assets totalled $60bn in May, which was more than the amount needed to cover the US monthly trade deficit in that month.

Source: Reuters, ECB, Federal Reserve

Economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
8 August ***POL: Treasury bills auction***	**9** USA: FOMC meeting - decision USA: Wholesale inventories (VI) USA: Unit labour costs, productivity (2Q05)	**10** ***POL: 12y bond auction*** USA: Budget statement (VII)	**11** ***POL: C/A (VI)*** USA: Retail sales (VII)	**12** ***POL: Money supply (VII)*** USA: Preliminary Michigan Index (VIII) USA: International trade (VI) USA: Foreign trade prices (VII)
15 ***POL: Public holiday*** USA: Net capital flows (VI)	**16** ***POL: CPI (VII)*** ***POL: Gross wages (VII)*** ***POL: Employment (VII)*** USA: CPI (VII) USA: Capacity utilisation (VII) USA: Industrial production (VII)	**17** USA: PPI (VII) UK: MPC vote out	**18** ***POL: Industrial output (VII)*** ***POL: PPI (VII)*** EMU: Industrial production (VI) EMU: Final HICP (VII) USA: Leading indicators (VII)	**19**
22 ***POL: Treasury bills auction*** ***POL: Business climate (VIII)*** EMU: Trade balance(VI) EMU: C/A (VI)	**23** ***POL: Retail sales (VII)*** ***POL: Unemployment (VII)*** GER: ZEW index (VIII)	**24** ***POL: Switching bond auction*** ***POL: Core inflation (VII)*** USA: Durable goods orders (VII)	**25** GER: IFO index (VIII)	**26** EMU: Money supply (VII) USA: Final Michigan index (VIII)
29 ***POL: GDP (2Q05)*** UK: Public holiday	**30** ***POL: MPC meeting*** USA: Consumer confidence (VIII) USA: Factory orders (VII)	**31** ***POL: MPC meeting - decision*** EMU: GDP - final (2Q05) EMU: Flash HICP (VIII) USA: PCE (2Q05) USA: Preliminary GDP (2Q) USA: Chicago PMI (VIII)	**1 September** EMU: ECB meeting - decision USA: ISM manufacturing (VIII)	**2** USA: Payrolls (VIII) EMU: PPI (VII)
5 ***POL: Treasury bills auction*** EMU: Retail sales (VII) USA: Public holiday	**6** USA: ISM non-manufacturing (VIII)	**7** ***POL: 2y bond auction*** USA: Unit labour costs, productivity (2Q05) – final	**8** UK: BoE meeting – decision USA: Wholesale inventories (VII)	**9** USA: Foreign trade prices (VIII)
12 ***POL: C/A (VII)***	**13** USA: Foreign trade (VII) USA: PPI (VIII)	**14** ***POL: 20y bond auction*** ***POL: CPI (VIII)*** ***POL: Money supply (VIII)*** USA: Retail sales (VIII) USA: Capacity utilisation (VIII) USA: Industrial production (VIII)	**15** USA: CPI (VIII)	**16** USA: C/A (2Q05) USA: Net capital flows (VII) USA: Preliminary Michigan Index (IX) EMU: Final HICP (VIII)

Source: CSO, NBP, Finance Ministry, Reuters

MPC meetings and data release calendar for 2005

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
MPC meeting	25-26	24-25	29-30	26-27	24-25	28-29	26-27	30-31	27-28	25-26	29-30	20-21
GDP*	31	-	11	-	31	-	-	29[f]	-	-	29[f]	-
CPI	17	15[a]	14[b]	14	16	14	14	16	14	14	14	14
Core inflation	25	-	22[b]	22	24	22	22	24	22	24	22	22
PPI	20	17	17	19	20	17	19	18	19	19	18	19
Industrial output	20	17	17	19	20	17	19	18	19	19	18	19
Retail sales	24	23	23	25	25	23	25	23	21	21	23	21
Gross wages, employment	17	15	15	15	18	15	15	16	15	17	17	15
Unemployment	24	23	23	25	25	23	25	23	21	21	23	21
Foreign trade	about 50 working days after reported period											
Balance of payments*	-	-	31	-	-	30	-	-	30	-	-	-
Balance of payments	31[c]	28	31	29	31	30	12	11	12	13	15	-
Money supply	14	14	14	14	13	14	14	12	14	14	14	-
NBP balance sheet	7	7	7	7	6	7	7	5	7	7	7	-
Business climate indices	21	21	22	22	20	22	22	22	22	21	22	22

* quarterly data, [a] preliminary data, January, [b] January and February, [c] November 2004, [d] January, [e] February , [f] not officially confirmed

Source: CSO, NBP

Economic data and forecasts

Monthly economic indicators

		Jul 04	Aug 04	Sep 04	Oct 04	Nov 04	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	Aug 05
Industrial production	%YoY	6.0	13.7	9.5	3.5	11.4	6.8	4.6	2.3	-3.7	-1.1	0.9	6.8	1.1	7.2
Retail sales [c]	%YoY	10.9	9.6	8.8	4.0	4.4	2.8	7.5	2.4	-0.3	-14.4	8.0	10.5	7.4	8.0
Unemployment rate	%	19.3	19.1	18.9	18.7	18.7	19.1	19.5	19.4	19.3	18.8	18.3	18.0	17.9	17.7
Gross wages [b c]	%YoY	3.6	5.1	3.7	2.4	2.7	3.2	2.6	1.4	2.2	1.8	3.0	4.5	3.9	4.0
Employment [b]	%YoY	-0.7	-0.8	-0.6	-0.4	-0.3	0.2	1.5	1.6	1.6	1.7	1.6	1.7	1.9	2.0
Export [d]	%YoY	13.8	22.1	18.0	15.3	29.5	20.9	32.5	23.2	10.1	13.0	12.0	13.4	21.1	22.0
Import [d]	%YoY	9.1	22.0	18.9	14.8	24.0	15.8	20.3	25.4	5.3	-5.1	13.5	9.3	15.0	15.7
Trade balance [d]	EURm	-486	-314	-345	-250	-282	-488	126	-110	-334	107	-362	29	-242	-42
Current account balance [d]	EURm	-734	253	-383	105	223	-243	197	-56	235	647	-690	222	58	678
Current account balance [d]	% GDP	-2.0	-1.8	-2.0	-2.0	-1.8	-1.5	-1.4	-1.3	-0.9	-0.3	-0.4	-0.1	0.3	0.4
Budget deficit (cumulative)	PLNbn	-23.2	-25.9	-29.0	-30.8	-33.8	-41.5	-1.6	-8.8	-12.3	-13.9	-18.3	-18.5	-17.9	-20.5
Budget deficit (cumulative)	% realisation	55.9	62.3	69.8	74.1	81.4	100.0	4.5	25.2	35.2	39.6	52.3	52.9	51.2	60.4
CPI	%YoY	4.6	4.6	4.4	4.5	4.5	4.4	3.7	3.6	3.4	3.0	2.5	1.4	1.0	1.2
PPI	%YoY	8.6	8.5	7.9	7.6	6.7	5.2	4.5	3.2	2.2	0.9	-0.5	0.1	0.2	0.1
Broad money (M3)*	%YoY	6.8	7.4	6.5	10.5	6.4	8.7	9.3	9.4	11.0	10.0	13.2	10.7	11.5	11.4
Deposits*	%YoY	6.4	7.6	6.6	11.5	6.5	8.1	8.4	8.7	10.4	8.7	11.9	9.2	10.3	10.0
Credits*	%YoY	4.5	5.3	4.3	9.7	4.2	2.9	3.5	2.4	4.6	5.3	9.4	7.5	8.6	8.9
USD/PLN	PLN	3.64	3.64	3.58	3.46	3.28	3.09	3.11	3.06	3.04	3.21	3.29	3.34	3.40	3.30
EUR/PLN	PLN	4.47	4.43	4.37	4.32	4.26	4.14	4.08	3.99	4.02	4.16	4.18	4.06	4.10	4.06
Reference rate [a]	%	6.00	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.00	5.50	5.50	5.00	4.75	4.50
WIBOR 3M	%	6.34	6.58	7.12	6.89	6.81	6.72	6.63	6.54	6.15	5.78	5.48	5.22	4.66	4.50
Lombard rate [a]	%	7.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.50	7.00	7.00	6.50	6.25	6.00
Yield on 52-week T-bills	%	7.15	7.24	7.38	7.00	6.81	6.44	6.28	5.95	5.51	5.36	5.19	5.09	4.30	4.30
Yield on 2-year T-bonds	%	7.80	7.66	7.51	7.04	6.81	6.39	6.24	5.82	5.43	5.39	5.27	5.14	4.50	4.50
Yield on 5-year T-bonds	%	7.79	7.65	7.33	7.03	6.78	6.29	6.31	5.80	5.56	5.50	5.38	5.25	4.70	4.70
Yield on 10-year T-bonds	%	7.44	7.36	6.96	6.75	6.43	6.02	5.98	5.72	5.57	5.49	5.36	5.24	4.72	4.70

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

* Since January 2005 the NBP changed methodology of monetary statistics (definition of Monetary Financial Institutions has been extended with cooperative savings and credit unions (SKOK)). Before January 2005 the table presents growth rates in old methodology, not fully comparable with recent data.

Quarterly and annual economic indicators

		2002	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05	4Q05
GDP	PLNbn	781.1	814.7	885.3	936.2	204.1	216.3	219.2	245.7	218.5	227.4	230.7	261.5
GDP	%YoY	1.4	3.8	5.4	3.7	7.0	6.1	4.9	4.0	2.1	2.8	4.1	5.3
Domestic demand	%YoY	0.9	2.6	5.0	3.0	6.0	5.8	5.2	3.3	1.1	1.6	3.5	5.5
Private consumption	%YoY	3.3	3.1	3.4	2.5	4.1	4.0	3.6	1.9	1.7	1.5	3.0	4.0
Fixed investments	%YoY	-5.8	-0.9	5.3	7.5	3.7	3.9	4.3	7.4	1.0	5.0	10.0	10.0
Industrial production	%YoY	1.1	8.4	12.3	3.9	19.0	16.4	9.2	6.2	0.7	2.1	5.4	7.3
Retail sales (real terms)	%YoY	1.9	3.6	7.1	3.6	13.6	11.3	4.0	1.1	-0.4	-1.8	6.7	9.7
Unemployment rate [a]	%	20.0	20.0	19.1	17.7	20.4	19.4	18.9	19.1	19.3	18.0	17.5	17.7
Gross wages (real terms)	%YoY	1.5	2.0	0.8	1.3	3.8	1.6	-0.5	-1.5	-1.3	0.8	2.9	3.2
Export [b]	%YoY	6.0	9.1	21.9	15.8	19.3	29.1	17.6	21.8	20.8	12.9	20.7	10.0
Import [b]	%YoY	3.5	3.3	19.1	12.0	12.6	29.3	16.3	18.2	15.7	5.3	15.8	12.0
Trade balance [b]	EURm	-7 701	-5 077	-4 510	-2 555	-909	-1 438	-1 148	-1 015	-315	-226	-523	-1 491
Current account balance [b]	EURm	-5 404	-4 109	-2 958	838	-654	-1 530	-868	94	379	179	877	-596
Current account balance [b]	% GDP	-2.7	-2.2	-1.5	0.4	-1.7	-1.9	-2.0	-1.5	-0.9	-0.1	0.7	0.4
Budget deficit (cumulative) [a]	PLNbn	-39.4	-37.0	-41.5	35.0	-11.8	-19.9	-29.0	-41.5	14.0	22.8	29.8	35.0
Budget deficit (cumulative) [a]	% GDP	-5.0	-4.5	-4.7	3.7	-5.8	-3.7	-4.1	-5.1	6.4	3.8	3.0	2.0
CPI	%YoY	1.9	0.8	3.5	2.0	1.6	3.3	4.5	4.4	3.6	2.3	1.1	1.1
CPI [a]	%YoY	0.8	1.7	4.4	1.1	1.7	4.4	4.4	4.4	3.4	1.4	1.2	1.1
PPI	%YoY	1.0	2.6	7.0	1.3	4.4	8.8	8.3	6.5	3.3	0.2	0.3	1.3
Broad money (M3)* [a]	%YoY	-2.0	5.6	8.7	10.0	5.7	7.2	6.5	8.7	11.0	10.7	11.9	10.0
Deposits* [a]	%YoY	-4.1	3.7	8.1	8.5	4.8	6.9	6.6	8.1	10.4	9.2	10.5	8.5
Credits* [a]	%YoY	4.7	8.1	2.9	10.0	6.0	5.7	4.3	2.9	4.6	7.5	9.8	10.0
USD/PLN	PLN	4.08	3.89	3.65	3.25	3.82	3.89	3.62	3.27	3.07	3.28	3.37	3.29
EUR/PLN	PLN	3.85	4.40	4.53	4.07	4.78	4.69	4.43	4.24	4.03	4.13	4.10	4.03
Reference rate [a]	%	6.75	5.25	6.50	4.50	5.25	5.25	6.50	6.50	6.00	5.00	4.50	4.50
WIBOR 3M	%	9.09	5.69	6.21	5.25	5.47	5.87	6.68	6.81	6.44	5.49	4.55	4.50
Lombard rate [a]	%	8.75	6.75	8.00	6.00	6.75	6.75	8.00	8.00	7.50	6.50	6.00	6.00
Yield on 52-week T-bills	%	8.18	5.33	6.50	4.88	5.75	6.24	7.26	6.75	5.91	5.21	4.30	4.10
Yield on 2-year T-bonds	%	7.94	5.38	6.89	4.95	6.28	6.86	7.66	6.75	5.83	5.27	4.50	4.20
Yield on 5-year T-bonds	%	7.86	5.61	7.02	5.12	6.67	7.10	7.59	6.70	5.89	5.38	4.70	4.50
Yield on 10-year T-bonds	%	7.34	5.77	6.84	5.08	6.70	7.00	7.25	6.40	5.76	5.37	4.70	4.50

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

[a] at the end of period; [b] balance of payments data on transaction basis
* Since January 2005 the NBP changed methodology of monetary statistics. Before January 2005 the table presents growth rates in old methodology, not fully comparable with recent data.

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