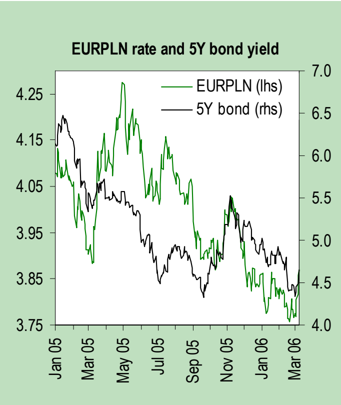
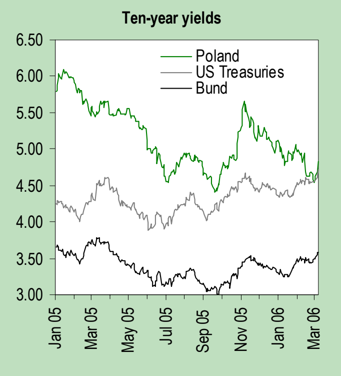
Bank Zachodni WBK

MACROscope

Polish Economy and Financial Markets

March 2006





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Faltering moods

- **The headline of our previous monthly report read *Stabilisation on paper* and we discussed that political risk was not mitigated by any means.** Shortly, this was confirmed by a fierce verbal tug of war in which the signatories of the stability pact got engaged with renewed threats of early elections voiced in public, this time through a pronouncement of self-dissolution by the Parliament. Insomuch as the likelihood of early elections in 2006 is difficult to assess, at least before any important bills are voted on, political developments do everything but contribute to the appreciation of assets denominated in Polish zloty. Excluding the view which appears obvious and which we sustain that there is still a large uncertainty about the course of economic policies in the upcoming months (and a possible amendment to the NBP Act).

- **Besides, two other risk factors that we wrote about last month, have come through over the recent weeks.** Firstly, the EU Commission gave a negative opinion about the Polish Convergence Programme. Secondly, the emerging markets have been bleeding capital, which plays the key role in shaping the current quote of Polish zloty and bonds. This occurred after the European Central Bank's decision about another interest rate hike, followed by a communiqué in which the ECB indicated a greater inflationary pressure. Also, comments from Fed representatives instilled expectations for subsequent interest rate hikes on the other side of the Atlantic Ocean. Consequently, growing yields on the core markets numbed risk appetite and diverted capital streams from our region. In Poland, another contributor to that after the February interest rate cut was crystallising stability in official rates in the nearest future, which makes the prices of Polish bonds unattractive. Another question is whether PLN depreciation will be as deep as the one observed at the turn of March and April last year (for exactly the same reason).

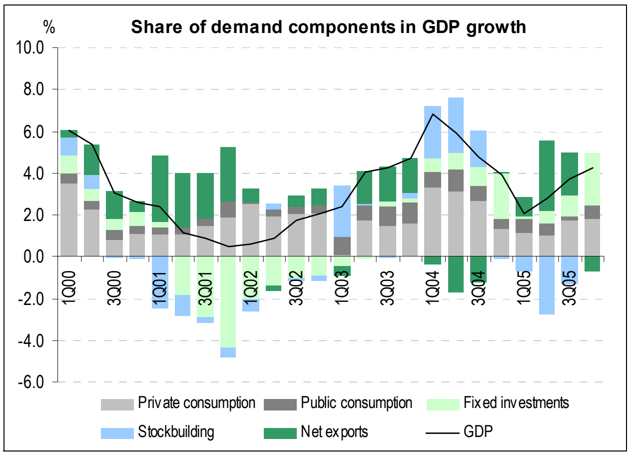
- **Following lengthy talks, the Monetary Policy Council made a decision in February commensurate with our expectations – the inter-bank reference rate was reduced by 25 base points to a record low 4.0%.** It seems that the Council's decision was based on the existing and expected economic developments because the January figures (a quick growth of industrial output and retail sales) as well as GDP for the fourth quarter confirmed an accelerating revival with low inflation (CPI core, PPI and expectations below 1%). We expect though that after two reductions at the beginning of 2006 (and 250 basis points through the year) the official interest rate will remain unchanged for some time unless the future economic scenarios change following subsequent performance updates. A new inflation projection to be made by the central bank in April will be of special importance to the Council.

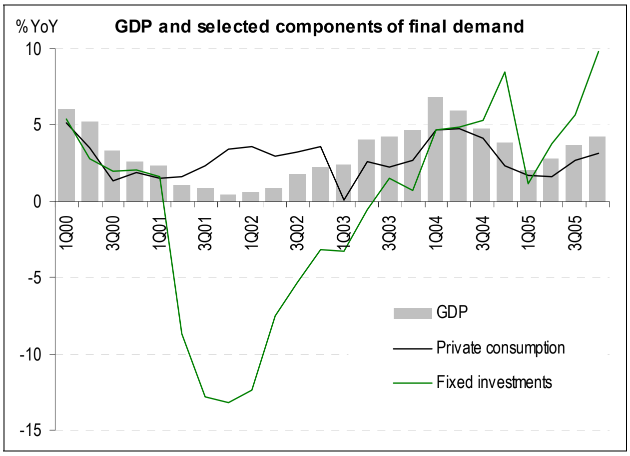
Financial market on 28 February 2006:

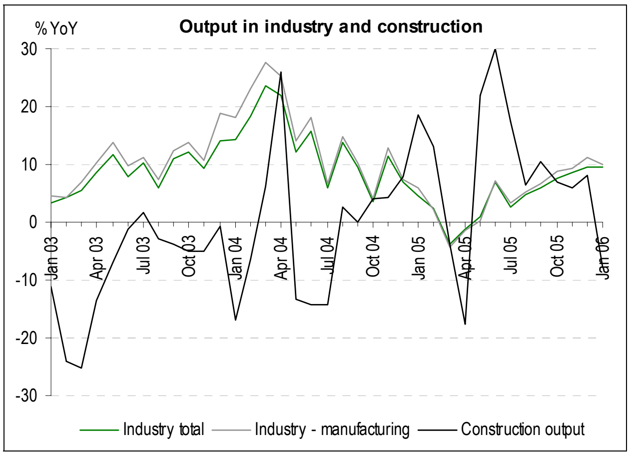
NBP deposit rate	2.75	WIBOR 3M	4.16	USDPLN	3.1768
NBP reference rate	4.25	Yield on 52-week T-bills	3.85	EURPLN	3.7726
NBP lombard rate	5.75	Yield on 5-year T-bonds	4.36	EURUSD	1.1875

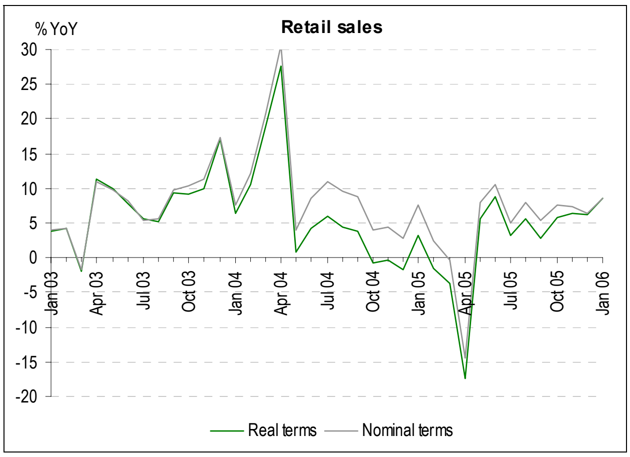
This report is based on information available until 08.03.2006

Economic update









Source: CSO, own calculations

Confirmation of expansionary tendencies

▪ Official data on GDP for 4Q05 proved very close to estimates based on the preliminary data for the whole year.

▪ GDP growth in the final quarter of last year reached 4.2%. Estimates based on preliminary data were slightly lower (our estimate was 3.9% while market consensus pointed to 4-4.1%), but the discrepancy is not large enough to change conclusions.

▪ The reason for the discrepancy is mainly a lower than estimated scale of negative contribution of net exports to GDP growth. It reached -0.7pp versus earlier estimates of –1.1pp. On the other hand, continuation of private consumption was slightly lower than estimated earlier. Fixed investment exactly matched our predictions. Overall, structure of economic growth in 4Q05 was in line with expectations.

▪ All in all, the data has surely not changed conclusions regarding prospects for economic growth in Poland. We face gradual strengthening of economic expansion with rising role of domestic demand as a driver of the GDP growth.

▪ As regards structure of domestic demand itself, the key role was played by fixed investment that grew 9.8%YoY. Private consumption growth was moderate, reaching 3.1%YoY. Such structure of domestic demand, assuming it maintains for some time, suggests that a pace at which output gap closes will be rather slow. This would be good news as far as inflation prospects are concerned.

▪ Looking at national accounts from the supply side, 4Q05 saw a distinct role of industrial sector. Value added in this sector increased by 7.7%YoY. Growth of value added in construction slowed down to 3.6%YoY while value added in market services grew by 3.4%YoY.

Good results in industry, bad weather in construction

▪ In January industrial output jumped by 9.5%YoY, i.e. on a similar scale as in December and slightly stronger than expected by the market (consensus forecast was 9.3%YoY). Although seasonally adjusted growth slowed down from 13.3% in December to 7.4%YoY, the industrial output remains in solid upward trend.

▪ Industrial output was driven mainly by output rise in manufacturing, which reached 10%YoY and was still connected largely with rise in export branches.

▪ A negative signal is that construction output dropped by 7.8%YoY, following several months of improvement and a healthy rise of 8.2%YoY in December. However, this was probably caused by unfavourable weather conditions and the next months should see rebound in construction output.

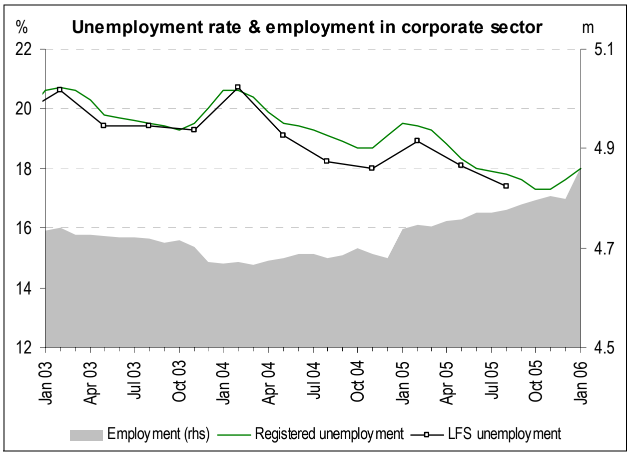
Retail sales remains on upward trend

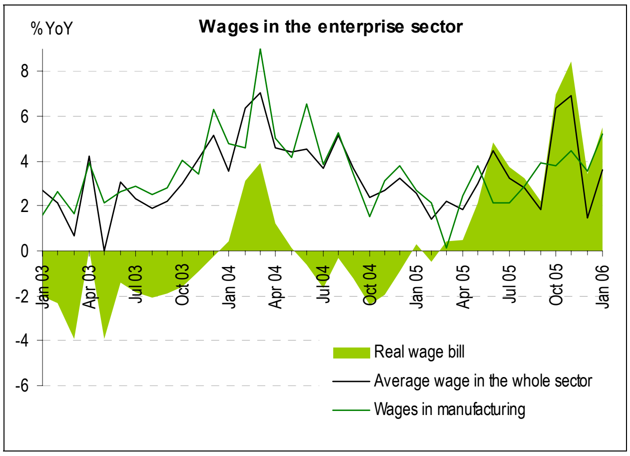
▪ Retail sales grew 8.6%YoY in nominal terms in January (on a monthly basis a seasonal drop of 26.3% took place). In real terms retail sales grew 8.5%YoY. Both in case of nominal and real growth rate, the January's results was the highest since June last year.

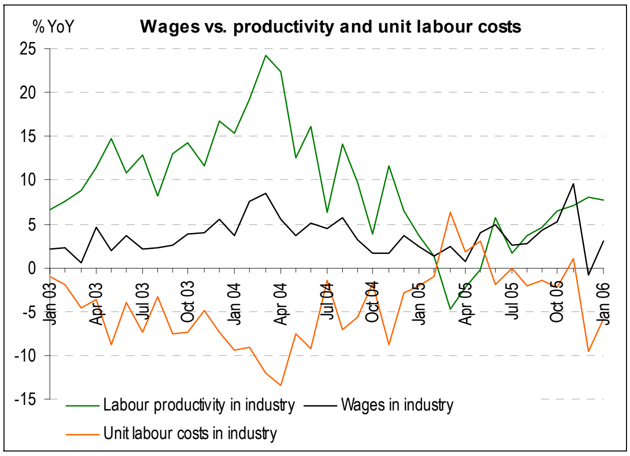
▪ It is worth to take not that the growth in retail sales could be even higher if not a continued crisis on the new car market (new car sales grew a mere 3.4%YoY in January).

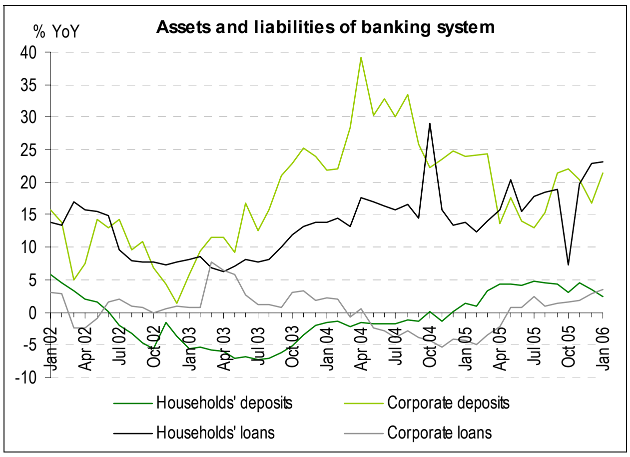
▪ On the basis of retail sales figures some market participants revised their expectations regarding outcome of the January's MPC meeting. In our opinion the indicator is so volatile that one should rather look at the trend and not on data for a single month (in December retail sales was weaker than expected). The trend remains strong, pointing to GDP growth of above 4% in 1Q06.

Economic update









Source: CSO, NBP, own calculations

Labour demand gains strength

- The registered unemployment rate increased to 18% in January from 17.6% at the end of 2005. This does not mean deterioration of labour market conditions, yet only reflects a seasonal drop in labour demand. In annual terms, a solid drop in the unemployment rate was continued (of 1.5pp), which mainly a result of steady rise in employment.
- Average employment in the enterprise sector increased by 2.6%YoY in January, which means that record high pace of employment growth seen in December 2005 was maintained.
- Apart from employment growth, unemployment fall also stems from other factors, such as rise in labour participation or emigration. However, even though NAIRU in the Polish economy is likely to be quite high, the actual unemployment rate still seems to quite far from it.

Moderate wage growth

- Data on wages suggests that long-lasting unemployment fall and employment growth does not create inflationary tensions on the labour market. Average wage in the enterprise sector increased a mere 3.6%YoY in January, below market expectations.
- However, taking into account solid rise in employment, moderate wage growth translates into healthy rise in wage bill in the enterprise sector. In January, it grew by 6.3%YoY in nominal terms. Given low inflation real growth in wage bill in the enterprise sector amounted to 5.5%YoY.
- This confirms our expectations for acceleration in private consumption growth in the nearest quarters and thus our forecasts that GDP growth will reach above 4% in each quarter of 2006.

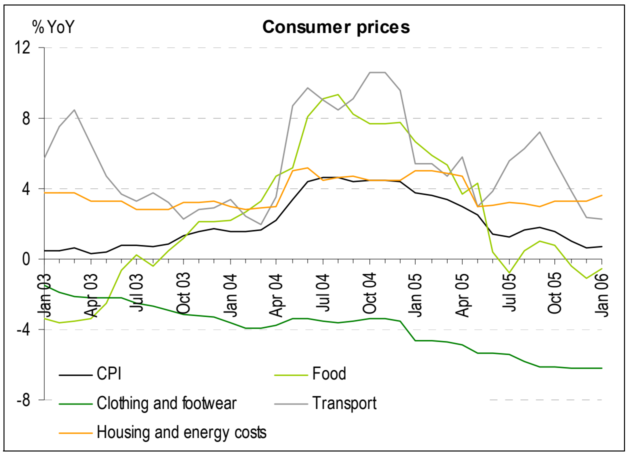
Labour productivity continuously strong

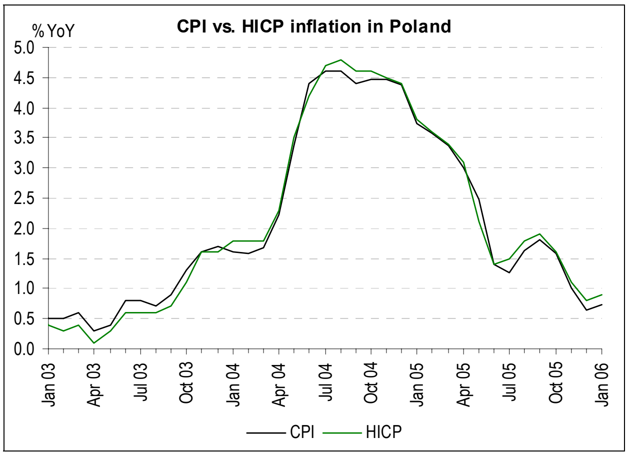
- In order to evaluate possible inflationary consequences of firming labour market conditions one should carefully analyse changes in labour productivity and unit labour costs.
- In January, labour productivity growth remained at much higher level than wage growth, at least in industry. According to our calculations, labour productivity in industry grew by 7.7%YoY in January, stronger than on average in 2005.
- At the same time, unit labour costs declined by 5.9%YoY (versus average fall of 0.7%YoY in 2005), which indicates that there may not be necessarily a pressure on price growth in this sector.
- However, one does not know what has been happening recently to labour productivity and unit labour costs in other sectors. This will be shown by quarterly data for the whole economy.

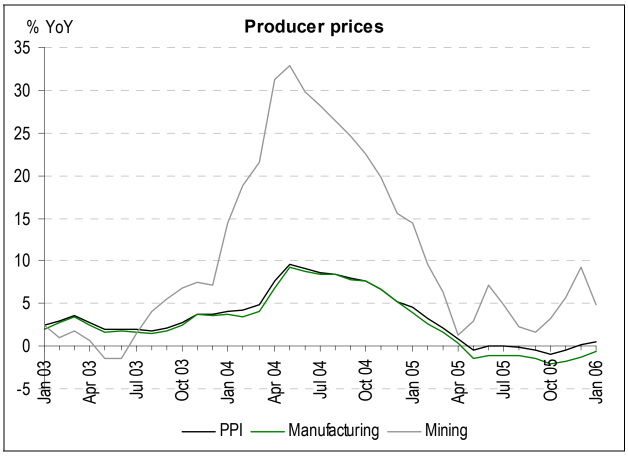
Stable trends in monetary statistics

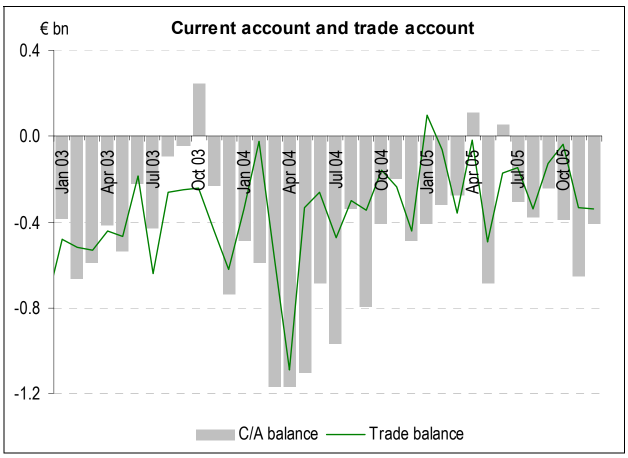
- Broad money, measured by M3 aggregate, rose by 10.2%YoY in January, which was slightly below our forecast of 10.4% and market consensus of 10.7%.
- On annual basis, households deposits growth decelerated to 2.5% (from 3.6% in December) and corporate deposits growth accelerated again to 21.4% (from 16.8%). This shows that at the beginning of 2006 the trend of outflow of households' money from banking deposits to mutual funds was continued, while firms still keep a large amount of their financial resources (above PLN95bn) on the banking accounts.
- As regards credit market, trends observed in previous months were maintained with loans acceleration – to 23.2%YoY from 22.8% in case of households borrowing, and to 3.4%YoY from 2.8% as regards corporate borrowing.

Economic update









Source: CSO, Eurostat, NBP, own calculations

Inflation on the bottom

- The headline inflation rate was 0.7%YoY in January, remaining at the same level as in December, after 0.2%MoM rise in prices. Market consensus pointed to inflation acceleration to 0.9%YoY, so the data supported belief that inflation prospects are favourable despite gradually strengthening economic growth.
- On the one hand, January's data showed that food prices were higher than we forecasted rising by 0.4%MoM. On the other hand, transport prices fell quite substantially (1.7%MoM) mainly as a result of fuel prices fall amid lower oil prices as well as strong zloty. After exclusion of these two factors (food and fuel prices) the estimation of net inflation for January shows it remained stable at 1.1% seen in December or even fell by 0.1pp to 1%.
- This confirms that underlying price pressure remains subdued despite accelerating economic activity. As economic expansion is likely to continue, some pressure on prices may appear in future, but this should not be substantial. Moreover, current inflation is much below the of central bank's target of 2.5%. Thus, constrained rise in inflation would not be bad.
- As a result of changes in weights in consumption basket, core inflation measures for January will be published only in March, together with data for February. At the same time, the CSO will revise CPI for January. In connection with the fact the CSO is likely to take into account mobile phone services in to account in the new basket, it has been expected that the data may be revised downwards. Meanwhile, Eurostat's data showed that HICP in Poland increased to 0.9%YoY in January from 0.8%YoY in December. Given that Eurostat's data were quite a good hint on a scale and direction of revision in CSO data last year (HICP fell to 3.7%YoY in January 2005 which was followed by CSO revision in CPI inflation to 3.8% from earlier reading of 4.0%), chances for downward revision in January's CPI are rather small.

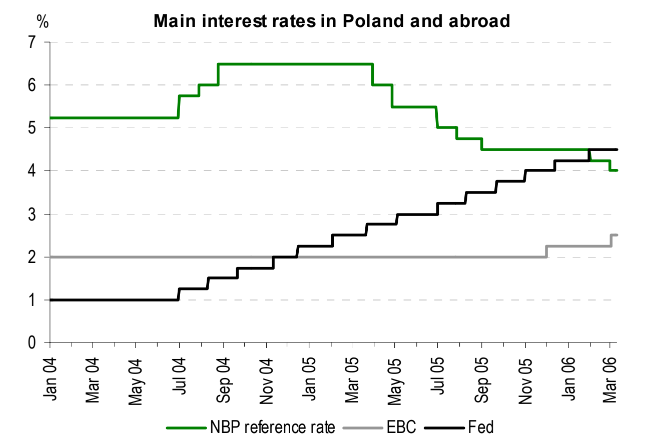
Low producer price growth

- January's PPI inflation amounted to 0.5%YoY, which was exactly in line with our forecast and slightly below market consensus. At the same time December's PPI data were revised down to -0.7%MoM and 0.2%YoY.
- On a monthly basis, prices in January increased by 0.4% amid utilities' price increase of 3% while prices in the manufacturing sector fell again (by 0.1%). This suggests that demand still does not exert significant pressure on prices and producer price growth could be even lower if not negative supply shocks.
- In the following months we expect a continuation of growth in 12M PPI inflation, but not on a scale which would be dangerous for CPI inflation outlook. Such view is supported by the fact firms – as NBP research showed – do not plan to translate rising prices of fuel and commodities into retail prices.

Good foreign trade data, but revisions likely

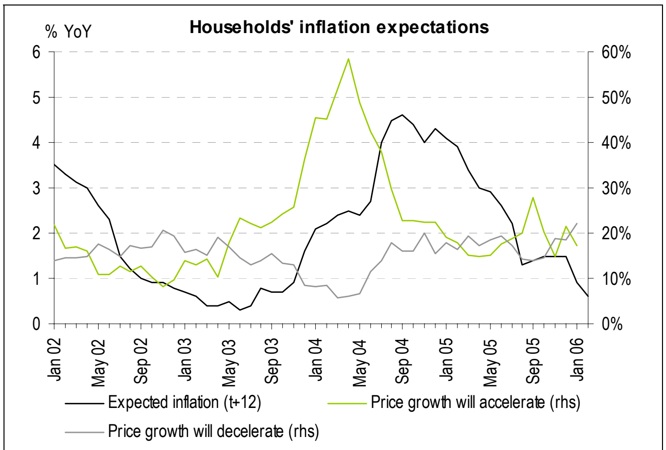
- Trade gap reached €339m in January, and C/A deficit was €410m. Market consensus stood at €460 and €545m, respectively.
- Given that the data are preliminary and the fact that November's figures were revised quite substantially (C/A deficit higher by over €100m amid lower services surplus), there is high probability, in our opinion, that December's data will also be notably revised.
- However, the positive fact is that the data again showed very strong rise in exports and imports by 17.8% and 14.8%YoY, respectively. What is interesting, at the end of the year some acceleration was visible in FDIs as they amounted to €1bn in December, which was well above 2005 monthly average of below €600m.

Central bank watch

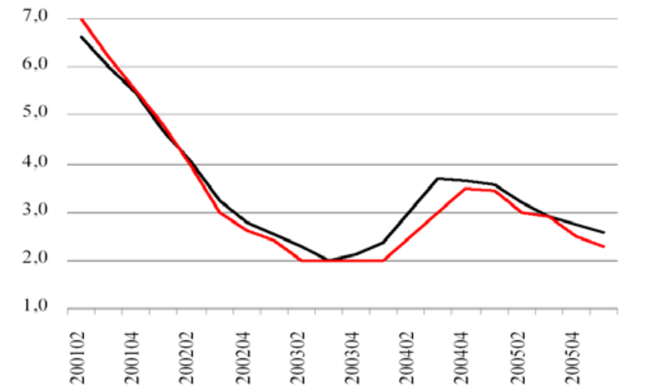


Fragments of the MPC statement from 28 February 2006

The developments in the economy after the publication of the January inflation projection, coupled with zloty appreciation and lower than expected inflation, increase the probability of inflation in 2006 running below the level presented in the projection. In the projection horizon, the growth in domestic demand and unit labour costs will be gradually pushing inflation back to the target. Factors that may be decreasing domestic inflation include the growing imports from low costs countries and increasing flexibility of the labour market. In turn, the growing migration of the Polish workforce to EU countries may have the opposite effect. Moreover, if growth of employment was sustained at a larger scale than in the projection, this would lead to inflation running higher than in the projection. Uncertainty factors still include the situation in the oil market and also the impact of a potential increase in budget deficit in relation to that envisaged in the convergence programme.



CPI inflation expected by enterprises within 12 months – black line (average), red line (median)



Source: NBP, ECB, Federal Reserve

Extremely late rate reduction

- In the last day of February the MPC cut main interest rates by 25 bps, in line with our prediction. Decision has been announced exceptionally late (after 16:00), as it was preceded by extremely lengthy and (according to NBP president) “intense” discussion.
- Record-long meeting and a course of MPC press conference showed clearly differences of views within the rate-setting panel regarding the decision and future inflation prospects. NBP chief Leszek Balcerowicz was underscoring those arguments that showed a possibility of inflation rise, while MPC member Andrzej Sławiński pointed to structural changes favourable for keeping inflation low in Poland. One should keep in mind that the result of the meeting itself (another cut) shows that a balance of powers in the Council remained unchanged for now.
- Even though a hawkish faction was in minority again, one should notice that a room for further rate cuts from present level 4.0% has been shrinking. We expect that after two rate cuts made at the start of this year (and a total 250bps reduction within last 12 months) rates would remain unchanged for some time – at least until April, and probably even until year-end, unless new data and new Inflation Report will substantially change a scenario of future economic situation, showing lower inflation than predicted at this moment.
- During press conference, NBP president strongly denied rumours that MPC had considered a change in inflation target.
- Two days after, NBP press office issued a special notice (in our opinion surprising and needless), denying speculations that the MPC had considered a 50 bps arte cut in February. It seems completely strange that central bank’s press office can reveal a course of the discussion during MPC meeting.

Inflation expectations getting lower

- Two first months of this year saw a significant reduction in households’ inflation expectations. In February index of inflation foresaw in horizon of nearest 12 months reached merely 0.6%, and was the lowest since July 2003.
- Such trend was to large extent caused by strong decline in observed inflation rate (CPI index delayed 2 months) that fell to 0.7% in December.
- However, one should also notice an improvement in structure of answers in poll survey – a ratio of people expecting that prices will be growing more slowly in future has been increasing (in January to over 22%, the highest level in survey history).
- Strengthening of low inflation expectations should help the MPC in keeping inflation under control in future.

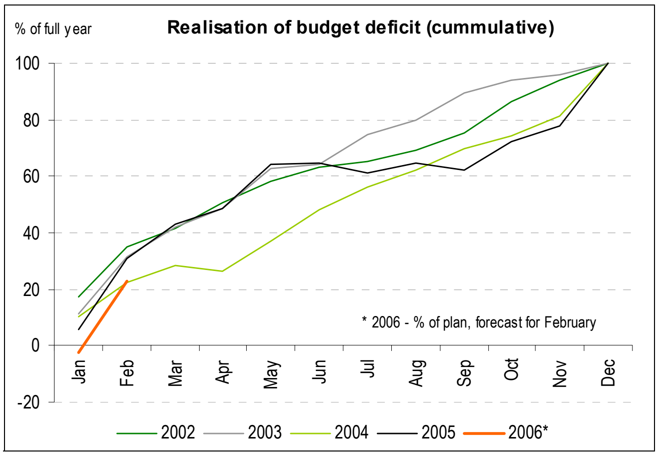
Expansion with limited price pressure

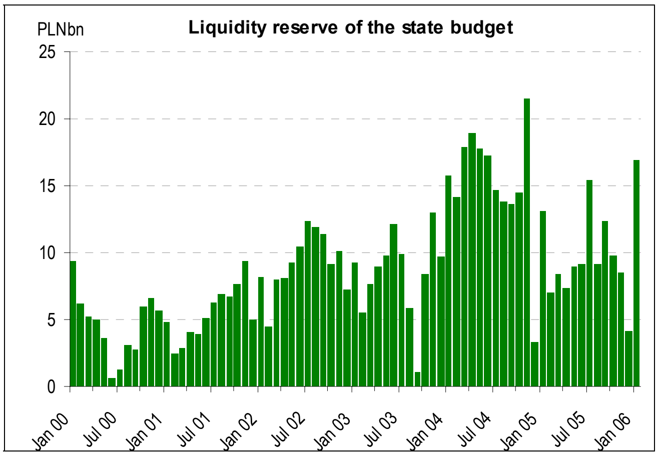
- NBP business climate survey for 4Q05 shows a continuation of fast economic expansion. Improvement in the assessment of economic situation as well financial stance of enterprises was observed and firms indicated expectations of higher demand. At the same time inflationary pressures remains under control.
- Despite expected job creation, lower percentage of firms is planning to raise wages and the scale of planned pay rise is lower than a year ago. This may suggest limited inflationary pressure even with continued employment increase.
- What is more, forecasted rate of price growth is estimated to be lower than in the analogous period of last year and high oil prices have limited effect on retail prices.
- Exporters perform quite well in spite of strong zloty

Central bank watch

Comments of the central bank representatives	Our remarks
Leszek Balcerowicz, NBP president **MPC press conference, PAP, 28 February** Today's delay took place because the Council had held an extremely intense discussion. It was an exception and will not become a habit.	We find a substantial delay in MPC decision and press conference astonishing. In our opinion, the best way to discipline discussion of rate-setting panel would be to follow a widely-accepted international standards and start announcing decisions always at the same hour.
Data on acceleration in wage growth together with estimated GDP growth in fourth quarter and very high number of jobs in economy show that in 4Q05 there was probably an acceleration in growth of unit labour costs in economy. (...) Inflation rate in the horizon of the projection comes back to the target. **Andrzej Sławiński, MPC member** **MPC press conference, Reuters, 28 February** There are changes taking place in Polish economy that are still not fully recognised, but could suggest that inflation could stay low amid high economic growth. Today the MPC took into account investment growth that contributed to rise in labour productivity and the fact that net inflation has been staying at low level for a long time. The fact is that net inflation was low along with different GDP growth rates. **Reuters, 7 March** Poland is entering a period of balanced economic growth and low inflation. From the central bank point of view, it is a rosy picture. The most probable scenario is the central bank's inflation projection, which says inflation will be relatively stable at a low level and after that it will gradually return to our medium term target.	During press conference, comments of NBP governor Leszek Balcerowicz were predominated by a "hawkish" rhetoric, as he emphasised those arguments which pointed to possible rise in inflation, mainly because of firming labour market conditions. At the same time, statements from Andrzej Sławiński signalled much more balanced views that were also present in the MPC, drawing attention to structural and institutional changes taking place in Polish economy that were supportive for keeping inflation low. What is important, decision abour another rate cut made in February was a proof that the latter views prevailed during the meeting. It is a pity that it is hardly noticeable in the official communiqués delivered by the MPC to the market. We reiterate a problem that has arisen after the Council has abandoned monetary policy bias as a tool of communication and a way of signalling intentions. Likewise in January, last MPC communiqué did not include comprehensive information about Council's judgment on balance of risks for future inflation. The only sentence about this referred to 2006, showing that in MPC's opinion a starting point for inflation development will be lower than assumed in last projection. Lack of clear reference to inflation prospects beyond 2006 suggests that probably the MPC does not have a clear view on how situation will evolve, and thus treats the NBP projection as the most likely scenario. It seems to be confirmed by recent statements of MPC's Andrzej Sławiński.
Andrzej Wojtyna, MPC member **Reuters, 21 February** In my opinion, if the general political sentiment does not worsen, if the economy retains its autonomy from politics, and if there are no external shocks – for example shocks from oil prices – the council still has some room to cut rates. (...) Positive effects on labour market are getting stronger. It is becoming more elastic. Inflation surprised in plus but if period of inflation staying below the target prolongs, then from monetary strategy point of view it will be problematic.	Even before last MPC meeting, central bankers were pointing to changes taking place in Polish economy and global environment, that could help in keeping inflation low despite faster GDP rise. The most important factors included a rise in labour market elasticity, and growing competitive pressure from countries with low production costs. Thus, in the coming months one should keep watching data from the labour market. If they confirm strengthening upward trends in wages and employment, it would confirm our view that interest rates could remain unchanged for longer.
Halina Wasilewska-Trenkner, MPC member **Radio PiN, 6 March** This last decision was made with some hesitation, whether it should be made or if we should wait for more complete information about 2005 (...) Eventually, we have reached the conclusion that we will be still optimists. [Will we be optimists in future?] Frankly speaking it will depend on what visions of future will be delivered by analysts building the projection. We will desperately want to avoid one thing that took place in Slovakia. Namely, after sharp interest rate reduction **Marian Noga, MPC member** **PAP, 7 March** Current level of interest rates is adequate from monetary policy's point of view and should not be changed. Nothing is likely to change in the nearest months, we are waiting for the projection taking into account new factors. Possibly, it could turn out that inflation path will be lower, however I believe that factors boosting and depressing inflation will be in balance.	Two MPC members regarded as those with "hawkish" views suggested recently that the Council should refrain from further changes in interest rates at least for a month or two, awaiting for new important information that could give more complete picture of economic situation and direct expectations for future, especially as regards changes in balance of risks for inflation. In our view, in the nearest months majority of MPC members will share opinion that it is worth waiting with the next moves for new data and reports. Definitely, the most important will be the new *Inflation Report*, to be released in April and whether the inflation projection included therein will be above or below previous projection. One should also notice that some central bankers are deeply concerned about too aggressive monetary easing that could boost inflation excessively, enforcing interest rate hikes later. This element was also present in NBP chief's comments during press conference in February. Obviously, those arguments are not unfounded, however taking into account the fact that available forecasts still show inflation below the target for a number of quarters, a risk of such scenario in Poland still seems to be not too high.

Government and politics





Commission's assessment of Poland's convergence programme (1 March)
Based on a macroeconomic scenario which is essentially plausible (though slightly optimistic for 2008), the programme aims to gradually reduce the general government deficit so as to bring it below the 3% of GDP Treaty reference value by 2009, as opposed to a deadline of 2007 set in a July 2004 Council recommendation. However, no explicit deficit target is set for the year 2009, which is beyond the programme horizon.
The programme sets a medium-term objective for the Polish public finances of a deficit of around 1% of GDP in structural terms (i.e. in cyclically-adjusted terms and net of one-off and temporary measures). This is in line with the Pact, but would only be achieved after 2010, well beyond the programme horizon.
The projected budgetary outcomes could turn out worse despite a good track record in achieving -- even overachieving -- the 2004 and 2005 targets. This is because the tax elasticity assumptions are rather optimistic, in particular in 2006. Furthermore, the growth assumptions in 2008 also seem rather favourable.
Additionally, what amounts to a very comprehensive pension reform is being undermined by the granting of special treatment to certain groups and there is parliamentary support for expenditure initiatives that seem incompatible with the planned reduction of the deficit.
It is clear, therefore, that Poland does not plan for the correction of the excessive deficit by the deadline imposed by the Council.

Support for political parties

	PBS poll		GFK Polonia poll	
	support (in %)	number of seats	support (in %)	number of seats
PO	35 (32)	176	28 (26)	175
PiS	33 (38)	167	32 (32)	196
Samoobrona	9 (10)	46	7 (8)	44
SLD	9 (9)	44	7 (10)	43
LPR	5 (3)	25	3 (2)	0

Note: GFK Polonia poll prepared for Rzeczpospolita daily between 4-5 March; PBS poll prepared for Gazeta Wyborcza on 3-5 March.
Previous month's results in parenthesis.

Source: European Commission, Ministry of Finance, opinion polls

First data on this year budget quite positive

- Central budget recorded a surplus of PLN0.7bn in January. It was possible thanks to excellent revenues performance, especially due to high inflows from indirect taxes (VAT and excise tax), which grew 14.9%YoY. Excepting an effect of one-off factors (such as transfer of some revenues from December 2005), January result confirmed that economic activity has been high at the beginning of 2006.
- Even though the Ministry of Finance expects the budget balance to turn into red in February to around 22-23% of the full year plan, the two first months of this year will be very good for the state budget as compared to the previous years. The result for January-February this year compares impressively even with the outstanding budget performance in 2005 when the deficit in the analogous period amounted to 29% of the full year result.
- The excellent budget result in January increased the state budget's liquidity to almost PLN17bn, the highest level since November 2004. Even if in February this level was lowered by a couple of billions (given maturing papers plus budget realisation and treasury papers issuance), there is still above PLN10bn of liquidity, which gives the ministry some freedom if next primary auctions are taken into account.
- While the beginning of the year was good as regards budget revenues and deficit realisation, this means almost nothing as regards risk of budget execution in the year as a whole. The Ministry of Finance's comments suggested a possibility of shortage amounting to PLN5bn, but we perceive it rather as a risk-case scenario. First of all, there is a chance that economy will grow faster than assumed in the budget. Second, there is a question whether the cabinet will have to spend the full amount of spending planned for 2006.

European Commission criticises Polish fiscal plans

- The European Commission called on Poland to strengthen budgetary adjustment in 2006, improve the long-term sustainability of public finance and strengthen the expenditure controls, because the updated version of the Convergence Programme prepared by the new government did not present a strategy that would enable the country to correct excessive deficit in 2007, as required by the Council, or even in 2008.
- As a result, the Commission will issue a new policy recommendation for Poland under the excessive deficit procedure and will send the report to EU finance ministers (Ecofin), who are to approve a final opinion on Poland's public finances and then decisions on disciplinary steps will be made. However, imposing serious sanctions on Poland does not seem likely for some time.

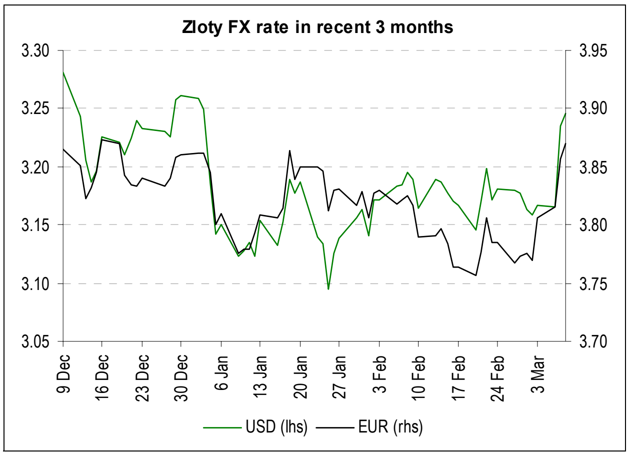
Stabilisation pact with scratches

- Only a month ago we wrote that the so-called stabilisation pact guarantees a stabilisation but only on paper (means for short period of time) and indeed we should not have waited too long for a strong difference of opinions between the three parties signing the pact.
- There appeared threats of dissolving the parliament (early elections), but a motion to dissolve the parliament would be rather a gesture, as majority of parties oppose such idea.
- Another way to trigger premature election would be a dismissal of the government (and subsequent inability of the parliament to form new cabinet). As for now, the opinion polls show that early election would not necessarily change the situation on the Polish political scene.

Government and politics

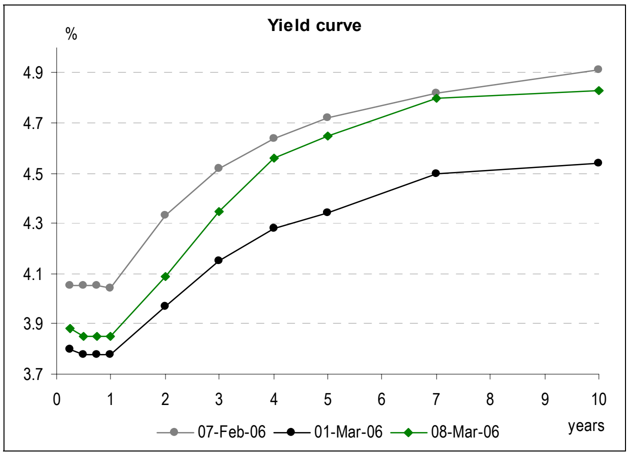
Comments of government representatives and politicians	Our remarks
Kazimierz Marcinkiewicz, Prime Minister **Reuters, 2 March** As regards interest rates I am happy the central bank cut its rates and I see scope for another reduction in the near future. This is good news for the economy. **Reuters, 17 February** We have too low inflation - which in December fell to the lowest level in the European Union - and still high interest rates.	Prime Minister's satisfaction is quite understandable taking into account his latest comments (although putting pressure on the central bank is less understandable, if not at all). However, it seems likely that the next month will bring a disappointment for the chief of the government, as the MPC will probably keep rates on hold for some time to see the effects of previous changes and have time for better to assessment of economic situation based on new economic data.
Zyta Gilowska, deputy PM, finance minister **Rzeczpospolita, 27 February** The expression "public finance reform" was reserved for description of different kind of activities aimed directly at lowering spending (…) I mean public finance reform as a institutional, a new organisational shape of public finance sector. (…) This is my fourth attempt to convince politicians of a modern regulation of public finance. There will be no fifth. The government cannot take the liberty of preparing irresponsible budget for 2007. (…) We have to reduce the deficit as it does not exceed 3% of GDP. (…) Attempts to not do our duties with this regard cannot be taken into account, as our reputation in the world would be jeopardised. Also, this could be costly. The European Commission could limit a possibility to use structural funds. (…) I general I do not see a scope for social spending increase above the level, which effects from current legal status. This will be high anyway. **TVN, 24 February** For sure not before 2010. In my opinion a realistic year, I always believed, was 2011. But that was my view as an economist, however; as a finance minister I must remain completely restrained, because giving a date would oblige the state. We cannot make such a commitment. We committed to enter the euro zone and to meet all criteria necessary to join the common currency area. What is more in the convergence programme we said out intention was meeting convergence criteria during this tenure of the parliament.	A couple of times the minister of finance expressed her will to present the project of public finance reform in the first half of this year. The reform The package will aim at sorting out public finances and introduce deep institutional changes improving transparency of fiscal policy that would allow much better fiscal management and multi-year budget planning. Gilowska assessed chances for passing such a bill as high saying at the same that it would be her last effort to push through such changes in public finances. The conclusions is that if politicians are not convinced (will they want to limit discretional policy in spending public money?), she would quit. Well, there will be probably more occasions to for resignation if we take into account that preparing budget for 2007 will coincide with campaign before local governments election (and possibly also early parliamentary election). It is wroth to notice that in the context of budgetary planning, finance minister is happy with Poland's commitments in the accession treaty, which may used against politicians when budget reduction is planned. However, it is a pity that these commitments were "forgotten" when the new convergence programme was prepared, as this document assume fiscal deficit reduction and meeting criteria, but very late given the excessive deficit procedure. As a result the document was criticised by the European Commission (details on previous page), similarly as the fact that Poland is the only new country in the European Union without target date for euro entry. Also, it is worth to remember that in the extreme scenario the EU may limit cohesion fund, but not structural fund, as suggested by the finance minister.
Jacek Krzyślak, director of MinFin research Dep. **Reuters 1 March** We estimate that inflation amounted in March to 0.9% and should be below 1% until November. We believe that the lack of (inflationary) pressure from the wage side will help lead to low inflation. We also assume that there will be no supply-side shocks from food and fuel prices. The strong zloty is also impacting inflation. Inflation will amount to 1.5% at the end of the year, mainly due to statistical base effect. **Reuters 20 February** We forecast annual industrial output growth at 11-12% in February and uphold our GDP growth estimate of 5% in the first quarter, which means that growth in all of this year may be around 4.5 percent. The output growth is an effect of a low base in the first months of last year but we can also see that positive tendencies remain in place and the strong zloty is not hurting exports.	The Ministry of Finance's forecasts are partly consistent with our estimation of inflation in the following quarters. We also expect inflation to remain in the range 0.7-1.0% until October 2006 and a rise at the end of the year, which will be connected, among others, with the statistical base effect. However, our forecast assumes that the year will end with inflation at the level of 1.7%, which is slightly above ministry's projection, although it is still much below the target of the central bank (but in the range of fluctuations within the target). As regards economic growth , we perceive ministry's forecast for the first quarter as overly optimistic. While it is possible GDP growth will top 4.5% in Q106 (assuming good data for March and February), the level of 5% would be an excellent result. However, even if 5% would not be achieved in Q1, it is still likely that full-year forecast of the ministry will be achieved.
Wojciech Jasiński, treasury minister **Reuters, 2 March** Privatisation is not an easy job in Poland and this is a fact that every treasury minister has to be aware of. In our privatisation programme everything is at quite a big risk (...) My intention is to work in such a way so that this (privatisation revenue target) could be met.	Although the new treasury minister still hopes to reach the target of privatisation revenues of PLN5.5bn this year, it seems quite optimistic. What is more, we think that even our assumption of 70% realisation of the plan, which was used for estimation of treasury papers issuance this year, may be too bright. Especially, as the minister said that this year's receipts are at risk due to the stiff opposition of parliament and weak public support for privatisation.
Jarosław Kaczyński, PiS president **Reuters, 3 March** The pact is under real threat. (…) The alternative responsible solution, which assumes that deputies are guided by country's interest, is dissolution of the parliament and early election. This is obvious. (…) We are not afraid of elections. If it stays this way, we will surely propose such motion in the parliament. We will not be in power at any price and we will not tolerate these constant rows. I want Mr. (Andrzej) Lepper and Mr. (Roman) Giertych to be aware of this.	The leaders of the three parties signing the so-called stabilisation pact needed only one month to start mutual attacks in the media. Well, one can say this could have been expected given that a threat of early election disappeared. However, as the risk of election because of the budget (non)approval disappeared, PiS leader started to threaten Samoobrona and LPR with self-dissolution of the parliament. As for now it is difficult to assess probability of early elections, especially as no important bills were vote in the parliament. Nevertheless, the Lower House speaker said PiS will make a decision whether to propose motion on self-dissolution of the parliament until the end of March.

Market monitor



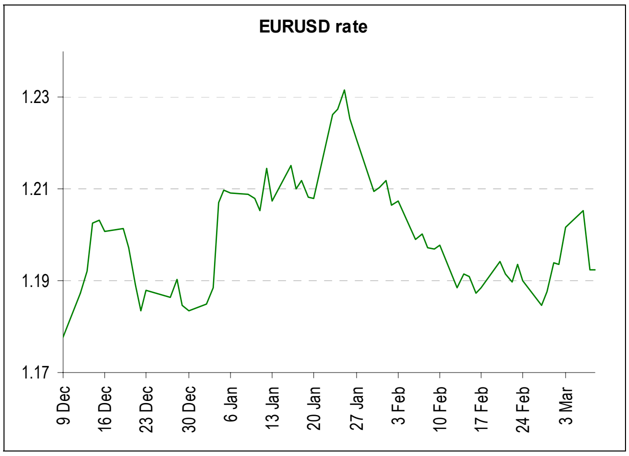
Correction on zloty from the strongest levels for 3.5 years

- Since the beginning to the middle of February the zloty appreciated by ca. 1.7% against the euro to the highest level for 3.5 years (3.754) and ca. 1.2% against the dollar. A correction (ca. 1.3% vs. the euro) took place after downgrading the credit rating outlook of Iceland. After another strengthening by 1%, the global fear of increased inflation contributed to substantial weakening of emerging market currencies, while the return of early elections wording from the ruling party leader added to further zloty weakening. It fell by 2.6% at the start of March.
- In our opinion narrower gap between interest rates in Poland and the euro zone as well as wider gap as compared to U.S. rates will work against the Polish currency. What is more the political situation is still uncertain and further suggestion on parliament dissolving may negatively affect the zloty.



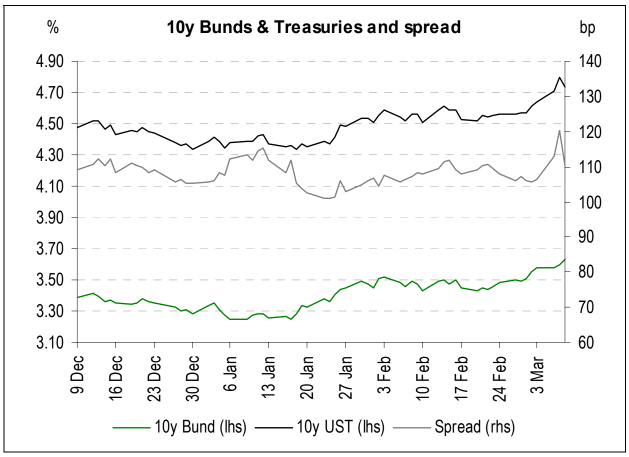
Record low yields thanks to CPI and rate cut

- Yields of Polish Treasuries fell to the historically lowest levels. Significant strengthening effected after the release of low preliminary data on January CPI inflation as well as quite weak wages. Further significant yields drop came in after the MPC cut the main repo rate by 25 bp, and the market started partly to discount further cuts within next 3 months. In last few days there was a profit taking correction on the emerging markets amid global inflation fears.
- In the nearest period longterm bonds may be under higher influence of the target level of interest rates in United States as well as the euro zone, which may result in a lower amount of capital inflows to emerging markets and negatively affect the Polish debt. The ever recalled scenario of early election may weaken the bonds as well.



The expectations on rates hikes strengthen the dollar

- Sound data positively affecting the outlook of U.S. economy as well as Ben Bernake's speeches in front of the U.S. Congress and Senate influenced the expectations concerning the size as well the pace of further monetary policy tightening and resulted in dollar appreciation against the euro. Ifo index, which was at the highest level for 14 months supported the euro, as well as ECB's hawkish comments after the raising rates in February. However market expectation on rate hikes in U.S. appeared to be equally strong, which strengthened the dollar to 1.19.
- Expectation on the interest rates levels on the core markets will have the greatest impact on the EURUSD relation. It seems that data from the U.S. would have to be much higher from forecasts, so as the dollar broke 1.18. We expect it will stay in range 1.18-1.21, and go back to 1.20-1.25 in later course.

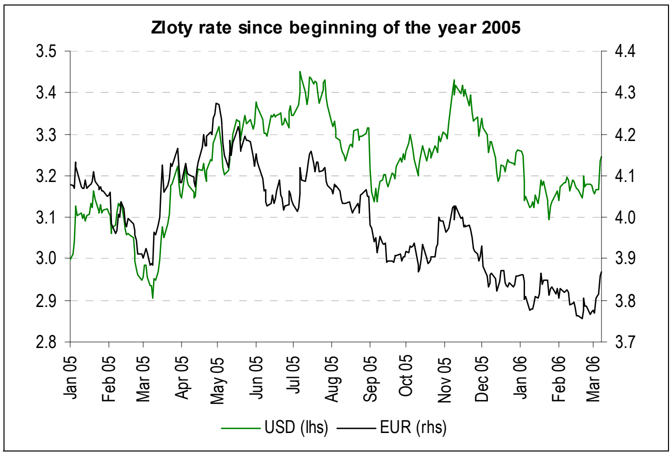


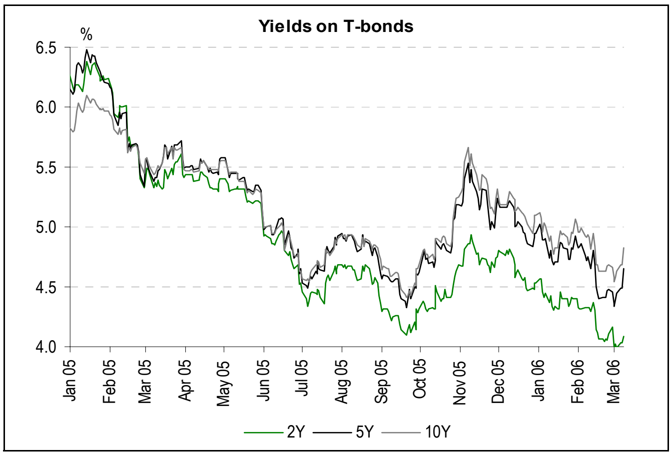
Source: Reuters, BZ WBK

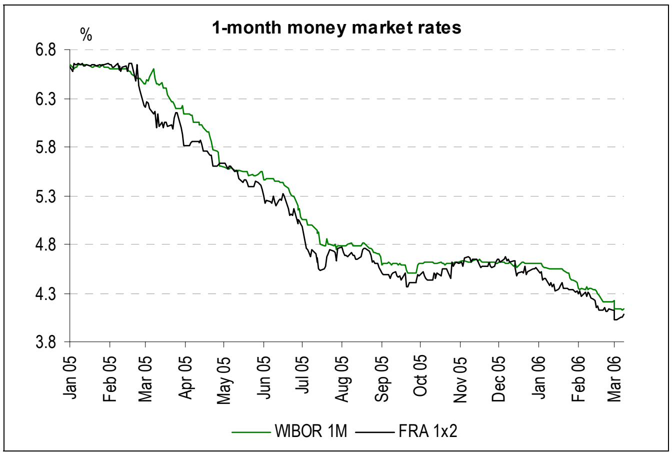
Yields jump on the core bond markets

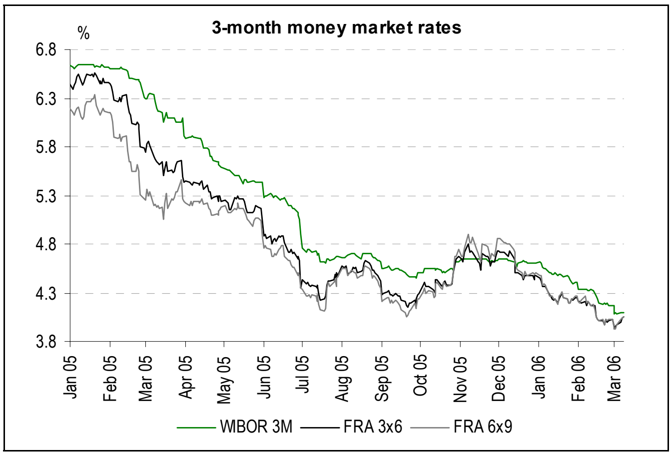
- Yields on the core bond markets soared in line with increased expectations on the size and pace of monetary policy tightening in the U.S. as well as the euro zone with regards to increased global inflation fears. Yields of 10Y U.S. Treasuries as well as Bunds rose by 22 bp as well as 17 bp to 4.74% (reaching 4.81%, the highest level since May 2004) and 3.63% respectively.
- We expect that the official interest rate in the United States will rise to 5% yet in the second quarter 2005. We think that main interest rates in the euro zone may reach 2.75% in Q2 and 3% in Q3. Change in expectations with regards to path of future inflation as well as strength of U.S. economy may still keep yields at high levels, although 4.80% (10Y U.S. yields) will be quite significant support level.

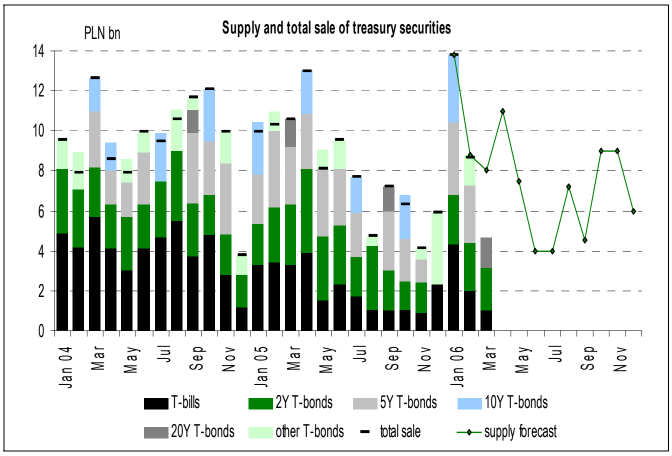
Market monitor











Treasury bill auctions (PLN m)

Date of auction	3-week	13-week	52-week	Total
	OFFER / SALE			
02.01.2006	2 000 / 2 000	100 / 100	1 100 / 1 100	3 200 / 3 200
16.01.2006	-	100 / 100	1 000 / 1 000	1 100 - 1 100
Total January	**2 000 / 2 000**	**200 / 200**	**2 100 / 2 100**	**4 300 / 4 300**
06.02.2006	-	-	1 000 / 1 000	1 000 / 1 000
20.02.2006	-	-	1 000 / 1 000	1 000 / 1 000
Total February	**-**	**-**	**2 000 / 2 000**	**2 000 / 2 000**
06.03.2006	-	-	1 000 / 1 000	1 000 / 1 000
20.03.2006	-	-	1 000 – 1 300	1 000 – 1 300
Total March*	**-**	**-**	**2 000 - 2 300**	**2 000 - 2 300**

* estimations based on Ministry of Finance preliminary information

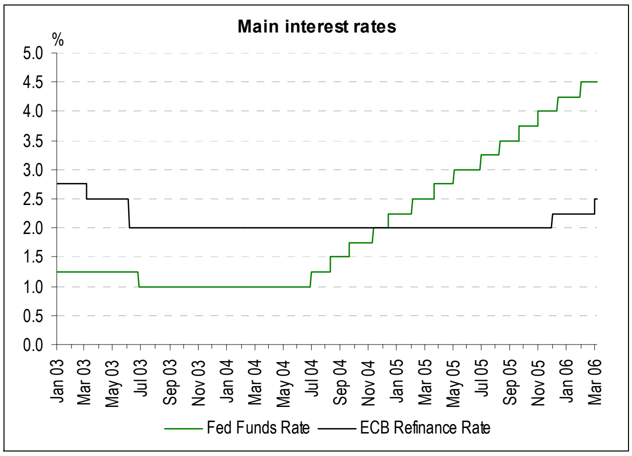
Treasury bond auctions in 2006 (PLN m)

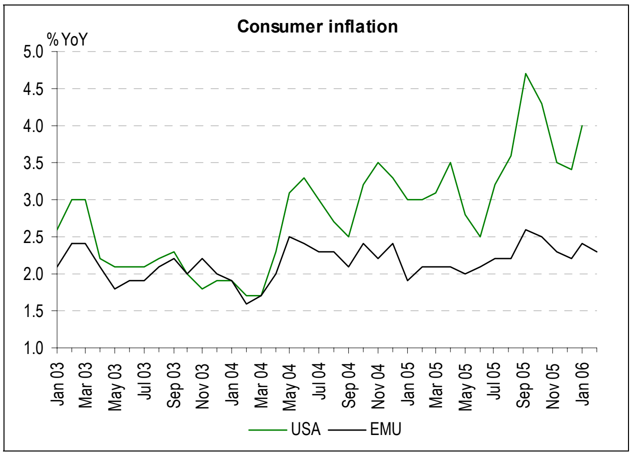
month	First auction				Second auction				Third auction			
	date	T-bonds	offer	sale	date	T-bonds	offer	sale	date	T-bonds	offer	sale
January	04.01	OK0408	2 500	2 500	11.01*	DS1015	3 360	3 360	18.01*	DS1110	3 600	3 600
February	01.02*	OK0408	2 400	2 300	08.02	WZ0911 | IZ0816	1 000 | 500	1 000 | 493	15.02*	DS1110	2 880	2 880
March	01.03*	OK0408	2 160	2 160	08.03	WS0922	1 500	1 500	15.03	PS0511	1 800 – 2 800	-
April	05.04	2Y	-	-	12.04	10Y	-	-	19.04	5Y	-	-
May	04.05	2Y	-	-	10.05	7Y WIBOR | 12Y CPI	-	-	17.05	5Y	-	-
June	07.06	2Y	-	-	14.06	20Y	-	-	21.06	5Y	-	-
July	05.07	2Y	-	-	12.07	10Y	-	-	-	-	-	-
August	02.08	2Y	-	-	09.08	7Y WIBOR | 12Y CPI	-	-	-	-	-	-
September	06.09	2Y	-	-	13.09	20Y	-	-	20.09	5Y	-	-
October	04.10	2Y	-	-	11.10	10Y	-	-	18.10	5Y	-	-
November	02.11	2Y	-	-	08.11	7Y WIBOR | 12Y CPI	-	-	15.11	5Y	-	-
December	06.12	2Y	-	-	-	-	-	-	-	-	-	-

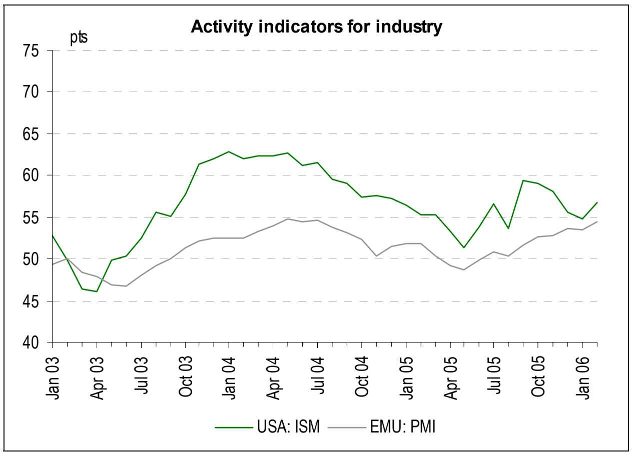
* with supplementary auction

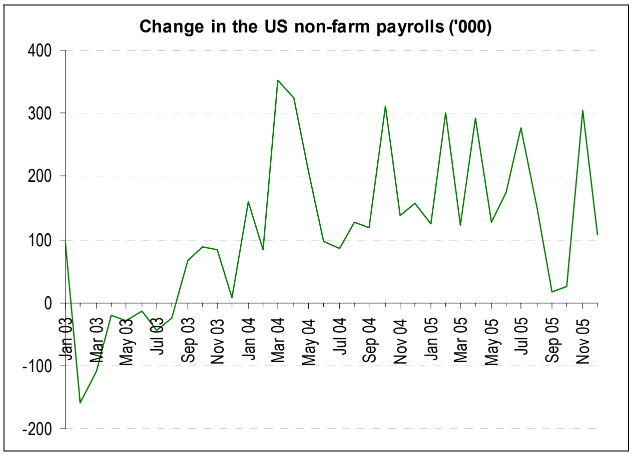
Source: Ministry of Finance, Reuters, BZ WBK

International review









Source: Reuters, ECB, Federal Reserve

Another rate hikes ahead

- New Fed's chairman Ben Bernanke presented in U.S. Congress as well as Senate his view on the conduct of monetary policy. In his opinion U.S. economy works at almost full capacity and further rate hikes will be needed so as to curb the inflation and contain prices stability.
- European Central Bank raised the main interest rate in the euro zone by 25 bp to 2.5%, which was in line with market expectations.
- At the press conference ECB's president Jean-Claude Trichet said that ECB raised inflation forecast for 2007 up to 1.6%-2.8% from previously estimated range 1.5%-2.5%, which strengthened market view that the ECB may continue to tighten the monetary policy at higher pace than previously expected.

U.S inflation still high

- In January U.S. CPI inflation rose by 0.7%MoM as well as 4.0%YoY against 3.4%YoY in December which was a higher rise than market consensus at 0.5%MoM. The main reason of higher growth of prices was an increase of energy prices by 5%. Core CPI was in line with analysts forecasts, as it inched up by 0.2%MoM, while the annual indicator fell to 2.1%YoY from 2.2%YoY in the previous month.
- According to Eurostat HICP inflation dropped in January by 0.4%MoM as compared to 0.3% rise in December. In annual terms the inflation figure increased from 2.2% to 2.5%, which was in line with market expectations. Core inflation data, which excludes food and energy prices, showed a drop by 0.9%MoM and rise by 1.3%YoY. According to preliminary estimates, HICP inflation in the euro zone fell in February to 2.3%YoY.

Economic activity holds on solid level

- ISM index for manufacturing sector rose in January to 56.7 pts from 54.8 pts a month before, while analysts expected poorer increase up to 55.6 pts. ISM for services sector in the Unites States soared in February to 60,1 pts from 56.8 pts in January as was above market consensus.
- PMI index for the manufacturing sector in the euro zone increased in February to 54.5 pts, i.e. the highest level since 19 months and reflected an improvement of perspectives of manufacturing sector in the euro zone. Non-manufacturing PMI for rose from 57 pts to 58.2 pts, which is another symptom of economic situation revival in the EMU member countries.
- Data on the economic growth in the United States in Q4 and the whole 2005 were revised from 1.1% to 1.6% and from 3.1% to 3.2%.
- GDP increased in the euro zone by 0.3%QoQ in Q4 and 1.7%YoY from 0.6%QoQ. And 1.8%YoY in Q3, which was in line with analysts forecasts. GDP growth dynamics drop resulted from a fall of consumption by 0.2%QoQ as well as weakening of international trade situation as imports rose by 0.9%, whereas exports inched up by 0.5%.
- In United States unit labour costs, which are an essential indicator of future inflation increased by 3.3% in Q4. On the other hand labour productivity fell by 0.5%, which was below the previous reading of –0.6%.
- In the last 4 weeks average amount of new jobless in the United States increased by over 5.25k to 287.25k, although it stays at relatively low level, which suggests a solid growth of employment in February.

Economic calendar

Monday	**Tuesday**	**Wednesday**	**Thursday**	**Friday**
6 March ***POL: Treasury bills auction*** USA: Factory orders (Jan)	**7** USA: Unit labour cost (Q4) USA: Labour productivity (Q4)	**8** ***POL: Auction of 20Y bonds***	**9** USA: Foreign trade (Jan) GB: BOE meeting - decision JP: BoJ meeting - decision	**10** USA: Non-farm payrolls (Feb) USA: Unemployment (Feb) USA: Wholesale inventories (Jan)
13	**14** ***POL: Money supply (Feb)*** ***POL: Balance of payments (Jan)*** JPN: BoJ minutes GER: ZEW index (Mar) USA: Retail sales (Jan)	**15** ***POL: Auction of 5Y bonds*** ***POL: CPI (Jan & Feb)*** ***POL: Wages (Feb)*** ***POL: Employment (Feb)*** USA: Net capital flows (Jan) USA: Foreign trade prices (Feb)	**16** EMU: Final HICP (Feb) USA: CPI (Feb) USA: Build permits (Feb) USA: House starts (Feb)	**17** ***POL: PPI (Feb)*** ***POL: Output in industry and construction (Feb)*** EMU: Industrial output (Jan) USA: Capacity use (Feb) USA: Industrial output (Feb)
20 ***POL: Treasury bills auction***	**21** JPN: Market holiday USA: PPI (Feb)	**22** ***POL: Switch auction*** EMU: Current account (I)	**23** ***POL: Business climate (Jan)*** ***POL: Net inflation (Jan & Feb)*** ***POL: Retail sales (II)*** ***POL: Unemployment (II)*** USA: Home sales (Feb)	**24** USA: Durable goods (Feb) USA: New homes sales (Feb)
27	**28** ***POL: MPC meeting*** GER: IFO index (III) EMU: Money supply M3 (Feb) USA: Consumer confidence (Mar) USA: Fed meeting – decision	**29** ***POL: MPC meeting – decision***	**30** USA: Core PCE (Q4) USA: Final GDP (Q4)	**31** ***POL: Balance of payments (Q4)*** EMU: Consumer sentiment (Mar) EMU: Preliminary HICP (Feb) USA: Chicago PMI (III) USA: Factory orders (Feb) USA: Michigan index (Mar)
3 April ***POL: Treasury bills auction*** EMU: PMI manufacturing (Mar) USA: ISM manufacturing (Mar)	**4** EMU: PPI (Feb) EMU: Unemployment (Feb)	**5** ***POL: Auction of 2Y bonds*** EMU: PMI non-manufacturing (Mar) USA: ISM non-manufacturing (Mar)	**6** GB: BoE meeting – decision (Apr) EU: ECB rate decision (Apr)	**7** USA: Non-farm payrolls (Mar) USA: Unemployment (Mar) USA: Wholesale inventories (Feb)
10	**11** GER: ZEW index (Apr) JPN: BOJ meeting – decision	**12** ***POL: Auction of 10Y bonds*** ***POL: Balance of payments (Feb)*** EMU: Final GDP (Q4) USA: Trade balance (Feb)	**13** USA: Foreign trade prices (Mar) USA: Retail sales (Mar) USA: Preliminary Michigan (Apr)	**14** ***POL: CPI (Mar)*** ***POL: Money supply (Mar)*** GB, DE: Market holiday USA: Capacity use (Feb) USA: Industrial production (Feb)

Source: CSO, NBP, Finance Ministry, Reuters

MPC meetings and data release calendar for 2006

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
MPC meeting	30-31	21-22	28-29	25-26	30-31	27-28	25-26	29-30	26-27	24-25	28-29	19-20
GDP*	-	-	2	-	31	-	-	30	-	-	30	-
CPI	16	15[a]	15[b]	14	15	14	14	14	14	16	15	14
Core inflation	24		23[b]	24	23	23	24	23	22	24	23	22
PPI	19	17	17	20	19	20	19	18	19	18	20	19
Industrial output	19	17	17	20	19	20	19	18	19	18	20	19
Retail sales	24	23	23	-	-	-	-	-	-	-	-	-
Gross wages, employment	16	15	15	18	17	16	17	16	15	16	16	15
Unemployment	24	23	23	-	-	-	-	-	-	-	-	-
Foreign trade	about 50 working days after reported period											
Balance of payments*	-	-	31	-	-	30	-	-	-	-	-	-
Balance of payments	13[c]	13	14	12	17	14	-	-	-	-	-	-
Money supply	13	14	14	14	12	14	-	-	-	-	-	-
NBP balance sheet	6	7	7	7	5	7	-	-	-	-	-	-
Business climate indices	23	23	23	24	23	23	24	23	25	23	23	22

* quarterly data, [a] preliminary data, January, [b] January and February, [c] November 2005, [d] January, [e] February

Source: CSO, NBP

Economic data and forecasts

Monthly economic indicators

		Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	Jan 06	Feb 06	Mar 06
Industrial production	%YoY	2.3	-3.7	-1.1	0.9	6.9	2.6	4.8	5.9	7.6	8.5	9.6	9.5	7.9	11.6
Retail sales [c]	%YoY	2.4	-0.3	-14.4	8.0	10.5	5.0	7.9	5.4	7.5	7.3	6.3	8.6	8.9	2.5
Unemployment rate	%	19.4	19.3	18.8	18.3	18.0	17.9	17.8	17.6	17.3	17.3	17.6	18.0	18.0	17.9
Gross wages [b c]	%YoY	1.4	2.2	1.8	3.0	4.5	3.2	2.8	1.8	6.4	6.9	1.5	3.6	4.0	3.6
Employment [b]	%YoY	1.6	1.6	1.7	1.6	1.7	1.8	2.0	2.2	2.1	2.5	2.6	2.6	2.6	2.5
Export (€) [d]	%YoY	27.3	11.0	12.6	11.3	12.9	15.0	13.5	14.0	17.2	17.6	17.8	12.1	10.5	10.1
Import (€) [d]	%YoY	27.9	6.8	-5.2	13.5	10.8	8.1	13.5	10.0	14.9	18.5	14.8	12.1	9.5	7.1
Trade balance [d]	EURm	-60	-359	-19	-495	-172	-143	-341	-127	-35	-335	-339	114	-11	-197
Current account balance [d]	EURm	-317	-275	114	-685	53	-308	-376	-245	-392	-654	-410	-136	-241	-217
Current account balance [d]	% GDP	-3.8	-3.4	-2.7	-2.5	-2.1	-1.8	-1.8	-1.5	-1.5	-1.7	-1.6	-1.5	-1.5	-1.5
Budget deficit (cumulative)	PLNbn	-8.8	-12.3	-13.9	-18.3	-18.5	-17.5	-18.5	-17.8	-20.6	-22.2	-28.6	0.7	-7.0	-11.6
Budget deficit (cumulative) [e]	% realisation	30.9	43.2	48.6	64.0	64.8	61.1	64.7	62.3	72.1	77.7	100.0	-2.3	22.9	38.0
CPI	%YoY	3.6	3.4	3.0	2.5	1.4	1.3	1.6	1.8	1.6	1.0	0.7	0.7	0.9	1.0
PPI	%YoY	3.2	2.2	0.9	-0.5	0.0	0.0	-0.2	-0.5	-0.9	-0.4	0.2	0.5	1.0	0.8
Broad money (M3)	%YoY	9.4	11.0	10.0	13.2	10.8	10.4	11.1	12.7	8.7	12.6	10.4	10.2	10.2	9.9
Deposits	%YoY	8.7	10.4	8.7	11.9	9.2	9.4	10.1	11.6	6.3	11.1	9.4	10.0	9.1	8.9
Loans	%YoY	2.4	4.6	5.3	9.4	7.4	8.8	9.0	9.6	4.4	10.2	11.8	12.2	12.9	13.0
USD/PLN	PLN	3.06	3.04	3.21	3.29	3.34	3.40	3.29	3.20	3.26	3.37	3.25	3.16	3.18	3.21
EUR/PLN	PLN	3.99	4.02	4.16	4.18	4.06	4.10	4.05	3.92	3.92	3.97	3.85	3.82	3.79	3.85
Reference rate [a]	%	6.50	6.00	5.50	5.50	5.00	4.75	4.75	4.50	4.50	4.50	4.50	4.50	4.25	4.00
Lombard rate [a]	%	8.00	7.50	7.00	7.00	6.50	6.25	6.25	6.00	6.00	6.00	6.00	6.00	5.75	5.50
WIBOR 3M	%	6.54	6.15	5.78	5.48	5.22	4.66	4.67	4.57	4.50	4.64	4.62	4.49	4.26	4.15
Yield on 52-week T-bills	%	5.95	5.51	5.36	5.19	5.09	4.30	4.33	4.15	4.19	4.35	4.38	4.22	3.97	4.00
Yield on 2-year T-bonds	%	5.82	5.43	5.39	5.27	5.14	4.50	4.60	4.22	4.42	4.75	4.64	4.40	4.20	4.15
Yield on 5-year T-bonds	%	5.80	5.56	5.50	5.38	5.25	4.70	4.84	4.51	4.85	5.23	5.04	4.82	4.60	4.60
Yield on 10-year T-bonds	%	5.72	5.57	5.49	5.36	5.24	4.72	4.87	4.57	4.90	5.36	5.14	4.94	4.78	4.75

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 [e] 2005 - % of Dec, 2006 - % of plan

Quarterly and annual economic indicators

		2003	2004	2005	2006	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
GDP	PLNbn	842.1	922.2	967.7	1 020.0	226.2	235.7	237.2	268.5	237.7	247.5	250.1	284.6
GDP	%YoY	3.8	5.3	3.3	4.4	2.1	2.8	3.7	4.2	4.2	4.1	4.5	4.8
Domestic demand	%YoY	2.7	5.9	1.9	4.2	1.1	-0.5	1.6	5.0	3.9	4.0	4.3	4.7
Private consumption	%YoY	1.9	4.0	2.3	3.7	1.7	1.6	2.7	3.1	3.5	3.7	3.7	3.7
Fixed investments	%YoY	-0.1	6.3	6.2	8.2	1.2	3.8	5.7	9.8	9.0	8.0	8.0	8.0
Industrial production	%YoY	8.4	12.3	4.0	6.2	0.7	2.3	4.5	8.3	9.7	4.4	5.2	5.4
Retail sales (real terms)	%YoY	3.6	7.1	1.5	8.7	-0.4	-3.2	4.1	5.4	5.9	8.2	9.8	10.9
Unemployment rate [a]	%	20.0	19.1	17.6	16.6	19.3	18.0	17.6	17.6	17.9	16.8	16.3	16.6
Gross wages (real terms) [c]	%YoY	2.0	0.8	1.2	3.1	-1.3	0.8	1.1	3.8	2.8	2.8	4.6	2.1
Employment [c]	%YoY	-3.5	-0.8	1.9	2.5	1.5	1.7	2.0	2.4	2.6	2.4	2.5	2.4
Export (€) [b]	%YoY	9.1	22.3	16.5	8.4	23.1	12.2	14.1	17.4	10.9	9.8	8.4	4.9
Import (€) [b]	%YoY	3.3	19.5	12.2	9.1	17.8	5.7	10.4	16.0	9.5	9.0	9.8	8.4
Trade balance [b]	EURm	-5 077	-4 552	-2 327	-3 144	-316	-690	-612	-709	-94	-600	-950	-1 500
Current account balance [b]	EURm	-4 108	-8 401	-3 912	-4 054	-1 001	-529	-926	-1 456	-594	-710	-1 080	-1 670
Current account balance [b]	% GDP	-2.1	-4.1	-1.6	-1.6	-3.3	-2.1	-1.5	-1.6	-1.4	-1.5	-1.5	-1.6
Budget deficit (cumulative) [a]	PLNbn	-37.0	-41.5	-28.6	-30.5	-12.3	-18.5	-17.8	-28.6	-12.2	-18.3	-24.4	-30.5
Budget deficit (cumulative) [a]	% GDP	-4.4	-4.5	-3.0	-3.0	-	-	-	-	-	-	-	-
CPI	%YoY	0.8	3.5	2.1	1.0	3.6	2.3	1.6	1.1	0.9	0.8	0.9	1.2
CPI [a]	%YoY	1.7	4.4	0.7	1.7	3.4	1.4	1.8	0.7	1.0	1.0	0.8	1.7
PPI	%YoY	2.6	7.0	0.7	1.1	3.3	0.1	-0.2	-0.4	0.8	0.5	1.0	2.0
Broad money (M3) [a]	%YoY	5.6	8.7	10.4	11.1	11.0	10.8	12.7	10.4	9.9	10.1	8.8	11.1
Deposits [a]	%YoY	3.7	8.1	9.4	10.8	10.4	9.2	11.6	9.4	8.9	10.6	8.7	10.8
Loans [a]	%YoY	8.1	2.9	11.8	15.0	4.6	7.4	9.6	11.8	13.0	14.7	16.9	15.0
USD/PLN	PLN	3.89	3.65	3.23	3.20	3.07	3.28	3.30	3.29	3.18	3.18	3.24	3.18
EUR/PLN	PLN	4.40	4.53	4.02	3.93	4.03	4.13	4.02	3.91	3.82	3.91	4.01	3.98
Reference rate [a]	%	5.25	6.50	4.50	4.00	6.00	5.00	4.50	4.50	4.00	4.00	4.00	4.00
Lombard rate [a]	%	6.75	8.00	6.00	5.50	7.50	6.50	6.00	6.00	5.50	5.50	5.50	5.50
WIBOR 3M	%	5.69	6.21	5.29	4.22	6.44	5.49	4.63	4.59	4.30	4.20	4.20	4.20
Yield on 52-week T-bills	%	5.33	6.50	4.92	4.17	5.91	5.21	4.26	4.31	4.06	4.00	4.05	4.15
Yield on 2-year T-bonds	%	5.38	6.89	5.04	4.36	5.83	5.27	4.44	4.60	4.25	4.20	4.25	4.30
Yield on 5-year T-bonds	%	5.61	7.02	5.25	4.91	5.89	5.38	4.68	5.04	4.67	4.85	5.00	5.10
Yield on 10-year T-bonds	%	5.77	6.84	5.24	5.02	5.76	5.37	4.72	5.13	4.82	4.95	5.10	5.20

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

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

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