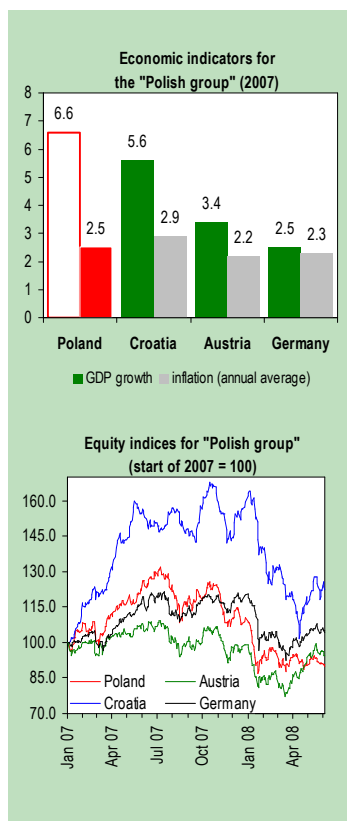


MACROscope

Polish Economy and Financial Markets

June 2008



In this issue:

Special focus	2
Economic update	3
Housing market update	5
Central bank watch	6
Government and politics	8
Market monitor	9
International review	11
Economic calendar	12
Statistics & forecasts	13

Maciej Reluga
Chief economist
+48 22 586 8363

Piotr Bielski
+48 22 586 8333

Piotr Bujak
+48 22 586 8341

Cezary Chrapek
+48 22 586 8342

Email: ekonomia@bzwbk.pl

What does CPI tell about EURO '08?

- **This time, in the *Special focus* section we are analysing CPI.** The analysis, though, is untypical and given the approaching European Championships may be of interest, in particular, for football fans. The analysis refers to CPI's correlation to the probability of winning the European Championships by individual teams or at least to the chances of going out of the group – for more details, see the second page of the report.
- **Slowdown in the Polish economy, though noticeable, still can be referred to as gradual and quite moderate.** According to the Central Statistical Office, the economic growth in the first quarter totalled ca. 6% and despite the fact that the difference vis-à-vis our projections was driven by a more significant change in inventories, the overall interpretation of data remains positive. Given that, will the Polish economy manage to fend off numerous negative factors and will the slowdown continue to be harmless? We are upholding our opinion that there is a risk of a slower GDP growth, below 5%, in the subsequent quarters of the year. Though it is difficult to state that in the Polish environment the market sentiment indices are perfect leading indicators of economy, referring to future trends, it is worth noting that recently most of them have been on the fall.
- **Inflation in April was in line with our expectations and the short-term projections remain unchanged.** In May, we will see higher inflation (both in terms of CPI and net inflation) as a result of an increase in gas prices. The inflation of 4.3-4.4% will continue by August when we are to witness another CPI hike driven by the so-called "statistical base effect". However, later in the year a decrease in inflation is expected which is in conflict with the recently published OECD projections (average annual inflation of 4.5% in 2008 and 5.5% in 2009). Undoubtedly, inflation concerns in the world are growing also as a result of the rapid growth in oil prices, which contribute to the significant growth in bond yields on the world's markets. The Polish interest rate market has followed the world's trend and we expect the Monetary Policy Council to make a decision on interest rates hike soon. What is more important, in the MPC statement the market will look for the answer to the question whether this is the last hike in the policy tightening cycle. In our opinion it is too early to declare it and there is a risk that we will see more tightening later during the year, especially that indications are that the reduction in interest rates in the euro zone will take place as late as in Q1 next year, if at all.
- **On the Polish foreign exchange market, the zloty after some temporary corrections (EURPLN above 3.40; USDPLN above 2.20) returned to the appreciation trend.** Zloty exchange rate was affected by the developments in Slovakia (green light for euro zone entry, crown revaluation) and it seems that investors may try to bring the EURPLN exchange rate to the lowest level in history. We are still expecting a technical zloty correction by a few groszys and the signs of growing risk aversion on the world's markets and the last interest rates hike can be conducive to that.

Financial market on 30 May 2008:					
NBP deposit rate	4.25	WIBOR 3M	6.48	USDPLN	2.1824
NBP reference rate	5.75	Yield on 2-year T-bonds	6.47	EURPLN	3.3788
NBP lombard rate	7.25	Yield on 5-year T-bonds	6.38	EURUSD	1.5482

This report is based on information available until 04.06.2008

Special focus – Castrol Performance Index

Castrol Performance Index about "Polish group" on EURO2008

	Croatia	Germany	Poland
CPI - team	17287	11500	7945
CPI – goalkeeper	3583	2226	1766
CPI – defence	4822	2978	1816
CPI – midfield	3567	3206	2426
CPI – forward	5315	3090	1937
CPI – best player	Eduardo da Silva (4222)	Lukas Podolski (2440)	Ebi Smolarek (1916)

Note: The index for the entire team is the total of all indices for individual formations, while the index for a formation is the sum of points given to all its players. The index does not give the full picture of the situation because only a few matches of each team played at the qualification stage were subject to an analysis. Austria being the host country was not involved in the qualifications. Interestingly, this should be noted that the best Croatian player comes from Brazil, the best German player is of Polish origin and Ebi Smolarek grew up abroad. This is called globalisation!

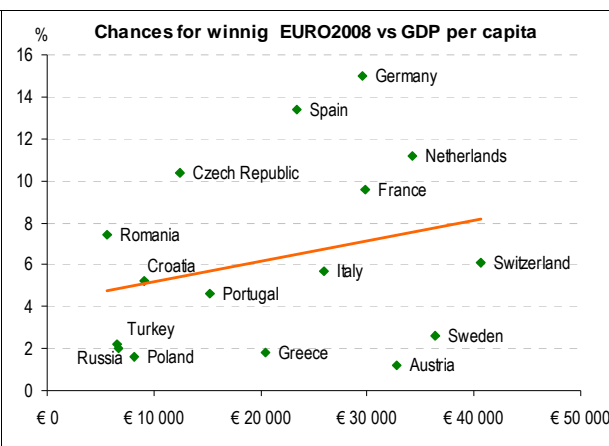
Results of matches in the group stage

TEAM 1	TEAM 2	TEAM 1 WINS	DRAW	TEAM 2 WINS
Austria	Croatia	25.9%	24.3%	49.9%
Germany	Poland	59.6%	21.3%	19.1%
Austria	Poland	35.0%	25.1%	39.9%
Croatia	Germany	27.0%	24.3%	48.7%
Austria	Germany	17.3%	20.5%	62.2%
Poland	Croatia	28.0%	24.8%	47.3%

Note: In view of the fact that Austria did not play in the qualification phase, the chances of the team are probably assessed based on the results of friendly matches. Interestingly, just a few weeks ago the chances of Poland winning the match with Austria were higher by almost 4 percentage points.

Countries' chances of achieving different results

	Austria	Croatia	Germany	Poland
1 st place in group	10.8%	25.9%	50.0%	13.4%
2 nd place in group	18.9%	29.5%	29.6%	22.1%
3 rd place in group	28.3%	27.9%	13.5%	30.3%
4 th place in group	42.0%	16.8%	6.9%	34.3%
Quarter-final	29.7%	55.3%	79.6%	35.4%
Semi-final	10.6%	26.6%	46.9%	13.6%
Final	3.5%	12.1%	28.7%	4.8%
European Championship	1.2%	5.2%	15.0%	1.6%



Source: www.castrolindex.pl; www.dectech.org

CPI is not just the Consumer Price Index

▪ Most often, when referring to "CPI", we mean inflation. However, in relation to the forthcoming EURO2008 Championships, we would like to draw your attention to another CPI - Castrol Performance Index. The index is all the more dear to us because it represents an analytical approach to football.

▪ Castrol Performance Index is a system analysing the performance of footballers based on data collected with the use of advanced technology - 16 cameras on a pitch tracking where and what for each player is running, to whom and why is passing the ball and how and from where is striking.

▪ The table next to this column presents CPIs for teams from EURO 2008 "Polish group" based on qualification matches yet already from 7 June, it will be possible to track the indices for each match and footballer of the 2008 European Championships live.

CPI about us and our EURO 2008 rivals

▪ CPI was designed by Decision Technology and University of Warwick. Based on the index one can calculate the probability of results of individual EURO 2008 matches and chances of gaining some results by a given team during championships.

▪ According to the table next to the text, the chances of Poland winning first matches are not high. This arises from the results in the table above – it is indicated clearly that based on the CPI, the Polish team is much weaker than German or Croatian team.

▪ Despite the fact that the best player will not play in the Croatian team due to an injury, apart from him there are as many as 6 players (including defence) with CPI exceeding 1000 points. In the German team, there are 3 players with such an index and in the Polish team only two. Interestingly, CPI for Maciej Żurawski is close to zero but apparently his form shows an upward trend.

What chances of being in quarter-final or win EURO2008?

▪ Based on the CPI for only a few qualification matches, Croatia (even without da Silva) can be rated higher than Germany, yet Germany's chances are much higher based on the overall assessment. They stand the biggest chance of winning the tournament. They are followed by: Spain (13.4%), the Netherlands (11.2%), and the Czech Republic (10.4%). Poland is the next to the last, and the last one is Austria. In theory, our group is the easiest ... for Germany and Croatia.

▪ If somehow we manage to go through to the group stage, in the next stage we are most likely to play the Czech Republic (30.4%), Switzerland (26.4%) and Portugal (25.5%). Not that long ago we won a friendly match with the Czech team and we won with Portugal in qualifications. Maybe we have a chance to play in semi-final? Dectech.org says that the likelihood is as low as 13.6%.

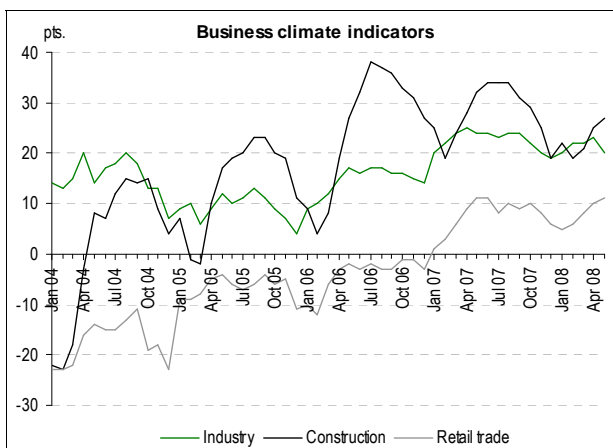
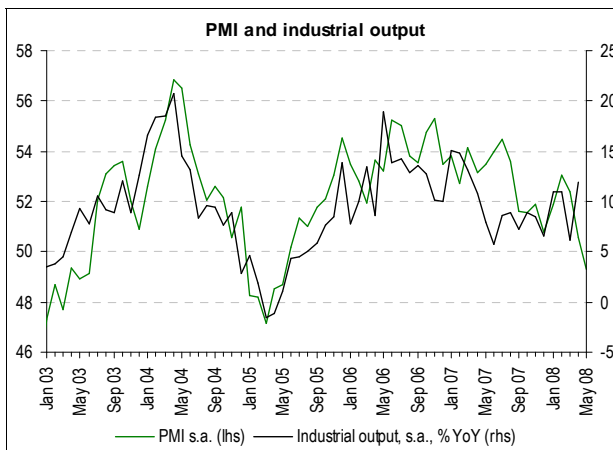
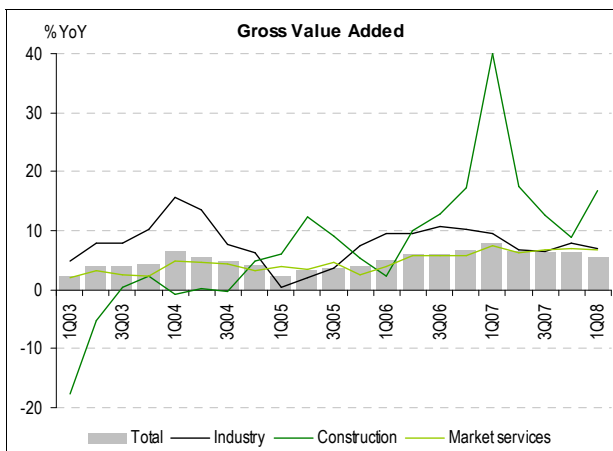
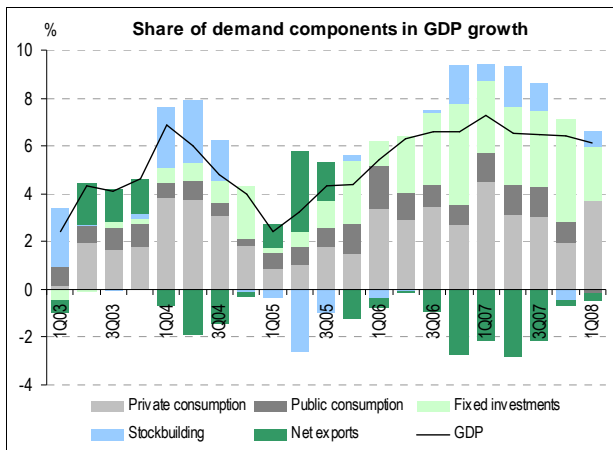
Do football results depend on economic performance?

▪ One can be tempted to try to analyse chances for good results during EURO2008 based on economic performance. As indicated by the graph on the left hand side, there is some positive relationship (correlation of a little above 25%) between the degree of the state development and the football level.

▪ There are countries whose economic development is not the highest yet who stand a good chance of succeeding (the Czech Republic or even Spain). Poland is much below the trend line – nearly the lowest GDP/capita and nearly the lowest chances of winning.

▪ Well, let's hope that Leo Beenhakker is not the only one to make a good choice (he already made one – in the commercial ☺), but the footballers will give their all. There are people rather than indicators playing on the pitch and everything can happen. Let's keep our fingers crossed!

Economic update



Source: CSO, own calculations

Economy still in good shape

- In the first quarter of 2008 GDP growth reached 6.1% and proved higher than median of market forecasts at 5.7%. At the same time, GDP growth in 4Q07 was slightly revised up to 6.4% (versus earlier reported 6.3%).

- The high pace of economic expansion was to a large extent related to strong rise in domestic demand, which reached 6.3% in Q1 2008 after 6.5% growth in Q4 2007. Private consumption growth accelerated to 5.6%, confirming our view that a slump in private consumption growth in Q4 (to 3.6%) was a one-off factor. Increase in fixed investments was 15.7% in Q1, above our prediction at 14%. What is interesting, a noticeable downward revision took place in data on fixed investments for every quarter of 2007. According to revised figures, in the whole previous year fixed investment grew 17.6% against earlier reported increase of 20.4%.

- A large surprise was increase in inventories, which according to our estimates, was responsible for 0.7pp of GDP growth. However, one should remember that this category is residual in national accounts and one should not draw far reaching conclusions from that on the economic situation. The net export contribution was broadly in line with our expectations, taking away 0.4pp from GDP growth.

- While GDP growth was higher than expected, increase in value added in Q1 was slightly below our forecast and reached 5.5%. Growth rates of value added in industry and market services were broadly in line with our predictions, reaching nearly 7% in both cases, while growth rate of value added in construction topped expectations and reached 16.7%.

... but climate indicators suggest further slowdown

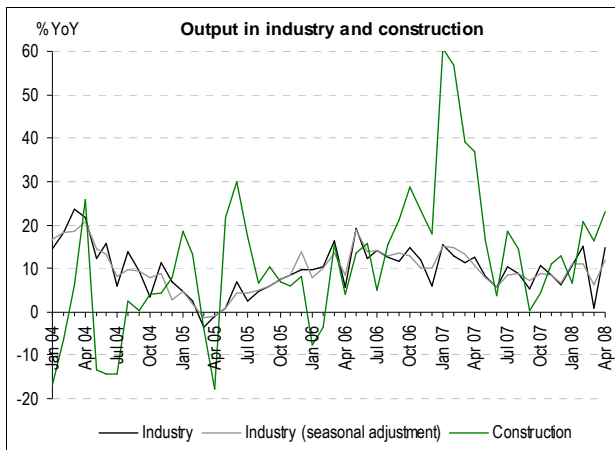
- GDP data confirmed that at the start of the year the economy maintained a rapid pace of growth, probably above potential. In the next quarters, we predict a gradual deceleration in GDP growth, among others due to weakening investment growth and deterioration in net exports balance. In the entire 2008 GDP growth should be above 5%, however later during the year it may be below 5% level.

- It is worth to notice that all business climate indicators, published recently, showed a risk of more significant slowdown in the Polish economy. This is in line with conclusions from April's NBP report on the condition of non-financial enterprises in 2Q08.

- Business climate indicators released by the stat office showed a deterioration of business climate assessment in relation to last year. Index for manufacturing reached 20 pts, falling 3 pts in annual terms. There was an improvement of current situation index, but worsening in expectations concerning future production, demand and financial situation. Business climate in construction (27 pts) was 5 pts lower than a year ago. Also, PMI manufacturing index for Poland dropped to 49.3pts in May from 50.6pts in April, which is the first reading below 50pts (indicating contraction in activity) in 3 years.

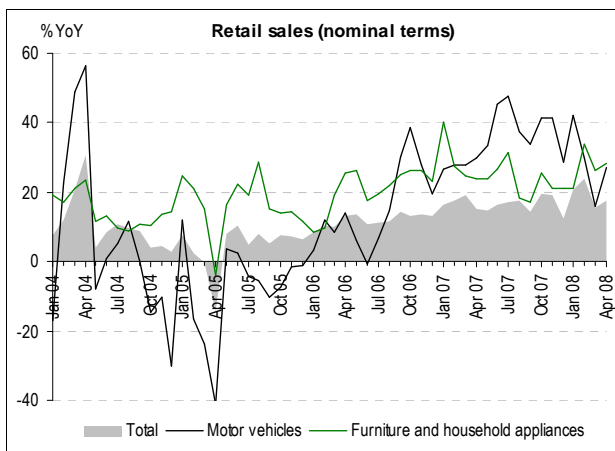
- While business climate index for retail trade showed no change in climate assessment in annual terms, according to the data on consumer sentiment for May the moods of households deteriorated. The current and expectations indices fell to -5.3 pts and -8.9 pts, respectively. The assessment of changes in financial situation of households and the country's economic situation weakened. Concerns about increase in unemployment and possibility of saving money were higher. Making important purchases were the only category, which recorded an improvement in assessment.

Economic update



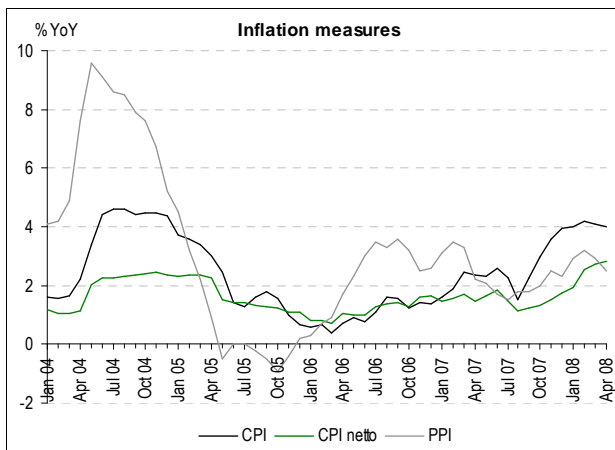
Output accelerated, but not too much

- Industrial output growth in April reached 14.9%YoY, which was above market consensus but below our prediction. The fastest increase (15.7%YoY) was recorded in manufacturing.
- Quite high growth in production does not reflect correctly a level of economic activity at the start of Q2. A problem with accurate assessment of economic situation is exacerbated by fact that until October, the number of working days will be different (both as regards scale and direction) as compared to previous year.
- Seasonally adjusted production growth was 11.9%YoY and was the highest for over a year. However, we think that in subsequent months the growth rate will gradually slow down. We also expect lower growth in seasonally unadjusted terms.



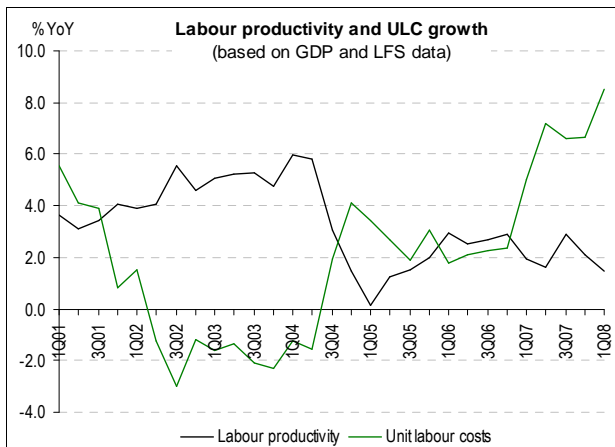
Retail sales below forecast yet robust

- Retail sales growth in April reached 2.9%MoM and 17.6%YoY, accelerating from 15.7%YoY in March. The result was below expectations. Real sales growth reached 14%YoY.
- Even though growth was lower than predicted, a difference was not high enough to change our forecast of GDP growth for Q2, currently at 5.6%. Still, it was not a bad result. Particularly that in April a strong rise in sales of durable goods was recorded. Auto sales rose 27.1%YoY and sales of household electronic appliances increased 28.3%YoY. All kinds of sales were recorded growth in double digits.
- Retail sales deflator once again decreased, to 3.6%YoY versus 4% in March. This suggests that price pressure in retail trade remains under control.



CPI and PPI down, net inflation up

- Inflation rate declined to 4.0%YoY in April and detailed statistics showed a decline in prices of goods and at the same time rise in prices of services. We do not change inflation scenario for this year.
- PPI inflation reached 2.5%YoY in April (2.9% in March). Prices in manufacturing are worth attention, as they remained unchanged since March and their annual growth decelerated to 1.6%. It shows that companies in sectors where market competition is working relatively well are not particularly keen to pass rising cost pressure to prices.
- In April, three out of five measures of core inflation increased, including net inflation that reached 2.8%. Apart from net inflation, four other measures were clearly above a tolerance band around the inflation target.

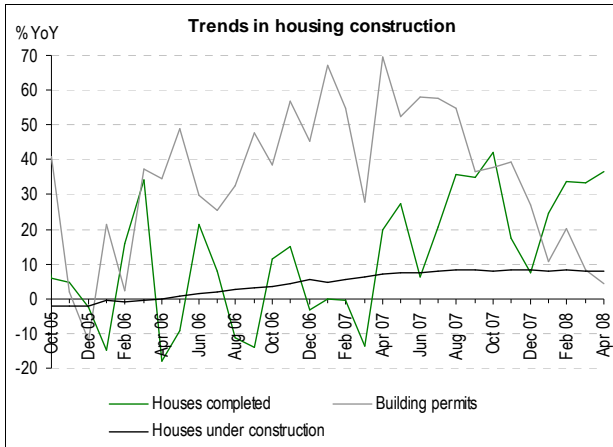


Pressure on labour costs still high

- According to quarterly data, tightening of labour market conditions in Q1 was stronger than we had estimated. In effect of acceleration in wage growth and employment growth, a rise in labour productivity has clearly decelerated and rise in unit labour costs gained momentum in Q1 (to 8.5%YoY from 6.7% in Q4, taking into account data about GDP and employed according to LFS). It implies a risk of strengthening inflationary pressure and is argument for further monetary tightening.
- On the other hand, recent monthly data showed some deceleration in employment growth and unemployment drop, which may suggest moderation of labour market tensions in future. Nevertheless, no moderation was seen in wage growth that in April accelerated to 12.6%YoY, exceeding forecasts.

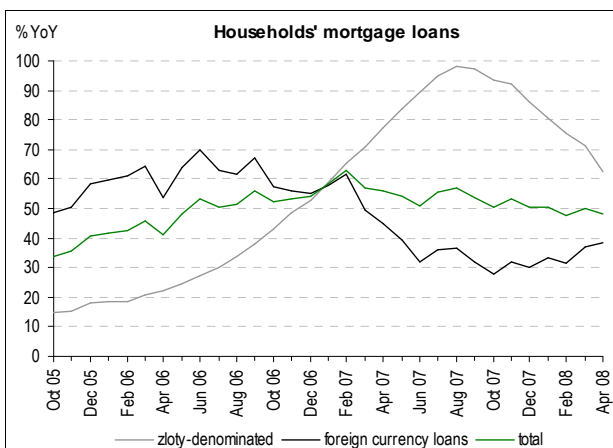
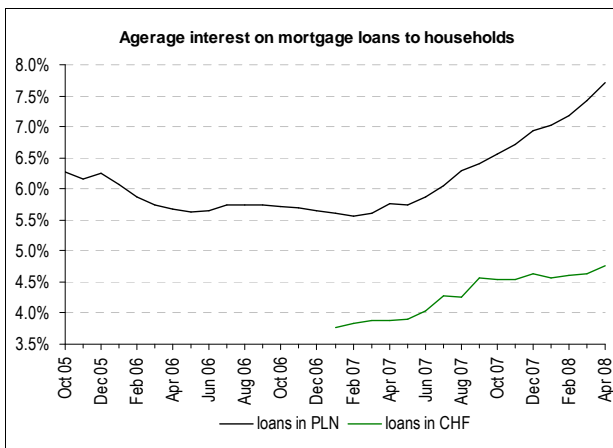
Source: CSO, NBP, own calculations

Housing market update



Average offered prices on secondary market in April

City	Price (1 m ²)	1M change (%)	12M change (%)
Białystok	4452	-4,8	n/a
Bydgoszcz	4312	1,1	n/a
Gdańsk	6986	-1,3	6,5
Gdynia	7028	-2,3	n/a
Katowice	4576	2,4	n/a
Kraków	8022	0,2	0,0
Lublin	4936	-4,8	n/a
Łódź	4229	-5,1	-6,7
Poznań	6312	1,0	6,7
Rzeszów	5086	4,4	n/a
Sopot	10464	-2,7	n/a
Szczecin	5390	2,2	n/a
Warszawa	9582	0,4	2,3
Wrocław	7190	-0,4	4,1



Source: CSO, NBP, Oferty.net, own calculations

Even more houses and building permits

- In April, the number of house completions amounted to 12,000, almost 37% higher than one year before. Almost 42% out of this amount were flats for sale or for rental, which share in total flats construction has been steadily rising.
- Both the number of new building permits and the number of house starts were almost twice as big as house completions (ca. 22,000), even though their growth rates have clearly decelerated in recent months.
- According to information from real estate agents, a large number of newly built houses goes for sale, as investors want to realise profits. This factor is exerting a negative pressure on prices.
- Developers were reporting increasing difficulties with a sale of flats in new investments.

No clear trend in house prices

- According to Oferty.net website, house prices in April moved in different directions, depending on location. In cities where average price was below PLN6000 per 1 sqm (except for Łódź and Lublin) price hikes were observed. Meanwhile, prices in the most expensive cities went down (especially at the coast).
- Increased supply of new flats, growing costs of financing and general deterioration in market moods will not allow prices to go up significantly in the near term. On the other hand, we maintain opinion that sharp price drop will be prevented by high potential demand (unsatisfied housing needs, transactions delayed in time due to expectations for price correction) and quick increase in households' disposable income.

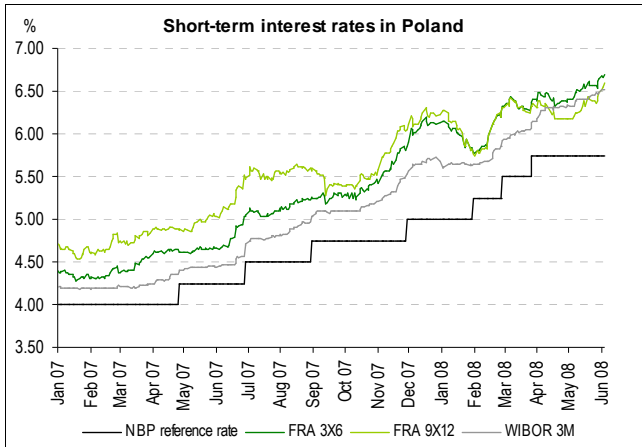
Costs of mortgage loans on the rise

- NBP data are showing fast rise in interest rates on PLN-denominated mortgage loans. In April, average interest in Polish banks (for new loans) reached 7.7%, almost 2 pct. points higher than one year before.
- Interest rates in Swiss Francs have also increased slightly, following the LIBOR CHF rates, which were negatively affected by persisting problems with liquidity on international money markets and deteriorating banks' confidence.
- Despite earlier signals from banks about possible tightening in credit policies, the data did not show a significant increase in banks' margins as compared to 2007. One cannot rule out that such phenomenon will take place eventually if turmoil on international credit markets persists.

... but loan growth slowing down only slightly

- In April, households' mortgage debt increased by merely PLN0.8bn (47.9%YoY), which was one of the weakest results in the last two years.
- However, one month before, there was a record high mortgage growth of PLN5.8bn. Moreover, there was a significant drop in CHF/PLN rate in April, which reduced value of foreign currency loans. According to our estimates, if there was no appreciation of the zloty in April, the value of mortgage loans would have increased by over PLN4bn in April (annual growth of ca. 52%), which suggests that a demand of households does not show signs of weakness.
- A demand shift from zloty-denominated to foreign currency loans is increasingly strong. Moreover, there were information in the media about possible introduction of loans in JPY

Central bank watch



Selected fragments of the MPC statement after May meeting

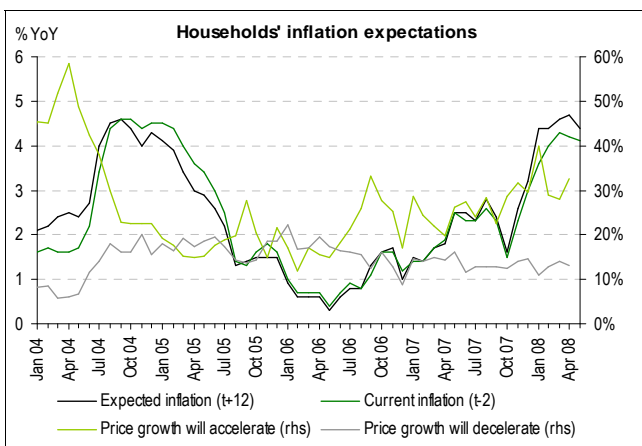
Increased inflation in the months to come will, to a large extent, result from the growth of administered prices and also from the food and fuel price growth observed in the world economy and affecting the Polish market. This creates a risk of inflation expectations remaining at an elevated level and, consequently, feeds the risk of the so-called second-round effects. **Moreover, the rise in prices of energy and food may be gradually passing through to other prices, particularly to prices of some services.**

The MPC assessed the probability of inflation overshooting the inflation target in the medium term to be higher than the probability of inflation running below the target. The MPC does not rule out that bringing inflation down to the target in the medium term would require further monetary policy tightening. In view of the persisting uncertainty as to the global growth outlook and the prospects of the Polish economy, the MPC assessed that a more comprehensive assessment of inflation outlook will be possible after analysing the data released in the near future and after considering the June inflation projection. The MPC will strive to bring inflation down to the target in the medium term.

Fragments of minutes of the MPC meeting in April

While discussing the path of food prices, it was assessed that the high growth of these prices observed since the second half of 2007 would most probably ease in the months to come, which was indicated, among others, by the prices of futures contracts in the world food markets and the positive forecast of this year's harvest in Poland and other European countries.

While discussing the interest rate decision, the Council assessed that the continuing high growth of wages and employment, along with the possibility of increased inflation expectations resulting from higher current inflation and the expected further increase of administered prices, both pointed to the risk of inflation remaining above the inflation target in the medium term. In the opinion of some Council members, these factors justified an interest rate increase already at the April meeting. In the opinion of the majority of the Council, however, the risk of a decrease in economic growth in Poland and of an excessive appreciation of the zloty exchange rate, both of which would be reducing inflation in the medium term, justified no interest rate change at the current meeting.



Source: NBP, Reuters

Second month of pause in May, hike in June

- The MPC kept interest rates unchanged for the second straight month, but similarly as in April the statement left no doubts that we are still in monetary tightening cycle and the doors to rate hike in June are open.

- The statement was in line with our expectations. The Council added one hawkish factor, i.e. a risk that high prices of food and energy will translate into other prices, in particular into prices of some services. Other hawkish arguments were maintained. List of arguments for a pause in monetary tightening remained unchanged.

- The Council kept its informal restrictive bias in monetary policy, repeating the statement that probability of inflation staying above the target is still higher than inflation going below the target. The restrictive bias was maintained mostly due to risk that inflation and inflation expectations will remain at elevated levels, as well as due to unfavourable relation between wage growth and labour productivity.

- The Council said that the more precise assessment of inflation prospects will be possible after getting new data and new inflation projection.

- Given the already released GDP data for 1Q08 (stronger than forecasts) and our predictions of macro indicators that will be published this month before the MPC meeting (increase in inflation and still high wage growth will be more important to the MPC than some lowering of growth in industrial output and retail sales), we still expect a rate hike in June with a risk of one more hike later during the year. Apart from new data, an argument for a rate hike in June will be also the new inflation projection, which is going to be worse than the previous one, according to one of MPC members.

MPC meeting in April without breakthrough conclusions

- Minutes of the MPC meeting in April have not brought much new to the picture of debate within the Council on the economic situation, inflation outlook and monetary policy prospects.

- The main risks for the inflation target in the medium-term in the opinion of the MPC are the tight labour market conditions and a possibility of an increase in the inflation expectations related to elevated inflation and further expected rise in regulated prices.

- In reference to food prices, which are the main determinant of the CPI inflation in Poland, the MPC is moderately optimistic, assuming lowering of food price growth in the next months.

- There are more remarks on the impact of the strong zloty on the economy and inflation, but the MPC members are divided in their opinions on the issue.

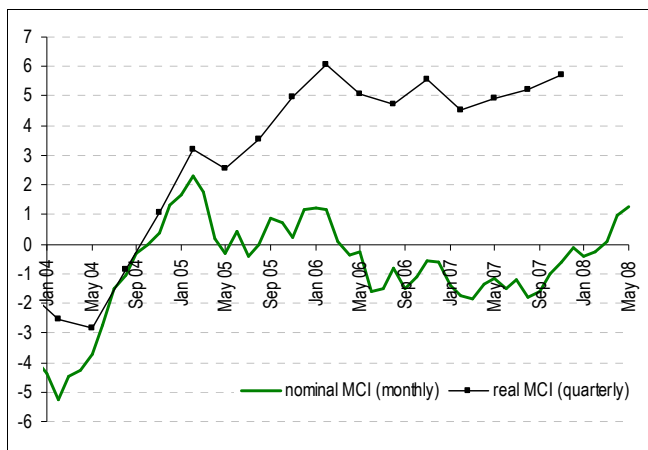
Households' inflation expectations slightly down

- According to the NBP, the average inflation expected by households within the next 12 months fell to 4.4% from 4.7% in April. This was partly a result of a fall in the current inflation indicator (current CPI lagged by 2 months) used in NBP calculations.

- However, it is worth to note that the difference between the average inflation expected by households within the next 12 months and the current inflation decreased, which suggests that weakening of inflation expectations does not result only from the fall in the current headline inflation rate.

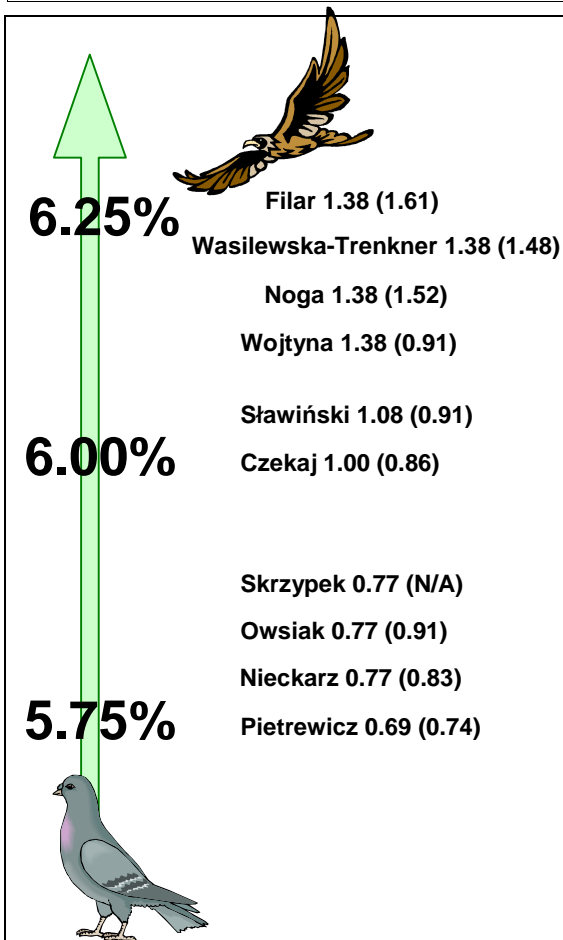
- Nevertheless, the measure of inflation expectations calculated by the NBP remain at elevated level, which is one of arguments in favour of further monetary tightening.

Restrictiveness of the Monetary Policy (Council)



MCI up again, without rate hike by the MPC

- The nominal MCI (the monetary condition index) calculated by us again increased in May, despite the MPC did not raise official interest rates neither in April nor in May.
- However, both months saw significant increase in market short-term interest rates (among others due to liquidity problems in the market) and substantial appreciation of the zloty against the euro.
- What is important, similar as in April, also in May both the scale of increase in the market interest rates and scale of appreciation of the zloty were larger than corresponding changes in trends. In other words, the difference between current level of market interest rates and the EURPLN from its long-term trends widened, which means increase in monetary policy restrictiveness measured by MCI.



Index is between 0 and 2. A vote for the majority view is given a score of 1. A vote for a more hawkish (less dovish) decision than the majority view has a score of 2 and a vote for a less hawkish (more dovish) decision than the majority view has a score of 0. Average of points for all votes is the value of the index for a given MPC member.

Numbers directly by the name are values of the index for period since the beginning of Sławomir Skrzypek's term as NBP governor and numbers in parentheses are values of the index for 2004-2006.

Direction of the arrow reflects our expectations regarding direction of interest rate changes within the nearest 12 months. Values in percent indicate our subjective assumption as regards a preferred level of the reference rate in 12 months by a particular MPC member.

Rate hike in March unanimously

Results of vote at the MPC meeting in March showed that the rate hike of 25bps was supported by all rate-setters. This means that Miroslaw Pietrewicz who was alone against the rate hike in January and was one of three doves against another rate hike in February, in March decided that the third rate hike in a row is needed. This suggests that prof. Pietrewicz changed his view on what is the proper level of the reference rate in current economic situation. Thus, all the more we keep our view that after another rate hike of 25bps in June one should not expect a monetary easing at least over the next 12 months.

Owsiak sees rising probability of a rate hike in June

Prof. Stanisław Owsiak, regarded by the market as one of doves on the rate-setting panel, said in an interview with Reuters on May 30 that GDP data for 1Q08 increase probability that the MPC will raise rate in June. Owsiak said he cannot "sign his name" under opinion of majority of economists who predict the rate hike in June, but he understands them.

Wasilewska-Trenkner

In a comment to the FinMin's inflation forecast for May, MPC member Halina Wasilewska-Trenkner said that it was "obvious that inflation will be higher in May than in April" due to increase in natural gas prices and effect of rising crude oil prices. In her opinion the ministry "is close to reality". She also said that "this does not put a different complexion on things" and the FinMin's forecast "is not an information that changes our assessment of the situation". "We wrote in our statement that we are not giving up on further monetary tightening, but I do not know what it will happen", she added. In an interview with PAP released on May 29 Wasilewska-Trenkner maintained her opinion that she does not know whether the Council will raise rates in June or later. This will depend on "the whole situation". MPC member stressed that she does not know what will be "the ultimate scenario", but said ca. 6% should be enough.

Wojtyna wants one more rate hike as soon as possible

According to Andrzej Wojtyna, the MPC should show that it is "determined to counteract the risk of inflation staying above the inflation target" and therefore should raise interest rates once again as soon as possible". Wojtyna stressed that central banks has a dilemma at what pace inflation should return to a target and thus how decisive monetary tightening should be. In his opinion, the dominating view is that it should be a gradual process so that not to bring about excessive economic slowdown". This suggests that only one more hike may be enough for him, but one cannot exclude he will want more hikes in a few months.

Noga about worsening of inflation outlook according to the NBP

Another hawk from the MPC, Marian Noga, said in an interview with *Dziennik* daily released on May 29 that the central path of the new projection may be slightly higher than previously. He also said that internal, short-term inflation forecasts of the NBP deteriorated as well. Earlier it was predicted that after peak of ca. 4.8% in August the CPI inflation would fall to 4% at year-end and now it forecast to reach 4.4%. In Noga's opinion, a rate hike should have taken place already in May.

Government and politics

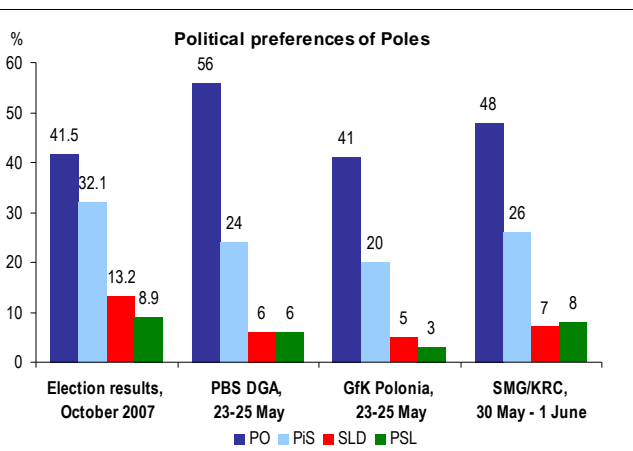
Comments from government's officials on a cut in excise for fuels

Donald Tusk, Prime Minister: (PAP, 29 May) I predict the first meeting already today. We have to answer responsibly, after thorough analysis, to what extent producers' margins and to what extent prices at producer level are affecting those high prices of fuel in Poland. I will talk to minister Rostowski and minister Pawlak, and also to heads of the biggest oil companies in Poland, to consider in what way we can effectively counter this threat of expensive fuels. This is a serious matter, I need to know how much money will it cost the budget and whether it will indeed cause a reduction in retail fuel prices.

Jacek Kapica, deputy finance minister: (PAP, 21 May) At the moment we do not see a need for such a cut. However, the ministry monitors the situation and analyse the situation in the fuel market. After four months of 2008, the budget revenues from excise tax reached merely 29.6% of the full-year plan against 33.6% in the same period of last year. There is also no surplus in revenues from VAT. This means that we do not have budget revenues at the planned level. We are at the beginning of the year. We do not know how the situation will look like. Budget spending cumulate in the second half of the year. We do not have budget comfort, so that decide about reduction in excise tax on fuels.

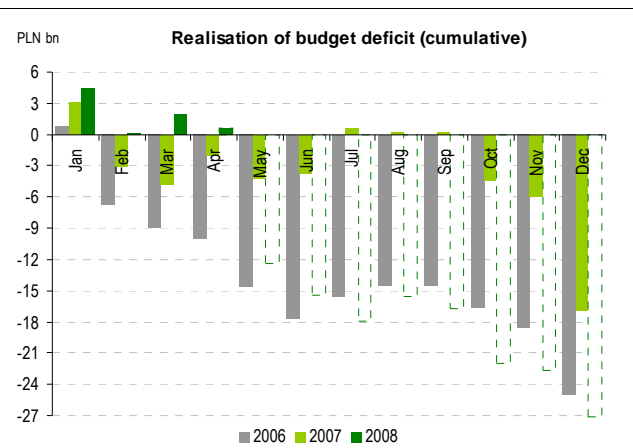
The government is mulling excise tax cuts

- Government officials, recently even the Prime Minister, are mulling over a possibility of reduction in excise tax for fuels, in order to reduce their prices. However, the Ministry of Finance has been strongly denying such possibility until recently.
- Deputy finance minister Jacek Kapica argued that only due to zloty appreciation the excise tax for oil is slightly above the EU required minimum level, and realisation of excise revenues planned for this year is rather low (the latter argument is offset by the fact that total budget revenues this year may be higher than planned).
- Even if the government decides to cut excise tax slightly, which will reduce inflation path in the short run, it seems it will not have impact on the medium-term inflation prospects and in effect will have no effect on monetary policy decisions.



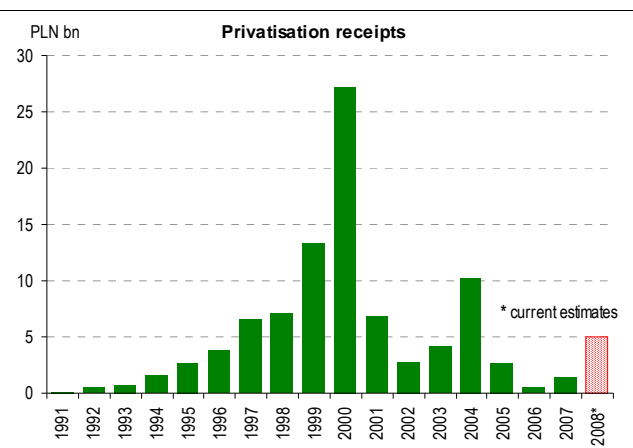
No-confidence vote in finance minister

- On May 30, leader of the opposition Law and Justice Jarosław Kaczyński warned that his party will submit a motion of no-confidence vote in finance minister Jacek Rostowski, if the government does not make a decision on lowering the excise tax on fuels until June 4. The government did not make a decision and the Law and Justice submitted the motion.
- In our opinion, there are no chances for approval of the no-confidence vote, as the PO may count on its coalition partner PSL. Public opinion polls show the latter has no enough support to be sure to get to the parliament in case of premature elections (threshold at 5%). Therefore, it seems unlikely so that the PSL would like to lead to a political crisis and risk elimination from the political scene due to issue of excise tax on fuels.



The 2008 budget performance goes well

- After April the central budget deficit reached a surplus of PLN600m. From the point of view of the economic situation an important fact is that both revenues from direct taxes and VAT inflows are broadly in line with the plan. Only the excise tax revenues are below the plan at the moment.
- Deputy finance minister Elżbieta Suchocka-Roguska said that budget deficit after May reached merely PLN2-2.2bn, while according to the initial plan it was expected to reach as much as PLN12bn. The favourable difference results mainly from lower than assumed spending.
- Currently the Ministry of Finance estimates that thanks to good budget situation, the deficit will be lower by a few billion zlotys, similar to the state's borrowing needs.

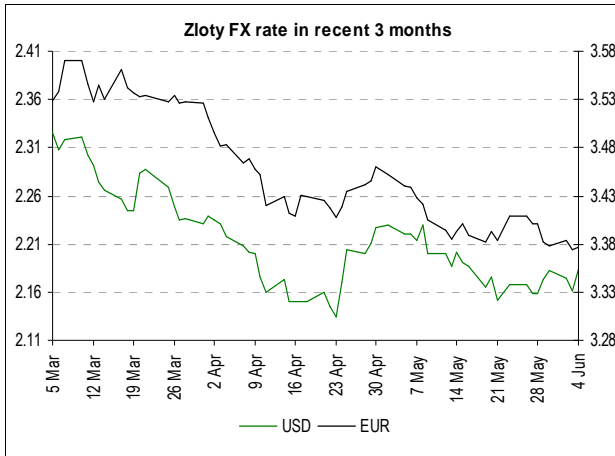


Two big privatisation deals in July

- In lowering of the state's borrowing needs, the speed up in privatisation process may be helpful. Deputy treasury minister Joanna Schmid said at the beginning of June that according to the ministry's current estimates, this year's privatisation proceeds will reach PLN4.5-5bn against the initial plan of PLN1.37bn. Already in July at the Warsaw Stock Exchange there will be offers of BGŻ bank shares worth nearly PLN1bn and energy company Enea shares worth PLN2.5-3bn.
- The inflows to the budget related to the privatisation will enable the finance ministry to limit supply of treasury papers, which would be supportive for the domestic debt market.
- Privatisation transactions may also have positive impact on the zloty, if the shares sold at the WSE will be bought by foreign investors.

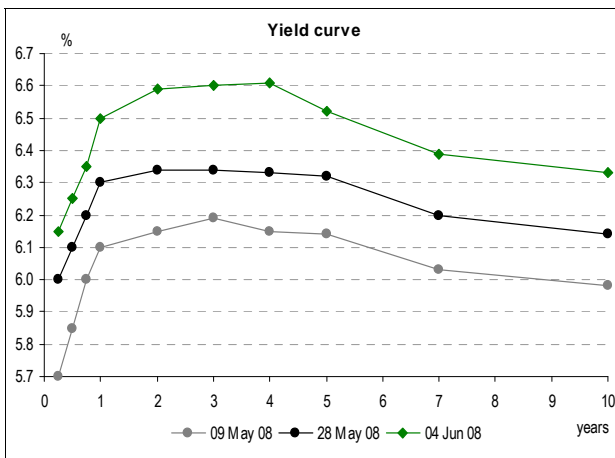
Source: Ministry of Finance, Ministry of State Treasury, PAP, Reuters, polling institutes, own calculations

Market monitor



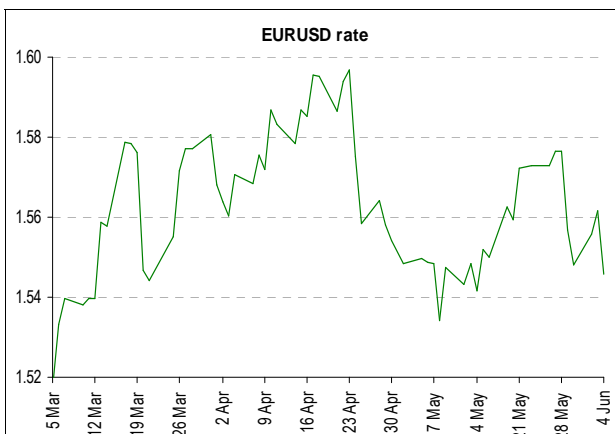
Zloty close to record strong levels

- The positive influence on the domestic currency of the European Commission's recommendation for Slovakia on the euro zone entry was maintained in the last weeks. After a slight correction of the zloty at the end of May it appreciated again at the start of June, due to positive moods in the region after the revaluation of the Slovakian crown against the euro. The EURPLN rate approached toward the historical minimum levels (ca. 3.34) and declined to 3.364. On the other hand the USDPLN rate stayed close to levels recorded a month ago.
- We keep our view that the investors may want to bring the EURPLN rate to the record low level. The zloty may test 3.34. The moment fuelling such a move could be the incoming MPC meeting and the decision the raise interest rates. However in the further perspective we see a zloty correction by a few figures on signs of rising risk aversion in the international markets.



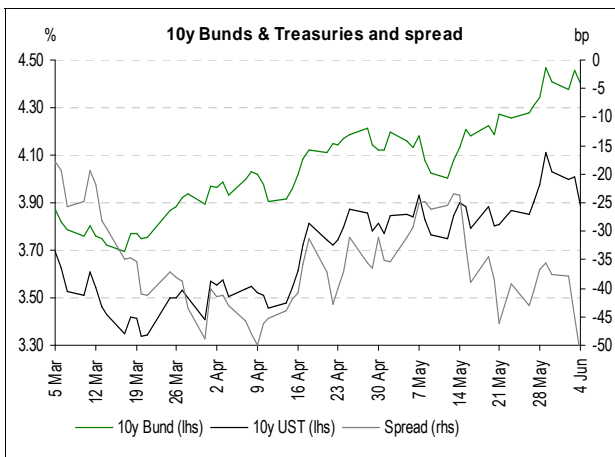
Substantial yields rise due to core bonds markets

- Since the release of the previous monthly report bond prices significantly declined. Yields rise (by 20-30 bp) was fuelled most of all by the situation in the core debt markets. The prices drop resulted also after the release of the higher than expected wages figure and poor results of bond auctions. Lower than forecasted CPI for April did not support the market for long. The MPC left the interest rates unchanged in May, and the communiqué was quite hawkish. The rates in the interest rate market slightly fell at the end of May though the market weakened again at the start of June.
- We do not expect the recovery of the debt market before the MPC meeting, at which in our view the Council will raise interest rates by 25 bp. Later the prices may rise on technical correction and weakening expectations of more monetary tightening. The situation in the core debt markets will have a large influence on the domestic market. The room for further prices decline should be rather limited.



Dollar recovers

- After substantial strengthening of the dollar at the start of May in the second part of the month the US currency depreciated against the euro again reaching 1.58, among others on concerns, the record high oil prices may deteriorate the financial results of the US companies and contribute to interest rate hikes in the euro zone. However, at the end of May the dollar significantly recovered, after hawkish comments of the Fed representatives, market fears of monetary tightening in the US and Ben Bernanke comments, who underlined the importance of price stability and expressed concern over the dollar weakness. The EURUSD rate fell to 1.545 again.
- We expect the dollar weakening toward the 1.56. The EURUSD rate should fluctuate in range of 1.54-158 till the year-end with a slight tendency of going up the end of year.

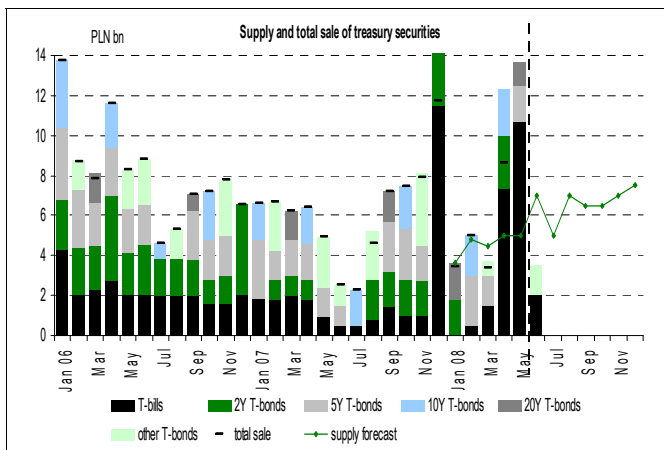
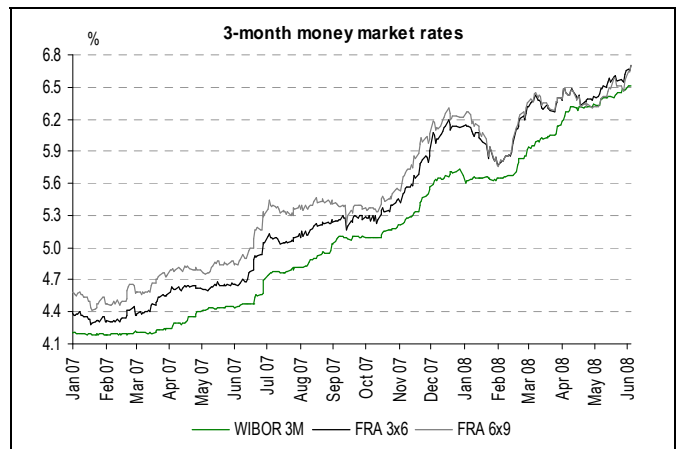
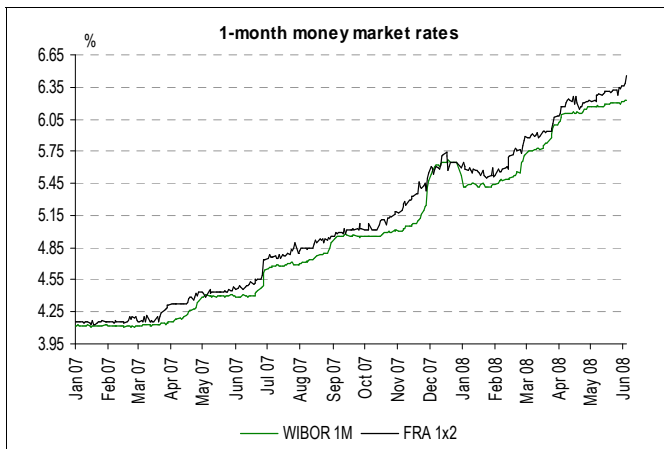
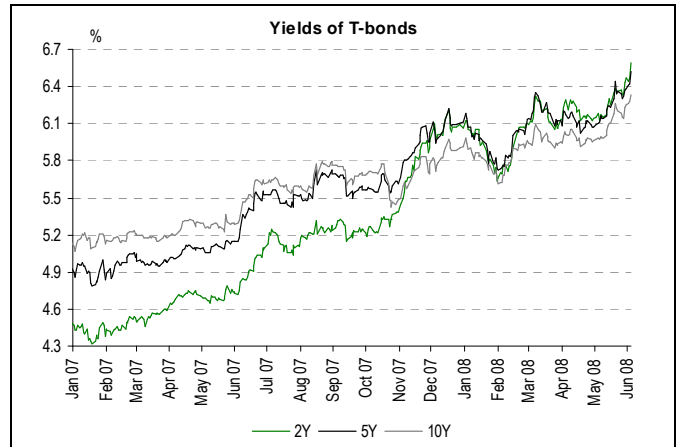
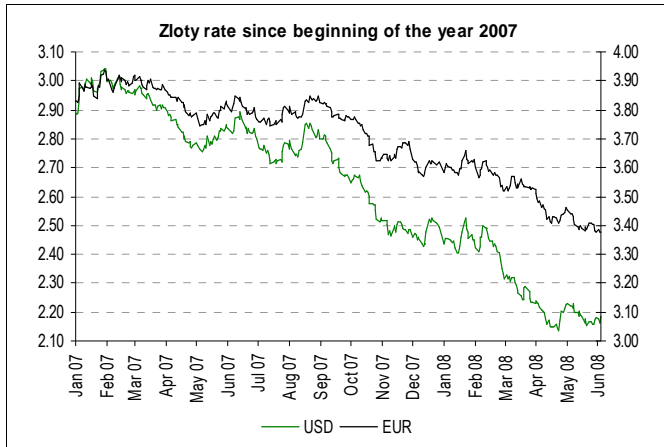


The core debt markets under pressure

- In the past month a substantial rise of yields was recorded in the core debt markets. The prices declines were connected with rising inflationary fears (among others due to high commodities prices – especially oil), the hawkish comments of the Fed as well as ECB decision makers, weakening expectations for interest rate cuts in the US and the EMU and even spike in expectations for monetary tightening. Yields of 10Y Treasuries and Bunds rose during the month to 3.91% and 4.42% from 3.75% and 4.06% a month ago.
- We postponed our expectations of rate cuts in the euro zone for Q1 next year and in the US we see rate cuts to 1.50% in Q4 this year, as the forecasted economic slowdown abroad will come later than was previously assumed. So far the market may be under influence of hawkish comments of Fed and the ECB.

Source: Reuters, BZ WBK

Market monitor



Date of auction	(OFFER)*/SALE					
	52W	26W	13W	5W	3W	2D
14.01.2008	2000	-	-	-	-	-
11.02.2008	500	-	-	-	-	-
10.03.2008	1417	-	-	737	-	-
10.04.2008	-	-	-	-	-	2837
14.04.2008	3134	1005	573	-	-	-
05.05.2008	2787	-	-	-	2007	-
26.05.2008	3000/3275	1500/964	1500/1167	-	-	-
02.06.2008	1500/1496	-	500/810	-	-	-
09.06.2008	(1000-2000)	-	(1000-2000)	-	-	-
16.06.2008	(1000-2000)	-	(1000-2000)	-	-	-
14.07.2008	-	-	-	-	-	-
11.08.2008	-	-	-	-	-	-
08.09.2008	-	-	-	-	-	-

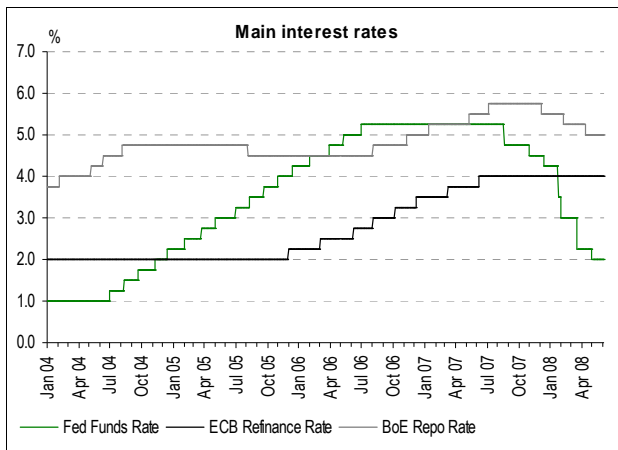
* based on data of the Ministry of Finance

month	First auction			Second auction			Switch auction				
	date	T-bonds	offer	sale	date	T-bonds	offer	sale	date	T-bonds	sale
January	02.01	OK0710	1 800	1 655	09.01	WS0922	1 800	1 800	16.01	PS0413 / IZ0816 / WS0922	524 / 766 / 431
February	06.02	PS0413	2 500	2 500	13.02	DS1017	2 000	2 000	20.02	WZ0816 / WZ1118	855 / 914
March	05.03	PS0413	1 500	1 500	12.03	WS0437	700	700	19.03	PS0413/WZ0118/WS0922	1632/ 340 /369
April	02.04	OK0710	2 700	2 700	09.04	DS1017	2 300	1 208	16.04	PS0413/DS1017	3399/2804
May	07.05	PS0413	1 800	1 800	14.05	WS0922	1 200	714	21.26	-	-
June	04.06	IZ0816/WZ0118	500/1000	505/719	-	-	-	-	11.06	-	-
July	02.07	2Y	-	-	09.07	10Y	-	-	-	-	-
August	06.08	2Y	-	-	13.08	12Y CPI 10L float	-	-	-	-	-
September	03.09	5Y	-	-	10.09	20Y	-	-	-	-	-
October	01.10	5Y	-	-	08.10	10Y	-	-	-	-	-
November	05.11	5Y	-	-	12.11	12Y CPI 10Y float	-	-	-	-	-
December	03.12	2Y	-	-	-	-	-	-	-	-	-

* with supplementary auction

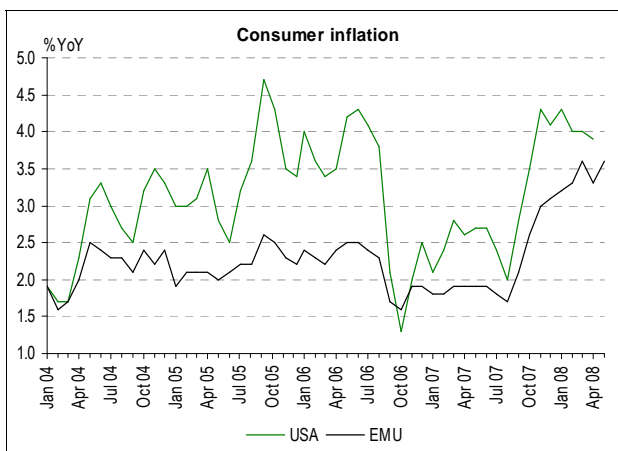
Source: Ministry of Finance, Reuters, BZ WBK

International review



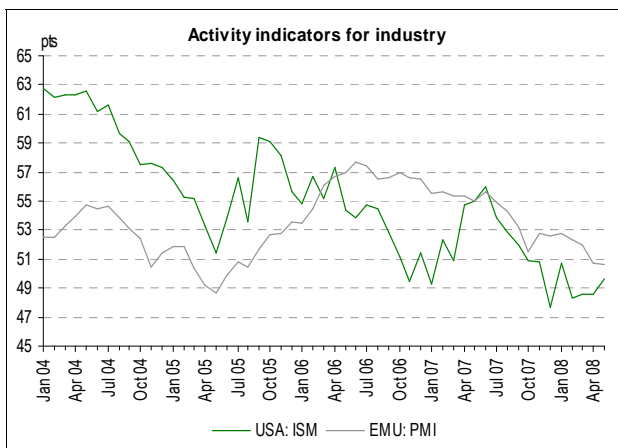
Rate hikes discounted in the US and EMU

- Since the end of April when Fed lowered the interest rates by 25 bp the expectations of more rate cuts in the US were being limited. Moreover after a series of Fed comments and record high oil prices the market started to price in rate hikes. Fed's president said recently that currently the monetary policy is well balanced and supports both economic growth and maintaining price stability. What is more, the Fed's chief said the dollar's weakening had some influence on inflation, which is examined by Fed.
- European Central Bank left interest rates unchanged in June (with the main rate at 4.0%). According to the central bank's president Jean Claude Trichet risks to price stability in the euro zone substantially increased. In his opinion part of the ECB Council members think of monetary tightening later this year and he added that this is not ruled out already in July.



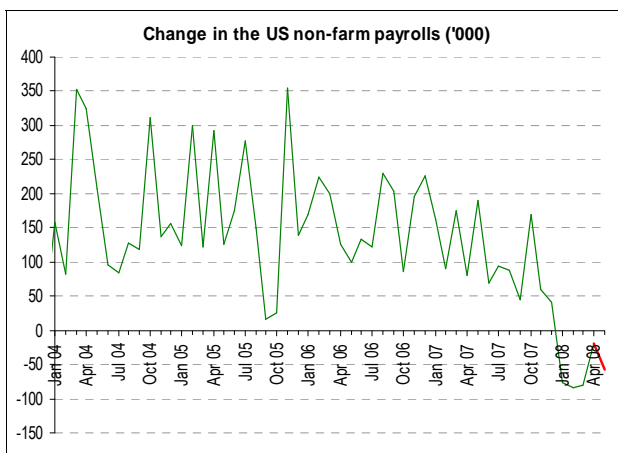
Lower inflation in the US higher in the EMU

- US inflation data for April appeared to be below expectations. The prices rose by 0.2%MoM against expected 0.3%MoM. This means annual inflation of 3.9%YoY against 4.0%YoY in March. What is important, the core prices index rose only by 0.1%MoM and 2.3%YoY (2.4% in March) against forecasted 0.2%MoM. The US producer prices data for April were also below expectations. The PPI index rose by 0.2%MoM (6.5%YoY) and the core PPI by 0.4%MoM (3%YoY) against forecasts of 0.4% and 0.2%, respectively.
- Inflation in the euro zone for April was in line with market expectations and preliminary estimate of the Eurostat and was at 3.3%YoY (0.3%MoM). The core inflation was at 0.2%MoM and 2.4%YoY. Preliminary inflation data for May showed a rise by 3.6% against forecasts at 3.5%. The PPI for April increased in line with expectations by 0.8%MoM and 6.1%YoY.



Activity indices slightly better than expected

- The US manufacturing ISM index rose in May to 49.6 pts from 48.6 pts. The new orders index increased to 49.7 pts from 46.5, and the output index rose to 51.2 pts from 49.1. The employment index did not significantly change and was at 45.5 pts. The non-manufacturing ISM index in the US declined in May to 51.7 pts from 52.0 pts. The prices paid index rose to 77 pts, close to the highest level in over 10 years.
- The PMI index for the manufacturing sector in the euro zone for May was at 50.6 pts, slightly above the preliminary estimate and forecasts of 50.5 pts against 50.7 pts in April. The export orders index fell to 48.6 pts, the lowest level since mid-2003. The PMI index for services fell as expected to 50.6 pts from 52 pts in April. The employment index declined to 51.2 pts, the lowest level since August 2005, and the prices charges index increased to 54 pts the highest level since June 2007.
- The GDP data in the United States showed the GDP growth in Q1 of 0.9% against preliminary estimates of 0.6% and expectations of 1%.
- The economic growth in the euro zone in Q1 was higher than initially expected (1.9%YoY) and was at 2.2% (0.8%QoQ). A positive surprise resulted most of all from better results of the largest euro zone economy, Germany, as well as France.



Better signal figure from the US labour market

- The ADP report from the labour market in the US for May showed jobs growth outside farming in the private sector by 40k against a forecasted 30k. Additionally the April figure was upwardly revised by 3k.
- Despite the ADP report was more optimistic its correlation with the official non-farm payrolls statistics is not high. Apart from this the situation in the US labour market does not seem to be optimistic.

Source: Reuters, ECB, Federal Reserve

Economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
9 June PL: Auction of Treasury Bills US: Pending home sales (Apr)	10 US: Trade balance (Apr)	11 PL: Switch auction	12 EZ: Industrial production (Apr) US: New jobless claims US: Import prices (May) US: Retail sales (May)	13 PL: CPI (May) PL: Money supply (May) US: CPI (May) US: Preliminary Michigan (Jun)
16 PL: Auction of Treasury Bills PL: Wages and employment (May) EZ: Final HICP (May) US: NY Fed index (Jun) US: Capital flows (Apr)	17 PL: Balance of payments (Apr) DE: ZEW index (Jun) US: PPI (May) US: Capacity use (May) US: Industrial output (May)	18 PL: Industrial output (May) PL: PPI (May)	19 PL: MPC minutes (May) US: New jobless claims US: Philadelphia Fed index (Jun)	20 PL: Net inflation (May) US: House starts (Apr)
23 PL: Business climate (Jun) DE: Ifo index (Jun) EZ: Flash manufacturing PMI (Jun) EZ: Flash services PMI (Jun)	24 PL: MPC meeting PL: Retail sales (May) PL: Unemployment (May) US: Consumer confidence (Jun) US: Case/Shiller index (Apr)	25 PL: MPC meeting – decision US: Durable goods orders (May) US: New home sales (May) US: Fed meeting- decision	26 EZ: M3 money supply (May) US: New jobless claims US: Final GDP (Q1) US: GDP deflator (Q1) US: Core GDP (Q1) US: Home sales (May)	27 US: Core PCE (May) US: Final Michigan (Jun)
30 PL: Balance of payments (Q1) EZ: Economic sentiment (Jun) US: Chicago PMI (Jun)	1 July EZ: PMI – manufacturing PMI (Jun) US: Manufacturing ISM (Jun)	2 PL: Auction of 2Y bonds EZ: PPI (May) US: ADP report (Jun) US: Factory orders (May)	3 EZ: Services PMI (Jun) EZ: Retail sales (Apr) GB: BoE meeting – decision EZ: ECB meeting - decision US: New jobless claims US: Non-farm payrolls (Jun) US: Unemployment (Jun)	4 US: Market holiday
7	8 US: Pending home sales (May) US: Wholesale inventories (May)	9 PL: Auction of 10Y bonds	10 US: New jobless claims	11 US: Import prices (Jun) US: Trade balance (May) US: Preliminary Michigan (Jul)

Source: CSO, NBP, Finance Ministry, Reuters

MPC meetings and data release calendar for 2008

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

* quarterly data, ^a preliminary data for January, ^b January and February, ^c November 2007

Source: CSO, NBP

Economic data and forecasts

Monthly economic indicators

		May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08
Industrial production	%YoY	8.1	5.6	10.4	8.9	5.4	10.8	8.5	6.4	10.7	15.0	1.0	14.9	5.6	7.4
Retail sales ^c	%YoY	14.8	16.2	17.1	17.4	14.2	19.4	19.2	12.4	20.9	23.8	15.7	17.6	15.0	17.1
Unemployment rate	%	12.9	12.3	12.1	11.9	11.6	11.3	11.2	11.4	11.7	11.5	11.1	10.5	9.8	9.2
Gross wages ^{b,c}	%YoY	8.9	9.3	9.3	10.5	9.5	11.0	12.0	7.2	11.5	12.8	10.2	12.6	11.8	10.3
Employment ^b	%YoY	4.4	4.6	4.7	4.8	4.7	5.0	5.0	4.9	5.9	5.9	5.8	5.6	5.5	5.4
Export (€) ^d	%YoY	11.6	10.7	17.0	14.9	8.2	13.6	13.1	8.6	21.9	29.4	19.1	30.6	17.6	18.0
Import (€) ^d	%YoY	13.7	20.8	23.3	13.4	13.7	17.7	15.4	15.3	18.8	32.2	21.1	31.0	22.2	20.5
Trade balance ^d	EURm	-957	-1123	-1299	-472	-917	-858	-785	-1644	-644	-874	-1480	-1277	-1575	-1575
Current account balance ^d	EURm	-1246	-1506	-1252	-576	-546	-1158	-95	-1976	-1105	-1166	-1605	-1267	-1775	-1875
Current account balance ^d	% GDP	-3.2	-3.5	-3.7	-3.6	-3.8	-3.8	-3.5	-3.7	-3.9	-4.0	-4.2	-4.5	-4.6	-4.7
Budget deficit (cumulative)	PLNbn	-4.3	-3.7	0.6	0.3	0.2	-4.4	-6.0	-16.9	4.4	0.0	1.9	0.6	-2.9	-6.7
Budget deficit (cumulative) ^e	% of FY plan	25.2	21.7	-3.6	-1.6	-1.2	26.2	35.5	100.0	-16.4	-0.1	-6.9	-2.2	10.6	24.6
CPI	%YoY	2.3	2.6	2.3	1.5	2.3	3.0	3.6	4.0	4.0	4.2	4.1	4.0	4.3	4.3
PPI	%YoY	2.1	1.7	1.5	1.8	1.8	2.0	2.5	2.3	2.9	3.2	2.9	2.5	2.4	2.3
Broad money (M3)	%YoY	16.0	14.7	15.6	16.1	14.4	13.8	13.6	13.4	12.9	13.5	13.6	14.9	14.7	16.0
Deposits	%YoY	16.4	15.2	15.9	16.3	15.4	15.2	15.1	14.5	14.3	14.7	15.3	16.7	16.4	17.8
Loans	%YoY	28.6	29.2	31.4	31.1	31.0	30.6	30.1	30.0	30.3	29.5	29.7	28.4	27.4	26.0
USD/PLN	PLN	2.80	2.84	2.75	2.80	2.73	2.61	2.49	2.47	2.46	2.43	2.28	2.19	2.19	2.18
EUR/PLN	PLN	3.78	3.81	3.77	3.81	3.79	3.71	3.66	3.60	3.61	3.58	3.54	3.45	3.40	3.40
Reference rate ^a	%	4.25	4.50	4.50	4.75	4.75	4.75	5.00	5.00	5.25	5.50	5.75	5.75	5.75	6.00
Lombard rate ^a	%	5.75	6.00	6.00	6.25	6.25	6.25	6.50	6.50	6.75	7.00	7.25	7.25	7.25	7.50
WIBOR 3M	%	4.44	4.52	4.78	4.80	5.09	5.13	5.36	5.67	5.64	5.74	6.03	6.29	6.41	6.45
Yield on 52-week T-bills	%	4.43	4.42	4.70	4.80	5.01	5.04	5.30	5.78	5.75	5.66	6.09	6.10	6.10	6.15
Yield on 2-year T-bonds	%	4.70	4.93	5.14	5.23	5.25	5.30	5.77	6.06	5.92	5.90	6.17	6.20	6.27	6.40
Yield on 5-year T-bonds	%	5.11	5.40	5.50	5.61	5.60	5.59	5.90	6.07	5.94	5.93	6.20	6.12	6.25	6.40
Yield on 10-year T-bonds	%	5.28	5.52	5.60	5.68	5.69	5.64	5.70	5.85	5.81	5.82	5.98	5.98	6.10	6.15

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 2006 - % of Dec, 2007 - % of plan

Quarterly and annual economic indicators

		2006	2007	2008	2009	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
GDP	PLNbn	1 060.0	1 167.8	1 279.0	1 380.0	267.7	281.5	288.5	330.1	294.1	309.7	315.9	359.3
GDP	%YoY	6.2	6.6	5.3	4.5	7.3	6.5	6.5	6.4	6.1	5.6	4.7	4.7
Domestic demand	%YoY	7.3	8.3	6.6	6.4	9.3	9.2	8.4	6.5	6.3	6.7	6.6	6.8
Private consumption	%YoY	5.0	5.0	5.7	5.5	6.8	4.9	4.8	3.6	5.6	5.7	5.7	5.7
Fixed investments	%YoY	14.9	17.6	12.8	12.0	23.8	19.0	16.7	15.2	15.7	14.0	13.0	11.0
Industrial production	%YoY	12.5	9.7	6.4	9.0	13.0	8.5	8.1	9.6	8.5	9.3	4.1	3.5
Retail sales (real terms)	%YoY	11.9	14.0	14.0	10.0	17.4	14.1	12.8	12.2	16.0	12.5	13.3	14.3
Unemployment rate ^a	%	14.8	11.4	8.8	7.5	14.3	12.3	11.6	11.4	11.1	9.2	8.6	8.8
Gross wages (real terms) ^c	%YoY	4.2	6.7	6.1	4.5	5.9	6.5	8.1	6.5	7.2	7.1	5.9	4.4
Employment ^c	%YoY	3.2	4.6	5.3	3.2	4.2	4.5	4.8	5.0	5.9	5.5	5.1	4.5
Export (€) ^b	%YoY	20.4	12.8	14.3	9.0	13.4	12.7	13.1	12.0	23.2	21.9	8.0	5.5
Import (€) ^b	%YoY	24.0	17.9	18.4	15.5	19.5	19.7	16.6	16.2	23.7	24.5	14.0	12.5
Trade balance ^b	EURm	-5 539	-11 311	-17 758	-28 336	-2 322	-3 029	-2 684	-3 276	-2 998	-4 427	-4 640	-5 693
Current account balance ^b	EURm	-7 283	-11 499	-18 663	-25 336	-2 468	-3 434	-2 376	-3 221	-3 876	-4 917	-4 232	-5 638
Current account balance ^b	% GDP	-2.7	-3.7	-5.0	-6.2	-2.9	-3.5	-3.8	-3.7	-4.0	-4.2	-4.6	-5.0
Budget deficit (cumulative) ^a	PLNbn	-25.1	-16.9	-23.0	-30.0	-4.8	-3.7	0.2	-16.9	1.9	-6.7	-10.3	-23.0
Budget deficit (cumulative) ^a	% GDP	-2.4	-1.4	-1.8	-2.2	-	-	-	-	-	-	-	-
CPI	%YoY	1.0	2.5	4.2	3.3	2.0	2.4	2.0	3.5	4.1	4.2	4.5	3.9
CPI ^a	%YoY	1.4	4.0	3.8	3.0	2.5	2.6	2.3	4.0	4.1	4.3	4.5	3.8
PPI	%YoY	2.5	2.3	2.6	3.5	3.3	2.0	1.7	2.3	3.0	2.4	2.0	2.9
Broad money (M3) ^a	%YoY	16.0	13.4	13.0	10.5	18.0	14.7	14.4	13.4	13.6	16.0	15.4	13.0
Deposits ^a	%YoY	15.2	14.5	13.2	10.1	17.7	15.2	15.4	14.5	15.3	17.8	16.6	13.2
Loans ^a	%YoY	23.4	30.0	19.0	15.0	26.8	29.2	31.0	30.0	29.7	26.0	22.6	19.0
USD/PLN	PLN	3.10	2.77	2.22	2.24	2.97	2.82	2.76	2.52	2.39	2.18	2.17	2.15
EUR/PLN	PLN	3.90	3.78	3.44	3.38	3.89	3.80	3.79	3.65	3.58	3.42	3.40	3.37
Reference rate ^a	%	4.00	5.00	6.00	6.00	4.00	4.50	4.75	5.00	5.75	6.00	6.00	6.00
Lombard rate ^a	%	5.50	6.50	7.50	7.50	5.50	6.00	6.25	6.50	7.25	7.50	7.50	7.50
WIBOR 3M	%	4.21	4.73	6.18	6.20	4.20	4.42	4.89	5.39	5.80	6.38	6.30	6.25
Yield on 52-week T-bills	%	4.18	4.69	6.06	6.00	4.14	4.40	4.84	5.37	5.84	6.12	6.15	6.10
Yield on 2-year T-bonds	%	4.57	5.23	6.22	6.10	4.47	4.78	5.21	5.71	5.99	6.29	6.40	6.20
Yield on 5-year T-bonds	%	5.03	5.52	6.22	6.10	4.95	5.19	5.57	5.85	6.02	6.25	6.40	6.20
Yield on 10-year T-bonds	%	5.22	5.56	6.01	5.90	5.17	5.36	5.66	5.73	5.87	6.08	6.10	6.00

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

This analysis is based on information available until 04.06.2008 has been prepared by:

ECONOMIC ANALYSIS UNIT

TREASURY DIVISION

ul. Marszałkowska 142, 00-061 Warszawa, fax +48 022 586 83 40

Email: ekonomia@bzwbk.pl Web site (including Economic Service page): <http://www.bzwbk.pl>

Maciej Reluga – Chief Economist

tel. +48 022 586 83 63, Email: maciej.reluga@bzwbk.pl

Piotr Bielski +48 022 586 83 33

Piotr Bujak +48 022 586 83 41

Cezary Chrapek +48 022 586 83 42

TREASURY SERVICES DEPARTMENT

Gdańsk

Długie Ogrody 10
80-765 Gdańsk
tel. +48 058 326 26 40
fax +48 058 326 26 42

Kraków

Rynek Główny 30/8
31-010 Kraków
tel. +48 012 424 95 01
fax +48 012 424 21 41

Poznań

pl. Gen. W. Andersa 5
61-894 Poznań
tel. +48 061 856 58 14
fax +48 061 856 55 65

Warszawa

ul. Marszałkowska 142
00-061 Warszawa
tel. +48 022 586 83 20
fax +48 022 586 83 40

Wrocław

ul. Rynek 9/11
50-950 Wrocław
tel. +48 071 370 25 87
fax +48 071 370 26 22

This publication has been prepared by Bank Zachodni WBK S.A. (a member of AIB Group) for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Bank Zachodni WBK S.A., its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Bank Zachodni WBK S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Bank Zachodni WBK S.A. entity or an AIB Group entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

