

Weekly economic update

2 – 8 January 2006

As expected, the last week of 2005 was calm in the financial markets. In Poland the only relevant events were unexpected defeat of PiS in a few votes in the Sejm and balance of payments statistics for 3Q05. The first week of the New Year is likely to be similar. Bargains between PiS and its informal coalition partners may be continued by the occasion of the final phase of work over the 2006 budget draft in Sejm's committees. There will be no domestic data releases, only auctions of treasury bills and bonds are scheduled. Due to low number of relevant events, we will present their analysis and description of market developments for two weeks period in the next weekly report. As regards our predictions concerning the zloty exchange rate for the nearest week, we think the domestic currency may be somewhat weaker in the first week of the New Year as compared to the last week of 2005 as a result of Sejm's decision on child benefits and rules of social aid for farmers that are estimated to cost the state budget around PLN1.5bn on top of what the government planned for these goals in the budget draft. We predict that in the nearest week the EURPLN will range between 3.82 and 3.92 while the USDPLN will range between 3.19 and 3.29. Much will depend on performance of the EURUSD rate. US data due over the week are expected to confirm the economy remains on a steady growth path, supporting expectations for further rate hikes in 1H06. The key focus of attention will be December's payrolls, which are due on Friday. Besides economic data, markets will be paying close attention to comments from Fed officials and the minutes of the December FOMC meeting. In terms of euro zone data, markets will pay attention to both economic activity indicators (both manufacturing and services PMI) as well as to flash HICP, given the ECB's concerns about underlying inflation pressures. Happy New Year on behalf of Economic Analysis Unit of BZ WBK.

Economic calendar

TIME GMT	REGION	INDICATOR (importance level*)	PERIOD	FORECAST		LAST VALUE	
				MARKET	BZWBK		
MONDAY (2 January)							
10:00	POL	Auction of PLN1.0-3.0bn 3-week PLN100m 13-week and PLN1.0-1.3bn 52-week T-bills					
	INT	Holiday (USA, GB, CA, CH, JP)					
TUESDAY (3 January)							
9:00	EMU	Manufacturing PMI (H)	Dec	pts	53.3	-	52.8
15:00	USA	Manufacturing ISM (H)	Dec	pts	57.1	-	58.1
15:00	USA	FOMC minutes (H)	Dec				
WEDNESDAY (4 January)							
10:00	POL	Auction of PLN2.0-2.5bn 2Y OK0408 bonds (H)					
10:00	EMU	Preliminary HICP (H)	Dec	%YoY	2.3	-	2.3
15:00	USA	Factory orders (H)	Nov	%	0.8	-	2.2
THURSDAY (5 January)							
9:00	EMU	PMI services (H)	Dec	pts	55.4	-	55.2
10:00	EMU	PPI (H)	Nov	%YoY	4.2	-	4.1
10:00	EMU	Retail sales (H)	Nov	%YoY	0.8	-	0.4
15:00	USA	Non-manufacturing ISM (H)	Dec	pts	59.0	-	58.5
FRIDAY (6 January)							
13:30	USA	Non-farm payrolls (H)	Dec	'000	200.0	-	215.0
13:30	USA	Unemployment (M)	Dec	%	5.0	-	5.0

* Importance level: (H)igh, (M)oderate; Source: Parkiet Reuters, BZ WBK

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

e-mail: ekonomia@bzwbk.pl

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Additional information is available on request. Please contact Bank Zachodni WBK S.A. Treasury Division, Economic Analysis Unit, ul. Marszałkowska 142, 00-061 Warsaw, Poland, phone (+48 22) 586 83 63, email ekonomia@bzwbk.pl, <http://www.bzwbk.pl>



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