

# Poland's Economy. Financial Markets

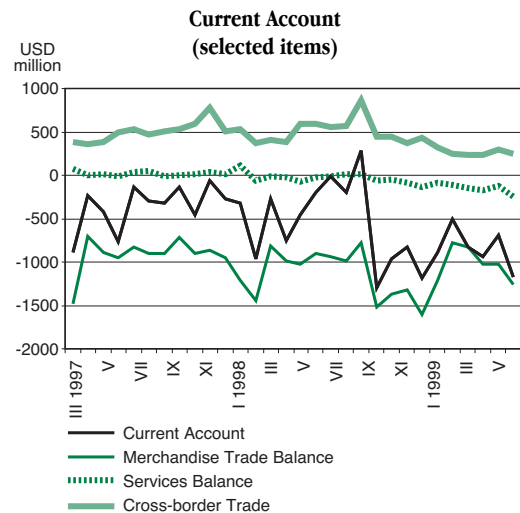
26 August 1999

No 3

## Main Tendencies in the Economy:

- In June the current account deficit reached USD 1.17bn compared to USD 0.69bn in May. The widening of the CA gap was caused by a deeper trade deficit (down USD 230m), a deteriorating balance of services (down USD 110m) and declining cross-border trade volumes (down USD50m0).
- July saw a decline in the consumer price index, which resulted in 6.3% inflation on an annualised basis. July's low inflation should not arouse too much optimism as low food prices in the coming months will be counterbalanced by fuel price increases. August's inflation may approximate 6.7% y/y.
- July's industrial output declined by 1.9% after a 0.15 increase in June. However, industrial output was up 1.5% on July last year. Increased output year on year was positively received by domestic markets as this indicates industrial recovery. This recovery is likely to be slow due to slow weak external demand.
- In July the budget deficit totalled PLN 12.5bn, or 97.2% of the PLN 12.8bn deficit planned for 1999.
- The unemployment rate in July was 11.8%. The unemployment figure reached 2.116m persons. The increase in unemployment numbers is an effect of the registration of graduates, a lower demand for exports and lower public expenditures. The unemployment rate may increase in the next months due to a weak external demand and lay-offs as a result of the restructuring of the public sector.
- As had been expected, on 18 August 1999, the Monetary Policy Committee decided not to make any changes in monetary policy. The Committee confirmed that the assumed inflation target in 1999 i.e. from 6.6% to 7.8% in December 1999 would be achieved. As the inflation target would no doubt be achieved this year, no changes in monetary policy should be expected until the end of 1999. Personal credit growth, strong as it is, is counterbalanced by a strong zloty. High real interest rates accompanied the country's poor economic growth do not leave much room for tightening monetary policy.
- Since the beginning of 1999 to the end of July money supply increased by 8.0% in nominal terms and 3.3% in real terms. Household loans on an annualised basis increased by 42.8% whereas PLN personal deposits increased by a mere 23.5%. However, an increase in household loans on an annualised basis was a mere PN 9 bn compared PLN 23bn personal deposit growth.
- Currently changes in the value of the zloty will mainly be triggered by privatisation flows. In the coming weeks, after a temporary period of weakening, the zloty should appreciate in response to further privatisation revenues.
- Provided there is no negative macroeconomic information, bill and bond yields should continue to decline in the near term.

Arkadiusz Krześniak



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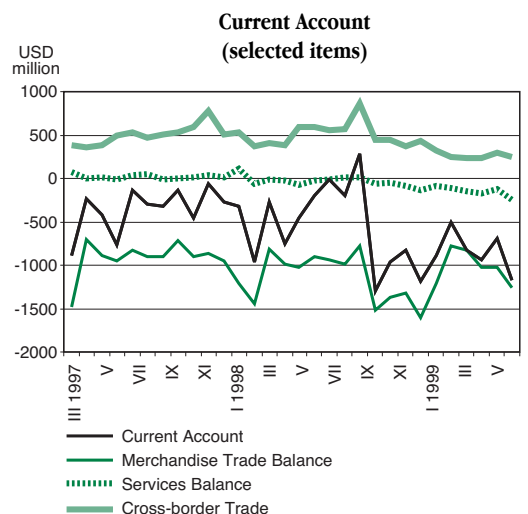
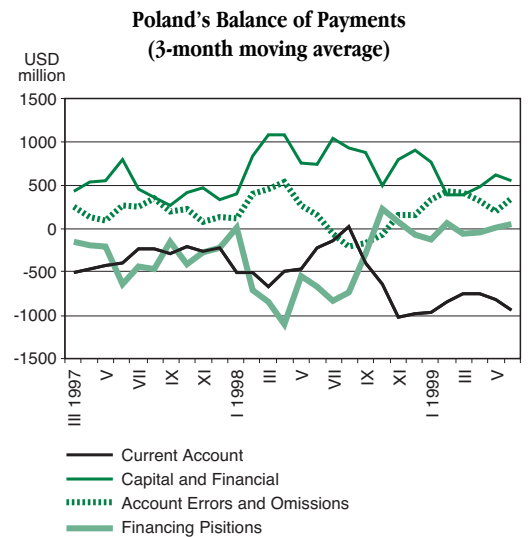
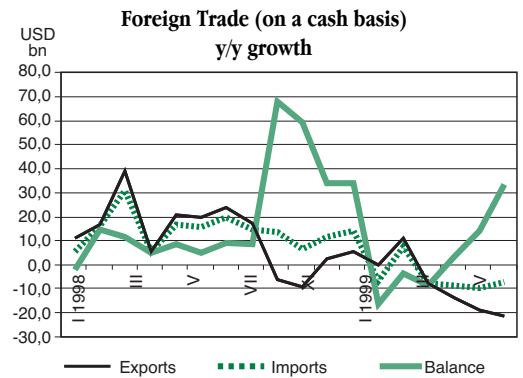
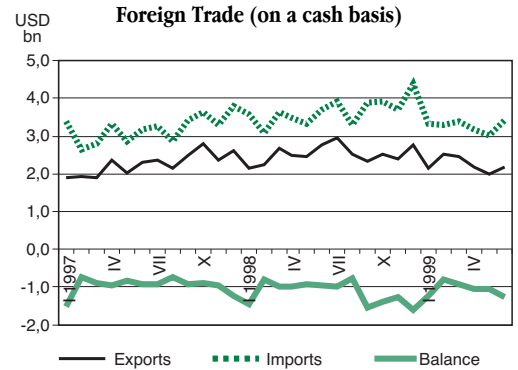
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## Balance of Payments - Current Account

In June the current account deficit reached USD 1.17bn compared to USD 0.69bn in May. The widening of the CA gap was caused by a deeper trade deficit (down USD 230m), a deteriorating balance of services (down USD 110m) and declining cross-border trade volumes (down USD 50m). In the first half of 1999 the CA gap totalled USD 5.041bn, which meant an 89-percent increase compared to the first half year of 1998. In the first half of 1999, the trade balance in payment terms increased by a mere 0.5% compared to the first half of 1998. In the first half of 1999, exports declined by 9.5% whereas imports fell by 6.5%. The main factor affecting the CA is an unregistered CA balance, which was down 45% in the first half of 1999 on the first half of 1998. While the CA gap was negatively perceived by the market, in our opinion, overall, this figure is not bad. Increasing exports and imports in June may indicate a turning point in foreign trade. A monthly increase in exports of 9.2 percent is a positive factor, which may indicate some revitalisation in foreign demand. Paradoxically, a monthly increase in imports of 13.6 may be interpreted positively as this may indicate an improvement in domestic demand and a recovering economy. If the CA gap decreases next month, this will confirm this hypothesis. Some improvement in the CA may be expected in the second half of 1999, but at the end of 1999 the CA deficit is likely to reach 6.0 percent of GDP.

## Balance of Payments - Capital and Financial Accounts

In June the capital and financial account balance was PLN 595m, which means a 5.9 percent increase compared to May. The value of DFI in June fell by 9.2 percent and was used to fund 31.2% of the CA deficit. Portfolio investment in June increased up to a surplus of USD 167m from a deficit of USD 251m and was used to fund 14.2 percent of the CA gap. In June the balance of errors and omissions was 616m funding 52.2 percent of the CA deficit.





### Inflation - Consumer Prices

July saw a decline in the consumer price index, which resulted in 6.3% inflation on an annualised basis. That monthly inflation decline was in line with market expectations whereas the decline in inflation on an annualised basis was principally due to a change in the inflation calculation methodology by the Central Statistical Office and the revaluation of price indices in 1998. Monthly inflation changes calculated as per the new method are greater than those published last year. This is mainly due to a reduced share of food in the consumer basket. *July's low inflation should not arouse too much optimism as low food prices in the coming months will be counterbalanced by fuel price increases. August's inflation may approximate 6.7% y/y.*

### Inflation - producer prices

Sold industrial output prices increased by 0.3 percent in July after a 0.1 percent increase in June. July's producer price increase on an annualised basis was 5.3% after June's increase of 5.2%. After an abrupt producer price increase in March driven by an energy price increase, the PPI index started to grow slowly on an annualised basis due to world-wide increases in prices of fuels and raw materials. July's PPI increase was mainly due to a 0.4% increase in the food processing industry's prices, which is evidence to indicate a relatively stable domestic demand.

### Industrial Output

July's industrial output declined by 1.9% after a 0.15 increase in June. However, industrial output was up 1.5% on July last year. Increased output year on year was positively received by domestic markets as this indicates industrial recovery. This recovery is likely to be slow due to slow weak external demand. The annualised increase in industrial output was caused by a two-percent increase in food processing industry production and a 9.2 output increase in the utilities production and distribution sector. The mining industry experienced a 2.9% production decline. In July construction and installation production fell by 0.7% on a monthly basis and by 0.5% on an annual basis. A poor performance of the construction industry can be attributed to a restriction of fitting work. This is another evidence to indicate a decline in this year's investment activity.

### Net Foreign Assets and Official Foreign Currency Reserves

In July net foreign assets in the Polish banking system fell by PLN 57m, or 0.2 percent, down to 25.267bn and were USD 2.2bn lower compared to the beginning of the year. In turn, official fx reserves in July increased up to PLN 26.324bn, or USD 475m, compared to June and were PLN 1.058m lower compared to those recorded at the end of 1998.

Inflation Indicators							
	03 1999	04 1999	05 1999	06 1999	07 1999	08 1999F	
Consumer Price Index (m/m %)	1.0	0.8	0.7	0.2	-0.3	0.0	
Consumer Price Index (y/y%)	6.2	6.3	6.4	6.5	6.3	6.7	
Sold Industrial Output Index (m/m%)	1.1	0.6	0.5	0.1	0.3	0.5	
Sold Industrial Output Index (y/y%)	4.7	5.0	5.2	5.2	5.3	5.5	
Monthly Average FX Rate (y/y%)	14.0	17.0	15.2	13.0	12.2	-	
Import Price Index in PLN (y/y%)	5.6	-	-	-	-	-	

Activity Indicators						
	02 1999	03 1999	04 1999	05 1999	06 1999	07 1999
Retail Sales Index (m/m %)	6.4	25.5	-0.9	3.1	2.1	4.2
Retail Sales Index (y/y%)	12.5	25.6	16.3	19.3	25.3	26.4
Personal Loans (y/y %)	33.2	35.2	37.4	39.4	41.1*	42.8
Industrial Output (m/m%)	-0.4	21.8	-7.0	1.2	0.1*	-1.9
Industrial Output (y/y %)	-5.6	3.5	0.3	2.2	1.0	1.5
Exports, current prices (y/y %)	11.3	-7.8	-13.5	-18.8*	-21.1	-
Imports, current prices (y/y %)	7.4	-7.9	-8.6	-9.9*	-7.2	-
Foreign Trade Balance (USD mio)	-783	-904	-1036	1031*	-1259	-

Poland's Economy				
	1996	1997	1998	1999F
Gross Domestic Product (y/y%) (fixed prices) of which:	6.0	6.8	4.8	3.8
Individual Consumption (y/y%)	8.3	6.9	4.9	-
Gross Fixed Assets Expenditures (y/y %)	19.7	21.7	14.5	-
Exports (y/y %)	12.0	12.2	2.9**	-
Imports (y/y %)	28.0	21.4	13.7**	-
Inflation (yearly average %)	19.9	14.9	11.8	6.8
Inflation (year on year %)	18.5	13.2	8.6	7.4
Unemployment Rate (year end %)	13.2	10.3	10.4	11.7
Current Account Deficit / GDP (%)	-1.0	-3.2	-4.2	-6.0
Public Debt / GDP (%)	51.1	47.9	43.1	-

\* - data corrected  
F - forecast

\*\* - estimated, according to SNA  
y/y- year on year

## Labour Market

The unemployment rate in July was 11.8%. The unemployment figure reached 2.116m persons. Compared to July 1998, this number increased 433.3k. Since the start of the year, the unemployment figure increased by 285k persons out of which 70% accounted for young people and 20% accounted for school leavers. Group lay-offs contributed to a 30 percent increase in the unemployment figure, as a result of three reforms the number of the unemployed increased by 2.3 percent. The increase in unemployment is an effect of the registration of graduates, a lower demand for exports and lower public expenditures. *The unemployment rate may increase in the next months due to a weak external demand and lay-offs as a result of the restructuring of the public sector - at the end of this year it may be 11.7%.*

The average gross salary in enterprises increased by 1.4 percent, up to PLN 1852 in July and was up 9.9% on last year in nominal terms and up 3.4% in real terms.

## Money Supply

In July money supply increased by 0.9 percent m/m. The money supply increase was caused by 4.6% household loan growth and 0.7% business loan increase. Total loans in July, month on month, increased by 1.4% and 26.8% year on year compared to 23.9% total deposit growth.

Net loans to the public sector increased by 0.6%.

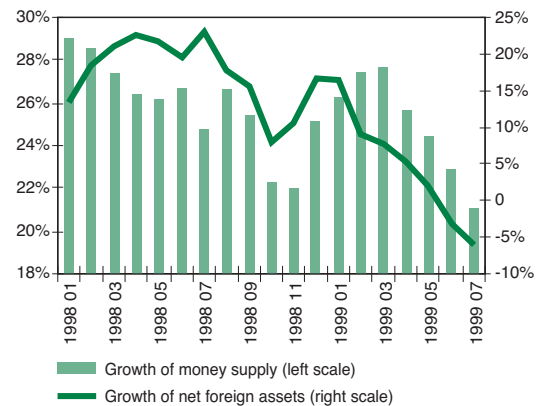
*Since the beginning of 1999 to the end of July money supply increased by 8.0% in nominal terms and 3.3% in real terms.* Net foreign assets contributed to a 7.0% increase and net domestic assets contributed to a 93.0% increase in money supply in the first seven months of the current year. *Household loans on an annualised basis increased by 42.8% whereas PLN personal deposits increased by a mere 23.5%. However, an increase in household loans on an annualised basis was a mere PN 9bn compared PLN 23bn personal deposit growth.*

## Interest Rate Changes Very Unlikely This Year

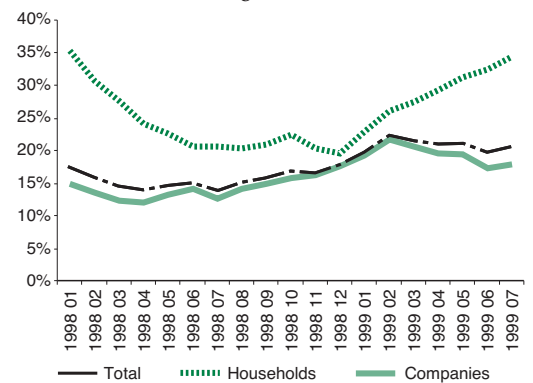
*As had been expected, on 18 August 1999, the Monetary Policy Committee decided not to make any changes in monetary policy. The Committee confirmed that the assumed inflation target in 1999 i.e. from 6.6% to 7.8% in December 1999 would be achieved.* At the same time, the Monetary Policy Committee expressed their concern over the recently increasing trade deficit and CA deficit. The Committee criticised fiscal policy for being not transparent and too loose. The MPC defined the 2000 inflation target to be in the range from 5.4% to 6.8% in December 2000. Simultaneously, the MPC released its 2000 GDP growth forecast at 5% and 7.0% CA deficit forecast at 7.0% of GDP. At its subsequent meetings on 8 and 22 September, the MPC will be discussing 2000 monetary policy assumptions.

*As the inflation target would no doubt be achieved this year, no changes in monetary policy should be expected until the end of 1999. Personal credit growth, strong as it is, is counterbalanced by a strong zloty. High real interest rates accompanied the country's poor economic growth do not leave much room for tightening monetary policy.* The only threat may be associated with the budget though budget deficit funding problems seem to be temporary. However, there is some evidence that local authority debts are increasing.

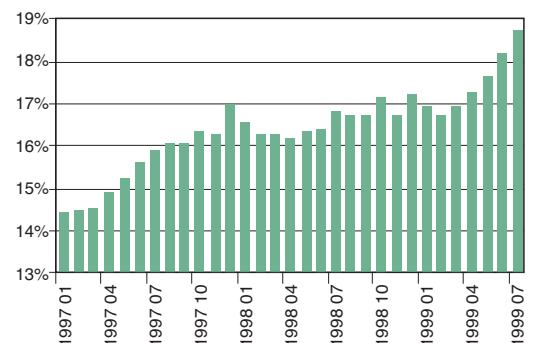
Money supply and net foreign assets



Real growth of credit



Share of credit to households in total credit





### Zloty Loses its Momentum awaiting Further Privatisation Revenues

On reaching a maximum deviation level against the parity rate of 6.42 on its stronger side on 20 July, the zloty started to weaken relative both to the US dollar and the euro. On 3 August the zloty suddenly depreciated after privatisation flows came to an end and long zloty positions were closed by foreign investors. Negative data on the budget deficit and the widening of the CA gap, accompanied by interest rate increase speculations, resulted in Polish government securities being sold out and a consequential weakening of the zloty. On 6 August, at the fixing, the zloty fell to 2.06 of the deviation against the parity rate. Ever since the zloty has been moving between 2.5 and 3.5% against the parity rate, being highly sensitive to macroeconomic data. In the face of bad and or moderately positive macroeconomic data, the zloty slightly weakened. The weakening of the zloty was stopped due to expectations of further privatisation revenues, which are to happen in September. The attitude in market is to await further developments. *Currently changes in the value of the zloty will mainly be triggered by privatisation flows. In the coming weeks, after a temporary period of weakening, the zloty should appreciate in response to further privatisation revenues.*

### Euro and Yen Strengthen

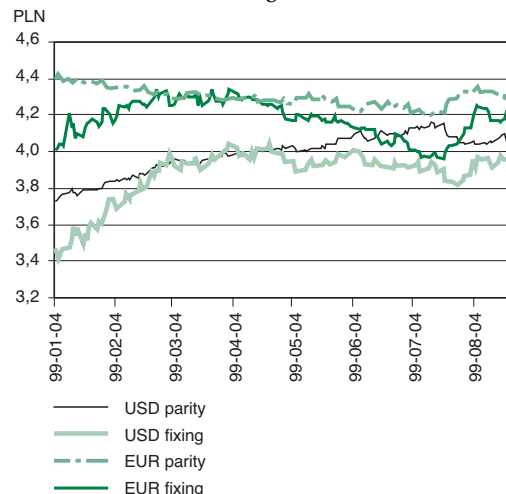
On 12 July the euro closed relative to the US dollar at 1.0146, at its historical low since the introduction of this currency in January 1999. An intervention from the Central European Bank was expected, but it did not happen. The first signals of economic recovery in the euro zone caused the euro to strengthen relative to the US dollar in the last week of July reaching a level of 1.0774 at the close of business on 4 August. Development in subsequent weeks proved that the euro could not be expected to appreciate soon due to relatively slow economic recovery in Germany's economy. The EUR/USD rate should range in 1.04-1.07 in the near future. Due to a much better than expected performance of Japan's economy, the yen strengthened relative both to the US dollar and the euro reaching 110.60 dollars on 23 August. The yen should continue to be strong against the US dollar.

#### Exchange rate forecast (Average in period)

Period	EUR/ PLN	USD/ PLN	GBP PLN
1.IX-30.IX.99	4.16	3.94	6.30
1.X-30.XI.99	4.19	3.92	6.35
1.XII-28.II.00	4.27	3.92	6.39
1.III-31.VIII.00	4.42	3.95	6.52

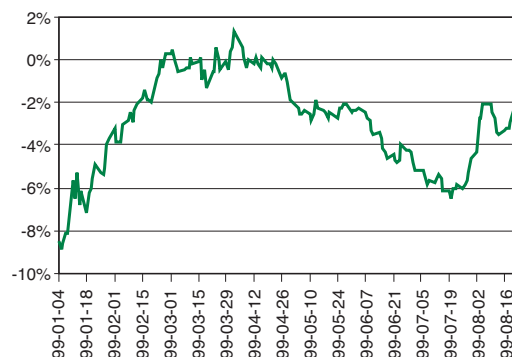
Forecast date: 26.08.1999

Exchange rates



	Fixing USD/PLN weekly change	Fixing EUR/PLN weekly change	Fixing USD/PLN change since 99/01/04 percentage	Fixing EUR/PLN change since 99/01/04
05/28	1.12	0.16	15.43	4.01
06/04	0.67	-0.83	16.20	3.15
06/11	-2.15	-0.27	13.71	2.87
06/18	-0.14	-2.05	13.55	0.77
06/25	-0.03	1.41	13.52	2.19
07/02	0.03	-2.15	13.55	0.00
07/09	-0.21	-0.70	13.31	-0.70
07/16	-0.48	-0.34	12.76	-1.04
07/23	-1.22	1.68	11.39	0.62
07/30	0.44	2.45	11.88	3.09
08/06	2.59	2.75	14.78	5.93
08/13	-1.14	-1.66	13.48	4.17
08/20	1.19	1.24	14.82	5.46
08/26	0.42	-1.84	15.30	3.52

Deviation of exchange rate from the central parity  
(weighted average of USD i EUR)



Note: This is an informational forecast relying on information currently available. WBK Treasury and International Division cannot guarantee that exchange rates will follow the patterns as shown above.

# Money and bond market

## Interest Rates

Over the last month 6M WIBOR rates have significantly increased by approx. 60 basis points up to 14.00%. At the same time, 3M WIBOR rates increased by approx. 26 basis points. These movements are due to the accumulation of liquidity in the run up to 2000. 1M deposit rates did not change and were 13.36%. The widening of the 3M and 6M WIBOR-WIBID spreads should be noted. This is evidence to indicate liquidity squeezing in terms beyond the year end. The obligatory reserve reduction did not cause interbank rates to change.

## Treasury Bills

Over the last month the Finance Ministry has shortened maturity periods for treasury bills on offer and reduced its offers. 52-week t-bill issues have been reduced. At some auctions, instead of 26-week bills, 8-week bills were on offer. The Finance Ministry did not accept high market yields, particularly long-term yields - the highest 52-week t-bill auction yield was 12.39-12.40 (360-day basis). *In our opinion, the liquidity of the State Treasury has improved in recent weeks, which should result in lower treasury bill yields.*

## Treasury Bonds

In the last week of July and early August, the treasury bond market was influenced by unfavourable news on the budget deficit and the CA deficit. Comments by Monetary Policy Committee members and the NBP Governor on a possibility of tightening monetary policy in response to overly loose fiscal policy, accompanied by unfavourable macroeconomic information, caused all State Treasury bond yields to decline. *Yields increased across the yield curve.* At a 2 and 5-year fixed rate bond auction on 4 August, the Finance Ministry turned down all bids due to very high yields at the longer end of the yield curve. Over the last two weeks yields slightly fell as market prices had already hit very attractive levels, which encouraged Polish banks and foreign investors to buy the securities. *Given the fact that there is no negative macroeconomic information, bill and bond yields should start declining soon.*

Average Treasury Bill Auction Yields (365-day basis)

Date	8-wk	13-wk	26-wk	52-wk
26/07/99	-	12.57	12.83	12.52
02/08/99	12.69	12.70	12.92	12.54
09/08/99	12.75	12.79	-	12.56
16/08/99	12.69	12.79	12.87	12.56
23/08/99	-	12.70	-	12.54
Change from 26.07 to 23.08	0.0	0.13	0.04	0.02

Treasury Bill Yields (secondary market)

Date	3M	6M	9M	12M
26/07/99	12.40	12.65	12.60	12.30
02/08/99	12.60	12.70	12.65	12.60
09/08/99	12.75	12.85	12.95	12.65
16/08/99	12.65	12.70	12.75	12.50
23/08/99	12.50	12.50	12.55	12.35
26/08/99	12.50	12.50	12.45	12.30

Treasury Bond Yields (secondary market)\*

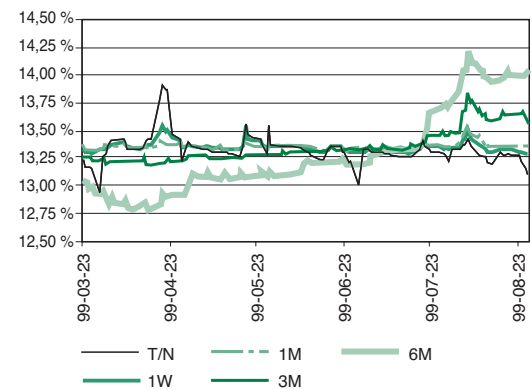
Date	2Y	3Y	4Y	5Y	10Y
26/07/99	12.46	12.10	11.42	11.01	9.05
02/08/99	12.89	12.32	11.93	11.56	8.96
09/08/99	12.87	12.42	11.82	11.43	9.28
16/08/99	12.55	12.21	11.80	11.14	9.22
23/08/99	12.77	12.34	11.79	11.36	9.31
26/08/99	12.63	12.15	11.80	11.24	9.25

\*Internal Rate of Return

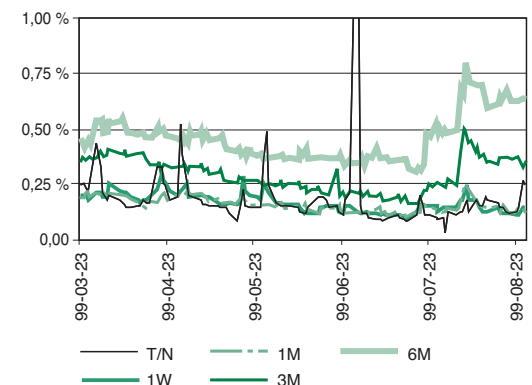
Interest Rates (WIBOR)

Term	Currently 26/08/99	Week Before 19/08/99	Month Before 26/07/99
T/N	13.22	13.29	13.30
1W	13.30	13.32	13.35
1M	13.36	13.36	13.37
3M	13.64	13.65	13.45
6M	14.00	14.01	13.71

WIBOR rates



Spread WIBOR-WIBID





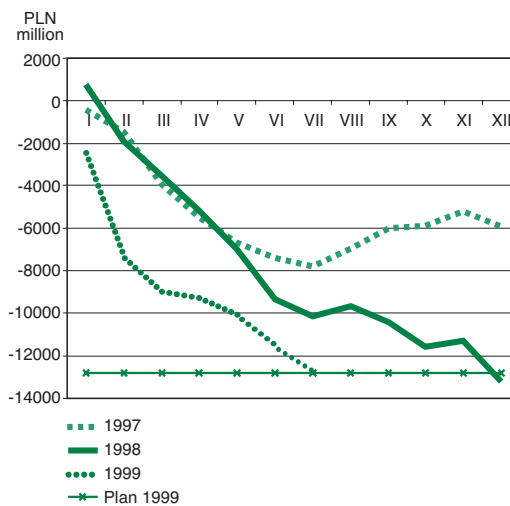
## Foreign Trade according to Poland's Central Statistical Office

In the first half of 1999 the balance of foreign trade in customs terms was PLN 32.2bn, which means a 6.3% decline from PLN 30.3bn in the first half of 1998. In dollar terms, the trade balance improved by 3.5% from a deficit level of USD 8.7bn in the first half of 1999. The share of the European Union in Poland's trade was 71.9 percent of exports and 66.0 percent of imports. Other developed countries accounted for 6.1 percent of Polish exports and 9.3 percent of Polish imports. In terms of current prices, in the first half of 1999, exports totalled PLN 49.7bn and imports totalled PLN 82bn. Among Polish trading partners, the greatest change applies to Russia. Its share in Polish exports has fallen from 7.9 percent to 2.3 percent. In the first half of 1999 Polish exports to Russia fell by 69.9% and imports fell by 6% compared to the first half of 1998.

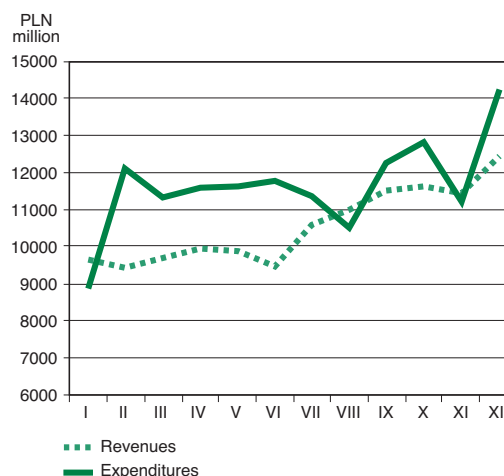
## State Budget

In July the budget deficit totalled PLN 12.5bn, or 97.2% of the PLN 12.8bn deficit planned for 1999. Budget expenditures reached a level of PLN 78.3bn, or 55.1% of the plan figure of PLN 142.1bn. While a temporary increase and decline in the budget deficit is quite typical, a reason for concern may be the size of the deficit. It can be expected that budget revenues will be significantly higher than in the latter part of 1999. At the same time, expenditures in the latter part of 1999 will be lower than in the first half of 1999. Probably there will be no budget revision. A further easing of fiscal policy may be associated with an increase in local authority debts and the activities of special budgetary funds and Regional Health Funds. According to the Monetary Policy Committee, the government controls only 52 percent of the total public deficit. An analysis of monthly budget revenues and spending leads to the conclusion that the main cause of this year's problems were once-off factors that existed in the first quarter of 1999. These were increased expenditures associated with the financing of structural reforms and delays in payments of ZUS contributions. In the 2nd quarter, public spendings were much lower than those last year. A low level of public spending is driven by worse than last year economic activity. In our opinion, the liquidity of the State budget has improved considerably in the last few weeks. The budget deficit may be expected to lower in September.

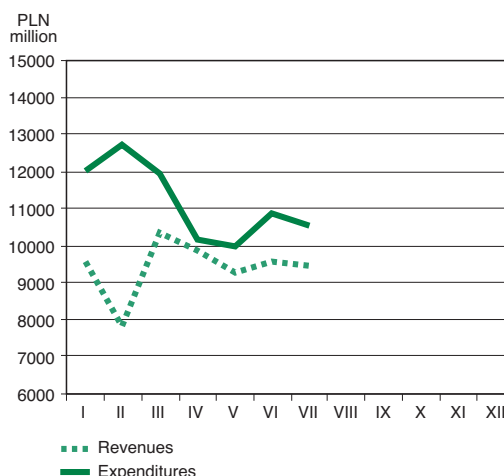
Budget balance (cumulative)



State Budget 1998



State Budget 1999



## Business Climate in Industry, Construction and Retail Trade.

According to business climate surveys conducted by Central Statistical Office (CSO) in July, there was an improvement in the business climate index of manufacturing industry. This index is a balance of positive and negative ratings given by surveyed firms.

After three months of consecutive falls this index increased by 3 points on June and reached a level of plus 1 point. However, it was at a far lower level than July 1998 level of 12 points.

The increase in general business climate in manufacturing industry was caused by better assessment of the current outlook and more optimistic perception of the future by enterprises. Public firms assessed the general business outlook as definitely negative, in contrast to private firms, that were much more optimistic.

According to the CSO, total business climate varied in particular industries. In July, the best business climate reported firms in the following industries:

- Rubber and plastics industry (plus 27 points)
- Radio and TV equipment (plus 15 points)
- Chemical industry (plus 12 points)
- Non-metal industry (plus 12 points)
- Machinery and electrical-machinery (plus 8 points)
- Other transport equipment (plus 5 points)

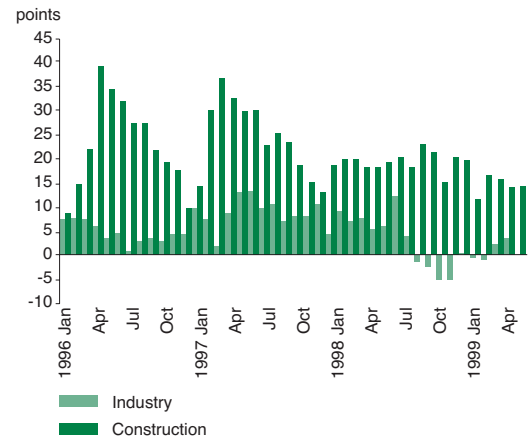
Definitely negative business outlook was reported by firms in the following industries:

- Metal industry (minus 22 points)
- Paper industry (minus 21 points)
- Medical, optical and precision instruments (minus 15 points)
- Machinery and mechanical appliances ( minus 13 points)
- Mechanical vehicles, trailers and semi-trailers (minus 7 points).

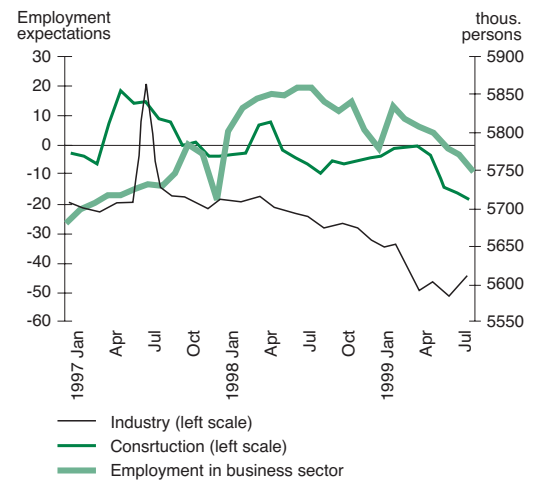
Different tendencies were observed in general business climate in construction and assembly production. July's general business climate indicator in construction was at the level of 29 points, four points down on June. July's index was also lower on a yearly basis. According to the CSO this fall in sentiment was due to less optimistic opinions about future and worse assessment of current business conditions than in June. Private firms again proved to be more optimistic in their opinions than public ones.

In July the retail trade business climate indicator increased by 4 percent on June and amounted to 10 points. This increase was due to improved current financial standing of retail trade firms and more optimistic assessment of the future. Interestingly, general business climate in public companies was better than in private ones.

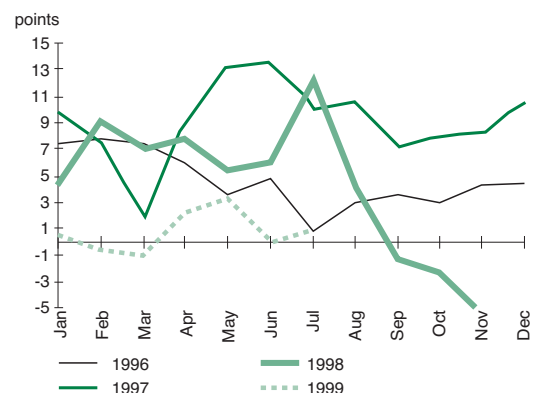
Business climate indicators



Employment expectations and actual employment



Business climate in industry







### Foreign Trade over the period of January - May 1999

According to the preliminary information of Central Statistical Office, foreign trade turnover in the first five months of 1999 was slightly higher than in the same period last year. In May the cumulative trade deficit amounted to PLN 26.443 bn versus deficit of PLN 24.853 in the analogous period of 1998. Value of exports in current prices amounted to PL 41.443 bn up 2.2 percent to the same period of 1998. Imports increased by 3.5 percent and reached the level of PLN 67.709 bn.

There was a change in geographical distribution of Poland's exports and imports. Although exports were directed mainly to the European Union, there was a strong, 31.4 percent decrease in exports to Central and Eastern Europe. Exports to the European Union increased by 11,2 percent. Less pronounced changes took place in imports. Imports from the European Union increased by 6.2 percent while imports from to Central and Eastern Europe remained at the same level as in Jan-May 1998. However, due to overall increase in imports, the share of Central and Eastern Europe in total exports fell from 13.6 percent in Jan-May 1998 to 13,1 percent in Jan-May 1999. The share of EU countries in imports increased to 66.0 percent from 64.3 percent share last year.

Germany remain the main trading partner of Poland. Poland's trade deficit with Germany reached PLN 2.025 bn after first five months of 1999. Germany's share in Poland's exports amounted to 36.9 percent in May 1999, while year before it was 34.8 percent. The share of imports from Germany has also increased from 24.7 percent to 25.6 percent after first five months of this year.

A significant change in geographical structure of Poland's trade was a fall in trade turnover with Russia.

Last year Russia was the second largest recipient of Polish exports (Germany was the first one). This year, Russia is just on the twelfth position among the biggest importers from Poland. The share of Russia in Polish imports fell from 5.5 percent in 1998 to 4.9 percent this year.

There were also some changes in commodity structure of Poland's foreign trade. In comparison to the analogous period of 1998 there was a fall of exports in the following sections of SITC: food and live animals, chemical and related products. Exports in other sections increased. In imports there was a fall in the following sections: food and live animals, crude materials inedible, mineral fuels and animal and vegetable oils, fats and waxes. Commodity structure of imports and exports is presented in the attached table.

Over the period of January - May 1999 outward processing trade (OPT) accounted for 24.6 percent of exports and 9.0 percent of imports. In the corresponding period of 1998 the share of OPT was 23,8 for exports and 9,3 for imports. The highest share of OPT was in clothing and furniture industries. OPT increased mainly in exports and imports of light and wood and papers industries.

*In analysed period the structure of economic usage of imports changed. The share of consumer goods increased by 1,0 percent to 21,3 percent on the expense of raw materials and intermediate goods, which share declined by 0,9 percent to 63,2 percent. The share of investment goods was almost unchanged at 15,4 percent.*

Foreign Trade turnover	Share (per cent)	
	Jan-May 1998	Jan-May 1999
<b>Exports</b>		
Developed countries	71.2	78.1
Of which European Union	66.1	71.9
Developing countries	5.4	6.2
East and Central European countries	23.4	15.7
Of which CEFTA	7.0	7.7
<b>Imports</b>		
Developed countries	73.5	75.3
Of which European Union	64.3	66.0
Developing countries	12.9	11.6
East and Central European countries	13.6	13.1
Of which CEFTA	6.5	6.6

### Structure of trade turnover by SITC sections

Exports Share in per cent	I-V 1998	I-V 1999
	Food and live animals	10.3
Beverages and tobacco	0.3	0.4
Crude materials inedible, except fuels	3.0	3.1
Mineral fuels, lubricants and related materials	5.3	5.3
Animal and vegetable oils, fats and waxes	0.1	0.1
Chemicals	7.5	6.1
Manufactured goods classified chiefly by materiale	26.0	25.5
Machinery and transport equipment	27.1	29.5
Miscellaneous manufactured articles	20.3	21.8
Imports Share in per cent	I-V 1998	I-V 1999
Food and live animals	6.8	6.2
Beverages and tobacco	0.6	0.7
Crude materials inedible, except fuels	3.9	3.2
Mineral fuels, lubricants and related materials	6.8	5.9
Animal nad vegetable oils, fats and waxes	0.8	0.5
Chemicals	14.0	14.5
Manufactured goods classified chiefly by material	19.5	20.7
Machinery and transport equipment	38.4	38.7
Miscellaneous manufactured articles	9.1	9.5

## Basic Macro-economic Data

CATEGORY	1999						
	January	February	March	April	May	June	July
Consumer price index (m/m)	1.5%	0.6%	1.0%	0.8%	0.7%	0.2%	-0.3%
CPI non-food products (m/m)	0.6%*	0.4%	0.6%	0.8%	0.6%	0.0%	-0.3%
CPI food products (m/m)	0.2%	0.0%	0.5%	0.5%	0.6%	-0.7%	-2.3%
CPI services (m/m)	3.3%	1.0%	2.0%	0.9%	0.8%	0.6%	0.3%
Consumer price index (y/y)	6.9%	5.6%	6.2%	6.3%	6.4%	6.5%	6.3%
Consumer price index (December of the previous year=100)	1.5%	2.1%	3.1%	3.9%	4.6%	4.8%	4.5%
Price index of sold production of industry (m/m)	0.4%	0.6%	1.1%	0.6%	0.5%	0.1%*	0.3%
Price index of construction and assembly production (m/m)	1.6%	0.9%	0.7%	0.5%	0.6%	0.3%	0.5%
Price index of sold production of industry (y/y)	3.9%	3.7%	4.7%	5.0%	5.2%	5.2%*	5.3%
Price index of construction and assembly production (y/y)	9.8%	9.4%	9.0%	8.6%	8.4%	8.1%	8.0%
Sold production of industry (m/m)	-11.0%	-0.4%	21.8%	-7.0%	1.2%	0.1%*	-1.9%
Sold production of industry (y/y)	-5.1%	-5.6%	3.5%	0.3%	2.2%	1.0%	1.5%
Construction and assembly production (m/m)	-54.8%	5.7%	19.1%	10.3%	10.8%	9.6%	-0.7%
Construction and assembly production (y/y)	3.9%	-3.1%	1.2%	2.8%	4.2%	4.9%	-0.5%
Unemployment rate	11.4%	11.9%	12.1%	11.8%	11.6%	11.6%	11.8%
Average employment in enterprise sector (thous people)	5 835	5 818	5 808	5 799	5 780	5 771	5 748
Average monthly gross salaries and wages in enterprise sector (PLN)**	1 597	1 626	1 742	1 780	1 767	1 827	1 852
The state budget balance (PLN mio)	-2 476	-7 386	-8 992	-9 299	-10 055	-11 373	-12 459
State budget revenues (PLN mio)	9 552	17 376	27 727	37 599	46 841	56 410	65 865
State budget expenses (PLN mio)	12 029	24 762	36 719	46 898	56 896	67 783	78 323
Trade balance in a cash basis (USD mio)	-1 212	-783	-904	-1 036	-1 031*	-1 259	-
Exports (USD mio)	2 119	2 522	2 463	2 159	1 898*	2 171	-
Imports (USD mio)	3 331	3 305	3 367	3 195	3 020*	3 430	-
Current account balance (USD mio)	-894	-488	-844	-938	-690*	-1 174	-
Money supply (PLN mio)	221 754	226 759	230 256	230 751	233 265	236 239*	238 362
Gross official reserves of NBP (USD mio)	27 085	26 807	26 598	26 407	26 145	25 848	26 324
Rediscount rate	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%	15.5%
Lombard rate	17%	17%	17%	17%	17%	17%	17%

\* - official data changed

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