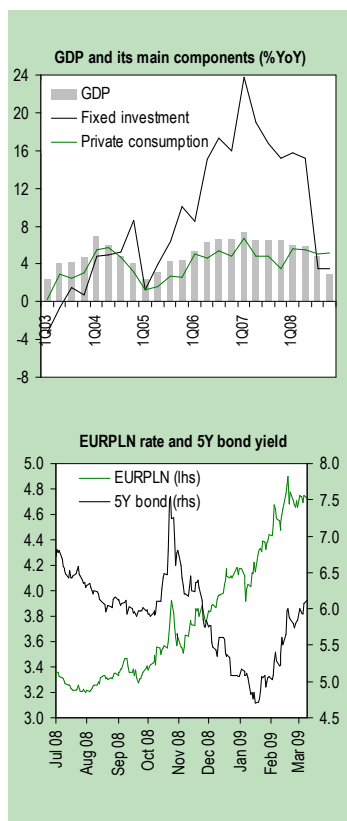


# MACROscope

## Polish Economy and Financial Markets

March 2009



## Moment of stabilisation

▪ **Most of the macroeconomic indicators for January met our expectations, therefore we are not revising our 2009 GDP growth rate forecast (1.2%).** However, it needs to be stressed again that the above projection carries an asymmetrically downward risk, especially given the revised economic outlook for the euro zone and USA prepared by AIB economists (GDP drop by 2.5% vs. -2% in the earlier forecast). While one month ago market consensus for Polish GDP growth (at 1.4%) was below our forecast, this month it fell to 1.2%.

▪ **All indicators from real economy showed a substantial slowdown of Polish economy in the early 2009.** Production saw a dramatic slump while retail sales grew only slightly. On one hand, the construction sector indicators surpassed the projections, on the other – foreign trade in December fell more sharply than expected. Economic indicators for enterprises sector are far from being clear-cut (GUS indicators are on the slide whereas PMI indicators are levelling off), however, consumer leading indicators show further deterioration. We find the forecast of the Ministry of Finance assuming Q1 GDP growth rate at 2.0% too optimistic.

▪ **Weakening growth prospects have also been reflected in the last forecast by NBP.** The growth rate for Poland is assumed at a relatively low level: 1.1% in 2009, 2.2% in 2010 and 3.6-3.7% in 2011. It considerably improves the inflation prospects – the projection averages out at 3.2% in 2009, 1.9% in 2010 and 0.9% in 2011. Admittedly, the inflation rate may even rise in the coming months as a result of state-regulated prices climbing up, however, the increase will be only temporary. Given the above, we should expect further reduction of main interest rates in the coming months – in our view the next one by 25 bp will take place in March.

▪ **The only factor that may limit the reduction of NBP interest rate and prevent it from shrinking to 3% is the weakening zloty which may change the inflation prospects.** An important question (which we will try to address next month) is how much the adverse effects of the demand counteract the effects of a weakening zloty. Please note that after another sale of Polish currency (and other currencies in the region), exchange rates began to stabilize. We are still positive that the interest rate policy has little impact on the recent Polish currency movements. Our base scenario assumes that Polish zloty will level off as a result of the currency conversion by the Ministry of Finance and possibility of intervention of the central bank, and it may recover towards 4.40 to euro in the months to come.

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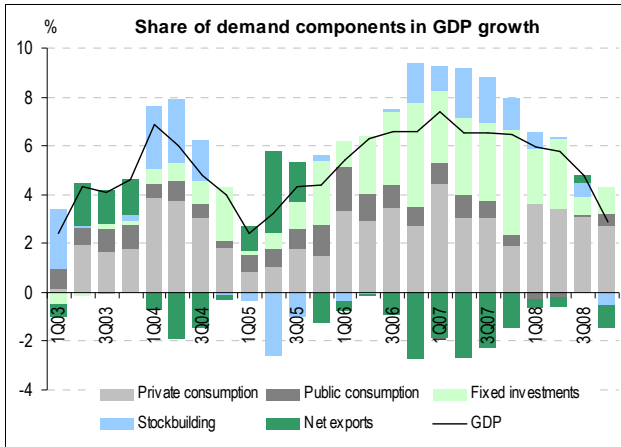
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### Financial market on 27 February 2009:

NBP deposit rate	2.50	WIBOR 3M	4.51	USDPLN	3.6758
NBP reference rate	4.00	Yield on 2-year T-bonds	5.55	EURPLN	4.6578
NBP lombard rate	5.50	Yield on 5-year T-bonds	5.84	EURUSD	1.2672

This report is based on information available until 09.03.2009

# Economic update



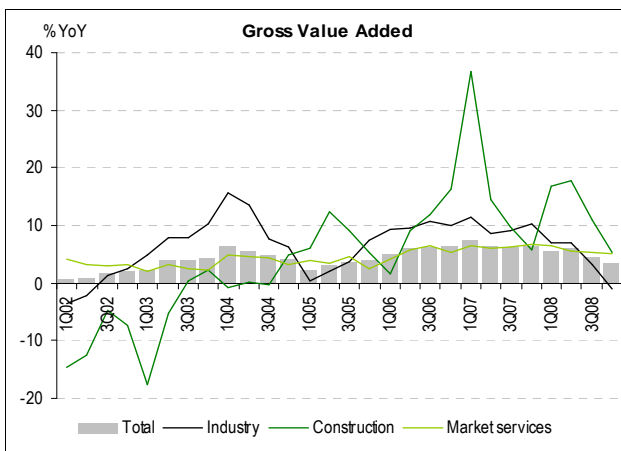
## GDP in 4Q08 close to estimates

- The official data on GDP in the fourth quarter were very close to estimates based on preliminary annual data. The GDP growth rate in Q4 was at 2.9%, exactly matching our estimates. The fixed investments growth was at 3.5% (we expected 3.8%), private consumption growth was at 5.2% (5.4%). The negative contribution of net exports proved to be more significant than we forecasted (-0.9pp vs. 0.4pp). At the same time, there was positive surprise in the contribution of inventories change at -0.5pp (-0.7pp). The public and other consumption were also better than estimates based on annual figures.

- On the supply side of national accounts, the GDP data for Q4 showed a value added growth of ca. 3.4%. The value added in industry fell by 1.1% (estimate at 1%). In construction the value added rose by 5.3% (against estimate of 6%) and in market services it rose as we estimated by 5%.

- Data for 2008 as a whole did not change much as compared to preliminary estimate with GDP growth at 4.8% (no revision). Private consumption growth was 0.1pp higher than previously announced and amounted to 4.81 and fixed investment growth did not change (7.9%). Overall, though GDP data for 2008 and for 4Q08 looks quite favourable (better than one could have expected based on monthly indicators for last months of 2008), prospects for this year remain rather gloomy.

- Data for January (details below) were not significantly different from our expectations and therefore we stick to our forecasts of economic growth at 1.2% this year. However, there is still asymmetric risk to the downside, especially given further deterioration in global growth outlook. Currently, we expect negative growth of 2.5% in both the euro zone and the US (as compared to -2% expectations a month go).



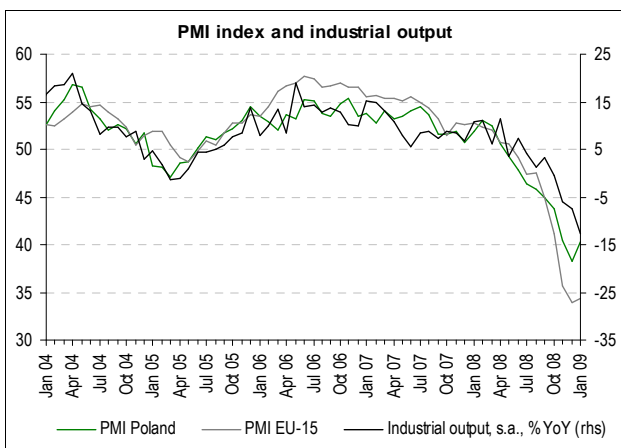
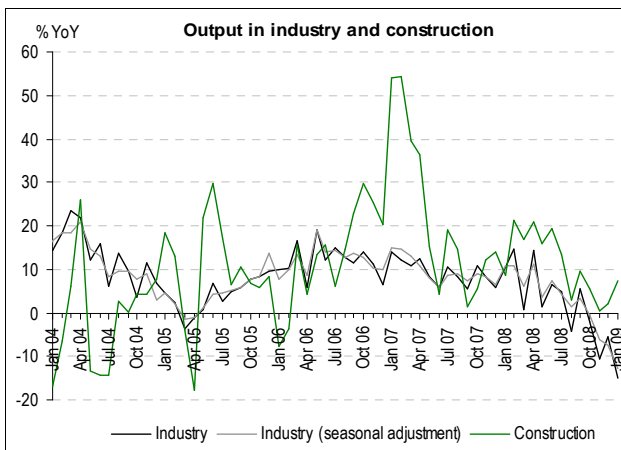
## January's production confirmed sharp slowdown

- Industrial output fell in January by 14.9%YoY, almost in line with our forecast (-15.1%) and more than was predicted by the market consensus (-12.4%). The seasonally adjusted production fell by 12.7%YoY.

- This means a clear slowdown in the Polish manufacturing at the beginning of the year (the largest decline since we have available data, i.e. 1993). The origin of the production decline is most probably a sharp collapse in foreign demand for Polish products, which resulted from a recession in our main trading partners' economies – the largest declines was observed in the export-oriented sectors, which until recently boosted domestic output figures.

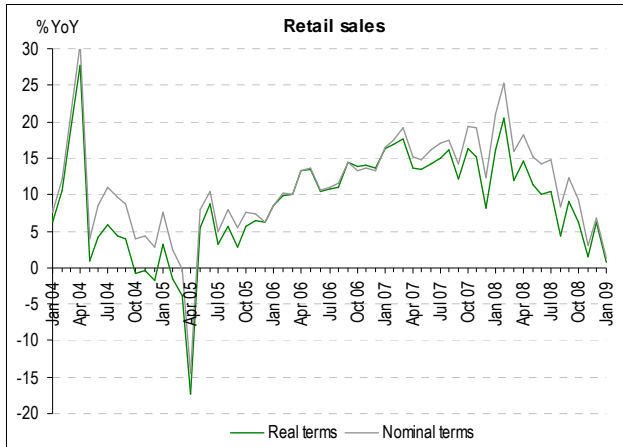
- Even taking into account that there was one working day less as compared to the previous year and this had a certain statistical effect and there was a methodological change in companies classification (PKD), output figure confirmed substantial deceleration of activity in the industrial sector, which heralds a significant scale of GDP growth weakening.

- The situation in the construction sector looked differently than in manufacturing, as the construction output increased by 7.4%YoY, clearly above expectations (of around 0%) and above the result from December (6.1%). This resulted from two factors. Firstly, the domestic demand is key for construction sector, which means the recession abroad does impacts this sector directly. Secondly, the production cycle in construction lasts longer, which means the adjustment of output may come with a delay. Taking into account the news from construction enterprises on suspending new investment projects and drop in financing, one should expect that the growth deceleration will occur also in this sector, at latest in Q2 09.



Source: CSO, own calculations

# Economic update



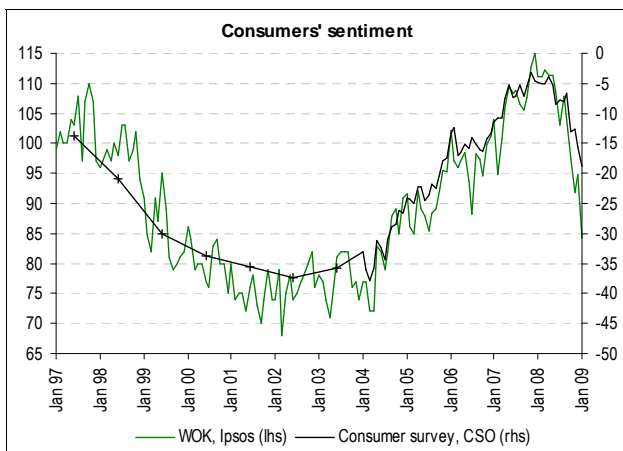
## Consumers also more pessimistic

- In January retail sales rose by 1.3%YoY against an increase of 6.9%YoY in December and average rise of 13.7%YoY in 2008 as a whole. Though figure was slightly better than expected, the data confirmed that along with the deterioration of the labour market conditions and with the negative changes in consumer sentiment the consumption demand gradually weakens, which apart from the collapse in exports and investment activity will negatively affect the economic growth.

- The current index of consumer confidence fell to -26.4pts from -18.9pts a month earlier, and the leading indicator fell to -41.2 from -31.6 (to the level from 1H04). These negative tendencies result from the deterioration of the main factors influencing the households' consumption, including the assessment of the changes in financial situation of households and overall situation of the economy, the current important purchases, the possibility to save money and expected changes in the level of unemployment.

- This should not be surprising given recent data from the labour market. At the end of January the rate of registered unemployment rose to 10.5%. This means that in the first month of this year the monthly growth in unemployment was record strong (1pp and 160k people). Such strong increase was not recorded even in the analogous period during economic slowdown in 2000-2002.

- Though wage growth figure for January was higher than expected (8.1% against 5.4% in December), interpretation of the data bears some problems. There is uncertainty concerning the effect of change in sample of enterprises (employing more than 9 people), for which the data is computed. We still expect the wage growth to decelerate in the following months.

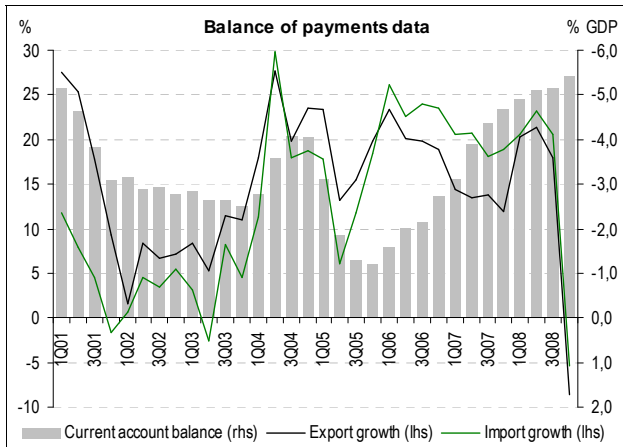


## Downturn in foreign trade

- In December current account deficit amounted to €1.9bn, which was driven by a dramatic exports decrease (16.4%YoY and a less significant, though considerable fall in imports (13.5%).

- Slowdown in foreign trade turnover exceeded expectations, which pointed to exports' decrease by 10.8% (our forecast at -11.6%) and imports' fall by 8.9% (our forecast at -14.5%). The monthly exports volume in euro terms was at only €6.8bn, which was the lowest level in the last three years.

- The data confirmed our expectations that early 2009 will see slump in foreign sales on a much larger scale, probably close to 30%YoY. At the same time, it is likely that in next months due to sharp zloty depreciation and weakening in domestic demand imports fall will be even deeper than that of exports. This would imply positive net exports contribution to GDP growth.

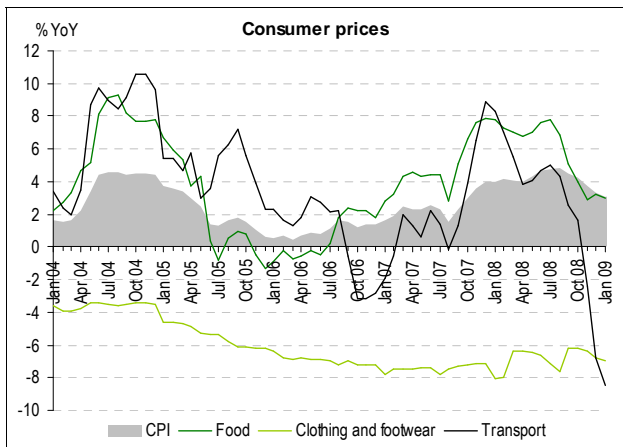


## CPI rose in February, but will fall soon

- Inflation reached 3.1%YoY in January, which was consistent with our forecast, although below expectations of Finance Ministry (3.2%) and above market consensus (2.9-3.0%).

- Monthly price growth reached 0.5%, which resulted mainly from high growth in food prices (0.9%) and in housing prices (2.3%). On the other hand, a positive surprise was a fall in transport prices (by 2.7%), which was caused by falling fuel prices.

- As usual in January, CSO information about CPI inflation was provisional. Full information will be released in March after recalculation of CPI according to new basket of weights this factor creates additional risk in forecast February's figure, which led to high forecasts' range (2.9-3.6%). Though we expect CPI inflation to rise in February, we still think the next couple of months will bring it down towards the inflation target.



Source: CSO, NBP, own calculations

## Housing market update

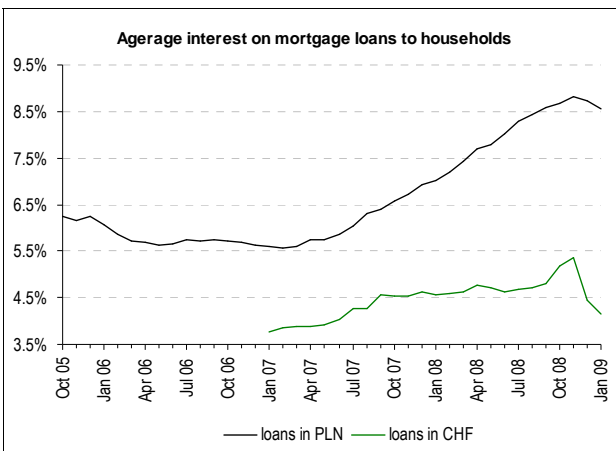
Average offered house prices in January, secondary market

City	Price (per 1 m <sup>2</sup> )	Change 1M (%)	Change 12M (%)
Białystok	4 420	-0.5	-5.0
Bydgoszcz	4 239	-1.7	-2.1
Gdańsk	6 456	-0.2	-9.8
Gdynia	6 984	-1.0	-2.8
Katowice	4 123	-0.4	-12.4
Kraków	7 358	-0.2	-10.8
Lublin	5 000	-2.4	-3.4
Łódź	4 280	-1.9	-10.1
Poznań	5 750	-1.1	-8.4
Rzeszów	4 493	-1.6	-9.0
Sopot	10 590	-0.7	-4.6
Szczecin	4 923	-1.8	-5.0
Warszawa	9 144	-0.3	-4.4
Wrocław	6 824	-0.7	-9.0

Source: Oferty.net

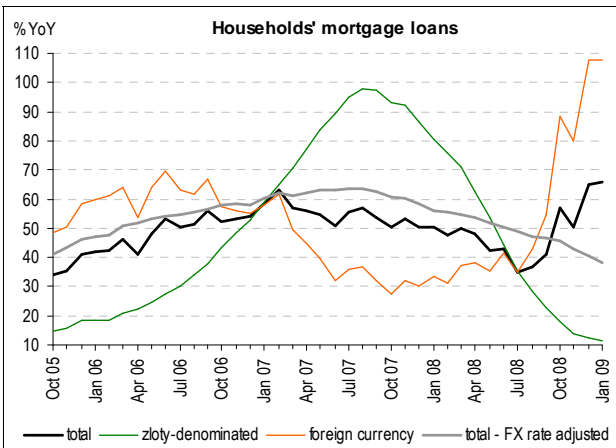
### House prices still falling

- Most recent reports about real estate market confirmed continuation of downward trend in house prices. According to data from Oferty.net, in January average offered prices of flats fell in all surveyed cities, and annual pace of decline exceeded 10%YoY in a few cities.
- According to Open Finance's report about transaction prices, in February two-digit annual price fall was maintained, with the biggest slump in Gdańsk (-13.9%), Wrocław (-12.5%) and Kraków (-12.4%)
- Some market brokers are signalling falling supply of new homes for sale, resulting from rapid price decline and no alternatives for investing capital (uncertainty in financial markets). It may limit a scale of house price fall in subsequent months. On the other hand, demand remains idle.



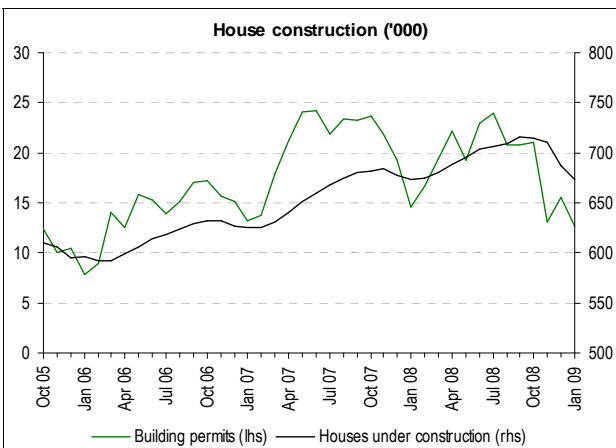
### Loans slightly cheaper, yet hardly accessible

- Decisive rate cuts made by the central banks in recent months resulted in fall in mortgage interest rates. However, the latter was much weaker than a scale of main rates reduction.
- In case of new mortgage loans, decline in interest is being halted by the fact that banks are hiking margins in reaction to growing credit risk and macroeconomic uncertainty. According to NBP data, in January average margin for new zloty-denominated mortgage loans exceeded 3 pct. pts., and for loans in CHF it rose to 3.6 pts.
- Effective access to financing is also being constrained by further tightening of bank policies of granting mortgage loans (especially in foreign currencies).
- In case of debt in Swiss francs, average interest fell significantly in January, however costs of loan servicing are being lifted by sharp zloty depreciation (zloty lost ca. 60% versus frank in last year-half).
- Very strong increase in mortgage debt in January (by more than PLN10bn versus December and 66%YoY) was once again caused by effect of zloty depreciation. According to our estimates, taking into account correction connected with zloty fluctuations, growth in households' mortgage loans slowed down in January to ca. 38%YoY.
- Although houses should be getting more affordable for average household in the coming months, due to fall in real estate prices and interest rates, amid weaker yet positive growth in wages, nevertheless, demand is likely to remain muted for a considerable time due to deepening economic slowdown and deteriorating labour market conditions.



### House supply growth decelerating

- January was the second month in a row when the number of houses completed was clearly higher than in corresponding period of the last year (33.5%YoY increase). We suspect that, similarly to December, this strong growth was related to change in regulations since January, including introduction of certificates of energy safety, and some negative tax changes for property buyers.
- At the same time, there are strengthening signals heralding deterioration of future supply in the housing market. The number of new building permits has been decelerating sharply (-14%YoY in January), as well as the number of new home starts (-42%YoY). The number of houses in construction is also in constant decline since middle of last year.



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



## Central bank watch

### Fragments of the MPC statement after its meeting in February

The recent period saw a strong depreciation of CEE currencies, including the zloty, which was accompanied by a considerable rise in the exchange rate volatility. In the Council's view, the zloty is currently weaker than the equilibrium exchange rate and does not reflect the relatively favourable condition and outlook for the Polish economy.

Decline in inflation [in January] was mainly driven by falling fuel prices, yet the decrease in inflation was mitigated by a strong rise in administered prices (prices of energy carriers and services related to housing) and the depreciation of the zloty. (...) In the Council's assessment, inflation may temporarily increase slightly in the coming months as a result of rising administered prices.

In the medium term, the recession in the global economy bringing about the decline in the domestic economic growth will contribute to lowering the inflationary pressure in Poland. Banks' tightening of their lending terms and conditions will also be conducive to curbing demand and, consequently, inflationary pressure. On the other hand, the considerable depreciation of the zloty exchange rate, observed in the past few months, will drive price increases. Weakening of the zloty exchange rate increases also the zloty value of liabilities of economic agents (both households and enterprises) denominated in foreign currency, which might lead to lowering domestic demand.

The Council assessed the probability of inflation running below the target in the medium term to be higher than the probability of inflation running above the target and decided to lower the NBP interest rates.

The MPC pursues the direct inflation targeting under a floating exchange rate. In line with this strategy, the National Bank of Poland may use instruments directly affecting the zloty exchange rate.

Maintaining fiscal discipline in the public finance sector may be conducive to easing the monetary policy. The Council will analyse the impact of developments in the domestic interbank market on the monetary policy transmission mechanism in Poland.

The Council maintains its view that Poland should join the ERM II and the euro area at the earliest possible date, after achieving the necessary political support for amendments in the Constitution of the Republic of Poland and other legal acts necessary for the euro adoption in Poland.

### Projections in subsequent Inflation reports

GDP	Feb 08	Jun 08	Oct 08	Feb 09
2009	3.5-6.1	3.4-6.2	1.9-3.7	0.3-1.9
2010	3.6-6.9	3.8-6.8	2.7-4.5	1.2-3.3
2011	-	-	-	2.5-4.8
CPI	Feb 08	Jun 08	Oct 08	Feb 09
2009	2.6-4.9	2.5-5.8	3.9-5.7	2.5-3.9
2010	2.1-4.8	0.1-5.7	1.9-4.5	0.5-3.2
2011	-	-	-	-0.9-2.6

Note: According to the NBP projection, GDP growth and CPI inflation will be in the indicated ranges with probability of 50%.

### Fragments of the NBP report on effects of euro adoption in Poland

In the long run, the overall increase in GDP due to euro adoption may reach 7.5%, out of which, as the research results show, the majority will be materialised in the first 10 years after the euro zone entry. This means that in that period annual pace of GDP growth may be higher by ca. 0.7pp higher than in case of staying outside the euro zone.

Both the economic theory and the empirical research indicate that accumulation of costs and threats in time may be spread contrary to spread in time of benefits. Costs will be largely concentrated at the early stage, while many indirect benefits will not be seen yet at that time.

The carried out assessment of the ongoing crisis on the balance of benefits and costs of euro adoption in Poland does not change the overtone of the overall conclusions of the Report. They indicate that in the long-term the Polish economy should benefit from the euro zone entry, under condition of proper preparation. However, right moment of euro adoption will be of key importance for the balance of benefits and costs in the short-term.

### MPC reduced rates again, but cautiously

■ In February, the MPC lowered interest rates on smaller scale than in December and January. Most probably similar to previous months the Council was divided and considered rate cuts on different scale and the zloty weakening was an argument that prevailed in favour of 25 bp move. It seems that the main arguments for the rate cut were expectations of significant economic slowdown, which was reflected in the new GDP projection. As regards inflation, the Council expects that CPI inflation may even increase in the next months due to hikes in regulated prices, but it is believed to be temporary phenomenon. In our opinion, both the new GDP and CPI projections, and overall tone of the MPC statement means that interest rate cuts cycle will be continued in next months.

■ February's statement of the MPC included several phrases concerning FX issues, which should have been expected given the earlier coordinated "verbal intervention" of the region's central banks. There were statements from central banks of Poland, Czech Republic, Hungary and Romania about joint assessment of situation in the FX markets and possibility of co-ordinated actions aimed at counteracting negative effects of FX fluctuations on economy. First of all, the MPC said that current exchange rate of the zloty is undervalued and secondly they repeated statement from *Monetary Policy Guidelines* that instruments directly influencing the zloty exchange rate may be used within the current monetary policy framework of the direct inflation targeting with the floating exchange rate regime.

■ Besides, the MPC maintained the view that Poland should join the ERM2 after achieving political support for amendments in the constitution. This is against the government's plans to enter the ERM2 in 2009, given no agreement on constitution change with the opposition Law and Justice.

### Projection of GDP and CPI supports next rate cuts

■ Central inflation projection of the NBP for GDP growth this year is at 1.1%, close to our prediction. However, we are more optimistic as regards economic growth in 2010-2011 with our forecast at 2.5% and 4%, respectively. According to NBP projection, actual GDP growth will be lower than potential growth for 2009-2010, which leads to widening in output gap in that period. In 2011 only slight narrowing of the gap is predicted.

■ Wider than currently output gap improves inflation outlook. Central projection of CPI inflation for this year stands at 3.2%, above our forecast of ca. 2.5%, but fall in inflation in 2010 and 2011, along with much lower growth rate in unit labour costs seen in projection, is more optimistic than our forecast. This suggests much room for further monetary easing.

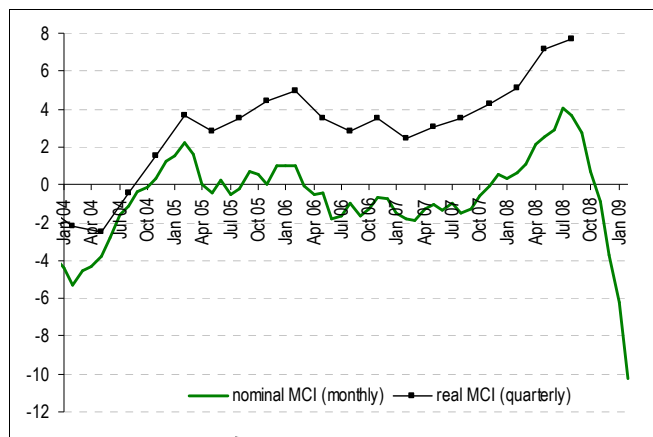
### New report on effects of euro adoption in Poland

■ New NBP report on effects of euro adoption in Poland confirmed conclusions from the earlier report on this issue that in the long run the euro zone entry would be beneficial.

■ At the same time, the report stressed that realisation of the positive balance of benefits and costs is conditional, i.e. it will be possible under condition of proper preparation (e.g. after structural reforms improving adjustment mechanism in the economy).

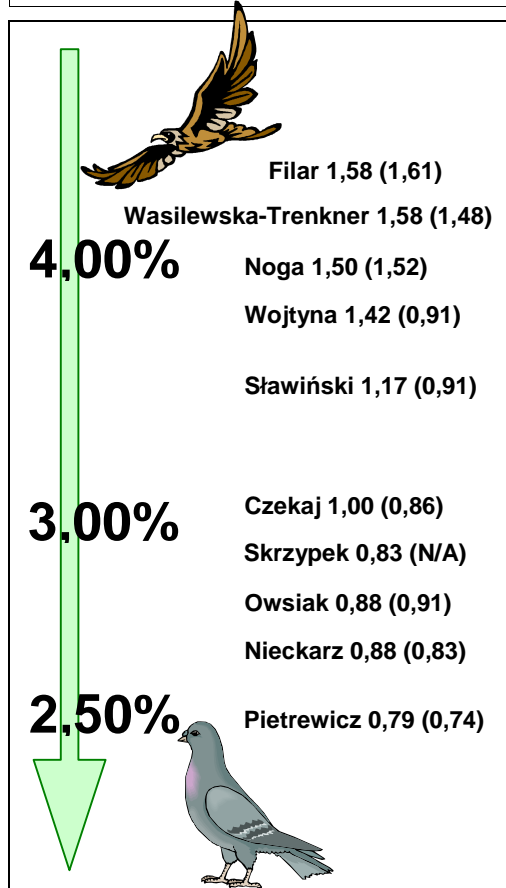
■ Authors of the report indicate that amid global crisis and resulting from that uncertainty regarding Poland's ability to meet Maastricht criteria (including the exchange rate stability), the moment of EMR2 entry should be thought over thoroughly. In their view, it is hard to find economic arguments in favour of ERM2 entry in current conditions.

# Restrictiveness of the Monetary Policy (Council)



## MCI sharply down again

- In line with expectations based on strong downward tendency in WIBOR rates and upward move in EURPLN, nominal MCI clearly dropped again in February – deviation from the long-term trend estimated by us increased both in case WIBOR3M (to the downside) and in case of EURPLN (to the upside).
- However, one should remember that due to dynamism and scale of the zloty weakening, its effects on the degree of monetary policy restrictiveness is ambiguous. Depreciation of the zloty reached such scale and was so rapid that it causes some effects making monetary conditions tighter (e.g. negative impact of the zloty weakness on capital position of banks). Therefore, the actual easing of monetary policy is weaker than indicated by fall in MCI.



## Polarisation of views within the MPC

Changes in our index of MPC members' restrictiveness, taking into account results of all MPC votes in September-December period (revealed in the new Inflation Report), point to polarisation of views within the Council. Namely, there was widening of the difference between value of the index for extreme hawks (Filar and Wasilewska-Trenkner) and the most radical dove Mirosław Pietrewicz. Besides, it is noteworthy that in terms of the index value position of NBP governor Sławomir Skrzypek moved behind two other doves (Owsiak and Nieckarz), which is a result of the fact that only head of the NBP and Pietrewicz were supporting motion to reduce rates by 50bp in November. However, despite change in the value of the index for Mr. Skrzypek, we do not change his position at our restrictiveness axis. This is because in our view NBP governor's involvement in the co-ordinated verbal interventions of the region's central banks decreases his willingness to decisively trim rates (although his most recent comments show that he still sees room for interest rate cuts and at the same time sees a possibility of deeper cut in the deposit rate to 0% and reduction in reserve requirement). One thing remains unchanged since mid 2005, i.e. longer than since the beginning of Mr. Skrzypek's term in office as the NBP governor – Jan Czekaj is still the only MPC member, whose pattern of votes exactly matches all decisions of the Council.

### Czekaj waits for new data

In a short interview with Reuters on March 2, after publication of GDP data for Q4, Jan Czekaj said that the data are in line with expectations and added that "possible reduction in interest rates in March is not determined" and will depend on "the upcoming data, above all on industrial output, inflation and the zloty exchange rate". In his opinion the weak zloty loosens monetary policy, which limits room for interest rate cuts in Poland. In our opinion, with relative stabilisation of the exchange rate observed since the MPC meeting in March and our forecasts of weak output figures for February (and other economic activity indicators) as well as taking into account that expected rise in CPI inflation in February is expected by the MPC and seen as a temporary phenomenon, prof. Czekaj will support another rate cut. In an interview with TVN CNBC on March 5 he said that if the Council lowered rates, this would be moves of 25-50bps, although he did not exclude a return to 75bps in case of drastic deterioration in economic growth prospects. All in all, Czekaj's comments seem to support our view that the reference rate may be lowered to 3% this year, most likely in single moves of 25bps. The main risk factor for this forecast is the zloty performance.

### Even hawks do not exclude next cuts

The most radical hawks on the rate-setting panel (Filar, Wasilewska-Trenkner) opt for a pause in rate cuts due to the zloty weakness (intensified in mid-February) and a need to avoid additional destabilisation of situation in the market (in Filar's view this also requires to end dispute over a date of the ERM2 and the euro zone entry). However, expectations for continuation of rate cuts is strengthened by comments from other hawks. According to Marian Noga, inflation is currently under control and the Council has room for monetary easing. He does not exclude one or two more rate cuts (on a scale of 25bps). A view that in March the MPC will again consider a rate cut was expressed by Andrzej Wojtyna, although in his opinion this month the Council cannot afford larger reduction than 25bps. Moderately hawkish Andrzej Ślawiński suggested more rate cuts are in the pipeline, as in his opinion the MPC should react to changes (further deterioration) in economic forecasts.

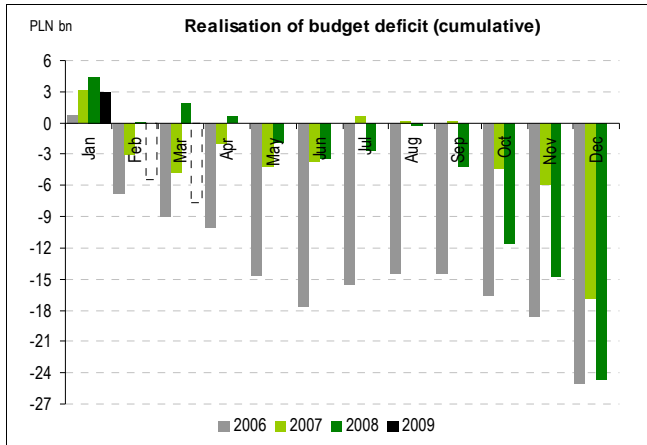
Index is between 0 and 2. A vote for the majority view is given a score of 1. A vote for a more hawkish (less dovish) decision than the majority view has a score of 2 and a vote for a less hawkish (more dovish) decision than the majority view has a score of 0. Average of points for all votes is the value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

Source: CSO, Eurostat, NBP, PAP, Reuters, TVN CNBC, own calculations

## Government and politics



### Comments of FinMin officials about budget

#### Jacek Rostowski, finance minister, PAP, 5 March

This year's budget will be one of the most difficult after end of transition period. The government has a plan of emergency savings in case of worse GDP and lower inflation than could result in lower budget revenues. We will also not hesitate if there is a need to amend the budget.

#### Ludwik Kotecki, deputy finance minister, Polskie Radio 1, 6 March

On may assume that nominal budget deficit will be higher, however structural deficit should not be higher as compared to last year.

#### Elżbieta Suchocka-Roguska, deputy finance minister, PAP, 6 March

The Ministry of Finance does not predict increasing budget deficit. Talking about amendment, minister Rostowski meant changes in savings that have already been made. (...) Deficit will be growing in next months. It may be higher (than assumed) in H1. This is not dramatic, as revenues in the first half of year are usually lower.

### After surplus in January, budget deeply in red in February

▪ According to Ministry of Finance's data, state budget recorded a surplus of PLN2.9bn in January. The result was close to those recorded in the first months of 2007 and 2008, when economy was in very good shape.

▪ Such good result was probably partly a result of moving some revenues from the end of 2008. At the same time, growth in expenditure clearly accelerated, particularly in case of subsidies to Social Security Fund, and spending on servicing foreign and domestic debt.

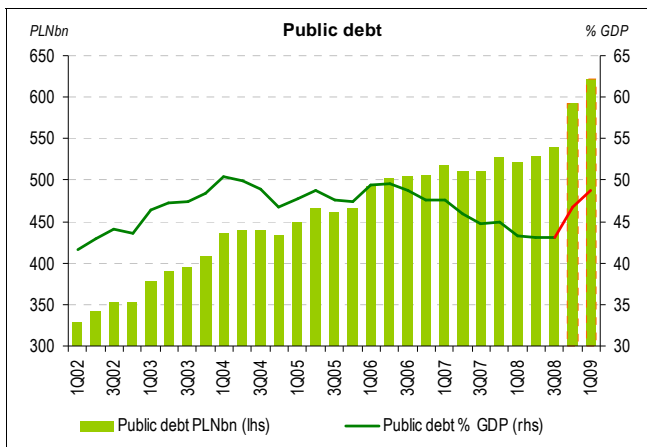
▪ Ministry of Finance's estimated that after two months of this year, budget deficit reached ca. PLN5.5bn (around 30% of annual plan). It implies that in February alone, the gap reached almost PLN8.5bn and was even higher than in the period of 2001-2003 very difficult for the budget. FinMin's estimates signalled a clear deceleration in revenue growth in February amid still high increase in spending.

### Is budget amendment necessary?

▪ Data coming from the economy are confirming that slowdown in GDP growth will be stronger than assumed by the government, so the risk of exceeding planned deficit is growing. Until recently, only deputy minister Kotecki admitted that there is such risk. Other FinMin officials still claim there will be no such necessity.

▪ It cannot be ruled out that if budget situation deteriorates sharply, the government will consider a hike in contribution for disability pensions and healthcare during the year.

▪ One should remember that the key issue is not the deficit of central budget but general government gap and total borrowing needs. Even if it is possible to avoid amendment of the state budget, we see a risk that general government balance will be much worse than assumed in convergence plan.



### Public debt going up

▪ In the last quarter of 2008 there was a sharp rise in central government debt. At the end of December, the debt reached PLN567bn (45% of GDP). Weakening of the zloty was responsible for around 50% of PLN53bn the increase in government debt as compared to the end of Q3.

▪ Data about debt of entire public sector are not available yet, but we may estimate that it rose on a similar scale, to ca. 47% of GDP at the end of Q4 2008.

▪ Taking into account predicted budget deficit in Q1 and scale of zloty weakening, we estimated that until the end of March debt of government and public sector will grow by another 2% of GDP.

▪ Newly prepared bill on public finances includes four safety thresholds for public debt (47%, 52%, 55% and 60% of GDP), which force spending adjustments if exceeded at the end of year.

### Comments about euro and ERM2

#### Jacek Rostowski, finance minister, PAP, 2 March

Our aim is entry to ERM2 in H1, if it is possible. (...) I am worried about zloty turbulences. Exchange rate is too volatile. We want to enter ERM2 when markets settle down. (...) Euro zone entry is not a dogma, but it is a key direction of economic policy. Therefore, if there are unfavourable events (...) entry may be delayed.

#### Zbigniew Chlebowski, head of PO caucus, PAP, 4 March

In a situation that is currently observed in FX markets, there will be surely no agreement of the ECB nor of our government for accession to ERM2. (...) One should take into account that if the situation in FX market does not stabilise, the next round of talks will be held in the autumn.

#### Witold Kozłowski, deputy NBP governor, 9 March

As regards talks with the ECB, we are ready to start negotiations together with the FinMin. Until now we had no opportunity to hold such talks.

### Entry to ERM2 and euro zone not so soon

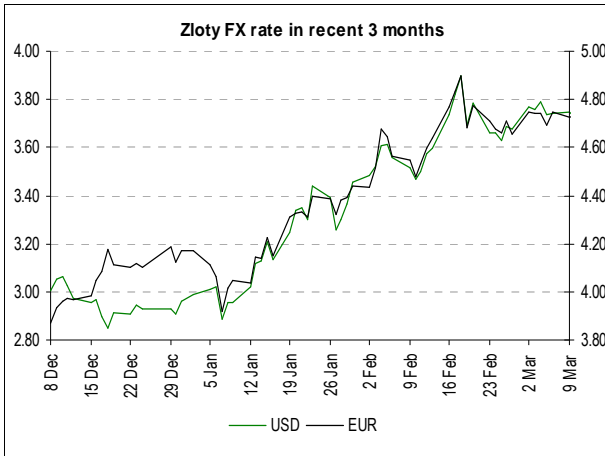
▪ Even though government officials still do not exclude entry to ERM2 in H1 2009 (which is necessary if we want to enter euro zone in 2012, in line with government's road map), there appear more and more doubts, even in their comments, that current market situation may delay entire process.

▪ Recently, some rumours appeared that Poland has already started talks with the ECB about ERM2 entry. However it is hard to imagine such negotiations could be successful without NBP participation. Meanwhile, NBP deputy chief said that central bank was not involved in such talks.

▪ EU officials stressed recently that despite crisis, one should not count on relaxation of Maastricht criteria or other rules of euro zone accession (e.g. shortening period of stay in the ERM2).



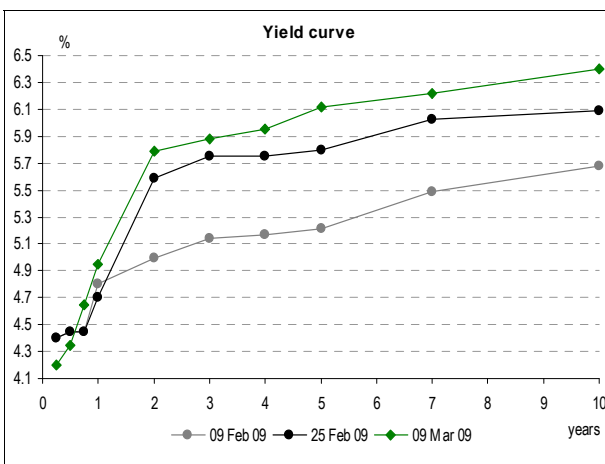
# Market monitor



### Zloty more stable

- In February the EURPLN rate approached record high level of 4.93, and afterwards domestic currency regained some strength. The zloty partly recovered losses after verbal interventions of authorities and transactions exchanging EU funds in the market by the Ministry of Finance. Positive opinions about Poland and coordinated actions of central banks and financial market supervisors in the region helped to stabilise the zloty, which behaved in the last month better than the Hungarian forint.

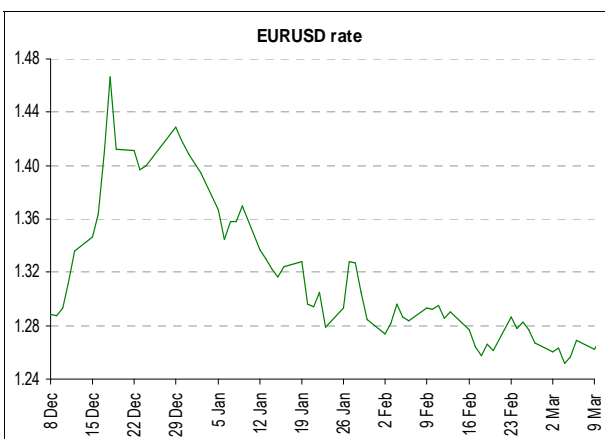
- The zloty will not be supported by the domestic economic data and it would be at risk in case of new wave of risk aversion (e.g. default of one of the countries in the region). However, in our baseline scenario we assume the zloty will be stabilised by the exchange of currencies in the market by the FinMin and potential interventions of the central bank, while in the next weeks it will recover losses toward 4.40 vs. the euro.



### Further increase of interest rates

- The interest rate market was influenced by the zloty behaviour in February. The domestic currency depreciation was limiting the expectations regarding the total scale of further interest rate reductions despite poor data from the economy. In spite of this the MPC decided to cut rates by further 25 bp, which did not affect the zloty, and resulted in decline of short-term FRA and IRS rates. Longer-term rates increased due to high risk aversion toward the region (lower rating of Ukraine and outlook of Hungary) and concerns over the budget.

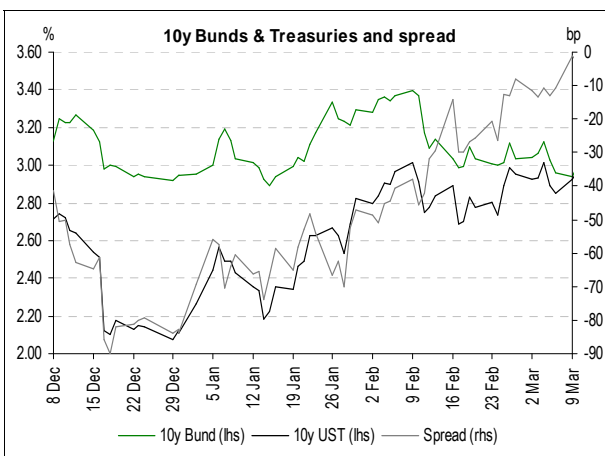
- On expected continuation of interest rate cuts (also in March), we expect falls of short-term interest rates (up to 2 years). Longer term yields may stay under pressure of limited foreign demand amid high risk premium against concerns over condition and solvency of region economies. Poor macro figures may contribute to further steepening of the curve.



### Dollar stays at strong levels

- The dollar appreciated in February amid still deteriorating global market moods, stocks sell-off and strengthening of the core debt markets. Poor data from the euro zone and the US negatively affected the euro the same as the referring to exposure of euro zone economies to CEE region, assessment of S&P of more rating downgrades this year and taking shares of Citigroup by the US Treasury. The dollar appreciation was interrupted by upside correction moves of the EURUSD rate on events improving risk appetite (e.g. comments of B. Bernanke of no nationalisation plans of the banking sector, non-farm payrolls in line with forecasts).

- We expect the dollar will stay strong and the EURUSD rate will fluctuate near ca. 1.27 in the next weeks due to release of more poor figures from abroad and interest rate cuts by the ECB. We expect the euro to recover in the H2.



### Risk aversion was more important than debt supply concerns

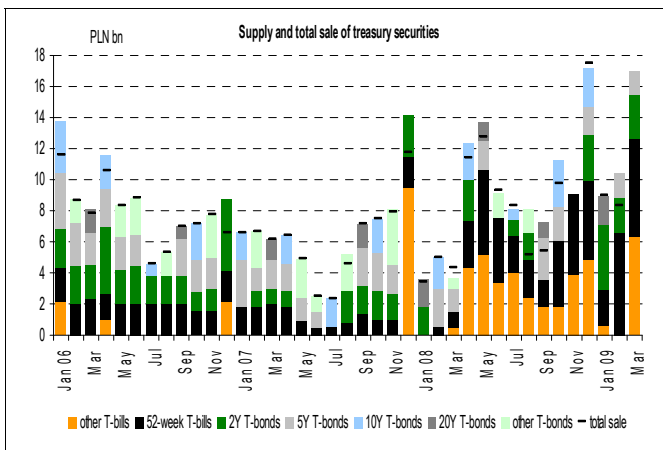
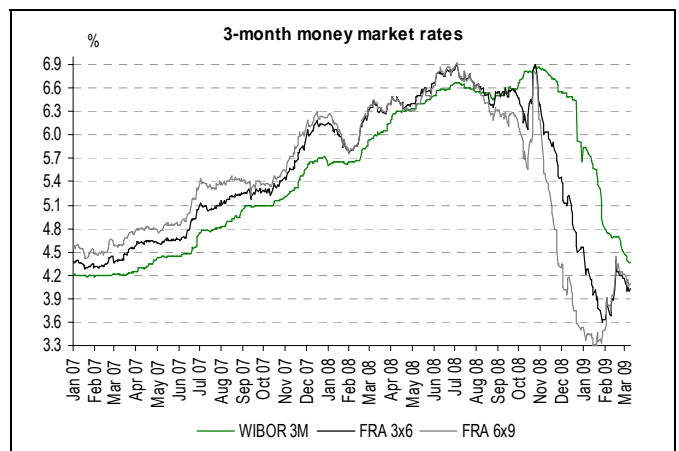
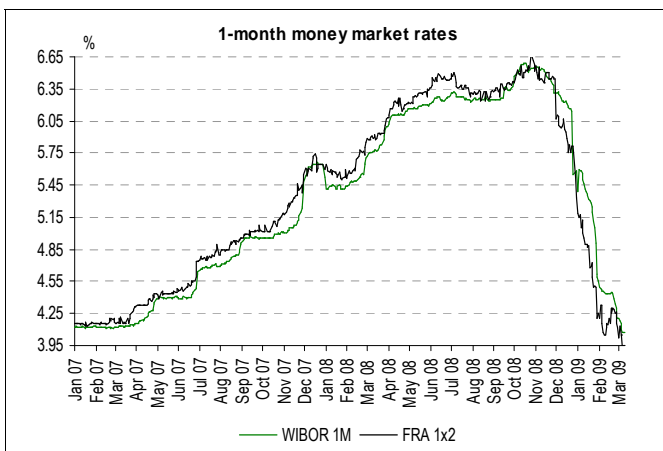
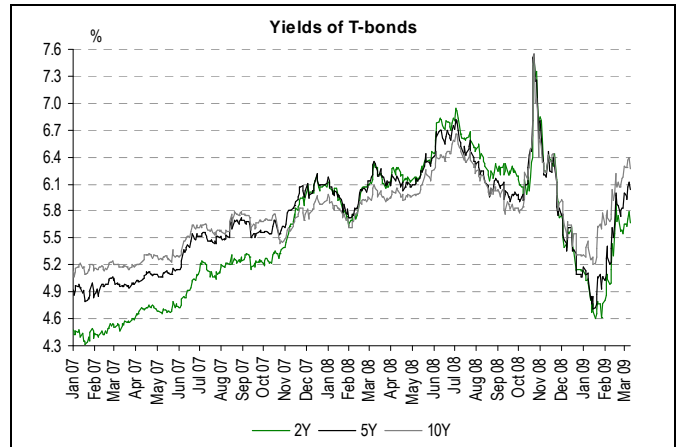
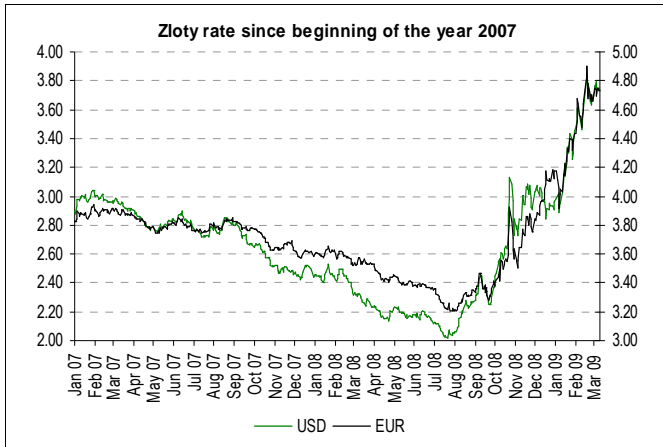
- In the core debt markets after decisive weakening in the first weeks of this year since the release of the previous report there was a gradual recovery of bond prices. This was connected mainly with increased risk aversion (negative news from the financial market – inter alia Citigroup; problem of GM) rate cut by the ECB and poor data from the US and EMU. The yields collapse was only partly offset by concerns over high debt supply this year with reference to broadening of plans to implementing fiscal stimulus by the major economies.

- The core debt market will remain under influence of two main factors: risk aversion and concerns over debt supply. Bonds in the euro zone may be supported by the expectations on further interest rate cuts in the euro zone in H109. The ECB president said that although in the nearest time he does not see rates falling in euro zone to zero it may not be ruled out in the future.

Source: Reuters, BZ WBK



# Market monitor



**Treasury bills auctions (PLN m)**

Auction date	52W	(OFFER)*SALE		13W
		39W	26W	
26.01.2009	1000-1100/1100	-	-	-
02.02.2009	900-1000/733	-	-	-
09.02.2009	1500-2500/1997	-	-	-
16.02.2009	1300-1800/1337	-	-	-
23.02.2009	1300-1800/2395	-	-	-
02.03.2009	700-1000/1160	-	300-500/677	-
09.03.2009	1500-1800/1854	-	1100-1400/1400	-
16.03.2009	<1800	-	>1300	-
23.03.2009	-	-	1300-1800	-
30.03.2009	<1800	-	>1300	-
06.04.2009	-	-	-	-
09.04.2009	-	-	-	-
20.04.2009	-	-	-	-

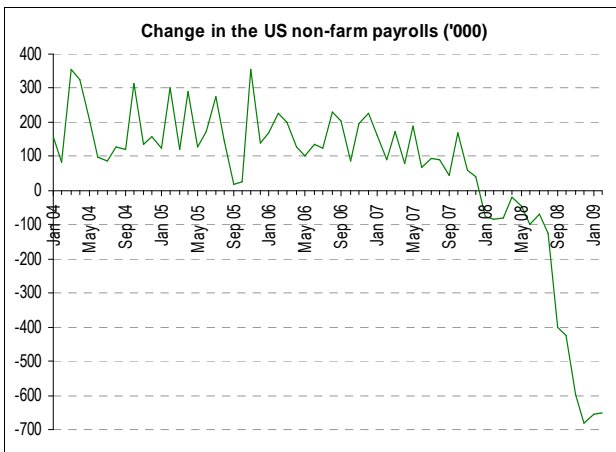
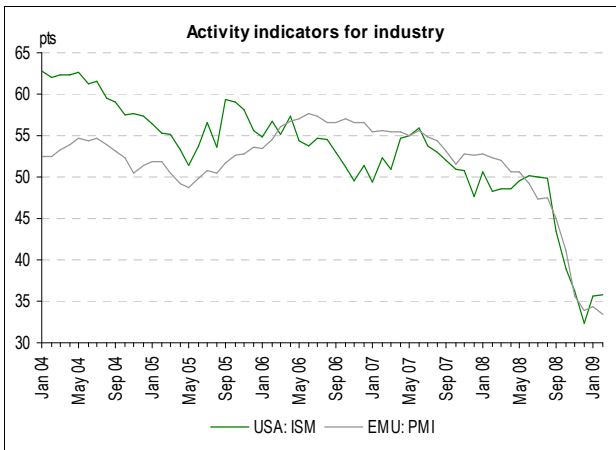
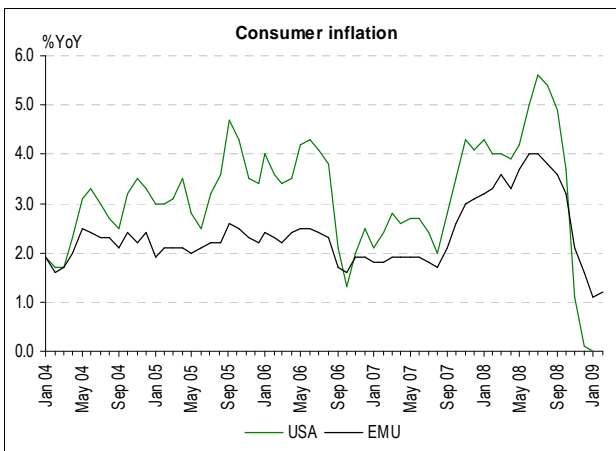
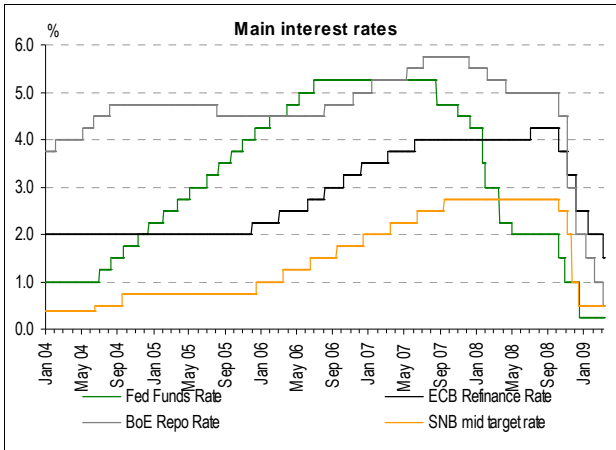
\* based on data of the Ministry of Finance

## Treasury bond auctions in 2008/2009 (PLN m)

month	First auction			Second auction			Switch auction				
	date	T-bonds	offer	sale	date	T-bonds	Offer	sale	date	T-bonds	sale
July	02.07	OK0710	1 000	1 000	09.07	DS1017	700	705	23.07	PS0413	1558
August	06.08	OK0710	1 800	1 830	13.08	WZ0118 IZ0823	1 000   500	1 000   451	22.08	DS1017	1244
September	03.09*	PS0413	2 640	2 640	10.09	WS0429	1 000	1 000	17.09	DS1017/WS0429	3113/590
October	01.10*	PS0414	2 160	2 160	08.10*	DS1019	3 000	3 000	24.10	IZ0816/WZ0118	620 / 655
November	-	-	-	-	-	-	-	-	12.11	OK0710/PS0414	874 / 313
December	10.12*	OK0711	3000	3430	17.12*	PS0414 DS1019	1800   2500	2042 2340	03.12	PS0414/DS1019	1212 / 1350
January	07.01*	OK0711	4200	4296	14.01	WS0429	1500	1500	21.01	PS0414/DS1019	2800/1300
February	04.02	OK0711/PS0414	2200/1600	722/1186	-	-	-	-	18.02	-	-
March	04.03	OK0711/PS0414	2760/1500	2550/640	-	-	-	-	11.03	OK0711/PS0414	-
April	01.04	OK i/lub PS	-	-	08.04	DS i/lub WS	-	-	-	-	-
May	06.05	OK i/lub PS	-	-	13.05	DS i/lub WS	-	-	-	-	-
June	03.06	OK i/lub PS	-	-	10.06	DS i/lub WS	-	-	-	-	-

\* with supplementary auction

# International review



## Quantitative monetary policy easing, low inflation

- Last Fed minutes included forecasts that the US economy may shrink in 2009 r. by 0.5-1.3%. Earlier it was forecasted the GDP growth may decline in worst case by 0.2%. The GDP growth is expected to increase by 2.5-3.3% in 2010 and in 2011 the growth may reach 3.8-5%. According to our forecasts the US GDP is going to fall this year by 2.5% and will rise by 1% in 2010. Another Fed's step may be quantitative easing and purchases of US Treasuries.

- ECB lowered interest rates by 50 bp, the main rate to 1.5%, the lowest level in history. In our view bank is going to continue monetary policy easing, lowering the refi rate to 1% till mid-year. One may not rule out applying quantitative easing methods in monetary policy, e.g. purchases of short-term commercial papers. ECB actions were supported by the banks downwardly revised forecasts of GDP (-2,7% in 2009, 0% in 2010) and inflation (0.4% in 2009, 1% in 2010). Weak data from the EMU suggest the interest rates may stay at low level also in 2010.

- After an interest rate cut by 50 bp (the main rate down to 0.5% the lowest level in history) the Bank of England decided to introduce quantitative monetary easing.

- Final data on inflation in the euro zone in January confirmed inflation decline to 1.1%YoY from 1.6% in December. According to preliminary estimates of the Eurostat the HICP growth in February appeared higher than expected (1.0%YoY) and was at 1.2%YoY.

- The US CPI growth was in line with market forecasts and was at 0.3%MoM. In annual terms the CPI remained unchanged (lowest annual growth since 1955) against expected decline by 0.2%YoY. On the other hand the core inflation index remained unchanged in monthly terms against expected drop by 0.2%MoM and rose by 1.7%YoY, above market forecast of 1.5%.

## Stabilisation of activity indices, rising unemployment

- While the PMI activity indices indicated accelerating decline of economic activity in the euro zone, respective indices in the US signalled possible weakening of negative tendencies in the US economy.

- The ISM activity index in the US manufacturing sector surprisingly rose in February to 35.8 pts from 35.6 pts in January against forecasted drop to 33.9 pts. The services index fell to 41.6 pts from 42.9 pts against expected 41 pts.

- Although the ZEW index for February fell to -5.8 pts against expected -28 pts, the Ifo index declined to 82.6 pts from 83 pts against no change expected by the market, while deterioration of assessment of the current situation overweighed improvement of future situation index. The PMI index for euro zone manufacturing fell stronger than expected to 33.5 pts from 34.4 pts against expected 33.6 pts. The index for euro zone services fell to 39.2 pts from 42.2 pts in January against expected slightly deeper decline 38.9 pts.

- The GDP data in the US were worse than forecasted. The GDP growth was revised from -3.8% to -6.2% against expected -5.4%. Almost all GDP components contributed to the revision, i.e. worse net exports, liquidation of inventories, weak private consumption (-4.3% vs. -3.5% before revision) and gross private investments (-20.8% vs. -12.3% before revision). Q4 GDP data for the euro zone were revised to -1.3%YoY from -1.2%.

- The US labour market data were worse than expected. The non-farm payrolls fell in February by 651k against average expectations of -648k, while part of investors feared of employment decline by over 1m. Data for the previous months were downwardly revised by ca. 150k, and unemployment rate increase to 8.1% from 7.6% against expectations of 7.9%.

Source: Reuters, ECB, Federal Reserve

## Economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
<b>9 March</b> <i>PL: Auction of Treasury Bills</i>	<b>10</b> US: Wholesale inventories (Jan)	<b>11</b> <i>PL: Switch auction</i>	<b>12</b> EZ: Industrial production (Jan) US: Retail sales (Feb) CH: SNB meeting - decision	<b>13</b> <i>PL: CPI (Feb)</i> <i>PL: Money supply (Feb)</i> <i>PL: Balance of payments (Jan)</i> EZ: Retail sales (Jan) US: Import prices (Feb) US: Trade balance (Jan) US: Preliminary Michigan (Mar)
<b>16</b> <i>PL: Auction of Treasury Bills</i> EZ: Final HICP (Feb) US: NY Fed index (Mar) US: Capital flows (Jan) US: Industrial production (Feb) US: Capacity utilisation (Feb)	<b>17</b> <i>PL: Wage and employment (Feb)</i> DE: ZEW index (Mar) US: House starts (Feb) US: Building permits (Feb) US: PPI (Feb)	<b>18</b> <i>PL: Industrial production (Feb)</i> <i>PL: PPI (Feb)</i> US: CPI (Feb) US: Fed meeting – decision	<b>19</b> <i>PL: MPC minutes (Feb)</i> JP: BoJ meeting – decision EZ: Industrial production (Dec) US: Leading indicators (Feb) US: Philadelphia Fed index (Mar)	<b>20</b> <i>PL: Core inflation (Feb)</i> <i>PL: Business climate (Mar)</i> JP: Market holiday
<b>23</b> <i>PL: Auction of Treasury Bills</i> US: Home sales (Feb)	<b>24</b> <i>PL: MPC meeting</i> <i>PL: Retail sales (Feb)</i> <i>PL: Unemployment rate (Feb)</i> EZ: Flash manufacturing PMI (Mar) EZ: Flash services PMI (Mar)	<b>25</b> <i>PL: MPC meeting - decision</i> DE: Ifo index (Mar) US: Durable goods orders (Feb) US: New home sales (Feb)	<b>26</b> DE: Gfk index (Apr) EZ: M3 money supply (Feb) US: Final GDP (Q4) US: Core PCE (Q4)	<b>27</b> US: Core PCE (Feb) US: Final Michigan (Mar)
<b>30</b> <i>PL: Auction of Treasury Bills</i> EZ: Economic sentiment index (Mar)	<b>31</b> <i>PL: Balance of payments (Q4)</i> EZ: Flash HICP (Mar) US: Case/Shiller report (Mar) US: Chicago PMI (Mar) US: Consumer confidence (Mar)	<b>1 April</b> <i>PL: PMI (Mar)</i> <i>PL: Auction of Treasury bonds</i> EZ: Manufacturing PMI (Mar) US: ADP report (Mar) US: Manufacturing ISM (Mar) US: Pending home sales (Feb)	<b>2</b> EZ: PPI (Feb) EZ: ECB meeting decision US: Factory orders (Feb)	<b>3</b> EZ: Services PMI (Mar) EZ: Retail sales (Feb) US: Non-farm payrolls (Mar) US: Rate of unemployment (Mar) US: Non-manufacturing ISM (Mar)
<b>6</b> <i>PL: Auction of Treasury Bills</i>	<b>7</b> EZ: Revised GDP (Q4)	<b>8</b> <i>PL: Auction of Treasury bonds</i> JP: BoJ meeting – decision US: Wholesale inventories (Feb) US: FOMC minutes	<b>9</b> GB: BoE meeting – decision US: Trade balance (Feb) US: Import prices (Mar)	<b>10</b> US, GB, CH, IT, CA: Market holiday (Good Friday)

Source: CSO, NBP, Finance Ministry, Reuters

## MPC meetings and data release calendar for 2009

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

\* quarterly data, <sup>a</sup> preliminary data for January, <sup>b</sup> January and February

Source: CSO, NBP

## Economic data and forecasts

### Monthly economic indicators

		Feb 08	Mar 08	Apr 08	May 08	Jun 07	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Jan 09	Feb 09	Mar 09
Industrial production	%YoY	14.7	0.7	14.4	1.4	6.5	4.8	-4.4	5.5	-2.0	-10.6	-5.6	-14.9	-15.7	-2.1
Retail sales <sup>c</sup>	%YoY	25.2	16.0	18.3	15.2	14.3	14.7	8.3	12.4	9.2	3.0	6.9	1.3	0.3	4.0
Unemployment rate	%	11.3	10.9	10.3	9.8	9.4	9.2	9.1	8.9	8.8	9.1	9.5	10.5	10.9	11.1
Gross wages <sup>b,c</sup>	%YoY	13.2	10.5	12.9	10.8	12.3	11.8	9.9	11.2	10.1	7.6	5.6	8.1	5.7	5.0
Employment <sup>b</sup>	%YoY	5.8	5.7	5.5	5.3	4.7	4.6	4.1	4.0	3.5	3.0	2.2	0.7	-0.2	-0.9
Export (€) <sup>d</sup>	%YoY	29.1	10.6	33.6	12.1	18.7	22.8	9.4	20.9	0.5	-11.3	-16.4	-27.5	-28.3	-15.6
Import (€) <sup>d</sup>	%YoY	31.4	12.2	33.1	15.3	21.7	22.5	17.8	21.0	4.8	-8.3	-13.5	-21.4	-22.9	-13.7
Trade balance <sup>d</sup>	EURm	-808	-1345	-1195	-1420	-1661	-1635	-1329	-1249	-1526	-1519	-1688	-1200	-1178	-1355
Current account balance <sup>d</sup>	EURm	-1322	-1807	-1521	-1745	-2219	-879	-1300	-1881	-2012	-1637	-1920	-1200	-1228	-1255
Current account balance <sup>d</sup>	% GDP	-4.7	-4.9	-5.1	-5.1	-5.1	-4.9	-5.0	-5.2	-5.3	-5.5	-5.4	-5.5	-5.5	-5.4
Budget deficit (cumulative)	PLNbn	0.0	1.9	0.6	-1.9	-3.5	-2.7	-0.3	-4.2	-11.6	-14.8	-24.6	2.9	-5.5	-7.6
Budget deficit (cumulative) <sup>e</sup>	% of FY plan	-0.1	-7.6	-2.4	7.5	14.1	10.9	1.3	17.0	47.1	60.3	100.0	-16.0	30.2	42.0
CPI	%YoY	4.2	4.1	4.0	4.4	4.6	4.8	4.8	4.5	4.2	3.7	3.3	3.1	3.2	3.1
PPI	%YoY	3.2	2.9	2.5	2.7	2.6	2.1	2.0	2.3	2.6	2.4	2.6	3.0	3.0	2.9
Broad money (M3)	%YoY	13.5	13.6	15.0	15.1	16.3	16.8	16.8	17.3	17.3	18.1	18.6	17.7	16.6	16.0
Deposits	%YoY	14.7	15.3	16.7	17.4	18.5	19.4	18.9	20.0	18.7	19.4	20.6	19.5	18.1	17.7
Loans	%YoY	29.5	29.7	28.3	27.6	27.7	25.3	26.7	28.0	32.8	31.7	36.0	35.8	36.4	33.2
USD/PLN	PLN	2.43	2.28	2.19	2.19	2.17	2.07	2.19	2.34	2.69	2.93	2.98	3.18	3.63	3.66
EUR/PLN	PLN	3.58	3.54	3.45	3.40	3.37	3.26	3.29	3.37	3.57	3.73	4.01	4.22	4.65	4.65
Reference rate <sup>a</sup>	%	5.50	5.75	5.75	5.75	6.00	6.00	6.00	6.00	6.00	5.75	5.00	4.25	4.00	3.75
Lombard rate <sup>a</sup>	%	7.00	7.25	7.25	7.25	7.50	7.50	7.50	7.50	7.50	7.25	6.50	5.75	5.50	5.25
WIBOR 3M	%	5.74	6.03	6.29	6.41	6.58	6.62	6.52	6.56	6.80	6.74	6.40	5.51	4.69	4.36
Yield on 52-week T-bills	%	5.66	6.09	6.10	6.10	6.63	6.70	6.60	6.46	6.45	6.52	6.10	4.85	4.62	4.90
Yield on 2-year T-bonds	%	5.90	6.17	6.20	6.27	6.73	6.66	6.32	6.25	6.46	6.26	5.43	4.81	5.37	5.60
Yield on 5-year T-bonds	%	5.93	6.20	6.12	6.25	6.62	6.53	6.15	6.01	6.48	6.21	5.42	4.96	5.57	6.00
Yield on 10-year T-bonds	%	5.82	5.98	5.98	6.10	6.41	6.43	6.10	5.89	6.39	6.25	5.57	5.43	5.94	6.30

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

<sup>a</sup> at the end of period <sup>b</sup> in corporate sector <sup>c</sup> in nominal terms <sup>d</sup> balance of payments data on transaction basis <sup>e</sup> 2008 - % of Dec, 2009 - % of plan



## Quarterly and annual economic indicators

		2006	2007	2008	2009	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09
GDP	PLNbn	1 060.0	1 175.3	1 266.6	1 314.1	295.3	309.9	312.1	349.3	305.9	320.4	323.4	364.4
GDP	%YoY	6.2	6.7	4.8	1.2	6.0	5.8	4.8	2.9	0.4	0.8	1.4	2.1
Domestic demand	%YoY	7.3	8.6	5.0	1.0	6.2	6.0	4.3	3.6	0.9	0.8	1.0	1.5
Private consumption	%YoY	5.0	5.0	5.4	3.0	5.6	5.5	5.1	5.2	3.5	3.2	2.7	2.5
Fixed investments	%YoY	14.9	17.6	7.9	-1.6	15.7	15.2	3.5	3.5	-4.0	-6.0	-1.5	2.0
Industrial production	%YoY	12.5	9.7	3.5	-2.7	8.2	7.0	2.2	-6.3	-10.9	-4.2	1.1	3.3
Retail sales (real terms)	%YoY	11.9	14.0	9.6	0.7	16.1	11.8	8.4	4.8	1.3	1.6	0.4	-0.3
Unemployment rate <sup>a</sup>	%	14.8	11.2	9.5	12.4	10.9	9.4	8.9	9.5	11.1	10.8	11.4	12.4
Gross wages (real terms) <sup>c</sup>	%YoY	4.2	6.7	5.9	1.6	7.5	7.9	5.6	3.6	3.1	1.1	1.2	1.0
Employment <sup>c</sup>	%YoY	3.2	4.6	4.5	-1.7	5.8	5.2	4.2	2.9	-0.1	-1.6	-2.4	-2.6
Export (€) <sup>b</sup>	%YoY	20.4	13.4	12.1	-12.3	20.3	21.3	17.9	-8.5	-23.8	-18.5	-7.0	2.0
Import (€) <sup>b</sup>	%YoY	24.0	19.5	14.1	-11.9	20.5	23.2	20.6	-5.3	-19.2	-18.6	-8.0	-1.0
Trade balance <sup>b</sup>	EURm	-5 539	-12 369	-16 139	-14 640	-2 927	-4 272	-4 207	-4 733	-3 733	-3 450	-3 558	-3 899
Current account balance <sup>b</sup>	EURm	-7 445	-14 586	-19 457	-12 490	-4 333	-5 478	-4 077	-5 569	-3 683	-2 450	-2 608	-3 749
Current account balance <sup>b</sup>	% GDP	-2.7	-4.7	-5.4	-4.1	-4.9	-5.1	-5.1	-5.4	-5.4	-4.8	-4.6	-4.0
General government balance	% GDP	-3.8	-2.0	-2.7	-4.0	-	-	-	-	-	-	-	-
CPI	%YoY	1.0	2.5	4.2	2.5	4.1	4.3	4.7	3.8	3.1	2.6	2.2	2.2
CPI <sup>a</sup>	%YoY	1.4	4.0	3.3	2.4	4.1	4.6	4.5	3.3	3.1	2.3	2.2	2.4
PPI	%YoY	2.5	2.3	2.6	2.8	3.0	2.6	2.1	2.5	3.0	2.5	2.7	3.1
Broad money (M3) <sup>a</sup>	%YoY	16.0	13.4	18.6	5.5	13.6	16.3	17.3	18.6	16.0	12.1	9.8	5.5
Deposits <sup>a</sup>	%YoY	15.2	14.5	20.6	5.5	15.3	18.5	20.0	20.6	17.7	13.0	9.9	5.5
Loans <sup>a</sup>	%YoY	23.4	29.9	36.0	5.4	29.7	27.7	28.0	36.0	33.2	26.7	17.1	5.4
USD/PLN	PLN	3.10	2.77	2.41	3.31	2.39	2.18	2.20	2.87	3.49	3.50	3.20	3.04
EUR/PLN	PLN	3.90	3.78	3.52	4.26	3.58	3.41	3.31	3.77	4.51	4.45	4.13	3.97
Reference rate <sup>a</sup>	%	4.00	5.00	5.00	3.00	5.75	6.00	6.00	5.00	3.75	3.00	3.00	3.00
Lombard rate <sup>a</sup>	%	5.50	6.50	6.50	4.50	7.25	7.50	7.50	6.50	5.25	4.50	4.50	4.50
WIBOR 3M	%	4.21	4.73	6.36	3.85	5.80	6.43	6.57	6.65	4.85	3.86	3.40	3.30
Yield on 52-week T-bills	%	4.18	4.69	6.26	4.27	5.84	6.28	6.59	6.36	4.79	4.30	4.00	4.00
Yield on 2-year T-bonds	%	4.57	5.23	6.22	4.99	5.99	6.40	6.41	6.05	5.26	5.20	4.90	4.60
Yield on 5-year T-bonds	%	5.03	5.52	6.15	5.47	6.02	6.33	6.23	6.04	5.51	5.70	5.45	5.20
Yield on 10-year T-bonds	%	5.22	5.56	6.06	5.92	5.87	6.16	6.14	6.07	5.89	6.10	5.90	5.80

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

<sup>a</sup> at the end of period; <sup>b</sup> balance of payments data on transaction basis <sup>c</sup> in corporate sector

This analysis is based on information available until 09.03.2009 has been prepared by:

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