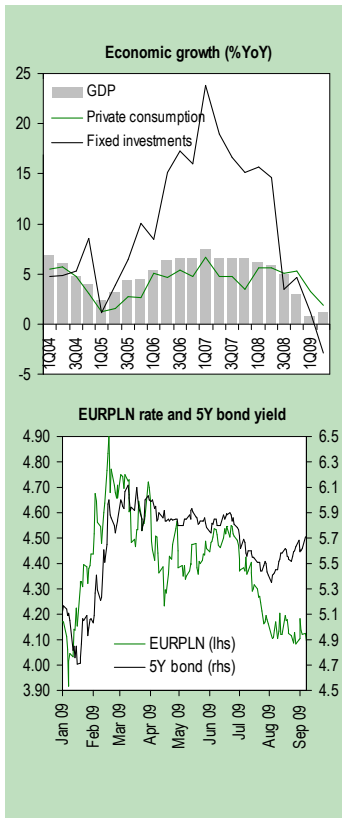


MACROscope

Polish Economy and Financial Markets

September 2009



Mixed feelings after holiday

It has been two months since our last publication – we are happy to welcome our readers back after the summer break. That said, we have rather mixed feelings about the current economic climate. The macroeconomic figures show that the Polish economy is already on the rebound (we discussed the bottom of the economic cycle already in the June edition *Looking for the bottom*). On the other hand, while our projections assuming the zloty appreciation over the summer have materialised (with excess), we expect to see an adjustment of the EURPLN rate (the rise to above 4.20). This may be driven by a change in global market sentiment (higher risk aversion, correction in equity markets), as well as the pressure on the bond market caused by new expectations concerning the monetary policy and a significant growth of the budget deficit and financing needs in the upcoming year. At the same time, we are not changing our EURPLN exchange rate projections - the FX rate at ca. 4.0 at the end of the year.

The economic growth in Q2 was better than expected. at 1.1%YoY, which was higher than recorded in the first quarter. In our opinion, these figures and fairly good performance results for the beginning of the third quarter (retail sales, construction industry) means a change in outlook for consecutive periods. However, we still maintain the view that the recovery will be gradual and the growth rate will remain only slightly over 1% until mid-2010. The end of 2010 and 2011 should see much better performance.

CPI inflation stayed over 3.5% in the past two months, which was one of the major arguments against further interest rate cuts (to stop the downward trend for negative real rates). Judging from official commentaries by the Monetary Policy Council members, most of them have taken a neutral stance on further developments in the monetary policy. This means that change in informal bias is going to take place soon. Interest rate changes in 2010 will depend on the new Council. Given that it is possible that the ECB is likely to tighten its monetary policy next year and that the new Council might want to build a reputation of an inflation fighter at the very onset of its term, interest rates in Poland will most probably be raised as the next step. It seems, however, that financial markets now overestimate the scale of increases, as well as the timing of the first hike.

Poland's public finance sector deficit will amount to almost PLN100bn (7% of the GDP). This translates into a considerable growth in Treasury papers issuances, even if ambitious privatisation plans do come through. There is a chance that the central budget deficit will be lower than planned (conservative macroeconomic assumptions, no NBP profit assumed). The deficit growth, although considerable, is mainly cyclical and the minister of finance claims that he will be able to keep it in check through "a number of changes aimed at consolidation of public finances". But one might ask why these changes are not in place yet, if the difficult condition of the public finances (caused by the global economic downturn) has not been a secret for quite a long time now?

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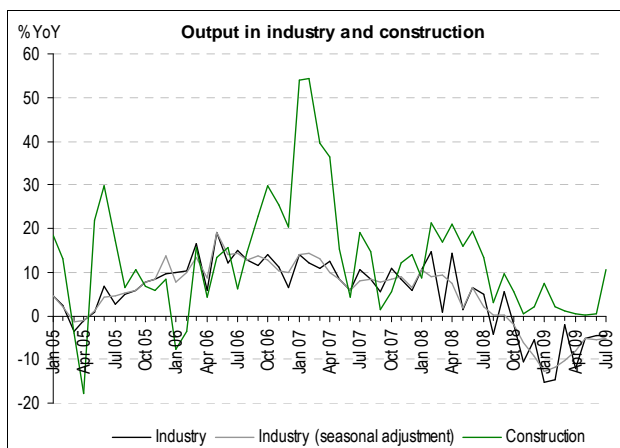
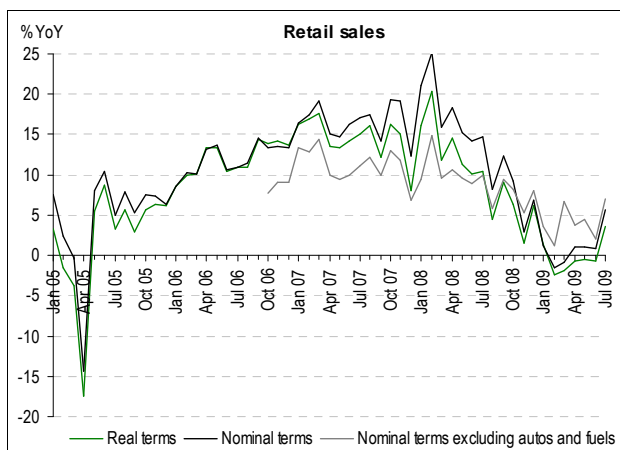
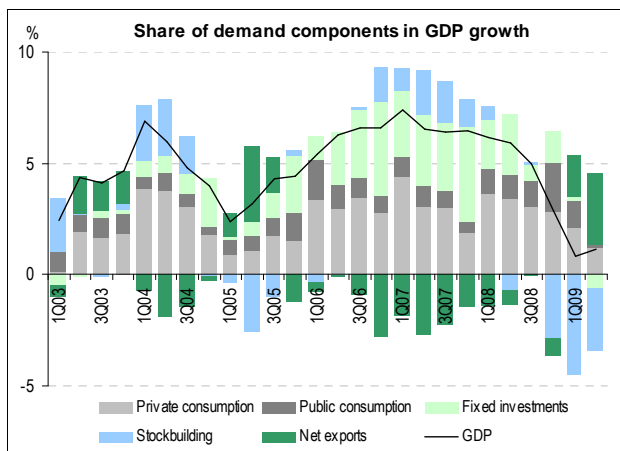
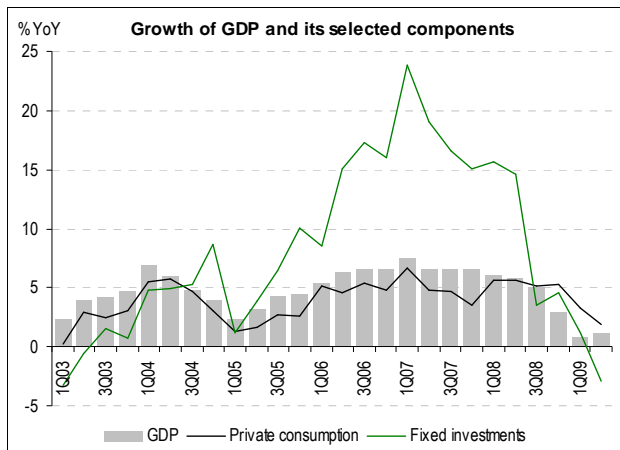
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| Financial market on 31 August 2009: | | | | | |
|-------------------------------------|------|-------------------------|------|--------|--------|
| NBP deposit rate | 2.00 | WIBOR 3M | 4.18 | USDPLN | 2.8675 |
| NBP reference rate | 3.50 | Yield on 2-year T-bonds | 5.08 | EURPLN | 4.0998 |
| NBP lombard rate | 5.00 | Yield on 5-year T-bonds | 5.68 | EURUSD | 1.4297 |

This report is based on information available until 09.09.2009

Economic update



Source: CSO, own calculations

Faster than expected GDP growth in Q2

- GDP growth in Q2 reached 1.1%YoY, and more than doubled market expectations. Instead of a slowdown, we had a slight acceleration of economic growth, which puts Poland in the first place among the European Union states when it comes to GDP performance (most of other countries were in deep recession in Q2). Seasonally adjusted GDP rose 0.5%QoQ in Q2, accelerating from 0.3%QoQ rise in Q1.

- The decline in domestic demand deepened to 2.0%YoY from 1.0%YoY in Q1, with all components deteriorating. However, the most significant was a drop in inventories (according to our estimate it took away almost 3pp from GDP growth). Such considerable drop in inventories will probably have to be followed by restocking process as enterprises become more confident about demand prospects.

- Increase in private consumption decelerated from 3.3%YoY to 1.9%YoY, broadly in line with expectations. A particularly positive phenomenon is smaller than expected fall in fixed investment (-2.9%YoY), which makes current economic slowdown different from the previous one in 2001 (probably among others thanks to realization of infrastructural projects co-financed by the EU).

- Contribution of net exports to GDP growth was more positive than we estimated and reached over 3pp. However, one should remember that this phenomenon is not reflecting a strength of Polish exports (actually it is falling), but slump in imports amid the zloty depreciation and weakening of domestic demand.

- Better data for Q2 and most recent signals of improving business climate, which suggest that Q3 should not be worse than Q2 (see below) justify upward revision of GDP forecast for the entire year. We predict that GDP growth will top 1% this year amid consumption rise by slightly more than 2%, ca. 5% fall in investment, and strongly positive influence of net exports.

... and signs of economic revival in Q3

- Positive surprises appeared also in monthly data describing economic activity at the start of Q3.

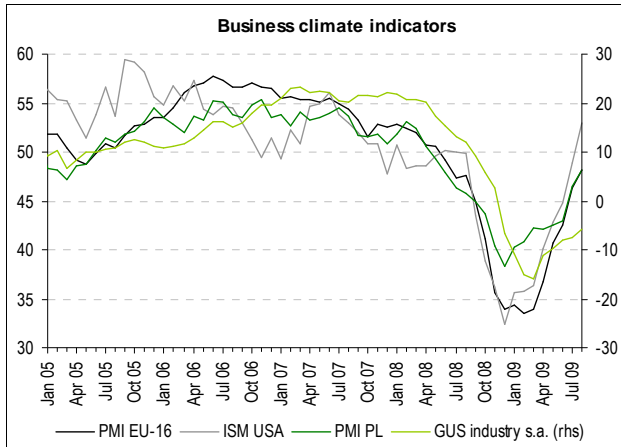
- Retail sales growth accelerated in July to 5.7%YoY, and clear pickup took place in almost all areas, which suggests the result is not accidental. At this stage it is hard to say whether a rebound is persistent and if Poles started spending money under influence of falling fears of effects of the crisis, or if this was a result of the fact that this year much lower share of population spent holidays abroad (which would imply a transitory impact). If the situation in the labour market continues deteriorating later on, consumer confidence may start falling again.

- Another optimistic sign about stance of the economy was much higher than expected growth in construction output (10.7%YoY, the highest since July 2008). In this case it is also hard to say if it will be persistent. On the one hand, construction sector is supported by growing use of EU funds and realisation of infrastructural projects, but on the other hand, according to information from the CSO, July's result was influenced by accumulated inflow of invoices after realisation of big housing investments.

- Industrial output in July was lower than expected and dropped 4.6%YoY, slightly more than in June. However, detailed analysis of the data shows that in many branches there was a clear improvement, while deterioration of headline figure was caused mainly by transport sector (manufacturing of cars and other transport equipment), where output collapsed sharply.

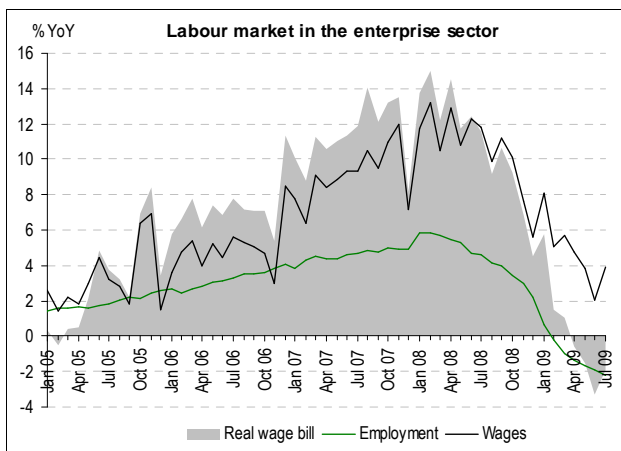
- CSO data show a sharp pickup in the recent months in production of consumption goods, both durable (18.9%YoY) and non-durable (5.9%YoY) and easing decline in production of intermediate goods (-5.9%YoY), amid very deep collapse in output of investment goods (-16.3%YoY).

Economic update



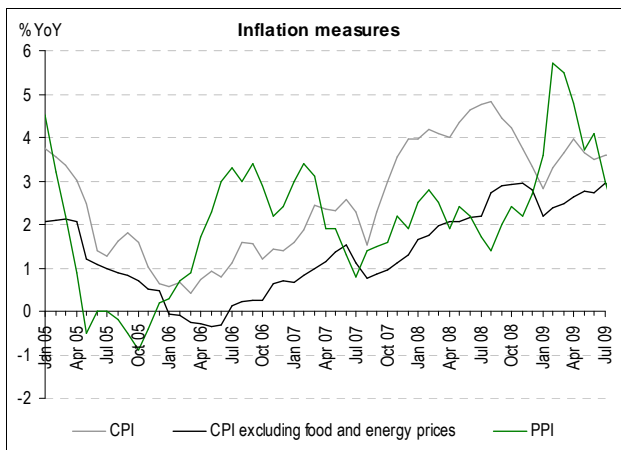
Improving moods of firms and consumers

- Virtually all surveys of business climate in enterprises and consumer sentiment recorded another increase in a row in August. This reinforced expectations that economic growth in Q3 will not be weaker than in Q2.
- PMI in manufacturing rose to 48.2 in August, the highest level since May 2008, and its component describing production clearly exceeded 50pts, the level dividing expansion and recession.
- On the other hand, one should notice that improvement of indices results mainly from falling ratio of those who predict a deterioration of situation, not from growing number of those who expect an improvement. This seems to herald a stagnation in the economy rather than clear economic recovery.



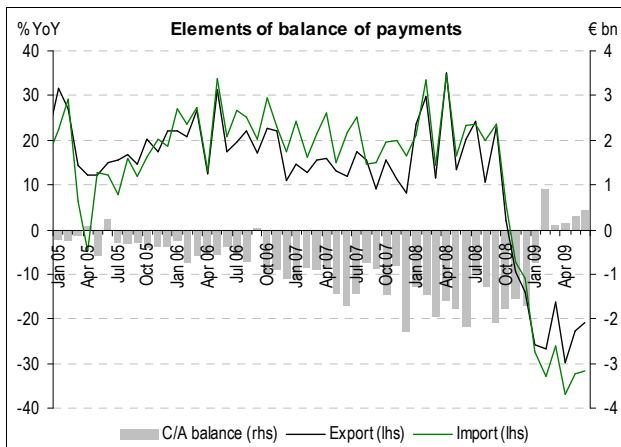
Deterioration in the labour market

- Wage growth in enterprises sector rebounded in July to 3.9%YoY from 2% in June, exceeding expectations. However, it was a result of huge bonus payments in oil-processing companies, and thus in the next months one should expect a fall in wage growth and its stabilisation at low level.
- In turn, pace of employment reduction accelerated in July to 2.2%YoY. Nominal wage bill rose in July by 1.6%YoY versus average 1.8% rise in Q2 and 6.1%YoY in Q1. In real terms it fell by 1.9%YoY in July against average -1.8% in Q2 and 2.8% in Q1.
- Registered unemployment rate rose in July to 10.8%, confirming deteriorating situation in the labour market. We expect further rise in unemployment, which will have adverse effect on private consumption prospects.



Inflation still above 3.5%

- CPI inflation rose to 3.6%YoY in July from 3.5% in June, exceeding forecasts, among others due to sharp rise in tobacco prices (7%MoM, effect of hike in excise tax) and fuels (4%MoM). Food prices recorded seasonal drop by 1.2%MoM.
- Core inflation excluding prices of food and energy rose in July to 2.95%. In our view, it was a peak of core inflation and in the nearest months it should enter a downward trend despite the headline CPI remaining at elevated level.
- In turn, PPI growth in July was below forecast, falling to 3.0%YoY from revised down 4.1% in June. Such significant fall in PPI inflation was caused by price fall in mining and quarrying and manufacturing, and it is likely that in both cases a significant zloty appreciation in July played an important role.

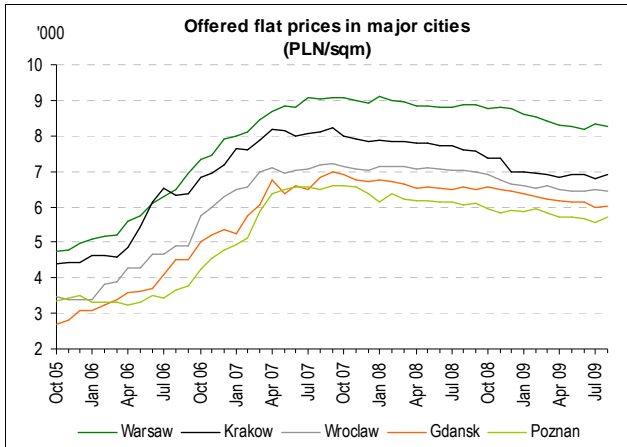


Foreign trade still in surplus

- Current account surplus in June reached €459m and was higher than predicted. All elements of the account surprised positively – balance of trade, services, income and transfers. Export and import (in euro) fell by 20.8%YoY and 31.5%YoY, correspondingly. At the same time, one should notice that export in zloty terms rose in June by 5.7%YoY after falling by average 3.7% in the first five months of the year. Import in PLN fell in June by 8.6%YoY against average fall 12.6% in January-May period.
- Once again there was a slowdown in inflow of EU funds (revenue in capital account at €110m versus €545m on average in first five months of the year) and outflow of foreign direct investment (-€192m, which means that inflow in the first half of the year reached merely almost €1bn).

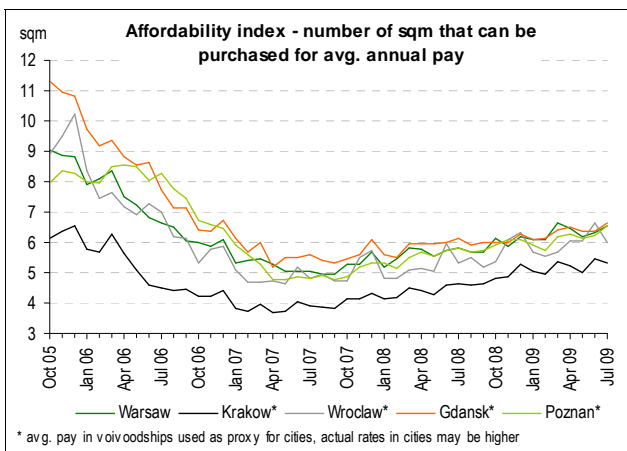
Source: CSO, NBP, Reuters, own calculations

Housing market update



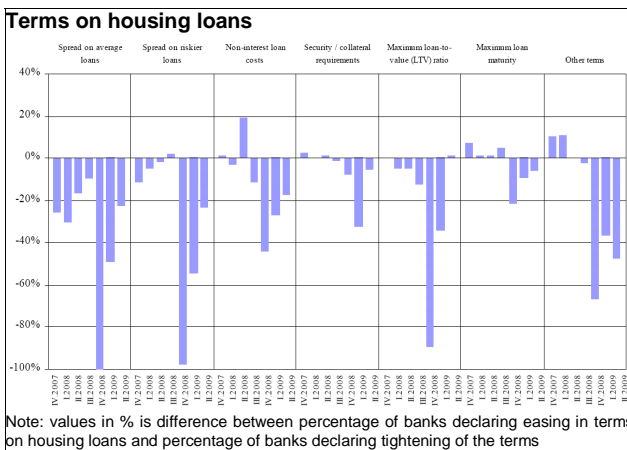
Price stabilisation continued

- Data from the szybko.pl on situation in the secondary housing market showed that summer saw stabilisation of the offered flat prices in Poland's major cities. However, it is difficult to say whether there is no deepening in the scale of discounts offered by the selling side.
- Changes in flat prices in majority of Poland's major cities did not exceed 1% in July-August period. The exception was Gdańsk where prices dropped by 2.3% from June to August. This local market seems to be the weakest currently. However, in annual terms the largest scale of price drop is still in case of Cracow (-9.2%) as a result of sharp decline during 2008.
- In the largest local market, i.e. Warsaw, flat prices in August were 0.7% higher than in June and 7% lower than a year earlier.



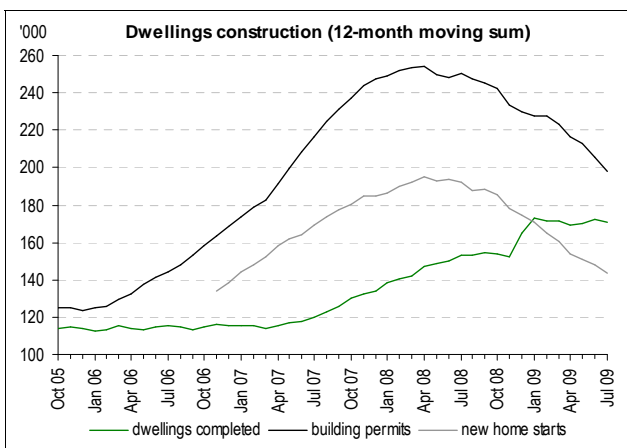
Rise in affordability indices

- The affordability index (see chart) and leveraged affordability index continued upward tendency in July-August. However, these are not flawless measures of situation in the housing market.
- In case of the affordability index, the upward tendency is a result of continued average wage growth amid stable flat prices. However, this does not take into account falling employment, which constrains effective demand for flats.
- With respect to leveraged affordability index one should remember that the upward trend also relates to continued rise in average wage while employment drop and higher unemployment negatively affects effective demand for flats financed with loans. Besides, one should take into account tightening in terms on housing loans.



Still no breakthrough in banks' lending policy

- NBP survey among senior loan officers showed that banks tightened lending policy with regard to housing loans, but unlike in the previous two quarters this was not common.
- Over 50% of the banks reported a rise in demand for housing loans in Q2, with 17% of the banks considering the increase as considerable. On the other hand, almost 40% of the banks recorded a fall in demand and 12% termed it as considerable.
- Nearly 25% of banks expect the lending policy in the segment of housing loans to be further tightened in Q3, although in most cases it will be only slight tightening. In our view the better than expected data from the real economy may encourage banks to selective easing of lending policy. Especially that the surveyed banks expect demand for housing loans to grow on a largest scale since Q2 2008.



Supply still shrinks, but new projects ready to be launched

- Data from the stats office on the dwellings construction indicate continuation of an adjustment on the supply side of the market to the lowered demand. In June-July there was further deceleration in the number of building permits and house starts.
- This should lead to clear decrease in supply on the housing market and this would be supportive factor for flat prices in the medium-term. However, a part of developers declares readiness to swift launching of earlier withheld projects, if there is a clear revival in demand.
- In the short-term, supply-side factors will exert negative pressure on flat prices. Namely, there is still high number of dwellings completed, which is a lagged effect of the investment boom a few quarters ago.

Source: CSO, NBP, szybko.pl, own calculations

Central bank watch

Main elements of the MPC statement after its meeting in August

The recently released data – including those on GDP in 2009 Q2 – indicate easing of recessionary tendencies in the United States and in most EU countries. At the same time, most economic sentiment indicators have improved further and the forecasts of GDP growth in 2010 for the United States and the euro area have been slightly revised upwards. The global economic activity, however, is still low and it is currently difficult to assess how permanent the easing of the recession will be, especially given the persistent problems in the financial sector.

In the recent period the economic activity in Poland remained subdued, as indicated by the continuing decline in industrial output. At the same time, some acceleration in retail sales and a rise in the majority of economic sentiment indicators signal improvement of the economic situation in the months to come. Labour market has further deteriorated: the fall in employment in the corporate sector has deepened and the unemployment rate has risen. This was accompanied by a slightly higher than expected increase of wages in the corporate sector. Reduced lending, in particular to the corporate sector, continues to be a factor curbing economic growth.

In the Council's assessment, inflation is likely to remain at an elevated level in the coming months, mainly due to the relatively high annual growth of food prices and regulated prices, including, above all, the prices of energy. The recently observed rise in crude oil prices, mitigated to a certain extent by the recent zloty appreciation, may also be conducive to inflation remaining at an increased level. In the medium term, however, low demand pressure and a slower growth of labour costs should be conducive to inflation decrease.

In the Council's assessment, the probability of inflation running below the inflation target in the medium term is higher than the probability of its running above the target. In the Council's view, the expected improvement in the global economic activity and the implemented cuts in the NBP interest rates together with the lowering of the required reserve rate will support the return of the economy to the potential growth path. The Council's decisions in the coming months will take account of the incoming information on the outlook for economic growth and inflation, the situation in the financial markets in Poland and abroad, information on the public finance sector and the zloty exchange rate developments.

The Council will continue to analyse the impact of developments in the domestic interbank market on the monetary policy transmission mechanism in Poland.

Elements of the MPC minutes after its meeting in July

While considering the decision on interest rates, the Council assessed that the uncertainty about the outlook for inflation and economic growth in the world and in Poland justified keeping the rates unchanged at the current meeting. Some members of the Council believed that in view of the low level of real interest rates, the continuously elevated current inflation level and balanced – in their assessment – probabilities of inflation running above or below the inflation target in the medium term, the NBP interest rates should be kept unchanged also in the months to come. Other Council members assessed that inflation would drop below the NBP inflation target in the medium term, which combined with the risk of a stronger than expected decline in economic growth may justify the continuation of monetary policy easing in the future. The prevailing view at the meeting was that the probability of inflation running below the inflation target in the medium term was higher than the probability of inflation running above the target.

Terms on loans for enterprises



Note: A negative value of net percentage should be interpreted as the tightening of lending policy.

Source: NBP

Rates on hold till year-end, then the new MPC

▪ The two meetings of the Monetary Policy Council during the holiday period brought no changes in monetary policy parameters and after the cut by 25 bp in June the reference rate remains at 3.50%. The MPC also maintained the informal easing bias in monetary policy.

▪ CPI inflation level above 3.5% was the factor, which most probably to largest extent prevented the Council from further monetary easing, despite maintaining easing bias. The MPC wrote in the statement that inflation may still be at elevated level. Nevertheless, it was stated in the official statement that in the medium-run low demand pressure and weaker rise in labour costs should lead to lower inflation. As current level of the main NBP rate is below current inflation, the MPC will not be willing to increase this gap.

▪ Interest rates will remain unchanged until the year-end also because the recently published economic data were better than consensus.

▪ Further changes in monetary policy, starting in 2010, will depend on the new MPC members (and we still do not know much about them). Taking into account a possibility of a monetary tightening by the European Central Bank next year and the fact that the new MPC may be willing to build anti-inflationary credibility, the next move of the MPC could be a rate hike.

▪ It seems to us, however, that the scale of monetary tightening priced-in currently by the market at ca. 75 bp is a bit too hawkish. Especially as it is expected that the first rate hike could take place already in the first quarter 2010, while the first meeting with new nine members will be in February (when the next inflation projection will be released).

In practice the MPC is already in neutral bias

▪ Comments of the MPC members in the last couple of weeks (see next page for details) show that most of them already finished the easing cycle. The signal confirming this for the market would be a change in informal monetary policy bias to neutral from easing. The only question is whether it will take place in September or October.

▪ Part of the Council wanted to change bias already in July. Probably, in line with MPC Regulations ("MPC documents, which are not resolutions are agreed within the Council, but if it is not possible the chairman decides to adopt document by voting"), there was formal voting to change the bias and its results may be released in the October *Inflation Report*.

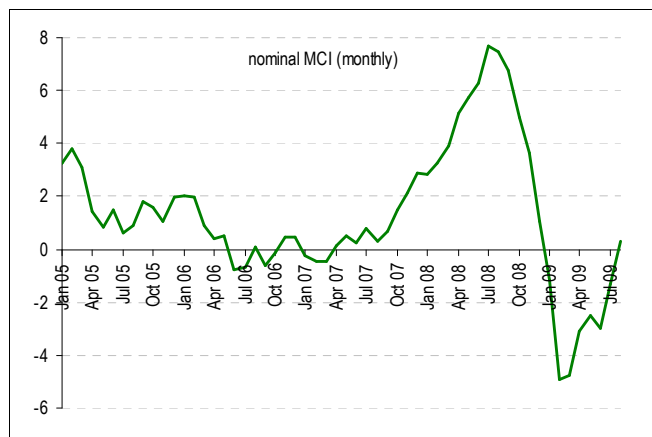
▪ In our opinion, the MPC should reconsider adopting the bias as the formal instrument of communication.

Further tightening in credit policy

▪ According to the senior loan officer opinion survey published by the NBP, in the second quarter standards of granting loans were tightened further. It was stronger in case of loans for SME as compared to large enterprises. As regards credits for households, tightening was more significant in the case of consumer credit rather than in mortgage market. What is more, banks foresee a further tightening of lending policy in the third quarter.

▪ In terms of credit demand of firms, it is expected to rise for short-term loans, whereas demand for long-term loans – to decrease. Banks also expect demand for consumer loans to increase markedly, while assessment of changes in demand for housing loans was discrepant.

Restrictiveness of the Monetary Policy (Council)



Rise in MCI, after fall before holidays

- After a temporary moderate decrease in monetary condition index in June, two following months brought a rise in restrictiveness of monetary policy.
- In holiday period we observed a significant fall in three-month WIBOR rates (above 3-pb in July and 10bp in August). Also, the downward deviation of current WIBOR rate from the long-term trend increased.
- At the same time, we saw significant appreciation of the Polish currency – in nominal terms by a few dozen groszy. After eight months of deviation of EURPLN rate on the weakening side of the long-term trend, in August the current exchange rate level and the level of trend were almost the same.

3.50%



Filar 1.62 (1.61)

Wasilewska-Trenkner 1.59 (1.48)

Noga 1.52 (1.52)

Wojtyna 1.48 (0.91)

Sławiński 1.21 (0.91)

Czekaj 1.00 (0.86)

Owsiak 0.90 (0.91)

Nieckarz 0.86 (0.83)

Skrzypek 0.83 (N/A)

Pietrewicz 0.79 (0.74)



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 Stawomir 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 in the nearest months – till the end of the MPC's term of office. Values in percent indicate **our subjective** assumption as regards a preferred level of the reference rate in 12 months by current MPC members.

“The conclusion is obvious”

Taking into account most recent comments of the MPC members it seems that currently majority of them do not see scope for further interest rate cuts, unless new economic data prove to be a clear downward surprise. During summer holidays the very important argument against another rate cut was the elevated inflation level, which lowered real interest rate (measured ex post) below zero. This was indicated by a number of comments of MPC members and was also included in the minutes. Comments of Jan Czekaj confirmed that the Council is mulling a change in informal policy bias from easing to neutral – “if GDP grows faster than expected, and elevated inflation persists, the conclusion in what direction it is working is obvious”. On the other hand, it seems that according to Czekaj one should not hurry with this change, as he also said that although Poland's situation is better than expected, it is not certain whether a recovery is persistent. In this context, it is worth to remind previous comments by professor Czekaj: “when we are sure that the economy actually starts to expand in more lasting and permanent way, that there are not isolated increases, than this will be the time to call for halt in interest rates reductions”.

Does it make sense to wait for October's projection?

A question mark is whether the MPC will decide to wait with the decision to change monetary policy bias to neutral until the new projection in October. For example, comments by Halina Wasilewska-Trenkner suggested that the answer is yes. She said “If the projection reinforces the MPC's belief that inflationary pressure is not threatening us, then we may leave rates at current level and still have easing bias”. On the other hand, if the situation is obvious and almost all MPC members have neutral bias in their heads, the question is “why to wait?”. Even willingness to cut rates by the most dovish members of the Council have substantially decreased after better-than-expected data from the economy (GDP for 2Q09 and retail sales for July). Stanisław Owsiak said “these data show that a change in the interest rates' level is doubtful over the next two quarters”. The tone of Mirosław Pietrewicz's comments was very similar – “there is no need for action on our part, meaning changes in monetary policy”.

Current MPC members would not hurry with rate hikes

While it seems that even dovish members of the Council will support change in monetary policy bias to neutral (if not in September, certainly in October), at the same time it is hard to see any willingness to swift rate hikes among the members of the so-called hawkish faction within the MPC. Andrzej Wojtyna said that from decision-making point of view the situation of current Monetary Policy Council is comfortable, because there are no reasons to change interest rates in any directions. The similar message was sent by Dariusz Filar, who said in one of interviews that “whether on not changes in interest rates will be required will be decided by the new MPC, as this will not be a challenge for the next couple of months.

We think that decisions regarding changes in rates of the new Council will not take place in the first months of 2010. Later on the scale of rate hikes will depend on the scale of economic recovery and decisions by other central banks.

Government and politics

Main macroeconomic assumptions for 2009-2013 according to the 2010 budget draft

| Annual average | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------|-------|------|------|------|------|
| GDP growth | 0.9 | 1.2 | 2.8 | 3.0 | 3.4 |
| Private consumption | 2.2 | 0.9 | 2.2 | 3.5 | 3.5 |
| Fixed investment | -2.5 | 0.3 | 4.6 | 4.1 | 7.0 |
| Exports | -8.0 | 2.8 | 6.2 | 8.5 | 4.5 |
| Imports | -11.9 | 3.2 | 6.7 | 9.1 | 5.4 |
| EURPLN | 4.37 | 4.08 | 3.85 | 3.61 | 3.50 |
| CPI inflation | 3.6 | 1.0 | 1.8 | 2.3 | 2.5 |
| NBP reference rate | 3.8 | 3.5 | 4.1 | 4.3 | 4.5 |

Planned income and spending of the domestic budget (without budget of EU funds) – selected elements

| Item | 2009 PLNbn | 2010 PLNbn | 2010 %YoY |
|-------------------------------|---------------|---------------|--------------|
| Tax and non-tax income | 235.86 | 245.50 | 4.1 |
| Tax income | 210.60 | 223.14 | 6.0 |
| VAT | 97.50 | 106.20 | 8.9 |
| excise tax | 52.70 | 53.07 | 0.7 |
| CIT | 24.00 | 26.30 | 9.6 |
| PIT | 34.86 | 36.00 | 3.3 |
| Non-tax income | 25.26 | 22.36 | -11.5 |
| Dividends | 7.65 | 4.22 | -44.8 |
| Spending | 273.5 | 297.7 | 8.9 |

Financing of the central budget

| Item | 2009 PLNbn | 2010 PLNbn | 2010 %YoY |
|---------------------------------|---------------|---------------|--------------|
| Domestic financing | 34.504 | 60.941 | 76.6 |
| Market treasury papers | 33.783 | 59.333 | 75.6 |
| T-bills | -2.952 | 8.939 | - |
| market bonds | 36.735 | 50.395 | 37.2 |
| Savings bonds | 1.522 | 1.670 | 9.7 |
| Non-market bonds (for BGŻ bank) | -0.103 | -0.106 | 2.8 |
| Foreign financing | 9.332 | 20.797 | 122.9 |
| Treasury bonds | 11.577 | 13.267 | 14.6 |
| Received loans | 6.424 | 7.979 | 24.2 |
| Other | -8.670 | -0.449 | -94.8 |

Selected elements of privatisation plan for 2009-2010

| Planned offer | Expected revenues in PLNbn |
|--|----------------------------|
| 67% shares of Enea S.A. | 7.0 |
| a part of shares in PGE S.A. | 5.0 |
| a part of shares in Tauron S.A. | 4.0 |
| 98% shares of Warsaw Stock Exchange | 1.8 |
| up to 10% cooper miner KGHM | 1.7 |
| 65.5% shares of coal miner Bogdanka | 1.6 |
| 4.2% shares in TP S.A. | 1.1 |
| 13% shares in Grupy Lotos S.A. | 0.4 |
| 2.5% shares in Citi Handlowy | 0.2 |
| 50.12% shares in chemical company Puławy | n/a |
| 59.23% shares in chemical company Police | n/a |

Budget deficit in 2010 much higher than expected

▪ The 2010 budget draft assumes the central budget gap of PLN52.2bn. This is only the domestic budget, as the budget of EU funds will be separated and its deficit will reach PLN15.2bn in 2010. Thus, in comparable terms, the central budget deficit in 2010 will amount to PLN67.5bn, i.e. three times the PLN22.5bn assumed for this year.

▪ The scale of rise in the central budget deficit is much larger than expected, but it seems that the FinMin estimated it in a conservative way. Macroeconomic assumptions seem conservative especially for inflation. Higher than assumed GDP growth and/or inflation could lead to lower deficit than planned. The same effect may be related to a possible transfer of NBP profit (the government suggested it could be ca. PLN10bn), which was not included in the planned income. Besides, the government applied quite conservative assumptions regarding income from dividends, probably not taking into account possible dividend from PZU insurer.

▪ On the other hand, assumptions regarding tax income seem overly optimistic (e.g. rise in VAT inflows by 9%). However, given all the risks we think there is a chance that the 2010 budget deficit will be lower than planned. Possibly, the government wants to avoid budget amendment before the presidential elections in autumn next year.

▪ The public finance sector in 2010 is estimated by the government at 7% of GDP vs. 6% this year. According to Moody's and S&P, the scale of the deficit rise is taken into account in Poland's rating outlook.

▪ Negative feature of the state's financial plan for 2010 is lack of major changes on the spending side as well as the planned transfer of PLN7.5bn from the Demographic Reserve Fund to the Social Security Fund.

Significant rise in borrowing needs

▪ Transfer of funds from Demographic Reserve Fund is negative for stability of the pension system and will not prevent borrowing needs from significant rise in 2010.

▪ Net borrowing needs will rise from PLN52bn this year to PLN82bn in 2010, out of which PLN61bn will be covered by domestic financing and PLN21bn by foreign financing.

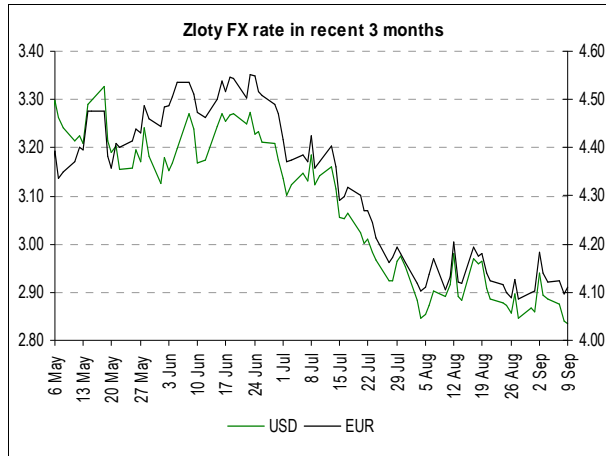
▪ Gross borrowing needs next year will grow to ca. PLN203bn against PLN163bn this year. From the market's point of view it is important that issue of market treasury bills and bonds domestically will reach PLN169bn vs. PLN137bn in 2009) This means that average monthly issuance in 2010 will be ca. PLN14bn. Such a large amount of gross borrowing needs puts a pressure on the Polish debt market.

Much depends on privatisation

▪ The government adopted the updated privatisation plan for 2009-2010 assuming an ambitious target of privatisation revenues in that period at PLN37bn, out of which PLN25bn is planned to be achieved in 2010. Realisation of that plan is crucial for actual size of borrowing needs in 2010 and chances whether it will be possible to avoid exceeding the threshold of public debt-to-GDP ratio at 55% of GDP after which drastic adjustment in public finance would be necessary leading to economic slowdown in next years.

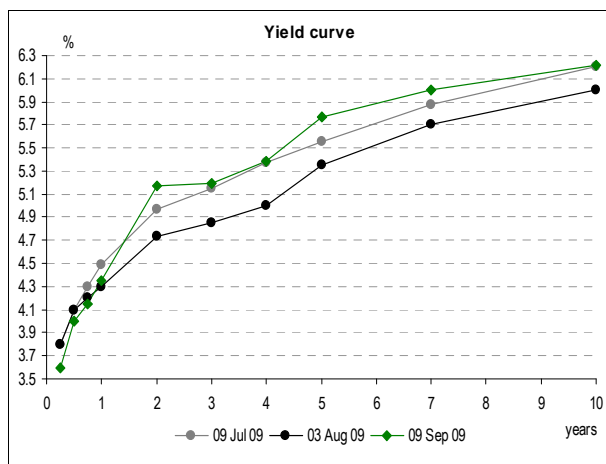
▪ Meanwhile, PM decided to leave Treasury Minister Aleksander Grad at his post while his actions so far does not bode well for realisation of ambitious privatisation plan. Risk for the privatisation plan is connected with resistance of trade unions and still difficult situation in capital markets.

Market monitor



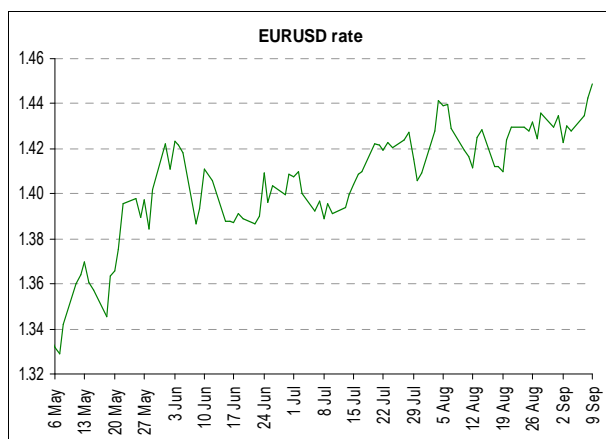
Significant zloty strengthening

- The zloty appreciated in the last weeks stronger than we expected. After breaking 4.20-4.25 the EURPLN rate fell to ca. 4.08 at the end of July. Since then it fluctuates in range of 4.07-4.21 following the changes in global risk appetite, which substantially improved in the summer period after the Q2 financial results season and better than forecasted macroeconomic figures. The zloty was supported by good domestic data, upward GDP forecasts revisions for Polish economy and positive recommendations of foreign banks.
- In our view in the medium term the zloty will stay in the appreciation trend, though in the coming weeks there may be a correction of the zloty to above 4.20. This will be fuelled by expected rise in risk aversion, news on next year budget and in the longer perspective possible return of bad news from the region.



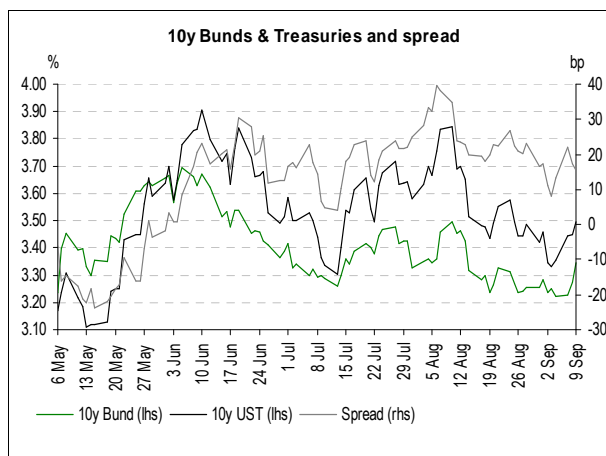
Rebound in interest rates after declines in July

- In July the market interest rates declined in FRA, IRS and bond markets and the main reason were the zloty strengthening and improvement of global moods. In August increase of inflation, which increased the path for the whole year, as well as better than expected data from the economy (PMI, retail sales, GDP), which decreased the expectations for next rate cut to minimum, had negative influence on the market. In the last weeks the asset swap spread declined close to zero for 2Y and 5Y.
- We expect further increase of interest rates due to minimum chances for reduction in interest rates. In our view this increase will be slow due to their current high level. Concerns over the fiscal situation and increase of borrowing needs will have negative influence on the market, especially on long-term bonds. We expect increase of asset swap spread.



Euro stronger on higher risk appetite

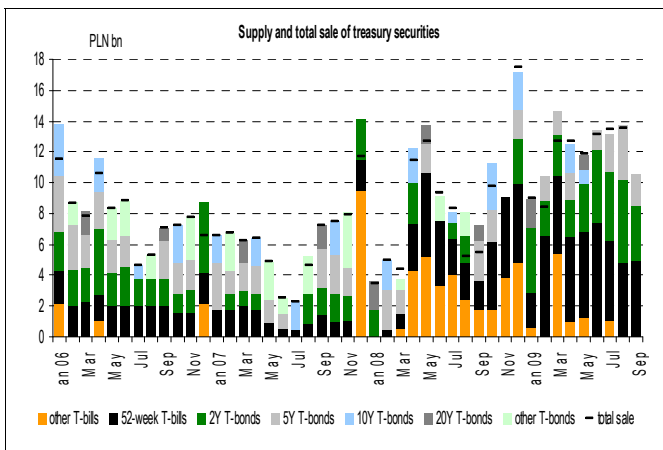
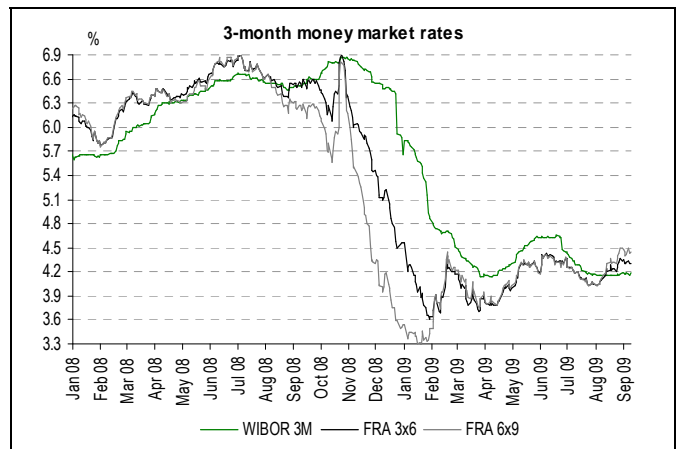
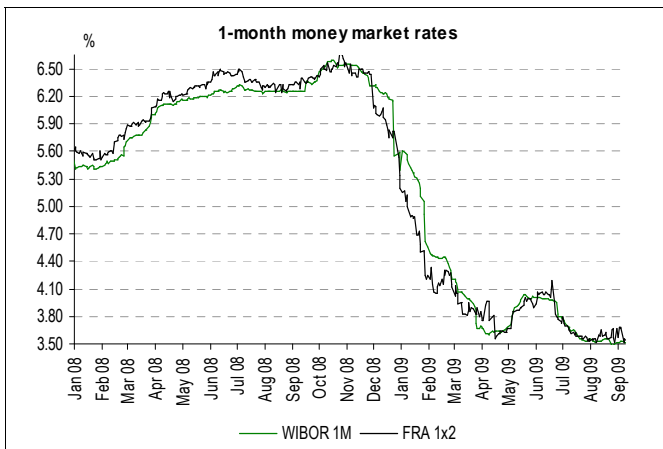
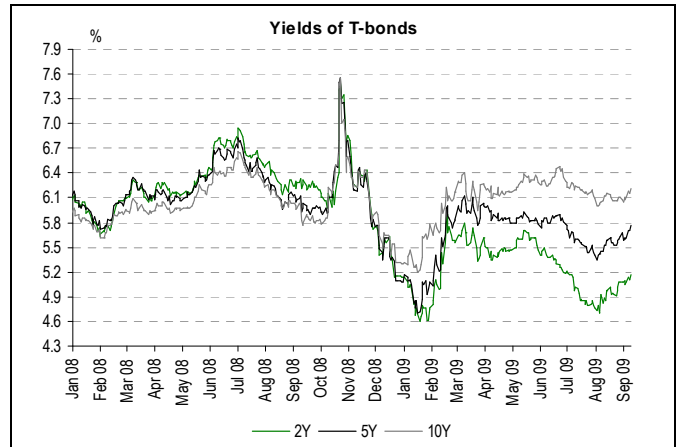
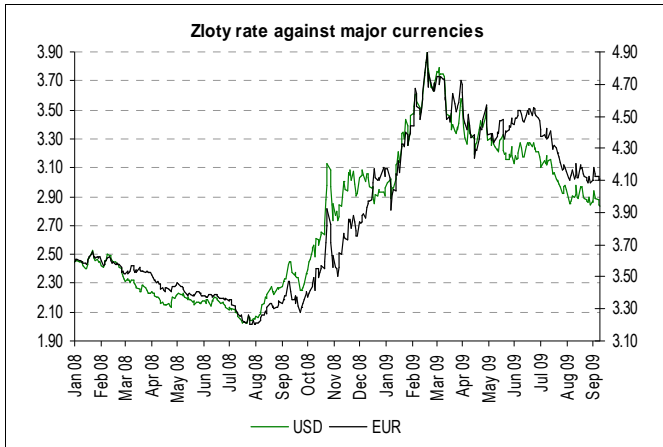
- In the last weeks the EURUSD rate fluctuated in range of 1.40-1.44 following changes in risk aversion. Together with inflow of better than expected Q2 financial results of companies abroad and relatively better than forecasted data from the major economies (GDP, activity indices, US labour market and housing market) there was an increase in risk appetite. This resulted in strengthening of the euro against the dollar from ca. 1.39 at the start of July to ca. 1.45 currently.
- In the coming weeks we expect gradual recovery of the dollar against the euro to ca. 1.41 due to correction in global market moods and increase in risk aversion. We expect also continuation of this tendency in the coming months due to faster improvement of economic situation in the US than in the euro zone.



Yields fall after strong increase

- In July there was a significant increase in yields in the core debt markets especially in the US. This was supported by significant drop in demand for safe haven assets, which was accompanied by increases in the world equity markets and issue of large amount of T-bonds in the US. However, later on there was a gradual recovery and bond prices in Germany and US rose at the start of September to levels recorded at the start of July. Afterwards 10Y Treasuries and Bunds rebounded to 3.50% and 3.34% respectively against 3.36% and 3.30% at the start of July and 3.84% and 3.50% at the start of August.
- We expect that in case of continuation of world economic recovery first interest rate hikes may be expected in the US and the euro zone in H2 in 2010. In the coming weeks the core debt markets will follow the equity markets and amid expected correction in global moods there may be further price increases.

Market monitor



Treasury bills auctions (PLN m)

| Auction date | (OFFER)*/SALE | 49W |
|--------------|----------------|--------------|
| 6.07.2009 | 1000-1200/1256 | - |
| 13.07.2009 | 1000-1300/1317 | - |
| 20.07.2009 | - | 800-1000/998 |
| 27.07.2009 | 1200-1500/1455 | - |
| 3.08.2009 | 1000-1500/1512 | - |
| 10.08.2009 | 1000-1300/1420 | - |
| 17.08.2009 | 800-1000/835 | - |
| 24.08.2009 | 800-1000/860 | - |
| 1.09.2009 | 800-1000/812 | - |
| 7.09.2009 | 800-1000/807 | - |
| 14.09.2009 | 800-1000 | - |
| 21.09.2009 | 800-1000 | - |
| 28.09.2009 | 800-1000 | - |

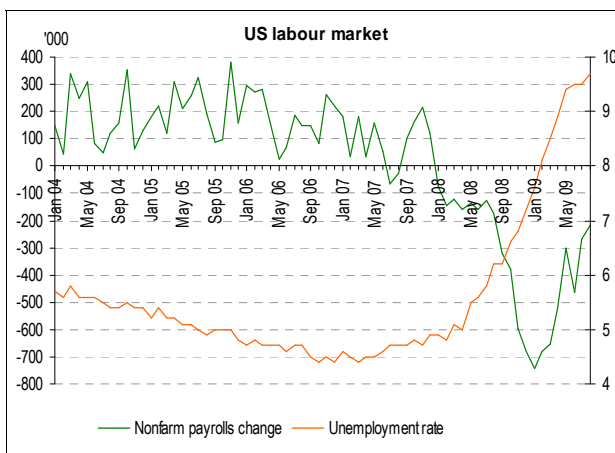
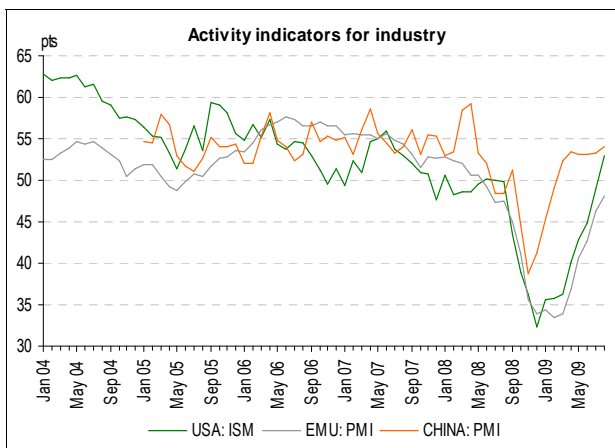
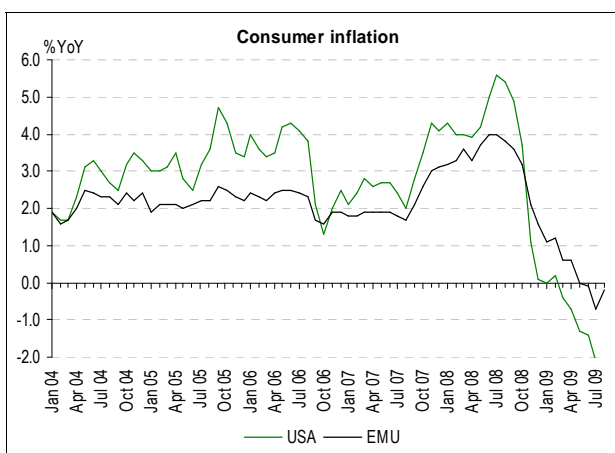
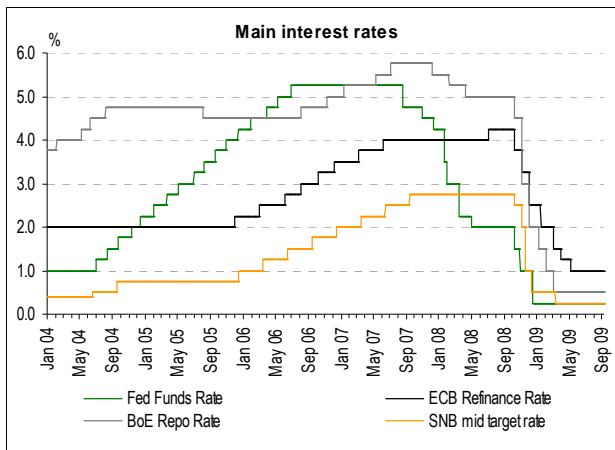
* based on data of the Ministry of Finance

Treasury bond auctions in 2008/2009 (PLNm)

| month | First auction | | | Second auction | | | Switch auction | | | | |
|-----------|---------------|---------------|-----------|----------------|--------|---------------|----------------|-----------|---------|----------------------|----------------|
| | date | T-bonds | offer | sale | date | T-bonds | Offer | sale | | | |
| January | 7.01* | OK0711 | 4200 | 4296 | 14.01 | WS0429 | 1500 | 1500 | 21.01 | PS0414/DS1019 | 2800/1300 |
| February | 4.02 | OK0711/PS0414 | 2200/1600 | 722/1186 | - | - | - | - | 18.02 | - | - |
| March | 4.03 | OK0711/PS0414 | 2760/1500 | 2550/640 | - | - | - | - | 11.03 | OK0711/PS0414 | 2759/1809 |
| April | 1.04 | OK0711/PS0414 | 2400/1800 | 2544/1814 | 8.04 | DS1019 | 1000-1800 | 2120 | 15.04 | PS0414/DS1019/WS0922 | 1437/3129/1158 |
| May | 13.05* | OK0711 | 3150 | 3286 | 20.05 | DS1019/WS0429 | 1000-1800 | 1835 | 6.05 | DS1013/DS1015 | 765/2505 |
| June | 3.06* | OK0112/PS0414 | 4000-6000 | 4359/1122 | 10.06 | DS1019/WS0429 | 0-2000 | cancelled | 17.06 | OK0112/PS0414 | 1739/2108 |
| July | 1.07 | OK0112 | 3000-4500 | 4006 | 15.07* | PS0414 | 1000-2000 | - | 8.07 | PS0414/ DS1019 | 0/1982 |
| August | 5.08* | OK0112 | 3900-5400 | 5402 | 12.08 | PS0414 | 2000-3500 | 3500 | - | - | - |
| September | 2.09 | OK0112 | 2500-3500 | 3500 | 9.09 | PS0414 | 1000-2500 | 1109 | 23.09** | WS0922 | 1000-2000 |
| October | 7.10 | OK/PS | - | - | 14.10 | DS/WS | - | - | - | - | - |
| November | 4.11 | OK/PS | - | - | 18.11 | DS/WS | - | - | - | - | - |
| December | 2.12 | OK/PS | - | - | - | - | - | - | - | - | - |

* with supplementary auction, ** primary auction – FinMin's offer

International review



Source: Reuters, ECB, Federal Reserve

Concerns over exit strategies, inflation still low

▪ Inflation poses no risk for the central banks, though there is still some speculation whether loose monetary conditions will lead to spike in inflation in the future. This evokes questions about exit strategies from taken actions (rate cuts and quantitative easing).

▪ In August Fed left interest rates unchanged. According to minutes from the last meeting, the threats for the economic stability were significantly reduced and in H209 the US should record increase of economic growth, though the rebound will be slow and may be prone to shocks. With reference to holding threat for growth and lack of inflation risk, according to Fed interest rates in the US should stay at very low level for prolonged time. At the last meeting the pace of exiting the introduced strategies was considered with aim to limit potential turmoil in the markets, which could occur at the end of the programmes.

▪ As expected the interest rates in the euro zone were left unchanged in September. ECB president J.C. Trichet said that the recession in the euro zone most probably ended and economic situation is stabilising, which should be followed by a period of gradual recovery. At the same time Trichet reiterated that interest rates are at appropriate level and ECB does not consider rate hikes in the near time.

▪ According to flash Eurostat estimates the deflation in the euro zone was at $-0.2\%YoY$ from -0.7% and vs. $-0.4\%YoY$ expected.

▪ US consumer prices did not change as expected in July in monthly terms. In annual terms prices fell by 2.1% amid expectations of $-1.9\%YoY$. Core inflation was at 0.1%MoM and 1.5%YoY against expected 0.2% and 1.6%.

Further rise in PMI indices, upward GDP revisions

▪ Manufacturing PMI in China, which is considered as source of rebound of world economic growth, rose in August again to 54 pts, the highest level in 16 months, from 53.3. Activity increase results from significant lending activity in H1'09, which offset the slowdown in exports. There are concerns that China may limit lending in order prevent the economy from overheating.

▪ So far the activity indices rise also in the other major economies, and they surprise on the positive side. PMI for the euro zone manufacturing rose in August to 48.2 from 46.3 in July. PMI services index in the euro zone was at 49.9 vs. 45.7 in July. Manufacturing ISM rose in August up to 52.9 pts from 48.9. Services ISM increased to 48.4 pts from 46.4.

▪ Data from the US housing market also signal stabilisation of the market and prospects for rebound regarding prices and home sales.

▪ The Q2 economic growth data positively surprised in case of euro zone economies (Germany, France). According to Eurostat revised GDP in the euro zone fell in Q2 by 0.1%QoQ ($-4.7\%YoY$), which was in line with market expectations. ECB raised GDP growth forecast for the euro zone for 2009-2010, up to -4.1% and $+0.2\%$ from -4.6% and -0.3% forecasted in June respectively. US Q2 GDP fell by 1.0% in line with earlier estimates vs. forecasted revision to -1.5% .

▪ OECD still forecasts that the US GDP falls this year by 2.8% and estimates for the euro zone improved to -3.9% from -4.8% . Our forecasts improved to -2.4% and -4.0% from -2.7% and -4.8% .

▪ Slight improvement of situation is visible also in the US labour market. Decline of non-farm payrolls slowed down in August slightly more than expected to -216k from 276k. However, the unemployment rate rose to 9.7%, the highest level in 26 years.

Economic calendar

| Monday | Tuesday | Wednesday | Thursday | Friday |
|---|---|---|--|---|
| 7 September <i>PL: Auction of Treasury Bills</i> US: Market holiday | 8 | 9 <i>PL: Auction of Treasury bonds</i> | 10 GB: BoE decision US: Trade balance (Jul) | 11 <i>PL: Balance of payments (Jul)</i> US: Import prices (Aug) US: Preliminary Michigan (Sep) US: Wholesale inventories (Jul) |
| 14 <i>PL: Auction of Treasury Bills</i> <i>PL: Money supply (Aug)</i> EZ: Industrial production (Aug) | 15 <i>PL: CPI (Aug)</i> DE: ZEW index (Sep) US: PPI (Aug) US: Retail sales (Aug) US: NY Fed index (Sep) | 16 <i>PL: Wage and employment (Aug)</i> EZ: Final HICP (Aug) US: CPI (Aug) US: Capacity utilisation (Aug) US: Industrial production (Aug) US: Capital flows (Jul) JP: BoJ decision | 17 <i>PL: Industrial production (Aug)</i> <i>PL: PPI (Aug)</i> CH: SNB decision (Q3) US: Building permits (Aug) US: House starts (Aug) US: Philly Fed index (Sep) | 18 |
| 21 <i>PL: Auction of Treasury Bills</i> JP: Market holiday US: Leading indicators (Aug) | 22 <i>PL: Core inflation (Aug)</i> <i>PL: Business climate (Sep)</i> JP: Market holiday US: Home prices (Jul) | 23 <i>PL: Auction of Treasury bonds</i> <i>PL: Retail sales (Aug)</i> <i>PL: Unemployment rate (Aug)</i> JP: Market holiday EZ: Flash manufacturing PMI (Sep) EZ: Flash services PMI (Sep) US: Fed decision | 24 <i>PL: MPC minutes (Aug)</i> DE: Ifo index (Sep) US: Home sales (Aug) | 25 EZ: M3 money supply (Aug) US: Durable goods orders (Aug) US: Final Michigan (Sep) US: New home sales (Aug) |
| 28 <i>PL: Auction of Treasury Bills</i> DE: Gfk index (Oct) | 29 <i>PL: MPC meeting</i> EZ: Economic sentiment index (Sep) US: Case/Shiller report (Jul) US: Consumer confidence (Sep) | 30 <i>PL: MPC meeting – decision</i> EZ: Flash HICP (Sep) US: ADP report (Sep) US: Final GDP (Q2) US: Chicago PMI (Sep) | 1 October <i>PL: PMI (Sep)</i> EZ: Manufacturing PMI (Sep) US: Manufacturing ISM (Sep) US: Core PCE (Aug) US: Pending home sales (Aug) | 2 EZ: PPI (Aug) US: Non-farm payrolls (Sep) US: Rate of unemployment (Sep) US: Factory orders (Aug) |
| 5 <i>PL: Auction of Treasury Bills</i> EZ: PMI services (Sep) EZ: Retail sales (Aug) US: Non-manufacturing ISM (Sep) | 6 GB: Industrial output (Aug) | 7 <i>PL: Auction of Treasury bonds</i> EZ: Revised GDP (Q2) | 8 GB: BoE decision EZ: ECB decision US: Wholesale inventories (Aug) | 9 US: Trade balance (Aug) |

Source: CSO, NBP, Ministry of Finance, 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 ^a | 13 ^b | 15 | 14 | 15 | 14 | 13 | 15 | 14 | 13 | 15 |
| Core inflation | 21 | 20 | 22 | 21 | 22 | 22 | 20 | 20 | 22 | 21 | 20 | 22 |
| 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 | 27 | 26 | 25 | 23 | 25 | 23 | - | - | - |
| Gross wages, employment | 19 | 17 | 17 | 17 | 19 | 18 | 16 | 18 | 16 | 16 | 18 | 16 |
| Unemployment | 29 | 24 | 24 | 27 | 26 | 25 | 23 | 25 | 23 | - | - | - |
| Foreign trade | about 50 working days after reported period | | | | | | | | | | | |
| Balance of payments* | - | - | 31 | - | - | 30 | - | - | 30 | - | - | 30 |
| Balance of payments | 15 | 12 | 13 | 14 | 15 | 17 | 14 | 11 | 11 | 13 | 10 | 11 |
| Money supply | 14 | 13 | 13 | 14 | 14 | 12 | 14 | 13 | 14 | 14 | 13 | 14 |
| NBP balance sheet | 7 | 6 | 6 | 7 | 7 | 5 | 7 | 7 | 7 | 7 | 6 | 7 |
| Business climate indices | 22 | 20 | 20 | 22 | 22 | 22 | 22 | 21 | 22 | 22 | 20 | 22 |

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

Source: CSO, NBP

Economic data and forecasts

Monthly economic indicators

| | | Aug 08 | Sep 08 | Oct 08 | Nov 08 | Dec 08 | Jan 09 | Feb 09 | Mar 09 | Apr 09 | May 09 | Jun 09 | Jul 09 | Aug 09 | Sep 09 |
|--|--------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Industrial production | %YoY | -4.4 | 5.5 | -2.0 | -10.6 | -5.6 | -15.3 | -14.6 | -1.9 | -12.2 | -5.2 | -4.5 | -4.6 | -1.9 | -6.1 |
| Retail sales ^c | %YoY | 8.3 | 12.4 | 9.2 | 3.0 | 6.9 | 1.3 | -1.6 | -0.8 | 1.0 | 1.1 | 0.9 | 5.7 | 5.6 | 2.6 |
| Unemployment rate | % | 9.1 | 8.9 | 8.8 | 9.1 | 9.5 | 10.5 | 10.9 | 11.2 | 11.0 | 10.8 | 10.7 | 10.8 | 10.8 | 10.9 |
| Gross wages ^{b,c} | %YoY | 9.9 | 11.2 | 10.1 | 7.6 | 5.6 | 8.1 | 5.1 | 5.7 | 4.8 | 3.8 | 2.0 | 3.9 | 2.9 | 2.9 |
| Employment ^b | %YoY | 4.1 | 4.0 | 3.5 | 3.0 | 2.2 | 0.7 | -0.2 | -0.9 | -1.4 | -1.7 | -1.9 | -2.2 | -2.3 | -2.5 |
| Export (€) ^d | %YoY | 10.8 | 23.0 | 1.9 | -9.5 | -14.2 | -25.8 | -26.6 | -16.3 | -29.9 | -22.7 | -20.8 | -22.8 | -13.8 | -16.1 |
| Import (€) ^d | %YoY | 20.1 | 23.7 | 5.9 | -7.3 | -10.9 | -27.4 | -32.9 | -26.2 | -36.8 | -32.4 | -31.5 | -32.3 | -24.4 | -24.4 |
| Trade balance ^d | EURm | -1420 | -1334 | -1496 | -1449 | -1762 | -448 | 24 | -89 | -4 | 5 | -26 | -69 | -68 | -78 |
| Current account balance ^d | EURm | -1278 | -2088 | -1767 | -1566 | -1707 | -749 | 910 | 102 | 147 | 284 | 459 | 281 | 182 | 52 |
| Current account balance ^d | % GDP | -5.1 | -5.3 | -5.4 | -5.6 | -5.4 | -5.3 | -4.7 | -4.2 | -3.8 | -3.2 | -2.5 | -2.1 | -1.7 | -1.1 |
| Budget deficit (cumulative) | PLNbn | -0.3 | -4.2 | -11.6 | -14.8 | -24.6 | 2.9 | -5.3 | -10.6 | -15.3 | -16.4 | -16.7 | -15.0 | -16.0 | -17.0 |
| Budget deficit (cumulative) ^e | % of FY plan | 1.3 | 17.0 | 47.1 | 60.3 | 100.0 | -16.0 | 29.0 | 58.3 | 84.3 | 90.2 | 91.6 | 82.7 | 88.2 | 93.7 |
| CPI | %YoY | 4.8 | 4.5 | 4.2 | 3.7 | 3.3 | 2.8 | 3.3 | 3.6 | 4.0 | 3.6 | 3.5 | 3.6 | 3.6 | 3.5 |
| PPI | %YoY | 1.4 | 2.0 | 2.4 | 2.2 | 2.7 | 3.6 | 5.7 | 5.5 | 4.8 | 3.7 | 4.1 | 3.0 | 2.1 | 1.9 |
| Broad money (M3) | %YoY | 16.8 | 17.3 | 17.3 | 18.1 | 18.6 | 17.6 | 17.8 | 17.5 | 14.4 | 14.2 | 14.4 | 11.7 | 10.2 | 10.7 |
| Deposits | %YoY | 18.9 | 20.0 | 18.7 | 19.4 | 20.6 | 19.5 | 19.2 | 19.4 | 16.1 | 15.7 | 15.9 | 12.8 | 11.8 | 11.2 |
| Loans | %YoY | 26.7 | 28.0 | 32.8 | 31.7 | 36.0 | 35.8 | 37.2 | 34.5 | 30.3 | 29.3 | 26.8 | 23.3 | 19.2 | 16.9 |
| USD/PLN | PLN | 2.19 | 2.34 | 2.69 | 2.93 | 2.98 | 3.18 | 3.63 | 3.55 | 3.36 | 3.23 | 3.22 | 3.05 | 2.90 | 2.92 |
| EUR/PLN | PLN | 3.29 | 3.37 | 3.57 | 3.73 | 4.01 | 4.22 | 4.65 | 4.62 | 4.43 | 4.41 | 4.51 | 4.30 | 4.13 | 4.15 |
| Reference rate ^a | % | 6.00 | 6.00 | 6.00 | 5.75 | 5.00 | 4.25 | 4.00 | 3.75 | 3.75 | 3.75 | 3.50 | 3.50 | 3.50 | 3.50 |
| Lombard rate ^a | % | 7.50 | 7.50 | 7.50 | 7.25 | 6.50 | 5.75 | 5.50 | 5.25 | 5.25 | 5.25 | 5.00 | 5.00 | 5.00 | 5.00 |
| WIBOR 3M | % | 6.52 | 6.56 | 6.80 | 6.74 | 6.40 | 5.51 | 4.69 | 4.30 | 4.20 | 4.52 | 4.60 | 4.26 | 4.16 | 4.10 |
| Yield on 52-week T-bills | % | 6.60 | 6.46 | 6.45 | 6.52 | 6.10 | 4.85 | 4.62 | 4.78 | 4.80 | 4.91 | 4.73 | 4.43 | 4.23 | 4.30 |
| Yield on 2-year T-bonds | % | 6.32 | 6.25 | 6.46 | 6.26 | 5.43 | 4.81 | 5.37 | 5.60 | 5.44 | 5.60 | 5.34 | 4.93 | 4.92 | 5.20 |
| Yield on 5-year T-bonds | % | 6.15 | 6.01 | 6.48 | 6.21 | 5.42 | 4.96 | 5.57 | 5.97 | 5.88 | 5.85 | 5.83 | 5.55 | 5.53 | 5.80 |
| Yield on 10-year T-bonds | % | 6.10 | 5.89 | 6.39 | 6.25 | 5.57 | 5.43 | 5.94 | 6.21 | 6.17 | 6.30 | 6.34 | 6.19 | 6.08 | 6.20 |

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

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

Quarterly and annual economic indicators

| | | 2007 | 2008 | 2009 | 2010 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 |
|---------------------------------------|-------|---------|---------|---------|---------|-------|-------|-------|--------|--------|-------|--------|--------|
| GDP | PLNbn | 1,175.3 | 1,271.7 | 1,344.3 | 1,392.3 | 314.5 | 326.6 | 334.6 | 368.6 | 325.4 | 337.3 | 343.8 | 385.7 |
| GDP | %YoY | 6.7 | 4.9 | 1.2 | 1.6 | 0.8 | 1.1 | 1.3 | 1.3 | 1.3 | 1.5 | 1.2 | 2.5 |
| Domestic demand | %YoY | 8.6 | 5.5 | -1.4 | 2.2 | -1.0 | -2.0 | -1.7 | -1.1 | 2.1 | 2.6 | 2.0 | 2.0 |
| Private consumption | %YoY | 5.0 | 5.4 | 2.1 | 1.2 | 3.3 | 1.9 | 2.0 | 1.0 | 1.0 | 1.0 | 1.5 | 1.5 |
| Fixed investments | %YoY | 17.6 | 8.1 | -4.7 | 1.7 | 1.2 | -2.9 | -5.0 | -8.0 | -3.0 | 2.0 | 3.0 | 3.0 |
| Industrial production | %YoY | 9.7 | 3.5 | -5.7 | -0.3 | -10.0 | -6.7 | -4.2 | -1.9 | -3.0 | -1.6 | -1.3 | 4.8 |
| Retail sales (real terms) | %YoY | 14.0 | 9.6 | 0.2 | 0.3 | -1.4 | -0.1 | 2.5 | -0.1 | -0.7 | 0.1 | -0.3 | 2.0 |
| Unemployment rate ^a | % | 11.2 | 9.5 | 12.5 | 13.7 | 11.2 | 10.7 | 10.9 | 12.5 | 13.7 | 12.9 | 12.9 | 13.7 |
| Gross wages (real terms) ^c | %YoY | 6.7 | 5.9 | 0.4 | 0.4 | 3.2 | 0.2 | -0.3 | -1.2 | -2.1 | 0.4 | 1.1 | 2.1 |
| Employment ^c | %YoY | 4.6 | 4.8 | -1.5 | -2.6 | 0.1 | -1.0 | -2.4 | -2.9 | -3.4 | -2.7 | -2.4 | -1.8 |
| Export (€) ^b | %YoY | 13.4 | 12.7 | -19.5 | 3.3 | -22.6 | -22.8 | -17.8 | -14.0 | -2.0 | 2.0 | 2.5 | 11.0 |
| Import (€) ^b | %YoY | 19.5 | 14.9 | -27.4 | 5.8 | -28.7 | -32.0 | -27.1 | -21.0 | 3.0 | 6.0 | 6.0 | 8.0 |
| Trade balance ^b | EURm | -12,369 | -16,538 | -2,603 | -5,133 | -488 | -25 | -214 | -1,876 | -1,669 | -983 | -1,139 | -1,342 |
| Current account balance ^b | EURm | -14,586 | -19,531 | 572 | -2,433 | 342 | 890 | 516 | -1,176 | -1,069 | -283 | -239 | -842 |
| Current account balance ^b | % GDP | -4.7 | -5.4 | 0.2 | -0.7 | -4.1 | -2.5 | -1.0 | 0.2 | -0.3 | -0.6 | -0.8 | -0.7 |
| General government balance | % GDP | -2.0 | -3.9 | -6.0 | -7.0 | - | - | - | - | - | - | - | - |
| CPI | %YoY | 2.5 | 4.2 | 3.5 | 2.3 | 3.3 | 3.7 | 3.6 | 3.5 | 3.1 | 2.1 | 1.9 | 2.3 |
| CPI ^a | %YoY | 4.0 | 3.3 | 3.7 | 2.4 | 3.6 | 3.5 | 3.5 | 3.7 | 2.5 | 2.0 | 2.1 | 2.4 |
| PPI | %YoY | 2.0 | 2.2 | 3.4 | -0.1 | 4.9 | 4.2 | 2.3 | 2.1 | -1.1 | -0.9 | 0.7 | 0.9 |
| Broad money (M3) ^a | %YoY | 13.4 | 18.6 | 5.2 | 4.0 | 17.5 | 14.4 | 10.7 | 5.2 | 4.0 | 3.7 | 3.6 | 4.0 |
| Deposits ^a | %YoY | 14.5 | 20.6 | 5.1 | 3.3 | 19.4 | 15.9 | 11.2 | 5.1 | 2.6 | 2.3 | 2.6 | 3.3 |
| Loans ^a | %YoY | 29.9 | 36.0 | 3.9 | 4.0 | 34.5 | 26.8 | 16.9 | 3.9 | -0.1 | 0.3 | 1.7 | 4.0 |
| USD/PLN | PLN | 2.77 | 2.41 | 3.15 | 2.86 | 3.45 | 3.27 | 2.96 | 2.93 | 2.91 | 2.92 | 2.84 | 2.77 |
| EUR/PLN | PLN | 3.78 | 3.52 | 4.31 | 3.90 | 4.50 | 4.45 | 4.19 | 4.10 | 3.98 | 3.93 | 3.87 | 3.82 |
| Reference rate ^a | % | 5.00 | 5.00 | 3.50 | 4.00 | 3.75 | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 4.00 | 4.00 |
| Lombard rate ^a | % | 6.50 | 6.50 | 5.00 | 5.50 | 5.25 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.50 | 5.50 |
| WIBOR 3M | % | 4.73 | 6.36 | 4.38 | 4.18 | 4.83 | 4.44 | 4.17 | 4.07 | 4.02 | 4.00 | 4.19 | 4.50 |
| Yield on 52-week T-bills | % | 4.69 | 6.26 | 4.53 | 4.29 | 4.75 | 4.81 | 4.32 | 4.25 | 4.25 | 4.10 | 4.30 | 4.50 |
| Yield on 2-year T-bonds | % | 5.23 | 6.22 | 5.24 | 5.20 | 5.26 | 5.46 | 5.02 | 5.22 | 5.20 | 5.05 | 5.20 | 5.35 |
| Yield on 5-year T-bonds | % | 5.52 | 6.15 | 5.69 | 5.70 | 5.50 | 5.85 | 5.63 | 5.80 | 5.72 | 5.65 | 5.70 | 5.75 |
| Yield on 10-year T-bonds | % | 5.56 | 6.06 | 6.12 | 6.03 | 5.86 | 6.27 | 6.16 | 6.20 | 6.10 | 6.00 | 6.00 | 6.00 |

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

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

This analysis is based on information available until 09.09.2009 has been prepared by:

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