

MINISTRY OF ECONOMY

***A STUDY OF POLAND'S
ECONOMIC PERFORMANCE
IN THE 1ST QUARTER OF 2009***

**ANALYSES
AND FORECASTING
DEPARTMENT**

Warsaw, June 2009

Contents

Synthesis 3

Significant slowdown of economic growth..... 5

Considerable deterioration in performance of industry... 7

Construction... 8

Agriculture... 9

Domestic trade – deeper downturn... 10

Inflation... 11

Labour market – gradual deterioration..... 12

Increase in wages, salaries and social benefits..... 14

Public finances... 15

Monetary policy and exchange rate..... 16

Increase in foreign trade turnover..... 18

Improvement in balance of payments 19

Synthesis

- **The year 2008 was a period of gradual economic slowdown in Poland. However there is still relatively high economic growth, and consequences of the world crisis on the financial market had limited scope.** The sources of economic growth (recovery of investment demand, stable and high growth of consumption and fast growing exports) allowed to gain one of the better result in EU. On the other hand it should be underlined that in the latest months of the year tendency debilitated.
- In the first three months of current year GDP growth highly slowed. According to provisional CSO estimates GDP growth in the 1st quarter of 2009 reached 0.8%. The vital role in the process of GDP creation was played by external demand, while internal demand lost its positive influence.
- In the period of January-March 2009 **sold production of industry** went down by 10% in entities with more than 9 employees. Depreciating trend of dynamics started in 4th quarter was still upward. It resulted from a weaker financing position of Polish enterprises and lower demand.
- In the 1st quarter of 2009 **production in construction** decreased by 1.3% (in entities with more than 9 employees). It was caused by a limited availability of credits and a weaker financing position of the economic entities what entailed to decline in demand.
- In the comparison to previous year **domestic trade results** deteriorated and decreased by 1.4% in volume of retail sales in entities with more than 9 employees. It resulted from internal demand declining which was caused by a slowdown of salaries pace in real terms.
- According to preliminary CSO data in the 1st quarter of 2009 the volume of the exports – counted in current prices – amounted to EUR 22.7bn and was by 20.3% lower than year ago. The volume of imports stood at EUR 1.9bn and was by 27% lower than in the previous year. **The negative balance of foreign trade turnover reached a level of EUR 1.9bn** which was a lower value by EUR 1.2bn than in 1st quarter of 2008. The negative dynamics of exports and imports was a consequence of a minor decline in internal demand of main Polish trade partners and also decreasing of domestic demand.
- According to provisional NBP data, in the 1st quarter of 2009 **improvement of a negative balance of the current account** was observed, comparing to the previous year. It resulted from a lower negative balance on goods. The FDI inflow was much lower than a year ago.
- In the period of January-March 2009 the annual average **consumer price index (CPI)** stood at lower level than in 2008 and amounted to 3.3%. Simultaneously fall in inflation pressure was observed. The producer price index exceeded previous year's level by 5%, and construction prices increased by 1.8%.

- The first symptoms of **labour market** prosperity deterioration appeared in the first quarter of previous year. In the period of January-March 2009 the average employment in the enterprise sector was barely 0.1% higher than a year before. At the end of March 2009 the number of registered unemployed was higher comparing to March 2008 by 7.1%, and the registered unemployment rate raised to 11.2% (against 9.5% in December 2008).
- In the period of January-March 2009, in real terms salaries in enterprise sector, retirement payments and pensions form non-agriculture security system increased, likewise purchasing power of retirement pays and pensions of individual farmers comparing to corresponding period of 2008.
- In the first three months of 2009 the nominal budget deficit was definitely higher than in the previous year and amount to PLN 10.5bn. The budget revenues stood at PLN 66.3bn, when expenditures amounted by PLN 76.9bn. Comparing to 2008 incomes decreased by 1.5pp (21.9%) and expenditures execution was higher by 3.7pp (24%). Concerning revenues, it was caused by receipts from indirect taxes, however concerning expenditures general subsidies to local self-government entities were crucial factor.
- In the 1st quarter of 2009, the Monetary Policy Council changed **interest rates** three times. MPC cut rates by 0.75pp in January and twice by 0.25pp, once in February and once in March.
- As regards the **foreign exchange market**, in the period of January-March 2009 depreciation of Polish zloty took place. It was caused by negative influence of deteriorated macroeconomics indicators and of foreign investors withdrawal.

Significant slowdown of economic growth...

In accordance to CSO in 2008 the rate of GDP was lower than a year before. A weakening of an economic growth was a result of situation on the global financial market, however strong foundation of Polish economy contributed to the GDP growth by 4.9%. It was one of the higher results in EU.

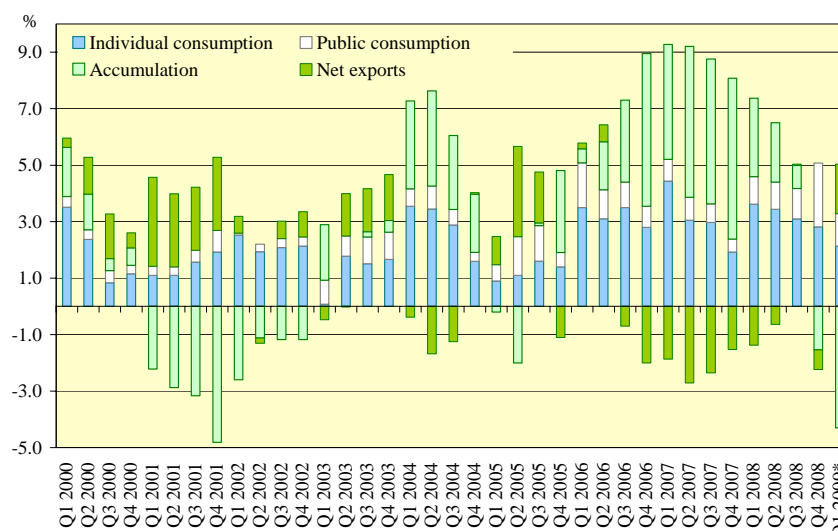
Table 1. GDP growth rate in 2006-2009

	2006				2007				2008				2009
YoY	6.2				6.6				4.9				
	I-III	IV-VI	VII-IX	X-XII	I-III	IV-VI	VII-IX	X-XII	I-III	IV-VI	VII-IX	X-XII	I-III
YoY	5.4	6.3	6.6	6.6	7.4	6.5	6.5	6.5	6.1	5.9	5.0	2.9	0.8*

*CSO estimate

Source: CSO

Chart 1. Changes in GDP and its major items in the years 2000 – 2009 (corresponding period of the previous year = 100)



* CSO estimate

Source: DAF MoE calculations based on the CSO data

In the 1st quarter 2009 GDP increased by 0.8% comparing to the same period of previous year. The performance confirms resistance of Polish economy to the world crisis. Dynamics of Poland's GDP growth still remains at one of the highest in Europe.

In the 1st quarter 2009 both dynamics of individual consumption as well as a rate of gross fixed capital formation increased. However domestic demand left off being the main factor of economic growth, as a consequence of stocks drop. Similarly to the crisis of the years 2000 and 2001, the contribution of domestic demand was negative. The engine of the Polish economy was external demand. For the first time since 3rd quarter of 2005 it has positively contributed to GDP (1.9 pp).

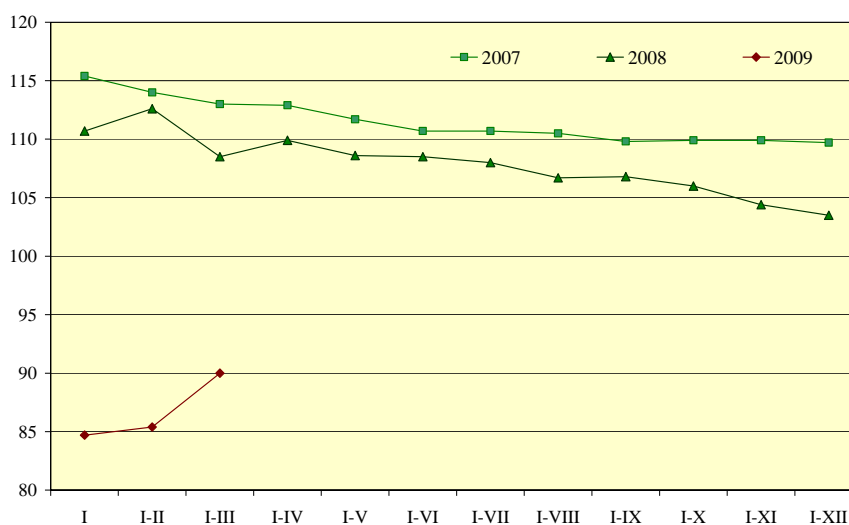
Lower dynamics of individual consumption was a result of decreasing purchasing power of households and worst financial condition of enterprises, as well as impeded access to credits. An additional source of dropping of domestic demand was deterioration in consumers' sentiments.

Considerable deterioration in performance of industry...

In the year 2008 industrial output for complete statistical population increased by ca. 3.3%, and in entities employing more than 9 persons, increased by 3.5% compared to 2007. The rate of increase had been the slowest since 2002.

In the 1st quarter of 2009 comparing to the same period of the previous year, recorded drop of sold production of industry by 10%. A downturn trend has been started in the 4th q. of 2008 (in the 1st q. dropped by 6.3% yoy). The highest decrease was recorded in manufacturing (by 12.4%). An increase was recorded in water supply; sewerage, waste management and remediation activities (by 0.1%).

**Chart 3. Changes in the sold production of industry in the years 2007-2009
(corresponding period of the previous year=100)**



Source: Statistical Bulletins, CSO, 2007-2009

In the period of January-March 2009, 22 from 34¹ industrial divisions recorded deterioration in the level of production comparing to the similar period of 2008, and stood for 86.1% of a total production. Considerable slowdown was observed in manufacture of metal products (by 35.3% yoy) and manufacture of motor vehicles, trailers and semi-trailers (by 27%). Increase was recorded in manufacture of beverages (by 18.2%), other transport equipment (by 4.3%) as well as electrical equipment (by 3.7%).

In the 1st quarter of 2009 labour productivity in industry, measured by production per 1 employee, was lower (6.4%) than a year before, with 3.8% smaller average employment and increase in monthly gross wages (5.7%).

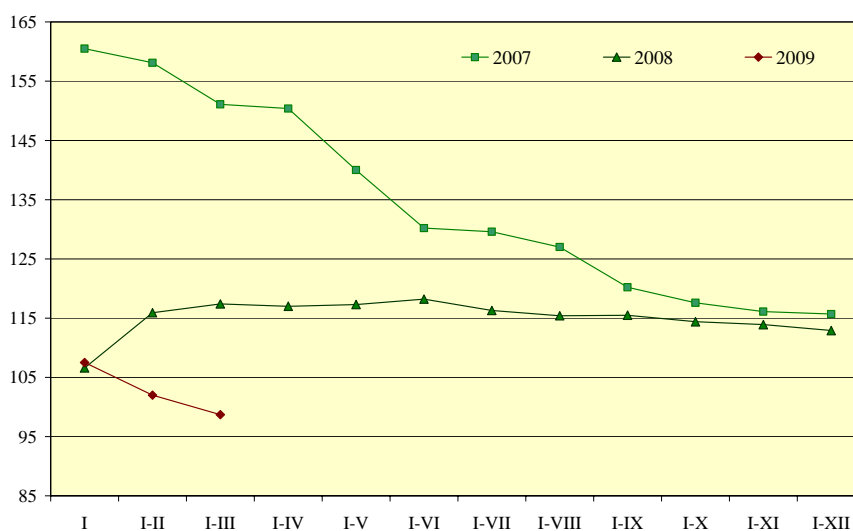
¹ according to a new classification of activities (PKD 2007)

Construction...

In 2008 persistent investment recovery was accompanied by high increase in production of construction. **A scale of growth in construction and assembly production in companies with more than 9 employees amounted to 10.9%.**

In the period of January-March current year construction and assembly production in entities with more than 9 employees decreased by 1.3% comparing to 1st quarter of 2008. It was the weakest quarter since 2003.

Chart 4. Construction and assembly production indices in the years 2007-2009
(corresponding period of the previous year=100)



Source: Statistical Bulletins, CSO, 2007-2009

A significant decrease of construction and assembly production, considering the type of construction works, was recorded in the entities dealing with building construction (by 6.8% yoy). On the other hand entities dealing with building constructions of land and water engineering (by 5.7%) and with specialized constructions (by 4.6%) increased production.

In the first quarter of 2009 41.8 thousand dwellings were completed, which was by 18% more than in the previous year². In a case of dwelling for sale or rent as well as in private construction amount of dwellings completed was higher than a year ago (respectively by 32.9% and 10.1%).

Negative, for overall condition of construction sector, are data concerning a number of granted permits for dwellings (drop by 13.8% yoy) and dwellings being constructed (drop by 38.4% yoy) in analyzed period. This situation was caused by a limited availability of credits and as a result of it declining of demand on real estate market. As a consequence further downward trend in the sector and maintenance of negative production dynamics could be held in the next months.

² Provisional CSO data.

Agriculture...

According to CSO in 2008 crop output increased by 8.3% on the other hand animal output dropped by 2.4%. As a consequence, the gross agricultural output surged by 3.5%.

In the period from July 2008 to March 2009 as a result of increase of wheat purchase by 4.5% and rye purchase by 25.2%, the purchase of cereals with corn mixture without sowing grain surged by 5.8% comparing with analogous period of the previous season.

Table 3. Gross agricultural production in the years 2000-2008 (constant prices)

	2002	2003	2004	2005	2006	2007	2008*
Gross output	98.1	99.2	107.5	95.7	98.8	106.1	103.5
Crop output	93.3	94.3	116.7	88.1	94.8	109.5	108.3
Animal output	103.4	104.8	97.3	105.2	102.6	102.6	97.6

Source: CSO

In March 2009 the grain purchase increased by 162.3% comparing with March 2008. In the same time the purchase of wheat raised by 161.1% and the purchase of rye by 149.1% comparing with March 2008. High supply level for agricultural products resulted in decrease of their purchase price accordingly by 43.1% and 47.8% also on the markets by 33% and 32.7% (yoy). Average potato prices on the markets increased by 45.7% in March 2009.

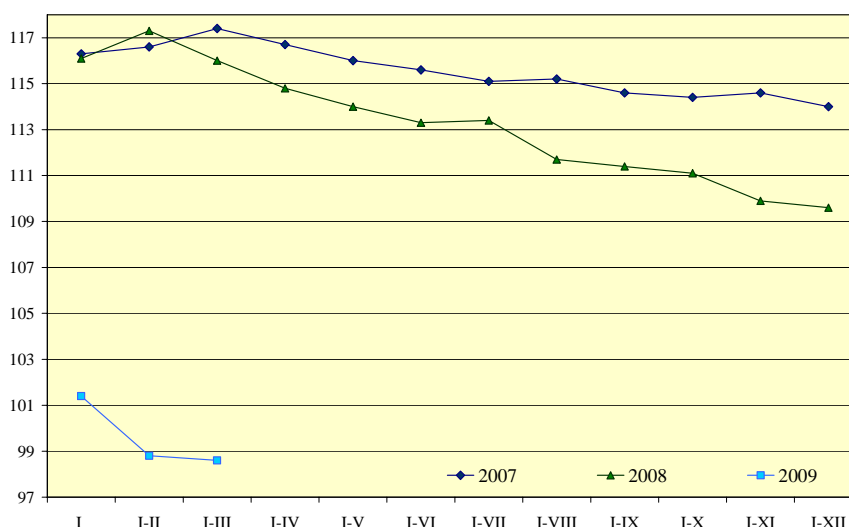
On the market of slaughter animals from January to March 2009 the purchases dropped by 18.7% comparing to the same period in 2008. This situation was caused by decrease of hog animals purchases (drop by 22.9%) and poultry animals (drop by 16.5%) in the same period. Referring lower animal output and coming holiday season significant price increase of slaughter animal was recorded. In the first quarter of this year average hog animals purchase prices surged by 31.6% and on the markets by 23.6%, the prices of ox animals raised accordingly by 12.9% and 5.9% and the purchase prices of poultry animals by 4.9%. Milk supply in analyzing period surged by 5.1% and purchase prices diminished by 27.6% (yoy).

Domestic trade – deeper downturn...

In 2008 volume of retail sales for complete statistical population exceeded previous year's level by 5.3%. In enterprises with more than 9 employees the rise of 9.6% was recorded³.

In the period of January-March 2009 retail sales in constant prices dropped by 1.4% and was below very high dynamics level recorded in the same time of previous year (I quarter 2008 – 116.1).

Chart 5. Retail sales indices (corresponding period of the previous year = 100, constant prices)



Source: *Statistical Bulletins, CSO, 2007-2009*

Lower than a year before sales in the first quarter of 2009 was recorded in the four groups with the biggest share in retail sales in general. Sale dynamics in the following groups: motor vehicles, spare parts and liquid and gas oil dropped significantly respectively by 12.2%, 10.6% (yoy). Lower sales was also recorded in food, drinks and tobacco (by 3.4 % yoy) and the sales of others (drop by 1.1% yoy).

Favorable dynamics in the analyzing period, likewise last year, was noticed in the detail sales in the rest of the sections. The highest dynamics level was recorded in the sales of: fiber, clothing and shoes (increase by 22.2%) and the rest of retail sales in not specialized stores (increase by 19.3% yoy).

In the first quarter of 2009 wholesale trading companies employing more than 9 persons was by 9.4% lower than a year before.⁴ Very low level of alcoholic and none alcoholic beverages wholesale was recorded in this period, (drop by 31.6%). In the same time of the year 2008 wholesale dynamics in this section reached the level of 109.7.

³ constant prices

⁴ current prices

Inflation...

In 2008 the price index of consumer goods and services amounted to 4.2%. Higher prices of energy resources and food on the global market, as well as enlargement of domestic demand and wages pressure, influenced prices growth.

In the first quarter of 2009 CPI index was still above the level of inflation target, at the same time did not exceed deviation level (**3.3% in comparison with the same period last year**).

In the first quarter of 2009 recorded price increase was caused by higher dynamics of food and beverages prices (by 4.6% yoy) including alcoholic beverages and tobacco (by 8.6% yoy). The rise of house charges (by 8.9%) including energy carriers (by 14.4% yoy), among them the highest increase was recorded in gas prices (by 16%) and solid fuels (by 22.3% yoy).

In spite of decreasing domestic demand, lower wages pressure caused by increasing unemployment rate and weakened output dynamics, relatively high inflation level is noticed. It is caused by growth of global food prices, prices of imported goods (low value of zloty) and regulated prices (concerning energy carriers).

In the period of January – March 2009, the prices of sold production of industry were on average by 5% higher, in comparison with the same time in 2008. The acceleration of the dynamics was caused mainly by price increase of raw materials. Growth of average wage prices has a very important impact too. The highest price growth was recorded in the section of producing and supplying of electricity, gas, steam and hot water (by 21.3%) and mining and quarrying sections (by 8.9% yoy).

In the same period, prices in construction and assembly production rose by 1.8% in comparison with the previous year. Low price dynamics was caused by the drop of interest in the real estate market among individual clients resulting in decreasing the level of construction production. This situation was also a result of financial crisis that limited access to mortgage credits in the country. It also has negative influence on shaping relation between demand and supply in this sector.

In 2009 inflation rate will be shaped by global economic slowdown and relating deteriorations of labour market situation that influences on limiting the inflation pressure. In respect of all factors it is estimated that global price growth of goods and services in the second half of the year should reach the level of 2.5%.

Labour market – gradual deterioration...

Since fourth quarter of 2008 the situation on labour market has gradually deteriorated. It is caused by global economic slowdown that negative influences production dynamics, in some way limits the demand for labour. Since 2003 we observed improvement in labour index, current situation stopped this tendency.

Table 4. Primary LFS' score in 2007-2009

	4 th q of 2007	1 st q of 2008	2 nd q of 2008	3 rd q of 2008	1 st q of 2009
Economic activity rate (%)	54.1	53.7	53.9	54.6	54.7
Employment rate (%)	49.5	49.4	50.1	51.0	51.0
Unemployment rate (%)	8.5	8.1	7.1	6.6	6.7
Employed persons (thousand)	15,538	15,515	15,689	15,990	16,005
Unemployed persons (thousand)	1,448	1,361	1,196	1,132	1,154
Economically inactive persons (thousand)	14,416	14,548	14,445	14,231	14,224

Source: Statistical Bulletins, CSO, 2007-2009

In the period January-March of 2009 deterioration on the labour market was deeper. It was a result of remaining of an average employment in enterprises sector at the previous year's level (0.1% yoy). This element along with worst macro data allows to expect, that in the consecutive months the trend remain.

Table 5. The average employment in enterprise sector (thous.)

	I-III 2008	I-III 2009	2009/2008
Total	5,360	5,365	100.1
Industry	2,600	2,502	96.2
Mining and quarrying	178	180	101.6
Manufacturing	2,177	2,073	95.2
Electricity, gas, steam and air conditioning supply	149.2	149	99.8
Water supply; sewerage, waste management and remediation activities	95	99	104
Construction	405	426	105.1
Trade; repair of motor vehicles	1,049	1,093	104.2
Transportation and storage	460	469	101.9
Accommodation and catering	93	101	108.1
Information and communication	156	160	102.4
Real estate activities	90	88	97.7
Professional, science and technical activities^a	132	150	113.8
Administrative and support service activities	267	270	101.1

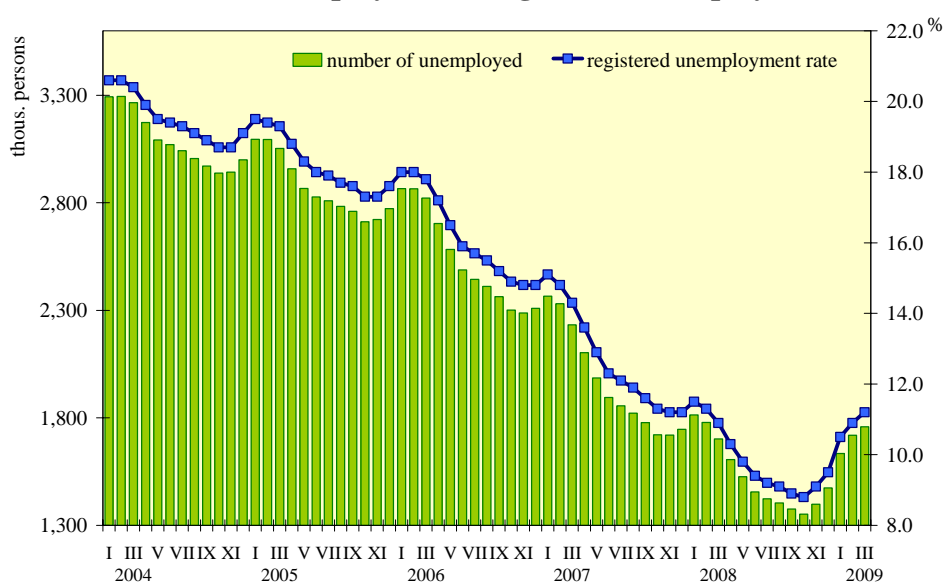
Source: Statistical Bulletin, CSO, 2008-2009

Among divisions of manufacturing the highest changes in dynamics of employment, in the 1st quarter of 2009, were observed in divisions producing:

1. pharmaceutical products	101.9
2. chemicals and chemical products	100.9
3. printing and reproducing of recorded media	100.9
4. metal products	100.3
<hr/>	
1. textiles	84.4
2. wearing apparel	84.5

In the period of January-March 2009, the number of registered unemployed and unemployment rate was increasing continuously.

Chart 6. The number of the unemployed and registered unemployment rate



Source: CSO

At the end of March 2009 the **number of registered unemployed** shaped at the level of 1,758.8 persons, i.e. by 3.3% higher than in the same month of the previous year. The unemployment rate amounted to 11.2% and was higher by 0.3 percentage point than in March 2008.

Started in the last quarter of 2008 decline of labour demand and continuation of this tendency in the next months of current year let us to assume that this trend has consolidated and could intensify. A temporary limitation of this process is possible due to seasonal works, but overall it is expected to increase an unemployment rate up to about 12% at the end of year.

Increase in wages, salaries and social benefits...

In the period of January-March 2009 the average gross salary in enterprise sector amounted to PLN 3, 249 (growth by 6.3% towards corresponding period of the previous year).

Among divisions of manufacturing no drop in the average gross salary was recorded. The highest changes in wages and salaries took place in manufacture of:

- | | |
|--|-------|
| 1. pharmaceutical products | 117.2 |
| 2. tobacco products | 111.9 |
| 3. chemicals and chemical products | 109.1 |
| 4. beverages | 108.0 |
| 5. coke and refined petroleum products | 107.0 |

Table 6. Average gross wages and salaries in the enterprise sector

	I-III 2008	I-III 2009	2009/2008
Total	3,056	3,249	106.3
Industry	3,046	3,220	105.7
Mining and quarrying	5,063	5,413	106.9
Manufacturing	2,792	2,921	104.6
Electricity, gas, steam and air conditioning supply	4,550	4,805	105.6
Water supply; sewerage, waste management and remediation activities	2,868	3,095	107.9
Construction	3,090	3,303	106.9
Trade; repair of motor vehicles	2,874	3,035	105.6
Transportation and storage	2,907	3,076	105.8
Accommodation and catering	2,217	2,299	103.7
Information and communication	5,721	6,161	107.7
Real estate activities	3,097	3,292	106.3
Professional, science and technical activities^a	5,032	5,435	108.0
Administrative and support service activities	1,861	2,041	109.7

^a Do not include sectors: Research and Development, Veterinary activities

Source: Statistical Bulletins, CSO, 2008-2009

The purchasing power of wages in the enterprise sector increased by 3.2% in the 1st quarter of 2009.

In the period of January-March 2009 the social security benefits rose, too. The average monthly retirements payments and pensions from non-agricultural social security system amounted to PLN 1, 486 which is 10.4% (in nominal terms) and 5.7% (in real terms) higher than a year before. The average retirement payments and pensions of individual farmers increased in analyzed period by 6.6% and reached a level of PLN 884 (growth by 2.1% yoy in real terms).

It is expected that in 2009, according to deterioration of labour market condition, the nominal growth of average wages will be slower. In a real terms in the enterprise sector, among single divisions, it is also possible to appear a negative dynamics of salaries, which could be caused by a significant decline in demand on exports goods and raising unemployment rate which limits increase in wage pressure.

Public finances...

In the year 2008 budget revenues amounted to PLN 254.1bn and represents 90.1% planned in the Budgetary Law. It was lower than the previous year's level by 13.0pp. Expenditures shaped at a level of PLN 278.7bn and represents 90.2% planned in the Budgetary Law, which was 7.5 percentage points lower than in 2007. As a consequence a deficit amounted to PLN 24.6bn (in nominal terms) and was higher (comparing to PLN 16.9bn in 2007).

In the period of January-March 2009 budget revenues shaped at a level of PLN 66.3bn and exceeded the previous year's level by 6%. An expenditures amounted to PLN 76.9bn. Expenditures increase was significantly higher than revenues, and its growth amounted to 22%.

Table 4. State budget performance in I-III 2009 (in bn PLN)

	Budgetary Law	Performance	%
REVENUES	303.0	66.3	21.9
Taxes and non-taxes	269.4	60.5	22.5
Indirect	178.0	40.3	22.7
PIT	33.1	8.4	25.4
CIT	40.2	7.5	18.7
Incomes of state budget entities	16.7	3.6	21.7
UE and other funds without repayment	33.6	5.8	17.3
EXPENDITURE	321.2	76.9	24.0
Domestic debt servicing	26.5	4.4	16.8
Foreign debt servicing	6.1	2.8	46.3
Subs. to the Pension Fund	15.8	3.7	23.8
Subs. to Social Insurance Fund	30.9	6.8	22.1
General subs. to local self-government entities	45.3	15.6	34.4
BALANCE	-18.1	-10.6	58.3
DEFICIT FINANCING SOURCES	18.1	10.6	58.3
Domestic	12.6	11.0	87.9
Treasury bonds	-4.6	3.8	-
Bonds	37.3	9.6	25.9
Proceeds from privatisation	12.0	0.3	3.2
Pre-financing actions with EU resources	-3.7	-1.5	42.5
Foreign	5.5	-0.4	-

Source: Ministry of Finance

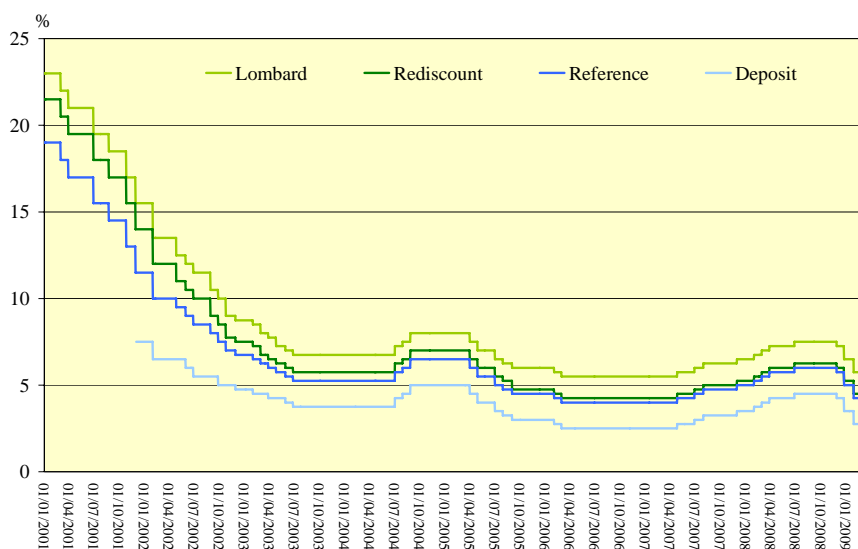
While income side is taken into account, the revenues from indirect taxes were the main receipts items. These revenues accounted for 39.2% of a total amount of incomes executed in the 1st quarter year of 2009 and it was lower than in the corresponding period of previous year's level by 1.9% (in nominal terms). Significant share in total amount of incomes has the inflow from UE and other funds without repayment, which amounted to PLN 5.8bn and was higher than in the corresponding period of 2008 by 80%.

As far as expenditures are concerned, an important role was played by general subsidies to local self-government entities, which increased by 9.8% comparing to corresponding period of 2008. The shares of expenditures of domestic debt servicing as well as foreign debt servicing amounted to 16.8% and 46.3% planned in the Budgetary Law respectively. Their share in total expenditures represents 9.5%.

Monetary policy and exchange rate...

In 2008 interest rates were changed six times. They were raised fourth times by 0.25 percentage point each time. However at the end of the year they were cut by 1 pp in total. The Monetary Policy Council decided to alleviate monetary policy, assessing that level of inflation will be lower than the target range of inflation. Thereby at the end of the year interest rates shaped at a level of: Reference – 5.00%, Lombard – 6.50%, Deposit – 3.50%, and Rediscount 5.25%.

Chart 7. NBP interest rates in the years 2001-2009



Source: NBP

In the 1st quarter of 2009, the Monetary Policy Council continued alleviate monetary policy. The Monetary Policy Council lowered interest rates three times. In January, interest rates dropped by 0.75 percentage point and in February and March by 0.25 percentage point each time. **At the end of the 1st quarter of 2009 the interest rates shaped at a level of: Reference – 3.75%, Lombard – 5.25%, Deposit – 2.25%, and Rediscount 4.00%.** Decrease the costs of money transaction, that influences on higher investment and consumption demand, when the crisis occurred, was crucial for these decisions. Expecting the June data concerning inflation projection from the National Bank of Poland, interest rates are likely to remain stable (to prevent the depreciation of Polish zloty and to determine the total level of the price index of goods and services).

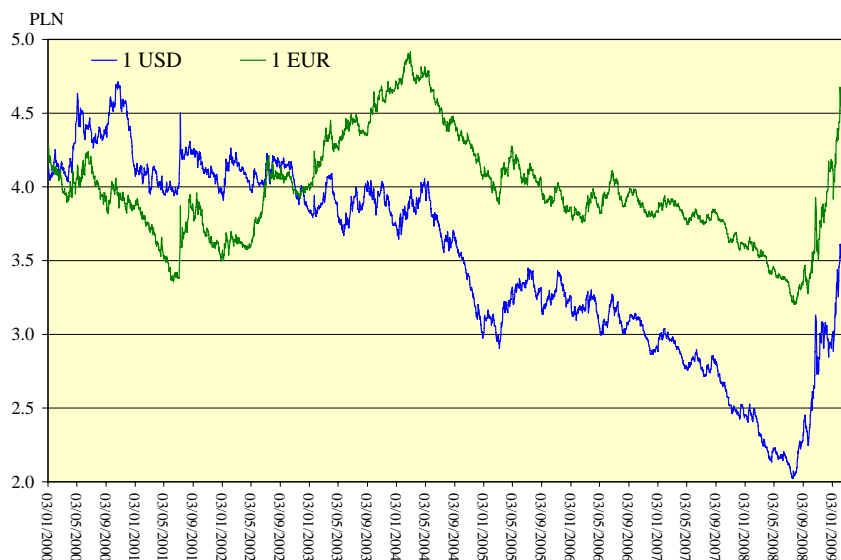
As far as credits are concerned, their value increased in March by 35% comparing to the corresponding month of the previous year. Such an increase was caused by high growth in credits for households (44%), driven mainly by credits for individuals (48%). Significantly lower growth was observed in credits for non-commercial institutions work for households favour (28%). The enterprises demand for credits increased by 28%. Further increase in volume of debts among enterprises is expected, because of tightening of credit policy for SMEs.

In 2008 our currency strengthened against euro as well as against US dollar. An average annual exchange rate of euro amounted to PLN 3.5166 and was lower by 7% comparing to 2007. **An average annual exchange rate of US dollar** amounted to PLN 2.4092 and was lower by 12.9% comparing to 2007.

In the period of January-March 2009 average quarterly euro exchange rate amounted to PLN 4.495 and was higher by 25.7% annually and higher by 19.1% than in the 4th quarter of 2008. US dollar exchange rate amounted to PLN 3.4481 and increased by 44.4% annually and by 20.4% comparing to previous quarter.

Strong depreciation of the Polish currency against US dollar and euro was caused by withdrawal of foreign investors from domestic market. It resulted in considerable drop in demand of zloty. The tendency influence the value of zloty against euro, chiefly in the second half of February. It has reached the highest level since 2004 (EUR/PLN 4.8999). On the other hand negative impact on the currency exchange had troubles of enterprises with derivative instruments (currency options). A realization of them was connected with increase in zloty's supply on the currency market. Additionally it caused that PLN value lowered against other currencies.

Chart 8. Zloty against the EUR and the US dollar (nominal exchange rates)



Source: NBP

Increase in foreign trade turnover...

According to the preliminary Central Statistical Office data, in the 1st quarter of 2009 the value of exports denominated in EUR (in current prices) was lower by 20.3% compared to the similar period of 2008 and reached a level of EUR 22.7bn, while the imports value decreased by 27% and amounted to EUR 24.6bn. The negative balance of foreign trade reached a level of EUR 1.9bn, EUR 1.2bn less than in the 1st quarter of 2008. The negative dynamics of exports and imports was a consequence of a minor decline in internal demand of main Polish trade partners and also decreasing of domestic demand. Reduction of foreign trade deficit was a consequence of relative good position of domestic exporters as a result of Polish currency depreciation.

Table 8. Geographical structure of Polish foreign trade in the period I-III 2009

	Exports		Imports	
	Share of total (%)	Change (pp)	Share of total (%)	Change (pp)
Developed countries	85,8	+1,3	67,4	-2,4
European Union	80,3	+0,6	59,6	-3,2
Developing countries	6,8	+0,7	21,8	-2,9
Central and East European countries	7,4	-0,2	10,8	-0,7

Source: CSO

Poland's main trading partners in the period I-III 2009 (comparing to the corresponding period of the year 2008):

Germany:

Exports (in €) decreased by 16.5%, and imports by 32.8%,
Share of total Poland's exports – 26,6% (+1.1 pp); imports – 21,6% (-1.9 pp).

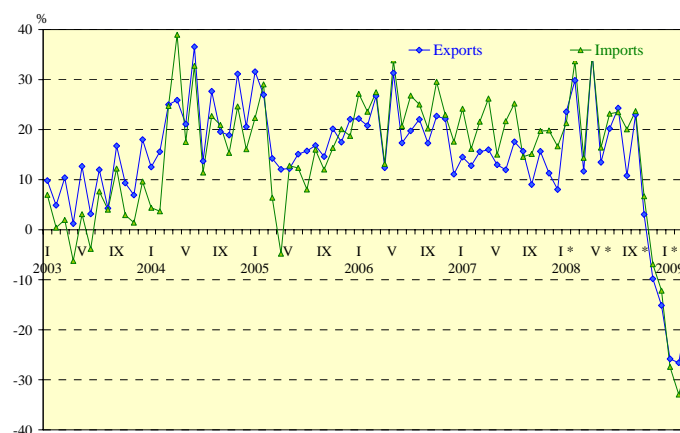
Russia:

Exports (in €) decreased by 37.4%, and imports by 26.6%,
Share of total Poland's exports – 3.8% (-0.9 pp); imports – 9.6% (-0.1 pp).

China:

Share of total Poland's imports – 10.2 % (+2.7 pp).

Chart 9. Export revenues and import expenditure in EUR (rates of change, transaction approach)



* preliminary data

Source: NBP

According to initial data from the National Bank of Poland, in the period of January-March 2009, the value of exports amounted to EUR 23.3bn and was by 23% lower comparing to the same period of the previous year. Imports expenditures reached a level of EUR 23.7bn and was by 29% lower than in the 2008. As a result, trade balance was negative at a level of EUR 0.5bn comparing to EUR 3bn deficit in 1st quarter of previous year.

In 2009 exports is expected to reach a level of EUR 101bn, so about 12% less than in 2008. Value of imports estimates to EUR 121bn, about 13% less than in previous year. The negative balance of a foreign trade turnover will reach a level of EUR 20bn, so about EUR 4.7bn less than in 2008.

Improvement in balance of payments ...

Preliminary data for the first three months of 2009 indicates improvement in the balance of payments in comparison to 2008.

In the analyzed period a negative balance on the current account decreased to a level of EUR -79mln towards EUR -4.7bn in the 1st quarter of 2008. This result was an effect of lowering negative trade balance in goods (by EUR 2.7bn) and on the other side a deficit of income balance (growth by EUR 1.4bn).

In the 1st quarter of 2009 the inflow of foreign direct investments was lower by 44% than in the previous year, and reached a level of EUR 1.9bn.

Table 5. Balance of payments in the years 2005-2009 (in million EUR)

	2005	2006	2007	2008	I-III 2009*
Current account	-3,016	-7,445	-14,586	-19,613	-79
Trade balance	-2,242	-5,539	-12,369	-16,538	-502
Export revenues	77,562	93,406	105,893	119,325	23,248
Import expenditure	79,804	98,945	118,262	135,863	23,750
Services' balance	585	582	3,408	3,441	570
Income balance	-5,373	-7,712	-11,827	-11,774	-1,524
Current transfers balance	4,014	5,524	6,202	5,258	1,377
Capital account	786	1,666	3,418	3,936	1,809
Financial account	12,190	10,459	28,801	27,611	3,729
Direct Polish external investment	-2,767	-7,122	-3,505	-2,333	-454
Direct foreign investment in Poland	8,330	15,741	16,674	10,970	1,925
Portfolio investment (assets)	-2,008	-3,685	-4,345	1,609	117
Portfolio investment (liabilities)	11,811	1,343	551	-3,524	-931
Other investment (assets)	-2,181	-3,137	-1,082	4,689	4,179
Other investment (liabilities)	-1,132	7,868	21,941	16,632	-1

*preliminary data

Source: NBP

MINISTRY OF ECONOMY
Analyses and Forecasting Department

Warsaw, June 2009

POLAND'S MACROECONOMIC PERFORMANCE IN 2008-2009

Specification	Unit	2008	III 2008	III 2009	I-III 2009
GDP	%	104.9			100.8 ¹
Consumption	%	105.9			103.9 ¹
- individual	%	105.4			103.3 ¹
Gross capital formation	%	103.8			76.2 ¹
- gross fixed capital formation	%	108.2			101.2 ¹
Prices					
Year-on-year price index of consumer goods and services (CPI)	%	104.2	104.1	103.6	103.3
Year-on-year price index of sold production of industry (PPI)	%	102.2	102.5	105.6	105.0
Production²	%				
Sold production of industry	%	102.5	100.7	98.1	90.0
Construction and assembly production	%	110.9	116.8	101.2	98.7
Wages and salaries					
Average wages and salaries in the national economy. of which:	PLN	2,944			
- enterprise sector	PLN	3,186	3,153	3,333	3,249
Average retirement pay and pension					
- non-agricultural social security system	PLN	1,419	1,421	1,548	1,486
- individual farmers	PLN	858	859	914	884
Labour market					
Average employment in enterprise sector	thous.pers.	5,392	5,376	5,325	5,365
Average number of retirees and pensioners	thous.pers.	9,257	9,219	9,341	9,335
- non-agricultural social security system	thous.pers.	7,779	7,726	7,900	7,889
- individual farmers	thous.pers.	1,478	1,493	1,441	1,446
Unemployment rate (as at the end of a period)	%	9.5	10.9	11.2	11.2
Foreign trade acc. to CSO					
Trade balance	m EUR	-24,762 ³			-1,924 ³
- export revenues	m EUR	114,566 ³			22,705 ³
- import expenditure	m EUR	139,328 ³			24,629 ³

1- CSO estimates

2- The year 2008 concerns complete statistical population, other data concerns entities employing more than 9 persons

3- preliminary data

	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gross Domestic Product (percentage change)	%	7	6.2	7.1	5	4.5	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.8	4.8 ¹
Individual consumption (percentage change)	%	3.2	8.8	7.1	5	5.4	3.1	2.3	3.4	2.1	4.7	2.1	5.0	4,9	5.4 ¹
Gross fixed capital formation (percentage change)	%	16.5	19.7	21.8	14	6.6	2.7	-9.7	-6.3	-0.1	6.4	6.5	14.9	17.6	7.9 ¹
Industry output (percentage change)	%	9.7	8.3	11.5	3.5	3.6	6.7	0.6	1.1	8.3	12.6	3.7	11.2	9.5	3.5 ²
Construction and assembly output (percentage change)	%	8.1	4.6	17.1	11	9.4	1.4	-11.7	-4.1	1.6	1.8	8.0	15.9	12.2	12.9 ²
Inflation (annual average)	%	27.8	19.9	14.9	11.8	7.3	10.1	5.5	1.9	0.8	3.5	2.1	1.0	2.5	4.2
Inflation (XII/XII)	%	21.6	18.5	13.2	8.6	9.8	8.5	6.3	0.8	1.7	4.4	0.7	1.4	4.0	3.3
Employed persons	m. pers.	15.5	15.8	16.2	16.2	15.9	15.5	15.0	12.8	12.6	12.7	12.9	13.2	13.6	n.a.
Average employment in enterprise sector	thous. pers.	5,738	5,664	5,745	5,856	5,795	5,312	5,138	4,912	4,724	4,684	4,773	4,918	5,150	5,398
Registered unemployed persons	thous. pers.	2,629	2,360	1,826	1,831	2,350	2,703	3,115	3,217	3,176	3,000	2,773	2,309	1,747	1,474
Unemployment rate	%	14.9	13.2	10.3	10.4	13.1	15.1	17.5	18.0	20.0	19.0	17.6	14.8	11.4	9.5
Average gross nominal wage	PLN	691	874	1,066	1,233	1,697	1,894	2,045	2,098	2,185	2,273	2,361	2,477	2,691	2,944
Average gross real wage	%	2.8	5.5	5.9	3.3	4.7	1.0	2.5	0.7	3.4	0.7	1.8	4.0	6.3	6.0
Average gross nominal wage in enterprise sector	PLN	754	957	1,162	1,349	1,835	2,057	2,203	2,277	2,342	2,439	2,516	2,644	2,888	3,179
Average gross real wage in enterprise sector	%	3.2	5.8	5.5	3.7	3	1.3	1.6	1.5	2.0	0.8	1.2	4.2	6.7	5.9
Average real retirement pay and pension from non-agricultural social security system	%	3.2	2.1	4.6	2.2	3.9	-2.3	4.7	4.6	4.1	0.6	0.3	6.2	0.0	4.1
Balance of external trade turnover (acc. to CSO)	bn EUR	-	-	-	-	-	-18.7	-15.8	-15.0	-12.8	-11.7	-9.7	-12.9	-18.6	-24.8
Exports volume (acc. to CSO)	bn EUR	-	-	-	-	-	34.4	40.2	43.5	47.5	59.7	71.4	87.9	101.8	114.5
Exports rate (acc. to CSO)	%	-	-	-	-	-	-	16.9	8.2	9.3	25.6	19.6	23.1	15.8	12.5
Imports volume (acc. to CSO)	bn EUR	-	-	-	-	-	53.1	56.0	58.5	60.4	71.4	81.2	100.8	120.4	139.3
Imports rate (acc. to CSO)	%	-	-	-	-	-	-	5.6	4.4	3.2	18.2	13.8	24.1	19.4	15.7

¹ CSO estimates

² data concerns entities employing more than 9 persons

Prepared
in Macroeconomic Analyses Unit
in Analyses and Forecasting Department
Agata Ludwiniak
Diana Łukaszek-Rozpendowska
Monika Krupa-Leończyk
Tomasz Chalupa

Accepted by Aneta Piątkowska
Director of Department