

MINISTRY OF ECONOMY

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

**ANALYSES
AND FORECASTING
DEPARTMENT**

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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 half of current year GDP growth highly slowed. According to provisional CSO estimates GDP growth in the 1st quarter of 2009 reached 0.8%, however in the 2nd quarter according to DAF MoE estimates GDP increased by 0.5%. 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-June 2009 **sold production of industry** went down by 8,3% 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 half of 2009 **production in construction** decreased by 1.4% (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 0.7% 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 period of January-June of 2009 the volume of the exports – counted in current prices – amounted to EUR 45.7bn and was by 22.5% lower than year ago. The volume of imports stood at EUR 49.4bn and was by 30.6% lower than in the previous year. **The negative balance of foreign trade turnover reached a level of EUR 3.7bn** which was a lower value by EUR 7.8bn than in the same period of 2008. Reduction of foreign trade deficit was a consequence of relative good position of domestic exporters as a result of polish currency depreciation.
- According to provisional NBP data, in the period of January-June of 2009 **improvement of a balance of the current account** was observed, comparing to the previous year. The surplus resulted from a lower negative balance on goods. Simultaneously FDI inflow was lower than a year ago.
- In the period of January-June 2009 the annual average **consumer price index (CPI)** stood at lower level than in 2008 and amounted to 3.5%. The producer price index exceeded previous year's level by 4.6%, and construction prices increased by 1.1%.

- The first symptoms of **labour market** prosperity deterioration appeared in the last quarter of previous year. In the period of January-June 2009 the average employment in the enterprise sector was by 0.5% lower than a year before. At the end of June 2009 the number of registered unemployed was higher comparing to June 2008 by 14%, and the registered unemployment rate raised to 10.7% (against 9.5% in December 2008).
- In the period of January-June 2009, in real terms salaries in enterprise sector, retirement payments and pensions from 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 six months of 2009 the nominal budget deficit was definitely higher than in the previous year and amount to PLN 16.7bn. The budget revenues stood at PLN 134.3bn, when expenditures amounted by PLN 151.0bn. Comparing to 2008 incomes decreased by 1.0pp (5.3%) and expenditures execution was higher by 4.6pp (15.2%). 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 half of 2009, the Monetary Policy Council changed **interest rates** four times. MPC cut rates by 0.75pp in January and in February, March and June by 0.25pp, each time.
- As regards the **foreign exchange market**, in the period of January-June 2009 depreciation of Polish zloty took place. It was caused by negative influence of volatility in global economy 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

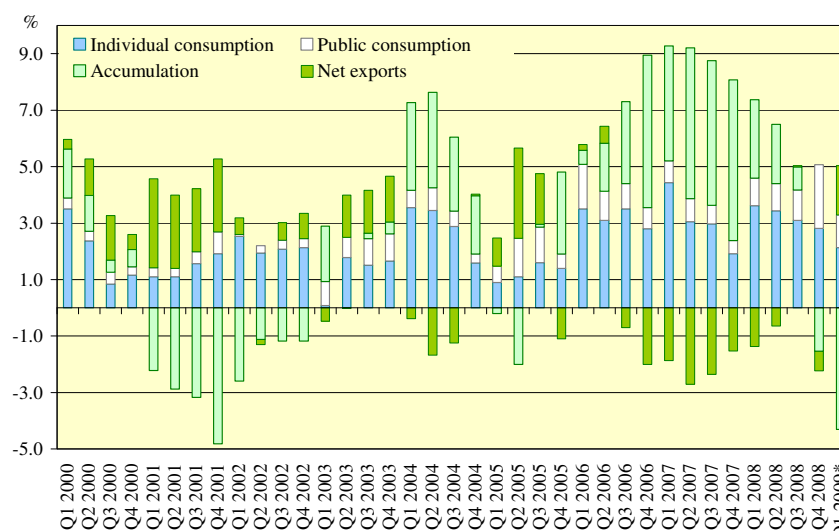
	2006				2007				2008				2009	
YoY	6.2				6.6				4.9					
	I-III	IV-VI	VII-IX	X-XII	I-III	IV-VI	VII-IX	X-XII	I-III	IV-VI	VII-IX	X-XII	I-III	IV-IV
YoY	5.4	6.3	6.6	6.6	7.4	6.5	6.5	6.5	6.1	5.9	5.0	2.9	0.8*	0.5**

*CSO estimate

** DAF MoE 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 half of 2009 GDP increased by 0.6% 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 half of 2009 dynamics of individual consumption increased. However domestic demand left off being the main factor of economic growth, as a consequence of stocks adjustment to limitation of activity level of economy. 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, which has positively contributed to GDP.

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 (though in the 2nd q. slight optimism occurred).

A gross fixed capital formation increased, though in the second quarter drop is estimated. A waning financial situation of enterprises resulted in a slowdown in investments. Negative impact had tightening of credit policy (however situation seems to stabilize), and deterioration of economic situation in main Polish partners in trade. On the other hand, favourable outlook for using of EU funds, as well as high level of using of production power, allow to increase in the category.

Table 2. Gross value added growth by sections in the years 2001-2009

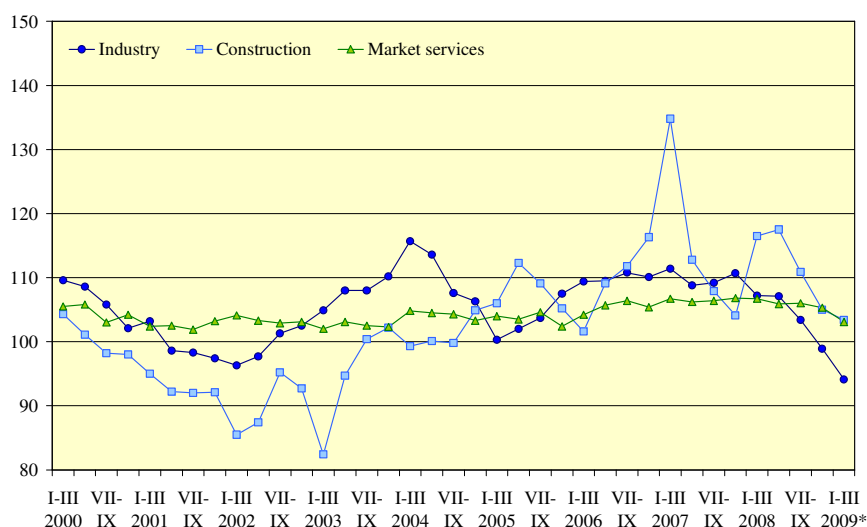
	2001	2002	2003	2004	2005	2006	2007	2008	I-VI 2009*
Industry	99.2	99.5	107.8	110.5	103.5	110.0	109.9	103.7	94.5
Construction	92.5	91.0	97.1	101.8	107.8	111.6	112.5	111.3	102.0
Market services	102.5	103.3	102.5	104.2	103.6	105.5	106.4	105.6	103.0

*DAF MoE estimates

Source: CSO

The increase of gross value added was underpinned mainly by a stable growth in market services, which accounted for above 50% of gross value added in the economy. The value added in industry dropped comparing to the previous year, what was connected with decrease in sold industrial production (8.3% yoy). In this period value added in construction increased, but in a lower extent. The scale of growth was a result of minor increase in construction and assembly production (1.4% yoy). Worse indicators in both construction and industry resulted in an outcome of a whole economy.

Chart 2. Gross value added growth by economy sectors in the years 2000 – 2009 (corresponding period of the previous year=100)



*CSO estimate

Source: CSO

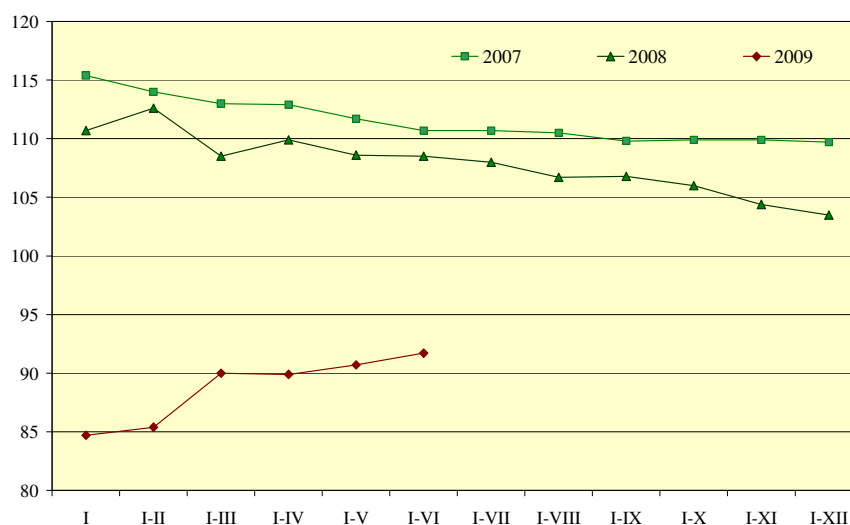
In 2009 the GDP growth is assumed to ca. 1% and will be affected by external situation, chiefly situation on the credit market and a success of world anti-crisis measures. The increase in gross fixed capital formation will be stopped. Individual consumption should be higher however a dynamics will be lower.

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 half of 2009 comparing to the same period of the previous year, recorded drop of sold production of industry by 8.3%. It is worth underlining that in the second quarter a drop was lower than in the first one (6.7% against 10%).

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

Among main manufacturing groups, growth in enterprises producing mainly consumer durables goods and non-durables goods was recorded (respectively by 5.4% and 2.6% yoy). In other groups of enterprises, decrease in production was recorded (in each by above 12%).

In the period of January-June 2009, 21 from 34¹ industrial divisions recorded deterioration in the level of production comparing to the similar period of 2008, and stood for 65.5% of a total production. Considerable slowdown was observed in manufacture of metal products (by 36.8% yoy) and manufacture of motor vehicles, trailers and semi-trailers (by 21.5%). Increase was recorded in manufacture of beverages (by 16.5%), other transport equipment (by 10.2%) as well as electronic and optical products (by 6.9%).

In the 1st half of 2009 labour productivity in industry, measured by production per 1 employee, was lower (3.9%) than a year before, with 4.6% smaller average employment and increase in monthly gross wages (5.0%).

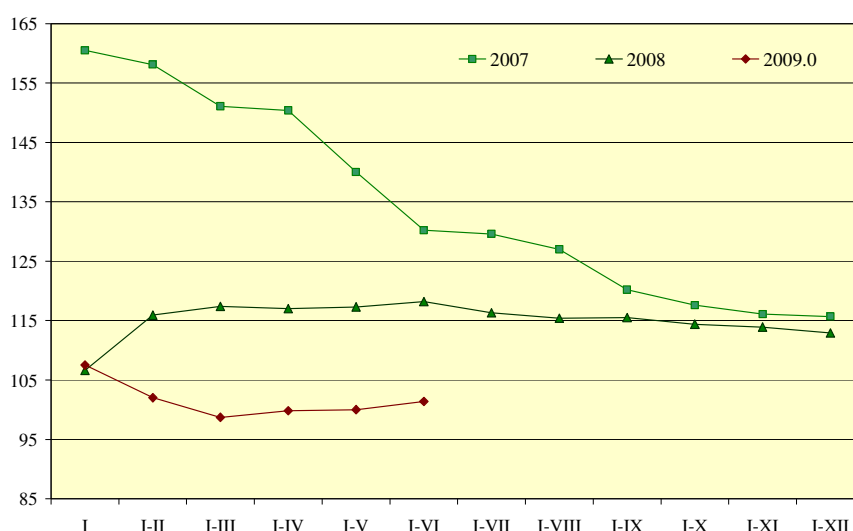
¹ according to a new classification of activities (PKD 2007)

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-June current year construction and assembly production in entities with more than 9 employees decreased by 1.4% comparing to 1st half of 2008. The increase in sales of repairs was recorded (by 6.4%), however sales of investment works dropped (by 0.6%).

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 5.2% yoy). On the other hand entities dealing with building constructions of land and water engineering (by 12.4%) and with specialized constructions (by 2.6%) increased production.

In the first quarter of 2009 76.0 thousand dwellings were completed, which was by 9.7% 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 23.3% and 1.2%).

Negative, for overall condition of construction sector, are data concerning a number of granted permits for dwellings (drop by 21.4% yoy) and dwellings being constructed (drop by 28.3% 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...

In 2008 crop output increased by 6.8% on the other hand animal output dropped by 1.5%. As a consequence, the gross agricultural output surged by 3.1%.

In the period from July 2008 to June 2009 as a result of increase of wheat purchase by 17.2% and rye purchase by 42.0%, the purchase of cereals with corn mixture without sowing grain surged by 18.8% 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	103.1
Crop output	93.3	94.3	116.7	88.1	94.8	109.5	106.8
Animal output	103.4	104.8	97.3	105.2	102.6	102.6	98.5

Source: CSO

In June 2009 the grain purchase increased more than twice comparing with June 2008. In the same time the purchase of wheat raised twice and the purchase of rye quadrupled (yoy). High supply level for agricultural products resulted in decrease of their purchase price accordingly by 41.4% and 48.5% also on the markets by 33.8% and 34% (yoy). Average potato prices on the markets increased by 48.8% in June 2009.

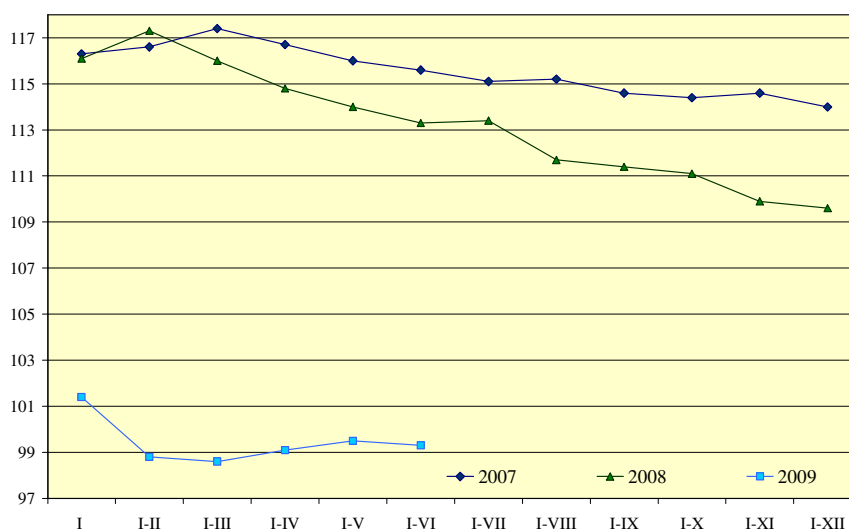
On the market of slaughter animals from January to June 2009 the purchases dropped by 14.4% comparing to the same period in 2008. This situation was caused by decrease of hog animals purchases (drop by 22.9%) and poultry animals (drop by 6.4%) in the same period. Referring lower animal output and coming holiday season significant price increase of slaughter animal was recorded. In the first half of this year average hog animals purchase prices surged by 27.8% and on the markets by 20.7%, the prices of ox animals raised accordingly by 14.6% and 7% and the purchase prices of poultry animals by 9.1%. Milk supply in analyzing period surged by 6.2% and purchase prices diminished by 22.7% (yoy).

Decrease in domestic trade turnover...

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-June 2009 retail sales in constant prices dropped by 0.7% and was below very high dynamics level recorded in the same time of previous year (I half 2008 – 113.8).

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 half of 2009 was recorder 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 12.1% and 9.6% (yoy). Lower sales was also recorded in food, drinks and tobacco (by 1.8 % yoy) and the sales of 'others' (drop by 2.4% 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 25.3%) and the rest of retail sales in not specialized stores (increase by 22.5% yoy).

In the first half of 2009 wholesale trading companies employing more than 9 persons was by 9.7% lower than a year before.⁴ Very low level of non-agricultural intermediate products, waste and scrap wholesale was recorded in this period (drop by 22.7%).

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 half of 2009 CPI index was still above the level of inflation target, at the same time did not exceed deviation level (**3.5% in comparison with the same period last year**).

In the first half of 2009 recorded price increase was caused by higher dynamics of food and beverages prices (by 4.5% yoy). The rise of house charges (by 10.1%) including energy carriers (by 13.1% yoy), among them the highest increase was recorded in solid fuels (by 20.8% 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-June 2009, the prices of sold production of industry were on average by 4.6% 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 19.1%) and mining and quarrying sections (by 10.6% yoy).

In the same period, prices in construction and assembly production rose by 1.1% 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 end of the year will be close to a level of 3%.

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-June of 2009 an average employment in enterprises sector was lower than in the previous (0.5% yoy). This element along with worst macro data allows to expect, that in the consecutive months the trend continue. Limitation of hard situation is possibly as an effect of measures taken to mitigate results of crisis at the labour market.

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

	I-VI 2008	I-VI 2009	2009/2008
Total	5,369	5,344	99.5
Industry	2,602	2,481	95.4
Mining and quarrying	178	180	101.4
Manufacturing	2,179	2,052	94.2
Electricity, gas, steam and air conditioning supply	149	149	99.7
Water supply; sewerage, waste management and remediation activities	96	99	103.7
Construction	407	429	105.5
Trade; repair of motor vehicles	1,051	1,092	103.9
Transportation and storage	459	467	101.7
Accommodation and catering	94	101	107.6
Information and communication	156	160	102.4
Real estate activities	90	88	98.1
Professional, science and technical activities^a	126	140	111.2
Administrative and support service activities	260	260	100.0

^a Does not include divisions: Scientific Research and Development, Veterinary activities.

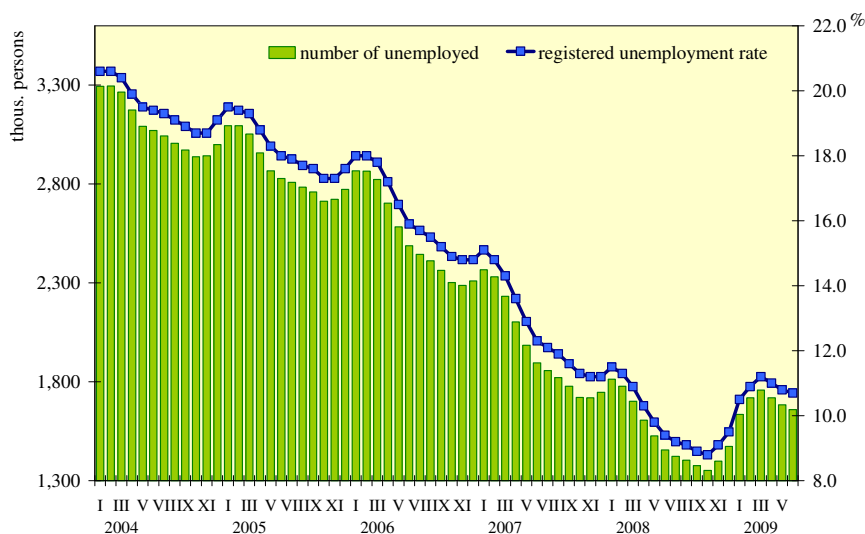
Source: Statistical Bulletin, CSO, 2008-2009

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

1. pharmaceutical products	102.0
1. textiles	84.0
2. wearing apparel	85.3

In the period of January-June 2009, the number of registered unemployed and unemployment rate were volatile.

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



Source: CSO

At the end of June 2009 the **number of registered unemployed** shaped at the level of 1,658.7 persons, i.e. by 14% higher than in the same month of the previous year. The unemployment rate amounted to 10.7% and was higher by 1.3 percentage point then in June 2008.

Started in the last quarter of 2008 decline of labour demand and lack of significant change of this tendency in the summer (seasonal works) let us to assume that this trend has consolidated and could intensify. That is why, 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-June 2009 the average gross salary in enterprise sector amounted to PLN 3,263 (growth by 5.0% towards corresponding period of the previous year).

Among divisions of manufacturing a drop in the average gross salary was recorded just in two of them. The highest changes in wages and salaries took place in manufacture of:

1. pharmaceutical products	115,4
2. tobacco products	109,4
3. chemicals and chemical products	106,8
4. beverages	106,8
<hr/>	
1. coke and refined petroleum products	86,0

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

	I-VI 2008	I-VI 2009	2009/2008
Total	3,109	3,263	105.0
Industry	3,086	3,239	105.0
Mining and quarrying	5,061	5,357	105.9
Manufacturing	2,840	2,945	103.7
Electricity, gas, steam and air conditioning supply	4,398	4,797	109.1
Water supply; sewerage, waste management and remediation activities	2,958	3,147	106.4
Construction	3,221	3,364	104.5
Trade; repair of motor vehicles	2,915	3,047	104.5
Transportation and storage	2,997	3,107	103.7
Accommodation and catering	2,225	2,293	103.0
Information and communication	5,715	6,017	105.3
Real estate activities	3,199	3,338	104.3
Professional, science and technical activities^a	5,089	5,409	106.3
Administrative and support service activities	1,881	2,028	107.8

^a Does not include divisions: Scientific Research and Development, Veterinary activities.

Source: *Statistical Bulletins, CSO, 2008-2009*

The purchasing power of wages in the enterprise sector increased by 1.6% in the 1st half of 2009.

In the period of January-June 2009 the social security benefits rose, too. The average monthly retirements payments and pensions from non-agricultural social security system amounted to PLN 1, 522 which is 9.5% (in nominal terms) and 4.8% (in real terms) higher than a year before. The average retirement payments and pensions of individual farmers increased in analyzed period by 6.4% and reached a level of PLN 902 (growth by 1.8% 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-June 2009 budget revenues shaped at a level of PLN 134.3bn and exceeded the previous year's level by 5.3%. An expenditures amounted to PLN 151bn. Expenditures increase was significantly higher than revenues, and its growth amounted to 15.3%.

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

	Budgetary Law	Performance	%
REVENUES	303.0	134.3	44.3
Taxes and non-taxes	269.4	113.3	42.1
Indirect	178.0	74.6	41.9
PIT	33.1	17.0	42.1
CIT	40.2	12.2	36.9
Incomes of state budget entities	16.7	8.7	51.7
UE and other funds without repayment	33.6	21.0	62.6
EXPENDITURE	321.2	151.1	47.0
Domestic debt servicing	26.5	11.8	44.3
Foreign debt servicing	6.1	5.2	84.4
Subs. to the Pension Fund	15.8	7.7	48.6
Subs. to Social Insurance Fund	30.9	17.0	55.0
General subs. to local self-government entities	45.3	26.3	58.1
BALANCE	-18.1	-16.7	91.6
DEFICIT FINANCING SOURCES	18.1	16.7	91.6
Domestic	12.6	16.9	134.3
Treasury bonds	-4.6	9.6	-
Bonds	37.3	17.7	47.3
Proceeds from privatisation	12.0	0.5	4.1
Pre-financing actions with EU resources	-3.7	-4.4	118.5
Foreign	5.5	-0.3	-

Source: Ministry of Finance

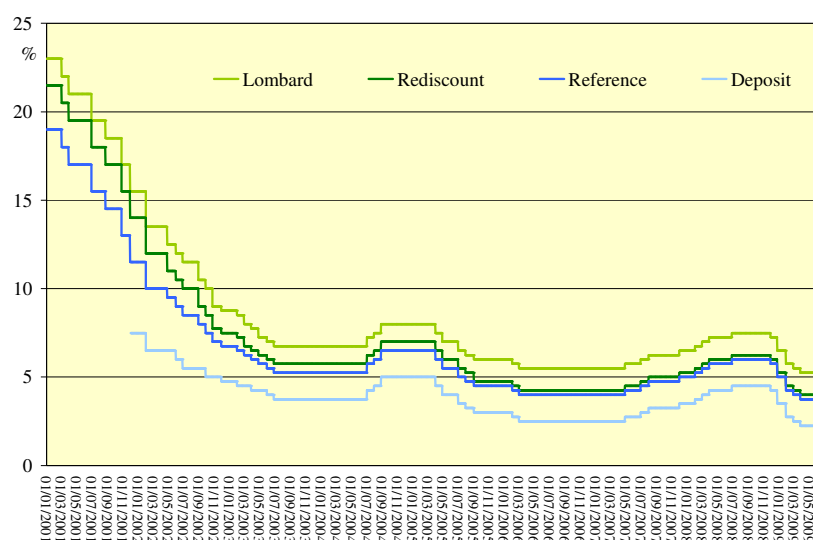
While income side is taken into account, the revenues from indirect taxes were the main receipts items. These revenues accounted for 55.5% of the total amount of incomes executed in the 1st half of the 2009 and it was lower than in the corresponding period of previous year's level by 4.5% (in nominal terms). Significant share in total amount of incomes has the inflow of UE and other sources non-refundable which amounted to PLN 21bn and was higher by 144% comparing to corresponding period of 2008.

As far as expenditures are concerned, an important role was played by general subsidies to local self-government entities, which increased by 10.6% comparing to corresponding period of 2008. The shares of expenditures of domestic debt servicing as well as foreign debt servicing amounted to 44.3% and 84.4% planned in the Budgetary Law respectively. Their share in the total expenditures represents 11.3%.

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. 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%. 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 7.0% 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.

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



Source: NBP

In the period of January-May 2009, the Monetary Policy Council continued alleviate monetary policy. The Monetary Policy Council lowered interest rates four times. In January, interest rates dropped by 0.75 percentage point and in February, March and June by 0.25 percentage point each time. **At the end of the 2nd quarter of 2009 the interest rates shaped at a level of: Reference – 3.5%, Lombard – 5.0%, Deposit – 2.0%, and Rediscount 3.75%.**

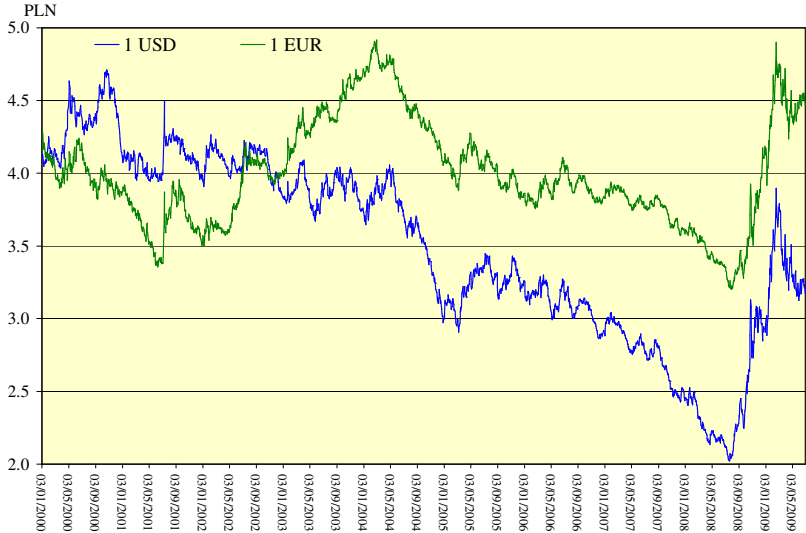
Risk aversion, which characterised financial institutions in that time, was a main cause of limited credits activity of Polish banks. Comparing to the end of previous year value of credits rose overall to 5.3%. Debts growth of households in analyzed period amounted to 8.1%, enterprises to 1.6% and non-monetary financial institutions to 5.3%. Non-commercial institutions demand for credits decreased by -0.6%.

In the period of January-May 2009 an average quarterly euro exchange rate amounted to PLN 4.4678 and was higher by 27.9% annually. US dollar exchange rate amounted to PLN 3.3531 and increased by 46.8% annually. In January 2009 an average exchange rate of both currency reached a level of respectively 4.5081 EUR/PLN and 3.2146 USD/PLN.

Depreciation of the Polish currency - noticed in analyzed period twice, since the beginning of the year up to February and temporarily in April - against US dollar and euro was caused by withdrawal of foreign investors from domestic market and global downturn forecasts. In

the second quarter of 2009 the situation has changed. Relatively good macroeconomics data, comparing to the rest of EU members, has affected on consolidation of Polish currency on the market and appreciation against euro and dollar. Moreover a limited risk aversion on a global financial market caused increase of demand on Polish zloty, especially by foreign portfolio investors.

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



Source: NBP

Higher drop in exports than in imports...

According to the preliminary CSO data, in the period of January-June 2009 the value of exports denominated in EUR (in current prices) was lower by 22.5% compared to the similar period of 2008 and reached a level of EUR 45.7bn. It was caused by deepening recession in a euro zone countries which represents more than 50% of Polish exports recipients. The imports value decreased by 30.6% and amounted to EUR 49.4bn. It was an effect of low imports of indirect goods and previously noticed materials price fall. The negative balance of foreign trade reached a level of EUR 3.7bn, EUR 7.8bn less than in the same period of 2008. 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-VI 2009

	Exports		Imports	
	Share of total (%)	Change (pp)	Share of total (%)	Change (pp)
Developed countries	85.5	+1.7	69.0	-0.6
European Union	79.4	+0.6	61.2	-2.3
Developing countries	7.0	+0.7	21.3	+3.2
Central and East European countries	7.5	-2.4	9.7	-1.8

Source: CSO

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

Germany:

Exports (in €) decreased by 19.5%, and imports by 34.8%,
Share of total Poland's exports – 26,1% (+1.0 pp); imports – 22,3% (-1.4 pp).

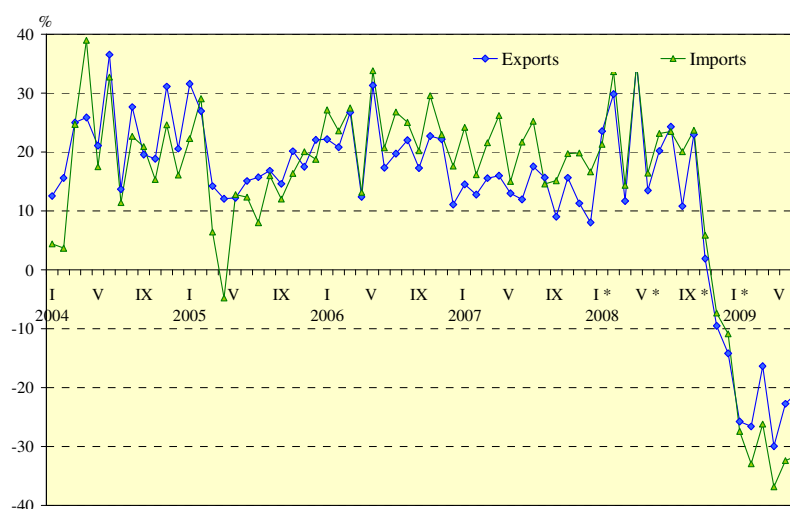
Russia:

Exports (in €) decreased by 43.7%, and imports by 37.9%,
Share of total Poland's exports – 3.6% (-1.4 pp); imports – 8.5% (-1.1 pp).

China:

Share of total Poland's imports – 9.4 % (+2.1 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-June 2009, the value of exports amounted to EUR 47.1bn and was by 23.8% lower comparing to the same period of the previous year. Imports expenditures reached a level of EUR 47.7bn and was by 31.3% lower than in the 2008. As a result, trade balance was negative at a level of EUR 0.6bn comparing to EUR 7.6bn deficit in the corresponding period of previous year.

In 2009 exports is expected to reach a level of EUR 102bn, so about 12% less than in 2008. Value of imports estimates to EUR 118bn, about 17% less than in previous year. The negative balance of a foreign trade turnover will reach a level of EUR 16bn, so about EUR 10bn less than in 2008.

Improvement in balance of payments ...

Preliminary data for the period of January-June 2009 indicates improvement in the balance of payments in comparison to 2008.

In the analyzed period cumulative current account balance surplus amounted to level of EUR 1,1mln towards EUR -10.3bn in analogical period of the previous year. This result was an effect of lowering negative trade balance in goods (by above EUR 7bn) and on the other side a deficit of income balance (by EUR 3.6bn).

In the period of January-June 2009 the inflow of foreign direct investments was lower by 86,0% than in the previous year, and reached a level of EUR 1bn.

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

	2005	2006	2007	2008*	I-VI 2009*
Current account	-3,016	-7,445	-14,586	-19,647	1 153
Trade balance	-2,242	-5,539	-12,369	-16,640	-538
Export revenues	77,562	93,406	105,893	120,274	47,158
Import expenditure	79,804	98,945	118,262	136,914	47,696
Services' balance	585	582	3,408	3,560	1,671
Income balance	-5,373	-7,712	-11,827	-11,893	-3,083
Current transfers balance	4,014	5,524	6,202	5,326	3,103
Capital account	786	1,666	3,418	3,972	2,834
Financial account	12,190	10,459	28,801	27,988	5,062
Direct Polish external investment	-2,767	-7,122	-3,505	-2,465	-655
Direct foreign investment in Poland	8,330	15,741	16,674	11,413	962
Portfolio investment (assets)	-2,008	-3,685	-4,345	1,576	635
Portfolio investment (liabilities)	11,811	1,343	551	-3,562	2,396
Other investment (assets)	-2,181	-3,137	-1,082	4,504	3,389
Other investment (liabilities)	-1,132	7,868	21,941	17,079	-867

*preliminary data

Source: NBP

MINISTRY OF ECONOMY
Analyses and Forecasting Department

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POLAND'S MACROECONOMIC PERFORMANCE IN 2008-2009

Specification	Unit	2008	VI 2008	VI 2009	I-VI 2009
GDP	%	104.9			100.6 ¹
Consumption	%	105.9			
- individual	%	105.4			102.6 ¹
Gross capital formation	%	103.8			
- gross fixed capital formation	%	108.2			100.0 ¹
Prices					
Year-on-year price index of consumer goods and services (CPI)	%	104.2	104.6	103.5	103.5
Year-on-year price index of sold production of industry (PPI)	%	102.2	102.2	104.0	104.6
Production²	%				
Sold production of industry	%	102.5	106.5	95.7	91.7
Construction and assembly production	%	110.9	119.4	100.6	101.4
Wages and salaries					
Average wages and salaries in the national economy. of which:	PLN	2,944			
- enterprise sector	PLN	3,186	3,222	3,288	3,263
Average retirement pay and pension					
- non-agricultural social security system	PLN	1,419	1,444	1,559	1,522
- individual farmers	PLN	858	861	914	902
Labour market					
Average employment in enterprise sector	thous.pers.	5,392	5,383	5,280	5,344
Average number of retirees and pensioners	thous.pers.	9,257	9,240	9,352	9,342
- non-agricultural social security system	thous.pers.	7,779	7,761	7,925	7,903
- individual farmers	thous.pers.	1,478	1,479	1,428	1,439
Unemployment rate (as at the end of a period)	%	9.5	9.4	10.7	10.7
Foreign trade acc. to CSO					
Trade balance	m EUR	-26,204 ³			-3,752 ³
- export revenues	m EUR	116,244 ³			45,656 ³
- import expenditure	m EUR	142,448 ³			49,408 ³

1- DAF MoE 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	11.2	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	-26.2
Exports volume (acc. to CSO)	bn EUR	-	-	-	-	-	34.4	40.2	43.5	47.5	59.7	71.4	87.9	101.8	116.2
Exports rate (acc. to CSO)	%	-	-	-	-	-	-	16.9	8.2	9.3	25.6	19.6	23.1	15.8	14.1
Imports volume (acc. to CSO)	bn EUR	-	-	-	-	-	53.1	56.0	58.5	60.4	71.4	81.2	100.8	120.4	142.4
Imports rate (acc. to CSO)	%	-	-	-	-	-	-	5.6	4.4	3.2	18.2	13.8	24.1	19.4	18.3

¹ CSO estimates

² data concerns entities employing more than 9 persons

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