MINISTRY OF ECONOMY

A STUDY OF POLAND'S ECONOMIC PERFORMANCE IN 2009

ANALYSES
AND FORECASTING
DEPARTMENT

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Contents

Synthesis

- Situation of Polish economy is favourable if it is compared to both, euro zone and our region's countries. Poland is sole country in the EU which noted economic growth. Diverse response to crisis of Polish economy, confirms that Poland developing in a sustainable way. A financial crisis emphasised defect in financial control in many countries, simultaneously corroborated soundness of Polish regulations. As a result Poland was the fastest developing country in Europe.

- **The year 2009 was a period of gradual economic slowdown in Poland. In accordance with expectations GDP in 2009 increased by 1.7%.** It was mainly determined by consumption growth by 2%, in which individual consumption increased by 2.3%. A constraint occurred on the investment side, a gross fixed capital formation dropped by 0.3%. The vital role in the process of GDP creation was played by external demand, while internal demand lost its positive influence.

- In 2009 **sold production of industry** went down by 3.5% in complete statistical population, and by 3.2% in entities with more than 9 employees. The biggest drop in mining was observed (by 12.9%). A decrease in manufacturing amounted to 2.7%. It resulted from a weaker financing position of Polish enterprises and lower demand.

- In 2009 **production in construction in total** increased by ca. 3%, and in entities with more than 9 employees by 3.7% (compared to 2008). A slight decrease in construction of buildings was observed (by 1.1%), what was linked to a situation on global market of real estate and limited availability of credits. Nevertheless when infrastructural investments financing by EU funds are considered, dynamic growth in civil engineering is observed (by 16.9%).

- In the comparison with 2008 **domestic trade results** in 2009 deteriorated. It was caused by limitation in domestic demand, determined by a slowdown of salaries pace in real terms. Despite this negative tendency, slight increase by 1.3% was observed in volume of retail sales, and in entities with more than 9 employees rise amounted to 2.7%.

- According to preliminary CSO data in the year 2009 the volume of the exports – counted in current prices – amounted to EUR 96.3bn and was by 17.1% lower than year ago. The volume of imports stood at EUR 105.0bn and was by 26.3% lower than in the previous year. **The negative balance of foreign trade turnover reached a level of EUR 8.7bn** which was a lower value by EUR 17.5bn than in the year 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 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 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 3.4%, and construction prices increased by somewhat of 0.2%.

- The first symptoms of **labour market** prosperity deterioration appeared in the last quarter 2008. In 2009 the average employment in the enterprise sector was by 1.2% lower than a year before. At the end of December 2009 the number of registered unemployed amounted to 1,893 thous. persons. (by 81.6 thous. persons higher comparing to November 2009, and by 418.9 thous. persons more than in December 2008. The registered unemployment rate risen to 11.9% (against 9.5% in December 2008).

- In the period of January-Deember 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 2009 the budget revenues stood at PLN 274.4bn, when expenditures amounted to PLN 298.2bn. The nominal **budget deficit** was definitely higher than in the previous year and amounted to PLN 23.8bn.

- In the period of January-December 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-December 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 provisional estimates in 2009 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.

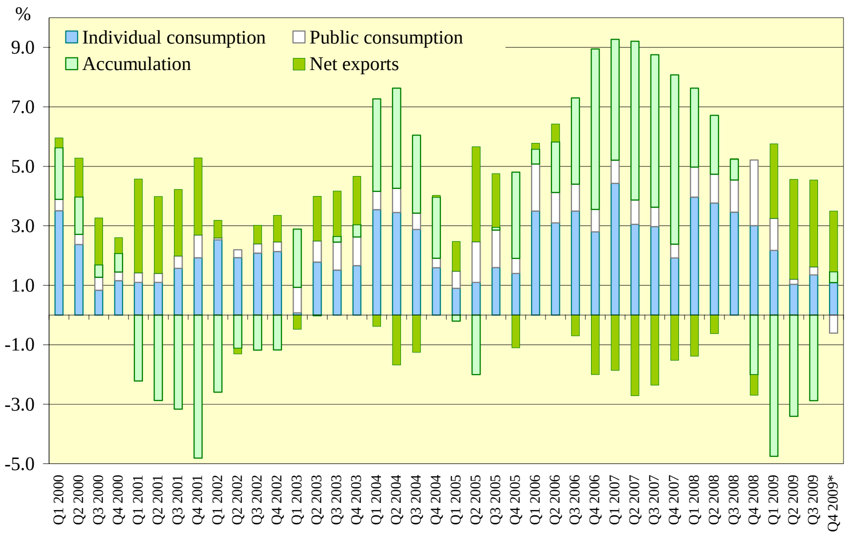
Table 1. GDP growth rate in 2006-2009

	2006				2007				2008				2009			
YoY	6.2				6.8				5.0				1.7			
	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	VII-IX	X-XII
YoY	5.4	6.3	6.6	6.6	7.4	6.5	6.5	6.5	6.2	6.0	5.1	3.0	0.8	1.1	1.7	3.0*

** DAF MoE estimate*

Source: CSO

Chart 1. Decomposition of GDP in the years 2000 – 2009



** DAF MoE estimate*
Source: DAF MoE calculations based on the CSO data

According to CSO estimate, in 2009 GDP increased by 1.7% comparing to previous year. The performance confirms resistance of Polish economy to the world crisis. Poland's economy is one and only in Europe who recorded positive GDP growth.

In 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 stimulus 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. On the other hand increase in incomes of population impeded downturn. It was mainly caused by indexation of pensions and retirements as well as lowering of PIT dues.

In gross fixed capital formation after an increase in the 1st q., in two consecutive quarters decrease was noted. In the last quarter an increase 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.

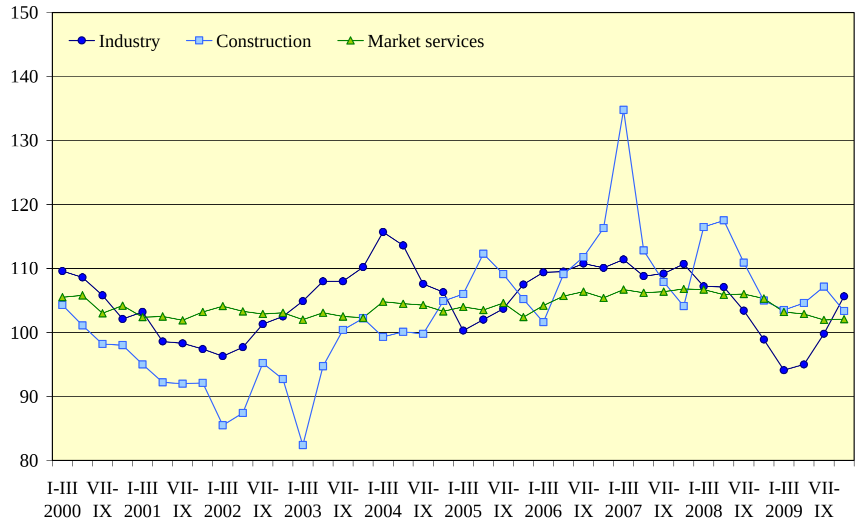
Table 2. Gross value added growth by sections in the years 2001-2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Industry	99.2	99.5	107.8	110.5	103.5	110.0	110.1	106.6	98.9
Construction	92.5	91.0	97.1	101.8	107.8	111.6	110.8	109.1	104.7
Market services	102.5	103.3	102.5	104.2	103.6	105.5	106.5	105.3	102.5

**CSO provisional estimates*
Source: CSO

The increase of gross value added was underpinned mainly by a stable growth in market services, which accounted for ca. 50% of gross value added in the economy. It should be pointed out that rate of increase decelerated. The main contribution was made by financial sector as well as real estate activities and support service for companies, which noted large decrease in value added both terms, annual and quarterly. The value added in industry dropped comparing to the previous year, what was connected with decrease in sold industrial production (3.5% yoy). In consecutive quarters an increase in value added in industry was observed, what is a note of optimism. In this period value added in construction increased, but in a lower extent. The scale of growth was a result of decrease in housing construction. On the other hand positive impact was made by infrastructural investment.

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



Source: CSO

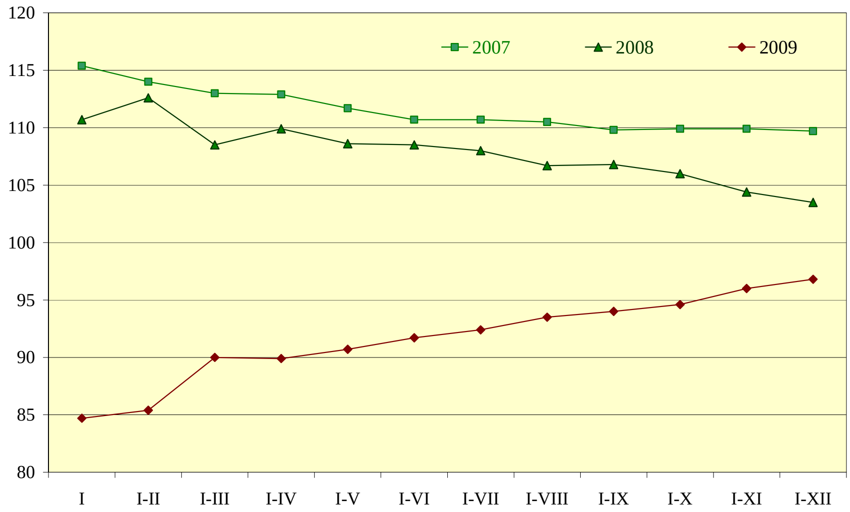
In 2010 the GDP growth is assumed to ca. 3.0% and will be affected by external situation, chiefly situation on the credit market and a success of world anti-crisis measures, as well as the end of support of stimulus packages. The increase in gross fixed capital formation will be slight. Individual consumption should be similar to the last year. A better result is possible if optimistic scenario is accomplished.

Industry - Negative trends slowdown…

In the year 2009 – in accordance with DAP MoE projection – under CSO estimation industrial output for complete statistical population decreased by ca. 3.5%, and in entities employing more than 9 persons, decreased by 3.2% compared to 2008.

It is worth underlining that in the last quarter of 2009, first time since III quarter of 2008 (growth by 2.2%), growth of industrial output was recorded (by 5.5%, III q. 2009 drop by 1.3% yoy). It may indicates a gradual slowdown of a negative trend of industry production dynamics, which has been initiated in fourth quarter of 2008.

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 13.8% and 5.1% yoy). Decrease in production was recorded in other groups of enterprises, especially these specialized in capital goods manufacturing (by 11.7%), energy goods (by 6.5%) and intermediate goods (by 6.3% yoy).

In 2009, 22 from 34[1] industrial divisions – representing 67.0% of a total production - recorded decline in production comparing to the 2008. Considerable slowdown was observed in manufacture of metal products (by 24.3% yoy). Increase was recorded in manufacture of computer, electronic and optical products (by 11.4) and manufacture of beverages (by 7.3% yoy).

In the analyzed period labour productivity in industry, measured by production per 1 employee, was higher (2.4%) than a year before, with 5.5% smaller average employment and increase in monthly gross wages (4.9%).

It is expected that due to general economy condition improvement at the end of 2010 industry output will achieve a positive growth of ca. 6%.

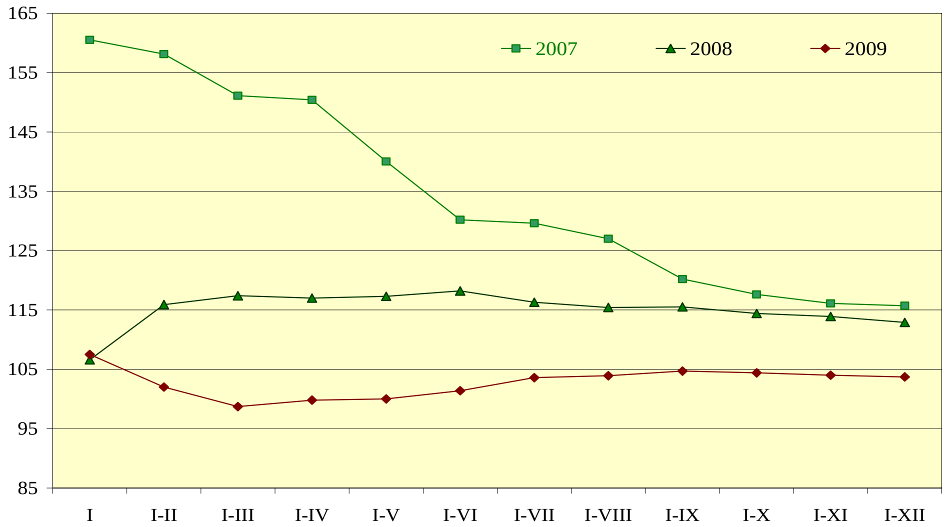
[1] according to a new classification of activities (*PKD 2007*)

Construction…

In 2009, despite adverse economic conditions as a result of global financial crisis, a positive growth of construction and assembly production was recorded. **According to CSO estimation a scale of growth in construction and assembly production for complete statistical population amounted to 3.0%, when in companies with more than 9 employees 3.7%.**

Taking into consideration high statistical base for analyzed period, as well as current economic conditions with a global financial crisis in the background, that result should be deemed satisfactory.

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 increase of construction and assembly production, considering the type of construction works, was recorded in the entities specialized with civil engineering (by 16.9% yoy). On the other hand entities dealing with specialised construction activities and with building construction decreased production (respectively by 5.3% and 1.1% yoy).

In 2009, 160.1 thousand dwellings were completed, which was by 3.1% less than in the previous year[2]. Regarding dwellings for sale or rent amount of dwellings completed was higher than a year ago (by 8.5%), whereas in cooperative and private construction it was respectively by 14.7% and 13.4% yoy lower.

Negative, for overall condition of construction sector, are data concerning a number of granted permits for dwellings (drop by 22.3% yoy) and dwellings being constructed (drop by 18.2% yoy) in analyzed period. It is estimated that due to - characteristic for a real estate market - producer's delayed reaction to inhibitory demand, these adverse trends will have a negative impact for a real economy in a long term. Along with the expected gradual improvement of sentiments on the market, lower current supply could affect on a real estates prices increase in a future.

[2] Provisional CSO data.

Agriculture…

According to provisional data, in 2009 crop output increased by 4.7% and animal output slightly rose by 0.2%. As a consequence, the gross agricultural output surged by 2.8%.

In the period from July to December 2009 as a result of increase of wheat purchase by 18.6% and rye purchase by 34.1%, the purchase of cereals with corn mixture without sowing grain surged by 26.1% 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	2009*
Gross output	98.1	99.2	107.5	95.7	98.8	105.9	102.9	102.8
Crop output	93.3	94.3	116.7	88.1	94.8	108.9	107.7	104.7
Animal output	103.4	104.8	97.3	105.2	102.6	102.9	97.1	100.2

** provisional data*
Source: CSO

In December 2009 the grain purchase surged by 40.3% comparing with December 2008. In the same time the purchase of wheat rose by 18.9% and the purchase of rye increased more than two times (by 105.1% yoy). High supply level connected with hard weather conditions at the end of 2009, resulted in diverse changes of their purchase price. On the one hand wheat price increased by 0.2%, but on the other hand rye price dropped by 15.2%. On the farmers' market significant slump in prices was reordered, respectively by 14.8% and 23.1% (yoy). Average potato prices on the farmers' markets increased by 5.4% in December 2009.

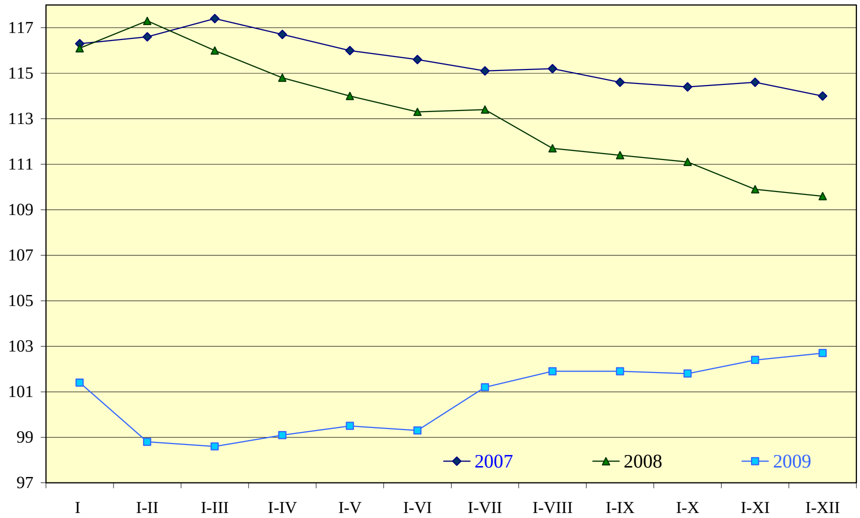
According to provisional estimates, on the market of animals for slaughter in 2009 the purchases dropped by 5.5% comparing to the same period in 2008. This situation was caused by decrease of hog for slaughter purchases (drop by 14.0%). Referring lower animal output and coming holiday season significant price increase of animals for slaughter was recorded. In the period of I-XII 2009 average hog for slaughter purchase prices surged by 16.0% and on farmers' market by 11.1%, the prices of ox for slaughter raised accordingly by 12.4% and 8.0% and the purchase prices of poultry for slaughter by 5.0%. Milk supply in analyzing period surged by 3.0% and purchase prices diminished by 12.6% (yoy).

Decrease in domestic trade turnover…

In 2009 volume of retail sales for complete statistical population exceeded previous year's level by 1.3%. In enterprises with more than 9 employees the rise of 2.7% was recorded[3].

Despite of relatively low pace of growth in first two quarters of 2009 (I and II q. growth by 1.0% per each yoy), dynamics of domestic trade turnover has been gradually growing during the year, and in IV q. reached a growth of 4.7% yoy.

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



Source: Statistical Bulletins, CSO, 2007-2009

In the year 2009 higher sales, than a year before, was recorder in a group with the biggest share in retail sales in general 'sales of food, beverages and tobacco products' (growth by 4.8%). Section 'others' also rise with a positive rate (growth by 3.4%). Two other groups with significant contribution in retail sales in general, so 'liquid and gas oil' and 'motor vehicles, motorcycles, parts' dropped significantly respectively by 6.3% and 4.7% (yoy). Among the other groups amount of sales rose in the biggest scope in: 'textiles, clothing and footwear' (by 22.3%), 'other retail sale in non-specialized stores' (by 18.7%) and 'pharmaceuticals, cosmetics, orthopaedic equipment' (by 14.2% yoy).

In 2009 wholesale of trade companies employing more than 9 persons was by 6.6% lower than a year before, in which wholesale of wholesale enterprises dropped by 7.0%.[4]

[3] constant prices
[4] current prices

Inflation…

In 2009 the price index of consumer goods and services amounted to 3.5%. It is still above the level of inflation target, but at the same time did not exceed deviation level.

In the analyzed period recorded price increase was caused by higher dynamics of food and beverages prices (by 5.1% yoy). Besides that house charges rose (by 7.2% yoy), including energy carriers (by 10.4% yoy) - among them the highest increase was recorded in liquid and solid fuels (by 14.6% yoy).

Despite domestic demand limitation, lower wages pressure as an effect of increasing unemployment rate and drop of industrial output, relatively high inflation level was noticed. It was especially caused by growth of administrative prices, prices of imported goods (zloty depreciation) – food including, and still pro inflationary affecting rise of alcoholic beverages and tobacco excise.

In 2009, the prices of sold production of industry were on average by 3.4% higher, in comparison with 2008. The acceleration of the dynamics was caused mainly by raw materials price increase. Growth of average wage prices has got a real impact too. The highest price growth was recorded in the section of manufacture of pharmaceutical products (by 10.7%) and manufacture of tobacco products (by 7.6% yoy).

In the same period, prices in construction and assembly production rose by 0.2% in comparison with the previous year. Low price dynamics was caused by the drop of interest in the real estate market among individual client 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.

Weakening of wage pressure and significant administrative prices rise in the I half of 2009 (high statistical base factor) will be the main determinants of limited prices increase in 2010. Partly this tendency could be neutralized by improvement of Polish main trade partners economic condition, which may affects on upswing in Polish domestic production demand. Although it seems that the degree of neutralization could be insufficient to maintain price increase pace recorded in 2009. It is expected that in respect of all these factors, including Polish currency appreciation, inflation should fall to level approaching inflation target in the end of 2010.

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 2008-2009

	3rd q of 2008	4th q of 2008	1st q of 2009	2nd q of 2009	3rd q of 2009
Economic activity rate (%)	54.6	54.7	54.5	54.7	55.4
Employment rate (%)	51.0	51.0	50.0	50.4	50.9
Unemployment rate (%)	6.6	6.7	8.3	7.9	8.1
Employed persons (thousand)	15,990	16,005	15,714	15,847	16,026
Unemployed persons (thousand)	1,132	1,154	1,414	1,355	1,404
Economically inactive persons (thousand)	14,231	14,224	14,275	14,253	14,049

Source: CSO

In the year 2009 an average employment in enterprises sector was lower than in the previous (1.2% yoy). A delayed reaction of labour market on economic phenomenon as well as still unstable situation allow 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-XII 2008	I-XII 2009	2009/2008
Total	5,392	5,327	98.8
Industry	2,598	2,455	94.5
Mining and quarrying	179	180	100.4
Manufacturing	2,173	2,027	93.3
Electricity, gas, steam and air conditioning supply	149	148	99.6
Water supply; sewerage, waste management and remediation activities	97	100	103.7
Construction	414	436	105.3
Trade; repair of motor vehicles	1,062	1,093	102.9
Transportation and storage	460	463	100.5
Accommodation and catering	96	102	106.7
Information and communication	157	159	101.4
Real estate activities	90	89	98.1
Professional, science and technical activities[a]	128	141	110.3
Administrative and support service activities	264	265	100.7

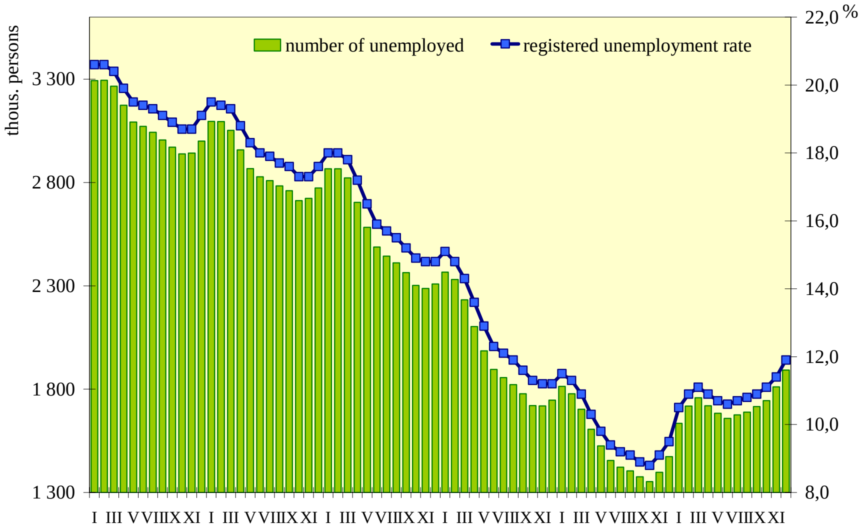
[a] Does not include divisions: Scientific Research and Development, Veterinary activities.
Source: Statistical Bulletin, CSO, 2008-2009

Among divisions of manufacturing the highest changes in dynamics of employment, in the four quarters of 2009, were observed in divisions producing:

1.	pharmaceutical products	101.6
1.	wearing apparel	85.3
2.	other transport equipment	85.6

In the year 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 December 2009 the **number of registered unemployed** shaped at the level of 1,892.7 persons, i.e. by 28.4% higher than in the same month of the previous year. The unemployment rate amounted to 11.9% and was higher by 2.4 percentage point then in December 2008.

A decrease of economic activity influenced deterioration of situation on labour market in 2009. Simultaneously it should be noticed that increase in unemployment was accompanied by slight increase of working persons. It resulted from higher professional activity, due to strong limitation in early retirement possibility since 2009.

On account of enterprises adjustment of labour costs to lower demand, by flexibly forms of employment, improvement on labour market is expected. However positive effects will be less visible in employment. That is why, it is expected to increase an unemployment rate up to about 12.5% at the end of year 2010.

Increase in wages, salaries and social benefits…

In the year 2009 the average gross salary in enterprise sector amounted to PLN 3,325 (growth by 4.4% towards 2008).

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

1.	pharmaceutical products	110,7
2.	tobacco products	107,6
3.	leather and related products	107,6
4.	beverages	107,2
1.	coke and refined petroleum products	98,5

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

	I-XII 2008	I-XII 2009	2009/2008
Total	3,186	3,325	104.4
Industry	3,161	3,315	104.9
Mining and quarrying	5,471	5,718	104.5
Manufacturing	2,878	2,989	103.9
Electricity, gas, steam and air conditioning supply	4,573	4,897	107.1
Water supply; sewerage, waste management and remediation activities	3,078	3,268	106.2
Construction	3,367	3,463	102.8
Trade; repair of motor vehicles	2,948	3,050	103.5
Transportation and storage	3,167	3,250	102.6
Accommodation and catering	2,255	2,310	102.4
Information and communication	5,703	5,942	104.2
Real estate activities	3,290	3,416	103.8
Professional, science and technical activities[a]	5,135	5,423	105.6
Administrative and support service activities	1,913	2,057	107.5

[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 1.1% in the period January-December of 2009.

In 2009 the social security benefits rose, too. The average monthly retirements payments and pensions from non-agricultural social security system amounted to PLN 1,543 which is 8.7% (in nominal terms) and 4.3% (in real terms) higher than a year before. The average retirement payments and pensions of individual farmers increased in analyzed period by 6.2% and reached a level of PLN 911 (growth by 1.9% yoy in real terms).

It is expected that in 2010, according to hard condition of labour market, 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 2009 budget revenues amounted to PLN 274.4bn and represents 100.5% planned in the Budgetary Law. It was higher than the previous year's level by 10.4pp. Expenditures shaped at a level of PLN 298.2bn and represents 99.4% planned in the Budgetary Law, which was 9.2 percentage points higher than in 2008. As a consequence a deficit amounted to PLN 23.8bn (in nominal terms) and was higher (comparing to PLN 24.6bn in 2008).

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

	Budgetary Law*	Performance	%
REVENUES	**272.9**	**274.4**	**100.5**
Taxes and non-taxes	231.1	242.2	104.8
Indirect	147.5	155.0	105.1
PIT	24.0	24.2	100.7
CIT	34.4	35.7	103.9
Incomes of state budget entities	21.6	22.2	102.9
UE and other funds without repayment	41.8	32.1	76.9
EXPENDITURE	**300.1**	**298.2**	**99.4**
Domestic debt servicing	25.6	25.6	100.0
Foreign debt servicing	6.7	6.7	100.0
Subs. to the Pension Fund	15.7	15.7	100.0
Subs. to Social Insurance Fund	30.5	30.5	100.0
General subs. to local self-government entities	45.3	45.3	100.0
BALANCE	**-27.2**	**-23.8**	**87.5**
DEFICIT FINANCING SOURCES	**27.2**	**23.8**	**87.5**
Domestic	**18.6**	**5.2**	**28.2**
Treasury bonds	6.2	-2.5	-
Bonds	34.0	42.4	124.8
Proceeds from privatisation	12.0	4.9	40.9
Pre-financing actions with EU resources	-1.8	-4.4	236.6
Foreign	**8.6**	**18.6**	**215.2**

***According to amendment of Budgetary Law adopted by the Sejm on 17 July 2009**

Source: Ministry of Finance

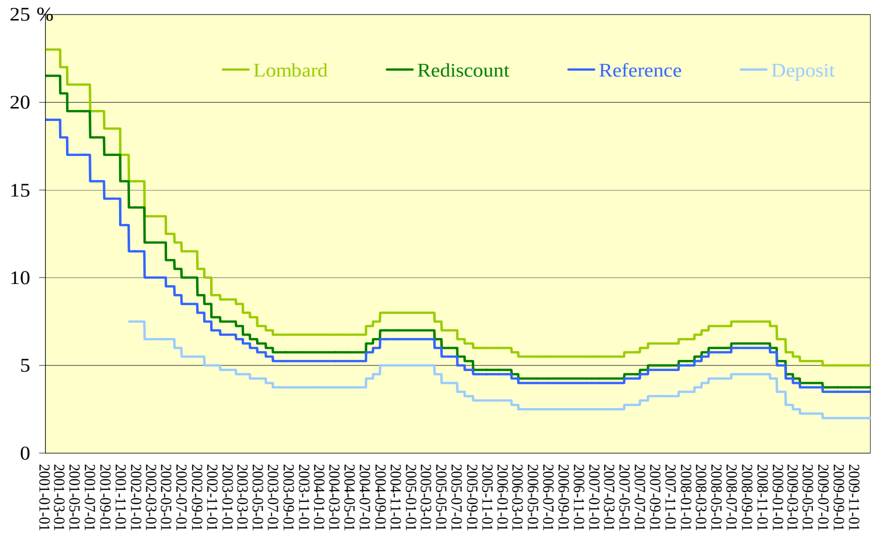
While income side is taken into account, the revenues from indirect taxes - accounted for 56.5% of the total amount of incomes executed in 2009 - were the main receipts items (in nominal terms rise by 0.6% yoy). Significant share in total amount of incomes has the inflow of UE and other sources non-refundable which amounted to PLN 32.1bn and was higher by 112% comparing to the year 2008.

As far as expenditures are concerned, an important role was played by general subsidies to local self-government entities, which increased by 11.3% comparing to 2008. The shares of expenditures of domestic debt servicing as well as foreign debt servicing amounted to 100% planned in the Budgetary Law respectively. Their share in the total expenditures represents 10.8%.

Monetary policy and exchange rate…

In 2009 interest rates were changed 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. **In the end of December the interest rates shaped at a level of: Reference – 3.5%, Lombard – 5.0%, Deposit – 2.0%, and Rediscount 3.75%.**

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



Source: NBP

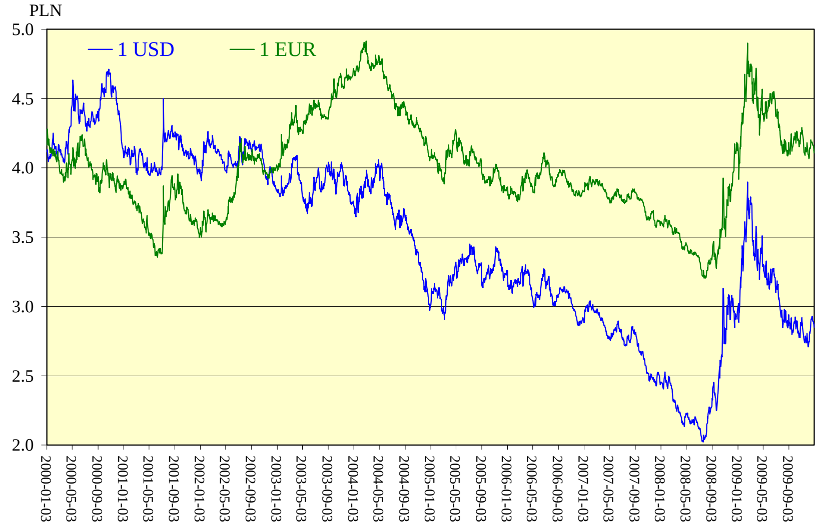
In the year 2009, the Monetary Policy Council continued monetary policy alleviation. However, it is crucial to note that instruments, characteristic for monetary expansion, were used mainly in the 1st and 2nd quarter of current year, so the climax period of the global economic crisis. In the 2nd half of 2009, along with emergence of positive symptoms in a real economy, MPC did not change the basic interest rates, deemed so far made changes as a sufficient, thus favorable to return for the Polish economy for the potential growth pace path.

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 in December overall by 8.6%. Debts growth of households in analyzed period amounted to 11.8%, non-commercial institutions serving households to 21.1%, non-monetary financial institutions to 28.6%, and local governments institutions to 42.4%. Regarding enterprises, demand for credits decreased by 3.5%.

In 2009 Polish zloty weakened both to euro and US dollar. An average euro exchange rate amounted to PLN 4.3273 and was higher by 23.1% annually. US dollar exchange rate amounted to PLN 3.1162 and increased by 29.3% annually. In December 2009 an average exchange rate of both currency reached a level of respectively 4.1427 EUR/PLN and 2.8352 USD/PLN.

Depreciation of the Polish currency - noticed in analyzed period twice, since the beginning of the year up to February and temporarily at the turn of May and June - against US dollar and euro was caused by withdrawal of foreign investors from domestic market and global downturn forecasts. In the 3rd and 4th quarter of 2009 the situation has changed. Relatively good macroeconomic 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 and positive growth forecasts 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 year 2009 the value of exports denominated in EUR (in current prices) was lower by 17.1% compared to the similar period of 2008 and reached a level of EUR 96.3bn. 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 26.3% and amounted to EUR 105.0bn. 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 8.7bn, EUR 17.5bn less than in 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-XII 2009

	Exports		Imports	
	Share of total (%)	Change (pp)	Share of total (%)	Change (pp)
Developed countries	85.4	+2.4	68.8	-0.5
European Union	79.3	+1.5	61.5	-0.4
Developing countries	7.0	+0.3	21.0	+1.9
Central and East European countries	7.6	-2.7	10.2	-1.4

Source: CSO

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

Germany:
Exports (in €) decreased by 13.8%, and imports by 28.2%,
Share of total Poland's exports – 26,1% (+1.1 pp); imports – 22,4% (-0.6 pp).

Russia:
Exports (in €) decreased by 40.7%, and imports by 33.8%,
Share of total Poland's exports – 3.7% (-0.3 pp); imports – 8.7% (+0.6 pp).

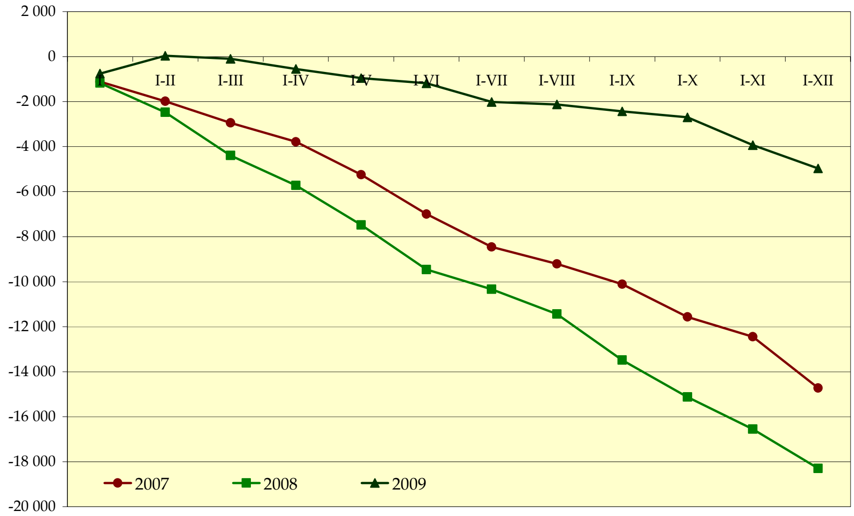
China:
Share of total Poland's imports – 9.3 % (-0.4 pp).

In 2010 exports is expected to reach a level of EUR 107.7bn, so about 11.8% less than in 2009. Value of imports estimates to EUR 118.9bn, about 13.2% less than in previous year. The negative balance of a foreign trade turnover will reach a level of EUR 11.2bn.

Improvement in balance of payments …

Preliminary data for the year 2009 indicates improvement in the balance of payments in comparison to 2008.

Chart 9. Current account balance cumulatively (million EUR)



Source: NBP

In the analyzed period cumulative current account balance deficit amounted to level of EUR 5,0mln towards EUR -18.3bn in the previous year. This result was an effect of lowering negative trade balance in goods (by above EUR 14.3bn).

In the period of January-December 2009 the inflow of foreign direct investments was lower by EUR 1.6 bn than in the previous year, and reached a level of EUR 8.4bn.

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

	2005	2006	2007	2008*	I-XII 2009*
Current account	-3,005	-7,453	-14,721	-18,293	-4,968
Trade balance	-2,241	-5,541	-12,386	-17,726	-3,427
Export revenues	77,603	93,378	105,856	121,082	99,827
Import expenditure	79,844	98,919	118,242	138,808	103,254
Services' balance	592	572	3,432	3,465	3,826
Income balance	-5,383	-7,707	-11,969	-9,576	-10,182
Current transfers balance	4,027	5,223	6,202	5,544	4,815
Capital account	789	1,673	3,421	4,073	5,007
Financial account	12,192	9,216	28,214	26,915	23,768
Direct Polish external investment	-2,741	-7,096	-4,000	-2,039	-2,315
Direct foreign investment in Poland	8,329	15,707	17,222	10,025	8,384
Portfolio investment (assets)	-2,015	-3,690	-4,625	1,681	30
Portfolio investment (liabilities)	11,747	1,375	554	-3,585	11,287
Other investment (assets)	-2,172	-3,129	-1,250	4,232	3,112
Other investment (liabilities)	-1,101	7,944	21,769	17,158	4,433

**preliminary data*

Source: NBP

MINISTRY OF ECONOMY
Analyses and Forecasting Department

Warsaw, February 2010

POLAND'S MACROECONOMIC PERFORMANCE IN 2008-2009

Specification	Unit	2008	XII 2008	XII 2009	I-XII 2009	2010[4]
GDP	dynamics	105.0			101.7[1]	103,0
Consumption	dynamics	106.3			102.0[1]	102,1
- individual	dynamics	105.9			102.3[1]	102,6
Gross capital formation	dynamics	102.9			89.2[1]	106,0
- gross fixed capital formation	dynamics	108.2			99.7[1]	103,7
Prices						
Year-on-year price index of consumer goods and services (CPI)	dynamics	104.2	103.3	103.5	103.5	102,5
Year-on-year price index of sold production of industry (PPI)	dynamics	102.2	102.7	102.1	103.4	102,5
Production[2]						
Sold production of industry	dynamics	103.5	94.4	107.4	96.8	106,0
Construction and assembly production	dynamics	112.1	102.0	103.3	103.7	105,0
Wages and salaries						
Average wages and salaries in the national economy. of which:	PLN	2,942				
- enterprise sector	PLN	3,186	3,428	3,652	3,325	
Average retirement pay and pension						
- non-agricultural social security system	PLN	1,419	1,449	1,556	1,543	
- individual farmers	PLN	858	862	914	911	
Labour market						
Average employment in enterprise sector	thous.pers.	5,392	5,353	5,255	5,327	
Average number of retirees and pensioners	thous.pers.	9,257	9,325	9,295	9,331	
- non-agricultural social security system	thous.pers.	7,779	7,869	7,893	7,905	
- individual farmers	thous.pers.	1,478	1,456	1,403	1,426	
Unemployment rate (as at the end of a period)	%	9.5	9.5	11.9	11.9	12,5
Foreign trade acc. to CSO						
Trade balance	m EUR	-26,204			-8,719[3]	11,200
- export revenues	m EUR	116,244			96,326[3]	107,700
- import expenditure	m EUR	142,448			105,045[3]	118,900

1- Preliminary CSO data
2- The year 2008 concerns complete statistical population, other data concerns entities employing more than 9 persons
3- Preliminary data
4- DAF MoE forecasts

	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	5.0	1.7[2]
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	5.9	2.3[2]
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	8.2	-0.3[2]
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	11.2	4.4[1]	-3.2[1]
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	12.1	3.7[1]
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	3.5
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	3.5
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	13.8	14.0	na
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	4,915	5,146	5,392	5,327
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	1,893
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	11.9
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	2,476	2,673	2,942	3103
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	5.5	6.0	2.0
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	2,889	3,186	3,325
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	6.8	6.1	1.1[2]
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	4.3
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	-8.7
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	96.3
Exports rate (acc. to CSO)	%	-	-	-	-	-	-	16.9	8.2	9.3	25.6	19.6	23.1	15.8	14.1	-17.1
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	105.0
Imports rate (acc. to CSO)	%	-	-	-	-	-	-	5.6	4.4	3.2	18.2	13.8	24.1	19.4	18.3	-26.3

[1] *data concerns entities employing more than 9 persons*
[2] *provisional data*

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