



## Annual Report 2000

**NBP**

**National Bank of Poland**



Leszek Balcerowicz  
*President of the NBP*

The year 2000 brought contradictory tendencies within the Polish economy. Certain negative factors became more pronounced. At the same time, however, a marked improvement was noted in some other areas of economic activity.

The negative tendencies observable in 2000 primarily included a slowdown in economic growth from one quarter to the next, a rising government deficit and mounting unemployment. These adverse developments were to some extent the result of a slackening of global growth already clearly visible in the second half of the previous year. However, they were principally related to the blocking of certain economic reforms in Poland, particularly in the field of public finances, and also of structural reforms, especially the reform of the labour market.

As regards positive developments, there are two that deserve particular mention. The first was the restoration of control over inflation, while the second was a strengthening of Poland's external financial security.

Although for the second year in succession the NBP overshot its short-term inflation target, a major change was nevertheless seen in 2000, with inflation beginning to trend downwards from August onwards, falling to an annualised 8.5% by December, a figure substantially lower than the 9.8% recorded at year end 1999. This turnaround in inflation was achieved thanks to a sharp tightening of monetary policy. On the one hand, this acted to halt the rise of inflation expectations, while on the other helping to reduce growth in loan demand, which had been especially rapid among households.

Slowing down growth in aggregate demand produced another positive effect, namely, a narrowing of the current account deficit. In this respect, the first quarter of 2000 was exceptionally difficult, with the current deficit soaring to over 8% of GDP on an annual basis. Nonetheless, due to the growth in exports witnessed from the second quarter onwards, coupled with a levelling off of import growth, this ratio gradually came down, to stand at 6.3% for the year overall. Poland's financial safety was also reinforced by changes of an institutional character. As of April 12, 2000, Poland officially adopted a system of floating exchange rates, thereby finally concluding the process begun in 1998 of abandoning the previous crawling band regime.

In the context of the economic environment prevailing in 2000, the Polish banking system demonstrated its capacity to adapt to changes in its surroundings. Despite the swift changes in both internal and external conditions, this system remains stable and exerts a beneficial influence on the country's financial security, and is also an increasingly efficient sector of the economy as a whole. The healthy state of Polish banking is traceable both to the bank restructuring and privatisations that took place in the 1990s, particularly at the beginning and end of that decade, and to the activity of banking supervision and other divisions of the NBP.

As the country's central bank, the National Bank of Poland will be continuing to pursue policies targeting price stability and the safety and soundness of the banking system. Macroeconomic stability and banking sector stability are both key foundations of strong long-term growth. In turn, the latter is not only the basis for social prosperity, but also an essential precondition for Poland's successful integration with the European Union.

President, National Bank of Poland

Leszek Balcerowicz



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1792-1992



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50,000 zloty coin issued in 1992

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*The Polish Museum in Rapperswil – the 130<sup>th</sup> anniversary of its establishment*  
10 zloty coin issued in 2000

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The NBP Management Board  
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## The Monetary Policy Council

(on December 31, 2000)

### Chairperson

Hanna Gronkiewicz-Waltz  
*President of the NBP*

### Members

Marek Dąbrowski  
Bogusław Grabowski  
Cezary Józefiak  
Janusz Krzyżewski  
Wojciech Łączkowski  
Jerzy Pruski  
Dariusz Rosati  
Grzegorz Wójtowicz  
Wiesława Ziółkowska



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Grzegorz Wójtowicz  
Wiesława Ziółkowska

## The NBP Management Board

(on December 31, 2000)

### Chairperson

Hanna Gronkiewicz-Waltz  
*President of the NBP*

Jerzy Stopyra  
*First Deputy President*

Ryszard Kokoszczyński  
*Deputy President*

Andrzej Jakubiak  
*Member of the Board*  
*Director, Legal Department*

Krzysztof Majczuk  
*Member of the Board*  
*Director, Foreign Exchange Department*

Ewa Popowska  
*Member of the Board*  
*Director, Accounting and Operations Department*

Waldemar Szostak  
*Member of the Board*  
*Director, Poznań Regional Branch*

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(as on January 12, 2001)

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*Deputy President*

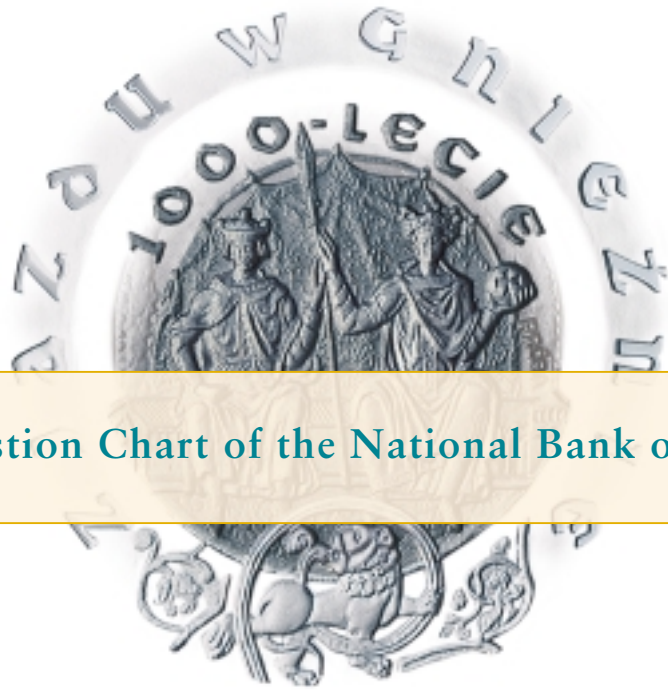
Andrzej Jakubiak  
*Member of the Board*  
*Director, Legal Department*

Krzysztof Majczuk  
*Member of the Board*  
*Director, Foreign Exchange Department*

Tomasz Pasikowski  
*Member of the Board*

Ewa Popowska  
*Member of the Board*  
*Director, Accounting and Operations Department*

Waldemar Szostak  
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*Director, Poznań Regional Branch*



**Organisation Chart of the National Bank of Poland**



*The 1000<sup>th</sup> Anniversary of the convention in Gniezno  
10 zloty coin issued in 2000*

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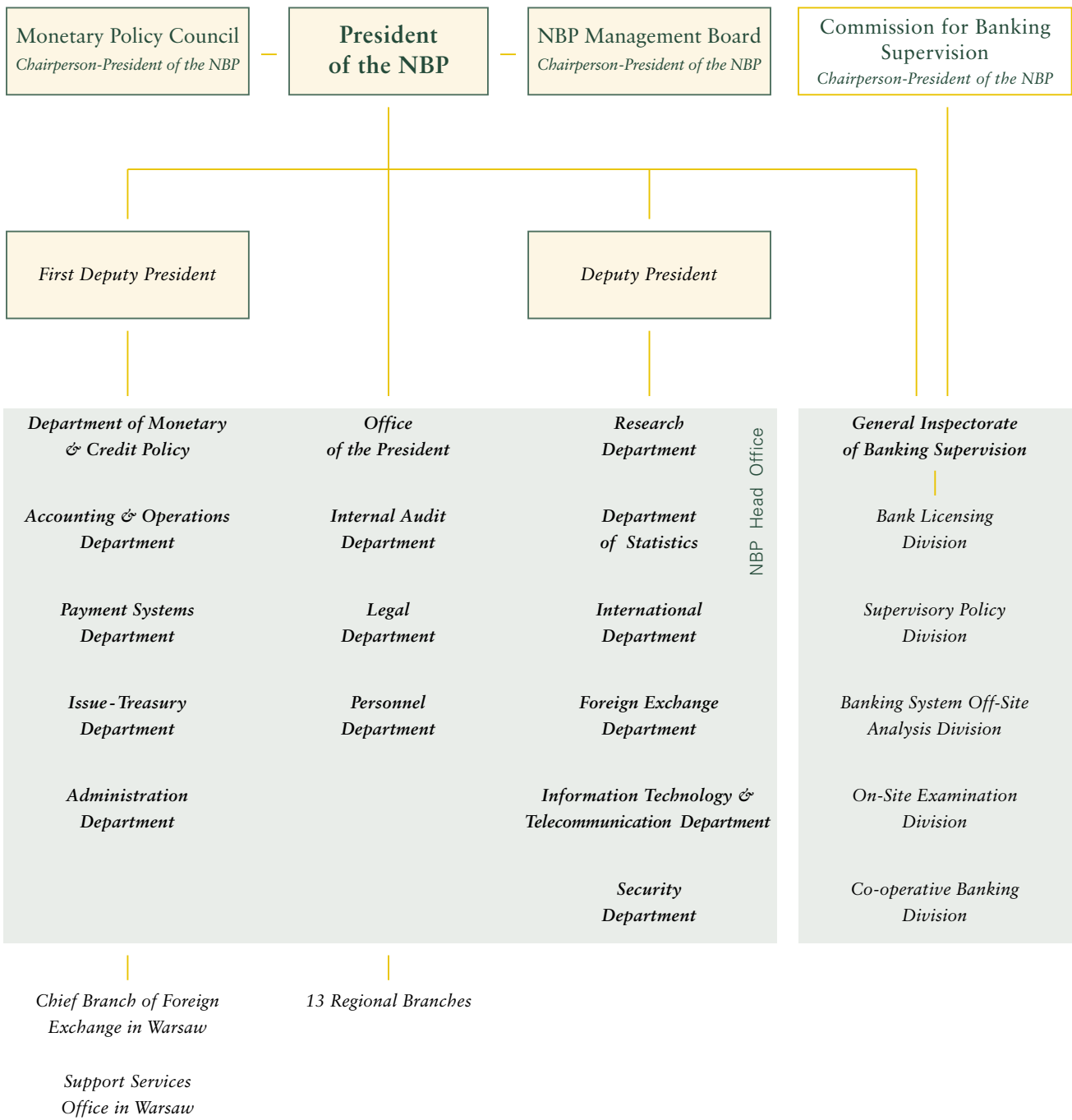
**Organisation Chart**  
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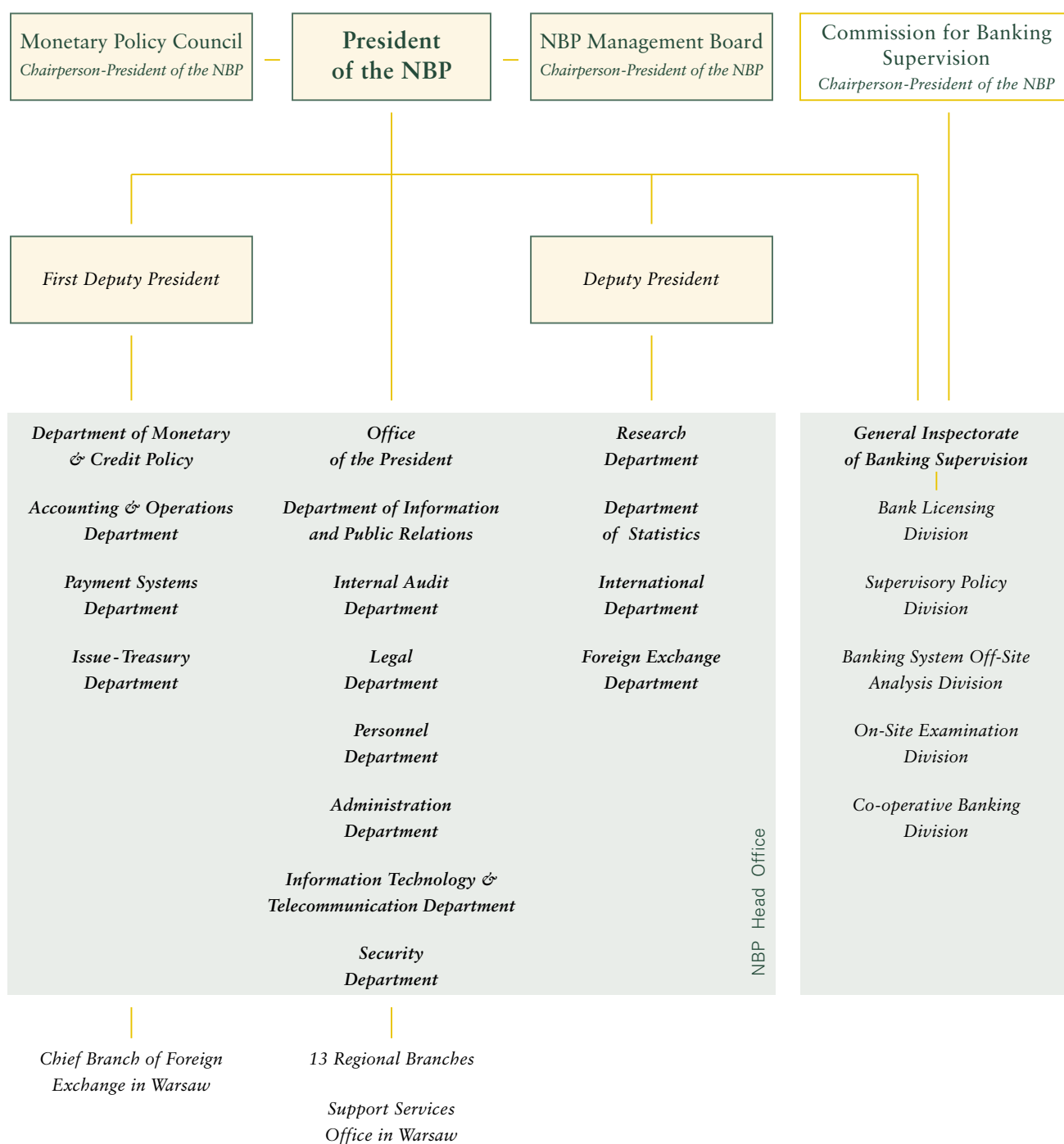
**Organisation Chart of the National Bank of Poland**

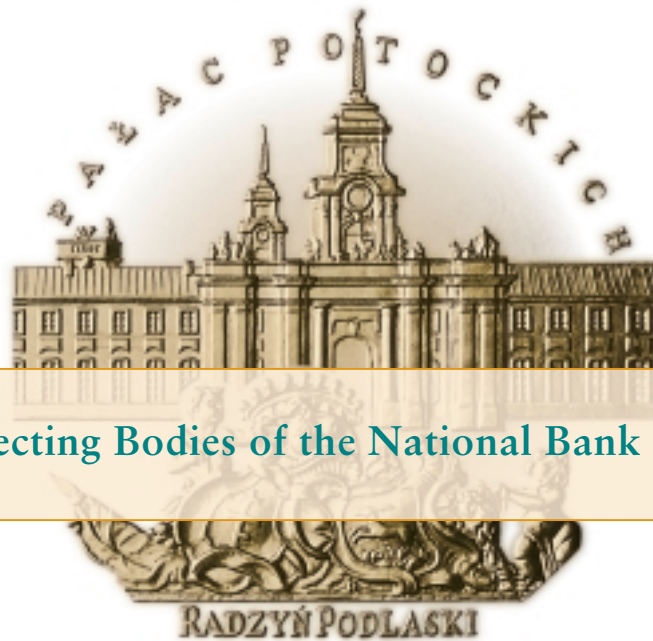
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## Organisation Chart of the National Bank of Poland

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## The Directing Bodies of the National Bank of Poland



*The Potockis' Palace in Radzyn Podlaski*  
2 zloty coin issued in 1999



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**The President of the National Bank of Poland**

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## The Directing Bodies of the National Bank of Poland

Under the Act on the National Bank of Poland of August 29, 1997<sup>1</sup>, which took effect as of January 1, 1998, the directing bodies of the NBP comprise the President of the National Bank of Poland, the Monetary Policy Council and the NBP Management Board.

### The President of the National Bank of Poland

In performance of her responsibilities, the President of the National Bank of Poland presided over meetings of the Monetary Policy Council, the NBP Management Board and the Commission for Banking Supervision.

Representing Poland's central bank in external contacts with domestic and foreign institutions, the President of the NBP:

- participated in the annual meeting of the Board of Governors of the World Bank in Washington,
- participated in the annual meeting of the Board of Governors of the European Bank for Reconstruction and Development in London, where she presented a paper on transition in Central Europe and the implications for future EBRD activity in this region,
- held a meeting with the Monetary Subcommittee of the European Parliament, at which she presented the problems associated with Poland's accession to the European Union and Economic and Monetary Union,
- took part in monthly meetings of the Board of Governors of the Bank for International Settlements in Basle.

The President of the NBP also presided over quarterly meetings of the Committee to Prepare the NBP for European Integration, a body that coordinates the activity of the central bank related to the process of adjustment and negotiation with the EU.

In the course of 2000, the President of the NBP issued 16 regulations, which concerned:

- determining the model bank chart of accounts,
- specifying the foreign currencies deemed convertible,
- methods for the conduct of interbank settlements,
- methods and procedures for counting, sorting, packing and designating packages of notes and coin, and the performance of operations involving the supply of notes and coin to the banks,
- specifying the design, fineness, and volume of issue of coin.

During 2000, the President of the National Bank of Poland also issued authorisations

<sup>1</sup> As published and amended in *Dziennik Ustaw* (the Journal of Laws) nos. 140/1997, item 938; 160/1998, item 1063, 53/2000, item 648; 62/2000, item 718; 119/2000, item 1252; and 8/2001, item 64.

to 140 banks (including cooperative banks) for the performance of various types of foreign exchange transaction, and issued 174 rulings concerning banks subject to the requirement that their security be ensured by specialised security detachments.

As the superior of all the Bank's staff, the President of the NBP was involved in developing and implementing personnel policies and overseeing staff compliance with the performance standards required at the central bank.

On December 31, 2000, Hanna Gronkiewicz-Waltz surrendered her responsibilities as President of the NBP, having been appointed Vice President of the European Bank for Reconstruction and Development.

On December 22, 2000, Poland's Sejm, acting at the request of the President of the Republic of Poland, appointed Professor Leszek Balcerowicz to the post of President of the NBP. Professor Balcerowicz was sworn in by the Sejm and assumed the post of President of the NBP on January 10, 2001.

## The Monetary Policy Council

The Monetary Policy Council held 17 meetings in 2000, at which it adopted 13 resolutions that were subsequently promulgated and issued 4 recommendations to the NBP Management Board.

The Council raised base interest rates on two occasions, putting them up one point in February and one and a half points in August.

In April 2000, acting in conjunction with the Council of Ministers, the Monetary Policy Council took the decision to float the zloty. In connection with this, the Council adopted two resolutions, namely:

- one rescinding the resolution on the pace of crawling devaluation, and
- one rescinding the resolution on the trading band for the zloty against foreign currencies and foreign exchange.

From that moment onwards, zloty exchange rates ceased to be set administratively, but began to be determined by market participants themselves, in accordance with supply and demand.

The Monetary Policy Council also adopted the following resolutions concerning the activity of the NBP in 2001:

- establishing monetary policy guidelines for 2001 (adopted in September),
- approving the NBP financial plan for 2001 (December),
- establishing a ceiling on the liabilities due on NBP borrowings at international banking and financial institutions in 2001 (September).

In addition, the Council approved the following reports or statements:

- the accounts of the NBP at December 31, 1999 (approved in April), which were subsequently accepted by the Council of Ministers,
- the report on NBP operations in 1999 (May), which pursuant to the Act on the National Bank of Poland was then presented to the Sejm,
- the report on the performance of monetary policy guidelines in 1999, together

with an assessment of the activity of the NBP Management Board in implementing those guidelines (May), which were then submitted to the Sejm for its information.

In line with the Act on the National Bank of Poland, the Monetary Policy Council issued its opinion on the draft Budget for 2001, which the President of the NBP, acting on behalf of the Council, then forwarded within the statutory time frame to the Prime Minister and the Minister of Finance.

Two of the recommendations issued by the Council to the NBP Management Board in 2000 concerned open market operations (these were issued in February and August), while one involved commencing sales of securities from the NBP portfolio as of the third quarter of the year (this was issued in March).

The Monetary Policy Council also drew up and issued the annual *Inflation Report* for 1999, and three quarterly reports (for Q1, Q2 and Q3 2000), presenting information on the development of inflationary processes in the context of the monetary policy being pursued.

## The Management Board of the National Bank of Poland

Pursuant to the Act on the National Bank of Poland, the Management Board directs the day-to-day activity of the NBP. In its work, the NBP Management Board adopts resolutions on matters not reserved by statute for the exclusive authority of other bodies of the NBP.

In the course of 2000, the Management Board held 60 meetings, at which it adopted 41 resolutions of a regulatory nature, 36 of a non-regulatory nature, and 462 other rulings.

The most important decisions taken by the NBP Management Board included the adoption of resolutions on the following questions:

- approving an NBP workplan for the years 2000-2002 to bring the Bank into line with the requirements set for central banks in EU member countries,
- approving the Bank's financial plan for 2001, investment plan for 2001 and plan of operations for 2001,
- introducing terms and conditions for tenders conducted by the NBP involving outright sales to the banks of Treasury securities and the purchase of such securities from the banks,
- introducing terms and conditions for refinancing to the banks by the NBP under lombard facilities,
- specifying the principles applicable to the issue of NBP money market bills and trading in these bills,
- amending the resolution on the publication of exchange rates for the zloty against foreign currencies, and also the resolution on the method of calculating exchange rates for the zloty against foreign currencies,
- amending the resolution on the performance of payment orders and cheque transactions in international operations and the purchase and sale of foreign currencies at the NBP,

- regulating the principles and procedures applicable at the NBP in issuing foreign exchange rulings,
- specifying the conditions for the opening and operation of the accounts of the banks at the NBP,
- specifying the procedures for vault operations at the NBP,
- amending the resolution on methods of performing accounting duties at the NBP,
- introducing a system of job descriptions at the NBP,
- amending the resolution introducing the Organisational By-Laws of the NBP in connection with these being extended to include a chapter on internal controls,
- security policy,
- establishing the principles for managing the NBP IT systems that process personal data, and drawing up principles for the security of those systems.

At its meetings in 2000, the NBP Management Board reviewed and recommended to the Monetary Policy Council the draft resolutions and other materials that were submitted to Council meetings.

In addition, the Management Board took decisions concerning the principles applicable to the conduct of open market operations, undertaken to regulate the liquidity of the banking system. With a view to reducing this liquidity, the Board decided to commence sales of converted Treasury bonds, held in the Bank's own portfolio, as of September 2000.

The Management Board paid particular attention to the issue of bringing Poland's central bank into line with the requirements and standards in force in the European System of Central Banks, especially with regard to the following questions:

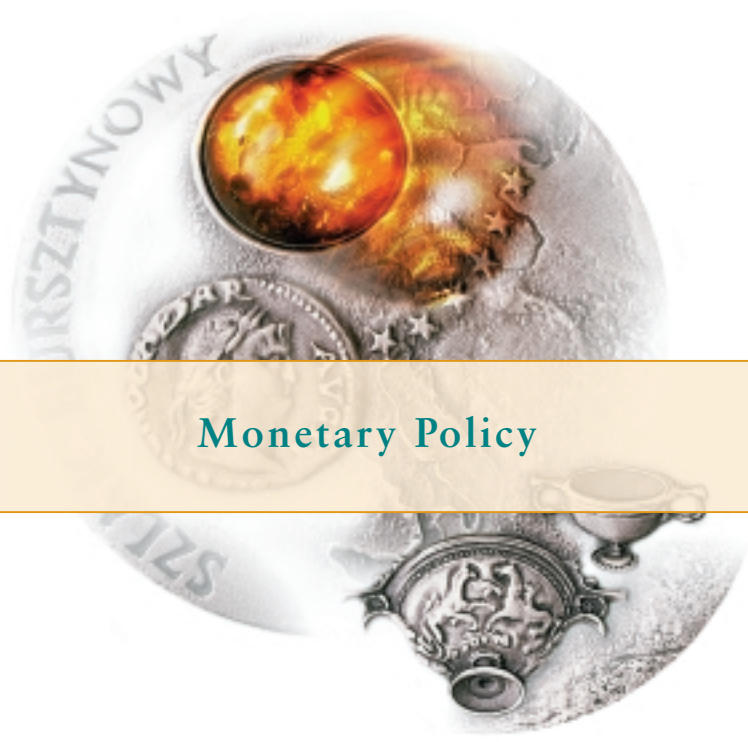
- adjustment measures in the fields of accounting and financial reporting, statistics, internal audit, and risk management systems,
- the modernisation of NBP telecommunications and data transmission systems to provide them with the capacity to perform tasks related to the NBP joining the ESCB,
- measures preparatory to signing agreements on bilateral cooperation with the Bank of France and Bank of Italy,
- the scheduled withdrawal from the Polish banking system of the national currencies of the EMU countries as of January 1, 2002, and their replacement by the euro.

As part of the EU adjustment activity being conducted, the NBP Management Board also examined and referred for further legislative work the following pieces of draft legislation developed at the NBP:

- a bill amending the Banking Act,
- a bill amending the Act on the National Bank of Poland,
- a bill on settlement finality in payment and securities settlement systems, and on the principles for supervision of those systems.

A subject of considerable attention at Management Board meetings was the full implementation at the NBP of the provisions of the Act on the Protection of Personal Data and the Act on the Protection of Restricted Information, and also measures designed to strengthen the Bank's safety and security systems.

The Management Board also carried out periodic reviews of the operation of the Polish payment system.



Monetary Policy



*The Amber Route*  
20 zloty coin issued in 2001

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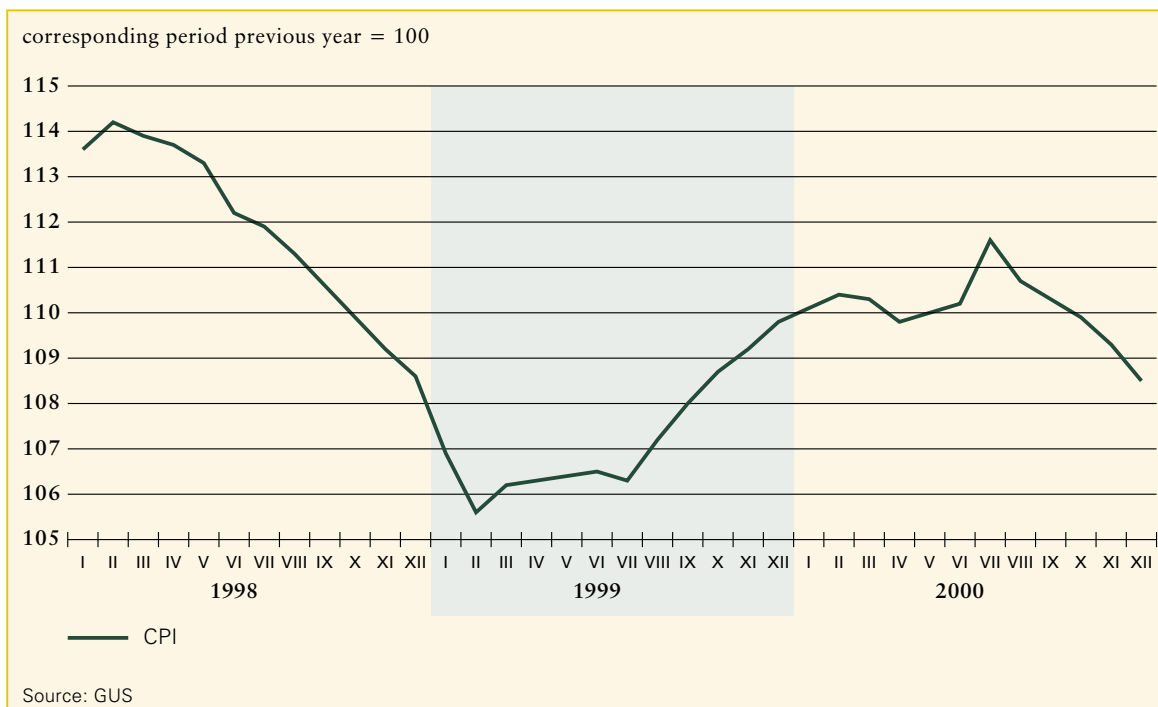
## Monetary Policy

### The monetary policy target in 2000 and performance of that target

The short-term monetary policy target written into the *Monetary Policy Guidelines for the Year 2000* was to reduce consumer price inflation to 5.4%-6.8% at year end.

At the end of 2000, the twelve-monthly CPI stood at 8.5% (cf. Fig. 1). Annualised average inflation had risen from 7.3% in 1999 to 10.1% in 2000. Thus, the inflation target set for the year was overshoot (see Appendix 1 to this *Report*).

Figure 1. Consumer Price Index (CPI)



The fact that achieving the inflation target for 2000 would be a difficult task had already been apparent in the final months of 1999, when inflation accelerated strongly, primarily as a result of faster growth in domestic demand due to the relaxation of macroeconomic policies. Given the lack of ongoing information on the real extent of the impact of fiscal policies in stimulating domestic demand, monetary policy in the second half of 1998 and first half of 1999 had also been too loose. The ensuing pace of domes-



tic demand growth was an additional factor behind the increase in the current account deficit, which left the zloty more vulnerable to abrupt depreciation and could have led to macroeconomic destabilisation.

The quickening of inflation in the latter half of 1999 was also connected with powerful supply disruptions on the fuel and food markets. The increase in world oil prices triggered 20 rises in domestic fuel prices. Meanwhile, the increase in foodstuff prices was related to poorer agricultural output in 1999, traceable to adverse weather conditions, while at the same time stiff protection against imports was afforded to the domestic market for agricultural produce. Furthermore, although administrative measures were taken to unshackle supplies on this market, these measures were too little and too late.

In the face of mounting inflationary pressure, the Monetary Policy Council tightened its monetary stance, raising interest rates in September and November 1999. Although domestic demand rose more slowly than GDP from the fourth quarter of 1999 onwards, the earlier easing of macroeconomic policy, both fiscal and monetary, together with the persistence of supply disruptions on the fuel and food markets, meant that inflation continued to gather momentum in the first half of 2000.

In January 2000, consumer price inflation climbed to 10.1%, thereby hitting double figures for the first time in almost one and a half years. Other measures of inflation also deteriorated, including producer price inflation and the core inflation indices tracked by the NBP. Inflation forecasts indicated that further developments would continue to be unfavourable. Moreover, the risk was posed of inflation expectations rising. For these reasons, in February 2000 the Monetary Policy Council decided on another rise in official interest rates, while also declaring that a further tightening of monetary policy was possible, should adverse inflationary trends persist.

Despite the move to a tougher monetary policy, the inevitable time lag between monetary measures and their impact on inflationary processes meant that for seven months of the year 2000 CPI inflation ran in excess of 10%, peaking in July at 11.6%. This course of events implied that, were countermeasures to the prevailing tendency not undertaken, the inflation target for 2000 would be jeopardised, and even that performance of the medium-term monetary policy target would be endangered. The steep price growth witnessed at the time was chiefly attributable to stronger than expected turbulence in supply on the markets for fuel and foodstuffs, which indicated that this price growth was probably temporary. Nonetheless, to prevent a consolidation of inflation expectations and their spillover into wage growth, the Council considered it necessary to carry out yet another rise in interest rates in August 2000.

This decision was also influenced by increasingly distinct signs that fiscal policy was less restrictive than had previously been indicated. The underbudgeting of the local government education subsidy, the increase in the deficit reported by special-purpose funds (the Social Insurance Fund and the Employment Fund), and the payment arrears at the Social Insurance Board (ZUS) in transferring contributions to open-ended pension funds: all of this suggested that fiscal policies were doing more to generate demand than had been assumed.

In addition, the use of foreign currency inflows, mainly privatisation receipts, to finance government spending requirements caused the zloty to appreciate and posed a danger of the current deficit widening.

The end of the year 2000 confirmed that the expected tightening of fiscal policies had not materialised. Lower central government revenues than expected, together with greater local government expenditure than projected, resulted in an accentuation of overall public sector financial disequilibrium relative to the targets set in the Budget.

In addition, the transfer of a smaller amount of social insurance contributions than planned to the "second pillar" of the pension system heightened the negative impact of the public sector on domestic savings. A total of 10.1bn zloty were supposed to be forwarded to open-ended pension funds in 2000, while the actual amount transferred came to some 7.6bn zloty. As a result, the adjusted fiscal deficit (the adjusted public sector financial deficit) exceeded the 1.7% of GDP originally targetted, coming to 2.0% of GDP<sup>2</sup>.

Thus, since fiscal policy was less strict than previously planned, the burden of lowering inflation and restoring economic equilibrium was borne by monetary policy. The consequence of this was that the short-term costs of the reduction achieved in inflation and the improvement obtained in external equilibrium were higher than they would have been, had fiscal policy been tighter. These costs primarily involved a slowdown in investment and economic growth. This was compounded by the effects of the continuing supply disruptions on the fuel and food markets. Over the year as a whole, GDP growth therefore came to 4.1%, compared to the 5% projected in the *Monetary Policy Guidelines*, while domestic demand growth stood at 2.8%, compared to the 5.3% forecast by the NBP when the Guidelines were being developed (see Appendix 2 to this *Report*).

The tightening of monetary policy and alteration of the basic relationships of supply and demand within the Polish economy produced a substantial improvement in external equilibrium. The current account deficit had been rising as a proportion of GDP over the previous five years, and in the first quarter of 2000 exceeded 8%. Reducing domestic demand growth to a level less than GDP growth not only contributed to re-establishing the downward trend in inflation, but also helped narrow the current deficit from USD 11.6bn in 1999 to USD 10bn in 2000. The change in the relative size of supply and demand was one of the most important factors behind the major acceleration of export growth and slowdown of import growth, which cut the current deficit at year end 2000 to 6.3% of GDP (see Appendix 3 to this *Report*)<sup>3</sup>.

To summarise, although the short-term inflation target for 2000 was not attained, the second half of the year saw a lasting reversal of the upward trend in inflation. Consumer price growth came down 3.1 points from July to December, to stand at 8.5%. This tendency was sustained in the first months of 2001, thereby helping to pave the way for achievement of the medium-term monetary policy target.

The fact that monetary policy was tighter than it had been assumed when the *Monetary Policy Guidelines for the Year 2000* were being drawn up resulted in the money

<sup>2</sup> This figure for the adjusted fiscal deficit was not announced by the Ministry of Finance until the end of May 2001. In the second half of 2000, various statements from the Ministry concerning the expected performance of the adjusted fiscal deficit referred to it rising from 2% to 2.7% of GDP. It should be noted here that the achievement of a lower adjusted deficit than forecast was principally due to a major decrease in December 2000 in the outstanding debt of the Social Insurance Fund to the banks.

<sup>3</sup> The level of the deficit is of course also influenced by external factors independent of domestic macroeconomic policy.

supply being smaller than forecast. In the *Guidelines* it had been estimated that money supply growth, corresponding to the established inflation target and to projected GDP growth and the projected current deficit, would come to 38.8-47.9bn zloty. At the end of 2000, however, money stocks totalled 294.5bn zloty, representing an increase over the year of 31.0bn (i.e., 11.8%, as against 19.3% in 1999). This was accompanied by a healthy tendency for personal deposit growth to quicken significantly, while lending growth slackened (see Appendix 4 to this *Report*).

### Factors conditioning performance of the inflation target

- The key external factors conditioning performance of the inflation target in 2000 were movements in world commodity prices and domestic food prices.

As in 1999, the situation on world commodity markets in 2000 acted to fan inflation in Poland. Movements in international commodity prices continued to be determined by oil prices. The annualised average price of oil (Brent) on world markets rose over 59% in 2000. In the years 1999-2000, oil prices climbed steadily from one quarter to the next, going up from around USD 10 per barrel at the beginning of 1999 to over USD 30 per barrel in the second half of 2000. Faster oil price growth in 2000 stemmed from rapidly rising world demand on the one hand, and on the other from the record low level of oil stocks<sup>4</sup>. Non-energy commodity prices went up 4.1% in 2000, principally due to a 15.7% increase in metal prices.

The persistence of oil price growth over the period 1999-2000 caused inflationary processes to gather impetus in all the economies dependent on imports of this strategic commodity. The annual index of energy prices in the euro area moved up 13.4% in 2000, compared to a 2.3% increase in 1999 and a 2.6% decrease in 1998. The sharpest response to this was seen in industrial producer prices in this region, which went up 5.4%, whereas only a year before they had come down 0.4%. The situation on the international oil market also caused Polish import prices to rise, thereby pushing up domestic inflation.

In addition, the strengthening of the US dollar, the dominant currency in world commodity trade in 2000, resulted in a swifter depreciation of the zloty against the US currency, particularly in the second quarter. This aggravated the increase in Polish import costs.

Both of the above factors played a part in the 5.4% increase recorded in import transaction prices expressed in zloty, which the NBP estimates to have directly contributed 1.2 points to the PPI and 0.8 points to the CPI. The latter went up 0.64 points due to higher fuel prices, 0.12 points due to higher prices for non-energy commodities, and 0.04 points due to higher food prices.

As the above illustrates, the largest impact on inflation was exerted by fuel prices (see Appendix 1 to this *Report*). Annualised average growth in these prices came to 36.8% in 2000, compared to 25.2% in 1999. A considerable role in this growth was

<sup>4</sup> For example, in August 2000 US stocks hit a 20-year low.

played by price rises performed in 1999, which then had repercussions for price levels in 2000. Yet December-on-December price growth from 1999 to 2000 came to just 11.1%, as against 52.7% a year earlier.

However, domestic fuel prices were not only affected by world prices for fuels and feedstock and by zloty/dollar exchange rates. Movements in retail fuel prices were also a function of changes in excise duty and customs tariffs (factors determined by the Government), and by the pricing policies of domestic refineries and retailers, operating on a highly monopolised market (this represented the market factor involved).

In line with a timetable adopted in December 1999, excise duty on fuels was raised three times in 2000, going up around 5% on January 1, around 4.8% on March 1, and around 4.6% on September 1. It should be noted here that, in contrast to 1999, during 2000 the Government did not carry out any additional increases in excise duty, over and above those announced earlier. In all, the rise in excise duty in the course of 2000 totalled some 15.1%, contributing around 4.6 points to fuel price growth.

In terms of annualised average inflation, the direct consequence of the fuel price growth caused by the factors outlined above was to increase this inflation by 1.0 points.

To counteract further fuel price growth, a zero tariff was introduced as of September 2000 on fuels imported from the European Union, the EFTA countries, the CEFTA countries, Lithuania, Estonia, the Faeroes and Turkey<sup>5</sup>, and also from those countries or regions with which Poland had not signed agreements on free trade zones. As a result, average customs tariffs on imported petrol went down from 5% in 1999 to 3% in 2000, and those on diesel fuel dropped from 11% to 4%, subsequently being reduced to zero.

- A powerful impact on inflation in 2000 was also exerted by domestic food prices (see Appendix 1 to this *Report*).

A poor grain harvest and the continuing decline in fatstock production, and above all the high protection against imports being afforded to the domestic market for agricultural produce and other administrative methods of regulating supply on this market, meant that foodstuff prices rose uninterruptedly in 2000, albeit doing so more slowly than in 1999.

The small grain harvest in the 1999/2000 crop season, combined with restricted imports and a progressive decline in fatstock production, meant that prices for bread, other grain products and meat rose systematically from the beginning of the year. These price increases gained further seasonal momentum in the spring. The root cause of instability on the market for agricultural produce in 2000 was the upsetting of equilibrium on the grain market. A fall in grain supplies of over 5% in the 1999/2000 season, together with a decrease of more than 27% in stocks carried forward to the next season, resulted in demand considerably exceeding supply. Recurring shortages of grain on the domestic market led suppliers to raise grain procurement prices. Pessimistic forecasts regarding the size of the coming grain harvest, which were based, among other things, on adverse weather conditions for agriculture, additionally accelerated grain price increases in May and June 2000. At the same time, the administrative mechanisms in operation prevented restoring

<sup>5</sup> This move was originally to have been made on January 1, 2001.

equilibrium with the help of extra imports. The decision to put in place a duty-free quota for grain imports, which was essential to supplement domestic supplies, was not taken until the end of June, i.e., after grain prices had already surged sharply. Rising grain prices also hoisted meat prices. In the latter case, imports were again insufficient to prevent this.

Other categories of foodstuff also rose in price continuously, although again at a much slower pace than the year before. The annualised average food price growth of 10.5% recorded in 2000 contributed 3.1 points to the annualised average CPI.

- An important factor in the development of the external equilibrium of the Polish economy were movements in foreign demand for Polish exports. The year 2000 brought a major acceleration of growth in the world economy (cf. Table 1).

**Table 1.** External factors conditioning monetary policy, 1999-2000

	1999	2000	2000			
			Q1	Q2	Q3	Q4
Euro area GDP growth (%)	2.5	3.4	3.5	3.7	3.2	3.0
of which Germany <sup>1</sup> :	1.6	3.0	3.7	3.5	2.8	1.9
US GDP growth (%) <sup>1</sup>	4.2	5.0	5.3	6.1	5.2	3.4
US Fed Funds rate (%) <sup>2</sup>	4.97	6.24	5.68	6.27	6.52	6.47
Euro area refinancing rate (%) <sup>2</sup>	2.71	4.12	3.25	3.83	4.57	4.83
Oil prices (Brent, USD per barrel) <sup>2</sup>	17.9	28.5	26.8	26.7	30.7	29.7

<sup>1</sup> Relative to corresponding period previous year

<sup>2</sup> Period average

Source: *International Financial Statistics*; *International Monetary Fund*; *Reuters*; *Wochenbericht des DIW 46/2000*; *Deutsche Bundesbank, Monatsbericht, März 2001*; *OECD Economic Outlook no. 68, December 2000*

The continuation of robust growth in the US economy in the first three quarters of 2000, together with the strong upturn in Asian and Latin American economies, yielded a significant increase in global demand. The result was that world trade in 2000 was up 13% on 1999. Import growth by volume almost doubled in the euro area, climbing from 6.4% in 1999 to 11% in 2000. The rise in import demand was even sharper in Germany, Poland's largest trading partner, where growth soared from 4.8% in 1999 to 10.5% in 2000.

Poland's largest trading partner to the East, Russia, also reported high growth in 2000, with GDP rising 7.6%, compared to 3.2% in 1999; as a result, Russian imports went up 6.3%, whereas the year before they had fallen 40%<sup>6</sup>.

<sup>6</sup> *International Financial Statistics* (the data available refer to the first three quarters of 2000, and are expressed in US dollars).

These factors, in addition to the changes already mentioned in the relative growth rates of domestic supply and demand, were instrumental in Polish export growth rising and the trade gap narrowing, thus also reducing the current deficit.

## Monetary policy instruments

The basic instrument employed in 2000 in pursuit of the monetary policy target were interest rates. In seeking to control the level of interbank rates, the NBP utilised the reference rate (the minimum reverse repo rate applicable to 28-day open market operations), the lombard rate, the rediscount rate, and reserve requirements. Reserve requirements reduced the impact of liquidity fluctuations on interbank interest rates. In the current system of regulatory reserves, the reserves which the banks are required to hold are equivalent to the averaged level of reserves to be held on account at the NBP over the period in question. This helps limit daily swings in the volume of liquid funds within the banking system and assists in stabilising interest rates at the level desired by the NBP.

The instruments employed by the NBP were adjusted to correspond to the surplus operating liquidity that still prevails in the commercial banking sector. During 2000, the NBP took further steps to contain that surplus liquidity. The launch of floating zloty exchange rates in April 2000 constituted the final stage in a process designed, among other things, to restrict increases in liquidity arising from any purchase of foreign currency by the NBP. September 2000 saw the commencement of outright sales, from the National Bank's own portfolio, of Treasury bonds acquired in 1999 under the conversion of non-negotiable Treasury debt to the central bank. These sales are intended to achieve a lasting reduction in the excess liquidity that had built up in previous years.

### Interest rates

Given the surplus liquidity that existed within the commercial banking sector in 2000, the Bank maintained the same range of base interest rates. These comprised the lombard rate, the rediscount rate and the reference rate.

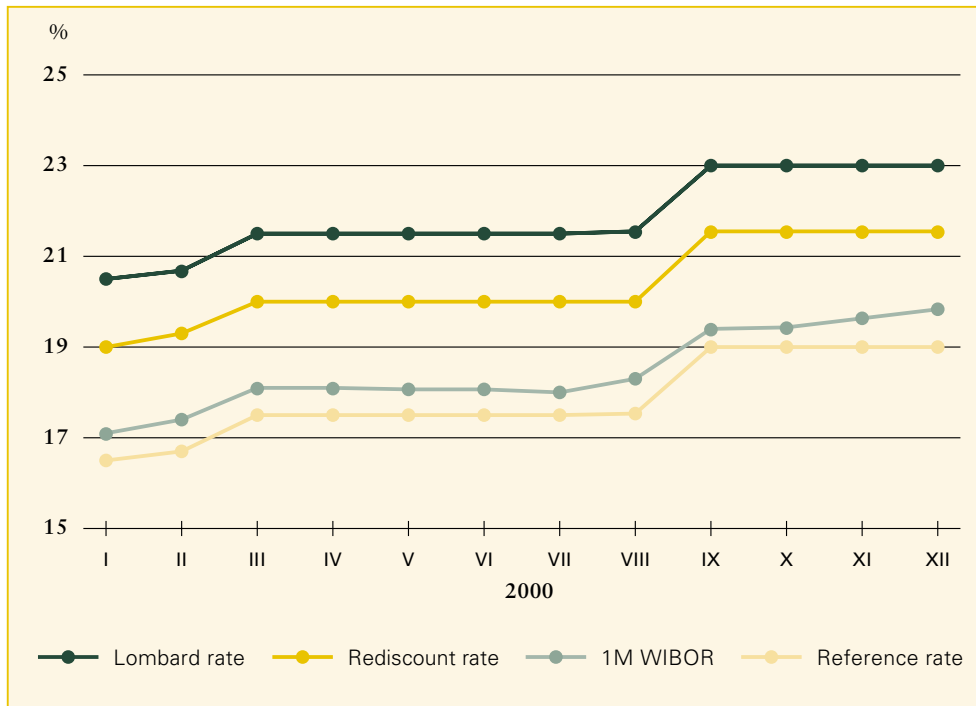
The lombard rate was generally the highest rate on the interbank market. It was only on eight occasions throughout the entire year that rates on interbank deposits with the shortest maturities moved above the lombard rate. This occurred when banks that lacked funds to meet reserve requirements and did not have a sufficient portfolio of Treasury securities were forced to access interbank funds to cover the shortfall. The largest excess of this sort, in the region of two to three points, was seen on January 27 and 28, August 29 and October 30.

The reference rate represents the minimum yield on 28-day money market bills, used by the central bank to siphon off liquidity through open market operations. The reference rate determined the rates available on the interbank market on deposits of equivalent maturities (i.e., 1M WIBOR rates – Warsaw Interbank Offered Rates).

The rediscount rate (bills were rediscounted primarily to finance purchases of agricultural produce) moved in parallel with the lombard rate.

NBP official rates and one-month interbank rates (1M WIBOR) are presented in Figure 2.

Figure 2. NBP interest rates and one-month interbank rates



The above array of NBP interest rates was in use throughout the year. It was to have been modified significantly once the banking system moved to a shortfall of operating liquidity. However, this situation did not come about in 2000. There were three reasons for this. Firstly, despite the establishment of a special government foreign currency account at the NBP, the Bank was still compelled to purchase foreign currency from the Government, which generated an additional 830m zloty of liquidity<sup>7</sup>. Secondly, the commencement date and scale of the central bank's sales of T-bonds were determined in such a way as to facilitate sales of Treasuries by the Ministry of Finance to meet central government funding requirements, and to contain any potential side effects of this operation on market bond prices. Thirdly, demand for notes and coin rose much more slowly than projected, primarily due to the

<sup>7</sup> Under current legislation, the NBP operates the accounts of central government, which means that it cannot refuse to buy up convertible currencies. The end result of this is to increase banking sector liquidity. Were the Government not to exchange its foreign currency receipts at the NBP, but on the FX market, this expansion of liquidity would not take place, yet instead this would kindle pressure for the zloty to appreciate.

unexpectedly rapid increase in the number of payment cards in circulation and in the value of non-cash transactions. The smaller decrease in surplus liquidity than had been anticipated meant that the NBP did not conduct liquidity-providing operations with the banks, nor did it extend the range of central bank instruments to include an NBP deposit rate. This rate was to have been used as a floor on interbank rate fluctuations, were the reference rate to cease playing this role.

In 2000, the Monetary Policy Council continued the tightening of monetary policy begun in the autumn of 1999. Upward rate adjustments in September and November 1999 had raised official interest rates by a total of three and a half points. The rise in inflation witnessed since August 1999 had led to an increase in household inflation expectations, while movements in various measures of core inflation demonstrated that supply impulses had been transmitted from the fuel and food markets to the prices of the remaining categories of goods and services as well. Given the time lags in monetary policy transmission mechanisms, the effects of the rate rises carried out in 1999, in terms of reducing domestic demand growth and inflationary pressure, could not make themselves felt until the second half of 2000. With price growth in the subsequent months of 1999 and at the beginning of 2000 faster than projected, the Monetary Policy Council deemed it necessary to increase official interest rates in February and announced a tightening policy stance. A major factor in this was also the increase in inflation expectations.

Strong inflationary pressure continued in the months afterwards, with the persistence of this constituting a threat to performance of both next year's monetary policy target and the medium-term target. In raising rates by one and a half points on August 31, 2000, the Council was aware that it was impossible to tackle directly the price growth responsible for the original inflationary impulse. This decision was primarily intended to thwart inflationary expectations feeding through into wage growth and to halt the decline in the propensity to save caused by the lowering of real interest rates. In all, official interest rates rose by two and a half points in the course of 2000.

**Table 2.** Schedule of interest rate policy decisions, 2000

Date*	Decision
February 24	Lombard rate raised from 20.5% to 21.5%. Rediscount rate raised from 19% to 20%. Minimum 28-day reverse repo raised from annual 16.5% to 17.5%.
August 31	Lombard rate raised from 21.5% to 23%. Rediscount rate raised from 20% to 21.5%. Minimum 28-day reverse repo rate raised from annual 17.5% to 19%.
December 20	Monetary policy stance changed from restrictive to neutral.

\*Date decision took effect



Altogether, the rate adjustments performed by the Monetary Policy Council between September 1999 and August 2000 increased NBP interest rates by six points. Over the same period, annualised consumer price growth went up 2.7 points, while household inflation expectations rose 4.4 points. Given this price growth, real interest rates moved up 3.2 points in this period; adjusted for inflation expectations, these rates rose 1.7 points.

From August 2000 onwards, inflation began to come down, returning to single figures in the last three months of the year, which substantially increased the likelihood of the inflation target being met in 2001. In the fourth quarter of 2000, inflation expectations also moved downwards, both those of consumers (down from 13.5% in September to 10.5% in December), and of bank analysts (down from 11.6% in September to 9.9% in December).

### Open market operations

The basic objective of open market operations in 2000 was to reduce the surplus liquidity of the banking sector. In a situation of excess liquidity, the commercial banks are able to expand their lending operations without borrowing at the central bank. As a result, the capacity of the NBP to influence deposit rates is less than in a situation where there is a shortage of liquidity. This makes it necessary for the central bank to keep interest rates higher in order to achieve the same effect in terms of the propensity to save. Measures to contain excess liquidity therefore serve to increase the effectiveness of interest rates as the basic monetary policy instrument.

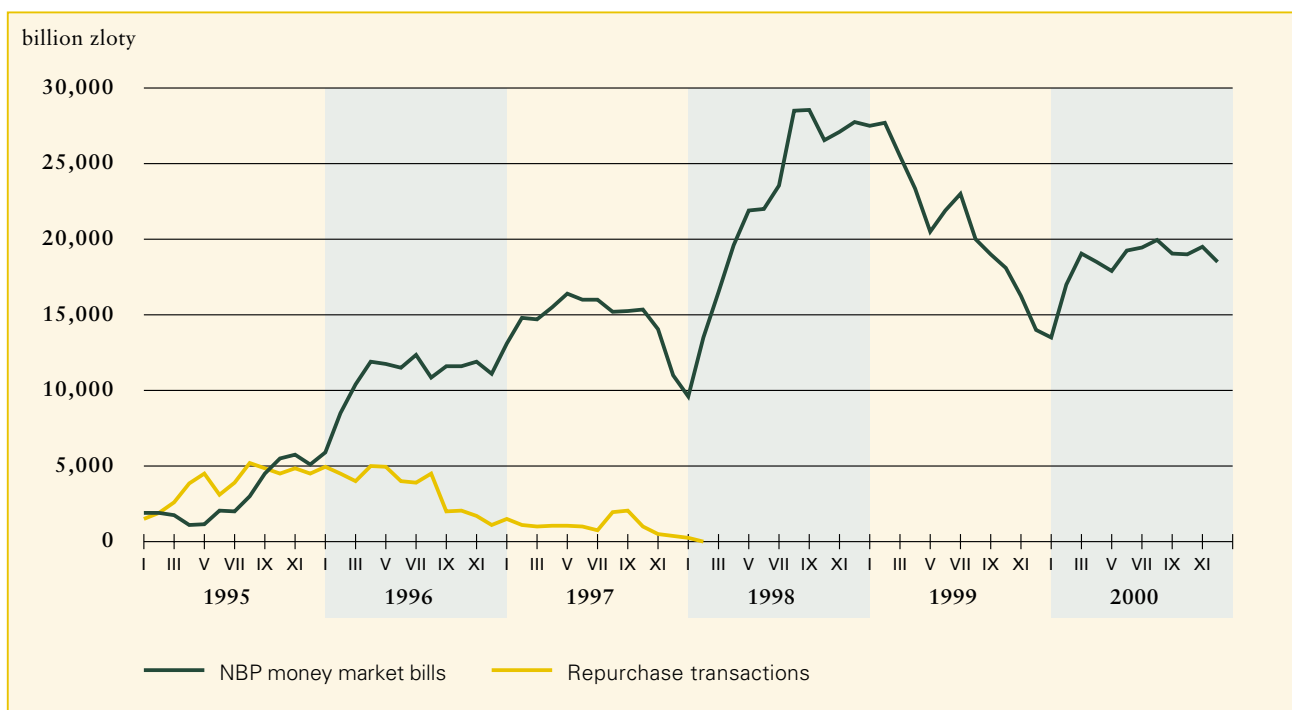
Due to the maintenance of surplus operating liquidity in 2000, the NBP limited itself solely to liquidity-absorbing operations. In seeking to influence one-month interbank rates directly, the Bank mainly utilised issues of 28-day money market bills. It was only in September and October that the NBP issued bills for shorter maturities (1, 7 and 14 days), which was related to the need to ensure the necessary liquid funds to the banks in connection with scheduled payments for shares in Telekomunikacja Polska SA (TP SA). The average balance on money market bills outstanding, which reflected short-term excess liquidity, came to 18.4bn zloty in 2000 (selling prices), as against 21.4bn in 1999. In December 2000, the average balance on money market bills outstanding amounted to 18.6bn zloty, and was 4.6bn zloty higher than in December 1999. The low balance on these bills at the end of 1999 was mainly the result of a temporary increase in demand for notes and coin associated with fears of "Y2K". The demand for money market bills from the commercial banks in 2000 was lower than the volume of bills made available by the NBP under its open market operations. The NBP offered the banks a pool of bills that ensured the maintenance of one-month interbank rates at the desired level even in the event of an unexpected excess of liquid funds. In all, the Bank put up for sale money market bills to a face value of 320.2bn zloty, while receiving bids from the banks totalling 298.7bn zloty. The Bank accepted bids to a face value of 278.2bn zloty.

In September 2000, the NBP commenced sales of the Treasury securities it held, with a face value of 16.4bn zloty. By year end, a total of 15 tenders had been held, at which bonds with a face value of 2.2bn zloty were sold (at a selling price of 1.8bn zloty). The bonds sold had been obtained by the NBP in 1999 under the conversion

of non-negotiable government liabilities to the central bank. The sale of these conversion bonds is staggered out over time and is not directly connected with ongoing monetary policy. The purpose of this exercise is to reduce the structural surplus liquidity within the banking sector (i.e., the surplus of total liquidity) on a lasting basis, including surplus operating liquidity (absorbed by short-dated instruments). The sale of these Treasury conversion bonds leads to changes in the structure of the National Bank's balance sheet, permanently decreasing the domestic assets held, and thereby reducing the balance on liquidity-absorbing open market operations at a given level of reserve money. The decline in excess liquidity thus achieved helps enhance the effectiveness of interest rates as the basic instrument of monetary policy.

Open market operations (cf. Fig. 3) were conducted with a group of 15 money market dealers; these constituted banks that were highly active on the secondary market for Treasury securities (T-bills and T-bonds) and also NBP money market bills, and were selected on the basis of uniform qualifying criteria, contained in the *Dealer Activity Index*.

Figure 3. Balance on open market operations



These criteria were the following:

- the share attributable to a given bank of total trading on the secondary market for Treasury bills and NBP money market bills,
- the share of the average T-bill portfolio held by the bank's non-banking customers in the average holdings of all customers in this category,

- the share attributable to a given bank of total repo and sell/buyback transactions on the interbank market involving T-bills and NBP money market bills,
- the share attributable to a given bank of total T-bond trading on the secondary market, excluding non-regulated trading, performed by all banks aspiring to the status of money market dealer,
- the appropriateness of the bank's relationship with the central bank.

From February to November 2000, a monthly assessment was carried out of the level of activity displayed by each of the 23 banks aspiring to the status of money market dealer. These banks were also required to file an interim monthly report on their trading on the zloty money market and FX market, and on the structure of the investment portfolios of domestic and foreign buyers of Treasury securities.

### Refinancing to the banks

In 2000, the banks were able to borrow at the NBP under lombard facilities against pledges of Treasury securities, and also under rediscount facilities.

As of April 25, 2000, the principles applicable to the extension of lombard loans were altered, as follows:

- the tenor of these loans was limited to one working day in order to prevent commercial banks from borrowing at the NBP on a long-term basis,
- the grant of a loan was made contingent on the repayment of any amount outstanding from the previous day.

These changes were dictated by the need to avert the danger of a sudden, sharp increase in the outstanding borrowings of the banks, which could have been triggered, for example, by speculation on the FX market. The previous regulations had allowed the commercial banks to borrow at the NBP for any length of time.

The principles for the rediscounting of bills at the NBP remained unchanged in 2000.

The outstanding borrowings of the banks under refinancing granted by the NBP fell 97.6m zloty in 2000, a decline of 1.5%, to total 6,504.6m zloty at the end of December.

Lombard loans were mainly taken out by the banks at the end of the period for holding required reserves on their current accounts at the NBP. In the particular months of 2000, the average value of loans outstanding ranged from zero to 333m zloty. The banks' borrowings were sometimes temporarily high, however, with the largest balance, 3.8bn zloty, being recorded at the end of February.

The outstanding borrowings of the banks at the NBP under rediscount loans dropped 60% in 2000 (following a decrease of 20% in 1999), to stand at 65.8m zloty at year end. The relatively high rediscount rate at the National Bank restricted demand for these loans among the banks.

In 2000, the NBP continued to provide refinance for corporate debt at commercial banks associated with loans to central government investment projects begun before 1989. The volume of this central investment refinancing came down 8.9% over the year, amounting to 4,689.8m zloty at the end of December.

This decrease in the sum outstanding was the result of repayments of 456.6m zloty, performed in accordance with agreements for the year 2000 concluded with the banks. All refinancing to central government investment projects is in the process of repayment, and the amount involved will be successively retired.

### Reserve requirements

Regulatory required reserves were calculated and held by all the banks except those that had received an exemption from the NBP Management Board for the duration of rehabilitation programmes.

In 2000, the Monetary Policy Council maintained the reserve ratio at 5% for all eligible deposits, the requirement in force since September 30, 1999. As in 1999, required reserves did not bear interest.

Regulatory reserves were held on account at the NBP. The banks were authorised to hold up to 10% of their reserves in the form of declared vault cash, which yielded an effective reserve ratio of 4.5%. Movements in regulatory reserves during 2000 are presented in Table 3.

Table 3. Movements in regulatory reserves, 2000

	Balance, 31/XII/1999	Quarterly growth, 2000				Balance, 31/XII/2000
		Q1	Q2	Q3	Q4	
million zloty						
1. Total regulatory reserves required	10,076	492	803	370	499	12,240
of which:						
1.1. – on account at NBP	9,074	434	751	336	436	11,031
1.2. – vault cash	1,002	58	52	34	63	1,209

Table 4 shows the level of reserves required and the balances actually held by the banks on account at the NBP in the particular reserve periods of 2000.

The average excess reserves on current accounts at the NBP, relative to the reserves required, ranged from 76m zloty in August to 253m in July.

At year end 2000, the reserve balances held by the banks were 2,164m zloty greater than at December 31, 1999, an increase of 21.5%, while reservable deposits had grown 18.9%. The faster growth in reserve balances than in eligible deposits is traceable to a 214m zloty decrease in exemptions from reserves for banks implementing rehabilitation programmes.

Table 4. Regulatory reserves required and held, 2000

Reserve period	Reserves required to be held on account at NBP	Actual average balance of reserve accounts during reserve period	Average excess reserves held on account
	million zloty		
January	9,602	9,742	140
February	9,570	9,760	190
March	9,458	9,598	140
April	9,508	9,746	238
May	9,637	9,830	193
June	9,752	9,941	189
July	10,259	10,512	253
August	10,498	10,574	76
September	10,594	10,744	150
October	10,634	10,759	125
November	10,770	10,863	93
December	11,031	11,224	193

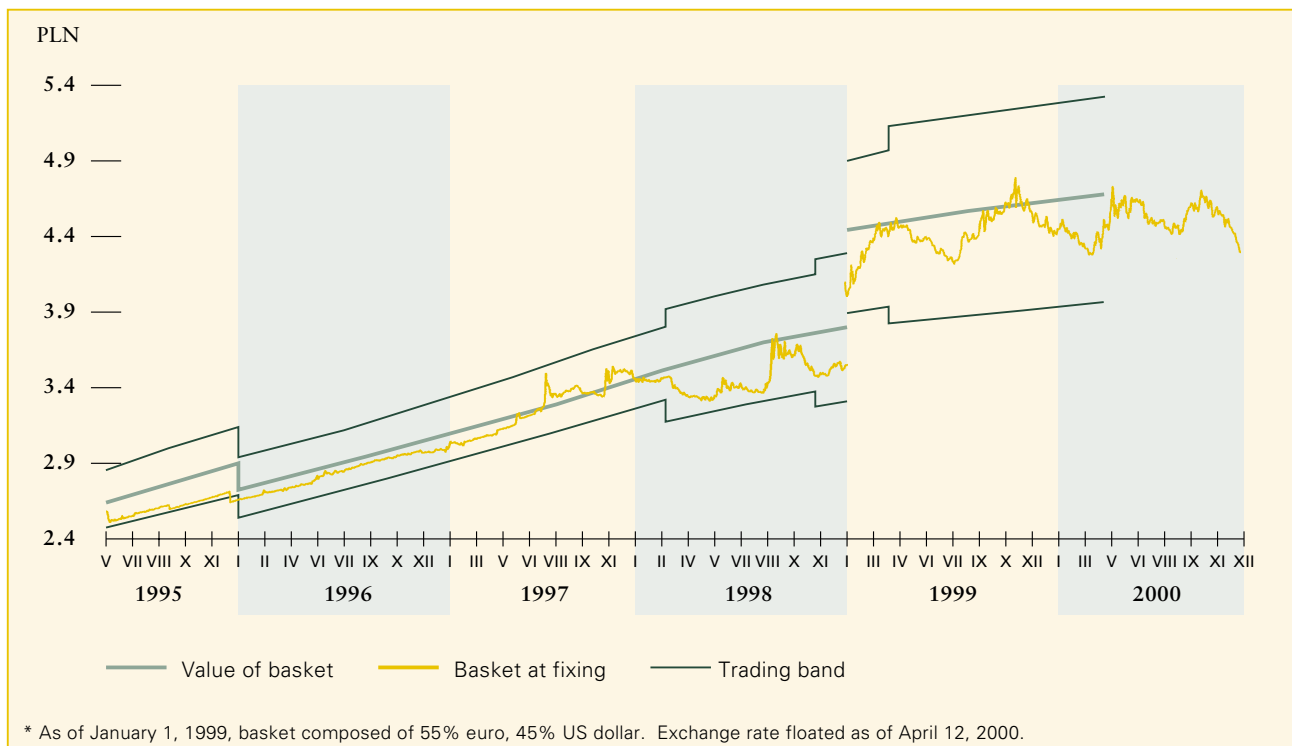
### Exchange rates

- The exchange rate regime in Poland changed in 2000. On April 11, the Council of Ministers, acting in consultation with the Monetary Policy Council, took the decision to float the zloty, which signified the abolition of the central parity rate for the zloty, and also of the crawling band mechanism relative to a reference currency basket, with its trading band for permissible deviations in market exchange rates from central parity.

The resolution introducing these changes took effect on April 12, 2000. Following the change in the exchange rate regime, the National Bank of Poland continued to refrain from intervention on the currency market. Zloty exchange rates thus ceased to be employed as a monetary policy instrument. The introduction of floating exchange rates corresponded to one of the targets set in the *Medium-Term Monetary Policy Strategy for the Years 1999-2003*, and also to the provisions of the *Monetary Policy Guidelines for the Year 2000*. From 1998 onwards, exchange rate policy had been subordinated to the performance of a direct inflation target. In the long run, it is not possible to influence interest rates with a view to achievement of the inflation target while at the same time controlling exchange rates. The contradiction involved becomes even more acute in a situation where capital flows are completely deregulated. The introduction of fully floating exchange rates constituted the final stage in a policy of increasing exchange rate flexibility. As of 1998, the pace of crawling devaluation of the cen-

tral parity rate was successively lowered, thereby adjusting this rate to the inflation target established by the monetary authorities. The trading band for market exchange rates relative to parity was widened to  $\pm 15\%$ . The central bank had not intervened on the currency market since August 1998, and in June 1999 had stopped carrying out exchange transactions with the commercial banks during the zloty fixing. Scaling down the presence of the National Bank on the FX market had a positive impact on the development of this market, which reinforced the market character of zloty exchange rates. The trading band for the zloty in the period prior to it being floated was already relatively broad (cf. Fig. 4). At the same time, zloty exchange rates remained far from the bounds of that band. The formal floating of the zloty did not therefore constitute any shock to the economy, since the higher volatility of exchange rates in the years preceding this move had prepared the market for an increase in exchange rate risk.

Figure 4. Zloty exchange rates against reference currency basket, May 1995-2000\*



The floating of the zloty therefore strengthened the autonomy of interest rate policy. Interventions on the currency market by the National Bank to keep exchange rates within the band desired had previously resulted in additional money creation<sup>8</sup>.

<sup>8</sup> The vast majority of NBP currency interventions were intended to contain the appreciation of the zloty, and therefore involved purchases of foreign currency for zloty.

This swelled the volume of liquidity within the banking system, thereby weakening the influence of the central bank on interest rates at the commercial banks.

There were also two other important considerations that supported the move to floating exchange rates.

Firstly, this was a significant element in the process of preparations for Poland's membership in Economic and Monetary Union. One of the conditions for joining EMU is to be the inclusion of the zloty in the ERM2 exchange rate mechanism for at least two years. The fact that the pegging of the zloty against the euro under this mechanism will be preceded by a period of several years in which it floats freely will make it possible to determine the equilibrium exchange rate more accurately and avoid economically costly errors.

Secondly, international experience indicates that currency crises are always associated with attempts to control exchange rates. Floating the zloty therefore lessens the risk of dislocations on domestic financial markets and the consequences these would entail, in the shape of a reduction in the purchasing power of the zloty, a slowdown in economic growth, and an increase in unemployment.

- The level of zloty exchange rates were impacted to a greater extent than in previous years by cross rates for the euro against the US dollar.

This was on the one hand related to considerably sharper euro depreciation on world markets<sup>9</sup>, and on the other to the abolition of the reference currency basket, which had cushioned the impact of fluctuations in these cross rates on the value of the zloty against particular foreign currencies<sup>10</sup>. As a result, the zloty strengthened solely against the euro in 2000 (registering an annualised average nominal gain of 5.1%, or 7.2% in real terms<sup>11</sup>). In relation to the dollar, the zloty lost 9.6% nominally and 5.6% in real terms. With the exception of the second quarter of the year, the trend for the zloty to firm against the single currency proved relatively constant; by the fourth quarter, the nominal value of the zloty against the euro was almost 10% higher than in the fourth quarter of 1999. In the second quarter, with a substantial deterioration reported in the first-quarter current deficit, the zloty softened against both the dollar and the euro. The periodic depreciation and higher volatility of zloty exchange rates in the period when the currency was floated were in large measure the result of events on world markets, namely, the much sharper swings seen in leading world stock market indices, and the marked acceleration of euro depreciation against the dollar. From the second half of 2000 onwards, the zloty was bolstered by the narrowing of the current deficit, and also by market expectations of an influx of foreign currency receipts from the privatisation of TP SA.

<sup>9</sup> The annualised average depreciation of the euro against the dollar in 2000 came to 13.3% (compared to 4.8% in 1999).

<sup>10</sup> The existence of the central parity rate for the zloty based on the reference currency basket constituted a component of the exchange rate system in place in Poland from 1991 to the floating of the zloty in April 2000. Under the crawling band mechanism instituted in 1995, the deviation of market rates from the parity rate was seen by market players as a measure of the strength of the zloty. The NBP set parity rates against the basket currencies, taking into account the current exchange rates between them on international markets and their respective weights within the basket as a whole. This smoothed the impact of movements in cross rates on the level of reference rates for the zloty against each of these currencies individually.

<sup>11</sup> As adjusted by reference to movements in manufacturers' producer prices.

The floating of zloty exchange rates was not a hindrance to achieving the inflation target in 2000. The move to a new exchange rate regime did not heighten exchange rate volatility; the index of zloty volatility in 2000 stood at 2.8%, compared to 2.7% in 1999<sup>12</sup>. The strengthening of the zloty acted to curb price growth. The National Bank estimates that the nominal effective appreciation of the zloty against a basket of the currencies most commonly used in foreign trade came to 2.2% in 2000 (this represents the annual average), and that this shaved 1.18 points off the CPI.

One of the key objectives in floating the zloty was to increase the effectiveness of monetary policy in influencing monetary aggregates and interest rates. Greater exchange rate risk was intended to weaken the impact of the disparity between domestic and foreign interest rates on portfolio capital flows targeting Polish debt instruments. However, studies at the NBP show a low correlation between the two<sup>13</sup>. This could imply that interest rate disparities are just one of many factors affecting the volume of capital flows. The decisions taken by portfolio investors in 2000 were primarily influenced by their assessment of the Polish economy in the context of the situation on international financial markets. An example of this was the departure of portfolio investment from countries classified as "emerging markets", including Poland, in October 2000, when Argentina stood on the brink of a currency crisis. Balance of payments figures indicate that the widening disparity between Polish and foreign interest rates in the course of 2000 did not trigger any surge in foreign investment in Polish debt. In the third and fourth quarters of the year, the balance of foreign investment in debt instruments (primarily Treasuries) was negative. Over the year as a whole, there was also a USD 1,848m net outflow of foreign deposits from Polish banks (whereas over the whole of 1999 there had been a net inflow of USD 606m).

### Other activity

The large influx of foreign currency privatisation receipts projected in 2000 led the Ministry of Finance and the NBP to establish a special foreign currency account for the Ministry at the Bank. A portion of the foreign currency revenues earned from privatisations are placed on this account, as are other Treasury receipts obtained abroad. The funds on this account are earmarked for servicing Poland's foreign debt. The role of the account is to eliminate the adverse effects of exchanging the currency in question. The exchange of large amounts of foreign currency privatisation receipts into zloty pushes up the value of the latter and expands the stock of liquidity within the banking system. Despite the opportunity to place these funds on this special account in 2000, some of the currency involved was nonetheless sold to the NBP by the Government, which increased banking sector liquidity (by a net 830m zloty).

<sup>12</sup> This volatility refers to a 50% dollar/ 50% euro currency basket. Zloty volatility is measured in terms of monthly standard deviations, calculated on the basis of the daily percentage change in exchange rates.

<sup>13</sup> These studies covered the period from October 1998 to February 2001. They took into consideration differences in both nominal and real interest rates for the zloty, the US dollar and the Deutschemmark, including adjustments for actual movements in zloty exchange rates against the latter two currencies.



To assist the fulfilment of government funding requirements during the year, the National Bank decided not to commence sales of conversion bonds until the third quarter. This was the most opportune moment to begin the operation, since the conversion into Treasury securities of central government liabilities arising on the debt of health service institutions was completed by the end of September. Further, October saw the receipt of funds due on the privatisation of TP SA. The result of this was a considerable reduction in the central government requirement for funding via sales of securities, which led to the supply of these being cut back.

This also explains why, given the persistence of surplus liquidity within the banking sector, a short-term deposit facility for the commercial banks at the NBP was not introduced, although provision for this had been made in the *Monetary Policy Guidelines for the Year 2000*.



## The Issue of Currency



*The Salt Mine in Wieliczka*  
20 zloty coin issued in 2001

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## The Issue of Currency

### Notes and coin in circulation

The volume of notes and coin in circulation fell 4.8bn zloty during 2000, to stand at 38.6bn zloty at year end, which represented a decrease over the year of 11.1% (by comparison, the volume of cash stocks had risen 27.6% in 1999).

Excluding vault cash, notes and coin in circulation totalled 34.1bn zloty at December 31, 2000, having come down 10.4% year-on-year, or some 4bn zloty.

The proportion of notes and coin (excluding vault cash) in the total money supply stood at 11.6% at December 31, 2000, which signifies a decline of 2.9% year-on-year.

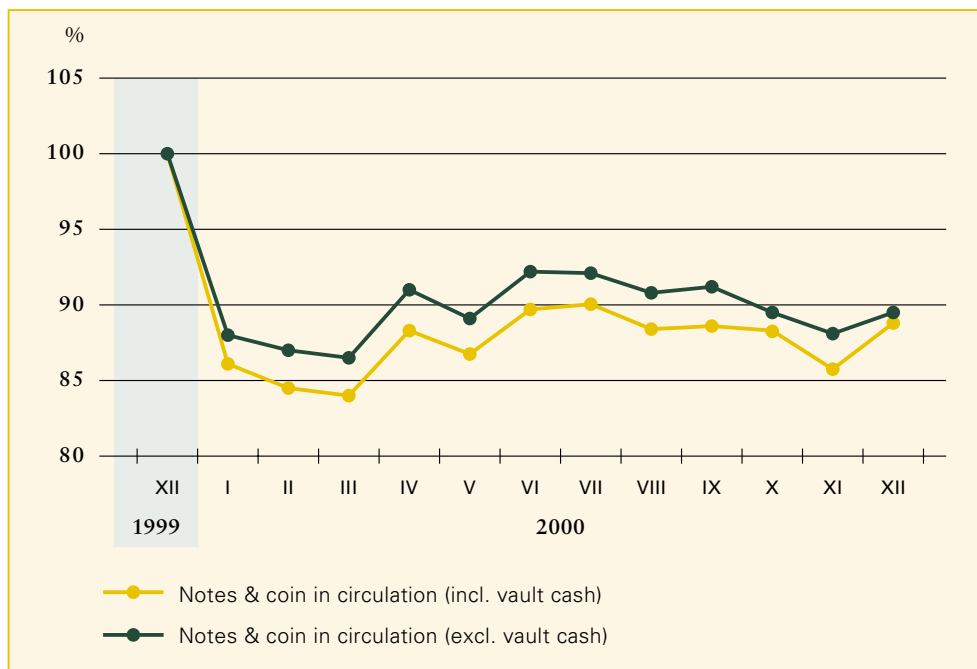
One of the reasons for the lower volume of currency in circulation was the increasingly widespread use of non-cash settlement methods.

At the end of 2000, the number of payment cards issued came to 11.3 million, an increase of around 3 million (26.5%) compared to the previous year. The value of card transactions performed during the year amounted to 64.2bn zloty. Compared to 1999, this represents an increase of almost 46.4%.

Table 5. Monthly movements in notes & coin, 2000

Month	Notes & coin in circulation (total)	Notes & coin in circulation (excl. vault cash)	Movements in total notes & coin	Movements in notes & coin excl. vault cash
	million zloty		December 1999 = 100 %	
December 1999	43,375.2	38,082.7	x	x
January 2000	37,325.6	33,515.8	86.1	88.0
February	36,678.0	33,138.2	84.6	87.0
March	36,436.5	32,957.4	84.0	86.5
April	38,279.6	34,619.5	88.3	90.9
May	37,688.5	33,960.4	86.9	89.2
June	38,970.9	35,116.0	89.8	92.2
July	39,082.0	35,088.4	90.1	92.1
August	38,327.8	34,547.7	88.4	90.7
September	38,440.9	34,689.5	88.6	91.1
October	38,293.1	34,085.4	88.3	89.5
November	37,204.5	33,545.4	85.8	88.1
December	38,564.1	34,112.7	88.9	89.6

Figure 5. Movements in notes & coin, 2000 (December 31, 1999 = 100)



Year-to-date movements in notes and coin in circulation in the particular months of 2000 are depicted in Table 5 and Figure 5.

The major increase in cash stocks in December 1999 (up some 5bn zloty on November 1999) was attributable to concerns over Y2K. These sparked a withdrawal of funds from the banks by depositors, who were seeking to safeguard these funds against the anticipated risk involved in the date change from December 31, 1999, to January 1, 2000.

At the beginning of 2000, the volume of notes in coin in circulation diminished, to hold steady throughout the rest of the year.

### Composition of notes & coin

At year end 2000, notes accounted for 96.8% of all currency in circulation by value, while coin made up 3.2%.

In absolute terms, the number of notes in circulation represented 10.3% of all items of currency, with coin constituting 89.7%. When compared to the end of 1999, a decrease took place in the total value of notes relative to coin (down 0.5 points), with a decline also seen in the relative number of notes in circulation (down 2.6 points).

At the end of 2000, the notes of the two highest denominations (200 and 100 zloty) accounted for 78.8% of the total value of all currency in circulation, a higher proportion than the year before (77.2% at year end 1999).

In terms of coin, the largest share of cash stocks by value was represented by 5, 2 and 1 zloty coins, which together made up 2.4% of currency in circulation.

### Supply of notes & coin to the banks

The requirements of cash circulation were met during the year by shipments of notes and coin carried out by 13 regional branches of the NBP. The frequency of these shipments varied, usually averaging one or two per month.

In addition to direct supplies of notes and coin to the banks, the practice of vault deposits placed at selected commercial banks was continued in 2000 as an additional method of supplying domestic currency. At December 31, 2000, the value of the NBP vault deposits held at branches of commercial banks represented 1.75% of the currency reserve at regional branches of the NBP, and 2.61% of total cash stocks.

### Withdrawal of worn or damaged notes & coin

As in previous years, notes and coin damaged or worn through their use in circulation were systematically destroyed during 2000. The notes and coin in question were withdrawn from circulation via NBP regional branches. Of the currency destroyed during the year, 98.5% constituted notes issued since redenomination.

## Other issues related to currency

### Production of currency

In 2000, the manufacturers of currency supplied the NBP with over 1 billion notes and coins, as previously ordered. The purchase cost of these items of currency came to 219.3m zloty (in 1999, the corresponding cost was 203m zloty).

In 2000, the Polish Securities Printing Works (PWPW SA) delivered to the NBP 10, 20, 50, and 200 zloty notes. During the year, PWPW SA also began the production and supply of 100 zloty notes. The design of the notes, security features and specifications of the paper (manufactured at PWPW SA) are identical to those of the notes purchased in previous years from the British company De La Rue International Ltd.

In 2000, the State Mint (Mennica Państwowa SA) produced 1, 2, 5, 10 and 20 grosze coins for general circulation. The 50 grosze and 1, 2 and 5 zloty coins brought into circulation were drawn from existing stocks.

### Issue of commemorative coins

The commemorative coins issued by the National Bank of Poland as collector's items are produced by the State Mint. From January to December 2000, the National Bank issued coins around 11 themes. The total number of commemorative coins struck was 7,725,950, of which 7,400,000 were of non-precious metals, 308,000 were of silver, and 17,950 were of gold, excluding "bullion" coins.

The themes employed and mintings struck involved 26 types of collector's coin, namely:

- nine 2 zloty coins struck from an alloy called "Nordic Gold",
- ten 10 and 20 zloty silver coins,
- six 100 and 200 zloty gold coins,
- one 200 zloty gold and silver coin.

The minting of gold "bullion" coins was continued in 2000, these being 50, 100, 200 and 500 zloty coins, containing, respectively, 1/10, 1/4, 1/2 and 1 ounce of pure gold. These coins are intended both for investment purposes and as collector's items.

The collector's coins issued by the National Bank of Poland are the subject of considerable interest in broad circles, and in virtually every case demand for these coins exceeds supply.

### Counterfeit domestic currency

The year 2000 brought a 17.9% decrease in the number of counterfeit domestic notes and coin uncovered compared to 1999. The counterfeit items uncovered were predominantly notes of current issue (72.7%), with the remainder (27.3%) comprising coins and other items of currency issued prior to 1994.

In terms of the amount of notes in circulation, the number of counterfeit notes detected is negligible. The same applies to coins.

### Exchange of currency no longer legal tender

In 2000, the banking system continued the exchange of old zloty, issued prior to redenomination, for new zloty. The old currency has ceased to be legal tender, although it will still be eligible for exchange at offices of the NBP and other domestic banks providing cash services until December 31, 2010. This exchange is now no more than vestigial in character. In 2000, it involved 1.5 million items of old currency, to a value of 9.9m zloty.



**Services to Central Government**



*Fifteenth anniversary of the Constitutional Tribunal Decisions (1986-2001)  
10 zloty coin issued in 2001*



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### **Operating the accounts of central government**

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### **Handling the international claims and liabilities of central government**

## Services to Central Government

In acting as banker to the government in 2000, the National Bank of Poland operated the bank accounts of central government, organised trading in Treasury securities, handled the international claims and liabilities of central government, and also administered the foreign borrowings of the Polish Government.

### Operating the accounts of central government

#### Types of central government account operated at the NBP

In providing banking services to central government, the National Bank of Poland operates:

- the central account of central government,
- the bank accounts of central government institutions,
- the bank accounts of government special-purpose funds.

As of 1999, when non-independent offices were established within the organisational structure of central government institutions, the NBP also operates subsidiary accounts for central government institutions and government special-purpose funds.

In 2000, the NBP provided services to around 3,200 customers, some 13% less than in 1999. In doing so, it operated around 6,800 accounts for them, including:

- 500 accounts for offices of government special-purpose funds,
- 400 subsidiary accounts.

The reduction in the number of the Bank's customers is principally due to the fact that in 2000, as part of the continuing reform of Polish local government and the civil service, official responsibilities involving employment and combatting unemployment were assumed by local government institutions. As of February 1, 2000, the NBP no longer operates accounts for employment offices. These accounts are now operated by banks selected under procedures laid down in the regulations on public procurement. Further, at the request of employment offices, 60% of the "local" accounts held by the Employment Fund were closed in 2000.

In 2000, the National Bank opened a foreign currency account for the Ministry of Finance, on which a portion of privatisation receipts are to be set aside for servicing the foreign debt of the Treasury and financing operations related to the early repayment of that debt.

### Principles for operating central government accounts

The operations carried out on central government accounts relate both to receipts and expenditures, including both cash and non-cash expenditures. Payments are authorised in observance of the key principle underlying the operation of current accounts, namely, that withdrawals cannot exceed the balance of funds held on account.

As a result of close collaboration with the Ministry of Finance, amendments were drawn up in 2000 to the Act on Public Finances and to the Ordinance of the Minister of Finance on detailed methods for the performance of the national budget and detailed principles for operating the bank accounts of central government, and the scope and time frame for the compilation by the National Bank of Poland of statements and reports on the performance of the national budget via the bank accounts operated for central government. These regulations allow banking services to be provided to central government, pursuant to the provisions of Article 190 of the Act on Public Finances, no longer than until December 31, 2002. It is projected that new principles for operating the accounts of central government will be introduced as of January 1, 2003.

### Procedures for operating central government accounts

Payment instructions from central government institutions and government special-purpose funds are handled at 49 local NBP offices and at the Bank's Main Foreign Exchange Control Branch, with cash transactions being performed at 40 local NBP offices and at offices of other banks. The facilities of the latter are used when particular government institutions have offices outside towns where there are NBP offices providing cash services. In both cases, the services are carried out at the expense of the National Bank, regardless of whether the transactions are performed through one of its own local offices or through the offices of another bank. The associated fees paid by the NBP to other banks in 2000 totalled 16,065m zloty.

As in 1999, the 49 local NBP offices transferred funds from the central account of central government to gmina (district) and powiat (local borough) accounts at domestic banks; these transfers involved:

- the proportional revenues attributable to gmina authorities from personal income tax receipts,
- the general local government grant,
- the general education grant,
- the compensatory road allowance included in the general grant,
- special-purpose subsidies.

These services are also provided at NBP expense.

All operations on customer accounts are performed by the Bank for same-day settlement. With a view to updating the technology applied in operating government accounts, a system entitled "Bank Customer" was implemented at the Chief Branch of Foreign Exchange in Warsaw to handle the transactions of the Social Insurance Board (ZUS), which allows payment instructions to be placed by electronic data interchange. Work is under way on a new electronic banking system to be used for operations with other customers.

Although the number of customers serviced by the Bank decreased in 2000, there was an increase in the number of settlement transactions performed. The number of incoming transactions was slightly higher than that seen the year before, mainly as a result of the procedure adopted for the payment of social insurance contributions, health insurance contributions, and contributions to the Employment Fund and Guaranteed Employee Benefit Fund. The difference in question involved the number of transactions settled in the first quarters of 1999 and 2000, respectively. In 1999, it was not until February that social insurance contributions, health insurance contributions, and contributions to the Employment Fund and Guaranteed Employee Benefit Fund began to be collected separately by ZUS. Subsequently, the number of incoming payments steadied at 17-18 million per quarter. The number of outgoing payments has been rising, chiefly due to the growing proportion of salaries being paid out on a non-cash basis under the ELIXIR system, in which each single disbursement constitutes a separate settlement transaction.

Detailed figures on the number, composition and growth of transactions settled by the Bank are given in Table 6.

Table 6. Payment instructions forwarded and received, 1999-2000

Period	Payment instructions handled				Growth, 1999 = 100 payment instructions	
	Forwarded		Received		forwarded	received
	1999	2000	1999	2000		
1st quarter	914,345	1,135,649	12,542,052	17,510,578	124.2	139.6
2nd quarter	1,048,064	1,284,490	17,594,774	17,419,187	122.6	99.0
3rd quarter	977,420	1,180,013	17,845,979	17,119,589	120.7	95.9
4th quarter	1,145,328	1,232,597	18,157,920	18,351,397	107.6	101.1
<b>Total</b>	<b>4,085,157</b>	<b>4,832,749</b>	<b>66,140,725</b>	<b>70,400,751</b>	<b>118.3</b>	<b>106.4</b>

### Organising trading in Treasury securities

In 2000, the NBP in its capacity as issuing agent for Treasury securities organised 57 tenders for Treasury bills. The supply of T-bills on offer totalled 47.2bn zloty, an increase of 4.7% on the previous year. Nominal demand for these bills amounted to 115.83bn zloty, up almost 30% on 1999.

Detailed information on the scale and composition of T-bill sales in 2000 is presented in Table 7.

Table 7. T-bill sales, 2000

Maturity	Tender		3 : 2	Sales			
	offered for sale	Bids received		Total	of which: bought by banks	5 : 3	5 : 2
	million zloty		%	million zloty	%		
1	2	3	4	5	6	7	8
2-wk	6,300.0	9,755.9	154.9	6,300.0	94.2	64.6	100.0
3-wk	7,700.0	19,462.4	252.8	8,349.9	92.7	42.9	108.4
6-wk	2,700.0	2,777.0	102.9	2,011.2	84.3	72.4	74.5
8-wk	300.0	962.6	320.9	300.0	84.9	31.2	100.0
13-wk	5,000.0	13,365.0	267.3	4,742.7	69.9	35.5	94.8
26-wk	2,600.0	6,571.0	252.7	2,354.8	76.3	35.8	90.6
52-wk	22,600.0	62,937.0	278.5	22,746.2	77.7	36.1	100.6

The NBP also maintains a record, at the Central Treasury Bill Register, of all transactions on the secondary market for T-bills. In 2000, 89,899 transactions were recorded (around 8% fewer than in 1999), with the nominal value of these (net) rising 14% to stand at 423,255.49m zloty.

During the year, the Bank also conducted 36 tenders for Treasury bonds addressed to direct participants in the National Securities Depository. At these tenders, the Ministry of Finance offered investors the following T-bonds:

- 2-year bonds worth 10,200m zloty, with bids received totalling 28,727.33m zloty and sales amounting to 10,030.45m zloty,
- 5-year bonds worth 11,500m zloty, with bids received totalling 38,115.65m zloty and sales amounting to 10,905.74m zloty,
- 10-year bonds (both fixed- and floating-rate) worth 5,107.15m zloty, with bids received totalling 11,285.95m zloty and sales amounting to 4,753.83m zloty.

The total supply of T-bonds in 2000 came to 26,807.15m zloty, with investors placing bids of 78,128.93m, and final sales of 25,690.02m.

## Administering the foreign borrowings of the Polish Government

In 2000, the NBP continued to supervise the repayment by domestic parties of the loan financing extended to them under the World Bank's "Financial Institutions Development", "Privatisation & Restructuring" and "Agricultural Development" facilities. Dis-

bursements under these facilities had been completed in previous years. In December 2000, the liabilities of National Investment Funds expired, as the loans previously drawn had been paid down in full.

### Handling the international claims and liabilities of central government

In its capacity as financial agent to the Government with respect to the conclusion and performance of loan agreements and the servicing of the official foreign debt, in 2000 the NBP continued to handle the foreign liabilities of the Polish Government with respect to borrowings from international financial organisations and also contributions to those organisations.

The agreement in place with the Minister of Finance concerning the handling of central government claims and liabilities arising on loan agreements with international financial institutions and organisations concluded or guaranteed by the Polish Government, and arising on Polish membership in such organisations<sup>14</sup>, was extended in 2000 to include maintaining the financial records of:

- contributions and donations to international financial organisations,
- guarantees extended by the Polish Government on behalf of Polish business organisations utilising loans from international financial institutions and foreign banks.

In addition, in accordance with the agreement referred to above, the NBP:

- compiled an aggregate balance sheet, expressed in zloty, of the claims and liabilities of central government at December 31, 1999, and submitted this to the Ministry of Finance,
- compiled and submitted individual currency balance sheets, as at December 31, 1999, for each loan received in the years 1990-1999,
- performed a reconciliation, as at December 31, 1999, of membership contributions made by Poland to international financial institutions and organisations, and of donations made to them and the obligations ensuing therefrom, covering the years 1986-1999,
- performed a reconciliation, as at December 31, 1999, of the balance on uncrystallised Treasury liabilities on guarantees extended by the Polish Government to international financial institutions and foreign banks on behalf of Polish business organisations.

<sup>14</sup> This agreement was concluded in 1995.





Foreign Exchange Operations



*The Year 2000*  
200 zloty coin issued in 2000



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## Foreign Exchange Operations

### Management of the official reserves

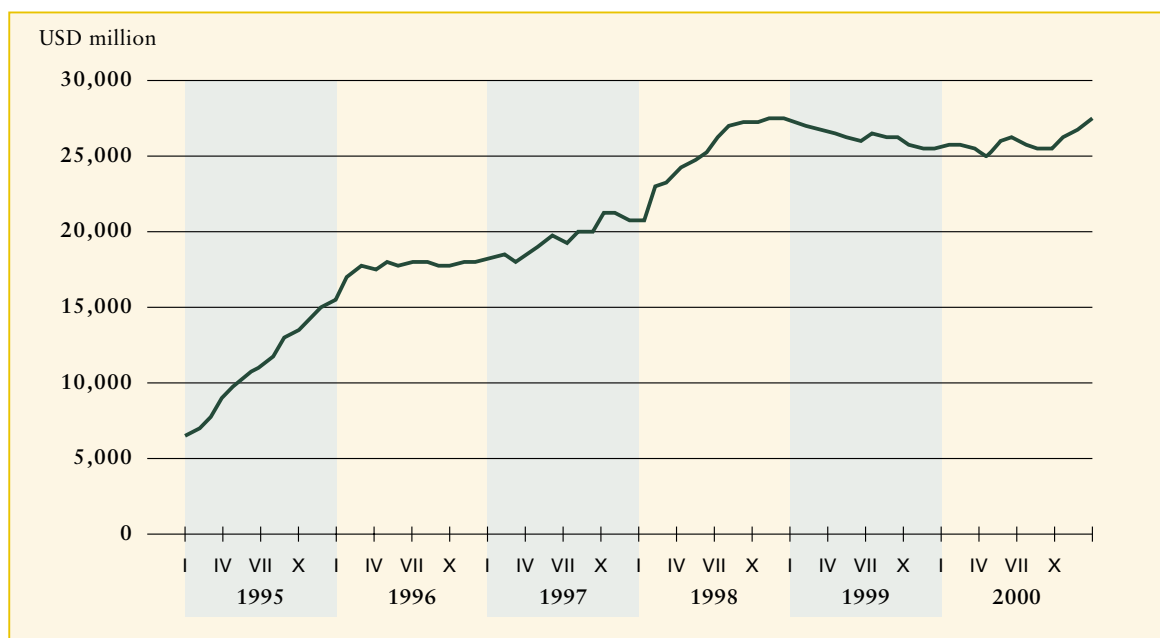
#### Principles for managing the official reserves

In managing the official foreign exchange reserves in 2000, the National Bank of Poland was guided by the following principles, as it had been in previous years:

- achieving the highest possible safety of investment,
- ensuring the requisite level of liquidity,
- maximising returns at an acceptable level of risk.

The level of the official reserve assets<sup>15</sup>, in dollar terms, is depicted in Figure 6.

Figure 6. Official reserve assets (monthly balances)



<sup>15</sup> The official reserve assets comprise liquid foreign assets held and fully controlled by the NBP. They constitute security for potential balance of payments operations and may be used for interventions on the Polish FX market. The official reserve assets include such financial instruments as: a) convertible currency assets (securities, and foreign currency held at the NBP vaults or placed at banks abroad); b) Poland's reserve tranche at the International Monetary Fund; c) SDRs (the current account of the NBP at the IMF); d) monetary gold; e) other reserve assets. This item replaced the previous "gross official reserves" reported by the NBP, which differed from the official reserve assets

As of the beginning of 2000, resolutions of the NBP Management Board brought into force new parameters for the composition of the foreign exchange reserves and benchmark parity. These represented key determinants of the investment process. Compared to the previous year, the composition of the benchmark portfolio involved a reduction in the relative proportion of repurchase agreements, these being replaced by securities maturing in no more than one year and interbank placements, due to the lower returns available on the former.

### Market factors conditioning investment

An important factor conditioning actual investment in particular instruments, and thus directly impacting the financial performance achieved, was the market environment obtaining during the year. The year 2000 was marked by the sharp upward course taken by the dollar, particularly against European currencies. On October 26, the euro sank to an all-time low of USD 0.8225, while on September 12 the pound sterling had hit a 14-year low of USD 1.3945. The strong dollar was primarily a reflection of the sustained 10-year upturn in the US economy.

The principal central banks embarked on a clear tightening of monetary policy during the year:

- by May, the Federal Reserve had already raised its rates three times (taking the Fed Funds rate up a total of 100 bps to 6.5%),
- the European Central Bank had raised its rates six times by October (a total upward adjustment of 175 bps in its refinancing rate, to 4.75%),
- the Bank of England raised its base rate twice (50 bps altogether, to 6.0%),
- the Bank of Japan withdrew from its policy of virtually zero interest rates, in place for 18 months previously, putting its rates up 25 bps.

The effect of the restrictive monetary policies being pursued in these countries, and also of market expectations regarding further movements in official rates, was that yields on money market instruments were higher than a year before:

- US dollar LIBOR for deposits of 1-6 months' maturity ranged from 5.8% to 07.1%, whereas a year earlier this range had been 4.9%-6.5%,
- euro LIBOR went up steeply, to stand at 3.1%-5.2% for the same maturities as above, compared to 2.6%-3.6% a year previously,
- sterling LIBOR remained below dollar rates, at 5.4%-6.5%, as against 5.0%-6.3% in 1999.

The abrupt slowdown in US economic growth seen in the latter half of the year curbed the upward trend in interest rates, and the fourth quarter brought mounting expectations of a relaxation of US monetary policy. The slackening of US growth had a crucial impact in fostering market expectations that rates would come down towards year end in the other developed economies as well.

These changes found expression in the yield curves for US Treasuries and for government securities denominated in euros, as follows (cf. Figs. 7 and 8):

in the treatment of repurchase agreements (repos). The "gross official reserves" included the net value of all repo transactions (the difference between repos and reverse repos). By contrast, the official reserve assets only incorporate reverse repos.

- On an annualised basis, the greatest increase was seen in the price of US government paper maturing in over one year; the downward trend in the price of these securities since October 1998 was reversed in the first quarter. On the same basis, 6-month and 1-year instruments also rose in value, with a surge in prices in the final quarter of the year fully offsetting previous losses. A key factor affecting the price of shorter-dated instruments was stock market volatility, especially as regards high-tech stocks. In reaping the main rewards of funds being pulled out of the stock market, government paper gained as the Nasdaq slumped (March-April and September-December). In the first half of the year, this constrained the decline in price of these instruments – particularly sensitive to monetary policy shifts – caused by official interest rates being raised, while in the fourth quarter this boosted the advance in prices triggered by the increasingly close prospect of a rate cut. The market expectation that rates were about to be lowered was expressed in yields on all US government instruments running below the Fed Funds rate throughout the second half of the year.
- As regard government instruments denominated in euros, it was only longer-dated paper that rose in price. The fall in the price of discount securities, and the lower increase in bond prices compared to US government paper, were traceable to the differences in the respective economic environment, to the greater rate rises performed in the euro area, and to other market sentiment concerning future monetary policy. In addition, the price of euro-denominated government debt also suffered from the sinking value of the euro itself.

Figure 7. US Treasury yield curves

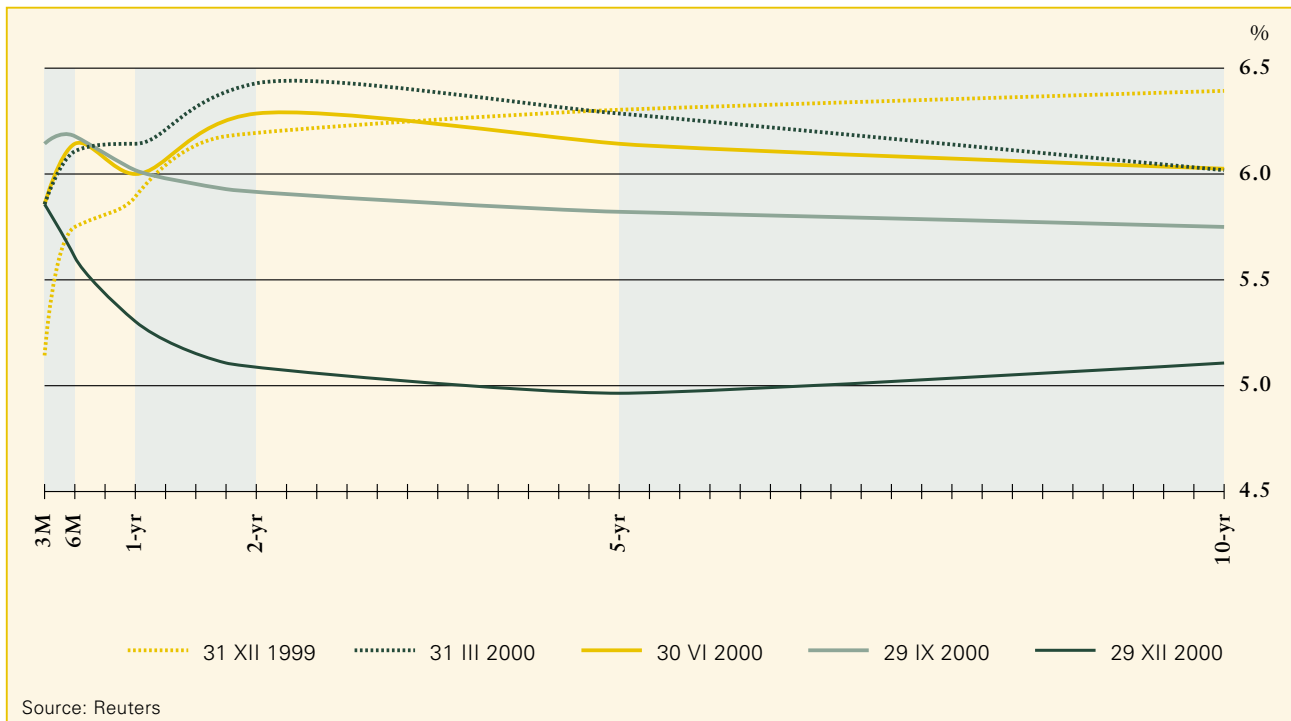
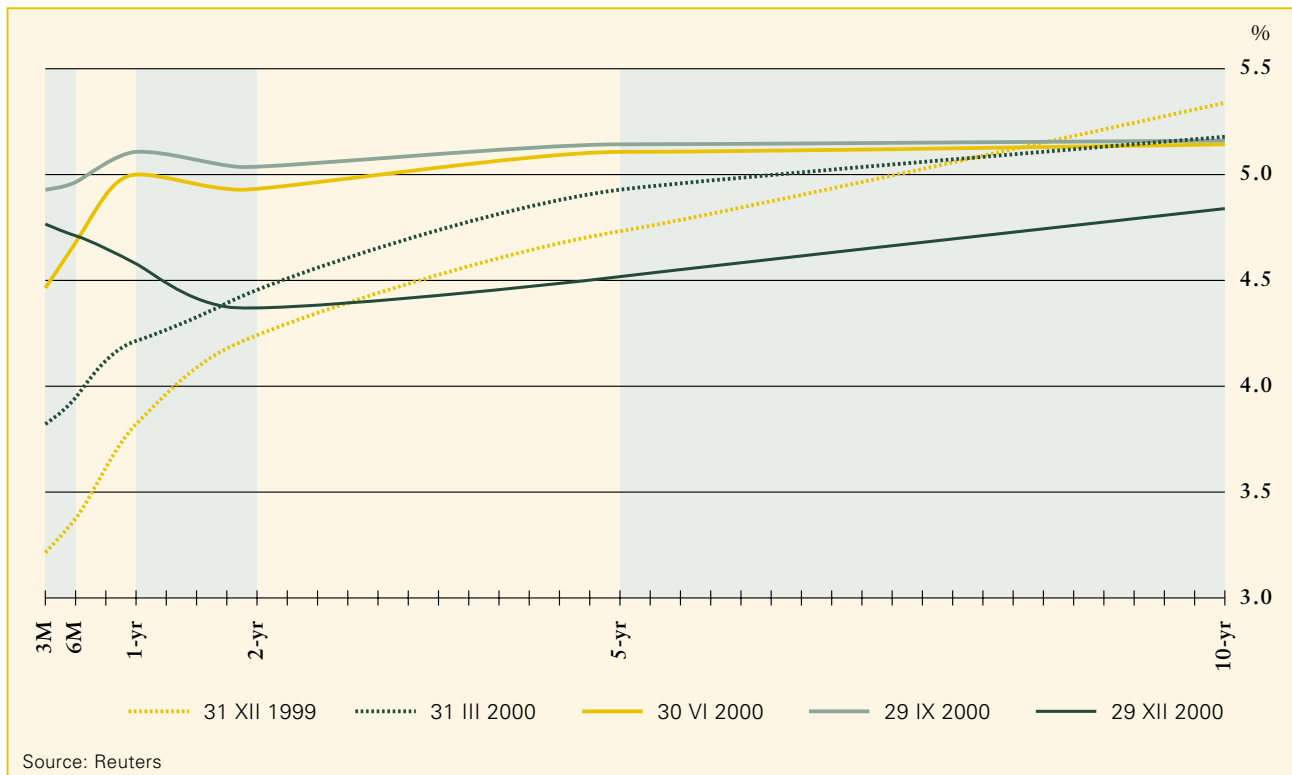


Figure 8. Euro government yield curves

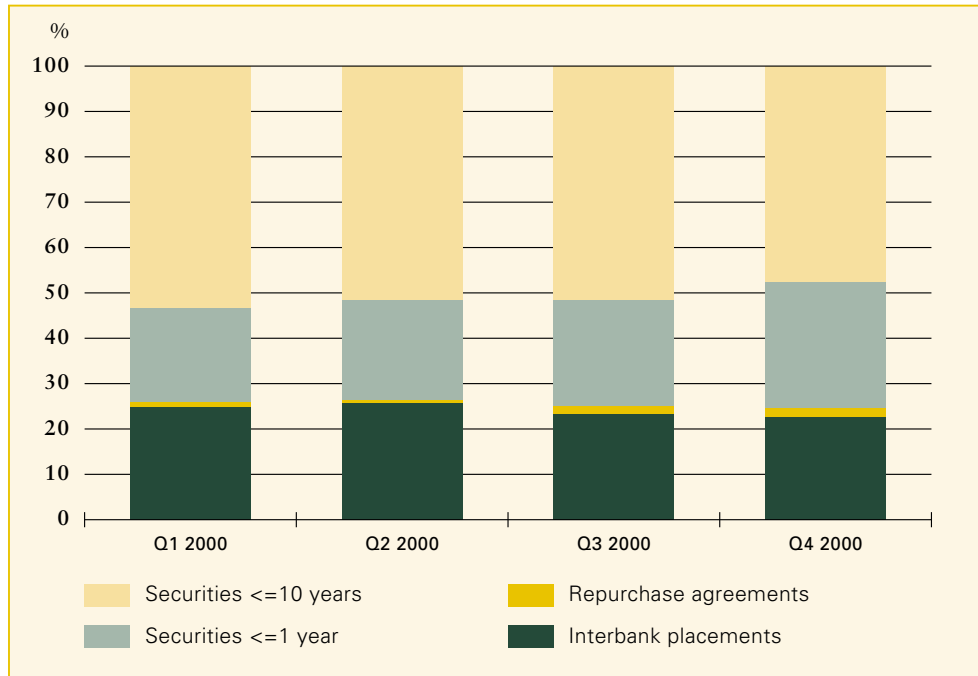


### Structure and investment horizon of the official reserves

The downside price risk, especially as regards longer-dated securities, that persisted for the greatest part of 1999 due to expectations of rates being raised, was limited by shortening the investment horizon of the official foreign-exchange reserves. Investment in money market instruments was gradually increased, primarily at the expense of capital market instruments (cf. Fig. 9). The shift in the investment climate seen in the latter half of the year resulted in a lengthening of the investment horizon in the fourth quarter, particularly as regards instruments maturing in no more than 10 years.

As in previous years, the debt instruments held as part of the reserves were used for structured transactions, primarily securities lending (the simultaneous conclusion of repo and reverse repo transactions), and to a lesser extent repo placements. FX trading was utilised to maintain the required currency composition of the reserves or in connection with servicing the foreign debt. An important new factor in managing the official reserves was the inflow of USD 2.6bn to the foreign currency account held by the Ministry of Finance, and the utilisation of these funds to perform almost half of the payments due on the foreign debt. The first receipts on this account were recorded towards the end of August, and at year end the balance on the account was USD 0.9bn.

Figure 9. Structure of official reserves by investment instrument employed, 2000  
(quarterly averages)



### Investment income

The income earned on investment activity in 2000 totalled USD 1.5bn. This sum represents the combined effect of the investment assumptions made in terms of the composition of the reserves, by both currency and instrument, and the market conditions prevailing.

## Exchange controls

### Modifications to exchange regulations

Work was continued in 2000 to adapt existing regulations in line with the provisions of the new Foreign Exchange Act. As a result:

- a Resolution of the NBP Management Board on procedures applicable to the issue of foreign exchange rulings was adopted on March 3, 2000, and took effect on March 15, 2000. This resolution specifies the procedures to be applied at offices of the National Bank in examining applications concerning matters of foreign exchange,

- a new Regulation of the President of the NBP specifying the schedule of foreign currencies deemed convertible took effect on February 1, 2000.

During the year, as part of the collaboration with the Ministry of Finance in developing government foreign exchange policies, the work was continued of an interdepartmental group of experts on the deregulation of short-term capital flows between Poland and the other OECD countries and European Union countries.

On the basis of the amended provisions of the Banking Act, the President of the NBP issued 127 rulings concerning non-bank foreign currency desks, with 52 of these authorising the operation of such desks and 75 amending or revoking such authorisations or asserting that authorisations previously held had expired.

A total of 140 foreign exchange authorisations were granted to banks in 2000.

Further, during the year a total of 3,717 foreign exchange rulings were issued.

A listing of the foreign exchange permits issued by the NBP in the years 1999-2000 is given in Table 8.

Table 8. Number of foreign exchange permits issued by NBP, 1999-2000

Foreign exchange transaction	1999			2000			7 : 4 %
	No. of permits issued by International Dept., NBP Head Office	No. of permits issued by regional branches	Total	No. of permits issued by International Dept., NBP Head Office	No. of permits issued by regional branches	Total	
1	2	3	4	5	6	7	8
Conducting the business of bureau de change	-	443	443	-	426	426	96
Direct investments	29	28	57	16	42	58	102
Portfolio investments	81	-	81	201	-	201	248
Deposit transactions of which:	508	2	510	599	3	602	118
– opening and holding of account abroad	248	2	250	299	3	302	121
– opening of time deposit at domestic bank	9	-	9	8	-	8	89
– other transactions involving deposits	251	-	251	292	-	292	116
Loan transactions	143	-	143	173	-	173	121
Exemption from using services of bank	28	27	55	26	25	51	93
Exemption from using services of brokerage house	303	-	303	289	-	289	95
Exemption from submission of documents at bank	79	-	79	4	-	4	5*
Exemption from immediate transfer of currency	154	-	154	160	-	160	104
Payment in foreign exchange	21	-	21	33	-	33	157
Other capital transactions	766	47	813	630	54	684	84
Sale of foreign exchange	0	-	0	2	-	2	
Disposition of debt	71	-	71	103	-	103	145
Exemption from payment in convertible currency or zloty	28	-	28	39	-	39	139

\* On May 31, 1999, the Ministry of Finance issued an interpretive ruling with respect to Article 14, para. 5, of the Foreign Exchange Act. From that point onwards, as regards the tax collectible on the income or revenue involved in an international transfer, a statement from the taxpayer in question is sufficient, whereas previously it had been necessary to submit to the bank concerned a tax office certificate that no tax liability remained outstanding



### Performance of exchange controls

In 2000, the National Bank carried out exchange control inspections pursuant to Article 21, para. 3, subpara. 1, of the Foreign Exchange Act of December 18, 1998.

During the year, 2,982 such inspections were performed (compared to 2,962 in 1999), which broke down as follows:

- 80% involved inspections of the operations of bureaux de change (in 1999 these had represented 88% of all inspections),
- 6% involved inspections at banks (5% in 1999),
- 3% were related to compliance with foreign exchange permits (6% in 1999),
- 4% involved inspections at non-bank foreign currency desks (1% in 1999),
- 7% were related to the performance of reporting requirements concerning the compilation of the balance of payments (0% in 1999)<sup>16</sup>.

The exchange control inspections carried out by the NBP, by subject matter and the offices performing those inspections, are presented in Table 9.

**Table 9.** Foreign exchange inspections by scope and office, 2000

	Scope of inspection	No. of inspections		
		International Dept., NBP Head Office	Regional branches & Chief Branch of Foreign Exchange in Warsaw	Total
1.	Inspections of banks licensed to conduct foreign exchange operations	9	179	188
2.	Reviews of compliance with terms of foreign exchange permits granted to residents and non-residents of which:	12	69	81
	– reviews of compliance with foreign exchange permits together with performance of balance of payments reporting requirements	12	20	32
3.	Inspections of bureaux de change*	-	2,354	2,354
4.	Inspections of establishments buying & selling gold and platinum*	-	26	26
5.	Inspections of non-bank foreign currency desks*	-	135	135
6.	Reviews of performance of balance of payments reporting requirements*	-	198	198
	<b>Total</b>	<b>21</b>	<b>2,961</b>	<b>2,982</b>

\* Inspections performed solely by NBP regional branches & Chief Branch of Foreign Exchange in Warsaw

<sup>16</sup> Inspections in this field were not begun until 2000.

### Exchange control inspections at banks

In conducting inspections at banks, the following areas were subject to particular analysis:

- compliance by the banks with statutory restrictions concerning deposit and loan transactions, and portfolio investments involving short-dated securities and financial derivatives,
- compliance by the banks with exchange control requirements relating to foreign exchange transactions performed with their involvement or through their intermediation,
- fulfilment by the banks of the requirement to record certain transactions involving foreign exchange as part of the process of combatting money laundering,
- the performance of statistical requirements with respect to the balance of payments, with particular focus on the accuracy of the statistical references assigned to foreign exchange operations.

Of the 188 inspections performed, 144 revealed irregularities of various kinds. The ratio of irregularities disclosed to inspections undertaken stood at 77%, which was similar to that recorded in 1999. This high ratio stems from the fact that the exchange control inspectors called into question all departures from the provisions of the Foreign Exchange Act, and also from the banks' own internal policies and procedures relating to foreign exchange transactions and the principles for their performance of exchange controls. On the basis of the irregularities thus determined, inspection recommendations were issued, requiring the management of particular bank offices to ensure compliance with legal regulations in the conduct of their foreign exchange activity. In 9 cases, the inspection findings indicated that a misdemeanour or criminal offence might have been committed under foreign exchange regulations, and the relevant fiscal agencies were duly notified.

### Inspections of compliance with foreign exchange permits

In selecting the foreign exchange permits to be inspected for compliance by the NBP, the procedure applied ensured a proportional review of all foreign exchange transactions subject to official authorisation. In 2000, particular attention was paid to permits for trading in financial instruments classified as "other capital transactions", and also to derivative instruments acquired to hedge against the risks associated with exchange operations.

An overview of the inspections conducted, broken down by the foreign exchange transactions involved and the offices performing the inspections, is given in Table 10.

The National Bank carried out 81 inspections of compliance during the year, reviewing the foreign exchange transactions undertaken pursuant to 104 permits.

Irregularities were found in 32 cases, with 31% of these involving violations of the Foreign Exchange Act, and 69% involving a failure to satisfy the conditions or requirements specified in the foreign exchange permits concerned.

Inspection recommendations were issued to all organisations where irregularities were disclosed in the activity being conducted. In 7 cases, the relevant fiscal agen-

Table 10. Inspections relative to foreign exchange permits, 2000

	Foreign exchange transactions reviewed	No. of permits reviewed for compliance		
		International Dept., NBP Head Office	Regional branches & Chief Branch of Foreign Exchange in Warsaw	Total
1.	Direct investments	-	20	20
2.	Portfolio investments	4	2	6
3.	Deposit transactions	3	-	3
4.	Loan transactions	6	-	6
5.	Exemption from immediate transfer of currency	5	-	5
6.	Exemption from using services of bank	-	7	7
7.	Other capital transactions	6	16	22
8.	Other transactions	6	29	35
	<b>Total</b>	<b>30</b>	<b>74</b>	<b>104</b>

cies were notified that the circumstances in question suggested the possibility of a foreign exchange misdemeanour or offence having been committed.

#### Exchange control inspections at bureaux de change

In 2000, there were 3,648 bureaux de change in operation, and another 62 establishments trading in gold and platinum.

The performance of 2,380 inspections at these establishments resulted in irregularities being determined in 875 cases, which represented 37% of the sample reviewed (in 1999, the corresponding figure had been 40%).

The inspections performed at bureaux de change (and establishments trading in gold and platinum), which in recent years have accounted for the largest percentage of all foreign exchange inspections, have assisted in enforcing greater discipline in compliance with legal requirements. This is evidenced in a systematic increase in the number of inspections failing to find any irregularities.

In the follow-up measures undertaken in 2000, the National Bank issued letters of recommendation to the owners of bureaux de change requiring them to remedy any deficiencies noted. At the same time, 90 notifications were forwarded to financial investigation agencies regarding foreign exchange offences or misdemeanours committed. In addition, the Bank revoked 4 licences to operate bureaux de change, as the owners concerned failed to satisfy the statutory requirement of having no criminal record.

### Exchange control inspections at non-bank foreign currency desks

At year end 2000, there were 334 non-bank foreign currency desks in operation.

Inspections at these desks focussed on reviewing compliance with the conditions specified in the authorisations for their operation, and on assessing observance of the requirements set in the ordinance of the Minister of Finance which regulates the purchase and sale of foreign exchange by organisations other than banks and other agents not possessed of personality at law. This ordinance took effect at the end of 1999, and the fact that inspections at the desks included reviews of compliance with this ordinance completely determined the findings of those inspections. Of the 135 inspections of these establishments conducted in 2000, deficiencies in their operation were noted during 96, i.e., 71% of all inspections (compared to 48% in 1999). A breakdown of the deficiencies uncovered attests to the difficulties which these establishments are having in the practical implementation of the provisions of the above-mentioned ordinance.

Where irregularities were noted, the Bank issued letters of recommendation, and in 4 cases notified the relevant fiscal agencies.

Inspections of compliance with the requirement to submit to the NBP the data necessary for the compilation of the balance of payments and the balances of central government foreign assets and liabilities, and notifications of property held abroad

In 1999, the National Bank of Poland was authorised to review the performance of these reporting requirements. The conduct of compliance inspections were not begun until 2000, however, after the requisite methodology and procedures had been developed.

In reviewing compliance with reporting requirements, the Bank examined:

- whether the reports were being submitted on a timely basis,
- whether the reports had been prepared accurately,
- whether the data reported was consistent with books of account.

Of the 230 inspections performed, irregularities were noted in 190 cases, i.e., during 83% of all inspections. Under the follow-up procedures then applied, the Bank in all cases issued letters insisting the organisations concerned properly perform their reporting requirements, and also referred 18 cases to fiscal agencies.

The scale of the misdemeanours noted is large, although this is in part attributable to all exceptions in the area reviewed being classed as irregularities. It can also be traced to the low level of liability to penalties, combined with insufficient recognition of the importance of complying with reporting requirements among most of the parties obliged to do so. However, the foreign exchange inspections carried out in this area are helping to change this state of affairs by constantly promoting the requisite legal awareness among the organisations subject to inspection.

## Servicing the foreign borrowings of the NBP

### World Bank loans

In 2000, the NBP continued to administer loans channelled by the NBP to domestic banks under funding provided by the World Bank to finance the Industrial Export Development and Agro-Industrial Export Development programmes. This administration involved supervising the repayment of these loans. During 2000, the sole debt still outstanding was that of Bank Gospodarki Żywnościowej SA (BGŻ SA). Repayments were received as scheduled, as a result of which the debt of BGŻ SA under the Industrial Export Development facility declined from USD 1.08m at year end 1999 to USD 0.86m at the end of 2000, while the debt under the Agro-Industrial Export Development facility was reduced from USD 1.64m to USD 1.13m.

### Other loans

Due to the expiry of the Financial Protocol signed by the Polish and French governments on February 1, 1993, the National Bank concluded no new agreements in 2000 with the banks authorised to onlend funds for the development of Franco-Polish companies, although disbursements under agreements previously concluded were continued until the end of the year. Under the line of credit opened for the NBP by Natexis Banque Populaire, the banks eligible for loans under this line drew down FRF 10.0m in 2000.

At December 31, 2000, the claims of the National Bank of Poland on the participating banks amounted to:

- FRF 101.95m on loans extended for the development of Franco-Polish companies,
- FRF 7.5m on banking cooperation finance (a capital injection to BISE SA).

The loans concerned are being repaid by the banks in accordance with the agreed repayment schedules.



## International Activity



*Queen Jadwiga, 1384-1399*  
100 zloty coin issued in 2000

## Adjusting the Polish banking system and the NBP to the requirements of the European Union

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## International Activity

### Adjusting the Polish banking system and the NBP to the requirements of the European Union

The marked intensification of activity geared towards the integration of Poland within the European Union was reflected in 2000 in the work conducted at the NBP. Numerous analytical materials were prepared concerning the adjustment of the Polish banking system to conform to EU requirements. In addition, the Bank continued its efforts to become technically prepared for membership in the European System of Central Banks.

The NBP participated in carrying out the priority measures set by the Polish Government and the Agency of the Committee for European Integration related to modifying the *National Programme of Preparations for Membership in the European Union*; among other things, the completion of these measures constituted a precondition for work on PHARE 2000 programming. This document was extended to incorporate an NBP priority entitled *The Adjustment of the National Bank of Poland to Operation within the European System of Central Banks*.

Other important adjustment activity included:

- preparing supplementary materials to the Polish Government's *Information for the European Commission's Regular Report on Poland's Progress Towards Accession to the European Union 1999-2000*, and the *Addendum to the Information for the European Commission's Regular Report on Poland's Progress Towards Accession to the European Union 1999-2000*,
- preparing an *Evaluation of the transposition and implementation of Community legislation (acquis communautaires) in Poland included in the European Commission's Regular Report 2000* as an addendum to the *Evaluation of Poland's administrative capacity to transpose, implement and enforce the acquis communautaires included in the European Commission's Regular Report 2000*,
- performing an analysis of the *Regular Report 2000* as it refers to the NBP and the banking sector,
- compiling information to be included in the document, *Implementation commitments resulting from the negotiating position paper in the field of "Freedom to provide services"*,
- preparing a *Report on the impact of technical progress on financial services and the related legal adjustments ensuing from Poland's future membership in the EU*.



## Introduction of the euro in the EMU countries

Analysis of the impact of introducing the euro on the Polish banking system

In 2000, the NBP conducted analyses related to the introduction of the euro within the EMU countries as of January 1, 1999.

A survey of commercial banks on the impact of the launch of the euro on the Polish banking industry furnished the basis for drawing up a document entitled *"An Analysis of the Impact of Introducing the Euro on the Polish Banking System"*. The analysis contained therein focusses on the changes that occurred within the Polish banking sector during the first year of the single currency, particularly as regards the measures taken by the largest Polish banks in response to the qualitatively new framework for the conduct of banking activity that arose in 1999.

The performance of this analysis of the impact of the euro on the Polish banking system in the first year after its launch represents an integral part of the workplan adopted by the NBP with a view to incorporating suitable provisions relating to the euro in Polish legislation. The basis and key point of reference for this plan is the *"National Programme of Preparations for Membership in the European Union"* adopted by the Committee for European Integration (on April 10, 2000), and subsequently by the Council of Ministers (on April 26, 2000). The chapter of this document entitled *"Economic and Monetary Union"* contains an adjustment priority designated as *"Implementation of Regulations Related to the Introduction of the Euro"*. This priority assumes a future target situation of Polish membership in EMU and the replacement of the zloty by the euro, and sets intermediate objectives in terms of the earlier performance of specific adjustment measures (principally legislative in character), to be carried out in the period prior to membership.

Bill on the consequences of the introduction of the single currency, the euro, in certain European Union member states

In 2000, the National Bank drafted a Bill on the consequences of the introduction of the single currency, the euro, in certain European Union member states. The solutions adopted in this Bill are intended to ensure the proper performance of contractual agreements within the Republic of Poland following the introduction of euro notes and coin in twelve EU member countries as of January 1, 2002.

## PHARE 2000

In April 2000, a project was developed at the NBP entitled *"The Adjustment of the National Bank of Poland to Operation within the European System of Central Banks"*, which in July was accepted by the European Commission and referred for co-financing under the PHARE 2000 programme. The total cost of financing the project is 6,490,000 euros, of which 3,500,000 is to be provided by PHARE.

The project involves the following areas of the National Bank's activity that are the subject of adjustment measures: the payment system, monetary statistics, the

monitoring of capital flows, accounting systems, banking supervision, internal audit, and IT systems. The NBP Management Board selected twinning partners for the performance of this project, namely, the Bank of France (as lead institution) and the Bank of Italy (as cooperating institution).

In line with the timetable for work related to the conclusion of twinning agreements, as drawn up by the European Commission on September 15, 2000, offers of cooperation between the NBP and the Bank of France and Bank of Italy were submitted to the Commission. On October 2, 2000, a meeting was held at the offices of the Representation of the European Commission in Warsaw between representatives of the NBP and those of the Bank of France and Bank of Italy, who presented proposals for cooperation within the framework of PHARE 2000. The signing of twinning agreements with these partners is planned for 2001.

### **NBP data bases**

To increase the efficiency of the work being carried out at the NBP in connection with the process of integration, a data base was developed containing source materials on the operation of the European System of Central Banks and the euro. In preparing this, the resources of the JUSTIS 5 data base and those accessible on the Internet were utilised, while in the case of legislation translated into Polish, use was made of the resources of the Progress Editor data base, made available by the TAIEX office.

## **Collaboration with international financial institutions**

### **The Organisation for Economic Cooperation and Development (OECD)**

In relation to issues involving the OECD, the NBP concentrated its attention during the year on ongoing collaboration with the National Coordinator of Cooperation between the Polish Government and the OECD, the Ministry of the Economy, the Ministry of Finance, and the Permanent Representative of the Polish Government to the OECD.

In 2000, eight persons participated in the work of OECD committees and working groups on behalf of the NBP. In all, they participated in 16 meetings, of the Working Party on Financial Statistics, the Economic Policy Committee, the Committee on International Investments and Multinational Enterprises, the Committee on Capital Movements and Invisible Transactions, the Committee on Financial Markets, the Working Party on Short-Term Economic Prospects, the Committee on Competition Law and Policy, and the Working Group on Bribery in International Business Transactions.

In May 2000, the National Bank drew up a report for the Ministry of Finance on the performance by Poland of its obligations to the OECD concerning the deregula-

tion of capital flows. In September, an OECD delegation visited Warsaw at the invitation of the Polish authorities to hold the 113rd external Session of the OECD Council of Ambassadors. From November 13 to 16, an OECD mission paid a visit to Warsaw to discuss the issues to be examined at the next review of the Polish economy, to be held at a meeting of the Economic and Development Review Committee in the first half of 2001.

## The International Monetary Fund (IMF)

### Polish quota in the IMF

Pursuant to a Resolution of the NBP Management Board on utilising the financial resources associated with Poland's quota in the IMF reserve fund (adopted in September 1999), it was decided to make available the sum of 7.1m SDRs (in the form of a non-interest-bearing 20-year loan) to finance the joint World Bank and IMF debt relief programme, the Heavily Indebted Poor Countries (HIPC) Debt Initiative. In terms of the donation pledged by the President of the NBP on behalf of the Republic of Poland, amounting to 5m SDRs (around USD 6.75m), Poland remitted some 860,000 SDRs (around USD 1.16m) on July 27, 2000, while the Budget for 2001 makes provision for the sum of 6,415,000 zloty (around USD 1.5m).

On August 11, 2000, the NBP Management Board resolved to take steps to regulate matters involving Poland's participation in the IMF, including the question of its quota. The result was the preparation of a draft resolution of the Council of Ministers, which is to be referred to the legal departments of the Ministry of Finance and NBP. This provides for authorisation being given to the Minister of Finance for the contractual transfer to the National Bank of the rights to the financial resources contributed to the IMF.

### IMF report

In March 2000, the IMF Executive Board made a positive assessment of the measures taken by the Polish Government with a view to sustaining economic growth. This assessment was the result of Consultations, pursuant to Article 4 of the IMF Articles of Agreement, in which representatives of the NBP also participated. In the report it produced, the IMF took appreciative note of the economic growth achieved over the whole preceding decade, while concluding that in 1999 external factors had led to a certain slowing of growth, and an increase in inflation and the current account deficit. Nonetheless, it believed the tightening of fiscal policies and interest rate rises performed should yield an improvement of the situation in 2000.

As part of the process of Consultations, a regular mission from the IMF visited Warsaw from November 30 to December 13, 2000. Representatives of the NBP again participated in these Consultations. The objective of the IMF mission was to obtain information on the current economic situation in Poland and on plans concerning economic, budgetary and monetary policies, and also to gather the relevant statistical data for the Fund's annual report on Poland.

## The World Bank

### Financial Sector Assessment Programme (FSAP)

As was the case in 1999, in 2000 the World Bank, together with the International Monetary Fund and other international financial institutions, continued initiatives to promote financial stability and development both internationally, and in member countries. Representatives of the World Bank and IMF paid three visits to Poland in 2000 under the Financial Sector Assessment Programme (FSAP). The first visit, of an initial character, took place in the first half of July. The main part of the project was conducted in September, when Poland was visited by a group of 14 experts specialising in various areas of the financial market. In the course of a two-week stay, these experts held numerous meetings both with institutions supervising particular segments of the market (the National Securities Depository, the Warsaw Stock Exchange, the Securities and Exchange Commission, the State Agency for Insurance Supervision, the Agency for Pension Fund Supervision, and the NBP, including the General Inspectorate of Banking Supervision), and also with the institutions operating on that market. In December 2000, final discussions were held to summarise the project.

### Task Force for World Bank Strategy in Middle-Income Countries

The World Bank has been introducing new forms of systematised assistance to middle-income countries to be able to react swiftly to the changing needs of its members, and also to make the most effective use of the potential that exists. At the annual meeting of the World Bank and IMF in September 2000, a Task Force for World Bank Strategy in Middle-Income Countries was established. The objective of this body is to propose new forms of activity in this highly differentiated group of countries, one of which is Poland.

### Meeting of World Bank / IMF Constituency

September 2000 saw the annual meeting of the World Bank / IMF Constituency which includes Poland (the "Swiss Constituency"), organised by the NBP and the Ministry of Finance in Cracow. This was the first such meeting to be held in Poland, and it brought together finance ministers and central bank governors from the countries belonging to the Group, i.e., from Switzerland, Tajikistan, Turkmenistan, Kirghizia, Uzbekistan and Poland (the sole absentees were the representatives of Azerbaijan). The purposes of the meeting included determining the position of the Constituency on the most important questions to be discussed at the annual meeting of the World Bank Group and IMF in Prague (September 26-28, 2000), presenting the current economic situation of the countries involved, and reviewing the performance of the Executive Committee of the World Bank and Executive Board of the IMF in the preceding period.

The NBP took an active part in preparing positions for the meeting of the World Bank Executive Committee, including those on the World Bank's strategy for the

financial sector, the FSAP programme, the country assistance strategy (CAS) for Slovakia, and the withdrawal of the World Bank from offering multi-currency loan facilities.

### **The European Bank for Reconstruction and Development (EBRD)**

#### Annual meeting of EBRD Board of Governors

The annual meeting of the EBRD Board of Governors in Riga in May 2000 was largely devoted to activity being undertaken in Central and Eastern Europe in order to sustain economic transition, despite the repercussions of the Russian crisis still being felt by countries in this region. In her speech, the President of the NBP drew attention to the fact that the pessimistic forecasts for the countries in which the Bank was operating, based on the aforementioned crisis, had not come to pass, although the situation still demanded judicious action. She also expressed the view that the experience gathered from particular crises indicated that economic and political reform should be conducted in parallel, and that political competition not only facilitated the performance of reforms in many countries of the region, but also helped reduce the social costs of transition. Democracy leads to greater transparency in political life and promotes the participation of various social groups in the transition process.

#### Visit to Poland of EBRD President

EBRD President Jean Lemiere visited Poland from September 20 to 23. During this visit, the President took part in meetings with representatives of the Polish Government and the NBP, at which previous collaboration with the EBRD was discussed, together with plans for its future development, and information was presented on new investments in Poland.

### **Activity of the Bank for International Settlements (BIS), Basle**

In 2000, the BIS continued its work in the area of banking supervision and in promoting and reinforcing the stability of the international financial system in the three areas of institutions, markets and infrastructure.

An important role in this respect was played by:

- the Financial Stability Forum,
- the Basle Committee on Banking Supervision, which acts to strengthen the financial system and the safety of banking sector operations within the international financial system. In 2000, the Committee continued discussions on a new capital adequacy framework.

#### General meeting of BIS shareholders

The 70<sup>th</sup> Annual General Meeting of Shareholders in the Bank for International Settlements was held on June 8, 2000, in Basle. The meeting accepted the 70<sup>th</sup> Annual

Report and approved the Bank's balance sheet at March 31, 2000, showing total assets of 74,835,665,711 gold francs. The General Meeting also approved the Bank's income statement, which reported net earnings of 307,824,257 gold francs, with 54,658,243 gold francs being appropriated from this to a payment of dividends. These dividends were paid out in Swiss francs, with CHF 340 payable per share. The National Bank of Poland received CHF 2.72m in dividends on the 8,000 shares it holds.

In the 1999/2000 financial year, the BIS was joined by the following shareholders: the central banks of Argentina, Malaysia and Thailand, and the European Central Bank.

### International Investment Bank (IIB)

Given the repudiation of the agreement on membership in the IIB by the President of the Republic of Poland, an interdepartmental working group was set up in 2000, chaired by the NBP, which undertook discussions with the Management Board of the IIB, doing so on the basis of negotiating instructions approved by the Polish Prime Minister. The objective of these discussions was to settle the bilateral liabilities outstanding on Poland's previous membership in the Bank.

The position taken by the Board of the IIB was that settlement of the Bank's liabilities to Poland, i.e., the repayment of expenditure incurred in relation to membership in the Bank, would be possible after an overall settlement had taken place of the Bank's claims and loan liabilities. Since it is currently impossible to predict when this might occur, the Polish side is examining various ways of addressing this problem, with a view to the swiftest possible recovery of Poland's claims.

### International Bank for Economic Cooperation (IBEC)

The year 2000 brought no major progress in resolving the debt problems of the IBEC. The Bank partially reduced its debt by buying back its own liabilities on the secondary market, yet it did not conclude any agreements with its creditors due to the lack of contractual provisions concerning the repayment of debt by member countries. Exactly when such agreements might be signed therefore remains an open question.

### Collaboration with central banks of selected countries worldwide and with foreign supervisory authorities

The most important activity undertaken in 2000 as regards collaboration with other central banks included the following:

- The organisation of a seminar at the NBP (October 10-11) entitled "*Financial sector reform in the context of European integration*", which was attended by representatives of the central banks of EU member countries and of candidate countries, and also by representatives of the European Commission and European Central Bank. This initiative by the governing bodies of the NBP represented a continuation of the cooperation initiated in 1999 by the Central Bank of Malta.

Four sessions were held ("Legal aspects of integration", "Monetary policy and the exchange rate system", "The introduction of the euro" and "The payment system"), with the participants comprising representatives of the central banks of Austria, France, Germany, Holland, Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Romania, Slovakia and Slovenia, together with representatives of the ECB and European Commission.

- Study visits to the NBP, devoted to changes in the Polish banking system, were paid by representatives of the central banks of Azerbaijan, Belarus, the Czech Republic, Kazakhstan, Slovakia and Vietnam.
- Three study visits to Poland, devoted to off-site surveillance, legal regulations and the supervision of foreign banks, were held for staff of the supervision division of the National Bank of Ukraine; these visits were organised under the auspices of the Poland-America-Ukraine Cooperation Initiative, financed by the CASE Foundation. The visitors from the Ukraine had an opportunity to acquaint themselves with the experience and responsibilities of Polish banking supervisors in the course of direct meetings, at which they also discussed the problems and challenges facing supervisors in the performance of their day-to-day duties.
- Study visits to the General Inspectorate of Banking Supervision were paid by representatives of various supervisory and regulatory agencies from China, Vietnam, India, Kazakhstan and Yugoslavia, allowing them to familiarise themselves with the experiences and achievements of Polish banking supervision.



**Assisting the Development of the Banking System**



*The Hoopoe (Upupa epops)*  
2 zloty coin issued in 2000



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## Assisting the Development of the Banking System

### Legislation

#### Legislative work of NBP directing bodies

In 2000, the directing bodies of the National Bank of Poland and the Commission for Banking Supervision issued a total of 72 legal regulations.

A listing of all the regulations published in *Monitor Polski* (the Official Gazette) and *Dziennik Urzędowy Narodowego Banku Polskiego* (the Official Gazette of the National Bank of Poland) is given in Appendix 5 to the present *Report*.

#### Legislative powers of NBP directing bodies

As in 1999, a crucial problem in 2000 for the development and application of legislation within the Polish banking system was that of establishing the scope of the legislative powers of the directing bodies of the National Bank of Poland, i.e., the President of the NBP, the Monetary Policy Council and the NBP Management Board.

This problem was resolved by the Constitutional Tribunal, sitting in the presence of all its judges, in a ruling issued on June 20, 2000 (ref. OTK 2000/5/141), after the Tribunal had received a petition from the President of the Supreme Chamber of Inspection to rule on whether the specific legislative authority to issue resolutions vested in the Monetary Policy Council and the NBP Management Board under the Act on the National Bank of Poland of August 29, 1997, was in conformity with Article 87, para. 1 and Article 92, para. 1, in correspondence with Articles 2 and 7, of the Polish Constitution.

In substantiating its ruling, the Constitutional Tribunal declared that the legal basis for the issuance of resolutions by the Monetary Policy Council and NBP Management Board, which had been called into question in the petition from the President of the Supreme Chamber of Inspection, remained in full conformity with the Polish Constitution, insofar as these resolutions represented regulations of the internal directing bodies of the Bank. The Tribunal believed that removing the possibility of flexibly influencing the banking system through the said regulations, issued by the Monetary Policy Council and NBP Management Board, which provided authoritative direction to parties involved in the business of banking, subject as this was to control by the central bank, could undermine the capacity of the National Bank of Poland to respond to economic developments.

The Constitutional Tribunal concluded that the legislative authority for the issuance of resolutions by the Monetary Policy Council and NBP Management Board contained in the following provisions, among others, of the Act on the National Bank of Poland remained in conformity with the Polish Constitution:

- with respect to the Monetary Policy Council:
  - Article 12, para. 2, subpara. 2, requiring the Council to determine the procedures governing the reserve requirement and set the reserve ratio,
  - Article 46, subparas. 1 and 2, authorising the Council to restrict the volume of funds disbursed to borrowers by banks, and to require the holding of non-interest-bearing deposits at the NBP against foreign funds utilised by banks and domestic businesses,
- with respect to the NBP Management Board:
  - Article 40, requiring the Board to determine the principles and procedure for calculating the reserve requirement and holding reserves at the NBP, including the types of bank account that are not subject to the reserve requirement, and authorising it to establish the level of vault cash, held in zloty, that will be deemed to be the equivalent of reserves held at the NBP,
  - Article 41, requiring the Bank to set the rate of interest payable by the banks to the National Bank of Poland in the event of their non-compliance with the reserve requirement.

### Bills amending the Act on the National Bank of Poland and the Banking Act

In 2000, drafts were developed at the National Bank of Poland of two key pieces of legislation intended to introduce certain legal solutions in force in the European Union and to ensure full consistency between certain other existing solutions and the provisions of the Polish Constitution. These pieces of legislation were the Bill Amending the Act on the National Bank of Poland and the Bill Amending the Banking Act.

The Bill Amending the Act on the National Bank of Poland is designed to carry out the final synchronisation of the legal status of Poland's central bank, in terms of institutional, personal and financial independence, with the provisions of the Maastricht Treaty and the Statute of the European System of Central Banks and the European Central Bank, which constitutes an appendix to that Treaty. The issues involved here include:

- separately specifying that one of the responsibilities of the NBP is to collect statistical data for the purposes of compiling monetary policy statistics,
- reinforcing the independence of the NBP by depriving the Government representative participating in meetings of the Monetary Policy Council of the right to lay motions before the Council,
- abandoning the current provisions concerning special capital funds, which stipulate that appropriations to these accounts require to be agreed with the Minister of Finance,
- providing for the accounts of the NBP to be audited by an independent external auditor,
- establishing the principle that the accounting system of the NBP should correspond to the standards applied within the European System of Central Banks.

The main point of reference for the Bill Amending the Banking Act are the provisions of Directive 2000/12/EC of the European Parliament and of the Council of March 20, 2000, relating to the taking up and pursuit of the business of credit institutions.

The new legal solutions proposed in this Bill may be divided into three groups:

- The first involves provisions amending legal questions already regulated in the Banking Act of August 29, 1997 (as published in *Dziennik Ustaw* no. 140/1997, item 939, and subsequently amended), in order to ensure their full conformity with the legal standards in force in the European Union, while at the same time taking into account the changes that have already taken place in the Polish banking system. These provisions refer to such issues as declarations of intent using electronic information media, the control exercised by the Commission for Banking Supervision over changes in the ownership of bank shares, the requirements applicable to persons founding a bank, the establishment of banks and branches of Polish banks abroad, monetary settlements by banks, and the composition of a bank's capital funds, and also the enforcement powers of banking supervision in relation to the banks.
- The second group comprises provisions that incorporate in the Banking Act legal solutions that are in force within the European Union, yet which previously had no equivalent under Polish law. These include the taking up, pursuit and supervision of the business conducted by credit institutions from European Union countries within the Republic of Poland, the reporting requirements of the Commission for Banking Supervision with respect to the European Commission, and also cross-border transfers and the institutions of consolidated supervision and contractual netting.
- The third group refers to provisions that concern institutions to be regulated under separate acts of parliament, i.e., electronic money institutions and consumer credit.

### NBP participation in work on drafting government regulations

During 2000, the National Bank of Poland issued its opinion, involving questions of merit or legal and legislative matters, on the following draft legal regulations referred to it by central bodies of government and administrative agencies:

- 534 drafts received prior to being examined by the Council of Ministers (compared to 585 in 1999),
- 181 drafts received prior to being examined by the Government Economic Committee (226 in 1999),
- 171 drafts received in the course of interdepartmental consultations (158 in 1999).

The above figure of 534 drafts received prior to examination by the Council of Ministers should be extended to include a further 57 carried over from 1999, thereby increasing proportionally the figures previously stated. The difference between the number of drafts referred for the Bank's opinion prior to meetings of the Council of Ministers and the numbers received in the course of interdepartmental consultations and prior to meetings of the Government Economic Committee is attributable, among other things, to the following:

- not all of the drafts to be examined by the Council of Ministers are referred to the NBP while subject to interdepartmental consultations,
- the Government Economic Committee in principle examines only those drafts of major significance to the functioning of the national economy, or those eliciting differences of opinion during interdepartmental consultations.

Of the draft legal regulations referred to the NBP, the largest number comprised draft acts of parliament and draft ordinances of the Council of Ministers, the Prime Minister or particular ministers.

The draft acts of parliaments received in 2000 were referred to the Bank:

- prior to meetings of the Council of Ministers in 179 cases (338 in 1999),
- prior to meetings of the Government Economic Committee in 66 cases (62 in 1999),
- in the course of interdepartmental consultations in 53 cases (51 in 1999).

As regards draft ordinances, the corresponding figures in 2000 were 206, 86 and 104.

Of the total number of draft legal regulations referred to the Bank, those concerning the activity of banks and others of major importance to the operations of the banking system accounted for 6% of the drafts subsequently submitted to meetings of the Council of Ministers, and 16% of those subject to interdepartmental consultations or subsequently presented to meetings of the Government Economic Committee.

In 2000, NBP representatives participated in 192 meetings of Sejm Commissions and subcommissions and 5 meetings of Senate commissions that were reviewing draft legislation.

During the year, NBP representatives participated in drafting or agreeing numerous bills concerning the operations of the banking system, with the following deserving particular mention:

- A private member's bill and Government bill on electronic signatures. One of the objectives of these bills is to regulate issues related to the activity of providers of certification services authenticating electronic signatures. These bills were drawn up on the basis of the legal regulations contained in Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 on a Community framework for electronic signatures.
- A Government bill on consumer credit. This bill incorporates in Polish legislation the solutions contained in Council Directive 87/102/EEC of 22 December 1986 concerning consumer credit. The bill includes the provision that the regulations set out are to apply to all originations of consumer credit, including loans extended by banks. Meanwhile, the amendments to the Banking Act would only make reference to this bill, noting that the provisions contained therein apply to banks as well as other organisations.

## Statistics and analyses

### Economic analysis and research

During 2000, the National Bank of Poland carried out a broad range of economic analyses and forecasts used in developing draft documents and determining methods

of conducting monetary policy (including exchange rate policy). These primarily served to prepare the following materials for the NBP Management Board and Monetary Policy Council:

- the draft of the *Monetary Policy Guidelines for the Year 2000*,
- the *Report on the Performance of Monetary Policy Guidelines in 1999*,
- the *Inflation Report, 1999*, and the *Inflation Reports* for the first, second and third quarters of 2000,
- monthly and annual balance of payments forecasts,
- monthly reports entitled *Inflationary Processes in the Economy and Monetary Policy*.

#### Key areas of analysis and forecasting

The analytical and forecasting work which resulted in the preparation of the above documents included:

- analyses and short- and medium-term forecasts of basic monetary categories,
- analyses and forecasts of basic macroeconomic categories,
- inflation forecasting,
- analyses of the condition of public sector finances, research into the relationship between monetary and fiscal policies, and forecasts of the net public sector debt,
- analyses of the level of monetary policy restrictiveness (the MCI),
- comparative analyses of the index of monetary policy restrictiveness and the policy mix index,
- analyses of the stability of the demand for money function,
- analyses of household disposable incomes, consumption and savings,
- analyses and forecasts of the balance of payments and its components,
- analyses of movements in real zloty exchange rates,
- analyses of the exchange rate sensitivity of growth in foreign currency deposits from non-financial customers,
- analyses of the capital market.

#### Research and development activity

The Bank's research and development activity also involved:

- Improving core inflation measurement methodologies. In 2000, work was carried on in the following areas:
  - Identifying new measures of core inflation.

The range of core inflation indices tracked by the Bank was extended to include two new indices, namely, core inflation as obtained by excluding the most volatile prices from the CPI, and core inflation as obtained by excluding food and fuel prices from the CPI ("net" inflation). Both of these indices were calculated for the particular months of several previous years to maintain continuity in data presentation, and in common with the other measures are calculated on an ongoing basis and presented in the monthly reports on *Inflationary Processes in the Economy and Monetary Policy*. The core inflation measures thus calculated were also set out in the quarter-

ly and annual *Inflation Reports*, together with narrative commentaries, and in this way made publicly available.

In addition, regardless of the core inflation measures already being tracked, work was continued to define a new measure based on an analysis of relative price movements.

- Validation of the core inflation measures applied.

Work in this area was conducted with a view to verifying the core inflation indices calculated, employing various statistical assessment criteria.

- Analyses of the condition of the European Union economy.

In addition to general, ongoing analysis conducted on the basis of the materials received, study visits were organised in the course of 2000 to examine the experiences of, and establish contacts with, the Bank of Spain, the Central Bank of Ireland, the Central Bank of Portugal and the National Bank of Denmark. Summary assessments of the EU economy were obtained at sessions of the OECD. Large emphasis was placed on determining the operating procedures of a central bank conducting monetary policy in the framework of the ERM2 exchange rate mechanism.

Several studies were prepared in 2000 on the causes of the weakening of the euro against the US dollar. These were then utilised in *Inflation Reports*. In addition, the current and projected condition of the euro area economy was monitored in the monthly reports on *Inflationary Processes in the Economy and Monetary Policy*. As part of the development of scenarios for Poland arriving at ERM2, balance of payments scenarios were prepared up to 2004.

- Analyses of the impact of fiscal policy on the performance of monetary policy.

In analysing the impact of fiscal policy on the performance of monetary policy, an attempt was undertaken to assess fiscal policy restrictiveness, which constitutes a significant factor conditioning monetary policy implementation. To this end, a study was performed of the years 1995-2000 to develop an assessment measure of the policy mix (the PMI).

During 2000, an attempt was also made to investigate the relationship between inflation and the size of the government deficit. As a result of research utilising statistical data for the years 1995-2000, a dynamic inflation equation was obtained that describes this relationship. The results of this equation confirm the hypothesis that in the Polish economic environment an increase in the government deficit triggers a rise in inflation.

- Analyses concerning exchange rate policies in the approach to EMU.

In 2000, analyses were performed of zloty exchange rate policies in the preparation of the quarterly and annual *Inflation Reports*.

Other articles on this subject were published in the periodical *Bank i Kredyt* (Bank and Credit) and study papers were published as part of the NBP series – *Materiały i Studia* (Materials and Studies).

- Analyses of the international financial system and of threats to external equilibrium in the accession process (identifying balance of payments threats).

Work in this area included the preparation of:

- assessments of the impact of external disequilibrium on inflationary threats, utilised in the *Inflation Reports*,
  - articles published in *Bank i Kredyt* and in the series – *Materiały i Studia*.
- Analyses of the government deficit and public debt, using EU methodologies. In 2000, a preliminary analysis was carried out of the methodologies applied in calculating the public sector financial deficit and public debt in Poland and in the EU countries, with particular attention paid to the discrepancies that exist.

- Analyses of the process of capital integration.

As part of the work conducted in this field, a study was prepared entitled *Dilemmas of Deregulating Short-Term Capital Flows in Poland*, which was published as an article in *Bank i Kredyt*. An extended version of this constituted the basis for a subsequent study, under the working title of *Controls Versus Deregulation*, which was presented to the participants in a training course organised by the NBP and the Joint Vienna Institute for representatives of banks from transition economies (Zalesie Górne near Warsaw, October 2000).

In addition, a study entitled *The Significance of Foreign Capital for the Polish Economy* was published under the auspices of the CASE Foundation, while in November the findings of this analysis were presented at a conference for South-East European Countries organised by the OECD in Vienna.

- Analysing threats to the stability of the Polish financial system.

This area of work was conducted as a preparatory phase prior to the basic work involved in developing a *Report on Financial System Stability*. As part of the initial preparations for the drafting of this report, a number of studies were carried out concerning threats to the Polish financial system. These then found concrete expression in various papers delivered by NBP staff, principally at international conferences, and in materials either published or prepared for publication.

In September 2000, in collaboration with external organisations, the NBP drew up the above-mentioned *Report on Financial System Stability*, forwarding this to the Ministry of Finance, the Ministry of the Treasury, the Commission for Banking Supervision, the Securities and Exchange Commission, the State Agency for Insurance Supervision, the Warsaw Stock Exchange and the Agency for Pension Fund Supervision. There is now an intention to prepare reports on financial system stability on an annual basis.

Using data received from 13 major banks, an aggregate analysis was conducted every quarter of changes in corporate credit capacity, factoring in detailed figures on the number of companies that had lost this capacity and the movements in this number, and also an analysis of the volume and composition of outstanding debt at businesses without credit capacity. The relevant reports on this subject were passed on to the Government Centre for Strategic Studies, the Ministry of Finance and the Central Statistical Office.

- Analyses of the competitive position of the banking sector on the domestic market.



Ongoing analyses are carried out of the situation on the retail banking market, with particular focus on the lending and deposit rates on offer, and these are then presented in the monthly reports on *Inflationary Processes in the Economy and Monetary Policy*.

As part of the work undertaken in this field in 2000, an analysis of the financial condition of the banking sector was also performed in annual terms. The result was a publication entitled *The Financial Situation of the Banks in 1999*, and a paper entitled *Assessing the Efficiency of Polish Commercial Banks*, published in the series *Materiały i Studia*.

In addition, a study was drawn up on *The Technological and Cost Efficiency of Polish Commercial Banks, 1997-2000 (Part I)*, which was also published in the series *Materiały i Studia*.

- Analyses and studies of the development of inflationary processes in Poland.

Apart from the analytical and forecasting activity associated with preparing the quarterly and annual *Inflation Reports*, work was conducted in 2000 to deepen the Bank's analysis of inflation, which involved research into the operation of the Balassy-Samuelson effect in Poland and its influence on the CPI; the scale of this effect in previous years and in those immediately ahead was also evaluated.

Further, work was performed on inflation modelling. The workings of key inflationary factors were analysed, together with the situation in particular areas of the economy that impact current inflation and inflation prospects.

- Analyses and studies of the financial situation of the household sector.

To expand the Bank's insight into analyses and studies of the condition of the household sector, a study visit for NBP staff was organised to the Bank of France, at Polish request; the visit concerned issues relating to the research into the material condition of households conducted by the latter bank. Measures are now being taken to institute this kind of research at the NBP. At present, monitoring the financial situation of households requires drawing on secondary sources.

- Analyses of corporate earnings.

Investigations into the economic and financial situation of the corporate sector were carried out in 2000 to assist in assessing the relative proportions involved in the real economy. These analyses looked at the following issues:

- corporate earnings and efficiency ratios, particularly as regards exporting companies,
- the current assets of companies and the sources of financing for those assets,
- corporate loan finance,
- domestic and export sales,
- movements in production costs,
- growth in industrial output and construction output.

The developments observable within the corporate sector were examined in terms of their impact on producer price growth, and also, in a wider context, on inflationary processes in Poland overall. The materials prepared in this regard were utilised in developing the *Monetary Policy Guidelines* and were included in the *Inflation*

*Reports*, and also in the monthly reports on *Inflationary Processes in the Economy and Monetary Policy*. In the series *Materiały i Studia*, a study was published entitled *"Tendencies in Corporate Costs in Industry, 1996-1999: an Assessment of Their Impact on Inflationary Processes within the Polish Economy in 1999"*.

In monitoring the state of the economy and evaluating its impact on corporate finances, design and programming work was commenced with a view to investigating activity in industry and construction on the basis of the surveys conducted by the Central Statistical Office.

- Analyses of movements in the volume of notes & coin in circulation. Quarterly analyses of currency in circulation were performed in 2000, with particular consideration given to:
  - the volume of notes and coin in circulation (excluding and including vault cash) compared to movements in inflation,
  - movements in notes and coin in circulation, by value and in absolute terms,
  - the currency reserve (NBP cash stocks), by value and in absolute terms,
  - the capacity of the currency reserve to meet the market demand for cash,
  - the steadily accelerating growth in non-cash settlements.

In addition to the above, other studies were also conducted, involving:

- research into the structural budget deficit (estimating the output gap and examining the sensitivity of the budget deficit to movements in economic growth),
- constructing an empirical inflation model,
- developing growth scenarios for Poland for the years 2000/2001 to 2004,
- investigating, monitoring and assessing the domestic securities markets,
- research into identifying the workings of monetary policy transmission mechanisms in Poland,
- participation in reviewing the research capacity of the ESCB,
- the dilemmas involved in deregulating short-term capital flows in Poland.

The findings of these studies were utilised in developing the official NBP documents referred to earlier.

### Statistical activity

The statistical activity conducted in 2000 involved the responsibilities specified in the Bank's By-Laws, together with many new issues, chiefly related to adjusting the whole area of statistical work to the requirements of the European Central Bank.

Standard responsibilities regarding monetary statistics, financial statistics and balance of payments statistics in conjunction with the international investment position

The most important standard responsibilities established in the By-Laws and carried out in 2000 comprised:

- the gathering, on a ten-day, monthly, quarterly and annual basis, of data needed to draw up the balance of payments,
- the gathering and ongoing analysis of monthly balance-sheet data from the banks,
- the collection, on a ten-day basis, compilation and interpretation of data on selected components of the banks' assets and liabilities with a view to monitoring monetary developments,
- the processing and interpretation of data on corporate finances,
- work to enhance methods of data collection and processing, together with the methodology used to calculate monetary categories on the basis of the data collected, and the development of transparent methods of data presentation and publication.

The end result of the above were statistical reports, analytical materials and publications addressed to users both inside and outside the Bank. The most important of these included:

- Quarterly reports on the balance of payments which, following acceptance by the President of the NBP (or review by the NBP Management Board and acceptance by the Monetary Policy Council in the case of annual reports), were presented to the Sejm and Council of Ministers.
- The annual *Balance of payments on a transactions basis and balance of foreign assets and liabilities of the Republic of Poland*. Having been approved by the NBP Management Board, this document was submitted to the members of the Council of Ministers and representatives of other central government agencies, for the information thereof. This document included a full presentation of the "international investment position", drawn up in accordance with the standards of the International Monetary Fund.
- Quarterly figures on Poland's external indebtedness.
- Monthly balance of payments reports, compiled on the basis of data from the commercial banks.
- A consolidated balance sheet of the banking system, drawn up on the basis of monthly balance-sheet data submitted by the banks and data from the NBP itself. This then functioned as the basis for developing many other statistical reports and analytical materials, including the *Report on monetary processes* (compiled using preliminary figures), and the *Monthly report on the balances of consumer and corporate savings and debt at commercial banks*.

The information system in place at the NBP also permits the Bank to fulfil its statistical obligations to international organisations such as the IMF, World Bank, OECD and BIS, and to the bodies of the European Union.

#### Statistical information for external recipients

The NBP attaches great importance to providing information on monetary categories to the business and economics community. This objective is served primarily by the Bank's monthly publications, such as the *NBP Information Bulletin and Preliminary Information*. These materials contain basic data on Poland's monetary and economic situation, and are widely distributed at home and abroad. As of 2000, the quarterly

edition of the Bulletin has been expanded to include an analytical narrative section and additional statistical schedules.

The Bank has its own web site, systematically updated, which is used to make available both current statistical information and historical information. This makes possible rapid information delivery to users, while ensuring simultaneous and equal access to that information. These factors reflect the basic principles of the system known as the Special Data Dissemination Standard (SDDS), which Poland joined in 1996. In May 1999, a new category was added to this system, "Liquid external assets and liabilities in foreign currencies". This item is presented in standard format, thereby fulfilling one of the requirements set by the IMF.

#### Adjustment measures to conform to the statistical requirements of the European System of Central Banks

The year 2000 brought a major intensification of work at the NBP with a view to making the requisite adjustments for future operations within the framework of the European System of Central Banks, which primarily involves adapting the monetary and balance of payments statistics compiled at the NBP. Adjustment measures in the area of statistics have been under way for several years. Various seminars and working group meetings organised by EU bodies and devoted to issues of pre-accession adjustments by candidate countries were utilised as a forum for presenting the progress made in this field in Poland, and also for exchanging experiences with representatives of other European countries. In 2000, NBP delegations took part in seminars held by the European Central Bank on its requirements concerning monetary and balance of payments statistics. The priority status given to adapting statistical activity to correspond to European requirements found expression in the establishment by the President of the NBP, in March 2000, of an internal interdepartmental Financial Reporting Commission, charged with defining directions of change in current reports, developing a target model of the reporting system, and overseeing the preparation of the necessary IT solutions. As part of the broad framework of adjustment measures conducted at the NBP, work in the area of adapting statistics to EU requirements also included preparations for the utilisation of PHARE funding to this end.

#### Other activity

In view of the growing need for the National Bank of Poland to ensure it has access to the broad and current economic information essential for decision-making, in October 2000 the President of the NBP set up an internal interdepartmental Integrated Data Base Commission, given the task of developing the facility for such a data base. The concept of constructing an economic data base developed by the Commission provides for the collection of information from internal sources and supplementing this with external data.

For several years now, the NBP has also been conducting periodic studies of the corporate sector. These studies have been designed to serve as a tool for assessing the overall business climate and corporate finances by analysing basic indicators of

corporate activity such as liquidity, money stocks and inflation expectations, and by identifying loan demand. The relevant surveys encompass around 300 businesses selected by the Bank's regional branch offices. The regional branches also prepare "memos on economic activity", which contain information on the level of business activity and regional economic developments. These studies of economic activity have recently made use of a number of new analytical methods not applied previously.

## Education and information

In 2000, the educational and informational activity conducted by the National Bank of Poland focussed on promoting knowledge of the central bank and the banking system.

### NBP publications and web site

One of the ways in which the Bank performs its educational and information responsibilities is through its publications, namely, *Monetary Policy Guidelines*, *Report on the Performance of Monetary Policy Guidelines*, *Report on the Activity of the Commission for Banking Supervision*, *Inflation Report*, *Information Bulletin*, *Preliminary Information*, *NBP Annual Report*, and *Bank i Kredyt* (Bank and Credit), and also brochures on collector's coins. In addition, 19 study papers (nos. 97-115) were published in 2000 in the research series *Materiały i Studia* (Materials and Studies). This is a series of publications on important issues related to banking and monetary policy, with the papers published presenting the results of research conducted both by the Bank's own staff and by staff from other academic and financial institutions.

The National Bank's web site is being systematically expanded. The "Daily Information" page under "Statistics" was extended with an "Archive" section, and as of October 2000 provides breaking news on the results of Treasury bond tenders. Several new statistical schedules were also added to the "Time Series" section.

A new addition to the "Publications" section was "Information on monetary and interbank settlements". Further, a new page, "European Integration", can now be accessed from the main page of the web site ([www.nbp.pl](http://www.nbp.pl)).

Appendix 6 to the present *Report* lists the publications issued by the NBP in 2000 and details the contents of the web site.

### Media support to NBP directing bodies

In 2000, the media support provided to the President of the NBP, NBP Management Board, Monetary Policy Council and Commission for Banking Supervision included the organisation of ten press conferences in which members of the Bank's leadership participated.

Regular information and education services were also provided to journalists, including press releases and replies to questions they submitted. In addition, materials on the ongoing activity of the Bank's directing bodies were distributed to the media.

### Information and promotion campaign on Poland's accession to the EU and EMU

In 2000, the NBP commenced preparations for an information and promotion campaign devoted to Poland's future accession to the European Union and to Economic and Monetary Union, and also to the introduction in the EMU countries of a new currency, the euro. As part of these preparations, the President of the NBP established an internal interdepartmental working group, with a remit that included developing the framework of the campaign, drawing up a plan of work, and selecting the methods and tools to be used.

Steps taken under this information and promotion campaign included the preparation and distribution to NBP staff, the banking community and the public at large of the following published materials on the measures instituted by the National Bank in preparation for membership in the European Union:

- a report entitled *"NBP activity promoting integration with the European Union"*, which presents the measures taken by the Bank to adjust the banking system to conform to EU requirements and adapt the operations of the NBP itself with a view to membership in the ESCB,
- a compilation of papers and speeches on the euro delivered by the President of the NBP in the years 1998-2000.

The above materials are available in Polish and English on the Bank's web site.

In addition, direct links were provided to the web sites of other central banks and selected international financial institutions.

### Conferences and academic seminars organised by the NBP

In 2000, the National Bank of Poland organised an annual academic conference entitled *"Macro- and Microeconomic Factors Conditioning Monetary Policy Effectiveness"*, which was held at the Bank's facility in Zalesie Górne near Warsaw on June 12-13. The conference assembled 70 outstanding specialists in banking theory and practice, including members of the NBP senior management and the Monetary Policy Council, staff from the relevant NBP departments, representatives of academic institutions and journalists. In addition, the conference welcomed guests from the central banks of the Czech Republic and Hungary.

The NBP also held 16 academic seminars itself, and participated in organising various other seminars concerning banking activity and monetary policy. Presentations at these were given by representatives of the NBP and lecturers from universities and research institutes (including foreign ones). One such event was another international seminar on *"Problems of Banking and Financial Sector Stabilisation"*. This was attended by representatives of 11 central banks from the European Union, South-Eastern Europe and the Baltic states.

### Initiatives to assist the banking sector

As in previous years, in 2000 the NBP took part in the following initiatives to assist the development of the banking sector:

- the organisation of training courses for commercial bank staff on balance of payments statistics and monetary and credit policy, in the context of future membership in Economic and Monetary Union,
- cooperation with other banks in admissions to the Post-Graduate Banking Course at the Warsaw School of Economics (through participation in the Programme Commission of the Course).

National Bank staff also continued their involvement in the Coordinating Committee for Polish Banking Qualification Standards, serving as members of that Committee. In addition, Bank representatives were delegated to participate in the work of the relevant examination commissions and participated in the conduct of examinations awarding various professional titles under the Polish Banking Qualification Standards System. NBP representatives took part in developing the principles to be applied in conferring the highest professional title under this system, that of bank expert or manager. A representative of the Bank is also engaged in the work of the Chapter of Professional Bank Managers and Experts, serving as Deputy Chairperson.

As in previous years, in 2000 the Bank again offered in-house training to students from domestic and foreign universities whose theses were on subjects related to the banking system or central banking. The Bank also organised internships for students from foreign universities, allowing them to collect materials for their theses, and held lectures for them on the Polish banking system.

### NBP Central Library

The Central Library of the National Bank of Poland collects, collates and makes available sources of information that are useful in raising the professional qualifications of the staff of the NBP and commercial banks. Those using the Library also include students, academic staff from universities and colleges, and the staff of financial institutions.

The Library provides catalogue, bibliographical and substantive information on the basis of its own collections. In the reading room, CD-ROM data bases are available of the ABI/Inform Business Periodical on Disc and the *Financial Times*. Other data bases (Justis Celex, European References and Lex) can be accessed over the Bank's local area network.

All staff of the NBP have access to the catalogue of the Central Library via the local area network.

In 2000, the NBP Central Library lent out books to both NBP staff and also, on the basis of separate agreements, to the staff of other banks. The Library also makes its collections available under inter-library exchanges. The works at the Library relate to economics, with particular reference to banking and monetary issues. Since 1987, the Library has acted as depositary for the World Bank Deposit Library. The Library also has a collection of information periodicals and monographic studies on the operations of foreign banks.

During the year, around 11,500 copies of books and periodicals were borrowed from the Library. The reading room was visited by over 11,500 people, who were provided with over 120,000 books and periodicals. This represents an increase in both readers and items lent out compared to 1999, when over 9,000 books and periodicals were borrowed, and the reading room was visited by over 9,500 people, who were provided with over 114,000 books and periodicals.

In 2000, modifications were made to upgrade the search facility in the NBP "Co-Liber" computer system. Three additional workstations were set up for readers.

## The development of the payment system

In 2000, the National Bank of Poland continued its active involvement in developing the Polish payment system, which constitutes one of its primary functions as a central bank. During the year, a larger emphasis than previously was placed on regulatory questions; the results this yielded included the taking effect of two implementing regulations to banking legislation and the preparation of several important regulations concerning the payment system. The central objectives guiding the above activity were to reduce the risk involved in the payment system and to adjust Polish legislation in this area to correspond to the requirements of the European Union.

### Adjusting payment system regulations to conform to European Union standards

Implementing regulations to the Banking Act and Act on the National Bank of Poland

Two implementing regulations to banking legislation associated with the functioning of the payment system took effect in 2000, namely:

- Regulation no. 6/2000 of the President of the NBP specifying the method of conducting interbank settlements, April 6, 2000,
- Resolution no. 14/2000 of the NBP Management Board on the conditions applicable to the opening and operation of accounts for banks at the National Bank of Poland, March 31, 2000.

The first of these regulations replaced the provisions on uniform principles for interbank settlements which had been in force, virtually unchanged, since 1993. The latter had been drawn up at a time of comprehensive change in the procedures for performing interbank settlements due to the launch at the NBP of interbank settlements on a gross basis and the parallel commencement of operations by the National Clearing House (KIR SA). The new provisions take account of the changes in the domestic payment system that have occurred over the last few years, including the emergence of other payment intermediaries in addition to KIR SA, and also take into consideration numerous international recommendations referring to the payment system.



The most significant changes introduced by the new regulation involve the following:

- providing a new definition of the concept of “interbank settlement”,
- defining high-value payments,
- specifying the range of potential participants in the SORBNET system,
- abandoning a restrictive enumeration of possible forms of interbank settlement,
- specifying the key principles of the operation of the SORBNET system,
- specifying the principles that have to be satisfied by participants in the settlement process.

The second regulation sets out the general principles for the opening and operation of the current zloty accounts of the banks at the NBP, providing more detail where these accounts are to be operated under the SORBNET system. This represents the fulfilment of the recommendations of the European Central Bank regarding disclosure of the criteria for the participation of credit institutions in national RTGS systems.

#### Draft legislation

In 2000, the NBP drafted two pieces of legislation relating to the operation of the payment system in the context of adjustments to conform to European Union regulations. These were:

- A bill on settlement finality in payment and securities settlement systems, and on the principles for supervision of those systems, which contains solutions conforming to those in Directive 98/26/EC of the European Parliament and of the Council of 19 May, 1998, on settlement finality in payment and securities settlement systems. One of the principal objectives of this bill is to safeguard the systems it specifies against the consequences of the failure of one of their participants or the issue of a decision by an appropriate supervisory agency that results in the suspension or restriction of the performance of a participant’s transfer orders within those systems (e.g., a ruling suspending the operations of the participant concerned).
- A bill on new provisions to be incorporated in the Banking Act concerning the principles for performing cross-border transfers and authorising the Minister responsible for financial institutions to issue an ordinance specifying the detailed obligations of banks and other intermediaries in cross-border transfers. A draft of this ordinance was also prepared. In drafting these regulations, the aim was to incorporate in Polish legislation the provisions of Directive 97/5/EC of the European Parliament and of the Council of 27 January, 1997, on cross-border credit transfers.

Another regulation important to the operation of the payment system is Recommendation 489/97 on electronic payment instruments, which in particular deals with the relationship between the issuer and holder of such an instrument. This Recommendation is to take effect on the enactment of a bill on electronic payment instruments, which has been drafted by the Polish Banking Association, in close collaboration with the NBP. The Bill on Electronic Payment Instruments in particular regulates the areas of payment cards, electronic banking and electronic money, thereby closing a gap in Polish legislation with regard to this entire field of retail payments, which is growing most swiftly and has the greatest prospects for the future.

### Operations of the SORBNET system (system modifications)

The basic system used for interbank settlements is the SORBNET system, operated at NBP Head Office. Following a period of several years in which structural alterations were made to this system, which included the introduction of electronic data interchange between the banks and the NBP and the assumption by the NBP of the role of clearing bank for the National Securities Depository SA (KDPW SA), work in 2000 concentrated on enhancing system security and functionality.

The most important aspects of this work comprised:

- The preparation of a new version of the banking module for the SORBNET system and a new account agreement, introducing a number of changes in the terms and conditions of the current accounts operated for the banks<sup>17</sup>. The most important and most complex undertaking involved in these changes was the introduction of customer transfer orders as a new function within SORBNET. This required the coordination of organisational, legal and IT activity at various stages of work, from the initial analysis of the task, through the development of the software, the alterations to the account agreement, the performance of internal and external testing and the distribution of software to end users, right up to the implementation of the application at banks, KDPW SA and the NBP. As had previously been planned, the forwarding of customer orders to SORBNET was optional in 2000. The forwarding of high-value customer orders and their execution via SORBNET will become obligatory as of January 1, 2002. Another innovation worthy of note, introduced in July 2000, was the provision of a new method of placing transfer orders by the banks as an alternative to e-mail, i.e., the use of "cryptographically secure diskettes". As of September 2000, NBP offices were also able to use yet another method of placing orders under SORBNET, namely, secure fax.
- A timing change, as of September 1, 2000, in the KIR SA third settlement session at NBP within the SORBNET system, which was moved from 7:00 pm-7:30 pm to 5:00 pm-5:30 pm. This change was performed because the evening session of KIR SA took place after the interbank money market had closed, which hindered liquidity management at the banks and gave rise to systemic risk if one of the banks were to default on liabilities cleared during that session. The tendency to move to earlier times in clearing the liabilities arising on net settlements under an RTGS system corresponds to the practice in most EU countries, where these clearings are carried out by 4:00 pm. Among other things, this assists the timely completion of daily operating procedures in the TARGET system. This change significantly increased the security of the domestic system of monetary settlements.
- The optional provision to the banks, as of the beginning of 2000, of a multi-user

<sup>17</sup> These changes were introduced in response to Regulation no. 6/2000 of the President of the NBP specifying the method of conducting interbank settlements, April 6, 2000, which took effect on June 1, 2000, and Resolution no. 14/2000 of the NBP Management Board on the conditions applicable to the opening and operation of accounts for banks at the National Bank of Poland, March 31, 2000, which took effect on July 1, 2000.

version of the SORBNET system, which considerably enhanced its functionality. By December, 20 banks were using the multi-user version.

- An analysis of the current and maximum capacity of the domestic RTGS system. Contrary to its previous plans, by the end of 2000 the European Central Bank had not specified the conditions and time frame for RTGS systems from the accession countries joining TARGET, nor the basic guidelines for changes to TARGET. Because of this, work on preparing the domestic RTGS system to incorporate the detailed solutions in place in TARGET is to be continued once the ECB takes the relevant decisions.
- The commencement of analytical work with a view to introducing intraday credit facilities in 2001, together with a central order queue; these mechanisms will assist liquidity management at system participants.

### Operating the current accounts of the banks at NBP Head Office

Number of bank current accounts operated by the NBP

At year end 2000, the NBP Head Office was operating current accounts for 65 banks, which was 1 less than a year earlier.

In 2000, the current accounts of the following banks were closed:

- Bank Staropolski SA – closed on January 13 due to the suspension of the operations of this bank, which represented a standard procedure, in line with the operating principles of the SORBNET system, and which had no negative impact on the interbank settlements conducted under SORBNET,
- BWR Real Bank SA – closed on May 2 due to the merger of this bank with Bank Współpracy Regionalnej SA, Cracow,
- Bank Austria Creditanstalt Poland SA – closed on November 2 due to the merger of this bank with Powszechny Bank Kredytowy SA, Warsaw.

In 2000, current accounts were opened for the following banks:

- Fiat Bank Polska SA – opened on February 1,
- RHEINHYP-BRE Bank Hipoteczny SA – opened on September 1.

As of October 1, 2000, Gliwicki Bank Handlowy SA ceased to be a direct participant in KIR SA, while retaining its current account at the NBP.

Since 1996, the current accounts of the banks at NBP Head Office are operated under the SORBNET system (the Polish RTGS system). SORBNET allows for electronic data interchange between the banks and the NBP, including the use of e-mail in forwarding transfer orders and accessing account balances and history.

Types and number of transactions on bank current accounts at the NBP

In 2000, a total of around 518,000 transactions were performed on the current accounts of the banks at NBP Head Office (compared to 457,000 in 1999), to a total value of 8,200bn zloty (5,100bn in 1999).

A breakdown of the total turnover on the current accounts of the banks at NBP Head Office is given in Table 11.

Table 11. Total turnover on bank current accounts at NBP Head Office

Type of current account transaction	Transactions		Structure of transactions		
	Balance	of which		Debits	Credits
		Debits	Credits		
	million zloty			%	
Movement in balance of funds on bank current accounts					
of which:	783.0	8,183,764.2	8,184,547.2	100.0	100.0
1. interbank transactions	0.0	5,469,822.6	5,469,822.6	66.8	66.8
– zloty money market	0.0	3,272,181.0	3,272,181.0	40.0	40.0
– FX market	0.0	1,728,774.9	1,728,774.9	21.1	21.1
– securities	0.0	468,866.7	468,866.7	5.7	5.7
– of which, secondary market trading in:					
T-Bills	0.0	198,705.7	198,705.7	2.4	2.4
NBP money market bills	0.0	248,855.9	248,855.9	3.0	3.0
2. customer transfer orders	-15,276.2	1,476,243.4	1,460,967.2	18.0	17.9
– interbank	0.0	1,406,402.1	1,406,402.1	17.2	17.2
– involving KDPW SA	-109.4	8,544.6	8,435.2	0.1	0.1
– involving other NBP customers	-15,166.8	61,296.8	46,130.0	0.7	0.6
3. exchange of orders via KIR SA	10,992.5	702,371.2	713,363.8	8.6	8.7
– morning session	-43,460.0	232,349.0	188,888.9	2.8	2.3
– afternoon session	55,864.5	371,338.7	427,203.2	4.5	5.2
– evening session	-1,412.0	98,683.6	97,271.6	1.2	1.2
4. purchase (buyback) of securities from NBP	-5,895.7	273,313.9	267,418.2	3.3	3.3
– NBP money market bills	-5,895.7	273,313.9	267,418.2	3.3	3.3
– other	0.0	0.0	0.0	0.0	0.0
5. purchase or sale of cash at NBP	5,688.0	111,024.2	116,712.3	1.4	1.4
– domestic currency	5,810.1	110,758.1	116,568.2	1.4	1.4
– foreign currency	-122.0	266.1	144.1	0.0	0.0
6. transactions & operations cleared via KDPW SA	17,952.9	58,698.1	76,651.0	0.7	0.9
7. purchase or redemption of Treasury securities	-8,539.1	60,353.8	51,814.7	0.7	0.6
– T-bills	7,570.3	40,140.5	47,710.8	0.5	0.6
– other	-16,109.5	20,213.3	4,103.9	0.2	0.1
8. drawing or repayments of NBP loans to banks	258.6	20,357.9	20,616.5	0.2	0.3
9. purchase or sale of foreign currencies at NBP	-3,540.7	5,861.7	2,321.0	0.1	0.0
10. open market operations	-1,795.1	1,795.1	0.0	0.0	0.0
– repos	0.0	0.0	0.0	0.0	0.0
– reverse repos	0.0	0.0	0.0	0.0	0.0
– outright sales	-1,795.1	1,795.1	0.0	0.0	0.0
11. interest paid or received by banks	456.2	350.6	806.8	0.0	0.0
12. transactions on reserve accounts	40.6	5.4	46.0	0.0	0.0
13. other transactions	441.1	3,566.1	4,007.2	0.0	0.0

**Table 12.** Total number of transfer orders, by principal types of transaction conducted on bank current accounts at NBP Head Office

Type of current account transaction	No. of transfer orders executed on current accounts			Structure of transactions	
	Total	of which		Debits	Credits
		Debits	Credits		
%					
Total number of transfer orders executed on bank current accounts of which:	518,411	383,618	433,975	100.0	100.0
1. interbank transactions	276,882	276,882	276,882	72.2	63.8
– zloty money market	149,073	149,073	149,073	38.9	34.4
– FX market	102,354	102,354	102,354	26.7	23.6
– securities	25,455	25,455	25,455	6.6	5.9
– of which, secondary market trading in:					
T-bills	19,962	19,962	19,962	5.2	4.6
NBP money market bills	3,177	3,177	3,177	0.8	0.7
2. customer transfer orders	23,677	22,998	22,902	6.0	5.3
– interbank	22,223	22,223	22,223	5.8	5.1
– involving KDPW SA	520	257	263	0.1	0.1
– involving other NBP customers	934	518	416	0.1	0.1
3. exchange of orders via KIR SA	48,807	22,583	26,224	5.9	6.0
– morning session	16,357	9,099	7,258	2.4	1.7
– afternoon session	16,333	7,287	9,046	1.9	2.1
– evening session	16,117	6,197	9,920	1.6	2.3
4. purchase (buyback) of securities from NBP	2,388	946	1,442	0.2	0.3
– NBP money market bills	2,388	946	1,442	0.2	0.3
– other	0	0	0	0.0	0.0
5. purchase or sale of cash at NBP	140,892	46,064	94,828	12.0	21.9
– domestic currency	138,930	44,833	94,097	11.7	21.7
– foreign currency	1,962	1,231	731	0.3	0.2
6. transactions & operations cleared via KDPW SA	17,498	8,069	9,429	2.1	2.2
7. purchase or redemption of Treasury securities	4,839	3,135	1,704	0.8	0.4
– T-bills	3,111	1,458	1,653	0.4	0.4
– other	1,728	1,677	51	0.4	0.0
8. drawings or repayments of NBP loans to banks	600	363	237	0.1	0.1
9. purchase or sale of foreign currencies at NBP	53	47	6	0.0	0.0
10. open market operations	46	46	0	0.0	0.0
– repos	0	0	0	0.0	0.0
– reverse repos	0	0	0	0.0	0.0
– outright sales	46	46	0	0.0	0.0
11. interest paid or received by banks	2,258	2,229	29	0.6	0.0
12. transactions on reserve accounts	13	6	7	0.0	0.0
13. other transactions	458	250	285	0.1	0.1

The structure of the total number of transfer orders, by principal types of transaction conducted on bank current accounts at NBP Head Office, is presented in Table 12.

One of the main types of transaction performed on the current accounts of the banks in 2000 were clearings resulting from the exchange of payment orders between the banks via the National Clearing House SA. These clearings were conducted at the Head Office of the National Bank in the course of three settlement sessions during the day, i.e., at:

- a morning session (10:30 am-11:00 am), which accounted for 33% of total turnover at KIR SA (as against 35% in 1999),
- an afternoon session (2:30 pm-3:00 pm), which accounted for 53% of total turnover at KIR SA (as against 47% in 1999), and
- an evening session (7:00 pm-7:30 pm; and then 5:00 pm to 5:30 pm from September 1), which accounted for 14% of turnover at KIR SA (as against 18% in 1999).

It is worth noting the sizeable increase in the proportion of total settlement turnover dealt with at the afternoon sessions rather than at the others, which is attributable to the optimal timing of this session in the course of the working day, and also to the dynamic development of the ELIXIR system, which is the sole system to be cleared at this session. The clear predominance of the ELIXIR system relative to the SYBIR

Table 13. Transfer orders via SORBNET, by number and value

	Customer orders	2000				Annual total	Annual average
		Q1	Q2	Q3	Q4		
No. of orders	interbank	-	-	10,668	11,555	22,223	3,704
	involving KDPW	136	127	132	125	520	43
	involving other NBP customers	71	204	300	359	934	78
	total	207	331	11,100	12,039	23,677	1,973
Value of orders (million zloty)	interbank	-	-	665,954.9	740,447.2	1,406,402.1	234,400.4
	involving KDPW	4,410.6	4,041.8	4,061.3	4,466.0	16,979.7	1,415.0
	involving other NBP customers	10,928.9	22,824.7	33,742.1	39,931.2	107,426.9	8,952.2
	total	15,339.5	26,866.5	703,758.3	784,844.4	1,530,808.7	127,567.4
Average value of order (million zloty)	interbank	-	-	187.1	191.5	378.5	63.1
	involving KDPW	96.9	95.6	92.3	107.4	392.2	32.7
	involving other NBP customers	466.6	338.6	338.4	343.9	1,487.6	124.0
	total	215.2	244.7	190.1	194.5	844.5	70.4

system seen since 1998 as regards the value of gross turnover settled (90.4% via ELIXIR in Q4 2000, compared to 9.6% via SYBIR), is also confirmed by the number of transactions settled (50.6% and 49.4%, respectively, in Q4).

The average length of settlement sessions in 2000 stood at:

- morning session: 8 minutes (9 minutes in 1999),
- afternoon session: 14 minutes (10 minutes in 1999),
- evening session: 5 minutes (5 minutes in 1999).

Due to the fact that, as of July 2000, the banks began placing customer transfer orders directly in the SORBNET system, customer transactions became the second largest type of transaction in terms of turnover (the largest being interbank transactions), representing 18% of total transactions on the current accounts of the banks.

Table 13 presents the number of customer transfer orders executed via SORBNET and the value of those transactions.

### Developing standards and norms

In 2000, the National Bank actively participated in developing payment system standards and norms, one aim of this being to adjust the Polish payment system to conform to the requirements of the European Union.

This activity included:

- issuing opinions on draft Polish norms,
- collaborating with the Polish Bank Association and the Polish Standardisation Committee in drawing up standards and norms for particular components of the payment system,
- analysing the standardisation documentation of the European Union.

#### Issuance of NBP opinions on draft Polish norms

The NBP participated during the year in giving opinions on around a dozen Polish norms referred to it by Standardisation Policy Commission no. 271 on Banking and Bank Financial Services, which operates at the Polish Bank Association under the auspices of the Polish Standardisation Committee.

Particularly important for the banking sector was the appraisal of draft norms drawn up by the Commission itself on a Bank Account Number (BAN) and standard bank forms. These were:

- Draft norm PrPN-F 01102 "Banking and related financial services – Bank Account Number (BAN) – Elements and generation principles". The development of a norm and standard for bank account numbers (a BAN standard) was essential to smooth domestic and cross-border payment transactions in the Polish banking sector by providing a uniform record of bank account numbers and a uniform system for verifying the correctness of those numbers in domestic and cross-border settlement systems. Establishing the BAN standard, on the basis of the international IBAN standard, is to bring Polish banking into line with EU requirements, cut the cost of processing payment documents, and reduce the number of settlement errors caused by mistakes in bank account numbers.

- Draft norm PrPN-F 01101 "Banking – Specimen bank forms – Payment order/ cash deposit form". The work being done to draw up a standard for payment order/cash deposit forms, taking into account the comments received from banks and NBP organisational units, will make it possible to introduce a form with uniform procedures for entering information. The personalisation of documents and automatic data recognition, rather than the transcription of data, will have a positive impact on the execution of payment instructions.
- Draft norm PrPN-F 01100 "Banking – Specimen bank forms – Cheque forms". The adoption of this norm will allow the application of modern technologies of automatic data recognition to cheque forms.

Cooperation with the Polish Bank Association and Polish Standardisation Committee in developing payment system standards and norms

In collaborating with the Polish Bank Association and Polish Standardisation Committee, the National Bank took part in work concerning:

- the implementation of a standard form for payment orders/ cash deposits,
- the possibility of electronic document archiving in the Polish banking industry,
- developing message standards for the planned Common Electronic Banking Network,
- the implementation of a bank account number standard.

Analysis of European Union standards documentation

In 2000, the NBP carried out analyses of the materials of the European Committee for Banking Standards, with particular reference to the documentation produced on implementation of an international bank account number (IBAN) and the progress achieved in implementing an international payment instrument (IPI).

### Activity of the Payment System Council

Six meetings were held in 2000 of the Payment System Council, established in 1998 as a consultative and advisory body reporting to the NBP Management Board, and charged with coordinating the activity of the NBP, the banks and the Polish Bank Association in relation to the payment system. The issues focussing the attention of the Council in 2000 included:

- the legal and organisational aspects of the progressively electronic character of payment transactions,
- European integration,
- the integration of settlement systems and the interbank clearing system.

The particular questions examined by the Payment System Council at its meetings in 2000 included the following:

- the development of the SORBNET system in 1999 and the direction of its development in the years ahead,
- an assessment of the compliance of the Polish payment system with the 10 minimum features applicable to domestic payment systems in the European Union,



- an assessment of the compliance of the securities settlement systems in place in Poland with international standards, with particular consideration given to the standards in force in the European Union countries,
- the measures intended to be taken by KDPW SA, the NBP and other organisations with a view to increasing the efficiency of the securities settlement systems in operation in Poland,
- an interbank agreement on hard copy cheque truncation and the inclusion of the appropriate message format in the ELIXIR system,
- the offset of clearings under KIR SA systems with settlements under payment card systems,
- the principles for the functioning and settlement of payment cards issued by non-financial institutions,
- the introduction of a uniform bank account number in Poland,
- the Bill on Settlement Finality in Payment and Securities Settlement Systems,
- interbank foreign currency settlements within the Polish banking system,
- the proposal to establish a guarantee fund for interbank clearings at the National Bank of Poland relating to monetary settlements conducted via KIR SA,
- the Bill on Payment Cards, Other Electronic Payment Instruments, and Electronic Money,
- a draft ordinance of the Minister of Finance on cross-border transfers,
- the conditions and prospects for eliminating hard copy documentation from interbank settlements,
- the development of Internet banking and the associated experiences of Polish banks,
- a periodic assessment of the operation of the Polish payment system.

The most important practical consequences of the Council's work, yielding solutions for implementation, comprised:

- determining the directions of change within the SORBNET system in 2000 and in the years ahead,
- issuing a positive opinion on the following draft legal regulations:
  - the Resolution of the NBP Management Board on the conditions applicable to the opening and operation of accounts for banks at the National Bank of Poland,
  - the Regulation of the President of the NBP specifying the method of conducting interbank settlements,
  - the Bill on Settlement Finality in Payment and Securities Settlement Systems,
  - The Bill on Payment Cards, Other Electronic Payment Instruments, and Electronic Money,
- adopting a bank account number (BAN) standard within the Polish banking system,
- the commencement of preparations by KDPW SA for implementing a trade confirmation system for settlement parties and multi-batch processing under the existing deposit and settlement system.

#### Collaboration with the banking sector regarding other interbank initiatives

In 2000, the National Bank of Poland continued its active cooperation with the Polish Bank Association and the banks in relation to the following additional

systemic initiatives (in addition to those discussed under items Education and information):

- the creation of the CENTRAST SA Confidence and Certification Centre, with a large equity participation by the NBP,
- preparatory work for the establishment of the institution of banking ombudsman, to examine any disputes between banks and customers,
- the preparation of an interbank agreement on the principles for the conduct of business between correspondent banks,
- the preparation of an interbank agreement on repo transactions on the Polish interbank market,
- the preparation of solutions that would enhance the security of payment card settlement systems,
- the preparation of amendments to the interbank agreement on procedures for presenting for collection cheques drawn on personal current accounts, that would allow cheque truncation at the intermediary bank and settlement with the presenting bank solely via electronic means.

In many of the above initiatives, NBP experts took an active part in discussions aimed at developing model solutions and gave their opinions on the solutions proposed. Additional support to selected interbank projects, including ones undertaken by various bodies acting under the auspices of the Polish Bank Association, took the form of financial assistance from the National Bank.

The objective of the collaboration with the banking sector outlined above was to perform the statutory responsibility of the NBP, as specified in Article 3, para. 2, subpara. 6, of the Act on the National Bank of Poland, to establish the necessary conditions for the development of the banking system.





**Banking Supervision**



*The Golden Eagle (1 oz. of pure gold)  
500 zloty coin issued in 1995*

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### Supervision of the cooperative banking sector

## Banking Supervision

In 2000, the activity of the General Inspectorate of Banking Supervision (GINB), as the executive arm of the Commission for Banking Supervision, reflected the division of the statutory responsibilities of banking supervision into those involving licensing, regulation, off-site analysis, on-site examinations and matters related to the cooperative banking sector<sup>18</sup>.

### Licensing

The licensing activity of GINB in 2000 included responsibilities of a permanent nature involving the processing of applications for the issue of rulings of the Commission for Banking Supervision or opinions of the President of the National Bank of Poland, received pursuant to the provisions of the legislation regulating the operations of banks in Poland. In the course of the year, GINB received 484 applications of this type, as follows:

- 3 applications for authorisation to establish a bank,
- 1 application for approval for a bank to commence operating activity,
- 14 applications for authorisation to open and operate a representative office of a foreign bank in Poland, or to alter the name of the bank in question, as specified in such an authorisation,
- 1 application for approval for the merger of banks operating as public limited companies,
- 1 application for approval for the membership of a shareholder in a regional bank (affiliating local cooperative banks),
- 1 application for an opinion of the President of the NBP on the person proposed for the post of president of a regional bank,
- 63 applications to approve the appointment of members of management boards (including presidents) at banks operating as public limited companies,
- 36 applications for authorisation for the acquisition or taking up of qualifying shareholdings in a bank, or of the rights conferred by such a shareholding,
- 70 applications for approval for the amendment of the articles of association of a bank operating as a public limited company,
- 294 applications for approval for the amendment of the articles of association of a cooperative bank.

In addition, GINB issued updated and improved versions in 2000 of the *Listing of the offices of domestic banks (excluding cooperative banks) and branches of foreign banks*, and the *Listing of the offices of cooperative banks*.

<sup>18</sup> Detailed information on the work of banking supervision in 2000 is contained in the *Report on the Activity of the Commission for Banking Supervision, 2000*.

The licensing activity conducted by GINB involved work undertaken with respect to:

- specialist banks,
- representative offices of foreign banks,
- changes in banks' ownership structure or management composition,
- amendments to banks' articles of association.

### Specialist banks

In 2000, GINB completed proceedings concerning the establishment of mortgage banks, resulting in the Commission for Banking Supervision adopting resolutions authorising the establishment of:

- Pekao Bank Hipoteczny Spółka Akcyjna, registered office Szczecin,
- Śląski Bank Hipoteczny Spółka Akcyjna, registered office Warsaw.

Neither of these banks commenced operating activity, however, nor did they appoint depositories. Nevertheless, GINB examined and then submitted to the Commission for Banking Supervision motions for the Commission to approve two members of the first Management Board of Śląski Bank Hipoteczny SA, one of these being the President. During the year, GINB also analysed a further two applications for authorisation to establish a mortgage bank.

GINB also prepared a motion for the Commission which led to it authorising, on January 12, 2000, the establishment of Toyota Bank Polska SA, registered office Warsaw, to be principally involved in providing loan finance for the purchase of Toyota cars in Poland. Motions were prepared for the Commission to approve two members of this bank's first Management Board, and following an on-site review of the bank's preparations for the commencement of operating activity, the Commission issued approval for this on August 10, 2000.

Further, GINB prepared another motion for the establishment of a new bank specialising in car finance. At present, these licensing proceedings have been suspended at the request of the bank's founding organisation, pending changes to the ownership structure of that organisation.

In addition, in 2000 GINB received:

- An application for authorisation to establish a bank under the name of "MHB Bank Polska Spółka Akcyjna", registered office Warsaw, which was duly examined and initially approved by the Commission, and then referred to the Minister of Finance. On January 18, 2001, the Commission adopted a resolution authorising the establishment of this bank.
- An application for authorisation to establish a bank under the name of "Bank Svenska Handelsbanken Polska SA", registered office Warsaw. On February 7, 2001, the Commission adopted a resolution authorising the establishment of this bank.
- One other application that is under review.

### Representative offices of foreign banks

In 2000, GINB processed 8 of 14 applications submitted for the establishment of a representative office of a foreign bank in Poland. The remaining 6 are under examination.

The following foreign banks were granted licences in 2000 to open representative offices in Poland:

- "PRIORBANK" akcjonierne obszczestwo, registered office in Poland, Minsk (a new five-year operating licence),
- CREDIT AGRICOLE INDOSUEZ, registered office in Poland, Paris,
- Deutsche Hyp Deutsche Hypothekenbank Frankfurt – Hamburg AG, Frankfurt,
- EUROHYPO Aktiengesellschaft Europäische Hypothekenbank der Deutschen Bank registered office in Poland, Frankfurt,
- Otkrytoje akcjonierne obszczestwo specjalizirowanyj kommierczeskij "Technobank", registered office in Poland, Minsk,
- the Export-Import Bank, Taiwan, registered office in Warsaw, Taipei.

In addition, an application to extend the operations of the representative office of one bank was refused, and the ruling concerning the name "Bank of America, National Association" was amended.

In 2000, four foreign banks announced their intention to wind up their representative offices in Poland, with three of these duly deleted from the register of banks operating representative offices in Poland, while the fourth closed its office on March 31, 2001.

At year end 2000, there were 32 representative offices of foreign banks in operation in Poland.

#### Changes in banks' ownership structure and management composition

Acting on motions prepared by GINB, the Commission for Banking Supervision adopted the following resolutions in 2000:

- 23 resolutions authorising the acquisition or taking up of qualifying shareholdings in a bank, or of the rights conferred by such a shareholding,
- 2 resolutions on bank mergers,
- 42 resolutions approving appointments to bank management boards, with 25 of these referring to the appointment of bank presidents and 17 involving the appointment of other management board members.

In addition, during 2000 GINB prepared three opinions of the President of the NBP concerning persons proposed for the post of president of a regional bank (two applications had been filed in 1999), and one approval of the President of the NBP for the membership in a regional bank of a shareholder other than a cooperative bank.

#### Amendments to banks' articles of association

In 2000, GINB processed 70 applications from the banks for the Commission for Banking Supervision to approve the amendment of the articles of association of a bank operating as a public limited company. These amendments most frequently involved expanding the list of operations carried out by the bank in question. They were also related to increases in share capital, changes in the external representation of the bank, voting preferences for shares, and also changes in the name of the bank.

During the year, 360 proceedings concerning amendments to the statutes of cooperative banks were completed with the issue of the relevant decisions. The amend-



ments applied for by the cooperative banks primarily referred to new operations to be conducted by these banks (e.g., foreign exchange operations, the issue of payment cards, the extension of guarantees, and the acquisition and disposal of traded debt), and also to expanding the trade area to be serviced by the banks concerned.

### Prudential regulations

The regulatory activity of GINB in 2000 primarily focussed on tasks relating to the adjustments necessary to conform to European Union requirements and standards. In particular, the following work was carried out:

- A comprehensive analysis was performed of banking regulations in terms of conformity with EU provisions, and specific changes were proposed to the bills amending the Banking Act and the Act on the National Bank of Poland.
- A legal framework was developed for the performance of consolidated supervision through the implementation of Directive 2000/12/EC of the European Parliament and of the Council of March 20, 2000, relating to the taking up and pursuit of the business of credit institutions. In conjunction with the NBP Legal Department, GINB drew up the Bill Amending the Banking Act, which includes a section on "Consolidated supervision". This bill, having been accepted by the NBP Management Board and having received a positive opinion from the Commission for Banking Supervision, has since been approved by the Council of Ministers and forwarded to Poland's Sejm.
- GINB also participated in work on the Bill on Electronic Payment Instruments.
- Work was conducted on concluding memoranda of agreement on the collaboration and exchange of information between banking supervision and other domestic supervisory agencies. On December 21, 2000, a memorandum of agreement was signed with the State Agency for Insurance Supervision. Further work is to be carried out in 2001 to conclude a memorandum of agreement with the Agency for Pension Fund Supervision.
- Negotiations were pursued with a view to concluding memoranda of agreement on the collaboration and exchange of information between Polish banking supervision and supervisory authorities abroad. On December 7, 2000, a memorandum of agreement was signed with Lithuanian banking supervision. Work is currently most advanced in concluding memoranda of agreement with agencies of banking supervision from Ukraine, Denmark and Germany. Moreover, it is expected that the taking effect of the Bill Amending the Banking Act, which introduces the principle of consolidated supervision, will greatly speed up negotiations on concluding memoranda of agreement with supervisory authorities from Austria, Holland, the USA, Ireland, the UK, Israel and Italy.
- Work was conducted on incorporating in Polish legislation the provisions on contractual netting contained in Directive 2000/12/EC of the European Parliament and of the Council of March 20, 2000. GINB took part in work to amend Polish regulations in this area.

- A mark-to-market method for estimating the replacement cost of derivative instruments was developed, with provision for this method being made in a draft implementing regulation accompanying the amendments to the Banking Act.
- Work was carried out to introduce Value at Risk methodology in assessing banking risk. In adopting Resolution no. 2/2000 on the establishment of a normative provision for permissible foreign exchange risk in banking activities, November 8, 2000, the Commission for Banking Supervision regulated the use of VaR analysis to measure FX risk.
- Work was conducted to introduce a new prudential regulation on capital adequacy. A draft regulation was developed addressing foreign exchange risk and price risk (equities, commodities and debt instruments), and was referred for consultation within GINB. The remaining areas of market risk are dealt with in a draft resolution of the Commission that constitutes an implementing regulation accompanying the amendments to the Banking Act.
- The Basle Committee on Banking Supervision has developed and distributed for discussion the draft of a new capital accord to replace the existing one, in place since 1988. Having analysed this document and carried out consultations within the banking community, GINB draw up comments on it and submitted these to the Commission for Banking Supervision. These were approved by the Commission and forwarded to the Basle Committee.
- Work was completed on a bill concerning the operations of cooperative banks, their affiliation and affiliating banks, begun in 1999. GINB participated in the work leading to this bill being enacted by the Sejm of the Republic of Poland on December 7, 2000. Among other things, the new Act regulates the procedure for the affiliation of cooperative banks and adjusts capital requirements in line with those in force in the European Union.

In addition, in the course of 2000 GINB was also involved in the following areas of regulatory activity:

- Completing work in preparation for the implementation of Directive 98/26/EC of the European Parliament and of the Council, May 19, 1998, on settlement finality in payment and securities settlement systems. GINB collaborated with the Payment Systems Department and Legal Department of the NBP in developing the Bill on Settlement Finality in Payment and Securities Settlement Systems, and on the Principles for Supervision of those Systems.
- Conducting work on draft amendments to the prudential reporting package filed by the banks, including changes to asset classifications. Work was also carried out on the scope of information to be submitted by banks in consolidated accounts and in the accounts of their foreign branches. This work is to be continued in 2001.
- Conducting work on drawing up draft ordinances of the Minister of Finance concerning detailed principles for bank accounting and the compilation of notes to financial statements, and also detailed procedures for the compilation by banks of consolidated financial statements. The proposals of banking supervision on these issues are to be forwarded to the Minister of Finance.

In performing other regulatory responsibilities not directly connected with the process of adjustment relative to EU requirements, the main areas of GINB activity in 2000 were the following:

- Work was conducted on a prudential recommendation from the Commission for Banking Supervision on the outsourcing of significant elements of banking operations. The relevant draft recommendation prepared by GINB is currently the subject of consultations.
- A draft was prepared of Regulation no. 9/2000 of the President of the NBP, May 23, 2000, updating Regulation no. 4/95 of the President of the NBP establishing a model bank chart of accounts, February 22, 1995. In addition, narrative descriptions were developed of newly-established accounts included in the model bank chart of accounts, with certain previous descriptions updated, and these were distributed to the banks.
- A method was developed for electronically archiving Uniform Bank Performance Reports, which involved modifications to the software handling the reports to allow all users to access archival UBPR data.
- The Executive Summary module of the Supervisory Profile was developed, allowing the central management of information on the financial condition of the banks being supervised. In addition, the design and then implementation was performed of automatically generated summary management reports on trends within the banking system.
- Executive Summaries were made available to all GINB offices. This task had been scheduled for completion in 2001, but was carried out in 2000 due to the need to provide the Executive Summary to GINB field staff as quickly as possible.
- The following regulations were prepared concerning mortgage banks:
  - on collateral accounts for mortgage bonds. GINB developed a draft prudential recommendation of the Commission for Banking Supervision regarding the operation of collateral accounts for mortgage bonds. This draft is currently the subject of consultations;
  - on the creation by banks of property market data bases. GINB drew up the draft of Prudential Recommendation of the Commission for Banking Supervision, on the creation by banks of data bases concerning the property market. This Recommendation was approved by the Commission on July 20, 2000.
- At the same time, in line with a decision of the Commission for Banking Supervision, a bill amending the Act on Mortgage Bonds and Mortgage Banks was drafted, in conjunction with the Legal Department of the NBP. Having been approved by the Commission, the bill was forwarded to the Ministry of Finance.
- On the instructions of the NBP Management Board, GINB, together with the Department of Monetary and Credit Policy, prepared draft principles and procedures for exemptions from reserve requirements.

### Off-site analysis

In its off-site analysis of the banks in 2000, GINB carried on its permanent responsibilities in this area, concentrating on:

- direct off-site surveillance of the commercial banks,
- supervision of distressed banks,
- overall analyses of the financial condition of the banking sector.

### Direct off-site surveillance of commercial banks

In 2000, the direct off-site surveillance of the commercial banks conducted by GINB involved:

- Carrying out ongoing and quarterly analyses and assessments of the financial condition of particular banks. The results of the quarterly analyses were used to assign internal ratings to each bank using the CAEL methodology<sup>19</sup>, to draw attention to those areas that could constitute a source of potential problems and which required detailed review during on-site examinations, and to develop a supervisory strategy for each bank. These conclusions were presented in Executive Summaries for GINB Management. Meanwhile, the Supervisory Profiles of the banks, containing key information on each one, were updated on an ongoing basis<sup>20</sup>, and monthly reports were compiled on the conditions of the banks (including proposals for urgent supervisory action where necessary).
- Examining applications from the banks for supervisory approval to carry out particular measures<sup>21</sup>.
- Developing materials to be examined by the Commission for Banking Supervision, including draft Commission resolutions and draft rulings of the Chairperson of the Commission in individual cases, pursuant to statutory authority.
- Undertaking ad hoc interventions, explanatory proceedings and inquiries<sup>22</sup>.
- Selecting banks for full-scope and targeted examinations, participating in those examinations, and monitoring the subsequent performance of examination recommendations.
- Preparing proposals for alterations to the prudential reporting package as regards the data on real estate finance submitted by both mortgage banks and universal commercial banks.
- Giving opinions on the real estate appraisal policies submitted by banks to the Commission for Banking Supervision for approval.

<sup>19</sup> This involves an attempt to estimate exposure to particular types of banking risk, and serves, among other things, as a basis for scheduling the dates and frequency of full-scope and targeted examinations.

<sup>20</sup> The contents of these include the bank's CAEL rating, an assessment of its risk exposure, and a review of compliance with the provisions of the *Banking Act*, other legislation and prudential regulations.

<sup>21</sup> 3 opinions were issued concerning the issue of securities by banks, and 14 opinions were forwarded to the Securities and Exchange Commission in connection with banks applying to perform the function of depository. Opinions were also given on proposed amendments to the articles of association of banks (in 11 cases), on persons proposed for appointment as bank presidents or members of management boards and on proposed changes in banks' ownership structure (32 cases), and on applications to perform mergers (5 cases).

<sup>22</sup> Ad hoc interventions were undertaken where it was found that banks had submitted incorrect information in their prudential reports to the NBP or had failed to file such reports on schedule, where violations were determined in the provisions of statute or prudential regulations (including violations of Articles 22 and 71 of the *Banking Act*, with 6 and 4 cases of this kind, respectively), and where discrepancies were established in bank classifications of claims on a common borrower.

### Supervision of distressed commercial banks

In 2000, GINB was engaged in the supervision of 20 distressed institutions (those implementing rehabilitation programmes or required to institute financial recovery proceedings), and also of 10 banks under liquidation, 6 banks declared bankrupt, and 4 banks that had acquired the distressed banking business of other banks. In performing this supervision, GINB:

- Carried out ongoing analyses of the condition of these banks (including assessments of the performance of rehabilitation programmes), on the basis of which reports were drawn up for the Commission for Banking Supervision on the banks in question and related banks, along with information on the supervisory action taken in relation to them and proposals for further action.
- Issued opinions on the rehabilitation programmes under way at 16 banks<sup>23</sup>, with 6 of these programmes receiving the approval of the Chairperson of the Commission for Banking Supervision (the remaining banks were required to revise or supplement their programmes).
- Prepared opinions subsequently taken into consideration by the NBP Management Board in exempting 6 commercial banks from reserve requirements. The decision concerning one of these banks took effect on January 2, 2001. The total amount of required reserves thus exempted in 2000 came to 474.5m zloty.
- Where a bank rehabilitation programme was insufficient or its performance was inadequate – submitted proposals to the Commission for Banking Supervision concerning the following measures, subsequently adopted under resolutions of the Commission: placing the bank under administration (3 cases), approving acquisition of the bank by another bank (3 cases), requiring the bank to call an extraordinary general meeting (4 cases), or suspending the bank's operations (2 cases<sup>24</sup>).
- Organised tenders for audits of the accounts of 2 banks.

In addition, GINB was involved in collaboration with the Bank Guarantee Fund. The Fund was notified of a bank being required to institute financial recovery proceedings, and of whether the rehabilitation programme subsequently proposed had been accepted or rejected<sup>25</sup>.

### Overall analyses of the financial condition of the banking sector

The overall analyses of the financial condition of the banking sector conducted by GINB in 2000 comprised:

<sup>23</sup> 14 of these cases involved stand-alone rehabilitations, while 2 involved the restructuring of acquired banking businesses.

<sup>24</sup> One of these banks was acquired by another bank, while bankruptcy proceedings were instituted with respect to the second (Bank Staropolski SA, Poznań).

<sup>25</sup> The Fund was also advised of the action taken by the Commission for Banking Supervision where a bank had suffered a net loss, was threatened with such a loss or found itself in danger of insolvency.

- Developing quarterly *Evaluations of the financial situation of banks*, which constitute a basic source of information on the condition of the Polish banking industry<sup>26</sup>, and on the basis of these compiling *Summary evaluations of the financial situation of banks*<sup>27</sup>.
- Performing the annual *Assessment of the impact of monetary, tax and supervisory policies on the development of banks (for the year 1999)*.
- Performing analyses of selected areas of banking sector activity and developing ongoing reports on these issues for GINB, the Commission for Banking Supervision, the Monetary Policy Council, the NBP Management Board, central bodies of government and the civil service, and other external recipients (particularly international financial organisations and institutions)<sup>28</sup>.
- Compiling ten-day reports on the banks' compliance with normative provisions on permissible foreign exchange risk, maintaining records of the foreign customers of the banks, and monitoring the conversion to Treasury bonds of bank claims arising on the outstanding debts of health service establishments.

### On-site examinations

The examination activity carried out by GINB in 2000 focussed on continuing and stepping up the process of on-site examinations at commercial and cooperative banks, and at branches and representative offices of foreign banks. At the same time, various supervisory examination procedures were drawn up, extended or improved, and methodologies were developed for reviewing particular risks at the banks. Great importance was attached to laying the basis for the comprehensive professional development of bank examiners.

At December 31, 2000, the on-site examination function exercised by banking supervision encompassed the following institutions:

- 73 commercial banks, excluding those under liquidation or declared bankrupt (compared to 77 in 1999),
- 680 cooperative banks (781 in 1999),
- 32 representative offices of foreign banks (32 in 1999).

<sup>26</sup> Having been approved by the Commission for Banking Supervision, these "Evaluations" were submitted to the NBP Management Board, the Monetary Policy Council, the management of GINB and the directors of selected NBP departments. In addition, the annual "Evaluation" for 1999 was also forwarded to the President of the Republic of Poland, the Speakers of the Sejm and Senate, the Prime Minister, the chairpersons of selected Sejm commissions and subcommissions, and the heads of selected central government agencies.

<sup>27</sup> These were distributed in Polish and English to a broad range of recipients (and made available on the Internet).

<sup>28</sup> Reports drawn up for the Commission included ones on bank exposures to the Daewoo group, the effects of the possible takeover of Bank Austria AG by the German HypoVereinsbank AG, and the activity of "car finance" banks.

In presenting an overview of examination activity, it is useful to distinguish:

- on-site examinations performed at commercial and cooperative banks, and at branches and representative offices of foreign banks,
- the scope of the examinations performed,
- the examination methodology and tools applied.

#### Examinations at commercial and cooperative banks, and branches and representative offices of foreign banks

In 2000, GINB carried out the following on-site activity:

- 138 full-scope on-site examinations, comprising:
  - 17 examinations at commercial banks,
  - 4 examinations at large cooperative banks, with total assets of over 100m zloty,
  - 117 examinations at other cooperative banks;
- 149 targetted on-site examinations, comprising:
  - 21 "prior notice" examinations at commercial banks to review selected areas of activity,
  - 6 "no notice" examinations at commercial banks to review selected areas of activity,
  - 21 examinations at commercial banks to review compliance with Resolution no. 4/98 of the Commission for Banking Supervision, June 30, 1998, on bank procedures in cases of money laundering, and on the trigger amount and conditions for maintaining a record of cash deposits in excess of a specified amount, and of the particulars of the parties performing such deposits and the parties to whose account the deposits are made (as published in *Dziennik Urzędowy NBP* no. 18/1998, item 40),
  - 5 examinations at large cooperative banks, with total assets of over 100m zloty,
  - 96 examinations at other cooperative banks;
- measures associated with suspending the operations of 2 banks, with these involving 1 commercial bank and 1 cooperative bank;
- 15 explanatory proceedings, with these involving 10 commercial banks and 5 cooperative banks;
- 1 on-site review of a bank's preparations for commencing operating activity;
- 20 on-site examinations at Polish representative offices of foreign banks.

The examination activity undertaken was carried out on the basis of an examination plan for 2000 approved by the General Inspector of Banking Supervision. The guiding principle in drawing up both the examination plan and examination timetable in 2000 was to make use of the central planning and management of the examination function to ensure the optimum utilisation of examination staff and most efficient staffing of examinations, and also to determine and specify the required duration of examinations in consideration of the risk exposure in the particular areas of a given bank's operations.

#### Scope of examinations

The scope of the examinations conducted in 2000 comprised reviews of particular risk areas at the banks and of compliance with established procedures for combatting

money laundering, of compliance with the authorised scope of activity at representative offices of foreign banks and of the accuracy of their accounting records, and the performance of other examination responsibilities set by the NBP Management Board.

In their work on site at the banks, examiners concentrated on reviewing banking risks and the adequacy of the risk management process. The examinations involved reviews of credit risk, liquidity risk, FX risk and interest rate risk. Analyses were also performed of earnings and capital adequacy, of management, and of internal controls and audit. In addition, the examiners reviewed compliance with the provisions of legislation and prudential regulations, and with internal policies and procedures.

During 2000, GINB conducted 21 targetted on-site examinations relating to compliance with the provisions of Article 106 of the Banking Act of August 29, 1997, and Resolution no. 4/98 of the Commission for Banking Supervision, June 30, 1998<sup>29</sup>.

Under this Resolution, the banks are required to submit to GINB their internal compliance programmes for combatting money laundering. Verification of these was performed at the banks during targetted examinations, when comprehensive checks were carried out of how banks observed both the provisions of the above-mentioned Resolution and their own internal compliance programmes. The deficiency noted most frequently was a failure to analyse the records which the banks were maintaining, which prevented them from effectively fulfilling the requirement that they identify suspicious transactions.

As part of this activity, GINB presented proposals to the Commission for Banking Supervision on measures to be taken with respect to the banks as regards the combatting of money laundering. These proposals were accepted, and then implemented by GINB.

In the course of the year, GINB performed on-site examinations at 20 representative offices of foreign banks. The issues reviewed during these examinations were compliance with the scope of activity specified in the authorisations for these offices, and the accuracy of the financial records being kept.

Numerous full-scope examinations were carried out in 2000 during which the examiners also reviewed other issues on the instructions of the NBP Management Board, as follows:

- during 138 full-scope examinations, a review was conducted of monetary and interbank settlements,
- during 9 full-scope examinations and 3 targetted examinations, a review was conducted of the accuracy of the calculation and performance of reserve requirements,
- during 5 full-scope examinations, a review was conducted of bank reporting in relation to issues connected with balance of payments statistics.

### Examination methodology and tools

In 2000, GINB updated its *On-site Examination Manual*, which constitutes a practical guide and methodological tool used in planning and conducting examinations of

<sup>29</sup> Resolution of the Commission on bank procedures in cases of money laundering, and on the trigger amount and conditions for maintaining a record of cash deposits in excess of a specified amount, and of the particulars of the parties performing such deposits and the parties to whose account the deposits are made (as published in Dziennik Urzędowy NBP no. 18/1998, item 40).



key areas of banking activity and the principal areas of risk. The *Manual* is designed to present uniform, systematic and internally consistent principles for the performance of on-site examinations, to ensure that the process of reviewing and assessing a bank's financial condition and management is based on transparent, structured and proper principles, that correspond both to legal requirements and to best supervisory practice.

In updating the previous version of the *Manual*, compiled in 1997, the primary aim was to bring it into line with the changes that had taken place in the provisions of the Banking Act. Where appropriate, an attempt was also made to indicate the changes in regulations projected for the future, and to make reference to the international standards and practice applied by banks and supervisors in other countries. The updated version of the *Manual* also takes into account the changes that have occurred in the supervisory approach to banking risk assessment.

In addition, other activity undertaken by GINB in 2000 in relation to examination methodology and tools included the following:

- implementing a points-based bank rating methodology, which includes a rating panel<sup>30</sup>,
- developing a methodology for preparing reports of examination,
- preparing the following materials relating to examination methodology: *Methods of interest rate risk measurement* and *Guidelines for examining branch offices*,
- developing the following draft materials relating to examination methodology: *The organisation of meetings with Management Boards and Funds transfer pricing at commercial banks*,
- organising training courses for bank examiners, including ones on examination procedures with respect to liquidity, interest rate risk and electronic banking.

### Supervision of the cooperative banking sector<sup>31</sup>

In 2000, the consistent policy being pursued by GINB, with the involvement of the regional and other affiliating banks, reinforced the process of strengthening the capital base of the cooperative banks. As a result of measures to this end, 99 cooperative banks merged with other banks, while 3 were acquired by other banks. At year end 1999, there had been 781 cooperative banks in operation in Poland, while a year later there were 680.

<sup>30</sup> The composition of the rating panel includes the examiner in charge, regional examination coordinators, and the microanalysts responsible for the direct off-site surveillance of the given bank. The basic task of the panel is to form an objective and independent view of the rating being proposed for the bank and the justification for this rating given by the examiner in charge. In practice, this means that the panel assigns a point rating to the bank in question, having first assured itself that the rating proposed reflects the bank's actual financial condition, is properly justified, and is reasonable.

<sup>31</sup> At December 31, 1999, the cooperative sector was composed of 781 local cooperative banks, 11 regional and other affiliating banks, and BGŻ SA.

GINB carried out ongoing analyses and assessments of the financial condition of these banks to identify the trends at work and any threats to their operations. In the course of 2000, 86 draft letters of recommendation were prepared following examinations, together with 18 written cautions for the management boards of cooperative banks, where examination findings indicated that their activity could jeopardise the further operation of the banks in question.

In supervising the cooperative banking sector in 2000, GINB:

- Monitored and analysed the performance of 122 rehabilitation programmes within the cooperative sector. At year end 2000, there were 114 cooperative banks implementing rehabilitation programmes, i.e., 33 fewer than a year before.
- In 32 cases (35 fewer than in 1999), issued its opinion on rehabilitation programmes or amendments to programmes already under implementation that required the approval of the Commission for Banking Supervision. Of those 32 cases:
  - 25 banks were showing prior period losses,
  - 3 banks had been found during full-scope examinations to be showing current period losses,
  - 4 banks were in danger of incurring a loss.
- Presented proposals to the Commission for Banking Supervision for conservators to be appointed to 2 banks to oversee the performance of rehabilitation programmes.
- Issued its opinion on applications from 17 banks for exemptions from reserve requirements, which represented 22 applications fewer than received in 1999. Including opinions drawn up at the end of 1999, the overall result was that the NBP Management Board exempted 21 cooperative banks from reserve requirements. The amount of required reserves thus released in 2000 totalled 58.4m zloty.
- Submitted motions to the Commission for Banking Supervision for 6 banks to be authorised to refrain from deducting unabsorbed prior period losses from their core capital, which represented 19 fewer than in 1999.
- Drew up quarterly reports on the performance of financial recovery targets at all the banks implementing rehabilitation programmes, and prepared an overall report for the Commission for Banking Supervision on the performance of rehabilitation programmes at cooperative banks.

The measures taken by GINB in 2000 yielded an improvement in the situation of the cooperative banking sector compared to 1999. GINB analysed the situation in this sector on an ongoing basis and submitted the relevant reports to the Commission for Banking Supervision, together with proposals as to further action to strengthen the sector.

In 2000, 101 cooperative banks continued bankruptcy or liquidation proceedings. In this connection, GINB drew up:

- 5 draft opinions of the Commission for Banking Supervision concerning the terms and conditions for the acquisition of a bankrupt banking business,
- 2 draft rulings of the Commission approving the closing financial statement of a liquidation,
- numerous draft letters of the Commission concerning bankruptcy and liquidation procedures, sent to trustees in bankruptcy, liquidators, or the courts of relevant jurisdiction.

In developing reports for the Commission for Banking Supervision on banks in the cooperative sector implementing rehabilitation programmes, GINB devoted particular attention to those where performance of these programmes was inadequate.

GINB also prepared draft rulings of the Commission for Banking Supervision on the appointment of a conservator to oversee the performance of a rehabilitation programme, on the appointment of administrators, on the acquisition of one bank by another, on the liquidation of a bank, and on the suspension of a bank's operations. These were examined and accepted by the Commission, with the result that:

- a proposal was drawn up to suspend the operations of one bank where the external auditor had found a shortfall in assets, with a subsequent proposal being prepared for this bank to be acquired by another cooperative bank,
- a proposal was drawn up to suspend from office the president of one bank,
- proposals were drawn up to appoint conservators to oversee the performance of rehabilitation programmes at two banks,
- proposals were drawn up to approve the mergers of seven banks.

In addition, GINB prepared draft rulings of the Commission for Banking Supervision in response to 51 applications from cooperative banks to include in their supplementary capital funds received for a period of at least five years in the form of subordinated loans extended by their regional affiliating banks.



## The Internal Development of the NBP



*The Swallow-Tail Butterfly (Papilio machaon)*  
20 zloty coin issued in 2001

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## The Internal Development of the NBP

### Human resource management

#### NBP staffing

Average staffing at the NBP in 2000 amounted to the equivalent of 6,319 full-time posts, a decline of 3 posts compared to 1999. The majority of staff were women, who accounted for 73.7% of staff in non-manual posts (as against 74.4% in 1999) and 25.3% in manual and related posts (compared to 26.8% in 1999).

The age structure of the Bank's employees is marked by a substantial proportion of staff up to the age of 35 (28.4%), although since 1989 there has been a constant tendency for this to decline (the relevant percentages stood at 31.7% in 1997 and 29.7% in 1999). Employees over 55 years of age represented 8.8% of total staff (9.0% in 1999).

In 2000, the number of employees with higher education continued to rise, and at year end stood at 2,086, which represents 43.3% of those employed in non-manual posts (40.8% in 1999). The proportion of staff who had not completed their secondary education came to 4.9% (5.2% in 1999). During the year, 449 staff acquired further qualifications in formal education, with 404 graduating from college or university and 45 completing secondary school.

#### Developing staff qualifications

Staff training continued to receive major attention in 2000. Increased interest was shown in various methods of raising professional and language qualifications, which reflected the implementation of a decision of the NBP Management Board to establish a group of staff designated for direct liaison with the European System of Central Banks and international supervisory institutions.

##### Basic forms of developing staff qualifications

- The main vehicle for developing staff qualifications at the NBP in 2000 was through a system of professional training at various courses and seminars. During the year, 7,334 people attended organised training events of this sort. The subject matter of these courses and seminars, which were organised at home and abroad both by the Bank and by major training institutions, most frequently concerned specialist issues related to IT (2,067 participants, as against 2,638 in 1999) and banking (1,147 participants, as against 476 in 1999). Further, seminars devoted to particular areas of law (including banking, foreign exchange and employment legislation), due to their significance and relevance, also elicited large interest,

as did seminars on legislation connected with the reform of the social insurance system and pension funds, and on the safeguarding of restricted information, the protection of personal data, non-life insurance, VAT and management issues.

- Language instruction was also continued in the form of four- and five-year courses, attended by a total of 320 employees. At the same time, new and intensive forms of English language instruction were introduced, intended to develop more advanced language skills. Around 60 employees participated in these classes. A specialist class was also begun to prepare 43 staff from NBP Head Office for the examinations held by a Commission of the London Chamber of Commerce and Trade (the SEFIC). During the year, 18 staff passed this examination.
- In the course of 2000, 120 staff, 75 of them from NBP Head Office, took part in specialist post-graduate courses. At the same time, 74 staff (40 from Head Office) completed their post-graduate studies. The most popular courses were in European integration, followed by banking. During the year, 13 members of staff began Ph.D. courses.
- In 2000, 406 staff participated in training abroad, at banks and other financial institutions, via seminars and workshops or specialist study visits devoted to adjusting the solutions applied at the National Bank to correspond to EU requirements (267 employees were involved in training events, while 139 took part in study visits).
- In terms of the training provided to staff of the General Inspectorate of Banking Supervision, an event of major importance was the completion of the assistance programme conducted by the United States Agency for International Development (USAID). Over the previous decade, the firm of Barents LLC, acting as contractor for USAID, had carried out the training of almost 500 GINB staff. In 2000, over 300 GINB staff took part in domestic training courses. These specialist courses focussed on those areas that currently present challenges for Polish banking supervision. These included issues related to the review of banking risks, credit analysis, in-depth financial analysis, legal issues, IT, accounting and derivative instruments. Foreign training courses organised for GINB addressed questions connected with the Basle Committee's New Capital Adequacy Framework and Core Principles for Effective Banking Supervision, together with consolidated supervision, electronic banking, freedom to provide services and freedom of capital movements, and risk management methodologies. In all, 45 staff from GINB took part in training abroad in 2000.

#### Accreditation examinations for bank examiners

In performance of the statutory requirement laid down in Article 30, para. 2, of the Act on the National Bank of Poland of August 29, 1997, nine examination sessions were held during the year for candidates for the post of bank examiner, as a result of which the title of "bank examiner" was awarded to 296 employees of the On-Site Examinations Division at GINB, and also to 3 off-site analysts.

## Other personnel issues

### Job descriptions and appraisals

In 2000, the first stage was completed in developing a system of job descriptions and appraisals at the NBP. This is the first step towards introducing job evaluation and performance appraisals as the foundation for the Bank's employee compensation system. These measures conform to the National Bank's projected future membership of the European System of Central Banks.

### Designation of staff for liaison with the ESCB and international supervisory institutions

In addition, a group of staff was established in 2000 for future direct liaison with the ESCB and international supervisory institutions. At year end, this group totalled 308 staff. The list of staff included in this group is not closed, and it is envisaged that it will be updated from time to time. The staff designated for direct liaison with the ESCB and international supervisory institutions are to receive priority treatment in the selection of participants for all events designed to develop professional qualifications.

### Staff Pension Scheme

From March to December 2000, work was conducted on establishing a Staff Pension Scheme, with the introduction of this Scheme subsequently beginning on January 1, 2001.

## Internal information activity

Preparations were made in 2000 for the launch of an Intranet, i.e., an internal information network, as of the beginning of 2001. This network contains information on the organisational structure of the National Bank, an overview of the Bank's publications, training activity and welfare activity, information on trade unions at the NBP, and also reports on the most recent events at the Bank, such as meetings, seminars and conferences. In addition, the Intranet site provides access to the generally available NBP data base and the catalogue of the Central Economics Library, and also mirrors the Bank's web site, [www.nbp.pl](http://www.nbp.pl).

As in 1999, publication was continued in 2000 of the *NBP Newsletter* (nos. 131-171), addressed to the Bank's staff.



## Premises and equipment

The most important capital expenditure projects carried out in 2000 involved:

- the construction and modernisation of NBP premises, including vault facilities and lobbies,
- the installation of security facilities,
- the mechanisation of cash and vault operations, i.e., the purchase of vault machinery and equipment for the counting, sorting and packaging of notes and coin,
- the adaptation of NBP telecommunications and IT systems in line with EU requirements, which included:
  - the purchase of software to support the NBP continuity plan for uninterrupted operations of telecommunications and IT systems, taking into account the tasks flowing from implementation of the PHARE 2000 programme,
- improvements to staff working conditions and safety standards, comprising:
  - the modernisation of fire protection facilities, ventilation and air-conditioning systems, water supply and sewerage systems, and central heating systems,
  - the modernisation of Bank buildings and premises, together with their surroundings.

The 116 capital projects which the Bank was engaged in during 2000 involved total expenditure of 147,060,000 zloty (as against 150,521,000 zloty in 1999). These projects yielded the following results:

- existing Bank premises were expanded and modernised, with this including the construction of an NBP facility for currency shipments at the Gdańsk Regional Branch, and the construction of a Currency Supply Department at the Wrocław Regional Branch,
- further security facilities were installed at Bank premises as protection against robbery, burglary and fire, and designated zones and locations were adapted to conform to security requirements,
- the existing functional arrangements at Bank premises and in their surroundings were further upgraded.

## IT support to the banking system and NBP

### Preparation of the NBP IT system as a tool facilitating its performance of central bank functions within the European System of Central Banks

In 2000, the NBP continued projects connected with adapting the NBP IT system to conform to the requirements of the ESCB.

This work concentrated on:

- Modifying the IT systems that process data for the purposes of the balance of payments and international investment position, monetary policy and supervisory policy.

- Constructing a new Integrated Accounting System, taking into consideration the requirements set by the European Union in this area.
- Adjusting the SORBNET system and SKARBNET and SEBOP securities settlement systems in line with international standards. In July 2000, the facility to handle high-value customer orders was implemented within the SORBNET IT system. This represented the fulfilment of one of the requirements set by the European central banks, contained in the fourth principle of the report issued in November 1993, Minimum Common Features for Domestic Payment Systems, namely, that RTGS systems should process all possible high-value transfers. Transactions recorded in the Central Treasury Bill Register and Money Market Bill Register are currently settled via SORBNET, which handles the current accounts of the banks. This allows the principle of same-day funds to be observed in relation to the direct participants in the securities trading system.

## Safety and security

During 2000, work was continued to enhance the level of security at the National Bank. The NBP Management Board adopted a document entitled *Security policy*, which specifies measures in the field of security that are being carried out or are to be carried out in the years 2000-2003.

### Protection of restricted information

Adjustment measures were continued in 2000 to achieve conformity with the requirements set out in the Protection of Restricted Information Act of January 22, 1999. These involved:

- measures in the area of personal security:
  - ordinary review proceedings were carried out by the NBP representative for the protection of restricted information,
  - 390 personal security certificates were issued, with 268 of these authorising access to restricted information designated "classified" and 122 authorising access to information designated "confidential",
  - the necessary measures were taken in connection with the performance of extended review proceedings,
  - training was provided to 253 NBP staff with access to restricted information;
- measures to adapt telecommunications and IT systems and networks for the purposes of processing restricted information:
  - work was begun on developing and introducing the documentation for IT systems earmarked for the processing of information designated "secret" and "confidential", to be used by the newly-established secretariat for secret data

at NBP Head Office, and information designated "confidential", to be used by the secretariat at GINB,

- computer equipment with the appropriate certificate from the Office of State Security was purchased for use in processing restricted information at NBP Head Office and at GINB,
- 10 NBP staff completed a specialist training course organised by the Office of State Security as preparation for performing the functions specified in the Protection of Restricted Information Act of January 22, 1999, namely, telecommunications and IT security inspector and telecommunications and IT systems and network administrator.

### Protection of personal data

In performance of the requirements of the Personal Data Protection Act of August 29, 1997:

- the protection of personal data at the Bank was regulated under resolutions of the NBP Management Board relating to:
  - the security of IT systems at the National Bank of Poland used to process personal data,
  - the procedures to be applied by personnel employed in processing personal data in the event of the protection of such data being compromised,
  - management of the IT system processing personal data at the National Bank of Poland;
- an inventory was drawn up of systems used to process personal data, and 40 applications for the registration of such systems were filed with the Office of the General Inspector of Personal Data Protection;
- a series of training courses were held on the protection of personal data for:
  - IT systems administrators (36 staff),
  - information security administrators (29 staff),
  - personnel employed in processing personal data (over 500 staff).

### Security of persons and property

In performance of the requirements of the Protection of Persons and Property Act of August 22, 1997, the following measures were taken in 2000:

- an Internal Security Service was established at the premises of 14 NBP offices, replacing the previous Bank Guards,
- 39 security plans for NBP premises were drawn up and agreed with the respective voivodship police commanders,
- 11 updates were carried out of schedules of areas, premises and equipment of significance in terms of the interests of the economy, public safety and other important interests of state.

In addition, as part of the process of constantly increasing the level of security at NBP premises, work was begun at 13 regional branches and 3 other branch offices to adapt designated zones and locations to current statutory requirements.

## Internal audit

The internal audit work conducted in 2000 involved:

- the review of 16 subject areas, out of a total of 18 projected in the NBP Audit Plan,
- the performance of a total of 109 audits, at both organisational units of Head Office and at other offices of the NBP.

The findings of these audit reviews were that:

- the operations of the National Bank were generally of a positive standard in most of the areas audited,
- deficiencies were present in certain areas; these resulted in the issue of audit recommendations to the relevant units or offices. The performance of these recommendations will be followed up in 2001.

To improve internal control mechanisms and procedures:

- a formal requirement was introduced for the establishment of internal controls,
- new principles were instituted for the application of internal controls by persons in supervisory positions at all levels of management.

As regards the work under way to move to a risk-based audit function:

- work was continued to create a system of internal controls and audit corresponding to the standards in force in the European Union. Among other things, this task is one of those scheduled for performance under the PHARE 2000 programme,
- two audits of IT software control environments were carried out, on the basis of audit materials received from the Bank of England.





**Balance Sheet and Profit & Loss Account**



*The Year 2001*  
200 zloty coin issued in 2001

### The balance sheet of the NBP and movements in its composition in 2000

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**Balance Sheet of the National Bank of Poland**  
at December 31, 2000

	thousand zloty		thousand zloty
<b>Total assets</b>	<b>143,079,930.7</b>	<b>Total liabilities &amp; capital</b>	<b>143,079,930.7</b>
<b>I. Primary assets</b>	<b>140,990,794.6</b>	<b>I. Notes &amp; coin in circulation</b>	<b>38,564,111.8</b>
1. Gold and gold receivables conforming to international standards of purity	3,734,977.2	<b>II. NBP debt securities issued and outstanding</b>	<b>33,738,053.4</b>
2. Foreign currency balances and claims of foreign institution denominated in foreign currency	116,422,251.1	<b>III. Liabilities denominated in Polish currency excluding those given under items I and II</b>	<b>22,940,307.1</b>
3. Claims on domestic institutions denominated in foreign currency	376,247.5	1. Liabilities to domestic banks	11,039,596.9
4. Lending to domestic banks denominated in Polish currency	6,503,134.3	2. Liabilities to domestic government sector	4,257,084.7
5. Domestic debt securities	13,954,184.5	3. Liabilities to other domestic institutions	1,193,805.2
<b>II. Other assets</b>	<b>2,089,136.1</b>	4. Liabilities to foreign institutions	6,449,820.3
1. Tangible fixed assets and assets in course of construction	699,753.4	<b>IV. Liabilities denominated in foreign currency, excluding those given under item II</b>	<b>6,437,340.5</b>
2. Intangible fixed assets	14,826.3	1. Liabilities to domestic institutions	4,378,047.0
3. Financial fixed assets	245,359.0	2. Liabilities to foreign institutions	2,059,293.5
4. Accrued income & prepaid expense	3,457.4	<b>V. Other liabilities</b>	<b>6,704,246.6</b>
5. Currency revaluation accounts	268,983.0	1. Deferred income & accrued expense	4,351,479.1
6. Miscellaneous claims & inventory	856,757.0	2. Special funds	11,756.3
		3. Miscellaneous liabilities	64,273.4
		4. Revaluation accounts	2,276,737.8
		<b>VI. Reserves</b>	<b>28,089,677.6</b>
		1. Currency revaluation reserve	28,089,677.6
		2. Specific reserves	0.0
		<b>VII. Core capital</b>	<b>1,594,170.0</b>
		1. Registered equity	400,000.0
		2. Reserve capital	1,194,170.0
		<b>VIII. Earnings</b>	<b>5,012,023.7</b>

**Chief Accountant**  
**National Bank of Poland:**

/-/ Ewa Popowska

**Management Board**  
**National Bank of Poland:**

/-/ Leszek Balcerowicz  
 /-/ Jerzy Stopyra  
 /-/ Ryszard Kokoszczynski  
 /-/ Andrzej Jakubiak  
 /-/ Krzysztof Majczuk  
 /-/ Tomasz Pasikowski  
 /-/ Ewa Popowska  
 /-/ Waldemar Szostak



## Balance Sheet and Profit & Loss Account

### The balance sheet of the NBP and movements in its composition in 2000

The total assets of the National Bank of Poland stood at 143,079.9m zloty at year end 2000, having declined 3,629.4m zloty, or 2.5%, compared to the end of 1999. In real terms, the total assets of the NBP fell 10.1%.

The major movements in assets and liabilities in 2000 are presented in Table 14.

**Table 14.** Movements in assets and liabilities, 2000

	Balance 31/XII/1999	Balance 31/XII/2000	Change	31/XII/1999 = 100
	million zloty			%
<b>Assets</b>				
I. Primary assets of which:	142,807.1	140,990.8	-1,816.3	98.7
1. Gold and gold receivables conforming to international standards of purity	3,980.0	3,735.0	-245.0	93.8
2. Foreign currency balances and claims on foreign institutions denominated in foreign currency	116,064.8	116,422.3	357.5	100.3
3. Claims on domestic institutions denominated in foreign currency	490.2	376.2	-114.0	76.7
4. Lending to domestic banks denominated in Polish currency	6,600.7	6,503.1	-97.6	98.5
5. Domestic debt securities	15,671.4	13,954.2	-1,717.2	89.0
II. Other assets	3,902.2	2,089.1	-1,813.1	53.5
<b>Total</b>	<b>146,709.3</b>	<b>143,079.9</b>	<b>-3,629.4</b>	<b>97.5</b>
<b>Liabilities &amp; capital</b>				
I. Notes & coin in circulation	43,375.3	38,564.1	-4,811.2	88.9
II. NBP debt securities issued and outstanding	24,694.0	33,738.1	9,044.1	136.6
III. Liabilities denominated in Polish currency	22,607.1	22,940.3	333.2	101.5
IV. Liabilities denominated in foreign currency	8,510.9	6,437.3	-2,073.6	75.6
V. Other liabilities	9,520.6	6,704.2	-2,816.4	70.4
VI. Capital & reserves	35,703.9	29,683.9	-6,020.0	83.1
VII. Earnings	2,297.5	5,012.0	2,714.5	218.2

The movements seen in total assets relative to December 31, 1999, were chiefly attributable to the following:

**in terms of assets:**

- a decrease in domestic debt securities of 1,717.2m zloty, or 11%,
- a decrease in other assets of 1,813.1m zloty, or 46.5%, mainly due to a decline in revaluation accounts of 1,185.6m zloty,
- a decrease in gold and gold receivables conforming to international standards of purity of 245.0m zloty, or 6.2%, due to their revaluation;

**in terms of liabilities:**

- a decrease in capital and reserves of 6,020.0m zloty, or 16.9%, primarily as the result of a decline in the currency revaluation reserve (down 6,065.9m zloty, or 17.8%),
- a decrease in notes and coin in circulation of 4,811.2m zloty, or 11.1%,

**Table 15.** Structure of assets and liabilities, year end 1999 & 2000

	Structure		Change
	31/XII/1999	31/XII/2000	
	%		
<b>Assets</b>	<b>100.0</b>	<b>100.0</b>	
I. Primary assets of which:	97.3	98.5	1.2
1. Gold and gold receivables conforming to international standards of purity	2.7	2.6	-0.1
2. Foreign currency balances and claims on foreign institutions denominated in foreign currency	79.1	81.4	2.3
3. Claims on domestic institutions denominated in foreign currency	0.3	0.3	-
4. Lending to domestic banks denominated in Polish currency	4.5	4.5	-
5. Domestic debt securities	10.7	9.7	-1.0
II. Other assets	2.7	1.5	-1.2
<b>Total liabilities &amp; capital</b>	<b>100.0</b>	<b>100.0</b>	
I. Notes & coin in circulation	29.6	27.0	-2.6
II. NBP debt securities issued and outstanding	16.8	23.6	6.8
III. Liabilities denominated in Polish currency	15.4	16.0	0.6
IV. Liabilities denominated in foreign currency	5.8	4.5	-1.3
V. Other liabilities	6.5	4.7	-1.8
VI. Capital & reserves	24.3	20.7	-3.6
VII. Earnings	1.6	3.5	1.9

- an increase in NBP debt securities issued and outstanding of 9,044.0m zloty, or 36.6%, due to a rise in the sum due on NBP money market bills, which went up 9,342.2m zloty, or 83.9%.

These movements in the major items of the balance sheet also produced changes in the structure of the Bank's assets and liabilities. The relative weight of particular components of NBP assets and liabilities is illustrated in Table 15.

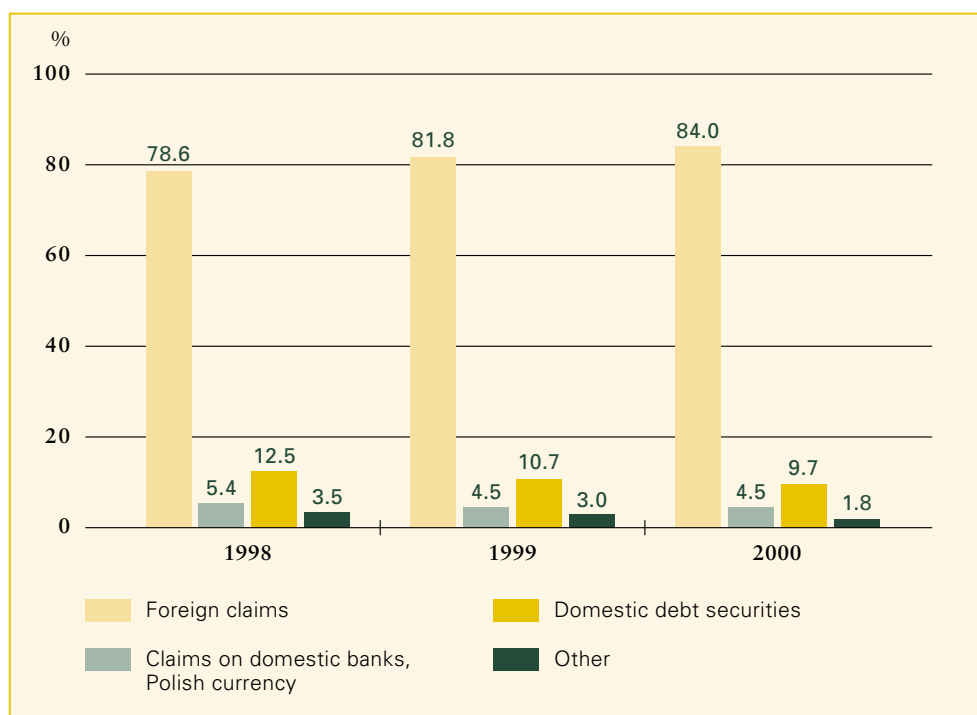
The prime component of assets are foreign currency balances and claims on foreign institutions denominated in foreign currency, which accounted for over 81% of the bank's assets (an increase of 2.3 points). The share of this item in total assets has been growing steadily, rising from 71.6% in 1997, 76.1% in 1998 and 79.1% in 1999.

The change in the proportion of assets represented by domestic debt securities, down from 10.7% in 1999 to 9.7% at year end 2000 (a decrease of 1.0 points), did not alter the relative position of this item in the structure of total assets.

The 1.2 point reduction in the relative weight of "other assets" (down from 2.7% in 1999 to 1.5% in 2000) mainly involved revaluation accounts (which declined 0.9 points), and was the result of a fall in currency translation differences on foreign debt securities being marked to market.

Movements in the structure of the Bank's assets in the years 1998-2000 are depicted in Figure 10.

Figure 10. Movements in structure of assets, 1998-2000



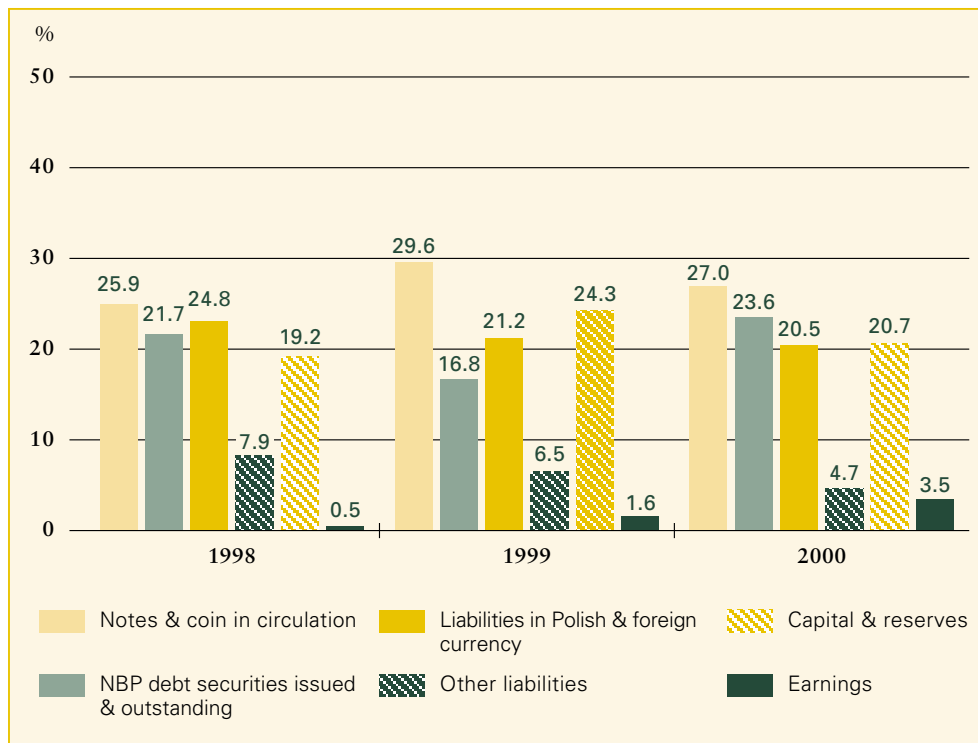
As regards the Bank's liabilities and capital, the largest item in 2000 were notes and coin in circulation, accounting for 27.0%, although this proportion declined 2.6 points compared to December 31, 1999.

NBP debt securities issued and outstanding increased their relative share of total liabilities and capital by 6.8 points, going up from 16.8% at the end of 1999 to 23.6% at year end 2000. This is chiefly traceable to an increase in the amount due on outstanding NBP money market bills, which rose as a proportion of liabilities and capital from 7.6% in 1999 to 14.3% in 2000.

The largest decline as a proportion of liabilities and capital was seen in the item "capital and reserves", which dropped 3.6 points (from 24.3% in 1999 to 20.7% in 2000), principally due to a fall in the currency revaluation reserve.

Movements in the structure of the Bank's liabilities and capital in the years 1998-2000 are portrayed in Figure 11.

Figure 11. Movements in structure of liabilities & capital, 1998-2000



## Assets

Gold and gold receivables conforming to international standards of purity

At the end of December 2000, the value of the Bank's holdings of gold and gold receivables conforming to international standards of purity was 245.0m zloty lower

than at year end 1999, a decrease of 6.2%. This change was primarily caused by the fall in the price of gold, which came down 2.39 zloty per gram (from 38.71 zloty in 1999 to 36.32 zloty in 2000).

Foreign currency balances and claims on foreign institutions denominated in foreign currency

At year end 2000, foreign currency balances and claims on foreign institutions denominated in foreign currency stood at 116,422.3m zloty, an increase of 357.5m zloty, or 0.3%, compared to December 31, 1999.

Movements in this asset item were uneven in 2000, and were largely contingent on fluctuations in zloty/dollar exchange rates.

The strongest growth was seen from September to October, when the increase in this item came to 6,932.2m zloty (USD 687.7m in nominal dollar terms), mainly due to the dollar strengthening against the zloty (up 0.15 zloty), and in March-April, when this item rose 3,832.1m zloty, while falling USD 841.3m in nominal dollar terms, in the context of the dollar gaining 0.28 zloty. A substantial decline in foreign currency balances and claims on foreign institutions denominated in foreign currency was recorded in February, when these slipped 4,458.2m zloty (coming down USD 711.3m), with the dollar losing 0.05 zloty at this point. However, the steepest fall in this asset item, attributable to the dollar softening against the zloty (down 0.33 zloty), came in December. At this time, foreign currency balances and claims on foreign institutions denominated in foreign currency dropped 4,422.3m zloty, although rising by the dollar equivalent of USD 1,086.2m.

As in previous years, the largest growth in foreign currency holdings was seen in investments in foreign debt securities. The balance on these securities (gross), together with interest and discount receivable, rose from 76,842.1m zloty in 1999 to 79,711.8m zloty at year end 2000, an increase of 2,869.7m zloty (or USD 715.4m). However, due to a 269m zloty valuation charge against foreign debt securities due to the decline in their market price, the book value of these assets stood at 79,422.9m zloty. At the end of 2000, foreign debt securities accounted for around 68.3% of total foreign currency balances and claims on foreign institutions denominated in foreign currency.

The basic component of these securities in 2000 were **securities issued by foreign governments**; these represented 85.5% of all foreign debt securities (in 1999, this had been almost 90.3%).

These debt securities also include **securities issued by foreign financial institutions**. At the end of December 2000, holdings of these instruments stood at 11,549.7m zloty, having risen 4,066.6m zloty (54.3%) since year end 1999 (when the balance was 7,483.1m zloty).

**Short-term placements under repurchase agreements** stood at 4,160.5m zloty at the end of 2000. Compared to the end of 1999, this represented a decrease of 3,412.5m zloty, or 45.1%.

**Balances and placements at foreign banks and international institutions** grew 1,317.3m zloty, or 5.5%, going up from 23,783.4m zloty at year end 1999 to 25,100.7m zloty at year end 2000.

Movements in foreign currency balances and claims on foreign institutions denominated in foreign currency, in nominal terms, together with the structure of those balances and claims, are outlined in Table 16.

**Table 16.** Foreign currency balances and claims on foreign institutions denominated in foreign currency, movements & structure, 1999-2000

	Balance		Change	Valuation allow-ances, 2000	Balance 31/XII/2000 (net of valuation allowances)	Structure	
	31/XII/1999	31/XII/2000				31/XII /1999	31/XII /2000
	million zloty					%	
Foreign currency balances and claims on foreign institutions denominated in foreign currency	116,064.8	116,691.3	621.1	269.0	116,422.3	100.0	100.0
of which:							
– Polish quota, IMF	7,423.2	7,375.3	-47.9		7,375.3	6.4	6.3
– balances at foreign banks & international institutions	24.2	7.4	-16.8		7.4	-	-
– placements at foreign banks & international institutions	23,759.2	25,093.3	1,334.1		2,093.3	20.5	21.5
– foreign debt securities	76,842.1	7,711.9	2,869.8	269.0	79,442.9	66.2	68.3
– term placements under repurchase agreements	7,573.0	4,160.5	-3,412.5		4,160.5	6.5	3.6
– lending to foreign institutions	9.5	4.4	5.1		4.4	-	-
– foreign currency	359.1	236.7	-122.4		236.7	0.3	0.2
– SDRs	46.2	78.9	27.3		78.9	0.1	0.1
– other	28.3	22.9	-5.4		22.9	-	-

#### Domestic debt securities

The second largest asset item are **domestic debt securities**, accounting for 9.7% of total assets.

In nominal terms, the balance on these securities declined from 15,671.4m zloty at year end 1999 to 13,954.2m zloty at the end of 2000, a decrease of 1,717.2m zloty (11%).

This item is composed of Treasury bonds, bonds issued by domestic banks, and bills discounted from domestic banks; the decrease in holdings of these securities in 2000 was the end result of:

- a decline of 2,058.6m zloty in Treasury bonds,
- a decline in bills discounted of 55.7m zloty,
- a decline of 5.3m zloty in bonds issued by domestic banks,
- the release of a 402.5m zloty valuation allowance against a diminution in the book value of government bonds due to the sale of a portion of the Bank's "conversion" bonds in 2000.

Movements in the Bank's holdings of domestic debt securities are presented in Table 17.

Table 17. Domestic debt securities

	Balance 31/XII/ 1999	Valuation allow- ances	Balance 31/XII/ 1999 (net of valuation allow- ances)	Balance 31/XII/ 2000	Valuation allow- ances	Balance 31/XII/ 2000 (net of valuation allow- ances)	Structure	
							31/XII/ 1999	31/XII/ 2000
	million zloty						%	
<b>Government debt securities</b>	18,803.3	3,443.1	15,360.2	16,744.6	3,040.6	13,704.0	98.0	98.2
of which:								
1. bonds issued in 1991	3,242.5	-	3,242.5	2,649.7	-	2,649.7	20.7	19.0
2. treasury bonds	15,560.8	3,443.1	12,117.7	14,094.9	3,040.6	11,054.3	77.3	79.2
<b>Other debt securities</b>	311.2	0.0	311.2	250.2	0.0	250.2	2.00	1.8
of which:								
1. bills	267.4	-	267.4	211.7	-	211.7	1.7	1.5
2. bonds issued by domestic banks	43.8	-	43.8	38.5	-	38.5	0.3	0.3
<b>Total</b>	<b>19,114.5</b>	<b>3,443.1</b>	<b>15,671.4</b>	<b>16,994.8</b>	<b>3,040.6</b>	<b>13,954.2</b>	<b>100.0</b>	<b>100.0</b>

The basic constituent here are **government debt securities**, which account for over 98% of this item.

The Bank's portfolio of Treasury conversion bonds was reduced 1,465.9m zloty (gross), or 9.4%, as a result of sales of these bonds.

In all, holdings of government debt securities came down 2,058.6m zloty, to stand at 16,744.6m zloty at year end, which was also related to the repayment of

two principal instalments on dollar-denominated bonds (USD 70m each), and to the revaluation of these. At the end of 2000, the value of bonds denominated in US dollars amounted to USD 639.5m, equivalent to 2,649.7m zloty.

Holdings of debt securities issued by other institutions came to 250.2m zloty at year end, down 61.1m zloty on 1999 (a decrease of 19.6%).

Movements in the Bank's claims under **bills** discounted (a decline of 55.7m zloty, from 267.4m in 1999 to 211.7m in 2000) were the result of the banks redeeming their bills, in line with the agreements concluded between the NBP and cooperative and commercial banks. In the case of commercial banks implementing their own rehabilitation programmes, the value of the bills which the banks present to the NBP each year for discounting is reduced by the sum of loan loss recoveries, in accordance with the provisions of the above-mentioned agreements.

The sum due to the Bank on **bonds issued by domestic banks** came to 38.5m zloty at year end. Compared to the previous year, this represented a decrease of 5.3m zloty.

Lending to domestic banks denominated in Polish currency

Outstanding loans to domestic banks denominated in Polish currency, which account for 4.5% of total assets, came down 97.6m zloty during the year (1.5%), to stand at 6,503.1m zloty at the end of 2000.

Movements in this lending and its structure are detailed in Table 18.

**Table 18.** Lending to domestic credit institutions denominated in Polish currency, movements and structure

	Balance		Valuation allowances		Balance net of valuation allowances		Structure	
	31/XII/1999	31/XII/2000	31/XII/1999	31/XII/2000	31/XII/1999	31/XII/2000	31/XII/1999	31/XII/2000
	million zloty						%	
<b>Lending to domestic credit institutions, Polish currency</b>	6,602.2	6,504.6	1.5	1.5	6,600.7	6,503.1	100.0	100.0
of which:								
– overdrafts	1,287.1	1,281.5	-	-	1,287.1	1,281.5	19.5	19.7
– lombard loans for restructuring purposes	-	466.0	-	-	-	466.0	-	7.2
– refinancing to central investment projects	5,146.5	4,689.8	-	-	5,146.5	4,689.8	78.0	72.1
– finance for purchases of agricultural produce	162.1	57.3	-	-	162.1	57.3	2.4	0.9
– non-specific advances	5.0	8.5	-	-	5.0	8.5	0.1	0.1
– past due, supporting rehabilitation programmes	1.5	1.5	1.5	1.5	-	-	-	-



The principal item in the banks' debt to the NBP in the reporting period were **loans extended to refinance central government investment projects**; at year end, these totalled 4,689.8m zloty, which was 456.7m zloty less than a year previously. The proportion of these loans in the total NBP loan portfolio fell from 78.0% in 1999 to 72.1% at the end of 2000.

However, the claims arising on this central investment refinancing are of a mixed character. Almost 65% of the amount outstanding represents finance for capitalised interest accrued on refinancing loans during project construction. At year end 2000, finance for capitalised interest totalled 3,034.5m zloty, having declined 8.6% over the year.

The proportion of amounts due under refinancing loans represented by capitalised interest has been rising systematically, going up from 63.7% in 1998 and 64.5% in 1999 to 64.7% in 2000.

Bank borrowings from the NBP under central investment financing are presented in Table 19.

**Table 19.** Movements in bank borrowings under central investment financing, 2000

	Balance 31/XII/ 1999	Movements in 2000				Balance 31/XII/ 2000
		Q1	Q2	Q3	Q4	
million zloty						
Central investment financing	5,146.4	-91.7	-126.4	-91.7	-146.8	4,689.8
of which:						
capitalised interest	3,320.4	-56.6	-84.8	-56.6	-87.9	3,034.5
Share, %	64.5	-	-	-	-	64.7

Around 92% of the total balance outstanding at year end 2000 on refinancing for central government investment projects consisted in funding provided to Bank Pekao SA to finance construction of the Opole power station (4,295.4m zloty).

The second significant component of lending to domestic banks (19.7%) was the debt of Bank Handlowo-Kredytowy SA, Katowice (under liquidation). At the end of 2000, the balance outstanding on this came to 1,281.5m zloty, down 5.6m zloty compared to year end 1999. This decrease was chiefly the result of the repayment of interest accrued prior to March 30, 1992; at December 31, 2000, this interest stood at 98.4m zloty.

In addition, Bank Handlowo-Kredytowy SA is also required to repay interest accrued after April 1, 1992. At the end of the reporting period, this interest totalled 1,183.1m zloty.

Movements in the borrowings of the banks under other loans were of no great significance, either for the total amount outstanding, or for the structure of those borrowings.

Lombard loans totalled 466.0m zloty, representing 7.2% of all lending to domestic banks; lombard facilities were drawn down by the banks mainly at the end of the periods for maintaining required reserves at the NBP.

The relative significance of bills rediscounted at the NBP in the total debt of the banks declined further in 2000 (going down to 1% from 2.5% in 1999). This is attributable to the relatively high level of the rediscount rate, and the fact that rediscount financing has been narrowed down virtually exclusively to the sugar refining industry.

The past due debt of Bank Agrobank SA (declared bankrupt), remained unchanged at 1.5m zloty.

#### Claims on domestic institutions denominated in foreign currency

At year end 2000, claims on domestic institutions denominated in foreign currency represented 0.3% of total assets.

Compared to December 1999, the balance on these claims had fallen 114.0m zloty, or 23.3%, to stand at 376.2m zloty at December 31, 2000.

Movements in claims on domestic institutions denominated in foreign currency, and the structure of those claims, are set out in Table 20.

**Table 20.** Claims on domestic institutions denominated in foreign currency, balances and structure

	Balance 31/XII/ 1999	Balance 31/XII/ 2000	Structure	
			31/XII/1999	31/XII/2000
	million zloty		%	
<b>Claims on domestic institutions, foreign currency</b>	490.2	376.2	100.0	100.0
of which:				
– placements at domestic banks denominated in foreign currency	392.7	307.3	80.1	81.7
– onlending to domestic banks	97.5	68.9	19.9	18.3

The foreign currency deposits placed by the NBP at domestic banks trended downwards over the year. At the end of 1999, these placements totalled 392.7m zloty and constituted 80.1% of claims on domestic institutions denominated in foreign currency, while a year later they had dropped to 307.3m zloty (USD 74.2m), although rising in relative terms to stand at 81.7% of those claims.

Movements in the balance on these deposits are attributable to:

- the partial repayment of term placements at Bank Handlowy w Warszawie SA amounting to USD 20.4m (88.6m zloty),
- the revaluation of these placements at the mid-rate for the US dollar.

**Onlending to domestic banks** came to 68.9m zloty at December 31, 2000. Compared to the previous year, this represented a decrease, due to repayments, of 28.5m zloty, or 29.3%. Funding provided to domestic banks under the line of credit from Natexis Banque, the legal successor to Crédit National, stood at FRF 102.6m at the end of 2000 (60.3m zloty), and compared to the end of 1999 had come down FRF 32.4m, or 24% (in zloty terms – 25.5m and 29.7%).

Meanwhile, claims on domestic banks arising on finance provided to them under World Bank facilities stood at USD 2.1m at year end (8.6m zloty).

Other assets

“Other assets” decreased 1,813.1m zloty in 2000, a fall of 46.5%, to total 2,089.1m zloty at year end. As a result, the share of this item in total assets declined by 1.2 points.

Balances on the particular components of “other assets”, and their relative weight, are shown in Table 21.

Table 21. Other assets, balances and structure, 1999-2000

	Balance		Structure	
	31/XII/1999	31/XII/2000	31/XII/1999	31/XII/2000
	million zloty		%	
<b>Other assets</b>	<b>3,902.2</b>	<b>2,089.1</b>	<b>100.0</b>	<b>100.0</b>
of which:				
– tangible fixed assets & assets in course of construction	646.7	699.8	16.6	33.5
– revaluation accounts	1,454.6	269.0	37.3	12.9
– settlements under Libyan credit facility	372.2	254.7	9.5	12.2
– miscellaneous foreign settlements	263.5	243.6	6.8	11.7
– financial fixed assets	213.0	245.4	5.5	11.7
– settlements on disposals of financial fixed assets	161.2	143.3	4.1	6.8
– accrued income & prepaid expense	556.0	3.5	14.2	0.2
– other	235.0	229.8	6.0	11.0

The level of “other assets” and the movements in this item that occurred during the year were primarily determined by movements on **revaluation accounts**.

The key factor impacting these accounts were lower revaluation gains on marking to market foreign debt securities; these gains fell from 1,402.8m zloty in 1999 to 258.4m zloty in 2000, a decrease of 1,144.5m zloty.

There was also a significant decrease, in both absolute and relative terms, in the role played by **accrued income and prepaid expense**, which slipped to 3.5m zloty at year end 2000, having come down 552.5 zloty, to stand at 0.2% of "other assets".

Movements in the level of accrued income and prepaid expense were connected with the move to accrual accounting finally performed in June 2000; under the accrual basis, income and expense (including interest, discount and premium) are taken to the profit and loss for the financial year in which this income was earned or the expense incurred, regardless of when it was received or paid.

A major item in "other assets" are **tangible fixed assets and assets in course of construction**. At the end of December 2000, the value of these came to 699.8m zloty, representing an increase of 53.1m zloty, or 8.2%.

The rise in the value of tangible fixed assets is primarily traceable to fixed assets being brought into operation on the completion of investment projects, and also to the purchase of new fixed assets.

### Liabilities and capital

The direction of movement seen in the liabilities and capital of the National Bank of Poland in 2000 varied by particular item. A surge was seen in earnings (up 118.0%), and NBP debt securities issued and outstanding also rose sharply (up 36.6%). By contrast, the other items on the liabilities side of the balance sheet displayed a downward trend in value, except liabilities denominated in Polish currency, which held roughly flat in 2000 compared to 1999.

#### Notes & coin in circulation

Notes and coin in circulation is a basic item in the liabilities of the NBP.

At the end of 2000, this item accounted for 27.0% of total liabilities and capital, with this share having come down 2.6 points since 1999. In nominal terms, notes and coin fell 11.1% compared to year end 1999.

#### NBP debt securities issued and outstanding

NBP debt securities issued and outstanding comprise NBP money market bills and NBP bonds, the joint balance on which at year end 2000 had risen 9,044.1m zloty, or 36.6%.

These securities represented 23.6% of total liabilities and capital, or 6.8 points more than in 1999.

The volume of NBP issues of debt securities was a function of the performance of monetary policy guidelines. The monetary market bills issued by the Bank were used to absorb surplus liquidity from the banks and to influence interbank interest rates.

The total nominal value of money market bills outstanding at the end of December 2000 came to 20,475.2m zloty, giving an increase on year end 1999 of 9,342.2m zloty.

On the other hand, the sum due on bonds issued by the NBP did not change significantly. In 1999, bonds outstanding had amounted to 13,561.0m zloty, while in 2000 the corresponding balance was 13,262.9m zloty.

In purchasing the long-term bonds issued by the NBP in September 1999, the banks had applied the funds released as a result of the lowering of reserve requirements.

At December 31, 2000, the banks were holding NBP bonds to a value of 13,027.3m zloty. Interest payable on these bonds came to 235.6m zloty.

Movements in the level of the National Bank's liabilities on issues of debt securities were uneven during the year, and were associated with the scale of the open market operations being conducted.

The balances on this item of liabilities and capital are outlined in Table 22.

Table 22. NBP debt securities

	Period				
	31/XII/1999	31/III/2000	30/VI/2000	30/IX/2000	31/XII/2000
	million zloty				
NBP debt securities	24,694.0	33,272.0	34,177.7	29,181.4	33,738.1
– NBP money market bills	11,133.0	19,217.3	19,927.9	14,633.2	20,475.2
– NBP bonds	13,561.0	14,054.7	14,249.8	14,548.2	13,262.9

#### Capital and reserves

An important item on the liabilities side of the Bank's balance sheet in 2000 was also **capital and reserves**. The key element in this item is the **currency revaluation reserve**.

At year end 2000, this reserve represented 19.6% of total liabilities and capital, having fallen 6,066.0m zloty over the year (17.8%) and declined 3.7 points as a proportion of all liabilities and capital.

The level of this reserve was determined by zloty/dollar exchange rates (with the zloty moving from 4.1483 against the dollar in 1999 to 4.1432 in 2000), and also by the release of reserve funds amounting to 1,519.8m zloty. The overall balance on this reserve in 2000, at 28,089.7m zloty, was the combined result of the revaluation of NBP assets and liabilities denominated in foreign currency at the mid-rates ruling on balance date, which has been going on since 1991.

This revaluation increases the nominal value of foreign currency balances and claims on foreign institutions denominated in foreign currency, and also of other

claims and liabilities in foreign currency, in line with the current mid-rate, while at the same time providing a reserve to safeguard against exchange rate risk.

Liabilities denominated in Polish currency

Liabilities denominated in Polish currency stood at 22,940.3m zloty at the end of 2000, having risen 333.2m zloty since December 1999.

Movements in this item of the Bank's liabilities, together with their structure, are set out in Table 23.

**Table 23.** Liabilities denominated in Polish currency

	Balance		Change	Structure	
	31/XII/1999	31/XII/2000		31/XII/1999	31/XII/2000
	million zloty			%	
<b>Liabilities denominated in Polish currency</b>	<b>22,607.1</b>	<b>22,940.3</b>	<b>333.2</b>	<b>100.0</b>	<b>100.0</b>
of which:					
– liabilities to domestic banks	9,435.3	11,039.6	1,604.3	41.7	48.1
– liabilities to government sector	4,937.9	4,257.1	-680.8	21.9	18.6
– liabilities to other domestic institutions	1,783.8	1,193.8	-590.0	7.9	5.2
– liabilities to foreign institutions	6,450.1	6,449.8	-0.3	28.5	28.1

Over 92% of **deposits taken from domestic banks** in 2000 represented funds on current accounts (10,209.7m zloty).

This item largely moves in line with reserve requirements and the current state of liquidity within the banking system. In 2000, the banks held their required reserves at the NBP either on their current accounts, or on reserve accounts (where the bank's current account was operated at a bank other than the NBP).

Figures on the Bank's liabilities to domestic banks are given in Table 24.

**Liabilities to the government sector** at the end of December 2000 were 680.8m zloty lower than a year previously.

The basic reason for the decline in these liabilities was a fall of 1,475.4m zloty (55.4%) in central government balances assigned to the current fiscal year, and a decrease in central government deposits of 602.6m zloty, equivalent to almost 100%.

The decline in central government funds at the NBP in 2000 was primarily due to increased expenditure in servicing the foreign debt and the central government deficit.

Table 24. Liabilities to domestic banks

	Balance		Change	Structure	
	31/XII/1999	31/XII/2000		31/XII/1999	31/XII/2000
	million zloty			%	
<b>Total deposits from domestic banks</b>	9,435.3	11,039.6	1,604.3	100.00	100.00
of which:					
– current accounts	9,427.0	10,209.7	782.7	99.9	92.5
– required reserves	3.7	-	-3.7	-	-
– other liabilities	4.6	829.9	825.3	0.1	7.5

By contrast, government funds assigned to the coming year rose, mainly as a result of spending not performed in 2000 being carried over to 2001.

Liabilities to the government sector are detailed in Table 25.

Table 25. Liabilities to government sector

	Balance		Change	Structure	
	31/XII/1999	31/XII/2000		31/XII/1999	31/XII/2000
	million zloty			%	
<b>Liabilities to government sector</b>	4,937.9	4,257.1	-680.8	100.0	100.0
of which:					
– central government funds					
– current year	2,661.6	1,186.2	-1,475.4	53.9	27.9
– future year	1,658.5	3,054.8	1,396.3	33.6	71.7
– subsidiary accounts	12.7	13.6	0.9	0.3	0.3
– central government deposits	605.1	2.5	-602.6	12.2	0.1

**Liabilities to other domestic institutions** came down 590.0m zloty in nominal terms over 2000, a decline of 33.1%.

The basic item affecting total liabilities to other domestic institutions are the balances held by special-purpose funds. These balances shrank 516.9m zloty compared to 1999, which is mainly traceable to a decrease in the account of the Employment Fund (down 272.3m zloty) and that of the Social Insurance Fund (down 261.4m zloty).

These liabilities are presented in detail in Table 26.

**Table 26.** Liabilities to other domestic institutions

	Balance		Change	Structure	
	31/XII/1999	31/XII/2000		31/XII/1999	31/XII/2000
	million zloty			%	
<b>Liabilities to other domestic institutions</b>	1,783.8	1,193.8	-590.0	100.0	100.0
of which:					
– other juridical persons	148.6	41.8	-106.8	8.3	3.5
– trade organisations	1.7	2.0	0.3	0.1	0.2
– subsidiary accounts	309.8	343.5	33.7	17.4	28.8
– non-resident zloty accounts	0.6	0.5	-0.1	-	-
– special-purpose funds	1,322.5	805.6	-516.9	74.2	67.5
– time savings deposits	0.6	0.4	-0.2	-	-

**Liabilities to foreign institutions** remained almost unchanged.

The largest item in these liabilities is the IMF deposit (which accounts for 99.9%). Other components of liabilities to foreign institutions comprise the accounts operated for the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the Multilateral Investment Guarantee Agency (MIGA).

Figures on the balances and structure of these liabilities are set out in Table 27.

**Table 27.** Liabilities to foreign institutions

	Balance		Change	Structure	
	31/XII/1999	31/XII/2000		31/XII/1999	31/XII/2000
	million zloty			%	
<b>Liabilities to foreign institutions</b>	6,450.0	6,449.8	-0.2	100.0	100.0
of which:					
International Monetary Fund Deposit	6,444.0	6,444.0	-	99.9	99.9
Accounts of international financial institutions	6.0	5.8	-0.2	0.1	0.1



## Liabilities denominated in foreign currency

Liabilities denominated in foreign currency represented 4.5% of total liabilities and capital in 2000 (as against 5.8% in 1999). At December 31, 2000, they amounted to 6,437.3m zloty, which constituted a decline on the previous year of 2,073.6m zloty, or 24.4%.

These liabilities consist of sums due to both domestic and foreign institutions. The first of these primarily involves liabilities to central government, which in 2000 grew 3,905.4m zloty. This was the result of the establishment, under an agreement between the Ministry of Finance and the NBP, of an account to be used to hold a portion of privatisation receipts, earmarked for servicing the foreign debt of the Treasury. At December 31, 2000, the balance on this account came to 3,570.5m zloty, and made up 81.6% of all liabilities to domestic institutions.

The remaining domestic liabilities in foreign currency are funds held on the Income Account of the Polish Stabilisation Fund and the Income Account of the Polish Bank Privatisation Fund (315.7m zloty), together with miscellaneous accounts in foreign currency (491.9m zloty).

The second component of liabilities in foreign currency, liabilities to foreign institutions (2,059.3m zloty, principally consists in foreign currency deposits (under repurchase transactions involving debt securities). The balance on these deposits fell 5,831.5m zloty in 2000 compared to 1999, to stand at 1,739.4m zloty, thereby representing 84.5% of all foreign currency liabilities to foreign institutions (as against 94.2% in 1999).

The balances and structure of these liabilities in foreign currency are presented in Table 28.

**Table 28.** Liabilities denominated in foreign currency, movements and structure

	Balance		Change	Structure	
	31/XII/1999	31/XII/2000		31/XII/1999	31/XII/2000
	million zloty			%	
<b>Liabilities denominated in foreign currency</b>	<b>8,510.9</b>	<b>6,437.3</b>	<b>-2,073.6</b>	<b>100.0</b>	<b>100.0</b>
<b>Liabilities to domestic institutions</b>	<b>472.6</b>	<b>4,378.0</b>	<b>3,905.4</b>	<b>5.5</b>	<b>68.0</b>
of which:					
– central government	317.1	3,886.1	3,569.0	3.7	60.4
– miscellaneous accounts	155.6	491.9	336.3	1.8	7.6
<b>Liabilities to foreign institutions</b>	<b>8,038.3</b>	<b>2,059.3</b>	<b>-5,979.0</b>	<b>94.5</b>	<b>32.0</b>
of which:					
– foreign currency deposits (under repurchase transactions involving debt securities)	7,570.9	1,739.4	-5,831.5	89.0	27.0
– foreign borrowings	467.1	318.3	-148.8	5.5	5.0

## Other liabilities

"Other liabilities" totalled 6,704.2m zloty at the end of 2000, having declined 2,816.4m zloty over the year. As a proportion of total NBP liabilities and capital, this item decreased from 6.5% in 1999 to 4.7% in 2000.

The most important components of "other liabilities" are:

- deferred income and accrued expense,
- revaluation accounts recording value adjustments to assets and liabilities expressed in foreign currency.

**Deferred income and accrued expense** constitutes the sum total of several items, with the dominant one, accounting for 99.2% of this category of liabilities, being interest income on refinance loans and capitalised interest income on these loans, which in 2000 totalled 4,315.9m zloty.

Table 29. Deferred income & accrued expense

	Balance		Change	Structure	
	31/XII/1999	31/XII/2000		31/XII/1999	31/XII/2000
	million zloty			%	
Deferred income & accrued expense	6,310.5	4,351.5	-1,959.0	100.0	100.0
of which:					
- capitalised interest income on refinance loans, including past due loans	4,607.6	4,315.9	-291.7	73.0	99.2
- income from trading in bills	8.2	2.2	-6.0	0.1	-
- income from trading in government securities	200.4	2.0	-198.4	3.2	-
- income due on foreign securities denominated in foreign currency, issued by central banks and governments	995.4	-	-995.4	15.8	-
- income on trading in dollar-denominated Treasury bonds	94.0	-	-94.0	1.5	-
- interest income on funds not placed on reserve accounts and on failure to meet reserve requirements in full	10.8	10.8	-	0.2	0.3
- income on fixed assets received free of charge	11.3	10.0	-1.3	0.2	0.2
- income due on placements at foreign banks	285.7	-	-285.7	4.5	-

Changes in the structure of deferred income and accrued expense in 2000 were caused by the full introduction of accrual basis accounting, with the result that income receivable on foreign securities denominated in foreign currency, income on trading in Treasury bonds denominated in US dollars and income receivable on placements at foreign banks are all now taken directly to profit and loss.

The remaining components of deferred income and accrued expense represent just 0.8% of their total value, i.e., 35.6m zloty, with the largest items being interest income on funds not placed on reserve accounts and on the failure of banks to meet their reserve requirements in full (10.8m zloty), and income on fixed assets received free of charge (10.0m zloty).

Movements in this category of liabilities, together with their structure, are given in Table 29.

**Revaluation accounts**, showing gains on the revaluation of assets and liabilities expressed in foreign currency at the end of the reporting period, stood at 2,275.7m zloty in 2000, down almost 28.5% on 1999.

Movements on these accounts, together with their structure, are presented in Table 30.

Table 30. Revaluation accounts

	Balance		Change	Structure	
	31/XII/1999	31/XII/2000		31/XII/1999	31/XII/2000
	million zloty			%	
<b>Revaluation accounts</b>	3,180.1	2,275.7	-904.4	100.0	100.0
of which:					
– gains on revaluation of dollar-denominated Treasury bonds and income accrued on such	2,921.6	2,069.3	-852.3	91.9	91.0
– gains on revaluation of foreign currency placements at domestic banks and income accrued on such	103.9	71.7	-32.2	3.3	3.1
– gains on revaluation of remaining foreign currency claims and income on such	154.6	134.7	-19.9	4.8	5.9

Gains on the revaluation of Treasury bonds denominated in US dollars, along with income accruing on these bonds, accounted for 91% of the value of revaluation accounts, which fell from 2.9bn zloty in 1999 to 2.1bn zloty in 2000, a decline of almost 29.2%.

The next largest item in terms of its relative weight within these revaluation accounts are gains on the revaluation of "remaining foreign currency claims" and the

income accruing on those claims, which represented 5.9% of these accounts. During the reporting period, these gains declined by 19.9m zloty.

A fall of over 32m zloty was also observed in gains on the revaluation of foreign currency placements at domestic banks and the income accruing on such placements. The decrease in the revaluation accounts overall can be traced to the average exchange rate for the dollar in 2000, and to the lower balances on those items of the balance sheet subject to revaluation.

## The financial performance of the NBP

### Basic figures

In 2000, the operations of the National Bank of Poland yielded a profit of 5,012.0m zloty, which was 2.7% more than the profit originally projected for 2000 and over double the earnings recorded the previous year.

The variation in the level of profit relative to that shown the year before stems from the need to adjust monetary policy instruments to correspond to both changes in domestic economic circumstances and changes in the external situation associated with the globalisation of the economy.

Although the earnings target for 2000 was achieved, performance of the particular components of the Bank's financial plan for the year differed from the assumptions made, as a result of the following factors:

- Average zloty exchange rates against the US dollar, which stood at PLN/USD = 4.3464 in 2000, while the assumption in the financial plan had been PLN/USD = 4.0166. The higher average rate for the dollar translated into greater NBP income from the management of the official reserve assets, which at year end was USD 2bn more than a year previously (USD 27.5bn, as against USD 25.5bn);
- Smaller sales of Treasury conversion bonds, both fixed-rate bonds redeemable in the years 2002-2009 and zero-coupon (discount) bonds maturing in 2002. It had been projected that by the end of 2000 all these bonds would have been sold, to a total face value of 16.4bn zloty, whereas in fact only part of this portfolio was sold, to a face value of 2.2bn zloty. In view of the large central government borrowing requirements in the first half of the year, sales of conversion bonds did not begin until the third quarter. In order to avoid adversely affecting supply, the Bank disposed of Treasury bonds from its portfolio gradually, which is why not all these bonds had been sold by year end. The consequence of these sales not being carried out in full was that the Bank earned greater interest and discount income on these bonds, earned less income from the release of valuation allowances established against them, and incurred less selling expense in disposing of these Treasury conversion bonds;
- Greater surplus liquidity in the banking sector than anticipated, which resulted

in unplanned expense to the Bank in reducing that liquidity, as it was compelled to pay a higher sum of discount on its money market bills. The Bank's financial plan had assumed that excess liquidity would diminish, to the extent that the market would see a shortfall in operating liquidity, allowing the Bank to carry out liquidity-providing operations. Due to lower sales of Treasury conversion bonds, that situation did not come about, as a result of which the Bank did not earn the planned income on repo transactions;

- The servicing of the official foreign debt, which resulted in the purchase of foreign currency at the NBP, leading to the Bank obtaining income from the release of its currency revaluation reserve (pursuant to Resolution 11/1999 of the Monetary Policy Council, June 16, 1999);
- The application of new accounting principles at the National Bank as of July 1, 2000 (the move from cash basis to accrual basis accounting), which caused a one-off increase in the Bank's income and expense when this change was performed.

The level of earnings recorded in 2000 was also affected by the Bank's general expense, which was lower than projected in the financial plan (a difference of 99.3m zloty, or 10.5%).

The level of income and expense reported by the NBP and the main sources thereof, together with growth figures and details of performance against plan, are given in Table 31.

**Table 31.** Income and expense

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty	1999 = 100	plan = 100	
<b>Total income</b>	8,600.5	11,639.7	13,116.5	152.5	112.7
of which:					
securities income	5,701.5	5,992.4	7,828.7	137.3	130.6
of which:					
– foreign securities	4,157.7	4,357.4	5,825.9	140.1	133.7
<b>Total expense</b>	6,303.0	6,758.4	8,104.5	128.6	119.9
of which:					
open market operations	2,818.3	1,524.0	3,480.8	123.5	228.4
<b>Profit</b>	2,297.5	4,881.3	5,012.0	218.2	102.7

In terms of income: as in previous years, and as planned for 2000, the major source of revenues consisted in securities trading. This generated 59.7% of total income

(compared to 66.3% in 1999). Income on foreign securities represented 44.4% of total income (as against 48.3% the previous year), while income on domestic securities yielded 15.3% (as against 18.0% a year earlier).

In terms of expense: the determining factor was the expense of open market operations, which in 2000, as in 1999, was equivalent to the expense involved in issuing NBP money market bills. The expense of discounting these bills represented 42.9% of the Bank's total expense, compared to a planned 22.5% and to 44.7% the year before.

## Income

The Bank's income in 2000 totalled 13,116.5m zloty, a figure both 52.5% higher than that reported in 1999 and 12.7% higher than planned.

A breakdown of the major sources of the Bank's income in 2000 is given in Table 32, which also outlines performance against plan and against the previous year.

Table 32. Structure of income

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty	1999 = 100	plan = 100	
<b>Total income</b>	<b>8,600.5</b>	<b>11,639.7</b>	<b>13,116.5</b>	<b>152.5</b>	<b>112.7</b>
of which:					
– interest income	1,292.2	1,626.0	2,262.3	175.1	139.1
– securities income	5,701.5	5,992.4	7,828.7	137.3	130.6
– fee & commission income	10.8	12.0	16.3	150.9	135.8
– other income	1,596.0	4,009.3	3,009.2	188.5	75.1

## Securities income

The total level of income earned by the Bank in 2000, as was already mentioned, was determined by securities income, representing the sum total of income obtained on foreign securities (74.4%) and domestic securities of various types (25.6%).

The level and growth of securities income in 2000, together with performance against plan, are illustrated by the figures given in Table 33.

Income on foreign securities (including income on placements collateralised by foreign securities under repurchase agreements) was higher than a year before and also higher than the target level written into the annual plan (40.1% and 33.7% higher, respectively).

Table 33. Securities income

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty		1999 = 100	plan = 100
<b>Total securities income</b>	<b>5,701.5</b>	<b>5,992.4</b>	<b>7,828.7</b>	<b>137.3</b>	<b>130.6</b>
1) domestic securities	1,543.8	1,635.0	2,002.8	129.7	122.5
a) government	1,539.9	1,632.0	1,999.3	129.8	122.5
– fixed-rate bonds	69.1	993.4	1,242.6	1,798.3	125.1
– dollar-denominated bonds (91)	190.0	288.6	308.8	162.5	107.0
– zero-coupon bonds	0.0	350.0	447.9	-	128.0
– London Club bonds	815.5	0.0	0.0	-	-
– dollar-denominated bonds (97 & 98)	448.6	0.0	0.0	-	-
– conversion bonds, 93	16.7	0.0	0.0	-	-
b) bonds & bills of domestic banks	3.9	3.0	3.5	89.7	116.7
2) foreign securities	4,157.7	4,357.4	5,825.9	140.1	133.7

Income directly earned on foreign securities amounted to 5,595.3m zloty, i.e., 96.0% of this income item, while that earned on placements collateralised by these securities came to 230.6m zloty, or 4.0%. Compared to the performance seen a year earlier, direct income on these securities was up 1,835.8m zloty, while income from placements was down 167.6m zloty. A direct impact on the level of this income earned in 2000 was exerted by the exchange rate for the dollar against the zloty and by the investment structure of the official reserve assets. At year end 2000, 70.1% of the reserves were invested in securities, compared to 67.8% a year earlier, while the proportion of the reserves represented by repurchase agreements stood at 3.7%, as against 6.7% a year before.

Income on domestic securities stood at 2,002.8m zloty, which was 29.7% more than a year previously and 22.5% more than planned.

The largest stream of income from domestic securities was interest income on fixed-rate Treasury bonds, which totalled 1,242.6m zloty, a sum 1,698.3% greater than in 1999 and 25.1% higher than projected for 2000. The NBP received these bonds under the conversion of part of the Bank's claims on central government (dollar-denominated bonds issued in 1997 and 1998, the 1993 conversion bond, and units of account), which took place on September 30, 1999. The fact that interest income on these fixed-rate bonds was higher than planned stemmed from sales of these bonds being lower than planned.

Under the terms of issue of these fixed-rate T-bonds, interest is accrued annually on their face value. The annual interest receivable on these bonds is 10.0% (3- and 4-year bonds), 8.5% (5-year bonds) and 6.0% (10-year bonds). The interest coupons are redeemable on maturity of the bonds themselves.

The second largest source of income on domestic securities was discount income on zero-coupon bonds, which came to 447.9m zloty, which was 28.0% more than projected in the financial plan (no income from this source had been obtained the year before). These bonds were issued on December 29, 1999, as a result of the conversion of the Treasury bonds used to finance commitments to the London Club. The higher discount income than planned was due to the smaller sales of these zero-coupon bonds.

The third significant item within income from domestic securities was income on Treasury bonds denominated in US dollars, issued by the Minister of Finance in 1999 to fund government liabilities to foreign exchange banks, including the NBP. These liabilities had arisen from the utilisation of foreign exchange held by these banks for balance of payments purposes. Under the terms of issue of these bonds, the coupons are redeemable biannually, at LIBOR plus 0.5%. The income obtained on these bonds in 2000 came to 308.8m zloty, up 62.5% on the previous year and 7.0% higher than planned. This is attributable to LIBOR being higher, and also to the dollar being stronger than projected in relation to the zloty.

The final component of income from domestic securities was interest on securitisation bonds and bills issued by domestic banks. This amounted to 3.5m zloty and was not of greater importance in the overall volume of securities income.

#### Interest income

Interest income was 75.1% higher in 2000 than it had been in 1999, and 39.1% greater than targetted in the annual plan.

The level and growth of interest income in 2000, together with performance against plan, are illustrated by the figures given in Table 34.

The volume of interest income was driven by interest on placements at foreign banks. This accounted for 70.0% of all interest income, surpassing both the projections written into the annual plan and the level achieved the year before. A major factor in determining the level of interest income, as in the case of income on foreign securities, was the level of dollar/zloty exchange rates and the investment structure of the official reserve assets (interest on placements at foreign banks represented 21.9% of the reserves at year end 2000, whereas a year earlier this had been 20.8%).

The interest income obtained on placements at domestic banks amounted to 35.6m zloty, 55.5% more than in 1999, yet 83.3% less than projected in the annual plan. This represented interest in zloty received on foreign currency placements. Interest on these placements is calculated by reference to six-month LIBOR. The low level of plan performance in relation to this income was the result of a failure to realise interest income on repos under liquidity-providing operations; this had been planned at 191.0m zloty.

The overall interest income generated on loans, at 629.2m zloty, was primarily composed of interest received from domestic banks (95.5%).



Table 34. Interest income

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty		1999 = 100	plan = 100
<b>Total interest income</b>	<b>1,292.2</b>	<b>1,626.0</b>	<b>2,262.3</b>	<b>175.1</b>	<b>139.1</b>
of which:					
a) placements of which:	680.8	1,055.3	1,633.1	239.9	154.8
at foreign banks	657.9	842.3	1,583.6	240.7	188.0
at domestic banks	22.9	213.0	35.6	155.5	16.7
at international organisations	0.0	0.0	13.9	-	-
b) loans	611.4	570.7	629.2	102.9	110.3

Interest income on loans, including performance against plan and against the previous year, is presented in Table 35.

Table 35. Interest income on loans

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty		1999 = 100	plan = 100
<b>Total interest income on loans</b>	<b>611.4</b>	<b>570.7</b>	<b>629.2</b>	<b>102.9</b>	<b>110.3</b>
of which:					
– central investment finance	547.0	500.5	557.8	102.0	111.4
– rediscount loans	28.6	27.6	16.4	57.3	59.4
– lombard loans	9.1	13.5	18.6	204.4	137.8
– other	26.7	29.1	36.4	136.3	125.1
of which: overdraft, Bank Handlowo-Kredytowy SA	1.8	0.0	5.6	311.1	-

The most significant component of loan interest (88.7%) was interest on refinance loans to central government investment projects. This income was similar to that recorded in 1999 and 11.4% higher than planned for 2000; it included both capitalised interest from previous years (51.3% of total interest on these loans), received by the Bank as part of the principal instalments paid by the banks under the terms of the

relevant agreements, and current interest, accrued quarterly on loans in process of repayment (48.7%).

The interest income received on rediscount and lombard loans represented some 6% of total interest income from domestic banks. This comprised interest on rediscount loans for the purchase of agricultural produce, and interest on lombard loans, drawn by the banks only where necessary to top up their required reserves (held on their current accounts at the NBP) or at times of sharp growth in the cost of funds on the interbank market.

#### Fee & commission income

Fee and commission income came to 16.3m zloty, an increase on the previous year, and also higher than planned for 2000. This income is not a significant factor in the Bank's total income stream, accounting for 0.1%.

#### Other income

By contrast, "other income" does constitute an important component of the Bank's total income (22.9%). In 2000, this item was 88.5% higher than in 1999, although 24.9% lower than planned.

Table 36 sets out the principal components of "other income" in 2000, comparing performance against plan and against figures for 1999.

Table 36. Other income

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty	1999 = 100	plan = 100	
<b>Total "other income"</b>	<b>1,596.0</b>	<b>4,009.3</b>	<b>3,009.2</b>	<b>188.5</b>	<b>75.1</b>
of which:					
– release of currency revaluation reserve	670.2	0.0	1,519.8	226.8	-
– FX differences	38.5	40.0	68.1	176.9	170.3
– FX gains on revaluation	497.4	480.0	926.9	186.3	193.1
– release of valuation allowances	294.2	3,443.1	403.0	137.0	11.7
– income on equity investments	23.4	10.0	14.8	63.2	148.0
– other	72.3	36.2	76.6	105.9	211.6

The level of income generated in this category was chiefly determined by:

- unplanned income on the release of part of the currency revaluation reserve (1,519.8m zloty), which was recorded on the sale of foreign currency to the

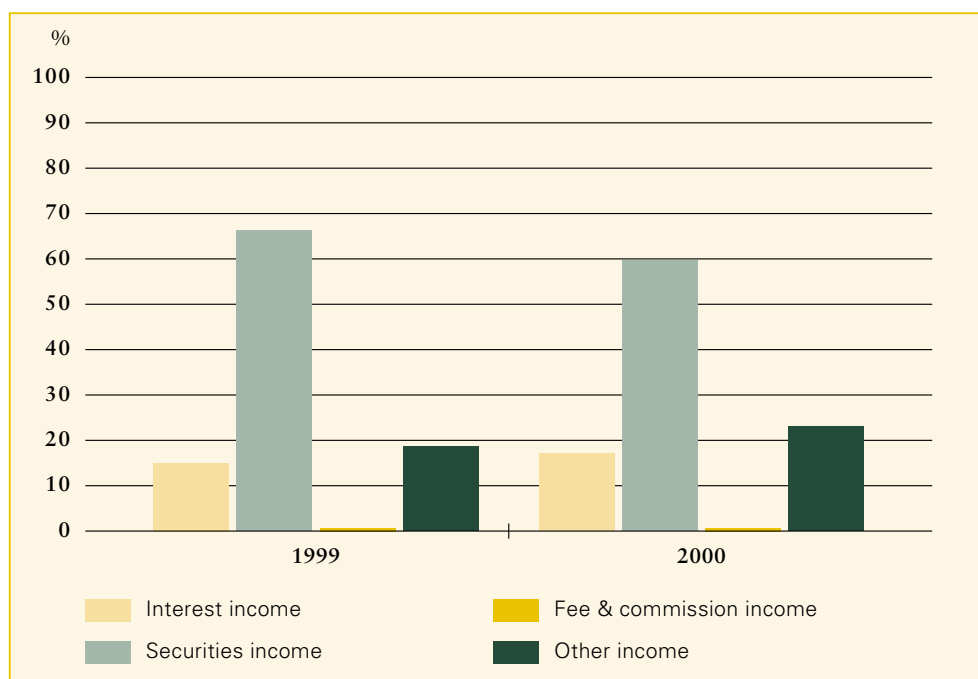
Ministry of Finance to service the official foreign debt (the Bank's financial plan for 2000 had projected that the funding necessary to meet the foreign liabilities of the government would be provided by foreign currency privatisation receipts);

- lower income than planned on the release of valuation allowances established against fixed-rate bonds. In all, this income amounted to 403.0m zloty, which was 3,040.1m zloty less than projected (this is traceable to lower sales of these bonds, as the allowances are released in proportion to the value of the bonds sold);
- gains on the revaluation of the balances arising on the redemption of successive tranches of dollar-denominated Treasury bonds issued in 1991, and another repayment of NBP placements at Bank Handlowy w Warszawie SA. Altogether, the income thus obtained totalled 926.9m zloty.

The remainder of this item of income primarily consisted in FX gains arising on the purchase and sale of foreign currency for zloty and for other foreign currencies (68.1m zloty), income on the Bank's equity investments (14.8m zloty) and on the sale of services (7.3m zloty), and other income from banking operations (17.2m zloty).

A breakdown of NBP income in the years 1999-2000 is presented in Figure 12.

Figure 12. Structure of income, 1999-2000



## Expense

The expense of the National Bank's operations in 2000 totalled 8,104.5m zloty, which represented 19.9% more than planned and 28.6% more than the expense reported the previous year.

The structure of the Bank's expense, together with performance against plan and against the previous year, is given in Table 37.

Table 37. Structure of expense

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty	1999 = 100	plan = 100	
<b>Total expense</b>	<b>6,303.0</b>	<b>6,758.4</b>	<b>8,104.5</b>	<b>128.6</b>	<b>119.9</b>
of which:					
– interest expense	313.1	397.8	653.5	208.7	164.3
– securities expense	3,334.7	5,197.5	6,373.7	191.1	122.6
– fee & commission expense	16.2	18.0	18.2	112.3	101.1
– general expense	759.1	947.7	848.4	111.8	89.5
– other expense	1,879.9	197.4	210.7	11.2	106.7

#### Securities expense

The overall level of expense incurred by the Bank and the performance of its plan in this respect were determined by securities expense. As in 1999, the amount of expense involved here was primarily a function of the cost of discounting NBP money market bills, offered for sale to the banks due to the need to absorb liquidity from the banking sector.

The expense of issuing NBP money market bills amounted to 3,480.8m zloty, which represented 54.6% of total securities expense. This figure was 23.5% higher than recorded in 1999.

As was outlined in the section giving the basic figures on the Bank's financial performance in 2000, the year saw a rise in the excess liquidity of the banking sector, which led to an increase in issues of NBP money market bills, which constitute the primary instrument utilised to neutralise surplus liquidity. At year end, the volume of NBP money market bills outstanding (at nominal values) stood at 20,475.2m zloty, which represented an increase of 9,342.2m zloty compared to year end 1999.

The balance of NBP money market bills outstanding in 2000 and 1999, and the discount expense incurred as a result, are set out in Table 38.

The remaining items of securities expense comprised:

- interest on NBP bonds issued on September 30, 1999, which amounted to 1,756.7m zloty, and was 25.6% higher than projected. These bonds, issued in connection with the lowering of the banks' reserve requirements, are a long-term instrument paying interest indexed to inflation;

Table 38. NBP money market bills outstanding and associated discount expense

	1999	2000			
	balance				
	31/XII	31/III	30/VI	30/IX	31/XII
	million zloty				
NBP money market bills outstanding	11,133.0	19,217.3	19,927.9	14,633.3	20,475.2
Discount expense	2,818.3	858.1	1,688.5	2,504.4	3,480.8

- interest on deposits collateralised by foreign securities under repurchase arrangements, the value of which, at 169.3m zloty, was 40.3% less than in 1999 and 39.8% less than planned;
- the expense of securities trading, which came to 966.9m zloty, a figure 315.7% higher than the year before, although 51.5% lower than planned. This figure was the end result of:
  - a diminution in value of domestic securities, amounting to 344.0m zloty, which was 1,370.0m zloty less than projected. The lower expense incurred here was the result, as already mentioned, of smaller sales of Treasury conversion bonds;
  - a diminution in value of foreign securities, and the amortisation of premium paid on those securities, together totalling 622.9m zloty, which was both more than recorded in 1999 and more than planned for 2000 (167.9% and 122.5% higher, respectively). The large expense borne on transactions involving foreign securities was caused by the inclusion in this expense item of amortised premium (until June 30, 2000, the amortisation of premium was not booked separately, instead decreasing the income on foreign securities).

#### Interest expense

The expense of interest paid on deposits and borrowings in 2000, at 653.5m zloty, was up 108.7% on the year before and 64.3% higher than projected in the annual plan. This expense was almost entirely composed of interest paid on funds deposited at the NBP, mainly on time deposits (held by central government).

The interest paid in 2000 on funds held on account at the NBP, by category of depositor, is detailed in Table 39.

The dominant item within the structure of interest expense was interest paid to central government. This amounted to 598.7m zloty, up 169.0% on the year before, and 139.5% more than planned. This primarily involved interest of 503.1m zloty on government funds placed at the Bank mainly for short periods, under the authorisation given in Article 108 of the Public Finance Act of November 26, 1998. Central government received interest paid from foreign currency deposits amounted to 95.6m zloty.

Table 39. Interest expense, deposits

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty		1999 = 100	plan = 100
Total interest expense, deposits	312.2	397.0	652.6	209.0	164.4
of which:					
– central government	222.6	250.0	598.7	269.0	239.5
– government special-purpose funds	63.0	130.0	37.2	59.0	28.6
– other	26.6	17.0	16.7	62.8	98.2

The interest paid to government special-purpose funds on their current balances came to 37.2m zloty, which was 41.0% less than in 1999 and 71.4% less than planned.

The balances in government accounts and on the current accounts of government special-purpose funds in 2000, together with the interest paid on those balances, is presented in Table 40.

Table 40. Government sector balances

	1999	2000				
	31/XII	balance				Interest paid
		31/III	30/VI	30/IX	31/XII	
	million zloty					
Central government time deposits	602.5	5,102.5	1,102.5	2,302.3	2,330.0	503.1
Central government foreign currency deposits	-	-	-	44.2	3,570.5	95.6
Current accounts government special-purpose funds	1,322.5	651.1	376.1	397.2	805.6	37.2

#### Fee & commission expense

Fee and commission expense stood at 18.2m zloty, the level planned, and was 12.3% higher than in 1999. This item represented 0.2% of the Bank's total expense and did not materially affect its overall level.

## General expense

The Bank's general expense totalled 848.4m zloty and was lower than planned (by 10.5%), as were all the principal components of this item. This refers to personnel expense (including associated charges), administrative expense and depreciation.

The level of these expense components, along with performance against plan and a comparison with the figures for 1999, are set out in Table 41.

Table 41. General expense

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty	1999 = 100	plan = 100	
Total general expense	759.1	947.7	848.4	111.8	89.5
1) personnel expense including associated charges	330.1	395.5	359.4	108.9	90.9
of which:					
associated charges	59.2	73.5	57.8	97.6	78.6
2) administrative expense	352.0	457.2	398.5	113.2	87.2
3) depreciation charges	77.0	95.0	90.5	117.5	95.3

Personnel expense (including associated charges) was less than planned. This applies to both employee compensation (6.3% less than planned) and associated charges (21.4% less).

Table 42. Administrative expense

	1999	2000			
	performance	plan	performance		
	million zloty	million zloty	1999 = 100	plan = 100	
Total administrative expense	352.0	457.2*	398.5	113.2	87.2
of which:					
– material services	263.5	341.4	298.3	113.2	87.4
of which:					
purchase of notes & coin	203.0	250.2	219.3	108.0	87.6
– non-material services	53.2	63.7	59.6	112.0	93.6
– consumption of materials & energy	29.2	32.7	32.3	110.6	98.8
– official travel	6.1	7.0	8.3	136.1	118.6

\* The sum of 457.2m zloty included a provision for increases in administrative expense of 12.4m zloty

Compared to the previous year, employee compensation was up 11.3%, while associated charges were down 2.4%. Within the total expense incurred by the NBP, personnel expense and associated charges represented 4.4% (as against 5.2% in 1999).

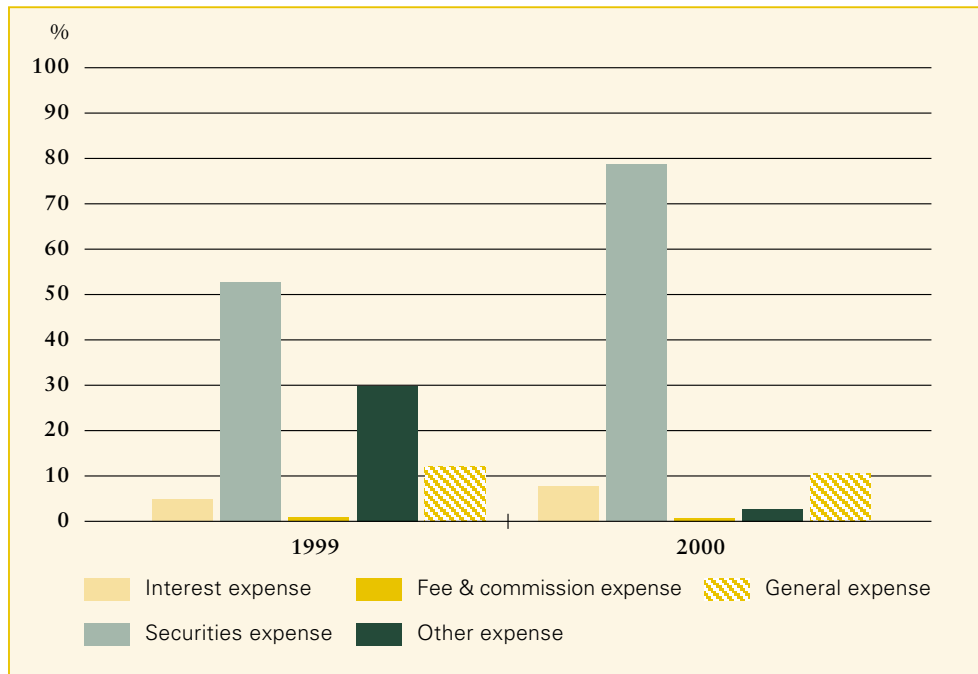
Administrative expense amounted to 398.5m zloty in 2000, a figure 12.8% lower than projected, although 13.2% higher than reported in 1999. The level of this expense was chiefly a function of the expense of material services (298.3m zloty), which accounted for 74.9% of all administrative expense. The high expense incurred on material services is attributable to the expense of purchasing notes and coin, which came to 219.3m zloty, up 16.4m zloty on the previous year.

Table 42 shows the principal items included in administrative expense, growth in these items, and performance against plan.

#### Other expense

“Other expense” stood at 210.7m zloty in 2000, exceeding the planned target by just 6.7%, and coming to almost nine times less than that recorded in 1999. This expense primarily comprised the following items:

Figure 13. Structure of expense, 1999-2000



- the expense of contributions to the Bank Guarantee Fund, with the amount payable by the NBP being specified in the Act on Amendments to the Act on the Bank Guarantee Fund and to Certain Other Legislation of April 9, 1999.



This expense, equivalent to 40.0% of the annual contributions of the banks, came to 172.4m zloty, which was 27.1% more than in 1999 and 3.6% less than planned;

- FX differences on the purchase and sale of foreign currency for zloty and for other foreign currencies, which amounted to 12.6m zloty and 18.8m zloty, respectively, thereby exceeding both the sums reported in 1999 (by 522.2% and 81.9%, respectively) and those projected for 2000 (by 320.2% and 56.9%).

A breakdown of the Bank's expense in the years 1998-1999 is presented in Figure 13.

### Profit and distributions

The profit generated by the National Bank in 2000, amounting to 5,012.0m zloty, was a function of the level of realised income (13,116.5m zloty) and expense incurred (8,104.5m zloty), as determined by the various factors discussed above.

Under the Act on the National Bank of Poland of August 29, 1997, appropriations are made from the Bank's annual net earnings to reserve capital (2.0%) and to the staff bonus fund. Once the Bank's annual accounts for the year 2000 are approved by the Council of Ministers, the remaining portion of net earnings will be transferred to the Treasury.

Table 43 presents the distribution of the Bank's 2000 profit, together with performance against plan and figures for 1999.

**Table 43.** Distribution of profit

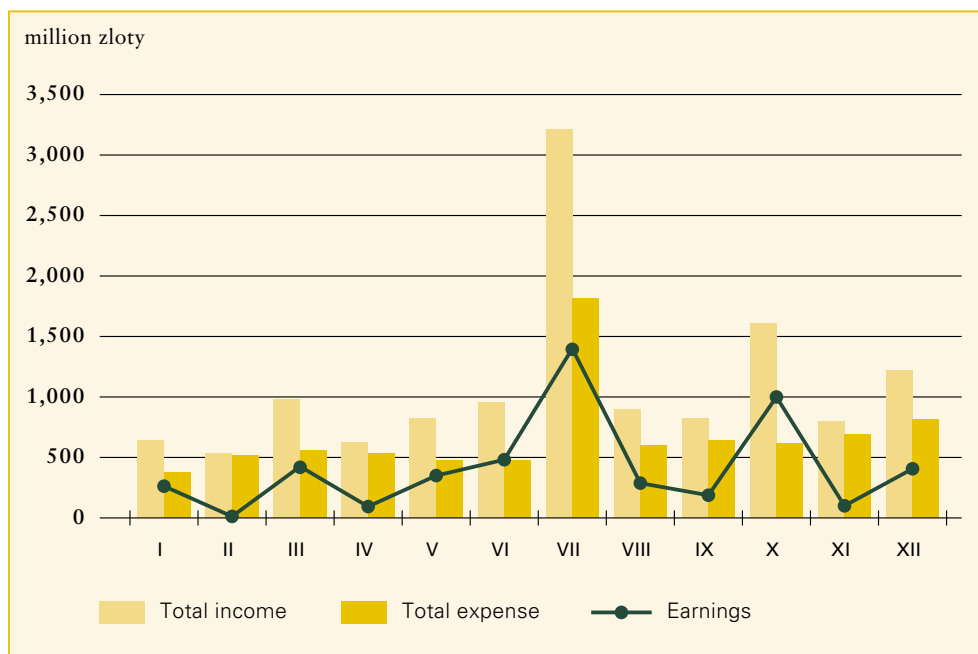
	1999	2000			
	performance	plan	performance		
	million zloty	million zloty		1999 = 100	plan = 100
<b>Total profit</b>	<b>2,297.5</b>	<b>4,881.3</b>	<b>5,012.0</b>	<b>218.2</b>	<b>102.7</b>
Applied as follows:					
- appropriations to capital	91.9	140.6	143.2	155.8	101.8
- reserve capital	45.9	97.6	100.2	218.3	102.7
- staff bonus fund	46.0	43.0	43.0	93.5	100.0
- paid to Treasury	2,205.6	4,740.7	4,868.8	220.7	102.7

The total amount of appropriations to capital constitute 2.9% of the net earnings generated by the Bank. The remainder – 97.1%, or 4,868.8m zloty – will duly be paid to the Treasury.

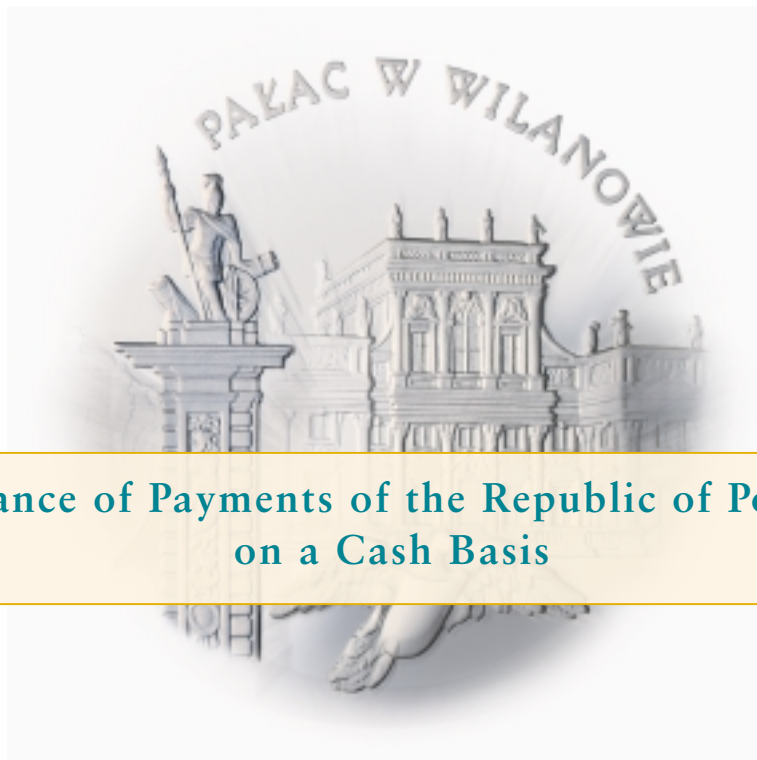
In the course of 2000, the level of income earned by the National Bank was uneven, ranging from 532.7m zloty in February to 3,210.2m zloty in July. The expense incurred was steadier, within a band of 376.5m zloty (January) to 811.8m zloty (December), with the exception of July, when expense peaked, as did income, to reach 1,810.3m zloty. The high income and expense recorded by the Bank in July is attributable to the move to accrual accounting at the Bank, which replaced the cash basis as of July 1, 2000.

The National Bank's income, expense and earnings in the particular months of 2000 are portrayed in Figure 14.

Figure 14. Income, expense and earnings, 2000







**Balance of Payments of the Republic of Poland  
on a Cash Basis**



*The Palace in Wilanów*  
20 zloty coin issued in 2000

174

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### Payments performance and its impact on the official reserves

## Balance of Payments of the Republic of Poland on a Cash Basis

An analysis of the balance of payments figures for 2000 (on a cash basis), indicates that the year brought a number of positive developments, such as:

- a major reduction in the negative balance on current transactions, yielding an improvement in the current deficit as a proportion of GDP, down from 7.5% in 1999 to 6.3% in 2000;
- an increase in the ratio of exports to GDP, up from 19.1% in 1999 to 20.0% in 2000;
- faster growth in exports than in imports, with the former climbing 7.2% and the latter rising 1.7%; expressed in euros, these growth rates came to 24.5% and 17.5%, respectively;
- a dynamic increase in exports of processed goods;
- a rise in the proportion of the current deficit funded by direct investment, up from 55.9% in 1999 to 83.1% in 2000;
- a reduction in the proportion of direct investment debt in inward direct investment, down from 33.1% in 1999 to 12.3% in 2000.

In addition to the healthy developments outlined above, the year also saw some tendencies which require to be monitored closely. These included:

- a deterioration in the twelve-month ratio of official reserve assets to the total money supply, down 4.4 points;
- growing debits on income, which in the future could prove a major burden for the current balance;
- a strong correlation between the inflow of direct investment and one-off equity privatisations.

Nonetheless, a justified conclusion is that the balance of payments in 2000 was predominantly marked by positive trends.

### The current account

The current account and Poland's economic situation

The current account was in deficit in 2000, with the balance coming to a negative USD 9,978m (a negative 10,697m euros). This represents an improvement in dollar terms compared to 1999 of USD 1,591m, or 13.8%. As expressed in euros, the current account deficit was reduced by 233m, or 2.1%.

The narrowing of the current deficit can primarily be traced to the lower deficit on trade in goods, which fell USD 1,215m, or 8.4%. This was the result of exports growing more swiftly than imports. The improvement on the current account was

also assisted by an increase in the surplus shown on unclassified current transactions and on current transfers, and by a slight decrease in the negative balance on income. By contrast, the deficit on services widened.

**Table 44.** Current deficit as proportion of GDP, by quarter

	Unit	1999					2000				
		year	quarter				year	quarter			
			Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4
<u>Current balance</u> Gross Domestic Product	%	-7.5	-6.3	-7.4	-7.7	-8.3	-6.3	-9.4	-5.6	-5.7	-4.8

The consequence of these movements in the principal items of the current account (on a cash basis) was a decline in the current deficit and an improvement in this deficit in relation to GDP that saw it come down from 7.5% in 1999 to 6.3% in 2000.

In analysing the deficit as a proportion of GDP in particular quarters, it is noticeable that this ratio gradually worsened in 1999 and the first quarter of 2000, reaching a high of 9.4%. It then improved substantially in the subsequent quarters of 2000, to stand at 4.8% in the fourth quarter.

#### Decline in deficit on goods

The deficit on trade in goods amounted to USD 13,165m in 2000 (14,198m euros), which represented an improvement on the 1999 deficit of over 8.4% in dollar terms, although in euro terms the deficit increased 4.7%.

An increase was seen both in export receipts and import remittances. The main reason for the lower deficit was the favourable relationship between export and import growth rates. Compared to the previous year, export receipts in 2000 were up USD 1,909m, or 7.2%. Expressed in euros, this growth came to 24.5%. By contrast, import payments were up USD 694m, or 1.7%, while the equivalent growth in euros stood at 17.5%.

Compared to 1999, quarterly export receipts rose steadily from the second quarter of 2000 onwards (cf. Table 44). From the second to the fourth quarters of 2000, export growth climbed from 8.8% to 16%. In all the quarters of 1999 and in the first quarter of 2000, export growth had been negative, ranging from -0.6% to -20.3%.

In the first three quarters of 2000, quarterly import payments were higher than in 1999. Import growth was between 2.2% and 4.0% relative to the corresponding quarters of 1999. In the fourth quarter of 2000, however, imports were 2.4% lower than registered in the same quarter of 1999.

Export growth in 2000 was the result of the following:

Table 45. Trade in goods: turnover, movements &amp; growth rate

	Total, year	Quarter			
		Q1	Q2	Q3	Q4
USD million					
<b>Turnover, 1999</b>					
Exports	26,347	7,012	6,282	6,214	6,839
Imports	40,727	9,833	9,642	10,100	11,152
Balance	-14,380	-2,821	-3,360	-3,886	-4,313
<b>Turnover, 2000</b>					
Exports	28,256	6,323	6,835	7,167	7,931
Imports	41,421	10,171	9,856	10,506	10,888
Balance	-13,165	-3,848	-3,021	-3,339	-2,957
<b>Growth rate (2000/1999)</b>					
Exports	107.2	90.2	108.8	115.3	116.0
Imports	101.7	103.4	102.2	104.0	97.6

- *External factors:* the year 2000 saw the world economy pick up. The increase in global demand led to an expansion of world trade. The global increase in import demand caused demand for Polish exports to rise as well.
- *Internal factors:* in 2000, the positive effects became apparent of export-oriented investment by foreign direct investors, the best example being the launch of the manufacture and export of diesel engines by the ISUZU company. In addition, domestic demand growth weakened, compelling companies to seek sales markets abroad.

The growth in imports was primarily linked to the higher value of oil imports, a consequence of rising world oil prices.

#### Product structure of exports and imports

Figures from the Central Statistical Office (GUS), based on SAD documents, show exports totalling USD 31.6bn in 2000, with imports amounting to USD 48.9bn.

Within exports, the largest item with respect to the sections of the Polish Combined Nomenclature was *machinery and mechanical equipment, electrical equipment, and parts thereof*, which accounted for 20.2% of total exports, followed by *vehicles, aircraft, water vessels and auxiliary transport equipment*, which accounted for 14.3%, and *base metals and articles thereof*, which accounted for 12.7%.

The strongest growth in exports was seen in *machinery and mechanical equipment* (up USD 1,637m), mainly as a result of a major increase in exports of engines



Table 46. Goods: exports of selected goods (PCN categories), movements &amp; growth

Section, chapter, item	1999	2000	Change (2000-1999)	Growth rate (2000/1999)	Share in exports
	USD million				%
<b>Total</b>	27,407	31,651	4,244	115.5	100.0
<b>XV Base metals &amp; articles thereof</b>	3,487	4,032	545	115.6	12.7
Iron, steel, cast iron & articles thereof	737	1,004	267	136.3	3.2
Copper & articles thereof	664	794	130	119.5	2.5
<b>XVI Machinery and mechanical equipment, electrical equipment, &amp; parts thereof</b>	4,769	6,406	1,637	134.3	20.2
Nuclear reactors, boilers, mechanical appliances & parts thereof	1,975	3,184	1,209	161.2	10.1
Compression-ignition internal combustion piston engines (diesel or semi-diesel)	139	1,094	955	789.0	3.5
Electric machinery, equipment and parts; recording and reproducing apparatus	2,794	3,223	428	115.3	10.2
<b>XVII Vehicles, aircraft, water vessels and auxiliary transport equipment</b>	3,576	4,515	939	126.3	14.3
Motor cars & vehicles for transporting persons (not railway) & accessories	1,095	1,461	366	133.4	4.6
Motor vehicle parts & accessories	524	750	226	143.2	2.4

Source: CIHZ, based on *Summary information on Polish exports and imports in 2000, by SAD documentation*, Ministry of the Economy, Department of Analyses and Forecasts

(up USD 955m). There was also a significant increase in exports of *vehicles, aircraft and auxiliary transport equipment* (up USD 939m). In this category, the largest rise was recorded in exports of motor vehicles (up USD 366m).

In terms of imports, the largest category, as in exports, was *machinery and mechanical equipment, electrical equipment, and parts thereof*, which represented 26.7% of total imports. Other major categories were mineral products, representing 12% of imports, and *vehicles, aircraft, water vessels and auxiliary transport equipment*, which accounted for 10.4%.

Table 47. Goods: imports of selected goods (PCN categories), movements &amp; growth

Section, chapter, item	1999	2000	Change (2000-1999)	Growth rate (2000/1999)	Share in imports
	USD million				%
<b>Total</b>	<b>45,911</b>	<b>48,940</b>	<b>3,029</b>	<b>106.6</b>	<b>100</b>
<b>IV Prepared foodstuffs, alcoholic beverages &amp; vinegar; tobacco</b>	<b>1,410</b>	<b>1,189</b>	<b>-222</b>	<b>84.3</b>	<b>2.4</b>
Tobacco & tobacco substitutes	244	92	-152	37.9	0.2
<b>XI Textiles &amp; textile articles</b>	<b>3,352</b>	<b>3,179</b>	<b>-173</b>	<b>94.9</b>	<b>6.5</b>
<b>V Mineral products</b>	<b>3,771</b>	<b>5,861</b>	<b>2,091</b>	<b>155.4</b>	<b>12.0</b>
Crude oil from petroleum and bituminous minerals	1,823	3,464	1,641	190.0	7.1
Petroleum gases and other gaseous hydrocarbons	633	1,016	384	160.6	2.1

Source: CIHZ, based on *Summary information on Polish exports and imports in 2000*, by SAD documentation, Ministry of the Economy, Department of Analyses and Forecasts

The most rapid growth in imports was in section V, *mineral products*. Oil imports, included in this section, rose USD 1,641m. This is mainly traceable to a 61% increase in oil prices. Had prices remained constant at 1999 levels, the increase in oil imports would have come to just USD 319m. In addition, it can be assumed that all payments for oil imported in 2000 were performed via the Polish banking system and registered in the balance of payments on a cash basis for 2000. This means that, had oil prices not risen in 2000, total imports would not have gone up USD 694m, but would have come down USD 618m. As a result, the deficit on goods would have amounted to 7.5% of GDP, while the current deficit would have been equivalent to 5.5% of GDP.

#### Geographical pattern of exports and imports

Poland's principal trading partners are the European Union countries, the countries of the former USSR and the CEFTA countries. In 2000, the EU countries accounted for 70% of Polish exports and 61.2% of imports. Growth in exports to the EU was lower than the average, causing the share of the EU in Polish exports to decline. Imports from the EU countries also rose more slowly than the average. At the same time, the faster growth of exports than imports reduced Poland's trade deficit with the EU countries.

The countries of the former USSR took 9.4% of Poland's exports and supplied 11.7% of imports. The steep increase in imports from the former USSR led to the

trade deficit with this group of countries widening. The rise in import payments chiefly involved Russia, and was primarily the result of rising prices for oil and natural gas, since Russia is Poland's main supplier of these commodities.

The CEFTA countries accounted for 8.4% of Polish exports and 7.1% of imports. As in the case of trade with the EU countries, swifter growth in exports than in imports from CEFTA narrowed Poland's trade deficit with this group of countries.

Currency composition of trade in goods: rising role of euro

Almost half of all trade settlements in 2000, both for exports and imports of goods, were performed in euros (cf. Table 49). Compared to the year before, the share of the euro in export receipts grew 7.4 points, while in import payments it rose 9.2 points.

Table 48. Goods: currency composition

	Alfa code	Exports			Imports		
		1999	2000	Change (2000-1999)	1999	2000	Change (2000-1999)
		%					
<b>Euro area currencies</b>		53.6	54.8	1.1	57.1	54.9	-2.2
of which:							
euro	EUR	42.0	49.4	7.4	39.0	48.2	9.2
D-mark	DEM	8.4	4.1	-4.3	12.7	4.6	-8.1
US Dollar	USD	36.2	36.2	0.0	32.1	34.8	2.7
Zloty	PLN	4.2	3.5	-0.6	3.5	3.9	0.4
Other		6.0	5.5	-0.5	7.3	6.4	-0.9
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

The rising proportion of Polish foreign trade settled in euros is the result of the replacement of the euro area national currencies by the single currency. This particularly applies to the Deutschemark.

The share of the US dollar in settling Polish exports remained flat at the previous year's 36.2%, while in imports it rose 2.7 points, to 34.8%.

The part played by the zloty in exports declined in 2000 compared to 1999, down 0.7 points to 3.5%. In imports, the proportion settled in zloty rose 0.4 points to 3.9%.

Slight increase in deficit on services

As regards trade in services, exports amounted to USD 3,516m in 2000, while imports totalled USD 5,200m. Although growth in export receipts outpaced that of import payments, the negative balance on services rose USD 60m, to stand at USD 1,684m (1,807m euros).

**Table 49.** Services: turnover, movements & growth rate

	Total, year	of which: quarter			
		Q1	Q2	Q3	Q4
USD million					
<b>Turnover, 1999</b>					
Exports	3,310	783	733	866	928
Imports	4,934	1,147	1,135	1,247	1,405
<b>Balance</b>	<b>-1,624</b>	<b>-364</b>	<b>-402</b>	<b>-381</b>	<b>-477</b>
<b>Turnover, 2000</b>					
Exports	3,516	774	867	937	938
Imports	5,200	1,322	1,308	1,272	1,298
<b>Balance</b>	<b>-1,684</b>	<b>-548</b>	<b>-441</b>	<b>-335</b>	<b>-360</b>
<b>Growth rate</b>					
Exports	106.2	98.9	118.3	108.2	101.1
Imports	105.4	115.3	115.2	102.0	92.4

From the second quarter of 2000 onwards, quarterly growth in service credits was positive, ranging from 18.3% to 1.1%. During the preceding four quarters, growth in these export credits had been negative. Growth in service debits was positive in the first three quarters of 2000. In the fourth quarter of the year, however, a negative growth in service imports was reported, for the first time since 1997.

As a result of these movements in service exports and imports, the deficit on trade in services, which had deepened steadily in the years 1998-1999, narrowed in both the third and fourth quarters of 2000. Nevertheless, this improvement was not strong enough to affect the balance on services over the year as a whole.

The increase in the deficit on services primarily stemmed from a rise of USD 118m in net debits on trade in copyrights, patents and licence fees. This reflected a much steeper increase in the import of services of this kind than in their export.

Slight decrease in deficit on income

The balance on income was negative in 2000, with a deficit reported of USD 796m (877m euros). This represents a small improvement on 1999 (1%). Compared

to 1999, growth was seen in both credits and debits. Credits rose 28.2%, while debits were up 19.5%.

A decrease was seen in the deficit on income from "other investment" (interest income on loans and deposits). At the same time, the deficit on income from direct investment rose, while the surplus on income from portfolio investment declined.

Table 50. Income: turnover, movements & growth rate

	1999	2000	2000				Change (2000-1999)	Growth rate (2000/1999)
			Q1	Q2	Q3	Q4		
	USD million							
<b>Credits</b>	1,899	2,435	522	606	574	733	536	128.2
Employee compensation	127	192	46	46	48	52	65	151.2
Income on direct investment	47	32	5	9	1	17	-15	68.1
Income on portfolio investment	1,084	1,230	244	331	278	377	146	113.5
Income on other investment	591	946	220	211	237	278	355	160.1
Other income	50	35	7	9	10	9	-15	70.0
<b>Debits</b>	2,703	3,231	729	747	648	1,107	528	119.5
Employee compensation	155	165	39	42	42	42	10	106.5
Income on direct investment	393	529	109	131	123	166	136	134.6
Income on portfolio investment	876	1,146	147	384	215	400	270	130.8
Income on other investment	1,210	1,362	424	183	262	493	152	112.6
Other income	69	29	10	7	6	6	-40	42.0
<b>Balance</b>	-804	-796	-207	-141	-74	-374	8	99.0
Employee compensation	-28	27	7	4	6	10	55	-96.4
Income on direct investment	-346	-497	-104	-122	-122	-149	-151	143.6
Income on portfolio investment	208	84	97	-53	63	-23	-124	40.4
Income on other investment	-619	-416	-204	28	-25	-215	203	67.2
Other income	-19	6	-3	2	4	3	25	-31.6

In terms of credits, employee compensation rose 51.2%, with investment on portfolio investment up 13.5% and that on "other investment" climbing 60.1%. The growth in income on "other investment" stemmed from Polish banks holding higher deposit balances at banks abroad in 2000 than they had in 1999, and therefore earning greater interest income.

The largest proportion of credits, 50.5%, came from interest on debt securities. This was slightly less than in 1999, when interest on debt securities received by Polish parties from foreign issuers represented 57% of all income credits. The prime component of this item is interest on long-term instruments, principally on the paper held as part of the reserve assets at the NBP.

In terms of debits, an increase was noted in all items except "other income". Payments of income on direct investment went up 34.6%. On portfolio investment, these payments were up 30.8%. This was associated with the numerous new issues of Polish debt carried out in 1999 and 2000, and addressed to non-residents. Interest on these began to be paid in 2000. Payments of income on "other investment" rose 12.6%.

Higher surplus on current transfers

The balance on current transfers was positive in 2000, amounting to USD 1,680m (1,829m euros). Credits totalled USD 2,162m, 2% less than in 1999. Debits came to USD 482m, and were down 20% on the previous year. The end result was that the surplus on transfers rose almost 5%.

Table 51. Current transfers: turnover, movements & growth rate

	1999	2000	Change (2000-1999)	Growth rate (2000/1999)
	USD million			
<b>Official transfers</b>	221	260	39	117.5
of which:				
Donations & non-refundable assistance	166	202	36	121.2
Taxes & charges	103	113	10	110.3
Other	-48	-55	-7	114.9
<b>Private transfers</b>	1,382	1,420	38	102.7
of which:				
Salary remittances	79	28	-51	35.6
Pensions	26	32	6	121.5
Movements on personal foreign currency accounts, residents	770	808	38	104.9
Other	507	552	45	108.8
<b>Total current transfers</b>	1,604	1,680	76	104.7

The structure of current transfers was similar to that seen in 1999. Almost 85% of the net inflow of transfers was attributable to the private sector. This net inflow of private transfers was up 2.7%, while that of official transfers was up 17.5%.

The dominant item in private transfers were transfers from abroad to personal foreign currency accounts. These accounted for nearly 57% of private transfers. These transfers chiefly involve funds remitted by Poles resident abroad to their families at home.

The largest component of official transfers in 2000, as in 1999, were donations and non-refundable assistance from international organisations and institutions.

#### Surplus rises on unclassified current transactions

In 2000, unclassified current transactions showed a positive balance of USD 3,987m (4,356m euros). Compared to 1999, this figure was almost 9.7% higher in dollar terms.

The main factor behind the improvement in these transactions was the move from a deficit on net cash movements on personal foreign currency accounts, which had come to USD 135m in 1999, to a surplus of USD 55m in 2000.

Net purchases of convertible currencies totalled USD 3,932m, representing growth of 4.3% on 1999. These purchases rose most strongly in the voivodships on

**Table 52.** Unclassified current transactions: turnover, movements & growth rate

	1999	2000	Change (2000-1999)	Growth rate (2000/1999)
	USD million			
<b>Unclassified current transactions (balance)</b>	3,635	3,987	352	109.7
<b>Net purchases of convertible currencies</b>	3,770	3,932	162	104.3
Border voivodships*	2,906	3,082	176	106.0
of which:				
– western	892	859	-33	96.3
– southern	1,018	1,071	53	105.2
– eastern	613	752	140	122.8
– northern	384	400	17	104.3
Mazovia	196	196	-1	99.7
Wielkopolska	451	406	-45	90.0
Other	217	249	32	114.7
<b>Net movements on personal foreign currency accounts, residents</b>	-135	55	190	-

\* Border voivodships:

- western: Western Pomerania, Lubusz, Lower Silesia
- southern: Opole, Silesia, Malopolska
- eastern: Podlasie, Lublin, Podkarpacie
- northern: Pomerania, Warmia & Mazuria

Poland's eastern border, going up 22.8%. This may testify to a resurgence in unregistered trading along the eastern border, following a period of stagnation in 1999. This supposition would appear to be confirmed by the growing proportion of US dollars in net purchases of currencies. Following a slump to 17.6% in 1999 (from 43.5% in 1998), the share of US dollars in net purchases increased to 29.7% in 2000.

In the Mazovia voivodship, which is the centre of registered trading with Belarus and Russia, net purchases of convertible currencies were almost identical to the previous year.

Along Poland's western border, unregistered trading waned somewhat. In the Lubusz voivodship, net purchases of convertible currencies went up nearly USD 20m, yet they fell almost USD 52m in Western Pomerania and around USD 45m in Wielkopolska.

## The financial account

In 2000, the balance on the financial account was a positive USD 7,732m (8,415m euros). This represents a 6% decline on the previous year in dollar terms and a 9% increase in euros.

### Investment by non-residents in Poland

In 2000, the net inflow of capital arising on investment in Poland by non-residents stood at USD 10,460m (11,484m euros), signifying a decrease on the previous year of 5%, although an increase of 10% when expressed in euros.

The reduction in inward investment by non-residents was linked to a smaller inflow of loan finance, both long- and short-term, but was primarily traceable to the emergence of a high deficit on incoming currency and deposits (cf. Table 55).

Direct investment: second stage of TP SA privatisation

The foremost factor impacting the balance of investment in Poland by non-residents in 2000 was the inflow of direct investment, which amounted to USD 8,291m (9,190m euros). This accounted for 79.3% of total incoming foreign investment in 2000 (as against 58.8% in 1999). Foreign direct investment rose 28.1% in dollar terms.

The prime element in such a high balance on direct investment was the sale by the Treasury in the fourth quarter of a 25% equity interest in Telekomunikacja Polska SA (TP SA) to France Telecom. This constituted the second stage of the privatisation of TP SA, following the sale of a 15% holding in 1998. The net inflow of foreign direct investment came to USD 4,617m in the fourth quarter, representing a hefty 55.7% of inward FDI over the entire year.



Table 53. Foreign direct investment: turnover, movements &amp; growth rate

	1999	2000	Quarter, 2000				Change (2000-1999)	Growth rate (2000/1999)
			Q1	Q2	Q3	Q4		
	USD million							
Equity investment & direct investment debt	6,471	8,291	1,573	1,164	937	4,617	1,820	128.1
Equity investment	4,328	7,267	1,471	725	737	4,334	2,939	167.9
Direct investment debt	2,143	1,024	102	439	200	283	-1,119	47.8

The influx of foreign capital seen in 2000 was closely connected with the sale of Polish companies. Purchases of equity in public limited and private limited companies accounted for 88% of inward direct investment during the year (compared to 67% in 1999). The remainder of this investment took the form of direct investment debt. This represents a positive change in the pattern of direct investment compared to 1999, when direct investment debt made up 33% of FDI.

It also worth noting the improvement in the proportion of the current account deficit funded by net FDI, which rose from 55.9% in 1999 to 83.1% in 2000.

#### Strong inflow of portfolio investment in first quarter

The second component of foreign investment in Poland that played a major part in the surplus on the financial account recorded in 2000 was inward portfolio investment. The inflow of capital invested by non-residents in Polish securities amounted to USD 2,497m (2,503m euros). This represented 74% growth on the year before. Most of this investment took place in the first quarter.

Investment by non-residents in **Polish equities** stood at a net USD 634m in 2000. This was 28% less than a year previously. However, in 1999 Warsaw share prices were trending upwards, whereas in 2000, with the exception of the first quarter, foreign investors tended to be limited in their profit opportunities to the brief rallies that occurred in the final three quarters of the year, bucking the overall downward trend. Movements on the Warsaw Stock Exchange were strictly correlated with developments on the major world markets. The Warsaw Stock Exchange Index (WIG) stood at 18,080 points at the beginning of 2000, peaking at 22,868 in the first quarter, to tumble to 14,929 towards the end of the third. At the end of 2000, the WIG was back almost exactly where it had been at the start of the year, at 17,848. The more lasting upswing seen in the fourth quarter elicited moderate interest among foreign investors.

Most of the net inward portfolio investment over the year targeted **debt securities**, with this investment coming to USD 1,863m. Long-dated paper accounted for 82% of this sum. The determining factor in the overall balance on this investment in 2000 was a net first-quarter inflow of USD 2,016m. Over half of this comprised

Table 54. Foreign portfolio investment: turnover, movements &amp; growth rate

	1999	2000	Quarter, 2000				Change (2000-1999)	Growth rate (2000/1999)
			Q1	Q2	Q3	Q4		
	USD million							
<b>Inflows</b>	19,833	36,147	10,166	8,727	8,506	8,748	16,314	182.3
Equities	7,759	8,261	2,775	2,170	1,927	1,389	502	106.5
Debt securities	12,074	27,886	7,391	6,557	6,579	7,359	15,812	231.0
<b>Outflows</b>	18,396	33,650	7,744	8,624	8,294	8,988	15,254	182.9
Equities	6,874	7,627	2,369	2,369	1,647	1,242	753	111.0
Debt securities	11,522	26,023	5,375	6,255	6,647	7,746	14,501	225.9
<b>Balance</b>	1,437	2,497	2,422	103	212	-240	1,060	173.8
Equities	885	634	406	-199	280	147	-251	71.6
Debt securities	552	1,863	2,016	302	-68	-387	1,311	337.5

investment in large new bond issues carried out on foreign markets by the Polish Treasury and by TP SA. The remainder of the net inflow was related to foreign investors expanding their portfolios of Treasury debt traded on the secondary market (mainly long-term bonds). In the second quarter, the inflow of capital was relatively modest, at USD 302m, while the third quarter brought a net outflow of USD 68m. The fourth quarter also saw a negative balance on incoming portfolio investment in debt instruments, this time of USD 387m. This outflow was related to the early redemption in October of a portion of Poland's Brady bonds, to a face value of USD 943m. Excluding the redemption of these Brady bonds, the balance of other investment in debt securities by non-residents in the fourth quarter amounted to a positive USD 556m.

#### Decline in incoming credits

In 2000, the inflow of capital on foreign credits (excluding direct investment debt) was 39% lower than a year before, and stood at USD 1,514m.

This figure constituted the end result of a net inflow of long-term credits totalling USD 1,375m, and of short-term credits amounting to USD 139m. The inward stream of short-term loan finance was down 68.4% on 1999.

The biggest net capital inflow from credits was seen in the non-government, non-banking sector, while the government sector and NBP witnessed an outflow. A large proportion of corporate borrowings (around USD 1,100m) consisted in a loan taken out by one particular company to finance a privatisation deal in the telecommunications sector.

Table 55. Credits received: turnover, movements &amp; growth rate

Year Quarter/Sector	Long-term			Short-term			Total long- & short-term		
	Drawing	Repay- ment	Balance	Drawing	Repay- ment	Balance	Drawing	Repay- ment	Balance
	USD million								
1999 I – IV	4,405	2,349	2,056	934	494	440	5,339	2,843	2,496
2000 I	708	681	27	201	244	-43	909	925	-16
II	678	623	55	71	67	4	749	690	59
III	849	660	189	72	48	24	921	708	213
IV	2,500	1,396	1,104	199	45	154	2,699	1,441	1,258
I – IV	4,735	3,360	1,375	543	404	139	5,278	3,764	1,514
NBP	5	39	-34	0	0	0	5	39	-34
Government sector	492	758	-266	0	0	0	492	758	-266
Banking sector	1,134	875	259	128	271	-143	1,262	1,146	116
Non-government, non-banking sector	3,104	1,688	1,416	415	133	282	3,519	1,821	1,698
Change (2000-1999)	330	1,011	-681	-391	-90	-301	-61	921	-982
Growth-rate (2000/1999)	107.5	143.0	66.9	58.1	81.8	31.6	98.9	132.4	60.7

## Decrease in deposits at Polish banks

The balance of payments figures for 2000 show a decline in the foreign deposits placed at Polish banks. The ensuing net outflow of capital amounted to USD 1,842m (1,925m euros). This outflow was heaviest in the first quarter, when it came to USD 1,330m. In subsequent quarters, the volume of funds withdrawn from Poland was much smaller. By comparison, a net inflow of funds to Polish banks totalling USD 606m had been recorded over the year 1999.

Table 56. Currency and deposits, non-residents: turnover, movements &amp; growth rate

	1999	2000	Quarter, 2000				Change (2000-1999)	Growth rate (2000/1999)
			Q1	Q2	Q3	Q4		
	USD million							
Currency & deposits of non-residents at Polish banks	606	-1,842	-1,330	-74	-108	-330	-2,448	-304.0

The principal reason for the decrease in balances at Polish banks during 2000 was the National Bank's repayment of obligations under repurchase agreements. These transactions involve the borrowing of funds for a specified maturity and at a set price, against pledges of securities. The NBP engages in these transactions on international financial markets to secure returns on the official reserve assets.

### Investment by residents abroad

Overall, Polish investment abroad in 2000 was down 2.6% on 1999, at USD 2,728m (3,069m euros). This was primarily the result of a USD 3,046m increase in currency and deposits placed at foreign banks. The largest outflow of capital related to this was seen in the fourth quarter. The funds placed at foreign banks in that quarter rose USD 2,756m. It was at this point that the assets held by Polish banks at banks abroad rose most sharply. This can be traced to the purchase of foreign currency from non-residents, who were exchanging this currency into zloty to finance the acquisition of shares in TP SA. The foreign currency thus obtained was not re-sold, but was placed on account at foreign banks.

Direct investment by Polish residents abroad remained at the same level in 2000 as in 1999, at USD 123m.

Table 57. Polish investment abroad: turnover, movements & growth rate

	1999	2000	Quarter, 2000				Change (2000-1999)	Growth rate (2000/1999)
			Q1	Q2	Q3	Q4		
	USD million							
Polish investment abroad	-2,802	-2,728	-541	-71	183	-2,299	74	97.4
Polish direct investment abroad	-123	-123	-19	-42	-37	-25	0	100.0
Polish portfolio investment abroad (assets)	12	272	20	109	-287	430	260	2,266.7
Credits extended	2	151	45	21	36	49	149	7,550.0
Currency & deposits	-2,713	-3,046	-604	-155	469	-2,756	-333	112.3
Other assets	20	18	17	-4	2	3	-2	90.0

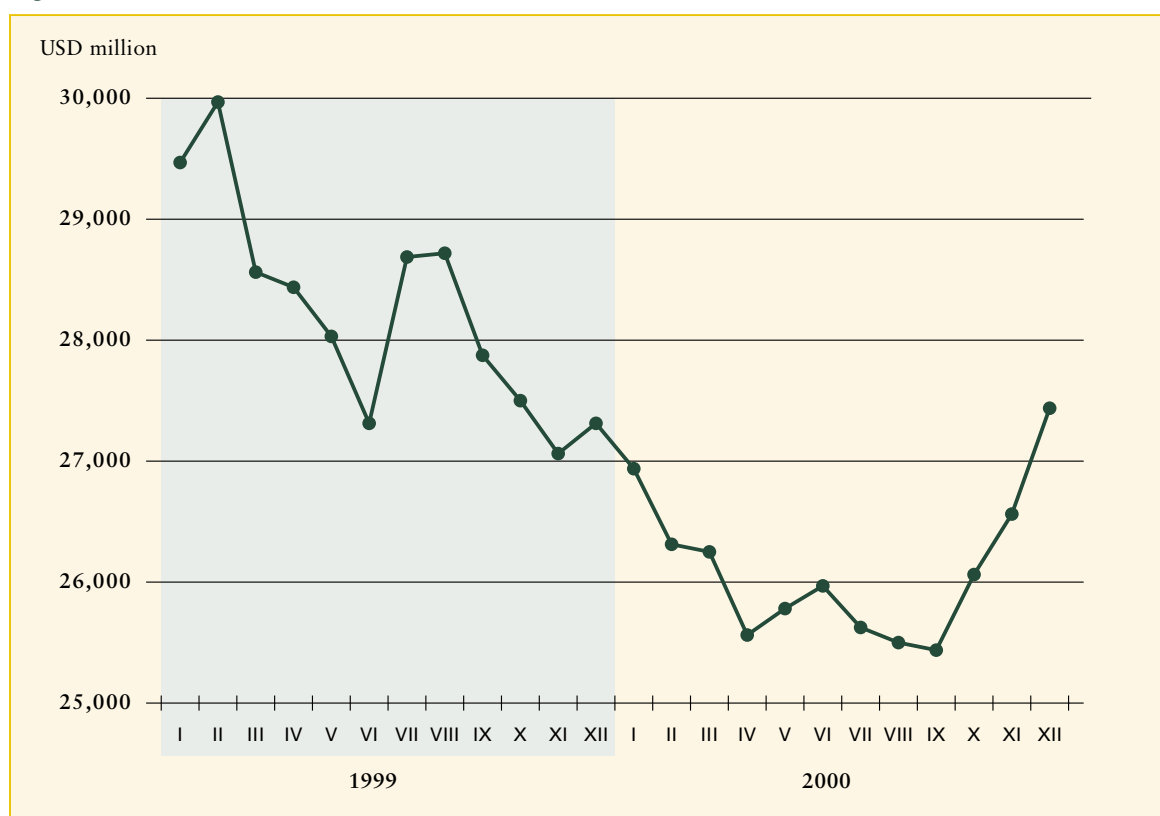
A withdrawal of Polish capital abroad was also seen due to a USD 272m decline in Polish portfolio investment and a USD 151m reduction in credits extended.

## Payments performance and its impact on the official reserves

The overall balance of payments, measured as the sum total of the balances on the current account and on the capital and financial account (excluding reserve assets), together with net errors and omissions, stood at a positive USD 674m in 2000 (810m euros).

The current account deficit amounted to USD 9,978m (10,697m euros). This was accompanied by a surplus of USD 7,745m on the capital and financial account (8,437m euros). Net errors and omissions were a positive USD 2,907m (3,070m euros).

Figure 15. Official reserve assets



This performance on the main accounts of the balance of payments (on a cash basis) led to an increase of USD 618m in the official reserve assets at the NBP as a result of the transactions it carried out.

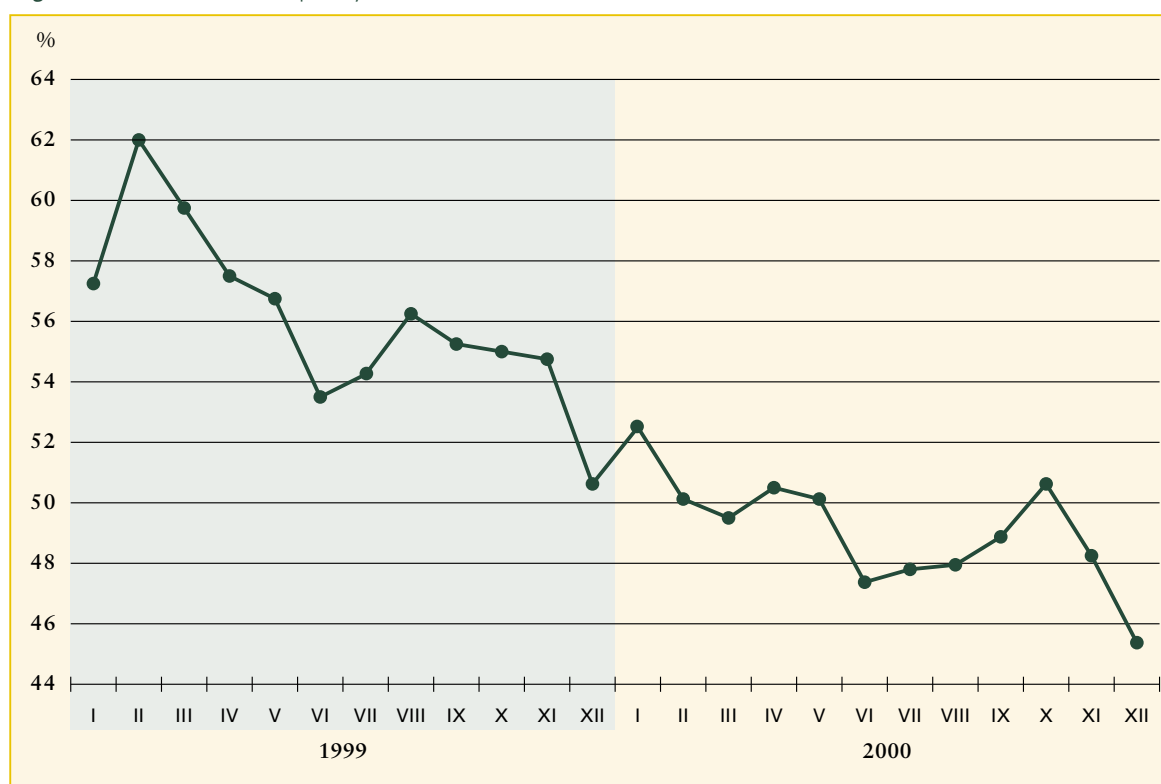
The level of the foreign exchange reserves, in addition to the transactions registered in the balance of payments, was also impacted by revaluation changes and translation differences. These produced a fall in the reserves of USD 468m (the main reason being translation losses caused by the weakening of the euro against the US dollar).

This means that, in all, the official reserve assets rose USD 150m, and at year end stood at USD 27,464m.

The relevant reserve asset ratios were as follows:

- At year end, the reserve assets represented 7.1 times the value of monthly imports of goods and services, down 0.1 months on 1999. The decline in this coverage ratio is due to import growth being faster than growth in the official reserve assets.
- The international liquidity ratio, which measures the ratio of the central bank's foreign exchange reserves to domestic money stocks, fell 5.4 points compared to 1999, to stand at 45.2%. This is attributable to stronger growth in the domestic money supply than in the official reserves.

Figure 16. International liquidity ratio



- The ratio of the official reserves to the total money supply (M2) came down 4.4 points, to 38.6% at year end. Compared to the international liquidity ratio, this ratio uses a broader measure of money. The total money supply (M2), in addition to domestic money stocks (in zloty), also includes the foreign currency deposits held by residents at Polish banks.

Empirical studies on the ratio of the official reserve assets to M2 demonstrate that sharp swings in this ratio can be considered the most telling early warning sign, indicat-

ing impending danger. The movements noted in this ratio for Poland require careful monitoring, although they do not give cause for concern. In contrast to a system of fixed exchange rates, the floating rate regime in place in Poland means that changes in this ratio are of less significance.



Appendixes



*The Stag Beetle (Lucanus cervus)*  
2 zloty coin issued in 1997



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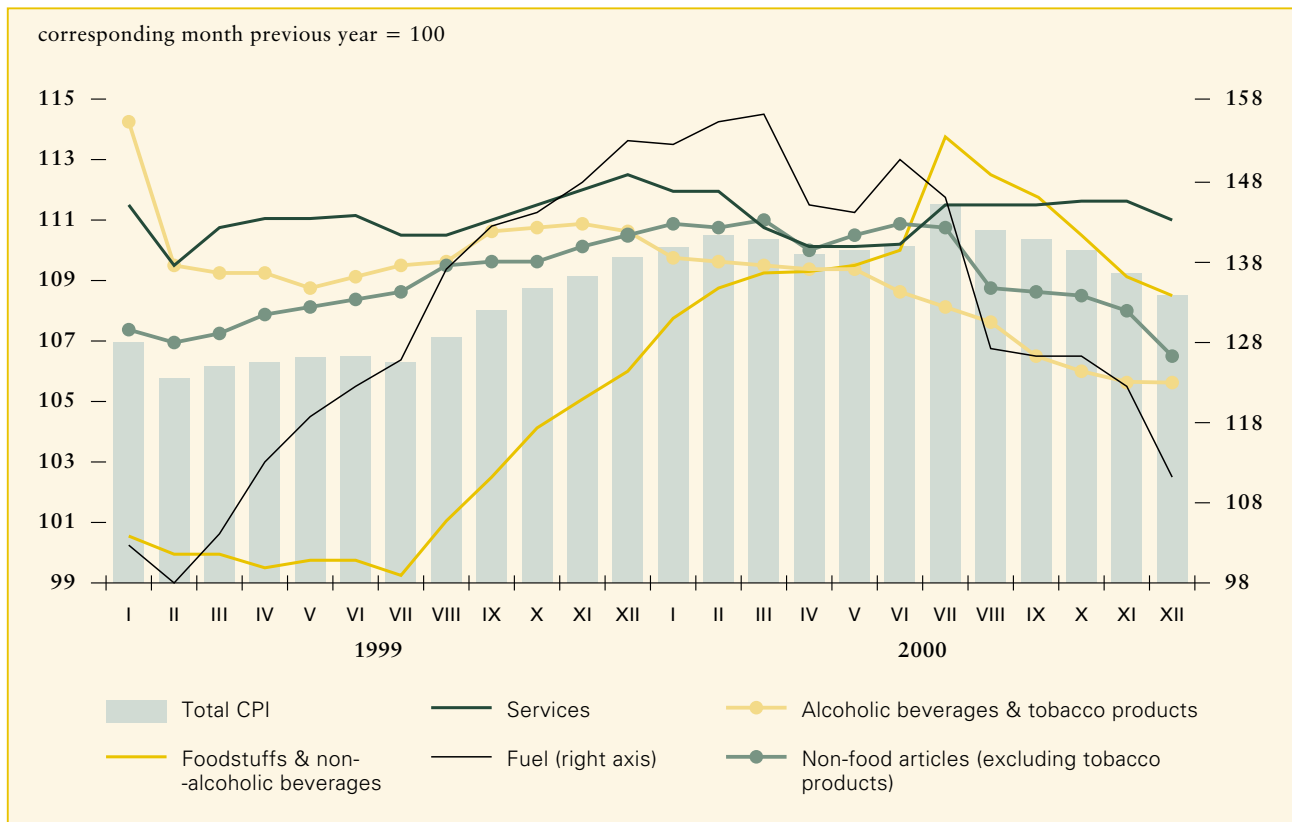
### NBP publications and web site in 2000

## Appendix 1

### Consumer prices in 2000

The year 2000 brought a halt to the upward trend in inflation seen since August 1999. In December 2000, twelve-monthly consumer price growth stood at 8.5%, 1.3 points less than at the end of 1999. The accelerating rise in inflation in the first half of 2000 was fanned by the sharp supply shocks begun in 1999 on the world fuel market and domestic food market. It was not until the latter half of the year that the impact of high fuel prices on inflation began to wane, and from August onwards, food price growth also began to ebb gradually, one reason for this being a significant reduction in the pace of consumer demand growth. Coupled with the tightening of monetary policy begun in September 1999, this led to a pronounced decline in inflation following July 2000 (cf. Fig. 17).

Figure 17. Consumer price growth



Inflation in the years 1998-2000, as measured by consumer price growth, is presented in Table 58, as are its principal components.

**Table 58.** The dynamics of basic categories of consumer goods & services prices

	1998	1999	2000				
	XII	XII	III	VI	IX	XII	I-XII
	corresponding period previous year = 100						
CPI	108.6	109.8	110.3	110.2	110.3	108.5	110.1
Foodstuffs & non-alcoholic beverages	102.8	106.0	109.2	109.9	111.7	108.5	110.0
Alcoholic beverages & tobacco products	114.8	110.7	109.5	108.7	106.4	105.8	108.0
Non-food articles	108.9	110.6	111.0	110.9	108.7	106.5	109.6
of which: fuels	104.7	152.7	157.0	146.7	125.9	111.1	136.8
Services	114.6	112.4	110.7	110.2	111.3	111.0	111.0

Source: NBP calculations based on GUS figures

A breakdown of CPI growth over the same period is given in Table 59.

These figures confirm that the rate of inflation in 2000 was primarily conditioned by the following factors:

- steady and unremittingly strong growth in service prices,
- a weakening in the latter half of the year in the upward trend in food and fuel prices,
- declining growth in prices of non-food articles.

Service prices continued to exert the determining influence on overall price growth due to their large weight within the reference basket of consumer goods and services (31.9%). The increase in these prices in recent years has been relatively high and stable, despite changes in the severity of monetary policy and in the pace of domestic demand growth. Some service prices are set on markets that are not fully competitive, while rises in some of them are still a function of administrative decisions.

The high proportion of the consumer price basket represented by foodstuffs (30.5%) meant that the disruptions in food supply in the years 1999-2000 had a very powerful impact on the overall CPI. A major factor affecting food price growth was also the continued strong protection against imports provided to the domestic market for agricultural produce, as were the administrative methods of regulating supply on this market. Because of the timing and scale of the measures taken by the Government on this market, they frequently failed to curtail food price growth.

With the exception of fuels, the prices of non-food articles (accounting for 31.1% of the consumer basket) were to the greatest extent subject to market mechanisms, and

**Table 59.** Contribution of basic categories of consumer goods & services to annualised CPI

	1998	1999	2000				
	XII	XII	III	VI	IX	XII	I-XII
	Contribution to CPI growth (percentage points)						
Total consumer goods & services	8.6	9.8	10.3	10.2	10.3	8.5	10.1
Foodstuffs & non-alcoholic beverages	1.0	1.9	2.8	3.0	3.6	2.6	3.1
Alcoholic beverages & tobacco products	1.0	0.7	0.6	0.6	0.4	0.4	0.5
Non-food articles	2.7	3.3	3.4	3.3	2.7	2.0	3.0
in which: fuels	0.1	1.3	1.6	1.3	0.7	0.3	1.0
Services	3.9	3.9	3.5	3.3	3.6	3.5	3.5
	Composition of CPI growth (%)						
Total consumer goods & services	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foodstuffs & non-alcoholic beverages	11.7	19.4	27.2	29.4	35.0	30.6	30.6
Alcoholic beverages & tobacco products	11.6	7.1	5.8	5.9	3.9	4.7	5.0
Non-food articles	31.4	33.7	33.0	32.3	26.2	23.5	29.7
in which: fuels	1.2	13.3	15.5	12.7	6.8	3.5	9.9
Services	45.3	39.8	34.0	32.4	35.0	41.2	34.7

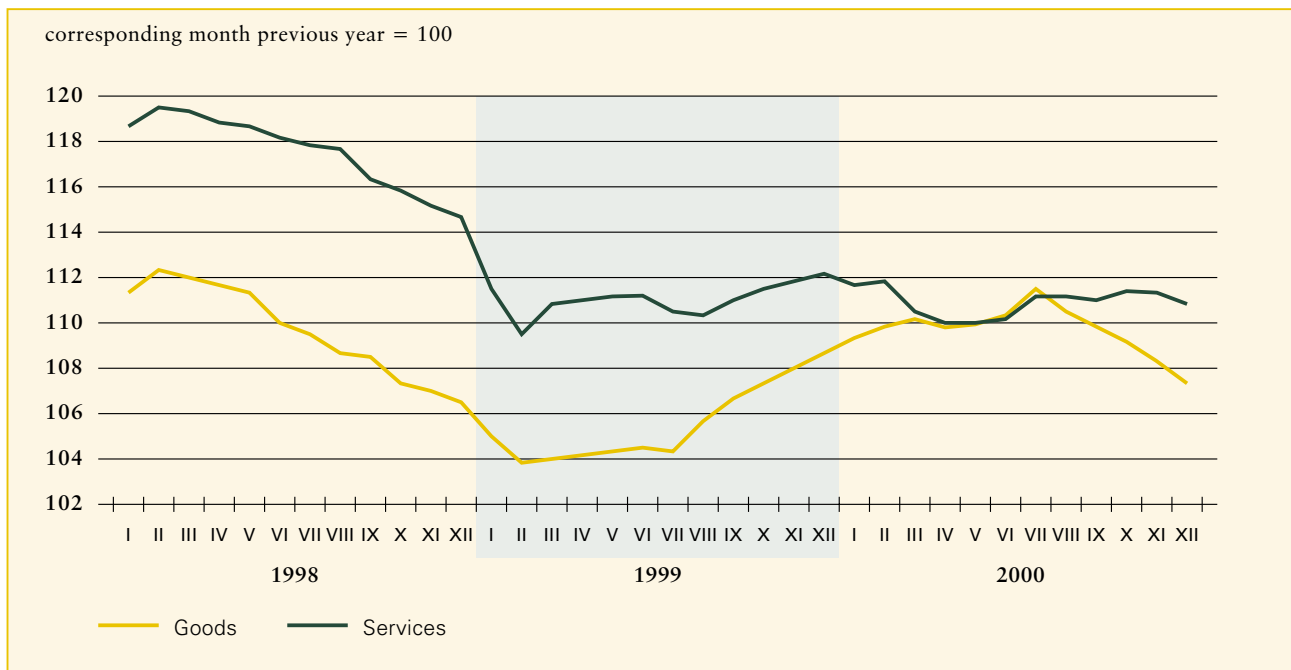
Source: NBP calculations based on GUS figures

industrial goods were also characterised by fairly high income elasticity of demand. With domestic demand growth ebbing, price increases in this category were relatively slow compared to the two categories discussed previously.

### Consumer service prices

Consumer service prices have been rising faster than those of consumer goods for a number of years now (excepting the period when temporary supply shocks pushed up the prices of goods, cf. Fig. 18). One factor acting to increase service prices is the "Balassy-Samuelson effect", modified by the process of adjusting officially regulated prices. The estimates available indicate that in 2000 this effect added 14% to the CPI (1 point).

Figure 18. Price indices, consumer goods & services



A striking feature of service prices is the differentiation in growth rates, both among those service where price increases are capped by various forms of administrative decision, and among those that are to a greater extent governed by market mechanisms. Three categories of service prices determined by administrative decision strongly fed inflation (prices for transport services, electricity and gas supply, and housing occupancy), climbing by more than an annualised 12%-13%.

The prices of those services that were more subject to market mechanisms, including prices for health care and package holidays, and at restaurants and hotels, displayed much slower growth than the prices previously discussed, going up by an annualised 5%-8%, with a tendency to rise even less in the final quarter of 2000. Weakening demand for these services produced a flexible adjustment in prices.

## Food prices

Movements in food price indices in 2000 were a function of diverse growth trends for particular foodstuffs. A small grain harvest in the 1999/2000 crop season, combined with restricted imports and a progressive decline in fatstock production, meant that prices for bread, other grain products and meat rose systematically from the beginning of the year. These price increases gained further speed in the spring. The root cause of in-

stability on the market for agricultural produce in 2000 was the upsetting of equilibrium on the grain market. A fall in grain supplies of over 5% in the 1999/2000 season, together with a decrease of more than 27% in stocks carried forward to the next season, resulted in demand exceeding supply. This led suppliers to raise grain procurement prices. Pessimistic forecasts regarding the size of the coming grain harvest, which were based, among other things, on adverse weather conditions for agriculture, additionally accelerated grain price increases in May and June 2000. At the same time, the administrative mechanisms in operation prevented restoring equilibrium with the help of extra imports. The decision to put in place a duty-free quota for grain imports, which was essential to supplement domestic supplies, was not taken until the end of June. In other words, this did not occur until after the sharp surge in grain prices seen in May and June, caused by increasing domestic supply shortages. Rising grain prices also hoisted meat prices. In the latter case, imports were again insufficient to prevent unduly steep price increases.

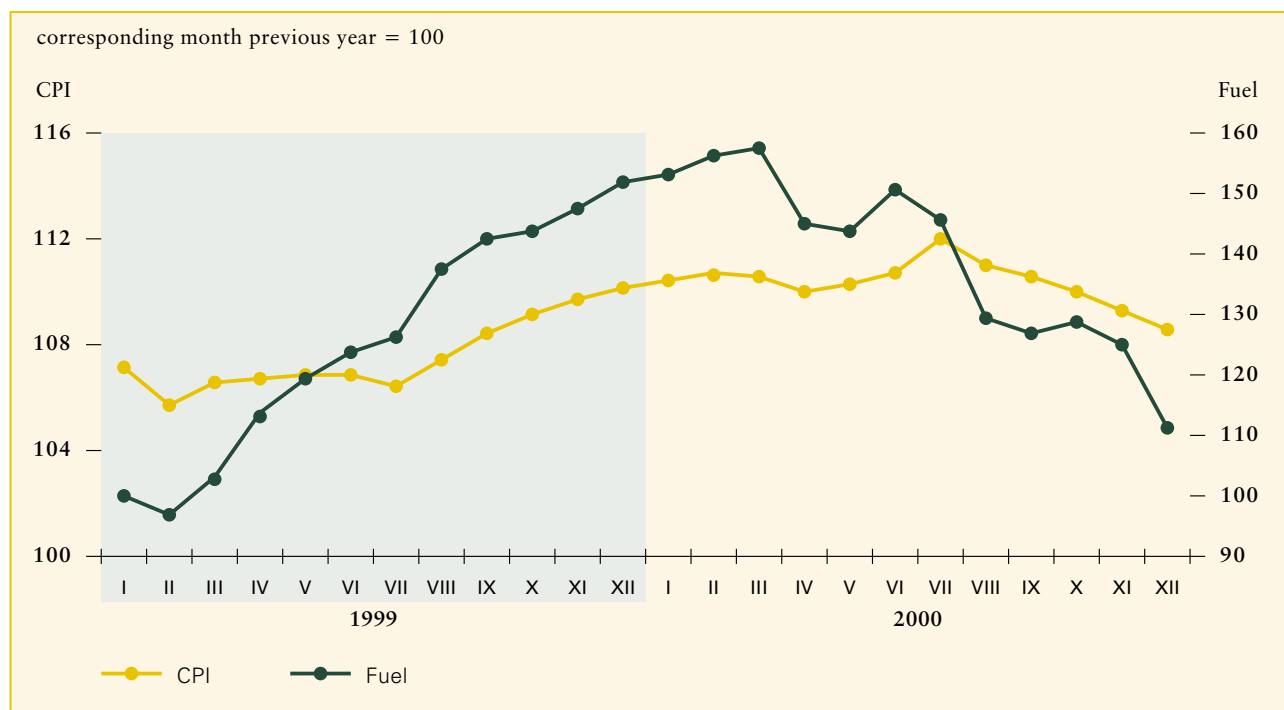
The excess demand on the market for agricultural produce triggered increases in retail prices for both processed and unprocessed foods. In practice, it was only vegetable prices, having risen rapidly in the first half of 2000 due to poor harvests the year before, that then started to come down in the second half of the year, following better harvests than in 1999. Up until mid-year, fruit prices also declined. Relatively high price growth for the remaining categories of foodstuff persisted in the latter half of the year as well.

### Prices of non-food articles

As in 1999, **fuel prices** constituted a major inflationary factor in 2000 (cf. Fig. 19). However, whereas in 1999 domestic fuel price growth gathered speed from one month to the next as of March (when world fuel prices began going up), in 2000 fuel prices in fact came down relative to the previous month on four occasions, slipping 1.1% in April, 4.7% in August and 0.4% in November, and then falling the most, 6.9%, in December. Annualised average fuel price growth came to 36.8% in 2000, as against 25.2% in 1999. A large part in this growth was played by price increases performed in 1999, which subsequently impacted fuel price levels in 2000. On the other hand, on a year-on-year basis (December 1999 to December 2000), fuel prices rose just 11.1% in 2000, compared to 52.7% the previous year.

The composition of retail fuel prices is contingent on changes in the particular components thereof, i.e., excise duty, daily movements in world prices, and dollar/zloty exchange rates. In 2000, monthly movements in retail prices were primarily related to fluctuations in import prices (resulting from movements in world fuel prices), and also to domestic market factors. As world prices rose, so the relative weight of sales margins declined, as did the difference between factory-gate prices and import parity. On the other hand, due to their strong market position, domestic fuel producers reacted in weaker and/or slower fashion to decreases in world prices than to increases. The effect of this was to widen the difference between factory-gate prices and import parity.

Figure 19. CPI vs. fuel prices



The powerful position on the market occupied by the PKN ORLEN SA Polish Oil Corporation and the Gdańsk Refinery SA, which together own some 35% of all filling stations, could also have been the cause of sales margins increasing as a proportion of retail prices.

Table 60. Composition of gross retail petrol prices

Month	Import price	Tariffs & taxes	Market factors
	%		
June 2000	38.3	55.6	6.1
December 2000	25.9	58.7	15.4

Source: NBP calculations based on figures from Nafta Polska SA

In the first half of 2000, rising world fuel prices and increases in excise duty were the main factors behind retail price growth. In the second half of the year, world prices began to come down. However, this was the sole factor visibly acting to reduce retail prices. At this time, the impact of both domestic market factors and of taxes strengthened. In June 2000, the import price represented over 38% of the retail price of fuel,

while by December, due to the decline in world prices, this proportion had fallen to around 26%. By contrast, the minor contribution of market factors to fuel prices, standing at 6% in June, had climbed to over 15% in December. The weight of customs tariffs and taxes was also greater at year end than it had been in June.

The Government decision to lift tariffs on imported fuels in September failed to produce any significant lowering of retail prices, although it did lessen the effect of September's rise in excise duty, reducing this from around 1.3 points to 0.6 points.

**Prices of other non-food articles (excluding fuels)** rose much more slowly in 2000 than the overall CPI (cf. Fig. 17). These groups of industrial products are the most affected by market pricing mechanisms, and are also to the largest extent subject to international competition. The prices of such articles within this category as clothing and footwear, household equipment (both audio-visual equipment and household appliances) and household furnishings all displayed growth within a range of 2%-8% at the beginning of 2000, subsequently tending to come down in the second half of the year to 2%-4%. In most cases, the reason for this was declining consumer demand growth.



## Appendix 2

### GDP and domestic demand in 2000

In 2000, Polish GDP growth came to 4.1% (preliminary estimates), the same rate of growth as recorded in 1999. For the first time since 1995, GDP growth outpaced that of domestic demand. The tendency was thus arrested for an increase in negative net exports (the balance of trade as reflected in the national accounts). Growth in GDP and domestic demand and the relationship between the two in the years 1995-2000 are presented in Table 61.

Table 61. GDP, domestic demand and net exports, 1995-2000

	1995	1996	1997	1998	1999	2000
GDP	107.0	106.0	106.8	104.8	104.1	104.1
Domestic demand	107.0	109.7	109.2	106.4	104.9	102.8
growth differential, pct points	0.0	-3.7	-2.4	-1.6	-0.8	+1.3
Consumption	103.3	107.2	106.1	104.2	104.5	102.1
Capital formation	124.5	119.5	120.8	113.8	105.9	104.9
Exports	122.8	112.0	112.2	114.3	97.4	-
Imports	124.3	128.0	121.4	118.5	101.0	-
Total domestic demand to GDP, current prices	97.7	101.6	104.3	105.2	106.4	106.6
Consumption	78.0	79.7	79.7	79.0	80.0	80.1
Capital formation	19.7	21.9	24.6	26.2	26.4	26.5
Net exports to GDP, current prices	2.3	-1.6	-4.3	-5.2	-6.4	-6.6
Net exports, billion zloty, current prices	7.2	-6.0	-20.4	-29.0	-39.1	-45.5

Source: GUS

Lower domestic demand growth was the result of slacker growth in both consumer and investment demand. The deceleration of consumer demand was stronger (down 2.4 points more). This was related to household disposable incomes rising more slow-

ly than in 1999, and also to the diminished role of borrowings in financing consumption (one cause of this being high interest rates). The smaller decrease in capital formation (down 1.0 points) stemmed from a greater increase in 2000 in tangible current assets. A steeper reduction was seen in fixed investment (down 3.4 points), mainly as a result of slower growth in corporate capital expenditure. The swifter growth of GDP than of domestic demand did not produce any major changes in the relationship between the two. As in 1999, domestic demand was over 6% greater than GDP (at current prices), while consumption represented over 80% of GDP and capital formation was equivalent to over 26%.

The achievement of the same rate of GDP growth in 2000 as in 1999, despite lower domestic demand growth, was made possible by stronger performance in foreign trade. The increase in the volume of exports was considerably higher than that of imports, and the trade deficit narrowed. The greater importance of foreign demand in Polish economic growth was reflected in changes in the sources of GDP. The fastest growth in value added was reported in industry (up 6.8%, as against 3.0% in 1999 and 4.8% in 1998), with the highest rise in output seen in those divisions exporting a large proportion of their production. By contrast, output growth came down at companies mainly producing consumer goods. Growth in value added was also down in commercial services, and production decreased in construction for the first time since 1991. Due to the adverse weather conditions for crop production and the maintenance of the downward trend in livestock production, value added in agriculture declined for the second year in succession.

The improvement in Poland's foreign trade in 2000 halted the increase in the country's external disequilibrium that had been going on since 1996. The current account deficit on a cash basis dropped from 7.5% of GDP in 1999 to 6.3% in 2000. The decline in the amount of foreign savings required, as expressed in the reduction of the current deficit, can be attributed to gross savings within the Polish economy rising faster than nominal growth in capital formation. This represents a major qualitative change in comparison with 1999, when the deficit widened as growth in savings came down more sharply than growth in capital formation. Preliminary NBP estimates are that gross savings, which went up 23.1% in 1998, increased around 5% in 1999 and 15% in 2000. In the same years, nominal growth in capital formation came to 25.0%, 11.9% and 12.9%, respectively.

Apart from the improvement in corporate sector earnings seen last year, another cause of the increase in savings in the Polish economy in 2000 may be presumed to have been the sound profits reported by financial intermediaries and insurers (which was in part related to the reform of the pension system). The rise in savings in these sectors meant that, despite gross household savings decreasing further, total private sector savings in 2000 were higher than in 1999 (going up from 19.4% to 20.6%). Coupled with the smaller rise in capital formation here, this means that this sector was responsible for the reduction in the current deficit. On the other hand, the general government sector saw a decrease in savings. Despite the decline in investment, this signifies that this sector again exerted a negative impact on the current deficit, as it had done in 1999.

The first three quarters of 2000 brought declining growth in both GDP and domestic demand. Growth in consumption and capital formation, although similar in the first quar-

ter to that recorded in the fourth quarter of 1999, subsequently slowed in the second and third quarters. However, initial estimates show growth in consumption and capital formation going up slightly in the fourth quarter compared to the third. Growth in GDP and domestic demand in the particular quarters of 2000 is presented in Table 62.

Table 62. Quarterly growth in GDP & domestic demand

	Year	Quarter				Q1-4
		Q1	Q2	Q3	Q4	
corresponding period previous year = 100						
Total value added	1999	101.4	102.8	104.8	106.1	103.9
	2000	105.8	105.0	103.1	102.0	103.8
Industry	1999	95.7	99.8	106.0	109.7	103.0
	2000	110.2	109.4	106.5	102.3	106.8
Construction	1999	102.0	102.8	103.2	104.9	103.5
	2000	104.3	100.8	97.8	97.6	99.4
Commercial services	1999	105.8	105.8	106.5	106.8	106.0
	2000	105.5	105.3	103.5	104.1	104.6
Gross Domestic Product	1999	101.6	103.0	105.0	106.2	104.1
	2000	106.0	105.2	103.3	102.4	104.1
Domestic demand	1999	103.4	104.6	105.5	105.7	104.9
	2000	105.1	103.3	101.3	101.7	102.8
Total consumption	1999	104.0	104.4	104.8	105.0	104.5
	2000	103.9	102.3	100.9	101.3	102.1
Personal consumption	1999	104.6	105.2	105.7	105.9	105.4
	2000	104.6	102.6	100.8	101.3	102.4
Capital formation	1999	100.7	105.5	107.8	107.1	105.9
	2000	111.5	106.8	102.6	102.7	104.9
Gross fixed investment	1999	105.7	106.3	106.6	107.0	106.5
	2000	105.5	102.9	102.4	102.6	103.1

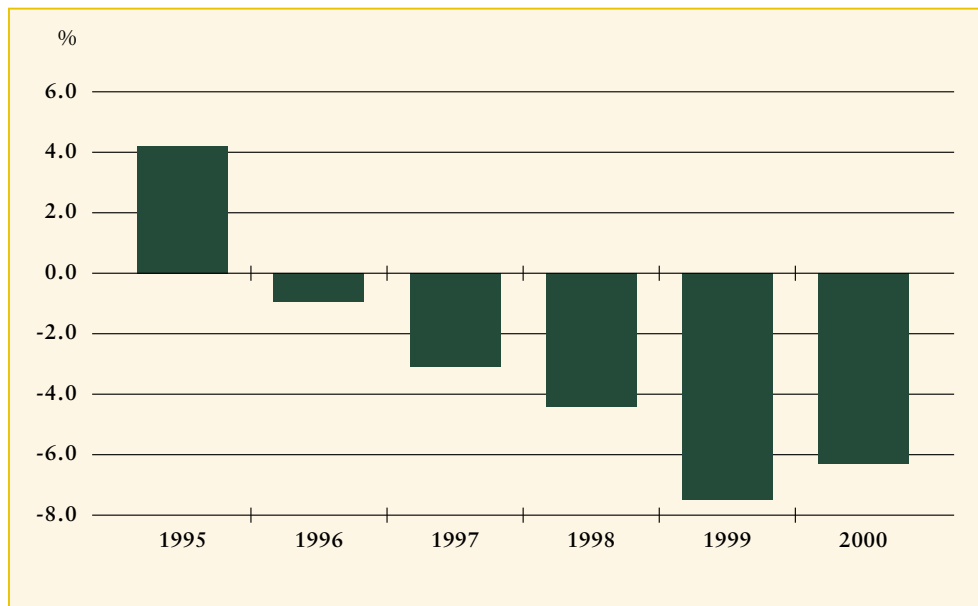
Source: GUS; NBP estimates

## Appendix 3

### External disequilibrium

The year 2000 saw a reduction in the external disequilibrium of the Polish economy. The current account deficit narrowed from USD 11,569m in 1999 to USD 9,978m in 2000. At year end, the current account deficit stood at 6.3% of GDP, compared to 7.5% in 1999 (cf. Fig. 20).

Figure 20. Current deficit as proportion of GDP



The key factor behind this performance on the current account (responsible for some 74% of the improvement) was a USD 1,215m fall in the trade deficit. At the same time, the declining trend in the surplus on unclassified current transactions was arrested, while the deficit on services steadied at the same level as in 1999. The remaining components of the current balance – income and current transfers – also held flat at the previous year's level.

The positive balance on unclassified current transactions increased slightly in 2000 (up almost USD 352m).

The deficit on services stabilised in 2000 at the level of USD 1,684m (as against USD 1,624m in 1999). Higher net debits on insurance and financial services, and on patents,

copyrights and licence fees, were counterbalanced by larger net credits on transport services and a reduction in the deficits on construction and commercial services, and also on tourism. The deficit on "income" in the current balance remained at the level recorded in 1999, amounting to USD 796m. The surplus on current transfers was up USD 76m on 1999.

The year 2000 saw an improvement in the pattern of financing for Poland's current account deficit. The continuation of privatisations helped to boost the surplus on foreign direct investment (FDI) to USD 8,291m (as against USD 6,471m in 1999). This thereby produced a major increase in the proportion of the current deficit funded by FDI (cf. Table 63)<sup>32</sup>. The composition of inward direct investment was also more favourable. In contrast to previous years, the proportion of direct investment debt fell in 2000, coming down to 12.2% from 33.1% in 1999, while the proportion of non-privatisation investment rose.

Beginning from the second quarter of 2000<sup>33</sup>, the net inflow of foreign portfolio investment was considerably lower than in 1998 and 1999. In the second quarter, the inflow of this investment came to USD 302m, while in the third and fourth quarters an outflow was recorded, of USD 68m and USD 387m, respectively. This outflow was related to the early redemption in October of a portion of Poland's Brady bonds, to a face value of USD 943m.

Table 63. Early warning signs

	1998	1999	2000
Current balance /GDP (%)	-4.3	-7.5	-6.3
Trade balance, goods /GDP (%)	-8.7	-9.4	-8.3
FDI / Current balance (%)	74.8	55.9	83.1
Non-privatisation investment / Current balance (%)	52.6	26.1	28.0
Current balance less FDI/GDP (%)	-1.2	-3.4	-1.1
Foreign portfolio investment /Official reserve assets (%)	4.9	5.3	10.1
Official reserve assets (yrs) /Current balance	4.0	2.2	2.8
Short-term external debt /Total external debt (%)	14.2	16.5	13.0
Corporate foreign borrowings /Total external debt (%)	32.1	37.0	41.4
Official reserve assets as months of imports, goods	7.5	7.5	8.0

<sup>32</sup> It should be said, however, that a major portion of this investment represented the proceeds from the privatisation of Telekomunikacja Polska SA (TP SA), which yielded some USD 4.3bn.

<sup>33</sup> A large surplus on this item of the capital account was seen in Q1 2000, amounting to USD 2.0bn, yet over 50% of this came from bond issues on international markets by the Polish Treasury and TP SA.

Meanwhile, cause for concern is given by the growing proportion of corporate borrowings in Poland's total external indebtedness over the years 1998-2000 (cf. Table 63).

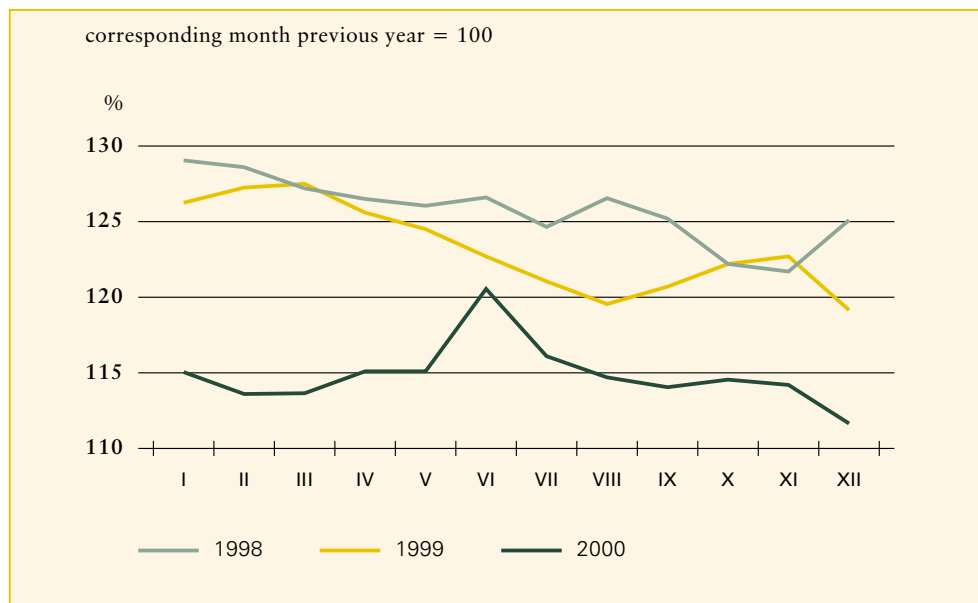
## Appendix 4

### The money supply

At year end 2000, the total money supply stood at 294.5bn zloty, representing an increase on year end 1999 of 31.0bn zloty, equivalent to nominal growth of 11.8% and real growth of 3.0%.

Throughout 2000, annualised growth in money stocks was lower than the corresponding figures for previous years. Growth was also steady (cf. Fig. 21), with the figures for particular months diverging only slightly from the average for the whole year, which came to 15.0%. The surge in the money supply seen in June 2000 was related to the public offering of shares in the PKN ORLEN SA Polish Oil Corporation, which produced a simultaneous leap in both non-financial sector loans and deposits.

Figure 21. Total money supply growth, nominal terms

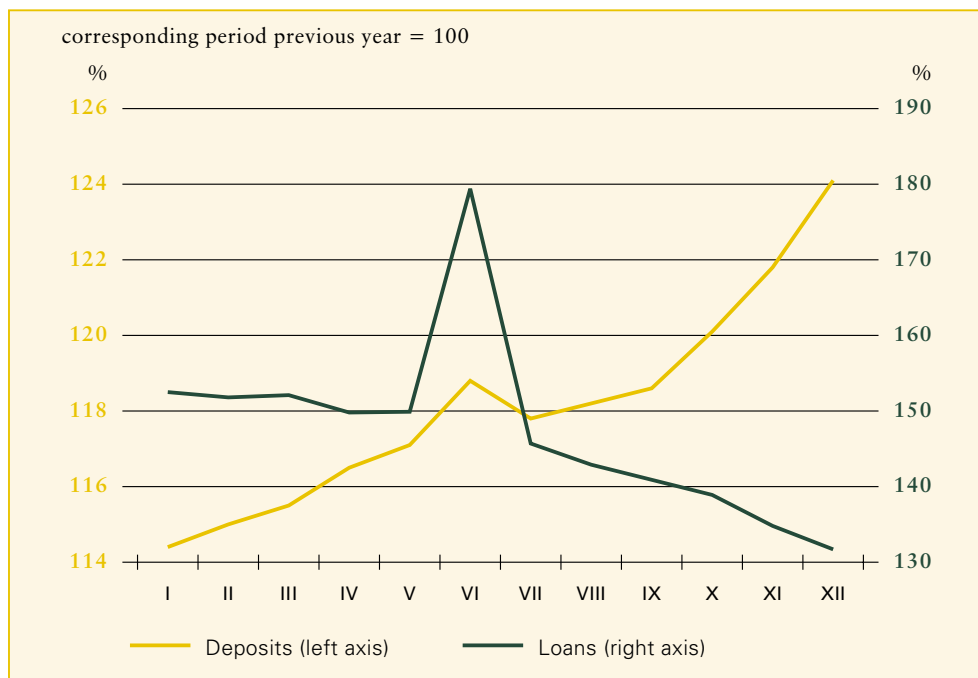


The ratio of money stocks (annualised average M2) to GDP, which depicts the monetisation of the economy, stood at 39.9% in 2000, as against 38.9% in 1999. As measured by the ratio of domestic money stocks to GDP, monetisation came to 34.0%, compared to 33.4% in 1999. At year end, the ratio of the total money supply to GDP was 42.1%, as against 42.8% at the end of 1999.

The money multiplier, defined as the ratio of M2 to reserve money (M0), rose in 2000 compared to the previous year. As averaged from monthly data, the multiplier came to 5.71, compared to 4.45 a year before. However, these two figures are not directly comparable, due to the structural change effected with the lowering of reserve requirements in September 1999. This resulted in a major decline in the demand for reserve money, thus pushing up the multiplier.

There were two basic tendencies at work in 2000 that had a major impact on movements in the total money supply. First and foremost, the tendency for personal zloty deposits to rise was reinforced (cf. Fig. 22). There was also a steady increase in personal foreign currency deposits (as expressed in dollars), which gathered momentum towards the end of the year. These developments may be evidence of a growing propensity to save via bank deposits.

Figure 22. Nominal growth in personal zloty deposits and loans, 2000



The money supply was also influenced by factors of an institutional nature, in particular by the expanding range of services on offer from financial sector institutions. An example of this was the growth of non-cash settlements, which led to an absolute decline in the volume of notes and coin in circulation in 2000, and thus also to an increase in the multiplier (M2/M0). The convenience of carrying out settlements using non-cash payment facilities triggered a surge in the popularity of these facilities, and boosted the weight of the opportunity cost of holding cash as a factor determining the demand for notes and coin.

The consolidated balance sheet of the banking system is presented in Table 64.



Table 64. Consolidated balance sheet of the banking system, 2000

	1999	Change	2000
	million zloty		
<b>Assets</b>			
<b>1. Net foreign assets (USD million)</b>	<b>26,690.0</b>	<b>5,180.5</b>	<b>31,870.5</b>
nominal / real growth (%)	19.4		
<b>1. Net foreign assets</b>	<b>110,718.0</b>	<b>21,327.7</b>	<b>132,045.7</b>
nominal / real growth (%)	19.3	9.9	
<b>2. Net domestic assets</b>	<b>152,730.7</b>	<b>9,702.0</b>	<b>162,432.7</b>
nominal / real growth (%)	6.4	-2.0	
<b>2.1. Net general government debt</b>	<b>64,565.1</b>	<b>-13,806.8</b>	<b>50,758.3</b>
nominal / real growth (%)	-21.4	-27.5	
<b>2.2. Claims on persons &amp; corporates</b>	<b>175,938.3</b>	<b>30,411.5</b>	<b>206,349.8</b>
nominal / real growth (%)	17.3	8.1	
<b>2.3. Other items, net</b>	<b>-87,772.9</b>	<b>-6,902.5</b>	<b>-94,675.4</b>
nominal / real growth (%)	7.9	-0.6	
<b>Total assets</b>	<b>263,448.7</b>	<b>31,029.7</b>	<b>294,478.4</b>
<b>Liabilities</b>			
<b>3. Domestic money stocks</b>	<b>223,744.2</b>	<b>27,726.2</b>	<b>251,470.4</b>
nominal / real growth (%)	12.4	3.6	
<b>3.1. Notes &amp; coin in circulation</b>	<b>38,082.7</b>	<b>-3,970.0</b>	<b>34,112.7</b>
nominal / real growth (%)	-10.4	-17.4	
<b>3.2. Liabilities in zloty</b>	<b>185,661.5</b>	<b>31,696.2</b>	<b>217,357.7</b>
nominal / real growth (%)	17.1	7.9	
<b>4. Liabilities in foreign currency</b>	<b>39,704.4</b>	<b>3,303.6</b>	<b>43,008.0</b>
nominal / real growth (%)	8.3	-0.1	
<b>4. Liabilities in foreign currency (USD million)</b>	<b>9,571.2</b>	<b>809.1</b>	<b>10,380.4</b>
<b>Total money stocks</b>	<b>263,448.7</b>	<b>31,029.7</b>	<b>294,478.4</b>
nominal / real growth (%)	11.8	3.0	
<b>Exchange rate</b>	<b>4.1483</b>	<b>-0.0051</b>	<b>4.1432</b>
<b>CPI (%)</b>		<b>8.5</b>	

## Appendix 5

### Schedule of implementing regulations issued in 2000 by the directing bodies of the National Bank of Poland and the Commission for Banking Supervision (regulations promulgated)

Regulations of the President of the National Bank of Poland

Resolutions of the Management Board of the National Bank of Poland

Resolutions of the Monetary Policy Council

Resolutions of the Commission for Banking Supervision

Regulations of the President of the National Bank of Poland

No.	Date issued / Date took effect	Title (subject matter)	Where promulgated
1.	1/2000 14/I/2000 1/II/2000	amending the Regulation on the schedule of foreign currencies deemed convertible	Monitor Polski no. 2, item 36
2.	2/2000 20/I/2000 16/II/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2 and 200 zloty, and the date they are to be brought into circulation	Monitor Polski no. 5, item 118
3.	3/2000 15/II/2000 25/II/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2, 10, 100 and 200 zloty, and the date they are to be brought into circulation	Monitor Polski no. 6, item 148
4.	4/2000 22/III/2000 4/IV/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2 and 20 zloty, and the date they are to be brought into circulation	Monitor Polski no. 10, item 194
5.	5/2000 22/III/2000 7/IV/2000	amending the Regulation on methods and procedures for counting, sorting, packing and designating packages of notes and coin, and the performance of operations involving the supply of notes and coin to the banks	Dz. Urz. NBP no. 5, item 9

No.	Date issued / Date took effect	Title (subject matter)	Where promulgated
6.	6/2000 6/IV/2000 1/VI/2000	specifying the method of conducting interbank settlements	Dz. Urz. NBP no. 7, item 12
7.	7/2000 26/IV/2000 11/V/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2 and 20 zloty, and the date they are to be brought into circulation	Monitor Polski no. 13, item 281
8.	8/2000 23/V/2000 31/V/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2, 10 and 200 zloty, and the date they are to be brought into circulation	Monitor Polski no. 15, item 346
9.	9/2000 23/V/2000 14/VI/2000	amending the Regulation establishing a model bank chart of accounts	Dz. Urz. NBP no. 11, item 18
10.	10/2000 20/VII/2000 3/VIII/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2, 10 and 200 zloty, and the date they are to be brought into circulation	Monitor Polski no. 23, item 484
11.	11/2000 24/VIII/2000 5/IX/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 100 zloty, and the date they are to be brought into circulation	Monitor Polski no. 26, item 539
12.	12/2000 13/IX/2000 26/IX/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2, 10 and 100 zloty, and the date they are to be brought into circulation	Monitor Polski no. 28, item. 583
13.	13/2000 4/X/2000 18/X/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 10 zloty, and the date they are to be brought into circulation	Monitor Polski no. 32, item 664
14.	14/2000 6/XI/2000 13/XI/2000	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2 and 10 zloty, and the date they are to be brought into circulation	Monitor Polski no. 36, item 728
15.	15/2000 27/XII/2000 12/I/2001	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 10 and 200 zloty, and the date they are to be brought into circulation	Monitor Polski 2001, no. 1, item 17
16.	16/2000 27/XII/2000 12/I/2001	specifying the design, alloy, fineness, weight and volume of issue of coins with a nominal value of 2 and 20 zloty, and the date they are to be brought into circulation	Monitor Polski 2001, no. 1, item 18

Regulations of the Management Board of the National Bank of Poland

No.	Date issued / Date took effect	Title (subject matter)	Where promulgated
1.	5/2000 25/II/2000 28/II/2000	on the interest rate payable on funds held at the National Bank of Poland on current accounts	Dz. Urz. NBP no. 2, item 5
2.	6/2000 25/II/2000 15/III/2000	establishing „Terms and conditions for tenders conducted by the National Bank of Poland involving outright sales to the banks of Treasury securities and the purchase of such securities from the banks“	Dz. Urz. NBP no. 3, item 6
3.	9/2000 10/III/2000 30/III/2000	amending the Resolution on the procedures and detailed principles for banks submitting to the National Bank of Poland the data necessary for the determination of monetary policy, for periodic assessments of Poland's monetary situation, and for an evaluation of the financial condition of the banks and the risks within the banking sector	Dz. Urz. NBP no. 4, item 7
4.	12/2000 17/III/2000 25/IV/2000	establishing „Terms and conditions for bank refinancing by the National Bank of Poland under lombard facilities“	Dz. Urz. NBP no. 5, item 8
5.	14/2000 31/III/2000 1/V/2000	on the conditions applicable to the opening and operation of accounts for banks at the National Bank of Poland	Dz. Urz. NBP no. 7, item 11
6.	18/2000 11/IV/2000 12/IV/2000	amending the Resolution on the publication of exchange rates for the zloty against foreign currencies	Dz. Urz. NBP no. 6, item 10
7.	20/2000 21/IV/2000 4/V/2000	amending the Resolution on the types of bill eligible for rediscount at the National Bank of Poland, and the principles and procedures applicable to such rediscount	Dz. Urz. NBP no. 9, item 15
8.	28/2000 1/IX/2000 4/IX/2000	on the interest rate payable on funds held at the National Bank of Poland on current accounts	Dz. Urz. NBP no. 14, item 24
9.	35/2000 24/XI/2000 1/I/2001	on the issue of NBP money market bills and trading in these bills	Dz. Urz. NBP no. 15, item 28
10.	36/2000 1/XII/2000 20/XII/2000	amending the Resolution on the conditions applicable to the opening and operation of accounts for banks at the National Bank of Poland	Dz. Urz. NBP no. 16, item 29

## Resolutions of the Monetary Policy Council

No.	Date issued / Date took effect	Title (subject matter)	Where promulgated
1.	1/2000 23/II/2000 24/II/2000	on the rediscount rate and refinance rate	Dz. Urz. NBP no. 1, item 1
2.	2/2000 23/II/2000 24/II/2000	on procedures for the conduct of open market operations	Dz. Urz. NBP no. 1, item 2
3.	3/2000 29/III/2000 4/IV/2000	amending the resolution on the By-Laws of the Monetary Policy Council	Monitor Polski no. 10, item 193
4.	4/2000 11/IV/2000 12/IV/2000	rescinding the resolution on the pace of crawling devaluation	Monitor Polski no. 11, item 231
5.	5/2000 11/IV/2000 12/IV/2000	rescinding the resolution on the trading band for the zloty against foreign currencies and foreign exchange	Monitor Polski no. 11, item 232
6.	6/2000 26/IV/2000 26/IV/2000	approving the accounts of the National Bank of Poland at December 31, 1999	Dz. Urz. NBP no. 8, item 14
7.	7/2000 17/V/2000 17/V/2000	approving the report on NBP operations in 1999	Dz. Urz. NBP no. 10, item 16
8.	8/2000 24/V/2000 24/V/2000	approving the report on the performance of monetary policy guidelines in 1999 and assessing the activity of the NBP Management Board in implementing those guidelines	Monitor Polski no. 16, item 355
9.	9/2000 30/VIII/2000 31/VIII/2000	on the rediscount rate and refinance rate	Dz. Urz. NBP no. 13, item 21
10.	10/2000 30/VIII/2000 31/VIII/2000	on procedures for the conduct of open market operations	Dz. Urz. NBP no. 13, item 22
11.	11/2000 20/IX/2000 1/I/2001	establishing monetary policy guidelines for 2001	Monitor Polski no. 31, item 652
12.	12/2000 20/IX/2000 1/I/2001	establishing a ceiling on the liabilities due on NBP borrowings at international banking and financial institutions in 2001	Dz. Urz. NBP no. 15, item 26
13.	13/2000 20/XII/2000 20/XII/2000	approving the NBP financial plan for 2001	Dz. Urz. NBP no. 17, item 30

Resolutions of the Commission for Banking Supervision

No.	Date issued / Date took effect	Title (subject matter)	Where promulgated
1.	1/2000 7/VI/2000 18/VII/2000	amending the resolution on procedures for the performance of banking supervision	Dz. Urz. NBP no. 12, item 19
2.	2/2000 8/XI/2000 31/III/2001	on the establishment of a normative provision for permissible foreign exchange risk in banking activities	Dz. Urz. NBP no 15, item 27

## Appendix 6

### NBP publications and web site in 2000

Subject matter	Title <ul style="list-style-type: none"> <li>• Frequency of publication</li> <li>• Language</li> </ul>
Information on overall economic and financial performance in Poland and the development of the banking sector, together with the balance sheet of the NBP and the banking system, and the balance of payments of the Republic of Poland.	<b>Annual Report, 1999</b> <ul style="list-style-type: none"> <li>• annual publication</li> <li>• Polish, English</li> </ul>
Analytical articles on the financial sector, especially the banking sector, plus informative articles. Presents the most important issues connected with the activity and strategic direction of the NBP in its role as Poland's central bank. Contains an educational insert, the <i>Banking ABC</i> .	<b>Bank and Credit (Bank i Kredyt)</b> <ul style="list-style-type: none"> <li>• monthly: nos. 1-2/2000, 3/2000, 4/2000, 5/2000, 6/2000, 7-8/2000, 9/2000, 10/2000, 11/2000, 12/2000</li> <li>• Polish, articles summarised in English</li> </ul>
Summary publication containing preliminary data on economic performance, the banking system, the balance sheet of the NBP and the balance of payments of the Republic of Poland.	<b>Preliminary Information (Informacja Wstępna)</b> <ul style="list-style-type: none"> <li>• monthly: nos. 12/1999-11/2000</li> <li>• Polish, English</li> </ul>
Series of publications containing papers presenting the results of research conducted both by NBP staff and by staff from other academic and financial institutions. These deal with key issues of banking and monetary policy.	<b>Materials and Studies (Materiały i Studia)</b> <ul style="list-style-type: none"> <li>• nos. 97-115</li> <li>• Polish</li> </ul>
Basic information on overall economic and financial performance in Poland, and on the monetary policy of the central bank. Quarterly editions also contain a narrative section presenting general macroeconomic trends, the money supply and counterparts to changes in money stocks, the balance of payments, and basic monetary policy instruments.	<b>Information Bulletin (Biuletyn Informacyjny)</b> <ul style="list-style-type: none"> <li>• monthly editions: nos. 11/1999, 1-2/2000, 4-5/2000, 7-8/2000</li> <li>• quarterly editions: 12/1999, 3/2000, 6/2000, 9/2000</li> <li>• Polish, English</li> </ul>
Presents the monetary policy guidelines approved annually by the Monetary Policy Council. Contains a characterisation of the external and internal factors conditioning monetary policy, policy targets, and the instruments for achieving them.	<b>Monetary Policy Guidelines 2001</b> <ul style="list-style-type: none"> <li>• annual publication</li> <li>• Polish, English</li> </ul>

Subject matter	Title <ul style="list-style-type: none"> <li>• Frequency of publication</li> <li>• Language</li> </ul>
Discusses the performance of inflation targets, the development of monetary aggregates and monetary policy instruments, and also describes the performance of other monetary policy responsibilities.	<b>Report on the Performance of Monetary Policy Guidelines in 1999</b> <ul style="list-style-type: none"> <li>• annual publication</li> <li>• Polish</li> </ul>
Contains information on the performance of the various functions of the central bank in 1999, together with the balance sheet and profit and loss account of the NBP.	<b>Report on NBP Operations in 1999</b> <ul style="list-style-type: none"> <li>• annual publication (published May 2000)</li> <li>• Polish</li> </ul>
Discusses inflationary trends in the period in question, monetary aspects of inflation, and the non-monetary factors, external and internal, conditioning inflation.	<b>Inflation Report</b> <ul style="list-style-type: none"> <li>• annual edition for 1999 (March 2000)</li> <li>• quarterly editions (Q1 &amp; Q2 2000)</li> <li>• Polish, English</li> </ul>
Report on business activity based on the following sources: GUS Statistical Bulletins, GUS Surveys of Business Activity, monthly F-01 reports filed by particular, non-identifiable companies, and prices for T-bills sold by the NBP.	<b>Corporate Economic Activity: Selected Issues</b> <ul style="list-style-type: none"> <li>• first quarter, 2000</li> <li>• first half, 2000</li> <li>• Polish</li> </ul>
Analyses corporate financial performance in 1999 on the basis of GUS data on 27 companies and survey findings for another 333 businesses.	<b>Corporate earnings in 1999, with particular focus on monetary and credit policies in the light of surveys and GUS data</b> <ul style="list-style-type: none"> <li>• annual publication</li> <li>• Polish</li> </ul>
Balance of payments data on a cash basis, as registered by the Polish banking system during the period in question.	<b>Balance of Payments of the Republic of Poland</b> <ul style="list-style-type: none"> <li>• 1999</li> <li>• first quarter, 2000</li> <li>• first half, 2000</li> <li>• first three quarters, 2000</li> <li>• Polish</li> </ul>
Analysis of the situation on financial markets, with current information on interest and exchange rates, and on investor expectations and behaviour.	<b>Financial Markets (Rynki finansowe)</b> <ul style="list-style-type: none"> <li>• monthly: nos. 1/2000 to 12/2000</li> <li>• Polish</li> </ul>
Evaluation of the financial situation of the banks, developed by the General Inspectorate of Banking Supervision on the basis of prudential reports. Provides a summary presentation of the principal components of the banks' assets, liabilities and off balance sheet operations, including the quality of assets and OBS exposures and the level of provisioning performed, and also the banks' capital base, ownership structure and risk-based capital ratios	<b>Summary Evaluation of the Financial Situation of Polish Banks</b> <ul style="list-style-type: none"> <li>• quarterly, mid-year and annual editions in Polish</li> <li>• mid-year and annual editions in English</li> </ul>



Subject matter	Title
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Presents the Bank, its organisational structure and operations, legislation, statistical information, notes and coin issued by the NBP, a listing of banks operating in Poland, NBP publications, and updated news of the NBP.

**NBP web site:**  
<http://www.NBP.pl>  
• **Polish, English**



Statistical appendix



*Poland's Accession to NATO*  
10 zloty coin issued in 1999

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TABLE I. Basic Economic Data

	Unit	1999		2000	
		XII	I	II	III
1. Industrial output					
a) current prices	million zloty	40,167.0	31,523.7	34,121.7	38,063.8
b) constant prices					
– corresponding month previous year = 100	%	119.1	107.9	116.3	106.8
– previous month = 100	%	105.7	81.0	107.2	111.5
2. Construction output					
a) current prices	million zloty	6,191.7	2,442.6	2,621.8	3,108.9
b) constant prices					
– corresponding month previous year = 100	%	112.3	104.5	105.5	104.3
– previous month = 100	%	149.3	42.3	106.6	117.7
3. Consumer Price Index					
a) corresponding month previous year = 100	%	109.8	110.1	110.4	110.3
b) previous month = 100	%	100.9	101.8	100.9	100.9
c) December previous year = 100	%	109.8	101.8	102.7	103.6
4. Producer Price Index					
a) corresponding month previous year = 100	%	108.1	108.2	108.1	107.3
b) previous month = 100	%	100.6	100.5	100.5	100.4
5. Construction Price Index					
a) corresponding month previous year = 100	%	108.9	107.7	107.5	107.7
b) previous month = 100	%	100.8	100.6	100.6	100.9
6. Employed labour force, corporate sector total	thou.	5,846	5,480	5,477	5,471
7. Average employees in employment, corporate sector total	thou.	5,679	5,319	5,316	5,308
8. Unemployed	thou.	2,349.8	2,476.1	2,525.8	2,531.7
9. Unemployment rate	%	13.1	13.7	14.0	14.0
10. Average monthly employee earnings, corporate sector	zloty	2,186.03	1,882.38	1,926.10	1,992.35
11. Central government receipts & expenditure					
a) receipts	million zloty	125,922.2	10,914.1	20,240.9	30,949.7
b) expenditure	million zloty	138,401.2	12,038.6	24,992.2	37,877.1
c) financial surplus/deficit and net external lending/borrowing	million zloty	-13,627.3	-1,183.4	-4,819.9	-5,650.5
12. Corporate financial performance					
a) total revenues	million zloty	822,912.1	-	-	206,510.6
of which: sales of goods & services	million zloty	497,206.4	-	-	125,985.3
b) total operating costs	million zloty	815,201.6	-	-	202,204.9
of which: cost of sales	million zloty	507,095.9	-	-	127,401.8
c) pre-tax profit/loss	million zloty	8,798.4	-	-	4,377.5
d) statutory deductions (taxes)	million zloty	10,414.4	-	-	2,859.3
e) net profit/loss	million zloty	-1,616.0	-	-	1,518.2
f) cost to sales ratio	%	99.1	-	-	97.9
g) net margin	%	-0.2	-	-	0.7
h) quick liquidity ratio	%	74.8	-	-	77.8
i) total current assets	million zloty	256,019.1	-	-	256,580.1
j) accounts receivable and associated claims	million zloty	107,347.6	-	-	108,673.3
k) accounts payable	million zloty	111,435.3	-	-	103,251.6

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Statistical Appendix

2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
35,222.9	38,147.5	38,995.1	36,453.7	38,894.6	41,133.7	42,205.6	40,995.9	40,458.2
105.5	112.3	113.5	107.8	109.3	105.0	107.2	104.6	97.8
91.9	107.9	101.3	93.1	106.1	105.0	102.2	96.7	98.6
3,138.5	3,691.8	4,149.5	3,975.0	4,279.5	4,588.2	4,914.8	4,065.7	5,758.1
94.7	99.3	101.1	97.0	97.8	96.2	98.3	98.7	93.1
100.2	116.6	111.4	95.3	107.0	106.9	106.5	82.2	140.3
109.8	110.0	110.2	111.6	110.7	110.3	109.9	109.3	108.5
100.4	100.7	100.8	100.7	99.7	101.0	100.8	100.4	100.2
104.0	104.7	105.5	106.2	105.9	107.0	107.8	108.2	108.5
107.4	107.9	108.9	109.0	108.4	108.3	108.0	107.2	105.6
100.7	100.9	101.0	100.6	100.4	100.8	100.6	100.0	99.1
108.3	108.4	108.8	108.9	108.7	108.1	107.8	107.6	106.9
101.1	100.7	100.7	100.4	100.5	100.2	100.5	100.4	100.2
5,464	5,462	5,463	5,449	5,434	5,438	5,444	5,410	5,337
5,301	5,292	5,295	5,284	5,271	5,270	5,274	5,247	5,199
2,487.9	2,445.4	2,437.4	2,477.6	2,496.2	2,528.8	2,547.7	2,613.1	2,702.6
13.8	13.6	13.6	13.8	13.9	14.0	14.1	14.5	15.0
2,067.25	1,987.94	2,049.04	2,035.55	2,051.17	2,088.31	2,088.54	2,160.45	2350.12
40,954.2	51,761.7	64,244.2	74,819.6	86,171.7	97,880.7	110,430.9	122,958.6	135,700.9
49,737.2	61,809.1	74,894.4	86,109.9	99,173.8	111,922.6	125,951.5	137,855.9	151,066.5
-7,513.4	-8,834.4	-9,517.1	-11,093.3	-12,945.7	-15,321.8	-20,419.0	-19,743.6	-20,385.4
-	-	441,689.9	-	-	684,446.9	-	-	952,520.3
-	-	269,216.2	-	-	415,996.9	-	-	571,044.5
-	-	433,635.8	-	-	669,617.7	-	-	934,392.2
-	-	272,829.1	-	-	421,599.8	-	-	584,134.6
-	-	8,175.2	-	-	14,952.7	-	-	18,376.9
-	-	5,421.9	-	-	8,559.6	-	-	12,159.9
-	-	2,753.3	-	-	6,393.1	-	-	6,217.1
-	-	98.2	-	-	97.8	-	-	98.1
-	-	0.6	-	-	0.9	-	-	0.7
-	-	78.3	-	-	79.7	-	-	74.3
-	-	273,409.9	-	-	288,270.2	-	-	292,251.6
-	-	118,344.0	-	-	124,080.1	-	-	123,986.1
-	-	109,628.8	-	-	113,545.2	-	-	123,702.5

TABLE II. Financial Market – Basic Information

	Unit	1999		2000	
		XII	I	II	III
1. Lombard rate	%	20.5	20.5	21.5	21.5
2. Rediscount rate	%	19.0	19.0	20.0	20.0
3. Refinance rate	%	20.5/21.5	20.5/21.5	21.5/22.5	21.5/22.5
4. Minimum yield on 28-day open market operations (reverse repo rate)	%	16.5	16.5	17.5	17.5
5. Monthly zloty devaluation against reference currency basket	%	0.3	0.3	0.3	0.3
6. Zloty lending rates, principal commercial banks					
a) 1 year loans	%	14.4-25.9	15.9-25.5	16.5-23	16.5-23.2
b) discount rate	%	19-24.4	17.8-22.3	17.5-23.6	17.8-23.3
7. Zloty deposit rates, principal commercial banks					
a) demand	%	3.5-9.5	3.5-9.5	3.5-9.5	3.5-9.5
b) transaction accounts	%	7-10.0	7-10.0	7-10.0	7-10.0
c) 1 month	%	10.8-15.1	11.7-15.0	11.7-16.1	12-16.0
d) 3 months	%	11-16.0	12.3-15.0	12.3-16.0	12.3-15.8
e) 6 months	%	9-16.9	9-15.0	9-16.1	9-16.1
f) 12 months	%	7.5-16.9	7.5-15.0	7.5-16.1	7.5-16.1
g) 24 months	%	11.5-14.6	12.9-14.6	12.9-14.6	13.1-15.4
h) 36 months	%	11.5-14.6	13.1-14.6	13.1-14.6	13.1-15.5
8. Foreign currency deposit rates, commercial banks					
a) demand	%	2.3-4.5	2.3-3.8	2.3-3.8	2.3-3.8
b) 3 months	%	3.5-5.4	3.5-5.0	3.5-5.0	3.5-5.2
c) 6 months	%	3.8-5.4	3.8-5.3	3.8-5.4	3.8-5.5
d) 12 months	%	4-5.5	4-6.0	4-6.1	4-6.2
e) 24 months	%	4-5.2	4-5.2	4-5.4	4-5.4
9. Interbank placements					
a) total at month end	million zloty	19,496.1	24,720.9	25,934.5	26,607.8
of which:					
0 – 1 month	%	26.5	39.6	62.9	35.0
1 – 2 months	%	10.4	10.7	7.3	30.2
2 – 3 months	%	6.1	4.6	2.4	5.3
3 – 6 months	%	10.3	6.4	7.7	9.6
6 – 12 months	%	12.0	10.6	6.7	5.9
12 – 24 months	%	32.2	25.8	11.0	11.9
b) length of placements, weighted average (at month end)	months	6.7	5.6	3.3	3.6
c) deposit rates, weighted average (at month end)	%	15.3	15.8	17.3	17.2
of which:					
0 – 1 month	%	16.4	17.4	18.9	17.5
1 – 2 months	%	18.3	16.6	16.9	17.9
2 – 3 months	%	15.7	15.0	16.4	17.0
3 – 6 months	%	15.4	15.8	15.7	17.0
6 – 12 months	%	13.9	14.2	15.1	15.2
12 – 24 months	%	13.7	13.6	15.3	15.6

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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
21.5	21.5	21.5	21.5	23.0	23.0	23.0	23.0	23.0
20.0	20.0	20.0	20.0	21.5	21.5	21.5	21.5	21.5
21.5/22.5	21.5/22.5	21.5/22.5	21.5/22.5	23.0/24.0	23.0/24.0	23.0/24.0	23.0/24.0	23.0/24.0
17.5	17.5	17.5	17.5	19.0	19.0	19.0	19.0	19.0
x	x	x	x	x	x	x	x	x
16.5-23.2	17.3-23.2	18.1-24.5	18.1-23.1	18.2-23.2	18.6-23.4	19.5-24.4	19.6-24.5	19.7-24.6
18.6-23.6	18.4-23.6	18.7-24.1	18.6-24.0	18.6-24.8	18.6-24.6	19.9-24.9	19.9-24.8	19.7-24.5
3.5-9.5	3.5-9.5	3.5-9.5	3.5-9.5	3.5-9.5	3.5-9.5	3.5-9.5	3.5-9.5	3.5-9.5
7-10.0	7-10.0	7-10.0	7-10.0	7-10.0	7-10.0	7-10.0	7-10.0	7-10.0
12-15.9	12-15.5	12-15.4	12.5-15.4	12.5-15.5	12.5-18.9	12.5-16.9	12.5-16.6	12.5-17.1
12.3-16	12.3-15.8	12.3-15.8	13-15.7	13-16	13-17.1	9-17.1	9-17.0	9-17.4
9-16.1	9-16.2	9-16.1	9-16.2	9-16.3	9-17.2	9-17.2	9-17.1	9-17.1
7.5-16.1	7.5-16.2	7.5-16.2	7.5-16.7	7.5-17	7.5-17.6	9-17.7	9-17.1	9-16.9
13.3-15.4	13.3-15.4	13.3-15.4	14-15.7	14-17.1	14-17.9	14-17.9	14-17.2	14-17.2
13.3-15.5	13.3-15.5	13.3-15.5	14-15.5	14-17.2	14-18.1	14-18	14-17	14-17
2.3-3.8	2-3.8	2-3.8	2-3.8	2-3.8	2-3.8	2-3.8	2-3.8	2.5-3.8
3.5-5.2	3.5-5.7	3.5-5.7	3.8-5.6	3.8-5.4	4-5.3	4-5.3	4-5.3	4-5.1
3.8-5.5	3.8-6.1	3.8-6.0	4.1-6.0	4.1-5.7	4.3-5.6	4.3-5.5	4.3-5.5	4.3-5.3
4-6.2	4-6.8	4-6.6	4.3-6.4	4.3-6.1	4.4-5.9	4.4-5.7	4.4-5.7	4.4-5.2
4-5.4	4-5.5	4-5.5	4.3-5.5	4.3-5.5	4.4-5.5	4.4-5.5	4.4-5.3	4.4-5.3
25,243.2	25,950.2	27,579.7	29,630.9	29,069.7	30,026.3	33,101.7	31,954.7	30,692.6
55.4	31.3	55.2	47.3	35.2	54.1	33.8	54.0	27.7
10.8	32.9	9.1	17.6	28.5	13.0	32.8	10.3	39.5
2.7	7.9	7.7	8.3	7.8	7.5	5.9	6.6	7.5
11.6	8.3	8.7	8.5	11.2	12.5	14.3	15.3	12.5
4.8	6.5	6.8	6.7	5.4	6.2	7.2	7.5	7.9
11.3	11.1	10.5	9.7	9.9	4.7	4.1	4.4	2.8
3.5	3.6	3.5	3.3	3.6	3.1	3.2	3.2	3.0
17.2	17.1	17.1	17.3	17.6	18.8	18.9	19.0	19.0
17.5	17.2	17.3	17.4	18.1	19.4	19.1	19.2	18.9
17.5	17.7	17.6	17.7	17.8	18.8	19.3	19.3	19.6
17.9	16.3	16.3	16.8	16.9	17.4	17.6	17.9	18.2
16.4	17.8	17.9	17.8	17.7	18.2	18.6	18.8	18.7
17.8	16.6	16.9	17.1	17.6	17.9	18.4	18.5	18.6
15.5	15.5	15.6	15.7	15.9	17.7	18.3	19.1	17.6

cont. TABLE II. Financial Market – Basic Information

	Unit	1999		2000	
		XII	I	II	III
10. Reserve requirement					
a) zloty deposits					
– demand	%	5.0	5.0	5.0	5.0
– time	%	5.0	5.0	5.0	5.0
b) foreign currency deposits (zloty equivalent)					
– demand	%	5.0	5.0	5.0	5.0
– time	%	5.0	5.0	5.0	5.0
11. Total required reserves held	million zloty	10,076.2	10,631.9	10,512.1	10,568.3
a) current account	million zloty	9,074.0	9,569.5	9,457.9	9,508.3
b) declared vault cash	million zloty	1,002.2	1,062.3	1,054.2	1,059.9
12. Treasury bill tenders					
a) no. of tenders during month		4	5	4	4
b) nominal value of bills offered for sale	million zloty	6,350.00	5,300.00	4,000.00	3,600.00
of which:					
– 2-week bills	million zloty	-	-	-	-
– 3-week bills	million zloty	-	-	-	-
– 6-week bills	million zloty	1,800.00	-	-	-
– 8-week bills	million zloty	600.00	-	-	-
– 13-week bills	million zloty	1,100.00	400.00	400.00	400.00
– 26-week bills	million zloty	1,150.00	300.00	600.00	400.00
– 39-week bills	million zloty	-	-	-	-
– 52-week bills	million zloty	1,700.00	4,600.00	3,000.00	2,800.00
c) nominal value of bids	million zloty	10,652.82	12,321.47	6,936.12	11,329.94
of which:					
– 2-week bills	million zloty	-	-	-	-
– 3-week bills	million zloty	-	-	-	-
– 6-week bills	million zloty	1,620.39	-	-	-
– 8-week bills	million zloty	760.35	-	-	-
– 13-week bills	million zloty	674.13	2,188.09	1,157.78	1,036.32
– 26-week bills	million zloty	1,807.69	782.74	877.96	1,471.63
– 39-week bills	million zloty	-	-	-	-
– 52-week bills	million zloty	5,790.26	9,350.64	4,900.38	8,821.99
d) nominal value of bills sold	million zloty	5,714.23	5,340.25	3,929.03	3,573.18
of which:					
– 2-week bills	million zloty	-	-	-	-
– 3-week bills	million zloty	-	-	-	-
– 6-week bills	million zloty	1,517.89	-	-	-
– 8-week bills	million zloty	610.95	-	-	-
– 13-week bills	million zloty	480.52	400.00	398.18	398.55
– 26-week bills	million zloty	1,254.42	300.00	531.90	374.63
– 39-week bills	million zloty	-	-	-	-
– 52-week bills	million zloty	1,850.45	4,640.25	2,998.95	2,800.00
e) discount rate on bids accepted, weighted average	%	15.30	14.04	14.76	15.17
of which:					
– 2-week bills	%	-	-	-	-
– 3-week bills	%	-	-	-	-
– 6-week bills	%	16.67	-	-	-
– 8-week bills	%	16.66	-	-	-
– 13-week bills	%	15.57	15.24	15.27	15.71
– 26-week bills	%	15.14	14.96	15.43	15.96
– 39-week bills	%	-	-	-	-
– 52-week bills	%	13.78	13.88	14.57	14.99



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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
10,568.3	10,842.2	11,370.9	11,633.6	11,740.6	11,740.6	11,939.9	12,240.3	12,240.3
9,508.3	9,752.4	10,259.1	10,497.7	10,594.6	10,594.6	10,770.5	11,030.9	11,030.9
1,059.9	1,089.8	1,111.7	1,135.9	1,146.0	1,146.0	1,169.4	1,209.4	1,209.4
4	4	5	7	6	6	4	4	4
2,700.00	2,400.00	4,400.00	6,500.00	6,600.00	7,400.00	1,200.00	1,400.00	1,700.00
-	-	-	1,500.00	-	4,800.00	-	-	-
-	-	2,000.00	2,000.00	2,500.00	1,200.00	-	-	-
-	-	-	-	2,700.00	-	-	-	-
-	-	-	300.00	-	-	-	-	-
400.00	600.00	400.00	700.00	300.00	600.00	400.00	100.00	300.00
500.00	300.00	-	-	200.00	-	-	200.00	100.00
-	-	-	-	-	-	-	-	-
1,800.00	1,500.00	2,000.00	2,000.00	900.00	800.00	800.00	1,100.00	1,300.00
6,378.69	5,990.69	12,120.47	17,070.50	12,791.63	15,932.56	4,042.17	4,636.60	6,281.08
-	-	-	3,432.93	-	6,322.97	-	-	-
-	-	4,356.18	5,476.28	5,646.79	3,983.14	-	-	-
-	-	-	-	2,777.15	-	-	-	-
-	-	-	962.56	-	-	-	-	-
673.19	1,271.72	1,232.05	984.67	839.84	1,957.55	1,193.35	218.69	612.44
1,010.76	429.63	-	-	1,094.65	-	-	578.42	325.32
-	-	-	-	-	-	-	-	-
4,694.74	4,289.34	6,532.24	6,214.06	2,433.20	3,668.90	2,848.82	3,839.49	5,343.32
2,689.78	2,162.60	4,545.46	7,068.42	5,894.13	7,350.19	1,200.00	1,400.00	1,651.88
-	-	-	1,500.00	-	4,800.00	-	-	-
-	-	2,000.00	2,663.86	2,500.00	1,186.11	-	-	-
-	-	-	-	2,011.24	-	-	-	-
-	-	-	300.00	-	-	-	-	-
400.00	508.13	400.00	604.56	286.74	583.92	400.00	100.00	262.64
499.57	163.33	-	-	196.15	-	-	200.00	89.24
-	-	-	-	-	-	-	-	-
1,790.21	1,491.14	2,145.46	2,000.00	900.00	780.16	800.00	1,100.00	1,300.00
15.00	15.47	16.13	16.52	16.92	17.71	15.61	15.42	15.20
-	-	-	17.43	-	18.08	-	-	-
-	-	17.28	17.33	17.36	18.08	-	-	-
-	-	-	-	17.07	-	-	-	-
-	-	-	16.39	-	-	-	-	-
15.67	16.17	15.73	15.70	16.46	16.90	16.28	16.15	16.13
15.77	16.24	-	-	17.17	-	-	16.24	15.81
-	-	-	-	-	-	-	-	-
14.64	15.14	15.13	15.03	15.46	15.43	15.28	15.20	14.97

cont. TABLE II. Financial Market – Basic Information

	Unit	1999		2000	
		XII	I	II	III
f) yield on bills purchased, weighted average	%	16.49	16.13	16.92	17.50
of which:					
– 2-week bills	%	-	-	-	-
– 3-week bills	%	-	-	-	-
– 6-week bills	%	17.00	-	-	-
– 8-week bills	%	17.10	-	-	-
– 13-week bills	%	16.21	15.86	15.88	16.36
– 26-week bills	%	16.39	16.19	16.73	17.36
– 39-week bills	%	-	-	-	-
– 52-week bills	%	16.01	16.15	17.09	17.68
g) bills outstanding from tender sales at month-end (purchase prices)	million zloty	24,187.36	24,255.82	24,036.90	23,864.32
13. Tenders for NBP money-market bills					
a) no. of tenders		16	7	14	11
b) nominal value of bills offered for sale	million zloty	58,000.00	18,000.00	36,000.00	27,200.00
of which:					
– 1-day bills	million zloty	16,500.00	-	-	-
– 7-day bills	million zloty	21,000.00	-	-	-
– 14-day bills	million zloty	18,500.00	-	-	-
– 28-day bills	million zloty	2,000.00	18,000.00	36,000.00	27,200.00
– 91-day bills	million zloty	-	-	-	-
– 182-day bills	million zloty	-	-	-	-
– 273-day bills	million zloty	-	-	-	-
c) nominal value of bids	million zloty	41,948.29	15,495.77	24,189.47	28,887.08
of which:					
– 1-day bills	million zloty	13,976.00	-	-	-
– 7-day bills	million zloty	15,043.81	-	-	-
– 14-day bills	million zloty	12,032.32	-	-	-
– 28-day bills	million zloty	896.16	15,495.77	24,189.47	28,887.08
– 91-day bills	million zloty	-	-	-	-
– 182-day bills	million zloty	-	-	-	-
– 273-day bills	million zloty	-	-	-	-
d) nominal value of bills sold	million zloty	41,948.29	15,495.77	24,039.47	25,946.22
of which:					
– 1-day bills	million zloty	13,976.00	-	-	-
– 7-day bills	million zloty	15,043.81	-	-	-
– 14-day bills	million zloty	12,032.32	-	-	-
– 28-day bills	million zloty	896.16	15,495.77	24,039.47	25,946.22
– 91-day bills	million zloty	-	-	-	-
– 182-day bills	million zloty	-	-	-	-
– 273-day bills	million zloty	-	-	-	-
e) discount rate on bids accepted, weighted average	%	16.46	16.39	16.59	17.36
of which:					
– 1-day bills	%	16.49	-	-	-
– 7-day bills	%	16.47	-	-	-
– 14-day bills	%	16.43	-	-	-
– 28-day bills	%	16.39	16.39	16.59	17.36
– 91-day bills	%	-	-	-	-
– 182-day bills	%	-	-	-	-
– 273-day bills	%	-	-	-	-

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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
17.04	17.63	17.55	17.45	17.64	18.18	17.71	17.84	17.49
-	-	-	17.55	-	18.21	-	-	-
-	-	17.46	17.51	17.53	18.28	-	-	-
-	-	-	-	17.42	-	-	-	-
-	-	-	16.82	-	-	-	-	-
16.32	16.86	16.39	16.35	17.18	17.65	16.98	16.84	16.81
17.13	17.69	-	-	18.80	-	-	17.70	17.19
-	-	-	-	-	-	-	-	-
17.18	17.88	17.86	17.72	18.33	18.28	18.08	17.96	17.65
23,472.49	22,504.90	21,978.70	25,704.29	24,332.47	26,891.24	21,842.31	20,947.04	19,749.89
7	9	12	7	10	7	8	9	8
17,500.00	25,500.00	29,500.00	19,500.00	27,000.00	40,500.00	31,000.00	23,000.00	25,500.00
-	-	-	-	-	22,000.00	3,500.00	-	-
-	-	-	-	-	-	4,000.00	-	-
-	-	-	-	-	3,500.00	-	-	-
17,500.00	25,500.00	29,500.00	19,500.00	27,000.00	15,000.00	23,500.00	23,000.00	25,500.00
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
16,475.60	21,145.69	25,144.43	16,708.04	26,496.37	43,965.64	34,629.33	20,998.74	24,562.91
-	-	-	-	-	21,064.11	3,406.38	-	-
-	-	-	-	-	-	7,216.71	-	-
-	-	-	-	-	3,455.59	-	-	-
16,475.60	21,145.69	25,144.43	16,708.04	26,496.37	19,445.94	24,006.24	20,998.74	24,562.91
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
16,002.39	21,145.69	24,344.97	16,708.04	24,925.27	36,607.43	29,883.08	20,479.71	22,644.59
-	-	-	-	-	18,974.18	3,406.38	-	-
-	-	-	-	-	-	4,000.00	-	-
-	-	-	-	-	3,455.59	-	-	-
16,002.39	21,145.69	24,344.97	16,708.04	24,925.27	14,177.66	22,476.70	20,479.71	22,644.59
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
17.36	17.36	17.37	17.37	17.63	18.91	18.85	18.82	18.81
-	-	-	-	-	19.00	19.01	-	-
-	-	-	-	-	-	18.96	-	-
-	-	-	-	-	18.91	-	-	-
17.36	17.36	17.37	17.37	17.63	18.79	18.81	18.82	18.81
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

cont. TABLE II. Financial Market – Basic Information

	Unit	1999		2000	
		XII	I	II	III
f) yield on bills purchased, weighted average	%	16.52	16.60	16.81	17.60
of which:					
– 1-day bills	%	16.50	-	-	-
– 7-day bills	%	16.52	-	-	-
– 14-day bills	%	16.54	-	-	-
– 28-day bills	%	16.60	16.60	16.81	17.60
– 91-day bills	%	-	-	-	-
– 182-day bills	%	-	-	-	-
– 273-day bills	%	-	-	-	-
g) bills outstanding from tender sales at month end (purchase prices)	million zloty	11,095.45	15,298.20	23,729.32	18,957.86
14. Outright sales of securities by NBP					
a) no. of tenders		-	-	-	-
b) nominal value of securities allotted for sale	million zloty	-	-	-	-
c) nominal value of bids submitted by banks	million zloty	-	-	-	-
d) nominal value of bids accepted	million zloty	-	-	-	-
e) value of bids accepted	million zloty	-	-	-	-
15. Data on trading sessions of Warsaw Stock Exchange					
– first-tier market					
a) no. of companies listed		121	119	118	119
b) average market capitalisation of listed companies	million zloty	111,191.9	127,159.9	139,949.1	148,938.1
c) monthly turnover	million zloty	3,816.3	5,494.2	7,225.8	6,991.9
d) Warsaw Stock Exchange Index					
– monthly average		16,990.8	19,483.8	21,298.5	22,035.9
– final session in month		18,083.6	19,398.0	21,536.8	21,255.9
e) P/E ratio		25.7	29.3	25.9	27.6
f) turnover ratio	%	1.9	2.4	2.9	2.7
16. Data on trading sessions of Warsaw Stock Exchange					
– second-tier market					
a) no. of companies listed		62	61	61	61
b) average market capitalisation of listed companies	million zloty	2,641.4	3,074.0	3,746.6	4,193.8
c) monthly turnover	million zloty	162.8	271.6	514.8	535.6
d) Warsaw Second-Tier Market Index					
– monthly average		1,920.8	2,194.1	2,648.4	2,870.1
– final session in month		2,085.9	2,225.1	2,732.8	2,826.6
e) P/E ratio		21.7	25.2	36.3	41.9
f) turnover ratio	%	3.9	5.6	8.8	8.4

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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
17.59	17.60	17.60	17.60	17.87	19.04	19.07	19.09	19.09
-	-	-	-	-	19.01	19.02	-	-
-	-	-	-	-	-	19.03	-	-
-	-	-	-	-	19.05	-	-	-
17.59	17.60	17.60	17.60	17.87	19.07	19.09	19.09	19.09
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
15,786.36	18,683.92	19,658.79	16,482.39	17,501.58	14,444.55	16,728.36	20,180.01	19,819.18
-	-	-	-	-	2	4	5	4
-	-	-	-	-	1,000.00	1,200.00	1,500.00	1,200.00
-	-	-	-	-	2,496.00	2,364.00	2,180.00	1,432.00
-	-	-	-	-	618.00	444.00	572.00	588.00
-	-	-	-	-	503.69	355.28	455.70	480.45
120	121	121	122	122	122	121	121	121
136,189.9	131,266.1	133,756.9	135,595.3	126,773.3	120,521.3	107,420.7	112,085.0	119,394.5
2,987.1	3,434.0	3,406.9	3,240.7	2,398.7	2,163.7	2,004.1	7,607.4	8,716.3
20,228.5	19,315.1	19,678.8	19,630.2	18,539.2	17,885.5	15,976.6	16,510.78	17,274.90
19,631.1	19,570.5	19,642.7	18,991.0	18,420.3	16,882.6	15,597.5	16,292.20	17,847.55
25.0	21.0	21.6	22.1	21.4	20.1	19.4	12.2	12.4
1.3	1.5	1.5	1.4	0.3	1.0	1.1	3.6	3.9
60	60	61	61	60	58	58	59	59
3,447.0	3,307.7	3,469.5	3,695.2	3,605.8	3,280.0	2,941.3	2,833.8	2,872.6
196.4	151.5	143.1	136.4	129.5	131.3	87.1	123.1	113.5
2,845.1	2,904.4	3,023.1	3,082.4	3,042.0	2,952.8	2,779.1	2,650.53	2,628.68
2,919.0	3,015.6	3,055.6	3,093.5	3,028.8	2,844.1	2,718.5	2,663.48	2,748.62
41.3	48.7	56.5	54.8	73.6	154.8	88.8	x	x
3.5	2.8	2.5	2.3	2.2	2.5	1.8	2.7	2.5

TABLE III. PLN/USD & PLN/EUR Daily Exchange Rates (in zloty)

Month	NBP mid-rate, month end			Monthly average mid-rate	
	PLN/1 USD	PLN/1 EUR	USD/EUR	PLN/1 USD	PLN/1 EUR
December 1999	4.1483	4.1689	1.0050	4.1696	4,2200
January	4.2076	4.1250	0.9804	4.1036	4,1608
February	4.1531	4.0539	0.9761	4.1439	4,0850
March	4.1428	3.9650	0.9571	4.0902	3,9507
April	4.4234	4.0226	0.9094	4.2347	4,0033
May	4.3914	4.0894	0.9312	4.4988	4,0758
June	4.3907	4.2075	0.9583	4.3994	4,1740
July	4.3388	4.0108	0.9244	4.3229	4,0684
August	4.3812	3.9157	0.8938	4.3593	3,9486
September	4.5404	3.9960	0.8801	4.4900	3,9152
October	4.6845	3.9325	0.8395	4.6369	3,9696
November	4.4735	3.8824	0.8679	4.5606	3,9035
December	4.1432	3.8544	0.9303	4.3126	3,8804

TABLE IV. Weighted Average Zloty Deposit Rates at Commercial Banks (Annualised Percentage Rates)

	1999		2000	
	XII	I	II	III
<b>Personal deposits</b>				
Original maturity:				
– demand	7.3	7.3	7.4	7.3
– 1 month	12.5	12.7	12.6	12.9
– 3 months	12.7	12.8	12.8	13.3
– 6 months	13.0	13.1	13.1	13.5
– 1 year	13.1	13.3	13.3	13.9
– 2 years	13.7	13.8	13.8	14.5
– 3 years	13.9	13.9	13.9	14.5
Average, all maturities (excluding demand deposits)	12.9	13.0	13.0	13.5
<b>Corporate deposits</b>				
Original maturity:				
– demand	5.4	5.5	5.5	5.5
– 1 month	12.6	12.6	12.9	13.0
– 3 months	13.1	13.0	13.1	13.6
– 6 months	13.4	13.3	13.4	13.8
– 1 year	13.7	13.6	13.6	14.1
– 2 years	15.1	14.3	13.9	13.9
– 3 years	13.1	13.1	13.1	14.6
Average, all maturities (excluding demand deposits)	12.8	12.7	12.9	13.2
<b>Total</b>	<b>12.9</b>	<b>13.0</b>	<b>13.0</b>	<b>13.4</b>

2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
7.3	7.3	7.4	7.3	7.3	7.4	7.7	7.7	7.7
12.8	13.1	13.1	13.2	13.2	13.5	13.8	14.0	14.0
13.4	13.5	13.5	13.6	13.6	13.8	13.9	14.1	14.1
13.7	13.6	13.6	13.8	13.6	13.7	14.2	14.4	14.4
14.2	14.0	14.0	14.3	14.0	14.1	14.9	15.0	15.0
14.6	14.6	14.6	14.7	14.7	14.9	15.4	15.7	15.6
14.7	14.7	14.7	14.7	14.7	14.9	15.6	15.7	15.7
13.7	13.6	13.6	13.8	13.7	13.9	14.2	14.4	14.4
5.4	5.5	5.4	5.6	5.6	5.5	5.6	5.6	5.5
13.2	13.3	13.2	13.3	13.3	13.7	13.9	14.2	14.1
13.6	13.7	13.6	13.6	13.6	14.2	14.4	14.4	14.4
13.8	14.0	13.8	13.9	13.9	14.2	14.3	14.5	14.5
14.2	14.4	14.4	14.4	14.4	14.8	15.0	15.0	15.1
14.3	14.5	14.7	14.9	14.4	14.5	15.6	15.8	15.4
14.6	14.6	15.1	15.0	15.0	15.0	15.1	15.1	15.1
13.4	13.4	13.3	13.4	13.4	13.9	14.1	14.3	14.2
13.6	13.6	13.5	13.7	13.6	13.9	14.2	14.4	14.3

TABLE V. Weighted Average Zloty Lending Rates at Commercial Banks (Annualised Percentage Rates)

	1999		2000	
	XII	I	II	III
<b>Personal loans</b>	<b>21.3</b>	<b>21.0</b>	<b>20.9</b>	<b>21.6</b>
<b>Corporate loans</b>				
Original maturity:				
– year	20.0	19.3	19.4	19.6
– 2 years	20.3	19.5	19.5	19.9
– 3 years	19.5	19.2	19.1	19.4
– 5 years	20.4	19.9	19.7	20.0
– over 5 years	20.1	19.4	19.3	19.7
Average, all maturities	20.1	19.4	19.4	19.7
<b>Total</b>	<b>20.3</b>	<b>19.7</b>	<b>19.7</b>	<b>20.0</b>

TABLE VI. Commercial Banks – Assets (million zloty)

	1999		2000	
	XII	I	II	III
<b>FOREIGN ASSETS</b>	<b>32,662.6</b>	<b>32,745.8</b>	<b>33,230.1</b>	<b>35,942.1</b>
<b>Due from banks</b>	<b>43,995.2</b>	<b>45,976.6</b>	<b>43,333.0</b>	<b>50,160.1</b>
– vault cash	5,292.5	3,809.7	3,539.8	3,479.1
– NBP	9,430.0	7,305.6	4,393.4	8,804.6
– other banks	29,272.7	34,861.3	35,399.9	37,876.4
<b>Due from non-bank financial institutions</b>	<b>6,818.7</b>	<b>6,981.8</b>	<b>7,588.2</b>	<b>7,968.3</b>
<b>Due from general government</b>	<b>11,262.9</b>	<b>10,739.6</b>	<b>10,218.0</b>	<b>9,154.3</b>
– central government	6,107.3	5,706.0	5,362.1	4,344.1
– local government	2,753.5	2,765.4	2,746.0	2,709.7
– special-purpose funds	2,402.1	2,268.2	2,109.9	2,100.5
<b>Due from non-financial sector</b>	<b>166,572.0</b>	<b>169,911.2</b>	<b>170,955.2</b>	<b>173,059.1</b>
– corporates	130,007.0	133,139.5	133,750.4	134,593.5
– persons	36,565.0	36,771.7	37,204.8	38,465.6
<b>Securities purchased under agreements to resell</b>	<b>86.4</b>	<b>41.1</b>	<b>377.9</b>	<b>489.6</b>
<b>Securities</b>	<b>84,723.8</b>	<b>87,466.2</b>	<b>93,807.8</b>	<b>89,506.0</b>
– issued by banks	25,178.4	29,604.3	38,192.7	33,320.6
– issued by non-bank financial institutions	674.9	565.4	680.2	703.7
– issued by general government	55,733.8	53,838.7	51,407.2	51,923.2
of which: issued by Treasury	55,275.5	53,343.9	50,927.8	51,419.4
– issued by non-financial sector	2,987.6	3,300.3	3,358.1	3,397.0
– rights issues, units in trust funds and investment funds	149.0	157.5	169.5	161.6
<b>Other assets</b>	<b>34,793.9</b>	<b>41,925.4</b>	<b>43,569.0</b>	<b>44,202.9</b>
<b>TOTAL ASSETS</b>	<b>380,915.5</b>	<b>395,787.8</b>	<b>403,079.1</b>	<b>410,482.5</b>



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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
21.9	21.9	21.7	22.0	21.8	22.0	22.8	22.9	22.9
19.6	19.5	19.7	19.6	20.0	20.7	20.9	20.8	20.9
19.9	19.9	20.0	19.9	20.3	21.0	21.2	21.1	21.1
19.5	19.7	19.9	19.8	20.1	20.8	21.1	21.0	21.1
20.0	20.0	20.2	20.1	20.5	21.2	21.4	21.4	21.4
19.7	19.8	20.1	20.0	20.3	21.0	21.3	21.3	21.4
19.7	19.7	19.9	19.9	20.2	20.9	21.1	21.1	21.2
20.1	20.2	20.4	20.3	20.5	21.1	21.4	21.5	21.5

2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
37,967.5	37,127.2	39,039.4	40,089.0	36,599.2	38,374.3	47,815.3	48,969.1	46,913.9
50,726.3	52,041.4	54,828.6	58,968.7	55,953.7	59,005.8	63,284.6	56,758.9	58,340.8
3,660.1	3,728.1	3,854.9	3,993.6	3,780.1	3,751.4	4,207.7	3,659.1	4,451.4
10,724.0	10,030.7	12,953.3	14,547.3	12,245.2	12,695.2	12,153.1	8,836.6	10,209.4
36,342.1	38,282.7	38,020.5	40,427.8	39,928.4	42,559.2	46,923.7	44,263.2	43,679.9
8,074.8	8,137.6	8,602.8	8,524.2	8,497.0	8,655.9	8,857.1	8,760.3	8,805.6
8,911.5	8,008.1	8,031.4	8,112.1	8,067.7	6,696.4	7,658.2	8,356.5	6,858.5
4,069.5	2,974.5	2,907.9	2,298.6	2,018.9	923.4	1,282.6	1,500.3	1,718.4
2,703.8	2,761.3	2,861.2	2,938.0	3,056.5	3,137.2	3,395.6	3,861.1	4,551.0
2,138.1	2,272.4	2,262.3	2,875.5	2,992.2	2,635.7	2,979.9	2,995.1	589.1
176,576.1	179,030.0	191,601.4	184,065.2	187,124.0	191,631.8	194,767.7	196,010.3	194,096.9
137,485.9	138,465.7	140,813.4	140,886.4	142,879.7	146,066.9	148,157.6	148,826.7	145,931.4
39,090.2	40,564.3	50,788.0	43,178.7	44,244.2	45,564.9	46,610.1	47,183.6	48,165.5
206.7	636.0	563.2	271.9	1,373.3	689.4	398.0	1,247.7	420.5
87,654.8	91,433.4	90,407.5	87,237.2	90,375.6	93,521.4	89,061.9	91,783.5	92,556.1
30,218.7	33,095.2	34,103.3	31,145.3	32,419.9	29,485.8	30,371.4	33,992.1	33,934.9
649.5	779.1	884.3	910.0	1,240.8	1,468.1	1,419.4	1,465.3	1,243.8
53,229.0	54,188.2	51,671.5	51,199.2	52,547.2	58,014.3	52,555.3	51,691.6	53,081.4
52,705.0	53,678.9	51,179.2	50,700.3	52,058.3	57,400.4	51,920.6	51,002.4	52,283.3
3,392.2	3,136.8	3,461.4	3,634.3	3,599.0	3,439.6	3,566.5	3,506.4	3,587.2
165.3	234.2	287.0	348.4	568.6	1,113.6	1,149.2	1,128.1	708.8
42,712.6	46,110.6	48,750.8	46,573.8	47,491.6	47,388.5	51,791.4	51,599.1	44,696.0
412,830.2	422,524.4	441,825.2	433,842.1	435,482.1	445,963.4	463,634.2	463,485.5	452,688.3

cont. TABLE VI. Commercial Banks – Liabilities & Capital (million zloty)

	1999		2000	
	XII	I	II	III
<b>FOREIGN LIABILITIES</b>	<b>27,807.7</b>	<b>28,175.3</b>	<b>27,344.8</b>	<b>26,524.9</b>
Due to banks	36,032.1	41,575.3	43,052.7	44,466.7
– NBP	7,010.0	6,999.4	7,980.2	6,830.1
– other banks	29,022.1	34,575.9	35,072.6	37,636.6
Due to non-bank financial institutions	7,303.9	6,679.9	7,266.7	7,494.9
Due to general government	14,194.7	14,992.3	15,759.5	16,887.0
– central government	5,237.4	5,272.3	4,858.6	5,516.7
– local government	7,145.6	8,137.3	9,399.5	9,710.7
– special-purpose funds	1,811.6	1,582.6	1,501.4	1,659.6
Deposits of non-financial sector, zloty	178,519.5	175,549.7	177,618.2	179,833.8
– corporations	54,433.7	46,344.3	45,310.2	45,072.4
demand	23,521.6	19,014.5	17,665.8	17,031.6
time	30,912.1	27,329.8	27,644.4	28,040.8
– persons	124,085.7	129,205.4	132,308.0	134,761.4
demand	25,431.1	25,927.7	26,493.9	26,655.0
time	98,654.6	103,277.8	105,814.1	108,106.5
Due to non-financial sector, foreign currency	38,683.6	38,766.5	39,056.9	40,958.4
– corporates	8,330.1	7,664.5	8,271.2	10,748.1
demand	3,056.5	3,044.6	3,088.4	3,152.9
time	5,273.6	4,619.9	5,182.8	7,595.2
– persons	30,353.5	31,102.0	30,785.7	30,210.3
demand	8,099.6	8,218.1	8,048.6	7,965.6
time	22,253.9	22,883.9	22,737.1	22,244.7
Securities sales under agreements to repurchase	209.7	192.5	429.9	584.6
Securities issued and outstanding	1,197.9	1,139.2	1,290.7	1,294.9
Core capital	25,609.4	25,530.9	25,670.2	26,087.6
Supplementary capital	3,048.5	3,047.4	3,012.2	3,024.1
Other liabilities & capital	48,308.6	60,138.9	62,577.2	63,325.7
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>380,915.5</b>	<b>395,787.8</b>	<b>403,079.1</b>	<b>410,482.5</b>

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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
28,206.6	28,337.2	29,100.5	28,289.8	27,331.5	29,557.9	29,169.2	27,892.0	27,062.5
43,488.4	44,962.5	44,337.6	46,766.4	46,325.2	49,145.1	53,334.8	50,600.1	50,348.0
7,430.6	6,792.2	6,659.4	6,600.4	6,600.6	6,732.7	6,448.1	6,464.9	6,800.4
36,057.8	38,170.2	37,678.2	40,166.1	39,724.6	42,412.5	46,886.7	44,135.2	43,547.6
7,575.0	7,557.7	16,110.1	6,400.1	7,136.2	6,874.3	8,646.4	8,891.8	8,355.5
16,904.1	18,122.0	18,048.6	18,463.7	18,067.9	19,405.0	20,104.1	19,393.4	16,152.1
6,088.5	6,781.9	6,849.2	7,419.0	6,879.1	7,313.8	7,677.9	7,484.4	6,471.6
9,246.7	9,714.3	9,471.2	9,328.0	9,440.8	10,232.6	10,208.4	9,467.5	7,472.5
1,568.9	1,625.9	1,728.2	1,716.7	1,748.0	1,858.6	2,217.8	2,441.6	2,208.0
181,506.2	184,428.2	189,272.3	190,749.8	191,664.1	194,328.5	199,235.8	203,821.6	208,760.1
44,633.6	46,396.0	47,675.6	48,657.7	48,385.8	49,248.5	51,211.2	52,913.1	54,722.1
16,723.1	18,152.1	18,282.4	18,720.2	19,146.2	18,067.0	18,692.1	19,305.8	21,096.2
27,910.5	28,243.9	29,393.2	29,937.5	29,239.6	31,181.5	32,519.1	33,607.3	33,625.9
136,872.6	138,032.2	141,596.7	142,092.1	143,278.3	145,080.0	148,024.7	150,908.5	154,038.0
27,159.5	26,853.1	29,385.1	27,514.7	27,145.6	26,957.9	26,240.0	26,377.3	26,578.2
109,713.1	111,179.1	112,211.6	114,577.4	116,132.7	118,122.1	121,784.7	124,531.2	127,459.8
41,138.6	41,981.5	42,525.5	43,260.9	42,694.6	43,030.2	43,826.6	43,109.5	41,323.7
9,185.8	9,825.5	9,902.8	10,802.8	9,885.5	9,171.8	8,916.3	9,069.1	8,607.9
2,899.4	3,314.8	3,361.8	3,391.6	3,793.3	3,323.3	3,600.2	3,658.8	3,476.2
6,286.4	6,510.7	6,541.0	7,411.2	6,092.2	5,848.5	5,316.1	5,410.3	5,131.7
31,952.7	32,156.0	32,622.7	32,458.1	32,809.1	33,858.4	34,910.3	34,040.4	32,715.8
8,375.8	8,285.8	8,328.6	8,157.3	8,160.7	8,257.8	8,302.4	8,025.0	7,774.0
23,577.0	23,870.2	24,294.1	24,300.8	24,648.4	25,600.6	26,607.8	26,015.5	24,941.8
243.9	749.7	728.7	440.4	1,441.7	868.0	566.5	1,303.1	323.0
1,073.4	1,119.2	1,052.7	1,088.1	1,161.9	1,169.3	1,285.4	1,424.0	1,494.9
26,551.1	27,327.2	28,786.8	29,115.8	29,149.9	29,294.1	29,423.0	29,549.0	30,143.5
3,141.5	3,157.8	3,120.5	3,344.8	3,352.4	3,457.8	3,465.1	3,513.9	3,487.5
63,001.4	64,781.5	68,742.1	65,922.4	67,156.7	68,833.2	74,577.3	73,986.9	65,237.5
412,830.2	422,524.4	441,825.2	433,842.1	435,482.1	445,963.4	463,634.2	463,485.5	452,688.3

TABLE VII. The National Bank of Poland – Assets, Liabilities & Capital (million zloty)

	1999		2000	
	XII	I	II	III
<b>FOREIGN ASSETS</b>	<b>120,352.1</b>	<b>120,373.7</b>	<b>116,002.9</b>	<b>115,607.8</b>
<b>Due from banks</b>	<b>7,080.8</b>	<b>7,064.9</b>	<b>8,046.6</b>	<b>6,905.0</b>
– time deposits	381.1	386.6	381.6	380.6
– loans under foreign credit lines	97.5	94.3	92.7	90.9
– refinance loans	6,600.6	6,582.4	7,570.7	6,431.9
bills rediscounted	167.1	154.5	142.3	94.2
lombard loans	0.0	0.0	999.0	0.0
special-purpose funds	0.0	0.0	0.0	0.0
central investment finance	5,146.4	5,146.4	5,146.4	5,054.7
other	1,287.1	1,281.5	1,282.9	1,283.0
– open market operations (repos)	0.0	0.0	0.0	0.0
– past due loans	1.6	1.6	1.6	1.6
<b>Due from non-bank financial institutions</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Due from general government</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Due to non-financial sector</b>	<b>70.8</b>	<b>70.6</b>	<b>69.6</b>	<b>69.3</b>
– corporates	42.4	43.2	42.9	43.0
– persons	28.3	27.4	26.7	26.3
<b>Securities</b>	<b>19,114.5</b>	<b>19,200.1</b>	<b>19,286.9</b>	<b>19,422.5</b>
– issued by banks	311.3	302.8	294.3	290.8
– issued by Treasury	18,803.3	18,897.3	18,992.7	19,131.7
<b>Other assets</b>	<b>3,607.1</b>	<b>4,116.5</b>	<b>4,219.3</b>	<b>4,028.7</b>
<b>TOTAL ASSETS</b>	<b>150,225.3</b>	<b>150,825.8</b>	<b>147,625.4</b>	<b>146,033.3</b>
<b>FOREIGN LIABILITIES</b>	<b>14,489.0</b>	<b>12,853.1</b>	<b>9,671.0</b>	<b>9,568.8</b>
<b>Notes &amp; coin in circulation (including vault cash)</b>	<b>43,375.2</b>	<b>37,325.6</b>	<b>36,678.0</b>	<b>36,436.5</b>
<b>Due to banks</b>	<b>9,430.7</b>	<b>7,436.5</b>	<b>4,555.2</b>	<b>8,746.1</b>
– current accounts	9,427.0	7,390.5	4,518.4	8,746.1
– required reserves	3.7	46.0	36.9	0.0
– open market operations (reverse repos)	0.0	0.0	0.0	0.0
– other	0.0	0.0	0.0	0.0
<b>Due to non-bank financial institutions</b>	<b>148.6</b>	<b>25.7</b>	<b>9.3</b>	<b>13.1</b>
<b>Due to general government</b>	<b>7,040.2</b>	<b>11,510.5</b>	<b>8,128.6</b>	<b>8,198.9</b>
– central government	5,561.4	10,741.5	7,368.3	7,459.8
– general government special-purpose funds	1,478.9	769.0	760.3	739.1
<b>Due to non-financial sector, zloty</b>	<b>2.3</b>	<b>2.8</b>	<b>2.7</b>	<b>2.5</b>
– corporates	0.1	0.1	0.1	0.1
demand	0.1	0.1	0.1	0.1
time	0.0	0.0	0.0	0.0
– persons	2.2	2.7	2.6	2.4
<b>Securities issued and outstanding</b>	<b>24,694.0</b>	<b>29,178.8</b>	<b>37,968.8</b>	<b>33,272.0</b>
<b>Registered equity &amp; reserve capital</b>	<b>1,548.2</b>	<b>1,548.2</b>	<b>1,548.2</b>	<b>1,548.2</b>
<b>Other liabilities &amp; capital</b>	<b>49,497.0</b>	<b>50,944.6</b>	<b>49,063.6</b>	<b>48,247.1</b>
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>150,225.3</b>	<b>150,825.8</b>	<b>147,625.4</b>	<b>146,033.3</b>

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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
119,680.0	120,044.6	120,981.4	118,024.2	118,739.0	122,264.6	129,064.2	125,649.3	120,704.0
7,495.2	6,859.2	6,729.8	6,670.5	6,652.2	6,791.7	6,517.8	6,534.4	6,870.4
361.3	358.6	358.6	354.4	357.8	370.8	334.8	319.7	296.1
87.2	88.4	90.6	81.1	79.4	81.2	72.4	72.1	69.7
7,045.2	6,410.6	6,279.0	6,233.5	6,213.4	6,338.1	6,109.1	6,141.0	6,503.1
131.6	94.9	68.6	31.2	11.2	0.0	20.2	52.3	65.8
598.0	0.0	0.0	0.0	0.0	220.0	0.0	0.0	466.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5,033.4	5,033.4	4,928.3	4,920.5	4,920.5	4,836.6	4,807.5	4,807.5	4,689.8
1,282.1	1,282.3	1,282.1	1,281.9	1,281.7	1,281.5	1,281.4	1,281.2	1,281.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
71.8	71.1	71.5	71.0	71.4	72.7	74.4	71.8	68.1
46.1	45.8	46.3	46.0	46.7	48.7	50.5	48.5	45.2
25.7	25.3	25.2	25.0	24.7	24.0	23.9	23.3	22.9
19,290.7	19,410.9	19,545.4	19,333.1	19,343.2	18,994.9	18,501.3	18,174.5	16,994.8
286.7	281.8	274.1	262.5	260.4	260.5	260.5	257.6	250.2
19,004.0	19,129.1	19,271.4	19,070.7	19,082.7	18,734.5	18,240.7	17,916.9	16,744.7
4,439.3	4,625.2	4,322.2	2,828.8	2,714.9	2,448.5	2,351.9	2,082.5	1,810.0
150,977.0	151,011.0	151,650.3	146,927.6	147,520.7	150,572.5	156,509.5	152,512.5	146,447.3
9,301.7	9,911.5	8,607.0	7,975.5	8,152.3	8,654.8	8,469.4	8,765.7	8,509.7
38,279.6	37,688.5	38,970.9	39,082.0	38,327.8	38,440.9	38,293.1	37,204.5	38,564.1
11,037.1	9,967.9	12,866.2	14,542.9	12,226.5	12,672.8	12,153.2	8,836.7	10,209.6
11,037.1	9,967.9	12,866.2	14,542.9	12,226.5	12,672.8	12,153.2	8,836.7	10,209.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
168.3	5.0	2.2	4.2	236.9	15.7	4.5	8.9	41.9
6,741.1	5,686.5	2,321.6	3,257.2	5,998.3	6,164.6	12,360.2	13,086.3	9,774.1
6,292.8	5,076.6	1,855.6	2,784.4	5,642.7	5,636.5	11,886.7	12,502.0	8,783.3
448.3	609.9	466.0	472.8	355.6	528.1	473.5	584.2	990.8
2.5	2.4	2.1	2.1	2.1	2.4	2.2	2.3	2.3
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4	2.3	2.0	2.0	2.0	2.3	2.1	2.2	2.2
30,178.4	33,172.5	34,177.7	31,071.8	32,193.4	29,181.4	30,004.0	33,637.3	33,738.1
1,548.2	1,548.2	1,594.2	1,594.2	1,594.2	1,594.2	1,594.2	1,594.2	1,594.2
53,720.1	53,028.6	53,108.4	49,397.7	48,789.2	53,845.7	53,628.7	49,376.7	44,013.4
150,977.0	151,011.0	151,650.3	146,927.6	147,520.7	150,572.5	156,509.5	152,512.5	146,447.3

TABLE VIII. The Banking System: Commercial Banks & NBP – Assets (million zloty)

	1999		2000	
	XII	I	II	III
<b>FOREIGN ASSETS</b>	<b>153,014.7</b>	<b>153,119.5</b>	<b>149,233.0</b>	<b>151,549.9</b>
<b>Due from banks</b>	<b>51,076.1</b>	<b>53,041.5</b>	<b>51,379.6</b>	<b>57,065.1</b>
– vault cash	5,292.5	3,809.7	3,539.8	3,479.1
– due to banks from NBP	9,430.0	7,305.6	4,393.4	8,804.6
– due to banks from other banks	29,272.7	34,861.3	35,399.9	37,876.4
– due to NBP from banks	7,080.8	7,064.9	8,046.6	6,905.0
<b>Due from non-bank financial institutions</b>	<b>6,818.7</b>	<b>6,981.8</b>	<b>7,588.2</b>	<b>7,968.3</b>
– due to banks	6,818.7	6,981.8	7,588.2	7,968.3
– due to NBP	0.0	0.0	0.0	0.0
<b>Due from general government</b>	<b>11,262.9</b>	<b>10,739.6</b>	<b>10,218.0</b>	<b>9,154.3</b>
– central government	6,107.3	5,706.0	5,362.1	4,344.1
– local government	2,753.5	2,765.4	2,746.0	2,709.7
– special-purpose funds	2,402.1	2,268.2	2,109.9	2,100.5
<b>Due from non-financial sector</b>	<b>166,642.7</b>	<b>169,981.9</b>	<b>171,024.8</b>	<b>173,128.4</b>
– corporates	130,049.4	133,182.8	133,793.3	134,636.5
– persons	36,593.3	36,799.1	37,231.5	38,491.9
<b>Securities purchased under agreements to resell</b>	<b>86.4</b>	<b>41.1</b>	<b>377.9</b>	<b>489.6</b>
<b>Securities</b>	<b>103,838.3</b>	<b>106,666.3</b>	<b>113,094.7</b>	<b>108,928.5</b>
– issued by banks	25,489.7	29,907.1	38,487.0	33,611.4
– issued by non-bank financial institutions	674.9	565.4	680.2	703.7
– issued by general government	74,537.1	72,736.0	70,399.9	71,054.8
of which: issued by Treasury	74,078.7	72,241.2	69,920.5	70,551.1
– issued by non-financial sector	2,987.6	3,300.3	3,358.1	3,397.0
– rights issues, units in trust funds and investment funds	149.0	157.5	169.5	161.6
<b>Other assets</b>	<b>38,401.0</b>	<b>46,041.8</b>	<b>47,788.3</b>	<b>48,231.6</b>
<b>TOTAL ASSETS</b>	<b>531,140.8</b>	<b>546,613.6</b>	<b>550,704.5</b>	<b>556,515.8</b>

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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
157,647.5	157,171.8	160,020.8	158,113.1	155,338.3	160,639.0	176,879.4	174,618.5	167,617.9
58,221.5	58,900.6	61,558.4	65,639.2	62,605.9	65,797.5	69,802.4	63,293.3	65,211.2
3,660.1	3,728.1	3,854.9	3,993.6	3,780.1	3,751.4	4,207.7	3,659.1	4,451.4
10,724.0	10,030.7	12,953.3	14,547.3	12,245.2	12,695.2	12,153.1	8,836.6	10,209.4
36,342.1	38,282.7	38,020.5	40,427.8	39,928.4	42,559.2	46,923.7	44,263.2	43,679.9
7,495.2	6,859.2	6,729.8	6,670.5	6,652.2	6,791.7	6,517.8	6,534.4	6,870.4
8,074.8	8,137.6	8,602.8	8,524.2	8,497.0	8,655.9	8,857.1	8,760.3	8,805.6
8,074.8	8,137.6	8,602.8	8,524.2	8,497.0	8,655.9	8,857.1	8,760.3	8,805.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8,911.5	8,008.1	8,031.4	8,112.1	8,067.7	6,696.4	7,658.2	8,356.5	6,858.5
4,069.5	2,974.5	2,907.9	2,298.6	2,018.9	923.4	1,282.6	1,500.3	1,718.4
2,703.8	2,761.3	2,861.2	2,938.0	3,056.5	3,137.2	3,395.6	3,861.1	4,551.0
2,138.1	2,272.4	2,262.3	2,875.5	2,992.2	2,635.7	2,979.9	2,995.1	589.1
176,647.9	179,101.1	191,672.8	184,136.2	187,195.4	191,704.5	194,842.2	196,082.1	194,165.1
137,532.0	138,511.5	140,859.7	140,932.4	142,926.5	146,115.6	148,208.1	148,875.2	145,976.6
39,115.9	40,589.6	50,813.2	43,203.7	44,268.9	45,588.9	46,634.0	47,206.9	48,188.5
206.7	636.0	563.2	271.9	1,373.3	689.4	398.0	1,247.7	420.5
106,945.5	110,844.3	109,953.0	106,570.3	109,718.7	112,516.4	107,563.2	109,958.0	109,550.9
30,505.5	33,377.0	34,377.3	31,407.8	32,680.3	29,746.3	30,632.0	34,249.7	34,185.1
649.5	779.1	884.3	910.0	1,240.8	1,468.1	1,419.4	1,465.3	1,243.8
72,233.0	73,317.3	70,942.9	70,269.9	71,629.9	76,748.7	70,796.1	69,608.5	69,826.0
71,708.9	72,808.0	70,450.6	69,771.0	71,141.0	76,134.9	70,161.3	68,919.4	69,028.0
3,392.2	3,136.8	3,461.4	3,634.3	3,599.0	3,439.6	3,566.5	3,506.4	3,587.2
165.3	234.2	287.0	348.4	568.6	1,113.6	1,149.2	1,128.1	708.8
47,151.9	50,735.8	53,073.0	49,402.6	50,206.5	49,836.9	54,143.3	53,681.6	46,506.0
563,807.2	573,535.4	593,475.6	580,769.7	583,002.8	596,535.9	620,143.7	615,997.9	599,135.6

cont. TABLE VIII. The Banking System: Commercial Banks & NBP – Liabilities & Capital (million zloty)

	1999		2000	
	XII	I	II	III
<b>FOREIGN LIABILITIES</b>	<b>42,296.6</b>	<b>41,028.4</b>	<b>37,015.7</b>	<b>36,093.7</b>
Notes & coin in circulation (including vault cash)	43,375.2	37,325.6	36,678.0	36,436.5
<b>Due to banks</b>	<b>45,462.8</b>	<b>49,011.8</b>	<b>47,608.0</b>	<b>53,212.8</b>
– due from banks to NBP	7,010.0	6,999.4	7,980.2	6,830.1
– due from banks to other banks	29,022.1	34,575.9	35,072.6	37,636.6
– due from NBP to banks	9,430.7	7,436.5	4,555.2	8,746.1
<b>Due to non-bank financial institutions</b>	<b>7,452.5</b>	<b>6,705.6</b>	<b>7,276.0</b>	<b>7,508.0</b>
– banks	7,303.9	6,679.9	7,266.7	7,494.9
– NBP	148.6	25.7	9.3	13.1
<b>Due to general government</b>	<b>21,234.9</b>	<b>26,502.7</b>	<b>23,888.1</b>	<b>25,085.9</b>
– central government	10,798.8	16,013.8	12,226.9	12,976.5
– local government deposits	7,145.6	8,137.3	9,399.5	9,710.7
– special purpose funds	3,290.5	2,351.6	2,261.7	2,398.7
<b>Due to non-financial sector, zloty</b>	<b>178,521.7</b>	<b>175,552.5</b>	<b>177,621.0</b>	<b>179,836.4</b>
– corporates	54,433.8	46,344.4	45,310.3	45,072.5
demand	23,521.7	19,014.5	17,665.9	17,031.7
time	30,912.1	27,329.8	27,644.4	28,040.8
– persons	124,087.9	129,208.1	132,310.6	134,763.9
demand	25,431.1	25,927.7	26,493.9	26,655.0
time	98,656.8	103,280.5	105,816.7	108,108.9
<b>Due to non-financial sector, foreign currency</b>	<b>38,683.6</b>	<b>38,766.5</b>	<b>39,056.9</b>	<b>40,958.4</b>
– corporates	8,330.1	7,664.5	8,271.2	10,748.1
demand	3,056.5	3,044.6	3,088.4	3,152.9
time	5,273.6	4,619.9	5,182.8	7,595.2
– persons	30,353.5	31,102.0	30,785.7	30,210.3
demand	8,099.6	8,218.1	8,048.6	7,965.6
time	22,253.9	22,883.9	22,737.1	22,244.7
<b>Securities sold under agreements to repurchase</b>	<b>209.7</b>	<b>192.5</b>	<b>429.9</b>	<b>584.6</b>
<b>Securities issued and outstanding</b>	<b>25,891.9</b>	<b>30,318.0</b>	<b>39,259.5</b>	<b>34,566.9</b>
<b>Core capital</b>	<b>27,157.6</b>	<b>27,079.1</b>	<b>27,218.5</b>	<b>27,635.8</b>
<b>Supplementary funds</b>	<b>3,048.5</b>	<b>3,047.4</b>	<b>3,012.2</b>	<b>3,024.1</b>
<b>Other liabilities &amp; capital</b>	<b>97,805.7</b>	<b>111,083.5</b>	<b>111,640.8</b>	<b>111,572.8</b>
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>531,140.8</b>	<b>546,613.6</b>	<b>550,704.5</b>	<b>556,515.8</b>



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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
37,508.3	38,248.7	37,707.5	36,265.3	35,483.7	38,212.7	37,638.6	36,657.7	35,572.2
38,279.6	37,688.5	38,970.9	39,082.0	38,327.8	38,440.9	38,293.1	37,204.5	38,564.1
54,525.5	54,930.4	57,203.8	61,309.3	58,551.7	61,818.0	65,488.0	59,436.8	60,557.6
7,430.6	6,792.2	6,659.4	6,600.4	6,600.6	6,732.7	6,448.1	6,464.9	6,800.4
36,057.8	38,170.2	37,678.2	40,166.1	39,724.6	42,412.5	46,886.7	44,135.2	43,547.6
11,037.1	9,967.9	12,866.2	14,542.9	12,226.5	12,672.8	12,153.2	8,836.7	10,209.6
7,743.2	7,562.7	16,112.2	6,404.3	7,373.1	6,890.0	8,650.9	8,900.7	8,397.4
7,575.0	7,557.7	16,110.1	6,400.1	7,136.2	6,874.3	8,646.4	8,891.8	8,355.5
168.3	5.0	2.2	4.2	236.9	15.7	4.5	8.9	41.9
23,645.2	23,808.5	20,370.2	21,720.9	24,066.2	25,569.6	32,464.3	32,479.7	25,926.2
12,381.3	11,858.5	8,704.8	10,203.3	12,521.8	12,950.3	19,564.6	19,986.4	15,254.9
9,246.7	9,714.3	9,471.2	9,328.0	9,440.8	10,232.6	10,208.4	9,467.5	7,472.5
2,017.2	2,235.7	2,194.2	2,189.6	2,103.6	2,386.7	2,691.3	3,025.8	3,198.8
181,508.7	184,430.5	189,274.4	190,751.9	191,666.2	194,330.9	199,238.0	203,823.9	208,762.4
44,633.7	46,396.1	47,675.7	48,657.8	48,385.9	49,248.6	51,211.3	52,913.2	54,722.2
16,723.2	18,152.1	18,282.5	18,720.3	19,146.3	18,067.1	18,692.2	19,305.9	21,096.3
27,910.5	28,243.9	29,393.2	29,937.5	29,239.6	31,181.5	32,519.1	33,607.3	33,625.9
136,875.0	138,034.5	141,598.7	142,094.1	143,280.3	145,082.3	148,026.8	150,910.7	154,040.3
27,159.5	26,853.1	29,385.1	27,514.7	27,145.6	26,957.9	26,240.0	26,377.3	26,578.2
109,715.5	111,181.4	112,213.6	114,579.4	116,134.7	118,124.4	121,786.8	124,533.4	127,462.0
41,138.6	41,981.5	42,525.5	43,260.9	42,694.6	43,030.2	43,826.6	43,109.5	41,323.7
9,185.8	9,825.5	9,902.8	10,802.8	9,885.5	9,171.8	8,916.3	9,069.1	8,607.9
2,899.4	3,314.8	3,361.8	3,391.6	3,793.3	3,323.3	3,600.2	3,658.8	3,476.2
6,286.4	6,510.7	6,541.0	7,411.2	6,092.2	5,848.5	5,316.1	5,410.3	5,131.7
31,952.7	32,156.0	32,622.7	32,458.1	32,809.1	33,858.4	34,910.3	34,040.4	32,715.8
8,375.8	8,285.8	8,328.6	8,157.3	8,160.7	8,257.8	8,302.4	8,025.0	7,774.0
23,577.0	23,870.2	24,294.1	24,300.8	24,648.4	25,600.6	26,607.8	26,015.5	24,941.8
243.9	749.7	728.7	440.4	1,441.7	868.0	566.5	1,303.1	323.0
31,251.9	34,291.6	35,230.4	32,159.8	33,355.3	30,350.8	31,289.4	35,061.3	35,232.9
28,099.3	28,875.4	30,380.9	30,709.9	30,744.1	30,888.2	31,017.1	31,143.1	31,737.7
3,141.5	3,157.8	3,120.5	3,344.8	3,352.4	3,457.8	3,465.1	3,513.9	3,487.5
116,721.4	117,810.1	121,850.5	115,320.1	115,945.9	122,678.9	128,206.0	123,363.7	109,250.9
563,807.2	573,535.4	593,475.6	580,769.7	583,002.8	596,535.9	620,143.7	615,997.9	599,135.6

TABLE IX. Monetary Aggregates (million zloty)

	1999		2000	
	XII	I	II	III
1. Notes & coin in circulation (including vault cash)	43,375.2	37,325.6	36,678.0	36,436.5
2. Current accounts of the banks	9,427.0	7,390.5	4,518.4	8,746.1
3. Required reserves	3.7	46.0	36.9	0.0
<b>M0 (1+2+3)</b>	<b>52,806.0</b>	<b>44,762.1</b>	<b>41,233.2</b>	<b>45,182.6</b>
4. Notes & coin in circulation (excluding vault cash)	38,082.7	33,515.8	33,138.2	32,957.4
5. Demand deposits	61,296.8	57,131.1	56,270.6	56,142.2
zloty	46,093.2	41,856.0	41,192.7	41,142.1
– persons	21,415.5	21,967.1	22,592.3	22,803.0
– non-financial corporates	23,521.7	19,014.5	17,665.9	17,031.7
– non-bank financial institutions	1,155.9	874.4	934.5	1,307.4
foreign currency	11,188.1	11,314.5	11,176.3	11,148.2
– persons	8,099.6	8,218.1	8,048.6	7,965.6
– non-financial corporates	3,056.5	3,044.6	3,088.4	3,152.9
– non-bank financial institutions	32.0	51.9	39.3	29.7
savings books (sight)	4,015.6	3,960.6	3,901.6	3,852.0
<b>M1 (4+5 )</b>	<b>99,379.5</b>	<b>90,646.9</b>	<b>89,408.8</b>	<b>89,099.6</b>
6. Time deposits & deposits on hold	164,066.4	164,607.6	168,379.9	172,866.8
zloty	134,901.4	135,527.1	138,903.8	141,358.5
– persons	98,008.1	102,706.8	105,268.7	107,612.1
– non-financial corporates	31,394.1	27,810.2	28,118.7	28,566.3
– non-bank financial institutions	5,499.1	5,010.0	5,516.4	5,180.1
foreign currency	28,509.5	28,500.1	28,923.2	31,006.7
– persons	22,247.0	22,877.1	22,732.1	22,239.9
– non-financial corporates	5,497.1	4,853.7	5,405.2	7,775.9
– non-bank financial institutions	765.4	769.3	785.9	990.9
savings certificates and certificates of deposit (non-negotiable)	655.5	580.4	553.0	501.6
– zloty	648.7	573.7	548.0	496.8
– foreign currency	6.9	6.8	5.0	4.8
7. Repurchase transactions	2.7	13.6	11.8	6.5
– with non-financial corporates	2.7	13.6	10.4	6.5
– with non-bank financial institutions	0.0	0.0	1.5	0.0
<b>M2 (M1+6+7)</b>	<b>263,448.7</b>	<b>255,268.2</b>	<b>257,800.6</b>	<b>261,972.9</b>

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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
38,279.6	37,688.5	38,970.9	39,082.0	38,327.8	38,440.9	38,293.1	37,204.5	38,564.1
11,037.1	9,967.9	12,866.2	14,542.9	12,226.5	12,672.8	12,153.2	8,836.7	10,209.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
49,316.7	47,656.4	51,837.2	53,624.8	50,554.4	51,113.7	50,446.3	46,041.2	48,773.7
34,619.5	33,960.4	35,116.0	35,088.4	34,547.7	34,689.5	34,085.4	33,545.4	34,112.7
56,316.4	57,876.0	61,970.4	58,668.6	59,343.9	57,353.9	57,771.3	58,320.9	59,735.7
41,139.7	42,415.9	46,400.2	43,224.0	43,542.4	42,025.4	42,182.4	42,976.9	44,640.2
23,307.8	23,025.4	25,534.2	23,655.5	23,344.0	23,235.5	22,587.9	22,767.5	22,756.9
16,723.2	18,152.1	18,282.5	18,720.3	19,146.3	18,067.1	18,692.2	19,305.9	21,096.3
1,108.8	1,238.3	2,583.5	848.2	1,052.1	722.8	902.3	903.6	787.0
11,324.9	11,632.5	11,719.4	11,585.4	11,999.9	11,606.1	11,936.8	11,734.1	11,274.1
8,375.8	8,285.8	8,328.6	8,157.3	8,160.7	8,257.8	8,302.4	8,025.0	7,774.0
2,899.4	3,314.8	3,361.8	3,391.6	3,793.3	3,323.3	3,600.2	3,658.8	3,476.2
49.7	31.9	28.9	36.4	45.8	25.0	34.1	50.3	23.9
3,851.7	3,827.6	3,850.9	3,859.2	3,801.7	3,722.4	3,652.1	3,609.9	3,821.3
90,935.9	91,836.4	97,086.5	93,757.0	93,891.6	92,043.4	91,856.6	91,866.3	93,848.4
174,833.1	176,889.0	187,790.7	183,385.9	183,978.1	188,538.3	195,585.3	199,289.1	200,627.5
143,266.5	145,003.0	154,649.0	149,452.0	151,105.6	154,957.3	161,504.6	165,861.9	168,565.7
109,259.5	110,735.1	111,787.4	114,192.5	115,768.6	117,777.8	121,440.3	124,206.6	127,134.1
28,460.7	28,821.1	30,182.9	30,524.4	29,838.5	31,792.1	33,160.1	34,376.7	34,475.5
5,546.3	5,446.7	12,678.7	4,735.1	5,498.5	5,387.4	6,904.2	7,278.5	6,956.1
31,105.8	31,435.4	32,711.1	33,543.1	32,502.6	33,230.7	33,730.5	33,097.1	31,730.6
23,572.3	23,865.8	24,289.7	24,296.8	24,644.6	25,596.9	26,604.2	26,012.1	24,938.5
6,495.1	6,723.8	7,600.3	8,461.6	7,081.3	6,879.0	6,316.1	6,416.7	6,161.7
1,038.5	845.8	821.1	784.6	776.6	754.8	810.2	668.3	630.3
460.7	450.7	430.6	390.8	370.0	350.4	350.2	330.2	331.2
456.0	446.3	426.3	386.8	366.1	346.7	346.5	326.8	327.9
4.7	4.4	4.3	4.0	3.8	3.7	3.7	3.4	3.3
6.5	6.4	2.7	2.2	2.2	2.2	2.4	2.4	2.6
6.5	6.4	2.7	2.2	2.2	2.2	2.4	2.4	2.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
265,775.4	268,731.8	284,879.9	277,145.1	277,872.0	280,584.0	287,444.4	291,157.7	294,478.4

TABLE X. Consolidated Balance Sheet of the Banking Sector (million zloty)

	1999	2000		
	XII	I	II	III
<b>TOTAL MONEY SUPPLY (M2)</b>	<b>263,448.7</b>	<b>255,268.2</b>	<b>257,800.6</b>	<b>261,972.9</b>
<b>A. Domestic money stocks</b>	<b>223,744.2</b>	<b>215,446.8</b>	<b>217,696.1</b>	<b>219,813.2</b>
1. Notes & coin in circulation (excluding vault cash)	38,082.7	33,515.8	33,138.2	32,957.4
– notes & coin in circulation (including vault cash)	43,375.2	37,325.6	36,678.0	36,436.5
– vault cash	5,292.5	3,809.7	3,539.8	3,479.1
2. Due to persons & corporates, zloty	185,661.5	181,930.9	184,557.9	186,855.8
persons	124,087.9	129,208.1	132,310.6	134,763.9
– demand	25,431.1	25,927.7	26,493.9	26,655.0
– time	98,656.8	103,280.5	105,816.7	108,108.9
corporates	61,573.6	52,722.8	52,247.2	52,092.0
– demand	24,677.7	19,888.9	18,600.4	18,339.1
– time	36,896.0	32,833.9	33,646.9	33,752.9
<b>B. Due to persons &amp; corporates, foreign currency</b>	<b>39,704.4</b>	<b>39,821.4</b>	<b>40,104.5</b>	<b>42,159.7</b>
1. Persons	30,353.5	31,102.0	30,785.7	30,210.3
2. Corporates	9,350.9	8,719.4	9,318.8	11,949.4
<b>NET FOREIGN ASSETS</b>	<b>110,718.0</b>	<b>112,091.1</b>	<b>112,217.3</b>	<b>115,456.2</b>
of which: in USD million	26,690.0	26,640.2	27,020.1	27,869.1
<b>NET DOMESTIC ASSETS</b>	<b>152,730.6</b>	<b>143,177.1</b>	<b>145,583.3</b>	<b>146,516.7</b>
<b>C. Due from persons &amp; corporates</b>	<b>175,938.3</b>	<b>179,577.5</b>	<b>181,444.9</b>	<b>184,044.0</b>
1. Persons	36,593.3	36,799.1	37,231.5	38,491.9
2. Corporates	139,345.0	142,778.4	144,213.4	145,552.1
<b>D. Net general government debt</b>	<b>64,565.1</b>	<b>56,972.9</b>	<b>56,729.8</b>	<b>55,123.3</b>
1. Due from central government	6,107.3	5,706.0	5,362.1	4,344.1
2. Due from special-purpose funds	2,402.1	2,268.2	2,109.9	2,100.5
3. Due from local government	2,753.5	2,765.4	2,746.0	2,709.7
4. Treasury securities	74,078.7	72,241.2	69,920.5	70,551.1
of which:				
– Treasury bills	16,227.0	14,143.6	13,126.6	12,076.1
– zloty-denominated 1-year Treasury bonds	81.3	88.8	169.7	110.3
– other zloty-denominated Treasury bonds	45,675.6	45,652.4	44,076.7	45,833.6
– dollar-denominated Treasury bonds	12,094.8	12,356.4	12,547.5	12,531.0
5. Local government securities	458.4	494.8	479.4	503.7
6. Due to central government	10,798.8	16,013.8	12,226.9	12,976.5
7. Due to special-purpose funds	3,290.5	2,351.6	2,261.7	2,398.7
8. Due to local government	7,145.6	8,137.3	9,399.5	9,710.7
<b>E. Other items (net)</b>	<b>-87,772.9</b>	<b>-93,373.3</b>	<b>-92,591.4</b>	<b>-92,650.5</b>

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2000								
IV	V	VI	VII	VIII	IX	X	XI	XII
265,775.4	268,731.8	284,879.9	277,145.1	277,872.0	280,584.0	287,444.4	291,157.7	294,478.4
223,340.0	225,659.6	240,445.1	232,012.7	233,365.7	235,743.4	241,773.4	246,323.2	251,470.4
34,619.5	33,960.4	35,116.0	35,088.4	34,547.7	34,689.5	34,085.4	33,545.4	34,112.7
38,279.6	37,688.5	38,970.9	39,082.0	38,327.8	38,440.9	38,293.1	37,204.5	38,564.1
3,660.1	3,728.1	3,854.9	3,993.6	3,780.1	3,751.4	4,207.7	3,659.1	4,451.4
188,720.5	191,699.2	205,329.1	196,924.3	198,818.0	201,054.0	207,688.0	212,777.9	217,357.7
136,875.0	138,034.5	141,598.7	142,094.1	143,280.3	145,082.3	148,026.8	150,910.7	154,040.3
27,159.5	26,853.1	29,385.1	27,514.7	27,145.6	26,957.9	26,240.0	26,377.3	26,578.2
109,715.5	111,181.4	112,213.6	114,579.4	116,134.7	118,124.4	121,786.8	124,533.4	127,462.0
51,845.5	53,664.7	63,730.3	54,830.2	55,537.7	55,971.7	59,661.3	61,867.1	63,317.4
17,832.0	19,390.5	20,866.0	19,568.5	20,198.4	18,789.9	19,594.5	20,209.5	21,883.3
34,013.5	34,274.3	42,864.4	35,261.7	35,339.3	37,181.8	40,066.7	41,657.6	41,434.1
<b>42,435.4</b>	<b>43,072.3</b>	<b>44,434.8</b>	<b>45,132.4</b>	<b>44,506.2</b>	<b>44,840.5</b>	<b>45,671.0</b>	<b>44,834.5</b>	<b>43,008.0</b>
31,952.7	32,156.0	32,622.7	32,458.1	32,809.1	33,858.4	34,910.3	34,040.4	32,715.8
10,482.7	10,916.2	11,812.2	12,674.3	11,697.1	10,982.1	10,760.7	10,794.1	10,292.2
<b>120,139.1</b>	<b>118,923.0</b>	<b>122,313.4</b>	<b>121,847.8</b>	<b>119,854.5</b>	<b>122,426.3</b>	<b>139,240.9</b>	<b>137,960.8</b>	<b>132,045.7</b>
27,159.9	27,080.9	27,857.4	28,083.3	27,356.6	26,963.8	29,723.7	30,839.6	31,870.5
<b>145,636.2</b>	<b>149,808.8</b>	<b>162,566.6</b>	<b>155,297.3</b>	<b>158,017.4</b>	<b>158,157.7</b>	<b>148,203.5</b>	<b>153,196.9</b>	<b>162,432.7</b>
<b>187,595.3</b>	<b>189,975.7</b>	<b>203,427.3</b>	<b>195,917.4</b>	<b>199,165.6</b>	<b>204,104.3</b>	<b>207,325.3</b>	<b>208,467.0</b>	<b>206,349.8</b>
39,115.9	40,589.6	50,813.2	43,203.7	44,268.9	45,588.9	46,634.0	47,206.9	48,188.5
148,479.4	149,386.1	152,614.1	152,713.7	154,896.6	158,515.4	160,691.3	161,260.1	158,161.4
<b>57,499.3</b>	<b>57,517.0</b>	<b>58,604.1</b>	<b>56,661.0</b>	<b>55,631.4</b>	<b>57,875.5</b>	<b>45,989.9</b>	<b>45,485.3</b>	<b>50,758.3</b>
4,069.5	2,974.5	2,907.9	2,298.6	2,018.9	923.4	1,282.6	1,500.3	1,718.4
2,138.1	2,272.4	2,262.3	2,875.5	2,992.2	2,635.7	2,979.9	2,995.1	589.1
2,703.8	2,761.3	2,861.2	2,938.0	3,056.5	3,137.2	3,395.6	3,861.1	4,551.0
71,708.9	72,808.0	70,450.6	69,771.0	71,141.0	76,134.9	70,161.3	68,919.4	69,028.0
12,053.4	11,142.3	10,440.3	10,592.2	11,634.0	14,144.4	11,431.0	10,832.4	11,349.1
109.9	111.4	53.5	35.0	35.3	43.2	15.7	6.1	6.8
47,051.6	49,032.8	47,239.8	47,209.7	47,488.2	49,354.8	49,189.4	49,091.1	49,169.4
12,494.0	12,521.5	12,717.0	11,934.1	11,983.5	12,592.5	9,525.3	8,989.7	8,502.6
524.1	509.3	492.3	498.8	489.0	613.9	634.8	689.1	798.0
12,381.3	11,858.5	8,704.8	10,203.3	12,521.8	12,950.3	19,564.6	19,986.4	15,254.9
2,017.2	2,235.7	2,194.2	2,189.6	2,103.6	2,386.7	2,691.3	3,025.8	3,198.8
9,246.7	9,714.3	9,471.2	9,328.0	9,440.8	10,232.6	10,208.4	9,467.5	7,472.5
<b>-99,458.4</b>	<b>-97,683.9</b>	<b>-99,464.8</b>	<b>-97,281.1</b>	<b>-96,779.5</b>	<b>-103,822.2</b>	<b>-105,111.7</b>	<b>-100,755.4</b>	<b>-94,675.4</b>

TABLE XI. Reserve Money Stocks and Counterparts to Changes in Money Stocks (million zloty)

	1999		2000	
	XII	I	II	III
<b>NET FOREIGN ASSETS</b>	<b>105,863.1</b>	<b>107,520.6</b>	<b>106,332.0</b>	<b>106,039.0</b>
<b>NET DOMESTIC ASSETS</b>	<b>-53,057.2</b>	<b>-62,758.5</b>	<b>-65,098.7</b>	<b>-60,856.4</b>
Due from financial institutions	7,080.8	7,064.9	8,046.6	6,905.0
Net general government debt	11,763.0	7,386.8	10,864.1	10,932.7
Due from non-financial sector	70.8	70.6	69.6	69.3
Other items (net)	-71,971.8	-77,280.9	-84,079.1	-78,763.5
<b>RESERVE MONEY</b>	<b>52,806.0</b>	<b>44,762.1</b>	<b>41,233.2</b>	<b>45,182.6</b>
Notes & coin in circulation (including vault cash)	43,375.2	37,325.6	36,678.0	36,436.5
Current accounts	9,427.0	7,390.5	4,518.4	8,746.1
Reserve requirements accounts	3.7	46.0	36.9	0.0
<b>Money multiplier</b>	<b>4.99</b>	<b>5.70</b>	<b>6.25</b>	<b>5.80</b>

TABLE XII. Poland: Balance of Payments on a Cash Basis (USD million)

	Q 1		Q 2	
	1999	2000	1999	2000
<b>A. CURRENT ACCOUNT</b>	<b>-2,243</b>	<b>-3,515</b>	<b>-2,758</b>	<b>-2,123</b>
<b>Trade balance</b>	<b>-2,821</b>	<b>-3,848</b>	<b>-3,360</b>	<b>-3,021</b>
Goods: exports	7,012	6,323	6,282	6,835
Goods: imports	9,833	10,171	9,642	9,856
<b>Services: net</b>	<b>-364</b>	<b>-548</b>	<b>-402</b>	<b>-441</b>
Services: credit	783	774	733	867
Services: debit	1,147	1,322	1,135	1,308
<b>Income: net</b>	<b>-235</b>	<b>-207</b>	<b>-133</b>	<b>-141</b>
Income: credit	501	522	517	606
Income: debit	736	729	650	747
of which: due and paid	734	725	648	746
<b>Current transfers: net</b>	<b>379</b>	<b>359</b>	<b>352</b>	<b>421</b>
Current transfers: credit	548	473	490	535
Current transfers: debit	169	114	138	114
<b>Unclassified transactions on current account: net</b>	<b>798</b>	<b>729</b>	<b>785</b>	<b>1,059</b>
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	<b>1,848</b>	<b>2,081</b>	<b>1,290</b>	<b>1,189</b>
<b>Capital account</b>	<b>18</b>	<b>-27</b>	<b>-6</b>	<b>8</b>
<b>Financial account</b>	<b>1,830</b>	<b>2,108</b>	<b>1,296</b>	<b>1,181</b>
<b>Direct investment: net</b>	<b>1,125</b>	<b>1,554</b>	<b>1,043</b>	<b>1,122</b>
Polish direct investment abroad	-1	-19	-41	-42
Foreign direct investment in Poland	1,126	1,573	1,084	1,164
<b>Portfolio investment: net</b>	<b>-289</b>	<b>2,442</b>	<b>33</b>	<b>212</b>
Polish portfolio investment abroad (assets)	-158	20	52	109
Equity securities	-147	-6	-11	-4
Debt securities	-11	26	63	113

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IV	V	VI	VII	VIII	IX	X	XI	XII
110,378.3	110,133.1	112,374.4	110,048.6	110,586.8	113,609.9	120,594.8	116,883.7	112,194.3
-61,061.6	-62,476.7	-60,537.2	-56,423.8	-60,032.4	-62,496.1	-70,148.4	-70,842.5	-63,420.5
7,495.2	6,859.2	6,729.8	6,670.5	6,652.2	6,791.7	6,517.8	6,534.4	6,870.4
12,262.9	13,442.6	16,949.8	15,813.5	13,084.4	12,569.9	5,880.6	4,830.7	6,970.6
71.8	71.1	71.5	71.0	71.4	72.7	74.4	71.8	68.1
-80,891.5	-82,849.6	-84,288.2	-78,978.8	-79,840.4	-81,930.5	-82,621.2	-82,279.3	-77,329.7
<b>49,316.7</b>	<b>47,656.4</b>	<b>51,837.2</b>	<b>53,624.8</b>	<b>50,554.4</b>	<b>51,113.7</b>	<b>50,446.3</b>	<b>46,041.2</b>	<b>48,773.7</b>
38,279.6	37,688.5	38,970.9	39,082.0	38,327.8	38,440.9	38,293.1	37,204.5	38,564.1
11,037.1	9,967.9	12,866.2	14,542.9	12,226.5	12,672.8	12,153.2	8,836.7	10,209.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>5.39</b>	<b>5.64</b>	<b>5.50</b>	<b>5.17</b>	<b>5.50</b>	<b>5.49</b>	<b>5.70</b>	<b>6.32</b>	<b>6.04</b>

Q 3		Q 4		4 Quarters	
1999	2000	1999	2000*	1999	2000*
-3,009	-2,252	-3,559	-2,088	-11,569	-9,978
-3,886	-3,339	-4,313	-2,957	-14,380	-13,165
6,214	7,167	6,839	7,931	26,347	28,256
10,100	10,506	11,152	10,888	40,727	41,421
-381	-335	-477	-360	-1,624	-1,684
866	937	928	938	3,310	3,516
1,247	1,272	1,405	1,298	4,934	5,200
-313	-74	-123	-374	-804	-796
402	574	479	733	1,899	2,435
715	648	602	1,107	2,703	3,231
712	647	600	1,105	2,694	3,223
418	417	455	483	1,604	1,680
549	534	622	620	2,209	2,162
131	117	167	137	605	482
1,153	1,079	899	1,120	3,635	3,987
2,061	1,424	3,054	3,051	8,253	7,745
-11	-13	46	45	47	13
2,072	1,437	3,008	3,006	8,206	7,732
2,467	900	1,713	4,592	6,348	8,168
-30	-37	-51	-25	-123	-123
2,497	937	1,764	4,617	6,471	8,291
-90	-75	1,795	190	1,449	2,769
63	-287	55	430	12	272
-2	-9	-13	-4	-173	-23
65	-278	68	434	185	295

cont. TABLE XII. Poland: Balance of Payments on a Cash Basis (USD million)

	Q 1		Q 2	
	1999	2000	1999	2000
Foreign portfolio investment in Poland (liabilities)	-131	2,422	-19	103
Equity securities	-67	406	-10	-199
Debt securities	-64	2,016	-9	302
<b>Other investment: net</b>	<b>994</b>	<b>-1,888</b>	<b>220</b>	<b>-153</b>
<b>Polish assets</b>	<b>578</b>	<b>-542</b>	<b>12</b>	<b>-138</b>
Long-term credits extended	32	47	-40	16
Drawings	31	32	59	51
Repayments	63	79	19	67
Short-term credits extended	2	-2	11	5
Drawings	17	29	7	56
Repayments	19	27	18	61
Other assets	544	-587	41	-159
Currency and deposits	531	-604	40	-155
Other	13	17	1	-4
<b>Polish liabilities</b>	<b>416</b>	<b>-1,346</b>	<b>208</b>	<b>-15</b>
Long-term credits received	-76	27	559	55
Drawings	555	708	890	678
Repayments	631	681	331	623
of which: due and paid	622	680	331	623
Short-term credits received	16	-43	151	4
Drawings	65	201	231	71
Repayments	49	244	80	67
Other liabilities	476	-1,330	-502	-74
Currency and deposits	476	-1,330	-502	-74
Other	0	0	0	0
<b>C. NET ERRORS AND OMISSIONS</b>	<b>1,247</b>	<b>870</b>	<b>834</b>	<b>739</b>
<b>OVERALL BALANCE</b>	<b>852</b>	<b>-564</b>	<b>-634</b>	<b>-195</b>
<b>D. FINANCING OF OVERALL BALANCE</b>	<b>-852</b>	<b>564</b>	<b>634</b>	<b>195</b>
Official reserve assets	-848	567	639	198
Credits from IMF	0	0	0	0
Exceptional financing	-4	-3	-5	-3
* Preliminary data				

TABLE XIII. Poland: Official Reserve Assets (USD million)

	1999			
	I Quarter	II Quarter	III Quarter	IV Quarter
Official reserve assets <sup>1</sup>	28,609.7	27,384.1	27,892.4	27,313.7
Monetary gold	923.8	862.9	988.4	959.4
SDR	240.8	237.7	250.4	247.2
Foreign exchange	27,445.1	26,283.5	26,653.6	26,107.1
<sup>1</sup> As of the end of quarter				



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Q 3		Q 4		4 Quarters	
1999	2000	1999	2000*	1999	2000*
-153	212	1,740	-240	1,437	2,497
42	280	920	147	885	634
-195	-68	820	-387	552	1,863
<b>-305</b>	<b>612</b>	<b>-500</b>	<b>-1,776</b>	<b>409</b>	<b>-3,205</b>
<b>-1,950</b>	<b>507</b>	<b>-1,331</b>	<b>-2,704</b>	<b>-2,691</b>	<b>-2,877</b>
-21	39	18	21	-11	123
79	58	29	30	198	171
58	97	47	51	187	294
5	-3	-5	28	13	28
12	43	17	44	53	172
17	40	12	72	66	200
-1,934	471	-1,344	-2,753	-2,693	-3,028
-1,937	469	-1,347	-2,756	-2,713	-3,046
3	2	3	3	20	18
<b>1,645</b>	<b>105</b>	<b>831</b>	<b>928</b>	<b>3,100</b>	<b>-328</b>
987	189	586	1,104	2,056	1,375
1,526	849	1,434	2,500	4,405	4,735
539	660	848	1,396	2,349	3,360
538	660	810	1,370	2,301	3,333
163	24	110	154	440	139
254	72	384	199	934	543
91	48	274	45	494	404
495	-108	135	-330	604	-1,842
496	-108	136	-330	606	-1,842
-1	0	-1	0	-2	0
<b>722</b>	<b>878</b>	<b>681</b>	<b>420</b>	<b>3,484</b>	<b>2,907</b>
<b>-226</b>	<b>50</b>	<b>176</b>	<b>1,383</b>	<b>168</b>	<b>674</b>
<b>226</b>	<b>-50</b>	<b>-176</b>	<b>-1,383</b>	<b>-168</b>	<b>-674</b>
226	-13	-176	-1,370	-159	-618
0	0	0	0	0	0
0	-37	0	-13	-9	-56

2000			
I Quarter	II Quarter	III Quarter	IV Quarter
26,240.4	25,986.1	25,415.7	27,463.9
914.8	952.7	904.8	901.5
244.6	246.4	238.8	242.5
25,081.0	24,787.0	24,272.1	26,319.9

TABLE XIV. Poland: External Debt as of March 28, 2001 (USD million)\*

Item	Stock at end of period				
	1996	1997	1998	1999	2000
<b>Monetary authorities</b>	<b>265</b>	<b>792</b>	<b>925</b>	<b>1,844</b>	<b>436</b>
OTHER INVESTMENT	265	792	925	1,844	436
Loans	78	58	32	23	15
Currency and deposits <sup>1</sup>	187	734	893	1,821	421
<b>Central and local government<sup>2</sup></b>	<b>36,271</b>	<b>34,402</b>	<b>34,098</b>	<b>32,124</b>	<b>32,995</b>
DEBT SECURITIES <sup>3, 4</sup>	7,562	7,818	7,037	6,925	9,250
Bonds and notes <sup>5</sup>	6,884	7,343	6,672	6,779	9,092
Money-market instruments	678	475	365	146	158
OTHER INVESTMENT	28,709	26,584	27,061	25,199	23,745
Loans	28,708	26,584	27,061	25,199	23,745
Other liabilities	1	0	0	0	0
<b>Banks</b>	<b>2,518</b>	<b>3,683</b>	<b>5,131</b>	<b>6,553</b>	<b>6,122</b>
LOANS FROM DIRECT INVESTORS (INTERCOMPANY LOANS)	87	141	160	139	200
DEBT SECURITIES	200	488	236	10	110
Bonds and notes	200	306	215	10	110
Money-market instruments	0	182	21	0	0
OTHER INVESTMENT	2,231	3,054	4,735	6,404	5,812
Loans	488	1,104	2,084	3,681	3,595
Currency and deposits <sup>6</sup>	1,685	1,950	2,651	2,723	2,217
Other liabilities	58	0	0	0	0
<b>Other sectors</b>	<b>8,487</b>	<b>10,771</b>	<b>19,009</b>	<b>24,331</b>	<b>27,964</b>
LOANS FROM DIRECT INVESTORS (INTERCOMPANY LOANS)	2,681	4,326	6,218	7,097	8,069
DEBT SECURITIES	107	347	1,416	2,272	2,933
Bonds and notes	31	325	1,328	2,249	2,832
Money-market instruments	76	22	88	23	101
OTHER INVESTMENT	5,699	6,098	11,375	14,962	16,962
Trade credits <sup>6, 7</sup>	2,197	1,862	3,560	5,135	5,035
Loans	3,502	4,236	7,815	9,782	11,884
Other liabilities				45	43
<b>TOTAL EXTERNAL DEBT</b>	<b>47,541</b>	<b>49,648</b>	<b>59,163</b>	<b>64,852</b>	<b>67,517</b>
of which:					
Long-term	42,572	44,541	50,746	53,794	58,759
Short-term <sup>6</sup>	4,969	5,107	8,417	11,058	8,758

\* Compiled in compliance with the requirements of international organisations (IMF, OECD, World Bank), which are described in "Methodological Notes".

<sup>1</sup> In May 2000 previously presented category "Gross Official Reserves" was replaced with the category "Official Reserve Assets". The difference between the two is reflected in repo transactions presentation. "Gross Official Reserves" comprised net repo transactions, i.e. the difference between assets and liabilities sides of repos, while "Official Reserve Assets" include only assets side of repos. As a consequence of this change, the stock of the liabilities side repos is presented under "Current accounts and deposits". For comparison, previous years data have been adjusted accordingly. See also: "Methodological Notes".

<sup>2</sup> From 1999 data were adjusted to include external debt of local government.

<sup>3</sup> From 1999 – the stock of securities issued in domestic market (Treasury bonds and Treasury bills) – according to Ministry of Finance information “Zadłużenie Skarbu Państwa”.

<sup>4</sup> The stock of securities issued on international markets (Brady bonds and Eurobonds) was adjusted with the stock of such securities held by Polish residents.

<sup>5</sup> The stock of external debt of local government at the end of III quarter of 2000 was also shown for the end of 2000.

<sup>6</sup> Since information on the breakdown by maturity on trade credits, and currency and deposits is not available the total amount was included in short-term debt. <sup>7</sup> In March 1999, regulations imposing reporting obligations on non-residents with regard to information for the balance of payments and international investment position purposes were changed. The scope of reporting units was extended, and penalties for noncompliance introduced. In this context, the NBP has received data from units not covered by the reporting obligation in the past. Accordingly, the figure for outstanding trade credits for 1998-1999 has changed. Since it was not possible to adjust data for 1996-1997, adjusted time series are presented for 1998-1999.

## Methodological notes

### TABLE I. Basic Economic Data

The data included in Table I have been taken from the Statistical Bulletin of the Central Statistical Office (GUS). The definitions related to the items in Table I are to be found in Central Statistical Office publications.

1. The data included in points 1, 2, 6, 7, 10 and 12 refer to all business organisations, irrespective of ownership rights, whether belonging to the public or private sector (the public sector comprises business undertakings constituting the state property of local government institutions and also those of mixed equity, with a majority public sector interest).

2. The term "corporate sector" comprises organisations conducting economic activity in forestry, logging and related service activities; marine fisheries; mining and quarrying; manufacturing; electricity, gas and water supply; construction; the wholesale and retail trades; repair of motor vehicles, and personal and household goods; hotel and restaurants; transport, storage and communication; real estate, renting of machinery and equipment without an operator; renting of personal and household goods; computer and related activities; other business activities; sewage and refuse disposal, sanitation and similar activities; recreational, cultural and sporting activities; and other service activities.

3. The term "industry" refers to the following sections of the Polish Classification of Economic Activity (PKD): Mining & Quarrying; Manufacturing; and Electricity, Gas & Water Supply.

4. Figures on industrial output (point 1), construction output (point 2), on the employed labour force, average employees in employment and average monthly employee earnings in the corporate sector (points 6,7 and 10):

- up to the end of 1999 – all refer to business organisations employing more than five persons,
- as of 2000 – all refer to business organisations employing more than nine persons.

**Note:** Growth indicators computed under comparable conditions.

5. Figures on industrial output (point 1) and construction output (point 2) are given net of VAT and excise duty, but inclusive of product subsidies to goods and services, using core (underlying) prices.

6. Figures on construction output (point 2) refer to works performed within Poland by construction companies, i.e., those classified in line with the NACE under the section "Construction".

7. Figures on industrial output (point 1) and construction output (point 2) are not seasonally adjusted, i.e., they refer to effective working time.

8. Figures on the labour force employed in the corporate sector (point 6) refer to the total at month end.

9. Figures on the number of unemployed (point 8) refer to persons registered as jobless at employment offices at month end.

10. The unemployment rate (point 9) represents the proportion of registered jobless in the civilian working population.

11. As of 1999, average gross monthly earnings have been increased to include the value of the compulsory social security contribution.

12. Since 1998, revenues from privatisation are excluded from current central government receipts, and instead are given as a source of financing for the fiscal deficit (point 11a).

13. The figures for corporate financial performance (point 12) refer mainly to business organisations maintaining books of account and required to complete quarterly statements on income, expense and profit/loss. Up until year end 1999, data on mining & quarrying and on manufacturing referred to organisations employing over 50 persons, whereas in other kinds of activity this qualification involved 20 employees. As of 2000, however, data on all kinds of activity refer to organisations employing more than 49 persons.

**Note:** Following the change in size classification of enterprises, the 1999 data have been adjusted accordingly.

## TABLE II. Financial Market – Basic Information

The source of the figures in Table II is the National Bank of Poland (with the exception of the data in points 15 and 16, which are provided by the Warsaw Stock Exchange).

1. Interest rates in Table II are presented on an annualised basis as obtaining at month end, except in points 12e and 13e, which give monthly average rates.

2. If two interest rates are given in one cell (point 3) it means that the first rate is on refinance loans for central government investment projects guaranteed by the Treasury. It is equal to the lombard rate. The second rate is 1 percentage point higher and is applicable to other refinance loans.

3. On 12 April 2000 Poland's Government in consultation with NBP Monetary Policy Council decided to float the exchange rate of the zloty. Crawling peg regime (see point 5), the band of admissible movements around the central exchange rate and the central rate were abandoned.

4. Rates on loans, zloty deposits and foreign currency deposits at the principal commercial banks (points 6, 7 and 8) refer to the rates quoted by the following banks:

- Powszechna Kasa Oszczędności Bank Polski SA,
- Bank Handlowy w Warszawie SA,
- Bank Śląski SA,
- Bank Przemysłowo-Handlowy SA,
- Wielkopolski Bank Kredytowy SA,
- Powszechny Bank Kredytowy SA,
- Bank Zachodni SA,

- BRE Bank SA,
- BIG Bank SA,
- BIG Bank Gdański SA,
- Bank Polska Kasa Opieki SA,
- Kredyt Bank SA,
- Bank Gospodarki Żywnościowej SA.

5. Rates on loans and deposits (points 6, 7 and 8) are given by reference to the minimum and maximum rates. (NB: Some banks only provide information on minimum lending and deposit rates).

6. Rates on loans (point 6) refer to corporate loans.

7. Rates on zloty deposits (point 7) refer to personal deposits.

8. Rates on foreign currency deposits at commercial banks (point 8) refer to accounts held in US dollars.

9. Data on interbank placements (point 9) refer to zloty deposits at resident banks. The ranges in particular periods are closed on the right side. The average length of placements and average interest rates are weighted according to the proportion of placements for particular maturities in the total value of placements. Since January 1998, the data have been supplied by banks listed in note 4 above and also by:

- Raiffeisen Centrobank SA,
- CITIBANK (Poland) SA,
- Bank Ochrony Środowiska SA,
- Bank Austria Creditanstalt Poland SA,
- ING Bank N.V. Warsaw Branch,
- Société Générale Succursale de Varsovie,
- Deutsche Bank Polska SA.

The data include:

- deposits placed by these banks with each other,
- deposits placed by these banks at other banks,
- deposits placed at these banks by other banks.

10. Total required reserves (point 11) refers the month-end values declared by the banks.

11. Figures for Treasury Bill tenders (point 12, excluding sub-point 12g) are taken from the tenders held during the given month. The average discount rates on bids accepted (sub-point 12e) and average yields on bills purchased (sub-point 12f) are weighted according to the proportion of bills of particular maturities in the total value of bills purchased. The balance of bills outstanding at month end (sub-point 12g) is computed in consideration of maturities, calculated on the next day after the tender at which the bills were sold. The above balance does not comprise outstanding bills not sold at tender.

12. Figures for tenders for NBP money-market bills (point 13, excluding sub-point 13g) are taken from the tenders held during the given month. The average discount rates on bids accepted (sub-point 13e) and average yields on bills purchased (sub-point 13f) are weighted according to the proportion of bills of particular maturities in the total value of bills purchased.

13. The Warsaw Stock Exchange Index (sub-point 15d) and Warsaw Second-Tier Market Index (sub-point 16d) are calculated according to percentage changes in the

market values of listed companies. The market value of all companies on the first-tier market (for the former index) and second-tier market (for the latter index) is computed during each trading session (the total market capitalisation) and compared with the value at previous sessions. It has been assumed that the Warsaw Stock Exchange Index stood at 1,000 points during the first session of the Exchange on April 16, 1991, while the Warsaw Second-Tier Market Index stood at 1,000 points at year end 1994.

14. The P/E ratio (sub-points 15e and 16e) represents the ratio of market price to net earnings and is calculated as a multiple expressing the total average market capitalisation of listed companies in a given month to their combined net profits during the last twelve months for which financial data are available.

15. The turnover ratio (sub-points 15f and 16f) represents the ratio of the value of shares sold to the average market value of shares listed on the particular market in a given month.

### TABLE III. PLN/USD and PLN/EUR Daily Exchange Rates

The source of this information is the National Bank of Poland.

1. The NBP average exchange rate (fixing) is the official rate used for statistical and accounting purposes.

2. Average PLN/1USD and PLN/1EUR fixing rates and USD/EUR exchange rates are calculated as the arithmetic means of the average rates on particular days of the month.

**NB.** The figures in Tables IV-XI have been compiled using the data base available on June 22, 2001.

### TABLE IV. Weighted Average Zloty Deposit Rates at Commercial Banks

Weighted interest rates are calculated on the basis of the rates quoted by 15 banks. At year end 1999, these banks accounted for approximately 83% of deposits and 77% of loans within the entire Polish banking system. The banks in question are:

- Powszechna Kasa Oszczędności Bank Polski SA,
- Bank Handlowy w Warszawie SA,
- Bank Śląski SA,
- Bank Przemysłowo-Handlowy SA,
- Wielkopolski Bank Kredytowy SA,
- Powszechny Bank Kredytowy SA,
- Bank Zachodni SA,

- BRE Bank SA,
- BIG Bank SA,
- BIG Bank Gdański SA,
- Bank Polska Kasa Opieki SA,
- Kredyt Bank SA,
- Bank Gospodarki Żywnościowej SA,
- Raiffeisen Centrobank SA,
- CITIBANK (Poland) SA.

The data on interest rates at particular banks are derived from the standard bank reporting packages submitted to the NBP. The interest rate for a given category of deposit or loan has been taken to be:

- the minimum floating rate of interest,
- where there is no floating rate – the minimum fixed rate of interest.

Interest rates have been calculated as a weighted average. The weights applied represent the proportion attributable to particular banks in a given category in relation to all the banks within the above-mentioned reference group.

### TABLE V. Weighted Average Zloty Lending Rates at Commercial Banks

Cf. note to Table VI.

### General Remarks on Tables VI, VII and VIII

1. Figures refer to the balances of accounts at the end of particular months. They have been obtained from balance sheet information provided by the banks under the "Bank Reporting System" (BIS) introduced in January 1997.

2. Tables VI, VII and VIII present gross assets, i.e., with no deduction of provisions, accumulated depreciation or valuation allowances.

3. "**Non-bank financial institutions**" are insurance companies (excluding the Social Insurance Authority and Farmers' Social Insurance Boards, which are included in the general government sector), investment funds, trust funds and other financial institutions, i.e., stock exchanges, brokerage houses not owned by banks, bureaux de change, post offices, trust fund companies, financial regulatory agencies (e.g., the Securities and Exchange Commission – KPW), and financial support institutions (e.g., the National Securities Depository – KDPW, and clearing houses and centres), leasing companies, and also funds and foundations supplying financial services. In the new system of bank reporting, non-bank financial institutions represent a separate subsection of the financial sector.



4. The term **"general government sector"** refers to central government, local government and special purpose funds of the two.

5. The term **"non-financial sector"** refers to the organisations and persons listed in points 6 and 7.

6. The term **"corporates"** under **"non-financial sector"** refers to state enterprises and state-owned companies, registered companies, partnerships and cooperatives, sole proprietors, private farmers and other non-financial organisations, i.e., non-financial funds and foundations, agencies, trade unions, associations, political parties, churches, religious groups, etc.

7. The term **"persons"** refers to natural persons who are not private farmers or sole proprietors.

8. The terms **"foreign assets/foreign liabilities"** comprise amounts due from or to non-residents, in both convertible and non-convertible currencies and also in zloty, excluding the equity and supplementary capital of banks paid in by foreign parties, which – according to guidelines provided to the banks – are to be treated on a par with capital paid in by residents. The **"foreign assets/foreign liabilities"** in this *Report* comprise the same scope as those in *Reports* published earlier. All items other than **"foreign assets/foreign liabilities"** presented in the tables represent transactions conducted with residents.

9. The term **"due from"** refers to loans and advances in zloty and foreign currency, purchased debts, claims arising on the performance of guarantees and endorsements, extraordinary operations, and other claims and interest outstanding.

10. **"Securities purchases/sold under agreements to resell/repurchase"** represent loans or placements made, or borrowings or deposits taken, collateralised by securities. The above items do not comprise transactions between the commercial banks and the central bank, which are shown as **"due from/to NBP"**.

11. The term **"due to"** includes demand deposits (including personal sight savings books), time deposits and deposits on hold, savings certificates and certificates of deposit (non-negotiable) held by personal customers, escrow accounts, brokerage accounts at bank brokerage houses, loans and advances from non-financial funds and foundations and non-bank financial institutions, extraordinary operations and funds received to finance development programmes.

## TABLE VI. Commercial Banks – Assets and Liabilities & Capital

1. The item **"due from non-financial sector"** solely comprises claims on the corporates and persons listed in points 6 and 7 of **"General remarks on Tables VI, VII and VIII"**.

2. **"Securities issued by general government"** include:

- Treasury bills,
- Treasury bonds denominated in zloty and foreign currency.

Figures on the value of portfolio of government securities presented in this *Report* are given at cost plus interest accrued and discount accreted.

3. **"Other assets"** include, among other things: fixed assets, accrued interest income, settlement accounts, accrued income and prepaid expense, and settlements with miscellaneous debtors.

4. **"Other liabilities & capital"** include, among others: accrued interest expense, settlement accounts, settlements with miscellaneous creditors, accrued expense and deferred income (including deferred income on irregular assets), earnings pending publication and current year's earnings, specific provisions, accumulated depreciation and valuation allowances.

### TABLE VII. The National Bank of Poland – Assets and Liabilities & Capital

1. The assets and liabilities of the National Bank of Poland in Table VII allow for the aggregation of data and the compilation of aggregate figures on the banking system.

2. The principles applied in aggregating the data contained in Table VII are consistent with those used for commercial banks. It means that the same breakdown has been applied by class of transaction and counterparty involved, while also taking into consideration the operations specific to the central banks (e.g., refinance loans, required reserves).

3. **"Other assets"** include various items not identified separately in the listing of NBP assets, and primarily comprise prepaid expense, distributed earnings (including payments to government), other claims and inventories, equity investments, real property and moveable property.

4. **"Other liabilities & capital"** include various items not identified separately in the listing of NBP liabilities, and primarily comprise other capital funds, deferred income, interoffice and interbank settlements, specific reserves, the currency translation reserve, FX revaluation differences and earnings.

### TABLE VIII. The Banking System: Commercial Banks and NBP – Assets and Liabilities & Capital

This table contains aggregated data on commercial banks (see: Table VI) and NBP (see: Table VII).

## TABLE IX. Monetary Aggregates

The basic monetary aggregate used by the NBP to measure the **money supply** is **M2**. Within M2, an additional aggregate identified is **M1** – the most liquid kind of money, directly used for the performance of transactions, which comprises notes and coin in circulation and personal and corporate demand deposits (in zloty and foreign currency).

## TABLE X. Consolidated Balance Sheet of the Banking System

1. This table presents the assets and liabilities of the commercial banks and NBP in a format that reflect the requirements of monetary analyses.

2. The item **"total money supply"** – M2 – comprises domestic money stocks together with foreign currency to persons and corporates.

3. The item **"domestic money stocks"** includes notes and coin in circulation (excluding vault cash) zloty liabilities to persons and corporates.

4. The item **"notes and coin in circulation (excluding vault cash)"** represents zloty cash stocks (notes and coin) circulating outside bank vaults. In accounting terms, this represents the difference between the currency in circulation outside the NBP and vault cash.

5. The item **"due to persons"** comprises demand deposits (including sight savings books), brokerage accounts at bank brokerage houses, time deposits and deposits on hold, savings certificates and certificates of deposit (non-negotiable).

6. The item **"due to corporate"** refers to amounts due to both non-financial organisations and non-bank financial institutions. This item comprises current accounts, time deposits and deposits on hold, brokerage accounts at bank brokerage houses, loans and advances from non-financial funds and foundations and non-bank financial institutions and liabilities arising on securities sold under agreements to repurchase.

7. **"Net foreign assets"** represent the difference between all amounts due to and from non-residents (see definition in general notes on Table VI, VII and VIII, point 8).

8. **"Net domestic assets"** represent claims on persons and corporates, net general government debt and other items (net). In accounting terms, this constitutes the difference between total money supply and net foreign assets.

9. The item **"due from persons"** comprises loans and advances, purchased debt, claims arising on the performance of guarantees and endorsements, and interest outstanding on both regular and irregular assets.

10. The item **"due from corporates"** refers to amounts due from both non-financial organisations and non-bank financial institutions. This item comprises loans and advances, purchased debt, claims arising on the performance of guarantees and endorsements, interest outstanding on both regular and irregular assets, claims arising on securities purchased under agreements to resell and other claims (e.g., on interest

subsidies to preferential loans and contributions to the Stock Exchange Compensation Fund).

11. "Net general government debt" represents all amounts within the banking system due from central government, local government and the special purpose funds of the two, including amounts due on securities issued by central and local government and held by commercial banks and the central bank, less the total liabilities of the banks to these institutions.

12. The item "other items (net)" primarily comprises bank income, capital, inter-bank and interoffice settlements, settlement accounts, securities issued and outstanding, interbank claims and liabilities and specific provisions.

## TABLE XII. Poland: Balance of Payments on a Cash Basis

1. The balance of payments presented herein has been compiled on the basis of international cash payments. It constitutes a statistical presentation of the payments settled via the Polish banking system (supplemented by the data described in point 2 below), that provides a systematic summary of transactions in a given period of time between Poland and all other countries (i.e., between Polish residents and non-residents). The transactions are presented in analytical format using standard balance of payments components, in line with the recommendations of the International Monetary Fund and other international organisations. The balance of payments on a cash basis incorporates the current account, capital and financial account, net errors and omissions, and financing, including the official reserve assets. A full picture of the economic transactions between Poland and other countries, incorporating other forms of international settlement as well, will be given in the balance of payments on a transactions basis, drawn up once a year.

2. The source of data on the Polish balance of payments on a cash basis are the reports of domestic banks licensed to trade in foreign exchange and perform the associated settlements. The data concerned refer to transactions in foreign currency and zloty on the accounts held by Polish banks at banks abroad and on the accounts of non-residents at Polish banks, and also direct foreign currency transactions at the cash desks of Polish banks. In addition, the balance of payments on a cash basis also incorporates:

- trade credits (i.e., drawings and repayments of credit through deliveries of goods and services) within the banking and government sectors, as registered by banks operating as payments agent to the Government;
- the cancellation, conversion, rescheduling and capitalisation of foreign liabilities under the servicing of government sector borrowings (principal and interest), as registered by banks operating as payments agent to the Government;
- current account transactions, as registered by Bank Handlowy w Warszawie SA, carried out by residents in performance of agreements involving the exchange of non-monetary benefits concluded with non-residents from countries where the

national currency has not been recognised as a convertible currency (Ordinance of the Ministry of Finance amending certain provisions of the Foreign Exchange Act, January 8, 1999, §3, para. 2, subparas. 2b and 3a, as published in *Dziennik Ustaw* (the Journal of Laws) no. 1/1999, item 2).

Until year end 1998, payments figures also included transactions involving the bilateral netting of liabilities; as of 1999, these are shown solely in the balance of payments on a transactions basis.

Data for the balance of payments on a cash basis are collected in original currencies, i.e., in the currencies in which the particular transactions were settled, and are then translated into US dollars.

**3. The "current account"** comprises merchandise trade, balance of goods, services, income, current transfers and the net value of unclassified transactions on current account.

**"Merchandise"** comprises the value of payments made for imports and exports of goods, including the refining of goods for re-export, the cost of capital repairs to transport equipment, the value of supplies purchased by shipping agents at ports, and the import and export of non-monetary gold, i.e., gold that is not a component of the official reserve assets.

**"Services"** comprise payments for exports and imports of transportation services, foreign travel services, postal, delivery and telecommunications services, insurance and reinsurance services, financial services, construction services, IT and information services, copyrights, patents and licence fees, other commercial services, consumer services, audiovisual, cultural and recreational services, and the maintenance of government missions.

**"Income"** comprises receipts to residents and payments to non-residents arising on employee earnings, income from direct and portfolio investment, and income from other investment. Income from other investment includes interest on credits extended and received, and interest on balances held on bank accounts.

**"Current transfers"** comprise official government transfers arising from donations and non-refundable assistance, and taxes and charges collected by the Polish government sector, and also transfers of other sectors, including funds transfers involving wages, legacies, and old-age and disability pensions, and deposits to and withdrawals from the personal foreign currency accounts of Polish residents, where these are performed via the accounts held abroad by Polish banks.

**"Unclassified transactions on current account"** reflect the net value of foreign currencies bought and sold at the cash desks of banks, where these transactions have not been assigned a statistical classification for the balance of payments. This item also includes the balance of cash deposits to and withdrawals from the personal foreign currency accounts of Polish residents, where these are performed via the foreign currency desks of Polish banks.

**4. The "capital account"** comprises capital transfers, which include donations and non-refundable assistance specifically assigned to finance fixed assets, debt cancellations, and the acquisition or disposal of non-financial and non-produced assets. The latter acquisition or disposal refers to patents, copyrights, trademarks, etc., purchased by residents or sold to non-residents, and also land sold to foreign embassies in Poland or purchased by Polish embassies abroad.

The **"financial account"** comprises financial transactions involving direct investment, portfolio investment and other investment.

**"Direct investment"** reflects the expenditure undertaken by direct investors in establishing lasting and direct business interests by acquiring at least 10% of the equity capital of the company in which the direct investment takes place. In addition to acquisitions of equity, direct investment also includes other capital flows between direct investors and the companies subject to such investment, such as loans and advances.

Within the item "direct investment", a distinction is made between Polish direct investment abroad and foreign direct investment in Poland.

**"Portfolio investment"** comprises payments on the purchase and sale of equities (not constituting direct investment) and debt securities. Debt securities include long-term securities (e.g., bonds and notes) and short-term securities (money market instruments, such as Treasury bills and commercial paper), and also include derivative instruments.

Within the item "portfolio investment", a distinction is made between Polish portfolio investment abroad and Foreign portfolio investment in Poland.

**"Other investment"** comprises financial transactions not included under direct investment, portfolio investment or the official reserve assets. Financial transactions impact balances of Polish assets (abroad) and Polish liabilities (to foreign parties).

**"Polish assets"** (abroad) comprise transactions involving drawings and repayments of credits extended and other assets. Credits extended to non-residents include long- and short-term financial credits, together with – in the case of the government and banking sectors – trade credits, drawn and repaid through deliveries of goods and services. The item "other assets" refers to currency and deposits, and sundry other assets. "Currency and deposits" comprise the balances arising on operations conducted on bank accounts abroad and at the cash desks of banks, and the balances of deposits placed at banks abroad (including the value of the asset side of repurchase agreements concluded by Polish commercial banks).

**"Polish liabilities"** (to foreign parties) comprise transactions involving drawings and repayments of credits received and other liabilities. Credits received from non-residents include long- and short-term financial credits, together with – in the case of the government and banking sectors – trade credits, drawn and repaid through deliveries of goods and services. Long-term credits received by the government sector also include transactions involving the cancellation, conversion, rescheduling and capitalisation of borrowings. The item "other liabilities" refers to currency and deposits, and sundry other liabilities. "Currency and deposits" comprise the balances arising on operations conducted on the bank accounts of non-residents and the balances of deposits placed at Polish banks by non-residents (including the value of the liability side of repurchase agreements concluded by Polish commercial banks and the NBP).

5. **"Net errors and omissions"** are the result of transactions improperly registered in reports from the banks.

6. **"Financing of overall balance"** comprises transactions involving the official reserve assets, credits received from the International Monetary Fund (IMF), and exceptional financing.

**"Official reserve assets"** comprise the balance of transactions involving the official reserve assets performed by the NBP and realised in terms of payments (including the

balance of operations involving currency and deposits placed at banks abroad, the balance of transactions in foreign currency at NBP cash desks, the balance of operations involving foreign securities, transactions with respect to Poland's reserve tranche at the IMF, and the purchase and sale of monetary gold).

The term **"exceptional financing"** covers transactions by the government sector with respect to financing balance of payment operations through the rescheduling of obligations (the amount of deferred repayments of liabilities specified in agreements concluded with foreign creditors) and by movements in arrears on claims and obligations arising on credits (principal and interest).

The **international liquidity** ratio measures the ratio of the central bank's foreign exchange reserves to domestic money stocks.

The **ratio of central bank foreign exchange reserves to the total money supply (M2)** uses a broader measure of money than the international liquidity ratio. The total money supply (M2), in addition to domestic money stocks (in zloty), also includes the foreign currency deposits held by residents at Polish banks. This ratio measures the resistance of the banking system to currency market strains.

### Changes in presentation and methodology in the balance of payments in 2000

A major change in scope introduced in the balance of payments in May 2000 refers to the presentation of the official reserve assets. The National Bank of Poland has replaced the previous item "gross official reserves" with a new item entitled "official reserve assets". The new item differs from the previous one solely in its treatment of repurchase agreements (repos), with all other components remaining unchanged. The "gross official reserves" included the net value of repo transactions, i.e., the difference between the asset and liability sides of repos. By contrast, the "official reserve assets" only incorporate the asset side of repos. As a result of the introduction of the new item "official reserve assets" in place of the former "gross official reserves", the following items have changed relative to the previously published data for the balance of payments on a cash basis:

- "Polish liabilities – Currency and deposits",
- "Financing of overall balance – Official reserve assets".

The change involves transferring the value of the liability side of repos performed by the NBP from the previous item "gross official reserves" to the item "currency and deposits".

### Table XIII. Official Reserve Assets

The "official reserve assets" comprise readily available (liquid) foreign assets owned and fully controlled by the NBP. These constitute security for balance of payments operations and their uses include intervention on the money markets.

The official reserve assets are composed of:

- monetary gold,
- Poland's reserve tranche at the International Monetary Fund,
- SDRs,
- other foreign assets in convertible currencies,  
of which:
  - currency held at banks abroad and at the NBP vaults,
  - deposits placed at banks abroad,
  - foreign securities,
  - other foreign assets arising from the asset side of repurchase transactions.

### TABLE XIV. Poland: External debt

The National Bank of Poland reports information on Poland's external debt in accordance with the following definition: "Gross external debt refers to the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal". This definition was established by international organisations.

The above definition refers to gross debt, i.e., it refers to the particular foreign liabilities of Poland (with no deduction of Polish assets abroad). The term "contractual liabilities" signifies formal obligations to perform a specific payment (of principal and/or interest). This excludes equity participations. The phrase "principal with or without interest" means that the concept of external debt also includes non-interest-bearing liabilities, as these also involve a "contractual" obligation to repay. The phrase "interest with or without principal" signifies that the concept of external debt also incorporates liabilities with no stated maturity (e.g., undated bonds). The term "disbursed and outstanding" excludes potential liabilities, e.g., the undrawn portions of existing credit facilities.

The distinction between domestic and external (foreign) debt is based solely on **the criterion of residence**, regardless of the **currency involved**.

The following categories of financial instrument have been included in the concept of **external debt**:

- a) intercompany loans,
- b) current balances and time deposits held by non-residents at Polish banks,



- c) debt securities held by non-resident portfolio investors,
- d) trade credits,
- e) other loans and credits (including financial leases).

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