Annual Report 2009

Warsaw, 2010

Marek Belka
President of the National Bank of Poland

Ladies and Gentlemen,

We are presenting you with the Annual Report of the National Bank of Poland for 2009, providing data on the execution of NBP objectives and tasks in the last year. I hope the Report will prove a valuable source of information about the National Bank of Poland itself and its activities over the past year, while the figures and comments contained in it will serve the performance of in-depth analyses of the effectiveness of NBP operations in 2009.

The activities of NBP in 2009 were determined by the macroeconomic conditions. In the aftermath of the global financial crisis, the world economy suffered the deepest recession since the Great Depression of the late 1920s and early 1930s. This has led to a strong decline in the global demand, collapse of international trading and significant price fluctuations on financial markets worldwide. Even with the implementation of anti-crisis measures by a number of countries, the signs of revival in the world economy were very weak.

As set forth in the Act on the National Bank of Poland, the key objective of NBP operations is to maintain price stability while supporting the economic policy envisaged by the Polish government.

In 2009, the annual consumer price index declined by 0.7 pp as compared with 2008 and stood at 3.5%. Inflation was to a large extent affected by factors outside the direct influence of domestic monetary policy, i.e. mainly by rises in administered prices and excise tax rates. A contributing factor was also the significant zloty depreciation observed in the period of July 2008 – February 2009, stemming from an increase in risk aversion on financial markets worldwide and an outflow of foreign capital from emerging markets.

In the face of persisting uncertainty over the outlooks of global economy, the NBP activities in 2009 focused on limiting the impact of the worldwide financial crisis on the Polish economic environment. To this end, the Monetary Policy Council continued easing the monetary policy, which it initiated at the end of 2008. In 2009, the National Bank of Poland reduced its interest rates on four occasions – in January, February, March and June – by a total of 150 basis points, to their lowest recorded level since the economic transformation. The NBP reference rate decreased from 6% in November 2008 to 3.5% in June 2009. Notably, the above cuts were not without impact on the decrease in the majority of market interest rates.

With the goal of enhancing the stability of the domestic financial system, the NBP continued the activities aimed towards providing banks with liquidity, first implemented at the end of 2008 under the Confidence Package. Steps were taken to ease the restrictions on credit accessibility for business entities, refinancing operations for banks were extended, and additional funds originating from an early redemption of NBP bonds and a reduction in the minimum reserve requirement rate were put at banks' disposal.

With respect to Poland's prospects of joining the monetary union, the NBP conducted analyses on the real and nominal convergence of the Polish economy with those of the euro area, monitored the developments in the euro area countries and the implications for Poland stemming from them, as well as continued research on the level of equilibrium exchange rate.

In 2009, in collaboration with the Polish government, the NBP worked towards developing organisational structures related to the preparations to adopt the euro in Poland. The NBP Management Board plenipotentiary for the introduction of euro as the official currency was appointed a Co-Chairman of the National Coordination Committee for Euro Changeover and of the Coordinating Council. The representatives of the National Bank of Poland became members of seven out of eight work teams.

The profit posted by the NBP in 2009 amounted to PLN 4,165,600 thousand, as compared with 2008 when the earnings as of the end of the year stood at zero. The increase in the financial result of the National Bank of Poland recorded in 2009 is owed primarily to the effective foreign exchange reserves management executed in the face of zloty depreciation.

Last year saw the completion of reorganisation of NBP regional branches and initiation of work on reorganising the Head Office of the National Bank of Poland. The key purpose of these changes is to improve the effectiveness of NBP operations, enhance the management efficiency and reduce the operating costs.

The person heading the National Bank of Poland over the past year in the capacity of the President of the Management Board was Mr Sławomir Stanisław Skrzypek, tragically killed in the Smolensk air crash in April 2010. The year 2009 was particularly difficult, as the world struggled with a significant downturn in economies. In those challenging conditions, the National Bank of Poland actively counteracted the mounting decline. It initiated activities aimed at limiting the negative effects of global economic crisis, which protected our financial system from destabilisation, while the executed responsible monetary policy contributed to maintaining a positive economic growth, which none of the EU states managed to achieve.

Marek Belka

President of the National Bank of Poland

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Monetary Policy Council

Chairperson

Sławomir S. Skrzypek

Members:

Jan Czekaj
Dariusz Filar
Stanisław Nieckarz
Marian Noga
Stanisław Owsiak
Mirosław Pietrewicz
Andrzej Sławiński
Halina Wasilewska-Trenkner
Andrzej Wojtyna

Management Board of the National Bank of Poland

Chairman

Sławomir S. Skrzypek

appointed at the request of the President of the Republic of Poland by the Sejm on 10 January 2007

Members:

Piotr Wiesiołek

First Deputy President of the NBP
(since 6 March 2008)

Witold Koziński

Vice President of the NBP
(since 24 October 2008)

Zbigniew Hockuba (since 2 November 2007)

Jakub Skiba (since 2 November 2007)

Zdzisław Sokal (since 13 March 2007)

Jerzy Stopyra (since 25 March 2004)

Małgorzata Zaleska (since 3 August 2009)

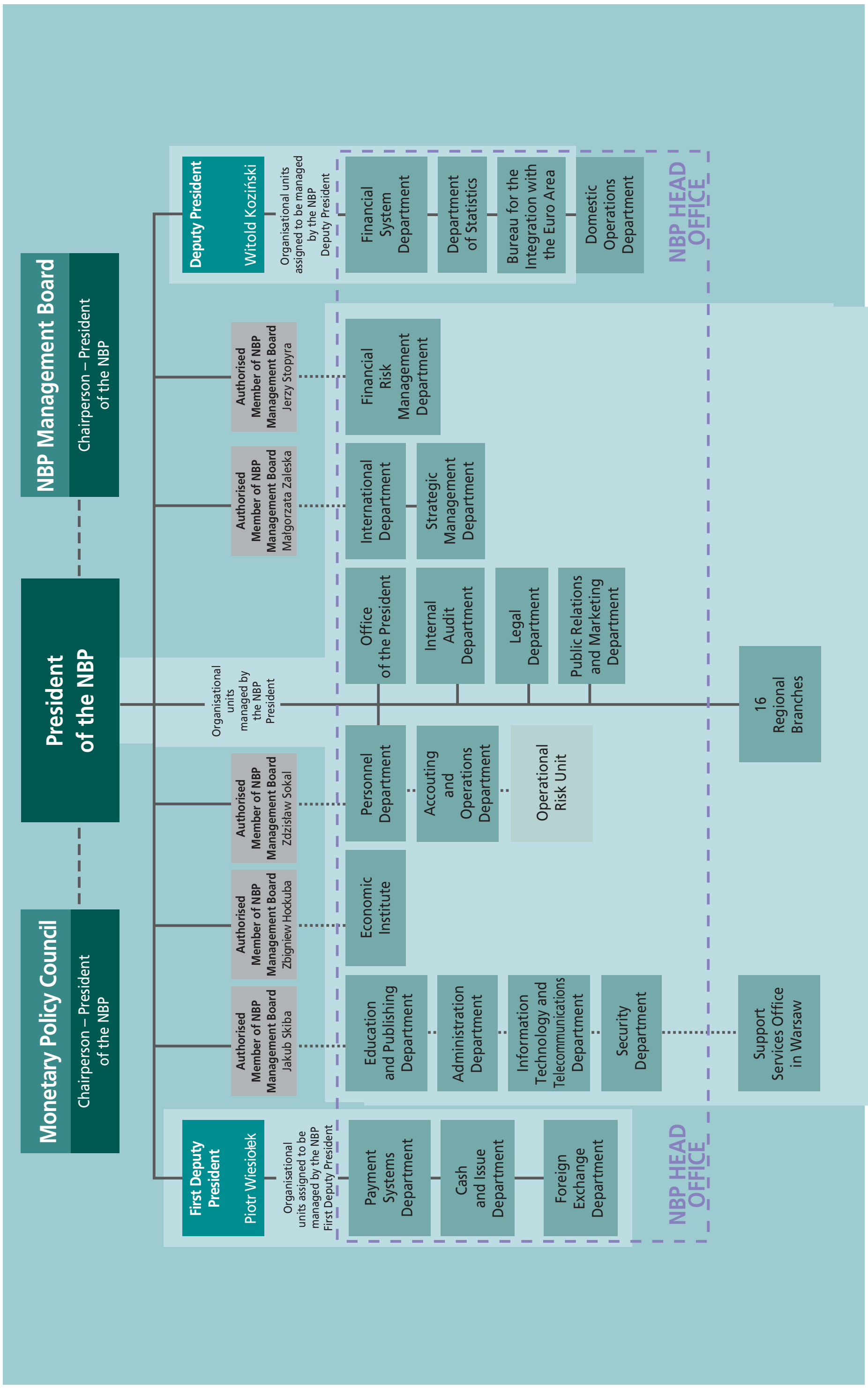
Dismissed

Paweł Samecki* – in 2009

* After resigning from the post on 30 June 2009, he was dismissed by the President of the Republic of Poland on 7 July 2009.

Organisation chart of the National Bank of Poland

Valid since 31 December 2009



- - - - Day-to-day oversight exercised pursuant to an authorisation granted by the NBP President to Members of the NBP Management Board, in accordance with § 12 of the Organisational By-laws of the National Bank of Poland.

——— Day-to-day oversight exercised on the basis of the NBP reporting structure, according to the areas of work of organisational units assigned by the NBP President to be managed by the NBP Deputy Presidents.

SUMMARY

1. Pursuant to Article 227 para. 1 of the Constitution of the Republic of Poland, "The central bank of the State shall be the National Bank of Poland. It shall have the exclusive right to issue money as well as to formulate and implement monetary policy. The National Bank of Poland shall be responsible for the value of Polish currency". The basic responsibilities of the NBP are stipulated in the Act on the National Bank of Poland,[1] in the Banking Act,[2] in the Treaty establishing the European Community,[3] and in the Statute of the ESCB and of the ECB. In 2009, the NBP conducted its activities pursuant to the *Monetary Policy Strategy beyond 2003*, the *Monetary Policy Guidelines for 2009*, the *National Bank of Poland Plan of Activity 2007–2009* and the *Strategy for the Management of the National Bank of Poland in the Years 2009–2012.*

2. This *Report* describes the performance of the statutory responsibilities of the NBP in 2009 with regard to the following areas: monetary policy, pursuit of the financial system stability, issue of currency, foreign exchange reserve management, foreign exchange activities, the payment system, education and information, services to the central government, research, statistics, legislative framework, international co-operation and internal development. The *Report* also presents abbreviated Financial Statement of the NBP as at 31 December 2009 and the opinion of an independent certified auditor.

3. Pursuant to Article 6 of the Act on the National Bank of Poland, the directing bodies of the NBP comprise the President of the National Bank of Poland, the Monetary Policy Council and the Management Board of the National Bank of Poland. In 2009, the organisational structure of the NBP consisted of the Head Office and 17 organisational units.

4. Representing the central bank and Poland on the international forum, in 2009, the NBP representatives participated primarily in the work of the following bodies: the ECB General Council, ESCB committees and working groups, the ECOFIN Council (unofficial meetings), committees and working groups of the EU Council and European Commission. These focused on a new architecture of financial supervision in the EU, monitoring and analysing the fiscal situation in EU Member States as well as issuing opinions on draft community laws. Moreover, the NBP paved the way for the prospective Poland´s Presidency in the EU Council.

5. In 2009, the monetary policy was conducted against the backdrop of recession prevailing in the world economy and persisting turmoil in financial markets. The recession that began in 2008 escalated dramatically in most countries at the beginning of 2009. As a consequence GDP rapidly decreased, the situation in the labour market substantially deteriorated and sentiments of economic agents sank into a low point. In parallel, increased uncertainty and high risk aversion persisted in international financial markets. Asset prices declined further and disruptions occurred in financial markets operations. Starting from 2009 Q2, the recession trends in the world economy decelerated and global GDP recovered in subsequent quarters. However, the scale of improvement in the economic situation of individual countries and regions was varied. In spite of gradual upturn in the economy, the major developed economies posted a decrease in GDP throughout 2009.

   Although the Polish economy proved to be relatively resilient to the world crisis – which was primarily due to smaller share of export in the GDP than observed in other economies of the region, floating exchange rate and lower exposure to external loans – the economic activity declined substantially in 2009. As a result of recession observed in major trading partners, external demand for Polish goods and services decreased. At the same time, however, competitiveness of Polish products strengthened. This was due to increased risk aversion in the global financial markets in 2008 Q4 and in early 2009, exodus of foreign capital from emerging markets and significant depreciation of the Polish exchange rate. As a result, in 2009, the share of net export in the GDP growth was positive. This stimulated the economic growth in Poland.

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[1] Journal of Laws No 1/2005, item 2, as amended.
[2] Journal of Laws No 72/2002, item 665, as amended.
[3] OJ of the EU C 115 of 9 May 2008.

The economic slowdown coincided with significant deterioration in the labour market. Employment ebbed down, unemployment edged up, the public finance sector deteriorated and lending lost its momentum.

In 2009, the annual Consumer Price Index (CPI) dropped by 0.7 pp as compared to 2008, to amount to 3.5%. Thus it remained at the upper limit for deviations from the NBP inflation target, specified as 2.5%. CPI stood at elevated levels in 2009, resulting to a material extent from factors beyond direct impact of domestic monetary policy; as risk aversion heightened in global financial markets, foreign capital exited emerging markets, administered prices and excise tax rates, and the Polish zloty substantially depreciated between July 2008 and February 2009. In March 2009, exchange rates of the zloty stabilised to follow a steady depreciation later on, as the outlooks for the growth of world economy improved and global risk aversion decreased. Strengthening of the zloty exchange rates had a dampening impact on the increase both in oil prices and inflation in the second half of 2009.

In the first half of 2009 – taking into account the incoming macroeconomic data as well as the anticipated strong slowdown in global and Polish economic activity, conducive to reducing inflationary pressure in the medium term – the Council continued to ease the monetary policy, which it had commenced in 2008. During this period, the NBP cut its interest rates on four occasions: in January, February, March and June, by a total of 150 bp (the NBP reference rate was reduced to 3.50%). Additionally, in May 2009, the Council reduced the rate of minimum reserve by 0.5 pp (from 3.5% to 3.0%).

In the second half of 2009, the economic situation gradually improved, whereas substantial uncertainty persisted as regards the durability of the economic upturn observed abroad. In that context, the Council maintained interest rates unchanged. Until September, the Council assessed the inflation be more likely to run below than above the target in the medium term. In October, the Council changed the risk assessment for the performance of inflation targeting in the medium term. Accordingly inflation was assumed comparably likely to run above or below the target in the medium term. This implied the cycle of easing the monetary policy come to an end. The Council maintained such an assessment until the end of 2009. As a result of these decisions, the NBP reference rate reached 3.50% towards the end of December 2009.

6. In pursuance of its monetary policy, the NBP took a recourse to a set of instruments adopted by the Monetary Policy Council in the *Monetary Policy Guidelines for 2009*, with a short-term interest rate remaining its basic instrument. The NBP reference rate determined the minimum yield on main open market operations, influencing, at the same time, the level of short-term deposit rates in the market of unsecured interbank deposits. In 2009, similarly to 2008, the main open market operations involved issuing money market bills with 7-day maturity. By using those bills, the NBP absorbed liquidity surplus from the banking sector. The NBP deposit and lombard rates determined the profitability of standing facilities as well as the corridor for deviations of the overnight market rate. Thanks to the lombard loan and the deposit facility, banks could supplement liquidity deficits and deposit their surplus liquidity with the central bank. Moreover, by implementing the so-called Confidence Package, the NBP provided the banking sector with liquidity in zloty, by carrying out further fine-tuning repo operations, offered with 3-month and 6-month maturity, as well as with liquidity in foreign currencies (CHF, EUR and USD), by using foreign exchange swaps.

7. The level of short-term liquidity surplus in the banking sector, measured as the average annualised balance of operations carried out by the NBP (the total of money market bills issued by the NBP, repo transactions, foreign exchange swaps as well as standing facilities) amounted to PLN 23,940 million and was higher by PLN 12,976 million over the average of 2008. Excess liquidity rose mainly due to the early redemption of NBP bonds and the surplus of foreign currency purchases by the NBP over foreign currency sales (including those due to the use of EU funds denominated in zloty). Moreover, the decrease in the currency in circulation as well as lower level of banks' minimum reserve were also conductive to the increase in liquidity. The

value of the NBP money market bills averaged PLN 31,873 million in 2009. The repo operations carried out under the Confidence Package averaged PLN 11,456 million, whilst foreign exchange swaps stood at PLN 1,076 million. The average level of standing facilities amounted to PLN 2,447 million.

8. Work in the core business area of monetary policy pursued by the NBP was chiefly focused on strengthening NBP's credibility as an institution responsible for the value of the Polish currency. The NBP at all times seeks to enhance the transparency of its activities and dedicates its efforts to ensure the best possible communication with financial markets, enterprises and the general public. In 2009, the NBP organised approx. 90 meetings with journalists. These were press conferences (including regular press conferences following the meetings of the Monetary Policy Council, as well as conferences dedicated to inflation projections and the GDP), presentations of collector coins introduced into circulations as well as meetings held on other occasions related to the Bank´s activity. About. 340 interviews and meetings were held with the members of the Monetary Policy Council and the Management Board of the NBP. Over 120 press releases were published.

9. Pursuant to Article 3 section 2 para. 6 of the Act on the National Bank of Poland, the responsibilities of the NBP shall include "laying down the necessary conditions for the development of the banking system". The NBP performs this responsibility on an ongoing basis by taking steps to maintain a stable and low level of inflation. In 2009, the NBP primarily sought to guarantee the liquidity in the banking sector, refinance banks' activity (see para. 10 of the *Summary*) as well as to maintain stability of the payment system (see para. 14 of the *Summary*).

10. In 2009, striving to maintain the stability of the financial system, the NBP focused on reducing the impact of the world financial crisis on the Polish economy. In discharge of this remit the NBP endeavoured to strengthen the banking sector and restore confidence among financial institutions in Poland. In 2009, the NBP cooperated pursuant to new legal framework. Whereby support to the stability of the domestic financial system explicitly received statutory footing as a core task of the NBP. In fulfilling these tasks, the NBP continued operations providing banks with liquidity, introduced at the end of 2008 under the Confidence Package. The character of those measures was designed to address the current needs of banks. Whereas the loan portfolio shrank, the NBP took actions in order to ease the restrictions regarding the availability of loans for economic entities; in particular, the Bank initiated the Pact for the Growth of Lending in Poland. The NBP prolonged the refinancing operations for banks and made additional funds from early redemption of the NBP bonds and lowering the required reserve rate available to them. Moreover, the NBP introduced a bill discount facility. This new instrument is designed to facilitate the access of banks to refinancing of new lending. In 2009, in pursuance of the national financial system stability, the NBP continued to cooperate with the Ministry of Finance and Polish Financial Supervision Authority under the Financial Stability Committee. It was the first full year during which the principles for this co-operation were regulated by the Act on the Financial Stability Committee. As a result of its analytical and research activity, the NBP prepared numerous studies and analyses – cyclical and problem-oriented – regarding the stability and development of the financial system in Poland. The results of these analyses were discussed by the Financial Stability Committee.

11. The main goal of issue of currency by the NBP was to ensure a safe and liquid cash turnover cycle. As at the end of 2009, the value of currency in circulation (including bank vault cash) amounted to PLN 100,344.8 million. This represents a decrease in cash by PLN 1,789.9 million, i.e. by 1.75% in relation to the end of 2008. The NBP continued the issue of collector coins. In 2009, 1,691,500 pieces of coins were issued, with 149,500 pieces of gold coins and 1,542,000 pieces of silver coins. Design elements covered 15 topics. In 2008, in turn, 1,707,400 pieces of collector coins were issued (including 97,400 pieces of gold coins and 1,610,000 pieces of silver coins), i.e. approx. 1% more than in 2009.

12. In the management of foreign exchange reserves, the NBP sought to maximise the return while ensuring the safety of invested funds and their necessary liquidity. Pursuant to the *Long-term Foreign Exchange Reserves Management Strategy* adopted in 2007, the year 2009 saw an expansion of investment risk management methods, as well as application of the advanced optimisation models for determining strategic and tactical allocation of assets. While taking into account the currently prevailing market conditions, the Bank also continued the process of diversification of investment instruments. Although prices of government securities fell, as signs of recovery occurred in the global economy, the rate of return on reserves in 2009 remained positive both in the currency and zloty instruments (0.5% and 1.9%, respectively). The accumulated return on reserves, starting from the introduction of the Strategy amounted to 9.1% in the currency instruments and 23.8% – when expressed in the zloty. Meanwhile, in 2009, the NBP reported high income from investment activity related to the foreign exchange currency reserves management, PLN 6.1 billion in 2009 as compared to PLN 6.9 in the previous year (excluding exchange rate differences).

13. The NBP – as part of its foreign exchange operations – maintained a register of bureaux de change, issued decisions on foreign exchange matters and monitored and controlled foreign exchange transactions. In 2009, a total of 282 decisions and 7 resolutions on foreign exchange were issued. Altogether, 3,006 inspections of foreign exchange trading were conducted. As at 31 December 2009, 4,355 bureaux de change were operating in Poland.

14. With respect to payment system the NBP principally handled cash settlements and oversaw payment systems, authorisation and clearing systems as well as securities settlement and clearing systems. In 2009, the clearing of EuroELIXIR system was transferred from the SORBNET-EURO system to the TARGET2-NBP system; the SORBNET-EURO system was adjusted accordingly. Henceforth, the banks which are not direct participants of the TARGET2 system could participate in the clearing of EuroELIXIR system. Moreover, the Bank launched a project on the SORBNET-EURO 2012 release (SE-2012); and contributed to the development of a new NBP-PHA application, which will replace the SORBNET-EURO system. In addition, work progressed on regulatory, research, educational and promotional activities regarding the payment system. The prime emphasis was put on the promotion of non-cash payment turnover. Works on the comprehensive *Scheme for Development of Non-cash Transactions in Poland for the Years 2009–2013* were completed. The NBP also continued its co-operation with the banking sector, most specifically within the framework of the Payment System Council and projects carried out in co-operation with the Polish Bank Association.

15. In 2009, the Management Board of the NBP adopted the *Strategy for Economic Education for the Years 2010–2012*. The program aimed at increasing economic knowledge and social awareness of the role and mission of the central bank in the economy. A wide-ranging agenda of educational activities addressed a variety of audiences. Overall, 71 educational projects were implemented. They aimed at schools, students, journalists and the clergy, including 43 projects involving the media. Work continued toward expansion and enhancement of the educational offer available from the NBPortal.pl. In 2009, the Economic Education Portal recorded more than 1 million visits and the number of participants of e-learning courses amounted to approx. 20 thousand. The number of completed courses increased by 2% in comparison to the year 2008. Moreover, Obserwator Finansowy (Financial Observer), a new internet portal dedicated to current economic events in Poland and in the world. The project was launched to establish the NBP Centre for Promotion and Economic Education, an institution intended to promote economic knowledge.

16. By maintaining central government accounts the NBP contributes to the safety and liquidity of public funds settlements. The NBP operates PLN and foreign currency accounts, including accounts for processing funds coming from the European Union budget. In 2009, the NBP provided services to 3,928 clients and operated 17,728 accounts. It also handled international liabilities and receivables of the state budget and trading in Treasury securities, and cooperated with the Ministry of Finance in respect of public debt management.

17. The year 2009 saw publishing of the *Report on Full Membership of the Republic of Poland in the Third Stage of the Economic and Monetary Union*, together with the study *Poland in the Face of the World Economic Crisis*. The NBP research focused on Poland's participation in the Exchange Rate Mechanism II, monetary policy and inflation processes, economic condition of enterprises and households, impact of global financial crisis on the functioning of world markets, structural changes in the economy, determinants of economic development, world economy, national and international economic climate, the balance of payments, labour and property markets. Results of the research were basic inputs to develop and improve the modelling tools intended to develop forecasts. The findings of research and analytical works fed into the decisions taken by the Management Board of the NBP and the Monetary Policy Council. The NBP Economic Research Committee has been appointed to carry out research projects.

18. The NBP actively participated in works concerning the ECB and other European institutions statistics. In 2009, implementation reporting solutions, previously developed by the ESBC was a focal point in this area. The NBP continued works on a new system of data collection and processing for the balance of payment statistics and investment funds statistics. In 2010, the development of PEGAZ IT system was completed. It was intended for data collection and processing for the purpose of the above mentioned statistics. Changes in monetary and financial statistics, related to introduction of modified requirements of the ECB, were prepared with respect to technical and legal issues. The NBP started to release financial accounts on regular basis. In 2009, methodological material concerning seasonal adjustment of statistical data was prepared.

19. The NBP representatives attended meetings of the Committee of the Council of Ministers and the European Committee of the Council of Ministers. In 2009, the NBP also took part in the works of the following inter-department bodies: the Financial Stability Committee, the Polish Financial Supervision Authority, the Trilateral Commission for Social and Economic Affairs, the Financial Market Development Council, the Committee for Export Insurance Policy and the Public Debt Management Committee. The NBP also co-operated with state authorities, issuing opinions on bills (both prescriptive and non-prescriptive) in the scope of economic policy and banking system. As a member of the ESCB, the NBP issued opinions on draft ECB opinions concerning EU bills, as well as on draft ECB opinions concerning national legal acts of EU Member States on the competence of the central bank.

20. In 2009, the NBP also maintained its liaison with international financial institutions, in particular with the World Bank, the International Monetary Fund, the Organisation for Economic Co--operation and Development, the Bank for International Settlements, and the European Bank for Reconstruction and Development. A good deal of work in this field went into countering the world financial crisis, on reforms of international institutions and changes in global financial architecture. The NBP continued to cooperate with Polish public institutions in order to develop a common position to be presented by Poland before the aforementioned institutions. Moreover, the scope of technical assistance provided by the NBP to central banks of countries undergoing economic transformation was expanded. As part of the aforementioned activities, a twinning project was launched to support the National Bank of Ukraine. The project is carried out jointly with Deutsche Bundesbank.

21. In 2009, the average employment of the NBP stood at 3,770 full-time posts and the number declined by 199, i.e. 5.0%, as compared to 2008. Decrease in employment resulted mainly from the Concept of Optimizing Operations of the NBP Regional Branches, approved by the Management Board of the NBP on 26 September 2008 and fully implemented in June 2009. In 2009, personnel expenses (including reserves and payroll surcharges) as compared to the preceding year rose by 4.1%.

22. Pursuant to Article 69.1 of the Act on the National Bank of Poland, the NBP Financial Statements as at 31 December have been reviewed by a certified auditor appointed by the Monetary Policy Council. The independent certified auditor who audited the financial

statements issued an unqualified opinion on the statements on 29 March 2010. The opinion of the independent certified auditor on the abbreviated financial statements is presented in Chapter 15.

23. In 2009, the NBP posted a profit of PLN 4,165,554.4 thousand. The increase in profit resulted mainly from the income realized by the NBP on foreign exchange currency reserves transactions (profit on financial operations).

1

GOVERNING BODIES OF THE NBP

Pursuant to the Act on the National Bank of Poland of 29 August 1997,[4] which took effect on 1 January 1998, the governing bodies of the NBP comprise the President of the National Bank of Poland, the Monetary Policy Council and the Management Board of the National Bank of Poland.

1.1. President of the National Bank of Poland

In the performance of his responsibilities, the President of the National Bank of Poland presided over the meetings of the Monetary Policy Council and the Management Board of the NBP, and took part in the meetings of the General Council of the European Central Bank.

In 2009, while representing the central bank and Poland in liaising with foreign institutions, the President of the NBP attended, among others, the following meetings:

- the annual meeting of the Board of Governors of the European Bank of Reconstruction and Development;
- the annual meeting of the Board of Governors of the World Bank and the International Monetary Fund;
- an unofficial meeting of the ECOFIN Council;
- meetings of Governors of the Bank for International Settlements in Basel.

In 2009, the President of the NBP issued 25 regulations, which primarily concerned:

- the manner of performing international settlements;
- the scope, procedure and deadlines for submission of information to the Bank Guarantee Fund by banks covered by the obligatory deposit guarantee scheme;
- specification of the design, alloy, fineness, mass and mintage of coins and dates of introducing them into circulation.

Moreover, the President of the NBP published two announcements.

As the superior of central bank staff, the President of the NBP participated in developing and implementing the human resources policy and overseeing compliance with work standards at the NBP.

1.2. Monetary Policy Council

In 2009, the Monetary Policy Council (MPC) acted in accordance with the *Monetary Policy Strategy beyond 2003* and the *Monetary Policy Guidelines for 2009*.

In 2009, the MPC held 25 meetings (including 12 two-day meetings) and adopted 15 resolutions, published in Monitor Polski (Official Gazette) and Dziennik Urzędowy NBP (Official Journal of the National Bank of Poland), as well as three non-normative resolutions.

[4] Journal of Laws of 2005 No 1, item 2, as amended.

On 23 December 2009, the MPC introduced a discount rate, starting from 1 January 2010, and specified its level at 4% per annum.

Table 1 presents NBP interest rates as at the end of 2008 and 2009.

Table 1

NBP interest rates as at the end of 2008 and 2009 (in per cent)

Reference rate		Lombard loan		Deposit at the NBP		Bill of exchange rediscount	
31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008	31 Dec 2009
5.0	3.5	6.5	5.0	3.5	2.0	5.25	3.75

Source: NBP data.

Furthermore, the MPC passed resolutions, with the aim to:

- approve the annual financial statements of the National Bank of Poland as at 31 December 2008;
- amende the resolution on establishing a ceiling on the liabilities arising from loans extended by foreign banking and financial institutions to the National Bank of Poland (for the year 2009);
- approve the *Report on Monetary Policy Implementation in 2008*;
- assess the activity of the NBP Management Board with regard to the implementation of monetary policy guidelines in 2008;
- approve of the *Report on the Operations of the National Bank of Poland in the Year 2008*;
- amend the resolution on the rates of the reserve requirements for banks and the interest rate for of the reserve requirements;
- establish a ceiling on the liabilities arising from loans extended by foreign banking and financial institutions to the National Bank of Poland;
- establish monetary policy guidelines for 2010;
- approve the NBP financial plan for 2010;
- determine the reference rate, interest rate on refinancing loans, interest rate on term deposits and rediscount and discount rates for NBP bills of exchange;
- determine the reference rate, rate on refinancing loans, interest rate on term deposits and discount rate in the National Bank of Poland (four resolutions);
- amend accounting principles, the arrangement of assets and liabilities in the NBP balance sheet, and of the NBP profit and loss account.

In the performance of its responsibilities arising from Article 23 of the Act on the National Bank of Poland, the MPC adopted the following documents:

- balances of payments of the Republic of Poland for 2008 Q3 and Q4 and for 2009 Q1 and Q2;

- *International Investment Position of Poland in 2008*;
- *Forecast of Poland's Balance of Payments in 2010*;
- Opinion on the Budget bill for 2010.

The MPC adopted three quarterly reports on inflation (in February, June and October), which included an assessment of inflation perspectives in the context of the monetary policy.

1.3. Management Board of the National Bank of Poland

Pursuant to the Act on the National Bank of Poland, the activity of the NBP is managed by the Management Board. The NBP Management Board adopts resolutions on matters which are not the exclusive competence of other governing bodies of the NBP, and implements MPC resolutions. The Management Board of the NBP performed its basic responsibilities according to the *National Bank of Poland Plan of Activity 2007–2009*, and the *Financial Plan of the National Bank of Poland for 2009*.

Pursuant to the Act on the NBP, the Management Board drafted resolutions and materials for the meetings of the MPC, concerning in particular:

- inflation projections;
- current macroeconomic developments, including the development of inflation processes, the condition of public finance, the economic situation of enterprises and households, the developments in the labour, financial and credit markets;
- economic and formal determinants of Poland's ERM II participation and accession to the euro area;
- the stability of the financial system in Poland, including the assessment of the banking system operation and perspectives for development;
- liquidity of the banking sector and open market operations.

Moreover, the NBP Management Board dealt with the situation in the financial sector, issues arising from the EU integration process, and ongoing issues related to the Bank's activity. A special attention was paid to the situation of the banking sector in the context of the crisis in the world markets. In particular, the following issues were discussed:

- management of official reserves, including the strategic allocation of assets;
- drawing on the IMF's Flexible Credit Line;
- national coordinating structure related to the introduction of euro in Poland;
- operations of the Polish payment system;
- scientific and research activities of the NBP;
- Concept of Optimising the Operations of the NBP Regional Branches.

In 2009, NBP Management Board held 86 meetings to adopt 97 normative resolutions, 42 non-normative resolutions, and 609 decisions.

The Management Board of the NBP adopted resolutions primarily concerning the following matters:

- Amendment to the resolution on the procedure and detailed principles of transmitting by banks to the National Bank of Poland of data needed to determine the monetary policy guidelines and to periodically evaluate the monetary standing of the state, as well as to assess the financial situation of banks and the banking sector risk. One of the key amendments introduced by this resolution was to eliminate double reporting. More specifically, model reports, concerning foreign exchange position of a bank, were removed from the WEBIS reporting package. The reports helped to determine foreign exchange risk and the solvency ratio, as part of the reporting carried out under the COREP reporting package.

- Amendment to the resolution on conducting foreign exchange swaps by the NBP. The amendment sought to streamline and optimise the NBP decision-making process with regard to the acceptable currency volume provided to banks under foreign exchange swaps conducted with the NBP.

- Amendment to the resolution on implementing the "By-laws for the operation by the National Bank of Poland of securities accounts and deposit accounts and sub-accounts, handling operations on securities and registering them in deposit accounts and sub-accounts of these securities". The resolution extended the catalogue of securities which are subject to repo operations carried out by the NBP with other banks under open market operations by adding securities other than Treasury bills or Treasury bonds. Another amendment to the resolution was related to entry into force of the Act amending the Act on toll motorways and the National Road Fund and of the Act on the National Bank of Poland. Whereby the NBP could organise trade in securities covered or guaranteed by the State Treasury. The resolution admitted the Treasury securities tender system to provide services to the participants of auctions for bonds issued by BGK and extended the catalogue of securities used in outright transactions by adding securities other than Treasury securities.

- Amendments to the resolution on the introduction of Regulations on refinancing of banks with a lombard loan by the National Bank of Poland. The resolution aimed at expanding the list of securities eligible at the NBP to collateralize this category instruments by adding debt securities denominated in foreign currencies. The objective of a further amendment was to adjust the regulations on refinancing of banks with a lombard loan to the New Deposit and Settlement System introduced by the National Depository for Securities (KDPW SA).

- Introduction of a model agreement on the terms and conditions for opening and operating a euro account in the TARGET2-NBP system. Amendment to the resolution addressed the transfer of settlement of the EuroELIXIR system, operated by KIR-SA, from the SORBNET--EURO system onto a TARGET2 single shared platform (SSP), scheduled for June 2009, and the need to introduce multiple changes to the current model agreement for banks which are direct participants of the TARGET2-NBP system. Another amendment to the resolution concerned the need to implement the latest ECB guidelines from September 2009 on Trans-European Automated Real-time Gross Settlement Express Transfer System (TARGET2) and previously adopted ECB guidelines from October 2008 and May 2009.

- Terms and conditions of selling coins, banknotes and numismatic items intended for collections and other purposes by the National Bank of Poland. The main goal of the resolution was to introduce new principles for selling collector items. Pursuant to the resolution, starting from 2010, collector items shall be sold at Internet auctions involving both legal and natural persons. The price shall be determined during the auction in accordance with arm's length principle and it shall be uniform for all recipients.

- Procedures and detailed principles of transmitting by banks to the National Bank of Poland of data to produce a balance of payments and statement on international investment position. Thanks to the implementation of this resolution the NBP could adjust the manner, scope and calendar of data transmission to the requirements of the European law and ECB guidelines. Banks will be relieved of some of their reporting duties related to the balance of payments and international investment position requirements.

- Accession of the National Bank of Poland to World Economic Forum. Acceptance by the NBP of World Economic Forum's proposal shall result in the NBP gaining the status of an institutional partner and improve the reputation of the NBP in the scope of research activity, emphasize the role of the NBP in international economic debate as well as expand technical co-operation with other central banks.

- Amendments to the Rules of Procedure of the NBP.

The NBP Management Board took decisions aimed, in particular, to:

- approve the Co-operation Agreement between the NBP and the Polish Financial Supervision Authority within the scope of the banking sector reporting;

- approve the *Report on Full Membership of the Republic of Poland in the Third Stage of Economic and Monetary Union* with a *Supplement: Financial and Economic Crisis – Implications for Poland's Integration with Euro Zone*;

- approve *Strategy for Development of Non-cash Transactions in Poland in Years 2009–2013*;

- authorise the NBP to conclude a co-operation agreement on performance of responsibilities resulting from the NBP's participation in the STEP2 system and concerning clearing in the TARGET2-NBP system of euro-denominated payment orders settled in the EuroELIXIR system.

- authorise the NBP to perform an entry point function for domestic payments in euro, received by the NBP from the STEP2 system;

- recommend the conclusion of Memorandum of Understanding regarding the exchange of supervisory information concerning payment card systems;

- approve the conclusion of Co-operation Agreement between the National Bank of Poland and the National Bank of the Republic of Belarus;

- approve the report *Poland in the Face of the World Economic Crisis*;

- approve the *National Certification Centre certification policy, version 2.0*,

- adopt the *Strategy for Economic Education for the Years 2010–2012*;

- adopt the *Strategy for the Development of Technical Assistance Offered by the National Bank of Poland the Years 2010–2012*;

- adopt the reports on the performance of tasks of the NBP Management Board Plenipotentiary for euro introduction;

- adopt the reports on the performance of tasks of the NBP Management Board Plenipotentiary for improving the activity of the NBP regional branches;

- adopt the direction of changes proposed in the *Reorganisation Concept for the NBP Head Office and the Support Services Office*. The changes were aimed to enhance the operations of the NBP Head Office and the Support Services Office.

1.4. Implementation of the *National Bank of Poland Plan of Activity 2007–2009*

In 2009, the implementation of the *National Bank of Poland Plan of Activity 2007–2009* was completed. The *Plan* was adopted by the NBP Management Board in January 2007.

On 10 December 2009, the NBP Management Board adopted a new *Plan of Activity 2010–2012*, taking into account the guidelines and arrangements in *Strategy for the Management of the National Bank of Poland for the Years 2010–2012*, adopted by the NBP Management Board in October 2008.

2

MONETARY POLICY

2.1. Monetary policy strategy

According to Article 227 para. 1 of the Constitution of the Republic of Poland, "the National Bank of Poland shall be responsible for the value of Polish currency". The Act on the National Bank of Poland of 29 August 1997 states in Art. 3 that "the basic objective of NBP activity shall be to maintain price stability, and it shall at the same time act in support of Government economic policies, insofar as this does not constrain pursuit of the basic objective of the NBP".

Contemporary central banks understand price stability as inflation low enough so as not to exert negative influence on investment, savings and other important decisions taken by economic agents. Ensuring thus understood price stability is a fundamental way in which the central bank contributes, by means of its decisions, to high and sustainable economic growth. Central banks view price stability symmetrically, which means that they respond both to inflationary and deflationary threats.

The Monetary Policy Council, henceforth the "MPC" or the "Council", bases its monetary policy on the inflation targeting strategy. International experience shows that this strategy is an effective method of ensuring price stability. Having brought inflation down to a low level, in 2004 the MPC adopted a permanent inflation target of 2.5% with a symmetrical tolerance range for deviations of ± 1 percentage point. The MPC pursues this strategy under a floating exchange rate regime. The floating exchange rate regime does not rule out foreign exchange interventions should they turn out necessary for the inflation target implementation.

In the *Monetary Policy Guidelines for 2009* the Council maintained the following understanding of the inflation target and the way of its implementation:

- First, the notion of permanent inflation target means that it refers to inflation measured as a year-on-year change in prices of consumer goods and services in each month compared to the corresponding period of the preceding year. For a better understanding of inflation processes it is also justified to use quarterly and annual inflation indices such as those used in the NBP's inflation projection, in the central budget and in the statistics of the European Union. An important role in the assessment of inflationary pressure is also played by core inflation indices.

- Second, the adopted solution means that the monetary policy is unequivocally focused on maintaining inflation as close as possible to the target of 2.5% and not only within the tolerance range. The adopted solution provides an anchor for inflation expectations, thus facilitating the pursuit of monetary policy, which in case of shocks requires smaller and less frequent interest rate changes.

- Third, the occurrence of shocks in the economy is inevitable. Depending on the strength of the shock and the degree of inertia of inflation expectations the scale and the duration of inflation deviation from the adopted target that may differ. The central bank normally does not respond to deviations from the inflation target which it deems temporary and which lie within the tolerance range around the target. In countries with a permanently low inflation, the central bank does not have to respond even when inflation leaves the tolerance band temporarily. In the case of shocks viewed as leading to a permanent deviation from the inflation target, the central bank adjusts its monetary policy accordingly.

- Fourth, monetary policy reaction to shocks also depends on their causes and nature. The reaction to demand shocks is a relatively minor issue, since in this case inflation and output move in the same direction. An interest rate increase weakens economic activity and, consequently, inflationary pressure. Supply shocks are a more difficult problem from the point of view of monetary policy, as in this case output and inflation move in opposite directions. Inappropriate monetary policy reaction to such a shock may have far-reaching negative consequences for the economy. An attempt to fully neutralise the impact of a supply shock on inflation through monetary policy may lead to an unnecessary plunge in output, as the supply shock itself already has a negative effect on consumption and investment. On the other hand, an attempt to fully accommodate – by pursuing expansionary monetary policy – the real effects of a supply shock resulting in a price increase and output decrease usually leads to persistently higher inflation, which, in turn, requires a far more restrictive monetary policy in subsequent periods, bringing about a stronger deceleration in economic growth. The reaction of the central bank should depend on the assessment of the durability of the shock's effects.

- Fifth, most supply shocks are transitory and limited in scale. Thus, they do not require an immediate reaction. However, in the case of strong shocks even temporary acceleration in price growth may bring about a relatively permanent rise in inflation expectations and, in turn, an increase in inflation due to the emergence of wage demands. In such a situation, monetary policy has to prevent secondary effects of the supply shock (the so-called second-round effects). The risk of such effects is substantial in countries with a short history of low inflation. Useful in analysing supply shocks are core inflation indices, which help to distinguish, at least roughly, temporary effects from permanent changes in inflationary pressure.

- Sixth, because the reaction of output and inflation to the pursued monetary policy is delayed, its influence on the level of current inflation is limited. Current decisions of the monetary authorities affect price developments in the future just as current inflation is influenced by interest rate changes made several quarters ago. However, the length of these lags is not constant and, to a large extent, depends on structural and institutional changes ongoing in the economy. Changes in the monetary transmission mechanism result in a situation in which central banks can only approximately determine the time lag between an interest rate decision and its strongest observed impact on real variables (output, employment) and then on inflation.

- Seventh, monetary policy affects the economy not only by changing interest rates but also by keeping them unchanged for a period of time. The decision to keep interest rates unchanged for several periods (months or quarters) has substantial consequences for the economy as well, because it leads to a gradual widening or narrowing of the output gap.

- Eighth, monetary policy is pursued under uncertainty. Large uncertainty is, among others, due to the fact that inflation projection models used by central banks may start to describe economic processes less adequately owing to the ongoing structural changes in the economy. This means that:

  – while making decisions it is necessary to take into account all available information, rather than just the inflation projection;

  – it is not possible to adopt a simple policy rule which could be known *ex ante* to market participants and

  – forward-looking monetary policy has to be presented to the public as an attempt to achieve the inflation target under uncertainty, rather than an exercise of strict control over economic processes.

- Ninth, while assessing the inflation outlook, especially when inflation is low, central banks take into account the prices of assets because of the need to ensure financial stability. In the conditions of liberalised financial markets and amid favourable developments on the supply side of the economy supporting low inflation, it is becoming ever more essential for monetary authorities to allow for financial stability considerations in their decisions. If in response to low inflation central banks reduce interest rates too much, this may lead to rapid asset price growth. This growth is accompanied by the risk of the so-called unstable boom, where higher inflation emerges with a considerable lag. Such rapid growth in asset prices is also accompanied with the rising risk of their sudden and considerable slump, which poses a threat to the stability of the financial system and to the real economy. Financial system stability ensures effective operation of the transmission mechanism, which is crucial for appropriate monetary policy implementation. In assessing the inflation outlook and the risk of turmoil in the asset market, it may be useful in the longer run to account for the paths of monetary aggregates.

- Tenth, in assessing monetary conditions, not only the level of real interest rates should be considered but also the level of the real exchange rate. Thus understood restrictiveness of monetary policy impacts, along with the implemented fiscal policy, the total restrictiveness of macroeconomic policy. An overly expansionary fiscal policy is the most common reason that necessitates keeping the interest rates at a higher level.

- Eleventh, an important input into monetary policy decision-making process is the balance of factors affecting the probabilities of future inflation running above or below the target. This balance is based on the inflation projection, the assessment of the actual economic developments, which may deviate from the scenario presented in the projection, as well as the course of variables and information not accounted for directly in the projection. While assessing the factors affecting future inflation, central banks take into consideration the path of inflation in the past since it has a bearing on the anchoring of inflation expectations at the level of the inflation target. In this context it is important to consider the length of the period in which inflation remained close to the target and the length of the period in which it deviated from the target.

Furthermore, the Council has stated that if a binding decision were to be taken on the scheduled date of Poland joining the euro area and the related entry to ERM II, the Council would make all necessary adjustments of the monetary policy strategy and – in consultation with the Council of Ministers – of the exchange rate policy to conditions ensuing from the necessity of meeting the convergence criteria indispensable for the euro adoption. Such binding decision, however, was not taken. The Council maintained its opinion that the accession of Poland to the euro area should take place at the earliest possible date. The Council also expressed the view that in the coming years economic policy in Poland should be conducted in such a way as to enable – by implementing structural reforms – the sustainable fulfilment of the Maastricht criteria and, at the same time, the maximisation of benefits related to the euro area accession.

2.2. Macroeconomic conditions of NBP monetary policy in 2009

In 2009, the monetary policy of central banks, including the National Bank of Poland, was pursued in the conditions of global economic recession and persisting disturbances in financial markets.

At the beginning of 2009, most countries saw a deepening of the recession originated back in 2008, which was reflected in a strong fall of GDP, marked deterioration in the labour market and worsening of economic agents’ sentiment. At the same time, heightened uncertainty and high risk aversion continued to persist in international financial markets, which brought about a further decline in asset prices and disturbances in the functioning of those markets.

While in 2008 recession primarily hit developed countries, at the end of 2008 and the beginning of 2009 a considerable decline in economic activity also occurred in emerging economies, including Central and Eastern European countries, all of which – except for Poland –

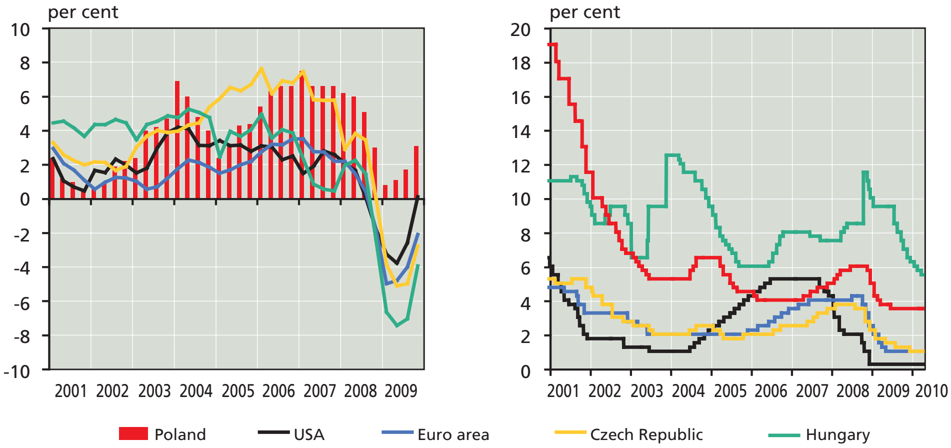
suffered GDP falls in 2009. The main channels through which the global crisis affected these economies included: a collapse in world trade[5] at the end of 2008 and at the beginning of 2009, growth in risk aversion in financial markets resulting in capital outflows from those countries and a strong depreciation of their currencies (which raised the value of foreign debt expressed in domestic currency and the costs of its servicing, though at the same time it improved the price competitiveness of those economies versus developed countries), a pronounced credit tightening by financial institutions and deterioration in economic agents' sentiment.

In 2009 Q2 recessionary tendencies in the global economy were gradually slowing down and in the following quarters global GDP started to rise again. Nevertheless, the scale of improvement in the economic situation of particular countries and regions varied. In the largest developed economies, despite some improvement in economic activity, a GDP slide was recorded in the whole of 2009.

Together with a gradual improvement in the real economy, starting from 2009 Q2 an on-going stabilisation in financial markets could be observed, which was reflected in the growth of prices of some financial assets and in the appreciation of emerging economies' currencies. The improvement in both economic activity and the situation in financial markets was to a large extent the result of a highly expansionary macroeconomic policy pursued in many countries. It involved a significant loosening of monetary policy (in particular interest rate cuts to historically low levels and liquidity support, including asset purchases by central banks leading to an increase of the monetary base) as well as a strong fiscal stimulus.

Figure 1

GDP growth (left-hand graph) and main interest rates of selected central banks (right-hand graph)



Source: Reuters EcoWin data.

Despite the signs of a gradual deceleration in unfavourable tendencies in many countries, uncertainty about the sustainability of economic recovery persisted in the whole of 2009. This uncertainty was largely associated with the unknown impact of the financial crisis on the growth rate of potential output, difficult to predict reaction of the economy to the withdrawal of stimulus programmes, as well as long-term effects of a severe deepening of the fiscal imbalance and the rising public debt.

[5] According to IMF estimates, the volume of world trade exchange in 2009 shrank by 10.7%, which was primarily connected with a significant reduction of demand, uncertainty as to the economic standing of particular countries and the narrowing possibilities of using financial intermediation.

In 2009 – along with the deepening recession in the global economy – a marked decline in inflation was observed in most countries. According to estimates of the International Monetary Fund, inflation in developed countries fell from 3.4% in 2008 to 0.1% in 2009 and in the developing countries – from 9.2% to 5.2%. A significant reduction in inflation – which brought annual price growth in the euro area, the United States and Japan temporarily below zero in mid-2009 – was primarily connected with a strong decline in the prices of agricultural and energy commodities, negative base effects and low demand pressure associated with limited economic activity. Together with the stabilisation of economic activity and the recovery in world trade, commodity prices rose, which was also supported by falling risk aversion and high liquidity in global financial markets. At the same time, a rise in inflation was observed, even though it remained at a low level. In many countries inflation remained at an elevated level throughout 2009, which largely resulted from the earlier depreciation of the exchange rate.

Changes occurring in 2009 in the global economy significantly affected the course of economic processes in Poland. Although Poland's economy exhibited relatively high resistance to the global crisis[6] – which was, among others, attributable to a smaller than in other economies of the region share of exports in GDP, a floating exchange rate and a lesser dependence on credit – economic activity declined considerably in 2009 (Appendix 1). The annual GDP growth fell from 5.0% in 2008 to 1.8% in 2009, and domestic demand decreased in 2009 by 0.9% y/y (against an increase of 5.5% y/y recorded in the preceding year). The recession in the major trade partners contributed to the reduction in foreign demand for goods and services produced in Poland. At the same time, a significant depreciation of the zloty exchange rate – caused by increased risk aversion in global financial markets in 2008 Q4 and early 2009 and the ensuing foreign capital outflows from emerging economies – contributed to a rise in price competitiveness of Polish products. As a result, in 2009 exports decreased by 8.0% and imports by 13.5%, turning the contribution of net exports to GDP growth positive and making it the main demand factor of economic growth in Poland (the contribution of net exports to GDP growth was 2.7 percentage points). A reduction in foreign demand and worsening prospects for the development of economic activity contributed also to a decline in domestic demand, which was primarily driven by a reduction in inventories and investments of enterprises. At the same time, consumption continued to rise, although its growth rate clearly decreased. The economic slowdown was accompanied by a significant deterioration in the labour market, leading to a decline in employment levels and a concurrent rise in unemployment. The nominal and real wage growth also slowed down, which limited the employment decline and the unemployment increase. Rapid adjustment in the level of wages and, consequently, limited reductions in employment were some of the factors distinguishing this downturn from a slowdown of 2001–2002.

The strong economic slowdown also contributed to a substantial deterioration in public finances, whose deficit in relation to GDP almost doubled in 2009 reaching 7.1%. The increased fiscal imbalance resulted from both the effects of the so-called automatic stabilisers[7] and higher structural deficit of public finances, which was one of the factors mitigating the impact of the crisis on the Polish economy.

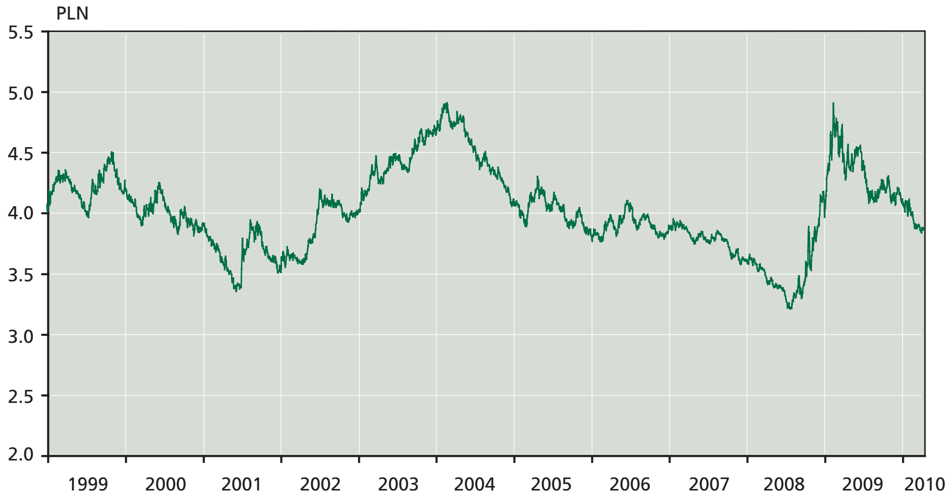
The economic slowdown was accompanied by a fall in lending to enterprises and a significant reduction in the growth rate of household indebtedness (Appendix 4). The deceleration in lending was the result of the tightening of credit policy by banks due to limited transactions in the interbank market, increased credit risk of enterprises and households and a deterioration of banks' loan portfolios.

[6] Poland was the only country of the European Union which recorded GDP growth in 2009.

[7] Automatic stabilisers trigger spontaneous adjustment of the budget deficit in response to fluctuations in economic activity, which has a stabilising effect on the economy. This is because during an economic slowdown, the deficit automatically increases as a result of falling tax revenues and rising expenditure associated with unemployment and social security, while in the recovery phase a reverse phenomenon occurs.

Figure 2

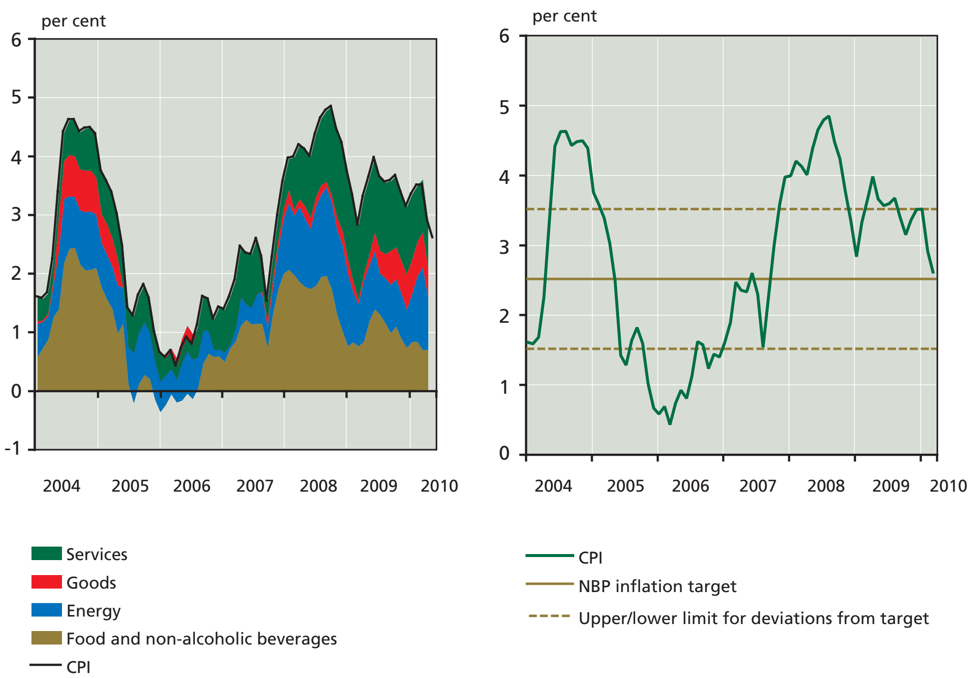
EUR/PLN exchange rate in 1999–2010



Source: NBP data.

Figure 3

Impact of the major groups on the annual growth of prices of goods and services (left-hand graph) and the annual growth of prices of consumer goods and services versus the inflation target (right-hand graph)



Source: GUS data, NBP calculations.

In 2009, the annual growth of prices of consumer goods and services (the Consumer Price Index – CPI) decreased by 0.7 percentage points as compared to 2008 and amounted to 3.5%, hovering at the upper limit for deviations from the NBP inflation target set at 2.5% (Appendix 2). The elevated CPI path in 2009 resulted largely from the effect of factors outside the direct influence of domestic monetary policy, especially increases of administered prices and excise duty rates and the substantial depreciation of the zloty in the period between July 2008 and February 2009, resulting from an increase in risk aversion in global financial markets and outflows of foreign capital from emerging markets. In March 2009, the zloty exchange rate stabilised, and then – together with the improved outlook for world economic growth and the decline in global risk aversion – was gradually strengthening (Figure 2.2). One of the factors that could have contributed to the stabilisation of the zloty in 2009 was Poland's obtaining access to the Flexible Credit Line with the IMF in the amount of USD 20.6 billion.[8] The exchange rate appreciation was conducive to curbing the rise in oil prices observed in the second half of 2009, thus mitigating the growth of inflation in that period.

2.3. Monetary policy in 2009

Similarly to previous years, in its interest rate decisions the Council on each occasion considered the midterm inflation outlook, assessing it in the context of past, current and especially the anticipated economic situation. The decisions of the Council were affected by the changing assessment of factors influencing the probabilities of future inflation running above or below the target. The assessment took into consideration the results of subsequent projections of the NBP's Economic Institute and other forecasting activities, as well as the developments of variables and information not directly accounted for in the projections.

In the first half of 2009 – taking into account the macroeconomic data being released and forecasts pointing to a strong reduction in economic activity in the world and in Poland, which was conducive to containing inflationary pressures in the medium term – the Council continued the monetary policy easing started in late 2008. During this period, the NBP interest rates were reduced on four occasions in January, February, March and June, by a total of 150 basis points (the NBP reference rate was cut to 3.5%). Additionally, in May 2009 the Council lowered the required reserve ratio by 0.5 percentage points (from 3.5% to 3.0%).

In the second half of 2009 – in view of the gradually improving situation in the economy amid persisting considerable uncertainty about the sustainability of the economic recovery – the Council kept interest rates unchanged. Until September, however, the Council assessed the probability of inflation running below the inflation target in the medium term to be higher than the probability of its running above the target. In October the Council changed its assessment of risks to the achievement of the inflation target in the medium term, seeing the probabilities of inflation in the medium term running above and below the target to be balanced, thus marking the end of the monetary policy easing cycle. The Council maintained that assessment till the end of 2009.

* * *

At the turn of 2008 and 2009, the downturn in economic activity in the world deepened. Data on GDP and other macroeconomic variables released in the first months of 2009 indicated that due to the recession in the external environment and the ensuing reduction in the demand for Polish goods, the economic growth in Poland was significantly slowing. Similarly as abroad, the

[8] Flexible Credit Line is an instrument of the IMF aimed at preventing the outbreak and spread of the financial crisis. It is only granted to countries which have solid economic fundamentals, conducted a responsible macroeconomic policy in the past and in which there is a will and a high probability of continuing such policy in the future. Apart from Poland, in 2009 access to the Flexible Credit Line was obtained by Mexico and Colombia. As the Flexible Credit Line is granted to countries with strong economic fundamentals, it could have fostered a greater differentiation of risk assessments for the Polish economy and other countries in the region of Central and Eastern Europe, reflecting a relatively favourable condition and growth prospects of the Polish economy as compared to other economies of the region.

economic activity weakening was also connected with the limited credit availability and its elevated costs due to the significant tightening in loan granting conditions by banks and heightened risk premia included in market interest rates. Additionally, data on labour market developments pointed to a decline in employment, increasing unemployment and slowing wage growth, which was conducive to reducing inflationary pressure. At the same time, inflation remained at an elevated level due to the increase in administered prices, in particular the prices of energy carriers, and the depreciation of the zloty. The Council assessed, however, that in the medium term recession in the global economy, which was contributing to the slowdown in the country's economic growth, as well as the easing wage pressure, and the tightening of banks' credit policy would curb the inflationary pressure in Poland. Such assessment was also supported by the projection of inflation and GDP prepared by the NBP's Economic Institute in February 2009, according to which the CPI inflation – under the assumption of unchanged interest rates – was to decline steadily in line with the central projection path to 0.8% in the projection horizon, i.e. till the end of 2011. At the same time, the projection indicated a significant slowdown in GDP growth, which in 2009–2010 – assuming unchanged interest rates – was seen at 0.9% and 2.4%, respectively (in line with the central path), as well as a deepening of the negative output gap and an increase in the unemployment rate throughout the projection horizon.

Although current inflation remained at an elevated level, at its meetings in January, February and March the Council concluded that, given the significant deterioration in economic growth prospects and the expected easing of inflationary pressure, further significant monetary policy easing[9] was required to stabilise inflation at the NBP's inflation target over the medium term. Monetary policy easing was also supported by the government's declared commitment to maintain discipline in the public finance sector. In January 2009 the Council decided to cut interest rates by 0.75 percentage points, while in February and March – by 0.25 percentage points on each occasion. The Council assessed that the easing of monetary policy should contribute to stabilising economic growth around potential output growth, which was expected to support the achievement of the inflation target in the medium term.

In this period the Council's decisions were also influenced by the developments of the zloty exchange rate, which in the first two months of 2009 – similarly as in the second half of 2008 – was strongly depreciating. On the one hand, the Council pointed out that the depreciation of the zloty increased the zloty value of foreign currency liabilities of economic agents, which could have contributed to reducing domestic demand. On the other hand, the Council indicated that the depreciation was conducive to an increase in inflation. In February 2009, in order to reduce the risk of a further weakening of the exchange rate, the Council cut the interest rate on a smaller scale than in January. In the press release following the meeting, the Council also stressed that the exchange rate of the zloty was weaker than the equilibrium exchange rate and did not reflect the relatively favourable state and outlook of the Polish economy. The Council also pointed out that the NBP might make use of instruments directly affecting the zloty exchange rate.

At its meetings in April and May, the Council continued to assess the probability of inflation running below the inflation target in the medium term as higher than the probability of its running above the target, yet, at both meetings NBP interest rates were kept unchanged. Such decisions were primarily justified by the uncertainty surrounding the prospects for economic recovery in the world and in Poland and about the situation of public finances and their impact on inflation, the very low level of real interest rates and – at the April meeting – also the persistent uncertainty regarding the developments of the zloty exchange rate. In May, the Council concluded that the decline in lending by commercial banks warranted a reduction of the required reserve ratio by 0.5 percentage points, from 3.5% to 3.0%.

At the meeting in June 2009, the Council got acquainted with the latest projection of inflation and GDP, which indicated that CPI inflation would be falling till the end of 2010 (reaching

[9] In November and December 2008 the Council lowered NBP interest rates by 0.25 and 0.75 percentage points, respectively.

the NBP's inflation target in the first half of 2010) and then it would rise again in 2011, even though it was expected to stay below the inflation target. In turn, in line with the projection economic growth in Poland was to slow down till 2009 Q3 and then to accelerate in subsequent quarters, in the wake of the global economy's recovery from the recession. The Council assessed that inflation in the coming months would probably decrease, though it would remain at an elevated level, mainly due to relatively high annual growth of food prices and administered prices. At the same time, the Council assessed that in the medium term the drop in demand and subdued wage pressures resulting from the economic slowdown should both lead to an inflation decrease. With this in mind, at the June meeting the Council cut NBP interest rates by 0.25 percentage points, indicating that the effected interest rate cuts and the reduction of the required reserve ratio would favour the economy's return to the path of potential growth.

The data released in July, August and September 2009 suggested that economic activity in Poland was still low. The decline in employment in the enterprise sector was deepening and the rate of unemployment was rising. At the same time, part of the monthly data, including those suggesting some acceleration in the growth of retail sales in July, rise of the majority of economic climate indicators in August and September, as well as data on industrial and construction and assembly output published in September, signalled the possibility of some improvement in the overall economic situation. The inflation running in these months above the upper limit for deviations from the inflation target was mainly due to the previously introduced increases of administered prices and the earlier depreciation of the zloty. The Council upheld its assessment that inflation in the following months might still be running at elevated levels mainly due to the relatively high prices of food and energy carriers, while also stressing that the oil price hike recorded in this period was partially mitigated by the appreciation of the zloty observed since February 2009. However, in view of the predictions that a low demand pressure and a reduced rate of labour costs growth should lead to lower inflation in the medium term, at the meetings in July and August, the Council assessed the probability of inflation in the medium term running below the inflation target to be higher than the probability of its running above the target. The Council kept NBP interest rates unchanged at those meetings. The Council did not change interest rates in September either and upheld its assessment of the risks to achieving the inflation target over the medium term formulated in the previous months, yet, it stated that the probability of inflation running below target in the medium term had decreased. According to the Council, the previous easing of the monetary policy together with the expected improvement of the global economic climate were to foster the return of the economy to the path of potential growth.

In the following months, economic activity in Poland's main trading partners remained at a low level, although incoming data pointed to its gradual improvement. Information on the Polish economy, including data on the output of industry and the construction and assembly sector and on retail sales, as well as many economic climate indicators, pointed to an improvement of economic situation in 2009 Q3. In October, the Council got acquainted with the latest projection of inflation and GDP, which suggested that CPI inflation in 2009 could be higher, and in 2010 much lower than in the June projection, while in 2011 it could rise again while remaining close to the inflation target. In turn, in line with the central projection economic growth was to remain below 2% y/y till 2010 Q3. In subsequent quarters, GDP growth was projected to increase slowly to reach a level close to potential output growth in the second half of 2011. At the same time, the Council still assessed that inflation would run at a heightened level mainly due to the relatively high annual growth of food and administered prices. In the opinion of the Council, higher inflation could also be driven by oil price increases, which were, however, partly offset by the continuing appreciation of the zloty. The elevated level of inflation could also be supported by possible further increases of administered prices. In the medium term, the Council expected that the low demand pressure and limited labour costs growth, amid persistent uncertainty about the future rate of economic growth, should lead to an inflation decline. Considering these factors, at its meeting in October the Council kept interest rates unchanged, changing the assessment of risks to achieving the inflation target over the medium term by stating that the probabilities of inflation running above and below target over the medium term were balanced.

In November and December 2009, there appeared further signs of recovery in the global economy. After several quarters of decline, 2009 Q3 brought GDP growth in the United States and the euro area. At the same time, incoming data revealed a strong increase in economic activity in the largest emerging economies. Improved activity in the real economy worldwide was accompanied with increases in the prices of financial assets, including the appreciation of the currencies of emerging economies, and growth of commodity prices in international markets. Data on the Polish economy also pointed to improving economic conditions. In 2009 Q4 inflation continued to hover above the NBP's inflation target and the Council expected a temporary increase in the CPI in the following months. At the same time, in the subsequent quarters the Council expected a substantial inflation reduction, which was to result – apart from negative base effects – from low demand pressure, reduced growth of labour costs and the previously observed appreciation of the zloty. In turn, rising commodity prices in world markets and increases in taxes and administered prices might – in the Council's view – mitigate the inflation decline in 2010. In November and December 2009 the Council confirmed the assessment that the probabilities of inflation running above and below target were balanced and kept NBP interest rates unchanged.

An important element of conducting monetary policy based on inflation targeting was, as in previous years, the communication with the public, involving the Council's presentation of its assessment of the current state of the economy and the future path of economic processes. The most important instruments of communication in 2009 included the following cyclical publications: inflation reports, information from the meeting of the Monetary Policy Council (with accompanying press conferences organised after the Council's meetings), *Minutes of the Monetary Policy Council decision-making meetings*[10] (Appendix 5), as well as the *Report on Monetary Policy Implementation in 2008* and *Monetary Policy Guidelines for 2010*.

2.4. Monetary policy instruments

In 2009 the National Bank of Poland pursued the monetary policy influencing the inflation level through the interest rate channel. The Monetary Policy Council set the NBP's official interest rates which determined the yield on monetary policy instruments. In order to steer short-term interest rates, the NBP used the following instruments: open market operations, lending and deposit operations (standing facilities) and reserve requirements. By influencing the level of short--term interest rates of the money market, the Monetary Policy Council strived to achieve such a level of interest rates in the economy that would be consistent with the adopted inflation target.

Similarly to 2008 Q4, the NBP used a wider set of monetary policy instruments than in the previous years. In accordance with the so-called Confidence Package introduced in October 2008, in 2009, the central bank conducted regular operations providing zloty liquidity to the banking sector in the form of repo operations and liquidity in foreign currency in the form of foreign exchange swaps. Those operations were continued due to persisting tensions in the domestic financial markets and banks' limited access to financing in domestic and foreign currencies.

[10] *Minutes of the Monetary Policy Council decision-making meetings* (Appendix 5) present a more detailed discussion of the problems and arguments which had a significant impact on the decisions taken by the Council in 2009.

2.4.1. Liquidity in the banking sector in 2009

In 2009 the NBP pursued its monetary policy in the situation of constantly increasing liquidity surplus[11] of the banking sector.

The average level of banking sector liquidity in 2009 amounted to PLN 23,940 million. This means an increase by PLN 12,976 million, i.e. by 118% as compared to 2008. This change resulted mainly from the influence of so-called autonomous factors independent from the NBP. The level of short-term liquidity of the banking sector was also affected by measures undertaken by the central bank.

As regards autonomous factors, the largest contribution to the increase in the level of short--term liquidity came from the net purchase by the NBP of foreign currency, originating mainly from EU funds as well as from exchange of foreign currency into the Polish zloty at the NBP carried out by the Ministry of Finance. Net purchases of foreign currency contributed to a rise in liquidity surplus on average by PLN 21,416 million, from December 2008 to December 2009. Another factor that contributed to the increase of liquidity was the decreasing level of currency in circulation – from December 2008 to December 2009, by PLN 1,470 million (the annual rate of changes in currency in circulation amounted in December 2009 to -1.4%). Other factors affected the liquidity of the banking sector to a lesser extent.

Measures undertaken by the NBP contributing to a rise in short-term liquidity in 2009 involved the following:

– buying back of the NBP bonds before maturity on 22 January 2009 (in accordance with the decision taken by the Management Board of the NBP) and

– reduction of the required reserve ratio by 0.5 percentage point starting from 30 June 2009 (in accordance with the decision of the Monetary Policy Council).

2.4.2. Monetary policy tools in 2009

In 2009 the set of monetary policy instruments used by the NBP did not differ significantly from the one used in 2008, modified after the introduction of the Confidence Package. There were two basic reasons why it was not necessary to introduce considerable modifications in the operating system of the monetary policy. Firstly, in comparison with other countries, the situation in the banking sector in Poland worsened to a lesser extent. Another important factor which influenced the way of the NBP's responding to the spread of the financial crisis, was the growing level of liquidity surplus of the domestic banking sector. This factor mitigated potential liquidity tensions connected with the turmoil in the interbank market.

2.4.2.1. Interest rate

In 2009 the principal monetary policy instrument was the short-term interest rate. The Monetary Policy Council set the NBP's official interest rates which determined the remuneration of monetary policy instruments.

[11] Liquidity surplus of the banking sector is the surplus of funds retained by the banking sector above the average level of banks´ current accounts, determined by the value of the required reserve in the periods when it is maintained. Liquidity surplus is measured by the balance of main operations (NBP bills issues), fine-tuning operations (repo operations), foreign exchange swaps and standing facilities (standing deposit facility and lombard credit).

The main interest rate of the NBP was the reference rate. Changes in the NBP's reference rate set the direction of the pursued monetary policy. This rate determined the remuneration of main open market operations, influencing, at the same time, the level of short-term interest rates on the unsecured interbank deposit market.

The deposit rate and the lombard rate of the NBP determined the corridor for overnight interest rates fluctuations in the interbank market. The rediscount rate indirectly determined the interest on the required reserve holdings.

In 2009 the Council changed the key NBP rates on four occasions. The changes took place in the first half of the year. As a result, the reference, lombard, deposit and rediscount rates at the end of 2009 reached the level which was 150 basis points lower than at the end of 2008. The corridor for overnight interest rate fluctuations on the interbank market remained unchanged at +/–1.5 percentage points around the reference rate.

Moreover, at its meeting held on 23 December 2009, the Council took a decision to introduce on 1 January 2010 the rediscount rate determining the interest rate on bill discount credit offered by the NBP.

Table 2
Decisions of the Monetary Policy Council regarding changes in official interest rates in 2009

Decision date*	Decision
27 January 2009	Cutting the reference rate from 5.00% to 4.25% Cutting the lombard rate from 6.50% to 5.75% Cutting the rediscount rate from 5.25% to 4.50% Cutting the deposit rate from 3.50% to 2.75%
25 February 2009	Cutting the reference rate from 4.25% to 4.00% Cutting the lombard rate from 5.75% to 5.50% Cutting the rediscount rate from 4.50% to 4.25% Cutting the deposit rate from 2.75% to 2.50%
25 March 2009	Cutting the reference rate from 4.00% to 3.75% Cutting the lombard rate from 5.50% to 5.25% Cutting the rediscount rate from 4.25% to 4.00% Cutting the deposit rate from 2.50% to 2.25%
24 June 2009	Cutting the reference rate from 3.75% to 3.50% Cutting the lombard rate from 5.25% to 5.00% Cutting the rediscount rate from 4.00% to 3.75% Cutting the deposit rate from 2.25% to 2.00%

* Decisions came into force on the followig business day.

Source: NBP data.

In accordance with the Monetary Policy Guidelines, in 2009 the NBP strived, through open market operations, especially main ones, to impact the liquidity conditions in the banking sector in such a way so as to enable the POLONIA rate[12] to run close to the NBP reference rate.[13]

As compared to the previous years, the effectiveness of the NBP's influence on liquidity conditions in 2009 was limited. This resulted mainly from banks' less active (as compared to the period before the financial crisis) participation in tenders for main open market operations, which was reflected in the so-called underbidding.[14]

The lower activity of banks participating in tenders for main operations was connected with their intention to maintain current liquidity surpluses. The change in preferences as regards management of their own liquidity positions resulted mainly from prudential considerations. After the bankruptcy of the Lehman Brothers investment bank the crisis in the global financial markets intensified and banks drastically reduced their mutual limits for transactions concluded on the unsecured interbank deposit markets. While managing their own liquidity position, they had to take into account a higher risk of difficulties in satisfying their current liquidity needs on the interbank market. This situation resulted in a strong shift in banks' preferences towards management of their own liquidity positions based on overnight operations. As a result, long-term operations (both in the market as well as at the central bank) were limited.[15]

During the required reserve maintenance periods, the surplus liquidity not absorbed in the form of NBP’s main operations, was maintained by banks with the use of two instruments offered by the NBP. At the beginning of required reserve maintenance periods, banks strived to hold more funds on current accounts at the central bank (above the level of reserve requirement). While holding more funds on current accounts banks could comply, at an earlier stage, with the reserve requirement. This phenomenon, called frontloading, was characteristic in the discussed period of monetary policy operational frameworks of many central banks using the averaged required reserve framework. The averaged reserve requirement and the absence of remuneration of funds held with the NBP above the level of reserve requirement, encouraged banks, at the end of the maintenance periods, to place the accumulated excess funds with the central bank using standing deposit facility. This instrument made it possible to maintain similar flexibility in the management of the accumulated liquidity surplus as in the case of frontloading. At the same time, it allowed to earn income on the accumulated funds (1.5 percentage points below the yield offered by the central bank through the issuance of NBP bills).

The underbidding in tenders for main operations, resulting from banks' preferences to manage their liquidity on an overnight basis, led to the situation in which in the required reserve maintenance periods, banks generally held current liquidity surpluses. As a result, they deposited excess funds for the shortest possible period in the interbank market at yields lower than the NBP reference rate and made an overnight deposit with the NBP, bearing interest rate at the level of the NBP deposit rate. Thus, the POLONIA rate was in the majority of cases below the NBP reference rate (see Figure 4).

Similar trends in 2010 were observed in the interbank markets of the euro area, the United Kingdom and countries with liquidity conditions in the banking sector similar to those existing in Poland (e.g. Hungary).

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[12] POLONIA (Polish Overnight Index Average) – average overnight rate weighted with the value of transactions on the unsecured interbank deposit market. The NBP publishes the levels of this rate on the Reuters information site (NBPS) every day at 5.00 p.m.

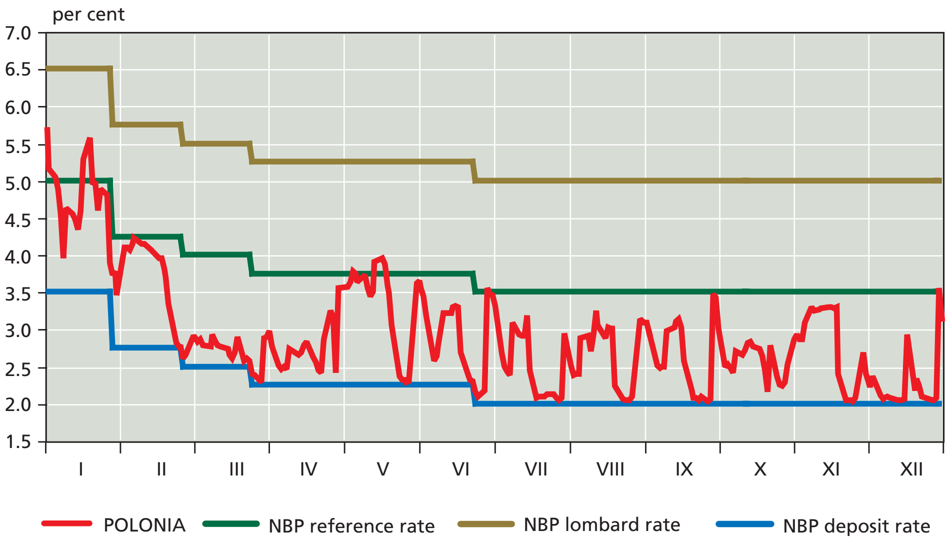
[13] *Monetary Policy Guidelines for 2009*, p. 15

[14] Situation in which at the tender for a monetary policy operation the banks’ total bid is lower than the supply offered by the central bank.

[15] This was reflected in the observed considerable decline in transactions volume and the shortening of maturity of unsecured deposits on the interbank market.

Figure 4

The NBP interest rates and POLONIA rate in 2009



Source: NBP data.

As a result of all the factors described above the average deviation[16] of POLONIA rate from the NBP reference rate in 2009 was 89 basis points (as compared with 32 basis points in 2008).

2.4.2.2. Open market operations

As indicated above in 2009 the main open market operations were the principal instrument of influencing the level of market interest rates. Additionally, the NBP conducted, on a regular basis, fine-tuning operations aimed at providing the banking sector with longer-term liquidity (repo transactions) and made use of a structural operation involving buying back of NBP bonds before maturity.

The main open market operations were conducted on a regular basis, once a week, in the form of issuance of NBP bills with a 7-day maturity. In 2009 the average level of issuance of NBP bills amounted to PLN 31,873 million and was higher than the average level in 2008 by PLN 20,343 million. The increasing level of NBP bills issue in 2009 was the result of rising liquidity surplus in the domestic banking sector. As mentioned in point 2.4.1, the factor which contributed to the largest extent to a rise in liquidity surplus was the NBP's purchase of foreign currency. Regular conducting of repo operations by the NBP providing liquidity to the banking sector was also of considerable importance for the level of NBP bills issue. Until 19 February 2009, main operations were performed by the NBP without announcing the volume of bills supply which was largely caused by the fact that banks' preferences as regards liquidity in the situation of intensifying financial crisis differed considerably from those in a normal situation and the ensuing difficulty for the NBP to set the intended liquidity conditions in the banking sector. In this period the NBP accepted each time the total demand received from banks in the tender. With the situation in the domestic interbank market improving gradually, the supply of money bills started to be published again since 20 February 2009. This meant return to the active liquidity management by the NBP.

Under fine-tuning operations, in line with the tasks outlined in the Confidence Package anounced in October 2008, in 2009 the NBP continued repo transactions providing liquidity to the

[16] Average deviation of POLONIA rate was calculated according to the uniform base of 365 days in the year.

banking sector for longer periods. Those operations were collateralised with securities accepted by the NBP (a detailed list of eligible securities is published on the website of the central bank).

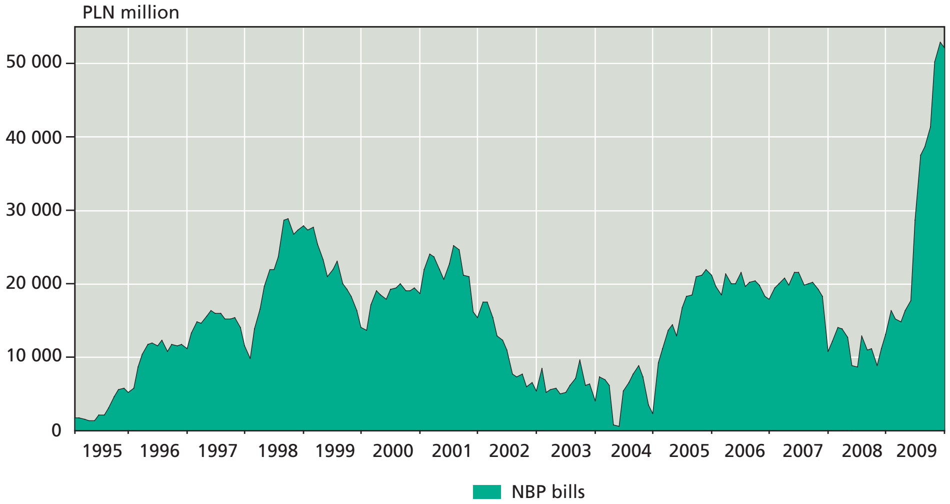
In order to increase the potential liquidity supply made available to banks, in 2009 the list of eligible assets accepted for repo operations, was extended to include the following securities:

– debt securities in foreign currency (debt securities in euro issued by the government of the Republic of Poland were added to the list),

– other debt as well as securities issued by the NBP deposited with the National Depository for Securities SA (KDPW SA) other than Treasury securities (the list includes: utility bonds, bonds of the European Investment Bank, bonds of BGK issued for the National Road Fund, mortgage bonds).

Figure 5

Average monthly balance of basic open market operations 1995–2009



Source: NBP data.

In the period January – April 2009, the NBP conducted repo operations once a month (on the second Tuesday of the month), with a 3-month maturity. In May, operations with a 6-month maturity were additionally introduced and carried out on a regular basis, once a month (on the third Tuesday of the month). In the case of both types of operations, the central bank did not announce the supply, fully allotting the total demand received from banks, unless the rate offered by banks was not lower than the minimum rate published by the NBP. The policy of full allotment of bank bids, in accordance with one of the objectives of the Confidence Package, offered banks the opportunity to be provided with zloty liquidity at the NBP for periods longer than 1 day in a situation of tensions persisting in the domestic financial markets. The average level of repo operations in 2009 amounted to PLN 11,456 million and was higher by 437% as compared to 2008 when its value reached PLN 2,135 million. Yet, it should be remembered that these operations were introduced in 2008 Q4.

In 2009, the NBP carried out also a structural operation involving the buying back of NBP bonds before maturity. As a result, the banking sector was provided with liquid funds of PLN 7,816 million. The decision of the NBP's Management Board to buy back 10-year bonds before maturity was aimed at improving the liquidity of the banking sector in the situation of lack of confidence in the interbank market.

2.4.2.3. Reserve requirement

In 2009 the requirement to maintain a specific amount of reserves on accounts with the NBP applied to banks, branches of credit institutions and branches of foreign banks operating in Poland. Required reserves were maintained in the averaged system. Banks were obliged to hold the average balance of funds on accounts with the NBP during the maintenance period at a level not lower than the amount of the reserve requirement.

Required reserves were calculated on the basis of banks' collected deposits and funds received from the sale of securities. Excluded from the reserve calculation base were funds received from another domestic bank, acquired from abroad for the period of minimum 2 years and deposited in credit and savings accounts of building societies and in individual pension funds. Required reserves were calculated and maintained in the Polish zloty.

On 30 June 2009, the Council reduced the ratio of reserve requirement from 3.5% to 3.0% (for funds acquired from the sale of repo securities the rate did not change in 2009 and amounted to 0%). The reduction of the reserve requirement ratio aimed in particular at supporting bank lending.

Banks reduced the amount of calculated reserve requirement by the equivalent of EUR 500 thousand. The holdings of required reserves held on NBP accounts were remunerated at 0.9 of the NBP rediscount rate. The average interest on reserve requirement funds in 2009 amounted to 3.6%.

The decision by the MPC to reduce the reserve requirement ratio by 0.5 percentage points led to the reduction of the level of reserve requirement starting from the second half of 2009. The required reserves level in July decreased as compared to June 2009 by PLN 3.319 million, i.e. by 14.6%, while the deposits constituting the reserve base remained approximately the same.

The amount of required reserves was PLN 20,148 million on 31 December 2009 showing a decrease of PLN 941 million (4.5%) as compared to 31 December 2008. The deposits constituting the reserve base and to which the positive ratio was applied increased by 11.9% in that period. If the reduction of the required reserves had not taken place in June 2009 the amount of required reserves on 31 December 2009 would have stood at PLN 23,673 million and would have been higher than the level of required reserves at the end of 2008 by PLN 2,584 million, i.e. by 12.3%.

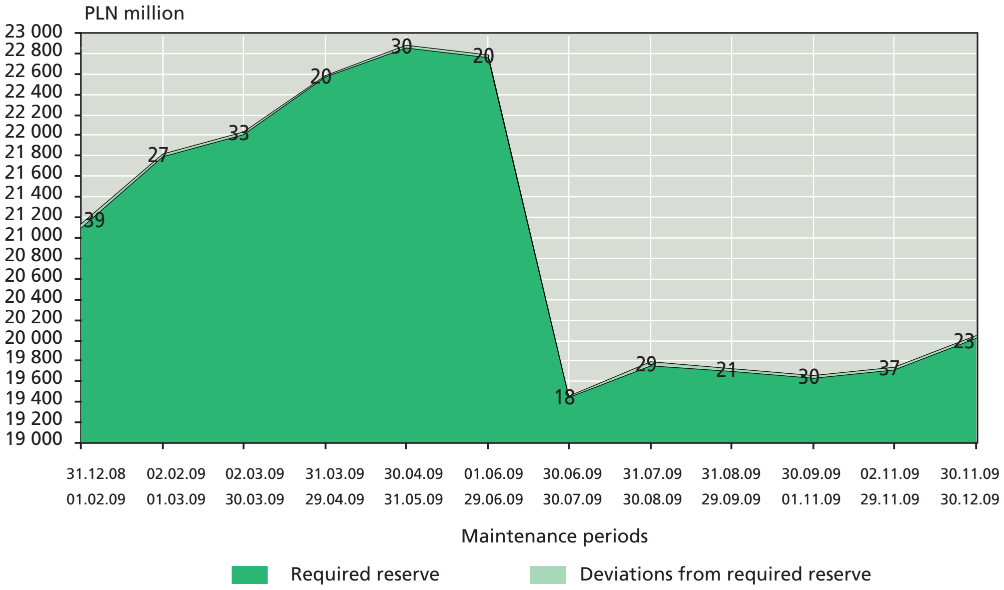
In all the required reserves maintenance periods a surplus persisted in the average balance of funds in relation to the required level of reserves (on average PLN 27 million, i.e. 0.13%). In particular periods this surplus ranged from PLN 18 million in July (0.09%) to PLN 39 million in January (0.18%). The reduction of the difference between the required and maintained reserves in particular reserve maintenance periods was supported by:

– remuneration of reserve holdings only to the amount of the reserve requirement,

– banks' use of instruments facilitating asset management on the NBP accounts (intraday credit, standing deposit facility and lombard credit).

Injection of additional liquidity to banks by the NBP (buy-back of NBP bonds before maturity and reduction of the required reserve ratio) supported banks in asset management, and facilitated maintaining the reserve holdings at the level required in every reserves maintenance period, which materialised for the first time since the introduction of the reserve requirement instrument in 1989.

Figure 6
Changes of required reserves level and deviations from reserve requirement in 2009



Source: NBP data.

2.4.2.4. Standing facilities

Standing facilities served as instruments stabilising the level of liquidity in the interbank market and the scale of overnight rate fluctuations. These operations were conducted at the initiative of commercial banks with the purpose of providing short-term liquidity to the banking sector or allowing banks to deposit their excess holdings for overnight periods with the NBP. In such a way the central bank was able to limit the fluctuations of the shortest market rates on the interbank market, particularly the overnight rate. The lombard rate determining the maximum cost of funding with the NBP set a ceiling on fluctuations of interbank rates, while the deposit rate constituted the floor.

In 2009 banks made use of lombard credit collateralised with securities in order to supplement their current liquidity on current accounts with the NBP. The total amount of credit used in 2009 was PLN 5.0 billion, compared to PLN 5.2 billion in 2008, while the average daily use of lombard credit was PLN 13.8 million as compared to PLN 14.3 million in 2008.

In order to increase the liquidity pool available to commercial banks the NBP widened the list of eligible assets (collateral) thus allowing banks to use, starting from 2 July 2009, lombard credit collateralised with debt securities denominated in foreign currencies. A detailed list of these securities is published on the website of the NBP.

In 2009, banks' total use of deposit facility offered by the NBP amounted to PLN 898.1 billion (calculated as the sum total on the days of its use), which was an amount that was 72.7% higher than the deposits placed in 2008. The total value of overnight deposits placed by banks ranged between PLN 10 million and PLN 23.5 billion. The average daily level of overnight deposits amounted to PLN 2,460.6 million as compared to PLN 1,421.7 million in 2008. The highest amounts were deposited by banks in the last days of the required reserve maintenance periods.

2.4.2.5. Foreign exchange swaps

In October 2008, the MPC modified the set of monetary policy instruments complementing it with the foreign exchange swap. By means of foreign exchange swaps the NBP could purchase (or sell) the zloty with foreign currencies in the spot market while simultaneously reselling (or repurchasing) it on a forward transaction basis on a specified date.

In 2009, the NBP offered foreign exchange swaps in three currency pairs – USD/PLN, EUR/PLN and CHF/PLN. The operations were offered on a regular basis:

– weekly, on Monday, in all the above-mentioned currency pairs, in principle with a maturity of 7 days,

– monthly, on the first Wednesday of the month, in USD/PLN and EUR/PLN currency pairs, with a maturity of 28 days.

Banks showed the greatest interest in the swaps conducted in the CHF/PLN currency pair. The demand for this kind of operations continued till October 2009 (the last operation for which banks reported demand was carried out on 26 October 2009). As regards the other two currency pairs, banks did not report demand for this instrument starting from March 2009.

The highest use of foreign exchange swaps was recorded in 2009 Q1 (at the end of March the equivalent value of currencies that banks acquired in this way approached PLN 4 billion). In two subsequent quarters the amount of injections stabilised at the level of approx. PLN 500 million (equivalent value).

In average annual terms the operations in the form of foreign exchange swaps reduced the liquidity of the banking sector by PLN 1,074 million, as compared to a reduction of PLN 162 million in 2008.

2.4.2.6. Other operations

Intraday credit facility serves as an instrument facilitating liquidity management in the banking sector during the business day, while at the same time ensuring the interbank settlement liquidity in the NBP. It is a non-interest bearing credit collateralised with Treasury securities and NBP-issued securities that is incurred and repaid during the same business day. In 2009 the daily injection of liquidity to banks with the use of this instrument ranged between PLN 12.4 billion and PLN 29.5 billion. The use of intraday credit facility rose in 2009 by 7.5% in relation to 2008, i.e. by PLN 272.6 billion, which was a lower growth rate than in the previous period (an increase of 17.1% in 2008).

The level of intraday credit facility use remains primarily closely correlated with the liquidity management policy followed in commercial banks. In view of the fact that this instrument is a non--interest bearing facility, banks use it also as a buffer reducing the risk of a lack of liquidity to meet their obligations in interbank settlements.

Intraday credit in the euro serves to ensure settlement liquidity in the SORBNET–EURO system. It is secured with Treasury bonds that have been previously accepted by the ECB. It is incurred and repaid during the same business day. In 2009 the daily injection of euro--denominated operational liquidity to banks ranged between EUR 0.9 million and EUR 3.4 million. The use of the intraday credit in the euro rose by 62.4% in relation to 2008.

2.4.2.7. Foreign exchange interventions

In 2009 the Monetary Policy Council did not find sufficient grounds for conducting foreign exchange interventions.

3

FINANCIAL SYSTEM[17]

[17] Tasks in this field are fulfilled pursuant to Article 3 section 2 para. 6 and 6a of the Act on the NBP.

The National Bank of Poland promotes the stability and development of the national financial system as one its core objectives. The year 2009 marked the beginning of a new legal framework for Poland´s central bank. On 13 December 2008, the Act on the Financial Stability Committee[18] entered into force, amending the Act on the NBP. As a result, activities undertaken to support the stability of the national financial system were explicitly included in the NBP tasks.[19] Whereby the Management Board of the NBP is committed to analyse the stability of the national financial system.[20] In practice, the NBP has already pursued the above tasks, in view that the necessary prerequisites must in place for the development of the banking system. The stability of the financial system is essential to implement the basic goal of the NBP, i.e. to maintain a stable level of prices. Inclusion of this task in the Act on the NBP reinforced the important role of the central bank in activities supporting the stability of the financial system.

The change in the legal framework for the activities of the NBP coincided with the rise new challenges posed by the world's gravest financial and economic crisis in the last several decades. In September 2008, the crisis intensified and its adverse effect spread onto the financial market in Poland. Operating conditions changed dramatically, both for Polish financial institutions and the National Bank of Poland. In consequence of the crisis, i.a., confidence declined among interbank market participants. Hence, most banks reduced the limits on transactions with their counterparties in the interbank market, limited their exposure to overnight loans or ceased to carry out such transactions.

During the first stage of reducing the impact of global crisis on the Polish financial system, the NBP primarily sought to mitigate the effects of tensions in the interbank market and, subsequently, to restore its normal functioning through provision of liquidity in PLN and foreign currencies. In the face of difficult conditions in the interbank market, on 13 October 2008, the NBP announced the so-called Confidence Package. The instruments introduced under the Confidence Package were used by the NBP in operations with banks throughout the year 2009. The range of instrument was gradually refined to comply with the needs of banks, which in effect helped stabilise the situation in the interbank market. During the second stage, the effects of the crisis in global markets started to spread onto the real sphere of Polish economy. Whereas the volume of outstanding liabilities decreased, the NBP took actions aimed at easing of the restrictions regarding the availability of loans for economic entities; in particular, it initiated the Pact for the Growth of Lending in Poland.

3.1. NBP and the Financial Stability Committee

In 2009, while pursuing the national financial system stability, the NBP continued to cooperate with the Ministry of Finance and the Polish Financial Supervision Authority under the Financial Stability Committee. It was the first full year that the co-operation was conducted in accordance with the provisions of the Act on the Financial Stability Committee. Pursuant to this Act, the tasks of the Committee shall include the following:

– to assess the conditions of the domestic financial system and the conditions in international markets;

– to ensure appropriate information sharing between the members of the Committee on important events and tendencies which may pose a threat to the stability of the national financial system;

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[18] Journal of Laws No 209/2008, item 1317.
[19] Journal of Laws No 209/2008, item 1317, Article 3 para. 1.
[20] Journal of Laws No 209/2008, item 1317, Article 14 para. 2.

– to coordinate the activities of the members of the Committee should a direct threat to the stability of the national financial system occur.

Meetings of the Committee shall be held at least once every six months. In 2009, due to intensification of the crisis in global financial markets, the Committee held 7 meetings. The NBP actively participated in all meetings, initiating some of them in order to discuss material issues; it also prepared numerous current analyses and studies. The Financial Stability Committee shared information on and assessments of events with a particular impact on the stability of the financial system.

3.2. Analyses and research for the needs of the financial system

As part of its analytical and research activity, the NBP prepared numerous studies and analyses regarding the stability and development of the financial system in Poland. The results of these analyses were also presented at the forum of the Financial Stability Committee.

The NBP publishes the results of the works in cyclical reports. The following publications appeared in 2009:

- *Financial Stability Report* (in June and December). The reports placed a principal emphasis on the risk incurred by banks and their ability to absorb losses resulting from disadvantageous operating conditions. They also presented the results of stress tests carried out by the NBP. Moreover, the publications examined the key sectors of non-banking financial institutions: insurance companies, pension fund management companies and investment fund management companies, as well as their relationships with the banking sector in Poland.

- The report *Financial System Development in Poland 2008* (December). The publication comprehensively describes trends and barriers to the development of financial institutions and markets in Poland amidst the intensifying global financial crisis in 2008, and outlines how financial systems evolved in selected EU Member States. The relationships were examined between changes in the national financial system and the structure of financial assets of households and external sources of financing of enterprises. In addition, changes to the infrastructure and amendments to legislative acts concerning the financial system were presented, as well as initiatives aimed at integration of the EU financial market.

Moreover, in 2009 the NBP conducted:

- Research on the microstructure of the zloty spot market. The research involved the analysis of intraday seasonality of activities in the zloty market, the response of the zloty exchange rates to the value of the so-called order flow, depending on time of the day, liquidity and market depth and the effect of the publication of macroeconomic releases concerning the zloty exchange rates. The key conclusions drawn from the above research were published in the report *Financial System Development in Poland 2008*.

- Quarterly research on credit market conditions (senior loan officers opinion surveys). The primary aim of the surveys was to determine the direction of changes in lending policy, i.e. changes in the standards and terms of granting loans, as well as changes in demand for loans in the Polish banking system. In 2009, the NBP, in order to broaden the representation of the investigated sample group of banks, extended the scope of the survey by supplementing the pool with additional 6 commercial banks which had not participated in it earlier. The survey results are published as cyclical reports.

- Analyses concerning financial stability architecture. Adequate organisation of financial safety net and close collaboration among the institutions involved in it are vital to maintain the stability of the financial system. Analysing the experience of other countries in this respect may contribute to the development of more efficient solutions for the organisation of financial safety nets in Poland.

In 2009, the NBP published a report *Institutional Framework of Financial Supervision Authorities in EU Member States*. The chief directions of changes in institutional oversight of the financial market in the European Union were addressed, with particular emphasis on the role of central banks in this process. The paper provided basic information concerning the taxonomy of financial supervision organisation models, as well as practical aspects of organising supervision and oversight over financial systems in individual EU Member States. The latest initiatives were also presented for changing the institutional position of financial supervision. As indicated in the analyses, the global financial crisis considerably strengthened the tendency to increase the role of central banks in supervision over banking and financial systems. Particularly noteworthy cases concern the countries in which the central bank is likely to regain its supervisory competence due to the experience of the recent crisis. Countries where the central bank was delegated or reassigned supervisory functions included Ireland, Estonia, Czech Republic, Slovakia, Austria, the Netherlands and Finland. France, Germany and the UK are still considering making such a decision.

3.3. Preventing disturbances in the interbank market

3.3.1. Pact for the Growth of Lending in Poland

In April 2009, in response to declining loan supply, particularly pronounced in the segment of economic entities, the NBP launched the Pact for the Growth of Lending in Poland. The Pact sought to provide a platform for multilateral co-operation in order to increase the availability of credits for economic entities. As a part of the work on the Pact, the NBP held a series of meetings with banks, involving the participation of the Ministry of Finance and the Polish Financial Supervision Authority representatives. During these meetings, the chief barriers to the increase in lending activity were identified. This, in turn, resulted in a list of postulates from the banks, addressed to individual financial safety net institutions in Poland. The postulates, collected by the NBP, were submitted to the Polish Financial Supervision Authority, the Ministry of Finance as well as the Prime Minister. The banks were expected to retain the profit of 2008 and allocate it to increase their own funds.

3.3.2. NBP response to the postulates from the banks

In response to the banks' postulates, the NBP undertook numerous activities which *de facto* made medium-term financing for banks possible:[21]

– launched operations providing the banking sector with longer-term liquidity – up to 6 months, as well as enabled a rollover, i.e. renewal of the credit with the same collateral;

– expanded the list of eligible repo operation collaterals;

[21] For more information regarding monetary policy instruments, see Chapter 2.4.

– reduced the rate of required minimum reserves;

– redeemed the NBP bonds before maturity (under the Confidence Package).

3.3.3. Discount credit facility

At the end of 2009, the NBP introduced a discount credit – a new instrument, designed to facilitate access of banks to refinancing of new lending. Discount credit facility is intended to refinance newly extended loans for those enterprises whose growth was hampered the most due to the crisis.

In 2009, in order to introduce the aforementioned instrument, the NBP made numerous legal adjustments which fell within the competence of the NBP and the MPC. The most notable of these adjustments are:

– to take the new instrument into account in the *Monetary Policy Guidelines for 2010*;

– to determine of a new rate – bill discount rate – by way of resolution No 15/2009 of the MPC of 23 December 2009.

3.4. International co-operation for financial stability

The NBP takes active part in international co-operation for the development and stability of the financial system.

3.4.1. Poland's membership in the European Union

As a member of the European System of Central Banks (ESCB), the NBP participated in the works of committees operating at the ESCB. The issues of stability of the financial system come within the scope of competence of the Banking Supervision Committee (BSC). The BSC examines problems related to stability and development of the European financial system – the banking system in particular – and promotes the development of institutional solutions for sustaining the stability of the system. In 2009, the NBP representatives participated in the activities of working groups and task forces established under the Banking Supervision Committee.

The NBP representative is also a member of the Committee of European Banking Supervisors (CEBS). The Committee is an independent advisory body of the European Commission, competent for the issues of regulations and banking supervision in the EU. It pursues uniformity of interpretation of Community directives and approximation of supervisory practices in the Committee Member States.

Highlights in 2009

The NBP:

- Actively participated in the work of the Financial Stability Committee.
- Launched the Pact for the Growth of Lending in Poland in order to ease the restrictions on the availability of credits for economic entities.
- Commenced works on the introduction of discount credit facility – a new instrument, designed to facilitate access of banks to refinancing of new lending.

4

THE ISSUE OF CURRENCY[22]

[22] Tasks in this field are fulfilled primarily pursuant to Article 4 and Articles 31–37 of the Act on the NBP.

Pursuant to the Act on the NBP, the central bank has the exclusive right to issue currency of the Republic of Poland. The NBP contributed to the maintenance of monetary stability by ensuring security, liquidity, and quality of cash operations.

4.1. Currency in circulation

The value of currency in circulation (including bank vault cash) as at 31 December 2009 amounted to PLN 100,344.8 million. This represents a decrease in the value of currency by PLN 1,789.9 million, i.e. by 1.75% compared to the figure as at 31 December 2008.

In 2009, manufacturers of legal tender delivered 502,080,000 pieces of notes and 1,235,699,500 pieces of coins to the NBP (as compared to 305,080,000 pieces of notes and 847,563,400 pieces of coins in 2008).

The number of notes and coins ordered results from the principles applicable in the NBP, as specified in the Policy on the Issue of General Circulation Notes and Coins. The needs for 2009 were determined in accordance with the currency circulation forecast prepared in mid-2008, which predicted a sustained increase in currency in circulation in 2009. Moreover, the supplied notes and coins also supplemented the holdings of the NBP up to the level specified in the aforementioned document.

As at 31 December 2009, notes accounted for 97.0% of all currency in circulation by value, whilst coins represented 3.0% (in 2008 – 97.31% and 2.69%, respectively).

In terms of volume, notes accounted for 11.55% of all currency in circulation, whilst coins represented 88.45% (in 2008 – 12.11% and 87.89%, respectively).

In terms of value, 100 zloty and 200 zloty notes accounted for the largest share of all notes in circulation at the end of 2009, totalling 65.70% and 22.71% respectively (65.27% and 22.73% in 2008). In the case of coins, 5 zloty and 2 zloty coins had the largest share of all coins in circulation, accounting for 32.61% and 28.21%, respectively (31.02% and 28.47% in 2008).

In terms of volume, 100 zloty and 50 zloty notes had the largest share in the notes in circulation at the end of 2009, amounting to 57.28% and 15.40%, respectively (in 2008, their respective shares stood at 56.85% and 16.16%). In the case of coins, 1 grosz and 2 grosz denominated coins prevailed, with their respective shares at 36.15% (36.45% in 2008), and 17.80% (18.05% in 2008).

4.2. Issue of collector coins

Each year, the NBP issues collector coins and notes, commemorating national or international events, important historical anniversaries and famous Poles.

In 2009, 149,500 pieces of gold collector coins and 1,542 thousand pieces of silver collector coins were issued. The design elements covered 15 topics (as compared to 97,400 pieces of gold collector coins and 1,610 thousand pieces of silver collector coins in 2008).

In 2009, 24 types of collector coins were issued, including:

– 7 gold coins with face values of 200, 100, 37 and 25 zloty;

– 17 silver coins with face values of 20 and 10 zloty.

In addition, standard collector coins, the NBP[23] issued the following gold and silver coins in 2009:

- gold coin with face value of 25 zloty ("Polish Road to Freedom – General Elections of 4 June 1989");
- gold coin with face value of 37 zloty ("25th Anniversary of the Death of Father Jerzy Popiełuszko");
- silver coin with an integral hologram ("90th Anniversary of the Establishment of the Supreme Chamber of Control");
- silver pad-printed coins ("Polish Road to Freedom – General Elections of 4 June 1989" and "100th Anniversary of the Establishment of the Voluntary Tatra Mountains Rescue Service");
- square-shaped silver coin ("History of Polish Popular Music – Czesław Niemen");
- gold-plated silver coin ("65th Anniversary of the Warsaw Uprising: Warsaw poets: K.K. Baczyński and T. Gajcy");
- silver coin with a red zirconia ("25th Anniversary of the Death of Jerzy Popiełuszko death");
- oxidised silver coin ("65th Anniversary of the Liquidation of the Lodz Ghetto").

The NBP continued to issue occasional general circulation coins with a face value of 2 zloty, struck in the Nordic Gold alloy, which accompanied each issue of collector coins. In September 2009, the NBP commenced the issue of Nordic Gold alloy coins of a new series: "Cities in Poland". Coins introduced as a part of this series in 2009 commemorated three towns: Częstochowa, Jędrzejów and Trzebnica. In 2009, 18 types of general circulation coins struck in the Nordic Gold alloy were issued in total.

In 2009, a collector banknote commemorating the 200th anniversary of Juliusz Słowacki's birth was issued with a face value of 20 zloty; volume: 80,000 pieces. On this banknote diverse security features were applied, including colour shifting ink, microlettering, watermarks, security thread and security elements fluorescent under UV light.

Moreover, in 2009, 8 thousand pieces of gold bullion coins were issued.

4.2.1. Prizes and awards

In 2009, collector coins issued by the NBP received awards at international competitions.

The gold coin with face value of 200 zloty: "65th Anniversary of the Warsaw Ghetto Uprising" won the first prize at a prestigious, international Coin of The Year (COTY) competition, organised by Krause Publications, in the category of "The Most Artistic Coin of 2007". Due to logistic factors (worldwide range and a large number of coins entered for the competition), the results are announced 2 years after the year of issue.

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[23] Standard NBP collector coins are gold coins with face values of 100 zloty (weight: 8.0 g) and 200 zloty (weight: 15.50 g), as well as silver coins with face values of 10 zloty (weight: 14.14 g) and 20 zloty (weight: 28.28 g).

Further three Polish collector coins received awards at the international COIN CONSTELLATION 2009 competition, organised in Saint Petersburg by Watermark Company:

- in the category of "Successful Artistic Solution" – a silver coin with face value of 10 zloty, "The Siberian Exiles" – 1st prize;
- in the category of "Original Technology" – a silver coin with face value of 10 zloty, "400th Anniversary of Polish Settlement in North America" – 1st prize;
- in the category of "Silver Coin of the Year" – a silver coin with face value of 10 zloty, "XXIXth Olympic Games – Beijing 2008" (with a sphere) – 3rd prize.

4.2.2. New principles of sale of coins

In 2009, the NBP developed and introduced new principles of sale and distribution of collector values – *via* the Internet auction through a Kolekcjoner (The Collector) sale system. The new system has introduced a transparent mechanism for allocating collector items, in accordance with the arm's length principle. It eliminated price preference for companies (liquidation of discounts), introducing clear principles of allocating collector values. The system allows for collector items to be purchased by different entities, including companies and persons from abroad. Persons without Internet access may request assistance from employees of the NBP regional branches, who will register their accounts in the Kolekcjoner service on their behalf and, subsequently, accept and place orders at auctions.

4.3. Withdrawal of unfit notes and coins

In 2009, 235.5 million pieces of notes and coins were withdrawn (as compared to 308.6 million pieces in 2008) due to unfitness or loss of counterfeit protection features of appropriate quality.

4.4. Counterfeit Polish currency

The number of counterfeit Polish currency notes and coins decreased by 14.02%, as compared to 2008. Table 3 presents the number and breakdown of counterfeit Polish notes and coins reported in 2009 in comparison with 2008.

Table 3

The number and breakdown of counterfeit Polish notes and coins

Counterfeit notes and coins	2008		2009		Increase/ decrease (in %)
	Number (pieces)	Breakdown (in %)	Number (pieces)	Breakdown (in %)	
Banknotes issued in 1994, the "Polish Monarchs" series	16 525	49.29	19 315	67.00	+16.88
Banknotes issued previously, the "Great Poles" series	10	0.03	29	0.10	+190.00
Coins of current issue	12 999	38.77	8 226	28.54	-36.72

Coins of previous issues, withdrawn in 1994	3 993	11.91	1 257	4.36	-68.52
Total	33 527	100.00	28 827	100.00	-14.02

Source: NBP data.

Authentic, general circulation coins with face values of 10 and 20 zloty withdrawn from the circulation in 1994, which had been reshaped and used in coin-operated vending machines, have been numbered among the counterfeits.

4.5. Supply of notes and coins to banks

In 2009, commercial banks purchased Polish currency notes and coins from the NBP for the amount of PLN 163.2 billion (PLN 171.5 billion in 2008). More specifically, of which PLN 91.7 billion, i.e. 56.2% of the total value, accounted for purchase transactions of notes and coins under agreements on storing and purchasing notes and coins deposited at the NBP[24] (61.2% in 2008), whereas PLN 71.4 billion, i.e. 43.8% of the total value, accounted for transactions of purchase concluded on the basis of agreements on the execution procedure for the agreements of sale--purchase of Polish currency notes and coins[25] (38.0% in 2008).

4.6. Exchange of notes and coins which ceased to be legal tender

The NBP and domestic banks providing cash services continued the exchange of notes and coins issued prior to the 1 January 1995, i.e. prior to the redenomination of the zloty. By the end of 2009, 99.83% of notes and coins issued before redenomination had been replaced.

4.7. Commission for the Euro Introduction

Commission for the Euro Introduction was appointed on 5 January 2009 by the President of the NBP. The Chairperson of the Commission is the NBP Management Board Plenipotentiary for introducing the euro. Main tasks of the Commission include: supporting the Plenipotentiary in initiating and coordinating the activities related to Poland's accession to the euro area; in particular, those related to the participation in the ERM II mechanism; participation in the development of the National Euro Changeover Plan and the introduction of euro banknotes and coins.

In 2009, two task forces have been appointed within the Commission: task force for the choice of scenario for the introduction of euro notes and coins in Poland and task force for preparation of the Strategy for the Participation of the Zloty in the ERM II mechanism.

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24 Pursuant to these agreements, banks keep notes and coins which are the property of the NBP in their vaults, with the option to redeem them.

25 I.e. agreement regulating the flow of notes and coins to/from banks from/to the NBP.

Highlights in 2009

The NBP:

- Issued collector coins – the NBP commemorating national or international events, important historical anniversaries and famous Poles.
- Issued collector banknote commemorating the 200th anniversary of Juliusz Słowacki's birth, with a face value of 20 zloty.
- Issued a new series of coins – "History of Polish Popular Music".
- Ensured circulation of notes and coins of all face values amidst a backdrop of high economic and financial fluctuations.
- Developed and tested a new system of selling collector items through the Internet auction sale system Kolekcjoner.

5

FOREIGN EXCHANGE RESERVES MANAGEMENT[26]

[26] Tasks in this field are fulfilled pursuant to, i.a. Article 3 section 2 para. 2 and Article 52 of the Act on the NBP.

The NBP acts as a central foreign exchange authority by holding and managing the foreign exchange reserves, and by carrying out banking operations and taking other measures to ensure the security of foreign exchange trade and Poland's payment liquidity. Foreign exchange reserves primarily add to financial credibility and stability of the country. Their amount and composition should allow to conduct efficient monetary and exchange rate policies.

In the management of foreign exchange reserves, the NBP seeks to maximise the return on reserves while ensuring optimum security of the invested funds and the requisite liquidity in foreign currency.

5.1. General principles for managing the foreign exchange reserves

In October 2007, the Management Board of the NBP adopted the *Long-term Foreign Exchange Reserves Management Strategy* of the National Bank of Poland, with the aim to maximise the return on reserves over the long perspective, along with maintaining financial risk at accepted level. In the implementation of its strategy, the NBP endeavours to:

– further diversify the FX currency reserves composition and extend the scope of investment instruments;

– apply the advanced methods of global allocation of assets;

– improve decision-making process;

– develop methods to manage investment risk.

Those objectives are reflected in the resolution of the NBP Management Board, which most specifically sets forth the principal terms and conditions of managing the foreign exchange reserves, including but not limited to decision-making process, investment instruments to be used and principles of establishing the limits and criteria to select the NBP counterparties.

As part of the approved decision-making procedure, the NBP Management Board determines, on a yearly basis, the Strategic Allocation of Assets, *via* its decisions regarding:

– currency and investment composition;

– the level of modified duration, which illustrates the sensitivity of investment to changes in the yields on the instruments (interest rate risk);

– the scope of active investment policy.

The implemented investment strategy is adjusted for medium- and short-term market expectations in the Tactical Allocation of Assets and Management of Active Portfolio.

5.2. Financial risk management in the foreign exchange reserves management process

One of the most important elements in the foreign exchange reserves management is the management of the risk that accompanies investments, in accordance with the system of investment limits and restrictions accepted by the Management Board of the NBP.

Table 4 presents the main types of financial risk in the foreign exchange reserves management process and the methods applied by the NBP to mitigate this risk.

Table 4

List of investment limits and restrictions applicable at the NBP in the financial risk management process

Risk	Mitigation methods
Credit risk	Reduction in the share of deposit transactions and non-government securities Counterparty selection criteria and ongoing monitoring of their creditworthiness Counterparty limits on deposit and foreign exchange transactions Security selection criteria Exposure limits for issuers of securities Collateral in investment transactions with securities repurchase agreement
Foreign exchange risk	Optimal currency composition of benchmark portfolios Benchmark volatility ranges of currency composition
Interest rate risk	Maximum level of modified duration of reserves Optimum level of modified duration of reserves specified in the benchmark Benchmark volatility ranges of modified duration of currency portfolios
Liquidity riski	Investment in the currency of countries whose financial markets feature the highest liquidity Reduction in the share of deposit transactions Security selection criteria

Source: NBP data.

In 2009, limits on credit risk exposure, adopted in the previous year, were retained due to the escalation of crisis in the global financial sector. The scope of these limits was adjusted to changes in market conditions. The most important decisions were:

– to reduce the share of deposits in foreign exchange reserves;

– to shorten investment horizon for investment transactions, so as to enable a rapid response to the changes of financial standing of the counterparty;

– to reduce the limits for some counterparties to investment transactions and suspend co-operation with counterparties whose creditworthiness had deteriorated.

Moreover, the scope of analyses of credit risk have been significantly broadened to incorporate quantitative measures and information reflected in market quotations.

The experience gained during the crisis in financial markets fed into works on the development of counterparty limits system for investment transactions and for issuers of non--government securities. The modifications introduced in this process primarily sought to broaden the spectrum of variables taken into account in point models intended for calculation of limits.

5.3. Level of the official reserve assets[27]

In 2009, the NBP official reserve assets increased:

– by EUR 11.1 billion to EUR 55.2 billion – when calculated in EUR (25.1%);

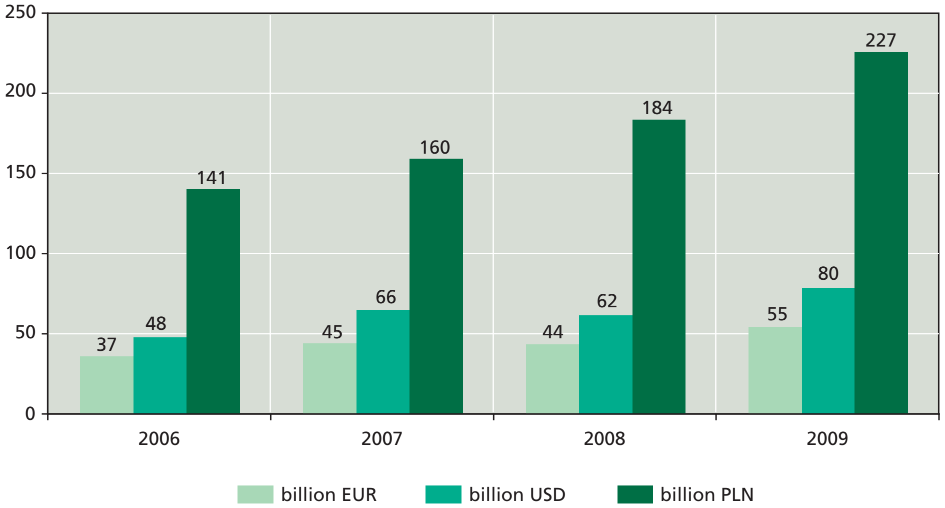
– by USD 17.4 billion to USD 79.6 billion – when calculated in USD (28.0%);

– by PLN 42.7 billion to PLN 226.9 billion – when calculated in PLN (23.2%).

Figure 7 presents the balance of official reserve assets in the years 2006–2009.

Figure 7

Official reserve assets in the years 2006–2009



Source: NBP data.

The value of official reserve assets rose in 2009, primarily reflecting positive balance of external flows, most specifically the inflow of funds from the European Union, returns on investments, additional SDR allocation by the IMF and increase in the scale of investments involving sale (repo) and repurchase (reverse-repo) transactions conducted in parallel.

[27] According to the definition of the International Monetary Fund (IMF), the official reserve assets include easily disposable, foreign liquid assets held by the central bank. This category includes monetary gold, special drawing rights (SDR), IMF reserve position and foreign exchange currency assets, mainly in the form of securities, deposits and cash.

In 2009, the official reserve assets increased most noticeably in the US dollars. This was because USD depreciated *vis-à-vis* other reserve currencies (EUR/USD exchange rate increased by 2.3%, GBP/USD – by 11.4%, AUD/USD – by 30.0% and NOK/USD – by 21.3%). Relatively the lowest increase in the value of official reserve assets expressed in the zloty resulted from appreciation of the zloty *vis-à-vis* main reserve currencies (PLN strengthened by 3.9% as compared to the US dollars and by 1.6% as compared to the euro).

In 2009, due to the significant increase in the price of gold (approx. 25%), the value of monetary gold held by the NBP increased:

– by EUR 0.5 billion to EUR 2.5 billion – in euro terms;

– by USD 0.8 billion to USD 3.7 billion – in US dollar terms;

– by PLN 1.9 billion to PLN 10.4 billion – in zloty terms.

5.4. Foreign exchange currency reserves management strategy

The rate of return on investing foreign exchange currency reserves depends on market conditions – fluctuations of exchange rates and prices of investment instruments. Alongside, the parameters of the Strategic Allocation of Assets have also a significant impact.

Taking into account the analysis of global macroeconomic outlook conducted at the end of 2008, forecasts of developments in the world financial markets and the results of optimisation analysis, the NBP Management Board decided to maintain the currency composition applicable in 2008 in the subsequent year. Moreover, the modified duration of the reserves was maintained at the level similar to the one applicable at the end of 2008 (2.6 as compared to 2.4 – the change resulted from the adjustments of sectoral structure to investment options in individual markets). Table 5 presents the currency composition of benchmark in the years 2006–2009.

Table 5

Benchmark currency composition in years 2006–2009 (in %)

	USD	EUR	GBP	AUD	NOK
2006	45	40	15	0	0
2007	40	40	15	5	0
2008	40	35	15	5	5
2009	40	35	15	5	5

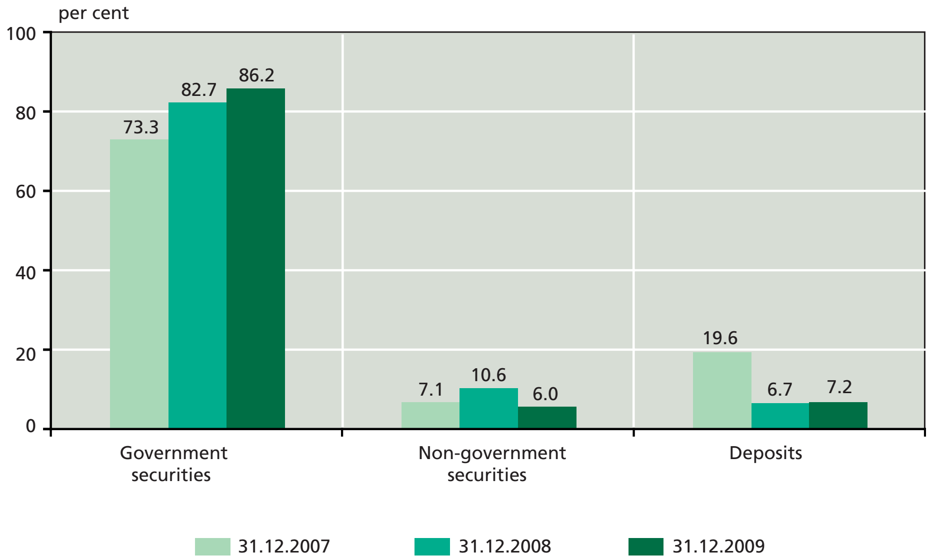
Source: NBP data.

In the management of its foreign exchange reserves, the NBP invests in typical instruments used by other central banks. Government securities constitute the dominant part of foreign exchange currency reserves. The NBP also invests in non-government securities, including the instruments issued by international institutions and government agencies. Moreover, a small part of the reserves is held in deposits at prestigious banks.

The process of diversification of the applied investment instruments, adopted in the *Long--term Foreign Exchange Reserves Management Strategy*, took account of the prevailing market conditions. In 2009, the spectrum of non-government issues was broadened, although, the share of instruments from this group was limited due to the sustained increased credit risk.

Figure 8

The share of investment instruments in the NBP foreign exchange currency reserves in the years 2007–2009 – as at 31 December



Source: NBP data.

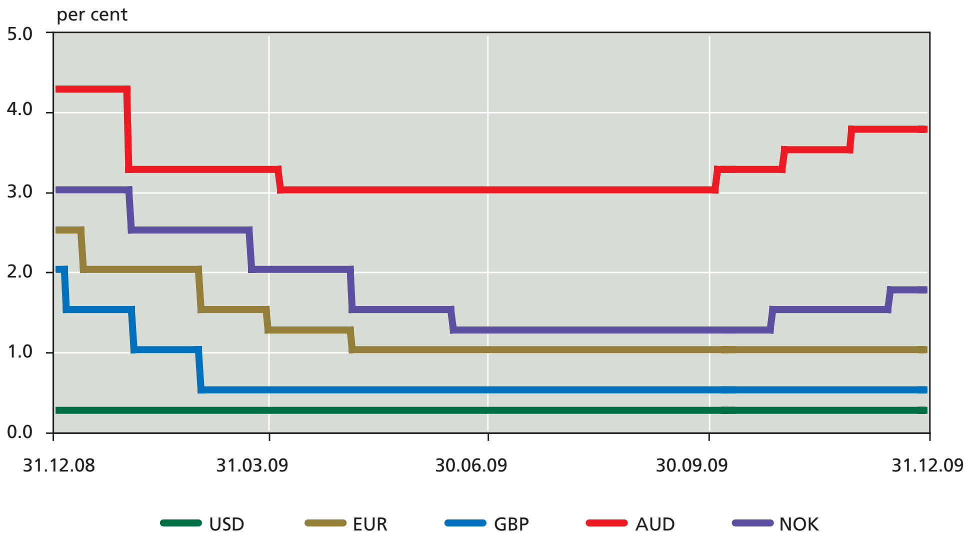
5.5. Market environment in 2009

In the first half of 2009, especially during the first quarter of the year, the situation in financial markets primarily reflected the fears regarding the outlook for the global economy, which slid down into the most serious recession in years, due to the subprime crisis. Governments and central banks in this period undertook a series of actions in order to stabilise the situation in financial markets and stimulate economic growth. The ECB, the Bank of England (BoE), the Reserve Bank of Australia (RBA) and Norges Bank (NB) continued to reduce the policy rates, as from 2008 – the ECB lowered the refinancing rate by a total of 150 bps to 1%, the BoE lowered the base rate by 150 bps to the lowest level in history: 0.5%, the RBA lowered the cash target rate by 125 bps to the lowest level in 45 years: 3%, while the NB lowered the deposit rate by 175 bps to 1.25%. The Federal Reserve Bank (the FED), in turn, kept the interest rate on the federal funds at the lowest applicable level since December 2008, i.e. 0–0.25%. In parallel, central banks (the FED, the BoE and the ECB) undertook non-standard activities, known as "quantitative easing", designed, i.a. to lower market interest rates by purchasing securities.

The second half of the year saw more and more symptoms of improvement in the situation of the world's major economies, which indicated that the undertaken countercyclical actions had been effective. As a consequence, a number of central banks abandoned the expansive monetary policy applied thus far. The RBA and NB were among the first central banks to commence the cycle of monetary policy tightening in October 2009. By the end of the year, the RBA increased the cash target rate on three occasions – each time by 25 bps – to 3.75%, while NB increased the interest rate twice – each time by 25 bps – to 1.75%.

Figure 9

Official interest rates in the US, euro area, the UK, Australia and Norway



Source: NBP study based on Bloomberg.

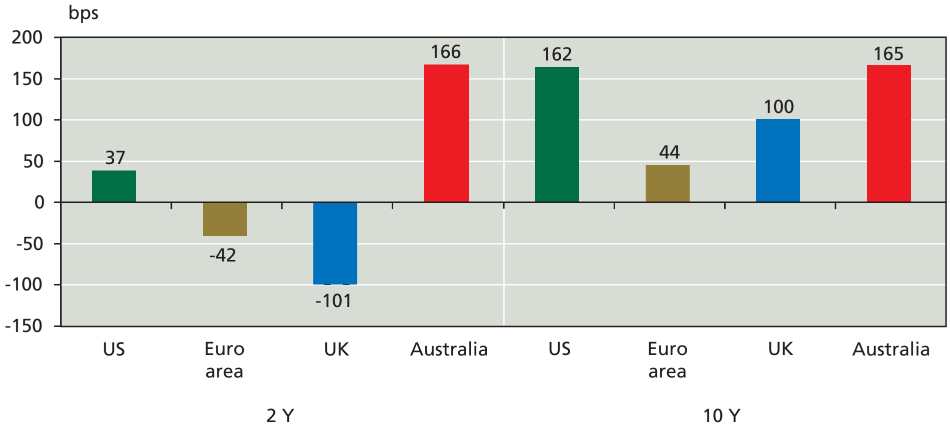
Main trends observable throughout the year in the markets whose instruments dominated in individual currency portfolios have been outlined below.

5.5.1. The US, euro area, UK and Australian government securities market

The year 2009 saw a material increase in yields on 10-year government securities in all of the analysed markets (Australian – by 165 bps, American – 162 bps, British – 100 bps and euro area – 44 bps). Whereas growth pattern occurred also in the yields on 2-year Australian and American government securities (by 166 bps and 37 bps, respectively), fall was posted by UK and euro area securities (by 101 bps and 42 bps, respectively). As a result, the spread between the yields on 10- and 2-year bonds in the US, euro area and the UK markets grew to reach the highest level in at least a decade.

Figure 10

Changes in yields on 2-year and 10-year government securities in the US, the UK and Australia



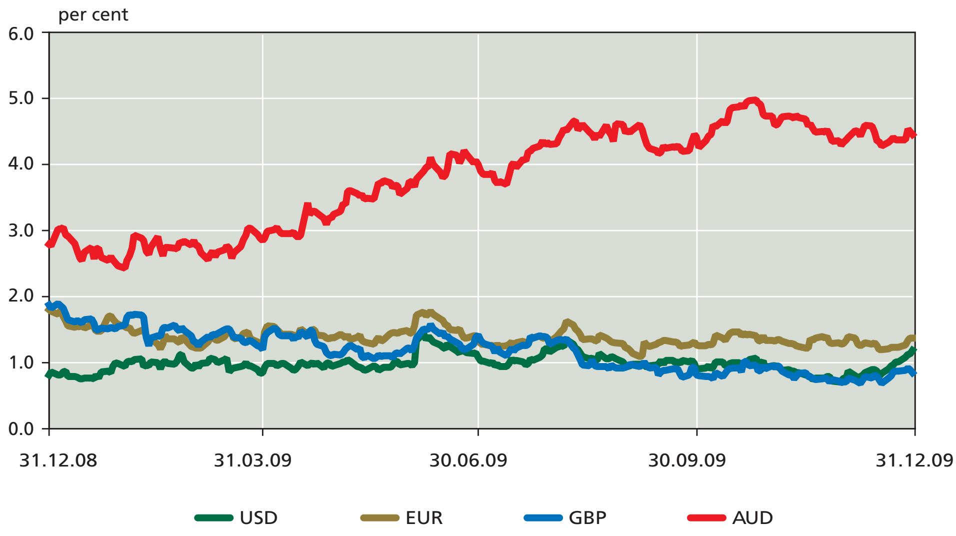
Source: NBP study based on Bloomberg.

The strong declining tendency in the yields on government bonds, observed as from the second half of 2008, decelerated in 2009 Q1. Yields on 2-year securities (especially euro area and UK securities) ebbed down in that period, inhibited by the expectations regarding a decrease in policy rates and sustained increased risk aversion of the investors. As a result of the latter factor capital flew into Treasury securities markets, which are perceived as the most secure investments. Yields on 10-year bonds, in turn, edged up, as fears increased about the pro-inflation effects of higher budget expenses, as well as the market's ability to absorb large quantities of new government issues.

In 2009 Q2, risk aversion gradually diminished as a result of more optimistic information regarding both the economic condition and the situation in the banking sector. Consequently, investors increased their exposure in markets of higher-risk instruments, which are potentially more profitable. Expectations regarding subsequent decreases in policy rates have also subsided. At the same time, the issue of US government securities continued to increase; its effect on the market was partially reduced due to the quantitative easing policy, conducted by the FED. During this period, the yields on short-term (most specifically Australian) as well as long-term securities increased.

Figure 11

Yields on 2-year US, euro area, UK and Australian government securities



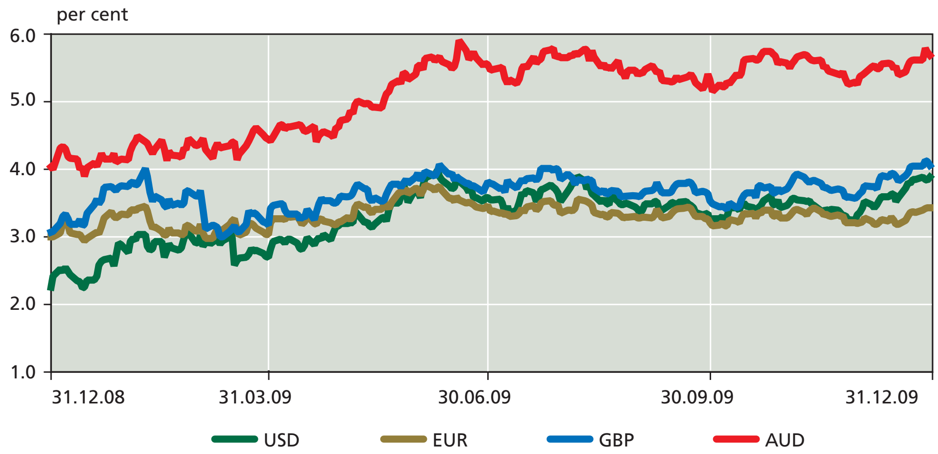
Source: NBP study based on Bloomberg.

In the second half of 2009, yields on American, euro area and UK government securities remained at a relatively stable level due to expectations towards the FED, the ECB and BoE as regards the keeping the official interest rates at a low level on account of fears for the sustainability of the observed improvement in global economic conditions (in the third quarter of the year, the US and euro area economies recovered from technical recession, while the GDP decrease rate in the UK diminished, to reach -0.2% q/q). During this period, similarly to previous quarters, yields increased, as the supply grew in market leading American securities. This was only partially compensated by the purchase of government bonds by the FED, as well as continuing outflow of capital to higher risk markets.

Yields on Australian, in particular short-term, securities increased in the second half of the year stimulated by the expectations regarding an increase of cash target rates by the RBA.

Figure 12

Yields on 10-year US, euro area, UK and Australian government securities



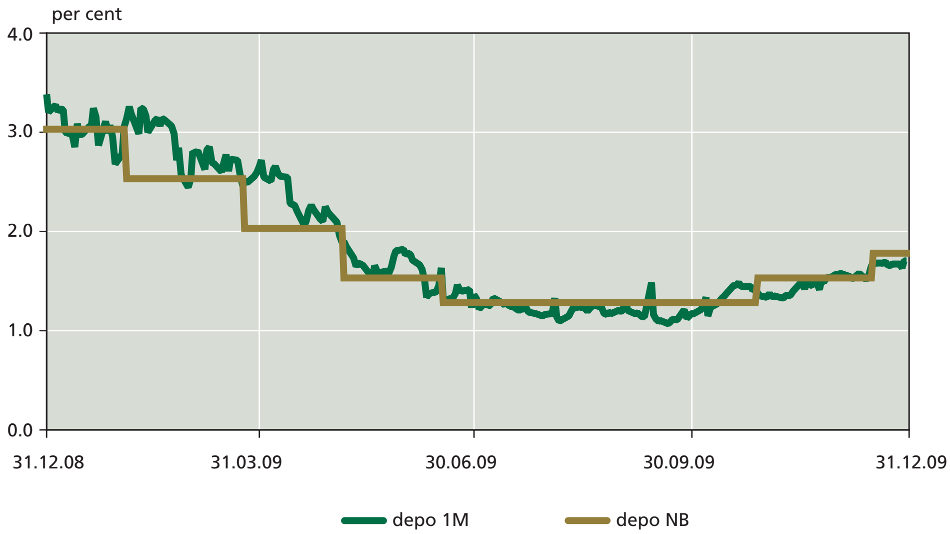
Source: NBP study based on Bloomberg.

5.5.2. Norwegian interbank deposits market

The interest rate on deposits in the Norwegian krone predominantly reflected the changes of the policy rates by Norges Bank. Whereas in the first half of the year, interest rates decreased (by 215 bps for 1-month rates); an increase was observed during the last quarter (by 56 bps). During 2009, 1-month deposit rates in the interbank market in the Norwegian krone decreased by 168 bps.

Figure 13

The level of 1-month deposit rates as compared to Norges Bank deposit rate



Source: NBP study based on Bloomberg.

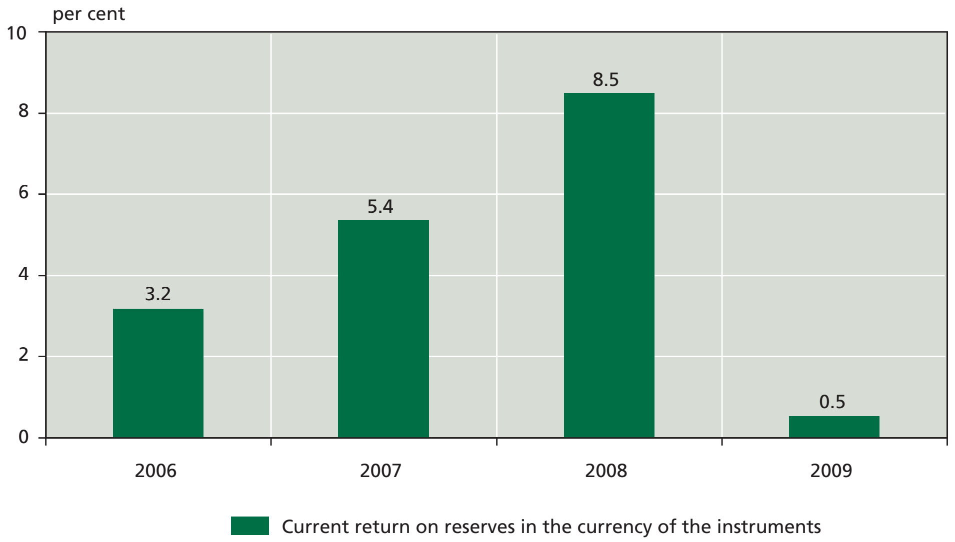
5.6. Return on foreign exchange currency reserves

Over the year 2009, the rate of return on foreign exchange currency reserves calculated in the currency of instruments[28] stood at 0.5%. The returns declined as compared to the preceding year due to the prevailing market conditions: yields in government bonds markets reversed their steep declining path in 2008, and hence flight to quality tendency diminished, global economic conditions improved and a number of central banks began a cycle of increases in their policy rates. Higher yields on government securities occurred in all analysed markets in the 10-year sector; in 2-year sector, the increase was noted in the Australian and the American market. The value reflected also record-low interest rates on deposits. It should be stressed that similarly to 2008, the investment decisions were taken in the context of elevated volatility and significant uncertainty in financial markets.

Since the beginning of 2008, i.e. since the implementation of the Long-term Foreign Exchange Reserves Management Strategy of the National Bank of Poland, the aggregate return on reserves, calculated in the currency of the instruments, stood at 9.1%.

Figure 14

Return on foreign exchange currency reserves of the NBP in years 2006–2009 (excluding the effects of fluctuations of exchange rates)



Source: NBP data.

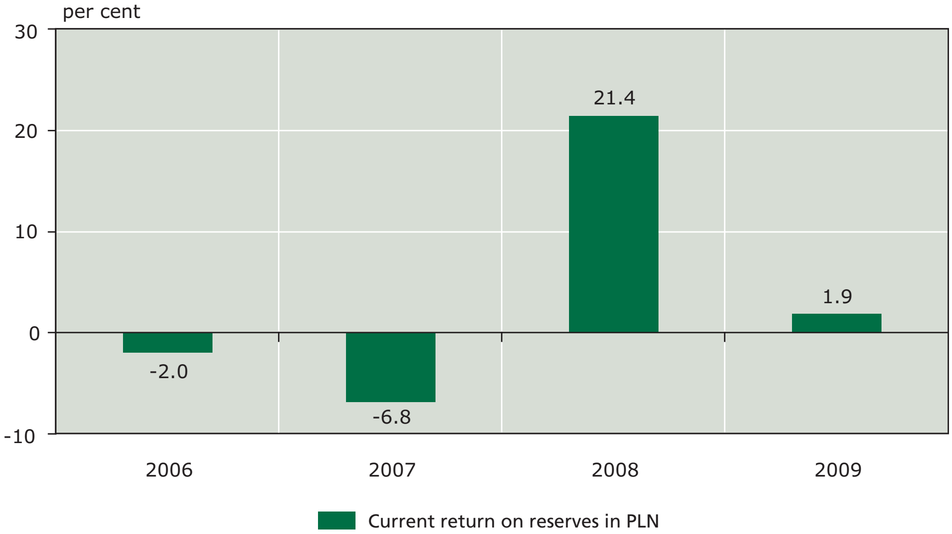
The return on foreign exchange currency reserves calculated in PLN[29] stood at 1.9% (see Figure 15) and reflected both the rate of return in the currency of instruments and by depreciation of PLN in relation to some of reserve currencies, as depicted in Figure 16 – AUD, NOK and GBP (by 20.1%, 14.3% and 6.7%, respectively).

In the period from 1 January 2008 until 31 December 2009, the aggregate return on reserves, calculated in PLN, stood at 23.8%.

[28] The return (rate of return) on foreign exchange/currency reserves in the currencies of individual investment portfolios is calculated on the basis of daily fluctuations in the market value of the instruments.
[29] Moreover, the return on foreign exchange currency reserves in PLN includes the effect of fluctuations in the exchange rates of reserve currencies in relation to PLN.

Figure 15

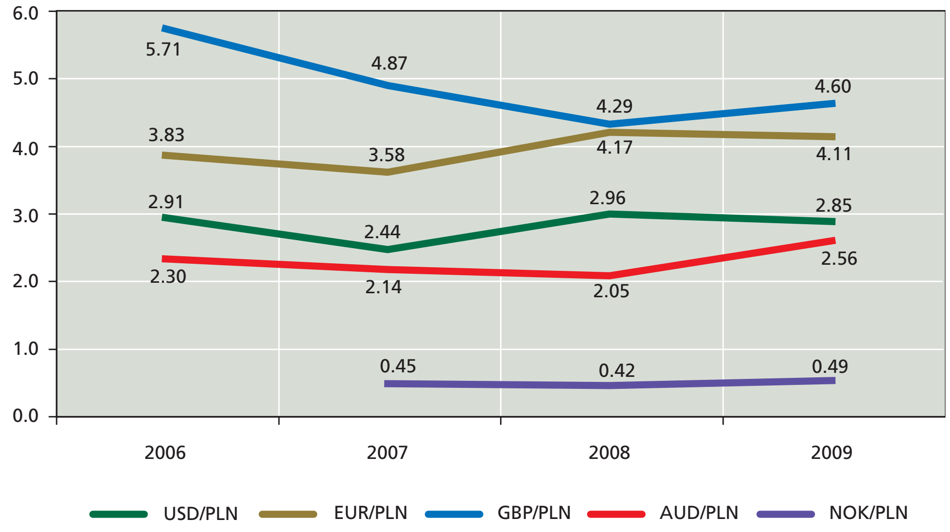
Return on foreign exchange currency reserves in years 2006–2009 (including the effects of exchange rates' fluctuations)



Source: NBP data.

Figure 16

Exchange rates of reserve currencies in relation to PLN in years 2006–2009 (as at ends of periods)



Source: NBP data.

5.7. Investment income

In 2009, in spite of lower return on foreign exchange currency reserves, the NBP achieved high investment income, comparable to the level from the preceding year.[30]

The net income from investment activity related to the management of the foreign exchange currency reserves, excluding the exchange rate valuation effects, stood at PLN 6.1 billion in 2009, which is an equivalent of EUR 1.4 billion or USD 1.9 billion (as against PLN 6.9 billion in 2008).

The balance of actual exchange rate differences, recorded in accounting books of the NBP, amounted to PLN 15.1 billion in 2009.

5.8. Return enhancement on foreign exchange currency reserves

In 2009, under the *Long-term Foreign Exchange Reserves Management Strategy of the National Bank of Poland*, the Bank took a number of measures so as to reduce the risk of investments and enhance the return on foreign exchange currency reserves, i.e.:

- applied advanced methods of counterparty credibility assessment to expand the system of limits on credit risk;
- developed new optimisation models in order to determine the parameters of the Strategic Allocation of Assets, which allowed in particular to better represent how rates of return are distributed;
- further diversified investment instruments, taking into account current market conditions, i.a.:
  - – broadened the spectrum of non-government instruments;
  - – completed work to commence a new investment project in 2010 – Securities Lending;
- conducted complex analyses of the development of foreign exchange markets in the context of the currency composition of global reserves;
- implemented a new version of foreign exchange reserves management system.

[30] Pursuant to the prudence principle, applied in accounting, the investment income does not include positive, unrealised differences on valuation of assets and liabilities, recorded as obligations, arising in the context of increasing prices of securities. However, an increase in market value of investment portfolios may substantially affect the rate of return on reserves. Such a situation was observed in 2008, when a rapid decrease in yields on securities substantially increased the rate of return on reserves. The principles of valuation of holdings in securities also influence the result of financial operations. Additionally, it should be noted that the level of reserves has increased over the past two years, which affected the amount of generated income without having any effect on the calculated rate of return.

Highlights in 2009

The NBP:

- Maintained positive rate of return on reserves, both in the currency of instruments and in PLN (0.5% and 1.9%, respectively), despite difficult conditions in financial markets.
- Expanded the system of limits on credit risk, by using advanced methods of counterparty credibility assessment.
- Developed new optimisation models in order to determine the parameters of Strategic Allocation of Assets.
- Proceeded actions aimed at further diversification of reserves, pursuant to its *Long-term Foreign Exchange Reserves Management Strategy*.

6

FOREIGN EXCHANGE ACTIVITY[31]

[31] Tasks in this field are fulfilled primarily pursuant to Article 3 section 2 para. 3 and Article 52 of the Act on the NBP and the provisions of the Act of 27 July 2002 – Foreign Exchange Act (Journal of Laws No 741, item 1178).

The purpose of the NBP foreign exchange activity is to ensure security of foreign exchange transactions and to exercise control within the scope specified in the provisions of the Foreign Exchange Act. Whereby, the NBP primarily maintains a register of bureaux de change, issues decisions on foreign exchange matters and monitors and controls foreign exchange transactions.

6.1. Register of bureaux de change

As at 31 December 2009, the register of bureaux de change conducting foreign exchange market operations included 3,060 business entities which performed this kind of operations in 4,355 bureaux de change. This represents an increase in the number of bureaux de change by 162 as compared to 2008 (as at 31 December 2008, there were 4,193 bureaux de change operating in Poland).

In 2009, a total of 1,095 entries into the register of bureaux de change were made (as compared to 824 in 2008), of which:

- 230 regarded new entities (164 in 2008);
- 308 regarded deletion of entities (159 in 2008);
- 557 regarded change of data entered into the register (501 in 2008).

6.2. Foreign exchange related decisions

In 2009, a total of 282 decisions concerning foreign exchange matters were issued, including 112 permits, 170 other decisions[32] and 7 rulings (as compared to 3,702 decisions and 23 rulings in 2008).

The reduced number of foreign exchange decisions was due to the amendment of the Foreign Exchange Act. On 24 January 2009, conclusion of agreements and performance of other legal actions causing or likely to cause foreign exchange settlements to be made in Poland were exempted from restrictions.

6.3. Foreign exchange control

In 2009, a total of 3,006 inspections were conducted (as compared to 3,079 in 2008), including:

- 2,069 inspections concerning performance of the reporting responsibilities in respect of the balance of payments (1,986 inspections in 2008);
- 937 inspections regarding foreign exchange market operations (1,093 in 2008).

1,130 inspections, i.e. 38% of all the conducted inspections, detected irregularities (as compared to 1,271, i.e. 41%, in 2008). In the case of the irregularities, post-inspection recommendations were submitted to the managers of the inspected units, committing the management unit to comply with the applicable regulations. In the case of bureau de change activity, administrative sanctions were applied and the entities were deleted from the register of bureau de change activities by way of decision.

[32] Regarding discontinuance of proceedings, change of permits and repeal of a decision.

Highlights in 2009

The NBP:

- Made 1,095 entries in the register of bureau de change.
- Issued a total of 282 decisions concerning foreign exchange matters.
- Made 3,006 inspections concerning foreign exchange turnover; irregularities detected in 1,130 cases.

7

THE PAYMENT SYSTEM[33]

[33] Tasks in this field are fulfilled pursuant to, i.a. Article 3 section 2 para. 1 and 6 of the Act on the NBP.

The National Bank of Poland contributes to the development of the payment system. Most specifically it handles money clearings, operates payment systems and conducts interbank settlements, exercises oversight of systems within the payment system, drafts relevant legal acts and carries out other activities within the scope of the payment system development.

In 2009, the activities of the NBP dedicated to the development of the payment system focused on the performance of oversight functions, activities for the development of non-cash transactions and payment system, as well as current servicing of the SORBNET, SORBNET-EURO and TARGET2-NBP systems.

7.1. Oversight of payment systems, authorisation and clearing systems and securities settlement systems

The NBP oversees payment systems, authorisation and clearing systems and securities settlement systems with the mission to minimise the risk related to possible interference in the operations of these systems.

7.1.1. Oversight of payment systems, authorisation and clearing systems

To this effect, in 2009, the NBP in particular:

– validated the introduction of changes by KIR SA in ELIXIR and EuroELIXIR systems; the changes were related to KIR SA's contemplated transfer of settlement of EuroELIXIR onto Single Shared Platform (SSP) of TARGET2 system;

– validated the operation of authorisation and clearing systems by: SkyCash Poland SA, CASHBILL SA, Centrum Elektronicznych Usług Płatniczych eService SA and PayTel SA, as well as changes in the operating principles of the authorisation and clearing system operated by First Data Polska SA;

– collected and analysed statistical data and information on the operation of large value payment systems, i.e. SORBNET, SORBNET-EURO and TARGET2-NBP, monitored the operation of those systems and issued opinions on functional changes designed principally to minimise the systemic risk;

– collected and analysed statistical data on payment cards, cash clearing and interbank settlement market, the market for intermediation in effecting domestic and international money transfers, as well as the market for intermediation in accepting payments to bank accounts.

7.1.2. Oversight of securities settlement systems

The President of the Republic of Poland referred the Act of 4 September 2008 amending the Act on Trading in Financial Instruments and several other Acts to the Constitutional Tribunal. Hence, in April 2009, the NBP Management Board and the MPC, acting upon the request of the CT, issued an opinion on the significance of the National Depository for Securities (KDPW SA) for the implementation of constitutional and other statutory duties of the NBP. On 16 July 2009, the Constitutional Tribunal issued a decision concerning the conformity with the Constitution of the provisions of the abovementioned Act, whereby the NBP was committed to sell its shares in the

KDPW SA. The Constitutional Tribunal ruled that statutory obligation for the NBP to sell its shares in the KDPW SA is against the Constitution.

Moreover, as the abovementioned Act entered into force on 21 October 2009, the President of the NBP acquired new powers: to assist the Polish Financial Supervision Authority in oversight of clearing and securities settlement systems. In accordance with these powers, the President may issue opinions on legal acts specifying the operating principles of clearing and securities settlement systems and of their adjustments. He may also demand information in writing on the activities of the KDPW SA within the scope of settlements and transaction clearing.

In 2009, the NBP, as one of the shareholders of the KDPW SA, took active part in works on the *Strategy of the National Depository of Securities for Years 2010–2013*, adopted by the Supervisory Board of the KDPW SA on 8 December 2009.

7.2. Policy and development of the payment system

7.2.1. Legal framework of the payment system

On 10 March 2009, due to the change of statutory mandate, the President of the NBP signed regulation No 3/2009 concerning the manner of carrying out interbank settlements.

Due to the transfer of settlement of the EuroELIXIR system, operated by KIR SA, onto the SSP of the TARGET2 system on 8 June 2009, the NBP Management Board adopted the following resolutions on 21 May 2009:

– amendment to the resolution of the Management Board of the National Bank of Poland No 12/2005 of 22 February 2005 on introduction of a model agreement on the terms of opening and maintaining RTGS accounts in the SORBNET-EURO system;

– resolution on introduction of a model agreement on the terms of opening and maintaining EUR accounts in the TARGET2-NBP system.

Moreover, the NBP issued an opinion on the bill on payment services, drafted by the Ministry of Finance, which implemented Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market. The NBP representatives participated in the works of the payment services working group (appointed within the Financial Market Development Council at the Minister of Finance), which developed the aforementioned draft Act.

7.2.2. Development of the functionality of domestic large value payment systems and adjusting them to payment systems operated within the EU

Whereas KIR SA and the NBP decided to transfer the settlement of the EuroELIXIR system, operated by KIR SA, directly to the SPP of the TARGET2 system as from 8 June 2009, the NBP has drafted adjustments of functionalities to be implemented in the SORBNET-EURO system. Whereby the banks which participate in the SORBNET-EURO system, i.e. banks which are not direct participants of the TARGET2 system could participate in the settlement of the EuroELIXIR system on SPP.

Since the NBP will have to discontinue intermediation in clearing of banks' payments *via* the TARGET2 system, and thus, the SORBNET-EURO system will cease operations upon the lapse of a four-year transition period in 2012, in 2009, works on the project SORBNET-EURO – 2012, Release (SE-2012) commenced. They aimed at development of a new application (NBP-PHA) which will replace the SORBNET-EURO system. Launching of the application is scheduled for January 2012.

7.2.3. Promotion of non-cash transactions

In 2009, further activities proceeded to develop and promote non-cash transactions. Works came to an end on the long-term, comprehensive *Scheme for Development Non-Cash Transactions in Poland for the Years 2009–2013* (previously called *Strategy for the Development of Non-Cash Transactions in Poland for the Years 2009–2013*). The draft *Scheme* was developed by the NBP, the Polish Bank Association (ZBP) and the Coalition for Non-Cash Transactions and Micropayments. Following the approval of the *Scheme* on 19 February 2009, the NBP Management Board submitted it to the Ministry of Finance so as the latter can adopt it as a government document.

Activities undertaken in 2009 to develop non-cash transactions primarily reflected the plans envisaged to meet the aims adopted in the *Scheme*. The NBP was involved in promotion of non--cash transaction *via*:

– regulatory activities (the Bank analysed legal acts in order to propose amendments hereto, to enable the conduct of non-cash transactions to the largest extent possible; cooperated in developing new legal acts for the payment services market);

– educational and promotional activities (the Bank cooperated in promoting non-cash payments by building confidence in non-cash money and payments; cooperated with the Coalition for Non-Cash Transactions and Micropayments of the ZBP under preparations for the educational and promotional campaign dedicated to non-cash transactions);

– research activities.

7.2.4. Development of SEPA

In 2009, implementation of Single Euro Payments Area continued. SEPA was initiated by the European banking sector. During the discussed period, 32 European countries were involved in the project. SEPA seeks to pave the way for non-cash payments in euro, whereby such payments could be made on common terms throughout all the countries participating in SEPA. At the European level, SEPA is coordinated by the European Payment Council (EPC) and supported by EU authorities, including the ECB. In Poland, the coordination of the implementation of SEPA has been entrusted to SEPA Poland Structure (SEPA PL) – a body operating at the ZBP, whose actions are supported by the NBP.

Moreover, the NBP plays an important infrastructural role within the scope of the SEPA Credit Transfer (SCT) service, offered by the STEP2 system. The NBP, as a direct participant of this system, acts as a clearing bank for commercial banks which concluded an agreement on indirect participation in the STEP2 SEPA Credit Transfer system. As at 31 December 2009, 10 banks participated in the SCT scheme through the NBP; during that year, four commercial banks joined the scheme.

The year 2009 saw a material increase both in the number and value of SEPA transactions in the EuroELIXIR system: from 97,747 transactions with the value of EUR 595.58 million in January to 260,819 transactions with the value of EUR 1,229.86 million in December 2009.

Over that period, SEPA Poland's activities focused mainly on the promotion of this initiative in the banking sector and public administration and on agreeing upon the amendments to SEPA operating principles introduced by the European Payment Council.

On 13 August 2009, the NBP Management Board decided that the NBP would not join the SEPA Direct Debit (SDD) system, and thus that it would not act as a middleman to Polish banks in the intermediation services in the clearing of SDD *via* the STEP2 system. Such a solution stemmed primarily from the lack of interest in the SDD product, both on the side of the NBP clients and the clients of commercial banks, as well as from legal barriers and the risk resulting from them, impeding the incorporation of the central bank to the SEPA Direct Debit system.

7.2.5. Payment System Council

The Payment System Council was established in 1998 as a consultative and advisory body for the NBP Management Board. The Council, in particular, analyses and evaluates the Polish payment system and legal regulations applicable to it on an ongoing basis. It undertakes actions to integrate activities of the banking sector within the scope of the payment system and offers solutions which seeks to: adjust Polish payment system to the EU requirements, minimise risk in the payment system, increase the efficiency of payment transactions and raise its security, as well as promote non-cash transactions.

The participants of meetings of the Payment System Council include the representatives of the NBP, the Ministry of Finance, the Polish Financial Supervision Authority, the ZBP, KIR SA, the National Depository of Securities, five commercial banks, Poczta Polska SA and First Data Polska SA.

During four meetings held in 2009, the Council examined and discussed the results of the comparative analyses conducted within the NBP, concerning: selected elements of Polish payment system *vis-à-vis* systems from other EU member states; the amount of fees and commissions in zloty related to monetary clearings in Polish banking sector in the period from June 2008 until June 2009; the amount of fees charged on cross-border transfers made in euro in Polish banks in the period from November 2007 until February 2009; as well as the access of Polish citizens to bank accounts in 2006 and 2009.

7.3. Implementation of operational tasks

7.3.1. Integration with payment systems operated in the European Union

The NBP joined the TARGET2 system in May 2008. Hence, a four-year transition period began for the Polish banking sector to migrate out of the SORBNET-EURO system and join the new system (this process is scheduled for completion by May 2012). During this period, banks will have to agree on the method of clearings in the euro, i.e. either directly, using the SPP TARGET2, or *via* another (commercial) bank, offering clearings using the SPP. As part of this process, on 8 June 2009, the settlement of the EuroELIXIR system, operated by KIR SA, as well as the account of another Polish bank – ING Bank Śląski SA, were transferred from the SORBNET-EURO system to the TARGET2-NBP system.

7.3.2. Operation of banks' current accounts in the SORBNET system

As at the end of December 2009, the NBP Head Office maintained zloty current accounts (in the SORBNET system) for 54 banks, i.e. 1 bank less than in the preceding year.

In 2009, about 1,795 thousand operations were performed in the banks' current accounts held with the NBP Head Office (1,638 thousand in 2008) for the total amount of PLN 31.4 trillion (PLN 33.4 trillion in 2008). This translates into an increase in the number of operations by 157 thousand (about 9%) and a decrease in their total value by PLN 2.0 billion (about 6%) as compared to 2008. The average value of transactions decreased by about 14%, to reach PLN 17.5 million (PLN 20.4 million in 2008).

Table 6 outlines the breakdown of the turnover on banks' current accounts held in the zloty in the SORBNET system, while Table 7 provides the breakdown of orders by main categories of operations performed on those accounts.

Customer transfer orders, which constitute more than a half (54.1%) of entire turnover, hold the dominant position in the current account turnover, in spite of a slight decrease by 2.2 pp. Whereas the turnover from the exchange of transfer orders in the interbank market fell by 2.9 pp in the total volume of all orders processed and by PLN 1.3 trillion in value, the turnover from KIR SA orders rose – for the third subsequent year – by 0.2 percentage points in the total volume of all orders processed and by PLN 0.02 trillion in value.

Table 6

Breakdown of turnover in banks' zloty current accounts in the SORBNET system in 2009

Types of current account transactions	Turnover (in million zloty)			Turnover breakdown (in %)	
	balance	of which: debits	of which: credits	debits	credits
Balance of funds in banks' accounts (in PLN million): – as at beginning of the year: 23,964.7 – as at the end of the year: 36,109.3	–	–	–	–	–
Movement in balance of funds in banks' current accounts, of which:	12 144.6	31 393 496.2	31 405 640.9	100.0	100.0
1) customer transfer orders:	358 647.8	16 991 714.5	17 350 362.3	54.1	55.2
– interbank	0.0	16 071 822.5	16 071 822.5	51.2	51.2
– involving the National Depository for Securities	-7 159.1	25 035.5	17 876.4	0.1	0.1
– involving other customers of the NBP	365 806.9	894 856.4	1 260 663.4	2.9	4.0
2) interbank transactions:	0.0	5 509 437.3	5 509 437.3	17.5	17.5
– money market	0.0	3 702 306.1	3 702 306.1	11.8	11.8
– FX market	0.0	956 582.8	956 582.8	3.0	3.0
– securities	0.0	850 548.3	850 548.3	2.7	2.7
of which secondary market trading in:					
– Treasury bills	0.0	807 185.1	807 185.1	2.6	2.6
– NBP money market bills	0.0	19 036.2	19 036.2	0.1	0.1
3) drawings or repayments of NBP loans to banks	-2 323.7	4 025 162.3	4 022 838.6	12.8	12.8
4) purchase (buyback) of securities from the NBP:	-21 845.8	1 707 159.9	1 685 314.1	5.4	5.4
– NBP money market bills	-27 056.7	1 707 159.9	1 680 103.2	5.4	5.3
– other securities	5 210.9	0.0	5 210.9	0.0	0.0
5) transactions and operations settled by the National Depository for Securities	7 780.5	1 491 691.4	1 499 471.9	4.8	4.8

6) placings and returns of term deposits at the NBP	-862.0	594 624.7	593 762.7	1.9	1.9
7) exchange of transfer orders *via* the National Clearing House:	-311 988.8	713 852.4	401 863.6	2.3	1.3
– morning settlement session	-239 498.9	388 755.2	149 256.4	1.2	0.5
– afternoon settlement session	-74 295.1	197 808.9	123 513.8	0.6	0.4
– evening settlement session	1 805.2	127 288.3	129 093.4	0.4	0.4
8) purchase or sale of cash at the NBP of:	1 758.0	163 498.0	165 256.0	0.5	0.5
– domestic currency	1 762.3	163 493.7	165 256.0	0.5	0.5
– foreign currency	-4.3	4.3	0.0	0.0	0.0
9) purchase or redemption of Treasury securities:	-16 342.7	115 011.6	98 668.9	0.4	0.3
– Treasury bills	3 941.2	53 241.7	57 182.9	0.2	0.2
– other securities	-20 283.9	61 770.0	41 486.0	0.2	0.1
10) open market operations	-718.0	41 189.7	40 471.7	0.1	0.1
– *repos*	-718.0	41 189.7	40 471,7	0.1	0.1
– *reverse repos*	0.0	0.0	0.0	0.0	0.0
– *outright sales*	0.0	0.0	0.0	0.0	0.0
11) purchase or sale of foreign currencies at the NBP	-3 565.5	14 304.2	10 738.7	0.0	0.0
12) interest paid or received by banks	831.6	602.0	1 433.6	0.0	0.0
13) transactions in reserve accounts	-6.3	142.1	135.8	0.0	0.0
14) other transactions	779.5	25 106.1	25 885.6	0.1	0.1

Source: NBP data.

Table 7

Number of transfer orders by principal types of operations performed in banks' zloty current accounts in the SORBNET system in 2009

Item	Number of payment orders executed in current accounts			Order breakdown (in %)	
	total	of which:			
		debits	credits	debits	credits
Total number of payment orders performed in banks' current accounts, of which:	1 795 020	1 642 192	1 696 552	100.0	100.0
1) customer transfer orders:	1 467 384	1 421 073	1 456 011	86.5	85.8
– interbank	1 409 700	1 409 700	1 409 700	85.8	83.1
– involving the National Depository for Securities	985	709	276	0.0	0.0
– involving other customers of the NBP	56 699	10 664	46 035	0.6	2.7
2) interbank transactions:	130 273	130 273	130 273	7.9	7.7
– money market	66 394	66 394	66 394	4.0	3.9
– FX market	51 987	51 987	51 987	3.2	3.1
– securities	11 892	11 892	11 892	0.7	0.7
of which secondary market trading in:					
– Treasury bills	10 729	10 729	10 729	0.7	0.6
– NBP money market bills	153	153	153	0.0	0.0
3) drawings or repayments of NBP loans to banks	24 085	9 206	14 879	0.6	0.9
4) purchase (buyback) of securities from the NBP:	2 988	1 465	1 523	0.1	0.1
– NBP money market bills	2 949	1 465	1 484	0.1	0.1
– other securities	39	0	39	0.0	0.0
5) transactions and operations settled by the National Depository for Securities	37 357	18 301	20 785	1.1	1.2

6) placings and returns of term deposits at the NBP	3 933	2 030	1 903	0.1	0.1
7) exchange of transfer orders *via* the National Clearing House:	40 078	18 960	21 118	1.2	1.2
– morning settlement session	13 377	5 599	7 778	0.3	0.5
– afternoon settlement session	13 375	7 494	5 881	0.5	0.3
– evening settlement session	13 326	5 867	7 459	0.4	0.4
8) purchase or sale of cash at the NBP of:	72 547	32 820	39 727	2.0	2.3
– domestic currency	72 524	32 798	39 726	2.0	2.3
– foreign currency	23	22	1	0.0	0.0
9) purchase or redemption of Treasury securities:	3 914	1 452	2 462	0.1	0.1
– Treasury bills	1 000	324	676	0.0	0.0
– other securities	2 914	1 128	1 786	0.1	0.1
10) open market operations	379	197	182	0.0	0.0
– *repos*	379	197	182	0.0	0.0
– *reverse repos*	0	0	0	0.0	0.0
– *outright sales*	0	0	0	0.0	0.0
11) purchase or sale of foreign currencies at the NBP	187	69	118	0.0	0.0
12) interest paid or received by banks	4 593	1 878	2 715	0.1	0.2
13) transactions in reserve accounts	114	52	62	0.0	0.0
14) other transactions	7 188	4 546	4 794	0.3	0.3

Source: NBP data.

7.3.3. Maintenance of banks' current accounts in the SORBNET-EURO system

As at the end of December 2009, the NBP Head Office maintained (in the SORBNET-EURO system) current accounts in euro for 28 banks, i.e. 4 banks less than in the previous year.

In 2009, about 226 thousand operations were performed in the banks' current accounts in the SORBNET-EURO system (275 thousand in 2008) for the total amount of EUR 26.0 billion (EUR 37.2 billion in 2008). This translates into a decrease in the number of operations by 49 thousand (about 18%) and in their total value by EUR 11.2 billion (about 30%) as compared to 2008. The average value of transactions amounted to EUR 115 thousand (EUR 135.2 thousand in 2008), i.e. it decreased by EUR 20.2 thousand (about 15%). The decrease in the number and value of transactions in 2009 as compared to 2008 resulted from the launching of the TARGET2-NBP system in 2008 and gradual migration of the participants of the SORBNET-EURO system (banks and KIR SA) to TARGET2-NBP.

Table 8 portrays the breakdown of the turnover in banks' current accounts in the SORBNET--EURO system, while Table 9 outlines the breakdown of orders by main categories of operations performed in those accounts.

Turnover from customer transfer orders fell by around EUR 160 million as compared to 2008. Its share in turnover structure shrank by 0.2 percentage points.

Table 8

Breakdown of turnover in banks' current accounts in EUR in the SORBNET-EURO system in 2009

Types of current account transactions	Turnover (in EUR thousand)			Turnover breakdown (in %)	
	balance	of which:			
		debits	credits	debits	credits
Balance of funds in banks' accounts (in EUR thousand): – as at the beginning of the year: 117 873.3 – as at the end of the year: 42 826.4	–	–	–	–	–
Movement in balance of funds in banks' current accounts, of which:	-75 046.9	26 020 461.4	25 945 414.4	100.0	100.0
1) cross-border interbank payments	-7 277 487.6	18 917 168.1	11 639 680.5	72.7	44.9
2) cross-border customer payments	5 433 298.3	88 920.1	5 522 218.3	0.3	21.3
3) exchange of cross-border orders *via* the National Clearing House until 8 June	457 513.4	2 271 120.2	2 728 633.5	8.7	10.5
4) exchange of the National Clearing House orders in Target2-NBP:	739 514.7	1 623 378.3	2 362 893.0	6.2	9.1
– during the 1st cycle	957 275.4	594 400.6	1 551 676.0	2.3	6.0
– during the 2nd cycle	-217 760.7	1 028 977.7	811 217.0	4.0	3.1
5) domestic operations on the interbank market:	0.0	1 783 364.4	1 783 364.4	6.9	6.9
– money market	0.0	871 537.1	871 537.1	3.3	3.4
– FX market	0.0	911 827.3	911 827.3	3.5	3.5
– securities	0.0	0.0	0.0	0.0	0.0
6) exchange of domestic orders *via* the National Clearing House until 5 June:	-99 346.6	711 772.3	612 425.7	2.7	2.4
– morning settlement session	121 070.1	192 296.3	313 366.4	0.7	1.2
– afternoon settlement session	-220 416.8	519 476.1	299 059.3	2.0	1.2
7) domestic customer transfer orders:	667 541.9	199 608.7	867 150.5	0.8	3.3
– interbank	0.4	199 595.1	199 595.5	0.8	0.8
– involving the National Depository for Securities	-9.7	9.7	0.0	0.0	0.0
– involving other customers of the NBP	667 551.2	3.8	667 555.0	0.0	2.6
8) drawings or repayments of NBP loans to banks	0.0	415 060.0	415 060.0	1.6	1.6
9) transactions and operations settled by the National Depository for Securities	11 979.9	0.4	11 980.3	0.0	0.0
10) interest paid or received by banks	-185.9	327.2	141.3	0.0	0.0
11) other transactions	-7 874.9	9 741.8	1 866.8	0.0	0.0

Source: NBP data.

Table 9

Number of transfer orders by principal types of transactions performed in banks' euro current accounts in the SORBNET-EURO system in 2009

Item	Number of payment orders executed in current accounts			Order breakdown (in %)	
	total	of which:			
		debits	credits	debits	credits
Total number of payment orders performed in banks' current accounts, of which:	226 499	17 638	210 067	100.0	100.0
1) cross-border interbank payments	52 202	8 001	44 201	45.4	21.0
2) cross-border customer payments	156 302	4 025	152 277	22.8	72.5
3) exchange of cross-border orders *via* the National Clearing House until 8 June	3 601	1 070	2 531	6.1	1.2
4) exchange of the National Clearing House orders in Target2-NBP:	6 137	1 423	4 714	8.1	2.2
– during the 1st cycle	2 764	668	2 096	3.8	1.0
– during the 2nd cycle	3 373	755	2 618	4.3	1.2
5) domestic operations on the interbank market:	699	699	699	4.0	0.3
– money market	312	312	312	1.8	0.1
– FX market	387	387	387	2.2	0.2
– securities	0	0	0	0.0	0.0
6) exchange of domestic orders *via* the National Clearing House until 5 June	4 801	1 051	3 750	6.0	1.8
– morning settlement session	2 173	532	1 641	3.0	0.8
– afternoon settlement session	2 628	519	2 109	2.9	1.0
7) domestic customer transfer orders:	1 282	536	1 253	3.0	0.6
– interbank	507	507	507	2.9	0.2
– involving the National Depository for Securities	7	7	0	0.0	0.0
– involving other customers of the NBP	768	22	746	0.1	0.4
8) drawings or repayments of NBP loans to banks	510	253	257	1.4	0.1
9) transactions and operations settled by the National Depository for Securities	78	2	76	0.0	0.0
10) interest paid or received by banks	846	555	291	3.1	0.1
11) other transactions	41	23	18	0.1	0.0

Source: NBP data.

7.3.4. Maintenance of banks' current account in the TARGET2-NBP system

As at the end of December 2009, the NBP Head Office maintained euro accounts in the TARGET2-NBP system for 5 participants (4 commercial banks and the National Clearing House) and for the NBP, i.e. 2 participants more than in the previous year. In 2009, an account for a new participant (ING Bank Śląski SA) was opened, together with a so-called technical account for clearings carried out by KIR SA.

In 2009, about 554 thousand operations were performed on the banks' current accounts in the TARGET2-NBP system (326 thousand in 2008) for the total amount of EUR 255.0 billion (EUR 157.7 billion in 2008). This translates into an increase in the number of operations by 228 thousand (about 41.2%) and in their total value by EUR 97.3 billion (about 38.2%) as compared to 2008. The average value of transactions amounted to EUR 0.5 million (like in the previous year).

Table 10 depicts the balance of funds, number and value of orders performed on banks' euro accounts in the TARGET2-NBP system.

Table 10

Balance of funds, number and value of orders performed in banks' euro accounts in the TARGET2-NBP system in 2009

No	Item		Name of unit	Total	Monthly average
1.	**Balance of funds on the NBP account:**				
1.1.	as at beginning of the year	125.5	EUR million	–	92.8
1.2.	as at the end of the year	64.4	EUR million	–	87.8
2.	**Balance of funds on the banks' accounts:**			–	
2.1.	as at beginning of the year	7.1	EUR million	–	17.7
2.2.	as at the end of the year	31.1	EUR million	–	19.7
3.	**Balance of funds at the end of the year (1+2)**	**95.5**	EUR million	–	107.5
4.	**Number of executed orders:**		pcs.	553 938	46 162
4.1.	domestic payments		pcs.	37 184	3 099
4.2.	cross-border payments sent		pcs.	159 021	13 252
4.3.	cross-border payments received		pcs.	357 733	29 811
5.	**Value of executed orders:**		EUR million	255 040.0	21 253.3
5.1.	domestic payments		EUR million	28 967.8	2 414.0
5.2.	cross-border payments sent		EUR million	112 156.3	9 346.4
5.3.	cross-border payments received		EUR million	113 916.0	9 493.0
6.	**Average value of orders:**		EUR million	–	0.5
6.1.	domestic payments		EUR million	–	0.8
6.2.	cross-border payments sent		EUR million	–	0.7
6.3.	cross-border payments received		EUR million	–	0.3

Source: NBP data.

Highlights in 2009

The NBP:

- Adopted the *Scheme for Development of Non-Cash Transactions in Poland for the Years 2009–2013* on 19 February 2009.
- Acquired statutory powers in the scope of oversight of securities settlement and clearing systems.
- Transferred the settlement of the EuroELIXIR system, operated by KIR SA, from the SORBNET system to the TARGET2-NBP system.

8

EDUCATION AND INFORMATION

Pursuant to Article 59 of the Act on the National Bank of Poland, the NBP carries out publishing and promotional activity. As part of it, the Bank also implements educational and informational projects designed to enhance the transparency of the NBP's operations and public knowledge regarding the principles of operation of the central bank, the banking system, and the market economy, as well as to disseminate the knowledge about the EMU and the euro in the society and in the banking sector.

8.1. Promotion

In 2009, the NBP conducted promotional activities concerning the issue of collector coins and notes (19 topics). The NBP cooperated with the media, organised numerous competitions, press conferences and meetings on the topics presented on coins and notes. Altogether, over 10 thousand people participated in the events organised by the NBP.

The NBP launched an information campaign on the operation of the Kolekcjoner Internet auction service through which collector coins and notes have been offered for sale since 2010.

In 2009, the NBP organised Open Days for the sixth time. During this event, the Head Office and regional branches of the bank were visited by 57 thousand people.

In 2009, the NBP carried out numerous information and PR related projects. These projects included: celebrations of 180 years of central banking in Poland, which were launched in 2009; launching of the "NBP without Secrets" campaign in "Oliwia" monthly; completion of the NBP project: "Warsaw behind Closed Doors", pursued jointly with "Gazeta Wyborcza" newspaper; as well as co-organisation of the "Art more precious than gold" competition, aimed at honouring financial institutions which in their activity combine culture, economy and art. Moreover, the NBP participated in the 9th edition of Polish Financial Forum "Twoje Pieniądze" ("Your Money") (Numismatic Exhibition Coin Expo); the NBP stand was visited by more than 1 thousand people.

The NBP undertook activities promoting the educational mission of the Bank by organising information campaign of economic education portal – NBPortal.pl, promoting activities in this field under the IMPULS Enterprising Teachers' Club project, as well as promoting competitions organised by the NBP (Written work competition, Władysław Grabski Memorial Award, NBP President Award for the best master's thesis).

8.2. Publishing

In 2009 – as in previous years – the NBP issued numerous periodic publications, including in particular: the *Annual Report, Report on NBP Activity, Monetary Policy Guidelines, Report on Monetary Policy Implementation, Financial System Development in Poland, Monetary Policy Instruments, International Investment Position of Poland, Inflation Report, Balance of Payments of the Republic of Poland, Bank i Kredyt (Bank and Credit)* two-monthly magazine (with an educational insert entitled: *Derivatives in global economy from A to Z*), *Information Bulletin* and *Preliminary Information*.

Most NBP publications are issued in two language versions – Polish and English – with a circulation of around 1 thousand copies per each version.

In addition, as part of co-operation with the ECB, the NBP published quarterly editions of the ECB *Monthly Bulletin* in Polish.

The NBP also published a number of studies from the *Materiały i Studia* (*National Bank of Poland Working Paper*) series.

Other releases include: *Report on Full Membership of the Republic of Poland in the Third Stage of the Economic and Monetary Union, Analysis of Prices on Warsaw Residential Real Estate Market, Securities Settlement Systems in Poland and the European Union* (in the Polish, English and Russian language versions), *Poland in the Face of the World Economic Crisis*, 5th and 6th edition of the *Survey of the Labour Market in the Mazowieckie Voivodship* and numismatic folders (in the Polish, English and German language versions), certificates for gold coins, posters and other promotional materials for collector notes and coins.

8.3. Information

8.3.1. Liaising with the media and market analysts

In 2009, the NBP organised approximately 90 meetings with journalists, including press conferences (such as regular press conferences following the meetings of the Monetary Policy Council, as well as conferences devoted to inflation and GDP projections), presentations of collector coins put into circulation as well as other events related to the Bank's activity. Approximately 340 interviews and meetings were held with the NBP President, members of the Monetary Policy Council and the Management Board of the NBP.

8.3.2. NBP website

The NBP website includes information about the ongoing activity of the NBP, presents official positions of the Bank's management, as well as documents, statistics and economic analyses of the NBP.

In 2009, the number of users who visited the www.nbp.pl website amounted to around 900 thousand persons monthly, which translates into an increase of 50% as compared to 2008, when this number amounted to around 600 thousand.

The year 2009 saw the launching of a new web portal, Obserwator Finansowy (Financial Observer). The portal is dedicated to current economic events in Poland and in the world. It is also where an in-depth economic debate takes place, attended by renowned Polish and foreign economists. The portal plays a particularly significant role in the fulfilment of the informative and educational function by the National Bank of Poland. Current lack of stability in financial markets increases the need for credible information and professional analyses. The portal is a perfect source of information and opinions for media representatives, opinion leaders as well as teachers' and academic circles. Obserwator Finansowy presents and comments on the statements of domestic and foreign economic experts in an accessible manner. Owing to this fact, it has become an important source of economic knowledge.

8.4. Education

In 2009, the National Bank of Poland conducted numerous activities fostering dissemination of economic knowledge in the society, understanding of the principles of functioning of the market economy and economic processes, and acquisition of the skills necessary for efficient operation in the market economy.

8.4.1. The Program of Economic Education

In 2009, the NBP Management Board adopted the *Strategy for Economic Education for the Years 2010–2012*. Its main aim is to help Poles to become conscious customers of financial institutions, making rational decisions. The *Strategy* has set two priorities: to educate experts at the level of postgraduate studies and to implement schemes designed for the inhabitants of villages and small towns. An important purpose of the *Strategy* is to prepare experts so that their knowledge may be used in the process of introducing the euro in Poland.

In 2009, the NBP implemented 71 large-scale projects, of which 43 were carried out in co--operation with the media. In the area of competence of the Commission for Education, 172 agreements for additional financing of projects related to economic education were signed. The project evaluation process implements measures such as readership and broadcasting audience indices, the number of entries, the level of test results, the number of applications and the amount of additional financing per recipient.

The following projects were continued under schemes for schools, students, journalists and the clergy: "Ekonomia w szkole" ("Economics at School"), "Moje finanse" ("My Finances"), "Ekonomia na co dzień" ("Day-to-day Economics") (in total, over 420 thousand students and about 6,500 teachers participated in the three programs in 2009), written work competition (619 texts were submitted), Entrepreneurship Olympics, Olympics of Knowledge about Finance, Olympics of Knowledge about Economics (in total, approx. 42 thousand students across Poland took part in the said Olympics), Economic education web service at the Opoka website (145 thousand unique users visited the web service), Władysław Grabski Memorial Award (65 authors submitted their works for competition), Postgraduate Study in Central Banking and Monetary Policy (35 graduates completed the study), "Basic Economic Concepts" (another 12 films were produced). Also new projects have been launched; such as postgraduate studies in basic entrepreneurship for teachers (100 graduates), scholarship program for persons who meet the requirements to be granted the Polish Charter (Karta Polaka) (20 fellows), bridge scholarship program for youth from rural areas and small towns who are willing to take up studies related to banking, finances or economics (in total, nearly 500 scholarships), and a pilot project Ekonomiczny Uniwersytet Dziecięcy (Children's Economic University) (600 children participated in the program). The Mechanisms of Euro Area Functioning postgraduate studies launched at 17 best universities throughout the country (850 graduates) are especially noteworthy among the new projects.

The following programs were executed in co-operation with the media for the first time: "Nasza kasa II" ("Our Money II") (nearly 6 million viewers), "Jak uniknąć pułapki kredytowej" ("How to Avoid the Credit Trap") (1 thousand people received detailed anonymous counselling and 130 thousand people received educational materials), "Matysiakowie" radio show – idea placement (800 thousand listeners). An extensive education and information campaign concerning Poland's full membership in the Economic and Monetary Union was also conducted. As a part of this project 145 inserts in economic, social and cultural, as well as Catholic press, with the total circulation of 2,700 thousand copies, were prepared. Moreover, five hours of programs in radio stations (Polskie Radio and local stations) were aired and over four hours of debates in TV stations (TVN and TVN24) were conducted, watched by 6 million viewers. The campaign was also supported by internet websites such as www.onet.pl, www.rp.pl and www.gazetaprawna.pl.

8.4.2. Economic Education Portal – NBPortal.pl

In 2009, the educational offer was extended and made more attractive. Three new e-learning courses and 19 new multimedia presentations were launched and many articles explaining economic mechanisms were published. In 2009, Economic Education Portal was visited by unique users over 1 million times, approximately 150 thousand less than in 2008. The number of entries compared to the previous year remained at a similar level of over 8 million. The number of users of the e-learning courses, as in 2008, was around 20 thousand, but the percentage of successfully completed courses increased.

Measures of effectiveness of NBPortal include own statistics conducted with the use of Gemius software tools and Lotus Learning Space statistics concerning e-learning courses.

Figure 17

Number of users of e-learning courses at NBPortal in the years 2006–2009

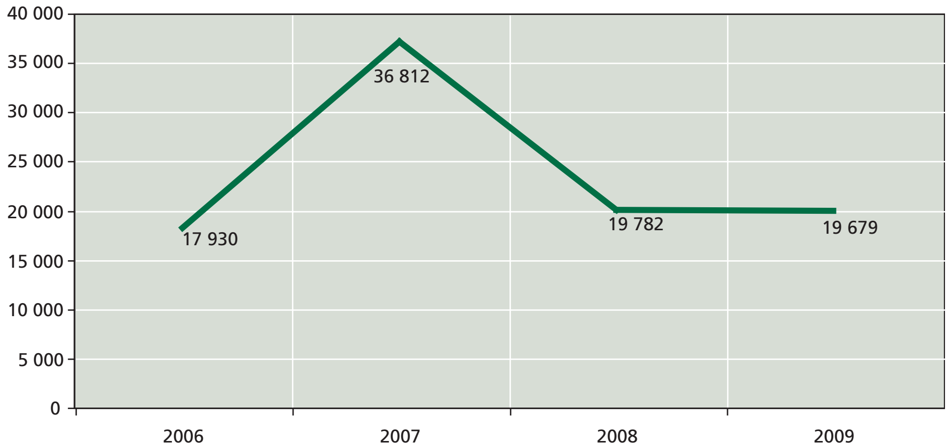


Figure 18

Number of entries of NBPortal users in the years 2008–2009

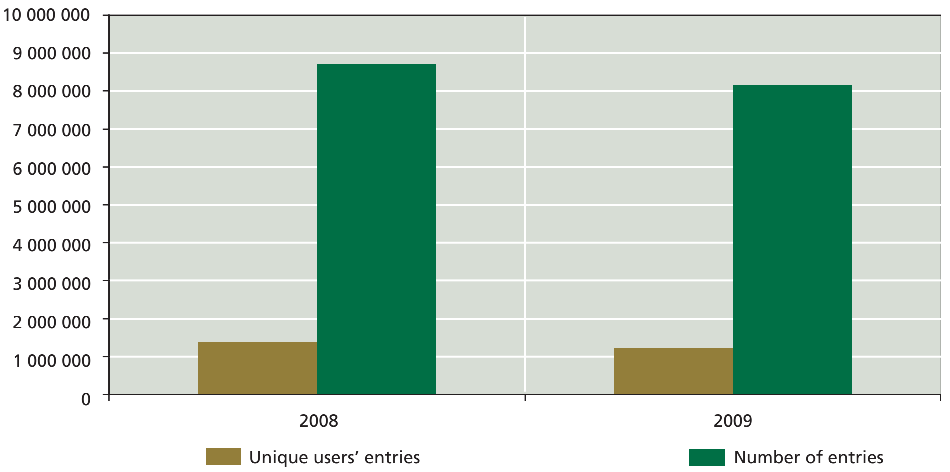
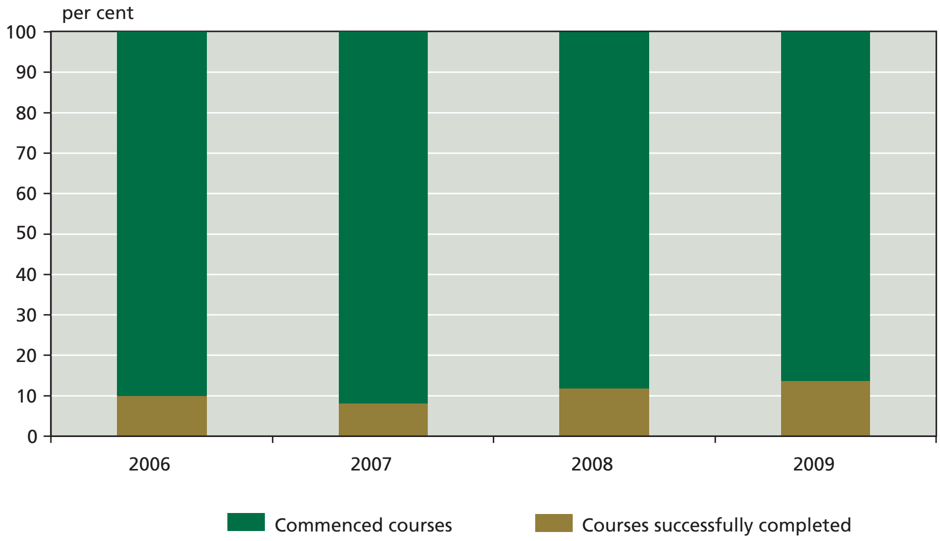


Figure 19

Percentage of completed e-learning courses at NBPortal in the years 2006–2009



8.4.3. Dissemination of knowledge on the EMU and the euro

On 16 February 2009, the NBP published the *Report on the Full Membership of the Republic of Poland in the Third Stage of the Economic and Monetary Union*. Having published the report, the NBP engaged in educational and promotional activities regarding the euro. The NBP experts participated in preparing the press inserts, took part in radio programs and TV debates about the euro, trained journalists and met with regional opinion leaders.

Moreover, the NBP took part in mass events (Schuman Parade, Europe Day) and organised the NBP Open Days, during which informational materials on the euro currency and banknote security features were distributed.

8.4.4. The National Bank of Poland Foundation

In August 2009, the NBP established the National Bank of Poland Foundation, which was entered into the National Court Register, the Register of Associations, Other Social and Professional Organisations, Foundations and Public Health Care Institutions, and the Register of Entrepreneurs. Pursuant to its statute, the NBP Foundation was established to support activities promoting the development of economics and economic education. Furthermore, the NBP Foundation pursues the following objectives:

- supporting the protection of culture and national heritage,
- supporting the development of culture and art,
- supporting the development of science and education,
- supporting health protection.

Under the services contract concluded by the NBP and the NBP Foundation, the NBP Foundation ensures the operation of the new system of sales of the collector items issued by NBP

Kolekcjoner Internet service. The co-operation of the NBP and the NBP Foundation in that respect is an element of a modern, transparent, market-driven system of selling collector items. The analysis of economic effectiveness of this system, confirmed by the renowned consulting company PricewaterhouseCoopers, shows that it is possible for the NBP to obttain additional economic benefits, resulting mainly from a greater profitability of the activity consisting in selling collector coins and banknotes at market prices and liquidating the discount granted to numismatic companies by the Bank until the end of 2009.

The achievement of the NBP Foundation's objectives in this respect will be an additional benefit to the Bank's image in a civil society.

8.4.5. Towards the NBP Centre for Promotion and Economic Education

In 2009, the NBP initiated and carried out works aiming at establishing an institution which would facilitate activities in the area of economic education. A project called the NBP Centre for Promotion and Economic Education is being implemented in co-operation with external experts (the Polish Numismatic Association, the Polish Bank Association, specialists in creating modern museum exhibitions, historians). Their expertise proved extremely valuable while the scope of actions necessary to implement the project was determined. As a result of the works carried out so far, the concept of creating a modern institution resembling a museum emerged – an institution that would use contemporary audio-visual techniques and address the following topics:

- the history of numismatics, illustrating issues related to money as a mint product and a tool employed in trade transactions,
- the history of economics, presenting knowledge in the field of finances,
- the history of banking (commercial and central), presenting the development of this area of economy.

The expected completion of works and opening of the Centre are scheduled for 2011.

8.5. NBP Central Library

The NBP Central Library stocks publications on economics, with particular emphasis on banking and the money. The library holds some of the country's most unique reading resources. Its book collections are made available to all interested parties in the reading room or *via* interlibrary lending. Access to databases at NBP Central Library is free and available to all. The Depository Library of the World Bank, which is located at the NBP Central Library, holds 5,614 volumes and 34 magazine titles.

In 2009, 9,242 readers used the lending room, with 11,889 books made available. There were 6,639 visitors to the reading room, and 16,094 books were made available to them. 77 institutions used the interlibrary loan service and 570 volumes were borrowed. In total, 15,981 readers used the library collections, and 27,553 books were made available. The Central Library was visited by 183 groups (about 5,300 people).

Table 11

NBP Central Library's collection

Type of publication	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Non-serial publications	103 574 volumes	108 017 volumes	112 630 volumes	116 421 volumes
Serial publications	38 500 volumes	39 000 volumes	40 300 volumes	41 500 volumes
Current magazines	525 titles	505 titles	505 titles	505 titles

Source: data of the NBP.

Highlights in 2009

The NBP:

- Adopted the *Strategy of Economic Education for the Years 2010–2012*, determining the main objectives of the NBP's educational policy.
- Launched Obserwator Finansowy Internet website, dedicated to current economic events.
- Established the National Bank of Poland Foundation to support activities promoting the development of economics and economic education.
- Initiated works connected with establishing the NBP Centre for Promotion and Economic Education.

9

SERVICES TO THE CENTRAL GOVERNMENT[34]

[34] Tasks in this field are performed in particular pursuant to Article 3 section 2 para. 4 and Articles 49, 51 and 52 of the Act on the NBP, the provisions of the Act on Public Finance Act of 27 August 2009 (Journal of Laws No 157, item 1240, as amended) and the provisions of the Banking Act of 29 August 1997 (Journal of Laws of 2002, No 72, item 665, as amended).

The NBP acts as a fiscal agent to the government. It operates central government accounts, handles the international liabilities and receivables of the state budget, trade in Treasury securities and manage public debt, particularly with regard to the central government debt.

9.1. Bank accounts operated by the NBP

Within the services provided by the NBP to the central government in 2009, the NBP operated the bank accounts referred to in Article 160 of the Act on Public Finance of 30 June 2005,[35] most of all including the central government account, current accounts of the budgetary entities, including offices providing services for tax authorities, government special-purpose funds and auxiliary enterprises of budgetary entities, as well as accounts for permanent expenses of those units. The NBP also maintained term deposit accounts in zloty and foreign currencies for relevant authorised entities.

Moreover, the NBP also operated, with the approval of the President of the NBP, accounts of other legal persons, pursuant to Article 51 section 1 para. 4 of the Act on the NBP (Agency for Evaluation of Medical Technologies, Demographic Reserve Fund, Social Insurance Institution, Adam Mickiewicz Institute Cultural Contact Point, Export Credit Insurance Corporation SA, Agricultural Market Agency, Polish Agency for Enterprise Development, agricultural consultancy units, trade unions of the NBP employees, as well as accounts of the central banks of: France, Hungary, Germany, Bank for International Settlements in Basel, and the European Commission as well).

By operating central government accounts, the NBP contributed to the safety and smooth processing of public funds settlements.

9.1.1. Operating bank accounts

In central government accounts, the NBP performed operations related to the revenues and expenditures of the state budget. These were made both in non-cash form, mainly in the *enbepe* Electronic Banking system, as well as in cash form. A cross-system B2B interface combining the Integrated Accounting System of the NBP (ZSK) with the IT and accounting system of the account's holder is used for operating bank accounts of the State Budget Department and the Paying Authority Department in the Ministry of Finance. Since October 2009, also the bank accounts of the Agency for Restructuring and Modernisation of Agriculture have been operated by means of this IT channel.

Work on the activation of the cross-system B2B interface for other account holders went ahead apace in 2009. In parallel, the NBP engaged in further cooperation with the Ministry of Finance on the introduction of new principles for the provision of services to the state budget. The NBP representatives participated also in legislative works on the public finance bill.

Along with the projects already mentioned, changes introduced in 2009 aimed to help the account holders manage their funds held in bank accounts. Above all, the NBP account holders gained access to:

- a mass payment system – NBPCollect, i.e. a specialist settlement service, targeted at entities which process a large number of payers or categories of payments. Respectively,

[35] Since 27 August 2009 the NBP has been operating bank accounts listed in Article 196 of the Public Finance Act of 27 August 2009.

each payer or category of payment will be assigned an individual account number, the so--called micro-account;

- a new version of the *enbepe* Electronic Banking system, which enhanced comfort of working with the system and its efficiency,
- an electronic version of forms used to operate bank accounts, i.e. an application to open bank accounts in PLN or in foreign currencies, operated with the use of the Electronic Banking system, as well as forms submitted by account holders as payment orders for operations to be executed in foreign currencies.

9.1.2. Categories of accounts operated by the NBP

The NBP operated accounts in PLN and in foreign currencies, including accounts for handling funds coming from the European Union budget.

In 2009, the NBP provided services for 3,928 customers (in 2008 – 3,968), for whom regional branches operated 17,728 accounts (in 2008 – 17,446), of which 9,745 accounts were operated as part of the third-party external cashier service.[36]

9.2. Handling international receivables and liabilities of central government

Pursuant to the contracts of agency signed in previous years with the Minister of Finance, the NBP handled the central government liabilities and receivables arising from:

- 52 loans granted by international institutions and financial organisations to the government of the Republic of Poland,
- 52 foreign loans guaranteed by the government of the Republic of Poland, granted to domestic entities,
- 2 agreements on making loans available to domestic entities.

Acting as a depositary for the World Bank, its agencies and the European Bank for Reconstruction and Development, the NBP administered 15 promissory notes issued by the government of the Republic of Poland in connection with Poland's membership in those organisations.

[36] Third-part external cashier service is provided to those account holders whose registered offices are located outside the city in which the regional branch of the NBP is located.

9.3. Trade in securities

9.3.1. Treasury securities auctions

The NBP, in its capacity of the issuing agent for Treasury securities, is committed to organize Treasury bill sale and redemption auctions as well as Treasury bond sale, redemption and swap auctions. In relation to the above, in 2009 the NBP announced the following auctions:

- 42 Treasury bill auctions – where 25-, 26-, 28-, 39-, 49- and 52-week bills were sold. The total supply amounted to PLN 57.1 billion, the total amount bid – PLN 159.5 billion; bills worth up to PLN 55.6 billion were allotted. 52-week bills prevailed in the whole issue and they represented 83.7% of all the bills allotted.

- 40 Treasury bond sale auctions, including 15 non-competitive auctions. The total supply amounted to PLN 71.1 billion, the total amount bid – PLN 138.7 billion; amount allotted– PLN 66.5 billion. The majority of bonds offered by the Ministry of Finance were zero--coupon bonds, their amount allotted constituted 64.4% of the amount allotted total. The Ministry of Finance did not offer index-linked bonds or variable-rate bonds.

- 10 Treasury bond swap auctions, where the Ministry of Finance bought back bonds worth PLN 32.2 billion, and allotted bonds for PLN 33.6 billion. Fixed-rate bonds represented the straight majority of bonds allotted on all swap auctions (83.3%).

- 4 Treasury bill redemption auctions – the Ministry of Finance bought back Treasury bills with the nearest maturity dates, altogether bills were bought back for PLN 3.46 billion.

No Treasury bonds redemption auctions were held in 2009.

In September 2009, the NBP concluded an agreement with Bank Gospodarstwa Krajowego (BGK) on entrusting the NBP with the organization of auctions of bonds issued by BGK, secured or guaranteed by the State Treasury. By the end of 2009, seven bond auctions were carried out (including two non-competitive ones), on which fixed-rate bonds were allotted. The supply of bonds amounted to PLN 7.5 billion, the amount bid – PLN 15.8 billion. Bonds worth up to PLN 7.2 billion were allotted.

9.3.2. Treasury Securities Dealer system

The development of the Treasury Securities Dealer system (DSPW)[37] is one of the tasks listed in the *Strategy of the Public Finance Sector Debt Management*.

In 2009, pursuant to the *Agreement on cooperation with regard to the functioning of the Treasury Securities Dealer system* concluded with the Ministry of Finance, the NBP performed the following responsibilities:

- Passed to the Ministry of Finance monthly and quarterly assessments of the DSPW banks' operations, as well as of the candidates to fulfil this function on the Treasury bills and bonds primary and secondary markets, and on the derivative market.

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[37] The main aim of the system is to isolate a group of banks (the so-called "primary dealers") which, in return for specific privileges, are obliged to provide liquidity, transparency and efficiency of the Treasury securities market.

- Organised the Treasury securities fixing on the MTS Poland electronic platform (currently Treasury BondSpot Poland), which was intended to improve the transparency of trading in securities.[38]

- Participated in periodical meetings of the Council of Market Participants, arranged by the Ministry of Finance.

In addition, within the framework of cooperation with the Ministry of Finance, the NBP examined and reviewed banks whose accounts and Treasury securities deposit accounts are maintained in the Securities Register.

9.4. Public debt management

Public debt management covered primarily cooperation between the NBP and the Ministry of Finance within the Public Debt Management Committee.

The objective was to exchange information in order to coordinate the Ministry of Finance's public debt management policy with the monetary and foreign exchange policy of the NBP. Most importantly, the Committee developed a long-term public debt management strategy, minimised the cost of debt servicing and created conditions for the development of financial markets.

Highlights in 2009

The NBP:

- Provided services to 3,928 customers and 17,728 accounts.
- Advanced work towards introducing new rules for the provision of services to the central government.
- Enhanced management of funds in bank accounts for account holders (NBPCollect, a new release of the Electronic Banking System *enbepe*).

[38] The DSPW banks are committed to quote every day the purchase and sale prices of bonds specified by the issuer on the organised electronic market, to close transactions according to the price accepted on the platform, as well as to inform the market in real time on these quotations.

10

RESEARCH[39]

[39] The tasks in this field are implemented in particular on the basis of Article 59 of the Act on the NBP.

In 2009, research activity focused on issues related to the participation in the Exchange Rate Mechanism II, monetary policy, inflation processes, economic condition of enterprises and households, the impact of global financial crisis on the operations of the world markets, structural changes in the economy, determinants of economic development, world economy, national and international economic climate, the balance of payments, and the labour and property market. Results of the conducted research served to build and improve the model tools designed to develop forecasts.

The forecasts and findings of research and analytical works fed into the decisions taken by the Management Board of the NBP and the Monetary Policy Council.

In 2009, as a result of the NPB's co-operation with researchers affiliated with regional universities, the Analytic and Research Team at the NBP regional branch in Łódź and two Analytic and Forecast Teams at the regional branches in Kraków and Poznań were established.

In 2009, well-renowned national periodicals (such as *Bank i Kredyt (Bank and Credit)*, *Gospodarka Narodowa (National Economy)*, *Ekonomista (Economist)*) and international scientific journals (*International Review of Financial Analysis, Central European Journal of Economic Modelling and Econometrics, ECB Working Paper*) published 101 academic publications of the NBP employees, including 52 in Polish and 49 in English. Four publications were included in the so-called Philadelphia list (cf. Annex 7).

10.1. Research related to participation in the Exchange Rate Mechanism II (ERM II)

Within the framework of research on the prospective inclusion of the zloty in the ERM II, the NBP:

- Developed monthly information on the degree of convergence in relation to monetary Maastricht criteria in new European Union Member States;
- Evaluated prospects for meeting the Maastricht inflation criterion by Poland in 2009;
- Investigated determinants of the prospective inclusion of the zloty in the ERM II.

10.2. Studies of monetary policy, inflation processes and expectations

- Analyses and studies of the monetary policy covered:
  - National and world macroeconomic situation in order to draw up *Inflation Reports*, the *Report on Monetary Policy Implementation in 2008* and *Monetary Policy Guidelines for 2010*.
  - Monetary policy of other central banks and their communication with the environment.
  - Changes in the monetary policy strategy of the main central banks in the context of the international economic crisis, with particular emphasis on using unconventional instruments of monetary policy.

- ○ The impact of the international financial markets crisis on the Polish economy.

- Analyses and examinations of prices of consumer goods and services sought to:

  - ○ Conduct ongoing analyses and examinations of inflation processes in the national economy and develop short-term inflation forecasts.

  - ○ Conduct sectoral analyses with regard to the structure and performance of the markets of electricity, gas fuels, liquid fuels and telecommunications. Analyse the impact of the liberalisation of the energy and telecommunications markets on inflation processes.

  - ○ Analyse the impact of the trends in the world commodity markets, including the markets of agricultural and food products, on the developments in various price categories in the national economy. The continuous analyses covered the impact of globalisation processes on selected price processes in Poland.

  - ○ Conduct methodological work with regard to the construction, functioning and evolution of Consumer Price Indices (CPI) and studies related to the core inflation indices.

  - ○ Calculate and publish 4 core inflation measures (monthly). Review the existing core inflation measures – core inflation indices, excluding regulated prices, the most volatile prices, the most volatile prices and fuel prices, were substituted by two measures: core inflation excluding administered prices and the most volatile prices.

  - ○ Study and analyse the impact of the changes of regulated prices and of indirect taxes' rates on inflation processes in the economy.

- Analyses of inflation expectations sought to:

  - ○ Study quantification methods of inflation perception and inflation expectations on the basis of quality surveys and analyse the results of using these methods to measure inflation perception and inflation expectations in the EU countries.

  - ○ Study the degree of anticipatory character of inflation expectations among consumers in EU countries.

  - ○ Analyse sources and the method of using information on inflation expectations in central banks.

  - ○ Study the methodology of representation of expert opinions on uncertainty to develop the concept of the NBP Macroeconomy Survey.

- Analyses of effectiveness of monetary policy transmission mechanism sought to:

  - ○ Analyse the changes in effectiveness of monetary policy transmission mechanism, in the wake of the financial crisis.

  - ○ Study the transfer of exchange rate movements to prices, including the possible non--linear effects.

10.3. Enterprise and household surveys

- Analyses and forecasts of the financial standing of enterprises were based on surveys.

  The central objective of the analyses was to provide data on the interaction between monetary policy and real sector of the economy. What is especially valuable, the analyses provide information of the forecasting character. In addition, they supplement, and in some aspects materially expand the scope of information contained in the data obtained from the Central Statistical Office and other research centres. Development of research on the corporate sector implies extending the analysed subject areas and implementing modern methods and solutions applied in major research centres and central banks.

- *Executive Opinion Survey 2009* conducted by the NBP regional branches for the purposes of the *Global Competitiveness Report*.

- Survey studies of financial standing of enterprises:

  - Analysed the present and forecast economic situation, in particular the demand, production, investment activity, envisaged changes in employment and average wages, economic activity financing, as well as price generating mechanisms. Regarding the last issue, the conducted survey studies were supplemented by the analysis of changes in monopolistic margins.

  - Due to the economic slowdown, principally addressed the difficulties in the operation of enterprises, in particular those attributable to the impact of declining demand on the economic standing of enterprises, the corporate adjustment strategies and actions envisaged to reduce the operating expenses. The analysis included the use – as declared by the enterprises – of fiscal stimulus packages implemented by the Polish government. Moreover, the following were studied in more detail: the availability of bank financing, the development of liquidity conditions in the corporate sector and the monitoring and control of non-bank debt by the corporate sector. At the same time, the diversification of economic climate development in the group of enterprises manufacturing products for the domestic market, as well as the foreign market was analysed.

- Research on economic activity of enterprises

  - Work progressed to evaluate how internationalisation of enterprises impacts their performance. The analysis covered the engagement of enterprises in export activity, the impact of importing investment goods on enterprise productivity, the level of employment and the level of level of wages. Enterprises with foreign equity participation were studied and the following issues were analysed: the effect of capital inflow on the level of employment and the propensity to reduce the number of employees, export intensity and technical production efficiency.

  - Analyses aimed at economic evaluation of the consequences of the privatisation process. State-owned enterprises privatised in the years 1995–2006 were analysed and compared with private enterprises with similar characteristics in order to eliminate the so-called selection bias. It allowed to formulate conclusions regarding technical efficiency of enterprises, the impact of privatisation on the level of employment, investment and export intensity.

  - Work progressed to assess economic situation on the basis of indicators of overall economic situation of Poland. A new method to evaluate those indicators – based on data filtering – allowed to formulate more coherent conclusions and to establish the economic position in the business cycle.

- Research on households' situation
  - Issues related to the households' decisions regarding income allocation for consumption, investment and savings were comprehensively analysed. At the same time, also the reallocation of household assets and liabilities in the context of the falling household income were studied. Consumer sentiment and predictive ability of consumer situation indicators were analysed in relation to retail sales and private consumption.
  - Based on the data from Household Budget Surveys and Labour Force Survey, work progressed to create a model to simulate the impact of developments in the labour market on the potential repayment of mortgage loans and, consequently, on financial system stability via mortgage loan channel.

10.4. Other macroeconomic research

- Studies of structural conditions of potential economic growth sought to:
  - Explain the disproportion between the real wages and labour productivity whereby the share of remuneration changed in the generated value added. The research addressed potential influence of the structural changes of economy, microeconomic factors and factors related to enterprise demographics and changes of the level of market concentration on these processes.
- Analyses and studies of the public finance sector included:
  - Ongoing analyses and forecasts of the condition of the state budget and other units of the public finance sector. They fed into official opinions on fiscal policy.
  - Studies on determinants of fiscal policy and the consequences of applying fiscal rules, fiscal policy measures and public expenditure efficiency.
- As part of analysis of labour markets
  - The NBP took active part in the international study of the impact of crisis on the reactions of businesses in various EU countries under the ECB Wage Dynamics Network project. The study included a survey carried out among businesses in order to evaluate flexibility of businesses' adjustments as regards prices, wages and use of the labour force. Data collected could be compared with the corresponding data from surveys conducted in other EU countries.
  - Work progressed to develop the methodology to measure unit labour costs in national economy with particular emphasis on the developments in this category within the framework of market sectors of the national economy.
  - Adjustment of labour force resources used in the production processes in various stages of the business cycle was analysed in more detail. The research primarily addressed labour hoarding in the initial stage of the economic slowdown.
  - Analyses of regional labour markets continued. The study yielded a publication *Wages, Labour Productivity and Migrations in the Light of Studies Conducted in 2009*.

- As a part of examination of real property prices in Poland the Bank:
  - Monitored the development of residential real property markets in 16 provincial cities. The NBP developed system of monitoring housing prices:
    - Conducted structural analyses of 16 housing markets in provincial cities,
    - Developed a weighted-average index of housing prices on secondary market for major city markets,
    - Completed the first stage of research on hedonic housing price index, whereby the tool showing the pricing tendencies on the 16 city markets in more detail will soon be published.
    - Made an attempt to measure the housing price bubbles in the 6 largest cities in Poland.
  - Monitored major international markets in terms of threats and consequences of the crises on real property markets.
- Developed the DSGE model for a small open economy with a banking sector.

The aim of the project was to build a dynamic stochastic model of general equilibrium which could help evaluate the consequences of credit tightening and of the resulting financial crisis in the years 2008–2009 for the real sphere of the Polish economy (mainly for the GDP).

- Conducted comparative analyses for selected economies and world regions.
- Provided analytical support for the process of investment of the NBP's foreign exchange reserves.
- Examined the impact of global crisis on Poland's balance of payments.
- Optimised the methodology of establishing real effective exchange rates for the zloty.

10.5. Forecast and research

- Development of the main prognostic model NECMOD

  The Bank introduced numerous changes in order to increase the accuracy of forecasts of the main prognostic model in the context of crisis in the world financial markets and the meltdown of the global economic climate. Changes primarily addressed the fields of: modelling of the zloty rate, trading assets, external balance and the mechanism of transmission of the movements in the exchange rate on the inflation and GDP.

- Development of the prognostic process

  The analysis covered communication benefits as well as technical possibilities and constraints of the publication of the interest rate path representing the NBP expectations.

- Development of the tools used for making short-term inflation forecasts

The NBP commenced works to optimise and analyse new tools used for inflation forecasts and short-term evaluation of the decision-making atmosphere. A new methodology for probabilistic forecast of inflation which uses Bayesian reasoning was applied.

• Development of tools used for making short-term GDP forecasts.

The NBP continued its work to improve existing tools. To this end the Bank established new tools to develop forecasts of economic activity with high (monthly) frequency. GDP forecasts based on four econometric models were included in the set of information submitted on a current basis to the NBP Management Board and Monetary Policy Council.

• Project of building the DSGE model, intended to make forecasts of macroeconomic phenomena in NBP.

The project seeks to build a dynamic stochastic model of general equilibrium destined to generate forecasts of the main macroeconomic aggregates and to conduct conditional forecasts assuming a certain course of selected variables. The model will support the decision-making procedure of the Monetary Policy Council.

• Activity of the NBP Economic Research Committee.

In 2009, the NBP Management Board established the Economic Research Committee. Four meetings of the Committee took place. At the meeting on 22 December 2009, the Committee took a decision to announce the first ERC competition for research projects to be conducted by NBP employees and persons from outside the NBP.

10.6. Research on full membership of the Republic of Poland in the third stage of the Economic and Monetary Union

In 2009, the NBP continued research on full membership of the Republic of Poland in the third stage of the EMU.

The Chairman of the Commission for the Euro Introduction (Management Board Plenipotentiary for the euro introduction) established two task forces to develop a strategy of entering the zloty into the ERM II and to choose a scenario of euro notes and coins introduction in Poland.

Numerous publications on monetary integration were prepared:

– two papers (semi-annual) on the processes undergoing in euro area economies (*Euro Area Monitoring*),

– information on real convergence in Poland,

– note on real and nominal convergence in the euro area,

– *Financial and Economic Crisis versus Changes in the International Monetary System. Implications for the euro area and Poland*,

– *The Use of FEER and BEER Models in Equilibrium Exchange Rates Estimates. Estimated Euro/Zloty Equilibrium Exchange Rate between 1996:1 – 2009:1*,

– *Foreign Trade Competitiveness Channel in the EU Countries*.

16 February 2009 saw the publication of the *Report on Full Membership of the Republic of Poland in the Third Stage of the Economic and Monetary Union*.

10.7. *Poland in the Face of the World Economic Crisis* report

In 2009, the NBP prepared a report *Poland in the Face of the World Economic Crisis* which thoroughly analyses the challenges of economic policy in Poland in the context of the current economic crisis. The report presents a diagnosis of the crisis, pointing to its causes and describing its impact on the most important world economies. The issues of the impact of the crisis on the Polish economy were discussed extensively, in particular in the context of the development of the real economy situation, the public finance sector and the stability of the financial sector. Crisis management actions conducted in Poland were summed up. The report describes the background of the anti-crisis monetary policy, in particular within the scope of institutional conditions, both domestic and foreign. It also projects possible scenarios of the economic climate development *vis-à-vis* the outline of crisis management strategy. In the conclusions, directions of conducting economic policy were proposed. These would seek to minimise the negative consequences of the crisis on the one hand and build strong foundations for a sustainable growth in the future and eliminate the co-called bottlenecks of the Polish economy on the other. The report suggests actions concerning the strategy of consolidating public finances (i.e. rationalise social expenditure, extend retirement age, expand tax base in particular), structural reforms of the goods and services market, sectoral policy (in particular of the real property and construction sector), the use of EU funds and improvement of investment financing, as well as the banking sector (i.e. maintain the active dominant entities' support for Polish branches of foreign banks, allow to supplement bank capitals, provide banks with access to zloty and foreign currency liquidity and to hedge foreign exchange risk and funding liquidity in the event of material shortages).

10.8. Academic conferences and seminars hosted by the NBP

In 2009, the NBP held the following international conferences:

- 5–6 June 2009 – conference "20 Years after the Fall of the Socialist Economy. Transformation, Economic Growth and Convergence in Poland and other Central and Eastern European Countries". The conference was dedicated to the assessment of the transformations in Poland and other Central and Eastern European countries in the last 20 years. The aim of the conference was to evaluate the role that the countries in our region play at the international arena and to exchange views on the current problems and challenges of Central and Eastern European countries.

- 4 November 2009 – forecasting workshop "Experiences and Challenges of Forecasting at Central Banks". The aim of the workshop was to exchange experiences concerning the organisation of forecasting processes at central banks and the use of available macroeconomic and macroeconometric tools. During the workshop papers were presented and discussed related to building structural and statistical forecasting models, also in the context of difficult access to data or parameter traceability, methodology of model forecast risks assessment and predictability of economic upturns.

- 5–6 November 2009 – conference "Publishing central bank forecasts in theory and practice". The aim of the conference was to present the latest research and practical experiences in publishing forecasts by central banks, in particular publishing the interest rate path. From among over 30 papers submitted 12 articles were selected, covering the following topics: experiences of central banks in publishing forecasts, accuracy of macroeconomic forecasts, the impact of forecast publishing on financial markets, advantages and disadvantages of publishing the future interest rate path, the impact of transparency of monetary policy on prosperity.

- 10 November 2009 – seminar "Global Economic Crisis and the International Monetary System: Vulnerabilities and Solutions". The aim of the conference was to discuss the challenges awaiting the international monetary system in the medium and long term. The program the sustainability of diminishing global imbalances seen in the course of the recent crisis, the impact of stimulus packages on the increase in the cost of public debt servicing, medium and long term outlook for currency exchange rates in developed countries, as well as the outlook for increased importance of developed countries' currencies in the world economy.

Moreover, 13 open-to-public academic seminars were organised. Their list is presented in Annex 7.

Highlights in 2009

Bank employees:

- Published in well-renowned national and international periodicals. Four publications included on the so-called Philadelphia list.

The NBP:

- Established the NBP Economic Research Committee and announced the first ERC competition for research projects.
- Initiated numerous changes in forecasting tools and processes.
- Published *Poland in the Face of the World Economic Crisis* report.

11

STATISTICS[40]

[40] Tasks in this field are performed in particular pursuant to Article 3 section 2 para. 7 and Article 23 of the Act on the NBP, as well as the Act on Public Statistics of 29 June 1995 (Journal of Laws No 88, item 439).

Planning and pursuance of the monetary policy requires a broad spectrum of high-quality statistical data. The information published by the NBP is also used by external recipients. The NBP submits reports to domestic and international institutions on a regular basis, including, in particular, the European Central Bank.

In 2009, the NBP proceeded with harmonisation to bring its statistics into concert with the EU requirements.

11.1. Standard tasks with respect to statistics, performed by the NBP

As part of standard statistical tasks the NBP:

- collected, validated, processed and performed ongoing analysis of data regarding:

– the balance of payments, external debt and international investment position;

– balance-sheet data from banks and credit unions;

– interest rates applied by banks;

– supervisory and prudential reports (FINREP, COREP);

- interpreted monetary developments and balance of payments operations for the purpose of ongoing monitoring of monetary developments;

- processed and analysed information about the financial situation of enterprises;

- developed methodology to compile the monetary and financial statistics, the balance of payments, financial accounts and the general government statistics;

- modified the IT systems applied to collect and process statistical data.

The results of the works fed into statements, analytical materials and publications addressed to both internal and external recipients. The most important of them included:

– quarterly reports on the balance of payments and the annual report on *International Investment Position of Poland*;

– quarterly figures on Poland's external debt and international investment position;

– monthly balance of payments data;

– monthly consolidated balance sheet of MFIs, including basic monetary aggregates (M3 money supply and its counterparts);

– quarterly financial accounts.

Statistical information was forwarded to domestic institutions such as: the Sejm, the Council of Ministers, the Central Statistical Office, and to academic institutes. It was also submitted to the ECB and other international organisations such as: the IMF, the World Bank, the OECD, the BIS and the Eurostat.

Moreover, in 2009, the NBP:

- Continued works on improving methods and procedures for seasonal adjustment of statistical data, as part of the task force appointed by the ECB and the Eurostat (Task Force on Seasonal Adjustment Tools User-Testing Group), which sought to develop a new version of the Demetra+ application for the seasonal adjustment of data.

- Prepared methodological material related to the seasonal adjustment of statistical data.

- Continued methodological and analytical works and published a study on the epsilon method to analyse the impact of macroeconomic factors on the consumer tendency indices. Application of the epsilon method, which eliminated correlation between regressors, allowed to isolate key factors influencing respondents' opinion.

- Expanded cooperation with the BIS on the development of a common statistical database for the central banks.

- Constructed a simultaneous economic activity index using the analytical model originally developed for the American economy by Mariano and Murasawa (2003). Thanks to the constructed index the Poland's monthly GDP may be calculated with the use of a group of macroeconomic data with mixed frequencies and unbalanced sample end by means of an algorithm based on the highest reliability method and the modified Kalman filter.

- Analysed cyclical features of the Polish economy.

- Actively participated in the Euroindicators task force of the Eurostat. The group coordinated work designed to publish key macroeconomic statistics (PEEIs), construct parallel indices and leading indicators, as well as on the cyclical analysis of the nature of business cycle fluctuations.

- Participated in actions undertaken by two tasks forces of the Eurostat: STNE and Metadata. These were appointed to support the process of introducing new statistical standards in domestic institutions concerned with the compilation of statistical data.

11.2. Statistical tasks derived from the NBP participation in the ESCB and in other international institutions

In 2009, the NBP actively participated in all work concerning statistics and carried out by the ECB and other European bodies. Accordingly, the Bank issued opinions on amendments to the existing requirements, proposed by the ECB, and analysed the possibility of implementing the proposed solutions by Polish reporting entities.

The NBP also carried out works towards the implementation of reporting solutions, developed in the ESCB beforehand. To this end, the Bank participated in the works conducted by the ECB Statistics Committee, including the Eurostat task forces and expert groups, the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), and of the Committee of European Banking Supervisors (CEBS).

Works on the monetary and financial statistics, financial accounts, the general government sector, the real sector, balance of payments, as well as on the supervisory and prudential statistics went further ahead and apace.

The Bank also carried out research on the implemention of the SDMX-ML standard in the NBP with regard to data collection, reporting, processing and exchange.

11.2.1. Monetary and financial statistics

The NBP submits to the ECB cyclical harmonised data of the consolidated balance sheet of Monetary Financial Institutions (MFIs),[41] as well as interest rate statistics.[42] In 2009, the NBP set out to implement in the pipeline the modified ECB requirements in the Polish banks' reporting covering this area.

The NBP also participated in works of the ECB and CEBS expert group towards reconciliation of the monetary and supervisory statistics (Joint Expert Group on Reconciliation). The project intends to harmonise definitions in those statistical areas. Looking ahead, this may contribute to the reduction of reporting obligations of monetary financial institutions.

The NBP continued to develop the reporting system of investment funds and securitisation entities. Data – acquired from these institutions through the PEGAZ system – will help the Bank meet obligations towards the ECB, compile balance of payments, financial accounts, as well as analyse data required for the implementation of the NBP's monetary policy. In 2009, the NBP developed an IT tool to be used for the acquisition of those data from reporting entities, set forth the objectives for the created data processing and sharing system, and drew a detailed set of instructions for investment fund societies. The amendments to the Act on the NBP,[43] which allow for the data to be acquired from entities other than banks, constitute an important step towards reporting procedures based on the data acquired from those entities. More recently, as a following step, came the regulation of the Minister of Finance[44], drawn up in cooperation with the Ministry of Finance, which commits the investment fund societies to transfer the data required by the NBP.

The year 2009 saw technical and legal changes to the monetary reporting (concerning balance sheet data and interest rate statistics) being in place – to be implemented in 2010. The BIS system, used for collecting data necessary for the monetary policy purposes, will be extended with data related to the meeting of new ECB requirements. Supervisory data, which are acquired in FINREP and COREP reports, will be eliminated.

11.2.2. Financial accounts statistics

In January 2009, the NBP started to publish on regular basis on its website quarterly financial accounts. This statistics was produced in accordance with principles included in the European System of Accounts 1995 (ESA95) and with consideration to the ECB requirements. Financial accounts were compiled on the basis of data from the NBP information systems and data obtained from external sources (mainly from GUS and KNF).

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[41] Regulation No 25/2009 of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (ECB/2008/32).

[42] Regulation No 63/2002 of the European Central Bank of 20 December 2008 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-á-vis households and non-financial corporations (ECB/2001/18), amended by Regulation No 290/2009 of 31 March 2009 (ECB/2009/7).

[43] Act of 5 March 2009 amending the Act on the NBP, and amending the Foreign Exchange Act (Journal of Laws No 69, item 589).

[44] Regulation of the Minister of Finance of 16 December concerning the manner, the detailed scope and deadlines of passing to the National Bank of Poland data necessary to define the monetary policy and periodical evaluations of the state's monetary situation (Journal of Laws No 221, item 1740).

Work commenced aiming at the NBP meeting the Eurostat requirements concerning annual financial accounts specified in the ESA Transmission Programme, starting from 2010. The taking over of this task by the NBP from the GUS was agreed upon by the management of both institutions. It will allow to ensure consistency of annual and monthly financial accounts transferred to the ECB and Eurostat, respectively.

11.2.3. General government sector statistics

In 2009, experts of the GUS, the Ministry of Finance and the NBP advanced further collaboration within the Working Group on General Government Statistics appointed by the GUS President. Accordingly, the team developed methodology to determine revenues and expenditure of the sector. Progress was also made on a manual describing the methodology of reconciliation of the general government sector statistics with the EU standards.

11.2.4. Real sector statistics

In 2009, the NBP continued its activities as a member of the European Committee of Central Balance Sheet Data Offices, as well as its Working Group BACH (Bank for the Accounts of Companies Harmonised), and since 2009 – as a member of the Working Group of the ESD (European Sectoral References Database). As a result, the BACH database was extended to include aggregated data on non-financial entities required in cross-sections. In 2009, the NBP hosted a meeting of the BACH group.

As the new European classification of economic activities NACE Rev. 2 entered into force in 2009 (Polish classification of economic activities of 2007), the data for the database had to be processed according to the new classification.

In 2009, works progressed within the Working Group on General Economic Statistics (GES), operating within the ECB structure. The NBP acted towards adjusting statistical standards to the ECB requirements and necessary information concerning the real sphere was passed on.

11.2.5. Statistics of the balance of payments and the international investment position

In 2009, the NBP continued to develop a new data collection and processing system for the statistics of the balance of payments and the statistics of investment funds. The new system will rely on data coming directly from the entities participating in international trade. The works under the project *Development of a New System for the Statistics of International Economic Relationships* (PEGAZ) have come to an end in the year 2010. The system will make it possible not only to meet new ECB requirements concerning monthly balance of payments in a geographical breakdown and quarterly investment position in a geographical breakdown, but it will also improve the quality of analyses by increasing the number of available analytical cross-sections, and it will provide an easy and quick access to data. Solutions applied in the new system will allow for this statistical field to be adjusted to new IMF methodological standards.

In 2009, an IT system for collection and processing of collected data was constructed as part of the development of the new data collection system. Two legal acts setting forth new reporting principles were drawn up, i.e. the resolution of the NBP Management Board[45] on bank data and,

[45] Resolution No 78/2009 of the NBP Management Board dated 29 October 2009 on the procedure and detailed principles of passing by banks to the NBP data necessary to prepare the balance of payments and the international investment position (Official Journal of the NBP No 18, item 20).

in cooperation with the Ministry of Finance, the regulation of the Minister of Finance[46] concerning data acquired from other entities. At the end of 2009, an information campaign addressed to future reporting entities was launched and carried out thoroughly.

The NBP prepared and presented information on the size of the external debt due during the year. This information was a reply to the existing demand for such data at the time of financial crisis.

11.2.6. Supervisory and prudential statistics

FINREP and COREP reporting packages were modified as part of the development of the SIS system, in which prudential reporting data necessary for the analysis of the banking sector stability and for supervisory purposes are collected and published. The changes have been implemented since March 2010. Employees of the NBP actively participated in the process of designing new COREP and FINREP reporting packages. More notably, they took part in working groups appointed by the CEBS and the ECB to perform these tasks. New reporting packages are to be implemented in the EU Member States in the years 2012–2013.

The NBP submits also the international institutions (ECB, BIS, OECD) with reports presenting data concerning supervisory statistics for the Polish banking sector derived from FINREP and COREP reports.

Highlights in 2009

The NBP:

- Implemented a new data collection and processing system PEGAZ for the statistics of the balance of payments and the statistics of investment funds.
- Developed legal acts necessary to acquire data for the purposes of the statistics of the balance of payments, the statistics of investment funds, the monetary and financial statistics, as well as the supervisory and prudential statistics.
- Launched cyclical publication of financial accounts.
- Introduced technical and legal changes to the monetary and financial statistics, addressing the modified ECB requirements.
- Prepared methodical material in place related to the seasonal adjustment of statistical data.

[46] Regulation of the Minister of Finance of 23 October 2009 on passing to the National Bank of Poland data necessary to prepare a balance sheet of payments and international investment position (Journal of Laws No 184, item 1437).

12

LEGISLATIVE FRAMEWORK[47]

[47] Tasks in this field are performed in particular pursuant to Article 7, Article 12, Article 16 section 3, Article 17 section 3 para. 2 and section 4 of the Act on the NBP, as well as pursuant to the provisions of other acts in relation to authorisations, included in them, for NBP governing bodies to pass legal acts.

12.1. Legislation of NBP governing bodies

In 2009, the governing bodies of the National Bank of Poland issued 137 legal acts, including 25 by the President of the NBP, 97 by the NBP Management Board, and 15 by the Monetary Policy Council. Of all the legal acts issued by the governing bodies of the NBP, 25 were published in Monitor Polski (the Official Gazette of the Republic of Poland), and 25 were published in the Official Journal of the National Bank of Poland.

12.2. The NBP collaboration with the state authorities on draft normative and non-normative acts

Pursuant to the Act on the National Bank of Poland, the NBP cooperated with the state authorities. Whereby the Bank issued opinions on draft normative and non-normative acts which concerned economic policy and were relevant for the banking system. Within the framework of this co-operation, the NBP contributed to the stability of the financial system, the safety and development of the banking system, and the monetary stability.

In 2009, the NBP issued opinions on:

– 182 documents received in the course of inter-ministerial consultations,

– 1,020 documents received prior to their examination by the Committee of the Council of Ministers.

The key draft legal acts on which the NBP issued opinions in 2009, which do not pertain directly to the banking sector (legal acts on the banking sector are discussed in detail in section 12.3), include:

– Act of 2 April 2009 – which amended the Act on warranties and guarantees granted by the State Treasury and particular persons and Act on Bank Gospodarstwa Krajowego (Journal of Laws No 65/2009, item 545),

– Act of 18 June 2009 – which amended the Act on trading in financial instruments,[48]

– Act of 26 June 2009 - which amended the Act on land registers and mortgages (Journal of Laws No 131/2009, item 1075),

– Act on public finance of 27 August 2009 and Act of 27 August 2009 – which implemented provisions to the Act public finance (Journal of Laws No 157/2009, items 1240 and 1241),

– Act of 5 November 2009 on cooperative savings and credit unions; the Act was challenged by the President of the Republic of Poland, who referred it to the Constitutional Tribunal (a motion dated 30 November 2009, file number Kp 10/09),

– Act of 20 November 2009 – which amended the Act on registered pledge and the Pledge Register (Journal of Laws No 215/2009, item 1663).

[48] The Act was challenged by the President of the Republic of Poland by referring it to the Constitutional Tribunal (a motion dated 24 July 2009).

Moreover, the NBP issued opinions on 38 documents out of approximately 2,000 documents received in relation to the meetings of the European Committee of the Council of Ministers (KERM). The following deserve a special mention:

– Bill on amendments to the Act on the Bank Guarantee Fund,

– Draft Resolution of the Council of Ministers on the appointment of the National Euro Coordination Committee, the Coordination Council and the Cross-institutional Task Forces for the Preparation of the Euro Adoption by the Republic of Poland,

– Draft Opinion of the Government on the Proposal for a Regulation of the European Parliament and of the Council on Community macro-prudential oversight of the financial system and the establishment of a European System Risk Board,

– Draft Opinion of the Government on the Proposal for a Regulation of the European Parliament and of the Council establishing a European Banking Authority,

– Draft Opinion of the Government on the Proposal for a Directive of the European Parliament and of the Council amending Directives 1998/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC and 2009/65/EC as regards the entitlements of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority,

– Draft Instruction for the meetings of the Committee of Permanent Representatives COREPER II and the meetings of the Economic and Financial Affairs Council.

Moreover, the NBP passed to the Prime Minister an opinion on the document entitled *Convergence Programme. Update 2008*.

In 2009, NBP employees participated in the works of 35 consultative conferences and legal committees, as well as 137 meetings of Sejm committees and subcommittees, and meetings of Senate committees.

The NBP also cooperated in the development of solutions regarding major areas of the state's operation by participating in the works of the following bodies: the Financial Stability Committee, the Polish Financial Supervision Authority, the Trilateral Commission for Social and Economic Affairs, the Financial Market Development Council, the Public Debt Management Committee.

12.3. Draft legislation pertaining to the operation of the banking system

Within the legislative process, the NBP issued opinions on:

• the bills which subsequently became:

– Act of 12 February 2009 – the Act on supporting Financial Institutions by the State Treasury (Journal of Laws No 39/2009, item 308),

– Act of 5 March 2009 on amendments to the Act on the National Bank of Poland and the Foreign Exchange Act (Journal of Laws No 69/2009, item 589),[49]

– Act of 6 March 2009 on amendments to the Bankruptcy and Recovery Law, the Bank Act on the Guarantee Fund and the Act on the National Court Register Act (Journal of Laws No 53/2009, item 434),

– Act of 18 June 2009 – on amendments to the Act on co-operative savings and credit unions, and the Banking Act (Journal of Laws No 127/2009, item 1045),

– Act of 25 June 2009 on amendments to the Act on preventing the introduction into financial turnover of property values acquired from illegal or unrevealed sources and on counteracting the financing of terrorism (Journal of Laws No 166/2009, item 1317),

– Act of 1 July 2009 on amendments to the Act on the operation of cooperative banks, their associations and associating banks (Journal of Laws No 127/2009, item 1050),

– Act of 16 July 2009 on amendments to the Act on toll motorways and National Road Fund and the Act on the National Bank of Poland (Journal of Laws No 143/2009, item 1164),

– Act of 16 July 2009 on amendments the Bank Guarantee Fund Act, and the Banking Act (Journal of Laws No 144/2009, item 1176),

– Act of 23 October 2009 on amendments to the Act on Bank Gospodarstwa Krajowego (Journal of Laws No 195/2009, item 1503).

• The following bills:

– Government bill on the recapitalisation of financial institutions,[50]

– Bill on currency options,

– Bill on payment services.

12.4. Consulting Community laws and draft national legislation of the EU Member States

According to the provisions of the Treaty of Lisbon and the Statute of the ESCB, the ECB is entrusted with the task of issuing opinions on Member State – and Community – level draft legislation concerning the issue of currency, legal tenders, the status and activities of national central banks, the monetary statistics, payment systems and financial institutions.

In 2009, the NBP as a member of the ESCB participated in the issuance of opinions on draft legislation consulted with the ECB (100 in 2009). The key opinions included:

• With regard to Community draft legislation:

– Draft Regulation of the European Parliament and of the Council on cross-border payments in the Community,

[49] The Act was challenged by the President of the Republic of Poland by referring it to the Constitutional Tribunal (a motion dated 24 July 2009).
[50] Act of 12 February 2010.

– Draft Directive of the European Parliament and of the Council on alternative investment funds managers and amending Directives 2004/39/EC and 2009/.../EC,

– Draft amendment to Regulation (EC) No 332/2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments,

– Draft amendment of the European Parliament and of the Council to Directives 2006/48/EC and 2006/49/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management,

– Proposal of a Regulation of the European Parliament and the Council on macro-prudential oversight of the financial system and establishing a European Systemic Risk Board, and a proposal for a Council Decision entrusting the European Central Bank with specific tasks concerning the functioning of the European Systemic Risk Board,

– draft legislation in the EU Member States concerning the construction of the European supervision structure (Lamfalussy report), anti-crisis measures, the independence of central banks and oversight of financial institutions.

• With regard to domestic draft legislation:

– Bill on the recapitalisation of financial institutions (ECB opinion issued at the request of the Minister of Finance of the Republic of Poland),

– Bill amending the act on warranties and guarantees granted by the State Treasury and particular persons, the Act on Bank Gospodarstwa Krajowego (ECB opinion issued at the request of the Minister of Finance of the Republic of Poland),

– Bill amending the Act on trading in financial instruments (ECB opinion issued at the request of the Speaker of the Sejm of the Republic of Poland),

– Bill amending the Act on cooperative savings and credit unions (ECB opinion issued at the request of the Speaker of the Sejm of the Republic of Poland),

– Bill amending the Act on toll motorways and National Road Fund and the Act on the National Bank of Poland (ECB opinion issued at the request of the Minister of Finance of the Republic of Poland concerned the extension of the NBP's entitlements with respect to trading in securities),

– Bill amending to the Act on supporting financial institutions by the State Treasury (ECB opinion issued at the request of the Minister of Finance of the Republic of Poland),

– Draft Estonian Regulation on measures seeking to stabilise the financial system,

– Draft Lithuanian Regulation on the State control of the operations of the Lithuanian central bank,

– Bills on the central banks of: the Czech Republic, Hungary, Germany, Finland, Ireland, Latvia, Lithuania,

– draft legislation insofar as the reproduction of banknotes and coins, withdrawal of banknotes and coins from general circulation, as well as dealing with counterfeit banknotes and coins in Hungary, Slovenia, Latvia, Malta, Germany, the Czech Republic, Spain,

– draft legislation introduced in some countries in order to overcome the results of the crisis, e.g. on easier access to money in Sweden, on increasing the amount of funds to be transferred by the central bank from its profit to the state budget (Lithuania and Latvia), on the duty of passing funds from gold reserves taxation to the budget (Italy), on financial aid granted to credit institutions in Ireland and Sweden.

12.5. Work on draft agreements

In 2009, the NBP participated in drafting the following agreements:

– between the ECB and the central banks of the ESCB on publishing financial data: CSDB (Centralised Securities Database) and FMS (Financial Markets Statistics); the agreement between the ECB and the central banks of the ESCB is a multilateral agreement, a party to which is also the NBP,

– with the Ministry of Finance on: a bank account, trading in foreign currencies for the service of foreign liabilities and receivables of the State Treasury and principles of performing this service, principles of performing the function of the financial agent for the Polish Government by the NBP for the purpose of carrying out credit and loan agreements concluded with governments of other countries, within the interpretation of the Foreign Exchange Act,

– with the Wall Street System (TREMA),

– with Mennica Polska SA (Mint of Poland) and Polska Wytwórnia Papierów Wartościowych SA (Polish Security Printing Works) with respect to providing coins and banknotes,

– between the NBP and the National Bank of the Republic of Belarus (co-operation agreement),

– on a loan from the IMF (Flexible Credit Line) and for the IMF within the framework of its subsidy,

– with the Deutsche Bundesbank (Consortium Agreement) with respect to the co-operation for the National Bank of Ukraine,

– with foreign contractors on foreign exchange reserves management.

12.6. Work related to the adoption of the euro by Poland

In 2009, as part of preparations to adopt the euro by Poland the NBP worked on:

– Consulting the Draft Regulation of the Council of the EU on the verification of authenticity of euro coins and dealing with euro coins unfit for circulation,

– Choosing an optimal scenario for introducing euro banknotes and coins in Poland and preparing a strategy of including the zloty in the ERM II mechanism,

– Draft Agreement between the President of the National Bank of Poland and the Prime Minister on the co-operation in preparations to the adoption of the euro by the Republic of Poland,

– Resolution of the Council of Ministers of 3 November 2009 concerning the appointment of the National Euro Coordination Committee, the Coordination Council and the Cross--institutional Task Forces for the Preparation of the Euro Adoption by the Republic of Poland.[51]

Highlights in 2009

The NBP:

- Participated in issuing opinions on bills and other documents insofar as the performance of the economy and the banking system.
- Issued opinions on legal acts of the ECB, as well as on domestic and Council regulations on the scope of responsibilities of the central bank.

[51] Journal of Laws of 2009 No 195, item 1505.

13

INTERNATIONAL ACTIVITY[52]

[52] Tasks in this field are performed in particular pursuant to Article 5, Article 11 section 2 and 3, Article 23 section 7 of the Act on the NBP, as well as pursuant to the provisions of the statutes of the ECB and the ESCB.

13.1. Duties from Poland's membership in the European Union

13.1.1. Co-operation within the European System of Central Banks

The NBP representatives participated in the works of the ESCB *pari passu* the representatives of EU Member States which remain outside the euro area.

In 2009, the President of the NBP participated in quarterly meetings of the ECB General Council (a decision-making body of the ECB). As part of its remits the General Council:

- issues opinions on legislative acts passed by the ECB Governing Council,
- contributes to the performance of statistical reporting responsibilities and
- participates determining irrevocable exchange rates in countries joining the euro area.

In 2009, the ECB General Council's meetings addressed, i.a.:

- current and forecast macroeconomic situation of the EU Member States,
- ERM II,
- monitoring of central banks in relation to the so-called prohibition of financing from the central bank's funds (which follows from Article 101 of the EC Treaty) and prohibition of privileged access (which follows from Article 102 of the EC Treaty),
- social dialogue within the ESCB,
- works on appointing a European System Risk Board,
- reconciliation of principles of state auditors' access to ESCB documents.

The NBP representatives attended 12 Committees of the ESCB and numerous work groups and task forces of the ESCB. On that opportunity they discussed and developed solutions concerning:

– current fiscal situation in the EU states and on global financial markets,

– the implications of de Larosiére report for the operation of the ESCB's Banking Supervision Committee,

– the independence of the central bank in relation to the access to the ESCB's documents and data for state auditors,

– shareholders' rights in the situation of bank reorganisation due to the financial crisis,

– experiences of new countries which adopted the euro,

– the operation of the TARGET2 system and works on TARGET2-Securities.

In 2009, the NBP continued its bilateral co-operation with the National Bank of Slovakia, monitoring first experiences related to the introduction of the euro.

At the same time, in accordance with arrangements on the preparation of publications of the ECB in national languages of the UE Member States, the NBP prepared Polish-language versions of monthly bulletins and the ECB Annual Report 2008.

13.1.2. Collaboration with other Community bodies

In 2009, the NBP representatives took part in the work of the following EU bodies:

– ECOFIN (unofficial meetings),

– committees of the Council of the EU, including the Economic and Financial Committee,

– committees and working groups of the European Commission,[53]

– the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB), as well as working groups of the Eurostat.

13.1.3. Preparations for the Polish Presidency in the Council of the European Union

As the Government initiated preparations to the oncoming Polish Presidency in the Council of the EU in the second half of 2011, in 2009, the NBP joined the process of preparations, coordinated by the Office of the Committee for European Integration, inasmuch as it was engaged in the works of the Council of the EU. Accordingly, the Bank issued opinions on documents considered by the European Committee of the Council of Ministers (KERM) concerning Poland's preparations to preside in the Council of the EU, including the *Schedule of Formal and Informal Meetings during the Polish Presidency of the EU Council*.

As part of its participation in the preparations, the NBP also co-operated with the Ministry of Finance. Specifically, the Bank organised an unofficial meeting of the Economic and Financial Affairs Council (ECOFIN) to be held during the Polish presidency.

13.2. Collaboration with international economic and financial institutions

13.2.1. Organisation for Economic Co-operation and Development (OECD)

In the performance of tasks resulting from Poland's membership in the OECD, the NBP cooperated with the National Coordinator of Co-operation between Poland and the OECD, the Ministry of Economy, the Ministry of Finance and the Poland's Permanent Delegation to the OECD.

In June and November 2009, missions of the OECD Secretariat visited Poland to prepare the 11th Review of the Polish Economy, centred around globalisation. The agenda of the meetings

[53] PAN II group of the European Commission, Counterfeit Coins Experts Group, Counterfeit Coins Experts Group within the European Anti-fraud Office (OLAF), Working Group on Ageing, Working Group on Economic Forecast, Working Group on Bank for the Accounts of Companies Harmonised, European Committee of Central Balance Sheet Data Offices (ECCBSO), Working Group on Communication on the Euro and the EMU – "Dir Com".

with NBP experts covered: the current economic climate, monetary policy, accession to the euro area and situation in the banking sector.

As part of co-operation with the OECD, the representatives of the National Bank of Poland participated in the following activities:

– the meetings of the Inter-Ministerial Team for the Organisation for Economic Co-operation and Development (OECD) at the Ministry of Economy,

– the meetings of the problem committees and OECD working parties (including the Economic Policy Committee, Working Group on Short-term Economic Prospects, Working Group on Macroeconomic and Structural Policy Analysis, Committee on Financial Markets, Working Group on Financial Statistics),

– the conference in the frame of OECD International Network on Financial Education initiative.

13.2.2. The World Bank Group and the International Monetary Fund

As part of co-operation with the World Bank Group, in 2009, the representatives of NBP participated in:

- The spring meetings of the Board of Governors of the World Bank (WB) and the International Monetary Fund (IMF) which were held in Washington in April 2009. The discussion at the meeting primarily addressed the impact of economic crisis on the world economy and developing countries as well as crisis management activities of the WB Group and the IMF.

- The annual meetings of the Board of Governors of the WB and the IMF which were held in Istanbul in October 2009. During the meetings the following topics were discussed: the condition and outlook for development of the world economy, impact of the world economic crisis on the general public, actions for the stability of the financial system and the reform of the WB and the IMF.

In May 2009, the President of the NBP held a meeting with the President of the World Bank to discuss the economic climate in Central Europe in the context of the world economic crisis and further co-operation between the World Bank Group and Poland.

As part of co-operation with the IMF, in 2009, the representatives of NBP participated in:

– works which resulted in IMF placing SDR 13,690,000.0 thousand at the disposal of Poland under the Flexible Credit Line in May 2009;

– consultations concerning the World Bank strategy for Poland for the years 2009–2013 (*Country Partnership Strategy 2009–2013*) adopted by the World Bank's Board of Executive Directors in June 2009;

– the IMF project Financial Soundness Indicators, designed to develop an international data base on financial stability. The program entered the implementation stage and, in 2009, particular countries including Poland began a regular transfer of banking sector stability indicators to the data base.

13.2.3. The European Bank for Reconstruction and Development

The 18th Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development (EBRD) was held in London in May 2009. The NBP supported the measures to counteract the crisis, including the increase in financial resources for EBRD operations. Furthermore:

- In January 2009, the NBP hosted a conference "Growth in Transition" on the opportunity of presenting EBRD's cyclical publication *Transition Report 2008*. Subsequent issue of the report entitled *Transition in Crisis?* was published in November 2009.

- The NBP participated in the consultations regarding the EBRD strategy for Poland adopted by the EBRD Board of Directors in September 2009.

13.2.4. Co-operation with international financial institutions

December 2009 saw the second meeting convened on the initiative of the NBP between the representatives of the Republic of Poland to international financial institutions (WB, IMF, EBRD) and the representatives of the Ministry of Finance, Ministry of Economy, Ministry of Foreign Affairs and the NBP . The agenda covered: changes in the global financial architecture, reforms of the WB and the IMF, Poland's bilateral loan to the IMF, the exchange of information and coordination of positions. Poland's expectations with regard to further access to funds offered by the WB and the EBRD and Poland's preparations to preside in the Council of the EU in the second half of 2011.

13.2.5. The Bank for International Settlements (BIS)

In 2009, the President of the NBP took part in six BIS meetings. These primarily addressed the implications of the world economic crisis for the activity of central banks, including monetary policy and stability of the financial system.

The annual General Meeting of BIS Shareholders on 29 June 2009 adopted the 79th Annual Report and approved the balance sheet of the Bank as at 31 March 2009. The profit and loss account which indicated a net profit of SDR 446.1 million was also approved. The NBP received the dividend amounting to SDR 2.12 million.

13.2.6. The International Bank for Economic Co-operation (IBEC)

In 2009, the representatives of the NBP participated in the meetings of the IBEC Council and in working meetings. On that opportunity the current activity and potential reorganisation of IBEC were discussed. Having read the unqualified opinion of the auditor who examined its financial statements for 2008, the IBEC Council approved the balance sheet of the Bank and its profit.

13.3. Technical and training assistance for other central banks

Technical assistance offered by the National Bank of Poland: Technical Co-operation for Transition initiative continued to enjoy great interest of central banks in countries undergoing transformation.

New recipients include central banks of several countries in Africa and South and Central America (Chile, Egypt, Kenya, Morocco, Paraguay and Tunisia). So far, 22 central banks benefited from the technical assistance of the NBP, currently that number increased to 28.

In 2009, the NBP carried out:

- 19 study visits (Albania, Armenia, Azerbaijan, Chile, Georgia, Indonesia, Kenya, South Korea, Moldova, Serbia, Russia, Ukraine),
- 5 traineeships (Albania, Armenia, Tunisia, Vietnam),
- 19 expert visits (Azerbaijan, Belarus, Georgia, Kyrgyzstan, Serbia, Russia, Tajikistan, Tunisia, Vietnam),
- 3 seminars and 5 workshops concerning internal audit, financial risk management, payment system, safety system and management of competences in a central bank.

The range of topics covered during the training and study visits included: internal audit, issue of currency, accounting (and bookkeeping), monetary policy (and monetary policy instruments), financial stability, payment system, foreign exchange reserves management, human resources management, central bank safety, economic education, public relations and IT systems.

In total, 214 people (including the expert visits) benefited from the technical and training assistance offered by the NBP in 2009.

The NBP representatives were engaged in technical assistance projects implemented by other European institutions: TAIEX – Technical Assistance and Information Exchange Office – an advisory and informative instrument of the European Commission – to the benefit of the Central Bank of Tunisia and ECB to the benefit of the National Bank of Serbia.

In October 2009, the Agreement on Co-operation between the National Bank of Poland and the National Bank of the Republic of Belarus was signed. It determines the rules and forms of co-operation between the two banks with regard to technical assistance.

December 2009 saw the completion of the process of negotiations and preparations with respect to the twinning project implemented jointly by the NBP and Deutsche Bundesbank to the benefit of the National Bank of Ukraine.

At the same time, the NBP Management Board adopted the new *Strategy for the Development of Technical Assistance Offered by the National Bank of Poland in the Years 2010–2012* which determines the objectives and methods of pursuance of the tasks exhibiting the significance of the NBP in the international economic debate and its role in the expanding international co-operation implemented in the form of advising selected banks in non-EU countries undergoing economic transformation.

Highlights in 2009

The NBP:

- Adopted new *Strategy for the Development of Technical Assistance Offered by the National Bank of Poland in the Years 2010–2012*.
- Organised meetings of the representatives of Poland to international financial institutions (WB, IMF, EBRD).
- Joined preparations to Poland's Presidency in the Council of the EU.

14

INTERNAL DEVELOPMENT OF THE NBP[54]

[54] The responsibilities in this field are exercised, i.a. pursuant to Articles 7 and 8, 10 and 11, Article 17 section 1, section 3 para. 2 and section 4, as well as Articles 56 and 57 of the Act on the NBP.

14.1. Human resources management

14.1.1. NBP employment

In 2009, the average employment at the NBP stood at 3,770 full-time posts and declined by 199 posts, i.e. 5.0%, as compared to 2008. By comparison, the number of staff at regional branches declined by 259 posts. Due to the implementation of the Concept of Optimizing Operations of the Regional Branches, improvements have been introduced in the following fields:

– the use of SGW (System Gospodarki Własnej – Internal Operations System);

– customer service;

– organisation of public procurements;

– operation of the third-party external cash desk service.

Moreover, the administration of holiday centres located in Ruciane Nida and Zakopane was transferred from regional branches to the Support Services Office.

The staff at the NBP Head Office increased by 34 full-time posts, on average, due to:

– increased workload at the NBP Head Office, in the wake of organisational changes (on 15 January, pursuant to Resolution No 6/2009 of the NBP Management Board of 8 January 2009, the Department of Information and Public Relations was dissolved and the Public Relations and Marketing Department, together with the Education and Publishing Department, were established in its place; on 1 April 2009, pursuant to Resolution No 27/2009 of the NBP Management Board of 26 March 2009, the Team for the NBP Management Board Plenipotentiary for restructuring the management system in the NBP was appointed; on 3 August 2009, the Team for Strategic Management and the Team for the NBP Management Board Plenipotentiary for restructuring the management system in the NBP were dismissed and pursuant to the Resolution No 60/2009 of 30 July 2009, the Strategic Management Department was appointed);

– centralisation of personnel and payroll tasks;

– centralisation in the field of SGW;

– appointment of analytical and forecast teams of the Economic Institute, located in the NBP regional branches. Centres have been established in Poznań, Kraków and Łódź. The purpose of this network of centres is to involve the representatives of universities from outside Warsaw in analytical and research works for the NBP[55].

[55] These centres carry out analyses in the field of monetary policy and research tasks resulting from the academic profile of their staff. Every month, the centre in Kraków prepares materials for the MPC, "Probabilistic inflation prognosis and the assessment of the decision-making atmosphere". The centre in Łódź cooperates with the Price and Inflation Office in the scope of expert inflation forecast, prepared for the MPC, and implements other forecast tasks. The centre in Poznań, established at the end of 2009, cooperated with the Research Office as regards the scope of the monetary policy transmission mechanism, primarily taking into account the impact of monetary impulses on the yield curve.

Table 12

Changes in the NBP average employment level in years 2005–2009 (including the GINB employees)

Item	2005	2006	2006 –2005	2007	2007 –2006	2008	2008 –2007	2009	2009 –2008	2009 –2005
Total	4 627.1	4 481.2	-145.9	4 424.0	-57.2	3 968.4	-455.6	3 769.7	-198.7	-857.4
Head Office	2 008.0	1 999.0	-9.0	1 997.0	-2.0	1 603.8	-393.2	1 638.1	34.3	-369.9
Regional branches	2 344.0	2 209.0	-135.0	2 156.0	-53.0	2 100.9	-55.1	1 842.0	-259.0	-502.1
SSO	275.1	273.2	-1.9	271.0	-2.2	263.7	-7.4	289.6	25.9	14.5

Source: NBP data.

Table 13
Changes in the NBP average employment level in years 2005–2009 (excluding the GINB employees)

Item	2005	2006	2006 –2005	2007	2007 –2006	2008	2008 –2007	2009	2009 –2008	2009 –2005
Total	4 167.9	4 045.4	-122.5	3 991.3	-54.1	3 968.4	-22.9	3 769.7	-198.7	-393.3
Head Office	1 548.8	1 563.2	14.4	1 564.3	1.1	1 603.8	39.5	1 638.1	34.3	89.3
Regional branches	2 344.0	2 209.0	-135.0	2 156.0	-53.0	2 100.9	-55.1	1 842.0	-259.0	-502.1
SSO	275.1	273.2	-1.9	271.0	-2.2	263.7	-7.4	289.6	25.9	14.5

Source: NBP data.

In 2009, personnel expenses along with compensations and mark-ups rose by 4.1% as compared to 2008.

14.1.2. Developing staff qualifications

In pursuit of its human resources policy the NBP principally seeks to promote the employees' development and raise their professional qualifications. In order to increase the effectiveness of those measures, the Bank determines the needs and selects the methods of skills development on a one-by-one principle.

The main objectives of training activity in 2009, stemming from the *National Bank of Poland Plan of Activity 2007–2009*, included the provision of professional, competent and reliable personnel and the best possible preparation of employees for the operation of the NBP within the ESCB structure. Thanks to continuation of training activities the NBP as an organisation could efficiently perform its activities.

The year 2009 witnessed three trainings, on average, per one employee, sustaining the level from 2008. The National Bank of Poland assesses the effectiveness of the trainings; in a survey, the participants of domestic trainings assess the technical knowledge of the coaches, their teaching skills, the training syllabus (taking into account its usefulness), training materials, as well as the training organisation. The average mark awarded in 2009 was 4.4.

The participants of foreign trainings within 14 days from their return to Poland prepare a report, with a technical assessment, supplemented with a description of the training syllabus.

14.2. Organisational changes

In 2009, the following organisational changes were introduced at the NBP:

- On 15 January 2009, the Department of Information and Public Relations was dissolved and the following two departments were established: the Public Relations and Marketing Department, entrusted with a task to develop the image policy of the NBP, and the Education and Publishing Department, entrusted with a task to develop the educational concept of the NBP, implement the bank's new educational activities and co-finance initiatives of this kind, organised by external entities;

- On 3 August 2009, the Strategic Management Department was established. The new organisation unit consolidated all the tasks attendant on strategic management, process management, project management and coordinating and controlling the process of preparation and implementation of operational plans by NBP departments.

Moreover, at the end of 2008, in contemplation of introduction of euro in Poland, the NBP Management Board appointed the NBP Management Board Plenipotentiary for the euro introduction. In January 2009, the Commission for the Euro Introduction was appointed by decision of the President of the NBP.

14.3. Strategic management

The year 2009 continued implementation of the strategic management principles. These were specified in the *Strategy for the Management of the National Bank of Poland in the Years 2009–2012*, adopted by the NBP Management Board in October 2008. Whereas the adopted Strategy broadly assumed to rationalise the use of the resources of the NBP, it also continued to effectively implement the bank's chief aims, resulting from the applicable provisions.

In the process of implementation of the *Strategy*, in 2009 Q4, modifications of the management procedures of the NBP commenced, leading to integration of the process and project approach and to the launching of strategic controlling.

In December 2009, the NBP Management Board accepted the *Strategy* for execution in the form of operational plans for individual departments of the NBP Head Office, together with measures of task efficiency. This will enable the monitoring of the degree of completion of strategic goals, defined in measurable terms in the plans of individual organisational units.

As a result of complex works preparing the NBP for the introduction of the new functional model, the principles of process management were designed. These comprised the methodology of description, measurement and modelling of the processes at the Bank. Moreover, an analysis of tools used in process definition and mapping was carried out and the owners of individual processes were specified, together with their scope of competence.

Moreover, in 2009, preparations were under way to introduce systemic project management; one of the basic methods to introduce changes in the organisation. To this end, a project management methodology in the NBP was drafted, to define the scaling criteria for methodologies inherent in specific types of projects, requirements regarding the resources and their implementation time. Beginning from 2010 the NBP will carry out its projects designed to implement strategic goals in accordance with new principles.

As part of the activities aimed to increase the effectiveness and efficiency of process management and reduce operating costs, works are under way to reorganise work and restructure the Bank's Head Office. The aim of the prepared changes is to increase the functional efficiency of the NBP by focusing its potential on achieving the most important, statutory tasks for which the Bank had been appointed.

14.4. Operational risk management

In 2009, within the scope of operational risk management, the NBP sought to implement two major tasks:

– describe and analyse the main processes of the NBP for the purpose of risk management;

– select and implement an IT system for operational risk management.

In relation to the latter task, an agreement for the purchase and implementation of a system supporting the operational risk management at the NBP was signed in September 2009. October 2009 saw the beginning of the implementation process. The project reached its final point at the end of 2010 Q1.

Moreover, as part of activities related to the development of the Risk Management System (RMS) the Bank sought to:

– validate methods, procedures and tools applied in the RMS, including the development of the KRI (Key Risk Indicators) methodology and improvements in the functioning of the Risk Base;

– continue to develop and implement quantitative methods of operational risk management;

– test and develop the Business Continuity Plan (BCP) at the NBP;

– develop the NBP profile tools and risk maps;

– monitor and analyse the level of operational risk on an ongoing basis;

– undertake necessary actions to reduce the operational risk at the NBP and monitor their implementation;

– hold training and consultations regarding theory and practice on operational risk management for the Risk Managers and their deputies.

The implementation of the above tasks was coordinated and supervised by the Commission for Risk Management.

14.5. IT support for the banking system and the NBP

In 2009, the following information technology activities were carried out:

• NBPCollect system, offering the "speed collect" service to the customers of the *enbepe* Electronic Banking, was implemented. The project comprised the development of mass payments system (NBPCollect) to process a specialised type of clearing service, offered to those holders of accounts at the NBP who handle a large number of payers or types of payments. The project addressed approx. 3,500 NBP customers in the field of public administration (comprising mainly courts, prosecutors' offices and tax offices), and resulted from the changes in the principles of servicing deposit sums accounts using the "speed collect" function.

- The first stage of introduction of the Kolekcjoner system was completed and changes in NBP systems (SES and NBPCollect) were implemented; the changes were related to the implementation of Kolekcjoner. The project was launched in 2009 Q3 and the system itself was introduced in January 2010 (the first auction took place on 11–14 January 2010). The aim of this project was to support the new distribution model for collector coins and notes, adopted by the NBP Management Board.

- The PAR-BARP system – Business Objects Analytical and Reporting Platform for BARP Labour Markets Survey Application was put into service. The aim of this task was to make the analytical and reporting environment (using the Business Objects tool) available to NBP analysts to the extent enabling the analyses and reports in the field of data concerning labour markets in individual regions and nationwide. The existing NBP technical and software infrastructure fed into the development of this system.

- The NBP modernised its server infrastructure. The Bank replaced the existing server hardware (34 servers at the Head Office and the Computer Training Centre) and developed the server infrastructure (expansion of IBM servers, optimisation of usage of ZSK servers, modifications of SuperDome servers, migration of SUN – SWIFT and Reuters servers). Moreover, the Oracle critical IT systems databases has been migrated to the version 10g. The abovementioned tasks resulted from diverse premises:

  - The main goal was to ensure the technological safety of the IT environment of the National Bank of Poland;

  - Migration of Oracle critical IT systems databases to version 10g resulted from the discontinuation of Oracle's support of previous versions of databases of NBP critical systems. Without this support critical database errors were more likely to occur in the process of introducing changes into the IT systems (e.g. introduction of a new functionality).

  - Expansion of IBM servers was related to ensuring adequate infrastructure for SES and PEGAZ IT systems, which needed increased capacity.

  - 34 servers has been replaced at the Head Office and the Computer Training Centre due to the necessity of replacing older hardware for different NBP critical systems (SWIFT servers, resource servers (terminal services roles, domain controller) and hardware at regional branches). Replacement of hardware together with purchase of technical assistance was less cost-intensive than sole purchase of technical assistance for hardware owned by the NBP.

  - Optimisation of usage of ZSK servers meant an increase in efficiency of previously used UNIX environment. The scope of works included transforming hardware partitions into software (virtual – v-pair) partitions. The above works improved the efficiency of the UNIX environment.

  - Modifications of SuperDome server environment involved purchase of smaller servers and transfer of some UNIX environments to new servers in order to ensure appropriate efficiency.

◦ Migration of SUN (SWIFT, Reuters) servers was related to the end of previous three-year support for the old servers. The selected solution – purchase of new hardware, together with maintenance – proved to be a less cost-intensive solution than sole purchase of technical assistance for the previously used environment.

- Works related to the PEGAZ system, put into service in May 2010, continued. In 2009, the system was developed and the user portal tests commenced. The aim of the project was to develop a modern statistical system, responding to the current and future needs as regards the balance of payments statistics and international investment position. The project involved the development of an IT system, based on collection of electronic data directly from business entities with foreign trade turnover, which currently allowed to abandon paper-based reporting. The PEGAZ system is at present the largest NBP system as far as the number of reporting entities is concerned.

- Changes to the existing IT systems were introduced, both in the scope of offering new services and restructuring of IT system operations. The main activities were related to the centralisation of SGW, introduction of modifications to SORBNET-EURO (due to the commencement of processing in the TARGET2 system by the National Clearing House), implementation of the Base of Internal Files system, update of customer software of the VideoTEL module to version 5.5 of the *enbepe* Electronic Banking system for the holders of NBP accounts. ELBON2 system (replacing the previous ELBON system) was introduced and the securities handling system was connected to the new clearing system of the National Depository for Securities SA. The reasons for introducing the foregoing changes were as follows:

  – centralisation of the SGW system was due to the applications of the Commission for restructuring the activity of regional branches and changes in business processes mapped in the SGW system;

  – modifications in the SORBNET-EURO system were related to the necessary adjustments of the system to the requirements of KIR and processing of data from KIR in TARGET2 system;

  – update of customer software of the VideoTEL module to version 5.5 was performed in order to adjust the previous version of VideoTEL module (version 5.0) to operating in MS Vista system; at the moment, more and more institutions cooperating with the NBP tend to install Vista in their personal computers;

  – implementation of ELBON2 system (commenced in May 2008) was due to the modernisation of the existing ELBON system by introduction of additional functionalities (e.g. foreign customer service – service offered in English) and to compliance with the requirements presented by the Ministry of Finance.

The year 2009 saw the completion of the first stage of the project involving implementation of the new system for foreign exchange reserve management. The new configuration will allow to implement the second stage of the project in 2010 in order to obtain front, middle and back office functionalities, and introduce new investment instruments. This task was carried out under the project for introduction of the WallStreet Suite system v. 7.2. The project was implemented due to:

– the necessity to expand the usefulness of the system in the scope of front, back and middle office functions, as well as in the scope of accounting;

– harmonisation and standardisation of projects related to foreign exchange reserve management as a part of future participation in ERM2 and in Eurosystem (Wallstreet Suite system v. 7.2 will be used for managing foreign exchange reserves of the ECB);

– termination of Wall Street Systems (WSS) support for Finance Kit 6.0;

– termination of Microsoft extended technical assistance for Windows 2000 and MS SQL 2000, on which Finance Kit system is constructed (hence the need to migrate to Windows 2005 (2008) Server and MS SQL 2005 (2008).

Moreover, a new service agreement was executed with Sygnity SA. The new instrument contains provisions which are much more advantageous to the NBP. As a result, the NBP has gained upper hand in the development of the system as well as the option to reduce the maintenance costs of the IT system. The agreement was made on 29 September 2009 for a period of three years, with the aim to:

– gain more control over introduction of changes to the ZSK system;

– improve security of the ZSK system by adequate wording of the provisions regarding the contractor's liability for the quality of provided services (SLA) and contractual penalties for failure to sustain the quality of provided services;

– optimise costs of the provided services;

– optimise notice periods for the parts of the agreement related to the services which may be taken over by NBP employees upon receiving adequate training and becoming accustomed to these services.

14.6. Safety and security

In 2009, the NBP strove to maintain and guarantee adequate security standards, concerning in particular:

– adjustment of security policy at the NBP to the risk management system at the NBP;

– IT systems security management;

– protection of classified information and personal details;

– provision of cryptographic and certification services;

– security of facilities, persons and monetary assets, as well as ensuring business continuity.

As part of implementation of the tasks of the National Certification Centre, the Bank completed the process of exchanging the certificate of the Minister of Economy in the system of domestic infrastructure of the public key was and commenced the publication of Polish TSL list on the NCC website – a tool facilitating the interoperability of electronic signatures within the European Union.

14.7. Internal audit

In 2009, the NBP conducted 43 internal audits covering 35 topics, including 1 audit at the request of the ESCB's Internal Auditors Committee and 1 advisory task. The audits addressed works of 18 organisational units of the Head Office and 10 regional branches of the NBP. These resulted in conclusions aimed at improving the applied organisational solutions.

Alongside with carrying out audit tasks, in 2009, NBP internal audit took part in international co-operation and experience exchange, organised outbound meetings of the ESCB Internal Auditors Committee in Kraków.

Furthermore, in 2009, in pursuit of its objectives internal audit:

– developed the concept of the compliance function for the NBP;

– developed the principles of advisory service provision by the Internal Audit Department.

14.8. Other activities

The year 2009 saw the continuation of activities aimed at collection of the NBP's receivables from Bank Handlowo-Kredytowy SA – BHK SA (in liquidation since 1992). As a result, in 2009, the NBP recovered a collection of works of art (including 34 paintings, graphics and drawings) with value of PLN 6,325.6 thousand. Upon the acquisition of the works by the NBP, the National Museum organised an exhibition at which they were presented to the public.

Since the liquidation process of BHK SA commenced, the NBP has reclaimed PLN 651,459.2 thousand. The outstanding sum, due to accrued interest, amounts to PLN 1,261,886.6 thousand (interest in the amount of PLN 78,782.9 thousand accrued until the Bank was put in liquidation and interest in the amount of PLN 1,183,103.7 thousand accrued after that date). The NBP continues the process of recovering its receivables from BHK SA (in liquidation)

Highlights in 2009

The NBP:

- Reorganised activities of NBP regional branches.
- Continued implementation of the strategic management principles determined in the *Strategy for the Management of the National Bank of Poland in Years 2009–2012*.
- Modernised the IT infrastructure in order to enable the provision of new services and restructuring of the operations of IT systems at the NBP.

15

INDEPENDENT AUDITOR'S OPINION AND CONDENSED FINANCIAL STATEMENTS OF THE NATIONAL BANK OF POLAND AS AT 31 DECEMBER 2009[56]

[56] The responsibilities in this field are exercised, i.a., in pursuance with Chapter 10 (Art. 60–70) of the Act on the NBP.

15.1. Independent auditor's opinion

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**TO THE MONETARY POLICY COUNCIL
OF THE NARODOWY BANK POLSKI**

**INDEPENDENT REGISTERED AUDITOR'S OPINION
ON THE CONDENSED FINANCIAL STATEMENTS**

The attached condensed financial statements of the Narodowy Bank Polski ("the NBP", "the National Bank of Poland', "Bank"), registered office at 11/21 Świętokrzyska Street, in Warsaw, were prepared by the Management Board of NBP based on the audited financial statements of the Bank for the year ended 31 December 2009 ("the financial statements"). The financial statements as at 31 December 2009 have been prepared on the basis of the provisions of the Act on the Narodowy Bank Polski of 29 August 1997 (Journal of Laws of 2005 No. 1, item 2 with subsequent amendments) - ("the NBP Act"); the Resolution No 16/2003 of the Monetary Council Policy ("the MPC") of 16 December 2003 on accounting policies, the format of the balance sheet assets and liabilities and the income statement of the Narodowy Bank Polski (NBP Official Journal of 2003, No. 22, item 38 with subsequent amendments) – ("the Resolution on accounting policies"); Resolution No 63/2008 of the Management Board of the Narodowy Bank Polski of 11 December 2008 on the performance of accounting tasks in the Narodowy Bank Polski (with subsequent amendments); Resolution No. 9/2006 of the MPC dated 19 December 2006 on the principles of creation and release of provisions in respect of the risk of changes in the exchange rate of the Polish zloty against other currencies in the Narodowy Bank Polski (NBP Official Journal of 2006, No. 13, item 16).

We have audited the financial statements of the NBP, from which the condensed financial statements were derived, in accordance with the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223 with subsequent amendments); Polish Auditing Standards and International Standards on Auditing. On 29 March 2010 we issued an unqualified audit opinion on the financial statements.

In our opinion, the condensed financial statements presented in Chapter 15 "The Independent Registered Auditor's Opinion and the condensed financial statements of the NBP as at 31 December 2009" are consistent, in all material respects, with the financial statements of the NBP from which they were derived.

For a full understanding of the NBP's financial position and the results of its operations for the year ended 31 December 2009, the condensed financial statements should be read in conjunction with the financial statements from which they were derived and our opinion and audit report thereon.

Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No. 144:

Antoni F. Reczek
President of the Management Board
Principal Registered Auditor
No. 90011
Warsaw, 20 May 2010

PricewaterhouseCoopers Sp. z o.o. wpisana jest do Krajowego Rejestru Sądowego prowadzonego przez Sąd Rejonowy dla m. st. Warszawy, pod numerem KRS 0000044655, NIP 526-021-02-28. Kapitał zakładowy wynosi 10.363.900 złotych. Siedzibą Spółki jest Warszawa, Al. Armii Ludowej 14.

The financial statements of the National Bank of Poland were drawn up as at 31 December 2009.

15.2. Legal principles for maintaining accountancy records at the NBP

The financial statements of the NBP were prepared on the basis of accounting books complying with the following regulations:

– the Act on the National Bank of Poland of 29 August 1997, as amended;

– Resolution No. 16/2003 of the Monetary Policy Council of 16 December 2003 on the accounting principles, the structure of assets and liabilities in the balance sheet and the profit and loss account of the National Bank of Poland as amended;

– Resolution No. 63/2008 of the NBP Management Board of 11 December 2008 on the way of performing tasks related to accounting at the National Bank of Poland, as amended;

– Resolution No. 9/2006 of the Monetary Policy Council of 19 December 2006 on the principles for creating and releasing a provision against the foreign exchange rate risk of the zloty at the National Bank of Poland,

– Resolution No. 29/2007 of the NBP Management Board of 25 October 2007 on the management of fixed assets' components in the National Bank of Poland as amended.

15.3. Basic accounting principles at the NBP

Pursuant to Article 67 of the Act on the NBP, the NBP accounting principles should conform to the standards applied in the European System of Central Banks. Basic accounting principles adhered to at the NBP include:

The principle of true and fair view

The NBP applies accounting principles so as to ensure a true and fair view of the economic and financial standing and the financial performance, in accordance with the true nature and economic importance of economic events.

The going concern principle

Pursuant to Article 58 of the Act on the NBP, the NBP shall not be declared bankrupt.

The prudence principle

The valuation of assets and liabilities and recognition of revenues as part of the profit and loss account is performed prudently. In accordance with this principle, unrealised gains are not recognised as income in the profit and loss account, but are recorded as revaluation difference in the liabilities side of the balance sheet. At the same time, unrealised losses are taken at year-end to the profit and loss account. Unrealised losses related to a respective holding of debt securities, foreign currency or gold are not netted with unrealised gains on another holding of debt securities, foreign currency or gold.

The materiality principle

A simplified method for grouping economic operations on accounts, for the valuation of assets and liabilities and for the recognition of income and expense may be applied at the NBP, provided that it does not adversely affect the true and fair view of the material and financial standing and does not significantly affect the financial performance.

The comparability principle

The accounting principles are applied throughout. In subsequent financial years, the grouping of economic operations in accounts, the valuation of assets and liabilities, the determination of profit and the preparation of financial statements are similar, so that the information included therein is comparable through subsequent years. The value of assets and liabilities shown in the accounting books as at the end of the year is recognised in the same amount in the accounting books as the opening balance for the subsequent financial year.

The accrual basis/An economic approach

All economic events in a given financial year are recognised in accounting books for that year:

– foreign currencies and gold, purchased or sold in a spot or a forward transaction, as well as debt securities purchased or sold in a forward transaction, are recognised in off-balance sheet accounts from trade date to the settlement date;

– debt securities purchased or sold in a spot transaction and cash received or deposited by the NBP subject to repayment are recognised in the balance sheet accounts on the settlement date;

– interest, discount and premium on assets and liabilities and on off-balance sheet instruments are taken to the profit and loss account at the end of each operating day.[57]

Events after the balance sheet date

The balance sheet and the profit and loss account recognise the events of which the information was obtained after the balance sheet date and before the approval of the annual financial statements, if these materially influence their contents.

Principles for the recognition of assets, liabilities, income and expense

Assets, liabilities, income and expense are recognised in accounting books if:

– it is probable that any future economic benefits will flow in or liabilities will be settled,

– the risks or benefit related to an asset or liability have been transferred to the NBP,

– the value of an asset or liability and income or expense may be estimated in a reliable manner.

[57] Except for interest on balances maintained on nostro accounts, interest on the reserve requirement payment (interest payment date) as well as interest on assets and liabilities related to Bank's internal operations (as at the end of the reporting period, not later than at the end of the month).

All income and expense regarding a given fiscal year are recognised in the financial result for that fiscal year. The following principles are observed:

– unrealised gains are not recognised in the profit and loss account, with the exception of income due to a decrease in the gold revaluation account,

– unrealised losses are recognised in the financial result as at the balance sheet date,[58]

– deferred income or expense is recognised in assets or liabilities.

Provisions for future liabilities are recognised in accounting books, where the NBP is liable from past events or identified risk and, the performance of this liability or occurrence of identified risk are likely to diminish economic benefits at the NBP, provided the amount of the liability and the amount of identified risk to be covered may be assessed in a reliable manner.

Provisions for future liabilities not used due to the cessation, either in whole or in part – of the liability or risk which explained the creation thereof are released and included into the profit and loss account.

Provisions for future liabilities are created, revalued and released at the end of the reporting period, not later than at the end of a month, except for provisions for future liabilities to the employees, which are established, revalued and released on the balance sheet day.

The provision against the foreign exchange rate risk of the zloty is recognised in the accounting books in the assessed amount, which would cover the identified risk of the foreign exchange rate fluctuations of the zloty. The following are taken into account to assess the amount of the provision: the amount of foreign exchange holdings bearing foreign exchange rate risk of the zloty, the assessment of foreign exchange rate risk of the zloty based on generally accepted and consistently applied methods of assessing financial risk, the existing and foreseen balance on the revaluation account and unrealised gains and losses incurred as a consequence of foreign exchange rate fluctuations of the zloty. The provision is created, revalued, released and recognised in the profit and loss account on the balance sheet day. The creation of the provision must not result in a loss in the current year.

Outstanding issues

Outstanding issues not laid down in the NBP accounting regulations are resolved as provided for, as at the date of drawing up the financial statements, in:

– guidelines of the European Central Bank of 10 November 2006 on the legal framework for accounting and financial reporting in the European System of Central Banks as amended,

– reports and decisions of the Accounting and Monetary Income Committee – AMICO of the ECB,

– preparatory work regarding ECB guidelines,

– international accounting standards,

with a view to presenting the true and fair view of the financial statements.

[58] Except for unrealised losses related to debt securities, not qualified as "held to maturity", taken to the profit and loss account on the day of reclassification of these items to "held to maturity" securities.

15.4. Information about significant events after the balance sheet date, not recognised in the NBP financial statements

Amendments to accounting principles in the financial year 2010

Amendments to accounting principles introduced pursuant to Resolution No. 14/2009 of the Monetary Policy Council of 15 December 2009 amending the resolution on the accounting principles, the structure of assets and liabilities in the balance sheet and the profit and loss account of the National Bank of Poland reflect the implementation by the NBP of a new version of IT system for official foreign reserves management system from 1 January 2010. Accounting and technical solutions used in the system have been contributed by several ESCB central banks (including the NBP and ECB).

Accordingly, on 1 January 2010, the NBP introduced relevant amendments to the provisions on accounting principles related to the quote currency and the internal rate of return:

- purchased/sold foreign currency for another foreign currency is converted into the domestic currency according to the spot exchange rate (until 31 December 2009, conversion was carried out according to the value of the foreign currency that was sold), and the quote currency will be understood as the currency in which the price of a unit of another currency is determined;

- the discount and premium on all debt securities purchased by the NBP will be settled according to internal rate of return (IRR) (until 31 December 2009, the use of the IRR method was required only for debt securities bearing no coupon with maturity over one year, in other cases the straight-line method was used).

15.5. Certified auditor and its selection

The NBP annual financial statements drawn up as at 31 December 2009 are subject to examination and assessment by a certified auditor, i.e. PricewaterhouseCoopers Sp. z o.o. with its principal place of business in Warsaw. The certified auditor was selected in 2007 by the Monetary Policy Council, pursuant to Article 69 section 1 of the Act on the National Bank of Poland. The selection was made by unlimited tender pursuant to the Public Procurement Act of 29 January 2004 (Polish Journal of Laws No 223/2007, item 1655, as amended) for the period of three years (auditing financial statements for the years 2007, 2008 and 2009).

15.6. Other issues influencing the correct understanding of the NBP's material and financial situation

15.6.1. New agreements between the Republic of Poland and the International Monetary Fund

Flexible Credit Line

On 6 May 2009, the Executive Board of the IMF approved the request made by the Polish authorities for a Flexible Credit Line (FCL) arrangement in the amount of SDR 13,690,000 thousand (1000% of Poland's quota in the IMF). Poland has received drawing rights under the FCL for the period of one year. Poland did not draw on the FCL facility in 2009, but pursuant to art. 5 item 1a of the Act on the NBP, the NBP bore the cost of a one-time commitment fee for making the FCL facility available.

Special Drawing Rights allocation

On 7 August 2009, the IMF Board of Governors approved the decision adopted by the Executive Board regarding a new allocation of Special Drawing Rights (SDR). The general allocation of SDR was made on 28 August 2009 to IMF members in proportion to their existing IMF quotas. Under the general allocation, the amount of 1,014,853.1 thousand SDR was allocated to Poland.

In addition, pursuant to the amendment to the IMF Articles of Agreement of 1997 approved by the US Congress in June 2009, a special SDR allocation was implemented on 9 September 2009. The beneficiaries of the allocation are countries that joined the IMF after 1981 and had not participated in two earlier allocations. Under the special allocation Poland received 289,786.6 thousand SDR.

15.6.2. NBP share in the subscribed capital of the ECB

Pursuant to art. 28 of the Statute of the European System of Central Banks and the European Central Bank, the national central banks shall be the sole subscribers to the capital of the ECB. The subscription of capital shall be according to the key established in accordance with Article 29, i.e. the shares of the NCBs in the ECB's capital key are weighted according to the shares of the respective Member States in the total population and the gross domestic product of the European Union, in equal measure.

The key is updated every five years on the basis of data provided to the ECB by the European Commission. The recent adjustment took place on 12 December 2008 and became effective on 1 January 2009. The adjustment is also made whenever a country joins the EU and its central bank becomes ESCB member.

Following the recent adjustment of the subscription key, the share of the NBP in the ECB subscribed capital rose from 4.8748% to 4.8954%, the NBP, as a non-euro area NCB is required to pay the amount which is the equivalent of 7% of its subscribed capital as a contribution to the operational costs of the ECB. On 2 January 2009, the NBP transferred the amount of EUR 83,068.61 to the ECB and thus the NBP's paid up share in the ECB capital increased from EUR 19,657,419.83 to EUR 19,740,488.44. The NBP will pay the remaining share of 93%, i.e. EUR 262,266,489.28 when Poland joins the euro area.

15.6.3. The National Bank of Poland Foundation

On 10 August 2009, the National Bank of Poland Foundation was established and entered into the National Court Register on 31 August 2009. The founding capital is PLN 1,500 thousand, of which PLN 750 thousand is earmarked for economic activities.

15.7. Amendments to the accounting principles in the financial year 2009

In the balance sheet prepared as at 31 December 2009, the presentation of items related to claims on and liabilities to the IMF was modified. The quota of the Republic of Poland paid by the NBP in the domestic currency to the IMF, recognised in the balance-sheet assets in item 10.2 "Other financial assets" until 2008, and liabilities in virtue of Account 1, recognised in the balance-sheet liabilities in item 8 "Liabilities to the IMF", are currently recognised in the net value in the balance-sheet assets in item 2.1 "Receivables from non-residents denominated in foreign currencies" together with other claims on the IMF. Thus, item 2.1 presents the total amount of the quota less liabilities in virtue of Account 1. The amendment has affected the balance-sheet total in that it has diminished it by 5,447,269.3 thousand.

Moreover, liabilities in virtue of Account 2 related to IMF administrative expense previously recognised in the balance-sheet liabilities in item 8 "Liabilities to the IMF", are currently recognised in item 5 "Liabilities to non-resident denominated in domestic currency". This amendment has not affected the balance sheet total.

The amendment pertained also to the structure of liabilities in virtue of the foreign bank costs incurred by the NBP in the settlement with the initiators of international payment instructions. Previously this category was presented in the balance-sheet assets in item 8 "Receivables from general government denominated in domestic currency" as "Other receivables denominated in domestic currency". As from 2009 it will be recognised in other balance-sheet assets in item 10.5 "Sundry" as "Other receivables". This amendment has not affected the balance sheet total.

In connection with the transfer by KIR SA of the settlement of EuroELIXIR from SORBNET-EURO to TARGET2-NBP, the distinction between the domestic and cross-border settlement ceased to exist. Hence, the balance of interbank settlements in euro, previously presented separately in the balance-sheet liabilities in item 6 "Liabilities to residents denominated in foreign currencies" (domestic settlements) and item 7 "Liabilities to non-residents denominated in foreign currencies" (cross-border settlement), is currently presented jointly in item 10.3 "Sundry" as "Interbank settlement accounts in the KIR system". This amendment has not affected the balance sheet total.

Furthermore, the balance of accounts of Agencja Rynku Rolnego (Agricultural Market Agency), previously presented in the balance-sheet liabilities in item 4.2 "Other liabilities" to other residents denominated in domestic currency, is currently presented in item 4.1 "Liabilities to general government". This amendment has not affected the balance sheet total.

15.8. Data comparability

In order to ensure data comparability in the financial statements, the balance sheet as at 31 December 2008 was drawn up in accordance with the principles for format effective as at 31 December 2009.

The adjustments affected the following items of the balance sheet:

- assets – item 10.2 "Other financial assets" – decrease by PLN 5,447,269.3 thousand,
- liabilities – item 4.1 "Liabilities to general government" – increase by PLN 19,910.9 thousand,
- liabilities – item 4.2 "Other liabilities" – decrease by PLN 19,910.9 thousand,
- liabilities – item 5 "Liabilities to non-residents denominated in domestic currency" – increase by PLN 128.3 thousand,
- liabilities – item 7 "Liabilities to non-residents denominated in foreign currency" – decrease by PLN 455.9 thousand,
- liabilities – item 8 "Liabilities to the IMF" – decrease by PLN 5,447,397.6 thousand,
- liabilities – item 10.3 "Sundry" – increase by PLN 455.9 thousand.

Although the Bank reformatted the presentation of receivables stemming from the costs of foreign bank paid by the NBP to be settled with the initiators of international payment orders, no balance conversion was necessary as at 31 December 2008, as item 8 of the balance-sheet assets amounted to zero in 2008. Also the item related to interbank domestic settlements in euro amounted to zero as at 31 December 2008.

The following tables present the above changes.

Table 14

Changes in the presentation of the balance sheet – assets

Item	Balance as at		Change	
	31.12.2008	31.12.2008		
	Data from the approved financial statements	Comparable data		
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
1. Gold and gold receivables	8 476 939.7	8 476 939.7	0.0	0.0
2. Claims on non-residents denominated in foreign currency	175 772 863.9	175 772 863.9	0.0	0.0
2.1. Receivables from the IMF	*1 147 747.8*	*1 147 747.8*	*0.0*	*0.0*
2.2. Balances with foreign institutions, debt securities, loans granted and other foreign assets	*174 625 116.1*	*174 625 116,1*	*0.0*	*0.0*
3. Claims on residents denominated in foreign currency	1 418.2	1 418.2	0.0	0.0

4.	Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	–
5.	Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	17 675 387.8	17 675 387.8	0.0	0.0
6.	Other claims on other domestic monetary financial institutions denominated in domestic currency	1 481 856.0	1 481 856.0	0.0	0.0
7.	Debt securities of residents denominated in domestic currency	0.0	0.0	0.0	0.0
8.	Claims on general government denominated in domestic currency	0.0	0.0	0.0	–
9.	Items under settlement	0.0	0.0	0.0	–
10.	Other assets	7 222 512.4	1 775 243.1	-5 447 269.3	-75.4
10.1.	*Tangible and intangible fixed assets*	*927 125.4*	*927 125.4*	*0.0*	*0.0*
10.2.	*Other financial assets*	*5 629 023.3*	*181 754.0*	*-5 447 269.3*	*-96.8*
10.3.	*Off-balance sheet instruments revaluation differences*	*333 658.0*	*333 658.0*	*0.0*	*0.0*
10.4.	*Accruals and prepaid expenses*	*18 526.7*	*18 526.7*	*0.0*	0.0
10.5.	*Sundry*	*314 179.0*	*314 179.0*	*0.0*	*0.0*
	TOTAL ASSETS	210 630 978.0	205 183 708.7	-5 447 269.3	-2.6

Table 15

Changes in the presentation of the balance sheet – liabilities

	Item	Balance as at 31.12.2008 data from the approved financial statements	Balance as at 31.12.2008 comparable data	Change (PLN thousand)	Change (in %)
		PLN thousand	PLN thousand	PLN thousand	in %
	1	2	3	4 = 3 – 2	5 = 4/2*100
1.	Banknotes and coins in circulation	102 134 706.3	102 134 706.3	0.0	0.0
2.	Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	42 984 742.8	42 984 742.8	0.0	0.0
3.	Other liabilities to other domestic monetary financial institutions denominated in domestic currency	91 511.6	91 511.6	0.0	0.0
4.	Liabilities to other residents denominated in domestic currency	18 896 517.6	18 896 517.6	0.0	0.0
4.1.	*Liabilities to general government*	*18 856 296.9*	*18 876 207.8*	*19 910.9*	*0.1*
4.2.	*Other liabilities*	*40 220.7*	*20 309.8*	*-19 910.9*	*-49.5*
5.	Liabilities to non-residents denominated in domestic currency	154 412.3	154 540.6	128.3	0.1
6.	Liabilities to residents in foreign currency	9 691 526.7	9 691 526.7	0.0	0.0
7.	Liabilities to non-residents denominated in foreign currency	6 982 763.0	6 982 307.1	-455.9	0.0
8.	Liabilities to the IMF	5 447 397.6	0.0	-5 447 397.6	-100.0
	Account no 1	5 447 269.3	0.0	-5 447 269.3	-100.0

	Account no 2	128.3	0.0	-128.3	-100.0
9.	Items under settlement	0.0	0.0	0.0	–
10.	Other liabilities	883 769.6	884 225.5	455.9	0.1
10.1.	*Off-balance sheet instruments revaluation differences*	*144 017.9*	*144 017.9*	*0.0*	*0.0*
10.2.	*Accruals and deferred income*	*228 272.6*	*228 272.6*	*0.0*	*0.0*
10.3.	*Sundry*	*511 479.1*	*511 935.0*	*455.9*	*0.1*
11.	Provisions for future liabilities	118 025.8	118 025.8	0.0	0.0
12.	Revaluation accounts	31 063 882.3	31 063 882.3	0.0	0.0
13.	Capital and reserves	3 639 634.1	3 639 634.1	0.0	0.0
14.	Financial result	-11 457 911.7	-11 457 911.7	0.0	0.0
	TOTAL LIABILITIES	210 630 978.0	205 183 708.7	-5 447 269.3	-2.6

Source: NBP data.

In the further part of this report prepared as at 31 December 2009 the analysis will be made against the figures of 2008 adjusted to enable comparability.

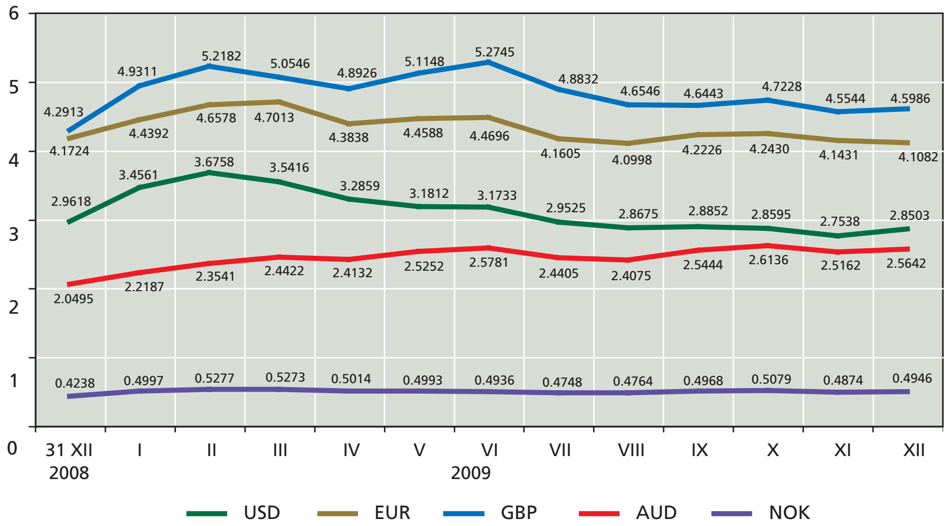
15.9. Changes in balance-sheet items

The balance sheet total of the National Bank of Poland as at 31 December 2009 stood at PLN 244,024,477.7 thousand. This represented an increase by PLN 38,840,769.0 thousand (18.9%) as compared to the balance of PLN 205,183,708.7 thousand as at 31 December 2008. Whereas the balance sheet increase on the asset-side was primarily stimulated by the expansion of foreign exchange reserves, most of the growth on the liabilities' side derived from growth in the liabilities from monetary policy operations.

The volume of the balance sheet total was determined to a large extent by the quotations of the Polish currency *vis-à-vis* the reserve currencies. Figure 20 shows the developments in the average NBP exchange rate for five foreign currencies in 2009: USD, EUR, GBP, AUD and NOK.

Figure 20

Average NBP exchange rate for foreign currencies in 2009



Throughout 2009, the Australian dollar, Norwegian krone and Pound Sterling appreciated *vis-à-vis* the Polish zloty by 25.1%, 16.7% and 7.2% respectively, whereas the US dollar and the euro depreciated *vis-à-vis* the Polish zloty by 3.8% and 1.5% respectively.

15.9.1. Assets

Table 16

Assets

Item	Balance as at		Change	
	31.12.2008 comparable data	31.12.2009	31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
1. Gold and gold receivables	8 476 939.7	10 411 718.9	1 934 779.2	22.8
2. Claims on non-residents denominated in foreign currency	175 772 863.9	216 485 462.7	40 712 598.8	23.2
2.1. Receivables from the IMF	*1 147 747.8*	*7 256 617.6*	*6 108 869.8*	*532.2*
2.2. Balances with foreign institutions, debt securities. loans granted and other foreign assets	*174 625 116.1*	*209 228 845.1*	*34 603 729.0*	*19.8*
3. Claims on residents denominated in foreign currency	1 418.2	930.9	-487.3	-34.4
4. Claims on non-residents denominated in domestic currency	0.0	0.0	0.0	–
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	17 675 387.8	14 627 195.7	-3 048 192.1	-17.2
5.1. Main refinancing operations	*0.0*	*0.0*	*0.0*	–
5.2. Long-term refinancing operations	*0.0*	*0.0*	*0.0*	–
5.3. Fine-tuning operations	*15 357 645.4*	*14 627 195.7*	*-730 449.7*	*-4.8*
5.4. Structural operations	*0.0*	*0.0*	*0.0*	–
5.5. Lombard loan	*2 317 742.4*	*0.0*	*-2 317 742.4*	*-100.0*
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	1 481 856.0	1 101 497.8	-380 358.2	-25.7
7. Debt securities of residents denominated in domestic currency	0.0	0.0	0.0	–
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0	–
9. Items under settlement	0.0	0.0	0.0	–
10. Other assets	1 775 243.1	1 397 671.7	-377 571.4	-21.3
10.1. Tangible and intangible fixed assets	*927 125.4*	*884 085.7*	*-43 039.7*	*-4.6*
10.2. Other financial assets	*181 754.0*	*180 032.4*	*-1 721.6*	*-0.9*
10.3. Off-balance sheet instruments revaluation differences	*333 658.0*	*485.6*	*-333 172.4*	*-99.9*
10.4. Accruals and prepaid expenses	*18 526.7*	*44 075.3*	*25 548.6*	*137.9*
10.5. Sundry	*314 179.0*	*288 992.7*	*-25 186.3*	*-8.0*
TOTAL ASSETS	205 183 708.7	244 024 477.7	38 840 769.0	18.9

The share of main assets in the balance sheet total as at 31 December 2008 and 31 December 2009 is presented in Table 17.

Table 17

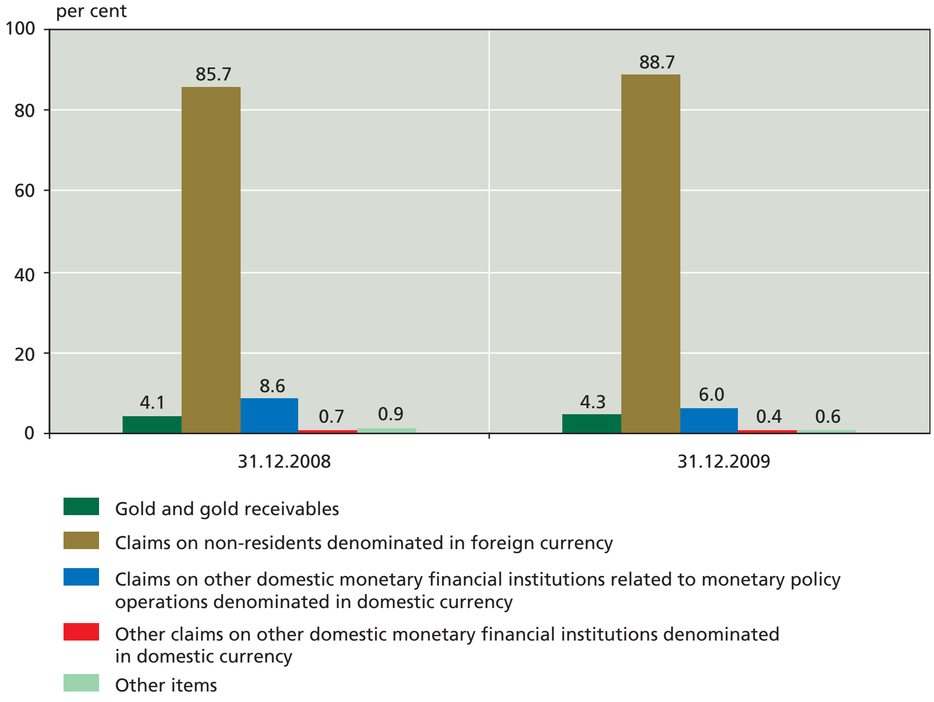
Structure of assets

Item	Balance as at		Change 31.12.2008 – 31.12.2009
	31.12.2008 comparable data	31.12.2009	
	in %		pps
1	2	3	4 = 3 – 2
1. Gold and gold receivables	4.1	4.3	0.2
2. Claims on non-residents denominated in foreign currency	85.7	88.7	3.0
2.1. Receivables from the IMF	*0.6*	*3.0*	*2.4*
2.2. Balances with foreign institutions, debt securities, loans granted and other foreign assets	*85.1*	*85.7*	*0.6*
3. Claims on residents denominated in foreign currency	0.0	0.0	0.0
4. Claims on non-residents denominated in domestic currency	0.0	0.0	0.0
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	8.6	6.0	-2.6
5.1. Main refinancing operations	*0.0*	*0.0*	*0.0*
5.2. Long-term refinancing operations	*0.0*	*0.0*	*0.0*
5.3. Fine-tuning operations	*7.5*	*6.0*	*-1.5*
5.4. Structural operations	*0.0*	*0.0*	*0.0*
5.5. Lombard loan	*1.1*	*0.0*	*-1.1*
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	0.7	0.4	-0.3
7. Debt securities of residents denominated in domestic currency	0.0	0.0	0.0
8. Claims on general government denominated in domestic currency	0.0	0.0	0.0
9. Items under settlement	0.0	0.0	0.0
10. Other assets	0.9	0.6	-0.3
10.1. Tangible and intangible fixed assets	*0.4*	*0.4*	*0.0*
10.2. Other financial assets	*0.1*	*0.1*	*0.0*
10.3. Off-balance sheet instruments revaluation differences	*0.2*	*0.0*	*-0.2*
10.4. Accruals and prepaid expenses	*0.0*	*0.0*	*0.0*
10.5. Sundry	*0.2*	*0.1*	*-0.1*
TOTAL ASSETS	100.0	100.0	–

Figure 21 compares the share of assets in the NBP balance sheet total between 2008 and 2009.

Figure 21

Share of assets in NBP balance sheet in 2008 and 2009



Claims on non-residents denominated in foreign currency were the main asset item both as at 31 December 2008 and as at 31 December 2009 (item 2). This category increased its share in the balance sheet total by 3.0 percentage points, from 85.7% to 88.7%.

Gold and gold receivables (item 1) also increased their share in the structure of assets: by 0.2 percentage point, from 4.1% to 4.3%.

The shares of other items in the balance sheet total reported a decline between 2008 and 2009:

– claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency (item 5) – by 2.6 percentage points, from 0.9% to 8.4%;

– other claims on other domestic monetary financial institutions denominated in domestic currency (item 6) – by 0.3 percentage point, from 0.7% to 0.4%;

– other assets (item 10) – by 0.3 percentage point, from 0.9% to 0.6%.

15.9.1.1. Gold and gold receivables

Table 18

Gold and gold receivables

Item	Balance as at		Change	
	31.12.2008*	31.12.2009	31.12.2008 – 31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
1. Gold and gold receivables	8 476 939.7	10 411 718.9	1 934 779.2	22.8

* Comparable data, compliant with data in the approved financial statements.

As at 31 December 2009 the NBP held 3,308,741.109 ounces of gold, either kept in vaults or placed in deposits with foreign banks. The change in the zloty equivalent value resulted from the rise in the market price of gold.

15.9.1.2. Claims on non-residents denominated in foreign currency

Table 19

Claims on non-residents denominated in foreign currency

Item	Balance as at		Change		Structure	
	31.12.2008*	31.12.2009	31.12.2008–31.12.2009		31.12. 2008	31.12. 2009
	PLN thousand			in %		
1	2	3	4 = 3 – 2	5 = 4 /2*100	6	7
2. Claims on non-residents denominated in foreign currency	175 772 863.9	216 485 462.7	40 712 598.8	23.2	100.0	100.0
2.1. Receivables from the IMF	1 147 747.8	7 256 617.6	6 108 869.8	532.2	0.7	3.4
2.2. Balances with foreign institutions, debt securities, loans granted and other foreign assets	174 625 116.1	209 228 845.1	34 603 729.0	19.8	99.3	96.6

* Comparable data, compliant with data in the approved financial statements.

The item "Claims on non-residents denominated in foreign currency" comprises assets denominated in foreign currency, which is the main item of the official reserve assets of the NBP.[59] As at the end of 2009, the balance of the NBP official reserve assets rose by the equivalent of EUR 11,082.2 million (including the equivalent of EUR 1,419.1 million of SDR allocation, see Chapter "New agreements between the Republic of Poland and the International Monetary Fund"). This growth was primarily a result of the positive balance of transactions settled *via* TARGET2-NBP,

[59] Official reserve assets of the NBP denominated in foreign currency include: share in IMF holdings of currency, current accounts and deposits denominated in foreign currency in foreign banks, foreign securities, deposits (loans granted) in foreign currency under in debt securities reverse repo transactions, foreign currency stock and monetary gold.

positive balance of flows related to the servicing of State Treasury debt and investment activity of the NBP.

The item comprises primarily debt securities in foreign currencies, NBP accounts with international institutions (current and term) and receivables from the International Monetary Fund.

15.9.1.3. Claims on residents denominated in foreign currency

Table 20

Claims on residents denominated in foreign currency

Item	Balance as at		Change	
	31.12.2008*	31.12.2009	31.12.2008 – 31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
3. Claims on residents denominated in foreign currency	1 418.2	930.9	-487.3	-34.4

The item includes claims on KIR SA arising from coverage of a portion of the fee paid by the NBP for the participation in TARGET2 system.

15.9.1.4. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

Table 21

Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

Item	Balance as at		Change		Structure	
	31.12.2008*	31.12.2009	31.12.2008 – 31.12.2009		31.12. 2008	31.12. 2009
	PLN thousand			in %		
1	2	3	4 = 3 – 2	5 = 4/2 *100	6	7
5. Claims on other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	17 675 387.8	14 627 195.7	-3 048 192.1	-17.2	100.0	100.0
5.1. Main refinancing operations	0.0	0.0	0.0	–	0.0	0.0
5.2. Long-term refinancing operations	0.0	0.0	0.0	–	0.0	0.0
5.3. Fine-tuning operations	15 357 645.4	14 627 195.7	-730 449.7	-4.8	86.9	100.0
5.4. Structural operations	0.0	0.0	0.0	–	0.0	0.0
5.5. Lombard loan	2 317 742.4	0.0	-2 317 742.4	-100.0	13.1	0.0

* Comparable data, compliant with data in the approved financial statements.

The item includes NBP's claims related to monetary policy operations conducted with domestic banks. In 2009, they included mainly repo fine-tuning operations which temporarily provide the banking sector with liquidity and are conducted under the Confidence Package. In repo operations, securities are purchased from banks for different periods (in 2009, for 3 and 6 months) in a tender procedure. They are recorded as deposits (loans granted) in domestic currency under securities reverse repo transactions.

15.9.1.5. Other claims on other domestic monetary financial institutions denominated in domestic currency

Table 22

Other claims on other domestic monetary financial institutions denominated in domestic currency

Item	Balance as at		Change	
	31.12.2008*	31.12.2009	31.12.2008 – 31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
6. Other claims on other domestic monetary financial institutions denominated in domestic currency	1 481 856.0	1 101 497.8	-380 358.2	-25.7

* Comparable data, compliant with data in the approved financial statements.

The item includes NBP's claims arising from operations with domestic banks which are not related to monetary policy. Its main component is refinancing credit granted for central investments. The decrease in the balance results from quarterly repayments of the credit together with interest.

15.9.1.6. Other assets

Table 23

Other assets

Item	Balance as at			Change 31.12.2008–31.12.2009		Structure	
	31.12.2008		31.12.2009			31.12. 2008	31.12. 2009
	data from the approved financial statements	comparable data					
	PLN thousand				in %		
1	2	3	4	5 = 4 – 3	6 = 5/3*100	7	8
10. Other assets	7 222 512.4	1 775 243.1	1 397 671.7	-377 571.4	-21.3	100.0	100.0
10.1. Tangible and intangible fixed assets	927 125.4	927 125.4	884 085.7	-43 039.7	-4.6	52.2	63.3
10.2. Other financial assets	5 629 023.3	181 754.0	180 032.4	-1 721.6	-0.9	10.2	12.9
10.3. Off-balance sheet instruments revaluation differences	333 658.0	333 658.0	485.6	-333 172.4	-99.9	18.8	0.0

10.4.	Accruals and prepaid expenses	18 526.7	18 526.7	44 075.3	25 548.6	137.9	1.1	3.1
10.5.	Sundry	314 179.0	314 179.0	288 992.7	-25 186.3	-8.0	17.7	20.7

Tangible and intangible fixed assets held by the NBP are the prime component of this item. Shares and equities in domestic and foreign entities held by the NBP were the second most important element of other assets, which also comprised the Republic of Poland's quota paid to the International Monetary Fund in zloty (see Chapter "Amendments to the accounting principles in the financial year 2009"), accruals and prepaid expenses, off-balance sheet instruments revaluation differences, and receivables from banking transactions and precious metals.

15.9.2. Liabilities

Table 24

Liabilities

Item		Balance as at		Change	
		31.12.2008 comparable data	31.12.2009	31.12.2008–31.12.2009	
		PLN thousand			in %
1		2	3	4 = 3 – 2	5 = 4/2*100
1.	Banknotes and coins in circulation	102 134 706.3	100 344 808.8	-1 789 897.5	-1.8
2.	Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	42 984 742.8	78 536 967.1	35 552 224.3	82.7
2.1.	*Current accounts (including minimum reserve requirement accounts)*	*24 075 231.9*	*36 223 474.3*	*12 148 242.4*	*50.5*
2.2.	*Overnight deposits*	*501 048.0*	*1 329 072.8*	*828 024.8*	*165.3*
2.3.	*Fixed-interest deposits*	*0.0*	*0.0*	*0.0*	*–*
2.4.	*Other monetary policy operations*	*18 408 462.9*	*40 984 420.0*	*22 575 957.1*	*122.6*
3.	Other liabilities to other domestic monetary financial institutions denominated in domestic currency	91 511.6	57 511.2	-34 000.4	-37.2
4.	Liabilities to other residents denominated in domestic currency	18 896 517.6	11 131 978.4	-7 764 539.2	-41.1
4.1.	*Liabilities to general government*	*18 876 207.8*	*11 114 582.7*	*-7 761 625.1*	*-41.1*
4.2.	*Other liabilities*	*20 309.8*	*17 395.7*	*-2 914.1*	*-14.3*
5.	Liabilities to non-residents denominated in domestic currency	154 540.6	1 335 084.6	1 180 544.0	763.9
6.	Liabilities to residents denominated in foreign currency	9 691 526.7	13 400 160.5	3 708 633.8	38.3
7.	Liabilities to non-residents denominated in foreign currency	6 982 307.1	8 145 431.9	-1 163 124.8	16.7
8.	Liabilities to the IMF	0.0	5 841 288.9	5 841 288.9	–
9.	Items under settlement	0.0	0.0	0.0	–
10.	Other liabilities	884 225.5	303 421.9	-580 803.6	-65.7
10.1.	*Off-balance sheet instruments revaluation differences*	*144 017.9*	*518.2*	*-143 499.7*	*-99.6*
10.2.	*Accruals and deferred income*	*228 272.6*	*218 237.9*	*-10 034.7*	*-4.4*
10.3.	*Sundry*	*511 935.0*	*84 665.8*	*-427 269.2*	*-83.5*

11.	Provisions for future liabilities	118 025.8	112 545.1	-5 480.7	-4.6
12.	Revaluation accounts	31 063 882.3	14 215 672.2	-16 848 210.1	-54.2
12.1.	*Revaluation account*	*1 618 039.8*	*1 618 023.2*	*-16.6*	*0.0*
12.2.	*Differences on exchange rate valuation of assets, liabilities and off-balance sheet instruments in foreign currency*	*22 980 583.5*	*10 840 211.6*	*-12 140 371.9*	*-52.8*
12.3.	*Assets and liabilities price revaluation differences*	*6 465 259.0*	*1 757 437.4*	*-4 707 821.6*	*-72.8*
13.	Capital and reserves	3 639 634.1	17 891 964.4	14 252 330.3	391.6
13.1.	*Statutory fund*	*1 500 000.0*	*1 500 000.0*	*0.0*	*0.0*
13.2.	*Reserve fund*	*0.0*	*0.0*	*0.0*	*–*
13.3.	*Reserves*	*2 139 634.1*	*16 391 964.4*	*14 252 330.3*	*666.1*
14.	Financial result	-11 457 911.7	-7 292 357.3	4 165 554.4	-36.4
14.1.	*Financial result for the current year*	*0.0*	*4 165 554.4*	*4 165 554.4*	*–*
14.2.	*Loss of previous years*	*-11 457 911.7*	*-11 457 911.7*	*0.0*	0.0
	TOTAL LIABILITIES	205 183 708.7	244 024 477.4	38 840 760.0	18.9

The share of main assets in the balance sheet total as at 31 December 2008 and 31 December 2009 is presented in Table 25.

Table 25

Structure of liabilities

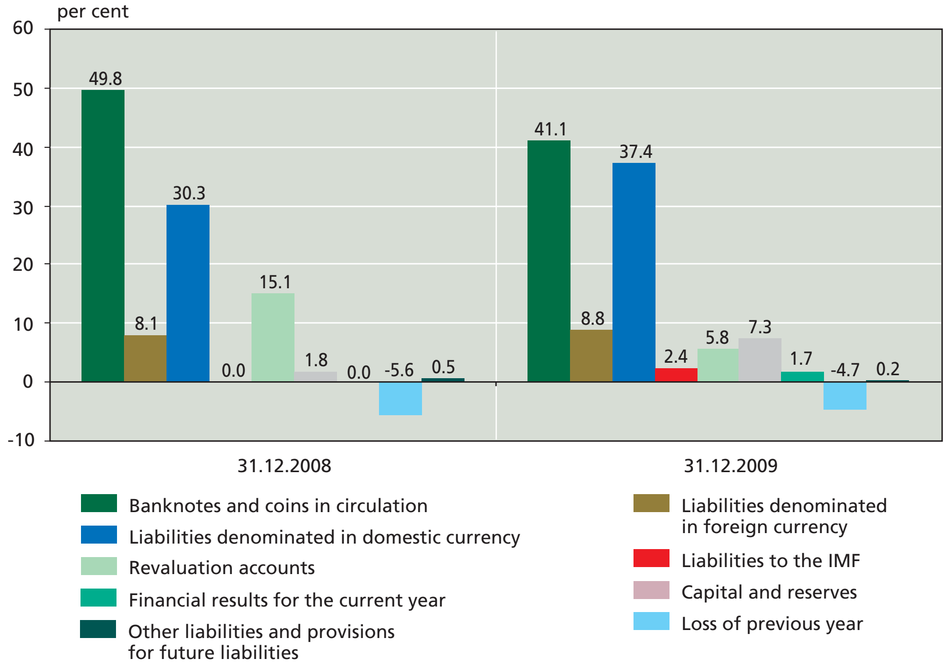
Item		Balance as at		Change
		31.12.2008 comparable data	31.12.2009	31.12.2008 – 31.12.2009
		in %		pps
1		2	3	4 = 3 – 2
1.	Banknotes and coins in circulation	49.8	41.1	-8.7
2.	Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	20.9	32.2	11.3
2.1.	*Current accounts (including minimum reserve requirement accounts)*	*11.7*	*14.8*	*3.1*
2.2.	*Overnight deposit*	*0.2*	*0.6*	*0.4*
2.3.	*Fixed-interest deposits*	*0.0*	*0.0*	*0.0*
2.4.	*Other monetary policy operations*	*9.0*	*16.8*	*7.8*
3.	Other liabilities to other domestic monetary financial institutions denominated in domestic currency	0.1	0.0	-0.1
4.	Liabilities to other residents denominated in domestic currency	9.2	4.6	-4.6
4.1.	*Liabilities to general government*	*9.2*	*4.6*	*-4.6*
4.2.	*Other liabilities*	*0.0*	*0.0*	*0.0*
5.	Liabilities to non-residents denominated in domestic currency	0.1	0.6	0.5
6.	Liabilities to residents denominated in foreign currency	4.7	5.5	0.8
7.	Liabilities to non-residents denominated in foreign currency	3.4	3.3	-0.1
8.	Liabilities to the IMF	0.0	2.4	2.4

9. Items under settlement	0.0	0.0	0.0
10. Other liabilities	0.4	0.1	-0.3
10.1. Off-balance sheet instruments revaluation differences	*0.1*	*0.0*	*-0.1*
10.2. Accruals and deferred income	*0.1*	*0.1*	*0.0*
10.3. Sundry	*0.2*	*0.0*	*-0.2*
11. Provisions for future liabilities	0.1	0.1	0.0
12. Revaluation accounts	15.1	5.8	-9.3
12.1. Revaluation account	*0.8*	*0.7*	*-0.1*
12.2. Differences on exchange rate valuation of assets, liabilities and off-balance sheet instruments in foreign currency	*11.2*	*4.4*	*-6.8*
12.3. Assets and liabilities price revaluation differences	*3.1*	*0.7*	*-2.4*
13. Capital and reserves	1.8	7.3	5.5
13.1. Statutory fund	*0.7*	*0.6*	*-0.1*
13.2. Reserve fund	*0.0*	*0.0*	*0.0*
13.3. Reserves	*1.1*	*6.7*	*5.6*
14. Financial result	-5.6	-3.0	2.6
14.1. Financial result for the current year	*0.0*	*1.7*	*1.7*
14.2. Loss of previous years	*-5.6*	*-4.7*	*0.9*
TOTAL LIABILITIES	100.0	100.0	–

Figure 22 compares the structure of liabilities in the NBP balance sheet total between 2008 and 2009.

Figure 22

Share of liabilities in NBP balance sheet total in 2008 and 2009



Both at year-end 2008 and 2009 "Banknotes and coins in circulation" was the main liability item.

Increase in share in the structure of liabilities involved the following positions:

- liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency (item 2) – by 11.3 percentage points, from 20.9% to 32.2%,
- capital and reserves (item 13) – by 5.5 percentage points, from 1.8% to 7.3%,
- financial result (item 14) – by 2.6 percentage points, from -5.6% to -3.0% (the NBP posted a profit in 2009),
- liabilities to the IMF (item 8) – by 2.4 percentage points, from 0.0% to 2.4%,
- liabilities to residents denominated in foreign currency (item 6) – by 0.8 percentage point, from 4.7% to 5.5%,
- liabilities to non-residents denominated in domestic currency (item 5) – by 0.5 percentage point, from 0.6% to 0.1%.

The shares of other items in the balance sheet total decreased in 2009 compared to 2008:

- revaluation accounts (item 12) – by 11.8 percentage points, from 15.1% to 5.8%,
- banknotes and coins in circulation (item 1) – by 8.7 percentage points, from 49.8% to 41.1%,
- liabilities to other residents denominated in domestic currency (item 4) – by 4.6 percentage points, from 9.2% to 4.6%,
- other liabilities (item 10) – by 0.3 percentage point, from 0.4% to 0.1%,
- liabilities to residents denominated in foreign currency (item 7) – by 0.1 percentage point, from 3.4% to 3.3%,
- other liabilities to other domestic monetary financial institutions denominated in domestic currency – by 0.1 percentage point, from 0.1% to 0.0%.

15.9.2.1. Banknotes and coins in circulation

Table 26

Banknotes and coins in circulation

Item	Balances as at		Change	
	31.12.2008*	31.12.2009	31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
1. Banknotes and coins in circulation**	102 134 706.3	100 344 808.8	-1 789 897.5	-1.8

* Comparable data, compliant with data in the approved financial statements.

** Pursuant to § 10 section 1 item 1 of resolution No 16/2003, the value of banknotes and coins in circulation is the nominal value of banknotes and coins issued, net of the nominal value of banknotes and coins held in NBP cashier's offices and vaults, deposited in other banks' vaults and the nominal value of banknotes and coins withdrawn from circulation due to wear.

The balance of banknotes and coins in circulation amounted to PLN 100,344,808.8 thousand as at 31 December 2009. This represents a decline by PLN 1,789,897.5 thousand (1.8%) compared to the end of 2008. The balance of banknotes and coins in circulation averaged PLN 100,672,978.5 thousand in 2009.

15.9.2.2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

Table 27

Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency

Item	Balance as at		Change		Structure	
	31.12.2008*	31.12.2009	31.12.2008 – 31.12.2009		31.12. 2008	31.12. 2009
	PLN thousand			in %		
1	2	3	4 = 3 – 2	5 = 4/2*100	6	7
2. Liabilities to other domestic monetary financial institutions related to monetary policy operations denominated in domestic currency	42 984 742.8	78 536 967.1	35 552 224.3	82.7	100.0	100.0
2.1. Current accounts (including minimum reserve requirement accounts)	24 075 231.9	36 223 474.3	12 148 242.4	50.5	56.0	46.1
2.2. Overnight deposit	501 048.0	1 329 072.8	828 024.8	165.3	1.2	1.7
2.3. Fixed-interest deposits	0.0	0.0	0.0	–	0.0	0.0
2.4. Other monetary policy operations	18 408 462.9	40 984 420.0	22 575 957.1	122.6	42.8	52.2

* Comparable data, compliant with data in the approved financial statements.

This item most specifically comprises liabilities from other operations of monetary policy and current account balances of domestic banks (including the minimum reserve requirement accounts). In 2009, the development of market interest rates primarily stemmed from open market operations conducted *via* the issue of NBP money bills. A structural operation was also conducted of early redemption of NBP bonds.

15.9.2.3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency

Table 28

Other liabilities to other domestic monetary financial institutions denominated in domestic currency

Item	Balance as at		Change	
	31.12.2008*	31.12.2009	31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
3. Other liabilities to other domestic monetary financial institutions denominated in domestic currency	91 511.6	57 511.2	-34 000.4	-37.2

* Comparable data, compliant with data in the approved financial statements.

This item principally reflects the balance of settlements under KIR – domestic payment system. They arose through the NBP customers' payment orders unsettled by KIR and outstanding as at 31 December 2009.

15.9.2.4. Liabilities to other residents denominated in domestic currency

Table 29

Liabilities to other residents denominated in domestic currency

Item	Balance as at			Change 31.12.2008–31.12.2009		Structure	
	31.12.2008		31.12.2009			31.12.2008	31.12.2009
	data from the approved financial statements	comparable data					
	PLN thousand				in %		
1	2	3	4	5 = 4 – 3	6 = 5 /3*100	7	8
4. Liabilities to other residents denominated in domestic currency	18 896 517.6	18 896 517.6	11 131 978.4	-7 764 539.2	-41.1	100.0	100.0
4.1. Liabilities to general government	18 856 296.9	18 876 207.8	11 114 582.7	-7 761 625.1	-41.1	99.9	99.8
4.2. Other liabilities	40 220.7	20 309.8	17 395.7	-2 914.1	-14.3	0.1	0.2

The key element of this item are liabilities to the public sector (99.7%), i.e. general government (including state-run targeted funds and social security funds). These include primarily current accounts, auxiliary accounts and term deposit accounts denominated in domestic currency operated by the NBP. The period under analysis saw the decline in this item, as funds decreased in the current accounts of the state budget and Labour Fund.

In 2009, there was a change in the structure of the balance in the accounts of the Agricultural Market Agency, previously presented in item 4.2 "Other liabilities". Currently, both balances are presented in item 4.1 "Liabilities to general government" (see Chapter "Amendments to the accounting principles in the financial year 2009").

15.9.2.5. Liabilities to non-residents denominated in domestic currency

Table 30

Liabilities to non-residents denominated in domestic currency

Item	Balance as at			Change	
	31.12.2008		31.12.2009	31.12.2008–31.12.2009	
	data from the approved financial statements	comparable data			
	PLN thousand				in %
1	2	3	4	5 = 4 – 3	6 = 5/3*100
5. Liabilities to non--residents denominated in domestic currency	154 412.3	154 540.6	1 335 084.6	1 180 544.0	763.9

This item consists primarily of funds held in the current accounts of the European Commission and the World Bank Group. Liabilities to non-residents denominated in domestic currency rose over the discussed period, as balances grew in the current account of the European Commission.

15.9.2.6. Liabilities to residents denominated in foreign currency

Table 31

Liabilities to residents denominated in foreign currency

Item	Balance as at		Change	
	31.12.2008*	31.12.2009	31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
6. Liabilities to residents denominated in foreign currency	9 691 526.7	13 400 160.5	3 708 633.8	38.3

* Comparable data, compliant with data in the approved financial statements.

This item mainly covered monetary assets accumulated in the current accounts held by general government entities in foreign currency. The reason for an increase in this category over that period can be sought in the accretion of funds in the current account of the Ministry of Finance.

15.9.2.7. Liabilities to non-residents denominated in foreign currency

Table 32

Liabilities to non-residents denominated in foreign currency

Item	Balance as at			Change 31.12.2008–31.12.2009	
	31.12.2008		31.12.2009		
	data from the approved financial statements	comparable data			
	PLN thousand				in %
1	2	3	4	5 = 4 – 3	6 = 5/3*100
7. Liabilities to non--residents denominated in foreign currency	6 982 763.0	6 982 307.1	8 145 431.9	1 163 124.8	16.7

Liabilities to non-residents denominated in foreign currency are mainly composed of term deposits received in foreign currency under securities repo transactions concluded with foreign credit institutions.

In 2009, there was a change in the structure of the balance of cross-border interbank settlements denominated in euro, previously presented in item 7 (see Chapter "Amendments to the accounting principles in the financial year 2009"). Currently, this balance has been included in item 10.3 "Sundry" on the liabilities side of the balance sheet, along with domestic interbank settlements.

15.9.2.8. Liabilities to the IMF

Table 33

Liabilities to the IMF

Item	Balance as at			Change 31.12.2008–31.12.2009	
	31.12.2008		31.12.2009		
	data from the approved financial statements	comparable data			
	PLN thousand				in %
1	2	3	4	5 = 4 – 3	6 = 5/3*100
8. Liabilities to the IMF	5 447 397.6	0.0	5 841 288.9	5 841 288.9	–

The year 2009 brought about a new manner of presenting liabilities to the IMF (see Chapter "Amendments to the accounting principles in the financial year 2009"). Presently, this item comprises only the liabilities from SDR allocation (see Chapter "New agreements between the Republic of Poland and the International Monetary Fund").

15.9.2.9. Other liabilities

Table 34

Other liabilities

Item	Balance as at 31.12.2008: data from the approved financial statements	Balance as at 31.12.2008: comparable data	Balance as at 31.12.2009	Change 31.12.2008–31.12.2009		Structure 31.12.2008	Structure 31.12.2009
	PLN thousand				in %		
1	2	3	4	5 = 4 – 3	6 = 5/3*100	7	8
10. Other liabilities	883 769.6	884 225.5	303 421.9	-580 803.6	-65.7	100.0	100.0
10.1. Off-balance sheet instruments revaluation differences	144 017.9	144 017.9	518.2	-143 499.7	-99.6	16.3	0.2
10.2. Accruals and prepaid expense	228 272.6	228 272.6	218 237.9	-10 034.7	-4.4	25.8	72.2
10.3. Sundry	511 479.1	511 935.0	84 665.8	-427 269.2	-83.5	57.9	27.6

This item mainly comprises accruals and prepaid expenses presented in item 10.2 as well as liabilities from banking transactions and special funds, presented in item 10.3.

The decrease in other liabilities mainly results from the decline in the balance of adjustment to the average expense of the off-balance sheet instruments holdings – the core component of the item "Sundry".

The year 2009 brought about a new manner of presenting the balances of interbank settlements in euro. Whereas this category is currently presented in item 10.3 "Sundry", it used to be presented under other items of liabilities (see Chapter "Amendments to the accounting principles in the financial year 2009").

15.9.2.10. Provisions for future liabilities

Table 35

Provisions for future liabilities

Item	Balance as at 31.12.2008*	Balance as at 31.12.2009	Change 31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
11. Provisions for future liabilities	118 025.8	112 545.1	-5 480.7	-4.6

* Comparable data, compliant with data in the approved financial statements.

Provisions for future liabilities to the employees is the main element of this item and include statutory and optional severance packages and compensation disbursed on the termination of work contracts for reasons not attributable to employees, retirement and disability packages, jubilee bonuses and provisions from unused holiday leaves. This item decreased in 2009 most specifically because provisions were established under the Employees Assistance Scheme with reference to the reorganisation of regional branches of the NBP.

15.9.2.11. Revaluation accounts

Table 36

Revaluation accounts

Item	Balance as at		Change	
	31.12.2008*	31.12.2009	31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
12. Revaluation accounts	31 063 882.3	14 215 672.2	-16 848 210.1	-54.2

* Comparable data, compliant with data in the approved financial statements.

The main components of this item are gains on exchange rate valuation of assets, liabilities and off-balance sheet instruments denominated in foreign currency, gains on debt securities price valuation, as well as gold revaluation account. Most of the decline in this item can be traceable to zloty appreciation *vis-à-vis* the US dollar and the euro (year-on-year).

15.9.2.12. Capital and reserves

Table 37

Capital and reserves

Item	Balance as at		Change	
	31.12.2008*	31.12.2009	31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
13. Capital and reserves	3 639 634.1	17 891 964.4	14 252 330.3	391.6

* Comparable data, compliant with data in the approved financial statements.

The item comprises statutory fund and provisions against the foreign exchange rate risk of the zloty. The latter is established in pursuance of the Monetary Policy Council Resolution No 9/2006 of 19 December 2006 on the principles for creating and releasing a provision against the foreign exchange rate risk of the zloty at the National Bank of Poland. The increase in the item in the analysed period resulted from the adjustment of the provision in the amount of PLN 14,252,330.3 thousand.

15.9.2.13. Financial result

Table 38

Financial result

Item	Balance as at		Change		Structure	
	31.12.2008*	31.12.2009	31.12.2008–31.12.2009		31.12.2008	31.12.2009
	PLN thousand			in %		
1	2	3	4 = 3 – 2	5 = 4/2*100	6	7
14. Financial result	-11 457 911.7	-7 292 357.3	4 165 554.4	-36.4	100.0	100.0
14.1. Financial result for the current year	0.0	4 165 554.4	4 165 554.4	–	0.0	-57.1
14.2. Loss of previous years	-11 457 911.7	-11 457 911.7	0.0	0.0	100.0	157.1

* Comparable data, compliant with data in the approved financial statements.

This item comprised net loss of PLN 11,457,911.7 thousand carried forward from previous years and the financial result for the current year of PLN 4,165,554.4 thousand.

15.9.3. Off-balance sheet items

The main component of off-balance sheet items are receivables and liabilities denominated in foreign currency and domestic currency from spot and forward transactions.

Table 39

Off-balance sheet item – claims and liabilities due from spot transactions and forward transactions

Item	Balance as at		Change	
	31.12.2008	31.12.2009	31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
Off-balance sheet items Receivables and liabilities from spot transactions and forward transactions				
1. Receivables denominated in foreign currency from spot transactions and forward transactions	4 501 023.6	45 268.0	-4 455 755.6	-99.0
2. Liabilities denominated in foreign currency from spot transactions and forward transactions	2 363 577.2	44 122.9	-2 319 454.3	-98.1
3. Receivables denominated in domestic currency from spot transactions and forward transactions	351 642.5	0.0	-351 642.5	-100.0
4. Liabilities denominated in domestic currency from spot transactions and forward transactions	2 489 088.9	1 145.1	-2 487 943.8	-99.9

The value of individual positions decreased due to the reduction in the volume of FX swap transactions concluded with banks. The balances as of 2009-end refer to spot transactions only.

Furthermore, the off-balance sheet items include the value of financial and guarantee collaterals received by the NBP (no off-balance sheet relating to collateral granted occurred as of 31 December 2009), the amount of collateral claimed by the NBP and foreign exchange values accepted for collection.

Table 40

Other off-balance sheet items

Item	Balance as at		Change	
	31.12.2008	31.12.2009	31.12.2008–31.12.2009	
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
Other off-balance sheet items				
1. Financial collaterals	7 058.0	0.0	-7 058.0	-100.0
2. Guarantee collaterals	16 271.5	15 785.6	-485.9	-3.0
3. Conditional receivables	269.0	269.0	0.0	0.0
4. Foreign currency accepted for collection	6.5	0.3	-6.2	-95.4

Interest from Bank Handlowo-Kredytowy SA in liquidation accrued after the bank's insolvency had been declared (i.e. as from 1 April 1992) amounted to PLN 1,183,103.7 thousand. Its balance remained unchanged in comparison with the preceding reporting period.

15.10. Changes in the NBP profit and loss account

Table 41

Profit and loss account in 2008 and 2009

Item	Data for		Change	
	2008	2009		
	PLN thousand			in %
1	2	3	4 = 3 – 2	5 = 4/2*100
Total profit/loss	0.0	4 165 554.4	4 165 554.4	–
1. Net interest, discount and premium income/expense	3 136 277.6	2 989 740.8	-146 536.8	-4.7
1.1. Interest, discount and premium income	*7 019 326.4*	*6 675 900.8*	*-343 425.6*	*-4.9*
1.2. Interest, discount and premium expense	*3 883 048.8*	*3 686 160.0*	*-196 888.8*	*-5.1*
2. Net income/expense on financial operations	-2 132 886.9	2 321 140.5	4 454 027.4	-208.8
2.1. Income on financial operations	*4 175 699.2*	*18 117 051.9*	*13 941 352.7*	*333.9*
2.2. Expense on financial operations	*1 522 010.5*	*980 316.8*	*-541 693.7*	*-35.6*
2.3. Unrealised losses	*2 646 941.5*	*563 281.0*	*-2 083 660.5*	*-78.7*
2.4. Transfer from risk provisions against risk and income on financial assets revaluation charges	*–*	*16.7*	*16.7*	*–*

2.5. Transfer to provisions against risk and expense on financial assets revaluation charges	*2 139 634.1*	*14 252 330.3*	*12 112 696.2*	*566.1*
3. Net income/expense from fees and commissions	-3 779.3	-127 532.9	-123 753.6	3 274.5
4. Income from shares/equities	8 679.4	12 309.9	3 630.5	41.8
5. Other income	241 219.8	204 996.5	-36 223.3	-15.0
6. Salaries and social contributions	397 443.9	413 695.3	16 251.4	4.1
7. Other administrative expenses	361 971.0	266 530.3	-95 440.7	-26.4
8. Depreciation	94 841.6	88 575.2	-6 266.4	-6.6
9. Issue of banknotes and coins expense	339 461.5	429 360.9	89 899.4	26.5
10. Other expenses	55 792.6	36 938.7	-18 853.9	-33.8

In 2009, the NBP posted a profit of PLN 4,165 554.4 thousand. The increase in the NBP financial result was mainly on account of realised gains on transactions in foreign exchange reserves.

Net interest, discount and premium income/expense declined by PLN 146,536.8 thousand (4.7%) in 2009 as compared to 2008, pushed down by the decrease in revenues by PLN 343,425.6 thousand (4.9%), with expense falling by PLN 196,888.8 thousand (5.1%).

A decrease in net interest, discount and premium income was principally due to:

- decrease by PLN 1,457,214.1 thousand (65.0%) in net income from funds in bank accounts, mainly attributable to:

– decrease by PLN 1,231,877.8 thousand (86,9%) in net interest inflows from term deposits, chiefly as an effect of cuts in interest rate on deposits, coupled with the drop in the their share in the investment structure of foreign exchange reserves,

– decrease by PLN 608,937.1 thousand (90.0%) in net income from deposits (loans granted) in foreign currency under securities reverse repo transactions mostly on account of lower involvement in simultaneous repo and reverse repo transactions in USD,

– growth by PLN 375,675.2 thousand (273.6%) in net income from term deposits (loans granted) in domestic currency under securities reverse repo transactions, as a result of such operations under the Confidence Package,

- increase by PLN 1,136,839.7 thousand (24.5%) in interest income and discount on foreign securities, mostly resulting from a higher share of discount and interest-bearing debt securities in the investment structure of foreign exchange reserves, increased average annual level of foreign exchange reserves and increased annualised exchange rate of the Polish zloty against foreign currencies,

- decrease by PLN 23,500.8 thousand (22.5%) in net interest income from credits and loans, mainly as a result of lower income from refinancing credit for central investments resulting from the repayment of loan instalments.

A decline by 1,292,825.5 thousand (54.6%) in interest, discount and premium expense was mainly due to:

- decrease by PLN 1,292,825.5 thousand (54.6%) in net interest expense on accounts operated by the NBP. This decrease was traceable to the reduction in interest on accounts operated:

  – in foreign currencies, which went down by PLN 928,987.7 thousand (90.5%), resulting in the first place from a lower amount involved in simultaneous debt securities repo and reverse repo transactions in USD as well as lower interest expense related mostly to accounts of central government institutions,

  – in domestic currency – a decrease by PLN 363,837.8 thousand (27.1%), mainly as a result of lower interest on funds deposited on those accounts, in particular on minimum reserve requirement accounts,

- growth by PLN 1,066,361.9 thousand (70.6%) in interest, discount and premium on securities expense, primarily attributable to:

  – growth by PLN 960,231.9 thousand (234.3%) in premium on foreign securities expense, basically due to a higher share of interest-bearing debt securities in the foreign exchange reserves investment structure and an increased annualised level of foreign exchange reserves,

  – growth by PLN 512,585.8 thousand (76.8%) in the discount on NBP money market bills expense, primarily as a result of an increased issue of the bills on account of higher liquidity surplus in the banking sector,

  – decrease by PLN 406,455.8 thousand (94.0%) in interest on NBP bonds expense, as a result of early redemption of the bonds on 22 January 2009.

An improvement by PLN 4,454,027.4 thousand in income/expense on financial operations in 2009 compared to the previous year was principally fuelled by:

- growth by PLN 12,499,444.7 thousand (449.5%) in realised foreign exchange gains,

- decrease by PLN 2,646,720.1 thousand (around 100%) in unrealised foreign exchange losses from the revaluation of assets and liabilities denominated in foreign currencies,

- growth by PLN 1,455,726.2 thousand (105.4%) in realised price gains,

- decrease by PLN 1,155,448.5 thousand (88.5%) in realised foreign exchange losses.

The impact of the above presented items on total net income/expense on financial operations was partly set-off by changes in other items of this category of the income statement, primarily by an increase – by PLN 12,112,696.2 thousand – in the expense related to the transfer to a provision against the foreign exchange rate risk of the złoty.

Net income/expense from fees and commissions for 2009 was negative and amounted to PLN 127,532.9 thousand. This represents an increase of loss by PLN 123,753.6 thousand (3,274.5%) as compared to the previous reporting period. Commitment fees for the IMF Flexible Credit Line (the fee amounted to PLN 182,116.7 thousand, including PLN 121,411.1 thousand counted towards the expense in 2009) had a further dampening impact on income/expense from fees and commissions.

An increase in income on shares/equities by PLN 3,630.5 thousand (41.8%) as compared to the previous year resulted mainly from higher dividend proceeds from equities holdings in the Bank for International Settlements in Basel and KIR SA.

Other income amounted to PLN 204,996.5 thousand, which represents a decrease by PLN 36,223.3 thousand (15.0%) compared to the corresponding results posted in 2008. Most of this decline can be credited to lower income from the sales of collector coins, most specifically gold coins.

Salaries and social contributions rose by PLN 16,251.4 thousand (4.1%) in 2009 as compared to the previous year, mainly as a result of the human resources and payroll policy adopted in the NBP.

Administrative expenses decreased by PLN 95,440.7 thousand (26.4%) in 2009 as compared to the previous reporting period. This decline primarily resulted from the Act adopted on 23 October 2008 which amended the Bank Guarantee Fund Act and other acts (Journal of Laws No 209/2008, item 1315), whereby, in pursuance of Article 1, item 9 of the Act, the NBP was relieved of its obligation to contribute to the Bank Guarantee Fund. In 2008, this contribution amounted to PLN 101,651.9 thousand.

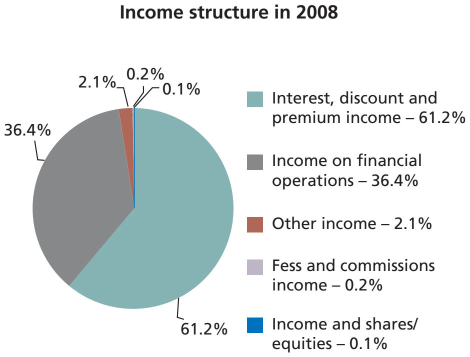
Depreciation decreased in 2009 by PLN 6,266.4 thousand (6.6%), as compared to 2008. Lower fixed assets depreciation expense was reported, accompanied by a growth of intangible assets depreciation expense.

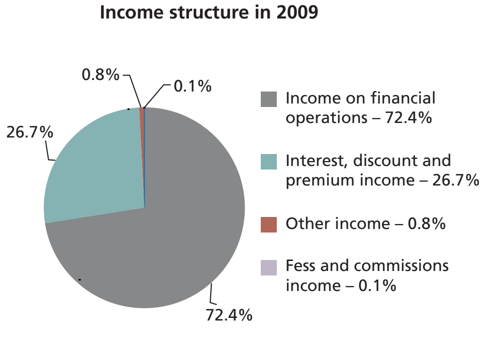
The issue of coins and banknotes expense increased by PLN 89,899.4 thousand (26.5%). This rise came as an effect of a larger scale of the issue of banknotes and coins of general circulation as well as collector coins. The higher issue of banknotes and coins of general circulation first and foremost addressed the need to guarantee liquidity of settlement and replenish inventories.

Other expenses fell by PLN 18,853.9 thousand (33.8%) as compared to the previous reporting period, which mainly resulted from a decrease in other operating expense, in particular in the nominal value of collector coins and banknotes, taken to expenses upon sale.

Figure 23

Changes in NBP income structure in 2008 and 2009

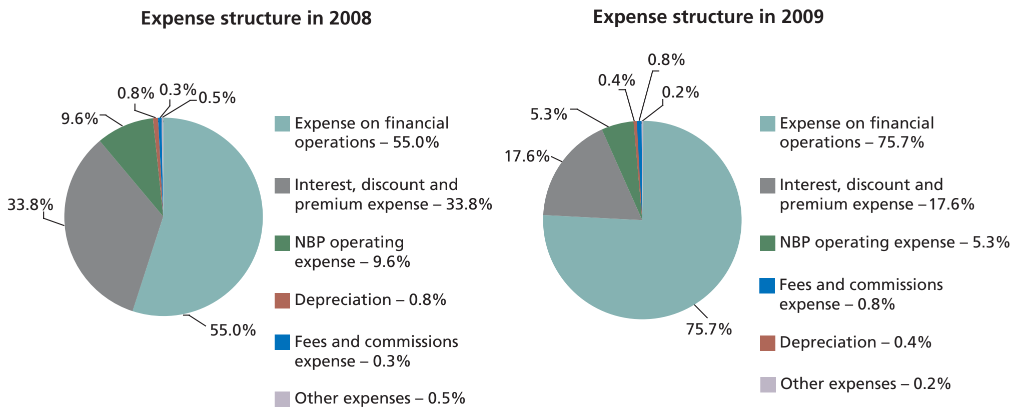




The year 2009 saw a notable shift in income structure. The share of income rendering into net income from financial operations expanded by 36.0%. Most notably, it grew from 36.4% in 2008 to 74.4% in 2009. The average annual depreciation of the zloty *vis-à-vis* foreign currencies was the main reason for this change. As a result of the increase the share of interest, discount and premium income went down by 34.5 percentage points (from 61.2% in 2008 to 26.7% in 2009).

Figure 24

Changes in NBP expense structure in 2008 and 2009



As regards the expense structure, the most significant change related to an increase in the share of expense on financial operations – by 20.7 pp (from 55.0% in 2008 to 75.7% in 2009). This was mainly a result of the increase by PLN 12,112 696.2 thousand in the cost of creating the provision against the foreign exchange rate risk of the zloty. The outcome of this increase was a diminished share of interest, discount and premium income, which fell by 16.2 pp (from 33.8% in 2008 to 17.6% in 2009), and lower share of NBP operating expense, which fell by 4.3 pp (from 9.6% in 2008 to 5.3% in 2009).

APPENDICES

Appendix 1

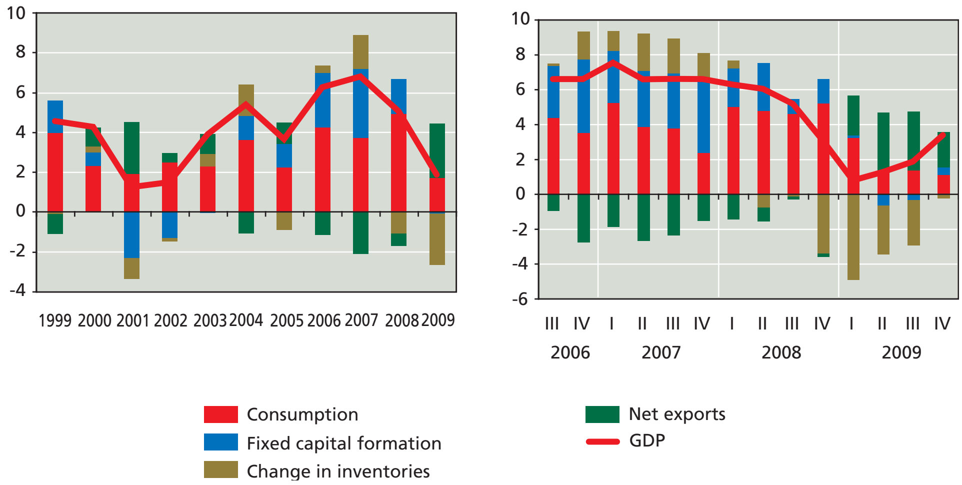
GDP and aggregate demand

In 2009 GDP growth in real terms decreased sharply (to 1.8% from 5.0% in the preceding year[60]), while domestic demand declined by 0.9% (compared to a rise of 5.5% in 2008). The drop in the growth of domestic demand was driven by a slower rise in total consumption (from 6.3% in 2008 to 2.1% in 2009) and a marked decline in the growth of gross capital formation (from 2.9% to -11.0%, respectively). The lower growth of total consumption was the result of a slowdown in both private consumption (from 5.9% in 2008 to 2.3% in 2009) and public consumption (from 7.5% y/y to 1.9%, respectively). In turn, the deceleration in capital formation was connected with a decrease in investment (-0.4% in 2009 compared to 8.2% in 2008) and a strong reduction in inventories (contribution of -2.4 percentage points to GDP growth in 2009). The main GDP growth factor was net exports, whose contribution to GDP growth in 2009 amounted to 2.7 percentage points.

The growth of gross value added[61] in 2009 amounted to 1.9% as compared to 5.0% a year earlier. The slower growth of gross value added in 2009 was the result of a drop in the growth of value added in industry (from 6.6% in 2008 to -1.1% in 2009), in market services (from 5.3% to 2.5%, respectively) and in construction (from 9.1% to 4.7%).

Figure 25

Contribution of aggregate demand components to GDP growth



Source: NBP calculations based on GUS data.

In 2009, despite a relatively high growth of disposable income of households (4.3% in constant prices), the growth of individual consumption was lower than a year earlier. The increase in the rate of household savings was a result of deteriorating situation in the labour market and unfavourable growth outlook.

The growth of gross investment outlays in 2009 was -0.4% compared to 8.2% in 2008. The reduction in gross investment outlays resulted from a steep decline in the enterprise sector's

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[60] All the numerical data on percentage changes of economic variables quoted in the text of the present appendix represent annual growth rates.

[61] Gross Domestic Product equals gross value added increased by taxes on products (including import duties) and reduced by product subsidies.

investment, stemming from a significant deceleration of economic growth in the wake of the crisis in international financial markets and the global recession. The investment outlays of this sector dropped despite good financial results of enterprises in 2009. In 2009 a decrease in housing investments of households was also recorded. In turn, investment decline in the economy was limited by a very strong increase in investment expenditure of the public finance sector.

Table 42

GDP and domestic demand in 2002–2009

	2002	2003	2004	2005	2006	2007	2008	2009
Growth rate of GDP and its components in constant prices (%)								
GDP	1.4	3.9	5.3	3.6	6.2	6.8	5.0	1.8
Domestic demand	1.0	2.8	6.2	2.5	7.3	8.7	5.5	-0.9
Consumption	3.0	2.7	4.3	2.7	5.2	4.6	6.3	2.1
Individual consumption	3.4	2.1	4.7	2.1	5.0	4.9	5.9	2.3
Capital formation	-7.2	3.3	14.7	1.4	16.1	24.3	2.9	-11.0
Gross fixed capital formation	-6.3	-0.1	6.4	6.5	14.9	17.6	8.2	-0.4
Exports	4.8	14.2	14.0	8.0	14.6	9.1	7.1	-8.0
Imports	2.8	9.6	15.8	4.7	17.3	13.7	8.0	-13.5
Contribution of net exports to GDP growth (percentage points)	0.5	1.0	-1.0	1.1	-1.1	-2.1	-0.6	2.7
GDP composition in current prices (%)								
Domestic demand	103.5	102.7	102.4	100.7	101.8	102.9	104.0	99.9
Consumption	84.8	83.9	82.3	81.5	80.8	78.4	80.3	79.8
Capital formation	18.6	18.7	20.1	19.3	21.1	24.4	23.7	20.1
Net exports	-3.5	-2.7	-2.4	-0.7	-1.8	-2.9	-4.0	0.1

Source: GUS data.

Foreign trade turnover lowered significantly in 2009, which was connected with a world trade breakdown triggered by the global crisis. At the same time, the depreciation of zloty exchange rate, related to the crisis, observed till February 2009 caused imports to fall stronger than exports, which translated into a positive contribution of net exports to GDP growth (2.7 percentage points) and a reduction in the current account deficit (from 5.1% of GDP in 2008 to 1.6% in 2009).

Appendix 2

Prices of consumer goods and services

Price index of consumer goods and services

In 2009 the average annual price index of consumer goods and services (CPI) amounted to 3.5%, i.e. was at the level of the NBP's upper limit for deviations from the inflation target. In the first months of 2009 this index showed a rising tendency (from 2.8% y/y in January to 4.0% y/y in April); then, it fell and remained until September around the NBP's upper limit for deviations from the inflation target. In October the annual CPI index decreased to 3.1%, and in the two subsequent months rose again, reaching 3.5% in December. The following factors contributed to such a path of the consumer goods and services price index: the annual growth rate of prices of food and non-alcoholic beverages rising in the first few months of 2009 and then gradually falling in the subsequent part of the year, the growth rate of energy prices fluctuating and growing at the end of the year (mainly as a result of fuel price increases), as well as the core inflation index net of food and energy prices rising steadily until July, remaining at an unchanged level until October and finally decreasing at the end of the year.

Prices of food and non-alcoholic beverages

The first few months of 2009 saw a strong increase in the annual growth rate of prices of food and non-alcoholic beverages – from 3.1% in January to 5.6% in April. This was driven, on the one hand, by a strong zloty depreciation observed until February 2009, and, on the other hand, by the fall in the domestic supply of some agricultural and food products (mainly meat). In May, the annual growth rate of prices of food and non-alcoholic beverages started to decline, down to 3.0% in October. The main factors behind such decline were good domestic crops, stabilization in the prices of agricultural commodities in the global markets, and zloty appreciation recorded since March 2009. In November and December the growth rate of food prices accelerated again to 3.4% (mainly due to a strong rise in dairy prices triggered by EU intervention in this market).

Energy prices

In the first few months of 2009 the annual growth of energy prices remained at a heightened level (ranging between 6 and 7% in the period February–April), yet, starting from May declined considerably, to accelerate at the end of the year (to 7.4% in December). The above path of energy price index in 2009 was affected, on the one hand, by high, albeit gradually slowing growth of prices of energy carriers (electricity, heat, gas and heating fuels), and, on the other hand, by the steadily rising growth of fuels (from -18.8% in January to 12.3% in December 2009), yet remaining negative almost throughout the whole year.

The high growth of energy prices in 2009 was largely the result of rises in regulated prices (electricity and heat), approved by the Energy Regulatory Office. On the other hand, the negative annual growth of fuel prices was driven by the negative base effect which was connected with a considerable rise in fuel prices in the first half of 2008, caused by a strong rise in oil prices. Another rise in oil prices observed throughout the whole year in the international markets contributed to a rise in fuel prices in 2009. Yet, its impact on the prices in Poland was limited by the appreciation of the exchange rate of the zloty against the US dollar observed since 2009 Q2.

Inflation net of food and energy prices (core inflation)

In 2009 the annual growth in the prices of consumer goods and services net of food and energy prices rose initially from 2.2% in January to 2.9% in July; then it remained at this level until October and decreased to 2.6% in December. Such a rise in inflation net of food and energy prices in annual terms was driven by a marked increase in the annual growth in prices of non-food articles and initially – a slight increase in the growth in prices of services.

The increase in the prices of non-food articles in 2009 was mainly caused by high rises in prices of excise goods, which translated into the high and rising growth in prices of those goods observed in the first half of the year and slightly falling in the second half of the year.[62] The increase in the prices of non-food articles was also driven by the rising growth in prices of imported goods (clothes, footwear, electronic equipment, cars), being the result of the previous zloty depreciation.

On the other hand, the annual growth in prices of services in 2009 Q1 weakened gradually, yet, persisting at a relatively high level. This was largely the result of high, albeit falling since June 2009, growth of prices of services connected with home maintenance, part of which (rentals charges, community services) are regulated prices.

Table 43

Changes in prices in the main groups of consumer goods and services in 2008–2009

	CPI	Food and non-alcoholic beverages	Energy	of which: energy carriers	of which: fuels	Inflation net of food and energy prices	Goods	of which: excise products (alcohol, tobacco)	of which: other goods	Services	of which: home maintenance	of which: other services
Structure of weights in CPI basket (%)												
2008	100.0	25.7	15.0	10.9	4.2	59.3	31.7	5.7	26.0	27.6	6.0	21.6
2009	100.0	24.6	15.3	11.0	4.3	60.1	32.0	5.6	26.4	28.1	6.1	22.0
Change in relation to the corresponding period of the previous year (%)												
Jan 2008	4.0	7.8	6.9	3.4	17.0	1.6	0.3	5.4	-0.8	3.2	8.8	1.7
Feb	4.2	7.3	8.6	6.8	13.8	1.8	0.4	5.6	-0.7	3.3	9.2	1.7
Mar	4.1	7.0	7.8	7.0	10.1	2.0	0.7	5.7	-0.4	3.5	9.5	1.9
Apr	4.0	6.8	6.8	7.2	6.0	2.1	0.6	5.9	-0.5	3.7	9.5	2.2
May	4.4	7.0	9.0	9.8	7.0	2.1	0.5	6.0	-0.7	3.8	9.8	2.2
Jun	4.6	7.6	9.3	10.0	7.5	2.2	0.5	5.8	-0.6	4.1	9.9	2.5
Jul	4.8	7.8	9.9	10.6	8.2	2.2	0.3	5.6	-0.9	4.3	10.1	2.8
Aug	4.8	6.9	9.8	10.9	6.8	2.7	0.4	6.4	-1.0	5.4	10.3	4.1
Sep	4.5	5.1	9.5	11.7	3.7	2.9	0.7	7.1	-0.8	5.5	10.2	4.1
Oct	4.2	4.0	9.7	12.7	1.9	2.9	0.7	7.5	-0.8	5.5	10.3	4.1
Nov	3.7	2.9	8.2	14.0	-6.4	2.9	0.8	8.1	-0.8	5.4	10.3	4.1
Dec	3.3	3.2	5.6	13.8	-15.0	2.8	0.6	8.2	-1.1	5.3	10.3	3.9
Jan 2009	2.8	3.1	4.9	14.8	-18.8	2.2	0.2	7.8	-1.4	4.5	8.4	3.4
Feb	3.3	3.4	6.9	14.4	-12.1	2.4	0.4	8.3	-1.3	4.7	8.4	3.7
Mar	3.6	4.8	6.3	13.9	-12.5	2.5	0.6	9.2	-1.2	4.7	8.5	3.6
Apr	4.0	5.6	6.6	13.8	-11.4	2.6	1.0	9.8	-0.8	4.5	8.5	3.4
May	3.6	5.2	4.6	11.1	-11.5	2.8	1.2	10.0	-0.6	4.5	8.5	3.4
Jun	3.5	4.7	5.0	10.6	-8.5	2.7	1.3	10.2	-0.5	4.3	8.3	3.2
Jul	3.6	4.0	5.3	10.1	-6.0	2.9	1.8	12.1	-0.3	4.2	8.1	3.1

[62] Under the process of adjusting excise tax rates in Poland to the minimum rates required by the EU legislation, in January 2009 a higher excise tax rate on tobacco products was introduced. Excise tax rate on alcoholic beverages was increased in March 2009.

Aug	3.7	4.5	5.2	9.8	-6.0	2.9	1.7	10.3	-0.2	4.3	7.9	3.2
Sep	3.4	3.6	5.0	8.9	-4.9	2.9	1.7	9.4	0.1	4.1	7.8	3.1
Oct	3.1	3.0	4.2	7.5	-4.6	2.9	1.9	8.9	0.4	4.1	7.6	3.1
Nov	3.3	3.4	5.3	5.9	3.7	2.8	1.8	8.3	0.4	3.9	7.5	2.9
Dec	3.5	3.4	7.4	5.8	12.3	2.6	1.8	8.0	0.5	3.4	7.4	2.2
J-D 2008	4.2	6.1	8.4	9.9	4.7	2.3	0.5	6.4	-0.8	4.4	9.9	2.9
J-D 2009	3.5	4.1	5.5	10.4	-6.9	2.7	1.3	9.4	-0.4	4.3	8.1	3.2
Share in CPI (pp)												
Jan 2008	4.0	2.0	1.0	0.4	0.6	1.0	0.1	0.3	-0.2	0.9	0.5	0.4
Feb	4.2	1.9	1.3	0.7	0.5	1.1	0.1	0.3	-0.2	0.9	0.5	0.4
Mar	4.1	1.8	1.2	0.8	0.4	1.2	0.2	0.3	-0.1	1.0	0.6	0.4
Apr	4.0	1.7	1.0	0.8	0.2	1.2	0.2	0.3	-0.1	1.0	0.6	0.5
May	4.4	1.8	1.3	1.1	0.3	1.2	0.2	0.3	-0.2	1.1	0.6	0.5
Jun	4.6	1.9	1.4	1.1	0.3	1.3	0.2	0.3	-0.2	1.1	0.6	0.5
Jul	4.8	2.0	1.5	1.1	0.4	1.3	0.1	0.3	-0.2	1.2	0.6	0.6
Aug	4.8	1.7	1.5	1.2	0.3	1.6	0.1	0.4	-0.3	1.5	0.6	0.9
Sep	4.5	1.3	1.4	1.3	0.2	1.7	0.2	0.4	-0.2	1.5	0.6	0.9
Oct	4.2	1.0	1.5	1.4	0.1	1.7	0.2	0.4	-0.2	1.5	0.6	0.9
Nov	3.7	0.8	1.2	1.5	-0.3	1.7	0.2	0.5	-0.2	1.5	0.6	0.9
Dec	3.3	0.8	0.9	1.5	-0.7	1.6	0.2	0.5	-0.3	1.5	0.6	0.8
Jan 2009	2.8	0.8	0.7	1.6	-0.8	1.3	0.1	0.4	-0.4	1.3	0.5	0.8
Feb	3.3	0.8	1.0	1.6	-0.5	1.4	0.1	0.5	-0.3	1.3	0.5	0.8
Mar	3.6	1.2	1.0	1.5	-0.5	1.5	0.2	0.5	-0.3	1.3	0.5	0.8
Apr	4.0	1.4	1.0	1.5	-0.5	1.6	0.3	0.5	0.2	1.3	0.5	0.8
May	3.6	1.3	0.7	1.2	-0.5	1.6	0.4	0.5	-0.2	1.3	0.5	0.7
Jun	3.5	1.2	0.8	1.2	-0.4	1.6	0.4	0.6	-0.1	1.2	0.5	0.7
Jul	3.6	1.0	0.8	1.1	-0.3	1.8	0.6	0.7	-0.1	1.2	0.5	0.7
Aug	3.7	1.1	0.8	1.1	-0.3	1.8	0.5	0.6	0.0	1.2	0.5	0.7
Sep	3.4	0.9	0.8	1.0	-0.2	1.7	0.6	0.5	0.0	1.2	0.5	0.7
Oct	3.1	0.7	0.6	0.8	-0.2	1.7	0.6	0.5	0.1	1.1	0.5	0.7
Nov	3.3	0.8	0.8	0.7	0.2	1.7	0.6	0.5	0.1	1.1	0.5	0.6
Dec	3.5	0.8	1.1	0.7	0.5	1.5	0.6	0.5	0.1	1.0	0.5	0.5
J-D 2008	4.2	1.6	1.3	1.1	0.2	1.4	0.2	0.4	-0.2	1.2	0.6	0.6
J-D 2009	3.5	1.0	0.8	1.2	-0.3	1.6	0.4	0.5	-0.1	1.2	0.5	0.7

Source: GUS data, NBP calculations.

Appendix 3

Balance of payments[63]

In 2009 the current account deficit of the balance of payments amounted to EUR 5.0 billion (as compared to EUR 18.3 billion in 2008). The current account deficit to GDP ratio went down from 5.1% in 2008 to 1.6% in 2009. The improvement in the current account balance was primarily driven by a reduction in the trade deficit in goods. In turn, the increase in the deficit in income and decline in current transfers surplus had the opposite effect.

In line with preliminary GUS estimates, the deficit in the Polish foreign trade fell down from EUR 26.2 billion in 2008 to EUR 8.7 billion in 2009.[64] The greatest impact on lowering the negative trade balance was exerted by the occurrence of positive balance in the trade with EU-15countries[65] (EUR 6.9 billion compared to a deficit of EUR 3.6 billion in 2008). Moreover, the negative trade balance with Russia and China decreased. On the other hand, the lowering of the positive balance in trade with Central and Eastern European countries had the opposite effect.

The decline in trade volumes was a global phenomenon in 2009 – according to the estimates of the Netherlands Bureau for Economic Policy Analysis (CPB), the volume of global trade fell by 12.9% as compared to 2008. The deepest slump was recorded in the first half of the year and in the following months the decline decelerated, which was connected with the introduction of stimulus packages in many economies. In the final months of 2009, due to the growing demand, primarily in the emerging economies of Asia, the volume of global trade edged up slightly.

The value of Polish exports in 2009 fell by 17.1%. The smallest reduction (of 13.8%) was recorded in exports to EU-15 countries, which reflected this region's relatively weakest decline in economic activity amongst Poland's main trading partners (EU-15 GDP contracted by 4.3%). The value of Polish exports of consumer goods to the EU-15 rose by 0.6% in comparison to 2008 (including an increase in passenger cars of 13.9%), which was connected with measures taken by governments of many EU-15 countries aimed at halting the downwards trend of households' spending and also with the strong depreciation of the zloty exchange rate against the euro observed until February 2009. However, the reduction in inventories combined with a strong dip in exports of EU-15 countries led to a considerable reduction of their demand for intermediate goods. This was reflected in decreased exports of this most important category of goods – accounting for 55% of the value of Polish exports to the EU-15 – which fell by over 25% as compared to 2008.

The decline in exports to Central and Eastern European (CEE) countries, which in 2008 accounted for 16.2% of Polish exports, proved considerably deeper (a drop of 22.6% in comparison to 2008). This was not only related to a stronger slump in economic activity in the region as compared to the EU-15 (GDP in nine CEE countries[66] decreased in 2009 by the total of 7.2%), but also to a marked reduction of the scale of corporate trade among branches of foreign enterprises, which is strongly affected by the demand in EU-15 countries and exports to non-EU markets. In consequence, the decline in the value of Polish exports of consumer and investment goods to CEE countries was considerably deeper than the drop in total exports of those goods to EU-15 countries, while the scale of the decline in intermediate goods exports was very similar to that of exports to EU-15 countries.

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[63] If not specified otherwise, all the data discussed in Appendix 3 refer to values denominated in euros.

[64] This resulted from a considerably deeper decline in the volume of imports (of 16.0%) than exports (of 9.3%). The drop in the value of turnover was additionally deepened by a strong decline in transaction prices expressed in euros (by 12.2% in imports and 8.6% in exports).

[65] I.e. those countries which had formed the European Union before it was enlarged in 2004.

[66] The CEE region includes: Bulgaria, the Czech Republic, Estonia, Lithuania, Latvia, Romania, Slovakia, Slovenia and Hungary.

Amongst Poland's main trading partners the deepest drop in exports (of almost 40%) was observed in the trade with the countries of the Commonwealth of Independent States, which in 2008 accounted for 10.5% of Polish exports. This was connected with the fact that the region was hit most strongly by the global financial crisis: Russia's GDP lowered in 2009 by 7.9% and in Ukraine by as much as 15.1%.

In 2009 the value of Polish imports contracted by 26.3%. The scale of Polish import decline was greater than in the case of most other EU countries (despite the fact that Poland was in 2009 the only country in the European Union which recorded GDP growth), which was connected with the depreciation of the zloty exchange rate observed from August 2008 to February 2009. In comparison to other countries the scale of import decline in the category of consumer goods was the largest. In turn, the scale of decline in intermediate goods imports was similar to those in other EU countries. This decline resulted, on the one hand, from lowering demand of Polish enterprises from the export sector and, on the other, from lower commodity prices than in 2008 (in particular the prices of crude oil). The strongest drop in imports (of over 30%) was recorded in the category of investment goods.

Table 44

Selected warning indicators (in %)

Warning indicator	2004	2005	2006	2007	2008	2009
Current account balance/GDP	-4.0	-1.2	-2.7	-4.7	-5.1	-1.6
Current and capital account balance/GDP	-3.5	-0.9	-2.1	-3.6	-4.0	0.0
Balance on trade in goods/GDP	-2.2	-0.9	-2.0	-4.0	-4.9	-1.0
Current account balance/current account inflows	-9.4	-2.9	-5.9	-10.1	-11.2	-3.6
Direct investment/current account balance	116.1	184.4	115.8	90.0	43.6	123.5
(Current account balance + capital account balance + direct investment)/GDP	1.1	1.4	1.0	0.6	-1.7	2.1
Foreign debt/GDP	46.5	45.9	47.3	51.0	47.7	63.5
Foreign debt servicing/exports of goods and services	35.4	32.3	29.7	35.0	35.6	–
Official reserve assets expressed in terms of monthly imports of goods and services	4.0	4.7	3.9	3.9	3.3	5.5

Source: NBP calculations.

Until February 2009 the exchange rate of the zloty had weakened markedly but starting from March it was gradually strengthening. In 2009 Q1, the nominal zloty exchange rate depreciated by 13% against the euro and 20% against the US dollar, while in 2009 Q2, Q3 and Q4 it appreciated by 5%, 6% and 3%, respectively, against the euro and 10%, 9% and 1% against the US dollar. In the whole of 2009 the nominal exchange rate of the zloty appreciated against the euro and the US dollar, respectively, by 2% and 4%. The real effective exchange rate of the zloty deflated by the index of unit labour cost in manufacturing (ULC)[67] in 2009 Q1

[67] One measure to assess changes in the competitive position of producers in international markets is an index reflecting production costs. Moreover, as most of trade exchange involves products of manufacturing industry, an adequate competitiveness measure is the real exchange rate deflated by the unit labour costs precisely in manufacturing industry. The calculations made use of quarterly ULC data for 2009, the data for 2009 Q4 are estimates.

weakened by 14%, in Q2 remained virtually unchanged and in the second half of the year appreciated by approx. 2.5%. In the whole of 2009 the ULC-deflated real effective exchange rate depreciated by 12%.

In 2009 financial indicators of the external equilibrium in the Polish economy improved. The lowered trade deficit in goods had a positive impact on the ratios of current account balance to GDP and current and capital account balance to GDP. The reduction of current account deficit in 2009 was also supported by a rise in the positive balance of capital account due to the growing utilisation of EU funds classified in this account. Although the global financial crisis contributed to a decreased inflow of direct investment, their ratio to current account deficit amounted to 124% (as compared to 44% in the preceding year).

Appendix 4

Money and credit[68]

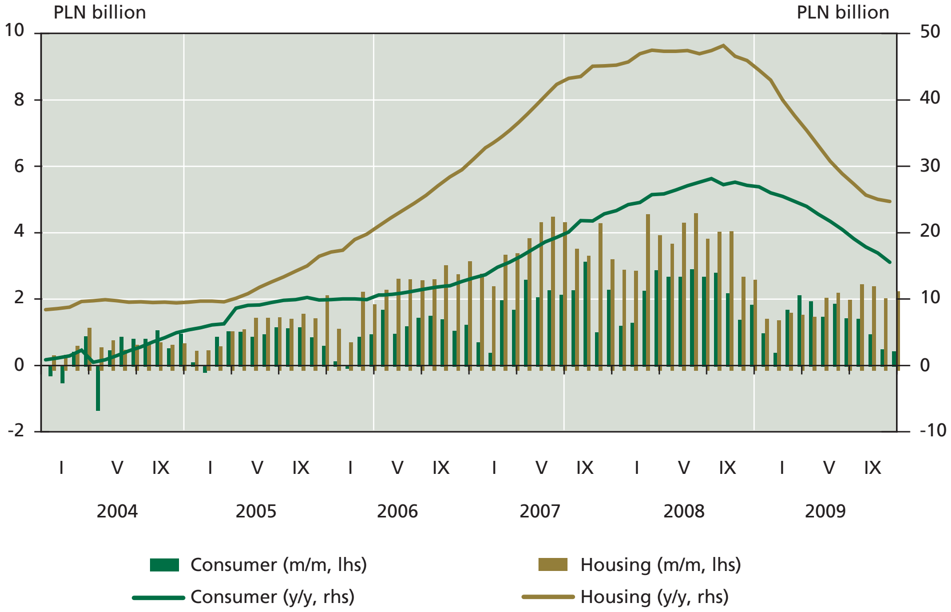
Loans to households

In 2009 the nominal value of households' bank debt increased by PLN 43.8 billion to approx. PLN 412 billion, while in the whole of 2008 the growth in households' bank debt amounted to PLN 113.8 billion. The growth rate of household loans decreased to 12.4% y/y in December 2009 (against 31.7% y/y in December 2008).

Housing loans which saw the fastest growth in 2008, declined to 12.5% y/y in December 2009 (as compared to 39.1% in December 2008). Yet, the average monthly growth in housing loans in the second half of 2009 increased to PLN 2.4 billion as compared to PLN 1.7 billion in the first half of 2008, which may indicate an improvement in the situation in this market.

Figure 26

Year-on-year and month-on-month changes in household loans



Source: NBP data.

In 2009 banks gradually adjusted their housing loan policy to the improving economic climate. Their capital situation also improved, which additionally contributed to the easing of the credit policy. As suggested by the results of the conducted surveys[69], in 2009 the number of banks tightening their housing loan terms declined steadily, and starting from 2009 Q3 some banks decided to ease them.

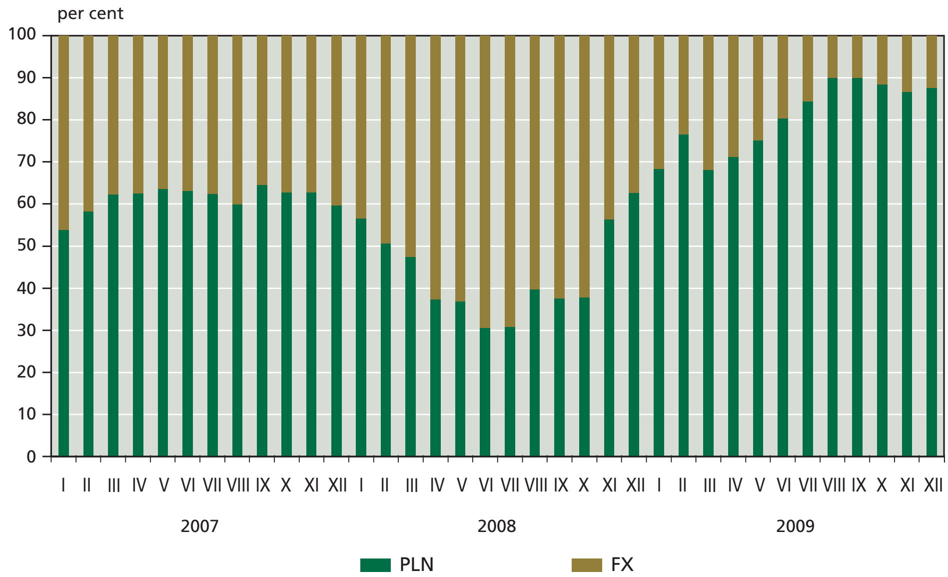
In 2009 as a result of the limited availability of housing loans denominated in Swiss francs, households used mainly domestic currency loans to finance their real estate purchases. In the past

[68] If not indicated otherwise, the growth rates presented below refer to figures adjusted for the impact of fluctuations of the exchange rate of the zloty against the main currencies.
[69] *Senior loan officer opinion survey on bank lending practices and credit conditions (4th quarter 2009)*, www.nbp.pl.

few months of 2009 the share of housing loans denominated in PLN in newly granted loans was close to 90%.

Figure 27

Currency structure of the newly granted housing loans to households



Note: Calculations were based on the information obtained for interest rate reporting purposes from the sample of 20 selected banks whose share in the market of non-financial sector loans accounts for approx. 75%.

Source: NBP data.

The growth in consumer loans in 2009 declined to 11.9% y/y in December (as compared with 30.8% y/y in December 2008). The average monthly growth in consumer loans in the first half of 2009 amounted to PLN 1.8 billion, and in the second half of 2009 to PLN 1.2 billion, which was connected with the progressing tightening of loan granting criteria caused by worse economic situation and increased share of classified loans in the portfolios of financial institutions.

Loans to enterprises

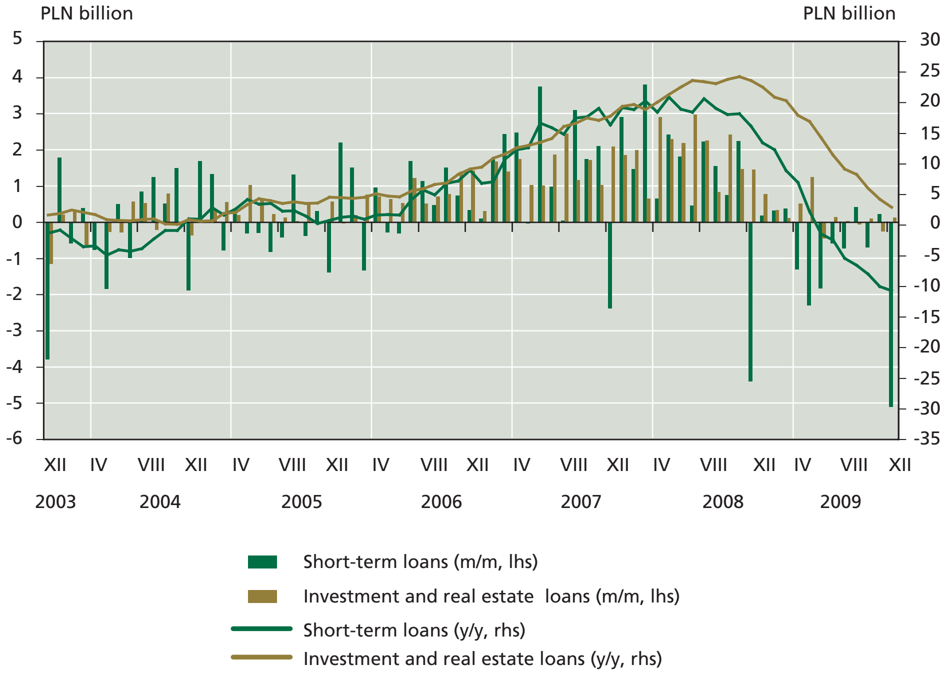
The nominal value of corporate debt to banks decreased in 2009 by PLN 8.7 billion to approx. PLN 209 billion (in 2008 corporate debt growth amounted to approx. PLN 48 billion). Growth in corporate loans decreased to -3.6% y/y in December 2009 (as compared with 24.2% y/y in December 2008). Observed decline in lending was due to the tightening of loan terms and increased uncertainty about the future economic situation.

Deceleration in lending was largely the result of a fall in short-term loans (-10.6% y/y in December 2009). An important factor limiting the demand for short-term loans in the last few months of 2009 was the improvement in the liquidity situation of enterprises. The growing sales results recorded in this period and the effects of the previously implemented restructuring allowed economic entities for gradual adjustment to the still limited supply of credit facilities resulting from the banks' tight credit policy. As suggested by the survey studies[70] the tightening of loan criteria affected mainly loans to small and medium-sized enterprises. The major reason behind tightening the loan granting criteria was banks' unfavourable assessment of the outlook for economic situation. On the other hand, the role of banks' capital situation as the factor limiting lending decreased gradually.

[70] *Senior loan officer opinion survey on bank lending practices and credit conditions (4th quarter 2009)*, www.nbp.pl.

Figure 28

Year-on-year and month-on-month changes in loans to enterprises



Source: NBP data.

2009 saw also a deceleration in the growth of long-term corporate loans : in the segment of real estate loans this growth declined to 3.7% y/y in December 2009 (as compared to 30.1% y/y in December 2008), and in the segment of investment loans – to 1.5% y/y (as compared to 29.7% y/y). Limited lending was the effect of low corporate investment activity caused by the economic slowdown. Gradual investment completion process was not accompanied by of new projects of similar scale as in the pervious years.

Deposits

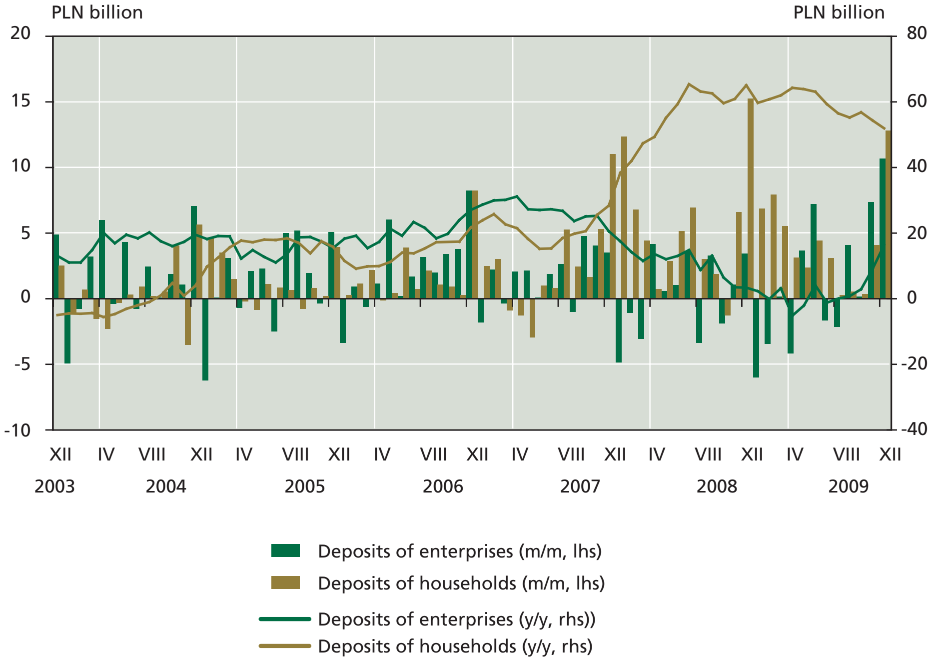
Gradual rebound in economic activity in the second half of 2009 – especially in manufacturing – was coupled with an improvement in enterprises liquidity situation. Due to the decline in investment activity and the concurrent increase in income from sales of enterprises, the value of corporate deposits increased in the second half of 2009 by PLN 18.5 billion as compared with PLN 6.2 billion a year before. In the whole of 2009 this growth amounted to PLN 16 billion as compared to PLN 3 billion in 2008. As a result, the growth in corporate assets in bank accounts, after reaching its minimum in April 2009 (-3.7% y/y), increased to 10.6% y/y at the end of December 2009.

Increase in liquid assets in bank accounts mitigated the unfavourable impact of the limited availability of short-term loans to finance enterprises' activities. Moreover, the improvement in the financial situation in this sector translated into a rise in the estimated percentage of approved loan applications, which at the end of 2009 amounted to approx. 80%, while at the beginning of the year it was below 70%.[71]

[71] *Economic climate in the enterprise sector in 2009 Q4 and expectations for 2010 Q1*, www.nbp.pl.

Figure 29

Year-on-year and month-on-month changes in bank deposits of households and enterprises



Source: NBP data.

The majority of 2009 saw a falling trend in the growth of household deposits, which decreased to 15.2% y/y in December 2009 (as compared to 24.2% y/y in December 2008). The observed slowdown in the growth of bank deposits was largely caused by the statistical base effect, connected with the change in the structure of household financial assets observed in 2008.

Monetary aggregates

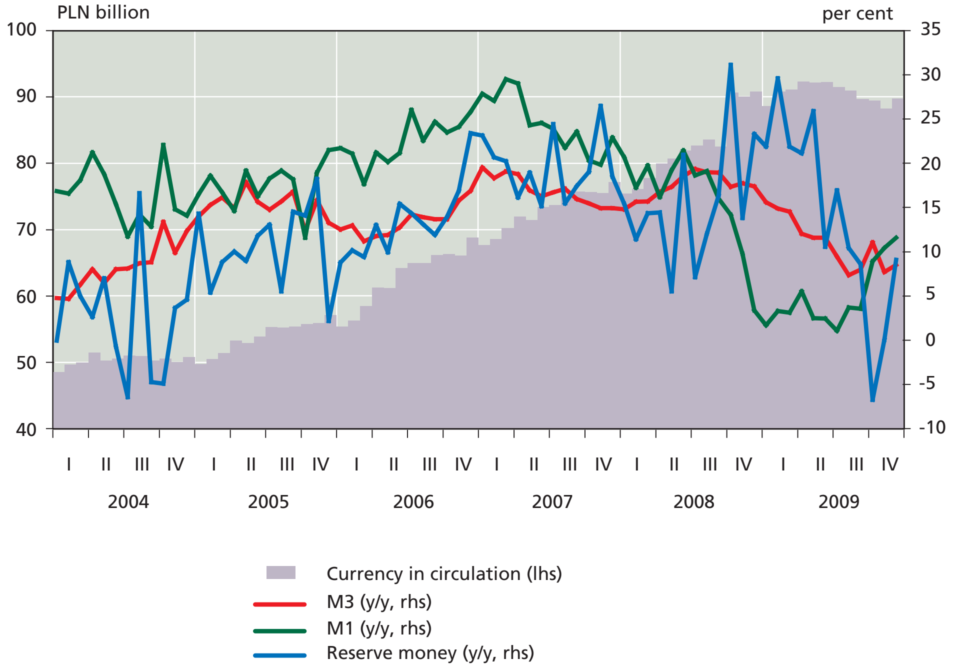
In 2009 the growth of M3 aggregate declined to 8.3% y/y in December as compared with 17.1% y/y in December 2008. Reduced scale of monetary expansion was largely the result of developments in the corporate and household loan market. Along with the gradual limiting of the decline in debt growth -mainly in the segment of household loans – in the second half of 2009, the annual growth of M3 broad money stabilized at approx. 7–8%.[72] The decline in the growth of household deposits was counterbalanced with higher increase in assets deposited in corporate accounts.

In 2009 the growth of M1 aggregate increased to 11.3% y/y in December (as compared to 3.1% y/y in Decem ber of the previous year), which was the result of a relatively high increase in assets in current accounts of households (by PLN 41.4 billion) and enterprises (by PLN 4.7 billion). The growth of less liquid money components (M3–M1) fell to 4.9% y/y in December 2009 as compared with 37.9 y/y in December 2008. The observed changes were largely the result of the statistical base effect, connected with a high rise, in 2008, in household savings in fixed-term deposits up to 2 years, caused by changes in the structure of their financial assets.

[72] An exception was October when money supply significantly deviated from the trend as a result of the increase in non-monetary deposits of financial institutions by PLN 13 billion. This phenomenon was connected with the individual and institutional investors depositing their funds on brokerage accounts, intended for the purchase of shares of Polska Grupa Energetyczna. In the case of households funds intended for the purchase of shares were largely obtained from loans for the purchase of securities (not classified as consumer loans). After reduction of more than 90% of orders, funds returned to the ordering parties.

Figure 30

M3 and M1 monetary aggregates, currency in circulation and reserve money of the central bank



Source: NBP data.

Appendix 5

Minutes of Monetary Policy Council decision-making meetings held in 2009

Minutes of the Monetary Policy Council decision-making meeting held on 27 January 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the outlook for economic growth and inflation abroad and in Poland, zloty exchange rate developments and credit market conditions.

The Council paid a lot of attention to the domestic economic growth. It was pointed out that the recession in the external environment of the Polish economy and the accompanying decline in foreign demand for Polish goods had increasing impact on the activity in the domestic economy which is corroborated, among other things, by further fall in industrial output in December. Considerable reduction in demand, in particular for the products of exporting enterprises, is also signalled by the results of the NBP business climate surveys. It was emphasized that deteriorating outlook for sales translated into investment dampening and, consequently, contributed to faster than previously expected slowdown in GDP growth.

While discussing the outlook for economic growth in Poland it was noted that it was largely dependent on the foreign economic situation. In this context, the deepening recession in the United States and in the euro area was pointed out together with a risk of further downward revisions of economic growth forecasts for Poland's main trading partners. The risk is related to the negative impact of the global financial crisis on the situation in the labour markets in those countries and, consequently, on households' income and consumption. The protracted recession in the external environment of the Polish economy may delay the improvement in the domestic business activity relative to previous assessments. Some members of the Council emphasized that this might translate into even stronger curbing of the investment activity of enterprises; consequently, the contribution of investment to GDP growth in 2009 might be negative. It was argued that economic slowdown in Poland, through decreasing labour demand and declining wage growth, would contribute to limiting households' consumption growth. Another factor curbing domestic demand may be a reduction in general government expenditure, which – if concerning investment outlays – will additionally negatively affect GDP growth in the longer term. Some members of the Council argued that implementation of projects financed with EU funds by local government entities would contribute to maintaining the growth of the general government investment expenditures.

While discussing inflation developments, attention was paid to the slightly stronger than expected decline in inflation in December 2008 to 3.3%, i.e. below the upper limit for deviations from the NBP's inflation target. It was indicated that the decrease in inflation had been largely driven by falling fuel prices, yet, it was emphasized that core inflation had also declined.

While addressing the outlook for inflation, it was assessed that in the coming months inflation should gradually decline to the inflation target (2.5%). At the same time, some members of the Council emphasized that considerable depreciation of the zloty exchange rate observed in the past few months and possible further raises in administered prices would be factors conducive to price increases. In this context, attention was paid, among other things, to possible increases in 2009 of excise tax on fuels aimed at compensating some of the decline in government budget revenues, which would translate into higher prices. Other members of the Council argued that the pass through of exchange rate changes into inflation might be limited amidst economic slowdown, and raises in administered prices are beyond the direct impact of monetary policy. Those members also emphasized that rises in administered prices limited households' purchasing power, which in an economic downturn would additionally curb their demand. During the discussion attention was also paid to uncertainty relating to changes in inflation in the near term connected with commodity price developments in the global markets and with the GUS changing the weights in the households' consumption basket.

The majority of the Council members stressed that amidst declining inflationary pressure, monetary policy should focus more on counteracting excessive slowdown of economic growth, thus contributing to maintaining price stability in the medium term. In the opinion of some Council members, this justified a significant reduction of the NBP interest rates so that – considering the time lags in the transmission mechanism – the effects of such measures could translate, as soon as possible, into strengthening the domestic demand. Some Council members were of the opinion that the easing of the monetary policy should also be accompanied by the implementation of the government loan guarantee system supporting economic growth.

While discussing the exchange rate developments, it was emphasized that the recently observed considerable depreciation of the zloty exchange rate resulted mainly from the increase in risk aversion in the global financial markets leading to capital outflow from the emerging markets, which was reflected in a rise of bond yields and CDS rates. Some Council members pointed out that the scale of zloty depreciation was higher than that of other currencies of the Central and Eastern Europe despite interest rates in Poland had been lowered to a lesser extent than in other countries of the region. In their opinion, this meant that the impact of the interest rate disparity on the exchange rate had recently been limited. At the same time, those Council members indicated that under current circumstances the outlook for economic growth in Poland and the resulting situation of the public finance sector were of higher importance for the zloty exchange rate developments. In the opinion of some Council members, a strong reduction of interest rates aimed at counteracting excessive economic slowdown might therefore contribute to the strengthening of the zloty exchange rate in the medium term. Additionally, they argued that consolidating lowering the NBP interest rates to the level consistent with both maintaining price stability and supporting economic activity, would be conducive to fading of expectations for further NBP interest rates reductions, which should limit the pressure for zloty depreciation. Other members of the Council assessed, however, that too strong lowering of the NBP interest rates might boost expectations of financial market participants as to overall scale of further interest rates reductions. Moreover, they pointed out that the too rapid easing of the monetary policy by the Council might be perceived as a sign of considerable deterioration in the outlook for Polish economy, and thus contribute to further depreciation of the zloty exchange rate. Those Council members also emphasized that the domestic foreign exchange market was at present relatively shallow bringing about the risk of further strong zloty depreciation which should be accounted for while deciding on the scale of the NBP interest rates reduction.

While analyzing the factors affecting exchange rate developments specific for the Polish economy, some members of the Council argued that the zloty depreciation might have been strengthened by Polish enterprises having to conclude previously signed options contracts by purchasing foreign currency at the market. On the other hand, some Council members pointed out that declarations of the Government about its commitment to meet the timetable of Poland's euro area accession could have contributed to limiting the scale of zloty depreciation. In this context, it was noted that a possible postponement of euro adoption might have a negative impact on zloty exchange rate developments.

While discussing the impact of zloty depreciation on the economy it was indicated that exchange rate depreciation negatively affected the financial condition of enterprises engaged in options contracts and increased the zloty value of debt of economic entities (enterprises, households and public finance sector) denominated in foreign currencies, which would be conducive to curbing their expenditures. Moreover, it was pointed out that rising import prices driven by weaker exchange rate would – through higher costs of imported commodities and intermediate goods – negatively affect the economic activity in Poland. On the other hand, it was noted that improved competitiveness of Polish products on foreign markets, related to zloty depreciation, would limit the negative impact of recession in the external environment on Polish exports. It was argued that depreciation would also lead to rising zloty value of EU funds which – combined with a possible fall in prices of construction and assembly works, signalled by the results of the GUS business condition surveys – might constitute a factor supporting the implementation of investment projects financed with EU funds. It was emphasized that depreciation bringing about a rise in the prices of imported goods, would favour the growth of domestic demand for domestic goods to the detriment of imported goods which would contribute to reducing the imbalance of Polish trade.

While analyzing the credit market situation it was pointed out that although monetary data had not as yet signalled strong slowdown in credit growth, in 2008 Q4 banks considerably tightened their lending policy and some of them retreated from granting housing loans denominated in foreign currencies. In this context, some Council members argued that decisions about lowering the NBP interest rates were of considerable importance for bank lending as they contributed to decreasing the costs of zloty denominated loans. It was also pointed out that since the beginning of the process of the NBP interest rates lowering in November 2008, the 3-month WIBOR rate decreased by more than 100 basis points which confirmed that despite market interest rates remaining at an elevated level relative to the reference rate, the Council's decisions had a considerable impact on market interest rates.

While analyzing the situation in the banking sector it was pointed out that offering high interest rates on term deposits was accompanied by rising loan margins by banks. Some Council members argued that by the time the previously opened deposits terminate, banks might tend to maintain the cost of newly granted loans at an increased level even despite reduction in the NBP interest rates. Moreover, in the opinion of those Council members too deep lowering of the interest rates through decreasing banks' incomes from servicing previously granted loans – provided their interest depends directly on interest rates in the interbank market – might result in deteriorating financial results of banks and, consequently, constitute a factor limiting lending. Those members argued that easing the monetary policy should be implemented in such a pace as to allow banks to gradually adjust to changing business conditions.

While discussing the level of interest rates it was pointed out that considering the rapid downturn in the economy and decline in inflationary pressure many central banks had recently continued to ease their monetary policy. Some members of the Council argued that provided there were no or small reductions in the interest rates in Poland, this would lead to a rise in interest rate disparity. Other Council members noted, however, that at present it was difficult to assess the impact of the considerable monetary policy easing introduced by major central banks on the economy and financial system stability; therefore, changes in interest rates in other countries should not be followed automatically.

While discussing the decision on interest rates, the Council assessed that the signs of stronger and faster than expected slowdown in the global and Polish economic activity combined with further decline in inflationary pressure spoke of lowering the NBP interest rates. In the opinion of some Council members reduction of the interest rates should be implemented gradually and its scale at the January meeting should be smaller than in December 2008, especially in view of the easing of the monetary conditions resulting from considerable depreciation of the zloty exchange rate. According to those members of the Council, too strong lowering of the NBP interest rates at the current meeting posed a risk of further depreciation of the exchange rate which favoured gradual adjustment of interest rates. Moreover, those members pointed out that too strong lowering of interest rates at the current meeting might excessively boost market expectations as to the total scale of interest rate reduction. Other members of the Council emphasized, however, that in view of the fast deteriorating outlook for domestic economic growth, it was necessary to lower, as soon as possible, the interest rates to the level supporting the economic activity in Poland. In the opinion of those Council members considerable reduction of the NBP interest rates would counteract limiting of banks' lending, and consequently, too strong decline in domestic demand. They argued that the Council's decisions aimed at supporting GDP growth in view of the falling inflationary pressure might lead to strengthening of the zloty exchange rate. The Council also discussed the scale of possible further lowering of the NBP interest rates.

Motions to lower the NBP interest rates by 25 basis point, by 50 basis points and by 75 basis points were put forward. The motion to lower the NBP interest rates by 75 basis points was passed, therefore the motions to lower the NBP interest rates by 25 basis points and by 50 basis points were not put to voting. The Council decided to lower the NBP interest rates to the level: the reference rate to 4.25%, the lombard rate to 5.75%, the deposit rate to 2.75% and the rediscount rate to 4.50%.

Minutes of the Monetary Policy Council decision-making meeting held on 25 February 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the zloty exchange rate developments, the outlook for economic growth in Poland and abroad and credit market conditions. The Council discussed the influence of those factors on the future inflation developments in Poland in view of the February projection of inflation and GDP.

The Council paid a lot of attention to exchange rate developments. It was pointed out that the currencies of Central and Eastern Europe, including the zloty, had weakened significantly since the previous meeting of the Council. It was emphasized that the depreciation of those currencies was triggered, *inter alia*, by the deteriorating economic outlook for the countries of the region, including concerns over macroeconomic stability of some of those countries. An increase in the global aversion to risk, resulting in capital outflow from the emerging markets, fears of financing large trade deficits in some countries, and foreign exchange transactions by short-term investors were also considered as factors conducive to the depreciation of the currencies of the region, including the zloty. It was pointed out that the scale of zloty depreciation resulting from a relatively larger liquidity of the Polish foreign exchange market did not reflect the comparatively favourable condition and outlook for economic growth in Poland. Some Council members pointed out that the zloty depreciation might have been additionally strengthened by demand for foreign currency of Polish enterprises engaged in option contracts.

The Council also discussed the impact of changes in the NBP interest rates on the zloty exchange rate developments. Some members of the Council argued that in a period of high exchange rate volatility a considerable interest rates reduction may increase the risk of further depreciation of the exchange rate. Other Council members emphasized that the impact of the interest rate disparity on the zloty exchange rate had recently been limited. They pointed out that the economic outlook for Poland constitutes the factor influencing the zloty exchange rate developments. According to those members of the Council, easing the monetary policy will counter the excessive deterioration of economic growth and, therefore, it may be a factor conducive to strengthening of the zloty exchange rate in the medium term.

While analyzing the impact of the zloty depreciation on the economy, it was pointed out that the weakening of the exchange rate contributes to reducing the domestic demand by increasing households' and enterprises' expenditure on servicing financial obligations denominated in foreign currencies. On the other hand, it was pointed out that the zloty depreciation improves the competitiveness of Polish exports, and, contributing to the rise in prices of imported goods, is conducive to the increase in competitiveness of Polish producers in the domestic market. It was also indicated that the zloty exchange rate depreciation leads to a rise in the zloty value of EU funds.

While discussing the impact of the zloty depreciation on the credit market situation, some Council members indicated that as a result of the weakening of the Polish currency the zloty value of bank assets denominated in foreign currencies increases. Without raising the capital it may lead to a decrease in banks' capital adequacy ratios and, in consequence, may be conducive to further reduction of lending.

While analyzing the impact of the zloty depreciation on the budget deficit and public debt, the Council members indicated that the exchange rate depreciation increases public spending on contributions to the European Union budget and on servicing the foreign debt. Some members of the Council assessed that a significant zloty depreciation may limit the foreign investors willingness to finance the borrowing needs of the state budget. Additionally, some Council members pointed out that further depreciation of the exchange rate may cause long-term investors, holding debt instruments issued by the Polish government, to hedge against the foreign exchange risk by making transactions in the forward market, which may strengthen the zloty depreciation as a result of arbitrage between the spot and the forward market. Other Council members, however, pointed to a relatively small share of foreign debt in the total debt of the general government sector and the dominant share of domestic investors in financing the borrowing requirements of the state. According to those Council members an increase in the borrowing needs of the governments of the developed countries resulting from undertaken counter-crisis measures is a more important factor than the zloty depreciation in limiting the possibility of external financing of the budget deficit and public debt in Poland, as well as in other developing countries.

While addressing the situation in the external environment of the Polish economy, the deepening recession in developed economies (the United States, the euro zone, Japan) and the increasing slowdown in economic growth in developing countries was noted. It was argued that the worsening outlook for economic growth in China may put the expected improvement in global economic performance at risk. It was also indicated that some of the central banks had continued to ease their monetary policy in the recent period. Some members of the Council pointed out, however, to a change in monetary policy stance of the central banks of Central and Eastern Europe, which was due to the recent depreciation of their currencies.

While discussing the outlook for domestic economic growth, it was pointed out that the decrease in industrial output and orders in January 2009, as well as worsening indicators of economic climate confirm that the activity in the Polish economy is deteriorating further. Moreover, it was noted that reduced lending by banks, increase in the burden for economic agents due to the previously incurred foreign-currency-denominated liabilities as well as increases in administered prices limiting the purchasing power of households will be conducive to decreasing domestic demand. The negative influence of a significant deterioration of economic outlook on corporate investment was also noted. It was indicated that further decrease in demand for Polish exports, which is connected with the deepening recession experienced by Poland's major trade partners, will contribute to a further deterioration of economic growth in Poland. The impact of the decrease in foreign demand for Polish exports may be cushioned by the depreciation of the zloty exchange rate. Some Council members assessed that the scale of the economic slowdown in Poland may be larger than forecasted in the February NECMOD projection.

The meeting also addressed the influence of the NBP interest rates reductions on domestic demand and on the situation in the banking sector as well as in the credit market. It was indicated that interest rate cuts ease the burden of servicing zloty-denominated loans of economic agents, which limits the risk of debts being unsettled by these agents, and, in consequence, acts towards increasing the stability of the financial system. It was also emphasized that lowering the interest rates leads to an increase in purchasing power of the these agents, which may contribute to an increase in domestic demand. Some Council members pointed, however, to the uncertainty surrounding the impact of lower interest rates on the domestic demand in the context of the credit market distortions. They indicated that the NBP interest rate cuts made in November and December 2008 – despite a significant drop in the 3M WIBOR rate – were accompanied by a smaller decrease in interest on corporate loans, only a slight decrease in interest on housing loans and a small increase in interest on consumer loans. Those Council member argued that the reductions of the NBP interest rates decrease the banks' incomes from servicing the previously granted loans, which – coupled with a relatively high interest rate on deposits – may induce banks to increase margins on newly granted loans. According to some Council members, too low competition in the Polish banking sector may be a factor limiting the influence of the reductions of the NBP interest rates on the interest on loans.

Some members of the Council indicated that limited demand for loans from economic agents related to negative outlook for economic growth may constitute a barrier to the credit growth. They emphasized that the decrease in creditworthiness of economic agents related to the drop in value of their assets and the increase in the burden due to the incurred foreign-currency-denominated loans may also be a factor limiting the credit growth.

The Council discussed the possibility of modifying the employed monetary policy instruments in order to improve the liquidity situation in the banking sector and prevent extensive reduction of banks' lending, including the potential extension of maturity of repo transactions, lowering the reserve requirement rate and reducing the deposit rate to a greater extent than other NBP interest rates. The Council also debated on the issues connected with employing the instruments directly influencing the zloty exchange rate in the context of developments in the foreign exchange market.

While addressing the outlook for inflation, some Council members estimated that in the nearest future CPI and core inflation will remain at elevated levels, which also is indicated by the February NECMOD inflation projection. Those members argued that substantial rise in administered price and current strong depreciation of the zloty exchange rate will be conducive to increasing inflation. Other members pointed out that the February NECMOD inflation projection points to an increase of the negative output gap leading to a considerable drop in the inflationary pressure in the monetary policy transmission horizon. Those members also pointed to a decreasing wage pressure in the Polish economy. According to those Council members, the risk of permanent overshooting the inflation target due to the zloty depreciation is small in the conditions of significantly weakening demand. Those members assessed that – despite a strong depreciation of the zloty exchange rate – the core inflation in 2009 Q1 may be lower than forecasted in the February inflation and GDP projection. Moreover, they pointed out that in February 2009 the inflation expectations of households and bank analysts declined. At the meeting, the uncertainty related to inflation developments in the nearest period resulting from accounting for the changes in the consumption basket of households by GUS was also brought up.

The Council also discussed the prospects of fulfilling the Maastricht price stability criterion by Poland. Some Council members indicated that due to a more rapid drop in current headline inflation in most European Union countries than in the Polish economy, in the nearest future the 12-month moving average HICP inflation in Poland, taken into account when assessing the compliance with the price stability criterion, may still exceed the reference value. Other Council member pointed out, however, that according to the February inflation and GDP projection in the NECMOD model it may be expected that the CPI inflation will decrease to a low level over the monetary policy transmission horizon, and, thus, Poland will be complying with the price stability criterion in the medium term.

While analyzing the influence of fiscal policy on the economy, some Council members pointed out that the scale of reductions of public spending in 2009 announced by the government is larger than assumed in the February inflation and GDP projection. Those members indicated that the change in the way of financing some infrastructural expenditure, which shifts the expenses incurred for this purpose by the central budget to other units of the general government sector, may – should difficulties with acquiring sufficient funds on the market arise – lead to the refrainment from a part of these expenditures. They also emphasized that a more severe economic slowdown than the one currently expected by the government, and consequently lower-than-expected budget revenues, may lead to further curbing of budget expenditures. Those Council members argued that a restrictive fiscal policy supports further monetary policy easing. Other

Council members, however, pointed to the actions announced by the government aimed at alleviating the effects of the crisis, including, inter alia, mortgage-loan-repayment aid for the unemployed, which will limit the restrictiveness of the fiscal policy.

While considering the decision on interest rates, some Council members argued that the quickly deteriorating economic situation in the world and in Poland, the drop in inflation below the target over the projection horizon expected in the February inflation and GDP projection, and the relatively high restrictiveness of fiscal policy are factors supporting additional considerable NBP interest-rate cuts. Those members assessed that in the current conditions the influence of the interest rate disparity on the zloty exchange rate, and, by the same token, the risk of further depreciation of the zloty exchange rate, is limited. Other Council members argued that the risk of further significant depreciation of the zloty exchange rate that may lead to a considerable deterioration of economic activity in Poland, and the uncertainty about the magnitude of the impact of interest-rate cuts on domestic demand justified the decision of keeping interest rates unchanged at the current meeting. According to the majority of the Council members, given the considerable depreciation of the zloty the scale of the reduction of the NBP interest rates at the February Council meeting should be moderate.

Motions to lower the NBP interest rates by 25 and 50 basis points were put forward. A motion to lower the NBP interest rates by 50 basis points did not pass. A motion to lower the interest rates by 25 basis points was passed. The Council decided to lower the NBP interest rates to the level: the reference rate to 4.00%, the lombard rate to 5.50%, the deposit rate to 2.50% and the rediscount rate to 4.25%.

The Monetary Policy Council judged also that the situation on the foreign exchange market may justify employing the instruments directly affecting the zloty exchange rate.

Minutes of the Monetary Policy Council decision-making meeting held on 25 March 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the short-term interest rate developments in the context of conducted open market operations, zloty exchange rate changes, outlook for inflation and economic growth in Poland and situation in the banking sector.

The Council paid a lot of attention to the consequences of change introduced to conducting open market operations by limiting the supply of NBP bills. This change resulted in higher liquidity remaining in the banking sector and related reduction in short-term interest rates in the interbank market significantly below the NBP reference rate. It was argued that limiting the supply of NBP bills as compared to the demand is aimed at fostering activity of commercial banks in the interbank market. In the opinion of some discussants, lack of possibility of investing all the banks' liquid assets in money bills should further result in this liquidity being used to increase lending. At the same time, it was pointed out that limited supply of NBP bills translated into banks' increased interest in investing in Treasury bills.

Some members of the Council argued that changes introduced to conducting open market operations, translating into short-term interest rates in the interbank market lowering below the NBP reference rate should be taken into account in the Council's decisions concerning both the level of the NBP interest rates and the possible further changes in the monetary policy instruments used. At the same time, they pointed out that increased liquidity in the interbank market might impede exchange rate stabilization. Moreover, the Council decided that reduction of reserve requirement rate and decrease of the deposit rate by more that other NBP interest rates were not justified at the moment.

The Council also discussed the possible change in interest rates on FX swaps used by the NBP and extension of their maturity.

While addressing the exchange rate issues, it was pointed out that since the February meeting of the Council, the previously observed depreciation of the zloty had been halted. Some members of the Council emphasized that the role of interest rate disparity was temporarily limited, and exchange rate developments continued to be largely affected by other, mainly global and regional factors, which was indicated by similar changes in exchange rates of the currencies of Central and Eastern Europe. Other members of the Council argued that foreign exchange market is still marked by high volatility and that the Council should continue to take into account the risk of further depreciation of the zloty. In this context the importance of macroeconomic situation in other economies of the region and the impact of any negative developments in those countries on the zloty exchange rate were emphasized. In the opinion of those Council members, a major factor behind uncertainty concerning zloty exchange rate developments was prospects of Poland's accession to the euro area.

While discussing the exchange rate, it was stressed that the previously observed considerable zloty depreciation was the main risk factor for price stability in the coming months. It was pointed out that the weakening of the zloty, through a strong increase in fuel prices, contributed largely to a rise in inflation in February as compared to January 2009. Yet, at the same time, some Council members stressed that the impact of exchange rate fluctuations on inflation would probably be short-lived, and translation of the depreciation into domestic prices might be limited amidst economic slowdown. Other members of the Council argued that a rise in producer prices in February which proved considerably higher than expected, might be largely connected with the previously observed weakening of the zloty exchange rate. In the opinion of those Council members, although rising producer prices did not automatically translate into consumer prices, in the situation of weakening external demand, rising production costs might be compensated for by price increases in the domestic market, thus contributing to higher inflation. Those members also pointed out that any further weakening of the zloty might lead to the fading of the anti--inflationary effect connected with lower imported inflation.

It was emphasized that, apart from the previously observed considerable depreciation of the zloty exchange rate, higher inflation was driven mainly by rising administered prices, including, in particular, flat maintenance and energy prices. Some Council members argued that the coming months might be expected to see those prices continue to growth at an increased rate which would reduce a fall in inflation. It was also pointed out that food price developments resulting from unfavourable occurrences in the regions being important suppliers of main agricultural products, were a risk factor for inflation.

While addressing other factors affecting the outlook for inflation, some members of the Council pointed out that deepening recession in the global economy putting a downward pressure on inflation abroad and a relatively low level of prices of raw materials – below the level accounted for in the NBP February projection – would curb inflation in Poland. They also argued that amidst weakening external and domestic demand, falling demand for labour would cause faster that accounted for in the February inflation projection decline in wage growth which would be conducive to a reduction of growth in unit labour costs. Those Council members assessed that the above mentioned factors connected with strong decline in the demand pressure in the economy indicated faster decrease in inflation than accounted for in the projection, which is also suggested by the results of short-term forecasts prepared by the NBP.

While assessing the outlook for economic growth abroad, attention was paid to deepening recession in the United States and in the euro area as well as to further lowering of forecasts for those economies and the related risk of global recession lasting longer than accounted for in the February projection. It was emphasized that in response to the strong decline in economic activity and risks to stability of the financial sector, major central banks lowered their interest rates to very low levels and undertook actions aimed directly at increasing the supply of reserve money which were intended to intensify lending and decrease long-term interest rates. Attention was also paid to the fact that no further interest rate cuts were implemented by central banks of Central and Eastern Europe.

While discussing the domestic economic growth, it was pointed out that recession in Poland's main trading partners translated into decreasing exports and industrial output which was corroborated by the data for the first months of 2009. It was argued that weakening demand in the economy was leading to falling employment in the corporate sector, rising unemployment and declining wage growth. At the same time it was emphasized that deteriorating situation in the labour market was curbing consumer demand which was reflected by retail sales data. It was also indicated that deteriorating financial situation of enterprises was hindering their investment activity. According to some members of the Council, the above mentioned factors, namely reduced external and domestic demand (both consumer and investment demand) would result in GDP growth being considerably lower than accounted for in the February projection. Other Council members emphasized that the risk of further zloty depreciation was also of considerable importance for the outlook of economic growth, since through increase in the value of obligations denominated in foreign currencies and the related rise in debt service costs it might also lead to further deterioration in financial situation of households and enterprises leading to lower GDP.

While analyzing the situation in the banking sector, attention was paid to high liquidity preference of banks and their striving to attract deposits of non-financial sector by offering still high interest rates. It was pointed out that high costs of financing bank activity resulting from the above were reflected in increased margins on newly granted credits. At the same time, however, it was emphasized that in the first few months of 2009 reduction in interests rates on deposits and loans, following a considerable lowering of the NBP interest rates, was observed. Some discussants argued that NBP interest rate cuts should lead to further fall in interest rates on deposits thus reducing the costs of banks' financing and contributing to a reduction in interest rates on loans. Yet, it was pointed out that considerable increase in banks' margins was largely due to higher credit risk and, consequently, no considerable reduction in margins should be expected.

Some members of the Council emphasized that even if NBP interest rates reductions were not fully reflected in interest rates on newly granted loans in commercial banks, lower interest rates decreased the costs of servicing already taken loans which was of considerable importance for the financial condition of some households and enterprises. Other Council members pointed out that the impact of further interest rate cuts on the development of bank lending was currently limited since the volume of loans depended, to a major extent, on factors not directly linked to the NBP interest rates (such as high liquidity preference and high credit risk assessment).

The Council discussed the prospects of Poland's accession to the euro area and related requirement to fulfil the convergence criteria, including, in particular, price stability criterion.

While considering the decision on interest rates, some members of the Council argued that considerable decline in economic activity leading to significant reduction in demand, combined with lower wage pressure, and consequently also inflationary pressure, justified further lowering of the interest rates. The reduction of the NBP interest rates should – in their opinion – translate into lower interest rates on deposits and loans in commercial banks contributing to intensified lending and preventing excessive decline in economic activity. Other Council members argued, however, that the decision on interest rates should take into account the lowering of the short--term interest rates in the interbank market significantly below the NBP reference rate driven by changes introduced to the conducting of open market operations. They also pointed at the risk of further zloty depreciation and at a decline of real interest rate.

A motion to lower the NBP interest rates by 25 basis points was put forward and passed. The Council decided to lower the NBP interest rates to the level: the reference rate to 3.75%, the lombard rate to 5.25%, the deposit rate to 2.25% and the rediscount rate to 4.00%.

Minutes of the Monetary Policy Council decision-making meeting held on 29 April 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the outlook for economic growth in Poland and abroad, situation and outlook for public finance, inflation developments in Poland, zloty exchange rate developments and credit market situation.

While discussing the domestic economic growth, it was noted that the decline in exports, industrial output and retail sales in the first months of 2009 confirm a considerable slowdown in the economic activity in Poland. Yet, some members of the Council pointed out that better than expected macroeconomic data and a slight improvement in some business climate indicators in March 2009 might be a sign of a low-level stabilization of the activity in the Polish economy. Other members argued that a minor decline in industrial output and higher than expected rise in wages in March 2009 might be linked to a different than in 2008 holiday calendar, and some business climate indicators continue to indicate a further deterioration in the activity in the enterprise sector and a decline in demand in the Polish economy.

While addressing the outlook for domestic economic growth it was pointed out that due to a considerable – albeit not so high as in the majority of other countries of Central and Eastern Europe – openness of the economy, the global economic situation and related changes in demand for Polish exports are the factor of uncertainty to the economic situation in Poland. In this context, attention was paid to the deepening recession in the euro area and activity in the United States continuing at low level as well as to further downward revision of growth forecast for the global economy. The forecasts of considerable decline in GDP in 2009 in the German economy and in non-EU economies being Poland's major trading partners were indicated. However, at the same time, attention was also paid to a slight improvement in the situation in global financial markets and some signs suggesting that an intensification of unfavourable developments in the global economy had been halted.

Some members of the Council pointed out that improvement in exports might, in the later part of the year, constitute a factor driving recovery of the Polish economy which would, however, depend on zloty exchange rate developments. Other members of the Council assessed that changes in foreign demand might be of higher importance for the outlook for Polish exports than zloty exchange rate developments.

While analyzing the exchange rate developments, it was pointed out that the previously observed depreciation of the zloty had been halted. Yet, at the same time it was indicated that developments in exchange rates of currencies of emerging economies, including the zloty exchange rate, currently depended largely on changes in risk aversion in the international financial markets. Moreover, some members of the Council emphasized that postponement of the zloty joining the ERM II might be conducive to its depreciation. They also pointed out that worse than previously expected situation of the public finance sector might be another factor increasing the risk of zloty depreciation.

While discussing the situation in the public finance sector it was pointed out that the sector's deficit in 2008 was considerably higher than the one assumed by the government in the December 2008 Convergence Program. In this context, reference was made to the factors which contributed to considerably higher than anticipated deficit level. Some members of the Council emphasized that amidst the strong slowdown of economic activity it was likely that the budget deficit would exceed the level assumed for 2009 or budget expenditures would be cut. Some Council members also pointed out that possible implementation of additional anti-crisis measures might contribute to a rise in the budget deficit in the coming years. It was indicated that uncertainty about the fiscal situation, both of the central government and other entities of the public finance sector, hindered the assessment of its impact on the outlook for inflation in Poland.

While addressing the prospects of compliance with the Maastricht fiscal criterion it was assessed that as a result of strong deterioration in the economic situation in Poland, the deficit of the public finance sector in relation to GDP might increase considerably in the years 2009 and 2010. In this context, it was pointed out that fulfilment of the Maastricht fiscal criterion in the coming years might be impeded.

While discussing the current inflation developments, it was indicated that a rise in consumer price index in March 2009 up to 3.6% i.e. above the upper limit for deviations from the NBP inflation target set at the level of 3.5% had mostly been driven by a rise in food prices. It was also pointed out that the growth in regulated prices, including, in particular, rises in the prices of energy and prices related with maintenance of dwellings continued to be the factor boosting inflation. It was stressed that a rise in inflation had been driven by the previously observed zloty exchange rate depreciation and that exchange rate developments continued to be the main risk factor for price stability. Some members of the Council assessed, at the same time, that – taking into account the zloty appreciation observed since the middle of February 2009 – the impact of the previously observed depreciation of the zloty exchange rate on inflation may be rather short-lived. Other members of the Council argued that higher than expected rise in inflation in March 2009 indicated that even amidst strong economic slowdown, exchange rate depreciation translates significantly into a rise in consumer prices in Poland.

While addressing the outlook for inflation in Poland, some members of the Council assessed that in the medium term inflation should decline to the inflation target which was also suggested by the February inflation projection and short-term forecasts prepared by the NBP. This might be favoured by declining domestic demand and falling labour demand translating into a gradual fall in wage pressure and by the commodity prices continuing at relatively low levels. Those members also argued that a fall in inflationary expectations of households should contribute to a decline in inflation. Other members of the Council pointed, however, to the risk of inflation persisting at an increased level in the case of shocks affecting food and energy commodity markets. Moreover, some members of the Council indicated that considerable worsening in the situation of the public finance sector might urge the government to increase budget income through rises of indirect taxes, including excise tax, and local governments – to increase the prices of services depending on their decisions, which would, in turn, contribute to higher inflation.

The Council also discussed the prospects of Poland's compliance with the Maastricht price stability criterion. Some Council members indicated that amidst inflation in some EU countries falling to very low levels the reference value for price stability criterion in 2010 might run considerably below the 12-month moving average HICP inflation in Poland. In the opinion of those members fast disinflation in Poland that would enable to fulfil again the Maastricht criterion might then require considerable tightening of the monetary policy. At the same time, some members of the Council pointed out that the developments of HIPC inflation in Poland against the reference value for price stability criterion in the coming years would largely depend upon changes in regulated prices.

While discussing the credit market situation, some members of the Council pointed out that banks in Poland currently focused their lending activity on consumer loan market. Interest rates on consumer loans slightly increased despite NBP interest rate cuts implemented since November 2008. Moreover, they argued that excessive rise in households' burden resulting from servicing consumer loans might – through rising value of irregular loans – lead to deterioration in banks' capital adequacy ratios and, in consequence, result in limiting future lending. Other members of the Council pointed out, however, that the rise in the value of consumer loans was lower than last year, and the share of consumer loans in the total loans was relatively small.

Members of the Council also discussed strong reduction in corporate lending in 2009 Q1. It was pointed out that banks' tightening of their lending conditions, partly connected with persisting uncertainty about future economic developments hindering the assessment of the credit risk, constituted the factor limiting corporate lending. Some members of the Council assessed that in order to intensify corporate lending further modifications of the monetary policy instruments might be necessary.

At the meeting, the Council also addressed the possibility of Poland obtaining the IMF flexible credit line. It was emphasized that the flexible credit line is aimed at countries with strong economic fundamentals which used to pursue a responsible macroeconomic policy in the past and which are likely to continue such a policy in the future. It was pointed out that Poland's access to the IMF funds might favour the exchange rate stabilization and indirectly facilitate obtaining the funds to finance the budget deficit and public debt in foreign markets as well as to reduce debt service costs. The Council analysed also the impact of Poland's access to the flexible credit line on the outlook for inflation in Poland.

The meeting also focused on dilemmas connected with the interest rate policy in the longer term. It was pointed out that recovery in the global economy would require considerable tightening of macroeconomic policy in many countries, which might be difficult both due to the scale of the implemented anti-crisis instruments and uncertainty about the sustainability of such economic recovery. In this context, some members of the Council pointed out that lowering the NBP interest rates currently to excessively low levels might later on require a relatively faster and stronger tightening of the monetary policy in order to stabilize inflation at the level of the inflation target. Moreover, it was pointed out that excessive interest rate cuts might – in the situation of further deterioration of the economic climate or economic stagnation – limit the possibility of lowering interest rates in the future in order to support economic growth in Poland.

Some members of the Council indicated that the real *ex post* interest rate (deflated with current headline inflation) in Poland was lower than in the euro area. Besides, it was pointed out that – according to the short-term forecasts prepared at the NBP – in April 2009 inflation might exceed the current level of the NBP reference rate, and, as a result, the real interest rate would be negative. Yet, it was also indicated that amidst the unfavourable economic climate and persisting uncertainty about future economic developments, a fall in real interest rates to the negative levels might have a limited impact on households' propensity to save. In this context, attention was paid to considerable decline in the monetary policy restrictiveness, which was driven – apart from interest rate cuts – also by the previously observed significant weakening of the zloty exchange rate.

Members of the Council agreed that uncertainty about the outlook for economic recovery in Poland and abroad, the situation in the public finance sector and zloty exchange rate developments and their impact on inflation justified keeping the NBP interest rates unchanged at the current meeting. Moreover, some members of the Council indicated that also very low level of real interest rates spoke in favour of leaving the NBP interest rates unchanged. The majority of the Council members maintained the opinion that the probability of inflation running below the inflation target in the medium term was higher than the probability of inflation running above the target.

The Council kept the interest rates unchanged: the reference rate at 3.75%, the lombard rate at 5.25%, the deposit rate at 2.25% and the rediscount rate at 4.00%.

Minutes of the Monetary Policy Council decision-making meeting held on 27 May 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the situation in the credit market and in the banking sector as well as on the outlook for economic growth and inflation in Poland and abroad.

The Council paid a lot of attention to the situation in the domestic credit market. It was pointed to a strong decline in the growth of corporate and mortgage loans. On the other hand, attention was paid to a still high growth in consumption loans. It was pointed out banks might give preference to consumer loans market as the average volume of this type of loan is lower and the average maturity shorter, whereas interest rate significantly higher than in the case of other loan categories. Yet, some members of the Council paid attention to the growing risk of the loan portfolio deterioration related with granted consumption loans and, as a result, possible reduction of lending also in this segment.

It was emphasized that reduction in lending has a negative impact on economic activity in Poland. It was also pointed at the risk of unfavourable feedback between deteriorating situation in the real economy and situation of the financial sector.

While discussing measures that could support lending growth, the lowering of the required reserve rate was considered. It was emphasized that lowering of the reserve requirement was one of the expectations stated by banks during the preparation of the Pact on Credit Action Development in Poland. In the opinion of the Council, the reduction of the required reserve rate should be conducive towards increasing banks' lending. While analysing the scale of the reduction in reserve requirement, it was pointed out that lowering of this rate should be implemented gradually, and potential further adjustments should depend on the impact of this reduction on bank lending and interest rate developments in the interbank market.

Some members of the Council argued that high credit risk assessment was a more important reason for banks' limiting their lending than liquidity situation. In this context it was assessed that implementation of the guarantees and warranties of the Bank Gospodarstwa Krajowego introduced under the governmental Stability and Development Plan would favour the growth of corporate lending.

While discussing the outlook for bank lending in Poland, the capital position of the banking sector was also addressed. It was pointed out that solvency ratio for the whole banking sector had recently stabilized, yet the capital position of different banks was diverse. The risk of decline in capital adequacy ratios may – in the case of some banks – reduce their lending.

It was also pointed out that amidst the low limits for interbank transactions – in their attempt to acquire deposits from non-financial sector – banks had offered, for several months now, relatively high interests rate on deposits, considerably exceeding interest rates on loans in the interbank market. In the opinion of some members of the Council, banks undertake such measures in order to change the structure of their balance sheets to improve the relation between the value of granted loans and the value of acquired deposits. Those members also pointed out that relatively high costs of financing of banks' activity were coupled with falling yields on previously granted loans whose interest rate was largely based on variable WIBOR 3M rate.

While analyzing the money market interest rate developments, it was pointed at the recent rise in WIBOR 3M rate which occurred amidst NBP interest rates being kept unchanged. Attention was also paid to the fact that WIBOR 3M rate was now considerably higher than the interest rate on repo transactions with the same maturity. According to some members of the Council, decline in banks' income on granted loans being the result of falling interest rates in the interbank market accompanied by high costs of acquiring deposits induces those banks to undertake measures aimed at maintaining WIBOR 3M rate at a heightened level, while limiting their interbank transactions.

While discussing the external environment of the Polish economy, it was pointed to the signs of easing of downward trends in the global economy. At the same time, it was emphasised that the uncertainty about the starting point and sustainability of a possible recovery in the world economy remains high. In this context, attention was paid to the data suggesting stabilization of economic activity in the United States, while, at the same time, it was pointed out that some recently released data on American economy was worse than expected.

While analysing the outlook for economic growth in Poland's major trading partners, it was assessed that due to relatively lower flexibility of product and labour markets, the recession in Western Europe might be longer than in the United States. It was emphasized that a strong drop in GDP growth in euro area economies in 2009 Q1 might suggest that decline in economic activity in this region in 2009 – despite recent improvement in some economic indicators – would be deeper than expected. Some members of the Council also indicated that good economic situation in Western European economies in the past few years was largely driven by the boom in real estate markets and high demand for investment goods in the world. Those members argued that amidst current slump in real estate markets the recovery might take relatively long time both in the countries where the real estate bubble had burst and in the countries which had not reported any significant disequilibrium in these markets but whose exports were largely dependent upon high demand in the global economy. At the same time, those members pointed out that persisting low level of production capacity utilization in Western European economies might lead to a decline in the inflow of foreign direct investment to the countries of Central and Eastern Europe, including Poland, which might negatively affect productivity and economic growth in this region.

While analysing the situation in the Polish economy, it was indicated that the released data suggested a possibility of GDP growth remaining positive in 2009 Q1. At the same time, it was assessed that subsequent quarters would see a downward trend in GDP growth which was suggested by macroeconomic data for April 2009 and economic indicators remaining at a low level despite a certain improvement in recent period. Some members of the Council assessed that GDP would probably grow in 2009, albeit the risk of its slight decline could not be excluded. Moreover, other members of the Council assessed that recovery in the Polish economy might come later than expected and the GDP growth might remain at a relatively low level for a longer period of time, should the recession in Poland's major trading partners prove long-lasting.

In the opinion of some members of the Council factors curbing the decline in GDP growth in subsequent quarters might include – similarly to 2009 Q1 – consumption and net exports. It was pointed out that consumption growth slowed down gradually due to still relatively high wage growth, income tax cuts implemented in 2009 and continuation of relatively high growth in consumption loans. On the other hand, it was emphasized that growing unemployment and anticipated decline in wage growth as well as worse consumer sentiment – despite certain recent improvement – as compared with the previous years constituted factors that might be conducive to limiting future consumption demand. Moreover, some members of the Council pointed to the risk of decline in real wages in the economy which might lead to further reduction in consumption.

While addressing investment in the Polish economy, it was pointed out that further decline in private investment would be driven by unfavourable outlook for economic growth in Poland and abroad amidst production capacity surplus connected with high level of investment in the previous years. It was also emphasized that factors acting towards decline in investment expenditure would in addition include limited possibility of financing private investment in Poland caused by falling inflow of foreign direct investment, reduced bank lending and deteriorating financial condition of enterprises. On the other hand, it was pointed out that investment decline in the Polish economy might be curbed by investment projects co-financed with EU funds.

While analysing current inflation developments, it was indicated that in April 2009 inflation exceeded expectations and remained above the upper limit for deviations from the inflation target. At the same time, it was pointed out that the rise in inflation in that month was caused by rising food prices, regulated prices and traded goods prices, which was driven by the previous zloty exchange rate depreciation. Some members of the Council emphasized that developments of consumer price index net of prices largely beyond the direct control of monetary policy signalled that inflationary pressure in Poland had not eased considerably yet.

While discussing the outlook for inflation in Poland, some members of the Council pointed out that short-term forecasts of the NBP suggested inflation might decline in the coming months below the upper limit for deviations from the inflation target. Those members also pointed out that the structure of inflation expectations had not deteriorated despite the rise in current inflation. In the opinion of those members of the Council in the medium term decline in inflation should be driven by the slowdown in economic growth and further widening of the negative output gap in

Poland. Other members of the Council also pointed out that at the initial stage of recovery in the Polish economy inflationary pressure should not increase considerably due to faster labour productivity than wage growth and, consequently, favourable changes in unit labour costs.

Some members of the Council also argued that amidst persisting considerable negative output gap inflation in Western European countries might run, for a longer time, at a low level, which – through import prices – would be conducive to easing inflationary pressure in Poland. Yet, some members of the Council pointed at the risk of growth in agricultural and energy commodity prices in the case of revival of economic activity in the United States and China, likely to occur earlier than in Europe. Those members argued that continuing relatively low growth in the Polish economy connected with persisting recession observed in Poland's major trading partners might be then accompanied by inflationary pressure resulting from increase in commodity prices in the global markets.

At the meeting, it was also pointed out that the rise in inflation in the medium term might in addition be driven by a possible rise in indirect and local taxes as well as fees and prices regulated by local governments, connected with considerable deterioration in the situation of the general government sector. At the same time, some members of the Council pointed at high uncertainty about future tax policy of central government and about taxes, fees and prices decided by local authorities.

While discussing the impact of exchange rate on inflation, some members of the Council assessed that exchange rate developments remained the main risk factor for price stability. Those members also argued that – in the absence of current inflation growth translating into rising inflationary expectations and assuming exchange rate stabilization in the future – the impact of exchange rate depreciation on inflation might be expected to fade off gradually. Other members of the Council pointed out, however, that the pass-through of the previous exchange rate developments on inflation might be stronger than assessed earlier.

Moreover, some members of the Council argued that the risk of deterioration in the outlook for growth in the Polish economy as a result of longer-than-expected slowdown in the economic activity in the euro area and a fall in the inflow of direct investment might be conducive to zloty exchange rate depreciation in the medium term. Those members also pointed out that the risk of exchange rate depreciation might result from deteriorating situation in the general government sector in Poland. Deteriorating fiscal situation increases uncertainty about the moment of zloty entering the ERM II.

At the meeting the prospects of Poland meeting the Maastricht price stability criterion were also addressed. It was indicated that 12-month moving average HICP inflation in Poland exceeded in April 2009 by 0.7 percentage point the reference value for price stability criterion and that the difference between those indicators increased considerably.

Members of the Council agreed that current inflation developments, uncertainty about the prospects of economic recovery in Poland and abroad and uncertainty about the situation in the public finance and its impact on inflation justified keeping the NBP interest rates unchanged at the current meeting. Some members of the Council indicated also that also very low level of real interest rates spoke in favour of leaving the NBP interest rates unchanged. The majority of the Council members decided that a more comprehensive assessment of the medium-term outlook for inflation would be possible after getting acquainted with the results of the June projection of inflation and GDP. Moreover, the Council decided that strong contraction in lending justified lowering the required reserve rate by 50 basis points at the current meeting.

A motion to lower the required reserve rate by 50 basis points was put forward and passed. The Council lowered the required reserve rate from 3.5% to 3%, keeping, at the same time, the interest rates unchanged: the reference rate at 3.75%, the lombard rate at 5.25%, the deposit rate at 2.25% and the rediscount rate at 4.00%.

Minutes of the Monetary Policy Council decision-making meeting held on 24 June 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the outlook for economic growth abroad and in Poland, fiscal policy, zloty exchange rate developments and the situation in the credit market and the banking sector. The Council discussed the impact of those factors on future inflation in Poland against the background of the June projection of inflation and GDP.

While discussing the domestic economic growth, it was pointed out that decline in industrial output and very low growth of construction and assembly production in May 2009 confirmed the subdued economic activity in Poland. Some members of the Council pointed out that many macroeconomic indicators released recently, including the output data, were better than expected and some economic activity indicators pointed currently at a possible improvement in the outlook for growth in Poland. Other members of the Council argued, however, that worsening economic indicators in retail trade might signal further shrinking of consumption demand, which is driven i.a. by the decline in real aggregate wage in the enterprise sector. Those members also pointed out that according to the NBP preliminary assessments investment in the Polish economy might have strongly declined in 2009 Q2. Those members also emphasized that the June projection of the NBP pointed at further considerable decline in GDP growth in the coming quarters. Moreover, some members of the Council emphasized that the decline in economic activity in Poland might be stronger than indicated by the projection.

While discussing the external environment of the Polish economy, the successive signs of improvement in the outlook for world economic growth and stabilization of the situation in the global financial markets were pointed at. Yet, some members of the Council assessed that recession in the global economy might last longer that currently expected, and improvement of the situation in the financial markets might only be temporary. Those members emphasized that macroeconomic data did not univocally suggest that the downward trend in economic growth in the United States had been reversed. In the opinion of those members, recovery of the American economy would proceed gradually, which might delay the recovery of the euro zone and other developed economies. Those members indicated that 2009 was expected to bring a further strong decline in economic activity in the euro area and some forecasts pointed to the risk of GDP fall in this region also in 2010.

While analyzing the situation in the public finance sector, it was pointed out that a low growth rate of budget income in the first five months of 2009, including a considerable decline in tax revenues, which, given the persistently high expenditure growth, had led to a rapid increase in budget deficit. Some members of the Council pointed out that in order to limit the decline in tax revenues in 2009, the government would strive to increase non-tax revenues, including dividends from companies with State Treasury participation, which, given the restricted access to loans, might be conducive to additional cuts in investment expenditure by those enterprises. At the same time, those members assessed that – despite possible increase in the proceeds from dividends – the decline in budget income in 2009 would probably exceed the government announced growth in the planned deficit, which would suggest the need of cuts in some expenditure areas. Those members emphasized that the cuts in budget expenditure already announced by the government as well as possible further cuts would be conducive to a fall in domestic demand. The possible rise in taxes in 2010 might also lead to curbing domestic demand. It was also pointed out that the uncertainty about the scale of the actual expenditure cuts and the areas likely to be affected by these cuts, including the uncertainty resulting from some expenses being shifted from the central government budget to other units of the general government sector, makes it difficult to assess the impact of the changes in fiscal policy on the outlook for domestic economic growth.

While assessing the impact on inflation of changes in the situation of the general government sector and in the fiscal policy, the risk of a rise in inflation resulting from possible increases of regulated prices and indirect taxes in 2010 was indicated. Some members of the Council assessed that the rise in excise and VAT rates might be conducive to the CPI remaining at an increased level in 2010. Other members of the Council pointed out, however, that the possible tax increases and the government announced cuts in budget expenditure would be conducive to curbing domestic demand and, as a result, inflationary pressure. Those members also indicated that the rise in the budget deficit results mainly from the deteriorating economic conditions rather than from fiscal policy easing.

While analyzing the changes in current inflation it was pointed out that CPI inflation had fallen to 3.6% in May 2009, remaining, however, above the upper limit for deviations from the inflation target, set at 3.5%. It was emphasized that the inflation decline in May 2009 had mainly been driven by the negative base effect related to a strong rise in gas and energy prices in the corresponding period of the previous year. Some members of the Council indicated that the growth rate of consumer prices in the first few months of 2009 exceeded the average from the last eight years, which, by means of a base effect, might be conducive to a decline in the year-on-year inflation rate at the beginning of 2010. Those members also pointed out that in 2009 inflation was likely to remain at an increased level which would be driven i.a. by the positive base effect connected with a sharp fall in fuel prices in the second half of 2008.

While discussing the current inflation, some members of the Council also pointed out that inflation remaining above the upper limit for deviations from the inflation target was mainly connected with the previously effected increases in regulated prices and rising unprocessed food prices. Other members of the Council indicated that inflation was also driven – and would probably continue to be driven – by the persistence of inflationary processes. Moreover, they assessed that despite declining inflationary pressure some sectors of the economy continued to observe demand pressure as suggested i.a. by rising prices of market services.

The meeting also focused on HICP inflation developments in Poland. Some members of the Council pointed out that the difference between the 12-month moving average HICP inflation in Poland and the reference value for the price stability criterion increased in May 2009 to 1.0 percentage points. Yet, other members of the Council emphasized that inflation in Poland was higher than in Western European countries mainly due to considerable rises in regulated prices, which were beyond the direct impact of monetary policy. The difference in inflation levels might also be driven by the previously observed depreciation of the zloty exchange rate and a smaller scale of economic slowdown in Poland.

While discussing the outlook for inflation in Poland, attention was paid to the forecasted considerable decline in inflation in the projection horizon. Yet, some members of the Council pointed out that the situation in commodity and food futures markets pointed at the risk of a continuing upward trend in commodity and food prices, which might be conducive to rising inflation in Poland. Moreover, the decline in inflation might be curbed in the longer term by structural changes in the Polish economy boosting demand for market services. Those members also pointed out that in line with the projection in the years 2010–2011 CPI inflation should run below inflation net of food and energy prices which had not been observed since 2003.

Other members of the Council emphasized, however, that the June projection of the NBP pointed at the considerable widening of the negative output gap leading to a strong decline in inflationary pressure over the monetary policy transmission horizon. Moreover, some members of the Council assessed that in the medium term inflation might run below the central path of the projection due to the risk of economic growth abroad being lower than assumed in the projection. They also pointed out that due to the relatively slow adjustment of employment in the first stage of the economic slowdown, employment growth, and consequently also the growth of unit labour costs, might in the longer term be lower than accounted for in the projection. Those members also assessed that amidst low demand the impact of rising unit labour costs on inflation might be relatively weak. Moreover, in the opinion of those members of the Council, the zloty exchange rate is currently significantly weaker than the medium-term equilibrium rate which suggests that it might be stronger than accounted for in the projection.

While analyzing the developments in the exchange rate of the zloty, its relative stabilisation in the past few months was emphasized. On the other hand, it was pointed out that in May and June 2009 the zloty exchange rate had depreciated. It was stressed that at present zloty exchange rate fluctuations were impacted mainly by regional factors, in particular the unfavourable macroeconomic situation in some countries of Central and Eastern Europe. At the same time, attention was paid to the uncertainty about the impact on the zloty exchange rate of the worsening fiscal situation and the changing outlook for economic growth in Poland. On the other hand, some members of the Council assessed that the risk of zloty depreciation had considerably decreased as a result of improved sentiment in the global financial markets and was further mitigated by the relatively strong fundamentals of the Polish economy.

While discussing the impact of zloty exchange rate fluctuations on the economy, it was pointed out that the previously observed zloty exchange rate depreciation contributed to inflation persisting at an increased level. Some members of the Council assessed, however, that amidst low demand the impact of zloty depreciation on inflation would gradually decline. Those members emphasized that the current level of the zloty exchange rate increased the competitiveness of Polish products in foreign markets and in the domestic market, which is reflected in the improved current account balance and curbs the decline in domestic production.

While discussing the level of interest rates in Poland and abroad, it was pointed out that in the current situation the interest rate disparity between Poland and the euro area had a limited impact on zloty exchange rate developments. Yet, some members of the Council indicated that in the case of further decline in risk aversion in the international financial markets the currently observed disparity might boost the inflow of short-term capital to Poland. Other members of the Council pointed out, however, that this risk was mitigated by a still high level of risk premium prevalent in emerging economies. In the opinion of those members of the Council, the currently observed disparity was consistent with the higher natural interest rate and more favourable economic situation in Poland than in the euro area. Moreover, those members of the Council pointed out that *ex post* real interest rates (deflated with current headline inflation) in Poland were lower than in the euro area.

While analyzing the situation in the credit market, further strong decline in the growth of lending to the private sector was indicated. Some members of the Council pointed at the growing credit risk both with regard to corporate loans and household loans. Those members indicated that a considerable increase in lending might take place only after banks' concerns about the quality of their credit portfolios have abated. Moreover, they pointed out that limited lending was also driven by banks' high liquidity preference connected with their focusing on the improvement of their balance sheet structure through increasing the share of liquid assets. Other members of the Council emphasized that the strengthening of banks' capital base might support the increase in lending activity. In this context they assessed that the possible dividend payment by PKO BP would likely lead to a reduction in the supply of loans by this bank.

Moreover, those members pointed out that if other banks also decided to pay out dividends, the financial stability risk might increase.

While considering the decision on interest rates, some members of the Council argued that the considerable decline in inflation over the monetary policy transmission horizon anticipated in the June projection, further economic slowdown in Poland, the risk of long-lasting low economic activity abroad and the relatively tight fiscal policy stance, justified lowering the NBP interest rates at the current meeting. Other Council members argued, however, that the low level of real interest rates, current inflation remaining at a heightened level and the uncertainty about the outlook for inflation in Poland amidst growing commodity prices in the world markets and the still high volatility of the zloty exchange rate as well as risks connected with the future fiscal policy justified keeping the interest rates unchanged at the current meeting.

A motion to lower the NBP interest rates by 25 basis points was put forward and passed. The Council decided to lower the NBP interest rates to the level: the reference rate to 3.50%, the lombard rate to 5.00%, the deposit rate to 2.00% and the rediscount rate to 3.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 29 July 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the outlook for economic growth abroad and in Poland, medium-term inflation outlook, fiscal policy and credit market conditions.

The Council devoted a lot of attention to the outlook for global economic growth, while at the same time pointing out the considerable uncertainty surrounding the activity in the world economy both in the near future and in the longer term. It was emphasised that in the light of some data, including in particular those on the United States and China, recessionary tendencies in the world economy might have been halted in 2009 Q2, which is to a large extent connected with the fiscal and monetary stimulus programmes being implemented in many countries. Some Council members assessed that those programmes may be conducive to a recovery of global economic growth in 2010. They argued that accelerated economic growth in China may have an effect of reviving the activity in other Asian economies and – through increasing trade, which would also include raising those countries' demand for imported investment goods – lead to an economic recovery in the euro area and the United States. Other members of the Council, however, believed that the incoming information was rather ambiguous and that on the basis of data signalling a strong increase in savings accompanied with a drop in household consumption in the United States and also a further deterioration in the euro-area labour market in 2009 Q2, it was difficult to expect any marked rise in global economic activity in the near term. Moreover, they argued that with the end of the stimulus programmes implemented in the United States and many other countries the activity in these economies may slacken again, which may be connected with government expenditures being trimmed to curb budget deficits and limited spending of indebted households.

While addressing the long-term outlook for the world economic growth, some Council members argued that the global financial crisis may negatively affect the potential GDP growth in many countries. This may be driven by the steep decrease in world trade and international capital flows, in particular foreign direct investment, the breakdown of a part of the financial sector and the ensuing reduced access of economic agents to credit and also by the relatively persistent rise in unemployment. In the opinion of those Council members, the high level of uncertainty as to the impact of the financial crisis on economies in the longer term significantly hinders the assessment of the future economic growth and inflationary pressure in the world and in Poland, especially with the use of econometric models which are based on historical data.

While addressing the situation in the domestic economy, it was pointed out that some positive signals regarding the economic activity appeared recently. It was assessed that the deceleration of recessionary tendencies in Poland may be indicated by the slower decline of industrial output, an improvement in some business confidence indicators and the fact that part of the data for June proved better than expected. Some Council members assessed that the GDP growth in 2009 Q2 may have been positive and slightly higher than expected in the June projection, which raised the probability of above-zero GDP growth in the whole of 2009.

Other Council members, however, emphasised that in the light of the June NBP projection the GDP growth would be lower than the potential output growth in the monetary policy transmission horizon. Those members assessed that in the time to come recession abroad would continue to negatively affect the activity in the Polish economy, in particular through the low demand for Polish export products and a drop in foreign direct investment conducive to lowering labour productivity. They emphasised that the rise in unemployment, declining growth of real wages and the drop in the value of households' assets observed till 2009 Q1 would be contributing to further reduction in consumption demand in the coming quarters. They also argued that the prospects for investment growth in the enterprise sector remained negative, among others, due to the pessimistic – despite some improvement – sentiment of entrepreneurs, hindered access to credit and possible further tightening of banks' credit policies and also deteriorating corporate profits. In the assessment of some Council members, economic growth in Poland may run below the central path of the June projection of the NBP, among others, due to the possibly lower economic activity abroad than accounted for in the projection, weaker than projected investment growth connected with the negative business sentiment and a stronger increase in unemployment along with the ensuing drop in households' disposable income. Those members also argued that the recently observed appreciation of the zloty would be conducive to reducing net exports and, consequently, to lowering GDP growth.

At the meeting the Council also discussed the fiscal policy and its impact on the outlook for economic growth in Poland. It was pointed out that in the light of the draft amendment of the *Budget Act for the Year 2009* passed by the lower chamber of the Parliament the drop in tax revenue in 2009 would be significantly deeper than the scale of the assumed increase in the central budget deficit. In the opinion of some members of the Council, with a persisting structural deficit of the general government, part of lost tax revenue would be compensated by ad hoc measures aimed at increasing non-tax revenue or cutting or postponing budget expenditure. In the assessment of those Council members, such measures would be conducive to a one-off reduction of the central budget deficit in 2009, but at the same time to its increase in the following years. This creates the risk for the public debt to breach the so-called prudential thresholds provided for in the Public Finance Act and also the limit set forth in the Constitution, which would necessitate a strong fiscal tightening and would have a procyclical effect of undercutting domestic demand and slowing GDP growth. Moreover, in the assessment of those Council members, the shifting of some central budget expenditures to other general government units, which was assumed in the discussed bill, led to reducing the transparency of the public finance and increasing the uncertainty as to the actual scale of fiscal imbalance in Poland. In this context it was emphasised that there was a need of implementing structural reforms, including the public finance reform, in Poland in the longer run, which would favour a permanent increase in economic growth.

While discussing current inflation it was pointed out that the CPI inflation in June declined to the upper limit for deviations from the inflation target of the NBP (i.e. to 3.5%), which was primarily the effect of a stronger than a year before seasonal drop in the food price growth and slower growth of prices of energy carriers resulting mostly from the base effect. Some members of the Council emphasised that June also saw a reduction in core inflation net of food and energy prices, which in 2009 Q2 as a whole proved slightly lower than forecast in the June inflation projection. Other Council members stressed that in the past few quarters core inflation remained at an elevated level and did not fall significantly despite a strong deceleration of economic growth, which pointed at the persistence of inflationary processes. In particular, the prices of some market services have been rising over the recent months, which in the opinion of those Council members might indicate a persisting demand pressure in some sectors of the economy. Moreover, those Council members pointed out that – despite a decline in June – the CPI inflation in the whole of 2009 Q2 proved markedly higher than in the June projection. In this context it was pointed out that the ex post real interest rates (deflated with current inflation) in Poland were close to zero.

While analysing the medium-term inflation outlook, some Council members assessed that – in line with the June projection – inflation in the monetary policy transmission horizon would fall below the inflation target, which would be driven with the negative output gap and easing wage pressure. At the same time, some Council members assessed that inflation in the medium term could be lower than envisaged by the central projection path due to lower growth of unit labour costs, which could result from a deeper drop in wage growth than that accounted for in the projection. Moreover, in the conditions of low demand the impact of ULC growth on inflation may be limited. Another factor mentioned as potentially conducive to lower inflation in the time to come was the significant appreciation of zloty exchange rate observed over the past few months.

Other Council members assessed that inflation in the coming quarters may be running above the central projection path, among others, due to the risk of higher commodity and food prices than in the projection and the continuing high demand for some services resulting from the structural changes ongoing in the Polish economy and increasing the prices of those services.

Those members also pointed out that in line with the June projection, in 2010–2011 CPI inflation should be running below core inflation net of food and energy prices, which has not been observed since 2003. They also argued that, due to the difficult revenue situation of the general government sector, the coming period may bring further increases of administered prices, which would postpone the decline in inflation. On the other hand, however, they emphasised that an elevated inflation level in the time to come would mainly follow from the previously implemented and possible further increases of administered prices and only to a small extent from the continuing demand pressure.

The Council discussed the credit market situation and interest rate developments in Poland. It was pointed out that, despite the NBP interest rate cuts, in June 2009 the interest charged on some newly granted loans increased, which in combination with the concurrent decline in the interest paid on some new deposits pointed to increased interest margins of banks. In the opinion of some Council members, the imperfect pass-through of the reference rate to the interest rate charged on new loans was an argument against further cuts of NBP rates. Other Council members argued that the so far effected NBP interest rate cuts had, in the longer perspective, contributed to lowering the interest on loans and that the reduction in lending along with increased interest margins were related to the growing credit risk, particularly in the case of loans granted to corporates. The Council also analysed the impact of the NBP's interest rates on long-term interest rates.

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

The Council kept the interest rates unchanged: the reference rate at 3.50%, the lombard rate at 5.00%, the deposit rate at 2.00% and the rediscount rate at 3.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 26 August 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the outlook for economic growth abroad and in Poland, medium-term inflation outlook, zloty exchange rate developments and credit market conditions.

While discussing the external environment of the Polish economy it was pointed out that the data on the United States and the euro area, including the GDP data for 2009 Q2, indicate easing of recessionary tendencies in those economies. In particular, it was emphasised that GDP in quarterly terms grew in Germany and France, i.e. in countries being the most important markets for Polish exports. It was pointed out that GDP growth might have been driven by growing demand for exports of those countries reported by the Chinese economy, which was connected with the fiscal stimulus programme supporting public sector investment in China. It was indicated that since the July meeting of the Council, the majority of economic sentiment indicators had further improved and GDP growth forecasts for 2010 in the United States and in the euro area had been slightly revised upwards.

At the same time, it was emphasised that the global economic activity had continued at a low level and at present it was difficult to assess whether the easing of recessionary tendencies would prove permanent and what would be the scale of a possible recovery. Considerable uncertainty about the outlook for the global economy is primarily connected with the next year's finalising of stimulus programmes which are now significantly contributing to mitigating recessions in major economies. The unfavourable situation in the labour market, strong rise in savings and decline in consumption in the United States together with further deterioration in euro-area labour market all indicate that the stimulus programmes may have only a limited bearing on reviving private demand. Another important factor affecting global economic growth will be GDP growth in China. The assessment of the growth outlook is additionally hindered by persisting problems in the banking sector.

Some members of the Council argued that the above mentioned factors, after a temporary recovery driven by direct effect of stimulus programmes, might bring about another decline in the global economic growth. In particular, those members argued that the expected recovery in the euro area might not prove long-lived. In this context, they pointed out that despite certain improvement in the financial markets conditions the majority of commercial banks operating in the euro area continued to tighten their lending policies. Other Council members assessed that despite considerable uncertainty persisting, the incoming information indicated an improvement in the outlook for the global economic growth, which might suggest that the global recession would be less severe than anticipated. Those members also pointed out that the growing role of Asian countries in the global economy might contribute to the recovery in the euro area despite weak domestic demand in this economy.

While analysing the inflationary processes abroad, it was pointed out that despite growing commodity prices the decline in overall price level in the United States and in the euro area had further deepened, amidst further decrease in positive core inflation indicators. Some members of the Council argued that these trends indicated that possible global inflationary threats would be probably of a longer-term nature and in the coming quarters major central banks should not be expected to start tightening their monetary policy. In the opinion of those Council members, the persisting pressure on price decline in the global economy would be, through import prices, curbing inflation in Poland. Other members of the Council pointed out that due to an unprecedented scale of stimulation measures introduced in the largest economies, the credibility of the so-called exit strategy from the expansionary macroeconomic policy would be of key importance for permanent anchoring of inflationary expectations and, as a result, for stabilising inflation at a low level.

While addressing the situation in Poland, the members of the Council pointed out that the data on the domestic economic climate were ambiguous. On the one hand, further decline in Polish exports and persisting negative annual growth in industrial output (including the output of intermediate and investment goods), deepening fall in employment in the corporate sector, growing unemployment rate and further decline in bank lending all pointed to the continuation of low activity in the Polish economy. On the other hand, the majority of economic sentiment indicators rose, which may indicate an improvement in the economic situation in the months to come.

While discussing the outlook for economic growth, it was stressed that it largely depended on economic situation abroad and the related external demand for Polish products. It was pointed out that factors supporting economic growth in Poland included the continuing, albeit lower than in the previous quarters, consumption growth and a positive contribution of net exports, connected with both the improvement in the price competitiveness of the Polish products in relation to imports driven by the depreciation of the zloty in the second half of 2008 and at the beginning of 2009, and also by the effect of stimulus packages introduced in the major world economies. In this context it was argued that uncertainty related to GDP growth in Poland included how permanent would be the easing of recessionary tendencies in Poland's main trading partners and exchange rate developments. Some Council members pointed out that the zloty appreciation observed over the recent months, through lowering the price competitiveness of Polish products, may be conducive to reducing the contribution of net exports to GDP growth and to extending the slowdown in the Polish economy. Those Council members argued that the same effect may be brought by the deterioration of labour market situation, including the lowering of the real aggregate wages, which may translate into curbing consumer demand. It was pointed out that another factor that had a negative impact on GDP growth was the reduction in the supply of bank loans.

At the meeting, the Council also discussed current and expected inflation developments. It was indicated that the inflation rise in July 2009 to 3.6%, i.e. above the NBP's inflation target of 2.5% and slightly above the upper limit for deviations from the target set at 3.5%, was primarily driven by a strong surge in prices of tobacco resulting from changes in the excise tax and by a further increase in fuel prices. Some Council members argued that despite the fact that inflation could remain at a heightened level in the coming period – mainly due to the relatively high annual growth of food and regulated prices – the available forecasts point to its decline in the second half of 2010, which should be supported by the negative output gap connected with the still weak external and domestic demand, continuing low wage pressure and the previous appreciation of the zloty.

Other Council members emphasised that CPI inflation in Poland is characterised by a relatively high persistence and subsequent projections were extending the horizon of inflation returning to the target, which does not support the anchoring of inflation expectations. Those members also pointed out that in line with the June projection, in 2010–2011 CPI inflation should be running below core inflation net of food and energy prices, which has not been observed since 2003. Moreover, some members of the Council argued that the slowing potential output growth combined with the improving outlook for economic growth may cause the negative output gap to close earlier than anticipated. It was also emphasised that currently both inflation and GDP growth in Poland were significantly higher than in most countries of the European Union.

The Council paid a lot of attention to the exchange rate developments, emphasising the zloty appreciation in the recent period. Some Council members indicated that the improved sentiment in the world financial markets, relatively favourable economic situation in Poland as compared to other EU countries and the access to a flexible credit line of the International Monetary Fund lowered the risk of strong zloty depreciation. At the same time, the persistently heightened volatility of the zloty exchange rate was emphasised.

Some members of the Council indicated that one factor affecting the zloty exchange rate could be the disparity of nominal interest rates between Poland and the euro area and the United States favouring – especially amidst stabilising financial market situation – the inflow of capital, which was reflected in the growing share of foreign investors in the market of Polish Treasury securities. Other Council members, however, assessed that the perspectives of capital inflow to the Central and Eastern European countries were to a greater extent influenced by the sentiment of foreign investors towards the region and by the disparity in real terms, which was significantly lower than that calculated in nominal terms.

While addressing the situation in the banking sector, on the one hand – the further reduction of lending to the corporate sector was emphasised, and on the other – the still stable increases in consumer loans to households. In this context, some Council members pointed out that banks were increasing their profit margins, which meant that lowering of the costs of newly granted loans was smaller than the scale of the implemented cuts in the NBP interest rates. In the opinion of those Council members, the monetary policy should account for shifts in profit margins resulting from the business cycle. Other members of the Council argued that in the current situation the effectiveness of the credit channel was limited, which meant that possible further interest rate cuts would have only minor effect for the supply of credit.

While analysing the situation in the banking sector, the Council also discussed the situation of cooperative banks. It was emphasised that those banks have a large local significance, among others, due to the preferential loans they offer for investments and development projects in agriculture as well as their contribution to financing local governments. It was pointed out that cooperative banks were characterised with a surplus of deposits over extended loans and a lower share of irregular loans in their credit portfolios than commercial banks, which gave cooperative banks considerable potential for lending expansion. However, in the opinion of some Council members, an increase in lending by cooperative banks called for the adoption of measures aimed at raising regulatory capital of this sector.

While discussing interest rates, some members of the Council pointed out that the real *ex ante* rates, i.e. rates deflated with expected inflation, remained positive, which combined with the output gap remaining negative, could justify further NBP rate cuts. Other members of the Council, however, argued that amidst large uncertainty accompanying inflation forecasts and, at the same time, its high persistence, economic agents in their decision making would to a larger extent consider the real *ex post* interest rates, i.e. rates deflated with current inflation, which were currently close to zero and could be expected to run at a very low level also in the months to come.

While considering the decision on interest rates, the Council assessed that the uncertainty about the outlook for inflation and economic growth in the world and in Poland justified keeping the rates unchanged at the current meeting. Some Council members believed that the risk of economic growth continuing at a low level in the longer run combined with the forecasted significant inflation decline in 2010 might justify further easing of the monetary policy in the future. Moreover, it was argued that the anticipated increase in the deficit of the public finance sector would be primarily the effect of automatic stabilisers rather than anticyclical measures introduced in the fiscal policy, which – in the opinion of those Council members – did not restrict the possibility of further monetary policy easing. Other members of the Council pointed out that the incoming data suggested that the recession in the world economy and the slowdown of growth in Poland might prove milder than previously expected. Those members argued that signs of economic recovery justified the assessment that the probabilities of inflation running above or below the inflation target in the medium term were roughly equal, while the NBP's interest rates should be kept unchanged also in the coming months.

At the meeting, the prevailing view was that the probability of inflation running below the inflation target in the medium term was higher than the probability of inflation running above the target.

The Council kept the interest rates unchanged: the reference rate at 3.50%, the lombard rate at 5.00%, the deposit rate at 2.00% and the rediscount rate at 3.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 30 September 2009

During the meeting the Monetary Policy Council discussed the outlook for inflation in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the outlook for economic growth abroad and in Poland, the medium-term inflation outlook, fiscal policy and the situation in the banking sector.

The Council paid considerable attention to the external conditions affecting the Polish economy. It was emphasised that the data on the United States, including the growth in industrial output and retail sales, improved situation in the real estate market and a further rise in economic sentiment indicators signal recovery in the US economy. While addressing the situation in the euro area, it was pointed out that despite some improvement in economic sentiment indicators, data on the real economy indicated that recovery in the euro area would likely materialise with a certain time lag with respect to the US economy.

Some members of the Council argued that rising unemployment in the United States and in the euro area remained a risk factor to the sustainability of the recovery in the world economy.

In this context, attention was drawn to the unfavourable outlook for recovery in private consumption amid deteriorating situation in the labour market in those economies and the expected fading out of fiscal stimulus packages at the end of 2010 as well as the possibility of central banks moving to the so-called exit strategy from expansionary monetary policy. Other members of the Council pointed out that additional factors having a negative bearing on the outlook for consumption in the United States included rising household savings and the private sector’s limited access to mortgage loans due to the considerable decline in real estate prices in the US that triggered the crisis in the banking sector. In turn, while discussing the situation in the euro area, those members emphasised that rising imports of investment goods to China might have largely contributed to the easing of recessionary tendencies in the euro area in 2009 Q2. In the opinion of those Council members, a possible weakening of external demand following the fading out of the stimulus package in the Chinese economy was a source of risk to the sustainability of the recovery in the euro area.

While addressing the outlook for global economic growth, some members of the Council pointed out that although private consumption in the United States and in the euro area might prove weak, the rise in demand in major emerging economies, undergoing the process of real convergence and recording significantly higher GDP growth than developed countries, would translate into a sustainable recovery in the external environment of the Polish economy. Those Council members also argued that the recovery in economic activity both in the United States and the euro area would be accompanied by a gradual rise in labour productivity which might be expected in view of the fact that the crisis affecting both economies had stemmed from problems in the financial sector rather than from real economy developments. In the opinion of those Council members, GDP growth of the major economies was likely to return to their potential growth level relatively fast.

While discussing the outlook for inflation in the world economy, some members of the Council emphasised that the difficult situation in the labour market affecting major developed economies and a relatively low demand pressure, combined with the weakening of the upward trend in oil prices in August 2009, would be curbing inflation in the coming quarters.

While discussing the situation in the Polish economy, it was pointed out that data on GDP in 2009 Q2 proved slightly better than expected. At the same time it was emphasised that GDP growth mainly resulted from the positive contribution of net exports due to a smaller decline of exports than imports, amid a fall in domestic demand following from further consumption deceleration and lower investment and inventories. While addressing the data for August 2009, it was stressed, on the one hand, that the growth of industrial output and retail sales had fallen short of expectations and, on the other hand, that economic sentiment indicators had further improved.

Some Council members pointed out that the growth of exports was still negative, while the expected slight recovery in euro-area activity would probably fail to immediately translate into a significant rise in the external demand for Polish products. It was argued that a possible further appreciation of zloty exchange rate, through worsening the price competitiveness of domestic goods, might be conducive to weakening the positive contribution of net exports to GDP growth in the coming quarters. Those Council members also pointed to the persistent unfavourable situation in the labour market as a factor contributing to lower consumption and, consequently, weaker economic activity. In the opinion of those members, considering the still unfavourable outlook for private investment growth and the risk of public investment cuts in the face of public finance sector deterioration, there persisted considerable uncertainty as to the perspectives of economic growth in the Polish economy.

Other Council members, however, argued that the expected recovery in the world economy would be a factor supporting domestic GDP growth. Moreover, in the opinion of those members, the scale of labour market deterioration would not be as strong as previously anticipated, in particular due to the fact that the employment decline should be curbed by lower real wages. They assessed – as a result – that the impact of the unfavourable labour market situation on consumption would be rather limited.

While analysing inflation developments, it was pointed out that the slight inflation increase in August 2009 was primarily due to a weaker seasonal drop in food prices amid an unchanged level of core inflation net of food and energy prices. Some Council members argued that in line with the majority of available forecasts, in the next few months inflation may temporarily remain at a heightened level, yet in 2010 inflation could be expected to fall even below the inflation target. A significant drop in inflation in 2010 would be driven – in the opinion of those members – by the delayed effects of labour market deterioration resulting both in reduced consumption demand of households and slower growth of costs in enterprises. The same Council members indicated that the inflation decrease would also be supported by the recent exchange rate appreciation and the stabilisation of commodity prices in the world markets.

Other Council members emphasised that a gradual recovery of economic growth should translate into higher demand, while the negative output gap might close up earlier than anticipated. Moreover, the heightened level of inflation, including the continuing growth in the prices of services, did not confirm – in the opinion of those Council members – a significant easing of demand pressure, which could be expected considering the strong weakening of GDP growth. While addressing forecasts, those members argued that inflation in 2009 Q2 and Q3 proved markedly higher than expected in the June projection. In the opinion of those members of the Council it could also be expected that the forecast inflation decrease below the target in 2010 may prove short-lived. Those members argued that in line with the current short-term forecasts the expected inflation decrease in 2010 to a large extent was to result from a strong deceleration of food price growth, which is rather unlikely considering the average price growth in this group of goods over the past few years. Moreover, while discussing the outlook for inflation, the Council pointed to the risk of an increase of regulated prices and indirect taxes in 2010 which, on the one hand, directly translate into a rise of the general price level and, on the other hand, bring about a reduction in the purchasing power of households and an easing of the demand pressure curbing inflation.

During the discussion on the public finance sector, some Council members pointed out that the rise of the deficit and public debt in relation to GDP resulted, to a large extent, from a strong slowdown in economic growth. It was argued that other EU countries also experienced a significant increase in public finance imbalances whose scale was even greater than in Poland. Other Council members, however, emphasised that of importance to foreign investors would be the comparison of the ratios of the deficit and public debt to GDP in countries of Central and Eastern Europe, including Poland, to the respective ratios in emerging countries characterised by lower fiscal imbalances. In this context it was argued that the deteriorating fiscal stance could be contributing to a weakening of the zloty exchange rate.

While addressing the planned increase of the public finance imbalance in 2010, some discussants pointed out that a strong rise in the deficit of the public finance sector could justify monetary policy tightening. At the same time, those members pointed out that even though a rise in public spending amid low economic activity supports GDP growth, the dominant effect triggered by a recovery could be the so-called crowding out effect where private sector demand is crowded out by public expenditure. Other Council members argued that the anticipated increase in the deficit of the public finance sector would primarily be the effect of automatic stabilisers rather than anticyclical measures introduced in the fiscal policy, which did not restrict the possibility of maintaining an accommodative monetary policy.

At the meeting, the Council also discussed issues related to the banking sector. Some Council members argued that the tightening of banks' credit policy towards the corporate sector was very strong, which could lead to a considerable reduction of economic growth. In this context the Council had a discussion on improving the access to bank loans for the corporate sector by introducing new monetary policy instruments by the central bank, similarly as it is done by the world's major central banks. In the opinion of some Council members, introducing new instruments, i.e. bill discount credit and the central bank's purchase of bonds issued by commercial banks, would allow banks to increase their lending. Those members argued that the launching of new instruments could make it easier for enterprises to obtain both short-term loans, which would limit the risk of enterprises experiencing liquidity shortage, and long-term loans, which would limit the scale of investment reductions. In the opinion of those Council members, the way of implementation and the character of new instruments reduced the risk of excessive interference of the central bank in banks' credit risk management system.

Other members of the Council, however, emphasised that the reduction in bank lending was a typical phenomenon accompanying economic slowdown and resulted not only from the rationing of credit supply and the increased cost of credit but also from diminished demand for credit on the part of enterprises. During the discussion it was also pointed out that the scale of lending reduction in Poland was smaller than in other countries of Central and Eastern Europe. While addressing the measures implemented by other central banks, those Council members argued that Poland was in a better economic situation as compared to countries, which were introducing unconventional monetary policy measures. At the same time, those members emphasised that introducing the proposed instruments could in fact contribute to widening the financing gap of banks (i.e. the difference between the collected deposits and granted loans). Those members also argued that easier access to central bank funds might demotivate banks to properly assess their credit risk. Moreover, in the opinion of those Council members, the central bank should not increase the capital base of banks by issuing money, and investments in the economy should be financed primarily from savings. In the opinion of those Council members, introducing new instruments would pose the risk of excessive money creation in the economy.

While considering the decision on the interest rates, the Council assessed that the information on economic developments released since the last MPC meeting justified keeping the rates unchanged at the current meeting. Some members of the Council believed that available data – including higher than expected GDP growth in 2009 Q2 and inflation remaining above the target and above the June projection – as well as further improvement in the outlook for economic activity justified the assessment that the probabilities of inflation running above and below the inflation target in the medium term were roughly equal. Other Council members argued, however, that the uncertainty about the scale and durability of economic recovery abroad and in Poland was still high and a more comprehensive assessment of the macroeconomic situation would be possible once the Council got acquainted with the October projection of inflation and GDP. At the meeting, the prevailing view was that the probability of inflation running below the inflation target in the medium term was higher than the probability of inflation running above the target. At the same time, the majority of the Council members assessed that the probability of inflation running below the inflation target in the medium term had decreased in recent months.

The Council kept the interest rates unchanged: the reference rate at 3.50%, the lombard rate at 5.00%, the deposit rate at 2.00% and the rediscount rate at 3.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 28 October 2009

During the meeting the Monetary Policy Council discussed the outlook for future inflation developments in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the outlook for economic growth in the world and in the Polish economy, on current inflationary processes in Poland and the situation in the credit market. The Council discussed the influence of these factors on future inflation in Poland against the background of the October projection of inflation and GDP.

While assessing the global economic situation, some members of the Council emphasised that the improvement in economic climate in the euro-area economy was relatively small and the forecast economic growth in the region remained considerably below potential. Those members also pointed out that the improved economic climate in the United States and in China was to a large extent rooted in the stimulus packages, and that the prospective gradual removal of such measures kept up the uncertainty about the sustainability of global economic recovery.

In particular, those members stressed the uncertainty surrounding private consumption recovery in the United States amid the still deteriorating situation in the US labour market. Moreover, some Council members assessed that the drop in private consumption in the United States connected, among others, with households' limited possibilities of taking out loans, including mortgage loans incurred to finance consumption, will not be offset by a rise in household consumption in emerging countries, even if the revived growth in these economies was sustained. In this context, those members pointed to the risk of slow economic growth persisting worldwide.

Other Council members assessed that the recovery in emerging economies, including, in particular, Asian countries, may be an important factor conducive to an economic revival all over the world. Those members indicated that the accelerated growth in emerging economies will be feeding through into the world economy mainly through the rise in those countries' demand for investment goods, exported, to a large extent, by the developed countries of Western Europe. In the opinion of those Council members, the current recovery in Asia may be marking the beginning of these economies' return to the potential growth path which may run at a relatively high level due to the ongoing process of real convergence in these economies.

While discussing the outlook for economic growth in Poland, some Council members assessed that the Polish economy had already entered the phase of recovery, although some of them emphasised that this recovery may prove relatively slow. At the same time it was pointed out that the October projection forecast only a slight acceleration of growth in 2010. It was emphasised that the relatively low GDP growth may be the result of a drop in real disposable income of households connected with a rise in unemployment and a decline in real wages as well as more difficult access to credit. Some Council members assessed that the latest macroeconomic data, including those on exports, output and retail sales, did not indicate unambiguously the beginning of a sustainable recovery in the Polish economy.

While discussing current inflation developments, it was pointed out that, despite the fact that in September 2009 inflation had fallen to 3.4%, i.e. below the upper limit for deviations from the inflation target (3.5%), it might nevertheless continue at a heightened level in the near future. This high level of inflation would be driven primarily by the positive base effect connected with a strong drop in fuel prices at the end of 2008. Some members of the Council pointed to the continuation of the relatively high level of core inflation, including the persistently high growth of prices of services. It was pointed out that Poland was one of the three EU countries with highest inflation. Other Council members argued that the difference in the levels of inflation in Poland and in other EU countries was connected with a smaller scale of economic activity weakening in Poland and with the process of price convergence of the Polish economy to price levels recorded in developed Western European economies.

While discussing the outlook for inflation in Poland, the Council addressed the projection and the short-term inflation forecasts of the NBP which foresee inflation declining below the inflation target of 2.5% in the middle of 2010. In the opinion of some members of the Council this course of future inflation will follow from weaker consumption demand, persistently low wage pressure and the appreciation of nominal zloty exchange rate so far. Those members also pointed out that the October projection indicated a higher risk of inflation declining in 2010 below the lower limit for deviations from the inflation target of the NBP (1.5%) than the June projection.

Other Council members indicated that the discrepancy between the short-term forecasts of core inflation, food and energy prices and their forecasts in the October projection pointed to a significant uncertainty as to the path of inflation in the coming quarters. In particular, some Council members assessed that the growth of food prices in the nearest future may prove higher than in the October projection. Those members additionally pointed to recently observed oil-price rises in the world markets and to the uncertainty about natural gas prices in Poland. Moreover, some Council members argued that the recovery in emerging economies, where economic growth raises the demand for raw materials, may be conducive to a re-surge in the prices of agricultural and energy commodities in the world markets, especially in a situation where no limits exist on open investment positions in some forward commodity markets. In the opinion of those Council members, this may lead to higher inflation around the world and in Poland. At the meeting the Council also discussed the risk of increases of administered prices in 2010, including the prices decided by local authorities, resulting from the unfavourable situation of the public finance sector.

While addressing the outlook for inflation in 2011, some members of the Council pointed out that, in line with the October projection the probabilities of inflation running below and above the inflation target were similar towards the end of the projection horizon. Moreover, some Council members argued that, following a drop to a low level foreseen in the middle of 2010, inflation would be steadily increasing till the end of the projection horizon. Other Council members, on the other hand, emphasised that for the most part of the projection horizon the probability of inflation running below the target was higher than the probability of its running above the target. Those members indicated that 2011 inflation being higher in the October projection than in the June projection was partially a result of a positive base effect connected with a deeper decline in food prices forecast for 2010. They also emphasised the issue of the optimal forecast horizon in central banks pursuing inflation targeting and stressed that the limited projection horizon increased the uncertainty about the durability of inflation changes in the final period of the forecast horizon.

While discussing the future exchange rate and its impact on inflation in Poland, it was pointed out that the projection assumed a gradual depreciation of the zloty exchange rate, which was connected with a decreasing real interest rate disparity, the persistently high budget deficit and growing public debt. Some Council members, however, pointed to the possibility of zloty exchange rate appreciation, which could be supported by Poland’s relatively favourable economic situation as compared to other EU countries and the continuously high surplus liquidity in the global financial markets. Moreover, in the opinion of those Council members, should the recovery in emerging markets come faster than in developed economies, emerging economies’ currencies, including the zloty, could be expected to appreciate. Those members further emphasised that the potential zloty appreciation would be conducive to lower economic growth and lower inflation in the Polish economy than those accounted for in the October projection.

Other Council members, however, assessed that an appreciation of the zloty exchange rate significantly exceeding the appreciation of the equilibrium exchange rate was unlikely in case the growth of the Polish economy remained close to the October projection of GDP. Those members pointed out that the zloty could depreciate due to a possible increase in the risk premium, which in turn might be driven by an unfavourable situation of the public finance sector, a lack of structural reforms in the Polish economy and Poland’s postponed adoption of the euro.

While analysing the situation in the credit market, some members of the Council assessed that it was still deteriorating, which was, among others, indicated by a further decline in the growth of credit to households and very low growth of credit to enterprises. Other members of the Council, however, pointed to the fact that in September 2009 the value of granted loans in month-on-month terms had risen for the first time in five months, both in the case of loans to households and to enterprises.

Moreover, some Council members emphasised that the slow growth of loans to enterprises was connected with their relatively good financial results and with their curbing their investment activity, and any recovery in lending to the enterprise sector might come only once the outlook for growth in the Polish economy significantly improved. Other Council members argued that reduced lending was, on the one hand, connected with households being more cautious while incurring liabilities amid slowing economic growth and rising unemployment, and, on the other hand, with an increased credit risk perceived by banks as indicated, among others, by the tightening of loan terms in the segment of consumer loans introduced in 2009 Q3 as well as planned for the future.

While discussing real interest rates in the context of the credit market situation, some Council members indicated that real interest rates remaining at a relatively low level for too long in a country undergoing real convergence may be increasing the risk of a credit boom in the medium term. Those members pointed out that real interest rates were currently lower than the equilibrium interest rate for the Polish economy. At the same time, those members suggested that the expected inflation decrease should translate into an increase in real interest rates, which in turn should be conducive to a rise in household saving following a strong decline in 2009 Q1, as well as to curbing the risk of excessive lending growth.

While considering the decision on interest rates, the Council concluded that the information on the economic situation released since the last meeting warranted keeping the interest rates unchanged at the current meeting. Some members of the Council were of the opinion that in the conditions of continuing uncertainty about the recovery in the world economy and about the outlook for economic growth in Poland, as well as in the light of the October inflation projection predicting inflation to be below the NBP inflation target for the most part of the projection horizon, it was justified to assess that in the medium term the probability of inflation running below the inflation target was higher than the probability of inflation overshooting the target. Other members of the Council argued that the recovery in the world and Polish economies combined with the risk of commodity price increases in the world markets and administered price rises in Poland, as well as the balanced probabilities of inflation running above or below the inflation target in the final period of the October projection, warranted the assessment that the probabilities of inflation in the medium term running below or above the inflation target were balanced. The majority of Council members judged the probability of inflation running below or above the inflation target to be balanced in the medium term. In the assessment of some Council members balanced risks to future inflation should indicate that the interest rates in the coming months would remain unchanged, which does not rule out the possibility of their adjustment in case of developments that would significantly affect the outlook for inflation and economic growth.

The Council kept the interest rates unchanged: the reference rate at 3.50%, the lombard rate at 5.00%, the deposit rate at 2.00% and the rediscount rate at 3.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 25 November 2009

During the meeting the Monetary Policy Council discussed the outlook for future inflation developments in the context of the past, current and, primarily, anticipated economic situation.

The discussion at the meeting focused on the outlook for economic growth abroad and in Poland, inflationary processes in Poland and the situation in the labour and credit markets.

While assessing the situation in developed economies, it was pointed out that following several quarters of decline 2009 Q3 brought a rise in GDP in the United States and in the euro area, including Germany, Italy and France, i.e. major markets for Polish exports. Yet, it was emphasised that the recovery in those economies was, to a large extent, the effect of government stimulus packages. It was assessed that the prospective discontinuation of these measures was accompanied by a risk of decline in economic activity in those countries, mainly due to a possible fall in private consumption growth. It was pointed out that economic growth in the United States and in the euro area was also negatively affected by a decline in corporate loans and, in the longer term also by the deteriorating situation of the public finance sector.

While analysing the situation in emerging economies, some members of the Council pointed out that the recovery in those economies might not be sufficient to boost global GDP growth considerably. Those members also noted that although private consumption in China might be expected to accelerate in the coming period this would be unlikely to compensate for the impact of a possible consumption decline in the United States on global economic growth due to a low level of private consumption in China relative to global demand. An important factor curbing growth in consumption expenditure in this country is the absence of a universal social security system, as a result of which an important part of household income is saved.

While discussing the outlook for domestic economic growth, it was assessed that the Polish economy had already entered the phase of recovery, which was confirmed, among other things, by increasing industrial output growth and very good financial results of enterprises in 2009 Q3. It was also indicated that the recovery abroad (particularly in the euro area) contributed to growth in Polish exports in 2009 Q3, as indicated by the data for the past three months. Some members of the Council believed that the recovery would be relatively slow, and argued that in the coming period economic growth in Poland might likely be curbed by a renewed deterioration in global economic climate. In the opinion of those Council members, GDP growth in Poland would be negatively affected also by such factors as: the deteriorating situation in the labour market, including rising unemployment and the fall in real wages in the enterprise sector, the decline in corporate loans and lending to households growing more slowly than in the last years, as well as the difficult situation of the public finance sector.

In the opinion of other members of the Council, GDP growth in Poland dropping notably again was very unlikely even in the event of a considerable deterioration in the global economy. They argued that the scale of GDP growth decline in Poland due to the global financial crisis was considerably smaller than in other European Union countries, and emphasised that despite the absence of government stimulus packages of a scale comparable to those implemented abroad GDP growth in Poland remained positive. It was assessed that the relatively high resilience of the Polish economy to unfavourable external shocks – the turmoil in the global financial markets and the recession abroad – was, among other things, the result of a low credit-to-GDP ratio and the economy's lower degree of openness as compared to other EU countries, as well as of the dynamic development of the service sector (less dependent on global economic developments) observed in the past few years. It was also emphasised that the relatively small scale of economic slowdown was largely due to a marked decrease in the NBP interest rates as well as the depreciation of the zloty exchange rate.

While addressing the labour market situation, members of the Council pointed to persisting unfavourable trends, including in particular the growth in registered unemployment and the continuing negative annual employment growth, as well as the decline in real wages in the enterprise sector in October 2009. Some members of the Council pointed out that in the light of the October projection of the NBP, nominal wage growth in subsequent quarters would decline further. Moreover, some members of the Council argued that due to lags in the adjustment of employment to the pace of economic growth and a likely increase in labour supply, unemployment could increase further in the coming period despite economic recovery. They assessed that rising unemployment would be conducive to lowering the inflationary pressure through weaker consumer demand and limited wage pressure. At the same time, some members of the Council pointed out that rising unemployment might, due to the hysteresis effect, negatively affect the potential GDP growth in the coming period.

While analysing the relationship between inflation and labour market developments, some members of the Council emphasised that elevated inflation contributed to lowering real wages, facilitating their adjustment to falling labour productivity growth. In the opinion of those Council members, relatively high flexibility of real wages helped to reduce the scale of decline in Poland's GDP growth amid the global recession. They also pointed to the so-called labour hoarding, consisting in incomplete adjustment of employment (i.e. reduced lay-offs) during an economic slowdown. On the other hand, they emphasised that *via* indexation increased inflation contributed to wage growth in the public finance sector as well as to growth in disability and old-age pension benefits, which, in the short term, is conducive to deepening the deficit of the public finance sector. In the opinion of those members of the Council, rising social benefits driven by indexation amid a concurrent decline in wage growth in the economy reduced work attractiveness and might negatively affect the economic activity of Poles. They also made reference to the data on wages in the national economy which in the first three quarters of 2009 – unlike in the previous period – showed higher annual growth than wages in the enterprise sector. According to those Council members, this might indicate that the share of this sector in the national economy was declining and, consequently, that the changes in wages in the enterprise sector – where wages are largely dependent on cyclical conditions – might in the future affect wage developments in the economy to a lesser extent than previously had been the case.

While discussing inflation developments, it was pointed out that in October 2009 annual CPI decreased to 3.1%, which was primarily the result of slower growth of food and energy prices; at the same time, core inflation (net of food and energy prices) remained at 2.9%. Some Council members emphasised that core inflation continuing at a heightened level was the effect, among other things, of steady growth in the prices of services. Those members assessed that the gradual increase in the demand for services observed over the recent years, which resulted in a growing share of this spending category in the basket of consumer goods and services, would also continue in the coming years, and so the prices of services would be exerting a growing impact on CPI developments. They emphasised that core inflation had not been falling despite a clearly negative output gap and pointed out that the current level of annual core inflation rate could still be to some extent influenced by the high demand pressure observed in the previous period. Other members of the Council stressed, however, that elevated CPI inflation was to a considerable degree driven by unfavourable price shocks, including in particular the administered price increases implemented in 2009. Some Council members also pointed to the reduced scale of decline in the prices of goods strongly affected by globalisation recorded in the recent months, which was partially connected with the earlier zloty exchange rate depreciation.

While discussing the outlook for inflation, it was pointed out that in the near term the annual CPI would develop largely under the influence of statistical base effects: first, a positive one – connected with a strong decline in fuel prices at the end of 2008, and then, a negative one – connected with considerable increases in administered prices and food price rises at the beginning of 2009 (provided the lack of equally strong administered price increases in 2010). Due to the former effect inflation would rise temporarily in the nearest future, while the latter effect would be conducive to its decrease next year. Some Council members indicated that in 2010 a drop in CPI inflation below the NBP inflation target could be expected as the negative output gap would likely persist. Another factor conducive to decreasing inflation could be the appreciation of the zloty so far. Other Council members pointed out that the inflation decline might be curbed by indirect tax and administered price increases. They also argued that inflation might prove higher than currently expected in the event of unfavourable price shocks in the commodity or food markets, or zloty exchange rate depreciation. In the opinion of those Council members in the longer term the inflationary pressure would be largely determined by labour and credit market situation.

While addressing the current situation in the domestic credit market, its further deterioration was highlighted, including especially the negative annual growth of lending to enterprises (adjusted for the impact of zloty exchange rate fluctuations) observed in October for the first time since 2004, and the fact that the growth of lending to households was persistently slower than in the preceding years. Some Council members argued that the reduction in the supply of credit to enterprises contributed to curbing corporate investment, which in turn adversely affected GDP growth. Other Council members, however, assessed that reduced lending was to a large extent attributable to the limited demand for credit resulting from the economic slowdown. They emphasised that in view of the data on financial results of enterprises in 2009 Q3, the liquidity of this sector remained relatively high, allowing firms to finance their current operations to a large extent with their own funds, and thus constrained their borrowing needs. They also pointed out that lending to households was still growing.

The Council also analysed the development of the credit market in the longer-term perspective. Some members of the Council emphasised that the credit-to-GDP ratio in Poland in the period preceding the global financial crisis had been among the lowest in the EU. Other Council members underlined that in the past few years this ratio had increased significantly. They argued that, even though the rapid credit expansion in the years preceding the global crisis had largely resulted from the convergence process, in the longer term sustaining such fast lending growth could lead to growing credit market imbalances. They assessed that the current slowdown in lending was to a large extent a cyclical phenomenon and that it would be conducive to a more balanced lending growth. Those members argued that the recovery in economic growth would give a new momentum to lending growth in connection with the convergence process and due to demographic changes leading to a rising demand for mortgage loans. In the assessment of those

Council members, the current situation in the credit market did not necessitate the introduction of any additional instruments to support lending growth.

While discussing the policy mix abroad and in Poland, some Council members pointed out that expansionary fiscal policies in many countries led to rising public debt levels which – amid efforts to sustain price stability – could only be halted by strong fiscal tightening. At the same time, however, low real interest rates around the world, driven by loose monetary policy, limited the current costs of financing public debt, thus weakening the incentives to implement reforms aimed at the improvement of the primary balance of the public finance sector. In this context, those members emphasised the need for introducing measures that would curb the expansion of public debt in Poland.

The Council assessed that the data on the economic situation in Poland and abroad released since its last meeting warranted maintaining the interest rates unchanged at the current meeting.

The Council kept the interest rates unchanged: the reference rate at 3.50%, the lombard rate at 5.00%, the deposit rate at 2.00% and the rediscount rate at 3.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 23 December 2009

During the meeting the Monetary Policy Council discussed the outlook for future economic growth and inflation in Poland, the monetary policy conducted by the Monetary Policy Council in its second term of office, and determinants of monetary policy in subsequent years.

While discussing the outlook for global economic growth, some members of the Council assessed the scale and sustainability of global economic revival as largely uncertain. Those members emphasised that improved activity to-date in the largest developed economies had been, to a large extent, the effect of fiscal stimulus packages. Those members also pointed out that, in line with economic growth outlook for 2010, strong GDP growth could be expected in Asian and Latin American economies as well as further improvement in economic activity in the United States with relatively lower GDP growth in European economies.

As regards the situation in the Polish economy, it was emphasised that the in-coming data, including data on export, industrial output and construction and assembly production, as well as economic situation indices illustrating enterprises' and households' sentiment confirmed the gradual recovery. However, some of the members pointed to risk factors underlying a prompt and sustained revival of the Polish economy. In particular, those members pointed to reduced lending to enterprises and a decline in loan growth to households, as well as to the persistence of an unfavourable situation in the interbank market, reflected in elevated spreads between the NBP reference rate and WIBOR rates. Those members also drew attention to the quick build-up of public debt and argued that its high level could adversely affect economic growth in the medium term.

While discussing current and future inflation the Council members pointed to the decrease in core inflation net of food and energy prices from 2.9% in October to 2.8% in November 2009. Some of the members were of the opinion, however, that core inflation stood at a relatively high level, which, given a likely improvement in global economic situation that potentially could trigger a rise in world prices for agricultural and energy commodities, posed a risk to maintaining inflation at the target in the medium term. However, other members maintained that given the persistence of the negative output gap in the Polish economy, a fall of inflation could be expected in subsequent quarters. Moreover, some members of the Council stressed that the risk of increased inflationary pressure in the Polish economy in the near future would be additionally contained by the still unfavourable situation in the labour market, despite some signals of improvement in recent months.

While discussing the effects of the monetary policy conducted by the Council in its second term of office, some members argued that the elevated CPI inflation in the years 2008–2009 indicated that in the earlier period the level of interest rates may not have fully accounted for future inflation risk. According to those members their view was supported by the persistence of relatively high core inflation in recent quarters, including the fast growth of market services prices. In their opinion, the key factors conducive to lower inflationary pressure in 2008–2009 and thus contributing to limiting inflation's deviation from the inflation target were the appreciation of the zloty in the period preceding the outbreak of the global financial crisis and the crisis-related decline of prices of agricultural and energy commodities in global markets.

Other members pointed to the fact that elevated inflation in recent years was mainly connected with factors beyond the direct control of domestic monetary policy. Those members argued that the strong rise in prices of agricultural and energy commodities in global markets at the end of 2007 and in the first half of 2008, which led to a rise in inflation in a number of countries, including Poland, was, among other things, connected with a quick increase in demand from emerging economies and legislative changes in the United States which excluded trade in commodity futures from the supervision of public institutions. They also stressed that the crisis--driven zloty depreciation which significantly exceeded the depreciation of the equilibrium exchange rate was conducive to the rise in inflation in Poland in 2009. Among the factors that had significantly influenced prices in the Polish economy, including their faster growth in recent years, the members indicated price liberalisation in certain domestic markets and increases of indirect taxes and administered prices. Those members also stressed that in that period there had been a very quick increase in loans in the Polish economy, which was connected with a strong inflow of capital to emerging markets.

It was stressed that the rise in the prices of services, which contributed to increasing inflation in Poland in 2008–2009, had probably been connected with changes in the structure of private consumption and was characteristic of countries undergoing the process of convergence.

When discussing the monetary policy conducted in the years 2004–2009, the members pointed out that one of the factors confirming the effectiveness of the policy was the fact that it had anchored inflation expectations at a low level. Some of the members also argued that given the lags between changes in NBP interest rates and their strongest impact on economic processes a comprehensive assessment of the monetary policy conducted by the MPC in its second term of office should account for inflation developments in 2010–2011. In this context the members of the Council pointed out that most forecasts available show a strong fall of inflation in 2010. They also argued that attempting to fully neutralise the impact of price shocks in global commodity markets on inflation in Poland would have led to excessive GDP fluctuations in Poland, including a likely GDP decrease after the outbreak of the global economic crisis.

While discussing the effects of the monetary policy conducted by the Council in its second term of office against the background of other countries, some MPC members pointed to the fact that in the years 2004–2009, in addition to shocks that impacted the world economy as a whole, such as commodity shocks and the global economic crisis, the Polish economy also underwent large changes connected with the accession to the European Union. Those members pointed to the fact that despite these shocks, inflation's average deviation from the target (0.3 percentage point), the volatility of the output gap and of central bank interest rates in Poland in 2004–2009 were among the smallest in countries which pursued inflation targeting with a continuous inflation target.

While discussing the monetary policy in the coming years, some members of the Council argued that an excessive rise in lending, in particular a rise in the market for mortgage loans, could pose a threat to price stability in the Polish economy over a longer time horizon. In addition, those members stressed that if the credit boom risk increased significantly, monetary policy would have to be tightened in Poland regardless of the relatively low CPI inflation. Since interest rate rises themselves would not eliminate the credit boom risk they should be complemented with appropriate supervisory measures.

While referring to the decisions on interest rates in the coming months the Council pointed out that in view of the low inflation pressure and the persisting threats to the sustainability of economic recovery in Poland, NBP interest rates should be left at an unchanged level in the near future. At the same time it was emphasised that in case of a significant economic revival in Poland, accompanied by a significant increase in inflationary pressure, a change to the monetary policy parameters could be required. Too strong and premature a monetary policy tightening in a situation of over-liquidity in global financial markets could, however, result in an excessive appreciation of the zloty. The situation of public finances will be an important conditioning factor to monetary policy.

The Council concluded that leaving the interest rates unchanged was justified by the information about the Polish and global economic situation that had been released since the previous meeting.

The Council left the interest rates at an unchanged level: reference rate at 3.50%, lombard rate at 5.00%, deposit rate at 2.00% and rediscount rate at 3.75%.

At the same time, the Council decided to introduce, starting on 1 January 2010, the discount rate on bills of exchange accepted from commercial banks for discount at the NBP. The Council set the discount rate at 4.00% on an annual basis.

Appendix 6

Selected information about the banking sector

In 2009, similarly as in the previous years, banks were the most important institutions in the Polish financial sector. As at 31 December 2009, banking sector assets totalled PLN 1,060.7 billion and were 2.1% higher as compared to the preceding year.

The global financial and economic crisis strongly affected the situation in the Polish banking sector in 2009. The financial results (net profits) of the Polish banking sector were reduced by 36.3%, yet its enjoyed a better standing than banks in developed countries. This can be attested by the fact that the majority of commercial banks controlled by non-residents achieved higher yields on their assets than their parent companies.

The main reason for lower financial results of the banking sector in 2009 were higher costs of credit risk and financing.

The increase in the costs of credit risk in the banking sector was a natural consequence of economic slowdown and reflection of an easy credit policy of banks in earlier periods. Due to the cyclical nature of credit risk it can be expected that the costs of credit risk will remain at an elevated level until improvement of the financial situation of enterprises and the situation in the labour market.

Disruptions in financial markets and the ensuing lower availability of financing from market sources urged banks to compete intensely for stable financing sources, particularly the deposits of households. This led to a rise in the share of the non-financial sector's deposits in banks' liabilities, which negatively affects the financial stability of the sector.

The deterioration of the quality of the credit portfolio and financial results of banks, as well as the persisting uncertainty as to the medium term outlook for economic growth, convinced banks to tighten their credit policies. In 2009 banks restricted their credit policies in all the segments of the market. This contributed to lowering the growth rate in all main categories of loans to the non-financial sector. The deepest drop of lending growth rate was recorded in the case of loans to enterprises. Slower growth in loans to non-financial entities was accompanied by an increase in the value of Treasury securities, which do not generate the capital requirement for credit risk.

The fact that banks allocated most of their profits earned in 2008 to increase own funds amid a lower rate of lending pushed up the solvency ratio of the banking sector.

Table 45

Asset structure of the banking sector

Item	Value (PLN billion)		Change rate (in %)	Structure (in %)	
	2008	2009	2008 = 100	2008	2009
Cash and due from central bank	39.4	50.4	127.9	3.8	4.8
Due from financial sector	107.2	72.9	68.0	10.3	6.9
Due from non-financial sector, including:	587.6	612.1	104.2	56.6	57.7
– loans to enterprises	221.7	209.5	94.5	21.3	19.8
– loans to households	355.5	391.3	110.1	34.2	36.9
Due from general government	24.6	44.5	180.7	2.4	4.2
Due from reverse repo transactions	9.0	12.9	143.4	0.9	1.2

Securities, of which:	180.9	211.4	116.8	17.4	19.9
– NBP money bills and bonds	18.3	41.0	223.3	1.8	3.9
– Treasury bills and bonds	147.2	149.5	101.5	14.2	14.1
Fixed assets	25.3	24.3	96.0	2.4	2.3
Other assets	65.0	32.3	49.7	6.3	3.0
Total assets of the banking sector	1 039.1	1 060.7	102.1	100.0	100.0

Source: NBP data.

Table 46

Liabilities structure of the banking sector

Item	Value (PLN billion)		Change rate (in %)	Structure (in %)	
	2008	2009	2008 = 100	2008	2009
Due to central bank	18.1	14.5	79.8	1.7	1.4
Due to financial sector	242.2	225.4	93.1	23.3	21.3
Due to non-financial sector, including:	506.1	571.8	113.0	48.7	53.9
– deposits of enterprises	153.9	170.5	110.7	14.8	16.1
– deposits of households	332.3	381.1	114.7	32.0	35.9
Due to general government	53.5	54.3	101.5	5.2	5.1
Due to reverse repro transactions	14.7	14.3	97.4	1.4	1.4
Due to issue of own securities	12.5	19.4	155.6	1.2	1.8
Other liabilities	95.2	46.5	48.8	9.2	4.4
Specific provisions for off-balance sheet liabilities	0.5	0.6	126.1	0.0	0.1
General risk provision	0.3	0.4	108.2	0.0	0.0
Capital (funds)*	74.8	96.8	129.4	7.2	9.1
Subordinated debt	7.3	8.6	117.8	0.7	0.8
Profit/loss during approval procedures	0.0	0.0	0.0	0.0	0.0
Current year profit/loss	13.7	8.7	63.7	1.3	0.8
Total liabilities of the banking sector	1 039.1	1 060.7	102.1	100.0	100.0

* Basic capital, supplementary fund, reserve funds, general risk fund, revaluation reserve, other supplementary funds.

Source: NBP data.

Table 47

Relationships with non-residents

Item	Contribution (in %)	
	2008	2009
Contribution of operations with non-residents		
– in total assets of the banking sector	7.8	4.4
– in total liabilities of the banking sector	20.7	18.4

Source: NBP data.

Table 48

Financial result of the banking sector

Item	Value (PLN billion)		Change rate (in %)
	2008	2009	2008 = 100
Gross financial result	16.8	10.7	63.8
Net financial result	13.7	8.7	63.7

Source: NBP data.

Table 49

Profitability of the banking sector

Item	Rate of return (in %)	
	2008	2009
ROA – net	1.5	0.8
ROE – net	20.5	10.7

Source: NBP data.

Table 50

Own funds and solvency ratio of the domestic banking sector

Item	2008	2009	Annual change (pp)	Growth rate (in %, 2008 = 100)
Solvency ratio (%)	11.2	13.3	2.1	n/a
Regulatory own funds (PLN billion)	77.6	89.7	n/a	115.7

Source: NBP data.

Appendix 7

List of open-to-public academic seminars and selected publications of the NBP

In 2009, the NBP organised or co-organised 13 open-to-public academic seminars, which presented the research papers by NBP staff as well as representatives of financial institutions and academia. The seminars covered the following topics:

- Productivity differences across OECD countries, 1970–2000: the world technology frontier revisited,
- Measuring the Effects of Monetary Policy: a Factor-Augmented Vector Autoregressive Approach (FAVAR),
- Intertemporal approach to modelling the current account,
- Securities settlement systems in Poland and the European Union,
- Estimating the absolute inflation rate in the Polish economy,
- Co-integration analysis in studying the long-term structure of aggregate consumer demand
- Interaction between foreign financial services and foreign direct investment in Transition Economies: An empirical analysis with focus on the manufacturing sector,
- Review of the most important developments in the oil market with special consideration of the impact of EUR/USD relationship on the level of oil prices,
- Inflow of direct foreign investment and productivity convergence in Central and Eastern European countries from the perspective of sectoral data,
- Competition in the Polish banking market – empirical results,
- Impact of the credit breakdown on the Polish economy,
- Indebtedness of households in the new EU countries – its scale and currency composition,
- Securities settlement systems in Poland and the European Union – a seminar for participants of the Polish financial market devoted to the common publication of the NBP, the National Securities Depository (KDPW SA) and the Warsaw Stock Exchange.

In 2009, the following publications by NBP staff were included in ISI Master Journal List:

- Katarzyna Bień, Ingmar Nolte, Winfried Pohlmeier, *An inflated multivariate integer count hurdle model: an application to bid and ask quote dynamics*, Journal of Applied Econometrics (published in the JoAE website in 2009),
- Michał Hulej, Charalambos Tsangarides, Pierre Ewenczyk, Mahvash Saeed Qureshi, *Are Africa's Currency Unions Good for Trade?*, IMF Staff Papers, No 56, 2009,
- Juliusz Jabłecki, Mateusz Machaj, *Regulated meltdown of 2008*, Critical Review, vol. 21, No 2–3, 2009,

- Marcin Kolasa, *Structural heterogeneity or asymmetric shocks? Poland and the euro area through the lens of a two-country DSGE model*, Economic Modelling, No 26(6), 2009.

In the series Materiały i Studia (NBP Working Papers) the following articles were published in 2009:

- in Polish:
  - Jakub Górka, *Koszty społeczne i prywatne instrumentów płatniczych*,
  - Marcin Pietrzak, *Badania nad heterogenicznością oczekiwań inflacyjnych. Podejście ekonomii eksperymentalnej*,
  - Sylwester Kozak, *Wprowadzenie euro – analiza kosztów działania oraz dochodów z operacji wymiany walut w sektorze bankowym*,
  - Wiesław Gumuła, Adrian Gucwa, Zbigniew Opioła, Witold Nalepa, *Rynek pracy w Polsce. Wynagrodzenia, produktywność pracy i migracje w świetle badań ankietowych w listopadzie 2008 r.*,
  - Piotr Golędzinowski, *Wpływ regulacji systemu bankowego na jego efektywność*,
  - Krzysztof Jackowicz, Dariusz Filip, *Powtarzalność wyników funduszy inwestycyjnych w Polsce*,
  - Jacek Łaszek, Hanna Augustyniak, Marta Widłak, *Euro a ryzyko bąbli na rynku nieruchomości mieszkaniowych*,
  - Wiesław Gumuła, Adrian Gucwa, Zbigniew Opioła, Witold Nalepa, *Rynek pracy w Polsce. Wynagrodzenia, produktywność pracy i migracje w świetle badań ankietowych w maju 2009 r.*;
- in English:
  - Andrzej Torój, *Macroeconomic adjustment and heterogeneity in the euro area*,
  - Joanna Bęza-Bojanowska, Ronald MacDonald, *The Behavioural Zloty/Euro Equilibrium Exchange Rate*,
  - Gabor P. Kiss, Tomasz Jędrzejowicz, Jana Jirsakova, *How to measure tax burden in an internationally comparable way*?
  - Michał Gradzewicz, *Endogenous growth mechanism as a source of medium term fluctuations in the labor market. Application to the US economy*,
  - Michał Gradzewicz, Krzysztof Makarski, *The macroeconomic effects of losing autonomous monetary policy after the euro adoption in Poland*,
  - Konrad Szeląg, *Recent Reforms of the Deposit Insurance System in the United States: Reasons, Results, and Recommendations for the European Union*,
  - Krzysztof Cichy, *Human Capital and Technological Progress as the Determinants of Economic Growth*,
  - Joanna Tyrowicz, *When Eastern Labour Markets Enter Western Europe. CEECs Labour Market Institutions upon Euro Zone Accession*,

- Katarzyna Budnik, Michał Greszta, Michał Hulej, Marcin Kolasa, Karol Murawski, Michał Rot, Bartosz Rybaczyk, Magdalena Tarnicka, *The new macroeconometric model of the Polish economy*,
- Vadym Lepetyuk, Christian A. Stoltenberg, *Policy Announcements and Welfare*,
- Michael Ehrmann, David Sondermann, *The reception of public signals in financial markets – what if central bank communication becomes stale?*

Appendix 8

Voting records of Monetary Policy Council members on motions and resolutions in 2009

Date	Subject matter of motion or resolution	MPC decision	Voting of MPC members:	
			For:	Against:
27 January 2009	Resolution on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland	The MPC cut the level of all interest rates by 0.75 percentage point.	S. Skrzypek J. Czekaj S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński	D. Filar H. Wasilewska- -Trenkner A. Wojtyna
27 January 2009	Motion to lower NBP interest rates by 0.50 percentage point	The motion to lower the NBP interest rates by 0.75 percentage point was passed, therefore the motion to lower interest rates by 0.50 percentage point was not put to voting.		
27 January 2009	Motion to lower NBP interest rates by 0.25 percentage point	The motion to lower the NBP interest rates by 0.75 percentage point was passed, therefore the motion to lower interest rates by 0.25 percentage point was not put to voting.		
25 February 2009	Motion to lower NBP interest rates by 0.50 percentage point	Motion did not receive a majority vote.	S. Skrzypek S. Nieckarz M. Pietrewicz	J. Czekaj D. Filar M. Noga S. Owsiak A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna
25 February 2009	Resolution on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland	The MPC cut the level of all interest rates by 0.25 percentage point.	S. Skrzypek J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner	D. Filar M. Noga A. Wojtyna
25 March 2009	Resolution on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland	The casting vote by the MPC' Chairman S. Skrzypek decided to lower the level of interest rates by 0.25 percentage point.	S. Skrzypek J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz	D. Filar M. Noga A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna

Date	Subject matter of motion or resolution	MPC decision	Voting of MPC members:	
			For:	Against:
7 April 2009	Resolution to submit to the Constitutional Tribunal an opinion concerning the importance of the National Depository for Securities (KDPW S.A.) and changes in the composition of its shareholders		J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	S. Skrzypek
22 April 2009	Resolution on approving the *Annual Financial Report of the National Bank of Poland* prepared as of 31 December 2008		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna was absent from the vote.	
29 April 2009	Resolution amending resolution on setting the ceiling for liabilities arising from loans and credits drawn by the NBP at foreign banking and financial institutions		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	
29 April 2009	Resolution on the stance of the Monetary Policy Council on the IMF Flexible Credit Line		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	
13 May 2009	Resolution on the evaluation of the activities of the NBP Management Board as regards the implementation of the *Monetary Policy Guidelines for the Year 2008*		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	

Date	Subject matter of motion or resolution	MPC decision	Voting of MPC members:	
			For:	Against:
13 May 2009	Resolution on approving the *Report on Monetary Policy Implementation in 2008*		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	
26 May 2009	Resolution on approving the *Report on the Operations of the National Bank of Poland in the Year 2008*		S. Skrzypek D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna J. Czekaj was absent from the vote.	
27 May 2009	Resolution changing the resolution on the rate of reserve requirement of banks and the interest rate on the reserve requirement		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	
24 June 2009	Resolution on the level of the reference rate, lombard rate, deposit rate and rediscount rate of the National Bank of Poland	The casting vote by the MPC' Chairman S. Skrzypek decided to lower the level of interest rates by 0.25 percentage point.	S. Skrzypek J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz	D. Filar M. Noga A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna
29 July 2009	Motion to change the assessment of the probability of achieving the inflation target in the *Information from the meeting of the Monetary Policy Council held on 28–29 July 2009*	The motion was not passed (due to tie vote, the Chairman's casting vote was decisive).	D. Filar M. Noga A. Sławiński H. Wasilewska- Trenkner A. Wojtyna	S. Skrzypek J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz
25 August 2009	Resolution on the Monetary Policy Council's position (concerning the Draft Ordinance of the Council of Ministers on establishing the National Coordination Committee for the Euro, the Coordination Council and Interinstitutional Working Groups for Preparing Euro Adoption by the Republic of Poland)		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	

Date	Subject matter of motion or resolution	MPC decision	Voting of MPC members: For:	Against:
26 August 2009	Motion to change the assessment of the probability of achieving the inflation target in the *Information from the meeting of the Monetary Policy Council held on 25–26 August 2009*	The motion was not passed (due to tie vote, the Chairman's casting vote was decisive).	D. Filar M. Noga A. Sławiński H. Wasilewska-Trenkner A. Wojtyna	S. Skrzypek J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz
29 September 2009	Resolution on setting the ceiling for liabilities arising from loans and credits drawn by the NBP at foreign banking and financial institutions		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	
30 September 2009	Resolution on adopting the *Monetary Policy Guidelines for the Year 2010*		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak A. Sławiński A. Wojtyna M. Pietrewicz and H. Wasilewska-Trenkner did not participate in the vote.	
28 October 2009	Motion to maintain the style of communication so far used in the press release from decision-making meetings of the Monetary Policy Council (variants of assessment of probabilities for the path of inflation in relation to the target)	Motion did not receive a majority vote.	S. Skrzypek S. Owsiak M. Pietrewicz	J. Czekaj D. Filar S. Nieckarz M. Noga A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna
25 November 2009	Motion to amend Resolution of the Monetary Policy Council No 20/2008 of 23 December 2008 on the rules of conducting open market operations to the effect that the Resolution specifies the type of securities eligible for purchase/sale by the NBP in the secondary market in the framework of structural operations	Motion did not receive a majority vote.	D. Filar M. Noga A. Sławiński A. Wojtyna	S. Skrzypek J. Czekaj S. Nieckarz S. Owsiak M. Pietrewicz H. Wasilewska- -Trenkner
15 December 2009	Resolution on approving the *Financial Plan of the National Bank of Poland for 2010*		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	

Date	Subject matter of motion or resolution	MPC decision	Voting of MPC members:	
			For:	Against:
15 December 2009	Resolution amending the resolution on accounting principles, the structure of assets and liabilities in the balance sheet and profit and loss account of the National Bank of Poland		S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	
23 December 2009	Resolution on the level of the reference rate, lombard rate, deposit rate, rediscount rate and discount rate of the National Bank of Poland	The Council decided to introduce, beginning 1 January 2010, the discount rate on bills of exchange accepted from commercial banks for discount at the NBP. The Council set the discount rate at 4.00% on an annual basis.	S. Skrzypek J. Czekaj D. Filar S. Nieckarz M. Noga S. Owsiak M. Pietrewicz A. Sławiński H. Wasilewska- -Trenkner A. Wojtyna	

STATISTICAL ANNEX

TABLE I

Basic economic data

Period	1. Industrial output			2. Construction output			3. Consumer Price Index			4. Producer Price Index	
	current prices	constant prices: the same month previous year = 100	constant prices: previous month = 100	current prices	constant prices: the same month previous year = 100	constant prices: previous month = 100	the same month previous year = 100	previous month = 100	December previous year = 100	the same month previous year = 100	previous month = 100
	million zloty	%	%	million zloty	%	%	%	%	%	%	%
	1	2	3	4	5	6	7	8	9	10	11
XII 2008	65 023.9	94.4	96.9	9 543.6	102.0	150.1	103.3	99.9	103.3	102.7	99.6
I 2009	62 409.7	84.7	93.7	3 638.5	107.4	37.9	102.8	100.5	100.5	103.6	102.3
II	65 264.4	85.4	102.4	4 254.1	101.9	117.2	103.3	100.9	101.3	105.7	102.6
III	75 180.0	98.1	115.6	4 887.5	101.2	115.1	103.6	100.7	102.0	105.5	100.0
IV	69 333.0	87.8	93.1	5 456.0	100.5	112.0	104.0	100.7	102.7	104.8	99.1
V	67 588.4	94.8	98.2	5 863.3	100.3	107.7	103.6	100.5	103.2	103.7	99.7
VI	72 174.2	95.7	106.2	6 811.1	100.6	116.3	103.5	100.2	103.4	104.1	100.8
VII	69 437.0	95.4	97.2	7 172.4	110.7	105.5	103.6	100.1	103.5	102.8	98.5
VIII	66 059.3	99.8	95.7	7 108.1	111.0	99.2	103.7	99.6	103.1	102.2	99.6
IX	75 335.0	98.7	115.0	7 541.6	105.7	106.1	103.4	100.0	103.1	101.6	99.8
X	77 012.0	98.8	101.9	8 130.2	102.7	107.6	103.1	100.1	103.3	102.0	100.4
XI	74 455.1	109.8	96.7	6 948.1	109.9	85.5	103.3	100.3	103.5	101.9	99.6
XII	71 090.4	107.4	94.6	9 788.6	103.1	140.9	103.5	100.0	103.5	102.1	99.8

Period	12. Corporate financial performance												
	revenues: total	revenues: of which: sales of goods & services	operating costs: total	operating costs: of which: costs of sales	pre-tax profit/loss	statutory deductions	net profit/loss	cost to sales ratio	net margin	quick liquidity ratio	total current assets	accounts receivable and associated claims	accounts payable
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	%	%	%	million zloty	million zloty	million zloty
	22	23	24	25	26	27	28	29	30	31	32	33	34
XII 2008	1 903 409.4	1 130 677.9	1 823 495.8	1 145 389.3	79 986.8	16 952.9	63 033.9	95.8	3.3	95.1	591 419.1	218 983.8	215 966.9
I 2009	.	.	.	.	.	.	.	.	.	.	.	.	.
II	.	.	.	.	.	.	.	.	.	.	.	.	.
III	453 459.6	265 978.0	440 125.4	265 862.3	13 382.2	3 621.7	9 760.5	97.1	2.2	94.8	593 995.6	227 452.7	207 430.5
IV	.	.	.	.	.	.	.	.	.	.	.	.	.
V	.	.	.	.	.	.	.	.	.	.	.	.	.
VI	927 341.3	543 280.8	882 269.7	547 003.8	45 078.0	8 022.3	37 055.6	95.1	4.0	97.1	606 959.3	232 235.1	211 296.0
VII	.	.	.	.	.	.	.	.	.	.	.	.	.
VIII	.	.	.	.	.	.	.	.	.	.	.	.	.
IX	1 415 674.7	828 622.2	1 342 742.5	835 873.8	72 953.1	12 909.2	60 043.9	94.8	4.2	101.1	606 721.0	233 501.7	215 619.8
X	.	.	.	.	.	.	.	.	.	.	.	.	.
XI	.	.	.	.	.	.	.	.	.	.	.	.	.
XII	1 932 978.3	1 131 435.3	1 837 000.3	1 149 117.5	95 914.5	17 049.1	78 865.4	95.0	4.1	102.2	606 843.1	224 184.5	222 340.2

Period	5. Construction Price Index		6. Number of employed corporate sector total	7. Average employment, corporate sector total	8. Number of unemployed	9. Unemploy-ment rate	10. Average monthly employee earnings, gross, corporate sector	11. National Budget revenue & expenditure		
	the same month previous year = 100	previous month = 100						revenue	expenditure	financial surplus/deficit and net foreign lending/ borrowing
	%	%	thousands	thousands	thousands	%	zloty	million zloty	million zloty	million zloty
	12	13	14	15	16	17	18	19	20	21
XII 2008	102.9	99.9	5 517.0	5 353.0	1 473.8	9.5	3 428.01	254 083.8	278 674.3	-21 063.8
I 2009	102.4	99.9	5 547.0	5 374.0	1 634.4	10.4	3 215.75	27 743.8	24 825.8	800.3
II	101.8	99.8	5 527.0	5 352.0	1 718.8	10.9	3 195.56	46 755.0	52 005.9	-6 367.0
III	101.3	99.9	5 498.0	5 325.0	1 758.8	11.1	3 332.65	65 726.9	76 946.7	-11 698.2
IV	100.7	99.9	5 487.0	5 309.0	1 719.9	10.9	3 294.76	89 338.4	104 644.5	-14 662.2
V	100.3	99.8	5 472.0	5 292.0	1 683.4	10.7	3 193.90	111 123.4	127 480.1	-15 202.5
VI	99.9	100.0	5 463.0	5 280.0	1 658.7	10.6	3 287.88	134 389.0	151 078.2	-16 912.7
VII	99.6	99.9	5 453.0	5 273.0	1 676.1	10.7	3 361.90	160 027.6	175 064.7	-15 420.5
VIII	99.3	99.9	5 450.0	5 270.0	1 689.0	10.8	3 268.69	183 330.5	198 986.3	-14 706.2
IX	99.2	100.0	5 450.0	5 267.0	1 715.9	10.9	3 283.18	202 582.0	223 925.7	-17 369.8
X	99.1	100.1	5 449.0	5 267.0	1 744.3	11.1	3 312.32	225 673.4	249 592.0	-16 017.1
XI	99.2	100.1	5 449.0	5 265.0	1 811.1	11.4	3 403.92	250 937.0	275 279.1	-14 837.3
XII	99.3	100.0	5 418.0	5 255.0	1 892.7	11.9	3 652.40	274 366.6	298 156.6	-5 233.7

TABLE II

Financial market – basic information

Period	1. NBP interest rates					2. Reserve requirement								
	Lombard rate	Rediscount rate	Refinancing rate	Deposit rate	Minimum yield on open market operations (reverse repo rate)*	Reserve requirement ratio on zloty deposits		Reserve requirement ratio on foreign currency deposits (zloty equivalent)		Reserve requirement ratio on repo operations	Interest on reserve require-ment	Total required reserves held		
												Total	of which:	
						demand	time	demand	time				current account	declared vault cash
	%	%	%	%	%	%	%	%	%	%	%	million zloty	million zloty	million zloty
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2008	6.50	5.25	7.50	3.50	5.00	3.5	3.5	3.5	3.5	0.0	0.9**	21 089.0	21 089.0	.
I 2009	5.75	4.50	6.75	2.75	4.25	3.5	3.5	3.5	3.5	0.0	0.9**	21 089.0	21 089.0	.
II	5.50	4.25	6.50	2.50	4.00	3.5	3.5	3.5	3.5	0.0	0.9**	21 793.4	21 793.4	.
III	5.25	4.00	6.25	2.25	3.75	3.5	3.5	3.5	3.5	0.0	0.9**	22 566.0	22 566.0	.
IV	5.25	4.00	6.25	2.25	3.75	3.5	3.5	3.5	3.5	0.0	0.9**	22 850.9	22 850.9	.
V	5.25	4.00	6.25	2.25	3.75	3.5	3.5	3.5	3.5	0.0	0.9**	22 850.9	22 850.9	.
VI	5.00	3.75	6.00	2.00	3.50	3.0	3.0	3.0	3.0	0.0	0.9**	19 439.2	19 439.2	.
VII	5.00	3.75	6.00	2.00	3.50	3.0	3.0	3.0	3.0	0.0	0.9**	19 758.4	19 758.4	.
VIII	5.00	3.75	6.00	2.00	3.50	3.0	3.0	3.0	3.0	0.0	0.9**	19 699.6	19 699.6	.
IX	5.00	3.75	6.00	2.00	3.50	3.0	3.0	3.0	3.0	0.0	0.9**	19 630.4	19 630.4	.
X	5.00	3.75	6.00	2.00	3.50	3.0	3.0	3.0	3.0	0.0	0.9**	19 630.4	19 630.4	.
XI	5.00	3.75	6.00	2.00	3.50	3.0	3.0	3.0	3.0	0.0	0.9**	20 025.9	20 025.9	.
XII	5.00	3.75	6.00	2.00	3.50	3.0	3.0	3.0	3.0	0.0	0.9**	20 148.4	20 148.4	.

* 7-day operation
** Rediscount rate

Period	3. Treasury bill tenders														
	Demand declared by bidders (at face value)														
	Total	of which for:													
		1-week	2-week	3-week	5-week	6-week	8-week	10-week	13-week	25-week	26-week	28-week	39-week	49-week	52-week
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
XII 2008	25 536.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3 061.54	.	3 066.45	.	3 137.10	.	16 271.19
I 2009	12 441.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	.	2 584.75	.	9 856.47
II	13 887.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	.	0.00	.	13 887.50
III	32 787.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	21 242.09	.	0.00	.	11 545.03
IV	14 368.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	866.35	0.00	.	13 502.32
V	16 770.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2 239.17	0.00	0.00	0.00	.	14 531.68
VI	27 884.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	27 884.53
VII	11 528.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2 896.38	8 632.01
VIII	15 124.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15 124.38
IX	9 179.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9 179.22
X	5 545.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5 545.43
XI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
XII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Period	3. Treasury bill tenders															
	Number of tenders during month	Face value of bills offered for sale														
		Total	of which:													
			1-week	2-week	3-week	5-week	6-week	8-week	10-week	13-week	25-week	26-week	28-week	39-week	49-week	52-week
		million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
XII 2008	4	9 900.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 500.00	.	1 500.00	.	1 800.00	.	5 100.00
I 2009	4	2 900.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	.	600.00	.	2 300.00
II	4	6 600.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	.	0.00	.	6 600.00
III	5	10 400.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	5 400.00	.	0.00	.	5 000.00
IV	4	6 500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	1 000.00	0.00	.	5 500.00
V	4	9 500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2 700.00	0.00	0.00	0.00	.	6 800.00
VI	5	7 400.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	7 400.00
VII	4	5 000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 000.00	4 000.00
VIII	5	5 800.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5 800.00
IX	4	4 000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4 000.00
X	3	1 700.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 700.00
XI	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
XII	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Okres	3. Treasury bill tenders														
	Face value of bills sold														
	Total	of which:													
		1-week	2-week	3-week	5-week	6-week	8-week	10-week	13-week	25-week	26-week	28-week	39-week	49-week	52-week
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
XII 2008	10 210.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 577.44	.	1 479.25	.	1 585.50	.	5 568.01
I 2009	2 605.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	.	500.00	.	2 105.00
II	6 462.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	.	0.00	.	6 462.35
III	10 950.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	5 741.44	.	0.00	.	5 208.57
IV	6 246.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	500.15	0.00	.	5 746.23
V	6 529.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 294.17	0.00	0.00	0.00	.	5 234.93
VI	7 623.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	7 623.86
VII	5 026.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	997.98	4 028.11
VIII	5 439.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5 439.30
IX	3 457.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3 457.74
X	1 240.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1 240.53
XI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
XII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

TABLE II

Financial market – basic information

Period	3. Treasury bill tenders															
	Yield on bills purchased weighted average															Bills outstanding from tender sales at month end (purchase prices)
	Total	of which on:														
		1-week	2-week	3-week	5-week	6-week	8-week	10-week	13-week	25-week	26-week	28-week	39-week	49-week	52-week	
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	million zloty
	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76
XII 2008	6.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.14	.	6.20	.	5.79	.	6.18	47 863.44
I 2009	4.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	.	5.15	.	4.72	46 628.93
II	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	.	0.00	.	5.00	47 223.92
III	4.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	4.38	.	0.00	.	4.91	51 716.73
IV	4.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	0.00	4.30	0.00	.	4.86	56 193.26
V	4.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.46	0.00	0.00	0.00	.	5.07	56 747.04
VI	4.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	.	4.73	57 452.37
VII	4.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.28	4.37	61 299.34
VIII	4.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.22	60 535.76
IX	4.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.42	55 753.84
X	4.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.26	50 863.64
XI	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47 180.93
XII	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41 940.16

Period	4. Tenders for NBP money-market bills										
	Demand declared by bidders (at face value)										
	Total	of which for:									
		1-day	2-day	3-day	5-day	6-day	7-day	8-day	9-day	14-day	28-day
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	89	90	91	92	93	94	95	96	97	98	99
XII 2008	57 587.11	0.00	3 649.00	0.00	18 197.80	0.00	25 527.01	0.00	10 213.30	0.00	0.00
I 2009	83 739.60	0.00	0.00	0.00	0.00	0.00	83 739.60	0.00	0.00	0.00	0.00
II	91 304.40	0.00	0.00	0.00	0.00	0.00	91 304.40	0.00	0.00	0.00	0.00
III	179 877.46	0.00	0.00	0.00	0.00	0.00	179 877.46	0.00	0.00	0.00	0.00
IV	147 507.51	0.00	0.00	0.00	0.00	29 190.13	94 063.98	24 253.40	0.00	0.00	0.00
V	86 836.76	0.00	0.00	0.00	0.00	0.00	86 836.76	0.00	0.00	0.00	0.00
VI	117 135.31	0.00	0.00	0.00	0.00	0.00	117 135.31	0.00	0.00	0.00	0.00
VII	191 782.64	0.00	0.00	0.00	0.00	0.00	191 782.64	0.00	0.00	0.00	0.00
VIII	164 694.62	0.00	0.00	0.00	0.00	0.00	164 694.62	0.00	0.00	0.00	0.00
IX	173 764.92	0.00	0.00	0.00	0.00	0.00	173 764.92	0.00	0.00	0.00	0.00
X	260 670.59	0.00	0.00	0.00	0.00	0.00	260 670.59	0.00	0.00	0.00	0.00
XI	209 893.74	0.00	0.00	0.00	0.00	0.00	209 893.74	0.00	0.00	0.00	0.00
XII	253 646.14	0.00	0.00	0.00	0.00	59 736.51	152 925.21	40 984.42	0.00	0.00	0.00

Period	4. Tenders for NBP money-market bills										
	Number of tenders during month	Face value of bills offered for sale									
		Total	of which:								
			1-week	2-week	3-week	5-week	6-week	7-week	8-week	9-week	14-week	28-week
		million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	77	78	79	80	81	82	83	84	85	86	87	88
XII 2008	5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
I 2009	5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II	4	27 000.00	0.00	0.00	0.00	0.00	0.00	27 000.00	0.00	0.00	0.00	0.00
III	4	60 500.00	0.00	0.00	0.00	0.00	0.00	60 500.00	0.00	0.00	0.00	0.00
IV	5	82 200.00	0.00	0.00	0.00	0.00	19 500.00	46 200.00	16 500.00	0.00	0.00	0.00
V	4	84 500.00	0.00	0.00	0.00	0.00	0.00	84 500.00	0.00	0.00	0.00	0.00
VI	4	131 500.00	0.00	0.00	0.00	0.00	0.00	131 500.00	0.00	0.00	0.00	0.00
VII	5	195 500.00	0.00	0.00	0.00	0.00	0.00	195 500.00	0.00	0.00	0.00	0.00
VIII	4	164 500.00	0.00	0.00	0.00	0.00	0.00	164 500.00	0.00	0.00	0.00	0.00
IX	4	172 000.00	0.00	0.00	0.00	0.00	0.00	172 000.00	0.00	0.00	0.00	0.00
X	5	261 500.00	0.00	0.00	0.00	0.00	0.00	261 500.00	0.00	0.00	0.00	0.00
XI	4	226 500.00	0.00	0.00	0.00	0.00	0.00	226 500.00	0.00	0.00	0.00	0.00
XII	5	290 000.00	0.00	0.00	0.00	0.00	59 000.00	174 000.00	57 000.00	0.00	0.00	0.00

Period	4. Tenders for NBP money-market bills										
	Face value of bills sold										
	Total	of which:									
		1-day	2-day	3-day	5-day	6-day	7-day	8-day	9-day	14-day	28-day
	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty	million zloty
	100	101	102	103	104	105	106	107	108	109	110
XII 2008	57 587.11	0.00	3 649.00	0.00	18 197.80	0.00	25 527.01	0.00	10 213.30	0.00	0.00
I 2009	83 739.60	0.00	0.00	0.00	0.00	0.00	83 739.60	0.00	0.00	0.00	0.00
II	58 884.61	0.00	0.00	0.00	0.00	0.00	58 884.61	0.00	0.00	0.00	0.00
III	60 500.00	0.00	0.00	0.00	0.00	0.00	60 500.00	0.00	0.00	0.00	0.00
IV	82 200.00	0.00	0.00	0.00	0.00	19 500.00	46 200.00	16 500.00	0.00	0.00	0.00
V	77 666.86	0.00	0.00	0.00	0.00	0.00	77 666.86	0.00	0.00	0.00	0.00
VI	117 135.31	0.00	0.00	0.00	0.00	0.00	117 135.31	0.00	0.00	0.00	0.00
VII	186 362.65	0.00	0.00	0.00	0.00	0.00	186 362.65	0.00	0.00	0.00	0.00
VIII	160 055.47	0.00	0.00	0.00	0.00	0.00	160 055.47	0.00	0.00	0.00	0.00
IX	166 794.53	0.00	0.00	0.00	0.00	0.00	166 794.53	0.00	0.00	0.00	0.00
X	255 557.65	0.00	0.00	0.00	0.00	0.00	255 557.65	0.00	0.00	0.00	0.00
XI	207 072.07	0.00	0.00	0.00	0.00	0.00	207 072.07	0.00	0.00	0.00	0.00
XII	252 909.63	0.00	0.00	0.00	0.00	59 000.00	152 925.21	40 984.42	0.00	0.00	0.00

TABLE II

Financial market – basic information

Period	4. Tenders for NBP money-market bills											
	Yield on bills purchased weighted average											Bills outstanding from tender sales at month end (purchase prices)
	Total	of which on:										
		1-day	2-day	3-day	5-day	6-day	7-day	8-day	9-day	14-day	28-day	
	%	%	%	%	%	%	%	%	%	%	%	million zloty
	111	112	113	114	115	116	117	118	119	120	121	122
XII 2008	5.62	0.00	5.74	0.00	5.75	0.00	5.75	0.00	5.00	0.00	0.00	10 200.54
I 2009	4.85	0.00	0.00	0.00	0.00	0.00	4.85	0.00	0.00	0.00	0.00	17 419.34
II	4.19	0.00	0.00	0.00	0.00	0.00	4.19	0.00	0.00	0.00	0.00	13 489.50
III	3.94	0.00	0.00	0.00	0.00	0.00	3.94	0.00	0.00	0.00	0.00	16 487.97
IV	3.75	0.00	0.00	0.00	0.00	3.75	3.75	3.75	0.00	0.00	0.00	16 486.26
V	3.75	0.00	0.00	0.00	0.00	0.00	3.75	0.00	0.00	0.00	0.00	27 479.95
VI	3.68	0.00	0.00	0.00	0.00	0.00	3.68	0.00	0.00	0.00	0.00	33 400.11
VII	3.50	0.00	0.00	0.00	0.00	0.00	3.50	0.00	0.00	0.00	0.00	34 976.20
VIII	3.50	0.00	0.00	0.00	0.00	0.00	3.50	0.00	0.00	0.00	0.00	41 172.94
IX	3.50	0.00	0.00	0.00	0.00	0.00	3.50	0.00	0.00	0.00	0.00	44 969.40
X	3.50	0.00	0.00	0.00	0.00	0.00	3.50	0.00	0.00	0.00	0.00	54 928.61
XI	3.50	0.00	0.00	0.00	0.00	0.00	3.50	0.00	0.00	0.00	0.00	47 687.16
XII	3.50	0.00	0.00	0.00	0.00	3.50	3.50	3.50	0.00	0.00	0.00	40 952.58

Period	5. Outright sales of securities by NBP					6. Data on trading sessions of Warsaw Stock Exchange										
	Number of tenders	face value of securities alloted for sale	face value of bids submitted by banks	face value of bids accepted	value of bids accepted	Number of companies at month end	Capitalisation at month end	P/E ratio at month end	Warsaw Stock Exchange Index (WIG) at month end	WIG monthly average	mWIG40 at month end	mWIG40 monthly average	sWIG80 at month end	sWIG80 monthly average	Monthly turnover	Turnover ratio
		million zloty	million zloty	million zloty	million zloty		million zloty								million zloty	%
	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138
XII 2008	0	0.00	0.00	0.00	0.00	374	267 359.3	8.4	1 789.7	1 779.7	1 511.3	1 561.7	6 852.8	7 028.9	18 231.7	2.2
I 2009	0	0.00	0.00	0.00	0.00	376	247 573.8	7.7	1 594.9	1 716.0	1 365.6	1 455.8	6 629.9	6 753.9	18 576.9	2.2
II	0	0.00	0.00	0.00	0.00	372	217 390.6	8.3	1 372.5	1 445.5	1 243.6	1 306.3	6 091.4	6 274.6	21 407.1	65.4
III	0	0.00	0.00	0.00	0.00	373	236 082.6	10.5	1 511.9	1 499.7	1 381.7	1 318.8	6 971.8	6 489.2	23 902.2	64.4
IV	0	0.00	0.00	0.00	0.00	373	279 479.5	13.0	1 798.5	1 708.5	1 685.0	1 552.3	8 599.5	7 967.9	30 353.0	79.1
V	0	0.00	0.00	0.00	0.00	375	277 712.1	24.1	1 802.4	1 836.2	1 742.4	1 731.3	9 031.8	8 911.0	26 223.8	62.8
VI	0	0.00	0.00	0.00	0.00	376	285 640.4	25.1	1 862.4	1 927.6	1 769.5	1 783.4	9 320.0	9 280.5	26 180.0	58.7
VII	0	0.00	0.00	0.00	0.00	375	330 494.9	29.5	2 137.6	1 938.5	2 042.3	1 844.3	10 388.6	9 686.6	29 080.4	57.7
VIII	0	0.00	0.00	0.00	0.00	374	352 741.5	40.1	2 212.7	2 148.0	2 337.4	2 200.5	11 583.6	11 026.7	32 256.3	60.7
IX	0	0.00	0.00	0.00	0.00	375	347 385.6	46.4	2 192.4	2 180.5	2 259.0	2 230.8	11 298.4	11 248.4	31 644.5	56.0
X	0	0.00	0.00	0.00	0.00	380	353 220.5	47.9	2 274.7	2 276.3	2 236.9	2 238.8	11 016.1	11 143.6	32 655.8	55.7
XI	0	0.00	0.00	0.00	0.00	377	362 773.3	49.2	2 352.7	2 341.0	2 284.7	2 271.7	11 019.0	11 155.3	32 906.2	56.7
XII	0	0.00	0.00	0.00	0.00	380	421 178.5	37.0	2 388.7	2 370.6	2 346.1	2 340.9	11 090.9	11 070.9	28 204.5	2.2

TABLE III

PLN/USD and PLN/EUR daily exchange rates

Days	December 2008			January 2009			February 2009			March 2009		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	1	2	3	4	5	6	7	8	9	10	11	12
1	3.0338	3.8432	1.2668	2.9618	4.1724	1.4087	3.4561	4.4392	1.2845	3.6758	4.6578	1.2672
2	3.0394	3.8340	1.2614	2.9910	4.1721	1.3949	3.4828	4.4366	1.2739	3.7674	4.7483	1.2604
3	3.0468	3.8457	1.2622	2.9910	4.1721	1.3949	3.5230	4.5147	1.2815	3.7563	4.7443	1.2630
4	3.0805	3.8824	1.2603	2.9910	4.1721	1.3949	3.6070	4.6747	1.2960	3.7906	4.7432	1.2513
5	3.0476	3.8881	1.2758	3.0088	4.1137	1.3672	3.6112	4.6455	1.2864	3.7358	4.6955	1.2569
6	3.0476	3.8881	1.2758	3.0214	4.0613	1.3442	3.5564	4.5634	1.2832	3.7436	4.7493	1.2686
7	3.0476	3.8881	1.2758	2.8844	3.9170	1.3580	3.5564	4.5634	1.2832	3.7436	4.7493	1.2686
8	3.0035	3.8686	1.2880	2.9561	4.0159	1.3585	3.5564	4.5634	1.2832	3.7436	4.7493	1.2686
9	3.0548	3.9323	1.2873	2.9551	4.0478	1.3698	3.5165	4.5475	1.2932	3.7458	4.7266	1.2618
10	3.0610	3.9589	1.2933	2.9551	4.0478	1.3698	3.4653	4.4774	1.2921	3.7273	4.7297	1.2689
11	3.0257	3.9703	1.3122	2.9551	4.0478	1.3698	3.4983	4.5318	1.2954	3.6342	4.6050	1.2671
12	2.9709	3.9689	1.3359	3.0183	4.0344	1.3366	3.5761	4.5980	1.2858	3.6105	4.6197	1.2795
13	2.9709	3.9689	1.3359	3.1162	4.1435	1.3297	3.5949	4.6393	1.2905	3.4721	4.4833	1.2912
14	2.9709	3.9689	1.3359	3.1296	4.1368	1.3218	3.5949	4.6393	1.2905	3.4721	4.4833	1.2912
15	2.9561	3.9804	1.3465	3.2110	4.2256	1.3160	3.5949	4.6393	1.2905	3.4721	4.4833	1.2912
16	2.9683	4.0489	1.3640	3.1353	4.1522	1.3243	3.7360	4.7687	1.2764	3.4625	4.4940	1.2979
17	2.8948	4.0834	1.4106	3.1353	4.1522	1.3243	3.8238	4.8324	1.2638	3.4373	4.4653	1.2991
18	2.8463	4.1740	1.4665	3.1353	4.1522	1.3243	3.8978	4.8999	1.2571	3.4774	4.5313	1.3031
19	2.9130	4.1132	1.4120	3.2473	4.3113	1.3277	3.6952	4.6801	1.2665	3.3657	4.5352	1.3475
20	2.9130	4.1132	1.4120	3.3381	4.3280	1.2965	3.7823	4.7715	1.2615	3.3942	4.6446	1.3684
21	2.9130	4.1132	1.4120	3.3468	4.3305	1.2939	3.7823	4.7715	1.2615	3.3942	4.6446	1.3684
22	2.9081	4.1037	1.4111	3.3024	4.3094	1.3049	3.7823	4.7715	1.2615	3.3942	4.6446	1.3684
23	2.9476	4.1176	1.3969	3.4380	4.3957	1.2786	3.6592	4.7085	1.2868	3.3533	4.5748	1.3643
24	2.9313	4.1025	1.3995	3.4380	4.3957	1.2786	3.6602	4.6780	1.2781	3.3330	4.5308	1.3594
25	2.9313	4.1025	1.3995	3.4380	4.3957	1.2786	3.6312	4.6590	1.2830	3.3784	4.5555	1.3484
26	2.9313	4.1025	1.3995	3.3911	4.3863	1.2935	3.6869	4.7068	1.2766	3.3605	4.5593	1.3567
27	2.9313	4.1025	1.3995	3.2549	4.3214	1.3277	3.6758	4.6578	1.2672	3.4054	4.5883	1.3474
28	2.9313	4.1025	1.3995	3.2992	4.3789	1.3273	3.6758	4.6578	1.2672	3.4054	4.5883	1.3474
29	2.9293	4.1848	1.4286	3.3653	4.3916	1.3050				3.4054	4.5883	1.3474
30	2.9072	4.1244	1.4187	3.4561	4.4392	1.2845				3.5779	4.7191	1.3190
31	2.9618	4.1724	1.4087	3.4561	4.4392	1.2845				3.5416	4.7013	1.3275
Average monthly rate	2.9715	4.0177	X	3.1717	4.2181	X	3.6314	4.6442	X	3.5412	4.6237	X

Days	April 2009			May 2009			June 2009			July 2009		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	13	14	15	16	17	18	19	20	21	22	23	24
1	3.5222	4.6462	1.3191	3.2859	4.3838	1.3341	3.1248	4.4447	1.4224	3.1375	4.4157	1.4074
2	3.3805	4.4895	1.3281	3.2859	4.3838	1.3341	3.1789	4.4846	1.4107	3.1013	4.3719	1.4097
3	3.3078	4.4523	1.3460	3.2859	4.3838	1.3341	3.1528	4.4872	1.4232	3.1236	4.3731	1.4000
4	3.3078	4.4523	1.3460	3.3049	4.3913	1.3287	3.1685	4.5048	1.4217	3.1236	4.3731	1.4000
5	3.3078	4.4523	1.3460	3.2548	4.3513	1.3369	3.1983	4.5365	1.4184	3.1236	4.3731	1.4000
6	3.2615	4.4135	1.3532	3.2985	4.3933	1.3319	3.1983	4.5365	1.4184	3.1483	4.3840	1.3925
7	3.3828	4.5101	1.3332	3.2632	4.3362	1.3288	3.1983	4.5365	1.4184	3.1298	4.3712	1.3966
8	3.4140	4.5039	1.3192	3.2419	4.3511	1.3421	3.2706	4.5353	1.3867	3.1852	4.4241	1.3890
9	3.3388	4.4408	1.3301	3.2419	4.3511	1.3421	3.2385	4.5118	1.3932	3.1222	4.3577	1.3957
10	3.3225	4.3635	1.3133	3.2419	4.3511	1.3421	3.1698	4.4729	1.4111	3.1425	4.3711	1.3910
11	3.3225	4.3635	1.3133	3.2145	4.3724	1.3602	3.1698	4.4729	1.4111	3.1425	4.3711	1.3910
12	3.3225	4.3635	1.3133	3.2250	4.3998	1.3643	3.1730	4.4615	1.4061	3.1425	4.3711	1.3910
13	3.3225	4.3635	1.3133	3.2078	4.3943	1.3699	3.1730	4.4615	1.4061	3.1600	4.4045	1.3938
14	3.3019	4.3856	1.3282	3.2898	4.4757	1.3605	3.1730	4.4615	1.4061	3.1158	4.3613	1.3997
15	3.1946	4.2351	1.3257	3.2979	4.4762	1.3573	3.2434	4.5009	1.3877	3.0557	4.2906	1.4041
16	3.2628	4.2965	1.3168	3.2979	4.4762	1.3573	3.2698	4.5373	1.3876	3.0527	4.2994	1.4084
17	3.2764	4.2848	1.3078	3.2979	4.4762	1.3573	3.2556	4.5153	1.3869	3.0630	4.3184	1.4099
18	3.2764	4.2848	1.3078	3.3281	4.4773	1.3453	3.2679	4.5462	1.3912	3.0630	4.3184	1.4099
19	3.2764	4.2848	1.3078	3.2141	4.3821	1.3634	3.2720	4.5444	1.3889	3.0630	4.3184	1.4099
20	3.3600	4.3592	1.2974	3.1907	4.3573	1.3656	3.2720	4.5444	1.3889	3.0236	4.3006	1.4223
21	3.4196	4.4289	1.2952	3.2049	4.4079	1.3754	3.2720	4.5444	1.3889	3.0023	4.2681	1.4216
22	3.4205	4.4212	1.2926	3.1543	4.4016	1.3954	3.2485	4.5037	1.3864	3.0091	4.2703	1.4191
23	3.3862	4.4147	1.3037	3.1543	4.4016	1.3954	3.2742	4.5518	1.3902	2.9830	4.2443	1.4228
24	3.3810	4.4763	1.3240	3.1543	4.4016	1.3954	3.2265	4.5476	1.4095	2.9663	4.2139	1.4206
25	3.3810	4.4763	1.3240	3.1578	4.4135	1.3977	3.2345	4.5166	1.3964	2.9663	4.2139	1.4206
26	3.3810	4.4763	1.3240	3.1948	4.4386	1.3893	3.2110	4.5073	1.4037	2.9663	4.2139	1.4206
27	3.4456	4.5380	1.3170	3.1714	4.4313	1.3973	3.2110	4.5073	1.4037	2.9230	4.1626	1.4241
28	3.5108	4.5678	1.3011	3.2418	4.4876	1.3843	3.2110	4.5073	1.4037	2.9237	4.1726	1.4272
29	3.3680	4.4498	1.3212	3.1812	4.4588	1.4016	3.2084	4.4908	1.3997	2.9632	4.1949	1.4157
30	3.2859	4.3838	1.3341	3.1812	4.4588	1.4016	3.1733	4.4696	1.4085	2.9737	4.1808	1.4059
31				3.1812	4.4588	1.4016				2.9525	4.1605	1.4091
Average monthly rate	3.3480	4.4193	X	3.2337	4.4105	X	3.2146	4.5081	X	3.0596	4.3053	X

TABLE III

PLN/USD and PLN/EUR daily exchange rates

Days	August 2009			September 2009			October 2009		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	25	26	27	28	29	30	31	32	33
1	2.9525	4.1605	1.4091	2.8598	4.1025	1.4345	2.8960	4.2228	1.4581
2	2.9525	4.1605	1.4091	2.9401	4.1823	1.4225	2.9237	4.2540	1.4550
3	2.8843	4.1178	1.4277	2.8936	4.1387	1.4303	2.9237	4.2540	1.4550
4	2.8465	4.1035	1.4416	2.8872	4.1221	1.4277	2.9237	4.2540	1.4550
5	2.8547	4.1090	1.4394	2.8872	4.1221	1.4277	2.8851	4.2165	1.4615
6	2.8728	4.1363	1.4398	2.8872	4.1221	1.4277	2.8374	4.1780	1.4725
7	2.9021	4.1688	1.4365	2.8757	4.1249	1.4344	2.8477	4.1937	1.4727
8	2.9021	4.1688	1.4365	2.8403	4.0969	1.4424	2.8659	4.2351	1.4778
9	2.9021	4.1688	1.4365	2.8363	4.1095	1.4489	2.8960	4.2640	1.4724
10	2.8921	4.1053	1.4195	2.8651	4.1699	1.4554	2.8960	4.2640	1.4724
11	2.9165	4.1319	1.4167	2.8675	4.1858	1.4597	2.8960	4.2640	1.4724
12	2.9795	4.2046	1.4112	2.8675	4.1858	1.4597	2.8937	4.2602	1.4722
13	2.8912	4.1206	1.4252	2.8675	4.1858	1.4597	2.8534	4.2215	1.4795
14	2.8840	4.1190	1.4282	2.9183	4.2461	1.4550	2.8251	4.2090	1.4899
15	2.8840	4.1190	1.4282	2.8514	4.1640	1.4603	2.8075	4.1958	1.4945
16	2.8840	4.1190	1.4282	2.8239	4.1501	1.4696	2.8248	4.2078	1.4896
17	2.9703	4.1942	1.4120	2.7969	4.1204	1.4732	2.8248	4.2078	1.4896
18	2.9575	4.1755	1.4118	2.8228	4.1447	1.4683	2.8248	4.2078	1.4896
19	2.9645	4.1800	1.4100	2.8228	4.1447	1.4683	2.8113	4.1988	1.4935
20	2.9073	4.1395	1.4238	2.8228	4.1447	1.4683	2.7916	4.1759	1.4959
21	2.8848	4.1241	1.4296	2.8295	4.1498	1.4666	2.7772	4.1518	1.4950
22	2.8848	4.1241	1.4296	2.8094	4.1565	1.4795	2.8044	4.1956	1.4961
23	2.8848	4.1241	1.4296	2.8214	4.1742	1.4795	2.7816	4.1790	1.5024
24	2.8791	4.1163	1.4297	2.8309	4.1780	1.4759	2.7816	4.1790	1.5024
25	2.8714	4.0996	1.4277	2.8684	4.2114	1.4682	2.7816	4.1790	1.5024
26	2.8558	4.0883	1.4316	2.8684	4.2114	1.4682	2.7750	4.1721	1.5035
27	2.8975	4.1277	1.4246	2.8684	4.2114	1.4682	2.8230	4.2013	1.4882
28	2.8460	4.0854	1.4355	2.8896	4.2268	1.4628	2.8779	4.2540	1.4782
29	2.8460	4.0854	1.4355	2.8790	4.2003	1.4589	2.8847	4.2540	1.4747
30	2.8460	4.0854	1.4355	2.8852	4.2226	1.4635	2.8595	4.2430	1.4838
31	2.8675	4.0998	1.4297				2.8595	4.2430	1.4838
Average monthly rate	2.8956	4.1311	X	2.8595	4.1635	X	2.8469	4.2173	X

Days	November 2009			December 2009		
	NBP average exchange rates		USD/EUR	NBP average exchange rates		USD/EUR
	PLN/USD	PLN/EUR		PLN/USD	PLN/EUR	
	34	35	36	37	38	39
1	2.8595	4.2430	1.4838	2.7392	4.1264	1.5064
2	2.8767	4.2500	1.4774	2.7185	4.1044	1.5098
3	2.9195	4.2907	1.4697	2.7093	4.0954	1.5116
4	2.8908	4.2662	1.4758	2.7166	4.0946	1.5073
5	2.8754	4.2680	1.4843	2.7166	4.0946	1.5073
6	2.8485	4.2437	1.4898	2.7166	4.0946	1.5073
7	2.8485	4.2437	1.4898	2.7479	4.0660	1.4797
8	2.8485	4.2437	1.4898	2.7435	4.0725	1.4844
9	2.8195	4.2245	1.4983	2.7966	4.1266	1.4756
10	2.8031	4.2043	1.4999	2.8168	4.1437	1.4711
11	2.8031	4.2043	1.4999	2.8050	4.1390	1.4756
12	2.7715	4.1420	1.4945	2.8050	4.1390	1.4756
13	2.7631	4.1135	1.4887	2.8050	4.1390	1.4756
14	2.7631	4.1135	1.4887	2.8248	4.1410	1.4659
15	2.7631	4.1135	1.4887	2.8635	4.1667	1.4551
16	2.7400	4.1008	1.4966	2.8891	4.2028	1.4547
17	2.7415	4.0967	1.4943	2.9105	4.1818	1.4368
18	2.7367	4.0909	1.4948	2.9038	4.1806	1.4397
19	2.7770	4.1288	1.4868	2.9038	4.1806	1.4397
20	2.7875	4.1485	1.4883	2.9038	4.1806	1.4397
21	2.7875	4.1485	1.4883	2.9268	4.1862	1.4303
22	2.7875	4.1485	1.4883	2.9232	4.1857	1.4319
23	2.7517	4.1201	1.4973	2.9293	4.1729	1.4245
24	2.7588	4.1210	1.4938	2.8955	4.1654	1.4386
25	2.7364	4.1143	1.5035	2.8955	4.1654	1.4386
26	2.7422	4.1341	1.5076	2.8955	4.1654	1.4386
27	2.8051	4.1808	1.4904	2.8955	4.1654	1.4386
28	2.8051	4.1808	1.4904	2.8910	4.1606	1.4392
29	2.8051	4.1808	1.4904	2.8791	4.1550	1.4432
30	2.7538	4.1431	1.5045	2.8725	4.1244	1.4358
31				2.8503	4.1082	1.4413
Average monthly rate	2.7990	4.1734	X	2.8352	4.1427	X

TABLE IV

Average MFI interest rates on outstanding amounts, PLN denominated (in per cent)

	Sector	Category	Original maturity, period of notice	No	December 2008	January	February	March	April	May
Deposits in PLN	households and non--profit institutions serving households	overnight		1	1.7	1.7	1.6	1.5	1.5	1.5
		with agreed maturity	up to 2 years	2	6.1	6.3	6.5	6.2	5.6	5.6
			over 2 years	3	2.8	2.9	2.8	2.6	2.6	2.6
			total	4	6.1	6.3	6.4	6.1	5.5	5.5
		redeemable at notice	up to 3 months' notice	5	2.0	2.0	2.0	2.0	2.0	2.2
	non-financial corporations		over 3 months' notice	6	4.6	4.6	4.6	5.0	5.0	5.1
		overnight		7	2.4	2.1	1.7	1.3	1.3	1.5
		with agreed maturity	up to 2 years	8	6.0	5.7	5.1	4.7	4.3	4.4
			over 2 years	9	4.3	4.3	3.5	2.8	2.8	2.7
			total	10	5.9	5.7	5.1	4.7	4.3	4.3
	total, overnight excluded			11	6.0	6.1	6.0	5.7	5.2	5.2
	repos			12	5.9	5.2	4.1	3.0	2.9	3.5
Loans in PLN	households and non--profit institutions serving households	bank overdraft		13	13.1	13.0	12.4	11.9	11.5	11.9
		for consumption	credits cards	14	17.8	18.0	16.8	17.1	16.7	16.7
			up to 1 year maturity	15	11.3	11.1	11.8	11.4	11.6	11.5
			over 1 and up to 5 years maturity	16	13.9	14.0	14.5	14.0	14.1	13.9
			over 5 years maturity	17	14.1	13.8	14.2	13.8	13.7	13.6
			total	18	14.5	14.5	14.7	14.4	14.3	14.2
		for house purchases	up to 1 year maturity	19	9.5	9.0	8.2	8.2	8.0	7.9
			over 1 and up to 5 years maturity	20	8.1	8.0	7.5	7.1	6.6	6.5
			over 5 and up to 10 years maturity	21	8.1	7.8	7.7	7.1	6.3	6.1
			over 10 years maturity	22	7.9	7.6	7.4	6.8	6.1	5.8
			total	23	7.9	7.6	7.5	6.8	6.1	5.8
		for other purposes	up to 1 year maturity	24	8.8	8.5	8.2	7.6	7.2	7.1
			over 1 and up to 5 years maturity	25	9.4	9.1	8.6	8.1	7.6	7.5
			over 5 years maturity	26	8.7	8.5	8.2	7.8	7.3	7.2
			total	27	8.9	8.6	8.3	7.9	7.4	7.3
		total, overdraft excluded		28	11.0	10.8	10.8	10.3	9.9	9.8
	non-financial corporations		bank overdraft	29	7.5	7.1	6.4	5.9	5.6	5.8
			up to 1 year maturity	30	7.8	7.7	6.8	6.6	6.2	6.2
			over 1 and up to 5 years maturity	31	8.0	7.5	6.8	6.4	6.0	5.9
			over 5 years maturity	32	7.4	7.1	6.5	6.2	5.7	5.5
			total, overdraft excluded	33	7.7	7.3	6.7	6.3	5.9	5.7
	total, overdraft excluded			34	9.6	9.4	9.1	8.6	8.3	8.1

June	July	August	September	October	November	December
1.5	1.6	1.6	1.6	1.7	1.7	1.7
5.4	5.3	5.3	5.2	5.1	5.0	4.8
2.4	2.4	2.4	2.4	2.4	2.5	2.5
5.3	5.3	5.2	5.2	5.1	4.9	4.8
2.1	2.1	2.1	2.2	2.2	2.2	2.2
5.2	5.2	5.5	5.8	6.0	6.0	6.0
1.4	1.3	1.3	1.3	1.3	1.3	1.2
4.2	4.1	3.9	3.9	3.9	3.9	3.8
2.8	2.7	2.7	2.7	2.5	2.7	2.6
4.2	4.1	3.9	3.9	3.9	3.9	3.8
5.0	4.9	4.9	4.8	4.7	4.6	4.5
3.1	3.2	4.2	3.9	4.1	4.0	3.7
11.7	11.7	11.5	11.5	11.5	11.7	11.6
16.5	16.3	16.3	16.3	16.3	16.0	16.1
11.9	11.8	11.8	11.9	11.8	12.2	12.1
14.4	14.1	14.1	14.3	14.1	14.5	14.3
14.0	13.8	13.9	14.2	14.0	14.3	14.1
14.5	14.3	14.4	14.5	14.4	14.6	14.5
7.8	8.0	7.6	7.7	7.9	7.9	8.2
6.9	6.5	6.7	6.8	6.6	6.8	6.7
6.3	6.2	6.2	6.2	6.1	6.4	6.3
6.0	5.9	5.9	6.0	5.8	6.0	6.0
6.0	5.9	5.9	6.0	5.9	6.1	6.0
7.2	7.1	7.1	7.1	7.4	7.2	7.3
7.8	7.6	7.5	7.7	7.7	7.9	7.9
7.4	7.2	7.1	7.2	7.2	7.4	7.3
7.5	7.3	7.2	7.3	7.3	7.5	7.5
10.0	9.8	9.9	10.0	9.8	10.0	9.9
6.0	6.0	5.8	5.8	5.9	5.9	5.9
6.5	6.3	6.3	6.3	6.4	6.5	6.5
6.4	6.2	6.1	6.1	6.1	6.3	6.2
5.7	5.5	5.4	5.6	5.4	5.7	5.6
6.1	5.9	5.8	5.9	5.8	6.0	5.9
8.5	8.3	8.3	8.4	8.3	8.5	8.4

TABLE V

Average MFI interest rates on new business, PLN denominated (in per cent)

	Sector	Category	Original maturity, period of notice, initial rate fixation	No	December 2008	January	February	March	April
Deposits in PLN	households and non-profit institutions serving households	with agreed maturity	up to 1 month	1	5.4	5.2	4.5	4.1	3.8
			over 1 and up to 3 months	2	7.3	7.0	6.2	5.7	5.2
			over 3 and up to 6 months	3	7.1	6.9	6.2	5.7	5.3
			over 6 months and up to 1 year	4	7.0	5.9	5.4	5.2	4.7
			over 1 and up to 2 years	5	6.8	7.3	5.4	3.9	3.4
	non-financial corporations		over 2 years	6	5.4	4.5	2.7	4.2	4.1
			total	7	6.5	6.2	5.4	5.0	4.5
		with agreed maturity	up to 1 month	8	5.5	4.8	3.9	3.2	3.1
			over 1 and up to 3 months	9	6.7	6.0	5.3	5.0	4.7
			over 3 and up to 6 months	10	6.8	6.1	5.4	5.1	4.9
			over 6 months and up to 1 year	11	6.7	6.0	5.6	4.8	4.6
			over 1 and up to 2 years	12	6.7	4.4	4.8	3.8	4.5
			over 2 years	13	5.7	5.1	3.4	3.8	3.8
			total	14	5.6	4.9	4.0	3.4	3.3
	total			15	5.9	5.2	4.3	3.8	3.6
	repos			16	5.3	4.8	3.9	2.9	2.8
Loans in PLN	households and non-profit institutions serving households	for consumption	credit cards	17	15.9	16.6	16.4	15.9	15.8
			variable rate and up to 3 months initial rate fixation	18	16.4	17.0	16.4	16.8	16.9
			over 3 months and up to 1 year initial rate fixation	19	11.9	11.8	11.6	11.5	12.1
			over 1 and up to 5 years initial rate fixation	20	14.7	14.9	15.1	14.9	15.2
			over 5 years initial rate fixation	21	17.7	17.1	17.4	16.5	17.0
			total excluding credit cards*	22	14.8	15.5	15.4	15.6	16.0
			total	23	15.3	16.0	15.8	15.7	15.9
			the annual percentage rate of charge (APRC)	24	22.6	23.2	23.0	22.6	23.1
		for house purchases	variable rate and up to 3 months initial rate fixation	25	8.8	8.7	7.5	7.2	7.0
			over 3 months and up to 1 year initial rate fixation	26	8.0	7.6	6.9	6.5	6.7
			over 1 and up to 5 years initial rate fixation	27	8.7	5.0	8.0	5.6	2.0
			over 5 and up to 10 years initial rate fixation	28	7.6	9.4	8.0	7.3	11.0
			over 5 years initial rate fixation	29	7.1	8.7	8.7	7.4	6.9
			total	30	8.7	8.5	7.4	7.1	7.0
			the annual percentage rate of charge (APRC)	31	9.3	9.1	8.2	7.7	7.5
		for farming	variable rate and up to 3 months initial rate fixation	32	8.2	8.1	7.2	7.1	6.7
			over 3 months and up to 1 year initial rate fixation	33	-	7.7	16.4	17.8	19.0
			over 1 and up to 5 years initial rate fixation	34	-	-	-	-	-
			over 5 years initial rate fixation	35	-	-	-	-	-
			total	36	8.2	8.1	7.2	7.1	6.8
		for sole proprietors	variable rate and up to 3 months initial rate fixation	37	9.9	9.2	9.1	8.3	8.3
			over 3 months and up to 1 year initial rate fixation	38	12.8	10.4	12.0	8.0	7.9
			over 1 and up to 5 years initial rate fixation	39	12.5	12.7	12.1	11.6	12.6
			over 5 years initial rate fixation	40	12.2	12.5	12.9	13.2	13.4
			total	41	10.1	9.4	9.3	8.4	8.4
		for other purposes	variable rate and up to 3 months initial rate fixation	42	10.6	10.1	9.8	9.5	9.1
			over 3 months and up to 1 year initial rate fixation	43	9.7	10.2	9.2	6.5	7.4
			over 1 and up to 5 years initial rate fixation	44	7.0	7.2	10.8	14.9	10.6
			over 5 years initial rate fixation	45	-	-	17.2	15.9	15.9
			total	46	10.4	10.1	9.9	10.4	9.8
		total		47	13.6	14.1	13.9	13.4	13.6
	non-financial corporations	contracts up to PLN 4 million, overdraft excluded	variable rate and up to 3 months initial rate fixation	48	8.5	7.9	7.1	6.8	6.6
			over 3 months and up to 1 year initial rate fixation	49	8.3	7.8	7.1	6.9	6.5
			over 1 and up to 5 years initial rate fixation	50	7.6	6.2	6.0	7.3	6.7
			over 5 years initial rate fixation	51	12.8	7.9	12.3	7.8	9.1
			total	52	8.5	7.9	7.1	6.8	6.6
		contracts over PLN 4 million, overdraft excluded	variable rate and up 3 months initial rate fixation	53	8.3	7.8	7.0	6.3	6.2
			over 3 months and up to 1 year initial rate fixation	54	7.7	6.6	7.0	7.0	6.1
			over 1 and up to 5 years initial rate fixation	55	-	-	-	6.5	8.3
			over 5 years initial rate fixation	56	-	-	-	1.9	-
			total	57	8.3	7.7	7.0	6.3	6.2
		total		58	8.3	7.8	7.1	6.4	6.4
	total			59	11.4	11.6	11.1	10.6	11.0

* Category "total excluding credit cards" for consumer loans (itm 22) has been added for comparability with real interest rate, which does not include credit cards.

May	June	July	August	September	October	November	December
3.5	3.5	3.2	3.2	3.1	3.0	3.0	2.9
5.3	5.2	5.1	4.9	4.9	4.9	4.9	4.9
5.3	5.2	5.2	5.2	5.1	5.1	5.1	5.0
4.8	5.0	4.9	5.1	4.7	4.7	4.6	4.6
3.0	3.3	3.3	3.6	3.9	4.6	4.5	3.7
4.2	2.1	3.8	3.9	4.3	3.9	4.6	3.7
4.5	4.4	4.3	4.2	4.2	4.3	4.2	4.0
3.3	3.1	2.9	2.8	2.8	2.8	2.9	2.8
4.6	4.6	4.4	4.2	4.2	4.3	4.4	4.5
5.3	4.8	4.8	4.7	4.7	4.8	4.6	4.8
4.8	4.8	5.1	4.9	4.9	5.0	4.8	4.7
3.7	4.3	4.5	3.9	4.1	4.4	3.7	4.7
2.5	3.5	3.2	2.8	3.0	2.9	3.7	3.7
3.5	3.3	3.1	3.0	3.0	3.0	3.1	3.0
3.7	3.5	3.4	3.3	3.3	3.3	3.3	3.2
3.5	3.1	3.0	2.7	3.1	2.5	3.2	2.4
15.7	15.6	15.2	15.4	15.6	15.5	15.2	15.1
16.7	16.8	17.2	17.2	17.0	16.4	16.5	16.4
12.2	12.1	12.1	12.1	11.8	11.3	11.0	10.8
15.2	15.0	14.9	14.7	14.8	14.6	14.5	13.7
17.6	17.5	17.0	17.4	17.6	17.3	17.1	18.9
15.8	15.8	16.0	16.0	15.9	15.5	15.4	15.1
15.8	15.7	15.7	15.7	15.7	15.5	15.3	15.1
22.9	22.7	23.0	22.8	22.7	22.1	22.1	21.8
7.1	7.2	7.3	7.4	7.6	7.3	7.1	7.0
7.3	7.4	7.1	6.7	6.8	6.8	6.7	6.9
-	5.3	5.8	-	6.3	5.3	-	7.4
7.5	-	4.2	-	7.9	7.2	9.5	8.5
7.6	-	-	-	-	6.5	7.2	7.8
7.2	7.2	7.3	7.3	7.5	7.2	7.1	7.0
7.7	7.8	7.8	8.1	8.1	8.1	7.9	7.8
6.5	6.8	6.4	6.5	6.6	6.7	6.2	6.2
16.0	-	16.4	19.6	16.1	20.7	19.6	13.5
23.1	17.6	21.9	19.2	-	-	22.0	18.4
-	-	-	-	-	-	-	-
6.5	6.8	6.4	6.5	6.6	6.7	6.3	6.2
8.4	8.9	8.5	8.5	8.8	8.6	8.3	8.5
8.1	8.6	8.3	8.8	8.5	8.5	8.9	8.8
11.9	10.6	12.5	13.0	13.7	9.2	12.3	12.6
12.9	13.4	11.7	12.7	13.0	13.4	13.7	13.9
8.5	8.9	8.6	8.7	8.9	8.6	8.5	8.6
9.1	8.5	8.8	8.6	9.3	6.6	8.7	8.5
7.1	7.4	7.9	6.9	6.9	8.6	7.1	7.6
12.6	15.0	14.3	15.9	14.2	15.7	15.4	12.3
16.2	16.2	16.4	16.4	16.1	16.5	16.4	16.6
10.0	9.3	9.8	9.5	10.5	7.2	9.6	8.9
13.3	13.4	13.3	13.3	13.4	9.3	12.8	12.5
6.6	7.3	6.7	6.4	6.4	6.6	6.4	6.5
6.7	7.3	6.3	6.9	6.5	6.9	6.9	7.0
7.6	7.3	8.5	8.4	7.5	7.0	6.8	6.4
6.8	7.9	13.1	7.8	6.6	7.8	7.7	6.2
6.7	7.3	6.7	6.4	6.5	6.6	6.5	6.5
6.6	6.8	6.4	6.3	6.5	6.3	6.3	6.4
6.7	7.2	7.6	7.0	6.9	6.3	6.3	7.5
6.2	6.8	8.5	6.9	5.3	6.4	6.9	6.8
-	6.0	-	-	7.1	6.1	-	-
6.6	6.8	6.6	6.4	6.5	6.3	6.3	6.5
6.6	7.0	6.6	6.4	6.5	6.4	6.3	6.5
10.7	10.7	10.2	10.4	10.6	8.7	10.0	9.7

TABLE VI

Average MFI interest rates on new business, EUR denominated (in per cent)

	Sector	Category	Original maturity, period of notice, initial rate fixation	No	December 2008	January	February	March	April
Deposits in EUR	households and non-profit institutions serving households	overnight*		1	0.8	0.8	0.5	0.5	0.4
		redeemable at notice	up to 3 months' notice*	2	0.9	0.9	1.0	0.9	0.9
			over 3 months' notice*	3	1.3	1.3	1.1	1.3	1.4
		with agreed maturity	up to 1 month	4	2.8	2.5	1.6	1.2	1.1
			over 1 and up to 3 months	5	3.3	2.6	2.3	2.0	1.7
			over 3 and up to 6 months	6	3.7	3.1	2.9	2.5	2.0
			over 6 months and up to 1 year	7	3.8	3.2	3.0	2.7	2.4
			over 1 and up to 2 years	8	3.4	2.9	2.6	2.6	2.1
			over 2 years	9	2.9	2.4	2.2	2.2	2.3
			total	10	3.1	2.6	2.0	1.6	1.4
	non-financial corporations	overnight*		11	0.9	0.6	0.4	0.3	0.3
		with agreed maturity	up to 1 month	12	2.4	1.8	1.2	1.1	0.9
			over 1 and up to 3 months	13	3.6	2.4	2.0	1.8	1.6
			over 3 and up to 6 months	14	3.4	2.9	2.0	2.3	1.6
			over 6 months and up to 1 year	15	3.9	4.5	2.5	3.0	1.6
			over 1 and up to 2 years	16	2.2	2.4	1.7	2.9	0.6
			over 2 years	17	2.9	1.6	1.6	1.4	-
			total	18	2.5	1.8	1.3	1.1	0.9
	total			19	2.6	2.0	1.4	1.2	1.0
	repos			20	-	-	-	-	-
Loans in EUR	households and non-profit institutions serving households	bank overdraft*		21	5.9	4.8	4.2	4.3	3.2
		for consumption	variable rate and up to 3 months initial rate fixation	22	6.6	5.6	4.3	5.4	5.1
			over 3 months and up to 1 year initial rate fixation	23	-	-	-	9.1	7.4
			over 1 and up to 5 years initial rate fixation	24	-	-	-	-	-
			over 5 years initial rate fixation	25	-	-	-	-	-
			total	26	6.6	5.6	4.3	5.4	5.1
			the annual percentage rate of charge (APRC)	27	7.1	6.4	4.6	6.1	5.6
		for house purchases	variable rate and up to 3 months initial rate fixation	28	7.1	6.5	5.9	5.9	5.6
			over 3 months and up to 1 year initial rate fixation	29	6.3	5.3	5.0	4.1	4.4
			over 1 and up to 5 years initial rate fixation	30	-	-	-	4.6	3.6
			over 5 and up to 10 years initial rate fixation	31	-	-	-	-	-
			over 5 years initial rate fixation	32	-	-	-	-	-
			total	33	7.1	6.4	5.7	5.2	4.6
			the annual percentage rate of charge (APRC)	34	7.3	6.7	6.0	5.7	4.9
		for other purposes	variable rate and up to 3 months initial rate fixation	35	5.0	5.1	4.0	4.1	3.2
			over 3 months and up to 1 year initial rate fixation	36	4.0	-	1.9	3.1	2.1
			over 1 and up to 5 years initial rate fixation	37	3.8	-	2.5	4.1	1.9
			over 5 years initial rate fixation	38	-	-	-	-	-
			total	39	5.0	5.1	3.9	4.1	3.2
		total		40	6.1	5.7	4.9	4.7	4.0
	non-financial corporations	bank overdraft*		41	4.3	3.5	3.0	2.8	2.6
		contracts up to EUR 1 million, overdraft excluded	variable rate and up to 3 months initial rate fixation	42	6.2	4.8	4.4	4.2	3.9
			over 3 months and up to 1 year initial rate fixation	43	5.4	3.6	3.7	3.8	4.3
			over 1 and up to 5 years initial rate fixation	44	3.0	-	2.5	6.1	5.9
			over 5 years initial rate fixation	45	4.1	3.5	-	-	-
			total	46	6.1	4.7	4.4	4.3	4.1
		contracts over EUR 1 million, overdraft excluded	variable rate and up to 3 months initial rate fixation	47	4.6	4.3	4.7	4.7	4.4
			over 3 months and up to 1 year initial rate fixation	48	5.1	3.1	5.1	2.7	2.9
			over 1 and up to 5 years initial rate fixation	49	3.6	-	-	2.9	3.2
			over 5 years initial rate fixation	50	-	-	-	-	-
			total	51	4.6	4.2	4.7	3.9	4.1
		total		52	4.9	4.3	4.6	4.0	4.1
	total			53	4.9	4.4	4.6	4.0	4.1

* Category calculated on a basis of an outstanding amounts. Excluded from "total" average.

May	June	July	August	September	October	November	December
0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
1.3	1.4	1.3	1.3	1.4	1.1	1.2	1.2
0.9	0.8	0.7	0.5	0.6	0.7	0.8	0.6
1.6	1.5	1.5	1.4	1.2	1.3	1.4	1.2
1.9	1.9	1.7	1.7	1.9	1.7	1.7	1.5
2.0	1.9	1.9	2.0	1.9	2.0	1.9	1.6
2.0	1.6	2.1	2.0	1.7	1.7	1.7	1.8
2.3	2.4	2.7	2.5	2.4	2.1	2.2	2.0
1.2	1.1	1.1	1.0	1.0	1.1	1.1	1.0
0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
0.7	0.7	0.4	0.4	0.3	0.3	0.3	0.4
1.3	1.2	1.1	1.0	0.9	1.0	0.9	1.1
2.3	1.1	1.5	1.4	1.5	1.3	1.4	1.3
2.9	1.8	1.6	1.3	2.1	2.3	2.7	2.6
0.6	1.0	1.3	0.4	1.0	1.2	1.1	0.7
0.3	1.7	0.9	1.1	1.9	0.4	2.2	1.4
0.7	0.7	0.4	0.4	0.4	0.4	0.4	0.4
0.8	0.8	0.5	0.5	0.5	0.5	0.5	0.5
-	-	-	-	-	-	-	-
2.9	3.0	2.8	3.3	3.2	3.3	3.2	3.4
5.2	5.6	5.1	7.1	10.8	11.2	2.3	6.8
7.3	-	-	5.7	7.3	8.3	-	8.9
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5.7	5.6	5.1	6.8	10.0	10.8	2.3	7.6
6.2	6.1	5.9	7.6	11.1	11.2	2.7	7.8
5.3	4.6	5.3	4.9	5.1	4.9	5.2	4.9
4.5	4.3	4.9	5.4	5.5	5.3	5.4	4.6
-	-	-	-	-	-	-	-
3.4	-	-	-	-	-	-	-
-	-	-	-	-	7.5	-	-
4.7	4.6	5.0	5.3	5.4	5.1	5.2	4.9
5.0	5.1	5.1	5.6	5.8	5.4	5.7	5.3
4.2	4.7	3.8	3.3	4.5	5.0	3.1	4.2
1.9	-	1.5	5.4	-	-	1.3	2.9
2.1	1.8	1.5	1.4	-	-	1.2	2.4
-	-	-	-	-	-	-	-
3.9	4.7	3.7	3.9	4.5	5.0	3.1	4.2
4.4	4.6	4.7	4.8	5.2	5.1	3.9	4.8
2.8	2.9	2.7	2.7	2.8	2.8	2.7	2.8
3.2	3.7	3.3	3.8	2.9	2.8	2.9	3.0
3.1	4.4	4.2	2.9	3.9	4.0	2.4	3.6
5.2	1.8	2.8	3.7	2.8	3.2	3.1	2.1
-	-	-	0.5	-	1.3	-	4.1
3.3	3.7	3.3	3.7	2.9	2.9	2.9	3.0
4.3	4.0	3.8	3.2	4.0	3.8	3.5	3.9
3.0	4.1	4.3	4.1	4.4	4.0	3.9	3.8
2.7	2.6	6.0	1.6	2.4	-	-	1.6
4.3	-	-	0.5	-	-	-	-
4.0	4.0	4.1	3.7	4.0	3.9	3.6	3.8
3.8	4.0	4.0	3.7	3.7	3.7	3.5	3.8
3.9	4.0	4.1	3.7	3.8	3.9	3.5	3.8

TABLE VII

Aggregated balance sheet of other monetary financial institutions (million zloty)
ASSETS

Period	Loans to domestic residents	Monetary financial institutions	General government	Other domestic residents*	Holdings of securities other than shares issued by domestic residents	Monetary financial institutions	General government	Other domestic residents*	Money Market Fund Shares/Units
	1	2	3	4	5	6	7	8	9
XII 2008	724 256.3	76 421.5	24 417.1	623 417.7	177 197.4	22 586.5	149 412.9	5 198.0	272.5
I 2009	757 376.4	91 983.8	24 529.9	640 862.7	171 454.9	21 465.8	145 016.5	4 972.6	323.9
II	764 368.0	83 895.0	24 542.6	655 930.4	176 169.5	17 374.1	153 629.5	5 165.9	294.2
III	767 961.3	83 724.0	24 261.5	659 975.8	186 281.7	20 365.9	161 032.8	4 883.0	300.0
IV	748 816.8	76 693.4	24 439.6	647 683.8	186 078.1	20 370.0	161 232.5	4 475.6	315.2
V	750 752.2	71 043.0	24 589.9	655 119.3	193 432.6	31 236.9	157 653.5	4 542.2	321.7
VI	756 919.3	73 414.0	24 965.5	658 539.8	198 785.5	37 293.6	157 195.1	4 296.8	326.2
VII	738 139.9	67 822.3	24 978.2	645 339.4	199 664.3	38 864.1	156 736.5	4 063.7	335.9
VIII	744 537.5	69 612.7	26 068.3	648 856.5	205 980.2	45 241.8	156 632.5	4 105.9	346.0
IX	757 460.9	70 497.1	26 710.5	660 253.3	207 667.8	48 972.9	154 114.4	4 580.5	363.2
X	770 398.8	66 358.8	29 989.8	674 050.2	219 026.5	59 490.5	155 218.5	4 317.5	374.9
XI	776 463.6	70 776.1	37 500.7	668 186.8	212 443.2	52 423.4	155 663.8	4 356.0	371.7
XII	786 521.5	74 085.1	44 351.5	668 084.9	204 166.9	46 169.9	154 165.5	3 831.5	377.0

* Non-monetary finacial institutions and non-financial sector.
** Excluding financial fixed assets, included in column 10.

TABLE VII

Aggregated balance sheet of other monetary financial institutions (million zloty)
LIABILITIES

Period	Deposits of domestic residents	Monetary financial institutions	General government	Other domestic residents*	overnight	with agreed maturity	redeemable at notice	repurchase agreements	Money Market Fund Shares/Units
	1	2	3	4	5	6	7	8	9
XII 2008	665 001.9	68 581.7	21 138.4	575 281.8	252 621.0	319 138.0	54.6	3 468.2	998.3
I 2009	682 852.0	73 352.0	29 321.7	580 178.3	245 459.8	331 033.2	89.7	3 595.6	998.3
II	679 668.3	65 892.3	24 173.8	589 602.2	249 149.6	336 042.4	56.5	4 353.7	998.3
III	691 148.4	72 424.1	26 562.5	592 161.8	258 236.3	331 316.7	58.0	2 550.8	998.3
IV	682 767.1	66 912.3	28 659.1	587 195.7	252 319.9	332 313.4	60.8	2 501.6	883.2
V	684 025.8	61 747.4	25 969.1	596 309.3	263 884.9	329 757.3	60.5	2 606.6	883.2
VI	695 418.8	60 915.1	27 730.5	606 773.2	276 892.7	326 109.3	81.8	3 689.4	883.2
VII	687 144.3	53 770.5	29 449.5	603 924.3	271 309.9	328 069.5	77.0	4 467.9	883.2
VIII	694 927.7	55 782.1	38 319.4	600 826.2	279 332.2	317 383.2	63.5	4 047.3	915.0
IX	700 541.4	55 226.4	37 901.4	607 413.6	282 259.8	321 689.3	65.2	3 399.3	915.0
X	721 395.6	57 498.7	36 433.6	627 463.3	288 195.6	329 358.5	69.9	9 839.3	915.0
XI	709 085.1	55 512.8	37 376.5	616 195.8	291 139.2	322 464.1	72.4	2 520.1	915.0
XII	715 565.8	53 764.4	26 245.8	635 555.6	297 590.3	335 214.7	78.5	2 672.1	915.0

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

Holdings of shares/other equity issued by domestic residents			External assets	Fixed assets**	Remaining assets	**Total assets**
	Monetary financial institutions	Other domestic residents*				
10	11	12	13	14	15	16
7 307.6	2 861.5	4 446.1	81 193.5	36 749.0	63 694.3	1 090 670.6
7 237.0	2 850.3	4 386.7	83 655.2	36 835.5	68 631.0	1 125 513.9
7 295.7	2 877.9	4 417.8	77 137.7	36 958.2	67 010.2	1 129 233.5
7 421.6	2 876.2	4 545.4	70 056.3	36 973.4	62 350.0	1 131 344.3
7 476.3	2 879.4	4 596.9	66 511.6	37 110.1	58 763.9	1 105 072.0
7 549.6	2 952.6	4 597.0	63 827.8	37 153.5	54 661.2	1 107 698.6
7 557.7	2 966.7	4 591.0	62 863.5	37 250.0	47 823.9	1 111 526.1
7 733.1	2 959.6	4 773.5	58 765.8	37 396.4	45 112.1	1 087 147.5
7 749.2	2 973.5	4 775.7	59 280.1	37 501.4	42 974.7	1 098 369.1
7 965.5	2 985.8	4 979.7	54 750.5	37 613.2	41 418.0	1 107 239.1
12 508.2	7 425.2	5 083.0	54 634.7	37 657.8	41 833.7	1 136 434.6
13 028.3	7 767.5	5 260.8	49 488.1	37 684.7	39 098.3	1 128 577.9
11 173.0	5 988.3	5 184.7	47 057.9	37 952.5	38 255.5	1 125 504.3

Debt securities issued	Capital and reserves				External liabilities	Remaining liabilities	**Total liabilities**
		Tier-1 capital	Tier-2 capital	Reserves			
10	11	12	13	14	15	16	17
16 849.9	117 224.3	74 262.4	1 289.0	41 672.9	211 031.4	79 564.8	1 090 670.6
16 270.3	117 998.1	74 310.9	1 644.1	42 043.1	221 332.8	86 062.4	1 125 513.9
16 528.0	118 969.3	74 288.2	1 071.2	43 609.9	231 426.5	81 643.1	1 129 233.5
16 299.9	121 665.1	75 913.5	986.1	44 765.5	226 136.9	75 095.7	1 131 344.3
16 175.0	125 068.2	78 344.4	1 000.5	45 723.3	209 880.4	70 298.1	1 105 072.0
15 597.4	130 537.2	82 923.3	912.1	46 701.8	212 873.6	63 781.4	1 107 698.6
15 784.5	139 476.7	90 459.8	1 130.7	47 886.2	208 378.6	51 584.3	1 111 526.1
15 748.0	140 345.1	90 701.3	1 472.4	48 171.4	193 803.3	49 223.6	1 087 147.5
16 388.1	141 249.6	90 675.9	1 368.9	49 204.8	194 064.2	50 824.5	1 098 369.1
16 385.8	142 615.9	91 526.6	1 385.3	49 704.0	197 592.0	49 189.0	1 107 239.1
18 947.3	144 184.1	91 726.7	1 828.4	50 629.0	195 189.3	55 803.3	1 136 434.6
21 629.1	145 518.1	91 824.2	2 252.6	51 441.3	196 836.8	54 593.8	1 128 577.9
23 804.2	149 605.6	94 823.9	2 174.0	52 607.7	190 626.2	44 987.5	1 125 504.3

TABLE VIII

Balance sheet of the National Bank of Poland (million zloty)
ASSETS

Period	Loans to domestic residents	Other monetary financial institutions	General government	Other domestic residents*	Holdings of securities other than shares issued by domestic residents	Other monetary financial institutions	General government	Holdings of shares/other equity issued by domestic residents	Other monetary financial institu-tions	Other domestic residents*	External assets	Fixed assets**	Remaining assets	**Total assets**
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2008	19 073.5	19 050.4	0.0	23.1	0.0	0.0	0.0	53.9	0.0	53.9	189 827.4	2 110.6	782.6	211 848.0
I 2009	14 672.6	14 650.0	0.0	22.6	0.0	0.0	0.0	53.9	0.0	53.9	210 454.4	2 111.7	1 413.7	228 706.3
II	13 696.7	13 673.6	0.0	23.1	0.0	0.0	0.0	53.9	0.0	53.9	233 202.3	2 109.2	1 090.5	250 152.6
III	13 476.2	13 452.6	0.0	23.6	0.0	0.0	0.0	53.9	0.0	53.9	222 485.7	2 111.1	1 278.6	239 405.5
IV	16 302.3	16 277.7	0.0	24.6	0.0	0.0	0.0	53.9	0.0	53.9	216 752.9	2 111.2	1 089.0	236 309.3
V	13 046.5	13 021.2	0.0	25.3	0.0	0.0	0.0	53.9	0.0	53.9	222 183.1	2 111.1	966.6	238 361.2
XII	12 705.9	12 680.4	0.0	25.5	0.0	0.0	0.0	53.9	0.0	53.9	219 102.1	2 117.8	1 107.1	235 086.8
VII	11 584.6	11 558.9	0.0	25.7	0.0	0.0	0.0	53.9	0.0	53.9	216 893.3	2 119.1	797.2	231 448.1
VIII	8 924.3	8 898.4	0.0	25.9	0.0	0.0	0.0	53.9	0.0	53.9	223 089.9	2 122.7	637.4	234 828.2
IX	8 474.5	8 448.4	0.0	26.1	0.0	0.0	0.0	53.9	0.0	53.9	231 195.5	2 124.0	551.6	242 399.5
X	15 122.9	15 097.0	0.0	25.9	0.0	0.0	0.0	53.9	0.0	53.9	244 936.2	2 127.0	718.1	262 958.1
XI	12 627.7	12 602.3	0.0	25.4	0.0	0.0	0.0	53.9	0.0	53.9	239 992.5	2 126.4	1 630.8	256 431.3
XII	15 655.4	15 630.0	0.0	25.4	0.0	0.0	0.0	53.9	0.0	53.9	232 466.0	2 091.3	382.4	250 649.0

* Non-monetary financial institutions and non-financial sector.
** Excluding financial fixed assets, included in column 8.

TABLE IX

Consolidated balance sheet of monetary financial institutions (million zloty)
ASSETS

Period	Loans to domestic residents	General government	Other domestic residents*	Holdings of securities other than shares issued by domestic residents	General government	Other domestic residents*	Holdings of shares/other equity** issued by other domestic residents*	External assets	Fixed assets***	Remaining assets****	**Total assets**
	1	2	3	4	5	6	7	8	9	10	11
XII 2008	647 857.9	24 417.1	623 440.8	154 610.9	149 412.9	5 198.0	4 500.0	271 020.9	38 859.6	53 515.2	1 170 364.5
I 2009	665 415.2	24 529.9	640 885.3	149 989.1	145 016.5	4 972.6	4 440.6	294 109.6	38 947.2	61 122.7	1 214 024.4
II	680 496.1	24 542.6	655 953.5	158 795.4	153 629.5	5 165.9	4 471.7	310 340.0	39 067.4	59 227.3	1 252 397.9
III	684 260.9	24 261.5	659 999.4	165 915.8	161 032.8	4 883.0	4 599.3	292 542.0	39 084.5	55 068.3	1 241 470.8
IV	672 148.0	24 439.6	647 708.4	165 708.1	161 232.5	4 475.6	4 650.8	283 264.5	39 221.3	50 095.4	1 215 088.1
V	679 734.5	24 589.9	655 144.6	162 195.7	157 653.5	4 542.2	4 650.9	286 010.9	39 264.6	46 923.8	1 218 780.4
XII	683 530.8	24 965.5	658 565.3	161 491.9	157 195.1	4 296.8	4 644.9	281 965.6	39 367.8	39 903.2	1 210 904.2
VII	670 343.3	24 978.2	645 365.1	160 800.2	156 736.5	4 063.7	4 827.4	275 659.1	39 515.5	36 885.5	1 188 031.0
VIII	674 950.7	26 068.3	648 882.4	160 738.4	156 632.5	4 105.9	4 829.6	282 370.0	39 624.1	34 533.8	1 197 046.6
IX	686 989.9	26 710.5	660 279.4	158 694.9	154 114.4	4 580.5	5 033.6	285 946.0	39 737.2	32 919.8	1 209 321.4
X	704 065.9	29 989.8	674 076.1	159 536.0	155 218.5	4 317.5	5 136.9	299 570.9	39 784.8	33 323.6	1 241 418.1
XI	705 712.9	37 500.7	668 212.2	160 019.8	155 663.8	4 356.0	5 314.7	289 480.6	39 811.1	31 777.6	1 232 116.7
XII	712 461.8	44 351.5	668 110.3	157 997.0	154 165.5	3 831.5	5 238.6	279 523.9	40 043.8	28 460.6	1 223 725.7

* Non-monetary financial institutions and non-financial sector.
** Including units in investment funds and financial fixed assets.
*** Excluding financial fixed assets, incorporated in column 7.
**** Including rights issues.

TABLE VIII

Balance sheet of the National Bank of Poland (million zloty)
LIABILITIES

Period	Currency in circulation	Deposits of domestic residents	other monetary financial institutions	central government	other domestic residents*	Debt securities issued	Capital and reserves	Tier-1 capital	Reserves	External liabilities	Remaining liabilities	**Total liabilities**
	1	2	3	4	5	6	7	8	9	10	11	12
XII 2008	101 774.0	53 096.6	25 304.4	21 282.3	6 509.9	18 029.7	2 717.2	1 500.0	1 217.2	12 584.6	23 645.9	211 848.0
I 2009	97 497.0	48 894.8	27 275.7	14 392.6	7 226.5	17 433.7	2 724.3	1 500.0	1 224.3	16 746.2	45 410.3	228 706.3
II	99 680.1	63 830.9	28 923.6	27 264.4	7 642.9	13 500.0	2 729.2	1 500.0	1 229.2	13 837.6	56 574.8	250 152.6
III	99 621.1	53 170.9	25 205.3	20 399.4	7 566.2	16 500.0	2 735.7	1 500.0	1 235.7	13 367.3	54 010.5	239 405.5
IV	102 066.9	56 881.8	24 285.7	25 257.7	7 338.4	16 500.0	2 741.8	1 500.0	1 241.8	17 441.1	40 677.7	236 309.3
V	100 848.4	49 245.7	23 700.9	21 648.6	3 896.2	27 500.0	2 746.1	1 500.0	1 246.1	17 594.7	40 426.3	238 361.2
VI	101 298.3	40 769.3	24 550.3	14 763.9	1 455.1	33 422.8	2 752.9	1 500.0	1 252.9	16 071.9	40 771.6	235 086.8
VII	100 523.1	49 384.7	26 145.2	22 392.6	846.9	35 000.0	2 758.4	1 500.0	1 258.4	16 413.6	27 368.3	231 448.1
VIII	100 031.6	48 262.3	20 271.8	27 184.7	805.8	41 201.0	2 765.3	1 500.0	1 265.3	18 962.4	23 605.6	234 828.2
IX	98 714.9	48 080.8	20 473.2	26 702.7	904.9	45 000.0	2 769.9	1 500.0	1 269.9	20 463.8	27 370.1	242 399.5
X	98 656.6	51 679.3	21 054.3	29 610.3	1 014.7	54 966.0	2 776.9	1 500.0	1 276.9	26 642.8	28 236.5	262 958.1
XI	97 174.2	60 341.5	28 370.5	29 799.6	2 171.4	47 719.6	2 781.6	1 500.0	1 281.6	23 649.4	24 765.0	256 431.3
XII	99 954.1	61 972.3	37 856.2	22 632.2	1 483.9	40 984.4	2 745.2	1 500.0	1 245.2	20 701.1	24 291.9	250 649.0

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

TABLE IX

Consolidated balance sheet of monetary financial institutions (million zloty)
LIABILITIES

Period	Currency in circulation	Deposits of central government	Deposits of other domestic residents*	overnight	with agreed maturity	redeemable at notice	repurchase agreements	Money Market Fund Shares/ Units	Debt securities issued	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities	**Total liabilities**
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
XII 2008	90 812.3	42 420.7	581 791.7	259 130.9	319 138.0	54.6	3 468.2	725.8	12 293.1	117 080.0	223 616.0	103 210.7	-1 585.8	1 170 364.5
I 2009	88 575.0	43 714.3	587 404.8	252 686.3	331 033.2	89.7	3 595.6	674.4	12 238.2	117 872.1	238 079.0	131 472.7	-6 006.1	1 214 024.4
II	90 806.7	51 438.2	597 245.1	256 792.5	336 042.4	56.5	4 353.7	704.1	12 653.9	118 820.6	245 264.1	138 217.9	-2 752.7	1 252 397.9
III	91 060.8	46 961.9	599 728.0	265 802.5	331 316.7	58.0	2 550.8	698.3	12 434.0	121 524.6	239 504.2	129 106.2	452.8	1 241 470.8
IV	92 309.4	53 916.8	594 534.1	259 658.3	332 313.4	60.8	2 501.6	568.0	12 305.0	124 930.6	227 321.5	110 975.8	-1 773.1	1 215 088.1
V	92 144.4	47 617.7	600 205.5	267 781.1	329 757.3	60.5	2 606.6	561.5	11 860.5	130 330.7	230 468.3	104 207.7	1 384.1	1 218 780.4
VI	92 270.5	42 494.4	608 228.3	278 347.8	326 109.3	81.8	3 689.4	557.0	11 913.7	139 262.9	224 450.5	92 355.9	-629.0	1 210 904.2
VII	91 499.3	51 842.1	604 771.2	272 156.8	328 069.5	77.0	4 467.9	547.3	11 883.9	140 143.9	210 216.9	76 591.9	534.5	1 188 031.0
VIII	90 953.3	65 504.1	601 632.0	280 138.0	317 383.2	63.5	4 047.3	569.0	12 347.3	141 041.4	213 026.6	74 430.1	-2 457.2	1 197 046.6
IX	89 665.1	64 604.1	608 318.5	283 164.7	321 689.3	65.2	3 399.3	551.8	12 412.9	142 400.0	218 055.8	76 559.1	-3 245.9	1 209 321.4
X	89 428.4	66 043.9	628 478.0	289 210.3	329 358.5	69.9	9 839.3	540.1	14 422.8	139 535.8	221 832.1	84 039.8	-2 902.8	1 241 418.1
XI	88 222.7	67 176.1	618 367.2	293 310.6	322 464.1	72.4	2 520.1	543.3	16 925.3	140 532.2	220 486.2	79 358.8	504.9	1 232 116.7
XII	89 776.8	48 878.0	637 039.5	299 074.2	335 214.7	78.5	2 672.1	538.0	18 618.7	146 362.5	211 327.3	69 279.4	1 905.5	1 223 725.7

* Non-monetary financial institutions, local government, social security funds and non-financial sector.

TABLE Xa

M3 and counterparts (million zloty)
M3

Period	Currency in circulation (excluding vault cash)	Currency in circulation (including vault cash)	Cash in banks vaults	Overnight deposits and other liabilities	Households	of which individuals	Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds	M1
	1	2	3	4	5	6	7	8	9	10	11	12
XII 2008	90 812.3	101 774.0	10 961.7	259 130.9	144 150.1	120 426.1	10 233.8	71 713.4	7 053.1	17 300.7	8 679.8	349 943.1
I 2009	88 575.0	97 497.0	8 922.0	252 686.2	145 781.2	123 862.3	11 158.1	67 745.7	6 426.8	13 180.7	8 393.8	341 261.2
II	90 806.7	99 680.1	8 873.4	256 792.5	150 916.2	130 105.0	10 661.7	66 034.1	6 292.8	14 356.7	8 531.0	347 599.2
III	91 060.8	99 621.1	8 560.3	265 802.5	155 978.5	135 425.4	10 333.1	69 107.9	6 525.6	15 131.6	8 725.7	356 863.3
IV	92 309.4	102 066.9	9 757.5	259 658.3	159 385.0	139 498.3	10 745.7	61 655.0	6 506.8	13 687.7	7 678.2	351 967.7
V	92 144.3	100 848.4	8 704.1	267 781.1	161 924.2	141 900.8	12 784.5	66 565.9	6 732.4	15 156.8	4 617.5	359 925.4
VI	92 270.4	101 298.3	9 027.9	278 347.8	168 072.9	147 681.4	10 880.1	75 417.0	6 816.3	15 242.2	1 919.4	370 618.2
VII	91 499.3	100 523.1	9 023.8	272 156.9	169 241.1	148 789.6	11 192.9	68 721.9	6 936.0	13 737.6	2 327.4	363 656.1
VIII	90 953.3	100 031.6	9 078.3	280 138.0	171 729.6	151 134.8	13 123.4	71 364.1	7 401.9	14 946.7	1 572.3	371 091.3
IX	89 665.1	98 714.9	9 049.8	283 164.7	173 175.5	152 002.1	12 145.0	72 872.1	7 335.9	16 434.4	1 201.7	372 829.8
X	89 428.4	98 656.6	9 228.2	289 210.3	172 904.4	151 808.4	23 600.8	67 839.3	7 219.0	16 169.2	1 477.6	378 638.7
XI	88 222.7	97 174.2	8 951.5	293 310.5	175 097.2	154 183.4	12 316.6	79 053.2	7 412.4	16 496.1	2 935.0	381 533.2
XII	89 776.8	99 954.1	10 177.3	299 074.2	185 105.0	159 418.0	10 369.9	75 991.9	7 252.4	18 014.0	2 340.9	388 851.0

TABLE Xb

M3 and counterparts (million zloty)
M3 counterparts

Period	**Net external assets**	External assets	External liabilities	**Credit to other domestic residents**	Loans to other domestic residents	Households	of which individuals	Non-monetary financial institutions	Non-financial corporations	Non-profit institutions serving households	Local government
	1	2	3	4	5	6	7	8	9	10	11
XII 2008	47 404.9	271 020.9	223 616.0	653 635.2	640 950.0	375 998.1	321 099.9	21 342.5	223 856.5	2 243.9	17 509.1
I 2009	56 030.6	294 109.6	238 079.0	670 764.4	658 295.0	389 358.6	333 780.9	20 118.8	229 171.2	2 236.7	17 409.6
II	65 076.0	310 340.1	245 264.1	685 897.8	673 220.5	399 807.4	343 300.6	20 754.2	233 171.8	2 220.1	17 266.9
III	53 037.8	292 542.0	239 504.2	689 447.3	676 923.1	402 250.8	345 156.3	21 598.0	233 955.1	2 195.5	16 923.6
IV	55 943.0	283 264.6	227 321.5	677 424.1	665 119.4	396 377.2	338 855.9	20 398.2	228 728.7	2 204.4	17 410.9
V	55 542.5	286 010.9	230 468.4	684 932.7	672 600.7	403 303.0	344 955.5	21 100.5	228 504.3	2 236.9	17 456.0
VI	57 515.0	281 965.6	224 450.6	688 581.4	676 429.4	406 471.9	348 166.7	22 507.5	227 354.5	2 231.2	17 664.2
VII	65 442.1	275 659.0	210 216.9	675 877.4	663 653.9	399 321.7	341 023.4	20 953.6	222 803.1	2 286.7	18 288.8
VIII	69 343.5	282 370.1	213 026.6	679 876.6	667 580.5	402 858.0	344 291.6	22 221.3	221 457.3	2 345.8	18 698.0
IX	67 890.2	285 946.0	218 055.8	692 749.7	679 474.2	412 490.3	353 447.4	21 789.7	223 572.4	2 426.9	19 194.8
X	77 738.7	299 570.9	221 832.2	708 496.8	695 254.4	421 175.9	361 712.8	27 393.3	222 973.7	2 533.2	20 151.2
XI	68 994.4	289 480.6	220 486.2	707 888.3	694 323.4	417 561.3	357 415.1	26 931.9	221 094.1	2 625.0	20 989.2
XII	68 196.5	279 523.9	211 327.4	709 965.9	696 354.2	420 990.1	361 588.2	27 861.7	216 540.6	2 718.0	24 483.8

Deposits and other liabilities with agreed maturity up to 2 years and blocked deposits	Households	of which individuals	Non--monetary financial institutions	Non--financial corporations	Non-profit institutions serving households	Local government	Social security funds	Deposits redeemable at notice up to 3 months	M2	Repurchase agreements	Debt securities issued with maturity up to 2 years	Money market fund shares	M3
13	14	15	16	17	18	19	20	21	22	23	24	25	26
310 285.2	188 500.8	183 940.1	24 653.7	77 680.5	6 926.7	4 219.8	8 303.7	11.6	660 239.9	3 468.2	1 797.5	725.8	666 231.3
321 721.5	196 782.2	192 462.3	23 716.4	76 970.5	7 470.4	9 252.9	7 529.0	45.3	663 028.0	3 595.6	1 553.7	674.4	668 851.7
326 545.0	201 272.7	197 020.9	23 690.6	76 365.8	7 694.9	10 174.6	7 346.2	10.6	674 154.7	4 353.7	1 710.8	704.1	680 923.3
321 987.2	201 476.2	197 429.5	23 407.0	73 683.0	7 444.1	9 595.3	6 381.5	10.8	678 861.3	2 550.8	1 568.1	698.3	683 678.5
323 221.2	199 011.6	195 090.9	23 351.2	75 510.5	7 460.7	10 797.7	7 089.4	13.2	675 202.1	2 501.6	1 754.0	568.0	680 025.8
320 507.7	198 749.9	194 991.8	21 110.8	74 328.6	7 528.5	11 644.3	7 145.5	12.1	680 445.2	2 606.6	1 780.1	561.5	685 393.4
316 805.0	197 056.2	193 431.5	22 966.9	72 717.0	7 509.8	9 917.3	6 637.7	31.4	687 454.6	3 689.4	1 992.5	557.0	693 693.4
318 721.3	196 837.3	193 099.0	20 256.0	76 281.1	7 675.2	11 405.8	6 265.8	27.4	682 404.8	4 467.9	2 007.7	547.3	689 427.7
307 785.1	194 079.4	190 568.1	19 329.1	71 056.5	7 436.3	9 752.4	6 131.4	13.4	678 889.8	4 047.3	1 885.0	569.0	685 391.1
312 670.0	193 793.7	189 938.3	20 978.4	74 222.0	7 556.5	9 685.5	6 434.0	13.9	685 513.8	3 399.3	1 803.0	551.8	691 267.9
320 284.3	194 420.5	190 250.3	22 549.9	79 489.4	7 837.0	10 152.8	5 834.8	17.7	698 940.7	9 839.3	1 873.4	540.2	711 193.5
313 345.4	195 468.1	191 328.6	20 423.9	75 069.9	7 463.1	9 228.8	5 691.6	18.7	694 897.4	2 520.1	1 899.8	543.4	699 860.6
326 401.3	198 489.9	193 889.5	22 094.7	88 925.7	6 885.1	4 387.1	5 618.9	21.9	715 274.2	2 672.1	1 842.9	538.0	720 327.2

Social security funds	Holdings of securities other than shares	of which issued by:			Holdings of shares/other equity	of which:		Credit to central government, net
		non-monetary financial institutions	Non-financial corporations	local government		non-monetary financial institutions	non-financial corporations	
12	13	14	15	16	17	18	19	20
0.0	8 185.3	825.9	4 372.1	2 987.3	4 499.9	3 057.7	1 442.2	110 913.0
0.0	8 028.9	754.2	4 218.4	3 056.3	4 440.5	3 020.6	1 419.9	105 366.1
0.2	8 205.7	832.8	4 333.1	3 039.8	4 471.6	3 049.0	1 422.6	106 427.1
0.0	7 924.9	750.7	4 132.3	3 041.9	4 599.2	3 046.4	1 552.9	118 366.9
0.0	7 654.0	528.4	3 947.2	3 178.3	4 650.8	3 046.4	1 604.4	111 166.1
0.0	7 681.2	554.2	3 988.0	3 138.9	4 650.8	3 039.7	1 611.1	114 030.8
200.0	7 507.2	561.0	3 735.8	3 210.4	4 644.8	3 014.2	1 630.6	118 591.6
0.0	7 396.2	527.9	3 535.7	3 332.5	4 827.3	3 174.5	1 652.8	108 251.3
0.0	7 466.7	456.9	3 649.0	3 360.8	4 829.5	3 187.2	1 642.3	95 138.0
0.1	8 241.9	537.2	4 043.4	3 661.3	5 033.6	3 323.0	1 710.6	93 364.6
1 027.2	8 105.5	507.7	3 809.8	3 788.0	5 136.8	3 405.6	1 731.3	94 198.0
5 122.0	8 250.3	490.0	3 866.1	3 894.2	5 314.7	3 538.1	1 776.6	95 983.0
3 760.1	8 373.2	524.7	3 306.8	4 541.8	5 238.5	3 362.3	1 876.3	116 853.3

TABLE Xb

M3 and counterparts (million zloty)
M3 counterparts

Period	Credit to central government	of which: loans	of which: debt securities issued	Deposits of central government	Longer-term financial liabilities	Deposits with agreed maturity over 2 years and deposits redeemable at notice over 3 months	Households	of which individuals	Non-monetary financial institutions
	21	22	23	24	25	26	27	28	29
XII 2008	153 333.6	1 034.4	146 425.6	42 420.6	136 471.5	8 895.9	4 025.3	3 978.9	3 190.1
I 2009	149 080.4	1 091.1	141 960.2	43 714.3	137 912.8	9 356.2	4 037.5	3 999.9	3 186.0
II	157 865.3	1 045.3	150 589.7	51 438.2	139 307.0	9 543.3	4 093.8	4 047.0	3 198.5
III	165 328.8	1 071.8	157 990.9	46 961.9	141 767.3	9 376.7	4 076.3	4 037.6	3 241.1
IV	165 082.8	982.2	158 054.2	53 916.8	144 621.4	9 139.8	4 055.5	4 021.6	3 188.2
V	161 648.4	1 006.2	154 514.6	47 617.6	149 709.0	9 298.0	4 068.0	4 032.3	3 176.7
VI	161 086.0	1 000.4	153 984.7	42 494.4	158 539.0	9 354.7	4 073.8	4 040.2	3 242.1
VII	160 093.4	799.0	153 404.0	51 842.1	159 418.1	9 397.9	4 062.2	4 029.0	3 258.3
VIII	160 642.0	787.2	153 271.7	65 504.0	161 151.8	9 648.2	4 024.7	3 996.8	3 303.8
IX	157 968.8	777.8	150 453.1	64 604.1	162 080.3	9 070.5	4 027.6	3 999.0	3 200.9
X	160 241.9	688.2	151 430.5	66 043.9	161 211.6	9 126.4	4 009.4	3 983.7	3 275.3
XI	163 159.1	758.2	151 769.5	67 176.1	164 730.3	9 172.4	4 000.8	3 975.6	3 314.7
XII	165 731.4	979.5	149 623.7	48 878.1	172 008.4	8 870.0	4 002.5	3 977.8	3 207.1

TABLE XI

Reserve money and counterparts (million zloty)

Period	External assets, net	Official reserve assets	Refinancing credit	Rediscount credit	Lombard credit	Credit for rehabilitation programmes	Credit for central government investment projects	Other credit	Overdue credit
	1	2	3	4	5	6	7	8	9
XII 2008	177 242.8	184 165.2	3 797.8	0.0	2 317.7	0.0	1 474.0	6.0	0.0
I 2009	193 708.2	204 779.9	1 474.0	0.0	0.0	0.0	1 474.0	0.0	0.0
II	219 364.7	227 516.4	1 474.0	0.0	0.0	0.0	1 474.0	0.0	0.0
III	209 118.4	216 926.6	1 380.9	0.0	0.0	0.0	1 380.9	0.0	0.0
IV	199 311.8	210 588.6	1 380.9	0.0	0.0	0.0	1 380.9	0.0	0.0
V	204 588.4	216 024.0	1 380.9	0.0	0.0	0.0	1 380.9	0.0	0.0
VI	203 030.2	212 987.6	1 287.8	0.0	0.0	0.0	1 287.8	0.0	0.0
VII	200 479.6	211 185.7	1 287.8	0.0	0.0	0.0	1 287.8	0.0	0.0
VIII	204 127.6	217 406.4	1 287.8	0.0	0.0	0.0	1 287.8	0.0	0.0
IX	210 731.7	225 520.6	1 194.6	0.0	0.0	0.0	1 194.6	0.0	0.0
X	218 293.4	239 275.9	1 194.6	0.0	0.0	0.0	1 194.6	0.0	0.0
XI	216 343.1	234 349.2	1 194.6	0.0	0.0	0.0	1 194.6	0.0	0.0
XII	211 764.8	226 859.2	1 101.5	0.0	0.0	0.0	1 101.5	0.0	0.0

Non-financial corporations	Non-profit institutions serving households	Local government	Social security funds	Debt securities issued with maturity over 2 years	Capital and reserves	Fixed assets (excluding financial fixed assets)	Other items (net)
30	31	32	33	34	35	36	37
1 533.8	135.9	10.6	0.1	10 495.6	117 080.0	38 859.6	-48 109.9
1 987.9	136.1	8.6	0.1	10 684.5	117 872.2	38 947.1	-64 343.6
2 107.7	134.8	8.4	0.1	10 943.1	118 820.6	39 067.4	-76 238.0
1 921.5	128.4	9.2	0.2	10 866.0	121 524.6	39 084.5	-74 490.7
1 755.9	129.0	10.2	0.9	10 551.0	124 930.6	39 221.3	-59 107.3
1 916.0	126.6	9.8	0.8	10 080.4	130 330.6	39 264.6	-58 668.1
1 908.4	119.4	10.1	0.9	9 921.3	139 262.9	39 367.8	-51 823.5
1 659.0	121.9	295.4	1.0	9 876.3	140 143.9	39 515.6	-40 240.6
1 681.4	124.9	512.4	1.0	10 462.2	141 041.4	39 624.1	-37 439.3
1 710.9	120.2	9.3	1.7	10 609.8	142 400.0	39 737.2	-40 393.5
1 701.4	128.9	9.3	2.2	12 549.4	139 535.9	39 784.8	-47 813.2
1 716.3	128.9	9.6	2.2	15 025.6	140 532.2	39 811.1	-48 085.9
1 525.2	125.1	8.5	1.6	16 775.8	146 362.6	40 043.8	-42 724.0

Open market operations (net)	Auction credit	Auction deposits	NBP bills	Credit to central government, net	Other items (net)	Central Bank reserve money	Currency in circulation (including vault cash)	Bank current accounts	Reserve requirements accounts
10	11	12	13	14	15	16	17	18	19
5 039.3	15 252.6	0.0	-10 213.3	-21 282.3	-38 447.4	126 350.2	101 774.0	24 465.7	110.5
-4 257.8	13 176.0	0.0	-17 433.7	-14 392.6	-52 383.8	124 148.0	97 497.0	26 538.8	112.2
-1 300.4	12 199.6	0.0	-13 500.0	-27 264.4	-64 450.6	127 823.3	99 680.1	28 026.9	116.3
-4 428.3	12 071.7	0.0	-16 500.0	-20 399.4	-61 380.2	124 291.5	99 621.1	24 570.4	100.0
-1 603.2	14 896.8	0.0	-16 500.0	-25 257.7	-48 129.3	125 702.5	102 066.9	23 533.2	102.4
-15 859.7	11 640.3	0.0	-27 500.0	-21 648.6	-44 565.3	123 895.7	100 848.4	22 939.0	108.3
-22 030.2	11 392.7	0.0	-33 422.8	-14 763.9	-42 144.1	125 379.7	101 298.3	23 980.1	101.3
-24 728.9	10 271.1	0.0	-35 000.0	-22 392.6	-28 269.4	126 376.4	100 523.1	25 747.0	106.4
-33 590.3	7 610.6	0.0	-41 201.0	-27 184.7	-24 626.1	120 014.3	100 031.6	19 886.2	96.4
-37 746.2	7 253.8	0.0	-45 000.0	-26 702.7	-28 659.8	118 817.6	98 714.9	20 001.3	101.4
-41 063.7	13 902.3	0.0	-54 966.0	-29 610.3	-29 380.7	119 433.4	98 656.6	20 680.3	96.5
-36 312.0	11 407.6	0.0	-47 719.6	-29 799.6	-26 158.9	125 267.2	97 174.2	27 986.8	106.3
-26 455.9	14 528.5	0.0	-40 984.4	-22 632.2	-26 271.6	137 506.6	99 954.1	37 438.3	114.1

METHODOLOGICAL NOTES

TABLE I
Basic statistical data

Information contained in Table I is derived from the "Statistical Bulletin" of the Central Statistical Office [GUS]. Definitions of the categories presented in the Table can be found in the GUS publications.

1. Data presented in pts. 1, 2, 6, 7, 10 and 12 comprise national economy entities regardless of their ownership type, i.e. public sector entities (state-owned entities, units of local government and mixed ownership, where public sector entities prevail) and private sector entities. The private sector includes units of private domestic ownership (among others: companies, cooperatives, natural persons conducting economic activities, social organizations, associations, foundations), private foreign ownership (among others: foreign enterprises branches, foreign representatives, partnerships with exclusive foreign capital share) and "mixed" ownership with a private sector unit capital majority or lack of sectors majority in unit capital.

2. The corporate sector comprises entities, which conduct their economic activities in the fields of: forestry, including the provision of services; marine fishing; mining, manufacturing; electricity, water and gas production and supply; construction; wholesale and retail trade; repair of motor vehicles, motorcycles as well as personal and household goods; hotels and restaurants; transport, storage and communication; real estate renting and related business activities, renting machines and equipment without an operator and of personal and household goods; computer and related activities; other business activities; sewage and refuse disposal, sanitation management and other sanitation services; recreational, cultural, sporting and other services.

3. According to the Polish Statistical Classification of Economic Activities [PKD], the notion of "industry" applies to the following sections: "mining", "manufacturing" and "electricity, gas and water production and supply".

4. Data on the sold production of industry (pt. 1), and the construction and assembly production (pt. 2) refer to economic entities with of more than 9 employees.

5. Data on the value of the sold production of industry (pt. 1) and the construction and assembly production (pt. 2) are disclosed net without the due value added tax (VAT) and the excise tax, while they include subsidies for specific purposes to products and services in the so-called base prices.

6. Construction and assembly production data (pt. 2) refer to works performed on commission in Poland by the business entities of the construction sector, i.e. classified under "construction" according to the PKD.

7. Information on the sold production of industry (pt. 1) and the construction assembly production (pt. 2) are disclosed without seasonal adjustments.

8. Data on employed persons include persons employed on a full and part-time basis in the main place of work. Employed persons include: persons employed on the basis of a labour contract; owners and co-owners of units engaged in economic activities including contributing family members; outworkers; agents and persons employed by agents; members of agricultural production co-operatives. Data presented in the Bulletin do not include private farmers or employees of budget entities conducting activity within the scope of national defence and public safety.

9. Unemployment rate (pt. 9) is calculated as a percentage share of the unemployed in the civilian population i.e. total of employed and unemployed persons over 15 years of age.

10. Revenues from privatisation do not constitute the current revenues of the state budget; instead they finance the budget deficit (pt. 11).

11. Data on financial results of enterprises (pt. 12) are presented as prescribed by the amended Accounting Act dated 29 September 1994 (uniform text Journal of Laws 2002 No 76, item 694, with later amendments).

TABLE II
Financial market – basic information

Information comprised in Table II has been derived from the National Bank of Poland (save for the data in pt. 6, supplied by the Warsaw Stock Exchange).

1. Interest rates in Table II are presented on an annual basis at the level which was binding on the last day of a given month. The average monthly interest rate has been given only for the weighted average yield on purchased T-bills or the NBP money-market bills.

2. Interest rate (pt. 1 col. 3) refers to refinanced loan which are not a lombard loan.

3. Deposit rate (pt. 1 col. 4) sets the price offered by the Central Bank to commercial banks for short-term deposits.

4. Total reserve requirements (pt. 2 col. 12) pertain to the volumes declared by banks and binding on the last day of the month. Since 28 February 2002, the total reserve requirements are held exclusively on the NBP accounts.

5. Information on Treasury bill tenders (pt. 3, except for the stocks of bills in circulation at the end of the month – col. 76) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased. The stock of bills in circulation at month end has been determined on the basis of the agreed maturity, calculated from the day after the tender which resulted in the sale of the bill. The above stock does not include bills in circulation which do not stem from tenders.

6. Information on tenders for the NBP money-market bills (pt. 4, except for the stock of bills in circulation at month end – col. 122 comprises data from tenders conducted within one moth. The average yield on bills purchased is weighted by the share of the sales of bills with different maturities in the total value of bills purchased.

7. The indices presentation on the main stock market of the Warsaw Stock Exchange (WSE) is composed of the following set of indices:

- WIG20 index has been calculated since 16 April 1994 based on the value of portfolio with shares in 20 major and most liquid companies in the main stock market. The initial value of WIG20 index was 1000 points. It is an price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The WIG20 index may not include more than 5 companies from a single exchange sector.

- mWIG40 index is successor of MIDWIG index and has been calculated since 31 December 1997 and comprises 40 medium size companies listed at WSE. The initial value of index was 1000 points. mWIG40 is an price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The mWIG40 index excludes WIG20 and sWIG80 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 1 billion.

- **sWIG80 index** is successor of WIRR index that has been calculated since 31 December 1994 and comprised 1% of smaller companies listed at WSE. The initial value of index was 1000 points. sWIG80 is an price index and thus when it is calculated it accounts only for prices of underlying shares whereas dividend income is excluded. The sWIG80 index excludes WIG20 and mWIG40 index participants and foreign companies listed at WSE and other markets with the market capitalization at the ranking date above EUR 100 million.

8. The indices comprise companies from all the quotation markets.

9. Capitalization refers only to domestic companies.

10. The P/E ratio shows the relation of the market price to net earnings and is calculated as a quotient of the total market value of companies at month end to their aggregated profits and losses generated within the last 4 quarters, for which financial data are available.

11. The turnover ratio shows the relation between the value of sold shares to the average value of shares quoted in a given month.

12. The monthly turnover value and the turnover ratio comprise the continuous quotation and fixing.

TABLE III
PLN/USD and PLN/EUR daily exchange rates

The information has been based on the data of the National Bank of Poland.

1. The NBP average exchange rate is the official exchange rate used for statistical and accounting purposes.

2. The average PLN/USD and PLN/EUR exchange rates and the USD/EUR ratio were calculated as the arithmetic average of the NBP average exchange rates for a month (based on daily exchange rates).

SECTORAL CLASSIFICATION

- Financial sector comprises the following sub-sectors:
  - monetary financial institutions[73] (including the central bank and other monetary financial institutions). In Poland, the concept of other monetary financial institutions applies to banks, credit unions (SKOK) and money market funds;
  - insurance corporations and pension funds;
  - other financial intermediaries (including financial leasing companies, factoring companies, brokerage offices, investment funds, without money market funds, and financial companies created for securitization);

[73] In accordance with the ECB definition, monetary financial institutions (MFIs) comprise financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account, to grant credits and/or to make investments in securities.

- financial auxiliaries (including bureaus de change, bourses, hire purchase institutions).

- Non-financial sector comprises the following sub-sectors:
  - state-owned corporations;
  - private corporations and co-operatives;
  - individual entrepreneurs;[74]
  - farmers;
  - individuals;
  - non-profit institutions serving households.

In the publications of the National Bank of Poland, claims and liabilities of banks to the non--financial sector will be presented in accordance with the EU standards, i.e. sub-divided into three sectors:

- households – comprising:
  - individuals;
  - farmers;
  - individual entrepreneurs;
- non-financial corporations – comprising:
  - state-owned corporations;
  - private corporations and co-operatives (including: individual entrepreneurs with more than 9 employees);
- non-profit institutions serving households (separate legal entities, which serve households. Their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households, from payments made by general governments and from property income).

- General government comprises the following sub-sectors:
  - central government (including public governing bodies, government administration bodies, state control and law protection bodies, courts and tribunals, state universities, state institutions of culture and welfare etc.);
  - local government (including local administrative offices [at gmina and poviat level], local parliaments, public elementary schools, institutions of culture financed by local governments, welfare institutions, etc.);
  - social security funds (comprise the Social Insurance Institution and the Agricultural Social Insurance Fund and the funds they manage, and the healthcare funds).

[74] Natural persons conducting business activities on their own account, with a maximum of 9 employees.

TABLE IV
Average interest rate on zloty denominated businesses

Data on zloty denominated businesses refer to all businesses at the end of the reporting month, these concluded prior to the reporting month and still binding as well as new businesses. This interest rate is a quotient of interest on average zloty denominated business by average volume of businesses per reporting month, commissions and other charges excluded.

The interest rate is calculated based on data received from the following banks (20):

1. Powszechna Kasa Oszczędności Bank Polski SA
2. Bank Polska Kasa Opieki SA
3. Bank BPH SA
4. Bank Handlowy w Warszawie SA
5. ING Bank Śląski SA
6. Kredyt Bank SA
7. Bank Zachodni WBK SA
8. BRE Bank SA
9. Bank Millennium SA
10. Bank Gospodarki Żywnościowej SA
11. Raiffeisen Bank Polska SA
12. BRE Bank Hipoteczny SA
13. Krakowski Bank Spółdzielczy
14. Bank Spółdzielczy w Brodnicy
15. Bank Gospodarstwa Krajowego
16. Bank Ochrony Środowiska SA
17. FORTIS BANK POLSKA SA
18. GE Money Bank SA
19. LUKAS Bank SA
20. AIG Bank Polska SA.

At the end-December 2008, the above banks held 78.7% of deposits of residents and 73.7% of credit to households and non-financial corporations.

TABLE V
Average interest on new zloty denominated businesses

Information refers to agreements carried out in a given reporting month. Appendices to existing agreements shall be deemed new businesses.

Interest rates in the statistics on new businesses differ from those in Table IV. The formula is applied to statistical information on new businesses, also known as Narrowly Defined Effective Rate (NDER). The concept of Narrowly Defined Effective Rate was coined as an opposite to widely understood effective interest rate or Real Interest Rate (RIR). The NDER included, the new business statistics provides RIR for the second category of consumer and house purchase loans. As opposed to the NDER, which covers for interest costs of capital the real interest rate incorporates all charges paid by the borrower. These charges are most of all commissions (brokers included) but also compulsory loan insurance premiums against death or unemployment of the borrower.

The Table IV sample of banks applies.

Table VI
Average interest rate on euro denominated businesses

General rule of calculating interest rate are the same as for Table IV (see star-matched lines) and Table V. The Table IV and V sample of banks applies as well.

GENERAL COMMENTS ON TABLES VII, VIII, IX

1. The figures refer to the end of each reporting month and have been derived from balance sheets received from the banks within the framework of the “Banking Reporting Information system (BIS)” and from the balance sheet of the National Bank of Poland and credit unions (SKOK) and money market funds.

2. The presentation is structured in accordance with the ECB standards.

3. Assets in Tables VII, VIII and IX are shown gross of provisions, accumulated depreciation and write downs (except for securities presented at a market price).

4. Apart from external assets/liabilities debt securities issued and partly capital and reserves, all categories reflect operations with residents.

TABLE VII
Aggregated balance sheet of other monetary financial institutions – assets and liabilities

1. Credits, loans and other claims to domestic residents (assets col. 1) include current accounts, reserve requirements, open market operations, deposits, loans and credits, debt purchased, realised guarantees and sureties, other claims, interest due and claims on securities purchased under repurchase agreements.

2. Debt securities issued by domestic residents (assets col. 5) held by other monetary financial institutions.

3. Money Market Funds participation units purchased by other MFIs (assets col. 9).

4. Securities and other shares and other equity issued by domestic residents (assets col. 10) include shares, investment fund participation units, investment certificates and fixed financial assets (shares).

5. External assets (assets col. 13) include all assets of non-residents denominated in zloty and foreign currencies.

6. Fixed assets (assets col. 14) include total fixed assets except for financial fixed assets.

7. Other assets (assets col. 15) include vault cash i.e. cash and other cash equivalents held at other monetary financial institutions, as well as other claims and interest due and not due from all sectors, settlement accounts, claims on various debtors, deferred income and expenditure, other financial assets, value adjustments, rights issue, other assets, other operations, interest on securities purchased under repurchase agreement.

8. Deposits and other liabilities to domestic residents (liabilities col. 1) represent overnight deposits, deposits with agreed maturities, blocked deposits, deposits redeemable at notice, received credit and loans, including refinancing, auction (open market operations) and claims from cash collateral (classified to "with agreed maturities"), other liabilities and claims on repurchase agreements, subordinated claims save for those in securities issued.

9. Money Market Funds participation units issued by the MMF (liabilities col. 9).

10. Debt securities issued (liabilities col. 10) are liabilities on own debt securities issued by other monetary financial institutions and subordinated claims in securities issued (purchased by residents and non-residents).

11. Capital and reserves (liabilities col. 11) are divided into: a) core fund comprising share paid-in capital, called-up capital unpaid, own shares, accumulated reserves, general risk provisions, reserve capital and retained earnings, b) supplementary funds i.e. revaluation reserves and other supplementary funds specified in the Banking Law (assigned both to residents and non--residents) other components of equity capital, c) provisions, including specific provisions, impairment allowances, mortgage notes reserves (resident, non-resident), specific provisions for off-balance liabilities (resident, non-resident), general risk provisions (resident, non-resident).

12. External liabilities (liabilities col. 15) include all liabilities of non-residents denominated in zloty and foreign currencies, except for reserves included in pt. 11, which comprise residents and non-residents as well as issue of debt securities and subordinated claims in securities purchased by non-residents.

13. Other liabilities (liabilities col. 16) include interest on the above-mentioned liabilities, settlement accounts, liabilities to creditors, deferred income and expenditure, suspended revenue, other liabilities from financial instruments, other liabilities, exchange rate fluctuations resulting from the conversion of subordinated liabilities, reserves for risk and expenditures not associated with the basic activities of the reporting bank, subordinated liabilities, other operations, interest on subordinated liabilities, value adjustments profit/loss during approval procedures, current year profit/loss.

TABLE VIII
Balance sheet of the National Bank of Poland – assets and liabilities

1. The item credits, loans and other claims to domestic residents (assets col. 1) comprises receivables from granted loans, including rediscount, lombard, refinancing for central investments, loans granted from foreign credit facilities, open market operations, other loans and receivables from current and fixed term deposits.

2. Debt securities issued by domestic residents (assets col. 5) are securities held by the National Bank of Poland.

3. Securities and other shares and other equity issued by domestic residents (assets col. 8) – at the moment in the case of the NBP they include only fixed financial assets (equity).

4. External assets (assets col. 11) include all assets of non-residents denominated in zloty and foreign currencies.

5. Fixed assets (assets col. 12) include total fixed assets except for financial fixed assets.

6. Other assets (assets col. 13) include interest due and not due on the above-listed operations, deferred costs, inter-branch settlements and other assets excluding fixed assets.

7. Deposits of domestic residents (liabilities col. 2) represent liabilities on overnight deposits, deposits with agreed maturity, reserve requirements, auction deposits (open market operations), separated funds and other deposits.

8. Debt securities issued (liabilities col. 6) represent liabilities on the NBP debt securities issued by the NBP.

9. Capital and reserves (liabilities col. 7) in the case of the NBP it comprises equity i.e. authorised capital, as well as reserve fund and provisions, which include specific provisions, accumulated depreciation and valuation allowances.

10. External liabilities (liabilities col. 10) include all liabilities of non-residents denominated in zloty and foreign currencies.

11. Other liabilities (liabilities col. 11) include interest on the above-mentioned categories of liabilities, deferred income, inter and intra-MFI settlements, other liabilities and financial performance.

TABLE IX
Consolidated balance sheet of monetary financial institutions – assets and liabilities

1. Table IX comprises a consolidated balance sheet of monetary financial institutions.

2. In the assets and liabilities of the above-mentioned balance sheet, domestic inter-MFI operations have been netted out.

3. Other assets (assets col. 10) and currency in circulation (liabilities col. 1) were decreased by cash in vaults of other monetary financial institutions.

LIST OF THE MOST IMPORTANT ABBREVIATIONS

BFG	Bank Guarantee Fund
BGK	National Economy Bank (Bank Gospodarstwa Krajowego)
BHK SA	Bank Handlowo-Kredytowy SA
BIS	Bank for International Settlements
BoE	Bank of England
bp	basis point
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EIB	European Investment Bank
EMU	Economic and Monetary Union
ERM II	Exchange Rate Mechanism II
ESCB	European System of Central Banks
EU	European Union
FED	Federal Reserve Bank
GDP	Gross Domestic Product
GINB	General Inspectorate of Banking Supervision (Generalny Inspektorat Nadzoru Bankowego)
GUS	Central Statistical Office (Główny Urząd Statystyczny)
IMF	International Monetary Fund
KDPW SA	National Depository for Securities SA (Krajowy Depozyt Papierów Wartościowych SA)
KIR SA	National Clearing House SA (Krajowa Izba Rozliczeniowa)
KNF	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
KRI	Key Risk Indicators
KSF	Financial Stability Committee (Komitet Stabilności Finansowej)
MF	Ministry of Finance
MPC	Monetary Policy Council
NB	Norges Bank
NBP	National Bank of Poland

OECD	Organisation for Economic Co-operation and Development
ZBP	Polish Bank Association (Związek Banków Polskich)
pp	percentage point
RBA	Reserve Bank of Australia
RMS	Risk Management System
SDR	Special Drawing Rights
SEPA	Single Euro Payment Area
SGW	Internal Operations System (System Gospodarki Własnej)
SIS	Reporting Information System (System Informacji Sprawozdawczej)
SLA	Service Level Agreement
SORBNET	Real-Time Gross Settlement System [RTGS] at the NBP Head Office
SORBNET-EURO	Real-Time Gross Settlement System [RTGS] in Euro at the NBP Head Office
STEP2 SCT	STEP2 SEPA Credit Transfer System
TARGET, TARGET2	Trans-European Automated Real-Time Gross Settlement Express Transfer System
ZSK	Integrated Accounting System (Zintegrowany System Księgowy)

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