



## Overview

1. November projection compared to July projection
  - Changes in the projection
  - External environment
  - Polish economy in 2011 Q3
  
2. Projection
  - GDP and components
  - Labour market
  - Exchange rate
  - Inflation
  
3. Uncertainty

CHANGES IN  
THE SCENARIO

» Changes  
in the projection

» External  
environment

» Polish economy  
in 2011 Q3

PROJECTION

» GDP and its  
components

» Labour market

» Exchange rate

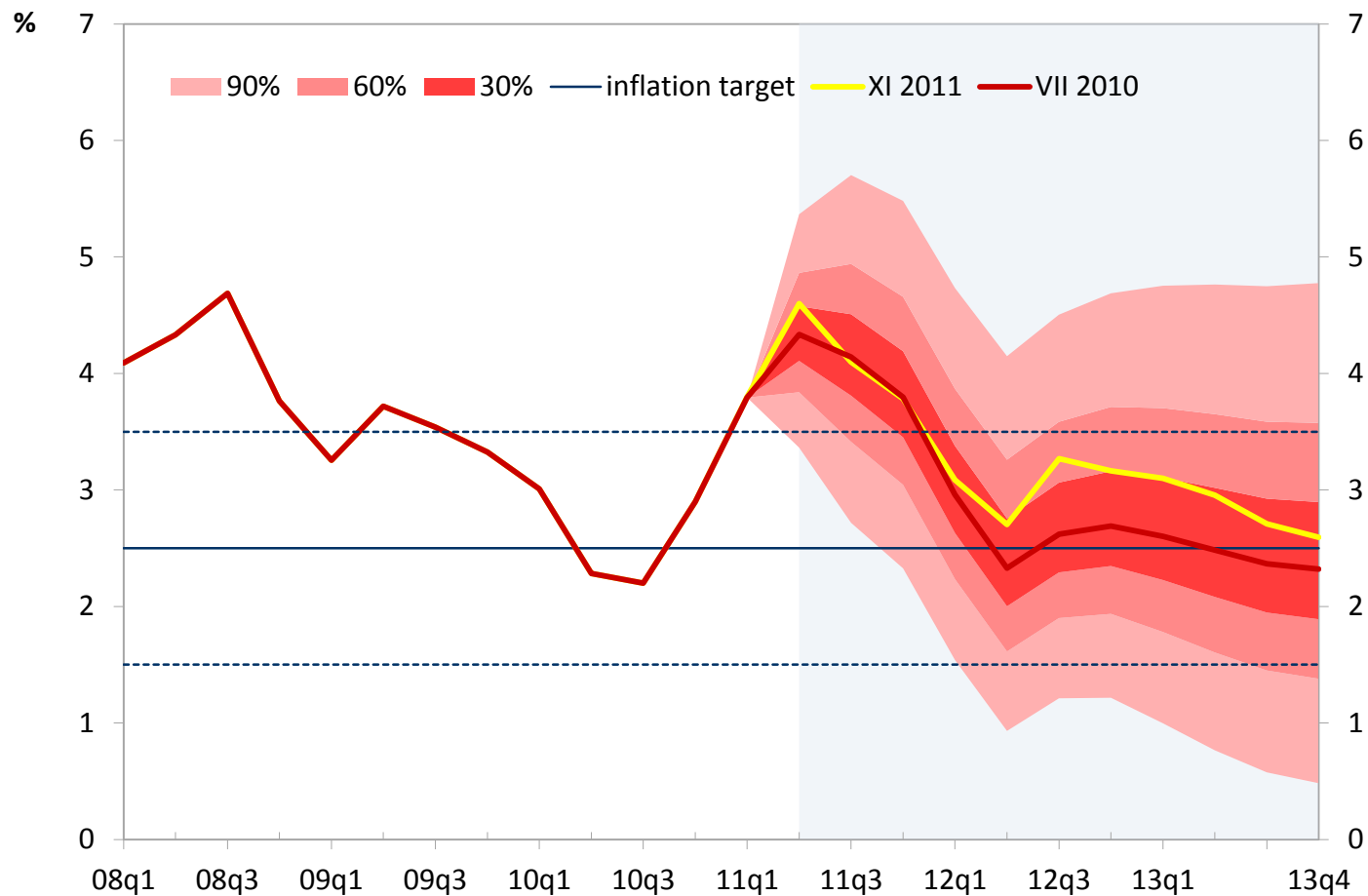
» Inflation

UNCERTAINTY

## NOVEMBER PROJECTION COMPARED TO JULY PROJECTION

- Changes in the projection
- External environment
- Polish economy in 2011 Q3

## November projection compared to July projection: CPI inflation



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## Decomposition of deviations between November and July projections

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» GDP and its components

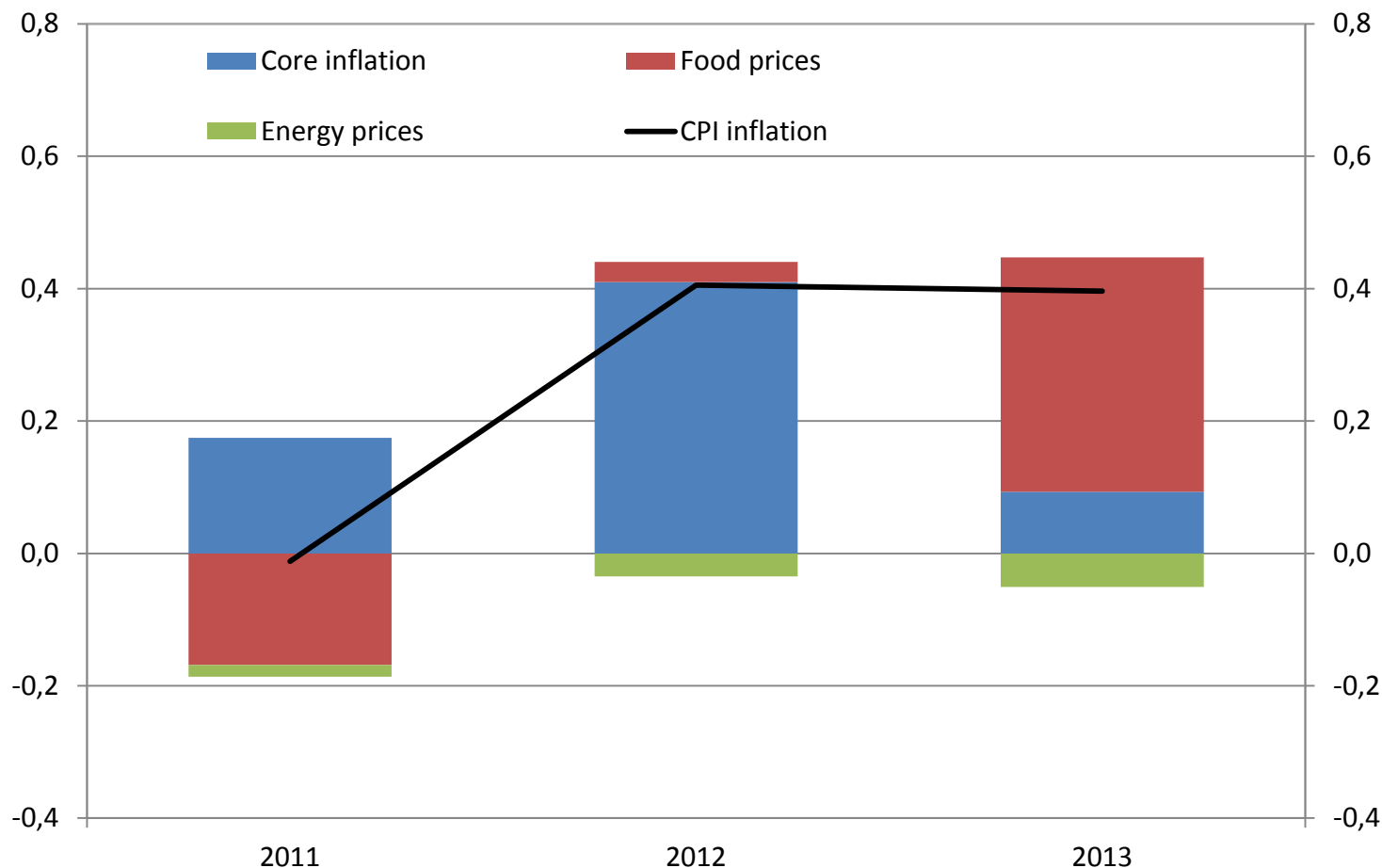
» Labour market

» Exchange rate

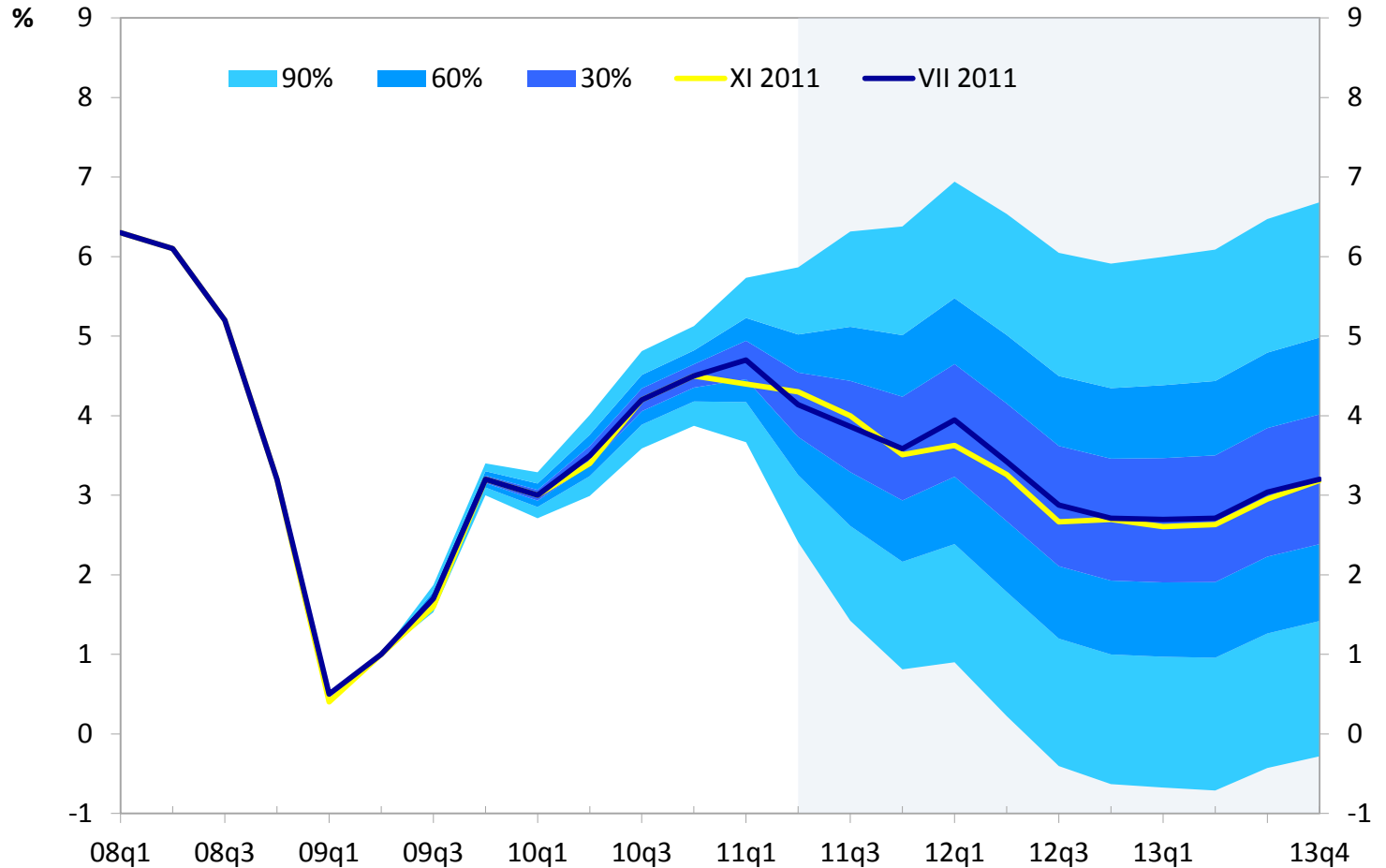
» Inflation

### UNCERTAINTY

Percentage points



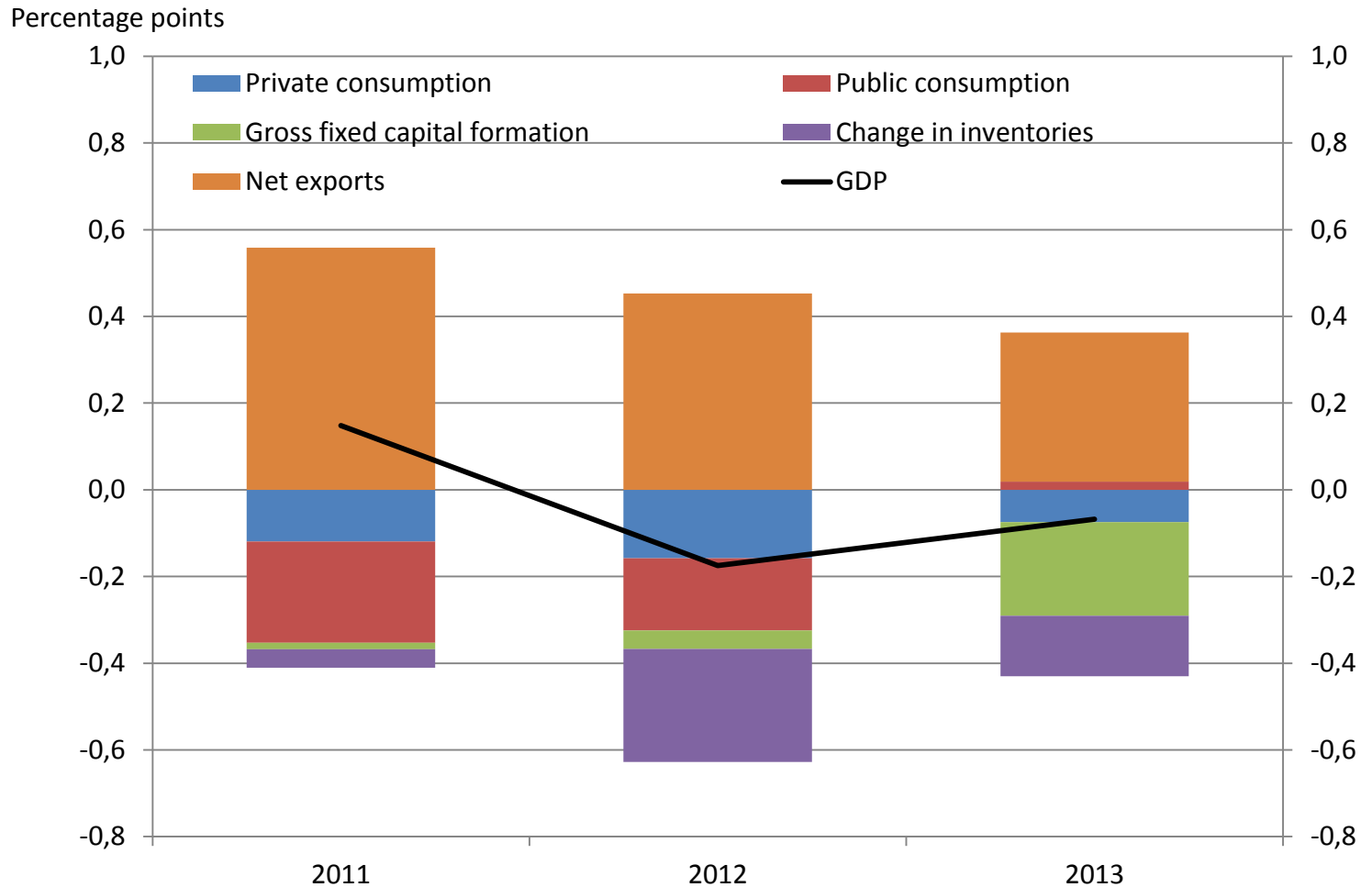
## November projection compared to July projection: GDP



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# Decomposition of deviations between November and July projections

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## Projection scenario

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#### **July projection scenario:**

- Slow economic recovery abroad
- Stabilization of commodities prices at high level
- Effects of the zloty depreciation will wear off
- Fiscal policy tightening
- Diminishing EU funds absorption from 2012

#### **Changes in the projection scenario:**

- Lower forecast of GDP growth for major trading partners of Poland
- Weaker exchange rate of the zloty



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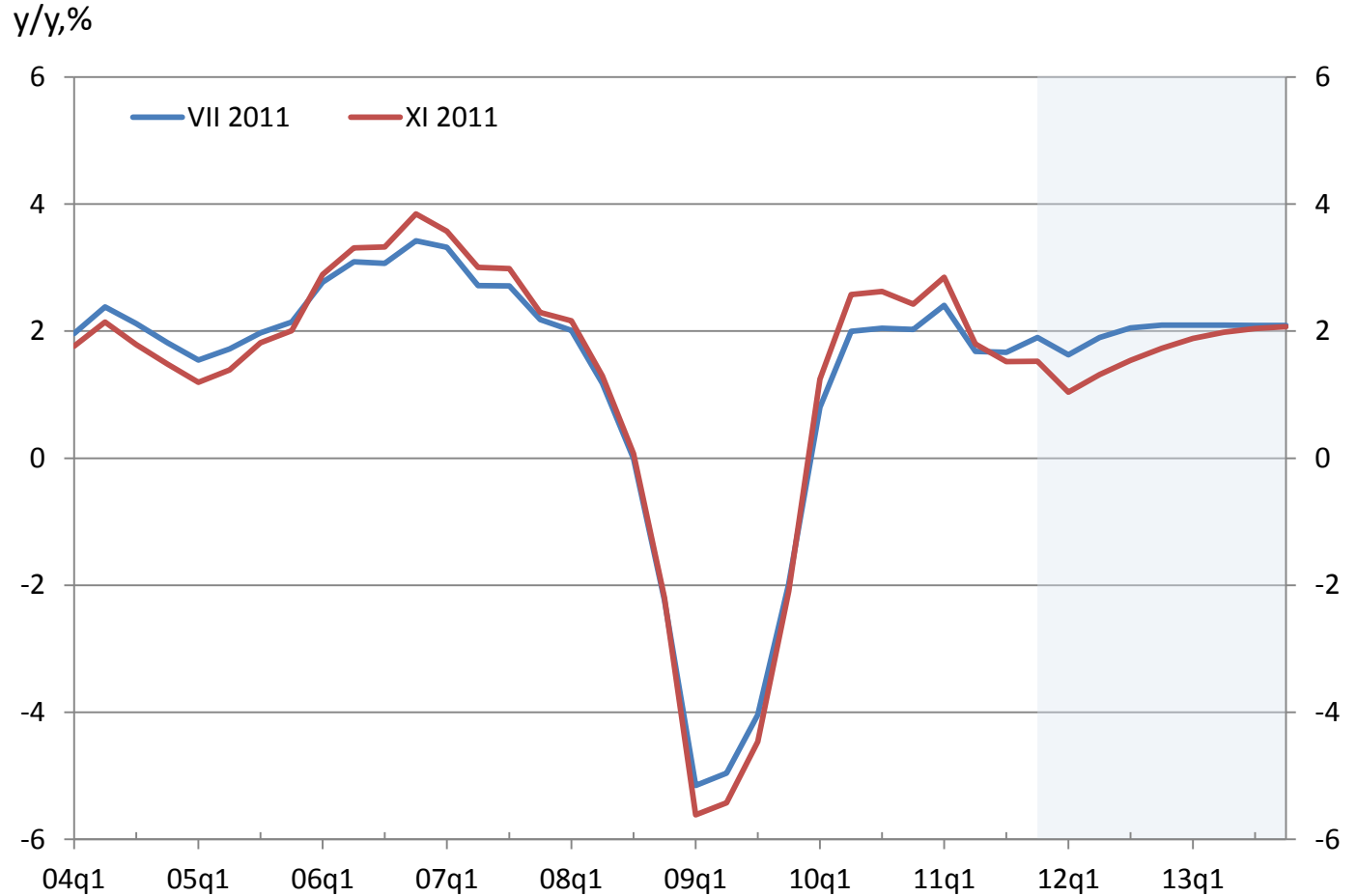
» Inflation

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## External environment

- GDP growth abroad
- Price growth abroad
- Interest rates abroad
- Energy commodity price index
- Agricultural commodity price index
- EUR/USD exchange rate
- Transfers from EU

# Economic growth abroad (lower)



CHANGES IN THE SCENARIO

» Changes in the projection

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» GDP and its components

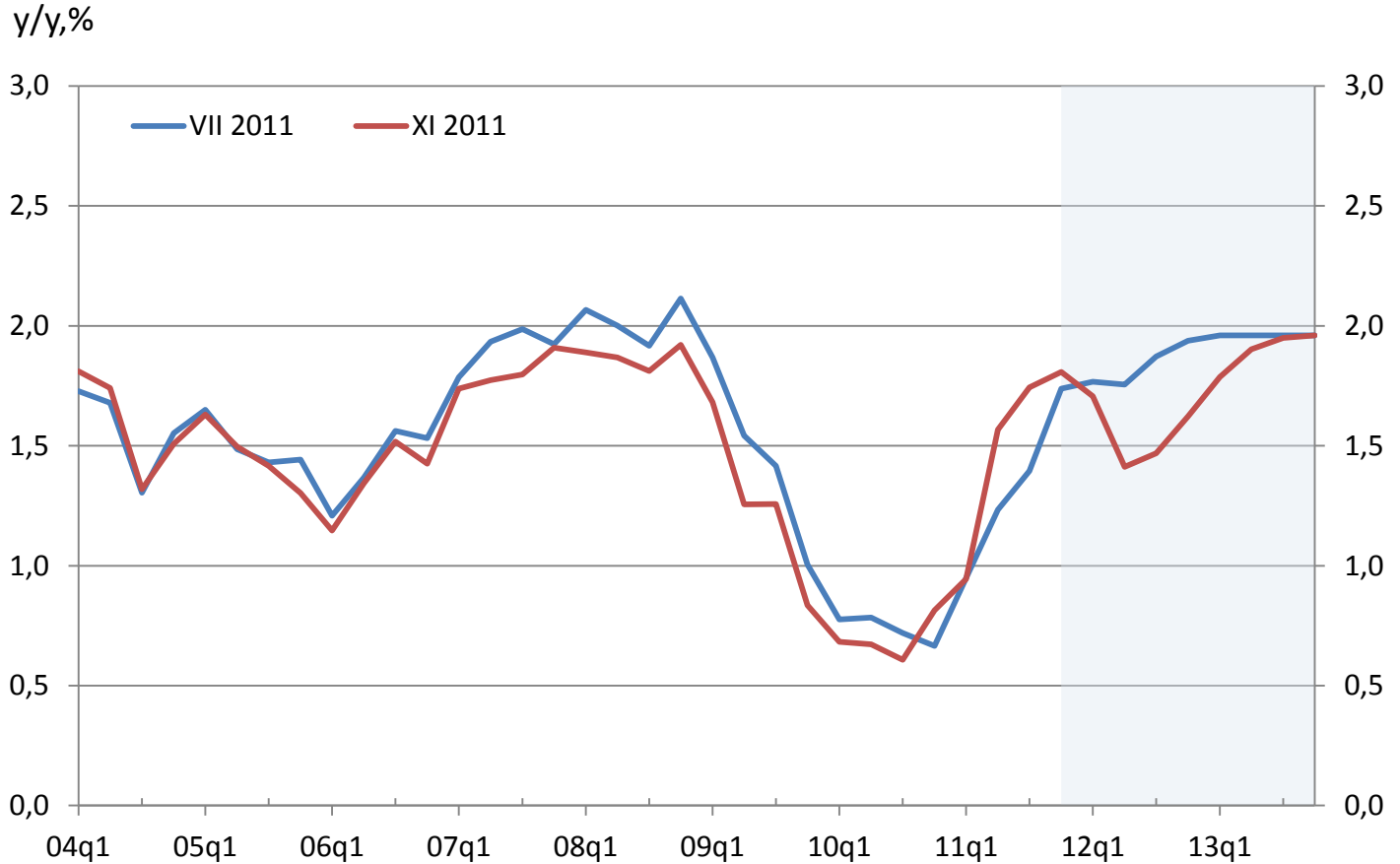
» Labour market

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## Inflation abroad (lower)



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### UNCERTAINTY

# Interest rates abroad (lower)

CHANGES IN THE SCENARIO

» Changes in the projection

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PROJECTION

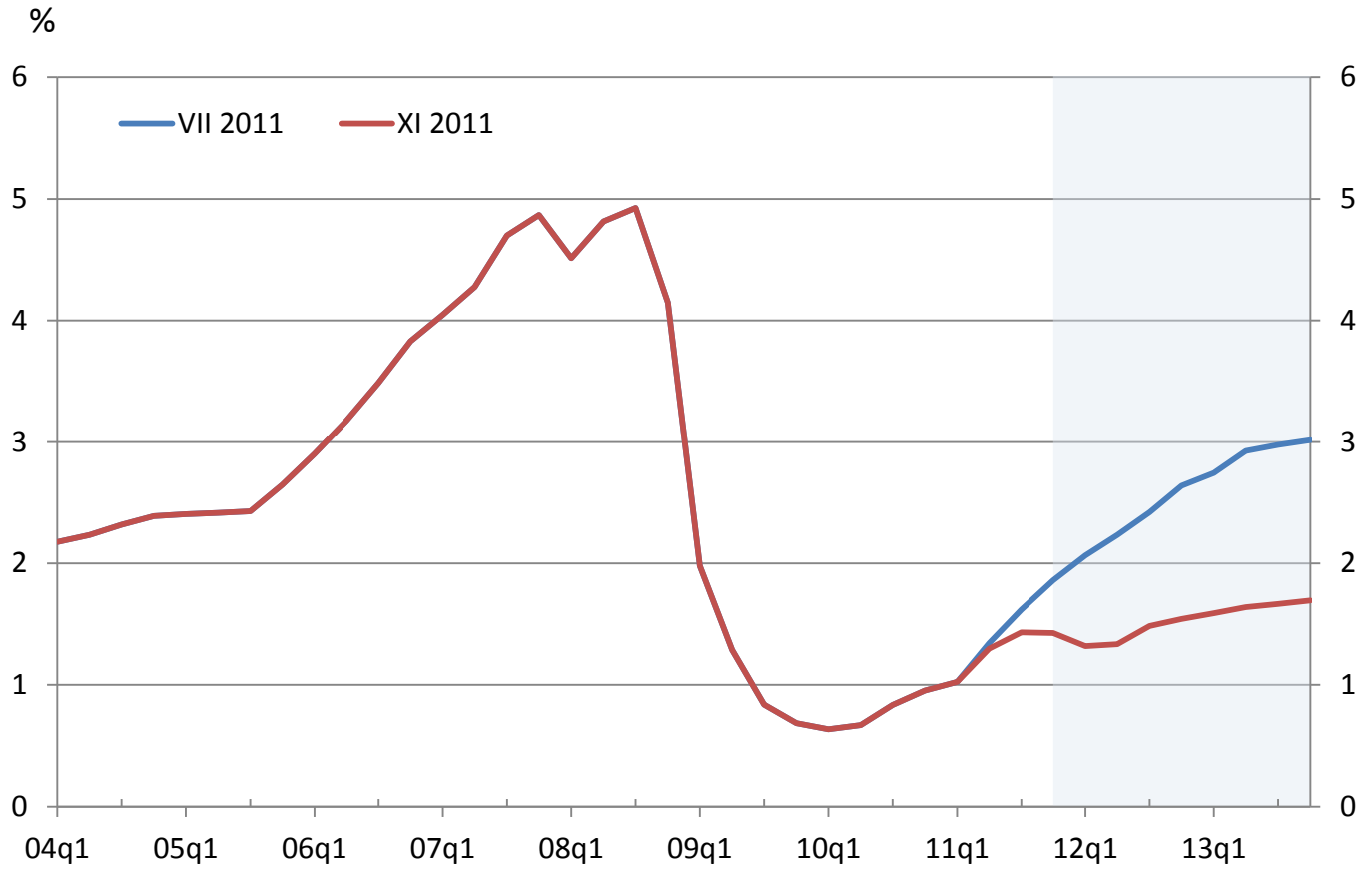
» GDP and its components

» Labour market

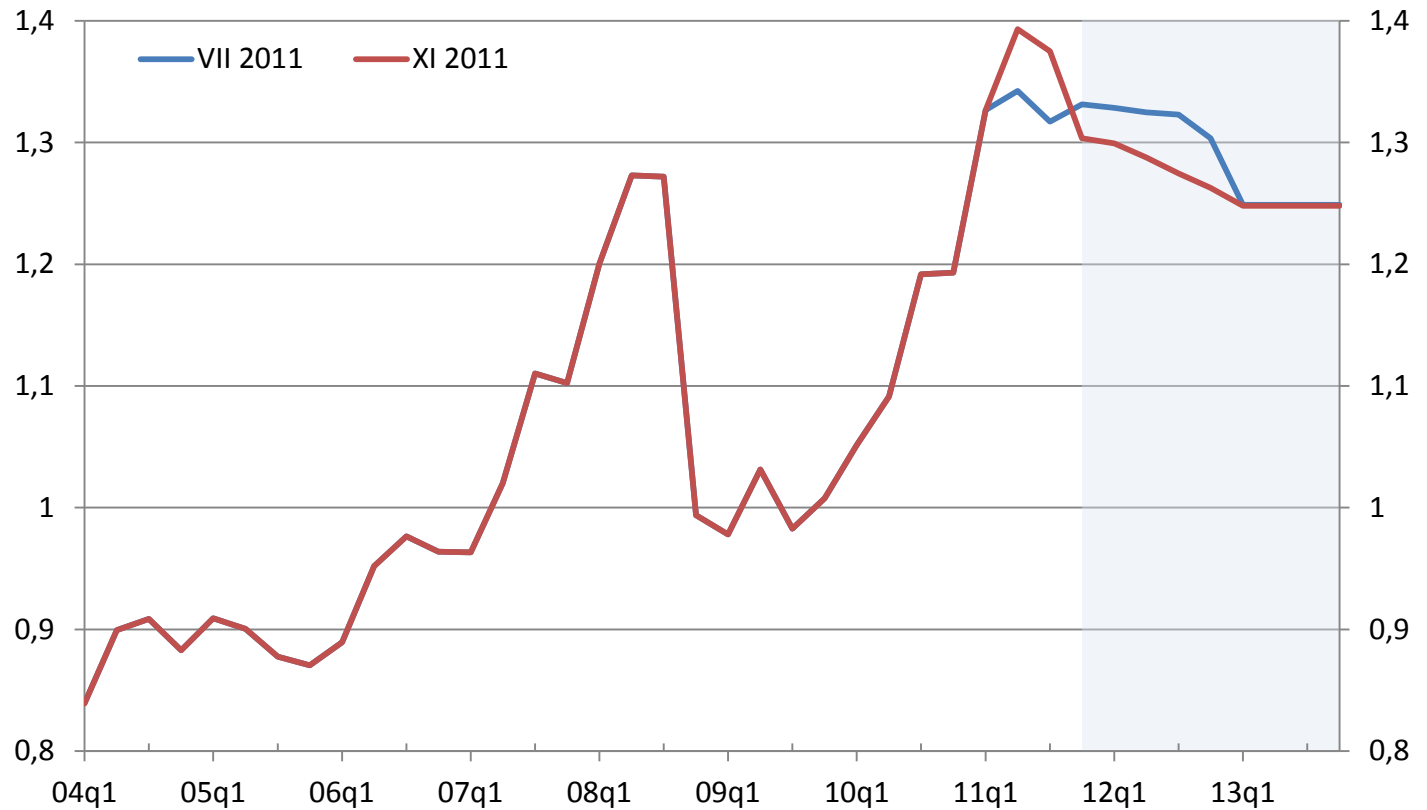
» Exchange rate

» Inflation

UNCERTAINTY

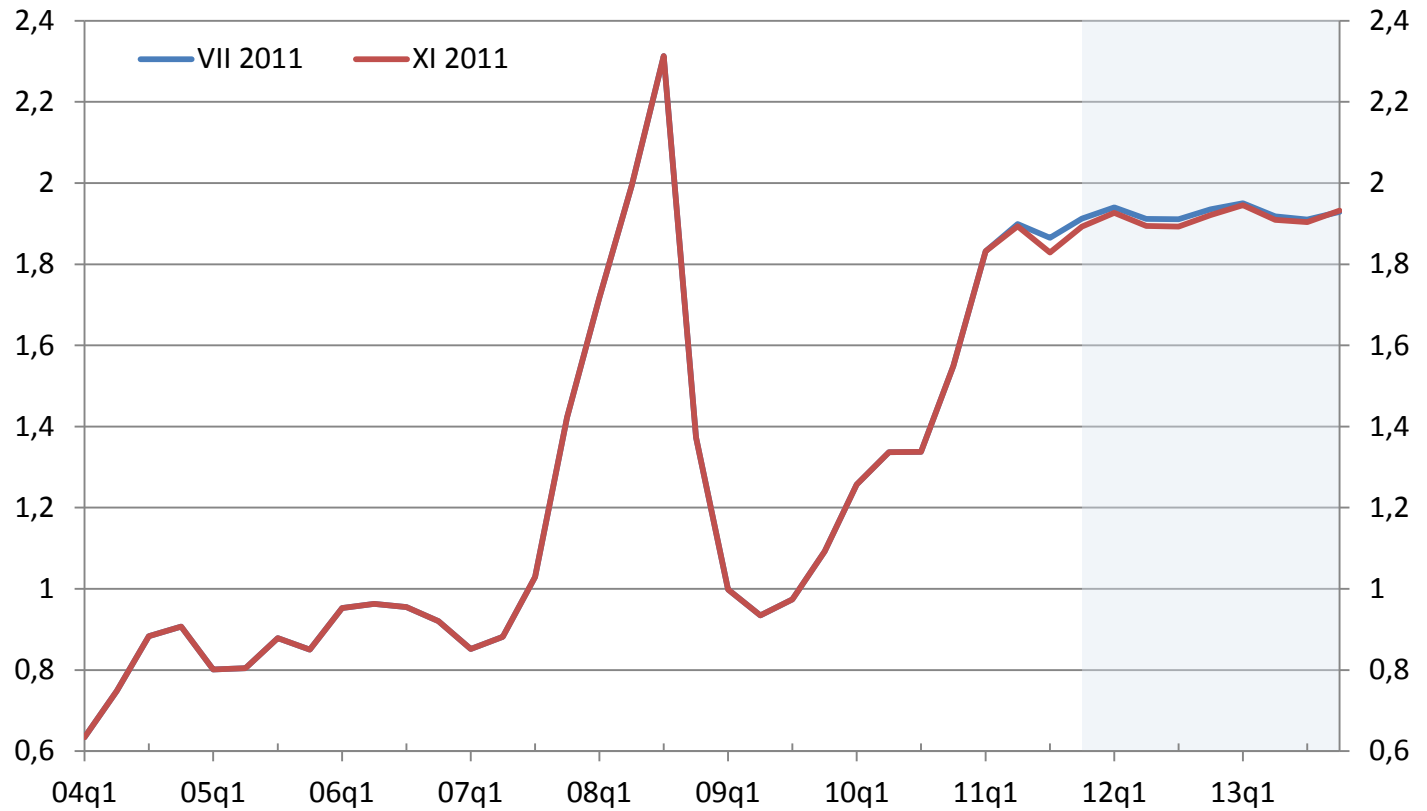


## Agricultural commodity price index\* (lower)



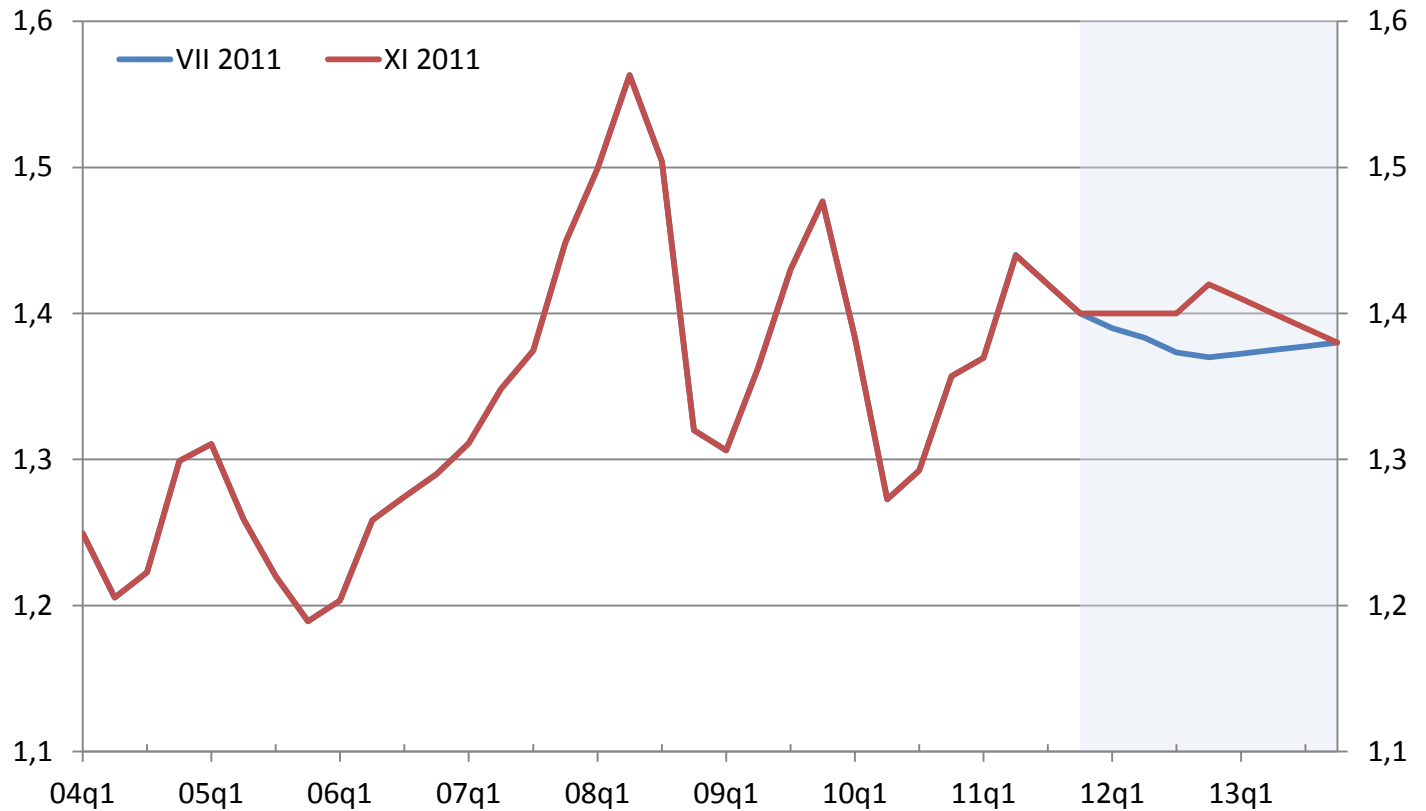
\*Global index of agricultural commodity prices consists of prices of: wheat, pork, beef, poultry, fish, rape oil, sugar, oranges, bananas, and the beverages index.

## Energy commodity price index\* (similar)



\*Global index of energy commodity prices consists of: hard coal, crude oil, natural gas

## USD/EUR exchange rate (stronger EUR in relation to USD)



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» GDP and its components

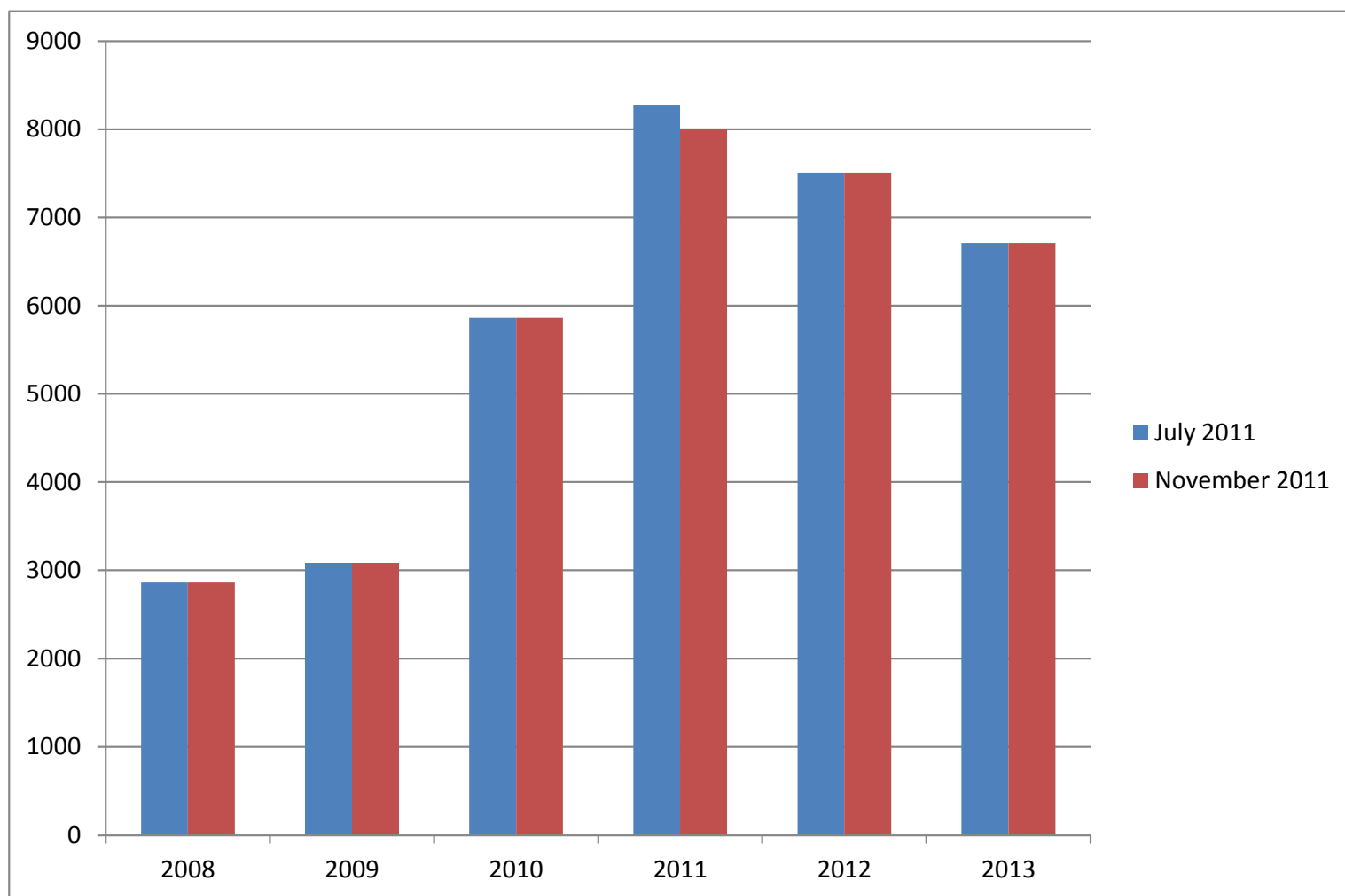
» Labour market

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### UNCERTAINTY

## Utilisation of EU transfers aimed at public sector investments (mln euro)



### CHANGES IN THE SCENARIO

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## Polish Economy in 2011 Q3

- GDP and components
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## GDP and components

CHANGES IN  
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## UNCERTAINTY

	11Q2	11Q3
GDP (y/y, %)	4,3 (4,1)	4,0 (3,9)
Domestic demand (y/y, %)	4,3 (4,4)	4,0 (4,5)
Private consumption (y/y, %)	3,5 (3,8)	3,5 (3,6)
Public consumption (y/y, %)	-1,3 (2,0)	0,7 (1,3)
Gross fixed capital formation (y/y, %)	7,8 (6,5)	7,2 (8,0)
Exports (y/y, %)	6,7 (7,3)	2,6 (7,1)
Imports (y/y, %)	6,6 (7,9)	2,9 (8,5)
Net exports contribution (percentage points)	0,0 (-0,3)	-0,2 (-0,6)

\* Values from the July projection are given in brackets (seasonally adjusted data). Indicators with values higher than in the July projection are marked green, whereas indicators with lower values are marked red.

## Labour market

	11Q2	11Q3
ULC (y/y, %)	1,2 (1,8)	2,6 (2,6)
Labour productivity (y/y, %)	3,2 (2,7)	3,4 (2,6)
Gross wages (y/y, %)	5,3 (4,7)	5,8 (5,5)
Total employment LFS (y/y, %)	1,1 (1,4)	0,6 (1,2)
Unemployment LFS (%)	9,5 (8,5)	9,6 (8,3)
Participation rate (%)	56,0 (55,7)	56,0 (55,7)

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## Inflation

CHANGES IN  
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## UNCERTAINTY

	11Q2	11Q3
CPI inflation (y/y, %)	4,6 (4,3)	4,1 (4,1)
Core inflation (y/y, %)	2,3 (2,2)	2,6 (2,2)
Food price inflation (y/y, %)	7,5 (7,0)	4,3 (5,7)
Energy price inflation (y/y, %)	8,4 (8,5)	8,9 (9,0)

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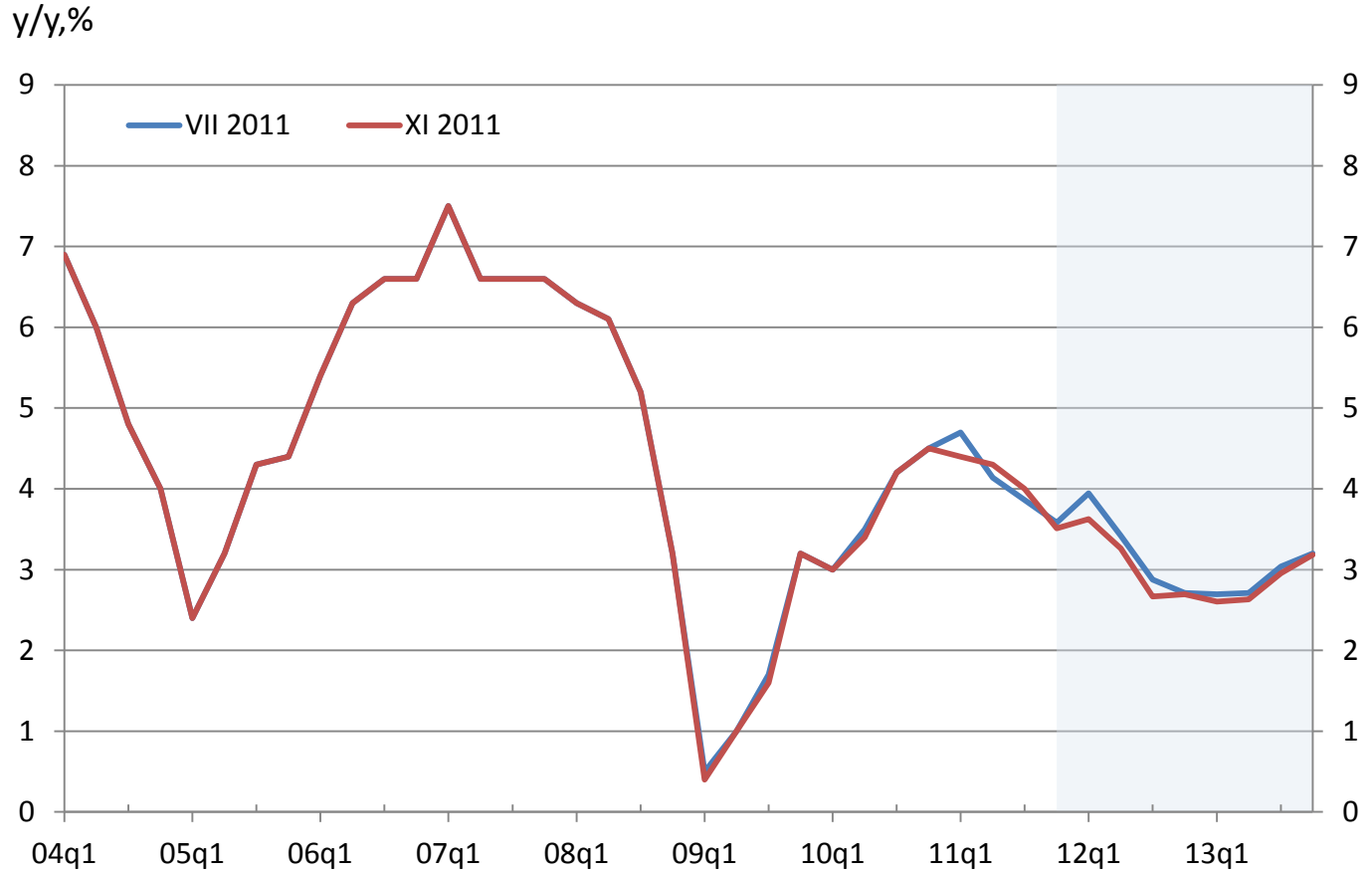
» Inflation

UNCERTAINTY

## PROJECTION FOR 2011-2013

- GDP and components
- Labour market
- Exchange rate
- Inflation

## GDP (lower)



### CHANGES IN THE SCENARIO

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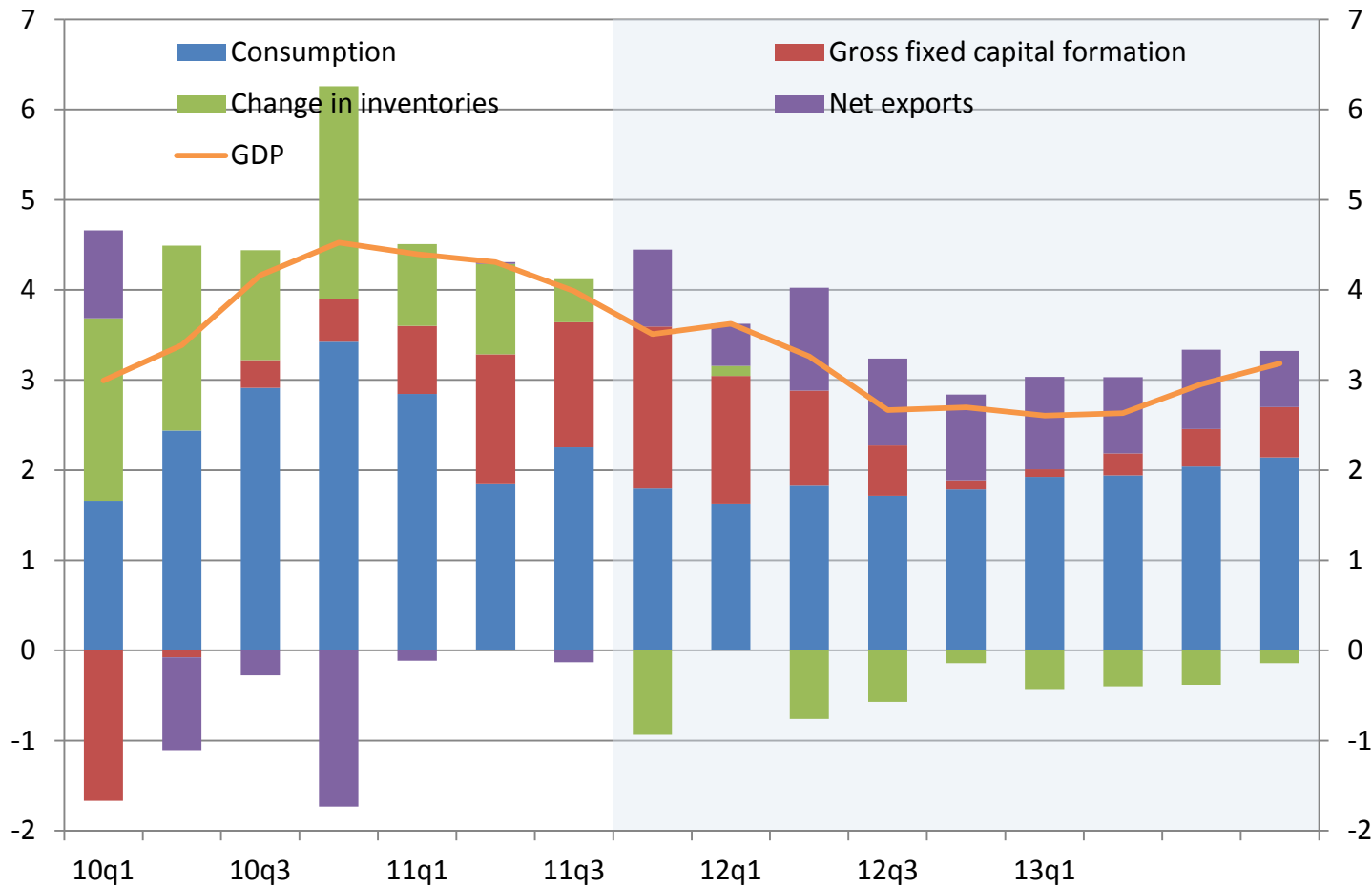
» Inflation

### UNCERTAINTY

# GDP: decomposition

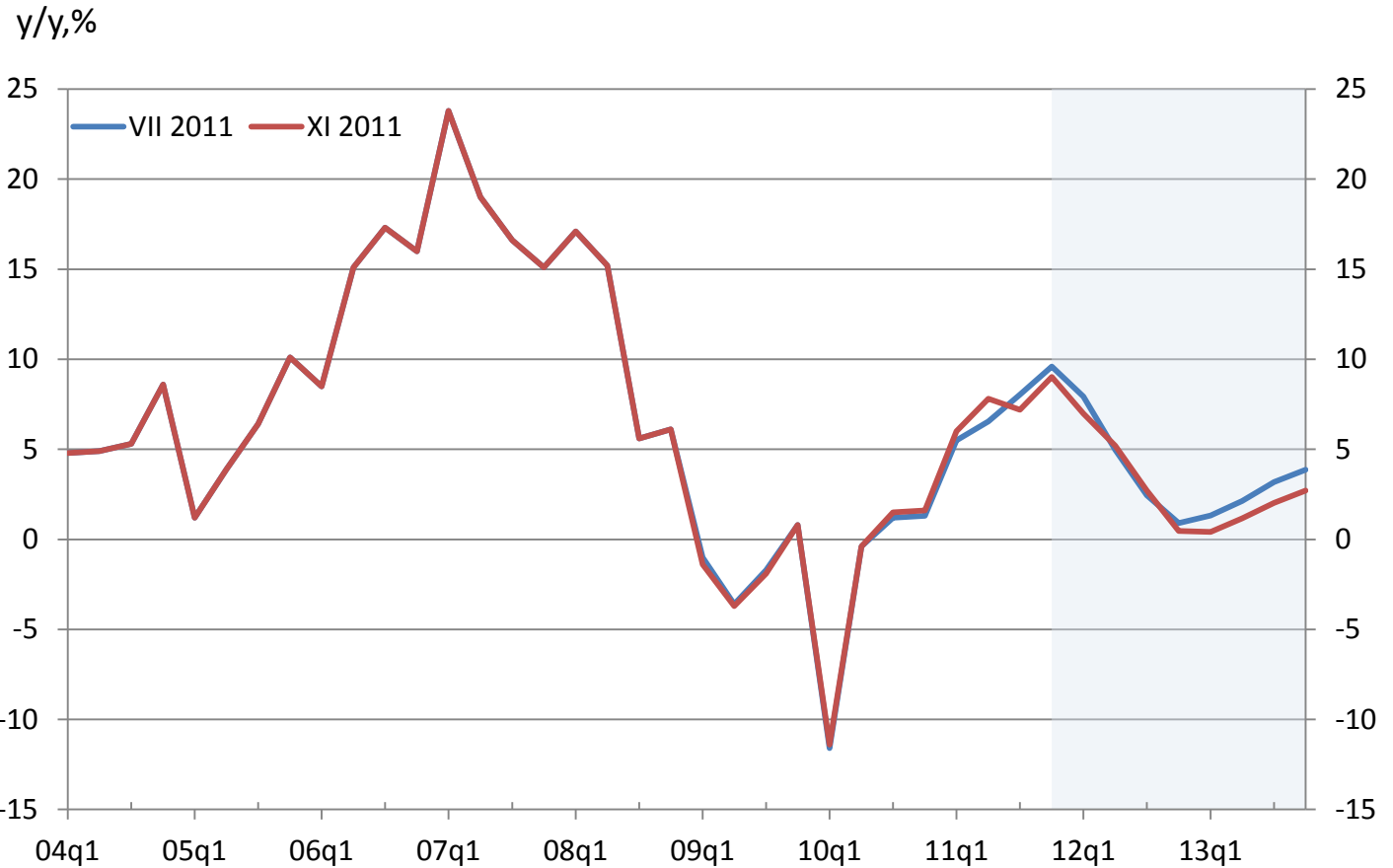
- CHANGES IN THE SCENARIO
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Percentage points



# Gross fixed capital formation

(lower)



## CHANGES IN THE SCENARIO

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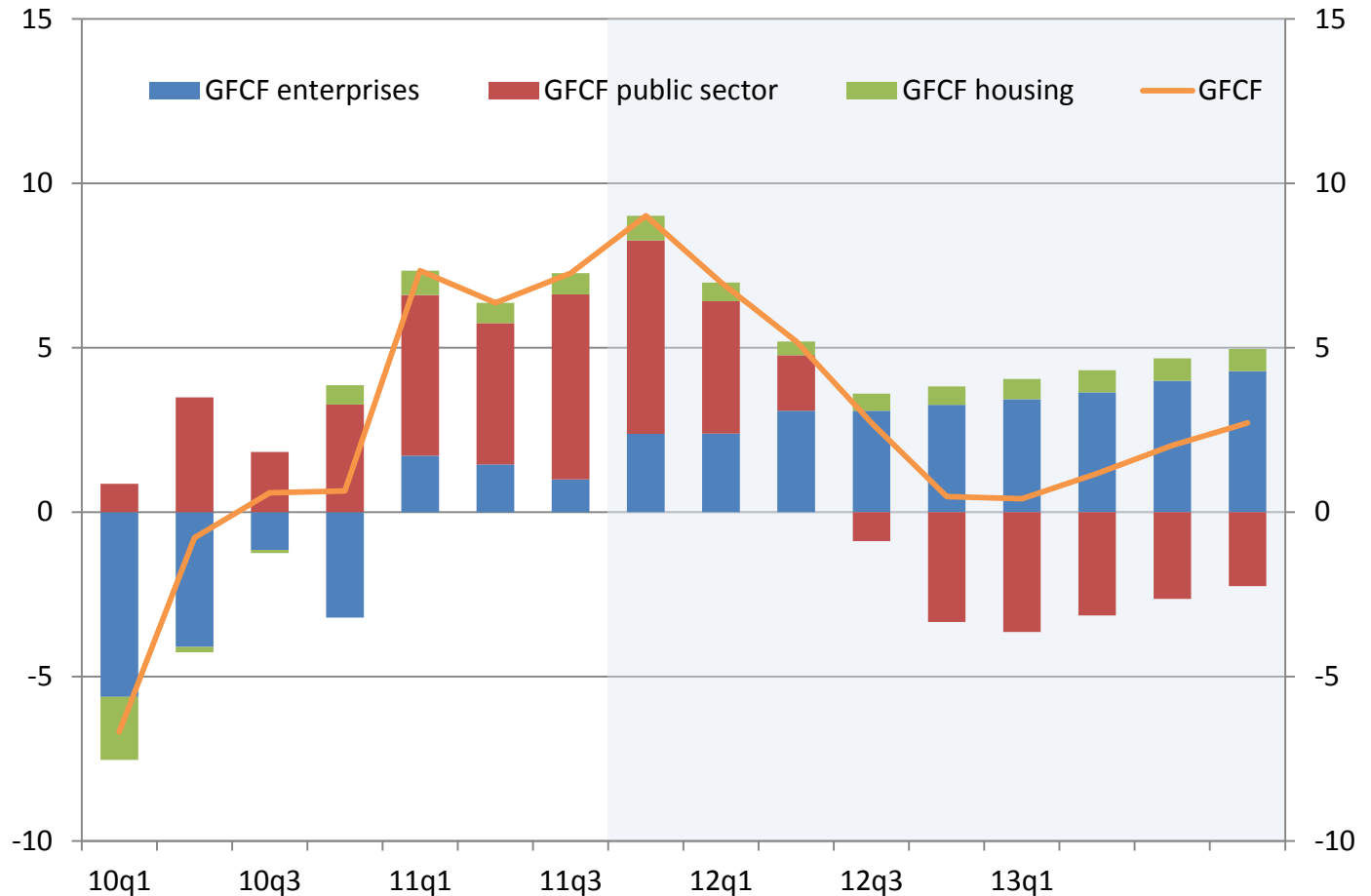
## UNCERTAINTY



# Gross fixed capital formation: decomposition

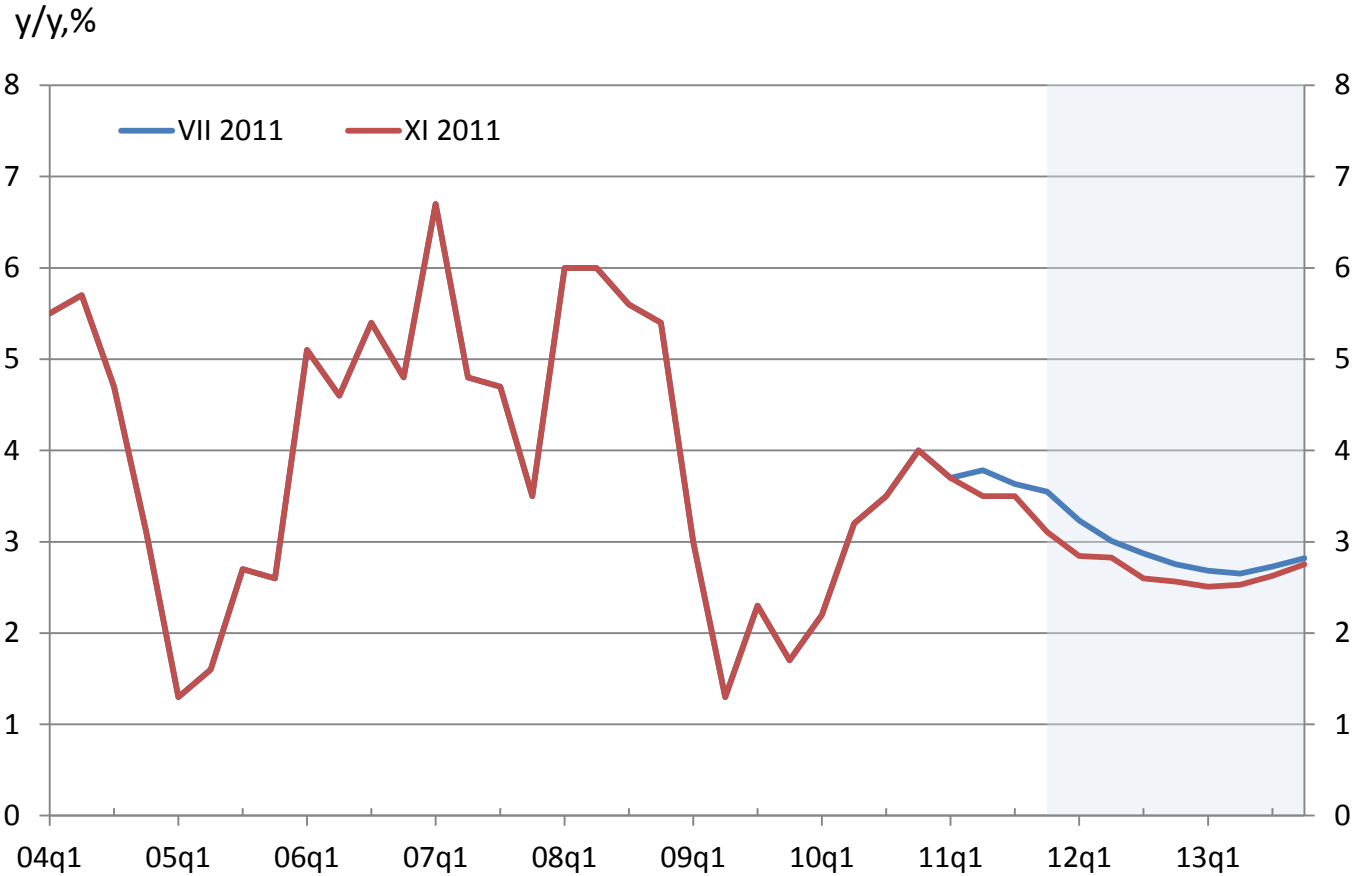
- CHANGES IN THE SCENARIO
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Percentage points



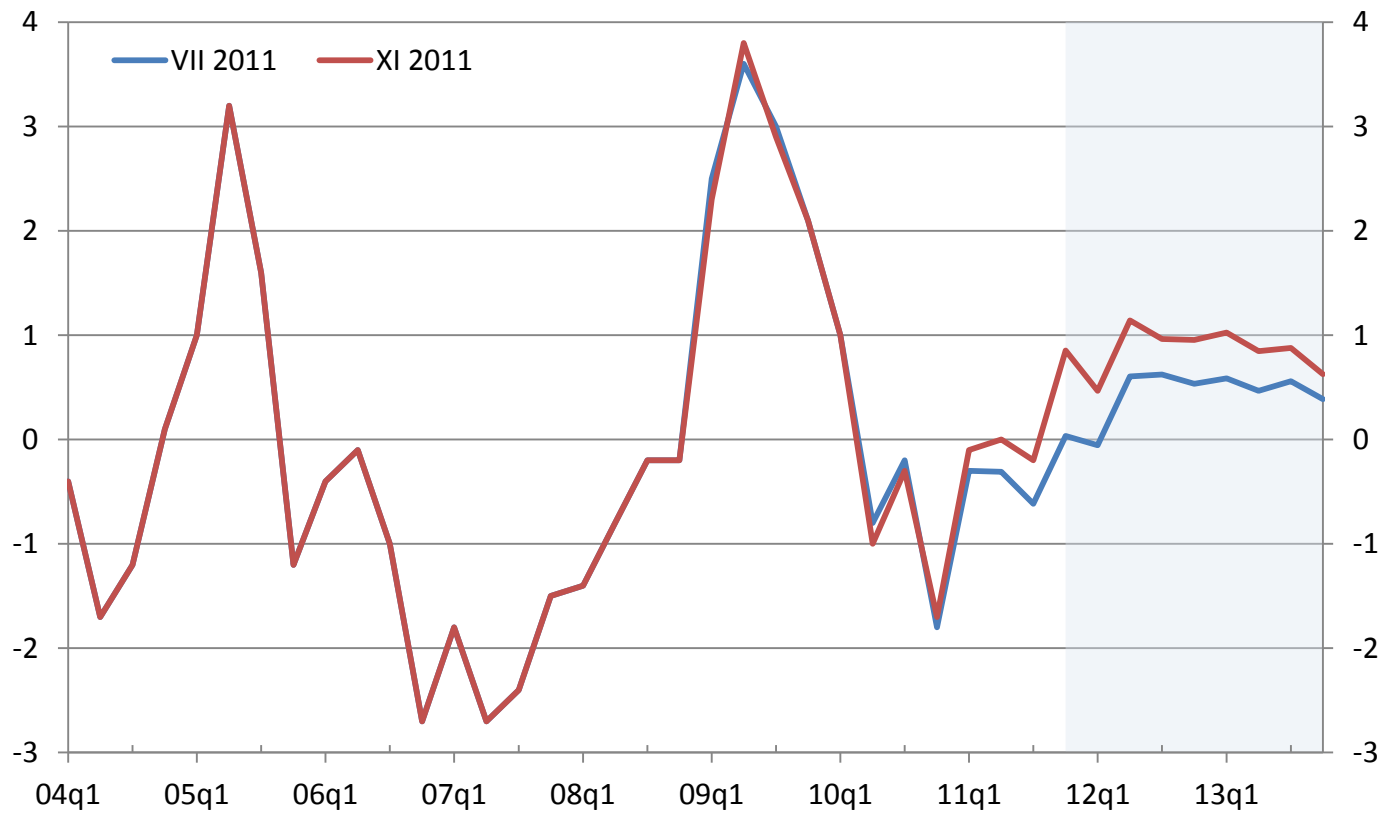
# Private consumption (lower)

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# Net exports contribution (higher)

percentage points

CHANGES IN  
THE SCENARIO» Changes  
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in 2011 Q3

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» GDP and its  
components

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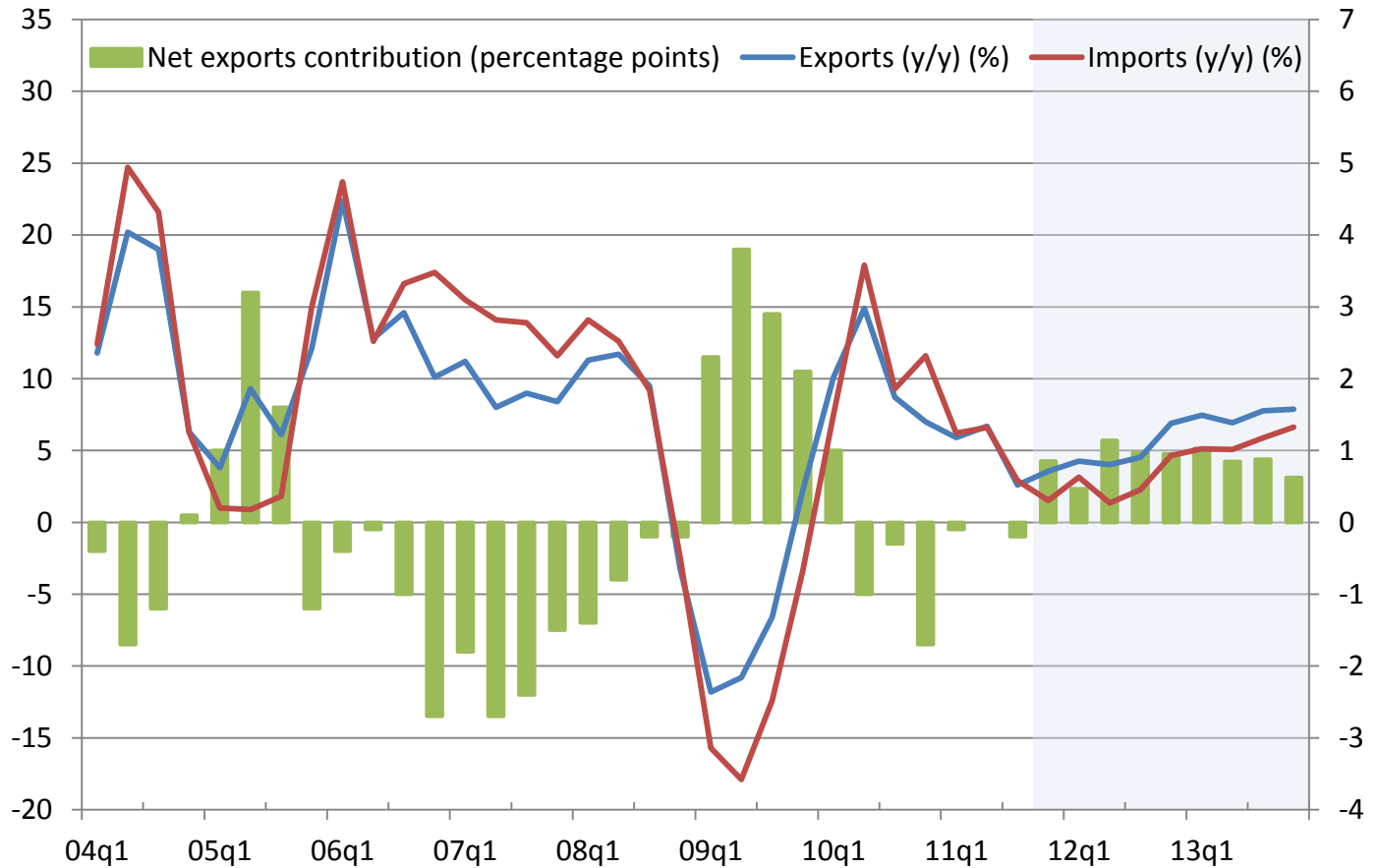
» Exchange rate

» Inflation

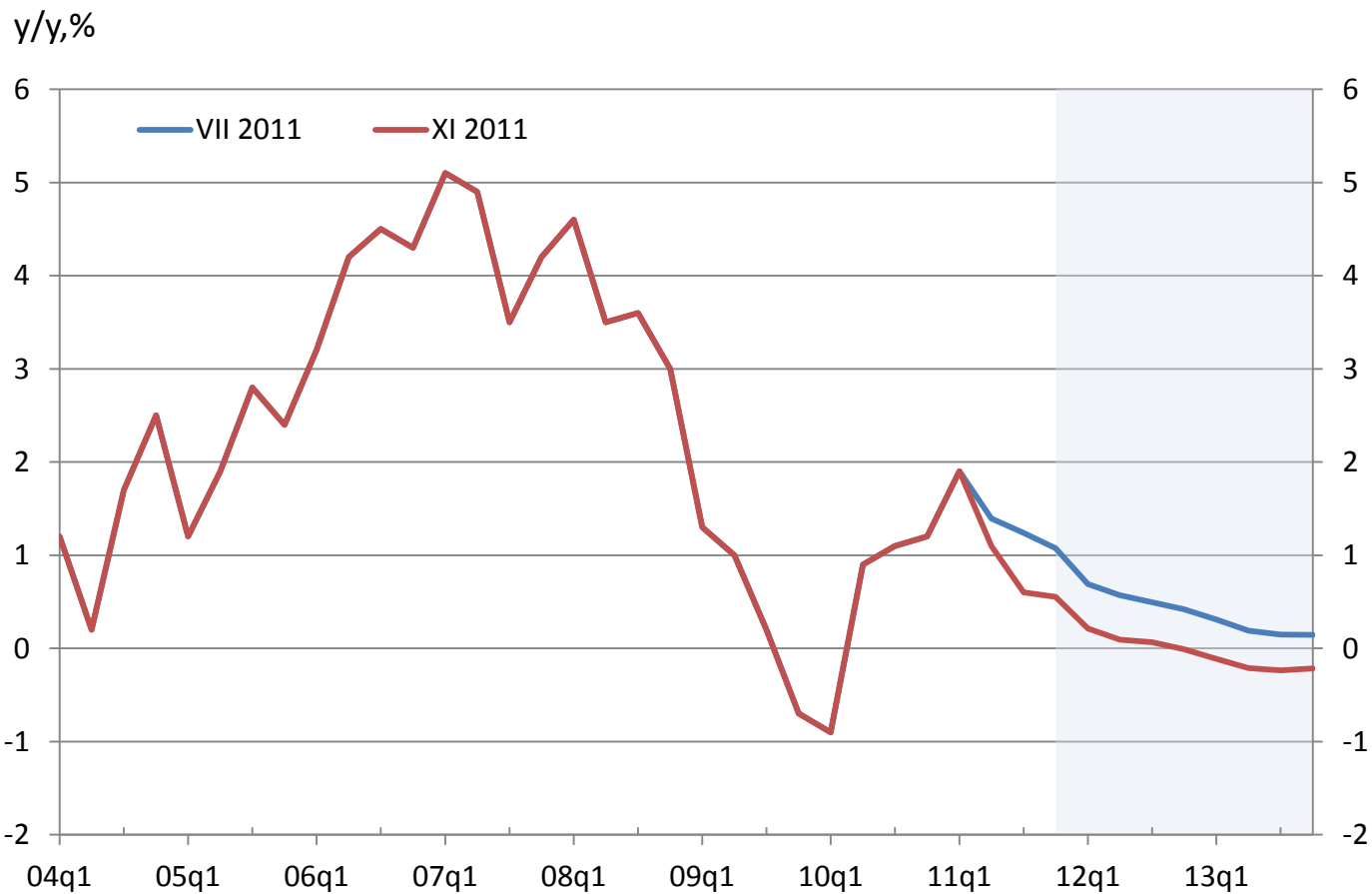
UNCERTAINTY

# Trade with other countries

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## Employment (lower)



### CHANGES IN THE SCENARIO

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» GDP and its components

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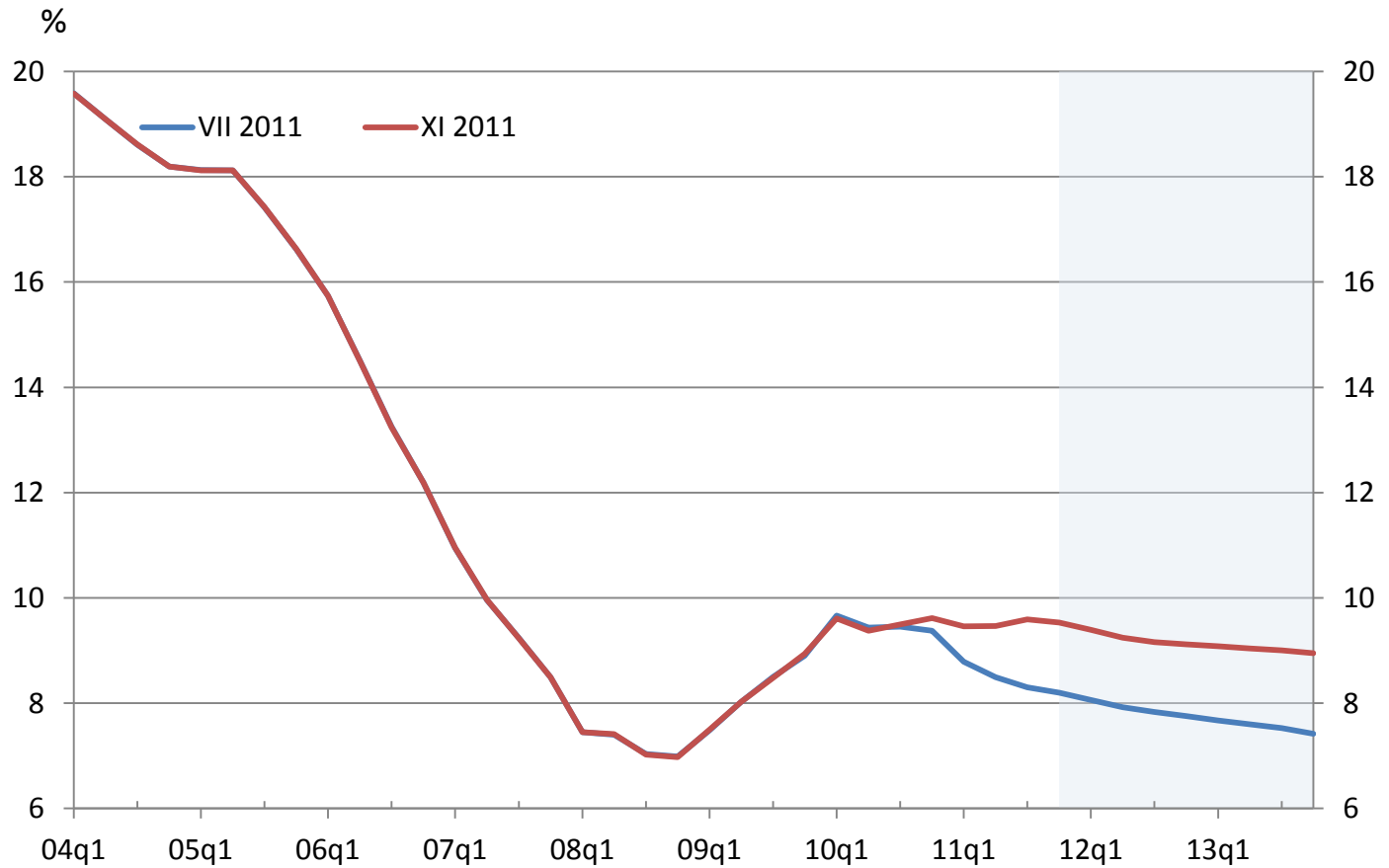
» Exchange rate

» Inflation

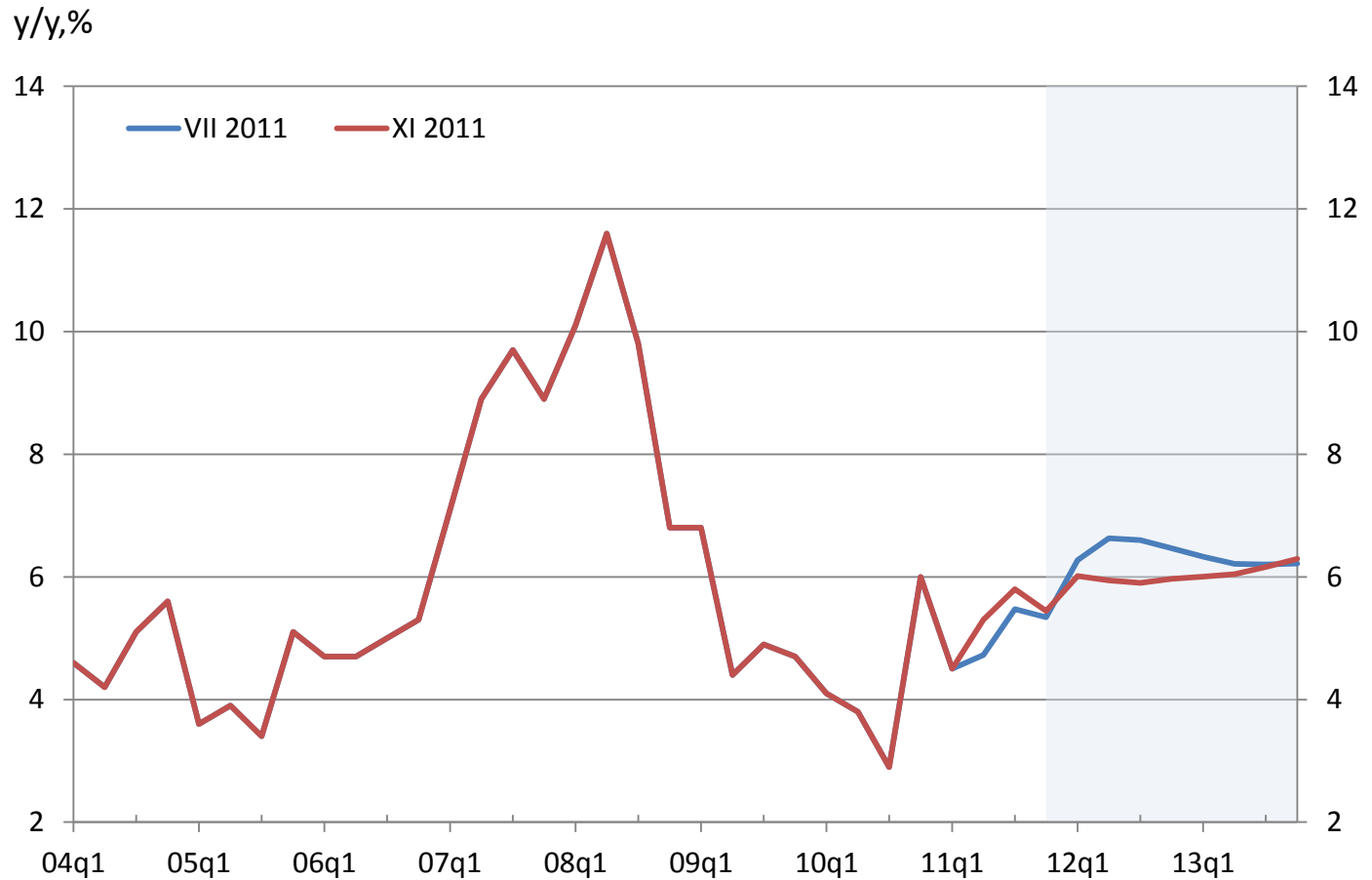
### UNCERTAINTY

# Unemployment (higher)

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# Gross wages (lower)



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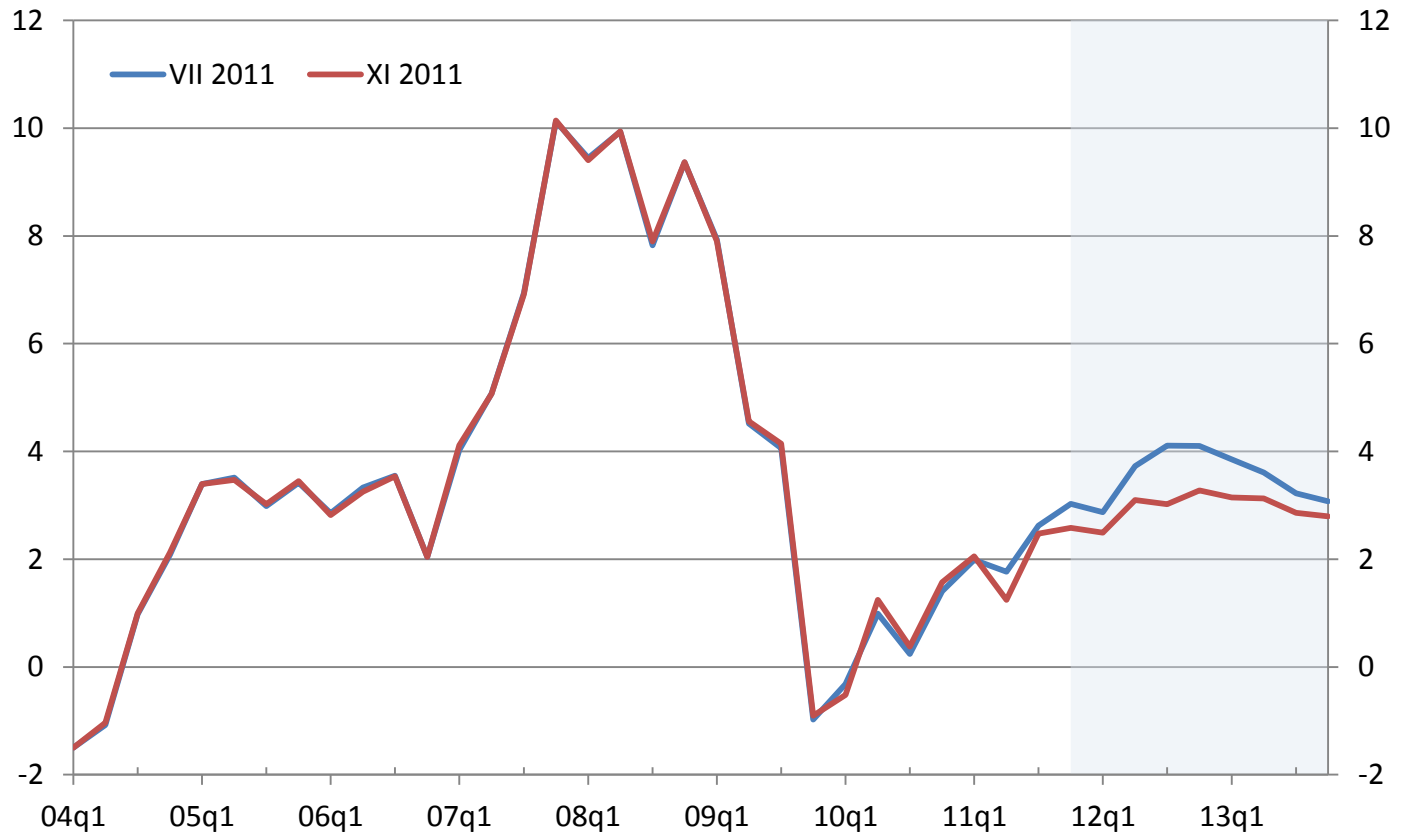
» Exchange rate

» Inflation

## UNCERTAINTY

## Unit labour costs (lower)

y/y,%



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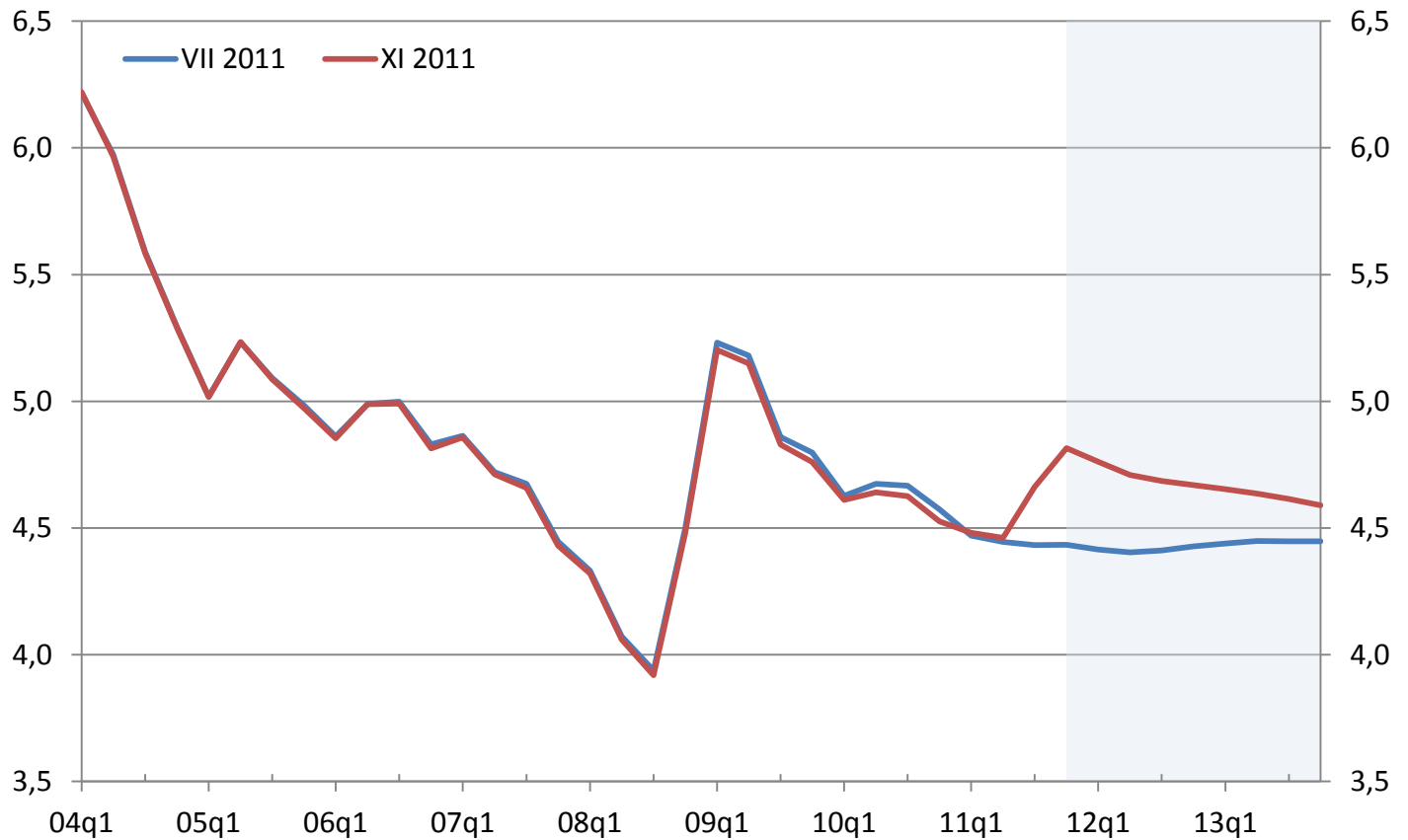
» Inflation

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# Exchange rate (weaker)

Real effective exchange rate (REER)



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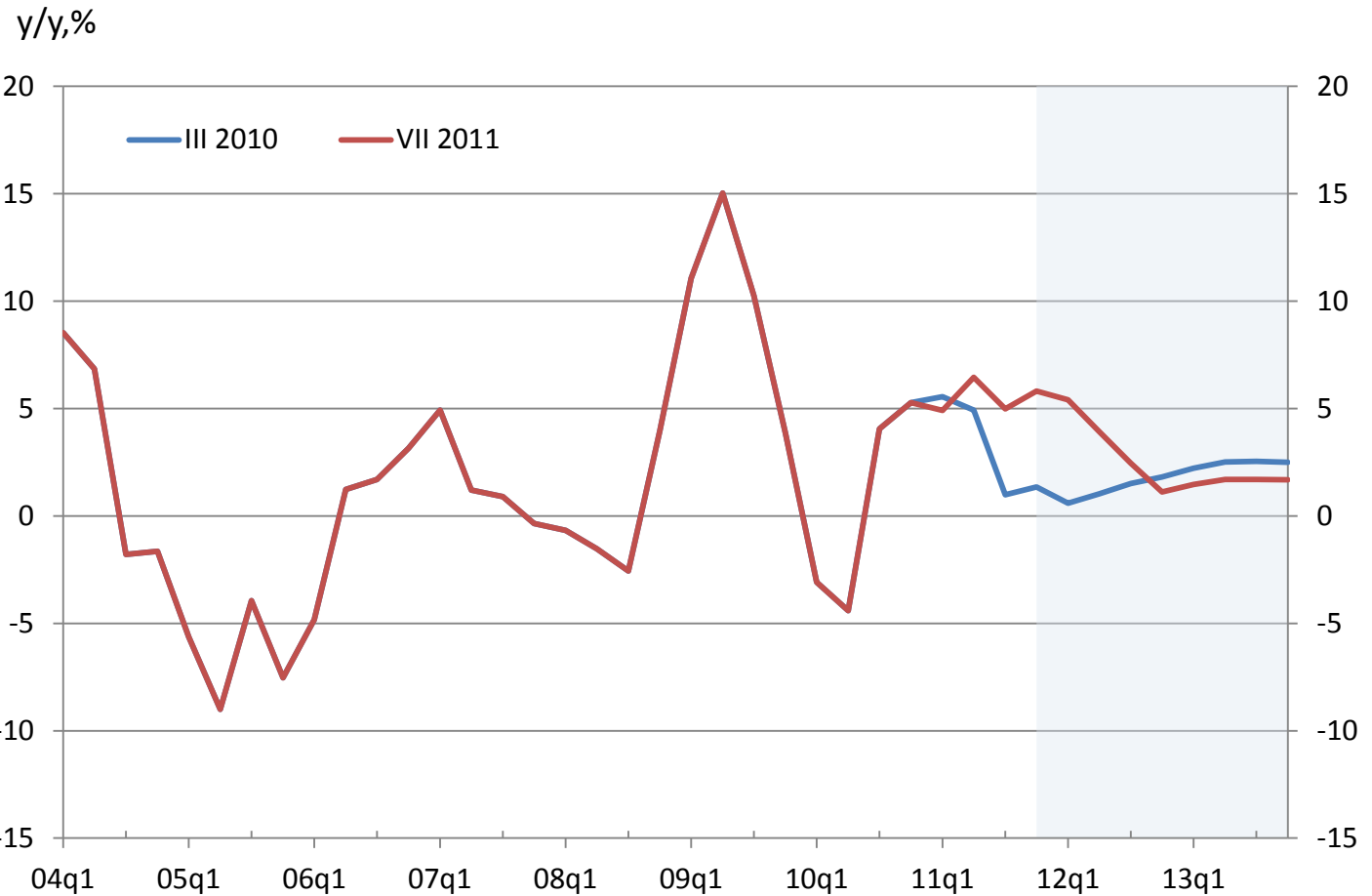
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## Import prices (excluding oil and natural gas)



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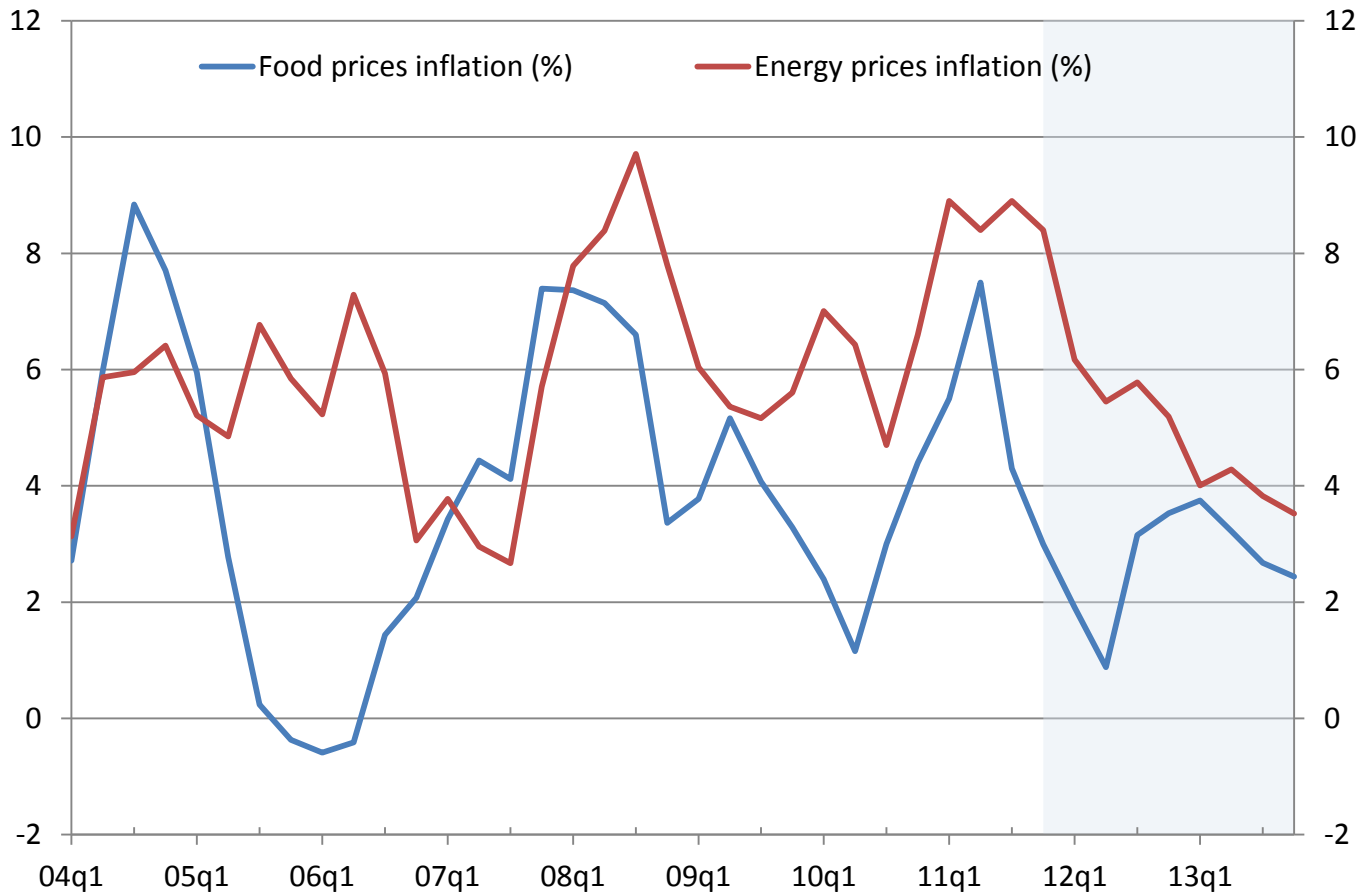
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# Food and energy prices inflation



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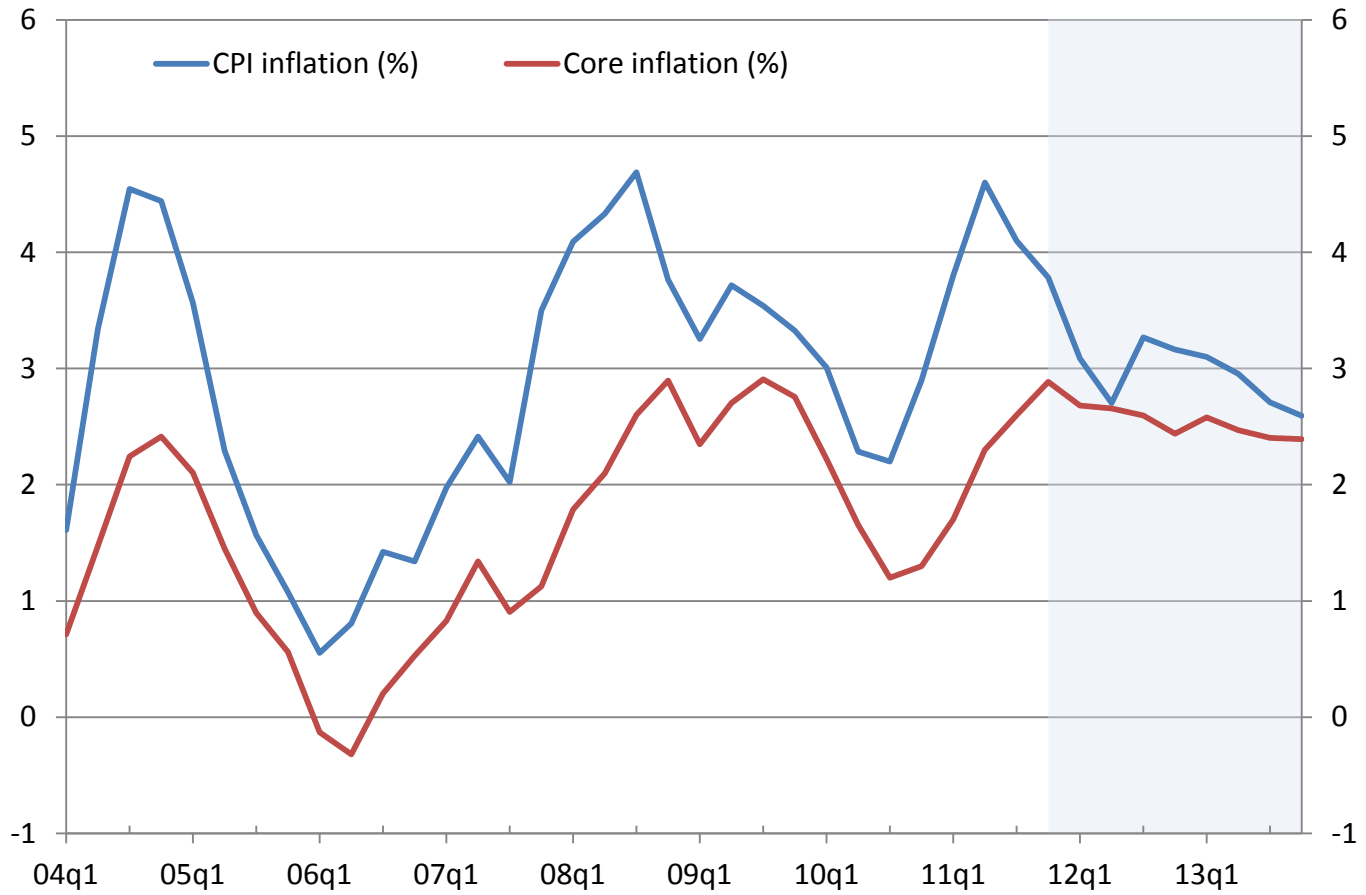
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## Core inflation and CPI inflation\*



\* Core inflation does not include food, beverages and energy prices.

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# UNCERTAINTY OF THE PROJECTION

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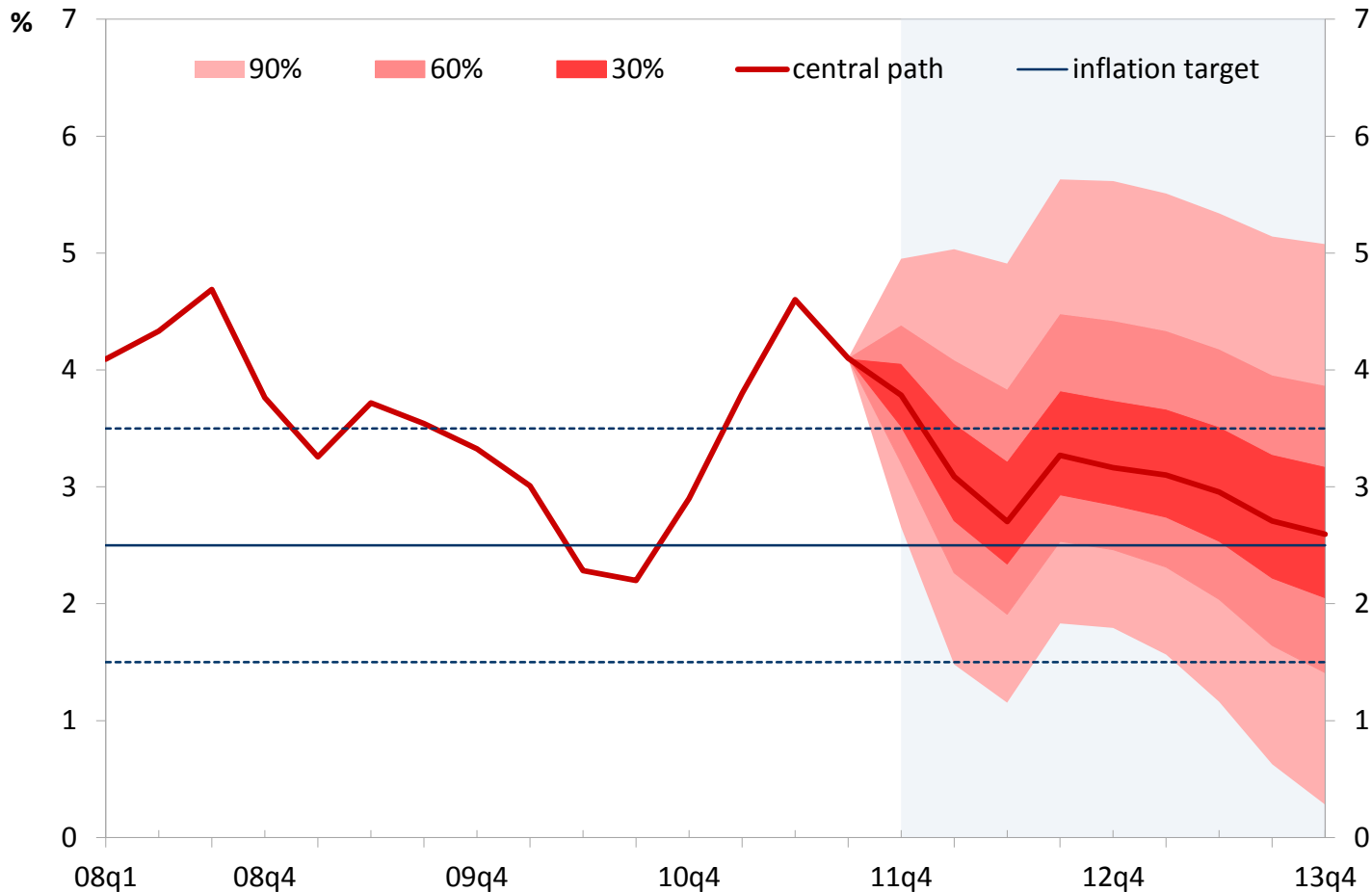
Risk area	Description	Impact	Scale of impact
External environment and exchange rate	<ul style="list-style-type: none"> <li>▪ The increase in the uncertainty due to deteriorating outlook for economic growth in the developed countries, in particular, the EU member states.</li> <li>▪ Developments in the world financial markets – including the effect of growing indebtedness of some euro area countries and liquidity problems faced by some European banks.</li> <li>▪ The response of governments and central banks of developed countries, i.e. the scale of possible return to fiscal and monetary stimulation.</li> <li>▪ Developments of agricultural and energy prices in the world markets.</li> </ul>	Inflation ↑ GDP ↓	***

Scale of impact: \*\*\* significant  
\*\* moderate  
\* slight

CHANGES IN THE SCENARIO	Risk area	Description	Impact	Scale of impact
» Changes in the projection				
» External environment				
» Polish economy in 2011 Q3	Domestic demand	<ul style="list-style-type: none"> <li>Historically stable growth of private consumption, good liquidity situation of enterprises, growing capacity utilisation – higher private investment and consumption.</li> <li>Better perception of Poland abroad and higher inflows of capital.</li> </ul>	Inflation ↑ GDP ↑	**
PROJECTION				
» GDP and its components	Fiscal policy	<ul style="list-style-type: none"> <li>An effective degree of consolidation of public finances.</li> <li>Scale of utilization of the EU funds by the public finance system.</li> </ul>	Inflation ↔ GDP ↓	**
» Labour market				
» Exchange rate	Food and energy prices in Poland	<ul style="list-style-type: none"> <li>Regulatory measures in the energy market in Poland.</li> <li>Uncertainty about the impact of EU regulations on prices in Poland (connected, among others, with natural environment protection, including carbon dioxide emission level).</li> </ul>	Inflation ↔ GDP ↔	**
» Inflation				
UNCERTAINTY		Summary	Inflation ↑ GDP ↓	** *

# Inflation projection – November 2011

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## Probability distribution for inflation

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(%)

below  
1,5%below  
2,5%below  
3.5%below the  
central pathin the range  
(1,5%; 3,5%)

## PROJECTION

11q4

0,00

0,03

0,33

0,49

0,33

» GDP and its  
components

12q1

0,05

0,25

0,60

0,45

0,55

» Labour market

12q2

0,08

0,34

0,68

0,41

0,59

» Exchange rate

12q3

0,02

0,14

0,46

0,38

0,44

12q4

0,02

0,15

0,47

0,36

0,46

» Inflation

13q1

0,03

0,20

0,52

0,39

0,49

13q2

0,08

0,29

0,60

0,43

0,52

## UNCERTAINTY

13q3

0,16

0,40

0,68

0,46

0,52

13q4

0,21

0,46

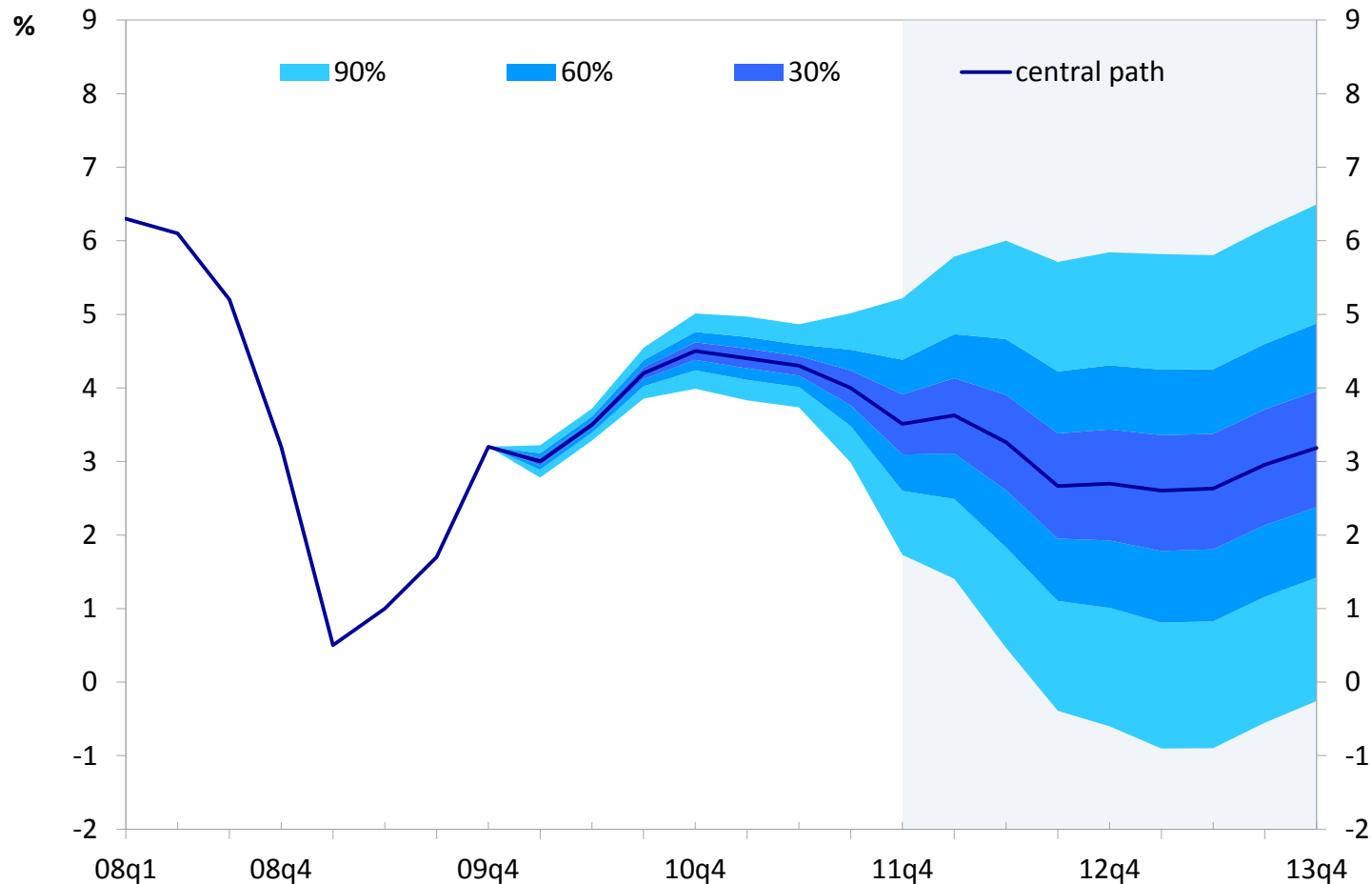
0,72

0,48

0,51

# GDP projection – November 2011

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## Data after cut-off date (28 September)

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### UNCERTAINTY

- Lowered expectations on GDP growth in euro area in 2012
- Lower energy commodities' prices forecast (based on future contracts) for 2012-2013
- **The above information increases probability of inflation and GDP running below central path of projection.**