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# Annual Report 2003

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Leszek Balcerowicz  
*President of the National Bank of Poland*

The National Bank of Poland, in accordance with the responsibilities entrusted to it by the Constitution, strives to ensure low inflation, oversees the soundness of the banking system and manages foreign exchange reserves, thus contributing to the development of the Polish economy and serving the public. In 2003, as in previous years, the NBP focused on ensuring monetary and financial system stability. The development of its scientific research, conducting educational activities and maintaining high customer service quality were also important areas for the NBP.

In 2003, the Monetary Policy Council implemented further interest rate reductions. The Council created conditions for rapid and stable economic growth through maintaining inflation and inflation expectations at a low level. At the same time, the actions of the MPC enabled Poland to meet two monetary policy criteria of entry into the euro zone: the price stability and long-term interest rate criteria. Implementation of the monetary policy, including successful maintenance of a low inflation rate and a lack of direct exchange rate interventions, has been favourably assessed by the International Monetary Fund.

Another major area of activity of the National Bank of Poland concerns actions aimed at the development of the domestic financial system and maintaining its soundness, primarily with regard to the banking sector. The NBP performs those tasks in cooperation with the banking sector, as well as with domestic and international bodies supervising the financial sector. Last year the National Bank of Poland participated in the development of new EU regulations concerning implementation of the provisions of the New Basle Capital Accord. Preparatory work enabling the central bank to participate in the TARGET system, which facilitates cross-border payments between European Union countries, was one of the priority tasks linked to ensuring the stability and development of the payment system.

In 2003, the NBP actively contributed to Poland's preparations for EU membership by taking part in the work of the Preparatory Team of the Committee for European Integration, developing and assessing drafts of legal acts, programmes and reports. The work concerning adjustment of NBP operations to EU standards has been completed in most areas. A project implemented as part of a twinning agreement with the Bank of France and the Bank of Italy, which was highly appreciated by the European Commission, contributed to the success of this process.

The National Bank of Poland regularly introduces modern tools and techniques in order to improve its management and meet the expectations of its customers — central government institutions. In May 2003, the NBP obtained the ISO 9001:2000 quality certificate for its bank account services provided using the electronic banking system. An integrated accounting system, which enables drawing up accounting reports in accordance with ECB requirements and improves efficiency, has also been put into operation. Moreover, a project management system has been deployed at the NBP in 2003 in order to streamline the performance of strategic tasks.

The NBP continued to introduce internal reforms aimed at reducing operating costs and enhancing the quality of the bank's operations. The restructuring of the field office network was completed and the number of branches reduced. Modern internal audit principles have also been introduced in order to improve management efficiency at the National Bank of Poland, particularly with regard to risk management.

Following the example of the world's best central banks, the National Bank of Poland developed its educational activities in 2003, e.g. by introducing innovative educational methods. As part of its Economic Education Programme, the NBP has launched an Internet Economic Education Portal, which provides its users with easy access to facts and knowledge concerning the economy.

A sound currency constitutes the largest contribution of monetary policy to long-term development. For a currency to be trusted, a stable banking system and sufficient foreign exchange reserves, which deter speculators from attacking the domestic currency, are required. The National Bank of Poland will strive to participate in the development of a sound market economy, which is a precondition for the steady improvement in living standards, by fostering those foundations for stable growth.

*President of the National Bank of Poland*



Leszek Balcerowicz

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## The Monetary Policy Council

### Chairperson

Leszek Balcerowicz

### Members:

Jan Czekaj (from 26 August 2003)

Marek Dąbrowski

Bogusław Grabowski

Cezary Józefiak

Janusz Krzyżewski

Wojciech Łączkowski

Jerzy Pruski

Dariusz Rosati

Grzegorz Wójtowicz

Wiesława Ziółkowska

## The Management Board of the National Bank of Poland

### Chairperson

Leszek Balcerowicz

### Members:

Jerzy Stopyra

First Deputy President

Andrzej S. Bratkowski

Deputy President

Joanna Wielgórska-Leszczyńska

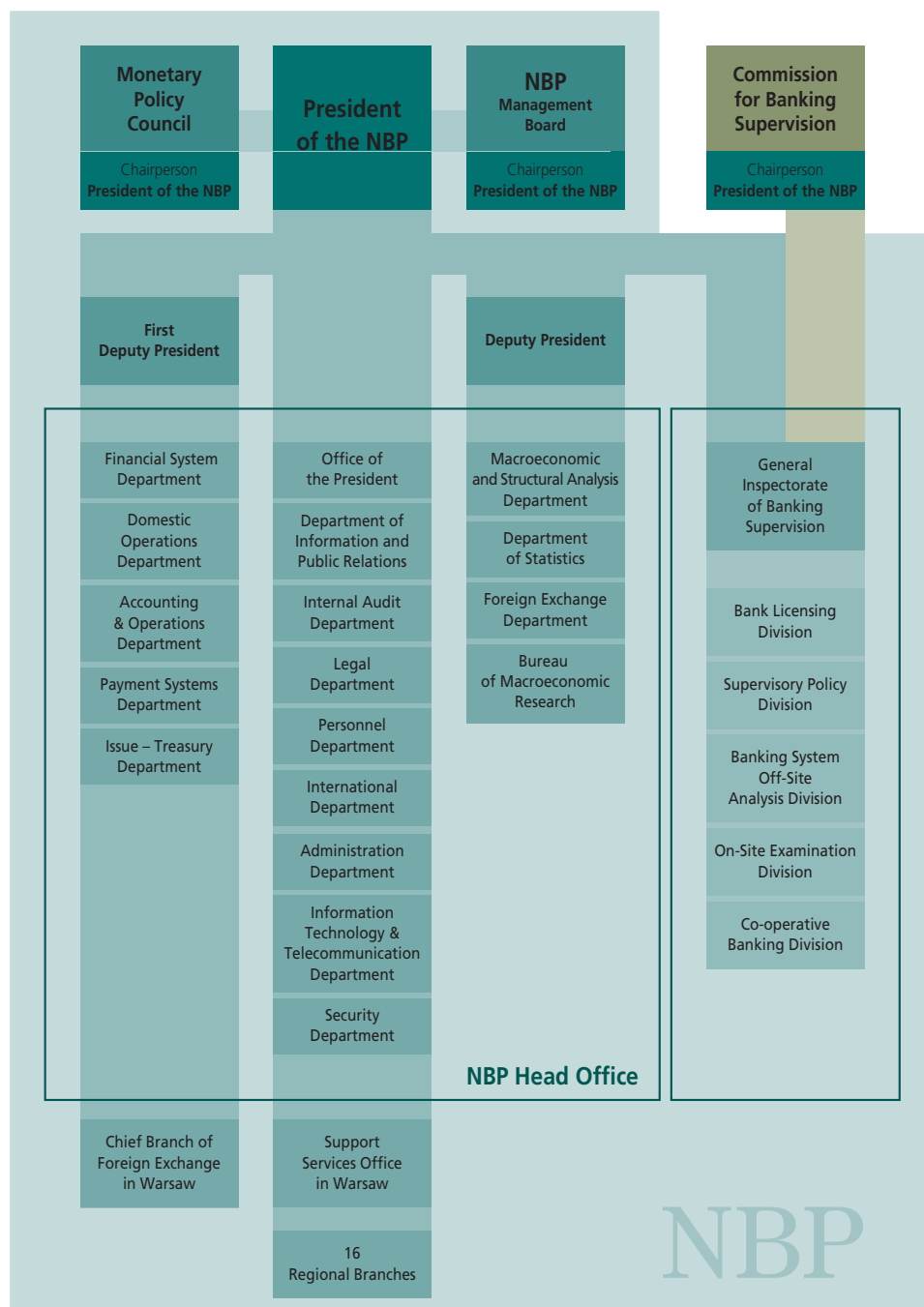
Andrzej Jakubiak

Tomasz Pasikowski

Józef Sobota

# ORGANISATION CHART OF THE NATIONAL BANK OF POLAND

As at December 31, 2003.



THE DIRECTING BODIES  
OF THE NATIONAL BANK OF POLAND

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

## 1.1. The President of the National Bank of Poland

In the performance of his responsibilities, the President of the National Bank of Poland presided over meetings of the Monetary Policy Council, the NBP Management Board and the Commission for Banking Supervision. Since May 2003 the President of the NBP took part, as an observer, in the sessions of the Governing Council of the European Central Bank in Frankfurt.

Furthermore, while representing in 2003 the Poland's central bank in contacts with foreign institutions, the President of the NBP attended, among others, the following meetings:

- annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development in London,
- regular meetings of the Governors of the Bank for International Settlements in Basle,
- meetings of the ECOFIN Council enlarged by the governors of the central banks.

In the course of the year the President of the NBP issued 13 regulations, which concerned:

- specifications of the design, alloy, fineness, mass and volume of issue of coin,
- methods of numbering bank accounts,
- authorisations to make decisions concerning the issue of foreign exchange licence and licence to operate bureaux de change,
- methods and procedures for counting, sorting, packing and designating packages of notes and coin and the performance of operations involving the supply of notes and coin to banks,
- principles and procedures concerning the exchange of notes and coins which ceased to be considered legal tender due to their damage or wear and tear,
- definition of the NBP branches and other banks' branches obliged to exchange old zloty notes and coins.

The President of the NBP, as the superior of all employees, also participated in developing and implementing a human resources policy, and supervised the observation of performance standards in the NBP

## 1.2. Monetary Policy Council

In 2003, the Monetary Policy Council held 16 meetings (including 12 two-day ones), at which it took 17 resolutions promulgated in Monitor Polski (Official Gazette) and the Dziennik Urzędowy NBP (Official Journal of the National Bank of Poland).

The MPC adopted 6 resolutions concerning the reduction of the reference rate, refinancing rate, time deposit rate and rediscount rate of bills of exchange in the National Bank of Poland.

<sup>1</sup> Dziennik Ustaw No.140, item 938 and subsequently amended.

Table 1

**Interest rates in the National Bank of Poland at the end of the years 2002 and 2003, in percentage points**

Lombard rate		Rediscount rate		Reference rate		Deposit rate	
31.12.2002	31.12.2003	31.12.2002	31.12.2003	31.12.2002	31.12.2003	31.12.2002	31.12.2003
8.75	6.75	7.5	5.75	6.75	5.25	4.75	3.75

Source: NBP.

In addition, the MPC also passed resolutions concerning the following matters:

- adopting the Monetary Policy Strategy beyond 2003,
- approving the accounts of the NBP as of 31 December 2002,
- approving the report on the performance of monetary policy guidelines in 2002,
- assessing the activity of the NBP Management Board in implementing monetary policy guidelines in 2002,
- approving the report on NBP operations in 2002,
- establishing monetary policy guidelines for 2004,
- reducing the required reserve rate for banks from 4.5% to 3.5%,
- establishing a ceiling on the liabilities due on the NBP borrowings from international banking and financial institutions,
- accounting principles, structure of assets and liabilities in the balance sheet and the profit and loss account of the NBP,
- rules of creating and releasing the reserve to cover the risk of the zloty exchange rate volatility against foreign currencies in the NBP,
- approving the NBP financial plan for 2004.

Acquitting the obligation resulting from the Article 23 of the Act on the National Bank of Poland, the MPC passed in September 2003 the following resolutions:

- *Balance of payments of the Republic of Poland for 2002* and balances of payments of the RP for the first quarter, the first half of the year and the three quarters of 2003.
- *Balance of payments based on transactions* together with the balance of foreign assets and liabilities of the Republic of Poland for 2002.
- *Forecast of Poland's balance of payments for 2004.*
- *Opinion on the 2004 budget draft.*

In April 2003, the MPC issued an opinion about the government's *Public Finances Recovery Programme*. Moreover, the MPC adopted the *Inflation Report for the Year 2002* and three quarterly *Inflation reports* (for the first, second and third quarter of 2003).

### The end of the term of office of the Monetary Policy Council (1998-2003)

At the beginning of 2004 the six-year term of office of the Monetary Policy Council came to its end. In 2003, the *Medium term monetary policy strategy for the years 1999 – 2003*, based on the direct inflation target was implemented. According to the specified target the stability of prices was achieved, the inflation was reduced to a level below 2% (from 14.2% in February 1998 to 1.6 % at the end of 2003). Thus two criteria of Poland's accession to the Euro zone related to the monetary policy were met: the stability of prices and long-term interest rate. The floating exchange rate introduced upon the motion of the MPC by the Council of Ministers in April 2000 principally reduced the risk of a foreign exchange crisis. The MPC introduced a uniform required reserve rate and reduced its level (from 12 % to 3.5%, on average). It also introduced new monetary policy instruments: the division of open market operations into the basic, adjusting and structural ones, overnight deposit at the central bank, marginal lending facility.

In 2003, two meetings of the MPC with the government representatives were held:

- On March 25, with Grzegorz Kołodko, the Deputy Prime Minister, Minister of Finance,
- On July 17, with Jerzy Hausner, the Deputy Prime Minister and Andrzej Raczko, Minister of Finance.

The current macroeconomic situation, prospects and conditions of Poland's economic development were discussed.

At the meetings with the representatives of commercial banks<sup>2</sup> and businesses the *Monetary policy strategy* and *Monetary policy guidelines* were presented and the problems related to the monetary policy were explained.

### 1.3. The 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 Management Board of the NBP adopts resolutions on matters, which are not reserved in the Act as the exclusive competence of other directing bodies of the NBP, and implements the MPC resolutions.

Assuming Poland's oncoming membership in the European Union the NBP Management Board kept track of the European integration and the development of adjustment processes conducted at the NBP. The successful accomplishment of the two-year cooperation with central banks of Italy and France under Phare 2000 was an important element of the integration activities. That contributed, to an essential extent, to the achievement of a high level of adjustment of the NBP to the ESCB operation. The activities of the Interdepartmental Working Group (composed of the NBP and the Ministry of Finance) for Poland's Integration with the Economic and Monetary Union were continued.

At its meetings the NBP Management Board dealt, among other issues, with the adjustment of monetary policy instruments, monetary statistics, balance of payments and the accounting principles to the ESCB requirements, facilitating payment operations, developing analyses for the monetary policy and the stability of the financial system, as well as improving the efficiency of internal operation by, among others, introducing modern management

<sup>2</sup> The annual meeting of the MPC with representatives of commercial banks took place on 6 October 2003.



mechanisms. Moreover, it considered and then recommended to the Monetary Policy Council draft resolutions and materials to be discussed at the MPC meetings.

In 2003, the NBP Management Board held 51 meetings, at which it adopted 57 resolutions of a regulatory nature, 17 resolutions of a non-regulatory nature and 200 decisions.

The adoption of resolutions concerning the following issues came under the most important decisions of the NBP Management Board:

- investment plan of the National Bank of Poland for 2003,
- financial plan of the National Bank of Poland for 2003,
- the NBP early redemption of bonds designed for banks in consequence of the decrease in the required reserve interest rate,
- procedures and detailed principles of forwarding the data indispensable to establish the monetary policy and periodic assessments of the monetary situation of the country and the evaluation of the financial standing of banks and a banking sector's risk by the banks to the National Bank of Poland,
- procedures and detailed principles of forwarding the data indispensable to compile the balance of payments and the balance of external claims and liabilities of the state by banks to the National Bank of Poland,
- issue of NBP money market bills,
- introduction of "Regulamin refinansowania banków w ciągu dnia operacyjnego przez Narodowy Bank Polski" ("Rules of banks' intraday refinancing of the National Bank of Poland"),
- amendment to the resolution on the procedures and detailed principles of calculating and maintaining the required reserves by the banks,
- amendment to the resolution on the implementation of the "Regulamin realizacji poleceń wypłaty i operacji czekowych w obrocie zagranicznym oraz skupu walut obcych dla posiadaczy rachunków bankowych w Narodowym Banku Polskim" ("Rules of the performance of payment orders and cheque transactions in international operations and the purchase from and sale of foreign currencies to the NBP account holders"),
- amendment to the resolution on the conditions applicable to the opening and operating of banks' accounts at the NBP,
- amendment to the resolution concerning the introduction of the "Regulamin prowadzenia przez Narodowy Bank Polski rachunków i kont depozytowych papierów wartościowych oraz obsługi operacji na papierach wartościowych i ich rejestrach na rachunkach i kontach depozytowych tych papierów" ("Rules of operating currency and deposits as well as executing transactions and their registers on the accounts and deposit accounts of those securities by the NBP"),
- the NBP principles of and procedures for placing orders,
- internal control and internal audit in the National Bank of Poland,
- procedures for performing accounting tasks in the National Bank of Poland,
- project management in the National Bank of Poland,
- management of IT system processing personal data in the National Bank of Poland.



## MONETARY POLICY

## 2.1. Overview

1. Pursuant to Article 227, Paragraph 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."

According to *Medium-Term Monetary Policy Strategy for the Years 1999–2003* adopted in 1998, the strategic monetary policy target of the Monetary Policy Council was reducing the inflation rate to below 4% by the end of 2003. The *Monetary Policy Council decided that the monetary policy target in 2003* (announced in June 2002 and confirmed in *Monetary Policy Guidelines for the Year 2003* published in September 2002) would be an inflation rate at the level of 3% at the end of 2003, with a permissible deviation band of  $\pm 1$  percentage point.

2. In December 2003, the annual inflation rate was 1.7% and thus was in line with the target adopted in *Medium-Term Monetary Policy Strategy for the Years 1999–2003* and slightly lower than the short-term inflation target set in *Monetary Policy Guidelines for the Year 2003*. An inflation rate 0.3 percentage points below the lower end of the inflation target range was achieved with a growth in the increase rate of food and non-alcoholic beverage prices that conformed to expectations, and an increase rate in the group of administered prices of goods and services that was much lower than expected.
3. In 2003, the Monetary Policy Council lowered NBP interest rates on six occasions. The reductions were introduced in the first half of the year. The reference rate was reduced from 6.75% to 5.25%, the rediscount rate from 7.50% to 5.75%, the lombard rate from 8.75% to 6.75%, and the deposit rate from 4.75% to 3.75%.
4. In 2003, a gradually accelerating upturn in the Polish economy was observed. The GDP growth rate rose from 2.3% in Q1 to 4.7% in Q4 and averaged 3.7% over the entire year.

A strong growth in industrial production continued — the increase in production was led by the processing industry, which grew dynamically due to rising exports and increased competitiveness on the domestic market. The increase in consumer demand was accompanied by signs of rising investment in the processing industry. The earnings of businesses also markedly improved in 2003.

Despite unfavourable external conditions, exports remained a factor supporting the economic growth. According to 2003 payment statistics, the increase in export revenues amounted to 8.7% in euro and 30.3% in US dollar terms, while in 2002 the growth rates were 2.7% and 8.8%, respectively. A reduction in trade deficit caused a decrease in current account deficit in 2003 — for the fourth time in succession — which dropped to the level of 1.9% of GDP.

5. The 2003 monetary policy took into consideration the continuously high deficit of the public finances in 2003 and the prospect that this deficit may grow significantly in 2004.

The condition of the public finances remains the most important factor that could hamper efforts at stabilising inflation at a low level. High budget deficit, the increasing need for state borrowing and difficulties concerning the implementation of the public expenditure reduction programme may cause financial market disturbances resulting in increases in the yield of Treasury securities and the weakening of the zloty exchange rate.

In-depth, swift and effective reforms aimed at repairing the public finances are necessary in order to avoid the accumulation of public debt and falling into the debt trap. If no fundamental changes resulting in the permanent improvement of the public finances are introduced in 2004, the debt will soon approach the constitutional limit, which will jeopardise sustainable economic growth and make the reduction of unemployment more difficult. In 2003, the State's public debt (together with guarantees and endorsements) amounted to 51.6% of GDP, which means that the first prudential threshold has been exceeded.

## 2.2. Inflation target for 2003

In *Monetary Policy Guidelines for the Year 2003* the Monetary Policy Council set the short-term inflation target (measured as the 12-month increase in the prices of consumer goods and services in December 2003) at 3% with a permissible deviation of  $\pm 1$  percentage point. This target was an auxiliary one with regard to the medium-term target, set in *Medium-Term Monetary Policy Strategy for the Years 1999–2003*, which was adopted in 1998 – i.e. reducing the inflation rate below 4% by the end of 2003.

In December 2003, the annual inflation rate was 1.7% (Attachment No. 1) and thus was in line with the target adopted in *Medium-Term Monetary Policy Strategy for the Years 1999–2003* and slightly below the short-term inflation target set for 2003. An inflation rate 0.3 percentage points below the lower end of the inflation target range was achieved with a growth in the increase rate of food and non-alcoholic beverage prices (2.1%) that conformed to expectations, and an increase rate in the group of administered prices of goods and services (2.3%) that was much lower than expected.

In mid-2002, when the monetary policy guidelines for 2003 were being developed, it was assumed that the rise in administered prices would amount to 3.6% – 4.8%, in line with the assumptions underlying the 2003 Budget Act. In fact, the increases in excise duty rates proved to be lower than predicted. The growth in energy prices, including electricity and heat, was also smaller than expected. If the rise in administered prices in 2003 had conformed to forecasts made in mid-2002, the annual inflation rate would have amounted to 2%–2.3%.

The long-term process of curbing inflation in Poland has resulted in limiting the inflation rate to levels recorded in developed countries in recent years. The average annual (12-month moving average) HICP<sup>3</sup> inflation rate for Poland was falling systematically from 10.2% in October 2000 to 0.7% in December 2003. In the European Union, the average annual HICP inflation rate in December 2003 was 2.0% and in the euro zone the figure was 2.1%. Since August 2002 Poland meets the inflation convergence criterion that is one of the conditions of joining the euro zone.

From the point of view of the monetary policy implementation, two periods can be distinguished in 2003. In the first half of the year, the MPC lowered the reference rate on six occasions. In the second half, monetary policy parameters remained unchanged.

Arguments in favour of interest rate cuts in the first half of 2003 included the stabilisation of the inflation rate at a low level and the persistence of factors curbing future inflation growth:

- annual CPI dynamics remained low and relatively stable and most core inflation measures exhibited a slight downward trend. Inflation expectations of households remained at a low level (Tables 1, 2 and 3);
- tight wage discipline was maintained by enterprises;
- capital expenditure was falling;
- the rate of increase in loans to corporates was low.

<sup>3</sup> Harmonised Index of Consumer Prices — a measure enabling comparisons of price changes in the EU member states and candidate countries.

The assessment of prospects of an increase in economic activity as a factor influencing future inflation rates also had a significant impact on the MPC decisions concerning interest rate reductions in the first half of 2003. Despite the persisting weak economic growth prospects in the euro zone (and above all in Germany), economic recovery symptoms became more pronounced in Poland:

- industrial output dynamics was enhancing gradually;
- exports were still enhancing rapidly;
- monthly Central Statistical Office business cycle research indicated improvement in the processing and construction industries;
- enterprise earnings also improved.

In the opinion of the Council, however, the initial stage of economic recovery did not (despite the weakening zloty) cause a rise in inflationary pressure that could jeopardise the achievement of the 2004 inflation target.

The MPC also noticed factors that could constitute a potential source of inflationary pressure – above all the uncertain condition of the public finances. The uncertainty concerned the scale of economic deficit in the public finances in 2003 as well as the extent to which the fiscal policy would be further loosened in 2004 and in the following years. The high and growing dynamics of notes and coin in circulation as well as high prices of oil on the world markets, which might rise even further, were also factors that could spark inflationary pressure. These factors emerged during a period of economic recovery.

**Table 2**

**Selected annual core inflation measures and CPI**

	Net of most volatile prices	Net of food and fuel prices	15% trimmed mean	CPI
Sep 02	1.3	2.8	1.5	1.3
Oct 02	0.9	2.3	1.3	1.1
Nov 02	0.8	2.1	1.3	0.9
Dec 02	0.7	2.0	1.2	0.8
Jan 03	0.5	1.6	1.0	0.5
Feb 03	0.5	1.5	0.8	0.5
Mar 03	0.5	1.4	0.8	0.6
Apr 03	0.0	1.2	0.6	0.3
May 03	-0.1	1.2	0.8	0.4
Jun 03	-0.1	1.1	0.9	0.8
Jul 03	0.0	0.8	1.0	0.8
Aug 03	0.1	0.8	1.0	0.7
Sep 03	0.3	0.9	1.2	0.9
Oct 03	0.7	1.2	1.2	1.3
Nov 03	1.0	1.3	1.4	1.6
Dec 03	1.1	1.4	1.5	1.7

Source: Central Statistical Office (CSO) data, NBP calculations.

**Table 3**

**Inflation expectations of consumers (for 12 months)**

2002				2003											
IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1.0	0.9	0.9	0.8	0.7	0.6	0.4	0.4	0.5	0.3	0.4	0.8	0.7	0.7	0.9	1.6

Source: Ipsos opinion polls, NBP calculations.

**Table 4**  
**Inflation forecasts of bank analysts (for 11 months)**

2002				2003											
IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2.9	2.5	2.5	2.5	2.6	2.3	2.1	2.2	2.0	2.3	2.2	2.2	2.3	2.3	2.3	2.5

Source: Reuters.

In the opinion of the Monetary Policy Council, the changes that occurred in the economic situation and forecasts in the second half of 2003 called for increased caution with regard to monetary policy.

According to expectations, annual consumer price indexes rose gradually; this was accompanied by rises in core inflation measures and producer price indexes. The inflation expectations of consumers also increased, especially at the end of the year (Tables 1, 2 and 3).

Upward trends in the economy, largely caused by an upswing in exports, gradually strengthened despite unfavourable external conditions:

- GDP growth rate and the annual dynamics of industrial output were on the increase (Attachment No. 2);
- export receipts were still growing rapidly (Attachment No. 3);
- enterprise earnings were still improving and Central Statistical Office research indicated a further increase in demand in the processing industry.

In the opinion of the Council, the concomitant gradual increase in inflationary pressure did not in itself jeopardise the achievement of the 2004 inflation target. At the same time, however, the importance of factors that could make it more difficult to stabilise inflation at a low level, and which had already been present in the first half of the year, was growing. The most important of such factors was the uncertainty concerning the current and future situation of the public finances. Budget liquidity problems, the increasing proportion of public debt to GDP, the rising probability of overrunning statutory prudential thresholds, as well as the uncertainty regarding the prospects of a rapid and efficient improvement of the public finances caused a further slump in the zloty exchange rate against the euro in the second half of the year. The considerable strengthening of the euro against the US dollar in this period was an important factor contributing to this slump.

The Council's decision to keep interest rates unchanged was also based on the scale of the reductions introduced to date and their delayed impact on the gradual increase in domestic demand.

In the first half of 2003, the Monetary Policy Council lowered NBP interest rates on six occasions. The reference rate was reduced from 6.75% to 5.25%, the rediscount rate from 7.5% to 5.75%, the lombard rate from 8.75% to 6.75%, and the deposit rate from 4.75% to 3.75%. As the result, the nominal interest rates reached their lowest level since the beginning of the transformation period. Real rates also declined — in the period from December 2002 to December 2003 the NBP reference rate adjusted for CPI fell by 2.39 percentage points (from 5.90% to 3.51%), and its average level in 2003 dropped by 1.7 percentage points in relation to 2002. In December 2003, the reference rate adjusted for the producer price index (PPI) declined by 2.96 percentage points (from 4.45% to 1.49%) in comparison to December 2002; on average, it was 4.51 percentage points lower in 2003 than in 2002. The fall in interest rates was accompanied by a substantial depreciation of the zloty.

When analysing the monetary policy decisions made in 2003, one should also bear in mind that due to delays in the monetary transmission process, their impact on inflation will largely materialise in 2004 and 2005. Thus the decisions of the Monetary Policy Council should be viewed in light of the post-2003 inflation target, which is set at the level of 2.5% with a permissible deviation band of +/-1 percentage point.

## 2.3. Factors conditioning monetary policy implementation

### 2.3.1. External factors

In *Monetary Policy Guidelines for the Year 2003*, the Monetary Policy Council pointed out that any forecasts concerning external factors that influenced economic growth and inflation in 2003 were highly uncertain.

An expected global economic recovery started in 2003, which was most noticeable in the US and Asian economies (Table 5).

**Table 5**

#### External conditions affecting monetary policy, 2002-2003

	2002	2003				
	I-IV	I-IV	I	II	III	IV
USA – GDP growth (%) <sup>1</sup>	2.2	3.1	2.1	2.4	3.6	4.3
Japan – GDP growth (%) <sup>1</sup>	-0.3	2.7	2.7	2.4	2.0	3.8
Euro zone – GDP growth (%)	0.9	0.4	0.7	0.1	0.3	0.6
of which Germany <sup>1</sup>	0.2	-0.1	0.1	-0.3	-0.3	0.0
Oil prices (Brent, USD/barrel) <sup>2</sup>	25.0	28.9	31.4	26.1	28.4	29.4
USA – CPI inflation (%) <sup>3</sup>	1.6	2.3	2.9	2.1	2.2	1.9
Euro zone – CPI inflation (%) <sup>3</sup>	2.2	2.1	2.3	1.9	2.1	2.1
USA – federal funds rate <sup>4</sup>	1.25	1.00	1.25	1.00	1.00	1.00
Euro zone – refinancing rate <sup>4</sup>	2.75	2.00	2.50	2.00	2.00	2.00

<sup>1</sup> In relation to the corresponding period of the previous year.

<sup>2</sup> Period average.

<sup>3</sup> Period average relative to the corresponding period of the previous year.

<sup>4</sup> Period end.

Source: Bloomberg, Eurostat, International Energy Agency.

**Table 6**

#### 2003 GDP growth forecasts

	Spring 2002	Autumn 2002	Spring 2003	Autumn 2003	Performance
USA	3.1	2.3	2.4	2.8	3.1
Germany	2.7	1.4	0.4	0.0	-0.1
EU	2.9	2.0	1.3	0.8	0.7
Euro zone	2.9	1.8	1.0	0.4	0.4

Source: European Commission.

On the other hand, the growth in the EU, which is particularly important for Poland due to the scale of mutual economic relations, was much weaker than expected earlier (cf. Table 6). The largest discrepancy was observed with regard to Germany, where the GDP slightly declined in comparison to 2002. The slowdown in the activity of the German economy did not, however, cause a decrease in its import demand<sup>4</sup>. German imports from countries offering cheaper products, including Poland, increased<sup>5, 6</sup>.

<sup>4</sup> German imports rose by 2.6% in 2003 (according to German estimates) against a fall by 1.6% in 2002.

<sup>5</sup> In 2003, Poland was already the fifth largest non-EU supplier on the German market, overtaking Japan with regard to the value of supplies.

<sup>6</sup> According to the Central Statistical Office data, in 2003 the value of Polish exports to Germany in euro terms rose by 9.1% against to 1.8% in 2002.



Apart from the increase in external demand for Polish goods, the reduction of the trade deficit in 2003 was also caused by the conditions of price and cost competition, which were still favourable for the Polish foreign trade (Table 6).

**Table 7**

**Movements in competitiveness ratios**  
(in % in relation to the corresponding period of the previous year)

	2002				2003			
	I	II	III	IV	I	II	III	IV
Export prices to industrial output prices	0.4	6.3	3.7	6.7	4.3	5.2	0.5	0.3
Export prices to unit labour costs	0.5	9.7	11.3	17.6	13.1	18.6	11.1	20.9

The above ratios illustrate price and cost competitiveness of exports; their growth depicts improved competitiveness.

Source: CSO data, NBP calculations.

Just as in 2002, the contributing factors here were the significant depreciation of the zloty both in nominal and real terms (Table 7) and the fact that labour efficiency growth in the domestic economy exceeded salary growth<sup>7</sup>. Average unit labour costs in the processing industry fell by around 9.0% in zloty terms in 2003 in relation to 2002. Along with the depreciation of the zloty against the euro in this period (by 14.1%), this meant a decrease in unit labour costs in euro terms by around 20.2%.

**Table 8**

**Annual movements in PLN exchange rate, 2001-2003 (% change in relation to the previous year)**

PLN exchange rate	2001	2002	2003
Nominal effective	9.0	-4.0	-8.5
Real effective deflated with PPI	7.9	-3.8	-7.2
Real effective deflated with unit labour costs	7.7	-9.5	-17.4

"-" means the zloty depreciation.

Source: NBP and CSO data, NBP calculations.

**Table 9**

**Average deviation of the fixing rate from NBP central parity of 11.04.2000 (%)**

	Q1	Q2	Q3	Q4
2001	-8.8	-13.5	-7.7	-10.3
2002	-10.4	-10.0	-4.2	-6.8
2003	-5.3	-3.8	-1.9	0.2

"-" means deviation from parity towards appreciation.

Source: NBP.

The following factors contributed to the depreciation of the zloty in 2003:

- a significant increase in risk premium caused by the growing uncertainty with regard to future fiscal policies. The risk premium additionally rose due to the unstable situation of the Hungarian FX market, which made the investors reluctant to pour their capital into Central European markets;
- the decrease (noticeable since 2001) in disparity between Polish and foreign real interest rates;

<sup>7</sup> In the period from December 2002 to December 2003 labour efficiency in the processing sector grew by 21.2% while salaries rose by 4.5% in real terms.

- the smaller flow of foreign direct investment into Poland;
- the increasing appreciation of the euro against the US dollar on the world market<sup>8</sup>.

In 2003, the most important factors working towards the appreciation of the Polish currency were a further improvement in current account balance as well as a substantial growth in productivity and the related decrease in unit labour costs.

With the US and Asian economies progressively recovering and the US dollar strongly depreciated, the rise in dollar prices on world raw-material markets accelerated rapidly in 2003. The increase in the prices of non-energy materials<sup>9</sup> was almost twice as fast as in 2002 and Brent oil prices rose by 15.4% against a rise by 2.3% in 2002. This, along the depreciation of the zloty, increased the growth rate of the industrial output price index, especially in the second half of 2003.

### 2.3.2. Food prices and administered prices

According to August 2002 expectations, food and non-alcoholic beverage prices rose by 2.1% in December 2003. The most significant rise occurred from September 2003 onwards, which was linked to the situation on the agricultural market. The fact that crops were lower than in the previous year (especially with regard to grain) and the diminishing livestock production, coupled with a moderate increase in consumption, caused rises in the prices of staple agricultural products and consequently to an increase in retail prices of food.

Increases in retail prices were recorded with regard to all major groups of food, except for fish, sugar, honey and chocolate products. The rises were most significant with regard to bread and cereal products, milk, cheese, eggs, vegetable oil and fruit.

In December 2003, the twelve-month increase rate in administered prices amounted to 2.3%, while forecasts from August 2002 had been in the range of 3.6%–4.8%. The projected increases in energy prices, including electricity and heat, were lower than initially expected. In groups of goods and services with locally regulated prices, the rises were also less significant than had been assumed. Moreover, excise duty rate increases were lower than predicted. If August 2002 administered prices growth forecasts had been accurate, the inflation rate in December 2003 would have amounted to around 2%–2.3%, i.e. would have remained within the set inflationary target range.

### 2.3.3. Systemic environment, mutual relationship of monetary and fiscal policies

*Monetary Policy Guidelines for the Year 2003* stressed that in order to establish the foundations for a sustainable equilibrium of the public finances, employment growth and economic development it would be necessary and urgent to implement certain structural and systemic reforms, including further liberalisation of the labour law, privatisation and the rationalisation of current budget expenditure. Delays in reforms or failures to implement them depress the long-term growth rate of the Polish economy. The persistent structural deficit of the public finance sector and the related borrowing needs of the budget limit the pool of funds that could be earmarked for corporate investment. The drain of domestic savings by the public sector is one of the factors that narrow down the room for monetary policy manoeuvre in terms of interest rate cuts. As a result, the unfavourable combination of fiscal and monetary policies raises the real costs of achieving and maintaining internal and external equilibrium.

In 2003, obstacles hampering the creation of new jobs were still present on the labour market. At the beginning of the year, changes were introduced (including amendments to the Labour Code) that made labour relations more flexible. They made it slightly easier for the entrepreneurs to adjust

<sup>8</sup> In 2003, the euro appreciated against the US dollar by approx. 20%; the average annual depreciation of the nominal EUR/PLN exchange rate was 14.1% in 2003 (against a depreciation of 5.1% in 2002) and the zloty exchange rate against the US dollar rose by 4.7% (while in 2002 it remained at the 2001 level).

<sup>9</sup> Within this group, metal prices increased most rapidly, rising by 12.8% in 2003 against a 4% drop in 2002.

employment to current needs and financial capabilities and at the same time reduced the costs related to dismissing employees. The Labour Code was, however, amended again at the end of the year because some of the formerly introduced amendments had not been in line with the European Union standards.

High non-wage labour costs are an important obstacle to the creation of new jobs. As yet no way of lowering compulsory contributions (to the Social Security Fund and Labour Fund) has been found that would not change the insurance character of those contributions. At the same time, the relatively easy access to social benefits makes it possible for employees to start drawing their disability and pre-retirement pensions early. Moreover, research has indicated that the number of professionally inactive persons who returned to the labour market in 2003 was smaller than in previous years.

The considerable "tax wedge"<sup>10</sup> (which amounted to 43% in 2002) induces entrepreneurs to avoid non-salary labour costs by resorting to flexible forms of employment (which are less burdened by contributions) and employing people in the grey economy. The widespread scale of this phenomenon may be indicated by the widening gap between the number of employees registered in the BAEL database (a collection of data on the economic activity of the population) and the figures reported by companies. Moreover, according to official the Central Statistical Office estimates, around 900,000 people are currently employed in the grey economy, not paying taxes or social security contributions.

The unemployment benefit, which is relatively high in comparison to the lowest pay (in 2003 it was less than 15% lower than the net minimum pay), and is not adjusted to regional differences in wages, discouraged the least skilled unemployed from seeking employment, especially in less developed regions, where the purchasing power of benefits is relatively high compared to wages.

More jobs were created in 2003<sup>11</sup> but at the end of the year around 25% of jobs advertised by employers were still vacant, which points to a persistent mismatch between supply and demand for labour. Considerable differences between unemployed persons in terms of their chances to find jobs corresponding to their skills and the limited professional and spatial mobility of the unemployed may be the underlying reason for that<sup>12</sup>. The persistence of long-term unemployment corroborates this — in 2003 over 50% of the registered unemployed had been jobless for over a year.

In such circumstances it appears that measures focussing directly on the labour market (amending labour laws, facilitating the employment of graduates) will not be sufficient to improve the situation. Changes are necessary, especially with regard to the social security and welfare systems, which would transform the labour cost structure in a way that would create more incentives for legal employment and at the same time would not drastically reduce the benefits for persons who really need them.

Transformations in the ownership structure of the State Treasury property have not accelerated. Net privatisation receipts totalled PLN 2.96 billion in 2003 against PLN 7.4 billion provided for in the Budget Act (net privatisation receipts in 2002 amounted to PLN 2.18 billion). These revenues were achieved primarily through the sale of minority shares owned by the State Treasury (e.g. the sale of Polish Telecom shares brought in PLN 1.63 billion).

The flow of foreign capital into the Polish economy has stabilised at a relatively low level. Foreign direct investment amounted to PLN 16.4 billion in 2003 against PLN 16.8 billion in 2002 and PLN 23.3 billion in 2001 (data from the NBP balance of payments on a transactions basis).

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<sup>10</sup> Tax wedge is the difference between the costs of labour for the employer (gross wages + compulsory contributions paid by the employer) and the remuneration received by the employee (net wages) relative to total costs of labour.

<sup>11</sup> Over 30% more job offers were registered at employment offices in 2003 in comparison to the previous year.

<sup>12</sup> Central Statistical Office research (based on municipal records on residence addresses) shows that during the period from 1995 to 2002 the number of persons changing their addresses permanently or temporarily in subsequent years did not fluctuate significantly and ranged from 1,030,000 to 1,130,000. Among those persons, over a half moved home because they were offered a more attractive job, but only one in ten moved because of the threat of unemployment.

Restrictions on competitive mechanisms, which are still present in certain sectors of the Polish economy (e.g. telecommunications, refineries), result in prices that are higher than under the conditions of perfect competition (producers who enjoy a monopolistic position on the market make extraordinary profits). The impact of imperfect competition in Poland has been estimated to be around 0.2 – 0.3 percentage points of PPI inflation per year<sup>13</sup>, which should be interpreted as a surplus in the PPI compared to a perfect competition situation.

The 2003 monetary policy took into consideration the continuously high deficit of the public finances and the prospect that this deficit may grow significantly in 2004.

The deficit of the State budget in 2003 amounted to 4.5% of GDP (i.e. 0.5 percentage point less than in 2002) and was below the limit stipulated in the Budget Act. The reduction in the deficit was largely caused by the lower than expected budget expenditure. The cut in budget expenditure, which amounted to ca. PLN 5.3 billion (i.e. 2.7% less than planned), proved to be much larger than lacking budget revenue (PLN 3.6 billion, i.e. 2.3% of the planned amount). The smaller budget expenditure resulted primarily from the fact that the cost of servicing public debt was lower than expected<sup>14</sup> and certain conditional<sup>15</sup> as well as property (mainly investment) expenditure was not made. However, when compared to 2002, the expenditure of the State budget was higher by 3.4% last year (by 2.6% in real terms, adjusted for the average annual CPI) and the rise in the expenditure of the entire sector amounted to 6.1% (5.2% in real terms)<sup>16</sup>.

The imbalance of the public finance sector in 2003 was compounded by the loss recorded by other parts of the sector. The nominal value of this deficit was comparable to the 2002 level (0.9% of GDP) and resulted on the one hand from an increase in the deficit recorded by the State's special-purpose funds, particularly the Social Security Fund, and on the other hand from a drop in the deficit of local government units.

As a consequence, the cash deficit of the public finances sector amounted to 5.4% of GDP and the economic deficit<sup>17</sup> to 4.6% of GDP. Thus the level of both indicators of fiscal situation was lower than in 2002. Taking the considerable acceleration in economic growth in 2003 into account, however, this does not mean that the situation of the public finance sector improved – the structural cash deficit of the sector was comparable to the 2002 level.

The persistence of high public finances sector deficit caused the public debt to exceed the first prudential threshold stipulated in the Public Finance Act, i.e. 50% of GDP, in the last year. The State's public debt (together with the prospective payments due to guarantees and endorsements) amounted to 51.6% of GDP at the end of 2003.

Unfavourable prospects with regard to the condition of public finance in 2004 and in the next years were an important element that conditioned the approach and direction of monetary policy in 2003. The draft of the 2004 Budget Act developed in September 2003 assumed a further increase in the imbalance of the public finances. The State budget deficit assumed in this draft was increased to PLN 45.5 billion, i.e. 5.3% of GDP, and if it were

<sup>13</sup> NOBE Independent Centre for Economic Studies, *Raport na temat wpływu regulacyjnych aspektów procesu integracji na poziom cen*, paper commissioned by the Ministry of Finance of the Republic of Poland, Warsaw, November 2003.

<sup>14</sup> This resulted from the fact that the actual level of domestic and international interest rates was lower than assumed in the 2003 budget.

<sup>15</sup> There were no grounds to make the conditional expenditure stipulated in the *2003 Budget Act* because the actual receipts from excise and customs duties at the end of Q3 of last year were lower than the amount that would allow conditional expenditure to be made.

<sup>16</sup> Taking into account the expenditure financed from non-refundable EU funds, the expenditure of the public finance sector grew by 6.5% and 5.7%, respectively.

<sup>17</sup> The economic deficit is the cash deficit of the public finances sector plus the disbursement of compensations for the failure to raise wages as well as retirement and disability pensions at the turn of 1992 and less the transfer of social insurance contributions from the Social Insurance Institution to open-ended pension funds (OFE); NBP calculations.

calculated according to the methodology used in previous years (where the allocation to the Social Security Fund due to the contributions transferred to open-ended pension funds constituted State budget expenditure), the State budget deficit in 2004 would amount to 6.6% of GDP. The considerable rise in deficit in 2004 is only partly due to the necessity of paying Poland's contribution to the EU budget, which will amount to around PLN 5.8 billion this year. The State budget deficit would amount to around 5.9% of GDP without this liability. Together with the rise in the deficits of other parts of the public finance sector, the entire sector deficit is expected to reach around 8% of GDP despite a further acceleration in economic growth. The high level of the public finance deficit assumed for this year is also tantamount to a serious threat of the public debt exceeding the second prudential threshold (55% of GDP).

Table 10

## Measures of fiscal imbalance

	2002	2003	
	Performance	Budget Act	Performance
		PLN billion	
State budget deficit	-39.4	-38.7	-37.0
Cash deficit of the public finances sector	-46.0	-48.3	-43.8
Economic deficit of public finances sector	-39.3	-40.1	-37.1
	as percentage of GDP		
State budget deficit	-5.0	-4.9	-4.5
Cash deficit of the public finance sector	-5.9	-6.1	-5.4
Economic deficit of the public finances sector	-5.0	-5.1	-4.6
Structural deficit of the public finances sector according to IMF methodology	-5.1	-	-5.0

Note: Due to a change in the methodology of nominal GDP calculation (in February 2004 the Central Statistical Office published adjusted national data for the years 1995-2003), deficit as a proportion of GDP in 2003 cannot be directly compared to the amounts forecast in the 2003 *Budget Act*.

The uncertainty concerning fiscal situation in the next years was not alleviated by the draft *Program of Rationalisation and Reduction of Public Expenditure* prepared by the government in October 2003. The proposed solutions, aimed at increasing revenue and capping expenditure, assumed a financial impact of around PLN 50 billion over the years 2004–2007. The comprehensive implementation of this programme would reduce the public finance sector deficit by around 1.6% of GDP in 2007, which would not eliminate the risk of subsequent prudential thresholds being overrun in the nearest future. The assumed increase in general government deficit in 2004, the fact that fundamental adjustment measures were only planned for 2005, and fears concerning the final shape of the *Program of Rationalisation and Reduction of Public Expenditure* were among the factors that contributed to retaining NBP interest rates unchanged in the second half of 2003.

## 2.4. Monetary policy instruments

In order to shape short-term interest rates in the appropriate way, NBP used the following set of instruments: open market operations, credit and deposit operations and reserve requirements.

In 2003 the structural liquidity surplus of the banking sector was maintained. The central bank continued its limitation mainly by outright sales of Treasury bonds from the NBP's portfolio obtained in 1999 as a result of the conversion of non-transferable liabilities of the State Treasury towards the central bank. The operating liquidity surplus was absorbed by means of the issuance of NBP money market bills with 14-day maturity.

### 2.4.1. Interest rates

The implementation of the monetary policy in the meeting of the direct inflation target means that the NBP's official interest rates are maintained on the target level. Open market operations and credit and deposit facilities with yields set by the Monetary Policy Council affect the level of interbank market rates and indirectly deposit and credit rates offered by commercial banks. This in turn influences decisions of households related to savings and consumption, as well as the level of corporate investment.

The reference rate, the lombard rate and the deposit rate were the rates which defined the direction of the monetary policy pursued by the NBP in 2003..

**The reference rate** set the minimum yield obtainable from money market bills sold as a part of open market operations. Since January 1, 2003 on, the maturity of the basic open market operations, i.e. the issue of the NBP money market bills, was shortened from 28 to 14 days. The minimum interest rate for the liquidity-absorbing short-term open market operations indicated the current direction of the monetary policy and influenced the interbank rate of deposits with similar maturity.

**The lombard rate** determined the maximum cost incurred by the banks obtaining money from the central bank for one day.

**The deposit rate** specified the price offered by the central bank to commercial banks for overnight deposits in the NBP.

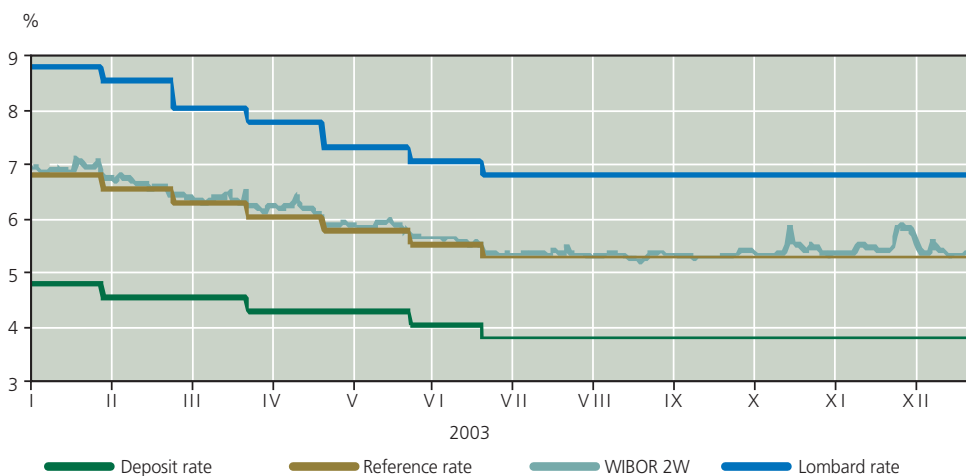
The interest rates of the financial market oscillated around the reference rate, within the limits set by the lombard rate and the deposit rate.

The minimum yield on the NBP money market bills in 2003 was reduced by the Monetary Policy Council on six occasions. The yield was reduced by 1.5 percentage points from 6.75% at the end of 2002 to 5.25% at the end of 2003. The reduction of official interest rates was unequal and led to the narrowing of the symmetrical corridor of market interest rate fluctuations.

Short-term interbank rates fell along with the reductions of the reference rate.

**Figure 1**

**Official NBP rates and 14-day interest rate of the interbank market in 2003**



Source: NBP data.

Table 11

**The Monetary Policy Council's decisions regarding changes in the official interest rates in 2003**

Date	Decision:
January 29	<ul style="list-style-type: none"> <li>– Reduction of the minimum yield on the 14-day open market operations from 6.75% to 6.5% on a yearly basis</li> <li>– Reduction of the lombard facility interest rate from 8.75% to 8.5%</li> <li>– Reduction of the B/E rediscount rate from 7.5% to 7.25%</li> <li>– Reduction of the deposit rate from 4.75% to 4.5%.</li> </ul>
February 26	<ul style="list-style-type: none"> <li>– Reduction of the minimum yield on the 14-day open market operations from 6.5% to 6.25% on a yearly basis</li> <li>– Reduction of the lombard facility interest rate from 8.5% to 8%</li> <li>– Reduction of the B/E rediscount rate from 7.25% to 6.75%</li> </ul>
March 26	<ul style="list-style-type: none"> <li>– Reduction of the minimum yield on the 14-day open market operations from 6.25% to 6% on a yearly basis</li> <li>– Reduction of the lombard facility interest rate from 8% to 7.75%</li> <li>– Reduction of the B/E rediscount rate from 6.75% to 6.5%</li> <li>– Reduction of the deposit rate from 4.5% to 4.25%.</li> </ul>
April 24	<ul style="list-style-type: none"> <li>– Reduction of the minimum yield on the 14-day open market operations from 6% to 5.75% on a yearly basis</li> <li>– Reduction of the lombard facility interest rate from 7.75% to 7.25%</li> <li>– Reduction of the B/E rediscount rate from 6.5% to 6.25%</li> </ul>
May 28	<ul style="list-style-type: none"> <li>– Reduction of the minimum yield on the 14-day open market operations from 5.75% to 5.5% on a yearly basis</li> <li>– Reduction of the lombard facility interest rate from 7.25% to 7%</li> <li>– Reduction of the B/E rediscount rate from 6.25% to 6%</li> <li>– Reduction of the deposit rate from 4.25% to 4%.</li> </ul>
June 25	<ul style="list-style-type: none"> <li>– Reduction of the minimum yield on the 14-day open market operations from 5.5% to 5.25% on a yearly basis</li> <li>– Reduction of the lombard facility interest rate from 7% to 6.75%</li> <li>– Reduction of the B/E rediscount rate from 6% to 5.75%</li> <li>– Reduction of the deposit rate from 4% to 3.75%.</li> </ul>

Source: NBP data.

**2.4.2. Open market operations**

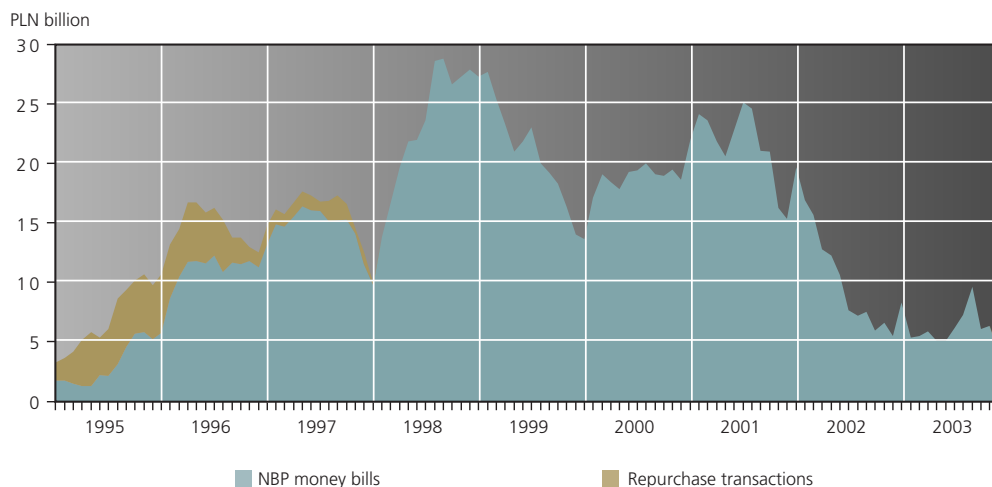
The principles of open market operations in 2003 were set in the resolution of the Monetary Policy Council of December 17, 2002. On its basis, the open market operations were divided into three major categories: basic, fine-tuning and structural.

The **basic** instrument used by the NBP in 2003 in order to limit the operating liquidity surplus in the banking system was the issue of the NBP money market bills. As compared with 2002, the maturity of the basic open market operations was reduced from 28 to 14 days. The change was to facilitate the liquidity management by the central bank and commercial banks and to provide more stability in market rates. Moreover, it made the domestic system more similar to the solutions used in the Eurosystem. The issue of 14-day NBP money market bills was performed weekly on Fridays.

The scale of liquidity-absorbing operations carried out to stabilize the market is depicted in Figure 2.

Figure 2

## Average monthly balance of liquidity-absorbing operations



Source: NBP data.

The balance of open market operations fell to PLN 6.0 billion at the end of 2003, i.e. by PLN 1.3 billion as compared with the level at the end of 2002. The fall resulted from the reduced operating liquidity surplus in the banking sector due mainly to the increase in notes and coins in circulation, increased volume of PLN budget funds in the NBP, net sales of foreign currencies by the NBP and sales of bonds converted from the NBP's portfolio.

In exceptional situations (e.g. in the case of significant disruptions in liquidity or in the case of a threat to the operations of the payment system), NBP was able to use the following **fine-tuning operations**:

- issue of the NBP money market bills with maturity of 1 up to 7 days,
- purchase of Treasury securities from banks or buyout of the NBP money market bills before their maturity if the need arises to increase the short-term liquidity of the banking sector.

Thus, fine-tuning operations could be both liquidity-providing and liquidity-absorbing. Their maturity depended on the duration of the disruptions. The instrument was not used in 2003.

In 2003, the sale of treasury bonds converted from the NBP's portfolio was completed<sup>18</sup>. Outright operations<sup>19</sup> were both **structural** and absorbing liquidity in a permanent way.

Converted Treasury securities of the nominal value of PLN 1.24 billion from the NBP's portfolio were offered for sale in all calls for tenders in 2003<sup>20</sup>. The standard amount of bonds offered for sale by means of a tender procedure was PLN 300 million. During the tender procedure, the NBP accepted the bond yield close to the market yield.

The scale of outright operations in 2003 (according to the nominal value of converted bonds sold in a month) is presented in Figure 3.

<sup>18</sup> Bonds issued by the State Treasury in 1999 in order to replace the debt with the NBP with market securities.

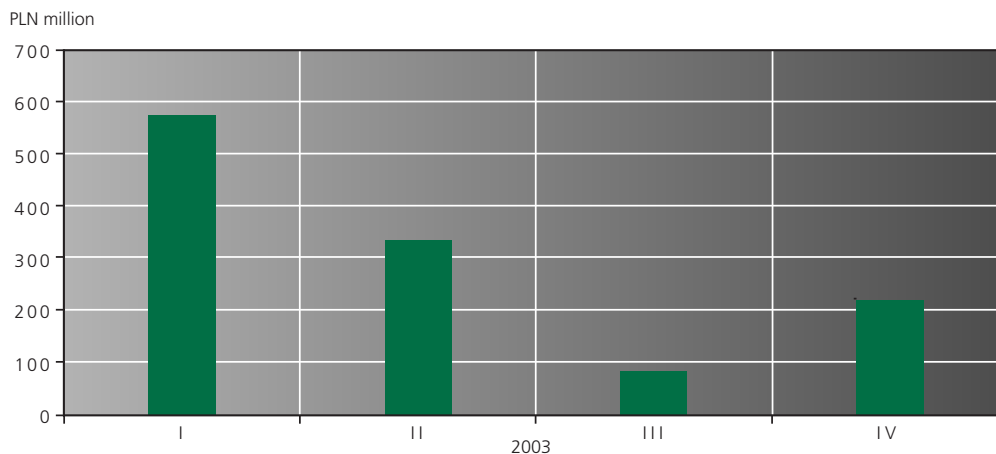
<sup>19</sup> Outright sales of securities by the central bank to commercial banks.

<sup>20</sup> The last operation of that type was carried out on April 17, 2003.



Figure 3

## Sale of converted bonds in 2003



Source: NBP data.

In 2003, open market operations were carried out with a group of 13 entities, i.e. 12 banks — money market dealers and the Bank Guarantee Fund. The banks—dealers were selected in accordance with the uniform qualification criteria of the Dealer Activity Index. The banks were very active on the FRA (Forward Rate Agreement) and the IRS (Interest Rate Swap) markets and had large shares in the market of Treasury securities (bills and bonds), NBP's money market bills, interbank deposits and FX swaps.

The NBP continued activities to develop new procedures for the selection criteria for contracting banks in the open market operations system. In the future, the banks will be included in a list announced by the ECB and will participate in fine-tuning and structural operations. The majority of requirements set by the ECB have already been included in the currently selection procedures being in force.

### 2.4.3. Reserve requirements

The required reserves maintained by banks in the averaged system is one of the factors to smooth up market rate fluctuations. The required reserves are calculated on funds held on bank accounts, funds obtained from the sale of securities and other repayable funds received by the bank. The funds accepted from other domestic bank, as well as funds from abroad accepted for at least two years are excluded from the reserve base.

The principles for calculating and maintaining required reserves are set in Resolution No. 64/2001 of the NBP Management Board of December 21, 2001 along with later amendments.

2003 brought the following changes in the principles for the calculating and maintaining required reserves:

- since September 30 – pursuant to Art. 39a of the Act on the NBP— the banks have reduced the amount of the calculated required reserves by the equivalent of EUR 500 thousand, calculated according to the average exchange rate announced by the NBP on the last day of the month being the basis for the required reserves calculations.,
- since October 31, 2003 — pursuant to Resolution No. 14/2003 of the Monetary Policy Council the ratio of required reserves has been reduced from 4.5 % to 3.5 %..

The required reserves are calculated and held in PLN. The funds of the required reserves, held on the current account or on the required reserves account may be used for intra-day financial settlements. There is no remuneration on holdings on required reserves .

The required reserves are calculated and maintained by all banks except for banks which pursuant to the regulations of the NBP Management Board adopted in 1994-2000 were exempt from the obligation to hold required reserves in the recovery program period. In 2003, three banks were exempt from the obligation pursuant to the regulations adopted in the previous years. For two banks, the exemption from the obligation to hold required reserves expired within the year. The amount of the exempt reserves is PLN 422 million as on December 31, 2003.

**Table 12****Changes in the volume of required reserves in 2003 (in PLN million)**

Type	As at December 31, 2002	Changes in quarters				As at December 31, 2003
		I	II	III	IV	
Required reserves on account at the NBP	13,039	35	123	- 714	- 2,263	10,220

Source: NBP calculations.

The following factors significantly influenced the change in the volume of required reserves as at December 31, 2003 as compared to the volume as at December 31, 2002:

- reduction (since September 30, 2003) of the volume of the calculated required reserves by the equivalent of EUR 500 thousand,
- reduction (since October 31, 2003) of the required reserves ratio by 1 percentage point,
- expiration of required reserves exemptions — on June 30 and December 31, 2003,
- accrual of the reserve base deposits by 3.9 % on a yearly basis.

A surplus of the average volume of required reserves on current accounts over the required volume of reserves occurred in all reserve periods in 2003, except for December when the variance in the sector was negative and amounted to PLN 1.5 million. The surplus decreased, as compared with 2002, by PLN 13 million on average and averaged at PLN 30 million throughout 2003.

Since December 2001, the NBP has been publishing daily information on the volume of the required reserves and the volume of banks' funds on the current accounts at the NBP and required reserve accounts from the previous day (NBPM page at Reuters Website).

**2.4.4. Credit and deposit facilities and bank refinancing**

Credit and deposit facilities performed with the central bank aimed at short-term supply to the system's liquidity or at overnight deposits of the banks' surplus of free funds at the NBP. These operations are initiated by commercial banks and are to prevent excessive fluctuations of the interbank market rates.

Credit and deposit facilities include lombard facility and overnight deposit. The lombard facility used by banks provided them current liquidity. The lombard facility interest rate specified the maximum cost of collateralized funds at the NBP, by setting a ceiling on fluctuations of the interbank rates. In 2003 the banks used the lombard facility and collateralized it with Treasury securities. However, debt due to such facilities occurred neither at the end of 2003, nor at the end of the preceding year. The banks incurred debts within the dates that ended the periods of required reserves on current accounts in the NBP. The total amount of the lombard facility used throughout 2003 was PLN 11.6 billion (the average daily debt – PLN 34.2 million).

In the previous year, the banks deposited the surplus of their current funds in the NBP term deposit accounts as overnight deposits with one day maturity. The deposit rate served as the bottom limit for the corridor of fluctuations in short-term market rates. In 2003, the total amount of term deposits placed by the banks in the NBP equaled PLN 39.8 billion (the average daily deposit amount was PLN 157.2 million). The deposits increased by 35.8 % as compared with 2002. The value of a single deposit ranged between PLN 25 thousand and PLN 1.5 billion. The highest monthly sum of the banks' deposited funds amounted to PLN 10.1 billion (in February 2003).

In 2003, bank refinancing in the form of a B/E rediscount and a refinancing facility for central investments did not change and did not play any active role in the monetary policy pursued.

The banks' debt in the NBP due to refinancing facilities and other receivables from domestic banks<sup>21</sup> amounted to PLN 4.64 billion at the end of December 2003 (including the refinancing facility for central investments – PLN 3.29 billion) and decreased by 8.9 % as compared with 2002. The debt decreased due to repayments of the refinancing facility for central investments amounting to PLN 454.6 million, which was in accordance with the contractual repayment deadlines.

In 2003 the banks did not use the B/E rediscount in the NBP.

On the other hand, similarly to last year, banks used the intraday credit facility every day. The facility was granted for and repaid on the same working day. As at December 31, 2003, 42 banks concluded contracts with the NBP. The banks' daily debt ranged from PLN 3.4 billion to PLN 8.6 billion. Such a credit facility served to facilitate clearing and liquidity management in the banking system throughout a single working day.

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<sup>21</sup> Receivables from domestic banks include the debt amount (PLN 1.28 billion) on the NBP current account that changed its accounting classification in 2003 and the debt amount (PLN 67.5 million) due to the refinancing facility for central investments and due to a loan for the central investment loan interest compounding.



## BANKING SUPERVISION

In 2003, the activity of the General Inspectorate of Banking Supervision<sup>22</sup> (GINB) reflected the division of the statutory responsibilities of banking supervision into those related to licensing, regulation, off-site analysis and on-site examinations.

The number of banks<sup>23</sup> as at December 31, 2003 was 660 (667 as at year-end 2002), including:

- 58 banks incorporated as public limited companies<sup>24</sup> (60<sup>25</sup> in 2002), including:
  - 2 banks directly controlled by the State Treasury (2 in 2002),
  - 4 mortgage banks (3 in 2002),
  - 3 affiliating banks (3 in 2002),
- 1 state-owned bank (1 in 2002),
- 600 cooperative banks (605 in 2002),
- 1 branch of a foreign bank (1 in 2002),
- Moreover, 18 representative offices of foreign banks operated in Poland (17 in 2002).

Activities of GINB, an authority that supervises the security of the banking sector, are of great significance for the stability of the financial system in Poland.

### 3.1. Licensing

The licensing activity of GINB in 2003 included responsibilities of permanent nature involving consideration of applications for the issue of rulings or opinions by the Commission for Banking Supervision, pursuant to the provisions of the legislation regulating the operations of banks in Poland. The licensing activity of GINB was related to the following areas:

- establishment of banks,
- opening of representative offices of foreign banks,
- changes in banks' ownership structure and bank mergers,
- changes in the composition of banks' management boards,
- amendments to banks' articles of association.

#### 3.1.1. Establishment of banks

In 2003, no application was submitted to the Commission for Banking Supervision for an authorization to establish a bank. However, GINB examined three applications submitted in previous years, including two related to the establishment of a mortgage bank and one of a universal bank (with a foreign bank as an establishing entity). Since the required documentation and information on the founders was not submitted, the licensing procedure could not be finished with an appropriate resolution adopted by the Commission for Banking Supervision.

In 2003, GINB considered 1 application for an authorization of the Commission for Banking Supervision for a newly established bank to start operating activity. Having analysed internal rules of order and instructions, and having completed an on-site examination to check the bank's preparation for the start of operating activity, the Commission issued a decision that authorized Nykredit Bank Hipoteczny SA, which had obtained the license in 2002, to start the operating activity.

<sup>22</sup> The General Inspectorate of Banking Supervision is the executive body of the Commission for Banking Supervision and an organizational unit of the National Bank of Poland.

<sup>23</sup> Number of banks excluding banks undergoing bankruptcy or liquidation.

<sup>24</sup> Including 2 banks that do not carry out operating activities.

<sup>25</sup> Including 3 banks that do not carry out operating activities.

### 3.1.2. Opening of representative offices of foreign banks

In 2003, having considered 4 new applications, the Commission for Banking Supervision issued 4 decisions that authorized the operations of representative offices in Poland of the following foreign banks:

- UBS AG, Zurich and Basle,
- American Express Bank Ltd., New York,
- HSH Nordbank AG, Hamburg and Kiel,
- Otkrytoje akcionierno obszczestwo "Biełpromstrojbank", Minsk.

Following an application of management boards of foreign banks, the following 3 representative offices of those banks terminated their operations in Poland in 2003:

- "PRIORBANK" Akcioniernoje obszczestwo, Minsk,
- NOVA LJUBLJANSKA BANKA d.d., Ljubljana,
- Hamburgische Landesbank – Girozentrale, Hamburg.

### 3.1.3. Changes in banks' ownership structure and bank mergers

In 2003, following the consideration of 22 applications by GINB, the Commission for Banking Supervision issued:

- 8 resolutions to grant approval for the exercise of voting rights at a general meeting of bank's shareholders,
- 5 resolutions to discontinue proceedings related to specific cases,
- 5 resolutions on bank mergers, of which one pertained to banks incorporated as public limited companies, and 4 resolutions pertained to cooperative banks.

4 applications remain to be considered in 2004. They are in the analysis and document preparation phase, according to the binding regulations.

### 3.1.4. Changes in the composition of bank management boards

In 2003, having considered 388 applications, the Commission for Banking Supervision adopted 330 resolutions to appoint banks' management board members, including:

- 35 resolutions related to the appointment of management board members of banks incorporated as public limited companies (including 16 presidents) in existing banks,
- 4 resolutions to discontinue the proceedings, since applications had been withdrawn by supervisory boards of particular banks,
- 2 resolutions to grant approval for the appointment of board members in newly established banks,
- 1 resolution to grant approval for the appointment of a deputy manager of a branch in a foreign bank,
- 288 resolutions related to the appointment of presidents in existing cooperative banks<sup>26</sup>, including:
  - 273 resolutions to grant approval for the appointment of a president of a cooperative bank,
  - 13 resolutions to discontinue the procedure,
  - 2 resolutions to deny an approval to appoint the president of a cooperative bank.

As far as the remaining 58 applications are concerned, the Commission for Banking Supervision shall issue decisions when the applicants provide all the required documentation.

<sup>26</sup> In accordance with Article 12 para. 3 of the Act on the Operations of Cooperative Banks, their Affiliation, and Affiliating Banks of December 7, 2000.

### 3.1.5. Amendments to banks' articles of association

Having considered 495 applications related to authorizations of amendments to banks' articles of association (both in public limited companies and in cooperative banks) and having considered an opinion related to the amendments to articles of association in a state-owned bank, the Commission for Banking Supervision issued in 2003:

- 68 decisions on amendments to the articles of association of banks incorporated as public limited companies. These amendments most frequently involved extending the list of operations performed by the bank in question, increasing authorized share capital, changing the external representation of the bank and voting preferences for shares; some amendments were also related to changes to the names of banks.
- 340 decisions regarding amendments to the articles of association of cooperative banks. These amendments were mainly related to the extension of the list of operations and were attributable to the requirements laid down by the Foreign Exchange Act effective as of October 1, 2002. The Act extended the list of banking operations performed by cooperative banks to include the following:
  - purchase and sale of foreign currencies,
  - agent services in money transfers abroad performed by residents and in domestic settlements with non-residents.

Nine decisions issued in 2003 for cooperative banks were related to an authorization to expand the territorial coverage of their operations.
- 2 opinions on amendments to the articles of association in a state-owned bank.

85 applications remain to be considered in 2004. Many of them were submitted in the fourth quarter of 2003 as a result of the amended Act on the Operations of Cooperative Banks, their Affiliation, and Affiliating Banks effective since September 6, 2003. Under the Act, the territorial coverage of operations of cooperative banks was extended, should such banks fulfil specific capital requirements. A list of banking operations that cooperative banks are authorized to perform was also extended. Applications shall be considered and an appropriate decision shall be adopted by the Commission for Banking Supervision following submission of the required documentation.

## 3.2. Regulatory tasks

In 2003, the regulatory activity of GINB primarily focused on legal standards for areas crucial for the appropriate and safe operation of the banking system. GINB analysed the works of the European Commission and the Basle Committee on Banking Supervision in order to facilitate preparation of legal instrument drafts compliant with the Community acquis and international standards. The adjustment activities were important especially in the area related to the effective supervision performed on the Single European Market.

The NBP representatives participated in legislative and analytical works on an international level, including works in the European Union. They were specifically related to:

- the revision of capital requirements and the introduction of the New Capital Accord to the European legal regulations — participation in the works to prepare amendments to Directive 2000/12/EC on taking up and pursuit of the business by credit institutions, and Directive 93/6/EEC on capital adequacy of investment firms and credit institutions,
- standards of banking supervision — related to the introduction of basic rules of effective banking supervision, bank assessment system, uniform supervisory practices and issues related to the preparation and introduction of NCA,
- application of electronic money regulations to certain forms of payments performed via mobile phones.



As part of cooperation between the NBP and the Bank of France and the Bank of Italy, analyses were carried out in relation to the adjustment of Polish regulations to the requirements of EU membership. The results were used in the works to prepare a bill amending the Banking Act.

### 3.2.1. Draft legislation

#### 3.2.1.1. *The Banking Act*

The NBP participated in the works to prepare the Bill amending the Banking Act<sup>27</sup>. The list of amendments include:

- the new areas of banks' operations and pertain to the following:
  - the principles for contracting by banks to other entities of the operations related to the banking activity (*outsourcing*),
  - securitization of bank receivables, in particular in the area of mitigating the bank's securitization risk,
- amendments in regulations already in force and pertaining to:
  - prudential regulations on large exposures, determination of a bank's capital base and capital adequacy standards,
  - procedures for banks disclosing information that is subject to bank secrecy,
  - consolidated supervision over banks,
  - monitoring transfers of equity holdings at banks incorporated as public limited companies,
  - bank rehabilitation and liquidation proceedings,
- conditions for the Polish supervision in the EU and establishment of the basis for more effective cooperation with foreign supervision authorities.

The amendments to the Banking Act will substantially strengthen the stability of the banking sector through the establishment of new and the modification of already existing prudential regulations. The provisions, along with implementing regulations issued by the Commission for Banking Supervision on the basis of statutory authorizations, create a comprehensive system of legal instruments that provide principles for limiting various types of banking risk present in the operation of banks.

#### 3.2.1.2. *Other acts*

Moreover, the NBP participated in the works to prepare the following acts:

- **The Act Amending the Act on the Operations of Cooperative Banks, their Affiliation and Affiliating Banks and the Act on the National Bank of Poland<sup>28</sup>.**

The Act has adjusted the operations of cooperative banks and their affiliations to the changed conditions for their operations, due to the establishment of only 3 affiliating banks and due to the discontinued concept (according to the government strategy) of establishment of an affiliating bank on the basis of BGŻ. Moreover, the Act provided assistance to cooperative banks in the establishment of their capital base. The assistance means the exemption from CIT for 75% of income of cooperative banks generated via operations with members of such banks. The amount of the calculated required reserve may be decreased by the equivalent of 500 thousand euro.

- **Act on Preventing the Use in Financial Trading of Assets Derived from Illegal or Undisclosed Sources and on Preventing Terrorism Financing<sup>29</sup>.**

The Act extends the scope of Commission's supervision over banks. The scope which includes all current principles related to the registration and notification of transactions sent to the General Inspector of Financial Information shall include all requirements included in the above-mentioned Act.

<sup>27</sup> The Bill was submitted to Sejm on October 15, 2003.

<sup>28</sup> Dziennik Ustaw No. 137/ 2003, Item 1303.

<sup>29</sup> Journal of Laws (Dziennik Ustaw) of 2000, No. 116, Item 1216 as amended. Cf. more details in chapter: "Legislative Activity".

- **The Act Amending the Accounting Act<sup>30</sup>.**  
It adjusts the Polish law to Directive 89/117/EEC on the obligations of branches established in a Member State of credit institutions and financial institutions having their head offices outside that Member State, regarding the publication of annual accounting documents.
- **The Act Amending the Act "Law on Public Trading of Securities"<sup>31</sup>.**  
The Act introduces amendments due to the adjustment of the Polish law to EU Directives regarding new aspects of the capital market operations.
- **The Act on Freedom of Economic Activity<sup>32</sup>.**  
The bill abolishes the majority of authorizations for the pursuit of economic activity and simultaneously maintains the requirement to obtain a banking activity authorization.
- **Investment Funds Act<sup>33</sup> and Securitization Act<sup>34</sup>.**  
The bills include provisions that amend the Banking Act in the area of bank receivables securitization.

### 3.2.2. Implementing Regulations to Acts

In 2003, the NBP participated in the preparation of implementing regulations, according to the statutory authorization for the Commission for Banking Supervision and the Minister of Finance. Implementing regulations to the following acts were amended:

- **The Banking Act**  
Two drafts amending the Commission's resolutions were prepared:
  - No. 5/2001 of the Commission for Banking Supervision, related to the scope and detailed principles for establishing capital requirements related to specific risk types. The amendment was to lessen the strict capital adequacy standard pertaining to the general interest rate risk and short-term capital, as well as to provide more detailed regulations.
  - No. 7/2001 of the Commission for Banking Supervision related to detailed principles and conditions of taking into account receivables and granted off-balance sheet liabilities when specifying the observance of large exposure limits. The amendment was to: expand the definition of exposures to include capital exposure; provide more detailed regulations related to the calculation of capital requirements related to the exceeded limits in the trade portfolio; provide more detailed regulations related to taking into account of off-balance sheet commitments in the calculation of large exposures; expand the list of exclusions.
- **The Accounting Act**  
Two draft Ordinances of the Minister of Finance were prepared to amend the ordinances concerning:
  - Principles for the creation of provisions related to the risk of banking operations. The amendments concern in particular the following:
    - extended periods of acceptable delays in debt repayment;
    - simplified classification of consumer credits — division into "regular" (if the delay in repayment does not exceed 6 months) and "loss" (if the delay in repayment exceeds 6 months); if the credit repayment is appropriately secured, it will not be necessary to classify it as "loss";
    - recognition of the safest securities at the stage of credit exposure classification;
    - limited period of security recognition on the account of specific provisions;
    - uniform principle for the classification of credit exposure toward a single debtor.

<sup>30</sup> Dziennik Ustaw No. 139/2003, item 1324.

<sup>31</sup> Adopted by Sejm on February 18, 2004.

<sup>32</sup> Processed in Sejm. Cf. chapter: "Legislative Activity".

<sup>33</sup> Government draft.

<sup>34</sup> MPs' draft. Cf. more details in chapter: "Legislative Activity".

- Detailed principles of bank accounting. The amendment introduces the following changes:
  - postpones (until the end of 2004) the application of valuation of credits and other receivables, as well as liabilities that are not to be traded, according to the depreciated cost with consideration of the effective interest rate;
  - specifies the way in which to consider the results of the first revaluation of assets and financial liabilities according to the depreciated cost, with consideration of the effective interest rate;
  - specifies the principle to write off receivables classified as "loss" that are credit exposures, as part of specific provisions, with a simultaneous transfer of such receivables and created specific provisions to the off-balance register until they are surrendered, time-barred or repaid.

Moreover, in accordance with the declaration included in the Accounting Act, the Commission for Banking Supervision presented its opinion on the draft executive ordinance of the Minister of Finance, amending the ordinance related to the detailed accounting principles for brokerage houses and bank organizational units which carry out brokering activities.

### 3.2.3. Other areas of regulatory activity

In 2003, GINB also carried out the following regulatory tasks:

- Prepared a memorandum of understanding with domestic authorities that supervise the financial sector – the Polish Securities and Exchange Commission (KPWiG) and the Commission of Insurance and Pension Fund Supervision (KNUiFE):
  - On February 4, 2003 KPWiG and the Commission for Banking Supervision concluded a memorandum of understanding concerning the principles and procedures for mutual provision and obtaining of information necessary for correct performance of statutory supervision tasks and concerning the detailed procedure for examination activities.
  - On June 10, 2003 the Commission for Banking Supervision and KNUiFE concluded a memorandum concerning the principles and procedures for mutual provision and obtaining of information necessary for correct performance of statutory supervision tasks and concerning the detailed procedure for examination activities.
- Prepared reports concerning:
  - valuation of banks' investments in Public Pension Fund Societies,
  - the application of valuation according to depreciated cost with consideration of the effective interest rate,
  - an opinion on the use of the International Accounting Standards by banks and other units,
  - directions of changes in banks' accounting,
- Continued analytical works related to the proposed regulations included in the document of the Basle Committee on Banking Supervision entitled: *New Capital Accord* (NCA) and their impact on the banking sector. The task included the following:
  - a survey in 12 domestic banks (80% of the sector's assets). The survey aimed at the estimation of the effects of projected changes on banks. The research was a part of QIS3 (*Quantitative Impact Study 3*) performed by the Basle Committee on Banking Supervision, and included 150 banks all over the world.
  - analysis and presentation of a stance, taking into account the opinion of the banking sector, on the NCA Third Consultative Document published by the Basle Committee on Banking Supervision in April.
- Prepared amendments to Recommendation F, regarding the basic criteria applied by the Commission for Banking Supervision when approving regulations to set banking-mortgage value of property issued by mortgage banks, by adjusting it to the amended regulations of the Act on Mortgage Bonds and Mortgage Banks.

- Participated in works aimed at introducing amendments to the reports submitted by banks to the NBP<sup>35</sup> (introduction of consolidated reports and imposing reporting requirements on foreign branches of Polish banks).
- Updated analytical supervision tools: Report on Economic and Financial Indices (RWEF) and Supervisory Profile (AN), applied to identify and assess the risk taken by banks and to present risk according to the binding standard reports.
- Participated in the preparation of an opinion on the draft directive to amend the 8th Directive 84/253/EEC on the approval of persons responsible for carrying out the statutory audits of accounting documents. The draft shall specify future principles for the operations of certified auditors and for statutory audits of financial statements binding in EU Member States.
- Cooperated with foreign banking supervision authorities, including especially those from EU Member States and those, whose banks have a significant share of the Polish banking sector.

### 3.3. Off-site analysis

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

- direct off-site surveillance of commercial banks,
- supervision of distressed banks,
- comprehensive analysis of the financial standing of the banking sector.

#### 3.3.1. Direct off-site surveillance of commercial banks

In 2003, direct off-site surveillance of banks involved the following:

- ongoing and quarterly analyses and assessments of the financial condition of particular banks, including:
  - updating the so-called supervisory profiles, containing key information on particular banks<sup>35</sup>,
  - the results of the quarterly analyses were employed to assign internal ratings to each bank using the CAEL bank rating<sup>36</sup> methodology; areas that could turn vulnerable and require detailed review during on-site examinations were highlighted, supervisory strategies for each bank were developed,
  - ratings assigned to the banks using the CAEL rating<sup>37</sup> methodology were forwarded (with justification) to the banks' management and supervisory boards<sup>38</sup>.
- preparation of applications on resolutions to be approved by the Commission for Banking Supervision and draft decisions and rulings of the Chairman of the Commission for Banking Supervision<sup>39</sup> related to the banks' individual matters.

<sup>35</sup> Amended Resolution No. 3/2002 of the Management Board of the National Bank of Poland of February 15, 2002, on the procedures and detailed principles for banks submitting to the National Bank of Poland the data necessary for the determination of monetary policy, for periodic assessments of Poland's monetary situation, and for an evaluation of the financial condition of the banks and the risks within the banking sector.

<sup>36</sup> The contents of these include, among others, the bank's CAEL rating, characterization of its risk exposure, and a review of compliance with the provisions of the Banking Act, other legislation and prudential regulations

<sup>37</sup> This represents a method of assessment of exposure to particular types of banking risk, and serves, among other things, as a basis for scheduling the dates and frequency of full-scope and targeted examinations. Key areas cover Capital adequacy, Asset quality, Earnings and Liquidity.

<sup>38</sup> In the case of banks with rehabilitation programs and banks that use loans from the Bank Guarantee Fund, the ratings were also forwarded to the BFG and in the case of cooperative banks with balance sheet total exceeding PLN 100 million – to banks affiliating cooperative banks.

<sup>39</sup> Including, among others, the inclusion of subordinated loans in the supplementary capital (14) and authorization of early repayment of such loans (1), an authorization to amend the affiliation agreement – under Art. 16 para. 3 of the Act on the Operations of Cooperative Banks, their Affiliation, and Affiliating Banks of December 7, 2000 (1) and admonitions for banks.

- undertaking *ad hoc* interventions, explanatory proceedings and inquiries<sup>40</sup>.
- Supervision, related to, among other things, special situations in banks (e.g. in the case of criminal proceedings carried out against members of the banks' management boards).
- preparation of opinions and reports for external institutions (including replies to MPs' queries, information for the Polish Securities and Exchange Commission (KPWiG), the Commission of Insurance and Pension Fund Supervision (KNUiFE), the Bank Guarantee Fund (BFG), the General Inspector of Financial Information and the Ministry of Finance).

### 3.3.2. Supervision of distressed banks

In 2003, rehabilitation programmes were implemented in 79 banks, including 20 commercial banks (of which one affiliating cooperative banks) and 59 cooperative banks. In the case of 30 banks (4 commercial and 26 cooperative ones) rehabilitation programmes were implemented in relation to the acquisition of another bank. The direct supervision over such banks included the following:

- ongoing analyses of the condition of banks involved (including assessment of the implementation of rehabilitation programmes). On this basis, reports were drawn up for the Commission for Banking Supervision,
- opinions on the rehabilitation programmes drawn up by the banks, which was the basis for the approval of such programmes by the Commission for Banking Supervision,
- proposals were submitted to the Commission for Banking Supervision of supervisory measures to be undertaken, including: appointment of an administrator, extension of the administration period, personal changes in the administration, appointment of a conservator overseeing the implementation of the rehabilitation programme by the bank, ordering a financial audit of a bank's statement, request to convene an extraordinary general meeting of shareholders or the bank's members in order to review the bank's situation and to adopt specific resolutions, authorization to merge banks, acquisition of a bank under Art. 147 para. 2 of the Banking Act (25 resolutions of the Commission for Banking Supervision in total),
- cooperation with the Bank Guarantee Fund, including provision of information to BFG regarding supervisory activities undertaken in banks, their financial situation, as well as analysis of opinions submitted by BFG regarding assumptions to rehabilitation programmes of banks that used loans from the BFG's assistance fund (195 occurrences in total).

Apart from the supervision of the activities of banks operating in 2003, activities foreseen in the Banking Act were undertaken towards banks subject to bankruptcy and liquidation proceedings. In relation to the above:

- 7 draft opinions of the Commission for Banking Supervision were prepared; these opinions pertained to bankruptcy and liquidation cases and were forwarded to trustees in bankruptcy, liquidators and competent courts,
- 25 notices were forwarded to trustees in bankruptcy, liquidators who carried out bankruptcy proceedings and to courts.

### 3.3.3. Comprehensive analysis of the condition of the banking sector

The analysis of the condition of the banking sector by GINB involved:

- developing quarterly *Evaluations of the financial situation of Polish banks*, containing comprehensive information on the condition of the Polish banking sector<sup>41</sup> and presenting

<sup>40</sup> *Ad hoc* interventions undertaken by GINB in 2003 involved, among other things, violations of the provisions of the statute or prudential regulations (82), of provisions related to credit risk management (542), market risk management (15), liquidity management (43), operating plans and their implementation (71), explanations related to complaints and applications concerning the bank's activity (550).

<sup>41</sup> The annual evaluation for 2002 was forwarded to the President of the Republic of Poland, Speakers of the Sejm and the Senate, the Chairman of the Council of Ministers, selected Ministers and Heads of Central Offices and Chairpersons of three Sejm Committees

the developments and tendencies in that sector and sources of potential threats to its stability, as well as disseminating key information about the sector in the form of the *Summary evaluation of the financial situation of Polish banks* (a 6-month and annual summary is also published in English),

- the annual *Assessment of the impact of monetary, tax and supervisory policies on the development of banks in 2002*,
- maintaining records of foreign customers of the banks and monitoring the risk related to the banks' large exposures,
- analysis of selected areas of the banks' operations to feed into reports for the Commission for Banking Supervision, the NBP Management Board, general government and public administration agencies, as well as for other external entities (in particular for international financial organizations and institutions)<sup>42</sup>.

### 3.4. On-site examinations

The examination activity carried out by GINB in 2003 focused on the preparation and completion of on-site examinations at banks, branches and representative offices of foreign banks. On-site examinations<sup>43</sup> focused on the assessment of credit risk, liquidity, interest rate risk, foreign exchange risk in banks' activities and on the review of the capital adequacy in relation to the generated earnings and management quality, including also the supervision held by the banks over the risk of operations of their subsidiaries.

Additional examination activities included the supervision of the banks' activities regarding the prevention of the use of their operations for purposes related to the offence of "money laundering".

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

The following examination activities were completed in 2003:

- 154 full-scope on-site examinations, including:
  - 19 examinations at commercial banks,
  - 4 examinations at large cooperative banks, with net assets exceeding 100 million zloty,
  - 131 examinations at other cooperative banks,
- 20 targeted on-site examinations, including:
  - 4 examinations at commercial banks to review selected areas of activity,
  - 14 examinations at commercial banks related to the prevention of "money laundering",
  - 2 examinations at cooperative banks with balance sheet total exceeding 100 million zloty, related to the prevention of "money laundering",
- 6 explanatory proceedings, including:
  - 4 involving commercial banks,
  - 2 involving cooperative banks,
- 1 on-site review of bank's preparations for commencing operating activity,
- 9 on-site examinations at representative offices of foreign banks.

<sup>42</sup> In 2003, many targeted analyses were developed in relation to various aspects of the banks' operations, including such problems as the stability of the banking sector, the influence of further consolidation on the structure of the Polish banking sector, services provided by banks to local governments, funding of SMEs by banks, banks' earnings in 2002 following audits and in the context of consolidated statements.

<sup>43</sup> Under Resolution No. 4/2002 of the Commission for Banking Supervision regarding the procedures of banking supervision.

Examination activities were carried out according to the annual examination plan approved by the General Inspector of Banking Supervision. The examination plan for commercial banks was developed according to the model of periodical examinations based on the examination cycle, as well as with consideration of results of the current economic and financial analysis of particular banks. At the end of each full-scope on-site examination banks were notified of the rankings given under bank rating system adopted by GINB. The Chairperson of the Commission for Banking Supervision addressed post-examination recommendations to the banks concerned.

### 3.5. Scope of examinations

The scope of on-site examinations included:

- In the course of full-scope examinations, an assessment was made of asset quality, liquidity, interest rate risk, foreign exchange risk, earnings, capital and management, and also of compliance with the regulations governing banking activity, the banks' articles of association, and the conditions laid down in their authorizations. The quality of managing operational risk was also examined, especially that related to IT technology and electronic banking. For the first time ever, within the scope agreed upon by the Office for Competition and Consumer Protection, the examination included the banks' preparation for compliance with the Consumer Credit Act.
- in relation to the prevention of "money laundering" – in terms of compliance with the law.
- As assigned by the NBP Management Board:
  - reviews of monetary and interbank settlements – as part of 154 full-scope on-site examinations in banks,
  - reviews of the accuracy of calculation and performance of required reserves at commercial banks – as part of 19 full-scope examinations,
  - reviews of the banks' reporting with respect to the issues related to the balance of payment statistics – as part of 8 full-scope on-site examinations at commercial banks.

#### 3.5.1. Examination process support and uniform examination standards

An additional objective of on-site examination activities is the streamlining of the examination process and the adjustment of examination methods and examination team procedures to the changing legal regulations and international standards.

Crucial changes were introduced in 2003:

- In the methodology: *Principles for sample selection of credit exposures for review in the course of on-site examinations* – the requirements of the size and structure of the examined exposure sample were modified. The size of the sample reviewed at banks will be smaller and better adjusted to the size of credit risk of a given bank.
- Changes were introduced in the methodology of preparation of the examination report. They stemmed from the Decree of the Minister of Finance on the principles for the creation of provisions related to the risk of banks' activities.
- A standard scope of information for all reviewed areas was identified in the methodology, which specifies the scope of data prepared by the bank for the examination team.

Simultaneously, the following works were continued:

- establishing a separate operational risk rating in the methodology of points-based bank rating system,
- adjustment of the currently binding on-site examination procedures to the requirements included in the Act Amending the Act on Preventing the Use in Financial Trading of Assets Derived from Illegal or Undisclosed Sources and on Preventing Terrorism Financing, and on Amendments to Other Acts of January 22, 2004.

Moreover, the following tools to support the work of the examiners were developed:

- an automatic credit-rating sheet for the business entity,
- an electronic base of documents available to all examiners; the database includes information used in the examination process.

### 3.6. NBP participation in bank rehabilitation programmes

In 2003, the NBP did not offer financial support for bank rehabilitation programmes. It analysed the implementation of rehabilitation programs and supervised timely repayment of the banks' debts, according to the agreements concluded.

3 banks were still using the financial assistance offered in the previous years. The total amount of such assistance (under bond redemption and bills or notes discounted), as at December 31, 2003, amounted to 145.6 million zloty, i.e. 22% less than at the end of 2002.

The reduction of the NBP receivables was due to the fact that banks partially repaid their debts, as follows:

- In 2003, claims under bills and note discounted decreased by 27.8 million zloty, i.e. by 17%. This was attributable to the fact that the banks redeemed their promissory notes and that two banks submitted new notes of lower value. The third bank fully repaid its liabilities under bills and notes discounted.
- The value of bonds issued by domestic banks and purchased by the NBP decreased by 12.7 million zloty, i.e. by 56%, since two banks redeemed further series of the issued bonds.

In the course of 2003, no bank was exempted by the NBP Management Board from reserve requirements. In 2003, three banks continued to enjoy the support via exemptions from reserve requirements, issued by the NBP Management Board before 2001. In 2003 decisions on exemptions for two banks expired and the amount of exempt required reserve decreased to 422 million zloty.

#### The most important GINB activities in 2003

- As at December 31, 2003, there were 58 banks incorporated as public limited companies, 1 state-owned bank, 1 branch of a foreign bank and 18 representative offices of foreign banks, as well as 600 cooperative banks operating in Poland. Their activities were supervised by the Commission for Banking Supervision and GINB, operating as part of the NBP structure.
- The Commission for Banking Supervision issued one authorization to a newly-established bank to commence its operating activity.
- The Commission for Banking Supervision authorized 4 representative offices of foreign banks to commence activities.
- The General Inspectorate of Banking Supervision carried out 154 full-scope and 20 targeted on-site examinations.
- The NBP analysed the implementation of rehabilitation programs in 79 banks (20 commercial banks and 59 cooperative banks).
- The Commission for Banking Supervision concluded memoranda of understanding regarding the cooperation with domestic authorities that supervise the financial sector: the Polish Securities and Exchange Commission and the Commission of Insurance and Pension Fund Supervision.
- New areas of the banks' operations (related to outsourcing and securitization of bank receivables) were regulated in the provisions of the Bill amending the Banking Act.



## THE ISSUE OF CURRENCY

According to the Act, the NBP has the exclusive right to issue notes and coins of the Republic of Poland. Assuring security, liquidity and quality of cash operations, the NBP contributed to the maintenance of monetary stability.

#### 4.1. Notes and coins in circulation

The volume of notes and coins in circulation reached 54,176.6 mln zloty as at December 31, 2003. This signifies an increase by 7,431.6 mln zloty which makes up to 15.9% of cash in circulation. The value of notes and coins in circulation, excluding banking system cash, amounted to 49,392.6 m zloty, as at December 31, 2003. This signifies an increase by 17.1% compared to 2002.

The increase in currency in circulation was due to:

- further (started in 2002) shrinking returns on bank deposits, caused by interest rate constantly being reduced and tax imposed on interest income,
- reduction in interest rate on personal accounts, accompanied by an increase in fees for operating those accounts and for other banking services,
- increased banks' net purchases of foreign currencies from exchange offices and individuals (7.4 bn dollars in comparison with 4.6 bn dollars in 2002),
- high growth rate of retail sales volume maintained throughout the year,
- impact of other factors which are difficult to record, e.g. development of the black economy.

##### 4.1.1. Composition of notes and coins

At December 31, 2003, notes accounted for 97.20% of all currency in circulation by value, while coins made up 2.80%. At the end of the year 2002 the relevant proportions were 97.01% for notes and 2.99% for coin.

In quantitative terms notes constituted 9.66% and coins 90.34% of all notes and coins in circulation at the end of the year 2003, while in 2002 the relevant proportions were 9.55% for notes and 90.45% for coins.

At the end of the year 2003, 100 zloty notes had the largest share in total value of notes and coins in circulation – 57.19% and 200 zloty notes accounted for 28.18%. In coins circulation 5 zloty coins had a share of 30.30%, and 2 zloty coins – 26.59%.

In terms of pieces, at the end of the year 2003<sup>44</sup>, 100 and 50 zloty denomination notes had the largest share of the in cash circulation – 47.30% (44.69% in 2002) and 17.91% (18.91% in 2002), respectively. The corresponding role was played by 1 and 2 grosz coins – 35.57% (34.78% in 2002), and 17.52% (17.30% in 2002), respectively.

##### 4.1.2. Supply of notes and coins to the banks

In 2003, the principles for supplying the commercial banks with domestic notes and coin remained unchanged. They consisted of direct supplies to bank organisational units based on sale and purchase agreements and the use of the NBP deposits, granted under the agreements on storing and purchasing deposited notes and coins. The banks were supplied via a network of 16 regional branches of the NBP.

Last year an increase in banks' interest in the deposit system was noted. The system expands the banks' access to notes and coin. This solution is favourable for the banks due to a reduction in costs related to the transport of cash organisation. The use of the system also results in an increase

<sup>44</sup> The share of particular face values in notes and coins circulation presented by value and quantitatively are referred to: in the case of notes – to notes in circulation, in the case of coin – to coin in circulation.

in security of cash transactions. The system allows the reduction in the number of direct contacts between branches of the NBP and branches of commercial banks, enabling the rationalisation of the work flow and use of resources involved in supplying the banks with cash. At the end of the year 2003, 91 branches of commercial banks held in their vaults the NBP deposits (59 in 2002) of the total value of about 2 bn zloty.

At the end of December 2003, the value of NBP deposits held at branches of commercial banks constituted 6.3% (5.1% in 2001) of the issued stock kept at regional branches of the NBP, and 3.6% (4.3% in 2002) of total cash in circulation.

#### 4.1.3. Withdrawal of worn or damaged notes and coins

In 2003, 352.0 m notes and coins were withdrawn from circulation (386.5 m in 2002). The withdrawal of notes and coins from circulation results from their natural wear or damage (loss of legibility) of features protecting against counterfeit. Average life of notes in circulation is proportional to their face value and varies from 6 months for 10 zloty notes to 8.5 years for 200 zloty notes. Notes and coins were being withdrawn from circulation via the intermediary of regional branches of the NBP.

### 4.2. Other issues related to notes and coins

#### 4.2.1. Deliveries of notes and coins

In 2003, the manufacturers of notes and coins, i.e. the Polish Securities Printing Works (*Polska Wytwórnia Papierów Wartościowych SA – PWPW SA*) and the State Mint (*Mennica Państwowa SA – MP SA*), delivered to the NBP 666.5 mln pieces of notes and coins, as previously ordered. The total cost of purchase of those notes and coins amounted to 132.0 m zloty. That constitutes 180.1% of the cost incurred in 2002. An increase in demand for notes and coins resulted, inter alia, from the fact that stock of notes and coins of certain face values were depleted (in 2001 and 2002, respectively, as many as 200 m pieces and 75 mln pieces of notes were ordered, while ca. 400 mln pieces yearly were brought into circulation, and 444 mln pieces and 404 m pieces of coins, while ca. 500 mln pieces were put into circulation yearly) and from a high growth rate of currency in circulation in 2003.

PWPW SA supplied the NBP with a total of 230 m pieces of 100, 20 and 10 zloty notes:, while MP SA supplied 436.5 m coins, including: 429.9 m pieces of 20, 10, 5, 2 and 1 grosz coins of general circulation, and 6.6 m pieces of collector coins struck in gold, silver and Nordic Gold.

The notes and coins of general circulation, supplied by the manufacturers, replenished the currency stock of those denominations. The existing currency stock in the remaining denominations was fully sufficient to meet the needs of the cash in circulation in 2003.

#### 4.2.2. Issue of collector coins

In 2003, the NBP issued coins of around 10 themes.

The total number of 6,595,900 collector coins was issued, including: 15,900 pieces of gold coins, 430,000 silver coins and 6,150,000 coins struck in Nordic Gold alloy.

23 types of collector coins were issued:

- six gold coins of 200 zł and 100 zł denomination,
- nine silver coins of 20 zł and 10 zł denomination,
- eight 2 zloty coins struck in Nordic Gold alloy.

There were three types of "non-standard" coin issued:

- a silver coin with the pad printing technique,
- a silver square coin (so-called clip),
- a coin struck in Nordic Gold, with a hole.

The collector coins issued by the NBP enjoyed – as in previous years – collectors' great interest. In 2003, the NBP margin on sales of collector coins amounted to 20.6 m zloty (13.0 m zloty in 2002).

#### 4.2.3. Exchange of currency no longer legal tender

In 2003, the NBP and domestic banks providing cash services continued the exchange of old zloty, issued prior to redenomination on January 1, 1995, for new zloty. The old currency is going to be exchanged until December 31, 2010. By the end of the year 2003 99.67% of old notes and coin were exchanged, by value.

#### 4.2.4. Counterfeit domestic currency

In 2003, the number of detected counterfeit domestic notes and coins was reduced by 31.98 %, as compared to 2002.

The number and breakdown of counterfeit domestic notes and coins reported in 2003, as compared to 2002, is presented in Table 1.

**Table 13**

#### Number and breakdown of reported counterfeit notes and coins

Counterfeits	2002		2003		Increase/ decrease (%)
	number	breakdown (%)	number	breakdown (%)	
Notes issued in 1994 Polish "Monarchs"	54,861	63.84	41,854	71.61	-23.71
Notes of old issues "Great Poles"	208	0.24	223	0.38	7.21
Coins of current issue	18,880	21.97	15,077	25.80	-20.14
Coins of former issues, withdrawn in 1994	11,982	13.95	1,293	2.21	-89.21
Total	85,931	100	58,447	100	-31.98

Source: The NBP data.

In 2003, only authentic, general circulation coins of 10, 20 and 100 zloty denomination, withdrawn in 1994, which had been reshaped (e.g. filed) and used in coin-operated vending machines as current issue coins were numbered among the old counterfeit issues.

The National Bank of Poland cooperates with international institutions in the area of counteracting notes and coins counterfeiting.

### 4.3. Purchase of the EMU domestic currencies

In 2003, the NBP completed the process of purchasing EMU member countries' domestic currencies from the commercial banks which had concluded agreements on foreign currencies supply.

The NBP sold to the EMU central banks notes and coins of a total value of 8,755 thousand euro, coming from authorised commercial banks, as well as from the money exchange process carried out for the individuals. The process ended in 2002.

#### THE MOST IMPORTANT ACTIVITIES OF THE NBP IN 2003

- The NBP promoted the deposit system. At the end of the year 2003, 91 branches of commercial banks stored in their vaults the NBP vault deposits of a total value of 2 bn zloty.
- The NBP sold to the central banks of the EMU member countries notes and coin of a total value of 8,755 thousand euro. They came from the purchase of the EMU domestic currencies from commercial banks, and from the exchange of those currencies into euro performed by the NBP for individuals.



## FOREIGN EXCHANGE OPERATIONS

## 5.1. Management of the official reserves

### 5.1.1. General principles for managing the official reserves

In managing the official reserves the NBP pursues its basic objectives which include the achievement of a high level of security of invested resources and the assurance of the requisite level of liquidity. The objectives are related to the fundamental function of the state's official reserves, which is to help ensure its macroeconomic stability, financial credibility and convertibility of the domestic currency. An essential element of liquidity is the assurance of accessibility of foreign exchange assets, partly in order to provide for the needs of government entities holding their accounts with the NBP. The third goal – maximization of returns – depends on the permitted level of investment risk, and must be pursued solely within that limit.

The key decisions in the management of foreign currency reserves, adopted by the NBP Management Board include the currency composition of the reserves, the financial instruments that can be employed, investment exposure limits, as well as the investment structure of a benchmark portfolio, *modified duration*<sup>45</sup> (*duration*) and principles for calculating returns on the reserves. The NBP Management Board also determines the credit risk policy. These decisions constitute a point of reference in assessing the management of foreign currency reserves.

The choice of instruments employed for investment is limited to securities issued by the government and non-governmental bodies (international institutions and agencies), and deposits (including repurchase transactions).

#### 5.1.1.1. Handling risk in the process of managing the official reserves

Ensuring a high level of investment security is assisted by a system of limits on investment exposure. Those limits apply in particular to fixed-term deposits. They are based on rigorous assumptions concerning the adopted rating indices and financial data, and the calculation method linked to the time horizon of fixed-term deposits. Investment exposure limits are also applied to securities issued by non-governmental bodies, such as international agencies and institutions.

In the process of reserve management it is important to analyse the following aspects:

- Parameters concerning exchange rate risk,
- Parameters concerning interest rate risk,
- Investment exposure limits in relation to the parties to fixed-term deposits,
- Limits on non-governmental issuers of securities,
- Parameters of investment composition.

### 5.1.2. Investment environment

#### 5.1.2.1. Situation on financial markets

##### 5.1.2.1.1. Economic background

The first half of 2003 did not bring about the anticipated global economic recovery, expected to begin in the United States. Until April, the financial markets had primarily reflected the developments of the Iraqi – American conflict and then the war in Iraq. Ambiguous and in most cases unfavourable macroeconomic indices appeared to confirm subdued economic activity, which combined with revisions of forecasts reducing the expected economic growth rates provided grounds for interest rate reductions. The Bank of England reduced its interest rate, on February 6

<sup>45</sup> Parameter determining the sensitivity of investments to interest rates changes (in percentage terms a change in the value of the portfolio resulting from a small movement in interest rates).



and July 10, by 50 basis points in total, to 3.5% – the lowest level since 1955. The ECB lowered the refinancing rate – on March 6 and June 5 – by 75 basis points in total, to 2.0%, whilst the FED on June 25 lowered the federal funds rate by 25 basis points to 1.0% – its lowest level since 1958.

The developments on the markets in the second half of the year primarily reflected the investors' expectations of a rapid global economic growth. Incoming macroeconomic data were stronger than market forecasts, indicating the strengthening of the US economy manifested mostly in increased corporate investment activity and a rise in consumer demand. On the other hand, the lack of improvement on the labour market and high current account and budget deficits, accompanied by a threat of decrease in inflation to an undesirable level remained the adverse factors. In comparison with the United States, the improvement of the euro area economies was weaker. However, indices reflecting consumers' and entrepreneurs' sentiments, as well as the level of activity in industry and services, accompanied by the strengthening economic recovery in the USA pointed to the possibility of a boost to the EMU economy in 2004. In view of the more pronounced revival in the UK and apprehension that the increasing consumption and price growth on the property market would entail some inflationary pressure, on November 6 the Bank of England increased the repo rate to 3.75%.

In 2003, the value of the dollar declined considerably (the EUR/USD exchange rate increased by 20%, and the GBP/USD rate increased by 11%)<sup>46</sup>.

#### 5.1.2.1.2. Characteristics of market investment parameters

The continued cycle of relaxation of monetary policies by central banks contributed to a further reduction in short-term interest rates on currencies included in the reserves. The annual three-month LIBOR rates fell below the 2002 level — the decline was the strongest in the case of the euro (by 99 basis points) and the dollar (by 59 basis points). A corresponding movement in the case of the pound sterling amounted to 33 basis points. A smaller decrease in the interest rate in the case of pound sterling reflected market expectations, and subsequently the decision of the Bank of England to increase the base interest rate.

In 2003, the prices of most government securities fell (conversely to the tendency in the previous year), and markets were volatile. The first half of the year saw the continuation of a long-term upward trend in prices, which began in 2000. This development stemmed from the anticipations of reductions in interest rates in the USA and the EMU, unfavourable economic statistics and numerous geopolitical tensions. In July the situation on the market reversed and until the end of August a downward trend in prices prevailed. This reflected an improvement in the economic indices, particularly in the USA. The last four months of the year witnessed fluctuating prices. The trends primarily resulted from the lack of improvement on the American labour market which threatened the sustainability of the ongoing economic recovery and became the reason for a discrepancy in investors' opinions as to when the central banks would begin to raise interest rates.

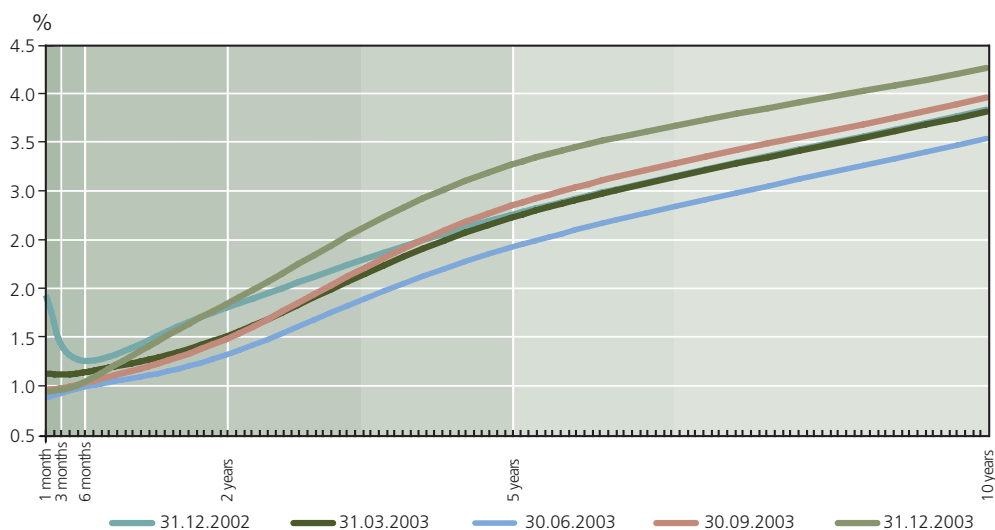
In the case of US government securities, the prices of all issues with the maturity of over 1 year fell. The yield – moving in the opposite direction in comparison to prices – increased most strongly for 5- and 10-year instruments, by 51 and 43 basis points, correspondingly (cf. Fig. 4). The change in yield on 2-year securities amounted to 22 basis points. Apart from the above factors, prices were subject to the negative impact of lower interest rates than in the EMU and the United Kingdom, and an increase in the supply of new issues, fuelled by the growing budget deficit in the USA.

A slightly different situation prevailed in the market of government securities denominated in euro (cf. Fig. 5). The yield on 2-year securities fell by 11 basis points, which translated into an increase in their prices. The increase in yield (i.e. decrease in prices) on 5- and 10-year securities was lower in comparison with the US securities, by 10 and 9 basis points, respectively. It resulted from a reduction in interest rates by the ECB on two occasions, as well as from the appreciation of the EUR/USD exchange rate after September 2003, which reduced the chances of a tightened monetary policy in the EMU.

<sup>46</sup> Source: Reuters.

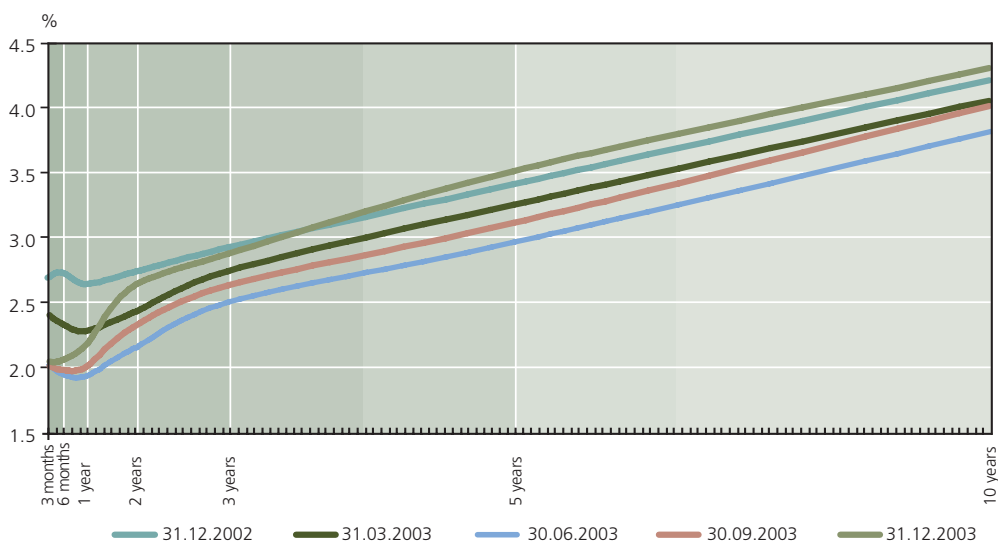
As far as the British bonds are concerned, the prices of 2-year instruments, which are the most sensitive to fluctuations in the official interest rates, fell the most (their yield increased by 55 basis points – cf. Fig. 6). This reflected the decisions of the Bank of England, which reduced interest rates on two occasions, but then raised rates. The increase in the yield (i.e. a decrease in prices) of 5-year bonds amounted to 42 basis points, whilst the yield of 10-year bonds was the same as in the case of US government bonds and amounted to 43 basis points.

**Figure 4**  
**Yield curves of US government securities**



Source: Bloomberg.

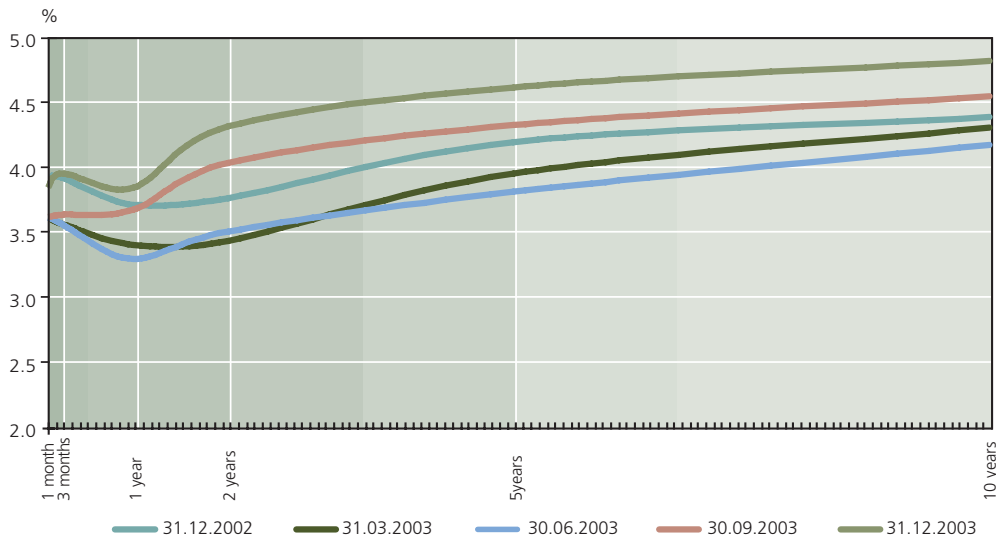
**Figure 5**  
**Yield curves of government securities denominated in euro**



Source: Bloomberg.

Figure 6

Yield curves of government securities in the United Kingdom



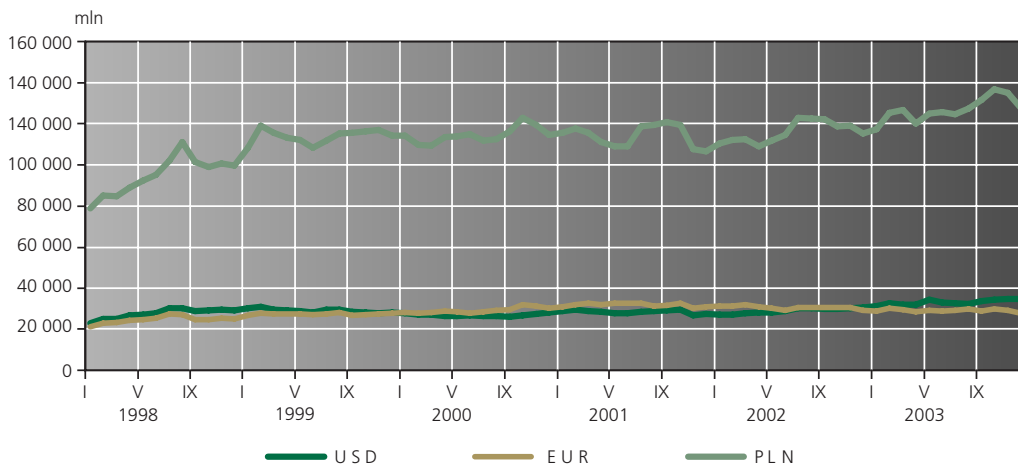
Source: Bloomberg.

5.1.3. Level of official reserve assets

In 2003, the official reserve assets<sup>47</sup> in dollar terms increased by 4.2 billion dollars, to 34.0 billion dollars (cf. Fig. 7), whilst in euro terms they decreased by 1.5 billion euro to 26.9 billion euro. The increase in the level of reserves in dollar terms was primarily triggered by the appreciation of the euro and pound sterling in relation to the US dollar.

Figure 7

Level of official reserve assets



Source: NBP.

<sup>47</sup> The official reserve assets also include such financial instruments as assets in convertible currencies (securities, deposits in foreign banks, foreign currency in NBP vaults); reserve item in the IMF; SDRs (NBP's current account in the IMF); monetary gold; other reserve assets.

#### 5.1.4. Currency composition of the official reserves

The currency composition of the reserves in 2003 was adopted by the NBP Management Board in August 2002, whilst the basic parameters of the parity benchmark composition (benchmark portfolio) for 2003, along with the methodology for the determination of the rate of return were adopted by the NBP Management Board in September 2002. The above decisions were based on the existing compositions and their proposed values for the following year.

The currency composition of reserves contained three reserve currencies: the US dollar, the euro and the pound sterling, each to be held at designated percentages of the total reserves. The currency positions were maintained at the defined parity levels, within the permissible bands of deviation, in accordance with the analyses of the ongoing and anticipated developments in the currency market.

#### 5.1.5. Investment structure and horizon of the official reserves

In 2003, the investment structure of the foreign currency share in the reserves provided for the possibility of making investments within the framework of three investment portfolios: dollar, euro- and pound sterling-denominated.

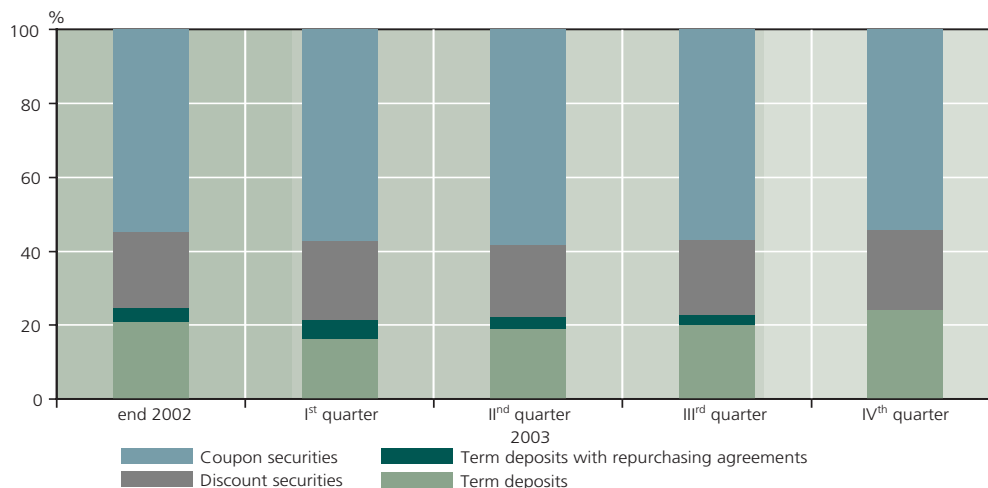
The investment strategy in 2003 was primarily influenced by forecasts of developments in the securities market. This reflected the dominant share of securities in reserves and their decisive impact on the value of investment parameters. In the first half of the year the duration of the total reserves increased steadily, due to the investment activity in euro- and pound sterling- denominated portfolios.

In that period the prices of debt instruments increased, while long-dated securities earned the highest returns. For that reason it was advantageous to increase the share of coupon securities, at the expense of money market instruments, as well as to maintain the duration of managed resources above the benchmark level.

This strategy was substantially changed after a radical revaluation of coupon securities prices on the market in July 2003. The *duration* of those instruments, and, consequently, of all the currency reserves was substantially reduced – the objective was to reduce the value of that parameter to a level close to the benchmark. Because of high volatility of prices of securities and uncertainty about market developments the policy was to keep their actual *duration* close to the benchmark values up to the end of the year. Measures concerning the investment structure were also undertaken. The share of bonds that, due to the fall in value, presented the lowest yields of all investment instruments was reduced in all currency portfolios. Some of the funds were shifted to money market instruments.

**Figure 8**

**Share of investment instruments in currency reserves, as of quarter-end**



Source: NBP.

### 5.1.6. Investment income

Investment income generated in 2003 amounted to 3.7 billion zloty (nearly 1.0 billion dollars, i.e. 0.8 billion euro). The yield on currency reserves amounted to 2.3%.

## 5.2. Foreign exchange activity

### 5.2.1. Organisation of the turnover in foreign exchange

In 2003, the NBP took part in drafting the following legislation insofar as foreign exchange:

- **Draft amendment to the regulation of the Ministry of Finance insofar as the procedure of performance by the National Bank of Poland of inspections defined in the Foreign Exchange Act<sup>48</sup>.**

The principal change consisted in the application of the controlling procedures to banks' duties related to the intermediation in effecting money transfers abroad by residents, and effecting domestic settlements with non-residents, as well as in effecting cash transfers abroad by non-residents, cash payments to their own bank accounts and to bank accounts of other non-residents.

- **Draft Act on Freedom of Business Activity<sup>49</sup>.**

It introduces amendments to the Foreign Exchange Act, consisting, among others, in abolishing the obligation to apply for a permit from the President of the NBP to operate a business of a bureau de change. This activity shall be conducted upon making an entry to foreign exchange market operations register, run by the NBP. The planned amendments shall determine, by regulation of the President of the NBP, the register template and the procedure of making entries to the register.

### 5.2.2. Foreign exchange decisions

In 2003, 1,704 decisions<sup>50</sup> were taken, whereby 676 were positive, 7 were negative, 1,021 decisions of other character, i.e. decisions on proceedings being discontinued, amended, decisions on expiry, repeal and 20 provisions.

The positive decisions included 278 permits to carry on foreign exchange market operations, as well as 237 individual foreign exchange permits to conduct foreign currency settlements between residents in the country. Among them there were 95 decisions concerning settlements of aid funds from the European Union (Phare and ISPA funds). 161 permits concerned other activities related to the turnover in foreign exchange.

### 5.2.3. Performance of foreign exchange control inspections

In 2003, the NBP examined participants of foreign exchange according to the stipulations of the Foreign Exchange Act<sup>51</sup> and the Act on Preventing the Use in Financial Trading of Assets Derived from Illegal or Undisclosed Sources and on Preventing Terrorism Financing<sup>52</sup>.

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<sup>48</sup> Dziennik Ustaw No. 154/2002, item 1275.

<sup>49</sup> Under examination by Sejm.

<sup>50</sup> The considerable difference in the number of decisions issued in 2002 (3,550) and in 2003 (1,704) is a result of a significant liberalisation of foreign exchange regulations implemented in October 2002.

<sup>51</sup> Dziennik Ustaw No. 141/2002, item 178, as amended.

<sup>52</sup> Dziennik Ustaw No. 153/2003, item 1505, as amended. For details see also chapter "Legislative activity".

In 2003, a total of 2,084 inspections were carried out (in comparison to 2,696 in 2002), which broke down as follows:

- 561 related to the compliance with the reporting requirements for the balance of payments (447 in 2002), including:
  - 41 combined with the inspection of foreign exchange permits (51 in 2002),
- 1,523 inspections of foreign exchange market operations (2,059 in 2002).

A lower number of inspections in comparison with the previous year resulted from the exclusion of banks and non-bank foreign currency desks from NBP's inspection, and the introduction of the free flow of capital and payments between Poland and the EU Member States, which reduced the number of issued foreign exchange permits<sup>53</sup>. Apart from that, the smaller number of inspections stemmed from the increase in labour consumption of a single inspection, due to the extension of their scope onto the duty imposed on the entities conducting foreign exchange market operations to report to the NBP data necessary to compile the balance of payments, and the introduction of a new inspection methodology in the area of studying the issues related to the implementation of the Act on Combating Money Laundering.

#### 5.2.4. Post-inspection activity

The inspections detected irregularities in 1,602 cases. In 2003, the share of inspections, which detected irregularities amounted to 77% and was higher in comparison with the year 2002 by 10 percentage points. This increase was particularly fuelled by the results of inspections into the compliance with the Act on Combating Money Laundering, detecting failures in the compliance with the Act's requirements imposed on bureaux de change (i.a. lack of internal procedures, lack of transactions register, lack of training).

Had any irregularities been detected, post-inspection recommendations were submitted, committing the management of the inspected undertaking to ensure compliance with the applicable regulations. In 308 cases tax offices were notified on circumstances indicating the possibility of committing an offence against the turnover in foreign exchange. The findings of all inspections carried out in the entities conducting foreign exchange market operations in the scope of the compliance with the requirements imposed by the act on combating money laundering were reported to the General Inspector for Financial Information.

In two cases the NBP applied penalties of revoking the permit to conduct foreign exchange market operations.

### 5.3. Servicing the foreign borrowings of the NBP

Within the framework of servicing the World Bank loans drawn by the NBP in 1990 for the implementation of the Industrial Export Development Project and Agroindustries Export Development Project, in 2003, the NBP supervised the repayments made by the BGZ SA bank, the last bank participating in both programmes.

Servicing of the credit extended by the French government for the development of the Polish- French joint venture companies was also continued, by supervising the repayment of receivables from those banks that had been granted access to the funds on that credit. In 2003, the three banks, i.e. Bank Pekao SA, BRE Bank SA and Credit Lyonnais Bank Polska SA, entirely paid off all their debts to the NBP.

<sup>51</sup> Dziennik Ustaw No. 141/2002, item 178, as amended.

<sup>52</sup> Dziennik Ustaw No. 153/2003, item 1505, as amended. For details see also chapter "Legislative activity".

<sup>53</sup> Changes introduced by the Foreign Exchange Act in force from October 1<sup>st</sup>, 2002.

**MOST IMPORTANT NBP ACTIVITIES IN 2003**

- Income achieved from investment activity amounted to 3.7 billion zloty.
- 1,704 rulings concerning foreign exchange were issued in total.
- 2,084 foreign exchange inspections were conducted in total.





THE DEVELOPMENT  
OF THE PAYMENT SYSTEM

In 2003 the National Bank of Poland carried out activities aimed at the development of the payment system, primarily by conducting research into and analyses of functionality of the Polish payment system, payment systems of other countries and cross-border payment systems, oversight of domestic payment systems, implementation of standardisation procedures, operation of the accounts of banks and making interbank settlements.

Particularly important were the activities involved in the preparation of the NBP for the participation in the TARGET system. Another area of NBP's focus was the oversight of payment systems designed to minimise threats to the financial system functioning, related to the possible disturbances in the payment system.

## 6.1. Decisions about joining the TARGET system

The priorities of the NBP with respect to the payment system included the preparation of the central bank for the participation in the TARGET system, which spans the RTGS systems of the EU Member States and enables cross-border payments between those countries<sup>54</sup>. Under this task in 2003, the NBP:

- Took a decision on joining the TARGET system indirectly, i.e. via the RTGS system of one of the NCBs of the euro area, still before the adoption of the euro in Poland, but not later than by June 2005. The decision has created conditions for:
  - streamlining the execution of cross-border payments in euro by providing access to the mechanism allowing the radical acceleration of the execution of payments in comparison to settlements via correspondent banking relations,
  - reduction in costs of executing cross-border payment orders, due to the necessity of introduction of uniform prices across the TARGET system, lower than generally applied in correspondent banking,
  - retention of the advantages of the domestic payment settlement infrastructure,
  - attainment of full preparedness for the participation in the TARGET system on the day of Poland's accession to the euro area.

At the same time work on the SORBNET-EURO system was commenced. The system will facilitate the operation of banks' current accounts in euro and euro settlements, concerning both domestic and cross-border payments, including those resulting from settlement of orders exchanged via the EuroELIXIR system, currently being developed by the National Clearing House.

- Chose the Bank of Italy as the central bank, where the NBP account will be held, and through the intermediary of which cross-border payments from Polish banks to the TARGET system will be made.
- Took the decision on joining the TARGET2 system, which, as scheduled, shall replace the currently operating TARGET system in 2007. Accession to the TARGET2 will take place via the participation in the so-called *Single Shared Platform* (SSP), upon Poland's accession to the euro area. The decision in this matter was taken in response to the expectation of the ECB Governing Council that all the central banks of the EU and banks of the accession countries take a stance concerning the manner of participation in the TARGET2 system (i.e. via the SSP, or via own RTGS system).

## 6.2. Oversight of payment systems

The list of statutory tasks of the National Bank of Poland includes the oversight of payment systems in order to ensure their efficiency and security. Activities undertaken in this respect in 2003 are listed below.

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<sup>54</sup> Participation in the system will be obligatory as of Poland's accession to the euro area, whereas — according to the decision of the ECB Governing Council of October 2002 — it will be legally possible on a voluntary basis upon Poland's accession to the European Union.

- The manner of implementation of NBP's recommendations to the National Clearing House (*Krajowa Izba Rozliczeniowa S.A.* – KIR S.A.) issued in 2002 was analysed.

The recommendation concerned the adaptation of the ELIXIR system to the principles defined in the report of the Bank for International Settlements<sup>55</sup>, in particular to those with respect to the introduction of the so-called guarantee of settlement, i.e. solutions ensuring timely completion of daily settlements in case of inability to cover liabilities by a participant of the system with the highest net liability position. Having carried out analyses and consultations with banks, the National Clearing House presented a concept of changes to the ELIXIR system, which was accepted by the NBP. These changes are to be introduced by the year-end 2004.

- In compliance with the recommendation of the European Central Bank concerning higher efficiency of systems which clear transactions made with the use of payment cards in Poland, the NBP analysed the principles of functioning of systems operated by PolCard S.A., Visa and MasterCard.

As a result of the analysis, the NBP proposed two options of change to the principles of making settlements between participants of those systems, aimed at expedition of applied procedures and accelerating the settlements. NBP's proposal was submitted for consideration to the systems' operators and to the Bank Millennium S.A., acting as the settlement bank for those three systems. In the adopted solution the settlement bank settles card transactions directly in the SORBNET system, instead of using the intermediation of the SYBIR or ELIXIR systems operated by the National Clearing House. That solution was implemented in July 2003.

- Pursuant to the Act on Electronic Payment Instruments<sup>56</sup>, which took effect on October 12, 2003, the President of the NBP shall supervise the authorisation and clearing systems operated by non-bank acquirers, pursuant to similar principles as those applied in the case of payment systems. In order to assess the principles of operation of authorisation and clearing systems, the NBP drafted a detailed questionnaire addressed to entities currently operating such systems. The analysis of information forwarded by acquirers will be carried out in 2004. Moreover, according to the stipulations of the Act on Electronic Payment Instruments, the requirement of reporting to the NBP was imposed on the following entities:

- issuers of payment cards (banks and non-bank entities) — i.a. insofar as information on types and number of payment cards issued and transactions made with their use,
- acquirers— i.a. insofar as information on the network of card acceptance network and operations performed in that network

Those entities are also required to submit information on operations intended to infringe or by-pass the rules of law or principles of fair trading.

- In 2003 the NBP intensified co-operation with the Polish Securities and Exchange Commission (PSEC) in the area of the oversight over Polish securities settlement systems.

In 2003, bearing in mind the EU standards<sup>57</sup>, the NBP came out with an initiative to the Polish Securities and Exchange Commission to intensify cooperation. The initiative earned a positive reception of the PSEC. The efforts yielded i.a. the proposed amendment to the Act on the Public Trading in Securities, to take effect with the Poland's accession to the EU. The amendment will allow the conclusion of an agreement of co-operation between the NBP and the PSEC, which would mainly consist in exchanging information on the operation of the securities clearing system, reporting to the PSEC on the need to introduce changes to the securities clearing system by the NBP, and co-operation in drafting regulations of the system.

<sup>55</sup> *Core principles for the systemically important payment systems*, published in January 2001. These principles are the basis for assessment of payment systems by the IMF within the framework of the *Financial Sector Assessment Program* – FSAP.

<sup>56</sup> Dziennik Ustaw No. 169/2002, item 1385.

<sup>57</sup> *Recommendations for the securities settlement systems* published in 2001 by the CPSS/IOSCO. The Committee of European Securities Regulators and the ESCB work on the draft of new recommendations.

- In 2003, on the initiative of the European Central Bank, the National Bank of Poland took part in the assessment of Polish securities settlement systems, for compliance with the standards defined in the document *Standards for the Use of UE SSSs in ESCB Credit Operations*. Two systems were subject to that assessment: the Securities Register, where Treasury bills are deposited and settled, and the system operated by the National Depository for Securities, where, among others, Treasury bonds are deposited and settled.

Compliance with those standards by the securities settlement systems is a pre-condition for using the securities registered in the system in credit operations of the ESCB. This assessment by the ECB was supposed to detect possible weaknesses insofar as the clearing and settlement of securities in accession countries and to take appropriate measures towards their elimination. As a result of the assessment the ECB formulated several recommendations addressed to both of Polish securities settlement systems, which must be met before Poland enters the credit operations of the ESCB.

### 6.3. Regulatory activity in the area of payment system

In 2003, the NBP was involved the development of the following legal instruments:

- **Announcement of the President of the National Bank of Poland of October 1, 2003, concerning the presentation of the list of participants of payment systems and securities settlement systems operated by the National Bank of Poland, settlement systems operated by the National Depository for Securities, and other payment and securities settlement systems, subject to systemic risk<sup>58</sup>.**

The announcement informs the courts of law and bodies supervising the participants of the systems which entities are participants of the system. Information procedures provided for in the regulations on the settlement finality of shall be applied with regard to such entities. The result of drawing a given entity on the list – in case when it has declared bankrupt – is the requirement to inform the NBP by the court or the appropriate body giving a verdict, resolution or decision, in this respect.

- **Act on Freedom of Economic Activity**

The Act introduced into the Polish legislation the Directive No. 5/97/WE on cross-border credit transfers.

- **Executory provisions to the Act on Electronic Payment Instruments, which took effect on October 12, 2003.**

The NBP prepared and submitted to the Ministry of Finance draft regulations concerning:

- the procedure, scope and terms of submitting information by settlement agents on their activities,
- the procedure, scope and terms of submitting data by the issuers of payment cards on the payment cards they issue,
- the procedure, scope and terms of submitting data by banks and electronic money institutions on instruments of electronic money they issue,
- specifying the arbitration courts appropriate to investigate cases related to issuing and using electronic payment instruments.

<sup>58</sup> Official Journal of NBP, 1 October 2003.

The above legal acts were issued by the Minister of Finance on September 24, 2003 and became effective on October 12, 2003.

- **Amendment to the regulation No. 5/2002 of the President of the NBP of 6 May 2002 on the method of numbering bank accounts operated by banks<sup>59</sup>.**

The amendment to the regulation allows banks using for at least 6 months both the new standard of the Bank Account Number (*Numer Rachunku Bankowego* – NRB) and the formerly applied numbers, to resign from servicing orders with previously valid bank account numbers and apply solely the NRB standard in domestic settlements. New regulations allow banks advanced in introducing NRB an early (i.e. by 1 July 2004) automation and unification of servicing payment orders in IT systems, and thus a reduction of its costs.

## 6.4. Operation of the SORBNET system

In 2003 the volume and value of payment orders in the SORBNET system substantially increased. It was caused by the requirement arising from the regulation of the President of the NBP No. 6/2000 concerning the procedure of interbank settlement, which entered into force on 1 January 2003, whereby orders of a value exceeding 1 million zloty shall be placed directly in the SORBNET system. Observation of that principle entailed an increase in the number of processed orders by 56.2% in comparison with the preceding year.

In 2003 the work on the upgrade of the SORBNET user platform was completed. This task was carried out under the SWAT project (*Szybka Warstwa Transportowa* —*Quick Transport Layer*), with the aim to replace the ineffective X.400 electronic mail with more modern TCP/IP links. The new solution allowed the increase in productivity of the SORBNET system and improved security of information exchange between users and the NBP.

In 2003 new bank account numbers were introduced into the SORBNET system, compatible with the NRB standard. It resulted from the necessity to take into account the stipulations of Regulation No. 5/2002 of the President of the NBP of 6 May 2002, concerning the way of numbering of bank accounts. In the transition period, i.e. by 30 June 2004, the system allows to operate either the old or the new numbers. After that date the execution of orders with old account numbers will not be possible.

In 2003 efforts aimed at the adaptation of the SORBNET system to the integrated accounting system of the NBP (*Zintegrowany System Księgowy - ZSK*) and the new chart of accounts were continued.

## 6.5. Operating the current accounts of the banks with NBP Head Office

### 6.5.1. Number of current accounts of the banks operated by the NBP

As at year-end 2003, the NBP Head Office operated the current accounts for 55 banks<sup>60</sup> (within the SORBNET system), i.e. 3 fewer than in the preceding year.

In 2003 the current accounts of the following three banks were closed:

- Bank Wschodni S.A. – on January 15, further to its merger with Bank "SPOŁEM" S.A., which on April 15 adopted a new name of Euro Bank S.A.,
- Bank "Częstochowa" S.A. – on February 28, further to its merger with BRE Bank S.A.,
- LG Petro Bank S.A. – on July 31, further to its merger with NORDEA BANK POLSKA S.A.

<sup>59</sup> Regulation No. 10/2003 of the President of the NBP of 27 May 2003.

<sup>60</sup> Three banks were making settlements via the banks holding their current accounts with the NBP Head Office.

### 6.5.2. Types and number of operations performed on current accounts held by banks with the NBP

In 2003 about 750 thousand operations were conducted on banks' current accounts held with the NBP Head Office (479 thousand in 2002) to the total value of 17.2 billion zloty (13.3 billion zloty in 2002). The average value of operations fell and amounted to 22.9 m zloty (27.8 m zloty in 2002).

A structure of the total turnover on banks' current accounts with the NBP Head Office is presented in Table 14, while the structure of the total number of payments by main types of operations on banks' current accounts with the NBP Head Office — in Table 15.

In 2003 for the first time the structure of payments processed in the SORBNET system was dominated by the customer transfer orders (increase in turnover in comparison to the year 2002 by 12%, i.e. by 3.5 billion zloty) while in previous years the interbank money market transactions prevailed. The above changes primarily stemmed from the requirement arising from the regulation of the President of the NBP, to place orders of a value exceeding 1 million zloty directly in the SORBNET system. The average value of customer transfer orders is lower than that of interbank transactions (in 2003 the value was lower by nearly 25%), so that in a situation of an increase in the total number of transactions in 2003 on bank current accounts at the NBP Head Office (by some 270 thousand transactions, i.e. about 56% more than in 2002) their average value decreased (by 4.9 m zloty, i.e. by 17.6%).

Until that date they were settled via the National Clearing House. In effect, the turnover resulting from transaction orders from the National Clearing House decreased in 2003 by 4.8%.

## 6.6. Developing standards

In 2003 efforts focused on developing standards adapting Polish payment system to the requirements of the European Union. These activities primarily involved cooperation with the Polish Bank Association (*Związek Banków Polskich – ZBP*) and Polish Committee for Standardisation (*Polski Komitet Normalizacyjny – PKN*). It covered standardisation of payment system instruments, including the standard of numbering bank accounts (NRB/IBAN) and standard form for transfer order/cash pay-in (*polecenie przelewu/wpłata gotówkowa – WP*).

A number of standards were developed with the involvement of the NBP in the Technical Committee for Banking and Banking Financial Services (*Komitet Techniczny ds. Bankowości i Bankowych Usług Finansowych*)<sup>61</sup>. They concerned in particular: security of payment cards, management of keys in electronic banking, securities and banking terminology. Further selection of standards of the Technical Committee related to the Act on Electronic Signature and Electronic Payment Instruments was made.

Practical application of standards harmonised with the European and International standards will become necessary once Poland joins the European Union.

## 6.7. Activity of the Payment System Council

The Payment System Council (*Rada ds. Systemu Płatniczego*) is a forum of exchange of information, opinions and views on matters essential for the operation of the Polish payment

<sup>60</sup> Three banks were making settlements via the banks holding their current accounts with the NBP Head Office.

<sup>61</sup> Formerly the Standardisation Problems Commission (*Normalizacyjna Komisja Problemowa*).

Table 14

## Structure of turnover on banks' current accounts held with the NBP Head Office in 2003

Type of current account transaction	million zloty			Structure of turnover	
	balance	of which:		debits	credits
		debits	credits		
Movement in balance of funds of banks' current accounts, of which:	-3,178.6	17,230,237.8	17,227,059.2	100.0	100.0
1) customer transfer orders:	153,000.1	8,194,764.4	8,347,764.5	47.6	48.5
- interbank	0.0	8,063,277.5	8,063,277.5	46.8	46.8
- involving the National Depository for Securities	-1,214.0	13,302.9	12,088.9	0.1	0.1
- involving other customers of the NBP	154,214.1	118,184.1	272,398.2	0.7	1.6
2) interbank transactions:	0.0	6,521,795.5	6,521,795.5	37.9	37.9
- zloty money market	0.0	3,888,356.2	3,888,356.2	22.6	22.6
- FX market	0.0	1,152,456.9	1,152,456.9	6.7	6.7
- securities	0.0	1,480,982.4	1,480,982.4	8.6	8.6
of which secondary market trading in:					
Treasury bills	0.0	1,313,878.9	1,313,878.9	7.6	7.6
NBP money market bills	0.0	133,595.1	133,595.1	0.8	0.8
3) drawings or repayments of NBP loans to banks	-143.1	1,178,191.9	1,178,048.8	6.8	6.8
4) transactions and operations settled by the National Depository for Securities	1,161.5	456,567.2	457,728.7	2.6	2.7
5) exchange of transfer orders via KIR SA:	-127,681.3	419,881.3	292,200.0	2.4	
- morning settlement session	-114,788.3	210,996.1	96,207.8	1.2	0.6
- afternoon settlement session	-11,808.1	115,757.0	103,948.9	0.7	0.6
- evening settlement session	-1,084.9	93,128.2	92,043.3	0.5	0.5
6) purchase (buyback) of securities from NBP:	6,799.4	159,481.5	166,280.0	0.9	1.0
- NBP money market bills	1,595.9	159,474.1	161,070.0	0.9	0.9
- other securities	5,203.5	7.4	5,210.9	0.0	0.0
7) purchase or sale of cash at NBP:	-6,157.1	125,548.1	119,390.0	0.7	0.7
- domestic currency	-6,156.3	125,543.2	119,386.8	0.7	0.7
- foreign currency	-0.8	4.9	4.1	0.0	0.0
8) purchase or redemption of Treasury securities:	-25,336.5	107,917.1	82,580.0	0.6	0.5
- treasury bills	-6,227.2	53,813.0	47,585.9	0.3	0.3
- other	-19,109.4	54,104.1	34,994.7	0.3	0.2
9) placings and returns of time deposits at NBP	-3.2	39,781.9	39,778.7	0.2	0.2
10) purchase or sale of foreign currencies at NBP	-8,106.8	8,143.1	36.4	0.0	0.0
11) open market operations:	-1,372.0	1,372.0	0.0	0.0	0.0
- repos	0.0	0.0	0.0	0.0	0.0
- reverse repos	0.0	0.0	0.0	0.0	0.0
- outright sales	-1,372.0	1,372.0	0.0	0.0	0.0
12) interest paid or received by banks	612.5	218.3	830.7	0.0	0.0
13) transactions on reserve accounts	-42.7	91.8	49.0	0.0	0.0
14) other transactions	4,090.7	16,483.8	20,574.5	0.1	0.1

Source: data of the NBP.

Table 15

**Total number of transfer orders, by principal types of transactions executed on banks' current accounts at NBP Head Office, 2003**

Item	No. of transfer orders executed on current accounts			Structure orders %	
	total	of which:		debits	credits
		debits	credits		
Total number of transfer orders conducted on bank current accounts, of which:	749,823	627,374	662,463	100.0	100.0
1) customer transfer orders:	366,741	334,197	358,743	53.3	54.2
- interbank	326,199	326,199	326,199	52.0	49.2
- involving the National Depository for Securities	687	422	265	0.1	0.0
- involving other NBP customers	39,855	7,576	32,279	1.2	4.9
2) interbank transactions:	213,258	213,258	213,258	34.0	32.2
- money market	105,003	105,003	105,003	16.7	15.9
- FX market	62,255	62,255	62,255	9.9	9.4
- securities	46,000	46,000	46,000	7.3	6.9
of which secondary market trading in:					
Treasury bills	42,370	42,370	35,937	6.8	5.4
NBP money market bills	1,471	1,471	1,252	0.2	0.2
3) drawings or repayments of NBP loans to banks	8,241	3,972	4,269	0.6	0.6
4) transactions and operations cleared via the National Deposit of securities	23,927	11,372	12,555	1.8	1.9
5) exchange of transfer orders via KIR SA	41,340	21,056	20,284	3.4	3.1
- morning session	13,855	5,733	8,122	0.9	1.2
- afternoon session	13,797	8,822	4,975	1.4	0.8
- evening session	13,688	6,501	7,187	1.0	1.1
6) purchase (buyback) of securities from NBP:	1,246	344	902	0.1	0.1
- NBP money market bills	1,206	343	863	0.1	0.1
- other securities	40	1	39	0.0	0.0
7) purchase or sale of cash at NBP:	82,519	36,238	46,281	5.8	7.0
- domestic currency	82,420	36,177	46,243	5.8	7.0
- foreign currency	99	61	38	0.0	0.0
8) purchase or redemption of Treasury securities:	4,296	2,197	2,099	0.4	0.3
- Treasury bills	1,720	623	1,097	0.1	0.2
- other securities	2,576	1,574	1,002	0.3	0.2
9) placings and returns of time deposits at NBP	2,254	1,138	1,116	0.2	0.2
10) purchase or sale of foreign currencies at NBP	90	66	24	0.0	0.0
11) open market operations:	13	13	0	0.0	0.0
- repos	0	0	0	0.0	0.0
- reverse repos	0	0	0	0.0	0.0
- outright sales	13	13	0	0.0	0.0
12) interest paid or received by banks	3,076	1,879	1,197	0.3	0.2
13) transactions on reserve accounts	35	20	15	0.0	0.0
14) other transactions	2,787	1,624	1,720	0.3	0.3

Source: data of the NBP.



system. Its activities are of utmost importance for the coordination of activities of the National Bank of Poland, the Polish Bank Association and other participants of the Polish payment system.

The Payment System Council was established in 1998 as a consultative –advisory body with the NBP Management Board. The Council comprises the representatives of the National Bank of Poland and representatives of management boards of institutions vital to the operation of the payment system, such as the Polish Bank Association, the Ministry of Finance, the National Clearing House and commercial banks.

In 2003 the composition of the Council for the Payment System was supplemented with the President of the Polish Securities and Exchange Commission (*Komisja Papierów Wartościowych i Giełd – KPWiG*)<sup>62</sup>. The change resulted from the need to deepen the co-operation of the National Bank of Poland with the KPWiG in the area of securities settlement systems.

In 2003 four meetings of the Council for the Payment System were held and examined:

- Issues involved in the alignment of the Polish payment system to the requirements effective in the payment systems of the European Union Member States, including:
  - results of assessment of the payment system infrastructure and the securities clearing system in Poland, carried out by the ECB in 2002, and conclusions for the NBP and other entities resulting therefrom,
  - programme of execution of NBP recommendations concerning the guarantee of settlement in the ELIXIR system,
  - regulation of the European Parliament and the Council of 19 December 2001 on cross-border money transfers in euro — its consequences for the NBP and Polish banks,
  - policy of the National Bank of Poland in the area of oversight of payment systems,
  - results of assessment of the securities clearing systems in Poland made by the ECB in 2003.
- System issues related to the improvement of efficiency of the payment trade, including:
  - organisation of card transactions settlement system in Poland,
  - implementation of the programme of full electronic settlements,
  - possibility of streamlining cash payments in Poland,
  - mass payments with standardised title of payment,
  - standardisation of bank payment documents,
  - opportunities and threats connected with the issuance of electronic money and its circulation,
  - barriers to the development of non-cash settlements and possibilities for their promotion.
- Issues connected with the inclusion of the Polish payment system into the Single European Payment Area:
  - strategy of the SORBNET system development,

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<sup>62</sup> Resolution of the NBP Management Board No. 21/2003 of 11 June 2003.

- proposal of the stance of Polish banks on the SEPA (Single European Payments Area) project and creation of the Polish vision of retail settlements in the euro zone,
- EuroELIXIR system.

The Council also dealt with the half-year assessment of operation of the Polish payment system.

In December 2003 the Council for the Payment System recommended to the public institutions and banking sector entities to intensify the promotion of non-cash settlements in Poland.

Furthermore, in December 2003 the Council extended an appeal to the presidents of management boards of Polish banks to intensify information campaign on the use of bank account numbers in the NRB standard (in domestic settlements) or the IBAN standard (in cross-border transactions).

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

Pursuant to the statutory task, namely, the creation of conditions necessary for the development of the banking system<sup>63</sup>, the NBP continued in 2003 its co-operation with the Polish Bank Association and banks. In cooperation with the banking community

- An amendment to the regulation No. 5/2002 of the President of the NBP of 6 May 2002 on the method of numbering bank accounts kept by banks was drafted<sup>64</sup>.
- The following issues essential for the development of the payment system were taken into consideration:
  - introduction of the NRB and IBAN standards,
  - standardised form of payment orders,
  - standard of electronic money transfer as a form of payment order execution,
  - security of non-cash payments,
  - application of the XML standard in banking,
  - introduction of mechanisms streamlining interbank settlements,
  - introduction of the MPS system as a form of mass payment settlements,
  - consultations concerning the draft regulation of the Minister of Finance on specifying a template of a banking document of payment of social security contributions to the Social Security Institution,
  - consultations concerning the draft regulation of the Ministry of Finance amending the regulation on the definition of a template of cash payment and money transfer order to the account of a tax office.
- Representatives of the NBP took part (together with other parties of the banking community) in elaborating numerous proposals and conclusions concerning the directions of activity of the Polish Bank Association in the years 2003–2006.

<sup>63</sup> Specified in Art. 3, para. 2, subpara.6 of the Act on NBP .

<sup>64</sup> Regulation of the NBP's President No.10/2003 of May 27<sup>th</sup>, 2003.

#### **MOST IMPORTANT NBP ACTIVITY IN 2003**

- Current accounts for 55 banks were operated in the NBP.
- Within the framework of oversight activity over the payment system the work of the KIR S.A. on the adaptation of the ELIXIR system to the principles defined by the Bank for International Settlements was analysed.
- In 2003 the works on the new SORBNET system user platform were completed, enhancing the efficiency of that system.
- The decision was made about launching the SORBNET-EURO system, designed to make settlements in euro, indirectly participating in the TARGET system, by 2005 at the latest.
- Complying with the recommendations of the European Central Bank, the NBP analysed the principles of operation of card transactions clearing systems in Poland.
- Central Register of Treasury Bills (*Centralny Rejestr Bonów Skarbowych*) received a positive assessment of the European Central Bank.
- Measures were introduced aimed at the development of closer cooperation with the KPWiG in the area of oversight over the securities settlement system.
- Within the framework of the works of the Council for Payment System and the Polish Bank Association the following issues were, among others, under consideration: organisation of the payment cards clearing system in Poland, standardisation of bank payment documents, opportunities for development and promotion of non-cash settlements, the SORBNET and ELIXIR systems development strategy.



## EDUCATION AND INFORMATION

The NBP, modelling on the practices of the leading central banks, carries out educational and information activity. In order to enhance the transparency of its operations, the NBP communicates with general public, the financial markets and the entrepreneurs by means of, among others, press conferences, publications and a web site. Thanks to information campaigns, academic conferences and educational projects targeting various social groups, in particular the Portal of Economic Education, the NBP provides access to knowledge about the central bank, the banking system and the economy, as well as about economic processes taking place in the world.

## 7.1. Education

### 7.1.1. The Programme of Economic Education

Within the framework of educational activity the National Bank of Poland undertakes measures aimed at popularising economic knowledge, fostering understanding of the market economy mechanisms and of economic processes taking place in Poland, as well as developing skills necessary for efficient operation in the market economy.

In 2003 the NBP continued the activity initiated in 2002 as well as launched new educational projects.

The assumptions of projects run under the Programme have been developed based on the analysis of educational activity of other central banks, public opinion surveys and analysis of projects carried out by institutions and non-governmental organisations operating in Poland.

#### 7.1.1.1. The Portal of Economic Education - NBPortal

In 2003 the NBP developed and launched the NBP Portal of Economic Education, available at [www.nbportal.pl](http://www.nbportal.pl). NBPortal aims at providing and deepening knowledge about the economy and supporting other educational activities of the NBP. The access to the resources of the portal is entirely free. NBPortal features, among others, the following sections:

- **Distance learning** – comprehensive multimedia e-learning courses, accompanied by illustrations, animations and films. In 2003 four courses were launched: *Economics, Economic and Monetary Union, Financial analysis and Obtaining capital via bank loans*.
- **Teacher's Centre** – service designed for teachers of economics and entrepreneurship in Polish schools. It contains teaching aids in the form of ready-to-use lesson scenarios, and practical tips on efficient and unconventional lesson-running methods.
- **Fun** – numerous decision-making quizzes, skill-enhancing and strategic games, crossword puzzles and jigsaws. This part of the portal has been created for those who want to acquire basic information on economics while having fun.
- **Knowledge Mines** – made of two parts: the Virtual Library, and the glossary of economic terms of the PWN Scientific Publications House. The Virtual Library contains electronic versions of academic publications, including NBP's publications, as well as publications by external institutions cooperating with NBPortal. The Glossary features over a thousand entries, explaining the meaning of economic terms.
- **News** – both business headlines and larger papers and articles, presenting current economic and business issues in an intelligible way.

#### 7.1.1.2. Grant competitions

In July 2003 the NBP announced the second edition of grant competitions for co-finance projects in the field of economic education. The topic of the competition addressed to mass media was: *The role and importance of banks and other financial institutions in the market economy*. 112 applications were submitted, 40 of them were awarded financial support. Non - governmental organisations and educational institutions could choose from the following topics: *Business Activity and Entrepreneurship, Economic Education in the Polish School and The Role and Importance of Banks and Other Financial Institutions in Market Economy*. 79 applications out of 338 submitted for the competition were awarded co-financing.

#### 7.1.1.3. Programmes for school communities and journalists

A target group which is of particular importance to the NBP are the school communities – students of junior secondary and secondary schools, and their teachers. The activities of the NBP are focused on providing equal opportunities in access to education. The NBP creates and/or supports programmes complementing the economic education in schools. In 2003 the following forms of activity were undertaken:

- Competition for students of junior secondary and secondary schools for a dissertation entitled "*Economic Development of Your Town in the European Union*". The competition was held in cooperation with the National Centre for In-Service Teacher Training and the daily *Gazeta Wyborcza*. Over five hundred papers were submitted, 14 students received awards.
- "*Summer Holidays – on Friendly Terms with Economics*" (*Wakacje - z ekonomią na ty*) competition for powiat (county) libraries. In 2003, 56 libraries entered into competition, 28 of which were granted subventions for implementing economics educational projects during summer holidays. The total number of students participating in the projects run by the libraries amounted to about 18,000. 180 schools and nearly 300 public institutions were involved.
- "*Economics in Your Daily Life*" (*Ekonomia na co dzień*) programme in co-operation with the Junior Achievement Foundation (*Fundacja Młodzieżowej Przedsiębiorczości*) an educational programme extending and complementing the *classes of Education for Active participation in "Business Life"* (*Wychowanie do aktywnego udziału w życiu gospodarczym*), taught in junior secondary schools. In 2003, over 100 teachers and about 2,600 students of 79 junior secondary schools took advantage of the aids developed within the framework of the programme.
- The "*Euromanager*" competition for university students. In 2003, 248 teams participated in the 4th edition of the international competition in enterprise management. The NBP financially supported 50 teams, mainly those coming from smaller academic centres.
- Competition for economic journalists, run in cooperation with Reuters Polska. The Władysław Grabski Memorial Award is granted to journalists working on articles, radio and TV programmes, which contribute to raising the level of economic knowledge among the general public. 68 journalists entered the first edition of the competition. In August 2003, the award was granted to 15 journalists.

#### 7.1.1.4. Scholarship programme

The National Bank of Poland, in cooperation with the Agricultural Property Agency, the Polish – American Freedom Foundation, the Educational Enterprise Foundation, the Bank Gospodarstwa Krajowego and non-governmental organisations took part in the second edition of the Bridging Scholarship Programme. The programme funds scholarships for the initial year of full-

time master's studies, to help talented young people from rural areas and small towns begin university or college studies. In 2003, the sponsors of the programme managed to raise a total of over 6.5 million zloty, which enabled granting scholarships to 1,590 people.

### 7.1.2. Collaboration in staff training for the banking sector

In 2003, the NBP continued works for the banking sector, which included organisation of training courses for the staff of commercial banks in the field of balance of payments statistics.

## 7.2. Information

### 7.2.1. Contacts with the media

In 2003, the NBP organised 26 press conferences and meetings with representatives of the media, 12 of them following the MPC meetings.

In cooperation with the European Bank for Reconstruction and Development and the World Bank, a presentation of reports of both organisations was organised: *Transition Report 2003 – Integration and Regional Cooperation*; *Doing Business in 2004: Understanding Regulation and Global Development Finance 2003: Striving for Stability in Development Finance*.

The NBP Press Office issued about 100 press releases, 16 of which followed the MPC meetings, 15 – the Commission for Banking Supervision meetings, and 4 – the meetings of the Council for the Payment System.

Moreover, briefing for journalists was carried out on a daily basis

### 7.2.2. NBP publications and web site

As in the previous years, publishing activity of the NBP in 2003 comprised various periodic publications, including *The NBP Annual Report*, *the Inflation Report*, *Monetary Policy Guidelines*, *The Report on Monetary Policy Implementation*, *Information Bulletin*, *Financial Stability Report*, *Monetary Policy Strategy beyond 2003*, as well as the *Bank and Credit* monthly. Moreover, a selection of articles from the Bank and Credit educational insert, devoted to the Economic and Monetary Union and the single currency ("Euro A – Z") was published in paperback for the first time.

Publications prepared within the series *Materials and Studies* were also issued, along the coin collector folders presenting minted collector coins.

A detailed list of publications is included in Annex 6 of this *Report*.

Operation of the daily updated NBP website [www.nbp.pl](http://www.nbp.pl), fostered the information activity of the NBP. The site provides economic and statistical information (including tables of exchange rates announced by the NBP) and information on current activity of the NBP (i.a. press releases, reports and publications, information on conferences and academic seminars).

An essential part of NBP web site is "Statistics", containing numerous statistical tables presenting the levels of monetary aggregates and figures in the balance of payments. The statistical section of the web site is extended on a regular basis with new analytical tables. Publication of the data is carried out according to the currently updated advance release calendar (also available on the Web). The use of the web site facilitates meeting the requirements of the SDDS system (the Special Data Dissemination Standard) developed by the International Monetary Fund. Poland, having joined the system in 1996, committed to observe the principles of statistical data publication, including primarily the principle of simultaneous and equal access to statistical data for all recipients.



### 7.2.3. "Take the First Step Towards the Euro" information and promotion campaign

The strategy for the information and promotion activity in 2003 assumed active participation of the NBP in the campaign preceding the referendum on Poland's accession to the European Union. The NBP targeted at informing the general public on the functioning of the euro in 12 EU Member States, as well as on the requirements that Poland must meet in order to join the Eurosystem.

Prior to the accession referendum the NBP was involved in running the "*Take the First Step Towards the Euro*" information and promotion campaign. The campaign objective was to supply information on the monetary integration and to encourage the society to attend the referendum and vote for Poland's accession to the EU, which constitutes a condition for the introduction of the single currency in Poland. The campaign was made up of the following elements: broadcasting factual films on public TV, radio programmes, printing and distribution of leaflets and informational brochures, as well as preparation of thematic inserts to local newspapers. The NBP together with the Polish Robert Schuman Foundation organised the 10th Polish European Meetings, the largest event in Poland assembling supporters of Poland's accession to the EU. The Meetings were held in Warsaw and 30 other cities.

In cooperation with the European Central Bank, the NBP prepared a photographic exhibition *The Making of the Euro*, documenting the process of introducing of the single currency in the the Economic and Monetary Union member states. The exhibition was displayed in 7 cities.

The NBP also supported educational projects related to the European integration which were undertaken by other institutions — scientific conferences, publications, knowledge competitions, (e.g. a European pre-referendum in the town of Iława, *Poland in the European Union*, a competition of the European Centre at the University of Gdansk, a research project by the Polish Confederation of Private Employers on the challenges facing SMEs in the context of the European integration, the publication of the Economic Academy in Poznań *The Euro – Past, Present and Future of the European Monetary Integration*).

In 2003, opinion polls were carried out on the initiative of the NBP, demonstrating the level of the general public's knowledge in the areas of the European integration and the euro, as well as the level of support for the introduction of the euro in Poland. As in the previous year, most of the respondents supported the idea of introducing the euro in Poland.

## 7.3. NBP Central Library

The works at the NBP Central Library relate to economics, with particular reference to banking and monetary issues.

The Library lends out books to both the NBP staff and the staff of other banks (on the basis of separate agreements) and also makes its collections available under inter-library exchanges, in line with generally accepted principles. Additionally in the reading room, which seats 29, the Library's works are provided to all visitors. The Library catalogue can be accessed at six workstations. The Library provides catalogue, bibliographical and substantive information on the basis of its own collections. In 2003, the Library continued to subscribe to the databases *ABI/INFORM*, Business Periodical on *Disc (PROQUEST)* and *CELEX*. The *SECURITIES* database created by Euromoney, as well as the legislative acts database *LEX*, were made available to the readers. Access to all databases at the NBP Central Library is free of charge and open to everyone. In February 2003, an Internet workstation was also created. By year-end 2003, it was utilised by about 1,000 users.

Table 16

## Collections held at the NBP Central Library

Type of publication	December 31, 2000	December 31, 2000	December 31, 2000	December 31, 2000
Self-contained publications	77,659 volumes	81,399 volumes	85,462 volumes	89,773 volumes
Serial publications	32,068 volumes	32,797 volumes	33,300 volumes	33,167 volumes
Current periodicals	488 titles	473 titles	398 titles	386 titles

Source: NBP.

In 2003, nearly 15,000 copies of books and periodicals were borrowed from the Library. The reading room was visited by over 7,000 people, who were supplied with over 41,000 copies of books and periodicals; these statistics do not include current periodicals, bank reports and other publications freely available on shelves).

The library was automated under the "Co-Liber" computer system in 1993. The present database contains 1,817 titles of periodicals (34,358 issues) and 39,997 titles of books (59,632 volumes).

It is possible to contact the NBP Central Library via electronic mail at [biblioteka@nbp.pl](mailto:biblioteka@nbp.pl).

#### MOST IMPORTANT NBP ACTIVITY IN 2003

- The NBP launched the Portal of Economic Education — a generally accessible portal on the Internet. It is intended to supply knowledge on economics and the economy, as well as to support other educational activities of the NBP.
- In relation to the European referendum the NBP arranged and ran an information and promotion campaign "*Take the First Step Towards the Euro*".

SERVICES  
TO CENTRAL GOVERNMENT

## 8.1. Operating the accounts of central government

The National Bank of Poland by providing banking services for the State Treasury contributes to the safety and liquidity of public funds settlements. Rendering services to the State Treasury the NBP operates bank accounts mentioned in Art. 190 of the Public Finance Act of November 26, 1998<sup>65</sup>, based on agreements on operating a bank account and legal regulations in force.

### 8.1.1. Operating zloty accounts

The transactions carried out on the central government accounts relate to cash and non-cash receipts and expenditure, both in the electronic banking system and using traditional methods. In case of expenditure the basic principle of operating a current account was observed. According to this principle, the expenditure is settled up to the amount of balance of funds held on the account. The NBP handles the settlements the same day the payment instructions are placed by the customer.

As a new Public Finance Act is planned to become effective on January 1, 2003, the work on specifying new assumptions of providing services for the central government was continued in cooperation with the Ministry of Finance.

In 2003, the *enbepe* electronic banking system for the account holders was still under implementation. The number of entities using the electronic banking system increased from about 1,020 in 2002 to about 3,200 in 2003.

The transition period, where payment documents with old bank account numbers were accepted, terminated in 2003. Since October 1, 2003 the NBP regional branches have processed payment instructions with the account number in the NRB standard only (i.e. payment instructions related to settlements with accounts having the numbers in the old format have not been executed).

### 8.1.2. Types of central government accounts operated at the NBP

In 2003, the NBP provided services for about 3,450 customers (in 2002 – 3,300). The NBP regional branches operated 10,500 accounts, including:

- 7,935 current accounts,
- 1,445 auxiliary accounts,
- 1,024 accounts of special-purpose funds and enterprise social benefit funds for the government institutions.

In 2003, the number of auxiliary accounts operated for the government institutions more than doubled. It was connected with the decision made by the National Bank of Poland to operate new auxiliary accounts, including deposit accounts for bails and sureties as well as accounts for collecting funds for special purposes. In addition to that, the number of accounts of special-purpose funds and of the enterprise social benefit funds held at the NBP for the government institutions doubled — from about 430 accounts operated in 2002 to about 1,024 in 2003. The decision to operate the accounts of the enterprise social benefit funds for the government institutions was the principal reason for this increase.

<sup>65</sup> Dziennik Ustaw No. 155/1998, item 1014, as amended.

### 8.1.3. Procedures for operating central government accounts

The central government accounts were operated according to procedure defined in the Ordinance of the Ministry of Finance of December 20, 2000 on detailed methods for the performance of the national budget and detailed principles of operating bank accounts of central government, and the scope and deadlines and time frame for the compilation the National Bank of Poland<sup>66</sup> of statements and reports on the performance of the national budget via the bank accounts operated for the central government and according to "Regulamin otwierania i prowadzenia przez Narodowy Bank Polski Rachunków Bankowych w złotych dla podmiotów nie będących bankami" ("Regulations for opening and maintaining of bank accounts in zloty for non-bank entities by the National Bank of Poland").

The instructions of the government institutions and the state special-purpose funds were executed by 16 NBP regional branches and the NBP Chief Branch of Foreign Exchange. On February 1, 2003, under the undertaken restructuring of the NBP territorial network, 22 NBP sub-branch offices were liquidated<sup>67</sup>.

As a result of the liquidation of the sub-branch offices, the number of account holders operated according to the procedure of alternative cash service increased in 2003. The number of entities operated in accordance with this procedure amounted to about 2,100, with 1,540 in 2002.

The alternative cash service for account holders is provided in a situation where a government institutions are located outside the area of seats of the NBP branches. It is carried out at the the NBP cost.

## 8.2. Administering foreign borrowings of the Polish Government

The NBP, performing the function of the financial agent of the Polish Government, supervised the repayment of liabilities of domestic entities which resulted from the loans granted to them under the agreements concluded with the banks using the loans: "Rozwój rolnictwa" ("Agricultural Development") and "Rozwój Instytucji Finansowych" ("Financial Institutions Development").

## 8.3. Servicing the international receivables and liabilities of central government

In 2003, the NBP, as a financial agent of the government, continued to handle the international receivables and liabilities of central government, arising from the loan agreements concluded with or guaranteed by the Polish government to international institutions and financial organisations, and resulting from Poland's membership in those organisations. That was based on an agreement concluded in previous years with the Ministry of Finance. Loans granted by governments of other countries were also handled by the NBP.

The performance included, in total: 52 government loan agreements (in 2002 – 47), 49 government guarantee agreements (in 2002 – 46) and 6 agreements on providing loan finance to domestic entities (in 2002 – 6).

Acting as a depositary for the European Bank for Reconstruction and Development, the World Bank and its representative, in 2003, the NBP administered 22 promissory notes issued by the Polish government with regard to the Poland's membership in those organisations.

<sup>66</sup> Dziennik Ustaw No. 122/2000, item 1335.

<sup>67</sup> Resolution No. 34/2002 of June 28, 2002 concerning the changes in organisational structures of regional offices of the National Bank of Poland.

## 8.4. Organising trading in Treasury securities

### 8.4.1. Treasury bill tenders

In 2003, the NBP, performing the function of T-securities issuing agent, organised 51 tenders for Treasury bills (in 2002 – 49). The supply of T- bills amounted to 57 bn zloty and was higher by 11.2 bn zloty as compared with the year 2002. The nominal demand for these bills amounted to 134.8 bn zloty. The value of accepted bids amounted to 56.9 bn zloty (in 2002 – 45.7 bn zloty).

### 8.4.2. Work on the "Treasury Security Dealer" system

In 2003, as in the preceding years, the NBP – in co-operation with the Ministry of Finance — was actively involved in the development of the selection criteria, principles and procedures for assessing the banks applying for the status of Treasury security dealers (DSPW). The NBP worked on determining the scope of reporting requirements which the banks applying for the status of the Treasury security dealer, were obliged to meet. The DSPW system constitutes one of the key tasks under the *Strategia zarządzania długiem sektora finansów publicznych* (Strategy for managing the debt of the public sector). The primary goal of this system is to select a group of banks (so-called *primary dealers*) which, in exchange for specific privileges, are obliged to ensure liquidity, transparency and efficiency of the Treasury securities market. The NBP submitted the Ministry of Finance quarterly activity assessments of the banks applying for the status of DSPW in the secondary market for Treasury bills and bonds and in the market for derivatives. Based on the reports drawn up by the banks applying for the status of DSPW, the NBP prepared monthly reports: *Aktywność banków na rynkach finansowych* (Activity of banks in financial markets), which were submitted to the Ministry of Finance and the reporting banks. The NBP organised the Treasury security fixing on the electronic platform chosen by the Ministry of Finance. By acting as an organiser of the Treasury security fixing the NBP intended to improve the transparency of trading in securities<sup>68</sup>. The NBP representatives – attended monthly meetings with the banks applying for the status of the Treasury security dealers.

The NBP performed control activities with the banks applying for the status of the DSPW while cooperating with the Ministry of Finance, the issuer of Treasury securities.

## 8.5. Improving the efficiency of public debt management

### 8.5.1. Changes aimed at improving the efficiency of Treasury security trading

In 2003, in order to enhance the efficiency of Treasury security trading, the NBP introduced the system-related and organisational changes. They consisted in issuing a new legal act, comprehensively regulating the intermediary role of the central bank in the trading of the Treasury securities and the NBP bills, and establishing the Securities Register in place of the Central Register of Treasury Bills and the Register of NBP Bills. An electronic system of data transmission was applied. It allows for the banks participating in tenders to enter the bids at tenders of Treasury bills and bonds as well as the orders to register transactions in the Treasury bills secondary market directly into the system. Thanks to this system the entrants of the Securities Register may also monitor, in real time, the performance of their operations.

<sup>68</sup> Banks assuming the role of the DSPW are obliged to provide daily quotations of purchase and sale prices for Treasury bonds (of base issues, primarily) on the electronic secondary market organised by Centralna Tabela Ofert (CeTO), to carry out transactions based on the price accepted on CeTO and to inform the market on such quotations in real time.

### 8.5.2. Switching operations

Apart from providing ongoing services to the primary market for the Treasury bonds and the primary and secondary markets for Treasury bills, the NBP continued to organise switch auctions of bonds, initiated in 2001. In 2003, the NBP carried out 12 switch auctions of bonds (26 tenders - in 2002).

In 2003, the Ministry of Finance bought back bonds of a nominal value of 5.62 bn zloty and issued bonds of a total value of 5.73 bn zloty (9.7 bn zloty and 9.82 bn zloty in 2002, respectively).

#### THE MOST IMPORTANT NBP ACTIVITIES IN 2003.

- The NBP operated 10,900 accounts of some 3,450 customers.
- The NBP continued the implementation of the electronic banking system for the account holders. The number of entities using the electronic banking system increased from 1,020 account holders in 2002 to 3,200 account holders in 2003.
- The NBP took part in developing the selection criteria, principles and procedures for assessing the banks applying for the status of Treasury Security Dealers.
- The NBP organised the Treasury security fixing.
- The NBP introduced changes enhancing the efficiency of Treasury security trading.





## ANALYTICAL ACTIVITY

## 9.1. Economic analyses and research

In 2003 analytical and research work focused mainly on inflation processes, national accounts, money demand and supply, consumer demand, public finances, business cycle, balance of payments, structural changes in the economy and the situation in financial markets. An important stream of analytical and research work was the analysis of the EMU foreign exchange policy.

The results of the work served to project monetary policy and foreign exchange policy, and assisted the NBP Management Board and the Monetary Policy Council (MPC) in current decision making aimed at ensuring monetary and financial system stability.

To meet the needs of the NBP Management Board and the MPC, the following analytical and forecasting materials were prepared:

- Monetary Policy Guidelines for the year 2004,
- Report on the Monetary Policy Guidelines Implementation in 2002,
- Monetary Policy Strategy beyond 2003,
- Inflation Report, 2002, and the Inflation Report for the first, second and third quarter of 2003,
- Quarterly inflation projections,
- Quarterly and annual balance of payments forecasts,
- Financial Stability Report,
- An opinion on the draft Budget for 2004,
- Monthly reports: Inflationary Processes in the Economy and Monetary Policy.

### 9.1.1. Analytical and forecasting work and research

In 2003 the analytical and forecasting work and research covered the following issues:

- Development of the *Medium term monetary policy strategy* for the period until Poland's accession to the EMU.
- Analysing the degree of restrictiveness of the monetary policy.

As a result of work carried out in the year 2003 the indices of restrictiveness of monetary policy were redefined. The levels of monetary restrictiveness in Poland, the Czech Republic and Hungary were compared.

- Improving the methods of forecasting inflation, in particular implementation of an optimisation procedure for receiving a single inflation projection based on two structural econometric models and the distribution of uncertainty around central projection.
- Studying inflationary expectations of households and enhancing the methods of their quantification.
- Analyses of the zloty exchange rate.

The econometric model of forecasting the zloty exchange rate was enhanced, and work on the quantitative analysis of factors affecting the zloty exchange rate was continued. The influence of the *pass-through effect* on the transactional export and import prices was examined, and the methodology of the effective exchange rate calculation at principal external centres (ECB, EC, OECD, IMF, BIS) was analysed.

- Analysis concerning Poland's participation in ERM II and the EMU.

Analyses of the following issues were carried out: conditions affecting the monetary policy strategy on the way to the EMU membership, the ECB monetary policy strategy, and costs and benefits from accessing the euro area. Materials on macroeconomic conditions of the euro area membership and on the premises of Poland's participation in ERM II, including analyses of experience of selected countries in the ERM II system, were prepared.

Analyses of factors shaping the foreign exchange policy before the accession to the euro area were carried out. The advantages and disadvantages of the floating exchange rate regime were contrasted with the costs and benefits of adopting the *quasi-fixed* regime within the ERM II system. The conditions that have to be met in order for the foreign exchange policy to be realised within a broad or narrow (like e.g. in Denmark) admissible fluctuation band were also analysed. Moreover, an analysis of the perspectives of Poland's participation in the ERM II in the context of the equilibrium exchange rate and monetary transmission was carried out<sup>69</sup>.

Meeting of the convergence criteria by Poland was analysed on a current basis.

- Analysing of the level of Polish economy integration with the EU and the EMU against the background of comparisons with other countries.

Two research areas were taken into consideration: the process of integration versus structural changes in foreign trade, and the process of integration versus the balance of payments – the impact of Poland's accession to the EU on the balance of payments, the level of foreign currency reserves and the international investment position.

Studies concerning the role of foreign trade as an element of real integration of Poland with the euro area were conducted. Analyses of experience of the selected EU Member States in terms of the impact of the accession process on their balances of payments and the behaviour of foreign exchange reserves were continued.

- Analyses of the financial condition of the public finance sector, studies of the relationship between the monetary and fiscal policies.

Within the analytical work and research on the public finance sector, the fiscal policy in the context of Poland's accession to the EMU, the impact of inflation on the situation of the central government, and the influence of fiscal policy on the real economy via the operation of automatic stabilisers were studied. Studies of the fiscal policy stability in Poland were carried out, and work on the procedures for determining the structural deficit of the central government and the whole public finance sector were continued. The construction of a model of the public finance sector was initiated.

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

Simulations of the basic indices of security and safety of Poland's balance of payments during the process of accession to the EU and after the accession were carried out. Periodical

<sup>69</sup> As the result of the above work, i.a. the following papers were prepared: *Exchange rate regimes and Poland's participation in ERM II*, *Bank and Credit*, January 2003; *Towards the euro zone through the ERM II. Countering fallacies*, *Bank and Credit*, November — December 2003.

analyses of both current and expected levels of interest rates in the USA and the euro area, as well as the euro/dollar exchange rate were drawn up.

- Analyses and forecasts of the balance of payments (including its components).

The model of forecasting exports and imports was improved. Quarterly forecasts of the balance of payments according to the methodology based on transactions were carried out, starting from September 2003.

- Development of simulation – forecasting models.

A general equilibrium model for the Polish economy was prepared, allowing to forecast basic macroeconomic categories. A model for the closed economy was built. It allows for a multi-variant assessment of monetary policy effects. A quarterly macroeconomic model for the Polish economy was also constructed, serving to forecast basic macroeconomic values and to analyse the response of the economy to changes in the monetary and fiscal policy instruments, and to external shocks. Within the framework of research on the development of stochastic forecasting methods, software was developed allowing to forecast the paths of prices most sensitive to shocks (e.g. the path of food prices) and to calculate the core inflation indices. Other research concerning the operation of the monetary transmission mechanism in the Polish economy was also carried out.

- Introduction of a system of studying the impact of the economy structure on inflation processes.

Analyses of the growth in output, investment outlays, financial situation of enterprises and projections of creation and utilization of the GDP were conducted.

In cooperation with the World Bank, work on the structural model of the Polish economy was commenced. The model will be used to forecast structural changes in the Polish economy in connection with the occurring endo- and exogenous shocks.

- Analysing household disposable income, consumption and savings.

Analyses of the value, changes and structure of various household incomes and the directions of their disposal were carried out. They also included the analyses of factors affecting consumption and saving in households.

- Launching a system for examining consumer climate.

In 2003 a comprehensive concept of a research project was developed. It is to serve the assessment of the situation of Polish households for the needs of the pursued monetary policy. The NBP became involved in examining the condition of households conducted by the Central Statistical Office (*Główny Urząd Statystyczny — GUS*) at quarterly intervals<sup>70</sup>.

- Analyses of international business cycle, including the economic situation in the EU Member States.

Current trends in external demand and world prices, including oil prices, were analysed. Analyses concerned in particular such issues as: long-term trends in the economic growth in Germany, factors determining the level of consumer prices in the euro area, assessment of consequences of global disequilibrium for the US economy, interest rate policies in selected countries applying the strategy of direct inflation target.

- Analyses of economies of the CEEC (Central and East European Countries)

<sup>70</sup> Since 2004 this research, adjusted to the standards specified by the European Commission will be carried out jointly by the GUS and the NBP, on a monthly basis.

A concept of a regular report on the economic situation of Central and East European Countries was developed.

Analytical work also included:

- analysis of economies of selected countries in the process of preparation to the introduction of the euro and after its introduction,
- analysis of the mortgage loan market development in Poland against the background of EU Member States,
- change in the models used to study the mechanism of transmission,
- development of a procedure for inflation projections.

### 9.1.2. Analytical work related to the influence of the euro introduction on the banking system

In 2003 analytical work connected with the determination of the influence of the euro introduction on the operation of the Polish banking sector was continued. On the basis of a questionnaire extended to commercial banks the fourth edition of the *Analysis of the influence of the introduction of the euro on the Polish banking system* was prepared. The material presented i.a. issues connected with the creation of the Single Payment Area within the European Union, organisational and technical issues, changes in the banking portfolio and issues concerning payment systems. A lot of focus was directed towards the exchange of the national currencies of the EMU member countries into the euro.

### 9.1.3. Analyses and research into the development and stability of the financial system

The NBP carries out ongoing analyses and research concerning the operation of the financial system, including financial markets, from the point of view of their development and stability. The following list presents the most important work carried out in this respect in 2003.

- Reports concerning the foreign exchange market, financial markets of the Czech Republic, Slovakia and Hungary, as well analytical schemes presenting medium-term forecasts of movements in the foreign exchange market and the Treasury bonds market were regularly presented to the NBP Management Board and the Monetary Policy Council (MPC).
- Research on the model of an early warning system against foreign exchange crisis and a contingency plan of the NBP to be applied in case of appearance of threats to the stability of the financial system was continued. As a result of this work, a plan of activities of the NBP as lender of last resort was adopted.
- Research on the efficiency and competitiveness of the Polish banking sector in the context of the development of financial markets was carried out.
- Work on the creation of a database of the non-treasury debt instruments issuance was carried out.
- Within the preparations to the accession to the ERM II, work on the development of procedures for decision making, related to the intervention in the foreign exchange market, was carried out. In the course of works cooperation with other central banks was initiated, in order to utilize their experience.

- Analysis of particular groups of undertakings forming the domestic financial sector, in particular the analysis of banks' situation was carried out. The results of those works were presented in another edition of the *Financial Stability Report*.
- A quarterly *Senior Loan Officer Survey on the loan market condition* was developed and sent to 25 banks. Complete results of the *Survey* are presented to the NBP Management Board and the MPC, and the most important conclusions are included in the *Financial Stability Report*.
- The NBP also took part in the preparation of the report entitled *Financial Stability with a Special Focus on Foreign Banks*, developed by banks from five Central European countries.
- Research on the economic activity cycles in the Polish economy were carried out. They are intended to create an advance indicator of business cycle. This subject also covers studies on the corporate sector, including the occurrence of soft budget constraint and studies on investment behaviour of enterprises.

#### 9.1.4. Studies on the situation of enterprises

In 2003 work on the extension of the scope and improvement of analytical methodology connected with studying the situation of enterprises was continued. These works focused on the following areas:

- Studies on the condition of enterprises
  - on the basis of the so-called quick monitoring of the NBP, the research sample was increased, the synthetic material was modernised and the time of accessibility of assessment of the economic climate was substantially shortened; the methodology applied was also thoroughly analysed;
  - on the basis of other statistical data, including GUS data; an integrated index of the NBP business climate of was built on the basis of 60 macroeconomic variables.
- Studies on financial situation of enterprises on the basis of GUS reports; at quarterly intervals sets of statistical information concerning i.a. revenues, costs and financial results of companies, their sources of finance and liquidity.
- Qualitative studies of selected aspects of the enterprise sector condition, conducted on the basis of the NBP annual questionnaire. These studies primarily concerned the reception of monetary policy by enterprises, as well as the state of preparation of companies to the European integration. The area of qualitative analyses of the corporate sector was complemented with a group of sources, based on specialised economic news services (i.a. Euromoney). On that basis a system of weekly, monthly, quarterly and annual information notes concerning the most important events in the corporate sector was elaborated.
- Methodological work and consultations concerning the organisation of the NBP regional economic climate research system.
- Cooperation with the ECB and other international organisations in the area of macroeconomic statistics.

Moreover, in 2003 work was continued on the construction of an integrated economic database of the NBP; it is intended to ensure an easily accessible source of information, used in carrying out analyses, preparing forecasts and making decisions on monetary policy issues. Works were conducted i.a. on the creation of a thematic breakdown of the content of the Integrated Economic Database and the elaboration of a coherent model of data based on the GESMES/TS system applied in the ECB.

### 9.1.5. Conferences and academic seminars organised by the NBP

In 2003 two scientific conferences, numerous academic seminars and analytical workshops were organised on the activity of the NBP and ways of conducting monetary policy.

- On 23 – 24 October 2003 a scientific conference *Successes and Failures in the Process of Convergence* was held. The theme of the conference covered the successes and failures in "catching up" with the wealthiest countries. Experience of developed countries which achieved economic success as well as of those, which, following a relatively long period of high economic growth are currently facing either stagnation or recession, was discussed. The experience of countries in the transformation period was also presented at the conference. Among the guests of the conference were Edward C. Prescott from the FED, Vittorio Corbo, President of the Central Bank of Chile, Philip Keefer, chief economist in the World Bank, Willem Buiter, chief economist of the EBRD and Stanley Fischer, Vicepresident of the Citigroup International.
- On 27 – 28 November 2003 a scientific conference entitled *Economic Potential versus barriers to economic growth* was held. The conference was intended to analyse factors influencing the economic situation of a country in a short run, as well as factors that determine the possibility of entering the path of long-term development by a given economy. Among lecturers at the conference were researchers from academic centres, representatives of central banks and financial institutions.
- In 2003 14 open academic seminars were organised in the NBP, devoted i.a. to the monetary policy, studies on enterprises and adaptation of the NBP to EU standards. During those seminars researchers of the NBP and lecturers of Polish and foreign academic institutions presented the results of their studies. A list of seminar topics is included in Annex 7 to this Report.

#### **MOST IMPORTANT NBP ACTIVITY IN 2003.**

- The model of forecasting the zloty exchange rate was improved.
- The following economic models were developed:
  - general equilibrium model for the Polish economy,
  - macroeconomic model for the Polish economy.
- Analysis of the impact of the euro adoption on the Polish banking system was carried out.
- Research of the financial system stability was carried out.
- A new direction of analytical and research work was initiated — the analysis of the EMU foreign exchange policy strategy.
- A central projection of inflation with the distribution of uncertainty was elaborated.
- Work on the extension of scope and improving the methodology of studying the economic condition of enterprises was continued.





STATYSTYKA  
NARODOWEGO BANKU POLSKIEGO

## 10.1. Statistical responsibilities

The National Bank of Poland carries out a broad scope of tasks connected with gathering, processing and dissemination of statistical information. These data are primarily used for conducting monetary policy and providing the economic environment with information indispensable for economic decision making. The NBP also meets the reporting requirements with respect to international organisations. The scope of those requirements has considerably widened in recent years. The cooperation with the European Central Bank has been particularly intensive.

In 2003 current work connected with acquisition and dissemination of necessary statistical information was carried out according to formerly applied principles. Apart from that new tasks, connected with the necessity to adapt statistics to the requirements of European institutions, have been undertaken. The most important was to adapt the methodological principles for compiling statistical data to the standards applied by the ESCB countries, implement those principles in the appropriate guidelines of reporting for Polish banks, organise training courses and consultations for banks and make necessary IT systems alterations.

### 10.1.1. Responsibilities regarding monetary, financial, balance of payments and the international investment position statistics

The statistical responsibilities in 2003 primarily comprised:

- Gathering, verification of correctness, processing and ongoing analysis of data on:
  - the balance of payments, foreign debt and international investment position,
  - balance-sheet data from banks, gathered for the monetary policy goals of the NBP and its supervisory goals,
  - interest rates applied by banks,
  - the payment system, including data on payment cards<sup>71</sup>;
- Preparation of statistical presentations and publications on the basis of data obtained from reporting undertakings;
- Interpretation of monetary developments and operations within the balance of payments to ensure ongoing monitoring of monetary developments;
- Processing and interpretation of data on corporate finances;
- Development of methodology for compiling monetary statistics and balance of payments statistics;
- Development and ongoing modification of IT solutions, which support the gathering and processing of statistical information;
- Work on enhancing the methods of data collection and processing, and development of data presentation and publishing methods transparent for their recipients.

In 2003 preparations were also undertaken to extend the scope of conducted statistical survey to new areas, i.e. quarterly financial accounts, statistics of other financial intermediaries, statistics of securities issue (the so-called structural statistics). The NBP also initiated the cooperation with the Central Statistical Office and the Ministry of Finance concerning the statistics of the general government. It will facilitate meeting the reporting requirements of the ECB

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<sup>71</sup> Cf. Chapter "The development of the payment system" .

Statistical work resulted in numerous statistical tables, analytical materials and publications addressed to recipients both inside and outside of the bank. The most important of these comprise:

- Quarterly reports on the balance of payments, which, having been approved by the President of the NBP (in the case of the annual report – having been considered by the NBP Management Board) are submitted to the Sejm and the Council of Ministers.
- The annual *Balance of payments on a transactions basis and balance of foreign assets and liabilities of the Republic of Poland*. Following its approval by the NBP Management Board, this document was distributed among members of the Council of Ministers and representatives of other central government offices. The material also contains a full presentation of the so-called international investment position, drawn up in accordance with the standards of the International Monetary Fund;
- Quarterly figures on Poland's external debt.
- Monthly balance of payments reports, compiled on the basis of data from commercial banks.
- A consolidated balance sheet of the banking system, drawn up on the basis of monthly balance-sheet data submitted by the banks and data from the NBP itself. It is a basis for the development of many statistical reports and analytical materials, including the *Report on monetary processes (compiled using interim figures)*.
- Quarterly reports on the business climate in the corporate sector.
- Annual report on the condition of non-financial institutions, drawn up on the basis of the NBP surveys and reports collected by the Central Statistical Office (GUS).
- Quarterly information bulletins, drawn up on the basis of data gathered by the GUS, on revenues, costs and financial results in the corporate sector, financial liquidity and cash stocks held by businesses, characteristics of the labour market and investment activity in the corporate sector.

Data obtained from banks and other entities, following appropriate compilation, were forwarded to international organisations, such as the IMF, the World Bank, the OECD, the BIS, the bodies of the European Union, which is increasingly involved with reporting to the European Central Bank. This allows the NBP to meet reporting requirements imposed by these institutions.

The NBP regularly forwards to the ECB a great amount of statistical information, compiled in accordance with the required standards. This information is drawn up and forwarded in accordance with all formal procedures required from the Member States. The NBP, like other central banks, regularly receives from the ECB a great amount of statistical data concerning the EU Member States. Since September 2003 the NBP has also regularly forwarded data to the BIS macroeconomic database. It will also have an opportunity to use the information on the economies of particular countries gathered there.

### 10.1.2. Statistical information for external recipients

Timely delivery of high quality statistical data to recipients is possible thanks to close, direct cooperation with the reporting entities, in particular with banks. The quality of data is enhanced as a result of reporting guidelines and instructions developed by the NBP, training courses and numerous direct working contacts and consultations with the reporting institutions.

The importance of responsibilities in this area is constantly growing in the context of a rapid growth of the financial market in Poland. International organisations cooperating with the NBP

frequently stress the importance of appropriate fulfillment of that function by the central bank. Its execution is supported i.a. by numerous publications and a web site, which facilitates fast and simultaneous access by all recipients .

### 10.1.3. Adjustment measures to conform to the statistical requirements of the European Central Bank

The adjustment works were carried out simultaneously in several areas. These primarily comprised:

- money and banking statistics,
- balance of payments statistics,
- new areas, such as financial accounts, statistics of other financial intermediaries, statistics of securities issue.

The NBP has also undertaken to forward to Eurostat data on the structural statistics of credit institutions<sup>72</sup>. Data on other institutions will be compiled by the GUS. In 2003 a detailed analysis of the availability of data in the currently available sources was carried out at the NBP, some measures were also undertaken to obtain missing information.

In line with the ECB requirements, the central bank should play the role of a coordinator with respect to the areas of statistics for which it is not directly responsible. That is why the NBP undertook actions aimed at meeting (in cooperation with appropriate institutions) the ECB requirements concerning the general government statistics and the real sector statistics.

#### 10.1.3.1. Adjustment of money and banking statistics

In the area of monetary statistics works were accomplished on the introduction of new or modified reporting formats to the banks' reporting. This will allow to meet the European requirements in the area of the so-called consolidated balance sheet of monetary financial institutions and interest rate statistics included in two basic regulations of the ECB concerning monetary statistics, i.e. the regulation No. ECB/2001/13<sup>73</sup> and ECB/2001/18<sup>74</sup>.

- Changes concerning the consolidated balance-sheet statistics consisted primarily in the introduction to banks' reporting of new analytical cross-sections (breakdown of operations by currencies and countries) and information needed to compile statistics of transactions, which had not been compiled previously.
- The statistics of interest rates was also fundamentally changed. According to the ECB methodology, the data on interest rates will be collected separately for new contracts and positions in a given month. In relation to new contracts the nominal rate applied by now will be replaced with the effective rate. New statistics shall cover all agreements concluded by banks. The above-mentioned changes in the consolidated balance-sheet statistics and interest rate statistics were introduced by a resolution of the NBP Management Board<sup>75</sup>. Reports in the new format were forwarded by banks for the first time with the data for January 2004.

<sup>72</sup> Council Regulation No 58/97 of December 1996 concerning structural business statistics, Annex 6.

<sup>73</sup> Regulation No 2423/2001 of the European Central Bank of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13).

<sup>74</sup> Regulation No 63/2002 of the European Central Bank of 20 December 2001 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2001/18).

<sup>75</sup> Resolution No. 23/2003 of the NBP Management Board of 25 July 2003 concerning the procedure and detailed principles to be followed by the banks when submitting to the National Bank of Poland data necessary to set the monetary policy and carry out periodical evaluations of the state's monetary situation, the banks' financial situation and the risk of the banking sector.

- One of the ECB requirements, binding on all EU Member States, is the regular updating of the list of monetary financial institutions. By June 2003 the NBP forwarded to the ECB updated data on a quarterly basis, i.e. according to the timeschedule adopted in 2002. Starting from July 2003, the update has been developed and forwarded to the ECB on a monthly basis. In 2003 the NBP was also working on the development of a target procedure for an ongoing update of the list. Works were continued in order to finally determine the range of institutions which shall be included in the Polish monetary financial institutions sector and entered into the list. On the basis of data received from the NCBs, the ECB draws up a list for all EU Member States and publishes it on its web site.
- The NBP also actively collaborates with the ECB in the area of development of long-term interest rates statistics, which is going to be used in the verification of the convergence criterion. The NBP forwards to the ECB appropriate data and takes part in the development of the methodology. It also participated in the preparation of the second edition of the publication entitled *Bond Markets and Long-Term Interest Rates in European Union Accession Countries*, published by the ECB in October 2003.
- The first part of the methodological manual of the ECB containing the description of practices in the area of money and banking statistics applied by countries accessing the EU, (*Money and Banking Statistics in the Accession Countries: Methodological Manual, Volume I*). In 2003 the NBP, in collaboration with external institutions, was finalising the materials for a publication entitled *Money, Banking and Financial Markets Statistics in the Accession Countries. Methodological Manual. Volume II*. The publication contains information on statistics of other financial intermediaries, the financial market, securities issues, derivatives and interest rates. The ECB published it in May 2003.
- In 2003 works were also undertaken connected with the construction of a base of transferable debt instruments in the NBP. The base is created in accordance with the recommendations of the ECB and in the future it is going to constitute a source of information on assets, which may serve as collateral in refinancing operations. The NBP will be obliged to forward this information to the ECB.

#### 10.1.3.2. Adjustment of balance of payments statistics

In the area of the balance of payments the activities focused on the preparation of necessary changes in the method and scope of gathering data from banks. New statistical requirements for banks have been regulated by the resolution of the NBP Management Board<sup>76</sup>. Its implementation relates to the adjustment of the balance of payments statistics to the requirements of the European Union, consisting i.a. in the introduction of a reporting threshold, reduction of the frequency of reports (which shall contribute to the decreased burden of statistics for the balance of payments) and adjustment of the scope of forwarded data to the requirements of the ECB and the Eurostat. Additionally, at the end of September 2003 the NBP started to publish a quarterly balance of payments on the basis of transactions, thus meeting the standards of balance of payments statistics binding for the EU Member States.

In 2003 the NBP took part in the preparation of the subsequent edition of the publication entitled *Accession Countries Manual on Balance of Payments and International Investment Position Statistics (BoP Book)*. The manual contains a description of the methodology of the balance of payments statistics in the EU candidate states.

<sup>76</sup> Resolution No. 48/2003 of the Management Board of the National Bank of Poland of 14 November 2003 concerning the mode and detailed principles regarding the bank's submission of data to the National Bank of Poland, necessary to prepare the balance of payments and balance of the state's foreign claims and liabilities.

## **MOST IMPORTANT ACTIVITIES OF THE NBP IN 2003**

- Work was intensified intended to adjust the money, banking and balance of payments statistics to the requirements of the ECB and the Eurostat. Substantial changes were introduced in the banks' balance-sheet reporting and in the interest rate statistics, starting from reports covering January 2004. A new system of collecting information for the balance of payments was introduced. The NBP actively collaborated with the ECB in the area of the development of long-term interest rates statistics.
- Preparations were initiated to extend the scope of statistical survey with quarterly financial accounts, statistics of other financial intermediaries and statistics of securities issues.

LEGISLATIVE  
ACTIVITY

## 11.1. Legislative activity of the NBP and of the Commission for Banking Supervision

In 2003 the governing bodies of the National Bank of Poland and the Commission for Banking Supervision issued 92 legal instruments. A schedule of these instruments published in *Monitor Polski* and the Official Journal of the NBP is enclosed in Appendix 5 to this Report<sup>77</sup>.

### 11.2. Draft legislation developed at the National Bank of Poland

#### 11.2.1. Act of December 18, 2003 amending the Act on the National Bank of Poland<sup>78</sup>

The purpose of the Act is to harmonise the regulations concerning the status of the central bank with the standards of the Maastricht Treaty and the Statute of the European System of Central Banks and the European Central Bank. It provides mainly for the institutional, personal and financial independence of the National Bank of Poland.

Among the solutions adopted in the Act the following should be considered as the most important:

- regulation of the NBP membership in international financial institutions and of the associated financial settlements,
- introduction of the principle of terms of office for the NBP Management Board members,
- adjusting the provisions on the NBP financial management to the standards effective in the European System of Central Banks.

In 2003 the representatives of the National Bank of Poland also attended the legislative work of the Sejm, which included the consideration of the three bills filed by the MPs amending the Act on the National Bank of Poland currently in force. In the process of development of the above-mentioned bills the NBP's observations were considered, with reference to the unconstitutional character and incompatibility of certain proposed solutions with the legal regulations in the European Union, in particular with reference to those designed to curtail the independence of Poland's central bank.

#### 11.2.2. Bill Amending the Banking Act

In 2003 the bill amending the Banking Act and other acts was forwarded to legislative work in the Sejm.

The solutions adopted in the bill include first of all legal regulation of new developments in the operation of the banking system, i.e. outsourcing and claim securitisation, and adjustment of provisions of the Act to the provisions of other acts, including the Act on Electronic Signature and the Code of Commercial companies.<sup>79</sup>

Furthermore, the solutions adopted in the bill adjust the amended act to:

- Directive 2000/12/WE of the European Parliament and the Council of March 20, 2000 on the taking up and pursuit of the business of credit institutions, amended by the Directive 2000/28/WE,

<sup>77</sup> In the Report the principle has been adopted that legal instruments concerning particular areas of activity of the NBP are discussed in corresponding content chapters. Other legal instruments are included in the chapter on Legislative Activity.

<sup>78</sup> Dziennik Ustaw No. 228/2003, item 2260.

<sup>79</sup> Act adopted in 2004. Cf. chapter "Banking Supervision".



- Directive 2001/24/EC of the European Parliament and the Council of April 4, 2001 on the reorganisation and winding up of banks and credit institutions,
- Requirements specified by the Basle Committee on Banking Supervision in 25 Rules of Efficient Banking Supervision.

### 11.2.3. Bill on some financial collateral arrangements

The bill transposes the provisions of the Directive 2002/47/WE of the European Parliament and the Council of the European Union of June 6, 2002 to the Polish legal norms. The Directive includes the principles of provision and enforcement of financial collateral arrangements in situations, where both the collateral taker and provider are the institutions acting in the financial market listed in the Directive.

## 11.3. NBP participation in work on drafting government regulations

Pursuant to the Act on the National Bank of Poland, the NBP collaborated with the government agencies issuing opinions on draft legal instruments concerning the economic policy and the banking system. In 2003 the National Bank of Poland provided opinion on the following number of draft normative instruments, referred to it by the central government bodies and administrative agencies:

- 451 drafts received prior to being considered by the Committee of the Council of Ministers (in 2002 – 516),
- 282 drafts received during the process of interdepartmental consultations (in 2002 – 276)<sup>80</sup>.

Bills (188), draft ordinances of the Council of Ministers (400) and draft resolutions of the Council of Ministers (60) made the most numerous groups among the filed drafts.

In 2003 the representatives of the NBP attended 80 interdepartmental conferences and legal commissions in the Chancellery of the Prime Minister, 47 meetings of the Committee of the Council of Ministers, as well as 184 meetings of the Sejm commissions and sub-commissions and meetings of the Senate commissions considering bills and other normative instruments.

## 11.4. Participation of the National Bank of Poland in legislative work on draft non-normative instruments

In 2003 the NBP issued opinions on 208 draft government documents of essential importance to the economy, which were not draft legal instruments, such as:

- reports: conditions and requirements in the area of foreign trade after Poland's accession to the European Union, Entrepreneurship in Poland, support to foreign investment in Poland,
- strategies: management of public debt in the years 2004 – 2006, Polish collaboration for development, restructuring and privatisation of the Great Chemical Synthesis, strategy of taxation,

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<sup>80</sup> Differences between the number of drafts, on which opinion was given prior to the meetings of the Committee of the Council of Ministers and the number of drafts on which opinion was given during the process of interdepartmental consultations result i.a. from the fact that in 2003 in the course of interdepartmental consultations not all drafts were directed to the NBP by the Committee of the Council of Ministers.

- programmes: economic promotion of Poland until 2005, privatisation of the property of State Treasury in the years 2003 – 2006, introduction of a competitive market for gas in Poland and the time schedule of its implementation.

## 11.5. Draft legislation relating to the operations of the banking system

The most important draft legislation on the operations of the banking system considered by the Sejm, in the development of which the National Bank of Poland was taking part in 2003, is presented below.

### 11.5.1. Adopted draft legislation

- Act of June 27, 2003 amending the Act on Operations of Cooperative Banks, their Affiliation and Affiliating Banks and the Act on the National Bank of Poland<sup>81</sup>.
- Act of March 14, 2003 on the Bank Gospodarstwa Krajowego (BGK)<sup>82</sup>.

The act defines the scope of activity of the BGK as the state bank. The list of its basic activities includes the assistance to the execution of government social and economic programmes, programmes of local government and regional development, where public funds are used.

### 11.5.2. Draft legislation under review

- Bill on public procurement<sup>83</sup>.

The aim of the bill is to:

- adjust Polish legislation to the requirements of the following directives of the European Union: Directive 92/50/EWG of the Council of June 18, 1992 relating to the coordination of procedures for the award of public service contracts, Directive 93/36/EWG of the Council of June 14, 1993 coordinating the procedures for the award of public supply contracts, Directive 93/37/EWG of the Council of June 14, 1993 concerning the coordination of procedures for the award of public works contracts and the Directive 97/52/WE of the European Parliament and the Council of October 13, 1997 amending the above- mentioned Directives.

In the course of legislative work the comments of the NBP concerning its exclusion from the Act's binding force in the following areas were taken into consideration:

- determination and execution of monetary policy and issue of monetary tokens,
- trade in securities issued by the State Treasury,
- service of the management of domestic debt and foreign indebtedness,
- issue and management of monetary tokens,
- accumulation of foreign currency reserves and their management,

<sup>81</sup> Dziennik Ustaw No. 137/2003, item 1303. Cf. chapter "Banking supervision".

<sup>82</sup> Dziennik Ustaw No. 65/2003, item 594, as amended.

<sup>83</sup> Act adopted on January 29, 2004; Dziennik Ustaw No. 19/2004, item 177.

- accumulation of gold and precious metals,
- operation of bank accounts and performance of bank monetary settlements.
- **Bill on Preventing the Use in Financial Trading of Assets Derived from Illegal or Undisclosed Sources and on Preventing Terrorism Financing, and on amending some other acts**<sup>84</sup>.

In the draft amendment the provisions of the currently in force Act are adjusted to the provisions of the Directive 2001/97/WE of the European Parliament and the Council of December 4, 2001, amending the Directive 91/308/EWG of the Council of June 10, 1991 on prevention of the use of the financial system for the purpose of money laundering, as well as to the needs of efficient and effective operation of the General Inspectorate for Financial Information (GIIF). It was done i.a. via the extension of groups of institutions required to record and notify the GIIF on the execution of transactions exceeding the equivalent of 15 thousand euro.

In the course of the legislative work on the bill the NBP pointed to the impracticality of additional consideration of the NBP an entity required to report. According to the Act in force in 2003, the NBP assumes the role of an entity cooperating with the GIIF in the prevention of money laundering. Considering it an entity required to report results exclusively from the Directive 91/308/EWG, which only allows the Member States to adopt stricter regulations for issues covered by the Directive. Moreover, according to the opinion of the NBP, if it is considered an entity required to report, it should be subject to the Act from January 1, 2005 onwards, and not from May 1, 2004. The central bank explained that otherwise it would have to spend some additional 3 to 5 million zloty on the adjustment of IT systems to the needs of the amended Act. It would result in a reduction in profit transferred to the central government for 2004 by the above mentioned amount.

- **Bill on investment funds and amending some other acts.**

The bill, inter alia:

- introduces to Polish legislation the provisions of two Directives of the European Parliament and the Council of Europe. The one is the Directive of January 21, 2002 amending the Directive of the Council No. 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities. It is intended to regulate the activity of management companies and introduction of simplified prospectuses. The other is the Directive 2001/108/EC amending the Directive of the Council 85/611/EEC in relation to investments concerning the undertakings for collective investments;
- introduces changes to the system solutions reflecting the changes in the Polish capital market;
- Proposes amendments to the Banking Act concerning securitisation funds and increase in accessibility to information constituting bank secret.

In the course of legislative work the NBP indicated i.a. that the construction of regulations concerning securitisation funds provides ground for the so-called regulatory arbitrage. It will result in a situation where funds have a privileged position, in particular in comparison with mortgage banks, which will thus be deprived of the conditions of fair competition

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<sup>84</sup> Act adopted on March 5, 2004; Dziennik Ustaw No. 62 /2004, item 577.

- **Bill on public finance.**

The bill, inter alia:

- defines relations between the state budget and the budget of the European Union,
- introduces the possibility of refinancing expenses covered with the participation or fully from funds coming from the EU budget,
- specifies more detailed provisions of the hitherto effective Act on Public Finance.

In the course of legislative work the NBP has mainly issued opinions on financing the total amount of contributions by the Social Security Fund and operating the accounts of central government by the Bank Gospodarstwa Krajowego.

- **Bill amending the Act on Combating Unfair Competition and the Consumer Credit Act.**

The aim of the bill is to consider it an act of unfair competition, excluding the cases specified under separate regulations, to conduct business which involves the management of property accumulated within consumer groups, established to finance movable and immovable property items for the participants in the group (the so-called Argentinian system).

- **Bill on the Freedom of Business Activity<sup>85</sup>.**

#### **MOST IMPORTANT NBP ACTIVITY IN 2003**

- NBP took part in the legislative work on the Act amending the Act on the National Bank of Poland, which fully harmonised Polish regulations concerning the central bank with the Treaty of Maastricht and the Statutes of the ESCB and ECB.
- NBP took part in development of numerous bills on the functioning of the banking system, including those resulting from the necessity to adjust to the standards in force in the EU Member States.

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<sup>85</sup> Under the legislative work in the Sejm. Cf. chapter "Banking supervision" and "Foreign currency trading".

INTERNATIONAL  
ACTIVITY

## 12.1. Adjusting the Polish banking sector and the NBP to the requirements of the European Union

In 2003 the NBP took an active part in the process of adjusting the banking system to the requirements of the EU. This activity consisted in preparation of appropriate legal instruments and efficient implementation of new regulations<sup>86</sup>. Moreover the NBP took part in development of materials on the state of execution of adjustment measures in the following areas: *Free movement of capital, Freedom to provide services, Economic and Monetary Union, Finances and Budget, Consumer and Health Protection, Statistics*. One of such documents was *The Government Information for the Complex Monitoring Report* prepared by the European Commission. The NBP analysed on a regular basis the execution of tasks contained in the *National Programme of Preparations for Membership in the European Union* related to the following adjustment areas: *Freedom to provide services* and the *Economic and Monetary Union*. Monitoring of progress of the process was conducted in connection with work of the Preparatory Team of the Committee for European Integration.

### 12.1.1. Preparation for the efficient functioning of Poland after the accession to the European Union

On the initiative of the European Commission, since 2001 the candidate countries have been involved in the development of the *Pre-Accession Economic Programme (PEP)*. PEP is a medium-term programme (with a five-year time horizon; in 2003 it covered the years 2002-2006) and concerns macroeconomic policies, including public finance and structural reforms. In 2003 NBP prepared materials for the updating of the PEP with respect to the monetary policy and the banking system: "*Macroeconomic assumptions. Monetary and Exchange Rate Policy*" and "*Financial sector structural reforms*". PEP is supposed to serve the preparation of Poland to the economic policy coordination at the EU level. Following the EU accession Poland will be required to develop a Convergence Programme for EU Member States remaining outside the euro area (countries with derogation), and upon the adoption of the euro — to prepare a Stability Programme.

After the summit of the European Council, which was held in Copenhagen on December 13, 2002, Poland and nine other candidate countries (the Czech Republic, Cyprus, Estonia, Lithuania, Latvia, Malta, Slovenia, Slovakia and Hungary) finalised the process of negotiations for membership in the European Union. It was crowned with the signing of the Accession Treaty in Athens on April 16, 2003, by the leaders of the EU Member States and the acceding countries.

Since that moment Poland enjoyed the status of an active observer in the EU institutions, which was established to facilitate further implementation of the *acquis communautaire* (the EU joint legal achievement) by the countries accessing the EU and their efficient participation in the process of its creation. Since May 2003 the representatives of Poland (including the representatives of the NBP) have been working in the Union's institutions, presenting their stance in relation to draft legislation and documents contained in the agenda (without the right to vote). On the day Poland becomes EU Member State, the status of active observer shall automatically be converted into full membership.

In 2003 the representatives of the NBP took part — as observers — in the work of:

- General Council of the ECB and the ESCB Committees and Working Groups,
- The extended ECOFIN Council — with the participation of governors of central banks of the Member States and the acceding countries,

<sup>86</sup> Cf. chapters: "Monetary policy", "Foreign exchange activity", "Legislative activity", "Banking supervision", "The development of the payment system".

- Committees and working groups of the European Commission, as a collaborating institution<sup>87</sup>,
- Committee for the Monetary, Financial and Balance of Payments Statistics (CMFB) and the Eurostat working groups. They were also invited to attend seminars by the Eurostat specifically designed for the central banks of the acceding countries, devoted to the implementation of European standards with respect to the monetary, banking and balance of payments statistics.

### 12.1.2. Cooperation with the European System of Central Banks

The year 2003 witnessed closer cooperation with the European Central Bank. Since May 2003 the President of the NBP has taken part in the work of the General Council of the ECB. The NBP representatives took part (as observers) in the work of 12 committees of the ESCB:

- International Relations Committee — IRC
- Monetary Policy Committee – MPC
- Banknote Committee – BANCO
- External Communications Committee – ECCO
- Internal Auditors Committee – IAC
- Banking Supervision Committee – BSC
- Legal Committee – LEGCO
- Market Operations Committee – MOC
- Information Technology Committee – ITC
- Payment and Settlement Systems Committee – PSSC
- Statistics Committee – STC
- Accounting and Monetary Income Committee – AMICO

The employees of the NBP also cooperated with several dozen working groups of the ESCB.

In order to facilitate the flow of documents within the ESCB, the NBP, like other central banks of countries accessing the EU, was included into the system of electronic mail *CeBaMail* at the beginning of 2003

### 12.1.3. The Phare 2000 Programme

In mid-2003 the activities adjusting the NBP to the ESCB standards executed under a twinning agreement with the Bank of France (the lead bank) and the Bank of Italy (the cooperating bank) within the framework of the Phare 2000 Programme were accomplished. The cooperation under the twinning agreement, continued since the year 2001, enabled achievement a high level of adjustment of the NBP to the ESCB standards in seven areas covered by the agreement, i.e. the

<sup>87</sup> Including: the Economic and Financial Committee, which plays the role of a consultative body of the Council of the European Union and the European Commission, the Economic Policy Committee of the Council of the European Union, the Banking Advisory Committee at the European Commission.

payment system, monetary statistics, monitoring of capital flows involving portfolio investments, accounting and reporting, banking supervision, internal audit and the IT system. Additional adjustment tasks related to financial stability and legal aspects were also accomplished.

At the order of the European Commission, a report on the execution of the *Phare* programme in Poland was drawn up at year-end 2002: *The independent interim evaluation and monitoring services of Phare*. Out of about 30 assessed projects the NBP project was one of the two which received the highest (*highly satisfactory*) ranking. While assessing the project the following criteria were taken into consideration: proper definition of project goals, quality of the project management, degree of achieving the assumed goals, compatibility of accomplished tasks with the provisions of the twinning agreement.

#### 12.1.4. Other activities at the NBP

The NBP presented its opinion for Poland's stance towards the *Lisbon Strategy*, prepared by the government and a group of experts. It was presented at the meeting of the European Council on March 21-22, 2003. The *Lisbon Strategy* constitutes a set of economic and social reforms, which, if consistently implemented, by 2010 should result in the achievement by EU economy of the position of the most competitive and dynamic economy, based on knowledge, capable of sustainable growth and characterised with a high level of employment and social cohesion.

## 12.2. Collaboration with international economic and financial institutions

### 12.2.1. The Organisation for Economic Cooperation and Development

In 2003 the National Bank of Poland continued current cooperation with the National Coordinator of Cooperation between the Republic of Poland and the OECD, the Ministry of Economy, Labour and Social Policy, Ministry of Finance and the Permanent Representative of the Polish Government to the OECD with respect to the execution of tasks connected with Poland's membership in the OECD<sup>88</sup>.

Representatives of the NBP were taking part in the work of the following OECD committees and working groups:

- Economic Policy Committee:
  - Working Party on Short-Term Economic Prospects,
  - Working Party on Macro-Economic and Structural Policy Analysis,
- Committee on Financial Markets:
  - Working Party on Financial Statistics,
- Committee on Capital Movements and Invisible Transactions,
- Committee on International Investment and Multinational Enterprises.

In September 2003 the 1st mission of the OECD visited Warsaw, while preparing the VIIIth review of the Polish economy, conducted by the Economic and Development Review Committee

<sup>88</sup> Cooperation of the NBP with the OECD results from the provisions of §3 para. 3 of the Resolution No. 168/2003 of the Council of Ministers of July 1, 2003 on the tasks resulting from the Republic of Poland's membership in the OECD: "Minister responsible for economic affairs invites to participate in the works of particular directing bodies of the OECD institutions and organisations dealing with the issues within the scope of those works".



of the OECD. The principal theme of the review, which is going to be finished in mid-2004, was the labour market policy. The issues discussed during the meeting with the NBP representatives concerned current economic situation, monetary policy, accession to the EMU and the condition of the banking sector.

On April 24 and October 20, 2003 meetings of the Inter-departmental OECD Working Group, held at the Ministry of Economy, Labour and Social Policy, were attended by the representatives of the NBP. During the meetings the issue of the progress of the OECD reform was raised.

Within the framework of cooperation with the OECD, the National Bank of Poland regularly forwarded data on basic monetary aggregates and statistics on the international trade in services and on direct investments.

### 12.2.2. The World Bank

Within the framework of the Spring Meetings of the World Bank Group<sup>89</sup> and the IMF numerous meetings attended by Poland's representatives were held in Washington in April 2003.

The discussions of the World Bank Development Committee were focused on three issues: achievement of the Millennium Development Objectives, strengthening of the position of the developing and transition countries in the decision making processes of the World Bank and the situation in world economy, including plans of reconstruction of Iraq upon the termination the military intervention.

During the meeting of the Swiss Constituency the most important elements of policy of the World Bank and the IMF were presented, i.a. with respect to the prevention of financial crises. The subject of discussions with the Vice-President for Europe and Central Asia was the Country Assistance Strategy (CAS) for Poland, in particular the government's priority with respect to possible loan proposals.

In September 2003 Annual Meetings of the World Bank and the International Monetary Fund were held in Dubai. During the meetings programmes of poverty combat executed within the framework of the HIPC initiative (Debt Relief Programme for Heavily Indebted Poor Countries) and the PRSP (Poverty Reduction Strategy Papers), a plan of activities aimed at increasing the role of the developing and transition countries in the decision making process of the World Bank were discussed.

At the end of 2003 two missions of the World Bank were present in Warsaw. The first one concerned the corporate governance, financial services, accounting and audit, the second one — securitisation and mortgage loans.

The World Bank in its Quarterly Economic Report of April 2004 assessed that the monetary policy of Poland is one of the most credible among the EU-8 countries.

### 12.2.3. The International Monetary Fund

In January 2003 a mission of the IMF, whose task was to assess in detail the fulfilment by Poland of statistical requirements, was present in Poland. The statistics prepared by the National Bank of Poland, the Central Statistical Office and the Ministry of Finance were thoroughly assessed. Statistical work carried out by the NBP and the standards applied were appreciated by IMF experts, which was reflected in the report on procedures of compilation and publication of statistical information in Poland.

In March 2003 a regular mission organised within the framework of consultations, pursuant to the provisions of Article IV of the IMF Statute, visited Poland. The mission's objective was to familiarise the Fund's representatives with current economic situation in Poland and with plans

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<sup>89</sup> Cooperation of the NBP with international financial institutions is provided for by the provisions of Art. 11 section. 3 of the Act on the National Bank of Poland.

regarding the economic, budgetary and monetary policies as well as to collect statistical data for the annual IMF report on Poland. In November 2003 the second consultative mission was held, which assessed the performance of the economic policy in the preceding year and formulated macroeconomic assumptions for the following year. The representatives of the NBP and members of the Monetary Policy Council attended the meetings held with the IMF missions. In 2003 the IMF positively assessed the monetary policy, maintenance of a low level of inflation and lack of direct interventions in relation to the zloty exchange rate. The Polish banking system was perceived as stable, and a reduction in the share of irregular claims in the banks' loan portfolios was noted.

In July 2003 a mission of IMF experts, in response to an invitation by the President of the NBP, performed an assessment of the areas of activity of the NBP Internal Audit Department in terms of their conformity with international standards. The IMF experts positively assessed the operation of internal audit in the NBP and the direction of changes implemented in that respect.

In 2003 the employees of the NBP took part in training courses organised by the IMF on macroeconomics and finance management, balance of payments statistics and banking supervision.

#### 12.2.4. Collaboration with the European Bank for Reconstruction and Development

In May 2003, the 12th Annual Meeting of the Board of Governors of the European Bank for Reconstruction and Development (EBRD) was held in Tashkent. The Polish presentation contained i.a. the discussion of the current economic situation of the country and conditions for foreign investments. Participants of the meeting were particularly interested in the date of Poland's accession to the euro area and the reform of the public finance.

In September 2003 the President of the NBP appointed Mr. Tadeusz Syryjczyk for the position of Executive Director in the EBRD. Mr. Syryjczyk replaced Mr. Jan Krzysztof Bielecki, who had been holding the position since 1993.

On October 2, 2003 EBRD President Mr. Jacques de Larosi\_re paid an official visit to Poland. During his visit he delivered a lecture entitled *On the way to the EMU: the French experience 1986-1999*.

In December 2003, at the NBP premises, a presentation of the EBRD report entitled *Transition Report 2003 — Integration and Regional Cooperation* was delivered, with the participation of the EBRD Vice-President, Mrs. Hanna Gronkiewicz-Waltz.

#### 12.2.5. The Bank for International Settlements, Basle

In 2003 the President of the NBP attended meetings of the Governors of the Bank for International Settlements (BIS) in Basle on May 12, September 9 and November 10, as well as two General Meetings of Shareholders on March 10 and June 30, 2003.

On March 10, 2003 at the Extraordinary General Assembly of the BIS Governors a decision was made to replace the gold franc<sup>90</sup>, the settlement unit at the BIS, with the SDR (*Special Drawing Rights*) currency unit. The equity and the change in the value of each share resulting from rounding up were recalculated. The number of shares of the BIS remained unchanged (600,000) while its equity amounts at present to SDR 3 billion.

On June 28 – 30, 2003 the 73<sup>rd</sup> BIS General Meeting of Shareholders was held in Basle, during which the governors of central banks – members of the Bank – approved the allocation of the dividend for 2002/2003. The meeting also adopted the *Annual Report*, and the Bank's balance sheet at March 31, 2003 and the profit and loss account were approved. The latter showed a net profit, after deduction of the costs of administration, of 362m gold francs (1 gold franc = 1.94149 USD). It was distributed in the following manner: 68.7m gold francs were assigned to the payment of dividend,

<sup>90</sup> For settlements made from 1<sup>st</sup> April 2003 on.

payable in Swiss francs in the amount of SFr 400 per share. The NBP received a dividend of 3.2m Swiss francs. In comparison with the preceding year the dividend was higher by 20 Swiss francs per share. 29,3m gold francs were transferred to the general reserve fund, 3m gold francs were paid to the so-called special dividend reserve fund, 261m gold francs were transferred to the free reserve fund.

On February 23 – 25, 2003 the first conference organised jointly by the NBP and the BIS, entitled *Monetary Policy in Central and Eastern Europe*, was held. The conference was attended by Vice-presidents and directors of central banks of the Central European and South East European Countries and representatives of the European Central Bank and the Bank for International Settlements. The topic of the conference was the monetary policy issues in the period directly preceding the accession to the EMU.

In 2003 the employees of the NBP took part in a number of training sessions and seminars organised by the BIS in collaboration with the Financial Stability Institute (FSI) and the Joint Vienna Institute (JVI).

#### 12.2.6. The International Bank for Economic Cooperation

The meetings of the International Bank for Economic Cooperation (IBEC) Council were attended by the Polish party. The Polish delegation was led by the National Bank of Poland, and included also representatives of the Ministry of Finance.

In 2003 IBEC did not restructure its debt, neither did it receive repayments due from debtors related to overdue receivables. The final settlement of the debt is planned for 2004.

#### 12.2.7. Training assistance to central banks and supervisory authorities of other countries

The National Bank of Poland offers technical support to other central banks. By organising training sessions and study visits, it shares the acquired experience with countries which are at the beginning of the process of creating market economy.

- In 2003 the development of the *Training Initiative for Banking Supervision (TIBS)* of the NBP was continued. Two international seminars were organised in June and November 2003. The topics of the training sessions covered the supervision and regulations concerning market risk and optimisation of the supervisory process: regional regulations and inspections – experience and challenges. Altogether 59 people from 22 countries attended the TIBS seminars in 2003. The participants represented a regional group of supervisors from the countries of Central and Eastern Europe, and the countries of the former Soviet Union.
- In 2003 the co-operation of the NBP with central banks in the area of technical support was focused on the countries which were members of the Polish member group in the World Bank and the IMF (Azerbaijan, Kyrgyzstan, Serbia and Montenegro, Tajikistan, Turkmenistan, Uzbekistan), the neighbouring countries (Ukraine, Belarus) and the Far East countries (Vietnam, China). Within the framework of assistance offered, study visits at the expert level were organised at the NBP for the mentioned central banks. These were devoted to the following issues: banking supervision, mortgage banks, audit, payment system and reserves management. The study visits at the NBP were organised with the participation of particular departments, representatives of the Ministry of Finance and non-governmental organisations (Mortgage Credit Foundation, Polish Bank Association).
- In 2003 visits of the representatives of the central banks of Kyrgyzstan, Azerbaijan, Ukraine, Tajikistan and Serbia were organised at the National Bank of Poland.
- In November 2003 the agreement on co-operation was signed at the request of the State Bank of Vietnam. It concerns the principles of the exchange of information and organisation of training sessions

## **MOST IMPORTANT NBP ACTIVITY IN 2003**

- NBP took part in the process of adjustment of the Polish banking system to the EU requirements.
- NBP intensified its preparations to the ESCB membership upon being granted the right to take part – as an active observer – in the meetings of the General Council of the ECB (President of the NBP) and committees and working groups of the ESCB (representatives of the NBP).
- In September 2003 the two-year Phare project "Adjustment of the NBP to functioning in the ESCB", executed within the framework of a twinning agreement with the Bank of France and the Bank of Italy, was completed.
- IMF has positively assessed the monetary policy pursued by the NBP, maintenance of a low level of inflation and a lack of direct interventions. The experts of the IMF also highly appreciated the statistical work carried out by the NBP.

THE INTERNAL DEVELOPMENT  
OF THE NBP

### 13.1. Human resource management

#### 13.1.1. NBP staffing

In 2003 average staffing at the NBP amounted to 5,142 full-time posts, a decline by 1,189 posts compared to 2002. The change resulted from the restructuring of the NBP network.

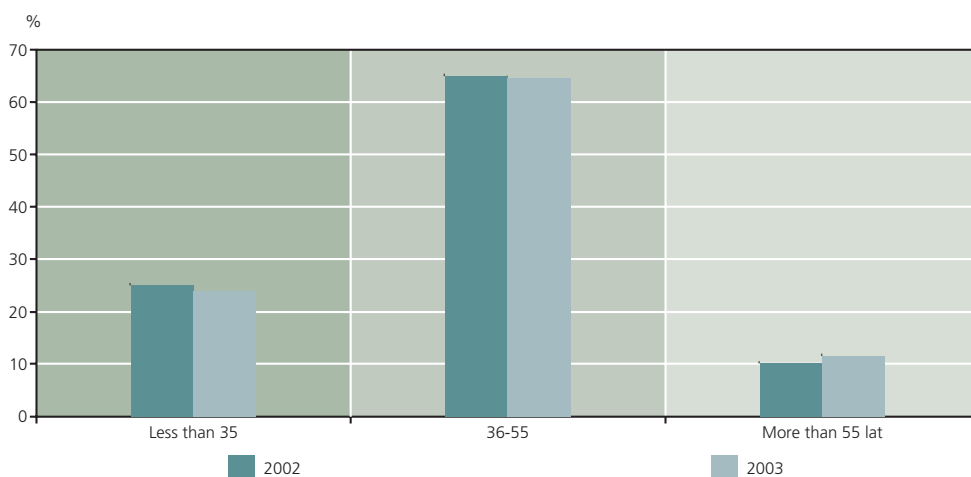
The majority of staff were women, accounting for 71.0% of staff in non-manual posts (as against 72.4% in 2002), and 23.0% in manual and related posts (compared to 24.0% in 2002).

The proportion of the staff up to the age of 35 in the age structure of the Bank's employees (cf. Fig.1) amounted to 24% (compared to 25% in 2002), while employees over 55 years of age represented 11.5% of total staff (as against 10 % in 2002).

At year-end 2003 employees with higher education constituted 55.8% of all staff in non-manual posts (cf. Fig.2), compared to 49% in 2002. The proportion of staff who had not completed their secondary education amounted to 3.0% (compared to 3.8 % in 2002).

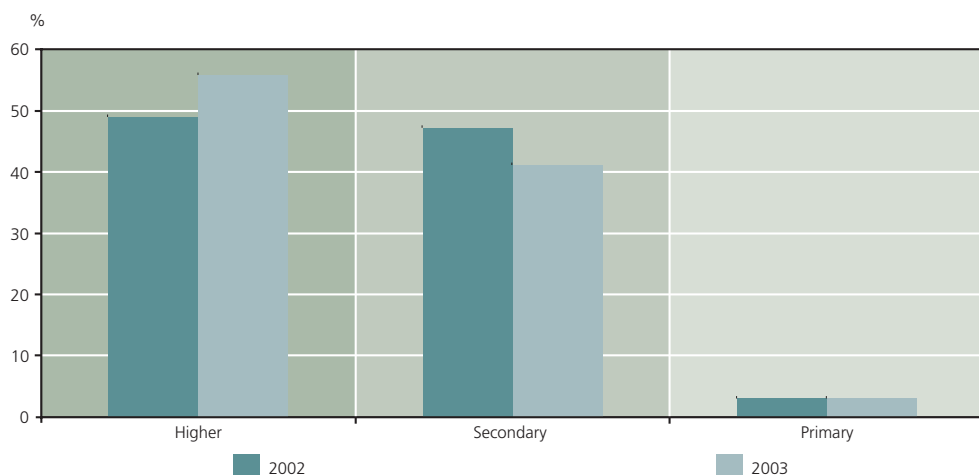
**Figure 9**

**Age structure of NBP staff**



**Figure 10**

**Education structure of NBP staff**



### 13.1.2. Developing staff qualifications

Training sessions for the employees of the NBP in 2003 were to a considerable extent devoted to the preparation of an appropriate number of staff to participate in the work of international bodies. It was related to an increased activity of the NBP on the international arena, including primarily liaison with the European Central Bank.

Like in previous years, in the process of recruitment the group of employees designated for liaison with the ESCB and international supervisory institutions continued to receive major attention. The group is verified on a systematic basis, and currently consists of 120 people. The analysis of training needs indicated a considerable demand for specialist training. Topics for training sessions were determined subject to the needs and related to tasks and strategic areas of NBP activity.

#### 13.1.2.1. Basic forms of developing staff qualifications

In 2003 a total of 10,172<sup>91</sup> NBP employees received training (as compared to 10,510 in 2002). A slight decline in the number of trainees in comparison with 2002 (by about 0.3%) results from a drop in NBP staffing by about 16%. In relation to the current level of employment, there was an increase by 13.5%.

The National Bank of Poland offered its employees a variety of training sessions:

- Training sessions featuring local and foreign lecturers. This specialist training covered primarily macroeconomics, community law, management of reserves, risk management, advanced econometric models, statistics, payment systems, international issues, accounting, internal audit and issues related to the European Union.
- External training sessions (489 people) organised abroad by central banks, international financial and training institutions (seminars, courses, conferences, study visits, including those within the Phare Programme). Foreign training sessions covered primarily macroeconomic issues, statistics and econometrics, payment systems, financial markets, banking supervision, management of foreign exchange reserves, risk management, accounting, law and detailed issues related to the adjustment of the NBP for operation within the ESCB, including internships (6) at the European Central bank and the European Commission.
- Foreign language instruction (628 people). In 2003 linguistic skills recommended by the ECB were developed (writing, taking minutes, chairing meetings, negotiations). Specialist courses and conversations with native speakers were organised. Employees were studying for specialist language examinations.
- External training sessions organised by local training institutions (510 people).
- School and non-school based forms of education: under- and post-graduate university courses, PH.D. courses and training to qualify as legal counsellors (524 people).
- Training via courses and seminars held at training centres of the NBP Head Office (5580 people, including 628 foreign language courses). A large number of training sessions were devoted to legal issues, i.e. the alignment of legal standards to the EU requirements and implementation of the community law in Poland, research techniques and methods, issues involved in the adoption of the euro and budgeting. A number of mandatory training sessions covered the issues of security of bank property and health and safety at work.

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<sup>91</sup> Some employees attended training sessions more than once.

- A separate group of specialist training included training sessions for employees covered by the pilot programme of the Competence Management System. The training programme was developed upon a diagnosis of development needs of young employees, carried out during the audit of competencies, particularly in the area of competencies of the utmost importance to the Bank.

#### 13.1.2.2. *Training under the Phare 2000 programme*

Training under the twinning agreement concerned mainly the exchange of experts, i.e. study visits of the NBP employees to the Bank of Italy and the Bank of France on the issues of the adjustment of the National Bank of Poland to functioning within the ESCB. In 2003 64 employees took part in training sessions under the twinning agreement.

#### 13.1.3. Other personnel issues

Bearing in mind the increase in efficiency of human resource management in 2003, the system of reporting and assessment of the efficiency of training visits abroad in the NBP was being improved. A system of reports from meetings of ESCB committees and working groups was introduced to increase the efficiency of exchange of information on the work of EU bodies.

### 13.2. Premises and equipment

The capital spending in 2003 in performance of projects and investment purchases in the National Bank of Poland amounted to 223,084 thousand zloty, and were lower by 14.9% as compared to 2002. The investment spending in 2003, similarly to the previous years, covered the following major areas:

- telecommunication and IT equipment purchases,
- investment construction,
- purchases of tangible fixed assets.

The principal directions of investment activity involved:

- adjustment of NBP telecommunication and IT infrastructure to the cooperation with the systems at EU central banks,
- enhancement and upgrade of security facilities safeguarding NBP premises and systems,
- extension and modernisation of the existing premises in order to adapt them to the responsibilities performed by the NBP,
- mechanisation of bank vaults and cash and vault operations,
- improvement of health and safety conditions for NBP staff, comprising:
  - modernisation of fire protection facilities, ventilation and air-conditioning systems, water supply and sewage systems, and central heating systems,
  - modernisation of the Bank's buildings and premises, together with their surroundings.



These capital projects yielded the following results:

- further extension and modernisation of the existing IT and telecommunications systems,
- extension and modernisation of the space area of the existing bank premises,
- installation of further security facilities against robbery, burglary and fire, continued adjustment of bank premises to the statutory security requirements.

### 13.3. IT support to the banking system and the NBP

In 2003 the implementation of IT projects led to:

- adjustment of the NPB IT system to the requirements resulting from:
  - Poland's integration with the EU, in particular from the NBP joining the ESCB,
  - provisions of the amended Act on Public Finance,
  - restructuring of the NBP network,
- modernisation of the existing telecommunications and IT infrastructure in order to enhance the efficiency of its operation,
- maintenance of the required level of NBP systems security.

IT department focused its attention on the achievement of EU standards with respect to accounting, payment system, and the execution of monetary policy.

According to the adopted short-term strategy, 2003 saw the implementation of tasks with reference to the following issues:

- development of the modern Integrated Accounting System, the core components of which were launched on January 1, 2004,
- implementation of a system supporting foreign exchange reserves management at the NBP,
- raising efficiency and security of the payment system via launch of the SWAT (*Szybka Warstwa Transportowa* – Quick Transport Layer) system and replacement of the obsolete X.400 electronic mail with TCP/IP links,
- launching the SKARBNET 3 system supporting operations on securities,
- functional upgrades of reporting systems,
- development of supervisory systems and economic data warehouses.

### 13.4. Safety and security

The year 2003 witnessed further work on raising security standards at the NBP. The security policy was developed, determining the method of security risk estimation and reduction, basic safety principles and principles of responsibility for the implementation and execution of provisions.

Work proceeded in two basic areas: security of information and security of people and property.

#### 13.4.1. Protection of restricted information

In 2003, work was in progress with a view to installing telecommunication and IT systems for the processing of restricted information. The efforts involved:

- the launch of such systems in the departments of the Head Office, the GINB (General Inspectorate for Banking Supervision) and other NBP organisational units,
- the adaptation of the system of electronic data interchange between the NBP and the central banks of the EU Member States and the accession countries to the requirements of the Act on the Protection of Restricted Information and the requirements of the European Central Bank,
- training for further NBP staff members designated as system administrators or telecommunication and IT security inspectors.

#### 13.4.2. Protection of personal data

2003 witnessed the continuation of work on personal data protection, including:

- modification of relevant internal regulatory instruments,
- management of processes maintaining the security of IT systems that support personal data processing,
- training for the staff members processing personal data.

#### 13.4.3. Protection of persons and property

In 2003 tasks aimed at the improvement of the level of technical security of NBP premises were carried out under the model of security organisation and technology applied in central banks of EU Member States. The solutions applied for NBP security and protection do not diverge from those adopted in most central banks of EU Member States.

### 13.5. Internal audit

In 2003 the internal inspection was transformed into the internal risk-based audit. This was due to the necessity to comply with the ECBS standards and internal audit good practices. These changes were also, to a large extent, the result of co-operation under the twinning agreements, with the Bank of France and the Bank of Italy.

The internal audit encompassed the inspection audits (i.e. compliance-oriented control audits carried out in the departments and organisational units of the NBP) extending its scope of activities by analytical and internal advisory activities. Furthermore, internal audit activities covered the assessment and improvement of the management process at the NBP, in particular, in the area of internal control system and risk management.

In 2003, as part of internal audit activities:

- 32 audit topics were reviewed, in line with the *Inspection Plan for 2003*. Six inspections, fifty-four internal audits and six explanatory proceedings were executed at the Head Office units, as well as in other organisational units of the NBP;
- the analysis of the execution of conclusions and recommendations, issued during inspections and internal audits, was carried out.

The findings of the inspections and the internal audits, executed at the NBP pointed to the proper functioning of the NBP in most areas subject to examination. The executed inspections have revealed no serious threats to the Bank's activity. Additionally, continued improvement in the internal control system was observed

## 13.6. Organisational changes

### 13.6.1. Reorganisation of the NBP field office network

In 2003 the process of restructuring of the field office network of the National Bank of Poland was completed 16 regional offices – one in each voivodship remained in the structure.

In mid-2003 the process of selling the property that remained after the liquidated branches and field teams was accomplished. The largest share of the property was transferred to the State Treasury (mainly to the prosecutors' offices and courts of law) and the Bank Gospodarstwa Krajowego. The Nicolaus Copernicus University received the property of NBP branch in Toruń for free use. The property of NBP branch in Siedlce was sold via tender.

As a result of restructuring of the field office network, which covered the liquidation of 10 external offices and 23 external branches, the staffing the years 2002-2003 was reduced by 1227 full-time posts. The new structure corresponds to the needs resulting from the current administrative division of the country and functioning within the ESCB. NBP regional offices efficiently carry out the former and recently taken over responsibilities. (Appendix 9 to the *Report – Organisational Chart*).

## 13.7. Introduction of the project management system

In 2003 a project management system was introduced in NBP system, aimed at facilitating the strategic tasks, i.a. thanks to a transparent distribution of competencies and responsibilities, and development of efficient information flow mechanisms.

## 13.8. Obtaining the certificate of conformity with the PN-EN ISO 9001:2000 standard for the area of Electronic Banking

In May 2003 the National Bank of Poland was awarded the quality certificate ISO 9001:2000 for one of its areas of activity, i.e. operating bank accounts with the use of the electronic banking system.

Having obtained the ISO 9001:2000 certificate, the NBP joined the leading in Poland financial institutions applying quality management systems.

### MOST IMPORTANT NBP ACTIVITIES IN 2003

- IT solutions allowing full adjustment of the NBP to operation within the ESCB
- Internal audit moved from compliance-based network to the risk-based function.
- In mid-year the process of restructuring of the NBP field office network was accomplished.
- A project management system was introduced at the NBP.
- In May the NBP received the ISO 9001:2000 quality certificate for operating bank accounts with the use of the electronic banking system.



BALANCE SHEET AND PROFIT  
& LOSS ACCOUNT

## 14.1. Balance sheet of the National Bank of Poland as at December 31, 2003

The total assets of the National Bank of Poland, which stood at the end of December 2002 at 133,327,140 thousand zloty, increased by 6,254,419 thousand zloty, i.e. by 4.7% in 2003 as compared with the end of 2002 and as at December 31, 2003 amounted to 139,581,559 thousand zloty.

**Table 17**

### NBP assets

TOTAL ASSETS	Balance in zloty, at:	
	December 31, 2002	December 31, 2003
	133,327,139,823.82	139,581,559,031.84
<b>I Primary assets</b>	<b>131,146,080,847.3188 *</b>	<b>137,458,003,499.58</b>
1. Gold and gold receivables conforming to international standards of purity	4,353,033,973.75	5,163,760,652.08
2. Foreign currency amounts and claims on foreign institutions denominated in foreign currency	114,918,307,263.84	127,072,378,978.19
3. Claims on domestic institutions denominated in foreign currency	145,360,744.68	52,617,262.25
4. Lending to domestic banks denominated in Polish currency	3,742,134,682.00 *	3,287,545,242.00
5. Other claims on domestic banks denominated in Polish currency	1,351,451,435.61 *	1,352,241,578.53
6. Domestic debt securities	6,635,792,747.43	529,459,786.53
<b>II Other assets</b>	<b>2,181,058,976.51 *</b>	<b>2,123,555,532.26</b>
1. Tangible fixed assets & assets under construction	923,510,553.32	939,353,988.33
2. Intangible assets	100,567,689.13	133,480,850.24
3. Financial fixed assets	262,446,771.20	136,743,160.40
4. Accrued income & prepaid expense	5,527,213.18	7,725,324.68
5. Currency revaluation accounts	84,714.83	217,591,357.46
6. Miscellaneous claims & inventories	888,922,034.85 *	688,660,851.15

\* in comparable conditions for 2003<sup>92</sup>.

Source: NBP.

**Table 18**

### NBP liabilities

TOTAL LIABILITIES & CAPITAL	Balance in PLN as at:	
	December 31, 2002	December 31, 2002
	133,327,139,823.82	139,581,559,031.84
<b>I Notes &amp; coin in circulation</b>	<b>46,745,018,382.98</b>	<b>54,176,616,519.15</b>
<b>II NBP debt securities issued and outstanding</b>	<b>20,953,028,898.64</b>	<b>14,201,970,026.78</b>
<b>III Liabilities denominated in Polish currency excluding those given under items I and II</b>	<b>25,991,101,603.49</b>	<b>25,143,408,787.69</b>
1. Liabilities to financial sector	15,536,121,015.73	12,170,101,360.48
2. Liabilities to domestic government sector	5,656,716,735.36	8,373,457,571.88
3. Liabilities to other domestic institutions	3,014,846.96	2,860,033.56
4. Liabilities to foreign institutions	4,795,249,005.44	4,596,989,821.77
<b>IV Liabilities denominated in foreign currency, excluding those given under item II</b>	<b>2,307,859,362.74</b>	<b>3,915,498,110.95</b>
1. Liabilities to domestic institutions	1,757,482,618.01	3,055,914,902.78
2. Liabilities to foreign institutions	550,376,744.73	859,583,208.17

<sup>92</sup> At year-end 2003 changes were introduced to the presentation of some balance-sheet items, e.g. the subordinated loan granted to BGŻ S.A., claims on interest charged to banks not fulfilling the reserve requirement and collector notes of the "Miasta Polskie" (Polish Towns) series.

TOTAL LIABILITIES & CAPITAL	Balance in PLN as at:	
	December 31, 2002	December 31, 2002
<b>V Other liabilities</b>	<b>5,199,709,718.44</b>	<b>4,030,160,011.05</b>
1. Deferred income & accrued expense	3,891,389,536.13	3,608,358,050.43
2. Special funds	46,321,276.45	25,849,097.58
3. Miscellaneous liabilities	275,334,130.19	56,853,597.02
4. Revaluation accounts	986,664,775.67	339,099,266.02
<b>VI Reserves and Provisions</b>	<b>25,544,698,461.18</b>	<b>31,998,478,683.18</b>
1. Currency revaluation reserve	25,424,612,752.48	31,894,870,521.90
2. Provisions	120,085,708.70	103,608,161.28
<b>VII Capital</b>	<b>1,748,332,557.04</b>	<b>1,845,080,373.83</b>
1. Authorised capital	400,000,000.00	1,500,000,000.00
2. Reserve capital	1,348,332,557.04	345,080,373.83
<b>VIII Profit for the year</b>	<b>4,837,390,839.31</b>	<b>4,270,346,519.21</b>

Source: NBP

## 14.2. Profit & loss account at December 31, 2003

Table 19

### Profit & loss account

Item	In PLN for	
	2002	2003
I. Interest, discount & premium income	5,665,206,399.16	4,527,048,013.51
II. Interest, discount & premium expense	3,106,417,326.95	1,830,394,587.32
III. Net interest, discount & premium income / expense (I - II)	2,558,789,072.21	2,696,653,426.19
IV. Net income / expense on financial operations	559,778,995.12	373,567,584.58
V. Movements in valuation allowances against financial assets	1,543,993,091.48	129,777,906.58
VI. Net FX gain/loss	1,187,765,026.51	1,944,467,459.51
VII. Fee & commission income	13,352,114.53	11,655,174.45
VIII. Fee & commission expense	19,707,061.16	24,162,097.55
IX. Net fee & commission income / expense (VII - VIII)	-6,354,946.63	-12,506,923.10
X. Income from financial fixed assets	40,902,029.25	90,621,828.72
<b>A. NET INCOME / EXPENSE ON BANKING ACTIVITY (III + IV + V + VI + IX + X)</b>	<b>5,884,873,267.94</b>	<b>5,222,581,282.48</b>
XI. Other operating income	53,950,126.14	90,761,833.68
XII. Other operating expense	1,862,342.56	49,061,894.45
XIII. Depreciation	111,057,457.06	117,640,454.09
XIV. General expense	868,255,886.27	868,558,723.84
1. Personnel expense	401,999,965.85	337,221,195.10
2. Administrative expenses	393,825,380.58	399,337,815.90
3. Purchases of domestic notes & coin	72,430,539.84	131,999,712.84
XV. Movements in provisions	-120,256,582.14	-7,735,524.57
1. Income from release of provisions	3,106.34	1,500,584.18
2. Provisioning expense	120,259,688.48	9,236,108.75
<b>B. NET INCOME / EXPENSE ON ORDINARY OPERATIONS (A+XI-XII-XIII-XIV+XV)</b>	<b>4,837,391,126.05</b>	<b>4,270,346,519.21</b>
XVI. Extraordinary gains	0.00	0.00
XVII. Extraordinary losses	286.74	0.00
<b>C. EXTRAORDINARY GAINS / LOSSES, NET (XVI-XVII)</b>	<b>-286.74</b>	<b>0.00</b>
<b>D. PROFIT/LOSS for the year</b>	<b>4,837,390,839.31</b>	<b>4,270,346,519.21</b>

Source: NBP.

## 14.3. Movements in assets and liabilities

Table 20

## Movements in assets and liabilities in 2003

Item	As at			Change	
	December 31,2001	December 31,2002	December 31,2003	Dec. 31,2003-Dec. 31,2002	
	In PLN for				%
<b>ASSETS</b>					
I. Primary assets					
of which:	133,822,653*	131,146,081*	137,458,003	6,311,922	104.8
1. Gold and gold receivables conforming to international standards of purity	3,646,282	4,353,034	5,163,761	810,727	118.6
2. Foreign currency amounts and claims on foreign institutions denominated in foreign currency	107,319,596	114,918,307	127,072,379	12,154,072	110.6
3. Claims on domestic institutions denominated in foreign currency	244,858	145,361	52,617	-92,744	36.2
4. Lending to domestic banks denominated in Polish currency	4,233,523*	3,742,135*	3,287,545	-454,590	87.9
5. Other claims on domestic banks denominated in Polish currency	1,358,152*	1,351,451*	1,352,241	790	100.1
6. Domestic debt securities	17,020,242	6,635,793	529,460	-6,106,333	8.0
II. Other assets	2,169,527*	2,181,059*	2,123,556	-57,503	97.4
<b>TOTAL ASSETS</b>	<b>135,992,180</b>	<b>133,327,140</b>	<b>139,581,559</b>	<b>6,254,419</b>	<b>104.7</b>
<b>LIABILITIES &amp; CAPITAL</b>					
I. Notes & coins in circulation	43,130,281	46,745,018	54,176,616	7,431,598	115.9
II. NBP debt securities issued and outstanding	24,167,139	20,953,029	14,201,970	-6,751,059	67.8
III. Liabilities denominated in Polish currency	31,381,941	25,991,102	25,143,409	-847,693	96.7
IV. Liabilities denominated in foreign currency	6,139,548	2,307,859	3,915,498	1,607,639	169.7
V. Other liabilities	5,793,853	5,199,710	4,030,160	-1,169,550	77.5
VI. Capital & reserves	22,683,312	27,293,031	33,843,559	6,550,528	124.0
VII. Profit for the year.	2,696,106	4,837,391	4,270,347	-567,044	88.3

\* in comparable conditions for 2003<sup>93</sup>.

Source: NBP.

The change in the balance sheet total at year-end 2003, as compared to December 31, 2002, was mainly caused by the following:

## in terms of assets:

- an increase in foreign currency amounts and claims on foreign institutions by 12,154,072 thousand zloty, i.e. by 10.6%. This was mainly due to a stronger euro and pound sterling exchange rate against the zloty, as well as due to increased investments in foreign debt securities in NBP portfolio. In book value terms, the dollar and sterling portfolios grew by 500.6 million and 209.5 million respectively, while the euro portfolio increased by 387.6 million.
- a decrease in domestic debt securities by 6,106,333 thousand zloty, i.e. by 92%. This was principally traceable to the following: outright sale of Treasury bonds denominated in zloty to domestic banks completed in April 2003 (the total book value amounted to 1,107,752 thousand zloty); redemption by the issuer of all Treasury bonds denominated in dollars issued in 2001 (value: 4,107,516 thousand zloty).

## in terms of liabilities:

- an increase in notes and coin in circulation by 7,431,598 thousand zloty per annum, i.e. by 15.9%. The value was growing steadily since March 2003.

<sup>93</sup> At year-end 2003 changes were introduced to the balance sheet. They pertained to the presentations of some assets, including e.g. the subordinated loan granted to BGŻ S.A., claims on interest charged to banks not fulfilling the reserve requirement and collector notes of the "Miasta Polskie" (Polish Towns) series.

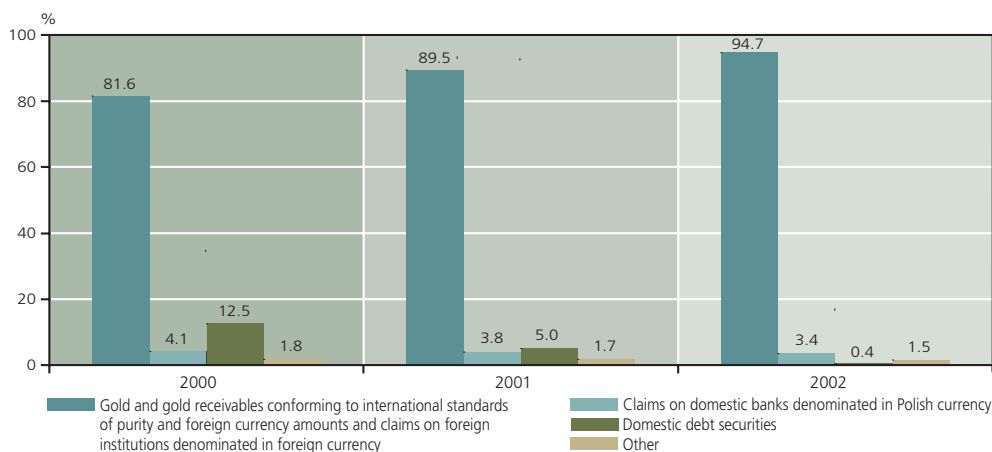


- an increase in capital and reserves by 6,550,528 thousand zloty, i.e. by 24.0%, caused by a rise in the currency revaluation reserve, in connection with an increase in official reserve assets denominated in foreign currencies and with increased euro and pound sterling exchange rates.
- a decrease in NBP debt securities issued and outstanding by 6,751,059 thousand zloty, i.e. by 32.2%, caused by early repurchase of bonds purchased by banks in 1999, following the decrease in the required reserve rates amounting to 5,210,925 thousand zloty and following a reduced scale of open market operations.
- a decrease in other liabilities by 1,169,550 thousand zloty, i.e. by 22.5% in all categories, including a decrease in revaluation accounts by 647,566 thousand zloty. This stemmed from the settlement of net FX gains/losses in relation to the payment of instalments of state bonds denominated in USD and issued in 1991, as well as the NBP's deposit at the Bank Handlowy w Warszawie SA.

Movements in the structure of the NBP assets in 2001-2003 are presented in Figure 11, and movements in liabilities – in Figure 12.

**Figure 11**

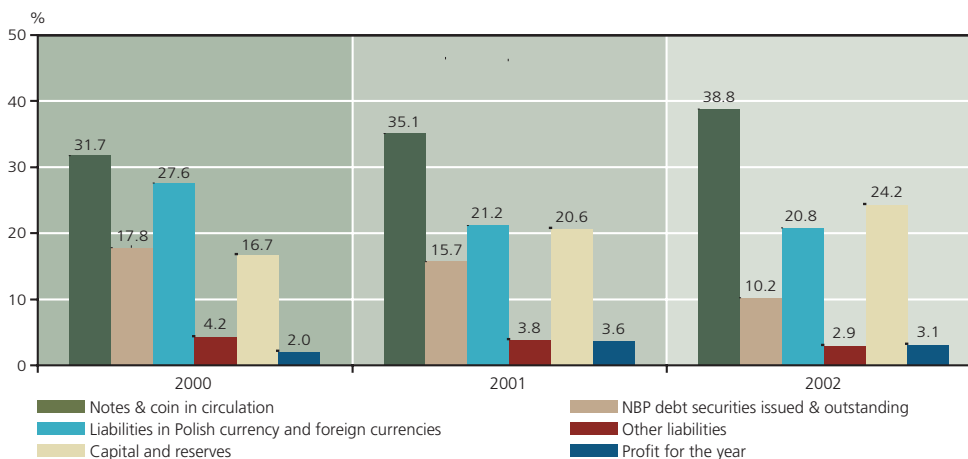
**Movements in the structure of NBP assets in 2001-2003**



Source: NBP.

**Figure 12**

**Movements in the structure of NBP liabilities in 2001-2003**



Source: NBP.

## 14.4. Movements in profit and loss account

In 2003, the operations of the National Bank of Poland yielded a profit of 4,270,347 thousand zloty.

**Table 21**

### Movements in profit & loss, 2003.

Item	Data for		Change		Structure	
	2001	2002			2001	2002
	thousand zloty				%	
Earnings.	4,837,391	4,270,347	-567,044	-11.7	100.0	100.0
1. Net income / expense on banking activity of which	5,884,873	5,222,581	-662,292	-11.3	121.7	122.3
net interest, discount & premium	2,558,789	2,696,653	137,864	5.4	52.9	63.1
financial operations	559,779	373,568	-186,211	-33.3	11.6	8.7
movements in valuation allowances	1,543,993	129,778	-1,414,215	-91.6	31.9	3.0
net FX gains / losses	1,187,765	1,944,467	756,702	63.7	24.6	45.5
net fee & commission income / expense	-6,355	-12,507	-6,152	96.8	-0.1	-0.3
income from financial fixed assets	40,902	90,622	49,720	121.6	0.8	2.1
2. Net income/expense on other operating activity, of which	-1,047,482	-952,234	95,248	-9.1	-21.7	-22.3
other operating income / expense, net	52,088	41,700	-10,388	-19.9	1.1	1.0
depreciation	111,057	117,640	6,583	5.9	2.3	2.8
general expense	868,256	868,559	303	0.0	17.9	20.3
Movements in provisions	-120,257	-7,735	112,522	-93.6	-2.5	-0.2
3. Net income / expense on extraordinary operations	0	0	0	-	-	-

Source: NBP.

The decrease in total profit, as compared with the previous reporting period, was to a great extent affected by the decrease in net income on banking activity by 662,292 thousand zloty. This was mainly caused by:

- a decrease in valuation allowances of financial assets by 1,414,215 thousand zloty,
- a decrease in earnings on financial operations by 186,211 thousand zloty.

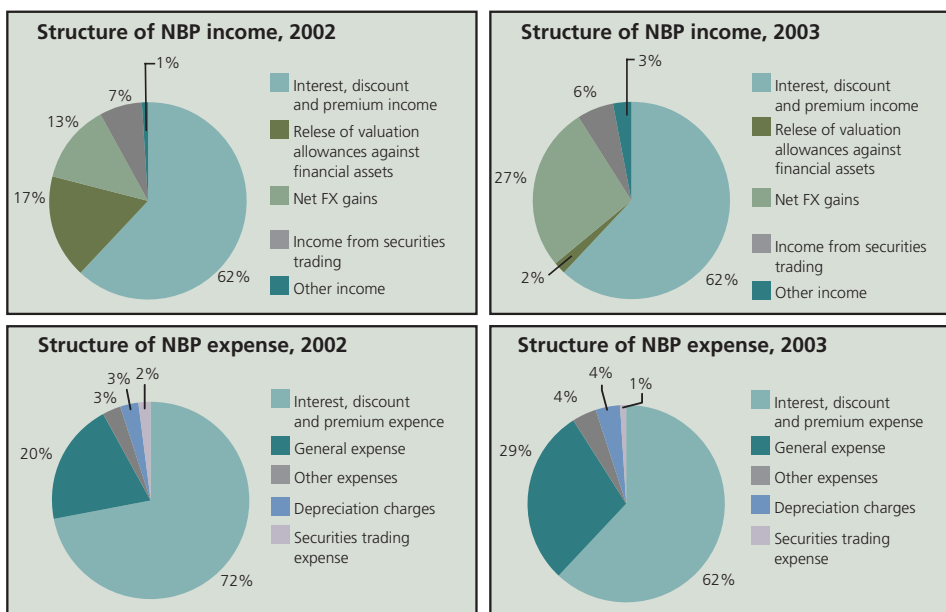
The impact of the above-mentioned items on the reduced income from banking activity was partially balanced by:

- increased FX gains by 756,702 thousand zloty,
- increased income from net interest, discount and premium (by 137,864 thousand zloty).

In 2003, total expense of NBP decreased, as compared with 2002, by 1,348,212 thousand zloty (from 4,329,392 thousand zloty to 2,981,180 thousand zloty), mainly due to a significant decrease in interest rate expense (by 1,276,022 thousand zloty). The remaining expense items remained approximately at the previous year level. It follows from the figures above that the share of general expense in total NBP expense increased from 20% to 29%. However, it should be mentioned that general expense in 2003 was at the level of 2002 (a slight increase by 0.03%).

Figure 13

## NBP income and expense structure in 2002-2003



Source: NBP.

## 14.4.1. Net income / expense on banking activity

## 14.4.1.1. Net interest, discount &amp; premium income/expense

Table 22

## Net interest, discount &amp; premium income/expense

Item	Data for		Change		Structure	
	2002	2003			2002	2003
	thousand zloty		%			
Net interest, discount & premium income/expense	2,558,789	2,696,653	137,864	5.4		
Interest, discount & premium income	5,665,206	4,527,048	-1,138,158	-20.1	100.0	100.0
1. Income:	1,477,691	1,145,009	-332,682	-22.5	26.1	25.3
a) interest receivable on funds held on bank accounts	897,972	601,032	-296,940	-33.1	15.9	13.3
b) interest receivable on loans and advances	521,177	492,528	-28,649	-5.5	9.2	10.9
c) other income	58,215	51,283	-6,932	-11.9	1.0	1.1
d) income receivable on past due claims	328	166	-162	-49.4	-	-
2. Securities income	4,187,516	3,382,039	-805,477	-19.2	73.9	74.7
Interest, discount & premium expense	3,106,417	1,830,395	-1,276,022	-41.1	100.0	100.0
1. Interest expense	767,913	442,248	-325,665	-42.4	24.7	24.2
a) interest payable on funds held on bank accounts	736,684	407,277	-329,407	-44.7	23.7	22.3
b) interest payable on loans and advances	193	97	-96	-49.7	-	-
c) other expense	31,037	34,874	3,837	12.4	1.0	1.9
2. Interest, discount and premium expense on securities	2,338,504	1,388,147	-950,357	-40.6	75.3	75.8

Source: NBP.

The increase in net interest, discount and premium income by 137,864 thousand zloty was the resultant of the decrease of income by 1,138,158 thousand zloty and the decrease of expense by 1,276,022 thousand zloty. The income decreased mainly due to the following factors:

- a decrease of income from foreign investment, mainly due to reduced interest rate on financial markets stemming from the monetary policies implemented by central banks in the USA, the Economic and Monetary Union and Great Britain,
- a decrease in the volume of Treasury bonds in the NBP portfolio (outright sale of conversion bonds, redemption of principal instalments of bonds denominated in US dollars issued in 1991 and 2001 and of the assimilation bond), which entails lower interest receivable.

The decrease in expense was caused mainly by the reduction of NBP's interest rates, by a lower overliquidity of the banking sector, and by lower balances on accounts of the Ministry of Finance.

#### 14.4.1.2. Net income/expense on financial operations

**Table 23**

##### Net income/expense on financial operations

Item	Data for		Change		Structure	
	2002	2003			2002	2003
	thousand zloty				%	
Net income / expense on financial operations	559,779	373,568	-186,211	-33.3		
Gains on securities trading of which:	654,849	410,790	-244,059	-37.3	100.0	100.0
foreign securities	621,203	366,056	-255,147	-41.1	94.9	89.1
domestic securities	33,646	44,734	11,088	33.0	5.1	10.9
Losses on securities trading of which:	95,070	37,222	-57,848	-60.8	100.0	100.0
foreign securities	20,336	37,222	16,886	83.0	21.4	100.0
domestic securities	74,733	0	-74,733	-100.0	78.6	-

Source: NBP.

The decrease in income from financial operations in 2003 (related to the sales of securities) results from a fall in securities prices on foreign markets and from an increase in the market value of the Treasury conversion bonds subject to outright operations.

#### 14.4.1.3. Movements in valuation allowances against financial assets

**Table 24**

##### Movements in valuation allowances against financial assets

Item	Data for		Change		Structure	
	2002	2003			2002	2003
	thousand zloty				%	
Movements in valuation allowances against financial assets	1,543,993	129,778	-1,414,215	-91.6	100.0	100.0
income on release of valuation allowances	1,543,993	129,778	-1,414,215	-91.6	100.0	100.0
expense of charges to valuation allowances	0	0	0	-	-	-

Source: NBP.

In 2003, only valuation allowances against Treasury conversion bonds were released. The release of the above mentioned allowances occurred upon the outright sale of bonds. The decrease in this position was mainly due to a much lower (1,237.5 million zloty), as compared with the previous reporting period, volume of outright operations (6,481.4 million zloty).

#### 14.4.1.4. Net FX gains/losses

**Table 25**

##### Net FX gains/losses

Item	Data for		Change		Structure	
	2002	2003			2002	2003
	thousand zloty				%	
<b>Net FX gains/losses</b>	<b>1,187,765</b>	<b>1,944,467</b>	<b>756,702</b>	<b>63.7</b>		
Gains, of which:	1,194,546	1,989,391	794,845	66.5	100.0	100.0
gains on exchange operations	41,336	62,284	20,948	50.7	3.5	3.1
release of currency revaluation reserve	534,632	1,253,286	718,654	134.4	44.8	63.0
gains on revaluation of assets and liabilities denominated in foreign currencies	618,578	673,821	55,243	8.9	51.8	33.9
<b>Losses, of which:</b>	<b>6,781</b>	<b>44,924</b>	<b>38,143</b>	<b>562.5</b>	<b>100.0</b>	<b>100.0</b>
losses on exchange operations	5,255	44,278	39,023	742.6	77.5	98.6
losses on revaluation of assets and liabilities denominated in foreign currencies	1,526	646	-880	-57.7	22.5	1.4

Source: NBP.

The level of net FX gains in 2003 was mainly determined by:

- the income on the release of currency revaluation reserve,
- gains on revaluation of assets and liabilities denominated in foreign currencies.

#### 14.4.1.5. Net fee & commission income/expense

**Table 26**

##### Net fee & commission income/expense

Item	Data for		Change		Structure	
	2002	2003			2002	2003
	thousand zloty				%	
<b>Net fee &amp; commission income/expense</b>	<b>-6,355</b>	<b>-12,507</b>	<b>-6,152</b>	<b>96.8</b>		
Income, of which receivable from:	13,352	11,655	-1,697	-12.7	100.0	100.0
domestic banks	4,942	5,218	276	5.6	37.0	44.8
foreign banks	139	21	-118	-84.9	1.0	0.2
government sector	6,101	5,130	-971	-15.9	45.7	44.0
other parties	2,169	1,286	-883	-40.7	16.2	11.0
<b>Expense, of which payable to:</b>	<b>19,707</b>	<b>24,162</b>	<b>4,455</b>	<b>22.6</b>	<b>100.0</b>	<b>100.0</b>
domestic banks	17,428	22,645	5,217	29.9	88.4	93.7
foreign banks	2,279	1,517	-762	-33.4	11.6	6.3

Source: NBP.

Fee and commission income is earned by the National Bank of Poland on the provision of banking services to the banking sector and government special-purpose funds.

Fee and commission expense is incurred principally as a result of banking operations performed by the commercial banks under alternative cash services to government institutions in areas where the NBP does not have branches.

## 14.4.2. Income from financial fixed assets

Table 27

## Income from financial fixed assets

Item	Data for		Change		Structure	
	2002	2003			2002	2003
	thousand zloty			%		
Income from financial fixed assets, of which:	40,902	90,622	49,720	121.6	100.0	100.0
Shares sold	2,553	60,992	58,439	2,289.0	6.2	67.3
Dividends received from:	9,185	10,658	1,473	16.0	22.5	11.8
KIR SA (National Clearing House) in Warsaw	625	1,438	813	130.1	1.5	1.6
BPT TELBANK S.A., Warsaw	5	0	-5	-100.0	-	-
BIS	8,555	9,220	665	7.8	20.9	10.2
Revaluation of BIS shares	29,163	18,972	-10,191	-34.9	71.3	20.9

Source: NBP.

Income on financial fixed assets amounted to 90,622 thousand zloty, i.e. increased by 49,720 thousand zloty as compared with the previous reporting period. The amount includes income from the sale of shares, revenues from the conversion of BIS shares into SDR, as well as dividends received by the NBP from the National Clearing House (Krajowa Izba Rozliczeniowa) and the Bank of International Settlements (BIS) in Basle.

## 14.4.3. Other operating income/expense, net

Table 28

## Other operating income/expense, net

Item	Data for		Change		Structure	
	2002	2003			2002	2003
	thousand zloty			%		
Net income/expense on other operating activity	-1,047,482	-952,234	95,248	-9.1		
I. Other operating income	53,950	90,762	36,812	68.2	100.0	100.0
II. Other operating expense	1,862	49,062	47,200	2,534.9	100.0	100.0
III. Depreciation charges	111,057	117,640	6,583	5.9	100.0	100.0
IV. General expense	868,256	868,559	303	0.0	100.0	100.0
1. Personnel expense	402,000	337,221	-64,779	-16.1	46.3	38.8
2. Administrative expense, of which:	393,825	399,338	5,513	1.4	45.4	46.0
materials and energy	31,935	30,033	-1,902	-6.0	3.7	3.5
employee benefits	38,341	34,286	-4,055	-10.6	4.4	3.9
business travel	8,825	7,752	-1,073	-12.2	1.0	0.9
external services	154,271	164,379	10,108	6.6	17.8	18.9
taxes & official charges	11,074	10,405	-669	-6.0	1.3	1.2
other banking expense*	101,447	128,929	27,482	27.1	11.7	14.8
other administrative expense, of which:	17,800	19,644	1,844	10.4	2.1	2.3
Public Relation Expense	15,554	18,014	2,460	15.8	1.8	2.1
Transfers to special- funds	30,133	3,910	-26,223	-87.0	3.5	0.5
3. Purchases of domestic notes & coin	72,431	132,000	59,569	82.2	8.3	15.2
	-120,257	-7,735	112,522	-93.6	-2.5	-0.2

\*The item includes the increase in the Bank Guarantee Fund fee – by 27,063 thousand zloty in 2003.

Source: NBP.

Other operating income mainly consists of: income from sales of precious metals that do not conform to international purity standards, income from sale of collector's items, revenues related to the restructuring of the NBP's branches network and income from lease of NBP premises. Other operating expense is mainly the expense related to tangible assets and costs of valuation allowances.

The increase in depreciation expense was mainly attributable to the process of IT system expansion in the NBP, continued in 2003 and aiming at the adjustment of the NBP to ECB requirements, maintenance of the high level of customer service, and increased efficiency and quality of the Bank's operations.

The Bank's general expense, including personnel and associated payroll expense, administrative expense and purchases of notes and coin, increased by 303 thousand zloty, as compared with 2002. The expense, excluding the purchases of notes and coin and the significant increase of the fee for the Bank Guarantee Fund, decreased by 86,329 thousand zloty, as compared with the previous reporting period.

The decline in personnel and associated payroll expense results from the restructuring of the National Bank of Poland, commenced in 2002, which entailed decreased employment in the NBP as well as the freezing of salaries at the level of 2001.

In 2003, as a result of the restructuring of the NBP branch network, administrative expense of the Bank and expense resulting from the employment level and the property owned decreased significantly. The reduction trend pertained to the costs of materials and energy, benefits for employees, renovation services, public utility services, telecommunication services, business travel, taxes and charges.

Expense pertaining to adjustments at the NBP to the standards of the European System of Central Banks (e.g. costs of IT services, official foreign visits and foreign training sessions) showed an increasing trend. The level of administrative expense was also affected by the development of the information and educational activities carried out by the NBP and addressed to the general public in order to propagate economic knowledge.

#### 14.4.4. Movements in provisions

The difference in total provisions value (in 2003 a negative value of 7,735 thousand zloty) was mainly related to the cost of revaluation of provisions for future liabilities to employees (revaluation of provisions created in 2002 for jubilee awards, old age and disability pensions). In 2002, the costs of the creation of provisions were higher and amounted to 120,259 thousand zloty. The above mentioned amount included costs of provisions for future liabilities to employees (at the level estimated by an actuary) — 99,061 thousand zloty, for disputed liabilities — 11,858 thousand zloty and severance pay for employees from liquidated NBP regional offices — 9,340 thousand zloty.

#### 14.4.5. Profit and distributions

In 2003, the profit of the National Bank of Poland amounted to 4,270,347 thousand zloty. Upon the approval of the Bank's *annual accounts for the year 2003* by the Council of Ministers, this profit will be distributed via appropriations to the Bank's reserve capital and a transfer to the Treasury. The profit of 4,270,347 thousand zloty will thus be divided as follows: appropriations to the NBP reserve capital (5% of the profit) will amount to 213,518 thousand zloty, and a transfer to the Treasury will amount to 4,056,829 thousand zloty.





BALANCE OF PAYMENTS  
OF THE REPUBLIC OF POLAND  
IN 2003

The presented quarterly description of the balance of payments was prepared for the first time based on data regarding the balance of payments on the transaction basis.

### 15.1. Key tendencies in the balance of payments in 2003

The analysis of data in the balance of payments in 2003 leads to the following conclusions:

1. The deficit in the current account was EUR 3.7 billion and declined by 32.3% as compared to 2002.
2. As a result of the decline in the current account deficit, its share in the GDP declined from 2.7% in 2002 to 2.0% in 2003.
3. The decline in the trade balance deficit had a positive impact on the current account. Trade balance improved due to a 9.1 % growth in exports expressed in euro accompanied by a 3.3% growth in imports.
4. The analysis of the commodity structure of exports on the basis of customs clearance data shows that the growth in exports primarily reflected an increase in the exports of road vehicles, electrical machinery and equipment, furniture, and power supply machinery and equipment.
5. In the commodity structure of imports, analysed in the breakdown by destinations, an increase was noted in the value of intermediate goods by EUR 1.9 billion, i.e. by 5.5%.
6. As compared to 2002, the surplus in services declined (by EUR 0.4 billion, i.e. nearly 50%). This was attributable to the decline in credit being faster than the decline in debit.
7. The negative balance of income grew further (by EUR 0.8 billion, i.e. 38.1%). The growth of the negative balance resulted from an increase in the payments of income on the non-residents' investments in Poland (by EUR 0.2 billion, i.e. by 8.6%) and a decline in income obtained by residents from investments abroad (by EUR 0.2 billion i.e. 14.4%).
8. In 2003 the surplus in current transfers reached EUR 3.7 billion, which, in comparison with 2002, indicated a growth in the positive balance by EUR 0.3 billion, i.e. 8.6%.
9. The inflow of net capital on foreign direct investment reached EUR 3.8 billion. This amount was lower by EUR 0.6 billion, i.e. by 14.1%, in the previous year. For the first time in the recent years the net outflow of capital was observed in the form of loans from direct investors.
10. 2003 saw an inflow of capital invested by non-residents in Polish securities, primarily in debt securities issued by the State Treasury, in the amount of EUR 3.4 billion.
11. Net inflow of capital in the form of other foreign investments occurred in the amount of EUR 3.8 billion. The inflow of capital was mostly recorded in the sector of non-financial corporations (mainly in the form of trade credits) and banks (mainly as deposits). In the meantime, an outflow of capital from the government sector was registered.
12. In 2003 the net value of investment made by Polish entities abroad was EUR 3.0 billion. Along with the growth in Poland's trade exchange, the value of extended trade credits was also on a steady increase. Residents also invested considerable funds in foreign securities.
13. Trade balance, resulting from settlements of transactions between residents and non-residents and involving financial derivatives, was negative and amounted to EUR 0.8 billion.

14. As a result of conducted transactions, the official reserve assets grew by EUR 1.1 billion. By contrast, the revaluations and exchange rate fluctuations caused a decline in reserves by EUR 2.6 billion. At the end of 2003, the official reserve assets declined altogether by EUR 1.5 billion, as compared to the end of 2002, and reached EUR 26.9 billion.
15. Due to a lower current account deficit, the index of financing the current account deficit with direct investment increased and reached 93.3%. In the previous year this index attained the value of 76.7%.
16. A slight decline was seen in the index of covering imports of goods and services with reserve assets. In 2003 this index indicated the possibility of financing imports from reserves for 4.7 months, whereas in 2002 the value of this index reached 5.1 months. Nevertheless, this index remains at a high, secure level.

## 15.2. Current account

### 15.2.1. Improved current account balance

**Table 29**

**Current account balance components**

	2002				2003			
	I	II	III	IV	I	II	III	IV
Current account balance	-1.8	-1.8	-0.7	-1.1	-1.6	-0.9	-0.5	-0.6
Trade balance	-2.1	-1.9	-1.2	-1.6	-1.8	-0.9	-1.0	-1.0
Goods: net	-2.1	-2.1	-1.4	-2.1	-1.5	-1.1	-1.2	-1.3
Services: net	-0.1	0.2	0.2	0.5	-0.2	0.2	0.2	0.3
Income: net	-0.3	-0.7	-0.4	-0.6	-0.7	-0.9	-0.5	-0.7
Current transfers: net	0.6	0.8	1.0	1.0	0.8	0.9	1.0	1.1

In 2003 the current account balance was negative and reached EUR 3.7 billion. In comparison with the previous year, the current account balance has materially increased by EUR 1.7 billion, i.e. by 32.3 %.

The current account deficit mainly resulted from a significant, albeit steadily improving, deficit in the trade in goods. In 2003, the surplus of the imports of goods over the exports amounted to EUR 5.1 billion. The negative income balance, which reached EUR 2.8 billion in 2003, also materially contributed to the current account deficit.

For many years the current account balance has been positively affected by surpluses in current transfers and services. In 2003 they stood at EUR 3.7 billion and EUR 0.4 billion respectively.

As compared to 2002, a pronounced increase was seen in the negative balance of trade in goods, which declined by EUR 2.6 billion, i.e. by 34.1%. This stemmed from good results in exports (growth by 9.1%). Imports grew by 3.3% in this period.

An increase also occurred in the positive balance of current transfers, which grew by EUR 0.3 billion, i.e. by 8.6%, due to the growth in credit by 6.7%, accompanied by the unchanged level of debit.

At the same time, in comparison with 2002, the year 2003 saw a decline in the positive balance of services by nearly 50%, due to a decline in credit (by 6.6 %) being higher than that in debit (by 2.9%).

Figure 14

## Current account balance components

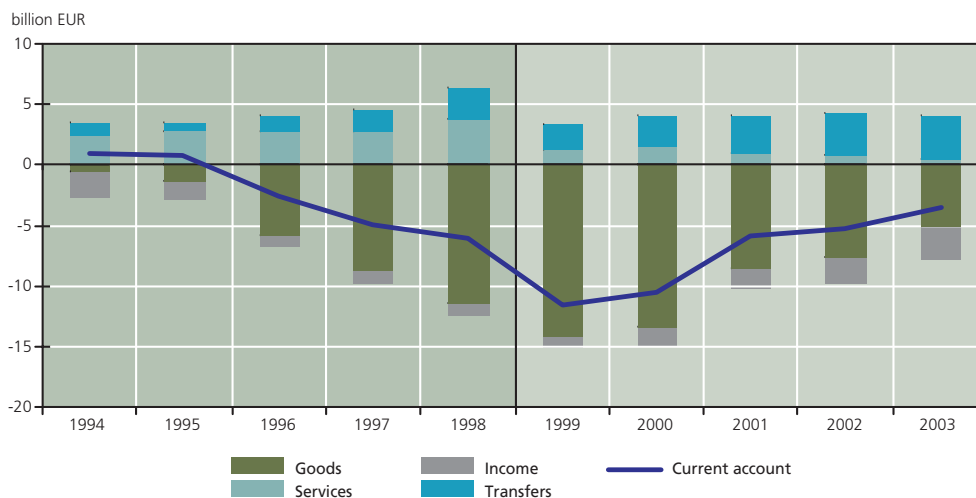
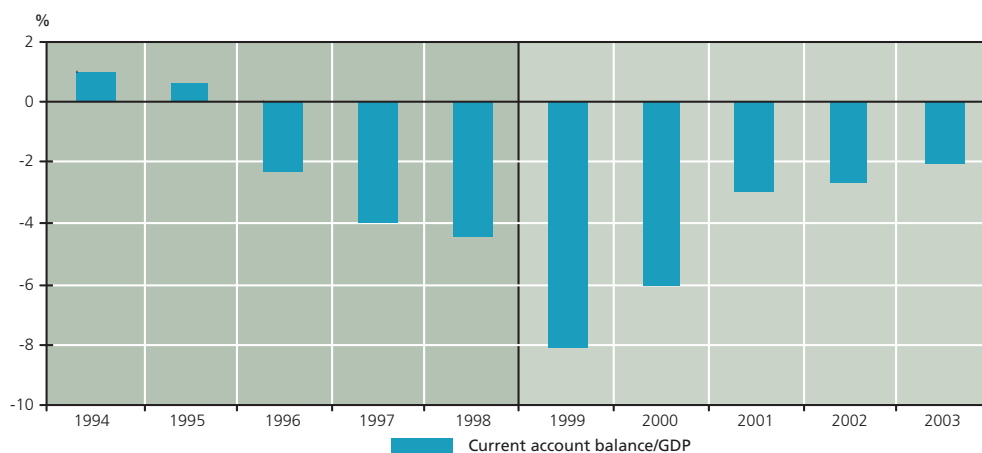


Figure 15

## Ratio of current account balance to the GDP



In comparison with 2002 the negative balance of income also deepened - by EUR 0.8 billion, i.e. by 38.1%, due to a decline in credit by 8.6% and an increase in debit by 14.4%.

The above changes had an impact on the ratio of current account to the GDP. In 2003 this index reached the value of -2.0%, which signifies a material increase in comparison with the previous year (-2.7%). In Poland the value of this index was lower than in other countries of the region (the Czech Republic -6.0%, Hungary -3.7%, Slovakia -7.6%)<sup>94</sup>.

## 15.2.2. Improved trade in goods

In 2003 trade in goods in the balance of payments developed as follows: exports - EUR 53.8 billion, and imports - EUR 58.9 billion. In comparison with the previous year, exports grew by 9.1%,

<sup>94</sup> Data for 2002.

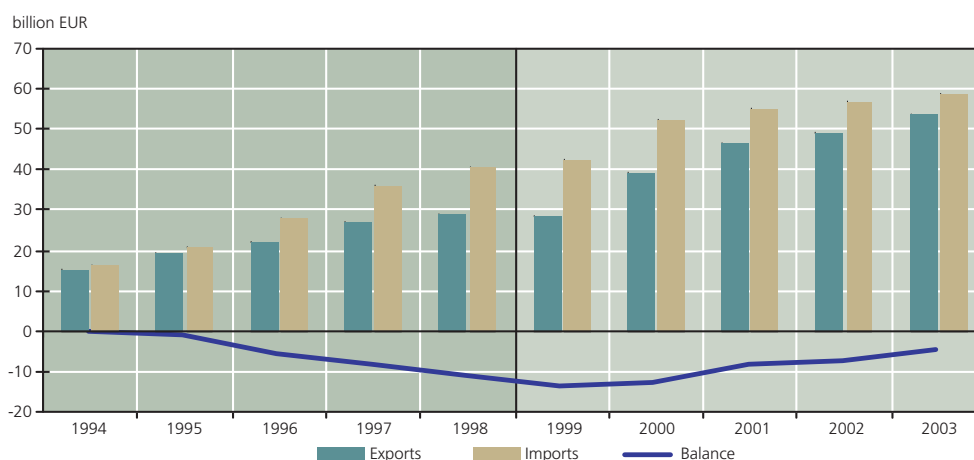
<sup>95</sup> As from 2000 trade in goods in the balance of payments has been compiled in accordance with the methodology based on data from SAD customs clearance documents and on additional estimations conducted for the purpose of national accounts. The reason for an introduction of this methodology for compilation of trade in goods was the need for development of a consistent set of data concerning the external trade in goods in national accounts and in the balance of payments, compiled in accordance with the required international statistical standards. The consistency of information in the area of external trade in goods and services is of major importance for conducting macroeconomic analyses, particularly in the field of distribution of the Gross Domestic Product (GDP), including the determination of the external balance of trade (the so-called net exports).

and imports grew by 3.3%. Trade in goods deficit reached EUR 5.1 billion, i.e. it declined by 34.1% (i.e. by EUR 2.6 billion) in comparison with the previous year. The sums of trade in goods comprised:

- in exports, 88.1% of trade compiled on the basis of SAD customs clearance data (EUR 47.4 billion) and 11.9% of trade compiled on the basis of estimates (EUR 6.4 billion);
- in imports, 99.7% of trade compiled on the basis of SAD customs clearance data (EUR 58.7 billion) and 0.3% of trade compiled on the basis of estimates (EUR 0.2 billion). Trade balance, compiled on the basis of customs clearance data, was adjusted by the estimated costs of transport included in the import invoices issued on the CIF basis

**Figure 16**

**Exports and imports of goods according to the data of the balance of payments**



For the reason of data availability, the analysis of subject- and geographical structure of trade in goods was effected on the basis of customs statistics data.

### 15.2.3. Foreign trade turnover on the basis of customs statistics<sup>96</sup>

#### 15.2.3.1. Increase in the exports of goods

According to data on foreign trade statistics, compiled on the basis of customs information, the value of the exports of goods in 2003 reached EUR 47.5 billion. In comparison with 2002 it represented a growth by EUR 4.0 billion, i.e. by 9.3%.

Within the geographical structure of Polish exports, the share of the EU countries prevails (68.8%). Since May 1, 2004, with the EU accession of the new countries, the share of the EU countries is likely to exceed 80%. Germany is Poland's main trade partner – its share accounts for 32.3% of total exports.

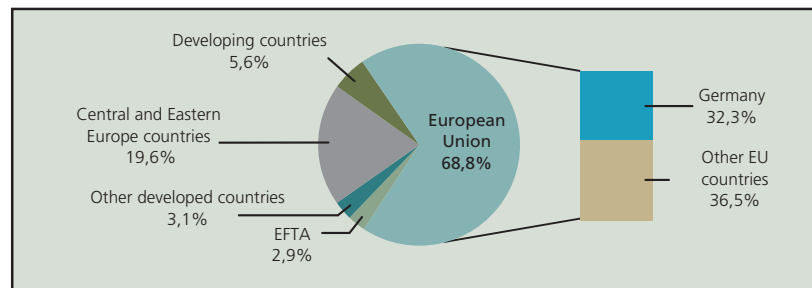
The analysis of changes in Polish exports in terms of their geographical breakdown, leads to a conclusion that the increase in the value of goods purchased by the EU countries was a decisive factor of growth in this category.

In 2003 exports of goods to the EU countries reached EUR 32.7 billion and in comparison with the previous year they grew by EUR 2.8 billion, i.e. by 9.3%. This growth accounted for 69.2% of the total growth in Polish exports. The highest growth in exports was seen in exports to Germany, which reached EUR 1.3 billion. A significant growth was also noted in exports to Italy, Sweden, France, Spain and the Netherlands.

<sup>96</sup> The foreign trade turnover was compiled by the NBP in accordance with the methodology applied by the Central Statistical Office (GUS) on the basis of data from the Foreign Trade Data Center (CIHZ), containing data from SAD customs documents.

Figure 17

## Geographical breakdown of exports



Source: CSO data, NBP calculations.

In comparison with the previous year, in 2003 exports to the second largest recipient of Polish goods (in terms of share), i.e. to the CEEC (19.6% share in total Polish exports) grew by EUR 1.0 billion, i.e. by 12.6%. This reflected primarily the growth in exports to Lithuania, the Czech Republic, Slovakia and Hungary.

The analysis of the item structure of Polish exports in 2003 confirms that in the years 2000-2003 all the SITC sections of goods showed growth tendencies, except for mineral fuels, lubricants and related materials. In comparison with 2002, in 2003 the growth in exports stemmed primarily from the growth in the value of exports in the following groups of goods:

- road vehicles – mainly passenger cars and their parts – by 15.7%;
- apparatus, machinery and electrical equipment – primarily wires, cables and electrical cords – by 18.6%;
- furniture and its parts – by 12.4%;
- power supply machinery and equipment – mainly diesel engines – by 15.0%;
- metal products (by 10.6%).

#### 15.2.3.2. Growth in the imports of goods

According to customs statistics data, in 2003 the value of the imports of goods reached EUR 60.4 billion, which in comparison with 2002 represents a growth by EUR 1.9 billion, i.e. by 3.2%. In the years 2000–2003 imports were on increase. On the other hand, the growth rate was markedly lower than in the case of exports.

The analysis of the geographical breakdown of import deliveries in 2003 indicates that the value of imports grew for all groups of countries except for other developed countries.

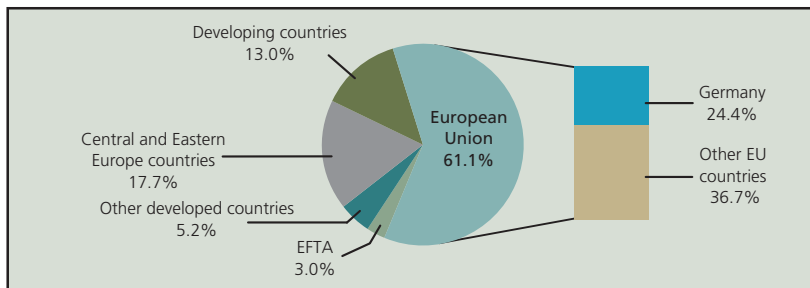
Within the structure of imports to Poland the share of the EU countries prevails (61.1%). In comparison to the previous year, import of goods from those countries grew by EUR 0.8 billion, i.e. by 2.3%. Imports from Germany, Italy and France noted the highest growth.

In 2003 the share of the CEEC in total imports reached 17.7%. In comparison with 2002 imports from those countries grew by EUR 0.7 billion, i.e. by 6.9%, mainly as a result of a strong growth in imports from the Czech Republic, Ukraine and Belarus.

As regards other countries, a strong growth in the imports of goods to Poland was registered in trade with China and Norway.

Figure 18

Geographical breakdown of imports



Source: CSO data, NBP calculations.

The analysis of the item structure of Polish imports in 2003 indicates an upward trend in the imports of machinery, apparatus and transportation equipment, industrial goods classified primarily by raw material, as well as in chemical products and related products. However, the growth rate in the imports of those goods was much lower than that in exports. Following a significant decline in 2002 in the imports of mineral fuels, lubricants and related materials, this category grew (by 3.3%) to EUR 5.5 billion, i.e. below the value of imports in the years 2000-2001. In 2003 other goods sections showed a decline or a stabilisation of imports.

15.2.3.3. Decrease in the positive balance of services

2003 was another consecutive year of a decrease in the positive balance of services. As a result of a faster decline in credit (6.6%) than in debit (2.9%) in comparison with the previous year, this balance declined by nearly 50% and reached the value of EUR 0.4 billion. An exceptionally low value of credit in relation to debit occurred in the first quarter of 2003; this contributed to a negative balance of services in that period.

An analysis of the sectoral structure of services shows that in 2003 the total negative balance of other services also deepened.

Figure 19

Services

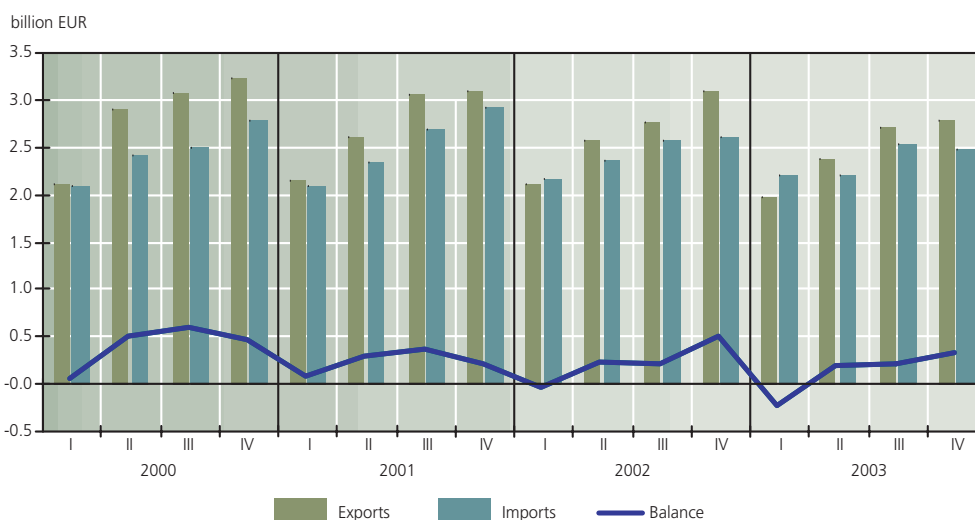


Table 30

## Services (billion EUR)

	2000	2001	2002	2003
<b>Credit</b>	<b>11.3</b>	<b>10.9</b>	<b>10.5</b>	<b>9.8</b>
Transport services	2.7	3.0	3.4	3.5
Foreign travel	6.2	5.2	4.5	3.6
Othe	2.5	2.7	2.6	2.7
<b>Debit</b>	<b>9.8</b>	<b>10.0</b>	<b>9.7</b>	<b>9.4</b>
Transport services	1.7	1.8	1.9	2.0
Foreign travel	3.6	3.9	3.4	2.5
Othe	4.5	4.4	4.4	4.9
<b>Balance</b>	<b>1.5</b>	<b>0.9</b>	<b>0.9</b>	<b>0.4</b>
Transport services	1.0	1.2	1.5	1.5
Foreign travell	2.6	1.3	1.1	1.1
Othe	-2.0	-1.6	-1.8	-2.2

## Foreign travel

In 2003 the volume of credits on foreign travel reached EUR 3.6 billion, which represented a decline by EUR 0.9 billion, i.e. by 20.5%, in comparison with the previous year. The decline in credits occurred despite the growth in the number of the foreigners' arrivals in Poland by 1.4 million, i.e. by 2.7%. According to research conducted by the Institute of Tourism, the decline in credits on foreign travel in comparison with 2002 was attributable to lower average expenditure per person – regarding both foreign tourists, i.e. persons spending at least one night in Poland, (decline in the average expenditure by 13.6% in dollar terms), as well as foreigners paying one-day visits (decline in the average expenditure by 21.7% in dollar terms, to the level of USD 36). This affected the first three quarters of 2003 and only in the fourth quarter a significant growth was observed in the average expenditure per person. In 2003 52.1 million foreigners visited Poland. Within the structure of arrivals the share of citizens of neighbouring countries prevailed – (93.5%); this included Germans, Czechs, Ukrainians, Belarussians and Slovaks. According to the estimates of the Institute of Tourism, one-day visits of foreigners, especially those from neighbouring countries, accounted for 73.7% of total arrivals. The remaining share was constituted by the arrivals of tourists (13.7 million persons), whose number declined by 2% in comparison with the previous year. The primary objectives of foreigners' visits to Poland included business trips (29%), tourism (27%) and visiting relatives and friends (24%).

In 2003 the volume of expenditure of Poles travelling abroad reached EUR 2.5 billion, which represents a decline by EUR 0.9 billion, i.e. by 26.5%, in comparison with the previous year. It was another consecutive year in which a decline in the number of foreign travels of Poles was reported. In 2003 38.7 million of departing Poles were registered on Poland's borders, i.e. 14.0% less than in the previous year. The decline in departures concerned both tourists (7.2 million persons, i.e. 14.3% less than in 2002), and one-day departures (31.5 million persons, i.e. a decline by 13.9% in comparison with the previous year). Polish tourists most frequently visited Germany, Italy, the Czech Republic, Slovakia and Austria. In comparison with 2002 the highest growth in the number of Polish tourists was observed for travels to Italy and Austria. By contrast, the highest decline in the number of visits was noted for Greece, Spain and the Netherlands, a slightly lower decline was seen in France and Croatia. Furthermore, Poles demonstrated an increased interest in travels to Russia and to Egypt.

## Transport services

The volume of the balance of transport services, along with the balance of foreign travel, had a material impact on the total balance of services. In 2003 the positive balance of transport services totalled EUR 1.5 billion and stood at the level close to that reported in the previous year.

In 2003 credits on transport services reached EUR 3.5 billion, which represented a growth by EUR 0.1 billion, i.e. by 1.9%, in comparison with the previous year.



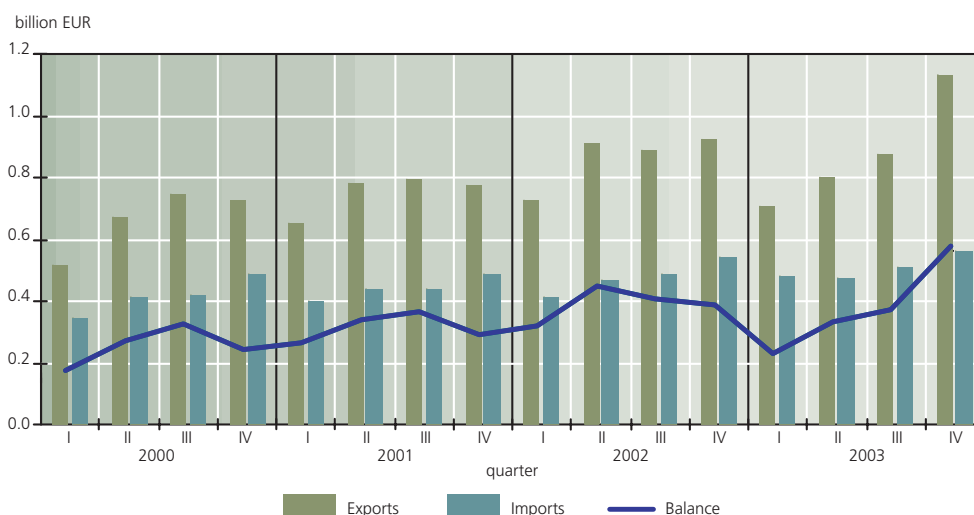
An analysis of a sectoral breakdown of transport services shows that the biggest share (33.3%) in credits on transport was noted for the sea transport. The value of sea transport services rendered to non-residents grew by 12.2%. By contrast, the value of credits stemming from air transport services rendered by Polish entities featured a strong decline – by 19.1%. In the meantime, the share of credits stemming from pipeline transport services featured a steady growth. In 2003 its value grew by 2.8%.

In 2003 debits on transport services reached EUR 2.0 billion, which represents a growth by EUR 0.1 billion, i.e. by 5.7%, in comparison with the previous year.

The structure of debits on transport services was dominated by road and sea transport rendered by non-residents to Polish entities (34.3% and 31.6% of the share respectively). The value of debits related to road and sea transport grew by 4.5% and 18.5% respectively.

**Figure 20**

**Transport services**



**Other services**

In 2003 the total balance of other services, excluding transport services and foreign travel, remained negative and reached EUR 2.2 billion. This represented a deterioration by EUR 0.3 billion, i.e. by 19.0% in comparison with 2002.

In 2003 credits on other services reached EUR 2.7 billion and were mainly fuelled by the export of construction, insurance, and communication services as well as other business services<sup>4</sup>.

The debits on other services group, which amounted to EUR 4.9 billion in 2003, were dominated by fees from copyrights and licences, construction, insurance and financial services, as well as other business services.

<sup>97</sup> The category *other business services* comprises services related to business intermediation, operational lease, engineering services, legal and accountancy consulting, etc.

#### 15.2.4. Increase in the negative balance of income

In 2003 the negative balance of income totalled EUR 2.8 billion. In comparison with 2002 the negative balance of income deepened - by EUR 0.8 billion, i.e. by 38.1%, due to a decline in credits by 8.6% and an increase in debits by 14.4%.

In 2003 the balance of direct investment income<sup>98</sup> was negative and reached EUR 1.4 billion. The size of this balance was solely affected by the debits related to income on foreign direct investment in Poland.

2003 saw a negative balance of portfolio investment income, in the amount of EUR 0.2 billion. A year before this balance was positive and reached EUR 0.2 billion. The negative balance was a result of a decline in income obtained by residents from external investments accompanied by a growth in income on non-residents' investment in Polish securities.

In 2003 total credits obtained by Polish entities from income on their external portfolio assets reached EUR 1.1 billion. This amount was lower by 8.9% than credits obtained a year before (EUR 1.3 billion). Credits on the portfolio investments income accounted for 60.9% of total credits from income.

In 2003 the level of credits on income was under a negative impact of a progressive, and dating back to 2000, decline in the market interest rates related to major world currencies. For example: the average value (arithmetic average) of the three-month EURIBOR rate reached 3.32% in 2002, whereas in 2003 it reached 2.33%. A decline occurred also in the rates related to the USD (though the downwards trend in the rates connected with the USD was reversed in the second half of 2003). The average value of the three-month LIBOR rate declined from 1.79% to 1.21%. Short-term LIBOR and EURIBOR rates tend to be the reference rates for bonds with a variable coupon. As regards the long-term rates, the average yield on five-year government bonds of the euro area countries declined from 4.27% to 3.30%, and the yield on bonds of similar kind issued by the US government declined from 3.76% to 2.93%.

**Table 31**

#### Incomes

	2000	2001	2002	2003
<b>RECEIPTS</b>	<b>2.4</b>	<b>2.9</b>	<b>2.1</b>	<b>1.9</b>
Wages and salaries of employees	0.2	0.2	0.3	0.3
Income on direct investment	0.0	0.0	-0.1	0.0
Income on portfolio investment	1.1	1.6	1.3	1.1
Income on other investment	1.1	1.1	0.6	0.4
<b>EXPENDITURE</b>	<b>4.1</b>	<b>4.5</b>	<b>4.0</b>	<b>4.6</b>
Wages and salaries of employees	0.2	0.3	0.3	0.3
Income on direct investment	0.8	0.8	0.8	1.4
Income on portfolio investment	1.0	1.2	1.1	1.3
Income on other investment	2.0	2.2	1.9	1.6
<b>BALANCE</b>	<b>-1.6</b>	<b>-1.6</b>	<b>-2.0</b>	<b>-2.8</b>
Wages and salaries of employees	0.0	-0.1	0.0	0.1
Income on direct investment	-0.7	-0.8	-0.9	-1.4
Income on portfolio investment	0.1	0.4	0.2	-0.2
Income on other investment	-1.0	-1.2	-1.3	-1.2

The structure of credits on the income from portfolio investment was dominated by the income obtained by the NBP from the official reserve assets.

<sup>98</sup> Presented information on the income of foreign direct investors from the capital investment in Polish entities in 2003 is preliminary and incomplete. Data do not contain information on the size of reinvested earnings attributable to foreign direct investors.

In the examined period debits on the income on portfolio investment made by non-residents in Poland reached EUR 1.3 billion and in comparison with 2002, when it reached EUR 1.1 billion, this category grew by 24.3%. In 2003 the share of debits on the income on portfolio investment in the total value of debits was 29.2%.

The reason behind the growth in debits was the substantial increase in the average value of the portfolio of Polish bonds held by non-residents in 2003 in comparison with 2002. In comparison with 2002 the value of the State Treasury bonds held by non-residents grew by approx. 35%. In the meantime, the decline in the interest rates linked to main world currencies and to the zloty had a restrictive influence on the volume of payments of interests.

For many years, the income on other investment has shown a negative balance. In 2003 this figure reached EUR 1.2 billion and in comparison with the previous year it improved by 5.3%. The deficit in this item of income was fuelled by paid interest on loans which amounted to EUR 1.4 billion in 2003. The decrease in the negative balance of interest on loans by EUR 0.3 billion in comparison with 2002 reflected, on the one hand, the reduction in the foreign debt of the sector of non-financial corporations, and on the other hand, the lower interest payments by the State Treasury to creditor countries grouped within the Paris Club, as envisaged in the schedule of interest payments. The positive balance in the item of interest on bank accounts and deposits placed by Polish banks in foreign banks stood at the lowest level since 1998 and reached EUR 0.1 billion (in 2002 – EUR 0.3 billion, in 2001 – EUR 0.7 billion). This decline reflected the decrease in the yield on deposits stemming from the lowering of interest rates in the international markets.

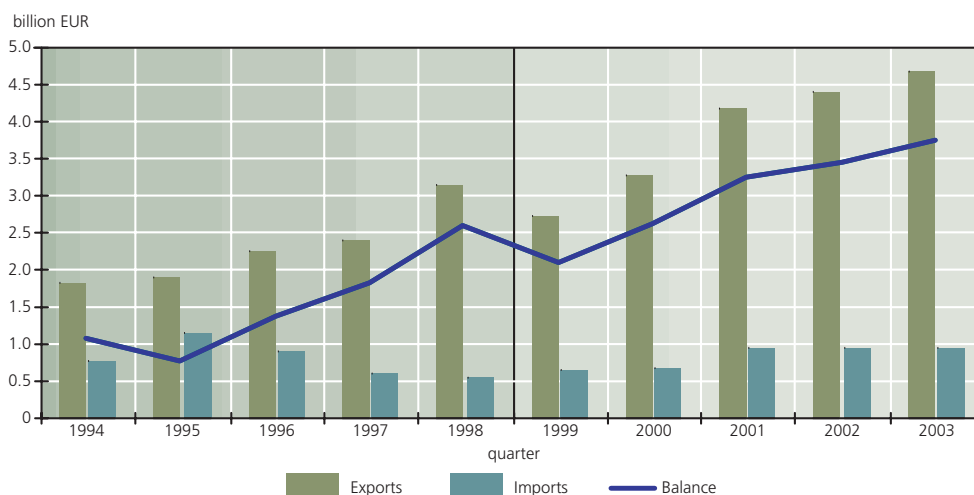
#### 15.2.5. Increase in the positive balance of current transfers

For a number of years, the balance of payments has featured a growth in the positive balance of current transfers. In 2003 the balance of this balance sheet category totalled EUR 3.7 billion, which represented a growth by EUR 0.3 billion, i.e. by 8.6% in comparison with 2002. This surplus was obtained as a result of an increase in credits on current transfers in the context of the unchanged level of debits. In the discussed period the credit on current transfers reached EUR 4.7 billion, and the debit reached EUR 1.0 billion.

Both credits and debits related to the government sector's current transfers stood at a similar level close to the figures of the previous year. Credits reached EUR 0.6 billion, whilst debits EUR 0.2 billion. Aid and donations from EU institutions and countries accounted for 91.3% of the funds transferred to this sector from abroad. The funds received as an aid reached EUR 0.6 billion and stood at the same level as in 2002

**Figure 21**

#### Current transfers



Private transfers had a decisive impact on the current transfers balance. In 2003 their positive balance reached EUR 3.3 billion and grew by 11.2% in comparison with the previous year.

**Table 32**

**Current transfers (billion EUR)**

	2000	2001	2002	2003
<b>CREDITS</b>	<b>3.3</b>	<b>4.2</b>	<b>4.4</b>	<b>4.7</b>
Government transfers	0.4	0.5	0.6	0.6
Private transfers	2.9	3.7	3.7	4.1
<b>ROZCHODY</b>	<b>0.7</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>
Government transfers	0.1	0.1	0.1	0.2
Private transfers	0.6	0.8	0.8	0.8
<b>SALDO</b>	<b>2.6</b>	<b>3.2</b>	<b>3.4</b>	<b>3.7</b>
Government transfers	0.3	0.3	0.5	0.5
Private transfers	2.3	2.9	2.9	3.3

Credits stemming from private transfers comprised primarily the remittances of earnings of persons working abroad. In 2003 the growth in the remittances of earnings by 47.7% played a decisive role in the increase in credits on current transfers and in the improvement of the balance of those transfers.

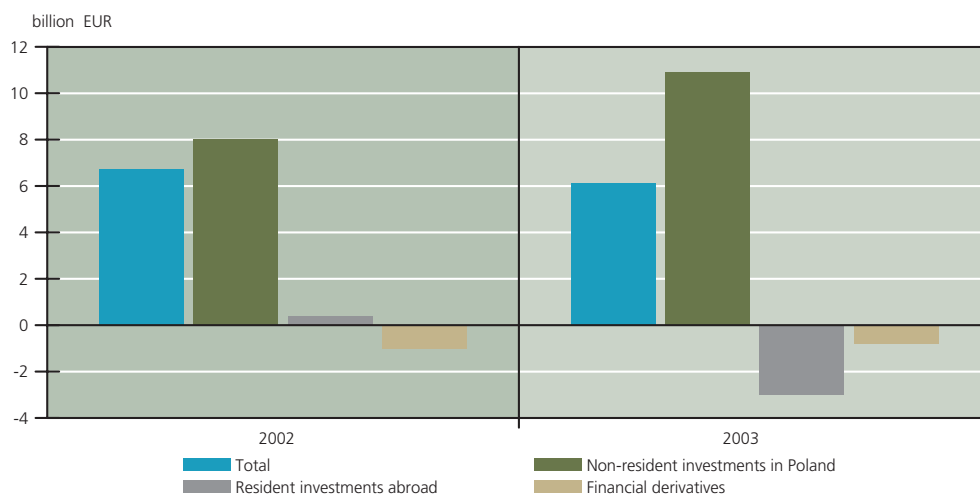
### 15.3. Financial account

In 2003, the balance of the financial account was positive and reached EUR 7.2 billion. This value was lower by 2.9 % than in the previous year, when the balance reached EUR 7.4 billion.

The net inflow of capital from investments made by non-residents in Poland grew in comparison with 2002. The balance of investment reached EUR 10.9 billion, whereas in the previous year it was EUR 8.0 billion. The size of the balance reflected the inflow of capital in the form of direct and portfolio investments.

**Figure 22**

**Financial account components**



The balance of investments made by residents abroad was negative and reached EUR 3.0 billion. This balance was materially affected by the granted trade credits and portfolio investments in foreign securities made by residents.

In 2003 the turnover balance resulting from the settlements of transactions between residents and non-residents, which involved financial derivatives, was negative and amounted to EUR 0.8 billion. In the previous year a slightly higher outflow of capital was noted, amounting to EUR 1.0 billion.

### 15.3.1. Non-resident investment in Poland

In 2003, the inflow of foreign net investment to Poland reached EUR 10.9 billion. Foreign direct and portfolio investments were the main sources of capital inflow. A significant growth was also seen in the value of trade credits received by Polish non-financial corporations from their foreign suppliers.

**Table 33**

#### Foreign investment in Poland (billion EUR)

	2000	2001	2002	2003
<b>Foreign investments in Poland</b>	<b>15.6</b>	<b>8.2</b>	<b>8.0</b>	<b>10.9</b>
Direct investment	10.3	6.4	4.4	3.8
Portfolio investment	3.8	1.1	3.1	3.4
Other investment	1.4	0.7	0.5	3.8
Trade credit	0.8	0.5	1.9	2.6
Other loans received	2.4	-0.6	-0.9	-0.4
Current accounts, deposits and other credit	-1.7	0.9	-0.5	1.6

#### 15.3.1.1. Lower inflow of foreign direct investment

In 2003 the net inflow of foreign capital to Poland<sup>99</sup> in the form of direct investment reached EUR 3.8 billion. This amount was lower by EUR 0.6 billion, i.e. by 14.1%, than a year before.

**Table 34**

#### Foreign direct investment (billion EUR)

	2000	2001	2002	2003
<b>Foreign direct investment</b>	<b>10.3</b>	<b>6.4</b>	<b>4.4</b>	<b>3.8</b>
Inflow of foreign capital in the form of shares equity purchases	9.8	5.9	4.5	4.1
In foreign currency	9.2	5.1	4.0	4.1
In kind (in-kind contributions)	0.1	0.4	0.1	
Conversions (of credits, other liabilities and dividends into shares)	0.4	0.4	0.4	
Reinvested earnings	-0.4	-1.2	-1.3	0.0
Intercompany loans	1.0	1.6	1.2	-0.4

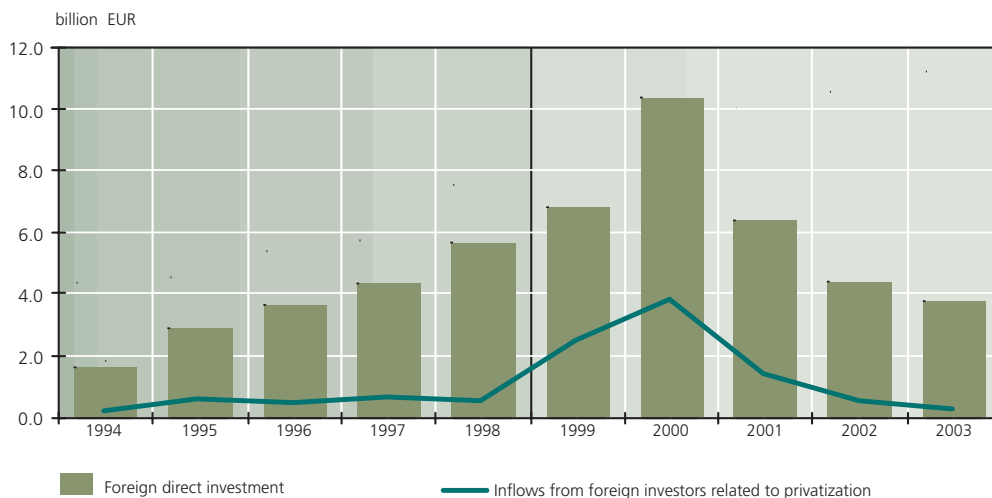
The value of funds allocated for increasing the equity of direct investment enterprises reached EUR 4.1 billion, whereas the negative balance of loans reached EUR 0.4 billion. In 2003 for the first time the repayments of already contracted credit facilities were higher than the new drawings. It should be emphasized that the previous years saw a steady inflow of capital in the form of credits from foreign investors, whereas in 2003 this tendency was reversed.

<sup>99</sup> Presented information on the inflow of capital to Poland in 2003 from foreign direct investment is preliminary and incomplete. Data do not contain information on:

- in kind contributions, i.e. contributions in the form of tangible assets towards the equity capital,
- Conversion of loans, other liabilities and dividends into shares,
- Reinvested earnings attributable to foreign direct investors.

Figure 23

## THE BLANCE OF FOREIGN DIRECT INVESTMENT



The decline in the value of foreign capital inflow related to foreign direct investments, dating back to 2001, was primarily the effect of a decline in the value of foreign exchange funds allotted for the purchase of shares or equity of Polish non-financial corporations. This phenomenon was caused by a substantial decline in payments on privatisation made by foreign investors to the State Treasury

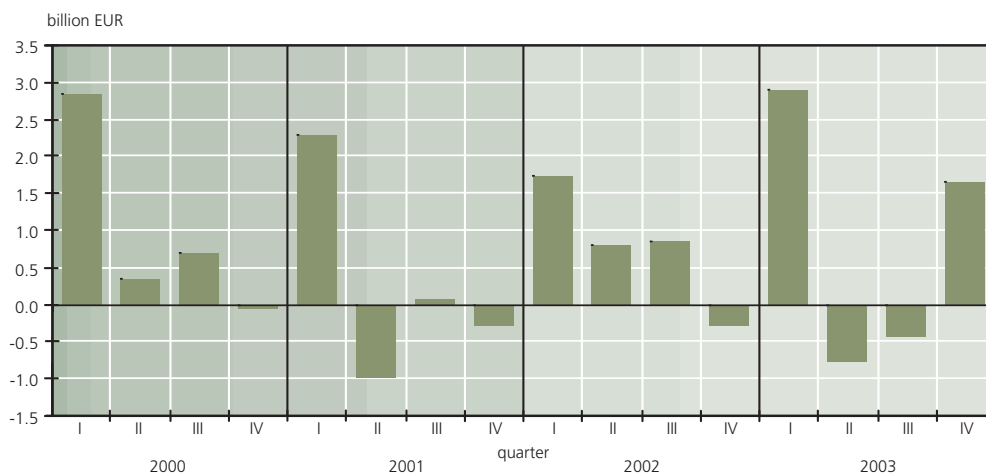
## 15.3.1.2. Increase in the inflow of portfolio capital

The net value of foreign capital invested in 2003 in Polish securities totalled EUR 3.4 billion. This value was higher by 8.1% than a year before, when the value of foreign portfolio investment reached EUR 3.1 billion.

2003 saw an inflow of capital invested by non-residents in debt securities, primarily in those issued by the State Treasury. In 2003, the net inflow of funds invested in Polish debt securities amounted to EUR 4.1 billion.

Figure 24

## The balance of foreign portfolio investment



The balance of investment in Polish debt securities throughout the discussed period was determined by the balances in the first and the fourth quarters of 2003. In the first quarter, the State Treasury issued Eurobonds which had a nominal value of EUR 1.5 billion on the foreign markets. A very large purchase of T-bonds denominated in zloty effected by non-residents in the domestic market was also recorded in that period. This was due to a widening difference in yields on the zloty bonds and on the bonds denominated in foreign currencies. At the beginning of 2003 this difference in the case of bonds denominated in euro was about 2% and in February it grew to nearly 3%. This increased the attractiveness of investments in Polish securities denominated in zloty. In the first quarter the balance reached EUR 2.9 billion.

The sale of Polish debt securities denominated in zloty continued throughout the third quarter. Apart from the above mentioned factors a negative impact on the demand for Polish debt securities was exercised by the disclosure of the forecasted budget deficit for 2004. Owing to the September issue in the foreign markets of the Polish T-bonds denominated in euro with the nominal value of EUR 1.5 billion, the balance for that quarter, albeit negative, reached only EUR 0.2 billion.

The fourth quarter saw an increased demand expressed by foreign investors, which was triggered by a further rapid decrease in the price of bonds denominated in zloty (which lasted until November), and was a continuation of the adjustments effected in June. The resumption of demand was also stimulated by a material increase in the disparity of interest rates. In the fourth quarter the disparity for securities denominated in euro reached the value of about 4%, the highest since the end of 2002. Given large budgetary needs, the supply of the T-bonds followed the demand. New issues of zloty bonds were made, replacing the series of bonds redeemed in that period and two issues of Eurobonds denominated in USD and in EUR (of the nominal value of USD 1 billion and EUR 0.5 billion respectively). In the fourth quarter the balance reached EUR 2.1 billion.

2003 saw a net outflow of capital invested by non-residents in Polish equity securities. In the discussed period the balance reached EUR -0.7 billion. In the previous year the balance of those investments was also negative and reached EUR -0.6 billion. The activity of non-residents investing in Polish equity securities, in terms of the size of gross trade, was growing quarter-on-quarter to exceed the values noted in the previous year and in the fourth quarter it reached the level which had not been recorded since 2000, i.e. since the last boom at the WSE. This increased activity reflected the revival at the WSE, dating back to the second quarter of 2003. In the context of the more active environment, the negative balance of the non-residents' investments should be attributed to the short-term character of these investments. Additionally, given a significant growth in the prices of those securities at the WSE, it is highly probable that non-resident investors sold their securities above the price at which they purchased them. In 2003 the value of the WIG index rose by 44.9%. Especially the last quarter, when the price growth subdued, favoured the closing of positions previously opened by non-residents

#### **15.3.1.3. Inflow of other investment**

In 2003 net inflow of capital to Poland, in the form of other investment, totalled EUR 3.8 billion. Most of the capital inflow was allocated in the sector of non-financial corporations (mainly as trade credits) and banks (chiefly via the increase in deposits made at Polish banks by non-residents). Meanwhile, an outflow of capital from the government sector was recorded, which was related to the repayment of foreign debt in the form of credits.

2003 saw the growth in liabilities from trade credits obtained by Polish non-financial corporations involved in the trade in goods and services. The amount of growth in liabilities totalled EUR 2.6 billion and it rose by 40.9% in comparison with 2002. The received trade credits represented the liabilities of Polish importers on the outstanding payments in imports. A net inflow of capital to the non-financial corporations sector was simultaneously observed; this was related to foreign credits received by this sector. In 2003 the net inflow of capital to non-financial corporations amounted to EUR 0.6 billion (in 2002 it was EUR 0.1 billion). The amount of credit facilities drawn was EUR 5.7 billion and in comparison with the previous year it rose by EUR 1.7

billion (i.e. by 42.7%). Repayments also increased and reached EUR 5.2 billion in 2003, as compared to EUR 3.9 billion in 2002 (growth by 33.3%). In 2003, Polish non-financial corporations raised most credits in the Netherlands (9.7%), the United Kingdom (7.9%) and Austria (6.2%).

In 2003 the government sector drew new credit and loan facilities in the amount of EUR 1.8 billion, by EUR 0.5 billion, i.e. 38.5%, more than a year earlier. The repayment of credit liabilities of that sector amounted to EUR 2.9 billion and was higher by EUR 1.1 billion than a year before, when it reached EUR 1.8 billion. This category was fuelled, inter alia, by: the repayment of liabilities on principal instalments due to 17 member countries of the Paris Club (in the amount of EUR 1.3 billion) and due to the World Bank (in the amount of EUR 0.2 billion).

In 2003 commercial banks drew EUR 1.7 billion from credits and loans obtained, which represented a decrease by EUR 0.1 billion, i.e. 5.2%, compared to the previous year. In 2003 the size of repayments declined by EUR 0.8 billion in comparison with 2002. As a result the negative balance of EUR 0.5 billion in 2002 changed in the discussed period into a positive balance of EUR 0.2 billion. In 2003 the net value of funds placed by non-residents in current and deposit accounts opened at Polish commercial banks reached EUR 1.6 billion

### 15.3.2. Resident investment abroad

#### 15.3.2.1. Increase in resident investment abroad

**Table 35**

#### Resident investments abroad\* (mld EUR)

	2000	2001	2002	2003
Resident investment abroad (assets)	-4.4	-4.4	0.4	-3.0
Polish direct investment abroad	0.0	0.1	-0.2	-0.3
Polish portfolio investment abroad	-0.1	0.0	-1.2	-1.1
Other investment	-4.3	-4.5	1.9	-1.5
Trade credit	-0.6	-0.8	-1.3	-1.9
Other credit granted	0.1	0.1	-0.1	-0.4
Currency, current accounts, deposits and other credit	-3.8	-3.8	3.3	0.8

\* With respect to the resident investment abroad the negative signifies an outflow of capital abroad, i.e. an increase in investment.

In 2003 Polish entities invested abroad the net amount of EUR 3.0 billion. Along with the growth in Poland's trade exchange, the value of the extended trade credit has been on a steady increase. Large funds were also placed by residents in foreign securities.

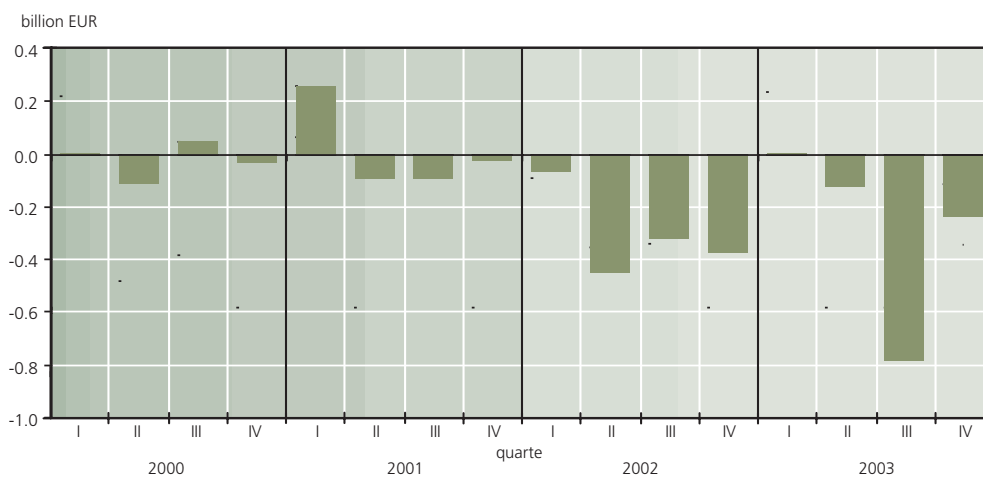
In 2003 the amount of the outflow of net capital from the resident direct investment abroad reached EUR 0.3 billion; as compared to the corresponding period of 2002 it grew by EUR 0.1 billion. The main reason for the outflow of capital was the purchases of stocks and shares of foreign non-financial corporations.

In 2003 Polish entities invested EUR 1.1 billion net in securities issued by non-residents. As compared to 2002, these investments were lower by EUR 0.1 billion, i.e. 5.8%.

Residents mostly invested in long-term debt securities issued abroad. The balance of transactions in those papers was negative and reached EUR 1.2 billion. Those securities were primarily purchased and sold by Polish banks



This category of Polish investors recorded the highest turnover, which reflected frequent changes in the structure of the portfolio. The highest impact on the balance of residents' investments was exercised by entities from the non-banking sector, mainly investment funds oriented towards investment in foreign debt securities. Those entities contributed in the largest extent to the increase in the total value of foreign securities portfolio.

**Figure 25****Polish portfolio investments abroad**

Other developments were registered in the category of investment in equity shares. Turnover in this category resulted in a positive balance of EUR 0.2 billion, which indicates the residents' withdrawal from this kind of investment. In the previous year this balance was negative and reached EUR 0.3 billion.

2003, similarly as the previous years, was characterised by a EUR 1.9 billion growth in trade credits extended by Polish non-financial corporations. Along with the increasing trade exchange, the value of the extended trade credits related to trade in goods and services grew.

The balance of credits extended in 2003 (excluding trade credits) was EUR 0.4 billion. Similarly as in the previous years, the Polish banks were the main lender. They provided non-residents with credits and loans (mainly long-term ones) of the value of EUR 0.3 billion. The balance of other credits extended by the non-government and non-banking sectors was also negative and reached EUR 0.1 billion.

In 2003 the balance of the item "currency, current accounts and deposits with banks abroad" was positive and reached EUR 0.8 billion. In 2003 the decline in external receivables was lower than in the previous year, when it reached EUR 3.3 billion. This stemmed from the withdrawal of deposits from banks abroad by Polish commercial banks in the total amount of EUR 0.6 billion. In 2003 turnover on the accounts of non-financial corporations in foreign banks declined by EUR 0.2 billion.

### 15.3.3. Financial derivatives

In 2003 the balance resulting from the settlement of transactions between residents and non-residents involving derivatives was negative and reached EUR 0.8 billion. In the previous year a slightly higher outflow of net capital was recorded in the amount of EUR 1.0 billion

Tabela 36

## Balance of financial derivatives (billion of EUR)

	2000	2001	2002	2003
Financial derivatives	0.3	-0.4	-1.0	-0.8

Most of the recorded payments stemmed from the execution of foreign currency swaps and the interest rate swaps concluded in the interbank market. The negative balance was the overall result of settling the positions in financial derivatives, the closing period of which was in 2003, and of the flows resulting from the opening and settling of positions in derivatives with future closing periods

## 15.4. Official reserve assets

In 2003, as a result of transactions conducted by the central bank, the official reserve assets grew by EUR 1.1 billion (in 2002 this growth amounted to EUR 0.7 billion). The growth in the official reserve assets stemmed from:

- the inflow of funds from the government bond issues on international markets,
- the income from the official reserve assets held by the NBP.

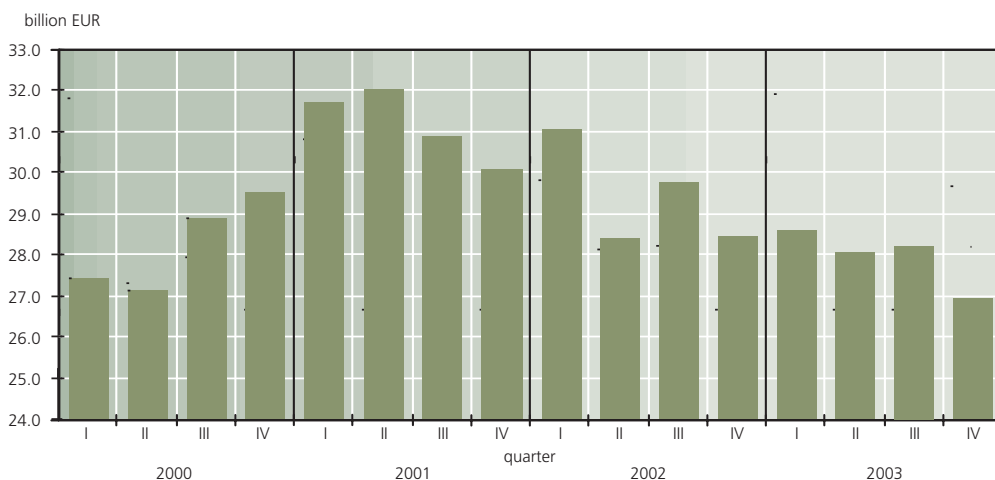
On the other hand, the decline in official reserve assets was a result of the service of foreign debt of the government of the Republic of Poland (interest payments and principal repayments due to the creditors of the Paris Club, together with interest payments on Brady's bonds and their early redemption).

The size of the balances of the official reserve assets reflected not only the transactions in the balance of payments, but also the revaluation of gold, securities and the exchange rate fluctuations. In 2003 these caused the decline in the balance of reserves by EUR 2.6 billion. The main reason for changes resulting from exchange rate fluctuations was the strengthening of the euro against the US dollar.

As a result of transactions, revaluation and exchange rate fluctuations, the balance of the official reserve assets declined from EUR 28.5 billion at the end of 2002 to EUR 26.9 billion at the end of 2003.

Figure 26

## The balance stock of official reserve assets



# APPENDICES

## APPENDIX 1

## CONSUMER PRICE INDEX

2003 saw a reversal of the falling trend in the annual CPI growth initiated in August 2000. Two sub-periods can be distinguished in terms of the inflationary processes fluctuations in 2003. In the first four months, the annual CPI was decreasing from 0.8% in December 2002 to the historical lowest 0.3% in April 2003. In subsequent months of 2003, increase in the inflation rate could be observed that reached 1.7% in December 2003.

The CPI growth of 1.7% at the end of 2003 came as an effect of:

- 2.1% growth in the prices of food and non-alcoholic beverages, positively affecting the CPI (0.6 percentage points),
- 2.3% growth in administered prices increasing the CPI by 0.6 percentage points,
- 1.0% growth of prices for other consumer goods and services, resulting in an overall price increase of 0.5 percentage points.

In 2003, the highest CPI growth occurred in Q4, accompanied by the accelerated growth in the prices of food and non-alcoholic beverages and administered prices (Table 1, Figure 4).

Table 37

## Price growth in the basic groups of consumer goods and services

Specification	2001	2002	2003	2001	2002	2003				
	Weight structure			XII	XII	III	VI	IX	XII	I-XII
	%			Corresponding period previous year = 100						
Total	100.0	100.0	100.0	103.6	100.8	100.6	100.8	100.9	101.7	100.8
Food and non-alcoholic beverages	30.1	29.7	28.2	101.6	97.3	96.5	99.4	100.5	102.1	99.0
Administered prices	25.7	27.1	27.2	104.5	102.7	103.5	101.7	101.2	102.3	102.1
Fuel	3.5	3.7	3.7	89.1	107.6	117.4	105.5	105.1	104.4	107.9
Other consumer goods and services	44.2	43.2	44.6	104.2	102.1	101.4	101.1	101.0	101.0	101.1
Non-food goods	27.1	26.1	26.7	103.0	101.0	100.5	100.1	99.9	99.9	100.1
Services	17.1	17.1	17.9	106.3	103.8	102.7	102.6	102.6	102.6	102.7

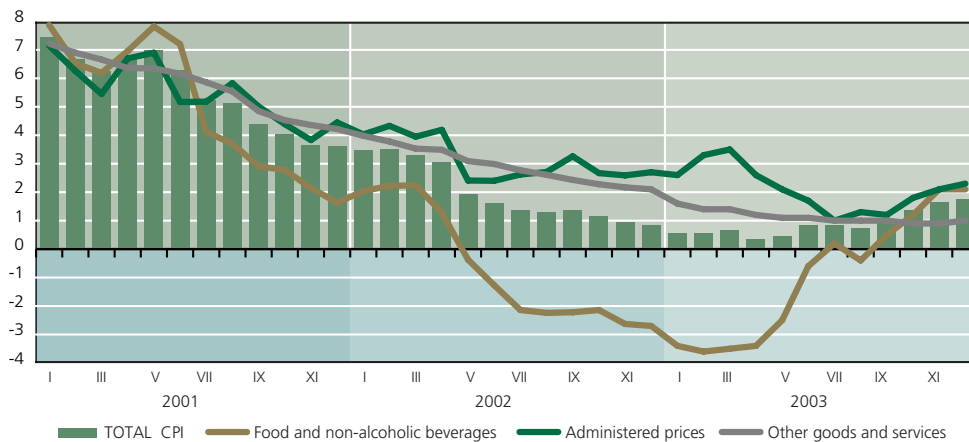
Source: CSO data, NBP calculations.

In 2003, strong growth trend occurred in the **food and non-alcoholic beverages**. In December 2003, on a twelve-month basis, they grew by 2.1% year-on-year. The highest growth in food and non-alcoholic beverages prices was observed starting from September 2003 and was stimulated by the situation in the agricultural sector. Lower crops when compared to 2002 (primarily grain crops) as well as decreasing animal production coupled with moderate consumption growth stimulated a growth in the major agricultural products leading to an increase in the retail prices of food.

Between January and December 2003, accelerated growth of retail prices was reported in all basic groups of food, except for fish, sugar, honey and chocolate products. The highest growth was reported for the price of eggs (35.2%), fruit (11.5%), oil (7.3%), vegetables (3.8%), cheese (3.4%), bread and bakery (2.2%).

Figure 27

Changes of CPI and the major price categories during 2001 – 2003 (%)



Source: CSO data, NBP calculations.

In December 2003, the twelve-month growth rate of administered prices reached 2.3%.

Among the main price groups with a dominant share in **administered prices**<sup>100</sup> (including energy carriers as well as goods that are subject to the excise tax), a growth rate of the following products exceeded the average growth rate reported for the group and remained markedly above the overall inflation rate: tobacco products (5.2%), gas (4.6%), electricity (3.9%) and hot water (3.8%). The prices of alcohol beverages remained unchanged since 2002 as well as the prices of telecommunication services and public administration services.

Fuel prices included in the administered prices group increased by 4.4% in 2003

In 2003, **prices of other consumer products and services** rose by 1.0% in 2003 (compared to 2.1% in 2002). A slowdown in the growth rate reported for this group of prices was primarily related to the non-food goods prices. The lowest growth was reported for the prices of clothing and footwear.

In 2003, the highest growth in the category of basic groups of consumer products and services can be attributed to the growth in **prices of services** at 2.6% (especially housing).

<sup>100</sup> Administered prices include prices of consumer goods and services, which are only to a limited extent affected by the market mechanisms due to a variety of administrative interference in the process of shaping the prices. For analytical purposes, the administered prices category includes prices:

- indirectly regulated by the excise tax rates; it applies to group of goods and services with a significant share of the excise tax in their retail price structure (alcoholic beverages, tobacco products, fuel, electricity),
- subject to supervision and approval by authorized offices, primarily by the Energy Regulatory Authority of Poland (electricity, natural gas, central heating, hot water),
- uniform at the national level (mail services, railway transport, TV and radio subscription),
- controlled by local authorities (public transport) and defined by the government (court services, public administration services).

### APPENDIX 2

#### GDP AND DOMESTIC DEMAND

In 2003, a 2.4% growth of domestic demand was reported against 0.8% in 2002. The accelerated growth of the domestic demand stemmed from the reversal of the declining trend in the capital formation with a slightly lower level of total consumption. For the fourth successive year an improvement in net exports was recorded, while the rate of the reduction of its deficit was greater than in 2002.

The GDP and domestic demand growth rates, and their mutual relations in the years 1996-2003 are shown in Table 38. The share of the specific domestic demand components in the GDP growth are shown in Figure 28; a growth of the GDP and domestic demand by quarters are presented in Table 39.

**Table 38**

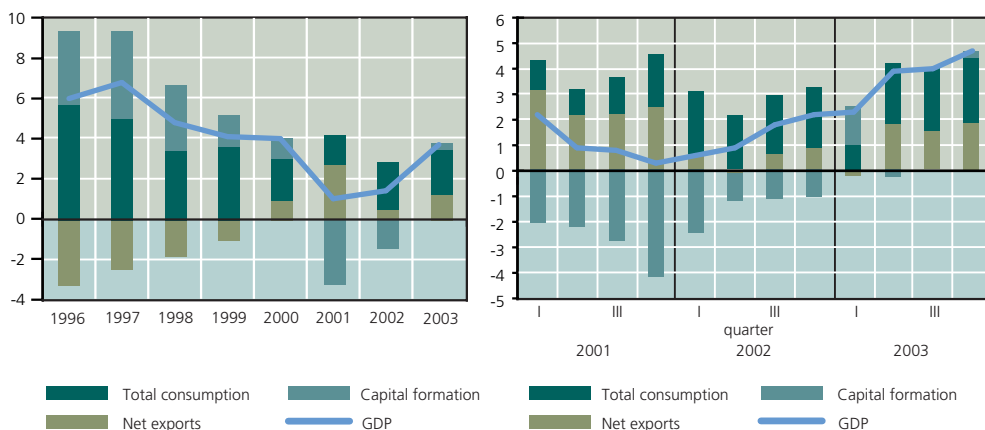
**GDP and domestic demand 1996 – 2003**

	1996	1997	1998	1999	2000	2001	2002	2003
	Preceding year = 100, fixed prices							
GDP	106.0	106.8	104.8	104.1	104.0	101.0	101.4	103.7
Domestic demand	109.7	109.2	106.4	104.8	102.8	98.3	100.8	102.4
Final consumption expenditure	107.2	106.1	104.2	104.4	102.5	101.7	102.8	102.5
Individual consumption exp.	108.7	106.9	104.8	105.2	102.7	102.0	103.3	103.1
Gross capital formation	119.5	120.8	113.8	106.1	103.9	87.4	93.2	101.8
Gross fixed capital formation	119.7	121.7	114.2	106.8	102.7	91.2	94.2	99.1
Exports of goods and services	112.0	112.2	114.3	97.4	123.2	103.1	104.8	113.0
Imports of goods and services	128.0	121.4	118.5	101.0	115.6	94.7	102.6	107.9
Net exports in the GDP growth (percentage points)	-3.2	-2.4	-1.8	-1.0	1.0	2.7	0.5	1.3
	% GDP (current prices)							
Domestic demand	101.5	104.0	104.9	106.0	106.5	103.7	103.3	102.5
Final consumption expenditure	81.0	81.0	80.3	81.1	81.9	82.9	84.5	83.7
Gross capital formation	20.5	23.0	24.6	24.9	24.7	20.7	18.9	18.8
Net exports	-1.5	-4.0	-4.9	-6.0	-6.5	-3.7	-3.3	-2.5

Source: CSO data.

**Figure 28**

**Share of fiscal demand components in the GDP**



Source: the NBP calculations based on CSO data

Table 39

## GDP and domestic demand growth by quarter

	rok	I	II	III	IV	I-IV
	corresponding period in the previous year = 100					
Total added value	2002	100.5	100.8	101.8	101.9	101.3
	2003	102.0	103.8	103.9	104.3	103.5
Industry	2002	96.7	97.9	101.7	102.8	99.8
	2003	104.1	108.1	108.0	109.7	107.6
Construction	2002	85.6	87.9	95.5	93.0	91.4
	2003	80.4	92.6	98.0	99.9	94.9
Market services	2002	104.5	103.9	103.9	103.6	104.0
	2003	103.4	104.6	104.2	104.2	104.1
GDP	2002	100.6	100.9	101.8	102.2	101.4
	2003	102.3	103.9	104.0	104.7	103.7
Domestic demand	2002	99.9	101.0	101.1	101.2	100.9
	2003	102.4	102.1	102.4	102.7	102.4
Total consumption	2002	102.7	102.5	102.8	103.1	102.8
	2003	101.1	102.8	102.9	103.3	102.5
Personal consumption	2002	103.6	103.0	103.2	103.6	103.3
	2003	101.4	103.8	103.5	103.9	103.1
Capital formation	2002	82.5	94.5	94.3	96.3	93.2
	2003	112.7	98.4	99.7	100.9	101.8
Gross fixed investment	2002	88.1	93.0	95.0	97.3	94.2
	2003	96.4	98.3	100.4	100.1	99.1

Source: CSO data.

The growth in capital formation during 2003 resulted from the rebuilding of the levels of tangible current assets after their steep decline in 2002. Meanwhile fixed investment outlays fell for the third consecutive year. However, the extent of the decline was smaller than a year ago, and in Q3 a slight growth in outlays was noted for the first time in nine quarters. A clear revival in investment demand surfaced in the business sector, particularly in the processing industry.

The rate of growth in personal consumption during 2003 was slightly slower than a year ago and continued to be higher than the growth rate in the purchasing power of gross household disposable income. Despite a further deterioration in the situation on the labour market, real hired labour incomes were higher than a year ago. Social benefits also grew relatively more strongly. Apart from higher disposable income, the basic sources of finance for the growth in consumption last year were the growth in unregistered incomes and the continuing, although weaker than in 2002, decline in household savings. The growth in collective consumption was slower than a year ago.

In 2003 the growth rate in exports was high, despite continuing weak external demand. The acceleration in exports and the slowdown in the fall in investment were accompanied by a growth in imports. However, it was slower than the growth in exports and, as a result, the net exports increased, which is still negative. A further limitation of the external imbalance took place. Foreign savings in relation to GDP fell to ca. 2.1%, from 2.6% in 2002. The decline in the need for foreign savings was the result of an increase in the level of gross savings in the domestic economy, as the result of increased savings in the corporate sector, against a slight decline in capital formation rate.

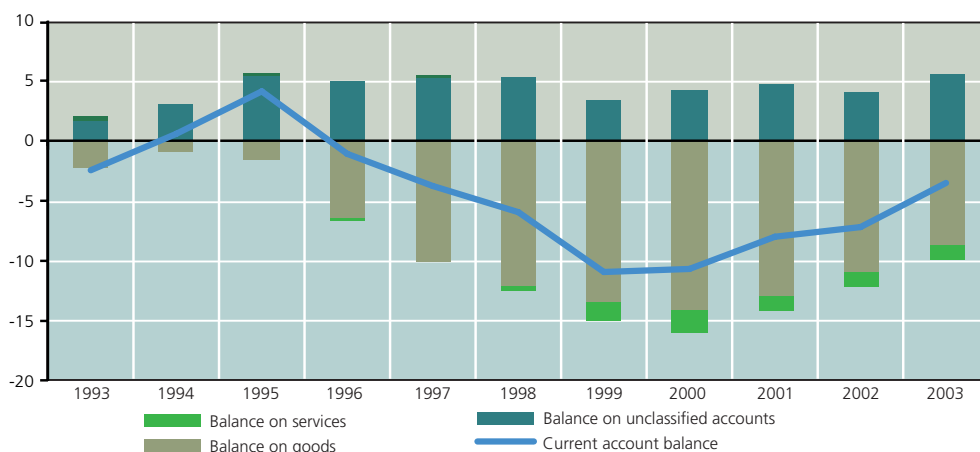
## APPENDIX 3

## EXTERNAL IMBALANCE

2003 was the fourth successive year with a falling current account deficit on a cash basis. In 2003 that deficit amounted to EUR 3.5 billion — about EUR 3.7 billion lower than in 2002 and EUR 7.4 billion lower than in 1999. As a result, the current account deficit — as a percentage of GDP — fell during the last four years from 7.5% to 1.9%. The improvement in the current account deficit in 2003 resulted mainly from the reduction in the deficit on goods and a growth of surplus on unclassified transactions (Figure 29). On the other hand, the other items in the current account had a detrimental effect on its balance — the negative balance in incomes and services went down further and the positive balance of transfers fell.

Figure 29

Current account balance 1993-2003



Source: NBP data.

Last year's reduction in the deficit on goods (by EUR 2.4 billion) as compared to 2002 was the result of a higher growth rate in exports receipts than in imports expenditures (Figure 7). This was the result of a strong appreciation of the euro against the US dollar, lowering the dynamics of turnover denominated in the euro against the dynamics calculated in the dollar and the zloty<sup>101</sup>.

2003 saw a continuation of the growing trend in the exports denominated in the euro originating from the second half of 2002. In the second half of 2003 and in Q4 of 2003 in particular, the growth of the exports accelerated clearly, while the value of imports displayed a falling trend during most of 2003, following its temporary growth in the Q4 of 2002. A high growth of imports in December 2003 contributed to its 2003 value exceeding that reported in 2002.

The acceleration in the growth rate of exports was mainly caused by the increase in sales to Germany, occurred despite a deterioration in the real GDP in that country. It was possible owing to the shift in the German demand for suppliers offering lower prices, including Poland. Similarly, a growth in sales to the CEE countries was reported in 2003 at 17.1% against 12.5% in 2002<sup>102</sup>.

<sup>101</sup> In 2003, exports denominated in EUR increased by 8.4% against 2002 (a 2.7% growth in 2002, and import expenditures grew by 1.1% (a 2.4% fall in 2002). In 2003, the USD-denominated exports grew by 29.9% (by 8.8% in 2002) and the value of imports grew by 21.2% (against 3.2% in 2002). The PLN-denominated value of the exports in 2003 grew by 24.0% (by 8.2% in 2002) and the value of the imports grew by 15.6% (2.7% in 2002).

<sup>102</sup> In addition, the share of the CEE countries in the Polish exports grew from 12.7% in 2002 to 13.7% in 2003.



**Figure 30**

**Exports and imports 1993-2003 (annual figures, based on the payment statistics, billion EUR)**



Source: NBP data.

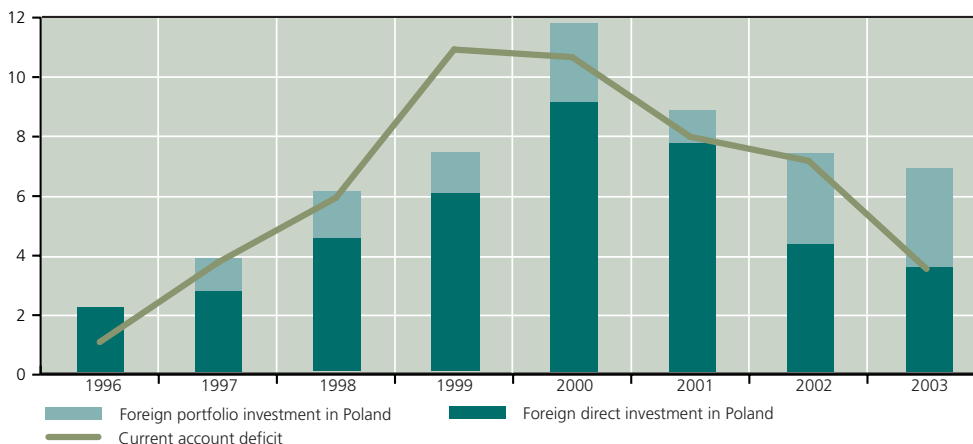
The economic slowdown in the European Union was reflected in a weaker growth (reaching a two-fold decrease against 2002) of the Polish exports to the remaining EU countries (except for Germany).

During the first six months of 2003, the growth of the Polish exports was determined primarily by the primary goods (raw materials, in particular) and another upturn in the sale of machinery and transport in the second half of 2003.

Good export results reported in 2003 are rooted in the clear improvement of the competitiveness of Polish manufacturers against their foreign partners. This was the result of the restructuring processes which had taken place in companies over recent years, together with the sharp depreciation of the zloty against the euro. The unit labour costs in the enterprise sector, denominated in PLN, fell by ca. 9% in 2003, as compared to 2002. When combined with the weakening of the zloty against the euro during that period (by 14.1%, respectively), it resulted in the fall in the unit labour costs, as denominated in euro, by about 20.2%.

**Figure 31**

**Current account deficit versus foreign investment inflow 1996-2003 – based on the balance of payments**



Source: NBP figures.

2003 witnessed an improvement in the financing structure of current account deficit (Figure 8). In about 92% it was financed from the influx of the long-term foreign capital in the form of direct investment (against nearly 55% in 2002). The improvement resulted from a marked reduction in the current account deficit. The above-mentioned influx was concurrent to the influx of net portfolio investment of EUR 2.2 billion in 2003 against EUR 1.9 billion in 2002.

The majority of selected sustainability indicators reflecting the risk of turbulences of the financial market resulting from external disequilibrium and the sources of its financing improved substantially in 2003. The ratios related to current transactions i.e. the current account balance to the GDP ratio and trade balance to the GDP ratio improved when compared to the ratios of the preceding years. An improvement in the ratios determining the extent of financing the current account deficit with the inflow of capital in the form of direct investment was observed, as well as an improvement in the relation between the part of the current account deficit not covered by direct investment to the GDP. The ratio defining the value of foreign currency reserves in the months of importing of goods and services remained on a safe level; nevertheless, its deterioration could be observed (Table 40).

**Table 40****Selected sustainability indicators**

Warning indicators	2001	2002	2003
Current account balance/GDP	-3.9	-3.6	-1.9
Trade balance/GDP	-6.4	-5.5	-4.6
Direct investment/current account balance	96.9	55.7	92.1
Current account balance – direct investment)/GDP	-0.1	-1.6	-0.2
Foreign debt servicing/Exports of goods and services	47.3	43.3	46.3
Official reserve assets – in the months of import of goods and services	6.9	6.7	6.3

Source: NBP calculations based on the balance of payment on the cash basis.

## APPENDIX 4

### THE MONEY SUPPLY

M3 money supply grew in 2003 by PLN 18.1 billion, i.e. 5.6% in nominal terms and by 3.9% in real terms. The main reasons for the change in M3 during 2003 were the significant growth of notes and coin in circulation and the strong growth in corporate deposits. The growth of M3 was limited by a decline in household deposits (Table 41).

**Table 41**

**Money supply in 2002 - 2003**

Specification	As at Dec 31, 2002	As at Dec 31, 2003	Growth	Annual nominal growth rate	Annual real growth rate <sup>1</sup>
I. M1 money supply	136.6	158.1	21.5	15.7	13.8
II. M3 money supply	322.0	340.1	18.1	5.6	3.9
1. Notes and coin in circulation (excl. vault cash in banks)	42.2	49.4	7.2	17.1	15.2
2. Deposits and other liabilities	278.0	288.4	10.4	3.7	2.0
2.1. Households	196.3	192.4	-3.9	-2.0	-3.6
2.2. Non-monetary financial institutions	7.3	8.9	1.7	23.3	21.3
2.3. Non-financial corporations	55.0	68.3	13.3	24.1	19.7 <sup>2</sup>
2.4. Non-profit institutions serving households	8.3	8.6	0.3	3.7	2.0
2.5. Local government institutions	8.4	8.8	0.4	4.6	2.8
2.6. Social security funds	2.7	1.4	-1.4	-50.0	-50.8
3. Other M3 components	1.8	2.3	0.5	29.2	27.0

<sup>1</sup> Deflator - CPI.

<sup>2</sup> Deflator - PPI.

Source: NBP data.

The modest growth in the broad M3 aggregate was accompanied in 2003 by a steep rise in the M1 aggregate, including notes and coin in circulation and current deposits in the banking system (Figure 32). The significant growth of this aggregate in 2003 reflected a tendency,

**Figure 32**

**Annual nominal growth of M1 and M3**



Source: NBP data.

observable for the past two years, of increasing the share of components of a higher liquidity level in the term-structure of money supply. However, to a large extent, growth of the M1 aggregate stemmed from a change in the methodology of calculating it, namely through the inclusion of tomnext and spotnext deposits in current deposits<sup>104</sup>. The share of M1 money in the M3 aggregate increased from 42.4% in December 2002 to 46.5% in December 2003.

Last year the growth in the notes and coin in circulation amounted to PLN 7.2 billion (17.1%) and was much higher than in previous years. The annual growth rate in this category remained high throughout 2003. The fundamental factor which influenced the high rise in cash and M1 aggregate was a lower alternative cost of high-liquidity financial assets maintenance, as a result of a decrease in interest rate on bank deposits. Another factor generating a rise in notes and coin in circulation in 2003 was the net purchase of foreign currency by banks from exchange offices and individuals amounting to the value of USD 7.4 billion (against USD 4.6 billion in 2002).

Corporate deposits, which constitute another component of the M3 aggregate, grew by PLN 13.3 billion in 2003, with the annual growth rate of this category at 24.1%, i.e. very high when compared to the growth rate of preceding years. Household deposits included in the M3 aggregate in 2003 fell by PLN 3.9 billion, with their annual growth rate remaining negative since July 2002 to reach -2.0% at the end of 2003.

Q4 saw a reversal of the increasing trend of the financial assets held by households alternative to bank deposits. In the last quarter of 2003, the savings, including investment fund participation units, bonds, Treasury bills and Credit Unions deposits, fell in favour of a simultaneous increase in household deposits. The broad M3 aggregate, increased by the above-mentioned alternative savings, grew by 6.7% in 2003.

Furthermore, changes in deposits in 2003 were affected by the zloty fluctuations, leading to approximately PLN 0.8 billion overestimation of the corporate deposit growth and approximately PLN 1.3 billion underestimation of household deposit fall.

In 2003, total claims of the banking system on non-banking entities grew by PLN 19.7 billion, i.e. by 8.1% in nominal terms and by 6.3% in real terms (Table 42).

**Table 42**  
**Claims of the banking system 2002-2003**

Specification	As at	As at	Growth	Annual nominal growth rate	Annual real growth rate <sup>2</sup>
	Dec 31, 2002	Dec 31, 2003			
PLN billion					
Total claims <sup>1</sup> :	244.4	264.1	19.7	8.1	6.3
1. Households	89.8	102.0	12.2	13.6	11.7
2. Non-monetary financial institutions	10.3	11.3	1.0	9.2	7.4
3. Non-financial corporations	129.5	132.2	2.7	2.1	-1.5 <sup>3</sup>
4. Non-profit institutions serving households	1.0	0.8	-0.2	-17.6	-19.0
5. Local government institutions	11.3	12.9	1.6	14.0	12.1
6. Social security funds	2.4	4.8	2.4	99.8	96.5

<sup>1</sup> Credits and loans, collected debt, realised guarantees and endorsements, matured interest – outstanding, claims from repo transactions, debt securities, and other claims, excluding securities with equity rights, and shares.

<sup>2</sup> Deflator - CPI.

<sup>3</sup> Deflator - PPI.

Source: NBP data.

<sup>104</sup> Overnight deposits made on the working day following the transaction date ("tomnext") or on the second working day following the transaction date ("spotnext").

In 2003, growth in the total claims is attributed to the growth in household claims of PLN 12.2 billion (13.6%), almost entirely triggered by a rapid growth in the housing loans volume. The value of housing loans to households increased in the period between December 2002 and December 2003 by PLN 9.5 billion (47.5%) owing to the interest rate reduction on the housing loans, a prospective growth of fiscal burden on the housing and construction market transactions in 2004, and demographic factors. The share of housing loans in overall loans rose from 23.2% in December 2002 to 30.1% in December 2003.

The growth in the corporate claims in 2003 ranked among the lowest growths reported in the recent years, with the annual growth rate in this category at 2.1% in December 2003. The NBP's survey study on business conditions points to low demand for product and services, payment jams, foreign exchange fluctuations and unstable fiscal regulations as the largest barriers preventing increase in the corporate lending activity. Interest rates level, on the other hand, does not constitute a considerable obstacle to loans for the corporates.

As far as other categories of claims are concerned, 2003 witnessed a marked growth in claims on the social security funds (by PLN 2.4 billion, i.e. 99.8%) and on the local government institutions and non-monetary financial institutions of PLN 1.6 billion (14%) and PLN 1.0 billion (9.25), respectively. The growth was concurrent to a fall in the claims on non-profit institutions serving households (of PLN 0.2 billion, i.e. by 17.6%).

The change in the claims in 2003 was highly affected by the zloty depreciation. The nominal increase in the claims of the enterprise sector stemmed entirely from exchange rate fluctuations. Adjusted for exchange rate fluctuations, the claims on the enterprise sector would fall by approximately PLN 0.5 billion. In the household sector, exchange rate fluctuations overestimated the growth of claims by approximately PLN 3.5 billion.

## APPENDIX 5

### LIST OF EXECUTIVE LEGAL ACTS ISSUED IN 2003 BY THE BODIES OF THE NATIONAL BANK OF POLAND AND THE COMMISSION FOR BANKING SUPERVISION (PROMULGATED)

- 5.1. Regulations of the President of the National Bank of Poland
- 5.2. Resolutions of the Monetary Policy Council
- 5.3. Resolutions of the Management Board of the National Bank of Poland
- 5.4. Resolutions of the Commission for Banking Supervision

**Appendix 5.1.****Regulations of the President of the National Bank of Poland**

No.	Number	Date of adoption	Effective date	Title (Subject of regulation)	Published in
1.	1/2003	15.01.2003.	31.01.2003.	concerning detailed principles and procedures concerning the exchange of monetary tokens which ceased to be considered legal tender due to their damage or wear and tear	Official Journal of NBP No. 1, item 1
2.	2/2003	16.01.2003.	28.01.2003.	specifying designs, alloy, fineness, weight and mintage of coins of the nominal value of 2 zloty, 20 zloty and 100 zloty and the date they are to be brought into circulation	Monitor Polski No. 6, item 90
3.	3/2003	29.01.2003.	06.02.2003.	amending the regulation concerning the definition of the NBP branches and other banks' branches obliged to exchange old zloty notes and coin	Monitor Polski No. 7, item 112
4.	4/2003	12.02.2003.	24.02.2003.	specifying designs, alloy, fineness, weight and mintage of coins of the nominal value of 2 zloty, 10 zloty and 100 zloty and the date they are to be brought into circulation	Monitor Polski No. 10, item 145
5.	6/2003	21.03.2003.	04.04.2003.	specifying designs, alloy, fineness, weight and mintage of coins of the nominal value of 2 zloty and 20 zloty and the date they are to be brought into circulation	Monitor Polski No. 17, item 268
6.	7/2003	10.04.2003.	17.04.2003.	specifying designs, alloy, fineness, weight and mintage of coins of the nominal value of 2 zloty, 10 zloty and 100 zloty and the date they are to be brought into circulation	Monitor Polski No. 19, item 294
7.	8/2003	09.05.2003.	20.05.2003.	specifying designs, alloy, fineness, weight and mintage of coins of the nominal value of 2 zloty, 10 zloty and 200 zloty and the date they are to be brought into circulation	Monitor Polski No. 25, item 367
8.	9/2003	26.05.2003.	01.06.2003.	amending the regulation concerning the authorisation to make decisions concerning the issue of individual foreign exchange licences and licences to operate bureaux de change	Official Journal of NBP No. 10, item 14
9.	10/2003	27.05.2003.	01.08.2003.	amending the regulation concerning the method of numbering bank accounts operated by banks	Official Journal of NBP No. 10, item 15
10.	11/2003	05.09.2003.	19.09.2003.	specifying designs, alloy, fineness, weight and mintage of coins of the nominal value of 2 zloty, 20 zloty and 200 zloty and the date they are to be brought into circulation	Monitor Polski No. 44, item 657
11.	12/2003	02.10.2003.	10.10.2003.	specifying designs, alloy, fineness, weight and mintage of coins of the nominal value of 2 zloty, 10 zloty and 100 zloty and the date they are to be brought into circulation	Monitor Polski No. 47, item 701
12.	13/2003	27.11.2003.	09.12.2003.	specifying designs, alloy, fineness, weight and mintage of coins of the nominal value of 2 zloty and 20 zloty and the date they are to be brought into circulation	Monitor Polski No. 55, item 864
13.	14/2003	15.12.2003.	01.01.2004	amending the regulation concerning the methods and procedures of counting, sorting, packing and designating packages of notes and coin and the performance of operations involving the supply of notes and coin to banks	Official Journal of NBP No. 23, item 41

## Appendix 5.2.

## Resolutions of the Monetary Policy Council

No.	Number	Date of adoption	Effective date	Title (Subject of regulation)	Published in
1.	1/2003	29.01.2003.	30.01.2003.	the rediscount rate, the reference rate, the interest charged on refinancing loans and the interest charged on time deposits held at the National Bank of Poland.	Official Journal of NBP No. 2
2.	2/2003	25.02.2003.	12.03.2003.	the "Monetary Policy Strategy beyond 2003"	Official Journal of NBP No. 4, item 4
3.	3/2003	26.02.2003.	27.02.2003.	the rediscount rate, the reference rate, the interest charged on refinancing loans and the interest charged on time deposits held at the National Bank of Poland.	Official Journal of NBP No. 3, item 3
4.	4/2003	26.03.2003.	27.03.2003.	the rediscount rate, the reference rate, the interest charged on refinancing loans and the interest charged on time deposits held at the National Bank of Poland.	Official Journal of NBP. No. 5, item 5
5.	5/2003	23.04.2003.	23.04.2003.	the approval of the annual financial report of the National Bank of Poland prepared as of 31-12-2002.	Official Journal of NBP No. 7, item 8
6.	6/2003	24.04.2003.	25.04.2003.	the reference rate, the interest charged on refinancing loans, the interest charged on time deposits and the bill of exchange rediscount rate at the National Bank of Poland.	Official Journal of NBP No. 9
7.	7/2003	27.05.2003.	27.05.2003.	the approval of the "Report on monetary policy implementation in 2002".	Monitor Polski No. 32, item 426
8.	8/2003	27.05.2003.	27.05.2003.	the assessment of the activity of the Management Board of the National Bank of Poland in the area of monetary policy implementation in 2002.	Monitor Polski No. 32, item 427
9.	9/2003	27.05.2003.	27.05.2003.	the approval of the "Report on the activities of the National Bank of Poland in 2002".	Official Journal of NBP No. 10, item. 12
10.	10/2003	28.05.2003.	29.05.2003.	the reference rate, the interest charged on refinancing loans, the interest charged on time deposits and the bill of exchange rediscount rate at the National Bank of Poland.	Official Journal of NBP No. 10, item 13
11.	11/2003	25.06.2003.	26.06.2003.	the reference rate, the interest charged on refinancing loans, the interest charged on time deposits and the bill of exchange rediscount rate at the National Bank of Poland.	Official Journal of NBP No. 12, item 18
12.	12/2003	30.09.2003.	01.01.2004	the establishment of the ceiling on the liabilities due on the NBP borrowings from international banking and financial institutions	Official Journal of NBP No. 17, item 27
13.	13/2003	30.09.2003.	01.01.2004	the establishment of monetary policy guidelines in 2004	Monitor Polski No. 48, item 736
14.	14/2003	30.09.2003.	01.10.2003 applicable to the required reserve subject to maintenance from October 31, 2003.	the banks' required reserve rate	Official Journal of NBP No. 17, item 28
15.	15/2003	16.12.2003.	16.12.2003.	the adoption of "The financial plan of the National Bank of Poland for 2004"	Official Journal of NBP No. 22, item 37
16.	16/2003	16.12.2003.	01.01.2004	the accounting principles, structure of assets and liabilities in the balance sheet and the profit and loss account of the NBP	Official Journal of NBP No. 22, item 38
17.	17/2003	16.12.2003.	01.01.2004	the rules of creating and releasing a reserve for the risk of the zloty to the foreign currency exchange fluctuations at the National Bank of Poland	Official Journal of NBP No. 22, item 39



## Appendix 5.3.

## Resolutions of the Management Board of the National Bank of Poland

No.	Number	Date of adoption	Effective date	Title (Subject of regulation)	Published in
1.	1/9/OK/2003	04.03.2003.	02.04.2003.	the NBP early redemption of bonds designed for banks in consequence of the decrease in the required reserve interest rate	Official Journal of NBP No. 6, sec. 7
2.	13/2002	25.03.2003.	01.04.2003.	amending the resolution on the conditions applicable to the opening and operating of banks' accounts at the NBP	Official Journal of NBP No. 5, sec. 6
3.	17/2003	25.04.2003.	30.06.2003.	amending the resolution on procedures and detailed principles of forwarding the data indispensable to establish the monetary policy and periodic assessments of the monetary situation of the country and the evaluation of the financial standing of the banks and the banking system's risk by the banks to the National Bank of Poland,	Official Journal of NBP No. 9, sec. 11
4.	22/2003	10.07.2003.	25.07.2003.	amending the resolution on procedures and detailed principles of forwarding the data indispensable to establish the monetary policy and periodic assessments of the monetary situation of the country and the evaluation of the financial standing of the banks and the banking sector's risk by the banks to the National Bank of Poland,	Official Journal of NBP No. 13, sec. 20
5.	23/2003	25.07.2003.	01.01.2004.	the procedures and detailed principles of forwarding the data indispensable to establish the monetary policy and periodic assessments of the financial standing of the banks and the banking sector's risk by the banks to the National Bank of Poland	Official Journal of NBP No. 16, sec. 26
6.	24/2003	21.08.2003.	6.09.2003, applicable to the required reserve subject to maintenance from September 30, 2003.	amending the resolution on the procedures and detailed principles of calculating and maintaining the required reserves by banks	Official Journal of NBP No. 14, sec. 22
7.	29/2003	12.09.2003.	13.10.2003.	the introduction of the "Rules of operating currency and deposits as well as executing transactions and their registers on the accounts and deposit accounts of those securities by the National Bank of Poland"	Official Journal of NBP No. 15, sec. 23
8.	30/2003	12.09.2003.	13.10.2003.	the issue of NBP money market bills	Official Journal of NBP No. 15, sec. 24
9.	31/2003	12.09.2003.	13.10.2003.	the introduction of the "Rules of banks' intraday refinancing of the National Bank of Poland"	Official Journal of NBP No. 15, sec. 25
10.	42/2003	03.10.2003.	13.10.2003.	the introduction of the "Rules of refinancing of banks with the lombard loan by the National Bank of Poland"	Official Journal of NBP No. 18, sec. 31
11.	43/2003	03.10.2003.	01.11.2003.	the introduction of the "Rules of execution of payment orders and cheque operations in foreign trading and purchase and sale of foreign currencies for bank account holders with the National Bank of Poland"	Official Journal of NBP No. 19, sec. 32
12.	45/2003	15.10.2003.	20.10.2003.	amending the resolution on the procedure and detailed principles of forwarding the data indispensable to establish the monetary policy and periodic assessments of the monetary situation of the country and the evaluation of the financial standing of banks and the banking sector's risk by the banks to the National Bank of Poland	Official Journal of NBP No. 19, sec. 33
13.	48/2003	14.11.2003.	01.01.2004	the procedures and detailed principles of forwarding the data indispensable to compile the balance of payments and the balance of external claims and liabilities of the state by banks to the National Bank of Poland	Official Journal of NBP No. 21, sec. 36
14.	53/2003	18.12.2003.	01.01.2004	amending the resolution on the introduction of the "Rules of the performance of payment orders and cheque transactions in foreign trading and purchase and sale of foreign currencies for bank account holders at the National Bank of Poland"	Official Journal of NBP No. 23, sec. 40

**Appendix 5.4.****Resolutions of the Commission for Banking Supervision**

No.	Number	Date of adoption	Effective date	Title (Subject of regulation)	Published in
1.	1/2003	04.06.2003.	01.01.2004	amending the resolution on the scope and detailed principles of determining the capital requirements resulting from individual types of risk, including the risk of exceeding the receivables concentration limits, methods and detailed principles of calculation of the bank's capital adequacy ratio, taking into account the links of banks with other entities, subordinated or operating within the same group, and specifying additional items of the bank's balance sheet included, together with the bank's regulatory capital, in the calculation of the bank's capital adequacy and the scope and method of establishing them	Official Journal of NBP No. 11, sec. 16
2.	2/2003	02.07.2003.	01.01.2004	amending the resolution on detailed principles and conditions for including receivables and extended off-balance sheet commitments in determining compliance with receivables concentration limits, defining other receivables and extended off-balance sheet commitments which are not subject to regulations concerning the receivables concentration limits and including the banks' links with other entities, subordinated or operating within the same group, in the calculation of receivables concentration.	Official Journal of NBP No. 13, sec. 19

## APPENDIX 6

### PUBLICATIONS AND THE WEB SITE OF THE NATIONAL BANK OF POLAND IN 2003

Title	Subject	Language
<b>PERIODICALS</b>		
Annuals		
Annual Report 2002	General description of economic and financial performance, development of the banking system, activity of the NBP, balance sheet of the NBP and the banking system, as well as the balance of payments of the Republic of Poland.	Polish English
Report on NBP operations in 2002	Information on the performance of particular functions of the central bank in 2002, balance sheet and earnings of the NBP.	Polish
Monetary Policy Guidelines for 2004	Presentation of the monetary policy guidelines adopted each year by the Monetary Policy Council (MPC). It contains the description of external and internal conditions of the monetary policy, its objectives and instruments of its implementation.	Polish English
Report on the Implementation of Monetary Policy Guidelines in 2002.	Description of performance of the inflation target, developments in monetary aggregates, monetary policy instruments, as well as description of implementation of other tasks of the monetary policy.	Polish
Balance of Payments on the basis of transactions and the balance of foreign assets and liabilities of the Republic of Poland	The balance of payments data based on transactions and the balance of external assets and liabilities, together with its analysis and a methodological section.	Polish
Foreign Direct Investment in Poland	Analysis of inflow of direct investments in the analysed period.	Polish
Corporate Finances in 2002, with Particular Focus on Monetary and Credit Policies (in the Light of Surveys and GUS Data)	Specification of results of annual surveys filled in by a group of enterprises and the data of the Central Statistical Office (GUS).	Polish
Report on the Activity of the Commission for Banking Supervision in 2002	Description of principal directions of activity of banking supervision, broken down by: licensing tasks, analytical tasks, tasks related to the cooperative banking system, inspection tasks, regulatory tasks and foreign liaison and training activity. It also presents the current composition of the Commission for Banking Supervision, as well as its legal framework and procedures of its activity. Apart from that, it contains an exhibit of resolutions and matters considered by the Commission for Banking Supervision.	Polish English
Open Market Operations on the background of the banking system liquidity in 2002	The report presents the developments in the liquidity position of the banking system in Poland in 2002. It focuses on the description of instruments used by the National Bank of Poland for the stabilisation of interbank market rates. Available only on the web site of the NBP.	Polish
<b>Quarterly publications</b>		
Inflation Report	Inflation reports are the basic means of communication with the public for central banks which perform the strategy of direct inflation target. The MPC presents, inter alia, its own assessment of the current and future economic situation from the point of view of developments in inflationary processes and the prospects of performance of the adopted inflation target, as well explains the reasons for the adopted monetary policy decisions.	Polish English

Title	Subject	Language
Balance of Payments on a Cash Basis of the Republic of Poland	Balance of payments data on a cash basis recorded by the Polish banking system during the analysed period.	Polish
Preliminary Information on Corporate Sector Finances (special focus on business climate)	Analysis of the economic climate in the enterprise sector based on the results of quick monitoring of the NBP, results of studies of the economic climate carried out in other domestic centres and available surveys of the Central Statistical Office.	Polish
Financial standing of Banks. A Synthesis	Description of the most important events and analysis of the banking sector in a given period. Basic source of information on the Polish banking system for external recipients.	Polish semi-annual editions – also in English
<b>Monthly publications</b>		
Information Bulletin	Basic data concerning the economic results and earnings as well as the monetary policy of the central bank. Quarterly issues contain an additional descriptive part, which presents basic trends in the macroeconomic situation, developments in money supply and factors of its generation, balance of payments and basic monetary policy instruments.	Polish English
Preliminary Information	An abridged publication containing initial data concerning economic results, the banking system and the balance sheet of the National Bank of Poland, as well as the balance of payments of the Republic of Poland.	Polish English
Bank and Credit	Analytical studies of the financial sector, in particular the banking sector, as well as papers of informatory nature. Presentation of the most important issues related to the activity and strategic initiatives of the NBP as the central bank. Educational insert – Globalisation from A to Z.	Polish, Abstracts in English
Financial Markets	Monthly analysis of the situation on financial markets, current information on interest rates, exchange rate, expectations and reactions of investors. Available only on the web site of the NBP.	Polish
<b>NON-PERIODICAL PUBLICATIONS</b>		
Monetary Policy Strategy beyond 2003.	Discussion of the implementation of the medium-term monetary policy strategy for the years 1999-2003. Presentation of the new strategy and target of the monetary policy, principles of meeting the convergence criteria, conditions of its implementation and forecast evolution of NBP's instruments.	Polish English
Financial Stability Report (June 2001 – December 2002)	Analysis of sensitivity of the banking sector to external shocks, taking into account the economic situation and elements of analysis of financial markets. The report also contains an analysis of stability of the most important non-bank financial institutions, including insurance companies and pension funds, and the issues of security of the payment system. The report is complemented with monographic studies discussing issues of particular importance to the stability of the financial system during the period covered by the analysis.	Polish English
National Bank of Poland: Plan of activity 2002-2004	Primary objectives and the most important tasks of the NBP planned for execution in the years 2002-2004.	Polish English
Payment Card Market in Poland	Description of development of the banking market of payment cards in Poland against the domestic payment system and comparison with the payment card markets of the EU Member States and the EU accession countries.	Polish
The Role of the National Bank of Poland in the Process of European Integration	Presentation of the primary tasks of the NBP in the process of European integration. The English language issue has been distributed to all central banks of the ESCB, including the ECB. Publications used in business liaison with the representatives of foreign financial and banking institutions.	Polish English
Official Journal of the NBP	Contains acts concerning functioning of banks: regulations of the President of the National Bank of Poland, resolutions of the Monetary Policy Council, resolutions and directives of the	Polish

Title	Subject	Language
	Commission for Banking Supervision, resolutions of the Management Board of the National Bank of Poland and announcements concerning the establishment, liquidation and bankruptcy of banks, interest on refinancing and lombard loans, discount rate and rediscount rate on bills of exchange and banks' required reserve rate.	
Euro A to Z	A selection of studies published in 2002 in the educational supplement to Bank and Credit monthly. It discusses the basic features of the European notes and coin, benefits and costs attributable to the introduction of the euro, principal financial institutions of the EU, as well as Poland's preparation to the accession.	Polish
Materials and Studies	A publication series, where studies resulting from research projects of the NBP employees are published, as well as publications of authors working for academic and financial institutions. They concern important issues related to the banking and the monetary policy.	Polish selected issues in English
The Process of Introduction of Euro Notes and Coin in the Economic and Monetary Union Countries	Discussion of preparations for the introduction of the euro currency in circulation and the development of that process in each of the 12 Member States of the Economic and Monetary Union. It also presents the images and security features of particular euro notes and coin, as well as a glossary of the most important terms related to the new currency. The publication is also available in the electronic format – on an enclosed CD ROM.	Polish
<b>WEB SITE OF THE NBP</b>		
<a href="http://www.nbp.pl">http://www.nbp.pl</a>	Presentation of the Bank, its organisational structure and principles of operation of the Bank, legal acts, statistical information (including exchange rates tables announced by the NBP), notes and coin issued by the NBP, list of banks operating in Poland, publications, current news concerning the NBP. Subpages: "Economic Education", "Euro 2002", "Conferences of the NBP" and "Job offers at the NBP".	Polish English

## APPENDIX 7

LIST OF OPEN SEMINARS HELD  
AT THE NBP IN 2003

1.	How far can the cuts go? Estimate of the natural interest rate in Poland.
2.	Surveys of enterprises by central banks. A review of international experience.
3.	The necessity to establish a new core inflation ratio.
4.	Interest rate models.
5.	From the zloty to the euro.
6.	Directions of developments in the financial market of the European Union.
7.	The concept of NAIRU, disinflation vs. the second wave of unemployment in Poland.
8.	Finnish Road to EMU.
9.	Money and Credit Market Integration in the Run Up of EU Eastern.
10.	The econometric model of the medium-term exchange rate.
11.	Estimation of the demand gap for Polish economy using the VECM methodology
12.	The econometric model of the short-term exchange rate.
13.	Application of the methods of experimental economy in the analysis of the financial sector.
14.	Enlargement of the EMU and the convergence of price levels.

## APPENDIX 8

### VOTING RESULTS OF MEMBERS OF THE MONETARY POLICY COUNCIL ON MOTIONS AND RESOLUTIONS ADOPTED IN 2003<sup>104</sup>

Date of resolution	Subject	The MPC decision	The MPC members' voting results	
			For:	Against:
29.01.2003	Motion to reduce all interest rates by 0.5 percentage point	The motion failed to obtain a majority of votes	J.Krzyżewski D.Rosati G.Wójtowicz W.Ziółkowska	L.Balcerowicz M.Dąbrowski B.Grabowski C.Józefiak W.Łączkowski J.Pruski
29.01.2003	Resolution on the rediscount rate, the reference rate, interest on refinancing loans and interest on time deposits with the NBP	Reduction of all interest rates by 0.25 percentage point	L.Balcerowicz B.Grabowski C.Józefiak J.Krzyżewski W.Łączkowski D.Rosati G.Wójtowicz W.Ziółkowska	M.Dąbrowski J.Pruski
25.02.2003	Resolution on "Monetary Policy Strategy beyond 2003"		L.Balcerowicz B.Grabowski C.Józefiak J.Krzyżewski W.Łączkowski J.Pruski D.Rosati G.Wójtowicz	M.Dąbrowski W. Ziółkowska była nieobecna na posiedzeniu
			W. Ziółkowska was not present at the meeting	
26.02.2003	Motion to reduce the reference rate by 0.5 percentage point, interest on refinancing loans by 1 percentage point and to maintain the interest on time deposits at the NBP at the unchanged level	The motion failed to obtain a majority of votes	D.Rosati G.Wójtowicz	L.Balcerowicz M.Dąbrowski B.Grabowski C.Józefiak J.Krzyżewski W.Łączkowski J.Pruski
			W. Ziółkowska was not present at the meeting	
26.03.2003	Resolution on the rediscount rate, the reference rate, interest on refinancing loans and interest rate on time deposits in the NBP	Reduction of all interest rates by 0.25 percentage point	L.Balcerowicz B.Grabowski J.Krzyżewski W.Łączkowski D.Rosati G.Wójtowicz W.Ziółkowska	M.Dąbrowski C.Józefiak J.Pruski
23.04.2003	Resolution on approving the NBP financial statement as at December 31, 2002		L.Balcerowicz M.Dąbrowski C.Józefiak J.Krzyżewski W.Łączkowski J.Pruski D.Rosati G.Wójtowicz W.Ziółkowska	
			B.Grabowski was not present at the meeting	

Date of resolution	Subject	The MPC decision	The MPC members' voting results	
			For:	Against:
24.04.2003	Motion to reduce the reference rate by 0.5 percentage point.	The motion failed to obtain a majority of votes	D.Rosati G.Wójtowicz W.Ziółkowska	L.Balcerowicz M.Dąbrowski C.Józefiak J.Krzyżewski W.Łączkowski J.Pruski
			B.Grabowski was not present at the meeting	
24.04.2003	Motion to reduce the reference rate by 0.25 percentage point	The motion failed to obtain a majority of votes	L.Balcerowicz J.Krzyżewski G.Wójtowicz	M.Dąbrowski C.Józefiak W.Łączkowski J.Pruski D.Rosati W.Ziółkowska
			B.Grabowski was not present at the meeting	
24.04.2003	Motion to reduce the reference rate by 0.25 percentage point, interest on refinancing loans by 0.5 percentage point and maintain the interest on time deposits at the NBP at the unchanged level	The motion succeeded to obtain a majority of votes	L.Balcerowicz J.Krzyżewski D.Rosati G.Wójtowicz W.Ziółkowska	M.Dąbrowski C.Józefiak W.Łączkowski J.Pruski
			B.Grabowski was not present at the meeting	
24.04.2003	Resolution on the reference rate, interest on refinancing loans, interest on time deposits and the rediscount rate at NBP	Reduction of the reference rate by 0.25 percentage point, the interest on refinancing loans by 0.5 percentage point, the rediscount rate by 0.25 and maintaining the interest rate on time deposits at the NBP at the unchanged level	L.Balcerowicz J.Krzyżewski D.Rosati G.Wójtowicz W.Ziółkowska	M.Dąbrowski C.Józefiak W.Łączkowski J.Pruski
			B.Grabowski was not present at the meeting	
27.05.2003	Resolution on approving the report on the monetary policy implementation in 2002		L.Balcerowicz M.Dąbrowski B.Grabowski C.Józefiak J.Krzyżewski W.Łączkowski J.Pruski G.Wójtowicz	D.Rosati W.Ziółkowska
27.05.2003	Resolution on assessing the activity of the the Management Board of the National Bank of Poland in the area of the monetary policy implementation in 2002		L.Balcerowicz M.Dąbrowski B.Grabowski C.Józefiak J.Krzyżewski W.Łączkowski J.Pruski D.Rosati G.Wójtowicz W.Ziółkowska	



Date of resolution	Subject	The MPC decision	The MPC members' voting results	
			For:	Against:
27.05.2003	Resolution on approving the report on NBP's activities in 2002		L.Balcerowicz M.Dąbrowski B.Grabowski C.Józefiak J.Krzyżewski W.Łączkowski J.Pruski D.Rosati G.Wójtowicz W.Ziółkowska	
28.05.2003	Resolution on the reference rate, interest on refinancing loans, interest on time deposits and the rediscount rate at the NBP	Reduction of all interest rates by 0.25 percentage point	L.Balcerowicz J.Krzyżewski D.Rosati G.Wójtowicz W.Ziółkowska	M.Dąbrowski B.Grabowski C.Józefiak W.Łączkowski J.Pruski
25.06.2003	Resolution on the reference rate, interest on refinancing loans, interest on time deposits and the rediscount rate at the NBP	Reduction of all interest rates by 0.25 percentage point	L.Balcerowicz J.Krzyżewski D.Rosati G.Wójtowicz W.Ziółkowska	M.Dąbrowski B.Grabowski C.Józefiak W.Łączkowski J.Pruski
27.08.2003	Motion to reduce all interest rates by 0.25 percentage point	The motion failed to obtain a majority of votes	J.Czekaj D.Rosati G.Wójtowicz W.Ziółkowska	L.Balcerowicz B.Grabowski C.Józefiak W.Łączkowski J.Pruski
			M.Dąbrowski was not present at the meeting	
30.09.2003	Resolution on approving the monetary policy guidelines for 2004		L.Balcerowicz J.Czekaj B.Grabowski C.Józefiak W.Łączkowski J.Pruski G.Wójtowicz W.Ziółkowska	M.Dąbrowski
			D.Rosati was not present at the meeting	
30.09.2003	Resolution on the banks' required reserve rate		L.Balcerowicz J.Czekaj M.Dąbrowski C.Józefiak W.Łączkowski G.Wójtowicz W.Ziółkowska	B.Grabowski J.Pruski
			D.Rosati was not present at the meeting	
26.11.2003	Motion to change the stance on the monetary policy from neutral to restrictive	The motion failed to obtain a majority of votes	M.Dąbrowski B.Grabowski J.Pruski	L.Balcerowicz J.Czekaj C.Józefiak W.Łączkowski D.Rosati G.Wójtowicz W.Ziółkowska

Date of resolution	Subject	The MPC decision	The MPC members' voting results	
			For:	Against:
16.12.2003	Resolution on approving the NBP financial plan for 2004		L.Balcerowicz J.Czekaj M.Dąbrowski B.Grabowski C.Józefiak W.Łączkowski J.Pruski D.Rosati G.Wójtowicz W.Ziółkowska	
16.12.2003	Resolution on accounting principles, the structure of the assets and liabilities in the balance sheet and the profit and loss account of the NBP		L.Balcerowicz J.Czekaj B.Grabowski C.Józefiak W.Łączkowski J.Pruski D.Rosati G.Wójtowicz W.Ziółkowska	M.Dąbrowski
16.12.2003	Resolution on principles of creating and releasing reserve for the risk of the zloty to the foreign currency exchange rate fluctuations at the National Bank of Poland		L.Balcerowicz J.Czekaj M.Dąbrowski B.Grabowski C.Józefiak W.Łączkowski J.Pruski D.Rosati G.Wójtowicz W.Ziółkowska	
17.12.2003	Motion to change the monetary policy bias from neutral to restrictive	The MPC Chairman's vote decided that the motion was not forwarded for further voting.	M.Dąbrowski B.Grabowski C.Józefiak W.Łączkowski J.Pruski	L.Balcerowicz J.Czekaj D.Rosati G.Wójtowicz W.Ziółkowska

# STATISTICAL ANNEX

## TABLE I

## Basic Economic Data

Specification	Unit	2002	2003		
		XII	I	II	III
1. Industrial output					
a) current prices	million zloty				
b) constant prices					
- the same month previous year = 100	%				
- previous month = 100	%				
2. Construction output					
a) current prices	million zloty				
b) constant prices					
- the same month previous year = 100	%				
- previous month = 100	%				
3. Consumer Price Index					
a) the same month previous year = 100	%				
b) previous month = 100	%				
c) December previous year = 100	%				
4. Producer Price Index					
a) the same month previous year = 100	%				
b) previous month = 100	%				
5. Construction Price Index					
a) the same month previous year = 100	%				
b) previous month = 100	%				
6. Number of employed, corporate sector total	thousands				
7. Average employment, corporate sector total	thousands				
8. Number of unemployed	thousands				
9. Unemployment rate	%				
10. Average monthly employee earnings, gross, corporate sector	zloty				
11. National Budget revenue & expenditure					
a) revenue	million zloty				
b) expenditure	million zloty				
c) financial surplus/deficit and net foreign lending/ borrowing	million zloty				
12. Corporate financial performance					
a) total revenues	million zloty				
of which: sales of goods & services	million zloty				
b) total operating costs	million zloty				
of which: cost of sales	million zloty				
c) pre-tax profit/loss	million zloty				
d) statutory deductions	million zloty				
e) net profit/loss	million zloty				
f) cost to sales ratio	%				
g) net margin	%				
h) quick liquidity ratio	%				
i) total current assets	million zloty				
j) accounts receivable and associated claims	million zloty				
k) accounts payable	million zloty				

2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
42,274.5	42,433.2	42,349.4	44,614.4	42,507.5	48,301.1	51,429.6	47,613.5	48,607.4
108.5	111.7	107.9	110.3	105.9	110.9	112.1	109.2	114.0
98.4	101.3	99.6	104.8	94.9	113.2	105.5	91.9	101.9
2,396.0	2,879.5	3,339.2	3,614.4	3,394.1	3,793.7	3,932.1	3,241.9	4,643.1
86.5	93.1	98.8	101.7	97.0	96.2	95.1	95.0	99.4
123.0	120.2	115.9	108.3	94.0	112.0	103.8	82.6	143.3
100.3	100.4	100.8	100.8	100.7	100.9	101.3	101.6	101.7
100.2	100.0	99.9	99.6	99.6	100.5	100.6	100.3	100.2
101.0	101.0	100.8	100.5	100.1	100.6	101.2	101.5	101.7
102.7	102.0	102.0	101.9	101.8	102.1	102.7	103.7	103.7
99.4	99.4	100.3	100.7	100.3	100.5	100.7	100.4	100.1
98.9	99.2	99.0	98.8	98.8	98.7	98.6	98.6	98.6
99.9	100.0	100.1	99.9	99.9	99.8	99.8	99.8	99.9
4,912.0	4,914.0	4,915.0	4,914.0	4,906.0	4,904.0	4,905.0	4,884.0	4,827.0
4,726.0	4,723.0	4,722.0	4,722.0	4,718.0	4,711.0	4,715.0	4,701.0	4,671.0
3,246.1	3,159.6	3,134.6	3,123.0	3,099.1	3,073.3	3,058.2	3,096.9	3,175.7
20.3	19.8	19.7	19.6	19.5	19.4	19.3	19.5	20.0
2,320.7	2,254.4	2,301.0	2,342.7	2,295.1	2,353.1	2,331.1	2,439.6	2,662.2
46,475.0	56,710.3	71,903.3	84,531.6	96,295.1	109,297.0	123,345.2	137,323.4	152,110.6
64,429.0	79,927.9	95,721.7	112,168.7	125,857.4	142,383.1	158,173.6	172,805.2	189,153.6
-15,737.5	-21,191.7	-22,021.3	-24,950.0	-26,955.8	-33,878.1	-32,128.4	-32,038.6	-31,081.4
.	.	499,547.4	.	.	775,051.3	.	.	1,080,601.7
.	.	306,422.2	.	.	474,852.4	.	.	659,087.0
.	.	484,495.6	.	.	750,475.6	.	.	1,050,716.7
.	.	307,899.8	.	.	476,880.3	.	.	661,952.8
.	.	15,047.2	.	.	24,576.2	.	.	30,176.0
.	.	6,241.2	.	.	9,443.1	.	.	12,188.5
.	.	8,806.0	.	.	15,133.1	.	.	17,987.4
.	.	97.0	.	.	96.8	.	.	97.2
.	.	1.8	.	.	2.0	.	.	1.7
.	.	80.5	.	.	84.4	.	.	84.3
.	.	298,815.2	.	.	309,281.4	.	.	317,484.5
.	.	132,956.6	.	.	137,017.3	.	.	136,146.8
.	.	127,879.1	.	.	131,710.5	.	.	139,772.5

## TABLE II

## Financial Market - Basic Information

Specification	Unit	2002	2003		
		XII	I	II	III
1. Lombard rate	%				
2. Rediscount rate	%				
3. Refinancing rate	%				
4. Deposit rate	%				
5. Minimum yield on 28-day open market operations (reverse repo rate)	%				
6. Reserve requirement					
a) Reserve requirement ratio on zloty deposits					
- demand	%				
- time	%				
b) Reserve requirement ratio on foreign currency deposits (zloty equivalent)					
- demand	%				
- time	%				
7. Total required reserves held	million zloty				
a) current account	million zloty				
b) declared vault cash	million zloty				
8. Treasury bill tenders					
a) Number of tenders during month					
b) Face value of bills offered for sale	million zloty				
of which:					
- 2-week	million zloty				
- 3-week	million zloty				
- 6-week	million zloty				
- 8-week	million zloty				
- 10-week	million zloty				
- 13-week	million zloty				
- 26-week	million zloty				
- 39-week	million zloty				
- 52-week	million zloty				
c) Demand declared by bidders (at face value)	million zloty				
of which for:					
- 2-week	million zloty				
- 3-week	million zloty				
- 6-week	million zloty				
- 8-week	million zloty				
- 10-week	million zloty				
- 13-week	million zloty				
- 26-week	million zloty				
- 39-week	million zloty				
- 52-week	million zloty				
d) Face value of bills sold	million zloty				
of which for:					
- 2-week	million zloty				
- 3-week	million zloty				
- 6-week	million zloty				
- 8-week	million zloty				

2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
7.25	7.00	6.75	6.75	6.75	6.75	6.75	6.75	6.75
6.25	6.00	5.75	5.75	5.75	5.75	5.75	5.75	5.75
7,25/8.25	7,00/8.00	6,75/7.75	6,75/7.75	6,75/7.75	6,75/7.75	6,75/7.75	6,75/7.75	6,75/7.75
4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75
5.75	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.25
4.50	4.50	4.50	4.50	4.50	4.50	3.50	3.50	3.50
4.50	4.50	4.50	4.50	4.50	4.50	3.50	3.50	3.50
4.50	4.50	4.50	4.50	4.50	4.50	3.50	3.50	3.50
4.50	4.50	4.50	4.50	4.50	4.50	3.50	3.50	3.50
13,223.65	13,223.65	13,197.10	13,321.14	13,321.14	12,483.04	9,600.04	9,600.04	10,220.23
13,223.65	13,223.65	13,197.10	13,321.14	13,321.14	12,483.04	9,600.04	9,600.04	10,220.23
.	.	.	.	.	.	0.00	0.00	0.00
3	4	5	4	4	5	5	4	4
3,900.00	3,200.00	3,900.00	3,600.00	3,200.00	6,600.00	7,500.00	4,400.00	5,300.00
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	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00
.	.	.	.	.	.	3,500.00	0.00	0.00
900.00	0.00	100.00	300.00	0.00	800.00	200.00	0.00	100.00
0.00	0.00	0.00	0.00	0.00	900.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3,000.00	3,200.00	3,800.00	3,300.00	3,200.00	4,900.00	3,800.00	4,400.00	5,200.00
10,521.22	9,370.75	8,274.38	9,338.12	9,280.28	13,828.44	14,230.75	8,190.00	11,450.22
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	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
.	.	.	.	.	.	6,243.20	0.00	0.00
2,106.72	0.00	489.09	1,087.93	0.00	1,806.52	749.61	0.00	491.38
0.00	0.00	0.00	0.00	0.00	828.09	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8,414.50	9,370.75	7,785.29	8,250.19	9,280.28	11,193.83	7,237.94	8,190.00	10,958.84
3,900.00	3,200.00	3,695.49	3,600.00	3,200.00	6,798.79	7,500.00	4,400.00	5,300.00
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	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	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## TABLE II – cont.

## Financial Market - Basic Information

Specification	Unit	2002	2003		
		XII	I	II	III
- 10-week	million zloty				
- 13-week	million zloty				
- 26-week	million zloty				
- 39-week	million zloty				
- 52-week	million zloty				
e) Yield on bills purchased, weighted average	%				
of which for:					
- 2-week	%				
- 3-week	%				
- 6-week	%				
- 8-week	%				
- 10-week	%				
- 13-week	%				
- 26-week	%				
- 39-week	%				
- 52-week	%				
f) Bills outstanding from tender sales at month end (purchase prices)	million zloty				
9. Tenders for NBP money-market bills					
a) Number of tenders during month					
b) Face value of bills offered for sale	million zloty				
of which for:					
- 1-day	million zloty				
- 7-day	million zloty				
- 14-day	million zloty				
- 28-day	million zloty				
c) Demand declared by bidders (at face value)	million zloty				
of which for:					
- 1-day	million zloty				
- 7-day	million zloty				
- 14-day	million zloty				
- 28-day	million zloty				
d) Face value of bills sold	million zloty				
of which for:					
- 1-day	million zloty				
- 7-day	million zloty				
- 14-day	million zloty				
- 28-day	million zloty				
e) Yield on bills purchased, weighted average	%				
of which for:					
- 1-day	%				
- 7-day	%				
- 14-day	%				
- 28-day	%				
f) Bills outstanding from tender sales at month end (purchase prices)	million zloty				



2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
.	.	.	.	.	.	3,500.00	0.00	0.00
900.00	0.00	100.00	300.00	0.00	800.00	200.00	0.00	100.00
0.00	0.00	0.00	0.00	0.00	555.50	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3,000.00	3,200.00	3,595.49	3,300.00	3,200.00	5,443.29	3,800.00	4,400.00	5,200.00
5.54	4.82	4.67	4.90	4.82	4.97	5.27	5.99	6.12
.	.	.	.	.	.	.	.	.
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	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	0.00	0.00	0.00	0.00	0.00	0.00
.	.	.	.	.	.	5.21	0.00	0.00
5.70	0.00	5.11	5.02	0.00	4.99	5.10	0.00	5.31
0.00	0.00	0.00	0.00	0.00	5.02	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.49	4.82	4.66	4.88	4.82	4.96	5.33	5.99	6.14
41,629.82	42,214.53	42,217.48	41,053.83	41,007.37	41,846.52	46,476.15	47,606.32	45,605.50
.	.	.	.	.	.	.	.	.
4	5	4	4	5	4	5	4	4
14,500.00	13,000.00	9,500.00	12,200.00	23,000.00	17,500.00	14,000.00	14,000.00	10,000.00
.	.	.	.	.	.	.	.	.
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	0.00	0.00	0.00	0.00	0.00
14,500.00	13,000.00	9,500.00	12,200.00	23,000.00	17,500.00	14,000.00	14,000.00	10,000.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23,128.68	48,540.00	35,752.45	29,982.30	67,248.34	48,149.21	30,150.40	24,211.20	14,015.09
.	.	.	.	.	.	.	.	.
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
23,128.68	48,540.00	35,752.45	29,982.30	67,248.34	48,149.21	30,150.40	24,211.20	14,015.09
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12,974.87	13,000.00	9,500.00	12,200.00	22,378.73	17,500.00	12,020.00	14,000.00	9,580.00
.	.	.	.	.	.	.	.	.
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	0.00	0.00	0.00	0.00
12,974.87	13,000.00	9,500.00	12,200.00	22,378.73	17,500.00	12,020.00	14,000.00	9,580.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.95	5.68	5.45	5.25	5.25	5.25	5.25	5.25	5.25
.	.	.	.	.	.	.	.	.
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	0.00	0.00	0.00
5.95	5.68	5.45	5.25	5.25	5.25	5.25	5.25	5.25
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4,988.60	4,490.30	4,490.59	3,193.48	13,472.49	8,482.68	3,013.85	3,991.85	5,987.77

## TABLE II – cont.

## Financial Market - Basic Information

	Unit	2002	2003		
		XII	I	II	III
10. Outright sales of securities by NBP					
a) Number of tenders					
b) Face value of securities allotted for sale	million zloty				
c) Face value of bids submitted by banks	million zloty				
d) Face value of bids accepted	million zloty				
e) Value of bids accepted	million zloty				
11. Data on trading sessions of Warsaw Stock Exchange					
a) Number of companies at month end					
b) Capitalisation at month end	million zloty				
c) P/E ratio at month end					
d) Warsaw Stock Exchange Index (WIG) at month end					
e) WIG monthly average					
f) Second-Tier Market Index (WIRR) at month end					
g) WIRR monthly average					
h) Monthly turnover	million zloty				
i) Turnover ratio	%				

2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
3	0	0	0	0	0	0	0	0
613.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
856.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
241.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
259.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
208.00	206.00	205.00	204.00	204.00	201.00	202.00	202.00	203.00
101,885.27	108,793.73	112,866.66	123,924.07	144,418.58	130,825.01	137,389.76	129,303.00	140,001.45
x	x	x	x	192.60	136.40	59.10	46.90	49.90
14,259.75	15,304.37	15,987.50	18,004.31	21,336.29	19,330.49	20,663.72	19,231.52	20,820.07
14,236.02	14,842.30	15,650.33	17,200.27	19,431.61	20,351.06	20,671.21	19,861.39	20,394.22
1,492.35	1,700.44	1,699.12	2,174.14	2,644.50	2,484.77	2,612.98	2,494.67	2,740.68
1,416.98	1,615.41	1,695.33	1,915.03	2,445.71	2,570.85	2,562.69	2,576.66	2,585.99
3,690.62	4,657.00	3,995.00	7,045.58	9,227.63	8,806.99	7,921.04	5,730.53	5,978.16
1.80	2.30	1.90	3.10	3.70	3.40	2.90	2.20	2.30

TABLE III

## PLN/USD and PLN/EUR Exchange Rates, 2003 (PLN)

Month	NBP average exchange rates end of month			Average monthly rate	
	PLN/1 USD	PLN/1 EUR	USD/1 EUR	PLN/1 USD	PLN/1 EUR
December 2002	3.8388	4.0202	1.0473	3.9114	3.9876
January 2003	3.8173	4.1286	1.0815	3.8321	4.0644
February	3.9135	4.2083	1.0753	3.8626	4.1645
March	4.0512	4.4052	1.0874	4.0033	4.3227
April	3.8406	4.2755	1.1132	3.9610	4.2985
May	3.7109	4.3915	1.1834	3.7482	4.3260
June	3.8966	4.4570	1.1438	3.7966	4.4361
July	3.8721	4.3879	1.1332	3.9064	4.4429
August	3.9944	4.3588	1.0912	3.9184	4.3668
September	3.9799	4.6435	1.1667	3.9815	4.4669
October	4.0234	4.6826	1.1638	3.9221	4.5895
November	3.9350	4.7127	1.1976	3.9488	4.6254
December	3.7405	4.7170	1.2611	3.7879	4.6547

TABLE IV

## Weighted Interest Rates on Zloty Deposit Offered by Commercial Banks

Specification	2002	2003											
	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
<b>Households deposits</b>													
Current accounts (private entrepreneurs and farmers)	0.4	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Checking accounts - ROR (individuals)	1.2	1.0	0.8	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Time deposits:													
- 1 month	4.0	4.0	3.9	3.6	3.4	3.1	2.9	2.7	2.7	2.7	2.7	2.7	2.7
- 3 months	3.9	3.8	3.7	3.5	3.3	3.1	2.8	2.6	2.6	2.6	2.5	2.5	2.5
- 6 months	4.1	4.0	3.9	3.7	3.4	3.2	3.1	2.8	2.7	2.7	2.7	2.7	2.7
- 1 year	4.6	4.5	4.4	4.2	4.0	3.7	3.5	3.3	3.3	3.3	3.4	3.4	3.4
- 2 years	5.1	4.9	4.8	4.6	4.3	4.2	4.0	3.7	3.7	3.7	3.7	3.9	3.9
- over 2 years	5.2	5.0	4.8	4.6	4.3	4.1	3.8	3.6	3.5	3.5	3.5	3.5	3.6
Total households time deposits	4.2	4.1	4.0	3.8	3.6	3.3	3.2	2.9	2.9	2.9	2.9	2.9	2.9
<b>Non-financial corporations deposits</b>													
Current accounts	0.4	0.4	0.4	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Time deposits:													
- 1 month	4.3	4.1	3.9	3.8	3.5	3.3	3.1	2.9	2.9	2.8	2.9	3.0	3.0
- 3 months	4.2	4.1	4.0	3.8	3.5	3.3	3.0	2.9	2.9	2.9	2.9	2.9	2.8
- 6 months	4.2	4.1	4.0	3.7	3.4	3.3	3.0	2.8	2.8	2.8	2.8	2.8	2.9
- 1 year	4.4	4.4	4.3	4.1	3.7	3.6	3.4	3.2	3.2	3.2	3.2	3.3	3.2
- 2 years	5.0	5.0	5.0	4.6	4.2	4.1	3.9	3.9	3.9	3.7	3.9	3.9	3.9
- over 2 years	6.1	6.1	5.7	5.3	4.7	4.4	4.4	3.1	3.0	3.1	2.9	2.9	2.8
Total non-financial corporations time deposits	4.3	4.1	4.0	3.8	3.5	3.3	3.1	2.9	2.9	2.8	2.9	3.0	3.0
<b>Total</b>	<b>4.2</b>	<b>4.1</b>	<b>4.0</b>	<b>3.8</b>	<b>3.6</b>	<b>3.3</b>	<b>3.2</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>

TABLE V

Weighted Average Interest Rates on Zloty Lending Offered  
by Commercial Banks

Specification	2002	2003											
	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
<b>Non-financial corporations loans</b>													
Overdrafts	8.9	8.5	8.2	8.0	7.7	7.4	7.1	7.0	7.0	6.8	7.1	7.2	7.0
Original maturity of:													
- 1 year	8.7	8.4	8.1	7.9	7.6	7.2	7.0	6.8	6.8	6.8	7.0	7.1	7.0
- 2 years	8.9	8.5	8.3	8.1	8.2	7.8	7.6	7.3	7.2	7.2	7.7	7.6	7.5
- 3 years	9.1	8.7	8.4	8.3	8.1	7.7	7.4	7.6	7.5	7.5	7.7	7.8	7.7
- 5 years	9.0	8.8	8.5	8.3	8.3	7.8	7.5	7.6	7.4	7.3	7.6	7.6	7.5
- over 5 years	8.9	8.7	8.4	8.2	8.0	7.8	7.5	7.3	7.3	7.2	7.5	7.4	7.3
Total	<b>8.8</b>	<b>8.5</b>	<b>8.2</b>	<b>8.0</b>	<b>7.8</b>	<b>7.4</b>	<b>7.2</b>	<b>7.1</b>	<b>7.0</b>	<b>7.0</b>	<b>7.2</b>	<b>7.3</b>	<b>7.2</b>
<b>Households loans</b>													
Households loans	17.0	16.9	16.9	16.6	16.4	16.1	16.1	15.9	15.8	15.8	15.8	15.6	15.5
Overdrafts													
Consumer loans with original maturity of:	18.1	17.9	17.2	17.1	16.9	16.8	16.3	16.0	15.8	15.7	15.8	15.7	15.8
- 1 year	18.4	17.9	17.1	17.1	16.9	16.7	16.8	16.5	16.5	16.4	16.4	16.3	16.3
- 2 years	18.9	18.3	17.3	17.3	17.0	16.9	16.9	16.7	16.7	16.6	16.8	16.8	16.7
- 3 years	16.5	16.0	15.8	15.8	15.6	15.5	15.1	15.0	15.0	15.0	14.4	14.9	14.9
- 5 years	17.3	17.1	17.0	16.9	16.8	16.7	15.9	15.9	15.9	15.9	15.3	15.9	15.8
- over 5 years	<b>17.7</b>	<b>17.5</b>	<b>17.0</b>	<b>16.9</b>	<b>16.7</b>	<b>16.6</b>	<b>16.1</b>	<b>15.9</b>	<b>15.8</b>	<b>15.8</b>	<b>15.6</b>	<b>15.8</b>	<b>15.8</b>
<b>Housing loans with original maturity of:</b>													
- 1 year	9.1	8.9	8.6	8.4	8.2	8.0	7.8	7.4	7.3	7.3	7.4	7.5	7.4
- 2 years	9.1	9.0	8.8	8.5	8.4	8.1	8.0	7.9	7.8	7.8	7.9	7.9	7.9
- 3 years	9.2	9.1	8.9	8.6	8.6	8.3	8.3	8.0	8.0	7.9	8.1	8.2	8.1
- 5 years	10.2	10.2	9.9	9.6	9.4	9.2	8.6	8.5	8.4	8.4	8.5	8.5	8.4
- over 5 years	10.1	9.3	9.2	9.1	8.3	8.2	7.8	7.2	7.2	7.2	7.1	7.1	7.1
Total	<b>9.6</b>	<b>9.3</b>	<b>9.1</b>	<b>8.9</b>	<b>8.6</b>	<b>8.3</b>	<b>8.0</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>	<b>7.7</b>	<b>7.6</b>
<b>Loans to private entrepreneurs with original maturity of:</b>													
- 1 year	9.5	9.3	9.1	8.9	8.7	8.3	8.1	8.1	7.5	7.4	7.7	7.7	7.6
- 2 years	10.4	10.1	9.8	9.7	9.5	9.0	9.0	8.9	8.2	8.2	8.5	8.5	8.4
- 3 years	10.8	10.6	10.4	10.2	10.0	9.7	9.1	9.0	7.8	7.7	7.9	7.9	7.7
- 5 years	9.1	8.7	8.4	8.2	8.0	7.7	7.4	7.3	7.2	7.1	7.3	7.3	7.3
- over 5 years	9.7	9.4	9.2	9.0	8.7	8.2	8.0	7.8	7.8	7.7	7.9	7.9	7.8
Total	<b>9.7</b>	<b>9.4</b>	<b>9.2</b>	<b>9.0</b>	<b>8.8</b>	<b>8.4</b>	<b>8.2</b>	<b>8.1</b>	<b>7.6</b>	<b>7.5</b>	<b>7.8</b>	<b>7.8</b>	<b>7.7</b>
<b>Agricultural loans with original maturity of:</b>													
- 1 year	8.5	8.2	7.6	7.4	7.1	6.8	6.5	6.5	6.5	6.5	6.5	6.5	6.5
- 2 years	8.6	8.3	7.8	7.5	7.2	7.0	6.6	6.6	6.6	6.6	6.6	6.6	6.6
- 3 years	8.6	8.3	7.8	7.5	7.2	7.0	6.6	6.6	6.6	6.5	6.5	6.5	6.5
- 5 years	8.5	8.3	7.8	7.5	7.2	7.0	6.7	6.6	6.6	6.6	6.6	6.6	6.6
- over 5 years	8.5	8.3	7.8	7.5	7.2	7.0	6.7	6.6	6.6	6.6	6.6	6.6	6.6
Total	<b>8.5</b>	<b>8.3</b>	<b>7.7</b>	<b>7.5</b>	<b>7.2</b>	<b>7.0</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>
<b>Other loans with original maturity of:</b>													
- 1 year	17.4	16.8	16.6	16.3	15.1	14.6	14.6	14.3	13.5	13.5	13.6	13.7	13.5
- 2 years	16.7	15.9	15.3	14.8	14.4	14.1	14.1	13.8	13.5	13.3	13.0	13.1	13.0
- 3 years	15.4	14.1	13.8	14.0	13.6	13.3	13.5	13.4	13.1	13.3	13.1	13.0	12.9
- 5 years	14.4	13.0	12.6	12.3	12.2	12.2	12.6	12.4	12.1	12.1	11.6	11.9	11.6
- over 5 years	13.4	12.8	12.4	12.0	12.0	11.4	12.8	12.8	12.9	12.9	10.8	10.9	10.8
Total	15.9	15.1	14.8	14.5	13.8	13.4	14.0	13.7	13.2	13.2	12.7	12.8	12.6
<b>Total households loans</b>	<b>14.6</b>	<b>14.2</b>	<b>13.8</b>	<b>13.6</b>	<b>13.2</b>	<b>12.9</b>	<b>13.1</b>	<b>12.8</b>	<b>12.5</b>	<b>12.5</b>	<b>12.2</b>	<b>12.2</b>	<b>12.1</b>
<b>Total loans to non-financial corporations and consumer</b>	<b>11.6</b>	<b>11.2</b>	<b>10.9</b>	<b>10.7</b>	<b>10.3</b>	<b>10.0</b>	<b>9.9</b>	<b>9.7</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>
<b>Total zloty loans</b>	<b>10.7</b>	<b>10.4</b>	<b>10.0</b>	<b>9.9</b>	<b>9.6</b>	<b>9.3</b>	<b>9.0</b>	<b>8.9</b>	<b>8.9</b>	<b>8.9</b>	<b>9.0</b>	<b>9.1</b>	<b>9.2</b>

## TABLE VI

**Aggregated Balance Sheet of Other Monetary Financial Institutions (PLN millions)**  
**ASSETS**

Specification	2002	2003		
	XII	I	II	III
<b>Loans to domestic residents</b>				
- Monetary financial institutions				301,...
- General government				
- Other domestic residents <sup>1</sup>				44,2...
<b>Holdings of securities other than shares issued by domestic residents</b>				
- Monetary financial institutions				14,9...
- General government				
- Other domestic residents <sup>1</sup>				242,...
<b>Holdings of shares/other equity issued by domestic residents</b>				
- Monetary financial institutions				110,...
- Other domestic residents <sup>1</sup>				
<b>External assets</b>				17,1...
<b>Fixed assets<sup>2</sup></b>				
<b>Remaining assets</b>				90,5...
<b>Total assets</b>				

<sup>1</sup> non-monetary financial institutions and non-financial sector.

<sup>2</sup> excluding financial fixed assets, included in line "Holdings of securities other than shares issued by domestic residents".

## TABLE VI

**Aggregated Balance Sheet of Other Monetary Financial Institutions (PLN millions)**  
**LIABILITIES**

Specification	2002	2003		
	XII	I	II	III
<b>Deposits of domestic residents</b>	342,324.2	344,888.8	346,738.4	344,189.3
- Monetary financial institutions	34,768.2	41,034.6	40,265.3	38,976.3
- Central government	9,909.7	9,980.7	10,339.3	10,334.5
- Other domestic residents <sup>1</sup>	297,646.3	293,873.5	296,133.8	294,878.5
- overnight	93,335.6	87,314.5	89,482.7	91,335.2
- with agreed maturity	204,255.9	206,489.6	206,581.0	203,457.8
- redeemable at notice	54.8	69.4	70.1	73.7
- repurchase agreements	0.0	0.0	0.0	11.8
<b>Debt securities issued</b>	3,101.6	3,896.7	4,260.5	4,986.1
<b>Capital and reserves</b>	78,161.0	78,207.6	78,642.4	79,473.3
Tier-1 capital	41,396.9	41,169.0	41,204.2	41,476.6
Tier-2 capital	794.7	794.6	800.2	807.7
Reserves	35,969.4	36,244.0	36,638.0	37,189.0
<b>External liabilities</b>	34,910.0	36,032.8	37,523.0	39,491.0
<b>Remaining liabilities</b>	43,052.2	49,976.0	47,258.4	48,952.4
<b>Total liabilities</b>	501,549.0	513,001.9	514,422.7	517,092.1

<sup>1</sup> non-monetary financial institutions, local government, social security funds and non-financial sector.

2003									
	IV	V	VI	VII	VIII	IX	X	XI	XII
	288,380.7	295,620.1	295,167.4	296,501.7	292,111.0	298,826.5	297,167.2	301,183.9	296,534.3
7.2	309,786.2	306,840.0	303,533.4						
	46,735.8	50,635.8	49,226.0	47,135.8	43,983.9	49,612.4	46,042.7	49,306.3	43,000.8
.2	47,323.2	41,040.9	40,626.7						
	14,522.6	16,049.1	15,418.9	14,044.9	14,852.6	14,107.0	14,557.8	15,124.8	15,146.0
.0	16,880.1	17,359.2	19,574.8						
	227,122.3	228,935.2	230,522.5	235,321.0	233,274.5	235,107.1	236,566.7	236,752.8	238,387.5
1.0	245,582.9	248,439.9	243,331.9						
	99,646.0	98,562.9	98,871.0	98,063.8	97,205.7	101,036.5	103,281.5	104,921.7	113,776.7
9.0	105,118.9	107,031.8	107,182.4						
	21,312.9	17,680.8	21,098.1	16,115.1	13,262.3	13,036.5	13,049.3	11,753.8	22,136.3
.5	11,840.5	12,839.7	14,908.3						
	74,815.2	77,356.5	74,809.2	79,164.9	80,933.1	84,899.7	87,091.9	90,395.0	88,976.8
.0	90,744.9	91,514.9	89,268.4						
	3,517.9	3,525.6	2,963.7	2,783.8	3,010.3	3,100.3	3,140.3	2,772.9	2,663.6

2003									
	IV	V	VI	VII	VIII	IX	X	XI	XII
	339,236.9	346,776.1	343,771.4	344,323.9	345,656.9	344,433.2	353,026.1	351,562.8	350,655.1
	36,161.4	40,764.0	36,661.4	36,856.9	37,628.9	34,174.2	37,021.5	35,902.8	31,754.3
	10,776.4	10,781.0	10,098.6	10,468.9	10,267.9	10,463.7	10,671.2	10,667.3	10,588.1
	292,299.1	295,231.1	297,011.4	296,998.1	297,760.1	299,795.3	305,333.4	304,992.7	308,312.7
	84,439.9	91,676.2	98,663.6	99,112.1	99,450.8	102,859.3	101,882.8	106,160.9	108,000.3
	207,782.3	203,485.5	198,297.5	197,838.3	198,264.0	196,893.0	203,409.9	198,793.4	200,275.5
	72.2	69.2	50.3	47.7	45.3	43.0	40.7	38.4	36.9
	4.7	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	5,279.5	5,565.6	5,788.9	5,829.0	6,328.0	6,439.1	6,952.5	4,888.7	4,543.6
	80,140.3	80,950.1	81,442.9	82,095.4	82,218.5	82,777.7	82,746.0	82,788.6	83,723.8
	41,980.6	42,505.2	42,229.6	42,490.0	42,511.6	42,609.3	42,702.7	42,770.4	43,446.5
	813.0	814.3	1,296.1	1,187.3	1,172.9	1,049.8	593.0	353.9	1,075.6
	37,346.7	37,630.6	37,917.2	38,418.1	38,534.0	39,118.6	39,450.3	39,664.3	39,201.7
	37,517.3	37,566.5	39,036.2	37,705.4	38,144.2	40,063.4	41,876.8	46,187.1	47,238.5
	47,224.1	47,298.2	47,603.5	46,227.3	46,380.8	48,685.5	48,049.7	48,686.5	41,342.1
	509,398.1	518,156.5	517,642.9	516,181.0	518,728.4	522,398.9	532,651.1	534,113.7	527,503.1

## TABLE VII

Balance Sheet of the National Bank of Poland (PLN millions)  
ASSETS

Specification	2002	2003		
	XII	I	II	III
Loans to domestic residents	5,256.7	5,254.8	5,258.1	5,165.4
- Other monetary financial institutions	5,234.0	5,233.0	5,236.5	5,143.6
- General government	0.0	0.0	0.0	0.0
- Other domestic residents <sup>1</sup>	22.7	21.8	21.6	21.8
Holdings of securities other than shares issued by domestic residents	6,765.6	6,134.9	4,121.7	3,854.7
- Other monetary financial institutions	186.2	180.8	180.8	180.9
- General government	6,579.4	5,954.1	3,940.9	3,673.8
Holdings of shares/other equity issued by domestic residents	225.2	225.1	225.1	225.1
- Other monetary financial institutions	0.0	0.0	0.0	0.0
- Other domestic residents <sup>1</sup>	225.2	225.1	225.1	225.1
External assets	119,562.7	121,605.6	129,845.6	131,170.2
Fixed assets <sup>2</sup>	1,680.0	1,561.9	1,497.4	1,601.6
Remaining assets	657.6	688.4	704.1	728.1
<b>Total assets</b>	<b>134,147.8</b>	<b>135,470.7</b>	<b>141,652.0</b>	<b>142,745.1</b>

<sup>1</sup> Non-monetary financial institutions and non-financial sector.

<sup>2</sup> Excluding financial fixed assets, included in line "Holdings of shares/other equity issued by domestic residents".

## TABLE VII

Balance Sheet of the National Bank of Poland (PLN millions)  
LIABILITIES

Specification	2002	2003		
	XII	I	II	III
Currency in circulation	46,745.0	45,345.0	46,336.5	48,041.4
Deposits of domestic residents	22,734.8	27,089.8	25,515.4	25,386.1
- Other monetary financial institutions	15,312.9	13,145.7	12,577.6	12,143.9
- Central government	6,336.1	13,029.0	11,959.6	12,524.6
- Other domestic residents <sup>1</sup>	1,085.8	915.1	978.2	717.6
Debt securities issued	20,953.0	17,265.9	20,829.9	15,623.9
Capital and reserves	2,569.0	2,573.6	2,542.0	2,557.4
Tier-1 capital	1,748.3	1,748.3	1,748.3	1,748.3
Reserves	820.7	825.3	793.7	809.1
External liabilities	5,345.7	6,079.2	7,126.7	6,914.2
Remaining liabilities	35,800.3	37,117.2	39,301.5	44,222.1
<b>Total liabilities</b>	<b>134,147.8</b>	<b>135,470.7</b>	<b>141,652.0</b>	<b>142,745.1</b>

<sup>1</sup> Non-monetary financial institutions, local - government, social security funds and non-financial sector.



2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
5,102.5	5,100.7	5,004.3	4,986.5	5,141.9	4,893.6	4,837.4	4,836.6	4,711.4
5,081.1	5,079.1	4,982.2	4,963.4	5,118.9	4,869.8	4,813.6	4,812.8	4,687.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21.4	21.6	22.1	23.1	23.0	23.8	23.8	23.8	23.9
3,037.1	2,928.9	3,069.5	2,233.7	2,100.4	2,095.5	593.0	565.2	529.4
180.9	180.9	180.9	180.9	180.9	181.0	181.0	161.8	145.6
2,856.2	2,748.0	2,888.6	2,052.8	1,919.5	1,914.5	412.0	403.4	383.8
225.1	76.2	76.2	88.2	88.2	88.2	88.2	80.8	80.8
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
225.1	76.2	76.2	88.2	88.2	88.2	88.2	80.8	80.8
124,281.7	129,377.7	130,006.4	128,994.6	131,277.5	135,741.0	140,717.2	139,260.6	132,807.7
1,621.7	1,627.7	1,648.4	1,655.2	1,671.2	1,686.2	1,712.0	1,725.4	1,780.1
822.2	858.4	856.9	1,037.4	1,150.1	951.2	1,166.9	1,126.7	631.5
<b>135,090.3</b>	<b>139,969.6</b>	<b>140,661.7</b>	<b>138,995.6</b>	<b>141,429.3</b>	<b>145,455.7</b>	<b>149,114.7</b>	<b>147,595.3</b>	<b>140,540.9</b>

2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
50,148.3	49,697.8	51,408.0	51,340.8	52,455.4	52,605.2	53,432.7	53,538.0	54,176.6
24,652.6	30,091.0	28,648.3	30,165.7	18,550.9	21,680.7	27,064.2	26,679.1	23,590.0
11,914.0	12,641.0	13,057.8	16,681.8	9,260.8	13,948.6	14,016.6	8,604.1	12,152.3
12,419.6	17,167.2	15,269.2	13,216.0	9,038.7	7,473.6	12,793.9	17,795.9	10,786.5
319.0	282.8	321.3	267.9	251.4	258.5	253.7	279.1	651.2
12,893.3	12,432.3	12,470.1	11,209.2	21,548.2	16,586.0	11,145.1	12,162.9	14,202.0
2,473.5	2,435.3	2,575.6	2,750.7	2,864.6	2,714.3	2,941.0	2,920.0	2,804.6
1,748.3	1,748.3	1,845.1	1,845.1	1,845.1	1,845.1	1,845.1	1,845.1	1,845.1
725.2	687.0	730.5	905.6	1,019.5	869.2	1,095.9	1,074.9	959.5
5,661.6	6,651.1	7,048.0	6,629.9	6,824.2	8,981.8	10,141.9	8,720.1	5,456.7
39,261.0	38,662.1	38,511.7	36,899.3	39,186.0	42,887.7	44,389.8	43,575.2	40,311.0
<b>135,090.3</b>	<b>139,969.6</b>	<b>140,661.7</b>	<b>138,995.6</b>	<b>141,429.3</b>	<b>145,455.7</b>	<b>149,114.7</b>	<b>147,595.3</b>	<b>140,540.9</b>

## TABLE VIII

Consolidated Balance Sheet of Monetary Financial Institutions  
(PLN millions)  
**ASSETS**

Specification	2002	2003		
	XII	I	II	III
Loans to domestic residents	241,667.6	245,006.1	245,963.0	249,387.7
- General government	14,522.6	16,049.1	15,418.9	14,044.9
- Other domestic residents <sup>1</sup>	227,145.0	228,957.0	230,544.1	235,342.8
Holdings of securities other than shares issued by domestic residents	84,912.5	86,836.2	81,713.8	85,622.5
- General government	81,394.6	83,310.6	78,750.1	82,838.7
- Other domestic residents <sup>1</sup>	3,517.9	3,525.6	2,963.7	2,783.8
Holdings of shares/other equity <sup>2</sup> issued by other domestic residents <sup>1</sup>	6,201.2	6,268.9	6,363.0	6,247.4
External assets	172,373.8	174,292.0	188,175.2	190,349.5
Fixed assets <sup>3</sup>	29,187.6	28,749.2	28,724.4	29,112.4
Remaining assets	22,011.5	28,671.3	24,586.4	25,514.9
<b>Total assets</b>	<b>556,354.2</b>	<b>569,823.7</b>	<b>575,525.8</b>	<b>586,234.4</b>

<sup>1</sup> non-monetary financial institutions, and non-financial sector.

<sup>2</sup> including rights issues, units in investment funds and financial fixed assets.

<sup>3</sup> excluding financial fixed assets, included in line "Holdings of shares/other equity issued by domestic residents".

## TABLE VIII

Consolidated Balance Sheet of Monetary Financial Institutions  
(PLN millions)  
**LIABILITIES**

Specification	2002	2003		
	XII	I	II	III
Currency in circulation	42,192.7	41,621.0	42,744.5	44,160.6
Deposits of central government	16,245.8	23,009.7	22,298.9	22,859.1
Deposits of other domestic residents <sup>1</sup>	298,732.1	294,788.6	297,112.0	295,596.1
- overnight	94,418.5	88,226.1	90,227.4	92,050.0
- with agreed maturity	204,258.8	206,493.1	206,814.5	203,460.6
- redeemable at notice	54.8	69.4	70.1	73.7
- repurchase agreements	0.0	0.0	0.0	11.8
Debt securities issued	2,555.5	3,301.0	3,811.5	4,314.0
Capital and reserves	79,408.6	79,586.7	79,968.9	80,884.1
External liabilities	40,255.7	42,112.0	44,649.7	46,405.2
Remaining liabilities	78,852.5	87,093.2	86,559.9	93,174.5
Excess of inter-MFI liabilities	-1,888.7	-1,688.5	-1,619.6	-1,159.2
<b>Total liabilities</b>	<b>556,354.2</b>	<b>569,823.7</b>	<b>575,525.8</b>	<b>586,234.4</b>

<sup>1</sup> non-monetary financial institutions, local government, social security funds and non-financial sector.

2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
248,148.5	249,235.7	251,146.6	251,900.7	253,556.5	257,328.8	262,486.8	265,822.9	262,930.6
14,852.6	14,107.0	14,557.8	15,124.8	15,146.0	14,914.0	16,880.1	17,359.2	19,574.8
233,295.9	235,128.7	236,588.8	236,775.9	238,410.5	242,414.8	245,606.7	248,463.7	243,355.8
86,799.6	90,748.0	93,120.8	95,220.7	93,559.9	95,062.0	93,690.4	94,595.5	92,657.9
83,789.3	87,647.7	89,980.5	92,447.8	90,896.3	92,510.5	91,156.9	91,918.3	89,652.2
3,010.3	3,100.3	3,140.3	2,772.9	2,663.6	2,551.5	2,533.5	2,677.2	3,005.7
6,221.3	6,013.1	6,209.0	6,234.0	6,251.4	6,225.9	6,166.7	5,976.8	6,322.4
181,288.0	184,236.7	184,338.4	176,555.7	177,164.6	182,420.4	194,216.8	195,870.5	188,247.6
29,212.6	29,296.9	29,349.6	29,626.4	29,559.9	29,894.3	30,097.2	30,203.5	30,519.5
25,027.5	25,956.4	24,651.7	24,334.0	24,552.0	25,116.2	25,425.7	25,348.5	20,968.5
576,697.5	585,486.8	588,816.1	583,871.5	584,644.3	596,047.6	612,083.6	617,817.7	601,646.5

2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
45,947.1	46,056.1	47,378.4	47,562.7	48,679.0	48,641.0	49,188.9	49,774.3	49,416.0
23,196.0	27,948.2	25,367.8	23,684.9	19,306.6	17,937.3	23,465.1	28,463.2	21,374.6
292,618.1	295,513.9	297,332.7	297,266.0	298,011.5	300,053.8	305,587.1	305,271.8	308,963.9
84,755.5	91,956.0	98,982.1	99,377.2	99,699.3	103,114.9	102,134.1	106,437.2	108,648.7
207,785.7	203,488.5	198,300.3	197,841.1	198,266.9	196,895.9	203,412.3	198,796.2	200,278.3
72.2	69.2	50.3	47.7	45.3	43.0	40.7	38.4	36.9
4.7	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4,729.6	4,780.5	5,028.8	5,103.5	5,559.0	5,672.6	6,076.1	4,050.1	3,691.7
81,532.3	82,296.7	82,814.7	83,523.5	83,783.0	84,133.7	84,406.9	84,436.2	85,259.6
43,178.9	44,217.6	46,084.2	44,335.3	44,968.4	49,045.2	52,018.7	54,907.2	52,695.2
86,485.1	85,960.3	86,115.2	83,126.6	85,566.8	91,573.2	92,439.5	92,261.7	81,653.1
-989.6	-1,286.5	-1,305.7	-731.0	-1,230.0	-1,009.2	-1,098.7	-1,346.8	-1,407.6
576,697.5	585,486.8	588,816.1	583,871.5	584,644.3	596,047.6	612,083.6	617,817.7	601,646.5

## TABLE IXa

## M3 and Counterparts (PLN millions)

Specification	2002	2003		
	XII	I	II	III
1. Currency in circulation (excluding vault cash)	42,192.8	41,620.9	42,744.5	44,160.7
- Currency in circulation (including vault cash)	46,745.0	45,345.0	46,336.5	48,041.4
- Cash in banks vaults	4,552.3	3,724.0	3,592.0	3,880.8
2. Overnight deposits and other liabilities	94,418.5	88,226.1	90,227.4	92,050.0
- Households	49,959.2	48,692.7	50,274.8	50,398.4
- of which individuals	41,617.5	41,485.7	43,521.2	43,621.7
- Non-monetary financial institutions	3,319.6	3,547.0	3,454.4	3,100.1
- Non-financial corporations	29,673.5	25,533.9	25,014.7	27,045.5
- Non-profit institutions serving households	3,179.6	2,860.0	2,800.4	2,970.4
- Local government	6,549.4	6,372.8	7,255.0	7,220.2
- Social security funds	1,737.3	1,219.7	1,428.1	1,315.5
<b>M1 (1+2)</b>	<b>136,611.2</b>	<b>129,847.0</b>	<b>132,971.8</b>	<b>136,210.7</b>
3. Deposits and other liabilities with agreed maturity up to 2 years and blocked deposits	183,518.0	185,518.2	185,419.0	181,604.4
- Households	146,314.2	146,180.9	145,762.6	145,197.0
- of which individuals	144,607.6	144,522.2	144,156.5	143,673.4
- Non-monetary financial institutions	3,930.3	4,076.3	4,148.1	3,559.1
- Non-financial corporations	25,348.6	26,719.7	26,652.6	24,399.4
- Non-profit institutions serving households	5,087.1	5,254.1	5,198.6	5,169.8
- Local government	1,856.2	2,783.6	3,209.6	2,952.9
- Social security funds	981.6	503.5	447.6	326.2
4. Deposits redeemable at notice up to 3 months	53.5	54.3	55.0	58.7
<b>M2 (M1+3+4)</b>	<b>320,182.7</b>	<b>315,419.5</b>	<b>318,445.8</b>	<b>317,873.8</b>
5. Repurchase agreements	0.0	0.0	0.0	11.8
6. Debt securities issued with maturity up to 2 years	1,778.5	2,360.1	2,638.5	3,027.9
<b>M3 (M2+5+6)</b>	<b>321,961.2</b>	<b>317,779.6</b>	<b>321,084.3</b>	<b>320,913.5</b>

2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
45,947.1	46,056.1	47,378.4	47,562.7	48,679.0	48,641.0	49,189.0	49,774.3	49,416.0
50,148.3	49,697.8	51,408.0	51,340.8	52,455.4	52,605.2	53,432.7	53,538.0	54,176.6
4,201.2	3,641.7	4,029.6	3,778.1	3,776.4	3,964.2	4,243.8	3,763.7	4,760.6
84,755.5	91,956.0	98,982.1	99,377.2	99,699.3	103,114.8	102,134.1	106,437.2	108,648.7
49,859.7	50,469.3	51,918.6	52,905.5	53,534.3	53,664.4	53,614.2	56,659.3	57,032.1
43,345.8	43,737.9	44,768.8	45,233.1	45,602.1	45,624.5	45,260.2	48,482.7	47,367.8
2,483.6	4,212.8	3,872.6	4,797.4	4,786.9	3,907.7	3,677.0	4,591.7	4,331.2
22,390.7	26,175.9	31,523.6	30,529.4	30,601.5	34,057.7	33,147.9	33,058.9	35,594.5
2,637.9	2,809.7	3,157.2	3,208.1	3,209.3	3,473.7	3,429.2	3,696.3	3,721.2
6,597.2	7,230.2	7,166.0	6,799.2	6,610.6	7,121.5	7,506.8	7,844.6	7,007.8
786.3	1,058.1	1,344.1	1,137.7	956.7	889.7	759.0	586.4	961.9
<b>130,702.6</b>	<b>138,012.1</b>	<b>146,360.4</b>	<b>146,939.9</b>	<b>148,378.3</b>	<b>151,755.9</b>	<b>151,323.1</b>	<b>156,211.5</b>	<b>158,064.7</b>
186,463.0	182,164.2	176,456.5	176,055.1	176,361.9	175,128.5	181,047.7	178,017.5	179,712.8
143,223.3	141,116.9	139,682.2	138,258.5	137,270.9	136,644.4	137,043.9	133,982.3	135,374.6
141,721.3	139,690.0	138,366.4	136,944.2	135,931.9	135,344.5	135,600.6	132,598.8	133,859.2
4,433.8	3,354.7	3,300.3	3,281.2	3,593.3	3,656.8	4,436.5	5,023.9	4,609.9
29,571.3	28,572.6	25,184.3	26,344.4	26,926.1	26,721.9	30,736.5	30,549.4	32,689.8
5,422.7	5,244.8	5,192.0	4,970.0	5,097.6	5,013.3	5,165.2	4,831.6	4,855.4
3,246.8	3,501.1	2,821.4	2,862.0	2,890.1	2,579.9	3,131.3	3,006.8	1,784.6
565.2	374.1	276.4	339.0	584.0	512.2	534.4	623.6	398.5
57.2	54.3	49.6	47.0	44.6	42.3	40.1	37.9	36.4
<b>317,222.9</b>	<b>320,230.7</b>	<b>322,866.5</b>	<b>323,042.0</b>	<b>324,784.8</b>	<b>326,926.6</b>	<b>332,410.8</b>	<b>334,266.9</b>	<b>337,813.9</b>
4.7	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3,304.2	3,391.9	3,764.5	3,836.9	3,937.9	3,967.1	4,000.1	2,025.4	2,297.0
<b>320,531.9</b>	<b>323,622.8</b>	<b>326,631.0</b>	<b>326,878.9</b>	<b>328,722.7</b>	<b>330,893.8</b>	<b>336,410.9</b>	<b>336,292.3</b>	<b>340,110.8</b>

## TABLE IXb

## M3 and Counterparts (PLN millions)

Specification	2002	2003		
	XII	I	II	III
<b>Net external assets</b>	<b>132,118.1</b>	<b>132,179.9</b>	<b>143,525.4</b>	<b>143,944.4</b>
- External assets	172,373.8	174,292.0	188,175.1	190,349.5
- External liabilities	40,255.7	42,112.1	44,649.7	46,405.1
<b>Credit to other domestic residents</b>	<b>250,586.1</b>	<b>253,674.1</b>	<b>254,710.6</b>	<b>257,810.6</b>
Loans to other domestic residents	238,821.5	241,857.5	243,354.4	246,748.5
- Households	89,761.4	90,098.7	90,436.0	92,109.2
- of which individuals	63,099.2	63,112.1	63,286.2	64,438.7
- Non-monetary financial institutions	9,681.0	9,439.3	9,387.1	9,711.7
- Non-financial corporations	126,687.7	128,427.3	129,768.1	132,544.0
- Non-profit institutions serving households	1,014.9	991.8	952.9	978.0
- Local government	9,244.8	9,177.8	9,133.2	9,044.8
- Social security funds	2,431.7	3,722.7	3,677.0	2,360.9
Holdings of securities other than shares	5,563.5	5,547.7	4,993.2	4,814.7
- issued by Non-monetary financial institutions	674.2	535.3	498.7	445.5
- issued by Non-financial corporations	2,843.7	2,990.4	2,465.0	2,338.4
- issued by Local government	2,045.6	2,022.1	2,029.5	2,030.8
Holdings of shares/other equity	6,201.1	6,268.9	6,363.0	6,247.4
- Non-monetary financial institutions	4,414.8	4,521.5	4,541.3	4,540.1
- Non-financial corporations	1,786.4	1,747.3	1,821.7	1,707.3
<b>Credit to central government, net</b>	<b>65,949.3</b>	<b>61,427.4</b>	<b>57,030.4</b>	<b>60,588.0</b>
Credit to central government	82,195.1	84,437.2	79,329.3	83,447.1
- Loans	2,747.3	3,054.2	2,510.1	2,516.8
- Debt securities issued	79,349.0	81,288.5	76,720.6	80,807.8
Deposits of central government	16,245.8	23,009.7	22,298.9	22,859.1
<b>Longer-term financial liabilities</b>	<b>100,150.7</b>	<b>100,576.7</b>	<b>101,379.4</b>	<b>102,755.3</b>
Deposits with agreed maturity over 2 years and deposits redeemable at notice over 3 months	20,742.1	20,990.0	21,410.5	21,871.2
- Households	17,076.6	17,253.6	17,631.4	17,845.8
- of which individuals	16,985.5	17,138.8	17,519.8	17,727.0
- Non-monetary financial institutions	2,894.8	2,919.4	2,951.4	3,162.8
- Non-financial corporations	645.6	682.9	689.7	705.6
- Non-profit institutions serving households	96.2	99.3	99.1	123.8
- Local government	28.9	34.8	38.9	33.2
- Social security funds	0.0	0.0	0.0	0.0
Debt securities issued with maturity over 2 years	0.0	0.0	0.0	0.0
Capital and reserves	79,408.6	79,586.7	79,968.9	80,884.1
<b>Fixed assets (excluding financial fixed assets)</b>	<b>29,187.6</b>	<b>28,749.2</b>	<b>28,724.4</b>	<b>29,112.4</b>
<b>Other items (net)</b>	<b>-55,729.3</b>	<b>-57,674.3</b>	<b>-61,527.0</b>	<b>-67,786.5</b>

2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
138,109.1	140,019.2	138,254.2	132,220.4	132,196.2	133,375.2	142,198.1	140,963.2	135,551.4
181,288.0	184,236.7	184,338.4	176,555.7	177,164.6	182,420.4	194,216.8	195,870.5	187,551.7
43,178.9	44,217.6	46,084.2	44,335.3	44,968.4	49,045.2	52,018.7	54,907.2	52,000.3
256,792.7	258,083.5	260,290.9	261,123.5	262,679.2	266,213.3	269,978.3	273,034.7	270,413.9
245,504.2	246,880.7	248,814.8	249,993.0	251,630.5	255,323.0	259,071.5	261,984.4	258,706.6
91,703.3	93,079.1	94,173.2	94,967.6	95,992.1	98,687.2	100,205.9	101,339.0	101,973.5
64,162.0	65,569.6	66,655.0	67,374.6	68,270.2	70,659.9	72,134.4	72,989.3	73,949.9
9,779.0	9,861.5	9,729.7	9,883.5	9,665.4	9,833.5	10,397.8	10,686.3	10,565.0
130,890.9	131,268.5	131,713.4	130,955.1	131,784.5	132,909.0	134,162.7	135,595.5	129,980.3
922.7	919.5	972.5	969.7	968.4	985.1	840.2	843.0	836.3
9,028.7	8,990.9	9,210.4	9,534.7	9,729.3	9,890.0	9,733.0	9,753.8	10,492.4
3,179.6	2,761.1	3,015.6	3,682.4	3,490.8	3,018.2	3,731.8	3,766.9	4,859.1
5,067.2	5,189.8	5,267.1	4,896.4	4,797.3	4,664.4	4,740.1	5,073.5	5,384.8
450.0	456.1	443.0	483.0	592.7	662.9	585.0	585.3	740.7
2,560.3	2,644.2	2,697.2	2,289.9	2,070.9	1,888.6	1,948.5	2,091.8	2,265.0
2,056.9	2,089.4	2,126.8	2,123.5	2,133.8	2,112.9	2,206.6	2,396.3	2,379.2
6,221.3	6,013.1	6,209.1	6,234.0	6,251.4	6,225.9	6,166.7	5,976.8	6,322.4
4,481.4	4,416.2	4,640.7	4,730.2	4,660.4	4,645.7	4,512.9	4,422.3	4,714.8
1,739.9	1,596.9	1,568.4	1,503.8	1,591.0	1,580.1	1,653.8	1,554.5	1,607.6
<b>61,180.7</b>	<b>59,965.1</b>	<b>64,817.8</b>	<b>68,547.0</b>	<b>71,381.9</b>	<b>74,466.1</b>	<b>68,900.6</b>	<b>64,897.3</b>	<b>70,121.8</b>
84,376.7	87,913.2	90,185.5	92,232.0	90,688.5	92,403.4	92,365.6	93,360.5	91,496.4
2,511.3	2,209.5	2,179.1	1,780.2	1,788.1	1,792.6	3,214.3	3,624.3	4,043.9
81,732.4	85,558.2	87,853.7	90,324.3	88,762.5	90,397.6	88,950.3	89,522.0	87,273.1
23,196.0	27,948.1	25,367.7	23,684.9	19,306.6	17,937.3	23,465.1	28,463.2	21,374.6
102,869.9	103,635.7	104,659.2	105,310.3	105,688.6	105,901.8	106,778.3	105,395.6	105,940.6
21,337.6	21,339.0	21,844.5	21,786.8	21,905.6	21,768.1	22,365.3	20,779.3	20,566.0
17,644.3	17,567.0	17,510.7	17,486.1	17,553.6	17,518.2	17,784.9	17,769.0	17,487.3
17,529.5	17,450.9	17,400.3	17,376.3	17,443.2	17,403.4	17,667.6	17,658.1	17,368.9
2,967.8	3,003.2	3,537.3	3,460.1	3,504.3	3,383.2	3,311.2	1,784.3	1,778.5
603.2	640.3	670.1	703.7	712.7	714.3	1,117.4	1,065.1	1,131.5
96.4	102.3	103.5	114.6	110.2	128.1	127.7	132.6	141.0
25.9	26.3	22.9	22.3	24.8	24.2	24.0	27.0	26.4
0.0	0.0	0.0	0.0	0.0	0.1	0.0	1.3	1.3
0.0	0.0	0.0	0.0	0.0	0.0	6.1	180.1	108.9
81,532.3	82,296.7	82,814.7	83,523.5	83,783.0	84,133.7	84,406.9	84,436.2	85,265.7
29,212.6	29,296.9	29,349.6	29,626.4	29,559.9	29,894.3	30,097.2	30,203.5	30,505.9
<b>-61,893.4</b>	<b>-60,106.2</b>	<b>-61,422.3</b>	<b>-59,328.1</b>	<b>-61,405.9</b>	<b>-67,153.4</b>	<b>-67,985.1</b>	<b>-67,410.9</b>	<b>-60,541.5</b>

TABLE X

## Reserve Money and Counterparts (PLN millions)

Specification	2002	2003		
	XII	I	II	III
<b>External assets, net</b>	114,217.0	115,526.3	122,718.8	124,256.0
<b>Official reserve assets</b>	116,410.1	124,648.6	125,978.8	119,257.6
<b>Refinancing credit</b>	5,090.0	5,090.0	5,090.0	4,993.5
- Rediscount credit	0.0	0.0	0.0	0.0
- Lombard credit	0.0	0.0	0.0	0.0
- Credit for rehabilitation programmes	0.0	0.0	0.0	0.0
- Credit for central government investment projects	3,809.6	3,809.6	3,809.6	3,713.2
- Other credit	1,280.4	1,280.4	1,280.3	1,280.3
- Overdue credit	0.0	0.0	0.0	0.0
<b>Open market operations (net)</b>	-7,252.2	-3,500.0	-7,000.0	-2,500.0
- Auction credit	0.0	0.0	0.0	0.0
- Auction deposits	0.0	0.0	0.0	0.0
- NBP bills	-7,252.2	-3,500.0	-7,000.0	-2,500.0
<b>Credit to central government, net</b>	243.3	-7,074.9	-8,018.7	-8,850.9
<b>Other items (net)</b>	-50,248.2	-51,553.5	-53,884.6	-57,724.1
<b>Central Bank reserve money</b>	62,049.9	58,487.8	58,905.5	60,174.6
- Currency in circulation (including vault cash)	46,745.0	45,345.0	46,336.5	48,041.4
- Bank current accounts	15,304.9	13,142.9	12,569.0	12,133.1
- Reserve requirements accounts	0.0	0.0	0.0	0.0

TABLE XI

## Poland: transactions-based balance of payments (EUR millions)

Specification	1994	1995	1996	1997
<b>A. CURRENT ACCOUNT</b>	804	659	-2,606	-5,082
<b>Balance on Goods</b>	-485	-1,274	-5,818	-8,691
Goods: exports f.o.b.	15,475	19,372	22,005	27,194
Goods: imports f.o.b.	15,960	20,646	27,823	35,885
<b>Balance on Services</b>	2,394	2,736	2,718	2,807
Services: Credit	5,648	8,258	7,783	7,889
Services: Debit	3,254	5,522	5,065	5,082
<b>Balance on income</b>	-2,161	-1,544	-859	-999
Income: Credit	460	842	1,219	1,298
Income: Debit	2,621	2,386	2,078	2,297
<b>Balance on Current Transfers</b>	1,056	741	1,353	1,801
Current Transfers: Credit	1,833	1,902	2,256	2,389
Current Transfers: Debit	777	1,161	903	588



2003								
IV	V	VI	VII	VIII	IX	X	XI	XII
118,620.1	122,726.6	122,958.4	122,364.7	124,453.3	126,759.2	130,575.4	130,540.4	127,351.0
124,408.8	125,018.2	124,025.7	126,619.9	130,930.4	135,903.5	134,274.4	127,804.9	114,374.6
4,977.5	4,977.5	4,881.1	4,865.0	5,018.1	4,768.6	4,752.5	4,752.5	4,635.3
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	153.1	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3,697.2	3,697.2	3,600.8	3,584.8	3,584.8	3,488.3	3,472.3	3,472.3	3,287.5
1,280.3	1,280.3	1,280.3	1,280.3	1,280.3	1,280.3	1,280.2	1,280.2	1,347.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-5,000.0	-4,500.0	-4,500.0	-3,200.0	-13,500.0	-8,500.0	-3,020.0	-4,000.0	-6,000.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
-5,000.0	-4,500.0	-4,500.0	-3,200.0	-13,500.0	-8,500.0	-3,020.0	-4,000.0	-6,000.0
-9,563.4	-14,419.2	-12,380.6	-11,163.2	-7,119.2	-5,559.1	-12,381.9	-17,392.5	-10,402.7
-46,977.3	-46,713.2	-46,499.8	-44,847.3	-47,596.5	-50,919.2	-52,576.4	-52,276.2	-49,265.9
62,056.9	62,071.6	64,459.1	68,019.2	61,255.7	66,549.5	67,349.6	61,624.3	66,317.7
50,148.3	49,697.8	51,408.0	51,340.8	52,455.4	52,605.2	53,432.7	53,538.0	54,176.6
11,908.6	12,373.9	13,026.3	16,657.4	8,779.4	13,924.9	13,902.4	8,069.0	12,126.4
0.0	0.0	24.9	21.0	21.0	19.3	14.4	17.3	14.7

1998	1999	2000	2001	2002	2003
-6,154	-11,719	-10,796	-6,012	-5,404	-3,660
-11,446	-14,146	-13,327	-8,557	-7,701	-5,077
28,951	28,215	39,022	46,537	49,338	53,836
40,397	42,361	52,349	55,094	57,039	58,913
3,759	1,297	1,547	885	853	436
9,666	7,850	11,320	10,914	10,543	9,844
5,907	6,553	9,773	10,029	9,690	9,408
-1,050	-948	-1,607	-1,574	-1,992	-2,751
1,985	1,724	2,449	2,924	2,053	1,876
3,035	2,672	4,056	4,498	4,045	4,627
2,583	2,078	2,598	3,234	3,436	3,732
3,139	2,720	3,281	4,179	4,391	4,686
556	642	683	945	955	954

TABLE XI – cont.

Poland: transactions-based balance of payments (EUR millions)

	1994	1995	1996	1997
<b>B. CAPITAL ACCOUNT</b>	<b>7,769</b>	<b>220</b>	<b>75</b>	<b>59</b>
Capital account: Credit	7,769	220	4,658	81
Capital account: Debit	0	0	4,583	22
<b>C. FINANCIAL ACCOUNT</b>	<b>-7,208</b>	<b>6,085</b>	<b>5,332</b>	<b>6,561</b>
Direct investment abroad	-24	-32	-42	-40
Direct investment in Poland	1,581	2,831	3,592	4,343
Portfolio investment assets	-526	1	225	722
Equity securities	0	98	-14	50
Debt securities	-526	-97	239	672
Portfolio investment liabilities	0	909	17	1,146
Equity securities	0	169	598	530
Debt securities	0	740	-581	616
Other investment assets	-1,551	2,597	4,944	-667
NBP	164	50	30	0
Central and local government	29	36	4,605	36
MFI (excluding NBP)	-1,448	818	362	-952
Other sectors	-296	1,693	-53	249
Other investment liabilities	-6,688	-221	-3,402	1,068
NBP	527	-1,072	81	-496
Central and local government	-7,424	1	-4,814	-43
MFI (excluding NBP)	143	445	251	636
Other sectors	66	405	1,080	971
Financial derivatives	0	0	-2	-11
<b>D. NET ERRORS AND OMISSIONS</b>	<b>-89</b>	<b>-441</b>	<b>256</b>	<b>1,156</b>
Overall balance (A-D)	1,276	6,523	3,057	2,694
<b>E. OFFICIAL RESERVE ASSETS</b>	<b>-1,276</b>	<b>-6,523</b>	<b>-3,057</b>	<b>-2,694</b>

1998	1999	2000	2001	2002	2003
56	51	39	84	-7	-40
104	89	121	125	49	55
48	38	82	41	56	95
11,845	9,819	11,477	3,495	7,396	7,185
-282	-29	-18	97	-228	-343
5,676	6,824	10,334	6,372	4,371	3,756
-116	-514	-96	42	-1,208	-1,135
1	-161	-25	-76	-283	170
-117	-353	-71	118	-925	-1,305
1,629	648	3,820	1,098	3,116	3,369
1,546	13	509	-339	-588	-717
83	635	3,311	1,437	3,704	4,086
1,879	-3,135	-4,315	-4,496	1,878	-1,520
1	1	2	2	0	0
47	-6	-56	-40	-39	-39
1,968	-2,529	-3,384	-3,766	3,210	379
-137	-601	-877	-692	-1,293	-1,860
3,059	5,491	1,441	745	489	3,815
177	357	-1,419	133	-511	8
-328	-210	-299	-3,402	-540	-1,156
1,322	1,889	-518	327	-516	1,767
1,888	3,455	3,677	3,687	2,056	3,196
0	534	311	-363	-1,022	-757
-462	1,998	77	1,890	-1,309	-2,378
5,285	149	804	-543	676	1,107
-5,285	-149	-804	543	-676	-1,107

TABLE XII

Poland: transactions-based balance of payments (PLN millions)

	1994	1995	1996	1997
<b>A. CURRENT ACCOUNT</b>	<b>2,169</b>	<b>2,070</b>	<b>-8,801</b>	<b>-18,846</b>
Balance on Goods	-1,307	-3,991	-19,650	-32,224
Goods: exports f.o.b.	41,715	60,709	74,307	100,822
Goods: imports f.o.b.	43,022	64,700	93,957	133,046
Balance on Services	6,455	8,575	9,179	10,406
Services: Credit	15,225	25,880	26,283	29,248
Services: Debit	8,770	17,305	17,104	18,842
Balance on income	-5,825	-4,837	-2,898	-3,704
Income: Credit	1,241	2,640	4,118	4,813
Income: Debit	7,066	7,477	7,016	8,517
Balance on Current Transfers	2,846	2,323	4,568	6,676
Current Transfers: Credit	4,941	5,962	7,618	8,858
Current Transfers: Debit	2,095	3,639	3,050	2,182
<b>B. CAPITAL ACCOUNT</b>	<b>20,943</b>	<b>691</b>	<b>254</b>	<b>217</b>
Capital account: Credit	20,943	691	15,729	299
Capital account: Debit	0	0	15,475	82
<b>C. FINANCIAL ACCOUNT</b>	<b>-19,435</b>	<b>19,067</b>	<b>18,006</b>	<b>24,320</b>
Direct investment abroad	-66	-102	-143	-148
Direct investment in Poland	4,261	8,871	12,129	16,102
Portfolio investment assets	-1,418	3	760	2,674
Equity securities	0	308	-46	184
Debt securities	-1,418	-305	806	2,490
Portfolio investment liabilities	0	2,851	60	4,248
Equity securities	0	531	2,020	1,965
Debt securities	0	2,320	-1,960	2,283
Other investment assets	-4,184	8,138	16,695	-2,473
NBP	441	158	100	0
Central and local government	77	112	15,551	135
MFI (excluding NBP)	-3,904	2,563	1,222	-3,530
Other sectors	-798	5,305	-178	922
Other investment liabilities	-18,028	-694	-11,487	3,956
NBP	1,420	-3,360	275	-1,841
Central and local government	-20,011	2	-16,257	-161
MFI (excluding NBP)	386	1,394	847	2,359
Other sectors	177	1,270	3,648	3,599
Financial derivatives	0	0	-8	-39
<b>D. NET ERRORS AND OMISSIONS</b>	<b>-238</b>	<b>-1,385</b>	<b>863</b>	<b>4,296</b>
Overall balance (A-D)	3,439	20,443	10,322	9,987
<b>E. OFFICIAL RESERVE ASSETS</b>	<b>-3,439</b>	<b>-20,443</b>	<b>-10,322</b>	<b>-9,987</b>

1998	1999	2000	2001	2002	2003
-24,110	-49,542	-43,311	-21,725	-20,438	-15,890
-44,845	-59,798	-53,465	-31,289	-29,523	-22,276
113,430	119,263	156,241	170,600	190,540	237,257
158,275	179,061	209,706	201,889	220,063	259,533
14,730	5,479	6,172	3,312	3,397	2,018
37,872	33,180	45,344	39,985	40,869	43,441
23,142	27,701	39,172	36,673	37,472	41,423
-4,116	-4,007	-6,409	-5,616	-7,679	-12,097
7,777	7,288	9,794	10,740	7,950	8,250
11,893	11,295	16,203	16,356	15,629	20,347
10,121	8,784	10,391	11,868	13,367	16,465
12,298	11,498	13,126	15,339	17,046	20,666
2,177	2,714	2,735	3,471	3,679	4,201
220	218	152	310	-25	-178
409	377	482	458	190	233
189	159	330	148	215	411
46,408	41,510	45,796	12,935	28,508	31,383
-1,104	-123	-74	364	-933	-1,506
22,237	28,844	41,050	23,340	16,821	16,432
-455	-2,174	-387	185	-4,706	-5,077
3	-682	-94	-272	-1,094	700
-458	-1,492	-293	457	-3,612	-5,777
6,383	2,742	15,491	4,457	11,654	14,587
6,058	56	2,041	-1,247	-2,244	-3,274
325	2,686	13,450	5,704	13,898	17,861
7,361	-13,247	-17,097	-16,641	7,808	-6,584
3	4	4	3	0	0
185	-24	-220	-151	-148	-182
7,711	-10,688	-13,358	-13,862	12,790	1,397
-538	-2,539	-3,523	-2,631	-4,834	-7,799
11,986	23,210	5,585	2,712	1,559	16,890
695	1,508	-5,776	510	-1,924	-234
-1,286	-889	-1,207	-12,430	-2,104	-4,862
5,181	7,987	-2,041	1,135	-2,158	8,017
7,396	14,604	14,609	13,497	7,745	13,969
0	2,258	1,228	-1,482	-3,695	-3,359
-1,811	8,445	393	6,767	-5,295	-10,647
20,707	631	3,030	-1,713	2,750	4,668
-20,707	-631	-3,030	1,713	-2,750	-4,668

## TABLE XIII

## Poland: transactions-based balance of payments (USD millions)

	1994	1995	1996	1997
<b>A. CURRENT ACCOUNT</b>	<b>954</b>	<b>854</b>	<b>-3,264</b>	<b>-5,744</b>
Balance on Goods	-575	-1,646	-7,287	-9,822
Goods: exports f.o.b.	18,355	25,041	27,557	30,731
Goods: imports f.o.b.	18,930	26,687	34,844	40,553
Balance on Services	2,840	3,537	3,404	3,172
Services: Credit	6,699	10,675	9,747	8,915
Services: Debit	3,859	7,138	6,343	5,743
Balance on income	-2,563	-1,995	-1,075	-1,129
Income: Credit	546	1,089	1,527	1,467
Income: Debit	3,109	3,084	2,602	2,596
Balance on Current Transfers	1,252	958	1,694	2,035
Current Transfers: Credit	2,174	2,459	2,825	2,700
Current Transfers: Debit	922	1,501	1,131	665
<b>B. CAPITAL ACCOUNT</b>	<b>9,215</b>	<b>285</b>	<b>94</b>	<b>66</b>
Capital account: Credit	9,215	285	5,833	91
Capital account: Debit	0	0	5,739	25
<b>C. FINANCIAL ACCOUNT</b>	<b>-8,551</b>	<b>7,864</b>	<b>6,677</b>	<b>7,413</b>
Direct investment abroad	-29	-42	-53	-45
Direct investment in Poland	1,875	3,659	4,498	4,908
Portfolio investment assets	-624	1	282	815
Equity securities	0	127	-17	56
Debt securities	-624	-126	299	759
Portfolio investment liabilities	0	1,176	22	1,295
Equity securities	0	219	749	599
Debt securities	0	957	-727	696
Other investment assets	-1,841	3,356	6,191	-754
NBP	194	65	37	0
Central and local government	34	46	5,767	41
MFI (excluding NBP)	-1,718	1,057	453	-1,076
Other sectors	-351	2,188	-66	281
Other investment liabilities	-7,932	-286	-4,260	1,206
NBP	625	-1,386	102	-561
Central and local government	-8,805	1	-6,029	-49
MFI (excluding NBP)	170	575	314	719
Other sectors	78	524	1,353	1,097
Financial derivatives	0	0	-3	-12
<b>D. NET ERRORS AND OMISSIONS</b>	<b>-105</b>	<b>-571</b>	<b>321</b>	<b>1,309</b>
Overall balance (A-D)	1,513	8,432	3,828	3,044
<b>E. OFFICIAL RESERVE ASSETS</b>	<b>-1,513</b>	<b>-8,432</b>	<b>-3,828</b>	<b>-3,044</b>

1998	1999	2000	2001	2002	2003
-6,901	-12,487	-9,998	-5,357	-5,007	-4,085
-12,836	-15,072	-12,308	-7,660	-7,249	-5,725
32,467	30,060	35,902	41,664	46,742	61,007
45,303	45,132	48,210	49,324	53,991	66,732
4,216	1,381	1,393	804	849	519
10,840	8,363	10,387	9,755	10,035	11,166
6,624	6,982	8,994	8,951	9,186	10,647
-1,178	-1,010	-1,463	-1,390	-1,887	-3,112
2,226	1,837	2,250	2,625	1,950	2,125
3,404	2,847	3,713	4,015	3,837	5,237
2,897	2,214	2,380	2,889	3,280	4,233
3,520	2,898	3,008	3,737	4,182	5,314
623	684	628	848	902	1,081
63	55	32	75	-7	-46
117	95	109	112	46	60
54	40	77	37	53	106
13,284	10,462	10,205	3,172	6,955	8,061
-316	-31	-17	89	-230	-386
6,365	7,270	9,341	5,713	4,131	4,225
-130	-548	-89	46	-1,157	-1,296
1	-172	-23	-68	-268	183
-131	-376	-66	114	-889	-1,479
1,827	691	3,423	1,067	2,826	3,740
1,734	14	447	-307	-545	-837
93	677	2,976	1,374	3,371	4,577
2,107	-3,339	-3,870	-4,071	1,887	-1,700
1	1	1	1	0	0
53	-6	-49	-36	-37	-47
2,207	-2,694	-3,014	-3,398	3,107	346
-154	-640	-808	-638	-1,183	-1,999
3,431	5,850	1,148	664	396	4,347
199	380	-1,392	118	-473	-68
-368	-224	-291	-3,045	-503	-1,236
1,483	2,013	-475	283	-550	2,063
2,117	3,681	3,306	3,308	1,922	3,588
0	569	269	-336	-898	-869
-519	2,129	379	1,673	-1,306	-2,735
5,927	159	618	-437	635	1,195
-5,927	-159	-618	437	-635	-1,195

## TABLE XIV

Summary balance of payments in years 2000-2003  
(EUR millions)

Period	Current account					Capital account
	Total	Goods	Services	Income	Current transfers	
2000	-10,789	-13,327	1,547	-1,607	2,598	39
2001	-6,004	-8,557	893	-1,574	3,234	84
2002	-5,404	-7,701	853	-1,992	3,436	-7
2003	-3,660	-5,077	436	-2,751	3,732	-40
I Q 2000	-2,909	-3,148	33	-283	489	-21
II Q 2000	-2,951	-3,751	485	-329	644	8
III Q 2000	-2,032	-2,973	579	-294	656	-6
IV Q 2000	-2,897	-3,455	450	-701	809	58
I Q 2001	-1,491	-2,161	65	43	562	-3
II Q 2001	-2,438	-2,455	279	-975	713	-5
III Q 2001	-524	-1,770	359	-217	1,104	4
IV Q 2001	-1,551	-2,171	190	-425	855	88
I Q 2002	-1,797	-2,064	-61	-310	638	-20
II Q 2002	-1,800	-2,123	224	-695	794	16
III Q 2002	-684	-1,442	204	-427	981	20
IV Q 2002	-1,123	-2,072	486	-560	1,023	-23
I Q 2003	-1,644	-1,529	-244	-656	785	-16
II Q 2003	-916	-1,089	180	-889	882	-9
III Q 2003	-489	-1,155	192	-518	992	-5
IV Q 2003	-611	-1,304	308	-688	1,073	-10



Total	Financial account					Errors and omissions
	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
10,384	10,316	3,435	311	-2,874	-804	366
4,038	6,469	1,140	-363	-3,751	543	1,882
6,720	4,143	1,908	-1,022	2,367	-676	-1,309
6,078	3,413	2,234	-757	2,295	-1,107	-2,378
3,096	1,908	2,631	16	-2,032	573	-166
2,030	1,306	218	175	119	212	913
1,879	1,175	669	-406	454	-13	159
3,379	5,927	-83	526	-1,415	-1,576	-540
1,501	1,298	2,558	-154	-855	-1,346	-7
2,027	1,035	-1,090	458	1,037	587	416
601	867	-28	-597	495	-136	-81
-91	3,269	-300	-70	-4,428	1,438	1,554
2,096	1,288	1,667	-804	600	-655	-279
1,551	899	361	-287	-115	693	233
1,453	705	540	79	1,264	-1,135	-789
1,620	1,251	-660	-10	618	421	-474
1,604	1,200	2,899	-211	-1,502	-782	56
1,186	755	-878	-274	1,717	-134	-261
1,550	566	-1,212	126	2,420	-350	-1,056
1,738	892	1,425	-398	-340	159	-1,117

## TABLE XV

## Current account in years 2000–2003 (EUR millions)

Period	Current account					
	Net	Credit	Debit	Goods		
				Net	Credit	Debit
2000	-10,789	56,072	66,861	-13,327	39,022	52,349
2001	-6,004	64,554	70,558	-8,557	46,537	55,094
2002	-5,404	66,325	71,729	-7,701	49,338	57,039
2003	-3,660	70,242	73,902	-5,077	53,836	58,913
I Q 2000	-2,909	11,905	14,814	-3,148	8,621	11,769
II Q 2000	-2,951	13,491	16,442	-3,751	9,168	12,919
III Q 2000	-2,032	14,506	16,538	-2,973	10,037	13,010
IV Q 2000	-2,897	16,170	19,067	-3,455	11,196	14,651
I Q 2001	-1,491	14,855	16,346	-2,161	10,995	13,156
II Q 2001	-2,438	15,739	18,177	-2,455	11,490	13,945
III Q 2001	-524	16,851	17,375	-1,770	11,822	13,592
IV Q 2001	-1,551	17,109	18,660	-2,171	12,230	14,401
I Q 2002	-1,797	14,639	16,436	-2,064	11,173	13,237
II Q 2002	-1,800	16,494	18,294	-2,123	12,449	14,572
III Q 2002	-684	17,208	17,892	-1,442	12,613	14,055
IV Q 2002	-1,123	17,984	19,107	-2,072	13,103	15,175
I Q 2003	-1,644	15,555	17,199	-1,529	12,114	13,643
II Q 2003	-916	17,104	18,020	-1,089	13,117	14,206
III Q 2003	-489	18,457	18,946	-1,155	14,052	15,207
IV Q 2003	-611	19,126	19,737	-1,304	14,553	15,857

Current account								
Services			Income			Current transfers		
Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit
1,547	11,320	9,773	-1,607	2,449	4,056	2,598	3,281	683
893	10,914	10,021	-1,574	2,924	4,498	3,234	4,179	945
853	10,543	9,690	-1,992	2,053	4,045	3,436	4,391	955
436	9,844	9,408	-2,751	1,876	4,627	3,732	4,686	954
33	2,115	2,082	-283	532	815	489	637	148
485	2,908	2,423	-329	610	939	644	805	161
579	3,066	2,487	-294	574	868	656	829	173
450	3,231	2,781	-701	733	1,434	809	1,010	201
65	2,147	2,082	43	923	880	562	790	228
279	2,620	2,341	-975	697	1,672	713	932	219
359	3,046	2,687	-217	653	870	1,104	1,330	226
190	3,101	2,911	-425	651	1,076	855	1,127	272
-61	2,103	2,164	-310	477	787	638	886	248
224	2,581	2,357	-695	446	1,141	794	1,018	224
204	2,767	2,563	-427	609	1,036	981	1,219	238
486	3,092	2,606	-560	521	1,081	1,023	1,268	245
-244	1,967	2,211	-656	458	1,114	785	1,016	231
180	2,380	2,200	-889	478	1,367	882	1,129	247
192	2,717	2,525	-518	471	989	992	1,217	225
308	2,780	2,472	-688	469	1,157	1,073	1,324	251

## TABLE XVI

## Current account – Services in years 2000–2003 (EUR millions)

Period	Services					
	Net	Credit	Debit	Transport		
				Net	Credit	Debit
2000	1,547	11,320	9,773	993	2,659	1,666
2001	893	10,914	10,021	1,235	3,001	1,766
2002	855	10,545	9,690	1,529	3,446	1,917
2003	436	9,844	9,408	1,486	3,512	2,026
I Q 2000	33	2,115	2,082	170	513	343
II Q 2000	485	2,908	2,423	262	674	412
III Q 2000	579	3,066	2,487	322	745	423
IV Q 2000	450	3,231	2,781	239	727	488
I Q 2001	65	2,147	2,082	257	654	397
II Q 2001	279	2,620	2,341	334	777	443
III Q 2001	359	3,046	2,687	358	796	438
IV Q 2001	190	3,101	2,911	286	774	488
I Q 2002	-61	2,103	2,164	310	724	414
II Q 2002	224	2,581	2,357	440	911	471
III Q 2002	204	2,767	2,563	398	886	488
IV Q 2002	488	3,094	2,606	381	925	544
I Q 2003	-244	1,967	2,211	226	704	478
II Q 2003	180	2,380	2,200	323	800	477
III Q 2003	192	2,717	2,525	367	876	509
IV Q 2003	308	2,780	2,472	570	1,132	562

Travel			Other services		
Net	Credit	Debit	Net	Credit	Debit
2,583	6,192	3,609	-2,029	2,469	4,498
1,289	5,200	3,911	-1,631	2,713	4,344
1,138	4,513	3,375	-1,812	2,586	4,398
1,108	3,589	2,481	-2,158	2,743	4,901
440	1,101	661	-577	501	1,078
660	1,599	939	-437	635	1,072
706	1,702	996	-449	619	1,068
777	1,790	1,013	-566	714	1,280
161	873	712	-353	620	973
269	1,197	928	-324	646	970
396	1,595	1,199	-395	655	1,050
463	1,535	1,072	-559	792	1,351
99	797	698	-470	582	1,052
143	994	851	-359	676	1,035
274	1,297	1,023	-468	584	1,052
622	1,425	803	-515	744	1,259
114	688	574	-584	575	1,159
277	888	611	-420	692	1,112
315	1,095	780	-490	746	1,236
402	918	516	-664	730	1,394

## TABLE XVII

## Other services in years 2000-2003 (EUR millions)

Period	Other services								
	Net	Credit	Debit	postal, courier and telecommunications			Construction technology		
				Net	Credit	Debit	Net	Credit	Debit
2000	-2,029	2,469	4,498	-202	253	455	-23	321	344
2001	-1,631	2,713	4,344	-85	225	310	107	482	375
2002	-1,812	2,586	4,398	-27	172	199	221	583	362
2003	-2,158	2,743	4,901	-3	216	219	-54	643	697
I Q 2000	-577	501	1,078	-75	55	130	20	73	53
II Q 2000	-437	635	1,072	-55	68	123	-38	77	115
III Q 2000	-449	619	1,068	-50	65	115	-5	84	89
IV Q 2000	-566	714	1,280	-22	65	87	0	87	87
I Q 2001	-353	620	973	-43	43	86	88	124	36
II Q 2001	-324	646	970	-8	72	80	28	116	88
III Q 2001	-395	655	1,050	-19	53	72	-34	126	160
IV Q 2001	-559	792	1,351	-15	57	72	25	116	91
I Q 2002	-470	582	1,052	-29	32	61	28	159	131
II Q 2002	-359	676	1,035	-1	40	41	55	146	91
III Q 2002	-468	584	1,052	2	54	52	96	139	43
IV Q 2002	-515	744	1,259	1	46	45	42	139	97
I Q 2003	-584	575	1,159	-20	46	66	-18	110	128
II Q 2003	-420	692	1,112	16	60	44	-16	152	168
III Q 2003	-490	746	1,236	4	66	62	-7	202	209
IV Q 2003	-664	730	1,394	-3	44	47	-13	179	192

Other services								
Insurance and re-insurance			Finance			IT and information technology		
Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit
-121	226	347	-124	114	238	-170	67	237
-114	206	320	-290	193	483	-203	92	295
-141	230	371	-75	143	218	-184	103	287
-172	193	365	-109	142	251	-192	118	310
-27	58	85	-43	23	66	-42	10	52
-27	42	69	-21	26	47	-30	21	51
-35	53	88	-31	26	57	-42	17	59
-32	73	105	-29	39	68	-56	19	75
-25	57	82	-42	38	80	-67	16	83
-36	34	70	-60	30	90	-34	24	58
-17	53	70	-28	43	71	-36	25	61
-36	62	98	-160	82	242	-66	27	93
-6	70	76	-12	45	57	-43	17	60
-25	71	96	1	37	36	-44	29	73
-84	30	114	-31	29	60	-32	28	60
-26	59	85	-33	32	65	-65	29	94
-49	40	89	-23	28	51	-46	29	75
-26	57	83	-25	31	56	-43	30	73
-52	42	94	-23	45	68	-40	27	67
-45	54	99	-38	38	76	-63	32	95

## TABLE XVII cont.

## Other services in years 2000-2003 (EUR millions)

Period	Other services								
	Net	Credit	Debit	Patent rights, copyrights, licence fees			Other business services		
				Net	Credit	Debit	Net	Credit	Debit
2000	-1,389	1,488	2,877	-568	37	605	-584	1,395	1,979
2001	-1,046	1,515	2,561	-512	54	566	-364	1,374	1,738
2002	-1,606	1,355	2,961	-548	36	584	-857	1,249	2,106
2003	-1,628	1,431	3,059	-636	26	662	-829	1,347	2,176
I Q 2000	-410	282	692	-111	9	120	-236	263	499
II Q 2000	-266	401	667	-125	13	138	-88	372	460
III Q 2000	-286	374	660	-134	8	142	-100	349	449
IV Q 2000	-427	431	858	-198	7	205	-160	411	571
I Q 2001	-264	342	606	-127	14	141	-97	308	405
II Q 2001	-214	370	584	-97	16	113	-71	328	399
III Q 2001	-261	355	616	-116	10	126	-105	324	429
IV Q 2001	-307	448	755	-172	14	186	-91	414	505
I Q 2002	-408	259	667	-110	7	117	-235	237	472
II Q 2002	-345	353	698	-122	12	134	-149	325	474
III Q 2002	-419	304	723	-130	4	134	-260	281	541
IV Q 2002	-434	439	873	-186	13	199	-213	406	619
I Q 2003	-428	322	750	-227	11	238	-162	296	458
II Q 2003	-326	362	688	-124	4	128	-158	340	498
III Q 2003	-372	364	736	-116	4	120	-210	345	555
IV Q 2003	-502	383	885	-169	7	176	-299	366	665



Other services								
Public services, audio video, culture, entertainment			Maintenance of representative offices (central government)			Other		
Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit
-99	53	152	-138	3	141	0	0	0
-57	78	135	-113	9	122	0	0	0
-102	63	165	-101	5	106	2	2	0
-59	54	113	-104	4	108	0	0	0
-22	10	32	-41	0	41	0	0	0
-15	16	31	-38	0	38	0	0	0
-20	15	35	-32	2	34	0	0	0
-42	12	54	-27	1	28	0	0	0
-6	18	24	-34	2	36	0	0	0
-13	23	36	-33	3	36	0	0	0
-13	18	31	-27	3	30	0	0	0
-25	19	44	-19	1	20	0	0	0
-25	14	39	-38	1	39	0	0	0
-41	16	57	-33	0	33	0	0	0
-14	17	31	-15	2	17	0	0	0
-22	16	38	-15	2	17	2	2	0
-9	13	22	-30	2	32	0	0	0
-8	18	26	-36	0	36	0	0	0
-16	14	30	-30	1	31	0	0	0
-26	9	35	-8	1	9	0	0	0

## TABLE XVIII

## Income account in years 2000–2003 (EUR millions)

Period	Income								
	Net	Credit	Debit	Employee remuneration			Investment income		
				Net	Credit	Debit	Net	Credit	Debit
2000	-1,607	2,449	4,056	-24	208	232	-1,583	2,241	3,824
2001	-1,574	2,924	4,498	-63	216	279	-1,511	2,708	4,219
2002	-1,992	2,053	4,045	-6	278	284	-1,986	1,775	3,761
2003	-2,751	1,876	4,627	66	321	255	-2,817	1,555	4,372
I Q 2000	-283	532	815	-4	46	50	-279	486	765
II Q 2000	-329	610	939	-7	50	57	-322	560	882
III Q 2000	-294	574	868	-8	53	61	-286	521	807
IV Q 2000	-701	733	1,434	-5	59	64	-696	674	1,370
I Q 2001	43	923	880	-10	53	63	53	870	817
II Q 2001	-975	697	1,672	-14	62	76	-961	635	1,596
III Q 2001	-217	653	870	-20	47	67	-197	606	803
IV Q 2001	-425	651	1,076	-19	54	73	-406	597	1,003
I Q 2002	-310	477	787	-10	59	69	-300	418	718
II Q 2002	-695	446	1,141	-13	71	84	-682	375	1,057
III Q 2002	-427	609	1,036	3	67	64	-430	542	972
IV Q 2002	-560	521	1,081	14	81	67	-574	440	1,014
I Q 2003	-656	458	1,114	8	73	65	-664	385	1,049
II Q 2003	-889	478	1,367	12	75	63	-901	403	1,304
III Q 2003	-518	471	989	24	86	62	-542	385	927
IV Q 2003	-688	469	1,157	22	87	65	-710	382	1,092

Income								
Investment income								
Direct investment								
Net	Credit	Debit	Equity			Debt		
			Net	Credit	Debit	Net	Credit	Debit
-743	28	771	-172	7	179	-571	21	592
-769	37	806	86	32	-54	-855	5	860
-855	-58	797	-189	-59	130	-666	1	667
-1,380	20	1,400	-864	17	881	-516	3	519
-95	2	97	20	-3	-23	-115	5	120
-200	10	210	-75	4	79	-125	6	131
-183	3	186	-55	-2	53	-128	5	133
-265	13	278	-62	8	70	-203	5	208
-68	13	81	170	11	-159	-238	2	240
-455	9	464	-264	8	272	-191	1	192
-199	6	205	-29	5	34	-170	1	171
-47	9	56	209	8	-201	-256	1	257
-84	-18	66	112	-19	-131	-196	1	197
-197	-17	180	-43	-17	26	-154	0	154
-310	-16	294	-192	-16	176	-118	0	118
-264	-7	257	-66	-7	59	-198	0	198
-170	6	176	-53	4	57	-117	2	119
-563	7	570	-428	7	435	-135	0	135
-346	6	352	-213	6	219	-133	0	133
-301	1	302	-170	0	170	-131	1	132

## TABLE XVIII - cont.

Income account in years 2000–2003 (EUR millions)

Period	Income					
	Net	Credit	Debit	Portfolio investment		
				Net	Credit	Debit
2000	-10	1,163	1,173	123	1,143	1,020
2001	158	1,607	1,449	414	1,599	1,185
2002	2	1,260	1,258	169	1,254	1,085
2003	-466	1,152	1,618	-206	1,143	1,349
I Q 2000	94	239	145	102	236	134
II Q 2000	-60	323	383	-27	319	346
III Q 2000	-11	258	269	69	252	183
IV Q 2000	-33	343	376	-21	336	357
I Q 2001	328	593	265	346	593	247
II Q 2001	-322	308	630	-179	306	485
III Q 2001	85	342	257	162	340	178
IV Q 2001	67	364	297	85	360	275
I Q 2002	13	271	258	26	270	244
II Q 2002	-120	264	384	-41	262	303
III Q 2002	175	421	246	244	420	176
IV Q 2002	-66	304	370	-60	302	362
I Q 2003	-120	274	394	-111	273	384
II Q 2003	-245	311	556	-93	307	400
III Q 2003	79	310	231	138	310	172
IV Q 2003	-180	257	437	-140	253	393

Income								
Portfolio investment						Other investment		
Equity			Debt			Net	Credit	Debit
Net	Credit	Debit	Net	Credit	Debit			
-133	20	153	256	1,123	867	-963	1,070	2,033
-256	8	264	670	1,591	921	-1,156	1,072	2,228
-167	6	173	336	1,248	912	-1,300	579	1,879
-260	9	269	54	1,134	1,080	-1,231	392	1,623
-8	3	11	110	233	123	-286	248	534
-33	4	37	6	315	309	-95	231	326
-80	6	86	149	246	97	-172	266	438
-12	7	19	-9	329	338	-410	325	735
-18	0	18	364	593	229	-225	264	489
-143	2	145	-36	304	340	-327	320	647
-77	2	79	239	338	99	-160	260	420
-18	4	22	103	356	253	-444	228	672
-13	1	14	39	269	230	-242	166	408
-79	2	81	38	260	222	-444	130	574
-69	1	70	313	419	106	-364	138	502
-6	2	8	-54	300	354	-250	145	395
-9	1	10	-102	272	374	-383	106	489
-152	4	156	59	303	244	-245	89	334
-59	0	59	197	310	113	-334	69	403
-40	4	44	-100	249	349	-269	128	397

## TABLE XIX

## Current transfers in years 2000–2003 (EUR millions)

Period	Current transfers								
	Net	Credit	Debit	Government transfers			Private transfers		
				Net	Credit	Debit	Net	Credit	Debit
2000	2,598	3,281	683	338	400	62	2,260	2,881	621
2001	3,234	4,179	945	315	453	138	2,919	3,726	807
2002	3,436	4,391	955	513	643	130	2,923	3,748	825
2003	3,732	4,686	954	482	632	150	3,250	4,054	804
I Q 2000	489	637	148	26	43	17	463	594	131
II Q 2000	644	805	161	74	83	9	570	722	152
III Q 2000	656	829	173	67	83	16	589	746	157
IV Q 2000	809	1,010	201	171	191	20	638	819	181
I Q 2001	562	790	228	39	87	48	523	703	180
II Q 2001	713	932	219	44	72	28	669	860	191
III Q 2001	1,104	1,330	226	155	190	35	949	1,140	191
IV Q 2001	855	1,127	272	77	104	27	778	1,023	245
I Q 2002	638	886	248	44	65	21	594	821	227
II Q 2002	794	1,018	224	94	122	28	700	896	196
III Q 2002	981	1,219	238	191	237	46	790	982	192
IV Q 2002	1,023	1,268	245	184	219	35	839	1,049	210
I Q 2003	785	1,016	231	96	142	46	689	874	185
II Q 2003	882	1,129	247	136	184	48	746	945	199
III Q 2003	992	1,217	225	92	105	13	900	1,112	212
IV Q 2003	1,073	1,324	251	158	201	43	915	1,123	208

TABLE XX

Direct investment in years 2000–2003 (EUR millions)

Period	Direct investment						
		Direct investment abroad			Direct investment in Poland		
			Equity capital	Other capital		Equity capital	Other capital
2000	9,883	-18	-109	91	9,901	9,340	561
2001	6,469	97	42	55	6,372	4,760	1,612
2002	4,143	-228	-198	-30	4,371	3,209	1,162
2003	3,413	-343	-256	-87	3,756	4,109	-353
I Q 2000	1,807	-10	-16	6	1,817	1,704	113
II Q 2000	1,199	-3	-26	23	1,202	836	366
III Q 2000	1,064	10	-22	32	1,054	876	178
IV Q 2000	5,813	-15	-45	30	5,828	5,924	-96
I Q 2001	1,298	52	38	14	1,246	827	419
II Q 2001	1,035	18	-10	28	1,017	942	75
III Q 2001	867	25	6	19	842	833	9
IV Q 2001	3,269	2	8	-6	3,267	2,158	1,109
I Q 2002	1,288	35	32	3	1,253	684	569
II Q 2002	899	6	10	-4	893	659	234
III Q 2002	705	-155	-134	-21	860	687	173
IV Q 2002	1,251	-114	-106	-8	1,365	1,179	186
I Q 2003	1,200	-128	-123	-5	1,328	1,160	168
II Q 2003	755	-31	-26	-5	786	1,024	-238
III Q 2003	566	-83	-33	-50	649	652	-3
IV Q 2003	892	-101	-74	-27	993	1,273	-280

## TABLE XXI

Portfolio investment by instrument in years 2000–2003  
(EUR millions)

Period	Portfolio investment			
	Assets	Liabilities	Equity	
			Assets	Liabilities
2000	-96	3,531	-25	470
2001	42	1,098	-76	-339
2002	-1,208	3,116	-283	-588
2003	-1,135	3,369	170	-717
I Q 2000	3	2,628	-6	305
II Q 2000	-112	330	-5	-75
III Q 2000	47	622	-8	193
IV Q 2000	-34	-49	-6	47
I Q 2001	260	2,298	1	-85
II Q 2001	-97	-993	-59	-15
III Q 2001	-97	69	0	48
IV Q 2001	-24	-276	-18	-287
I Q 2002	-70	1,737	-23	-193
II Q 2002	-448	809	-129	-182
III Q 2002	-318	858	-115	-254
IV Q 2002	-372	-288	-16	41
I Q 2003	7	2,892	121	-41
II Q 2003	-120	-758	145	83
III Q 2003	-783	-429	-41	-273
IV Q 2003	-239	1,664	-55	-486



Portfolio investment					
Debt instruments					
	Assets			Liabilities	
	Long-term debt securities	Money market instruments		Long-term debt securities	Money market instruments
-71	-7	-64	3,061	2,962	99
118	133	-15	1,437	1,424	13
-925	-635	-290	3,704	3,662	42
-1,305	-1,218	-87	4,086	4,221	-135
0			0		
9	6	3	2,323	2,314	9
-107	-85	-22	405	445	-40
55	46	9	429	381	48
-28	26	-54	-96	-178	82
259	179	80	2,383	2,425	-42
-38	-2	-36	-978	-987	9
-97	-66	-31	21	-29	50
-6	22	-28	11	15	-4
-47	-18	-29	1,930	1,960	-30
-319	-181	-138	991	1,054	-63
-203	-91	-112	1,112	1,137	-25
-356	-345	-11	-329	-489	160
-114	-167	53	2,933	2,836	97
-265	-307	42	-841	-796	-45
-742	-599	-143	-156	-59	-97
-184	-145	-39	2,150	2,240	-90

TABLE XXII

Portfolio investment assets by instrument and sector  
in years 2000–2003 (EUR millions)

Period	Portfolio investment					
	Assets	Equity				
		Assets	NBP	MFI	General government	Other sector
2000	-96	-25	0	-5	-1	-19
2001	42	-76	0	4	-1	-79
2002	-1,208	-283	0	-1	0	-282
2003	-1,135	170	0	-21	31	160
I Q 2000	3	-6	0	1	0	-7
II Q 2000	-112	-5	0	3	0	-8
III Q 2000	47	-8	0	-9	-1	2
IV Q 2000	-34	-6	0	0	0	-6
I Q 2001	260	1	0	0	0	1
II Q 2001	-97	-59	0	0	0	-59
III Q 2001	-97	0	0	4	-1	-3
IV Q 2001	-24	-18	0	0	0	-18
I Q 2002	-70	-23	0	-1	0	-22
II Q 2002	-448	-129	0	0	0	-129
III Q 2002	-318	-115	0	0	0	-115
IV Q 2002	-372	-16	0	0	0	-16
I Q 2003	7	121	0	0	0	121
II Q 2003	-120	145	0	0	0	145
III Q 2003	-783	-41	0	-22	19	-38
IV Q 2003	-239	-55	0	1	12	-68

Portfolio investment										
Debt instruments										
Assets	Bonds and notes					Money market instruments				
	Assets	NBP	MFI	General government	Other sector	Assets	NBP	MFI	General government	Other sector
-71	-7	0	26	12	-45	-64	0	-29	-4	-31
118	133	0	-40	212	-39	-15	0	-20	0	5
-925	-635	0	-131	37	-541	-290	0	-226	0	-64
-1,305	-1,218	0	-254	-18	-946	-87	0	27	2	-116
9	6	0	0	6	0	3	0	5	0	-2
-107	-85	0	-41	-11	-33	-22	0	-15	0	-7
55	46	0	45	17	-16	9	0	-16	0	25
-28	26	0	22	0	4	-54	0	-3	-4	-47
259	179	0	-21	213	-13	80	0	-9	0	89
-38	-2	0	-1	-1	0	-36	0	-1	0	-35
-97	-66	0	-34	0	-32	-31	0	-13	0	-18
-6	22	0	16	0	6	-28	0	3	0	-31
-47	-18	0	44	0	-62	-29	0	-107	0	78
-319	-181	0	-7	0	-174	-138	0	4	0	-142
-203	-91	0	-84	37	-44	-112	0	-130	0	18
-356	-345	0	-84	0	-261	-11	0	7	0	-18
-114	-167	0	34	0	-201	53	0	46	0	7
-265	-307	0	-5	-1	-301	42	0	6	0	36
-742	-599	0	-336	-16	-247	-143	0	0	2	-145
-184	-145	0	53	-1	-197	-39	0	-25	0	-14

TABLE XXIII

Portfolio investment liabilities by instrument and sector  
in years 2000–2003 (EUR millions)

Period	Portfolio investment			
	Liabilities	Equity		
		Liabilities	MFI	Other sector
2000	3,531	470	-677	1,147
2001	1,098	-339	215	-554
2002	3,116	-588	15	-603
2003	3,369	-717	-153	-564
I Q 2000	2,628	305	-16	321
II Q 2000	330	-75	-443	368
III Q 2000	622	193	-221	414
IV Q 2000	-49	47	3	44
I Q 2001	2,298	-85	-77	-8
II Q 2001	-993	-15	92	-107
III Q 2001	69	48	168	-120
IV Q 2001	-276	-287	32	-319
I Q 2002	1,737	-193	-2	-191
II Q 2002	809	-182	1	-183
III Q 2002	858	-254	12	-266
IV Q 2002	-288	41	4	37
I Q 2003	2,892	-41	-13	-28
II Q 2003	-758	83	39	44
III Q 2003	-429	-273	-49	-224
IV Q 2003	1,664	-486	-130	-356

Portfolio investment										
Debt instruments										
Liabilities	Bonds and notes					Money market instruments				
	Liabilities	NBP	MFI	General government	Other sector	Liabilities	NBP	MFI	General government	Other sector
3,061	2,962	0	103	2,255	604	99	0	0	18	81
1,437	1,424	0	66	804	554	13	0	0	20	-7
3,704	3,662	0	-34	3,782	-86	42	0	1	29	12
4,086	4,221	0	41	4,752	-572	-135	0	-2	-98	-35
2,323	2,314	0	88	1,745	481	9	0	0	-8	17
405	445	0	-35	470	10	-40	0	0	-59	19
429	381	0	98	257	26	48	0	0	29	19
-96	-178	0	-48	-217	87	82	0	0	56	26
2,383	2,425	0	21	1,669	735	-42	0	0	-54	12
-978	-987	0	23	-1,006	-4	9	0	0	27	-18
21	-29	0	-14	-28	13	50	0	0	61	-11
11	15	0	36	169	-190	-4	0	0	-14	10
1,930	1,960	0	-10	1,955	15	-30	0	0	-32	2
991	1,054	0	-15	1,097	-28	-63	0	0	-63	0
1,112	1,137	0	-9	1,169	-23	-25	0	0	-35	10
-329	-489	0	0	-439	-50	160	0	1	159	0
2,933	2,836	0	-9	2,991	-146	97	0	0	84	13
-841	-796	0	-2	-665	-129	-45	0	0	-15	-30
-156	-59	0	-4	-65	10	-97	0	0	-94	-3
2,150	2,240	0	56	2,491	-307	-90	0	-2	-73	-15

## TABLE XXIV

Other investment – Polish assets in years 2000–2003  
(EUR millions)

Period	Polish assets				
	Assets	Trade credits		Long-term credits extended	
				Drawings	Repayments
2000	-4,314	-572	27	105	132
2001	-4,495	-809	79	85	164
2002	1,878	-1,327	-77	166	89
2003	-1,520	-1,893	-224	348	124
I Q 2000	-846	-258	11	22	33
II Q 2000	-529	-263	-6	31	25
III Q 2000	545	50	6	36	42
IV Q 2000	-3,484	-101	16	16	32
I Q 2001	-1,646	-704	-12	38	26
II Q 2001	70	89	32	10	42
III Q 2001	-90	-111	17	14	31
IV Q 2001	-2,829	-83	42	23	65
I Q 2002	-255	-561	-15	56	41
II Q 2002	-152	-481	-46	57	11
III Q 2002	1,996	-153	-4	30	26
IV Q 2002	289	-132	-12	23	11
I Q 2003	-2,393	-1,433	9	16	25
II Q 2003	814	-300	-14	37	23
III Q 2003	1,920	-485	-71	102	31
IV Q 2003	-1,861	325	-148	193	45

Polish assets					
	Short-term credits extended			Other assets	
	Drawings	Repayments		Currency and deposits	Other
52	142	194	-3,821	-3,785	-36
14	98	112	-3,779	-3,711	-68
-3	108	105	3,285	3,300	-15
-157	451	294	754	773	-19
0	24	24	-599	-616	17
4	59	63	-264	-261	-3
18	22	40	471	508	-37
30	37	67	-3,429	-3,416	-13
6	17	23	-936	-928	-8
-1	24	23	-50	-29	-21
2	21	23	2	23	-21
7	36	43	-2,795	-2,777	-18
-2	28	26	323	326	-3
7	19	26	368	372	-4
3	12	15	2,150	2,154	-4
-11	49	38	444	448	-4
-1	56	55	-968	-965	-3
-16	71	55	1,144	1,147	-3
-15	95	80	2,491	2,494	-3
-125	229	104	-1,913	-1,903	-10

## TABLE XXV

## Polish liabilities in years 2000–2003 (EUR millions)

Period	Polish liabilities				
	Liabilities	Trade credits		Long-term credits received	
				Drawings	Repayments
2000	1,441	802	2,705	6,521	3,816
2001	745	525	-718	8,636	9,354
2002	489	1,859	-1,242	5,665	6,907
2003	3,815	2,619	-205	7,603	7,808
I Q 2000	-1,185	150	221	1,002	781
II Q 2000	648	194	356	1,159	803
III Q 2000	-91	-185	203	1,068	865
IV Q 2000	2,069	643	1,925	3,292	1,367
I Q 2001	792	397	224	1,624	1,400
II Q 2001	967	168	463	2,130	1,667
III Q 2001	585	-213	608	1,893	1,285
IV Q 2001	-1,599	173	-2,013	2,989	5,002
I Q 2002	855	342	610	1,622	1,012
II Q 2002	37	785	-629	1,288	1,917
III Q 2002	-732	-40	-666	1,292	1,958
IV Q 2002	329	772	-557	1,463	2,020
I Q 2003	891	1,096	-563	1,359	1,922
II Q 2003	903	545	301	2,039	1,738
III Q 2003	500	561	-498	1,823	2,321
IV Q 2003	1,521	417	555	2,382	1,827



Polish liabilities					
	Short-term credits received			Other liabilities	
	Drawings	Repayments		Currency and deposits	Other
-318	694	1,012	-1,748	-1,935	187
70	714	644	868	482	386
354	1,443	1,089	-482	-546	64
-175	1,597	1,772	1,576	1,568	8
-251	169	420	-1,305	-1,366	61
144	207	63	-46	-74	28
-32	157	189	-77	-119	42
-179	161	340	-320	-376	56
-107	105	212	278	250	28
223	345	122	113	37	76
155	205	50	35	-5	40
-201	59	260	442	200	242
33	78	45	-130	-127	-3
-4	171	175	-115	-159	44
-12	180	192	-14	-17	3
337	1,014	677	-223	-243	20
-229	156	385	587	582	5
-27	1,126	1,153	84	101	-17
31	142	111	406	388	18
50	173	123	499	497	2

## TABLE XXVI

Basic indices of the transactions-based balance of payments  
in years 1998–2003

	Index type	1998	1999
1 Current account balance			
Gross domestic product	%	-4,1	-7,6
2 Balance of trade in goods and services			
Gross domestic product	%	-5,1	-8,3
3 Exports of goods and services			
Imports of goods and services	%	-83,4	-73,7
4 Official reserve assets			
Imports of goods and services	%	-52,3	-55,6
5 Official reserve assets			
Imports of goods and services	monthly	-6,3	-6,7
6 Net foreign position			
Gross domestic product	%	-23,8	-31,7
7 Balance of direct investment			
Current account balance	%	-87,7	-58,0
A Current account balance	million EUR	-6,154	-11,719
B Balance of trade in goods and services	million EUR	-7,687	-12,849
C Exports of goods and services	million EUR	38,617	36,065
D Imports of goods and services	million EUR	46,304	48,914
E Balance of direct investment	million EUR	5,394	6,795
F Net foreign position	million EUR	-35,794	-48,915
G Official reserve assets at period-end	million EUR	24,209	27,179
H Gross domestic product	million EUR	150,228	154,369
I Period mean exchange rate, EUR/PLN		3,9231	4,2270

2000	2001	2002	2003
-6,0	-2,9	-2,7	-2,0
-6,5	-3,7	-3,4	-2,5
-81,0	-88,2	-89,7	-93,2
-47,5	-46,2	-42,6	-39,4
-5,7	-5,5	-5,1	-4,7
-33,0	-31,6	-34,2	-
-95,6	-107,7	-76,7	-93,3
-10,789	-6,004	-5,402	-3,660
-11,780	-7,664	-6,846	-4,641
50,342	57,451	59,883	63,680
62,122	65,115	66,729	68,321
10,316	6,469	4,143	3,413
-59,471	-65,448	-69,243	-
29,524	30,067	28,450	26,942
180,475	207,331	202,415	185,313
4,0110	3,6685	3,8557	4,3978

## METHODOLOGICAL NOTES

### TABLE I

#### Basic Economic Data

The information contained in Table 1 is derived from the Statistical Bulletin of the Central Statistical Office [GUS]. Definitions of the categories presented in the Table can be found in GUS publications.

1. The data presented in pt. 1, 2, 6, 7, 10 and 12 comprises national economy entities regardless of their ownership type, i.e. public sector entities (state-owned entities, units of local governments and mixed ownership, where public sector entities prevail) and private sector entities.

2. Corporate sector comprises entities, which conduct their economic activities in the field of: forestry, including the provision of services; marine fishing; mining and quarrying; manufacturing; electricity, water and gas production and supply; construction; wholesale and retail trade; repair of motor vehicles, motorcycles and 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 and similar 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 and quarrying", "manufacturing" and "electricity, gas and water production and supply".

4. Data on the industrial output (pt.1), and construction output (pt.2) refer to:

– the economic entities with more than 5 employees by the end of 1999 and more than 9 employees since 2000.

5. Data on the value of the industrial output (pt. 1) and the sale of construction output (pt 2) are disclosed net of due value added tax (VAT) and excise tax, while they include subsidies for specific purposes to products and services in so-called base prices.

6. Industrial output data (pt.2) refers to the works performed in Poland by the business entities of the construction sector, i.e. classified under "construction" according to PKD.

7. Information on industrial output (pt.1) and construction output (pt.2) are disclosed without seasonal adjustment.

8. The data on: the number of persons employed, average employment, gross average monthly employee earnings (pt. 6, 7, 10) refer to national economy entities employing more than 5 employees by the end of 1999 and more than 9 employees since 2000, while the data does not include employees employed abroad, employees of non-governmental organisations, labour unions and other.

9. Data on the number of employed in the corporate sector (pt. 6) is disclosed as at the end of a month.

10. Data on the number of unemployed (pt. 8) comprises people registered in the employment offices at the Local Administrative Districts as at the end of a month.

11. The unemployment rate (pt. 9) stands for the proportion of the unemployed registered in employment offices as a part of the professionally active civil population. Data concerning the registered unemployment rate are presented after taking into account the verified number of

persons employed in private farms. The number is a component of the economically active civil population. The verification of the number of the employed was done on the basis of the results of the 2002 Population and Housing Census and 2002 Agriculture Census.

12. Revenues from privatisation do not constitute current revenues of the state budget; instead they finance the budget financial deficit (pt. 11).

13. Corporate financial performance (pt. 12) concerns economic entities which keep accounts and are obliged to prepare statements on their revenues, costs and financial results on a quarterly basis, while the data applies to the entities with a number of employees exceeding 49 for all types of economic activities.

## TABLE 2

### Financial Market – Basic Information

The information comprised in Table 2 has been derived from the National Bank of Poland (except for the data in pt. 11 supplied by The Warsaw Stock Exchange).

1. Interest rates in Table 2 are presented on an annual basis at the level binding as at the last day of a month. The average monthly interest rate has been given only for the weighted average yield on bills purchased.

2. Two levels of interest rates shown in one column (pt. 3 – refinancing rate) means that the first interest rate refers to the refinancing credit to finance central investment projects with the State Treasury sureties and is equal to the lombard rate. The other rate, which is higher by 1 percentage point, refers to other refinancing credits.

3. As at 1 December 2001, the NBP introduced the Central Bank deposit rate (pt. 4). The rate sets the price offered by the Central bank to commercial banks for short-term deposits.

4. Total required reserves held (pt.7) pertain to the volumes declared by banks and binding on the last day of month. Since 28 February 2002, the total required reserves are held exclusively on the accounts maintained in the NBP.

5. Information on treasury bill tenders (pt. 8), except for the bills outstanding at month end) comprises data from tenders conducted within one month. The average yield on bills purchased is weighted with the share of bill sale for bills with different maturity in the total value of bills purchased. The calculation of the bill turnover ratio has also been made on the basis of the maturity date calculated from the day following the date of the tender resulting in the sale of the bill. The turnover does not include bills in circulation traded on WSE.

6. Information on tenders for NBP money-market bills (pt. 9, except for the bills outstanding at month end) comprises data from tenders conducted within one month. Average yield on bills purchased is weighted with the share of sale of bills with different maturity in the total value of bills purchased.

7. Information on trading sessions on Warsaw Stock Exchange (pt. 11 is disclosed on the basis of the Warsaw stock exchange system introduced in November 2000.

8. The Warsaw Stock Exchange Index [WIG Index] (pts. 11 d and 11e) and the Parallel Market Index [WIRR Index] (pts. 11.f and 11 g) are calculated using a so-called capital formula, which reflects percentage changes in the market value of listed companies. The market value of all primary market companies for the WIG Index and the parallel market companies for the WIRR Index (stock capitalisation) is calculated at each session and compared to the value in preceding sessions. It has been assumed that the base values of the WIG Index at the first WSE session held on 16 April 1991 and the WIRR Index in the end of 1994 were equal to 1,000 points.

9. The ratios have been calculated on the basis of companies from all the quotation markets.

10. Capitalization refers to domestic companies only.

11. The P/E ratio (pt. 11c) shows the relation of market price to net earnings and is calculated as a product of the total market value of companies as at the end of month to their aggregate profits and losses generated within the last 4 quarters available in the form of financial data.

12. Turnover ratio (pt. 11i) shows the relation between the value of stock sold to the average value of stock quoted in a given month.

13. A monthly turnover value (pt 11h) and turnover ratio comprise continuous quotation and the system of the uniform day exchange rate.

### TABLE 3

#### PLN/USD and PLN/EUR daily exchange rates in 2003

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. PLN/USD and PLN/EUR average exchange rate and USD/EUR relation was calculated as the arithmetic average of NBP average exchange rates for a month (based on daily exchange rates).

#### SECTORAL CLASSIFICATION OF ENTITIES IN TABLES 4, 5, 6, 7, 8, 9, 10

- **financial sector** – comprises the following sub-sectors:
  - monetary financial institutions<sup>1</sup> (including the central bank and other monetary financial institutions). *At present, in Poland, the concept of other monetary financial institutions applies to banks only;*
  - insurance corporations and pension funds;
  - other financial intermediaries (including SKOK [Co-operative Saving and Credit Unions], financial leasing companies, factoring companies, brokerage offices, investment funds and financial vehicle companies);
  - financial auxiliaries (including bureaux de change, bourses, hire purchase institutions);
- **non-financial sector** – comprises the following sub-sectors:
  - state-owned corporations;
  - private corporations and co-operatives;
  - private entrepreneurs;
  - farmers;
  - individuals;
  - non-profit institutions serving households.

In Table 9 "M3 and Counterparts" receivables and liabilities of banks in respect of the non-financial sector will be presented in accordance with the EU standards, i.e. sub-divided into three sectors:

- *households* - comprising:
  - individuals;

<sup>1</sup> Monetary financial institutions (MFI) shall be financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than monetary financial institutions and, for their own account, to grant credits and/or to make investments in securities.

- farmers;
- private entrepreneurs (natural persons conducting business activities on their own account, with a maximum of 9 employees);
- *non-financial corporations* - comprising:
  - state-owned corporations;
  - private corporations and co-operatives (including: private entrepreneurs with more than 9 employees);
  - non-profit institutions serving households: (separate legal entities, which serve households and which principal resources those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households, from payments made by general government 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 powiat level], local parliaments, public elementary schools, institutions of culture financed by local governments, welfare institutions, etc.);
    - social security funds (comprise the Social Security Fund and the Farmers Social Security Fund and the funds in their management, the healthcare funds).

More detailed information on the new sectoral classification and monetary aggregates is presented on the NBP website ([www.nbp.pl/statistics/money](http://www.nbp.pl/statistics/money) and banking statistics /instructions).

**TABLE 4**

**Weighted interest rates on zloty deposit offered by commercial banks**

Weighted interest rates are calculated based on data derived from 11 commercial banks, i.e.:

Powszechna Kasa Oszczędności – Bank Polski SA,  
 Bank Handlowy w Warszawie SA,  
 ING Bank Śląski SA,  
 Bank Przemysłowo-Handlowy PBK SA,  
 Bank Zachodni WBK SA,  
 BRE Bank SA,  
 BIG Bank Gdański SA,  
 Bank Polska Kasa Opieki SA,  
 Kredyt Bank SA,  
 Bank Gospodarki Żywnościowej SA,  
 Raiffeisen Centrobank SA.

For residents, these banks held 80.8% of household zloty deposits and 79.9.% of corporate zloty deposits as at the end of December 2003.

Interest rates offered by banks are derived from the monthly reporting to the NBP as of the last day of each reporting month. Interest rates are disclosed on per annum basis, free of capitalisation. Banks supply interest rate on a product with the highest share in a given item category. In the calculation, floating interest rates have been given priority. Fixed interest rate is taken into account only when floating interest rate is not available. A bank offering no product in a given category is not included in the calculation.

The principles of the sectoral presentation of the national economy have changed the presentation of the weighted average interest rates in the Polish banking system implemented in March 2002.

TABLE 5

**Weighted average interest rates on zloty lending offered by commercial banks**

In general, weighted average zloty lending rates at commercial banks are calculated in the same way as the weighted average zloty deposit rates at commercial banks presented in Table 4 and they refer to the same group of banks. Their share in the zloty lending to non-financial corporations was equal to 77.6% and 59.1% for lending to households. As a rule, interest rates offered to the clients with highest creditworthiness are included in the reports sent to the NBP.

**General notes to TABLES 6, 7, 8**

1. The figures are disclosed as at the end of each reporting month and have been derived from balance sheet received from the banks subject to the Banking Reporting Information system (BIS) and from the balance sheet of the National Bank of Poland.

2. The presentation is structured in accordance with the ECB standards.

3. Assets in Tables 6, 7 and 8 are shown gross, i.e. net of provisions, depreciation allowance and write-downs (except for securities at market price).

4. Apart from external assets/liabilities and capitals and reserves, all categories reflect operations with residents.

TABLE 6

**Aggregated Balance Sheet of Other Monetary Financial Institutions – Assets and Liabilities**

1. **Loans to domestic residents** (assets col. 1) include current accounts, required reserve, open market operations, deposits, loans and borrowings, debt purchased, exercised guarantees and sureties, other receivables, interest due and claims on securities purchased under repurchase agreements.

2. **Holdings of securities other than shares issued by domestic residents** (assets col. 5) held by the other monetary financial institutions.

3. **Holdings of shares/other equity issued by domestic residents** (assets col. 9) include shares, drawing rights, participation units, investment funds and investment certificates, fixed financial assets.

4. **External assets** (assets col. 12) include all the zloty and foreign currency-denominated assets of non-residents.

5. **Fixed assets** (assets col. 13) are all fixed assets except for financial fixed assets.

6. **Remaining assets** (assets col. 14) include vault cash i.e. cash and other cash equivalents held at other monetary financial institutions, other claims and interest due from all sectors, settlement accounts, settlements with sundry counterparts, deferred income and expenditure, other financial assets, other assets, other operations, interest on securities purchased under repurchase agreement.

7. **Deposits of domestic residents** (liabilities col. 1) represent overnight deposits, deposits with agreed maturities, blocked deposits, deposits redeemable at notice, loans received, including refinancing, auction (open market operations) and claims from cash collateral (classified to "with



agreed maturities"), other liabilities (where no distinction into "overnight" and "time" deposits is possible, to be classified as "overnight") and claims on repurchase agreements.

8. **Debt securities issued** (liabilities col. 9) are liabilities on own debt securities issued by other monetary financial institutions.

9. **Capital and reserves** (liabilities col. 10) divide into: a) statutory fund comprising tier-1 capital, paid-in share capital, own shares, registered equity, general risk reserves, reserve capital and profit/loss of preceding periods, b) tier-2 capital i.e. revaluation reserve and other supplementary funds specified in the resolution of the Commission for Banking Supervision (assigned both to residents and non-residents), c) provisions, including specific provisions, depreciation allowance and write-offs due to irretrievable loss of value, provisions for debentures (resident, non-resident), specific provisions for off- balance-sheet liabilities (resident, non-resident), general risk reserve (resident, non-resident).

10. **External liabilities** (liabilities col. 14) include all liabilities to non-residents denominated in zloty and foreign currencies.

11. **Remaining liabilities** (liabilities col. 15) include interest not due on the above-mentioned liabilities, settlement accounts, liabilities to creditors, deferred income and expenditure, contingent liabilities, other liabilities from financial instruments, other liabilities, foreign exchange gains/losses from conversion of subordinated liabilities, reserve for risk and expenditures associated with basic activities of the reporting bank, subordinated liabilities, other operations, interest on subordinated liabilities, profit/loss during approval procedures, current year profit/loss.

#### TABLE 7

##### Balance Sheet of the National Bank of Poland – Assets and Liabilities

1. The item **loans to domestic residents** comprise receivables from loans granted, including rediscount, lombard, refinancing for central investment projects, loans granted from foreign credit facilities, open market operations, other loans and receivables from deposits as well as interest due on the above-listed operations.

2. **Holdings of securities other than shares issued by domestic residents** (assets col. 5) are securities held by the National Bank of Poland.

3. **Holdings of shares/other equity issued by domestic residents** (assets col. 8) – at the moment for the NBP they include fixed financial assets (equity) only.

4. **External assets** (assets col. 11) include all zloty and foreign exchange-denominated assets pertaining to non-residents.

5. **Fixed assets** (assets col. 12) include total fixed assets except for financial fixed assets.

6. **Other assets** (assets col. 13) include due interest on the above-listed operations, deferred costs, inter-branch settlements and other assets, fixed assets excluded.

7. **Deposits of domestic residents** (liabilities col. 2) represent liabilities on overnight deposits, deposits with agreed maturity, required reserve, auction deposits (open market operations), separated funds and other deposits.

8. **Debt securities issued** (liabilities col.6) represent liabilities on own debt securities issued by the NBP.

9. **Capital and reserves** (liabilities col.7) in the case of the NBP comprises tier 1 capital i.e.

registered equity and reserve capital, which include specific provisions, charges to provisions and valuation allowances.

10. **External liabilities** (liabilities col. 10) include all liabilities pertaining to non-residents denominated in zloty and foreign currencies.

11. **Remaining liabilities** (liabilities col. 11) include interest not due on the above-mentioned categories of liabilities, deferred income, inter and intra-MFI settlements and other liabilities.

**TABLE 8**

**Consolidated Balance Sheet of Monetary Financial Institutions – Assets and Liabilities.**

1. Table 8 comprises a consolidated balance sheet of all monetary financial institutions and it corresponds to the table *Banking System: Commercial Banks and the NBP – Assets and Liabilities* published in the Information Bulletin of the NBP to the issue no. 1-2/2002.

2. In assets and liabilities of the above-mentioned balance sheet, inter-MFI operations have been netted out. Excess of inter-MFI liabilities, presented on the liabilities side (liabilities col. 12), has been calculated with the following algorithm:

*Deposits of other monetary financial institutions* (table 7 – liabilities) less *loans to other monetary financial institutions* (table 7 – assets) plus *deposits of monetary financial institutions* (table 6 – liabilities) less *loans to monetary financial institutions* (table 6 – assets).

3. Remaining assets (assets) and currency in circulation (liabilities) were decreased by cash in vaults of other monetary financial institutions.

4. On the liabilities' side, debt securities issued by domestic monetary financial institutions and held by this sector were deducted from debt securities issued (col. 8). An identical rule of presentation was applied with respect to capital and reserves (col. 9), i.e. shares and other equity issued by domestic monetary financial institutions, included in the assets of the sector, were deducted from capital and reserves.

**TABLE 9**

**M3 and Counterparts**

The data in Table 9 are presented according to the new methodology.

Since March 2002, M3 aggregate is an official money supply measure applied by the NBP. M3 contains M1 - the measure of the most liquid money directly used in transactions and M2 – intermediate money measure.

**TABLE 11**

**Transaction – based balance of payment (in USD million)**

1. **Transaction – based balance of payment** is a statistical presentation of all payment transactions settled by the Polish banking system (supplemented by additional data described in pt. 2 below) that provides a systematic summary of all business transactions in a given period of time between Poland and the rest of the world (i.e. between residents and non-residents). The transactions are presented in analytical format using the standard components of the balance of payments, in line with the recommendations of the International Monetary Fund and other international organisations. The balance of payments on a cash basis comprises the current

account, the capital and financial accounts, net errors and omissions, and the financing of the overall balance, including the official reserve assets.

2. **The source of data on the Polish balance of payments on a cash basis** are the reports of Polish banks licensed to carry out foreign exchange operations and perform the associated settlements. The data concerned refer to transactions in foreign currency and zloty on the accounts held by Polish banks at banks abroad and on the accounts of non-residents at Polish banks, and also foreign currency transactions at the cash desks of Polish banks. In addition, the balance of payments on a cash basis also incorporates:

- Trade credits (i.e. drawings and repayments of credit through deliveries of goods and services) within the banking and government sectors, as registered by banks operating as a payment agent to the Government;
- The cancellation, conversion, rescheduling and capitalisation of foreign liabilities under the servicing of banking and government sector borrowings (principal and interest), as registered by banks operating as a payment agent to the Government;

Data for the balance of payments on a cash basis are collected in the original currencies, i.e. currencies, in which the particular transactions were settled, and are then translated into US dollars at a daily exchange rate.

3. **The current account** comprises transactions related to payments for goods, services, income, current transfers and the net value of unclassified transactions on the current account.

- **Goods** comprise the value of payments made for export and import of goods, including net value of refining goods, repairs on means of transportation, goods procured in ports by couriers, export and import of non-monetary gold i.e. gold that is not a component of the official reserve assets.
- **Services** comprise payments related to exports and imports of transportation services, foreign travel service, postal, delivery and telecommunication services, insurance and reinsurance services, financial services, construction services computer and information services, royalties and license fees, other business services, personal, audiovisual, cultural and recreational services and government service not included elsewhere.
- **Income** comprises receipts to residents and payments to non-residents arising from employee compensation, income from direct and portfolio investment and income from other investments. Income from other investment includes interest on credits extended and received, and interest on balances held on bank accounts.
- **Current transfers** comprise general government transfers arising from donations and grants, taxes and charges collected by the Polish general government sector and transfers of other sectors, including workers' remittances transfers, inheritances, old-age and disability pensions, taxes and charges to foreign governments as well as deposits to and withdrawals from the personal foreign currency accounts of Polish residents, performed via the accounts held abroad by Polish banks.
- **Unclassified transaction on current accounts** reflects the net value of foreign currencies bought and sold at the cash desks of banks, where these transactions have not been assigned a statistical classification for the balance of payments. This item also includes the balance of cash deposits to and withdrawals from the personal foreign currency accounts of Polish residents, where these are performed via the foreign currency desks of Polish banks.

#### 4. **The capital and financial account.**

**The capital account** comprises capital transfers, which include donations and grants specially assigned to financial fixed assets, debt forgiveness and the acquisition or disposal of non-produced and non-financial assets. The acquisition or disposal of non-produced, non-financial assets refers to patents, copyrights, trademarks etc. purchased by residents or sold to non-residents, and land sold to foreign embassies in Poland or purchased by Polish embassies abroad.

The **financial account** comprises financial transactions involving direct investment, portfolio investment, other investment and financial derivatives.

- **Direct investment** reflects the expenditure undertaken by direct investors in establishing lasting and direct business interests by acquiring at least 10% of equity capital of direct investment enterprise. In addition to acquisition of equity, direct investment also includes other capital flows between direct investors and direct investment enterprises, such as loans. Within the item "direct investment", a distinction is made between Polish direct investment abroad and foreign direct investment in Poland.
- **Portfolio investment** comprises payments on the purchase and sale of equity securities (not constituting direct investment) and debt securities. Debt securities include long-term securities (e.g. bonds and notes) and short-term securities (money market instruments, such as treasury bills and commercial paper).

Within the item "portfolio investment", a distinction is made between Polish portfolio investment abroad and foreign portfolio investment in Poland.

- **Other investment** comprises financial transactions not included under direct investment, portfolio investment or the official reserve assets, which impact the balances of Polish assets (abroad) and Polish liabilities (to foreign parties).
  - **Polish assets abroad (assets)** comprises transactions involving drawings and repayments of credits extended and other assets. Credits extended to non-residents include long- and short-term financial credits, together with trade credits in the case of governments and banking sectors, drawn and repaid through deliveries of goods and services. The item "other assets" refers to currency and deposits, and other accounts receivable. "Currency and deposits" comprise the balances arising on operations conducted on bank accounts abroad and at the cash desks of banks, and the balances of deposits placed at banks abroad (including the value of the assets side of repurchase agreements concluded by Polish commercial banks).
  - **Polish liabilities (to foreign parties)** comprise transactions involving drawings and repayments of credits received and other liabilities. Credits received from non-residents include long- and short-term financial credits, together with trade credits, in case of the government and banking sectors, drawn and repaid through deliveries of goods and services. Long-term credits received by the government sector also include transactions involving the cancellation, conversion, rescheduling and capitalisation of foreign liabilities. The item "other liabilities" refers to currency and deposits, and other accounts payable. Currency and deposits comprise: the balances arising on operations conducted on the bank accounts of non-residents and the balances of deposits placed at Polish banks by non-residents (including the value of the liabilities side of repurchase agreements concluded by Polish commercial banks and the NBP).
- **Financial derivatives** comprise transactions involving all types of financial instruments, which price of such instruments is derived from the price of other financial instruments, or commodities, or the value of economic indicators or market indexes. Derivatives include transactions in such instruments as options, futures, forwards, swaps, credit derivatives and embedded derivatives (provided the latter can be traded separately from the instruments in which they are embedded).

5. **Errors and omissions** reflect all transactions that were not recorded (omissions) or were recorded incorrectly (errors) in the balance of payments.

6. **Financing of overall balance** comprises transactions involving the official reserve assets, credits received from the International Monetary Fund (IMF) and exceptional financing.

- **Official reserve assets** comprise the balance of transactions effected in terms of payment made by the NBP in official reserve assets (including the balance of operations on currency and deposits placed at banks abroad, the balance on reverse repurchase agreements, the balance of currency transactions in foreign currency at the NBP cash desk, the balance of operations in foreign securities, transactions with respect to Poland's reserve tranche at the IMF and to the purchase and sale of monetary gold).

- **Exceptional financing** includes transactions by the government sector with respect to the financing balance of payment operations through the rescheduling of obligations (the amount of deferred repayments of liabilities arising from agreements concluded with foreign creditors) and movements in arrears on claims and obligations arising on credits (principal and interest).

TABLE 12

**Official reserve assets**

According to recommendations of the International Monetary Fund, official reserve assets comprise readily available (liquid) foreign assets owned and fully controlled by monetary authorities (the National Bank of Poland). They can be used for direct financing of payments imbalances or to perform other actions of the monetary authority to maintain the balance of payments equilibrium.

In relation to the Polish economy, official reserve assets are composed of:

- monetary gold;
- special withdrawal rights (SDR);
- reserve tranche in the International Monetary Fund;
- foreign exchange in convertible currencies including:
  - current and deposits accounts held at foreign banks;
  - securities issued by foreign institutions;
  - foreign currencies held at the NBP in vaults;
- other foreign claims, comprising balances of claims from reverse repo transactions (purchase of securities under repurchase agreement).

The National Bank of Poland accounting is the source of the official reserve.

TABLE 13

**Poland's external debt**

The National Bank of Poland compiles information on Poland's external debt in accordance with the following definition: "gross external debt refers to the amount, at the end of the given period, of disbursed and outstanding contractual liabilities of residents of a given country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal". The definition has been named as the core definition.

The definition refers to gross debt, i.e. it refers to particular external payables of Poland (with no deductions of Polish external receivables). The term "contractual liabilities" stands for formal obligation to make a specific payment (principal instalment and/or interest). This excludes equity participation from external debt definition. The term "principal with or without interest" means that external debt concept also covers non-interest-bearing payables as these also involve "contractual" obligation to repay. The phrase "interest with or without principal" means that the concept of external debt also incorporates liabilities with indefinite maturity, e.g. undated bonds. The term "disbursed and outstanding" excludes potential liabilities, i.e. the undrawn portions of existing credit facilities.

The distinction between domestic and external (foreign) debt is based on the criterion of residence, regardless of the currency involved.

External debt includes the following financial instruments:

- loans from direct investors;
- currency and deposits held by non-residents at Polish banks;
- debt securities held by foreign portfolio investors;
- trade credits;
- other loans and credits (including financial lease);
- other external liabilities (arrears of principal and interest).

# System of balance of payments' statistics in Poland

## 1. Institutional aspects

### Introduction

*Narodowy Bank Polski*, the National Bank of Poland (NBP), is statutorily responsible for compiling and publishing Poland's balance of payments (b.o.p.) and related statistics (e.g. the international investment position (i.i.p.), external debt, foreign direct investment (FDI) statistics, official reserve assets).

### Legislative provisions

According to the Act on the National Bank of Poland of 29 August 1997, as published in the *Dziennik Ustaw* (Journal of Laws) of 1997, No. 140, Item 938, the NBP is obligated to compile the b.o.p. and the i.i.p. and to report thereon to the Parliament and to the Council of Ministers.

The reporting requirements of domestic residents are envisaged in the Act on the National Bank of Poland and the *Prawo dewizowe* (Foreign Exchange Act), as published in the Journal of Laws of 2002, No. 141, Item 1178, as well as in other legal regulations of lower rank, namely (i) the Ordinance of the Council of Ministers of 10 December, 2002 published in the Journal of Laws of 2002 No. 218, Item 1835s on the method, scope and time limits for satisfying the requirement to deliver data in the area that is necessary for preparing the balance of payment and the balance of state foreign receivables and obligations to the National Bank of Poland by residents in foreign exchange trading (ii) the Resolution of NBP's Management Board dated 14 November 2003 on the method and detailed principles of transfer by banks to the National Bank of Poland of data necessary for the preparation of the b.o.p. and the balance of state foreign receivables and obligations, as published in the *Dziennik Urzędowy NBP* (Official Journal of the NBP) of 8 December, 2003, No. 21.

In accordance with the Fiscal Penal Code, a fine will be imposed for non-compliance with the reporting requirements for the purposes of the b.o.p.

### External co-operation

The NBP co-operates with domestic organisations, mainly the Central Statistical Office (GUS) and foreign institutions.

GUS supplies figures on foreign trade to the NBP, as a result of co-operation in the methodology of statistical research. GUS uses data on the turnover in goods and services with countries abroad in the production of the gross domestic product (GDP), specially for the compilation of the account for the rest of the world (ROW). GUS also supplies the data on non-resident holdings of Polish securities registered on securities accounts with Polish brokerage houses and the information necessary to maintain the b.o.p. business register up-to-date.

The MoF, directly and via the financial agents of the government, supplies data on external transactions of the government sector.

The Polish Securities and Exchange Commission supplies data on non-resident shareholders in Polish public companies.

The Institute of Tourism (IoT) compiles and provides data for the travel item (on residents and non-residents).

Furthermore, the NBP co-operates with EU institutions (the ECB and Eurostat) and international organisations (the International Monetary Fund (IMF), the Organisation for Economic Development and Co-operation (OECD) and the World Bank) regarding the b.o.p. methodology and reporting.

### Users

Data on the b.o.p., the international investment position (i.i.p.), the external debt, the official reserve assets are posted on the NBP's internet website and are thus made available to all users.

Moreover, data and description of the b.o.p. are forwarded to Parliament, the Government, the Central Statistical Office and to private and public research institutes, universities, rating agencies, etc. The analytical section describing the b.o.p. is also published on the NBP's website.

Data on b.o.p statistics, the i.i.p. and direct investment statistics are supplied to the ECB, the European Commission (Eurostat), the IMF, the OECD and the World Bank on a systematic basis.

## 2. Statistical system

### Type of collection system<sup>2</sup>

The system for compilation of the b.o.p. in Poland is mixed.

A substantial amount of the information originates from the closed system of collecting data on transactions settled in the Polish banking system. Banks supply the information on transaction completed on their own and on behalf of their customers. This information is delivered to the NBP monthly.

The data from banks are supplemented with data compiled directly from the surveys of enterprises and from the public statistic activity. Also the information on services, loans, portfolio investments (quarterly) and direct investment (yearly) is compiled directly from the surveys of enterprises. Public statistics data, i.e. turnover in goods (taken from the national accounts compiled by the GUS) and foreign travel compiled by the IT are also incorporated in the b.o.p.

For the data obtained directly from enterprises thresholds were applied so that the reporting workload on the reporting agents is not too heavy while at the same time, adequate quality of data is ensured.

The geographical breakdown may currently be applied to selected items only, yet it will be extended step by step onto the remaining items of the b.o.p.

Transaction data for the financial account system are verified against the available information on the net position/balance of foreign assets and liabilities. Other sources used for the verification include databases on securities, securities register, privatisation data, websites and press coverage

### Reporting agents

The National Bank of Poland provides all the data on its own transactions (including the reserve assets) and on the transactions effected at the request of the central government.

The monetary financial institutions are obligated to provide the NBP with data on the cross-border transactions. They also provide data on transactions made by the customers of banks settled by the Polish banking system.

MoF, both directly and via the financial agents of the government, reports data on external transactions made both by the central and local government.

Data on other sectors are taken from banks or directly from the surveys of enterprises (mainly data on the financial account and services) or they are compiled by the external institutions (GUS for goods and the Institute of Tourism for the foreign travel item).

### Thresholds

In compliance with the requirements of the EU, banking transactions below the value of EUR 12,500 are not given an individual code. In the event of receiving or granting of advances towards goods (trade credits) the obligation to provide statistical data arises where the quarter-end value of those advances was equal to or exceeded PLN 400,000.

For foreign direct investment in Poland, the exemption threshold is PLN 100,000. For Polish direct investments abroad the threshold of EUR 10,000 is applied.

Foreign lending/borrowing shall be reported if its value exceeds EUR 10,000, whereas for foreign lending/borrowing in an amount of above EUR 10,000 but less than EUR 1,000,000, a simplified form of reporting is applied.

The reporting obligation for the holders of foreign securities arises where the value of an investment exceeds EUR 10,000. For the derivatives the threshold of EUR 100,000 is applied.

<sup>2</sup> The systems of the b.o.p. compilation may be: closed (all transactions are collected, the balances and the turnover total must be equal to the change in the balance), open (only some transactions are collected) and mixed (incl. a closed system supplemented with other data).

### Availability of data

The monthly b.o.p. is published 30 working days after the end of the reference period. The quarterly data are available 3 months after the end of the reference quarter. An advance release calendar, providing the precise release dates one quarter ahead, is available on the NBP's website (<http://www.nbp.pl>).

The sectorial breakdown and the breakdown by instruments is limited in the monthly balance of payment. Further details on this issue are provided in the quarterly b.o.p.

### Data controls

At the level of individual information, the data are checked for errors by means of an automatic procedure for the data sent by file transfer and on a PC for data sent in paper form.

The data are also controlled at an aggregated level for validation of classification errors as well as for an evaluation of time series for specific items.

Flow data are reconciled with relevant stocks of foreign assets and liabilities.

Furthermore, the data are cross-checked with other sources, e.g. information on relevant stocks from b.o.p and monetary statistics, securities databases, the internet, commercial data providers and press information, data on privatisation, etc.

### Revision policy

Monthly b.o.p. data:

- first revision when the following monthly data becomes available;
- further revisions when the data referring to the corresponding quarterly b.o.p. becomes available or is revised.

Quarterly b.o.p. data:

- first revision, when the following quarterly data becomes available;
- further revisions, yearly by end-March and end-September, the latter period together with the annual i.i.p. data of the corresponding year.

### Dissemination

The data on the b.o.p. the international investment position (i.i.p.), the external debt, the official reserve assets, the international reserves and foreign currency liquidity are released simultaneously to all interested parties by posting them on the NBP's website (<http://www.nbp.pl>). Publishing timetables are available on the website in advance.

More detailed data on the b.o.p., i.i.p., external debt, and the analysis hereof are available in separate publications compiled by the NBP. The titles of the publications are:

- *Bilans płatniczy Rzeczypospolitej Polskiej* (Balance of Payments of the Republic of Poland) on a quarterly basis;
- *Zagraniczne inwestycje bezpośrednie w Polsce* (Foreign Direct Investment in Poland) – on an annual basis;
- *Polskie inwestycje bezpośrednie za granicą* (Polish Direct Investment Abroad) – on an annual basis.

The titles of other publications produced by the NBP that include information on b.o.p. statistics are:

- Preliminary Information – on a monthly basis;
- Information Bulletin – on a monthly basis;
- NBP's Annual Report – on an annual basis.

## 3. Goods

### Definition

Trade in goods item of the balance of payments includes the value of exchange of goods with foreign countries which comprises transactions between residents and non-residents:

- transactions, which resulted in the change of the ownership of goods; these are mainly the transactions of purchase and sale of goods, the change of the ownership of goods may



also result from their free-of-charge transfer (donations, aid in kind), as well as the in-kind contributions brought by foreign investors or in the form of financial lease of goods (means of transport, machinery and equipment),

- transactions involving processing; this trade is presented in the balance of payments by its gross value i.e. the value of goods for further processing, whereas upon the further processing, the sum of value of goods for further processing and the value of further processing service, i.e. processing of those goods,
- transactions concerning repairs on goods (as a net value of the repair).

The trade in goods does not include the transactions of purchase and sale of monetary gold executed between central banks. The purchase and sale of monetary gold is shown as a reserve assets item

### Specific features of data collection

The main source of data on goods in the Polish balance of payments is foreign trade statistics (FTS) compiled by the CSO on the basis of customs statistics (data from Single Administrative Documents, SAD); these data are published by the Central Statistical Office under the foreign trade item.

Due to the fact that the effective international methodological requirements (standards) are nearly the same<sup>3</sup> in case of compilation of trade in goods with foreign countries for the balance of payments and for the national accounts purposes, the NBP and the CSO agreed on the principles of transition from the foreign trade data in the FTS into the trade in goods data in the balance of payments and national accounts. In order to obtain the relevant data, the following corrections must be made:

- the data on foreign trade should be increased by the net value of effected repairs in the trade in goods with foreign countries (the value of the invoiced repairs, excluding the value of goods subject to repair);
- the foreign trade data should be decreased by the value of goods included in the balance of payments and in the national accounts to the value of the trade in services with foreign countries (these include the goods transferred by tourists and the deliveries of goods effected under the construction contracts);
- the decrease in the data of foreign trade on the import side by the value of costs of transport included in the invoices drawn upon the CIF basis;
- additional valuation of the trade in goods of those goods which were not registered in the SAD documents.

Additional valuation of the trade in goods with foreign countries, made for the balance of payments and for national accounts relates to the turnover which was not registered in the SAD customs clearance documents. It concerns two groups of goods: 1) goods transported by tourists (in tourist traffic), which were purchased for resale and 2) other goods transported across the border without the SAD documents being filled in (these include mainly the exported goods transferred abroad in bigger quantities without the SAD documents, such as vegetables, fruit, furniture, footwear, clothing).

### Deviations from the definition

Contrary to the international standards, some transactions of further processing trade include:

- transactions, whereby the goods for processing were purchased by a Polish entity performing the processing (these transactions should be classified under the general trade),
- transactions, whereby the goods for further processing in Poland were transported to a third country, other than the country entrusting goods for processing (the value of processing transactions should be presented under the trade in services and the trade in goods should be decreased respectively).

<sup>3</sup> The international standards were defined in the following publications: *Balance of payments Manual*, 5th edition, 1993, International Monetary Fund, *Balance of payments Vademecum*, Eurostat, 2003, European Union balance of payments/international investment position statistical methods, European Central Bank, 2003, *System of National Accounts*, 1993, Inter-Secretariat Working Group on National Accounts, *European System of Accounts ESA 1995*, Eurostat, 1996.

## 4. Services

### Definition

**Transport services** include the services related to the transport of goods (freight), transport of passengers and other services connected with the above mentioned transport services, e.g. loading and unloading of containers, storage and warehousing, packaging and repackaging, towing and traffic control, maintenance and cleaning of the equipment, rescue operations.

The trade in services concerning **foreign travel** apply to the non-residents' expenditure in Poland and the expenditure of Poles incurred abroad due to the travel. This category includes expenditure regarding the accommodation, catering and services as well as goods purchased by tourists for their own needs (whereas the objects purchased for resale are classified as goods). Subject to the objective of travel, the expenditures are classified as business travel items (including these of the seasonal and cross-border employees and other business travels) and private travels (health, study and other).

In addition to the transport services and foreign travel, there is a third type of services - **other services**. The current turnover in this category of trade includes a number of transactions related to communication, construction, insurance, finance, and information technology, patent fees, royalties and licence fees, other business services (e.g. merchandising and other trade-related services, operational lease and other business services), personal, cultural, and recreational services as well as government services.

Generally, the revenues include the value of services rendered by residents to non-residents, whereas the expenditures include the value of services rendered by non-residents to residents. On the other hand, in accordance with the international standards, some kinds of services are presented in the balance of payments in a special way. Thus, the construction services are divided into the services rendered abroad (the expenditures include the costs of those services incurred by non-residents) and the ones performed at home (the revenues include the costs of services incurred by non-residents). The merchandising is presented on the net basis (revenues minus expenditures), always on the side of revenues, while the insurance services are expressed as the difference between premiums and claims.

### Specific features of data collection

The data related to the trade in transport services come preliminarily from the banking statistics which registers settlements with non-residents. Therefore the data are supplemented with the value of mutual netting of account receivables and account payables between Polish and foreign partners, as well as by the value of services settled through the Polish non-financial corporations' bank accounts held in foreign banks and by the value of services included in the capital groups' settlements (i.e. the so-called netting).

Furthermore, the value of services related to transport of goods is increased by the value of services resulting from the reclassification of a given part of the value of goods. This refers to the necessity of considering the fob-based value of goods in the balance of payments. In the FTS, only the value of export is expressed on the fob basis, whereas the value of imported goods is shown on the cif basis. Thus the decrease in the value of goods and the reclassification of the costs of transport and insurance services to a relevant category of services are required.

The value of export of services related to transport of goods is also increased by the costs of transport rendered by Polish carriers and included in the invoices of trade in goods.

The source of data for the compilation of **foreign travel** in the balance of payments is Institute of Tourism.

Information on other services comes mainly from the statistics provided by banks and from reports received from non-financial corporations involved in the trade in services with non-residents.

### Gaps

In the above described procedure of increasing the value of transport services by the adjustments of trade in goods resulting from the transfer from the cif base to the fob one all services are classified as **transport services**, while insurance services are not adjusted separately.

## Anticipated changes

It is anticipated that the data on the geographical structure of turnover and on the classification of foreign travel by the destination place will be presented in the Polish b.o.p. beginning from 2004.

## Estimation methods

The estimates includes:

- transfer from the cif base to the fob one in the area of import of goods included in the FTS,
- share of the transport costs in the payment for the export of goods executed by Polish carriers,
- share of individual types of costs (according to the means of transport) in the above mentioned estimated values.

## 5. Income

### Specific features of data collection and definitions

#### Compensation of employees

Compensation of employees comprises foreign transfers related to payment for work done by employees that means the non-residents employed in Poland and Poles employed abroad.

The foreign transfers related to compensations of employees, which have been executed via Polish banks by foreign employers (income: credit) or Polish employers (income: debit) are the principal source of information. Furthermore, the data of the balance of payments comprise, on the income: debit side, payments of wages and salaries in favour of non-residents executed via Polish non-financial corporations' bank accounts held in banks abroad.

#### Direct investment income

Income on capital and on receivables are the source of income on direct investment. The income on capital comprise dividends attributable to a direct investor and declared for a given reporting year (as regards public companies), share in profit (as regards limited liability companies), transferred profits of branches and reinvested income (loss per direct investor is treated as negative reinvested income). The revenues on receivables, on the other hand, are included in the balance of interest (paid, accrued and due) on credits extended and obtained by direct investors.

Data on income on direct investment resulting from payments executed via Polish banks, that is dividends and interest paid, are supplemented by the information received directly from residents under the non-banking statistics. The data comprise also estimated reinvested income, which since 1996 has been presented as net reinvested income, that is excluding loss, in accordance with the OECD recommendations.

#### Portfolio investment income

The source of information on the income on portfolio investment comprised in the balance of payments consists of data derived from the banking system. These are presented in the breakdown by security type (equity securities, bonds and notes, money market instruments) and by sector of resident paying or receiving the revenue (the NBP, general government, banks, other sectors). As regards income on equity securities, only dividends are registered in the income category. All other incomes or losses on equity securities (especially income or loss resulting from the difference between purchase price and the price at which a given security was sold) are registered on the financial account of the balance of payments, in the „portfolio investment" category.

Since in the case of debt securities data on payments are the source of information income is not registered on the accrual basis (e.g. accrued interest on zero-coupon bonds).

#### Other investment income

Income on other investments comprises income on other investments of the financial account. Income on other investments of the financial account comprise: interest on loans extended and obtained, interest on deposits including interest on repos, and other payments related to income on property. The amount of interest comprises interest due: paid and unpaid.

The unpaid interest comprises: capitalisation of interest, cancelled, and arrears. Data on income are gathered based on reports of Polish banks and economic entities holding their bank accounts with banks abroad as well as taking out and extending loans.

#### Deviations from the definition

Not all the data on income on other foreign investment are registered on accrual basis. Official reserve assets income are not included in the income on other investment.

#### Gaps

In compiling this position of the balance of payments the inflows generated by the wages and salaries of Poles working abroad are undervalued, as these do not comprise incoming foreign transfers executed via foreign currency accounts. Since it is difficult to determine for how long a given employee will be working abroad, a simplified principle was adopted in the presentation of the Polish balance of payments. According to this principle the transfers related to wages and salaries made by the employer are evidenced in the Income item, while the transfers made directly by the employees, including cash declared at the border are evidenced in the "Transfers" item.

## 6. Current transfers

### Definition

**Current transfers** are defined in the balance of payments as one-way transactions such as donations, free-of-charge export and import of goods and services under international aid schemes, which are not accompanied by a change in value of external account receivables or account payables. Transfers are executed, both in cash and in kind, in favour of government institutions or other sectors (private).

Funds received or paid by the Polish government sector constitute **government transfers**<sup>4</sup>. These are the funds received from European Union institutions, countries and international organisations, as well as funds paid in favour of these institutions and countries to finance current expenditure by the government – such as humanitarian aid, medicines, training, etc. These include also membership fees for the EU and international organisations outside the EU. The category includes also taxes and payments made by non-residents in favour of Polish government sector. Revenue from obligatory social insurance premia and retirement and annuity benefits paid by ZUS in favour of non-residents, and payments related to indemnity executed by the government in favour of non-residents constitute other government transfers.

### Private transfer (of other sectors)

Private transfers (of other sectors) comprises transfers of workers' remittances and other transfers.

The workers' remittances comprise transfers of wages and salaries of persons working abroad and considered to be residents of the country which they work. In compliance with the IMF recommendations, a person staying or intending to stay for a year or longer on the territory of a given country is a resident of that country. In such a case, funds transferred in favour of the person's family are registered in the Current transfers as workers remittances.

The "other transfers" of non-government sector include the value of the turnover with abroad from current transfers of residents (natural persons) and other entities of national economy from outside the government sector. They are made in kind (free-of-charge transfers of goods and services in foreign trade) and in cash and include:

- donations and aid received from abroad, as well as rendered in favour of non-residents, related to execution of objectives not connected with investment (e.g. humanitarian aid, food, clothing, medicines, training),

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<sup>4</sup> Central government and local government units.

- taxes and fees in favour of foreign governments,
- membership fees,
- retirement and annuity benefits received by residents from abroad,
- inheritance,
- alimony,
- fines and indemnity (e.g. related to breach of contracts, product forgery, forgery of trademarks, patents),
- competition and lottery winnings,
- fees for transfer of sportsmen.

### Specific features of data collection

The source for compiling **government transfers** category in the balance of payments are payments executed via Polish banking sector, data on imports and exports of goods under free aid for the government sector registered in SAD customs statistics, transfers of obligatory social insurance contributions executed via Polish entities' bank accounts held in banks abroad.

Primary source of data on **private transfers** are payments registered by the Polish banking system, as well as the amounts from the revaluation of foreign exchange purchase balance. Additionally, the category comprises transfers executed via Polish entities' bank accounts held in banks abroad. The estimation of the current transfers in cash is added.

### Gaps

In compiling this item of balance of payments the receipts from transfers of workers' remittances recorded as banking sector payments are overvalued, as these comprise all incoming foreign transfers of workers' remittances executed via foreign currency accounts. Since it is difficult to determine for how long a given employee will be working abroad, a simplified principle was adopted in the presentation of the Polish balance of payments. According to this principle the transfers related to wages and salaries made by the employer are evidenced in the Income item, while the transfers made directly by the employees, including cash declared at the border are evidenced in the Transfers item.

Furthermore, the sum of transfers of workers' remittances, resulting from the revaluation of foreign exchange purchase balance comprises exclusively the balance of settlements related to this title.

## 7. Capital account

### Definition

The basic components of the capital account in the balance of payments are capital transfers representing transfers of rights to tangible assets, i.e. donations and funds included in non-returnable grants, specially assigned to fixed assets financing, debt write-offs by the creditor, transfer of funds related to the acquisition or disposal of non-financial and non-produced assets. Capital transfers are compiled separately for the government sector and other sectors.

**Capital transfers of government sector** reflect the value of funds received from EU institutions, countries and international organisations, as well as funds transferred by the Polish government in favour of these institutions. Funds in cash are allocated free-of-charge to financing investment in fixed assets e.g. construction of roads, motorways, bridges, schools, hospitals, etc. The category of capital transfers of the government sector comprises write-offs of receivables, both principal and interest.

**Capital transfers of other sectors** comprise donations and grants specially assigned to fixed assets financing, which were received from or transferred abroad by non-government units.

**Acquisition and disposal of non-produced non-financial assets** comprises purchase and sale of patents, copyrights, licenses and trademarks, purchase and sale of land to foreign embassies located in Poland as well as purchase and sale of land by Polish embassies abroad.

### Specific features of data collection

Capital transfers of **government sector** as well as **acquisition and disposal of non-produced non-financial assets** are compiled in the balance of payments based on banking statistics data.

**Capital transfers of other sectors** are computed based on banking statistics data supplemented with information derived from reports of non-financial corporations which hold their accounts in banks abroad.

## 8. Direct investment

### Definition

The NBP compiles data on direct investment in compliance with the definition worked out by the OECD. The term "direct investment abroad" denotes an investment made by a resident entity in one economy ("direct investor") in an entity resident in an economy other than that of the investor ("direct investment enterprise") aimed at attaining a long-term profit from the capital involved. The direct investment enterprise denotes an enterprise in which direct investor owns at least 10% of ordinary shares (that is 10% share in equity) or 10% of voting rights at the general meeting of stockholders or shareholders.

The direct investment capital comprises equity capital, paid in cash or in kind, capital adjustment, reinvested income and other capital (mostly credits extended by investors, the so-called inter-company loans).

Reinvested income denotes the part of profits, attributable to a direct investor, which remains in the direct investment enterprise and which is allocated to its further development. As mentioned earlier, in accordance with the OECD and IMF new methodology, beginning from 1996, the reinvested income has been computed on the net basis, that is after loss deduction. Since 1996, the category "Polish direct investment abroad" has also comprised the direct investment made by Polish banks.

Since 2002, on top of the two elements which have been already occurring since 1999, that is conversion of dividend and conversion of credits and loans to share in equity, the turnover related to direct investment has comprised another element, namely conversion of other receivables and payables comprised in this balance of payments item into share in equity. In previous years, conversion of dividends, credits and loans and other receivables and payables into share in equity was registered exclusively as a change of stocks of those components in the International Investment Position.

### Specific features of data collection

Data on Polish direct investment abroad and foreign direct investment in Poland are compiled based on survey on Polish direct investors and Polish direct investment enterprises.

Up to 2001 the obligation to forward reports related to Polish direct investments abroad concerned all residents who held at least 10% of shares in an entity located abroad. Since 2002 this obligation has been imposed only on those residents that have at least 10% of share in an entity located abroad and the value of this share amounts, at least, to EUR 10,000. In the case of foreign direct investment in Poland, until 2001 the obligation of submitting reports on concerned all Polish direct investment enterprises, that enterprises in which foreign direct investors held at least 10% share in core capital. Since 2002 this obligation has been imposed only on the Polish direct investment enterprises in which foreign direct investors hold at least 10% of core capital and the total value of this capital amounts to PLN 100,000 at the least.

## 9. Portfolio investment

### Definition

Equity securities comprise all kinds of shares and equity, including investment certificates (shares) of collective investment funds. These comprise also collective investment fund shares and notes of deposit (e.g. ADR or GDR).

Debt securities comprise all kinds of long-term and short-term debt securities including government bonds, corporate bonds, T-bills, short-term corporate debt securities and negotiable certificates of deposit. Debt securities are classified as long-term securities or money market (short-term) instruments based on their original maturities. Long-term debt securities are securities with original maturity of at least one year. All other debt securities are classified as money market instruments (short-term debt securities). Debt securities category comprises also debt securities with embedded financial derivatives (e.g. convertible bonds or callable bonds).

Financial derivatives (i.e. those that constitute a separate financial instrument) are excluded from the portfolio investment category and registered under "Financial derivatives" item – a separate category of the balance of payments. Repo transactions are also excluded from the portfolio investment category and registered in "Other investment" category.

### Specific features of data collection

Data on payments reported by the banking system are the source of data on portfolio investments item in the balance of payments. Data on transactions are collected on an aggregated basis. Breakdowns of data by securities issuer sector (on the liabilities side) and securities holder sector (on the assets side) are applied.

### Deviations from the definition

Data on turnover do not allow identification of unpaid interest accrued on debt securities (lack of data enabling breakdown of transaction value into the value of securities' principal and interest).

### Anticipated changes

Under construction is the new system of collecting and processing data with "paper-on-paper" method, i.e. individually for each issue of securities. The net figures on turnover will be determined there in accordance with the data on the balance of portfolio assets and liabilities. The new system will allow, within the transaction data, to identify the principal and interest part of securities, and hence, adequate classification to the "Income" category of the outstanding values of interest on traded securities.

## 10. Financial derivatives

### Definition

Financial derivatives constitute a separate category in the balance of payments. Definitions used by the NBP are compliant with the IMF recommendations (*Balance of Payments Manual fifth edition, and Financial derivatives: A supplement to the Fifth Edition of the Balance of Payments Manual, 2002*) as regards derivatives based on foreign exchange rates. As regards other derivatives, there are some discrepancies between the method employed and the above recommendations.

The "Financial derivatives" category comprises all derivatives with symmetrical risk such as futures, forwards, swaps as well as instruments with unsymmetrical risk such as options. At the moment also the profit or loss on transactions involving financial derivatives is classified into this category.

Geographic breakdowns are available. The criterion of "the first known contractor" is applied while determining the geographic area of transaction parties.

### Specific features of data collection

The Polish banking system is the source of data on financial derivatives item in the balance of payments on transaction basis.

All financial flows resulting from settlements of transactions involving financial derivatives, except for returnable margin, are registered in the financial derivatives category. Hence the

category comprises also investors' margins and option premiums. Data are registered on the gross basis, the data on foreign currency options being the only exception to this rule. As regards derivatives based on underlying instruments other than exchange rates, the data received from Polish banks do not cover all transactions, especially forwards. As compared with the value of turnover on currency derivatives, the value of turnover on the remaining derivatives is very low.

The data are presented only in a breakdown by underlying instrument type: instruments based on exchange rates and other derivatives.

### Deviations from the definition

Statistical codes used for derivatives based on underlying instruments other than exchange rates do not enable sorting data according to breakdowns recommended by the ECB and the IMF.

### Anticipated changes

Commencing from 1 January 2004, the new system of payment data registration will operate. It will allow for the inclusion of all types of financial derivatives in the scheme of overall reporting and the expression of data in breakdowns in compliance with the requirements of the ECB and the IMF.

## 11. Other investment

### Definition

Other investment comprises all financial transactions that are not covered by direct investment, portfolio investment, financial derivatives and official reserve assets. Other investment covers: trade credits, loans, currency and deposits as well as other assets and liabilities.

**Trade credits** reflect changes in outstanding amounts of receivables and payables related to advances extended and deferred payments in imports and exports of goods and services.

Extended and received **credits and loans**, apart from the breakdown into long-term (with original maturity exceeding one year) and short-term (with original maturity of up to one year), are registered in a breakdown by the sectors of economy. Credit turnover comprises not only drawings and repayments of loans in the form of goods and services delivery but also cancellation, interest capitalization, conversion into the zloty and credit restructuring.

On the assets side the **currency and deposits** comprise: balances of transactions effected on the foreign Bank accounts (Nostro), at the bank counters, balances of deposits placed in banks abroad (including the value of repo transactions made by Polish commercial banks). On the liabilities side these comprise: balances of turnover on non-resident banks' accounts (Loro) and accounts of non-banks in Polish banks, balances of deposits placed by non-residents in Polish banks (including the value of repo transactions on liabilities side made by Polish commercial banks and the NBP) and balances of transactions with non-government and non-banking sector made by entities of this sector on the accounts held in banks abroad.

The "**other assets**" item shows increase in arrears related to unpaid interest and principal instalments on credits extended by the Polish government.

The "**other liabilities**" item shows increase in arrears related to unpaid interest and principal instalments on credits taken out by non-financial corporations

### Method of data collection

Data on other investment of the government sector, banking sector and the NBP are gathered based on reports received from Polish banks. Data on other investment of non-government and non-banking sector are gathered based on reports received from economic entities which hold their bank accounts in banks abroad and take out or extend credits and loans.



## 12. Reserve assets

### Definition

Official reserve assets comprise transactions with non-residents related to: monetary gold, reserve position in the IMF, foreign exchange and other claims, in convertible currencies.

Official reserve assets cover balance of transactions executed by the NBP with respect to instruments included in official reserve assets (including turnover on currency and deposits in banks abroad, transactions executed in foreign currencies at the NBP counters, turnover of foreign securities, repos, transactions on financial derivatives and change in reserve position in the IMF as well as purchase and sale of monetary gold).

### Method of data collection

Data on official reserve assets are collected in original currencies, based on NBP reports. Transactions are registered in market prices.

### International Investment Position

**International investment position (balance of foreign assets and liabilities)** presents the balance of Polish assets abroad and of Polish liabilities (to foreign parties). The balance of these assets and liabilities is affected by the volume of transactions recorded in the balance of payments, and also by foreign exchange gains/losses, differences in valuation of assets and liabilities, as well as by other changes. The balance of foreign assets and liabilities was compiled on the basis of data originating from:

- National Bank of Poland,
- Polish banks performing settlements with foreign countries,
- Polish enterprises involved in turnover with foreign countries,
- Central Statistical Office.

Within the adjustment of Poland's foreign assets and liabilities presentation to the IMF requirements and to the needs of the national accounts system, the data is presented in accordance with standard components of international investment position.

Poland's foreign assets and liabilities are presented taking into account breakdown into types of financial instruments and sectors of the national economy.

#### 1. Direct investment

**Foreign assets resulting from direct investment abroad**, comprising – attributable to Polish shareholders – the balance sheet net value of direct investment enterprises (the value of equity attributable to Polish investors). This capital entails effectively contributed shareholders equity and surplus as well as reserve capital, and also undistributed profits less losses. The balance on foreign assets resulting from direct investment includes also loans and advances extended by Polish direct investors to foreign companies, in which they hold shares (termed "inter-company loans").

**Liabilities on foreign direct investment in Poland**, comprising the value of Polish direct investors' equity, attributable to foreign direct investors, and also balances on loans and advances received from those investors. Loans and advances drawn by foreign investors from Polish companies, in which they hold shares, reduce the value of liabilities on foreign investment.

The value of both foreign liabilities and assets on direct investment was computed on the basis of Polish direct investor reports, and also of Polish direct investment enterprises.

#### 2. Portfolio investment

Portfolio investment comprises:

**a) Polish portfolio investment abroad, in particular:**

- accounting and statistics of balances on foreign assets of Polish government sector resulting from USA Treasury bonds, purchased as the required collateral of the

agreement with the London Club performance, is conducted by Bank Gospodarstwa Krajowego as the payments agent to the Government;

- data on claims on foreign securities held in Polish banks' portfolios originates from banks balance sheets submitted to the NBP within the Bank Reporting System (BIS);
- reports of Polish brokerage houses intermediating in the turnover in foreign markets, submitted to the Polish Securities and Exchange Commission (KPWiG) are the source of data on the value of equities and shares of Polish non-government and non-bank institutions in foreign companies;

**b) foreign portfolio investment in Poland, in particular:**

- equities of listed companies are registered on investment accounts with brokerage houses or on trust accounts with banks, which are authorised by the Polish Securities and Exchange Commission to operate securities accounts. These securities are traded on the Warsaw Stock Exchanges or in the regulated over-the-counter market (Central Quotation Tables – CeTO) through brokerage houses;
- the specification of foreign liabilities on equities was drawn up on the basis of data originating from reports of banks authorised by the Polish Securities and Exchange Commission to operate securities accounts for their customers. These banks submit to the NBP monthly reports on the value of Polish equities (broken down into listed and unlisted securities) registered on non-residents accounts. This data was given less estimated value of Polish companies equities, the holding of which is not a portfolio investment but a direct investment (over 10% contribution to company's equity). This estimation was based on data originating from the KPWiG and from the National Securities Depository (KDPW);
- quarterly publications of the Central Statistical Office provided another source of data. These comprised the data on the value of liabilities, calculated at market prices, on securities held on non-residents investment accounts with brokerage houses;
- the information on figures related to the value of liabilities on bonds issued by Polish Government in foreign markets and purchased by non-residents (Brady bonds and Euro-bonds) originated from Bank Gospodarstwa Krajowego reports (operating as the payments agent to the Government) on the issue value and from reports of those Polish banks that were purchasing the above-mentioned bonds on their own account, thereby reducing the value of securities held by non-residents. The data on the value of Treasury bonds issued in the domestic market, and purchased by non-residents, originates from reports of brokerage houses, banks operating securities accounts and from the KDPW. These reports are submitted – through the KPWiG – to the Ministry of Finance, which provides also figures on the value of self-government bonds purchased by non-residents;
- the data on the value of Treasury bills held by non-residents originates from the NBP Central Register of Treasury Bills, recording all transactions on T-bills;
- apart from Treasury debt securities, foreign investors were holding in their portfolios also debt securities issued by Polish commercial banks. In the case of securities issued in foreign markets and denominated in foreign currencies, the figures were taken from reports submitted within the BIS by banks – issuers of those securities. The value considered was reduced by the value of such securities purchased in the secondary market by Polish banks, taken also from the BIS system and by the data from the KPWiG on the value of such securities purchased by residents through Polish brokerage houses. The data on bank debt securities, issued in the domestic market, originated from reports submitted to the NBP Domestic Operations Department by banks – money-market dealers;
- also companies from the non-bank sector were issuing their bonds in foreign markets, which were purchased by non-residents. The information on those issues is submitted by the issuing companies;
- another group of Polish debt securities held by non-residents is made by long- and short-term debt securities of Polish companies (commercial paper) issued in the domestic market. The data on those securities balances in foreign investors' portfolios originates from banks – issue underwriters and from the secondary market of individual securities and is submitted to the NBP

### 3. Financial derivatives

Within the balance of foreign assets and liabilities, the NBP at present does not collect data enabling the valuation, in compliance with ECB and IMF standards, of domestic institutions claims on and liabilities to non-residents, resulting from the conclusion of transactions on financial derivatives.

According to international standards derivatives shall be marked-to-market. However, the data available now does not make such valuation possible

### 4. Other investment

Other investment comprises:

#### Trade credits

Balances on claims and liabilities arising on foreign trade credits include so-called company credits, i.e. balances on claims and liabilities arising on extended and received advance and deferred payments in imports and exports of goods and services.

Information on these credits originates from business organisations.

#### Loans

The category "loans" comprises claims and liabilities arising on drawn and outstanding foreign loans and advances, excluding trade credits and loans from foreign investors. Trade credits are presented in separate items of foreign assets and liabilities. Loans from foreign investors are shown as a component of direct investment. Since 1999 the data on liabilities arising on foreign loans and advances received by the central government sector was supplemented with credit indebtedness of the self-government sector. Figures on the balance of claims and liabilities arising on loans and advances originate from:

- the NBP balance sheet;
- agents servicing the Government loans (NBP and Bank Gospodarstwa Krajowego);
- Ministry of Finance for the local government sector;
- commercial banks' balance sheets;
- business organisations drawing and extending loans and advances.

#### Currency and deposits

In the case of the banking sector the discussed category of foreign claims and liabilities comprises:

a) in the area of foreign assets:

- balance of funds on current (nostro) and time (deposit) accounts with banks abroad;
- overdrafts on current (loro) accounts of foreign banks and on current accounts of non-residents other than banks (credit in current account);
- claims arising on securities purchased within repurchase agreements;
- foreign currency cash stocks in banks' vaults;
- claims arising on purchased traveller's cheques and bank drafts issued by foreign banks;
- claims arising on monetary security;

b) in the area of foreign liabilities:

- balance of funds on current (loro) and time (deposit) accounts of foreign banks (non-residents);
- balance of funds on current and time (deposit) accounts of non-residents other than banks;
- overdrafts on current accounts of Polish banks with banks abroad;
- liabilities arising on securities sold within repurchase agreements;
- balance of funds on non-residents' monetary accounts with bank brokerage houses;
- liabilities arising on monetary security.

Assets of non-government and non-bank sectors present balances of funds held on accounts of Polish enterprises with banks abroad.

The information on balances of claims and liabilities arising on cash stocks, current accounts, and deposits originates from:

- statistical reports of Polish banks;
- NBP accounting figures;
- reports of Polish enterprises holding accounts with banks abroad.

#### Other assets and liabilities

Other assets and liabilities of central government sector comprise balances of funds on banks accounts, operated in convertible and accounting currencies, and also in transfer roubles, so-called liquidation accounts. The term "liquidation accounts" means that the balance of funds on those accounts may only decrease, because those accounts are used to settle claims and liabilities generated during the COMECON operation.

The information on the aforementioned accounts originates from Bank Gospodarstwa Krajowego which – parallel to the NBP – plays the role of payments agent to Polish Government and records all movements in foreign claims and liabilities of the central government sector.

This item comprises also the data on the situation of arrears, which constitute assets of the central government sector and arrears, which constitute liabilities of the non-government and non-bank sector.

Other assets include also the balance of Polish enterprises claims arising on clearing operations.

### 5. Official Reserve Assets

Official reserve assets comprise readily available (liquid) foreign assets owned and fully controlled by the monetary authority (National Bank of Poland). These may be used for direct financing of the balance of payments disequilibrium or to perform other actions of the monetary authority to maintain the balance of payments equilibrium.

In the conditions of Polish economy the official reserve assets are composed of:

- monetary gold, priced at the average market price prevailing on the balance-sheet day;
- special drawing rights (SDR);
- reserve position in the International Monetary Fund;
- foreign exchange in convertible currencies including:
- currency and deposits held at foreign banks, priced according to the nominal value on the balance-sheet day;
- securities issued by foreign entities, quoted at the liquid market, priced according to average market price on the balance-sheet day;
- foreign currencies held at the NBP vaults, priced according to nominal value on the balance-sheet day;
- other external receivables, comprising balances of receivables from reverse repo transactions (purchase of securities under repurchase agreement), evidenced in books as extended loans and priced according to the amount outstanding on the balance-sheet day.

The National Bank of Poland accounting data is the source on the official reserve assets.

#### Official Reserve Assets

The official reserve assets have been described in point 4 of the International Investment Position.

#### Poland: External Debt

The National Bank of Poland reports information on Poland's external debt in accordance with the following definition: "Gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal". This definition was defined as the core definition.

The above definition refers to gross debt, i.e. it refers to the particular foreign liabilities of Poland (with no deduction of Polish assets abroad). The term "contractual liabilities" stands for

formal obligation to make a specific payment (principal instalment and/or interest). This excludes equity participations from external debt. The phrase "principal with or without interest" means that the concept of external debt also includes non-interest-bearing liabilities, as these also involve a "contractual" obligation to repay. The phrase "interest with or without principal" signifies that the concept of external debt also incorporates liabilities with no stated maturity (e.g. undated bonds). The term "disbursed and outstanding" excludes potential liabilities, e.g. the undrawn portions of existing credit facilities.

The distinction between domestic and external (foreign) debt is based solely on the criterion of residence, regardless of the currency involved.

The following categories of financial instrument have been included in the concept of external debt:

- inter-company loans;
- current balances and time deposits held by non-residents at Polish banks;
- debt securities held by foreign portfolio investors;
- trade credits;
- other loans and credits (including financial leases);
- other foreign liabilities (arrears of principal and interest).



## SKRÓTY/ABBREVIATIONS

AN	Arkusz Analityczno-Nadzorczy Spreadsheet for analysis and supervision
BAC	Bankowy Komitet Doradczy przy Komisji Europejskiej EU Banking Advisory Committee
BCI/DIT	Bezpośredni cel inflacyjny Direct Inflation Targeting
BFG	Bankowy Fundusz Gwarancyjny Bank Guarantee Fund
BIS	Bank Rozrachunków Międzynarodowych Bank for International Settlements
CAEL	Adekwatność kapitału (C), jakość aktywów (A), wyniki finansowe (E) i płynność (L) Capital Asset Earnings Liquidity
CAS	Strategia Pomocy dla Polski Country Assistance Strategy
CeTO	Centralna Tabela Ofert Central Table of Offers
CMFB	Komitet ds. Statystyki Monetarnej, Finansowej i Bilansu Płatniczego Committee on Monetary, Financial and Balance of Payment Statistics
CPSS/IOSCO	Committee on Payment and Settlement Systems/International Organization of Securities Commissions
DSPW	Dealerzy Skarbowych Papierów Wartościowych Treasury Securities Dealers
EBC/ECB	Europejski Bank Centralny European Central Bank
EBOiR/EBRD	Europejski Bank Odbudowy i Rozwoju European Bank for Reconstruction and Development
ELIXIR	System wymiany zleceń płatniczych w formie elektronicznej w KIR SA KIR SA system for exchange of electronic payment instructions
ERM II	Europejski Mechanizm Kursowy Exchange Rate Mechanism II
ESBC/ESCB	Europejski System Banków Centralnych European System of Central Banks
FSI	Instytut Stabilności Finansowej Financial Stability Institute
GIIF	Generalny Inspektor Informacji Finansowej General Inspectorate of Financial Information
GINB	Generalny Inspektorat Nadzoru Bankowego General Inspectorate of Banking Supervision
GUS	Główny Urząd Statystyczny Central Statistical Office

HICP	Zharmonizowany indeks cen konsumpcyjnych Harmonised Index of Consumer Prices
HIPC	Program Oddłużenia Najbardziej Zadłużonych Krajów Świata BŚ The Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank
IBAN	Międzynarodowy Numer Rachunku Bankowego International Bank Account Number
ISO	Międzynarodowa Organizacja Normalizacyjna International Standard Organization
ISPA	Program pomocy finansowej UE dla państw kandydujących w zakresie infrastruktury transportowej i ochrony środowiska Instrument for Structural Policies for Pre-Accession
JVI	Joint Vienna Institute
KIR SA	Krajowa Izba Rozliczeniowa SA National Clearing House SA
KDPW SA	Krajowy Depozyt Papierów Wartościowych SA National Depository for Securities SA
KNB	Komisja Nadzoru Bankowego Commission for Banking Supervision
KNUiFE	Komisja Nadzoru Ubezpieczeń i Funduszy Emerytalnych Insurance and Pension Funds Supervisory Commission
KPWIG	Komisja Papierów Wartościowych i Giełd Securities and Exchanges Commission
MFW/IMF	Międzynarodowy Fundusz Walutowy International Monetary Fund
MP SA	Mennica Państwowa Polish State Mint
MPS	System Masowych Płatności Massive Payment System
NBP	Narodowy Bank Polski National Bank of Poland
NRB	Numer Rachunku Bankowego Bank Account Number
NUK/Basel II	Nowa Umowa Kapitałowa New Capital Accord
OECD	Organizacja Współpracy Gospodarczej i Rozwoju Organisation for Economic Co-operation and Development
pb/b.p.	Punkt bazowy Base Point
PKB/GDP	Produkt krajowy brutto Gross Domestic Product
PKN	Polski Komitet Normalizacyjny Polish Committee for Standardization



PPC/NPPM	Program Przygotowań do Członkostwa National Programme of Preparing for Membership in the European Union
PRSP	Strategia Redukcji Ubóstwa BŚ World Bank Poverty Reduction Strategy Programme
PWPW SA	Państwowa Wytwórnia Papierów Wartościowych SA Polish Securities Printing Works SA
RPP/MPC	Rada Polityki Pieniężnej Monetary Policy Council
RTGS	System rozrachunku brutto w czasie rzeczywistym Real Time Gross Settlement
RWEF	Raport Wskaźników Ekonomiczno-Finansowych Report on Economic and Financial Indicators
SORBNET	System Obsługi Rachunków Banków w Centrali NBP NBP Head Office System for Interbank Transactions
SSP	Jednolita wspólna platforma rozliczeniowa Single Shared Platform
SWAT	Projekt: przygotowanie platformy telekomunikacyjnej w oparciu o sieć TCP/IP Project: preparation of telecommunications platform based on the TCP/IP network
SYBIR	System wymiany zleceń płatniczych w formie papierowej w KIR SA KIR SA system for exchange of payment instructions in paper form
TARGET	Transeuropejski zautomatyzowany system rozrachunku brutto w czasie rzeczywistym Transeuropejski zautomatyzowany system rozrachunku brutto w czasie rzeczywistym
UE/EU	Unia Europejska European Union
UGW/EMU	Unia Gospodarcza i Walutowa Economic and Monetary Union
UOKiK/OCCP	Urząd Ochrony Konkurencji i Konsumenta Office for Competition and Consumer Protection
XML	Rozszerzalny język znaczników Extensible Markup Language
ZBDE/IED	Zintegrowana baza danych ekonomicznych Integrated Economic Database
ZBP/PBA	Związek Banków Polskich Polish Banking Association
ZSK/IAS	Zintegrowany System Księgowy Integrated Accounting System

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