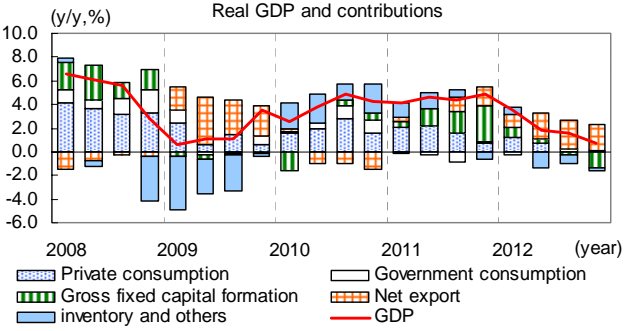
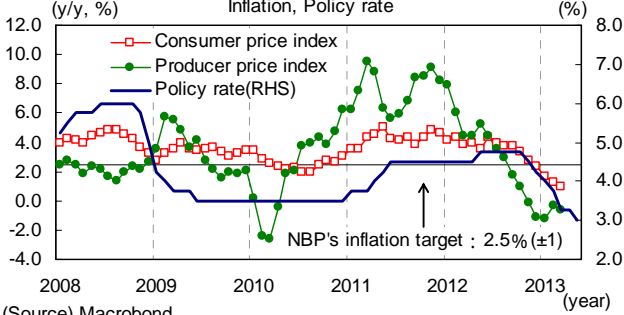
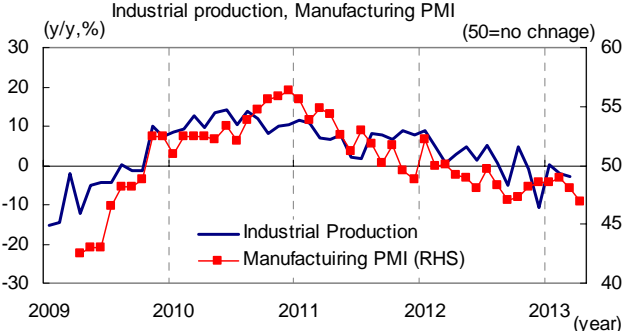
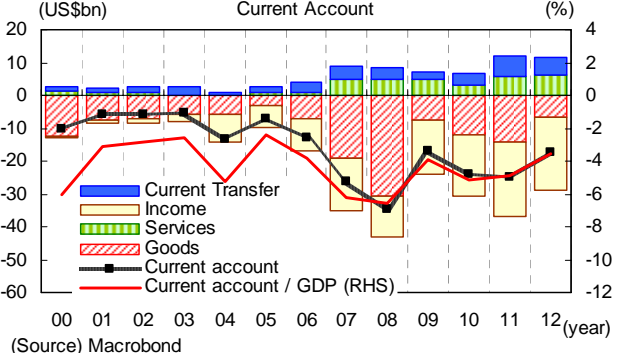


Main Economic & Financial Indicators: Poland

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Overview	Consumption/Consumer sentiment
<p>Amongst the Central and Eastern European countries, Poland is the only country to avoid recession after the financial crisis. However, the country's economy slowed rapidly in 2012 as domestic demand weakened reflecting the worsening labour market conditions and a decline in investment after the Euro 2012 football championship was held in June. The latest economic data suggests that the country's economy remains weak. Industrial production decreased year-on-year for two months in a row in March while the PMI for the manufacturing sector fell again in April reflecting weak domestic demand and the sluggish Eurozone economy, with Germany in particular (it account for one-quarter of Polish exports). In light of the weakening economy, the National Bank of Poland (NBP, the Polish central bank) cut its policy rate on the May 8th meeting by 0.25% point to record low of 3.0%. The NBP may cut its policy rate again as the looming likelihood of prolonged economic stagnation in the Eurozone poses risk to the Polish economy, and inflation remain below the NBP's target of 2.5% ($\pm 1\%$).</p>	<p>Retail sales in March were flat compared to a year earlier. There are signs of recovery in consumer confidence, but it is still at a very low level. Moreover, as the unemployment remains at six-year high affected by weak corporate activity, it will take some time for retail sales to see a sustained recovery.</p>
GDP	Prices
<p>In Q4 2012, GDP grew by 0.7% y/y, down from the previous quarter's 1.7% y/y due to the slowdown in private consumption (0.2% y/y) and a fall in gross fixed investment (-4.5%). While imports contracted by 2.3% y/y as domestic demand fell, exports grew by 3.4% thanks to zloty depreciation. Thus, net exports continued to make a positive contribution to overall growth.</p>	<p>Inflation in March rose by 1.0% y/y, the lowest level seen in the last seven years, and remained below the National Bank of Poland's (NBP, the Polish central bank) inflation target band (1.5-3.5%) for two months in a row. On May 8th, the NBP's Monetary Policy Council decided to cut its policy rate by 0.25 basis points to 3.0%. This was the sixth rate cut since November last year, taking total rate cuts to 175 basis points. The NBP said in the press release after the meeting that it decided to lower its policy rate due to the recent weak economic growth in the country, rising uncertainties over the outlook of the Eurozone economy as well as the more-than-expected decline in inflation.</p>
 <p>(Source) Macrobond</p>	 <p>(Source) Macrobond</p>
Output/Business confidence	Balance of payments
<p>Industrial production in March fell by 2.9% y/y, contracting two months in a row. The manufacturing sector fell by 3.4% y/y as output of core items such as cars fell on the back of falling demand from the Eurozone, Germany in particular, as well as weak domestic demand. The PMI reading in April was 46.9, the lowest since 2009 and remained below the 50 mark that indicates contraction in the sector for thirteen months in a row. As new orders continued to fall, activity in the sector is unlikely to recover any time soon.</p>	<p>In 2012, the current account deficit amounted US\$17.4bn (3.5% of GDP), narrowing from a deficit of US\$25.2bn (4.9% of GDP) due to a decrease in the trade deficit from US\$14.0bn to US\$6.8bn as domestic demand slowed.</p>
 <p>(Source) Macrobond</p>	 <p>(Source) Macrobond</p>
Fiscal policy	<p>As Poland's fiscal deficit ballooned over the EU's limit of 3% of GDP after the financial crisis (from 3.7% in 2008 to 7.3% in 2009), the country has been subject to the EU's Excessive Debt Procedure since 2010, aimed at cutting the deficit below 3.0% by 2012. However, the fiscal deficit reached at 3.9% of GDP in 2012 as indirect tax revenue, VAT in particular, decreased as domestic demand slowed. It is expected that the deficit in 2013 will exceed 3.0% threshold again as efforts to cut deficit is likely to get disrupted given the country's weak economic outlook.</p>

Main Economic & Financial Indicators: Poland

1. Annual and quarterly data

		2010	2011	2012	12/Q1	12/Q2	12/Q3	12/Q4	13/Q1
GDP (at current prices)	(US\$ bn)	469.5	515.3	489.9	114.7	117.2	119.0	139.4	-
Real GDP growth	(%, y/y)	1.9	4.5	0.7	3.5	1.9	1.6	0.7	-
(Private consumption)	(%, y/y)	0.8	1.4	-0.2	1.7	1.2	0.0	0.2	-
(Gross fixed capital formation)	(%, y/y)	-0.8	10.0	-4.1	6.8	1.8	-1.5	-4.5	-
Industrial production	(%, y/y)	-10.6	7.7	-10.6	0.7	1.2	-5.2	-10.6	-2.9
Retail sales (real)	(%, y/y)	3.3	6.8	3.1	8.6	2.9	1.8	-0.8	0.4
Bank credits to the private sector	(%, y/y)	8.4	13.4	1.5	11.2	9.3	4.0	1.5	3.5
Consumer price index	(%, y/y)	2.6	4.3	3.7	4.1	4.0	3.9	2.9	1.3
Wage growth rate	(%, y/y)	3.6	4.9	3.5	5.3	3.8	2.2	2.6	2.0
Unemployment rate	(%)	12.1	12.4	12.8	13.3	12.6	12.4	12.9	14.3
Trade balance*	(US\$ mn)	-18,281	-21,796	12,666	-4,371	-3,713	-1,633	-2,949	-
Exports*	(US\$ mn)	159,421	188,424	183,424	45,889	44,827	45,152	47,556	-
Export growth	(%, y/y)	17.4	18.2	-2.7	1.1	-9.3	-5.9	3.6	-
Imports*	(US\$ mn)	177,701	210,220	196,090	50,260	48,540	46,784	50,505	-
Import growth	(%, y/y)	19.5	18.3	-6.8	0.3	-13.4	-12.2	-1.2	-
Current account	(US\$ mn)	-23,942	-25,181	-17,446	-5,942	-2,814	-4,155	-4,535	-
Capital and financial balances	(US\$ mn)	49,893	40,628	31,935	8,727	7,319	8,702	7,188	-
Foreign direct investment	(US\$ mn)	14,350	18,890	-	-2,370	1,450	2,440	-	-
Foreign reserves	(US\$ mn)	88,822	92,647	103,396	103,396	103,396	103,396	103,396	-
External debt	(US\$ mn)	317,132	320,637	364,163	348,256	332,123	353,445	364,163	-
Stock price index		42,789	44,558	41,613	40,646	39,339	41,561	44,856	46,725
Short-term interest rates (Interbank 3m)		3.936	4.543	4.909	4.969	5.034	5.064	4.574	3.783
Long-term interest rates (Gov.10y bond yields)		5.782	5.956	5.000	5.503	5.380	4.907	4.210	3.943
Zloty/USD		3.018	2.965	3.256	3.229	3.321	3.308	3.169	3.147
Zloty/Euro		3.994	4.121	4.184	4.233	4.255	4.137	4.111	4.155
Zloty/GBP		4.657	4.748	5.160	5.072	5.252	5.225	5.093	4.885

2. Monthly data

		12/09	10	11	12	13/01	2	3	4
Industrial production	(%, y/y)	-5.2	4.6	-0.8	-10.6	0.3	-2.1	-2.9	-
Retail sales (real)	(%, y/y)	-0.4	0.5	0.7	-3.6	2.4	-1.3	0.0	-
Bank credits to the private sector	(%, y/y)	4.0	4.2	1.1	1.5	3.7	3.8	3.5	-
Consumer price index	(%, y/y)	3.8	3.4	2.8	2.4	1.7	1.3	1.0	-
Wage growth rate	(%, y/y)	1.6	2.8	2.7	2.4	0.4	4.0	1.6	-
Unemployment rate	(%)	12.4	12.5	12.9	13.4	14.2	14.4	14.3	-
Trade balance*	(US\$ mn)	-322	-170	-849	-1,946	-431	540	-	-
Exports*	(US\$ mn)	15,950	18,029	16,314	13,179	15,556	15,426	-	-
Export growth	(%, y/y)	-4.8	9.9	2.4	-3.7	8.7	1.7	-	-
Imports*	(US\$ mn)	16,272	18,199	17,163	15,124	15,987	14,886	-	-
Import growth	(%, y/y)	-8.9	1.5	-2.3	-3.8	1.8	-11.9	-	-
Stock price index		43,157	43,885	43,982	46,837	47,570	46,356	46,152	44,325
Short-term interest rates (Interbank 3m)		4.951	4.823	4.625	4.249	4.034	3.805	3.487	3.290
Long-term interest rates (Gov.10y bond yields)		4.850	4.570	4.180	3.880	3.910	3.990	3.930	-
Zloty/USD		3.210	3.165	3.219	3.122	3.114	3.121	3.208	3.176
Zloty/Euro		4.135	4.107	4.132	4.094	4.139	4.170	4.158	4.138
Zloty/GBP		5.183	5.095	5.143	5.038	4.975	4.833	4.836	4.870

Note: *Custom-based trade statistics

Source: National Bank of Poland, Macrobond, Bloomberg etc.

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