

Introduction

After the high economic growth in the 1st half of this year, created by the growing domestic demand – both capital demand and consumption – in the 3rd quarter, in main areas of economy this growth rate was a little smaller. The positive phenomena in the labour market increased – the employment kept growing with unemployment falling. The growth pace of average wages and salaries in the enterprise sector was increasing by the quarter, but in September it was a little smaller than in August. The year-on-year increase in consumer prices in September of this year was higher than that observed in the previous month, mainly due to the faster growth of prices of food and non-alcoholic beverages. The high dynamics of retail sale continued. However, it was a little smaller than the one observed in the previous periods. The increase in turnover in foreign trade after eight months of this year was slower than last year, with import growing faster than export, which worsened the negative foreign trade balance. Since the dynamics of revenues was much higher than that of state budget expenditures, a little surplus was observed after nine months.

In September of this year, the growth in sold production of industry amounted to 5.2%, and in the period of nine months, it exceeded the level of the last year by 9.8%. In manufacturing the production growth in the period from January to September amounted to 11.5%, in mining and quarrying it was similar to that observed in the previous year, whereas in the section electricity, gas and water supply a decrease in 4.7% was observed. Labour productivity increased in that period by 6.1%, with higher average paid employment by 3.4% and growth of average monthly gross wages and salaries by 8.7%. Among the main industrial groupings, sale in enterprises producing mainly consumer durable goods, capital goods and intermediate goods increased the most. In the period from January to September of this year, construction and assembly production increased in annual terms by 20.2%, with smaller dynamics observed in the subsequent periods as compared to the increasing level from the last year. The number of completed dwellings went up by 13.9% and still the high increase in the number of dwellings for which permits has been granted and in which construction has begun to be observed. The good business tendency in construction caused further increase in employment, which was higher than on average (in the period from January to September of this year, by 9.6%) and in wages and salaries (by 16.0%). Capacity utilization in manufacturing and construction has been the highest for many years.

The increase in retail sale in the period of three quarters was by 14.6% higher than in the previous year (against 11.6%) and the dynamics of sale fell from 17.4% in the 1st quarter to 12.8% in the 3rd quarter.

In the period from January to August of this year the dynamics of export of goods was lower than last year (in current prices the growth was 12.1%). As a consequence of the growing demand for imported goods, the value of goods imported from abroad increased by 14.0%. Import growing faster than export contributed to the increased deficit of trade of goods, in particular in turnover with developing countries. With the zloty still strengthening, the price conditions in foreign trade were improving – the total terms of

trade indicator in the period from January to July of this year was 102.6 (against 98.2 last year, respectively). This was influenced by favourable price relations in foreign trade with the Central and Eastern Europe countries and with developing countries.

The subsequent months of this year confirm consolidation of the positive changes in the labour market. In September, significant growth rate of average employment in the enterprise sector (4.7%) was recorded. The number of registered unemployed persons at the end of September of this year equal 1777.8 thousand and was smaller than in the previous year by 585.8 thousand. Thanks to the decreasing number of the unemployed persons, the unemployment rate went down to 11.6% and was by 3.6 points smaller than in the previous year.

In September, the high growth in average monthly gross wages and salaries in the enterprise sector was recorded, both in nominal terms (an increase by 9.5%), and in real terms (7.2%). However, it was a little smaller than the one recorded in the last month. The average wages and salaries and the wages fund in real terms in the 3rd quarter grew more than in the previous periods, whereas since two quarters a decrease in average real retirement pays and pensions both in the employee and agricultural system has been recorded.

It is estimated that this year's production of cereals, rape and agrimony, potatoes and ground vegetables will be higher than the small ones of last year, whereas the production of fruit (in particular of tree fruit) are considerably lower than in the previous year, due to frosts that occurred in May. The prices of cereals remained at a considerably higher level than in the previous year. The procurement prices of cattle and pigs for slaughter were a little lower than last year, whereas the prices of poultry and milk showed further increase.

The dynamics of prices in the basic areas of national economy in the period from January to September of this year, in relation to the corresponding period of last year, was higher than recorded in the previous year, respectively. The increase in consumer prices and in prices of construction and assembly production in the corresponding period of the previous year was higher than the one recorded last year respectively and lower in the industry. In September of this year, as compared to corresponding month of the previous year the prices of sold production of industry were higher by 2.0% and in construction – by 8.8%. In annual terms the consumer prices grew stronger than in the previous month of this year (2.3% against 1.5% in August), mainly as a consequence of the growing prices of food (by 5.2%). In annual terms the Harmonised Index of Consumer Prices (HICP) amounted to 2.7% (against 2.1% in August of this year); the corresponding index for the EU was 2.3% in September of this year.

The high economic growth rate, the good financial situation of enterprises, as well as the improvement of the situation in the labour market had a positive impact on the level of the state budget revenues. With the much lower dynamics of expenditures than of revenues, the surplus of the state budget after nine months of this year amounted to PLN 197.5 million.

Selected indicators regarding the economic situation of the country

| Specification | September 2007 | | January- September 2007 |
|---|-----------------------|-------------|----------------------------|
| | changes in % against: | | |
| | September 2006 | August 2007 | January- September 2006 |
| Paid employment in the enterprise sector | +4,7 | +0,2 | +4,6 |
| Registered unemployed persons (end of period)..... | -24,8 | -2,4 | x |
| Average monthly gross wage and salary in enterprise sector... | +9,5 | -0,9 | +8,9 |
| of which in industry | +9,0 | -1,2 | +8,7 |
| Sold production of industry (constant prices) | +5,2 | +5,5 | +9,8 |
| mining and quarrying | -6,3 | +4,5 | -0,1 |
| manufacturing..... | +5,9 | +5,7 | +11,5 |
| electricity, gas and water supply | +1,7 | +4,6 | -4,7 |
| Construction and assembly production (constant prices)..... | +0,2 | +4,1 | +20,2 |
| Dwellings completed | +63,8 | +18,6 | +13,9 |

| Specification | July | August | September |
|--|--|--------|-----------|
| | changes in % as compared with the previous month | | |
| Prices of sold production of industry | +0,3 | +0,3 | +0,1 |
| Prices of consumer goods and services | -0,3 | -0,4 | +0,8 |
| of which: | | | |
| food and non-alkoholic beverages | -1,6 | -0,6 | +2,4 |
| alkoholic beverages, tobacco | +1,4 | +1,1 | +0,6 |
| dwelling | +0,2 | +0,2 | +0,3 |
| housing, water, electricity, gas and other fuels | +0,2 | +0,2 | +0,3 |
| of which electricity, gas and other fuels | +0,1 | +0,2 | +0,4 |
| furnishings, household equipment and routine maintenance of the house | +0,2 | +0,1 | +0,1 |
| transport | +0,3 | -0,2 | +0,2 |
| of which fuels for personal transport equipment | +0,7 | -0,6 | +0,4 |

Selected indicators regarding the economic situation of the country

| Specification a - 2006, b - 2007 | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Registered unemployed persons (in thous.) a | 2866,7 | 2865,9 | 2822,0 | 2703,6 | 2583,0 | 2487,6 | 2443,4 | 2411,6 | 2363,6 | 2301,8 | 2287,3 | 2309,4 |
| b | 2365,8 | 2331,1 | 2232,5 | 2103,1 | 1985,1 | 1895,1 | 1856,1 | 1821,9 | 1777,8 | | | |
| Unemployment rate ¹⁾ (in %) a | 18,0 | 18,0 | 17,8 | 17,2 | 16,5 | 15,9 | 15,7 | 15,5 | 15,2 | 14,9 | 14,8 | 14,8 |
| b | 15,1 | 14,8 | 14,3 | 13,6 | 12,9 | 12,3 | 12,1 | 11,9 | 11,6 | | | |
| Paid employment in the enterprise sector in thous. persons a | 4862 | 4861 | 4870 | 4889 | 4901 | 4918 | 4928 | 4943 | 4957 | 4971 | 4986 | 4995 |
| b | 5048 | 5070 | 5089 | 5105 | 5116 | 5144 | 5160 | 5182 | 5192 | | | |
| Sold production of industry ²⁾ : | | | | | | | | | | | | |
| previous month=100 a | 92,0 | 100,0 | 116,4 | 90,4 | 107,3 | 102,6 | 93,8 | 102,4 | 109,2 | 104,3 | 97,3 | 93,3 |
| b | 100,2 | 97,9 | 114,7 | 91,4 | 103,0 | 100,2 | 98,1 | 100,9 | 105,5 | | | |
| corresponding month of previous year=100 a | 109,8 | 110,2 | 116,4 | 105,7 | 119,1 | 112,2 | 114,3 | 112,6 | 111,6 | 114,8 | 112,0 | 105,9 |
| b | 115,4 | 113,0 | 111,3 | 112,6 | 108,1 | 105,6 | 110,4 | 108,9 | 105,2 | | | |
| Construction and assembly production ²⁾ : | | | | | | | | | | | | |
| previous month=100 a | 27,8 | 113,1 | 134,0 | 112,4 | 133,3 | 124,6 | 88,8 | 112,3 | 118,9 | 110,9 | 78,6 | 144,8 |
| b | 37,9 | 110,5 | 119,0 | 110,6 | 113,2 | 111,2 | 101,4 | 108,5 | 104,1 | | | |
| corresponding month of previous year=100 a | 92,2 | 96,5 | 115,5 | 104,1 | 113,4 | 115,7 | 104,9 | 115,3 | 121,0 | 128,7 | 123,3 | 117,9 |
| b | 160,5 | 156,7 | 139,1 | 136,9 | 116,3 | 103,7 | 118,5 | 114,4 | 100,2 | | | |
| Dwellings completed (from the beginning of year) a | 1019 | 1894 | 2828 | 3560 | 4220 | 5036 | 5990 | 6841 | 7658 | 8782 | 9936 | 11535 |
| b | 2 | 6 | 4 | 3 | 6 | 1 | 6 | 4 | 1 | 2 | 3 | 3 |
| a | 1015 | 1882 | 2683 | 3541 | 4364 | 5175 | 6258 | 7386 | 8724 | | | |
| b | 2 | 5 | 5 | 2 | 8 | 3 | 8 | 7 | 5 | | | |
| Price indices of consumer goods and services: | | | | | | | | | | | | |
| previous month=100 a | 100,2 | 100,0 | 99,9 | 100,7 | 100,5 | 99,7 | 100,0 | 100,3 | 100,2 | 100,1 | 100,0 | 99,8 |
| b | 100,4 | 100,3 | 100,5 | 100,5 | 100,5 | 100,0 | 99,7 | 99,6 | 100,8 | | | |
| corresponding month of previous year=100 a | 100,6 | 100,7 | 100,4 | 100,7 | 100,9 | 100,8 | 101,1 | 101,6 | 101,6 | 101,2 | 101,4 | 101,4 |
| b | 101,6 | 101,9 | 102,5 | 102,3 | 102,3 | 102,6 | 102,3 | 101,5 | 102,3 | | | |
| December of previous year=100 a | 100,2 | 100,2 | 100,1 | 100,8 | 101,3 | 101,0 | 101,0 | 101,3 | 101,5 | 101,6 | 101,6 | 101,4 |
| b | 100,4 | 100,7 | 101,1 | 101,6 | 102,2 | 102,2 | 101,9 | 101,6 | 102,3 | | | |
| Price indices of sold production of industry: | | | | | | | | | | | | |
| previous month=100 a | 100,2 | 99,9 | 100,7 | 101,5 | 100,4 | 100,9 | 100,7 | 99,9 | 100,0 | 99,5 | 99,3 | 99,5 |
| b | 100,6 | 100,3 | 100,5 | 100,5 | 100,4 | 100,5 | 100,3 | 100,3 | 100,1 | | | |
| corresponding month of previous year=100 a | 100,3 | 100,7 | 100,9 | 101,7 | 102,3 | 103,0 | 103,5 | 103,3 | 103,6 | 103,2 | 102,5 | 102,6 |
| b | 103,1 | 103,5 | 103,3 | 102,2 | 102,1 | 101,7 | 101,4 | 101,8 | 102,0 | | | |

¹⁾ Ratio of registered unemployed persons to the economically active civil population.

²⁾ Indices were calculated in constant prices of 2000.

(cont.)

| Specification a - 2006, b - 2007 | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Average monthly nominal gross wage and salary in the enterprise sector ¹⁾ (in zł) | 2471,0 | 2526,2 | 2613,6 | 2570,0 | 2549,7 | 2624,9 | 2647,8 | 2611,9 | 2611,1 | 2657,9 | 2759,6 | 3027,5 |
| a | 9 | 2 | 7 | 5 | 0 | 3 | 0 | 3 | 6 | 9 | 5 | 1 |
| b | 2663,5 | 2687,4 | 2852,7 | 2786,2 | 2776,9 | 2869,6 | 2893,7 | 2885,9 | 2858,8 | | | |
| previous month=100 | 88,6 | 102,2 | 103,5 | 98,3 | 99,2 | 103,0 | 100,9 | 98,6 | 100,0 | 101,8 | 103,8 | 109,7 |
| a | 88,0 | 100,9 | 106,1 | 97,7 | 99,7 | 103,3 | 100,8 | 99,7 | 99,1 | | | |
| b | 103,6 | 104,8 | 105,4 | 104,0 | 105,2 | 104,5 | 105,6 | 105,3 | 105,1 | 104,7 | 103,1 | 108,5 |
| a | 107,8 | 106,4 | 109,1 | 108,4 | 108,9 | 109,3 | 109,3 | 110,5 | 109,5 | | | |
| b | | | | | | | | | | | | |
| Average monthly real gross wage and salary in the enterprise sector monthly average of 2000=100 | 105,0 | 107,3 | 111,2 | 108,6 | 107,2 | 110,6 | 111,5 | 109,6 | 109,5 | 111,5 | 115,7 | 127,2 |
| a | 111,6 | 112,4 | 118,7 | 115,4 | 114,5 | 118,2 | 119,4 | 119,5 | 117,5 | | | |
| b | | | | | | | | | | | | |
| Profitability rate of gross turnover ²⁾ from the beginning of year (in %) | . | . | 4,8 | . | . | 5,6 | . | . | 5,8 | . | . | 5,8 |
| a | . | . | 6,1 | . | . | 6,5 | . | . | . | . | . | . |
| b | | | | | | | | | | | | |
| Profitability rate of net turnover ³⁾ from the beginning of year (in %) | . | . | 3,6 | . | . | 4,5 | . | . | 4,7 | . | . | 4,7 |
| a | . | . | 4,9 | . | . | 5,3 | . | . | . | . | . | . |
| b | | | | | | | | | | | | |
| State budget balance - from the beginning of year (in mn zł) | 772,2 | 6716,2 | 9275,4 | 10070, | 14717, | 17694, | 15543, | 14482, | 14610, | 16636, | 18580, | 25063, |
| a | 3144,1 | 2992,3 | 5177,0 | 2090,9 | 4297,2 | 3646,6 | 541,3 | 304,1 | 197,5 | | | |
| b | | | | | | | | | | | | |
| Average exchange rates in zł – National Bank of Poland: | | | | | | | | | | | | |
| 100 US dollars | 315,99 | 317,44 | 322,29 | 319,82 | 304,91 | 317,13 | 314,92 | 304,54 | 311,53 | 309,19 | 297,35 | 288,68 |
| a | 298,37 | 298,05 | 293,59 | 282,79 | 279,97 | 283,99 | 275,00 | 279,81 | 272,86 | | | |
| b | 382,45 | 379,37 | 387,48 | 391,94 | 389,41 | 401,64 | 399,70 | 390,14 | 397,02 | 390,26 | 382,99 | 381,30 |
| a | 387,87 | 389,58 | 388,69 | 381,92 | 378,24 | 380,79 | 376,85 | 381,00 | 378,99 | | | |
| b | | | | | | | | | | | | |
| Foreign trade in mn zł | | | | | | | | | | | | |
| exports | 24577, | 24983, | 29384, | 26564, | 28668, | 29939, | 27790, | 27487, | 32108, | 33560, | 32070, | 26643, |
| a | 0 | 4 | 8 | 7 | 5 | 6 | 1 | 6 | 5 | 8 | 2 | 8 |
| b | 28984, | 29246, | 33696, | 29983, | 31460, | 31374, | 30621, | 30556, | | | | |
| a | 5 | 9 | 0 | 2 | 5 | 9 | 2 | 6 | | | | |
| b | 27428, | 28094, | 33006, | 29459, | 33826, | 33354, | 32932, | 31746, | 35988, | 38329, | 36266, | 33596, |
| a | 1 | 0 | 6 | 6 | 8 | 7 | 9 | 5 | 1 | 2 | 7 | 8 |
| b | 33446, | 32403, | 39506, | 35206, | 36674, | 36888, | 37099, | 33575, | | | | |
| a | 9 | 0 | 6 | 6 | 6 | 6 | 3 | 7 | | | | |
| b | | | | | | | | | | | | |
| balance | 2851,1 | 3110,6 | 3621,8 | 2894,9 | 5158,3 | 3415,1 | 5142,8 | 4258,9 | 3879,6 | 4768,4 | 4196,5 | 6953,0 |
| a | | | | | | | | | | | | |
| b | 4462,4 | 3156,1 | 5810,6 | 5223,4 | 5214,1 | 5513,7 | 6478,1 | 3019,1 | | | | |

¹⁾ Including contributions to compulsory social security.

²⁾ Relation of gross financial result to revenues from total activity.

³⁾ Relation of net financial result to revenues from total activity.