

METHODOLOGICAL NOTES

1. Data concerning gross domestic product and gross value added as well as components of its distribution are compiled according to the principles of the "ESA 1995" (European System of Accounts).

Gross domestic product illustrates the final result of the activity of all entities of the national economy. The basic component of gross domestic product, in regard to its generation is the sum of gross value added of all sections (divisions) of the national economy, increased by taxes on products less subsidies on products.

Gross value added is the difference between gross output and intermediate consumption.

Gross output and gross value added are presented in basic prices, and intermediate consumption - at purchasers' prices.

Estimates of the components of distribution of GDP are compiled separately for: final consumption expenditure (individual consumption expenditure of households sector as well as group, i.e., general government final consumption expenditure and consumption expenditure of non-profit institutions serving households), as well as gross capital formation (gross fixed capital formation and change in inventions).

The final work of the estimation of GDP is to achieve the consistency from the generation of GDP and the estimates of the components of distribution, including the net exports.

Data for GDP and its elements are presented seasonally unadjusted and adjusted. Seasonal adjustment is carried out with use of the direct method, i.e. separately for each variable, using the TRAMO/SEATS procedure in DEMETRA version 2.0. Seasonal adjustment consists in elimination of the calendar variability effect and the variability of working days and seasonality effect.

Methodological notes concerning the compilation of the quarterly GDP estimates from generation and distribution sides have been published in "Quarterly national accounts 1995-2004", CSO, Warsaw 2005.

As a result of the changes introduced into national accounts, beginning from data for 1995 year concerning the:

- changes in methodology of calculation of financial intermediation services indirectly measured (FISIM) and their allocation among individual categories of production and expenditure sides of GDP,
 - changes in methodology of the general government sector accounts compilation basing on elaboration of new algorithm of transition from cash to accrual data as well as using a new detailed transition key from paragraphs of budgetary classification to ESA'95 codes,
 - updating of the hidden economy estimation, mainly due to unregistered work and due to avoiding paying VAT (VAT fraud),
 - including transaction „Acquisitions less disposals of valuables” in gross capital formation,
- the revision of the accounts by quarters was also done.

2. Data concerning:

- 1) population are compiled on the basis of results of Population and Housing Census 2002 as well as current reporting data on vital statistics and population migration;
- 2) births and deaths (including infant deaths) — are calculated according to the definition of infant birth and death — recommended by the World Health Organization (WHO).

3. Data on employed persons include those employed on a full and part-time basis in the main place of work.

Employed persons include:

- 1) persons employed on the basis of a labour contract;

- 2) owners and co-owners of units engaged in economic activities including contributing family members;
- 3) outworkers;
- 4) agents and persons employed by agents;
- 5) members of agricultural production co-operatives.

Data presented in the Bulletin do not include private farmers or employees of budget entities conducting activity within the scope of national defence and public safety.

4. Data on average paid employment include persons employed on the basis of a labour contract on a full and part-time basis, converted to full-time work period.

5. Since June 2004, the data on the unemployed persons registered in the powiat labour offices are presented in accordance with the Law of 20 April 2004 on Promotion of Employment and Labour Market Institutions (Journal of Laws No. 99, item 1001, with later amendments), which replaced the Law dated 14 December 1994 on Employment and Combating Unemployment (uniform text Journal of Laws 2003 No. 58, item 514, with later amendments).

Among the „unemployed registered within the period of 12 months since the completion of education” are counted persons unemployed during the above mentioned period who completed (confirmed with a diploma, certificate, or other document) school education, occupational courses of a duration for no less than 24 months, or acquired the right to perform a job as the disabled persons.

The long term unemployed are persons remaining in the register rolls of the powiat labour office for the overall period of over 12 months during the last two years, excluding (since November 2005) the periods of traineeship and occupational preparation at the work place.

The unemployed aged up to 25 years – are persons who were under 25 years of age on the day they became recipients of the labour market instruments. Until October 2005 they were persons, who were aged less than 25 in the calendar year.

The unemployed without occupational qualifications – are persons who do not have qualifications for performing any occupation confirmed by a diploma, certificate, certificate issued by a training institution or any other document entitling them to perform an occupation. Since November 2005 it also concerns persons with general secondary education.

Unemployment rate was compiled as a ratio of registered unemployed persons to the economically active civil population. Data concerning the registered unemployment rate are presented after taking into account the verified number of persons employed on private farms. The figure 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 Agricultural Census.

6. Data on the economic activity of the population, aged 15 and more, are compiled on the basis of Labour Force Survey (LFS), which is conducted quarterly. The survey includes the members of randomly selected households.

Among the employed are included all persons aged 15 or more who within the surveyed week :

- 1) performed for at least one hour any work generating pay or income, i.e. were employed as a paid employee, worked on own (or leased) agricultural farm, or conducted their own economic activity outsider agriculture,
- 2) had work but did not perform it:
 - due to illness , maternity leave or vacation,
 - due to other reasons, but the break in employment did not exceed 3 months and since 2006 exceeded 3 months and concerned persons were paid employees and during that period received at least 50% of the hitherto wages and salaries.

The unemployed are persons, who within the period of the surveyed week did not work, actively sought work and was available for work within two weeks after the surveyed week .

The unemployed also include persons who have found and were waiting to begin work within a 3-month period as well as person who were available for that work. Since the I quarter of 2001 the population of unemployed persons, in compliance with the Eurostat recommendation, has been limited to persons aged 15—74 years.

The activity rate is calculated as the share of the economically active persons (total or a given group), aged 15 and more (total or a given group).

The employment rate is calculated as the share of the employed persons (total or a given group), aged 15 and more (total or a given group).

The unemployment rate is calculated as the share of the unemployed persons (total or a given group), in the number of the economically active persons, aged 15 and more (total or a given group).

7. The components of wages and salaries are personal wages and salaries, payments from profit and balance surplus in co-operatives, additional annual wages and salaries for employees of budget sphere entities, impersonal wages and salaries, commission and agent payments, fees.

Data concerning quarterly periods do not include unemployment benefits, agency and commission wages and salaries as well as fees.

8. Average monthly nominal wage and salary per employee are computed assuming the following:

- 1) personal wages and salaries (excluding wages and salaries of outworkers and apprentices as well as persons employed abroad);
- 2) payments from a share in profit or in the balance surplus of cooperatives;
- 3) additional annual wages and salaries for employees of budget sphere entities;
- 4) fees paid to selected groups of employees for performing work in accordance with labour contract.

9. Data on wages and salaries and average monthly wages and salaries are presented in gross terms.

10. Average monthly real gross wage and salary indices are calculated as a quotient of the average monthly nominal gross wage and salary index and consumer price index of households of employees.

11. The non-agricultural social security system includes retirement pay and pension benefits financed from the Social Insurance Fund, administered by the Social Insurance Institution as well as from the budgets

of the Ministry of National Defence, Ministry of the Interior and Administration and Ministry of Justice.

The social security system of farmers includes retirement pay and pension benefits financed from the Pension Fund administered by the Agricultural Social Insurance Fund and from the budgets of the Ministry of National Defence, Ministry of the Interior and Administration and Ministry of Justice.

Both social security systems comprise benefits paid out to the so-called uniformed services, i.e. former professional soldiers and the Police, Internal Security Agency and Foreign Intelligence Agency, Border Guard, State Fire Department and Penitentiary Staff functionaries. However, these systems do not provide for the payment of retirement pays and pensions arising out of international agreements.

Retirement pay and pension benefits comprise amounts of current benefits and compensatory benefits for preceding periods.

The average monthly gross retirement pay and pension indicators were computed as a ratio of a growth index of average monthly nominal gross retirement pay and pension and the price index of consumer goods and services for households of retirees and pensioners (excluding own consumption).

12. Social security benefits include the payment of sick, maternity, nursing, compensatory, funeral and rehabilitation benefits as well as accident compensations (in the case of farmers, also childbirth benefit, but do not include the nursing, compensatory and rehabilitation benefits).

Family benefits paid out by the Social Insurance Institution and the Agricultural Social Insurance Fund, financed from the state budget include, until 30 April 2004, the family, nursing, and child-care benefits, and as from 1 May 2004 family benefits along with supplements and nursing benefits, i.e. nursing benefits and allowances to which persons eligible under the Act of 28 November 2003 (Journal of Law No. 228, item 2255 of 2003, as subsequently amended) are entitled to.

13. Data are presented in the section "Money" results from the aggregation of selected items from the compilation "Broad money M_3 and counterparts" according to methodology adjusted by National Bank of Poland to the standards binding in the member countries of European System of Central Banks.

14. The M_1 money supply comprises:

- 1) currency in circulation (outside banks) constitutes a difference between the amount of cash in circulation, operated outside of the National Bank of Poland, and the amount of cash at banks;
- 2) zloty and foreign currency deposits and other current liabilities (including investment accounts with banks' brokerage offices) of households, non-monetary financial institutions, non-financial corporations, non-profit institutions serving households, local government institutions, social security funds as well as overnight deposits. Until late February 2002 overnight deposits were classified as M_2 .

15. The M_2 money supply comprises:

- 1) currency in circulation (outside banks);
- 2) deposits and other liabilities of households, non-monetary financial institutions, non-financial corporations, non-profit institutions serving households, local government institutions, social security funds. This comprises: deposits and other current liabilities, term deposits including those with a primary maturity date within up to 2 years and blocked term deposits, banks' liabilities related to money collaterals as well as credits and loans obtained from non-financial funds and foundations.

16. The M_3 money supply comprises:

- 1) currency in circulation (outside banks);
- 2) deposits and other liabilities of households, non-monetary financial institutions, non-financial corporations, non-profit institutions serving households, local government institutions, social security funds;
- 3) other components of M_3 , i.e. debt securities including those with a primary maturity date within up to 2 years issued by banks and purchased by non-banking entities as well as banks' liabilities related to transactions with a promise to repurchase.

17. Deposits and dues are classified in new sector structure:

- 1) households includes private persons, individual farmers and individual entrepreneurs employing up to 9 staff (until late February 2002 classified as economic entities);
- 2) non-monetary financial institutions have been replaced with non-banking financial institutions, which, until late February 2002, were classified as economic entities;
- 3) non-financial corporations comprise state-owned and private enterprises and companies as well as co-operatives, which, until late February 2002, were classified as economic entities;
- 4) non-profit institutions serving households comprise non-profit entities (such as, among others, charities, trade unions, scientific societies, political parties, churches), until late February 2002 classified as economic entities;
- 5) local government institutions comprise local self-government entities; operations executed with them via banking system were classified, until late February 2002, as a net indebtedness of budgetary sector;
- 6) social security funds comprise Social Insurance Institution and Agricultural Social Insurance Fund and managed by them funds as well as National Health Fund since 1 IV 2003, which replaced health funds; these entities, until late February 2002, were classified respectively as state budget target funds as well as the state budget.

18. Net domestic assets include:

- 1) due from households, non-monetary financial institutions, non-financial corporations, non-profit institutions serving households, local government institutions, social security funds, which comprise credits and loans, purchased debts, guarantees and collateral's, amounts due banks from purchased securities bearing a repurchase promise as well as receivables related to debt securities;
- 2) net central governmental debt, i.e. the balance of banking system's dues and liabilities towards the entities which, until late February 2002, were classified as a part of the state budget and state budget

target funds with the exception Social Insurance Institution and Agricultural Social Insurance Fund and the funds managed by them as well as National Health Fund;

- 3) the balance of other items (net), which is comprised primarily of amounts due and liabilities resulting from banks and NBP's own activity (among others reserves, costs and income, capital assets, interbank and interbranch settlements), interest arrears (until late May 2005 were classified as "Dues"), non-mature interests on receivables as well as imputed interest on liabilities of banks and NBP. Since late February 2002 deposits and securities with maturity period longer than 2 years have been additionally included.

19. Net foreign assets constitute the difference between total NBP and commercial banks' receivables from non-residents and liabilities towards non-residents, excluding capital (basic and supplementary own funds) deposited by foreign entities in Polish banks.

20. Indirect taxes cover: value added tax (introduced from 5 July 1993, in agriculture — from 4 September 2000), excise tax (introduced from 5 July 1993) and gambling and betting tax (introduced from 10 December 1992).

21. Social security includes subsidies to: the Social Insurance Fund, the Pension Fund, the Prevention and Rehabilitation Fund, the Administrative Fund as well as benefits for natural persons.

22. According to the methodology of the government finance statistics (GFS), elaborated by the International Monetary Fund:

- 1) capital revenues are proceeds from the sale of non-financial capital assets, including land, intangible assets, stocks, and fixed capital assets of buildings, construction, and equipment of more than a minimum value and usable for more than one year in the process of production, and receipts of unrequited transfers for capital purposes from non-governmental sources;
- 2) capital expenditures are payments for acquisition of land, intangible assets, government stocks, and non-military, non-financial assets, of more than a minimum value and to be used for more than one year in the process of production: also for capital grants;
- 3) lending minus repayments comprises government transaction in debt and equity claims upon others undertaken for purposes of public policy, rather than for management of government liquidity or earning a return. Lending minus repayments consists of gross lending and acquisition of equities minus repayments of past government lending and government sales of equities. In determining a government deficit or surplus the category: lending minus repayments is grouped together with revenue and expenditure rather than with financing.

Data are presented in cash basis and after excluding internal transfers .

23. Public debt is understood as the nominal indebtedness of entities of the public finance sector established after elimination cash flows between entities belonging to that sector.

The public debt consists of the following liabilities of the public finance sector under the following:

- 1) outstanding debt securities;
- 2) drawn credits and loans;
- 3) accepted deposits;
- 4) matured payables.

Debt of the State Treasury is understood as the nominal indebtedness of the State Treasury.

24. Domestic debt of the State Treasury includes:

- 1) outstanding treasury securities issued on the domestic market;
- 2) other domestic debt of the State Treasury i.e.: liabilities of budgetary entities, liabilities from non-implemented wage increases in the budget sphere, prepayments for passenger vehicles, liabilities of the Labour Fund. .

25. Foreign debt of the State Treasury includes:

- 1) outstanding treasury securities issued on the foreign markets,
 - a) foreign bonds:
 - bonds denominated in foreign currencies sold on the foreign markets,
 - bonds issued in foreign markets, denominated in the currency of the country where they are sold,
 - b) Brady bonds - bonds issued in October 1994 within the framework of a reduction and restructuring of debt to commercial banks associated in the London Club;
- 2) credits received.

26. Debt guaranteed by the government of the Republic of Poland is a contingent liability of the State Treasury.

27. Data on financial results of enterprises are presented as prescribed by the amended Accounting Act dated 29 September 1994 (uniform text Journal of Laws 2002 No. 76, item 694 with later amendments).

28. Revenues from total activity includes:

- 1) net revenues from sale of products within country and for export which have been manufactured by the entity (goods, semi-finished goods and services) as well as packaging, equipment and third party services if the customers are invoiced for the foregoing together with the purchased products;
- 2) revenues from sale of goods and materials i.e. current assets purchased for resale in a non-processed condition and products manufactured by entity if they are sold by shops within the company's network along with goods manufactured by other manufacturers.

Revenues from sale of products, goods and materials affecting the financial result is established in a value expressed in the actual sale prices, taking into account all discounts, rebates and deductions, excluding value added tax;

- 3) other operating revenues, i.e. revenues indirectly related with the operating activity of the entity, in particular: profits from the sale of non-financial fixed assets (fixed assets, assets under construction, intangible fixed assets, investments in real estate and rights), assets (cash) received free of charge, including donated assets, as well as damages, reversed provisions, adjustments of the depreciation value for non-financial assets, revenues from social activities, revenues from rent or lease of fixed assets and investments in real estate and rights.
- 4) financial revenues, i.e. amounts due in respect of dividends and share in profits, interest on loans granted, interest on time deposits, default interest, profits from the sale of investments, reduction of depreciation write-offs relating to investments due to the fact that the reasons resulting in the permanent loss of their value have ceased to exist (whether partially or totally), surplus of foreign exchange gains over losses.

29. Cost of obtaining revenues from total activity includes:

- 1) cost of products sold, goods and materials related to the basic operating activity, which includes: the value of goods and materials sold as well as total costs decreased by the cost of generating benefits for the needs of the entity and corrected by charge in product stocks;

- 2) other operating costs, i.e. costs indirectly related to operating activity of the entity, in particular: loss on the sale of non-financial fixed assets, depreciation of leased or rented fixed assets and assets under construction, depreciation write-downs (write-downs relating to permanent loss of value), fines, penalties and damages paid, wholly or partially written-off receivables relating to bankruptcy, composition or reorganization, provisions formed for future legal liabilities or liabilities which are likely to occur (losses on current business transactions), adjustments of the depreciation value for non-financial assets, costs of maintaining premises required for social activity, donations and fixed assets received free of charge;
- 3) financial costs, i.e., among other things interest from contracted credits and loans, interest and discount on bonds issued by the entity, default interest, loss on the sale of investments, write-offs updating the value of investments, the surplus of foreign exchange losses over gains.

30. Financial results:

- 1) the financial result from the sale of products, goods and materials constitutes a difference between net revenues gained from the sale of products, goods and materials and costs bore for their obtaining (cost of products sold, goods and materials);
- 2) the result on other operating activity is a difference between other operating revenues and other operating costs. From 2002 this item comprise part of extraordinary events related to operating activity;
- 3) the result on operating activity constitutes a difference between net revenues from the sale of products, goods and materials, including subsidies, discounts, rebates and other additions/disposals, excluding value added tax, and other operating revenues, and products, goods and materials sold valued at manufacturing cost, acquisition or purchasing prices, increased by the total general and administrative costs, costs of sales of products, goods and materials and other operating costs incurred since the beginning of the accounting year;
- 4) the result on financial operations constitutes a difference between financial revenues, in particular, in respect of dividends (share in profits), interest, profits from the sale of investments, updating the value of investments, surplus of foreign exchange gains over losses, and financial costs, in particular, those relating to interest, losses on the sale of investments, updating the value of investments, the surplus of foreign exchange losses over gains;
- 5) the result on economic activity is the sum of the financial results: on the sale of products, goods and materials, on other operating activity and on financial operations;
- 6) the result on extraordinary events constitutes a difference between extraordinary profits and extraordinary losses.

This item was narrowed down to the financial results of the events, which are difficult to foresee and are not part of operating activity of the entity. Extraordinary events do not include changes in production methods, the sale of an organized part of the entity, abandonment or suspension of a part of activity, and composition;

- 7) gross financial result (profit or loss) is a result on economic activity corrected by result on extraordinary events;
- 8) encumbrances of gross financial result include: income tax on legal and natural persons and other payments pursuant to separate regulations (payable out of profits after taxation with income tax to the benefit of the state budget by state owned enterprises and sole-shareholder companies of the State Treasury).

The income tax affecting the financial result relating to a given reporting period is composed of a current part and a deferred part. The deferred part constitutes a difference between provisions and

assets relating to defer tax (pertaining to timing differences between gross financial result and taxable base due to different moments of reporting revenues and costs in accordance with the Accounting Act and tax regulations) as at the end and beginning of the reporting period.

- 9) net financial result (profit or loss) is obtained after decreasing the gross financial result by obligatory encumbrances.

31. Current assets and liabilities:

- 1) current assets are part of the property controlled and used by the entity in its operating activity whose value has been determined in a reliable manner resulting from past events and bound to generate economic benefits to the entity in the future; they include stock (circulating or current fixed assets), short-term: dues, investments and inter-period settlements;
- 2) short-term dues include total debtors from deliveries and services and the whole or part of other debtors, which are not financial assets, with the maturity of twelve months as of the balance sheet date;
- 3) short-term investments are short-term assets acquired for the purpose of generating economic benefits owing to the increase in the value of these assets.
- 4) short-term inter-period settlements are the prepayments made for the period up to twelve months as of the balance sheet date;
- 5) liabilities are obligations resulting from past events entailing the provision of a consideration whose value has been determined in a reliable manner, which involve the use of an entity current or future assets;
- 6) short-term liabilities (excluding special funds) are total trade creditors and the whole or part of other liabilities with the maturity of twelve months as of the balance sheet date.
- 7) long-term liabilities are total liabilities with the maturity of more than twelve months as at the balance sheet date, apart from trade creditors.

32. Indices:

- 1) sales profitability rate constitutes the relation of the result from the sale of products, goods and materials to net revenues from the sale of products, goods and materials;
- 2) the cost level indicator constitutes the relation of the costs of obtaining revenues from total activity to revenues from total activity;
- 3) the profitability rate of gross turnover constitutes the relation of gross financial result to revenues from total activity;
- 4) the profitability rate of net turnover constitutes the relation of net financial result to revenues from total activity;
- 5) the first degree financial liquidity indicator constitutes the relations of short-term investments to short-term liabilities;
- 6) the second degree financial liquidity indicator constitutes the relations of short-term investments and short-term dues to short-term liabilities.

33. The subject of the price survey, in the field of sold production of industry, construction and assembly production and the transportation, storage and communication services are basic prices, i.e. amounts of money received by a producer from a buyer for unit of product (good and service), decreased by the taxes on the product as well as by applicable rebates and deductions and increased by subsidies received for the product.

Price indices of:

- 1) sold production of industry (i.e. mining and quarrying, manufacturing, electricity, gas and water supply) are calculated on the basis of a monthly survey on prices of products and services actually received by

specifically selected economic units, included in the above mentioned sections. The survey covers about 3,3 thous. (10%) units, in which the number of employees exceeds 9 persons.

With the aim of obtaining price indices for each type of activity, the following calculations are made in turn:

- a) price indices on the base — previous month=100:
 - at enterprise level — as weighted averages of individual price indices of representative items in using, as their weight system, their sale value in the surveyed month,
 - at group, division and section level — as averages of price indices of aggregates at lower levels weighted by their full sale value in the surveyed month,
- b) price indices on other bases — as averages of price indices of aggregates at lower levels in 2000 weighted by their sale value of 1995, since 2001 — the sold value of 2000. The indices are updated monthly by the price and sale structure changes, occurring in subsequent months of a year, to which the price indices refer.

The price indices illustrate the index of prices resulting from actually introduced price changes and changes in the commodity structure of sales and structure the of customers;

- 2) construction and assembly production are calculated on the basis of a monthly survey of prices of works realized by specifically selected economic units, classified in "Construction" section, that is, by about 450 construction and assembly enterprises (about 5%), in which the number of employees exceeds 9 persons. Price indices calculation is analogous to the one described in item 32.1;
- 3) transport, storage and communication are obtained on the basis of a monthly survey of prices of services rendered by specifically selected economic units, classified in "Transport, storage and communication" section, that is, by about 280 (9%) enterprises.

Price indices at the enterprise level are calculated as averages of individual price indices of representative services weighted by the value of their sale in the month under examination. To the end of 2000 structure of the value of sale of aggregates at a lower level is used for the calculation of aggregate price indices in 1995, since 2001 — structure of the value of sale in 2000.

34. The price index of investment outlays are obtained on the basis of price indices of expenditures for fixed assets (i.e., buildings and structures of domestic and imported purchases of machinery, technical equipment tools and means of transport and price indices of other outlays) and other outlays which calculations exclude value of interest on credits and investment loans for the investment realization period.

35. The price index of consumer commodities and services are obtained on the basis of price observation of selected consumer commodities and services (about 1800 in 2006) quoted in 209 districts of the country.

Price indices are based on the following weights system of annual structure expenditures (excluding own consumption) of households for purchases of goods and services in the year preceding the one surveyed, using (since 1999) the Classification of Individual Consumption by Purpose adapted for the purposes of the Harmonized Indices of Consumption Prices (COICOP/HICP).

36. Transaction price indices of exports and imports calculated on the basis of observations of prices of selected commodities on the lowest CN level, utilizing data regarding external trade turnover (imports — cif, exports — fob). Source of data — a SAD custom declaration and INTRASTAT declaration. Price indices of the lowest level of the CN aggregation are calculated as "unit value".

Price indices on the higher aggregation levels are compiled:

- monthly and quarterly, as the relation of the indices of turnover value in zlotys to the indices of turnover volume,
- cumulative monthly periods and annual, utilising the structure of turnover value in the surveyed year as the system of weights.

“Terms of trade” shows the relation of changes in prices of exported commodities to changes in the prices of imported commodities.

37. Data on prices of agricultural products procurement concern average prices (computed as a quotient of value and quantity of each product) paid in a given period by units purchasing agricultural products directly from agricultural producers. (See general notes on page 7, item 6.4).

38. Price quotations of selected products assembled by a network of regular pollers of the Central Statistical Office on 450 agricultural market-places on the territory of entire Poland constitute the source of information on prices of agricultural products received by farmers on market-places as from 1 January 2005. Until 31 December 2004 information on market-place prices was collected from agricultural correspondents. Average monthly prices are computed as arithmetic means of all quotations from the entire country and from voivodships.

39. The presented division of investment outlays including outlays on new fixed assets and (or) the improvement (enlargement, rebuilding, reconstruction, modernization) of existing capital asset items was compiled according to the principles of the “ESA 1995” recommendations. Investment outlays are divided into outlays on fixed assets and other outlays.

Outlays on fixed assets include outlays on:

- buildings and structures (include buildings and places as well as land and water engineering constructions), of which among others, construction and assembly work, design and cost estimate documentation;
- machinery, technical equipment and tools (including instruments, movable and fittings);
- transport equipment;
- others, i.e. detailed meliorations, costs incurred for purchasing land and second-hand fixed assets and since 1995, livestock basic herd and long-term plantings and moreover costs of treatment of constructed liabilities in order to finance purchasing, constructing and developing of fixed assets (determined up to 31 December 2001 as interests on credits and investment loans) for the period of investment realization (including exclusively in data expressed at current prices).

Other outlays include outlays on so-called initial investments as well as other costs connected with investment realization. These outlays do not increase the value of fixed assets.

40. Presented data regarding the privatization of state owned enterprises concern economic entities, in which the process of ownership transformation has been completed and includes:

- privatized sole shareholder companies of the State Treasury established as a result of the transformation (commercialization) of state owned enterprises,
- state owned enterprises privatized through the direct method on the basis of the Law on the Privatization of State Owned Enterprises (Art. 37) and the Law on the Commercialization and Privatization (Art. 39),
- state owned enterprises liquidated for economic reasons, i.e., on the basis of the Law on State Owned Enterprises (Art. 19).

Data concerning privatized companies concern sole-shareholder companies of the State Treasury in which the majority packets of stocks and shares were sold, and since 1997, also including companies participating in the National Investment Funds (NIF) Program.

41. Farm animal stocks have been disclosed on the basis of surveys of pig stocks and production of pigs for slaughter and cattle, sheep, poultry and animal production related to these species, with data being presented according to production – utility groups. Surveys of pig stocks and production of pigs for

slaughter are conducted three times a year – in April (as at the end of March), in August (as at the end of July) and in December (as at the end of November), while surveys of cattle and other farm animal species – twice a year – as at June and December

42. Industrial new orders indicator serves to assess future production and shows development of demand for industrial products and services in selected divisions of the ‘Manufacturing’ section (divisions nos. 17, 18, 21, 24, 27-35) according to the NACE, and in line with the requirements of Regulation of the Council (EC) No. 1165/98 of May 19, 1998 concerning short-term statistics. Industrial new orders are defined as the value of contracts (excluding VAT) linking a producer and a third party in respect of supply of products and services. Indicators for the years 2000-2003 have been assessed and since 2004 data are based on monthly surveys.

43. Data on the value of sold production of industry (i.e. of mining and quarrying, manufacturing, electricity, gas and water supply) and of construction and assembly are presented excluding VAT and the excise tax, but including the value of objective subsidies for products and services, in so-called basic prices.

The value of sales construction and assembly production, expressed in basic prices, is equal to the value expressed in producer’s prices due to the lack of excise tax and entity subsidies.

44. Data on sold production of industry cover industrial and non-industrial activities of the economic entities included to the section: ‘Mining and quarrying’, ‘Manufacturing’ and ‘Electricity, gas and water supply, instead data on sold production of construction, cover construction and non-construction activities of economic entities included to the section ‘Construction’. Data concern:

- 1) the value of finished products sold, semi-finished products and parts of own production (regardless of whether or not payments due were received for them);
- 2) the value of paid works and services rendered, i.e. both industrial and construction as well as non-industrial and non-construction;
- 3) lump sum agent fees in the case of concluding an agreement on commission terms and full agent’s fees in the case of concluding an agency agreement;
- 4) the value of products in the form of settlements in kind;
- 5) products designated for increasing the value of own fixed assets.

Sold production of industry has been divided into the Main Industrial Groupings, i.e. capital goods, consumer durables, consumer non-durables, intermediate and energy on the basis of Commission Regulation (EC) No 586/2001 of 26 March 2001 on implementing Council Regulation (EC) No 1165/98 concerning short-term statistics.

Data regarding construction and assembly production sales concern work realized domestically on the basis of contract system for outside clients by construction entities (i.e. classified according to NACE in the section ‘Construction’), consisting in the construction of buildings and structures from site preparation through a wide range of terrestrial work, ground worked (zero state), construction of bearing elements, partitions, the laying and covering of roofs (raw state) to assembly, installation and completion work. The pertinent work connected with the building, rebuilding, expansion, restoration, renovation and conservation of permanent and temporary building structures is included in all of these categories.

45. Data on:

- 1) transport of goods cover transport in domestic and international traffic performed by means of transport enterprises;
- 2) transport of passengers cover regular passenger transport services in domestic and international traffic (on the basis of announced time-table) and irregular services (holiday camps and excursion transport) rendered by transport enterprises

46. Data on retail sales cover the sale of consumer and non-consumer goods carried by retail sales outlets, catering establishments and other sales outlets (i.e. warehouses, stock houses) in quantities indicating purchases to meet the needs of individual customers.

47. Data concerning the wholesale of commodities include sales from warehouses, in which commodities stored account for the property of trade enterprises are included in the section "Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods".

Wholesale realized by wholesale enterprises including sales of commodities by enterprises is included in the division "Wholesale trade and commission trade, except of motor vehicles and motorcycles".

48. Deliveries for domestic supply cover the quantity of products produced in the country, decreased by exports and increased by imports and corrected by the balance of stocks at the producer.

49. Since 1992, the statistics of foreign trade turnover has been conducted according to the methodology of the Statistics Department of the United Nations.

50. From 1992 till the end of April 2004 – the source of the data for foreign trade statistics was the custom declaration document – Single Administrative Document (SAD).

Since 1 May 2004, i.e. from the day of Poland's accession to European Union (EU), the data on the Poland's foreign trade are based on the two sources of information:

- SAD custom declaration document, valid within EXTRASTAT system, used exclusively for registration of the foreign trade with the third countries, i.e. non EU countries;
- declaration of the import and export (in the INTRASTAT system), used for registration of the trade between EU countries exclusively.

The data obtained from the two connected systems, working in parallel, create unified collection of the statistical data on the foreign trade turnover.

51. In the INTRASTAT system, the entities realizing the exchange of the merchandise between the EU member countries are obliged to submit the monthly declaration INTRASTAT. The correctness of the declarations is assured due to their compatibility with the VAT system. In the INTRASTAT system, the obligation of the report relies on the entities realizing the foreign exchange of the value of the import or export exceeding arbitrarily set threshold statistical values. For 2005 the following threshold values were adopted:

- basic threshold is set to 500 thous. PLN for export and 300 thous. PLN for import. The entities with yearly value of the exchange with the EU countries exceeding the basic threshold are obliged to submit every month simplified data using the INTRASTAT declaration. The entities having the turnover below the threshold, are exempt from that obligation, and their freeing trade turnover is estimated for the purposes of foreign trade statistics;
- the detailed threshold which is set to 34 mln PLN for the export and 21 mln PLN for the import. The entities with the intra EU trade turnover exceeding the detailed threshold are obliged to provide the extended data in the INTRASTAT declaration.

52. The value of the import is presented according to cif, i.e. including the transportation and insurance costs to Polish border. The value of export is presented according to fob.

53. Since 1 May 2004, the basis of the foreign trade turnover classification is set by Combined Nomenclature (CN).

54. The Standard International Trade Classification SITC, was issued by United Nation Statistic Department for the purpose of the classification of all commodities subject to international trade.

55. The data on the turnover by group of countries are presented, in imports - according to the country of origin, in exports – according to the country of the destination.

The country of the origin is considered the country in which the goods were produced, processed or transformed to the state in which they entered Polish Custom territory

The country of the destination is the country in which the goods are consumed, i.e. the country in which the goods are finally used, processed or transformed.

56. Foreign trade turnover is presented according to the following groups of countries:

- group I – economically developed countries: Canada, United States, European countries (excluding those listed in group III and IV), Australia, New Zealand, Israel, Japan, South Africa, from this group the members of EU were excluded;
- group II – European Union, which includes: Austria, Belgium, Cyprus, Denmark, Estonia, Finland, France, Greece, Spain, Ireland, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Germany, Portugal, Czech Republic, Slovakia, Slovenia, Sweden, Hungary, United Kingdom, Italy;
- group III – economically developing countries: African (excluding South Africa), Central and South American, Asian (excluding Israel, Japan, and Cyprus, including Asian countries of former USSR), Oceanic (Polynesian Micronesian and Melanesian) and former Yugoslavia (since 1 May 2004 – excluding Croatia). This group turnover includes also the exchange for which the country of the origin or destination was not determined from the custom documents;
- group IV – Central and Eastern European countries: Albania, Belarus, Bulgaria, Croatia, Moldova, Russia, Romania, Ukraine.

57. The balance of payments on a transaction basis is a statistical specification of turnover with abroad, for a specific time period, systematically presents the economic transactions realized by Poland and the rest of the world (i.e. between residents and non- residents).

The balance of payments includes current, capital and financial account, as well as, net errors and omissions and official reserve assets.

Considerable part of the balance of payments turnover is from the closed collection data system about transactions settled via Polish banking system. The banks provide to the National Bank of Poland information on their own transactions and transactions realized by customers of banks. The data from banks are completed with direct information from enterprises, official statistical surveys and from the Institute of Tourism.

Balance of payments items include:

- 1) current account – transactions concerning the settlement for goods, services and current transfers;
- 2) capital accounts - capital transfers and transfers of assets connected with acquisition or disposal of non-financial and non-produced assets;
- 3) financial account - the financial transactions including direct investment, portfolio investment, other investment and financial derivatives;
- 4) official reserve assets - transactions concerning: monetary gold, reserve position in IMF foreign exchange and other claims realized with non-residents in exchange currency.

Published data are not comparable with data based on the balance of payments compiled on a cash basis, presented in previous editions of Statistical Bulletin.

58. The source of data regarding border traffic are continual surveys of the Border Patrol consisting in the registration of border crossings at all border crossing points. This data concern all persons who crossed a Polish border regardless of the reason, length of stay and direction of travel (to and from Poland) within the framework of passport and cross-border traffic. Data, however, do not include the staff servicing the

means of transport: aeroplanes, trains, ships and other sailing vessels as well as persons crossing the border within the framework of cross-border traffic.

59. Consumer tendency indicators are calculated based on the results of the household survey (consumer opinion survey) carried out with the use of the consumer tendency test. The test contains a set of questions directly addressing the consumers. The answers reflect their assessment of the basic macroeconomic variables in the national economy and of the consumer's financial condition. The survey is carried out jointly by the Central Statistical Office and the National Bank of Poland in accordance with the European Commission's recommendations on a monthly basis (in 1997 - 2003 – quarterly).

The indicators are expressed in the form of weighted variables representing the difference between positive and negative answers. The basic indicators representing individual consumption trends include:

- 1) current consumer confidence indicator – being the arithmetic mean of the evaluations of the previous and predicted (over the following 12 months) changes concerning the household's financial condition as well as the general economic situation of the country and major purchases currently made;
- 2) leading consumer confidence indicator – being the arithmetic mean of the evaluations of changes in the household's financial condition, the economic situation of the country, trends in unemployment (with inverted sign) and saving propensity, all over the next 12 months.

The indicators may range from –100 to +100. The positive value means that the majority of the consumers express a positive attitude, while the negative value signifies the prevalence of the pessimistic attitudes.

Methodological notes concerning the household survey have been published in “Koniunktura konsumencka. Tendencje zmian październik 2003 – styczeń 2004”, Warszawa 2004. As from May 2004 data on consumer tendency are presented on website of CSO – www.stat.gov.pl.

60. The selected indices of the forecasted business tendency are calculated on the basis of monthly research of the opinions of enterprise directors using business tendency test method (manufacturing — since the middle of 1992, construction — since the middle of 1993, retail trade — since October 1993, services – since January 2003) with suitable recommendations of the European Commission for the membership countries of the European Union. The time line of the questions is three months. The indices are calculated in the form of a balance being the difference between the percentage of positive and negative answers. General business indicator is an arithmetical average from weighted balances (a difference between the percentages of positive and negative answers) referring to questions about the current and expected general economic situation of the enterprise. See also methodological paper “Business tendency survey”, Warsaw, March 1994, CSO and “Business tendency survey in industry, construction, retail trade, services and investments” (data are presented monthly on website of CSO – www.stat.gov.pl).

Business tendency indicators in manufacturing, construction and retail trade were seasonally adjusted using the TRAMO – SETS (until December 2005 it was used X11 ARIMA procedure).

61. Data presented in the table concern economic grouping – the European Union (EU) including, since 1 May 2004, 25 of the members countries. Data are presented separately for countries and for the following aggregates:

- EU 25 (25 countries – members of the EU : Austria, Belgium, Cyprus, Denmark, Estonia, Finland, France, Greece, Spain, Ireland, Lithuania, Luxembourg, Latvia, Malta, Netherlands, Germany, Poland, Portugal, Czech Republic, Slovakia, Slovenia, Sweden, Hungary, United Kingdom, Italy).
- EU 15 (15 countries – members of the EU before 1 May 2004: Austria, Belgium, Denmark, Finland, France, Greece, Spain, Ireland, Luxembourg, Netherlands, Germany, Portugal, Sweden, United Kingdom, Italy).

- euro-zone (12 countries of the Economic and Monetary Union: Austria, Belgium, France, Finland, Greece, Spain, Ireland, Luxembourg, Netherlands, Germany, Portugal, Italy).

The sources of data on the EU countries are edited by Eurostat, the Statistical Office of the European Communities, publications in series News Release as well as New Cronos Database.

Statistical data are presented for the most current periods, and generally as preliminary results;

- 1) gross domestic product (GDP) – data are presented according to the methodology of the “European System of Accounts ESA 1995”;
- 2) the source of data regarding employment, unemployment and the unemployment rate is Labour Force Survey (LFS) conducted in all EU countries according to methodology, elaborated by International Labour Office (ILO).

The employed are persons who, within a surveyed period, performed paid labour for at least 1 hour, i.e. conducted economic activity (employing at least 1 hired worker), were self employed, were employed as a hired worker on the basis of a labour contract, assisted (without an agreed wage or salary) in conducting a family business. Persons who temporarily did not work due to illness, holiday or vacation as well as maternity leave, strike, break in workplace activity, adverse atmospheric conditions are also considered as employed, if they had a formal job attachment.

The unemployed are persons aged 15-74, who within the reference week, did not work, actively sought work and were prepared to accept work.

The unemployment rate is calculated as the percentage share of unemployed persons in the number of economically active population (i.e. sum employed and unemployed persons) aged 15 and more.

The harmonized unemployment rate is as result accepted by Eurostat harmonized compilation method of the number of unemployed persons for each country. Eurostat computes data on the basis of quarterly results of Labour Force Survey and monthly figures on registered unemployment.

Methodological notes concerning calculation of the harmonized unemployment rate were included in the annex to News Release 67 dated 4 June 2002.

The employment rate is calculated as the share of employed persons in the number of the total population (aged 15 and more);

- 3) labour cost index shows the short-term (quarterly) development of the total labour cost on an hourly basis paid by employer. Total labour costs include employees gross wages and salaries and other labour costs. Gross wages and salaries include basic wages and salaries and bonuses (i.e. the value of social contribution, income tax, etc. payable by the employee even if actually withheld by the employer and paid directly to social insurance institution, tax authorities, etc. on behalf of the employee). The other labour costs include:
 - social contributions paid by employer in order to secure their employees the entitlement to social benefits,
 - taxes connected with employment minus received subsidies intended to refund part or whole of the cost of employees’ wages and salaries.

Data presented concern entities conducting economic activities with the scope of the NACE rev. 1 sections from C to K;

- 4) Harmonized Indices of Consumer Prices (HICP) are computed according to uniform methodology of Eurostat by all the EU member countries. In accordance with inflation criterion being in the Maastricht Treaty, HICP is a base of the stabilization price estimation;
- 5) foreign trade – data concerning the value of imports are presented according to cif and data concerning value of exports – according to fob.