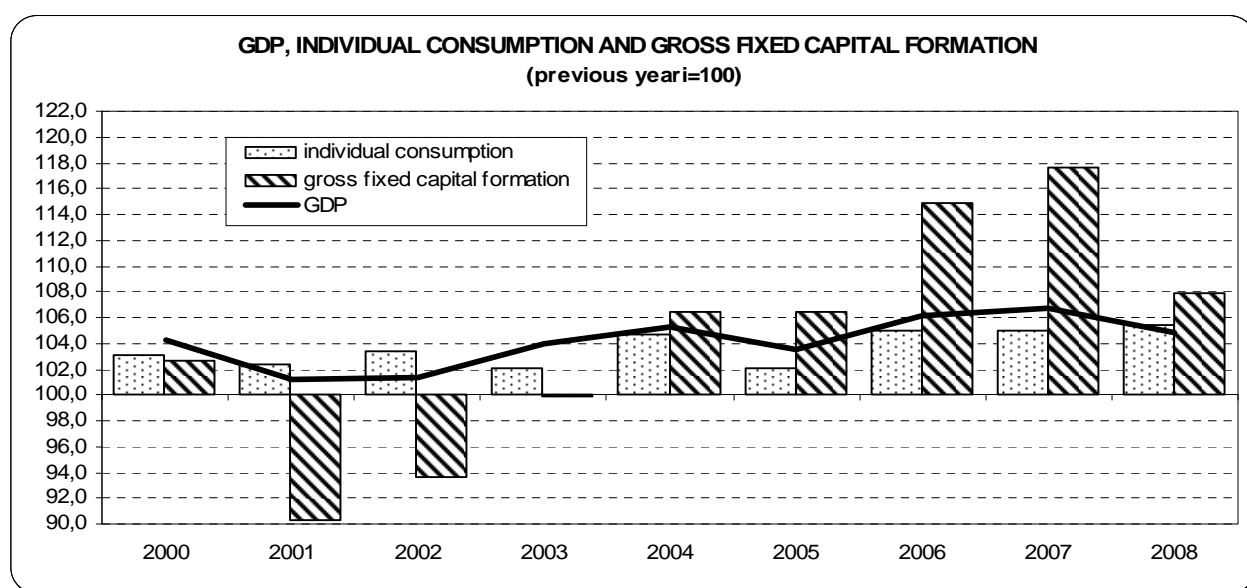


Information on socio-economic situation of the country Year 2008

The economic growth rate in 2008 was slower than the very high observed in the two preceding years. Despite the slowdown symptoms recorded in the 2nd half in many areas of economy, Poland was one of the countries with the highest GDP growth in the European Union. The accumulation of negative phenomena on global financial markets, as well as the downward situation observed in world economy influenced on the gradual weakening of the foreign demand dynamics, exerting also an indirect impact on the attitude of domestic entrepreneurs. The dynamics of production in industry was declining in the 2nd half of the year and in the 4th quarter the sold production shaped below the level recorded a year earlier. Following the high growth recorded in the 1st half of the year, the dynamics observed in subsequent periods in retail sales was slower. The growth rate in construction and assembly production was still high, though also slower than in the preceding years. In the last months of the previous year, the weakening of the hitherto observed positive tendencies occurred on the labour market. Although in the 4th quarter the price dynamics of consumer goods and services was slower, these prices grew higher in the whole year 2008, than in the preceding year. As a result, despite the nominal growth of average wages and salaries in the enterprise sector being more rapid than in 2007, the growth of their purchasing power was slightly lower than a year earlier.

According to preliminary estimate, the real gross domestic product in 2008 was higher than in the previous year by approx. 4.8% (compared to 6.7% in 2007, respectively). The gross value added grew by 4.9% (in 2007 by 6.6%) – with the highest growth occurring in construction (by 11.3%) and in market services (by 5.6%). The growth in the gross value added in industry was considerably slower than in 2007 (3.7% compared to 9.9%).



The growth of domestic demand weakened considerably, compared to the one recorded a year earlier (4.8% against 8.6%) and was similar to the GDP growth. The growth in total final consumption expenditure was slightly lower than in 2007 (4.0% against 4.7%), whereas individual consumption expenditure rose faster (growth by 5.4% against 5.0% a year earlier). Following a very high growth in the two preceding years, the dynamics of gross capital formation was considerably slower (growth by 7.6%), due to the weakening of the growth rate in gross fixed capital formation to 7.9% (from 17.6% in 2007 and 14.9% in 2006). The rate of investment in the national economy grew to more than 22%.

It is estimated that total sold production of industry in 2008 was by 3.3% higher than in the previous year. In enterprises employing more than 9 people, the production dynamics was declining since the 3rd quarter and, in consequence, the sales growth in 2008 amounted to 3.5%, including to 4.0% in manufacturing and to 2.8% in mining and quarrying. In the electricity, gas and water supply section a drop was recorded by 1.7%. Among the main industrial groupings the highest growth in the sales occurred in enterprises manufacturing mainly consumer durable goods – by approx. 15% and capital goods – by approx. 10%. The growth in sold production of divisions and groups regarded as drivers of technological development (12.4%) was considerably higher than on average in industry and their share in the total value of sold production of industrial enterprises increased in annual terms to a 16.5%.

According to estimate, the total construction and assembly production in 2008 was higher than in the preceding year by approx. 11%. In enterprises employing more than 9 people, the growth amounted to 12.9%. The share of dwelling construction in the production structure was slightly higher. In 2008, as many as 165.8 thousand dwellings were completed, i.e. by 24,0% more than a year earlier. Following the five-year growth period, in 2008 the drop in annual terms was recorded in the number of dwellings, for which construction permits have been granted, as well as in the number of started dwellings (respectively by 7.1% and 5.6%).

It is estimated that in 2008 the growth in total retail sales was lower than in the previous year, amounting to 5.3%. The weakening of the growth rate in annual terms occurred also in trade and non-trade enterprises employing more than 9 people and conducting retail sales (from 14.0% in 2007 to 9.6%), of which it was the highest in the group the sales of motor vehicles, motorcycles, parts. Slower than in the preceding year was growing, among others, the sales, of solid, liquid and gaseous fuels, as well as sales of food, beverages and tobacco products. In contrast, a high growth maintained, among others, in the sales of furniture, radio, TV and household appliances, as well as in the sales of textiles, clothing and footwear.

In foreign trade after eleven months of 2008, a further weakening of the dynamics of turnover in PLN was recorded – exports grew in annual terms by 3.8%, and imports by 6.9%. The dynamics of exports to Central and Eastern European countries was significantly higher than to the EU countries (growth in annual terms by 11.9% and 1.6%, respectively). The negative balance of total

commodity turnover was deepening since the beginning of the year, mainly due to the worsening negative balance with developing countries, and with Central and Eastern European countries. Germany was still the main partner, both in exports and in imports, but its position (similar to Italy) weakened, while the share of Russia increased. The deficit was recorded in the turnover with all groups of countries, except for the turnover with the European Union. The terms of trade index was still worsening, among others due to the unfavourable price relations in the turnover with Central and Eastern European countries, maintained since the beginning of the year.

The financial situation of enterprises after three quarters was slightly better than in the previous year. However, the weakening growth rate of revenues did not compensate for the considerable growth of costs. As a result, the basic financial and economic relations deteriorated.

The January's forecasts concerning the financial situation of enterprises operating in construction and industry are both negative and worse from those formulated in last months. In contrast, the expectations concerning the ability to pay current debts in retail trade are less pessimistic.

The positive tendencies on the job market that have been continuing for a long time, deteriorated, which was partly related to the impact of seasonal factors. The growth in employment in 2008 amounted to 4.8%, with a systematic slowdown of the dynamics being recorded since February. Employment in construction still grew the fastest. A drop in the rate of registered unemployment, observed since the beginning of the year, was stopped in November when the rate grew to 9.1% and to 9.5% in December (against 11.2% in the previous year). In the period of twelve months of the previous year, the number of registered unemployed persons decreased (by 15.6% - to 1473.8 thous.). Amongst the registered unemployed, lower than in the previous year was the share of the long-term unemployed persons and those without occupational qualifications, while the percentage of young people grew.

After a high growth recorded in the 1st half of 2008, and particularly in the 2nd quarter, in the period of July-December there was a significant slowdown of the dynamics of average monthly wages and salaries in the enterprise sector. Nevertheless, the growth of wages and salaries in nominal terms was higher in 2008 than a year before. Real wages and salaries grew at a slower pace than in 2007. The purchasing power of average monthly retirement pays and pensions was more favourable than in the previous year – as a result of the weakening price phenomena, the fastest growth was recorded in the 4th quarter of 2008.

In the first three quarters of the previous year, the acceleration of the growth rate of consumer prices was observed and, despite its slowdown in the 4th quarter, the average annual growth of consumer prices in 2008 was significantly higher than the one recorded a year before (4.2% against 2.5%), exceeding the level assumed in the Budget Act for the year 2008. It was mainly influenced by rapidly growing prices of goods and services associated with housing, as well as the prices of

food and non-alcoholic beverages. The producer prices in construction were growing slower with each subsequent quarter, as a result of which in the whole 2008 their dynamics was considerably lower than in the previous year. The growth in the prices of sold production of industry in the year 2008 was slightly faster than a year before, amounting to 2.6%.

The year 2008 was the second in a row, in which the gross agricultural output increased (according to preliminary estimate – by 3.5%). The crop output was higher than a year before, which was influenced by very high fruit production (as compared to the disastrous in the previous year). The output of cereals also increased, among others, as a result of a bigger crop area of than in the previous year. In contrast, the animal output was lower, which was connected, among others, with the deepening of downward tendencies in pig stocks, as well as with the drop in pigs for slaughter, and a slight growth of livestock of cattle.

On the agricultural market, after a high price growth in the 1st half of the year, since August a year-on-year drop in procurement prices of cereals was recorded. The prices of poultry and milk in procurement were also lower than in the previous year. On the other hand, the prices of pigs increased considerably. Within the marketplace turnover, the upward tendencies of the prices of agricultural goods prevailed in 2008. The average annual prices of cereals were higher than in 2007. Prices of piglets and pigs considerably went up. Due to the fact that the price dynamics of goods and services purchased by farmers for the current agricultural production, as well as for investment purposes was higher than the price dynamics of agricultural products sold by the farmers, the index of “price gap” deteriorated, compared to 2007, and was unfavourable for agricultural producers (91.8).

The execution of revenues and expenditures in 2008 was lower than assumed in the Budget Act (by nearly 10% each). The State Budget closed with a deficit amounting to PLN 24.6 billion, which constituted 90.8% of the amount assumed in the Budget Act.

Selected indicators regarding the economic situation of the country

Specification	December 2008		January– December 2008
	changes in % against:		
	December 2007	November 2008	January– December 2007
Paid employment in the enterprise sector	+2,3	-0,6	+4,8
Registered unemployed persons (end of period).....	-15,6	+5,4	x
Average monthly gross wage and salary in enterprise sector.....	+5,4	+3,0	+10,1
of which in industry	+4,9	+0,7	+9,5
Sold production of industry (constant prices)	-4,4	-3,7	+3,5
mining and quarrying	-0,9	-10,7	+2,8
manufacturing	-4,0	-5,4	+4,0
electricity, gas and water supply	-9,1	+18,4	-1,7
Construction and assembly production (constant prices)....	+6,1	+48,3	+12,9
Dwellings completed	+80,3	+144,1	+24,0

Specification	October	November	December
	changes in % as compared with the previous month		
Prices of sold production of industry	-0,1	-0,3	-0,5
Prices of construction and assembly production.....	+0,1	-0,1	-0,2
Prices of consumer goods and services	+0,4	+0,2	-0,1
food and non-alcoholic beverages	+0,8	+0,7	+0,8
alcoholic beverages, tobacco	+0,7	+0,7	+0,4
clothing and footwear	+0,3	-0,1	-0,6
dwelling	+0,9	+0,8	+0,1
housing, water, electricity, gas and other fuels	+1,1	+1,0	+0,1
of which electricity, gas and other fuels.....	+1,7	+1,7	+0,2
furnishings, household equipment and routine maintenance of the house	+0,2	+0,1	0,0
health.....	+0,1	+0,1	+0,2
transport	-1,0	-2,7	-4,3
of which fuels for personal transport equipment	-1,9	-5,8	-9,0
communications	0,0	-0,1	-0,1
recreation and culture	-0,3	-0,1	+0,4
education	+1,1	+0,1	+0,1
restaurants and hotels	+0,4	+0,2	+0,3
miscellaneous goods and services	-0,1	+0,1	+0,3

Selected indicators regarding the economic situation of the country

Specification a - 2007, b - 2008	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Registered unemployed persons (in thous.) ... a	2365,8	2331,1	2232,5	2103,1	1985,1	1895,1	1856,1	1821,9	1777,8	1720,9	1719,4	1746,6
b	1813,4	1778,5	1702,2	1605,7	1525,6	1455,3	1422,9	1404,4	1376,6	1352,3	1398,5	1473,8
Unemployment rate ¹⁾ (in %) a	15,1	14,8	14,3	13,6	12,9	12,3	12,1	11,9	11,6	11,3	11,2	11,2
b	11,5	11,3	10,9	10,3	9,8	9,4	9,2	9,1	8,9	8,8	9,1	9,5
Paid employment in the enterprise sector in thous. persons a	5048	5070	5089	5105	5116	5144	5160	5182	5192	5220	5233	5241
b	5348	5371	5384	5389	5390	5391	5400	5399	5404	5406	5394	5360
Sold production of industry ²⁾ :												
previous month=100 a	100,2	97,9	114,7	91,4	103,0	100,2	98,1	100,9	105,7	109,7	95,2	91,5
b	104,3	101,7	100,7	104,2	91,6	105,1	96,8	91,9	117,2	102,6	86,6	96,3
corresponding month of previous year=100 a	115,4	113,0	111,3	112,6	108,1	105,6	110,4	108,9	105,4	110,8	108,5	106,4
b	110,7	115,0	101,0	115,1	102,4	107,3	105,9	96,3	106,8	99,9	90,8	95,6
Construction and assembly production ²⁾ :												
previous month=100 a	37,9	110,5	119,0	110,6	113,2	111,2	101,4	108,5	104,1	115,4	83,7	147,5
b	35,7	125,0	114,7	117,0	107,3	115,2	98,1	98,2	111,4	112,7	79,9	148,3
corresponding month of previous year=100 a	160,5	156,7	139,1	136,9	116,3	103,7	118,5	114,4	100,2	104,3	111,0	113,0
b	106,6	120,7	116,3	123,0	116,6	120,8	116,8	105,8	113,2	110,5	105,5	106,1
Dwellings completed (from the beginning of year) a	10186	18903	26979	35738	44146	52828	64355	75914	86952	102935	116483	133698
b	14640	25617	35408	49123	58844	69262	83874	94945	106543	122088	134802	165833
Price indices of consumer goods and services:												
previous month=100 a	100,4	100,3	100,5	100,5	100,5	100,0	99,7	99,6	100,8	100,6	100,7	100,3
b	100,7	100,4	100,4	100,4	100,8	100,2	100,0	99,6	100,3	100,4	100,2	99,9
corresponding month of previous year=100 a	101,6	101,9	102,5	102,3	102,3	102,6	102,3	101,5	102,3	103,0	103,6	104,0
b	104,0	104,2	104,1	104,0	104,4	104,6	104,8	104,8	104,5	104,2	103,7	103,3
December of previous year=100 a	100,4	100,7	101,1	101,6	102,2	102,2	101,9	101,6	102,3	103,0	103,7	104,0
b	100,7	101,1	101,5	101,8	102,6	102,9	102,8	102,4	102,8	103,2	103,4	103,3
Price indices of sold production of industry:												
previous month=100 a	100,6	100,3	100,5	100,5	100,4	100,5	100,3	100,3	100,0	99,7	99,9	99,3
b	101,2	100,6	100,2	99,9	100,8	100,4	99,9	100,2	100,3	99,9	99,7	99,5
corresponding month of previous year=100 a	103,1	103,5	103,3	102,2	102,1	101,7	101,4	101,8	101,8	102,0	102,5	102,3
b	102,9	103,2	102,9	102,3	102,7	102,6	102,1	102,0	102,3	102,6	102,4	102,6
Price indices of construction and assembly production:												
previous month=100 a	100,5	100,8	101,0	101,1	101,1	100,9	100,6	100,6	100,5	100,5	100,2	100,2
b	100,3	100,5	100,4	100,4	100,3	100,3	100,2	100,2	100,1	100,1	99,9	99,8
corresponding month of previous year=100 a	104,8	105,6	106,5	107,3	108,1	108,7	108,9	109,0	108,8	108,6	108,6	108,4
b	108,1	107,7	107,1	106,3	105,5	104,8	104,4	104,0	103,6	103,2	102,9	102,5

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

²⁾ Indices were calculated in constant prices of 2000.

(cont.)

Specification a - 2007, b - 2008	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)	a	2663,55	2687,48	2852,71	2786,29	2776,92	2869,69	2893,71	2885,97	2858,83	2951,67	3092,01	3246,00
	b	2969,65	3032,70	3144,41	3137,74	3069,43	3215,32	3228,98	3165,14	3171,65	3241,81	3320,94	3419,82
previous month=100	a	88,0	100,9	106,1	97,7	99,7	103,3	100,8	99,7	99,1	103,2	104,8	105,0
	b	91,5	102,1	103,7	99,8	97,8	104,8	100,4	98,0	100,2	102,2	102,4	103,0
corresponding month of previous year=100	a	107,8	106,4	109,1	108,4	108,9	109,3	109,3	110,5	109,5	111,0	112,0	107,2
	b	111,5	112,8	110,2	112,6	110,5	112,0	111,6	109,7	110,9	109,8	107,4	105,4
Average monthly real gross wage and salary in the enterprise sector monthly average of 2000=100	a	111,6	112,4	118,7	115,4	114,5	118,2	119,4	119,5	117,5	120,6	125,7	131,7
	b	119,8	121,8	125,8	125,2	121,4	126,9	127,4	125,4	125,3	127,6	130,4	134,4
Profitability rate of gross turnover ²⁾ - from the beginning of year (in %)	a	.	.	6,1	.	.	6,5	.	.	6,4	.	.	6,1
	b	.	.	5,8	.	.	6,0	.	.	5,7	.	.	.
Profitability rate of net turnover ³⁾ - from the beginning of year (in %)	a	.	.	4,9	.	.	5,3	.	.	5,2	.	.	5,0
	b	.	.	4,6	.	.	4,8	.	.	4,5	.	.	.
State budget balance - from the beginning of year (in mn zł)	a	3144,1	-2992,3	-5177,0	-2090,9	-4297,2	-3646,6	541,3	304,1	178,9	-4403,9	-6024,8	15956,4
	b	4407,3	-136,6	1802,9	554,3	-1876,9	-3380,7	-2744,7	-317,4	-4224,6	11485,3	14972,8	24590,5
Average exchange rates in zł – National Bank of Poland:													
100 US dollars	a	298,37	298,05	293,59	282,79	279,97	283,99	275,00	279,81	272,86	260,42	249,15	247,54
	b	245,37	243,05	228,16	218,52	219,04	216,94	206,74	219,26	234,97	269,80	292,09	297,15
100 EUR	a	387,87	389,58	388,69	381,92	378,24	380,79	376,85	381,00	378,99	370,52	365,56	360,42
	b	360,80	358,25	353,74	344,44	340,69	337,60	326,00	328,84	337,12	358,55	372,07	401,77
Foreign trade in mn zł													
exports	a	29591,6	29800,9	34261,5	30665,1	32077,8	32169,4	31487,5	31682,3	33712,0	37949,7	35139,0	28018,8
	b	33455,5	35175,8	34031,0	37259,4	32503,4	33918,0	33509,5	29736,7	36134,5	36320,4	30137,3	.
imports	a	34425,0	33553,3	40308,0	36233,8	37771,0	38482,2	38662,5	35653,3	39623,0	43880,5	41968,5	36267,3
	b	38860,6	40963,0	41624,0	43784,3	39390,6	41695,0	41146,5	36649,7	43148,4	44226,4	37921,2	.
balance	a	-4833,4	-3752,4	-6046,5	-5568,7	-5693,2	-6312,8	-7175,0	-3971,0	-5911,0	-5930,8	-6829,5	-8248,5
	b	-5405,1	-5787,2	-7593,0	-6524,9	-6887,2	-7777,0	-7637,0	-6913,0	-7013,9	-7906,0	-7783,9	.

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.