Currency market

According to the data of Eurostat, in 2011 the rate of growth oAccording to the data of Eurostat, in 2011 the rate of growth of Poland's economy was almost the fastest in Europe, with higher rates being recorded only by the small Baltic republics (Lithuania, Latvia and Estonia) and Turkey. Gross Domestic Product in 2011 was higher by 4.3% than in the prior year. According to the forecast of Eurostat, 2012 should again see Poland as one of the fastest-growing European economies at around 2.5% GDP growth, despite the expected slowdown in the 27 countries of the European Union from 1.5% to 0%, with at least 9 of them in recession. In 2011, the main engine of growth was, and continues to be, domestic demand, as well as export thanks to the relatively weak currency. Despite this, the rate of consumption slowed throughout the year, from 3.7% y/y at the start of the year to 2.0% y/y in the final quarter. Taking into consideration the high rate of price rises and continued stagnation on the labour market, consumer sentiment was significantly worse than in 2010, as demonstrated by the consumer sentiment index prepared by the Polish Statistical Office (GUS). Opportunities for domestic economic growth in 2012 will continue to come from renewed internal investment, as well as from foreign investments in Poland. Taking into consideration the solid results of the Polish economy, it should not be surprising that investors have been looking favourably at the Polish currency, expecting a strengthening of the Polish zloty versus the USD and Euro.

The condition of the Polish economy continued to play a lesser role in determining the USD/PLN and EUR/PLN exchange rates. Here the decisive role was held by external stimuli, in particular investor sentiment and the information coming from the United States and the Euro zone. As a result of the need for Euro zone countries to secure financing for a substantial portion of their borrowing needs within a short period of time, as well as the rapidly worsening situation on the government bond market and the deteriorating economic conditions, investor sentiment towards risky assets remains poor. The Polish zloty is treated as an emerging market currency, and during periods of aversion to risk it is subjected to heavy selling by financial investors. This was the cause of the strong depreciation of the zloty in the second half of 2011. In the course of only a few months, the USD/PLN exchange rate rose from just over 2.80 to more than 3.40, while the EUR/PLN rate increased from around 4.00 to 4.50. Excessive volatility in the exchange rate continued, sometimes changing sesion-by-session by 2-3%, though in terms of the entire year the Polish currency was not harmed, displaying only a slight weakening versus the USD. Despite the rapid rise in exchange rates in the second half of the year, the average USD and EUR rates versus the zloty for all of 2011 were similar to the levels of 2010. The USD/PLN exchange rate rose from 1.8% to 2.9636, while the EUR/PLN rate increased by 3.1% to 4.1196. According to the data of the National Bank of Poland, the highest fixing for the USD/PLN rate was 3.5066, and the lowest 2.6458. In the case of the EUR/PLN exchange rate, the maximum and minimum fixings were, respectively, 4.5642 and 3.8403.