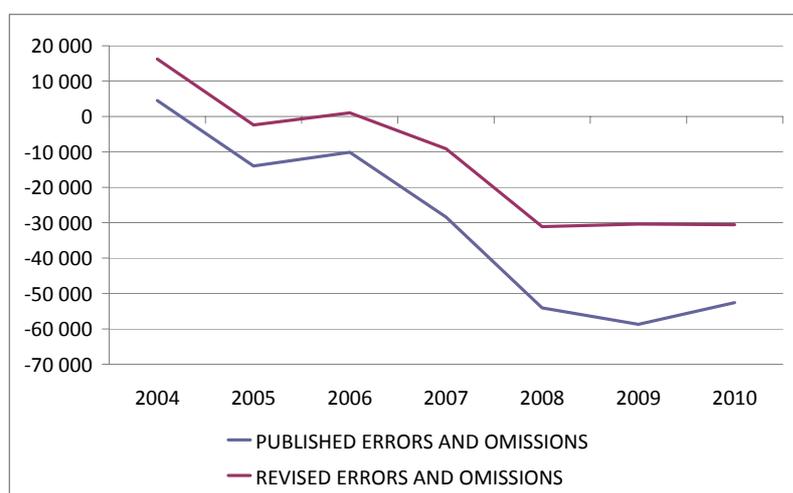


Revisions of the balance of payments data for 2004-2010

The National Bank of Poland has undertaken certain steps with a view to discover underlying causes of persisting negative errors and omissions. In the course of research, four balance of payments areas have been identified and revised.

As a result of revisions, errors and omissions decreased significantly. Revisions of errors and omissions will range from 4.4% GDP to 2.3% GDP in 2009, when e&o were the highest. Due to these changes current account was revised between 1.1% and 1.8% GDP depending on a revised year. In 2010, current account deficit increased from 3.4% to 4.5%.

Figure 1 Published errors and omissions versus revised errors and omissions (in mn PLN)



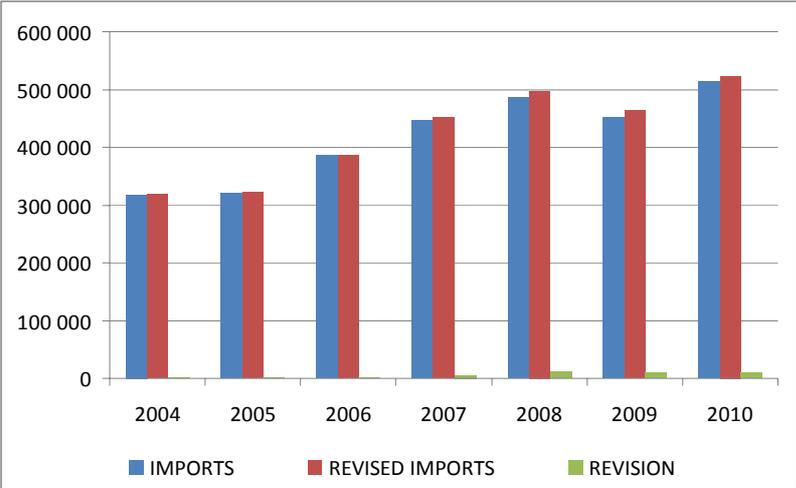
The detailed description below outlines data revisions introduced in four areas of the balance of payments.

Imports of used motor cars from EU

Following Poland's accession to the EU, in May 2004, provisions regarding tax levied on used motor cars imported from the EU have been amended. Substantial reduction in taxes translated into a boost in imports. Parallel changes in regulations governing the collection of EU trade in goods statistics resulted in excluding these transactions from official foreign trade statistics.

Imports of used motor cars, which has not gone through the Intrastat¹, has been assessed based on administrative data, courtesy of Ministry of Finance where these data is collected for tax purposes. According to information provided by the Ministry, the number of used motor cars imported in 2010 is about 730 thousand and its value stood at PLN 11 billion. Revision in this item varies from PLN 1.2 billion in 2004 to PLN 11,2 billion in 2008 i.e. 0.1% GDP to 0.9% GDP.

Figure2 Imports of goods – before and after the revision (in mn PLN)



Other revisions on the current account

Other transfers by other sectors which include, among others, damages, penalties, alimony, disability pensions, lottery winnings etc. received by Polish households or enterprises are yet another significant area subject to revision. So far, statistics in this bop area has been built on data on payments settled in Polish banking system. In 2010, this data source has been replaced by a system in which information is collected directly from entities engaged in external transactions.

Data on other transfers received by Polish households has been estimated based on the Household Budget Surveys carried out by the Central Statistical Office (GUS). This new source itself has contributed to a substantial downward revision in other transfers by other sectors. Revision in credits has been consequently followed by revision in debits. Data on the side of debits proved to have been overestimated as well.

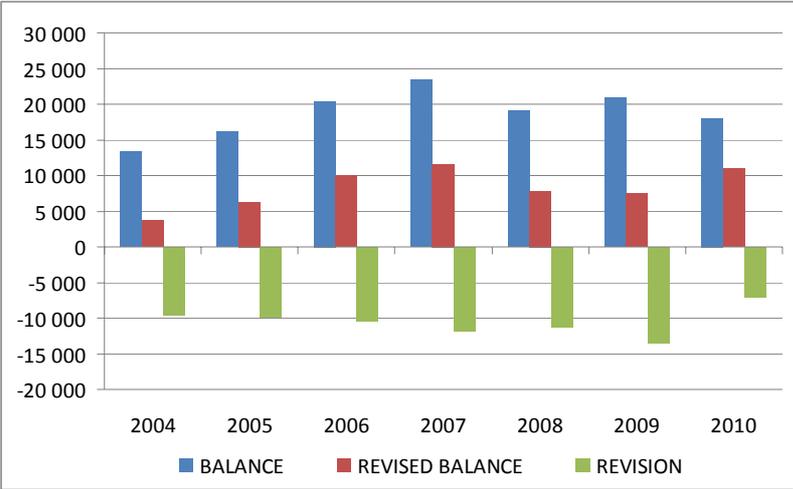
The National Bank of Poland has decided to include a new data source on retirement pensions [plus other payments such as: funeral payments and war pensions] transferred abroad by

¹ Intrastat is the system for collecting information on the trade in goods between countries of the European Union.

Polish Social Insurance Institution (ZUS). Beginning from data for Q1 2011, the respective information will be derived, on a regular basis, from the ZUS and recorded as *other government transfers* on the side of debits. In 2010, the value of debits in this item amounted to PLN 300 million.

Revisions have also been applied in data on income from work of foreigners employed in Poland. The major source for estimations is administrative data on number of foreigners employed in Poland (derived from the Social Insurance Institution and the Ministry of Labor and Social Policy) and their wages. No constant tendency has been observed in revisions of compensation of employees (recorded as labor income). These revisions have varied from [negative] PLN 146 million in 2007 to [positive] PLN 716 million in 2010. Gradual growth in revisions has been observed for workers’ remittances recorded in current transfers, up from PLN 13 million in 2004 to PLN 143 million in 2010.

Figure3 Current transfers - before and after the revision (in mn PLN)



Total revision of current transfers varies, depending on a year, from PLN 7 billion to PLN 13.4 billion i.e. 0.5% GDP to 1.0% GDP.

Repurchase agreements (repo)

Analysis of potential sources for errors and omissions has resulted in discovering double-counting of repurchase agreements. Balance of payments methodology advises recording repurchase agreements (repo, sell/buyback, buy/sellback) in other investment instead of recording it as inflow/outflow of portfolio investment because, no change of economic ownership of securities has occurred. Thorough analysis has led to a conclusion that data on non-resident involvement in Polish Treasury Bonds market (data reported to the National Depository of Securities which is a data source for balance of payments in this area) has covered both outright purchase/sale transactions and repurchase agreements. It has been

possible to determine the size of repurchase agreements transactions and adjust the balance of payments data accordingly by decreasing inflow of non-resident investment on the domestic securities market - thus decreasing errors and omissions.

Total revision related to repo varies, depending on a year, from PLN 49 million in 2005 to over PLN 2.1 billion in 2007.

External assets of the non-financial sector.

Payments of the non-financial sector have undergone a thorough analysis. Transactions involving the so-called special purpose vehicles have been in the spotlight of this research. The said analyses, carried out by the NBP, leave no room for doubt that several external investment of the past years have not been included in statistical reporting. The revision extended therefore to an outflow of Polish investment abroad thus decreasing the size of errors and omissions. Given that the above-mentioned revision covered single transactions, the volume of revision has varied a lot from year to year. In some years no revision has been made, while in other years revisions amounted to almost PLN 5 billion.