

Warsaw, 6 November 2013

Information from the meeting of the Monetary Policy Council held on 5-6 November 2013

The Council decided to keep NBP interest rates unchanged:

- reference rate at 2.50% on an annual basis;
- lombard rate at 4.00% on an annual basis;
- deposit rate at 1.00% on an annual basis;
- rediscount rate at 2.75% on an annual basis.

Global economic activity remains moderate. In 2013 Q3, GDP growth in the euro area was probably similar to a quarter before, while growth in the United States was negligibly slower. At the same time, in a few major emerging market economies, including China, economic growth stayed low as for these economies. Moderate global economic activity has been conducive to low inflation in many countries.

Following a temporary deterioration of sentiment due to uncertainty about fiscal policy in the United States, prices of some financial assets, including the zloty, have risen of late.

In Poland, industrial and construction output as well as retail sales in 2013 Q3 confirm low, yet accelerating economic growth. At the same time, improving leading indicators point to gradual recovery continuing into quarters to come.

Gradual improvement in economic conditions is coupled with a minor increase in corporate employment, yet it is still lower than a year ago. Unemployment rate is still elevated, which contributes to slow wage growth.

Growth in lending to the private sector remains limited. In September, annual growth in loans to enterprises and households stayed low, while since mid-year consumer credit growth has been gradually gathering pace.

In September, CPI inflation edged down to 1.0% y/y, i.e. remaining markedly below the NBP inflation target (2.5%). At the same time, core inflation measures stabilized or declined slightly. Annual growth in producer prices in industry stayed negative. Recent developments of inflation indices along with low inflation expectations confirm that demand and cost pressures in the economy remain low.

The Council got acquainted with the inflation and GDP projection prepared by the Economic Institute, being one of the inputs to the Council's decisions on the NBP interest rates.

In line with the November projection based on the NECMOD model – prepared under the assumption of unchanged NBP interest rates and taking into account data available until 21 October 2013 (projection cut-off date) – there is a 50-per cent

1/2

probability of inflation running in the range of 0.9-1.0% in 2013 (as compared to 0.6-1.1% in the July projection), 1.1-2.2% in 2014 (as against 0.4-2.0%) and 1.1-2.6% in 2015 (as against 0.7-2.4%). At the same time, the annual GDP growth – in line with the November projection – will be, with a 50-per cent probability, 1.0-1.5% in 2013 (as compared to 0.5-1.7% in the July projection), 2.0-3.9% in 2014 (as against 1.2-3.5%) and 2.1-4.5% in 2015 (as against 1.6-4.2%).

In the opinion of the Council, gradual economic recovery is likely to continue in the coming quarters, however, inflationary pressure will remain subdued. November projection of GDP and inflation confirms this assessment.

The Council decided to keep the NBP interest rates unchanged. In the opinion of the Council, lowering interest rates in the first half of 2013 and keeping them unchanged in the second half of the year supports recovery of the domestic economy, gradual return of inflation to the target and stabilisation in the financial markets.

Considering the current statistical data as well as the projection of GDP and inflation that confirm low inflationary pressure and the expected moderate economic recovery, the Council assesses that NBP interest rates should be kept unchanged at least until the end of the first half of 2014.

The Council adopted the *Inflation Report – November 2013*.