

Warsaw, 4 April 2012

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 3-4 April 2012

The Council decided to keep the NBP interest rates unchanged, i.e.:

- **reference rate at 4.50% on an annual basis;**
- **lombard rate at 6.00% on an annual basis;**
- **deposit rate at 3.00% on an annual basis;**
- **rediscount rate at 4.75% on an annual basis.**

Global economic growth remains low. Recession in the euro area is accompanied by continued moderate growth in the United States.. Economic activity in some major emerging economies is still weakening. Global economic growth is being hampered by the ongoing adjustments in balance sheets of enterprises and households in some developed countries as well as by high fuel prices. Despite some decline, global inflation remains heightened, still driven by high commodity prices.

Following an earlier appreciation, exchange rates of emerging economies' currencies, including the Polish zloty saw some stabilization.

Some indicators on the Polish economy, including industrial and construction output, together with several leading business indicators signal some weakening of economic growth. However other data, including retail sales, indicate that the slowdown should not be considerable.

Unemployment rate in February remained elevated. At the same time, employment in companies declined and wage growth returned to a moderate level. Lending to corporates continued to rise, though its growth was somewhat slower. The growth of household loans continued to fall, which was driven by persistent decline in consumer loans and further decrease in growth of mortgage loans.

In February 2012, the annual CPI inflation rose to 4.3%, remaining markedly above the NBP's inflation target of 2.5%. A slight increase was also noted in core inflation, mainly as a result of growth in prices of tobacco products following a rise in excise tax rates. At the same time growth in producer prices weakened. Some decline was also observed in inflation expectations of enterprises and households, though they remain relatively high.

In the opinion of the Council, in the medium term, inflation will be curbed to some extent by the expected economic slowdown amid moderate wage growth as well as continued fiscal tightening. The zloty appreciation at the beginning of 2012 will also be conducive to lower inflation.

In the short term, inflation – despite some expected decline – will probably remain above the NBP's inflation target. Heightened inflation will be supported by the previously observed

depreciation of the zloty and persistently high commodity prices. High growth in regulated prices will also contribute to elevated inflation.

The Council decided to keep the NBP interest rates unchanged. In the opinion of the Council, the expected mild economic slowdown in Poland over the monetary policy horizon increases the probability of inflation remaining above the target in the medium term. Given the above, the Council will consider tightening of monetary policy in the nearest future, unless signs of considerable economic weakening in Poland appear and the outlook for inflation returning to the target improves.