



Warsaw, 5 June 2013

**INFORMATION FROM THE MEETING OF THE MONETARY POLICY
COUNCIL**
held on 4-5 June 2013

The Council decided to decrease the NBP interest rates by 0.25 percentage points:

- reference rate to 2.75% on an annual basis;
- lombard rate to 4.25% on an annual basis;
- deposit rate to 1.25% on an annual basis;
- bill rediscount rate to 3.00% on an annual basis.

Global economic activity remained weak in 2013 Q1. However, economic growth differed significantly across economies. GDP growth acceleration in the United States was accompanied by persisting recession in the euro area and some decline in GDP growth in some major developing countries, including China. In Germany, GDP growth was positive, whereas in other large euro area economies GDP continued to decline. Despite signs of some improvement, recent data on business conditions in the euro area point to persistently negative trends in that economy at the beginning of Q2.

Weak global activity growth, and the previous fall in commodity prices, has supported further decline in inflation in many countries.

In Poland, preliminary data on GDP in 2013 Q1 point to a slightly stronger than expected weakening in economic growth. Decline in GDP growth in Q1 resulted from lower positive contribution of net exports to GDP growth amidst persistently declining domestic demand. The decline in domestic demand – amidst persistent stagnation in consumption – continued to be driven by falling investment, yet, the fall was lower than in the previous quarter. The April data on industrial and construction output and retail sales, as well as the majority of business climate indicators show that weak economic growth continued at the beginning of Q2.

The continuing slowdown in demand in 2013 Q1 contributed to further deterioration in the labour market; in particular the number of employed decreased and unemployment rose. Also the April data on the corporate sector point to a continued decline in employment, accompanied by rising registered unemployment rate (in seasonally adjusted terms). The situation in the labour market supports low wage growth.

In April 2013, growth in lending to the private sector remained limited. Both growth in loans to households and enterprises continued to be low.

CPI inflation in April 2013 declined again, reaching 0.8% y/y, i.e. a level markedly below the NBP inflation target of 2.5%. The decline in inflation was mainly driven by a lower growth in energy prices, including prices of fuels. At the same time, low level of core inflation, as well as

a stronger decline in producer prices, confirm persistently low demand and cost pressure in the economy. This is accompanied by a further decline in inflation expectations of households.

In the opinion of the Council, incoming data point to weaker than expected economic growth in Poland and a stronger – than forecasted in the March projection – decline in inflation. At the same time, uncertainty about the scale and timing of the expected economic recovery in the euro area persists, which can adversely affect economic activity in Poland. Therefore, the Council decided to lower the NBP interest rates again.

The Council assesses that monetary policy easing conducted since November 2012 supports economic recovery and limits the risk of inflation running below the NBP target in the medium term.