

Warsaw, 4 December 2013

Information from the meeting of the Monetary Policy Council held on 3-4 December 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.

Growth in global economic activity remains moderate. In 2013 Q3, GDP growth accelerated slightly in the United States, while in the euro area it slowed down to a level somewhat above zero. At the same time, economic activity growth in the major emerging economies continued to run at a low – as for those countries – level. Moderate growth in global economic activity and decline in energy prices were conducive to inflation decrease in many countries.

The monetary policy of major central banks remains highly expansionary. In November, the European Central Bank lowered its main policy rate, whereas other major central banks maintained the current scale of their monetary expansion.

In Poland, GDP data for 2013 Q3 confirmed the continuation of a gradual economic recovery. After several quarters of declining, domestic demand increased somewhat in 2013 Q3, driven by rising consumption and a slight increase in investment. This was accompanied by lower positive contribution of net exports and still negative contribution of change in inventories to GDP growth.

October saw a minor slowdown in the annual growth of industrial output and retail sales. Construction and assembly output continued to fall, albeit at a slower pace. Yet, business climate indicators suggest a further gradual recovery in the coming quarters.

The gradual improvement in economic conditions is accompanied by fading negative trends in the labour market. According to the Labour Force Survey, in 2013 Q3 the number of persons working in the economy was slightly higher than a year before. This contributed to a small decline in the unemployment rate in annual terms, which however remains elevated. In 2013 Q3 wage growth in the economy increased somewhat.

Growth in lending to the private sector remains limited. In October, the annual increase in lending to enterprises and households persisted at a low level. However, since mid-2013 growth in consumer loans has been gradually gathering pace.

Demand and cost pressures in the economy remain low. CPI inflation in October fell to 0.8% y/y (from 1.0% y/y in September), continuing well below the inflation target of 2.5%. This was accompanied by persistently low core inflation and a fall in producer prices in industry. At the same time, inflation expectations remained low.

In the opinion of the Council, gradual economic recovery is likely to continue in the coming quarters, however, inflationary pressures will remain subdued. Therefore, the Council decided to keep the NBP interest rates unchanged. The Council maintains its assessment that NBP interest rates should be kept unchanged at least until the end of the first half of 2014.

In the opinion of the Council, lowering interest rates in the first half of 2013 and keeping them unchanged in subsequent quarters supports recovery of the domestic economy, gradual return of inflation to the target and stabilisation in the financial markets.