

Warsaw, 23 December 2009

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 22-23 December 2009

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

- **reference rate at 3.50% on an annual basis;**
- **lombard rate 5.00% on an annual basis;**
- **deposit rate at 2.00% on an annual basis;**
- **rediscount rate at 3.75% on an annual basis.**

The Council decided to introduce, beginning 1 January 2010, the discount rate on bills of exchange accepted from commercial banks for discount at the NBP.

The Council set the discount rate at 4.00% on an annual basis.

Released data confirm a continued recovery in the world economy, including further growth in economic activity in the United States and a slightly weaker improvement in economic conditions in the euro area than that observed in the US economy. At the same time, strong activity growth has been sustained in the largest emerging countries, which is connected with a rise in domestic demand in these economies. This recovery in activity around the world is still to a large extent driven by expansionary macroeconomic policy, including, in particular, fiscal stimulus packages. In the developed economies, however, the labour market situation – despite some improvement – remains unfavourable and problems persist in the financial sector. Lending is still being reduced.

Following a period of growth in the prices of financial assets and commodities in international markets, these prices have stabilised recently. In particular, the appreciation of the currencies of many emerging countries has been halted. In the developed economies, the overall price level increased after a few months of decline.

The latest data on the Polish economy, including those on industrial output and construction and assembly production, as well as economic sentiment indicators point to further improvement in economic activity. Despite some increase in the unemployment rate, the stabilisation of employment in the enterprise sector may be signalling a gradual deceleration of unfavourable labour market tendencies. Lending to the enterprise sector is still shrinking and the growth in consumer and housing loans to the household sector remains considerably lower than in previous years.

In November 2009, the annual CPI rate rose to 3.3%, which was primarily connected with an increase in the annual growth rate of food and energy prices. At the same time, core inflation net of food and energy prices decreased, although it remained at a relatively high level. The continuation

of a relatively high level of core inflation means that the demand weakening so far has not fully offset the increase of administered prices and the effects of earlier exchange rate depreciation.

According to the Council's assessment, in the coming period the annual CPI level may increase temporarily, considering the positive base effect connected with a strong decline in fuel prices at the end of 2008. In the following quarters, however, a significant slide is expected in the annual CPI growth rate, which will primarily be driven by the negative base effects connected with a surge in administered prices and food prices at the beginning of 2009. Other factors conducive to lower inflation include: low demand pressure, reduced growth of labour costs and earlier zloty appreciation. On the other hand, an inflation decrease in 2010 may be curbed by commodity price rises in the world markets and by increases of tax rates and administered prices.

The Council assesses the probabilities of inflation in the medium term running below or above the inflation target to be balanced. In the Council's view, the improvement in global economic activity and the previously implemented monetary policy easing support the return of the economy to the potential growth path.

The Council maintains its view that Poland should join the Exchange Rate Mechanism II and the euro area at the earliest possible date, after achieving the necessary political support for amendments to the Constitution of the Republic of Poland and other legal acts required for euro adoption in Poland.

Moreover, the Monetary Policy Council has approved the *Financial Plan of the National Bank of Poland for 2010* and has passed a resolution amending the resolution on accounting practices, on the layout of assets and liabilities in the balance sheet and of the profit and loss account of the National Bank of Poland.