

Warsaw, 8 June 2011

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 7-8 June 2011

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

- reference rate to 4.50% on an annual basis;
 - lombard rate 6.00% on an annual basis;
 - deposit rate 3.00% on an annual basis;
 - rediscount rate 4.75% on an annual basis.
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In 2011 Q1 activity in the global economy continued at a relatively high level. Particularly strong GDP growth was observed in Germany, Poland's main trading partner. Inflation in most countries continued to run at a heightened level, to a large extent due to high commodity prices.

Recently, however, signs of a possible weakening of global economic activity could be observed; the growth in commodity prices in the world markets has also been halted. Furthermore, concerns about the stability of public finances in some peripheral euro area countries have intensified, which has contributed to increased risk aversion in the international financial markets.

In Poland, data on GDP in Q1 confirmed that a relatively high economic growth was sustained at the beginning of 2011. GDP growth was mainly driven by growing domestic demand, and stable growth in private consumption was supported by a rise in investment. In turn, April saw a slight deceleration of growth in industrial output and construction, coupled with a continuing upward trend in retail sales.

In Q1 economic growth was accompanied by a faster than in the previous quarters rise in the number of employed and by a declining unemployment rate as indicated by LFS data. At the same time, wage pressure did not strengthen, as evident from slower growth of wages in the economy. In April 2011 wage growth accelerated considerably in the corporate sector; yet, it is difficult to assess whether this acceleration will persist. At the same time, the upturn in corporate lending was sustained. The relatively fast growth in mortgage loans to households also continued and a further decline in consumer loans was observed.

In April annual CPI inflation rose to 4.5%, remaining significantly above the NBP's inflation target of 2.5%. The acceleration in price growth, although mainly connected with a further rise in food and energy prices, concerned also core inflation, which is reflected in a faster price growth in most of the other categories of goods and services. PPI inflation and inflation expectations of households remained at a relatively high level.

In the coming months, the annual CPI inflation rate will continue at a heightened level, mainly due to the previously observed strong growth in global commodity prices.

NBP

In the opinion of the Council, the elevated level of current inflation and inflation expectations, as well as the risk of rising wage pressure amidst a considerable growth in employment, justify increasing the NBP interest rates at the present meeting.

The Council assesses that the substantial monetary policy tightening implemented since the beginning of 2011 should enable inflation to return to the target in the medium term.

The Council does not rule out further adjustment of monetary policy, should the outlook for inflation's return to the target deteriorate.

An important factor affecting the monetary policy is the situation of public finances. In order to maintain macroeconomic stability, and comply with the euro adoption criteria, decisive measures need to be implemented, aimed at a lasting reduction of the deficit of the general government sector and at curbing the increase of public debt.

Although the share of foreign currency loans in new mortgage loans to households has decreased, undertaking measures aimed at preventing fast growth in foreign currency lending to households is, in the opinion of the Council, important for macroeconomic stability. Such measures can contribute to increasing the effectiveness of the monetary policy transmission mechanism. Therefore, the Council expects that measures aimed at curbing the supply of new foreign currency loans to households will be introduced.

The Council maintains its view that Poland should join the ERM II and the euro area at the earliest date possible, after meeting the necessary legal, economic and organizational conditions.