



Warsaw, 7 March 2012

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 6-7 March 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. Acceleration in GDP growth in the United States is accompanied by a recession in the euro area and a slowdown in most major emerging economies. At the same time, since the previous meeting of the Council selected leading indicators have improved, what points to possible stabilization of economic activity in some countries. Yet, global economic growth is being hampered by the ongoing process of adjustments in the balance sheets of enterprises and households in some developed countries.

Inflation abroad remains heightened, although is gradually declining. High commodity prices, including crude oil prices, which have been recently on the rise again, are one of the main factors behind elevated inflation. Uncertainty related to the sovereign debt crisis in some euro area countries has persisted.

The Council got acquainted with the projection of inflation and GDP prepared by the Economic Institute of the NBP, being one of the inputs to the Council's decisions on the NBP interest rates.

The March inflation and GDP projection implies that GDP growth will decelerate in the coming quarters and – following global economic recovery – will start to rise again in mid-2013. At the same time, inflation will be gradually declining, coming close to the inflation target in late 2013.

In line with the March projection based on data available up to 24 January 2012 (cut-off date for the projection) – under the assumption of constant NBP interest rates – there is a 50-percent probability of inflation running in the range of 3.6-4.5% in 2012 (compared to 2.5-3.9% in the November projection), 2.2-3.6% in 2013 (as against 2.2-3.7%) and 1.2-3.0% in 2014. In turn, with a 50-percent probability the March projection sees the annual GDP growth in the range of 2.2-3.8% in 2012 (compared to 2.0-4.1% in the November projection), 1.1-3.5% in 2013 (as against 1.5-4.0%) and 1.9-4.4% in 2014. Information incoming after 24 January 2012, including in particular lower than expected inflation in January and significant zloty appreciation, allow for the assessment that CPI inflation in 2012 and 2013 will be lower than indicated in the March projection of Economic Institute by respectively 0.3-0.4 and 0.2-0.3 percentage points.

Data on 2011 Q4 GDP in Poland as well as data on output and retail sales in the early 2012 indicate that economic growth has remained robust. However, relatively low level of most leading business indicators suggests that economic activity may weaken in the coming quarters.

In 2011 Q4, the number of the employed in the economy increased. At the same time, however, a rise in the number of the economically active contributed to a higher unemployment rate, which continues to curb wage growth in the economy. The substantial acceleration of wage growth in enterprises observed in January 2012 was probably due to temporary factors. Lending to corporates continued to increase. Yet, there was a decrease in lending to households in January, which was the result of further decline in consumer loans and slower growth in mortgage lending.

According to preliminary GUS data, in January 2012 the annual CPI decreased to 4.1%, though remaining markedly above the NBP's inflation target of 2.5%. NBP estimates also point to a substantial decline in core inflation. In turn, inflation expectations of households and financial sector analysts – despite some improvement – remained elevated. Also growth of producer prices remained elevated.

In the opinion of the Council, 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 zloty depreciation and persistently high commodity prices, which may lead to further rise in energy prices.

In turn, in the medium term, inflation will be curbed by the expected deceleration of economic growth 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.

The Council decided to keep the NBP interest rates unchanged. The Council does not rule out the possibility of further monetary policy adjustments in the future, should the positive signs of economic activity in Poland continue and the outlook for inflation returning to the target fail to improve.

The Council has adopted the *Inflation Report - March 2012*.