



Warsaw, 5 September 2012

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 4-5 September 2012

The Council decided to keep the NBP interest rates unchanged:

- **reference rate at 4.75% on an annual basis;**
- **lombard rate at 6.25% on an annual basis;**
- **deposit rate at 3.25% on an annual basis;**
- **rediscount rate at 5.00% on an annual basis.**

Global economic activity remains low. Recession in the euro area has been accompanied by moderate growth in the United States. In emerging economies economic growth decreased in Q2 2012. Subdued global economic growth supported easing of inflation in many countries.

Recently, the sentiment in the international financial markets has improved somewhat, which has supported prices of some financial assets and encouraged capital inflows to emerging markets. At the same time, global prices of agricultural and energy commodities have risen considerably.

The data on GDP in Poland point to slower than expected economic growth in 2012 Q2. Growth of consumption and investment expenditures, including corporate investment, decreased. Change in inventories made a significantly negative contribution to GDP growth. Exports growth also slowed down. However, due to a simultaneous decline in imports, net exports were a major contributor to GDP growth. Weaker output growth was accompanied by deteriorating corporate financial results.

At the same time, industrial production and retail sales in July rose faster than on average in 2012 Q2. Yet, the decline in construction output continued and business indicators remain unfavourable.

According to the Labour Force Survey, in 2012 Q2 employment growth came to a halt and the unemployment rate was higher than a year ago, mainly due to a further increase in the labour force participation. At the same time, wage growth in the economy, including the corporate sector, decelerated.

The economic slowdown was accompanied with a gradual deceleration in corporate lending. Lending to households also continued to slow down, driven by further decline in consumer loans and slower growth in mortgage lending, including decrease in foreign currency loans. Yet, the household savings rate continued to decline in 2012 Q1.

After a temporary rise in June, CPI inflation fell to 4.0% in July. However, it remained above the NBP's inflation target of 2.5%. Inflation net of food and energy prices did not change. At the same time, households' inflation expectations stayed elevated.

In the opinion of the Council, inflation will decrease gradually over the coming months, as the statistical base effect wanes amidst slowing demand in the economy. The recently observed increase in global commodity prices poses an upward risk to the expected decrease in inflation. In the medium term, economic slowdown will be conducive to inflation returning to the target.

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Should the incoming data confirm further weakening of economic conditions, and should the risk of increase in inflationary pressure be limited, the Council will consider adjustment of monetary policy.