



Warsaw, 3 October 2012

## INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

**held on 2-3 October 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.**

---

Available data indicate that global economic activity in 2012 Q3 remained low. Recession in the euro area was accompanied by merely moderate growth in the United States. At the same time, many emerging economies saw further slowdown in economic growth. Taking into account unfavourable outlook for economic growth, central banks of major developed economies further eased their monetary policy in September, primarily, by announcing the expansion or launch of new quantitative easing programs.

Stronger monetary expansion pursued by major central banks has brought some improvement in the sentiment in the international financial markets, supporting prices of some financial assets. At the same time, due to the worsening outlook for global economic growth, the rise in commodity prices in the world markets was halted. Although low global economic activity supports inflation decline, still relatively high commodity prices contribute to inflation remaining elevated in many countries.

The data on economic activity in Poland in July and August, including ongoing deceleration of industrial production, persisting decline in construction output and further decrease in retail sales growth, point to a continued downturn in economic conditions in 2012 Q3. Also data on labour market developments, including fall in employment and low wage growth in the corporate sector and gradually rising unemployment rate, signal a possible slowdown in demand from the private sector. This is also indicated by the worsening of most economic sentiment indicators.

Economic slowdown is accompanied by a gradual deceleration in lending to households, including further decline of consumer loans, and continued moderate rise in lending to corporates.

In August, CPI inflation fell again to 3.8%, however, it remained above the NBP's inflation target of 2.5%. At the same time, there was a decline in inflation net of food and energy prices and a slight drop in inflation expectations of households and of corporate sector.

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. However, it will remain above the inflation target of 2.5% until the end of 2012. In the medium term, the slowdown in economic growth will contribute to inflation returning to the target while high commodity prices in the global markets remain an upward risk to inflation decline.

The Council decided to keep the NBP interest rates unchanged.

Should the incoming data, including the November inflation projection of the NBP, confirm that economic slowdown would become protracted, while the risk of increase in inflationary pressure be limited, the Council will ease monetary policy.