



Warsaw, 9 January 2013

**INFORMATION FROM THE MEETING OF THE MONETARY
POLICY COUNCIL**
held on 8-9 January 2013

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

- **reference rate to 4.00% on an annual basis;**
- **lombard rate to 5.50% on an annual basis;**
- **deposit rate to 2.50% on an annual basis;**
- **rediscount rate to 4.25% on an annual basis.**

Incoming data show that global economic activity was still weak in 2012 Q4. Economic activity in the United States stayed moderate, while the euro area most probably remained in recession. The economic slowdown observed over recent quarters in some major emerging economies appears to have decelerated. Weak global economic activity is conducive to a decline in inflation in many countries.

Global financial market sentiment has improved recently, supported by further monetary policy easing by the major central banks.

In Poland, incoming data and the economic sentiment indices show that the economic activity remained weak over the recent months. In particular, industrial and construction output decreased in November, whereas the annual growth of retail sales in real terms continued to run only slightly above zero.

Furthermore, labour market figures confirm an economic slowdown. November saw a continued decline in the corporate sector employment accompanied by a persistently slow growth in wages and unemployment rate continuing to rise.

Over the recent months, both household and corporate lending growth continued to weaken.

In November, CPI inflation decreased and amounted to 2.8% y/y, being close to the NBP's inflation target (2.5%). At the same time both the core inflation measures and producer price growth continued to decline, which confirms weakening of demand and cost pressures. Declining inflation was accompanied by lower inflation expectations of households.

In the opinion of the Council, incoming data confirm a considerable economic slowdown in Poland, which results in limited wage and inflationary pressures. At the same time, the Council assesses that GDP growth will remain moderate in the coming quarters, which poses a risk of inflation running below the NBP's inflation target in the medium term.

Therefore, the Council decided to lower the NBP interest rates further. The decrease in interest rates should support economic activity and reduces the risk of inflation falling below the target in the medium term.

The Council does not rule out further monetary policy easing should the incoming data confirm a protracted economic slowdown and should the risk of increase in inflationary pressure remain limited.