



Warsaw, 6 March 2013

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 5-6 March 2013

The Council decided to decrease the NBP interest rates by 0.50 percentage points:

- **reference rate to 3.25% on an annual basis;**
- **lombard rate to 4.75% on an annual basis;**
- **deposit rate to 1.75% on an annual basis;**
- **rediscount rate to 3.50% on an annual basis.**

Incoming data show that the global economic activity remains low. In 2012 Q4, economic growth in the United States came to a halt, while the euro area remained in recession. GDP declined in all major euro area economies, including Germany. At the same time, economic growth in some major emerging economies probably accelerated. In recent months, economic activity in several developed economies showed some signs of improvement.

In Poland, the GDP data confirmed that in 2012 Q4 there was a marked economic slowdown. Weakening consumer demand was accompanied by slower decline in investment. Economic growth continued to be supported by a positive, albeit somehow lower than in the previous quarter, contribution of net exports.

Incoming data point to still low economic growth in early 2013. Weak economic activity growth is accompanied by falling employment in the corporate sector and rising unemployment, which holds back wage growth. At the same time, both household and corporate lending growth remains subdued.

In January, CPI inflation declined more than expected. According to the preliminary data, CPI inflation was 1.7% y/y, running below the NBP inflation target of 2.5%. Also core inflation remained low, which confirms limited demand pressure in the economy. At the same time, household inflation expectations decreased further.

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

In line with the March projection based on the NECMOD model – assuming unchanged NBP interest rates – there is a 50-percent probability of inflation running in the range of 1.3-1.9% in 2013 (as compared to 1.8-3.1% in the November projection), within 0.8-2.4% in 2014 (as against 0.7-2.4%) and between 0.7-2.4% in 2015. The annual GDP growth – in line with this projection – will be, with a 50-percent probability, contained within 0.6-2.0% in 2013 (as compared to 0.5-2.5% in

the November projection), within 1.4-3.7% in 2014 (as against 1.1-3.5%) and within 1.9-4.4% in 2015.

In the opinion of the Council, incoming data confirm persistently low economic growth in Poland, no wage pressure and low inflationary pressure. Economic activity may gradually improve in the coming quarters. However, GDP growth will probably remain moderate, which will continue to contain inflationary pressure. Such an assessment is supported by the March projection of inflation and GDP.

Considering the risk of inflation running below the NBP inflation target in the medium term, the Council decided to lower the NBP interest rates further. The March decision complements the monetary policy easing cycle commenced in November 2012.

In the opinion of the Council, considerable monetary policy easing in recent months and at the March meeting will allow inflation to run close to target in the medium term and at the same time supports recovery of the Polish economy.

The Council adopted the *Inflation Report – March 2013*.