

Warsaw, 2 October 2013

## Information from the meeting of the Monetary Policy Council held on 1-2 October 2013

### The Council decided to keep NBP interest rates unchanged:

- reference rate at 2.50% on an annual basis;
- lombard rate at 4.00% on an annual basis;
- deposit rate at 1.00% on an annual basis;
- rediscount rate at 2.75% on an annual basis.

Despite some improvement, economic conditions in the global economy remained moderate in 2013 Q3. Economic activity indicators improved in the largest developed economies, including the United States and euro area. At the same time, major emerging economies saw persistently low – as for those countries – economic activity growth. Moderate global economic activity was conducive to low inflation in many countries.

Financial market sentiment improved somewhat, which was partially driven by the Federal Reserve postponing the quantitative easing tapering. Prices of some financial assets rose and exchange rates of emerging currencies, including the zloty, strengthened.

In Poland, the August data on industrial and construction output as well as on retail sales confirmed that economic growth remained relatively weak, although stronger than a quarter before. Simultaneously, the improvement in economic climate indicators suggests a possibility of the gradual recovery continuing in the coming quarters.

In August 2013 the decline in corporate employment was again narrowed (in annual terms), amidst a slight fall in the unemployment rate (in seasonal adjusted terms). However, unemployment persists at elevated level, which supports slow wage growth.

Growth in lending to the private sector remains limited. In August, annual growth in loans to enterprises and households continued at a sluggish pace, whereas a gradual recovery was seen in consumer credit.

CPI inflation remained at 1.1% y/y in August, i.e. markedly below the NBP inflation target (2.5%). At the same time, most core inflation measures declined slightly, while inflation net of food and energy prices remained stable. Producer prices in industry continued to fall. Developments of inflation indices confirm still weak demand and cost pressures in the economy. This is against the background of low inflation expectations, notwithstanding their certain increase in September.

In the opinion of the Council, gradual economic recovery is likely to continue in the coming quarters, however, inflationary pressure will remain subdued.

The Council decided to keep the NBP interest rates unchanged. Given low inflation pressure and a moderate scale of the expected recovery, in the Council's assessment

interest rates should be kept unchanged at least until the end of 2013, which will support return of inflation to the target in the medium term.