

Warsaw, 8 January 2014

Information from the meeting of the Monetary Policy Council held on 7-8 January 2014

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.

Growth in global economic activity remains moderate. As business conditions in the United States have improved markedly, the Federal Reserve has decided to reduce the scale of quantitative easing starting from January 2014. At the same time, the euro area is slowly recovering, yet the pace of the recovery is limited and highly diversified across member countries. In turn, activity in the largest emerging economies – despite some improvement – continues to grow relatively slowly as for these countries. Moderate growth in global economic activity is conducive to inflation staying low in many countries.

Data on domestic economic activity in November 2013 indicate a continuation of the gradual recovery in Poland. In particular, data on industrial output and retail sales (in seasonally adjusted terms) suggest that activity in industry and retail sectors has remained on an upward trend. At the same time, decline in construction and assembly output has narrowed, which is indicative of some improvement in this sector. Business climate indicators also signal further growth in economic activity.

Ongoing economic recovery translates into an improvement in labour market conditions only to a limited extent. Employment growth remains too weak to bring down the still elevated unemployment rate. High unemployment reduces wage and demand pressures in the economy, while wage growth in the corporate sector remains low.

CPI inflation declined to 0.6% in November 2013 (from 0.8% in October), continuing well below the NBP inflation target of 2.5%. This was accompanied by a decrease in most core inflation indices. At the same time, producer prices in industry continued to fall, which indicates low cost pressure in the economy. Inflation expectations stayed low as well.

Growth in lending to the private sector remains limited. In November 2013, the annual growth in corporate and household loans was still low. However, since mid-2013 growth in consumer loans has been gradually gathering pace.

In the opinion of the Council, gradual economic recovery is likely to continue in the coming quarters, however, inflationary pressures will remain subdued. Therefore, the Council decided to keep NBP interest rates unchanged. The Council maintains its assessment that NBP interest rates should be kept unchanged at least until the end of the first half of 2014.

In the opinion of the Council, lowering interest rates in the first half of 2013 and keeping them unchanged in subsequent quarters supports recovery of the domestic economy, gradual return of inflation to the target and stabilisation in the financial markets.