

Warsaw, 5 February 2014

## Information from the meeting of the Monetary Policy Council held on 4-5 February 2014

### **The Council decided to keep the 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;
- bill rediscount rate at 2.75% on an annual basis.

Growth in global economic activity remains moderate, although the situation varies across countries. In the United States, economic conditions have improved, which has prompted the Federal Reserve to reduce the scale of quantitative easing. At the same time, the euro area has been experiencing a slow, yet somewhat limited recovery. Against this background, the European Central Bank continues its highly accommodative monetary policy. In turn, activity growth in the largest emerging economies – despite some improvement – continues to be weak in comparison with their previous performance. Moderate growth in global economic activity is conducive to maintaining low inflation in many countries.

The reduction of asset purchases by the Federal Reserve has had an adverse effect on the sentiment in the international financial markets, in particular with regard to some emerging market economies.

Data on domestic economic activity indicate a continuation of the gradual recovery in Poland. Preliminary 2013 GDP figures show that economic growth in 2013 Q4 exceeded that seen in 2013 Q3, with net exports still contributing substantially to GDP growth. The gradual economic revival is also confirmed by data on industrial output and retail sales, and levelling off the decline in construction and assembly output. Activity growth in the subsequent quarters is signalled by business climate indicators.

The gradual recovery is contributing to an improvement in labour market conditions. Signs of employment growth have been observed, which should be conducive to a decrease in unemployment. Yet, unemployment persists at elevated levels, which is hampering wage pressure in the economy.

CPI inflation amounted to 0.7% in December 2013, thus remaining markedly below the NBP inflation target of 2.5%. Also core inflation measures remained low, which confirms that demand pressure continues to be weak. In turn, weak cost pressure in the economy is manifested in a further decline in producer prices. This is accompanied by low inflation expectations.

In the recent period, lending to the private sector has accelerated slightly while remaining limited. In December 2013, the annual growth in lending to enterprises and households was still low. At the same time, since mid-2013, there has been a gradual acceleration in consumer loans.

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.