

Warsaw, 29 April 2009

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 28-29 April 2009

The Council decided to keep the NBP interest rates unchanged, i.e.:

- **reference rate 3.75% on an annual basis;**
- **lombard rate 5.25% on an annual basis;**
- **deposit rate 2.25% on an annual basis;**
- **rediscount rate 4.00% on an annual basis.**

Data released recently confirm low economic activity in Poland. Decline in manufacturing, exports and retail sales in the first months of 2009 points to a slightly lower GDP growth in 2009 Q1 than previously forecast. At the same time, the data on economic situation abroad confirm that recession in Poland's major trading partners has deepened. Similarly to other countries, lower demand connected with deteriorated sentiment of economic agents and their worsened financial condition, driven by limited credit availability stemming from increased risk aversion in the financial sector and considerable tightening of banks' lending conditions, contribute to slowing economic growth in Poland. Amidst persisting excess liquidity of the banking sector, as a result of increased risk premium, the cost of credit, despite certain reduction, remains at a relatively high level. At the same time, information on labour market developments points to the further decline in employment and increase in unemployment, which is conducive to curbing inflationary pressure.

The recent period was marked by still heightened exchange rate volatility of currencies of Central and Eastern European countries, as well as currencies of developed economies. This has also affected the zloty exchange rate.

In March 2009 the annual growth of consumer prices in Poland increased to 3.6%, thus it remained above the inflation target of 2.5% and slightly exceeded the upper limit for deviations from the target set at 3.5%. The rise in inflation was mainly driven by increasing food prices and rising prices within the recreation and culture category which was connected, to a certain extent, with the previously observed considerable depreciation of the zloty. At the same time all core inflation indices increased. Considerable rise in the prices of energy and services related to maintenance of dwelling, observed in the first two months of 2009, was the main factor contributing to the annual price growth remaining at an increased level.

In the Council's assessment, inflation in the coming months is likely to temporarily remain at an elevated level, mainly as a result of the relatively high growth of food prices and a rise in administered prices, primarily prices of energy.

NBP

In the medium term, the recession in the global economy bringing about the decline in the domestic economic growth will lower the inflationary pressure in Poland. Gradual deterioration of the situation in the labour market and of financial condition of enterprises as well as tightening of banks' lending conditions will also be conducive to curbing demand and, consequently, inflationary pressure. On the other hand, the previously observed considerable depreciation of the zloty exchange rate will drive price increases.

The Council assessed the probability of inflation running below the target in the medium term to be higher than the probability of inflation running above the target. The Council's decisions in the coming months will take account of the incoming information on the outlook for economic growth, inflation and situation in the financial markets in Poland and abroad and information on zloty exchange rate developments.

The Council will analyse the impact of developments in the domestic interbank market on the monetary policy transmission mechanism in Poland.

The Council maintains its view that Poland should join the Exchange Rate Mechanism II (ERM II) and the euro area at the earliest possible date, after achieving the necessary political support for amendments in the Constitution of the Republic of Poland and other legal acts necessary for the euro adoption in Poland.