

Warsaw, 25 May 2010

## INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 24-25 May 2010

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

- reference rate at 3.50% on an annual basis;
- lombard rate at 5.00% on an annual basis;
- deposit rate at 2.00% on an annual basis;
- rediscount rate at 3.75% on an annual basis;
- discount rate at 4.00% on an annual basis.

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Further signs of recovery are appearing in the world economy. However, the outlook for improvement in economic activity has been diverging across regions. The data released since the last MPC's meeting, including the data on GDP in 2010 Q1, point at a growing investment activity and a revival in consumption demand in the United States. The rise in consumption has been supported by the improvement in the labour market situation in the United States.

Preliminary estimates indicate a slight increase in the euro area GDP in 2010 Q1. Yet, as a result of the fiscal crisis in Greece and high uncertainty regarding the pace of curbing public finance imbalances in some other euro area countries, the short-term outlook for economic growth in this region has deteriorated.

At the same time, fast economic growth is recorded in the largest emerging economies. The ensuing risk of strong increase in economic imbalances resulting from a boom leads to a gradual macroeconomic policy tightening in those countries.

Uncertainty connected with the fiscal crisis in Greece contributed to increasing volatility of asset prices in the international financial markets, including the prices of energy commodities. Growing risk aversion in the financial markets was also conducive to a marked depreciation of the exchange rate of the euro against the US dollar and to the depreciation of currencies of emerging economies, including the zloty.

The data on the Polish economy indicate a continuing economic recovery. An upward trend in manufacturing has continued. Rise in employment in the corporate sector, decline in unemployment rate suggested by preliminary estimates (in seasonally adjusted terms) and the number of new job offers running at a high level might point to a gradual improvement in the labour market situation. At the same time, real wages in the corporate sector grew in annual terms, albeit still moderately, for the second consecutive month. Both the investment of enterprises as well as the capacity utilisation in the economy remain on a low level. The decline in bank loans to enterprises continues, yet, lending criteria to those entities are gradually and slightly eased. The growth in household loans stabilized at a moderate level.

# NBP

The annual CPI inflation in April 2010 decreased again (to 2.4%), running slightly below the level of the NBP inflation target of 2.5%. The inflation decline was largely driven by the lower annual growth of food prices. At the same time, core inflation also fell, yet, to a lesser extent than the CPI inflation. The factor limiting the decline in CPI inflation was the increase in the annual growth of energy prices.

In line with available forecasts, in the months to come the annual CPI will still be lowered by negative base effects connected with the surge in the prices of excise goods and food prices in 2009. Also economic factors will be conducive to lower inflation: currently low demand pressure and moderate growth of labour costs. In turn, inflation decline in 2010 may be reduced by rises in commodity prices in the world markets – though recently curbed – as well as by persistently elevated growth of some administered prices, including the prices of energy carriers and services related to house maintenance.

In the Council's assessment the probabilities of inflation running below or above the inflation target in the medium term are balanced.

An important factor affecting monetary policy is the situation of the public finance sector. Introducing measures aimed at permanently reducing the deficit of the general government sector and at curbing the increase of the public debt will support macroeconomic stability and will allow to meet the criteria for euro adoption.

The Council maintains the opinion that Poland should join the Exchange Rate Mechanism II and the euro area at the earliest possible date, after meeting the necessary legal, economic and organisational conditions.

The Council approved the *Report on the Operations of the NBP in 2009*.

At its meeting held on 18 May 2010, the Council adopted the *Report on Monetary Policy Implementation in 2009* and positively assessed the Management Board of the National Bank of Poland as regards the implementation of monetary policy guidelines for the year 2009.