

Warsaw, 22 December 2010

## INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 21-22 December 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.

In line with the decision of the Monetary Policy Council of 29 September 2010 (MPC resolution No. 7/2010) presented in the *Monetary Policy Guidelines for 2011* regarding the withdrawal of the bill discount credit from the set of monetary policy instruments as from 1 January 2011 the discount rate will apply until the end of 2010.

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Moderate recovery in the world economy is continuing. Data from the United States and the euro area point to stabilizing growth in economic activity. Favourable economic situation has continued in Germany where GDP growth is to a growing extent supported by strengthening domestic demand. Yet, economic growth in the majority of developed countries is still being curbed by high unemployment and ongoing adjustments in the balance sheets of households, enterprises and financial institutions. The continued rapid growth in the major emerging economies has been decelerating slightly, which is related to tightening of the economy policy in some of those countries, aimed at limiting the risk of growing macroeconomic imbalance. The effects of high fiscal imbalance and its planned reduction in the developed economies, as well as the effects of monetary expansion, including non-standard measures undertaken by major central banks, continue to be an important uncertainty factor for the global economic growth.

Following the previously observed depreciation connected with intensification of fiscal problems in some euro area countries and the ensuing uncertainty in the financial markets, the zloty exchange rate has stabilized in the recent period. At the same time, global markets have seen a rise in the prices of crude oil and other commodities.

Data on the Polish economy point to acceleration of economic growth in 2010 Q3. Private consumption grew more rapidly than in the preceding quarters, supported by a rise in employment. Also temporary factors could have contributed to higher consumption growth. Wage growth in the economy, including in the corporate sector, has remained at a low level. The rise in wages may be curbed by the growing number of the economically active, which contributes also to the rise in unemployment rate as confirmed by the BAEL data for 2010 Q3. There are still no clear signs of a recovery in investment activity. Yet, production capacity utilisation has been steadily rising.

# NBP

Despite the favourable financial situation of the corporate sector, the divergence between the situation of exporters and non-exporting companies is increasing.

Lending to enterprises remains limited, mainly due to reasons related to the demand for credit. Mortgage loans to households, including foreign currency denominated loans, continue to grow, which is accompanied by a gradual cutting of margins included in interest charged on loans.

In November 2010 the annual CPI inflation fell to 2.7%, remaining above the NBP's inflation target of 2.5%. The inflation decline was primarily connected with a fall in food and energy price growth. The majority of core inflation measures remained unchanged. The growth of PPI is running at a high level. In the months to come, CPI inflation may be expected to be heightened by high growth in fuel prices and increase in majority of VAT rates planned for 2011.

In the Council's assessment, the still limited inflationary and wage pressure in the Polish economy, uncertainty about the scale of acceleration of GDP growth in Poland and the global economic recovery justify keeping the NBP interest rates unchanged.

At the same time, the Council will continue to analyse the signs of a possible rise in inflationary pressure.

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

In the opinion of the Council, introducing measures aimed at preventing fast growth in foreign currency lending to households is important for macroeconomic stability. Such measures can also contribute to increasing the effectiveness of monetary policy transmission mechanism. Therefore, the Council expects that measures aimed at curbing the supply of new foreign currency loans to households will be introduced.

The Council maintains its view that Poland should join the ERM II and the euro area at the earliest possible date, after meeting the necessary legal, economic and organisational conditions.