

Warsaw, 26 January 2010

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 25-26 January 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.**

Released data point to a further growth in economic activity in the United States and a slightly weaker improvement in economic conditions in the euro area as compared to the US economy. However, situation in the labour market in the developed economies remains unfavourable and their lending continues to shrink. At the same time, GDP growth is accelerating in the largest emerging economies, including China, where the risk connected with excessive lending and asset prices growth has also recently increased. The recovery in economic activity around the world is still being supported by highly expansive macroeconomic policy based on both conventional and non-standard instruments.

Over the recent period the prices of financial assets in developed economies have remained relatively stable, while oil prices have displayed considerable volatility. Those economies have seen a rise in headline inflation, which was mainly the result of higher annual growth of energy prices.

The latest data on the Polish economy indicate an improvement in economic activity. Despite increase in the unemployment rate, relative stabilisation of employment in the enterprise sector may signal a gradual deceleration of the unfavourable labour market tendencies. Lending to the enterprise sector is still shrinking and the growth in loans to the household sector remains considerably lower than in the past few years.

In December 2009 the annual CPI rose to 3.5%, thus equalled to the upper limit for deviations from the inflation target of 2.5%. Rise in the annual inflation rate was primarily supported by the positive base effect connected with a strong decline in fuel prices in December 2008. At the same time, core inflation net of food and energy prices decreased slightly to 2.6%, which was mainly related to the slowing growth of services prices.

In the Council's assessment, in the months to come inflation will be lowered by negative base effects connected with the surge in administered prices and food prices at the beginning of 2009. Other factors conducive to lower inflation include: low demand pressure, previously observed moderate growth of labour costs and the previous zloty appreciation. In turn, inflation decline in 2010 may be curbed by rises in: commodity prices in the world markets, fees subject to local governments' decisions, excise duty, and administered prices.

NBP

The Council assesses the probabilities of inflation running below or above the inflation target in the medium term to be balanced. In the Council's view, the improvement in global economic activity and the previously implemented monetary policy easing support the return of the economy to the potential growth path. The impact of expansionary macroeconomic policies abroad and their prospective reversal on the future global economic growth and inflation constitute a significant source of uncertainty for domestic monetary policy.

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 would support maintaining macroeconomic stability and allow to meet criteria for euro adoption.

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

The Council approved *The Balance of Payments of the Republic of Poland in 2009 Q3*.