

Warsaw, 24 August 2010

## INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 23-24 August 2010

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

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

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Released data, including the data on GDP for 2010 Q2, point to weakening economic growth in some of the largest economies, in particular in the United States. By contrast, in 2010 Q2 the economic growth accelerated significantly in Germany and to a lesser extent in the euro area as a whole. However, the risk of weakened external demand sustains the uncertainty as to the euro area economic growth in subsequent quarters. The adjustments in the balance sheets of households, enterprises and financial institutions continue in the developed economies.

In the recent period the price of some agricultural commodities have increased markedly in the global markets. At the same time, the observed alleviation of tensions in the financial markets have favoured the inflow of capital to emerging economies and the appreciation of those countries' currencies, including the strengthening of the zloty.

The data on the Polish economy indicate a stabilisation of economic growth. Fast growth in industrial output and a slow growth in construction continued. Growing employment in the enterprise sector and a decline in the unemployment rate (also in seasonally adjusted terms) both point to a gradual improvement in the labour market situation, which, however, has not been accompanied by growing wage pressure so far. In 2010 Q2 growth of wages in the economy continued to fall gradually despite some acceleration in enterprise sector wages. Lending to enterprises remains limited, mainly due to reasons related to the demand for credit.

In July 2010 the annual CPI inflation decreased (to 2.0%), running below the NBP's inflation target of 2.5%. The decline in the annual CPI inflation mainly resulted from negative base effects connected with a strong rise in the prices of fuels and excise goods one year before. At the same time, all measures of core inflation decreased. In subsequent months, inflation may be gradually increased by food and energy price growth. In the first months of 2011 the level of prices may be raised by the announced change of VAT rates. The impact of this change on inflation should nevertheless be minor.

The Council has discussed factors that may fuel inflationary pressures in the medium term.

# NBP

An important factor affecting monetary policy is the situation of public finance, especially in the face of a changed attitude in many European countries to high budget deficits and growing public debts. 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.

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.

The Council approved *The Balance of Payments of the Republic of Poland in 2010 Q1*.