



2 December 2002

Statement on the Monetary Council's meeting

- 1 At its meeting on 2 December 2002, the Monetary Council considered the latest economic and financial developments and decided to leave the central bank base rate unchanged at 9.00%.
- 2 The Monetary Council reviewed the wage agreement reached at the Interest Reconciliation Council (OÉT). In the Council's judgement, the wage agreement is difficult to interpret at both the company and employee levels, as it fails to facilitate adequate coordination of price and wage expectations, one of the proposed key tasks of a national wage agreement.

In contrast with its previous practice of reaching an agreement on the rate of nominal wage growth, OÉT has made a move towards wage indexation. The Monetary Council regards this in itself as an unfortunate decision, posing a significant threat to the economy's ability to adjust.

Current monetary conditions will be consistent with the inflation targets, only if gross nominal wages within the private sector as a whole increase at an annual rate not exceeding 6%, as a result of next year's gross corporate wage growth remaining in the range of 3% to 4.5% in nominal terms. In the absence of a gross nominal wage proposal, there is increased risk that nominal wages grow in an uncoordinated manner and in excess of the suggested limit.

- 3 The latest issue of the *Report on Financial Stability*, discussed and approved for publication by the Council, is accessible on the Bank's website. The Council is issuing its assessment relevant to the *Report* in a separate statement.