

Warsaw, 9 April 2014

Information from the meeting of the Monetary Policy Council held on 8-9 April 2014

The Council decided to keep the NBP interest rates unchanged:

- reference rate at 2.50% on an annual basis;
- lombard rate at 4.00% on an annual basis;
- deposit rate at 1.00% on an annual basis;
- bill rediscount rate at 2.75% on an annual basis.

Growth in global economic activity remains moderate, although the economic situation varies across countries. In the United States economic conditions are relatively favourable, while the euro area has been experiencing a slow, yet somewhat limited recovery. In the largest emerging economies activity growth remains low in comparison with their previous performance, while in China there are signs of its weakening. Moderate growth in global economic activity is conducive to maintaining low inflation in many countries.

Data on domestic economic activity confirm a continuation of the gradual recovery in Poland. In the first months of 2014 industrial output and retail sales growth accelerated. In February construction and assembly output increased as well. Activity growth in the subsequent quarters is signalled by favourable business climate indicators.

The recovery is gradually being transmitted into labour market conditions. Signs of employment growth in the enterprise sector, as well as a decline in unemployment, have been observed. However, despite a slight fall in February, the unemployment rate remains at an elevated level, which restricts wage growth.

In February 2014 CPI inflation amounted to 0.7%, thus remaining markedly below the NBP inflation target of 2.5%. Core inflation also continued at a low level. At the same time producer prices declined further. This was accompanied by low inflation expectations.

Lending growth to the private sector – while accelerating slightly – remains limited. However, the modest increase in mortgage loans and the further gradual revival in consumer loans starts to be also accompanied by a recovery in lending to enterprises.

In the opinion of the Council, gradual economic recovery is likely to continue in the coming quarters, however, inflationary pressures will remain subdued. Therefore, the Council decided to keep NBP interest rates unchanged. In the Council's assessment NBP interest rates should be kept unchanged for a longer period of time, i.e. at least until the end of the third quarter of 2014.

In the opinion of the Council, lowering interest rates in the first half of 2013 and keeping them unchanged in subsequent quarters, supports recovery of the domestic economy, gradual return of inflation to the target and stabilisation in the financial markets.