

Warsaw, 7 May 2014

## Information from the meeting of the Monetary Policy Council held on 6-7 May 2014

### **The Council decided to keep 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, GDP growth slowed down in 2014 Q1, yet recent data have indicated an improvement in business conditions in the subsequent months. At the same time, recovery in the euro area continues, albeit at a moderate pace. In the largest emerging market economies, activity growth remains slow relative to previous performance, including China, where it weakened in 2014 Q1. 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 March, industrial output and retail sales continued to rise, yet slower than expected. At the same time, construction and assembly output picked up. Business climate indicators – despite some weakening in March – still point to further activity growth in the coming quarters. Gradual acceleration in economic activity is accompanied by moderate lending growth, both to firms and households.

The recovery is gradually translating into improvement of labour market conditions. Employment in the enterprise sector is slowly rising, and unemployment is gradually falling. However, the unemployment rate is still elevated, which restricts wage pressure in the economy.

In March, CPI inflation amounted to 0.7%, thus remaining markedly below the NBP inflation target of 2.5%. Core inflation also remained low, and producer prices continued to fall. This was accompanied by low inflation expectations.

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. The Council maintains its assessment that 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 the recovery of the domestic

economy, a gradual return of inflation to the target and a stabilisation in the financial markets.