

Warsaw, 3 June 2014

## Information from the meeting of the Monetary Policy Council held on 2-3 June 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, following a contraction in GDP in early 2014, indicators of economic activity have improved over recent months. In the euro area, weak recovery continues and GDP growth in 2014 Q1 was slower than expected. Monetary policy of the major central banks remains expansionary. The European Central Bank has indicated a possibility of further monetary policy easing in the near future.

Activity growth remains slow relative to previous performance in the largest emerging market economies, including China and Russia, where it weakened. Moderate growth in global economic activity is conducive to maintaining low inflation in many countries. In recent months, inflation fell to near zero in the Central and Eastern Europe.

In Poland, GDP growth in 2014 Q1 accelerated to 3.4% y/y, close to the March projection. An acceleration in economic growth was driven by faster investment growth and a slight acceleration in consumer demand. In April, industrial output growth stabilised, while construction and assembly output decelerated. At the same time, retail sales growth picked up. This was accompanied by moderate acceleration in lending growth, both to companies and households.

The recovery has been translating into an improvement of labour market conditions. According to the Labour Force Survey, in 2014 Q1 employment growth in the Polish economy accelerated. This was conducive to a decline in unemployment, yet it remains elevated. Heightened unemployment restricts wage pressure in the economy.

In April, CPI inflation fell substantially below the March projection, to 0.3%, i.e. markedly below the NBP inflation target of 2.5%. All core inflation measures also declined. This was accompanied by a further fall in producer prices and decline in inflation expectations.

In the opinion of the Council, gradual economic recovery is likely to continue in the coming quarters, while inflationary pressure will remain very low. The Council decided to keep NBP interest rates unchanged. The Council maintains its assessment that NBP

interest rates should be kept unchanged until the end of the third quarter of 2014. More comprehensive assessment of monetary policy perspectives and potential adjustment of interest rates will be possible after the Council gets acquainted with incoming information, including the July NBP projection.