

Warsaw, 5 April 2017

Information from the meeting of the Monetary Policy Council held on 4-5 April 2017

The Council decided to keep the NBP interest rates unchanged:

- reference rate at 1.50%;
- lombard rate at 2.50%;
- deposit rate at 0.50%;
- rediscount rate at 1.75%.

Global economic growth remains moderate, with signs of recovery strengthening in many economies. In the euro area, GDP growth is stable, accompanied by favourable sentiment in the economy. In the United States, economic conditions are supported by improving labour market and a rebound in investment, although recent data point to some deceleration of growth in 2017 Q1. In China, economic activity growth has stabilised, while in Russia economic conditions remain weak.

In March, global commodity prices fell, yet remained higher than a year before. As a result, in many countries the annual price growth rates are significantly higher than in 2016, but their rise has come to a halt. At the same time, in many economies, including the euro area, core inflation is still moderate amid low demand pressure.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. The ECB also continues its asset purchase programme, albeit at a slower pace since April. The Federal Reserve has increased its interest rates, indicating further monetary policy tightening in the future.

In Poland, recent data on production still point to improving economic conditions in 2017 Q1. Growth in economic activity is driven mainly by increasing consumer demand, supported by a rise in employment and wages, very good consumer sentiment and child benefit payments. This is confirmed by robust growth in retail sales.

The annual growth in prices of consumer goods and services, after a significant rise at the beginning of the year, declined somewhat in March. Core inflation remains low, which points to still weak demand pressure. Despite growing employment and wages, growth in unit labour costs remains moderate.

In the Council's opinion, inflation will stabilise at a moderate level over the following quarters. The stabilisation of price growth in the coming quarters will result from fading effects of the past increase in global commodity prices, with only a gradual rise in domestic inflationary pressure stemming from improving domestic economic conditions. In consequence, the risk of inflation running persistently above the target in the medium term is limited.

The Council confirms its assessment that, given the available data and forecasts, the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance.