

Warsaw, 8 November 2017

Information from the meeting of the Monetary Policy Council held on 7-8 November 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 economy continues to recover. Economic growth in the euro area remains higher than in the previous year, driven by an improvement in the labour market conditions, favourable sentiment of economic agents, and a recovery in international trade. In the United States GDP growth in 2017 Q3 was close to that observed in the previous quarter, despite the negative impact of adverse weather factors on economic activity. In China economic growth in 2017 Q3 slowed down slightly.

Despite ongoing global recovery, inflation abroad remains moderate, on the back of persistently low domestic inflationary pressure in many countries. At the same time, prices of certain commodities, including oil, have risen somewhat of late.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. At the same time, the ECB has extended the duration of the asset purchase programme at least until September 2018, cutting the amount of monthly purchases as of next year by half. The US Federal Reserve, in turn, has started reducing its balance sheet.

In Poland, monthly data indicate that GDP growth in 2017 Q3 was probably higher than in the previous quarter. Growth was still driven primarily by consumer demand, supported by rising employment and wages, disbursement of benefits and very good consumer sentiment. At the same time, faster construction and assembly output growth than in the first half of the year points to a probable recovery in investment.

The annual growth in prices of consumer goods and services remains at a moderate level. All core inflation measures have risen, though still remain moderate.

The Council became acquainted with the results of the November projection of inflation and GDP, prepared under the assumption of unchanged NBP interest rates. In line with the November projection based on the NECMOD model, there is a 50-percent probability that the annual price growth will be in the range of 1.9-2.0% in 2017 (against 1.6-2.3% in the July 2017 projection), 1.6-2.9% in 2018 (compared to 1.1-2.9%) and 1.7-3.7% in 2019 (compared to 1.3-3.6%). At the same time, the annual GDP growth – in line with this projection – will be with a 50-percent probability in the range of 3.8-4.6% in 2017 (against 3.4-4.7% in the July 2017 projection), 2.8-4.5% in 2018 (compared to 2.5-4.5%) and 2.3-4.3% in 2019 (compared to 2.3-4.3%).

Taking into account the present information, including the results of the November projection, the Council judges that in the coming years inflation will run close to the inflation target. As a result, the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic stability.

The Council adopted a resolution on the required reserve ratios. In line with this resolution the required reserve ratio on funds received for at least a two-year period will stand at 0%. The resolution comes into force on 1 March 2018 and applies since the required reserve maintenance period starting on 30 April 2018.

The Council adopted the *Opinion on the 2018 Draft Budget Act*.

The Council adopted *Inflation Report – November 2017*.