

Warsaw, 25 April 2007

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 24-25 April 2007

The Council decided to increase the NBP interest rates by 0.25 percentage point to the level:

- reference rate 4.25 % on an annual basis;
- lombard rate 5.75 % on an annual basis;
- deposit rate 2.75% on an annual basis;
- rediscount rate 4.50% on an annual basis.

The Polish economy is currently in the period of strong growth involving all economic sectors. The data released in April support previous assessments that strong economic activity should be sustained for at least next few quarters. The continuation of fast economic growth in Poland will be supported by strong activity in the world economy and particularly the continuation of the fast economic growth in the euro area in the conditions of stable inflation. In March the annual growth of consumer prices in Poland amounted to 2.5%, which is a level consistent with the inflation target of the NBP.

The Council got acquainted with the projection of inflation and GDP prepared by NBP staff and based on the ECMOD model, which is one of the inputs to the Council's decision-making process on NBP interest rates. According to the April ECMOD-based projection, the annual GDP growth will remain with 50-percent probability within the range of 6.0-7.0% in 2007 (compared with 4.9-6.7% in the January projection), 4.0-6.3% in 2008 (compared with 3.6-6.4%) and 4.0-7.0% in 2009 (compared with 3.5-6.5%).

According to the April inflation projection, the growth of consumer prices will be lower than in the January projection over the whole projection horizon. Under constant interest rates, there is a 50-percent probability that inflation will remain within the range of 1.3-2.6% in 2007 Q4 (compared with 2.1-3.8% in the January projection), 1.6-3.8% in 2008 Q4 (compared with 2.2-4.5%) and 2.1-4.6% in 2009 Q4 (compared with 2.4-5.2%). The Council also got acquainted with other forecasts conducted at the NBP.

In the Council's assessment, in the second half of 2007 CPI inflation will temporarily decrease markedly below the inflation target of 2.5%, which is also indicated by the April inflation projection.

In the Council's assessment, in the medium term, the probability of inflation running above the target is larger than the probability of its running below the target, which persuaded the Council to tighten the monetary policy. The Council assessed that the high growth of domestic demand, which most probably outpaces the growth of potential GDP, will be sustained in the next quarters, which should be conducive to a gradual increase in wage and inflationary pressures.

NBP

In the coming months, the Council will be closely observing the relation between wage growth and the growth of labour productivity, zloty exchange rate, the impact of globalisation on the economy and other factors.

At the meeting the Council adopted *Financial Report of NBP as of 31 December 2006, Balance of Payments for 2006 Q4* and the *Inflation Report – April 2007*.

The minutes of the Council's April meeting will be released on 24 May 2007.

The next meeting of the Council will be held on 16 May 2007 and will be devoted to discussing drafts of the *Report on Monetary Policy Implementation in 2006* and the *Report on the Operations of the National Bank of Poland in 2006*. The *Reports* will be finally approved at the Council's meeting held on 29-30 May 2007.