

Warsaw, 30 May 2007

INFORMATION FROM THE MEETING OF THE MONETARY POLICY COUNCIL

held on 29-30 May 2007

The Council decided to keep the NBP interest rates unchanged, i.e.:

- **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 still in the period of strong growth encompassing all its sectors. The data released in May confirm previous assessments that strong economic activity should be sustained for at least next few quarters, even though economic growth in the next quarters will be probably slightly lower than in 2007 Q1. The continuation of fast economic growth in Poland will be supported by strong activity in the world economy and, particularly, the consolidating recovery in the euro area, which is taking place in the conditions of stable inflation. In April the annual growth of consumer prices in Poland amounted to 2.3%, which was close to the NBP's inflation target of 2.5%.

In the Council's assessment the high growth of domestic demand, which most probably exceeds the growth of potential GDP, will be sustained in the next quarters. The latest data on labour market developments point to a further build-up in wage pressure, which may lead to an increase in inflation. The Council assesses, however, that in the medium term inflation increase will be constrained primarily by a probable continuation of high productivity growth supported by high investment growth, very good financial results of enterprises and low growth of external prices, related to globalisation and the ensuing intensified competition in the market of internationally traded goods and services.

In the Council's assessment in 2007 Q3 CPI inflation may temporarily fall below its present level.

In the Council's assessment, in the medium term, the probability of inflation running above the inflation target decreased owing to the last month's NBP interest rate increase, though it remains higher than the probability of inflation running below the target. A more comprehensive assessment of the scale of risk of inflation overshooting the inflation target will only be possible after analysing the data to be released in the coming months. The Council will be closely monitoring the relation between wage and labour productivity growth, zloty exchange rate, the impact of globalisation on the economy and other factors.