

Warsaw, 11 January 2017

Information from the meeting of the Monetary Policy Council held on 10-11 January 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%.

Economic growth abroad remains moderate, with signs of recovery in global industry. In the euro area, economic growth has been stable, albeit diverse across its member states. In Germany, economic growth in 2016 Q4 probably accelerated, while in other large euro area economies it remained low. In the United States, expansion has continued, supported by improvement in the labour market reflected both in rising employment and wages. In China, there are signs of improvement in economic conditions, yet GDP growth is still lower than in previous years.

Prices of energy commodities, including oil, have risen over recent months. In consequence, inflation has picked up in many economies, including in the euro area.

The European Central Bank has been keeping the interest rates close to zero, including the deposit rate below zero. The ECB is also continuing its asset purchase programme. The Federal Reserve raised the interest rates in December 2016 and indicated their further rise in 2017.

In Poland, GDP growth in 2016 Q4 was probably subdued. However, monthly data signal some improvement in economic activity over the recent past. Economic growth has been mainly driven by increasing consumer demand, supported by a rise in employment and wages, very good consumer sentiment and child benefit payments. At the same time, GDP growth was contained by a fall in investment, caused to a large extent by temporarily lower use of EU funds after the completion of the previous EU financial perspective.

Annual growth in prices of consumer goods and services has been increasing – in line with flash estimate it was 0.8% y/y in December 2016. Growth in producer prices has also picked up. The increase in price growth has resulted mainly from energy commodity prices being higher than a year ago, i.e. factors beyond the direct impact of domestic monetary policy. At the same time, price growth has been contained by low inflationary pressure abroad and negative output gap in the domestic economy.

In the Council's opinion, price growth will continue to increase in the coming months, yet it will remain moderate. Besides commodity prices being higher than a year

ago, price growth will be supported by an expected acceleration in economic growth amid a gradual increase in the investment growth rate and a stable rise in consumption.

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.