

Warsaw, 8 February 2017

Information from the meeting of the Monetary Policy Council held on 7-8 February 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, but forecasts for the global economy have recently been revised up. In the euro area, a gradual recovery continues, amid stronger industrial confidence. In the United States, economic conditions are supported by improving labour market, reflected both in rising employment and wages. In China, GDP growth slightly picked up in 2016 Q4, following a few years of slowdown. In Russia, recession is gradually receding.

Global commodity prices are significantly higher than a year ago, which results in rising inflation in many economies. However, in many of them, including the euro area, demand pressure is still low, containing the rise in inflation and keeping the core inflation rates at a moderate level.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. The ECB also continues its asset purchase programme. The Federal Reserve indicates further rise in interest rates in 2017.

In Poland, preliminary data on GDP in 2016 indicate that in 2016 Q4 the annual economic growth rate was close to that recorded a quarter earlier. Economic growth was mainly driven by increasing consumer demand, supported by a rise in employment and wages, very good consumer sentiment and child benefit payments. Net exports and rise in inventories also added to GDP growth. At the same time, fall in investment narrowed. Lower pace of investment decline probably resulted from higher use of EU funds under the new EU financial perspective.

In recent months, like in many countries the annual growth in prices of consumer goods and services picked up. The price growth results from higher global commodity prices, i.e. factors beyond the direct impact of domestic monetary policy. At the same time, inflationary pressure is contained by moderate growth in unit labour costs and the negative output gap in the domestic economy.

In the Council's opinion, following a rise in inflation in the first months of the year, price growth will stabilize in the coming quarters. Annual inflation will be increased owing to the effects of higher global commodity prices. Bearing in mind the external and most probably temporary nature of factors behind the increase in price growth as well as

low domestic demand pressure, the Council judges that the risk of inflation persistently running above the target in the medium term is low.

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.