

Warsaw, 17 May 2017

Information from the meeting of the Monetary Policy Council held on 16-17 May 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 economic conditions are showing further signs of improvement, particularly in industry and international trade. In the euro area, data point to ongoing recovery. In the United States, GDP growth declined in 2017 Q1, most probably due to temporary factors. In China, economic growth was higher than in the previous quarter, yet current data do not indicate a sustained acceleration in growth.

In many countries, the annual inflation rates are markedly higher than in 2016, reflecting mainly an earlier increase in commodity prices. However, energy commodity prices, mostly oil, have fallen recently.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. The ECB also continues its asset purchase programme. At the same time, the Federal Reserve indicates further monetary policy tightening.

In Poland, incoming data point to a pick-up in GDP growth in 2017 Q1. Economic growth is still driven primarily by increasing consumer demand, supported by rising employment and wages, good consumer sentiment and disbursement of benefits. This is accompanied by improving conditions in industry and construction, which may point to a gradual recovery in investment demand.

The annual growth in prices of consumer goods and services, following a significant rise at the beginning of the year, has stabilised at a moderate level. At the same time, core inflation, though gradually increasing, remains low, which points to still limited demand pressure. Despite growing employment and wages, growth in unit labour costs remains moderate.

In the Council's opinion, in the following quarters inflation will remain moderate amid fading effects of the past increase in global commodity prices, with only a gradual rise in domestic inflationary pressure stemming from improving domestic economic conditions. In consequence, the risk of inflation running persistently above the target in the medium term is limited.

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.