

Warsaw, 11 July 2018

Information from the meeting of the Monetary Policy Council held on 10-11 July 2018

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 remain favourable. In the euro area, incoming data suggest continued favourable economic situation, despite a slightly slower GDP growth than in 2017. Similarly, in the United States, economic conditions remain sound, while incoming data suggest GDP growth in 2018 Q2 picked up. In China, in turn, economic activity has continued at stable rates for the past few quarters.

Despite favourable global economic conditions, inflation abroad remains moderate on the back of persistently low domestic inflationary pressure across many countries and a decline in some agricultural commodity prices. At the same time, significantly higher oil prices than a year ago are increasing inflation rates.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. At the same time, the ECB continues to purchase financial assets, although it has announced a reduction in the scale of purchases from October 2018 and the termination of the programme by the end of the year. The Federal Reserve raised interest rates in June and continues to gradually reduce its balance sheet.

In Poland, economic growth remains relatively high. It is driven by rising consumption, fuelled by increasing employment and wages, disbursement of benefits and very strong consumer sentiment. This is probably accompanied by a further recovery in investment.

Notwithstanding relatively high economic growth and wages rising faster than in the previous year, consumer price growth remains moderate. The slightly higher annual CPI rate than in the previous months reflects the growth in fuel prices. At the same time, inflation net of food and energy prices stays low.

The Council became acquainted with the results of the July projection of inflation and GDP, prepared under the assumption of unchanged NBP interest rates. In line with the July projection based on the NECMOD model, there is a 50-percent probability that annual price growth will be in the range of 1.5-2.1% in 2018 (against 1.6-2.5% in the March 2018 projection), 1.9-3.5% in 2019 (compared to 1.7-3.6%) and 1.7-3.9% in 2020 (compared to 1.9-4.1%). At the same time, annual GDP growth – in line with this projection – will be with a 50-percent probability in the range of 4.0-5.2% in 2018 (against 3.5-5.0% in the March 2018

projection), 2.8-4.7% in 2019 (compared to 2.8-4.8%) and 2.4–4.3% in 2020 (compared to 2.6–4.6%).

In the Council's assessment, current information and the results of the projection point to a favourable outlook for economic activity growth in Poland, despite the expected slowdown in GDP growth in the coming years. In line with the results of the projection, inflation will remain close to the target in the monetary policy transmission horizon. As a result, the Council judges that the current level of interest rates is conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The Council adopted *Inflation Report – July 2018*.