

Warsaw, 5 July 2017

Information from the meeting of the Monetary Policy Council held on 4-5 July 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%.

Signs of improvement in the global economy are strengthening. In the euro area, data indicate an ongoing recovery driven by rising consumption and investment. In the United States, after a temporary decline, GDP growth probably picked up in 2017 Q2. In turn, in China current data point to a deceleration of economic growth in 2017 Q2.

Despite continuing global recovery, inflation abroad remains moderate, on the back of the fading effects of an earlier increase in commodity prices and stable oil prices, alongside low domestic inflationary pressure in many countries.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. The ECB continues its asset purchase programme. The US Federal Reserve gradually tightens its monetary policy by raising interest rates.

In Poland, monthly data on economic activity indicate stable GDP growth in 2017 Q2. Growth is still driven primarily by increasing consumer demand, supported by rising employment and wages, disbursement of benefits and very good consumer sentiment. At the same time, data on industrial production and construction output, as well as leading economic indicators, suggest a continuation of favourable trends in the corporate sector. Together with the expected increase in the absorption of EU funds, this should support recovery in investment in the coming quarters.

The annual growth in prices of consumer goods and services remains at a moderate level, while core inflation, though gradually increasing, is still low. Growth in unit labour costs also 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.

Such an assessment is supported by the results of the July projection of inflation and GDP, prepared by the Economic Analysis Department 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 the annual price growth will be in the range

of 1.6 – 2.3% in 2017 (against 1.6 – 2.5% in the March 2017 projection), 1.1 – 2.9% in 2018 (compared to 0.9 – 2.9%) and 1.3 – 3.6% in 2019 (compared to 1.2 – 3.5%). The annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.4 – 4.7% in 2017 (against 3.4 – 4.0% in the March 2017 projection), 2.5 – 4.5% in 2018 (compared to 2.4 – 4.5%) and 2.3 – 4.3% in 2019 (compared to 2.3 – 4.4%).

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.

The Council adopted *Inflation Report – July 2017*.