

Warsaw, 7 March 2018

Information from the meeting of the Monetary Policy Council held on 6-7 March 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%.

The global economic conditions continue to improve. The euro area data for GDP in 2017 Q4 signal that the economy continues to grow faster than in previous years. This is driven by an improvement in the labour market conditions, good sentiment of economic agents, and stronger world trade growth. In the United States, economic conditions also remain favourable, although GDP growth in 2017 Q4 slowed down slightly. In China, in turn, GDP growth was relatively stable in 2017.

Despite the ongoing global recovery, inflation abroad remains moderate, on the back of persistently low domestic inflationary pressure in many countries, and lower than in the previous year global agricultural commodity prices. At the same time, prices of some other commodities, including oil, are higher than a year ago.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero, while still purchasing financial assets. The US Federal Reserve, in turn, continues to gradually reduce its balance sheet, signalling further interest rate increases in the future.

In Poland, annual GDP growth in 2017 Q4 stood at 5.1%. Growth is still primarily driven by domestic demand, including consumer demand, supported by rising employment and an acceleration in wage growth, disbursement of benefits and very strong consumer sentiment. At the same time, 2017 Q4 saw a marked recovery in investment. The pickup in investment was primarily observed in the public sector, although gross fixed capital formation of enterprises probably increased as well. Growth in economic activity is also supported by strong external demand.

Despite the acceleration in economic growth, annual consumer price growth continues to run at a moderate level. At the same time – although wage growth increased – inflation net of food and energy prices remains low.

The Council became acquainted with the results of the March projection of inflation and GDP, prepared under the assumption of unchanged NBP interest rates. In line with the March projection based on the NECMOD model, there is a 50-percent probability that the annual price growth will be in the range of 1.6-2.5% in 2018 (against 1.6-2.9% in the November 2017 projection), 1.7-3.6% in 2019 (compared to 1.7-3.7%) and 1.9-4.1% in 2020.

At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.5-5.0% in 2018 (against 2.8-4.5% in the November 2017 projection), 2.8-4.8% in 2019 (compared to 2.3-4.3%) and 2.6-4.6% in 2020.

In the Council's assessment, current data and the results of the projection indicate a favourable outlook for growth in economic activity in Poland, despite an expected slight slowdown in GDP growth in the coming years. In line with the projection, in the monetary policy transmission horizon inflation will remain close to the inflation target. 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 – March 2018*.