

Warsaw, 3 February 2016

## Information from the meeting of the Monetary Policy Council held on 2-3 February 2016

### **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%.

In the euro area economic recovery continues, yet activity growth remains moderate. In the United States – despite slightly weaker recent data – good economic conditions prevail and GDP growth in 2016 is expected to be close to last year’s level. In China, economic growth has been decelerating gradually, while Russia and Brazil remain in a deep recession. Concerns have increased that economic growth in emerging market economies might weaken further, which is a key downside risk to global economic conditions. In consequence, prices of many financial assets have declined in the global markets. This was accompanied by a weakening of emerging market currencies, including the zloty.

Prices of oil and other energy commodities remain low. In effect, inflation in many economies – including the euro area – stays close to zero. At the same time, in some advanced economies – including the United States – core inflation is markedly higher than headline consumer price growth.

Against this background, the monetary policies in the United States and the euro area are diverging. The ECB continues its financial asset purchases and indicates that the scale of monetary expansion might be increased in the coming months. At the same time, the Federal Reserve’s interest rates are still expected to increase.

In Poland, preliminary estimate of national accounts for 2015 suggests that GDP growth likely increased in 2015 Q4. Domestic demand, fuelled by stable consumption growth and rising investment, continues to be the key driver of economic growth. Growth is supported by favourable labour market conditions, positive consumer sentiment, sound financial standing of enterprises and high capacity utilisation.

As the output gap remains negative, and wage growth is only moderate, currently there are no inflationary pressures in the economy. The annual growth in both consumer and producer prices remains negative. Yet, the persistence of deflation results mainly from the strong fall in global energy commodity prices in recent quarters. Inflation expectations are still very low. However, the persisting deflation has not yet adversely affected decisions of economic agents.

In the Council's assessment, CPI inflation will remain negative in the coming months due to the depressed prices of global energy commodities. At the same time, a gradual increase in core inflation is expected and will be supported by stable economic growth amid improving economic activity in the euro area and favourable labour market conditions.

The Council decided to keep the NBP interest rates unchanged, assessing 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 ensure macroeconomic balance.

A more comprehensive assessment of the outlook for price developments and economic growth in the coming quarters will be possible after the Council gets acquainted with the March projection of inflation and GDP.