

Warsaw, 3 December 2014

Information from the meeting of the Monetary Policy Council held on 2-3 December 2014

The Council has decided to keep the NBP interest rates unchanged at:

- reference rate at 2.00% on an annual basis;
- lombard rate at 3.00% on an annual basis;
- deposit rate at 1.00% on an annual basis;
- rediscount rate at 2.25% on an annual basis.

Global economic activity remains moderate, although the situation varies across countries. In the United States, economic growth in 2014 Q3 stayed relatively robust. In the euro area, in turn, GDP growth – notwithstanding slight acceleration – remained weak, and business climate indicators point to low activity growth probably continuing in the following quarters. This is accompanied by relatively slow GDP growth in the largest emerging economies, with a recent weakening observed in Russia and China.

In the past month, oil prices continued to decline. Along with moderate global economic growth, this contributes to very low inflation in many countries. In Poland's immediate environment – including the euro area and the Central and Eastern Europe – inflation remains close to zero.

Major central banks continue their expansionary monetary policy, with interest rates at historically low levels, while the ECB and the Bank of Japan run asset purchase programmes.

In Poland, in 2014 Q3 annual GDP growth decreased to 3.3% y/y (from 3.5% in 2014 Q2). Stable growth in consumption was accompanied by some acceleration in investment growth. Alongside that, exports and imports growth slowed down. As a consequence, the contribution of net exports to GDP growth stayed negative. According to data for October, industrial production and retail sales growth remained weak, while construction and assembly output decreased. This was accompanied by a stable growth in bank lending to both enterprises and households.

LFS data show an acceleration in the number of working persons in the economy in 2014 Q3, which was conducive to further reduction in the unemployment rate. At the same time, wage pressure remains limited, as indicated by continued moderate wage growth in the economy.

In October, CPI inflation declined to -0.6% y/y. This was accompanied by a decrease in core inflation indices, which confirms the absence of demand pressure in the economy. The continued decline in producer prices points, in turn, to a lack of cost pressure. This is accompanied by very low inflation expectations of enterprises and households.

In the opinion of the Council, the October adjustment of monetary policy and the stable, despite some slowdown, economic growth limit the risk of inflation remaining below the target in the medium term. Therefore, the Council decided to keep the NBP interest rates unchanged. However, the Council highlights that uncertainty regarding the economic conditions in the environment of the Polish economy persists. If the incoming data confirm a slowdown in economic activity, and weak growth in the environment of the Polish economy persists, the Council does not rule out further adjustment of monetary policy.