

Warsaw, 5 October 2016

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

Global economic growth remains moderate, while uncertainty about its outlook continues. In the euro area, economic growth is stable despite the negative impact of the weak economic conditions in the non-European emerging market economies. In the United States, incoming data point to some acceleration in GDP growth in 2016 Q3, which is accompanied by further improvement in the labour market. In China, economic growth is lower than in previous years, but recent data indicates a stabilisation of economic conditions. Meanwhile, in Russia recession is gradually receding.

Global commodity prices – despite a rise since the beginning of the year – are lower than in previous years. Low level of commodity prices, along with moderate global economic activity, has been the main factor behind low consumer price growth in many economies.

The European Central Bank keeps its interest rates close to zero, including the deposit rate below zero, and continues financial asset purchases. The Federal Reserve – after a hike in December 2015 – keeps the interest rates unchanged, indicating their possible increase in the future.

In Poland, stable economic growth continues. Incoming data indicate that GDP growth in 2015 Q3 was probably close to that observed in the previous quarter. Steadily increasing consumer demand remains the main driver of economic growth. Consumer demand is supported by gradual improvement in the labour market, favourable household sentiment and the child benefit payments under the “Family 500 plus” programme. Data on construction and assembly output indicate that declining investment is still containing economic activity. The decrease in investment is related to temporarily lower absorption of EU funds after expiration of the previous EU financial framework, as well as uncertainty in the enterprise sector.

Annual growth in prices of consumer goods and services remains negative, yet deflation is gradually subsiding. Weakening deflationary trends are also visible in producer price developments. The increase in price growth results from dissipating effects of the earlier sharp fall in global commodity prices, and also the gradual acceleration in wage growth in Poland. Price growth is contained by low inflation abroad

and negative output gap in the domestic economy. At the same time, inflation expectations remain low.

In the Council's opinion, the scale of deflation will continue to decrease in the coming months. Higher price growth will be supported by stable GDP growth, amid accelerating wage growth and higher child benefits. In the coming quarters, investment growth should also rise, supported by good financial standing of enterprises, growing capacity utilisation of firms and a gradual increase in absorption of EU funds. The sources of uncertainty for expected economic activity and price developments are risks of a deterioration in global economy and a fall in commodity prices.

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.