

Warsaw, 6 February 2019

Information from the meeting of the Monetary Policy Council held on 5-6 February 2019

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%.

Incoming data indicate a weakening in some of the largest economies, amid heightened uncertainty regarding the outlook for global economic activity in the coming quarters. In the euro area, GDP growth in 2018 Q4 remained lower than in the first half of 2018, while economic climate indicators declined in the recent period. In the United States, GDP growth in 2018 Q4 slowed down, although economic conditions in this economy remain strong. At the same time, in China activity growth continues to gradually decline.

Despite some increase in global oil prices in the recent period, their level is lower than in 2018 Q3. This is leading to a decline in inflation in many countries. Alongside that, core inflation in the environment of the Polish economy, including the euro area, remains low.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. At the same time, the ECB continues to reinvest the funds from the maturing securities. Following an interest rate hike in December 2018, the US Federal Reserve is keeping interest rates unchanged.

In Poland, preliminary GDP data for 2018 suggest that GDP growth in 2018 Q4 remained relatively high, although it was slightly lower than in previous quarters. GDP growth is still driven by rising consumption – albeit at a slightly lower rate than in previous quarters – that is fuelled by increasing employment and wages as well as very high consumer sentiment. This was accompanied by a rise in investment.

Notwithstanding relatively high economic growth and wages increasing faster than in previous years, annual consumer price growth has declined in recent months and remains moderate. At the same time, inflation net of food and energy prices continues to be low.

In the Council's assessment, the outlook for economic conditions in Poland remains favourable. However, in the quarters to come, there will probably be a gradual slowdown in GDP growth. At the same time, according to current forecasts, the annual price growth will increase in the coming months, yet – due to lower oil prices than in 2018 Q3 and the freeze on electricity prices – the scale of this increase will be markedly smaller than anticipated in the November projection. In the medium term, the expected slowdown in economic growth will have a dampening effect on inflation. Consequently, in the monetary policy transmission horizon, inflation will remain close to the target.

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.