

Warsaw, 2 September 2015

## Information from the meeting of the Monetary Policy Council held on 1-2 September 2015

### **The Council decided to keep the NBP interest rates unchanged:**

- reference rate at 1.50% on an annual basis;
- lombard rate at 2.50% on an annual basis;
- deposit rate at 0.50% on an annual basis;
- rediscount rate at 1.75% on an annual basis.

Growth of global economic activity remains moderate. In the euro area, economic recovery continues, despite slight weakening of GDP growth in 2015 Q2. In the United States, output growth has picked up. In turn, economic growth in China 2015 Q2 remained low as for this country and incoming data indicate that economic conditions might deteriorate further. Along with deepening recession in Russia and Brazil, this caused the increased concerns about the growth outlook of the developing countries.

The rising risk of a stronger slowdown in emerging economies led to deterioration in the financial market sentiment and – in effect – to a drop of prices of many assets. In addition, prices of most commodities, including oil, have fallen again in the global markets.

Amidst moderate global economic activity and low commodity prices, price growth in many countries remains very low. In the United States and the euro area, inflation is still close to zero, while in some European economies prices continue to decline.

Major central banks keep interest rates at close to zero, but the Federal Reserve is signalling a possibility of their increase this year. At the same time, the ECB continues its asset purchase programme. The People's Bank of China has devalued the yuan, what was conducive to weakening of some emerging markets' currencies.

In Poland, GDP growth in 2015 Q2 was slightly weaker than in the previous quarter. Economic growth continued to be driven primarily by consumption, supported by favourable labour market situation and growing household lending. GDP growth was also driven by further growth in investment – although weaker than in 2015 Q1 – fuelled by good financial condition of enterprises. In turn, contribution of net exports to GDP growth declined markedly. July data on production and retail sales point to a stabilisation of economic growth in the following quarters.

Due to moderate growth in demand and the continuing negative output gap, there is no inflationary pressure in the economy. Moreover, low commodity prices and moderate nominal wage growth limit the risk of rising cost pressure. As a result, the annual

consumer price growth remains negative, although the scale of the deflation is gradually diminishing. Producer price growth is also negative and inflation expectations are running low.

In the opinion of the Council, price growth will continue to slowly increase in the nearest quarters. Its growth will be supported by the expected stable economic growth, amidst the recovery in the euro area and a favourable situation in the domestic labour market. At the same time, increasing risk of stronger economic slowdown in emerging economies and the declining commodity prices have raised the uncertainty about the pace of inflation returning to the target.

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