

Warsaw, 6 April 2016

Information from the meeting of the Monetary Policy Council held on 5-6 April 2016

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

- 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, amid continuing heightened uncertainty about its outlook. Uncertainty regards, above all, the scale of economic slowdown in the emerging economies and its translation into lower activity in the advanced economies.

In the euro area, economic recovery continues. Moderate growth is expected to continue in the coming quarters, although the slowdown in the emerging economies has a negative impact on the region's economic outlook. In the United States, after a slightly weaker GDP growth in the second half of 2015, economic conditions are still relatively good. Instead, economic slowdown in China continues, while Russia and Brazil are still in recession.

Prices of oil and many other commodities in the global markets – despite some increase in the last two months – are still markedly lower than a year ago. Low commodity prices, combined with moderate global economic activity, are the main factor behind very low consumer price growth in many economies. In some economies – including in the euro area – price growth is negative.

Against this background, the European Central Bank eased its monetary policy in March, lowering interest rates and increasing the scale of quantitative easing. At the same time, the Federal Reserve – after increasing interest rates in December – is keeping rates unchanged, while indicating a possible interest rate rise in the coming quarters.

The decisions of the major central banks and the increase in oil prices have recently led to some improvement in global financial market sentiment and an increase in asset prices, including stock prices and exchange rates of emerging economies.

In Poland, stable economic growth continues, although the data on industrial production and construction output signal that GDP growth in 2016 Q1 might have been slightly lower than in the previous quarter. Stable consumption growth and rising investment continue to support economic growth. The rise in consumer demand is driven by steady growth in employment and improving consumer sentiment. Growth in investment is supported by sound financial standing of enterprises, their high capacity utilization and the relatively favourable prospects for demand. This is accompanied by

stable lending growth. At the same time, economic growth is hampered by weakening external demand.

As the output gap remains negative and average nominal wage growth is moderate, currently there is no inflationary pressure in the economy. Annual consumer price growth and producer price growth remain negative. However, external factors – particularly the earlier sharp fall in global commodity prices and low price growth in the environment of the Polish economy – continue to be the main reason for deflation. This is accompanied by very low inflation expectations. The persisting deflation has not adversely affected decisions of economic agents so far.

In the Council's assessment, price growth will stay negative in the coming quarters due to the earlier fall in global commodity prices. At the same time, it will be accompanied by stable economic growth, including an expected rise in consumer demand growth driven by rising employment, forecasted acceleration of wage growth and an increase in social benefits. This notwithstanding, the downside risks to the global economic conditions and the volatility of commodity prices remain the sources of uncertainty for the domestic economy and price developments.

The Council continues to assess 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.