

Warsaw, 6 May 2016

Information from the meeting of the Monetary Policy Council held on 5-6 May 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 1.75%.

Global economic activity growth remains moderate, amid continuing uncertainty about its outlook. In the euro area, economic recovery continues, although weak economic conditions in emerging economies have a negative impact on the activity in this economy. In the United States, economic growth slowed down in 2016 Q1, but this was accompanied by ongoing improvement in labour market conditions. In China, GDP growth continues to decelerate gradually, while Russia and Brazil remain in recession.

Prices of oil and other commodities in the global markets – despite some increase in recent 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 the euro area – price growth is negative.

The European Central Bank is keeping the interest rates at a very low level, including the deposit rate below zero, and continues financial asset purchases. At the same time, the Federal Reserve – after increasing the interest rates in December – is keeping the rates unchanged, while indicating a possible interest rate rise in the future.

In Poland, the revised data on national accounts indicate that GDP growth in 2015 Q4 was higher than previously estimated. In 2016 Q1, GDP growth might have slowed down slightly. The rise in economic activity is still supported by growing employment, improving consumer sentiment, sound financial standing of enterprises, their high capacity utilization and stable lending growth. Hence, the weakening in GDP growth in early 2016 was probably temporary, although the continuing uncertainty about economic conditions abroad is a risk factor for domestic economic activity.

With negative output gap and moderate growth of average nominal wages, currently there is no inflationary pressure in the economy. Annual consumer price growth and producer price growth stay negative. 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 sources of 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 substantial decline in global commodity prices. At the same time, GDP growth is expected to remain stable, following a temporary deceleration earlier this year. Consumer demand will continue to be the main driver of economic growth, supported 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 domestic economy and price developments.

The Council maintains 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.