

Warsaw, 8 June 2016

Information from the meeting of the Monetary Policy Council held on 7-8 June 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 remains about its outlook. In the euro area, a gradual recovery continues, although weak economic conditions in emerging countries have a negative impact on the region's economic outlook. In the United States, despite a slowdown in GDP growth in 2016 Q1, moderate economic growth is expected to continue. In turn, in China incoming data indicate a further deceleration of economic growth, while Russia and Brazil remain in recession.

Prices of oil and many other commodities in the global markets – despite some increase in recent months – are still markedly lower than in previous years. The main factors behind very low consumer price growth in many economies are low commodity prices, combined with moderate global economic activity. 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, GDP growth slowed down in 2016 Q1. This was driven primarily by the fall in investment, which was partly related to the completion of projects co-financed with EU funds under the previous financial framework. At the same time, growth of consumer demand remained stable, supported by growing employment, improving consumer sentiment and growth in lending to households. Taking into account the continuing sound financial standing of enterprises and their high capacity utilization, the fall in investment – and thus also the weakening of economic growth – at the beginning of 2016 was most likely temporary. The increase in consumer spending resulting from the launch of the "Family 500+" programme will also contribute to GDP growth in the coming quarters. Yet, the uncertainty about economic conditions abroad continues to be 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 remain 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 in the coming quarters, following a temporary deceleration early 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 the 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.