

Warsaw, 7 September 2016

Information from the meeting of the Monetary Policy Council held on 6-7 September 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, but uncertainty remains about its outlook. In the euro area, economic growth is stable despite a negative impact of weak economic conditions in the non-European emerging market economies. In the United States, GDP growth is lower than in previous years, but recent improvement in labour market has eased concerns about persistent deterioration in economic conditions. Recent indicators point to further slowdown in China, while in Russia recession is gradually receding.

The prices of oil and many other commodities in the global markets remain lower than in previous years. Along with moderate global economic activity, this is the main factor behind low consumer price growth in many economies.

The European Central Bank keeps its interest rates close to zero, including the deposit rate below zero, and continues financial asset purchases. The US Federal Reserve – after a hike in December 2015 – keeps the interest rates unchanged, indicating their possible increase in the future.

In Poland, GDP growth in 2016 Q2 picked up somewhat. The growth was driven mainly by steady increase in consumer demand, supported by gradual improvement in the labour market, favourable consumer sentiment and the launch of the "Family 500 plus" programme. Another factor contributing to higher GDP growth in 2016 Q2 was significant acceleration in exports. At the same time, GDP growth was contained by a decline in investment. It was related to a temporary lower EU funds absorption after the previous EU financial framework had expired, as well as uncertainty about the economic outlook.

With the negative output gap and moderate – though increasing – nominal wage growth, there is no inflationary pressure in the economy. The annual consumer price growth and producer price growth remain negative. Negative price growth results from external factors, mainly the earlier sharp fall in global commodity prices and the low price growth in the environment of the Polish economy. This is accompanied by low inflation expectations. According to available information, the persisting deflation has not adversely affected decisions taken by economic agents so far.

In the Council's opinion, the annual consumer price index will remain negative in the coming months. However, deflation will be gradually subsiding due to dissipating effects of low commodity prices in the global markets. In the coming quarters, higher price growth will be supported by stable GDP growth, amid acceleration in wage growth and higher child benefits. Investment should also rise, which will be supported by a gradual increase in EU funds absorption, good financial standing of enterprises and growing capacity utilisation of firms. The sources of uncertainty for expected economic activity and price developments are risks of a deterioration in the global economy and of a fall in commodity prices.

The Council confirms 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.

The Council adopted Monetary Policy Guidelines for 2017.