

Warsaw, 7 December 2016

Information from the meeting of the Monetary Policy Council held on 6-7 December 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 with uncertainty about its outlook. In the euro area economic growth has been stable, yet in 2016 Q3 it eased in several member states, including Germany. GDP growth has decelerated also in the Central and Eastern European economies. In the United States, economic conditions have been favourable, while in China economic growth has been lower than in previous years. In Russia, recession has been receding.

Amid moderate global economic growth and lower commodity prices than in previous years, price growth in the environment of the Polish economy has still been very low, albeit increasing.

The European Central Bank has kept the interest rates close to zero, including the deposit rate below zero, and has continued financial asset purchases. The Federal Reserve indicates a likely rise in the interest rates in the near future. As a result of the prospective monetary policy tightening in the United States, the US dollar has appreciated and bond yields have risen in many countries. In addition, the emerging market currencies, including the zloty, have depreciated.

In Poland, GDP growth decelerated in 2016 Q3 and remained subdued also in the current quarter as signalled by recent economic data. The slowdown has been caused mainly by a fall in investment related to temporarily lower absorption of EU funds after expiration of the previous EU financial framework. Investment has been additionally contained by uncertainty among enterprises. Lower GDP growth in 2016 Q3 resulted also from weaker increase in exports compared to the previous quarter, most probably stemming from slower economic growth in the major trading partners. Poland's economic growth has been supported, in turn, by increasingly faster rise in consumer demand amid ongoing improvement in the labour market, favourable household sentiment and the child benefit payments under the "Family 500 plus" programme.

Annual growth in prices of consumer goods and services has been gradually rising – in November it was 0%. Also producer price growth has been accelerating at a moderate pace. The increase in price growth has resulted mainly from the dissipating effects of the earlier sharp fall in global commodity prices. Price growth has been contained by low

inflation abroad, negative output gap in the domestic economy and low inflation expectations.

In the Council's opinion, price growth will continue to gradually increase. Besides waned effects of the earlier falls in commodity prices, price growth will be driven by an expected acceleration in GDP growth following its temporary easing in 2016. GDP growth will be supported by faster rise in consumer demand. In addition, the investment growth rate should pick up in 2017, supported by good financial standing of enterprises and their high capacity utilisation, as well as a gradual increase in the absorption of EU funds.

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.