

Warsaw, 5 December 2018

Information from the meeting of the Monetary Policy Council held on 4-5 December 2018

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 conditions remain favourable, although incoming data suggest a weakening in some economies. In the euro area, GDP growth declined in 2018 Q3, and incoming data indicate a gradual economic slowdown. In the United States, GDP data for 2018 Q3 confirmed that economic conditions in this country are still very strong. In turn, in China activity growth is gradually slowing.

Heightened uncertainty about the global economic outlook persists, which has an adverse effect on the prices of some assets in the international financial markets. At the same time, global oil prices have fallen sharply in the recent period.

Inflation is still elevated in many countries due to the earlier increase in energy prices. At the same time, core inflation in the environment of the Polish economy, including the euro area, remains moderate.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. At the same time, the ECB continues to purchase financial assets, although it has announced the termination of the purchases by the end of the year. The Federal Reserve kept interest rates unchanged in November, after another interest rate hike in September.

In Poland, preliminary GDP data for 2018 Q3 point to a strong economic conditions. GDP growth is still driven by rising – albeit at a slightly lower rate than in the previous quarters – consumption, that is fuelled by increasing employment and wages as well as very high consumer sentiment. In 2018 Q3, this was accompanied by a marked rise in investment. Amid relatively high growth of domestic demand and the weakening of economic conditions in Poland's external environment, net exports had a negative contribution to GDP growth.

Notwithstanding relatively high economic growth and wages rising faster than in the previous year, annual consumer price growth has declined and remains moderate. At the same time, inflation net of food and energy prices continues to be low.

In the Council's assessment, current information points to a relatively favourable outlook for economic conditions in Poland, although a gradual slowing in GDP growth is expected in the years ahead. In 2019 inflation might be increased by rising energy prices, i.e. factor beyond the control of monetary policy. The scale of energy price growth in 2019

will probably be limited by the fall in oil prices seen in recent months. In the medium term, in turn, the expected slowdown in economic growth will have a dampening effect on inflation. Consequently, in the monetary policy transmission horizon inflation will remain close to the target.

The Council judges that the current level of interest rates is conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.