

Warsaw, 9 January 2019

## Information from the meeting of the Monetary Policy Council held on 8-9 January 2019

### The Council decided to keep the NBP interest rates unchanged at:

- 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, following a decline in GDP growth in 2018 Q3, certain economic climate indicators deteriorated further. In the United States, economic conditions remained very strong in 2018 Q4, yet forecasts suggest lower growth in 2019. Also in China activity growth is gradually slowing down.

The continuously heightened uncertainty about the global economic outlook is having an adverse effect on the prices of some assets in the international financial markets. At the same time, global oil prices have fallen in recent months.

A marked decline in commodity prices, notably the prices of oil, has contributed to lower inflation in many countries. 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 has terminated the net purchase of financial assets, yet it will continue to reinvest the funds from the maturing securities. The US Federal Reserve raised interest rates in December 2018.

In Poland, incoming data point to economic conditions remaining strong. GDP growth is still driven by rising – albeit at a slightly lower rate than in previous quarters – consumption, that is fuelled by increasing employment and wages as well as very high consumer sentiment. This is accompanied by a rise in investment.

Notwithstanding relatively high economic growth and wages rising faster than in the previous year, annual consumer price growth has declined in recent months 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 quarters ahead. At the same time, according to current forecasts, the annual price growth will increase in the coming months, yet – due to the decline in oil prices and the freeze on electricity prices – the scale of this increase will be smaller than anticipated in the November projection. In the medium term, 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.