

Warsaw, 3 July 2019

Information from the meeting of the Monetary Policy Council held on 2-3 July 2019

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%.

Incoming data suggest that global economic growth continues at a relatively slow pace, amid heightened uncertainty about the global economic outlook in the coming quarters. In the euro area, despite still good situation in the services sector, the pace of economic activity growth remains relatively slow. In the United States, economic conditions stay strong, but recent indicators signal a possible weakening of activity in the coming quarters. In China, incoming data indicate a deterioration in economic conditions in 2019 Q2.

In the recent period there has been an increased volatility of global oil prices; which are still lower than a year ago. This has been accompanied by an increase in the global prices of some food products. At the same time, inflation in many countries remains moderate.

The European Central Bank is keeping interest rates close to zero, including the deposit rate below zero, and reinvests maturing securities bought under the asset purchase programme. At the same time, the ECB has extended the period that it intends to keep interest rates unchanged. The US Federal Reserve is keeping interest rates unchanged. The Fed is gradually limiting the pace of its balance sheet reduction, signalling the possibility of loosening monetary policy in the coming quarters.

In Poland, economic conditions remain good, despite weaker growth abroad. Activity growth is driven by rising consumption, fuelled by increasing employment and wages, very high consumer sentiment, and social benefit payments. Incoming data also indicate a continuation of significant growth in investment and exports.

In recent months, consumer price growth has increased, which was driven by rising fuel and food prices as well as higher core inflation. Nonetheless, inflation continues to run at moderate levels.

The Council became acquainted with the results of the July projection of inflation and GDP, prepared under the assumption of unchanged NBP interest rates. The July projection takes into account data and information published up to 18 June 2019. In line with the July projection based on the NECMOD model, there is a 50-percent probability

that the annual price growth will be in the range of 1.7-2.3% in 2019 (against 1.2-2.2% in the March 2019 projection), 1.9-3.7% in 2020 (compared to 1.7-3.6%) and 1.3-3.5% in 2021 (compared to 1.3-3.5%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.9-5.1% in 2019 (against 3.3-4.7% in the March 2019 projection), 3.0-4.8% in 2020 (compared to 2.7-4.6%) and 2.4-4.3% in 2021 (compared to 2.4-4.3%).

In the Council's assessment, the outlook for economic conditions in Poland remains favourable, and GDP growth will continue at a relatively high level in the coming years. At the same time, inflation will remain moderate and, in the monetary policy transmission horizon, will stay close to the target. Such an assessment is supported by the results of the July NBP projection.

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.

The Council adopted the *Inflation Report – July 2019*.