

Warsaw, 2 October 2019

## Information from the meeting of the Monetary Policy Council held on 1-2 October 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 remains relatively low, with the global outlook deteriorating further. In the euro area, economic growth remains low against the backdrop of a downturn in industry. Still favourable situation in the service sector is the factor mitigating the scale of the slowdown. In the United States, economic conditions continue to be strong, even though economic indicators signal a weakening of activity in 2019 Q3. In China, incoming data point to further weakening of GDP growth.

In September, global oil prices rose, yet remained below the level recorded a year ago. At the same time, inflation in many countries remains moderate.

The European Central Bank significantly loosened its monetary policy, lowering the deposit rate further below zero and announcing the resumption of the asset purchase programme as well as relaxing the terms of long-term refinancing operations. The ECB also signalled that the interest rates are likely to stay at the present or lower level in the subsequent quarters. The Federal Reserve also loosened its monetary policy by cutting interest rates again.

In Poland, economic conditions remain good. At the same time, incoming data point to a possible decrease in the economic growth rate in 2019 Q3, which is driven mainly by the economic downturn abroad. Rising consumption, fuelled by the increasing employment and wages, very strong consumer confidence and social benefit payments, exerts a stabilising influence on GDP growth. Investment in the economy also continues to rise.

Inflation in September – according to GUS flash estimate – stood at 2.6% y/y. Higher price growth is primarily driven by a previous marked increase in food prices, while lower energy prices than a year ago, including fuel prices, have a curbing effect on price growth. At the same time, core inflation continues to run at moderate levels.

In the Council's assessment, the outlook for economic conditions in Poland remains favourable, and GDP growth, despite the expected decline, will continue at a relatively

high level in the coming years. However, uncertainty about the scale and persistence of the slowdown abroad and its impact on domestic economic activity has increased. Inflation – after a temporary rise in 2020 Q1 – will stay close to the target in the monetary policy transmission horizon.

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.