

Warsaw, 6 November 2019

Information from the meeting of the Monetary Policy Council held on 5-6 November 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%.

Global economic growth remains relatively low and uncertainty about the global outlook persists. In the euro area, annual GDP growth in 2019 Q3 declined alongside the ongoing downturn in industry. In the United States, economic conditions continue to be relatively strong, however, GDP growth in 2019 Q3 in the US economy also declined. At the same time, in China economic activity growth continues to slow down.

In recent months, inflation declined in many countries and continues to run at a moderate level, supported by lower oil prices than a year ago. In particular, inflation is low in the euro area.

The European Central Bank is keeping the deposit rate unchanged, after lowering it further below zero in September. At the same time it has resumed the asset purchase programme and signalled the maintenance of loose monetary policy in the coming quarters. The Federal Reserve cut interest rates again in October.

In Poland, economic conditions remain good, although the incoming data point to a possible decrease in the economic growth rate in 2019 Q3, mainly due to the economic downturn abroad. However, rising consumption, fuelled by increasing employment and wages, very strong consumer confidence and social benefit payments, exerts a stabilising influence on GDP growth. At the same time, the incoming data indicates that investment continues to rise, albeit at a slower pace.

Inflation in October 2019 – according to the GUS flash estimate – stood at 2.5% y/y. Food price growth, despite a gradual slowdown, remains elevated and is contributing to higher inflation. On the other hand, lower energy prices than a year ago, including fuel prices, are having a curbing effect on price growth. At the same time, in the recent period core inflation has risen, but continues to run at moderate levels.

The Council became acquainted with the results of the November projection of inflation and GDP, prepared under the assumption of unchanged NBP interest rates. The November projection takes into account data and information published up to 18 October 2019. In line with the November projection based on the NECMOD model, there is a 50-percent probability that the annual price growth will be in the range of 2.2-2.4% in 2019 (against 1.7-2.3% in the July 2019 projection), 2.1-3.6% in 2020 (compared to 1.9-3.7%) and 1.6-3.6% 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 3.9-4.7% in 2019 (against 3.9-5.1% in the July 2019 projection), 2.7-4.4% in 2020 (compared to 3.0-4.8%) and 2.3-4.2% 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, despite the expected decline, will continue at a relatively high level in the coming quarters. At the same time, there remains uncertainty about the scale and persistence of the slowdown abroad and its impact on domestic economic activity. Inflation – after a temporary rise in 2020 Q1 – will stay close to the target in the monetary policy transmission horizon. Such an assessment is supported by the results of the November NBP projection of inflation and GDP.

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 – November 2019 and the resolution on the principles for creating and releasing the provision against the foreign exchange rate risk of the złoty at Narodowy Bank Polski and amended the resolution on the NBP accounting principles.