

Warsaw, 8 January 2020

Information from the meeting of the Monetary Policy Council held on 7-8 January 2020

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, although signs of a possible trade agreement between the United States and China have translated into a certain improvement in sentiment in the global economy. Despite this, uncertainty about the global outlook in the coming quarters persists. In the euro area, economic growth remains slow alongside the ongoing downturn in industry. In the United States, economic conditions continue to be relatively strong, although, like in many other economies, industrial activity remains weak. In China economic activity growth is lower than in the previous years.

In the recent period, oil prices have risen reflecting a certain improvement in sentiment about trade relations between the major economies as well as a significant increase of geopolitical tensions in the Middle East. Nevertheless, inflation in the environment of the Polish economy is running at a moderate level and in the euro area it is low.

The European Central Bank is keeping the deposit rate below zero, while conducting asset purchases and signalling the maintenance of loose monetary policy in the coming quarters. After the 2019 interest rate cuts, the US Federal Reserve is keeping the rates unchanged.

In Poland, economic conditions remain good, despite a gradual slowdown in economic growth. GDP growth is supported by stable consumption growth, fuelled by favourable labour market conditions, very strong consumer confidence and social benefit payments. At the same time, incoming data indicate further growth in investment and exports, albeit slower than in the previous quarters.

According to the GUS flash estimate, inflation stood at 3.4% y/y in December 2019. Inflation in December was driven up by rising food and fuel prices. Alongside that, core inflation, after a rise in recent months partly resulting from higher services prices, has remained moderate.

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.

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.