

Warsaw, 5 February 2020

Information from the meeting of the Monetary Policy Council held on 4-5 February 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%.

Incoming data from the global economy indicate a stabilisation of economic growth at a relatively low level. At the same time, uncertainty about the global outlook in the coming quarters persists, despite some indicators suggesting some improvement in sentiment. In the euro area, economic growth declined in 2019 Q4, amidst the ongoing downturn in industry. In the United States, economic conditions continue to be relatively strong, although the weaker activity in industry had a curbing effect on economic growth in 2019 Q4. In China, GDP growth stabilised in 2019 Q4 at a lower level than in previous years.

In the recent period, global oil prices have fallen, following their previous substantial rise. At the same time, the prices of many food commodities have increased in recent months. As a result, inflation in the external environment of the Polish economy has risen somewhat.

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 Federal Reserve is keeping the rates unchanged.

In Poland, economic conditions remain good, despite a slowdown in economic growth. Based on the Statistics Poland GDP flash estimate for 2019, it could be estimated that GDP growth in 2019 Q4 decreased. GDP growth is supported by the steady consumption growth, albeit slightly slower than before, fuelled by favourable labour market conditions, strong consumer confidence and social benefit payments. At the same time, incoming data indicate further growth in investment and exports.

CPI inflation stood at 3.4% y/y in December 2019. Inflation in December was driven up by rising food and fuel prices. At the same time, accelerated service price growth boosted core inflation, which nevertheless remained moderate.

In the Council's assessment, the outlook for economic conditions in Poland remains favourable, yet GDP growth will probably be weaker than in previous years. There

remains uncertainty about the scale and persistence of the slowdown abroad and its impact on domestic economic activity.

Current forecasts show that inflation may exceed the upper limit of band for deviations from the target in the coming months. The temporary rise in price growth will be driven by supply-side and regulatory factors, i.e. ones remaining beyond the direct impact of domestic monetary policy. As the impact of these factors fades and GDP growth weakens, inflation will gradually decrease. In the monetary policy transmission horizon inflation will be 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, while at the same time enabling to meet the inflation target in the medium term.