NBP Narodowy Bank Polski

Monetary Policy Council

Report on Monetary Policy in 2018

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Warsaw, May 2019

In presenting the *Report on Monetary Policy*, the Monetary Policy Council acts in accordance with Article 227 of the Constitution of the Republic of Poland, which imposes the obligation on the Council to present a report on the achievement of the purposes of monetary policy within 5 months following the end of the fiscal year. In accordance with Article 53 of the Act on Narodowy Bank Polski, the *Report on Monetary Policy* is announced in the Official Gazette of the Republic of Poland, the *Monitor Polski*. The *Report* presents the main elements of the monetary policy strategy, a description of macroeconomic conditions and decisions taken with respect to monetary policy in the year under review, as well as a description of the monetary policy tools applied.

The *Report on Monetary Policy in 2018* is accompanied by the appendices presenting the development of relevant macroeconomic variables, as well as by *Minutes of the Monetary Policy Council decision-making meetings* and *Voting records of the Monetary Policy Council members on motions and resolutions* in the year the *Report* encompasses.

An ex-post assessment of the conduct of monetary policy should take into account, above all, that the decisions of monetary authorities affect the economy with a considerable lag and that they are taken under uncertainty about future macroeconomic developments. Moreover, the economy is subject to macroeconomic shocks that – while remaining outside the control of the domestic monetary policy – may to a large extent affect economic conditions and domestic inflation developments in the short and sometimes in the medium term.

The *Report on Monetary Policy in 2018* is a translation of the publication of Narodowy Bank Polski entitled *Sprawozdanie z wykonania założeń polityki pieniężnej na rok 2018*. In case of discrepancies, the Polish version prevails.

Content

1. Monetary policy strategy in 2018

In 2018, the Monetary Policy Council conducted monetary policy in line with Monetary Policy Guidelines for 2018, adopted in September 2017. As in previous years, the main objective of monetary policy was to maintain price stability while supporting sustainable economic growth and financial system stability. This way, the Council pursued the basic objectives of Narodowy Bank Polski (NBP) set out in the Constitution of the Republic of Poland and in the Act on Narodowy Bank Polski of 29 August 1997. According to Article 227 Section 1 of the Constitution of the Republic of Poland “Narodowy Bank Polski shall be responsible for the value of Polish currency”. The Act on Narodowy Bank Polski states in Article 3 Section 1 that “the basic objective of the activity of NBP shall be to maintain price stability, while supporting the economic policy of the Government, insofar as this does not constrain the pursuit of the basic objective of NBP.”

The Council strives to ensure price stability by using a medium-term inflation-targeting regime. Since 2004, the Council has pursued a medium-term inflation target of 2.5%, with a symmetrical band for deviations of ± 1 percentage point. Inflation-targeting countries report lower inflation, on average, than non-inflation targeters.

Since 2004, the average inflation in Poland has amounted to 2.0%, thus it has been close to 2.5% and remained within the symmetrical tolerance band, although in some years price growth strayed outside the band. Furthermore, economic growth has been relatively stable over the past few years and close to its long-term trend, with no macroeconomic imbalances building up in the economy. These developments indicate that inflation targeting has been effective in ensuring long-term price stability, while at the same time supporting sustainable economic growth.

The medium-term nature of inflation target means that due to macroeconomic and financial shocks, inflation may temporarily deviate from the target or even run outside the band for deviations from the target. The response of monetary policy to shocks is flexible and contingent on their causes and the assessed persistence of their consequences, including the impact on inflation developments. When inflation deviates from the target, the Council flexibly determines the expected time necessary to bring it back to the target, as a rapid return to the target may entail significant costs to macroeconomic and financial stability.

While taking monetary policy decisions, the Council considers the monetary transmission mechanism, including the fact that changes in monetary policy parameters affect the economy with a lag. The time lag between an interest rate decision and its peak impact on real variables (such as output or employment) and on inflation takes several quarters and may change over time. Moreover, monetary policy is conducted under uncertainty, in particular about future economic developments.

The experience of the global financial crisis shows that stabilizing inflation at a low level is an important, yet insufficient condition to maintain macroeconomic stability, which in turn supports price stability in the long term. In particular, imbalances in the financial sector pose a threat to long-term price stability. Bearing this in mind, the Council conducts monetary policy in a manner that supports the stability of the financial system and mitigates the risk of imbalances accumulating in the economy. Therefore, in its decisions, the Council takes into account developments in asset prices (especially real estate prices) and lending growth. Given the free movement of capital and highly integrated financial markets, macroprudential policy should play a primary role in containing macroeconomic imbalances. Owing to its capacity to selectively influence credit aggregates, macroprudential policy can stabilize lending growth at lower costs for economic growth than in the case of applying monetary policy instruments.

Besides monetary and macroprudential policy, fiscal policy plays an important role in maintaining macroeconomic stability. A fiscal policy that ensures long-term stability of public finance is necessary to maintain macroeconomic stability.

The Council pursues inflation targeting under the floating exchange rate regime. The floating exchange rate regime does not rule out interventions in the foreign exchange market when necessary to ensure macroeconomic and financial stability.

2. Monetary policy and macroeconomic developments in 2018

In 2018, monetary policy in Poland was conducted against the background of relatively strong, although gradually weakening, global economic conditions. In particular, in the second half of the year, GDP growth slowed down in many economies, including in the euro area. At the same time, inflation in the immediate environment of the Polish economy remained moderate, although it fluctuated, mainly due to changes in global energy commodity prices, notably those of oil.

The US Federal Reserve (Fed) gradually raised interest rates in 2018, whereas the European Central Bank (ECB) reduced the scale of its asset purchases while keeping interest rates close to zero, including the deposit rate below zero. The tightening of monetary policy by the Fed, combined with persistent uncertainty about changes in the trade policy of major countries and weaker world economy performance, contributed to a deterioration in sentiment in global financial markets.

In Poland, economic conditions were very good in 2018. GDP growth accelerated to 5.1% (compared to 4.9% in 2017). It continued to be driven mainly by rising consumption, supported by increasing employment and wages, low unemployment and very strong consumer confidence. At the same time, investment growth accelerated, backed by favourable demand outlook, increasing absorption of EU funds and high capacity utilisation. Moreover, exports rose substantially in 2018, although at a softer pace than before, due to weaker growth in global trade and slower GDP growth in the euro area. Concurrently, imports continued to rise, though, again, at a slower pace.

Consumer price growth was moderate in 2018 and amounted to 1.6% y/y on average, i.e. it remained within the band for deviations from the inflation target (2.5% ± 1 percentage point). This was accompanied by low core inflation. Inflation net of food and energy prices stood, on average, at 0.7% y/y.

At the same time, no macroeconomic imbalances were building up in the economy. In particular, despite a considerable increase in lending to the non-financial sector (by an annual average of 5.9%), its growth remained close to the nominal GDP growth. As a result, the ratio of outstanding loan portfolio of the non-financial sector to GDP remained stable. Alongside that, even so the performance of the Polish economy was very good, the trade balance stayed in surplus, and the combined current and capital account balance continued to be positive. In effect, foreign debt in relation to GDP diminished. Against this background, the zloty exchange rate remained relatively stable, notwithstanding its temporary fluctuations related to turbulences in the world's financial markets.

In view of the above conditions, the Council kept the NBP interest rates unchanged in 2018, including the reference rate at 1.5%. The stabilization of the NBP interest rates was conducive to preserving price stability. At the same time, against the accelerated economic growth and very low unemployment, monetary policy curbed the risk of macroeconomic imbalances accumulating in the economy and supported the financial system stability.

Similarly to previous years, in 2018 communication with the public played an important role in the conduct of monetary policy. This involved the Council informing the public about its decisions and presenting an assessment of economic developments behind them. The key communication instruments applied in 2018 included the cyclical publications: *Information from the Meeting of the Monetary Policy Council* (and the accompanying press conferences following the Council meetings), *Minutes of the Monetary Policy Council decision-making meetings*[1], *Inflation Reports*, as well as *Report on Monetary Policy in 2017* and *Monetary Policy Guidelines for 2019*.

The most important developments motivating the Council's decisions in 2018, divided into the six-month periods, are presented below.

In the first half of 2018, global economic conditions remained favourable. GDP growth in the euro area stayed relatively high, albeit it was somewhat lower than in the second half of 2017. This was supported by a steady rise in employment and wages, as well as the expansionary monetary policy of the ECB. In the United States, GDP growth accelerated in the first half of 2018. This occurred against the backdrop of strong labour market conditions, reduction in some taxes rates and a rise in the value of household wealth. Turning to China, data coming from this economy pointed to a stabilisation of activity growth at the level of 2017. At the same time, risks to global GDP growth lingered; these were related primarily to changes in the trade policy of major countries, a rise in the prices of energy commodities and the consequences of the interest rate increases by the Fed.

Despite robust global economic performance, price growth in the external environment of the Polish economy continued to be moderate in the first half of 2018, with relatively low core inflation. At the same time, the increase in the prices of energy commodities on their 2017 levels gradually translated into higher energy price growth. In the euro area, inflation in the first half of the year stood at 1.5% on average.

Under these circumstances, monetary policy in the immediate environment of the Polish economy remained expansionary. In particular, the ECB kept interest rates close to zero, including the deposit rate below zero, and continued its asset purchase programme, albeit its scale was reduced as of January 2018. The Fed, in turn, gradually tightened monetary policy, shifting up the interest rate band by a total of 0.5 percentage points (to 1.75-2.0% at the end of the first half of the year) and reducing the size of its balance sheet.

Notwithstanding continuously favourable global economic performance, sentiment in the world's financial markets deteriorated. The increase in global risk aversion in the global markets was chiefly related to changes in the trade policy of the United States, heightened uncertainty about economic policy in Italy, and the Fed's monetary policy tightening, which had an adverse effect on financial conditions in the emerging market economies indebted in US dollars. Consistent with that, prices of many financial assets fell. Particularly, in many emerging market economies, share prices declined while government bond yields increased, and exchange rates weakened against the US dollar. The zloty exchange rate also weakened, although the scale of its depreciation was moderate in comparison with other emerging economy currencies.

[1] The *Minutes of the Monetary Policy Council decision-making meetings*, included in Annex 6 to this Report, contain a more detailed coverage of issues and arguments with an impact on the decisions on interest rates taken by the Council at its consecutive meetings in 2018.

In Poland, economic conditions in the first half of 2018 were very good. GDP growth in this period amounted to 5.2% y/y on average and was driven primarily by rising consumer demand, supported by employment and wage growth. Consumer confidence indicators surged to their all-time highs amid improving labour market conditions, including falling unemployment, disbursement of benefits under the "Family 500 Plus" programme and moderate inflation. Additional factor boosting demand in the economy was rising investment, particularly public investment, including that co-financed from EU funds. This was accompanied by a stable expansion in lending to the non-financial sector. With imports and exports both losing momentum, the contribution of net exports to GDP growth remained close to zero in the first half of 2018. Also the current account balance (as related to GDP) was close to zero, and the combined current and capital account balance was positive, testifying to a high degree of the economy's external balance.

Despite very good economic conditions, price growth in Poland slowed down in the first half of 2018, running at 1.6% y/y (as against 2.0% on average in 2017). Moderate inflation was backed by the stabilisation of demand pressure and moderate inflation among the Poland's most important trading partners. In consequence, core inflation remained low. Another factor conducive to lower inflation was slower growth in food prices resulting from high supply of some food products. Moreover, in the first quarter of the year, energy price growth was subdued. Yet it accelerated markedly from May onwards, following a rise in global commodity prices, which drove up inflation.

Given the above, and in particular moderate inflation and the absence of macroeconomic imbalances, in the first half of 2018 the Council maintained the NBP interest rates unchanged, including the reference rate at 1.5%. This decision was also warranted by the forecasts, including the March inflation and GDP projections, which pointed to inflation remaining moderate and a sustained robust performance of the Polish economy over the monetary policy transmission horizon.

In the second half of 2018, global economic conditions deteriorated, particularly in 2018 Q4. In the period under review, industrial output growth decreased in many countries. As a consequence, uncertainty about the outlook for global economic growth in the subsequent quarters increased. In geographical terms, activity growth weakened noticeably in the euro area and in some emerging market economies in Asia, including China. By contrast, economic conditions in the United States continued to be favourable, with GDP growth rate slightly exceeding that in the first half of 2018.

Global inflation in the second half of 2018 was higher than in previous quarters, which resulted to a great extent from a marked rise in global oil prices taking place until October. Yet, as oil prices declined in the final months of the year, inflation followed suit.[2] In particular, inflation in the euro area, while in the first half-year was close to 2.0% y/y, in December fell to 1.6% y/y. At the same time, core inflation in that economy remained low, running close to 1% y/y. In contrast, inflation in the United States in the second half of the year stayed higher than in many other advanced economies.

In the second half of 2018, monetary policy in the immediate environment of the Polish economy remained accommodative. The ECB kept interest rates close to zero, including the deposit rate below zero, although concurrently it reduced the scale of its net asset purchases in October, winding them up altogether at the end of the year. The Fed, in turn, raised interest rate twice, by a total of 0.5 percentage

[2] From the beginning of 2018 until early October, the USD price of a barrel of Brent oil in the global markets rose by nearly 30%, to subsequently fall substantially (by nearly 38% by the end of the year).

points (to 2.25-2.5% at the end of the year). This, together with weaker global growth outlook and changes in the trade policy of major countries, contributed to a deterioration of sentiment in the global financial markets, including a substantial fall in equity prices. The elevated uncertainty related to the fiscal policy outlook in Italy and the Brexit negotiations added to the worsening sentiment in the euro area financial markets. Despite this background, the zloty exchange rate remained stable in the discussed period.

Notwithstanding weaker global economic performance, in the second half of 2018, activity growth in Poland was high and close to that in the first half of the year. GDP growth continued to be driven by consumer demand, although its pace was somewhat slower than in previous quarters. Consumption growth was further backed by increasing wages and employment, coupled with consistently strong consumer confidence. Yet in the final months of the year employment growth gradually diminished. In the second half of the year, a considerable contribution to GDP growth also came from investment, as sharply rising public investment went in tandem with a marked recovery in corporate investment. Investment growth was further supported by favourable demand prospects, absorption of EU funds and high capacity utilisation. This was accompanied by a stable rise in lending to the non-financial sector. Export growth in the second half of 2018 was slower than in 2017, reflecting a deterioration in economic conditions in the euro area, particularly in Germany. At the same time, import growth remained strong, amid a further rise in domestic demand. In effect, the contribution of net exports to GDP growth was marginally negative in the second half of 2018.

In the period under review, inflation stayed moderate. However, at the end of the year it fell due to the decline in growth of both energy (following the decline in global oil prices) and food prices. As a result, CPI inflation fell from 2.0% y/y in July to 1.1% y/y in December. This took place amid moderate domestic demand pressure and lower inflation in the euro area. Under these conditions, core inflation remained low, which was a combined effect of slower service price growth and still weak – albeit gradually picking up – price growth of non-food goods.

In view of the information incoming in the second half of 2018, the Council kept the NBP interest rates unchanged, including the reference rate at 1.5%. The stabilisation of interest rates was warranted by moderate inflation persisting amid favourable economic conditions and the absence of macroeconomic imbalances. Also forecasts indicated that keeping the interest rates unchanged would be conducive to maintaining both price and macroeconomic stability in the monetary policy transmission horizon.

3. Monetary policy instruments in 2018

In 2018, NBP employed the range of instruments adopted by the Monetary Policy Council in the *Monetary Policy Guidelines for 2018*.

Liquidity of the banking sector in 2018

In 2018, NBP pursued monetary policy amid a liquidity surplus prevailing[3] in the banking sector. The level of excess liquidity averaged PLN 90,166 million,[4] thus being PLN 16,534 million, or 22.5% higher than in 2017.

The average level of surplus liquidity in December 2018 stood at PLN 86,625 million and was PLN 3,248 million (or 3.9%) higher than in December 2017.

The key factors affecting banking sector liquidity in 2018 were changes in the level of currency in circulation and foreign currency purchase transactions conducted between NBP and the Ministry of Finance. The first of the above-mentioned factors caused a decline of PLN 21,412 million in banking sector liquidity. The surplus of foreign currency purchases by NBP over their sale increased this liquidity by PLN 15,984 million.

NBP interest rates

NBP interest rates were the key instrument of monetary policy in 2018. By determining the yield on open market operations, the NBP reference rate influenced the level of short-term market interest rates.

The range of fluctuations of interbank overnight interest rates was determined by the NBP deposit and lombard rates.

Open market operations

In 2018, the operational target of the NBP monetary policy was to keep the POLONIA rate[5] close to the NBP reference rate. This was achieved mainly by means of open market operations, carried out on the initiative of the central bank. The central bank employed these instruments to manage the liquidity of the banking sector. The implementation of the operational target of monetary policy was supported by the required reserve system and the standing facilities provided by the central bank.

By using the main open market operations, the central bank strived to ensure balanced liquidity conditions in the banking sector. At the same time, the yields on the individual operations, equal to the

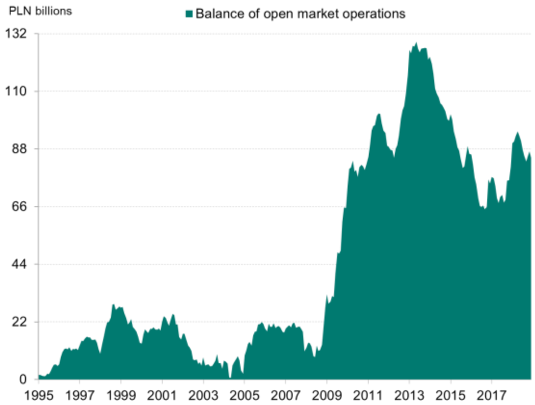
[3] The liquidity surplus of the banking sector are the funds held by the banking sector in excess of the required reserve. Liquidity surplus is measured by the combined balance of the NBP open market operations and standing facility operations.

[4] During the required reserve maintenance period.

[5] The POLONIA rate (*Polish Overnight Index Average*) is determined as the average (weighted by the volume of the individual transactions) of the interest rate on unsecured interbank deposits concluded for the "overnight" term on a given working day until 4.30 p.m.

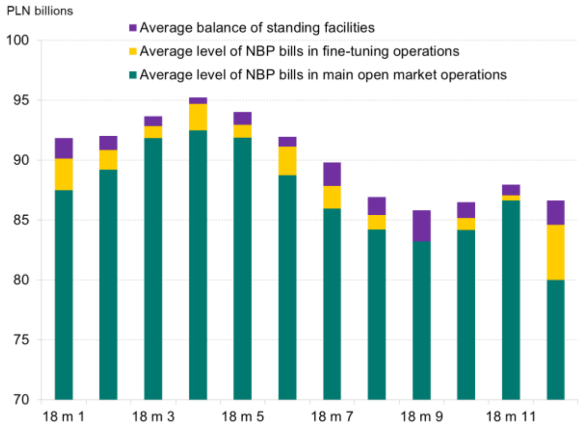
NBP reference rate at the date of the operation, had a direct impact on the cost of money determined in the interbank market (including the POLONIA rate).

Figure 1 Average monthly balance of open market operations 1995–2018



Source: NBP data.

Figure 2 Liquidity absorbing instruments in the respective months of 2018



Source: NBP data.

In 2018, the main open market operations were carried out on a regular weekly basis, in the form of issuance of NBP bills with a 7-day maturity. By using the main open market operations, the central bank absorbed most of the surplus liquidity in the banking sector. In 2018, the average volume of the NBP bills categorised as the main open market operations amounted to PLN 87,137 million and exceeded the 2017 level by PLN 16,047 million (Figure 1).

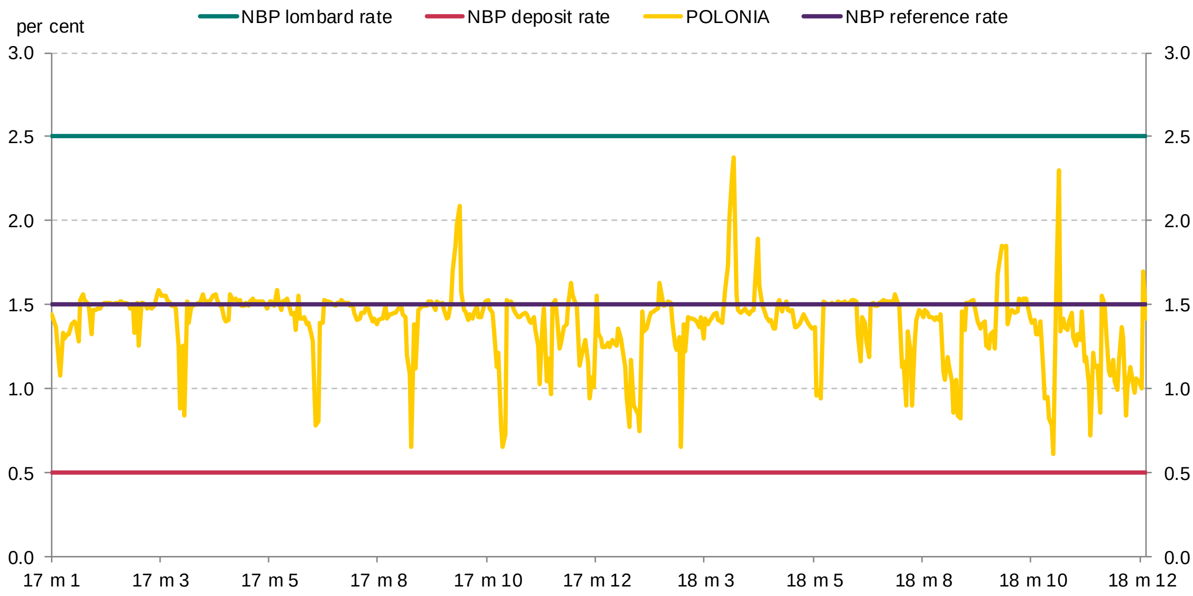
Apart from the main open market operations, in 2018 NBP also conducted fine-tuning open market operations, which played a complementary role in implementing the operational target of monetary policy. The premise for its application was the central bank's striving to ensure conditions in the interbank market which would support the implementation of the operational target of monetary policy. Yields on the individual fine-tuning operations were equal to the NBP reference rate, and they affected the price of money in the interbank market in a similar manner to the main operations.

In 2018, NBP carried out 11 fine-tuning operations on the last day of the required reserve maintenance periods. In addition, the central bank conducted 8 fine-tuning operations within the required reserve maintenance period. Under this other category of operations, the NBP bills were issued with maturities of 1, 2, 3 and 4 days. The average issue of the NBP fine-tuning operations amounted to PLN 1,659 million and was PLN 37 million lower than in 2017 (Figure 2).

In 2018, the average absolute deviation of the POLONIA rate from the NBP reference rate stood at 21 bps, compared with 12 bps in 2017[6] (Figure 3).

[6] The quoted index has been computed as the average absolute daily deviation of the POLONIA rate from the NBP reference rate (the average module of the differential) based on a 365-day year.

Figure 3 NBP interest rates and the POLONIA rate in 2017-2018



Source: NBP data.

Reserve requirement

The required reserve system supported the implementation of the operational target of monetary policy, thus contributing to the stability of short-term market interest rates. The averaged character of the required reserve system enabled entities to decide on the amount of holdings accumulated at the central bank in the respective days of the required reserve maintenance period, provided that the average holdings at NBP were at least equal to the required reserve level. At the same time, the obligation to maintain the required reserve limited the scale of the NBP open market operations necessary to absorb the excess liquidity prevailing in the banking sector in 2018.

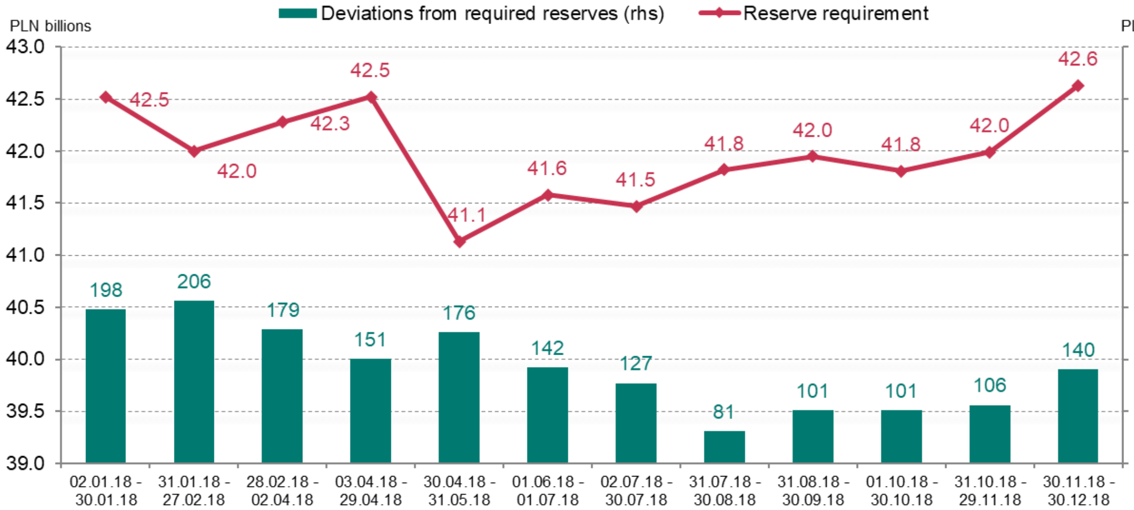
In 2018, the following entities were subject to the reserve requirement: banks, branches of credit institutions, branches of foreign banks operating in Poland, credit unions and the National Credit Union.

In 2018, the basic reserve requirement ratio amounted to 3.5% on all liabilities constituting the basis for the required reserve computation, except for funds received from the sale of securities in repo and sell-buy-back transactions, and funds obtained for the term of 2 years or more (from 1 March 2018), on which the reserve requirement ratio stood at 0.0%.

The remuneration on the required reserve funds was 0.5% in 2018, in line with the decision of the Monetary Policy Council of 5 December 2017.

The amount of required reserves as at 31 December 2018 stood at PLN 43,196 million, including the required reserve of commercial banks and cooperative banks of PLN 42,962 million and the required reserves of credit unions and the National Credit Union of PLN 234 million. The total amount of the required reserve was PLN 615 million higher than on 31 December 2017, which represents an increase of 1.4% (compared with 6.4% y/y in the previous year).

Figure 4 Changes in required reserves level and deviations from the reserve requirement in 2018



Source: NBP data.

The main factor responsible for the upward change in the discussed item was the rising deposits of the banking sector, on which the required reserve was calculated. A factor with a downward effect on the required reserve levels was the lowering of the required reserve ratio on funds deposited for no less than 2 years, to 0.0% (as of 1 March 2018), and the exemption by the NBP Management Board of 3 commercial banks and 1 cooperative bank from the obligation to maintain the required reserve.[7]

In all the required reserve maintenance periods of 2018, entities' average holdings at NBP remained slightly above the required level (Figure 4). The surplus ranged from the lowest point (of PLN 81 million) observed in August to a peak (of PLN 206 million) in February. The average funds in excess of the required reserve holdings in 2018 amounted to PLN 142 million and accounted for 0.33% of the average level of the required reserves. At the same time, there were 3 instances of failure to maintain the required reserve level, by 2 commercial banks and 1 cooperative bank.

Standing facilities

Standing facilities (overnight deposit and lombard credit) acted as an instrument for stabilising the level of liquidity in the banking sector and the scale of the fluctuations of the interbank market rate. These operations were conducted at the initiative of banks, which used them to supplement their liquidity needs for the term of 1 day, or to place surplus funds with NBP for the same period.

[7] In 2018 the NBP Management Board decided to uphold the full exemption of one of the cooperative banks from the obligation to maintain the required reserve for the duration of the implementation of a recovery programme; it also decided to partially exempt from that duty 3 commercial banks which are implementing a recovery programme.

The interest rate of lombard credit, setting the maximum price of borrowing money at NBP, determined the ceiling of overnight rate fluctuations in the interbank market. The overnight deposit rate, in turn, provided the floor for these fluctuations.

In 2018, like in previous years, banks used the lombard credit only occasionally. The total drawing on this credit in 2018 (calculated for the days of using this instrument) was PLN 57 million, compared to PLN 13 million in 2017.

In 2018, banks placed overnight deposits totalling PLN 497 billion at NBP (calculated for the period of their holding). This amount was approx. 61.0% higher than the corresponding item recorded in the previous year (i.e. PLN 309 billion) The total amount of overnight deposits fluctuated between PLN 60 million and PLN 22,299 million. The highest amounts were lodged in the form of overnight deposits in the final days of the required reserve maintenance periods.

Foreign exchange swaps

By using a foreign exchange swap, NBP could purchase (or sell) the Polish zloty against foreign currency in the spot market, with a simultaneous sale (repurchase) in a fixed-date forward transaction.

In 2018, the central bank did not conclude any such operations.

Foreign exchange interventions

Under the existing monetary policy strategy, NBP may purchase or sell foreign currency in the foreign currency market against the Polish zloty.

In 2018, the central bank did not conclude any such operations.

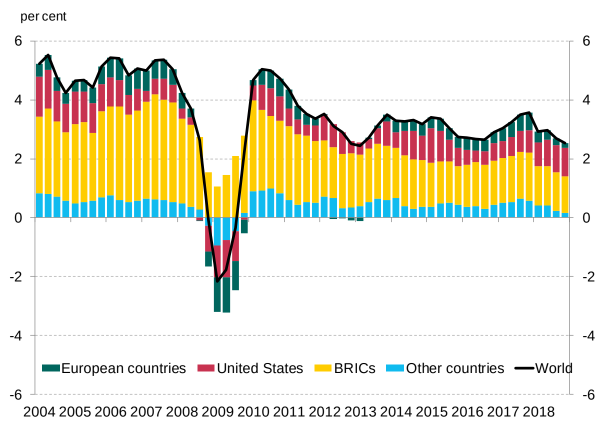
Appendix 1. Economic developments abroad

In 2018, global economic conditions were favourable, although the pace of growth gradually slowed down, in particular in the euro area and some Asian countries (Figure 5, Figure 6). The good performance of the world economy was supported by rising consumer demand and – in many countries – investment activity. However, weaker global trade and subdued industrial output growth had a dampening effect on overall growth rate.

Following a sharp rise in 2017, GDP growth in the euro area declined in 2018. This was mainly due to a lower contribution of net exports to economic growth, which resulted from slower growth of foreign sales. Domestic demand, supported by a steady rise in employment and wages, as well as the continued ECB's expansionary monetary policy, remained a key driver of growth. At the same time, in Central and Eastern Europe, despite weaker growth in the euro area, GDP growth remained high, albeit lower than in 2017, with domestic demand acting as a main factor supporting activity.

In the United States, good economic conditions continued. Consumer demand still contributed the most to GDP growth, backed by favourable labour market conditions, rising corporate investment and a reduction in some taxes. Alongside that, activity growth in many emerging market economies (such as Argentina, China, India, Turkey and South Africa) gradually subdued over the course of 2018. In China, annual GDP growth slowed down to the lowest point since 1990.

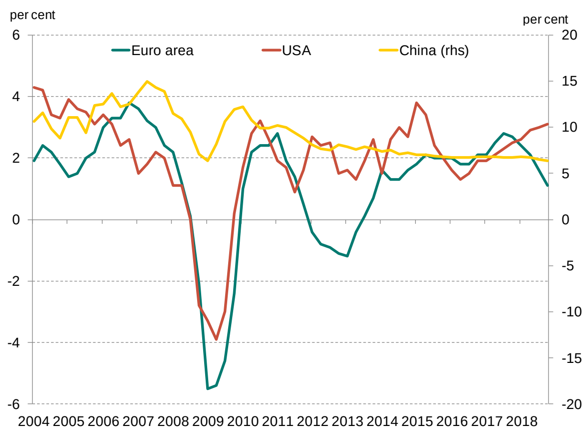
Figure 5 Annual global GDP growth in 2004–2018 by country groups



Source: Bloomberg, Eurostat, IMF data, NBP calculations.

GDP-weighted average GDP growth in economies accounting for 80% of the global GDP (Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Spain, Switzerland, Turkey, the United Kingdom and the United States).

Figure 6 Annual GDP growth in selected economies in 2004–2018



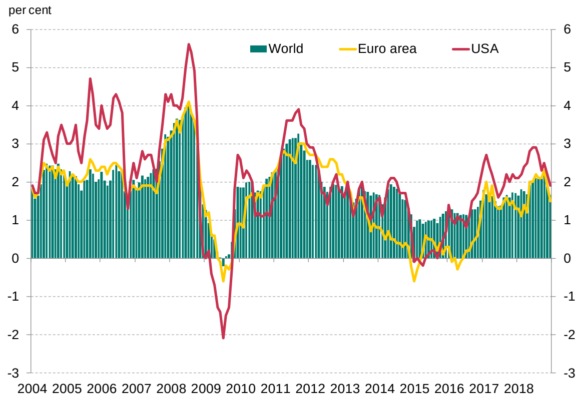
Source: Bloomberg data.

Throughout most of 2018, global inflation, notably in the immediate environment of the Polish economy, remained moderate while fluctuating, largely due to movements in global energy commodity prices (Figure 7, Figure 8). In the euro area, average price growth in 2018 stood at 1.8%, with core inflation staying at moderate levels. In the United States, in turn, inflation continued to be higher than in many other advanced economies.

Amid favourable global economic conditions, demand for energy commodities remained strong in 2018, causing their global prices to rise throughout most of the year. This concerned in particular oil prices, which gained almost 30% between the beginning of 2018 and October of that year. Besides good performance of the global economy, growing oil prices also reflected tense political situation in the Middle East and the reduction in the output of this commodity by some oil exporting countries (the so-called OPEC+). Yet in the final months of 2018, global oil prices dropped off markedly, due to the increase in global stocks of this commodity as a result of its expanding output in the United States, coupled with concerns about the slowing global economic growth and the temporary exemptions of several countries from the US sanctions on oil imports from Iran. Following the decline in oil prices, prices of many other energy commodities, such as natural gas and coal, also declined.

At the same time, prices of most agricultural products followed an upward path due to rising production costs and drought experienced by many countries.

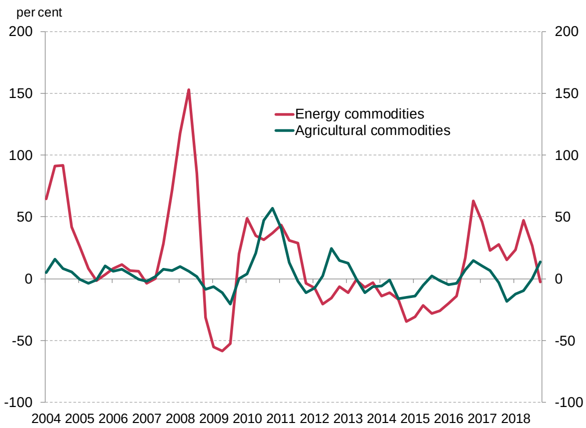
Figure 7 Annual consumer price growth globally and in selected economies in 2004-2018



Source: Bloomberg data, NBP calculations.

World – GDP-weighted average annual consumer price inflation in the economies accounting for 80% of the global GDP. United States – annual CPI inflation. Euro area – annual HICP inflation.

Figure 8 Annual growth in energy and agricultural commodity prices in USD in 2004-2018



Source: Bloomberg data, NBP calculations.

The agricultural commodity price index comprises the prices of wheat, colza, pork, potatoes, sugar, cocoa, coffee, skimmed powdered milk, butter and condensed frozen orange juice. The system of weights reflects the consumption structure in Polish households. The energy commodity price index includes the prices of coal, oil and gas. The system of weights reflects the structure of primary energy carrier consumption in the Polish economy.

Monetary policy in the immediate environment of the Polish economy remained expansionary in 2018. The European Central Bank kept interest rates close to zero, including the deposit rate below zero. Moreover, in the first half of 2018 it signalled that it would maintain interest rates unchanged for an extended period, and in June 2018 it announced that interest rates would not be changed at least through the summer of 2019.[8] In 2018, the ECB also continued its programme of financial asset purchases, albeit on a smaller scale than in previous years, and in December 2018, it terminated net asset purchases under this programme. The ECB announced that it would reinvest all of the principal payments resulting from the purchase of securities for an extended period following the launch of any interest rate rises.

In the United States, in turn, the Fed continued to gradually tighten monetary policy. In 2018, it raised the interest rate band on four occasions (by 0.25 percentage points each time) – to 2.25-2.50%. Moreover,

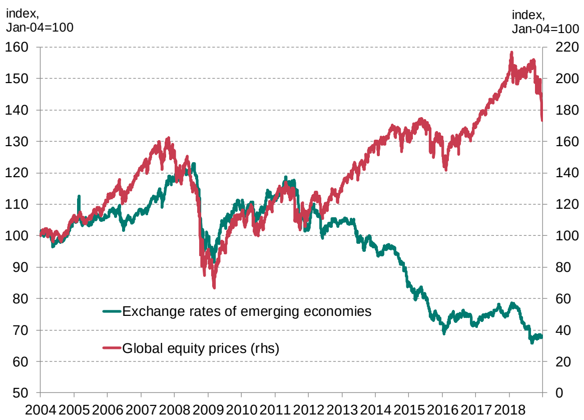
[8] In March 2019, the ECB announced a likely absence of changes to its interest rates at least through the end of 2019.

the Fed gradually reduced the size of its balance sheet by limiting the reinvestment of assets purchased under the previously implemented quantitative easing programmes.

In 2018, sentiment in the global financial markets deteriorated (Figure 9, Figure 10). Changes in the trade policy of major countries, the political situation and fiscal policy outlook in Italy and the negotiations concerning the UK's exit from the European Union, all added to global uncertainty levels. Confidence in the global markets was also undermined by the tightening of monetary policy by the Fed, and in the second half of the year, by the deteriorating current and expected global economic performance. In these conditions, equity prices in advanced economies declined in 2018. Against the background of the Fed's tighter monetary policy, yields on US bonds increased. In contrast, yields narrowed in the largest euro area countries, except for Italy, due to the rising expectations that the ECB's monetary policy would remain expansionary.

The confidence slump in the global financial markets was also reflected in declining stock prices, rising bond yields and a depreciation of the currencies of many emerging market economies outside Europe (including, in particular, Argentina and Turkey).

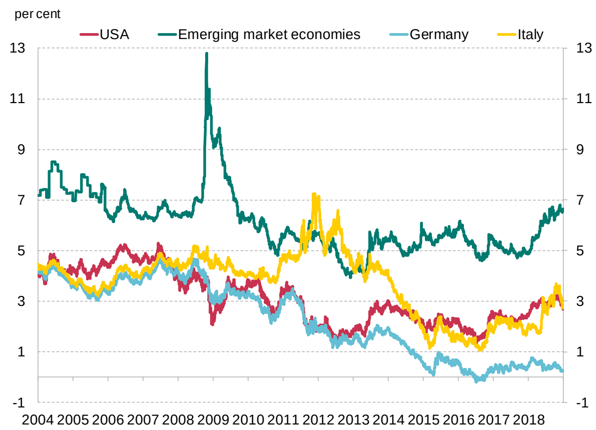
Figure 9 Index of global equity prices and exchange rates of emerging market economies in 2004-2018



Source: Bloomberg and IMF data, NBP calculations.

The world stock market - MSCI (Morgan Stanley Capital International) World Index. Emerging market economies exchange rates - JP Morgan Emerging Market Currency Index. Rise indicates appreciation.

Figure 10 Yields on 10-year Treasury bonds in selected economies in 2004-2018

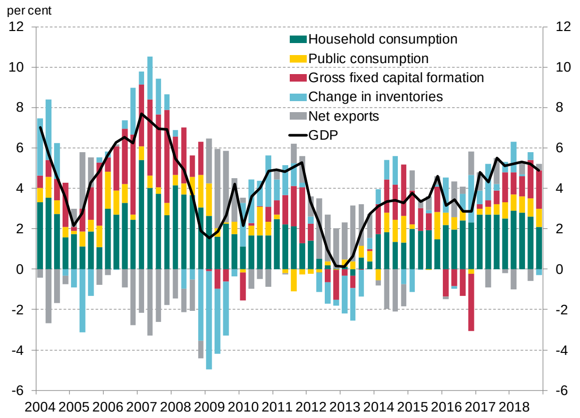


Source: Bloomberg data, NBP calculations.

Appendix 2. Gross domestic product

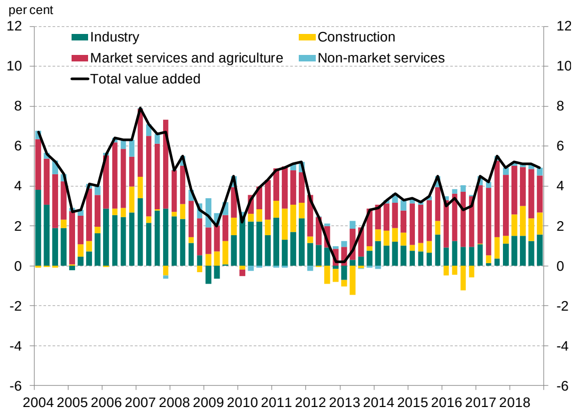
In 2018, real GDP growth amounted to 5.1% (against 4.9% in 2017; Figure 11, Table 1). Activity growth was mainly driven by rising consumer demand, with substantial contribution also from investment. This was accompanied by export growth, which, however, was slower than in 2017. At the same time, imports continued to increase, albeit also more slowly than in 2017. The contribution of net exports to GDP growth was marginally negative.

Figure 11 Annual GDP growth and its components in 2004–2018



Source: GUS data.

Figure 12 Annual value added growth and its components in 2004–2018



Source: GUS data, NBP calculations.

Market services and agriculture *cover categories A and G-N of PKD classification (Polish equivalent of NACE): agriculture, trade, transportation, accommodation and catering, information and communication, financial and insurance activity, real estate activities, professional, scientific and technical activities, administrative and support service activities.*

Non-market services *comprise categories O, P and Q of PKD classification: public administration and defence, compulsory social security, education, human health and social work activities.*

Household consumption growth remained high in 2018 and amounted to 4.5% (against 4.5% as well in 2017). Consumption growth was boosted by rising wages and employment, very strong consumer sentiment and increasing consumer loans.

In 2018, growth of gross fixed capital formation picked up markedly (to 8.7% against 4.0% in 2017). Investment recovery was to a large extent the result of an increase in public sector investment, especially that of local government units, including projects co-financed by EU funds. Corporate investment also rose substantially, particularly in the second half of 2018. This was supported by favourable demand outlook, very good economic conditions and high capacity utilisation. Housing investment growth was also robust, driven by solid demand for dwellings, partly reflecting very strong position of employees in the labour market and upbeat households' confidence.

Exports rose substantially in 2018, although their growth slowed down (to 6.3% from 9.5% in 2017) due to weaker global trade growth and slower euro area GDP growth. Import growth also decelerated (posting 7.1% as against 9.8% in 2017), however, it was higher than export growth. In effect, the contribution of net trade to GDP growth was marginally negative.

Sectoral decomposition of value added growth shows that in 2018, as in the previous year, economic activity growth spanned across all the sectors (Figure 12). Services made the largest contribution to economic growth, although value added growth in this sector decreased after a sharp rise in 2017. At the same time, business conditions in industry remained strong. Value added growth in construction picked up substantially, which resulted above all from fast increasing output in infrastructure construction.

Table 1 GDP and its components in 2010–2018

	2018		2010	2011	2012	2013	2014	2015	2016	2017	2018	2018			
	Current prices (PLN bn)	per cent of GDP	Annual growth rate at the previous year prices (in per cent)												
												Q1	Q2	Q3	Q4
GDP	2115.7	100.0	3.6	5.0	1.6	1.4	3.3	3.8	3.1	4.9	5.1	5.2	5.3	5.2	4.9
Domestic demand	2043.3	96.6	4.2	4.2	-0.5	-0.6	4.8	3.3	2.3	4.9	5.5	6.6	4.9	6.1	4.8
Consumption	1606.3	75.9	2.8	2.0	0.5	0.8	2.8	2.8	3.5	4.1	4.5	4.5	4.6	4.5	4.3
Household consumption	1216.4	57.5	2.6	3.3	0.8	0.3	2.6	3.0	3.9	4.5	4.5	4.6	4.8	4.4	4.2
Capital formation	437.0	20.7	9.4	12.8	-3.9	-5.8	12.8	4.9	-2.0	7.9	9.6	19.1	5.9	12.4	6.1
Gross fixed capital formation	384.7	18.2	0.0	8.8	-1.8	-1.1	10.0	6.1	-8.2	4.0	8.7	9.6	6.0	11.3	8.2
Exports	1170.2	55.3	13.1	7.9	4.6	6.1	6.7	7.7	8.8	9.5	6.3	3.8	8.1	5.3	7.9
Imports	1097.8	51.9	14.3	5.8	-0.3	1.7	10.0	6.6	7.6	9.8	7.1	6.1	7.6	7.0	7.8
Value added	1851.7	87.5	3.5	5.0	1.7	1.5	3.3	3.7	3.0	4.8	5.1	5.2	5.1	5.1	4.9
Industry	474.7	22.4	8.4	7.9	2.8	0.9	4.5	3.8	3.9	2.5	5.6	5.4	6.3	5.3	5.6
Construction	148.1	7.0	4.9	13.5	-4.0	-5.0	9.0	6.4	-8.5	6.8	17.1	24.7	21.0	14.0	13.6
Market services and agriculture	970.2	45.9	1.9	3.4	2.6	2.9	2.3	3.7	4.9	6.3	4.1	4.7	3.5	4.5	3.7
Non-market services	258.7	12.2	-0.3	1.1	0.1	0.9	1.7	2.0	1.3	2.4	1.8	1.2	1.1	1.8	2.8
			Contribution to annual GDP growth at the previous year prices (in percentage points)												
Domestic demand	-	-	4.2	4.3	-0.5	-0.6	4.6	3.2	2.3	4.6	5.3	6.2	4.7	5.8	4.6
Consumption	-	-	2.3	1.6	0.4	0.6	2.2	2.2	2.7	3.1	3.4	3.6	3.6	3.5	3.0
Household consumption	-	-	1.6	2.0	0.5	0.2	1.5	1.8	2.3	2.6	2.6	2.9	2.8	2.6	2.1
Capital formation	-	-	1.9	2.7	-0.9	-1.2	2.4	1.0	-0.4	1.5	1.9	2.6	1.1	2.3	1.6
Gross fixed capital formation	-	-	0.0	1.8	-0.4	-0.2	1.9	1.2	-1.6	0.7	1.5	1.1	1.0	1.9	1.9
Net exports	-	-	-0.6	0.7	2.1	2.0	-1.4	0.6	0.8	0.3	-0.2	-1.0	0.6	-0.6	0.3
			Contribution to annual value added growth at the previous year prices (in percentage points)												
Industry	-	-	2.1	2.0	0.7	0.2	1.1	1.0	1.0	0.7	1.5	1.5	1.5	1.3	1.6
Construction	-	-	0.4	1.1	-0.3	-0.4	0.7	0.5	-0.7	0.5	1.2	1.1	1.5	1.1	1.1
Market services and agriculture	-	-	1.0	1.7	1.3	1.5	1.2	1.9	2.5	3.3	2.2	2.4	2.0	2.5	1.8
Non-market services	-	-	0.0	0.2	0.0	0.1	0.3	0.3	0.2	0.3	0.2	0.2	0.1	0.2	0.4

Source: GUS data, NBP calculations.

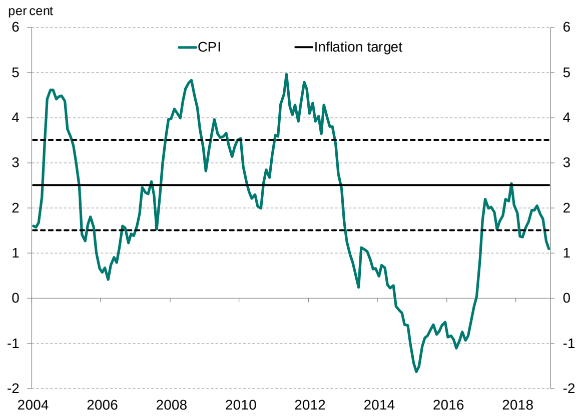
Market services and agriculture *cover categories A and G-N of PKD classification (Polish equivalent of NACE): agriculture, trade, transportation, accommodation and catering, information and communication, financial and insurance activity, real estate activities, professional, scientific and technical activities, administrative and support service activities.*

Non-market services *comprise categories O, P and Q of PKD classification: public administration and defence, compulsory social security, education, human health and social work activities. Contributions to GDP growth and value added growth may not add up to overall GDP growth and value added growth due to rounding.*

Appendix 3. Consumer prices

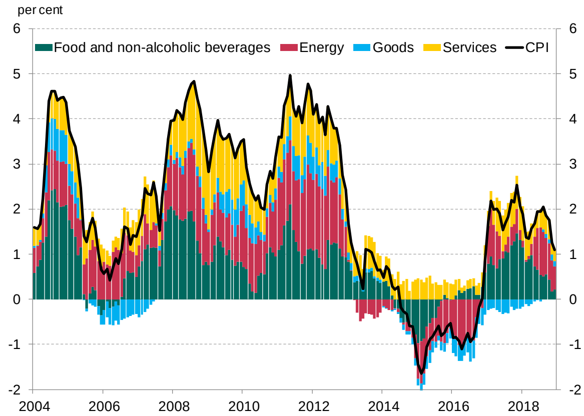
Average consumer price growth amounted to 1.6% in 2018 (against 2.0% in 2017), remaining within the band for deviations from the inflation target (2.5% plus/minus 1 percentage point; Figure 13).

Figure 13 Annual growth in CPI and the inflation target in 2004–2018



Source: GUS data.

Figure 14 Annual consumer price growth and its components in 2004–2018



Source: GUS data, NBP calculations.

Due to the stabilisation of the domestic demand pressure and moderate price growth abroad, core inflation stayed low in 2018, and its contribution to CPI growth did not change compared to 2017 (Table 2). At the same time, the decline in CPI from the previous year's level was driven by a fall in food price growth, amid slightly higher growth of energy prices than in 2017 (Figure 14).

In each subsequent month of 2018 food price growth diminished steadily, with the yearly average turning out to be markedly lower than in 2017 (Figure 15). Slower food price growth primarily reflected a decline in the growth of meat and fruit prices caused by increased supply of these products. To a lesser extent, it resulted from weaker growth in the prices of fats and a fall in sugar prices. The opposite effect on food price growth stemmed from rising bread prices amid higher production costs, and vegetable prices, which accelerated due to the drought experienced by many countries in 2018.

Energy price growth, in contrast, picked up only slightly in 2018. This was related to higher annual growth in the prices of oil and natural gas. Coal prices were also seen to rise, although more slowly than in the previous year. Following the changes in the prices of those commodities, energy price growth rose from the beginning of 2018 until July, after which it started to gradually decline on the back of a fall in energy commodity prices.

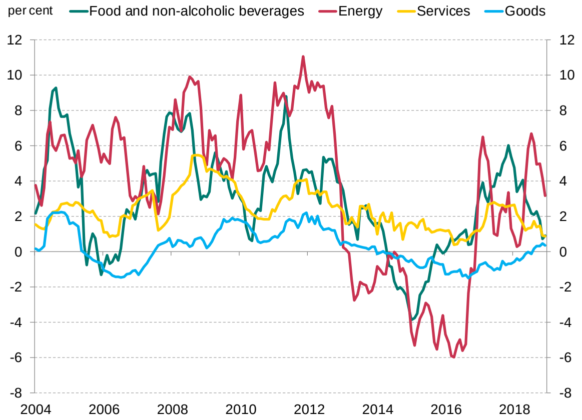
Core inflation[9] stabilised at a low level in 2018, under the combined impact of weaker service price growth and steeper growth in prices of goods (Figure 16). The substantial decline in service price growth resulted primarily from a drop in the prices of telecommunication services[10] and insurance. In contrast,

[9] CPI net of food and energy prices.

[10] Including effects of price promotions in the area of mobile telephony, internet and TV services.

growth in prices of goods increased and in the second half of 2018 turned positive for the first time in several years.

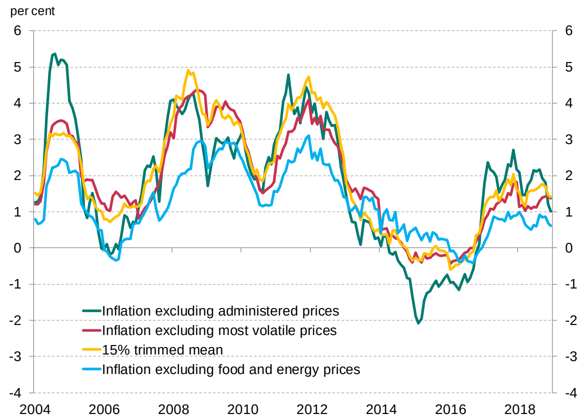
Figure 15 Annual growth in the prices of food and non-alcoholic beverages, energy, goods and services in 2004-2018



Source: GUS data, NBP calculations.

The category of Energy *comprises energy carriers (electricity, gas and heating fuel), as well as engine fuels (for private means of transport). The category of* Goods *comprises other goods (excluded from categories food and non-alcoholic beverages and energy).*

Figure 16 Core inflation indices in 2004-2018 (y/y)



Source: GUS data, NBP calculations.

Table 2 Annual growth in consumer goods and services prices and the contribution of the main price categories to CPI

	Weights in 2018, per cent	Change (y/y, per cent)													
		2018												2018 average	2017 average
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII		
CPI	100.0	1.9	1.4	1.3	1.6	1.7	2.0	2.0	2.0	1.9	1.8	1.3	1.1	1.6	2.0
Core inflation	59.4	1.0	0.8	0.7	0.6	0.5	0.6	0.6	0.9	0.8	0.9	0.7	0.6	0.7	0.7
Goods	30.5	-0.6	-0.4	-0.5	-0.3	-0.1	0.0	-0.1	0.2	0.3	0.3	0.5	0.4	0.0	-0.8
Services	28.9	2.7	2.1	1.9	1.6	1.2	1.3	1.4	1.7	1.4	1.5	0.9	0.9	1.5	2.4
Food and non-alcoholic beverages	24.4	4.8	3.4	3.7	4.1	3.0	2.7	2.2	2.1	2.3	1.8	0.7	0.9	2.6	4.2
Processed	13.3	4.7	4.0	3.7	4.1	3.5	3.5	3.2	2.6	2.5	2.3	1.2	1.2	3.0	3.9
Milk. cheeses and eggs	3.2	10.3	8.7	7.9	7.9	7.2	6.7	6.2	5.5	4.9	3.8	-1.1	-2.1	5.4	5.9
Oils and fats	1.1	14.3	11.3	10.7	13.3	11.1	12.7	10.0	5.1	1.7	-0.3	-1.8	-1.5	6.8	16.0
Unprocessed	11.1	4.9	2.6	3.7	3.9	2.4	1.6	1.0	1.4	2.0	1.1	0.1	0.5	2.1	4.7
Meat	6.2	4.3	3.7	3.9	3.0	1.5	1.6	0.8	0.7	1.2	0.8	0.0	-0.4	1.7	4.8
Vegetables	2.5	2.7	-4.9	-0.2	2.3	4.1	2.5	4.8	8.6	10.2	10.0	9.4	10.1	4.7	2.9
Fruit	1.6	12.6	12.6	10.9	11.5	3.8	0.4	-3.8	-5.3	-5.9	-11.0	-14.3	-12.0	-0.1	8.0
Energy	16.2	0.8	0.3	0.4	1.5	4.1	5.8	6.7	6.2	4.9	5.0	4.2	3.2	3.6	3.2
Energy carriers	11.1	1.7	1.8	1.7	1.6	1.7	1.8	1.8	2.1	1.8	1.4	1.2	1.1	1.6	1.6
Fuels	5.1	-1.0	-2.8	-2.3	1.4	9.2	15.2	18.0	15.3	12.0	12.8	10.6	7.6	7.8	7.2
		According to COICOP													
Food and non-alcoholic beverages	24.4	4.8	3.4	3.7	4.1	3.0	2.6	2.2	2.1	2.3	1.8	0.7	0.9	2.6	4.2
Alcoholic beverages and tobacco products	6.2	1.2	1.0	0.9	1.7	1.6	1.8	1.8	1.8	1.6	1.5	1.7	1.4	1.5	1.0
Clothing and footwear	5.4	-4.5	-4.2	-3.7	-3.8	-3.8	-4.2	-4.2	-3.4	-3.3	-2.9	-2.7	-2.7	-3.6	-5.2
Home maintenance and energy carriers	20.4	2.1	2.1	2.0	2.0	2.0	2.1	2.2	2.4	2.2	2.0	1.9	1.9	2.1	1.9
Home equipment and household maintenance	5.3	0.3	0.5	0.0	0.5	0.4	0.5	0.7	0.9	1.1	0.9	1.2	1.1	0.7	0.3
Health	5.7	1.8	1.9	1.4	1.4	2.4	2.2	1.7	1.8	2.1	2.1	2.9	2.9	2.0	1.2
Transportation	8.7	-1.2	-2.0	-1.9	-0.1	4.8	8.6	10.1	8.5	7.0	7.5	6.1	4.0	4.2	3.8
Telecommunications	4.9	2.0	0.6	0.6	0.1	-1.9	-1.6	-1.7	-0.9	-3.6	-3.6	-5.9	-6.1	-1.8	0.7
Recreation and culture	6.9	2.5	1.5	1.0	0.9	1.0	0.7	1.2	1.6	1.8	1.9	0.7	0.9	1.3	1.4
Education	1.0	2.1	2.1	2.2	2.1	2.2	2.2	2.2	2.2	2.6	2.8	3.0	3.0	2.4	1.2
Restaurants and hotels	5.7	3.0	3.0	2.9	2.8	2.9	2.9	2.9	2.9	3.0	3.1	3.1	3.1	3.0	2.2
Other goods and services	5.6	-0.2	0.1	-0.4	-0.7	-1.2	-0.9	-1.6	-0.6	-0.2	-0.2	0.0	-0.1	-0.5	2.2
	Weights in 2018, per cent	Contribution to CPI growth (in percentage points)													
		2018												2018 average	2017 average
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII		
CPI	100.0	1.9	1.4	1.3	1.6	1.7	2.0	2.0	2.0	1.9	1.8	1.3	1.1	1.6	2.0
Core inflation	59.4	0.6	0.5	0.4	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Goods	30.5	-0.2	-0.1	-0.2	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	-0.2
Services	28.9	0.8	0.6	0.5	0.4	0.3	0.4	0.4	0.5	0.4	0.4	0.3	0.2	0.4	0.7
Food and non-alcoholic beverages	24.4	1.2	0.8	0.9	1.0	0.7	0.6	0.5	0.5	0.6	0.4	0.2	0.2	0.6	1.0
Processed	13.3	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.4	0.5
Milk. cheeses and eggs	3.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	-0.1	0.2	0.2
Oils and fats	1.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.2
Unprocessed	11.1	0.5	0.3	0.4	0.4	0.3	0.2	0.1	0.2	0.2	0.1	0.0	0.1	0.2	0.5
Meat	6.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.3
Vegetables	2.5	0.1	-0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.1	0.1
Fruit	1.6	0.2	0.2	0.2	0.2	0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	0.0	0.1
Energy	16.2	0.1	0.0	0.1	0.2	0.7	0.9	1.1	1.0	0.8	0.8	0.7	0.5	0.6	0.5
Energy carriers	11.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2
Fuels	5.1	-0.1	-0.1	-0.1	0.1	0.5	0.7	0.9	0.7	0.6	0.6	0.5	0.4	0.4	0.3
		According to COICOP													
Food and non-alcoholic beverages	24.4	1.2	0.8	0.9	1.0	0.7	0.6	0.5	0.5	0.6	0.4	0.2	0.2	0.6	1.0
Alcoholic beverages and tobacco products	6.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Clothing and footwear	5.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.2	-0.3
Home maintenance and energy	20.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Home equipment and household maintenance	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0
Health	5.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1
Transportation	8.7	-0.1	-0.2	-0.2	0.0	0.4	0.7	0.9	0.7	0.6	0.6	0.5	0.3	0.4	0.3
Telecommunications	4.9	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0	-0.2	-0.2	-0.3	-0.3	-0.1	0.0
Recreation and culture	6.9	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Education	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restaurants and hotels	5.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Other goods and services	5.6	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1

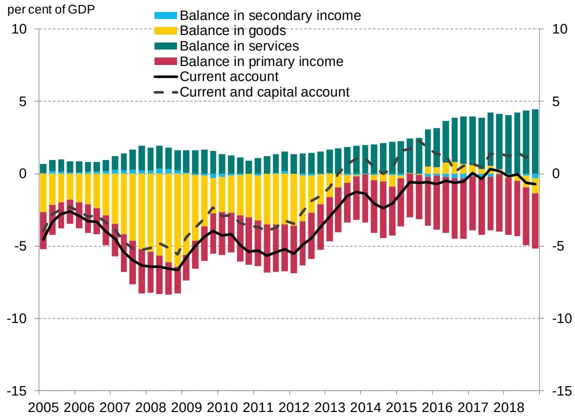
Source: GUS data, NBP calculations.

The core inflation quoted in the table denotes CPI inflation excluding prices of food and energy.

Appendix 4. Balance of payments

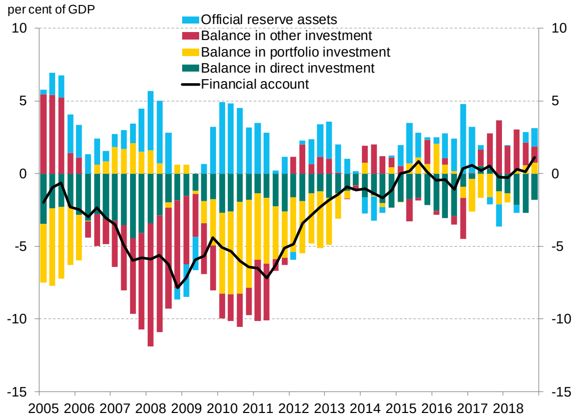
External imbalance indicators in 2018 confirmed that the Polish economy was well balanced. In 2018, the current account deficit in relation to GDP was low and stood at 0.7% (against a surplus of 0.2% of GDP the year before; Figure 17). The deterioration in this balance on its 2017 level reflected, above all, a decline in the balance of trade in goods. At the same time, the combined current and capital account balance remained positive,while foreign debt decreased.

Figure 17 Current and capital account balance and its decomposition (4-quarter rolling window) in 2005–2018



Source: NBP and GUS data.

Figure 18 Financial account balance and its decomposition (4-quarter rolling window) in 2005–2018



Source: NBP and GUS data.

The decline in the balance of trade in goods in 2018 resulted from slower growth in the value of exports amid deteriorating economic conditions across Poland's main trading partners. Growth in the value of imports decelerated, too. Yet owing to consistently strong domestic demand growth and a rise in commodity prices, import growth exceeded that of exports, which negatively affected the balance of trade in goods. At the same time, the surplus in trade in services was large and growing, whereas the primary income balance remained significantly negative due to consistently high income of foreign direct investors.

Despite the decline in the current account balance, the combined current and capital account balance was positive (amounting to 1.3% of GDP) and close to the level seen in 2017. The reason behind this was an inflow of EU funds in 2018, especially under the European Regional Development Fund and Cohesion Fund, which led to a wider surplus on the capital account.

Alongside that, Poland's foreign debt in relation to GDP declined and net international investment position in relation to GDP improved in comparison with 2017 (Table 4).

Table 3 Balance of payments (PLN million) in 2010–2018

Balance of payments	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current account	-77,770	-81,497	-60,477	-21,039	-35,656	-10,229	-9,689	3,176	-14,945
Balance of trade in goods	-43,677	-54,790	-34,128	-1,345	-13,634	9,326	12,834	6,100	-22,068
Balance of services	13,174	21,073	25,145	32,070	37,922	45,610	60,942	76,389	94,530
Balance of primary income	-47,108	-50,914	-50,874	-50,016	-58,369	-61,535	-77,367	-78,778	-81,211
Balance of secondary income	-159	3,134	-620	-1,748	-1,575	-3,630	-6,098	-535	-6,196
Capital account	25,705	30,618	35,711	37,857	41,990	42,510	19,536	25,015	43,326
Financial account	-92,928	-80,227	-37,276	-18,676	-19,557	2,296	6,000	-4,991	23,627
Direct investment balance	-25,864	-40,631	-19,692	-13,311	-40,728	-38,666	-16,594	-24,044	-37,810
Portfolio investment balance	-87,618	-50,222	-64,060	-398	7,639	11,865	-14,712	-18,348	15,815
Other investment balance	-27,353	-7,882	18,847	-5,781	11,654	29,644	-52,724	72,469	23,632
Derivative financial instruments	1,789	525	-8,942	-2,200	-62	-3,663	762	-4,516	-4,572
Official reserve assets	46,118	17,983	36,571	3,014	1,940	3,116	89,268	-30,552	26,562
Balance of errors and omissions	-40,863	-29,348	-12,510	-35,494	-25,891	-29,985	-3,847	-33,182	-6,963

Source: NBP data.

In 2018, the financial account recorded a surplus of PLN 23.6 billion (i.e. 1.1% of GDP as against -0.3% GDP in 2017; Figure 18). The most significant changes on the previous year were observed in the balance of official reserve assets and in the other investment balance (Table 3).[11] Lower involvement of foreign investors in the form of portfolio investment in the debt securities market also boosted the financial account balance. In turn, the deficit on the direct investment account increased as a result of a decline in Polish residents' assets abroad.

Table 4 Selected external stability indicators 2010-2018

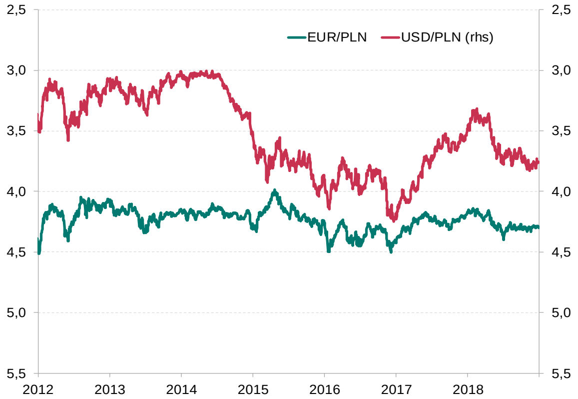
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current account balance/GDP (per cent)	-5.4	-5.2	-3.7	-1.3	-2.1	-0.6	-0.5	0.2	-0.7
Current and capital account balance/GDP (per cent)	-3.6	-3.2	-1.5	1.0	0.4	1.8	0.5	1.4	1.3
Balance of trade in goods and services/GDP (per cent)	-2.1	-2.2	-0.6	1.9	1.4	3.1	4.0	4.1	3.4
Official reserve assets in terms of monthly imports of goods and services	5.5	5.7	5.5	5.2	5.3	5.3	6.4	4.7	4.9
Gross foreign debt/GDP (per cent)	65.5	70.7	70.2	69.8	72.7	71.8	76.4	66.9	63.8
Net international investment position/GDP (per cent)	-65.1	-62.4	-65.3	-68.9	-69.1	-62.1	-61.6	-61.0	-55.7

Source: NBP and GUS data, NBP calculations.

Despite temporary fluctuations, the average annual exchange rate of the zloty did not change substantially in comparison with the previous year. In average annual terms, the nominal effective exchange rate was 2.2% stronger than in 2017. A temporary depreciation occurred in the first half of 2018, resulting from a deterioration of sentiment in global financial markets, primarily related to the changes in trade policy of major countries, and the Fed’s decision to raise interest rates (see also Appendix 1 *Economic developments abroad*). In the second half of 2018, the nominal effective exchange rate of the zloty, as well as the zloty exchange rates against the US dollar and the euro remained stable (Figure 19, Figure 20).

[11] The change in the balance of transactions under other investment was primarily related to the repo and reverse repo transactions of NBP, which entailed a rise in the official reserve assets.

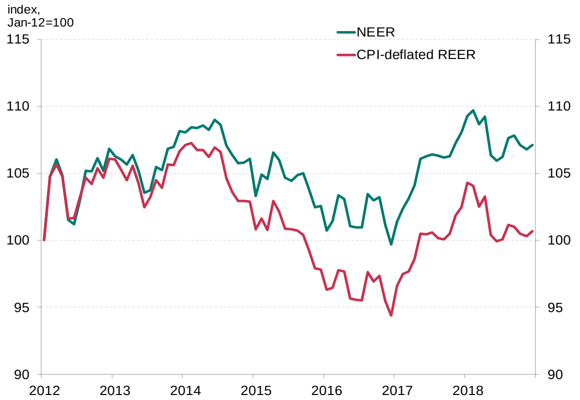
Figure 19 Nominal effective zloty exchange rate against euro and US dollar in 2012–2018



Source: NBP data.

Values on the vertical axes are in a reverse order, so an increase denotes appreciation of the zloty.

Figure 20 Real and nominal zloty effective exchange rate in 2012–2018



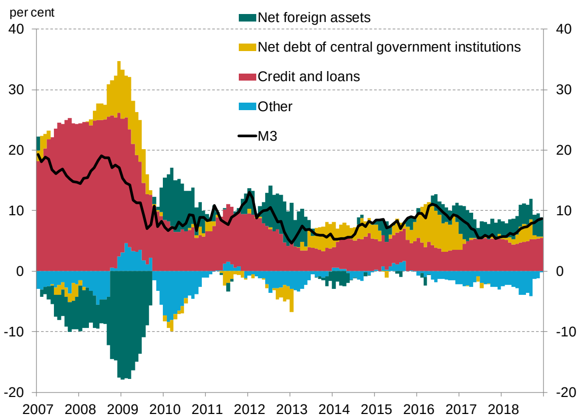
Source: BIS data.

NEER – nominal effective exchange rate, REER – real effective exchange rate. Increase denotes appreciation of the zloty.

Appendix 5. Money and credit

In 2018, growth of the M3 aggregate picked up slightly and averaged 7.1% y/y against 6.5% y/y in 2017 (Figure 21)[12]. The main source of M3 creation continued to be loans to the non-financial sector, which grew somewhat faster than in the previous year (5.9% y/y in 2018 compared to 5.4% y/y in 2017; Figure 22), albeit close to nominal GDP growth (6.4%). As a result, the ratio of outstanding loan portfolio of non-financial sector to GDP remained stable and stood at 51.5% at the end of 2018. M3 growth was also driven by a rise in net foreign assets (by 18.6% y/y in 2018 against 20.1% y/y in 2017).

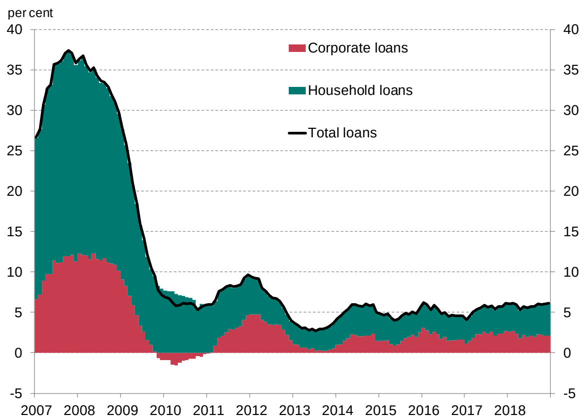
Figure 21 Annual growth of M3 aggregate and its main components in 2007-2018



Source: NBP data.

The category Other *covers: (i) receivables of monetary financial institutions arising from debt and equity securities; (ii) fixed assets (excluding financial assets); and (iii) financial liabilities with agreed maturity of over two years, which are not included in the M3 aggregate and for this reason, in order to ensure comparability, are included in the statistics of the main components of money creation with a minus sign.*

Figure 22 Annual growth of loans to the non-financial sector and its main components in 2007-2018



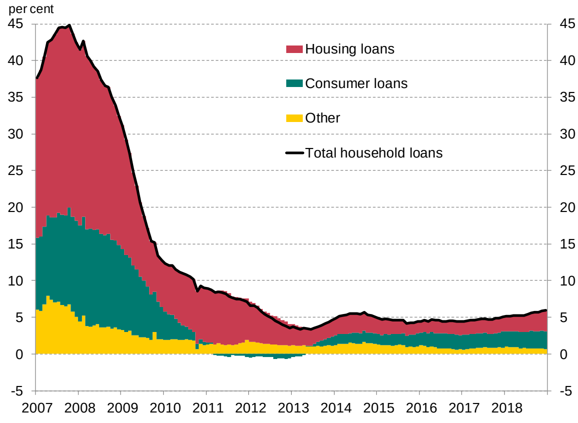
Source: NBP data.

Besides loans to enterprises and households, the series Total loans *comprises loans to non-profit institutions serving households. Due to its insignificant impact on total lending growth, it was not marked separately in the chart.*

Loans to households were the major source of growth in lending to the non-financial sector in 2018, increasing by 5.5% y/y (4.7% y/y in 2017; Figure 23). This involved growth in both consumer loans (to 9.0% y/y from 8.2% y/y in 2017) and housing loans (to 4.1% y/y from 3.3% y/y in 2017).

[12] The data presented in the Appendix are transaction data.

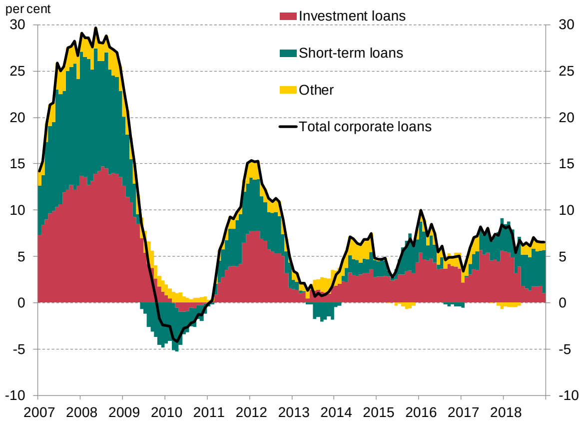
Figure 23 Annual growth of household loans and its main components in 2007-2018



Source: NBP data.

The category Other *covers operating and investment loans to small enterprises.*

Figure 24 Annual growth of corporate loans and its main components in 2007-2018



Source: NBP data.

The category Other *covers i.a. loans for the purchase of securities.*

Growth in loans to non-financial enterprises, in turn, remained stable at 6.8% in 2018 (Figure 24). Within that, growth in short-term loans accelerated significantly, while growth in investment loans declined, despite corporate investment rising much faster than in 2017 which was accompanied by an increase in financing investment with own funds[13].

Lending growth stimulated an increase in deposits, mainly current deposits (which grew by 11.7% y/y against 15.0% y/y in 2017). At the same time, the value of deposits with agreed maturity up to 2 years declined slightly (by 1.5% y/y), although the fall was smaller than in 2017 (5.7% y/y in 2017). In these conditions, the amount of cash in circulation continued to increase (by 9.0% y/y against 9.4% y/y in 2017).

[13] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector*, No. 01/19, NBP, January 2019.

Appendix 6. Minutes of the Monetary Policy Council decision-making meetings

Minutes of the Monetary Policy Council decision-making meeting held on 10 January 2018

Members of the Monetary Policy Council discussed macroeconomic developments abroad, analysing their impact on economic conditions in Poland. It was observed that the recovery continued in the global economy, which was accompanied by a further rise in international trade. It was pointed out that the recovery in economic activity in the euro area continued, supported by improving labour market conditions, very strong business confidence and robust external demand. The recent upward revisions of the 2018 GDP growth forecasts in this economy were brought to attention. Other developments referred to in the course of the discussion included the favourable economic conditions in the United States and only a slight weakening of activity in China.

Referring to price developments in the world economy, it was underlined that, despite the global recovery, inflation abroad remained moderate. It was assessed that this was caused by the persistently weak domestic inflationary pressure in many countries and the disinflationary factors related to global supply chains. In particular, the still moderate price growth in the euro area was highlighted, along with the downward revision of the 2018 core inflation forecasts for this economy.

While analysing developments in commodity prices, it was pointed out that oil prices had risen recently. It was noted that the rise had mainly resulted from reductions in output and inventories of oil, and from the extension of the agreement concluded by oil-exporting countries. Some Council members expressed the opinion that a stabilisation of oil prices was likely in the coming quarters, which would be supported by higher supply of shale oil from the United States.

Regarding monetary policy abroad, it was highlighted that despite the improvement in the outlook for economic conditions in the euro area, the European Central Bank had not changed its monetary policy stance. The ECB was keeping interest rates close to zero, including the deposit rate below zero, and continued its financial asset purchases. Moreover, the ECB was still announcing that interest rates would remain at their current levels, even after the end of the asset purchase programme.

While discussing the developments in Poland's real economy, it was assessed that the GDP growth in 2017 Q4 had probably been close to that observed in 2017 Q3. It was highlighted that growth was still driven primarily by consumer demand, supported by rising employment and wages, disbursement of child benefits and very high consumer confidence. Available data also reveal accelerated investment growth, although, as it was emphasised, this was mainly due to a pick-up in public investment. At this point certain Council members highlighted the fact that growth of private investment, which is to a greater extent reliant on the expected return and risk than public investment, remained weak. These members observed that a rise in corporate high-tech investment was important for the prospective competitiveness of the Polish economy. It was also pointed out that the relatively fast growth of exports, supported by the recovery in the immediate environment of the Polish economy, including Germany, was an additional driver of GDP growth.

With reference to the prospects for economic growth, it was assessed that economic conditions would continue to be favourable in the coming quarters, although GDP growth would probably slow down compared to its rate in the second half of 2017. Despite the gradual fading of the statistical effects of the "Family 500 plus" programme, rising consumption will continue to support economic growth. At the same time, a further pick-up in investment growth is anticipated, as signalled by the increasing absorption of EU funds. Some Council members judged that given the need for firms to expand their production capacity amid the persistently robust demand, corporate investment growth would also accelerate in the coming quarters. Moreover, exports would add to economic activity growth. Some Council members emphasised that the increase in external sales may be higher than previously expected due to the improvement in the outlook for economic growth in the euro area. At the same time, some Council members expressed the opinion that the pace of export growth may be dragged down by the exchange rate of the zloty having strengthened on the previous quarters. In the opinion of other Council members, in turn, the level of the exchange rate was still higher than the average export profitability exchange rate as declared by enterprises. These members also emphasised the considerable import intensity of export production, limiting its sensitivity to exchange rate changes.

Analysing the developments in the labour market, it was observed that despite the recruitment difficulties reported by some companies, employment in the corporate sector continued to rise strongly. It was indicated that this was accompanied by faster growth in corporate sector wages than in previous quarters. In effect, wage bill growth was also higher, yet, as some Council members stressed, it did not exceed industrial output growth. As a result, the majority of the Council members judged that the labour market did not generate any significant inflationary pressure for the time being. In the opinion of some Council members, the coming quarters may see a further acceleration in wage growth in companies. However, wage growth in the entire economy will continue to be contained by the wage freeze in the public sector as well as an increase in the labour force participation rate and a further inflow of employees from the East. At the same time, it was underscored that unit labour cost growth will be dampened by higher GDP growth in 2018 than previously expected. Certain Council members assessed, however, that wage pressure in the coming quarters may increase substantially. These members pointed to the risk of pay demands arising in the public sector, and a likely rise in demand for labour related to a further investment recovery. At the same time, they judged that the potential for a further increase in both labour force participation rate and inflow of foreign workers is limited. Certain Council members were of the opinion that after the lowering of the statutory retirement age labour supply would be contained as a considerable part of the eligible employees would retire. Yet other Council members underlined that the scale of this impact would be limited due to the high proportion of non- working persons among those retiring and a probability that many retired employees would remain active in the labour market.

While analysing inflationary developments in Poland, it was pointed out that the annual consumer price growth had decreased in December. It was noted that inflation was still being boosted by high food prices. At the same time, core inflation net of food and energy prices remained low due to the moderate growth in prices of services and the continued fall in prices of goods. In the opinion of the majority of the Council members, this indicated limited demand pressure. Certain Council members also underlined that price growth took place amid continued moderate lending growth. It was also pointed out that there was a marked slowdown in producer price growth despite a significant increase in industrial output.

Referring to the outlook for inflation, it was noted that in the coming months changes in energy and food prices, as well as the so-called statistical base effects, would have a strong impact on price developments. It was underlined that low price growth in the environment of the Polish economy and the stronger zloty than in the previous year would continue to have a curbing effect on inflation growth. The majority of the Council members judged that in the light of the current information the average level of inflation in 2018 would be somewhat lower than 2.5%, and in the projection horizon would remain close to the inflation target. Some Council members emphasised that such an assessment is consistent with the expectations of financial analysts. Certain Council members drew attention to a rise in consumer and enterprise inflation expectations in the recent period. They also pointed to the expected higher growth in prices of services in 2018 compared to 2017, which, in the opinion of these Council members, could be evidence of growing demand pressure.

While discussing NBP monetary policy, the Council decided that currently interest rates should remain unchanged. The Council judged that – given the available information – inflation would remain close to the inflation target over the projection horizon. As a result, the current interest rate level helped to keep the Polish economy on a sustainable growth path and maintain macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, interest rates were also likely to remain stable in the coming quarters. These members judged that the stabilisation of interest rates would continue to help meet the inflation target, while supporting the balanced economic growth, including the further expected recovery in investment. Moreover, these Council members pointed out that the need to take into account the monetary conditions in the immediate environment of the Polish economy, including the likelihood of the maintenance of negative interest rates in the euro area, also spoke in favour of keeping the current level of interest rates in the coming quarters.

In the opinion of some Council members, should data and forecasts incoming in the following quarters suggest a more marked intensification of inflationary pressure than expected, most notably associated with a possibility of a stronger acceleration in wage growth, it might be justified to consider an increase in the NBP interest rates in the quarters to come. In the opinion of these Council members, developments in inflation expectations would also be important for monetary policy. At the same time, these members emphasised that in the light of recently released data the risk of a marked increase in inflationary pressure was lower than previously assumed. A view was expressed that in the event of a significant decline in economic indicators accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates. However, it was underlined that currently, faced with a very favourable economic situation and very strong business confidence, there was little likelihood of a decrease in interest rates in the coming quarters. It was also pointed out that the March projection of inflation and GDP would be an important prerequisite for an assessment of the outlook for monetary policy.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 7 February 2018

Members of the Monetary Policy Council discussed macroeconomic developments abroad, analysing their impact on the Polish economy. It was observed that a marked recovery continued in the global economy. In particular, it was noted that GDP data confirmed a further recovery in economic activity in the euro area, which was supported by improving labour market conditions, rising business confidence and growth in international trade. Attention was also drawn to the continued favourable economic conditions in the United States and the stabilisation of GDP growth in China.

Referring to price developments in the world economy, it was underlined that, despite the global recovery, inflation abroad remained moderate, which was the result of a weakening of the relationship between price growth and economic activity observed in many countries. It was assessed that this was caused by disinflationary factors related, among others, to the impact of globalisation of the markets for factors of production. As a result, core inflation in many developed economies was still subdued. In particular, it was pointed out that despite the significantly lower unemployment than in previous years, price growth remained low in the euro area, including in Germany.

While analysing developments in commodity prices, it was indicated that oil prices and the prices of other energy commodities had increased recently. It was noted that the rise had mainly resulted from the reductions in output and inventories of oil, amid growing demand for this commodity due to ongoing recovery in global economic growth. It was also pointed out that the depreciation of the US dollar was an additional driver of higher oil prices. Moreover, some Council members underlined that in the wake of the rise in oil prices, the prices of natural gas had also increased. It was indicated that an important factor affecting global commodity prices was the reduction of coal usage in China, alongside an increase in the country's demand for oil and gas.

Regarding monetary policy abroad, it was noted that despite the improvement in economic conditions in the euro area, the European Central Bank had not changed its monetary policy stance. The ECB was keeping interest rates close to zero, including the deposit rate below zero, and continued its financial asset purchases, although – as announced earlier – at the reduced monthly scale. The ECB had also not modified its communication regarding future decisions. It was pointed out that this could have been caused by the recent appreciation of the euro, which increased uncertainty about the pace of the return of inflation to the ECB target. As a result, the ECB was still announcing that interest rates would remain at their current levels, even after the end of the asset purchase programme.

While discussing the developments in Poland’s real economy, it was assessed that the 2017 GDP data indicated that the good economic conditions continued, accompanied by an increasingly balanced structure of economic growth. It was highlighted that growth was still driven primarily by domestic demand, including consumer demand, supported by rising employment and wages, disbursement of benefits and very good consumer confidence. Available data also signal a recovery in investment, although – as emphasised at the meeting – mainly in public investment. However, it was judged that in 2017 Q4 corporate gross fixed capital formation had probably increased as well. Moreover, regarding the structure of GDP growth, it was underlined that in 2017 growth was also driven by strong external demand reflected in a positive contribution of net exports to GDP growth in the second half of 2017.

With reference to the economic growth outlook, it was assessed that an upward revision of the forecast path of GDP growth in Poland could be expected. In the opinion of the Council members, favourable economic conditions will continue in the coming quarters, although GDP growth will probably slow down slightly compared to the second half of 2017.

GDP growth will continue to be supported by rising consumption, yet the statistical effects of the "Family 500 plus" programme will gradually fade. At the same time, a further revival in investment, including private investment, is expected. Certain Council members pointed out that private investment growth was of major significance to the competitiveness of the Polish economy. These members observed that corporate investment growth may, in particular, act as a driver of labour productivity growth in the future, which will mitigate the impact of a potential further acceleration of wages on prices.

In the opinion of the Council members, domestic economic activity in the coming quarters should also be supported by favourable conditions abroad. Yet some Council members observed that in line with the forecasts of international institutions, growth in the largest economies would probably start slowing down as of the beginning of 2019. Certain Council members pointed out that the global growth outlook would, in particular, be affected by the sentiment in the global financial markets, which has recently weakened somewhat. Moreover, some Council members expressed the opinion that even amid a sustained relatively high GDP growth abroad, export growth might be hampered by the stronger exchange rate of the zloty than in the previous months. In turn, in the opinion of other Council members, the zloty exchange rate is still higher – especially against the euro – than the average export profitability exchange rate as declared by enterprises, while high import intensity of export production additionally limits its sensitivity to exchange rate movements.

Referring to the developments in the labour market, it was indicated that despite the recruitment difficulties reported by some firms, employment in the corporate sector continued to rise strongly. It was pointed out that rising employment was accompanied by a further decline in unemployment and a higher wage growth. At the same time, the Council members observed that the wage freeze in the public sector was a factor constraining wage growth. Also the rise in the labour participation ratio and a further inflow of workers from the East had a dampening effect on wage growth.

The majority of the Council members judged that the labour market was not, so far, generating substantial inflationary pressure, and the rise in unit labour costs in the economy remained moderate. Yet certain Council members indicated the rising number of enterprises with wages growing faster than labour productivity. Furthermore, these Council members argued that in the coming quarters wage pressure might increase, as there was a risk of wage demands arising in the public sector, and – after the lowering of the statutory retirement age – further retirements of a substantial part of eligible employees. Other Council members, however, underlined that the impact of retirements on labour supply had so far been limited due to the high proportion of non-working persons among those retiring, and a probability that many retired employees would remain active in the labour market.

While analysing inflationary developments in Poland, it was pointed out that the annual consumer price growth had decreased at the end of 2017 and that core inflation net of food and energy prices remained low. Some Council members emphasised that core inflation in 2017 Q4 had been running below the level envisaged in the November NBP projection, despite higher than expected GDP growth. Weaker growth of producer prices was also pointed out. The majority of the Council members were of the opinion that inflationary pressure remained limited.

Referring to the outlook for inflation, it was observed that moderate price growth in the external environment of the Polish economy and the stronger zloty than in the previous year would continue to have a curbing effect on price developments. The majority of the Council members judged that in the light of current information inflation in the next two years would be running close to the inflation target. Certain Council members argued that hitherto inflation might had been dampened by the structural changes increasing price competitiveness in retail trade. These Council members believed, however, that the role of this factor might weaken in the future. At the same time, these Council members pointed to the likely upward revision of the expected inflation path in the coming years.

While discussing NBP monetary policy, the Council decided that currently interest rates should remain unchanged. The Council judged that despite accelerated economic growth inflation in Poland was still running at moderate rates. As a result, the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, interest rates were also likely to remain stable in the coming quarters. These Council members judged that the stabilisation of interest rates would continue to help meet the inflation target, while supporting the balanced economic growth, including the expected further recovery in investment. Moreover, these Council members pointed out that the need to take into account the monetary conditions in the immediate environment of the Polish economy, including the likelihood of the maintenance of negative interest rates in the euro area, also spoke in favour of keeping the current level of interest rates in the coming quarters.

In the opinion of some Council members, should data and forecasts incoming in the following quarters suggest a more marked intensification of inflationary pressure than currently expected, it might be justified to consider an increase in the NBP interest rates in the quarters to come. It was also pointed out that the March projection of inflation and GDP would be an important prerequisite for an assessment of the outlook for monetary policy.

A view was expressed that in the event of a significant decline in economic indicators accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 7 March 2018

Members of the Monetary Policy Council discussed macroeconomic developments abroad, analysing their impact on the Polish economy. It was observed that a recovery continued in the global economy. It was emphasised that economic growth in the euro area remained stronger than in previous years. Current forecasts expect the favourable economic conditions to continue in the euro area in the coming years, although they will be accompanied by a gradual slowing in GDP growth. Attention was also drawn to the favourable economic conditions in the United States – despite some slowdown in economic activity in this country in 2017 Q4 –and the stabilisation of GDP growth in China.

Referring to price developments in the world economy, it was underlined that, despite the global recovery, inflation abroad remained moderate, due to the persistently weak domestic inflationary pressure across many countries and lower global agricultural commodity prices than a year ago.

While analysing developments in commodity prices, attention was drawn to the increased volatility of oil prices and other energy commodities in the recent period. It was pointed out that the restrictions on oil production under the agreement between some of the oil exporting countries continued to affect oil supply. However, the impact of this factor was mitigated by the growing production of shale oil in the United States, which is becoming an increasingly important producer and exporter of this commodity. It was emphasised that high demand for oil persisted, supported by favourable economic conditions in the global economy and increased demand for oil from China related, among others, to its policy of reducing coal consumption. In the opinion of some Council members, in the coming quarters oil prices should however be stable.

Regarding monetary policy abroad, it was underlined that the European Central Bank was keeping interest rates close to zero, including the deposit rate below zero, and was continuing financial asset purchases. At the same time, the ECB stood by its announcement that interest rates would remain at their current levels, even after the end of the asset purchase programme. Certain Council members assessed inflation developments in some of the EU economies, including in Southern European countries, as an uncertainty factor for future ECB decisions. It was pointed out that the Federal Reserve continued to reduce its balance sheet, while signalling further interest rate increases in the future. It was stressed that the situation in the US labour market was a significant factor impacting the decisions of the Fed. Certain Council members assessed that the gradual tightening of monetary conditions by the Fed would lower GDP growth in the United States and lead to a deterioration of the global economic conditions. Other Council members pointed out that the impact of monetary policy tightening in the United States on the economic conditions would be contained by the loosening of fiscal policy in this country.

While discussing the developments in Poland's real economy, it was underlined that GDP growth rate in 2017 Q4 had remained close to that recorded in the previous quarter, however with the structure of growth changed. It was pointed out that the continued significant growth in consumption had been accompanied by a marked recovery in investment. It was emphasised that the pick-up in investment had taken place mainly in the public sector, although gross fixed capital formation in the corporate sector had probably increased as well. At the same time, the further growth of domestic demand boosted import growth. In turn, annual export growth – despite persistently strong external demand – decreased somewhat, partly due to seasonal factors. It was stressed that although the balance of trade had deteriorated slightly, the current account balance had remained close to zero. It was also underlined that there were no signs of rising imbalances in the domestic economy.

With reference to the economic growth outlook, it was pointed out that according to the March projection, GDP growth in 2018 and 2019 would be higher than expected in November. It was emphasized that economic growth in 2018 Q1 would probably remain close to 5%, with a further recovery in investment signalled by robust growth in construction and assembly output and a rise in production of machinery and equipment in January this year. It was underlined that according to the projection, in the whole of 2018 investment growth would be faster than in the previous year. This would result from a significant increase in public investment and the expected pick-up in corporate investment, amid a favourable outlook for demand. Certain Council members emphasised that private investment was of key importance for increasing productivity and improving the competitiveness of the Polish economy. The Council members underlined that despite faster investment growth in 2018, the results of the projection had indicated a gradual decline in GDP growth in the years 2018-2020. Factors that will drag on GDP growth include the slowdown in economic activity in the environment of the Polish economy and the slightly lower domestic private consumption growth than in 2017. The Council members expressed the opinion that the external conditions of the Polish economy and labour supply developments in Poland were risk factors for the GDP growth forecast. Certain Council members assessed that GDP growth this year could be slightly lower than projected. They expressed the opinion that economic growth rate could be contained by a slowdown in exports and a decline in profitability of foreign sales related to stronger zloty than in 2017.

Regarding the current developments in the labour market, attention was drawn to continued – although slower than in previous quarters – growth in employment in the economy in 2017 Q4. Some Council members underlined that the slowdown in employment growth had been mainly caused by the deepening decline of employment in agriculture, accompanied by still relatively high growth of the number of people employed in the remaining sectors of the economy. These Council members also pointed out that despite the recruitment difficulties reported by companies, employment growth in the enterprise sector had been high in 2017. They emphasised that the ability of companies to increase employment and production amid reported problems with labour supply had also been confirmed by the experience of other economies of Central and Eastern Europe. It was pointed out that rising employment in Poland was accompanied by faster wage growth in the economy, although data from the enterprise sector for January might – in the opinion of some Council members – signal a stabilisation of wage growth. Moreover, certain Council members assessed that the increase in wage growth could partly result from the rising percentage of persons employed under permanent contracts.

Despite higher wage growth, the majority of the Council members judged that the labour market was not, so far, generating substantial inflationary pressure.

Referring to the prospects for wage growth, attention was drawn to the stabilisation of wage growth forecast in the projection. Certain Council members emphasised that despite the expected stabilisation of wage growth, unit labour cost growth would increase in the years 2018-2019. Some Council members judged that wage growth in the coming quarters could be higher than forecast, particularly in the case of demands for wage rises in the public sector. These Council members expressed the opinion that wage growth could be increased by rising demand for labour due to the expected further recovery in investment. However, other Council members underlined that in the longer term growth in investment would lead to labour productivity growth, which would limit inflationary pressure.

While discussing inflation developments in Poland, it was pointed out that annual consumer price growth had decreased at the beginning of 2018, and that core inflation net of food and energy prices remained low. In the recent period, growth of producer prices also came to a halt. Some Council members underlined that recent data confirmed that the pick-up in wage growth had no impact on price developments. Certain Council members also emphasised that price growth took place amid continued moderate lending growth.

While discussing the outlook for inflation, it was indicated that according to the March projection, inflation in 2018 would be lower than earlier expected and would amount to 2.1%. In the coming years it is expected to grow gradually – to 2.7% in 2019 and 3.0% in 2020. The majority of the Council members judged that the results of the March projection indicated that in the monetary policy transmission horizon inflation would remain close to the target. However, certain Council members emphasised that the expected increase in consumer price growth resulted to a large extent from the gradual rise in core inflation. Certain Council members assessed that inflation could be higher than forecast. According to these Council members, faster price growth could be driven by higher than expected wage growth and – in view of the decreasing ability of companies to absorb rising labour costs without changing the prices of their goods – its stronger transmission to inflation. In turn, other Council members expressed the opinion that the impact of wage growth on price developments could be limited and – as a result – core inflation could be lower than forecast. Moreover, these Council members emphasised that price growth in the coming years would continue to be contained by low inflation in the environment of the Polish economy and significantly weaker forecast growth of energy prices than in previous years.

While discussing NBP monetary policy, the Council decided that currently interest rates should remain unchanged. The Council judged that current data and the results of the projection indicated a favourable outlook for growth in economic activity in Poland, despite an expected slight slowdown in GDP growth in the years to come. At the same time, in line with the projection, in the monetary policy transmission horizon inflation will remain close to the target. As a result, the Council judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, interest rates were also likely to remain stable in the coming quarters. These Council members judged that the stabilisation of interest rates would continue to help meet the inflation target, while supporting the maintenance of balanced economic growth. Moreover, they pointed out that the need to take into account the monetary conditions in the immediate environment of the Polish economy, including the likelihood of the maintenance of negative interest rates in the euro area, also spoke in favour of keeping the current level of interest rates in the coming quarters.

In the opinion of some Council members, should incoming data and forecasts suggest a further increase in wage growth and a more marked intensification of inflationary pressure than currently expected, it might be justified to consider an increase in the NBP interest rates in the coming quarters.

A view was expressed that in the event of a significant decline in economic indicators accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 11 April 2018

Members of the Monetary Policy Council discussed macroeconomic developments abroad, analysing their impact on the Polish economy. It was observed that global economic conditions remained favourable. It was assessed that in the euro area – despite some deterioration in corporate sentiment – economic activity growth remained relatively robust. It was pointed out that according to current forecasts, GDP growth in 2018 would remain close to its 2017 level, to slow down gradually over the coming years. In the United States – notwithstanding a temporary weakening in economic activity growth in 2018 Q1 – economic conditions are still favourable, and GDP growth in 2018 will probably be higher than in 2017. It was noted that the changes in the international trade policy posed a downside risk to both economic growth in the United States and global economic conditions. However, some Council members expressed the opinion that the scale of the impact of the tightening in the US trade policy on global economic conditions, including those of individual countries, was currently difficult to assess. With reference to economic conditions in emerging market economies, it was underlined that GDP growth in China remained relatively stable.

While discussing price developments in the world economy, it was noted that despite the global recovery, inflation abroad remained moderate due to the persistently weak domestic inflationary pressure in many countries. It was also observed that global agricultural commodity prices were still lower than a year ago. It was emphasised that, notwithstanding favourable economic conditions and the strengthening outlook for economic activity, inflation in the immediate environment of the Polish economy stayed low. Furthermore, attention was drawn to the recent lowering of the inflation forecasts by the European Central Bank and its expectations that price growth in 2018-2019 would remain below the inflation target.

While analysing developments in commodity prices, the recent slight rise in oil prices was pointed out. It was observed that oil prices were driven by both the current and the expected relationship between supply and demand for this commodity. It was pointed out that the key determinants of global oil supply included restrictions on oil production under the agreement between some of the oil exporting countries and growing production of shale oil in the United States. It was indicated that the production of shale oil in the medium term would be affected, on the one hand, by technological changes reducing the cost of its production, and on the other hand, by the decreasing investment propensity of American oil producers. It was emphasised that high demand for oil persisted, supported by favourable economic conditions in the global economy and increased demand for oil from China, related, among others, to its policy of reducing coal consumption.

Regarding monetary policy abroad, it was underlined that the ECB was keeping interest rates close to zero, including the deposit rate below zero, and was continuing financial asset purchases. At the same time, the ECB stood by its announcement that interest rates would remain at their current levels even after the end of the asset purchases programme. It was pointed out that – although at its recent meeting the ECB discontinued the direct signalling of a potential increase in the size of asset purchases – it did not rule out an extension of the programme. Certain Council members underlined that after keeping interest rates at low levels for a long period, the ECB may start to raise them next year. It was observed that the Federal Reserve had increased interest rates in March and continued to gradually reduce its balance sheet. Certain Council members assessed that the tightening of monetary conditions by the Fed could lower GDP growth in the United States and lead to a deterioration in global economic conditions. Other Council members pointed out that the monetary tightening in the United States was accompanied by a marked easing of fiscal policy in this country.

While discussing the developments in Poland's real economy, it was pointed out that GDP growth in 2018 Q1 had probably remained close to that recorded in the previous quarter. It was observed that output growth was supported by two main factors: consumption demand and investment. The sustained consumption growth is underpinned by rising employment and wages, disbursement of benefits and very strong consumer sentiment. At the same time, the increasing absorption of EU funds, a favourable demand outlook and a high capacity utilization are conducive to a recovery in investment. It was pointed out that while public investment, especially local government investment, continued to be the key driver of investment growth, in 2017 Q4 this was accompanied by a rise in gross fixed capital formation in the corporate sector.

In some Council members' opinion, robust rise in the construction and assembly output in recent months was indicative of a further relatively fast growth of gross fixed capital formation in the economy in 2018 Q1. It was observed that the recovery in investment coupled with the continued rise in consumption, had contributed to accelerated import growth. At the same time, export growth – despite a recent weakening – remains relatively stable. Some Council members underlined that incoming information suggest that economic growth this year might be higher than previously expected. Certain Council members assessed that economic activity in the coming years may be exposed to risk related to the decrease in corporate profit margins, driven by rising labour costs amid the limited – given strong competition in many industries – capacity of firms to raise prices.

When analysing the current developments in the labour market, further employment growth and declining unemployment rate were indicated. Some Council members underlined that while employment growth was somewhat slower than at the end of 2017, the number of persons working in the corporate sector remained relatively high in the first months of 2018. Yet other Council members argued that although the number of persons working in the entire corporate sector was still rising markedly, in some industries the possibility of increasing employment were limited. It was pointed out that while wage growth was higher than in previous years, it had not accelerated further at the beginning of the year. Some Council members emphasised that the January and February rise in wages in the corporate sector was weaker than in 2017 Q4. However, other Council members indicated that wage growth continued to exceed labour productivity growth, which was conducive to unit labour cost growth. Furthermore, certain Council members believed that following a temporary levelling, wage growth might pick up again in the coming quarters. In the opinion of those Council members, factors with a potential upward impact on wage growth included the possibility of pay rise demands in the government sector and the increasing demand for labour due to the expected further investment recovery. Other Council members, in turn, considered strong wage pressure in the government sector unlikely, since the employees in this sector attached more weight to job stability than pay level. Some Council members additionally pointed out that in the longer term investment growth would probably lead to higher labour productivity, thus weakening inflationary pressure.

While discussing inflation developments in Poland, it was observed that annual consumer price growth had decreased lately and had been weaker than expected. Some Council members underlined that despite persisting good economic conditions and wage growth higher than in previous years, inflation excluding food and energy prices had declined and service price growth had slowed down. They also pointed out the near-zero growth in producer prices, and emphasised that slower price growth was accompanied by slightly lower inflation expectations, both among households and enterprises.

While discussing the outlook for inflation, it was indicated that according to current forecasts, inflation in 2018 might be lower than in the March NBP projection. Yet certain Council members pointed out that the expected increase in consumer price growth was still to result largely from a gradual rise in core inflation. Certain Council members assessed that inflation in 2018 could be higher than forecast due to acceleration in wage growth expected by them. In turn, other Council members expressed the opinion that the impact of wage growth on price developments could remain limited.

It was emphasised that the current rate and structure of economic growth did not lead to rising imbalances in the economy. It was pointed out that the lack of strong inflationary pressure was accompanied by the sustained trade surplus and current account balance running close to zero. It was also indicated that the annual total lending growth was still lower than the nominal GDP growth. A very good performance of the general government sector in 2017, including its decreasing deficit and debt to GDP ratio, was emphasised as well.

While discussing NBP monetary policy, the Council decided that currently interest rates should remain unchanged. The Council judged that current information indicated a favourable outlook for growth in economic activity in Poland, despite an expected slight slowdown in GDP growth in the years to come. At the same time, in line with the forecasts, in the monetary policy transmission horizon inflation will remain close to the target. As a result, the Council judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, the probability of interest rates remaining stable in the coming quarters had increased, and the period in which they would remain at the current level might be longer than previously expected. These Council members judged that the stabilization of interest rates would continue to help meet the inflation target, while supporting the maintenance of balanced economic growth. Moreover, they pointed out that the need to take into account the monetary conditions in the immediate environment of the Polish economy, including the likelihood of the maintenance of negative interest rates in the euro area, also spoke in favour of keeping the current level of interest rates in the coming quarters.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 16 May 2018

During the meeting, the Council discussed the impact of macroeconomic developments abroad on monetary policy in Poland. In the discussion it was pointed out that global economic conditions remained favourable, even though GDP growth in major developed economies weakened somewhat at the beginning of the year. Yet, in the assessment of the Council, this most probably was due to temporary factors.

In particular, it was emphasised that GDP growth in 2018 Q1 had slowed down in the euro area. It was indicated that economic conditions had deteriorated in Germany, Poland's key trading partner, which had been partly attributable to a number of one-off factors, such as strikes related to pay negotiations or unfavourable weather conditions. In April, however, business confidence indicators in the German economy stabilised. The Council members noted that the 2018 GDP growth in the euro area as a whole should be similar to that of the previous year, while in the coming years it would gradually weaken. Likewise in the United States economic conditions remain strong, notwithstanding the fact that GDP growth in this economy also lost some momentum in 2018 Q1. In the opinion of the Council members, this was probably caused by temporary factors – like in the euro area. With reference to economic conditions in emerging economies, it was emphasised that GDP growth in China had been running at a relatively stable rate for several quarters. It was noted that uncertainty related to the United States' trade policy and the impact of geopolitical tensions were the primary risk factors to global economic growth.

While analysing developments in commodity prices, a further increase in oil prices was noted. It was assessed that prices of this commodity were affected by geopolitical tensions, the current relationship between supply and demand for oil, as well as changes in the US dollar exchange rate. The expected extension of the agreement on the cap on oil production by some oil-exporting countries (so called OPEC+) was pointed out as an important factor limiting the supply of oil. In turn, a further rise in shale oil production in the United States should increase the supply of this commodity. At the same time, it was noted that high demand for oil persisted, supported by favourable global economic conditions. Certain Council members also highlighted the fact that the increasing emphasis on the protection of the natural environment in many countries added to a rise in the costs of production and transportation of oil.

When discussing inflation developments in the global economy, it was observed that despite favourable global economic conditions and the rise in oil prices, inflation abroad remained moderate. It was pointed out that this reflected the continuously weak domestic inflationary pressure in many countries, as well as still lower prices of agricultural commodities than the year before. In particular, attention was drawn to a renewed decline in the euro area inflation, which despite the favourable economic conditions in Europe and the highly accommodative monetary policy of the European Central Bank, still remained well below the level compatible with the ECB's definition of price stability.

In the discussion it was emphasised that the EBC was keeping interest rates close to zero, including the deposit rate below zero, and continued to purchase financial assets. At the same time, the ECB also reaffirmed its guidance to maintain interest rates at the present level even after the end of the asset purchases. The US Federal Reserve, in turn, continues to gradually reduce its balance sheet, hinting at further interest rate increases in the future. At this point, certain Council members noted that some members of the Federal Open Market Committee were concerned that the slowdown in the US economy in response to the tightening of monetary policy could be too pronounced. Other Council members emphasised that the tightening of monetary policy in the United States was accompanied by a marked easing of fiscal policy in this country.

Discussing the developments in Poland’s real economy, it was observed that in line with GUS flash estimate, GDP growth amounted to 5.1% in 2018 Q1. It was pointed out that currently economic growth was supported both by increasing consumption and a recovery in investment. The continued consumption growth is supported by rising employment and wages, disbursement of benefits and very strong consumer sentiment. In turn, the increasing absorption of EU funds, favourable demand outlook as well as high capacity utilisation were conducive to the recovery in investment. At the same time, the Council members stressed that the growth rate of gross fixed capital formation was increasing steadily from quarter to quarter and that data on investment in larger enterprises showed that in 2017 expenditure on buildings and structures and on machinery, technical equipment and tools, as well as on means of transport, was higher compared to the previous year. However, certain Council members noted that the investment rate was still lower than before the global financial crisis. Some Council members judged that the stabilisation of interest rates at the current level was an important factor conducing to further growth in gross fixed capital formation in the corporate sector. Other Council members indicated that currently the cost of money is not the key factor affecting investment growth.

When assessing the outlook for GDP growth, it was emphasised that economic conditions in the Polish economy remain favourable, despite the slightly weaker data on industrial and construction-assembly output in March. At the same time, it was underlined that a slight weakening in GDP growth should be expected in Poland in the coming years.

While analysing the current developments in the labour market, further rise in employment and historically low level of unemployment rate were pointed out. Some Council members stressed that while wage growth was higher than in previous years, it slowed down in 2018 Q1 compared to the preceding quarter. However, other Council members emphasised that wage growth continued to exceed labour productivity growth, which was conducive to an increase in unit labour costs. Moreover, certain Council members judged that wage growth, having weakened temporarily, might pick up again in the subsequent quarters. In their opinion, this could be driven by factors such as the possible pay rise demands in the government sector and the growing shortage of qualified labour. Other Council members stressed that unit labour cost growth was moderate. These Council members were also of the opinion that the likelihood of a strong wage pressure in the government sector was small, and that the planned legal changes facilitating hiring Ukrainian citizens in Poland should support a further inflow of workers from Eastern Europe.

Discussing inflation developments in Poland, it was observed that the annual consumer price growth had increased to 1.6% in April, in line with expectations. Some Council members underlined that despite favourable economic conditions and faster wage growth than in previous years, the moderate consumer price inflation was still accompanied by low inflation net of food and energy prices. These Council members also highlighted the persistently very low producer price inflation, despite the rise in global oil prices and some weakening of the zloty exchange rate over the recent past. At the same time, it was indicated that currently petrol prices were rising faster than oil prices, which – to some extent – could result from the structure of the Polish fuel market. In turn, certain Council members judged that slower price growth was supported by the ongoing shift in the structure of retail sales, involving an increasing role of discount and online stores, which enhanced price competition in this market.

While discussing the outlook for price growth, it was indicated that inflation in the coming months might pick up, yet it's yearly average would probably stand below the level envisaged in the March NBP projection. However, certain Council members pointed out that the expected pick-up in consumer price growth was to result largely from a gradual rise in core inflation, which – in their opinion – might mean a more persistent growth in inflationary pressure. These Council members also observed that the current wage growth added to a decline in profit margins, which might lead to price rises in the future. Other Council members argued that core inflation was still running below expectations, and growth in service prices, its important component, had slowed down recently.

With reference to risks to the future inflation path, certain Council members observed that – besides the possible, in their opinion, rise in wage pressure – these risks included the speed and scale of pass-through of the increase in oil prices to the prices of energy carriers, as well as the impact of introducing the emission charge on fuel prices. These Council members judged that should the resulting consumer price growth prove significant, this might lead to higher inflation expectations. Other Council members pointed out that the pick-up in inflation due to oil price growth might prove temporary, so it should have neither significant nor lasting impact on inflation expectations. At the same time, some Council members emphasised that the latest central inflation forecast in Poland prepared by professional forecasters showed no risk of inflation exceeding the target in the coming years. The recent slight decline in inflation expectations of households and enterprises was also highlighted.

While discussing NBP monetary policy, the Council decided that currently interest rates should remain unchanged. The Council judged that current information indicated a favourable outlook for economic activity growth in Poland, despite the expected slight slowdown in GDP growth in the subsequent years. At the same time, in line with available forecasts, in the monetary policy transmission horizon inflation will remain close to the target. As a result, the Council judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, the stabilisation of interest rates would continue to help meet the inflation target, while supporting the maintenance of balanced economic growth, including a further recovery in investment. Moreover, these Council members pointed out that the need to take into account the monetary conditions in the immediate environment of the Polish economy, including the likelihood of the maintenance of negative interest rates in the euro area, also spoke in favour of keeping the current level of interest rates in the coming quarters.

In the opinion of some Council members, should incoming data and forecasts suggest a further increase in wage growth and a more marked intensification of inflationary pressure than currently expected, it might be justified to consider an increase in the NBP interest rates in the coming quarters.

A view was also expressed that in the event of a significant decline in economic indicators accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50% and the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 6 June 2018

During the meeting, the Council noted that global economic conditions remained good. The weakening in the GDP growth in the euro area in 2018 Q1 was in part due to one-off factors, and the outlook for growth in this economy continues to be favourable. In line with current forecasts, in 2018 GDP growth in this region will remain close to its level in the previous year and will be gradually slowing down in the following years. It was indicated that risks around this scenario included changes in the trade policy between the euro area and the United States as well as the political situation in Italy. Yet some Council members judged that the current situation in Italy did not pose a significant risk to economic conditions in the euro area, although it might contribute to heightened volatility in the financial markets. At the same time, it was pointed out that the weaker than expected slowing in economic activity in the United States in 2018 Q1 had also been of a temporary nature. According to available forecasts, GDP growth in 2018 Q2 would probably pick up considerably, and in the entire 2018 it would be higher than in the previous year. It was noted that besides the changes in international trade policy, a potential sharp correction in the US equity market might present a threat to both economic growth in the United States and global economic conditions. It was indicated that developments in oil prices were another source of uncertainty for global growth. With regard to economic conditions in emerging economies, it was emphasised that GDP growth in China remained stable.

When analysing changes in commodity prices, it was noted that while oil prices had decreased in the recent period, they were still markedly higher than in the previous year. It was assessed that the decline in oil prices was in part caused by a possible increase in the production of this commodity by some of its exporters (the so-called OPEC+), as signalled by Saudi Arabia and Russia. In turn, factors containing the decline in oil prices included the imposition of sanctions on oil imports from Iran announced by the United States, as well as the unfavourable economic and political situation in Venezuela. Certain Council members judged that, against this background, oil prices would probably remain relatively high in the coming months, albeit slightly below their current level.

While discussing inflation developments in the global economy, it was observed that despite good global economic conditions and higher oil prices than in the previous year, inflation abroad remained moderate. It was pointed out that this was driven by the persistently weak domestic inflationary pressures in many countries.

Referring to monetary policy in the external environment of the Polish economy, it was noted that the EBC was keeping interest rates close to zero, including the deposit rate below zero, and continued to purchase financial assets. At the same time, the ECB reaffirms its guidance to maintain interest rates at the present levels, even after the end of the asset purchases. The US Federal Reserve, in turn, continues to gradually reduce its balance sheet, hinting at further interest rate increases in the future. Certain Council members judged that the tightening of monetary conditions by the Fed might hamper GDP growth in the United States as well as having an adverse effect on global economic conditions.

Discussing the developments in Poland’s real economy, it was pointed out that GDP growth in 2018 Q1 was probably close to that in the second half of 2017. It was pointed out that economic growth was supported by rising consumption, benefiting from the ongoing improvement in households' financial situation. It was emphasised that households' real disposable income had risen considerably in 2017, while income inequalities had narrowed down. As a result, consumers have better assessed their living standards, and their confidence remains very high. At the same time, the increasing absorption of EU funds, favourable demand outlook and high capacity utilisation support the recovery in investment. It was observed that public investment remained the main component of growth in gross fixed capital formation, while corporate investment rose at a moderate pace. Certain Council members pointed out that growth in public investment may be conducive to further recovery in corporate investment activity. These members also indicated that it could not be ruled out that as the structure of corporate investment had changed– among others, due to a rise in expenditure on intangible assets – the rate of investment conducive to robust and sustainable economic growth in the longer term might be lower at present than in the past. The Council members underlined a considerable contribution from change in inventories to GDP growth in 2018 Q1. It was noted that although changes in this category seemed ambiguous, yet they probably resulted from companies' activities aimed at stock replenishment in anticipation of high demand for their products in the quarters to come. However, it cannot be ruled out that the increase in stocks was due to the accumulation of unsold goods as a result of a weakening of foreign sales in 2018

Q1. At the same time, it was underlined that export sales growth in 2018 Q1 was significantly slower than in the previous quarters, most likely due to the slowdown in economic activity in the euro area.

While assessing the outlook for economic growth in Poland, it was emphasised that according to current forecasts, GDP growth would remain relatively high in 2018. Yet, it could decline slightly in the following years. Certain Council members judged that the short term economic outlook was currently better than expected in NBP's March projection. It was underlined that the main source of risk for GDP growth in the future were developments in the external environment of the Polish economy.

While analysing the current developments in the labour market, a further rise in employment and a fall in the unemployment rate in 2018 Q1 were highlighted. It was emphasised that in such conditions part of enterprises reported recruitment difficulties. However, some Council members pointed out that in the recent period the share of companies with job vacancies had stabilised, and the number of enterprises considering staff shortages as a barrier to their development had declined. In the opinion of these Council members, this could be due to companies adjusting to more difficult conditions in the labour market, among others, by employing foreigners. It was underlined that this was accompanied by higher wage growth than in the previous year. Yet some Council members emphasised that according to data from the national economy, wage growth in 2018 Q1 decreased somewhat. Certain Council members judged that wage growth would most likely pick up again in the remaining part of the year as a result of – besides the limited supply of skilled labour – the possible pay rise demands in the public sector. In turn, other Council members pointed out that average wages in this sector between 2010-2017 had grown on average at a rate similar to that in the corporate sector, and currently wages in both sectors were comparable. It was indicated that wage growth in the public sector might result from, among others, pay rises of the lowest earners and people employed on civil law contracts. Some Council members were of the opinion that wage growth in the following quarters should not accelerate significantly and emphasised that the available forecasts indicated it would stabilise at around 7%.

Discussing inflation developments in Poland, it was observed that the annual consumer price growth had increased to 1.7% in May, which was lower than expected. Some Council members underlined that inflation remained moderate despite a significant rise in fuel prices. In the assessment of these Council members, this results from the still weak domestic inflationary pressures, as indicated by the persistence of low inflation net of food and energy prices and the slowdown in the prices of services.

While discussing the outlook for price growth, it was indicated that due to the earlier increase in oil prices in the global markets and a certain depreciation of the zloty in the recent period, inflation might rise in the following months. Certain Council members judged that the transmission of higher oil prices – through increasing transport costs – to the prices of consumer goods might mean that in several months inflation could already be higher than under the current forecasts. These members also expressed the opinion that the current wage growth, which was lowering the profitability of enterprises, could lead to more marked price growth in the future. However, other Council members emphasised that according to current forecasts, core inflation would rise slower than expected earlier. These Council members also underlined that sales margins of enterprises had declined only slightly, and their possible recovery would be – according to the declarations of companies – achieved by price rises only to a limited degree.

While analysing the situation in the credit market, it was underlined that loans to the non-financial sector were growing at a moderate rate. According to certain Council members, this indicated a lack of excessive demand for external financing on the part of economic entities. However, other Council members judged that credit growth might be limited by the declining propensity of banks to increase lending to the private sector.

While discussing NBP monetary policy, the Council decided that currently interest rates should remain unchanged. The Council judged that current information indicated a favourable outlook for economic activity growth in Poland, despite the expected slight slowdown in GDP growth in the subsequent years. At the same time, in line with available forecasts, in the monetary policy transmission horizon inflation will remain close to the target. As a result, the Council judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, the stabilisation of interest rates would continue to help meet the inflation target, while supporting the maintenance of balanced economic growth, including a further recovery in investment. Moreover, these Council members pointed out that the need to take into account the monetary conditions in the immediate environment of the Polish economy, including the likelihood of the maintenance of negative interest rates in the euro area, also spoke in favour of keeping the current level of interest rates in the coming quarters.

In the opinion of some Council members, should incoming data and forecasts suggest a further increase in wage growth and a more marked intensification of inflationary pressure than currently expected, it might be justified to consider an increase in the NBP interest rates in the coming quarters.

A view was also expressed that in the event of a significant decline in economic indicators accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 11 July 2018

During the meeting, the Council noted that the global economic conditions remain favourable. It was pointed out that activity in the euro area remained strong despite the forecast gradual decline in the region's GDP growth rate in 2018 and in the following years. It was noted that there was a risk of a more pronounced slowdown in this currency area, should trade tensions with the United States build up. Yet some Council members judged this risk to be limited. Certain Council members expressed the opinion that economic growth in the euro area might even be faster than forecast due to a loosening of fiscal policy in some countries of the area. At the same time, it was noted that GDP growth in the United States in 2018 would probably be higher than in 2017. It was observed that uncertainty concerning the outlook for global growth was currently elevated. Apart from the changes in international trade policy, the main risk factor to global economic conditions are developments in oil prices. It was emphasised that the heightened uncertainty about the outlook for global growth negatively affected the risk sentiment in global financial market, which was reflected in rising bond yields of many emerging market economies and in a depreciation of their currencies.

When analysing changes in commodity prices, it was noted that oil prices persisted at levels markedly higher than the year before, having fluctuated significantly in the recent period. It was observed that the increased volatility of oil prices was motivated by political and economic decisions made by some of the countries exporting this commodity (i.e. the countries of the so-called OPEC+ and the United States). Certain Council members assessed that in the longer run, oil prices might stabilise close to the current level.

While discussing inflation developments in the global economy it was observed that despite good economic conditions and higher oil prices than in the previous year, inflation abroad remained moderate. It was pointed out that this was driven by the persistently weak domestic inflationary pressures in many countries. It was assessed that the consistently low inflation in these economies over recent years might be supported by the following factors: the ongoing process of globalisation, including the growth of global supply chains and increased international flows of labour, and the weakened bargaining position of employees in wage negotiations. Certain Council members expressed the opinion that the impact of some of these factors might ease off in the future.

Referring to monetary policy in the environment of the Polish economy, it was noted that the ECB was keeping interest rates close to zero, including the deposit rate below zero. At the same time, the ECB continued to purchase financial assets, although it announced a reduction in the scale of purchases from October 2018 and the termination of the programme at the end of the year. Some Council members judged that interest rates in the euro area would remain low for an extended period of time. Attention was also drawn to interest rate increases in the Czech Republic and Romania. Yet some Council members emphasised that economic performance of those countries was different from that in Poland: inflation in the Czech Republic and Romania was above the target, core inflation was elevated and wage growth continued at a faster rate than in Poland. It was noted that the Federal Reserve had raised interest rates in June and was continuing a gradual reduction of its balance sheet, which – as certain Council members underlined – might have a downward effect on GDP growth in the United States and on global economic conditions.

Discussing the developments in Poland’s real economy, it was pointed out that GDP growth in 2018 Q2 was relatively high and probably close to that observed in the previous quarter. It was indicated that economic growth was supported by rising consumption, benefiting from the increasing employment and wages, disbursement of benefits and very high consumer sentiment. It was observed that according to available forecasts, investment growth had picked up in 2018 Q2. Apart from the continued robust growth of public investment, this had probably been due to a recovery in corporate investment outlays.

Export growth was assessed to have increased somewhat in 2018 Q2, which – in the opinion of most Council members – was propped up by some weakening of the zloty in the recent period. It was noted that the depreciation of the zloty reflected the drag from heightened uncertainty in the global financial markets, as in the case of many other emerging market currencies. This uncertainty also contributed to a fall in share prices on the Warsaw Stock Exchange.

With reference to the outlook for economic growth, it was pointed out that according to the July projection, GDP growth in 2018 would remain relatively high and above the level expected in March. However, in the following years economic growth would gradually slow down. Some Council members voiced the opinion that the main source of risk for the forecast GDP growth were developments in the environment of the Polish economy. Certain Council members indicated as the prevailing risk a deterioration in economic conditions abroad, which would lead to a more pronounced slowdown in economic activity in Poland. In contrast, other Council members judged that the likelihood of the unfavourable scenarios materialising might be smaller than expected, as might be their impact on the Polish economy. Moreover, economic conditions in the euro area could benefit from the expected easing of fiscal policy in some economies of the region. In effect, according to those Council members, GDP growth in Poland in the following years might be higher than envisaged in the July projection.

While analysing the current developments in the labour market, a further rise in employment and a fall in the unemployment rate were highlighted. It was emphasised that these developments were accompanied by stronger wage growth than in the previous year. However, some Council members stressed that wage growth had remained stable since the beginning of 2018. These members underlined that the results of the July projection indicated a stabilisation of wage growth also in the subsequent quarters. They judged that this would be underpinned by the high – and rising – share of enterprises not planning pay rises in the nearest future. They also emphasised that the continued inflow of foreign workers was curbing the extent of wage growth. However, other Council members argued that wage growth might accelerate in the following quarters, especially should the demands of pay rises in the public sector – already observed in some occupational groups – mount. These members judged that any rises in the public sector might in turn spur an increase in wage pressure in the private sector.

Discussing inflation developments in Poland, it was observed that the annual consumer price growth had increased in June as a result of rising fuel prices. At the same time, inflation net of food and energy prices was lower than at the beginning of the year, and service price growth had slowed down. In the assessment of some Council members, this suggested that domestic inflationary pressure continued to be weak, despite the relatively high economic growth and faster wage growth than in the previous year. Other Council members assessed that the recent decline in service price growth had probably been temporary.

While discussing the outlook for price growth, it was indicated that in line with the July projection, inflation in 2018 would be lower than previously expected and stand at 1.8%. Some Council members emphasised that the inflation forecast had been revised downwards in 2018, despite the increase in oil prices in the global markets and the recent depreciation of the zloty. They underlined that the downward revision of price growth resulted from a marked decline in core inflation forecasts, observed despite higher GDP growth than previously expected. The Council members pointed out that according to the July forecast, in the following years inflation was expected to increase gradually. Most Council members judged that in line with the July projection, inflation would remain close to the target in the projection horizon. Yet certain Council members judged that consumer price growth might be higher than the July projection envisaged due to the stronger-than-forecast GDP growth, faster wage growth and the renewed rise in service price growth. These members expressed the opinion that inflation might be additionally enhanced by a stronger pass-through of the rise in global oil prices to fuel prices, resulting from pricing policies of Polish fuel producers. They also emphasised the forecast rise in core inflation. In turn, other Council members judged that inflation might be lower than the July projection envisaged due to core inflation rising more slowly. They expressed the opinion that the absence of a rise in core inflation so far, despite very good economic conditions, increases the probability of its limited growth in the following quarters, especially in the face of the expected slowdown in GDP growth.

The Council members also noted that no clear signs of imbalances were currently observed in the economy. In particular, it was emphasised that credit to the non-financial sector was growing at a moderate pace, and the real lending rates remained at solidly positive levels. Growth of the main monetary aggregates was also moderate. However, certain Council members assessed that the persisting level of reference rate – negative in real terms – might increase the risk of imbalances emerging in the economy, especially in the credit and real estate markets. They highlighted the relatively fast, in their opinion, rise in consumer loans and the resulting high level of household debt compared to other European countries.

While discussing NBP monetary policy, the Council decided that currently interest rates should remain unchanged. The Council judged that current information, as well as the results of the July projection, indicated a favourable outlook for economic activity growth in Poland, despite the expected slowdown in GDP growth in the subsequent years. At the same time, in line with the projection, in the monetary policy transmission horizon inflation will remain close to the target. As a result, the Council judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, the stabilisation of interest rates in the quarters to come would continue to help meet the inflation target, while supporting the maintenance of balanced economic growth, including a further recovery in investment. Moreover, these Council members pointed out that the need to take into account monetary conditions in the immediate environment of the Polish economy, as well as the heightened uncertainty about the outlook for the global economy, also spoke in favour of keeping the current level of interest rates in the coming quarters.

In the opinion of some Council members, should incoming data and forecasts suggest a further increase in wage growth and a more marked intensification of inflationary pressure than currently expected, it might be justified to consider an increase in the NBP interest rates in the coming quarters.

A view was also expressed that in the event of a significant decline in economic activity indicators accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 5 September 2018

During the meeting, the Council noted that global economic conditions remain favourable. It was pointed out that activity in the euro area continued to be strong, despite slightly slower GDP growth than in 2017. It was emphasised that economic activity growth in Germany had picked up in 2018 Q2, supported mainly by robust consumer demand. The outlook for economic conditions in this economy was assessed as good, despite uncertainty associated with the decline in industrial orders in the previous month. The consistently favourable conditions for domestic demand in Germany are accompanied by uncertainty about the country's export growth in the following quarters. However, some Council members judged that in view of a likely agreement between the United States and the European Union, the risk of tariffs being imposed on car imports from Europe to the United States had decreased. At the same time, it was noted that this year's GDP growth in the United States was higher than in 2017. GDP growth in this economy had picked up markedly in 2018 Q2, which was mainly driven by a recovery in consumption and greater export momentum. It was pointed out that the risk for global economic conditions related to the United States' trade policy had diminished somewhat in the recent period, boosting the sentiment in the international financial markets. However, it was indicated that against the background of the bad economic situation in Argentina and Turkey, investors' propensity to invest in some emerging market economies had declined. This had an adverse effect on the prices of those countries' assets and contributed to a depreciation of their currencies.

When analysing changes in energy commodity prices, it was noted that oil prices persisted at levels markedly higher than the year before, having fluctuated significantly in the recent period. It was pointed out that the increased volatility of oil prices was caused by political decisions made by some of the countries exporting this commodity, as well as one-off factors. It was indicated that in the longer term the level of oil prices would be determined by global economic conditions, technological change and the scale of investment geared to raising the output of this commodity.

While discussing inflation developments in the global economy, it was observed that despite good economic conditions, inflation abroad remained moderate. It was pointed out that the increase in oil prices in recent months had contributed to higher price indices in many countries. Certain Council members were of the opinion that for this reason, inflation in the following quarters might also be higher than previously forecast. At the same time, it was indicated that higher oil prices would have a dampening effect on GDP growth in the oil-importing countries.

Referring to monetary policy in the external environment of the Polish economy, it was noted that the ECB was keeping interest rates close to zero, including the deposit rate below zero. At the same time, the ECB continued to purchase financial assets, although it reaffirmed its guidance to reduce the scale of purchases from October 2018 and to terminate the programme by year-end. Some Council members judged that, given the expected gradual economic slowdown and consistently moderate inflation in the euro area, interest rates in this region might remain low for an extended period of time. It was observed that in the United States, the Federal Reserve continued to gradually tighten monetary policy. Certain Council members assessed, however, that the pace of the tightening might be slower than previously expected. It was pointed out that while the monetary policy tightening in the United States could incline investors to withdraw capital from emerging market economies, the risk of a strong capital outflow from those economies which enjoyed a favourable economic conditions and lack of external imbalances was limited.

Discussing the developments in Poland's real economy, it was emphasised that the 2018 Q2 GDP data pointed to continued robust economic growth. It was indicated that economic growth was supported by rising consumption, benefiting from the increasing employment and wages, disbursement of benefits and very strong consumer sentiment. It was observed that this was accompanied by a rise in investment, both in the public sector and in the large company sector, although gross capital formation growth in 2018 Q2 had been weaker than in the previous quarter. It was assessed that the sources of the slowdown in investment growth in the economy were difficult to identify, given the sharp rise in local government investment and the acceleration in investment activity of large enterprises. Certain Council members expressed the opinion that measuring corporate investment outlays might be hindered by changes in sources of their financing and the evolving character of the investments implemented. At the same time, it was underlined that a marked rise in export growth was recorded in 2018 Q2, making a contribution of net exports to GDP growth positive.

With reference to the outlook for economic growth, it was pointed out that according to available forecasts, GDP growth in 2018 would remain relatively high and would gradually slow down in the following years. Some Council members assessed that the pace of economic growth in the quarters to come would probably be slightly weaker than in 2018 Q2. Certain of these Council members voiced the opinion that GDP growth in the coming months would be hampered by rising energy prices and supply constraints in the labour market. Other Council members, in turn, argued that GDP growth in the following quarters should be stable, and in the longer term might be higher than expected. It was assessed that the main source of risk for GDP growth forecasts was developments in the external environment of the Polish economy.

While analysing current developments in the labour market, it was pointed out that employment growth continued at stable rates, while unemployment levels remained low in 2018 Q2. It was underlined that these developments were accompanied by higher wage growth than in the previous year. Yet some Council members observed that the data from both the national economy and the corporate sector confirmed that wage growth had stabilised, with no signs of further acceleration. They judged that wage growth would probably also remain at its current level in the following quarters. This was indicated by a decline in the share of firms planning pay rises and those experiencing mounting wage pressure. These Council members expressed the opinion that wage growth was being contained by the good financial situation of households and the continued inflow of foreign workers. However, other Council members pointed out that the inflow of foreign workers was diminishing, which – along with the mounting pay demands in the government sector – might contribute to a pickup in wage growth in the subsequent quarters. These members judged that any possible wage rises in the public sector and the increase in the minimum wage amid stable inflation, might put upward pressure on wage growth in the private sector.

Discussing inflation developments in Poland, it was observed that the annual consumer price growth remained moderate and stayed at 2.0% in August. It was pointed out that the main factor contributing to higher prices than in the previous year was the rise in fuel prices, i.e. a factor being to a large extent beyond the direct influence of monetary policy. At the same time, inflation net of food and energy prices, while having risen somewhat in the past month, remained low, and inflation expectations of households and enterprises were stable.

While discussing the outlook for price growth, it was indicated that in line with available forecasts, inflation in a one-year horizon would rise somewhat, but stay close to 2.5%. Most Council members judged that in the monetary policy transmission horizon, inflation would also remain close to the target. Certain Council members emphasised that inflation could be boosted by stronger growth of energy prices due to the significant reaction – resulting from the price policy of Polish producers – of fuel prices to increase in global oil prices, as well as the rise in costs related to the need to adapt the energy infrastructure to the EU requirements. These Council members also judged that in the following months food price growth might rise due to the drought during the summer months. Certain Council members pointed out that the enacted legislative changes and the indexation of certain benefits might also contribute to price growth in the next year. However, other Council members emphasised that the likelihood of stronger growth in inflation was limited by the good financial results of enterprises which, along with strong competition in the market, decreased the propensity of firms to raise prices. They also indicated that core inflation would rise only gradually in the following months.

The Council members also stressed that no clear signs of imbalances were currently observed in the economy. It was noted that the current account balance remained close to zero, and net exports had made a positive contribution to GDP growth in 2018 Q2. It was also emphasised that credit to the non-financial sector was growing at a moderate pace, while the real lending rates remained at solidly positive levels. Some Council members assessed that the accelerated growth in lending to households, including consumer loans, resulted from households' improving financial situation, translating into better credit standing. These Council members also pointed out that the growth in housing loans was only gradual. However, certain Council members assessed that the persisting level of the reference rate – negative in real terms – might increase the risk of imbalances emerging in the economy. They pointed to the relatively fast, in their opinion, rise in consumer loans and the resulting high household debt in comparison with European countries. Other Council members considered that amid strong demand for household credit, which is characterised by higher margins, banks might be less prone to finance corporate investment activity.

While discussing NBP monetary policy, the Council decided that interest rates should remain unchanged. The Council judged that current information indicated a favourable outlook for economic activity growth in Poland, despite the expected slowdown in GDP growth in the subsequent years. At the same time, in the monetary policy transmission horizon inflation would remain close to the target. As a result, the Council judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, the stabilisation of interest rates in the quarters to come would continue to help meet the inflation target, while supporting the maintenance of balanced economic growth, including a further recovery in investment. Moreover, these Council members pointed out that the need to take into account monetary conditions in the immediate environment of the Polish economy, as well as the heightened uncertainty about the outlook for the global economy, also spoke in favour of keeping the current level of interest rates in the coming quarters.

In the opinion of some Council members, should incoming data and forecasts suggest a further increase in wage growth and a more marked intensification of inflationary pressure than currently expected, it might be justified to consider an increase in the NBP interest rates in the coming quarters.

A view was also expressed that in the hypothetical event of a slump in economic activity accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates or an introduction of unconventional monetary policy instruments.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 3 October 2018

During the meeting, the Council noted that global economic conditions remain favourable. It was pointed out that activity in the euro area continued to be strong, despite slightly slower GDP growth than in 2017. It was assessed that the conditions for further growth of consumption in the euro area remain favourable, which should support a merely gradual slowdown in GDP growth in this region in the coming quarters. However, some Council members underlined that in the recent period growth forecasts for the euro area had been lowered, which – should it continue – could indicate the risk of a stronger slowdown in Poland's main trading partner. It was emphasised that a certain slowdown in international trade, visible in particular in weaker growth of Germany's foreign sales, was having a negative impact on GDP growth in the euro area. Certain Council members pointed out that the periodically intensifying tensions related to heavily indebted Italian economy posed an additional risk for economic conditions in Poland's immediate environment. At the same time, it was indicated that in the United States economic growth continued at a high level, due to still very good labour market conditions, high asset prices, and fiscal stimulus.

When analysing changes in energy commodity prices, it was noted that they were at levels markedly higher than the year before. In the recent period, increases in the prices of oil, coal and gas had been recorded. It was pointed out that geopolitical factors continued to have a significant impact on oil prices. A further increase in these prices was supported by the expected decline in oil supply resulting from the imposition of sanctions on Iran and Venezuela, along with the lack of declaration to increase production in OPEC+ countries, as well as the growing demand for fuel as a result of the continued favourable global economic conditions. In addition, in the recent period oil prices were also affected by information about oil stocks and production in the US economy and expectations about the possible sale of oil from strategic stocks of the United States.

While discussing inflation developments in the global economy, it was pointed out that the significant increase in prices of energy commodities contributed to higher inflation in many countries. However, core inflation in the environment of the Polish economy, including the euro area, remained moderate, despite the persistence of good economic conditions there. Certain Council members assessed that inflation abroad in the coming quarters could be higher than indicated by the previous forecasts. Other Council members additionally emphasised that amid heightened tensions in global trade and the introduction of tariffs by the largest economies, the disinflationary impact of globalisation on prices might be weaker than it had been so far.

Referring to monetary policy in the external environment of the Polish economy, it was noted that the ECB was keeping interest rates close to zero, including the deposit rate below zero. At the same time, the ECB continued to purchase financial assets, although since October at a reduced scale, and reaffirmed its guidance to terminate the purchase programme by year-end. Some Council members judged that, should the expected economic slowdown in the euro area prove stronger than indicated by current forecasts, interest rates in this region might remain low for longer than currently signalled by the ECB. It was noted that in the United States, the Federal Reserve continued to gradually tighten monetary policy and in line with expectations had raised interest rates once again in September. Some Council members pointed out that while this could incline investors to withdraw capital from emerging market economies, the risk of a strong capital outflow from countries which enjoyed favourable economic conditions and lack of external imbalances, was limited. Certain Council members judged that the process of monetary policy tightening in the United States could be terminated earlier than currently expected.

Discussing the developments in Poland’s real economy, it was emphasised that incoming data suggested that GDP growth in 2018 Q3 was still high, although somewhat lower than in the first half of 2018. Certain Council members indicated that some data on activity in the enterprise sector, including the PMI index and industrial output growth, had declined in the recent period. With reference to the outlook for economic growth, it was pointed out that according to available forecasts, GDP growth in the coming quarters would gradually decline in the wake of weakening economic growth in the environment of the Polish economy. It was stressed that GDP growth was still driven by rising consumption, fuelled by increasing employment and wages, disbursement of benefits and very strong consumer sentiment. It was highlighted that this was accompanied by growth in investment which was forecast to accelerate in 2018 Q3. It was noted that apart from public investment, fixed capital formation of private enterprises was also rising, as confirmed by data from large enterprises for 2018 Q2.

While analysing current developments in the labour market, it was pointed out that the annual growth of employment in the enterprise sector was still high, although it was gradually decelerating. At the same time, the unemployment rate remained at a low level. It was underlined that these developments were accompanied by higher than in the previous year – although not accelerating – wage growth. Some Council members judged that wage growth would probably remain at its current level also in the following quarters. In their opinion, this was indicated by a decline in the share of firms planning pay rises and the moderate public sector wage growth assumed in the draft budget law, as well as the continued inflow of foreign workers. However, other Council members pointed out that the inflow of foreign workers was diminishing, which – along with the likely mounting wage demands in the government sector – might contribute to a pickup in wage growth in the subsequent quarters.

Discussing inflation developments in Poland, it was observed that despite the relatively fast GDP growth, the annual consumer price growth remained moderate. According to the GUS flash estimate, in September inflation stood at 1.8% compared to 2.0% in the preceding few months. At the same time, it was emphasised that core inflation was low, while growth in producer prices had declined somewhat. Certain Council members pointed out that in the recent period households' inflation expectations had remained stable, while expectations of enterprises had risen.

When discussing the outlook for price growth, it was indicated that in line with available forecasts, inflation in the first half of 2019 would be higher than currently observed. The Council members stressed that inflation would rise mainly due to higher energy prices driven by higher energy commodity prices, and also more expensive allowances for carbon dioxide emissions. In the opinion of certain Council members, the introduction of emission fees next year could also contribute to fuel price growth. An additional factor contributing to higher inflation would also be the expected higher annual growth of some food prices resulting from this year's drought. It was emphasised that the sources of higher inflation would thus include supply shocks, which at the same time would adversely affect the profitability of companies and the situation of households. In turn, core inflation was expected to rise only gradually and in the first half of 2019 should remain below the NBP inflation target.

Certain Council members pointed out that the growth of energy prices might increase inflation, not only in the short term, but also in the long term. In their opinion, the need to modernise the current energy infrastructure, related i.a. to efforts aimed at diversifying energy sources, might contribute to this. In the opinion of these Council members, although energy price rises for households would probably be low in the nearest future, for enterprises they might be significant and might increase their operating costs. Moreover, certain Council members assessed that energy price increases might raise inflation expectations in the economy. However, other Council members emphasised that the likelihood of a sharp increase in inflation due to an increase in energy costs was mitigated by the strong competition among enterprises, which might increase their willingness to reduce margins or other costs in order to maintain market shares, and also by the expected slowdown in GDP growth. Referring to inflation expectations, these Council members noted that no risk of their excessive growth could be seen in the long term.

The majority of the Council members judged that despite supply shocks, which could increase inflation in the first half of 2019, inflation would remain close to the target in the monetary policy transmission horizon. Some Council members underlined that in the coming years the slowdown in economic growth would curb inflation. However, certain Council members argued that the expected scale of slowdown in GDP growth was relatively small, thus it might limit inflationary pressure only to a small extent.

The Council members underlined that in the Polish economy there were currently no significant external or internal imbalances. It was pointed out that the current account balance remained close to zero, and lending growth to the non-financial sector remained moderate, i.e. lower than nominal GDP growth. At the same time, some Council members stressed that although the housing market was currently in an expansion phase, housing loans were not growing at an excessive rate. Moreover, in 2018 Q2 home sales were lower than in 2018 Q1, which could mean that home prices had reached the level limiting households' demand for housing.

While discussing NBP monetary policy, the Council decided that interest rates should remain unchanged. The Council judged that current information indicated a favourable outlook for economic activity growth in Poland, despite the expected slowdown in GDP growth in the subsequent quarters. At the same time, in the monetary policy transmission horizon inflation would remain close to the target. As a result, the Council judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, the stabilisation of interest rates in the quarters to come would continue to help meet the inflation target, while supporting the maintenance of balanced economic growth, including a further recovery in investment. Moreover, these Council members pointed out that the need to take into account monetary conditions in the immediate environment of the Polish economy, as well as the heightened uncertainty about the outlook for the global economy, also spoke in favour of keeping the current level of interest rates in the coming quarters.

In the opinion of some Council members, should incoming data and forecasts suggest a further increase in wage growth and a more marked intensification of inflationary pressure than currently expected, it might be justified to consider an increase in the NBP interest rates in the coming quarters.

A view was also expressed that in the hypothetical event of a slump in economic activity accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates or an introduction of unconventional monetary policy instruments.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 7 November 2018

During the meeting, the Council noted that global economic conditions remain favourable, although signs of a weakening had appeared in some economies. It was pointed out that GDP growth in the euro area had declined in 2018 Q3, in part probably on account of a slowdown in international trade. At the same time, it was observed that conditions for further consumption growth remained favourable in the euro area, owing to strong consumer sentiment as well as rising employment and wages. Economic conditions in the euro area also continued to benefit from the accommodative monetary policy of the ECB. However, some Council members underlined that some indicators of economic conditions, particularly in Germany – Poland's main trading partner, had deteriorated recently. In turn, economic growth in the United States had picked up slightly, what confirmed that economic conditions there were still very strong, supported by further rise in employment and the fiscal stimulus.

While analysing developments in energy commodity prices, it was pointed out that despite a recent decline, they stayed markedly higher than the year before. It was noted that geopolitical factors continued to have a significant impact on oil prices. In particular, it was stressed that their recent fall resulted from a temporary relaxation of US sanctions on purchases of oil from Iran by other countries. Another factor with a dampening effect on oil prices was the rise in oil output in the United States, as well as in Saudi Arabia and other OPEC+ countries. At the same time, the growth in demand for oil, despite signs of weakening global economic conditions, remained relatively strong.

When discussing inflation developments abroad, it was pointed out that the earlier significant increase in global energy commodity prices contributed to higher inflation in many countries. Alongside that, core inflation in the external environment of the Polish economy, including the euro area, remained moderate.

Referring to monetary policy in the external environment of the Polish economy, it was noted that the ECB was keeping the deposit rate below zero. Concurrently, the ECB continued to purchase financial assets, although on a reduced scale since October, and reaffirmed its guidance to terminate the purchase programme by year-end. Some Council members judged that interest rates in this region might remain low for longer than currently signalled by the ECB, should the expected economic slowdown in the euro area prove stronger than indicated by the current forecasts and the rise in inflation be driven mainly by increasing energy prices, with continuously moderate core inflation.

It was noted that in the United States, the Federal Reserve continued to gradually tighten monetary policy. Some Council members pointed out that the further gradual monetary policy tightening by the Fed, combined with mounting concerns about the outlook for the global economy, had recently translated into some fall in asset prices in international markets. At the same time, it was emphasised that yields on Polish Treasury bonds and the exchange rate of the zloty had remained stable, despite the deteriorating sentiment in global financial markets. In the opinion of the Council, this reflects a favourable assessment of Poland's economic situation and its fundamentals, including the absence of external and internal macroeconomic imbalances.

Discussing the developments in Poland's economy, it was underlined that incoming data indicated continuously favourable economic conditions in Poland, although GDP growth in 2018 Q3 was probably lower than in the first half of 2018. It was noted that activity growth remained to be driven by rising – albeit at a slightly lower rate than in the previous quarters – consumption, still supported by increasing employment and wages, together with very strong consumer sentiment. This was accompanied by investment growth, at a pace which had probably picked up in 2018 Q3 owing to, in particular, a significant acceleration in local government investment. However, some Council members pointed out that data for recent months – including the decline in the PMI index as well as slower growth in industrial and construction-assembly output, coupled with weaker retail sales growth – were signalling a likely gradual weakening in economic activity.

With reference to the outlook for economic growth, it was pointed out that according to available forecasts, GDP growth in the coming quarters would gradually decline in the wake of weakening economic growth abroad, and slower growth of both domestic consumption and investment. Some Council members emphasised that looking ahead consumption growth would be less strongly supported by rising wage bill owing to weaker employment growth and a likely stabilisation in wage growth. Also the potential increase in electricity prices for households would probably have a downward effect on households' ability to increase their other expenditures. In turn, with regard to investment, those Council members noted that given the anticipated slowdown in activity growth abroad and in Poland, coupled with a high degree of EU fund utilisation, it was difficult to expect any further acceleration. Yet certain Council members argued that despite the expected slowdown, GDP growth was forecast to remain above 3% in the years to come. The majority of the Council members highlighted the continued uncertainty around the scale of the anticipated GDP slowdown globally, and as a consequence, also in Poland.

While analysing current developments in the labour market, it was pointed out that the unemployment rate remained low and the annual growth of employment in the enterprise sector was still relatively high, although the level of employment in this sector had declined for the second consecutive month. It was underlined that this was accompanied by higher wage growth than in the previous year, however, without any further acceleration. Some Council members judged that wage growth would probably continue at its current pace also in the coming quarters, as indicated by a decline in the share of firms experiencing increasing wage pressure. According to those Council members, wage growth may also be dampened by a rise in energy prices, which increases companies' operating costs. Certain Council members, in turn, indicated that the inflow of foreign workers was declining, and in 2019 some of them could even leave the Polish labour market in response to changes in the immigration policy of Germany. This, together with the likely step-up in wage demands in the public sector, might stimulate wage growth in the subsequent quarters. However, it was stressed that the impact of the new migration policy of Germany on migration flows remained uncertain.

Discussing inflation developments in Poland, it was observed that despite the relatively fast GDP growth and higher wage growth than last year, the annual consumer price growth remained moderate. According to the GUS flash estimate, in October inflation even declined. At the same time, it was emphasised that core inflation continued to be low.

While discussing the near-term outlook for inflation, it was noted that significant uncertainty existed at the moment about developments in the CPI index in 2019 related, in particular, to a potential rise in the energy prices for households, whose scale is currently unknown. Some Council members highlighted that in line with current forecasts, including the results of the November NBP projection, inflation in 2019 might exceed 2.5%. It was underlined that the rise in the forecast inflation for 2019 was to be mainly driven by the assumed significant increase in electricity prices for households, stemming from the relatively high global prices of energy commodities, as well as the rise in the prices of both carbon dioxide emission allowances and the so-called green certificates and other certificates of origin.

Higher energy prices may also be a result of introducing the emission charge on fuels from 2019. Core inflation, in turn, is forecast to grow only gradually, and should remain below 2.5% in 2019. The majority of the Council members stressed that given the above, higher inflation in 2019 might stem predominately from potential exogenous supply shocks that may increase price growth, while simultaneously having an adverse effect on the situation of firms and households, and thus on the pace of economic growth.

With reference to the medium-term outlook for inflation, certain Council members observed that energy price growth might also act as a factor rising inflation in the coming years. Moreover, certain Council members judged that the increase in energy prices might translate into higher inflation expectations. In this context, other Council members pointed to the risk of inflation running above 2.5% over the next few years. However, most Council members emphasised that in line with the November NBP forecast – based on conservative assumptions on the scale of energy price increases – inflation should remain within a band for deviations from the NBP inflation target and, following a marked rise in 2019, would embark on a downward slope in 2020. In the opinion of these Council members, the likelihood of a persistent increase in inflation due to rising energy costs is contained by the intense competition among companies and the expected slowdown in GDP growth. Referring to inflation expectations, these Council members emphasised that no risk of their excessive growth could be seen in the longer term.

While discussing NBP monetary policy, the majority of the Council members decided that interest rates should remain unchanged. In the opinion of these Council members, current information and projection results indicated a relatively favourable outlook for economic conditions in Poland, although a gradual slowing in GDP growth was expected in the years ahead. In line with the projection, inflation in 2019 will probably exceed 2.5%, boosted, among others, by a rise in energy prices remaining beyond the impact of monetary policy, but will remain within a band for deviations from the target. In the medium term, however, the expected slowdown in economic growth will have a dampening effect on inflation. As a result, in the monetary policy transmission horizon inflation will remain close to the target. Hence, the majority of the Council members judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, interest rates were also likely to remain stable in the coming quarters. These Council members pointed out that this assessment was supported by the limited risk of inflation permanently exceeding the target, along with a likely weakening of economic conditions globally and in Poland. Moreover, certain Council members underlined that lending growth to the non-financial sector continued to be moderate and did not create excessive inflationary pressure, while measures to limit it could additionally weaken economic activity growth.

In the opinion of some Council members, should incoming data indicate a significant increase in inflation in 2019, and successive projections suggest inflation remaining above the target even after the fading of supply shocks, it might be justified to consider an increase in the NBP interest rates in the coming quarters. In the opinion of these Council members, an assessment of the rationale for raising interest rates should, in particular, include the scale and persistence of the transmission of higher energy prices on the growth of other prices and inflation expectations, as well as economic situation and labour market conditions in the quarters ahead.

An argument was raised that the upward revision of the inflation forecast for the coming year, increasing the risk of inflation running above 2.5% in the longer term, spoke in favour of a rise in interest rates at the current meeting.

A view was also expressed that in the hypothetical event of a slump in economic activity accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates or an introduction of unconventional monetary policy instruments.

Some Council members underlined that the next projection, which will have a longer time horizon and should take into account information on the actual energy price changes at the beginning of 2019, would be important for the assessment of the medium-term outlook for inflation and economic growth.

At the meeting a motion to raise the NBP interest rates by 0.25 percentage points was submitted. The motion was rejected. The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Minutes of the Monetary Policy Council decision-making meeting held on 5 December 2018

During the meeting, the Council noted that global economic conditions remain favourable, although incoming data suggest a weakening in some economies. It was pointed out that in 2018 Q3 GDP growth in the euro area had softened more than expected. The slowdown in activity was particularly pronounced in the German economy, which is Poland's main trading partner. It was emphasised that economic indicators and the available forecasts suggest a further gradual slowdown in Germany as well as the whole of the euro area, while uncertainty remained about the scale of the slowing. In the United States, GDP data for 2018 Q3 confirmed that economic conditions in this country were still very strong. It was highlighted that a possible further weakening of activity in the global economy could lead to a slowdown in GDP growth in this country.

While analysing the situation in the international financial markets, it was observed that heightened uncertainty about the global economic outlook persisted and continued to have an adverse effect on the prices of some assets. Fears about a global economic slowdown also lowered the prices of some commodities. Attention was drawn to the sharp falls in oil prices in the recent period, which, apart from the deterioration in the global economic outlook, was also a result of geopolitical factors and increased oil production in the United States.

When discussing inflation developments abroad, it was pointed out that in many countries inflation was still elevated due to the earlier increase in energy prices. Alongside that, core inflation in the external environment of the Polish economy, including the euro area, remained moderate.

Referring to monetary policy in the external environment of the Polish economy, it was noted that the ECB was keeping interest rates close to zero, including the deposit rate below zero. Concurrently, the ECB continued to purchase financial assets, although it has announced the end of the purchases by the end of the year. Some Council members judged that on account of the deterioration in the current economic conditions and the growth outlook in the euro area, interest rates there would be maintained at a very low level for an extended period of time. In the United States, the Federal Reserve kept interest rates unchanged in November, after another interest rate increase in September. Some Council members emphasised that in this economy too – due to the risk of a slowdown in growth as a result of a deterioration in the global economic conditions – the scale of further interest rate hikes could be smaller than earlier expected.

Discussing the developments in Poland's economy, it was underlined that preliminary GDP data for 2018 Q3 are indicative of economic conditions remaining strong. It was noted that activity growth continued to be driven by rising consumption, albeit at a slightly lower rate than in previous quarters, fuelled by increasing employment and wages, together with very strong consumer sentiment. It was underlined that in 2018 Q3 this was accompanied by a marked rise in investment resulting from both the relatively high growth in public investment – particularly on the part of local governments – and faster growth in gross fixed capital formation in large enterprises than in the first half of the year. At the same time, the marked slowdown in exports due to a deterioration in the economic conditions in the immediate environment of the Polish economy was a factor curbing the GDP growth rate. Owing to lower export growth and relatively stable growth in imports supported by strong domestic demand, the contribution of net exports to GDP growth was negative in 2018 Q3. It was noted that the adverse impact of the economic situation in the euro area on economic conditions in Poland was also confirmed by data on the financial results of Polish enterprises: in 2018 Q3 foreign sales of large companies declined. This was accompanied by an increase in sales costs of enterprises, resulting from rising wages and higher prices of some commodities than a year earlier. However, some Council members underlined that despite these negative conditions total sales of large enterprises was significantly higher than a year earlier, and their financial performance remained sound.

With regard to the outlook for economic growth, it was pointed out that according to available forecasts, the rate of economic growth would gradually decline. It was indicated that the main factor adversely affecting the GDP growth rate would be the expected slowdown in the immediate environment of the Polish economy. Some Council members highlighted that growth in economic activity could additionally be curbed by an increase in production costs of enterprises, in particular, a rise in energy costs. Other Council members underlined that in the case of some enterprises, the rise in energy costs would not impact their financial situation provided the compensation announced by the government was introduced. Some Council members expressed the opinion that GDP growth in 2019 could be higher than currently forecast.

While analysing current developments in the labour market, it was pointed out that unemployment remained low and the number of employed further increased. Yet some Council members judged that incoming data signalled a slowdown in growth in demand for labour. It was stressed that this was accompanied by faster wage growth than in the previous year, which however have recently been stable. Some Council members judged that wage growth would probably also continue at its current pace in the coming quarters. However, other Council members were of the opinion that wage rises for successive groups of public sector workers could be a risk factor for faster wage growth and potentially also for inflation. These Council members also judged that the likely decline in the inflow of employees from abroad would also boost wage rises the following year.

Discussing inflation developments in Poland, it was observed that despite the relatively fast GDP growth and higher wage growth than last year, the annual consumer price growth remained moderate, and core inflation low. It was emphasised that according to the GUS flash estimate, inflation in November decreased more sharply than forecast. It was pointed out that the stronger than expected fall in CPI inflation was the result of not only the slowdown in food price growth, but also, probably, a fall in core inflation.

Turning to the near-term outlook for inflation, it was noted that significant uncertainty existed about developments in the CPI index in 2019. This uncertainty was mainly related to energy price developments for households. At the same time, it was remarked that in 2019 inflation would probably be limited by lower oil prices than earlier forecast. Consequently, it was judged that the risk of a sharp rise in inflation in 2019 declined. Yet certain Council members expressed the opinion that the fall in global oil prices might not fully translate into a fall in domestic oil prices due to the structure of the fuel market in Poland. Some Council members also judged that inflation next year might be elevated by the rise in some administered prices, including those in public transport, as well as price rises of goods with a high share of electricity in their production costs.

With reference to the medium-term outlook for inflation, the majority of the Council members judged that in the monetary policy transmission horizon inflation would remain close to the target. These Council members noted that the expected slowdown in GDP growth in the coming years would have a curbing effect on price growth. Certain Council members emphasised that the factors lowering inflation in 2019 would probably not affect price growth in the longer projection horizon.

Analysing the situation in the credit market, it was pointed out that loan growth in the non-financial sector remained lower than nominal GDP growth. However, certain Council members drew attention to fast growth in household debt from consumer loans.

While discussing NBP monetary policy, the Council decided that interest rates should remain unchanged. In the Council's assessment, current information indicates a relatively favourable outlook for economic conditions in Poland, although a gradual slowing in GDP growth is expected in the years ahead. In 2019, inflation might be increased by rising energy prices, i.e. a factor beyond the control of monetary policy. The scale of the energy price growth in 2019 will probably be limited by the fall in oil prices seen in recent months. In the medium term, in turn, the expected slowdown in economic growth will have a dampening effect on price growth. As a result, in the monetary policy transmission horizon inflation will remain close to the target. Thus, the Council judged that the current level of interest rates was conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The majority of the Council members expressed the opinion that, taking into account current information, interest rates were also likely to remain stable in the coming quarters. These Council members pointed out that this assessment was supported by the limited risk of inflation permanently exceeding the target, along with a likely weakening of economic conditions globally and in Poland.

Some Council members emphasised that currently significant uncertainty existed about developments in the CPI index in 2019. However, these Council members pointed out that should incoming data indicate a significant increase in inflation in 2019, and successive projections suggest inflation remaining above the target in the monetary policy transmission horizon, it might be justified to consider an increase in the NBP interest rates in the coming quarters.

A view was also expressed that in the hypothetical event of a slump in economic activity accompanied by a marked deterioration in consumer and corporate sentiment, in the longer run it might be justified to consider a decrease in interest rates or the introduction of unconventional monetary policy instruments.

The Council decided to keep the NBP interest rates unchanged: the reference rate at 1.50%, the lombard rate at 2.50%, the deposit rate at 0.50%, the rediscount rate at 1.75%.

Appendix 7. Voting records of the Monetary Policy Council members on motions and resolutions

Voting records of the Monetary Policy Council members on motions and resolutions in 2018 are presented below.

Date: 10 April 2018

Subject matter of motion or resolution:
Resolution No. 1/2018 of 10 April 2018 on approving the Annual Financial Report of Narodowy Bank Polski prepared as of 31 December 2017.

Voting of the MPC members:

For:		Against:
	A. Glapiński	
	G. M. Ancyparowicz	
	E. Gatnar	
	Ł. J. Hardt	
	J. J. Kropiwnicki	
	E. M. Łon	
	E. J. Osiatyński	
	R. Sura	
	K. Zubelewicz	
	J. Żyżyński	

Date: 15 May 2018

Subject matter of motion or resolution:
Resolution No. 2/2018 of 15 May 2018 on approving the Report on Monetary Policy in 2017.

Voting of the MPC members:

For:		Against:
	A. Glapiński	
	G. M. Ancyparowicz	
	E. Gatnar	
	Ł. J. Hardt	
	J. J. Kropiwnicki	
	E. M. Łon	
	E. J. Osiatyński	
	R. Sura	
	K. Zubelewicz	
	J. Żyżyński	

Date: 15 May 2018

Subject matter of motion or resolution:

Resolution No. 3/2018 of 15 May 2018 on the evaluation of the activities of the NBP Management Board as regards the implementation of monetary policy guidelines for 2017.

Voting of the MPC members:

For:	A. Glapiński G. M. Ancyparowicz E. Gatnar Ł. J. Hardt J. J. Kropiwnicki E. M. Łon E. J. Osiatyński R. Sura J. Żyżyński	**Against:**	K. Zubelewicz

Date: 29 May 2018

Subject matter of motion or resolution:

Resolution No. 4/2018 of 29 May 2018 on approving the report on the operations of Narodowy Bank Polski in 2017.

Voting of the MPC members:

For:	A. Glapiński G. M. Ancyparowicz E. Gatnar Ł. J. Hardt J. J. Kropiwnicki E. M. Łon E. J. Osiatyński R. Sura J. Żyżyński	**Against:**	K. Zubelewicz

Date: 4 September 2018

Subject matter of motion or resolution:

Resolution No. 5/2018 of 4 September 2018 on adopting monetary policy guidelines for 2019.

Voting of the MPC members:

For:	A. Glapiński G. M. Ancyparowicz E. Gatnar Ł. J. Hardt J. J. Kropiwnicki E. M. Łon E. J. Osiatyński R. Sura J. Żyżyński	**Against:**	K. Zubelewicz

Date: 7 November 2018

Subject matter of motion or resolution:

Motion to raise the NBP interest rates by 0.25 percentage points.

MPC decision:

Motion did not pass.

Voting of the MPC members:

For:	K. Zubelewicz	**Against:**	A. Glapiński G. M. Ancyparowicz E. Gatnar Ł. J. Hardt J. J. Kropiwnicki E. M. Łon E. J. Osiatyński R. Sura J. Żyżyński

Date: 4 December 2018

Subject matter of motion or resolution:

Resolution No. 6/2018 of the Monetary Policy Council of 4 December 2018 on approving the Financial Plan of the National Bank of Poland for 2019.

Voting of the MPC members:

For:	A. Glapiński	**Against:**	K. Zubelewicz
	G. M. Ancyparowicz		
	E. Gatnar		
	Ł. J. Hardt		
	J. J. Kropiwnicki		
	E. M. Łon		
	E. J. Osiatyński		
	R. Sura		
	J. Żyżyński		

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