

Warsaw, 14 January 2015

Information from the meeting of the Monetary Policy Council held on 13-14 January 2015

The Council has decided to keep the NBP interest rates unchanged at:

- reference rate at 2.00% on an annual basis;
- lombard rate at 3.00% on an annual basis;
- deposit rate at 1.00% on an annual basis;
- rediscount rate at 2.25% on an annual basis.

Global economic activity growth remains moderate, although the situation varies across countries. The United States observed continued recovery in 2014 Q4, and the data on GDP in 2014 Q3 have been revised upwards. In contrast, activity growth in the euro area has continued to be slow, and the 2015 growth forecasts have been revised downwards in the recent months. In the largest emerging economies, economic activity growth has also remained weak as for these countries. Russia's output growth has probably decreased close to zero.

In the past month, oil prices continued to decline sharply. Along with the moderate global economic growth, this has been conducive to inflation persisting at very low levels in many countries, and contributed to deflation occurring in the euro area.

Major central banks continue their expansionary monetary policy and keep interest rates at historically low levels. The ECB and the Bank of Japan are running asset purchase programmes. At the same time, expectations of a gradual interest rate increase in the United States have strengthened which have contributed to a depreciation of the emerging market currencies, including the zloty. Heightened risk aversion in the international financial markets persists.

In Poland, economic activity growth in 2014 Q4 may have slowed down slightly. In November, industrial output growth decreased to near-zero levels, while construction and assembly output continued to fall. At the same time, retail sales growth decreased. Growth in bank lending – both to enterprises and households – continued at a steady pace.

Labour market data point to a further rise in corporate employment, which supports the decline in seasonally-adjusted unemployment. At the same time, wage pressure remains limited, as indicated by continued moderate wage growth in the corporate sector.

In November, CPI inflation remained negative and was below expectations at -0.6% y/y. This was accompanied by a decrease in the majority of core inflation indices, which confirms the absence of demand pressure in the economy. The decline in producer prices

has also continued, indicating a lack of cost pressure in the economy. This is accompanied by very low inflation expectations of enterprises and households.

The Council decided to keep the NBP interest rates unchanged. The Council highlights that uncertainty regarding economic conditions in the environment of the Polish economy persists. If the expected period of deflation extends, which would increase the risk of inflation remaining below the target in the medium term, and incoming data confirm a slowdown in economic activity as well as weak growth in the environment of the Polish economy persists, the Council does not rule out further adjustment of monetary policy.