

Warsaw, 4 February 2015

Information from the meeting of the Monetary Policy Council held on 3-4 February 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. In the United States GDP growth in 2014 Q4 stayed relatively robust compared to most developed economies, and the economic outlook is still positive. In turn, in the euro area, which is Poland's main trading partner, activity growth has continued to be weak and the incoming information signal a merely slow recovery in the subsequent quarters. Similarly, in the largest emerging economies, including China, economic activity has also remained weak as for these countries, with growth in Russia decreasing close to zero.

In the past month, oil prices have fallen again, accompanied by a decline in the prices of some other commodities. Along with moderate global economic growth, this has been pulling down inflation in many countries. In Poland's immediate environment - including the euro area and most of the Central and Eastern European countries - the annual price growth has declined below zero. The fall of commodity prices may support economic growth in countries which are net commodities' importers.

Major central banks are keeping their interest rates at a historically low levels. At the same time, the European Central Bank has expanded its asset purchase programme significantly, adding sovereign bonds to the range of instruments targeted. The Swiss National Bank, in turn, unexpectedly abolished the Swiss franc's asymmetric peg to the euro, which resulted in its sharp appreciation vis-a-vis other currencies, including the zloty. The SNB also decreased its policy interest rates.

In Poland, preliminary national accounts data for 2014 indicate that GDP growth decreased slightly in 2014 Q4, remaining above 3%. Stable growth in consumption was accompanied by some weakening in investment growth. At the same time, imports growth slowed down more than that of exports, thus reducing the negative contribution of net exports to GDP growth. In December, growth in industrial output, construction and assembly output and retail sales picked up.

Bank lending both to households and enterprises continues to rise at a steady rate. At the same time, the sharp appreciation of the Swiss franc has increased the indebtedness of households with liabilities in this currency, which may limit their consumption.

Labour market data point to a further decline of unemployment (in seasonally adjusted terms) resulting to a large extent from rising corporate employment. Yet, wage pressure in the corporate sector remains limited, as indicated by continued moderate wage growth.

In December, CPI inflation fell to -1.0% y/y, lower than expected. This was accompanied by a further decrease in most core inflation indices, which confirms the absence of demand pressure in the economy. At the same time, the decline in producer prices deepened, pointing in turn to the lack of cost pressure. Inflation expectations of enterprises and households remain very low.

Taking into account the recently heightened volatility in the financial markets, the Council has decided to leave the NBP interest rates unchanged. However, the Council does not rule out a monetary policy adjustment in the nearest future, should the expected period of deflation be extended, which would increase the risk of inflation remaining below the target in the medium term. A more comprehensive assessment of the outlook for inflation returning to the target will be possible after the Council gets acquainted with the incoming information, including the March NBP projection.