

Warsaw, 6 October 2015

## Information from the meeting of the Monetary Policy Council held on 5-6 October 2015

### **The Council decided to keep the NBP interest rates unchanged:**

- reference rate at 1.50% on an annual basis;
- lombard rate at 2.50% on an annual basis;
- deposit rate at 0.50% on an annual basis;
- rediscount rate at 1.75% on an annual basis.

Growth of global economic activity remains moderate. In the euro area, the recovery continues and the latest data point to stable GDP growth in this economy. Also in the United States, data indicate a further rise in economic activity. At the same time, in China economic conditions continue to deteriorate, while Russia and Brazil remain in recession. Therefore, concerns about the economic growth outlook in the emerging market economies persist, which increases uncertainty about economic conditions worldwide.

Inflation abroad remains very low and in many countries it declined again, driven mainly by a renewed fall of commodity prices in recent months. In the euro area, price growth has turned negative again and the forecasts for the coming quarters have been revised downwards.

Against this background, the Federal Reserve and the ECB are keeping their interest rates close to zero. The ECB also continues its asset purchase programme and signals its extension. At the same time, the Federal Reserve indicates a likely increase in interest rates. The uncertainty about monetary policy of major central banks and concerns about the outlook for economic growth in emerging market economies are causing elevated volatility in global financial markets.

In Poland, stable economic growth continues, driven mainly by rising domestic demand, which is supported by favourable labour market developments, consumer confidence and financial standing of enterprises, as well as by stable lending growth. Recently released economic activity indicators were lower than expected, but their decline will probably prove temporary.

As demand is growing at a moderate pace and the output gap is still negative, there is no inflationary pressure in the economy. Both annual consumer price growth and producer price growth remain negative and declined slightly last month. Deflation has deepened mainly due to falling commodity prices in global markets. Amidst moderate

wage growth, this contains the risk of increasing cost pressure. Inflation expectations are still very low.

In the Council's view, price growth will increase slowly in the coming quarters, supported by the expected closing of the output gap amid improving economic conditions in the euro area and favourable domestic labour market developments. At the same time, persisting risk of stronger economic slowdown in the emerging market economies, low commodity prices and weaker inflation outlook abroad result in increased uncertainty about the pace of inflation returning to the target.

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