

Warsaw, 4 November 2015

## Information from the meeting of the Monetary Policy Council held on 3-4 November 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, economic recovery continues, and incoming data point to stable GDP growth in this economy. In the United States, GDP growth in the third quarter slowed down, however, the recovery is expected to continue in the coming quarters. At the same time, in China economic growth decreased again, while Russia and Brazil remain in recession. Therefore, concerns about the economic growth outlook in the emerging economies persist, which increases uncertainty about economic conditions worldwide.

The fall in commodity prices in the recent months has contributed to lower inflation in many economies, including in the United States and the euro area. Against this background, the Federal Reserve and the ECB are keeping interest rates close to zero, although the Federal Reserve indicates the possibility of interest rate hike. On the other hand, the ECB continues its asset purchase programme and has signalled its extension, which has contributed to a decline in risk aversion in the financial markets in the recent period.

In Poland stable economic growth continues, driven mainly by domestic demand. The growth in demand is supported by robust labour market, strong consumer confidence, improvement in financial standing of enterprises as well as by stable lending growth. On the other hand, demand in the economy is adversely affected by uncertainty facing firms regarding the outlook for global growth.

As demand is growing at a moderate pace and the output gap is still negative, there is no inflationary pressure in the economy. Both the annual consumer price growth and producer price growth remain negative. The sharp drop of commodity prices in the global markets remains the main reason for continued deflation. Amidst moderate wage growth, the fall in commodity prices contains the risk of increasing cost pressure. Against this background, inflation expectations are still very low.

The Council became acquainted with the projection of inflation and GDP prepared by the Economic Institute, which is one of the inputs to the Council's decisions on NBP

interest rates. In line with the November projection based on the NECMOD model – prepared under the assumption of unchanged NBP interest rates and taking into account data available until 19 October 2015 (projection cut-off date) – there is a 50-percent probability that the annual price growth will be in the range of -0.9 – -0.8% in 2015 (as compared to -1.1 – -0.4% in the July 2015 projection), 0.4 – 1.8% in 2016 (as compared to 0.7 – 2.5%) and 0.4 – 2.5% in 2017 (as compared to 0.5 – 2.6%). At the same time, the annual GDP growth rate – in line with this projection – will be with a 50-percent probability in the range of 2.9 – 3.9% in 2015 (as compared to 3.0 – 4.3% in the July 2015 projection), 2.3 – 4.3% in 2016 (as compared to 2.3 – 4.5%) and 2.4 – 4.6% in 2017 (as compared to 2.5 – 4.7%).

In the opinion of the Council, price growth will slowly increase in the nearest quarters, supported by the gradual closing of the output gap amid improving economic conditions in the euro area and favourable domestic labour market developments. At the same time, the risk of a sharper slowdown in the emerging economies and the impact this may have on global economic activity, as well as the possibility of commodity prices persisting at low levels, and as a result, low inflation in the environment of the Polish economy, remain the source of uncertainty about the pace of inflation returning to the target.

The Council decided to keep the NBP interest rates unchanged.

The Council adopted *Inflation Report – November 2015*.