

Warsaw, 7 November 2018

Information from the meeting of the Monetary Policy Council held on 6-7 November 2018

The Council decided to keep the NBP interest rates unchanged:

- reference rate at 1.50%;
- lombard rate at 2.50%;
- deposit rate at 0.50%;
- rediscount rate at 1.75%.

Global economic conditions remain favourable, although signs of a weakening have appeared in some economies. In the euro area, GDP growth declined in 2018 Q3, and some indicators of economic conditions deteriorated. At the same time, in the United States growth has picked up slightly, which confirms that economic conditions in this country are still very strong. In turn, in China activity growth is gradually slowing down.

A rise in uncertainty about the global economic outlook contributed to some weakening of sentiment in the international financial markets. Concurrently, energy commodity prices have decreased slightly, following their previous sharp rise. The relatively high level of these prices continues to add to inflation in many countries. At the same time, core inflation in the external environment of the Polish economy, including the euro area, remains moderate.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. Alongside that, the ECB continues to purchase financial assets, although it has reduced the scale of the purchases and has announced their termination by the end of the year. The Federal Reserve continues to gradually tighten monetary policy.

In Poland, incoming data point to economic conditions remaining strong, although in 2018 Q3 GDP growth was probably lower than in the first half of the year. GDP growth is still driven by rising consumption, albeit at a slightly lower rate than in the previous quarters, that is fuelled by increasing employment and wages as well as very high consumer sentiment. This is accompanied by a rise in investment.

Notwithstanding relatively high economic growth and wages rising faster than in the previous year, consumer price growth remains moderate. At the same time, inflation net of food and energy prices continues to be low.

The Council became acquainted with the results of the November projection of inflation and GDP, prepared under the assumption of unchanged NBP interest rates. In line with the November projection based on the NECMOD model, there is a 50-percent probability that annual price growth will be in the range of 1.7-1.9% in 2018 (against to 1.5-2.1% in the July 2018 projection), 2.6-3.9% in 2019 (compared to 1.9-3.5%) and 1.9-3.9% in 2020 (compared 1.7-3.9%). At the same time, annual GDP growth – according to this

projection – will be with a 50-percent probability in the range of 4.4-5.2% in 2018 (against to 4.0-5.2% in the July 2018 projection), 2.7-4.4% in 2019 (compared 2.8-4.7%) and 2.3-4.2% in 2020 (compared to 2.4-4.3%).

In the Council's assessment, current information and the results of the projection point to a relatively favourable outlook for economic conditions in Poland, although a gradual slowing in GDP growth is 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, in turn, the expected slowdown in economic growth will have a dampening effect on inflation. In effect, in the monetary policy transmission horizon inflation will remain close to the target.

The Council judges that the current level of interest rates is conducive to keeping the Polish economy on a sustainable growth path and maintaining macroeconomic stability.

The Council adopted the *Inflation Report – November 2018*.