

Warsaw, 6 March 2019

## Information from the meeting of the Monetary Policy Council held on 5-6 March 2019

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

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

Incoming data suggest a weakening in some of the largest economies, amid heightened uncertainty about the outlook for global economic activity in the coming quarters. In the euro area, GDP growth in 2018 Q4 was lower than in the first half of 2018, while available forecasts suggest a further weakening in 2019. In the United States, economic conditions remain good, although a slight slowdown in GDP growth is expected there. In China activity growth continues to gradually decline.

Despite an increase in global oil prices at the beginning of 2019, their level is still lower than in 2018 Q3. This is leading to a decline in inflation in many countries. Alongside that, core inflation in the environment of the Polish economy, including the euro area, remains low.

The European Central Bank keeps interest rates close to zero, including the deposit rate below zero. At the same time, the ECB continues to reinvest the funds from the maturing securities. The US Federal Reserve is keeping interest rates unchanged.

In Poland, GDP growth in 2018 Q4 remained relatively high. GDP growth is driven by rising consumption – albeit at a slightly lower rate than in previous quarters – that is fuelled by increasing employment and wages as well as very high consumer sentiment. This was accompanied by a rise in investment.

Notwithstanding relatively high economic growth and wages rising faster than in the previous years, annual consumer price growth has declined in recent months and is running at a low level. Inflation net of food and energy prices continues to be low, despite possible increase in January.

The Council became acquainted with the results of the March projection of inflation and GDP, prepared under the assumption of unchanged NBP interest rates. The March projection takes into account data and information published up to 15 February 2019 – including information on statutory freeze on electricity prices – as well as preliminary information on changes in fiscal policy announced on 23 February 2019. In line with the March projection based on the NECMOD model, there is a 50-percent probability that the annual price growth will be in the range of 1.2-2.2% in 2019 (against 2.6-3.9% in the November 2018 projection), 1.7-3.6% in 2020 (compared to 1.9-3.9%) and 1.3-3.5% in 2021. At the same time, the annual GDP growth – according to this projection – will be

with a 50-percent probability in the range of 3.3-4.7% in 2019 (against 2.7-4.4% in the November 2018 projection), 2.7-4.6% in 2020 (compared to 2.3-4.2%) and 2.4-4.3% in 2021.

In the Council's assessment, the outlook for economic conditions in Poland remains favourable. However, in the quarters to come, there will probably be a gradual slowdown in GDP growth. At the same time, inflation will remain at a moderate level and, in the monetary policy transmission horizon, will stay close to the target. Such an assessment is supported by the results of the March projection of inflation and GDP.

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 – March 2019*.