Warsaw, 14 January 2016

Information from the meeting of the Monetary Policy Council held on 13-14 January 2016

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%.

In the euro area economic recovery continues, yet activity growth remains moderate. In the United States – despite slightly weaker recent data – good economic conditions prevail and GDP growth in 2016 is expected to be slightly higher than in 2015. In turn, Russia and Brazil remain in recession, and the outlook for these economies has further deteriorated. In China, the data released in 2015 Q4 point to economic growth stabilization, albeit at a lower level than in the previous years. The possibility of a further deterioration in economic conditions in the emerging economies remains a significant risk for global growth.

In the recent period, prices of oil and other energy commodities in the world markets have once again sharply declined. As a result, inflation in many economies – including in the euro area – remains close to zero. At the same time, in some economies – including the United States – core inflation is significantly higher than growth in consumer prices, which is driven by the ongoing economic recovery.

Against this background, the monetary policies of the Federal Reserve and the EBC continue to diverge. The Federal Reserve has increased its interest rates after seven years of keeping them at a near zero level. In contrast, the ECB has eased its monetary policy again, mainly by extending the period of the asset purchase programme and expanding its scope. The decisions of the major central banks and the sharp decline in crude oil prices have led to temporary asset price volatility in the international financial markets.

In Poland, stable economic growth continues, driven mainly by domestic demand. Demand growth is supported by robust labour market, optimistic consumer sentiment and good financial condition of enterprises. However, demand growth is curbed by enterprises' uncertainty about the outlook for economic growth abroad.

Due to the sustained negative output gap and only moderate wage growth in the economy there is no inflationary pressure in the economy. The annual growth rates of consumer prices and producer prices remain negative, although the scale of deflation is gradually declining. Falling energy commodity prices in the global markets are the main driver behind continuing deflation. Inflationary expectations are still low.

In the opinion of the Council, consumer price growth will slowly increase in the nearest quarters, yet due to renewed decline in commodity prices, consumer price growth may be lower than anticipated. So far, the continuing deflation has not had a negative impact on the decisions of economic agents. Gradual increase in price growth will be supported by closing of the output gap amidst improving economic conditions in the euro area and a tight domestic labour market.

The Council decided to keep the NBP interest rates unchanged, assessing that – given the available data and forecasts – the current level of interest rates helps to keep the Polish economy on a sustainable growth path and ensure macroeconomic balance.

A more comprehensive assessment of the outlook for price developments and economic growth in the coming quarters will be possible after the Council gets acquainted with the March projection of inflation and GDP.