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# Economic Comment

## MPC still supporting stable rates

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Polish MPC left rates unchanged. The statement also did not include any new thoughts – it still points to relatively low global growth and growing uncertainty about the scale and timespan of the slowdown abroad and its impact on Polish economy. At the same time the council still considers Polish GDP outlook to be relatively positive. At the press conference, governor Adam Glapiński said that arguments for tighter policy are quickly disappearing of late as the global outlook gets worse. He did not however say that the number of arguments for rate cuts is growing. In particular, if the slowdown in Poland continues in a gradual way, this will be no reason to ease policy. In his view it is highly probable rates will stay unchanged until the end of his term as all analyses point to such conclusion, if there are other views in the council, they are represented by small minorities and offset each other. Glapiński also mentioned updated NBP forecasts for 2019: 4.3% for GDP (vs 4.5% in July projection) and 2.3% for CPI (2.0% in July). We do not expect any changes to interest rates in Poland coming this year or next.

### MPC statement (indication of changes as compared to September statement)

Incoming data suggest that global economic growth continues at a <del>remains</del> relatively slow pace, while <del>low, with</del> the global outlook has <del>deteriorated, deteriorating further</del> . In the euro area, <del>GDP</del> economic growth <del>remained</del> remains low in 2019 Q2. Although <del>against</del> the backdrop of a downturn in industry, <del>Still favourable</del> situation in the <del>services</del> service sector is still good, activity in the industrial sector <del>remains weak, factor mitigating the scale of the slowdown</del> . In the United States, economic conditions continue to be strong, even though GDP growth slowed in 2019 Q2 and economic indicators signal a <del>possible</del> weakening of activity in the coming quarters. <del>2019 Q3</del> . In China, <del>incoming data point to further weakening of GDP growth, declined as well in 2019 Q2</del> .
In the recent period <del>September</del> , global oil prices <del>have fallen, rose</del> , yet remained below the level recorded a year ago. At the same time, inflation in many countries remains moderate.
The European Central Bank is keeping interest rates close to zero, including <del>significantly loosened its monetary policy</del> , lowering the deposit rate further below zero, and <del>reinvests maturing securities bought under</del> announcing the resumption of the asset purchase programme. The ECB is also signalling the possibility of <del>easing its monetary policy</del> as well as relaxing the terms of long-term refinancing operations. The ECB also signalled that the interest rates are likely to stay at the present or lower level in the near future. <del>subsequent quarters</del> . The US Federal Reserve has <del>lowered</del> also loosened its monetary policy by cutting interest rates and stopped reducing its balance sheet again.
In Poland, <del>despite weaker growth abroad</del> , economic conditions remain good, and GDP grew by 4.5% y/y. At the same time, incoming data point to a possible decrease in the economic growth rate in 2019 Q2. Activity <del>growth</del> Q3, which is driven by <del>rising</del> mainly by the economic downturn abroad. Rising consumption, fuelled by <del>the</del> increasing employment and wages, very <del>high</del> strong consumer sentiment, <del>confidence</del> and social benefit payments, <del>exerts a stabilising influence on GDP growth</del> . Investment in the economy also grew in 2019 Q2, although at a slightly slower pace compared to the previous quarter. At the same time, growth in exports and imports slowed down <del>continues to rise</del> .
According <del>Inflation in September</del> – according to the GUS flash estimate, inflation <del>stood at 2.86% y/y in August 2019</del> . Higher price growth is primarily driven by <del>significant growth</del> the previous marked increase in food prices, while lower energy prices than a year ago, including fuel prices, have a curbing effect on price growth. At the same time, core inflation continues to run at moderate levels.
In the Council's assessment, the outlook for economic conditions in Poland remains favourable, and GDP growth, <del>despite the expected decline</del> , will continue at a relatively high level in the coming years. However, uncertainty about the scale and persistence of the slowdown abroad and its impact on domestic economic activity has increased. <del>After</del> Inflation – after a temporary rise in 2020 Q1, <del>inflation</del> will stay close to the target in the monetary policy transmission horizon.
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.

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