Warsaw, 7 December 2022

Information from the meeting of the Monetary Policy Council held on 7 December 2022

The Council decided to keep the NBP interest rates unchanged:

- **reference rate at 6.75%;**
- **lombard rate at 7.25%;**
- **deposit rate at 6.25%;**
- **rediscount rate at 6.80%;**
- **discount rate at 6.85%.**

Incoming data indicate that growth of economic activity in major economies slows down. In the euro area – after a decline in GDP growth in 2020 Q3 – business condition indicators signal further weakening of activity at the beginning of Q4. Despite still favourable labour market situation in the largest economies, activity in the global economy and its prospects continue to be negatively affected primarily by the impact of Russia's military aggression against Ukraine, including high prices of commodities, as well as by the tightening of monetary policy around the world. Meanwhile, there persists uncertainty regarding further impact of these shocks on economic conditions, and in particular in the European economy.

Inflation in many economies remains at the highest levels in decades, which – apart from still high commodity prices and protracted effects of strong disruptions in global supply chains – is also driven by demand factors and increasing labour costs. Under such conditions, core inflation in most countries likewise remains high. Recently, however, certain economies have recorded some decline in inflation. At the same time, against a recent fall in prices of some commodities in the international markets and a gradual easing of the supply chain disruptions, there are signs of global price pressures diminishing, especially as in many economies growth in producer prices declined.

Many central banks have continued to tighten their monetary policy. In turn, in the Central-Eastern Europe region some central banks – after earlier significant interest rate increases – in recent period have kept interest rates unchanged.

In Poland, GDP growth in 2022 Q3 – according to Statistics Poland preliminary data – slowed down to 3.6% y/y, compared to 5.8% in Q2. The slowdown resulted from a strong

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decline in the growth of consumption and investment. The opposite effect stemmed from a higher contribution of net exports and the increase in inventories to GDP growth. Monthly data, including data on industrial production, construction and assembly output and retail sales in October, as well as business condition indices for November, signal a further slowdown of GDP growth, whereas the economic outlook is subject to significant uncertainty. Despite the decelerating GDP growth, labour market situation remains good, which is reflected i.a. in a low unemployment rate. At the same time, however, LFS data for 2022 Q3 indicate a fall in the Polish LFS total employment.

Inflation in Poland – according to Statistics Poland flash estimate – decreased in November 2022 to 17.4% y/y. The decrease in CPI in year-on-year terms compared to October was driven by lower growth in prices of energy carriers and fuels. Inflation remains at a high level, which – to a great extent – stems from a gradual pass-through of high commodity prices to consumer prices. High commodity prices have been reflected in rising food and energy prices, and, at the same time, they have boosted operating costs of enterprises, which – given the still relatively strong demand – inclined firms to raise prices of goods, contributing to higher core inflation. Core inflation has been also driven by the persisting effects of the disruptions to global supply chains, although they are gradually easing. In turn, the Anti-inflationary Shield continued to limit CPI inflation.

The Council assessed, that the expected weakening of the external economic conditions, together with monetary policy tightening by major central banks, will curb global inflation and commodity prices. The weakening of the global economic conditions will also hamper GDP growth in Poland. Under such circumstances, the hitherto significant monetary policy tightening by NBP will support a decline in inflation in Poland towards the NBP inflation target. At the same time, given strength and persistence of the current shocks that remain beyond the impact of domestic monetary policy, in the short term inflation will remain high, and its return to the NBP inflation target will be gradual. A decrease in inflation would be faster if supported by appreciation of zloty exchange rate, which, in the Council's assessment, would be consistent with the fundamentals of the Polish economy.

Further decisions of the Council will depend on incoming information regarding perspectives for inflation and economic activity, including the impact of the Russian military aggression against Ukraine on the Polish economy.

NBP will take all necessary actions in order to ensure macroeconomic and financial stability, including above all to reduce the risk of inflation remaining elevated. NBP may intervene in the foreign exchange market, in particular to limit fluctuations of the zloty exchange rate that are inconsistent with the direction of monetary policy.