



Warsaw, 4 January 2023

## Information from the meeting of the Monetary Policy Council held on 4 January 2023

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 information indicate that growth of economic activity in the global economy in 2022 Q4 slowed down. Activity in the global economy and its prospects continue to be negatively affected by the impact of Russia's military aggression against Ukraine, high energy prices, 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, including in particular in the European economy. In the euro area – after a decline in GDP growth in 2022 Q3 – business condition indicators signal further weakening of activity in Q4. The effects of epidemic situation in China constitute additional uncertainty factor.

Inflation in many economies – despite some fall in recent months – remains at a high level, which is mainly driven by high energy prices, protracted effects of the earlier supply shocks, including shocks at commodity markets, as well as demand factors and increasing labour costs. Under such conditions, core inflation in most countries likewise remains high. However, following a deterioration of global economic conditions in recent months, prices of some commodities have declined. At the same time, supply chain disruptions are visibly mitigated compared to the first half of 2022. As a result, price pressures are diminishing, which translates into lower growth in producer prices in many countries.

The Federal Reserve of the United States and the European Central Bank raised again their interest rates in December 2022. In turn, central banks in the Central-Eastern Europe region – after earlier significant interest rate increases – have kept interest rates unchanged.



In Poland, incoming data indicate a slowdown in economic growth. According to Statistics Poland data, GDP growth in 2022 Q3 slowed down to 3.6% y/y. Monthly data for October and November suggest a further decline in GDP growth in Q4, 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 in November 2022 decreased to 17.5% 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 passing higher costs on to consumer prices. High commodity prices have been reflected in rising food and energy prices, and – together with persistent effects of the earlier disruptions in global value chains – increase operating costs of enterprises, which – given the still relatively strong demand – inclined firms to raise prices of goods, contributing to higher core inflation. In turn, the so-called Anti-inflationary Shield continued to limit CPI inflation. At the same time, in recent months, producer price growth declined which signals diminishing cost pressures on consumer prices.

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



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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.