



Warsaw, 8 March 2023

Information from the meeting of the Monetary Policy Council held on 7-8 March 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%.**

In 2022 Q4, global economic growth slowed down. In the euro area – despite some improvement in recent months – economic conditions remain weakened. At the same time, forecasts suggest a significant slowdown in GDP growth in 2023. Inflation in major advanced economies has declined. However, in most economies, it remains high, driven by lagged effects of the earlier supply shocks, including in energy market, as well as demand factors and increasing labour costs. In recent months, prices of energy commodities have declined, which together with softening of supply chain disruptions reduces price pressures. It is reflected in systematically declining growth in producer prices. At the same time, core inflation remains high.

The Federal Reserve of the United States and the European Central Bank continue to increase their interest rates. In turn, central banks in Central-Eastern Europe – after earlier significant monetary policy tightening – are now keeping interest rates unchanged.

Amid the weakening of economic growth around the world, also in Poland activity has slowed down. In 2022 Q4, real GDP growth declined to 2.0% y/y. Reduction in consumption demand lowers economic growth. At the same time, investments continue to increase. Despite the slowdown in activity, labour market situation remains good, including low unemployment. The number of working persons remains high, although its decline in the private sector is observed.

CPI inflation in Poland in January 2023 – according to Statistics Poland flash estimate – was 17.2% y/y. The increase in inflation compared to December was driven to a large extent by an increase in VAT rates for energy goods. At the same time, despite weakening demand growth, the level of inflation was still affected by a significant increase in costs –



resulting from an earlier strong surge in international commodity prices and disruptions in global value chains – that was passed through to consumer prices. However, for several months commodity prices and PPI inflation have been decreasing, which signals a gradual easing of external supply shocks. Together with weakening economic activity, it will support a decline in domestic CPI inflation in the coming quarters.

The Council became acquainted with the results of the March projection of inflation and GDP based on the NECMOD model. In line with the projection, prepared under the assumption of unchanged NBP interest rates and taking into account data available until 28 February 2023, there is a 50-percent probability that the annual price growth will be in the range of 10.2 – 13.5% in 2023 (against 11.1 – 15.3% in the November 2022 projection), 3.9 – 7.5% in 2024 (compared to 4.1 – 7.6%) and 2.0 – 5.0% in 2025 (compared to 2.1 – 4.9%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of -0.1 – 1.8% in 2023 (against -0.3 – 1.6% in the November 2022 projection), 1.1 – 3.1% in 2024 (compared to 1.0 – 3.1%) and 2.0 – 4.3% in 2025 (compared to 1.8 – 4.4%).

The Council assessed, that the weakening of the external economic conditions, together with a decline in commodity prices, will continue to curb global inflation, which will contribute to lower price growth in Poland. Decline in domestic inflation will be supported by the weakening in GDP growth, including consumption, amid significant decrease in credit growth. As a result, the Council assesses that the earlier strong monetary policy tightening undertaken by NBP will lead to a decline in inflation in Poland towards the NBP inflation target. At the same time, given strength and persistence of the recent shocks that remain beyond the impact of domestic monetary policy, the return of inflation to the NBP inflation target will be gradual. Such an assessment is supported by the March projection of inflation and GDP. 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 prospects for inflation and economic activity.

NBP will take all necessary actions in order to ensure macroeconomic and financial stability, including above all to bring inflation to the NBP inflation target in the medium term. 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.