



Warsaw, 5 April 2023

Information from the meeting of the Monetary Policy Council held on 4-5 April 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%.**

Despite an improvement in some of the indicators in recent months, the global economic conditions remain weakened. In the euro area, forecasts indicate that GDP growth in 2023 will be low. At the same time, turmoil in the banking sector in the United States and Europe has increased uncertainty about global economic activity in the coming quarters.

Inflation in the major advanced economies is declining. However, in most economies it remains high, driven by the lagged effects of the earlier supply shocks, including in the energy market, as well as demand factors and increasing labour costs. In recent months, prices of commodities have declined, which together with the easing of global supply chain disruptions reduces price pressure. This is reflected in systematically declining growth in producer prices. At the same time, core inflation remains high.

In March 2023, the Federal Reserve of the United States and the European Central Bank increased interest rates. In turn, the central banks in Central and Eastern Europe – after earlier significant monetary policy tightening – are now keeping interest rates unchanged.

Amid the weakening of economic growth around the world, activity has also slowed down in Poland. Monthly data for February 2023 indicate a fall in retail sales and industrial output in annual terms, accompanied by higher growth in construction and assembly output. Despite the slowdown in activity, the labour market situation remains good and unemployment is low. The number of working persons remains high, although annual growth in employment in the enterprise sector declined.

According to Statistics Poland flash estimate, CPI inflation in Poland declined to 16.2% y/y in March 2023 following a rise to 18.4% y/y in February. The decrease in inflation in annual



terms compared to February 2023 was driven by a significant fall in growth of fuels and energy carriers prices alongside stable annual growth in prices of food and non-alcoholic beverages. 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 global commodity prices and disruptions in global value chains that was passed through to consumer prices. However, for several months commodity prices and growth of producer price index have been decreasing, which signals a gradual easing of external supply shocks. Together with the weakening economic activity, it will support a decline in domestic CPI inflation in the coming quarters.

The Council assesses 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. The decline in domestic inflation will be supported by a weakening of GDP growth, including consumption, amid a 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 the strength and persistence of the earlier shocks, which remain beyond the impact of domestic monetary policy, the return of inflation to the NBP inflation target will be gradual. The decrease in inflation would be faster if supported by an appreciation of the 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 continue to take all necessary actions in order to ensure macroeconomic and financial stability, including above all to bring inflation down 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.