



Warsaw, 6 June 2023

## Information from the meeting of the Monetary Policy Council held on 5-6 June 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, the annual GDP growth in 2023 Q1 declined further, while in Germany GDP contracted. Forecasts indicate that activity growth in the external environment of the Polish economy will be low this year. At the same time, uncertainty about global economic activity outlook persists, i.a. due to tensions in the banking sector in the United States.

Inflation in the world economy 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. Yet, the fall in prices of many commodities together with the easing of global supply chain disruptions reduce price pressures. This is reflected in systematically declining growth in producer prices. At the same time, core inflation remains high, although it gradually declines in some economies.

In May 2023, the Federal Reserve of the United States and the European Central Bank increased interest rates. In turn, many central banks in emerging market economies, including in the Central-Eastern Europe region – after earlier significant monetary policy tightening – are now keeping interest rates unchanged.

Amid the weakening of economic growth around the world, activity growth also slowed down in Poland. According to Statistics Poland preliminary estimate, the annual GDP growth in 2023 Q1 stood at -0.3%, amid further reduction in consumption demand. At the same time, investment continued to grow. Retail sales and industrial output decreased in annual terms in April 2023. Despite the slowdown in activity growth, 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 decelerates.

According to Statistics Poland flash estimate, CPI inflation in Poland declined to 13.0% y/y in May 2023, compared to 14.7% y/y in April 2023. The decrease in inflation in annual terms was driven by a fall in annual price growth of energy and – although to a lesser extent – food and non-alcoholic beverages, as well as in some other categories of goods. Taking into account the available data by Statistics Poland, it is expected that – after a slight decline in April – core inflation significantly decreased in May. At the same time, despite weakening demand growth, the level of annual inflation index 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, commodity prices and growth of producer price index have continued decreasing, which signals a further easing of external supply shocks. Together with the lower economic activity growth, 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 still 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.