



Warsaw, 6 July 2023

## Information from the meeting of the Monetary Policy Council held on 5-6 July 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%.**

The global economic conditions remain weakened. At the same time, uncertainty about global economic activity outlook persists. In the euro area, following the contraction of the economic activity in the previous quarters, GDP growth in 2023 Q2 probably stayed low.

This is accompanied by globally declining inflation, however, in most economies annual price growth remains elevated. The fall in commodity prices together with the easing of global supply chain disruptions reduce price pressures, which is reflected in the significant decrease of growth in producer prices. At the same time, core inflation in most economies is still elevated, although it gradually declines.

Amid the weakening of economic growth around the world, activity growth also slowed down in Poland. Retail sales, industrial output as well as construction and assembly output decreased in annual terms in May 2023. Despite the slowdown in activity growth, the labour market situation remains good and unemployment is low. The number of working persons continues to be high, although this is accompanied by the low annual growth in employment in the enterprise sector.

According to Statistics Poland flash estimate, annual CPI inflation declined again, falling to a level of 11.5% y/y in June 2023 (compared to 13.0% y/y in May 2023). At the same time, for the second consecutive month, the overall price level did not change. The decrease in inflation in annual terms was driven mainly by a fall in annual price growth of energy, and – although to a lesser extent – of food and non-alcoholic beverages and of some other categories of goods. Taking into account the available data by Statistics Poland, it can be estimated that core inflation decreased again in June, as well. At the same time, the producer price growth is still decreasing strongly, which signals a further easing of



external supply shocks. Together with the lower economic activity growth, it will support a further decline in consumer price inflation in the coming quarters.

The Council became acquainted with the results of the July 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 22 June 2023, there is a 50-percent probability that the annual price growth will be in the range of 11.1 – 12.7% in 2023 (against 10.2 – 13.5% in the March 2023 projection), 3.7 – 6.8% in 2024 (compared to 3.9 – 7.5%) and 2.1 – 5.1% in 2025 (compared to 2.0 – 5.0%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of -0.2 – 1.3% in 2023 (against -0.1 – 1.8% in the March 2023 projection), 1.4 – 3.3% in 2024 (compared to 1.1 – 3.1%) and 2.1 – 4.4% in 2025 (compared to 2.0 – 4.3%).

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. The Council assesses that the strong monetary policy tightening undertaken by NBP is leading 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.