



Warsaw, 6 September 2023

Information from the meeting of the Monetary Policy Council held on 5-6 September 2023

The Council decided to cut the NBP reference rate by 0.75 percentage points, i.e. to 6.00%. At the same time, the Council set the remaining NBP interest rates at the following levels:

- **lombard rate at 6.50%;**
- **deposit rate at 5.50%;**
- **rediscount rate at 6.05%;**
- **discount rate at 6.10%.**

The global economic conditions remain weakened. At the same time, uncertainty about the activity outlook in the largest economies persists. In the euro area, annual GDP growth slowed down again in 2023 Q2, while in Germany it was negative. Data incoming in 2023 Q3 indicate a further deterioration of economic conditions in the euro area.

This is accompanied by a further decline in inflation in many economies, however, in most countries annual price growth remains elevated. Lower commodity prices together with the easing of global supply chain disruptions reduce price pressures, which is reflected in falling producer prices in many economies. At the same time, core inflation in most economies is still elevated, although it gradually declines.

Amid the weakened global economic conditions, activity growth also declined in Poland. According to Statistics Poland preliminary estimate, the annual GDP growth in 2023 Q2 stood at -0.6%, amid a further reduction in consumption demand. At the same time, investment continued to rise. Retail sales and industrial output decreased in annual terms in July 2023. Despite the slowdown in activity growth, the labour market situation remains good and unemployment is low. Although the number of working persons continues to be high, the annual growth in employment in the enterprise sector decelerates.

According to Statistics Poland flash estimate, annual CPI inflation in August 2023 markedly declined again, falling to a level of 10.1% y/y (compared to 10.8% y/y in July 2023). At the same time, in monthly terms, the overall consumer price level did not change in August, following a decline by 0.2% in July. The decrease in inflation in annual terms was driven mainly by a fall in annual price growth of food and non-alcoholic beverages.



Taking into account the data by Statistics Poland, it can be estimated that core inflation decreased again in August, as well. In July 2023 the producer prices were lower than a year before, which confirms the fading of external supply shocks and a reduction of cost pressures. Together with the lower economic activity growth, it will support a further decline in consumer price inflation in the coming quarters. The significant fall in inflation is accompanied by decreasing inflation expectations, which contributes to an increase in the restrictiveness of monetary policy.

In the Council's assessment, recently incoming data point to a weaker demand pressure than previously expected, which will contribute to a faster return of inflation to the NBP inflation target. Considering these circumstances – and taking into account the time lags in the monetary policy transmission to the economy – the Council adjusted NBP interest rates, which will be conducive to meeting the NBP inflation target in the medium term. The Council upheld the assessment that the decrease in inflation would be faster if supported by an appreciation of the zloty exchange rate, which 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.