



Warsaw, 4 October 2023

## Information from the meeting of the Monetary Policy Council held on 3-4 October 2023

**The Council decided to cut the NBP reference rate by 0.25 percentage points, i.e. to 5.75%. At the same time, the Council set the remaining NBP interest rates at the following levels:**

- **lombard rate at 6.25%;**
- **deposit rate at 5.25%;**
- **rediscount rate at 5.80%;**
- **discount rate at 5.85%.**

The global economic conditions remain weakened. At the same time, uncertainty about the activity outlook in the largest economies persists. In the euro area, incoming data suggest that annual GDP growth slowed down further in 2023 Q3, while in Germany it was negative. Meanwhile, in the United States the economic conditions remain relatively favourable.

This is accompanied by a further decline in inflation in many economies, however, in most countries annual price growth remains elevated. The earlier decrease of 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 declined also in Poland. Retail sales and industrial output decreased in annual terms in August 2023, however their decrease was somewhat milder compared to a month ago. 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, in August 2023 the annual growth in employment in the enterprise sector halted.

According to Statistics Poland flash estimate, annual CPI inflation in September 2023 markedly declined again, falling to a level of 8.2% y/y (compared to 10.1% y/y in August 2023). The decrease in inflation in annual terms was driven mainly by a fall in annual price growth of energy as well as food and non-alcoholic beverages. Taking into account the data by Statistics Poland, it can be estimated that core inflation also decreased again in



September. In August 2023 producer prices were again lower than a year before, which confirms the fading of most external supply shocks and a reduction of cost pressures. Together with the low 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, incoming data confirm weak demand and cost pressure in the economy as well as reduced inflation pressure amongst the weakened external economic conditions. Considering these circumstances – and taking into account the time lags in the monetary policy transmission to the economy – the Council adjusted the NBP interest rates, which is consistent with 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.