



Warsaw, 8 November 2023

Information from the meeting of the Monetary Policy Council held on 7-8 November 2023

The Council decided to keep the NBP interest rates unchanged:

- reference rate at 5.75%;
- 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, the annual GDP growth in 2023 Q3 slowed down and was close to zero, while in Germany it was negative. Meanwhile, in the United States the annual GDP growth in 2023 Q3 accelerated and exceeded a long-term average.

At the same time, inflation in many economies declines further, 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 cost pressures, which is reflected in falling producer prices in many economies. Core inflation in most economies is still elevated, although it gradually declines.

Amid the weakened global economic conditions, also in Poland activity growth remains low, although some data signal its gradual recovery. In September 2023 retail sales and industrial output decreased in annual terms, however, the scale of retail sale decline was milder compared to the previous months. This was accompanied by a higher growth in construction and assembly output. Despite the weakened 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 halted.

According to Statistics Poland flash estimate, annual CPI inflation in October 2023 markedly declined again, falling to a level of 6.5% y/y (compared to 8.2% y/y in September 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. Considering the Statistics



Poland data, it can be estimated that core inflation also decreased again in October. In September 2023 producer prices were again lower than a year ago, 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 Council became acquainted with the results of the November 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 23 October 2023, there is a 50-percent probability that the annual price growth will be in the range of 11.3 – 11.5% in 2023 (against 11.1 – 12.7% in the July 2023 projection), 3.2 – 6.2% in 2024 (compared to 3.7 – 6.8%) and 2.2 – 5.3% in 2025 (compared to 2.1 – 5.1%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of -0.1 – 0.6% in 2023 (against -0.2 – 1.3% in the July 2023 projection), 1.9 – 3.8% in 2024 (compared to 1.4 – 3.3%) and 2.4 – 4.7% in 2025 (compared to 2.1 – 4.4%). Inflation developments, both in the short and in the medium term, are fraught with uncertainty related i.a. to future fiscal and regulatory policies.

The Council assesses that incoming data indicate low demand and cost pressures in the Polish economy, which amidst weakened economic conditions and falling inflation pressure abroad will support a gradual decline in domestic inflation. Considering the adjustment in the NBP interest rates introduced in recent months, together with uncertainty about a future course of fiscal and regulatory policies and their impact on inflation, the Council decided to keep the NBP interest rates unchanged. The Council judges that the current level of the NBP interest rates is 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.