



Warsaw, 9 January 2024

Information from the meeting of the Monetary Policy Council held on 8-9 January 2024

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, although they vary between the largest economies. Incoming data indicate, that growth in economic activity in the euro area, including Germany, was still weak in 2023 Q4. Meanwhile, in the United States the economic conditions remained relatively favourable. Uncertainty about the activity outlook in the largest economies persists.

In the environment of the Polish economy the process of disinflation continues, however in many countries annual price growth remains elevated. Inflation is driven down by the reduction of cost pressures reflected in falling producer prices, and by the weak growth in economic activity. Under such conditions, in many economies core inflation declines, although it is still elevated.

In Poland, incoming data signal that annual economic activity growth increased in 2023 Q4, yet it remained relatively low. Following an earlier increase in October 2023, retail sales and industrial output in November 2023 were lower than a year before. At the same time, construction and assembly production continues to grow. 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, employment in the enterprise sector was lower in November 2023 than at the beginning of 2023.

According to the Statistics Poland flash estimate, annual CPI inflation in December 2023 declined to 6.1% (from 6.6% in November 2023). Considering the Statistics Poland data, it can be estimated that the decrease in inflation in annual terms was driven by a fall in annual price growth of food and non-alcoholic beverages, as well as core inflation. However, an increase in annual price growth of energy had the opposite effect on annual



inflation. In November 2023, producer prices were again considerably lower than a year ago, which confirms the fading of most external supply shocks and a reduction of cost pressures. Together with the relatively low economic activity growth, it is conducive to a decline in inflation. The Council judges that the decrease in inflation is supported by the appreciation of the zloty exchange rate, which is consistent with the fundamentals of the Polish economy.

In the Council's assessment, incoming data indicate that despite the observed economic recovery, demand and cost pressures in the Polish economy remain low, which amidst weakened economic conditions and falling inflation pressure abroad will support a gradual decline in domestic inflation. In the coming months, annual CPI growth is likely to fall significantly, while the decline in core inflation will be slower. At the same time, inflation developments in subsequent quarters are associated with uncertainty, related in particular to the impact of fiscal and regulatory policies on price developments, as well as the pace of economic recovery in Poland. Against this background, 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.

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.