



Warsaw, 6 March 2024

Information from the meeting of the Monetary Policy Council held on 5-6 March 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. In 2023 Q4, the annual GDP growth in the euro area remained close to zero, and in Germany it was again negative. Meanwhile, in the United States, GDP growth stayed relatively robust. Uncertainty about the activity outlook in the largest economies persists.

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

In Poland, a gradual economic recovery continues, albeit annual GDP growth remains relatively low. According to Statistics Poland preliminary estimate, in 2023 Q4 GDP grew by 1.0%. The GDP growth was positively affected by the contribution of net exports and investment. At the same time, the consumption growth declined. Incoming data indicate an increase in economic activity growth in 2024 Q1.

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 in January 2024 was lower than a year ago. At the same time, annual wage growth rose.

According to the Statistics Poland preliminary data, annual CPI inflation in January 2024 declined to 3.9% (from 6.2% in December 2023). The decrease in inflation in annual terms was driven by a fall in all major components of the CPI basket, in particular energy carriers. In January 2024, the fall in producer prices deepened, 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.

The Council became acquainted with the results of the March 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 15 February 2024, there is a 50-percent probability that the annual price growth will be in the range of 2.8 – 4.3% in 2024 (against 3.2 – 6.2% in the November 2023 projection), 2.2 – 5.0% in 2025 (compared to 2.2 – 5.3%) and 1.5 – 4.3% in 2026. At the same time, the annual GDP growth – according to the projection – will be with a 50-percent probability in the range of 2.7 – 4.3% in 2024 (against 1.9 – 3.8% in the November 2023 projection), 3.2 – 5.3% in 2025 (compared to 2.4 – 4.7%) and 2.0 – 4.5% in 2026. In the current round, inflation projection is associated with substantial uncertainty, related in particular to the horizon over which the shielding measures on energy and food prices will apply as well as to their design. Due to the assumption that these measures will continue in their current form over the projection horizon, the balance of risk for inflation is markedly asymmetric. In the case of 2024, the probability that annual price growth will run above the 50-percent confidence interval is 43%, while the probability that it will run below this range is 7%.

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 supports lower domestic inflation. As a result, it is expected that in the coming months annual CPI growth will run at the level consistent with the NBP inflation target. At the same time, the decline in core inflation will be slower and core inflation will remain above CPI inflation.

In subsequent quarters, inflation developments are, however, associated with substantial 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 and labour market conditions. Should higher VAT on food products be restored and energy prices raised, inflation might increase significantly in the second half of 2024. Alongside that, over the medium term demand pressure in the economy will be stimulated by wage growth, stemming i.a. from wage increases in the public sector.



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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 sustainably to the NBP inflation target in the medium term. NBP may intervene in the foreign exchange market.