



Warsaw, 4 April 2024

Information from the meeting of the Monetary Policy Council held on 3-4 April 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 economic conditions in the environment of the Polish economy remain weakened. Incoming data indicate that in the euro area in 2024 Q1, the annual GDP growth continued to be low and in Germany it was probably again negative. Meanwhile, in the United States, the economic conditions stayed favourable. 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 incoming data indicate an increase in economic activity growth in early 2024. In January and February the annual growth rates of retail sales and industrial production were markedly positive. At the same time, the construction and assembly production decreased in annual terms. 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 February 2024 was lower than a year ago. At the same time, the annual wage growth was higher than in the late 2023.

According to the Statistics Poland flash estimate, annual CPI inflation in March 2024 declined to 1.9% (from 2.8% in February 2024). The decrease of inflation in annual terms was driven mainly by a weaker growth in prices of food and non-alcoholic beverages as well as – albeit to a lesser extent – of non-food products and services. In turn, the annual growth of energy prices increased slightly. Considering the Statistics Poland data, it can be estimated that core inflation significantly decreased again in March 2024. In February



2024, the annual fall in producer prices remained deep, which confirms the fading of most external supply shocks and a reduction of cost pressures. Together with the relatively low – although somehow accelerating – economic activity growth, it is conducive to a decline in inflation. The Council judges that the decrease in inflation is supported also 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 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, however, restoring higher VAT on food products will act toward the rise in inflation. This will be accompanied by the gradual decline in core inflation, although core inflation will stay 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 energy prices be 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.

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.