



Warsaw, 9 May 2024

## Information from the meeting of the Monetary Policy Council held on 8-9 May 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. According to the preliminary flash estimates, in the euro area annual GDP growth in 2024 Q1 was low. At the same time, in the United States annual GDP growth in 2024 Q1 was still relatively high. 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 activity. In many economies core inflation also declines, although it is still elevated.

In Poland incoming monthly data suggest an increase in annual GDP growth in 2024 Q1 compared to 2023 Q4. A rise in retail sales indicates higher consumption growth, whereas a fall in industrial production as well as construction and assembly output marks lower investment 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 in March 2024 was lower than a year ago. At the same time, the annual wage growth continues to be high.

According to the Statistics Poland flash estimate, annual CPI inflation in April 2024 was 2.4% (against 2.0% in March 2024). The increase of inflation in annual terms was driven mainly by a stronger growth in prices of food and non-alcoholic beverages, due to a restoration of higher VAT, as well as by higher fuel prices. Considering the Statistics Poland data, it can be estimated that inflation net of food and energy prices decreased again in April 2024. In March 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 – despite some acceleration – economic activity growth, it limits the growth in consumer prices. 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 2024 Q2 annual CPI growth will run at the level consistent with the NBP inflation target. This will be accompanied by lower than in the previous quarters inflation net of food and energy prices, although – due to elevated growth in services prices – it will stay above the CPI inflation.

In subsequent quarters, inflation developments are, however, associated with substantial uncertainty, related i.a. to the impact of fiscal and regulatory policies on price developments, including on inflation expectations, as well as to 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 a marked 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.