



Warsaw, 5 June 2024

Information from the meeting of the Monetary Policy Council held on 4-5 June 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, despite some recent improvement. In 2024 Q1, the annual GDP growth in the euro area was low, while in the United States it remained relatively high. Uncertainty about the activity outlook in the largest economies persists.

Inflation in the major advanced economies – after a marked decline in 2023 – was still running slightly above the central banks inflation targets in recent months. Inflation was driven down by the reduction of cost pressures reflected in low producer price growth, and by the weak activity growth in many economies. At the same time, core inflation remains above headline inflation amid elevated growth in services prices.

In Poland, a gradual economic recovery continues. According to Statistics Poland preliminary estimate, GDP grew by 2.0% y/y in 2024 Q1 (compared to 1.0% y/y in 2023 Q4). The GDP growth was positively affected primarily by a rebound in consumption demand. By contrast, annual investment growth declined markedly. In April 2024, industrial production and retail sales were higher, while construction and assembly output was lower than a year ago.

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 April 2024 was lower than a year ago. At the same time, the wage growth continues to be high.

According to the Statistics Poland flash estimate, annual CPI inflation in May 2024 was 2.5% (against 2.4% in April 2024). In May 2024, annual energy price growth, including



fuels, increased. In turn, annual growth in prices of food and non-alcoholic beverages declined slightly. Considering the Statistics Poland data, it can be estimated that inflation net of food and energy prices decreased again in May 2024. In April 2024, the annual fall in producer prices remained significant, 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 inflation is also curbed 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 lower inflation pressure abroad curbs domestic inflation. As a result, 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 will increase 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.