



Warsaw, 3 July 2024

Information from the meeting of the Monetary Policy Council held on 2-3 July 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 are still weakened, despite some recent improvement. In the first half of 2024, the annual GDP growth in the euro area was probably 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, as indicated by the retail sales growth, while activity in the industry and construction sectors is still weakened. In the labour market unemployment remains low and the number of working persons continues to be high, although employment in the enterprise sector in May 2024 was lower than a year ago. At the same time, the wage growth is still running on the high level.

According to the Statistics Poland flash estimate, annual CPI inflation in June 2024 was 2.6% (against 2.5% in May 2024). In June, annual growth in prices of food and non-alcoholic beverages increased, while annual energy price growth declined. Considering the Statistics Poland data, it can be estimated that inflation net of food and energy prices in June was lower than in the previous month. In May 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.

The Council became acquainted with the results of the July 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 14 June 2024, there is a 50-percent probability that the annual price growth will be in the range of 3.1 – 4.3% in 2024 (against 2.8 – 4.3% in the March 2024 projection), 3.9 – 6.6% in 2025 (compared to 2.2 – 5.0%) and 1.3 – 4.1% in 2026 (compared to 1.5 – 4.3%). At the same time, the annual GDP growth – according to the projection – will be with a 50-percent probability in the range of 2.3 – 3.7% in 2024 (against 2.7 – 4.3% in the March 2024 projection), 2.8 – 4.8% in 2025 (compared to 3.2 – 5.3%) and 1.9 – 4.3% in 2026 (compared to 2.0 – 4.5%).

In the Council's assessment, incoming data indicate that despite the observed economic recovery, demand and cost pressures in the Polish economy remain relatively low, which amidst weakened economic conditions and lower inflation pressure abroad curbs domestic inflation pressure. However, demand pressure in the domestic economy is stimulated by a marked wage growth, stemming i.a. from wage increases in the public sector.

In the coming quarters, the consumer price growth is likely to increase and will be running above the NBP inflation target, which will be driven by the raised energy prices. When the effects of the energy price increase fade – amid the current NBP interest rates level – inflation should return to the medium-term NBP target, although the impact of higher energy prices on the inflation expectations is an uncertainty factor. The inflation developments over the medium term will be also affected by the further fiscal and regulatory policy measures, the pace of economic recovery in Poland and the labour market conditions.

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.



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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.