



Warsaw, 6 November 2024

Information from the meeting of the Monetary Policy Council held on 5-6 November 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. In 2024 Q3, the annual GDP growth in the euro area – despite some acceleration – was moderate, and in Germany negative. Meanwhile, in the United States the annual economic activity growth remained relatively high. Uncertainty about the activity outlook in the largest economies persists.

Inflation in the major advanced economies is running close to the central banks' inflation targets. Inflation is driven down by the reduction of cost pressures reflected in low producer price growth, as well as by the weak activity growth in some economies and a fall in energy prices. At the same time, core inflation is still higher than headline inflation amid elevated growth in services prices.

In Poland incoming data suggest that in 2024 Q3 annual GDP growth could have been somewhat lower than in 2024 Q2. In particular, in September 2024 retail sales as well as industrial production and construction and assembly output were lower than a year ago. In the labour market unemployment remains low and the number of working persons continues to be high, although employment in the enterprise sector in September 2024 was lower than a year ago. At the same time, the wage growth is still running at the high level.

According to the Statistics Poland flash estimate, annual CPI inflation in October 2024 was 5.0% (against 4.9% in September). The rise in inflation since mid-2024 has been mainly a result of increases in administered prices of energy carriers, as well as – albeit to a lesser extent – an increase in annual growth in prices of food and non-alcoholic beverages. Considering the preliminary Statistics Poland data, it can be estimated that in October inflation net of food and energy prices did not visibly change, and in particular that



growth in services prices probably remained elevated. The significant fall in producer prices in annual terms persists.

The Council became acquainted with the results of the November 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 22 October 2024, there is a 50-percent probability that the annual price growth will be in the range of 3.6 – 3.7% in 2024 (against 3.1 – 4.3% in the July 2024 projection), 4.2 – 6.6% in 2025 (compared to 3.9 – 6.6%) and 1.4 – 4.1% in 2026 (compared to 1.3 – 4.1%). 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 – 3.1% in 2024 (against 2.3 – 3.7% in the July 2024 projection), 2.4 – 4.3% in 2025 (compared to 2.8 – 4.8%) and 1.7 – 4.0% in 2026 (compared to 1.9 – 4.3%). In the current round, inflation projection is associated with substantial uncertainty, related to price developments of energy carriers for households, which are to the significant extent determined by regulatory measures. The indicated probability intervals are spanned around the central path of a scenario assuming – in line with the currently applicable legal regulations – the further unfreezing of prices of energy carriers for households at the beginning of 2025. At the same time, the probability of inflation running below the central path in 2025 is higher than the probability of inflation running above it.

In the Council's assessment, inflation is currently significantly boosted by rising energy carriers' prices and by other regulatory factors. The price pressure in the domestic economy is also stimulated by the marked wage growth, stemming i.a. from wage increases in the public sector. At the same time, 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. The earlier appreciation of the zloty exchange rate acts in the same direction.

In the coming quarters inflation will remain elevated, and in the case of a further increase in energy prices at the beginning of 2025, it will rise. When the effects of the energy price increase fade and amidst the expected slower wage growth – under the current NBP interest rates level – inflation should return to the medium-term NBP target, although the impact of higher energy prices on 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.



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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.