



Minutes of the Monetary Policy Council decision-making meeting held on 7 May 2025

During the discussion at the meeting of the Monetary Policy Council it was noted that according to the Eurostat preliminary flash estimate, GDP growth in the euro area stood at 1.2% in annual terms in 2025 Q1 – the same as in 2024 Q4 – while in Germany it declined slightly again. In turn, in the United States economic activity declined in 2025 Q1 – mainly due to the strongly negative contribution of net exports to GDP growth, amid continued consumption and investment growth – which resulted in the annual GDP growth falling to 2.0%. The Council members indicated that recently the International Monetary Fund had revised downwards its economic growth forecasts for the largest economies. In particular, current forecasts for Germany pointed to continued stagnation in 2025, while a more marked economic recovery, supported by the announced fiscal expansion, would be seen starting from 2026. At the same time, it was underlined that in recent years growth forecasts for Germany had repeatedly been revised downwards and that this economy was vulnerable to changes in global trade policy. The Council members noted that the weakening global growth outlook had translated into a marked decline in oil prices.

The Council members highlighted that both in the euro area and the United States inflation was running close to the central banks' inflation targets, while core inflation remained higher than headline inflation in these economies. It was pointed out that in April the European Central Bank had cut interest rates, while the Federal Reserve of the United States had kept interest rates unchanged since December 2024.

While discussing economic activity in Poland, it was noted that recently released data had once again been weaker than expected, although this had been partly due to seasonal and calendar factors. Retail sales had declined in annual terms in March 2025, and in the whole of 2025 Q1 their growth had been significantly slower than in 2024 Q4. Construction and assembly output had also fallen in annual terms in March 2025. In turn, annual industrial output growth was positive, but lower than market expectations. Moreover, industrial output in 2025 Q1 was running at a level similar to that recorded at the turn of 2021-2022. The Council members judged that, taken together, the monthly data for 2025 Q1 signalled that GDP growth in this period had most likely been lower than expected in the March projection and slightly lower than in 2024 Q4.



While discussing the economic outlook, the Council members noted that the growth rate in 2025 would largely depend on the extent, to which EU funds would be used, as it affects investment growth. In this context, certain Council members expressed the opinion that the investment stimulus related to the inflow of EU funds would be weaker than earlier estimated. It was observed that in view of the relatively good labour market situation, the outlook for consumption was still favourable. It was underlined that economic activity growth in the euro area, particularly in Germany, remained a significant uncertainty factor that had a major impact on the Polish industrial sector and exports. The Council members noted that while the acceleration in economic growth in 2025 might be weaker than earlier envisaged, it should still be expected that GDP growth in 2025 would be higher than in 2024.

When referring to the labour market situation, it was pointed out that unemployment remained low and the number of working persons continued to be high, although employment in the enterprise sector was still gradually declining, which should ease wage pressure. It was noted that in March 2025 wage growth in this part of the economy had declined again. It was underlined in particular that wage growth in service enterprises was gradually weakening, which supported the reduction of price pressure in market services and thus supported disinflation. However, the Council members noted that wage growth was still relatively high.

While analysing the situation in the credit market, it was pointed out that in March 2025 annual growth in corporate loans had slowed down somewhat. At the same time, attention was drawn to the acceleration of monthly growth of household loans.

During the discussion on inflation, it was noted that in April 2025 annual consumer price growth had slowed down significantly. The fall in inflation was mainly attributable to the decline in annual growth in prices of food and non-alcoholic beverages (resulting from the ending of the effect of the VAT increase in April 2024) as well as the fall in annual fuel price growth (resulting from the decrease in global oil prices and depreciation of the US dollar). Taking into account Statistics Poland data, it can be estimated that in April 2025 inflation excluding food and energy prices also declined, although service price growth probably remained elevated.

While discussing the outlook for inflation, the Council members emphasised that in line with the latest forecasts, CPI inflation in 2025 might be significantly lower than assumed in the March projection. Certain Council members pointed out that according to the



current forecasts, in 2025 Q3 CPI inflation would be within the tolerance band around the inflation target. It was indicated that also market analysts' forecasts for 2025 had been lowered and some Council members pointed out that economic climate surveys signalled lower growth of producers' own prices. Certain Council members argued, however, that in their opinion inflation expectations of enterprises and households remained elevated.

At the same time, it was emphasised that there persisted uncertainty about the level of energy prices in the second half of 2025. It was pointed out that in line with the current regulations the coming quarters would see an end of the support scheme for energy consumers, which, amid the unchanged energy tariffs, would mean a rise in inflation. Yet, the majority of the Council members pointed out that government officials signalled the possibility of the administered energy prices remaining unchanged, supported by recent developments in energy commodities price quotations in the global markets. However, the Council members indicated that no formal decisions in this matter had been issued yet, which made it difficult to assess the impact of energy prices on inflation processes in the coming quarters.

The Council members pointed out that the expansionary fiscal policy remained a factor fuelling inflation. It was emphasised that in 2024 the public finance sector deficit was higher than forecasted and it proved to be one of the highest among the European Union countries. It was stressed that according to government forecasts, no marked improvement would be seen in 2025, as the deficit, including the structural deficit, was to remain high. Certain Council members expressed hope that 2026 would see fiscal consolidation. However, the Council members pointed out that so far the government had not presented any actions towards this end, and, at the same time, had applied for the so-called national escape clause under the EU fiscal rules which might suggest – in the opinion of some Council members – no intention to significantly lower the deficit in 2026.

Among factors that might hinder further decline in inflation, the Council members noted also the forecasted acceleration in economic growth in 2025. Further developments in the labour market, including wage growth, would be of particular importance. It was also indicated that the subsequent evolution of the geopolitical situation, including the course of the Russian military aggression against Ukraine, was a major uncertainty factor. The Council members emphasised that under these conditions, it was necessary to continue to pursue monetary policy aimed at ensuring a sustainable return of inflation to the NBP inflation target.



The majority of the Council members judged that taking into account the incoming information, including lower current and forecasted inflation, decreasing wage growth and weaker data on economic activity, the adjustment of the level of the NBP interest rates became justified. The Council members pointed out that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity. Developments in demand pressure and situation in the labour market in subsequent quarters, as well as the level of administered energy prices and further fiscal policy measures remain an uncertainty factor. Uncertainty stems also from inflation developments abroad, following, among others, from changes in trade policies of major economies.

A view was expressed that given the elevated inflation, including core inflation, as well as the high wage growth and the present developments in inflation expectations, the current level of NBP interest rates was too low to ensure a sustainable return of inflation to the target in the medium term.

The Council decided to cut the NBP reference rate by 0.5 percentage points, i.e. to 5.25%. At the same time, the Council set the remaining NBP interest rates at the following levels: the lombard rate at 5.75%, the deposit rate at 4.75%, the rediscount rate at 5.30%, and the discount rate at 5.35%.

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