Minutes of the Monetary Policy Council decision-making meeting held on 4 June 2025

During the discussion at the meeting of the Monetary Policy Council, it was noted that according to the Eurostat flash estimate, GDP growth in the euro area stood at 1.2% y/y in 2025 Q1 – the same level as in 2024 Q4. It was noted that the data on economic activity in Germany in 2025 Q1 had been revised slightly upwards and, although annual GDP growth stood at 0.0%, activity grew by 0.4% in quarter-on-quarter terms. German GDP growth in 2025 Q1 was supported by a surge in exports to the USA in anticipation of tariff increases. Forecasts for Germany pointed to continued stagnation throughout 2025, with economic recovery expected in 2026, when the effects of the planned fiscal stimulus appear. In turn, in the United States, economic activity decreased in 2025 Q1 in quarterly terms as a result of a strongly negative contribution of net exports. At the same time, domestic demand continued to grow. Current forecasts indicate that GDP growth in the US will slow down in 2025 but should remain higher than in the euro area.

The Council members highlighted that inflation was close to 2% in both the euro area and the United States. However, core inflation remained elevated. According to available forecasts, in the coming quarters price growth in the euro area may run below 2%, whereas in the United States inflation in the following quarters may increase temporarily due to higher prices of imported goods, yet in the medium term it is expected to return to the Federal Reserve’s target.

It was pointed out that the outlook for global activity and inflation was subject to uncertainty, related, among others, to changes in trade policy. Recently, there have been a certain de-escalation of the trade conflict between China and the United States. Meanwhile, negotiations are underway concerning the shape of the trade relations between the United States and the European Union. It was emphasised that it was difficult to predict the outcome of the negotiations and how changes in trade policy would affect the economic conditions and inflation in Poland’s main trading partners.

The Council members noted that recently the Federal Reserve had again kept interest rates unchanged. Meanwhile, in Central and Eastern Europe, the Czech National Bank cut the policy rate to 3.50%, while the central banks of Hungary and Romania kept the policy rates at 6.50%. Some Council members pointed out that the central bank interest rate adjusted for inflation had been relatively low in Poland compared to those economies of the region.

Narodowy Bank Polski ul. Świętokrzyska 11/21 00-919 Warszawa, Poland phone +48 22 185 28 88 sekretariat.rpp@nbp.pl

While discussing economic activity in Poland, it was noted that GDP had grown by 3.2% y/y in 2025 Q1. It was pointed out that annual GDP growth had been lower than in 2024 Q4, but was still among the highest in the European Union and visibly higher than in other Central and Eastern Europe economies. Some Council members observed that in 2025 Q1 the contribution of net exports to annual GDP growth had again been negative, amid still subdued external demand. It was emphasised that the April data indicated an economic recovery in 2025 Q2. In April, retail sales grew by 7.6% y/y, marking the strongest rise in nearly three years, far surpassing market expectations. Industrial output also increased in April, even though market expectations suggested a fall. During the discussion on Poland's economic growth, certain Council members assessed household propensity to save as still heightened.

While discussing the economic outlook, the Council members noted that according to available forecasts, the average annual GDP growth in 2025 should be higher than in 2024. It was pointed out that according to the European Commission's latest forecast, the GDP growth rate in Poland would be among the highest in the European Union in 2025 and more than three times as high as in the euro area. At the same time, according to the latest OECD forecast, Poland was to grow the fastest in the Central and Eastern Europe region in 2025 and remain in the top tier of all the OECD countries.

During the meeting it was noted that incoming data did not suggest any major shift in the labour market. The findings of the LFS survey for 2025 Q1 point to a decrease in the number of working persons and a slight increase in the unemployment rate. Employment in the enterprise sector in April 2025 was also lower than the year before. In turn, annual wage growth in the national economy stood at 10.0% in 2025 Q1 (compared to 12.4% in 2024 Q4). It was noted that although the slowdown in wage growth in the economy should support disinflation, its current dynamics was not in line with the NBP inflation target. At the same time, it was pointed out that wage growth in the enterprise sector had accelerated to 9.3% in April surpassing market expectations, although certain Council members pointed out that one-off effects might have contributed in part to the higher wage growth in April. Certain Council members judged that wage growth in service companies was exerting upward pressure on prices in this sector.

While analysing the situation in the credit market, it was noted that in April 2025 annual growth in household loans was similar to the previous month's, while growth in corporate loans had accelerated. It was pointed out that data regarding monthly change indicate a revival in lending, in both the household and corporate loan segments.

During the discussion on inflation, it was noted that in May 2025 annual consumer price growth had slowed down. This was due to the continued decline in fuel prices, following a decrease in oil prices in recent weeks and – to a lesser extent – a deceleration in annual growth in services prices, although the latter was still elevated. It was estimated that core inflation was probably also slightly lower than in April. Some Council members underlined that current inflation was lower than earlier forecasts had indicated.

While discussing the outlook for inflation, the Council members emphasised that in June CPI inflation was likely to remain at a level similar to May's. However, despite the planned reinstatement of the capacity charge in electricity bills for households, in July 2025 a significant fall in inflation was forecast, which should be driven by the statistical base effect, coupled with the partial unfreezing of energy prices the previous year and the recently announced cuts in gas tariffs for households beginning from July 2025. It was underlined that according to the current forecasts, inflation might fall to around 3% in 2025 Q3. However, starting from 2025 Q4, inflation might rise again, especially if the administered energy prices were to grow to the level of the current tariffs of the Energy Regulatory Office (URE). In this respect it was noted that so far no formal decisions had been announced regarding the administered electricity prices from 2025 Q4 onwards, making it difficult to assess the impact of energy prices on inflationary processes in subsequent quarters. Some Council members observed that the current global energy commodity prices should be conducive to the dampening of growth in administered electricity prices.

The Council members noted that forecasts pointed to a relative stabilisation of core inflation. It was underlined that if wage growth were to slow down, so should growth in services prices. At the same time, it was observed that forecasts indicated a rise in the annual growth in the prices of non-food goods. Moreover, core inflation was driven up by the still fast growth in the prices of excise goods and administered prices of goods and services (especially water supply and sewage collection).

During the meeting, it was underlined that the expansionary fiscal policy remained a pro-inflationary factor in the domestic economy. In 2024, the general government deficit grew to 6.6% of GDP. At the same time, according to the latest forecasts of the European Commission, the deficit will amount to 6.4% of GDP in 2025 and will be nearly the highest in the European Union again. The government also presented a similar forecast (6.3% of GDP) for this same year. It was pointed out that according to the European Commission's forecasts, fiscal tightening would not occur in 2026 either and the structural deficit would remain high. According to the forecasts, in 2026 the public debt was set to exceed the EU threshold of 60% of GDP for the first time in history. It was pointed out that, although the level of debt was lower than in some other European economies, its fast build-up was a cause of concern in terms of macroeconomic stability, long-term economic growth and inflationary pressure in the long run. At the same time, it was noted that a more comprehensive assessment of the planned fiscal policy stance in 2026 would only be possible once the draft budget act for that year had been presented. At the same time, certain Council members pointed out that inflation could be driven up not only by fast-growing public expenditure on social benefits, but also by increased defence spending, specifically in the part implemented domestically.

Among factors that might hinder a further decline in inflation, the Council members noted also the forecasted acceleration in economic growth in 2025 and the development of wage growth. 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.

Against this background, the Council decided to keep the NBP interest rates unchanged. The Council judged that the current level of the NBP interest rates was conducive to meeting the inflation target in the medium term. 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 fiscal policy stance remain uncertainty factors. Uncertainty also stems from global inflation developments, following, among others, from changes in trade policies of the major economies.

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

The Council decided to keep the NBP interest rates unchanged: the reference rate at 5.25% 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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