Minutes of the Monetary Policy Council decision-making meeting held on 2 July 2025

During the discussion at the meeting of the Monetary Policy Council, it was noted that in 2025 Q2, annual GDP growth in the euro area was probably close to the level recorded in 2025 Q1. Attention was drawn to the slight improvement in sentiment in the German economy, although a revival was yet to be seen in the production data. It was underlined that a significant GDP recovery was expected only in the coming years, due to the planned fiscal expansion. At the same time, incoming data from the United States also signalled that in 2025 Q2 annual GDP growth was probably similar to that recorded in 2025 Q1, although it might have been accompanied by higher volatility of imports, which at the beginning of the year had risen visibly – in expectation of higher tariffs – before recording a likely decline.

The Council members stressed that in the recent period inflation in the euro area had been in line with the European Central Bank target, and in the United States it had been close to the Federal Reserve target, although core inflation in these economies was higher than headline inflation. In this context, it was pointed out that the escalation of tensions in the Middle East in June 2025 had resulted in a temporary increase in global oil prices; however, these prices had then returned to the levels recorded in April and May. Against this background, in June the ECB once again cut interest rates, while the Fed kept interest rates unchanged.

While discussing economic activity in Poland, it was noted that retail sales had grown by 4.4% y/y in May 2025, and although this dynamics was much smaller than in April, when it had been boosted by calendar effects, it was slightly higher than market expectations. In turn, industrial output had risen by 3.9% y/y, and this reading fell short of market expectations. At the same time, construction and assembly output had declined once again in annual terms. The Council members indicated that the PMI had fallen in June 2025. Certain Council members also pointed to the weak indicators for housing construction. Overall – on the basis of available data – it was estimated that annual GDP growth in 2025 Q2 had probably increased somewhat.

While discussing the economic outlook, the Council members observed that according to the July projection, in 2025 GDP growth would accelerate to 3.6%, although the pace and scale of the use of funds from the National Recovery Plan would be a significant risk factor

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for this forecast. According to the projection, in the coming years economic activity growth might slow down slightly. In particular, investment might decrease towards the end of the projection horizon, following its expected robust growth in 2025-2026. Consumption growth was also likely to slow down, however, in view of the expected continued strong growth in real wages, the fall in consumption growth would be moderate. Meanwhile, the contribution of net exports to GDP growth should gradually improve.

During the discussion on the labour market, it was judged that the higher economic activity growth had not yet translated into a recovery in demand for labour – while unemployment had remained very low, employment in the enterprise sector in May 2025 had fallen in both annual terms and in comparison to April, and this fall was observed across most of sectors. It was pointed out that, following a robust growth in April, annual wage growth in the enterprise sector had slowed down to 8.4% in May. It was argued that the latest findings of business surveys suggested a weakening of wage pressure. Some Council members underlined the need to monitor wage growth in the context of inflationary pressure.

While analysing the situation in the credit market, it was noted that recently annual growth in household credits remained stable, while annual growth in corporate loans increased, particularly in the case of investment loans. Certain Council members assessed that the ratio of bank loans for the private sector to GDP in Poland was still low.

During the discussion on inflation, it was noted that in June 2025 annual consumer price growth was running close to the level recorded in May and amounted to 4.1% (compared to 4.0% in May). At the same time, it was observed that looking at the quarterly data, inflation had decreased from 4.9% in 2025 Q1 to 4.1% in 2025 Q2. Some Council members stressed that regulated and administered factors had an upward impact on the CPI, while demand pressure was limited. Moreover, in the opinion of some Council members, cost pressure was also limited, as evidenced by the persistently negative growth of the PPI. In turn, certain Council members judged that a relatively large portion of the consumption basket continued to show elevated price growth.

While discussing the outlook for inflation, the Council members emphasised that the July projection signalled an improvement in the inflation outlook compared to the March projection. According to the July projection, consumer price growth in 2025 Q3 would fall below the upper bound for deviations from the NBP inflation target, while the majority of Council members highlighted that inflation would most likely return to a level consistent with the NBP inflation target as early as in July 2025. At the same time, attention was drawn to many uncertainty factors related to the projection, which concerned, among others, fiscal policy, demand pressure and the labour market situation, global inflation and commodity prices, as well as national administrative decisions and European regulations, including the possible introduction of the ETS2 system.

It was noted, in particular, that according to the projection – assuming an increase in electricity prices to the current tariffs – inflation might rise again in 2025 Q4. However, as a draft law extending the freeze on electricity prices was being processed, this scenario might change. It was estimated that if the draft law was to pass, inflation could remain consistent with the NBP inflation target also in 2025 Q4. At the same time, inflation net of food and energy prices was to remain stable in the coming quarters, due to the high growth in charges for refuse collection, supply of cold water and sewage collection, and the elevated growth in prices of excise goods resulting from the increases of excise tax on tobacco products and their substitutes. However, according to the projection, core inflation should gradually fall in subsequent years, in line with a slowdown in wage growth and limited domestic demand pressure, as well as moderate growth in import prices stemming from low inflation abroad. In the opinion of the Council members, this scenario was supported by heightened propensity of households to save and weak economic conditions in the environment of the Polish economy. Additionally, certain Council members underlined that for most of the projection horizon the domestic output gap was negative.

At the meeting it was stressed that loose fiscal policy continued to be a pro-inflationary factor in the domestic economy, particularly considering no signals of its tightening. In 2024, the general government sector deficit had risen to 6.6% of GDP. At the same time, according to forecasts of the European Commission, in 2025 the deficit would amount to 6.4% of GDP and most likely also in 2026 there would be no fiscal tightening and the structural deficit would remain high. However, certain Council members noted that the space to pursue expansionary fiscal policy might be limited, and so they were expecting some improvement in the fiscal situation in the coming years. These Council members also judged that public expenditure on arms purchases abroad did not increase inflationary pressure in the domestic economy. In turn, other Council members assessed that increased defence spending implemented in Poland could have a pro-inflationary effect.

The Council members noted that according to available forecasts the CPI inflation in the coming months would fall below the upper bound for deviations of the NBP inflation target. Taking this into account, and also in view of an improvement in the medium-term outlook for inflation, in the majority of the Council members' assessment, it became justified to adjust the level of NBP interest rates. At the same time, the Council members underlined that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity. Fiscal policy stance, developments in demand pressure and situation in the labour market in subsequent quarters, as well as the level of administered energy prices, 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 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 cut the NBP reference rate by 0.25 percentage points, i.e. to 5.00%. At the same time, the Council set the remaining NBP interest rates at the following levels: the lombard rate at 5.50%, the deposit rate at 4.50%, the rediscount rate at 5.05%, and the discount rate at 5.10%.

Publication date: 28 August 2025