Minutes of the Monetary Policy Council decision-making meeting held on 3 September 2025

During the discussion at the meeting of the Monetary Policy Council, it was noted that GDP growth in the euro area remained relatively low, including annual GDP growth in Germany at close to zero. However, business and consumer sentiment in Germany had improved, which might be related to the planned fiscal expansion, including increased spending on the army and on infrastructure investments. It was pointed out that in the United States, following a decline in activity at the beginning of the year, GDP growth had picked up in 2025 Q2, with imports falling sharply after the increase in tariffs. Overall, the situation in the US economy remains relatively sound, but GDP growth in 2025 is forecast to be lower than in 2024.

The Council members pointed out that, according to forecasts, in many economies the risk remained that inflation would stay above central banks targets for several quarters to come. In the United States, PCE inflation stood at 2.6% in July, exceeding the Federal Reserve's inflation target. At the same time, according to forecasts, inflation in Central and Eastern European countries, particularly Romania and Hungary, will remain above central banks targets in the coming quarters.

During the meeting, it was pointed out that the European Central Bank had recently ceased to cut interest rates. At the same time, the US Federal Reserve had kept interest rates unchanged. Also, central banks in Central and Eastern Europe had recently kept interest rates on hold.

While discussing economic activity in Poland, it was observed that compared to other European countries, including in Central and Eastern Europe, the pace of domestic economic growth was relatively high. In 2025 Q2, annual GDP growth accelerated to 3.4%. It was pointed out that higher GDP growth was mainly driven by faster consumption growth, which was an inflationary factor. On the other hand, investment unexpectedly declined in annual terms, despite an improvement in corporate investment. Certain Council members pointed out that, in surveys, companies continued to point to weak demand and high uncertainty, among other things, as barriers to growth. These members also pointed out that, companies' profitability indicators had recently declined, while other Council members considered the scale of the decline to be insignificant. It was emphasised that in July 2025, annual growth rates in retail sales, industrial production,

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and construction and assembly production were positive. Retail sales growth accelerated to 4.8% and exceeded market forecasts, underpinned by rising demand for durable goods and cars. Industrial production also accelerated more markedly than market expectations. Certain Council members pointed out that in August 2025, despite some improvement, the manufacturing PMI index remained below the 50-point mark. It was pointed out that according to the July projection, economic growth in 2025 would be higher than in 2024. However, certain Council members assessed that GDP growth in 2025 and 2026 might be lower than indicated in the July projection.

During the discussion on the labour market, it was emphasised that the data still did not indicate any significant change in labour demand. There was a marked increase in the registered unemployment rate in June and July, however regulatory changes probably contributed to this. Meanwhile, employment in the enterprise sector continued to decline in annual terms, and in July it also declined compared to June. By contrast, according to LFS data, the number of working persons in industry and services in 2025 Q2 had increased slightly. It was noted that incoming data indicated a gradual slowdown in wage growth, although annual wage growth in the national economy remained elevated in 2025 Q2 (at 8.8%). At the same time, monthly data pointed to a gradual slowdown in wage growth in the enterprise sector. It was observed that real annual wage growth in the economy had remained close to 5% in 2025 Q2.

While discussing the situation in the credit market, it was pointed out that annual growth in household loans, including PLN-denominated housing and consumer loans, had increased slightly in July, indicating some recovery in this area. July also saw a further acceleration in corporate lending.

During the discussion on inflation, it was noted that annual growth of consumer prices had slowed down in August and was running between the midpoint of the NBP target and the upper limit of the tolerance band for deviations from that target. This was preceded by a marked decline in inflation, from 4.1% in June to 3.1% in July 2025 due to base effects related to the partial unfreezing of energy prices in July 2024 and the adoption of lower natural gas sales tariffs. Base effects also contributed significantly to the decline in inflation in August 2025, this time in service prices, although the lower CPI reading was also driven by slower growth in goods prices overall. It was noted that despite the fall, service price growth was still at an elevated level. It was estimated that core inflation had probably declined in August 2025. Certain Council members judged that recent trends in inflation expectations had been relatively favourable.

While discussing the outlook for inflation, the Council members emphasised that according to forecasts, CPI inflation would remain close to 3% in September 2025. Inflation developments in 2025 Q4 would largely depend on the level of regulated electricity prices. Forecasts indicated that should electricity prices be unfrozen to the level of the existing tariffs, inflation in October 2025 might exceed 3.5%. Some Council members judged that it was likely that the freeze on electricity prices would be extended into 2025 Q4. Meanwhile, according to forecasts core inflation was to remain at close to 3% in the coming quarters. Some Council members emphasized that in line with the July projection, inflation would run below the current NBP reference rate in the coming quarters. Certain Council members mentioned the relatively low level of global energy commodity prices, including oil, and the low industrial producer price growth among factors potentially conducive to low inflation.

The Council members observed that risks to low inflation persisted in the short and medium term. There was uncertainty about the level of regulated electricity prices – both in 2025 Q4 and subsequent quarters – as well as the impact of other administrative decisions on inflation developments, including gas distribution tariffs, heat tariffs and charges for waste disposal and water supply. At the same time, it was noted that the government had also hinted at the possibility of introducing higher excise tax on alcohol or a significant increase in the sugar levy, yet certain Council members judged that the likelihood of these increases being implemented was limited. It was emphasized that, in the longer term, inflation might be driven up by increased costs associated with emissions from road transport and buildings (under the so-called ETS 2). Among the uncertainty factors, the Council members also mentioned the situation on global financial markets and the developments in commodity prices.

At the meeting it was underlined that fiscal policy was a highly pro-inflationary factor in the Polish economy. In 2024, the general government deficit had risen to 6.6% of GDP (from 5.3% of GDP in 2023). In the 2026 Draft Budget Act, the government assumed that in 2025 the deficit would rise again, to 6.9% of GDP, which suggests a further easing of fiscal policy. It was noted that such a high deficit reading had last been seen in 2020, when Poland’s GDP shrank due to the COVID-19 pandemic and anti-crisis measures were necessary to take. By contrast, GDP growth is currently solid, so the economy does not need significant fiscal support. At the same time, the government has revised the debt forecast upwards again, indicating that public debt will exceed 60% of GDP in 2025, to reach almost 67% of GDP in 2026. This would be the fastest growth of this measure in

Poland's recent history. At this point, it was underscored that the surge in debt in recent years was only to a small extent related to higher military spending. Consequently, the Council members assessed that the fiscal situation was a factor of considerable risk to future inflation growth, thus limiting the space for interest rate cuts. Some Council members pointed out that the 2026 Draft Budget Act was preliminary in its nature and may be subject to change.

Considering the inflation developments, in the majority of Council members' assessment, it became justified to adjust the level of NBP interest rates. At the same time, the Council members emphasised that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity. Fiscal policy, consumer demand recovery and elevated wage growth remain the risk factors for low inflation. Uncertainty stems also from the level of administered prices of energy carriers and inflation developments abroad, following, among others, from changes in the trade policies of major economies.

At the same time, a view was expressed that the current level of the NBP interest rates was too low.

The Council decided to cut the NBP reference rate by 0.25 percentage points, i.e. to 4.75%. At the same time, the Council set the remaining NBP interest rates at the following levels: the lombard rate at 5.25%, the deposit rate at 4.25%, the rediscount rate at 4.80%, and the discount rate at 4.85%.

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