NARODOWY BANK POLSKI

Monetary Policy Council

March 2025

Inflation Report

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Warsaw, 2025

The *Inflation Report* presents the Monetary Policy Council's assessment of macroeconomic developments influencing inflation. The projection of inflation and GDP presented in Chapter 4 has been prepared at the Economic Analysis and Research Department of Narodowy Bank Polski (NBP). In terms of the contents, works on the projection have been supervised by Director of the Economic Analysis and Research Department. The projection has been prepared with the use of the NECMOD macroeconomic model. The NBP Management Board has approved the submission of the projection to the Monetary Policy Council. The projection of inflation and GDP is one of the inputs to the Monetary Policy Council's decision-making process.

The time frame of the analysis presented in the *Report* is conditioned by the availability of macroeconomic data, while its periodisation (breakdown into sub-periods) is conditioned by the development of particular variables. Chapters 1 and 2 of the *Report* include data available until 27 February 2025, similarly the projection of inflation and GDP presented in Chapter 4 has been prepared taking into account data available until 27 February 2025.

This *Inflation Report* is a translation of NBP *Raport o inflacji* in Polish. In case of discrepancies, the original prevails.

Contents

Summary

In the second half of 2024, annual GDP growth in the euro area – despite some acceleration – remained subdued. In particular, in Germany GDP declined slightly. Economic conditions were also weakened in the Central and Eastern European economies. At the same time, in the United States, GDP grew at a rate close to its long-term average. Alongside that, activity growth in industry in the major advanced economies – particularly in the euro area – remains low and significantly weaker than in the services sector. Global economic conditions continue to be adversely affected by the effects of the earlier tightening in financial conditions and the supply shocks of the previous years. Meanwhile, good situation in the labour markets and growth in real wages support higher economic activity.

In the recent period, inflation in the immediate environment of the Polish economy and in the United States has risen. At the same time, inflationary pressure in China remained low. Core inflation in many countries stayed higher than headline inflation, with services price growth remaining at elevated levels. Meanwhile, industrial goods price growth continued to be weak owing to subdued demand and limited non-wage cost pressure, as reflected in low annual growth of industrial producer prices.

In February 2025, the prices of most energy and agricultural commodities were higher than a year earlier. Alongside that, prices in both commodity groups were running above their pre-COVID averages, driven by continued supply constraints in some markets, including those related to Russia's military aggression against Ukraine, and geopolitical tensions in the Middle East.

In recent months, most central banks in advanced economies have reduced interest rates or kept them unchanged after earlier cuts. Yields on government bonds in advanced economies increased, while in emerging market economies remained at levels similar to those in October 2024. At the same time, the US dollar exchange rate strengthened against many currencies.

Since the previous *Inflation Report*, CPI inflation has risen and, according to preliminary data by Statistics Poland (GUS), stood at 5.3% y/y in January 2025, notably exceeding the NBP inflation target. In recent months, annual energy price growth was particularly high, mainly due to the rise in electricity and natural gas prices as a result of their partial unfreezing as of July 2024, as well as due to the increase in distribution tariffs for natural gas since January 2025. At the same time, inflation excluding food and energy prices remained elevated, primarily owing to high services price inflation amid rapidly rising wages. Increasing, in year-on-year terms, prices of food and non-alcoholic beverages have also made a significant contribution to annual growth in consumer prices in recent months, among others as a result of the reinstatement of the 5% VAT rate on staple food products since April 2024. Alongside that, non-food goods price inflation stayed low, backed by weak non-wage cost pressure, as reflected in the still negative annual growth in industrial producer prices.

According to the preliminary estimate by Statistics Poland, GDP in Poland rose by 2.9% in 2024, compared to 0.1% in 2023. The increase in economic activity growth was driven, to the largest extent, by a recovery in private consumption (a rise of 3.1% compared to a decline of 0.3% in 2023) and a rebuilding of

inventories. Changes in consumption growth and the contribution of inventories had a particularly strong impact on the pace of GDP growth in the second half of 2024, when – following a slowdown in Q3 (to 2.7% y/y) – it picked up to 3.2% y/y in 2024 Q4.

In the first three quarters of 2024, the general government deficit in ESA2010 terms amounted to PLN 121.2 billion (3.4% of GDP), against a deficit of PLN 81.3 billion (2.4% of GDP) in the corresponding period of 2023. The increase in the deficit was primarily the effect of high pace of growth in public expenditure in many categories. The steepest rise was observed in compensation of employees due to increases in the salaries of teachers and employees of the state budget sector, as well as higher expenditure on social transfers in cash.

The financial situation of the non-financial enterprise sector in 2024 Q3 deteriorated and growth in the aggregate gross financial result decreased. It was related to the deterioration in the result on other operating activity, mainly driven by losses from the revaluation of non-financial assets. At the same time, although the result from the sales of products, goods and materials declined again in year-on-year terms, the rate of decline was smaller. Despite a lower profitability of the enterprise sector, its liquidity in most sections of the economy stayed high.

The situation in the labour market was good in the recent period. The unemployment rate remained low and the number of working persons was high, although some indicators pointed to a decline in employment. At the same time, annual wage growth in the second half of 2024 remained high, yet decreased slightly compared to the first half of 2024.

In recent months, the prices of financial instruments in Poland have been affected by sentiment in the international financial markets shaped by, among others, market expectations regarding the interest rates of the major central banks and uncertainty about potential changes in global trade policy. Yields on Polish government bonds – similarly to bond yields in the major advanced economies – have risen. Meanwhile, the zloty exchange rate has strengthened against the euro. Alongside that, despite the appreciation of the US dollar in global markets, the zloty exchange rate against the US dollar remained at a similar level as a year earlier.

Growth of the M3 aggregate in 2024 Q4 accelerated to 8.7% y/y (compared to 8.2% y/y in 2024 Q3). Alongside that, the annual pace of growth in household loans declined, while in corporate loans it increased.

The current account balance and other external imbalance indicators evidence that the Polish economy is well balanced, although in 2024 Q4 the current account balance decreased again. This was mainly due to a further widening of the deficit on trade in goods. Alongside that, the balance of services was unchanged, while there was a slight narrowing in the deficit on the primary income account.

The *Report* is structured as follows: Chapter 1 presents the analysis of economic conditions in the external environment of the Polish economy in terms of their impact on inflation developments in Poland. These developments and the domestic factors that might affect them are described in Chapter 2. Chapter 3 includes *Minutes of the Monetary Policy Council decision-making meetings* held between November 2024 and January 2025, together with the *Information from the meetings of the Monetary Policy Council* in February and March 2025. Chapter 5 presents the Monetary Policy Council voting records from the meetings held between October 2024 and January 2025.

Chapter 4 of the *Report* presents the projection for inflation and GDP based on the NECMOD model, which is one of the inputs into the Council's decision-making process on the NBP interest rates. In line with the projection, prepared under the assumption of unchanged NBP interest rates and taking into account data available until 27 February 2025, there is a 50-percent probability that the annual price growth will be in the range of 4.1 – 5.7% in 2025 (against 4.2 – 6.6% in the November 2024 projection), 2.0 – 4.8% in 2026 (compared to 1.4 – 4.1%) and 1.1 – 3.9% in 2027. At the same time, the annual GDP growth – according to the projection – will be with a 50-percent probability in the range of 2.9 – 4.6% in 2025 (against 2.4 – 4.3% in the November 2024 projection), 1.9 – 4.0% in 2026 (compared to 1.7 – 4.0%) and 1.1 – 3.5% in 2027.

1. External developments

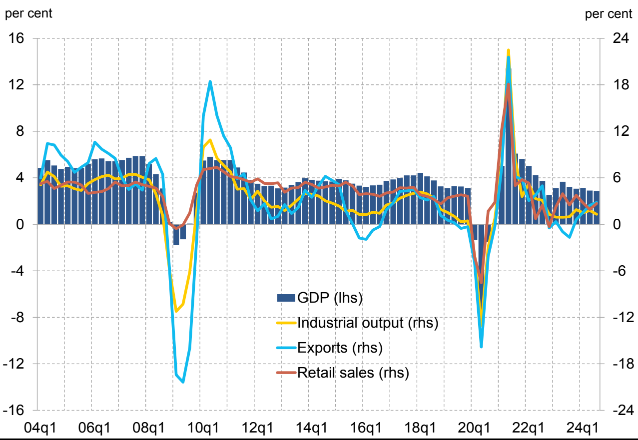
1.1 Economic activity abroad

In the second half of 2024, annual GDP growth in the euro area – despite some acceleration – remained subdued. In particular, in Germany – Poland's main trading partner – GDP declined slightly. Economic conditions were also weakened in the Central and Eastern European economies. At the same time, in the United States, GDP grew at a rate close to its long-term average. Alongside that, activity growth in industry in the major advanced economies – particularly in the euro area – remains low and significantly weaker than in the service sector.

Global economic conditions continue to be adversely affected by the effects of the earlier tightening in financial conditions and the supply shocks of the previous years. Meanwhile, good situation in the labour markets and growth in real wages support higher economic activity. This is accompanied by a gradual recovery in global goods exports (Figure 1.1).[1] However, a risk factor for global trade continues to be its further fragmentation, stemming from, among others, rising geopolitical tensions and possible changes in global trade policy.

In the euro area, GDP growth stood at 0.9% y/y in both 2024 Q3 and Q4 (compared to 0.5% y/y in

Figure 1.1 Global GDP growth and economic activity indicators (y/y)

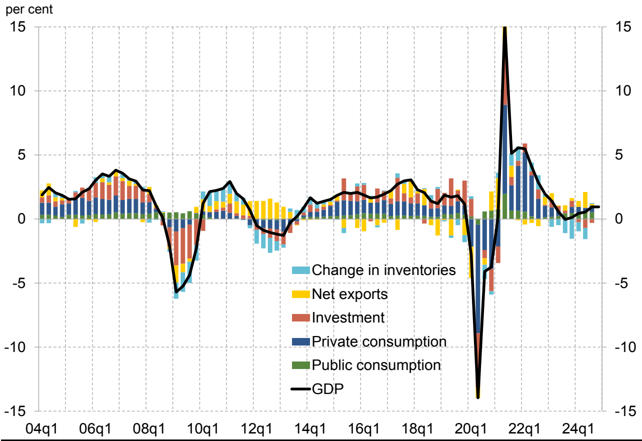


Source: LSEG Datastream, Centraal Planbureau, OECD, Eurostat, IMF and national statistical offices data, NBP calculations.
The growth in GDP, industrial output and retail sales are calculated using weights based on GDP expressed in purchasing power parity (PPP). The sample consists of 58 economies comprising over 80% of global GDP expressed in PPP. Growth in global exports according to Centraal Planbureau. Due to limited availability of data from some countries, the sets of economies used for calculating each time series differ slightly.

[1] In 2024, the United States, Canada and the European Union announced significant increases in tariffs on goods imported from China, which China responded to with retaliatory measures. Moreover, both the advanced economies and China are involved in a series of proceedings against each other concerning dumping and subsidising local producers. At the beginning of 2025, the United States announced increases in tariffs on goods imported from some economies, but as of the cut-off date for the current edition of the *Report*, some of them have not taken effect.

2024 Q2; Figure 1.2).[2] GDP growth in the second half of 2024 varied significantly across euro area countries – in particular, it was at -0.2% in Germany, while at 0.9% in France, 0.5% in Italy, and 3.5% in Spain. The strongest drivers of GDP growth in the euro area in 2024 Q3 were public and private consumption and, to a lesser extent, net exports and growth in inventories. Investment again had a curbing effect on GDP – investment expenditure on housing as well as machinery and equipment declined. The labour market situation in the euro area remained good, with the unemployment rate at a historically low level of 6.3% in 2024 Q4.

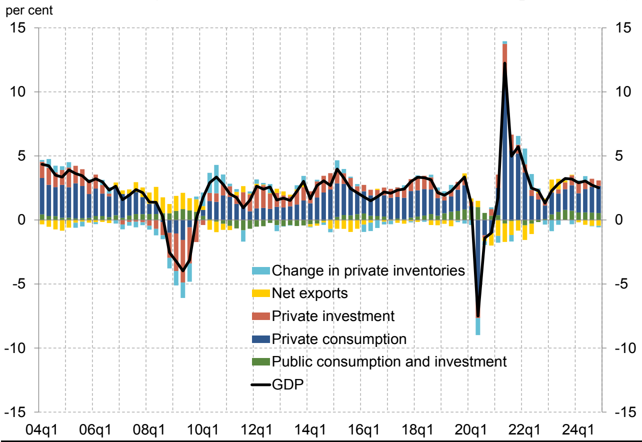
Figure 1.2 GDP growth in the euro area and its components (y/y)



Source: Eurostat data, NBP calculations.

In the United States, annual GDP growth amounted to 2.7% y/y in 2024 Q3, and 2.5% y/y in 2024 Q4 (compared to 3.0% y/y in 2024 Q2; Figure 1.3).[3] GDP growth in the second half of 2024 was supported by a rise in domestic demand, especially private consumption. This was backed by favourable labour market conditions: nonfarm payroll employment grew at a relatively fast pace, while the unemployment rate did not change significantly and stood at 4.1% in December 2024.[4] At the same time, nominal wage growth remained relatively high.

Figure 1.3 GDP growth in the United States and its components (y/y)



Source: Bureau of Economic Analysis data, NBP calculations.

In China, GDP growth rose to 5.4% y/y in 2024 Q4 (from 4.6% y/y in 2024 Q3 and 4.7% y/y in 2024 Q2).[5] Economic conditions in industry continued to be favourable, accompanied by strong export growth. Alongside that, household demand remained subdued amid pessimistic consumer sentiment. Activity growth was constrained by a downturn in the real estate market, despite some signs of improvement in the situation in this market.

[2] For 2024 Q4 – preliminary data. In quarterly terms, GDP growth in the euro area temporarily picked up in 2024 Q3 to reach 0.4% q/q (compared to 0.2% q/q in 2024 Q2), supported by the effect of the Olympic Games in Paris. In 2024 Q4, GDP growth in the euro area slowed down to 0.1% q/q.

[3] In quarterly terms, GDP in the United States grew by 2.3% q/q saar in 2024 Q4 compared to growth of 3.1% q/q saar in 2024 Q3 and 3.0% q/q saar in 2024 Q2.

[4] In January 2025, the unemployment rate in the United States was 4.0%.

[5] In quarterly terms, GDP in China grew by 1.3% in 2024 Q3 and 1.6% in 2024 Q4 (compared to 0.9% in 2024 Q2).

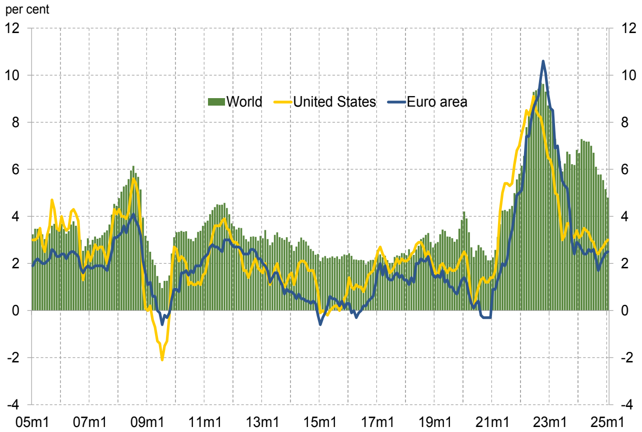
In the second half of 2024, activity growth in the Central and Eastern European economies outside the euro area[6] was low. In 2024 Q3, GDP in the Czech Republic grew by 1.4% y/y, whereas in Hungary and Romania it contracted by 0.7% y/y and 0.1% y/y, respectively.[7] In 2024 Q4, annual GDP growth increased to 1.6% in the Czech Republic, to 0.2% in Hungary and 0.7% in Romania.[8] According to data on the structure of growth in 2024 Q3, private consumption – amid low unemployment and elevated wage growth – was the main driver of GDP growth in all three economies.[9] GDP growth in the CEE region continued to be curbed by low investment growth due to, among others, a temporary fall in absorption of the EU Cohesion Policy funds.

1.2 Inflation developments abroad

Since the previous *Inflation Report*, inflation in the immediate environment of the Polish economy and in the United States has risen (Figure 1.4). At the same time, inflationary pressure in China remained low.[10] Core inflation in many countries stayed higher than headline inflation, with services price growth remaining at elevated levels (Figure 1.5). Meanwhile, industrial goods price growth continued to be weak owing to subdued demand and limited non-wage cost pressure, as reflected in low annual growth of industrial producer prices (Figure 1.6).

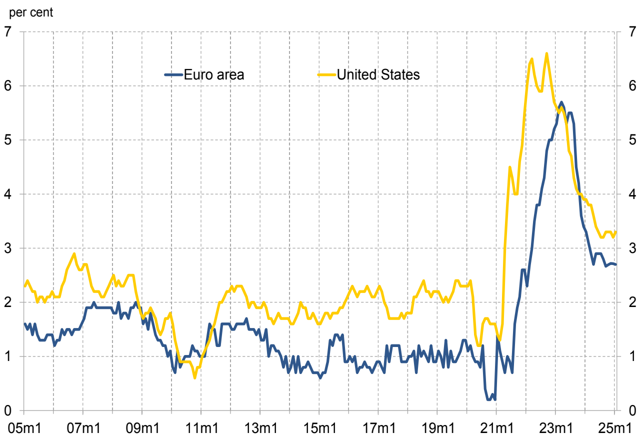
In the euro area, HICP inflation stood at 2.5% y/y in January 2025 (compared to 1.7% y/y in September 2024). The rise in inflation in recent months was due to higher growth in energy prices (1.9% y/y in January 2025 compared to -6.1% y/y in September 2024). Food price inflation accelerated temporarily, but in January 2025 it was

Figure 1.4 Consumer price inflation globally and in selected economies (y/y)



Source: LSEG Datastream and IMF data, NBP calculations.
World – average consumer price inflation weighted by GDP in purchasing power parity (PPP). Since 2019, the combined contribution of the included economies to global GDP (in PPP) is approximately 90%, according to IMF estimates. Estimates up to 2018, due to limited data availability, are based on a different set of economies, covering approximately 85% of global GDP. United States – annual CPI inflation. Euro area – annual HICP inflation.

Figure 1.5 Core inflation in the United States and the euro area (y/y)



Source: Eurostat and Bureau of Labor Statistics data.
For the United States – CPI inflation excluding food and energy prices. For the euro area – HICP inflation excluding energy, food, alcohol and tobacco.

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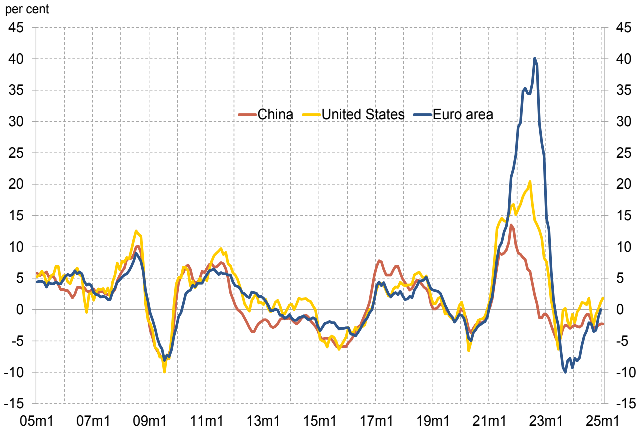
[6] The analysed group of countries includes the Czech Republic, Hungary and Romania.
[7] In quarterly terms, GDP growth in 2024 Q3 was at 0.5% in the Czech Republic, -0.6% in Hungary and 0.1% in Romania.
[8] In quarterly terms, GDP growth in 2024 Q4 was at 0.5% in the Czech Republic and Hungary and 0.8% in Romania.
[9] In the Czech Republic GDP growth was also supported significantly by public consumption and net exports, while in Hungary and Romania the contribution of foreign trade to GDP growth was negative.
[10] A fall in inflation in some emerging market and developing economies (particularly Argentina, Turkey, India and Nigeria) has contributed to a fall in average global growth in consumer prices.

running close to the level seen in September (2.3% y/y). At the same time, core inflation has remained unchanged since September 2024 (2.7% y/y), with continued elevated growth in services prices (3.9% y/y in January 2025).

In the United States, CPI inflation amounted to 3.0% y/y in January 2025 (compared to 2.4% y/y in September 2024), which – like in the euro area – was mainly the result of faster growth in energy prices in this period.[11] CPI core inflation stood at 3.3% in January 2025 (similarly as in September 2024). Meanwhile, growth in services prices slowed compared to September 2024, although it remained elevated, whereas growth in goods prices increased.[12]

In the Central and Eastern European economies outside the euro area, HICP inflation has also risen since September 2024. In January 2025, HICP inflation amounted to 2.9% y/y in the Czech Republic (compared to 2.8% y/y in September), 5.7% y/y in Hungary (against 3.0% y/y in September), and 5.3% y/y in Romania (against 4.8% y/y in September; Figure 1.7). The higher price dynamics were driven by faster growth in energy prices (in Hungary and Romania) as well as in food prices (in the Czech Republic and Hungary).[13] HICP core inflation also remained elevated, and in January 2025 it stood at 3.3% y/y in the Czech Republic, 5.6% y/y in Hungary and 5.9% y/y in Romania, although in the Czech Republic and Romania it decreased relative to September 2024. In particular, growth in services prices remained high (amid fast wage growth), as did growth in industrial goods prices in Romania.

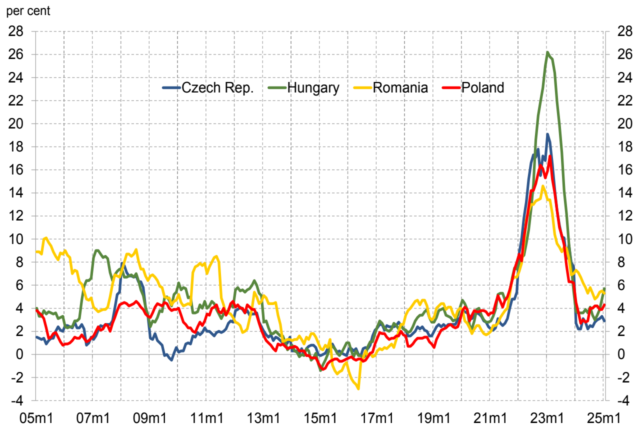
Figure 1.6 Producer price inflation in selected economies (y/y)



Source: Eurostat, Bureau of Labor Statistics and LSEG Datastream data.

For the United States – producer price growth in manufacturing industry, for the euro area and China – producer price growth in industry.

Figure 1.7 Harmonised indices of consumer price inflation (HICP) in selected economies of the Central and Eastern European region (y/y)



Source: Eurostat data.

[11] In turn, PCE inflation – which the Federal Reserve's inflation target refers to – was lower than CPI inflation and stood at 2.6% y/y in December 2024 against 2.1% y/y in September 2024.

[12] In January 2025, growth in services prices amounted to 4.3% y/y (compared to 4.7% y/y in September 2024), whereas growth in goods prices amounted to -0.1% y/y (against -1.0% y/y).

[13] CPI inflation also rose in January 2025 to amount to 2.8% y/y in the Czech Republic (compared to 2.6% y/y in September), 5.5% y/y in Hungary (compared to 3.0% y/y), and 5.0% y/y in Romania (compared to 4.6% y/y).

1.3 Global commodity markets

In February 2025, the prices of most energy and agricultural commodities[14] were higher than a year earlier. At the same time, prices in both commodity groups were running above their pre-COVID averages,[15] driven by continued supply constraints in some markets, including those related to Russia's military aggression against Ukraine and geopolitical tensions in the Middle East.

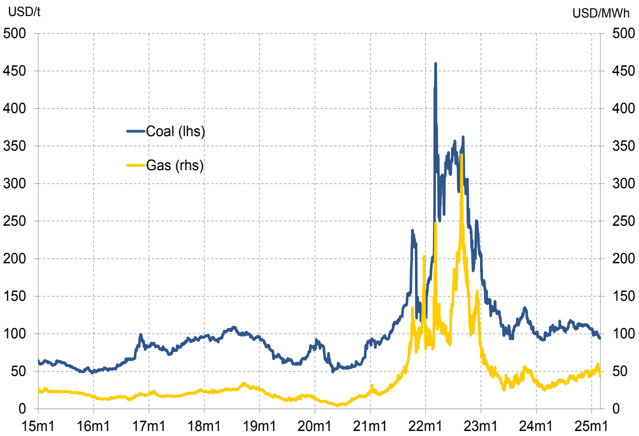
The average price of Brent oil in February 2025 stood close to the level of October 2024, and was 8% lower than a year before (Figure 1.8). The decline in oil prices was driven by weak demand for fuels (due to slower than the long-term growth of the global economy) and increased oil production in non-OPEC+ countries. Factors acting in the opposite direction included geopolitical tensions in the Middle East and the related concerns about the continuity of supplies from the region, as well as China's fiscal measures aimed at stimulating activity growth, and – temporarily – increased demand for heating oil in view of the low temperatures in the northern hemisphere. The fall in oil prices was also curbed by continued application of production caps by OPEC+, the maintenance of sanctions against Russia and the introduction of new restrictions on oil exporters from Russia, including on tankers (the so-called shadow fleet).

In February 2025, natural gas prices were 21% higher than in October 2024 and 91% higher than a year earlier (Figure 1.9). The rise in natural gas prices in recent months was the result of concerns about the supply of this commodity due to the planned suspension of deliveries from Russia to Europe by Ukraine since January 2025 (in connection with the expiry of the gas transit

Figure 1.8 Brent oil barrel price

Source: Bloomberg data.

Figure 1.9 Hard coal and natural gas prices



Source: Bloomberg data, NBP calculations.

Prices refer to the prices of Dutch TTF Natural Gas Futures and Coal FOB Richards Bay Futures one-month-ahead contracts. USD/t – price expressed in US dollar per metric tonne. USD/MWh – price expressed in US dollar per megawatt hour.

[14] Average energy commodity prices and the agricultural price index for February 2025 were calculated using data up to 26 February 2025.
[15] In February 2025, oil, gas and coal prices were running 30%, 168% and 29% higher than the average levels from 2015-2019, respectively, whereas agricultural commodity prices were 41% higher than the corresponding average.

agreement). These fears have risen, particularly due to increased demand for heating amid the seasonal fall in temperature, as well as the occurrence of periodic falls in production from RES as a consequence of low insolation and windiness. Coal prices, in turn, have declined by 13% since October 2024, but were 4% higher than a year ago. The decline in coal prices was attributable to loose supply conditions.

In February 2025, NBP's agricultural price index was close to its level from October 2024 and 4% higher than a year before (Figure 1.10). In recent months, rises were observed mainly in the prices of wheat (as a result of the expected sharp drop in production in the EU in the 2024/2025 season), potatoes (owing to increased demand) and coffee (amid very low stocks and higher consumption). Alongside that, declines were seen primarily in the prices of pork due to the introduction of a ban on imports by several major non-EU importers in response to the spread of animal diseases in Germany.

1.4 Monetary policy abroad

In recent months, most central banks in advanced economies have reduced interest rates or kept them unchanged after earlier cuts (Figure 1.11, Figure 1.12).

The European Central Bank continued interest rate cuts, which began in mid-2024. Meanwhile, in January 2025, the Federal Reserve of the United States (the Fed) kept interest rates unchanged – currently the target range for the fed funds rate stands at 4.25-4.50%. Earlier, between September and December 2024, the Fed cut the target range for the fed funds rate by a total of 1.00 percentage point.

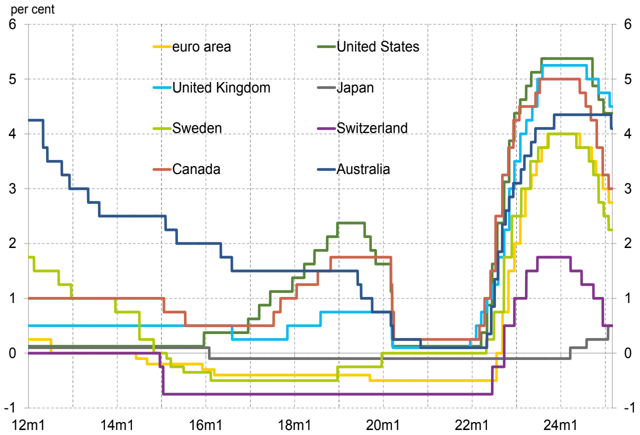
Since the publication of the previous *Report*, many central banks of the remaining advanced economies, including Australia, Canada, New Zealand, Switzerland, Sweden and the United Kingdom, have reduced interest rates. Norges

Figure 1.10 Index of agricultural commodity prices

Source: Bloomberg data, NBP calculations.

Index of agricultural prices includes prices of wheat, colza, pigmeat, potatoes, sugar, cocoa, coffee, skimmed milk powder, butter and frozen concentrated orange juice. The weights reflect the consumption structure of Polish households.

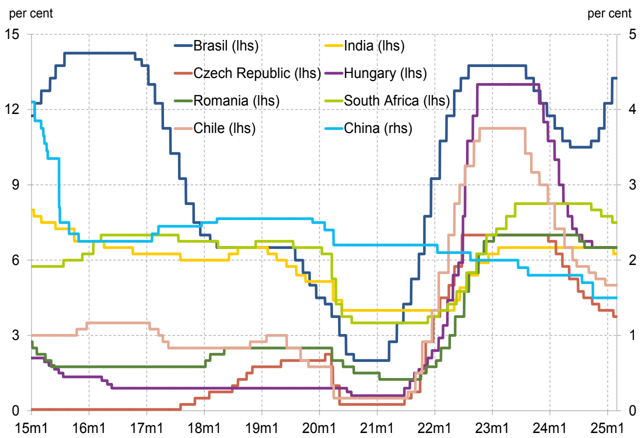
Figure 1.11 Central banks' interest rates in selected advanced economies



Source: Bloomberg data.

Central bank interest rate: for the United States – the midpoint of the fed funds range; for the euro area – the deposit facility; for Japan – the Complementary Deposit Facility; for Switzerland – the policy rate; for the United Kingdom – the Bank Rate; for Sweden – the policy rate; for Canada – the overnight rate target; for Australia – the cash rate target.

Figure 1.12 Central banks' interest rates in selected emerging market economies



Source: Bloomberg data.

Central bank interest rate: for Brasil – Selic Rate; for India – repo rate; for China – 7-day reverse repo; for Czech Republic – 2W repo rate; for Romania – Policy rate; for Hungary – base rate; for South Africa – repo rate; for Chile – monetary policy interest rate.

Bank has instead kept interest rates unchanged, whereas the Bank of Japan has raised them again.

In the Central and Eastern European region, the central banks of Hungary and Romania have kept interest rates unchanged for the last several months, while the Czech National Bank cut interest rates in November 2024 and February 2025.

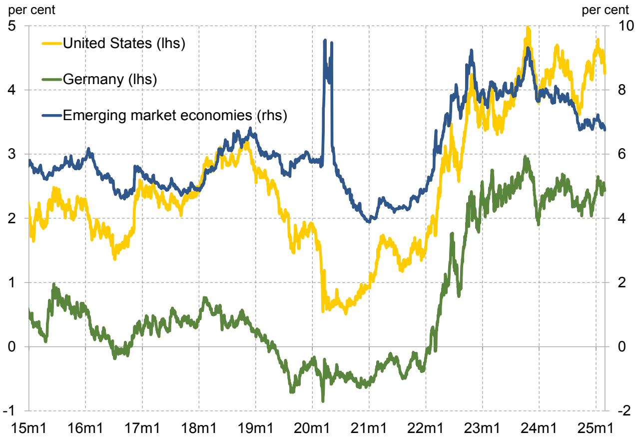
As regards the remaining emerging market economies, some central banks have cut interest rates in the recent period (e.g. in Chile, India, Mexico and Turkey), some have kept them unchanged (e.g. in China and Russia), and some have raised them (e.g. in Brazil).

1.5 International financial markets

In recent months, sentiment in the global financial markets has been adversely affected by uncertainty about potential global trade policy changes, and by the lower expectations for the scale of interest rate cuts in the United States (see Chapter 1.1 *Economic activity abroad*). Alongside that, strong economic conditions in the United States and the gradual easing of monetary policy in many economies have had a positive effect on sentiment (see Chapter 1.4 *Monetary policy abroad*).

In these circumstances, yields on government bonds in advanced economies increased, while in emerging market economies remained at a level similar to October 2024 (Figure 1.13). At the same time, stock market indices in advanced economies rose, approaching their all-time highs, whereas in emerging market economies they fell (Figure 1.14). The US dollar exchange rate, in turn, strengthened against many currencies (Figure 1.15).

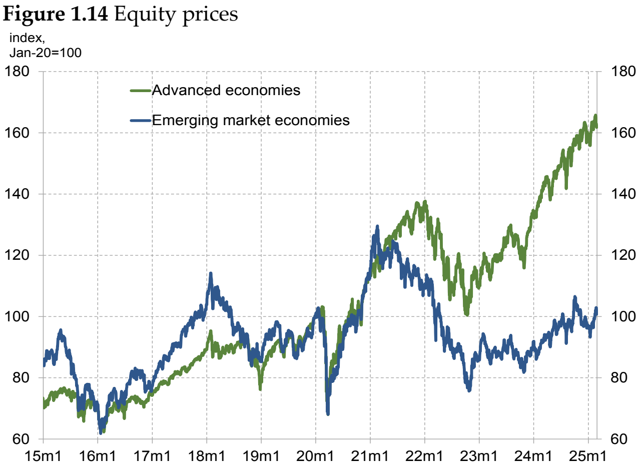
Figure 1.13 Yields on long-term government bonds



Source: Bloomberg data.

For the United States and Germany – 10 year government bond yield; emerging market economies – *Bloomberg Barclays Emerging Markets Sovereigns*.

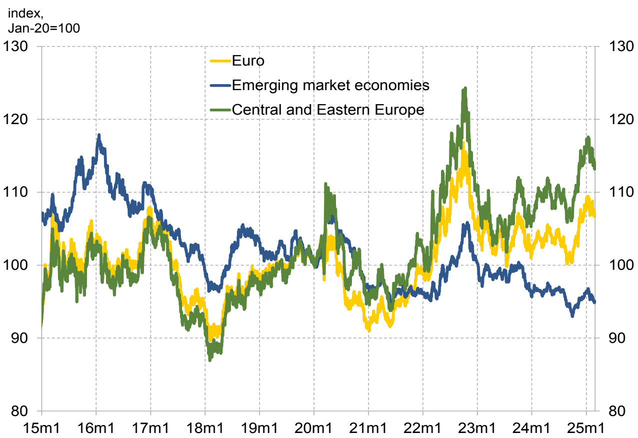
Figure 1.14 Equity prices



Source: Bloomberg data.

Advanced economies – *MSCI World Equity Index*; emerging market economies – *MSCI Emerging Markets Equity Index*.

Figure 1.15 US dollar exchange rates against the euro and the currencies of emerging market economies and the economies of the Central and Eastern Europe (rise indicates appreciation of the dollar)



Source: Bloomberg data, NBP calculations.

Emerging market economies – *MSCI Emerging Market Currency Index*; Central and Eastern Europe – GDP-weighted average of exchange rates of the Czech, Romanian and Hungarian currencies against the US dollar.

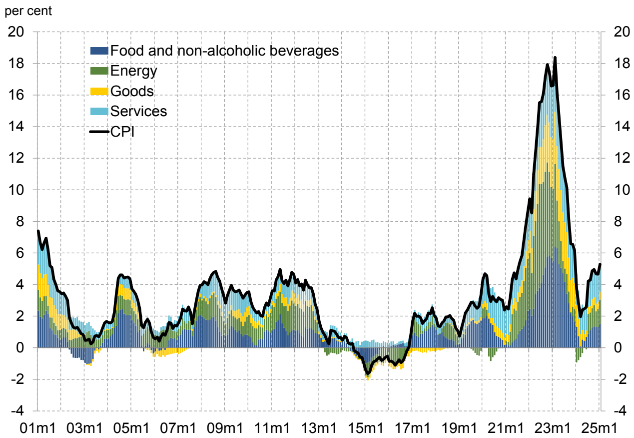
2. Domestic economy

2.1 Inflation developments

Since the previous *Report*, CPI inflation has risen and, according to preliminary data by Statistics Poland (GUS), stood at 5.3% y/y in January 2025 (Figure 2.1), notably exceeding the NBP inflation target. In recent months, annual energy price growth was particularly high (Figure 2.2), mainly due to the rise in electricity and natural gas prices as a result of their partial unfreezing as of July 2024, as well as due to the increase in distribution tariffs for natural gas since January 2025. At the same time, inflation excluding food and energy prices remained elevated, primarily owing to high services price inflation amid rapidly rising wages. Increasing, in year-on-year terms, prices of food and non-alcoholic beverages have also made a significant contribution to annual growth in consumer prices in recent months, among others as a result of the reinstatement of the 5% VAT rate on staple food products since April 2024. Alongside that, non-food goods price inflation stayed low, backed by weak non-wage cost pressure, as reflected in the still negative annual growth in industrial producer prices.

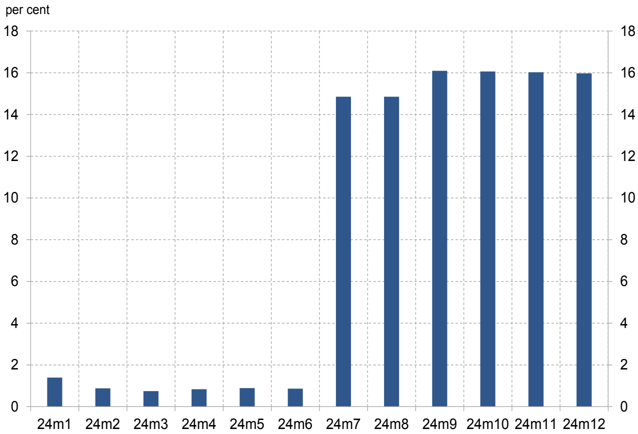
Food and non-alcoholic beverages price inflation rose in January (according to preliminary data by Statistics Poland) to 5.5% y/y (against 4.7% y/y in September 2024). According to available data, throughout 2024 Q4, the strongest increase was observed in annual growth in prices of dairy products (especially in egg prices, owing to lower supply) as well as oils and fats (mainly butter, following a rise in its global prices). Annual growth

Figure 2.1 Composition of CPI inflation (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.
CPI inflation in January 2025 – preliminary data by Statistics Poland.

Figure 2.2 Annual growth in prices of administered energy carriers in 2024



Source: Statistics Poland (GUS) data, NBP calculations.
Administered energy carriers include electricity, natural gas and heating.

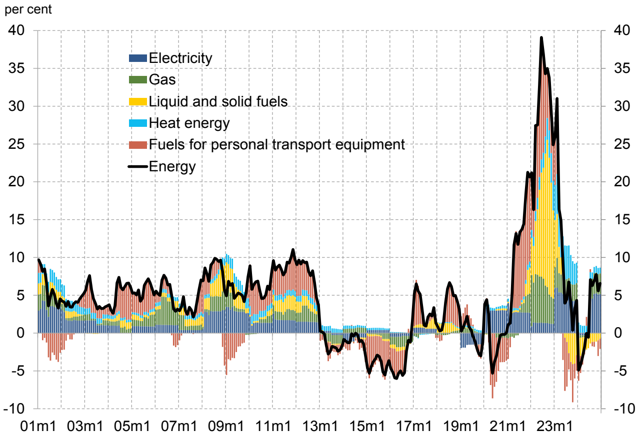
in fruit and vegetable prices, instead, slowed down as a result of negative base effects.

Annual growth in energy prices was high in recent months, mainly due to higher electricity and natural gas prices in the wake of their partial unfreezing since July 2024. In January 2025, growth in energy prices increased again, to 8.8% y/y (according to preliminary data by Statistics Poland), as a consequence of, among others, the approval by the President of the Energy Regulatory Office (URE) of new, higher distribution tariffs for natural gas (Figure 2.3). In the last months of 2024, in turn, changes in overall energy price inflation largely reflected fluctuations in annual growth in prices of fuel for private means of transport, driven primarily by base effects.

Inflation excluding food and energy prices remained elevated and stood at 4.0% in December 2024 (against 4.3% in September 2024; Figure 2.4).[16] In recent months, changes in this measure resulted mainly from factors impacting services prices. In particular, the increase in annual services price inflation to 7.2% in November (from 6.8% in September) was mostly due to higher annual growth in prices of internet and mobile phone services, whereas the fall in annual services price inflation in December to 6.6% was primarily driven by lower annual growth in air fares and a sharp fall in average costs paid by households for childcare (a result of the "Actively in a Nursery"[17] programme).

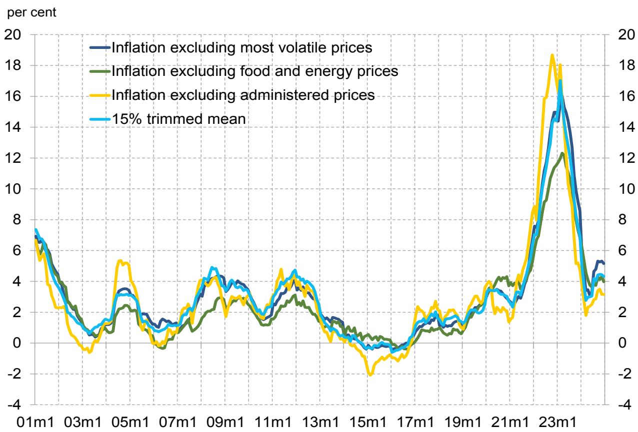
Alongside that, annual growth in prices of non-food products has been relatively stable since October 2024, and in December 2024 it stood at 1.6%. Annual growth in prices of market goods remained low (0.4%). At the same time, annual growth in prices of water supply (13.1%; as a result

Figure 2.3 Energy price growth and its components (y/y)



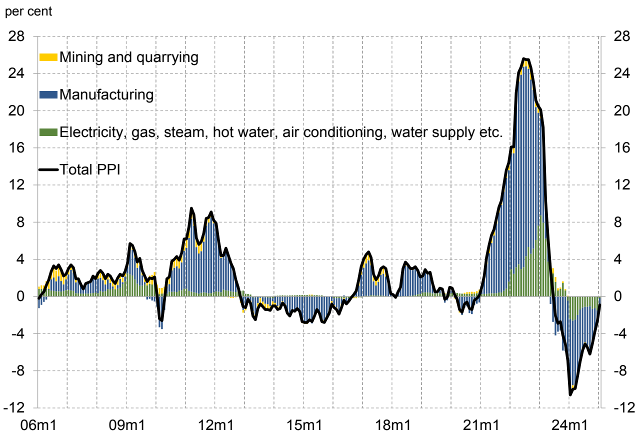
Source: Statistics Poland (GUS) data, NBP calculations.

Figure 2.4 Core inflation indices (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 2.5 Composition of PPI inflation (y/y)



Source: Statistics Poland (GUS) and Eurostat data.

[16] The remaining measures of core inflation declined slightly at the end of 2024. In December 2024, inflation excluding administered prices stood at 3.2% y/y (against 3.4% y/y in September 2024), the 15-percent trimmed mean at 4.3% y/y (against 4.4%), and inflation excluding the most volatile prices at 5.2% y/y (against 5.3%).

[17] Benefits under the "Actively in a Nursery" programme are due from 1 October 2024. The first payments were made in November, with their accumulation in December 2024.

of the approval of new, higher tariffs) and tobacco products (9.2%; on the back of the increase in excise tax on tobacco products in 2024 and persistent cost pressure in this sector) was high.

In the recent period, the fall in PPI has slowed in annual terms (to -0.9% y/y in January 2025 from -6.2% y/y in September 2024; Figure 2.5). Producer price growth increased in the vast majority of industrial branches, although generally prices were still lower than a year earlier. In particular, prices of energy and intermediate goods continued to fall, which had a dampening effect on downstream producer price growth. Alongside that, prices of consumer goods included in the PPI were running at a similar level to that recorded a year earlier.

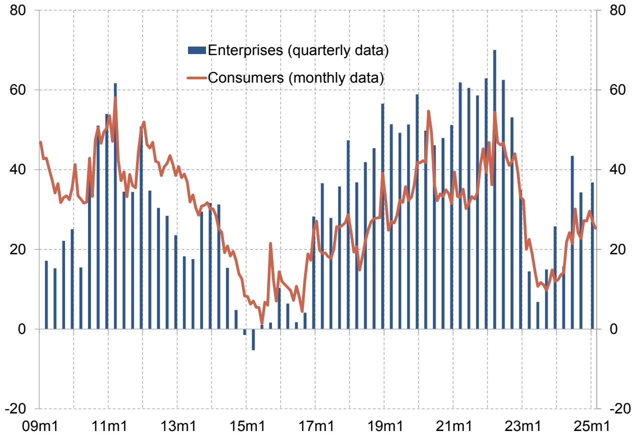
In February 2025, the balance statistic reflecting consumers' survey opinions on future price developments was slightly lower than in October 2024, yet higher than in the first half of 2024 (Figure 2.6). In turn, the balance statistic of enterprises' inflation expectations rose in 2024 Q4, which suggests a shift in their expectations towards higher price growth.

According to the results of the *NBP Survey of Professional Forecasters* from December 2024, inflation forecasts over 4 and 8 quarters remained unchanged from September 2024 (Table 2.1). The results of the Reuters survey from February 2025 point in turn to a slight fall in inflation forecasts by market analysts over these horizons. Participants to both surveys predict a fall in annual average inflation in 2026 compared to 2025 (Figure 2.7). According to the latest forecasts of market analysts, it will reach 2.5% in 2027.

2.2 Demand and output

According to the preliminary estimate by Statistics Poland, GDP in Poland rose by 2.9% in the whole of 2024, compared to 0.1% in 2023. The increase in economic activity growth was driven, to the largest extent, by a recovery in private consumption (a rise of 3.1% compared to a decline of 0.3% in 2023) and

Figure 2.6 Balance statistics of consumer and enterprise inflation expectations



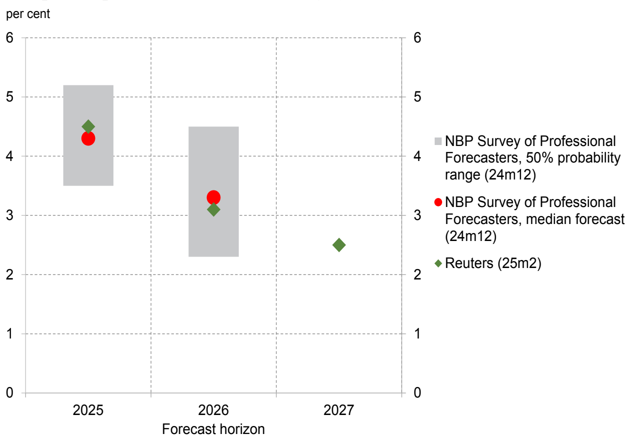
Source: Statistics Poland (GUS) and NBP data, NBP calculations.
Balance statistic is defined as the difference between the percentage of respondents expecting a faster or similar rise in prices as currently seen (or perceived) and the percentage of respondents expecting no change or a fall in prices (with respective weights). Due to the linkage of some survey response options to current inflation, an increase (fall) in balance statistic may be interpreted as a shift in opinions of respondents towards higher (lower) price growth in the absence of changes in current inflation in the opposite direction.

Table 2.1 Inflation expectations by market analysts and participants to the *NBP Survey of Professional Forecasters* (per cent)

	Survey conducted in:				
	24q1	24q2	24q3	24q4	25q1
Reuters Survey, inflation expected in 4 quarters	5.6	5.2	3.7	3.6	3.5
Reuters Survey, inflation expected in 8 quarters	2.9	2.8	2.9	2.8	2.6
NBP Survey, inflation expected in 4 quarters	5.1 (3.6-6.4)	4.5 (3.4-6.1)	3.8 (3.1-4.9)	3.8 (3.1-4.7)	-
NBP Survey, inflation expected in 8 quarters	3.3 (2.3-4.7)	3.0 (1.9-4.5)	3.1 (2.3-4.1)	3.1 (2.3-4.1)	-

Source: NBP and LSEG Datastream data.
The inflation expectations of market analysts surveyed by Reuters agency show the median point forecast in the last month of the quarter, except for 2025 Q1, where the February forecast is given. Inflation expectations of participants to the NBP Survey of Professional Forecasters are measured as the median of the aggregate probability distribution which combines the probabilistic forecasts of the individual experts. In brackets the 50 percent probability ranges (between the 1st and 3rd quartiles) of this distribution (interpreted as the interval of typical scenarios considered by the experts) are shown. The survey takes place in the last month of a given quarter.

Figure 2.7 Forecasts of annual average inflation by market analysts and participants to the *NBP Survey of Professional Forecasters*



Source: NBP and LSEG Datastream data.
The red point represents the median of the aggregate probability distribution, which combines probabilistic forecasts of experts surveyed by NBP, while the grey rectangle shows the 50 percent probability range (between the 1st and 3rd quartile) of this distribution (interpreted as the interval of typical scenarios considered by experts). The green square shows the median of point forecasts of analysts surveyed by Reuters agency. The date of the survey is indicated in the legend of the figure.

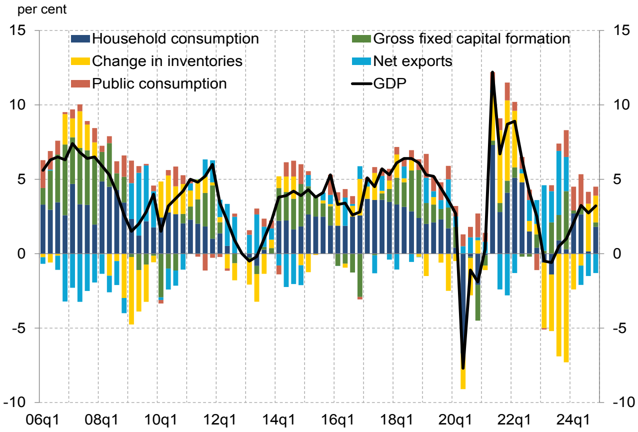
a rebuilding of inventories (the contribution of change in inventories to GDP growth in 2024 stood at 0.5 p.p. compared to -5.7 p.p. in 2023). Changes in consumption growth and the contribution of inventories had a particularly strong impact on the pace of GDP growth in the second half of 2024, when – following a slowdown in Q3 (to 2.7% y/y) – it picked up to 3.2% y/y in 2024 Q4 (Figure 2.8).

After a temporary deceleration in 2024 Q3, household consumption recovered significantly in 2024 Q4 (to 3.5% y/y from 0.3% y/y in Q3; Figure 2.9). The rebound in consumption throughout 2024 was supported by an increase in incomes amid rising wages and persistently high employment (see Chapter 2.5 *Labour market*). Meanwhile, consumer sentiment weakened slightly in the second half of 2024, but improved somewhat again at the beginning of 2025 (Figure 2.10).

In line with the preliminary estimate by Statistics Poland, gross fixed capital formation increased by 1.3% y/y in 2024 Q4 (against 0.1% in Q3), although investment declined in some categories. In particular, annual growth in local government and railway investment was adversely affected by the end of the use of EU funds from the previous financial framework. In addition, growth in the general government sector investment was constrained by the base effect related to an accumulation of military deliveries in 2023 Q4, while in 2024 these deliveries were spread more evenly. There was also a marginal decline in housing investment in annual terms, among others due to the end of the "Safe Mortgage" programme at the beginning of 2024. Alongside that, according to NBP surveys, investment optimism declared by enterprises improved.[18]

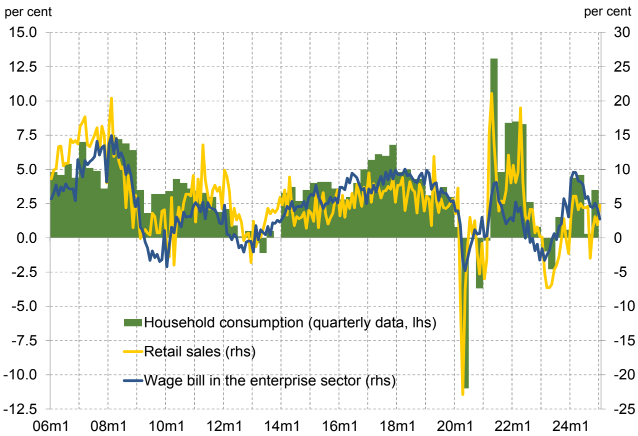
The contribution from net exports to GDP growth remained negative (it stood at -1.5 p.p. in Q3 and -1.3 p.p. in Q4), amid continued growth in imports and still weak growth in exports. Imports,

Figure 2.8 GDP growth and its components (y/y)



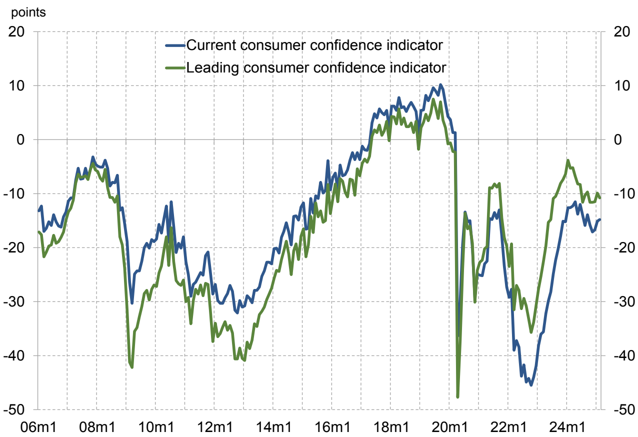
Source: Statistics Poland (GUS) data, NBP calculations.

Figure 2.9 Real growth in household consumption, retail sales and wage bill in the enterprise sector (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 2.10 Consumer confidence indicators



Source: Statistics Poland (GUS) data.

[18] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector*, NBP, January 2025.

especially in 2024 Q4, were boosted by the relatively high domestic demand, backed by rising household income. Exports, instead, were dragged down by the weak economic conditions in Poland's main trading partners, particularly in Germany (see Chapter 1.1 *Economic activity abroad*). This is confirmed by the data on the nominal value of trade in goods, which point to a decline in the value of exports, especially to the euro area – including Germany – amid weak demand from these economies (Figure 2.11).

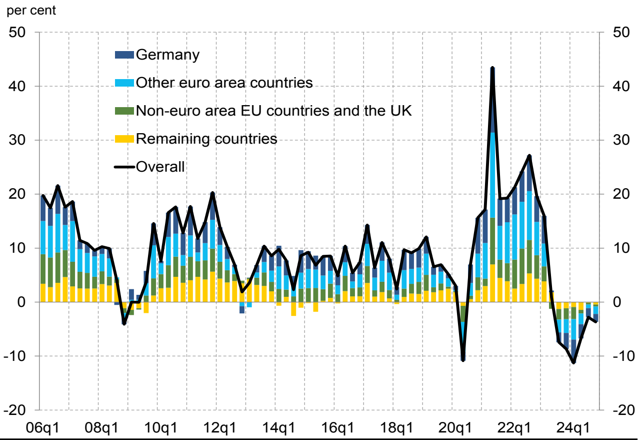
In the second half of 2024, growth in gross value added (GVA) in the Polish economy increased (to 2.3% y/y in Q3 and 2.1% in Q4; Figure 2.12). Compared to the first half of 2024, annual GVA growth rose primarily in industry, while decreased slightly in services.

Incoming data point to continued economic recovery in early 2025. In January, retail sales increased by 4.8% y/y (against 3.0% y/y in 2024 Q4), as consumer confidence improved somewhat and real wages growth remained firmly positive. Construction and assembly output growth also accelerated (to 4.3% y/y in January 2025 compared to -8.9%[19] y/y in 2024 Q4), whereas industrial activity growth remained subdued (-1.0% y/y compared to 0.5% y/y in 2024 Q4).

2.3 Public finance

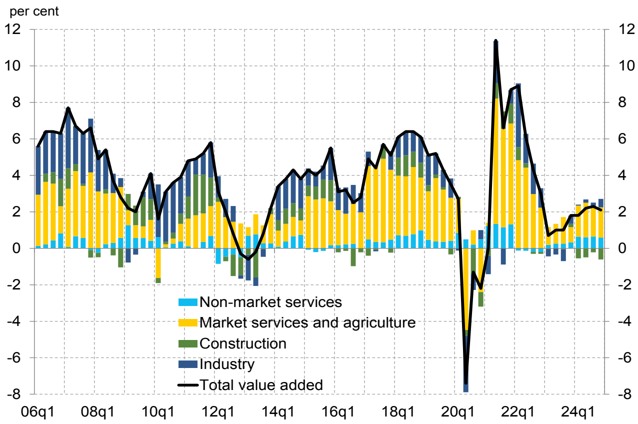
In the first three quarters of 2024, the general government deficit in ESA2010 terms amounted to PLN 121.2 billion (3.4% of GDP), against a deficit of PLN 81.3 billion (2.4% of GDP) in the corresponding period of 2023 (Figure 2.13).[20] The increase in the deficit was primarily the effect of high pace of growth in public expenditure (13.1%y/y) in many categories. The steepest rise was observed in compensation of employees (by 20.8%) due to increases in the salaries of teachers

Figure 2.11 Nominal growth in exports and its geographical structure (y/y)



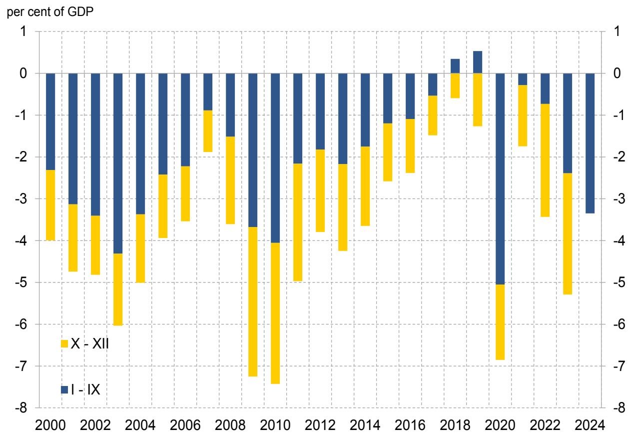
Source: Statistics Poland (GUS) data, NBP calculations.
Nominal growth in Poland's exports of goods in Polish zloty.

Figure 2.12 Growth of gross value added by sectors (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 2.13 General government balance in ESA2010 terms



Source: Eurostat, Statistics Poland (GUS) data, NBP calculations.
Result of the sector for each sub-period related to GDP on an annual basis.

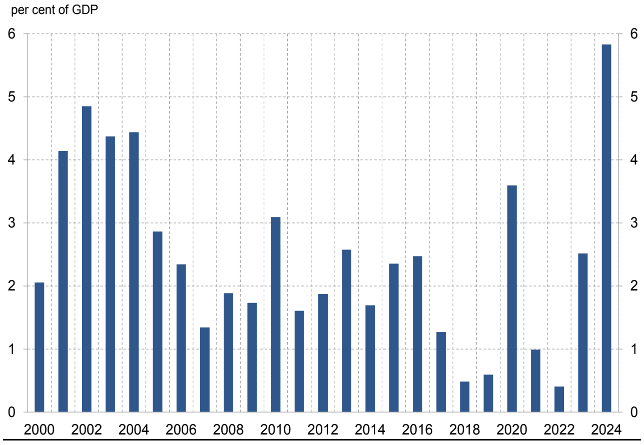
[19] Quarterly growth in construction and assembly output calculated based on monthly growth data.
[20] The sector result for the first three quarters of 2024 in relation to GDP in 2024, based on the autumn fiscal notification; not seasonally adjusted data.

and employees of the state budget sector, as well as higher expenditure on social transfers in cash (by 15.4%) stemming mainly from an increase in the amount of child benefit from PLN 500 to PLN 800. Other factors substantially boosting expenditure included public investment (an increase of 20.5% y/y), including likely expenditures resulting from deliveries of military equipment, and interest payments (an increase of 17.3% y/y).

According to the Ministry of Finance data, in 2024 the state budget deficit amounted to PLN 210.9 billion (5.8% of GDP; Figure 2.14), compared with the ceiling of PLN 240.3 billion in the amended *2024 Budget Act*. In 2023, the deficit was PLN 85.6 billion (2.5% of GDP). The deterioration of the budget balance was associated with a steep rise in State Budget expenditure (of 26.5% y/y), amid relatively low tax revenue growth (an increase of 9.8% y/y, compared to the 19.1% planned in the *Budget Act*). In the period under review, VAT revenue increased by 17.7% y/y (against the assumed rise of 29.5%), while CIT revenue declined by 10.6% y/y (compared to the assumed increase of 3.2%). The PIT budget revenue was 6.9% y/y higher in 2024, being significantly dampened by the transfer of additional funds to local government units in the form of a one-off increase in their PIT share in December 2024 (PLN 8.2 billion). The overall PIT revenue of the state budget and local governments was 24.6% higher y/y in 2024. Meanwhile, state budget expenditure increased, in particular due to a higher general subsidy for local government units (by 18.9% y/y; primarily for teachers' salary increases), a 20% increase in wages in the state budget sector, higher costs of the child benefit "Family 800 plus" (by 58.8% y/y), as well as – starting from 2024 – the transfer of funding of the so-called 13th and 14th pensions from the Solidarity Fund to the state budget.

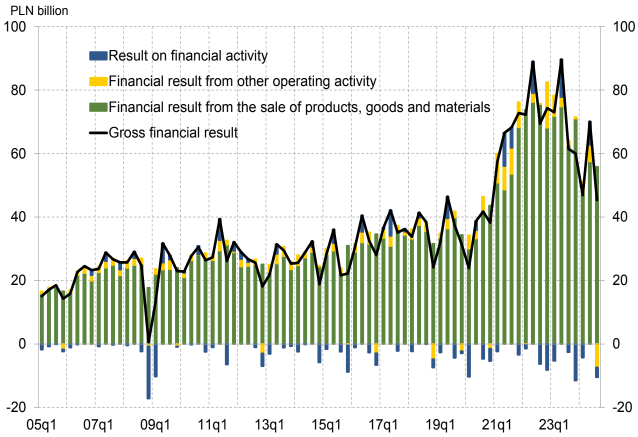
At the end of the third quarter of 2024, the general government debt in ESA2010 terms amounted to 53.5% of GDP (an increase of PLN 205.8 billion since the end of 2023). According to the estimate

Figure 2.14 State budget deficit in relation to GDP



Source: Ministry of Finance, Statistics Poland (GUS) data, NBP calculations.

Figure 2.15 Gross financial result of nonfinancial enterprises and its components



Source: Statistics Poland (GUS) data, NBP calculations.
Data from the survey conducted by Statistics Poland (GUS) on revenues, costs, financial results and gross fixed capital formation (F-01/I-01 forms).

from the *Justification* to the *2025 Draft Budget Act*, at the end of 2024, the general government debt was expected to reach 54.6% of GDP, compared to 49.6% of GDP at the end of 2023.

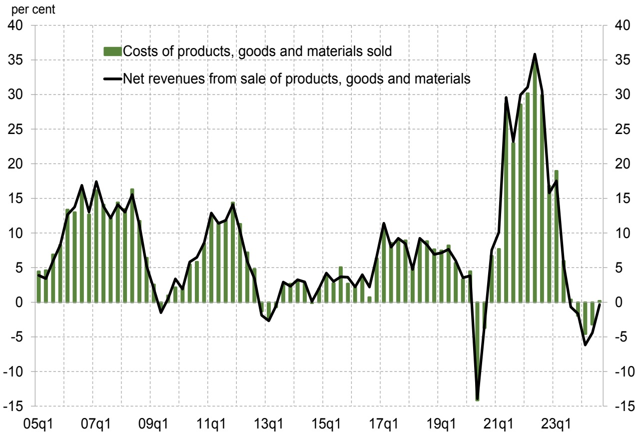
2.4 Financial situation of enterprises

In 2024 Q3, the financial situation of the non-financial enterprise sector[21] deteriorated compared to the preceding quarter. Growth in the aggregate gross financial result decreased to -26.2% y/y (from -21.9% y/y in 2024 Q2; Figure 2.15),[22] which was associated with the deterioration in the result on other operating activity driven mainly by losses from the revaluation of non-financial assets. At the same time, although the result from the sales of products, goods and materials declined again in year-on-year terms, the rate of decline was smaller (-11.0% y/y compared to -23.2% y/y in Q2).[23]

The improved ratio between growth in revenues from operating activity and growth in corresponding costs contributed to mitigating the decline in the financial results from sales in 2024 Q3 (Figure 2.16). Cost growth continued to exceed revenue growth,[24] mainly as a result of a marked rise in labour costs (10.3% y/y) and the costs of third party services (7.8% y/y). Alongside that, cost growth was reduced by falling costs of commodities and materials used for production (-5.6% y/y), goods for resale (-2.9% y/y) as well as energy consumed (-16.4% y/y).

In 2024 Q3, the profitability of the enterprise sector was lower than a year before (Table 2.2). Within that, the sales profitability indicator declined only slightly against the previous quarter (4.6% compared 4.8%), while the net turnover profitability indicator was markedly lower than in

Figure 2.16 Growth in net sales revenue and costs of sales in the nonfinancial enterprise sector (y/y)



Source: Statistics Poland (GUS) data, NBP calculations.
Data from the survey conducted by Statistics Poland (GUS) on revenues, costs, financial results and gross fixed capital formation (F-01/I-01 forms).

Table 2.2 Selected financial indicators in the nonfinancial enterprise sector (per cent)

	average				2023				2024		
	2010-2019	in 2020	in 2021	in 2022	q1	q2	q3	q4	q1	q2	q3
Sales profitability indicator	4.7	4.8	5.8	6.1	5.5	5.9	5.1	5.4	3.9	4.8	4.6
Net turnover profitability indicator	4.0	3.7	5.7	5.0	4.4	5.7	4.0	3.2	2.8	4.8	2.8
Share of profitable enterprises	66.1	65.3	68.1	68.0	69.1	68.9	68.2	66.3	64.1	66.0	66.2
Share of enterprises with profitability above 5%	35.3	39.4	42.6	41.4	42.2	41.9	42.7	42.1	36.7	39.0	38.9
1st degree financial liquidity indicator	36.3	42.1	43.9	40.6	37.5	37.3	38.7	39.7	42.0	41.2	42.1
Return on assets indicator	1.2	1.0	1.7	1.7	1.5	1.9	1.2	1.0	0.9	1.5	0.9
Return on equity indicator	2.3	2.1	3.7	3.8	3.3	4.1	2.7	2.3	1.8	3.1	1.8
Share of bank credits and loans in the balance sheet total	15.2	15.5	14.5	14.3	14.1	14.2	13.8	13.4	13.9	13.8	13.8

Source: Statistics Poland (GUS) data, NBP calculations.
Data from the survey conducted by Statistics Poland (GUS) on revenues, costs, financial results and gross fixed capital formation (based on F-01/I-01 forms). Share of profitable firms and firms with profitability above 5% – seasonally adjusted data. The average share of bank credits and loans in the balance sheet total covers only the years 2015-2019.

[21] The data presented in this chapter concern enterprises employing 50 persons or more, obliged to file Statistics Poland (GUS) F-01 reports.
[22] In 2024 Q3, the gross financial result stood at PLN 45.4 billion compared to PLN 70.0 billion in 2024 Q2 and PLN 61.5 billion in 2023 Q3.
[23] The reduced scale of the decline in the result on financial operations, whose balance was negative, also contributed to an improvement in the gross financial result.
[24] Operating costs increased in 2024 Q3 by 0.2% y/y.

2024 Q2 (2.8% compared to 4.8%). The net turnover profitability indicator deteriorated in most sections of the economy, especially in mining. In turn, changes in the shares of profitable companies and companies with profitability above 5% were minor.

Although the financial result was lower than a year ago, the liquidity of the enterprise sector in most sections of the economy remained high in 2024 Q3. Both liquidity indicators and the share of enterprises with a safe level of liquidity were running above long-term averages.

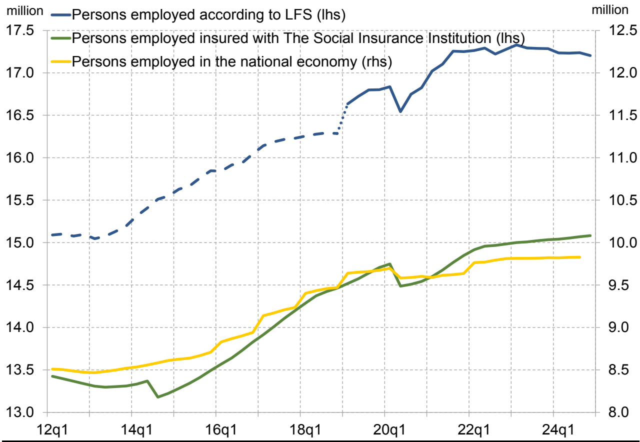
The results of the NBP survey[25] indicate that in 2024 Q4 the economic condition of enterprises – against the backdrop of historical assessments – remained weak. Optimism of enterprises in this regard also declined, both over the one-quarter and the one-year horizons.

2.5 Labour market

In the second half of 2024, the situation in the labour market continued to be good. The unemployment rate remained low and the number of persons employed was high, although some indicators pointed to a decline in employment. At the same time, wages continued to grow at a rapid pace.

Data on employment in the second half of 2024 pointed to minor multi-directional changes. The data of the Social Insurance Institution (ZUS) suggested that the number of persons employed continued to rise in year-on-year terms (by 0.3% y/y both in 2024 Q3 and Q4; Figure 2.17), yet along with the falling number of those under employment contract.[26] As indicated by Statistics Poland (GUS) data for 2024 Q3, the number of

Figure 2.17 Number of persons employed according to the LFS, the reporting data from the national economy (NE) and the Social Insurance Institution (ZUS) data, seasonally adjusted



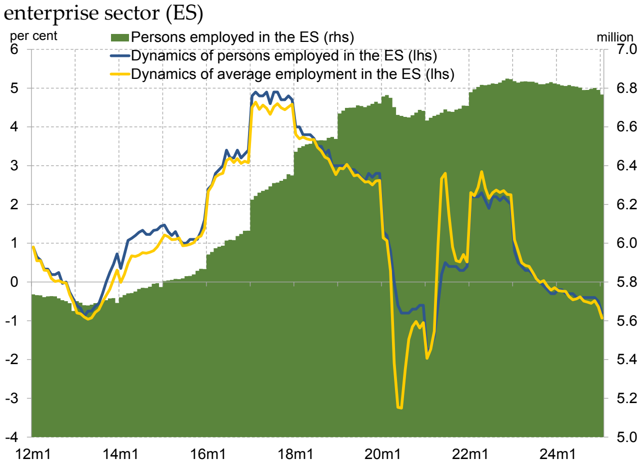
Source: Statistics Poland (GUS), The Social Insurance Institution (ZUS) data, NBP calculations.

The number of employed persons insured with ZUS, given as at the end of the quarter, includes those working under an employment contract, civil law contracts, the self-employed and those employed who are insured under another title (such as uniformed services employees and clergy). Unlike the LFS data, the number of persons employed in the NE concerns entities with more than 9 employees and does not include the following: (1) individual farming, (2) employment in the grey economy, (3) employment based on civil law contracts.

Due to a change in the LFS methodology introduced in 2021 Q1, data from 2012 Q1 to 2020 Q4 have been recalculated to make definitions classifying respondents into different categories in the labour market more consistent. Despite this, because of the significant degree of change in the survey, data from 2021 Q1 onward are not fully comparable with earlier periods.

Additionally, since 2023 Q4, the LFS data are harmonised with the number of the population according to the 2021 National Census. The retrospectively recalculated data, however, cover the period from 2019 Q1 to 2023 Q3, making periods before 2019 Q1 (dashed line) not comparable with later periods (solid line).

Figure 2.18 Growth (y/y) in the number of persons employed and average employment, and the number of persons employed in the enterprise sector (ES)



Source: Statistics Poland (GUS) data.

The enterprise sector (ES) is comprised of companies with 10 or more employees, which carry out activities classified under selected PKD (NACE) sections of the economy.

Unlike the employment statistics, the number of persons employed in the ES is not expressed in the number of full-time jobs and includes employees who are on sickness benefit or child care leave.

[25] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector*, NBP, January 2025.

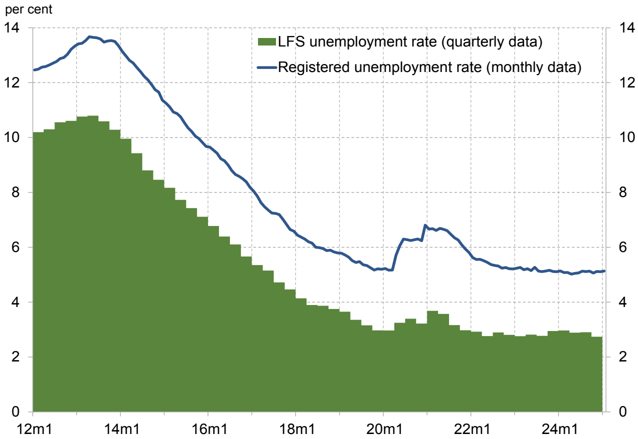
[26] In 2024 Q4, the number of persons working under employment contracts declined by 0.6% y/y amid a relatively fast growth in the number of persons employed under civil law contracts (by 4.7% y/y) as well as the self-employed (by 2.3% y/y). At the same time, in quarter-on-quarter terms the total number of working persons insured in the Social Insurance Institution declined by 0.1% in 2024 Q4, and the number of persons employed under employment contracts declined by 0.3% (seasonally adjusted data). Quarterly data on the number of the employed according to the Social Insurance Institution and those employed in the ES are averaged data for each quarter based on monthly data. In January 2025, the number of the employed according to the Social Insurance Institution also increased by 0.3% y/y.

persons employed in the national economy (NE) rose by 0.1% y/y. According to the LFS, the number of the employed remained unchanged in 2024 Q3 in year-on-year terms and decreased by 0.4% y/y in 2024 Q4. In turn, Statistics Poland data on the employment in the enterprise sector (ES) pointed to a fall by 0.4% y/y both in 2024 Q3 and Q4 (Figure 2.18).[27] At the same time, the number of job offers suggested the persistence of relatively low demand for new employees,[28] and – according to the *NBP Quick Monitoring Survey* – the short-term outlook for employment in the enterprise sector deteriorated slightly.[29]

The unemployment rate continued at a very low level (Figure 2.19). The registered unemployment rate stood at 5.1% in January 2025, and the unemployment rate according to the LFS was 2.7% in 2024 Q4 (seasonally adjusted data).

Annual wage growth in the second half of 2024 remained high, yet declined slightly compared to the first half of 2024. The average wage in the NE increased by 13.4% in 2024 Q3 and by 12.4% y/y in 2024 Q4 (Figure 2.20), while in the ES by 10.8% in 2024 Q3 and by 10.1% y/y in 2024 Q4.[30] Slower wage growth in the economy in 2024 Q4 was not only the result of declining wage growth in the ES, but also outside this sector. In the second half of 2024, the average wage growth in real terms also declined – in the NE to 8.6% in 2024 Q3 and 7.5% y/y in 2024 Q4, whereas in the ES to 6.1% in 2024 Q3 and to 5.3% y/y in 2024 Q4 – yet, remained high by historical standards. The results of the *NBP Quick Monitoring Survey*[31] suggest a slight increase in the fraction of firms planning to rise wages in 2025 Q1 (which may be connected with the rise in the minimum wage as of the beginning of 2025), amid a slightly lower average level of planned wage increases.

Figure 2.19 Unemployment rate, seasonally adjusted data



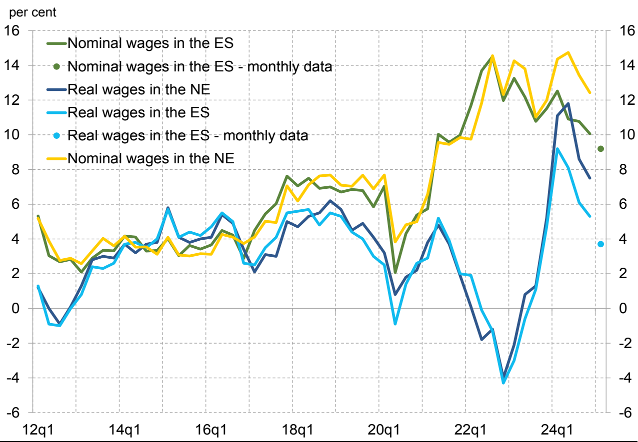
Source: Statistics Poland (GUS) data, NBP calculations.

There are three reasons for the difference between the unemployment rate according to labour offices and the LFS unemployment rate: (1) the definition of an unemployed person is different, (2) the definition of the population to which the number of the unemployed is referred is different, (3) the registered unemployment rate is based on the number of unemployed persons registered in labour offices, while LFS unemployment rate is based on survey results (on a representative sample of respondents).

Due to a change in the LFS methodology introduced in 2021 Q1, data from 2012 Q1 to 2020 Q4 have been recalculated to make definitions classifying respondents into different categories in the labour market more consistent. Despite this, because of the significant degree of change in the survey, data from 2021 Q1 onward are not fully comparable with earlier periods.

Data on the unemployment rate since December 2020 have taken into account the number of persons employed in agriculture as estimated on the basis of the 2020 Agricultural Census and are not fully comparable with earlier periods. The method of taking the 2021 National Census data into account in the LFS data – see note to the Figure concerning the number of persons employed according to the LFS.

Figure 2.20 Annual nominal and real wage growth in the national economy (NE) and in the enterprise sector (ES)



Source: Statistics Poland (GUS) data.

Wages in the ES concern entities classified in selected PKD (NACE) sections that employ 10 or more persons. Data on wages in the NE cover the whole statistical population, i.e. regardless of the number of persons employed, and also cover all PKD (NACE) sections of the economy. The Figure presents quarterly data (lines) and monthly data for January 2025 (dots).

[27] In January 2025 the number of the employed in the ES declined by 0.8% y/y.
[28] At the end of January 2025, the number of job offers available in labour offices fell by 8.0% y/y.
[29] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector,* NBP, January 2025.
[30] In January 2025, the average nominal wage growth in the ES amounted to 9.2% y/y.
[31] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector,* NBP, January 2025.

Unit labour cost growth in the economy also decreased, while still remaining high, and amounted to 8.5% y/y in 2024 Q4 (compared to 10.5% y/y in 2024 Q3). Lower unit labour cost growth in 2024 Q4 was driven by slower growth in nominal wages and slightly faster productivity growth.[32]

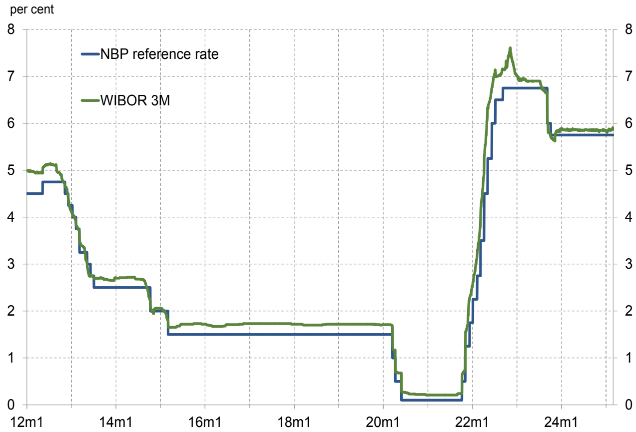
According to the Social Insurance Institution data, at the end of December 2024, almost 1.2 million foreigners were covered by old-age and disability pension insurance on account of their work in Poland (an increase of 5.8% y/y).[33] Among these 787 thousand were Ukrainian citizens (of which 255 thousand were refugees with the Social Insurance Institution coverage, and 135 thousand were Belarussian citizens.[34]

2.6 Financial markets and asset prices

In recent months, the prices of financial instruments in Poland have been affected by sentiment in the international financial markets shaped by, among others, market expectations regarding the interest rates of the major central banks and uncertainty about potential changes in global trade policy (Figure 2.21; see Chapter 1.5 *International financial markets*).

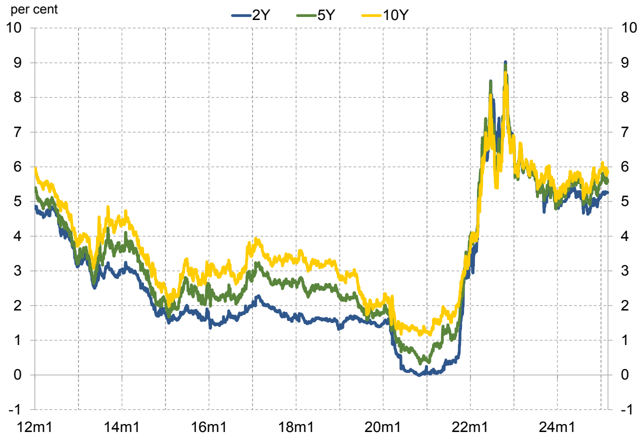
Under these conditions, yields on Polish government bonds – similarly to bond yields in the major advanced economies – have risen (Figure 2.22). Meanwhile, the zloty exchange rate has strengthened against the euro (in February the zloty was on average 3% stronger against the euro than a year earlier). Alongside that, despite the appreciation of the US dollar in global markets, the

Figure 2.21 NBP reference rate and WIBOR 3M



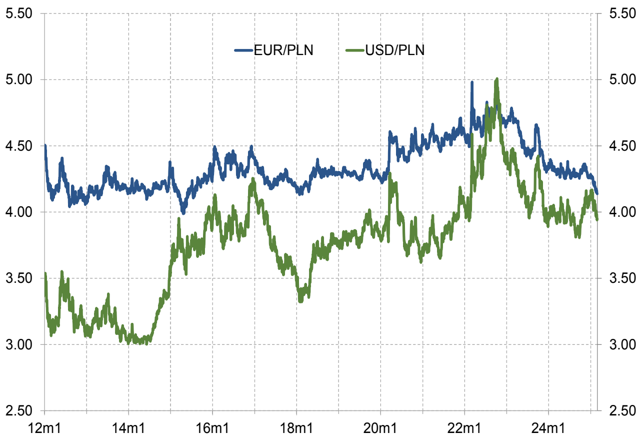
Source: NBP and Bloomberg data.

Figure 2.22 Yields on Polish government bonds



Source: Bloomberg data.

Figure 2.23 Exchange rates of the euro and the US dollar against the zloty



Source: Bloomberg data.

[32] Higher labour productivity growth in 2024 Q4 was driven by faster GDP growth in year-on-year terms, amid lower growth in the number of the employed according to the LFS than in 2024 Q3.

[33] According to the Social Insurance Institution, annual growth in the number of employed persons excluding foreigners was -0.2% y/y in December 2024.

[34] The estimate of the number of working refugees from Ukraine covered by the Social Insurance Institution insurance includes individuals who declared Ukrainian citizenship in their pension and disability insurance application and were assigned a "UKR" personal identification number (UKR PESEL). The above estimate does not include people working but not subject to compulsory Social Insurance Institution insurance, e.g. pupils and students up to 26 years of age employed on the basis of a mandate contract or people working in the grey economy.

zloty exchange rate against the US dollar remained at a similar level as a year earlier (Figure 2.23).

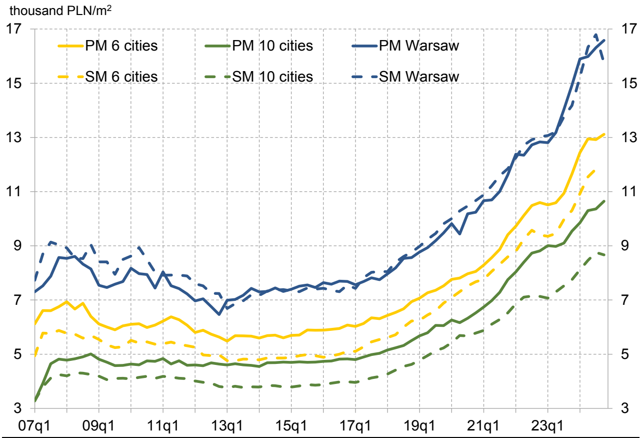
According to NBP data,[35] annual growth in average nominal housing transaction prices slowed down to 12.4%[36] in 2024 Q4 (against 17.5% in 2024 Q3; Figure 2.24).[37] Compared to a year earlier, real estate prices were driven up by the still limited supply of apartments – despite an increase – and the slight rise in construction costs, including land prices. At the same time, the rise in housing prices was limited by, among others, the absence of the programmes boosting housing demand.

2.7 Money and credit[38]

Growth of the M3 aggregate in 2024 Q4 accelerated to 8.7% y/y (compared to 8.2% y/y in 2024 Q3; Figure 2.25).[39] The M3 aggregate growth was mostly driven by an increase in household deposits, with a smaller contribution from cash in circulation.[40]

Household debt increased again, although at slightly slower pace than in 2024 Q3 (4.3% y/y in Q4 compared to 4.8% y/y in Q3; Figure 2.26). Specifically, the annual growth of housing loans declined to 4.5% y/y in 2024 Q4 (from 5.2% y/y in 2024 Q3), which was, among others, related to the completion of lending under the "Safe Mortgage" programme in previous quarters.[41] The dwindling stock of FX loans, stemming from, among others, settlements between banks and borrowers, which resulted in FX currency loans conversion into the

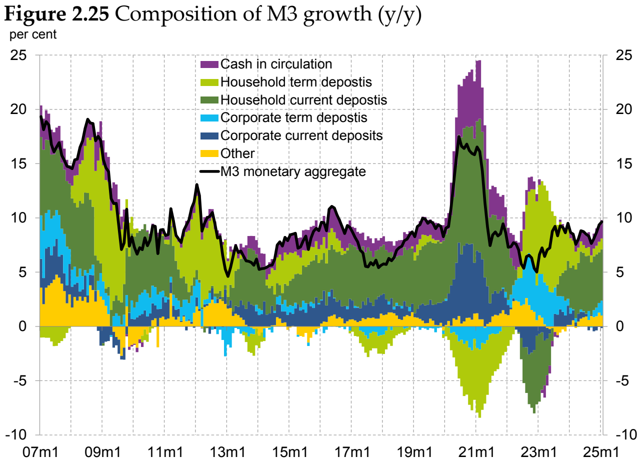
Figure 2.24 Nominal transaction prices of flats in major cities in Poland



Source: NBP data.

PM – primary market, SM – secondary market. Transaction prices – an average weighted with the share of the housing stock in a given city in the total housing stock. Aggregate of 6 cities consists of: Gdańsk, Gdynia, Kraków, Łódź, Poznań, Wrocław, whereas of 10 cities: Białystok, Bydgoszcz, Katowice, Kielce, Lublin, Olsztyn, Opole, Rzeszów, Szczecin and Zielona Góra.

Figure 2.25 Composition of M3 growth (y/y)



Source: NBP data.

The category *Other* covers deposits of non-monetary financial institutions and local government units, repurchase agreements between banks and non-banking sector as well as debt securities with maturity up to 2 years issued by banks.

[35] The discussed data on prices do not fully correspond to the quarters of the calendar year. In particular, data referring to 2024 Q4 include transactions concluded between September and November 2024.
[36] These data apply to the average housing transaction prices (PLN/m²) in 17 cities (16 voivodeship capitals and Gdynia) in the primary and secondary markets, weighted by the housing stock. In quarterly terms, this nominal price growth was running at -0.1% q/q in 2024 Q4 (against 1.7% q/q in 2024 Q3).
[37] *Information on home prices and the situation in the housing and commercial real estate market in Poland*.
[38] In this chapter, growth in the broad money aggregate M3, deposits and loans is defined as nominal annual growth resulting from transactional changes, on average in a given quarter. The data refer to monetary financial institutions.
[39] In January 2025, M3 aggregate growth amounted to 9.6% y/y.
[40] In 2024 Q4, household deposits growth was 10.7% y/y, corporate deposits 2.2% y/y, and cash in circulation 9.5% y/y. In January 2025, the growth rate of household deposits amounted to 10.7% y/y, corporate deposits 5.6% y/y, and cash in circulation 10.6% y/y.
[41] According to press releases by BIK SA, the value of new housing loans in 2024 Q4 fell by around 27% compared to the corresponding quarter of 2023 when lending under the "Safe Mortgage" programme was at its highest level. In January 2025, the value of new housing loans dropped by 32.6% y/y.

zloty and their partial write-off, also dragged on growth of housing loans. Alongside that, consumer loan debt growth edged up in 2024 Q4 (to 7.1% y/y, from 6.9% y/y in Q3) backed by stronger growth in consumer demand (see Chapter 2.2 *Demand and output*).

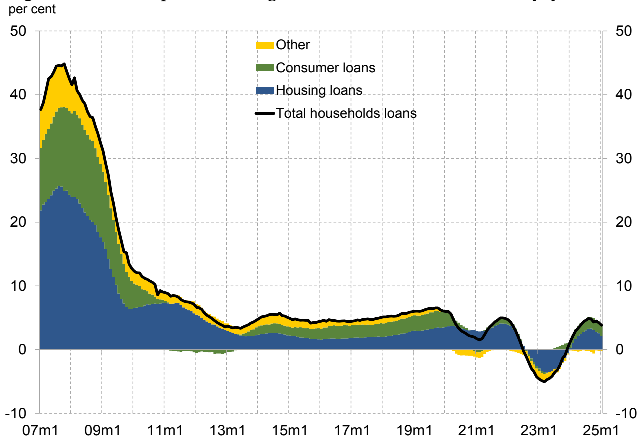
In 2024 Q4, debt of non-financial corporations grew by 4.9% y/y (compared to 2.2% y/y in 2024 Q3; Figure 2.27). This was due to the rising stock of both investment loans (to 4.7% y/y in 2024 Q4 compared to 3.7% y/y in 2024 Q3) and current loans (to 4.6% y/y in 2024 Q4 compared to 0.3% y/y in 2024 Q3).

2.8 Balance of payments[42]

The current account balance and other external imbalance indicators evidence that the Polish economy is well balanced, although in 2024 Q4 the current account balance decreased again (to 0.1% of GDP, compared to 0.5% of GDP in 2024 Q3; Figure 2.28). The decline in the balance was mainly due to a further widening of the deficit on trade in goods (to -0.8% of GDP in 2024 Q4 from -0.4% of GDP in 2024 Q3), as a result of slower growth in the value of exports than imports amid subdued economic conditions in Poland's main trading partners and a recovery in domestic demand (see Chapter 1.1 *Economic activity abroad* and Chapter 2.2 *Demand and output*). The balance of services was unchanged at 4.8% of GDP in both 2024 Q3 and Q4. Alongside that, there was a slight narrowing in the deficit on the primary income account (3.4% of GDP in 2024 Q4, compared to 3.5% of GDP in 2024 Q3), which is mainly shaped by the income of foreign direct investors in Poland. At the same time, the financial account balance declined to -0.7% of GDP in 2024 Q4 (compared to -0.1% of GDP in 2024 Q3).

In 2024 Q3, Poland's net international investment position in relation to GDP amounted to -31%,

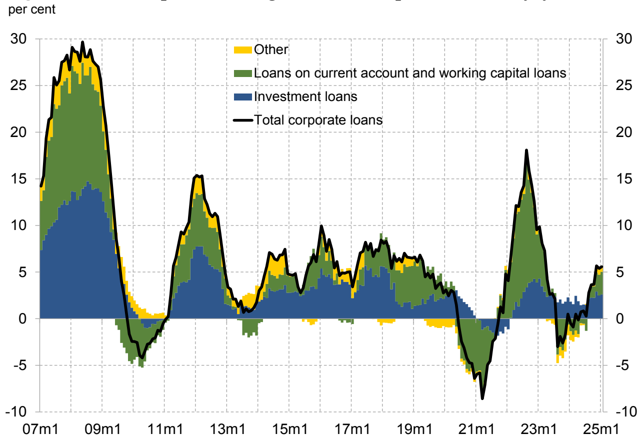
Figure 2.26 Composition of growth in household loans (y/y)



Source: NBP data.

The category *Other* includes credit card loans, loans to individual entrepreneurs and individual farmers as well as other receivables.

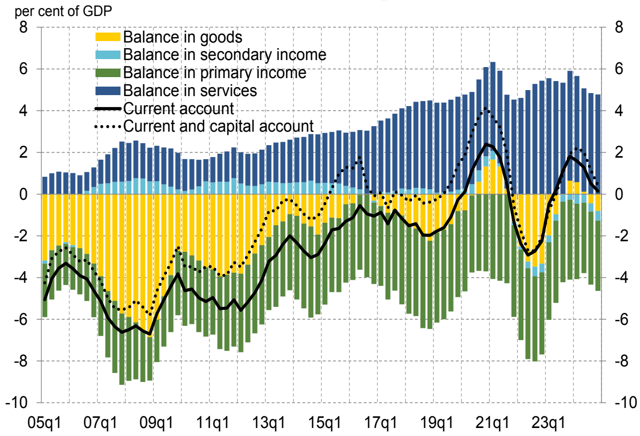
Figure 2.27 Composition of growth in corporate loans (y/y)



Source: NBP data.

The category *Investment loans* includes loans for investments and real estate purchases. The category *Other* includes i.a. car loans, loans for security purchases and other receivables.

Figure 2.28 Current account balance (4-quarter rolling sum)



Source: NBP data.

[42] In this chapter, data on the balance of payments in relation to GDP are presented in terms of a four-quarter rolling sum. For 2024 Q4, the presented data are estimates that have been compiled on the basis of monthly data on the balance of payments and the preliminary estimate of GDP as of 27 February 2025.

which meant an improvement over 2024 Q2 (Table 2.3). Alongside that, the gross external debt to GDP ratio decreased to 50%.

Table 2.3 Selected external imbalance indicators (4-quarter rolling sum in per cent, unless otherwise indicated)

	2022	2023				2024			
	q4	q1	q2	q3	q4	q1	q2	q3	q4
Current account balance/GDP	-2.2	-0.5	0.2	1.1	1.8	1.6	1.3	0.5	0.1
Current and capital account balance/GDP	-2.1	-0.8	0.0	1.0	1.9	2.2	2.0	1.1	0.4
Trade balance/GDP	2.1	3.6	4.5	5.3	5.9	5.7	5.1	4.4	4.0
Official reserve assets (in monthly imports of goods and services)	4.7	4.6	4.7	5.1	5.1	5.6	5.9	5.8	6.3
Gross foreign debt/GDP	53	52	51	52	50	50	51	50	-
Net international investment position/GDP	-35	-33	-34	-31	-33	-33	-32	-31	-
Official reserve assets/short-term foreign debt minus forecasted current account balance	139	131	130	123	127	127	130	132	-
Official reserve assets/short-term foreign debt	124	119	121	120	126	129	133	138	-

Source: NBP data.
The two last indicators include external debt and the level of reserve assets at the end of the period.

3. Monetary policy in November 2024 – March 2025

This chapter includes the previously published *Minutes of the Monetary Policy Council decision-making meetings* held between November 2024 and January 2025 as well as the *Information from the meeting of the Monetary Policy Council* in February and March 2025.

Minutes of the Monetary Policy Council decision-making meeting held on 6 November 2024

During the discussion at the meeting of the Monetary Policy Council it was noted that the economic conditions in the immediate environment of the Polish economy remained weakened, particularly in Germany, Poland's main trading partner. The Council members underlined that although annual GDP growth in the euro area had picked up, in Germany it remained negative. It was pointed out that available forecasts signalled some recovery in activity in Germany in 2025, however, these forecasts were subject to high uncertainty in view of the structural problems of the German industrial sector. At the same time, it was stressed that in the United States GDP growth was again relatively high in 2024 Q3, which confirmed the strong fundamentals of the US economy.

When discussing inflation processes abroad, the Council members noted that in the euro area and the United States – amid highly negative growth in energy prices – inflation had recently been running close to the targets of the central banks. At the same time, it was highlighted that core inflation in the largest developed economies remain elevated as a result of high growth in services prices amid fast nominal wage growth. During the discussion it was noted that in October 2024 the European Central Bank had again cut interest rates.

While discussing economic activity in Poland, it was pointed out that in September 2024 retail sales as well as industrial and construction and assembly output had recorded negative annual growth. The Council members noted that the fall in retail sales in September along with the relatively slow growth in this category in August were evidence of weakened consumer demand for goods in 2024 Q3. It was also underlined that low growth of industrial output in Poland was related to the stagnation in German industry. As a result, according to Statistics Poland data, in September 2024 the indices for real retail sales and real industrial output were lower than two years ago. However, certain Council members drew attention to the fact that the PMI index had risen significantly in recent months, which might signal an improvement in economic conditions. Moreover, it was pointed out that the fall in construction and assembly output in September 2024 had been somewhat shallower than market expectations, and the decline in output of this sector was the result, among others, of the temporary gap between the disbursement of funds from successive financial frameworks of the European Union. On the basis of the available data, it was judged that GDP growth in 2024 Q3 might have been lower than in 2024 Q2.

When referring to the labour market situation, it was observed that unemployment remained low and employment in the economy remained high, but there had also been a further gradual fall in employment in the enterprise sector. Certain Council members judged that the employment data reflected changing branch structure of labour demand and demographic factors, however – in their opinion – aggregate labour demand in the economy continued to be strong. When analysing wage pressures, the Council members underlined that wage growth in the enterprise sector had slowed down somewhat in September 2024, but remained in double digits.

During the discussion attention was drawn to the gradual increase in annual growth in the value of corporate loans and household consumer loans. At the same time, it was stressed that monthly growth in złoty-denominated housing loans had been slower in recent months than at the beginning of the year.

When discussing the economic activity outlook, the Council members pointed out that according to the November projection GDP growth was most likely to increase gradually in the coming quarters. In particular, growth in fixed capital formation in 2025 should be higher than in 2024, among others, due to the inflow of EU funds under the new financial framework and the National Recovery Plan. At the same time, household consumption growth might remain moderate, and the contribution of net exports to GDP growth in 2025 was likely to stay negative. When taking into account all these factors, GDP growth in 2025 should be higher than in 2024. Certain Council members underlined that according to the November projection the output gap was to remain negative until the end of the projection horizon. Certain Council members judged that possible changes in US economic policy, including trade policy, might have an impact on the economic conditions in Europe, and consequently also in Poland.

At the meeting it was noted that according to the Statistics Poland flash estimate, CPI inflation was 5.0% y/y in October 2024 (compared to 4.9% in September 2024). It was indicated that core inflation might then decline slightly. It was highlighted that services price growth remained elevated. The Council members noted that in recent months inflation had been strongly boosted by regulatory factors. In this context, attention was drawn above all to the partial unfreezing of energy prices for households in mid-2024, but also to the fast growth, among others, in prices of tobacco products, on which excise tax had been increased in 2024, as well as of the water supply and sewage collection. It was observed that the annual inflation rate was still being driven upwards by the effects of the increase of VAT on food in April 2024, and the relatively poor domestic harvest of certain vegetables and fruits, as well as the base effects on refundable medicines. At the same time, the Council members underlined that growth in prices of non-food goods was relatively slow, which was in line with retail sales data. Certain Council members judged that despite consumption data being weaker than expected, price pressure remained strong, as evidenced in particular by the elevated core inflation. Other Council members highlighted that, while core inflation in Poland remained elevated, taking into account comparable data on the HICP index excluding prices of energy, food, alcohol and tobacco products, it was lower than in most Central and Eastern European countries.

While discussing the inflation outlook, the Council members emphasised high uncertainty regarding regulatory decisions related to energy prices, which was the reason why the November inflation projection had been drawn up in two variants – a scenario of a full unfreezing of energy prices from January 2025 (as per current legislation) and a scenario of a further freeze on energy prices. At the same time, the Council members pointed out that intermediate scenarios were also possible.

The Council members indicated that regardless of the scenario, the projection expected inflation to rise in 2025 Q1. It was stressed that in 2025 Q2, inflation was anticipated to be only marginally lower than at the beginning of the year, mainly due to the higher excise tax on tobacco products and their substitutes. Attention was drawn to the fact that the increase in excise tax, along with other factors related to regulatory decisions – such as the increase in the prices of water supply or sewage collection – would also drive up inflation net of food and energy prices. Core inflation in the coming quarters will remain elevated also as a consequence of high service price growth occurring amid fast wage growth. And although, according to the projection, wage growth is expected to slow down gradually, some Council members warned against a possible persistence of core inflation. At the same time, it was emphasised that according to the projection – drawn up under the assumption of unchanged NBP interest rates – inflation was expected to decline to NBP's medium-term target only in 2026.

The Council members observed that the shape of fiscal policy is a significant factor influencing medium-term inflation outlook. It was pointed out that fiscal policy had been eased in the current year. It was underlined that a marked reduction in the deficit of the general government sector, including the structural deficit, would be conducive to curbing inflationary pressures. Meanwhile, it was assessed that the 2025 Draft Budget Act envisaged the sector's deficit in 2025, including the structural deficit, to remain very high, which means that the planned shape of fiscal policy limits the space for potential monetary policy easing.

When discussing the main factors of uncertainty for the medium-term inflation outlook, the Council members underlined that it is difficult to assess the extent to which the previous and possible future increase in energy prices and other regulated prices would translate into inflation expectations, and – through wage demands – also into wage growth. Certain Council members highlighted the fact that consumer inflation expectations had risen somewhat in October. It was also pointed out that in the case of a stronger than currently expected recovery, rapid wage growth may prove more persistent. At the same time, the Council members emphasised that should the weak economic conditions in Germany continue or absorption of funds under the National Recovery Plan fall short of current expectations, demand pressures might be weaker, and consequently, price growth might be lower. The Council members observed that very high uncertainty related to the tense geopolitical situation persisted.

The majority of the Council members assessed that inflation was currently significantly boosted by the rising energy carriers' prices and by other regulatory factors. The price pressure in the domestic economy is also stimulated by a 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 the 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 rate level – inflation should return to the medium-term NBP target, although the impact of higher energy prices on inflation expectations is an uncertainty factor. 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. 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 NBP inflation target in the medium term.

A view was expressed that given the elevated inflation – including inflation net of food and energy prices – particularly amid high wage growth, the current level of NBP interest rates, amid the current developments in inflation expectations, 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 5.75%, the lombard rate at 6.25%, the deposit rate at 5.25%, the rediscount rate at 5.80%, and the discount rate at 5.85%.

The Council members pointed out that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity.

Minutes of the Monetary Policy Council decision-making meeting held on 4 December 2024

During the discussion at the meeting of the Monetary Policy Council it was noted that the economic conditions in the environment of the Polish economy remained weakened. GDP growth in the euro area is accelerating, but is still moderate. At the same time, in Germany, Poland's main trading partner, annual GDP growth remained slightly negative for the fifth consecutive quarter, whereas real GDP is close to the level observed at the end of 2019. It was also pointed out that Germany was expected to see economic recovery in 2025, yet its scale was uncertain.

The Council members noted that inflation in the largest economies had been running close to their central banks' targets in recent months. It was highlighted that, unlike in Poland, in many economies the negative annual growth in energy prices was curbing inflation. It was pointed out that core inflation, which continued to be affected by high growth in services prices and fast wage growth, remained elevated in many economies, including in the Central and Eastern European region.

While discussing monetary policy abroad it was pointed out that – after interest rate cuts implemented in recent months in the largest developed economies – the interest rate path in the United States expected by market participants had shifted upwards recently, which was accompanied by an appreciation of the US dollar against many currencies. It was noted that as regards the Central and Eastern European region, in November 2024 the central banks of Hungary and Romania had decided to keep the main interest rates unchanged for the second consecutive time whereas in the Czech Republic interest rates had been cut. At the same time it was emphasised that in the countries of the Central and Eastern European region the scale of interest rate cuts seen to date had been correlated with fiscal policy. In Hungary and in the Czech Republic fiscal policy was significantly tightened in 2024, which enabled their central banks to reduce interest rates more markedly. By contrast, in Romania, similarly to Poland, fiscal policy was eased in 2024, and consequently the Romanian central bank has been keeping its main interest rate only slightly below the 2023 peak.

While discussing economic activity in Poland, it was pointed out that, according to the Statistics Poland preliminary estimate, GDP in 2024 Q3 increased by 2.7% y/y. It was emphasized that GDP growth in 2024 Q3 had been close to the results of the NBP November projection. It was noted that consumption growth had slowed down, which might have been driven by the hike in energy prices, taxes and regulated prices as well as concerns about further price increases. Investment growth was also close to zero. Exports fell in year-on-year terms amid weakened external demand, including protracted stagnation in

Germany. It was emphasized that monthly data on economic activity in October 2024 had been better than the September data. Industrial output and retail sales increased in year-on-year terms and exceeded market forecasts. It was pointed out that although retail sales had remained subdued, their growth in October supported the forecast of a rebound in consumer demand in 2024 Q4. As a result, economic recovery, including faster GDP growth in 2025 than in 2024, continued to be the baseline scenario. Certain Council members noted that the PMI index, following a rise in October 2024, decreased in November.

During the discussion it was pointed out that in 2024 Q3 the financial result of the sector of non-financial medium and large enterprises had decreased compared to last year's figure. In the opinion of the majority of the Council members, enterprises were now facing, or might face in the future, increasing difficulties with absorbing cost increases, including payroll expenses and, should demand allow it, would increase prices.

When referring to the labour market situation, it was observed that in October 2024 employment in the enterprise sector had declined, yet continued to be high, and the unemployment rate remained low. The annual wage growth had declined compared to the beginning of 2024 but was still at a two-digit level. Wages in the national economy increased by 13.4% y/y in 2024 Q3. Some Council members emphasised that wage pressure was driven by the 2024 wage increases in the public sector.

While discussing the situation in the credit market the Council members pointed to the rising credit debt of households and enterprises. Attention was drawn to the record value of new consumer loans granted in October 2024. At the same time the value of new PLN-denominated housing loan contracts increased again. It was noted that the number of housing loan applications in October was the highest in 2024.

During the discussion it was emphasized that inflation in recent months had been about twice as high as the NBP inflation target, which was largely driven by a number of regulatory and tax factors, including rising prices of energy carriers as well as increases in VAT on food, higher excise tax on cigarettes and alcohol, a rise in prices of cold water supply and sewage collection. Certain Council members emphasised that regulatory and tax factors were beyond the control of domestic monetary policy.

At the meeting it was noted that in November the annual CPI inflation had fallen slightly compared to the 5.0% seen in October 2024. The decline in price growth in November was driven by the statistical base effect on fuel prices. At the same time it was estimated that inflation net of food and energy prices had probably increased as a result of the likely higher annual growth in prices of services, especially market services. At the same time, the marked fall in industrial producer prices in annual terms continued. It was noted that according to the November projection core inflation should increase further in the coming quarters and continue to exceed 4% in 2025 Q4.

During the discussion, the majority of the Council members observed that energy price regulations would have a significant effect on the outlook for CPI inflation. It was pointed out that in accordance with the new law in this regard, adopted by the Sejm in November, the capacity charge was to be reinstated as of July 2025, and the electricity price cap mechanism abolished from October 2025. It was pointed out that according to the forecasts, which take into account the solutions provided for in the new law and assuming that the current level of electricity tariffs would be kept in place, inflation would run above 5% in the first half of 2025, decreasing slightly in 2025 Q3 due to base effects, but at the same time being boosted by the reinstatement of the capacity charge. From October 2025, inflation would pick up again as a result of further unfreezing of energy prices. Thus, according to forecasts, inflation one year ahead may run at a similar level as currently or even higher. It was pointed out that the assumed unfreezing of energy prices from the second half of 2025 would also act to boost the inflation index in the first half of 2026, which, in turn, would delay the projected return of inflation to the NBP target in comparison with the results of the November projection. Certain Council members assessed that factors other than energy price regulations might have a greater impact on the medium-term inflation outlook. In the opinion of certain Council members, an increase in regulated energy prices might, besides boosting the annual inflation index, act to weaken demand pressure on other goods and services due to its dampening impact on households disposable income.

The Council members noted that an important determining factor for the inflation outlook was the shape of fiscal policy. It was pointed out that fiscal policy had been eased in 2024, and the deficit of the public finance sector was high. The government and the European Commission anticipate even a slight rise in the structural deficit in 2025, so that fiscal policy will not provide a disinflationary impulse. It was judged that the planned shape of fiscal policy limited the room for a potential monetary easing. It was pointed out that although the government had announced a fiscal tightening from 2026, no specific measures in this regard had been put forward. At the same time, the path of the public debt-to-GDP ratio envisaged by the government was steeply upward for the first time in a long time.

When discussing the key factors of uncertainty for the inflation outlook it was emphasised that uncertainty persisted about the impact that the elevated inflation had on inflation expectations and wage pressure, particularly given the expected economic recovery and the persistently low unemployment. At the same time, there is uncertainty about the prospects for activity in major economies as well as geopolitical uncertainty, primarily related to the Russian military aggression against Ukraine. Some Council members also highlighted the uncertainty about energy prices in the longer term, including the level of the regulated electricity tariffs in the second half of 2025.

The majority of the Council members judged that inflation was currently significantly boosted by the rising prices of energy carriers as well as by other regulatory factors. The price pressure in the domestic economy is also stimulated by the substantial wage growth, stemming i.a. from wage increases in the public sector. The easing of fiscal policy is pro-inflationary. Core inflation remains considerably elevated; this includes high service price growth. At the same time, demand and cost pressures in the Polish economy remain relatively low, which, amidst the 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 markedly above the NBP inflation target, driven by the effects of earlier increase in energy prices, as well as planned increase in excise duties and administered services prices. At the same time, core inflation is expected to remain elevated, amid the projected economic recovery and the still loose fiscal policy. In the medium term – under the current NBP interest rates level and the expected gradual decline in wage growth – inflation should return to the NBP target. However, developments in energy prices, due to their probable unfreezing in the second half of 2025, as well as the impact of elevated energy price growth on inflation expectations, remain an uncertainty factor for the expected horizon for the return of inflation to the target. In particular, the likely unfreezing of energy prices in the second half of 2025 may, according to current forecasts, lead to a new rise in inflation in late 2025, thus delaying the return of inflation to the target. Inflation developments over the medium term will also be affected by the further fiscal and regulatory policy measures, the pace of the expected economic recovery in Poland and the labour market conditions. 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 NBP inflation target in the medium term.

A view was expressed that given the elevated inflation as well as the strong increase in the price level in previous years, 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 keep the NBP interest rates unchanged: the reference rate at 5.75%, the lombard rate at 6.25%, the deposit rate at 5.25%, the rediscount rate at 5.80%, and the discount rate at 5.85%.

The Council members pointed out that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity.

Minutes of the Monetary Policy Council decision-making meeting held on 16 January 2025

During the discussion at the meeting of the Monetary Policy Council it was noted that economic activity growth in the euro area was picking up gradually, but remained moderate and uneven between countries. In particular, in Germany – which is Poland’s main trading partner – in 2024 GDP again declined slightly. The pace of the recovery in the euro area was held back by the prolonged downturn in industry. It was pointed out that in 2025 the recovery in the euro area was expected to strengthen, supported by real wage growth and strong economic conditions in services. At the same time, forecasts indicated that the economic situation in Germany would improve only marginally. In turn, in the United States relatively fast GDP growth continued.

The Council members noted that in recent months inflation in the external environment of the Polish economy had risen. It was pointed out that in many countries higher inflation had mainly been driven by higher energy price growth. This was accompanied by the persistently elevated level of core inflation. These data show that in many economies bringing inflation sustainably back to the inflation targets will take place gradually.

While analysing monetary policy abroad, it was noted that in December 2024 both the European Central Bank and the Federal Reserve of the United States had cut interest rates. It was pointed out that the central banks of the Central and Eastern European countries outside the euro area had kept interest rates unchanged at their last meetings of 2024.

While discussing economic activity in Poland, it was pointed out that incoming data signalled an increase in GDP growth in 2024 Q4. Attention was drawn to the fact that in November 2024 annual retail sales growth had accelerated to 3.1%. At the same time, construction and assembly output as well as industrial production had declined in annual terms in November 2024. However, it was underlined that the fall in industrial output was largely due to calendar effects. The Council members noted that in line with available forecasts, the coming quarters most likely would see a further strengthening of economic activity.

When referring to labour market, it was observed that in November 2024 employment in the enterprise sector had declined in annual terms. This was accompanied by the still very low unemployment. At the same time, the Council members pointed out that annual wage growth in the enterprise sector remained high. It was also noted that at the beginning of 2025, a further rise in minimum wage had entered into force. In this context, the Council members underlined that although the scale of the minimum wage rise was smaller than in 2024, the share of surveyed enterprises expecting wage increases in 2025 Q1 had risen and exceeded 40%.

While analysing situation in the credit market, the Council members pointed out that annual corporate debt growth continued to rise, both in the form of current loans and investment loans. It was noted that household bank debt was also rising gradually. At the same time, the Council members underlined that the value of bank loans to the private non-financial sector in relation to GDP was relatively low in Poland.

At the meeting, it was noted that in December 2024 the annual CPI inflation rate was at 4.7%, i.e. unchanged compared to the November reading, running clearly above the NBP target. It was underlined that inflation excluding food and energy prices – despite a slight decline in December – had also remained elevated and was higher than the long-term average as well as higher than the levels recorded in mid-2024. It was pointed out that particularly rapid growth continued in service prices, which was related to high wage growth fuelled by low unemployment and public sector wage rises of 2024.

When discussing the inflation outlook, the Council members observed that according to available forecasts, in the first half of 2025 inflation may exceed 5%. The CPI inflation rate will be still boosted by the previous increases in energy prices as well as other regulatory and tax measures implemented in 2024 and expected in 2025, including the increase in distribution tariffs for natural gas, the further rise in excise tax on cigarettes and alcohol, and higher tariffs for the water supply and sewage collection. The Council members pointed out that the second half of 2025 might see further increases in energy prices, which would once again boost inflation. In line with the current regulations, in July 2025 the so-called capacity charge will be restored, while in October 2025 the price cap for electricity is set to expire, which – assuming the present level of tariffs – would mean a significant increase in electricity prices. It was noted that a reduction in tariffs was possible, but that it was uncertain whether it would take place and to what extent.

The Council members pointed out that under these conditions, CPI inflation – following a temporary decline in 2025 Q3 due to base effects – might rise again at the end of the year. At the same time, forecasts indicated that annual average inflation in 2025 would significantly exceed the NBP inflation target. Moreover, it was underlined that in 2025 inflation excluding food and energy prices might persist at an elevated level, close to 4%. The Council members pointed out that the unfreezing of energy prices in the second half of 2025 might also add to CPI inflation for part of 2026.

During the discussion it was noted that other macroeconomic conditions so far had not been conducive to a fast decline in inflation. In this context, attention was drawn in particular to the persistently high wage growth and economic growth, which according to forecasts was to accelerate in 2025. The Council members also pointed to the high general government deficit forecast for 2025 and the fact that no specific solutions for the signalled fiscal tightening in 2026 had been announced.

It was pointed out that a prolonged period of elevated inflation would increase the risk of higher inflation expectations, which might boost wage pressure and as a result consolidate high price growth. This risk might be important especially amid an economic recovery and low unemployment. At the same time, uncertainty about the outlook for economic activity in the largest economies was underlined, as well as geopolitical uncertainty, including that related to the Russian military aggression against Ukraine.

The majority of the Council members judged that in the coming quarters inflation would remain markedly above the NBP inflation target, driven by the effects of the already introduced increases in energy prices, as well as rises in excise duties and administered services prices. At the same time, core inflation would probably also continue to be elevated. Unfreezing of energy prices in the second half of 2025 may contribute to extending the period of inflation staying above the target. In the medium term – under the current NBP interest rates level and amid the expected gradual decline in wage growth – inflation should return to the NBP target. The impact of elevated inflation on inflation expectations and wage pressure – especially against the anticipated economic recovery and low unemployment – remains an uncertainty factor. Inflation developments over the medium term will be also affected by the further fiscal and regulatory policy measures. 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 NBP inflation target in the medium term.

A view was expressed that given the elevated inflation, 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 keep the NBP interest rates unchanged: the reference rate at 5.75%, the lombard rate at 6.25%, the deposit rate at 5.25%, the rediscount rate at 5.80%, and the discount rate at 5.85%.

The Council members pointed out that further decisions of the Council would depend on incoming information regarding prospects for inflation and economic activity.

Information from the meeting of the Monetary Policy Council held on 4-5 February 2025

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 Q4 the annual GDP growth in the euro area continued to be moderate, and in Germany it was slightly negative. Meanwhile, in the United States the annual economic activity growth in 2024 Q4 was close to its longer-term average. Uncertainty about the activity outlook in the largest economies persists, which is related to, among others, possible changes in global trade policies.

Inflation in the major advanced economies is running slightly above the central banks' inflation targets. At the same time, due to elevated growth in services prices, core inflation is still higher than headline inflation.

In Poland, according to Statistics Poland preliminary estimate, GDP grew by 2.9% in 2024, which implies that annual economic activity growth probably accelerated in 2024 Q4. In the labour market unemployment remains low and the number of working persons continues to be high, although employment in the enterprise sector in December 2024 was lower than a year earlier. At the same time, the wage growth is still running at the high level.

Annual CPI inflation in December 2024 was 4.7% (against 4.7% in November). Higher inflation in the second half of 2024 compared to the first half of the year resulted mainly from the increases in the administered prices of energy carriers, as well as – albeit to a lesser extent – the higher annual growth in prices of food and non-alcoholic beverages. At the same time, inflation net of food and energy prices remains elevated, mainly due to high growth in services prices. This is supported by the high wage growth, stemming i.a. from wage increases in the public sector. Meanwhile, the annual growth in producer prices remains negative.

In the Council's assessment, in the coming quarters, inflation will remain markedly above the NBP inflation target, driven by the effects of the already introduced increases in energy prices, as well as rises in excise duties and administered services prices. At the same time, core inflation will probably also continue to be elevated. Unfreezing of energy prices in the second half of 2025 may contribute to extending the period of inflation staying above the target.

In the medium term – under the current NBP interest rates level and amid the expected gradual decline in wage growth – inflation should return to the NBP target. The impact of elevated inflation on inflation expectations and wage pressure – especially against the anticipated economic recovery and low unemployment – remains an uncertainty factor. Inflation developments over the medium term will be also affected by the further fiscal and regulatory policy measures.

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.

Information from the meeting of the Monetary Policy Council held on 11-12 March 2025

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%.

In 2024 Q4, the annual GDP growth in the euro area accelerated, while in Germany it was slightly negative. Meanwhile, in the United States the annual economic activity growth in 2024 Q4 was close to its longer-term average. Inflation in the major advanced economies is running slightly above the central banks' inflation targets, mainly as a result of elevated core inflation, including services price growth. The outlook for economic activity and inflation around the world is fraught with uncertainty, which is related to, among others, changes in trade policies.

In Poland, according to the Statistics Poland preliminary estimate, GDP growth accelerated to 3.2% y/y in 2024 Q4 (from 2.7% y/y in Q3). At the same time, growth in domestic demand, including private consumption, picked up (to 4.8% y/y). In January 2025, the annual growth rates of retail sales as well as construction and assembly production increased markedly, while industrial output growth was negative. In the labour market unemployment remains low and the number of working persons continues to be high, although employment in the enterprise sector in January 2025 was lower than a year earlier. At the same time, the wage growth is still running at the high level.

According to the Statistics Poland preliminary data, annual CPI inflation in January 2025 rose to 5.3%. The rise in inflation significantly above the NBP target from mid-2024 was mainly due to the implemented increases in the administered energy prices – in particular partial unfreezing of energy carriers prices from July 2024 and the increase in natural gas distribution tariffs from January 2025 – as well as, albeit to a lesser extent, the higher annual growth in prices of food and non-alcoholic beverages. At the same time, core inflation is also elevated, mainly due to rapidly rising services prices, amid high wage growth.

The Council became acquainted with the results of the March 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 27 February 2025, there is a 50-percent probability that the annual price growth will be in the range of 4.1 – 5.7% in 2025 (against 4.2 – 6.6% in the November 2024 projection), 2.0 – 4.8% in 2026 (compared to 1.4 – 4.1%) and 1.1 – 3.9% in 2027. At the same time, the annual GDP growth – according to the projection – will be with a 50-percent probability in the range of 2.9 – 4.6% in 2025 (against 2.4 – 4.3% in the November 2024 projection), 1.9 – 4.0% in 2026 (compared to 1.7 – 4.0%) and 1.1 – 3.5% in 2027.

In the Council's assessment, inflation this year will be markedly above the NBP inflation target, driven by the effects of the already introduced increases in energy prices, rises in excise duties and administered services prices, as well as the further unfreezing of energy prices in the second half of 2025. In the coming quarters, core inflation will probably also continue to be elevated, amid a further economic recovery with a marked increase in domestic demand.

In the medium term – under the current NBP interest rates level and amid the expected gradual decline in wage growth – inflation should return to the NBP target. The impact of elevated inflation on inflation expectations and wage pressure – especially amid a rising demand and low unemployment – remains an uncertainty factor. Inflation developments over the medium term will be also affected by the further fiscal and regulatory policy measures.

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.

4. Projection of inflation and GDP

This inflation and GDP projection was prepared by the Economic Analysis and Research Department (EARD) of Narodowy Bank Polski and presents a forecast of economic developments under the assumption of unchanged NBP interest rates. In terms of the contents, work on this projection was supervised by the Director of the Economic Analysis and Research Department. The process was coordinated by the Macroeconomic Forecasts Division of the EARD and the projection was prepared using the macroeconomic NECMOD model. The Management Board of NBP approved the projection to be submitted to the Monetary Policy Council. The projection constitutes one of the inputs to the Monetary Policy Council's decision-making process concerning the NBP interest rates.

The March projection based on the NECMOD model covers the period from 2025 Q1 to 2027 Q4. The starting point for the projection is 2024 Q4.

The projection was prepared under the assumption of unchanged NBP interest rates, including a reference rate of 5.75%. The cut-off date for the data used in this projection is 27 February 2025.

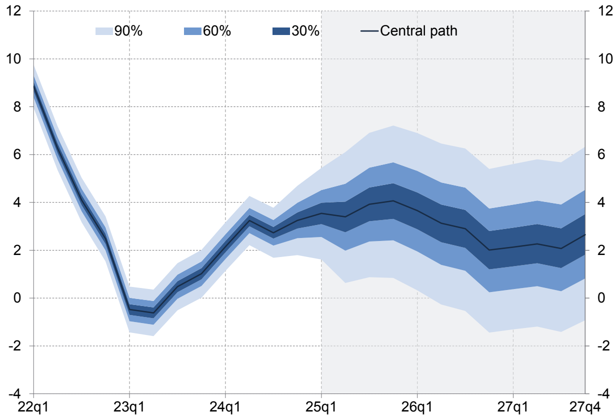
4.1 Summary

After GDP increased by almost 3% in 2024, economic growth will pick up to 3.7% in 2025. This will be supported by high inflow of EU funds under the 2021-2027 financial framework and the National Recovery Plan, that will in particular support investments. Only to a small extent will GDP growth in Poland in 2025-2027 be fuelled by foreign demand, since only a subdued recovery is expected in the euro area, with protracted stagnation in Germany. After a moderate recovery in domestic economic activity in 2025, GDP growth will slow down in 2026-2027. The substantial decline in GDP growth in 2027 will be significantly affected by the assumed termination of spending under the National Recovery Plan.

After peaking in the first half of 2025 (5.4% in Q1 and 5.2% in Q2), CPI inflation will decline in Q3. At the end of 2025, consumer price growth will pick up again and remain elevated until 2026 Q2.

CPI inflation in 2025 and the first half of 2026 is boosted by the impact of regulatory measures related to energy prices. These drive energy price growth, which will peak in 2025 Q4. According to the Act adopted on 27 November 2024,[43] cap on electricity prices for households – lower than the tariffs approved by the Energy Regulatory Office – will remain in force until the end of September 2025. At the same time, the capacity fee will be reinstated from 1 July this year. Thus, from 2025 Q4 on, electricity pricing mechanisms from before the introduction of the anti-inflationary shielding measures will apply. Assuming no changes in electricity tariffs, the average electricity bill for households will therefore rise, although its future level is subject to considerable uncertainty.

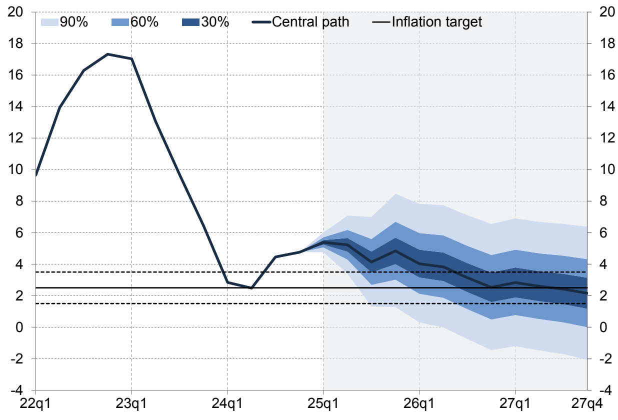
Figure 4.1 GDP (y/y, %)



Source: Statistics Poland (GUS) data, NBP calculations.

Fan fan charts depict the probability distribution of possible outcomes of GDP growth (Figure 4.1) and inflation rate (Figure 4.2). The part of the chart in the grey background illustrates forecast uncertainty of these variables over the projection horizon. It was assumed that the probability distribution of the possible outcomes of a variable at each forecast horizon belongs to the family of two-piece normal (TPN) distributions. This distribution is determined by three parameters: mode, variance and a measure of skewness. The mode of the distribution is the central path of the projection, while the variance is determined based on historical forecast errors for each of the horizons adjusted for the impact of the current uncertainty of exogenous variables. The skewness of the distribution is obtained from the analysis of several alternative scenarios together with the assigned probabilities of their realisation. On the chart, the distribution of the realisation of a given variable is illustrated by 30%, 60% and 90% probability intervals around the central projection path, which were constructed in such a way as to minimize the width of the bands (for more information see: Pońsko P., Rybaczyk B., 2016, Fan Chart – A Tool for NBP's Monetary Policy Making, Narodowy Bank Polski Working Paper, No 241).

Figure 4.2 CPI inflation (y/y, %)



Source: Statistics Poland (GUS) data, NBP calculations.

The methodology of construction of fan charts is discussed in the note under Figure 4.1.

[43] *Act of 27 November 2024 amending the Act on emergency measures to reduce electricity prices and support certain consumers in 2023 and 2024 and certain other acts.*

Core inflation will remain elevated in the coming quarters. Factors acting to dampen core inflation, particularly the growth in market services prices, will include weaker labour costs, which, however, affect inflation levels with some delay. At the same time, administered prices growth will remain robust in 2025.

Yet, the forecasted path of economic activity at home and abroad suggests that the impact of factors driving CPI inflation up will fade over the further projection horizon. The disinflation process will be supported by subdued demand pressure, slower growth in labour costs and low inflation in the external environment of the Polish economy. Assuming constant NBP interest rates, CPI inflation will return to the band of deviations from the NBP target (2.5% +/-1 p.p.) in 2026 Q3 and will stay within the band until the end of the projection horizon.

The future economic situation and CPI inflation path in Poland are crucially dependent on economic activity developments in the euro area amid the high uncertainty related to potential changes in the trade policy of the largest economies. The scale of absorption of EU funds under the National Recovery Plan is another factor of uncertainty for the projection. The balance of uncertainty factors for GDP growth and CPI inflation is roughly symmetric (Figure 4.1, Figure 4.2).

4.2 External environment

Economic growth

Incoming data and information from the euro area indicate that recovery in this economy will occur gradually, at a pace close to that assumed in the November projection (Table 4.1). The expected improvement in euro area activity is held back by the unfavourable trends observed in the German economy, including the persistent downturn in industry and the subdued investment demand. It is assumed that over the projection horizon the GDP

Table 4.1 GDP abroad – March projection versus November projection

	2024	2025	2026
GDP in Euro Area (y/y, %)			
March 2025	0.7	0.9	1.2
November 2024	0.7	1.2	1.3
GDP in Germany (y/y, %)			
March 2025	-0.2	0.2	1.0
November 2024	0.0	0.9	1.1
GDP in United States (y/y, %)			
March 2025	2.8	2.4	2.0
November 2024	2.7	2.0	2.0
GDP in United Kingdom (y/y, %)			
March 2025	0.9	0.9	1.4
November 2024	0.9	1.2	1.4

Source: NBP calculations.

growth in the euro area will continue to be supported by a rebound in household consumption, underpinned by rising disposable income amid persistently favourable labour market conditions. The currently low private investment growth will improve later in the projection horizon, supported by the anticipated monetary easing cycle by the ECB (Figure 4.3) and by increased defence spending.

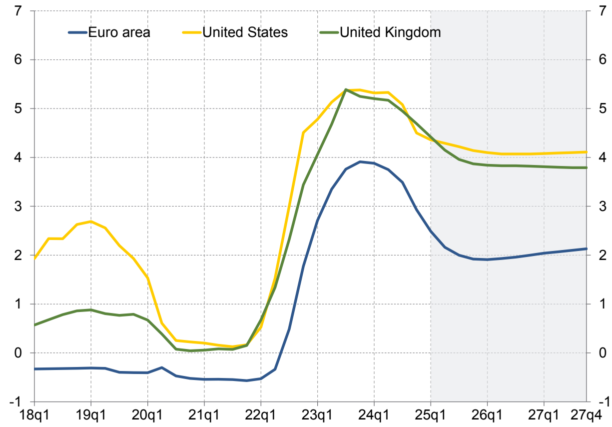
Economic conditions are at present relatively more favourable in the United States; similarly, in the projection horizon, GDP growth in that economy, supported by faster-growing labour productivity, will outpace euro area growth (see Chapter 1.1 *Economic activity abroad*). The conditions for private consumption growth in the United States, including the labour market situation and households' financial standing, remain broadly favourable. The actions and announcements of the new US administration to date point to a tightening of trade policy, a planned easing of fiscal policy and deregulation.

Inflation and commodity markets

Global prices of energy commodities are running well below the 2022 highs, although they still exceed their pre-pandemic levels (see Chapter 1.3 *Global commodity markets*).

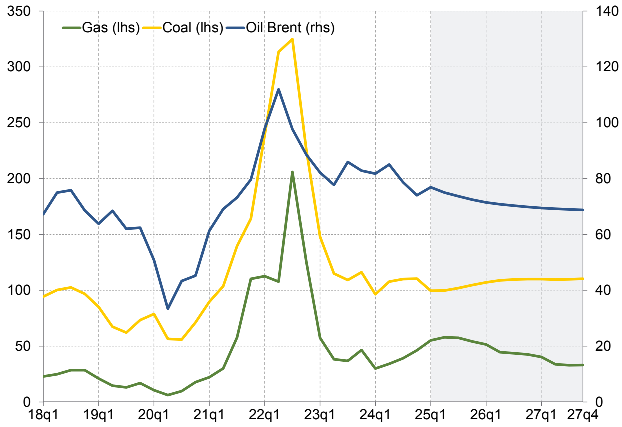
Futures quotations suggest that global oil and gas prices will decline over the projection horizon (Figure 4.4, Figure 4.5). The fall in oil prices between 2025 and 2027 will be supported by the expected increase in output in non-OPEC+ countries, including the United States, following the new administration's announcements of oil production liberalisation. A sharper decline in oil prices is being prevented by the supply constraint policy of OPEC+ and the EU sanctions on Russia. On the other hand, the decrease in the prices of natural gas in the projection horizon will result from the expected normalisation of the supply-side situation in the European market, which deteriorated in early 2025 following the expiry of

Figure 4.3 Interest rates abroad (%)



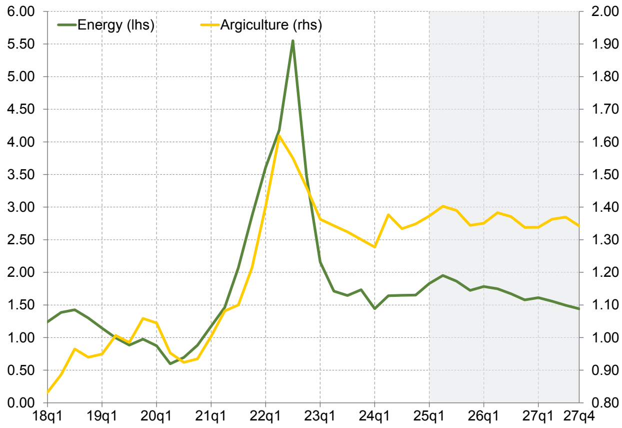
Source: Bloomberg data, NBP calculations.

Figure 4.4 Brent oil prices (USD/b), natural gas (TTF, USD/MWh) and hard coal (Richards Bay, USD/t)



Source: Bloomberg data.

Figure 4.5 Energy commodities price index (USD, 2019=1) and index of agricultural prices (EUR, 2019=1) in global markets



Source: Bloomberg data, NBP calculations.

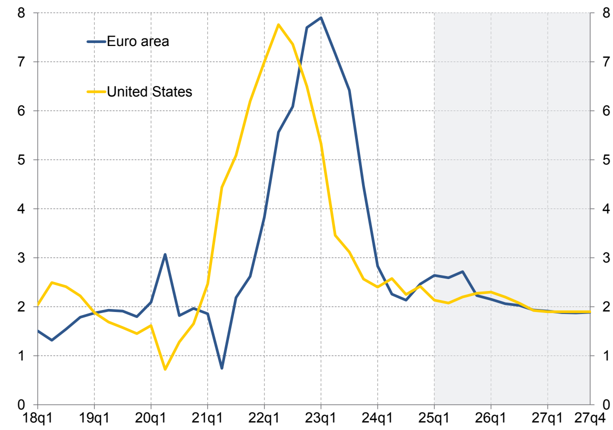
The index of the prices of energy commodities includes prices of crude oil, coal and natural gas, taking into account of the consumption structure of these commodities in Poland. The agricultural commodity price index includes prices of wheat, pork, skimmed milk powder, butter, sugar, cocoa, coffee, frozen concentrated orange juice, potatoes, oilseed, allowing for weights reflecting the consumption structure of Polish households.

the agreement for the transmission of Russian gas through Ukrainian territory.

Global prices of most agricultural commodities, particularly coffee, potatoes and wheat, increased after the closure of the November inflation projection. Futures quotations show that as agrometeorological conditions return to their averages in the coming seasons, and as the impact of the disruptions resulting from the Russian invasion recedes further, the index of agricultural commodity prices will subside somewhat in 2026-2027, yet it will run slightly above the assumptions of the November forecasting round (Figure 4.5).

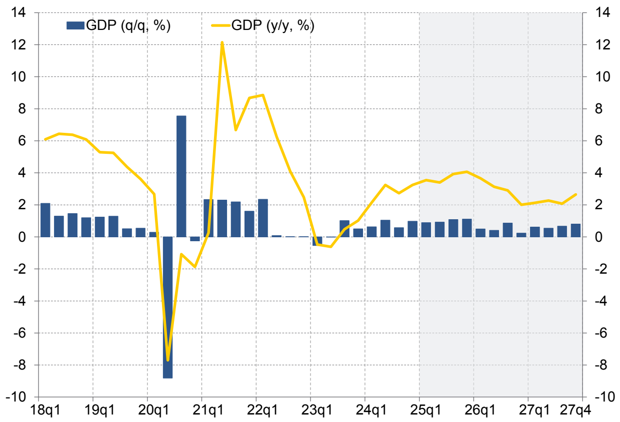
The merely moderate recovery in global demand in the projection horizon will be conducive to keeping inflation in the external environment of the Polish economy at a low level (Figure 4.6). However, the disinflation process in major developed economies and in the Central and Eastern European countries will be staggered. In particular, it will continue to be constrained by consistently elevated wage growth, driven by the sharp rise in living costs in previous years, resulting in continued persistence of services price inflation. The pace of disinflation in the projection horizon will also be curbed by the tightening of the trade policy of the United States including, among others, the already increased tariffs on goods from China. It is also possible that tariffs will be imposed on goods from other countries (including the European Union) and for other economies to take retaliatory measures. As a consequence of these developments, in 2025-2027 the tariffs in global trade will run at high levels not seen in decades. The future trade policy of the major economies is, however, subject to high uncertainty and poses a substantial risk factor for inflation (and economic growth) developments around the world (see Chapter 4.5 *Forecast uncertainty sources*).

Figure 4.6 Change in gross value added deflator (y/y, %)



Source: Bloomberg, Eurostat data, NBP calculations.

Figure 4.7 Economic growth



Source: Statistics Poland (GUS) data, NBP calculations.

4.3 Polish economy in 2025-2027

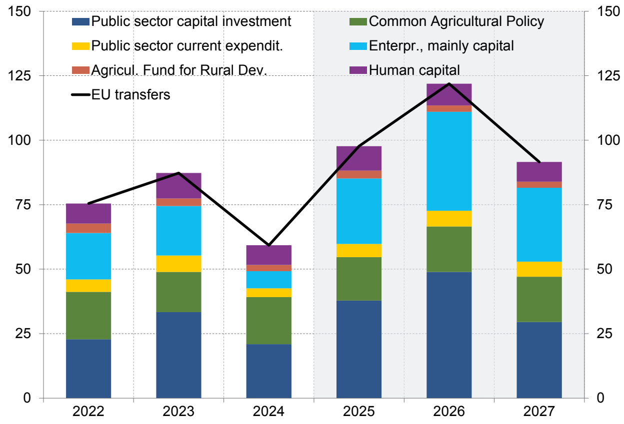
Economic activity

Following an increase of almost 3% in 2024, domestic GDP growth will pick up to 3.7% in 2025 (Figure 4.7) on the back of a high inflow of EU funds under the 2021-2027 financial framework and the National Recovery and Resilience Plan (Figure 4.8, Figure 4.9). Further on in the projection horizon, the positive impact of this factor will fade, translating into slower economic activity growth. GDP growth in Poland in 2025-2027 will be fuelled by foreign demand only to a small extent, as just a moderate recovery is expected in the euro area. With the assumption of unchanged NBP interest rates in the projection (including the reference rate at 5.75%), the rising real interest rate in the subsequent years will hamper the projected domestic demand growth.

The pace of growth of household consumption in 2025-2027 will remain moderate (2.9% on average), with the household savings rate remaining elevated (Figure 4.10). This will be supported by a rising real interest rate over the projection horizon and households' efforts to restore savings after a period of high inflation. Consumption growth will also be curbed by the forecast slowdown in real wage growth in 2025-27 compared to 2024. The relatively stable growth in household expenditure over the projection horizon results from the drive to smooth the consumption path over time.

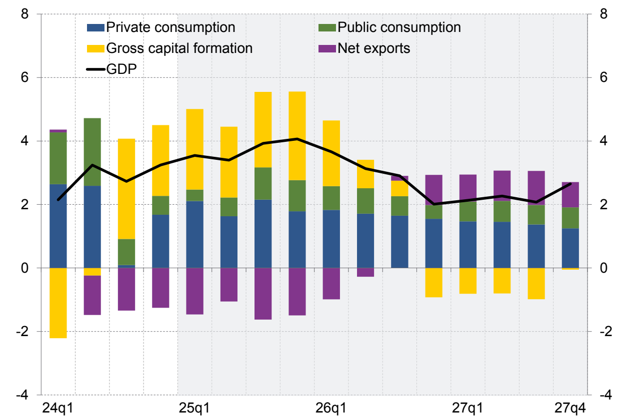
It is assumed that after a period of a marked slowdown, gross fixed capital formation will grow at a faster rate in 2025 (Figure 4.11). Investment demand in 2025 will be supported by higher absorption of EU funds under the new 2021-2027 financial framework and the National Recovery and Resilience Plan (Figure 4.12). In 2026, this factor will no longer boost investment growth to the same extent, and in 2027, upon the completion of spending under the *NextGenerationEU* facility, gross fixed capital formation will decline (Figure 4.8). With regard to businesses, a revival in

Figure 4.8 Expenditure financed by EU funds (in PLN billion) – breakdown



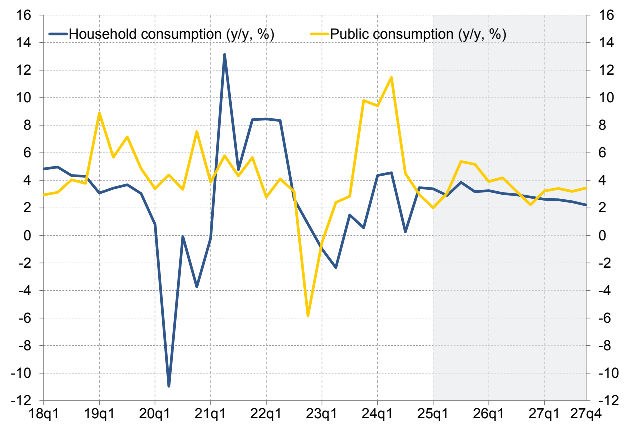
Source: NBP calculations.

Figure 4.9 GDP growth (y/y,%) – breakdown



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.10 Household and public consumption



Source: Statistics Poland (GUS) data, NBP calculations.

investment activity in 2025 is corroborated by survey results pointing to a rise in the percentage of firms announcing the start of new investments in the horizon of a quarter and a year.[44] Over the projection horizon, expenditure related to the ongoing energy transition of the Polish economy is expected to rise, including spending on expansion of offshore wind farms in the Baltic Sea and the modernisation of transmission grids. The investment path will also be elevated by the need to increase the degree of automation and robotisation of the Polish economy in the face of the growing labour costs, as well as by military equipment purchases.

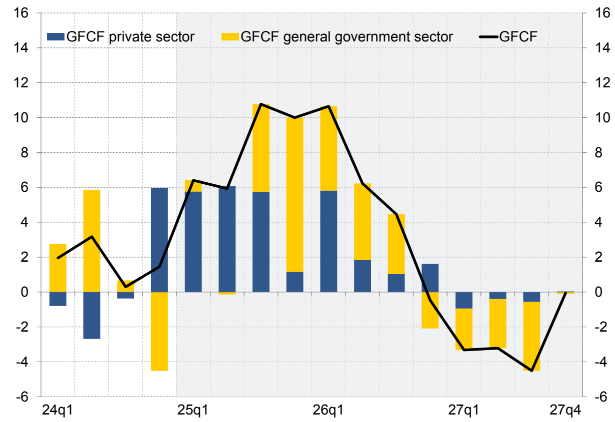
The contribution of net exports to GDP growth will be negative in 2025 due to accelerated import growth following the domestic recovery. At the same time, the path of exports will be adversely affected by diminished economic activity in Poland's trading partners, particularly Germany (Figure 4.13). In 2026-2027, domestic demand growth will decline amid a growing contribution of net exports to GDP growth.

Potential output and the output gap

In line with the current projection, potential output growth in 2025-2027 will stand at an average of 3.1% y/y, i.e. slightly below its long-term average (Figure 4.14).

The potential of the domestic economy will be positively affected by the staggered impact of investment growth in 2025-2026, boosting the growth of productive capital, as well as by the assumed inflow of migrants, increasing labour supply. On the other hand, changes in the demographic structure of Poland's population will have a negative impact on potential GDP growth over the projection period. This is reflected in the assumed decline in the number of people of

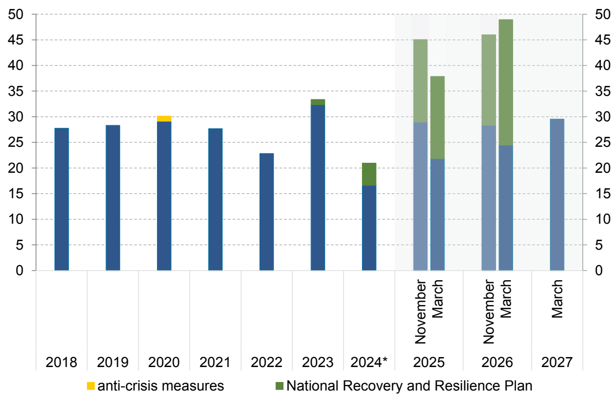
Figure 4.11 Gross fixed capital formation (y/y, %) – breakdown



Source: Statistics Poland (GUS) data, NBP calculations.

Private sector investment is defined as gross fixed capital formation according to the national accounts except for the general government sector. It covers gross fixed capital formation of non-financial enterprises, financial and insurance companies, households (both housing and non-housing investment) and non-profit institutions serving households.

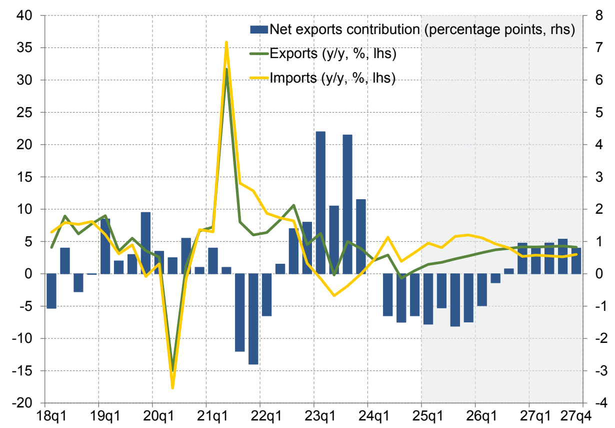
Figure 4.12 Use of EU funds for public investment (PLN billion)



Source: MFiPR, Statistics Poland (GUS) data, NBP calculations.

* NBP estimates.

Figure 4.13 Foreign trade



Source: Statistics Poland (GUS) data, NBP calculations.

[44] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector*, NBP, January 2025.

working age, restricting the number of economically active and employed people.

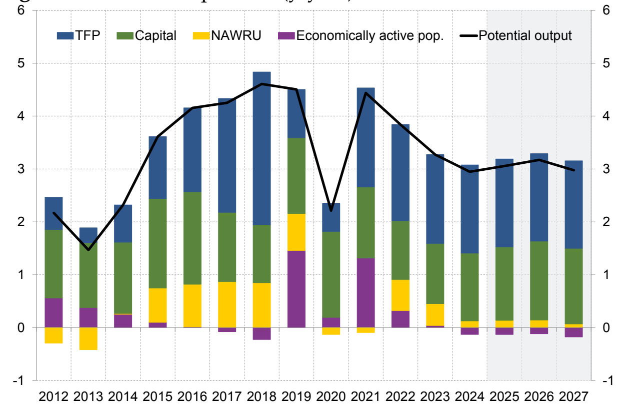
The projected recovery in domestic activity in 2025 will contribute to an improvement in the currently negative output gap to a slightly positive level in 2025 Q4 (Figure 4.15). This means that the increased demand pressures expected in that period will constrain the decline in inflation. However, in 2026-2027, in the wake of a slowdown in GDP growth, demand pressures will ease again, increasingly supporting the disinflation process in the Polish economy.

Labour market

In 2025, along with the anticipated pick-up in domestic GDP growth, the unemployment rate will decline. This scenario is supported by the results of surveys of companies, a higher percentage of which are planning to increase their workforce than reduce it within a one-year horizon[45] (Figure 4.16, Figure 4.18). In 2026-2027, the unemployment rate will rise again in response to a slowdown in economic growth (Figure 4.17). However, the scale of the increase will be limited by demographic processes reducing the number of people of working age.

Over the projection horizon, wage growth will decline markedly relative to its high 2024 level and will approximate labour productivity growth (Figure 4.19). This scenario is confirmed by the results of the NBP Quick Monitoring Survey, according to which the median wage increase as declared by companies in a year's horizon remains at 5%.[46] The projected decline in nominal wage growth will occur due to a fall in inflation relative to 2022-2023, which is factored into the wage-setting mechanisms with a lag. The smaller scale of wage increases in the general government sector and the minimum wage than in 2024 – assumed in

Figure 4.14 Potential product (y/y, %) – breakdown



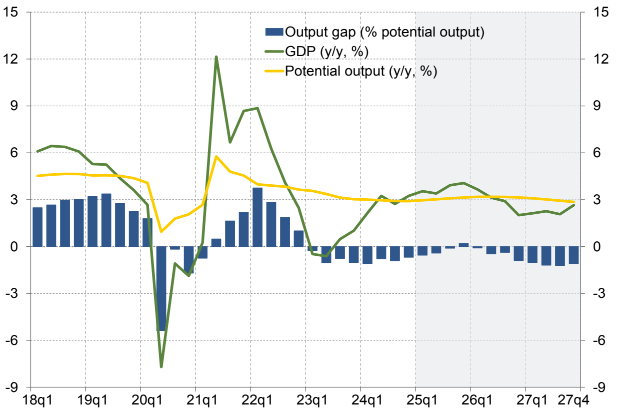
Source: NBP calculations.

Potential output growth is defined as the economic growth rate that does not cause the accumulation of inflationary pressure. It may originate from the growth of labour supply, productive capital or total factor productivity. In the NECMOD model it is estimated on the following Cobb-Douglas production function:

$$PKB_t^{pot} = TFP_t^{trend} \cdot [LF_t^{trend} \cdot (1 - NAWRU_t)]^{0.67} \cdot K_t^{1-0.67},$$

where PKB_t^{pot} is the level of potential output, TFP_t^{trend} – total factor productivity, smoothed by the Hodrick-Prescott (HP) filter extended with an index of capacity utilisation, LF_t^{trend} – the number of economically active people smoothed by a HP filter, $NAWRU_t$ – non-accelerating wage rate of unemployment in the equilibrium, K_t – productive capital. The output elasticity with respect to labour was set at the level of 0.67.

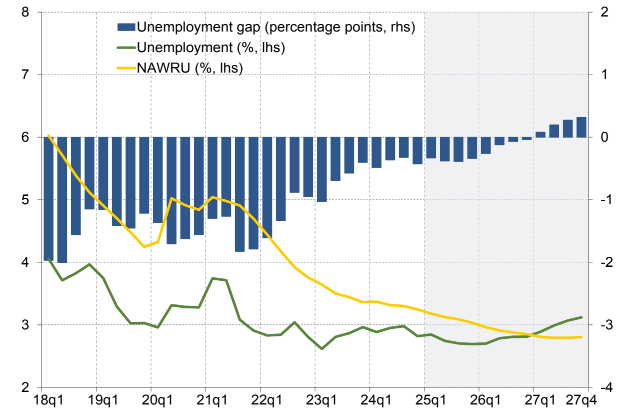
Figure 4.15 Output gap



Source: Statistics Poland (GUS) data, NBP calculations.

The output gap is a synthetic measure of demand pressure in the economy. It is expressed as a percentage of the deviation of the actual real level of GDP from the level of potential output.

Figure 4.16 Unemployment



Source: Statistics Poland (GUS) data, NBP calculations.

$NAWRU_t$ – non-accelerating wage rate of unemployment in the equilibrium.
The LFS unemployment data before 2019 and from 2019 are not fully comparable – see note to the Figure 4.17.

[45] *NBP Quick Monitoring Survey. Economic climate in the enterprise sector*, NBP, January 2025.
[46] *NBP Quick Monitoring Survey, Economic climate in the enterprise sector*, NBP, January 2025.

the projection horizon – will act in the same direction.

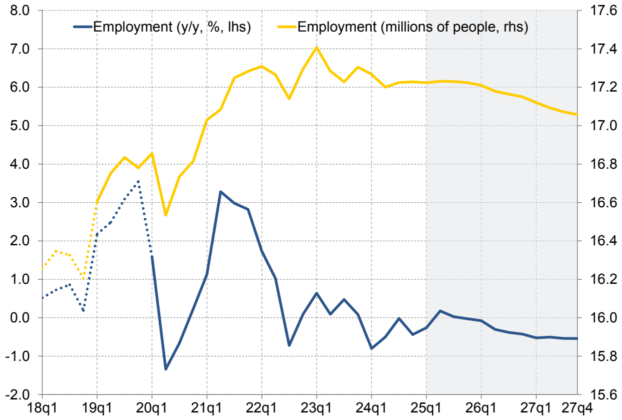
Legislative changes affecting the projected path of CPI inflation

After the cut-off date of the November projection, the government decided to unfreeze electricity prices over the course of 2025. According to the Act adopted on 27 November 2024,[47] a cap on electricity prices for households will apply until the end of September 2025. The cap was set at PLN 500/MWh, i.e. lower than the tariffs approved by the Energy Regulatory Office (PLN 623/MWh on average), which are used to determine the amount of compensation payments for electricity providers and distributors. At the same time, the capacity fee will be reinstated as of 1 July 2025. Thus, in line with current legislation, 2025 Q4 will mark the end of the period of statutory actions aimed at limiting electricity price growth for households with the restoration of the price-setting mechanisms that applied before the introduction of the anti-inflationary shielding measures. Assuming no changes to electricity tariffs, the average electricity bill for households is therefore set to increase over the projection horizon. However, its future level is subject to high uncertainty.

The course of the projected inflation path over 2025-2027 is also affected by rises in excise tax on tobacco products and their substitutes. According to the Excise Tax Act, amended in October 2024, the tax will increase by – depending on the product – 25-75% in March 2025, 20-50% in 2026, and 15-25% in 2027.

A factor with a potentially major impact on inflation in 2027 is the entry into force of the EU Emissions Trading System 2 (ETS2). The scheme is part of the "Fit for 55" package, a set of European Union regulations aiming to reduce CO_2 emissions within the European Community by at least 55% by

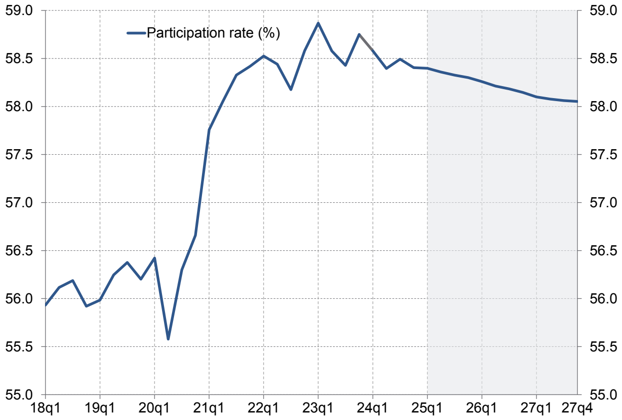
Figure 4.17 Employment



Source: Statistics Poland (GUS) data, NBP calculations.

Since 2023 Q4, the LFS data are harmonized with the number of the population according to the 2021 National Census. The retrospectively recalculated data, however, cover the period from 2019 Q1 to 2023 Q3, making periods before 2019 Q1 not comparable with later periods, which also leads to a distortion of growth rates in the y/y terms for employment in 2019.

Figure 4.18 Labour force participation



Source: Statistics Poland (GUS) data, NBP calculations.

The data before 2019 and from 2019 are not fully comparable – see note to the Figure 4.17.

[47] *Act of 27 November 2024 amending the Act on emergency measures to reduce electricity prices and support certain consumers in 2023 and 2024 and certain other acts.*

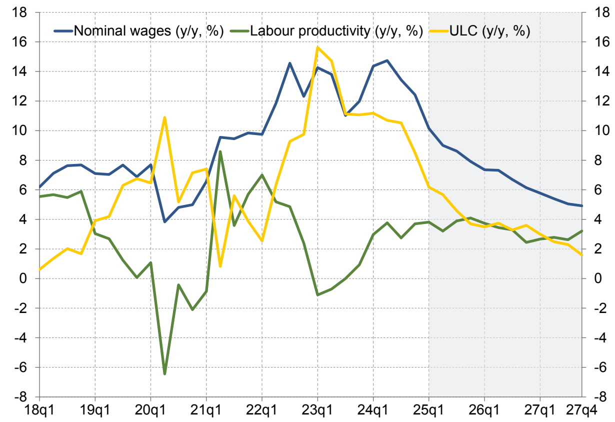
2030 compared to 1990 level. The ETS2 is intended to operate similarly to the current ETS system, which covers industry and energy sectors. It will apply to emissions from fuels used in road transport and those used by households in residential buildings (mainly for heating purposes). Suppliers of gas, petrol, coal and other fuels will be forced to buy allowances corresponding with their CO_2 emissions. The resulting additional cost, which depends on the price of emission allowances, may be passed on to buyers. The price of allowances in 2027 is currently unknown, however, it is planned to limit its increase above EUR 45/tonne (at 2020 prices). Assuming a full pass-through of price of allowances to fuel prices, each additional PLN 10 of the cost of a tonne of CO_2 emissions will directly increase CPI by 0.08 p.p. The EU rules should be implemented into national legislation by all member states. However, like many other EU countries, Poland has not yet implemented the above EU directives as of today. Also, negotiations are under way aimed at postponing the implementation of ETS2. This is why its impact has not been incorporated into the central path of the projection, posing an important upward risk to developments in CPI inflation in 2027.

CPI inflation

After reaching its peak in the first half of 2025 (5.4% in Q1 and 5.2% in Q2), CPI inflation will decline in Q3. However, in line with the assumptions of the current projection, consumer price growth will pick up again in late 2025 and will remain elevated until 2026 Q2. It will return to the band of deviations from the NBP inflation target (2.5% +/- 1 p.p.) in 2026 Q3 and will remain within the band until the end of the projection horizon.

CPI inflation in 2025 and the first half of 2026 is enhanced by regulatory measures related to energy prices, which boost their growth, peaking in 2025 Q4 (at 9.3% y/y). In 2025 Q1, a decision of the Energy Regulatory Office approved new, higher distribution tariffs for natural gas for households.

Figure 4.19 Unit labour cost

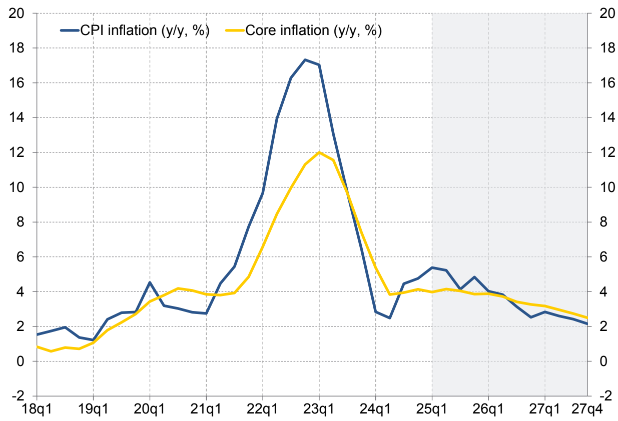


Source: Statistics Poland (GUS) data, NBP calculations.

Unit labour cost is defined as the average cost of labour per unit of output produced. They are calculated by dividing the product of average wages and the number of employed persons in the economy by the total GDP. Alternatively, they can be expressed as the quotient of the average wage and labour productivity, in other words, the relation of GDP to the number of the employed persons. Unit labour cost (ULC) presented in the chart include employers' social security contributions.

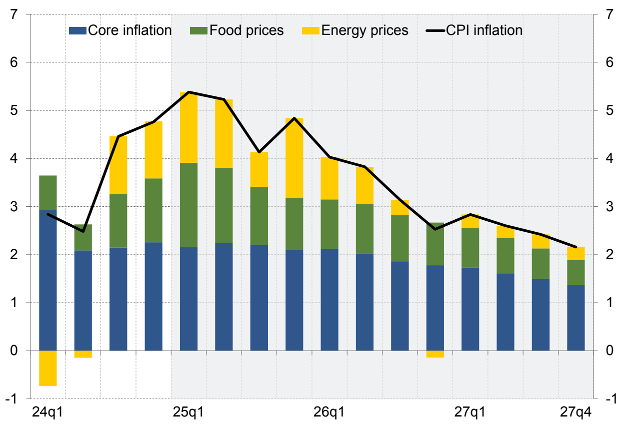
With regard to the data on growth rates in the y/y terms for unit labour cost (ULC) and labour productivity before 2020 - see note to the Figure 4.17.

Figure 4.20 CPI and core inflation



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.21 CPI inflation (y/y, %) – breakdown



Source: Statistics Poland (GUS) data, NBP calculations.

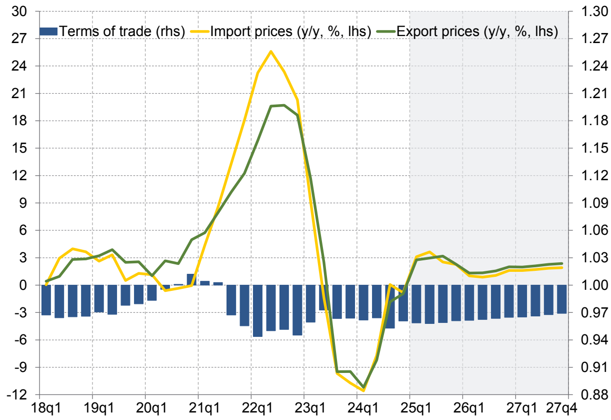
In 2025 Q3, in turn, the capacity charge will be reinstated, increasing the average amount of the electricity bill. Current legislation also provides for the removal of electricity price caps and a return to tariff-based billing for households from 2025 Q4. Assuming no change in the level of the tariffs, the prices of electricity charged to households will thus rise significantly (see *Legislative changes affecting the projected path of CPI inflation*).

In the coming quarters, core inflation will remain heightened. Downward pressure on core inflation – in particular on growth in the prices of market services – will stem from weaker labour cost growth, which, however – in line with market mechanisms – translates into prices with a certain time lag. At the same time, the steep growth in administered prices will continue in 2025 due to earlier and planned increases in the prices of sewerage services, waste disposal and cold water supply. The scale of the decline in core inflation in this period will be constrained by the rise in the excise tax on tobacco products (see *Legislative changes affecting the projected path of CPI inflation*).

In the course of 2025, only the annual growth of food prices will see a marked decline (Figure 4.23). This will largely result from the normalisation of supply conditions, including in the fruit and vegetable and butter markets. In addition, from Q2 onwards, the year-on-year growth in food prices will no longer be boosted by the reintroduction of the 5% VAT rate on basic food products in April 2024.

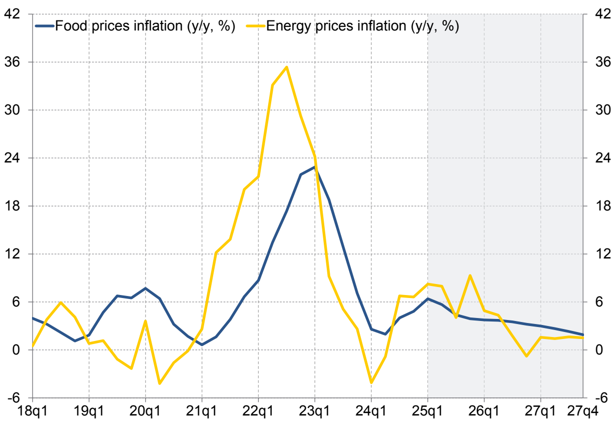
In 2026-2027, consumer price growth will be driven by weakening wage growth and low demand pressures, as reflected in the negative levels of the output gap (see section *Potential output and the output gap*). The subdued rise in import prices (Figure 4.22) due to low inflation in the external environment of the Polish economy and the decline in the energy commodity price index on global markets will also support disinflation in the Polish economy. In line with the assumptions of the current projection, regulatory changes will

Figure 4.22 Export and import prices



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.23 Food and energy price inflation



Source: Statistics Poland (GUS) data, NBP calculations.

continue to boost the year-on-year growth in energy prices significantly until 2026 Q2, and a marked decline will ensue in the second half of 2026. Given all these circumstances – and assuming unchanged NBP interest rates – CPI inflation is expected to return to the band of deviations from the NBP inflation target (set at 2.5% +/-1 p.p.) in 2026 Q3 (Figure 4.20, Figure 4.21) and to remain within the band until the end of the projection horizon.

4.4 Current versus previous projection

Data and information released after the cut-off date of the November projection have contributed to a downward revision of the CPI inflation forecast for 2025 and its upward revision for 2026, with a slightly higher path of economic growth (Table 4.2, Figure 4.24, Figure 4.25, Figure 4.26, Figure 4.27). The comparison refers to the November projection variant, which served as the central scenario and was based on the assumption that energy price regulation mechanisms would expire in 2025, in line with the *Act of 23 May 2024 on energy voucher and amendment of certain acts aimed to reduce the prices of electricity, natural gas and district heating*, which was in force at the time.

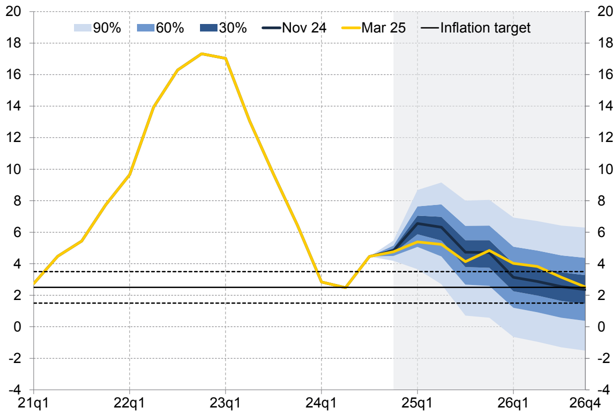
The change in the path of CPI inflation compared to the previous forecasting round was largely due to the new regulations on the shielding measures on electricity prices, which were adopted by the Sejm on 27 November 2024, i.e. after the cut-off date of the November projection. The new regulations extended the period in which the cap on electricity prices for households will be in force by nine months, i.e. to the end of September 2025. The period of suspension of the capacity charge has also been extended by half a year (to the end of June 2025; see *Legislative changes affecting the projected path of CPI inflation*). The adopted regulations changed the path of CPI inflation compared to the November projection, shifting the timing of the highest growth in energy prices for households

Table 4.2 March projection versus November projection

	2024	2025	2026
CPI inflation (y/y, %)			
March 2025	3.6	4.9	3.4
November 2024	3.7	5.6	2.7
GDP (y/y, %)			
March 2025	2.9	3.7	2.9
November 2024	2.7	3.4	2.8

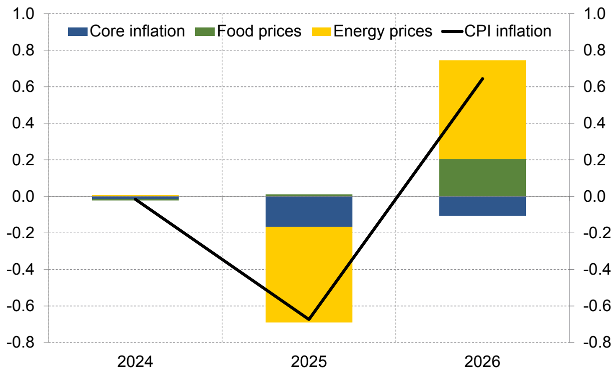
Source: NBP calculations.

Figure 4.24 March projection versus November projection: CPI inflation (y/y, %)



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.25 Decomposition of deviations between March and November projection: CPI inflation (percentage points)



Source: NBP calculations.

The data presented in the chart may vary slightly from those in Table 4.2, due to rounding of numbers to one decimal place.

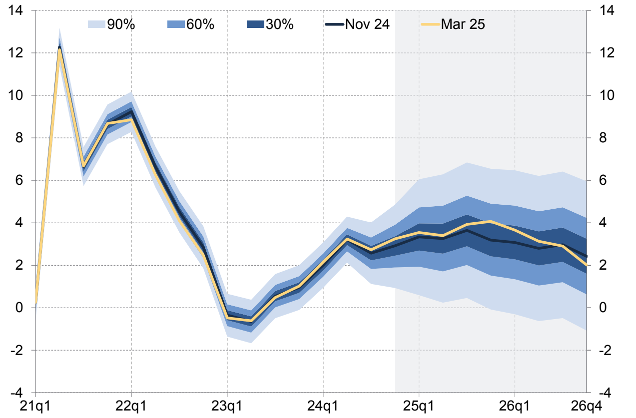
from 2025 Q1 to Q4. This has led to another increase in inflation in 2025 Q4, delaying the return of the CPI index to deviation band of the NBP inflation target (2.5% ±1 p.p.) compared to the previous forecasting round.

In the case of GDP, the change in relation to the expectations of the previous forecasting round is largely driven by the assumption in the March projection that unused non-reimbursable EU funds under the RRF in 2024 will be reallocated to the years 2025-2026. This adjustment is particularly reflected in higher projected investment growth over this period.

4.5 Forecast uncertainty sources

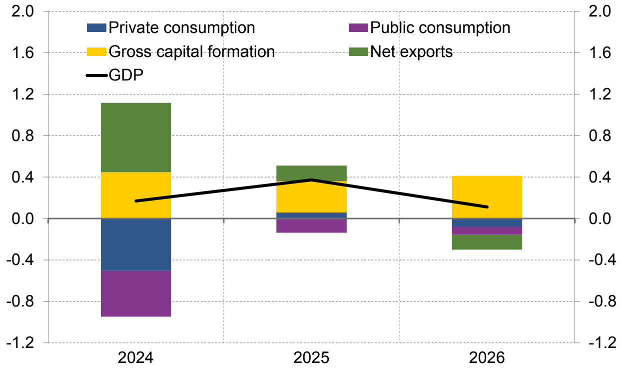
The central scenario of the projection, presenting the most likely macroeconomic developments in Poland, is subject to uncertainty reflected in the fan charts (Figure 4.1, Figure 4.2). The economic outlook and CPI inflation path in Poland depend to a large extent on the development of domestic energy prices in the years 2025-2027. In turn, a significant risk factor in the external environment of the Polish economy is the future development of economic activity in the euro area, especially in the German economy, amid high uncertainty related to possible changes in the trade policies of the major economies. Another important risk factor in the external environment of the Polish economy is the further course of military conflicts, including in particular the Russian aggression. The balance of uncertainty factors indicates a close to symmetric distribution of risks for the forecast of GDP growth and CPI inflation over the projection horizon (Table 4.3).

Figure 4.26 March projection versus November projection: GDP growth (y/y, %)



Source: Statistics Poland (GUS) data, NBP calculations.

Figure 4.27 Decomposition of deviations between March and November projection: GDP growth (percentage points)



Source: NBP calculations.

The data presented in the chart may vary slightly from those in Table 4.2, due to rounding of numbers to one decimal place.

Table 4.3 Probability of inflation running:

	Below 1.50%	Below 2.50%	Below 3.50%	Below the central projection	In the range (1.5-3.5%)
25q1	0.00	0.00	0.00	0.50	0.00
25q2	0.00	0.01	0.06	0.50	0.06
25q3	0.06	0.17	0.35	0.50	0.29
25q4	0.06	0.14	0.27	0.50	0.20
26q1	0.13	0.25	0.40	0.50	0.27
26q2	0.16	0.28	0.44	0.50	0.28
26q3	0.24	0.39	0.56	0.50	0.31
26q4	0.33	0.49	0.65	0.50	0.32
27q1	0.29	0.44	0.60	0.50	0.31
27q2	0.33	0.48	0.64	0.50	0.31
27q3	0.36	0.51	0.67	0.50	0.31
27q4	0.40	0.55	0.70	0.50	0.30

Source: NBP calculations.

Regulatory changes affecting energy prices

The development of the future path of energy prices in Poland is one of the most important risk factors for the current projection. Possible further regulatory changes in prices of energy carriers, including in particular measures capping the average electricity bill for households, might result in energy price growth and CPI inflation running below the central scenario. Another risk factor that may affect the future path of energy prices is the planned introduction of a new Emissions Trading System in 2027, covering road transport and residential buildings (the so-called ETS2, see section *Legislative changes affecting the projected path of CPI inflation*). At the time the assumptions of the current projection were formulated, there was still no domestic legislation introducing these solutions, and its implementation process may be delayed due to future political decisions. Consequently, these changes have therefore not been included in the baseline scenario of the projection. The possible extension of the Emissions Trading System therefore constitutes an upward risk for the levels of energy prices and CPI inflation in the last year of the projection.

Use of EU funds under the National Recovery and Resilience Plan

Another source of uncertainty is the pace and scale of the use of funds in the form of subsidies from the National Recovery and Resilience Plan due to the so far low percentage of contracts signed with the beneficiaries of these funds in relation to their total allocation. Meanwhile, all the milestones and targets for investment projects that were set out in the National Recovery and Resilience Plan – and may still, up to a point, be renegotiated with the European Commission – have to be achieved by August 2026. Lower uptake of EU funds than assumed in the central scenario would result in lower GDP growth in the Polish economy in the years 2025-2026, including in particular the path of investment.

Economic conditions in the euro area

The most important risk factor for the projection in the environment of the Polish economy is how the economic situation develops in the euro area, in particular in the German economy. The largest economy of the euro area has been stagnating since 2023, fuelled by its structural problems reflected in the difficult situation prevailing in the manufacturing sectors. In the event of their worsening, the economic activity of Germany and other euro area countries would be reduced compared to the central projection scenario. The deterioration in the competitive position of these economies compared to that prior to 2022 is additionally compounded by high uncertainty related to increased tariffs and non-tariff barriers to international trade. The shape of these relations will largely depend on the future decisions in this scope taken by the new administration in the United States, as well as on the scale of potential retaliatory measures in response to them. High uncertainty about the future shape of mutual trade relations between the major economies could affect investment decisions of economic entities, which would curb the expected recovery of economic activity in the euro area countries. Should the above-mentioned risk materialise, including a longer period of stagnation in the German economy, the future path of GDP in Poland would also shift downwards, including in particular the path of exports and investment. On the other hand, an improvement in the geopolitical situation, including an end to the Russian aggression against Ukraine, would lead to a stronger improvement in consumer and business sentiment in the euro area. Reaching favourable agreements in trade relations between the major economies would also have a positive impact on sentiment levels in Europe. A fall in uncertainty in the immediate environment of the Polish economy would boost consumption and investment spending, also contributing to faster economic recovery than assumed in the central scenario of the projection and a higher path of inflation in Poland.

Prices of energy and agricultural commodities

Changes in global energy and agricultural commodity prices remain a source of uncertainty for the inflation path in the baseline scenario. The prices of oil and other energy commodities could be subject to significant volatility, not only due to changes in demand, but also due to action taken by the major producers. A significant source of risk for the development of future energy commodity prices is also related to the course of the armed conflicts around the world, above all, with the participation of countries that are important hydrocarbon producers. In turn, the risk of a significant deviation of meteorological conditions compared to the long-term average in Poland and in countries that are important food producers is an additional source of uncertainty for food price developments and the path of inflation over the projection horizon.

Table 4.4 Central path of inflation and GDP projection

	2024				2025				2026				2027				2024	2025	2026	2027
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Consumer Price Index CPI (%, y/y)	2.8	2.5	4.5	4.8	5.4	5.2	4.1	4.8	4.0	3.8	3.1	2.5	2.8	2.6	2.4	2.2	3.6	4.9	3.4	2.5
Core inflation (CPI net of food and energy prices, %, y/y)	5.4	3.8	3.9	4.1	4.0	4.1	4.0	3.9	3.9	3.7	3.4	3.3	3.2	3.0	2.7	2.5	4.3	4.0	3.6	2.8
Food prices (%, y/y)	2.6	2.0	4.0	4.8	6.4	5.7	4.4	3.9	3.7	3.7	3.5	3.2	3.0	2.7	2.3	1.9	3.3	5.1	3.5	2.5
Energy prices (%, y/y)	-4.1	-0.8	6.8	6.6	8.2	8.0	4.0	9.3	4.9	4.3	1.7	-0.8	1.6	1.4	1.6	1.5	2.0	7.4	2.5	1.5
GDP (%, y/y)	2.1	3.2	2.7	3.2	3.5	3.4	3.9	4.1	3.7	3.1	2.9	2.0	2.1	2.3	2.1	2.7	2.9	3.7	2.9	2.3
Domestic demand (%, y/y)	2.3	4.8	4.4	4.8	5.4	4.8	5.9	5.9	4.9	3.6	2.9	1.1	1.3	1.4	1.1	2.0	4.1	5.5	3.1	1.4
Household consumption (%, y/y)	4.4	4.6	0.3	3.5	3.4	2.9	3.9	3.2	3.3	3.0	2.9	2.8	2.6	2.6	2.4	2.2	3.1	3.2	3.0	2.5
Public consumption (%, y/y)	9.4	11.5	4.5	3.0	2.0	3.1	5.4	5.2	3.9	4.2	3.2	2.2	3.2	3.4	3.2	3.4	6.7	4.2	3.4	3.3
Gross fixed capital formation (%, y/y)	1.9	3.2	0.1	1.3	6.4	5.9	10.8	10.0	10.6	6.2	4.5	-0.5	-3.3	-3.2	-4.5	-0.1	1.5	8.3	5.1	-2.8
Contribution of net exports (percentage points, y/y)	0.0	-1.3	-1.5	-1.3	-1.6	-1.1	-1.6	-1.5	-1.0	-0.3	0.2	1.0	0.9	1.0	1.1	0.8	-1.0	-1.4	0.0	0.9
Exports (%, y/y)	2.1	2.9	-0.7	0.5	1.5	1.8	2.3	2.8	3.3	3.7	3.9	4.2	4.1	4.2	4.3	4.1	1.2	2.1	3.8	4.2
Imports (%, y/y)	2.3	5.7	1.9	3.3	4.7	4.0	5.8	6.0	5.6	4.6	4.0	2.7	2.9	2.8	2.6	3.0	3.3	5.0	4.2	2.8
Gross wages (%, y/y)	14.4	14.7	13.4	12.4	10.1	9.0	8.6	7.9	7.4	7.3	6.7	6.1	5.8	5.4	5.0	4.9	13.7	8.9	6.9	5.3
Total employment (%, y/y)	-0.8	-0.5	0.0	-0.4	-0.3	0.2	0.0	0.0	-0.1	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4	0.0	-0.3	-0.5
Unemployment rate (%)	2.9	2.9	3.0	2.8	2.8	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.9	3.0	3.1	3.1	2.9	2.7	2.8	3.0
NAWRU (%)	3.4	3.3	3.3	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8	2.8	2.8	3.3	3.1	2.9	2.8
Labour force participation rate (%, y/y)	58.6	58.4	58.5	58.4	58.4	58.4	58.3	58.3	58.3	58.2	58.2	58.1	58.1	58.1	58.1	58.1	58.5	58.3	58.2	58.1
Labour productivity (%, y/y)	3.0	3.8	2.7	3.7	3.8	3.2	3.9	4.1	3.7	3.4	3.3	2.4	2.7	2.8	2.6	3.2	3.3	3.7	3.2	2.8
Unit labour cost (%, y/y)	11.2	10.7	10.5	8.5	6.2	5.7	4.6	3.7	3.5	3.7	3.3	3.6	3.0	2.5	2.3	1.6	10.2	5.1	3.5	2.3
Potential output (%, y/y)	3.0	3.0	2.9	2.9	3.0	3.0	3.1	3.1	3.2	3.2	3.2	3.1	3.1	3.0	2.9	2.9	2.9	3.1	3.2	3.0
Output gap (% potential GDP)	-1.1	-0.8	-0.9	-0.7	-0.6	-0.4	-0.1	0.2	-0.1	-0.5	-0.4	-0.9	-1.0	-1.2	-1.2	-1.1	-0.9	-0.2	-0.5	-1.1
Index of agricultural commodity prices (EUR; 2019=1.0)	1.28	1.38	1.33	1.35	1.37	1.40	1.39	1.34	1.35	1.38	1.37	1.34	1.34	1.36	1.37	1.34	1.33	1.38	1.36	1.35
Index of energy commodity prices (USD; 2019=1.0)	1.44	1.64	1.65	1.65	1.83	1.95	1.86	1.72	1.78	1.75	1.67	1.58	1.61	1.56	1.49	1.44	1.60	1.84	1.69	1.53
Gross value added deflator abroad (%, y/y)	2.1	1.9	1.9	2.3	2.5	2.5	2.6	2.2	2.1	2.1	2.0	2.0	2.0	2.0	1.9	1.9	2.1	2.4	2.0	2.0
GDP abroad (%, y/y)	0.6	0.7	0.9	1.0	0.9	0.9	0.9	1.1	1.2	1.2	1.3	1.3	1.2	1.2	1.2	1.2	0.8	1.0	1.2	1.2
Current account balance (% GDP)	1.6	1.3	0.5	0.1	-0.3	-0.4	-0.7	-1.1	-1.3	-1.4	-1.3	-1.1	-0.9	-0.7	-0.5	-0.2	0.1	-1.1	-1.1	-0.2
WIBOR 3M (%)	5.86	5.86	5.86	5.85	5.87	5.87	5.87	5.87	5.87	5.87	5.87	5.87	5.87	5.87	5.87	5.87	5.86	5.87	5.87	5.87

Source: Bloomberg, Eurostat, Statistics Poland (GUS), NBP calculations.

For the majority of variables, the values up to 2024Q4 are determined on the basis of raw quantities, while in the projection horizon are presented seasonally adjusted data. In the case of the unemployment rate, the NAWRU rate, the labour force participation rate, potential output growth, the output gap, the agricultural commodity price index, the energy commodity price index, inflation abroad and GDP growth abroad only seasonally adjusted data are presented, while the WIBOR 3M rate and import price growth are not seasonally adjusted series.

LFS data on total employment, labour force participation rate and unemployment rate. The agricultural commodity price index includes prices of wheat, pork, skimmed milk powder, butter, sugar, cocoa, coffee, frozen concentrated orange juice, potatoes, oilseed, allowing for weights reflecting the consumption structure of Polish households. The energy commodity price index covers prices of crude oil, coal and natural gas, taking into account the structures of consumption of these commodities in Poland.

5. The voting of the Monetary Policy Council members in October 2024 – January 2025

■ Date: 2 October 2024

Subject matter of motion or resolution:
Motion to raise the NBP interest rates by 2.00 p.p.

MPC decision:
The motion did not receive majority vote.

Voting of the MPC members:

For:	J.B. Tyrowicz	**Against:**	A. Glapiński I.K. Dąbrowski I. Duda W.S. Janczyk C. Kochalski L. Kotecki P. Litwiniuk G. Masłowska H.J. Wnorowski

■ Date: 6 November 2024

Subject matter of motion or resolution:
Motion to raise the NBP interest rates by 2.00 p.p.

MPC decision:
The motion did not receive majority vote.

Voting of the MPC members:

For:	J.B. Tyrowicz	**Against:**	A. Glapiński I.K. Dąbrowski I. Duda W.S. Janczyk C. Kochalski L. Kotecki P. Litwiniuk G. Masłowska H.J. Wnorowski

■ Date: 3 December 2024

Subject matter of motion or resolution:

Resolution no. 6/2024 amending the resolution on the accounting principles of Narodowy Bank Polski, the format of the balance sheet, the profit and loss account and the contents of notes.

Voting of the MPC members:

For:	A. Glapiński I.K. Dąbrowski I. Duda W.S. Janczyk C. Kochalski L. Kotecki P. Litwiniuk G. Masłowska H.J. Wnorowski	**Against:**	J.B. Tyrowicz

■ Date: 3 December 2024

Subject matter of motion or resolution:

Resolution no. 7/2024 on approving the financial plan of NBP for 2025.

Voting of the MPC members:

For:	A. Glapiński I.K. Dąbrowski I. Duda W.S. Janczyk C. Kochalski P. Litwiniuk G. Masłowska H.J. Wnorowski	**Against:**	L. Kotecki J.B. Tyrowicz

Date: 4 December 2024

Subject matter of motion or resolution:
Motion to raise the NBP interest rates by 2.00 p.p.

MPC decision:
The motion did not receive majority vote.

Voting of the MPC members:

For: J.B. Tyrowicz	**Against:** A. Glapiński I.K. Dąbrowski I. Duda W.S. Janczyk C. Kochalski L. Kotecki P. Litwiniuk G. Masłowska H.J. Wnorowski

Date: 16 January 2025

Subject matter of motion or resolution:
Motion to raise the NBP interest rates by 2.00 p.p.

MPC decision:
The motion did not receive majority vote.

Voting of the MPC members:

For: J.B. Tyrowicz	**Against:** A. Glapiński I.K. Dąbrowski I. Duda W.S. Janczyk C. Kochalski L. Kotecki P. Litwiniuk G. Masłowska H.J. Wnorowski

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