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Policy panel: Challenges for a Central Bank in the New Normal

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Challenges for monetary policy in Poland

- This presentation - monetary policy challenges due to
 - Large shocks
 - Trends in labor markets

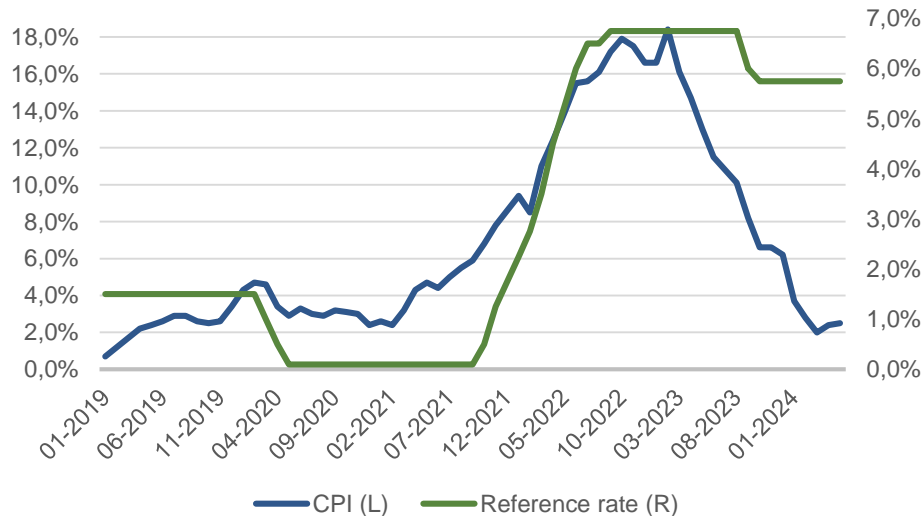
The responses to large world-wide shocks

- While monetary policy has very limited scope addressing external supply shocks:
 - global supply chain disruptions,
 - energy crisis,
 - the Russian war against Ukraine,
 - elevated geopolitical risks,
- NBP has proved to be effective in mitigating effects and second-round effects of these shocks

Current economic situation in Poland:

Successfully bringing inflation down

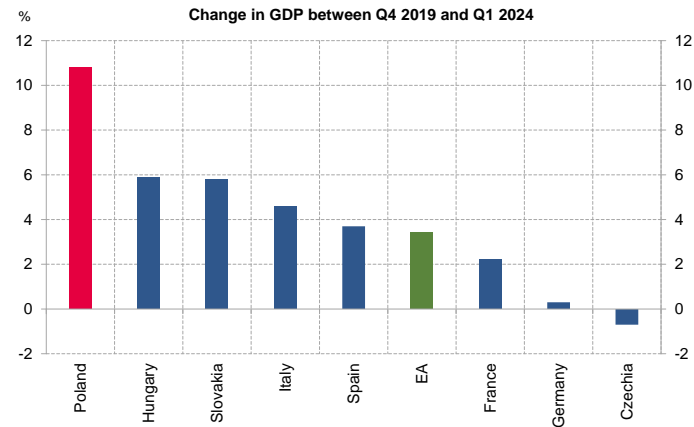
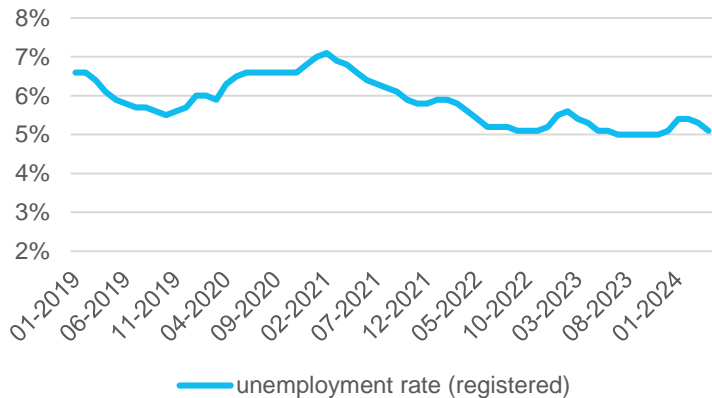
- NBP started raising interest rates already in 2021, increasing it by 6,65% within 1 year.
- While in February 2023 inflation stood at 18,4%, since February 2024 inflation remains within the NBP target of 2.5% +/- 1% (May 2024: 2,5%)



Current economic situation in Poland:

Keeping unemployment low and growth high

- The fight against inflation did not hinder the economy owing to well-calibrated monetary policy
 - Real GDP is around 11% higher than before the pandemic
 - The y-o-y real GDP growth rate in 2024Q1 is 2.0% (preliminary estimates)
 - The (registered) unemployment rate is 5.1% and is below the pre-pandemic level



Source: Eurostat data, NBP's calculation.

Current economic situation in Poland

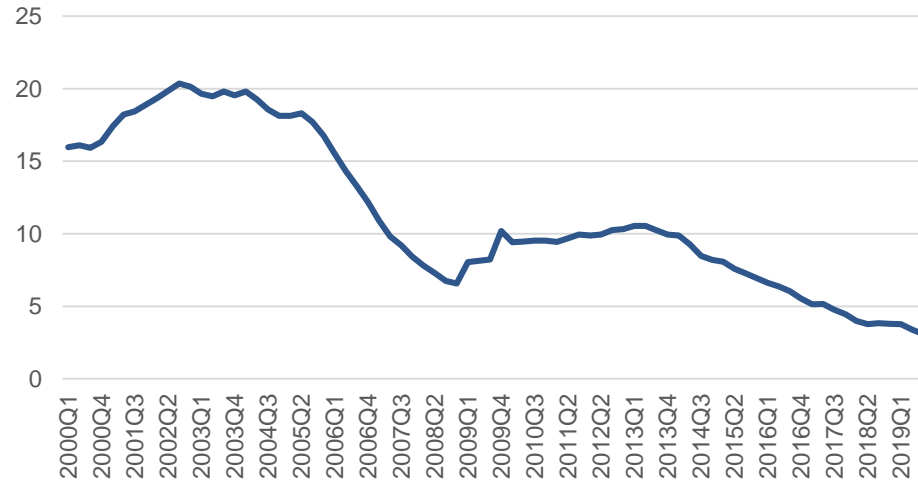
But the battle against inflation is not fully over

- Future inflation developments are associated with high uncertainty
- The gradual removal of anti-inflation shields and the expected increase in energy prices will raise inflation in the second half of 2024 and may transmit into higher inflation expectations
- In the medium-term high wage growth due to significant increases in
 - minimum wage,
 - earnings in the public sectormight put positive pressure on inflation amidst accelerating GDP growth

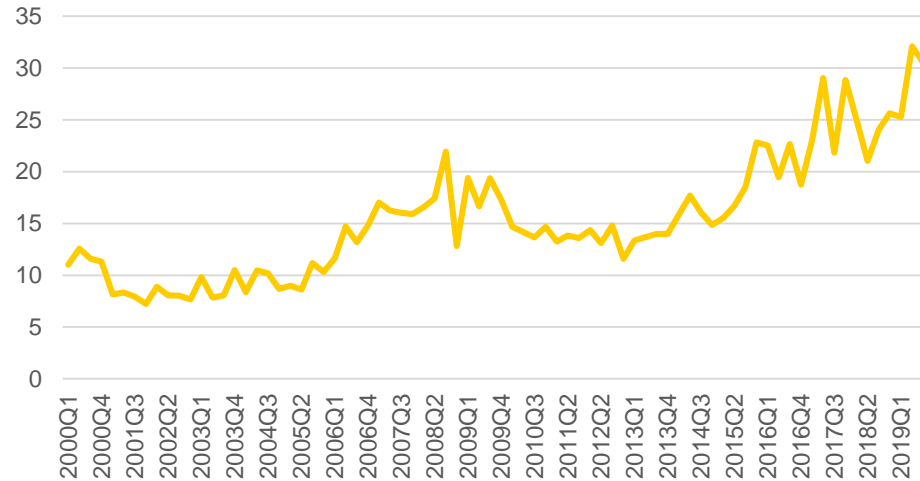
Labor market trends and monetary policy in Poland

- Polish labor market in the last two decades:
 - Large drop of unemployment
 - Considerable increase in posted vacancies and job-finding rates
 - Significant decrease of job-separation rate
- Potential consequences for the monetary policy transmission:
 - Lower responsiveness of job creation
 - Lower responsiveness of output
- However, significant migration inflows observed in the last few years mitigate labor market shortages

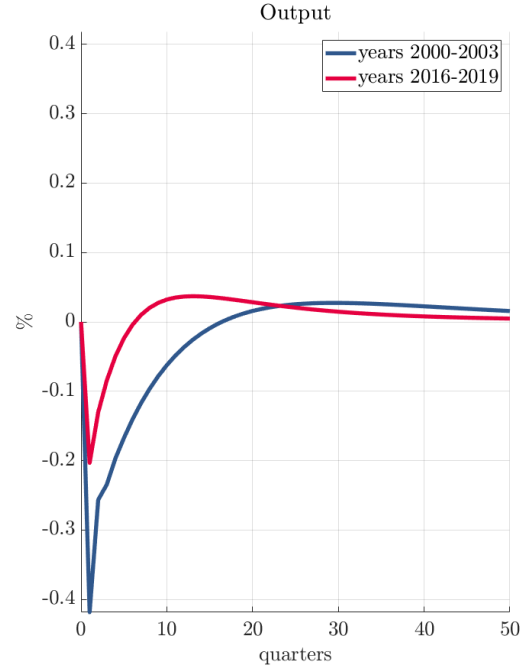
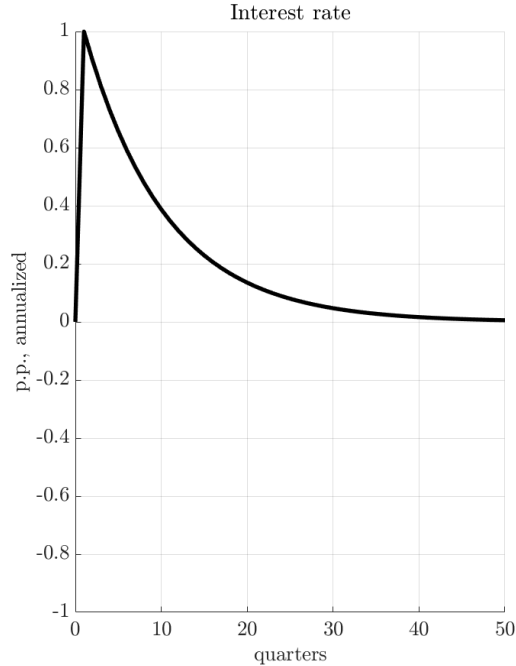
Unemployment rate in Poland (in %)



Job-finding rate in Poland (in %)



Monetary tightening in low/high unemployment periods in Poland



Monetary policy in uncertain times

- NBP monitors and assesses longer-term developments in the economy, e.g., labor market or productivity.
- Unpredictable events and long-term trends alike determine the economic environment and determine monetary policy.
- NBP remains attentive to all risks and applies a data-driven approach to decisions.



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