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FOR Communication 21/2023:

Are prices in Poland nearly stagnant? Continuation of NBP's "information" campaign.

The National Bank of Poland continues its "information" campaign. In the first days of August, a new banner appeared on the main facade of the NBP headquarters. On this monumental billboard, we can read: "Thanks to NBP, Poland is on the right track, prices have hardly changed for 4 months now!" The statement is accompanied by a chart showing the price index over the last four months on a month-to-month basis. Additionally, the NBP is conducting an online campaign, having recently released a video [spot](#) and publishing paid advertisements on its website, including the following infographic.



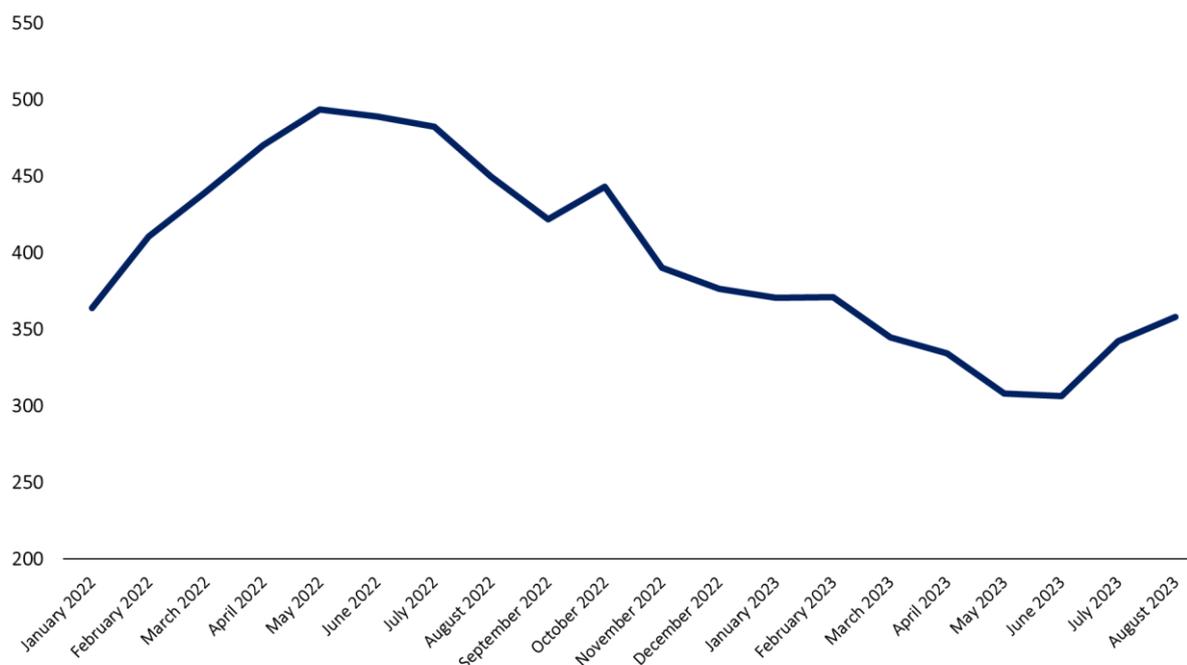
This is another communication from the Polish central bank that misleads the public! In its previous billboard, the NBP pointed out that the main causes of high inflation in Poland are global pandemic and the war in Ukraine. We addressed these claims in our earlier publication ([FOR Communication 14/2023: National Political Bank - guarding the party rather than the currency](#)).

Firstly, it should be noted that according to the resolution of the Monetary Policy Council, **the inflation target in Poland is 2.5%, with a tolerable deviation of ± 1 percentage point**. In August, CPI inflation was 10.1% year on year. Government forecasts are also not optimistic. According to the state budget, the average annual inflation will fall below the upper range of deviations from the target (i.e., below 3.5%) in 2026.

When year-on-year inflation remains not only significantly higher than the target but also in double digits, the NBP, wanting to convince Poles that the situation is improving ahead of the upcoming elections, resorts to presenting month-to-month inflation data. It ignores the fact that the real source of the momentary slowdown in month-to-month CPI inflation should be attributed to factors independent of the central bank, such as:

- **Seasonal variation** – the summer period is the time of harvest. Fruits, vegetables, and grains mature, causing food prices to drop. Over the past 22 years, month-to-month inflation in July has been positive only four times, two of which were during periods of soaring prices (2021-2022). In general, June, July, and August historically have the lowest month-to-month inflation in Poland.
- **Oil prices on the world markets** – from mid-2022 to mid-this year, we observed a decline in the price of a barrel of oil. Additionally, during this period, the Polish currency strengthened against the dollar. As a result, the price of a barrel of oil expressed in zloty fell for a long time, leading to a decline in inflation.

Chart 1. Brent crude oil price at the end of the month in PLN



Source: FOR own study based on data from stooq.pl

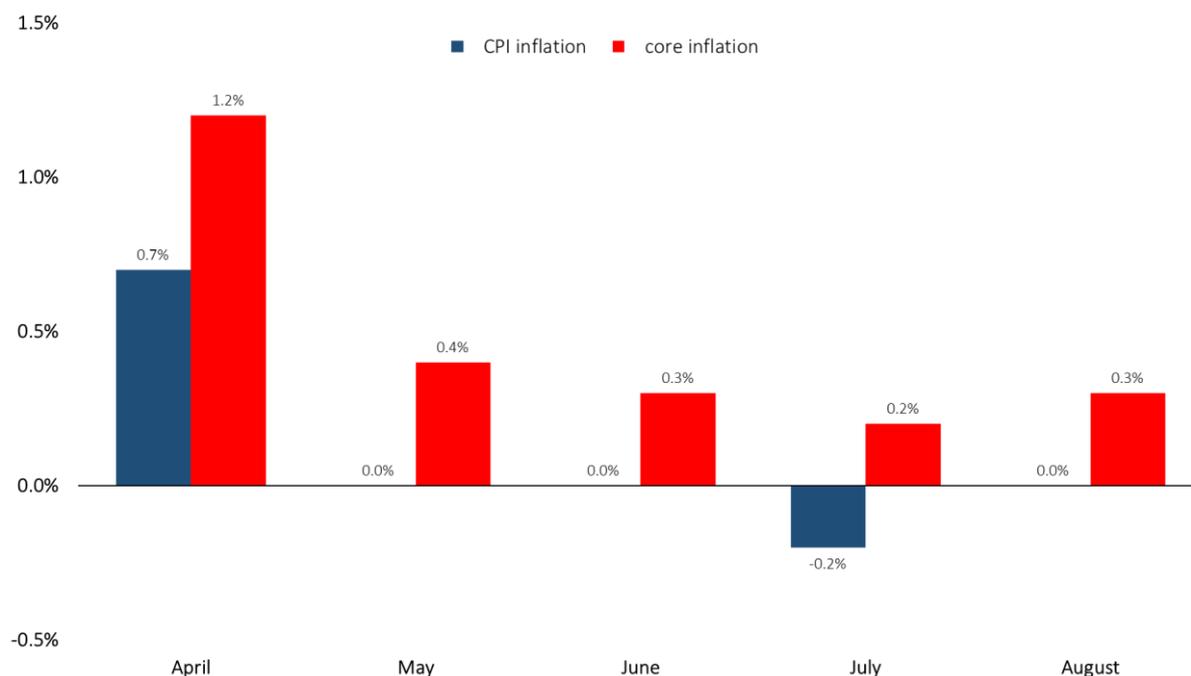
Core Inflation Remains High

While previously, the NBP was blaming external factors for the rising prices, now, when these external factors have led to a decrease in inflation, it is taking credit for its decline. However, as we can read on the website of the Polish central bank, the indicator showing "price trends of goods and services on

which the monetary policy conducted by the central bank has a relatively significant influence" is core inflation excluding food and energy prices.

Core inflation remained very high (above 3.5% year-on-year) throughout the pandemic period, even though, due to external factors (sharply falling fuel prices), CPI inflation was then at a moderate level. The situation is similar now. **The core inflation from the last five months clearly exposes the lie in the NBP's propaganda.** Prices, on which "the monetary policy managed by the central bank has a relatively significant influence", have increased over these five months by more than 2.4%. This means that the core inflation over the last five months is almost as much as the inflation target for the entire year.

Chart 2. CPI Inflation and Core Inflation Month-to-Month in the Last Five Months



Source: GUS and NBP

National or party's bank?

The term "information campaign" of the Polish central bank is not accidental. Elections are approaching, and **the banners on the NBP headquarters are examples of the political involvement of this institution and the misuse of public resources for election campaign purposes.** In May of this year, the Polish central bank published an *Opinion of the NBP President regarding the electoral proposals of PiS and PO*. This document clearly shows the political preferences of Adam Glapiński, even though, **according to the Constitution, the president of the National Bank of Poland should not engage in politics.**

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