



Minutes of the Monetary Policy Council decision-making meeting held on 8 February 2022

At the Council meeting, it was observed that after a strong growth in global economic activity in 2021, economic conditions in some countries deteriorated somewhat, mainly due to re-escalation of the pandemic at the turn of the year. At the same time, it was pointed out that the pandemic situation should stabilise over the coming months as evidenced by the experience of the countries first hit by the Omicron variant of the coronavirus. It was assessed that this would translate into a renewed acceleration in global GDP growth, supported by further recovery in consumption. However, the Council members noted that – apart from the re-escalation of the pandemic – economic activity was still negatively affected by supply-side constraints in some markets and high commodity prices, while future course of the pandemic, geopolitical tensions related to the Russia’s aggression against Ukraine and developments in economic policy of the major countries remained important uncertainty factors. It was emphasised that, according to the latest forecasts, global GDP growth in 2022 would be lower than in 2021, yet it would remain relatively robust.

It was highlighted that energy commodity prices as well as prices of some agricultural commodities remained markedly higher than a year ago, which contributed to a rise in inflation worldwide. Persisting disruptions in global supply chains and still elevated international shipping costs act in the same direction. In the European Union, climate policy is an important factor additionally increasing prices. The Council members noted that inflation in many countries stood at its highest level in decades: in the euro area HICP inflation rose to 5.1% in January 2022 and in the United States CPI inflation reached 7.0% in December 2021. Moreover, also core inflation measures have been rising globally, supported by favourable economic situation and improvement in labour market conditions. In effect, inflation forecasts have been revised upwards and indicate that in many economies inflation in 2022 will remain above central banks’ targets.

The Council members observed that against the above background, i.e. favourable economic conditions and elevated inflation, many central banks were withdrawing monetary accommodation. In particular, it was indicated that central banks in the Central-Eastern Europe had been raising interest rates. The ECB keeps negative interest rates, although it has been reducing the scale of asset purchases. The US Federal Reserve signals a termination of asset purchases in March and a readiness to start increasing interest rates.



It was noted that at least four interest rate increases in the United States in 2022 was a likely scenario. The Council members pointed out that this was a factor which, together with continued geopolitical tensions, had been weakening the exchange rates of emerging market countries, including the zloty. Certain Council members indicated, however, that some central banks – both in advanced and emerging market countries – approached monetary policy tightening with caution.

When analysing the situation in the Polish economy, the Council members emphasised that according to Statistics Poland preliminary estimate, GDP growth in 2021 amounted to 5.7%, which was an evidence of a significant acceleration in annual GDP growth in 2021 Q4, despite the autumn wave of increase in Covid cases. The monthly data on industrial output, retail sales and construction and assembly output for December 2021 also indicate that economic conditions remain very good. It was observed that situation in the labour market continued to improve as well, which was reflected in a fall in unemployment rate (seasonally adjusted), a rise in employment and a marked increase in average wages in corporate sector in December. Some Council members noted that although the acceleration in the growth of wages could result from a shift in their variable components, wage growth had been high for a long time and firms were planning significant wage increases also in 2022. At the same time, the majority of the Council members highlighted the risk of a likely rise in wage pressure due to elevated inflation. In this context, certain Council members pointed to the surveys' results indicating a considerable surge in the percentage of firms declaring an increase in wage pressure. Other Council members emphasised that the percentage of enterprises with wage growth exceeding labour productivity growth was still lower than before the pandemic.

Referring to the economic outlook, it was assessed that the economic situation would remain favourable in the coming quarters. However, the impact of the pandemic on global and domestic economy was indicated as an uncertainty factor, together with supply-side constraints and high energy commodity prices, which constituted negative supply shocks to the economy. Moreover, certain Council members observed some deterioration in consumer sentiment and business confidence indicators over the recent past. According to these Council members, GDP growth will slow down, yet rather gradually.

Certain Council members emphasised a relatively high growth of loans in the economy. In the opinion of these Council members, the tightening of monetary policy would reduce growth in indebtedness, which seems warranted, especially with regard to households' loans.



At the meeting, it was noted that inflation in Poland had risen to 8.6% in December 2021. It was stressed that the increase in inflation in 2021 had been mainly driven by external factors that were beyond the impact of domestic monetary policy. These factors included the rise in global commodity prices, the record-high increase in the prices of CO₂ emission allowances, rising prices of goods, whose supply was constrained by the global pandemic-related disruptions, as well as the increases in electricity and natural gas prices introduced in 2021, which largely reflected the situation in global commodity markets and the climate policy of the European Union. The Council members indicated that ongoing economic recovery had also added to the increase in inflation, as seen in rising core inflation measures. Some Council members noted that favourable economic conditions facilitated the passing through of higher costs, evidenced by rising producer prices and wages, to consumer prices. In this context, a very high PPI growth abroad was pointed to, which – due to trade links – contributed to the strong PPI growth also in Poland.

It was assessed that these factors, together with a rise in regulated tariffs on electricity, natural gas and thermal energy, would act towards inflation remaining at an elevated level also in 2022, and – taking into account available forecasts – in 2023. In the opinion of the majority of the Council members, the main factors contributing to higher inflation constituted negative supply shocks. Yet certain Council members emphasised the role of domestic factors, as evidenced – in their judgement – i.a. by high growth in services prices. At the same time, it was pointed out that a reduction in some tax rates as part of the so-called Anti-inflationary Shield would have a curbing effect on inflation, although it would be difficult to define its horizon at present. Certain Council members, however, indicated that the launching of the Shield, accompanied by other fiscal measures, entailed a relative easing of fiscal policy, and thus meant that monetary policy needs to bear bigger burden of tightening macroeconomic policy. The significance of the exchange rate channel in the monetary transmission mechanism was also highlighted.

It was noted that the expected fading of some global shocks currently boosting price growth and the increase in the NBP interest rates would support the decrease in inflation in a longer-term perspective. However, the majority of the Council members were of the opinion that amidst further domestic economic recovery and expected continuation of favourable labour market conditions, as well as probably more lasting impact of external shocks on price dynamics, a risk of inflation running above the NBP inflation target in the monetary policy transmission horizon persisted.



The majority of the Council members assessed that in order to bring inflation down to the NBP target in the medium term the NBP interest rates should be raised again. In the opinion of the Council members, the NBP interest rate rise would also curb inflation expectations. At the same time, it was emphasised that zloty appreciation would be consistent with the direction of monetary policy conducted by NBP. Yet certain Council members expressed the opinion that another interest rate hike generated the risk of a negative impact of this factor on economic conditions, as it would translate into a further increase in the debt-servicing costs of bank loans for households and enterprises.

The Council decided to raise the NBP reference rate by 0.50 percentage points, i.e. to 2.75% and to set the remaining NBP interest rates at the following levels: the lombard rate at 3.25%, the deposit rate at 2.25%, the rediscount rate at 2.80% and the discount rate at 2.85%. At the same time, the Council decided to increase the required reserve ratio from 2.0% to 3.5%.

The Council members pointed out that the Council's decisions in the coming months would continue to be aimed at reducing inflation to a level consistent with the NBP inflation target in the medium term, while taking into account economic conditions, so as to ensure medium-term price stability and, at the same time, support sustainable economic growth after the global pandemic shock. The Council's assessment regarding the total scale of monetary tightening necessary for achieving these goals would consider incoming information on perspectives for inflation and economic growth, including situation in the labour market. Certain Council members expressed an opinion that ongoing significant uncertainty remained an important factor to be accounted for in monetary policy decisions.

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