

Warsaw, 16 June 2020

## Information from the meeting of the Monetary Policy Council held on 16 June 2020

**The Council decided to maintain the NBP reference rate at the level of 0.10%. At the same time, the Council set the remaining NBP interest rates at the following levels:**

- **lombard rate at 0.50%;**
- **deposit rate at 0.00%;**
- **rediscount rate at 0.11%;**
- **discount rate at 0.12%.**

**NBP will continue to purchase government securities and government-guaranteed debt securities in the secondary market as part of the structural operations. The timing and scale of the operations will depend on the market conditions.**

**Furthermore, NBP will offer bill discount credit aimed at refinancing loans granted to enterprises by banks.**

The incoming data confirm that the COVID-19 pandemic contributed to a fall in global economic activity, including to a recession in economies being Poland's major trading partners. This was accompanied by a deterioration in labour market situation and a sharp weakening of consumer and business sentiment. In order to mitigate the negative economic effects of the pandemic, fiscal measures have been introduced to alleviate the fall in households' and enterprises' income as well as to stimulate economic activity. At the same time, monetary policy has been eased by – inter alia – lowering interest rates and pursuing asset purchases. The recent period, together with loosening of restrictions imposed in order to contain the pandemic in many countries, has seen a gradual improvement in sentiment.

Recent forecasts indicate that in the second half of 2020 global economic conditions should improve, though the level of activity will be lower than before the pandemic. At the same time, there is uncertainty regarding the pace and robustness of the improvement in global economic conditions in the following quarters.

Monetary policy easing and fiscal stimulus packages introduced in major advanced economies, along with a certain improvement in sentiment, contributed to increases of some asset prices in the international financial markets which was also reflected in the appreciation of some countries' currencies. Moreover, in the recent period the fall in the prices of some commodities has come to a halt, although they are still considerably lower than at the beginning of the year. This, together with weaker economic activity, contributes to a decline in inflation in many countries, including Poland's main trading partners.

In Poland, the April data point to a significant fall in economic activity, a decrease in wages and employment in enterprises as well as weak consumer and business sentiment. Yet, the recent weeks have seen a gradual lifting of economic activity restrictions which has translated into some improvement in sentiment. This has been accompanied by a considerable decline in inflation.

Over the near term, a further recovery in economic activity may be expected. Apart from the likely further loosening of the pandemic-related restrictions, this will be supported by economic policy measures, including monetary policy easing by NBP that mitigates the fall in employment, supporting incomes of households and financial situation of enterprises. The scale of the expected recovery could, however, be curbed by uncertainty about the consequences of the pandemic, lower incomes and weaker sentiment of economic agents than in previous years. The pace of the economic recovery could also be mitigated by the lack of visible zloty exchange rate adjustment to the global pandemic shock and to the monetary policy easing introduced by NBP.

NBP will continue to purchase government securities and government-guaranteed debt securities in the secondary market as part of the structural operations. These operations are aimed at changing the long-term liquidity structure in the banking sector, ensuring the liquidity in secondary markets for the purchased securities and enhancing the impact of the NBP interest rate cuts on the economy, i.e. strengthening the monetary policy transmission mechanism. The timing and scale of the operations will depend on the market conditions.

Furthermore, NBP will also offer bill discount credit aimed at refinancing loans granted to enterprises by banks.

The NBP monetary policy easing mitigates the negative economic impact of the pandemic, limiting the scale of the fall in economic activity and supporting incomes of households and enterprises. Consequently, it alleviates the fall in employment and deterioration in financial situation of enterprises, thus being conducive to quicker economic recovery after the abatement of the pandemic. The measures undertaken by NBP reduce the risk of inflation falling below the NBP inflation target in the medium term and – due to their positive impact on financial situation of debtors – are conducive to enhancement of financial system stability.