

Warsaw, 2 December 2020

Information from the meeting of the Monetary Policy Council held on 2 December 2020

The Council decided to keep the NBP interest rates unchanged:

- **reference rate at 0.10%;**
- **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 on the secondary market as part of the structural open market 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.

GDP data point to a strong global economic recovery in 2020 Q3, but the activity in most countries did not return to its pre-pandemic levels. At the same time, a significant increase in the number of new COVID-19 cases in recent months together with renewed tightening of the pandemic restrictions in many countries – in particular European ones – have contributed to the deterioration of economic conditions, especially in services. As a consequence, many economies will probably see another drop in GDP in 2020 Q4. The further course of the pandemic remains the main source of uncertainty for economic prospects in the coming quarters. Under these circumstances, major central banks keep interest rates at low levels and conduct asset purchases.

Information on the results of COVID-19 vaccines clinical trials has contributed to some improvement in global financial market sentiment. At the same time, global commodity prices remain significantly lower than at the beginning of the year. Lower commodity prices along with weaker economic activity have contributed to inflation staying at low levels in many countries, including Poland's main trading partners.

In Poland, the 2020 Q3 GDP data confirmed a strong rebound in economic activity compared to previous quarter, but the GDP year-to-year growth rate remained negative. The increase in annual GDP growth rate was supported by the recovery in consumption demand. Amid improved economic conditions abroad, exports also accelerated. In turn, investment was significantly lower than a year before.

The sharp increase in the number of new COVID-19 infections along with the tightening of the epidemic restrictions and weakening sentiment of economic agents in

October and November contributed to the deteriorating economic conditions in recent period, especially in the service sector. Current forecasts indicate that GDP will decrease in 2020 Q4 compared to previous quarter.

The labour market data for October indicate a further increase in employment in corporate sector on monthly basis accompanied by lower wage growth in this sector. At the same time, inflation in November – according to the Statistics Poland flash estimate – stood at 3.0% y/y (compared to 3.1% y/y in October).

It could be anticipated that – after a fall in 2020 – the economic activity would rebound next year, but the GDP would probably remain lower than prior to the pandemic. The uncertainty about the economic prospects persists, driven by uncertainty regarding further course of the pandemic and its effects on economic conditions at home and abroad. Domestic economic situation will be supported by the economic policy measures, including the easing of NBP's monetary policy. In turn, economic activity may be limited by increased uncertainty and weaker sentiment of economic agents than in previous year. The pace of recovery may also be reduced by the lack of a visible and more durable zloty exchange rate adjustment to the global pandemic-driven shock and to the monetary policy easing introduced by NBP.

NBP will continue to purchase government securities and government-guaranteed debt securities on the secondary market as part of the structural open market operations. These operations are aimed at changing the long-term liquidity structure in the banking sector, ensuring the liquidity in the 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 offer bill discount credit aimed at refinancing loans granted to enterprises by banks.

NBP's monetary policy mitigates the negative economic impact of the pandemic, supports economic activity and stabilises inflation at the level consistent with the NBP's medium-term inflation target. Due to its positive impact on the financial situation of debtors, it is also conducive to the strengthening of financial system stability.