

Warsaw, 7 April 2021

Information from the meeting of the Monetary Policy Council held on 7 April 2021

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 conducted measures will depend on the market conditions. Furthermore, NBP will also offer bill discount credit aimed at refinancing loans granted to enterprises by banks.

The recent period saw a worsening of epidemic developments in many countries. This translated into tightening of the pandemic-related restrictions that are negatively affecting economic activity, mainly in the service sector. At the same time, in many economies activity in industry continues to increase. Prices of many commodities, including oil, are currently significantly higher than a year ago. Such developments in commodity prices are exerting an upward pressure on global inflation. However, due to still weak economic conditions and uncertainty about the economic outlook, major central banks are keeping their interest rates low and are conducting asset purchases and signal maintaining loose monetary policy also in the future.

Incoming data on economic developments in Poland indicate that industrial production continued to grow in February 2021 and sentiment in that sector improved as well. At the same time, a fall in construction and assembly output deepened and the annual change in retail sales – despite somewhat more optimistic consumers' sentiment – remained negative. This was accompanied by rising average employment in the enterprise sector, in month-on-month terms, and slowing average annual wage growth in this sector.

According to the Statistics Poland flash estimate, inflation in March 2021 increased to 3.2% y/y. Increase in inflation was driven primarily by a further rise in fuel prices stemming from growing oil prices in the international markets. At the same time, the annual CPI has been pushed up by electricity prices that rose at the beginning of 2021 and by the earlier increases of waste disposal charges – thus by factors independent from the domestic monetary policy. The growing costs of running business amidst pandemic,

including higher transport charges and temporary disruptions in supply chains, also continue to add to inflation.

Statistical base effects related to fuel prices, together with the expected additional increases in waste disposal charges, will probably translate into a further rise in inflation in the coming months. At the same time, a progress in the vaccination programme and a gradual pacing out of the pandemic will ease the impact of supply-side factors – that are currently raising companies' cost – on inflation. Inflation will also be curbed by a lower wage pressure compared to the period before the pandemic.

Similarly as many other countries, Poland witnessed a worsening of epidemic situation in March and a tightening of the pandemic-related restrictions. Such developments negatively affect economic activity and sentiments in some sectors, although high-frequency indicators show that the impact of the pandemic on the economy has been significantly weaker than before.

Available data indicate that the coming quarters will see a recovery of economic activity, although the scale and pace of the recovery are uncertain. The further course of the pandemic and its impact on the economic situation in Poland and abroad continue to be the main source of uncertainty. The economic policy measures, including the easing of NBP's monetary policy introduced last year and the expected recovery in the global economy, will have a positive impact on the domestic economic situation. The pace of the economic recovery in Poland will also depend on further developments of the zloty exchange rate.

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. In order to strengthen the impact of NBP's monetary policy easing on the economy, NBP may also intervene in the foreign exchange market. The timing and scale of the measures taken by NBP will depend on the market conditions. Furthermore, NBP will also continue to 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 inflation target in the medium term. Due to its positive impact on the financial situation of debtors, it is also conducive to the strengthening of financial system stability.