

Warsaw, 5 May 2021

Information from the meeting of the Monetary Policy Council held on 5 May 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.

In the recent period pandemic situation worldwide was diversified and in many European countries it remained difficult. In many euro area countries the number of new cases was still elevated, but at the end of April it started to slightly decrease. Pandemic-related restrictions were still negatively affecting activity in the service sector in some European economies. At the same time, economic indicators suggested a further recovery in manufacturing sector coupled with emergence of supply bottlenecks in some markets.

Prices of many commodities, including oil, are currently significantly higher than a year ago. Such developments in commodity prices together with supply disruptions related to the pandemic 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 an improvement in economic situation, which however remains strongly diversified across sectors. In March, annual growth in industrial production and retail sales significantly increased, partly as a consequence of base effects related to the drop in these categories after the outbreak of pandemic in March 2020. At the same time, annual change in construction and assembly output remained strongly negative. This was accompanied by falling average employment in the enterprise sector and increasing average annual wage growth in this sector.

According to the Statistics Poland flash estimate, inflation in April 2021 stood at 4.3% y/y. Increase in inflation was driven primarily by a further rise in fuel prices stemming from significantly higher than a year ago oil prices in the international markets as well as growing food prices. At the same time, the annual CPI has been pushed up by electricity prices that rose at the beginning of 2021 and by the increases of waste disposal charges, i.e. by factors that – similarly to growing commodity prices – were independent from the domestic monetary policy. The growing costs of running business amidst the pandemic, including higher transport charges and temporary disruptions in supply chains, also continue to add to inflation.

The abovementioned factors will probably translate into annual price growth staying above the upper band for deviations from the inflation target in the coming months. At the same time, next year – after the factors temporarily increasing price growth fade – inflation is expected to decrease. Price developments next year will depend on robustness of economic recovery, including situation in the labour market after phasing-out of anti-crisis measures.

Available forecasts 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.