

Warsaw, 9 June 2021

Information from the meeting of the Monetary Policy Council held on 9 June 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 has seen an improvement in the pandemic situation around the world. The gradual easing of sanitary restrictions has led to an improvement in business conditions in the services sector in many economies, including in the euro area. Economic indicators in industry suggest a further recovery in activity in this sector alongside supply restrictions in certain markets.

The prices of many commodities, in particular oil, are currently significantly higher than a year ago. Along with the supply-side disruptions related to the pandemic, this is exerting an upward pressure on global inflation, including in advanced economies. However, due to still weak economic conditions and uncertainty about the economic outlook, major central banks are keeping interest rates low and conducting asset purchases as well as signalling that loose monetary policy will be maintained in the future.

In Poland, annual GDP growth remained negative in 2021 Q1 and amounted to -0.9%. At the same time, growth in both consumption and investment was slightly positive. The incoming data indicate a further improvement in economic conditions, with persisting differences between sectors. In April 2021, the annual industrial output growth and retail sales growth rose significantly, which was to a large extent due to base effects related to the fall in these categories a year ago. However, while industrial output was higher than before the pandemic, retail sales still did not reach this level. Alongside that, annual growth in construction and assembly output remained clearly negative. This was accompanied by an increase in average employment in the enterprise sector in annual terms and in annual average wage growth in this sector, which, however, was the result of statistical base effects.

Available forecasts indicate that the coming quarters will see a recovery in economic activity, although its scale and pace are highly uncertain. The further course of the pandemic and its impact on economic situation in Poland and abroad continues 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.

According to the Statistics Poland flash estimate, inflation in Poland stood at 4.8% y/y in May 2021 (in monthly terms it amounted to 0.3%). The increase in inflation in May was mainly driven by the further rise in annual fuel price growth related to the significantly higher global oil prices than a year ago, as well as the rise in food prices. At the same time, the annual inflation rate continued to be pushed up by the increase in electricity prices at the beginning of 2021, as well as the increases in waste disposal charges, i.e. by the factors that – similarly to growing commodity prices – are beyond the control of domestic monetary policy. The growing costs of running business amidst the pandemic, including higher international transport charges and temporary disruptions in supply chains, also continue to add to inflation.

The above-mentioned 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 the robustness of economic recovery, including the situation in the labour market following phasing-out of the anti-crisis measures. As indicated in *Monetary Policy Guidelines for 2021*, due to the macroeconomic and financial shocks, inflation may temporarily deviate from the target and even run outside the band for deviations from the target. The response of monetary policy to the shocks is flexible and depends on their causes and the assessment of persistence of their effects, including their impact on inflation developments. NBP's monetary policy supports the consolidation of economic recovery following the pandemic-induced recession and stabilises inflation at the level consistent with the NBP's inflation target in the medium term.

Taking into account the sources and the expected temporary nature of inflation exceeding the NBP's target, as well as the uncertainty about the persistence and scale of the economic recovery, NBP is keeping interest rates unchanged. At the same time, 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's interest rate cuts on the economy, i.e. strengthening the monetary policy transmission mechanism. In order to strengthen the impact of the 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.