



Warsaw, 8 September 2021

Information from the meeting of the Monetary Policy Council held on 8 September 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.

Over the recent period, as the Delta variant of the coronavirus spread, the pandemic situation around the world has worsened. An increase in the number of infections together with supply constraints observed in certain markets hampered the improvement in some economic indicators. At the same time, data on GDP in 2021 Q2 confirmed a significant increase in activity in the major economies, which also encompassed a revival of the service sector.

The prices of many commodities, including oil, are significantly higher than a year ago. In recent months the global prices of some agricultural products have also risen markedly. Along with the supply-side disruptions affecting the production of certain industrial goods, this has contributed to a significant rise in inflation in many economies, including in the United States and the euro area. However, due to persistently muted economic activity combined with uncertainty about the economic outlook, major central banks are keeping interest rates low while continuing asset purchases and signalling that loose monetary policy will be maintained in the future.

In Poland, according to the preliminary estimate of Statistics Poland, the annual GDP growth in 2021 Q2 increased to 11.1% y/y. The main factor supporting the economic recovery was a strong rise in private consumption and – to a lesser extent – investment.



At the same time, LFS data suggested an improvement in labour market conditions in 2021 Q2. However, the average paid employment in the national economy is still persistently lower than before the pandemic.

In July 2021, the annual growth of retail sales, industrial production and of construction and assembly output decreased, which was only partially driven by statistical base effects. This was accompanied by weaker annual increases in average employment in the enterprise sector and in average wage growth in this sector. At the same time, some people employed in sections most severely affected by the earlier restrictions still have their remuneration subsidised under anti-crisis measures.

Available forecasts indicate that the coming quarters will see a continuation of the 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 further 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 for August 2021, inflation in Poland increased to 5.4% in annual terms, and in monthly terms it amounted to 0.2%. The elevated inflation resulted, to a great extent, from fuel price growth – related to the significantly higher global oil prices than a year ago – as well as from food price growth. Additionally, annual inflation rate continued to be pushed up by the increase in electricity prices at the beginning of 2021 and the increases in waste disposal charges, i.e. by the factors that – similarly as growing commodity prices – are beyond the control of domestic monetary policy. The rising costs of running business amidst the pandemic, 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 bound for deviations from the inflation target in the coming months. At the same time, in 2022 – after some 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 the 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 of currently elevated inflation and the expected temporary nature of higher inflation, while considering also the uncertainty about the robustness 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.

The Council adopted *Monetary Policy Guidelines for 2022*.