



Warsaw, 6 October 2021

Information from the meeting of the Monetary Policy Council held on 6 October 2021

The Council decided to increase the NBP reference rate by 0.4 percentage points, i.e. to 0.50%. At the same time, the Council set the remaining NBP interest rates at the following levels:

- **lombard rate at 1.00%;**
- **deposit rate at 0.00%;**
- **rediscount rate at 0.51%;**
- **discount rate at 0.52%.**

Moreover, the Council decided to increase the required reserve ratio from 0.5% to 2.0%.

The activity in global economy continues to recover, yet an increase in the number of infections observed in recent months together with supply-side constraints in some markets, has contributed to the weaker activity growth in some economies in Q3. The global commodity prices – in particular that of natural gas, but also oil and some agricultural commodities – have risen markedly in the recent period and are now much higher than a year ago. Together with supply-side constraints in some markets and fast growth in prices of international transport, it has contributed in recent months to significant increase in inflation in many economies. Nevertheless, major central banks are keeping interest rates low while continuing asset purchases.

In Poland, economic activity continues to recover. In August, the annual growth of retail sales, industrial production and of construction and assembly output have picked up. At the same time, supply-side constraints in some markets are weighing on business sentiment in the manufacturing sector. Even though the average employment in the enterprise sector has been still somewhat below the pre-pandemic level, the situation in the labour market is improving which is reflected in substantial average wage growth in this sector. In the coming quarters, economic conditions are expected to remain favourable, although there is still an uncertainty regarding an impact of autumn wave of the epidemic on the economic activity.

Inflation in Poland, according to the Statistics Poland flash estimate for September 2021, increased to 5.8% in annual terms, and in monthly terms it amounted to 0.6%. The elevated



inflation resulted, to a great extent, from factors beyond the control of domestic monetary policy, such as higher than a year ago global prices of energy and agricultural commodities, earlier increase in electricity prices and in waste disposal charges, as well as disruptions in global supply chains and international transport. The ongoing economic recovery, including rising household income, has also added to the price growth.

Even though the impact of some supply-side factors currently increasing inflation will fade next year, the rise in global prices of both energy and agricultural commodities observed in recent months may still increase price growth in the coming quarters. Amidst probable further economic recovery and favourable labour market conditions, inflation may remain elevated longer than hitherto expected.

Such a situation would generate a risk of inflation staying above inflation target in the medium term. In order to decrease the inflation to NBP target in the medium term, the Council decided to increase NBP interest rates. Moreover NBP may still intervene in the foreign exchange market and use other instruments envisaged in the *Monetary Policy Guidelines*. The timing and scale of the measures taken by NBP will depend on the market conditions.