



Warsaw, 6 April 2022

## Information from the meeting of the Monetary Policy Council held on 6 April 2022

**The Council decided to increase the NBP reference rate by 1.00 percentage points, i.e. to 4.50%. At the same time, the Council set the remaining NBP interest rates at the following levels:**

- **lombard rate at 5.00%;**
- **deposit rate at 4.00%;**
- **rediscount rate at 4.55%;**
- **discount rate at 4.60%.**

At the beginning of 2022, conditions in the global economy remained relatively favourable although the activity growth slowed down in some economies. Prolonged disruptions in international trade and high commodity prices had a negative impact on the global economic situation. Russian military aggression against Ukraine contributed to a substantial rise in uncertainty surrounding further global macroeconomic developments and led to a significant deterioration in sentiment. At the same time, prices of commodities continued to increase and disruptions in international trade intensified. Consequently, GDP growth forecasts for some economies have been revised downwards.

Many economies continued to see a surge in inflation, which reached the highest levels in decades. High commodity prices as well as prolonged disruptions in global supply chains and international transport remain the main source of price growth. In some economies, rising prices are also driven by growing labour costs. As a consequence, core inflation is also increasing. Due to the economic effects of Russian aggression, inflation forecasts for the coming quarters have been significantly revised upwards.

Amidst a strong increase in inflation, many central banks are withdrawing monetary accommodation. In March, the US Federal Reserve concluded net asset purchases and increased interest rates for the first time in 3 years. The ECB keeps negative interest rates, although it has been reducing the scale of asset purchases. At the same time, central banks in the Central-Eastern Europe region continue to increase interest rates.

Following the strong GDP growth in 2021 Q4, available data point to continuing high economic activity growth in 2022 Q1, as indicated by data on retail sales, industrial



production and construction and assembly output. Meanwhile, employment continues to increase accompanied by a marked rise in wages. The Russian military aggression against Ukraine has contributed to weakening sentiment of economic entities and constitute a significant uncertainty factor for future economic activity in the world and in Poland. Nevertheless, due to, among other factors, modest share of exports to Russia and Ukraine in Polish foreign sales, a continuation of favourable domestic economic conditions may be expected in the coming quarters.

Inflation in Poland – according to Statistics Poland flash estimate – increased in March 2022 to 10.9% which was mainly driven by a strong growth in the prices of fuels and other energy carriers, amid Russian military aggression against Ukraine. Earlier significant rise in energy and agricultural commodity prices and increases in regulated tariffs on electricity, natural gas and thermal energy have continued to contribute to markedly elevated inflation. At the same time, the ongoing economic recovery, including an increase in demand driven by rising household incomes, has had also a positive contribution to the price growth. In turn, a curbing impact on inflation has been exerted by a reduction in some tax rates as part of the Anti-inflationary Shield. In 2022, inflation will remain markedly elevated, which – apart from factors previously amplifying inflation – will be due to the economic consequences of the Russian aggression against Ukraine. In the coming years, together with fading of the impact of shocks currently boosting prices, inflation will decrease. The decrease in inflation should also be supported by appreciation of zloty exchange rate, which, in the Council’s assessment, will be consistent with the fundamentals of the Polish economy.

The Council assessed, that there persists a risk of inflation running above the NBP inflation target in the monetary policy transmission horizon. In order to reduce this risk, i.e. striving to decrease inflation to the NBP target in the medium term, the Council decided to increase NBP interest rates again. The increase of the NBP interest rates will also curb inflation expectations.

Further decisions of the Council will depend on incoming information regarding perspectives for inflation and economic activity, including the impact of the Russian military aggression against Ukraine on the Polish economy.

NBP will take all necessary actions in order to ensure macroeconomic and financial stability, including above all to reduce the risk of inflation remaining elevated. NBP may



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intervene in the foreign exchange market, in particular to limit fluctuations of the zloty exchange rate that are inconsistent with the direction of monetary policy.