



Warsaw, 5 October 2022

Information from the meeting of the Monetary Policy Council held on 5 October 2022

The Council decided to keep the NBP interest rates unchanged:

- **reference rate at 6.75%;**
- **lombard rate at 7.25%;**
- **deposit rate at 6.25%;**
- **rediscount rate at 6.80%;**
- **discount rate at 6.85%.**

Incoming data signal a deterioration of global economic conditions in 2022 Q3, accompanied, however, by continued favourable labour market situation in the largest economies. Activity in the global economy and its prospects are under the negative impact of high prices of commodities and production components, the repercussions of Russia's military aggression against Ukraine as well as the tightening of monetary policy around the world. Meanwhile, there persists uncertainty regarding further impact of these shocks on economic conditions, including the impact of the situation in energy commodity markets on activity in the European economy in the coming quarters. The weakening outlook for the global economy has been accompanied by a deterioration in sentiment and a rise of volatility across the global financial markets.

Inflation in many economies is at the highest levels in decades. Significant source of high inflation continue to be high commodity prices, driven partly by the repercussions of Russia's military aggression against Ukraine, as well as persistent – despite their gradual easing – disruptions in global supply chains. In some economies, rising prices are also driven by demand factors and increasing labour costs. These factors, combined with the passing of earlier rises in production cost into the consumer goods prices, also lead to an increase in core inflation.

Amidst high inflation, major central banks continued to tighten their monetary policy in the recent period. In September, the US Federal Reserve and the ECB increased interest rates once again.

In Poland, available monthly data, including data on industrial production, construction and assembly output and retail sales, signal that in Q3 GDP growth, in year-on-year terms,



decelerated again. A further slowdown of GDP growth is forecast for the coming quarters, while the economic outlook is subject to significant uncertainty. Despite weakening of economic conditions, labour market situation remains very good, which is reflected in a record low unemployment rate.

Inflation in Poland – according to Statistics Poland flash estimate – increased in September 2022 to 17.2% y/y. High inflation results mainly from an earlier strong rise in global energy and agricultural commodity prices – driven, to a large extent, by the repercussions of Russian military aggression against Ukraine – and earlier increases in regulated domestic tariffs on electricity, natural gas and thermal energy. Inflation is also boosted by enterprises passing rising costs on to the final goods prices and consequences of the earlier disruptions in global supply chains, simultaneously adding also to higher core inflation. In turn, a curbing impact on inflation has been exerted by a reduction in some tax rates as part of the Anti-inflationary Shield.

The Council assessed, that the hitherto significant monetary policy tightening by NBP and the expected economic activity growth slowdown, which in part stems from external shocks, will contribute to curbing demand growth in the Polish economy, which will support a decline in inflation in Poland towards the NBP inflation target. At the same time, given strength and persistence of the current shocks that remain beyond the impact of domestic monetary policy, a return of inflation towards the NBP inflation target will be gradual. The decrease in inflation would also be supported by appreciation of zloty exchange rate, which, in the Council's assessment, would be consistent with the fundamentals of the Polish economy.

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 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.