

NBP

Narodowy Bank Polski

Monetary Policy Council

Report on monetary policy in 2020



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Warsaw, May 2021

In presenting the *Report on Monetary Policy*, the Monetary Policy Council acts in accordance with Article 227 of the Constitution of the Republic of Poland, which imposes the obligation on the Council to present a report on the achievement of the purposes of monetary policy within 5 months following the end of the fiscal year. In accordance with Article 53 of the Act on Narodowy Bank Polski, the *Report on Monetary Policy* is announced in the Official Gazette of the Republic of Poland, the *Monitor Polski*. The *Report* presents the main elements of the monetary policy strategy, a description of macroeconomic conditions and decisions taken with respect to monetary policy in the year under review, as well as a description of the monetary policy tools applied.

The *Report on Monetary Policy in 2020* is accompanied by the appendices presenting selected macroeconomic and financial data, as well as by *Voting records of the Monetary Policy Council members on motions and resolutions* in the year the *Report* encompasses.

An ex-post assessment of the conduct of monetary policy should take into account, above all, that the decisions of monetary authorities affect the economy with a considerable lag and that they are taken under uncertainty about future macroeconomic developments. Moreover, the economy is subject to macroeconomic shocks that – while remaining outside the control of the domestic monetary policy – may to a large extent affect economic conditions and domestic inflation developments in the short and sometimes in the medium term.

The *Report on Monetary Policy in 2020* is a translation of the publication of Narodowy Bank Polski entitled *Sprawozdanie z wykonania założeń polityki pieniężnej na rok 2020*. In case of discrepancies, the Polish version prevails.

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1. Monetary policy strategy in 2020

In 2020, the Monetary Policy Council conducted monetary policy in line with the *Monetary Policy Guidelines for 2020*, adopted by the resolution no 5/2019 from 10 September 2019. On 8 April 2020, the Council adopted a resolution amending the resolution on setting the 2020 monetary policy guidelines, expanding the range of monetary policy instruments to include bill discount credit.

As in previous years, the main objective of monetary policy was to maintain price stability, while supporting sustainable economic growth and financial system stability. This way, the Council pursued the basic objectives of Narodowy Bank Polski (NBP) set out in the Constitution of the Republic of Poland and the Act on Narodowy Bank Polski. According to Article 227 section 1 of the Constitution of the Republic of Poland “Narodowy Bank Polski shall be responsible for the value of Polish currency.” The Act on Narodowy Bank Polski states in Article 3 section 1 that “the basic objective of the activity of NBP shall be to maintain price stability, while supporting the economic policy of the Government, insofar as this does not constrain the pursuit of the basic objective of NBP.”

The Council has been pursuing the price stability objective by using a medium-term inflation targeting strategy. Under this strategy, since 2004 the objective of monetary policy has been to keep inflation – understood as the annual percentage change in the consumer price index – at 2.5%, with a symmetric band of deviations of ± 1 percentage points in the medium term. In countries pursuing the inflation targeting strategy, inflation is lower, on average, than in other countries. From 2004 until the end of 2020, the average inflation in Poland amounted to 2.1%, thus it has been close to 2.5% and remained within the symmetric band for deviations, although in some years price growth strayed outside the band (Table 1).

Table 1 Annual consumer price growth (CPI, %, y/y)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CPI	3.5	2.1	1.0	2.5	4.2	3.5	2.6	4.3	3.7	0.9	0.0	-0.9	-0.6	2.0	1.6	2.3	3.4

Source: GUS data.

The medium-term nature of the inflation target means that due to macroeconomic and financial shocks, inflation may temporarily deviate from the target or even run outside the symmetric band for deviations from the target. The response of monetary policy to shocks is flexible and contingent on their causes and the assessed persistence of their consequences, including the impact on inflation developments. Each time inflation deviates from the target, the Council flexibly determines the desirable time necessary to bring it back to the target, as bringing inflation rapidly back to the target may entail significant costs to macroeconomic and financial stability.

The monetary policy strategy pursued by the Council also assumes flexibility of the instruments applied. This means that the range of instruments used by NBP may be adapted to the nature of the disturbances observed in the economy. A flexible use of monetary policy instruments is conducive to the effective operation of the transmission mechanism and macroeconomic as well as financial stability.

While taking monetary policy decisions, the Council considers the time lags in the monetary policy transmission mechanism. The time lag between an interest rate decision and its peak impact on real variables (such as output or employment) and on inflation takes several quarters and may change over

time. Moreover, monetary policy is conducted under uncertainty, in particular uncertainty about future economic developments.

Stabilizing inflation at a low level is an important, yet insufficient condition to maintain macroeconomic stability, which in turn supports price stability in the long term. In particular, imbalances in the financial sector pose a threat to long-term price stability. Bearing this in mind, the Council conducts monetary policy in a way that supports the stability of the financial system and mitigates the risk of imbalances accumulating in the economy, by taking into account developments in asset prices (especially of real estate prices) and lending growth. Given free movement of capital and highly integrated financial markets, macroprudential policy plays a primary role in containing macroeconomic and financial imbalances. Owing to its capacity to selectively influence credit aggregates, macroprudential policy can stabilise lending growth with lower costs for economic growth than monetary policy.

Besides monetary and macroprudential policy, fiscal policy plays an important role in maintaining macroeconomic stability. A fiscal policy that ensures long-term stability of public finance is necessary to maintain macroeconomic stability.

The Council implements inflation targeting under the floating exchange rate regime. The floating exchange rate regime does not rule out interventions in the foreign exchange market whenever it is necessary to ensure the country's macroeconomic and financial stability.

2. Monetary policy and macroeconomic developments in 2020

The onset of the global SARS-CoV-2 pandemic and the related risk of a global economic crisis was one of the greatest challenges to macroeconomic policy in decades. In 2020 in many countries economic activity fell abruptly and unexpectedly, business and household sentiment declined significantly and uncertainty soared. At the same time, global price growth slowed down. In order to mitigate the impact of the pandemic, including to limit durable economic losses, wide-scale anti-crisis measures were launched in many countries, including a strong easing of monetary policy.

Also in Poland, the pandemic and the related restrictions led to a sharp fall in economic activity, which, had it not been for the anti-crisis measures, would have resulted in a permanent economic loss, including considerably higher unemployment and a decline in inflation below the target in the medium term. Striving to mitigate the economic impact of the pandemic on the Polish economy, and at the same time bearing in mind the primary objective of the central bank, which is to ensure price stability, NBP eased its monetary policy stance in 2020.

Despite the unprecedented scale and nature of the pandemic shock, the inflation targeting strategy pursued by NBP and the instruments provided for in the *Monetary Policy Guidelines for 2020* adopted in September 2019 enabled an effective implementation of the anti-crisis measures by the central bank. The only change to be introduced in the *Monetary Policy Guidelines for 2020* as a result of the pandemic shock was the restoration of bill discount credit as an instrument of monetary policy pursued by NBP (bill discount credit had already been a monetary policy instrument in 2010).

The measures undertaken by NBP, along with the government's fiscal measures that were supported by the monetary policy easing, proved effective in curbing the adverse impact of the pandemic on the Polish economy. In particular, they considerably limited the scale of the recession in 2020 while increasing the potential for a sustained recovery in the coming years. As a consequence, they significantly reduced the pandemic costs for the labour market, in particular they constrained unemployment growth and supported household income. At the same time, the NBP monetary policy ensured price stability.

NBP's monetary policy measures in 2020

At its meetings on 7-8 January, 4-5 February and 4 March 2020, the Council kept the NBP interest rates unchanged, including the reference rate at 1.5%. At its meetings on 17 March, 8 April and 28 May 2020, the Council cut interest rates, including the reference rate, by a total of 1.4 percentage points (from 1.5% to 0.1%).¹ On 17 March 2020, the Council also decided to lower the required reserve from 3.5% to 0.5%.¹ For the rest of the year, the Council maintained the NBP interest rates at the unchanged level (Table 2).

¹ At the same time, the Council changed the remuneration of the required reserve funds from 0.50% to the level of the NBP reference rate.

Table 2 NBP interest rates at the end of the respective months of 2020 (in %)

Month	Reference rate	Lombard rate	Deposit rate	Rediscount rate	Discount rate
January	1.5	2.5	0.5	1.75	-
February	1.5	2.5	0.5	1.75	-
March	1.0	1.5	0.5	1.05	1.10
April	0.5	1.0	0.0	0.55	0.60
May	0.1	0.5	0.0	0.11	0.12
June	0.1	0.5	0.0	0.11	0.12
July	0.1	0.5	0.0	0.11	0.12
August	0.1	0.5	0.0	0.11	0.12
September	0.1	0.5	0.0	0.11	0.12
October	0.1	0.5	0.0	0.11	0.12
November	0.1	0.5	0.0	0.11	0.12
December	0.1	0.5	0.0	0.11	0.12

Source: NBP data.

In March 2020, NBP launched structural open market operations involving the purchases of government bonds on the secondary market. As of April 2020, the purchases were expanded to include government-guaranteed debt securities. The timing and scale of the operations depended on the market conditions. The total amount of bond purchases by NBP in 2020 was PLN 107.1 billion (in terms of the face value of the bonds purchased).

From April 2020, NBP also made available to banks the use of a bill discount credit facility aimed at refinancing loans granted to enterprises.

The following part of this chapter presents detailed information on the monetary policy decisions in 2020 and their determinants. The decisions are presented in the chronological order, broken down into the following periods: from January to mid-March 2020; from mid-March to May 2020; and from June to December 2020. The chapter ends with a description of the effects of the NBP's monetary policy easing in 2020.

Monetary policy and macroeconomic developments from January to mid-March 2020

Incoming data in January and February 2020, i.e. before the onset of the SARS-Cov-2 pandemic, showed that the pace of global economic growth had stabilised at a relatively low level. In the United States, economic conditions remained relatively positive, while in the euro area incoming data pointed to a slowdown in economic growth. Inflation in the global economy increased in the period under review, which resulted, above all, from supply-side factors, including a rise in food and energy prices. On the other hand, core inflation indices stabilised at moderate – and in some economies – low levels.

The European Central Bank kept the deposit rate below zero while conducting asset purchases and signalling the maintenance of loose monetary policy in the coming quarters. The Federal Reserve of the United States, after the interest rate cuts of 2019, kept the rates unchanged.

In Poland, incoming data at the beginning of 2020 suggested that economic conditions remained favourable despite declining annual GDP growth. The slowdown in GDP growth resulted mainly from the slow pace of economic activity growth in the external environment of the Polish economy and a decline in consumption growth. The persistently good economic situation was contributing to a further, albeit slowing, increase in employment and a decline in the unemployment rate. Wage growth remained close to the average of the previous years.

Data incoming in this period confirmed that there was no build-up of macroeconomic imbalances in the economy. Growth in lending to the non-financial sector remained below nominal GDP growth. The current account balance was improving and had been positive since the second half of 2019. The remaining indicators of external imbalances also proved that the Polish economy was well balanced.

Data available at the beginning of 2020 pointed to rising inflation. Consumer price growth increased to 4.3% in January 2020.² The increase in inflation above the symmetric band for deviations in early 2020 resulted from the impact of regulatory and supply factors, i.e. factors beyond the direct influence of domestic monetary policy. These included, in particular, an increase in energy prices for households, higher fuel prices, a rise in waste disposal charges, and higher excise tax on alcoholic beverages and tobacco products as well as a further rise in the prices of unprocessed food. The favourable financial situation of households, including an increase in their incomes, and the related rise in consumption demand also added to price growth. However, available forecasts showed that following a temporary rise in inflation in 2020, consumer price growth would slow down in the following year to the middle point of the NBP inflation target.³

In view of these conditions, at its meetings on 7-8 January, 4-5 February and 4 March 2020 the Council kept the NBP interest rates unchanged, including the reference rate at 1.5%. The Council was of the opinion that GDP growth in the following quarters would probably be lower than in previous years, emphasising the increased uncertainty about the scale and duration of the observed economic slowdown and its impact on domestic economic activity. In February and the beginning of March 2020, the uncertainty was also considerably boosted by the spread of the new SARS-COV-2 virus in subsequent countries.

Monetary policy and macroeconomic developments from mid-March to May 2020

In March, the spread of the SARS-COV-2 virus across the world accelerated and a global pandemic was declared.⁴ In effect, restrictions aiming to contain the spread of the virus were introduced in many countries. Combined with a sharp rise in firms' and households' concerns about their current and future financial situation, this led to a collapse in global economic activity in March and April 2020, including a slump in world trade.⁵ As a result, the forecasts of economic activity around the world, including

² Initially, GUS estimated inflation in January 2020 at 4.4% y/y.

³ This scenario was indicated by both the March NBP projection (based on data available until 18 February 2020) as well as external forecasts, including those of experts participating in the NBP Macroeconomic Survey and of analysts surveyed by Thomson Reuters.

⁴ The World Health Organisation announced the state of pandemic on 11 March 2020. The first case of SARS-CoV-2 virus infection in Poland was recorded on 4 March 2020.

⁵ Available data show that the decline in GDP in the euro area in the entire 2020 Q2 amounted to 14.7% y/y, while in the United States it amounted to 9.0% y/y.

among Poland's key economic partners, were revised down significantly. This was accompanied by a sharp increase in uncertainty about the economic outlook.

Due to the deterioration in the global economic outlook and the increased uncertainty, risk aversion in global financial markets increased considerably in the period under review. This was reflected in falling prices of many assets as well as a tightening of financing conditions in many countries. In particular, bond markets went through a period of turmoil. Furthermore, there was a marked decline in the global oil prices, as well as a drop in the prices of some unprocessed food commodities. Along with the sharp decline in economic activity, this contributed to lower inflation in many countries, including in Poland's main trading partners.

In order to limit the negative economic effects of the pandemic, many countries eased their macroeconomic policy substantially in the period under review. Anti-crisis fiscal measures were introduced. At the same time, central banks eased monetary policy stance substantially, adjusting their measures to the economic situation in the individual countries. Many central banks cut their interest rates and launched or expanded asset purchases programmes (which concerned not only advanced, but also emerging economies). In effect, in many economies interest rates reached historically low levels, and in almost all advanced economies – as well as some emerging economies – they were close to zero (in some advanced economies, they were negative).

In Poland, the reduction in economic activity occurred from mid-March 2020. It resulted from the collapse in global economic activity and the measures taken around the world and in Poland to contain the spread of the Covid-19 pandemic, including those on the movement and gathering of people, the closure of educational institutions and the temporary suspension of certain types of economic activity. The downscaling of economic activity was also driven by deterioration of firms' and households' sentiment caused by concerns about the further course of the pandemic and its impact on the economy. The sharpest decline in economic activity was recorded in April-May 2020. In April 2020, industrial output growth dropped to -24.6% y/y, construction and assembly output growth to -0.9% y/y and retail sales growth to -22.9% y/y; in May industrial output growth amounted to -17.0% y/y, construction and assembly output to -5.1% y/y and retail sales to -7.7% y/y.

The sectors where business conditions deteriorated the most were the services most affected by the restrictions – among them hotels and restaurants, entertainment and passenger transport. At the same time, incoming information in the months under review indicated a marked fall in consumption in this period, which could be put down to the pandemic-related restrictions and the deterioration in the labour market. There was a sharp fall in industrial output and foreign trade. Lending to enterprises and households also declined. In order to mitigate the adverse impact of the pandemic and the related restrictions on economic activity, a range of fiscal anti-crisis measures were introduced, which resulted in a considerable increase in general government sector deficit in 2020 Q2.⁶

⁶ These included, among others things, wage subsidies during periods of economic downtime or reduced working hours, direct subsidies or loans to enterprises, including from the Polish Development Fund (Polski Fundusz Rozwoju), exemptions from paying social security contributions, and supplementary care allowance and furlough benefits for the self-employed and those on civil law contracts.

Amid flagging economic activity, the situation in the labour market deteriorated. In particular, the number of the employed declined, unemployment rose and wage growth slowed down. The registered unemployment rate rose to 6.1% in May 2020 (compared to 5.1% in March 2020, seasonally adjusted data), its growth being curbed by the anti-crisis measures launched at that time. At the same time, there was a marked decline in wage growth in the economy (to 3.8% y/y in 2020 Q2, as against 7.7% in 2020 Q1).

Incoming inflation data in that period indicated that after a temporary rise in 2020 Q1, consumer price growth declined. In April and May 2020 it amounted to 3.4% y/y and 2.9% y/y, respectively. The decline in inflation relative to 2020 Q1 resulted primarily from a strong decline in fuel prices due to a sharp fall in global oil prices, as well as slower food price growth. It was at the same time hampered by the rise in service price growth, including administered prices of housing services and the increase in firms' operating costs amid the pandemic.

Considering the above macroeconomic conditions, the Council at its three consecutive meetings – on 17 March, 8 April and 28 May – reduced the NBP interest rates, including the reference rate from 1.5% in March to 0.1% in May 2020. On 17 March 2020 the Council also decided to lower the required reserve ratio from 3.5% to 0.5%.⁷

At the same time, in March 2020 NBP launched structural open market operations, involving the purchases of government securities in the secondary market. In April, the purchases were extended to include government-guaranteed debt securities. The purpose of these operations was to change the long-term liquidity structure in the banking sector, to ensure liquidity of the secondary market for the purchased securities and to enhance the impact of the NBP interest rate cuts on the economy, i.e. to strengthen the monetary transmission mechanism. The dates and scale of the operations depended on market conditions. Altogether, from March to the end of May 2020 NBP purchased bonds with a nominal value of PLN 85.4 billion.

From April 2020, NBP also made available to banks low-interest bill discount credit designed to refinance the loans granted to businesses.⁸

The easing of monetary policy by NBP during this time was designed to mitigate the negative effects of the pandemic and to support the financial situation of households and enterprises. At the same time, the measures taken by NBP limited the risk of inflation dropping below the NBP inflation target in the medium term. Through its positive impact on the financial situation of borrowers, the NBP measures curbed credit risk, whose increase was the most important channel of the impact of the pandemic on the stability of the banking system.

The onset of the pandemic and the accompanying sharp rise in risk aversion in global financial markets contributed to a weakening of the zloty against the main currencies. From April, however, as sentiment in the financial markets improved, the zloty was exchange rate strengthened. As a consequence, the scale of the zloty's adjustment to the global shock caused by the pandemic and to the easing of the NBP

⁷ At the same time, the Council changed the remuneration on the required reserve funds from 0.5% to the level of the NBP reference rate.

⁸ The interest on the bill discount credit is equal to the discount rate.

monetary policy was limited. In March 2020 the volatility of government bond yields also increased. After their marked decline from the beginning of the year, in mid-March 2020 the yields on government bonds increased, which posed a risk of a pro-cyclical tightening of the monetary conditions. The easing of monetary policy, including the NBP interest rate cuts and the launch of structural open market operations, contributed to lowering of the bond yields.

Monetary policy and macroeconomic developments from June to December 2020

In May and June 2020 the epidemic situation improved in many countries, allowing an easing of the pandemic restrictions. As a result, from June to September 2020 a recovery in global economic activity was under way, which was supported by economic policy measures, including a significant easing of fiscal and monetary policy. Nevertheless, economic activity remained substantially lower than before the outbreak of the pandemic. Uncertainty about the pace and durability of the economic recovery also remained, as well as about the further course of the pandemic.

From October 2020 – amid a worsening of the epidemic situation appearing again and the tightening of the sanitary restrictions in some countries – the pace of the recovery weakened, and in some economies, including in the euro area, there was a renewed decline in economic activity. At the same time, the situation in individual sectors of the economy varied. The situation in industry and international trade proved to be relatively resilient to the epidemic situation in the last months of 2020. On the other hand, the situation in the service sector remained weak, with economic activity indicators in this sector running well below the pre-pandemic levels in many countries.

Despite periodic fluctuations related to the changing epidemic situation, sentiment in the global financial markets was improving. The highly expansionary monetary policy and the fiscal stimulus packages in many economies, as well as the prospect of an improvement in the economic situation in 2021 contributed to this trend. At the end of the year the improvement in sentiment was also supported by information about the emergence of the COVID-19 vaccines and the launch of the vaccinations in some countries. In the period under review, bond yields in the largest developed economies remained low, while stock indexes around the world rose significantly. At the same time, government bond yields in many emerging economies declined significantly, while the currencies of many of these economies appreciated.

From June to December 2020, the prices of many commodities in the global markets, including oil prices, rose gradually, although they were lower than before the pandemic. As a result, amid reduced economic activity, price growth in many countries remained low. In particular, consumer price deflation persisted in the euro area from August 2020.

In these conditions, following the significant easing of monetary policy in response to the outbreak of the pandemic, the majority of the world's central banks continued their expansionary monetary policy. The major central banks kept interest rates low, conducted asset purchases, and declared their readiness to further ease monetary conditions. At the end of 2020, some of the central banks, including the European Central Bank, further eased monetary policy by increasing the scale of their asset purchases.

In Poland, from June 2020, along with the progressive lifting of the restrictions and stabilisation of the epidemic situation, there was a gradual recovery in economic activity. GDP data shows that following

a sharp fall in 2020 Q2 (of 8.3% y/y), in 2020 Q3 there was a significant rebound in economic activity, although GDP continued to be lower than a year before (by 1.7%). The economic rebound was supported by the easing of the epidemic restrictions in Poland and abroad, an improvement in business sentiment, and support from fiscal and monetary policy. However, in 2020 Q4, along with the onset of the second wave of the pandemic and the tightening of restrictions, economic activity declined once again, although the scale of the fall in economic activity was much lower than in 2020 Q2 (GDP fell by 2.7% y/y in 2020 Q4).

The lower economic activity than before the pandemic was accompanied by slowing loan growth in the economy. In the period under discussion, banks – following a tightening of lending standards and some lending terms directly after the outbreak of the pandemic – began to gradually ease them, although they remained cautious when considering loan applications. However, the decline in credit growth to the non-financial sector was mostly the result of lower demand for credit. In the case of households, this mainly concerned demand for consumer loans alongside a limited decline in housing loan growth. At the same time, corporate lending decreased, to a large extent as a result of the reduced demand for bank financing on the part of companies. The lower need for bank financing was the result of the large scale financial support for enterprises as part of the government's anti-crisis measures, as well as the limited scale of activity and investment of some enterprises amid pandemic conditions and the persistently high uncertainty in the economy.

The conditions in the labour market gradually improved from June 2020, although employment in the enterprise sector remained lower and the unemployment rate higher than before the outbreak of the pandemic (in December 2020 it stood at 6.2%; seasonally adjusted data). At the same time, following a significant decline in April and May 2020 (to 1.9% y/y and 1.2% y/y respectively), wage growth in the enterprise sector began to rise in the subsequent months. In June-December 2020 it stood at 4.8% y/y on average (wage growth in the economy stood at 4.8% y/y in 2020 Q3 and 5.0% y/y in 2020 Q4).

Long-term government bond yields in the domestic financial market remained low in the period under review, which was supported by the NBP interest rates remaining low, the NBP's ongoing bond purchases, the expectations of market participants regarding the maintenance of low short-term interest rates in the future, and the mild financing conditions abroad.

At the same time, in the period under review the zloty exchange rate fluctuated against the major currencies, largely as a result of global factors. An important factor influencing the zloty exchange rate was the highly expansionary monetary policy of foreign central banks. In particular, from the beginning of October 2020, despite the downturn in the Polish economy taking place again, the zloty exchange rate was appreciating against the major currencies. This created the risk of a procyclical tightening of monetary conditions, i.e. the one taking place during an economic downturn and thus increases the economic costs of the pandemic.

From June to November 2020, inflation remained close to 3.0% y/y, and in December 2020 it fell to 2.4% y/y. The main factor contributing to lower inflation in the period under discussion was the decline in growth of unprocessed food prices, and – to a lesser extent – decline in growth in prices of market services and non-food products. The decline in inflation was at the same time limited by the statistical

effects of the earlier increase in electricity prices for households, the increase in excise tax on alcoholic beverages and tobacco products, and the increase in waste disposal charges during the year.

Incoming forecasts during the period under discussion indicated that following a fall in GDP in 2020, 2021 would see a recovery in economic activity. At the same time, high uncertainty about the economic outlook remained, including about the timing and scale of the recovery. Its source was the further course of the pandemic and its impact on the economic situation in Poland and abroad. It was to be expected that the economic policy measures taken so far, including the easing of NBP's monetary policy, will have a positive impact on the economic situation, although economic activity growth would be limited by the heightened uncertainty and the weaker business sentiment than in previous years. At the same time, the Council judged that the pace of economic recovery might also be reduced by the lack of a visible and more durable adjustment of the zloty exchange rate to the global pandemic shock and the monetary policy easing introduced by NBP.

Against this background, NBP kept interest rates low from June to December 2020, including the reference rate at 0.1%. At the same time, NBP continued its remaining measures launched in response to the pandemic, including further purchases of government securities and government-guaranteed debt securities on the secondary market. As in the earlier months, the timing and scale of the measures was dependent on the market conditions. In June-December 2020, NBP purchased bonds of a total nominal value of PLN 21.7 billion.

In the period under discussion, NBP also continued to offer bill discount credit at low interest rate aimed at refinancing loans granted to enterprises by banks. Against the background of the limited demand for banks' financing from companies during the pandemic coupled by the large scale financial support for firms launched as a government anti-crisis measure in the first half of 2020, the size of the bill discount credit usage by banks was limited.

In December 2020, NBP also intervened in the currency market. These actions were aimed at counteracting the procyclical appreciation of the zloty exchange rate – that is, taking place during an economic downturn – and thus strengthening the impact of the easing of NBP's monetary policy on the economy.

All the measures that NBP conducted during this period mitigated the negative effects of the pandemic, supported economic activity, and stabilised inflation at the level consistent with the NBP's medium-term inflation target. Due to their positive impact on the financial situation of debtors they reduced credit risk, the increase of which was the most important channel of the impact of the pandemic on the banking system stability.

Effects of the NBP's monetary policy easing in 2020

When assessing the effects of the monetary policy conducted by NBP in 2020, it should be borne in mind that in the year under analysis the drop in economic activity was the largest and the sharpest in decades. As a result, in 2020 central banks eased monetary policy, wherein the scope and scale of the measures taken by the central banks were unprecedented.

In Poland, GDP declined for the first time since the beginning of the economic transition. The fall in GDP in 2020 was accompanied by a rise in unemployment and a decline in wage growth. The negative pandemic shock also contributed to a substantial deterioration in household and business sentiment. In these conditions, investment also fell significantly.

Due to the decline in domestic economic activity and the significant fall in global commodity prices, CPI inflation in Poland in the subsequent months of 2020 declined considerably: from 4.3% y/y in January to 2.4% y/y in December 2020. In annual terms, inflation amounted to 3.4%, thus it was in line with the NBP's symmetric inflation target of 2.5% +/-1 percentage point, despite the influence of many regulatory and supply factors remaining beyond the scope of NBP's monetary policy that boosted inflation.

When easing monetary policy in 2020, NBP took into consideration the fact that as a result of the pandemic and the collapse of activity in the global economy there would be a sharp drop in economic activity in Poland, which – in the absence of a significant easing of macroeconomic policy, including monetary policy – would be accompanied by a significant and relatively durable deterioration in the financial situation of enterprises and households, a fall in employment and increase in unemployment, and a decline in wage growth. In these conditions, in the absence of a significant easing of NBP's monetary policy, the risk of inflation running below the NBP inflation target in the medium term would also rise.

The loosening of NBP's monetary policy contributed to the easing of financing conditions in the whole economy. In particular, money market rates fell, as well as interests on loans to the non-financial sector. The average interest rate on total household loans declined from 5.2% in January to 3.5% in December 2020, and for non-financial enterprises it fell from 3.7% in January to 2.3% in December 2020. The interest rate cuts translated into a reduction in loan servicing costs for banks' clients (estimated at PLN 7 billion in annual terms), which supported the financial situation and sentiment of indebted economic entities.

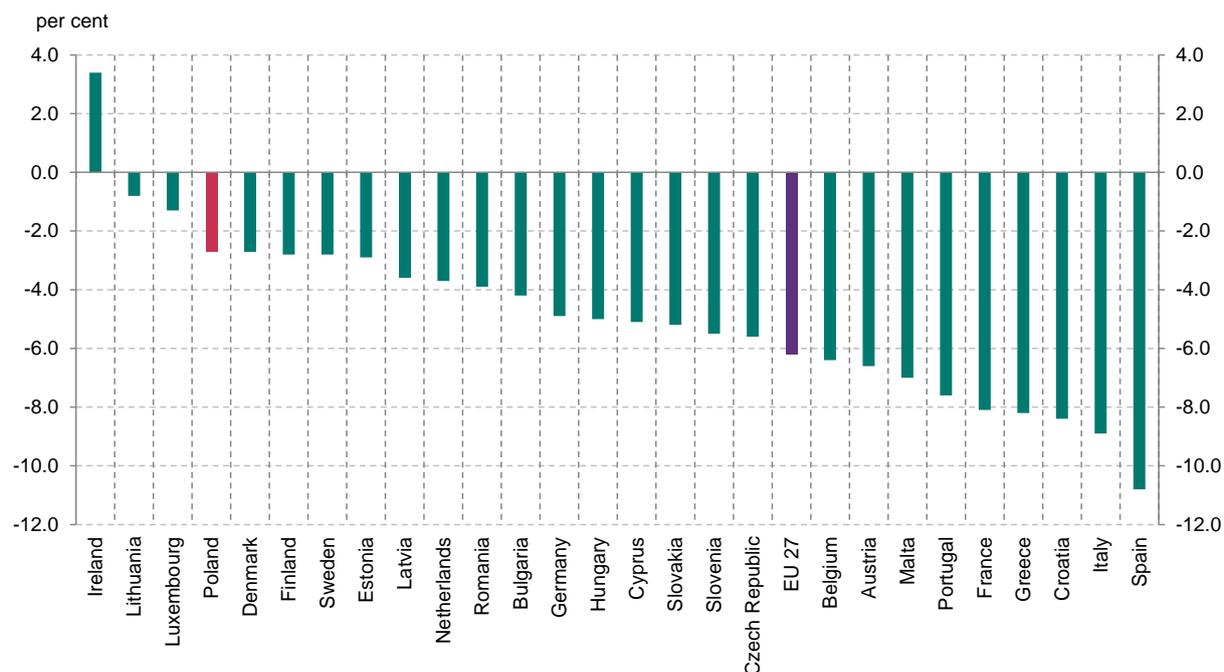
The average interest rate on deposits declined to a lesser extent: in the case of households from 0.8% in January 2020 to 0.2% in December 2020, and in the case of non-financial enterprises – from 0.7% in January to 0.1% in December 2020. Despite the drop in the interest rates, the value of deposits and other household claims on banks increased in 2020 by almost PLN 96 billion, and those of non-financial enterprises by over PLN 60 billion.

NBP's monetary policy easing also contributed to a fall in yields on government and government-guaranteed bonds, despite a significant increase in the public sector needs in 2020 resulting from the necessity to launch the anti-crisis measures, and provided liquidity to the secondary market for these bonds. Average yields on the 10-year government bonds declined from 2.2% in January to 1.3% in December 2020, the 5-year bonds from 1.9% to 0.5%, and the 2-year bonds from 1.5% to 0.1%. In this way, the easing of monetary policy by NBP also supported the economic policy of the government, including the implementation of the anti-crisis financial support programmes for enterprises and households during the pandemic.

By providing favourable financing conditions in the whole economy, NBP's monetary policy in 2020 reduced the scale of the fall in economic activity and the costs of the pandemic for the labour market.

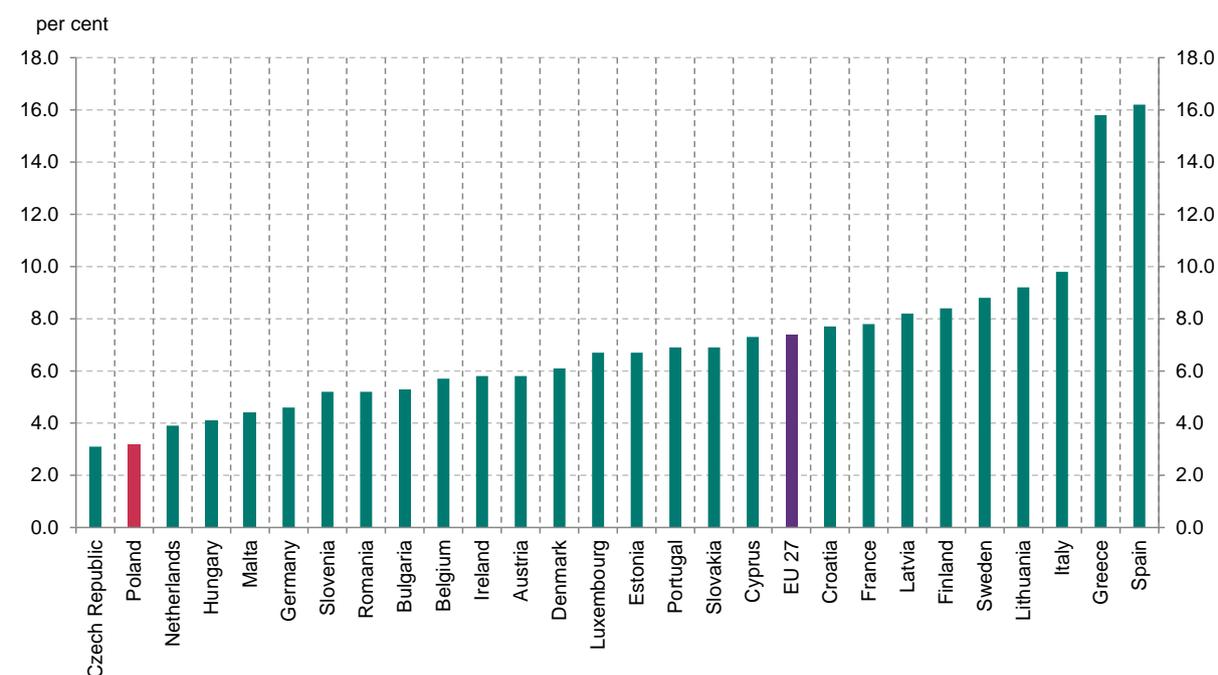
The fall in real GDP in Poland (2.7%) was less than half the average in the European Union (6.2%; Figure 1), and the unemployment rate in Poland at the end of 2020 was one of the lowest in the European Union (Figure 2). The NBP's monetary policy easing effectively limited the rise in unemployment as well as the scale of deterioration in the financial situation of companies. At the same time, it ensured the realisation of the basic objective of the activity of NBP, which is to maintain inflation at the level consistent with the NBP's medium-term inflation target.

Figure 1 Change in real GDP in 2020 in the European Union countries (in %)



Source: Eurostat data.

Figure 2 Unemployment rate in the European Union countries in December 2020 (in %)



Source: Eurostat data (seasonally adjusted).

Moreover, through its positive impact on the financial situation of debtors, NBP's monetary policy in 2020 also contributed to increasing the borrowers' debt service capacity and limiting the increase in write offs arising from impairment losses on banks' loan portfolios, which are the main channel of the pandemic's impact on the banking system stability.

NBP's analyses show that monetary policy easing in 2020 (including, above all, the NBP interest rate cuts along with the purchases of bonds as part of structural open market operations) contributed directly to reducing the scale of the fall in GDP by 0.3 percentage points and boosting inflation by 0.3 percentage points in 2020. It is estimated that this easing will increase the scale of the expected growth in GDP by 1.1 percentage points and CPI inflation by 1.0 percentage points in 2021 (Table 3). At the same time, monetary policy easing considerably supported the fiscal anti-crisis measures, which enabled to significantly mitigate the negative impact of the pandemic on GDP.

Table 3. Estimates of the impact of the easing of NBP's monetary policy and the fiscal policy on GDP and inflation in 2020 and 2021.

	Impact of the interest rate cuts in 2020 Q1 and Q2		Impact of asset purchases in 2020 Q1-Q3		Impact of the fiscal package		Total impact of monetary policy		Total impact of monetary policy and the fiscal package	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
CPI inflation CPI (y/y, pp.)	0.1	0.5	0.2	0.5	-0.2	1.2	0.3	1.0	0.1	2.2
GDP (y/y, pp.)	0.2	0.6	0.1	0.5	1.9	1.6	0.3	1.1	2.2	2.7

Source: NBP estimates.

The NBP's policy in 2020 was positively assessed by the international institutions, including the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD). In the *Republic of Poland Staff Report for the 2020 Article IV Consultation*, the IMF pointed out that "At the onset of the pandemic, monetary policies were quickly and appropriately eased. The central bank's asset purchase program has been effective in providing liquidity to government securities markets and strengthening monetary policy transmission."⁹ At the same time, in the *OECD Economic Survey: Poland 2020*, the OECD pointed out that "Monetary policy has been appropriately accommodative. Monetary policy has reacted forcefully and quickly to the emerging coronavirus crisis."¹⁰

⁹ Source: Republic of Poland Staff Report for the 2020 Article IV Consultation, IMF (p. 27).

¹⁰ Source: OECD Economic Survey: Poland 2020, OECD (p. 26).

3. Monetary policy instruments in 2020

In view of the macroeconomic situation described in Chapter 2, NBP eased its monetary policy in 2020, using instruments provided for in the Monetary Policy Guidelines.¹¹ In addition to the standard instruments used in previous years, due to the scale and nature of the economic shock caused by the pandemic, and hence the scale and the type of the required NBP response, it was necessary to apply instruments that were not used in recent years or were used only in exceptional situations, such as outright purchases of bonds, fine-tuning repo operations, changes in the reserve requirement, bill discount credit and foreign exchange interventions.

Banking sector liquidity in 2020

In 2020, the surplus liquidity in the banking sector increased considerably, primarily due to the monetary policy measures taken by NBP. The level of funds at the disposal of the banking sector in excess of the required reserve averaged PLN 183,798 million in December 2020 and was PLN 97,357 million higher than in the corresponding period of the previous year.¹²

The increase in the liquidity surplus was driven primarily by purchases of debt securities in the secondary market, conducted by NBP since March 2020 as part of its structural open market operations (they accounted for a PLN 111,872 million increase in the excess liquidity, comparing the average level observed in December 2020 with the average level observed in December 2019). The reduction in the basic required reserve ratio also added liquidity to the banking sector (by increasing the funds at the disposal of the banking sector by PLN 41,306 million as of 30 April 2020).¹³

Another factor contributing to higher liquidity surplus in the banking sector was the foreign exchange transactions conducted by NBP, including the purchase of foreign currency from the Ministry of Finance. This increase was partially limited by the NBP sales of foreign currency to the European Commission. The prevalence of NBP purchases of foreign currency over its sales resulted in an increase of PLN 26,868 million in the funds at the disposal of the banking sector in 2020 (December 2020 average compared to December 2019 average).

On the other hand, excess liquidity in the banking sector was curbed by the significant rise in currency in circulation, which occurred primarily at the beginning of the pandemic. Due to the increase in the value of currency in circulation, the amount of funds at the disposal of the banking sector decreased by PLN 81,805 million (average value in December 2020 compared to December 2019).

¹¹ The Monetary Policy Guidelines for 2020 were adopted in September 2019. In April 2020, the Council adopted a Resolution amending the resolution on setting the 2020 monetary policy guidelines, expanding the range of monetary policy instruments to include bill discount credit.

¹² The data and calculations in this Chapter are presented in a format where a given month or year refers to the individual required reserve maintenance periods.

¹³ The change in the level of the required reserve between the December 2020 required reserve maintenance period and the corresponding period of 2019 amounted to PLN 39,483 million.

The increase in the liquidity surplus in the banking sector caused the average balance of short-term monetary policy operations to increase as well.¹⁴ In December 2020, this balance amounted to PLN 155,777 million and was PLN 69,447 million (or 80.44%) higher than in December 2019.¹⁵ The remaining funds of the banking sector, above the required reserve level, were held on accounts with NBP.

NBP interest rates

The NBP interest rates were the key instrument of monetary policy in 2020. By determining the yield on open market operations, the NBP reference rate influenced the level of short-term market interest rates.

The NBP lombard rate determined the interest on the lombard credit offered by NBP, enabling overnight borrowing from the central bank. The NBP deposit rate determined the interest on the deposit facility, enabling placement of overnight deposits with NBP.

The discount rate determined the interest on the bill discount credit offered by NBP. The Council re-introduced¹⁶ this interest rate as of 18 March 2020.

In 2020, the Council changed the NBP interest rates on three occasions. The changes took effect on 18 March, 9 April and 29 May 2020. As a result of the changes, the reference rate was reduced to 0.10% (from 1.50%), the lombard rate to 0.50% (from 2.50%), the discount rate to 0.12% (from 1.10%) and the deposit rate to 0.00% (from 0.50%).

As a consequence of the changes, the width of the NBP interest rate corridor, set by the levels of the NBP lombard rate and the NBP deposit rate, was narrowed down from 200 bps to 50 bps. At the same time, the corridor was asymmetrical (+40/-10 bps from the NBP reference rate).

Open market operations

As in previous years, the operational target of monetary policy was to keep the POLONIA rate¹⁷ close to the NBP reference rate. The main instrument to achieve this task was the main operations, with a complementary role of the fine-tuning operations. By using these operations, NBP offered banks the opportunity to balance their liquidity positions during the required reserve maintenance periods, striving to ensure that liquidity conditions in the banking sector were appropriate in terms of achieving its operational target.

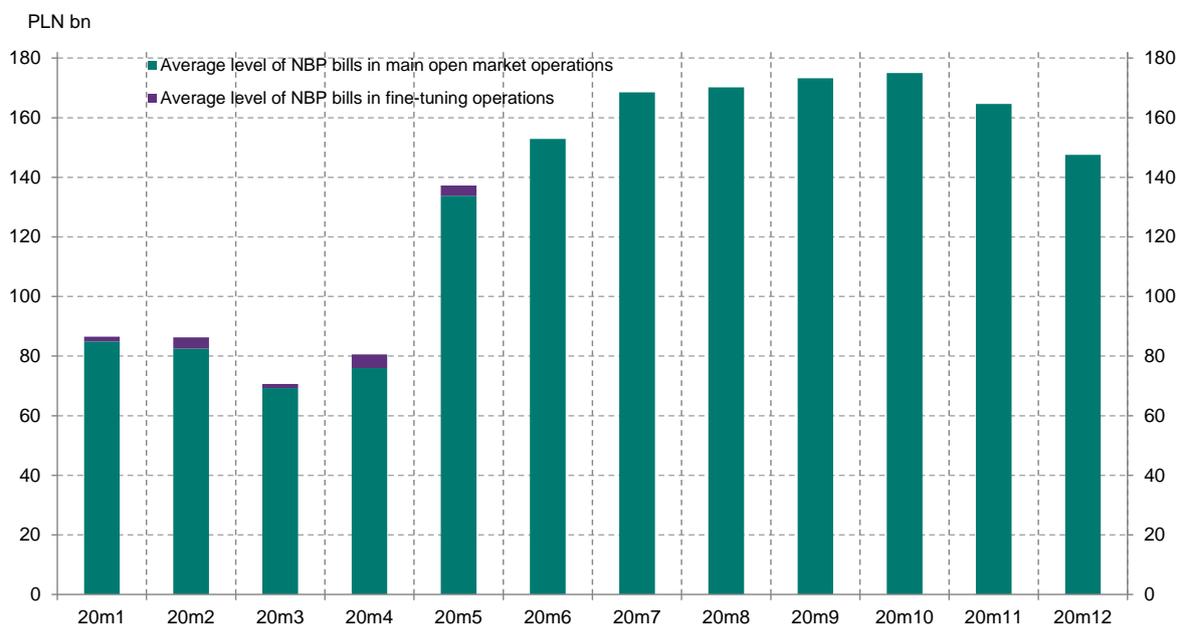
¹⁴ This item encompasses the main open market operations (issue of NBP bills), the fine-tuning operations (issue of NBP bills, repo operations), and the NBP standing facilities.

¹⁵ The corresponding item calculated as the average for 2020 amounted to PLN 137,814 million and was PLN 56,296 million, or 69.06% higher than in 2019.

¹⁶ The discount rate was introduced by the Council on 1 January 2010. The Council determined the level of this rate until the end of 2010 (it was invariably 4.00%). From 1 January 2011, due to the removal of bill discount credit from NBP's monetary policy instruments, this rate ceased to be determined by the Council.

¹⁷ The POLONIA rate (Polish Overnight Index Average) is determined as the average (weighted by the volume of the individual transactions) of the interest rates on unsecured interbank overnight deposits concluded on a given working day until 4.30 p.m. between the Participants in the POLONIA Reference Rate Fixing.

Figure 3 Average level of NBP liquidity-absorbing open market operations in individual required reserve maintenance periods in 2020 (nominal value of NBP bills)



Source: NBP data

In 2020, the main open market operations were carried out on a regular weekly basis, in the form of issuance of NBP bills, usually with a 7-day maturity.¹⁸ By using the main open market operations, the central bank absorbed most of the surplus liquidity in the banking sector above the required reserve. The yields on the individual operations equalled the level of the NBP reference rate on the day of the operation. In 2020, NBP conducted 52 main operations within the required reserve maintenance periods. In 2020, the average volume of the NBP bill issue categorised as main open market operations was PLN 133,464 million and was PLN 54,802 million higher than in 2019 (Figure 3).

In 2020, NBP conducted 4 fine-tuning operations on the last days of the required reserve maintenance periods, and, additionally, 6 fine-tuning operations within the required reserve maintenance periods. Under these operations, NBP bills were issued with maturities of 1, 2, 3 and 4 days. The average level of this category of operations in 2020 amounted to PLN 1,236 million and was PLN 496 million lower than in 2019.

In 2020, banks, on a larger scale than in previous years, sought to hold surplus funds in excess of the reserve requirement on current accounts with NBP and in the form of overnight deposits¹⁹ (i.e. surpluses not absorbed by the main or fine-tuning NBP open market operations). This was largely due to the uncertainty related to the future course of the pandemic and its impact on the business conditions of banks. The narrowing difference between the interest on the funds above the required reserve level and funds placed as O/N deposits (from 9 April, 0.0%) and funds invested in NBP bills under open market

¹⁸ Except for the operations conducted on 3 April, 24 April and 18 December (6-day maturity) as well as 9 April and 30 April (8-day maturity).

¹⁹ Funds held by banks on a current account above the required reserve level are not remunerated. In the case of the overnight deposit, as of 9 April 2020 the interest rate on this instrument was reduced to 0.00%. Before this change, the NBP deposit rate stood at 0.50%.

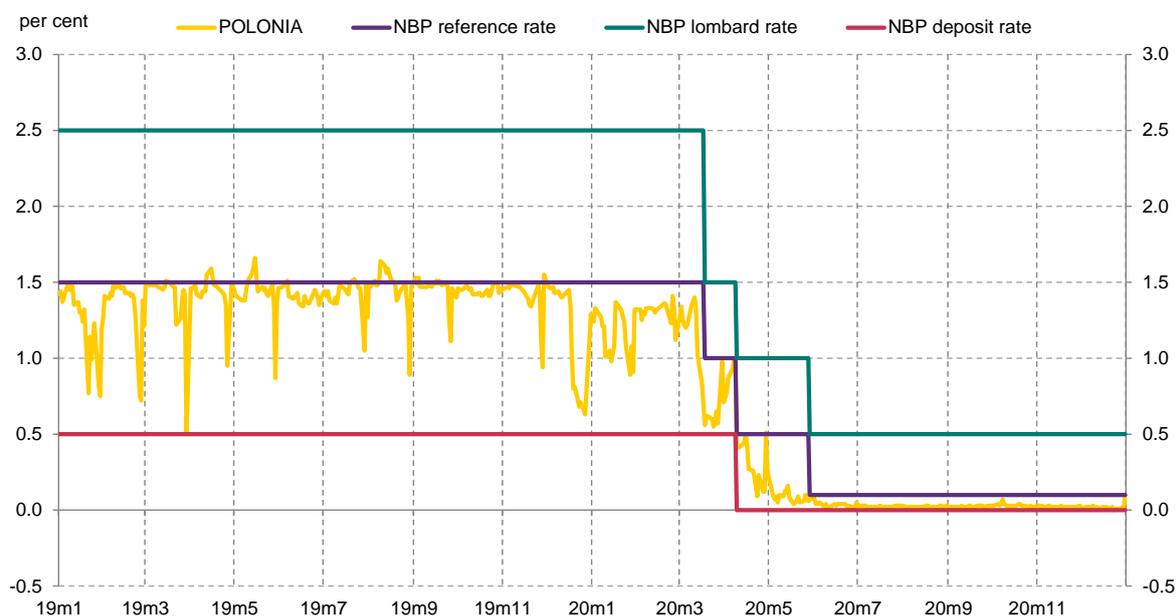
operations (from end of May, 0.1%) may also have played a role. Moreover, the reduction, as of 30 April 2020, of level of the required reserve (details are presented further on in this Chapter) may have led banks to accumulate surplus funds above the required reserve level for settlement purposes.

In view of the tendency for banks to hold excess funds, while the POLONIA rate was running close to the NBP reference rate, in June 2020 the central bank decided to suspend the fine-tuning open market operations offered on the last working days of the required reserve maintenance periods.

In 2020, the average absolute deviation of the POLONIA rate from the NBP reference rate was 17 bps and was close to that recorded in 2019 (14 bps) despite the increased volatility of this rate in the first months of 2020 related to increase in uncertainty in the financial markets in that period (Figure 4).²⁰

In the first two quarters of 2020, the average absolute deviation of the POLONIA rate from the NBP reference rate was 31 bps and 22 bps, respectively. In the remaining two quarters of 2020, the volatility of the POLONIA rate diminished, which may have been due to less uncertainty in the financial markets in this period and a smaller difference between the interest on the funds on current accounts above the required reserve level as well as on deposit facility (0.00% as of 9 April 2020) and the interest on funds placed in NBP bills as part of open market operations. In the second half of 2020, the average absolute deviation of the POLONIA rate from the NBP reference rate was 8 bps. In the whole of 2020, the POLONIA rate was consistent with the monetary policy stance.

Figure 4 NBP interest rates and the POLONIA rate in 2019-2020



Source: NBP data

As part of open market operations conducted in 2020, on 16 March 2020 NBP performed a fine-tuning repo operation, as a result of which the banking sector was provided with liquidity on an ad hoc basis in the amount of PLN 7.3 billion for a period of 4 days. The rationale for the decision to perform the

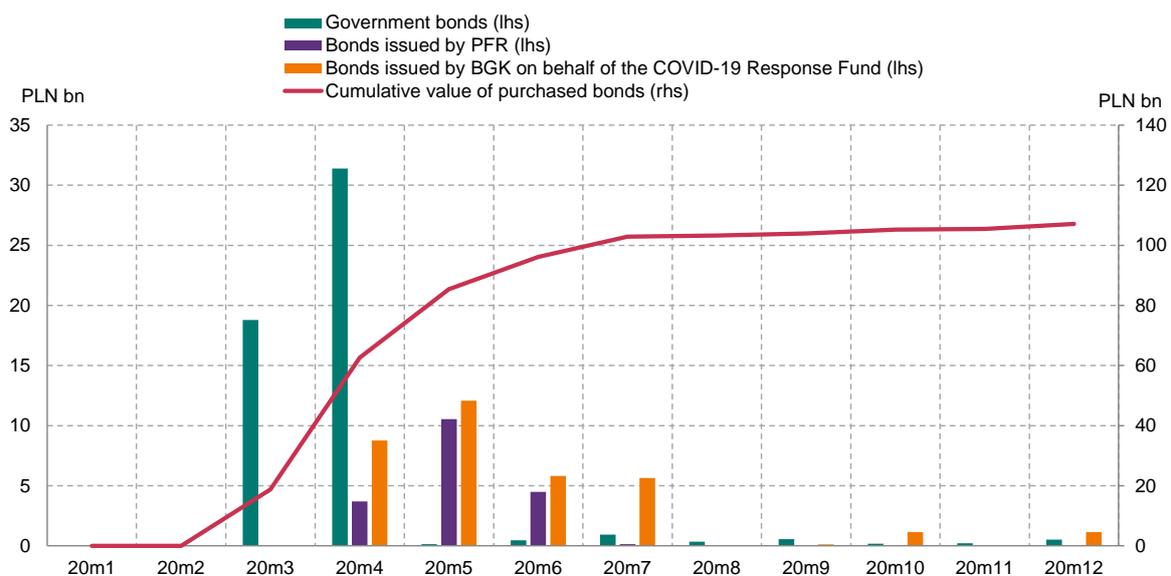
²⁰ The quoted index has been computed as the average absolute deviation of the POLONIA rate from the NBP reference rate (the average module of the differential) based on a 365-day year.

operation was the need for the central bank to provide liquidity which certain counterparties of NBP had indicated. Despite NBP remaining ready to retry such operations, the market situation did not require any further operations of this type in the remainder of 2020.

In response to the outbreak of the pandemic, NBP also launched structural open market operations consisting in the purchase of debt securities in the secondary market (since 19 March 2020). As part of these operations, NBP initially purchased government bonds. In April 2020 the purchases were also extended to government-guaranteed bonds (bonds issued by Bank Gospodarstwa Krajowego on behalf of the COVID-19 Response Fund and bonds issued by Polski Fundusz Rozwoju S.A.).

The aim of the debt security purchases conducted by NBP was to change the long-term liquidity structure in the banking sector, ensure liquidity in the secondary market of the purchased securities and enhance the impact of the NBP interest rate cuts on the economy, i.e. strengthen the monetary transmission mechanism.

Figure 5 Nominal value of the bonds purchased by NBP as part of the structural open market operations in individual required reserve maintenance periods in 2020



* Nominal value of the bonds calculated according to the dates of the tenders.

Source: NBP data

In the period March-December 2020, as part of structural open market operations, NBP purchased debt securities with a total nominal value of PLN 107.1 billion in the secondary market, including government bonds with a value of PLN 53.6 billion and government-guaranteed bonds with a value of PLN 53.6 billion (Figure 5). As a result, as of the end of December 2020, due to structural operations, the banking sector was provided with liquidity in the amount of PLN 112.9 billion.²¹

²¹ The value of bonds purchased by NBP in the secondary market (at current prices), reflected in the liquidity provided to the banking sector (purchase amount), differed from the nominal value of these bonds.

Launching and conducting of the mentioned structural open market operations by NBP in 2020 stabilised the bond market covered by the purchases, increased liquidity of this market and reduced bond yields, and thus strengthened the impact of the NBP interest rate cuts on the economy.

Reserve requirement

In 2020, banks, branches of credit institutions, branches of foreign banks operating in Poland, credit unions and the National Association of Cooperative Savings and Credit Unions were subject to the reserve requirement.

The average reserve maintenance mechanism enabled entities covered by the required reserve system the freedom to decide on the amount of funds deposited on accounts with the central bank on particular days of the reserve period, provided that the average balance of funds in the accounts at NBP is maintained at a level not lower than the required reserve level. This mechanism helped stabilise short-term market interest rates.

On 17 March 2020, in order to limit the risk of the economic disruption weighing on credit supply, the Council decided to lower the basic required reserve ratio²² from 3.5% to 0.5% and align the interest rate on required reserve with the level of the NBP reference rate²³ as of 30 April 2020. As a result, there was a significant reduction in the level of the required reserve (from PLN 47.8 billion to PLN 6.5 billion) and a reduction in the number of cooperative banks and credit unions maintaining the reserve (from 477 to 60 and from 12 to 2, respectively). At the same time, the level of the interest rate on required reserves began to correspond with the yields on the main open market operations.

As at 31 December 2020, the amount of the required reserve was PLN 7,513 million, with the banking sector reserve at PLN 7,486 million and reserves of the credit unions and the National Association of Cooperative Savings and Credit Union at PLN 27 million. The total required reserve at the end of 2020 was PLN 39,332 million lower than the level as at 31 December 2019 (i.e. a decrease of 84%).²⁴

In 2020, there were four cases where banks failed to maintain the required reserve at the required level.

In 2020, six banks benefited from the exemption from the reserve requirement (three commercial banks benefited from partial exemption, one commercial bank and two cooperative banks benefited from full exemption).

Standing facilities

In 2020, the lombard credit offered by NBP enabled banks to obtain funds from the central bank on each operating day on an overnight basis. This credit was collateralised with assets accepted by the central bank (among others, government securities, securities issued by NBP, municipal bonds, covered bonds

²² The basic required reserve ratio applies to zloty denominated funds and funds in foreign currency held on bank accounts as well as funds obtained from the issue of securities. In 2020 the required reserve ratio for funds obtained in repo and sell-buy-back transactions as well as funds obtained for at least 2 years remained unchanged at 0.0%.

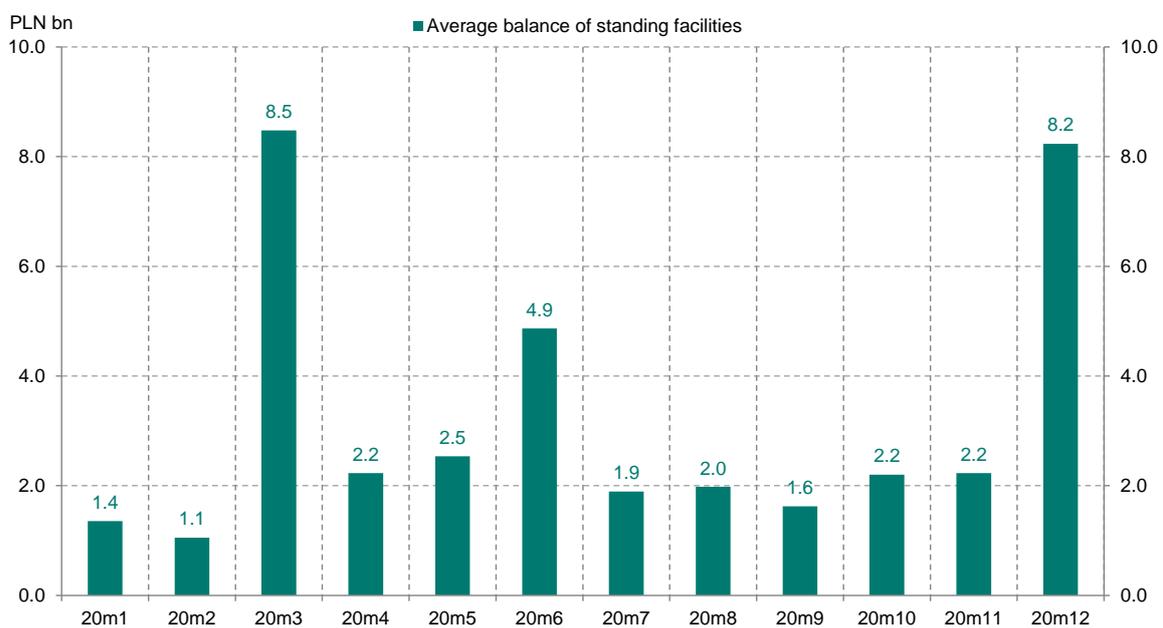
²³ Until 29 April 2020, the interest rate on required reserves was 0.50%, and from the beginning of the May required reserve maintenance period was dependent on the level of the NBP reference rate – between 30 April 2020 and 28 May 2020 it was 0.50%, while from 29 May 2020 it stood at 0.10%.

²⁴ It should be noted that the mentioned dates, i.e. 31 December 2019 and 31 December 2020, were the first days of the January required reserve maintenance period in 2020 and 2021, respectively.

and high credit quality corporate bonds). The interest on that facility determined the cost of obtaining funds from the central bank.

In 2020, similarly as in previous years, banks used the lombard credit only occasionally (Figure 6). The total amount of the lombard credit used throughout the year – calculated for the days that it was used – amounted to PLN 20.4 million, and was 168.4% higher than the corresponding value in 2019 (PLN 7.6 million). The observed growth was due to a larger number of banks having recourse to the facility than in the previous year. The average daily use of the lombard credit amounted to PLN 0.06 million (against PLN 0.02 million in 2019).

Figure 6 Average balance of standing facilities in individual required reserve maintenance periods in 2020



Source: NBP data

In 2020, the deposit facility enabled banks to deposit on each operating day their surplus funds on an overnight basis with the central bank. The interest rate on that facility constitutes the lower limit for the market rate quoted for that particular period.

In 2020 the total value of overnight deposits placed by banks with NBP amounted to PLN 1,168,725.8 million (calculated as the total days of their placement). Its average daily level in the period under analysis amounted to PLN 3,193.2 million (against PLN 1,124.6 million in 2019).

Bill discount credit

From 10 April 2020, NBP offered banks bill discount credit aimed at refinancing loans granted to entrepreneurs by banks.

By offering bill discount credit, NBP accepted from banks bills of exchange for discount that were issued by entrepreneurs in connection with the loans granted to them. The interest on the bill discount credit was determined by the NBP discount rate, which was set by the Council.

In 2020, the total amount of bill discount credit reached PLN 52.9 million.

Foreign exchange swaps

By using foreign exchange swaps, NBP may purchase (or sell) zloty against a foreign currency on the spot market, with its simultaneous resale (or repurchase) as part of a forward transaction on a specified date.

In 2020, NBP did not conduct any such operations.

Foreign exchange interventions

In December 2020, NBP purchased a certain amount of foreign currency in exchange for zloty.

Appendix 1. Selected macroeconomic and financial data

Table A.1 GDP and its components in 2012-2020

	2020		2012	2013	2014	2015	2016	2017	2018	2019	2020				
	Current prices (PLN bn)	per cent of GDP									Annual growth at the previous year prices (in per cent)				
											Q1	Q2	Q3	Q4	
GDP	2323.9	100.0	1.3	1.1	3.4	4.2	3.1	4.8	5.4	4.7	-2.7	2.0	-8.3	-1.7	-2.7
Domestic demand	2165.8	93.2	-0.6	-0.6	4.8	3.7	2.3	4.9	5.6	3.6	-3.7	0.9	-9.5	-3.2	-2.9
Consumption	1766.8	76.0	0.3	0.8	2.8	3.4	3.5	4.2	4.3	4.5	-1.3	1.5	-7.5	0.9	-0.2
Household consumption	1301.1	56.0	0.5	0.3	2.6	3.8	3.9	4.8	4.3	4.0	-3.0	1.2	-10.8	0.4	-3.2
Capital formation	399.0	17.2	-3.8	-5.8	12.8	4.7	-2.0	7.6	10.5	0.3	-12.9	-2.1	-17.6	-20.0	-10.4
Gross fixed capital formation	387.5	16.7	-1.8	-1.1	10.0	6.1	-8.2	4.0	9.4	6.1	-9.6	1.7	-9.8	-8.2	-15.4
Exports	1296.9	55.8	4.3	5.5	6.7	8.0	9.3	9.6	6.9	5.2	-0.2	2.7	-13.7	2.3	7.6
Imports	1138.9	49.0	-0.4	1.6	9.9	6.9	7.9	10.2	7.4	3.0	-1.9	0.8	-16.6	-0.3	8.2
Value added	2045.2	88.0	1.4	1.2	3.4	4.1	3.1	4.7	5.3	4.6	-2.8	2.0	-8.0	-2.0	-3.0
Industry	503.3	21.7	2.4	0.7	4.7	4.3	4.2	2.3	5.4	3.0	-0.2	1.0	-11.9	3.0	4.9
Construction	151.3	6.5	-4.1	-5.5	9.0	7.2	-8.1	6.5	11.8	-0.3	-3.7	4.8	-0.9	-9.1	-5.5
Market services and agriculture	1077.9	46.4	2.1	2.5	2.5	4.0	4.8	6.3	5.3	6.3	-5.5	1.6	-10.1	-4.2	-8.6
Non-market services	312.8	13.5	0.2	0.9	1.7	2.0	1.3	2.2	1.7	3.9	3.2	4.0	2.9	2.9	2.9
Contribution to annual GDP growth at the previous year prices (in percentage points)															
Domestic demand	-	-	-0.6	-0.6	4.7	3.6	2.2	4.8	5.4	3.5	-3.5	0.9	-9.0	-3.1	-2.8
Consumption	-	-	0.2	0.6	2.3	2.7	2.7	3.3	3.3	3.4	-1.0	1.2	-5.7	0.7	-0.1
Household consumption	-	-	0.3	0.2	1.6	2.2	2.2	2.8	2.5	2.3	-1.7	0.7	-6.2	0.2	-1.6
Capital formation	-	-	-0.9	-1.2	2.5	1.0	-0.4	1.5	2.1	0.1	-2.6	-0.3	-3.3	-3.8	-2.7
Gross fixed capital formation	-	-	-0.4	-0.2	1.9	1.2	-1.6	0.7	1.6	1.1	-1.8	0.2	-1.6	-1.4	-4.1
Net exports	-	-	2.0	1.7	-1.3	0.6	0.9	0.1	0.0	1.3	0.8	1.1	0.8	1.4	0.1
Contribution to annual value added growth at the previous year prices (in percentage points)															
Industry	-	-	0.6	0.2	1.1	1.1	1.1	0.6	1.4	0.7	0.0	0.3	-2.7	0.7	1.3
Construction	-	-	-0.4	-0.4	0.7	0.6	-0.6	0.5	0.8	0.0	-0.3	0.2	-0.1	-0.7	-0.4
Market services and agriculture	-	-	1.1	1.3	1.3	2.1	2.5	3.3	2.8	3.3	-2.9	0.8	-5.7	-2.3	-4.3
Non-market services	-	-	0.0	0.1	0.3	0.3	0.2	0.3	0.3	0.6	0.5	0.7	0.4	0.4	0.4

Source: GUS data, NBP calculations.

Market services and agriculture cover categories A, G-N and R-U of PKD classification (Polish equivalent of NACE): agriculture, trade, transportation, accommodation and catering, information and communication, financial and insurance activity, real estate activities, professional, scientific and technical activities, administrative and support service activities, arts, entertainment and recreation, other service activities, activities of households, and activities of extraterritorial organisations and bodies.

Non-market services comprise categories O, P and Q of PKD classification: public administration and defence, compulsory social security, education, human health and social work activities. Contributions to GDP growth and value added growth may not add up to overall GDP growth and value added growth due to rounding.

Table A.2 Annual growth in consumer goods and services prices and the contribution of the main price categories to CPI

	Weights in 2020, per cent	Change (y/y, per cent)												2020 average	2019 average
		2020													
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII		
CPI	100.0	4.3	4.7	4.6	3.4	2.9	3.3	3.0	2.9	3.2	3.1	3.0	2.4	3.4	2.3
Core inflation	59.1	3.1	3.6	3.6	3.6	3.8	4.1	4.3	4.0	4.3	4.2	4.3	3.7	3.9	2.0
Goods	32.2	0.8	1.2	1.2	1.1	1.0	1.4	1.7	1.9	1.7	1.6	1.4	1.4	1.4	0.3
Services	26.9	5.9	6.4	6.5	6.5	7.1	7.4	7.3	6.6	7.2	7.3	7.8	6.4	6.9	3.9
Food and non-alcoholic beverages	25.3	7.5	7.5	8.0	7.4	6.2	5.7	3.9	3.0	2.8	2.4	2.0	0.8	4.7	4.9
Processed	13.6	3.1	3.3	3.7	4.0	4.1	3.9	3.3	3.2	2.8	2.6	2.5	2.4	3.2	2.5
Unprocessed	11.7	13.0	12.6	13.2	11.4	8.6	7.8	4.6	2.8	2.7	2.1	1.3	-1.1	6.5	7.8
Meat	6.1	14.1	14.0	15.3	11.0	7.1	6.7	5.4	4.3	3.5	2.4	1.3	-2.3	6.7	5.6
Vegetables	3.0	11.5	8.5	7.9	8.1	2.2	0.0	-8.0	-9.7	-5.8	-3.8	-2.0	-4.7	0.3	19.8
Fruits	1.7	15.8	18.7	19.3	22.1	27.9	27.7	24.1	18.5	13.5	10.0	6.2	7.2	17.6	-1.3
Energy	15.7	3.8	4.4	2.5	-3.5	-5.3	-3.8	-3.0	-1.5	-0.3	-0.2	0.0	0.0	-0.6	-0.4
Energy carriers	10.1	4.0	5.5	5.5	5.2	5.2	5.1	4.5	4.5	4.6	4.8	4.7	4.7	4.9	-1.4
Fuels	5.6	3.5	2.4	-2.9	-18.8	-23.4	-19.3	-16.1	-12.3	-9.2	-9.2	-9.2	-8.4	-10.4	1.6
According to COICOP															
Food and non-alcoholic beverages	25.3	7.5	7.5	8.0	7.4	6.2	5.7	3.9	3.0	2.8	2.4	2.0	0.8	4.7	4.9
Alcoholic beverages and tobacco products	6.3	2.6	4.1	4.3	4.9	4.5	4.6	4.7	4.8	4.7	4.8	4.3	4.3	4.4	1.3
Clothing and footwear	5.0	-1.6	-1.0	-1.7	-3.4	-4.2	-3.2	-1.9	-1.9	-2.0	-2.4	-3.4	-4.1	-2.6	-1.9
Home maintenance and energy carriers	18.4	6.2	7.3	7.5	7.5	7.5	7.5	7.2	7.2	7.3	7.5	7.4	7.5	7.3	1.5
Home equipment and household maintenance	5.8	0.3	0.3	0.6	0.7	0.5	1.0	1.2	0.9	1.5	1.4	1.8	1.9	1.0	0.7
Health	5.3	3.6	3.7	4.2	4.4	5.5	5.6	5.3	5.4	5.0	5.1	5.2	5.1	4.8	3.2
Transportation	9.9	2.1	1.4	-1.4	-9.9	-12.8	-10.4	-8.5	-7.1	-4.9	-4.6	-4.4	-5.7	-5.6	0.7
Telecommunications	4.5	1.9	1.9	2.4	2.7	3.2	3.8	4.1	3.4	5.5	4.6	5.5	4.4	3.6	-0.7
Recreation and culture	6.6	3.3	3.7	2.5	2.0	2.0	3.1	2.4	2.2	3.6	3.3	3.0	2.9	2.8	2.6
Education	1.1	4.8	4.9	5.0	5.1	4.8	5.6	5.7	5.8	5.8	5.8	5.7	5.7	5.4	3.6
Restaurants and hotels	6.1	5.6	6.3	6.3	6.3	6.0	6.0	6.0	5.7	5.3	5.1	5.8	5.7	5.8	4.4
Other goods and services	5.7	1.5	2.1	2.6	1.5	3.6	3.4	4.2	4.4	2.9	3.2	3.7	2.1	2.9	1.4
Contribution to CPI growth (in percentage points)															
	Weights in 2020, per cent	2020												2020 average	2019 average
CPI	100.0	4.3	4.7	4.6	3.4	2.9	3.3	3.0	2.9	3.2	3.1	3.0	2.4	3.4	2.3
Core inflation	59.1	1.8	2.1	2.2	2.1	2.2	2.4	2.5	2.4	2.5	2.5	2.6	2.2	2.3	1.1
Goods	32.2	0.3	0.4	0.4	0.4	0.3	0.4	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.1
Services	26.9	1.6	1.7	1.7	1.7	1.9	2.0	2.0	1.8	2.0	2.0	2.1	1.7	1.8	1.0
Food and non-alcoholic beverages	25.3	1.9	1.9	2.0	1.9	1.6	1.5	1.0	0.8	0.7	0.6	0.5	0.2	1.2	1.2
Processed	13.6	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.3
Unprocessed	11.7	1.5	1.4	1.5	1.3	1.0	0.9	0.5	0.3	0.3	0.2	0.2	-0.1	0.8	0.9
Meat	6.1	0.8	0.8	0.9	0.7	0.4	0.4	0.3	0.3	0.2	0.2	0.1	-0.1	0.4	0.3
Vegetables	3.0	0.3	0.3	0.2	0.2	0.1	0.0	-0.2	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.5
Fruits	1.7	0.3	0.3	0.3	0.4	0.5	0.5	0.4	0.3	0.2	0.2	0.1	0.1	0.3	0.0
Energy	15.7	0.6	0.7	0.4	-0.6	-0.8	-0.6	-0.5	-0.2	0.0	0.0	0.0	0.0	-0.1	-0.1
Energy carriers	10.1	0.4	0.6	0.6	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	-0.1
Fuels	5.6	0.2	0.1	-0.2	-1.1	-1.4	-1.1	-0.9	-0.7	-0.5	-0.5	-0.5	-0.5	-0.6	0.1
According to COICOP															
Food and non-alcoholic beverages	25.3	1.9	1.9	2.0	1.9	1.6	1.5	1.0	0.8	0.7	0.6	0.5	0.2	1.2	1.2
Alcoholic beverages and tobacco products	6.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.1
Clothing and footwear	5.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1
Home maintenance and energy	18.4	1.2	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.3	0.3
Home equipment and household maintenance	5.8	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Health	5.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Transportation	9.9	0.2	0.1	-0.1	-1.0	-1.3	-1.0	-0.8	-0.7	-0.5	-0.4	-0.4	-0.6	-0.5	0.1
Telecommunications	4.5	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.0
Recreation and culture	6.6	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Education	1.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Restaurants and hotels	6.1	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.3
Other goods and services	5.7	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.1	0.2	0.1

Source: GUS data, NBP calculations.

The core inflation quoted in the table denotes CPI inflation excluding prices of food and energy.

Table A.3 Balance of payments (PLN million)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current account	-65 617	-29 647	-44 347	-16 517	-14 668	-6 347	-27 990	11 162	82 430
Balance of trade in goods	-40 562	-11 248	-23 478	3 432	8 881	-1 465	-26 504	5 162	55 434
Balance of services	26 372	33 425	39 456	45 459	60 006	75 885	90 631	101 622	104 433
Balance of primary income	-50 808	-50 077	-58 750	-61 718	-77 281	-80 150	-85 979	-87 797	-70 447
Balance of secondary income	-619	-1 747	-1 575	-3 690	-6 274	-617	-6 138	-7 825	-6 990
Capital account	35 711	37 857	41 990	42 510	19 471	25 002	44 605	45 283	56 338
Financial account	-37 313	-19 039	-20 064	1 978	5 943	-9 541	5 108	33 741	99 769
Direct investment balance	-19 692	-13 311	-40 728	-38 666	-16 594	-28 833	-54 667	-36 808	-32 209
Portfolio investment balance	-64 097	-761	7132	11 547	-14 769	-17 620	15 964	47 158	31 996
Other investment balance	18 847	-5 781	11 654	29 644	-52 724	71 720	21 877	-12 031	32 153
Derivative financial instruments	-8 942	-2 200	-62	-3663	762	-4256	-4 628	-4 136	-4 381
Official reserve assets	36 571	3 014	1 940	3 116	89 268	-30 552	26 562	39 558	72 210
Balance of errors and omissions	-7 407	-27 249	-17 707	-24 015	1 140	-28 196	-11 507	-22 704	-38 999

Source: NBP data.

Table A.4 Selected external stability indicators in 2012-2020

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current account balance/GDP (per cent)	-4.0	-1.8	-2.6	-0.9	-0.8	-0.3	-1.3	0.5	3.5
Current and capital account balance/GDP (per cent)	-1.8	0.5	-0.1	1.4	0.3	0.9	0.8	2.5	6.0
Balance of trade in goods and services/GDP (per cent)	-0.9	1.3	0.9	2.7	3.7	3.7	3.0	4.7	6.9
Official reserve assets in terms of monthly imports of goods and services	5.5	5.2	5.3	5.3	6.4	4.7	4.8	5.0	6.1
Gross foreign debt/GDP (per cent)	70.4	70.3	73.1	71.7	76.3	67.0	64.2	58.6	60.2
Net international investment position/GDP (per cent)	-65.6	-69.4	-69.4	-62.1	-61.5	-61.2	-55.9	-49.3	-44.2

Source: NBP and GUS data, NBP calculations.

Table A.5 M3 (stock at the end of each year, PLN million)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
M3	921 412	978 908	1 059 015	1 154 993	1 265 662	1 324 369	1 446 093	1 565 575	1 822 650
Repos	13 047	12 278	10 350	7 267	6 239	6 478	11 240	6 809	2 836
Debt securities issued with maturity up to 2 years	8 029	6 286	4 112	2 467	3 211	5 043	6 620	6 117	5 143
Money market fund shares	0	0	0	0	0	0	0	0	0
M2	900 337	960 345	1 044 553	1 145 259	1 256 212	1 312 847	1 428 233	1 552 648	1 814 671
Deposits and other liabilities with agreed maturity up to 2 years	415 524	404 510	438 270	453 134	440 908	406 473	415 880	397 776	283 035
Households	278 114	263 777	290 770	304 874	302 917	279 207	282 755	277 564	190 210
Other financial corporations	36 467	34 038	33 350	30 516	23 244	22 190	24 489	26 225	19 600
Non-financial corporations	88 526	94 029	101 639	103 365	99 234	88 269	87 586	82 830	65 214
Non-profit institutions serving households	7 106	6 889	6 800	7 022	7 251	7 515	7 779	7 373	3 886
Local government	4 708	4 645	4 526	5 633	5 887	6 046	4 562	3 244	3 272
Social security funds	602	1 133	1 184	1 724	2 375	3 245	8 710	540	853
M1	484 813	555 835	606 283	692 124	815 304	906 375	1 012 353	1 154 872	1 531 636
Currency in circulation (excluding MFIs' vault cash)	102 470	114 403	130 030	149 716	174 401	184 486	203 212	224 073	306 735
Overnight deposits and other liabilities	382 343	441 432	476 253	542 409	640 903	721 888	809 141	930 799	1 224 901
Households	236 791	279 832	300 786	341 115	402 001	453 227	523 307	603 824	786 845
Other financial corporations	15 912	17 665	18 574	20 302	25 899	31 589	32 800	26 065	31 195
Non-financial corporations	99 253	112 497	124 239	145 975	169 753	187 139	199 722	233 409	311 218
Non-profit institutions serving households	9 392	10 393	11 305	12 518	14 912	16 426	18 290	19 471	25 717
Local government	19 775	19 659	19 494	18 868	25 255	26 744	27 722	33 936	50 999
Social security funds	1 220	1 387	1 853	3 630	3 084	6 764	7 299	14 093	18 926

Source: NBP data.

MFIs- Monetary Financial Institutions

Table A.6 M3 counterparts (stock at the end of each year, PLN million)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
External assets, net	169 185	142 995	172 947	187 103	234 209	232 528	290 278	344 825	428 790
External assets	409 939	388 096	437 358	451 322	572 727	483 804	544 419	590 795	700 711
External liabilities	240 754	245 101	264 411	264 219	338 519	251 276	254 141	245 969	271 921
Credit to other residents	910 052	947 800	1 017 017	1 089 011	1 137 243	1 175 789	1 264 010	1 324 871	1 385 182
Loans and other claims	872 436	904 029	963 655	1 029 145	1 076 440	1 113 993	1 197 892	1 259 552	1 262 854
Households	538 120	562 380	593 273	632 523	665 062	676 362	723 233	766 334	789 079
Other financial corporations	34 566	42 992	53 346	58 344	58 546	65 782	74 182	83 732	81 761
Non-financial corporations	256 982	259 049	275 774	297 950	314 533	333 362	358 589	366 114	348 155
Non-profit institutions serving households	4 847	5 306	5 683	6 068	6 485	6 946	7 296	7 621	7 995
Local government	37 080	34 302	35 579	34 260	31 814	31 541	34 592	35 750	35 865
Social security funds	840	0	0	0	0	0	0	0	0
Debt securities	28 681	33 385	41 985	47 229	48 020	47 502	47 610	46 910	103 729
Other financial corporations	1 005	761	1 713	2 359	3 959	3 496	3 500	3 164	61 778
Non-financial corporations	13 438	15 542	22 588	26 100	25 423	24 941	22 584	19 637	16 558
Local government	14 238	17 082	17 684	18 770	18 638	19 064	21 526	24 109	25 393
Equity and non-MMF investment fund shares or units	8 935	10 386	11 377	12 637	12 783	14 294	18 508	18 409	18 598
Other financial corporations	5 915	6 554	8 971	10 381	10 601	12 070	15 676	15 882	16 183
Non-financial corporations	3 020	3 832	2 406	2 256	2 182	2 222	2 831	2 526	2 413
Credit to central government, net	108 380	145 337	168 872	201 343	253 371	268 824	275 697	310 283	411 607
Credit to central government	160 909	182 792	224 409	239 787	311 159	321 398	346 352	383 746	533 706
Loans	810	781	701	1 142	961	1 011	1 043	1 127	1 287
Debt securities	119 192	138 615	180 804	193 333	259 586	267 216	293 297	331 138	475 201
Deposits of central government	52 529	37 456	55 536	38 444	57 788	52 574	70 655	73 464	122 099
Longer-term financial liabilities	295 938	293 510	336 409	359 605	389 984	374 963	407 306	438 021	513 631
Deposits and other liabilities with agreed maturity over 2 years	10 844	17 154	20 512	22 001	25 189	25 784	25 676	28 812	28 956
Households	4 572	10 067	13 756	16 552	19 839	21 344	21 836	25 362	25 549
Other financial corporations	4 104	5 485	5 851	4 624	4 452	3 483	2 939	2 541	2 312
Non-financial corporations	2 055	1 492	813	733	777	789	772	784	948
Non-profit institutions serving households	96	79	64	68	102	144	100	100	118
Local government	18	30	27	25	19	24	29	26	28
Social security funds	0	0	0	0	0	0	0	0	0
Debt securities issued with maturity over 2 years	35 871	40 875	40 422	43 879	53 782	69 762	72 267	78 530	106 211
Capital and reserves	249 224	235 482	275 475	293 725	311 013	279 417	309 363	330 679	378 464
Fixed assets (excluding fixed financial assets)	45 160	48 474	50 382	51 475	52 610	53 221	54 777	61 958	65 524
Other items, net	-15 426	-12 187	-13 794	-14 334	-21 788	-31 031	-31 364	-38 341	45 178

Source: NBP data.

MMF-Money Market Fund

Appendix 2. Voting records of the Monetary Policy Council members on motions and resolutions

Voting records of the Monetary Policy Council members on motions and resolutions in 2020 are presented below.

■ Date: 8 January 2020

Subject matter of motion or resolution:

Motion to raise the NBP interest rates by 0.15 percentage points.

MPC decision:

Motion did not pass.

Voting of the MPC members:

For: E. Gatnar

Ł. J. Hardt

K. Zubelewicz

Against: A. Glapiński

G. M. Ancyparowicz

C. Kochalski

J. J. Kropiwnicki

E. M. Łon

R. Sura

J. Żyżyński

■ Date: 8 January 2020

Subject matter of motion or resolution:

Motion to lower the NBP interest rates by 0.25 percentage points.

MPC decision:

Motion did not pass.

Voting of the MPC members:

For: E. M. Łon

Against: A. Glapiński

G. M. Ancyparowicz

E. Gatnar

Ł. J. Hardt

C. Kochalski

J. J. Kropiwnicki

R. Sura

K. Zubelewicz

J. Żyżyński

■ Date: 5 February 2020

Subject matter of motion or resolution:

Motion to lower the NBP interest rates by 0.25 percentage points.

MPC decision:

Motion did not pass.

Voting of the MPC members:

For: E. M. Łon

Against: A. Glapiński
G. M. Ancyparowicz
E. Gatnar
Ł. J. Hardt
C. Kochalski
J. J. Kropiwnicki
K. Zubelewicz
J. Żyżyński

R. Sura was absent.

■ Date: 4 March 2020

Subject matter of motion or resolution:

Motion to lower the NBP interest rates by 0.25 percentage points.

MPC decision:

Motion did not pass.

Voting of the MPC members:

For: E. M. Łon

Against: A. Glapiński
G. M. Ancyparowicz
E. Gatnar
Ł. J. Hardt
C. Kochalski
J. J. Kropiwnicki
R. Sura
K. Zubelewicz
J. Żyżyński

■ Date: 17 March 2020

Subject matter of motion or resolution:

Motion to lower the NBP reference rate by 0.50 percentage points to 1.00% and to set the remaining NBP interest rates as follows:

- lombard rate 1.50%
- deposit rate 0.50%
- rediscount rate 1.05%
- discount rate 1.10%.

MPC decision:

Motion passed.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
C. Kochalski
E. M. Łon
R. Sura
J. Żyżyński

Against: Ł. J. Hardt
J. J. Kropiwnicki
K. Zubelewicz

E. Gatnar was absent.

■ Date: 17 March 2020

Subject matter of motion or resolution:

Resolution No. 1/2020 on reference rate, refinancing credit rate, deposit rate as well as the rediscount and discount rates at the NBP.

MPC decision:

MPC lowered the reference rate by 0.50 percentage points to 1.00% and set the remaining NBP interest rates as follows:

- lombard rate 1.50%
- deposit rate 0.50%
- rediscount rate 1.05%
- discount rate 1.10%.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
C. Kochalski
E. M. Łon
R. Sura
J. Żyżyński

Against: Ł. J. Hardt
J. J. Kropiwnicki
K. Zubelewicz

E. Gatnar was absent.

■ Date: 17 March 2020

Subject matter of motion or resolution:

Motion to lower the required reserve ratio from 3.5% to 0.25%.

MPC decision:

Motion did not pass.

Voting of the MPC members:

For: Ł. J. Hardt

J. J. Kropiwnicki

K. Zubelewicz

Against: A. Glapiński

G. M. Ancyparowicz

C. Kochalski

E. M. Łon

R. Sura

J. Żyżyński

E. Gatnar was absent.

■ Date: 17 March 2020

Subject matter of motion or resolution:

Motion to lower the required reserve ratio from 3.5% to 0.50%.

MPC decision:

Motion passed.

Voting of the MPC members:

For: A. Glapiński

G. M. Ancyparowicz

C. Kochalski

J. J. Kropiwnicki

E. M. Łon

R. Sura

K. Zubelewicz

J. Żyżyński

Against: Ł. J. Hardt

E. Gatnar was absent.

■ Date: 17 March 2020

Subject matter of motion or resolution:

Resolution No. 2/2020 amending the resolution on the required reserve ratios for banks, cooperative savings and credit unions and the National Association of Cooperative Savings and Credit Unions and the remuneration of required reserves.

MPC decision:

MPC lowered the required reserve ratio from 3.5% to 0.50%.

Voting of the MPC members:

For:	A. Glapiński	Against:	Ł. J. Hardt
	G. M. Ancyparowicz		
	C. Kochalski		
	J. J. Kropiwnicki		
	E. M. Łon		
	R. Sura		
	K. Zubelewicz		
	J. Żyżyński		

E. Gatnar was absent.

■ Date: 17 March 2020

Subject matter of motion or resolution:

Motion to raise the remuneration of the required reserve funds from 0.50% to 1.0 of the NBP reference rate.

MPC decision:

Motion passed.

Voting of the MPC members:

For:	A. Glapiński	Against:	No-one
	G. M. Ancyparowicz		
	Ł. J. Hardt		
	C. Kochalski		
	J. J. Kropiwnicki		
	E. M. Łon		
	R. Sura		
	K. Zubelewicz		
	J. Żyżyński		

E. Gatnar was absent.

■ Date: 17 March 2020

Subject matter of motion or resolution:

Resolution No. 3/2020 amending the resolution on the required reserve ratios for banks, cooperative savings and credit unions and the National Association of Cooperative Savings and Credit Unions and the remuneration of required reserves.

MPC decision:

MPC raised the remuneration of the required reserve funds from 0.50% to 1.0 of the NBP reference rate.

Voting of the MPC members:

For:	A. Glapiński	Against:	No-one
	G. M. Ancyparowicz		
	Ł. J. Hardt		
	C. Kochalski		
	J. J. Kropiwnicki		
	E. M. Łon		
	R. Sura		
	K. Zubelewicz		
	J. Żyżyński		

E. Gatnar was absent.

■ Date: 8 April 2020

Subject matter of motion or resolution:

Motion to lower the NBP interest rates by 0.50 percentage points.

MPC decision:

Motion passed.

Voting of the MPC members:

For:	A. Glapiński	Against:	Ł. J. Hardt
	G. M. Ancyparowicz		
	C. Kochalski		
	J. J. Kropiwnicki		
	E. M. Łon		
	R. Sura		
	J. Żyżyński		

E. Gatnar and K. Zubelewicz were absent.

■ Date: 8 April 2020

Subject matter of motion or resolution:

Resolution No. 4/2020 on reference rate, refinancing credit rate, deposit rate as well as the rediscount and discount rates at the NBP.

MPC decision:

MPC lowered the NBP interest rates by 0.50 percentage points.

Voting of the MPC members:

For:	A. Glapiński	Against:	Ł. J. Hardt
	G. M. Ancyparowicz		
	C. Kochalski		
	J. J. Kropiwnicki		
	E. M. Łon		
	R. Sura		
	J. Żyżyński		

E. Gatnar and K. Zubelewicz were absent.

■ Date: 8 April 2020

Subject matter of motion or resolution:

Resolution No. 5/2020 amending the resolution on monetary policy guidelines for 2020.

Voting of the MPC members:

For:	A. Glapiński	Against:	No-one
	G. M. Ancyparowicz		
	Ł. J. Hardt		
	C. Kochalski		
	J. J. Kropiwnicki		
	E. M. Łon		
	R. Sura		
	J. Żyżyński		

E. Gatnar and K. Zubelewicz were absent.

■ Date: 8 April 2020

Subject matter of motion or resolution:

Resolution No. 6/2020 on approving the Annual Financial Report of the National Bank of Poland prepared as of 31 December 2019.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
Ł. J. Hardt
C. Kochalski
J. J. Kropiwnicki
E. M. Łon
R. Sura
J. Żyżyński

Against: No-one

E. Gatnar and K. Zubelewicz were absent.

■ Date: 8 April 2020

Subject matter of motion or resolution:

Motion to introduce repo operations with over two-year maturity and interest of 0.25%.

MPC decision:

Motion did not pass.

Voting of the MPC members:

For: Ł. J. Hardt

Against: A. Glapiński
G. M. Ancyparowicz
C. Kochalski
J. J. Kropiwnicki
E. M. Łon
R. Sura
J. Żyżyński

E. Gatnar and K. Zubelewicz were absent.

■ Date: 28 May 2020

Subject matter of motion or resolution:

Motion to lower the NBP reference rate by 0.40 percentage points and to set the remaining NBP interest rates as follows:

- reference rate 0.10%
- lombard rate 0.50%
- deposit rate 0.00%
- rediscount rate 0.11%
- discount rate 0.12%.

MPC decision:

Motion passed.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
C. Kochalski
E. M. Łon
R. Sura
J. Żyżyński

Against: E. Gatnar
Ł. J. Hardt
J. J. Kropiwnicki
K. Zubelewicz

■ Date: 28 May 2020

Subject matter of motion or resolution:

Resolution No. 7/2020 on reference rate, refinancing credit rate, deposit rate as well as the rediscount and discount rates at the NBP.

MPC decision:

MPC lowered the reference rate by 0.40 percentage points and set the remaining NBP interest rates as follows:

- reference rate 0.10%
- lombard rate 0.50%
- deposit rate 0.00%
- rediscount rate 0.11%
- discount rate 0.12%.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
C. Kochalski
E. M. Łon
R. Sura
J. Żyżyński

Against: E. Gatnar
Ł. J. Hardt
J. J. Kropiwnicki
K. Zubelewicz

■ Date: 28 May 2020

Subject matter of motion or resolution:

Resolution No. 8/2020 on approving the Report on monetary policy in 2019.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
E. Gatnar
Ł. J. Hardt
C. Kochalski
J. J. Kropiwnicki
E. M. Łon
R. Sura
K. Zubelewicz
J. Żyżyński

Against: No-one

■ Date: 28 May 2020

Subject matter of motion or resolution:

Resolution No. 9/2020 on evaluation of the activities of the NBP Management Board as regards the implementation of monetary policy guidelines for 2019.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
E. Gatnar
Ł. J. Hardt
C. Kochalski
J. J. Kropiwnicki
E. M. Łon
R. Sura
K. Zubelewicz
J. Żyżyński

Against: No-one

■ Date: 28 May 2020

Subject matter of motion or resolution:

Resolution No. 10/2020 on approving the report on the operations of Narodowy Bank Polski in 2019.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
E. Gatnar
Ł. J. Hardt
C. Kochalski
J. J. Kropiwnicki
E. M. Łon
R. Sura
J. Żyżyński

Against: K. Zubelewicz

■ Date: 28 May 2020

Subject matter of motion or resolution:

Resolution No. 11/2020 amending the resolution on accounting principles, the layout of balance sheet assets and liabilities and profit and loss account of Narodowy Bank Polski.

Voting of the MPC members:

For:	A. Glapiński G. M. Ancyparowicz E. Gatnar Ł. J. Hardt C. Kochalski J. J. Kropiwnicki E. M. Łon R. Sura K. Zubelewicz J. Żyżyński	Against:	No-one
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■ Date: 15 September 2020

Subject matter of motion or resolution:

Motion to change the NBP inflation target of 2.5% with a symmetrical tolerance band of +/- 1 percentage point to 2% with a symmetric tolerance band of +/- 1 percentage point.

Voting of the MPC members:

For:	K. Zubelewicz	Against:	A. Glapiński G. M. Ancyparowicz E. Gatnar Ł. J. Hardt C. Kochalski E. M. Łon R. Sura J. Żyżyński
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J. J. Kropiwnicki was absent.

■ Date: 15 September 2020

Subject matter of motion or resolution:

Motion to widen the symmetric tolerance band for the inflation target of 2.5% from +/- 1 percentage point to +/- 2 percentage points.

Voting of the MPC members:

For: E. M. Łon

Against: A. Glapiński
G. M. Ancyparowicz
E. Gatnar
Ł. J. Hardt
C. Kochalski
R. Sura
K. Zubelewicz
J. Żyżyński

J. J. Kropiwnicki was absent.

■ Date: 15 September 2020

Subject matter of motion or resolution:

Resolution No. 12/2020 on adopting monetary policy guidelines for 2021.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
E. Gatnar
Ł. J. Hardt
C. Kochalski
E. M. Łon
R. Sura
J. Żyżyński

Against: K. Zubelewicz

J. J. Kropiwnicki was absent.

■ Date: 6 November 2020

Subject matter of motion or resolution:

Resolution No. 13/2020 on the accounting principles of Narodowy Bank Polski, the layout of the balance sheet, the profit and loss account, and the contents of notes.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
C. Kochalski
R. Sura
J. Żyżyński

Against: J. J. Kropiwnicki
K. Zubelewicz

E. Gatnar, Ł. J. Hardt, E. M. Łon were absent.

■ Date: 2 December 2020

Subject matter of motion or resolution:

Resolution No. 14/2020 on approving the financial plan of Narodowy Bank Polski for 2021.

Voting of the MPC members:

For: A. Glapiński
G. M. Ancyparowicz
E. Gatnar
Ł. J. Hardt
C. Kochalski
J. J. Kropiwnicki
E. M. Łon
R. Sura
K. Zubelewicz
J. Żyżyński

Against: No-one

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