

Warsaw, 15 September 2020

Information from the meeting of the Monetary Policy Council held on 15 September 2020

The Council decided to keep the NBP interest rates unchanged:

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

NBP will continue to purchase government securities and government-guaranteed debt securities on the secondary market as part of the structural open market operations. The timing and scale of the operations will depend on the market conditions.

Furthermore, NBP will offer bill discount credit aimed at refinancing loans granted to enterprises by banks.

Incoming data confirmed that 2020 Q2 had seen a sharp fall in GDP around the world, including among Poland's main trading partners. In the euro area GDP fell by 14.7% y/y. Along with the easing of containment measures in recent months there has been an improvement in the economic situation in many economies, although economic activity in most countries remains lower than before the outbreak of the pandemic. The improvement in the global economic conditions has been supported by fiscal measures introduced as well as the accompanying easing of monetary policy, including interest rate cuts and asset purchases. At the same time, there remains uncertainty about the further course of the pandemic as well as the pace and robustness of the recovery in the global economic conditions.

The prices of many commodities on the global markets remain significantly lower than at the beginning of the year. Along with weaker economic activity, this has contributed to inflation staying at low levels in many countries, including among Poland's main trading partners.

In Poland, GDP data for 2020 Q2 confirmed a sharp fall in economic activity (GDP fell by 8.2% y/y). In 2020 Q2, both domestic demand, including consumption and investment, and exports fell sharply. This was accompanied by a fall in the number of people employed and a decline in wage growth in the economy. Incoming data suggest

an improvement in sentiment and a recovery in economic activity in recent months. At the same time, inflation in August declined to 2.9% y/y.

A further recovery in economic activity may be expected over the coming months. This will be supported by a further improvement in the economic situation in the environment of the Polish economy and economic policy measures, including the easing of NBP's monetary policy. At the same time, the scale of the expected recovery in activity may be limited by uncertainty about the further course and effects of the pandemic, lower income growth and weaker sentiment of economic agents than in previous years. The pace of the economic recovery could also be limited by the lack of visible zloty exchange rate adjustment to the global pandemic-driven shock and to the monetary policy easing introduced by NBP.

NBP will continue to purchase government securities and government-guaranteed debt securities on the secondary market as part of the structural open market operations. These operations are aimed at changing the long-term liquidity structure in the banking sector, ensuring the liquidity in the secondary markets for the purchased securities and enhancing the impact of the NBP interest rate cuts on the economy, i.e. strengthening the monetary policy transmission mechanism. The timing and scale of the operations will depend on the market conditions.

Furthermore, NBP will also offer bill discount credit aimed at refinancing loans granted to enterprises by banks.

The NBP monetary policy easing mitigates the negative economic impact of the pandemic, limiting the scale of the fall in economic activity and supporting incomes of households and enterprises. Consequently, it alleviates the fall in employment and deterioration in the financial situation of enterprises, thus supporting economic recovery. The measures undertaken by NBP reduce the risk of inflation falling below the NBP inflation target in the medium term and – due to their positive impact on the financial situation of debtors – are conducive to enhancement of financial system stability.

The Council adopted *Monetary Policy Guidelines for 2021*.