

Warsaw, 7 October 2020

Information from the meeting of the Monetary Policy Council held on 7 October 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 following a sharp fall in global GDP in 2020 Q2, the economic activity has been recovering in recent months. The improvement in the global economic conditions has been supported by earlier easing of containment restrictions, introduced fiscal measures as well as the accompanying easing of monetary policy, including interest rate cuts and asset purchases. Despite the rebound, economic activity in most countries remains lower than before the outbreak of the pandemic. Recently, there has been a renewed increase in number of new Covid-19 infections. As a consequence, the uncertainty about the further course of the pandemic as well as the pace and robustness of the recovery in the global economic conditions has also increased.

The growing number of new Covid-19 cases has contributed to some deterioration in global financial market sentiment, mirrored inter alia in depreciation of emerging market currencies. Prices of 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 Poland's main trading partners.

In Poland, the incoming data indicated a recovery in economic activity in 2020 Q3, after a significant fall in GDP in 2020 Q2. At the same time, data on retail sales and production in August suggested that the economic recovery has slowed down compared to previous months. This was accompanied by a stabilisation in the number of people

employed in enterprise sector, along with wage growth in this sector staying significantly below its pre-pandemic level. At the same time, inflation in September – according to the Statistics Poland *flash* estimate – stood at 3.2% y/y.

A further recovery in economic activity may be expected over the coming months, however its pace may be slower than observed so far. The improvement in the economic situation will be supported by economic policy measures, including the easing of NBP's monetary policy. At the same time, an increase in activity may be curbed by high uncertainty about the further course and effects of the pandemic and weaker sentiment of economic agents than in previous years. The economic conditions in the environment of the Polish economy will also have a significant impact on the activity growth. The pace of the economic recovery could also be limited by the lack of visible and more durable 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, supports economic recovery and reduces the risk of inflation falling below the NBP inflation target in the medium term. Due to its positive impact on the financial situation of debtors, it is also conducive to strengthening of the financial system stability.