

Warsaw, 13 January 2021

Information from the meeting of the Monetary Policy Council held on 13 January 2021

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 conducted measures will depend on the market conditions. Furthermore, NBP will also offer bill discount credit aimed at refinancing loans granted to enterprises by banks.

Data from the global economy indicate that as COVID-19 infections increased and the sanitary restrictions were tightened again, the global recovery slowed down in 2020 Q4. The situation deteriorated mainly in the services sector, while industrial activity continued to grow. At the same time, inflation in the global economy remains low. Forecasts point to a fall in GDP in the euro area in 2020 Q4. The central banks of the major economies are keeping interest rates low and conducting asset purchases.

In recent months, expectations that vaccinations will have a positive impact on the further course of the pandemic have contributed to some improvement in global financial market sentiment, leading to an increase in the prices of some financial assets. At the same time, the prices of some commodities, including oil, increased in the global markets.

In Poland, the rise in COVID-19 infections and the tightening of the pandemic restrictions in 2020 Q4 had a negative impact on economic activity, particularly in part of the services sector. October and November saw a drop in retail sales. The continued growth in industrial output suggests that the situation in this sector is relatively favourable. Current forecasts indicate that annual GDP growth in 2020 Q4 remained negative and was most likely lower than in the previous quarter.

The labour market data for November point to a stabilisation of average employment and annual growth of average wages in the enterprise sector. At the same time, inflation in December – according to the Statistics Poland flash estimate – stood at 2.3% y/y (compared to 3.0% y/y in November).

It can be expected that following the fall in GDP in 2020, economic activity will recover in 2021, although the scale of the recovery will mainly depend on the epidemiological situation and the related restrictions. The further course of the pandemic and its impact on the economic situation in Poland and abroad remain the main sources of uncertainty for the economic outlook in Poland.

The economic policy measures, including the easing of NBP's monetary policy, will have a positive impact on the economic situation. However, growth in economic activity may be limited by the heightened uncertainty and the weaker sentiment of economic agents than before the pandemic, which will result in a significant slowdown in investment growth. The pace of economic recovery may also be reduced by the lack of a visible and more durable zloty exchange rate adjustment to the global pandemic 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. In order to strengthen the impact of NBP's monetary policy easing on the economy, NBP may also intervene in the foreign exchange market. The timing and scale of the measures taken by NBP will depend on the market conditions. Furthermore, NBP will also continue to offer bill discount credit aimed at refinancing loans granted to enterprises by banks.

NBP's monetary policy mitigates the negative economic impact of the pandemic, supports economic activity and stabilises inflation at the level consistent with NBP's medium-term inflation target. Due to its positive impact on the financial situation of debtors, it is also conducive to the strengthening of financial system stability.