

Warsaw, 3 February 2021

## Information from the meeting of the Monetary Policy Council held on 3 February 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.**

As COVID-19 infections increased and the sanitary restrictions were tightened again, the global recovery slowed down in 2020 Q4. According to preliminary data, GDP fell in the euro area in that period. In January 2021 – faced with the risk of another wave of infections – some European countries extended or tightened the existing pandemic restrictions. As a result, the services sector continues to see a downturn amid a relatively better situation in industry. Inflation in the global economy remains low. The major central banks are keeping interest rates low and conducting asset purchases.

Growing concerns about the inability to swiftly halt the pandemic despite the start of the vaccinations has negatively affected global financial market sentiment over the recent past. At the same time, expectations about the additional fiscal stimulus in the United States have supported asset prices in the financial markets. Since the beginning of the year, the prices of some commodities, including oil, have increased in the global markets.

In Poland, the rise in the number of COVID-19 infections and the tightening of the pandemic restrictions in 2020 Q4 had a negative impact on economic activity in that period, in particular in some parts of the service sector. December saw an increase in the growth rate of construction and assembly production and in industrial production, including in exporting sectors. The current estimates, taking into account the preliminary estimate of GDP in 2020, indicate that 2020 Q4 saw another decline in GDP, although considerably smaller than that in 2020 Q2. The economic downturn was driven, in particular, by lower consumption with investment remaining weaker than a year before. The labour market data for December point to average employment in the enterprise

sector still lower than a year ago amid rising annual growth of average wages in this sector. At the same time, inflation at the end of 2020 declined to 2.4% y/y.

It can be expected that following the fall in GDP in 2020, economic activity will increase 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.