

Warsaw, 3 March 2021

Information from the meeting of the Monetary Policy Council held on 3 March 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.

The surge in COVID-19 pandemic and related restrictions had a negative impact on global economic activity in 2020 Q4 and the beginning of 2021. The euro area slipped into recession again in 2020 Q4. Available data on the economic situation at the beginning of 2021 point to a continued weakness in the services sector, with further rise in industrial output in this economy.

Inflation in the global economy is low, despite a slight rise recorded in some countries in January. The major central banks are keeping interest rates low and conducting asset purchases. Despite uncertainty about the development of the pandemic, financial market sentiment remains positive. This is accompanied by a rise in global commodity prices, including oil.

In Poland, preliminary data on national accounts for 2020 Q4 confirmed that GDP fell in this period. Activity declined as a result of a fall in consumption and lower investment than a year ago. In turn, the fall in GDP was limited by the positive impact of net exports.

Incoming data on the economic conditions in January indicate that the relatively good situation in the industrial sector continues, although industrial output growth slowed down. In turn, construction and assembly output and retail sales recorded significant falls. This was accompanied by a fall in average employment in the enterprise sector and a decline in annual growth of average wages in this sector. According to the GUS flash estimate, inflation stood at 2.7% y/y in January 2021.

Following the fall in GDP in 2020, a rise in economic activity is expected in 2021, although the scale and pace of the recovery are uncertain. The further course of the pandemic and its impact on the economic situation in Poland and abroad continue to be the main source of uncertainty. The economic policy measures, including the easing of NBP's monetary policy introduced last year and the expected recovery in the global economy, will have a positive impact on the domestic economic situation. The pace of the economic recovery in Poland may 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.

The Council became acquainted with the results of the March projection of inflation and GDP based on the NECMOD model. In line with the projection prepared under the assumption of unchanged NBP interest rates and taking into account data available until 16 February 2021 there is a 50-percent probability that the annual price growth will be in the range of 2.7–3.6% in 2021 (against 1.8–3.2% in the November 2020 projection), 2.0–3.6% in 2022 (compared to 1.6–3.6%) and 2.2–4.2% in 2023. At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 2.6–5.3% in 2021 (against 0.8–4.5% in the November 2020 projection), 4.0–6.9% in 2022 (compared to 3.8–7.8%) and 4.0–6.8% in 2023.

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.

The Council adopted the *Inflation Report – March 2021*.

The Council adopted the Resolution on National Strategy for Safety of Cash Circulation.