



Warsaw, 3 November 2021

## **Information from the meeting of the Monetary Policy Council held on 3 November 2021**

**The Council decided to increase the NBP reference rate by 0.75 percentage points, i.e. to 1.25%. At the same time, the Council set the remaining NBP interest rates at the following levels:**

- **lombard rate at 1.75%;**
- **deposit rate at 0.75%;**
- **rediscount rate at 1.30%;**
- **discount rate at 1.35%.**

The activity in global economy continues to recover, yet a difficult pandemic situation persisting in many countries together with supply-side constraints in some markets and a strong increase in commodity prices, have a negative impact on economic situation in some countries. Still, latest forecasts indicate a further increase in global GDP next year.

At the same time a markedly higher than a year ago commodity prices – in particular prices of natural gas, but also of oil and coal, as well as of some agricultural commodities – together with continued global supply chain disruptions and significant increase in international shipping costs, contribute to a marked rise in inflation in many economies and an upward shift in its forecasts for the next year. In many economies, including in the USA and euro area, inflation significantly exceeds the central banks targets, staying at the highest levels in many years.

Major central banks are keeping interest rates low while continuing asset purchases, although some of them signal the reduction in the monetary accommodation scale. At the same time central banks in the Central-Eastern Europe region have been increasing interest rates.

In Poland, economic activity continues to recover. The situation in the labour market is still improving, as indicated by decreasing unemployment and a marked increase in average wage in the enterprise sector. In the coming quarters, economic conditions are expected to remain favourable. However there are significant risk factors related to the impact of autumn wave of the epidemic on the economy, as well as to the effects of supply-side constraints and high energy commodity prices on the global economic conditions.



Inflation in Poland, according to the Statistics Poland flash estimate for October 2021, increased to 6.8% in annual terms, and in monthly terms it amounted to 1.0%. The elevated inflation resulted, to a great extent, from external factors beyond the control of domestic monetary policy, such as higher than a year ago global prices of energy and agricultural commodities, earlier increase in electricity prices and in waste disposal charges, as well as disruptions in global supply chains and international transport. The ongoing economic recovery, including demand driven by rising household income, has also added to the price growth.

The Council became acquainted with the results of the November 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 21 October 2021 there is a 50-percent probability that the annual price growth will be in the range of 4.8–4.9% in 2021 (against 3.8–4.4% in the July 2021 projection), 5.1–6.5% in 2022 (compared to 2.5–4.1%) and 2.7–4.6% in 2023 (compared to 2.4–4.3%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 4.9–5.8% in 2021 (against 4.1–5.8% in the July 2021 projection), 3.8–5.9% in 2022 (compared to 4.2–6.5%) and 3.8–6.1% in 2023 (compared to 4.1–6.5%).

The rise in global prices of both energy and agricultural commodities observed this year as well as continued global supply chain disruptions have led to an increase of inflation forecasts for the coming quarters both globally and in Poland. Amidst expected further economic recovery and favourable labour market conditions, it would generate a risk of inflation remaining elevated in the monetary policy transmission horizon. In order to reduce this risk, i.e. striving to decrease inflation to the NBP target in the medium term, the Council decided to increase NBP interest rates. NBP may still intervene in the foreign exchange market and use other instruments envisaged in the *Monetary Policy Guidelines*. The timing and scale of the measures taken by NBP will depend on the market conditions.

The Council adopted the *Inflation Report – November 2021* as well as the *Opinion on the 2022 Draft Budget Act*.