

Interview with Professor Adam Glapiński, Governor of NBP, in the programme

“W otwarte karty” (“All Cards on the Table”) on Polskie Radio (Polish Radio)

12 September 2021

Małgorzata Raczyńska-Weinsberg, Polskie Radio: The word “inflation” has been ever-present and used by virtually everybody in recent weeks. Some say that we have seen a rampant rise in prices, others say that yes – prices are higher, but it’s a natural consequence of the increase in the wealth of Poles. Who is right here? This, among other things, is what I will be talking about with the guardian of the value of the Polish currency, Professor Adam Glapiński, Governor of Narodowy Bank Polski. Good afternoon Professor, good afternoon Governor.

Prof. Adam Glapiński, Governor of NBP: Good afternoon, good afternoon to all listeners.

Governor, what is the actual situation with regard to inflation? Is it stifling us or not?

Inflation indeed reached a high, worrying level of 5.4 per cent last month. But we, as the guardians of the strength of the Polish zloty, are obviously interested in the structure of this price rise, its origins, how long it will persist, what causes it, and what we can do about it. You mentioned at the beginning that the price increase might be something fairly natural as we are catching up with other countries, but not an increase of this size, of course. Generally speaking, we are all aware that once we reach the living standards enjoyed by the rich Western countries, such as Germany, in – let’s say – 20 years’ time, we will obviously earn similar wages to the Germans, but our prices will also be similar to theirs. It will not be the case that the German prices and wages of today will remain the same. This is what the process of growth is about, and hence an accompanying slight price rise is a natural thing. In highly developed countries, a price increase of about 2 per cent a year on average is something natural. When the economy stagnates, when it is not developing, or it is even shrinking, then prices can be completely stable or even decrease. This is by far a worse phenomenon. It may be difficult for listeners and non-economists to understand, but deflation is a disease even worse than inflation. However, when the economy is growing rapidly, 2 per cent is natural in developed countries. Since we are catching up with these countries and developing faster than they are – as was

always the case before the pandemic and as it will be right after the pandemic subsides – our growth rate will be more or less twice as high as theirs. Hence a price growth of about 2.5 per cent will be natural. 2.5 per cent is also NBP's inflation target, so if the price of an average basket of goods and services, which is calculated in a complicated way by Statistics Poland, amounts to 2.5 per cent, then it's a kind of a long term average and the process is natural. Our target is 2.5 per cent – plus or minus one per cent – and of course it's difficult to stay right in the middle of the target. Our inflation target is precisely a band, where 2.5 per cent is in the middle and where plus or minus one per cent fluctuations are common. Now, we're clearly higher. The target of 2.5 per cent plus one, gives us 3.5 per cent, whereas we were over 5, though admittedly for a short time. Obviously, the structure and origins of this price growth are important. Firstly, I wanted to say, without justifying or claiming that price growth is something good, because it is not, that everyone would prefer there to be no such price growth, and certainly no such average price growth. But prices are rising across the world, particularly in developed countries – we had the pandemic crisis. The peak of the pandemic is hopefully over, but the effects brought about by it still remain. Under these international circumstances, oil prices have increased by more than 30 per cent, electricity prices have increased, and so have food, freight, and transportation prices. The container freight prices have more than quadrupled. Some trade links have been broken; components are not making it to their destinations. A number of Chinese ports are now completely closed, and semiconductors, for instance microprocessors, are not being delivered from China at all. Neither are they being delivered from Taiwan. These are various, numerous circumstances which led to last month's inflation reaching 5.4 per cent, the same as in the United States, for example. The powerful and huge US economy, which is much more self-sufficient than the Polish economy and has its own enormous oil reserves, is also facing inflation of 5.4 per cent. Germany's inflation rate has hit a thirty year high, and the Germans are known to be particularly sensitive about inflation after their experience of hyperinflation in the 1920s. Well, Germany has the highest inflation rate in 30 years. In all or nearly all countries – there are certain specific exceptions – inflation has hit its highest levels for many years, or even decades. At the same time, I'd like to remind you that the Eurozone countries, including Germany, started off with negative price growth, they even had deflation. We, however, started off with a normal level of inflation within the band I previously referred to. So, the changes were largely the same everywhere. We are no

exception here, and nothing special is going on in our country. And as I tell everyone at my press conferences, a detailed analysis reveals that more or less 2.7 of this 5.4 per cent is accounted for by these costs, these increases in the prices of oil and electricity (mainly in Europe due to its climate policy) and in the prices of imported food, and international transport – these post-pandemic, crisis-related effects. In short, I wish to say here that these are factors no one has an impact on. Well, not Narodowy Bank Polski, and I am not saying it to shift NBP's responsibility onto someone else. No one has an influence on the way the prices of these inputs are rising globally. We do have an impact on what is included in the remaining 2.7, but that 2.7 is normal price growth in a developing economy, and we are all satisfied with it on a day-to-day basis.

So, we can assume that a price rise in a healthy economy, unburdened by excessive “money production”, is something we can live with. And what about this “printing of money”? I need to ask, because the opposition contends that Narodowy Bank Polski has now turned into a printer of money without any backing. What is the real situation?

Right, let me just add something to the first part of your statement, your question.

Please do.

Of course, the case here is that price growth of, say, 2.5 per cent, plus or minus one per cent, is also something natural in our Polish economy, which is growing. And, it is not even particularly felt or noticed by people. But, please remember that it depends on what is bought and consumed and by whom. Prices of particular goods can rise. The price of one good, for example, which we consume on a daily basis, may increase, and another good may go down in price. We're talking averages here, and the 2.5 per cent a year on average plus or minus 1 per cent is something natural. However, we are now experiencing a price shock related to shock factors originating outside Poland. This happened previously, in the early 1970s – I don't know whether you and the listeners remember the oil shock at that time. Right. It was a rapid rise in oil prices following the war in the Middle East. The war was between Israel and the Arab countries. The Arab countries came to an agreement among themselves and what followed was a shock of rising oil prices. Oil prices rose severalfold, twofold, and then that was it. Consequently, all prices around the world went up. Obviously, no bank was able to help. For a short period of time, something can certainly be done by the government. The

government may spread the price rise over time, for example, by adjusting VAT, excise duty and taxes of various kinds. But it is still merely a postponement of the inevitable. But let's get back to Poland now. Indeed, voices are being raised – I hope not in bad faith, but simply out of ignorance – by persons unacquainted with the subject, which are implicitly addressed to politicians (but I do not get involved in political discussions), that this price rise is due to the so-called printing of additional money. First, I wanted to say that this is a picturesque term for money printing, but it has nothing to do with literally printing money. It makes me feel embarrassed to be forced to explain it. Well, it may seem that the Polish Security Printing Works simply run their printers and print additional money. Sadly, I even heard the Speaker of the Senate say it explicitly on one of the TV stations, when he said that the money he takes out of an ATM is brand new and freshly printed, which supposedly shows how the central bank is printing banknotes with an ever increasing face value, thus fuelling inflation. This is obviously total ignorance of elementary economics, but a doctor (the Speaker is a doctor) may of course show such ignorance. Likewise, I have no idea about the medical problems the Speaker specialises in. But of course, we do not print additional money in the physical sense. We ensure that banknotes are more and more resistant, more and more elegant, and fit for long-term use. We change the material banknotes are made from, and that is all. Today, the machines that control it count the money we receive from banks and from the entire economy in general. The money is checked and counted at a remarkable speed, imperceptibly for us. And those banknotes that fail to meet the criteria for further use, including the aesthetic criteria, are simply withdrawn, destroyed, and replaced by brand new, shiny, nice-smelling banknotes – and Poland has some of the prettiest banknotes in the world. So, this statement may be dismissed right away. But, when it comes to contemporary money, its supply, volume and circulation in the market obviously change as needed. This is quite complex and a radio show like this is no place to discuss it. I can only say that as far as creating this additional money is concerned, it's bank money, it is not money in the physical form; it's simply credited to accounts. It is created by commercial banks. To put it simply, a client comes to a bank wishing to take out a loan, the bank grants him or her the loan, and adjusts its accounts accordingly. Thus, there is more money, theoretically. Before the client came to the bank, there was no money in nature, so to speak, in the economy. After the client received the loan, additional money appeared. So, in this sense, we can say that more money is created. It could

be that in a specific situation, this money growth is indeed excessive. It causes too great and rapid a rise in demand, since the money is being spent, and in fact, inflationary pressure may arise. That is what we call demand-related inflation. And this is exactly what the central bank can respond to – it can then raise interest rates. Loans become more expensive, and hence the willingness to take these loans out decreases. And it is then that the central bank actually steps in. Neither Poland nor Western Europe is faced with such a situation at all. On the contrary, in a crisis, completely different factors push prices up. These are cost-related factors, it is cost-push inflation, on the side of production costs.

Professor, to what extent did the extensive state aid provided during the coronavirus crisis contribute to the rise in inflation? When, do you think, can we expect the level of inflation to drop and will the coming year, in your forecasts, be a time of greater calm?

Well, certainly we need to remember that the anti-crisis shields are an enormous outflow of funds into the economy, which have various effects. But in the first place, their positive effect was important, that is, preventing economic collapse associated with – we need to admit it – massive, huge unemployment, bankruptcies, and obviously falling prices. There would be price falls then. If a large part of the economy went bankrupt and unemployment reached 20 to 30 per cent, then, certainly, prices would fall, but the standard of living would also drop radically, and a great many people would struggle to maintain their living standards at any kind of a decent level in such a period. We would face a social, political, and national drama. It is thanks to Narodowy Bank Polski launching the so-called quantitative easing and creating the conditions through bond purchases for institutions such as the Polish Development Fund and Bank Gospodarstwa Krajowego to grant various types of loans, non-refundable loans, that is subsidies, credits, etc. on a mass scale, that we prevented bankruptcies and unemployment in Poland. We did a great job, and the economy, society and people got through the pandemic well. This is a completely different situation. This is not social assistance; it is not simply a stimulus.

What are your forecasts for the year to come? When can we expect the level of inflation to fall? In short, does the coming year bode well?

You need to remember that we are talking about certain probabilities here. No one is smart enough to predict what exactly the prices of oil, imported food, or international freight will be

in the middle of next year. These are just estimates. The only thing we can predict accurately is the rise in electricity prices, as it is not some kind of a crisis phenomenon. The European Union is deliberately and intentionally conducting an energy revolution. It is itself undergoing a transition to the so-called green, clean energy and is enforcing this transition on us. So, the price increase here is as if predetermined. We consider it all, add a million other factors, and then our analysts – very numerous and the best in Poland, best equipped with knowledge and IT tools – apply specific econometric and mathematical formulae to encapsulate it all and study it to provide price scenarios of various degrees of probability for the year to come. According to this best knowledge – which is confirmed by foreign and international institutions, such as the World Bank and the International Monetary Fund and other great, powerful, international financial institutions and trusts that make their own estimates – inflation in Poland should fundamentally slow down next year. Its level should fall significantly to be close to the upper limit of deviations from the inflation target, so somewhere around 3.5 per cent. This is what it should be like next year. We will be within or slightly above the inflation target.

Professor, an average Polish citizen is, however, most hurt by rising food prices. Many people are also affected by the galloping rise in the prices of building materials and obviously real estate as a consequence. What is the situation on this market? And who, in your opinion, should the state focus its attention on in this sector?

Each of these issues would have to be addressed individually. As far as food prices are concerned, we have imported food and domestically produced food. When it comes to the latter, it simply depends on natural processes, on what we call crop yields, which are related to many elements – the weather, water, and so on and so forth. It depends solely on these when the economy is normal and stable. However, the issue of imported food is complex. Poland was recently struck by bird flu and ASF. They affect different kinds of food; the former affects poultry, and the latter, pork. These are certain factors that can somehow be taken into account, but it's hard to predict accurately – something emerges, and something fades. According to these assumptions, the growth of these prices will also slow down significantly. But, of course, a drought or any sort of crop failure can change everything. Anyway, it is not the case that the rise in food prices comes from some radical increase in the quantity of money or a collapse in supply, or things like that. This is a normal situation as it was before the pandemic. Nothing

dangerous is taking place, and everything should get back to normal. Please note that the prices of certain vegetables and fruits were abnormally high this year.

High.

It had nothing to do with the market, but with natural phenomena or some disruptions in the purchase process, or something like that. Well, a long time ago the state – of our highly developed country – ceased to intervene in these markets in such a way as to introduce some sort of price control. It is rather assumed that when there is a dramatic increase in the price of, I don't know, raspberries, then people simply have a wide range of other things to choose from [...].

And building materials?

But when it comes to housing – yes, as far as food is concerned, everything should return to normal, assuming that there are no sudden things related to bird flu or ASF, or a collapse of imports from some country for some reason. For instance, if an outbreak of a disease occurs in a country, then pork or poultry suddenly stops coming from there. Well, from Poland, exports often collapsed for similar reasons, too. This is normal, however, and nothing has changed here, and we remain in the world as we knew it before the pandemic. We are not in any particular danger here. And, as far as real estate is concerned, it's just that – and it's a lucky thing, it's not a bad thing – that in the last decade the incomes of Poles have been growing very fast. On the other hand, more and more Polish families have started dreaming of having their own place to live, their own apartment, or a house of their own, and having what every family should have. In Poland, it so happens that unfortunately because of its history, its climate, customs, and tradition, the most common dream of Polish families is to own an apartment, or a house. In Germany, for example, most people live in rented premises. Obviously, to live like this you also need to have a saturated market – there must always be plenty of premises to rent, and the premises must always be available, always at a similar price and in the same quality, and so on and so forth. Plus, people cannot be afraid that suddenly there will be a shortage of these premises. The advantage of renting premises is that people can easily move from place to place, from town to town, change jobs, and enjoy the prospect of their own development, etc. But let us stick to Poland. This is our tradition, and it will not change soon – and anyway there are no flats to rent – so we aspire to have our own place to live. So, as the

incomes of Polish families increase, more and more families realise that a mortgage is within their reach. Fortunately, only zloty-denominated mortgages are available, so families take these out and begin to repay them. The housing market is obviously not keeping up with it, and in Poland there is a huge housing gap, which can be estimated in various ways, but it is definitely from one to two million units. So, as soon as more families get rich enough to get a loan, they do so, setting the entire process in motion. The construction system does not keep up with it, and neither does the raw materials industry, which provides suitable raw materials, elements for construction, etc. The new government programme, the Polish Deal, includes a special programme designed to help here in such a way that in the case of small flats and houses, the own contribution, which is a barrier, will in certain cases be paid by the state. These are all elements that will further increase demand. But certainly, it will not lower the prices of building materials...

Exactly, Professor, and who should the state focus on in this sector? In what form should it, perhaps, regulate prices and demand?

We, as Narodowy Bank Polski, and I personally share the bank's view, have always encouraged expansion of the construction for rent industry – which is rather unpopular in Poland – where there is rent control and some kind of control over production costs, the size of the premises, their quality, etc., and houses are built for rent on a mass scale. Not houses, I mean, but apartments and houses with premises for rent, finished to a good standard, but not big, at moderate prices and for regulated rent. That's what regulated rent is for, though it obviously increases over time, just like everything in nature grows a bit more expensive. It's regulated, it's not sudden, it is foreseeable, and it can be borne by families – so that a dozen or so per cent of Polish families could live in these rented flats. The process is long; after all it does not take place from year to year or even from decade to decade. But we encourage it. However, other programmes launched by governments from time to time work out better or worse. For instance, a mortgage loan is an invention that enables families to reach for their own home, but we always encourage people here to make a sober evaluation of their possibilities, not to get too big or too expensive a loan, to cut their coat according to their cloth. What we earn now is not the only determinant. We have to consider what it will be like in ten years' time, what the prospects for our family are, who will earn how much, what our future

career path is, and whether or not our profession is one that ensures a steady income. There are many elements. But these things are...

Natural, one can say.

Which should be left for the people to decide. In Poland, we only had a discussion about the interest rate on housing loans, whether it should be fixed or variable. Some saw the fixed interest rate as a remedy. Theoretically, it is available in Poland, but it is more widely available in the West. But please remember that fixed-interest credit is not a cure for all ills. The fixed interest rate must still give the developer, as well as the bank, the same profit [eventually] as the variable interest rate. So it is fixed for a period – 5 years, for example – and then it changes radically to a different fixed interest rate.

Here comes a key question: to what extent does the oil price growth you mentioned drive inflation up? And, more crucially for me, does the state have any regulatory capabilities in that area?

We estimate that roughly 1.5 percentage points can be put down to the increase in oil prices. What can the state do? As I mentioned, the state can, for example, temporarily reduce the excise tax in order to dampen this sharp growth. However, things must go back to normal at some time. If 1.5 percentage points of the 5.4% of inflation, is just because of the increase in oil prices. If the state were to lower the excise tax, let us not forget that it would also reduce budget revenue. When budget revenue shrinks, it has to be supplemented with something. As they say, figuratively or symbolically, with another kind of tax. The state has no money it could print for itself – as some seem to think – to fill the gap. So sometimes states reduce the excise tax to spread the price hike over time, to make it smooth and avoid sudden spikes. Yet sooner or later the tax must return to the previous level. This week even, we analysed and we looked in detail at our NBP analyses of a potential rise or fall in oil prices. There are different analyses with different degrees of probability. Fuel prices in the global markets are expected to decline slightly. But at this point I have to say something extremely important that I believe I haven't mentioned earlier. And it's the fact that we are looking at mere indicators. The 5.4 inflation is a growth rate, GDP is also an index. These indices have a starting point, a base. We compare today's prices with the prices a year ago. Please remember that a year ago we had the peak of the pandemic and prices were exceptionally

low. We also analyse prices from one month to another – this seems to represent the trends more accurately. But today the levels of all the indices are so high globally because they refer to the situation a year ago, August-to August. Back then things were very low, the global economy was lying flat, so to speak, but now it has taken off and is running higher. The indices are elevated by the low base, as we call it. So next year they will be generally lower, because the base will be different. Please remember that the prices in August or September next year will be compared to the August prices of this year. As you see, this is a bit complicated. All figures are sometimes misleading; only by looking at them closely do you get the real picture. Bare numbers, dropped off-hand can often look sensational. 5.4% makes a big impression, because we are referring it to last year's August inflation and its very low level. It all has to be taken into account together. But, I am not – God forbid – saying this to dismiss the high the inflation index we face today, as some suggest. Narodowy Bank Polski does not ignore it: it is the number one issue in what we are doing now and what we have always done, because this is our constitutional and statutory task. Although we have a lot of other important commitments.

This touches closely on what I wanted to ask about. What about interest rates? On Thursday, you said that an increase is out of the question. Dare I ask why? There are suggestions that low interest rates benefit the government and reduce the cost of servicing public debt. Is there something to it? And how can we save in these times of inflation? Term deposits yield practically nothing, the real estate market is changing – as we have mentioned – from day to day. All we are left with is bonds.

Let's start with the interest rates and whether they help or hurt the government. We conduct our policy independently – save for some extreme cases of pandemics, wars, etc. We pursue our policy in total independence of the government. A kind of policy mix emerges then between the government's fiscal policy and our monetary and credit policy, but, in principle, independently. So right at the moment the policy of low interest rates we are pursuing on account of the needs of the economy, finance, credit, credit market etc., etc – it is very supportive of the government. The government – but hence also the state and the people, because low interest rates will of course radically diminish the debt servicing costs of the state. Indeed, this cost is dramatically lower, which improves the government's budget position. However, if we consider it necessary to raise interest rates for the benefit of those

we are responsible for, even at the cost of making the government's situation worse by boosting debt servicing costs, we will not hesitate to do so. The government does not call upon the Bank to conduct a certain kind of interest rate policy in order to improve its position. We have our goals, and the government has its own. The government is responsible for the entire economy, for economic development, for taxes, for the budget position, for social policy... We have our own scope of responsibility. It's true that the low interest rates are extremely beneficial to the budget, to debt servicing etc. There's no denying it, but it's a different issue. But at some point we will be forced to increase the rates. The current rate levels are not what we would like to accept as normal. If the economy takes off, if there are no more threats of lockdowns etc., then we will naturally raise interest rates, should the situation require it. This means we will make things a bit harder for the government, but we will go ahead with it. To answer your question, I don't know when this will happen; if I knew, I would certainly tell. Then we would all know. When we look at the foreign and Polish analyses of the outlook for the interest rates, everybody has the same data. Ours are a tad better, but not completely different. So we can't tell. Something that will shed a lot of light will be the so-called November NBP projection. It is a kind of a super-report drawn up on a regular basis, gathering together all the data, analyses and forecasts. So in November we are going to find out more and then we will be able to say something more specific about the situation in the coming quarters. And the next such point in time after that will be March 2022. At the moment, there is no reason to raise interest rates. There is no reason at the moment, and no reason in the immediate future, as we look at the developments today.

Now the second issue, how people can look after their savings. Unfortunately in this modern world there is no good place to invest the capital, the money, that we put aside that would allow it to grow, generate some profit. It's a global problem. Even in our neighbouring countries like Germany, if you have an amount of money, you must pay for its safekeeping at the bank – the interest is negative. And of course storing your money on regular term deposits does not give any return. Some say graphically, inflation is devouring our savings. It can't be denied. Personally, I cannot recommend any investment funds, whether equity based or any other – these are private enterprises and must be considered at one's own risk. Everybody, each family, should approach these things very prudently. The problem is relatively new, by the way – it has not been long that Polish families have had savings worth

their name. And I want to remind you – especially I want to remind the folks living in Warsaw and other big cities – that there are not that many families that hold any sizeable savings. The average Polish family has no savings larger than their monthly income. Those who do have savings belong to a small percentage of the Polish people, yet they are there – what should they do with the money? Well, it's a question of balancing risk against security. As far as I am concerned, I keep my savings in bonds – simply Treasury bonds. This does not yield any profit, but the face value is guaranteed. Plus, possibly, some interest; not much when we're talking bonds; nothing or not much, but 100% safe. Generally in my life I am directed by safety rather than seeking extraordinary gain associated with risk. I rely on income from work, not from speculation, understood in the positive sense. And then there are of course those who keep their savings in foreign currencies. Well, another thing I can advise you is obviously to diversify the way in which you hold savings. I mean, to keep them in different forms. Some as bonds, some as zloty, some in some other form. Then the differences – the gains or losses – can mutually cancel each other out to some degree. I hold zloty and bonds.

Moving towards the end, let's talk about something that is far more optimistic, because our gold reserves are growing. My question is: why are we buying gold?

Ok, but what I have said so far is also optimistic. Let me explain: judging by all our possible criteria – and I have been in touch with the minister for health – the pandemic is coming to an end, after all. It may linger on a smaller scale, but it is fading away, and the economy is kicking off, which means that wages are rising very fast. Not just prices: wages are rising very fast too. Substantially faster than prices. And next year, I hope, prices will return to their normal path, while wages will continue to rise. So, in general, these are optimistic times. We have made it through the pandemic, and the way we've dealt with it might possibly be, to be honest, the best in Europe.

That is a bold statement.

Of all the medium-sized-or medium-large countries, Poland, with its almost 40 million citizens, can be considered as the best. This has happened due to the appropriate measures on the part of the government and the excellent actions by NBP. Indeed, we have emerged practically unscathed. OK, I know how it can sound to a restaurant or hotel owner, the

situation could be different. But we've been better than others, and it is optimistic. And inflation, as I said, should start going down and be back to normal in the middle of next year.

And what about those gold reserves?

We should make vast purchases of gold. We already have quite a large amount of this resource and we would like to have much more. We keep most of the gold reserves in Poland – I cannot say where exactly, but in Poland. Some of it is at the Narodowy Bank Polski, in Warsaw, and I can show it there. However, we have a duty to keep it safe and to respect all the rules that of course apply. Some of the gold – more specifically, around 100 tonnes – is stored in London, because that's where transactions in gold are concluded. They are accounting transactions: we lend some of the gold on various terms. We try to make a profit out of it, but, truth to be told, the profit is getting smaller and smaller. It is small, but we do gain. Now if a need arose to sell it quickly, London is the right place. The gold is kept in bars which also conform with the London standard, allowing the gold kept in the London vault to be assigned to another owner. It does not change the location nor the place of its storage. Nobody takes it anywhere; it rests with the Bank of England, in their vault – and you simply transfer the ownership to another person. So, we have the same number of tonnes of gold, but the numbers on the bars keep changing all the time. If I were able to show it to you, the numbers on the bars are changing all the time. There is a constant of 100 tonnes in bars with changing numbers and coming from different producers. Do we need the 100 tonnes? I don't know, we are considering it: the turnover in gold is small, so is the income. I don't know if this is public information, how much we earn on it – I think it is. Well, we are talking tens of millions, so in terms of our bank, it's a negligible figure. But, let me stress that again, should we have to make some large transactions – we are in a position to do so. If the gold was stored with us, at Narodowy Bank Polski, the whole operation would be more complicated in physical, technical and logistical terms. But out of these 100 tonnes – and personally I intend to put a motion to that effect to the Board of Management at some point – perhaps it would be enough to keep only 50 tonnes there; 50 tonnes should do. Or else, some in London, some in the USA, for example. These are technical details, but safekeeping is key.

All the same, it sounds impressive. My final questions will be about your outlook for the future of the Polish economy this year, but especially next year. How will things turn out? Do you think the 4-5% y/y GDP growth is possible after the coronavirus crisis?

Of course I can say what we think about it as the Management Board, but let me repeat that this is a scenario associated with some risks. The first of these is, of course, the pandemic, its further course – personally, I am getting lost with these Greek letters, the successive variants, their names, etc. I hope this risk will not materialise. In our scenarios we assume that it will not. And for the other risks. A war – knock on wood, I happen to be sitting at a wooden table – some war or crisis in the Middle East, a surge in oil prices or supply disruptions – in general, shortage of some important commodities. If we discount all, or some of these risks, such as a natural disaster, then we envisage with an overwhelming probability that GDP growth in 2021 – growth in our shared wealth, the product we jointly generate every year – will be close to 5%, and will be even better, some 5.4% in the following year. During these two years we will take further steps towards the level of wealth seen in Western European countries. One could say we are already wealthy in the global perspective, we lie in twenty-something place. But against the background of Western Europe we are still less well-off, significantly so, in terms of wages, household wealth etc. So we are taking two giant steps in this direction. The Polish economy is in an excellent shape at the moment. Please remember that what matters the most for NBP is the difference between the Bank and the government. We are responsible for the balance, and for preventing any excesses, bubbles, as we call them, crises, surpluses, etc. The government's responsibility is more about growth. So from our point of view it is important that the Polish economy is so perfectly balanced that there is this relation between the categories, that they grow more or less in parallel. This is an exceptionally good time for the Polish economy and there is no doubt that the whole world is envious of us, in particular Europe. However, what is a great burden on us is the EU's climate policy, which, as an EU member we must accept, whether we like it or not. The increase in energy prices, the energy problem in general, the need to carry out the transformation at such a tremendous cost – all this is extremely difficult in the conditions of nature that we have. We don't have a lot of solar energy, let alone hydroelectricity, or so much wind. There are so many reasons for this situation – we have an outdated energy and transmission system, we didn't inherit any nuclear plants from the communist times – none

of that. So this is another problem that will have to be tackled and the next 20 years will be difficult in this respect. The energy-related costs of production and household living costs will be rising. I do not try to hide this in my communications. In my opinion, this revolution is too revolutionary, too rapid. For Poland at least, a country relying on coal, there should be different adjustment periods, so we would manage to build at least, let's say, six nuclear power plants – decent, large ones. Yes, things are moving too fast, and it's unjust. But then there's no justice in nature, nor in politics, nor in anything apart from personal life and in our internal Polish environment, where that justice must apply. It's unjust, because when the West European countries were at our stage of development, they used every energy source they fancied, perhaps one that was the cheapest. They managed to grow with energy costs that were much, much lower. Now we are having to struggle with much higher energy costs while trying to catch up with them, because we were under the Soviet, and before that, German occupation. It's extremely difficult. We are managing, but only thanks to Polish resourcefulness, hard graft, good governance, and good financial management by NBP. Yes, it's very difficult to implement this tyranny of the transformation imposed by Western Europe, the European Commission. We should have a transition period at least twice as long, if it all makes sense at all. Assuming it does – a double transition period. Or else Western Europe or the EU should build us some of those nuclear plants, since they have closed down their own – take Germany, for example. And they should, in a corresponding measure, build some for us. If Western Europe wants to have clean air, clean water and clean products from Poland, they should build nuclear power plants for us. Instead of all these green transformations they offer us, streams that we must work on, loans or subsidies, let them build six nuclear power plants. Let them improve our energy balance. But they don't want to.

Professor, let me thank you very much for your interesting analysis of the situation of the Polish economy, and let me remind our listeners that our guest was the guardian of the value of Polish money, Governor of Narodowy Bank Polski, Professor Adam Glapiński. Many thanks again, Professor. And I wish our listeners wise, interesting decisions on investment and savings. It is worth listening to the Professor. Have a good, peaceful weekend.

Thank you very much. Always happy to help.