



Warsaw, 8 March 2022

Information from the meeting of the Monetary Policy Council held on 8 March 2022

The Council decided to increase the NBP reference rate by 0.75 percentage points, i.e. to 3.50%. At the same time, the Council set the remaining NBP interest rates at the following levels:

- **lombard rate at 4.00%;**
- **deposit rate at 3.00%;**
- **rediscount rate at 3.55%;**
- **discount rate at 3.60%.**

After a strong growth of global economy in 2021, at the turn of the year economic activity has softened somewhat in some economies. At the same time, amidst improving epidemic situation in the United States and the euro area in recent period, economic condition indicators have improved in these economies.

After the outbreak of the Russian military aggression against Ukraine, uncertainty regarding further course of global macroeconomic situation has increased significantly, including in Europe. This has been reflected in a marked deterioration of sentiment in financial markets and a depreciation of some currencies. Prices of natural gas, oil and coal, as well as prices of some agricultural commodities have increased again. At the same time, global supply chain disruptions continue and international shipping costs are still elevated. This will probably contribute to a further rise in inflation worldwide, which in many countries had reached high levels even before the Russian military aggression against Ukraine.

Amidst a marked increase in inflation many central banks are withdrawing monetary accommodation. Central banks in the Central-Eastern Europe region have been increasing interest rates. The ECB keeps negative interest rates, although it has been reducing the scale of asset purchases. The US Federal Reserve signals a termination of asset purchases in March and a start of interest rate increases.



Available data indicate that economic conditions in Poland remain favourable. GDP growth in Q4 2021 stood at 7.3% according to preliminary estimate by Statistics Poland. Data on retail sales, industrial production and construction and assembly output in January point to economic conditions remaining favourable also at the beginning of 2022. Meanwhile, employment continues to increase accompanied by a marked rise in wages. The Russian military aggression against Ukraine and related economic sanctions constitute a significant uncertainty factor for future economic activity in the world and in Poland. Nevertheless, due to, among other factors, modest share of exports to Russia and Ukraine in Polish foreign sales, a continuation of favourable domestic economic conditions may be expected in the coming quarters.

Inflation in Poland – according to Statistics Poland flash estimate – increased in January 2022 to 9.2%. Significant rise in energy and agricultural commodity prices and increases in regulated tariffs on electricity, natural gas and thermal energy have been the main factors behind markedly elevated inflation. At the same time, the ongoing economic recovery, including an increase in demand driven by rising household incomes, has had also a positive contribution to inflation. In turn, a curbing impact on inflation has been exerted by a reduction in some tax rates as part of the so-called Anti-inflationary Shield. In 2022, inflation will remain markedly elevated, which – apart from factors amplifying inflation so far – will be due to the economic consequences of the Russian invasion of Ukraine. In the coming years, together with fading of the impact of shocks currently boosting prices, inflation will decrease. The decrease in inflation should also be supported by appreciation of zloty exchange rate, since, in the Council’s assessment, the recently observed market pressure on zloty depreciation is not in line with the fundamentals of the Polish economy.

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 7 March 2022, there is a 50-percent probability that the annual price growth will be in the range of 9.3–12.2% in 2022 (against 5.1–6.5% in the November 2021 projection), 7.0–11.0% in 2023 (compared to 2.7–4.6%) and 2.8–5.7% in 2024. At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.4–5.3% in 2022 (against 3.8–5.9% in the November 2021 projection), 1.9–4.1% in 2023 (compared to 3.8–6.1%) and 1.4–4.0% in 2024.



The Council assessed, that there persists a risk of inflation running above the NBP inflation target 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 again. The increase of the NBP interest rates will also curb inflation expectations.

Further decisions of the Council will depend on incoming information regarding perspectives for inflation and economic activity, including the impact of the Russian military aggression against Ukraine on the Polish economy.

NBP will take all necessary actions in order to ensure macroeconomic and financial stability, including above all to reduce the risk of inflation remaining elevated. NBP may intervene in the foreign exchange market, in particular to limit fluctuations of the zloty exchange rate that are inconsistent with the direction of monetary policy.

The Council adopted the *Inflation Report – March 2022*.