



Warsaw, 7 July 2022

Information from the meeting of the Monetary Policy Council held on 7 July 2022

The Council decided to increase the NBP reference rate by 0.50 percentage points, i.e. to 6.50%. At the same time, the Council set the remaining NBP interest rates at the following levels:

- **lombard rate at 7.00%;**
- **deposit rate at 6.00%;**
- **rediscount rate at 6.55%;**
- **discount rate at 6.60%.**

In 2022 Q2, economic conditions in the largest advanced economies were relatively favourable. At the same time, however, in some emerging market economies, including China, the pace of activity growth deteriorated markedly. Recently, signals of notable worsening of the global growth outlook have intensified. Activity in the global economy and its prospects are under the negative impact of high prices of commodities and of production components, persisting disruptions in the functioning of global supply chains and the repercussions of Russia's military aggression against Ukraine.

Global inflation continues to rise, reaching in many economies the highest levels in decades. At the same time, inflation forecasts for the coming quarters are being still revised upwards. The main source of growing inflation continue to be high commodity prices as well as prolonged disruptions in global supply chains and international transport, amplified by the effects of war. In some economies, rising prices are also driven by high demand growth and increasing labour costs. As a consequence, core inflation is also increasing.

Amidst a strong increase in inflation, many central banks have been tightening their monetary policy in the recent period. The US Federal Reserve increased interest rates. In turn, the ECB concluded net asset purchases. Central banks in many economies, including in the Central-Eastern Europe region, continued to increase interest rates.

In Poland, available monthly data indicate that economic conditions remained favourable in 2022 Q2, however, economic activity growth decelerated. This is accompanied by the lowest unemployment rate on record and a marked rise in wages. A further slowdown of



economic growth is forecast for the coming quarters, while both the domestic and global economic outlook is subject to significant uncertainty.

Inflation in Poland – according to Statistics Poland flash estimate – increased in June 2022 to 15.6% y/y. High inflation results mainly from an earlier strong rise in global energy and agricultural commodity prices – driven, to a large extent, by the repercussions of Russian military aggression against Ukraine – and earlier increases in regulated tariffs on electricity, natural gas and thermal energy. Consequences of disruptions in global supply chains and high shipping costs in international trade also boost inflation. At the same time, continued robust demand which enables enterprises to pass rising costs on to the final prices has had also a positive contribution to the price growth in Poland. In turn, a curbing impact on inflation has been exerted by a reduction in some tax rates as part of the Anti-inflationary Shield. In the coming quarters, it is expected that the impact of factors currently amplifying price growth will persist, including those related to the Russian military aggression against Ukraine. Meanwhile, the NBP interest rates increases, together with fading of the impact of shocks currently boosting prices will contribute to a gradual decline in inflation in the coming years. The decrease in inflation would also be supported by appreciation of zloty exchange rate, which, in the Council's assessment, would be consistent with the fundamentals of the Polish economy.

The Council became acquainted with the results of the July 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 22 June 2022, there is a 50-percent probability that the annual price growth will be in the range of 13.2–15.4% in 2022 (against 9.3–12.2% in the March 2022 projection), 9.8-15.1% in 2023 (compared to 7.0-11.0%) and 2.2-6.0% in 2024 (compared to 2.8–5.7%). At the same time, the annual GDP growth – according to this projection – will be with a 50-percent probability in the range of 3.9-5.5% in 2022 (against 3.4–5.3% in the March 2022 projection), 0.2-2.3% in 2023 (compared to 1.9-4.1%) and 1.0-3.5 % in 2024 (compared to 1.4–4.0%).

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.



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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 – July 2022*.