



Warsaw, 7 September 2022

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

The Council decided to increase the NBP reference rate by 0.25 percentage points, i.e. to 6.75%. At the same time, the Council set the remaining NBP interest rates at the following levels:

- **lombard rate at 7.25%;**
- **deposit rate at 6.25%;**
- **rediscount rate at 6.80%;**
- **discount rate at 6.85%.**

In 2022 Q2, annual GDP growth slowed down in major economies. At the same time, incoming data signal a deterioration of global economic conditions in 2022 Q3, although labour market situation in the largest advanced economies remains very good. Activity in the global economy and its prospects are under the negative impact of high prices of commodities and production components, disruptions in the functioning of global supply chains and the repercussions of Russia's military aggression against Ukraine. Meanwhile, there persists uncertainty regarding further impact of these shocks on economic conditions, including the impact of the situation in energy commodity markets on activity in the European economy in the coming quarters.

Inflation in most economies continues to rise, reaching in many countries the highest levels in decades. At the same time, inflation forecasts for the coming quarters continue to be revised upwards. The main source of growing inflation continue to be high commodity prices, driven partly by the repercussions of Russia's military aggression against Ukraine, as well as persistent – despite signs of their gradual easing – disruptions in global supply chains. In some economies, rising prices are also driven by demand factors and increasing labour costs. As a consequence, core inflation is also increasing.

Amidst a strong increase in inflation, many central banks continued to tighten their monetary policy in the recent period. In July 2022, the US Federal Reserve increased interest rates once again. In turn, the ECB increased interest rates for the first time since 2011.



In Poland – according to Statistics Poland preliminary estimate – GDP growth in 2022 Q2 amounted to 5.5% y/y, compared to 8.5% y/y in Q1. A slowdown in activity growth in year-on-year terms, resulted mainly from a significantly lower contribution of inventories to GDP growth and – to a much lesser degree – from slower consumption growth. At the same time, investment growth accelerated.

Monthly data, including data on industrial production, construction and assembly output and retail sales, signal that economic activity growth, in year-on-year terms, in Q3 will also decelerate. A further slowdown of GDP growth is forecast for the coming quarters, while the economic outlook is subject to significant uncertainty. Despite weakening of economic conditions, labour market situation remains very good, which is reflected in a record low unemployment rate and in a further noticeable rise in wages.

Inflation in Poland – according to Statistics Poland flash estimate – increased in August 2022 to 16.1% 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 domestic tariffs on electricity, natural gas and thermal energy. Consequences of disruptions in global supply chains and passing by enterprises rising costs on to the final prices also boost inflation, simultaneously adding to higher core inflation. 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, fading of the impact of shocks currently boosting prices together with economic activity growth slowing down, 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 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 *Monetary Policy Guidelines for 2023*.