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GRAY/22/522

February 16, 2022

**Statement by Mr. Stephan and Ms. Koh on Republic of Poland
(Preliminary)
Executive Board Meeting
February 18, 2022**

We thank staff for an insightful and well-written report and Mr. Trabinski and Mr. Piasecki for the insightful Buff statement. We broadly concur with the thrust of the assessment and associate ourselves with Mr. Pösö's GRAY statement. We would like to offer some further comments:

Poland's strong economic recovery is set to continue. At the same time, inflation rates are well above target, and are expected to exceed the target in the near future. Factors such as increasing supply chain disruptions and a spillover of elevated inflation expectations to wage growth imply additional upside risks to inflation and could cloud the outlook. Against this background, the phase-out of pandemic-related support should be continued, while targeted support can be reinvigorated if needed. Monetary policy should be tightened to bring inflation back to the target.

A further tightening of the monetary policy stance seems appropriate. In view of inflationary pressures and inflation expectations being above the target, we agree that monetary policy should tighten further to minimize second-round effects and avert overheating risks. The high degree of uncertainty underscores the need for the timing and scope of future monetary policy decisions to reflect evolving economic conditions. Clear communication by the central bank (NPB) plays an important role in this regard. Moreover, we join staff in encouraging the NPB to limit foreign exchange interventions to periods of disorderly market conditions.

Additional steps towards a green transition and decarbonization would be welcome. We take note of the energy policy strategy adopted in 2021, which aims to significantly reduce coal-fired power generation by 2040. Given the regional importance of coal mining for employment, the transition should be accompanied by an inclusive labor market policy. As

for investment, we agree with staff that EU funds can support the transition process, but additional sources of funding are key. In addition, we agree with staff that adequate carbon pricing could further incentivize decarbonization.