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***Post-Pandemic Stabilisation and Challenges***

Recent months have taught us that the second law of dynamics is useful not only when we want to put a satellite into orbit, but also when we try to understand economic developments in Poland and around the world during the pandemic, the key to which is the phenomenon of acceleration.

In just a few weeks, due to the pandemic restrictions and the panic caused by the coronavirus, the economies of many countries passed from robust economic expansion to dramatic slump.

The situation required rapid and decisive action – aimed at limiting the transmission of the virus and the negative impact of the pandemic shock to the economy. NBP was one of the first central banks to react, by implementing strong monetary easing. Thanks to the fact that we had been pursuing a conservative monetary policy for the last few years, we had the necessary space to act and we did not hesitate to cut interest rates to almost zero or to begin purchasing bonds issued or guaranteed by the State Treasury.

Despite the fact that we took these decisions very quickly and amid huge uncertainty, today we can say that they provided effective support for the Polish economy. This success has been reflected, above all, in the GDP data (the decline in GDP in Poland was half of the European average). We also managed to avoid a deterioration in the situation in the labour market, which is manifested, among others, in the lowest unemployment in the whole of the EU.

 Currently the marked improvement in the epidemic situation and easing of restrictions are translating into a significant economic recovery, which is also noticeable in Poland.

This accelerated rebound of the economy fills us with joy, but it also poses certain challenges. There are concerns that central banks might respond too late to the improving macroeconomic data and forecasts, which would pose threat to sustainable economic growth.

Of course, determining the optimal exit strategy from unconventional monetary policy measures is quite a challenge. Without any doubt this process – both around the world and in Poland – should be wisely spread over time and treated as an element of continuity of the central bank’s policies, which on the one hand cannot undermine the foundations of the post-crisis growth, and on the other hand, cannot allow the build-up of macroeconomic and financial imbalances.

The experience of NBP , the analytical tools and the channels of communication with the market that it has developed, have prepared us for this challenge. The central bank has proven its effectiveness in mitigating the economic effects of the pandemic and will prove it again by conducting a prudent policy of returning the economy to the path of rapid growth, while at the same time maintaining price stability and macroeconomic balance. However, we cannot let any sudden, excessive exchange rate fluctuations or changes in bond yields limit our growth outlook, because what is at stake is the growth potential of the Polish economy over the course of many years to come. This is precisely why we have our own currency, the Polish zloty – to conduct independent and autonomous monetary policy, which is an important shock absorber for us.

We have ambitious plans for the future, which all have one thing in common – to facilitate Poland’s catching up with the wealthiest countries. In pursuit of this goal, we must not only conduct prudent monetary policy, but also fully take advantage of the opportunities created by the increase in our foreign exchange reserves.

NBP is the custodian of enormous national wealth of reserve assets, whose value currently amounts to 133.4 billion euros (as at the end of May 2021). Thanks to wise management of the foreign exchange reserves, in 2016-2020 NBP generated profits, out of which it made a total contribution to the state budget exceeding 32 billion zloty. The Management Board of NBP adopted a new reserve management strategy in 2020, which is particularly important in at the times of low or negative interest rates in the major economies. One of the pillars of our new investment strategy is the successive increases in the gold reserve, which efficiently diversifies the risk related to the other investments. In the years 2018-2019, NBP purchased 125.7 tonnes of gold, increasing its holdings to 228.7 tonnes, (about 8% of total reserve assets). The scale and pace of further gold purchases will depend on the growth of NBP’s FX reserves, as well as the future macroeconomic and market conditions.

We have achieved a lot, but there is still a lot to do. We cannot afford to stop now – we must prudently lead Poland out onto the path of sustainable growth. At stake is a secure future of Polish citizens.

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