

Eyeopener

Inflation in October confirmed at 6.8%

CPI might breach 7,0% in November. In September another large C/A deficit
EURUSD decent fall, EURPLN still high

Yields higher in the core markets by 5bp, in Poland by 3bp

Today core inflation in Poland, Hungarian central bank decides on interest rates

On Monday the euro lost amid rising dollar. Bond yields jumped, in 10Y segment by 5bp in the USA (to 1.61%) and in Germany (-0.23%). The European stock markets were in black. Industrial confidence index New York Empire fell as regards its outlook index for the upcoming six months, but its current assessment gauge rebounded, with new orders, deliveries, employment and working hours improving. Own prices index set a new record while the cost indicator remained close to a record. UE agreed on sanctions against Belarus in response to tensions on the Polish border. Meanwhile, NATO issued a warning against Russia given its concentration of troops near the Ukrainian border.

Final October data on CPI inflation confirmed the 6.8% y/y print but pushed up the m/m growth to 1.1% from 1.0%. Our estimate of core inflation is still pointing to 4.6% y/y in October, which would be its highest reading in 20 years. The strengthening of inflation is broad-based and the 7% y/y threshold is likely to be breached already in November, while in February 2022 we may see inflation peak at 8.2% y/y. This should put more pressure on MPC to hike rates again in December, by 50bp in our view. More in [Economic Comment](#).

Polish C/A balance was -€1339mn in September vs. -€1300mn market expectations and our -€1175mn forecast. The rise of exports by 12.2% y/y was in line with market expectations, but imports at 21.5% y/y were slightly weaker than expected (relative to the same month of 2019 the exports rise was 21.6%, and 26.1% for imports). Such large difference in y/y growth was also seen on services account, where exports were up 3.1% y/y (but c.6% down vs Sep19) while import +17.2% y/y (or +2% vs Sep19). The NBP analysts mentioned again energy commodities (crude oil, oil refining products, gas) as the main item behind strong goods import growth, adding that also the value of manufactured metals and chemical products imports were strongly affected by rising global commodity prices. On the other hand the microchip shortages have caused a decline of exports of assembled cars and car parts including batteries. The 12M rolling C/A to GDP dropped further in September to 0.4% from 0.9% a month earlier and 2.8% in April. The rapid switch from record high foreign trade surpluses to large deficits is one of the factors currently weakening the zloty even in the face of the delivered monetary policy tightening and high market expectations of further rate hikes.

MPC's Eryk Łon thought that the rate hike in December could not be necessary, but nothing is sure yet. According to him, commodity prices are likely to decline soon, decreasing the inflationary pressure in Poland. **MPC's Jerzy Kropiwnicki**, whose term ends in January 2022 did not commit whether he will support hikes in December and January. These decisions will depend on current inflation data and its impact on inflation expectations.

The Ministry of Finance informed that at the end of October it held the equivalent of EUR6.5bn on its FX account. This seems a quite low balance given the high coupon payments and FX debt redemptions in 1Q22 (in January alone worth c.EUR9bn) and given the fading chance of getting any EU recovery funds still this year.

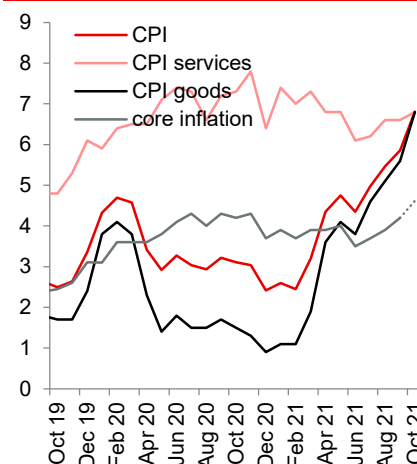
EURUSD after a stable first half of the day dropped in the afternoon from around 1.1450 to 1.1370 - the lowest level since mid-2020.

EURPLN dropped for a brief period to 4.6250 after the CPI release (with an upside revision of m/m price growth), but recovered to 4.64 after that and this morning is already close to 4.65. The zloty may keep weakening in the coming days. The balance of payments data reminded the market about the fundamental shift acting to the disadvantage of the zloty.

Other CEE currencies had a better day yesterday than the zloty: EURCZK moved marginally lower to around 25.21, EURHUF fell by 0.3% to 366. USDRUB stayed in the trading range from Friday, slightly below 72.5 most of the day.

The Polish interest rate market the bond curve shifted up by some 3-5bp (10Y to 2.96%) and the IRS curve was stable on the long end (10Y at 2.94%) and move slightly lower on the short end (2Y at 3.12%).

Polish CPI inflation, % y/y



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
Piotr Bielski +48 22 534 18 87
Marcin Luzziński +48 510 027 662
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 18 84

FX market

Today's opening			
EURPLN	4.6437	CZKPLN	0.1804
USDPLN	4.0814	HUFPLN*	1.2685
EURUSD	1.1378	RUBPLN	0.0563
CHFPLN	4.4097	NOKPLN	0.4677
GBPPLN	5.4633	DKKPLN	0.6212
USDCNY	6.3771	SEKPLN	0.4633

*for 100HUF

Last session in the FX market						15/11/2021
	min	max	open	close	fixing	
EURPLN	4.621	4.647	4.634	4.641	4.637	
USDPLN	4.036	4.071	4.045	4.064	4.050	
EURUSD	1.141	1.146	1.146	1.142	-	

Interest rate market 15/11/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.15	4
DS0726 (5Y)	3.15	7
DS0432 (10Y)	2.97	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.86	-5	0.34	0	-0.50	0
2L	3.11	-9	0.76	2	-0.32	0
3L	3.19	-4	1.03	-1	-0.20	0
4L	3.16	-3	1.22	2	-0.12	1
5L	3.12	-2	1.34	3	-0.06	1
8L	2.97	1	1.57	5	0.10	2
10L	2.96	-2	1.65	5	0.20	2

WIBOR rates

Term	%	Change (bps)
O/N	0.98	-1
T/N	1.10	-3
SW	1.25	0
2W	1.27	1
1M	1.39	3
3M	1.62	1
6M	1.94	3
1Y	2.36	7

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.47	5
3x6	3.04	-4
6x9	3.32	-4
9x12	3.34	-11
3x9	3.26	-2
6x12	3.51	-1

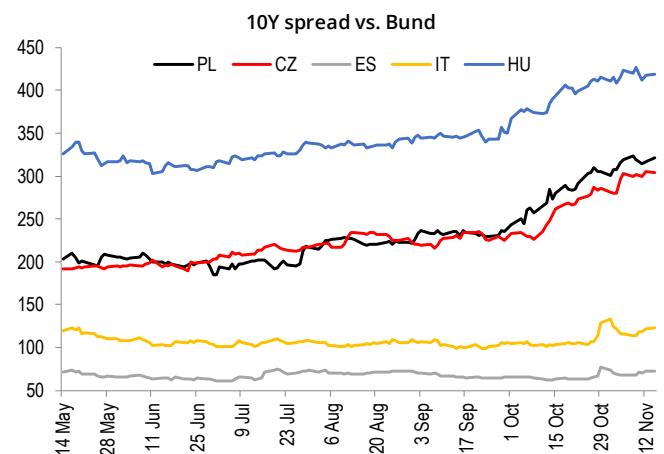
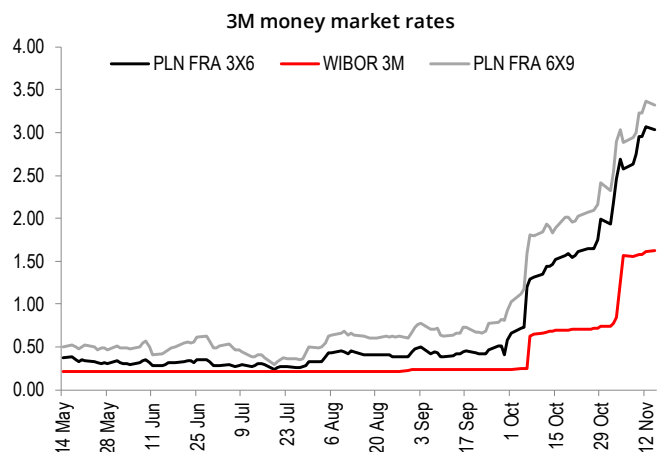
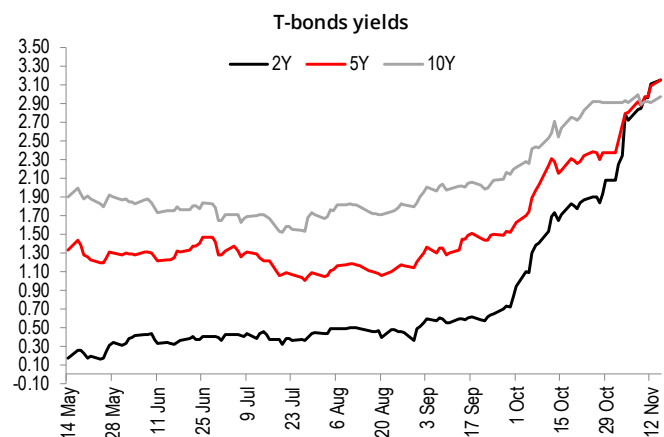
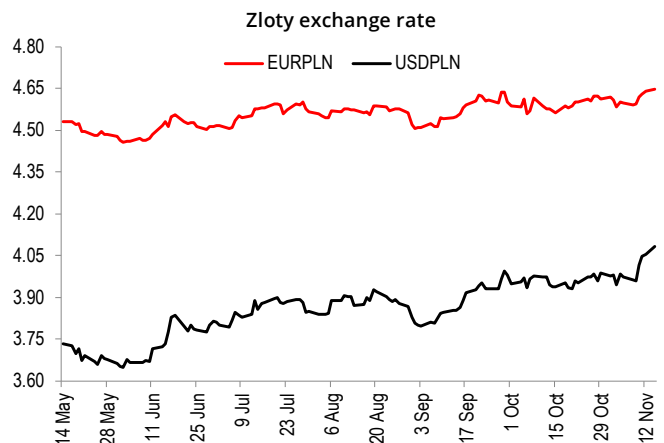
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	52	0	321	5
France	9	0	37	2
Hungary	50	0	418	1
Spain	34	0	72	0
Italy	49	0	123	2
Portugal	23	0	62	-2
Ireland	11	0	45	1
Germany	7	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (12 November)								
10:00	PL	GDP	3Q	% y/y	4.8	3.8	5.1	11.2
11:00	EZ	Industrial Production SA	Sep	% m/m	-0.5		-0.2	-1.7
16:00	US	Michigan index	Nov	pts	72.5		66.8	71.7
MONDAY (15 November)								
10:00	PL	CPI	Oct	% y/y	6.8	6.8	6.8	5.9
14:00	PL	Current Account Balance	Sep	€mn	-	-1175	-1339	-1441
14:00	PL	Trade Balance	Sep	€mn	-	-321	-111	-1279
14:00	PL	Exports	Sep	€mn	-	25104	24537	21680
14:00	PL	Imports	Sep	€mn	-	25425	24648	22959
TUESDAY (16 November)								
09:00	HU	GDP	3Q	% y/y	7.3		6.1	17.9
11:00	EZ	GDP SA	3Q	% y/y	-		-	3.7
14:00	HU	Central Bank Rate Decision	Nov/21	%	-		-	1.8
14:00	PL	CPI Core	Oct	% y/y	-	4.6	-	4.2
14:30	US	Retail Sales Advance	Oct	% m/m	0.75		-	0.7
15:15	US	Industrial Production	Oct	% m/m	0.75		-	-1.29
WEDNESDAY (17 November)								
11:00	EZ	HICP	Oct	% y/y	-		-	4.1
14:30	US	Housing Starts	Oct	% m/m	1.61		-	-1.6
THURSDAY (18 November)								
14:30	US	Initial Jobless Claims		k	260.0		-	269.0
14:30	US	Index Philly Fed	Nov		20.95		-	23.8
FRIDAY (19 November)								
10:00	PL	Employment in corporate sector	Oct	% y/y	-	0.5	-	0.6
10:00	PL	Average Gross Wages	Oct	% y/y	-	8.7	-	8.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.