

Eyeopener

Government presented the Anti-inflation Shield

Stock markets stable or slightly higher
 EURUSD slightly higher, EURPLN down to 4.67
 Government presented details of the "Anti-inflation Shield"
 No important data today

The stock markets were rather stable yesterday, the dollar was sticking close to the recent strong levels, core market yields went down somewhat. The price of gold and oil were stable. In Germany the GfK consumer sentiment index dropped on the spread of the pandemic and high inflation.

ECB minutes from 27-28 October meeting showed that the European central bankers keep claiming that the current high inflation is transitory, there are no second round effects and the rise of inflation expectations was treated as a sign of possible future risk rather than an expression of current reality. Such attitude strengthens the case that at the December meeting there will be an announcement that APP program will be enlarged when PEPP will come to an end.

NBP governor Adam Glapiński reiterated in "Gazeta Bankowa" his earlier claim that the MPC is determined to prevent the high inflation from becoming permanent.

Deputy Finance Minister Sebastian Skuza said that after three quarters of 2021, **local governments reached a budget surplus** of PLN23.4bn vs. PLN22.4bn recorded after two quarters. The improvement in 3Q is in line with the seasonal pattern.

The government has presented its so-called anti-inflation shield, which is aimed at limiting impact of rising prices on households' incomes. The package assumes a cut in some taxes on fuels and energy plus payment of extra benefits for low-income households. According to government estimates, the total cost of proposed measures is equal to PLN10bn. According to our estimates, the package will deduct about 0.9-1.4pp from CPI in 1Q22. Let us stress, however, that the impact of these actions will be temporary and this additional fiscal stimulus, which is what the package actually is, will fuel higher inflation further on, due to supporting the domestic demand. Thus, we lower our estimates of inflation in 1Q22 – now it seems unlikely that CPI will exceed 8% y/y – but we raise our forecasts for the following quarters. It seems that "flattening" of CPI path in the first months of 2022 could serve as an argument for the MPC to make a pause in the hiking cycle after increasing rates in December (we are expecting 75 bp) in order to observe the situation until new NBP staff forecasts are published (March). Still, further hikes will probably prove necessary so we still expect the NBP reference rate to reach 3.0% in 1H22. Read more in our [Instant comment](#).

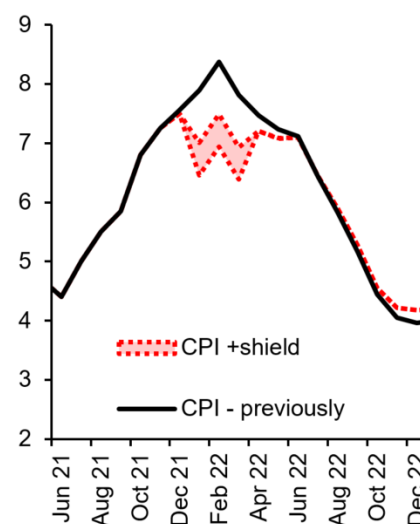
Detailed data on wages in October showed that the slowdown vs. September (to 8.4% y/y from 8.7%) was caused mainly by weaker pays in mining (the growth rate dropped by 10pp), while wages in other sectors were even a bit stronger than we had expected (8.5% y/y vs. 8.6% in September). We think that the high inflation and low unemployment rate will translate to further wage pressure at a high level in the coming quarters. **Data on employment** showed that the 4k m/m rise was actually made of a fall in industry by 2k (car manufacturing alone had -2k), rise in transport (4k). The large increase of the number of quarantined persons in November may weigh on the next employment reading.

EURUSD stopped falling at around 1.1200 and on Thursday only slightly and slowly rebounded towards 1.1250 where it ended the day (today opens at 1.1230).

EURPLN has been falling for the second day in a row. The drop was not as significant as on Wednesday after the NBP president's comment (0.9% to 4.68) but still notable, i.e. 0.3% to c.4.67. The reasons for the strengthening included better sentiment in the CEE region after Hungary raised 1-week depo rate from 2.50% to 2.90%, which supported forint (EURHUF fell 0.6% to 366.0). **Other currencies in the region:** EURCZK did not change for the second straight day (25.50). Czechia introduced the state of emergency. USDRUB fell 0.4% to 74.7 but – what is important – the rate painted a flag formation in the last three sessions. Thus, the behaviour in the nearest few days will be crucial. The close above 75.2 is needed to confirm the upward trend, while in case of close below 74.0 the correction may deepen.

On the interest rate market in Poland the yield curve was quite stable and IRS curve after the volatile day ultimately closed 2-4bp higher. At the bond switching auction the Ministry of Finance bought bonds worth PLN1.9bn (PS0422, OK0722, WS0922, WZ1122) and sold papers worth PLN2.08bn (OK0724, PS1026, DS0423, WZ1126, WZ1131). In turn, BGK cancelled bond auction planned for November 29.

CPI: our forecast before and after taking into account the government's anti-inflation shield (the range shows possible influence depending on assumptions)



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.6863	CZKPLN	0.1823
USDPLN	4.1717	HUFPLN*	1.2634
EURUSD	1.1231	RUBPLN	0.0553
CHFPLN	4.4813	NOKPLN	0.4609
GBPPLN	5.5459	DKKPLN	0.6299
USDCNY	6.3881	SEKPLN	0.4569

*for 100HUF

Last session in the FX market						25/11/2021
	min	max	open	close	fixing	
EURPLN	4.662	4.681	4.677	4.673	4.669	
USDPLN	4.154	4.173	4.170	4.168	4.160	
EURUSD	1.121	1.123	1.121	1.121	-	

Interest rate market 25/11/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.07	-1
DS0726 (5Y)	3.59	-1
DS0432 (10Y)	3.47	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.07	6	0.43	0	-0.51	0
2L	3.32	4	0.87	0	-0.35	0
3L	3.39	5	1.19	1	-0.23	-1
4L	3.39	2	1.34	0	-0.15	-1
5L	3.38	2	1.44	0	-0.08	-1
8L	3.25	2	1.62	0	0.10	-1
10L	3.23	2	1.68	0	0.21	-1

WIBOR rates

Term	%	Change (bps)
O/N	1.02	0
T/N	1.12	2
SW	1.25	0
2W	1.33	3
1M	1.53	6
3M	1.82	10
6M	2.19	10
1Y	2.52	6

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.57	12
3x6	3.25	8
6x9	3.56	6
9x12	3.57	0
3x9	3.45	5
6x12	3.72	6

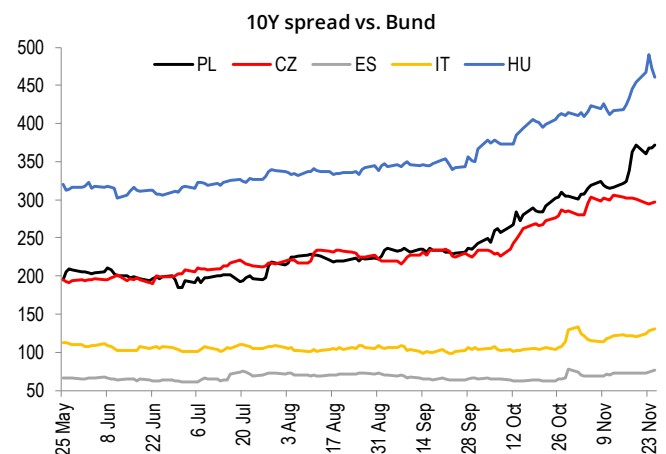
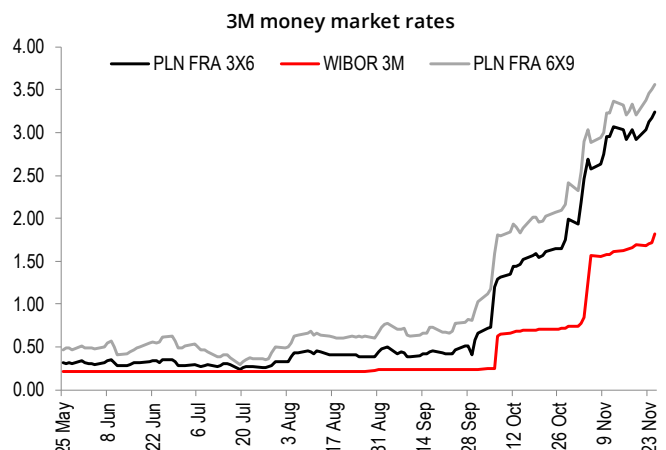
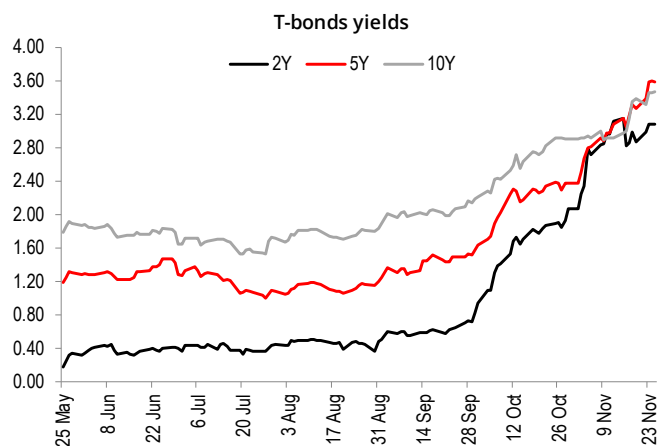
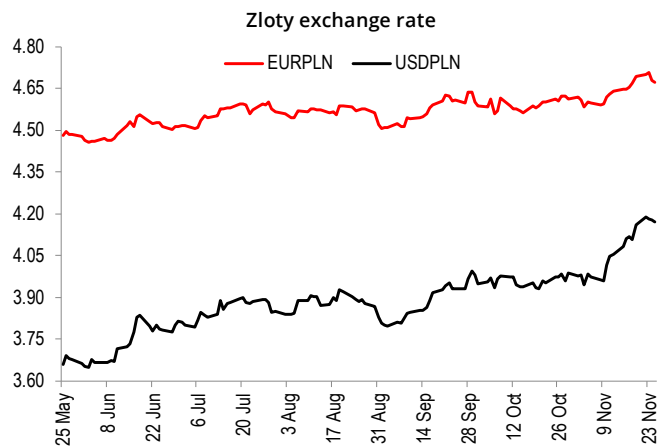
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	52	0	372	4
France	9	0	36	0
Hungary	51	0	461	-12
Spain	34	0	77	2
Italy	51	0	131	2
Portugal	22	0	69	1
Ireland	11	0	49	0
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 (19 November)								
10:00	PL	Employment in corporate sector	Oct	% y/y	0.5	0.5	0.5	0.6
10:00	PL	Average Gross Wages	Oct	% y/y	8.9	8.7	8.4	8.7
MONDAY (22 November)								
10:00	PL	Sold Industrial Output	Oct	% y/y	5.3	5.0	7.8	8.8
10:00	PL	PPI	Oct	% y/y	10.8	11.2	11.8	10.3
16:00	US	Existing Home Sales	Oct	% m/m	-1.4		0.8	7.0
TUESDAY (23 November)								
09:30	DE	Germany Manufacturing PMI	Nov	pts	56.9		57.6	57.8
09:30	DE	Markit Germany Services PMI	Nov	pts	51.5		53.4	52.4
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	57.4		58.6	58.3
10:00	EZ	Eurozone Services PMI	Nov	pts	53.0		55.8	54.6
10:00	PL	Retail Sales Real	Oct	% y/y	6.5	6.2	6.9	5.1
10:00	PL	Construction Output	Oct	% y/y	3.4	3.3	4.2	4.3
WEDNESDAY (24 November)								
10:00	DE	IFO Business Climate	Nov	pts	96.7		96.5	97.7
14:00	PL	Money Supply M3	Oct	% y/y	8.4	8.5	8.6	8.6
14:30	US	Durable Goods Orders	Oct	% m/m	0.2		-0.5	-0.4
14:30	US	GDP Annualized	3Q	% Q/Q	2.2		2.1	2.0
14:30	US	Initial Jobless Claims		k	260.0		199.0	270.0
16:00	US	Michigan index	Nov	pts	66.8		-	66.8
16:00	US	New Home Sales	Oct	% m/m	0.0		0.4	14.0
16:00	US	Personal Spending	Oct	% m/m	1.0		1.3	0.6
16:00	US	Personal Income	Oct	% m/m	0.2		0.5	-1.0
16:00	US	PCE Deflator SA	Oct	% m/m	0.7		0.6	0.3
20:00	US	FOMC Meeting Minutes	Nov/21					
THURSDAY (25 November)								
08:00	DE	Consumer Confidence (GfK)	Dec		-1.0		-1.6	0.9
10:00	PL	Unemployment Rate	Oct	%	5.5	5.5	5.5	5.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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