

Eyeopener

High German inflation, today the Polish reading

Equities were recovering from Friday losses, the dollar strengthened
 Stable 10Y UST yield, higher 10Y Bund yield after high German inflation reading
 EURPLN down by c. 0.5%, Polish government bonds weaker – yields up by c. 5bp
 Today Polish flash CPI for November, second reading of 3Q GDP

On Monday stock market indices trimmed more or less half of the Friday's losses and at the same time – counterintuitively again – the dollar strengthened slightly. Yield of 10Y UST was unchanged at 1.54% and 10Y Bund increased 3-4bp to -0.30% after the release of inflation data in Spain and Germany. Brent oil price was \$75 p/b, just above its Friday's low at \$72. US pending home sales rose 7.5% m/m (expected 1.0%, previously -2.4% m/m), which was a very good sign regarding the housing market situation at the start of 4Q. Please be reminded that the NAHB index of developers' sentiment also rose in November, to 6M high. Sector risks include lack of materials and workers. Today strong data in Asia were out: industrial output in South Korea, Chinese manufacturing PMI's return above 50 level and the lack of significant drop in PMI services.

Flash HICP inflation in Germany climbed to 6.0% y/y and surprised to the upside (5.5% y/y expected, move from 4.6% y/y). CPI inflation increased to 5.2% y/y (expectations at 5.0% y/y, rise from 4.5% y/y) on rising energy (22.1% y/y), food (4.5% y/y) and services prices (2.8% y/y), most likely in transport. We are estimating German core inflation at 3.2% y/y after 2.9% in October. Such a high HICP reading in Germany made us shift our eurozone HICP forecast to 4.5% y/y (due today). In Spain HICP inflation climbed to 5.6% y/y (expectations at 5.7%, previous reading at 5.4% y/y), also due to rising energy and food prices. PPI inflation in Italy jumped in October to 25.3% y/y from 15.6% y/y. Euro zone ESI fell to 117.5pts from 118.6pts, in line with expectations. Deterioration was recorded in consumer and manufacturing confidence (but orders were assessed positively), while an improvement was seen in services, retail sales and construction.

Government introduced new restrictions between 1 and 17 December: lowering the limits of people in selected services points, banned flights to seven countries in southern Africa, lengthening of quarantine for people returning from countries outside the Schengen zone. The restrictions will not affect vaccinated people. We think the restrictions will have no material impact on economic activity in 4Q.

In November the **business cycle indicators in Poland (as measured by ESI)** slightly improved. The main index moved up to 107.1 pts from 106.6 pts which is the highest reading since March 2019. The services sector was in the best condition since September 2019, the construction sector best since March 2020. The manufacturing index was slightly higher than in the past 3 months while consumer confidence slightly weaker than in the past 3 months. Sectors were reporting improvements in new orders, increasing problems in supply chains (lack of building materials, labour force and very low inventories in trade sector), the pressure for price increases increased. In November consumers were more worried about the future financial conditions and possibilities of making savings. The noticeable increase was seen in the currently perceived inflation, while the inflation expectations was at the second highest level in the history of the survey (since 2001, the record reading was in April 2020).

EURUSD on Monday gave back around 40% of Friday increases, fell to 1.1270. Today in the morning there was already no sign of this correction - the exchange rate returned to above 1.1300. The publication of Jerome Powell's today speech before Senate banking committee in the US underscores the risks to the economy from the new Covid-19 strain which might have helped the dollar weaken overnight.

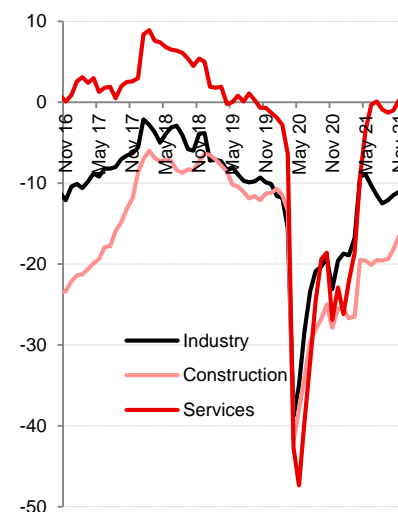
EURPLN fell 0.5% to 4.6860 on the basis of improved global market moods.

As for the **other regional currencies**, EURHUF fell 0.4% to 368.2. In October the unemployment rate fell in line with expectations to 3.9% (previously 4.0%) which points to tight labour market. EURCZK fell 0.4% to 25.60 (exactly the 200-day moving average). USDRUB fell to 74.67. The CBR Governor Elvira Nabiullina was concerned about inflation: in her opinion the pandemic itself might be called transitory however the effects of the pandemic which could last for a year or two should not be deemed as such, in the context of monetary policy decision making.

On the **interest rate market**, the Polish yield curve shifted 5bp up with 10Y rate reaching 3.17%. The IRS curve also went up, but a bit less, by 3bp and mostly on the longer end with the belly moving by 2bp (5Y to 3.07%). The NBP informed that since the start of December the NBP purchases will be conducted if necessary, but not on regular basis as earlier.

We are expecting the CPI inflation due **today** to show a rise to 7.4% y/y in November (in line with market consensus), while full GDP data for 3Q21 will confirm a continuation of economic rebound.

ESI, sectoral business sentiment indicators



Source: European Commission, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: 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	4,6795	CZKPLN	0,1823
USDPLN	4,1319	HUFPLN*	1,2716
EURUSD	1,1322	RUBPLN	0,0551
CHFPLN	4,4842	NOKPLN	0,4544
GBPPLN	5,5015	DKKPLN	0,6287
USDCNY	6,3717	SEKPLN	0,4547

*for 100HUF

Last session in the FX market 29.11.2021

	min	max	open	close	fixing
EURPLN	4,682	4,707	4,701	4,685	4,698
USDPLN	4,153	4,177	4,168	4,160	4,163
EURUSD	1,126	1,130	1,128	1,126	-

Interest rate market 29.11.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2,86	5
DS0726 (5Y)	3,30	1
DS0432 (10Y)	3,21	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2,81	-2	0,35	0	-0,52	1
2L	3,00	0	0,75	3	-0,37	2
3L	3,07	-2	1,03	2	-0,26	3
4L	3,06	-2	1,18	1	-0,19	2
5L	3,05	-3	1,28	2	-0,13	2
8L	2,96	-7	1,47	2	0,05	3
10L	2,96	-3	1,55	3	0,16	3

WIBOR rates

Term	%	Change (bps)
O/N	0,94	-8
T/N	1,07	-1
SW	1,27	2
2W	1,40	3
1M	1,65	8
3M	1,99	8
6M	2,33	4
1Y	2,59	4

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2,46	-4
3x6	2,84	-10
6x9	3,15	-6
9x12	3,16	-4
3x9	3,08	-9
6x12	3,28	3

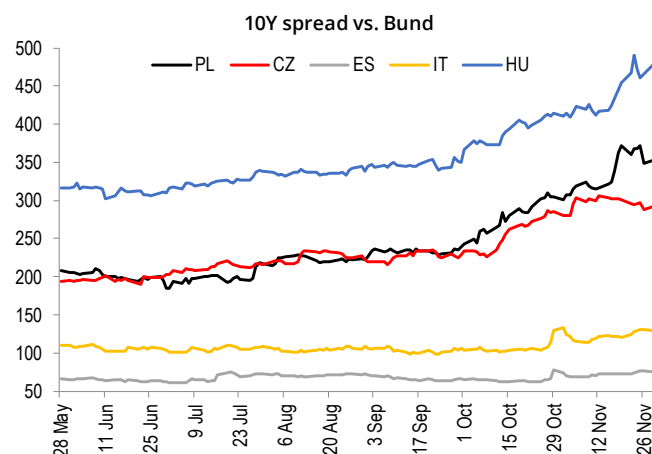
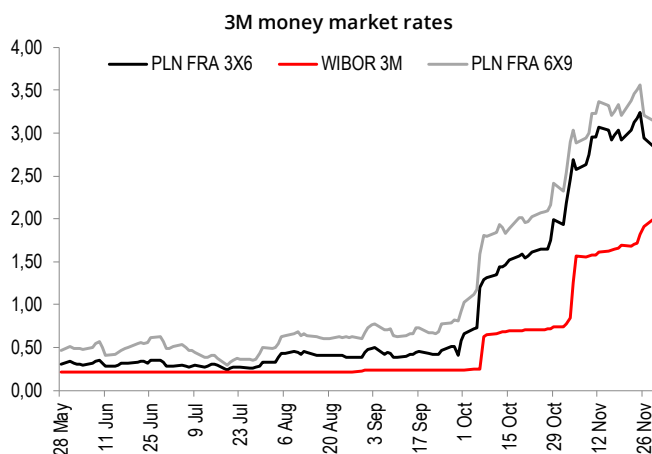
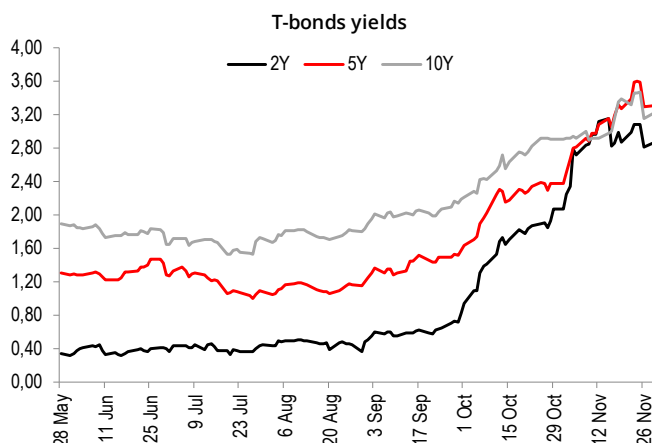
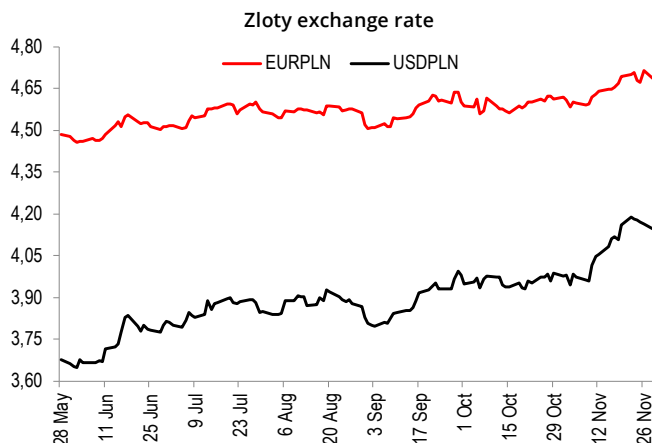
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	52	0	353	4
France	9	0	36	-1
Hungary	51	0	478	13
Spain	35	0	75	-1
Italy	52	0	130	-1
Portugal	23	0	68	-1
Ireland	11	0	50	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 (26 November)								
	PL	Central Budget Cumul.	Oct	mn PLN	-		51 888	47 589
MONDAY (29 November)								
11:00	EZ	ESI	Nov	pct.	117.9		117.5	118.6
14:00	DE	HICP	Nov	% m/m	-0.2		0.3	0.5
16:00	US	Pending Home Sales	Oct	% m/m	1.0		-4.7	-2.4
TUESDAY (30 November)								
09:00	CZ	GDP SA	3Q	% y/y	2.8		-	2.8
10:00	PL	CPI	Nov	% y/y	7.2	7.3	-	6.8
10:00	PL	GDP	3Q	% y/y	-		-	5.1
11:00	EZ	Flash HICP	Nov	% y/y	4.3		-	4.1
16:00	US	Consumer Conference Board	Nov	pts	110.0		-	113.8
WEDNESDAY (1 December)								
08:00	DE	Retail Sales	Oct	% m/m	0.6		-	-1.9
09:00	PL	Poland Manufacturing PMI	Nov	pts		53.5	-	53.8
09:00	HU	GDP	3Q	% y/y	6.1		-	6.1
09:55	DE	Germany Manufacturing PMI	Nov	pts	57.6		-	57.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	58.6		-	58.6
14:15	US	ADP report	Nov	k	515.0		-	571.1
16:00	US	ISM manufacturing	Nov	pts	61.0		-	60.8
THURSDAY (2 December)								
11:00	EZ	Unemployment Rate	Oct	%	7.4		-	7.4
14:30	US	Initial Jobless Claims	Nov/21	k			-	199.0
FRIDAY (3 December)								
02:45	CN	Caixin China PMI Services	Nov	pts	51.0		-	53.8
09:55	DE	Markit Germany Services PMI	Nov	pts	53.4		-	53.4
10:00	EZ	Eurozone Services PMI	Nov	pts	56.6		-	56.6
11:00	EZ	Retail Sales	Oct	% m/m	0.3		-	-0.3
14:30	US	Change in Nonfarm Payrolls	Nov	k	500.0		-	531.0
14:30	US	Unemployment Rate	Nov	%	4.5		-	4.6
16:00	US	Durable Goods Orders	Oct	% m/m	0.2		-	-0.5
16:00	US	ISM services	Nov	pts	65.0		-	66.7
16:00	US	Factory Orders	Oct	% m/m	0.5		-	0.2

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.