

# Eyeopener

## Inflation is not temporary after all

NBP governor on determination to combat inflation, surprise increase of Polish PMI  
 Stock exchanges still jittery  
 Dollar and core market 10Y yields stable  
 Strong decline of EURPLN, domestic IRS and bond yields higher

At the close of session in Europe European stock markets were up by 2%, US a little bit less, after decline in worries about the new Covid-19 strain and solid PMI in manufacturing. In the evening, however, sentiment became more sour bringing S&P 1% below the opening level. 10Y UST yield was oscillating around 1.48%, while Bund was stable at -0.33%. Oil price went up only slightly after recent strong declines with Brent rising by 2% to \$72.5, but most of this move was reversed later. Today's OPEC+ meeting is key for oil price outlook, as the organisation is deciding whether to increase oil output by 400k bpd in line with the schedule or whether to pause or even decrease oil output given new Covid-19 risks. In the evening the USA warned about potential sanctions against Russia should this country attack Ukraine.

Many countries released its **November PMI indices for manufacturing**. Improvement in monthly terms took place in Japan (54.5, +0.3pts), South Korea (50.9, +0.7pts), India (57.6, +1.7pts). In Europe PMIs improved in France (55.9, +1.3pts) and Italy (62.8 +1.7pts), but deteriorated in Spain (57.1, -0.3pts). Flash readings from United Kingdom, euro zone and Germany fell slightly (0.1-0.2pts) to 58.1, 58.4 and 57.4 points, respectively. ISM in the US manufacturing surprised to the upside (61.1, +0.3pts) with strong inputs from new orders and employment.

**PMI manufacturing in Poland** rose to 54.4 in November, its highest since August. The survey confirmed solid expansion of the industrial output, supported mainly by rising export orders. The disruptions in supply chains have intensified, leading to further escalation of inflationary pressure. Companies reported significant increases of prices charged. Firms reported growing labour shortage, which justified the first decline of employment since mid-2020. Overall, the survey confirms positive outlook for Polish industrial production in 4Q, with growing influence of supply-side shortages on the inflationary pressure.

**NBP governor Adam Glapiński** said that he changed his view and no longer sees inflation as transitory and thinks it is "burdensome", but underscored that both the central bank and the government will do whatever it takes to ensure that period of elevated inflation is as short as possible. Still, the efforts to bring inflation down will not be at the expense of high unemployment. **MPC's Grażyna Ancyparowicz** said that resignation from the rigorous EU climate policy would lower inflation and that the moderation of the tendency for inflationary pressure should come in a couple of months.

**S&P Global Ratings** updated GDP forecast for Poland. The 2021 growth forecast was raised to 5.2% from 5.1%, the 2022 on was lowered to 5.0% from 5.3%.

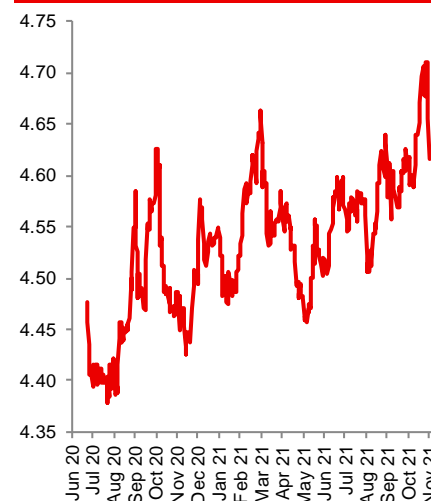
**EURUSD** stabilized and on Wednesday remained in the 1.1300-1.1350 area, where it opens today in the morning as well.

**EURPLN** on Wednesday continued declines and this time dynamically. EURPLN for a while remained 1% below Tuesday close (near 4.61) after which it rebounded toward the close to 4.6250 (50-day moving average). The cumulative percentage fall from the start of the recent correction (26 October, 4.7150) stand at 1.9%. After such a big correction the positioning is certainly more neutral while EURPLN will to a large degree depend on the expectations building before the upcoming MPC meeting next week.

**Other CEE currencies:** EURHUF fell by 0.4% to 363.2 and three-day decline reached 1.8%. The final GDP data for 3Q21 in Hungary confirmed the flash reading at 6.1% y/y and 0.7% q/q. In October PPI growth accelerated to 18.5% y/y, the highest pace since 1997 (due to fuel price surge). MNB will increase capital requirements for banks in 2022, referring to special circumstances due to Covid-19. MNB governor Gyorgy Matolcsy said the QE program will be terminated (recently it has been used in 75%), which will help tightening financial conditions in Hungary. 10Y Hungarian bond yield soared to 4.5%. Today the one-week deposit rate is likely to be raised again (currently 2.90%, expected 3.05%). Hungarian manufacturing PMI fell to 52.2 in November (-0.9pp m/m), below forecasts. Czech PMI rose to 57.1 (+2pp). EURCZK was stable near 25.5. USDRUB only slightly decreased to 73.80 and its three-day decline was 2.4%.

On the **interest rate market** in Poland the bond yield curve moved up by 8-9bp and IRS curve by 9-14bp. 10Y bond yield reached 3.19%, 10Y ASW narrowed to 16bp (-4bp). Spread to Bund returned above 350bp.

### EURPLN corrected lower but upward trend is still valid



Source: Bloomberg, Santander

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### FX market

Today's opening			
EURPLN	4,6201	CZKPLN	0,1811
USDPLN	4,0804	HUFPLN*	1,2590
EURUSD	1,1320	RUBPLN	0,0552
CHFPLN	4,4318	NOKPLN	0,4501
GBPPLN	5,4246	DKKPLN	0,6212
USDCNY	6,3716	SEKPLN	0,4495

\*for 100HUF

### Last session in the FX market 01.12.2021

	min	max	open	close	fixing
EURPLN	4,606	4,652	4,648	4,616	4,649
USDPLN	4,063	4,114	4,100	4,076	4,105
EURUSD	1,130	1,136	1,134	1,132	-

### Interest rate market 01.12.2021

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2,91	7
DS0726 (5Y)	3,33	13
DS0432 (10Y)	3,22	11

#### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2,91	7	0,39	1	-0,51	0
2L	3,08	10	0,80	0	-0,36	1
3L	3,12	11	1,06	1	-0,24	1
4L	3,12	10	1,18	0	-0,17	1
5L	3,11	11	1,25	-1	-0,12	0
8L	3,03	11	1,40	-2	0,03	0
10L	3,03	12	1,48	-1	0,13	0

### WIBOR rates

Term	%	Change (bps)
O/N	1,34	29
T/N	1,34	16
SW	1,37	7
2W	1,57	10
1M	1,80	10
3M	2,11	5
6M	2,43	5
1Y	2,66	3

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	2,59	14
3x6	2,93	11
6x9	3,23	6
9x12	3,22	3
3x9	3,12	10
6x12	3,34	9

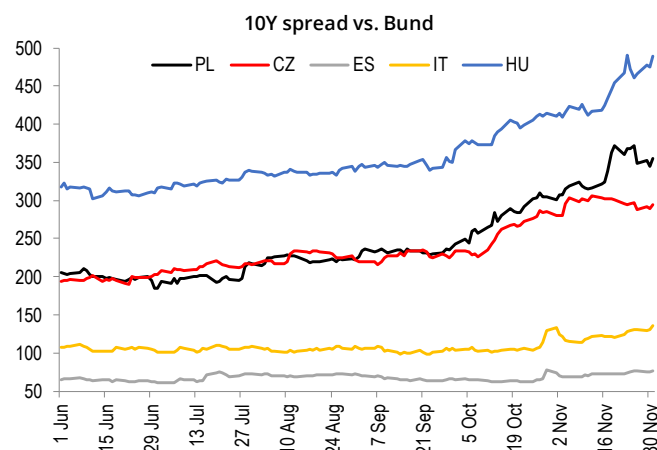
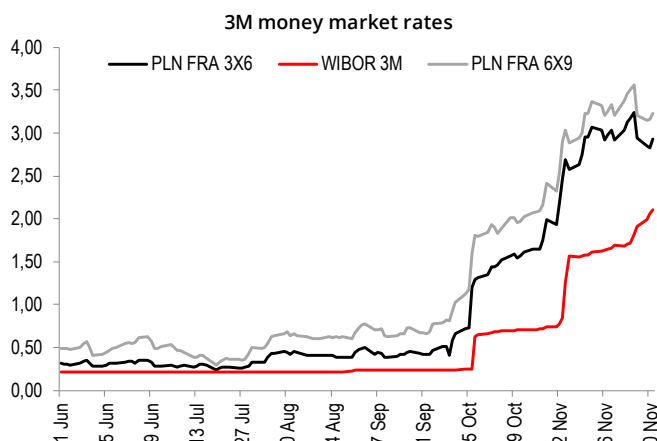
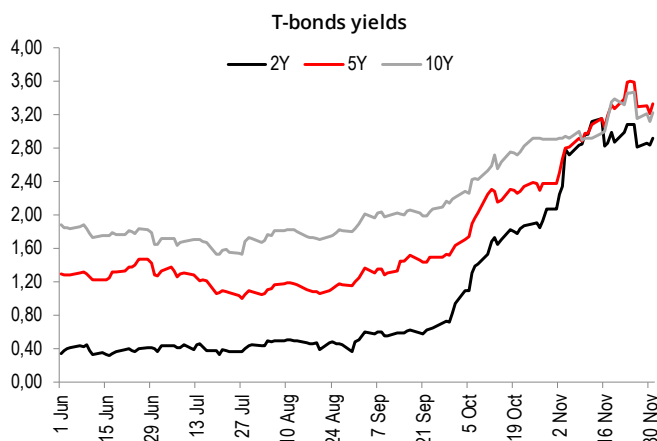
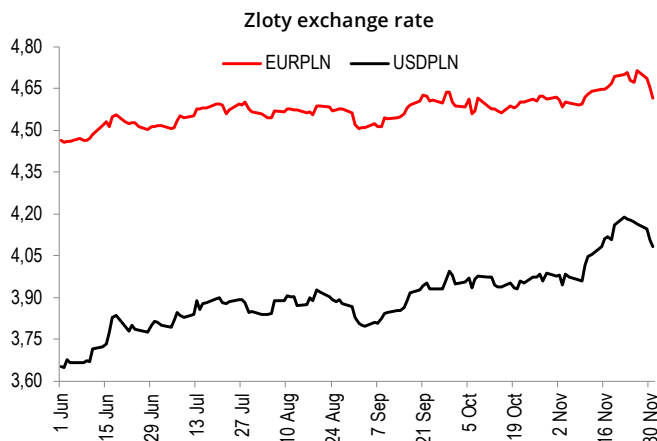
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	355	10
France	9	0	36	1
Hungary	57	7	489	14
Spain	36	1	77	2
Italy	53	1	135	5
Portugal	23	0	70	3
Ireland	11	0	50	4
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		
<b>FRIDAY (26 November)</b>								
	PL	Central Budget Cumul.	Oct	mn PLN	-		51 888	47 589
<b>MONDAY (29 November)</b>								
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
<b>TUESDAY (30 November)</b>								
09:00	CZ	GDP SA	3Q	% y/y	2.8		3.1	2.8
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Nov</b>	<b>% y/y</b>	<b>7.3</b>	<b>7.4</b>	<b>7.7</b>	<b>6.8</b>
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>3Q</b>	<b>% y/y</b>	<b>5.1</b>	<b>5.1</b>	<b>5.3</b>	<b>5.1</b>
11:00	EZ	Flash HICP	Nov	% y/y	4.5		4.9	4.1
16:00	US	Consumer Conference Board	Nov	pts	110.9		109.5	111.6
<b>WEDNESDAY (1 December)</b>								
08:00	DE	Retail Sales	Oct	% m/m	0.6		-0.3	-1.9
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Nov</b>	<b>pts</b>		<b>53.5</b>	<b>54.4</b>	<b>53.8</b>
09:00	HU	GDP	3Q	% y/y	6.1		6.1	6.1
09:55	DE	Germany Manufacturing PMI	Nov	pts	57.6		57.4	57.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	58.6		58.4	58.6
14:15	US	ADP report	Nov	k	525.0		534.0	570.0
16:00	US	ISM manufacturing	Nov	pts	59.1		61.1	60.8
<b>THURSDAY (2 December)</b>								
11:00	EZ	Unemployment Rate	Oct	%	7.4		-	7.4
14:30	US	Initial Jobless Claims	Nov/21	k			-	199.0
<b>FRIDAY (3 December)</b>								
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

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