

Weekly Economic Update

Focus on central banks

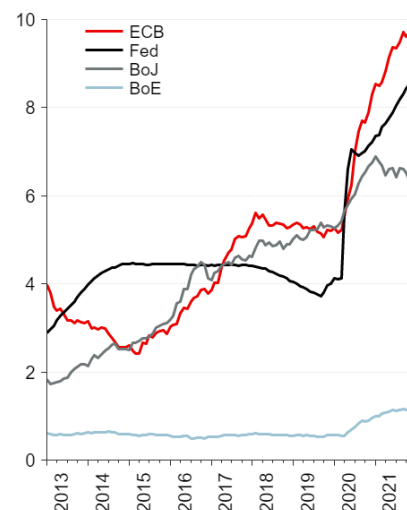
Economy next week

- After the week when the Polish MPC raised interest rates by 50bp and kept the door open for more tightening, next week focus will be on central bank decisions abroad: **MNB on Tuesday, FOMC on Wednesday, ECB and BoE on Thursday.**
- One month after starting the QE tapering, the Fed is expected to accelerate the pace of asset purchases twice, in reaction to inflation, which keeps surprising to the upside and – according to J.Powell – can no longer be described as transitory. It would open the door to faster interest rate hikes, possibly already in 2Q22. The Fed's dot-plot showing how FOMC members predict future interest rate path will be important, just as the new Fed's inflation forecasts. A policy shift towards faster withdrawal of monetary accommodation would be potentially positive for the USD and could push UST yields even slightly higher.
- ECB is much further away from any change in policy bias – it is expected to keep reassuring that elevated inflation in Europe is transitory, that the monetary policy will remain accommodative and the financing conditions will remain supportive. ECB's inflation forecast is likely to go up, but still remaining below the inflation target in the medium run, which should ensure markets that interest rates will stay on hold in the coming quarters.
- Bank of England is likely to hike main interest rate by 15bp (to 0.25%), which will be the starting point for more rate hikes in 2022. Hungarian MNB will continue its rate hike cycle – market expects +30bp to 2.40%.
- **The agenda of local data releases includes balance of payments (Tuesday), final CPI (Wednesday), core inflation (Thursday), wages and employment (Friday).** We think the data will have limited market impact – confirmation of high inflation and solid wage growth is unlikely to change market's opinion on the monetary policy outlook, and another current account deficit is unlikely to support the zloty.
- Data releases abroad include a number of business climate indicators (manufacturing PMI, Ifo), hinting about the pace of economic expansion in Europe and the end of the year.

Markets next week

- Messages from the central banks will be key in determining financial market directions next week. The likely hawkish policy shift from the FOMC may strengthen the dollar, which would be negative for EM currencies, including the zloty. **We do not rule out that EURPLN may test 4.65 again.** The currency may be also affected by any new information about chances for getting money from the EU recovery fund. Although chances for 13% upfront payment (€4.7bn) seem to be already lost (before the year-end there is no more meetings of ECOFIN, which has to approve the national Recovery and Resilience Programme), but the French President has just said that some progress in talks with Poland has been made and the agreement is possible "within weeks or months", which suggests that funds can start flowing in mid-2022.
- Bond yields rebounded up slightly after the NBP president's press conference suggesting a continuation of rate hikes and the move up could be extended if the FOMC confirms the hawkish policy shift and local inflation data (final CPI, core inflation) are not lower than expected.

Central bank balance sheets, total assets (USD trillions)



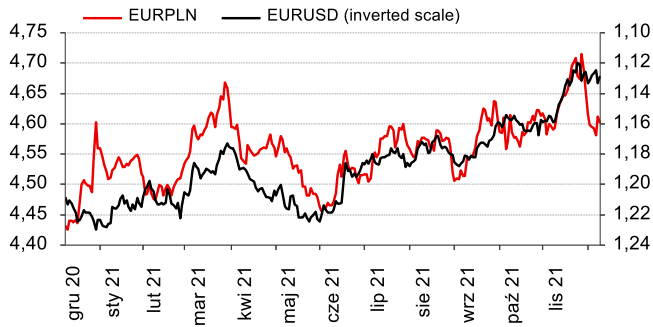
Source: Refinitiv Datastream

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 Luziński +48 22 534 18 85
 Grzegorz Ogonek +48 22 534 18 84
 Wojciech Mazurkiewicz +48 22 534 18 86

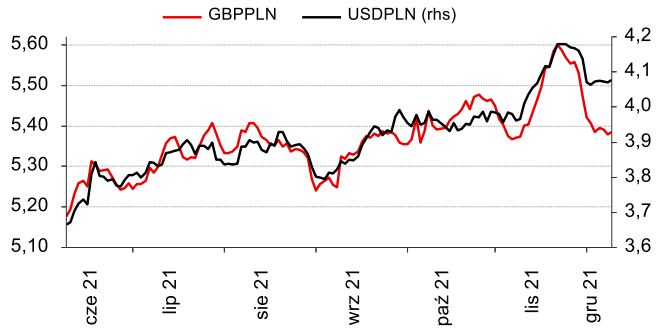
FX and FI markets

EURPLN and EURUSD



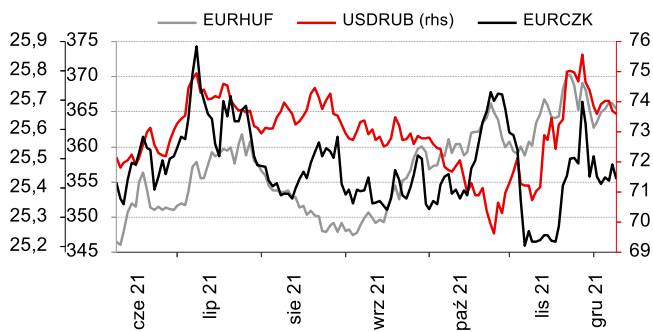
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



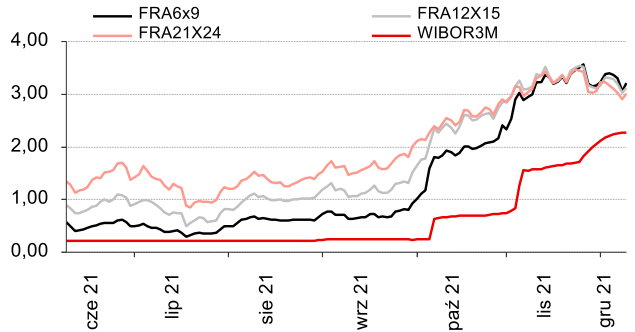
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



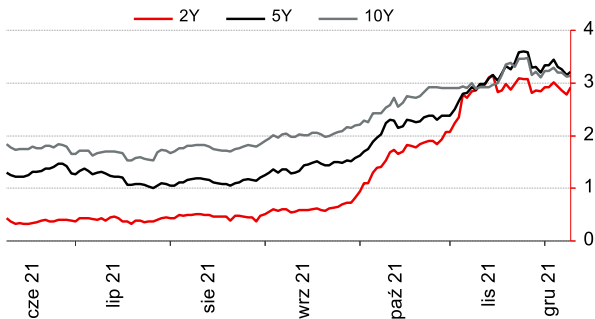
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



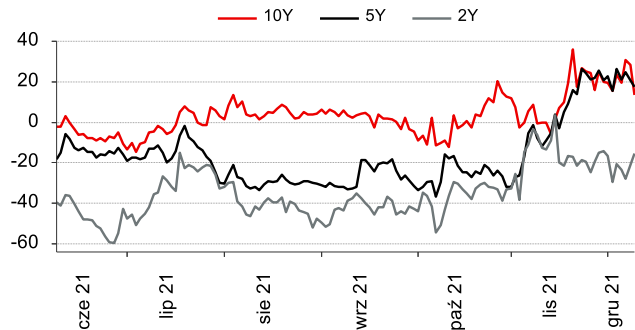
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



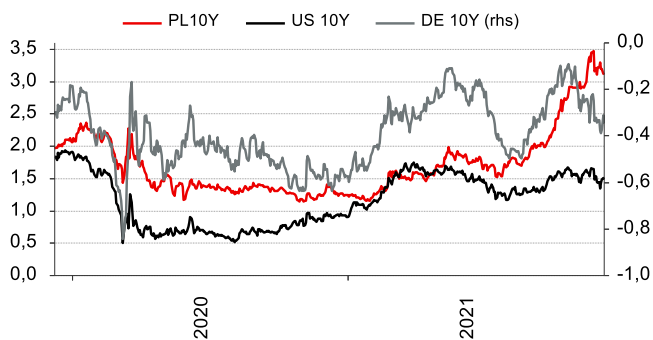
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



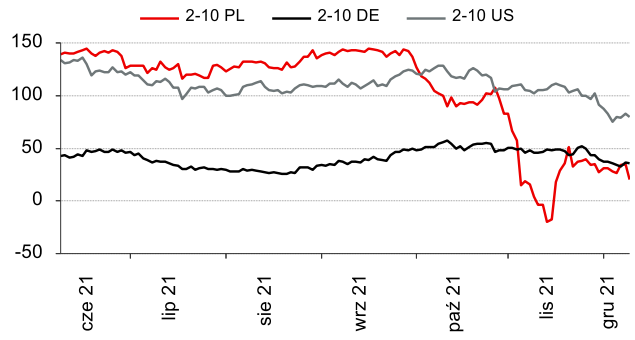
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		LAST VALUE
					MARKET	SANTANDER	
TUESDAY (14 December)							
11:00	EZ	Industrial Production SA	Oct	% m/m	1.5		-0.2
14:00	HU	Central Bank Rate Decision	Dec/21	%	2.4		2.1
14:00	PL	Current Account Balance	Oct	€mn	-1204.0	-1274.0	-1339.0
14:00	PL	Trade Balance	Oct	€mn	112.0	-471.0	-111.0
14:00	PL	Exports	Oct	€mn	25526.0	25632.0	24537.0
14:00	PL	Imports	Oct	€mn	25351.0	26103.0	24648.0
WEDNESDAY (15 December)							
10:00	PL	CPI	Nov	% y/y	7.7	7.7	6.8
14:30	US	Retail Sales Advance	Nov	% m/m	0.8		1.7
20:00	US	FOMC decision	Dec/21		0.25		0.25
THURSDAY (16 December)							
09:30	DE	Germany Manufacturing PMI	Dec	pts	57.3		57.4
09:30	DE	Markit Germany Services PMI	Dec	pts	51.8		52.7
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	58.1		58.4
10:00	EZ	Eurozone Services PMI	Dec	pts	54.9		55.9
13:45	EZ	ECB Main Refinancing Rate	Dec/21	%	0.0		0.0
14:00	PL	CPI Core	Nov	% y/y	4.7	4.7	4.5
14:30	US	Initial Jobless Claims		k			184.0
14:30	US	Housing Starts	Nov	% m/m	3.3		-0.7
14:30	US	Index Philly Fed	Dec		27.0		39.0
15:15	US	Industrial Production	Nov	% m/m	0.7		1.6
FRIDAY (17 December)							
10:00	DE	IFO Business Climate	Dec	pts	95.0		96.5
10:00	PL	Employment in corporate sector	Nov	% y/y	0.5	0.5	0.5
10:00	PL	Average Gross Wages	Nov	% y/y	9.0	8.8	8.4
11:00	EZ	HICP	Nov	% y/y	4.9		4.9

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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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.