

05 January 2022

# Weekly Economic Update

## Local peak in inflation

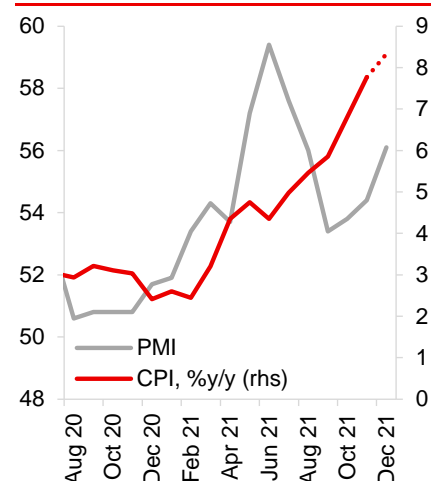
### Economy next week

- We have entered the new year with high momentum – contrary to expectations, PMI in manufacturing advanced markedly – and with information on strong performance in industry, retail sales, wages and employment in November. Another strong note lays ahead – on Friday 7 January we will get to see flash CPI in December (and full data on 14 December). In our view, **CPI jumped to 8.3% y/y** and this can be its local peak. However, do not hope for its imminent decline – in April-May inflation will be back at 8%, averaging 7.5% in 2022 and remaining above 6% at the end of 2022.
- Inflation and real activity data will be key for further MPC decisions. Today the NBP president said that he will be endorsing at least one rate hike by 50bp and that he sees 3% as a safe level for the economy. According to Glapiński, an improvement of economic outlook (and we are expecting 1Q22 to be still strong in that respect) may imply that the main rate may reach even 4%. At the same time, Glapiński's comments indicate that some members viewed level reached in December as appropriate. Based on these comments and our forecasts **we think that NBP rates will go up by 50bp in February and in March and the reference rate will peak at 3.5% in 2Q22.**
- Next week there will also be November balance of payments data for Poland, probably with another large C/A deficit, albeit this time our estimate of the balance is significantly less negative than market expectations. Abroad, releases that require attention are the US labour market data this Friday and US industrial output, retail sales and preliminary reading of consumer sentiment next Friday. During the week CEE countries, Eurozone and the USA will be releasing their inflation data.

### Markets next week

- Between Christmas Eve and today EURPLN dropped to 4.57 from 4.63, or by C.1.3%, and reached the 200-day moving average. We see the strengthening of the zloty as a reaction to the rise of market interest rates and growing rate hike expectations ahead of the yesterday MPC meeting (reference rate was raised by 50bp to 2.25%). EURUSD was stable at that time (close to 1.13). In the coming days and next week the zloty's fate will depend to a large extent on Polish CPI data for December and US labour market report (non-farm payrolls). If the latter disappoint, there could be some USD weakness which would offer some temporary support to the zloty, but **in our view it will be difficult for EURPLN to extend the downward trend much below 4.57**, especially amid growing risks related to the pandemic.
- Information on strong hikes in energy and gas prices at the end of 2021 caused a major rise of market interest rates in Poland – currently market sees NBP rates at least at 4.0% at the end of 2022, as compared to slightly above 3.0% in mid-December. 2Y bond yield (dependent mostly on current monetary policy outlook) climbed by 50 bp in that period, while 10Y paper yield increased by 70bp (3.90%), as this segment was also affected by core markets (10Y UST reached 1.65%, 10Y Bund -0.08%). **In the upcoming week yields, after such marked increases, are likely to consolidate, unless the upward trend on core markets continues**, e.g. after strong economic data from the US labour market.

Polish CPI inflation and manufacturing PMI



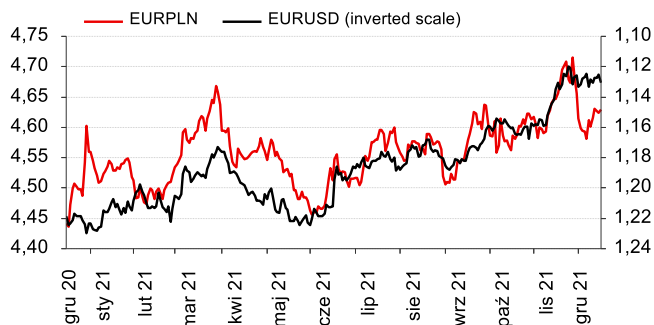
Source: GUS, Markit, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 691 393 119  
 Marcin Luziński +48 510 027 662  
 Wojciech Mazurkiewicz +48 887 842 480  
 Grzegorz Ogonek +48 609 224 857

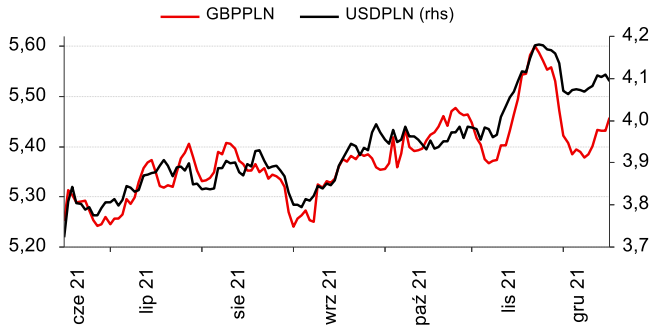
• The FX and FI markets

**EURPLN and EURUSD**



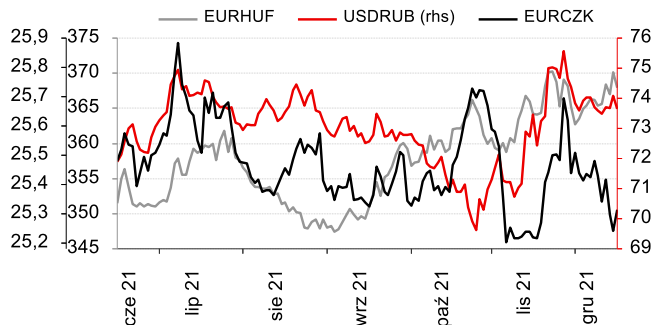
Source: Refinitiv Datastream, Santander Bank Polska

**GBPPLN and USDPLN**



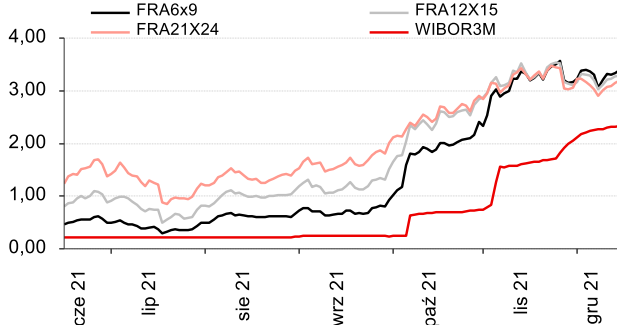
Source: Refinitiv Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



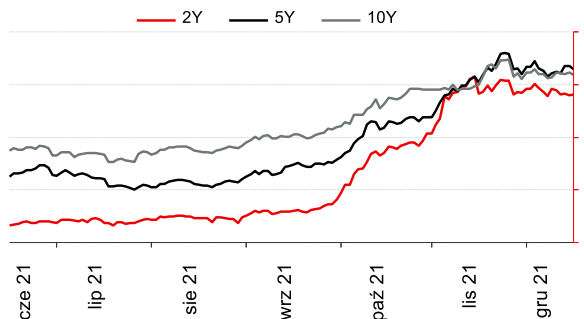
Source: Refinitiv Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



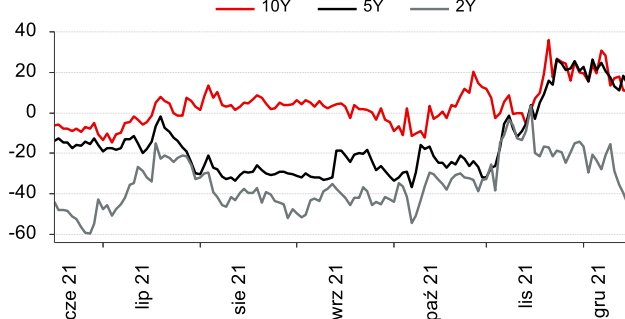
Source: Refinitiv Datastream, Santander Bank Polska

**Polish bond yields**



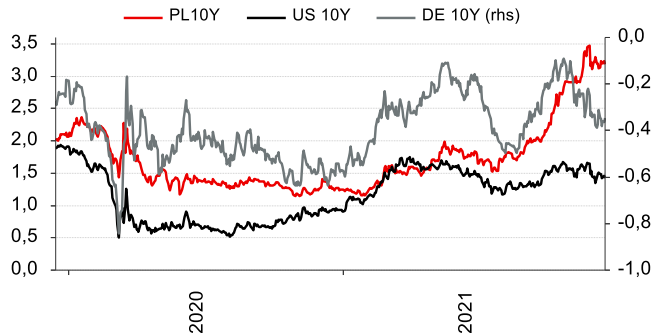
Source: Refinitiv Datastream, Santander Bank Polska

**Asset swap spreads**



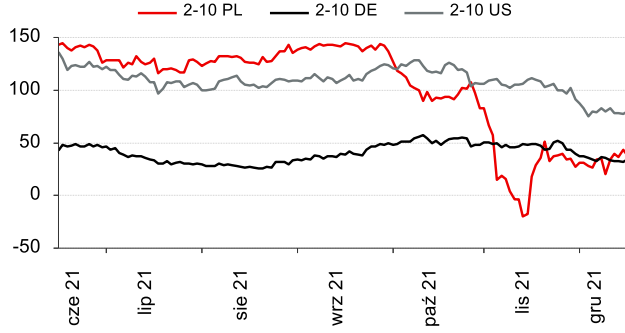
Source: Refinitiv Datastream, Santander Bank Polska

**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	
<b>FRIDAY (7 January)</b>						
08:00	DE	Exports SA	Nov	% m/m	-0.2	4.2
08:00	DE	Industrial Production SA	Nov	% m/m	1.0	2.8
09:00	CZ	GDP SA	3Q	% y/y	3.1	3.1
09:00	CZ	Industrial Production	Nov	% y/y	2.0	-7.4
09:00	HU	Industrial Production SA	Nov	% y/y	-1.4	-2.7
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Dec</b>	<b>% y/y</b>	<b>8.2</b>	<b>8.3</b>
11:00	EZ	Flash HICP	Dec	% y/y	4.8	4.9
11:00	EZ	Retail Sales	Nov	% m/m	-0.5	0.2
11:00	EZ	ESI	Dec	pct.	116.1	117.5
14:30	US	Change in Nonfarm Payrolls	Dec	k	424.0	210.0
14:30	US	Unemployment Rate	Dec	%	4.1	4.2
<b>WEDNESDAY (12 January)</b>						
09:00	CZ	CPI	Dec	% y/y		6.0
11:00	EZ	Industrial Production SA	Nov	% m/m	-	1.1
14:30	US	CPI	Dec	% m/m	0.4	0.8
<b>THURSDAY (13 January)</b>						
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Nov</b>	<b>€mn</b>	<b>-1995.0</b>	<b>-1070.0</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Nov</b>	<b>€mn</b>	<b>-589.0</b>	<b>-822.0</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Nov</b>	<b>€mn</b>	<b>26843.5</b>	<b>26955.0</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Nov</b>	<b>€mn</b>	<b>27607.0</b>	<b>27505.0</b>
<b>FRIDAY (14 January)</b>						
09:00	HU	CPI	Dec	% y/y	-	7.4
14:30	US	Retail Sales Advance	Dec	% m/m	0.0	0.3
15:15	US	Industrial Production	Dec	% m/m	0.3	0.52
16:00	US	Michigan index	Jan	pts	70.3	70.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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.