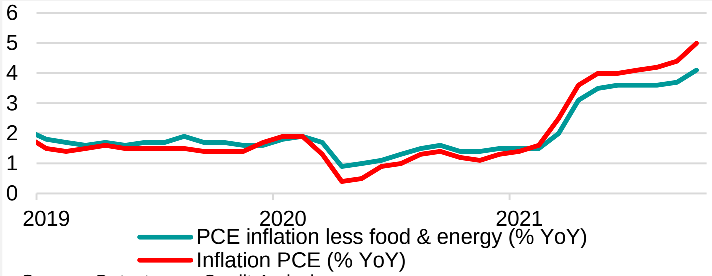
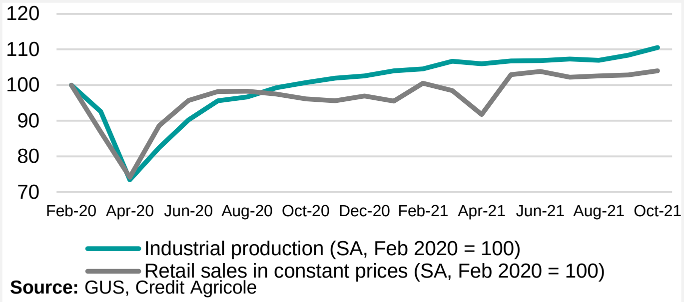
This week

- **Significant data from the US will be published this week.** Preliminary data on orders for durable goods in the US will be published this Thursday. We believe the number of orders increased by 2.0% MoM in November compared to a 0.4% drop in October due to a higher number of orders reported by Boeing. We expect the PCE to have increased from 3.6% YoY in October to 4.5% in November, which means that it would reach the highest level since 1989. We believe that data on new home sales (752k in November vs. 745k in October) and existing home sales (6.53M vs. 6.34M), will pointed to a recovery in the US housing market. This week will also see the results of sentiment surveys. We expect the final University of Michigan index (70.5 pts in December vs. 67.4 pts in November) and the Conference Board consumer confidence index (112.0 pts in December vs. 109.5 pts in November) will indicate at a slight improvement in households' sentiments, which will be an adjustment after last month's deterioration. Also, the final GDP estimate for Q3 will be published this week. We do not expect the annualised GDP growth to be revised compared to the second estimate, so it will stand at 2.1%. We believe that the impact of the publication of data from the US on financial markets will be limited.



Source: Datastream, Credit Agricole

- **Data on industrial production in Poland for November will be released today.** We forecast that industrial production growth increased to 9.0% YoY from 7.8% in October. Production growth was driven up by favourable calendar effects and an improvement in sentiments in the manufacturing sector (see MACROpulse of 01/12/2021). Our industrial production growth forecast is above the market consensus (8.4%), and thus its materialization will be slightly positive for the PLN and yields on Polish bonds.



Source: GUS, Credit Agricole

- **Data on retail sales and construction production in Poland will be released on Tuesday.** We expect the retail sales to have grown by 18.8% YoY in November compared to a 14.4% growth in October. Nominal sales growth was driven up by a quicker growth in the prices of fuels and food combined with favourable calendar effects. Poor consumer sentiments had an opposite impact. We expect that the publication of retail sales data will be positive for the PLN and yields on Polish bonds.

Last week

- **According to final GUS data, Poland's CPI inflation rose to 7.8% YoY in November vs. 6.8% in October, running above the flash estimate by GUS (7.7%).** Thus, inflation reached its highest since December 2000, and was above the upper band for deviations from the NBP's inflation target (3.5% YoY) for eight consecutive months. Inflation was driven up by a stronger price growth in the "food and non-alcoholic beverages" category (6.4% YoY in November vs. 5.0% YoY in October), "energy" (13.6% vs. 10.5%), "fuels" (36.6% vs. 33.9%) and core inflation, which rose from 4.5% YoY in October to 4.7% in November, reaching the highest level since October 2001.

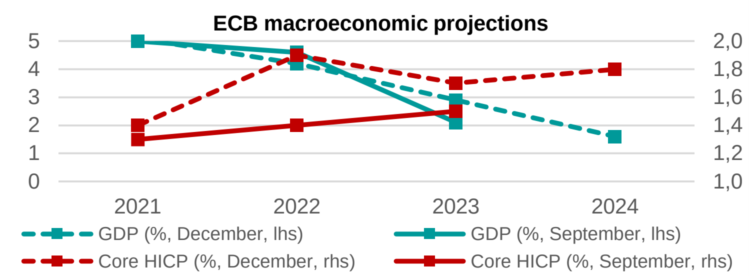
However, it is worth noting that even though the pent-up demand effect is fading, the quickly growing wage fund remains the source of demand pressure in those categories (see MACROpulse of 15/12/2021). Another reason behind the core inflation growth is the supply barrier effect, which drives the prices up in such categories as “household appliances”, “audio-visual, photographic and information processing equipment” or “motor cars” due to lower supplies of certain goods. Taking into consideration the actions that the government intends to take as part of the so-called Anti-inflationary Shield (see MACROmap of 12/06/2021), we believe that inflation will reach its local peak in Q4 2021. However, in H1 2022, it will continue to run at ca. 7% YoY. We expect inflation to start falling more markedly only in H2 2022, which will be influenced by lower core inflation and a lower dynamics of the prices of foods, fuels and, towards the end of 2022, also energy. However, it is worth noting that inflation will stay above the upper band for deviations from the NBP’s inflation target (3.5% YoY) over the forecast horizon. However, last week’s decision by the URE (Energy Regulatory Office) concerning higher energy and gas tariffs is a risk factor, which might affect our inflation forecast. Consequently, we believe there is an upside risk to our interest rate scenario, which assumes one last 50-bp interest rate hike as part of this monetary policy tightening cycle in January 2022 (see MACROpulse of 08/12/2021). However, it is worth noting that the calibration of the so-called Anti-inflationary Shield, which we believe is likely to be carried out in this context and may be extended or prolonged, is another factor that adds to uncertainty and makes it harder to assess the impact of the ERO's decision on inflation. We will present our revised scenario for inflation and interest rates in the first MACROmap in January.

- **The Polish current account surplus declined in October to EUR -1,791m vs. EUR -1,339m in September, running below market expectations (EUR -970m) and our forecast (EUR -1,204m).** This means it is the sixth consecutive month of the deficit in the Polish current account. The reduction in the current account balance was due to lower trade balances in goods, services and secondary income (EUR 711m, EUR 91m and EUR 58m lower than in September, respectively), while higher primary income balance (EUR 408m higher than in September) had the opposite effect. At the same time, in October the growth slowed down for both exports (6.6% YoY in October vs. 12.2% in September) and imports (20.4% vs. 21.5%), which mainly resulted from the statistical effect on an unfavourable difference in the number of business days. In accordance with the NBP’s press release, the growing prices of raw materials, including in particular energy commodities, are a factor that curbs the slowdown of the imports growth. Last week's data pose a slight downside risk to our forecast according to which the relation of the accumulated balance on the current account for the last 4 quarters to the GDP will decrease in the Q4 to -0.8% vs. +0.4% in Q3. Apart from relatively low interest rates compared to other countries in the region, the escalation of the Poland-EU dispute, a difficult epidemiologic situation in Poland and tensions on the Poland-Belarus border, the continuing, significant deficit in the Polish current account is another factor that has a negative impact on the PLN.
- **Nominal wage growth in the Polish enterprise sector increased from 8.4% YoY in October to 9.8% YoY in November.** A significant acceleration of year-on-year wage growth between November and December was to some extent influenced by the shifts in the dates of payment of variable remuneration components, which in many companies are usually paid out in December (see MACROpulse of 17/12/2021). We expect that the growing wage pressure in the months to come will support the annual wage growth, which we expect to run at around 10%. Employment growth in the Polish enterprise sector increased from 0.5% YoY in October to 0.7% YoY in November. Month on month, employment increased by 12.6k in November, compared to a 3.9k growth in October. Despite a significant growth, the number of employed in November was still lower by 82.2k than in February 2020, which was the last month before the outbreak of the pandemic. The quick employment growth in November combined with an increasing barrier reported by companies responding to the survey and resulting from a lack of a qualified workforce is increasing the wage pressure. The real wage fund growth rate in the enterprise

sector being the product of employment and average wages adjusted to take into consideration the changes in prices went up from 2.0% YoY in October and 4.4% YoY in Q3 to 2.6% YoY in November. It supports our forecast in which consumption growth will also slow down significantly, from 4.7% YoY in Q3 2021 to 3.1% YoY in Q4 2021. We also expect further deterioration in consumer sentiments, which is primarily caused by strong inflation rise and soaring COVID-19 cases to drive the consumption growth down in the fourth quarter.

- **Some important data from China was also published last week.** In general, the data on industrial production (3.8% YoY in November vs. 3.5% in October), retail sales (3.9% vs. 4.9%) and investment in urban areas (5.2% vs. 6.1%) were indicative of a further decrease in activity in the Chinese economy. Although industrial production growth went slightly up in November due to an improvement regarding supply situation in the Chinese energy market, the data on both retail sales and investment in urban areas are indicative of a further deterioration in internal demand in China. We believe that the economic activity may keep on slowing down in the months to come due to the tightening of administrative restrictions imposed to fight the pandemic. Furthermore, the crisis in the real property market still remains a negative factor impacting the economic growth in China in the medium term horizon. Therefore, we believe that the People's Bank of China will decide to continue easing the monetary policy in H1 2022, including by cutting the reserve requirement rate and taking actions aimed at stimulating the lending activity in some sectors of the Chinese economy, including the real estate sector. In addition to the latter, some actions related to the fiscal policy will also be taken with the aim of reducing the tax burden in the selected areas of the Chinese economy (microenterprises, SMEs, manufacturing, green investments, infrastructure). We forecast that China's GDP growth rate will increase to 7.7% YoY in 2021 vs. 2.3% in 2020, and in 2022 it will drop to 4.9%.

- **The ECB met last week.** As we had expected, the ECB interest rates were kept unchanged (the deposit rate is -0.50%). At the same time, the ECB confirmed that the Pandemic Emergency Purchase Programme (PEPP) will be closed in March 2022 as previously announced. The ECB also informed that the scale of assets to be purchased as part of the PEPP in Q1 2022 will be lower than in Q4 2021. In Q4 2021, it was ca. EUR 70bn per month, so we assume that it will be reduced to approx. EUR 50-55bn per month. This means that the ECB will purchase assets worth of approx. EUR 1,775bn in the whole programme, compared to EUR 1,850bn that was initially planned. At the same time, the ECB extended the horizon for reinvesting the maturing securities under the PEPP from 2023 to 2024. In its press release, the ECB announced that the PEPP may be relaunched should negative, pandemic-related shocks occur, but nonetheless, in our opinion, the probability of it happening is low. The ECB also informed that the PEPP closure will be combined with a transitional increase in the scale of asset purchase as part of the Asset Purchase Programme (APP). As announced by the ECB, the scale of purchase in Q3 and Q4 2022 will stand at EUR 40bn and EUR 30bn per month, respectively, and then it will return to the current level (EUR 20bn per month). The ECB also informed that the special terms of financing available under the TLTRO III (Targeted Longer-Term Refinancing Operations) programme will cease to apply in June 2022. At the same time, the ECB hinted that it does not rule out the option of launching the TLTRO. We think that it would operate on the same terms as the TLTRO II (3-year maturity period with -0.5% interest rate). We expect the programme to be announced in March or in June, and the first transaction to be carried out in September 2022. Moreover, we think that the probability of the ECB deciding to increase the level of funds that commercial banks will be able to deposit on ECB's current accounts at 0.0%

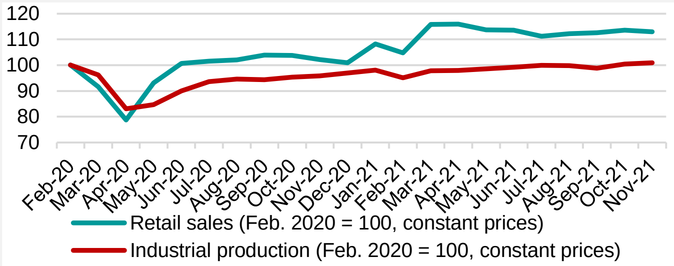


Source: Credit Agricole, ECB

(the so-called "tiering") is high. Last week, the ECB also published the results of its December economic projection. In accordance with the projection, GDP for the Eurozone will stand at 5.1% YoY in 2021 (vs. 5.0% in the September projection), 4.2% in 2022 (4.6%), 2.9% in 2023 (2.1%) and 1.6% in 2024. HICP inflation will run at 2.6% YoY in 2021 (2.2%), 3.2% in 2022 (1.7%), 1.8% in 2023 (1.5%) and 1.8% in 2024, with core inflation running at 1.4% YoY in 2021 (1.3%), 1.9% in 2022 (1.4%), 1.7% in 2023 (1.5%) and 1.8% in 2024. It is worth noting that in accordance with the December projection both total inflation and core inflation will run slightly below the ECB's inflation target in the medium term horizon. Therefore, the projection combined with the ECB's December statements concerning the calibration of the monetary policy supports our scenario in which interest rates in the Eurozone will not be raised earlier than in 2026.

- **According to flash data, the Eurozone's composite PMI (for manufacturing and services) fell from 55.4 pts in November to 53.4 pts in December, which is clearly below the market expectations (54.0 pts) and our forecast (54.2 pts.).** The decrease in the composite PMI index was due to a decrease in the component for business activity in services, while an increase in the component for current output in manufacturing had the opposite effect. The activity in services slowed down due to a deterioration of the epidemiologic situation in Europe. However, in accordance with the press release, gradual reduction in supply barriers was conducive to an increase in production growth in the manufacturing sector. Reports on weakening supply barriers were conducive to an improvement in terms of respondents' expectations concerning future output, which was reflected in a slight increase in the value of index for the output expected in the 12 months' horizon. The decrease in composite PMI indices seen in December had a broad geographical scope and was recorded for Germany, France and the other Eurozone economies surveyed. From the point of view of Polish exports, trends in Germany are particularly important, where the PMI index for manufacturing increased to 57.9 pts in December vs. 57.4 pts in November. The PMI increase resulted from higher contributions of current output, inventories and employment, while lower contributions of new orders and delivery times had the opposite effect. As regards the structure of data for Germany, it is particularly worth noting that the delivery times were getting longer, but at a slower pace, with the prices of both intermediate and final goods also growing at a slower rate. Therefore, the data for Germany are also indicative of a gradual decrease of supply barriers. The average composite PMI for the Eurozone has decreased from 58.4 pts in Q3 to 54.3 pts in Q4. The PMI data supports our forecast in which the quarterly GDP growth in the Eurozone will shrink from 2.2% in Q3 to 1.1% in Q4, while for the entire 2021, Eurozone's GDP will increase by 5.2% compared to a 6.4% drop in 2020.
- **The Ifo index, reflecting the sentiments among German managers representing the manufacturing, construction, trade and services sectors, fell from 96.6 pts in November to 94.7 pts in December, which was below the market expectations (95.4 pts).** The decline in the index was due to a drop of its components for both the assessment of the current situation and expectations. The sectoral breakdown showed sentiment deterioration in trade, services, and construction, but it showed improvement in manufacturing. It is consistent with PMI growth for German manufacturing seen in December (see above). Taking into consideration PMIs for Germany that were published last week and the epidemiologic situation and related restrictions in that country (see COVID Dashboard), we think there is a downside risk to our forecast, in which German GDP would grow by 2.7% and 4.2% in 2021 and 2022, respectively, compared to a 4.6% drop in 2020.
- **At its last week's meeting, the Fed maintained the Federal Funds Target Range at [0.00%; 0.25%], which was in line with market expectations.** As expected, the Fed announced a doubling pace of tapering of its asset purchases. Thus, the scale of monthly purchases of government bonds will be reduced by USD 20bn per month and the scale of purchases of MBS (mortgage-backed securities) by USD 10bn per month. Consequently, the Fed will be able to end the programme as early as March 2022 (the previous pace of phasing out the programme meant that it would end in June). At the same time, the Fed reiterated its announcement that it may adjust

the pace of tapering asset purchases accordingly depending on the economic situation. However, at the current pace of tapering, we believe that further acceleration is unlikely. The content of the statement issued after the meeting indicates that the Federal Reserve is increasingly concerned about rising inflation, which it no longer regards as a temporary phenomenon. The Fed also released its December macroeconomic projection. According to the December projection, GDP growth will reach 5.5% in 2021 (5.9% in the September projection), 4.0% in 2022 (3.8%), 2.2% in 2023 (2.5%), 2.0% in 2024 (2.0%) and 1.8% in the long term (1.8%). According to the December projection, unemployment rate will reach 4.3% in 2021 (4.8% in the September projection), 3.5% in 2022 (3.8%), 3.8% in 2023 (3.5%) and 3.5% in 2024 (3.5%). At the same time, the Fed maintained its estimate for the natural unemployment rate at 4.0%. In contrast, inflation paths were revised upwards: 5.3% in 2021 (4.2%), 2.6% in 2022 (2.2%), 2.3% in 2023 (2.2%), 2.1% in 2024 (2.1%), and core inflation: 4.4% in 2021 (3.7%), 2.7% in 2022 (2.3%), 2.3% in 2023 (2,2%), 2.1 in 2024 (2.1%). Particularly noteworthy in the December projection is the increase in the median for FOMC members' expectations of the level of interest rates. It indicates that they expect a total of 75bp interest rate hikes in 2022 (the median in September indicated one 25bp rate hike), a total of 75bp hikes in 2023 (75bp in the September projection), and a total of 50bp hikes in 2024 (75bp in the September projection). This scale of increases would mean that the target range for the Federal Reserve's funds rate volatility at the end of 2024 would be [2.00%; 2.25%], 37.5bp higher than in the September projection. At the press conference after the meeting, Federal Reserve Chairman J. Powell stressed that rates would not be raised before the end of the asset purchase programme. However, Mr Powell did not reiterate his announcement that the end of the asset purchase programme was not tantamount to an interest rate hike. Taking into account the results of the December projection and statements by J. Powell, we see upside risks to our scenario that the first US interest rate hike (by 25bp) will not occur until Q4 2022.



Source: Datastream, Credit Agricole

A number of data on US economy was released last week. The jobless claims figures were released last week. The number of new jobless claims increased to 206k from 188k two weeks ago, running above market expectations (195k). At the same time, the number of continued claims fell to 1.8M from 2.0M. Immediately before the outbreak of the pandemic, the number of continued claims for unemployment benefits stood at 1.7M. The data supports our assessment that the situation in the US labour market is gradually improving and getting closer to balance. Last week we also saw data on industrial production, whose monthly growth decelerated to 0.5% in November from 1.7% in October, running slightly below market expectations (0.7%). Lower production dynamics in all its main categories: utilities, mining and manufacturing had a downward impact. The reduction in industrial production growth between October and November was due to the low base effect associated with the negative impact of Hurricane Ida on US industrial activity being no longer present. Capacity utilisation increased to 76.8% in November from 76.5% in October and is thus already close to pre-pandemic levels (around 77%). Last week we also saw data on retail sales, whose monthly growth decelerated to 0.3% in November from 1.8% in October, running below market expectations (0.8%). Excluding cars, monthly sales growth fell to 0.3% in November from 1.8% in October. Reductions in retail sales growth were recorded in most categories. November's data suggest that the effects of pent-up demand and spending of funds given to households as part of the Biden fiscal package, which had boosted retail sales in previous months, are fading away. Last week we also saw data on building permits (1,712k and in November vs. 1,653k in October) and housing starts (1,679k vs. 1,502k), which pointed to continued high activity in the US housing market. Mixed information on the situation in manufacturing was provided by regional indices of economic activity: NY Empire State (31.9 pts in December vs. 30.9 pts in November) and Philadelphia Fed (15.4 pts vs. 39.0 pts). We maintain our scenario that US GDP will expand by 5.6% YoY in 2021, compared to a contraction of 3.5% in 2020, and will grow by 3.8% in 2022.

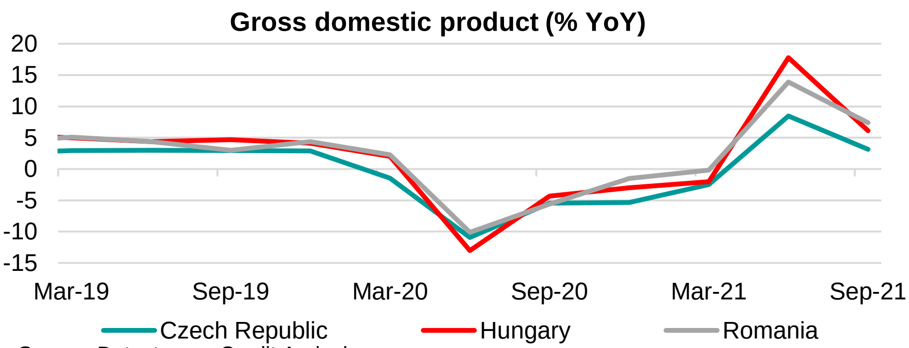
- **Last week a meeting of the Swiss National Bank (SNB) was held.** The SNB kept its main interest rate unchanged (at -0.75%), which was in line with the market consensus. The press release emphasises that the expansionary monetary policy is necessary to ensure price stability and support the economic recovery. At the same time, the SNB noted that the Swiss franc remains highly valued. Consequently, the SNB is willing to intervene in the foreign exchange market as necessary. The SNB has also published new macroeconomic projections. The SNB expects Swiss GDP to grow by around 3.5% in 2021 (unchanged from the September projection) and to grow by around 2% in 2022. Due to increase in the prices of imported goods, in particular oil, and higher prices of certain goods resulting from growing supply bottlenecks, the inflation path was also raised. In line with the September projection, inflation will be 0.6% in 2021 (vs. 0.5% in the September projection), 1.0% in 2022 (0.7%), and 0.6% in 2023 (0.6%). We expect the CHFPLN to stand at 4.48 at the end of 2021 and fall to 4.18 at the end of 2022.

Macroeconomic forecasts for CE-3 countries

	Real GDP (% YoY)			CPI (% YoY)		
	2021	2022	2023	2021	2022	2023
Czech Rep.	2,3	4,2	4,0	3,8	5,5	2,5
Hungary	6,4	4,3	4,0	5,1	4,9	3,0
Romania	6,8	5,3	4,9	5,0	7,2	3,8

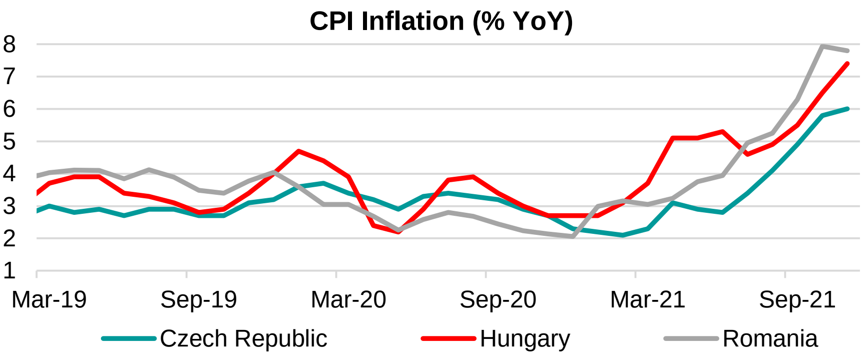
Source: Credit Agricole

Below we outline our macroeconomic scenario for 2021-2023 for the countries of the CEE region - Czech Republic, Hungary and Romania (hereafter: CE-3 countries).



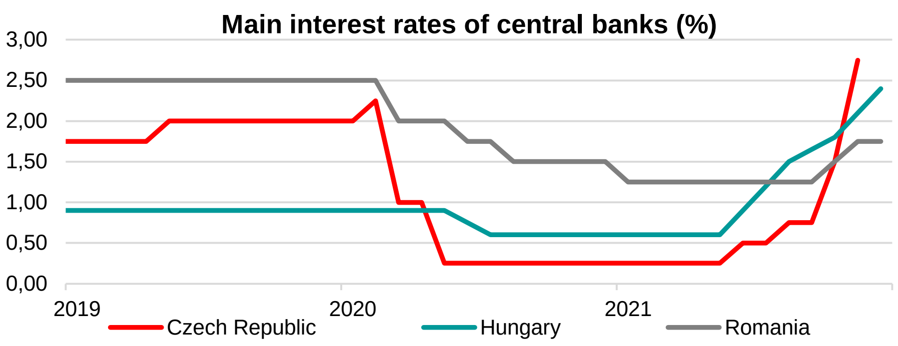
Source: Datastream, Credit Agricole

Medium-term economic growth prospects in CE-3 countries are similar to those in Poland (see MACROmap of 6/12/2021). In Q3, we observed a significant decline in annual GDP growth due to the cessation of the effects of the low base of a year ago. At the same time, economic growth continued to be supported by the realisation of pent-up demand by households. Strong domestic demand drove imports, which, amid persistent global trade bottlenecks limiting export growth, contributed to the negative contribution of net exports in Q3 in all three countries. Our outlook for Q4 2021 and Q1 2022 is still characterised by heightened uncertainty related to the new Omicron variant and the intensity of restrictions introduced by the governments, which will have a negative impact on consumption and GDP growth rates. In this respect, the outlook is particularly unfavourable for Romania, where the percentage of the population vaccinated with at least one dose (41%) is significantly lower than in other countries in the region (56-64%). In 2022, the implementation of investment projects under the EU recovery fund will be an important factor supporting GDP growth in the region's countries. The currently observed delays in the adoption of Hungary's National Recovery Plan by the European Commission are a significant downside risk factor for the country's growth path. We maintain our assessment that the recovery in global trade will continue in the coming quarters and will lead to continued high demand for the exports from CE-3 countries. With the problem of bottlenecks in global manufacturing expected to gradually subside, the recovery in exports will continue. We are forecasting that the annual average economic growth rate in 2022 will be 4.2% YoY in the Czech Republic, 5.3% in Romania, and 4.3% in Hungary vs. 2.3%, 6.8% and 6.4% respectively in 2021. In 2023 we will see a further normalisation of economic growth. We expect average annual GDP growth to reach 4.0% in the Czech Republic and Hungary and 4.9% in Romania in 2023.



Source: Datastream, Credit Agricole

The inflation outlook looks similar in all countries in the region. Inflation in each of them is currently significantly above the upper limit of deviations from the central bank's inflation target. Rapid price increases are supported by the effects of the low base of a year ago, supply-side constraints, increases to compensate for lost turnover during the lockdown and the realisation of pent-up demand by households. High fuel and other energy prices are an additional pro-inflationary factor. For each country, we expect inflation to remain on an upward trend for a few more months. Then, as the above-mentioned effects and the anti-inflationary impact of the tightening of the monetary policy fade away, inflation will start to decline. Unlike Poland, the governments of other countries in the region have not introduced Anti-Inflation-Shield-like measures consisting in reducing excise duty and tax on fuel and energy carriers. The Romanian government has, however, enacted compensations for gas and electricity consumption, but these are neutral from the point of view of inflation, as they have no impact on the price level. We forecast that inflation will average 5.5% in the Czech Republic, 7.2% in Romania and 4.9% in Hungary in 2022 and will fall to 2.5%, 3.8% and 3.0% respectively in 2023.



Source : Datastream, Credit Agricole

Given the similar macroeconomic outlook, the monetary policies pursued by individual central banks in the CE-3 region are similar to each other - each of them is gradually raising interest rates. The bank showing the least aversion to inflation is the National Bank of Romania (NBR), which until recently pursued a wait-and-see policy and kept interest rates unchanged. It was only in October and November that the interest rate was raised by 25bp each time and reached 1.75%. Given that the NBR forecasts inflation to exceed 8.5% by the end of Q2 2022, we believe that monetary tightening in the country will continue. We expect interest rates to be raised by 50bp in Q1 2022 and another 25bp in Q2 to 2.5% and the cycle will be complete. Due to the central bank's currency interventions, we believe that the EURRON exchange rate will remain relatively stable in the range of 4.91-4.95 until the end of 2023.

The National Bank of Hungary (MNB) maintains a rather hawkish stance in the face of high inflation. The MNB focuses not only to the current level of inflation, but also on the risk of excessive price increases in subsequent quarters, referring mainly to the risk of so-called second-round effects. Since May this year, the main interest rate has already been raised by 180bp to 2.40%. According to statements by B. Virag, Deputy Governor of the MNB, the central bank will continue its monetary tightening cycle in the coming months. Moreover, in the case of the MNB, an important determinant of monetary policy changes is currently the development of the EURHUF exchange rate, due to its impact on inflation. Since the start of the tightening cycle, the HUF has appreciated against the EUR by only around 3%. We expect the MNB to raise the main interest rate two more times, by 30bp each, to 3.0% in Q1 2022 and complete the cycle. The main interest rate hikes will also be accompanied by an increase in the interest rate on the 1-week deposit offered by the MNB to commercial banks. As monetary policy tightens, we expect a gradual appreciation of the HUF with a range of 350 for EUR by the end of 2022 and 340 by the end of 2023.

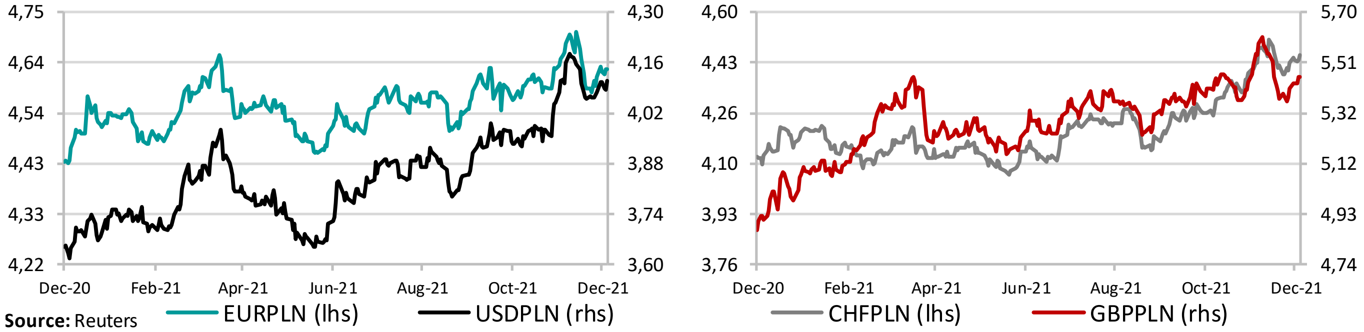
In recent months, the Czech National Bank (CNB) has implemented the monetary tightening announced at the beginning of the year, raising interest rates by a total of 2.25%. According to the CNB's November projection, the average level of the two-week repo rate in Q1 this year will be 3.23%, which still signals a 50bp tightening of monetary policy. However, we believe that inflation will surprise the CNB upwards (as it has already done in November this year), and thus the total scale of increases will be larger and will reach 75bp, of which 50bp will be realized already at the December meeting this year. As a result, the two-week repo rate will stand at 3.50% at the end of March 2022 and will be above the nominal equilibrium interest rate estimated by the CNB at 3.00%. We believe that in H2 2022 CNB will cut interest rates by 25bp and by another 25bp in Q1 2023, which will be consistent with the central bank's macroeconomic projection. The expected tightening of monetary policy will be conducive to the appreciation of the CZK against the EUR. We are forecasting the EURCZK rate to stand at 24.8 at the end of 2022 and 24.7 at the end of 2023.

	Central banks' base rates (%)								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Czech Rep.	3,25	3,50	3,50	3,25	3,00	2,75	2,75	2,75	2,75
Hungary	2,40	3,00	3,00	3,00	3,00	3,00	3,00	2,75	2,50
Romania	1,75	2,25	2,50	2,50	2,50	2,50	2,50	2,50	2,50
	FX rates								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
EURCZK	25,40	25,20	25,00	24,90	24,80	24,70	24,70	24,70	24,70
EURHUF	365	360	355	355	350	345	340	340	340
EURRON	4,95	4,95	4,95	4,95	4,95	4,94	4,93	4,92	4,91

Source: Credit Agricole

Domestic data on industrial production and retail sales may strengthen the PLN

FX rates



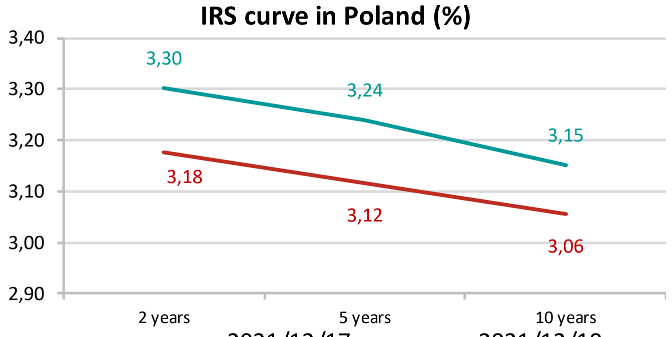
Source: Reuters

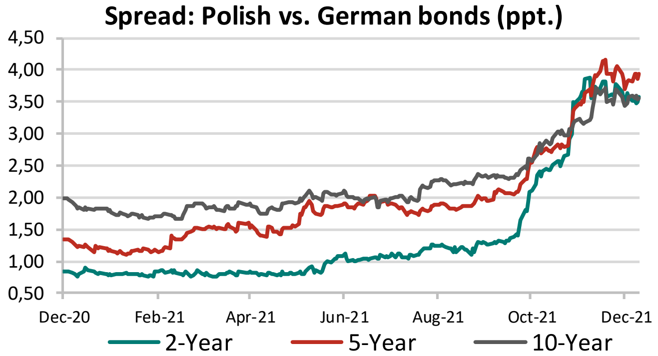
Last week, the EURPLN rate increased to 4.6313 (the PLN weakened by 0.3%). Throughout last week the EURPLN exchange rate was characterised by low volatility and was slightly above the level of 4.60. Publications of numerous data from the domestic economy (balance of payments, final inflation, employment and average wages in the enterprise sector) did not have a significant impact on the PLN. Decisions of the major central banks (Fed and ECB) also had no significant impact on the EURPLN exchange rate.

On the other hand, the EURUSD exchange rate experienced greater volatility. Wednesday's decision by the Federal Reserve to increase the pace of phasing out its asset purchase programme (i.e. tapering), as well as the publication of hawkish economic projections by FOMC members led to a temporary strengthening of the USD against the EUR. Thursday's ECB meeting also caused increased EURUSD volatility. On the one hand, the ECB tightened monetary policy by announcing the withdrawal of individual instruments aimed at stimulating activity amid pandemic shocks, on the other hand, the overtones of the meeting suggest that the disparity in interest rates between the US and the Eurozone will grow in the coming quarters. Last week also saw a temporary strengthening of the GDP against the EUR after the Bank of England's unexpected decision to raise interest rates.

This week the publication of domestic data on industrial production and retail sales will be crucial for PLN. If our higher than market consensus forecasts are fulfilled, they may favour the strengthening of the PLN. In our opinion, this week's numerous data releases from the US (third GDP estimate, preliminary durable goods orders, PCE inflation, existing home sales, new home sales, final University of Michigan index) will not have a significant impact on the PLN.

Production and retail sales data in Poland in the spotlight





Source: Reuters

Last week, 2-year IRS rates increased to 3.30 (up by 12 bps), 5-year rates to 3.24 (up by 12 bps) and 10-year ones to 3.15 (up by 7 bps). Last week saw an increase in IRS rates, particularly visible at the long end of the curve, following core markets. The hawkish tone of the meetings of the major central banks (Fed, ECB) had an upward effect on yields in the core markets. Domestic data on the balance of payments, inflation, employment and average wages had no significant impact on the market.

This week the market will focus on the publication of domestic data on industrial production and retail sales, which we believe could push IRS rates higher. In our opinion, this week's data releases from the US (third GDP estimate, preliminary durable goods orders, PCE inflation, existing home sales, new home sales, final University of Michigan index) will not have a significant impact on the PLN.

Forecasts of the monthly macroeconomic indicators

Main monthly macroeconomic indicators in Poland

Indicator	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
NBP reference rate (%)	0,10	0,10	0,10	0,10	0,10	0,10	0,10	0,10	0,10	0,10	0,10	0,50	1,25	1,75
EURPLN*	4,47	4,55	4,52	4,52	4,63	4,56	4,48	4,52	4,56	4,52	4,60	4,60	4,65	**4,70**
USDPLN*	3,75	3,73	3,72	3,74	3,95	3,79	3,66	3,81	3,84	3,83	3,98	3,98	4,10	**4,12**
CHFPLN*	4,13	4,21	4,18	4,11	4,18	4,15	4,07	4,12	4,24	4,18	4,27	4,35	4,47	**4,48**
CPI inflation (% YoY)	3,0	2,4	2,6	2,4	3,2	4,3	4,7	4,4	5,0	5,5	5,9	6,8	7,8	
Core inflation (% YoY)	4,3	3,7	3,9	3,7	3,9	3,9	4,0	3,5	3,7	3,9	4,2	4,5	4,7	
Industrial production (% YoY)	5,4	11,1	0,7	2,5	18,6	44,2	29,6	18,1	9,6	13,1	8,7	7,8	**9,0**	
PPI inflation (% YoY)	-0,2	0,1	1,0	2,2	4,2	5,5	6,6	7,2	8,4	9,6	10,3	11,8	**13,6**	
Retail sales (% YoY)	-5,3	-0,8	-6,0	-2,7	17,1	25,7	19,1	13,0	8,9	10,7	11,1	14,4	**18,8**	
Corporate sector wages (% YoY)	4,9	6,6	4,8	4,5	8,0	9,9	10,1	9,8	8,7	9,5	8,7	8,4	9,8	
Employment (% YoY)	-1,2	-1,0	-2,0	-1,7	-1,3	0,9	2,7	2,8	1,8	0,9	0,6	0,5	0,7	
Unemployment rate* (%)	6,1	6,3	6,5	6,6	6,4	6,3	6,1	6,0	5,9	5,8	5,6	5,5	**5,5**	
Current account (M EUR)	1298	751	2034	652	71	1269	-531	-378	-1551	-1441	-1339	-1791		
Exports (% YoY EUR)	12,4	17,0	1,0	5,6	27,7	68,6	40,5	22,7	13,1	18,9	12,2	6,6		
Imports (% YoY EUR)	6,2	14,6	-3,7	6,0	23,6	58,3	52,4	34,7	21,5	31,6	21,5	20,4		

*end of period

Forecasts of the quarterly macroeconomic indicators

Main macroeconomic indicators in Poland

Indicator		2021				2022				2021	2022	2023
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross Domestic Product (% YoY)		-0,8	11,2	5,3	5,5	4,5	4,0	3,6	4,9	5,2	4,3	3,8
Private consumption (% YoY)		0,1	13,1	4,7	3,1	3,0	2,3	2,9	3,7	5,2	3,0	3,8
Gross fixed capital formation (% YoY)		1,7	5,6	9,3	18,4	9,8	9,9	11,8	11,5	10,7	11,0	6,8
Export - constant prices (% YoY)		7,3	29,2	8,6	8,9	13,7	13,8	10,3	9,8	13,4	11,9	8,1
Import - constant prices (% YoY)		10,3	34,5	15,2	10,0	13,6	13,2	13,5	11,8	17,3	13,0	9,3
GDP growth contributions	Private consumption (pp)	0,0	7,2	2,7	1,5	1,8	1,3	1,7	1,8	2,9	1,6	2,1
	Investments (pp)	0,2	0,9	1,5	3,9	1,2	1,5	1,9	2,7	1,8	1,9	1,2
	Net exports (pp)	-1,1	-0,3	-2,7	0,1	1,0	1,2	-1,6	-0,5	-1,3	0,0	-0,4
Current account (% of GDP)***		2,7	1,7	0,4	-0,8	-1,6	-1,6	-2,1	-1,4	-0,8	-1,4	-1,8
Unemployment rate (%)**		6,4	6,0	5,6	5,7	6,0	5,0	5,1	5,3	5,7	5,3	5,3
Non-agricultural employment (% YoY)		0,1	3,1	0,5	0,6	0,6	0,8	0,6	0,6	1,1	0,7	0,1
Wages in national economy (% YoY)		6,6	9,6	9,4	9,7	9,8	8,9	8,4	8,3	8,8	8,9	7,5
CPI Inflation (% YoY)*		2,7	4,5	5,5	7,5	6,9	7,0	6,1	4,0	5,0	6,0	3,5
Wibor 3M (%)**		0,21	0,21	0,23	2,38	2,38	2,38	2,38	2,38	2,38	2,38	2,38
NBP reference rate (%)**		0,10	0,10	0,10	1,75	2,25	2,25	2,25	2,25	1,75	2,25	2,25
EURPLN**		4,63	4,52	4,60	4,70	4,65	4,60	4,60	4,60	4,70	4,60	4,40
USDPLN**		3,95	3,81	3,98	4,12	4,08	4,00	3,97	3,90	4,12	3,90	3,64

* quarterly average

** end of period

***cumulative for the last 4 quarters

Calendar

TIME	COUNTRY	INDICATOR	PERIOD	PREV. VALUE	FORECAST*	
					CA	CONSENSUS**
		Monday 12/20/2021				
10:00	**Poland**	**PPI (% YoY)**	**Nov**	**11,8**	**13,6**	**13,0**
10:00	**Poland**	**Industrial production (% YoY)**	**Nov**	**7,8**	**9,0**	**8,4**
		Tuesday 12/21/2021				
10:00	**Poland**	**Retail sales (% YoY)**	**Nov**	**14,4**	**18,8**	**16,8**
16:00	Eurozone	Consumer Confidence Index (pts)	Dec	-6,8		-8,0
		Wednesday 12/22/2021				
14:00	**Poland**	**M3 money supply (% YoY)**	**Nov**	**8,6**	**9,3**	**9,0**
14:30	USA	Final GDP (% YoY)	Q3	2,1	2,1	2,1
16:00	USA	Existing home sales (M MoM)	Nov	6,34	6,53	6,50
16:00	USA	Consumer Confidence Index	Dec	109,5	112,0	110,0
		Thursday 12/23/2021				
10:00	**Poland**	**Registered unemplyment rate (%)**	**Nov**	**5,5**	**5,5**	**5,4**
14:30	USA	Initial jobless claims (k)	w/e	206		
14:30	USA	Durable goods orders (% MoM)	Nov	-0,4	2,0	1,5
14:30	USA	Real private consumption (% MoM)	Nov	0,7	0,5	
14:30	USA	PCE Inflation (% YoY)	Nov	5,0	5,7	
14:30	USA	PCE core inflation (% YoY)	Nov	4,1	4,5	4,5
16:00	USA	New home sales (k)	Nov	745	752	767
16:00	USA	Final U. of Michigan Sentiment Index (pts)	Dec	70,4	10,5	70,4

*The forecasts of macroeconomic indicators for Poland were prepared by Credit Agricole Bank Polska S.A. The forecasts of foreign indicators were prepared by Crédit Agricole Corporate and Investment Bank
** Reuters

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