

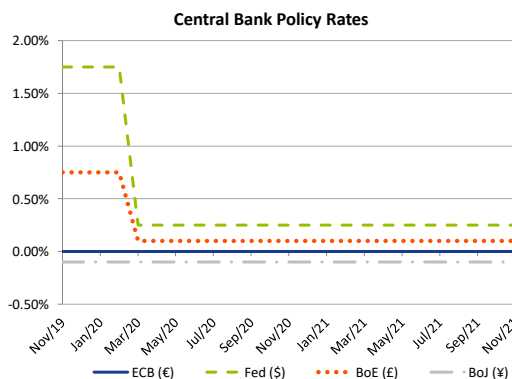
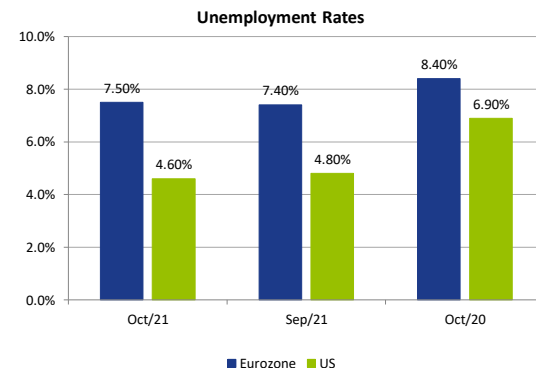
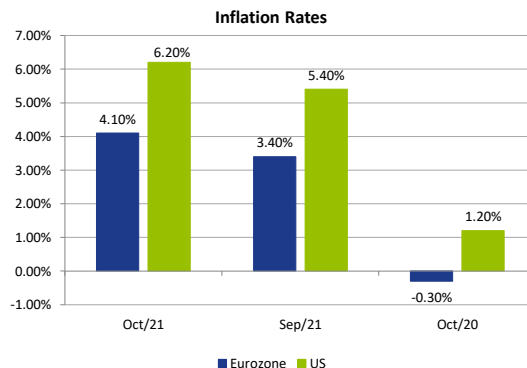
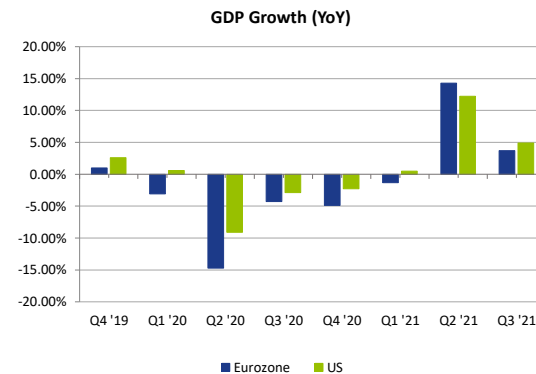
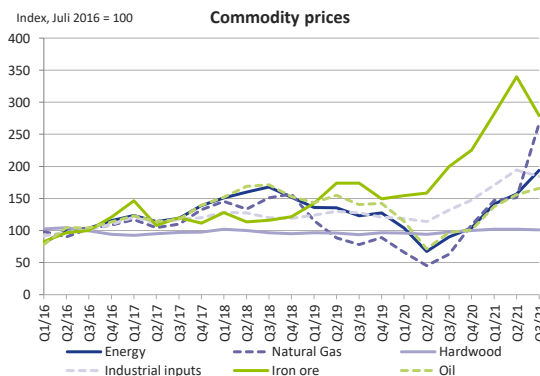
**Focus**

Since the beginning of 2020, the corona pandemic has hit supply chains hard with a severe shortage of essential components, raw materials and personnel. The problems are hindering the growth of the global economy. The shortage is currently causing long waiting times with associated problems. Apple, among others, announced that the problems in its supply chain cost it approximately USD 6 billion in sales in the third quarter. Prices of raw materials are currently high due to the shortage of supply, so companies' revenues are being squeezed by higher production costs. What are the underlying causes of supply chain disruption and commodity shortages, and how is this affecting the recovery of the economy?

Currently, supply of raw materials lags far behind demand, resulting in increased demand prices. The capacity of the transport sector, and specifically freight shipping, is one of the main causes of this. Disruptions in the supply chains have created a situation where the logistics side has become unstable. Delays in ports and distribution networks and a great shortage of personnel have led to increasingly long lead times. As a result, transshipment times have become longer, which means that, due to the delays, containers cannot be included in scheduled (ocean) freight to their final destination. The Drewry World Container Index (WCI) - a measure of sea freight container rates on sea routes - shows that container rates have increased by 350% compared to before the pandemic. In addition, ships are now more often waiting off the coast, due to a lack of capacity to unload cargo in the ports.

The corona pandemic caused demand for raw materials to fall, with oil, steel and timber producers, among others, producing less. Now that demand is rising sharply, producers are unable to scale up production quickly enough. This will only further increase the demand for transport capacity and, ultimately, prices. The raw materials shortage also has several causes and implications for the Dutch and global economy. For example, China chooses to export less and mainly to supply its own domestic market. The import duties imposed by China to prevent steel from being sold at dumping prices, therefore, have an amplifying negative effect. In addition, the trade war between the United States and China has led to an enormous increase in demand from technology sectors, which is now resulting in serious supply shortages in the chip industry. As a result, the automotive industry, among others, will produce approximately 3.9 million fewer vehicles than originally planned for 2021. In the Netherlands, the VDL car factory has already shut down and workers have been sent home due to a shortage of computer chips. In neighbouring Germany, one of the world's largest producers of cars, this has also happened several times now.

Problems in the supply chains make it difficult for the global economy to keep up with demand and therefore growth of the economy is more unlikely. It is not expected that this problem will be solved in the short term. On the other hand, there are cautious signs that the global market is recovering. For example, raw material prices for iron ore and wood are falling slightly, but are still higher than at the beginning of 2020. Inflation, one of the key indicators for the European Central Bank's monetary policy, is currently 4.1% in the Eurozone, and is largely driven up by problems in the supply chains. Economists do not expect the ECB to adjust its interest rates to tackle inflation in the short term. It is therefore likely that the effects will be felt by producers and consumers until at least 2022.



Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa3	AA-
Russia	BBB-	Baa3	BBB
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

**Review & preview**

Dutch house prices increased sharply in October 2021, with prices being 18.3% higher than a year earlier. Last month, the house price index reached its highest level ever: since the low point in June 2013, house prices have increased by 82%. Another trend that can be observed on the housing market is the rising number of mortgage applications for the purpose of renovating a house and making it more sustainable. In October 2021, 59% more mortgages were taken out for this reason compared to October 2020. The mortgage sector considers the explosive increase in gas prices as the main cause for this increase in applications. In October 2021, the gas price increased by almost 800% compared to October 2020.

The United States House of Representatives has voted in favour of President Joe Biden's infrastructure plans, who can now sign the bill for implementation. The plan is to spend about \$1 trillion on improving roads and bridges, the electrical grid, building charging stations and expanding broadband internet in the United States (US). A big part of Biden's Build Back Better Act is also to tackle climate problems and provide more social security to US citizens.

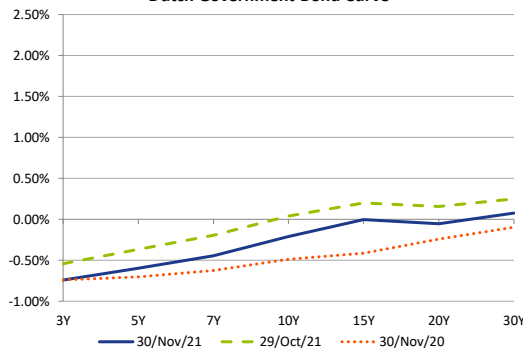
The United States is starting to deploy their strategic oil reserves with the intention of reducing high fuel prices and thus slowing down inflation. Inflation increased to 6.2% in the US in October 2021, mainly caused by high energy prices. India, Japan, South Korea and the United Kingdom are also tapping into their strategic oil reserves. The US is releasing 50 million barrels of oil from its strategic reserves and will take additional measures if necessary. It is the first time in ten years that countries are using their strategic oil reserves.

The European Central Bank (ECB) expects inflation to rise further for the remainder of this year. Analysts also expect that the ECB will raise its inflation expectations in the coming year. This higher inflation outlook could subsequently lead the ECB to extend its bond purchase programme or will use it in a more flexible manner. Currently it is clear that the fund will remain in place until the end of March 2022.

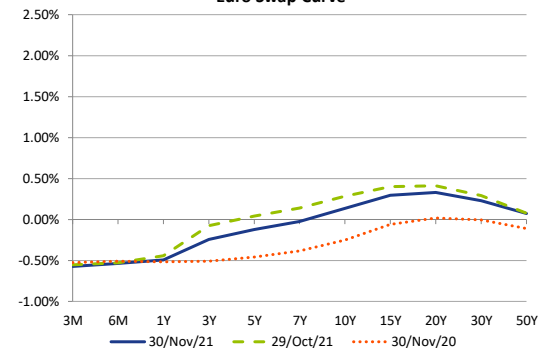
**Agenda**

- December 2 Unemployment figures Eurozone
- December 7 Inflation figures Netherlands
- December 14 Unemployment figures United Kingdom
- December 15 Interest rate decision Fed
- December 16 Interest rate decision ECB
- December 16 Interest rate decision BoE
- December 16 Unemployment figures Netherlands
- December 17 Inflation figures Eurozone

**Dutch Government Bond Curve**



**Euro Swap Curve**



Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa2	A+
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A2	BBB+
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A1	A+
Credit Suisse Int.	A+	A1	A

Currencies	30/Nov/21	29/Oct/21	30/Nov/20
EUR/USD	1.134	1.156	1.193
EUR/GBP	0.853	0.845	0.895
EUR/CHF	1.042	1.058	1.084
EUR/JPY	128.315	131.770	124.415
EUR/DKK	7.437	7.440	7.443
EUR/SEK	10.231	9.932	10.228
EUR/CAD	1.449	1.432	1.551
EUR/AUD	1.591	1.538	1.624
EUR/CNY	7.217	7.406	7.846

**Yields 10Y Government Bonds**

