

05 November 2021

Weekly Economic Update

3Q growth can come on the soft side

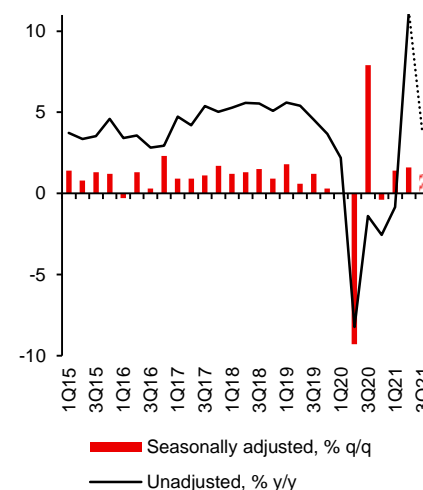
Economy next week

- The macroeconomic calendar in the coming week is relatively empty. Abroad, investors will surely be focused on the inflation data: on Tuesday October CPI is published in Hungary (expected 6.1% y/y after 5.5% y/y in previous month), on Wednesday in the US (expected 5.8% y/y vs 5.4% y/y before and for the core inflation 4.3% y/y vs 4.0% y/y) as well as in Czech Republic (expectations of 5.4% y/y vs 4.9% y/y before) and in Germany where it is secondary reading (HICP inflation at 4.6% y/y). Also in Germany important data will be on Tuesday - export dynamics as well as ZEW index. The week will be closed by data about the Eurozone industrial production, preliminary US Michigan index as well as **preliminary 3Q21 Polish GDP data**.
- The outlook for Poland also remains rock-solid and we keep our GDP growth forecast at 5.0% for both 2021 and 2022, as the diversified economy is likely to continue benefitting from the international trade expansion (only temporarily disrupted by the supply bottlenecks), and from further revival of private consumption and investments, as the tendency to normalise social and economic lives will not go away, while balance sheets of firms and consumers remain strong. That being said, we think that market expectations for 3Q21 GDP growth (flash release due on November 12th) are a bit overdone, as the high-frequency data suggested that real activity in manufacturing and construction has stalled, even though retail trade kept expanding. Also, the trade balance has deteriorated sharply in 3Q and so the net exports' impact on GDP is going to be significantly negative, in our view. **Our estimate for 3Q GDP growth is 3.8% y/y, which corresponds to 1.2% q/q s.a.** – still a decent result, albeit weaker than in the previous two quarters. Market consensus is c.1pp higher.

Markets next week

- EURPLN has reacted in a positive way to the interest rates increase by NBP by 75bp last Wednesday to 1.25% - the exchange rate has fallen as a result by 0.6% to 4.58. However on the same day in the evening the US Fed has started the tapering process (reduction in the pace of purchases of government bonds and MBS by USD 15bn per month, which implies an end of the program somewhere near mid-2022). As a result, EURPLN has returned back higher to slightly above the 4.60 - the level from which the Wednesday's declines started. It is a clear example of the fact that EURPLN is not dependent only on the local factors no matter how important they might seem. In the nearest time investors will likely be following the MPC members' comments as well as wondering how credible are the latest NBP Glapinski's statement regarding the determination to fight the inflation and lack of attempts to weaken the zloty. In case of lack of signals from the local environment will make PLN more vulnerable to the global trends where the strengthening USD might keep the EM currencies on the back foot - **EURPLN could rise towards 4.64**. Weaker zloty might also result from the fast increase in Covid-19 cases within the 4th wave as well as weaker than expected 3Q21 GDP reading (in case our forecast proves correct).
- After the decent POLGB sell-off and significant FRA and IRS rates increases in the passing week, markets' expectations regarding NBP interest rates are pretty elevated: the market expects 50bp hikes in December and about 150bp in total over 3 months. **The market is likely to remain stable in the coming week** with perhaps some more liquidity returning back to the market. On Monday BGK will offer bonds of 2 series for at least PLN 250mio. There won't be any Ministry Finance (next one at 25 November) auction next week nor NBP purchase auction (nearest at 17 November).

GDP growth in Poland



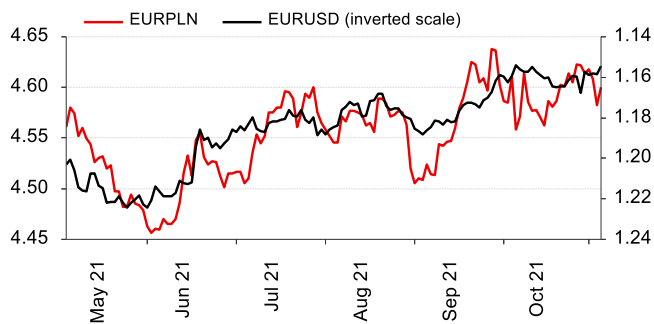
Source: GUS, Santander

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

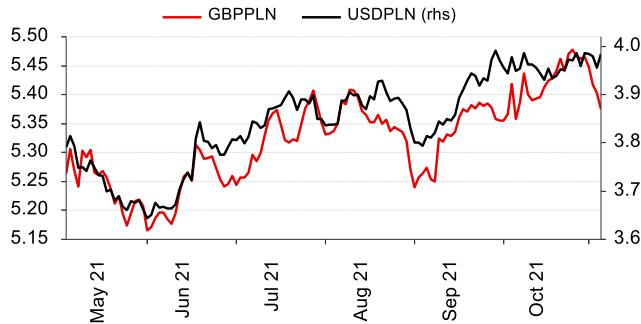
FX and FI markets

EURPLN and EURUSD



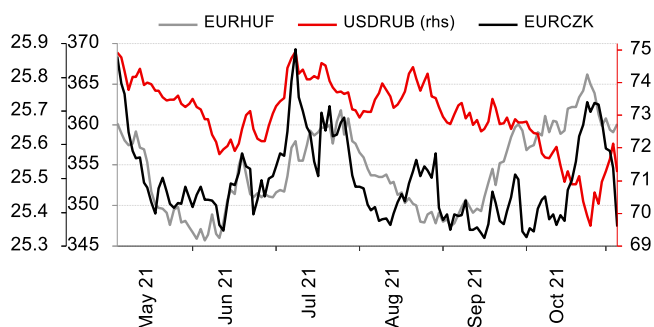
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



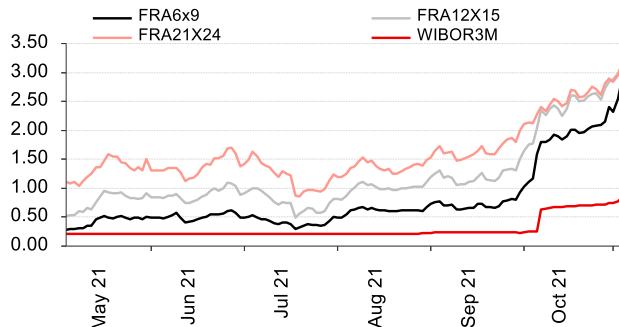
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



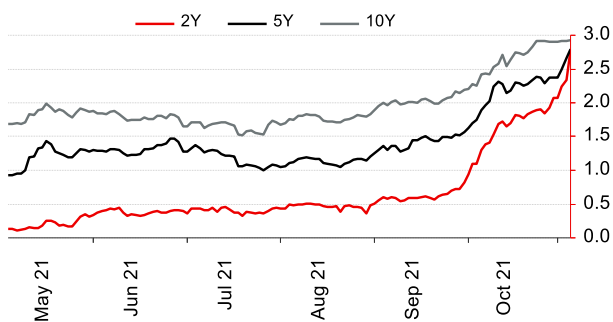
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



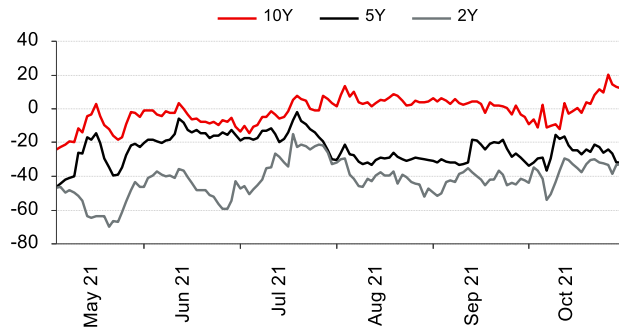
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



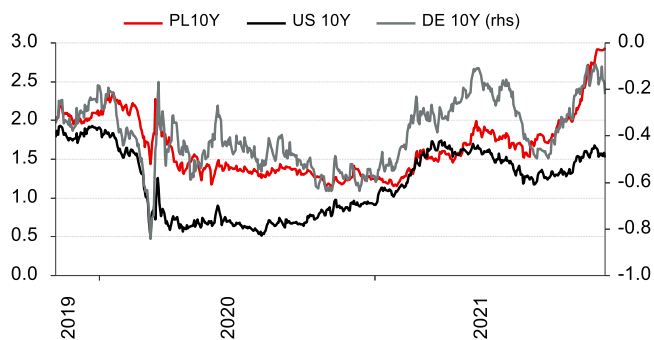
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



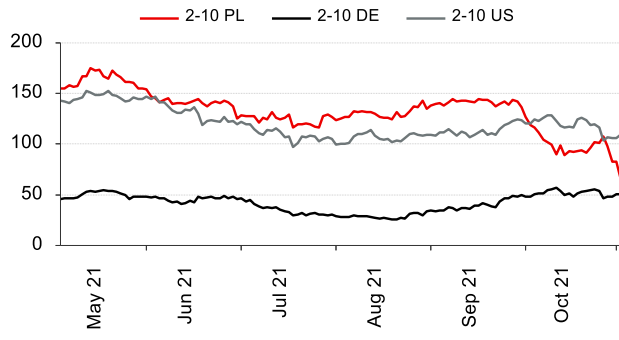
Source: Refinitiv Datastream, Santander Bank Polska

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	
MONDAY (8 November)						
09:00	CZ	Industrial Production	Sep	% y/y	-0.9	1.4
TUESDAY (9 November)						
08:00	DE	Exports SA	Sep	% m/m	-	-1.1
09:00	HU	CPI	Oct	% y/y	-	5.5
11:00	DE	ZEW Survey Current Situation	Nov	pts	-	21.6
WEDNESDAY (10 November)						
08:00	DE	HICP	Oct	% m/m	0.5	0.5
09:00	CZ	CPI	Oct	% y/y	5.4	4.9
13:30	US	Initial Jobless Claims		k		269.0
14:30	US	CPI	Oct	% m/m	0.55	0.4
FRIDAY (12 November)						
10:00	PL	GDP	3Q	% y/y	4.8	3.8
11:00	EZ	Industrial Production SA	Sep	% m/m	0.0	-1.6
16:00	US	Michigan index	Nov	pts	72.5	71.7

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>.