

Eyeopener

GDP above forecast, but zloty weaker

GDP growth in 3Q21 rose 5.1% y/y and 2.1% q/q (s.a.) beating expectations

High US inflation supported dollar and weakened bonds

Zloty at this year's weakest levels vs euro, US dollar and Swiss franc

Today final October's CPI, September's balance of payments

In recent days the markets were affected by October US inflation data, where both CPI and core inflation were higher than expected (correspondingly: 6.2% y/y vs. 5.9% forecast and 4.6% y/y vs 4.3%). The significant acceleration of price growth has increased in markets' view the probability of earlier interest rate hikes in the USA. This caused an appreciation of the dollar, weakened EM currencies and pushed bond yields higher.

The European Commission published its autumn economic forecasts. Eurozone GDP growth forecasts for 2021 has been improved slightly at the expense of the 2022 one. According to the Commission the recovery of the European economy is stronger than expected and consumption will remain the main growth factor, supported by strong labour market and decreasing saving rate. The risk factors to growth are supply chain disruptions and higher energy prices. The problems with supply chains will be particularly harmful to the German and the Czech economy, which saw their forecasts go down. The GDP growth forecast for Poland improved in 2021 (4.9%) and was kept at 5.2% in 2022.

Polish GDP expanded by 5.1% y/y in 3Q21 according to the flash release, above expectations (market consensus 4.8% y/y) and vs 11.2% y/y in 2Q21. In seasonally-adjusted terms GDP rose by 2.1% q/q, stronger than in 2Q21 (1.8% q/q), which is quite surprising given that most Covid restrictions were lifted already in 2Q21, while third quarter saw mounting problems with supply chains leading to slowdown in some sectors (manufacturing, construction in particular). We have to wait until end of November to see a more detailed breakdown of growth, but we are expecting strong consumption and negative contribution of net exports. Investment has a big potential for surprises, given weak tendencies in the public sector, but strong in the private sector, which could however have been distorted by lower availability of cars and machines. We think 4Q21 can see some slowdown in q/q terms due to global supply disruptions and waning effects of economic normalisation, but annual growth rate should be strong: we see reason to lift our forecast for the entire year above 5%. The flash reading is in line with NBP forecasts so it should not change much in MPC's views.

In 3Q the average wage in the national economy was PLN5657.3, a 9.4% rise y/y. In 2Q the wage growth was 9.6% y/y and the last time such a high pace was recorded was in 2008-2009.

According to NBP **the house price growth in 10 biggest Polish cities** rose in 3Q21 to 14.7% y/y from 13.0% (primary market) while in the secondary market to 10.3% y/y from 7.5%. The hedonic index (adjusting for the quality of flats) increased to 9.6% y/y from 7.2%. It means that for another quarter in a row the housing affordability (without taking into account mortgages) declined.

NBP Governor Adam Glapiński told PAP press agency this morning that the increase in interest rates is currently more probable, however the actual decisions will be data dependent and it is difficult to say if this assessment will change. Last Wednesday, Glapinski said that a quick and strong fight against inflation would incur costs (rise in unemployment rate, mass bankruptcies), while NBP is obliged to "take it under consideration". MPC's Cezary Kochalski said that the interest rate increases which occurred so far, are an adequate response to the changes to the inflation outlook. He added that if the CPI inflation does not return back to the inflation target in 2023 then he would support further interest rate increases.

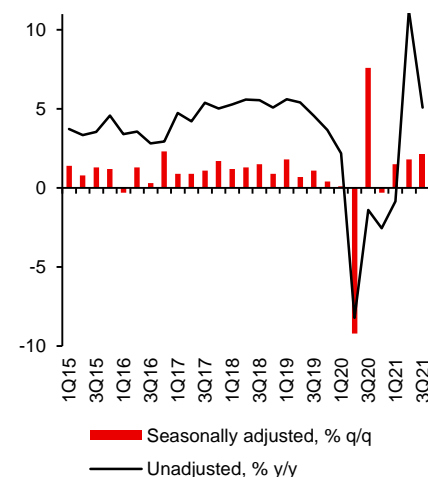
EURUSD was going down after US inflation data and reached 1.142 at the end of the Friday session, the lowest mark since 3Q20.

Since Wednesday **EURPLN** was moving in an upward trend and was slightly below 4.64 at the end of the week. USDPLN ended the week above 4.05 (the highest level since mid-2020) and CHFPLN above 4.39 (it is actually the all-time high, if we omit a short-term jump in 2015 caused by the SNB decision to abandon EURCHF floor at 1.20).

Other CEE currencies were losing in line with the zloty. USDRUB climbed to 72.5 at the end of Friday's session from 70.9 on Tuesday (+2.2%), EURHUF to 366.0 from 360.5 (+1.5%). EURCZK remained stable at 25.20 despite higher-than-expected inflation in October (5.8% y/y vs expectations at 5.5% y/y and last reading at 4.9%).

The Polish interest rate market saw a major rise of yields, especially on the shorter end, so the curve reversal was deepened further. 2Y bond yield reached 3.09% and was by 18bp higher than 10Y bond yield. 2Y IRS climbed to 3.21% and was by 25bp higher than 10Y rate. Also FRA rates went up, with 1x4 at 2.40%, i.e. pricing in a rise by WIBOR3M by over 80bp in December.

Polish GDP growth



Source: GUS, Santander

European Commission's economic forecasts

	2021	2022
EU	5.0 (0.2)	4.3 (-0.2)
Euro zone	5.0 (0.2)	4.3 (-0.2)
Germany	2.7 (-0.9)	4.6 (0.0)
France	6.5 (0.5)	3.8 (-0.4)
Italy	6.2 (1.2)	4.3 (0.1)
Spain	4.6 (-1.6)	5.5 (-0.8)
Netherlands	4.0 (0.7)	3.3 (0.0)
Poland	4.9 (0.1)	5.2 (0.0)
Sweden	3.9 (-0.7)	3.5 (0.1)
Czech Republic	3.0 (-0.9)	4.4 (-0.1)
Hungary	7.4 (1.1)	5.4 (0.4)
Romania	7.0 (-0.4)	5.1 (0.2)

Numbers in brackets show difference vs July 2021

Source: European Commission, Santander

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FX market

Today's opening

EURPLN	4.6320	CZKPLN	0.1804
USDPLN	4.0428	HUFPLN*	1.2541
EURUSD	1.1456	RUBPLN	0.0558
CHFPLN	4.3961	NOKPLN	0.4660
GBPPLN	5.4323	DKKPLN	0.6212
USDCNY	6.3796	SEKPLN	0.4627

*for 100HUF

Last session in the FX market 12/11/2021

	min	max	open	close	fixing
EURPLN	4.626	4.649	4.637	4.635	4.641
USDPLN	4.039	4.063	4.051	4.050	4.056
EURUSD	1.143	1.146	1.144	1.144	-

Interest rate market 12/11/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.11	15
DS0726 (5Y)	3.08	11
DS0432 (10Y)	2.91	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.90	10	0.34	-1	-0.50	-2
2L	3.20	10	0.75	1	-0.32	-4
3L	3.23	8	1.05	-1	-0.20	-5
4L	3.19	7	1.20	1	-0.13	-5
5L	3.14	7	1.31	1	-0.07	-4
8L	2.96	3	1.52	2	0.08	-2
10L	2.97	5	1.61	3	0.18	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.99	5
T/N	1.13	0
SW	1.25	0
2W	1.26	0
1M	1.36	3
3M	1.61	3
6M	1.91	3
1Y	2.29	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.41	14
3x6	3.07	12
6x9	3.36	13
9x12	3.45	15
3x9	3.27	11
6x12	3.52	11

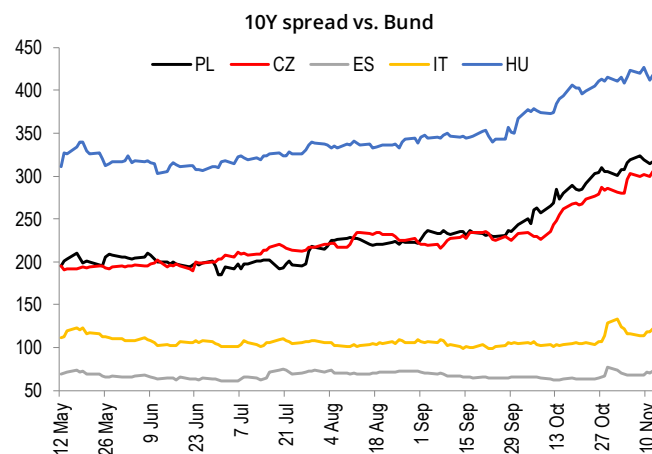
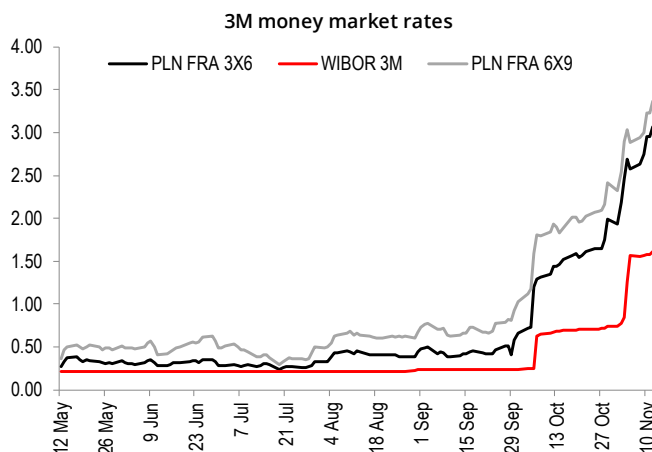
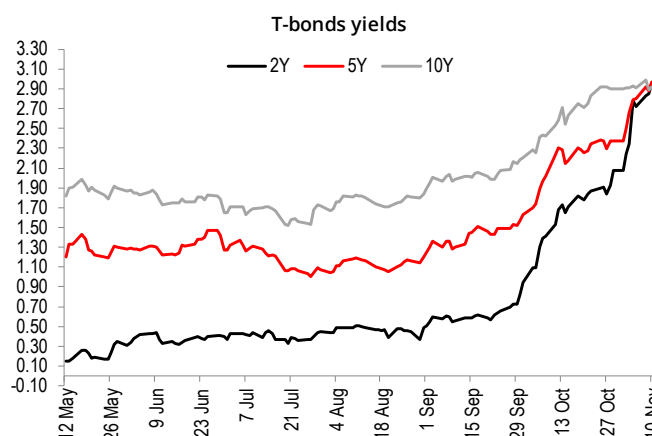
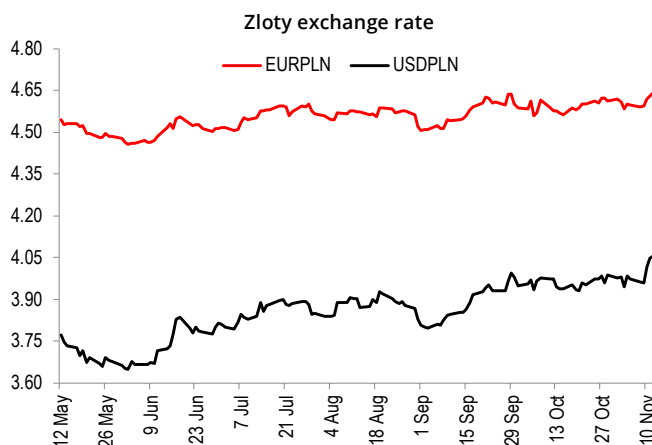
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	52	0	317	2
France	9	0	36	0
Hungary	50	0	418	6
Spain	34	2	72	2
Italy	49	1	121	3
Portugal	23	1	64	2
Ireland	11	0	44	0
Germany	7	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (12 November)								
10:00	PL	GDP	3Q	% y/y	4.8	3.8	5.1	11.2
11:00	EZ	Industrial Production SA	Sep	% m/m	-0.5		-0.2	-1.7
16:00	US	Michigan index	Nov	pts	72.5		66.8	71.7
MONDAY (15 November)								
10:00	PL	CPI	Oct	% y/y	6.8	6.8	-	5.9
14:00	PL	Current Account Balance	Sep	€mn	-	-1175	-	-1686
14:00	PL	Trade Balance	Sep	€mn	-	-321	-	-1413
14:00	PL	Exports	Sep	€mn	-	25104	-	21775
14:00	PL	Imports	Sep	€mn	-	25425	-	23188
TUESDAY (16 November)								
09:00	HU	GDP	3Q	% y/y	-		-	17.8
11:00	EZ	GDP SA	3Q	% y/y	-		-	3.7
14:00	HU	Central Bank Rate Decision	Nov/21	%	-		-	1.8
14:00	PL	CPI Core	Oct	% y/y	-	4.6	-	4.2
14:30	US	Retail Sales Advance	Oct	% m/m	0.75		-	0.7
15:15	US	Industrial Production	Oct	% m/m	0.75		-	-1.29
WEDNESDAY (17 November)								
11:00	EZ	HICP	Oct	% y/y	-		-	4.1
14:30	US	Housing Starts	Oct	% m/m	1.61		-	-1.6
THURSDAY (18 November)								
14:30	US	Initial Jobless Claims		k	260.0		-	269.0
14:30	US	Index Philly Fed	Nov		20.95		-	23.8
FRIDAY (19 November)								
10:00	PL	Employment in corporate sector	Oct	% y/y	-	0.5	-	0.6
10:00	PL	Average Gross Wages	Oct	% y/y	-	8.7	-	8.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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