

## Eyeopener

### GDP contraction exceeded expectations

Today consumer confidence in Poland  
 Polish GDP in 2Q saw the second biggest contraction on record  
 Zloty returned above 4.70 vs euro  
 Local bond yields higher, but less than in core debt markets

**Today**, Polish consumer confidence indicators for August – the sentiment is likely to remain firmly negative amid continued high inflation and growing concerns about energy shortages during the heating season. Also today, the final euro zone July inflation reading and Polish HICP inflation data are due for release.

**Polish GDP growth in 2Q22** slowed to 5.3% y/y from 8.5% y/y in 1Q and was well below expectations (market consensus around 6% y/y, our forecast at 7% y/y). Seasonally adjusted GDP fell by 2.3% q/q after the 2.5% q/q increase in 1Q. This was the second deepest quarterly contraction in GDP in the history of comparable data (after an exceptional drop by 9.1% q/q at the start of the Covid-19 pandemic). The GDP data show that the recession in the Polish economy started earlier and on a stronger note than widely expected. In our view, this suggests a worse-than-expected scenario for the coming quarters. We will wait with more comprehensive GDP forecast revisions until September, but at this stage it seems very unlikely that average GDP growth will be above 4% in 2022 and above 1% in 2023. The dismal GDP data will be, in our view, an important argument for the MPC to consider a pause in rate hikes in September. Read more in our [Economic Comment](#).

US retail sales in July were slightly weaker than forecast. **Minutes from the last Fed meeting** were perceived as not very hawkish, increasing the market's expectations for a 50bp FOMC rate hike in September. The description of the discussion read that interest rates would have to be raised to a level considered restrictive and remain there "for some time" to dampen inflation, but at the same time there was a signal that at some point the pace of hikes would slow down so that the impact of actions already taken could be assessed. Some Fed members were concerned about the risk of excessive monetary tightening.

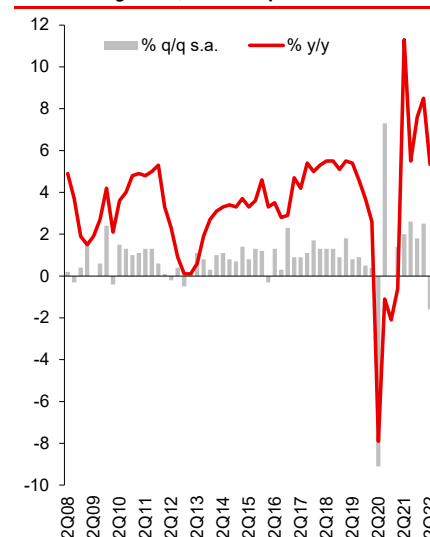
For **EURUSD**, Wednesday was an uncharacteristically quiet day with a slight tendency for the currency pair to fall below 1.017. Shortly after the publication of the Fed minutes, the dollar weakened and the exchange rate jumped temporarily to 1.02, before starting to correct this movement and this morning it is close to 1.016.

Although **EURPLN** had started the day yesterday from around 4.67, it then moved quickly to 4.70 after weak local data, and remained in that area for the rest of the day. This means that the daily tops have been getting higher every day so far this week, and for the time being it may be hard to stop this progressive weakness in the zloty. Further signs of worsening economic conditions in the monthly data set (consumer sentiment today, manufacturing and labour market tomorrow, among others) may favour further weakening of the zloty.

Other CEE currencies weakened during the day similarly to the zloty, but in their case the depreciation did not last until the end of the session: eventually **EURHUF** was at 404 and **EURCZK** at 24.55. Hungarian GDP growth declined from 8% to 6.5% y/y (a positive surprise) and from 2.1% to 1.1% q/q (which showed the loss of economic momentum).

**On the debt market**, strongly rising core bond yields (10L Bund and UST up c.10bp each, thanks in part to higher-than-expected UK inflation) dragged the Polish curve up (by 5-9 bp). The growing sense that the end of the NBP rate hike cycle is near should sustain the relative strength of Polish paper against the core market bonds. Interestingly, however, despite the much weaker-than-expected GDP, the market has not given up for now on pricing a 50bp rate hike at the September MPC meeting.

Polish GDP growth, constant prices



Source: GUS, Santander

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### FX market

#### Today's opening

EURPLN	4.7076	CZKPLN	0.1912
USDPLN	4.6309	HUFPLN*	1.1768
EURUSD	1.0162	RUBPLN	0.0765
CHFPLN	4.8242	NOKPLN	0.4743
GBPPLN	5.5119	DKKPLN	0.6321
USDCNY	6.7930	SEKPLN	0.4452

\*for 100HUF

#### Last session in the FX market 17/08/2022

	min	max	open	close	fixing
EURPLN	4.6677	4.7079	4.6696	4.7038	4.6921
USDPLN	4.5829	4.6368	4.5843	4.6271	4.6119
EURUSD	1.0144	1.0198	1.0181	1.0159	-

### Interest rate market 17/08/2022

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.86	17
DS0726 (5Y)	6.08	24
DS0432 (10Y)	5.74	22

#### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.35	9	3.69	2	1.15	11
2L	6.82	10	3.58	5	1.52	15
3L	6.27	16	3.38	9	1.59	15
4L	5.93	20	3.19	9	1.63	14
5L	5.73	21	3.07	10	1.68	13
8L	5.45	20	2.94	11	1.80	11
10L	5.44	20	2.93	11	1.88	10

### WIBOR rates

Term	%	Change (bps)
O/N	6.68	5
T/N	6.74	8
SW	6.73	3
2W	6.80	6
1M	6.84	3
3M	7.03	1
6M	7.30	0
1Y	7.44	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	7.23	7
3x6	7.27	-7
6x9	7.25	7
9x12	7.01	16
3x9	7.42	3
6x12	7.42	17

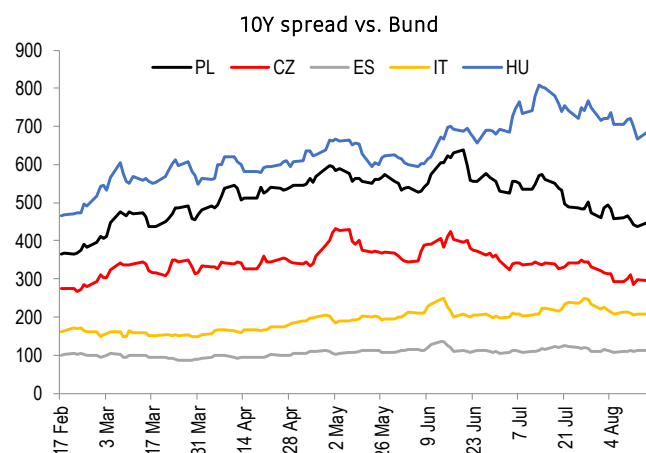
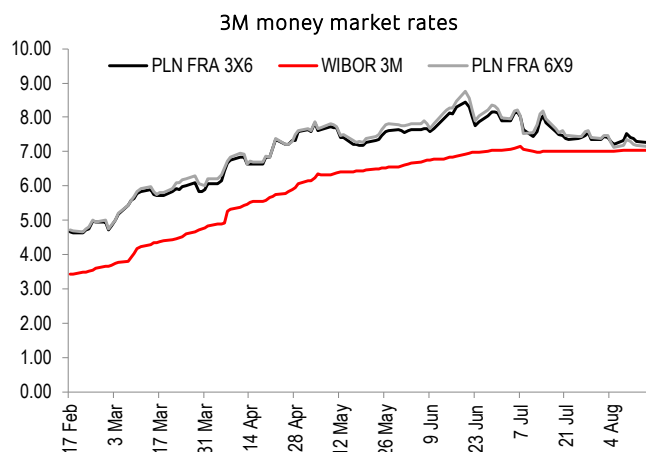
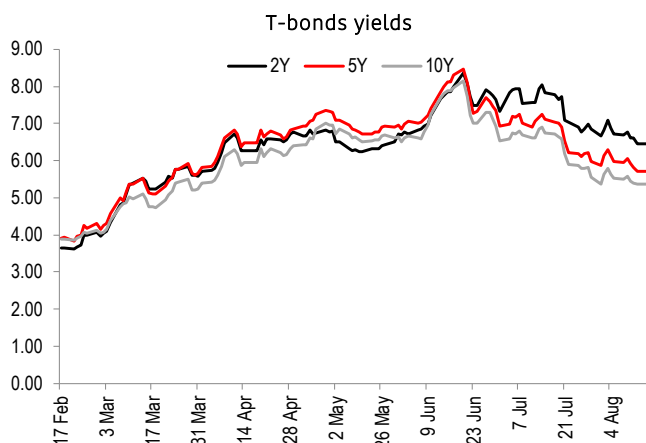
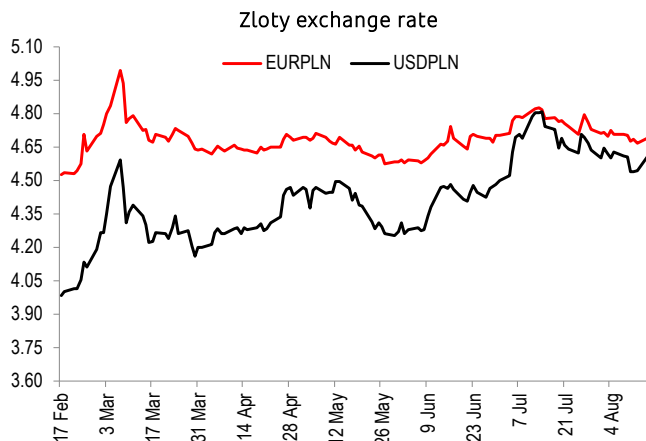
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	123	0	466	12
France	13	0	58	0
Hungary	184	5	704	3
Spain	53	2	114	2
Italy	70	2	222	23
Portugal	40	2	106	3
Ireland	12	0	62	1
Germany	12	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		
<b>FRIDAY (12 August)</b>								
10:00	PL	CPI	Jul	% y/y	15.5	15.5	15.6	15.5
11:00	EZ	Industrial Production SA	Jun	% m/m	0.0	-	0.7	2.1
14:00	PL	Current Account Balance	Jun	€mn	-2571	-3220	-1468	-1485
14:00	PL	Trade Balance	Jun	€mn	-1500	2016	-849	-1157
14:00	PL	Exports	Jun	€mn	27296	26133	28076	28289
14:00	PL	Imports	Jun	€mn	29144	28149	28925	29446
16:00	US	Michigan index	Aug	pts	51.8	-		51.5
<b>MONDAY (15 August)</b>								
	PL	Holiday						
<b>TUESDAY (16 August)</b>								
11:00	DE	ZEW Survey Current Situation	Aug	pts	-49.8		-47.6	-45.8
14:00	PL	CPI Core	Jul	% y/y	9.2	9.2	9.3	9.1
14:30	US	Housing Starts	Jul	% m/m	-1.4		-9.6	-2.0
15:15	US	Industrial Production	Jul	% m/m	0.3		0.6	-0.2
<b>WEDNESDAY (17 August)</b>								
09:00	HU	GDP	2Q	% y/y	6.1		6.5	8.2
10:00	PL	GDP	2Q	% y/y	6.1	7.0	5.3	8.5
11:00	EZ	GDP SA	2Q	% y/y	4.0		3.9	4.0
14:30	US	Retail Sales Advance	Jul	% m/m	0.2		0.0	0.8
20:00	US	FOMC Meeting Minutes	Jul					
<b>THURSDAY (18 August)</b>								
10:00	PL	Consumer confidence	Aug	pts.				
11:00	EZ	HICP	Jul	% y/y	8.9			8.6
14:30	US	Initial Jobless Claims	week	k	265			262.0
14:30	US	Index Philly Fed	Aug	pts.	-3.5			-12.3
16:00	US	Existing Home Sales	Jul	% m/m	-5.1			-5.36
<b>FRIDAY (19 August)</b>								
10:00	PL	Employment in corporate sector	Jul	% y/y	2.2	2.2		2.2
10:00	PL	Average Gross Wages	Jul	% y/y	13.3	13.5		13.0
10:00	PL	Sold Industrial Output	Jul	% y/y	7.4	7.5		10.4
10:00	PL	PPI	Jul	% y/y	25.6	26.0		25.6

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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