

Eyeopener

CPI inflation surprising to the upside again

Today PMI indicators, euro zone unemployment rate
CPI in August up to 16.1% y/y
GDP growth in 2Q22 revised lightly upwards
EURPLN and domestic yields stable

Today, the manufacturing PMI for August will be released in Poland - we expect another decline. Abroad, we will see final industrial PMIs in Germany and the euro zone, US ISM index, as well as data from the European and US labour markets (the euro zone unemployment rate in July and weekly US data on jobless claims). Investors will be looking for further clues on further ECB and Fed monetary policy. Hungary's final Q2 GDP did not surprise. In China, the lockdown covered Chengdu, a city with a population of more than 20 million.

GDP growth in 2Q22 reached 5.5% y/y (revised up from the flash 5.3%), slowing from 8.5% y/y in 1Q. The seasonally adjusted GDP contracted by 2.1% q/q, which is still a very negative print, yet revised a bit higher from the flash -2.3% q/q. The breakdown of growth also looks better than expected, with both consumption and investments performing still quite well. We think that the Polish economy will keep slowing in the coming quarters. Two remaining quarters of 2022 may see slight contraction of GDP (q/q s.a.), which will bring the annual GDP growth below zero by 4Q22. We still hope that a gradual economic recovery is possible next year, yet the average GDP growth will likely remain below 1%. **CPI inflation jumped in August to 16.1% y/y, exceeding forecasts and setting new record.** It seems that all main categories surprised to the upside, and core inflation rising to 9.9-10.0% y/y (also new record) from 9.5% y/y in July. While we are still expecting CPI to go down in the months to come, the reading shifts the entire path for the upcoming months, with decline below 15% this year now becoming not very likely. Both CPI and GDP data suggest, in our view, that the MPC will hike rates by 25bp in September. Read more in [Economic Comment](#).

Przemysław Litwiniuk of the MPC said in an interview with TVN24 that a 25pb rate hike in September is a base scenario, but a stronger move is possible. So far, Litwiniuk has been assessed by the market as a rather dovish MPC member.

BIK reported that as of August 30, borrowers had requested a **"loan vacation" for loans worth 58% of the portfolio**. Only 0.1% of these loans were overdue by more than 90 days, compared to an average of 5.5% for total PLN housing loans.

This year's gross borrowing needs of the state budget have already been fully financed, Deputy Finance Minister Sebastian Skuza said. The result was achieved without a significant reduction in the balance of budget accounts (PLN142bn at the end of August, compared to PLN142.4bn at the end of July), which may suggest that the sale of savings bonds was a crucial contributor.

EURUSD moved slightly closer to 1.0050 from parity, helped by a higher euro zone HICP reading, which boosted market expectations for a more aggressive ECB rate hike this month, and a noticeably weaker-than-expected US ADP reading, which was read by the market as a weak forecast ahead of Friday's series of US labour market data, including NFP.

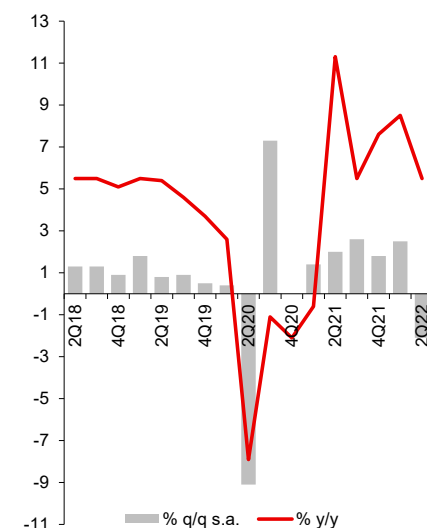
EURPLN remained around 4.73. The surprisingly high August inflation reading was unable to strengthen the zloty more clearly, due to recent signals from the National Bank of Poland regarding the limited scale of possible further rate hikes in Poland.

EURCZK fell from around 24.52 to around 24.50. CNB Vice President Eva Zamarzilova said that intensified currency interventions aimed at significant strengthening of the Czech koruna to lower inflation would be counterproductive. In her view, a much more effective instrument would be to impose restrictions on wage growth.

EURHUF fell from 402 to 401. The forint's marked appreciation following the MNB's decision to raise rates and the implementation of new instruments to combat inflation has reached psychological market barriers. Surpassing the 400 level would require additional impetus and/or clear support from global markets, which is lacking for now.

Debt market: The domestic curve remained relatively stable despite the high domestic CPI reading. However, the IRS curve rose, especially at the shorter end of the curve, and most FRA contracts. Yields on the main markets rose.

Polish GDP growth



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7241	CZKPLN	0.1924
USDPLN	4.7202	HUFPLN*	1.1778
EURUSD	1.0011	RUBPLN	0.0784
CHFPLN	4.8281	NOKPLN	0.4696
GBPPLN	5.4646	DKKPLN	0.6352
USDCNY	6.9021	SEKPLN	0.4400

*for 100HUF

Last session in the FX market 31/08/2022

	min	max	open	close	fixing
EURPLN	4.7151	4.7368	4.7224	4.7186	4.7265
USDPLN	4.6813	4.7509	4.7022	4.6888	4.736
EURUSD	0.9970	1.0078	1.0038	1.0061	-

Interest rate market 31/08/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.15	-9
DS0726 (5Y)	6.69	4
DS0432 (10Y)	6.16	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.88	17	3.91	4	1.78	5
2L	7.65	21	3.82	5	2.18	3
3L	7.12	18	3.63	4	2.21	2
4L	6.76	12	3.50	6	2.24	2
5L	6.61	13	3.42	8	2.27	2
8L	6.32	10	3.28	8	2.35	1
10L	6.25	7	3.27	9	2.42	1

WIBOR rates

Term	%	Change (bps)
O/N	6.56	-17
T/N	6.64	2
SW	6.76	1
2W	6.89	3
1M	7.01	4
3M	7.11	1
6M	7.31	1
1Y	7.46	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.39	1
3x6	7.76	14
6x9	7.95	19
9x12	7.80	23
3x9	7.98	6
6x12	8.13	21

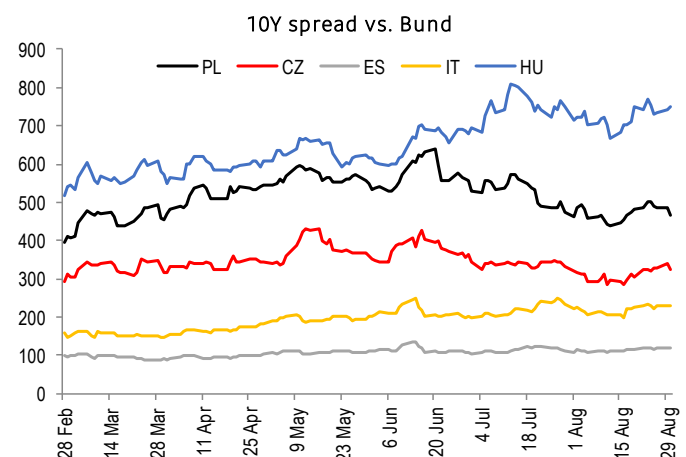
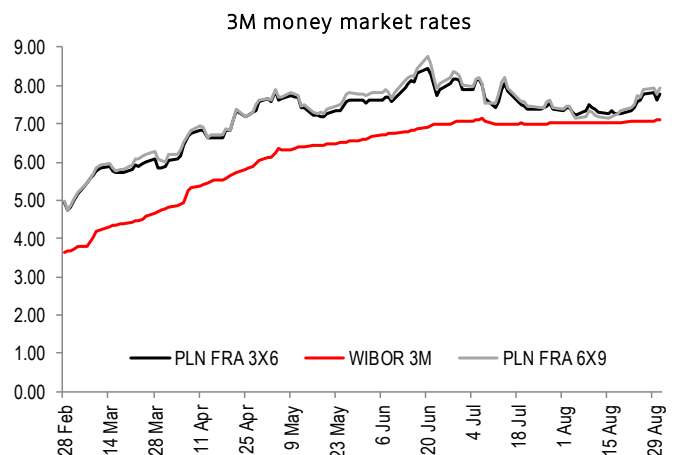
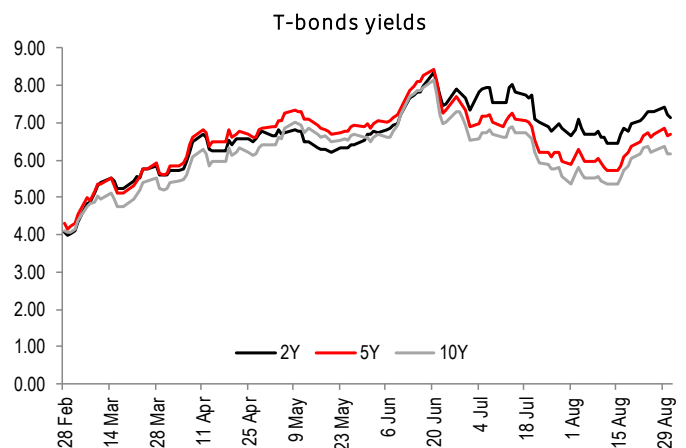
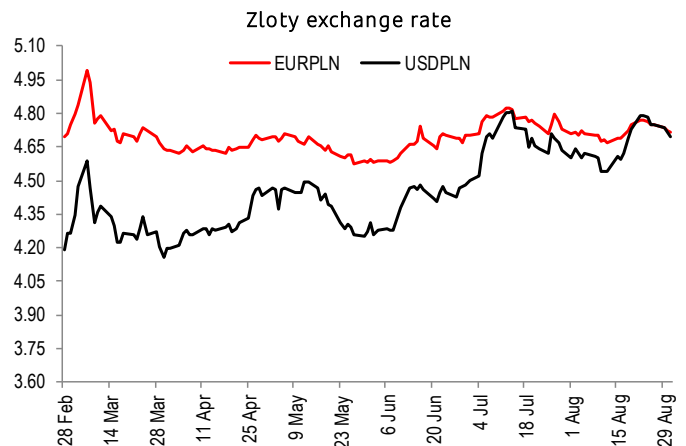
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	146	0	466	-21
France	13	0	62	0
Hungary	189	0	751	7
Spain	53	0	120	0
Italy	70	0	232	3
Portugal	40	0	111	0
Ireland	14	0	66	-1
Germany	13	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 (26 August)								
14:30	US	Personal Spending	Jul	% m/m	0.5	-	0.1	1.0
14:30	US	Personal Income	Jul	% m/m	0.6	-	0.2	0.7
14:30	US	PCE Deflator SA	Jul	% m/m	0.0	-	-0.1	1.0
16:00	US	Michigan index	Aug	pts	55.4	-	58.2	55.1
MONDAY (29 August)								
No significant data								
TUESDAY (30 August)								
09:00	CZ	GDP SA	2Q	% y/y	3.6	-	3.7	4.9
11:00	EZ	ESI	Aug	pct.	97.8	-	97.6	98.9
14:00	HU	Central Bank Rate Decision	Aug.22	%	11.75	-	11.75	10.75
14:00	DE	HICP	Aug	% m/m	0.3	-	0.4	0.8
16:00	US	Consumer Conference Board	Aug	pts	97.4	-	103.2	95.3
WEDNESDAY (31 August)								
10:00	PL	CPI	Aug	% y/y	15.4	15.4	16.1	15.6
10:00	PL	GDP	2Q	% y/y	5.3	5.3	5.5	8.5
11:00	EZ	Flash HICP	Aug	% y/y	8.95	-	9.1	8.9
14:15	US	ADP report	Aug	k	-	-	132	268
THURSDAY (1 September)								
09:00	PL	Poland Manufacturing PMI	Aug	pts	41.6	41.0	-	42.1
09:00	HU	GDP	2Q	% y/y	6.5	-	-	6.5
09:55	DE	Germany Manufacturing PMI	Aug	pts	49.8	-	-	49.3
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	49.7	-	-	49.8
11:00	EZ	Unemployment Rate	Jul	%	6.6	-	-	6.6
14:30	US	Initial Jobless Claims	Aug.22	k	252.0	-	-	243.0
16:00	US	ISM manufacturing	Aug	pts	52.05	-	-	52.8
FRIDAY (2 September)								
08:00	DE	Exports SA	Jul	% m/m	-2.75	-	-	4.4
14:30	US	Change in Nonfarm Payrolls	Aug	k	300.0	-	-	528.0
14:30	US	Unemployment Rate	Aug	%	3.5	-	-	3.5
16:00	US	Durable Goods Orders	Jul	% m/m	0.0	-	-	0.0
16:00	US	Factory Orders	Jul	% m/m	0.2	-	-	2.0

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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