

Eyeopener

OECD cuts global growth forecasts

Today decision of the Hungarian central bank, US data
 German Ifo fell more than expected, OECD cut most forecasts
 Volatility on the pound market still high, EURPLN flat on Friday level
 10Y bond yield up by 40bp yesterday

Today, Hungary decides on interest rates - the market is prepared for a 100bp hike (main rate to 12.75%), as at the previous meeting in August. There will be also data from the US, including consumer sentiment and new industrial orders.

The Ifo index describing the state of the German economy reached its lowest level since May 2020 in September. The scale of the deterioration in sentiment turned out to be greater than the market had expected, both in the assessment of the current situation and in the assessment of the economic outlook. The behaviour of the Ifo index suggests that the German economy will soon fall into recession with GDP declines of 3-3.5% y/y. In our view, the turn of the year will be the worst for Germany.

The OECD updated its forecasts for global growth. Downward revisions prevailed, both for 2022 and 2023 and were driven by the war in Ukraine and the energy crisis. Nevertheless, the organisation recommended further tightening of monetary policies in leading economies.

The government yesterday passed a bill 'freezing' electricity prices for households. The consumption limit for large families and farmers was raised to 3 MWh from 2.6 MWh. For people with disabilities, it is to be 2.6 MWh and for others 2 MWh. The cost of the price freeze is estimated at PLN23bn. Households saving energy are to receive a discount of 10% on the price of electricity. Households using electricity for heating will receive an allowance of PLN1k (or PLN1.5k for those consuming more than 5 MWh). The cost is PLN1bn (800,000 households).

While initial communication about the **tax on windfall profits**, which is currently being prepared by the government, suggested that it would affect only the energy sector, yesterday's reports on the subject indicated that it would affect all companies with 250+ employees, but ultimately it may be postponed for energy and gas companies (due to difficult liquidity situation). We are waiting for details - it is difficult to judge whether, in light of such a change in tax environment companies will reduce activity or go on a buying frenzy to raise costs. The imposition of the tax could also have a strongly negative impact on the foreign direct investment stream, composed mainly of retained profits.

The NBP published its **Monetary Policy Guidelines for 2023**, with both the objectives and tools of monetary policy unchanged from previous years. The NBP anticipates that the basic type of open market operations will be those that absorb excess liquidity in the banking sector and, as in previous years, allows for the possibility of liquidity-providing operations. Fine-tuning and structural open market operations can be conducted both to absorb and to inject liquidity, depending on needs.

The World Bank released **Worldwide Governance Indicators** update assessing the quality of governance in more than 200 countries. In the case of Poland, all six components have declined in 2021 compared to 2020, most notably the rule of law index - now higher (that is, better) than in 65% of the countries surveyed compared to 69% previously. The WGI indicators affect sovereign credit ratings, among other things, as they enter directly into the models used by Fitch and Moody's rating agencies.

Yesterday, amid **the rapid weakening of the pound**, the Governor of the Bank of England communicated that the central bank is closely monitoring the currency's movements and will not hesitate to raise rates to stabilize the situation, but will do so at its next scheduled meeting in November (there was a view in the markets that there will be an extraordinary meeting). The valuation of a Bank of England hike at the next meeting has been moving sharply between +70 bps and +160 bps in recent days. In our view, the volatility that has hit British assets may serve as a warning to other countries selecting their policy mix for a stagflationary scenario.

EURUSD fell from around 0.97 to around 0.96. The single currency was hurt by the weaker-than-expected German Ifo Institute business confidence index for September.

EURPLN oscillated in the 4.75 - 4.76 zone for most of Monday. The relative stability of the zloty against the euro, despite further strengthening of the dollar on global markets, is the result of growing expectations for rate hikes on the domestic FRA market.

Other CEE currencies: EURCZK rose from around 24.60 to around 24.65. EURHUF moved from around 404 to around 409. The region's currencies lost under the influence of growing risk aversion, which resulted in the global strengthening of the dollar.

Debt market: Domestic yield curve and IRS moved upward, by about 28bp. Expectations of rate increases in the FRA market also rose on longer terms on a similar scale. In view of the strong increases in core inflation in the main markets, and the tightening rhetoric of major central banks, the domestic market no longer believes in the scenario of an imminent decline in inflation. As a result, the domestic debt market has begun to adjust to the trend of rising yields seen in the main markets for a long time. Today's bond sale auction may further reinforce these trends.

OECD: economic growth forecasts

GDP growth	2022	change	2023	change
World	3.0	0.0	2.2	-0.6
Euro zone	3.1	+0.5	0.3	-1.3
Germany	1.2	-0.7	-0.7	-2.4
USA	1.5	-1.0	0.5	-0.7
China	3.2	-1.2	4.7	-0.2

Change means percentage point difference vs. June OECD forecasts

Source: OECD, Santander

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FX market

Today's opening

EURPLN	4.7537	CZKPLN	0.1927
USDPLN	4.9233	HUFPLN*	1.1531
EURUSD	0.9648	RUBPLN	0.0844
CHFPLN	4.9809	NOKPLN	0.4588
GBPPLN	5.3192	DKKPLN	0.6389
USDCNY	7.1553	SEKPLN	0.4366

*for 100HUF

Last session in the FX market 26/09/2022

	min	max	open	close	fixing
EURPLN	4.7457	4.7673	4.7596	4.7475	4.7566
USDPLN	4.8969	4.9493	4.9412	4.9365	4.9113
EURUSD	0.9608	0.9701	0.9627	0.9621	-

Interest rate market 26/09/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.91	17
DS0727 (5Y)	7.08	32
DS0432 (10Y)	6.81	34

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.68	8	4.65	1	2.56	5
2L	7.47	19	4.64	5	3.04	9
3L	7.11	22	4.47	11	3.10	13
4L	6.93	25	4.34	16	3.12	17
5L	6.85	27	4.23	19	3.11	18
8L	6.71	31	3.99	22	3.00	13
10L	6.71	33	3.92	21	2.99	13

WIBOR rates

Term	%	Change (bps)
O/N	6.57	-1
T/N	6.53	-15
SW	6.94	-1
2W	7.00	-1
1M	7.06	1
3M	7.16	1
6M	7.32	0
1Y	7.46	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.31	2
3x6	7.54	9
6x9	7.60	11
9x12	7.55	16
3x9	7.72	11
6x12	7.75	13

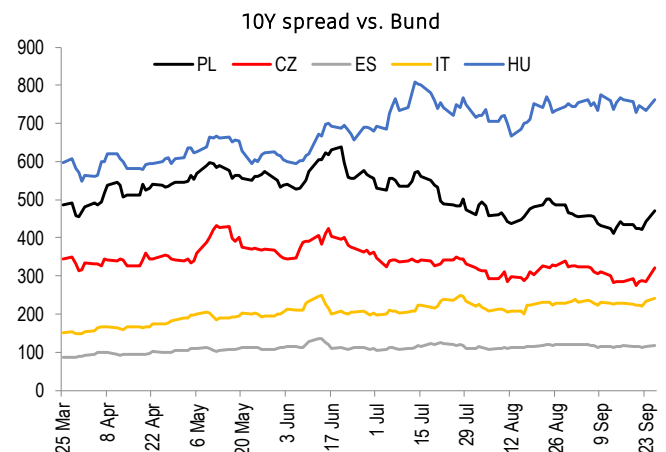
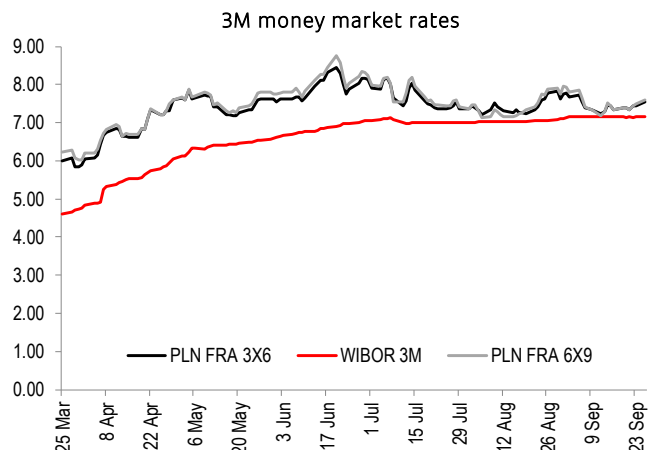
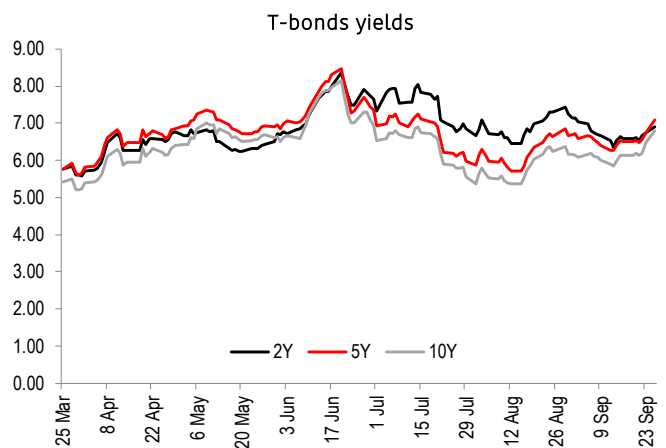
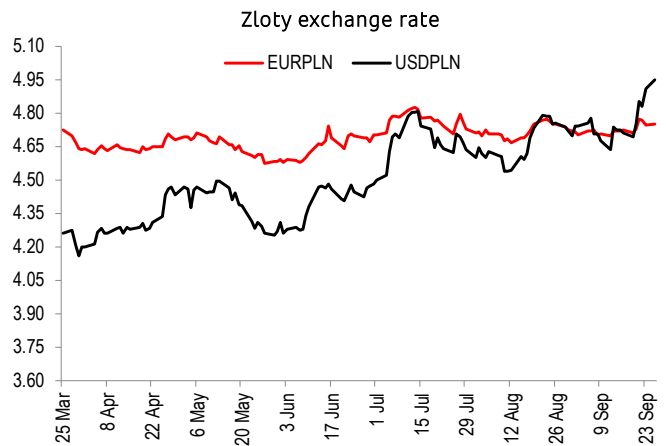
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	137	0	472	28
France	15	0	60	2
Hungary	204	0	763	28
Spain	60	0	118	2
Italy	75	0	242	10
Portugal	48	0	109	3
Ireland	17	0	63	6
Germany	15	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 (23 September)							
09:30	DE	Germany Manufacturing PMI	Sep	pts	48.25	48.3	49.1
09:30	DE	Markit Germany Services PMI	Sep	pts	47.2	45.4	47.7
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	48.75	48.5	49.6
10:00	EZ	Eurozone Services PMI	Sep	pts	49.05	48.9	49.8
10:00	PL	Unemployment Rate	Aug	%	4.9	4.8	4.9
MONDAY (26 September)							
10:00	DE	Ifo Business Climate	Sep	pts	87.0	84.3	88.6
TUESDAY (27 September)							
14:00	HU	Central Bank Rate Decision	Sep.22	%	12.75	-	11.75
14:30	US	Durable Goods Orders	Aug	% m/m	-0.05	-	-0.1
16:00	US	Consumer Conference Board	Sep	pts	104.25	-	103.2
16:00	US	New Home Sales	Aug	% m/m	-2.15	-	-12.6
WEDNESDAY (28 September)							
16:00	US	Pending Home Sales	Aug	% m/m	-0.8	-	-0.99
THURSDAY (29 September)							
11:00	EZ	ESI	Sep	pct.	95.0	-	97.6
14:00	DE	HICP	Sep	% m/m	1.5	-	0.4
14:30	US	GDP Annualized	2Q	% Q/Q	-0.6	-	-0.6
14:30	US	Initial Jobless Claims	Sep.22	k	220	-	213
14:30	CZ	Central Bank Rate Decision	Sep.22		7.0	-	7.0
FRIDAY (30 September)							
09:00	CZ	GDP SA	2Q	% y/y	3.7	-	3.7
10:00	PL	CPI	Sep	% y/y	16.4	16.6	16.1
11:00	EZ	Flash HICP	Sep	% y/y	9.7	-	9.1
11:00	EZ	Unemployment Rate	Aug	%	6.6	-	6.6
14:30	US	Personal Spending	Aug	% m/m	0.2	-	0.1
14:30	US	Personal Income	Aug	% m/m	0.3	-	0.2
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-	-0.1
16:00	US	Michigan index	Sep	pts	59.5	-	59.5

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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