

6 October 2022

Eyeopener

Rates on hold, but probably not at the peak

MPC kept interest rates on hold, NBP governor's conference today
 Strong revision of GDP data for the last four of years
 Zloty weaker after MPC decision, bond yields higher in the belly and long end of the curve

Today, the NBP president will hold conference explaining monetary policy decision. Abroad, eurozone retail sales data, new jobless claims in the US.

Services PMI data for Germany and the eurozone showed further deterioration, with final readings weaker than preliminary ones. The decline in the indices was mainly due to a deterioration in new orders. Respondents also noticed an increase in cost pressures. Meanwhile, data from the US (ISM for services, ADP) were slightly better than expected. German factory orders in August fell more than forecast. **OPEC+** decided to cut its target for oil production by 2 million barrels per day, which pushed up the Brent oil price to c.\$93/barrel.

Polish MPC kept interest rates on hold (main reference rate at 6.75%) despite the big surprise from September's inflation (17.2% y/y), better than expected real activity data for August, the progressing currency weakness, and the earlier pledge from the NBP governor that the next decisions will be data-driven. We were expecting a rate hike by 50bp after the recent inflation surprise. Apparently we made a "school error" assuming that the NBP president will not stick to his words from one month ago (choice between 0 and 25bp in October) and earlier pledge from the Sopot pier. It seems that the inflation outlook is not as important in the central bank's reaction function as worries about the GDP growth outlook. It is confirmed by the new sentence in the official post-meeting statement reading that "due to the scale and persistence of current shocks, which are beyond monetary policy control, return of inflation towards inflation target will be gradual". MPC de facto admits its acceptance for the fact that the inflation's significant deviation from the target will be long-lived. We think that it is less and less likely that main interest rate near 7% will be enough to stabilize the economy and a scenario of interest rate cuts in 2H2023 is drifting away. However, the MPC may want to extend the pause in the cycle in the nearest months. Please see more in our yesterday's [Comment](#).

According to the Monitor Sądowy i Gospodarczy, **all MPC members voted in favour of a 50bp rate hike** in July.

MPC candidate Gabriela Mastowska said during the candidates' hearing in Sejm that she would have voted for no change or a slight increase at the yesterday's MPC meeting. **Iwona Duda**, on the other hand, said that further possible rate hikes should be treated very cautiously.

GUS has published **revised Poland's GDP data for 2018-21**, but at the note suggests that it has revised also the previous years since 2010. The total economic growth in the last four years went up to 15.8% from 14.3%. The biggest change affected 2021, when GDP growth was moved from 5.9% to 6.8% (+0.9pp). Interestingly, the nominal level of output remained almost unchanged (up less than 0.1%). GDP was dragged higher mostly by contribution of inventories, which was record-high in 2021 (3pp). Also contribution of net exports improved. Export and import data changed in line with the recent NBP balance of payments data. The quarterly time series consistent with the revised annual data are not available yet and according to the statistical office they will be released in the second half of October.

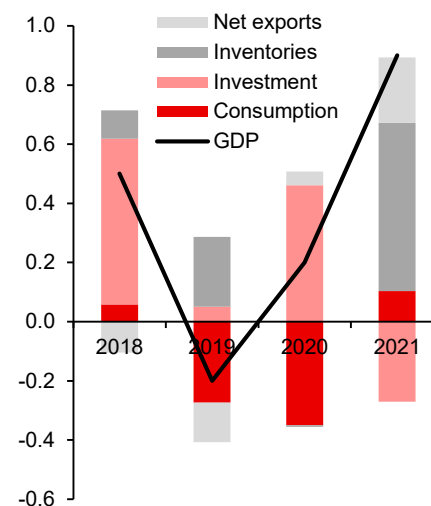
EURUSD slipped below 0.99 from around 1.00. Support for the dollar was provided by strong September readings of the US ADP employment index, as well as service sector ISM for September, especially as service sector PMIs from Germany and the euro area disappointed market expectations.

EURPLN rose from 4.81 to 4.82. During the day, in anticipation of the MPC's interest rate decision, the exchange rate tried to attack even 4.79, but the announcement of the decision of no rate hike in the first reaction pushed the exchange rate up to 4.84, together with falling expectations of an interest rate hike on the FRA market. By the end of the day, however, the exchange rate had given back some of the gains.

Other CEE currencies: the EURCZK fell from around 24.52 to 24.48. the EURHUF rose from around 418 to around 421. In response to the renewed upward movement of the exchange rate, the MNB announced the continuation of restrictive monetary policy through liquidity operations.

Debt market: the domestic curve rose in the belly and at the longer end and fell at the shorter end in reaction to the MPC decision. Markets assume that the pause in the rate hike cycle, despite no sign of inflationary pressures dying down, will force NBP rates higher in the longer term.

Revision in annual GDP data - breakdown



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 +48 691 393 119
Jarostaw Kosaty +48 887 842 480
Marcin Luzziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.8221	CZKPLN	0.1966
USDPLN	4.8676	HUFPLN*	1.1417
EURUSD	0.9905	RUBPLN	0.0807
CHFPLN	4.9627	NOKPLN	0.4635
GBPPLN	5.5075	DKKPLN	0.6480
USDCNY	7.1135	SEKPLN	0.4446

*for 100HUF

Last session in the FX market 05/10/2022

	min	max	open	close	fixing
EURPLN	4.7895	4.8377	4.8128	4.8297	4.8128
USDPLN	4.8062	4.9160	4.8285	4.8935	4.838
EURUSD	0.9833	0.9994	0.9965	0.9864	-

Interest rate market 05/10/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.35	-6
DS0727 (5Y)	7.33	16
DS0432 (10Y)	7.13	24

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.65	-13	4.53	5	2.35	11
2L	7.45	-7	4.43	8	2.71	11
3L	7.18	1	4.23	10	2.76	12
4L	7.03	8	4.10	12	2.82	16
5L	6.98	14	4.00	12	2.86	17
8L	6.86	20	3.82	14	2.92	15
10L	6.83	19	3.76	14	2.96	14

WIBOR rates

Term	%	Change (bps)
O/N	6.84	-3
T/N	7.05	5
SW	7.17	2
2W	7.18	0
1M	7.22	0
3M	7.33	2
6M	7.49	2
1Y	7.59	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.33	-11
3x6	7.42	-24
6x9	7.52	-21
9x12	7.42	-17
3x9	7.56	-24
6x12	7.71	-13

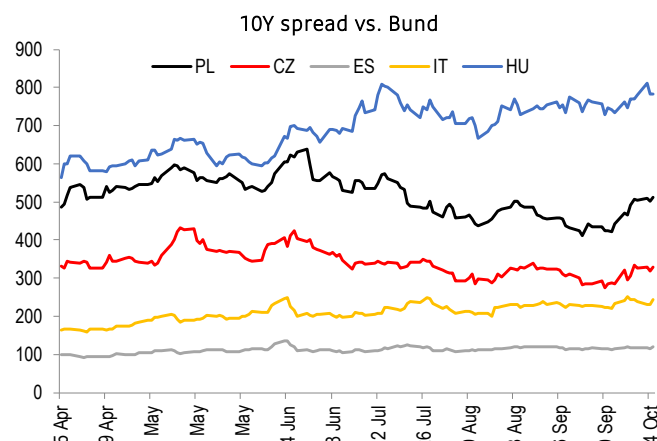
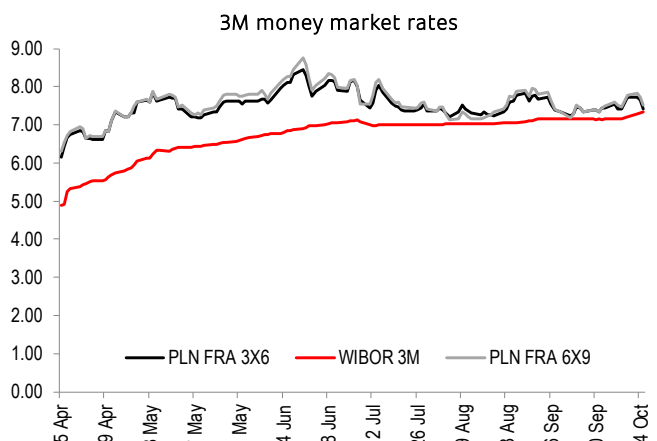
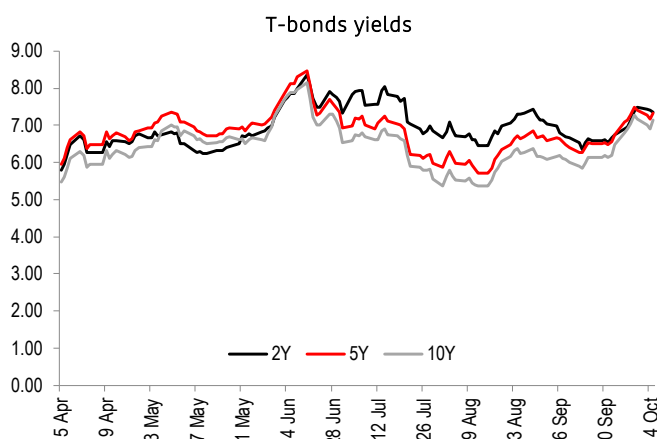
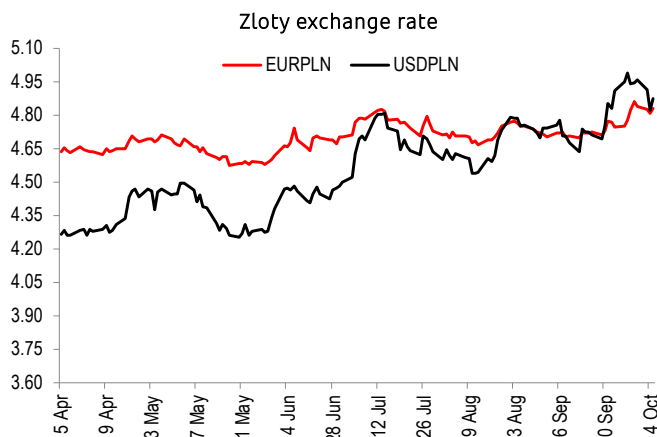
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	140	5	511	10
France	17	0	61	1
Hungary	243	8	784	2
Spain	65	2	121	5
Italy	83	5	243	11
Portugal	50	2	111	5
Ireland	22	0	57	3
Germany	20	2	-	-

* 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 (30 September)							
09:00	CZ	GDP SA	2Q	% y/y	3.7	3.7	3.7
10:00	PL	CPI	Sep	% y/y	16.4	16.6	17.2
11:00	EZ	Flash HICP	Sep	% y/y	9.7	10.0	9.1
11:00	EZ	Unemployment Rate	Aug	%	6.6	6.6	6.6
14:30	US	Personal Spending	Aug	% m/m	0.2	0.3	0.3
14:30	US	Personal Income	Aug	% m/m	0.3	0.4	-0.2
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	0.3	-0.1
16:00	US	Michigan index	Sep	pts	59.5	58.6	59.5
MONDAY (3 October)							
09:00	PL	Poland Manufacturing PMI	Sep	pts	40.0	39.9	43.0
09:55	DE	Germany Manufacturing PMI	Sep	pts	48.3	47.8	49.1
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	48.5	48.4	49.6
16:00	US	ISM manufacturing	Sep	pts	52.3	50.9	52.8
TUESDAY (4 October)							
16:00	US	Durable Goods Orders	Aug	% m/m	0.0	-0.2	-0.1
16:00	US	Factory Orders	Aug	% m/m	0.0	0.0	-1.0
WEDNESDAY (5 October)							
	PL	MPC decision		%	7.00	7.25	6.75
08:00	DE	Exports SA	Aug	% m/m	1,5	1,6	-1,6
09:55	DE	Markit Germany Services PMI	Sep	pts	45.4	45.0	47.7
10:00	EZ	Eurozone Services PMI	Sep	pts	48.9	48.8	49.8
14:15	US	ADP report	Sep	k	200	208	185
16:00	US	ISM services	Sep	pts	56.0	56.7	56.9
THURSDAY (6 October)							
08:00	DE	Factory Orders	Aug	% m/m	-0.7	-2.4	1.9
09:00	HU	Industrial Production SA	Aug	% y/y	0.0	-	6.6
11:00	EZ	Retail Sales	Aug	% m/m	0.0	-	0.3
14:30	US	Initial Jobless Claims		k	215.0	-	193.0
15:00	PL	NBP Governor conference					
FRIDAY (7 October)							
08:00	DE	Industrial Production SA	Aug	% m/m	-0.5	-	-0.3
08:00	DE	Retail Sales	Aug	% m/m	-1.0	-	1.9
09:00	CZ	Industrial Production	Aug	% y/y	6.7	-	-1.9
14:30	US	Change in Nonfarm Payrolls	Sep	k	250.0	-	315.0
14:30	US	Unemployment Rate	Sep	%	3.7	-	3.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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>.