

Eyeopener

World is sliding into stagflation according to IMF

Today, minutes from September FOMC meeting, Eurozone industry score
IMF warns that 1/3 of the world economy could soon fall into technical recession, but still recommends central banks to focus on fighting inflation
Big rise in domestic yields, Bank of England communication could unsettle markets today

Tonight the minutes from the latest FOMC meeting are due for release. Statements coming from this decision-making body are far less differentiated than those from our MPC. It is difficult to assume that the minutes will contain anything that will support hopes for the so-called "dovish pivot".

The IMF released its **World Economic Outlook** report, with gently lowered global growth forecast for 2023 to 2.7% and showed that it could be stuck quite low, around 3.3% for the next four years. On top of this, according to the fund, downside risks to this forecast still prevail and their list gets longer with each publication. The global inflation forecast, on the other hand, was raised, and its estimated descent over the next few years will be slow. Despite the complications that a progressing stagflation creates, the IMF maintained the view that central banks should follow the path of fighting for price stability and fiscal policy should ease cost-of-living pressures, but generally to remain restrictive enough not to disrupt the monetary authority's action against inflation. Governments can also, according to the IMF, move towards structural reforms to improve productivity and ease supply-side constraints, and work together internationally to achieve a rapid green transition. **Poland's GDP forecast** for 2023 has been trimmed to 0.5% (in line with our forecast) with a rebound to 3.1% in 2024. According to the IMF, inflation may be on average higher in 2023 (14.3%) than in the current year (13.8%), but will fall to 4.3% in 2024 and in 2025 already be in the band around the target.

MPC's Joanna Tyrowicz again called for further rate rises (main rate targeting above 10%) of more than 25bp at a time. According to her, a return to the inflation target is impossible with negative real rates. In her view, Poland is very far from recession, so the MPC should remain focused on fulfilling its inflation mandate. Meanwhile, MPC members with views close to Adam Glapiński (Kochalski, Janczyk, Dąbrowski, Wnorowski) as well as the NBP President himself have published an official statement of disapproval. The statement also reads they consider a complaint in relation to recent statements made by some other Council members (the allegations would relate to the requirement of being apolitical and the disclosure of secret information concerning the last Council meeting). A final judicial verdict is the basis for depriving an MPC member of his or her mandate.

The government has proposed to impose a **maximum price on electricity** for households in 2023 (once they exceed their consumption level, up to which the price is not to increase at all), some 55% above the average prices currently paid. A price cap is also to be introduced for SMEs and local governments. Funding is to come from the "revenues of energy producers" and, if these are not enough, from the budget.

Last night, the **head of the Bank of England** announced that the bank will stop stabilising the UK government bond market in three days. The market suffered heavy losses after the announcement of large tax cuts by the government, which in turn triggered bond sales in pension funds forced to seek liquidity. This could lead to disruption in various markets today, not excluding the Polish one.

EURUSD halted its four-day-long intense decline around 0.97. Today, the minutes of the latest FOMC meeting are due. So far, the members' remarks show no basis for expecting a "dovish pivot" by the Fed. On top of this, the SME sector business sentiment index, NFIB, unexpectedly improved in September, and its hiring plans index was at its highest since January. Turbulence in the UK bonds may serve to strengthen the dollar.

EURPLN moved sharply down below 4.84 towards the end of the session, but then recovered to around 4.85. We do not see current environment as PLN-positive, especially if risk aversion increases today. **EURCZK** remained quiet after a significant upward surprise in September inflation, while the **EURHUF** reached under 430 after the data showing that CPI broke through 20% y/y. This was a faster rate of loss for the forint than in previous days.

Debt market: Domestic yield curve rose by 30 bps with roughly half of the movement translating into wider asset swap spreads. The climate of rising rates also lent itself to the FRA market, where the highest point rose to 7.80% (FRA6x9) and the farther part of the curve became even flatter (i.e. discounting fewer and fewer rate cuts over a horizon of up to 1.5 years).

We encourage you to read the **MAKROscope** "[Climbing the inflation plateau](#)", which we released yesterday, including a new set of forecasts for the rest of 2022 and 2023.

IMF: forecast update

| % | GDP 2023 | July forecast | Inflation 2023 | April forecast |
|-----------|----------|---------------|----------------|----------------|
| World | 2.7 | 2.9 | 6.5 | 4.8 |
| Euro zone | 0.5 | 1.2 | 5.7 | 2.3 |
| Germany | -0.3 | 0.8 | 7.2 | 2.9 |
| USA | 1.0 | 1.0 | 3.5 | 2.9 |
| China | 4.4 | 4.6 | 2.2 | 1.8 |
| Poland | 0.5 | 2.0 | 14.3 | 10.3 |

Source: IMF, Santander

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4,8450 | CZKPLN | 0,1970 |
| USDPLN | 4,9826 | HUFPLN* | 1,1355 |
| EURUSD | 0,9721 | RUBPLN | 0,0774 |
| CHFPLN | 5,0044 | NOKPLN | 0,4642 |
| GBPPLN | 5,4706 | DKKPLN | 0,6511 |
| USDCNY | 7,1602 | SEKPLN | 0,4389 |

*for 100HUF

Last session in the FX market 11.10.2022

| | min | max | open | close | fixing |
|--------|--------|--------|--------|--------|--------|
| EURPLN | 4,8402 | 4,8742 | 4,8600 | 4,8447 | 4,8711 |
| USDPLN | 4,9645 | 5,0264 | 5,0217 | 4,9670 | 5,0171 |
| EURUSD | 0,9673 | 0,9762 | 0,9675 | 0,9754 | - |

Interest rate market 11.10.2022

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| PS1024 (2Y) | 7,85 | 33 |
| DS0727 (5Y) | 8,03 | 35 |
| DS0432 (10Y) | 7,84 | 33 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 7,87 | 21 | 4,71 | -1 | 2,52 | 2 |
| 2L | 7,73 | 22 | 4,62 | -1 | 3,01 | 4 |
| 3L | 7,49 | 22 | 4,42 | 0 | 3,04 | -5 |
| 4L | 7,32 | 20 | 4,29 | 2 | 3,11 | -3 |
| 5L | 7,24 | 18 | 4,18 | 2 | 3,19 | 0 |
| 8L | 7,16 | 17 | 4,01 | 7 | 3,24 | -4 |
| 10L | 7,15 | 15 | 3,94 | 6 | 3,37 | 3 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 6,68 | 4 |
| T/N | 6,66 | -7 |
| SW | 6,90 | 0 |
| 2W | 6,95 | 0 |
| 1M | 7,05 | 3 |
| 3M | 7,20 | 1 |
| 6M | 7,35 | 0 |
| 1Y | 7,46 | 2 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 7,36 | 8 |
| 3x6 | 7,71 | 23 |
| 6x9 | 7,82 | 24 |
| 9x12 | 7,79 | 25 |
| 3x9 | 7,85 | 24 |
| 6x12 | 7,98 | 27 |

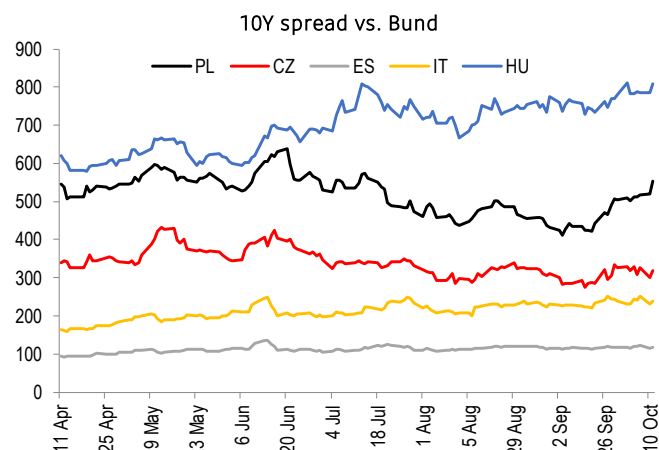
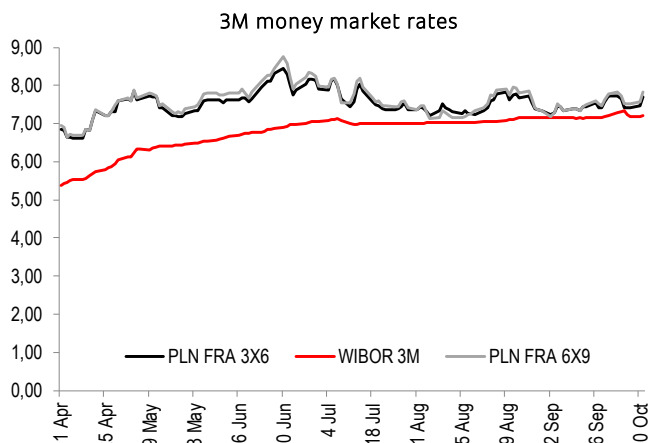
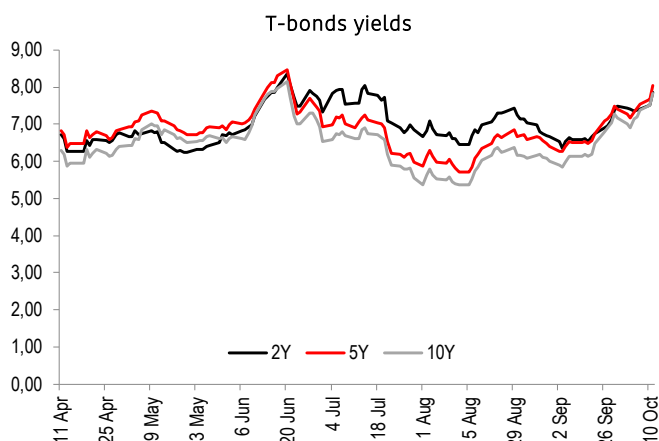
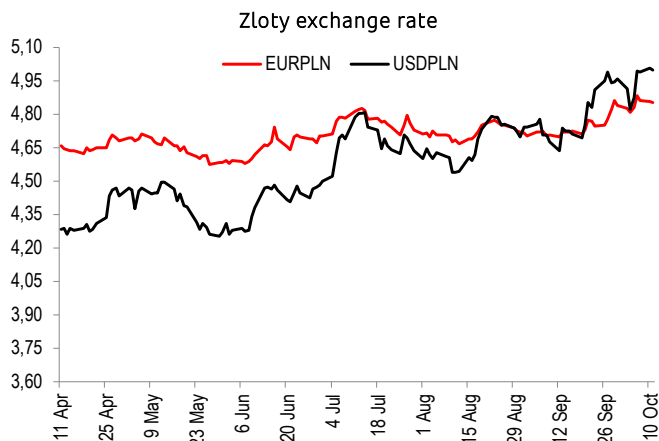
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 142 | 5 | 553 | 34 |
| France | 20 | 3 | 59 | 1 |
| Hungary | 248 | 8 | 810 | 23 |
| Spain | 65 | 5 | 117 | 1 |
| Italy | 80 | 5 | 239 | 8 |
| Portugal | 50 | 5 | 108 | 1 |
| Ireland | 25 | 3 | 53 | -2 |
| Germany | 23 | 3 | - | - |

* 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 (7 October) | | | | | | | | |
| 08:00 | DE | Industrial Production SA | Aug | % m/m | -0.5 | -0.8 | 0.0 | |
| 08:00 | DE | Retail Sales | Aug | % m/m | -1.2 | -1.3 | 0.7 | |
| 09:00 | CZ | Industrial Production | Aug | % y/y | 5.4 | 10.3 | -1.9 | |
| 14:30 | US | Change in Nonfarm Payrolls | Sep | k | 255 | 263 | 315 | |
| 14:30 | US | Unemployment Rate | Sep | % | 3.7 | 3.5 | 3.7 | |
| SATURDAY (8 October) | | | | | | | | |
| 03:45 | CN | Caixin China PMI Services | Sep | pts | 54.4 | 49.3 | 55.0 | |
| TUESDAY (11 October) | | | | | | | | |
| 09:00 | CZ | CPI | Sep | % y/y | 17.1 | 18.0 | 17.2 | |
| 09:00 | HU | CPI | Sep | % y/y | 19.9 | 20.1 | 15.6 | |
| WEDNESDAY (12 October) | | | | | | | | |
| 11:00 | EZ | Industrial Production SA | Aug | % m/m | 1.3 | - | -2.3 | |
| 20:00 | US | FOMC Meeting Minutes | Sep | | | | | |
| THURSDAY (13 October) | | | | | | | | |
| 08:00 | DE | HICP | Sep | % m/m | 2.2 | - | 2.2 | |
| 14:30 | US | CPI | Sep | % m/m | 0.2 | - | 0.1 | |
| 14:30 | US | Initial Jobless Claims | week | k | 204 | - | 219 | |
| FRIDAY (14 October) | | | | | | | | |
| 10:00 | PL | CPI | Sep | % y/y | 17.2 | 17.2 | - | 17.2 |
| 14:00 | PL | Current Account Balance | Aug | €mn | -1642 | -1534 | - | -1735 |
| 14:00 | PL | Trade Balance | Aug | €mn | -1317 | -2226 | - | -1452 |
| 14:00 | PL | Exports | Aug | €mn | 26560 | 24775 | - | 26010 |
| 14:00 | PL | Imports | Aug | €mn | 27876 | 27001 | - | 27462 |
| 14:30 | US | Retail Sales Advance | Sep | % m/m | 0.2 | - | 0.3 | |
| 16:00 | US | Michigan index | Oct | pts | 58.8 | - | 58.6 | |

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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