

4 November 2022

# Eyeopener

## More growth in Poland

Today services PMI indicators, US labour market data

Higher y/y GDP growth in Poland in 2021 and H1 2022 after data revision

Market more favourable towards Polish government bonds

**Today**, we await the publication of the final PMI reports for the services sectors of the main European economies (the index for the euro area has been in a downward trend since May). In the afternoon, the US will see the labour market report with, among other things, a reading of the monthly change in employment and the unemployment rate. Given the Fed's recent ambiguous communication of intentions (the statement included hints of a dovish turn in monetary policy, but Jerome Powell's speech sent a clear hawkish message), markets may react vigorously to deviations of these data from consensus in any direction. According to data released this morning, German industrial orders deepened the pace of decline in September from -2.0% m/m to -4.0% m/m.

**GUS recalculated quarterly GDP data** following some methodological changes. It published the numbers since 1Q19 today. The last GDP print covering 2Q22 was moved from 5.5% y/y to 5.8% (seasonally unadjusted data) thanks to higher net exports contribution, but in q/q SA terms the already severe collapse of -2.1% was replaced by -2.4%. In the case of 1Q22 a minor upside revision to the headline y/y growth (to 8.6% from 8.5%) was accompanied by a substantial upside revision of q/q growth from an already strong +2.5% to +4.2% (the growth of such magnitude or greater was seen only in 2007 and in the quarter of the strongest recovery after the initial pandemic shock). There was a large upside revision to y/y growth in all the quarters of 2021, worth 0.8-1.0pp (mainly on higher public consumption and re-stocking). Because of the GDP data revision our 3Q22 forecast assuming c.0.8% q/q rebound is now implying headline GDP growth of c.4% y/y instead of 3%. On the other hand the revision of 3Q21 y/y growth up by 1pp (meaning a higher statistical base) works against pushing 3Q22 forecast higher.

**NBP Deputy Governor Marta Kightley** in an interview for money.pl described the current level of interest rates in Poland as already high, the pace of their increase as unprecedented. According to her, the impact of these rate hikes is already visible and the economic slowdown is progressing, leading to a narrower positive demand gap and limiting the ability of companies to pass on higher costs to prices. She also noted that the new NBP projection, to be published and discussed by the MPC next week, is quite negative when it comes to 2023 GDP growth, clearly below July edition's 1.4%. All this tells us that, despite continued upside inflation surprises, there is no enthusiasm at the central bank to raise rates further.

**MPC's Ludwik Kotecki** expects that core inflation, which is at c.11% y/y, will continue to rise until the end of 1Q23, after which it will start to stabilise around 10%.

**ISM index** describing the economic situation in the US service sector fell much more than expected, which means that there is a risk of a clear slowdown in the economy (in which services account for 85% of GDP) in 4Q22. The employment index returned below 50 points. An alternative measure of sector sentiment, the services PMI for the US, slipped deeper below 50 points.

**Bank of England** raised rates by 75bp, but its governor indicated that the peak in rates would be lower than the market assumes. According to the central bank's calculations, following the path of rates expected by the market would have meant depressing inflation more than needed and pushing the country into a two-year recession. The effect of this communication was a noticeably weaker pound.

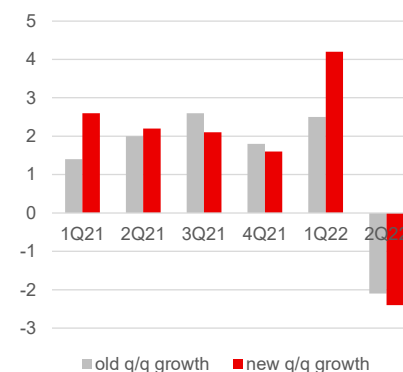
**EURUSD** slipped from just above 0.98 to near 0.975, with the dollar strengthening under the influence of a more hawkish-than-expected Fed. Today's data from the US labour market may further reinforce these trends.

**EURPLN** is trying to pound a bottom. For another day in a row, the rate oscillated around 4.69 - 4.70.

**Other CEE currencies:** **EURHUF** moved around 406. **EURCZK** fell from the area of 24.52 to around 24.46. CNB left interest rates unchanged by a 5-2 majority, as expected. The board expects inflation to continue to rise in the coming months. The strengthening of the koruna is the result of assurances by the CNB of its willingness to continue with FX interventions.

**Debt market:** Domestic yield curve attempted to rise from the morning in response to the Fed's signals about the planned end of the rate hike cycle at a higher level than previously forecast, but by the end of the day it had retreated to near the opening levels. NBP vice-president Marta Kightley said that the NBP does not plan to actively sell bonds from its portfolio so as not to further drive up yields. In Germany and the US, yield curves continued to rise.

### Polish GDP data revision: impact on q/q economic growth, SA



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4,6895	CZKPLN	0,1915
USDPLN	4,7966	HUFPLN*	1,1550
EURUSD	0,9772	RUBPLN	0,0776
CHFPLN	4,7517	NOKPLN	0,4569
GBPPLN	5,3776	DKKPLN	0,6297
USDCNY	7,2530	SEKPLN	0,4302

\*For 100HUF

**Last session in the FX market 03.11.2022**

	min	max	open	close	fixing
EURPLN	4,6906	4,7143	4,6969	4,6941	4,7101
USDPLN	4,7798	4,8423	4,7809	4,8139	4,8291
EURUSD	0,9728	0,9826	0,9824	0,9746	-

**Interest rate market 03.11.2022**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	8,49	-13
DS0727 (5Y)	8,62	2
DS0432 (10Y)	8,36	1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8,19	10	5,24	7	2,72	10
2L	8,17	8	5,09	8	3,01	10
3L	7,91	11	4,78	6	3,03	10
4L	7,68	11	4,58	6	3,03	13
5L	7,59	11	4,45	5	3,04	10
8L	7,47	13	4,23	4	3,08	10
10L	7,44	11	4,18	3	3,12	6

**WIBOR rates**

Term	%	Change (bps)
O/N	6,92	0
T/N	6,91	1
SW	6,99	2
2W	7,03	-1
1M	7,15	1
3M	7,56	3
6M	7,78	4
1Y	7,86	2

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

Term	%	Change (bps)
1x4	7,69	3
3x6	7,93	5
6x9	8,16	5
9x12	8,12	3
3x9	8,10	3
6x12	8,31	4

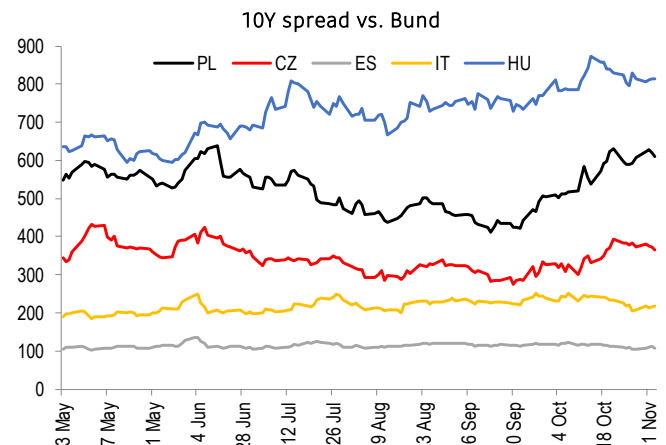
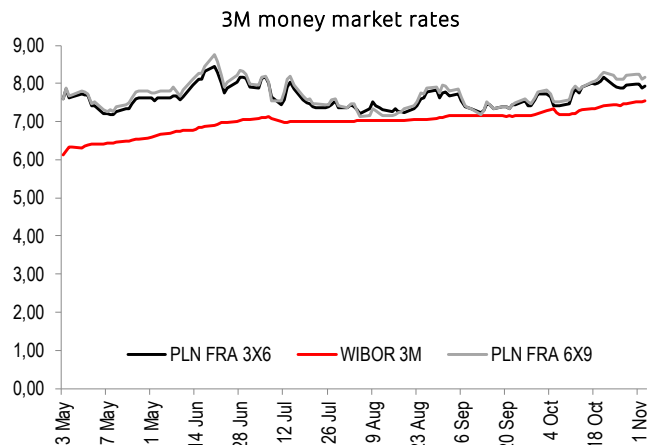
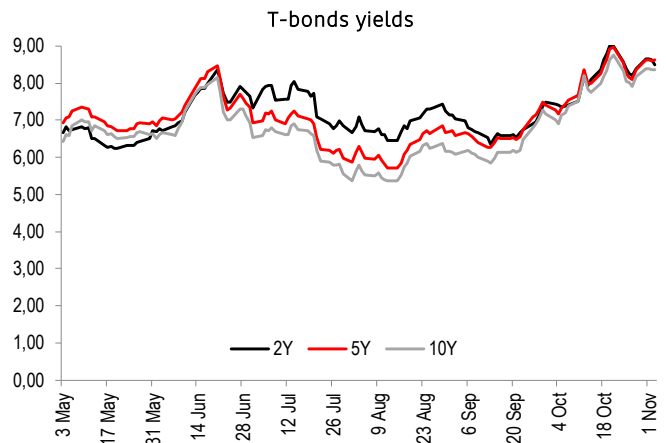
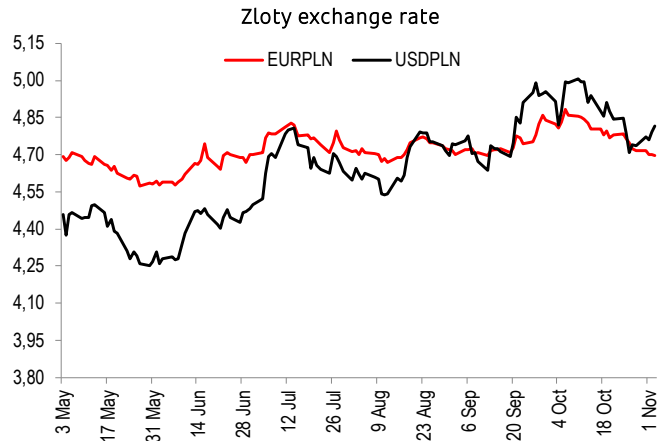
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	148	0	611	-10
France	20	0	54	0
Hungary	253	0	814	0
Spain	62	0	108	-3
Italy	63	0	218	1
Portugal	46	0	100	-2
Ireland	24	0	50	-1
Germany	20	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 (28 October)</b>							
10:00	DE	GDP WDA	3Q	% y/y	0.7	1.1	1.7
11:00	EZ	ESI	Oct	pct.	92.4	92.5	93.7
14:00	DE	HICP	Oct	% m/m	0.5	1.1	2.2
14:30	US	Personal Spending	Sep	% m/m	0.4	0.6	0.6
14:30	US	Personal Income	Sep	% m/m	0.4	0.4	0.4
14:30	US	PCE Deflator SA	Sep	% m/m	0.3	0.3	0.3
16:00	US	Michigan index	Oct	pts	59.6	59.9	59.8
16:00	US	Pending Home Sales	Sep	% m/m	-4.0	-10.2	-1.9
<b>MONDAY (31 October)</b>							
08:00	DE	Retail Sales	Sep	% m/m	-0.6	0.9	-1.4
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Oct</b>	<b>% y/y</b>	<b>17.8</b>	<b>18.3</b>	<b>17.2</b>
11:00	EZ	Flash HICP	Oct	% y/y	10.3	10.7	10.0
11:00	EZ	GDP SA	3Q	% y/y	2.1	2.1	4.1
<b>TUESDAY (1 November)</b>							
	<b>PL</b>	<b>National holiday</b>					
09:00	CZ	GDP SA	3Q	% y/y	1.6	1.6	3.7
15:00	US	ISM manufacturing	Oct	pts	50.0	50.2	50.9
<b>WEDNESDAY (2 November)</b>							
08:00	DE	Exports SA	Sep	% m/m	0.6	-0.5	2.9
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Oct</b>	<b>pts</b>	<b>42.7</b>	<b>42.1</b>	<b>42.0</b>
09:55	DE	Germany Manufacturing PMI	Oct	pts	45.7	45.1	47.8
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	46.6	46.4	48.4
13:15	US	ADP report	Oct	k	185	239	192
19:00	US	FOMC decision	Nov.22		4.00	-	3.25
<b>THURSDAY (3 November)</b>							
02:45	CN	Caixin China PMI Services	Oct	pts	49.2	48.4	49.3
<b>10:00</b>	<b>PL</b>	<b>Quarterly GDP data review</b>					
11:00	EZ	Unemployment Rate	Sep	%	6.6	6.6	6.7
14:30	CZ	Central Bank Rate Decision	Nov.22		7.00	7.00	7.00
15:00	US	Durable Goods Orders	Sep	% m/m	0.4	0.4	0.4
15:00	US	ISM services	Oct	pts	55.3	54.4	56.7
15:00	US	Factory Orders	Sep	% m/m	0.3	0.3	0.2
<b>FRIDAY (4 November)</b>							
08:00	DE	Factory Orders	Sep	% m/m	-0.5	-4.0	-2.0
09:55	DE	Markit Germany Services PMI	Oct	pts	44.9	-	45.0
10:00	EZ	Eurozone Services PMI	Oct	pts	48.2	-	48.8
13:30	US	Change in Nonfarm Payrolls	Oct	k	200.0	-	263.0
13:30	US	Unemployment Rate	Oct	%	3.6	-	3.5

Source: Santander Bank Polska. Bloomberg. Parkiet

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

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