

Eyeopener

Smaller current account deficit

Today flash 3Q GDP and final October CPI in Poland
 Polish C/A deficit much smaller in September
 New NBP inflation projection with higher path of core CPI and wages
 Zloty and Polish bonds a bit weaker

Today, we will get to see the preliminary reading of Polish GDP in 3Q and details of Polish inflation in October. Abroad, euro zone and Hungarian 3Q GDP data will be published, as well as the German ZEW analysts' sentiment index for November. China's manufacturing and retail sales data published today deviated downwards from expectations.

In September Polish C/A balance was -€1.56bn vs. market expectations at -€3.05bn and our -€2.92bn forecast. Previous readings were also revised, with August now showing -€3.33bn instead of -€3.97bn. As a result, the 12M moving sum of C/A balances was -3.7% GDP in September, the same as in August (which showed -3.9% before the data revision). We were mostly surprised by the decline in outflows on primary income account (-18.8% y/y, a month earlier at +22.9% y/y) and quick deceleration in import of services (to 10.7% y/y from 22.2% in August). We estimated the goods trade balance, -€2.05bn, quite accurately, but the turnover exceeded our and market expectations: exports grew 25.5% y/y vs. our 20.5% forecast and imports by 28.9% y/y (our call: 24.7% y/y). NBP report mentions again the automotive sector as the driver of the export growth (auto parts are also important for import growth), while consumer durables weighed on total export results. We believe that the Polish C/A gap is close to its peak and in a matter of 2-3 quarters should start decreasing.

The new NBP inflation projection assumes CPI to reach 19.6% y/y on average in 1Q23. If the same assumptions on the impact of the removal of the anti-inflationary shield were applied to our forecast, it would show 20.0% y/y in this period. According to the NBP, inflation will fall steadily from spring 2023 onwards, to 8% in 4Q23, 4.9% at the end of 2024 and 3% at the end of 2025. It is worth noting that the higher CPI path than in the July projection is the result of a higher core inflation trajectory (by 2.4-3.0pp in 2023 and 1.4-2.1pp in 2024). Food price inflation is also expected to be higher in 2023 than previously indicated. Changes in the path of energy prices result mainly in new assumptions regarding the government anti-inflation measures. In the so-called monetary policy-relevant horizon (which is most strongly influenced by the current rate decisions), CPI inflation is projected to reach 4.9-6.2% y/y (i.e. some 1.5pp higher than the NBP estimated in July). In addition, increased inflation persistence was mentioned among the factors influencing the shape of the projection. On the GDP side, we see that the downward revision of growth in 2023 was underpinned by a weaker investment outturn and a slightly lower impact of net exports, while the path of private consumption was not lowered. The revisions to July's labour market forecasts are: lower labour force participation and a lower number of employees, but higher wage growth (by an average of 2.4pp in 2023 and 1.5pp in 2024 than estimated in July). All in all, we get the impression that the projection did not give a clear signal to hold off on rate hikes, perhaps the next iteration of the projection will make the MPC consider hikes again.

MPC's Joanna Tyrowicz assessed that there is no reason to stop the interest rate hike cycle now. In her opinion, inflation will escape above the NBP's projections and will remain high for longer and the risk of recession is lower than the NBP's calculations show.

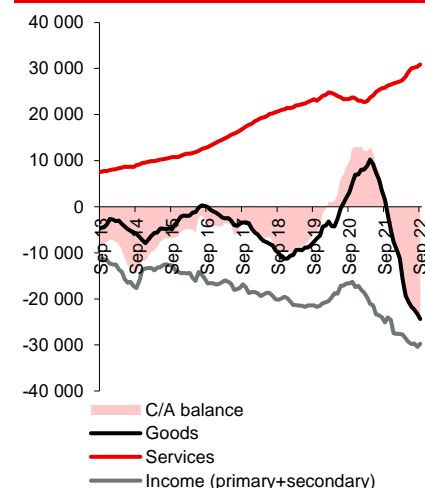
EURUSD oscillated around the 1.035 level. Better-than-expected September industrial production data from the Eurozone did not have a major impact on the exchange rate. Fed Deputy Chair Lael Brainard said that the Fed will soon slow the pace of rate hikes, but stressed that this does not mean an imminent end to rate hikes in the USA.

EURPLN rose from around 4.68 to around 4.71 despite a significantly higher-than-expected reading of Poland's current account balance. A factor that negatively weighed on the PLN was the government's decision to take Gazprom's assets into administration, in which the market saw a risk of escalating conflict in the region.

Other CEE currencies: EURHUF rose from near 402 to near 409. EURCZK rose from near 24.29 to near 24.31. CNB representative Eva Zamrazilova said that the mood in the region is better and a return to harsh interventions by the central bank to defend the koruna is unlikely. The CNB governor, in turn, said that in order to tame inflation in Czechia, the budget deficit needs to be reduced and wage growth needs to be limited "to, for example, no more than 5%."

Debt market: Domestic yield curve rose an average of about 9 bp across the board. The main markets also saw a slight upward rebound in yields.

Polish C/A balance and main components, 12M moving sum, €mn



Source: NBP, 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
Jarosław Kosaty +48 887 842 480
Marcin Luzziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4.7042 | CZKPLN | 0.1932 |
| USDPLN | 4.5213 | HUFPLN* | 1.1606 |
| EURUSD | 1.0406 | RUBPLN | 0.0749 |
| CHFPLN | 4.8062 | NOKPLN | 0.4553 |
| GBPPLN | 5.3466 | DKKPLN | 0.6323 |
| USDCNY | 7.0340 | SEKPLN | 0.4351 |

*for 100HUF

Last session in the FX market 14.11.2022

| | min | max | open | close | fixing |
|--------|--------|--------|--------|--------|--------|
| EURPLN | 4.6752 | 4.7169 | 4.6816 | 4.7146 | 4.6794 |
| USDPLN | 4.5271 | 4.5684 | 4.5451 | 4.5629 | 4.5383 |
| EURUSD | 1.0270 | 1.0350 | 1.0298 | 1.0333 | - |

Interest rate market 14.11.2022

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| PS1024 (2Y) | 7.22 | 10 |
| DS0727 (5Y) | 7.52 | 12 |
| DS0432 (10Y) | 7.29 | 6 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 7.48 | 3 | 5.10 | 4 | 2.73 | 0 |
| 2L | 7.32 | 0 | 4.74 | 7 | 2.93 | 0 |
| 3L | 6.94 | -4 | 4.38 | 6 | 2.87 | 0 |
| 4L | 6.64 | -6 | 4.17 | -9 | 2.83 | -2 |
| 5L | 6.48 | -8 | 4.03 | -24 | 2.82 | -2 |
| 8L | 6.34 | -7 | 3.86 | 2 | 2.83 | -3 |
| 10L | 6.33 | -6 | 3.85 | 3 | 2.88 | -2 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 6.70 | 5 |
| T/N | 6.76 | -8 |
| SW | 6.89 | 0 |
| 2W | 6.93 | 1 |
| 1M | 7.02 | -5 |
| 3M | 7.42 | -8 |
| 6M | 7.64 | -5 |
| 1Y | 7.75 | -11 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 7.21 | 4 |
| 3x6 | 7.26 | 6 |
| 6x9 | 7.26 | 6 |
| 9x12 | 7.10 | 4 |
| 3x9 | 7.44 | 8 |
| 6x12 | 7.38 | 5 |

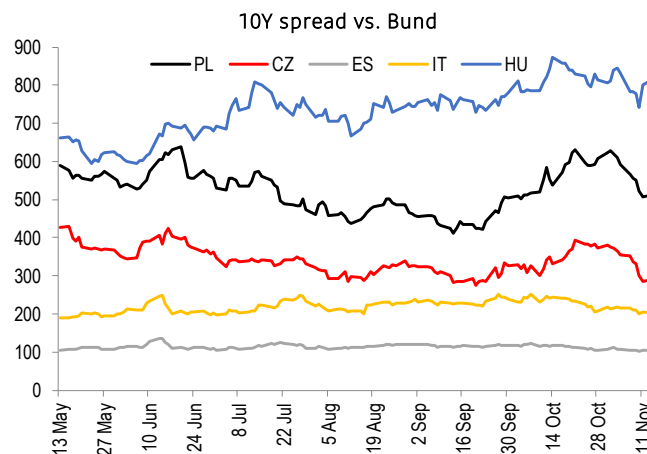
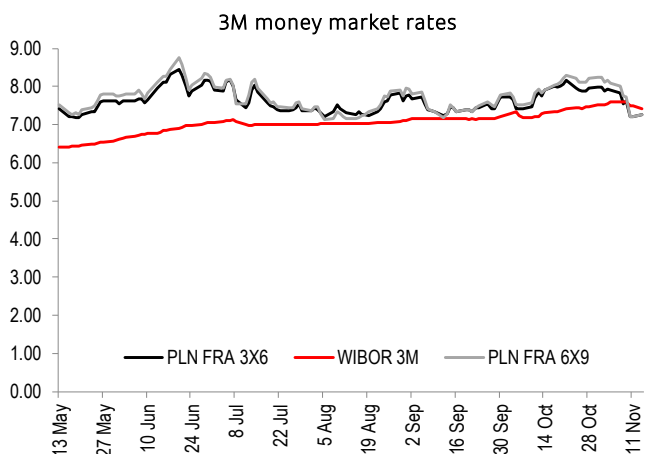
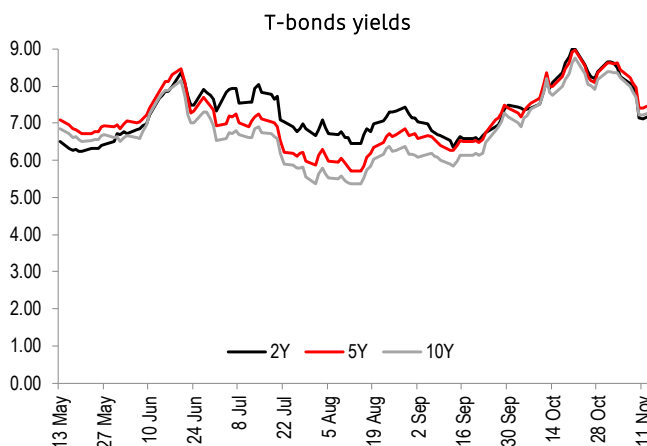
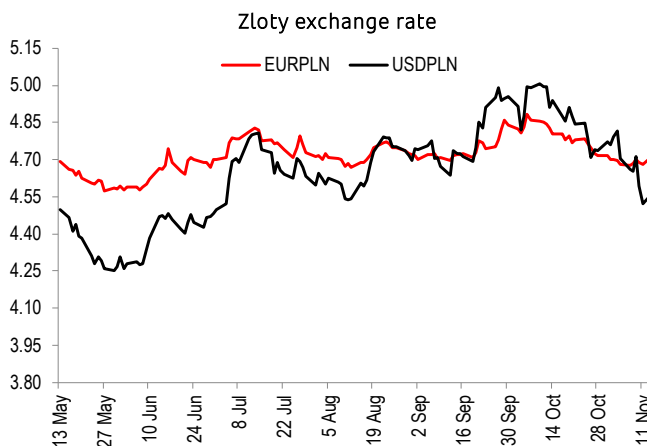
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 132 | -6 | 513 | 7 |
| France | 15 | 0 | 51 | 0 |
| Hungary | 229 | -5 | 814 | 14 |
| Spain | 58 | 1 | 106 | 1 |
| Italy | 58 | 0 | 203 | -1 |
| Portugal | 43 | 1 | 100 | 1 |
| Ireland | 20 | 0 | 52 | 2 |
| Germany | 18 | 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 | | | |
| THURSDAY (10 November) | | | | | | | | |
| 09:00 | CZ | CPI | Oct | % y/y | 17.9 | - | 15.1 | 18.0 |
| 14:30 | US | CPI | Oct | % m/m | 0.6 | - | 0.4 | 0.4 |
| 14:30 | US | Initial Jobless Claims | Nov.22 | k | 220 | - | 225 | 218 |
| FRIDAY (11 November) | | | | | | | | |
| | PL | National holiday | | | | | | |
| 08:00 | DE | HICP | Oct | % m/m | 1.1 | - | - | 2.2 |
| 16:00 | US | Michigan index | Nov | pts | 59.5 | - | - | 59.9 |
| MONDAY (14 November) | | | | | | | | |
| 11:00 | EZ | Industrial Production SA | Sep | % m/m | 0.3 | - | 0.9 | 2.0 |
| 14:00 | PL | Current Account Balance | Sep | €mn | -2929 | -2915 | -1561 | -3967 |
| 14:00 | PL | Trade Balance | Sep | €mn | -1921 | -2135 | -2054 | -2927 |
| 14:00 | PL | Exports | Sep | €mn | 27746 | 27422 | 28498 | 25358 |
| 14:00 | PL | Imports | Sep | €mn | 29667 | 29557 | 30552 | 28285 |
| TUESDAY (15 November) | | | | | | | | |
| 09:00 | HU | GDP | 3Q | % y/y | - | - | - | 6.5 |
| 10:00 | PL | CPI | Oct | % y/y | 17.9 | 17.9 | - | 17.2 |
| 10:00 | PL | GDP | 3Q | % y/y | 3.0 | 3.5 | - | 5.8 |
| 11:00 | EZ | GDP SA | 3Q | % y/y | - | - | - | 2.1 |
| 11:00 | DE | ZEW Survey Current Situation | Nov | pts | - | - | - | -72.2 |
| WEDNESDAY (16 November) | | | | | | | | |
| 14:00 | PL | CPI Core | Oct | % y/y | 11.2 | 11.1 | - | 10.7 |
| 14:30 | US | Retail Sales Advance | Oct | % m/m | 0.9 | - | - | 0.0 |
| 15:15 | US | Industrial Production | Oct | % m/m | 0.0 | - | - | 0.4 |
| THURSDAY (17 November) | | | | | | | | |
| 11:00 | EZ | HICP | Oct | % y/y | 9.9 | - | - | 10.7 |
| 14:30 | US | Housing Starts | Oct | % m/m | -1.0 | - | - | -8.1 |
| FRIDAY (18 November) | | | | | | | | |
| 16:00 | US | Existing Home Sales | Oct | % m/m | -7.0 | - | - | -1.5 |

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

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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.