

Eyeopener

Core inflation keeps going up

Today Polish core CPI for October, US data
 Moderate GDP slowdown in Poland in 3Q, CPI inflation confirmed at 17.9% y/y
 Euro zone GDP in line with expectations, US PPI inflation below forecasts
 Temporary PLN weakness on fears of war escalation, further decline of Polish bond yields

Today we will get to see domestic core inflation data for October (we estimate an increase to 11.1% y/y from 10.7% y/y) and data from the USA on retail sales and industrial production. UK CPI inflation for October, published this morning, rose more than expected (to 11.1% y/y from 10.1%, consensus 10.7%).

Euro zone GDP growth slowed in 3Q to 2.1% y/y and 0.2% q/q from 4.3% y/y and 0.8% q/q in 2Q. The data was in line with forecasts and economic activity in the EMU is expected to deteriorate further. In contrast, the German ZEW index surprised upwards and was at its highest since June, mainly due to a lowering of the inflation expectations index. PPI inflation data in the US came in below expectations and suggest a weakening of upward pressure on prices.

The **MPC has presented its assessment of the Budget Law for 2023**. According to Council members, GDP growth in 2023 may fall more sharply than assumed by the government (the budget assumed 1.7%, the latest NBP forecast showed 0.7%), while inflation will be higher. According to NBP estimates, the public finance deficit will show 3-4% of GDP in 2022 and will rise in 2023, with the government's forecast of 4.5% of GDP considered realistic. However, the Council noted that, adjusted for cyclical and one-off factors, the deficit next year will be close to this year's which implies a neutral fiscal policy stance rather than further easing. The cost of servicing public debt is estimated at 2.4% of GDP in 2023. (Polish version of the opinion [here](#), English version not yet available, but should appear [here](#))

Flash GDP data showed growth in Poland down to 3.5% y/y in 3Q22 from 5.8% y/y, in line with our forecasts and slightly above the market consensus (3.4% y/y). We think that next year average GDP growth could be close to 0%. Polish **October CPI inflation** was confirmed at 17.9% y/y, rising from 17.2% mostly on further rise in food and core categories. Core inflation most likely reached 11.1% y/y. We expect CPI to pause for a month at 17.9% y/y and to end the year slightly above 18% y/y. Read more in our [Economic Comment](#).

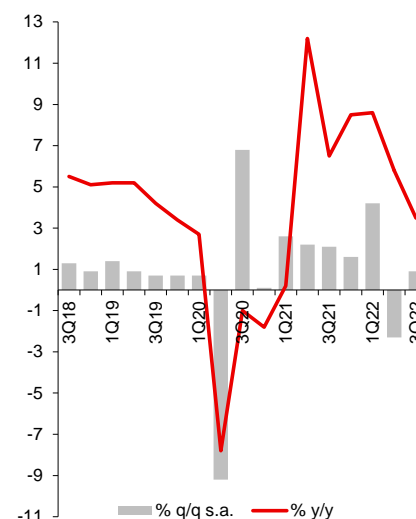
EURUSD ended the day at levels close to the opening levels, i.e. 1.03. During the day, after a much better-than-expected ZEW German analysts' confidence indicator, the rate tried to attack 1.05. However, in turn, better industrial data from the New York area helped the dollar make up for the entire daily loss against the euro.

EURPLN fluctuated in a wide band around the 4.71 level, with both the 4.68 and 4.74 areas tested during the day. The large fluctuations in the exchange rate are a result of falling expectations for rate hikes in the FRA market, which make the zloty more susceptible to swings in global market sentiment, as well as news that a missile, possibly stray, fell on the Polish territory near the border with Ukraine. This morning, the exchange rate is still around 4.72, although overnight the spread of the news triggered, on a wave of fears of an escalation of the conflict, a brief move to 4.78.

Other CEE currencies: **EURHUF** rose from near 407 to near 410. The forint was hurt by a weak 3Q GDP reading, which increases the risk of a technical recession in 4Q, and a euro-denominated bond issue - the first since June (raising doubts about whether an agreement will be reached with the EC on European funds, which, according to the Hungarian side, is already close). **EURCZK** rose from around 24.30 to near 24.34. The Czech koruna lost value after the parliament rejected the presidential tax amendments to this year's budget amendment. This ultimately resulted in a 1/3 increase in the 2022 budget deficit.

Debt market: Domestic yield curve continued its declines, especially in the middle and longer end of the curve. Expectations in the FRA market also fell, mostly the longer-dated contracts. Declines in the domestic market were induced by a lower-than-expected US producer inflation reading, which supported market expectations of a gradual weakening of global inflationary pressures.

Polish GDP growth



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7155	CZKPLN	0.1936
USDPLN	4.5409	HUFPLN*	1.1606
EURUSD	1.0384	RUBPLN	0.0752
CHFPLN	4.8066	NOKPLN	0.4545
GBPPLN	5.3820	DKKPLN	0.6337
USDCNY	7.0824	SEKPLN	0.4342

*for 100HUF

Last session in the FX market 15.11.2022

	min	max	open	close	fixing
EURPLN	4.6832	4.7110	4.7081	4.6862	4.6985
USDPLN	4.4798	4.5594	4.5569	4.5184	4.5143
EURUSD	1.0326	1.0480	1.0330	1.0370	-

Interest rate market 15.11.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.05	-17
DS0727 (5Y)	7.22	-30
DS0432 (10Y)	6.99	-30

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.38	-9	5.08	-2	2.68	-5
2L	7.05	-27	4.65	-9	2.83	-10
3L	6.64	-30	4.26	-12	2.77	-10
4L	6.34	-30	4.04	-12	2.72	-11
5L	6.17	-31	3.92	-11	2.70	-11
8L	6.03	-31	3.76	-10	2.77	-6
10L	6.03	-30	3.74	-11	2.76	-12

WIBOR rates

Term	%	Change (bps)
O/N	6.55	-15
T/N	6.76	0
SW	6.89	0
2W	6.94	1
1M	7.02	0
3M	7.42	0
6M	7.62	-2
1Y	7.73	-2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.24	2
3x6	7.22	-4
6x9	7.17	-9
9x12	6.93	-17
3x9	7.39	-4
6x12	7.29	-9

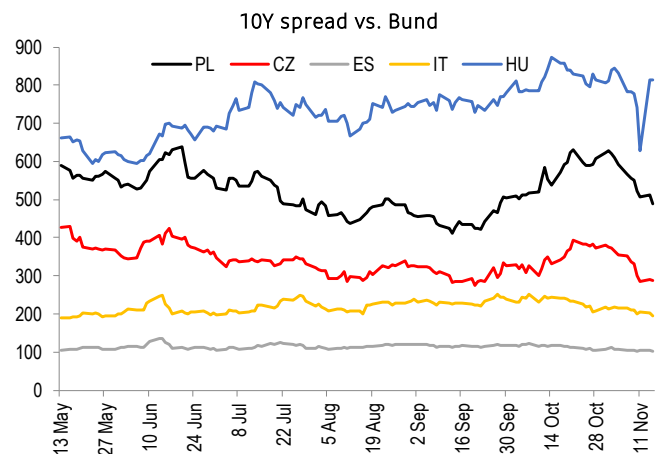
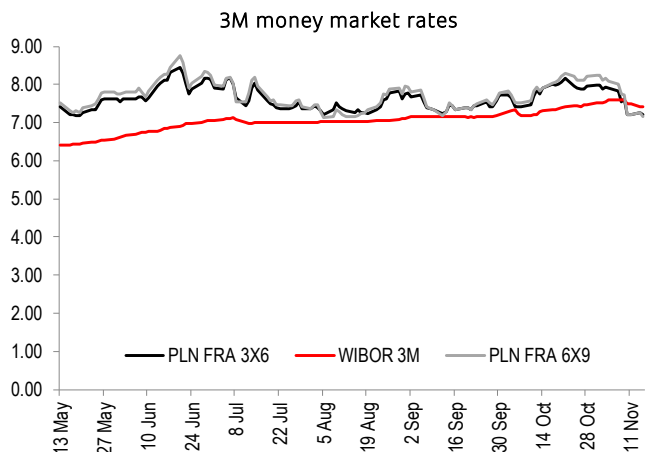
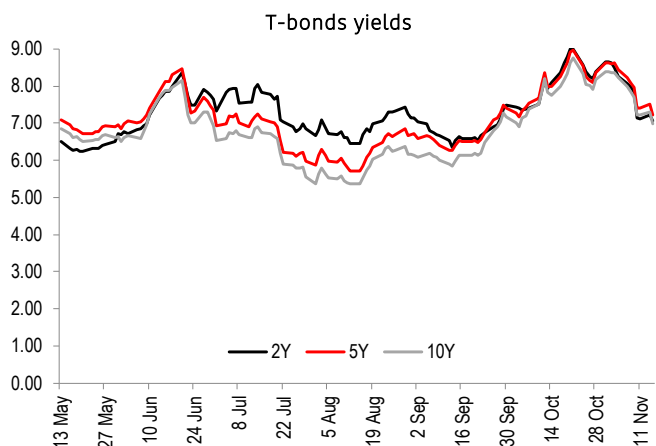
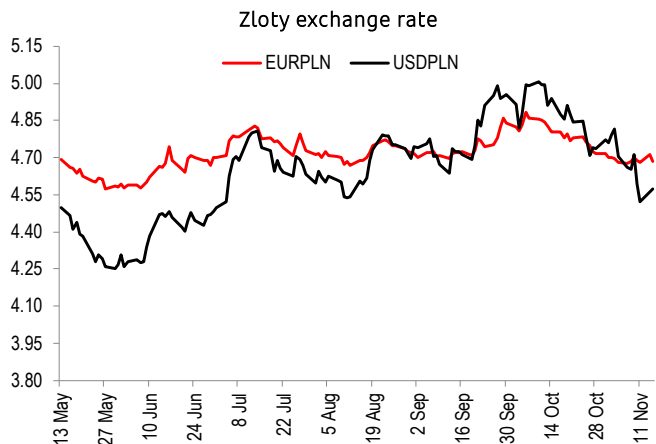
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	132	0	489	-24
France	15	0	49	-2
Hungary	223	-5	815	1
Spain	58	0	103	-3
Italy	58	0	195	-8
Portugal	43	0	98	-3
Ireland	20	0	53	1
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	-	-	3.5	6.5
10:00	PL	CPI	Oct	% y/y	17.9	17.9	17.9	17.2
10:00	PL	GDP	3Q	% y/y	3.4	3.5	3.5	5.8
11:00	EZ	GDP SA	3Q	% y/y	-	-	2.1	4.3
11:00	DE	ZEW Survey Current Situation	Nov	pts	-	-	-64.5	-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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