

Weekly Economic Update

Flash inflation and GDP details

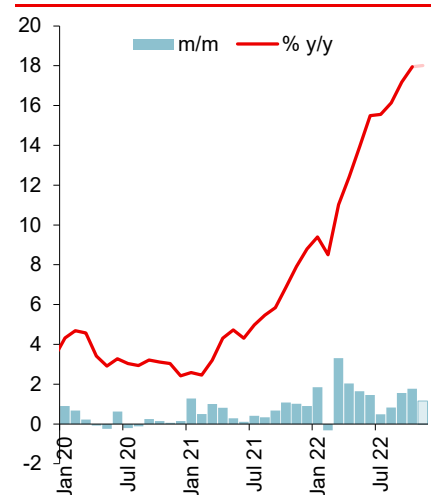
Economy next week

- The last set of economic data for October published in the recent days have been mostly disappointing, with [growth in wages](#), [retail sales](#), manufacturing and industrial orders, as well as money supply slowing down and below forecasts. Corporate earnings also deteriorated markedly in 3Q22. This looks like a prelude to a (what we expect to be) pronounced deceleration in the economy, which we expect to culminate in H1 2023 (when GDP y/y growth will likely drop below zero). This deceleration should support disinflationary trends, eventually. However, before it happens, inflation will still rise in the coming months.
- **On Wednesday, the flash CPI reading for November will be released. Our forecast is 18.0% y/y** - marginally higher than in October, boosted in part by the still high food price dynamics, but also by continued momentum in core inflation (11.4% y/y in our view). This is still very high and rising inflation, and we expect it to peak above 20% y/y in February 2023 (it is difficult to be precise at the moment, as there is still uncertainty surrounding the impact of measures that are supposed to offset the VAT increase on fuel and energy). But the fact that the increase in the annual inflation rate (+0.1pp), as well as the monthly price change (1.1% m/m), will be smaller this time than in previous months, may be another argument for the market to reduce expectations of possible further rate hikes.
- **Wednesday will also see Q3 GDP data**, revealing the full breakdown of economic growth, which according to the preliminary reading slowed to 3.5% y/y. We expect a slight slowdown in consumption growth to 4.5% y/y, investment to 5% y/y, a negative contribution from inventory change (around -3pp) and, on a similar scale, a positive contribution from net exports. A stronger slowdown in GDP and its components is a theme for the next two to three quarters.
- **On Thursday, the PMI for Polish manufacturing** - according to our forecast it may rebound slightly from the October level of 42 points, similarly to what the preliminary indices for other European countries or the Central Statistical Office (GUS) business climate index did. But this will not fundamentally change the picture for industry, which is clearly in the process of reducing production.
- Abroad, a number of countries will publish inflation and GDP data, there will be PMIs, ESI, consumer sentiment and US real estate market data, and the week will end with the US labour market report. So there will potentially be plenty of opportunity to swing market sentiment should there be any significant data surprises.

Markets next week

- "Black weekend" on the financial markets was rather green: stock markets rose, yields declined, the zloty strengthened. In the following week on the FX market, we expect EURPLN to continue hovering near 4.70. An opportunity for a correction and an upward movement of EURPLN could arise if data from either home or abroad surprised in a direction that once again increased concerns about the persistence of inflation, and the dollar strengthened. However, this is not our baseline scenario, at least until Friday afternoon, when the US employment report could pull EURUSD slightly lower.
- In the bond market, after several weeks of falling yields, we seem to be approaching a gradual unwinding. But we are not convinced that this movement will happen already in the coming week. Much will depend on the data. These in the coming days are unlikely, in our view, to generate sufficient impetus for a clear correction.

CPI inflation rate, %

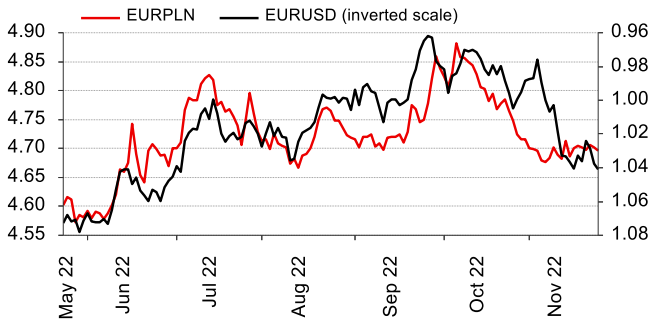


Source: GUS, Santander

Economic Analysis Department:

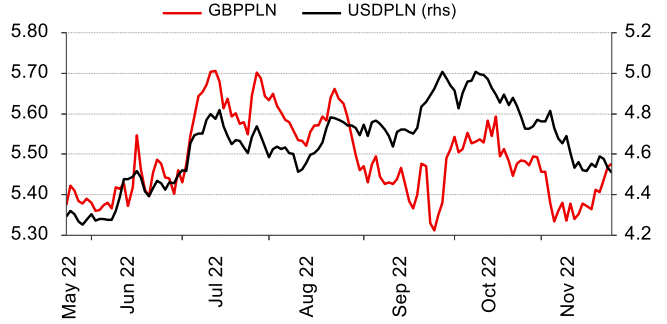
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EURPLN and EURUSD



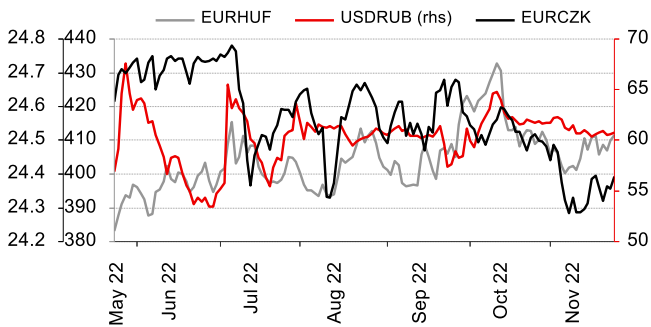
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



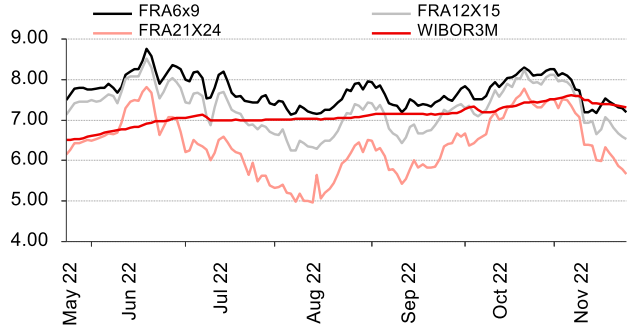
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



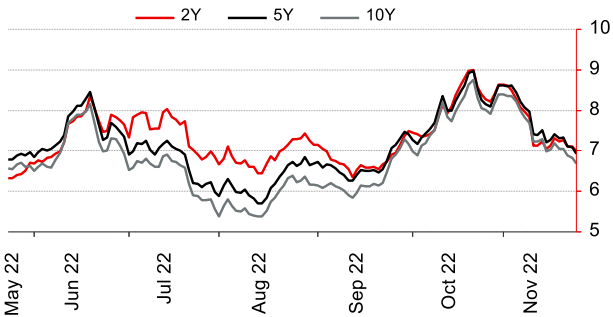
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



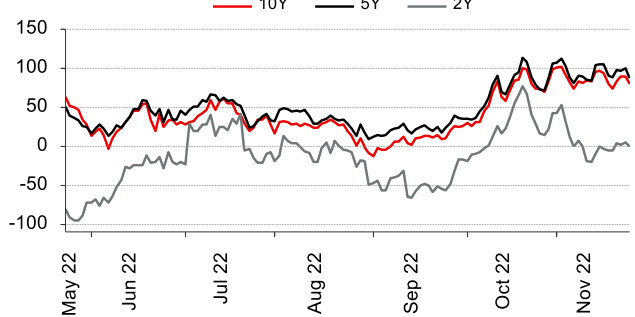
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



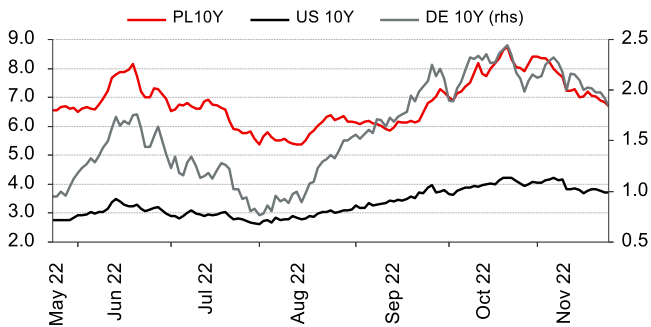
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



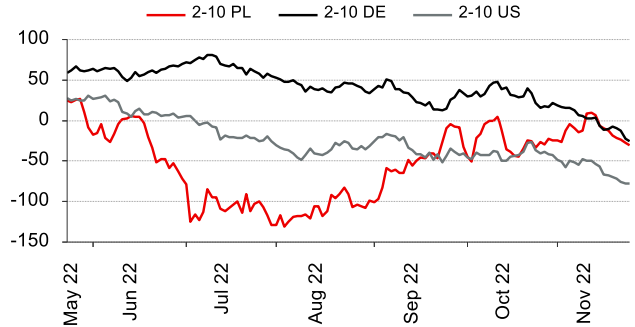
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
MONDAY (28 November)						
No key events						
TUESDAY (29 November)						
11:00	EZ	ESI	Nov	pct.	93.5	92.5
14:00	DE	HICP	Nov	% m/m	1.9	1.1
16:00	US	Consumer Conference Board	Nov	pts	100.0	102.5
WEDNESDAY (30 November)						
10:00	PL	CPI	Nov	% y/y	18.0	17.9
10:00	PL	GDP	3Q	% y/y	3.5	5.8
11:00	EZ	Flash HICP	Nov	% y/y	11.2	10.7
14:15	US	ADP report	Nov	k	195.0	239.0
14:30	US	GDP Annualized	3Q	% Q/Q	2.7	2.6
16:00	US	Pending Home Sales	Oct	% m/m	-5.15	-10.17
THURSDAY (1 December)						
09:00	PL	Poland Manufacturing PMI	Nov	pts	-	43.0
09:00	HU	GDP	3Q	% y/y	-	4.0
09:55	DE	Germany Manufacturing PMI	Nov	pts	46.7	45.1
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	47.3	46.4
11:00	EZ	Unemployment Rate	Oct	%	6.6	6.6
14:30	US	Initial Jobless Claims	Nov.22	k	225.0	240.0
14:30	US	Personal Spending	Oct	% m/m	0.8	0.6
14:30	US	Personal Income	Oct	% m/m	0.4	0.4
14:30	US	PCE Deflator SA	Oct	% m/m	0.4	0.3
16:00	US	ISM manufacturing	Nov	pts	49.8	50.2
FRIDAY (2 December)						
08:00	DE	Exports SA	Oct	% m/m	0.0	-0.6
09:00	CZ	GDP SA	3Q	% y/y	-	1.6
14:30	US	Change in Nonfarm Payrolls	Nov	k	200.0	261.0
14:30	US	Unemployment Rate	Nov	%	3.7	3.7

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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