

Eyeopener

Inflation and GDP today

Today in Poland flash November inflation, 3Q GDP

ESI indicators in Poland slightly up

Flash inflation in Germany lower than in October

EURPLN stable, further decline of expected interest rate path in Poland

Today we will get to see the preliminary CPI inflation reading for November. Our forecast is 18.0% y/y - marginally higher than in October, boosted in part by still high food price growth, but also by continued momentum in core inflation (rising to 11.4% y/y, in our view). This is still very high and rising inflation, and we do not expect it to peak until February 2023. If our estimates turn out to be accurate, the increase in the annual inflation rate (+0.1pp), as well as the monthly price change (1.1-1.2% m/m), will be smaller this time than in previous months, and this could be another argument for the market to reduce expectations of possible further rate hikes. Also today, 3Q GDP data will be out, revealing the breakdown of the economic growth, which according to the preliminary reading slowed to 3.5% y/y from 5.8%. We expect a slight slowdown in consumption growth to 4.5% y/y (the NBP's projection indicates a deceleration close to 2%, a much higher reading would give the MPC food for thought on the inflationary pressures remaining in the Polish economy), investment to 5% y/y, a negative contribution from inventory changes (c. -3pp) and a positive contribution of a similar size from net exports. Stronger slowdown in GDP and its components is a theme for the next two-three quarters

The European Commission's **headline ESI for the euro area** in November went back up to its September level. Its average for November and October is below that for 3Q, suggesting a deceleration of this economy in 4Q, led by industry and services. The indices for Germany and Italy improved significantly and those for France and Spain markedly fell. Most of sectoral **ESI indicators for Poland** showed a slight improvement in November. In industry and services, output price indices fell, and consumers' assessment of the inflation outlook also declined. Consumers expressed the worst outlook for their own financial situation since 2013 and their assessment of the state of the economy is the worst since the data have been available (2001). Their willingness to undertake large expenditures has also fallen. The ESI survey for Poland also expressed a rather large increase in consumers' assessment of the risk of unemployment, while sectoral employment indexes are still relatively high (except in industry). The biannual question on investment plans showed a reduced estimate of the growth of outlays for this year (to -8% from +4%, the second lowest result after Estonia) and a very low one for next year (-21%, the lowest result out of 34 European countries surveyed).

At the government cabinet meeting, it was agreed that **ministries will prepare plans for spending cuts (up to 5%)** in case there is a shortage of funds for national defence, social security or energy. Zero VAT on food will be maintained through the first half of 2023, at a cost of PLN8billion. Restoring the 5% VAT rate would result in a CPI hike of more than 1 percentage point.

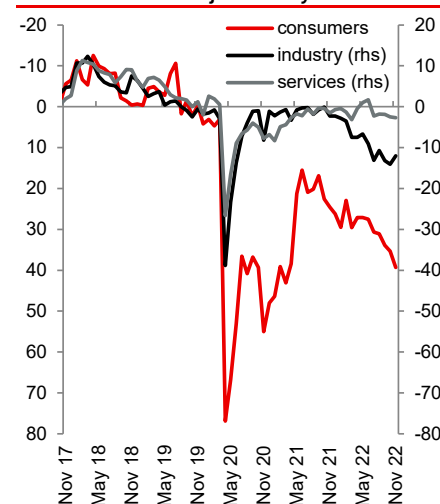
EURUSD remained around 1.035. Lower inflation figures from Germany (HICP 11.3% y/y vs. 11.6% previously) and Spain (HICP 6.6% y/y after 7.3%) lowered the ECB's interest rate target expectations. However, the exchange rate held its ground due to weak US consumer sentiment data which fell to its lowest level in four months.

EURPLN fluctuated around 4.68, with the exchange rate awaiting the week's main event, i.e. the publication of preliminary inflation data for November and 3Q GDP.

Other CEE currencies: EURCZK rebounded to 24.36 from around 24.31. EURHUF held steady near 406.

Debt market: Domestic yield curve fell in the belly and at the longer end by about 7bp on average. Rate hike expectations on the longer end of the FRA market also continued to fall. The German curve fell by about 9bp on average after November's inflation reading from Germany came in lower than October's. The US curve remained stable on Tuesday.

ESI, Poland: employment indicators of selected sectors and consumer job security index



Source: European Commission, Santander

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FX market

Today's opening

EURPLN	4.6736	CZKPLN	0.1917
USDPLN	4.5155	HUFPLN*	1.1305
EURUSD	1.0350	RUBPLN	0.0741
CHFPLN	4.7397	NOKPLN	0.4519
GBPPLN	5.3987	DKKPLN	0.6284
USDCNY	7.1420	SEKPLN	0.4274

*for 100HUF

Last session in the FX market 29/11/2022

	min	max	open	close	fixing
EURPLN	4.6672	4.6857	4.6707	4.6798	4.6813
USDPLN	4.4961	4.5326	4.4993	4.5186	4.5164
EURUSD	1.0323	1.0393	1.0385	1.0353	-

Interest rate market 29/11/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.08	-2
DS0727 (5Y)	7.00	-8
DS0432 (10Y)	6.74	-7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.43	-3	5.17	2	2.75	-2
2L	7.05	-4	4.77	2	2.87	-5
3L	6.58	-6	4.35	3	2.79	-4
4L	6.26	-9	4.10	4	2.71	-5
5L	6.09	-9	3.95	5	2.67	-4
8L	5.92	-10	3.74	6	2.64	-3
10L	5.91	-10	3.70	6	2.67	-2

WIBOR rates

Term	%	Change (bps)
O/N	6.82	36
T/N	6.83	5
SW	6.89	1
2W	6.93	1
1M	6.97	3
3M	7.31	1
6M	7.49	0
1Y	7.65	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.29	2
3x6	7.33	3
6x9	7.31	0
9x12	7.00	-10
3x9	7.49	0
6x12	7.42	3

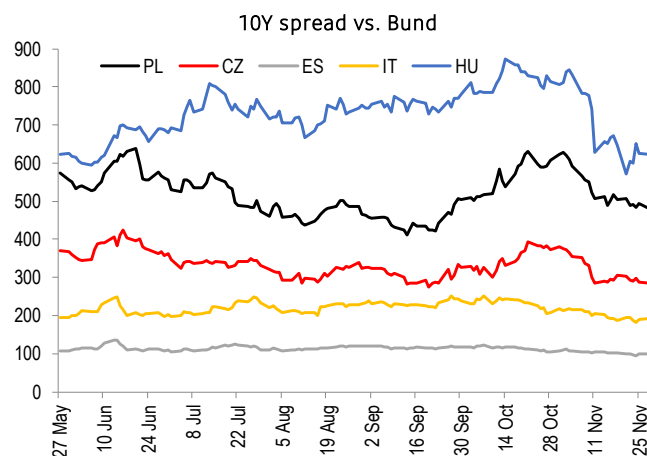
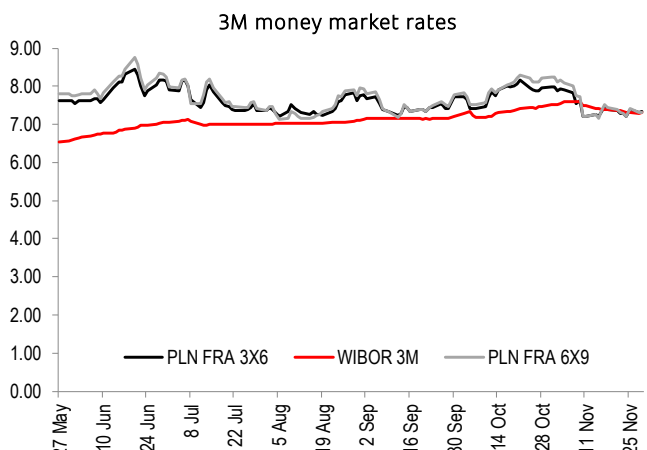
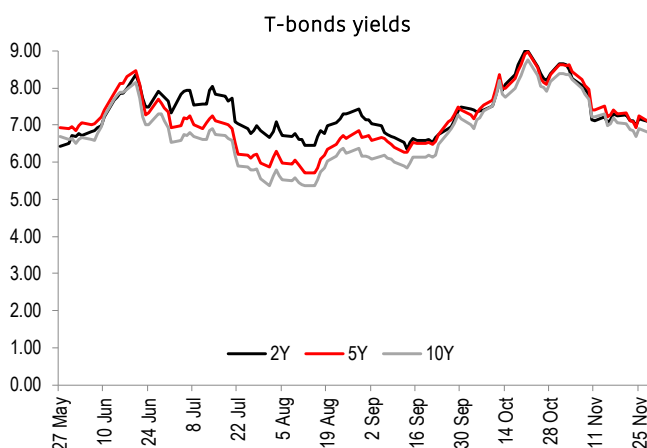
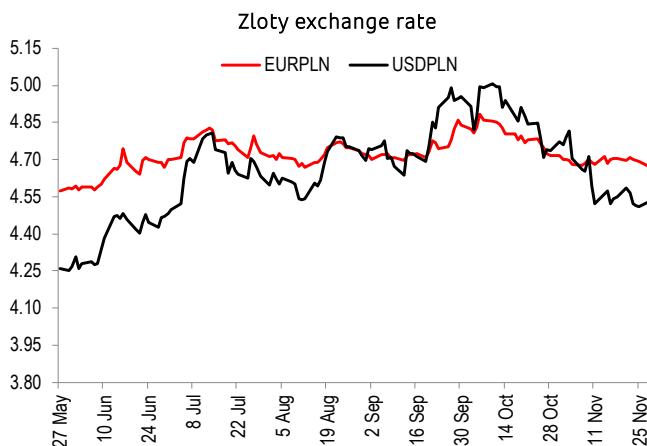
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	-3	483	1
France	15	0	63	0
Hungary	217	3	632	9
Spain	55	0	100	0
Italy	55	0	191	-1
Portugal	40	0	94	-1
Ireland	20	0	46	1
Germany	15	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		
FRIDAY (25 November)							
08:00	DE	GDP WDA	3Q	% y/y	1.2	1.3	1.2
10:00	PL	Unemployment Rate	Oct	%	5.1	5.1	5.1
MONDAY (28 November)							
No key events							
TUESDAY (29 November)							
11:00	EZ	ESI	Nov	pct.	93.5	93.7	92.7
14:00	DE	HICP	Nov	% m/m	0.1	0.0	1.1
16:00	US	Consumer Conference Board	Nov	pts	100.0	100.2	102.2
WEDNESDAY (30 November)							
10:00	PL	CPI	Nov	% y/y	18.0	18.0	-
10:00	PL	GDP	3Q	% y/y	3.5	3.5	-
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, Bloomberg, Parkiet

* in the case of a revision the data is updated

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