

30 January 2023

Eyeopener

How much did GDP slow down in 4Q?

Today GDP data from Poland in 2022 and from Germany in 4Q22
 Headline and core PCE inflation recorded further declines in December
 S&P downgraded Hungary's credit rating
 Zloty stronger versus euro, yields slightly lower

Today we will get to see data on Polish GDP growth. The data will be for the entire year, but will give us the opportunity to assess how did the economy perform in the last quarter of 2022. Our forecast for 2022 is 4.8%, which would be consistent with 1.8%-1.9% y/y growth in 4Q. The median forecast according to Bloomberg is 4.6% for the full year and 1.8% y/y in 4Q. In addition to GDP, its breakdown will be also important, in particular the extent of the slowdown in consumption -the smaller it turns out to be, the more justified are doubts about the pace of disinflation in upcoming quarters. From abroad, we will also see the 4Q GDP reading from Germany, Poland's main trading partner, and the ESI index of economic sentiment in the euro zone for January.

US PCE deflator rose 0.1% m/m in December to 5.0% y/y vs. 5.5% y/y previously. In contrast, the **core PCE deflator**, the Fed's favorite inflation measure, rose 0.3% y/y in December as expected, up from 0.2% previously in November, indicating that price pressures are continuing and that the moderate annual pace (at 4.4% y/y vs. 4.7% y/y in November) is still mainly due to base effects. **Personal income** in the US slowed further in December to 0.2% m/m from 0.3% m/m in November (vs. 0.8% m/m in October), as did **personal spending**, which declined 0.2% m/m in December vs. a 0.1% m/m decline in November. This spending adjustment led to a slight increase in the savings rate, to 3.4% from 2.9% (and 2.5% at the very beginning of 4Q 2022). The Michigan Index, describing the US consumer sentiment, rose from 59.7pts to 64.9pts in January, indicating a gradual recovery. There was an improvement in both the current situation assessment component (up to 68.6 points from 60.2 points in November) and the assessment of the future (up from 58.4 points to 62 points).

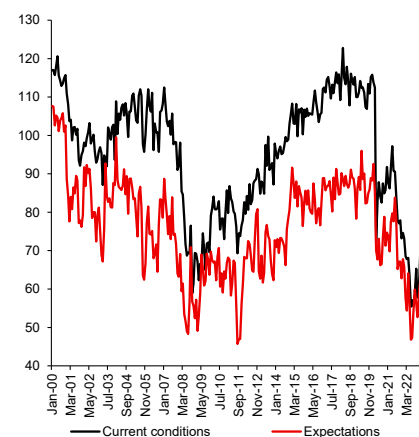
EURUSD remained below 1.09. Despite a further decline in PCE inflation and a gradual reduction in spending by Americans, consumer sentiment in the USA recorded further improvement, which kept the exchange rate from further increases. This week, the focus of the exchange rate will be the Fed and ECB decision-making meetings.

EURPLN oscillated in the 4.70 - 4.73 zone, ending the day closer to its lower limit. Support for the zloty turned out to be provided by data from the US indicating the mild nature of the slowdown in the US economy.

Other CEE currencies: EURHUF rose from 386 to around 391. S&P Credit rating agency downgraded Hungary's credit rating from BBB/A2 to BBB-/A3 with a stable outlook. According to the agency, high energy prices and rising interest costs with already high levels of public debt will challenge the Hungarian government's consolidation plans. EURCZK oscillated around 23.80.

Debt market: domestic yield curve fell by about 6bp on average. Yields on the main markets remained stable.

Michigan index, pts



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.7071	CZKPLN	0.1972
USDPLN	4.3373	HUFPLN*	1.2118
EURUSD	1.0854	RUBPLN	0.0623
CHFPLN	4.6967	NOKPLN	0.4363
GBPPLN	5.3570	DKKPLN	0.6322
USDCNY	6.7531	SEKPLN	0.4194

*for 100HUF

Last session in the FX market						27/01/2023
	min	max	open	close	fixing	
EURPLN	4.7007	4.7121	4.7061	4.7016	4.7076	
USDPLN	4.3183	4.3429	4.3299	4.3319	4.3252	
EURUSD	1.0835	1.0895	1.0872	1.0853	-	

Interest rate market 27/01/2023

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.90	-4
DS0727 (5Y)	5.81	-7
DS0432 (10Y)	5.80	-9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.95	-1	5.04	0	3.23	1
2L	6.28	-2	4.46	3	3.24	1
3L	5.71	-2	4.04	3	3.06	2
4L	5.44	-2	3.79	2	2.96	3
5L	5.31	-2	3.66	4	2.89	3
8L	5.20	-2	3.50	2	2.82	3
10L	5.23	-4	3.48	2	2.83	3

WIBOR rates

Term	%	Change (bps)
O/N	6.54	-15
T/N	6.74	-2
SW	6.82	0
2W	6.85	0
1M	6.89	0
3M	6.94	-1
6M	6.99	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.93	0
3x6	6.92	-1
6x9	6.81	-2
9x12	6.41	-1
3x9	6.93	-4
6x12	6.80	-2

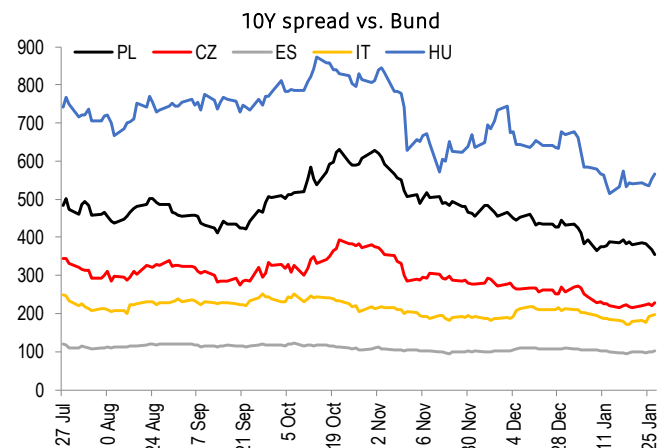
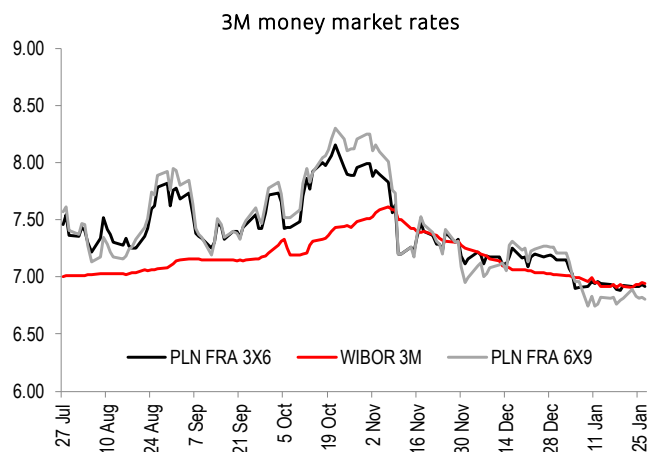
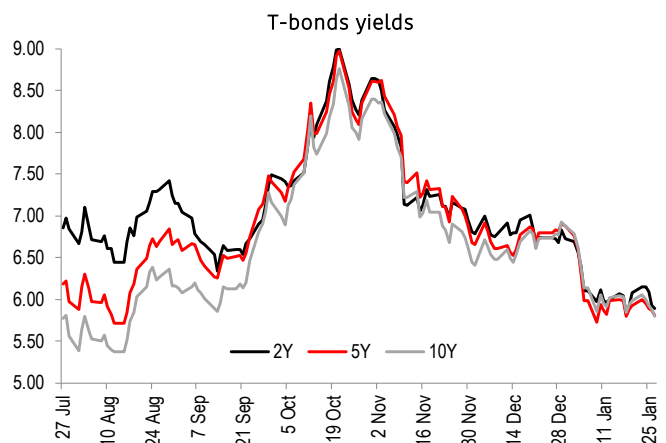
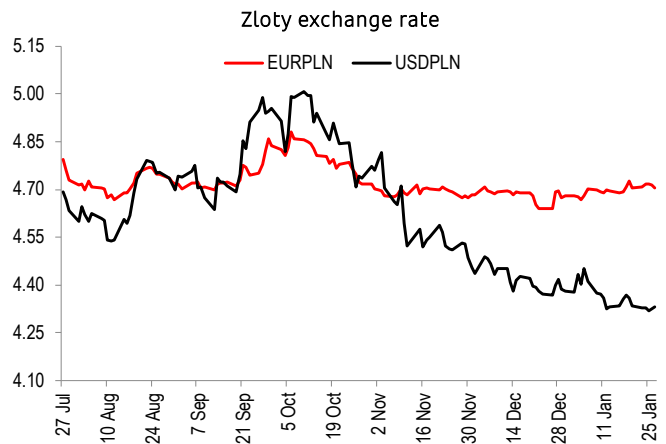
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	110	0	355	-12
France	10	0	47	0
Hungary	192	-4	567	14
Spain	45	-3	102	2
Italy	45	0	199	4
Portugal	30	-2	92	3
Ireland	15	0	45	-1
Germany	11	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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (27 January)								
14:30	US	Personal Spending	Dec	% m/m	-0.1	-	-0.2	0.1
14:30	US	Personal Income	Dec	% m/m	0.2	-	0.2	0.3
14:30	US	PCE Deflator SA	Dec	% m/m	-	-	0.1	0.1
16:00	US	Michigan index	Jan	pts	64.6	-	64.9	59,7
16:00	US	Pending Home Sales	Dec	% m/m	-1.0	-	2.5	-2.6
MONDAY (30 January)								
	DE	Retail Sales	Dec	% m/m	0.2	-	-	1.7
10:00	PL	GDP	2022	% y/y	4.8	4.8	-	6.8
10:00	DE	GDP WDA	4Q	% y/y	1.3	-	-	1.3
11:00	EZ	ESI	Jan	pct.		-	-	95,8
TUESDAY (31 January)								
09:00	CZ	GDP SA	4Q	% y/y	0.2	-	-	1.5
11:00	EZ	GDP SA	4Q	% y/y	-	-	-	2.3
14:00	DE	HICP	Jan	% y/y	9.9	-	-	9,6
16:00	US	Consumer Conference Board	Jan	pts	109.4	-	-	108.3
WEDNESDAY (1 February)								
09:00	PL	Poland Manufacturing PMI	Jan	pts	-	46.0	-	45.6
09:55	DE	Germany Manufacturing PMI	Jan	pts	47.0	-	-	47.1
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	48.8	-	-	47.8
11:00	EZ	Flash HICP	Jan	% y/y	9.1	-	-	9.2
11:00	EZ	Unemployment Rate	Dec	%	6.5	-	-	6.5
14:15	US	ADP report	Jan	k	160	-	-	235
16:00	US	ISM manufacturing	Jan	pts	48.2	-	-	48.4
20:00	US	FOMC decision			4.75	-	-	4.5
THURSDAY (2 February)								
08:00	DE	Exports SA	Dec	% m/m	-	-	-	0.4
14:15	EZ	ECB Main Refinancing Rate		%	-	-	-	2.5
14:30	US	Durable Goods Orders	Dec	% m/m	2.5	-	-	5.6
14:30	US	Initial Jobless Claims	week	k	205.0	-	-	186.0
14:30	CZ	Central Bank Rate Decision			7.0	-	-	7.0
16:00	US	Factory Orders	Dec	% m/m	1,2	-	-	-1.8
FRIDAY (3 February)								
02:45	CN	Caixin China PMI Services	Jan	pts	-	-	-	48.0
09:55	DE	Markit Germany Services PMI	Jan	pts	50.4	-	-	49,2
10:00	EZ	Eurozone Services PMI	Jan	pts	50.7	-	-	49,8
14:30	US	Change in Nonfarm Payrolls	Jan	k	175,0	-	-	223
14:30	US	Unemployment Rate	Jan	%	3,6	-	-	3.5
16:00	US	ISM services	Jan	pts	50.5	-	-	49.2

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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