

14 February 2023

## Eyeopener

### Polish GDP, US inflation

Today Polish flash GDP data for 4Q22, US inflation  
 Strong deceleration of exports and imports in December  
 Zloty stays weak despite no further pressure from the dollar, bond yields higher

**Today**, the flash GDP estimate for 4Q22 will be released. According to our estimate, economy expanded by 2.2% y/y (in line with consensus) - which is more or less what is implied by the preliminary reading for the full year 2022 already shown at 4.9%, assuming that the first three quarters have not been revised (values in the range of 2.1-2.4% come into play, due to rounding inaccuracies). In our view, this would be consistent with a q/q change in seasonally-adjusted GDP around zero or marginally above it. Also today, US CPI inflation for January - the market expects 0.5% m/m after two months of lower readings and another rise in core inflation of 0.4%.

**December current account deficit** reached €2.5bn and was higher than expected (us: €1.8bn, market: €1.7bn). Export and import of goods slowed more than we expected, to 11.5% y/y from 25.2% y/y in November, and to 12.1% y/y from 20.3% y/y, respectively. The NBP commented that export was supported by strong performance in automobile industry, but in general it was weaker than our forecasts, with trade balance at -€2.7bn vs our expectations at -€2.1bn. Other balances were roughly in line with our forecasts with services at €2.7bn, primary incomes at -€2.4bn and secondary incomes at -€0.1bn. November current account was revised to +€0.3bn from -€0.4bn (export was revised higher by €1.2bn and import by €0.7bn), so the entire year balance printed -3.1% of GDP (vs -1.4% of GDP in 2021), as we forecasted. We think that exports will be under pressure in the months to come, given weaker global economic climate. Imports are also unlikely to accelerate, given disappointing performance of domestic consumption and decline in energy good prices, which constitute a significant share of Polish imports. We are thus expecting the current account deficit to stabilise and potentially even rise in 2023, if the government decides on heavy military spending.

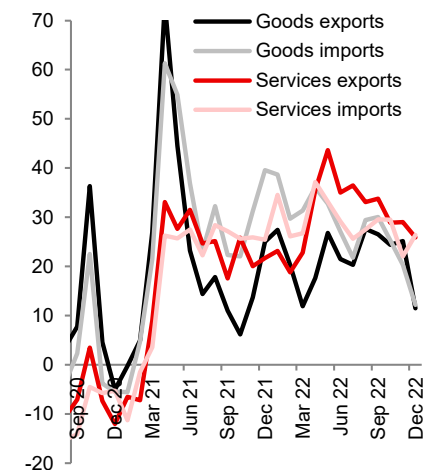
**In its winter forecasting round, the European Commission** lowered its forecast for Poland's GDP growth to 0.4% from 0.7% in 2023, and to 2.5% from 2.6% in 2024 (forecasts from the autumn round were published in November). The EC also expects lower inflation in Poland than so far: 11.7% in 2023 (revised from 13.8%) and 4.4% in 2024 (revised from 4.9%). This is clearly a lower path than the market assumes - the Bloomberg consensus for inflation is 13.1% in 2023 and 6.3% in 2024. It is worth noting, however, that the EC forecasts the HICP and the market forecasts the CPI. In the long run, the averages for HICP and CPI overlap, but in recent months HICP inflation in y/y terms has been 1.3 percentage points below CPI. If this difference continues in the near term, the EC's forecast of average HICP inflation at 17% in 1Q23 would imply over 18% for CPI, which is above market expectations (17.7%) and our forecast (17.5%). The EC forecast for inflation assumes that core inflation will remain elevated by strong wage increases and loose fiscal policy. However, lower wholesale energy prices will take effect over time and the labour market will weaken, with disinflation expected to be more pronounced in 2024 than in 2023. Even though in the case of Poland, the EC made the largest downward revision of inflation forecasts (taking the change in 2023 and 2024 together) among all EU countries, Polish inflation is still expected to be one of the highest in the EU (in 2023, second after Hungary, in 2024, third after Slovakia and Romania), according to the Commission.

**EURUSD** started the day below last week's range, but during the session it rebounded to 1.072 and the dollar was the weakest of the major global currencies apart from the JPY. In our view, the USD still has grounds to strengthen (fears of increased fighting in Ukraine, flying objects over the US and Canada could add to geopolitical tension), but much will also depend on today's US inflation data. FOMC voting member Michelle Bowman reiterated that the Fed is still not satisfied with the pace of inflation descent and policy tightening must continue.

**EURPLN** extended its upward move to 4.79. The unfavourable climate for the zloty is created by geopolitics and the clear, in our view, reduction of chances of unfreezing the EU recovery funds for Poland anytime soon after the Supreme Court Act was sent to the Constitutional Court. Today's GDP data may come to the rescue if growth turns out to be relatively good, but there are still several key risk events ahead for the domestic currency this week. EURCZK saw a gentle rise to 23.75, similar in magnitude to Friday, forint gained 1.3% vs the euro after Barnabas Virag's statement about caution in anticipation of disinflation and patience in anticipation of rate cuts.

**In the domestic debt market**, bond yields were still going up, as in the German market, while the valuation of future rate cuts was reduced further in the longer FRA rates. Today is the first of the two fairly large February bond auctions with a planned supply of PLN4-7 billion.

Polish foreign trade turnover, % y/y



Source: NBP, Santander

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**FX market**

Today's opening			
EURPLN	4.7827	CZKPLN	0.2009
USDPLN	4.4531	HUFPLN*	1.2393
EURUSD	1.0743	RUBPLN	0.0604
CHFPLN	4.8515	NOKPLN	0.4418
GBPPLN	5.3936	DKKPLN	0.6406
USDCNY	6.8155	SEKPLN	0.4302

\*for 100HUF

Last session in the FX market						13/02/2023
	min	max	open	close	fixing	
EURPLN	4.7713	4.7970	4.7789	4.7871	4.7895	
USDPLN	4.4583	4.4934	4.4807	4.4663	4.4856	
EURUSD	1.0661	1.0727	1.0668	1.0715	-	

**Interest rate market** 13/02/2023

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.32	15
DS0727 (5Y)	6.15	10
DS0432 (10Y)	6.16	6

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.01	0	5.31	0	3.40	1
2L	6.47	6	4.79	0	3.40	3
3L	5.92	4	4.37	1	3.21	3
4L	5.64	1	4.11	0	3.09	3
5L	5.51	-1	3.96	0	3.01	3
8L	5.38	-3	3.73	-3	2.91	1
10L	5.38	-5	3.68	-2	2.91	1

**WIBOR rates**

Term	%	Change (bps)
O/N	6.59	-4
T/N	6.70	-3
SW	6.83	0
2W	6.84	-1
1M	6.92	2
3M	6.92	-1
6M	6.99	0
1Y	7.10	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	6.94	0
3x6	6.97	1
6x9	6.88	4
9x12	6.55	6
3x9	7.01	4
6x12	6.91	4

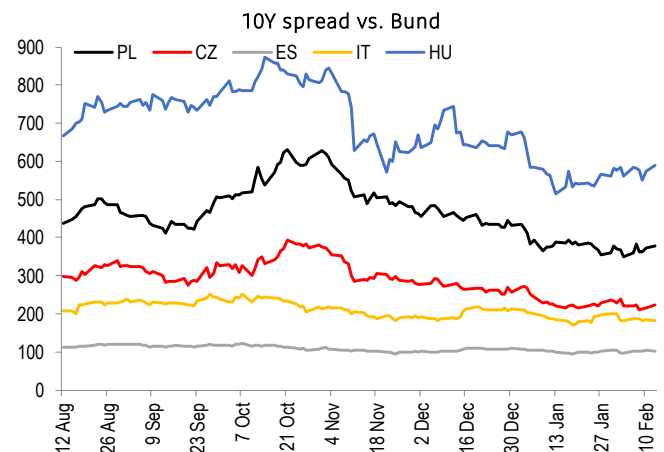
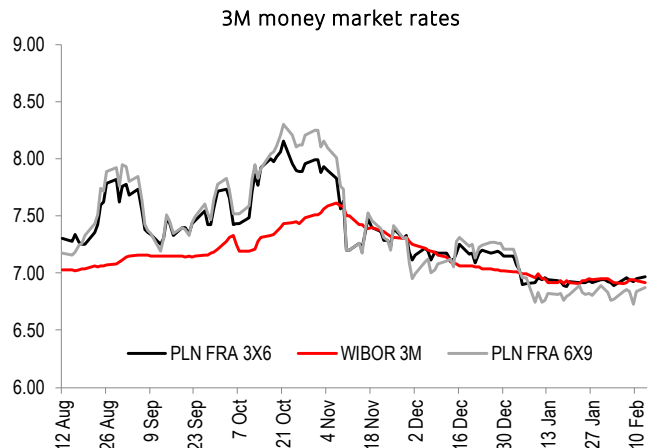
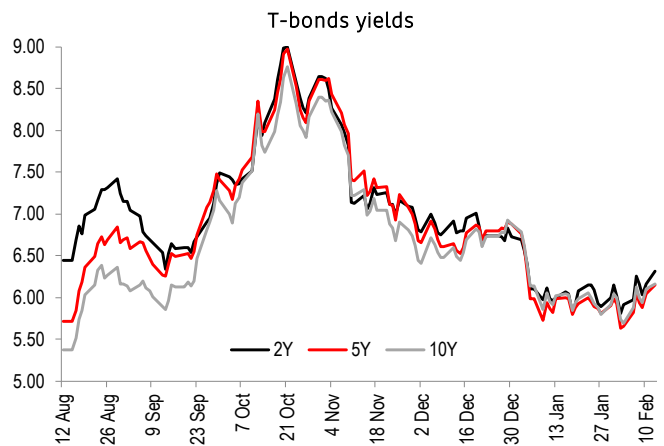
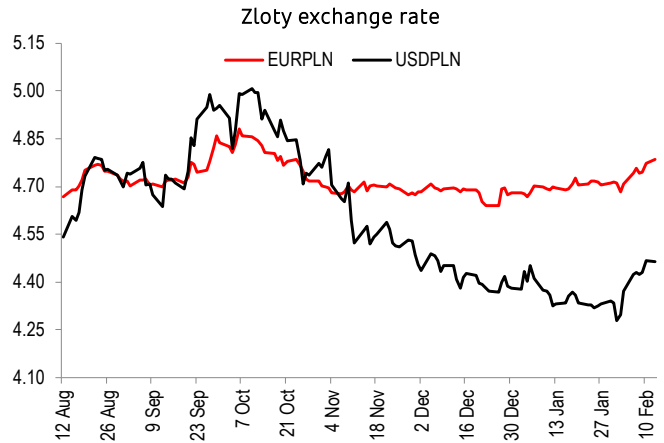
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	96	-1	379	5
France	10	0	46	0
Hungary	164	-1	590	14
Spain	43	-3	102	-1
Italy	43	-3	181	-4
Portugal	28	-3	86	-2
Ireland	18	0	44	-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			
<b>FRIDAY (10 February)</b>								
08:30	HU	CPI	Jan	% y/y	25.2	-	25.7	24.5
09:00	CZ	CPI	Jan	% y/y	17.1	-	17.5	15.8
16:00	US	Michigan index	Feb	pts	65.0	-	66.4	64.9
<b>MONDAY (13 February)</b>								
14:00	PL	<b>Current Account Balance</b>	Dec	€mn	-1660	-1764	-2526	313
14:00	PL	<b>Trade Balance</b>	Dec	€mn	-1951	-2148	-2716	-978
14:00	PL	<b>Exports</b>	Dec	€mn	27202	27011	26040	31234
14:00	PL	<b>Imports</b>	Dec	€mn	29105	29159	28756	32212
<b>TUESDAY (14 February)</b>								
09:00	HU	GDP	4Q	% y/y	0.8	-	-	4.0
10:00	PL	<b>GDP</b>	4Q	% y/y	2.2	2.2	-	3.6
11:00	EZ	GDP SA	4Q	% y/y	1.9	-	-	2.4
14:30	US	CPI	Jan	% y/y	6.2	-	-	6.5
<b>WEDNESDAY (15 February)</b>								
10:00	PL	<b>CPI</b>	Jan	% y/y	17.6	17.6	-	16.6
11:00	EZ	Industrial Production SA	Dec	% m/m	-0.7	-	-	1.0
14:30	US	Retail Sales Advance	Jan	% m/m	1.7	-	-	-1.1
15:15	US	Industrial Production	Jan	% m/m	0.5	-	-	-0.7
<b>THURSDAY (16 February)</b>								
09:30	PL	<b>ECJ advocate general: opinion on CHF mortgages</b>						
14:30	US	Initial Jobless Claims		k	190.0	-	-	196.0
14:30	US	Housing Starts	Jan	% m/m	-2.0	-	-	-1.4
14:30	US	PPI	Jan	% m/m	0.4	-	-	-0.5
<b>FRIDAY (17 February)</b>								
	PL	<b>S&amp;P rating/outlook review</b>						<b>A-/stable</b>

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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