

Eyeopener

GDP disappointed, time for inflation

Today Polish CPI for January, US retail sales and production
GDP fell significantly q/q in 1Q22
Higher than expected US CPI brought EURUSD to the starting point, lifted bond yields

Today, we will get to see the Polish CPI inflation in January. The chances that it fell for the third month in a row are slim, and the uncertainty about how much it increased is exceptionally high. Our forecast is 17.6% y/y (up 1 pp vs December) and is exactly equal to the median forecasts in the Bloomberg and Parkiet surveys. The forecast range according to Bloomberg is wide: 16.5%-18.9% y/y. Last week's January inflation readings from the Czech Republic and Hungary were above expectations, tilting the balance of risks to our inflation forecast slightly upwards.

GDP growth in 4Q22 slowed to 2.0% y/y, below the latest forecasts but still slightly above our projections made in late 2022. Seasonally adjusted GDP fell by 2.4% q/q, well below expectations, which was one of the worst results on record and the lowest in EU in 4Q22. The s.a. data are extremely volatile and we have doubts whether they give a correct picture of the actual trends in the economy. However, a look at the results of recent quarters taken together allows only one conclusion to be drawn: the economy has entered a severe slowdown or even a recession. Even if we cannot call it a 'technical recession' (two quarters of falling GDP were separated by a quarter of positive growth), the year 2022 was still a year of severe decline of real activity – the GDP level in constant prices dropped by c.4% between 1Q22 and 4Q22. We continue to believe that the bottom of this mini-cycle will be 1Q23, when GDP growth will drop below zero. In the following quarters we expect to see a gradual (slow) economic recovery. Please see more in the [Economic Comment](#).

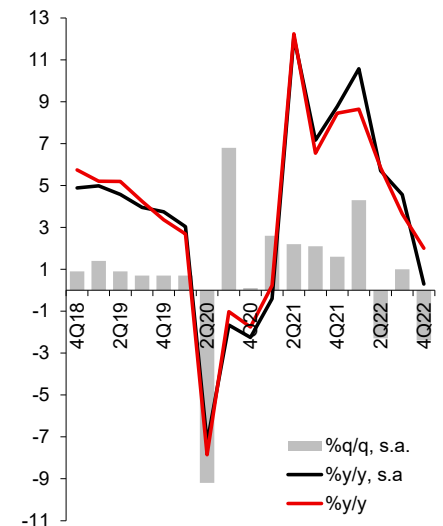
US inflation rose in m/m terms in line with market expectations (CPI up 0.5% and core inflation up 0.4%), but y/y price increases came in above expectations (CPI 6.4%, core inflation 5.6%) although a notch lower than previous readings. Large increases occurred in fuel (2.4% m/m) and gas (6.7% m/m), but in this reading it was more important to capture whether inflation would prove persistent in segments such as housing and other services spending (and yes, it did).

EURUSD initially continued Monday's climb, but after the release of US inflation data it was volatile, jumping up and down and struggling to find a direction, similarly to the stock markets. Ultimately, the rate fell to around 1.071 this morning.

EURPLN retreated to around 4.77 after domestic GDP data (apparently the market was unconcerned by the surprisingly large q/q drop). Today's inflation data, in our view, has the potential to significantly move the zloty (a high reading could help correct the excessive, in our view, market pricing of rate cut probability). An escape above 4.80 in the time horizon of this week still seems possible to us. The **EURCZK** with its descent to 23.72 reversed its rise from Monday. For the **forint**, it was the second consecutive day with a 1% appreciation against the euro, despite data on the second consecutive quarter of GDP contraction (although it turned out to be smaller than expected).

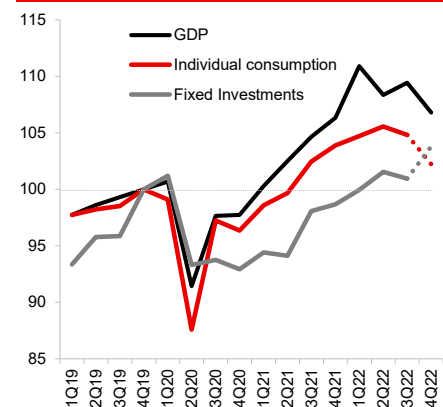
The domestic debt market was relatively stable ahead of today's CPI data. Yields rose 2-5 bp, while German Bunds weakened by 7-8 bp and UST by 7-10 bp. The swaps and FRA market also saw relatively little movement. At the bond auction, the Ministry of Finance sold securities worth PLN6.1bn against a demand of PLN8.3bn.

Polish GDP growth



Source: GUS, Santander

Levels of GDP and selected components, s.a., 4Q19 = 100



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7759	CZKPLN	0.2009
USDPLN	4.4590	HUFPLN*	1.2605
EURUSD	1.0711	RUBPLN	0.0604
CHFPLN	4.8270	NOKPLN	0.4364
GBPPLN	5.3936	DKKPLN	0.6406
USDCNY	6.8441	SEKPLN	0.4283

*for 100HUF

Last session in the FX market 14/02/2023

	min	max	open	close	fixing
EURPLN	4.7590	4.7978	4.7831	4.7750	4.7847
USDPLN	4.4127	4.4716	4.4541	4.4541	4.4463
EURUSD	1.0705	1.0804	1.0737	1.0719	-

Interest rate market 14/02/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.23	-8
DS0727 (5Y)	6.19	3
DS0432 (10Y)	6.21	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.03	2	5.39	7	3.44	4
2L	6.52	5	4.92	13	3.48	8
3L	5.99	7	4.51	14	3.30	9
4L	5.71	7	4.23	12	3.18	9
5L	5.58	7	4.05	9	3.10	9
8L	5.44	5	3.79	6	2.99	8
10L	5.43	5	3.72	4	2.98	8

WIBOR rates

Term	%	Change (bps)
O/N	6.66	7
T/N	6.70	0
SW	6.83	0
2W	6.84	0
1M	6.91	-1
3M	6.93	1
6M	7.00	1
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.95	1
3x6	6.99	2
6x9	6.90	3
9x12	6.57	2
3x9	7.03	2
6x12	6.91	0

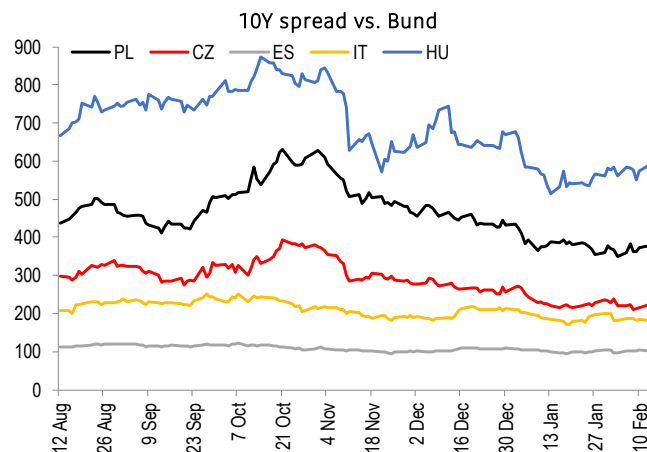
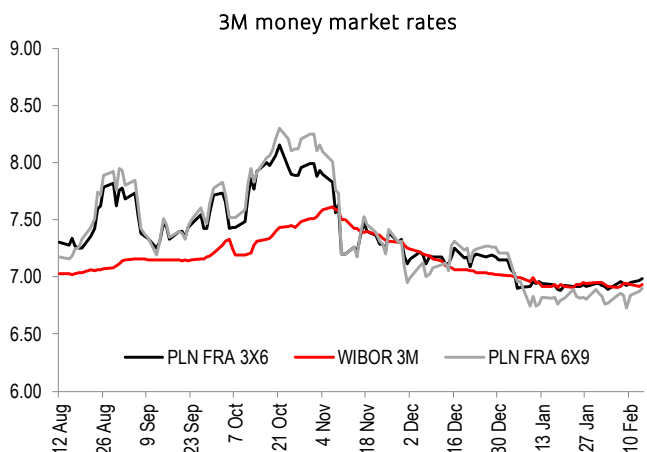
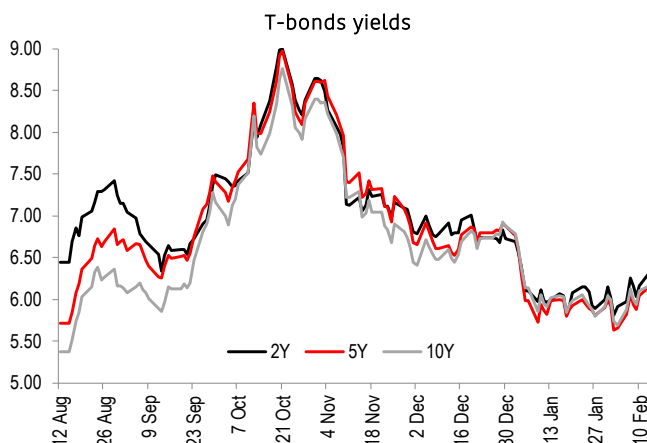
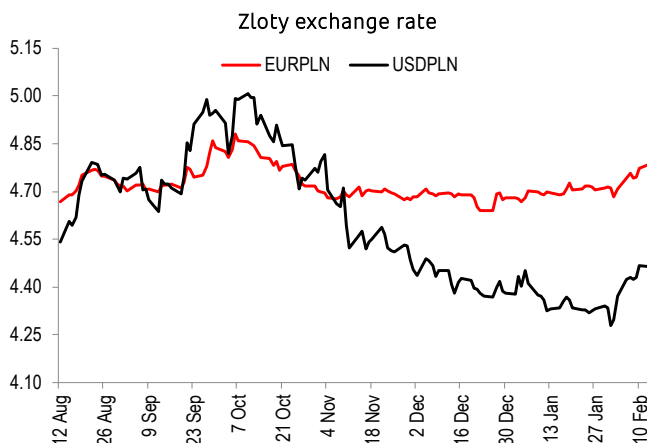
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	96	0	377	-2
France	10	0	46	0
Hungary	165	0	576	-13
Spain	43	0	101	-1
Italy	43	0	179	-2
Portugal	27	0	86	0
Ireland	17	0	45	0
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 (10 February)								
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
MONDAY (13 February)								
14:00	PL	Current Account Balance	Dec	€mn	-1660	-1764	-2526	313
14:00	PL	Trade Balance	Dec	€mn	-1951	-2148	-2716	-978
14:00	PL	Exports	Dec	€mn	27202	27011	26040	31234
14:00	PL	Imports	Dec	€mn	29105	29159	28756	32212
TUESDAY (14 February)								
09:00	HU	GDP	4Q	% y/y	1.2	-	0.4	4.0
10:00	PL	GDP	4Q	% y/y	2.2	2.2	2.0	3.6
11:00	EZ	GDP SA	4Q	% y/y	1.9	-	1.9	2.4
14:30	US	CPI	Jan	% y/y	6.2	-	6.4	6.5
WEDNESDAY (15 February)								
10:00	PL	CPI	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
THURSDAY (16 February)								
09:30	PL	ECJ advocate general: opinion on CHF mortgages						
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
FRIDAY (17 February)								
	PL	S&P rating/outlook review						A-/stable

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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