

Weekly Economic Update

The parliament, GDP growth and October CPI

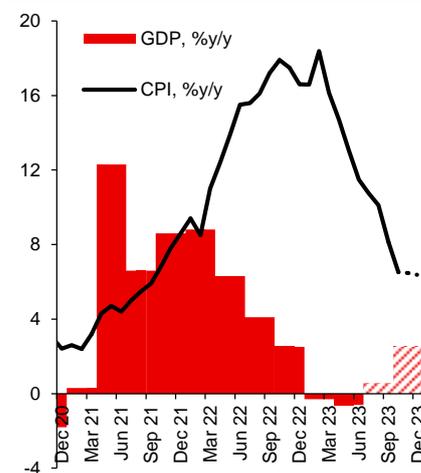
Economy next week

- The election results are almost month-old and it is time for the **first sitting of the new Parliament**, this Monday. The sitting will see the election of the new Speakers of the Chambers, which will test the consistency of the bloc of opposition parties holding the majority of seats in the Sejm and the Senate. The bloc signed a coalition agreement today, naming these speakers, among other things. These parties have communicated to the president their readiness to form a new government, but will have to wait for their turn. According to the recent presidential address, the privilege of setting up a new government will be given to Mateusz Morawiecki. Whether the president will announce this appointment immediately after Parliament meets or after a few days (no more than 14 according to the Constitution), the successor to the current head of the Financial Supervision Authority, whose term of office expires on 23 November, will be named by the current prime minister. Mateusz Morawiecki's new government, however, has a negligible chance of obtaining a vote of confidence in the Sejm, so the next step will be the formation of a coalition government - probably in the second half of December.
- In the coalition agreement signed today by KO, 3D and the Left, there were no 'hard' provisions on the extension of the anti-inflation shields, the increase of the tax-free allowance. The coalition is to submit legislation on wage hikes for the public sector within 100 days from the moment the government is sworn in. Despite media signals that these will be delivered, we still prefer to wait with forecast revisions, in particular for the CPI and the fiscal deficit.
- The coming week will also be important from the perspective of the information to come from the economy. On Tuesday we will learn the **flash estimate of 3Q GDP growth**, likely moving above zero (according to us to 0.6% y/y, according to the market to 0.4% y/y) after two quarters of negative prints. We will see the structure of growth on 30 November. It will also be important to check the **details of CPI inflation** (Wednesday). Its October move to 6.5% y/y has, in our view, ended the rapid disinflationary phase this year. Inflation next year may also be fairly flat - unless household electricity prices remain frozen for at least part of 2024. We will also learn the official calculation of core inflation (Thursday), which we estimate (8.0% y/y) to be clearly above CPI inflation for the first time since spring 2021. September's **balance of payments** (Monday) will, according to us, show the third consecutive negative C/A balance, although still small, with exports and imports falling slightly more y/y than before.
- Abroad, **US CPI inflation** and its core measure will be the key release of the coming week - the market assumes that core inflation will break the series of six y/y declines and hold at 4.1%. Apart from that, other notable releases include the second estimate of euro area's 3Q GDP and industrial production data, as well as US retail sales growth.
- The night from Friday (17 November) to Saturday marks another deadline for US MPs to agree on a funding bill. Although the **possibility of a government shutdown** became lately a recurring theme, and one the world grew used to, it is worth to recall that the previous such episode in late September resulted in the removal of the speaker of the House of Representatives. Moreover, scheduled for the week are the Biden-Xi meeting, as well as an emergency meeting of the OIC organisation of Muslim countries on the Israel-Hamas war.
- This week, **the European Commission will present its autumn forecasts** for EU countries. This edition will include, among other things, forecasts for the public finance sector.
- Later today evening, Fitch may show a review of Poland's rating (according to us, there will be no change).

Markets next week

- The change in the MPC's stance to a more hawkish one will likely be stressed by more statements from its members and this may result in **further strengthening of the zloty**. The publication of 3Q GDP growth should also have a positive impact on the local currency (we assume a reading above market consensus).
- The behaviour of the domestic interest rate market will depend on the composition of inflation and growth data in the euro area and the US, as well as the scale of market concerns about the approaching date of potential US government shutdown. Apart from that, we think that the **domestic interest rate market should still reduce the scale of priced-in NBP policy rate cuts** in the coming quarters, which could create upward pressure on the short end of the swap curve also under impact of stronger than expected domestic 3Q GDP.

Economic growth and CPI inflation in Poland

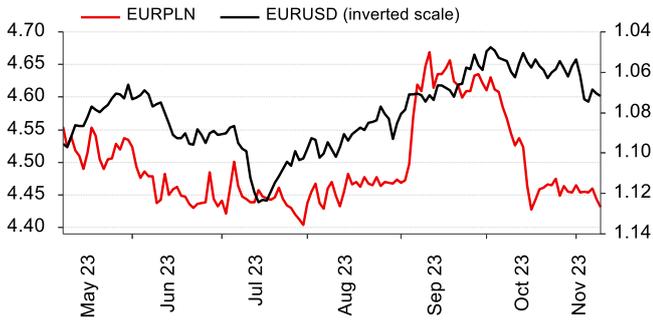


Source: GUS, Santander

Economic Analysis Department:

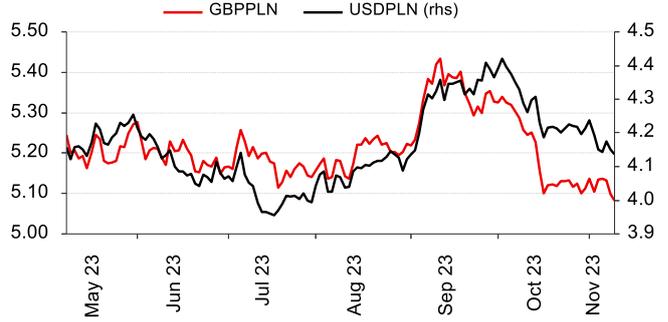
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EURPLN and EURUSD



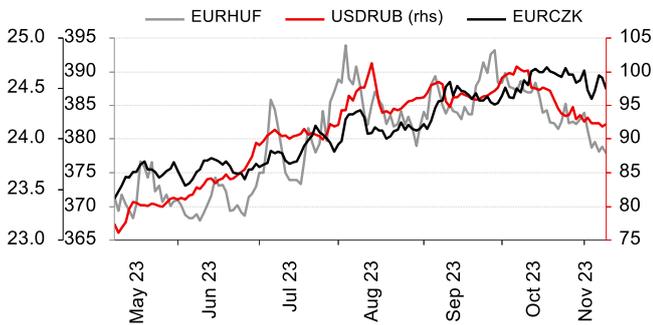
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



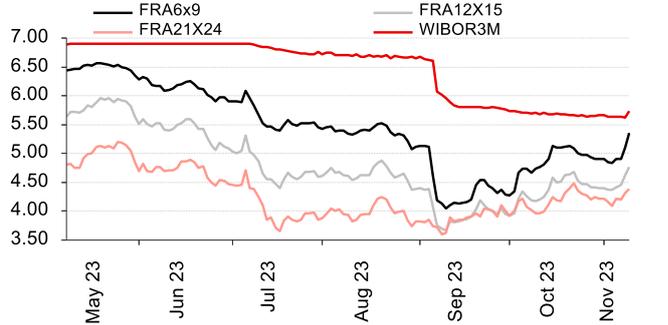
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



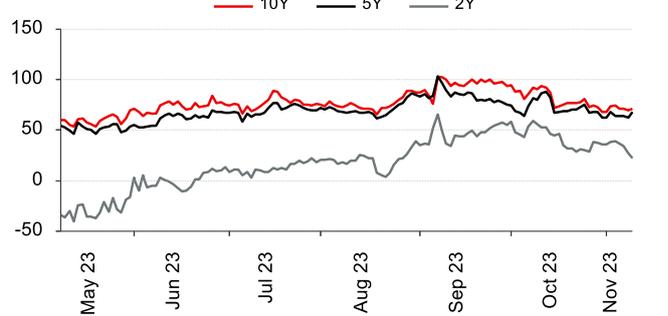
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



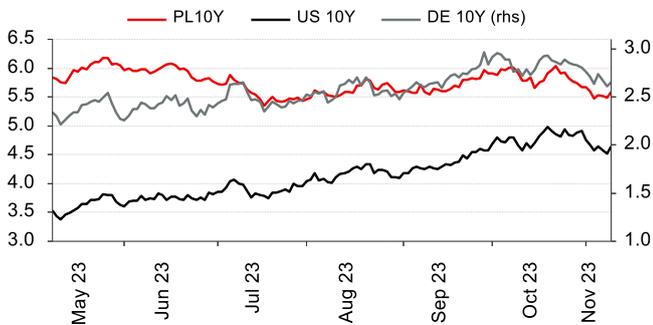
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



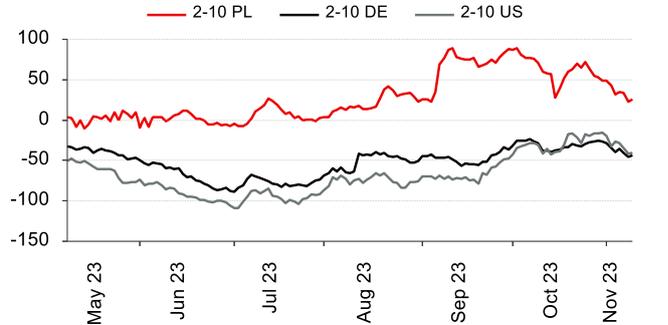
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (13 November)							
14:00	PL	Current Account Balance	Sep	€mn	-54	-314	-202
14:00	PL	Trade Balance	Sep	€mn	550	383	491
14:00	PL	Exports	Sep	€mn	27 635	27 592	25 704
14:00	PL	Imports	Sep	€mn	27 209	27 209	25 213
TUESDAY (14 November)							
08:30	HU	GDP	3Q	% y/y	-0.3	-	-2.4
10:00	PL	GDP	3Q	% y/y	0.4	0.6	-0.6
11:00	EZ	GDP SA	3Q	% y/y	0.1	-	0.5
11:00	DE	ZEW Survey Current Situation	Nov	pts	-76.9	-	-79.9
14:30	US	CPI	Oct	% m/m	0.1	-	0.4
WEDNESDAY (15 November)							
10:00	PL	CPI	Oct	% y/y	6.5	6.5	8.2
11:00	EZ	Industrial Production SA	Sep	% m/m	-0.9	-	0.6
14:30	US	Retail Sales Advance	Oct	% m/m	-0.3	-	0.7
THURSDAY (16 November)							
14:00	PL	CPI Core	Oct	% y/y	8.0	8.0	8.4
14:30	US	Initial Jobless Claims		k	225	-	217
15:15	US	Industrial Production	Oct	% m/m	-0.3	-	0.3
FRIDAY (17 November)							
11:00	EZ	HICP	Oct	% y/y	2.9	-	4.3
14:30	US	Housing Starts	Oct	% m/m	-0.6	-	7.0

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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