

31 October 2024

Eyeopener

Positive surprises in European GDP data

Today, flash CPI for October in Poland, plus inflationary data in euro zone and US
 Poland's ESI business climate index declined in October
 Euro zone's GDP growth in 3Q beat expectations
 Zloty weaker again, bond yields higher

Today, the stats office will release its flash estimate of CPI inflation for October. We expect that inflation increased to 5.1% y/y from 4.9% y/y in September (though our estimate stands on the edge of 5.0%/5.1%), due to food prices increasing more strongly than last year, and core inflation still remaining elevated. Inflation data will also be released in the euro area, where the flash estimate of the October HICP will be published, and in the US, from which we will get the September PCE deflator. Together with the data on price growth in the US, we will also receive information on September personal income and expenditures. Finally, we will also see data on the LFS unemployment in the EU, as well as the number of initial jobless claims last week in the US.

The government published the draft act amending the budget for 2024. The draft act confirms that the increase in the maximum deficit by PLN56bn to PLN240.3bn is due to the revision of the projected budget revenues to c. PLN626bn from PLN686bn in the budget act (and compared to the expected implementation at c. PLN642bn in the draft budget act for 2025). Budget expenditures are to be left unchanged at c. PLN866bn. As reported, the decrease in the expected level of revenues is to result mainly from downward revisions of the expected VAT revenues by c. PLN22.9bn, CIT revenues by c. PLN11.5bn, and PIT revenues also by c. PLN11.5bn (from the levels presented in the budget act).

Poland's Economic Sentiment Indicator (ESI) fell to 98.4 pts in October from 102.0 pts in September. The deterioration of the indicator was caused mainly by a weakening of business climate in industry by 2 pts to -18.0 pts, as well as a deterioration of consumer sentiment by 2.8 pts to -1.8 pts. In October, declines were recorded mainly in the indicators of the current economic situation, especially in industry. At the same time, all sectoral employment indicators improved and the Employment Expectations Indicator, which aggregates them, rose to the highest level in three years. The ESI for the euro area fell from 96.4 pts in September to 95.6 pts in October.

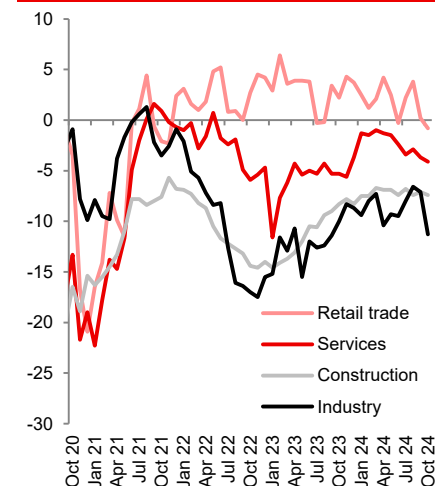
The statistical office has released a revision of quarterly GDP data for Poland. The main numbers changed slightly, as growth in 1Q24 went up to 2.1% y/y from 2.0% y/y, and down to -0.5% y/y from -0.4% y/y in 1Q23. GDP growth in the remaining quarters of the period 2023-24 were unchanged. Slightly more has happened in the components of GDP. Investment growth figures for 2024 were revised upward, and now both first quarters of the year show positive readings (1.9% y/y and 3.2% y/y vs. -1.8% y/y and 2.7% y/y previously). The path of consumption for the first half of this year went down slightly, while its readings for 2023 were significantly raised (in particular, last year's 4Q no longer shows lack of growth in private consumption, but 0.6% y/y). The revision of the data will not have a large impact on our GDP forecasts for the current and subsequent quarters, but it makes it plausible in our view that the 3Q growth rate may have slowed to just below 3% y/y.

According to first estimate, US GDP grew by 2.8% q/q (annualized) in 3Q, compared to a 3.0% increase in 2Q. Although the result was slightly lower than the consensus of 2.9%, it indicates that the U.S. economy remains in good shape. Domestic demand (i.e. GDP excluding inventories and net exports) grew by 3.5%, thanks in part to a 3.7% increase in private consumption, with inventories largely responsible for the slight deceleration in economic activity relative to Q2. In the euro area, GDP growth accelerated from 0.6% q/q in 2Q to 0.9% q/q in Q3, 0.1 pp above market expectations. Among the four largest economies in the euro area, GDP growth accelerated in France (from 1.0% y/y to 1.3% y/y) and Spain (from 3.2% y/y to 3.4% y/y). Germany's economic growth rate remained at -0.2% y/y, but registered an increase of 0.2% on a quarterly basis against expectations of a slight decline, while Italy's GDP growth rate fell from 0.6% y/y to 0.4% y/y. Readings in CEE region disappointed: in the Czech Republic only slightly (growth accelerated to 1.4% y/y), in Hungary quite significantly (-0.8% y/y).

US private sector employment rose by 233k FTEs in October, more than twice as much as the market expected, and its growth in September was revised upwards by 16k FTEs to 159k, according to the latest ADP report. If a similar picture emerges from Friday's data on non-farm payroll, it will be a good signal about the condition of the labour market in the USA.

The zloty weaker again. Declines dominated stock markets in yesterday's session. After the close of the US session, better-than-forecast results from Meta and Microsoft were published, and earlier from Alphabet. CEE currencies lost ground, with EURPLN in particular rising above 4.35 and EURHUF to over 407, with the Czech koruna stabilising and the dollar weakening against the euro to around 1.085. Expectations of rate cuts by the ECB weakened after better-than-forecast GDP data from Germany and the euro area. I. Schnabel suggested only gradual rate cuts while F. Villeroy de Galhau spoke of the need to focus on inflation. The interest rate market saw market rates and yields rise again in the second half of the day, following core markets, although by midday the local debt market was noticeably stronger than on Tuesday, despite news of a significant deficit increase in the budget amendment.

ESI, Poland, indicators of trends in current business activity, pts



Source: European Commission, Santander

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FX market

Today's opening

EURPLN	4.3531	CZKPLN	0.1713
USDPLN	4.0094	HUFPLN*	1.0565
EURUSD	1.0853	RUBPLN	0.0413
CHFPLN	4.6371	NOKPLN	0.3658
GBPPLN	5.2089	DKKPLN	0.5835
USDCNY	7.1205	SEKPLN	0.3758

*for 100HUF

Last session in the FX market

30/10/2024

	min	max	open	close	fixing
EURPLN	4.3285	4.3542	4.3393	4.3536	4.335
USDPLN	3.9852	4.0211	4.0105	4.0077	3.9989
EURUSD	1.0807	1.0866	1.0815	1.0861	

Interest rate market

30/10/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.91	6
WS0429 (5Y)	5.60	7
DS1033 (10Y)	5.97	6

IRS on the interbank market**

LIBOR on the inter-bank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.58	2	4.47	5	2.53	8
2L	5.19	3	4.23	9	2.39	10
3L	5.00	2	4.15	9	2.36	11
4L	4.96	1	4.10	9	2.37	10
5L	4.98	1	4.07	8	2.39	10
8L	5.07	0	4.06	7	2.42	7
10L	5.14	0	4.08	5	2.45	5

WIBOR rates

Term	%	Change (bps)
O/N	5.78	14
T/N	5.79	1
SW	5.82	-2
1M	5.73	-10
3M	5.85	0
6M	5.84	0
1Y	5.70	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	-1
3x6	5.70	-1
6x9	5.30	1
9x12	4.96	2
3x9	5.67	-1
6x12	5.28	3

CDS rates and 10Y yield spread vs. German Bund

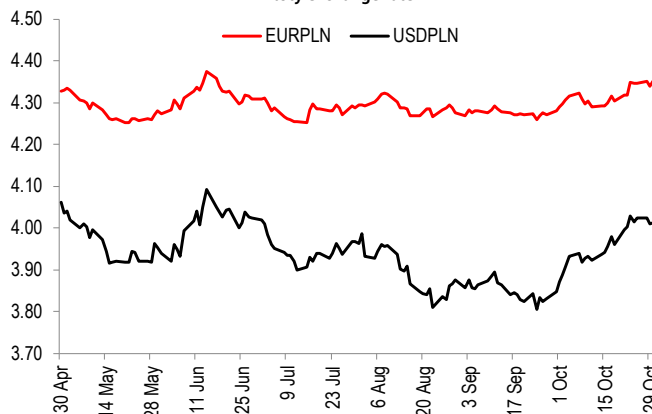
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	-7	360	2
France	15	0	74	0
Hungary	121	-4	478	0
Spain	29	0	71	1
Italy	24	0	125	3
Portugal	17	0	41	-1
Ireland	12	0	34	0
Germany	5	0	-	-

* 10Y treasury bonds over 10Y Bunds

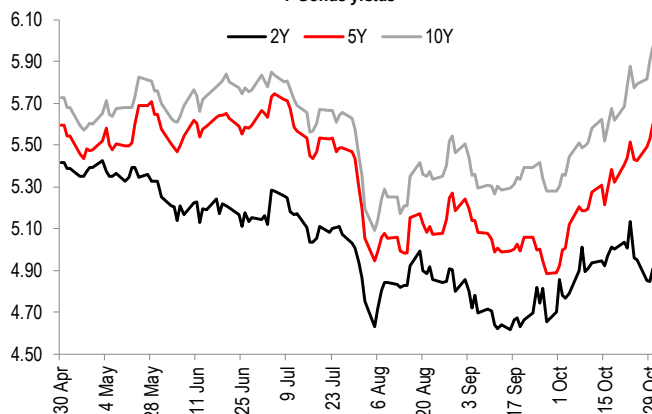
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

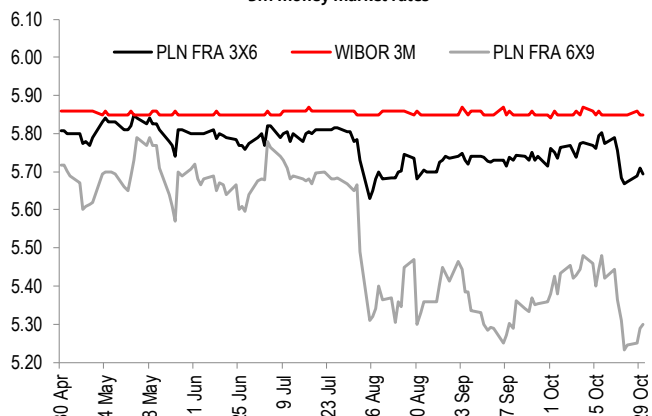
Zloty exchange rate



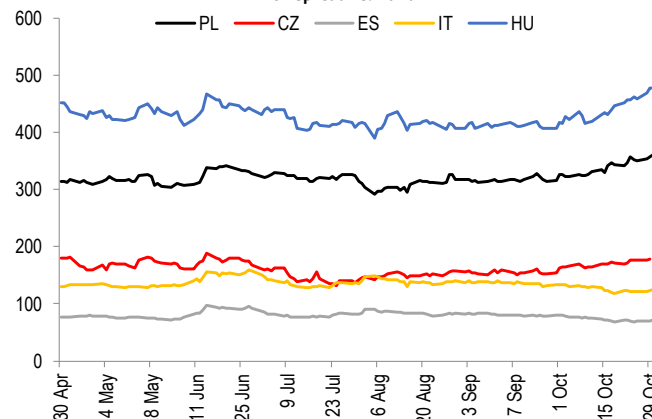
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (25 October)								
10:00	DE	IFO Business Climate	Oct	pts	85.6	-	86.5	85.4
14:30	US	Durable Goods Orders	Sep	% m/m	-1.0	-	-0.8	0.0
16:00	US	Michigan index	Oct	pts	69.1	-	70.5	70.1
MONDAY (28 October)								
No data releases								
TUESDAY (29 October)								
15:00	US	Consumer Conference Board	Oct	pts	98.8	-	108.7	99.2
WEDNESDAY (30 October)								
08:30	HU	GDP	3Q	% y/y	0.7	-	-0.8	1.5
09:00	CZ	GDP SA	3Q	% y/y	1.4	-	1.3	0.6
10:00	PL	Updated quarterly GDP estimates for 2023-2024						
10:00	DE	GDP WDA	3Q	% y/y	-0.25	-	-0.2	-0.3
11:00	EZ	GDP SA	3Q	% y/y	0.8	-	0.9	0.6
11:00	EZ	ESI	Oct	pct.	96.3	-	95.6	96.3
13:15	US	ADP report	Oct	k	98	-	233	159
13:30	US	GDP Annualized	3Q	% Q/Q	2.9	-	2.8	3.0
14:00	DE	HICP	Oct	% m/m	0.2	-	0.4	-0.1
15:00	US	Pending Home Sales	Sep	% m/m	1.9	-	7.4	0.6
THURSDAY (31 October)								
10:00	PL	CPI	Oct	% y/y	5.0	5.1	-	4.9
11:00	EZ	Flash HICP	Oct	% y/y	1.9	-	-	1.8
11:00	EZ	Unemployment Rate	Sep	%	6.4	-	-	6.4
13:30	US	Initial Jobless Claims	weekly	k	242	-	-	227
13:30	US	Personal Spending	Sep	% m/m	0.4	-	-	0.2
13:30	US	Personal Income	Sep	% m/m	0.4	-	-	0.2
13:30	US	PCE Deflator SA	Sep	% m/m	0.2	-	-	0.1
FRIDAY (1 November)								
13:30	US	Change in Nonfarm Payrolls	Oct	k	120	-	-	254
13:30	US	Unemployment Rate	Oct	%	4.1	-	-	4.1
15:00	US	ISM manufacturing	Oct	pts	47.6	-	-	47.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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