

7 November 2024

Eyeopener

Lower GDP growth in NBP projection

Today, NBP president's press conference, FOMC decision
 MPC kept interest rates on hold for 12th straight month
 New NBP's projection: inflation path almost unchanged, GDP forecasts lower
 Zloty trimming losses after temporary selloff, dollar still strong, yields higher following UST

Today, the most important event in Poland will be the conference of the NBP Governor at 3:00 p.m. local time, which will provide a follow up on yesterday's decision of the Monetary Policy Council. Abroad, the focus will be on the FOMC policy decision, which, according to market valuations, should bring a 25 bps interest rate cut. The Czech central bank will also decide on interest rates today, and both in our opinion and according to the consensus, it will cut them by 25 bps. Besides, we will see data on September retail sales in the euro area and on the US initial weekly jobless claims. In the morning, Germany released data on exports (slightly better than forecast) and industrial production (disappointing again). Another surprise from Germany is the Chancellor Olaf Scholz's decision to dismiss the finance minister and to announce a vote of confidence for the government in January, which could lead to early elections in the spring.

Polish MPC kept interest rates on hold, as expected. The post-meeting statement included the main results of the new NBP projection, which showed mid-point of CPI forecast at roughly similar levels as predicted in July (in 2025 even slightly higher than before, at 5.4%), while GDP forecasts revised lower: by 0.3pp in 2025, 0.5pp in 2025, 0.2pp in 2026. Full inflation projection will be published on Friday morning. The optimism regarding future economic growth has decreased, but forecasts still imply that Poland should be able to grow at pace close to potential in the projection horizon. It is worth keeping in mind that the projection was based on the assumption that the current measures shielding households from higher energy prices expire completely at the end of this year. Apart from the projection results, the key parts of the MPC statement were very similar as in the previous month. Yet, the MPC noticed that GDP growth in 3Q could be lower than earlier anticipated due to weak September data. We still believe that the monetary easing cycle in Poland is more likely to start near the middle of 2025 than near March meeting – as long as GDP growth does not slow well below 3% for good, the central bank – at least in our view – would prefer to wait with rate cuts until it sees the evidence of inflation trend's turnaround in the available CPI data. And the latter will take place only after the CPI peak in March. Read more in our [Economic Comment](#).

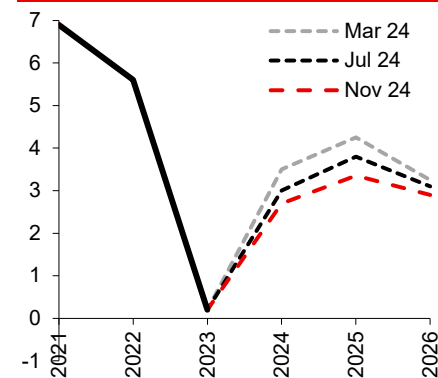
The final services PMIs for the euro area and Germany turned out to be better than their initially estimated. In the case of the euro area, the final data showed a slight month-on-month increase, which is a result similar to the expectations formulated before the release of the preliminary data (which showed a slight decline). In the case of Germany, the preliminary estimates were already surprisingly strong, and after the survey's sample was extended to its full size, the positive surprise became even stronger.

The World Bank presented the Worldwide Governance Indicators for 2023, measuring the quality of a country's governance and the quality of its institutions. In all six surveyed areas, Poland received a better rating than the year before and in each of them it moved up in the world ranking. Poland scored its highest mark for the quality of law (from the perspective of creating conditions for development of the private sector; Poland beats 76% of the surveyed countries in this respect). The largest improvement on an annual basis was registered in the area of government effectiveness (the indicator reflects e.g. the quality of public services and the independence of the civil service from political pressure; Poland jumped past nearly 5% of countries in 2023). Apart from providing prestige and incentivising investment in Poland, the WGI indices are included in the algorithms of Moody's and Fitch rating agencies – their improvement may therefore increase the chances for a future increase in the credit rating, or at least create a buffer protecting Poland against a downgrade should the agencies become increasingly concerned about the outlook for the fiscal deficit and public debt.

The zloty is making up for the losses after a temporary weakening. Yesterday's session on European stock markets brought mixed results. On the other hand, the US stock indices recorded significant increases with the Dow Jones rising to a record level in reaction to the victory of D. Trump, which increased the chances for e.g. tax cuts for companies. CEE currencies lost at the opening, but later in the day they were gradually trimming losses and ended the day with only slight changes from the previous close. Yesterday, most of the emerging market currencies lost. The dollar strengthened against the euro during yesterday's Asian session from around 1.09 towards 1.07 and remained relatively stable for most of the day with better-than-expected data from Germany (industrial orders).

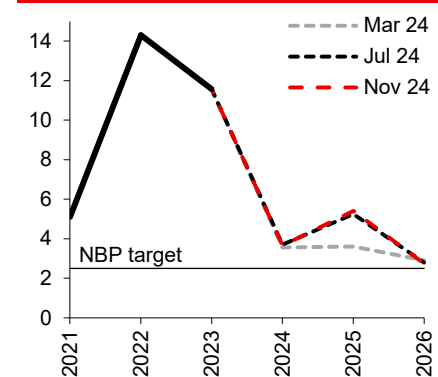
Increases in domestic market rates in response to the American market. IRS rates rose by 6-8 bps, and bond yields by 7-10 bps at the longer end of the curve (5-10 years tenors). At the same time, German bond yields declined by 2-12 bps, mainly at the short end of the curve, and US yields increased by 10-18 bps, which was the result of expectations regarding D. Trump's policy, which carries the risk of a slower reduction in interest rates by the Fed and a milder fiscal policy. Trump's protectionist stance and a stronger dollar may have a negative impact on the valuation of emerging market assets.

GDP growth according to the NBP's projections (projection mid-points)



Source: NBP, Santander

CPI inflation according to the NBP's projections (projection mid-points)



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.3431	CZKPLN	0.1713
USDPLN	4.0422	HUFPLN*	1.0503
EURUSD	1.0750	RUBPLN	0.0412
CHFPLN	4.6276	NOKPLN	0.3660
GBPPLN	5.2283	DKKPLN	0.5835
USDCNY	7.1717	SEKPLN	0.3735

*for 100HUF

Last session in the FX market					06/11/2024
	min	max	open	close	fixing
EURPLN	4.3450	4.3749	4.3696	4.3523	4.3662
USDPLN	4.0493	4.0870	4.0622	4.0556	4.0595
EURUSD	1.0681	1.0781	1.0760	1.0731	

Interest rate market

06/11/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.02	1
WS0429 (5Y)	5.46	7
DS1033 (10Y)	5.80	11

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.56	-2	4.52	7	2.46	-6
2L	5.18	1	4.33	10	2.31	-14
3L	5.00	4	4.26	11	2.28	-14
4L	4.97	6	4.24	12	2.29	-13
5L	4.99	10	4.20	13	2.30	-12
8L	5.09	12	4.19	18	2.35	-9
10L	5.18	13	4.20	16	2.43	0

WIBOR rates

Term	%	Change (bps)
O/N	5.70	1
T/N	5.77	1
SW	5.81	-2
1M	5.85	3
3M	5.84	0
6M	5.83	-1
1Y	5.69	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	1
3x6	5.67	-3
6x9	5.32	0
9x12	4.99	0
3x9	5.65	-2
6x12	5.29	1

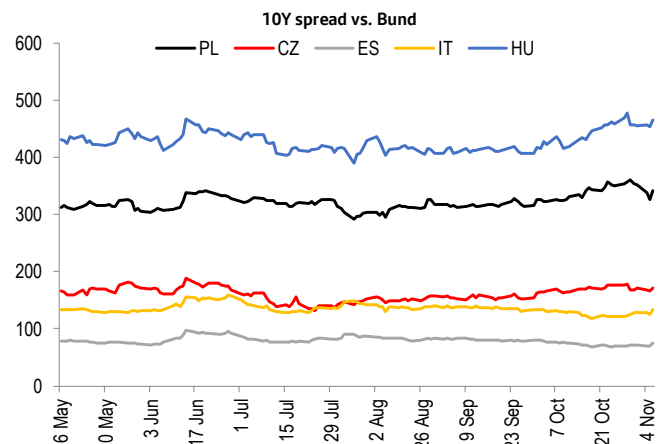
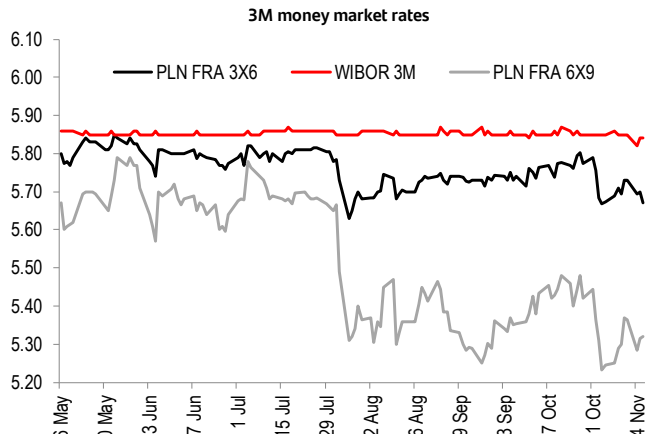
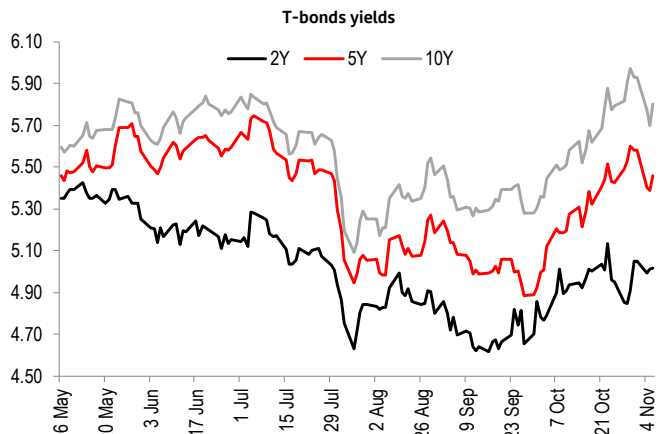
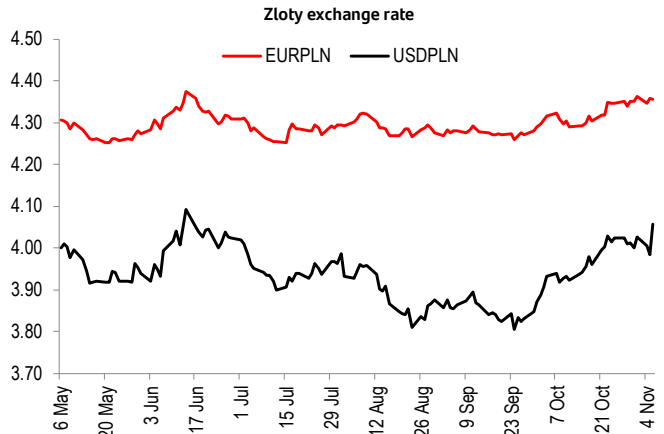
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	67	-1	341	14
France	15	0	77	3
Hungary	123	-2	465	11
Spain	30	0	75	5
Italy	26	1	133	8
Portugal	17	0	50	4
Ireland	12	0	35	4
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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
THURSDAY (31 October)								
10:00	PL	CPI	Oct	% y/y	5.0	5.1	5.0	4.9
11:00	EZ	Flash HICP	Oct	% y/y	1.9	-	2.0	1.7
11:00	EZ	Unemployment Rate	Sep	%	6.4	-	6.3	6.3
13:30	US	Initial Jobless Claims	weekly	k	229	-	216	228
13:30	US	Personal Spending	Sep	% m/m	0.4	-	0.5	0.2
13:30	US	Personal Income	Sep	% m/m	0.3	-	0.3	0.2
13:30	US	PCE Deflator SA	Sep	% m/m	0.2	-	0.2	0.1
FRIDAY (1 November)								
13:30	US	Change in Nonfarm Payrolls	Oct	k	101	-	12	254
13:30	US	Unemployment Rate	Oct	%	4.1	-	4.1	4.1
15:00	US	ISM manufacturing	Oct	pts	47.6	-	46.5	47.2
MONDAY (4 November)								
09:00	PL	Poland Manufacturing PMI	Oct	pts	48.5	48.7	49.2	48.6
09:55	DE	Germany Manufacturing PMI	Oct	pts	42.6	-	43.0	40.6
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	45.9	-	46.0	45.0
16:00	US	Durable Goods Orders	Sep	% m/m	-	-	-0.7	-0.8
16:00	US	Factory Orders	Sep	% m/m	-0.4	-	-0.7	-0.2
TUESDAY (5 November)								
02:45	CN	Caixin China PMI Services	Oct	pts	50.5	-	52.0	50.3
16:00	US	ISM services	Oct	pts	53.8	-	56.0	54.9
WEDNESDAY (6 November)								
	PL	MPC decision	Nov	%	5.75	5.75	5.75	5.75
08:00	DE	Factory Orders	Sep	% m/m	1.5	-	4.2	-5.8
08:30	HU	Industrial Production SA	Sep	% y/y	-4.4	-	-5.4	-4.1
09:00	CZ	Industrial Production	Sep	% y/y	2.4	-	3.9	-1.5
09:55	DE	Markit Germany Services PMI	Oct	pts	51.4	-	51.6	50.6
10:00	EZ	Eurozone Services PMI	Oct	pts	51.2	-	51.6	51.4
THURSDAY (7 November)								
08:00	DE	Exports SA	Sep	% m/m	-2.4	-	-1.7	1.5
08:00	DE	Industrial Production SA	Sep	% m/m	-1.0	-	-2.5	2.6
11:00	EZ	Retail Sales	Sep	% m/m	0.4	-	-	0.2
13:30	US	Initial Jobless Claims	weekly	k	223	-	-	216
14:30	CZ	Central Bank Rate Decision	Nov	%	4.00	4.00	-	4.25
15:00	PL	NBP Governor's press conference						
20:00	US	FOMC decision	Nov	%	4.75	-	-	5.00
FRIDAY (8 November)								
16:00	US	Michigan Index	Nov	pts	71.0	-	-	70.5
	PL	S&P, Fitch: rating review						

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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