

MACROscope Lite

Turning points

■ Only three weeks have passed since the publication of the [quarterly edition of the MACROscope](#), and although there have been a few surprises in the economic data published along the way (including lower-than-forecast September inflation, revisions of the balance of payments and GDP), they did not change significantly our predicted scenario for the coming quarters. **We still think that the economy is currently at the turning point and in the coming quarters we expect an acceleration of GDP growth, the main driver of which will be consumption (signals of a change in the trend are becoming more and more visible); disinflation will slow after the new year (pre-election efforts to curb the CPI are in fact additionally conducive to this, creating a low base effect); the positive trend in the current account is likely to reverse.**

■ Two local themes will be key for the financial market in the coming weeks: the outcome of the parliamentary elections with their political and economic consequences and the outlook for monetary policy. In the area of fiscal policy, the picture is already roughly known and is unlikely to change abruptly, if only because the new government will have virtually no time to make major modifications to the budget if it does not want to risk an early election due to missing the deadline for presenting the budget for the president's signature.

■ We do not dare to predict the political scenarios – uncertainty is simply too big. Many variants are possible, including the one in which the uncertainty about who will ultimately govern the country and what this means for the economy will not disappear until early spring 2024. It is worth noting, however, that in the last week the polls have started to shift again in favour of the opposition. We presented a calendar of the next steps in the procedure for selecting a new government in [September's MACROscope](#).

■ As for monetary policy - after being completely surprised by the deep interest rate cut in September, the October MPC decision to cut rates by 25bp was already in line with our expectations. It seems that three issues will be key for the Council's next decisions:

■ First, the behaviour of inflation. We expect CPI growth to fall to 6.7% or even below in October, still helped by, among other things, the effect of a very high base and keeping domestic fuel and energy prices under control. Breaking through another round threshold of 7% could be an argument for the MPC to re-emphasise success in the fight against inflation with a small 25bp rate cut. In the following months, however, the disinflation trend will no longer be so smooth: we expect an increase in CPI in December and January, a renewed decline in the next two months (high base), and a gradual upward rebound in the later part of 2024, as base effects change direction and the effects of a recovery in domestic demand, high wage growth, a weaker zloty, and a benign policy-mix should gradually kick in. In our scenario, average inflation in 2024 is close to 7%, average core inflation close to 5%.

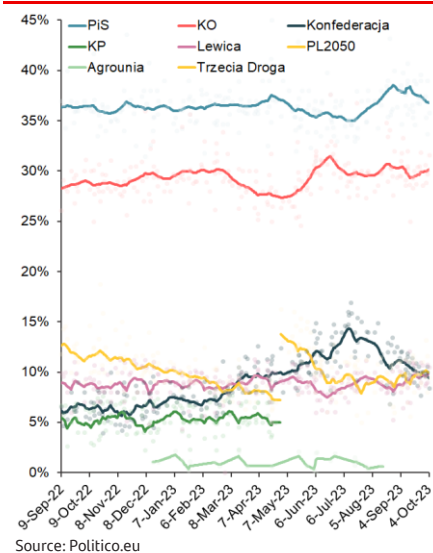
■ Secondly, the NBP projection. The update, published in November, will take into account the 100bp rate cuts already delivered and the weakening of the zloty (which, in our view, should together push inflation higher in the medium term by at least 0.5ppt), but also probably a worsened outlook for economic growth. We suspect that both effects will more or less cancel each other out and that the inflation forecast for the end of 2025 will be in a similar place to the July projection.

■ Thirdly, the behaviour of the exchange rate. It was clear from the statements made by government representatives that there is very little tolerance for a weakening of the currency and the central bank seems to have taken this into account in October. We do not know whether the election results will change anything here and for the time being we stick to the assumption that the MPC will, at least in the coming months, take into account the possible impact of its decisions on the zloty exchange rate.

■ **As a result, we think a 25bp NBP rate cut in November is likely**, after which we expect a pause at least until July 2024, as changes in the macro environment and forecasts will not, in our view, justify further policy easing.

■ We still believe that the MPC will cut rates more slowly than the market is currently pricing in, which gives potential for a slight increase in short-term FRA rates, although at the same time the currently priced NBP target rate (4.25%) is already relatively high. In view of this, we assume that the potential for an increase in IRS rates is running out. Bond supply in Q4 may be high, but net issuance may be still negative. A significant increase in net issuance will not occur until Q1 2024 which will then keep asset swap spreads relatively high especially at the long end in view of the demand-side constraints we anticipate.

Election preferences of Poles according to polls until 4 October (trend based on Kalman filter):



Source: Politico.eu

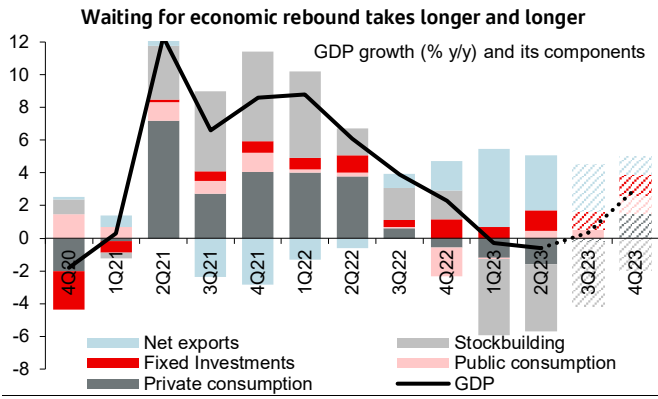
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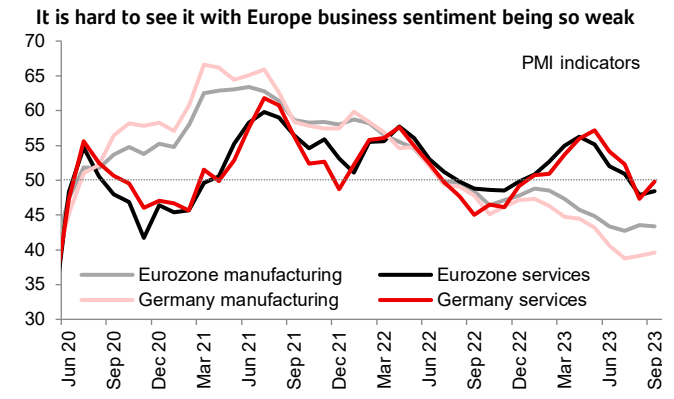
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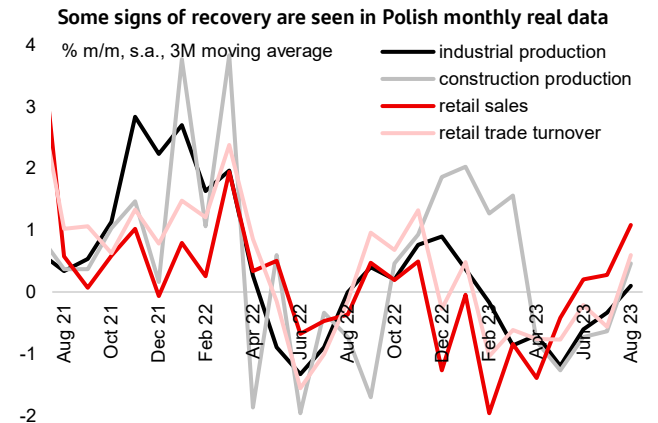
Economy in charts



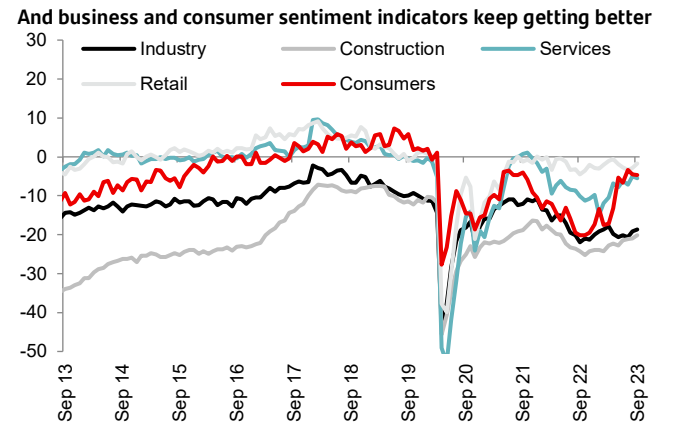
Source: GUS, Santander



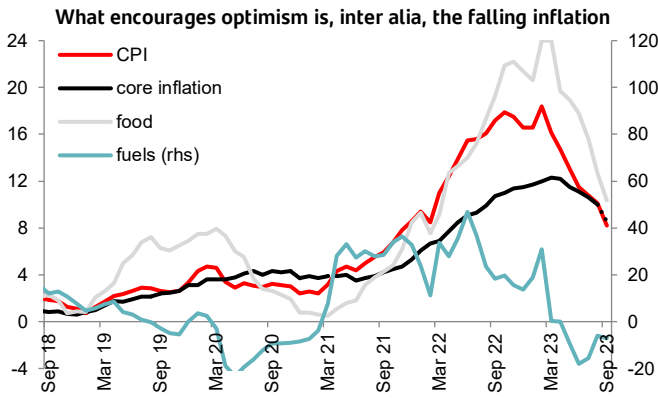
Source: S&P Global, Santander



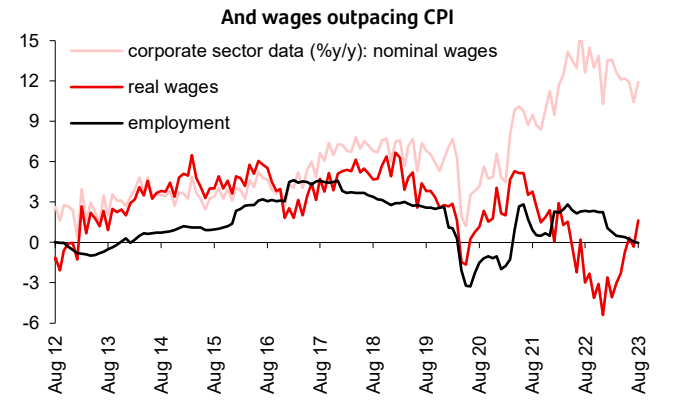
Source: GUS, Santander



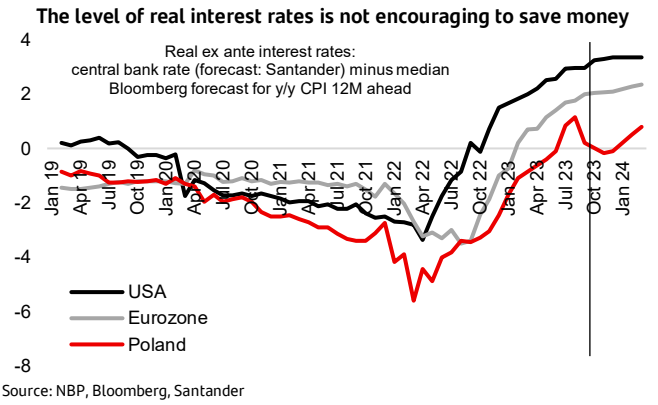
Source: European Commission, Santander



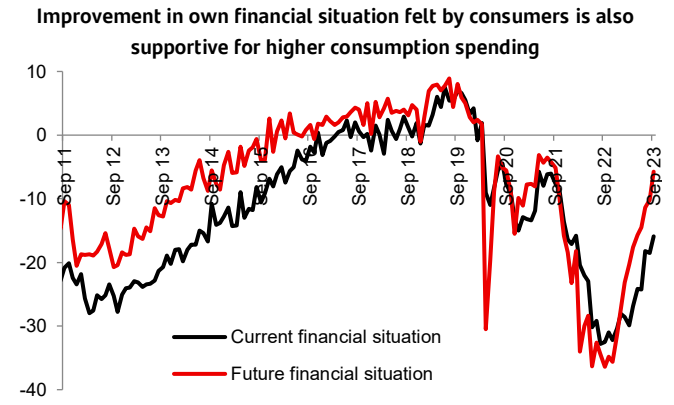
Source: GUS, NBP, Santander



Source: GUS, Santander



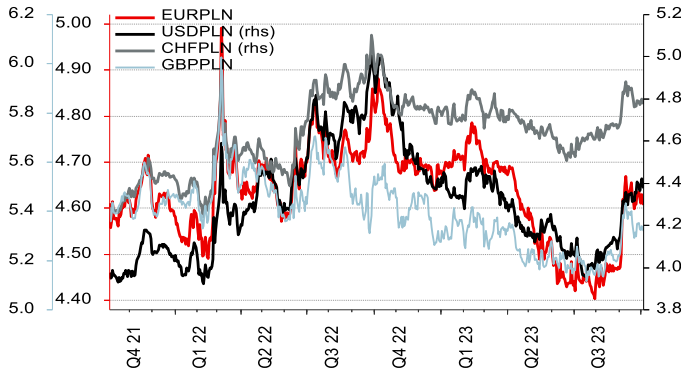
Source: NBP, Bloomberg, Santander



Source: GUS, Santander

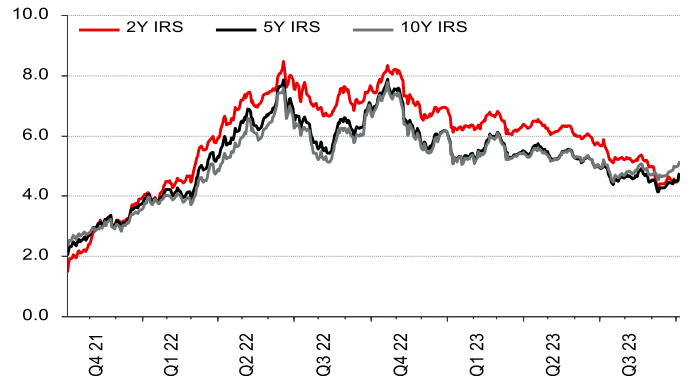
Markets in charts

Zloty exchange rates



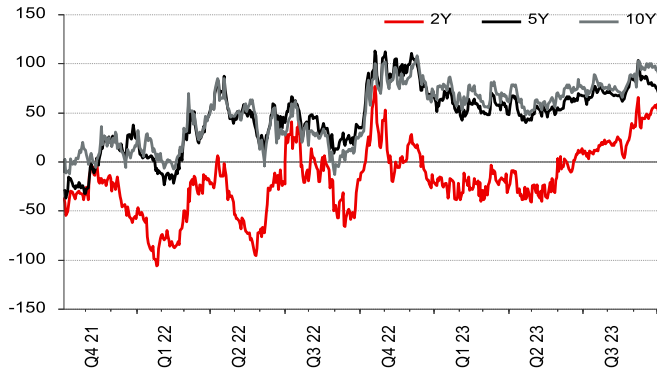
Source: LSEG Datastream, Santander

IRS (%)



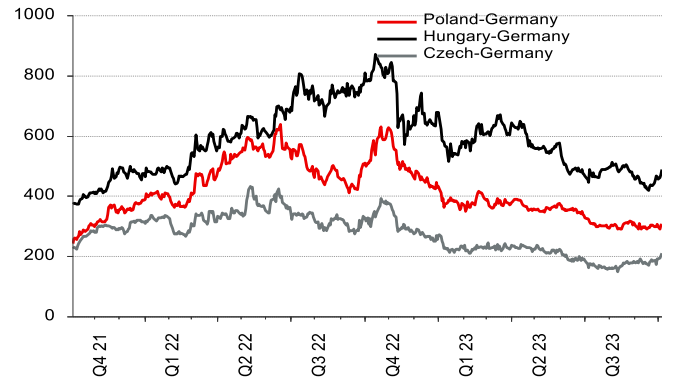
Source: LSEG Datastream, Santander

Poland asset swap spreads (bp)



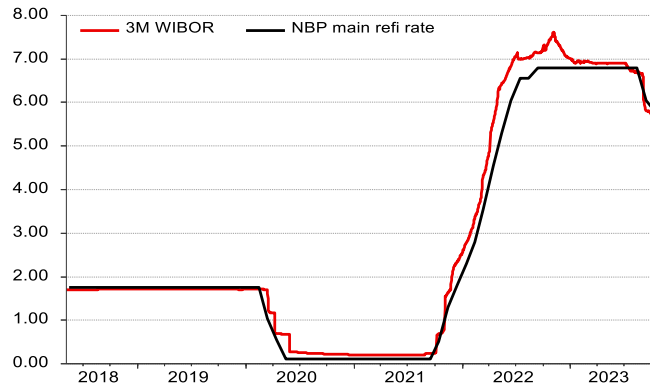
Source: LSEG Datastream, Santander

10Y bond yield spreads vs Bund



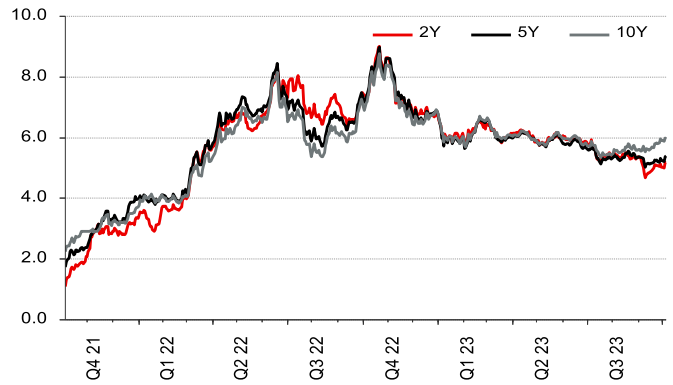
Source: LSEG Datastream, Santander

Interest rates



Source: LSEG Datastream, Santander

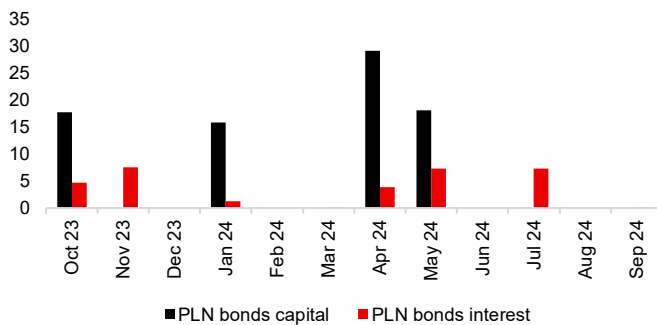
Polish bond yields (%)



Source: LSEG Datastream, Santander

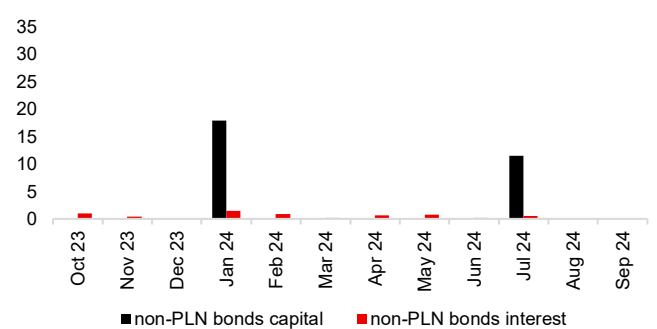
Principal and interest payments

PLN-denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

FX denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

Economic Calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
2 October PL: PMI manufacturing (Sep) CZ: PMI manufacturing (Sep) DE: PMI manufacturing (Sep) EZ: PMI manufacturing (Sep) US: PMI manufacturing (Sep) US: ISM manufacturing (Sep)	3 US: JOLTS job openings (Aug)	4 PL: MPC decision DE: PMI services (Sep) EZ: PMI services (Sep) EZ: Retail sales (Aug) EZ: PPI (Sep) US: Durable goods orders (Aug) US: ISM services (Sep)	5 DE: Balance of trade (Aug) US: Balance of trade (Aug)	6 DE: Factory orders (Aug) HU: Industrial production (Aug) CZ: Retail sales (Aug) PL: MPC minutes US: Non-farm payrolls (Sep) US: Unemployment (Sep)
9 DE: Industrial production (Aug) CZ: Industrial production (Aug) HU: Balance of trade (Aug)	10 HU: CPI (Sep) CZ: CPI (Sep)	11 DE: CPI (Sep) HU: MNB minutes US: PPI (Sep) US: FOMC minutes	12 DE: Current account (Aug) US: CPI (Sep) US: Real avg hourly earnings (Sep)	13 PL: CPI (Sep) PL: Current account (Aug) EZ: Industrial production (Aug) US: Michigan index (Oct)
16 PL: Core CPI (Sep) CZ: PPI (Sep) EZ: Balance of trade (Aug)	17 DE: ZEW (Oct) US: Retail sales (Sep) US: Industrial production (Sep)	18 PL: Consumer confidence (Oct) EZ: CPI (Sep) EZ: Construction output (Aug) US: Housing starts (Sep)	19 PL: PPI (Sep) PL: Sold industrial output (Sep) PL: Avg gross wages (Sep) PL: Employment (Sep)	20 PL: Retail sales (Sep) DE: PPI (Sep)
23 PL: Construction output (Sep) PL: M3 money supply (Sep) PL: Revised quarterly GDP data for 2022-2023 EZ: Consumer confidence (Oct)	24 PL: Unemployment (Sep) DE: PMI services (Oct) DE: PMI manufacturing (Oct) EZ: PMI services (Oct) EZ: PMI manufacturing (Oct) HU: MNB decision	25 DE: IFO (Oct) EZ: M3 money supply (Sep) US: New home sales (Sep)	26 EZ: EBC decision US: GDP 3Q US: Durable goods orders (Sep) US: Pending home sales (Sep)	27 HU: Unemployment (Sep) US: PCE deflator (Sep) US: Personal spending (Sep) US: Personal income (Sep) US: Michigan index (Oct)
30 EZ: Economic confidence (Oct) DE: CPI (Oct)	31 PL: CPI (Oct) CZ: GDP 3Q DE: GDP 3Q EZ: GDP 3Q EZ: CPI (Oct) US: Conference Board (Oct)	1 November CN: PMI manufacturing (Oct) CZ: PMI manufacturing (Oct) US: ADP report (Oct) US: ISM manufacturing (Oct) US: JOLTS job openings (Sep) US: FOMC decision	2 PL: PMI manufacturing (Oct) DE: PMI manufacturing (Oct) EZ: PMI manufacturing (Oct) US: Factory orders (Sep) US: Durable goods orders (Sep)	3 CN: PMI services (Oct) DE: Balance of trade (Sep) EZ: Unemployment (Sep) US: Factory orders (Sep) US: Unemployment (Oct) US: ISM services (Oct)

Source: GUS, NBP, Ministry of Finance, Bloomberg

Calendar of MPC meetings and data releases for 2023

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
ECB decision		2	16		4	15	27		14	26		14
Fed decision		1	22		3	14	26		20		1	13
MPC decision	4	8	8	5	10	6	6		6	4	8	6
MPC minutes	5	10	10	7	12	9	7	23		6	10	8
Flash GDP*		14			16			16			14	
GDP*		28			31			31			30	
CPI	13	15	15	14	15	15	14	14	15	13	15	15
Core inflation			16	17	16	16	17	16	18	16	16	18
PPI	23	20	20	24	22	21	20	21	20	19	21	20
Industrial output	23	20	20	24	22	21	20	21	20	19	21	20
Retail sales	23	21	21	24	23	22	21	22	21	20	22	21
Gross wages, employment	20	20	20	21	22	21	20	21	20	19	21	20
Foreign trade	17	15	15	14	16	15	14	17	15	16	17	15
Balance of payments*			31			30			29			29
Balance of payments	13	13	16	13	15	13			13	13	13	14
Money supply	24	22	22	25	24	23			22	23	23	22

Source: GUS, NBP, Ministry of Finance, * quarterly data

Economic data and forecasts for Poland

Monthly economic indicators

		Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 22	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23
PMI	pts	43.0	42.0	43.4	45.6	47.5	48.5	48.3	46.6	47.0	45.1	43.5	43.1	43.9	44.0
Industrial production	% y/y	9.8	6.6	4.5	1.0	1.8	-1.0	-3.0	-6.0	-2.8	-1.1	-2.3	-2.0	-4.6	-1.8
Construction production	% y/y	0.2	3.9	4.0	-0.9	2.0	6.6	-1.6	1.1	-0.6	1.6	1.1	3.5	8.7	9.8
Retail sales (current prices)	% y/y	4.1	0.7	1.6	0.2	0.1	-5.0	-7.3	-7.3	-6.8	-4.7	-4.0	-2.7	-1.4	3.2
Unemployment rate	%	5.1	5.1	5.1	5.2	5.5	5.5	5.4	5.2	5.1	5.0	5.0	5.0	5.0	5.0
Gross wages in corporate sector	% y/y	14.5	13.0	13.9	10.3	13.6	13.6	12.6	12.1	12.2	11.9	10.4	11.9	10.8	12.6
Employment in corporate sector	% y/y	2.3	2.4	2.3	2.2	1.1	0.8	0.5	0.4	0.4	0.2	0.1	0.0	-0.1	-0.2
Exports (€)	% y/y	26.7	27.4	22.0	11.6	19.2	14.8	16.1	1.5	3.8	3.5	0.6	-0.9	-3.1	-4.3
Imports (€)	% y/y	32.3	21.9	19.4	14.6	10.4	-1.6	3.3	-9.8	-5.3	-6.0	-9.7	-11.4	-10.6	-4.7
Trade balance	EUR mn	-2,592	-1,767	-1,693	-2,208	1,557	643	863	398	998	1,534	1,068	556	-153	-1,554
Current account balance	EUR mn	-2,377	747	-748	-1,722	2,246	1,467	1,372	-330	491	1,049	566	575	253	587
Current account balance	% GDP	-2.9	-2.7	-2.6	-2.4	-2.0	-1.3	-0.8	-0.5	-0.2	-0.1	0.1	0.5	0.9	0.9
CPI	% y/y	17.2	17.9	17.5	16.6	16.6	18.4	16.1	14.7	13.0	11.5	10.8	10.1	8.2	6.8
CPI excluding food and energy	% y/y	10.7	11.0	11.4	11.5	11.7	12.0	12.3	12.2	11.5	11.1	10.6	10.0	8.6	8.1
PPI	% y/y	24.6	23.1	21.1	20.5	20.1	18.2	10.3	6.2	2.8	0.3	-2.1	-2.8	-2.2	-3.3
Broad money (M3)	% y/y	7.7	7.0	5.6	5.4	6.9	7.4	6.5	6.7	7.1	7.9	8.0	7.3	7.5	8.0
Deposits	% y/y	7.8	7.0	5.7	5.8	7.5	9.1	8.9	9.4	9.2	9.8	9.9	9.1	9.3	9.9
Loans	% y/y	6.4	4.4	2.6	1.4	1.5	0.7	0.4	-1.0	-0.8	-1.1	-1.8	-3.1	-1.4	0.0
EUR/PLN	PLN	4.74	4.81	4.70	4.68	4.70	4.74	4.69	4.64	4.54	4.46	4.44	4.46	4.60	4.62
USD/PLN	PLN	4.79	4.89	4.61	4.42	4.36	4.43	4.38	4.23	4.18	4.12	4.02	4.09	4.30	4.36
CHF/PLN	PLN	4.92	4.91	4.77	4.75	4.72	4.79	4.74	4.71	4.65	4.57	4.60	4.65	4.79	4.74
Reference rate *	%	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.00	5.75
3M WIBOR	%	7.16	7.34	7.44	7.10	6.95	6.93	6.92	6.90	6.90	6.90	6.81	6.69	5.99	5.73
Yield on 2-year T-bonds	%	6.80	8.13	7.49	6.81	6.10	6.26	6.12	6.13	5.93	5.93	5.51	5.40	5.03	5.05
Yield on 5-year T-bonds	%	6.69	8.09	7.58	6.74	6.00	6.21	6.11	6.07	5.90	5.79	5.41	5.39	5.23	5.31
Yield on 10-year T-bonds	%	6.32	7.88	7.33	6.65	6.06	6.26	6.17	6.09	5.94	5.94	5.57	5.61	5.70	5.91

Note: * at the end of the period.

Source: GUS, NBP, Finance Ministry, Santander Bank Polska estimates.

Quarterly and annual economic indicators

		2021	2022	2023	2024	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
GDP	PLN bn	2,631.3	3,067.5	3,407.1	3,746.9	800.4	806.7	863.0	937.0	851.9	863.9	925.3	1,001.8
GDP	% y/y	6.9	5.3	0.7	3.0	-0.3	-0.6	0.3	3.0	3.0	3.0	2.8	3.3
Domestic demand	% y/y	8.5	5.2	-2.5	3.2	-5.2	-4.1	-3.2	1.7	3.1	3.7	3.2	2.7
Private consumption	% y/y	6.2	5.2	-0.5	4.3	-2.0	-2.7	-0.5	3.0	4.0	5.0	4.2	4.0
Fixed investments	% y/y	1.2	4.9	6.6	0.7	5.5	7.9	7.0	6.0	4.0	1.5	0.0	-1.0
Industrial production	% y/y	14.5	10.4	-2.3	3.5	-0.9	-3.3	-3.1	-2.1	-0.7	3.5	5.1	6.1
Construction production	% y/y	1.6	7.6	3.5	4.4	1.9	0.6	4.5	5.8	-3.3	3.6	7.9	6.6
Retail sales (constant prices)	% y/y	7.4	5.5	-2.6	5.5	-5.3	-6.8	-3.0	4.2	6.8	4.9	5.4	4.4
Unemployment rate *	%	5.8	5.2	5.2	5.4	5.4	5.0	5.0	5.3	5.4	5.0	4.9	5.2
Gross wages in the national economy	% y/y	8.9	12.1	12.5	9.7	14.3	13.8	10.7	11.4	10.0	9.7	9.6	9.6
Employment in the national economy	% y/y	0.6	2.0	0.2	0.4	1.0	0.2	-0.1	-0.3	0.3	0.1	0.4	0.6
Exports (€)	% y/y	19.5	22.2	3.3	3.8	16.6	2.9	-1.2	-3.5	-0.1	1.1	4.5	9.7
Imports (€)	% y/y	27.0	27.7	-4.5	7.3	3.7	-7.0	-10.6	-3.7	4.8	5.5	7.6	11.0
Trade balance	EUR mn	-7,682	-24,274	2,174	-9,513	3,060	2,908	1,471	-5,265	-1,063	-593	-891	-6,966
Current account balance	EUR mn	-7,398	-15,716	6,019	-6,604	5,089	1,181	1,394	-1,445	1,095	-2,628	-1,671	-3,400
Current account balance	% GDP	-1.3	-2.4	0.8	-0.8	-0.7	-0.1	0.8	0.8	0.3	-0.2	-0.6	-0.8
General government balance	% GDP	-1.8	-3.7	-5.3	-4.5	-	-	-	-	-	-	-	-
CPI	% y/y	5.1	14.3	11.6	6.8	17.0	13.1	9.7	6.7	6.9	6.2	6.9	7.0
CPI *	% y/y	8.6	16.6	6.8	6.7	16.1	11.5	8.2	6.8	6.1	6.5	7.3	6.7
CPI excluding food and energy	% y/y	4.1	9.1	10.2	4.7	12.0	11.6	9.7	7.6	5.5	4.3	4.5	4.6
PPI	% y/y	7.9	22.4	3.3	-3.3	16.2	3.1	-2.4	-3.7	-6.4	-4.0	-1.9	-0.7
Broad money (M3) *	% y/y	8.9	5.4	9.5	8.4	6.5	7.9	7.5	9.5	7.9	8.7	7.2	8.4
Deposits *	% y/y	8.8	5.8	10.9	6.1	8.9	9.8	9.3	10.9	10.2	10.7	8.9	7.7
Loans *	% y/y	5.1	1.4	3.0	6.5	0.4	-1.1	-1.4	3.0	4.3	6.3	8.0	7.9
EUR/PLN	PLN	4.57	4.69	4.60	4.60	4.71	4.55	4.50	4.66	4.70	4.60	4.55	4.55
USD/PLN	PLN	3.86	4.46	4.26	4.11	4.39	4.18	4.13	4.34	4.28	4.14	4.03	3.97
CHF/PLN	PLN	4.22	4.67	4.69	4.34	4.75	4.65	4.68	4.69	4.54	4.36	4.25	4.19
Reference rate *	%	1.75	6.75	5.50	4.50	6.75	6.75	6.00	5.50	5.50	5.50	5.00	4.50
3M WIBOR	%	0.54	6.02	6.50	5.30	6.93	6.90	6.50	5.65	5.60	5.57	5.28	4.73
Yield on 2-year T-bonds	%	0.79	6.35	5.64	4.79	6.16	6.00	5.31	5.09	5.10	4.98	4.70	4.40
Yield on 5-year T-bonds	%	1.39	6.36	5.69	5.23	6.11	5.92	5.34	5.40	5.53	5.38	5.10	4.93
Yield on 10-year T-bonds	%	1.97	6.10	5.92	5.62	6.16	5.99	5.63	5.92	5.88	5.75	5.53	5.33

Note: * at the end of period. Source: GUS, NBP, Finance Ministry, Santander estimates.

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