

# Weekly Economic Update

## Waiting for the full set of 3Q data

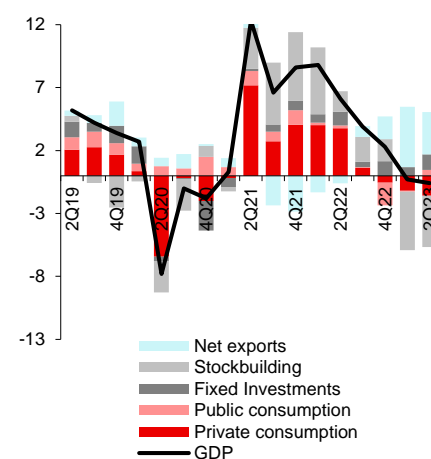
### Economy next week

- In Poland, the coming weeks will pass on pondering the possible implications of the results of the parliamentary elections. It seems most likely that the current opposition will take power, although probably no sooner than in the second half of December. Negotiations regarding the form of the future coalition have only just begun and at this stage it is difficult to have a strong conviction about the new government's economic and social policies. **In our view, the election results increased the likelihood of a faster economic growth in the medium term thanks to the possible rapid unblocking of EU funds.**
- Moreover, **the recently published statistical data confirmed our prediction of the trend in economic activity changing in 3Q23:** the positive signals from industrial production, retail sales and economic sentiment are consistent with our scenario of economic recovery in the coming quarters.
- After the weekend, we will see the last of September's monthly data: construction output, money supply, unemployment and a set of more detailed indicators from the GUS's Statistical Bulletin. Perhaps the series of positive surprises will continue. Also on Monday, the GUS will publish the revised 2022 debt and fiscal deficit, as well as the revised quarterly GDP data for 2022-23. We already know that the GUS has improved its estimate of 2022 GDP growth from 5.1% to 5.3%, significantly raising consumption and lowering inventories. **The publication of the revised quarterly GDP path for last year and the first half of this year could significantly affect GDP forecasts for subsequent quarters.**
- Abroad, many new sentiment and economic activity indicators: preliminary PMI, Ifo, GfK. In addition, data from the USA, e.g. 3Q GDP and information on the housing market. The calendar also includes central bank decisions in Hungary, the euro area, Canada and Chile.

### Markets next week

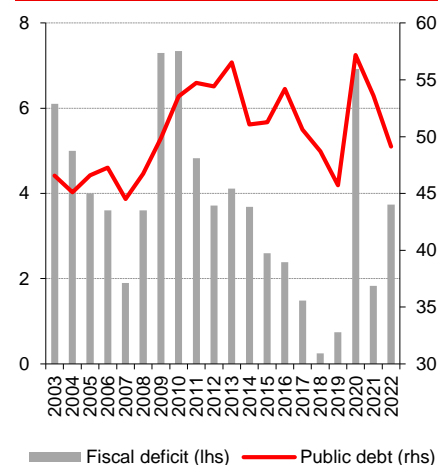
- Thanks to the outcome of the parliamentary elections, the zloty gained almost 3%, stocks of (mainly state-owned) companies listed on the Warsaw Exchange rose sharply, and the debt market saw a flattening of curves and a fall in credit spreads. Some of this initial reaction has already started to reverse: EURPLN has corrected almost half of its earlier decline to 4.41, 10-year bond yields have retreated almost to their initial levels, again exceeding 5.9%. Several factors are contributing to this: (1) the fading of the initial excitement over the election results and the turning of the market's focus to the possible problems that the new government may encounter, (2) geopolitical risks related to the situation in the Middle East, (3) the resumption of the upward trend in yields on core markets.
- In the short term, we expect the PLN to remain stronger than before the elections,** although the exchange rate may be considerably influenced by inflow of information from the domestic political scene and by changes in global sentiment. A possible escalation of the conflict in the Middle East may lead to a strengthening of the dollar and a weakening of the zloty. On the other hand, news pointing to rapid unblocking of the funds from the RRF would likely support the domestic currency. The zloty could behave better than the forint in the event of the MNB cutting the interest rates (according to our expectations, by 50 bps).
- In the debt market, the size of the priced-in interest rates cuts by the NBP has been strongly revised, although, in our view, still insufficiently - FRA contracts imply that 100 bps of cuts should be made by mid-2024, while we believe the MPC will keep the reference rate at 5.50% for most of the next year. The technical situation suggests that swap rates may fall a little across the whole curve in the coming days. The bond market, on the other hand, may remain under pressure, especially in the first part of the week due to Monday's auction, where the Ministry of Finance is offering PLN6-11bn worth of bonds. Although October maturities are quite high, debt may still be losing before the auction, which would favour an increase in asset swap spreads. The debt market may be sensitive to any comments from KO and other opposition parties regarding their fiscal plans for next year. **Yields on 10-year bonds could exceed 6%.**

### GDP growth decomposition, % y/y



Source: GUS, Santander

### Public debt and budget deficit (%GDP)

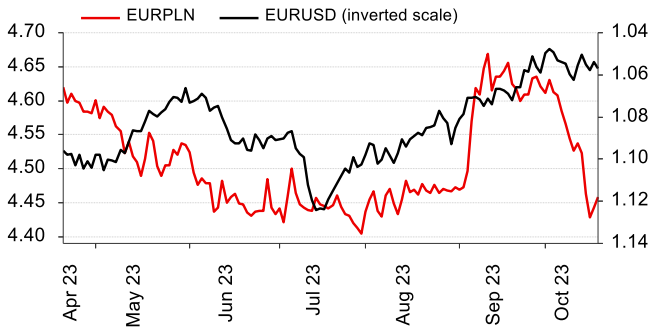


Source: GUS, Santander

### Economic Analysis Department:

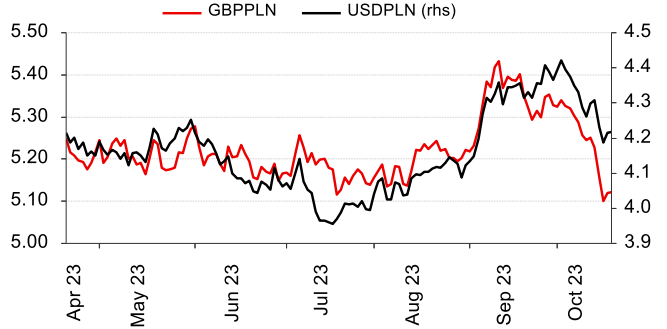
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**EURPLN and EURUSD**



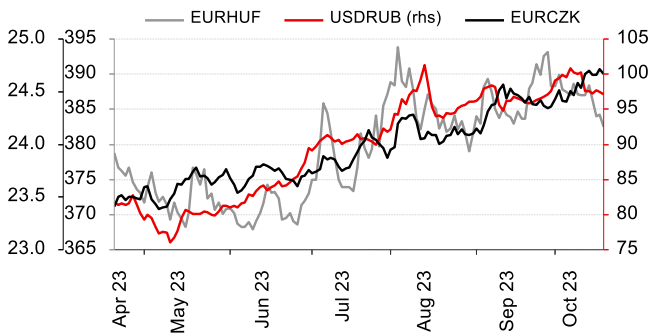
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



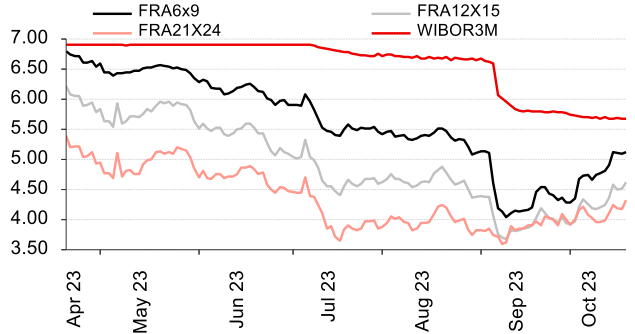
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



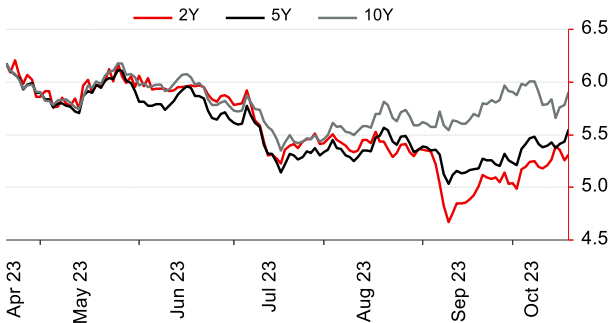
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



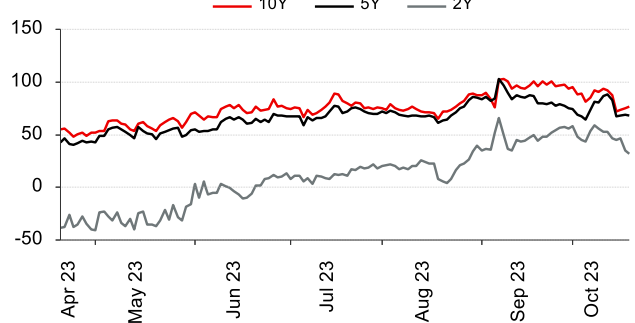
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



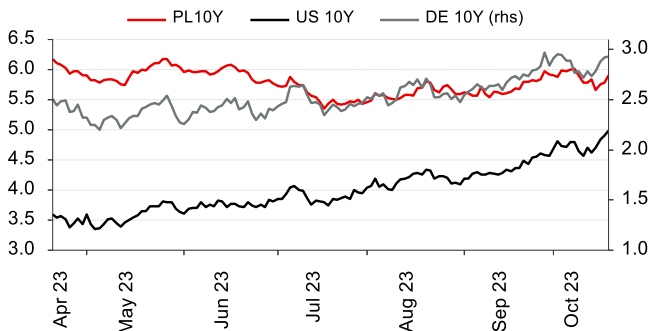
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



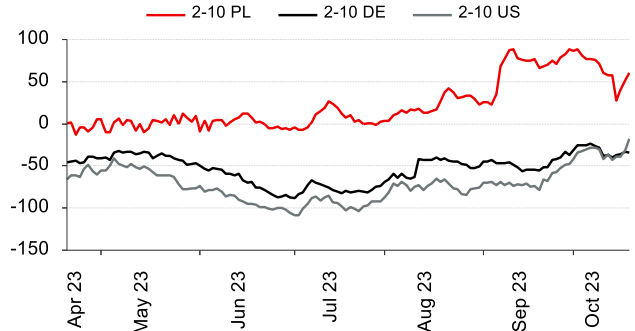
Source: LSEG Datastream, Santander Bank Polska

**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		
<b>MONDAY (23 October)</b>							
10:00	PL	Construction Output	Sep	% y/y	6.0	8.7	3.5
14:00	PL	Money Supply M3	Sep	% y/y	7.3	7.5	7.3
<b>TUESDAY (24 October)</b>							
09:30	DE	Germany Manufacturing PMI	Oct	pts	40.0	-	39.6
09:30	DE	Markit Germany Services PMI	Oct	pts	50.0	-	50.3
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	43.6	-	43.4
10:00	EZ	Eurozone Services PMI	Oct	pts	48.7	-	48.7
10:00	PL	Unemployment Rate	Sep	%	5.0	5.0	5.0
14:00	HU	Central Bank Rate Decision	Oct	%	12.50	12.50	13.00
<b>WEDNESDAY (25 October)</b>							
10:00	DE	Ifo Business Climate	Oct	pts	85.9	-	85.7
16:00	US	New Home Sales	Sep	% m/m	1.3	-	-8.7
<b>THURSDAY (26 October)</b>							
14:15	EZ	ECB Main Refinancing Rate	Oct	%	4.50	-	4.50
14:30	US	Durable Goods Orders	Sep	% m/m	1.1	-	0.1
14:30	US	GDP Annualized	3Q	% Q/Q	4.3	-	2.1
14:30	US	Initial Jobless Claims		k	210	-	198
16:00	US	Pending Home Sales	Sep	% m/m	1.0	-	-7.1
<b>FRIDAY (27 October)</b>							
14:30	US	Personal Spending	Sep	% m/m	0.4	-	0.4
14:30	US	Personal Income	Sep	% m/m	0.4	-	0.4
14:30	US	PCE Deflator SA	Sep	% m/m	0.3	-	0.4
16:00	US	Michigan index	Oct	pts	63.2	-	68.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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