

27 October 2023

## Weekly Economic Update

### The last sizeable CPI decline this year

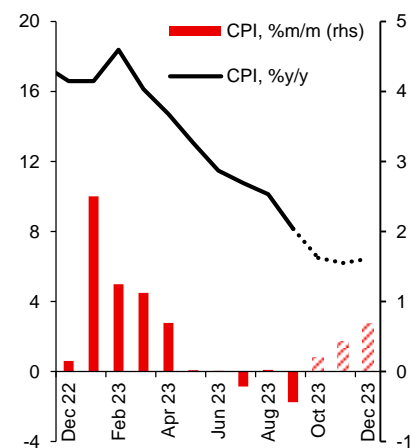
#### Economy next week

- In the coming week in the country, two important publications - CPI on Tuesday and PMI on Thursday. **For inflation, we expect a continuation of the rapid decline**, to 6.5% y/y from 8.2% y/y. We believe that CPI will already remain in this area until the end of the year. In the case of the **PMI index, on the other hand, we expect a further rebound**, following signals from other economic surveys and hard economic data from September, which indicated quite clearly that the Polish economy has entered a rebound path.
- **The first session of the Sejm is scheduled for 13 November.** At that time, the procedure for electing a new government will begin. For the time being, President Duda's statements indicate that he may give the PiS representative a chance, which would most likely mean that the whole process of forming the government would be prolonged.
- **There will be a lot going on abroad:** in the eurozone, preliminary Q3 GDP data will be published. inflation in October and the final PMI readings for October. In addition, German export data for September. In the US, durable goods orders, non-farm employment and the **FOMC decision**. Our assumption is that the FOMC will not raise interest rates, with Chairman Powell recently suggesting, rates may have already reached their target level, where they may also stay longer than the market had assumed. In other words - investors will get a great deal of fuel to ponder the path of interest rates in the major economies.

#### Markets next week

- Good data from the US and Jerome Powell's hawkish statements contributed to the appreciation of the dollar, the weakening of the zloty (which was also shedding value due the correction of the post-election euphoria) and the rise in yields. The most important events are scheduled for Wednesday (FOMC decision) and Friday (non-farm payrolls), so **markets may take a wait-and-see approach and remain quiet in the first half of the week.**
- We assume that Jerome Powell will reiterate his earlier statement that rates will not go up for now, but could also stay higher for longer. Recent data from the US has been good, so a strong non-farm employment reading could galvanise expectations for one more US rate hike this year and give fuel for **bond yields to rise again.**
- We expect the zloty to stabilise in the first half of the week, on Wednesday the liquidity will be reduced given holiday, and volatility could pick up towards the end of the week following the week's key events. **We expect that the zloty may weaken slightly** then.

Inflation in Poland, with Santander forecast

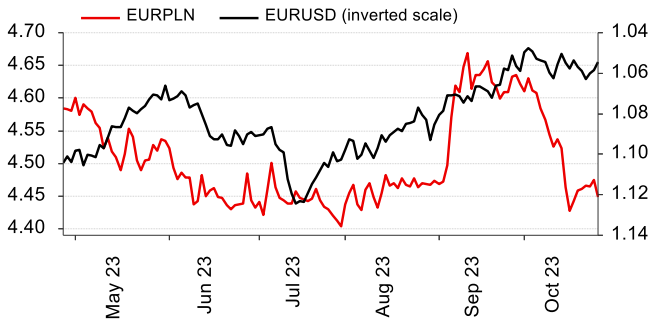


Source: GUS, Santander

#### Economic Analysis Department:

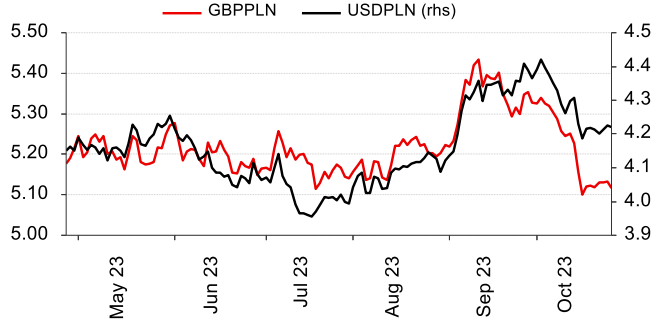
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**EURPLN and EURUSD**



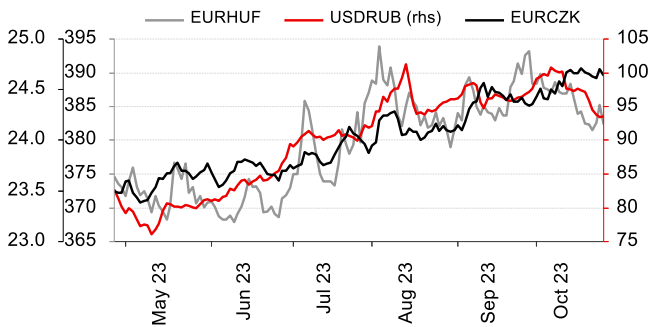
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



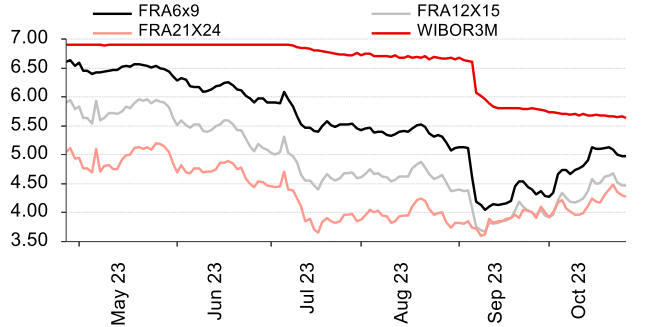
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



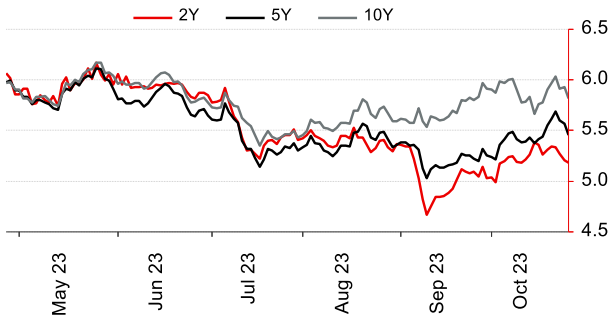
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



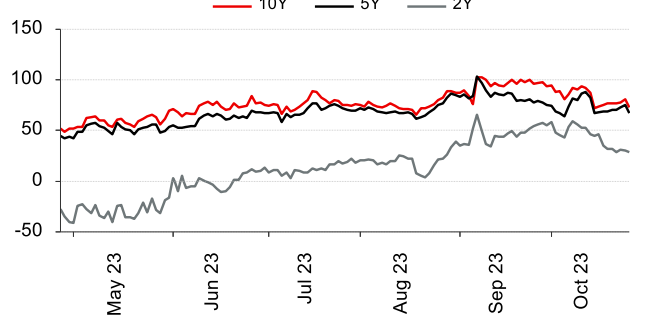
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



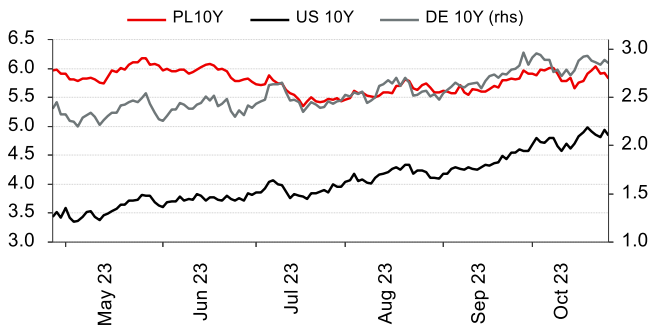
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



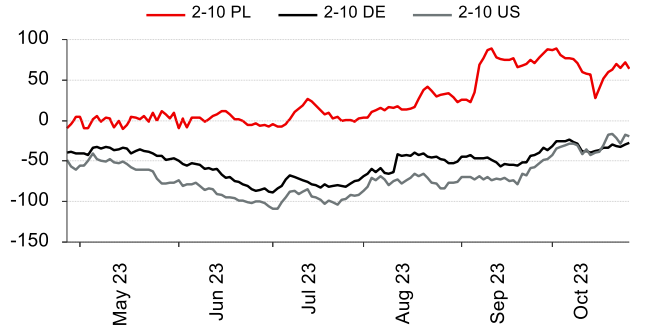
Source: LSEG Datastream, Santander Bank Polska

**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 (30 October)</b>							
10:00	DE	GDP WDA	3Q	% y/y	-0.7	-	-0.2
11:00	EZ	ESI	Oct	pts.	93.2	-	93.3
14:00	DE	HICP	Oct	% m/m	0.1	-	0.2
<b>TUESDAY (31 October)</b>							
09:00	CZ	GDP SA	3Q	% y/y	-0.3	-	-0.6
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Oct</b>	<b>% y/y</b>	<b>6.6</b>	<b>6.5</b>	<b>8.2</b>
11:00	EZ	Flash HICP	Oct	% y/y	3.1	-	4.3
11:00	EZ	GDP SA	3Q	% y/y	0.2	-	0.5
15:00	US	Consumer Conference Board	Oct	pts	100	-	103
<b>WEDNESDAY (1 November)</b>							
13:15	US	ADP report	Oct	k	135	-	89
15:00	US	ISM manufacturing	Oct	pts	49.1	-	49.0
19:00	US	FOMC decision	Nov	%	5.50	-	5.50
<b>THURSDAY (2 November)</b>							
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Oct</b>	<b>pts</b>	<b>44.3</b>	<b>44.2</b>	<b>43.9</b>
09:55	DE	Germany Manufacturing PMI	Oct	pts	40.7	-	39.6
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	43.0	-	43.4
13:30	US	Initial Jobless Claims	Oct.23	k	210	-	210
14:30	CZ	Central Bank Rate Decision	Nov	%	6.75	-	7.00
15:00	US	Durable Goods Orders	Sep	% m/m	-	-	4.7
15:00	US	Factory Orders	Sep	% m/m	1.7	-	1.2
<b>FRIDAY (3 November)</b>							
02:45	CN	Caixin China PMI Services	Oct	pts	-	-	50.2
08:00	DE	Exports SA	Sep	% m/m	-	-	-1.1
11:00	EZ	Unemployment Rate	Sep	%	6.4	-	6.4
13:30	US	Change in Nonfarm Payrolls	Oct	k	180	-	336
13:30	US	Unemployment Rate	Oct	%	3.8	-	3.8
15:00	US	ISM services	Oct	pts	53.2	-	53.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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