17 November 2023

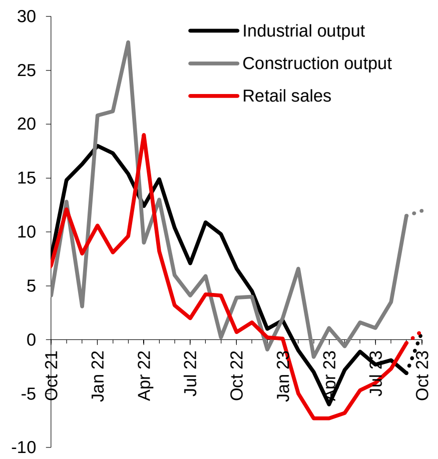
Weekly Economic Update

We are hoping for more positive data from Poland

Economy next week

- This week's calendar is **packed with data from the domestic economy**. On Tuesday we will see figures on **the labour market, industrial production and PPI inflation**. We expect a further improvement in the industrial sector, with a stabilisation of the labour market situation and a slight decline in PPI (compared to what has been happening in the euro zone, where the decline since August has exceeded 10% y/y). On Wednesday we will get to see **construction output, retail sales, consumer and business sentiment**. In our view, these data will point to a continuation of the recovery in the domestic economy, with the market being even more optimistic than us. On Thursday - the M3 money supply and 3Q23 corporate results and on Friday - the Statistical Bulletin: these data do not usually attract the market's attention, but in our opinion it will be important to get more insight into companies' financial conditions. Especially data on the 3Q investment prior to GDP details due for release at the end of the month may prove important.
- Interesting data will also appear abroad, with the most important ones being **the preliminary PMI indexes on Thursday, as well as the FOMC minutes on Tuesday and the ECB minutes on Thursday**. Apart from that, the central bank decision in Hungary (with a widely assumed 75bp rate cut), in the US real estate market data durable goods orders and the Michigan index, in Germany Q3 GDP data and the Ifo index. On Thursday, a holiday in the USA (Thanksgiving Day)

Output and sales in Poland, % y/y



Source: GUS, Santander

Markets next week

- Last week was marked by the strengthening of the zloty. The EURPLN exchange rate fell below 4.40 and the USDPLN rate approached 4.00. This was partly the result of the positive correlation of the region's currencies with the weakening dollar. The dollar lost ground in response to weaker than expected data from the US, particularly lower inflation, which reduced expectations for further Fed rate hikes. We think the zloty will be further supported by a more hawkish MPC, a post-election improvement in sentiment towards domestic assets and a better chance of unblocking EU funds. **We assume that the EURPLN exchange rate may remain in the range of 4.25-4.45 with it likely to stay below 4.40 for a longer period** of time, while the bottom may be constrained by the export profitability threshold. **This week, the zloty may be negatively affected by slightly weaker than asscumed by consensus activity data** and technical situation. In the region, the forint could be negatively impacted by a sizable rate cut by the MNB (-75bp). On the opposite zloty could poisitvely affected by strengthening of the euro versus the dollar with a favourable impact of the ECB minutes and a stabilisation of PMI indices.
- Recent days have been dominated by market rate declines. The domestic market (-20 bp) may have been heavily influenced by the underlying markets, where yields fell by 13-20 bp in reaction to low inflation data from the US. Weaker-than-consensus manufacturing, sales or PPI data could support a **downward movement in the rate market**. However, as we believe the data will point to further recovery, the potential drop, especially at the short end, should not be large. Support for the domestic market could also come from a continuation of the strengthening in the core markets. In the longer term, we still assume a gradual reduction in expectations of interest rate cuts and an upward adjustment of short term market rates.

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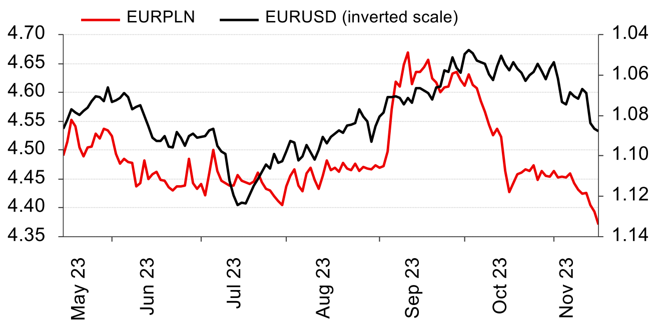
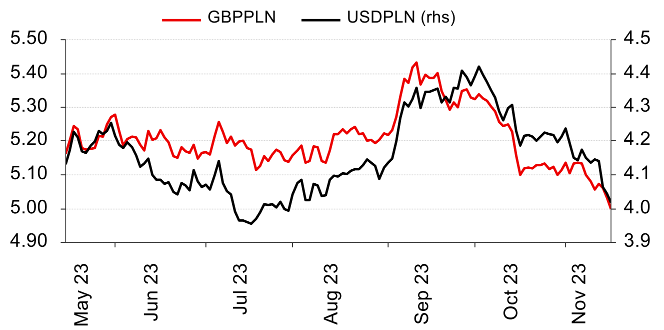
EURPLN and EURUSD



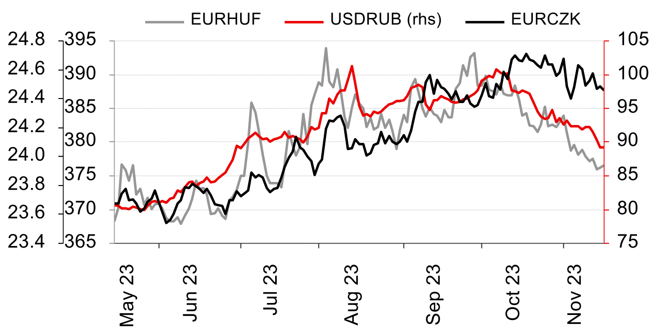
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



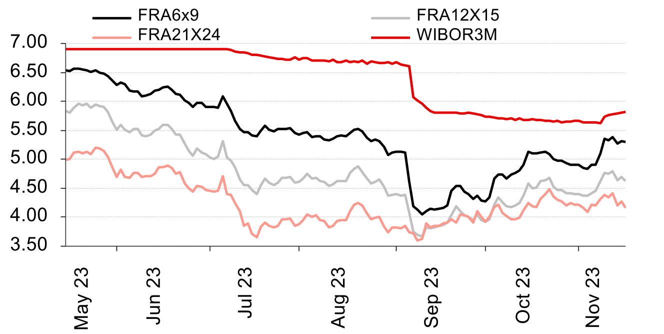
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



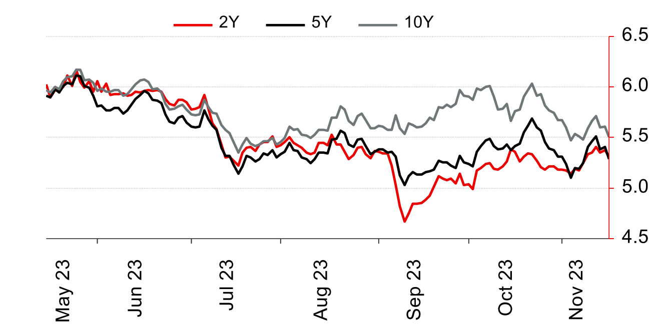
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



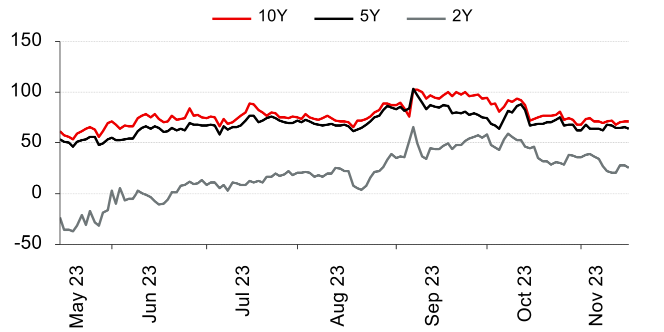
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



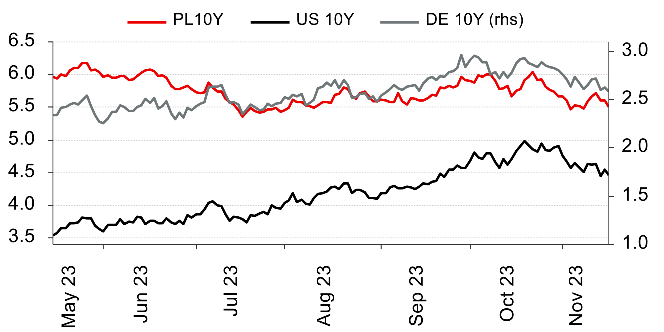
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



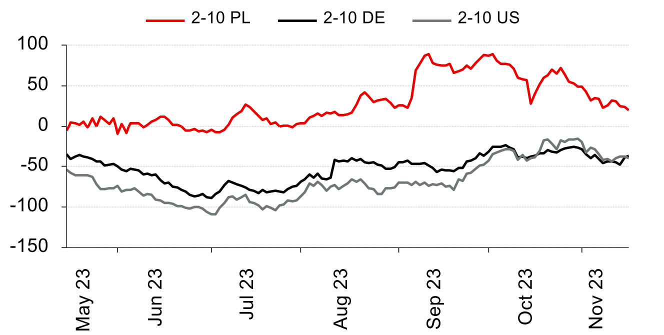
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

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Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	LAST VALUE
		MONDAY (20 November)					
02:15	CN	PBOC's 1Y loan prime rate	Nov	%	3.45		3.45
		TUESDAY (21 November)					
10:00	**PL**	**Employment in corporate sector**	**Oct**	**% y/y**	**0.0**	**0.0**	**0.0**
10:00	**PL**	**Sold Industrial Output**	**Oct**	**% y/y**	**1.9**	**0.7**	**-3.1**
10:00	**PL**	**PPI**	**Oct**	**% y/y**	**-3.7**	**-4.5**	**-2.8**
10:00	**PL**	**Average Gross Wages**	**Oct**	**% y/y**	**12.0**	**12.0**	**10.3**
14:00	HU	Central Bank Rate Decision	Nov	%	11.50	11.50	12.25
16:00	US	Existing Home Sales	Oct	% m/m	-1.5		-2.0
20:00	US	FOMC Meeting Minutes	Nov				
		WEDNESDAY (22 November)					
10:00	**PL**	**Construction Output**	**Oct**	**% y/y**	**11.3**	**12.0**	**11.5**
10:00	**PL**	**Retail Sales Real**	**Oct**	**% y/y**	**1.3**	**0.8**	**-0.3**
14:30	US	Durable Goods Orders	Oct	% m/m	-3.0		4.6
14:30	US	Initial Jobless Claims	week	k	225		231
16:00	US	Michigan index	Nov	pts	60.8		60.4
		THURSDAY (23 November)					
09:30	DE	Germany Manufacturing PMI	Nov	pts	41.1		40.8
09:30	DE	Markit Germany Services PMI	Nov	pts	48.2		48.2
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	43.3		43.1
10:00	EZ	Eurozone Services PMI	Nov	pts	48.1		47.8
14:00	**PL**	**Money Supply M3**	**Oct**	**% y/y**	**8.5**	**8.8**	**8.3**
		FRIDAY (24 November)					
08:00	DE	GDP WDA	3Q	% y/y	-0.3		-0.2
10:00	DE	IFO Business Climate	Nov	pts	87.5		86.9
10:00	**PL**	**Unemployment Rate**	**Oct**	**%**	**5.0**	**5.0**	**5.0**

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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