

(Bi-)Weekly Economic Update

How large was the GDP growth slowdown in 3Q?

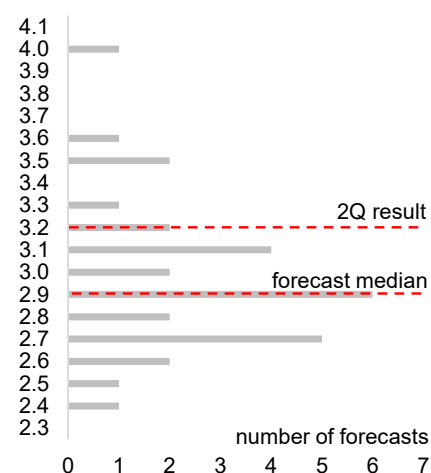
Economy next two weeks

- Next Friday we will not be able to send the weekly report for organizational reasons, so today we are looking at the perspective of the next two weeks.
- Another shorter week is ahead of us - Monday is a market holiday not only in Poland, but also in the USA. The publication calendar is again light, but concise. In Poland we will get: data on the September balance of payments (Wednesday), preliminary estimate of GDP growth in the third quarter (Thursday), full data on October inflation (Friday) and perhaps also the results of the central budget for October.
- The latter information would be very valuable, among other things because **the amount of tax revenues from VAT** could bring us closer to the answer to what extent the sudden collapse in retail sales data in September was actually a sign of weakness in consumption, and to what extent it was some kind of error in the data.
- However, the most important item of this set will be the **publication on GDP growth**. The market consensus according to Bloomberg is c. 3% y/y, according to Parkiet 2.9%, and the latest NBP projection assumes 2.6% y/y. We have decided to lower our forecast to 2.8% y/y (earlier we had it at 3.3% y/y) after a series of disappointing September data, which would correspond to a seasonally-adjusted change in GDP by c. 0.3% q/q. However, it is worth recalling that in the first two quarters of the year, high-frequency data (sales, production) also suggested less rather than more optimism about the economy's result, and yet the GDP growth rate surprised positively. In addition, in the third quarter, in contrast to the previous quarter, the GDP results of the eurozone and its largest members were a positive surprise.
- The balance of payments will likely show another month of high current account deficit, with the 12-month balance approaching zero, weak export growth, and better imports, stimulated by domestic demand.
- The CPI data is unlikely to arouse much excitement – it should confirm the flash estimate, which showed inflation rising to 5.0% y/y, not only due to higher food prices, but also because of higher prices of core goods. Core inflation data will be released next week and, according to our estimates, should show a slight decrease to 4.1% y/y.
- Next week, in addition to core inflation, we will see October data on construction output and the stats office's November surveys of consumer and business sentiment, so it will be a rather modest week in terms of publications.
- Abroad, in the coming week, attention will be focused primarily on inflation data (released e.g. in Czechia, Hungary, euro area, and the USA) and GDP results.
- Next week, the economic calendar will also be rather modest: the central banks in Hungary and Turkey will make their policy decisions, and on Friday, the preliminary manufacturing PMIs will be released.

Markets next two weeks

- The first reaction to the result of the US election was the weakening of the CEE currencies, but already the next day there was a rebound and the EURPLN returned from 4.37 below 4.33. We believe that one should expect increased volatility of financial markets in the coming weeks and months, and the dynamics will be determined, among other things, by all statements and signals from D. Trump and/or his associates, and then the decisions of the new administration regarding the implementation of election promises and key directions of policy in the field of economy and security. Market sentiment will react to whether these signals indicate a scenario of moderate or rather far-reaching and radical changes. At the moment, we are not able to predict this, but we see the risk of a stronger dollar (or at least its slower depreciation than in the previously predicted scenario), so we are moving our exchange rate forecasts up a bit for the coming quarters: **we assume that EURPLN will move in the range of 4.30-4.40** rather than the 4.20-4.30 we indicated earlier.
- On the interest rate market, the dovish reception of the NBP Governor's conference contributed to a decline of the swap and FRA curves, and to the pricing-in of increased probability that the first rate cut will be delivered as early as in 1Q25. Thursday's GDP data will be an important test for these expectations – if growth does not slow down more than expected, the chances for a faster easing of monetary policy should, in our opinion, weaken. Trump's declarations regarding plans to implement his pre-election promises may significantly affect yields abroad, and indirectly also impinge on our local market. **Over the next few quarters, we still expect a gradual decline in bond yields**, but credit spreads may remain quite high due to record high debt supply and possibly a higher geopolitical risk premium.

GDP growth forecasts for Poland, 3Q, collected by Bloomberg and Parkiet, % y/y

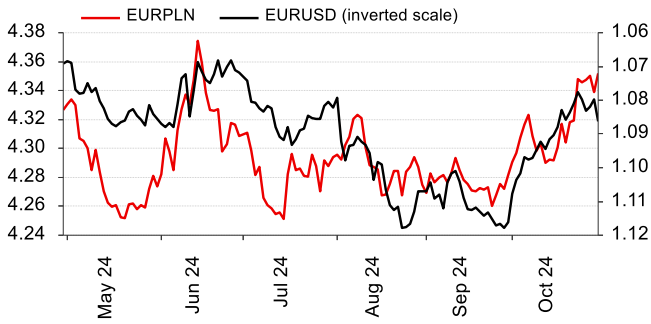


Source: Bloomberg, Parkiet, GUS, Santander

Economic Analysis Department:

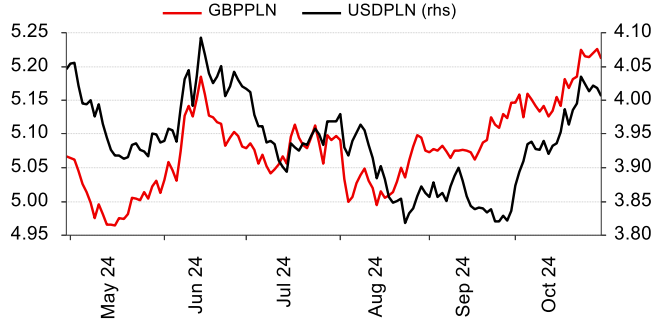
aL. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Cezary Chrapek +48 887 842 480
Marcin Luźniński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



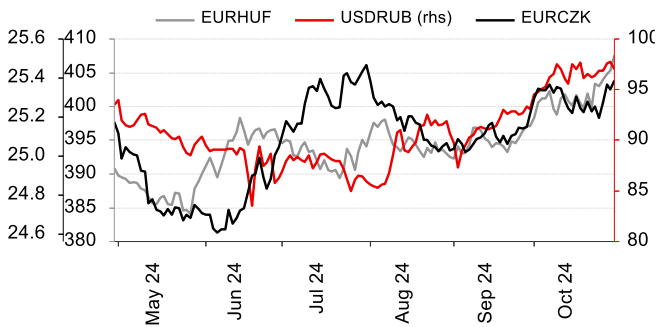
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



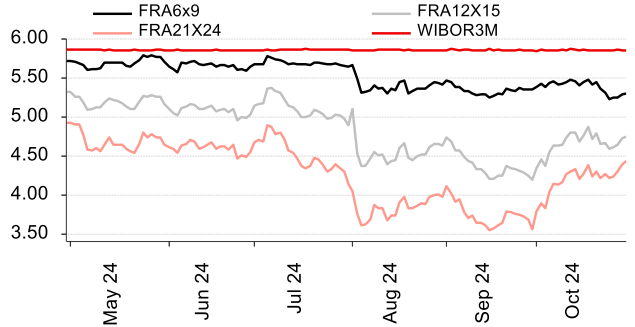
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



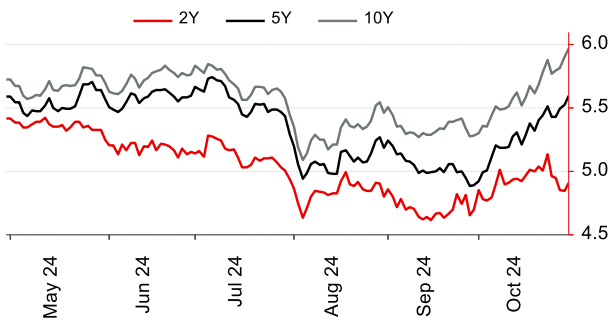
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



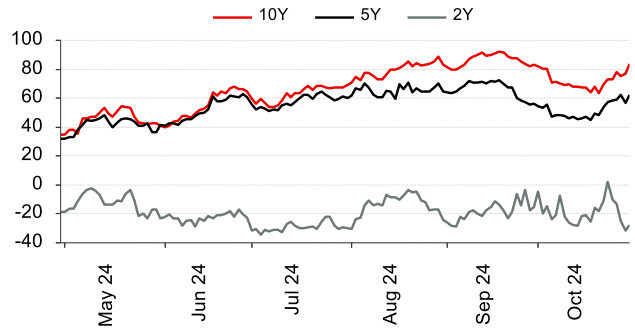
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



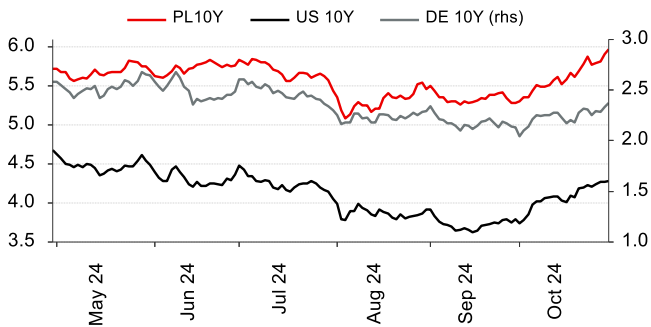
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



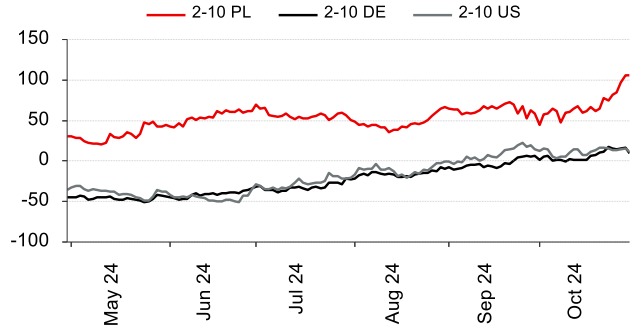
Source: LSEG Datastream, Santander Bank Polska

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	
MONDAY (11 November)						
	PL	Holiday				
	US	Holiday				
09:00	CZ	CPI	Oct	% y/y	2.8	- 2.6
TUESDAY (12 November)						
08:00	DE	HICP	Oct	% m/m	0.4	- 0.4
08:30	HU	CPI	Oct	% y/y	3.6	- 3.0
11:00	DE	ZEW Survey Current Situation	Nov	pts	-85.0	- -86.9
WEDNESDAY (13 November)						
14:00	PL	Current Account Balance	Sep	€mn	-1277	-1721 -2827
14:00	PL	Trade Balance	Sep	€mn	-1322	-1300 -2244
14:00	PL	Exports	Sep	€mn	27874	27950 24952
14:00	PL	Imports	Sep	€mn	28869	29250 27196
14:30	US	CPI	Oct	% m/m	0.2	- 0.2
THURSDAY (14 November)						
10:00	PL	GDP	3Q	% y/y	2.9	2.8 3.2
11:00	EZ	Industrial Production SA	Sep	% m/m	0.9	- 1.8
11:00	EZ	GDP SA	3Q	% y/y	-1.3	- 0.9
14:30	US	Initial Jobless Claims		k	225	- 216
FRIDAY (15 November)						
	PL	Central Budget Cumul.	Oct	PLN bn	-	- -107.3
10:00	PL	CPI	Oct	% y/y	5.0	5.0 5.0
14:30	US	Retail Sales Advance	Oct	% m/m	0.3	- 0.4
15:15	US	Industrial Production	Oct	% m/m	-0.2	- -0.3
MONDAY (18 November)						
14:00	PL	CPI Core	Oct	% y/y	4.2	4.1 4.3
TUESDAY (19 November)						
11:00	EZ	HICP	Oct	% y/y	2.0	- 1.7
14:00	HU	Central Bank Rate Decision	Nov.24	%	-	- 6.50
14:30	US	Housing Starts	Oct	% m/m	-	- -0.5
THURSDAY (21 November)						
10:00	PL	Construction Output	Oct	% y/y	-6.8	-6.4 -9.0
16:00	US	Existing Home Sales	Oct	% m/m	-	- -1.0
FRIDAY (22 November)						
08:00	DE	GDP WDA	3Q	% y/y	-0.2	- -0.3
09:30	DE	Germany Manufacturing PMI	Nov	pts	42.6	- 43.0
09:30	DE	Markit Germany Services PMI	Nov	pts	51.4	- 51.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	45.9	- 46.0
10:00	EZ	Eurozone Services PMI	Nov	pts	51.2	- 51.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.