

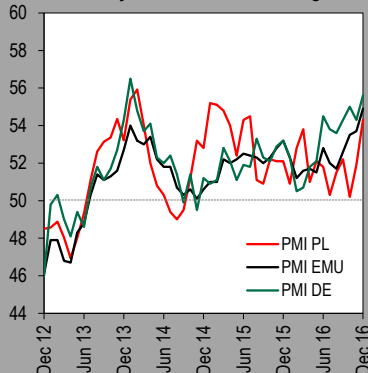
MACROscope

Polish Economy and Financial Markets

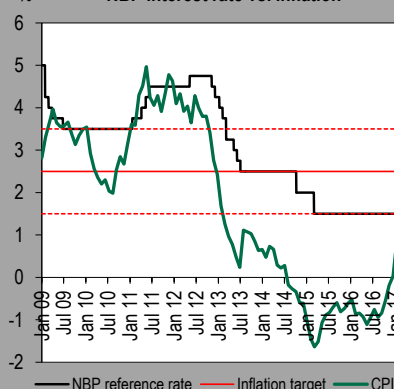
January 2017

The year starts in optimistic moods

Activity indices in manufacturing



NBP interest rate vs. inflation



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■ It seems the manufacturing activity in the world economy is reviving. Business climate indicators for most European countries, USA, and even China picked up quite visibly at the end of 2016 and seem to be supporting our view that 2017 will be the year of a gradual recovery in international production and trade. The German export growth already picked up quite markedly, and so did the industrial output of Poland's biggest trading partner. As regards local data, admittedly, **the industrial production in November was better than expected, but the 3-month average growth in the Polish manufacturing output remained in the downtrend**, which, according to our forecast, even deepened in December. It looks like **the final quarter of 2016 saw continued economic slowdown (to slightly 2%), but we still expect this was the bottom of the cycle.**

■ Overall **GDP growth in 2017 is likely to be below the government's budgetary assumptions** (our forecast 2.7% vs. 3.6%), but we do not see a significant risk for the fiscal policy outlook this year. At least in terms of the **central budget delivery and the borrowing needs, which are likely to be lower than planned** (amid high central bank's profit). Actually, the fiscal deficit for 2016 is also very likely to show a positive reading of around 2% of GDP only.

■ The only unpleasant surprise at the start of 2017 came from the inflation data (although after more than two years of deflation, it might not be that bad, after all). **The CPI reading for December (0.8%YoY) was significantly above expectations.** It was driven mostly by commodities' prices and it seems that 12M CPI may reach c2% already in the first quarter of this year. It is a very different CPI scenario from the one presented in the November's NBP projection, which assumed inflation below 1.5% throughout 2017. Central bank governor Adam Glapiński expects that the **2.5% target will not be reached in 2017** and he emphasized that he saw "absolutely no reasons to start mulling interest rate hikes". **A time for discussion about interest rate hikes will come if the economic growth accelerates and triggers a stronger inflation rise (in 2018).**

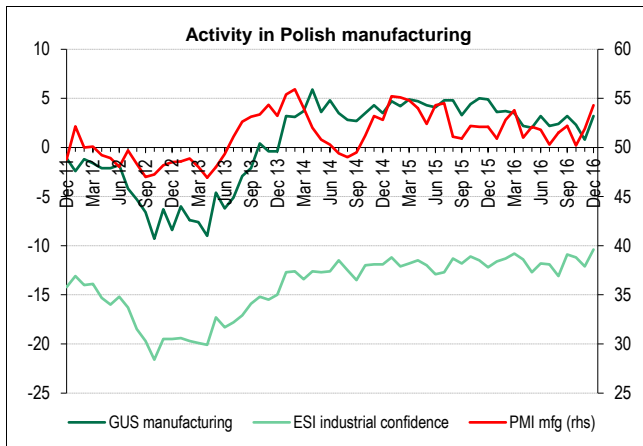
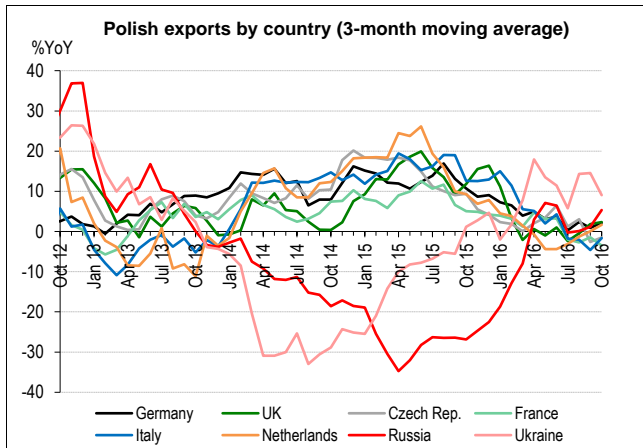
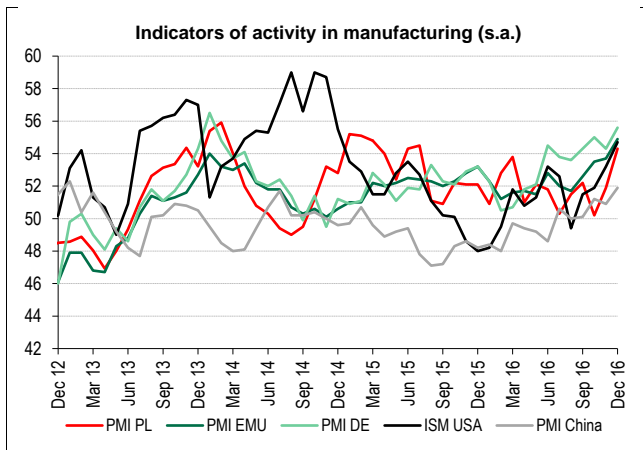
■ The year-end was positive for the equities and higher risk appetite was supporting also the CEE currencies. The zloty recovered vs. main currencies. Though January tends to be more volatile for the zloty than the other months of the year, so far the domestic FX market in 2017 has been pretty calm and **we see a limited scope for the zloty's appreciation in the short term.** Rating agencies did not surprise with changes to the Polish credit rating/outlook, which was also positive for the bond market. While in early January both yields and IRS rates increased somewhat in response to a higher-than-expected flash CPI release, **the global mood improvement helped both yields and IRS rates to rebound quite significantly**, trimming most of the earlier losses and even all as in the case of the bond market. Also, the risk premia for Poland's fixed income assets decreased, remaining at elevated levels still (spread over Bund c330bps).

Financial market on January 16, 2017:

NBP deposit rate	0.50	WIBOR 3M	1.73	EURPLN	4.3792
NBP reference rate	1.50	Yield on 2-year T-bond	1.98	USDPLN	4.1254
NBP lombard rate	2.50	Yield on 10-year T-bond	2.87	CHFPLN	4.0837

This report is based on information available until 16.01.2017.

Economic update



Source: GUS, NBP, Eurostat, Markit, European Commission, BZ WBK.

Signs of rising economic activity abroad

▪ We observe growing evidence that the manufacturing activity in the world economy is reviving. Business climate indicators for most European countries, USA, and even China picked up quite visibly at the end of 2016 and seem to be supporting our view that 2017 will be the year of a gradual revival in international production and trade, after the stagnation seen in the previous quarters.

▪ What is important, the revival is visible not only in the business climate indicators and surveys, but also in the hard data from Europe, the German export growth picked up quite markedly and started accelerating, and so did the industrial output of Poland's biggest trading partner. Production in other euro zone countries accelerated as well.

▪ If this trend continues, it should trigger a faster inflow of new export orders to many Polish companies that are suppliers and contractors for their European counterparts.

▪ The correlation between German (or euro zone) and Polish exports has been traditionally quite high; and thus we hope to see a rebound in the Polish export growth relatively soon, after the recent stagnation. This should be facilitated by the relatively weak Polish zloty.

▪ Obviously, there are risk factors on the horizon, and if they materialise, they could weaken or even stop the positive trends abroad. We see highest risk in the potential further rise of protectionist policies in international trade across the world; with the real shape of the US economic policy after Donald Trump's inauguration as President, and the talks between the UK and EU on Brexit conditions playing an important part for international trade.

... but not yet in Polish manufacturing

▪ So far, we haven't seen convincing signs of a pick-up in the Polish manufacturing, yet (except for confidence surveys – see below). Admittedly, the industrial production in November was better than expected, but it followed the much weaker-than-forecast October's numbers and was, in our view, largely connected with the calendar effect (fluctuations in the number of working hours). The smoothed 3-month average growth in the Polish manufacturing output remained in the downtrend, which, according to our forecast, even deepened in December.

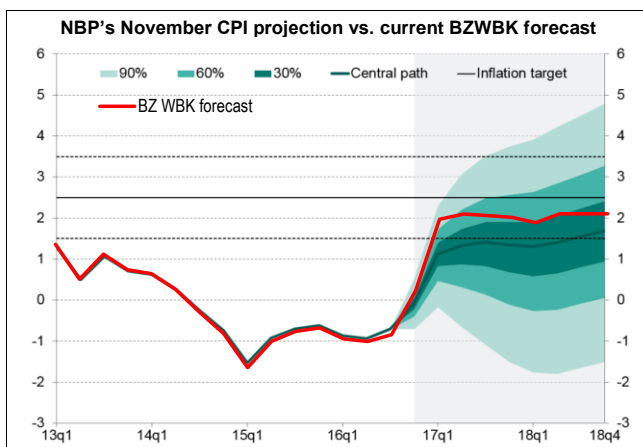
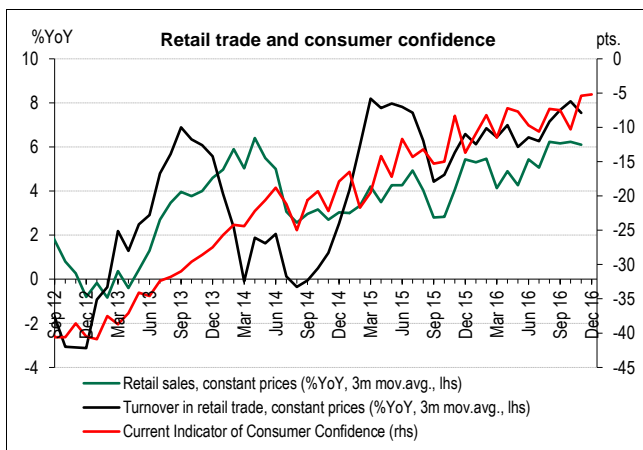
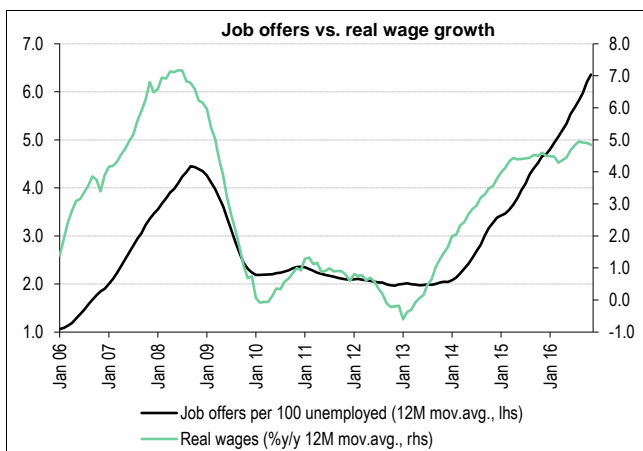
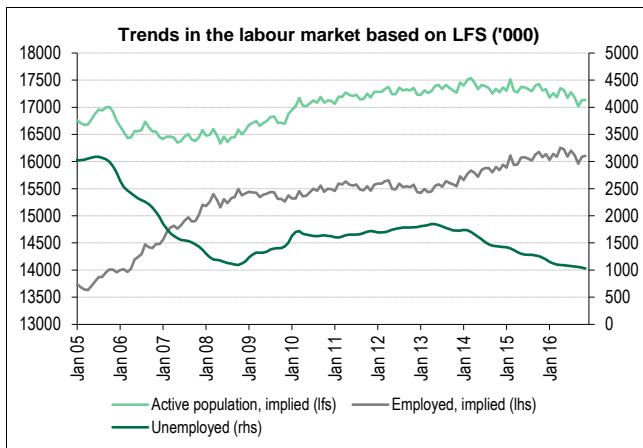
▪ There have been only little signs of improvement in the data about Polish exports so far. Available data suggest that export growth was sluggish until November, and the stagnation was broad-based, affecting trade with almost all major trading partners.

▪ Still, we hope to see a rebound in both production and exports in the following months if positive trends abroad continue. The most recent confidence indicators for Polish manufacturing improved quite clearly in December, confirming that this may be the case.

▪ The manufacturing PMI rose to 54.3, its 17-month high, with the number of new orders growing at the fastest pace since March and export business expanding for the first time since September. While we would rather treat the PMI index with caution, as its large fluctuations in the last two years were not a good predictor for the situation in the Polish industry, the good news is that other manufacturing climate indicators improved as well, including the one from the statistical office and the European Commission's ESI.

▪ While December may be another month to witness quite poor results in the Polish industry (again due to the calendar effect), we see all the conditions for a gradual recovery at the start of 2017. The most significant challenge for Polish producers may be the deepening scarcity of free labour force and the resulting need to accelerate labour productivity growth.

Economic update



Source: GUS, NBP, Eurostat, BZ WBK.

Demand for labour still strong, but is employment still rising?

▪ The average employment growth in the corporate sector stabilized in November at a decent 3.1% y/y. However, we argue the data may be misleading given that some companies offered their employees a change in the type of labour contract following the recent legal changes (from civil law contracts to regular employment). Meanwhile, the Labour Force Survey (which should be immune to such an effect, as it counts all employed regardless of contract type), shows a completely different picture as it suggests that the upward trend in employment has reversed in mid-2016 and in October-November the number of employed fell c.1% y/y. It also suggests that the decline of unemployment in the last few months was entirely due to the decreasing active population (see chart).

▪ Interestingly enough, the companies' demand for labour remains high, which is manifested by, among others, quickly rising number of new job offers and vacancies. Such situation would suggest that firms may be already facing a supply-side constraint due to the labour force shortage. The truth is, however, that the LFS data is not perfect, as it probably misrepresents the number of employed non-residents (mainly Ukrainians with temporary residence permits). Thus, the true picture of the Polish labour market is not very clear at the moment.

▪ Nevertheless, with the unemployment rate already at the record low level (6.0% in November according to the revised LFS data) and a deepening shortage of available workforce, we expect to see growing wage pressure in the coming months. Average wage in the corporate sector accelerated to 4.0% y/y in November; and we think it will keep accelerating in the coming months. However, inflation will pick up as well, according to our forecast (see below), which would be a drag on the real purchasing power of households this year.

Private consumption to be the main GDP driver in 1H17

▪ The most recent data show that the consumer demand has been strong, supported by solid labour income and generous family subsidies, and consumer confidence has been improving.

▪ We think that private consumption will remain the main driver of the economic growth in the nearest quarters, but it may weaken in 2H17 after the positive effect of 500+ programme wanes.

Inflation in 2017 will be higher than expected

▪ CPI inflation rose in December to 0,8% y/y, much higher than expected, mainly because of the surge in fuel and food prices.

▪ The inflation pick-up will most likely continue at the start of 2017, boosted by very low base effect as well as price hikes in some categories (electricity, tobacco). Also, the upward trend in the global food prices is quite clear. It seems that even the unexpected cut in gas prices since February (by c.6%) approved by the Energy Regulatory Office (URE) will not stop inflation from rising to around 2% in March/April, in our view. Later on, we expect CPI to stabilise around 2% y/y for a few months, and then to drop towards 1.5% in December 2017 due to very high base effect.

▪ This is going to be a very different CPI scenario from the one presented in the November's NBP projection, which assumed inflation below 1.5% level throughout 2017 (we think 1.5% will be breached already in January).

▪ On the other hand, we do not expect to see a significant surge in core inflation (c1% at end-2017). The non-tradable part of core inflation will be supported by climbing car insurance prices and the fading effect of 2H16 cuts in drug prices, and should return to sub-2% growth, while the tradable part is expected to remain in the deflationary mode.

Monetary policy watch

Excerpts from the MPC's official statement after its January meeting

Economic growth abroad remains moderate, with signs of recovery in global industry. In the euro area, economic growth has been stable, albeit diverse across its member states. In Germany, economic growth in 2016 Q4 probably accelerated, while in other large euro area economies it remained low. In the United States, expansion has continued, supported by improvement in the labour market reflected both in rising employment and wages. In China, there are signs of improvement in economic conditions, yet GDP growth is still lower than in previous years.

In Poland, GDP growth in 2016 Q4 was probably subdued. However, monthly data signal some improvement in economic activity over the recent past. Economic growth has been mainly driven by increasing consumer demand, supported by a rise in employment and wages, very good consumer sentiment and child benefit payments. At

the same time, GDP growth was contained by a fall in investment, caused to a large extent by temporarily lower use of EU funds after the completion of the previous EU financial perspective.

Annual growth in prices of consumer goods and services has been increasing – in line with flash estimate it was 0.8% y/y in December 2016. Growth in producer prices has also picked up. The increase in price growth has resulted mainly from energy commodity prices being higher than a year ago, i.e. factors beyond the direct impact of domestic monetary policy. At the same time, price growth has been contained by low inflationary pressure abroad and negative output gap in the domestic economy.

In the Council's opinion, price growth will continue to increase in the coming months, yet it will remain moderate. Besides commodity prices being higher than a year ago, price growth will be supported by an expected acceleration in economic growth amid a gradual increase in the investment growth rate and a stable rise in consumption.

The Council confirms its assessment that – given the available data and forecasts – the current level of interest rates is conducive to keeping the Polish economy on the sustainable growth path and maintaining macroeconomic balance

No room for interest rate hikes in 2017

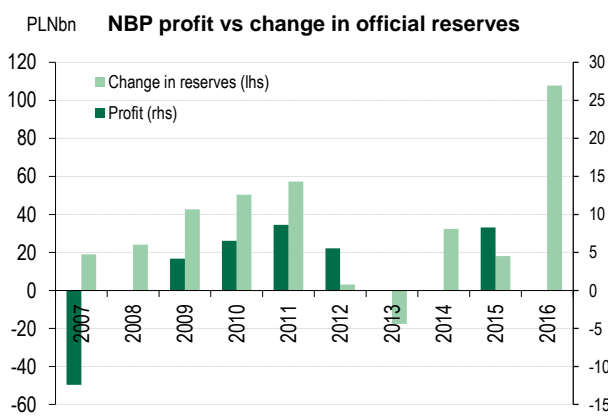
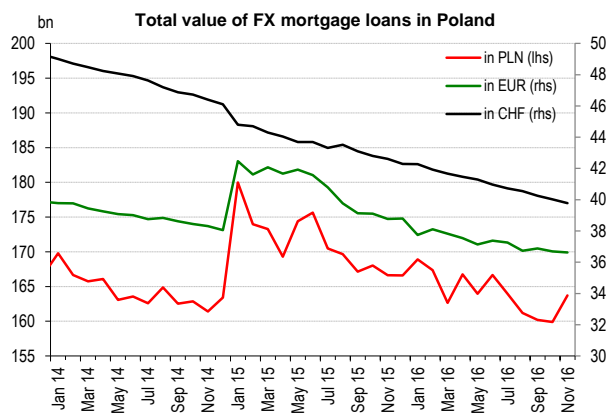
- As expected, the Monetary Policy Council kept interest rates on hold in January, with the main reference rate at 1.5%.
- The official communique has not changed significantly as compared to the previous month. The Council still sees the slowdown of economic growth in Poland as temporary. It also expects inflation to rise further, but only gradually and moderately. The central bank governor, Adam Glapiński, said that inflation will probably touch the lower end of the allowed fluctuations band around the target (i.e. 1.5%) this year, but the 2.5% target will not be reached in 2017. Moreover, he emphasized that he saw “absolutely no reasons to start mulling interest rate hikes”. Glapiński said that if economic growth accelerates and triggers stronger inflation rise, then a time for discussion about interest rate hikes will come – it may take place in 2018, but only in a positive scenario, which does not have to materialize. Meanwhile, the central bank head sees very limited room for inflation rise in the coming months, as the upward trend in crude oil price has stalled, and the economic growth in Europe is still meagre. He also suggested that higher CPI due to fuel price hike should not be a reason for central bank action, as long as there is no broad-based underlying price pressure. Summing up, the message from the central bank was neutral or even mildly dovish – they do not see reasons to change monetary policy this year, and policy tightening in 2018 would be possible only when inflation picks up clearly due to growth acceleration.

KSF recommendations on CHF loans

- On January 13, the Financial Stability Committee (KSF) issued a bunch of recommendations setting the framework for voluntary restructuring of FX mortgages in the Polish banks' balance sheets. These new regulatory measures are aimed at pushing commercial banks towards voluntary conversion of CHF loans into zlotys.
- The set contains mostly directional recommendations and it delegates the preparation of detailed regulations/measures and their introduction to the Ministry of Finance, KNF (financial markets regulator) and BFG (the Bank Guarantee Fund). Also, the introduction timing is unclear as the paper imposes no deadlines; and certain laws need to be amended to implement the proposed solutions.
- The recommendations include among others: increasing the risk weight on FX mortgages to 150% from the current 100%, higher LGD, changes to Pillar 2 capital ratios, additional charge to the BFG and introduction of the 3pp systemic risk buffer (SRB). The SRB will not be an additional buffer but is to replace the current 4pp add-on to Total Capital Ratio (TCR) and 3pp to Tier 1 (T1).
- It is, however, important to stress that the paper contains relatively little ready-made solutions and therefore its potential impact on banks cannot be quantified at this stage. Moreover, the political agenda and macro background will likely be the main factors shaping the final solutions.

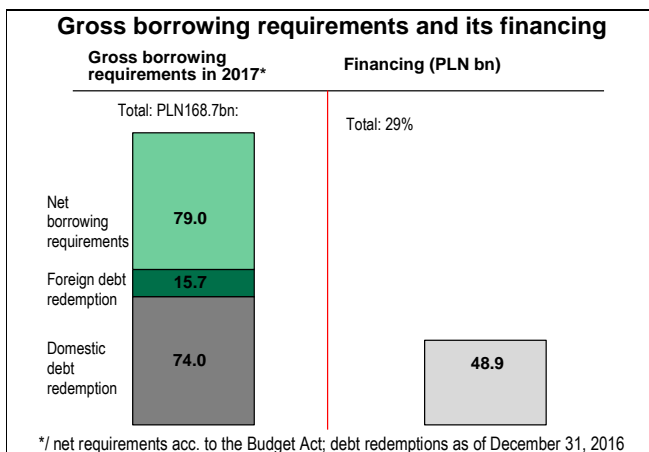
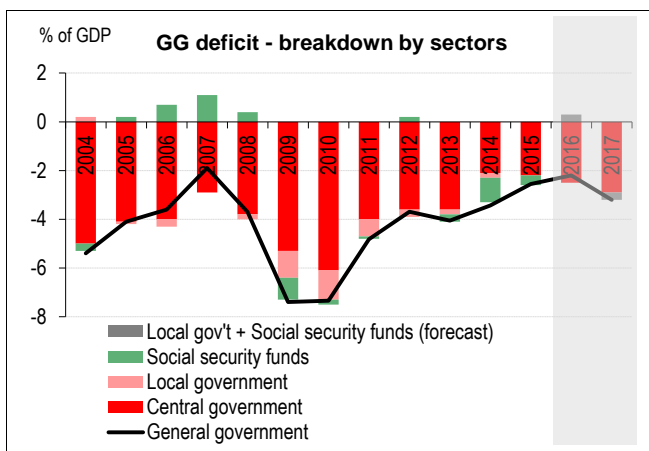
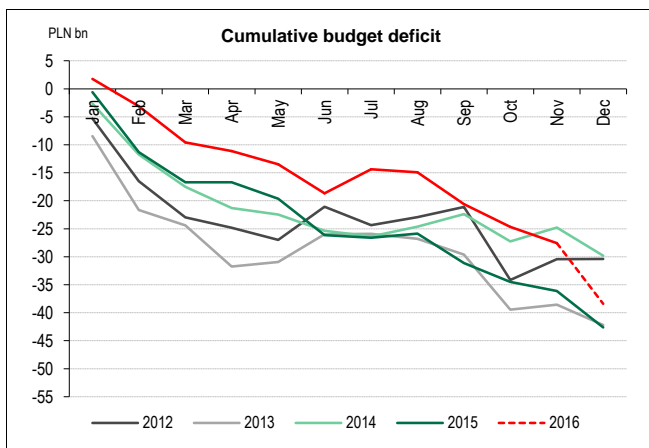
Record growth of NBP official reserves

- At the end of December 2016, NBP official reserves reached PLN478bn, after rising by record-high PLN107.8bn versus December 2015. So far, the change in the reserves was highly correlated with the NBP profit, so we assume that the NBP profit for 2016 may also be at all-time high, beating the current record of PLN8.6bn in 2011. Since 95% of the profit is streamed into the central budget, this is likely to ease pressure on gross borrowing needs and the central budget deficit. However, the central bank profits do not affect the ESA2010 general government deficit. Let us also note that NBP financial result accounts for realised profits, so a considerable growth in reserves does not necessarily mean high profit.



Sources: NBP, BZ WBK.

Fiscal policy watch



Calendar of the 2017 Poland Credit Rating Review

	Date of rating review		
S&P		21 April 2017	20 October 2017
Moody's	13 January 2017	12 May 2017	8 September 2017
Fitch	13 January 2017	7 July 2017	8 December 2017

Source: GUS, NBP, Ministry of Finance, Eurostat, Rating Agencies, BZ WBK.

Lower budget deficit, lower general government deficit

▪ The central budget deficit reached PLN27.6bn after 11 months, i.e. 50.4% of the annual plan. Growth rate of tax revenues was quite good and reached 6.6% y/y (for indirect taxes it was 6.4% y/y). At the same time, spending was still below the initial Finance Ministry's schedule (difference between the schedule and the actual spending level rose to PLN12bn after November). It seems very likely that this year will end with a deficit lower by more than PLN15bn versus the initial budget plan. This, together with a local governments' surplus, will bring the overall general government (GG) deficit towards 2% of GDP (down from 2.6% in 2015).

▪ On the other hand, 2016 brought about a significant increase in the central government debt (by cPLN70bn according to our estimation). Consequently, we think that the public debt is likely to reach the level of c52% of GDP at the end of 2016, which means an increase by over 3pps y/y, the fastest rise since 2003. This year we expect it to be near 55% of GDP (according to domestic methodology).

▪ Poland's Senate approved the 2017 budget bill (without amendments) and then President Duda signed it into law. However, opposition parties questioned the legality of the budget bill voting in Poland's Parliament on December 16 and this has been a source of political stand-off in the recent weeks.

Liquidity cushion quite high at the start of the year

▪ December 2016 was quite intense on the primary market as the Ministry of Finance issued the green bonds for the first time in history, which met with a large interest from investors. At the same time it decreased the 2017 domestic debt redemptions by tapping bonds through a switch tender. This, together with favourable auction results at the first regular auction this year, resulted in financing of the borrowing needs at the level of 29%.

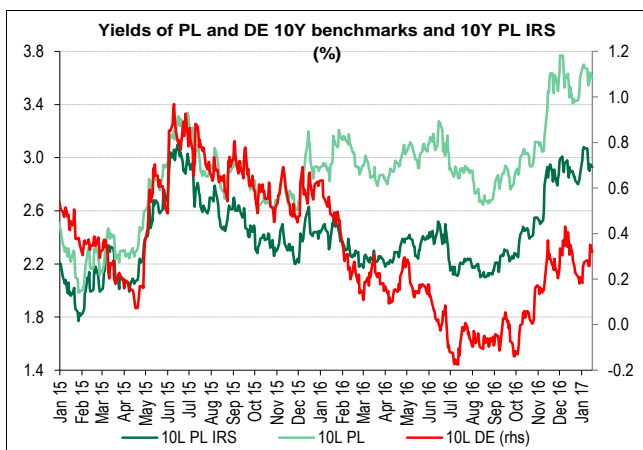
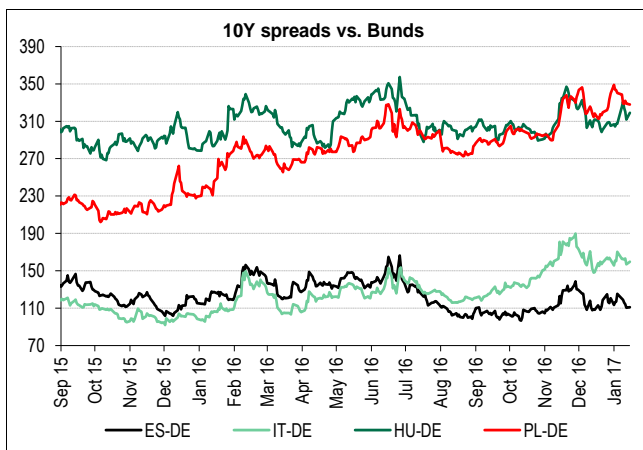
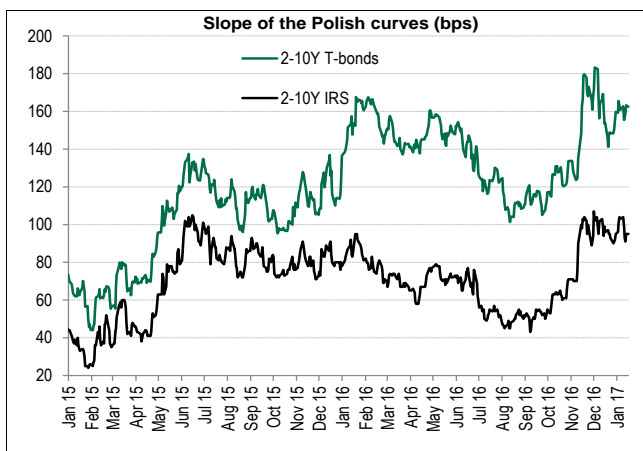
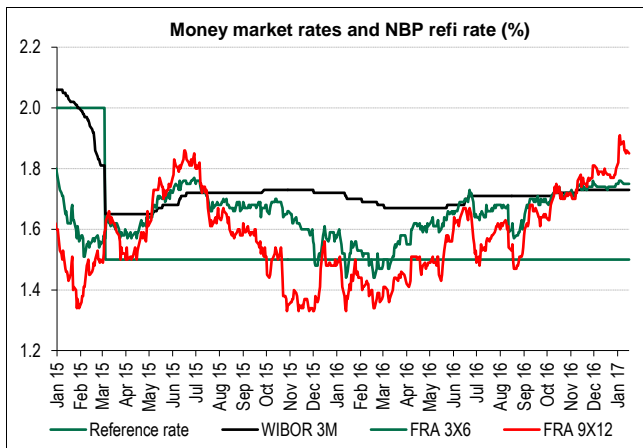
▪ In the meantime, the Deputy Finance Minister, Piotr Nowak, said in the interview that the borrowing needs for this year might be lower than initially planned (PLN178.5bn) by at least PLN10bn. He confirmed that the ministry plans to issue bonds on international market worth €4.5bn, but financing on the domestic market will still play the main role. All in all, we think that quite a high liquidity cushion at the start of the year together with lower gross borrowing needs for 2017 mean that the ministry is in a fairly comfortable situation as regards debt tapping in months to come.

Rating agencies affirmed Poland's credit rating

▪ In mid-January Fitch affirmed the rating for Poland at A- with a stable outlook. According to the agency, the existing rating reflects, among others, solid fundamentals of our economy, including a sound banking system and monetary framework. The stable outlook indicates the agency's belief that the rating risk is balanced. However, the predictability of political decisions and the political climate have deteriorated increasing the risk of lowering future macro projections, which might have a negative impact on rating in a long-term horizon. As for the macro-economic projections, this year Fitch forecasts GDP growth acceleration to 3% y/y from 2.7% y/y expected in 2016 and in 2018 to 3.2% y/y. The agency foresees the deficit of the public finance sector in 2017 at 3% of GDP vs. 2.5% of GDP in 2016 (the Deputy Prime Minister, Mateusz Morawiecki, has suggested recently that the 2016 deficit may be even lower than 2% of GDP). At the same time Moody's rating agency has not updated its rating for Poland, keeping its rating for Poland at A2 with a negative outlook.

▪ Given our GDP forecast, assuming a V-shaped recovery in the coming quarters, with the bottom of the cycle at the end of 2016 and only a gradual increase in the GG deficit in 2017 (to 3% of GDP) we think that risk for Poland's credit rating downgrade has been diminished and we expect all agencies to keep their ratings unchanged.

Interest rate market



Source: Finance Ministry, Reuters, Bloomberg, BZ WBK.

Start of 2017 quite favourable for interest rate market

Poland's interest rate market was mixed in December. The front end of the yield curve weakened visibly in the last month of 2016, while the belly and the long end of the curve was more or less stable, supported by the core debt strengthening. At the same time IRS curve did not change much as compared to the end of November. However, in early January both yields and IRS rates increased somewhat in response to a much higher than expected flash December's CPI reading. As a result, the 10Y yield increased to nearly 3.80%, while the 10Y IRS rates rose above 3% for the first time since June 2015. Nonetheless, the global mood improvement helped both yields and IRS rates to rebound quite significantly, trimming most of the earlier losses or even all as in the case of the bond market.

In December a bear flattener developed on the bond market as the long end outperformed other sectors. The 2-10Y spread tightened to 160bp at the end of the last year. Early January saw the spread close to that level. In the meantime, the risk premia for Poland's assets, suggested by both the CDS and the spread over Bund, decreased, but remained quite elevated (c330bps for spread), in our view.

On the money market, WIBOR rates were stable in December, while FRAs were vulnerable to the situation on IRS market. FRA rates rose markedly at the start of 2017 in response to a much higher than expected flash CPI reading. However, the MPC rhetoric after January meeting again cooled down expectations on fast rate hikes in Poland. Currently market is pricing-in a rate hike by 25 bps in 15 months horizon.

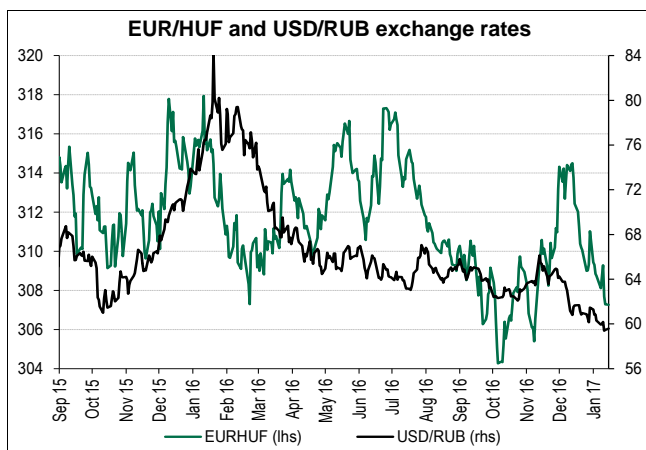
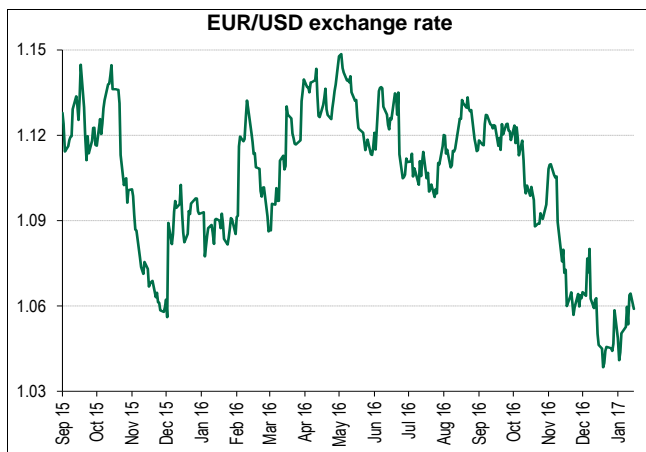
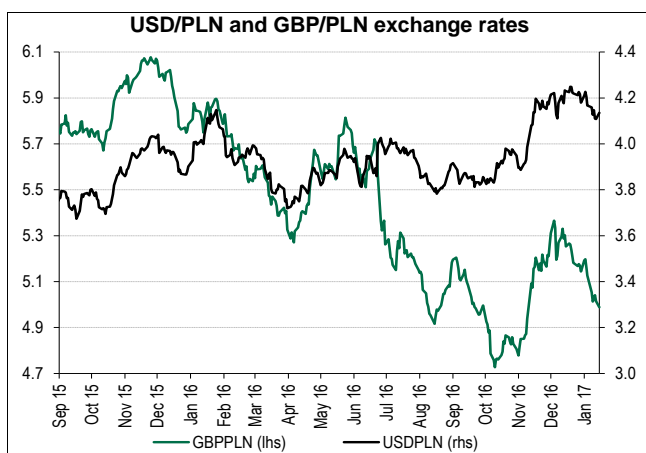
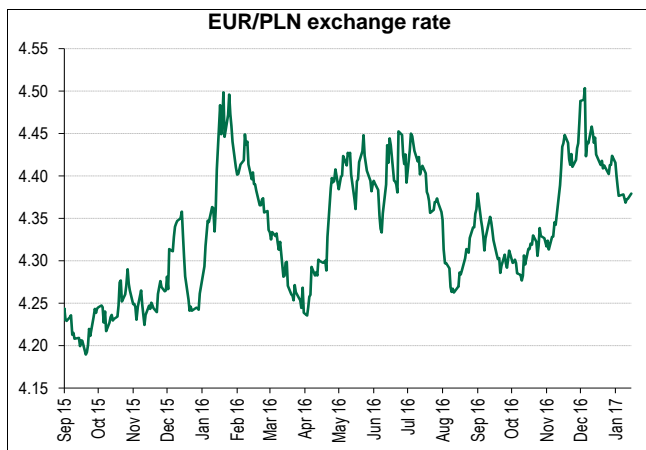
Global factors still crucial for the Polish market

In our view, the situation on the money market is not going to change significantly in the upcoming weeks. Despite some disappointments in the macro data for December, we expect WIBOR rates to remain more or less stable. Higher volatility we expect on FRA market as a result, among others, ambiguous signals from the macro data (weak monthly macro figures and the 2016 GDP first reading, positive signals on business climate indicators in 2017).

The front end of the curves will remain more sensitive to domestic factors. The MPC press conference after January's meeting confirmed that the Council is determined to keep NBP rates unchanged in the whole 2017 despite the growing inflation rate. This should stabilize yield of 2Y benchmark around 2% in the upcoming weeks. What is more, the upcoming domestic macro data from the real economy should also support the front end of the curves as we expect weak readings of industrial output and constructions as compared with the market consensus.

The recent changes in yields and IRS rates clearly show that the correlation between the Polish and US 10Y benchmarks has been higher than the one between the Polish and German 10Y bonds. Therefore, investors on the belly and long-end of the curves will mainly focus on the upcoming macro data from the USA, which may bring some hints on Fed's monetary policy outlook for 2017. In our view, the FOMC meeting at the end of January will not bring any surprises as it is broadly expected that Fed fund rate will remain unchanged after the December's hike by 25bp. The next hike (by 25bp) will be delivered in June, in our view, but strong macro data from the USA economy together with the fiscal stimulus expected from the Trump administration may speed up the next decision on the monetary policy tightening. Consequently, the spill-over from higher US yields should result in some upward pressure on Bunds, but also on Poland's debt, particularly in the 10Y segment in the medium term. In the short term, we expect the Polish 10Y yield to move sideways in quite wide range of 3.50-3.75%.

Foreign exchange market



Sources: Reuters, Bloomberg, Markit, BZ WBK.

Zloty's appreciation may stop

- The zloty gained in December with EUR/PLN falling to 4.35 from 4.50 (the best zloty's performance vs the euro in the final month of the year since 2013). The year-end was positive for the equities and higher risk appetite was supporting also the CEE currencies. The zloty recovered also somewhat vs the dollar and USD/PLN fell from 4.28 to 4.08 in early January. At the same time, GBP/PLN eased temporarily to 4.95 from 5.38 and CHF/PLN corrected temporarily to 4.05 from 4.18.

- Historically January tends to be a more volatile month for the zloty than other months of the year. Since 2012, the average high-low EUR/PLN spread for January was PLN0.21, vs. PLN0.13 average for the whole year. January's volatility was higher than in the remaining months in every single year since 2012. However, so far the domestic FX market is pretty calm (January's high-low spread is just above PLN0.07 for EUR/PLN at the time of writing) as the Moody's and Fitch did not surprise with any changes to the Polish credit rating.

- We see a limited scope for the zloty's appreciation in the short term. The macro data are likely to show sluggish growth at the turn of the year which could weigh on the Polish currency. At the same time, fast rise in inflation does not seem to concern the MPC and the interest rate hikes – that could help the zloty – still seem to be pretty distant.

- After the ECB expanded its asset purchase program in December, no significant adjustments should be expected in months to come that could boost demand for the risky assets. At the same time, at least two Fed rate hikes are expected this year and the market prices-in that the first will not come earlier than in June. However, if during the inaugural speech Donald Trump confirms his plans to boost the US economy, investors may start pricing that hikes will be delivered sooner, which could weigh on the EM currencies.

Limited room for EURUSD decline

- The dollar continued to benefit from Donald Trump victory in the US presidential elections, decent US data and hawkish Fed rate hike in December. As a result, EURUSD fell temporarily below 1.04 breaking its 2015 bottom and reaching its lowest since January 2003 but in mid-January the exchange rate is back near 1.06.

- For the three consecutive months the euro has been depreciating vs the dollar, the last time similar situation took place in 2015 and was followed by a rebound lasting for five months.

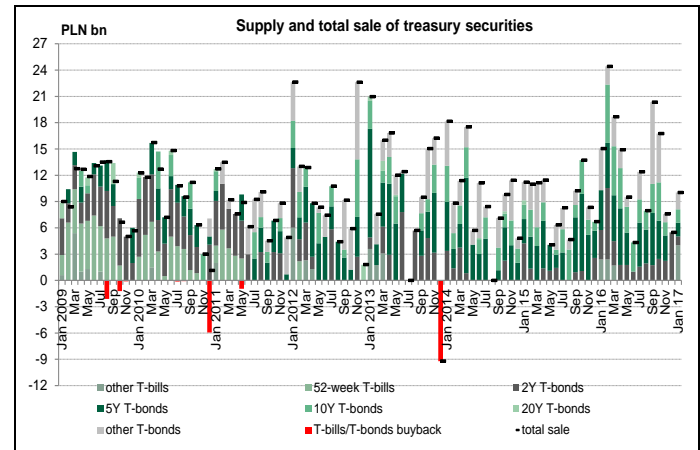
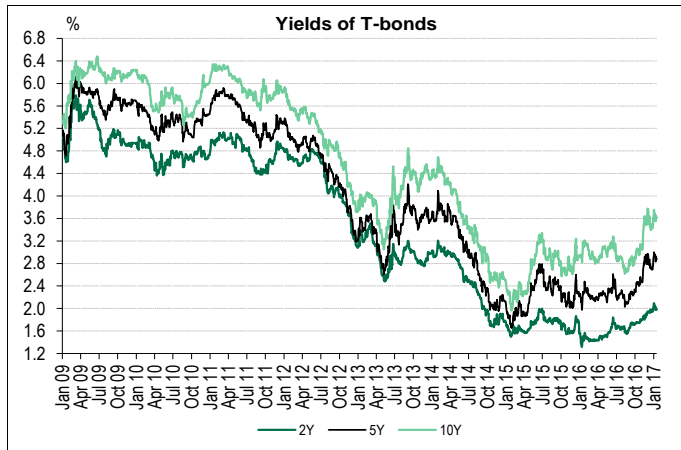
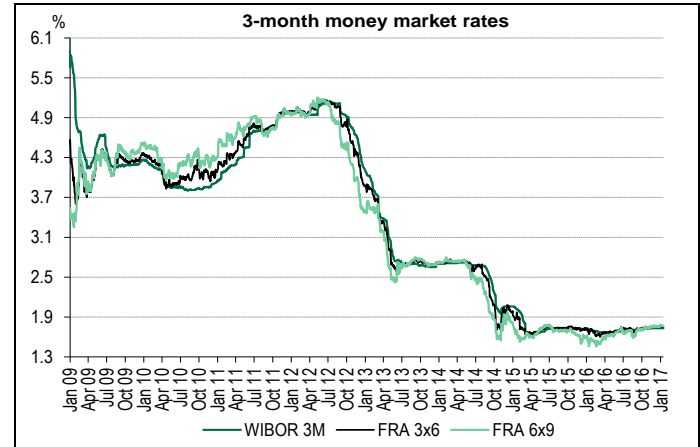
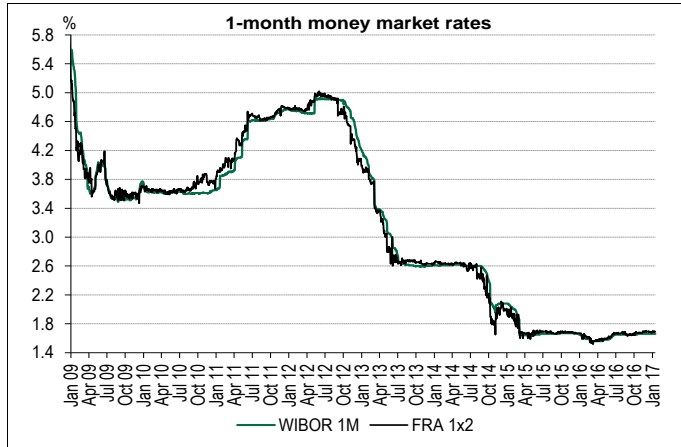
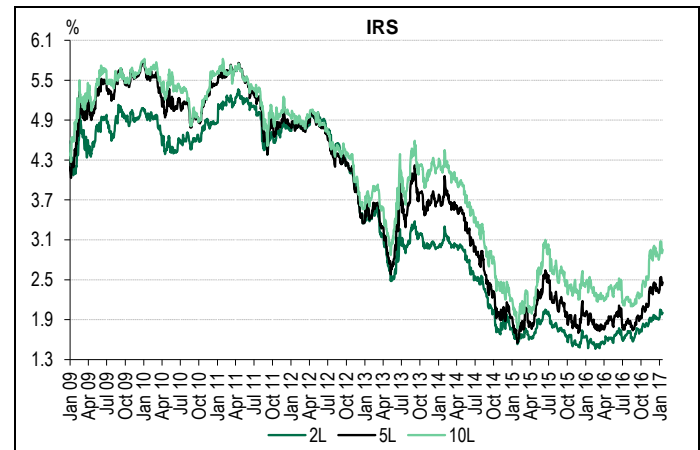
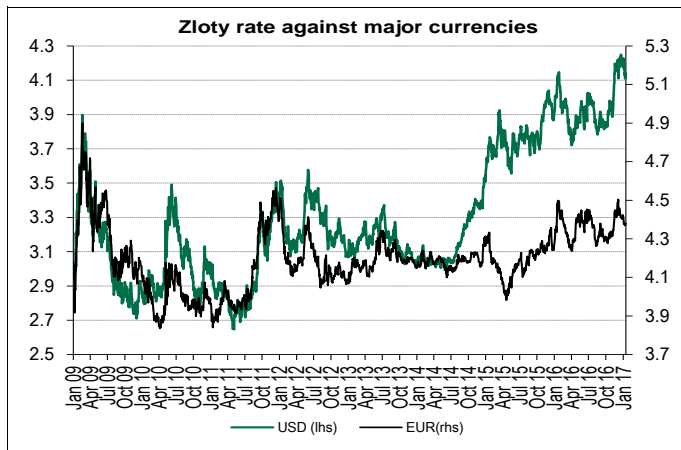
- We think that the dollar may remain strong in 1Q17 with EURUSD staying near 1.05 but we do not expect the down trend to continue. The greenback shall be supported by the Fed monetary policy and expectations for a fiscal boost launched by the new US president. At the same time, decent economic activity data from Europe and fast rebound in euro zone's HICP should work in favour of the euro.

Ruble still strong, forint waiting for the trigger

- Gradual increase in the oil price continued to support the ruble in the recent weeks – in early 2017 USD/RUB reached fresh local low at nearly 59, its lowest since July 2015. Pace of the oil price rise is falling suggesting it may be tough to sustain the upside trend in the nearest future without any correction. Should oil price fall, this may weigh on the ruble and the beginning of 2017 could bring profit taking after the Russian currency appreciation.

- Hungarian forint followed the trend developing on the Polish FX market and EUR/HUF declined in December to 307 from 315. The beginning of 2017 saw a correction to 310 and one of the drivers for this might have been comments from the Hungarian central bank (MNB) that more monetary policy easing via nonstandard measures may take place. We think that global moods shall be the key factor influencing the forint in the weeks to come and EUR/HUF might resume the downside trend.

Market monitor



Treasury bond auctions in 2016/2017 (PLN mn)

Month	First Auction				Second Auction				Switch Auction		
	Date	T-bonds	Offer		Date	T-bonds	Offer		Date	T-bonds	Offer
January '16	7.01	PS0421	2500-4500	4555.0	28.01	OK1018/WZ0120/WZ0126	5000-8000	8074.0			
February	4.02	OK1018/DS0726	4500-7500	9011.2	18.02	WZ0120/PS0421	4000-6000	7210.0			
March	3.03	OK1018/DS0726	4000-7000	8387.5					24.03	PS0416/OK0716/PS1016	WZ0120/PS0721/WZ0126
April	7.04	OK1018/DS0726	3000-6000	6356.6	28.04	WZ0120/PS0721/WZ0126	5000-8000	8534.7			
May	5.05	OK1018/DS0726	2500-4500	4703.9	25.05	PS0721/IZ0823	2000-4000	4801.7			
June	9.06	OK1018/DS0726	3000-4000	4321.7					27.06	OK0716/IZ0816/PS1016	Cancelled
July	7.07	OK/DS/WS	3000-6000	4431.9	28.07	PS0721/WZ1122/WZ0126	5000-8000	7950.9			
August	18.08	OK/PS/DS	5000-8000	7949.4							
September	1.09	OK/DS/WZ	4000-7000	7593.5					22.09	PS1016/WZ0117/PS0417	PS0721/WZ0120/WZ0126
October	6.10	OK1018/DS0727	3000-6000	6806.5	21.10	WZ0121/PS0422/WZ1122	6000-10000	9943.1			
November	17.11	PS/WZ	3000-5000	3694.0					3.11	WZ0117/PS0417/DS1017	OK1018/IZ0823/DS0727
December									15.12	WZ0117/PS0417/DS1017	OK0419
January '17	5.01	OK/PS/WZ/DS	3000-5000	6004.0	23.01	OK/PS/WZ/DS/WS/IZ	5000-10000				

* with supplementary auction, ** buy-back auction, *** demand/sale.

Economic calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
16 January <i>PL: Core inflation (Dec)</i>	17 GE: ZEW index (Jan)	18 <i>PL: Wages and employment (Dec)</i> EZ: HICP (Dec) US: CPI (Dec) US: Industrial output (Dec)	19 <i>PL: Industrial output (Dec)</i> <i>PL: PPI (Dec)</i> <i>PL: Retail sales (Dec)</i> EZ: ECB decision US: House starts (Dec) US: Building permits (Dec) US: Philly Fed index (Jan)	20
23	24 GE: Flash PMI – manufacturing (Jan) EZ: Flash PMI – manufacturing (Jan) HU: Central bank decision US: Home sales (Dec)	25 <i>PL: Unemployment rate (Dec)</i> GE: Ifo index (Jan)	26 <i>PL: MPC minutes</i> US: New home sales (Dec)	27 US: Advance GDP (Q4) US: Durable goods orders (Dec) US: Michigan index (Jan)
30 US: Personal income (Jan) US: Consumer spending (Jan) US: Pending home sales (Dec)	31 <i>PL: Flash GDP (2016)</i> EZ: Advance GDP (Q4) Flash HICP (Jan) US: Consumer confidence index (Jan)	1 February <i>PL: PMI – manufacturing (Jan)</i> GE: PMI – manufacturing (Jan) EZ: PMI – manufacturing (Jan) US: ISM – manufacturing (Jan) US: ADP report (Nov) US: FOMC decision	2 CZ: Central bank decision	3 GE: PMI – services (Jan) EZ: PMI – services (Jan) US: ISM – services (Jan) US: Non-farm payrolls (Jan) US: Unemployment rate (Jan) US: Industrial orders (Dec)
6 GE: Industrial orders (Dec)	7 GE: Industrial output (Dec) CZ: Industrial output (Dec)	8 <i>PL: MPC decision</i>	9 GE: Exports (Dec)	10 CZ: CPI (Jan) US: Flash Michigan (Feb)
13 <i>PL: CPI (Jan)</i> <i>PL: Balance of payments (Dec)</i>	14 <i>PL: Money supply (Jan)</i> <i>PL: EZ, GE, HU, CZ: Preliminary GDP (Q4)</i> HU: CPI (Jan) EZ: Industrial output (Dec) GE: ZEW index (Feb)	15 US: CPI (Jan) US: Retail sales (Jan) US: Industrial output (Jan)	16 <i>PL: Wages and employment (Jan)</i> US: House starts (Jan) US: Building permits (Jan) US: Philly Fed index (Feb)	17 <i>PL: Industrial output (Jan)</i> <i>PL: PPI (Jan)</i> <i>PL: Retail sales (Jan)</i>

Source: CSO, NBP, Bloomberg.

Calendar of MPC meetings and data releases for 2017

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
ECB meeting	19	-	9	27	-	8	20	-	7	26	-	14
MPC meeting	10-11	7-8	7-8	4-5	11-12	6-7	4-5	-	5-6	3-4	7-8	4-5
MPC minutes	26	23	23	21	25	22	-	24	21	19	23	21
Flash GDP*		14			16			16			14	
GDP*		28			31			31			30	
CPI	13	13	14	11	12	12	11	11	11	12	13	11
Core inflation	16		15	12	15	13	12	14	12	13	14	12
PPI	19	17	17	20	19	20	19	18	19	18	20	19
Industrial output	19	17	17	20	19	20	19	18	19	18	20	19
Retail sales	19	17	17	20	19	20	19	18	19	18	20	19
Gross wages, employment	18	16	16	19	18	19	18	17	18	17	17	18
Foreign trade												
Balance of payments*			31									
Balance of payments	13	13	16	13								
Money supply	13	14	14	14								

* Quarterly data. a preliminary data for January. b January and February.
Source: CSO, NBP.

Economic data and forecasts for Poland

Monthly economic indicators

		Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16E	Jan 17E
PMI	pts	52.1	50.9	52.8	53.8	51.0	52.1	51.8	50.3	51.5	52.2	50.2	51.9	54.3	52.5
Industrial production	% YoY	6.7	1.3	6.8	0.7	6.0	3.2	6.0	-3.4	7.5	3.2	-1.3	3.3	-0.3	8.4
Construction production	% YoY	-0.4	-8.6	-10.5	-15.8	-14.9	-13.7	-13.0	-18.8	-20.5	-15.3	-20.1	-12.8	-14.6	-11.7
Retail sales ^a	% YoY	4.9	0.9	3.9	0.8	3.2	2.2	4.6	2.0	5.6	4.8	3.7	6.6	6.8	7.7
Unemployment rate	%	9.7	10.2	10.2	9.9	9.4	9.1	8.7	8.5	8.4	8.3	8.2	8.2	8.3	8.7
Gross wages in corporate sector	% YoY	3.1	4.0	3.9	3.3	4.6	4.1	5.3	4.8	4.7	3.9	3.6	4.0	3.7	4.4
Employment in corporate sector	% YoY	1.4	2.3	2.5	2.7	2.8	2.8	3.1	3.2	3.1	3.2	3.1	3.1	3.1	1.8
Exports (€)	% YoY	10.8	-1.3	5.4	0.0	4.0	1.4	6.0	-5.2	9.2	2.7	-2.3	4.6	3.6	16.5
Imports (€)	% YoY	4.4	0.3	7.4	0.9	0.0	2.5	0.8	-6.9	10.8	3.1	2.1	6.4	7.0	11.7
Trade balance	EUR mn	143	439	200	337	487	375	641	-327	-409	2	-128	102	-305	1,120
Current account balance	EUR mn	-846	679	-652	-217	691	1,392	-723	-993	-739	-445	-531	-427	-798	1,234
Current account balance	% GDP	-0.6	-0.4	-0.5	-0.8	-0.9	-0.8	-0.5	-0.5	-0.5	-0.5	-0.6	-0.7	-0.7	-0.5
Budget deficit (cumulative)	PLN bn	-42.6	1.8	-3.1	-9.6	-11.1	-13.5	-18.7	-14.4	-14.9	-20.6	-24.6	-27.6	-38.4	-1.0
Budget deficit (cumulative)	% of FY plan	92.5	-3.2	5.7	17.5	20.3	24.6	34.1	26.3	27.3	37.7	45.0	50.4	70.1	1.7
CPI	% YoY	-0.5	-0.9	-0.8	-0.9	-1.1	-0.9	-0.8	-0.9	-0.8	-0.5	-0.2	0.0	0.9	1.7
CPI excluding food and energy	% YoY	0.2	-0.1	-0.1	-0.2	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4	-0.2	-0.1	0.0	0.3
PPI	% YoY	-0.8	-1.2	-1.5	-1.9	-1.2	-0.4	-0.8	-0.5	-0.1	0.2	0.6	1.7	3.0	3.7
Broad money (M3)	% YoY	9.1	10.2	10.1	9.1	11.6	11.6	11.4	10.7	10.1	9.4	8.7	9.7	9.6	9.2
Deposits	%YoY	9.0	9.9	10.4	9.4	11.6	11.8	11.3	10.6	9.9	9.1	8.7	9.6	9.2	8.9
Loans	%YoY	6.9	6.2	5.8	4.4	6.7	5.0	4.6	4.7	3.7	3.7	3.9	4.8	4.7	4.4
EUR/PLN	PLN	4.29	4.41	4.40	4.29	4.31	4.41	4.40	4.40	4.30	4.32	4.31	4.39	4.44	4.40
USD/PLN	PLN	3.95	4.06	3.96	3.87	3.80	3.90	3.92	3.98	3.84	3.86	3.91	4.07	4.20	4.19
CHF/PLN	PLN	3.96	4.03	3.99	3.93	3.94	3.99	4.04	4.05	3.96	3.96	3.96	4.08	4.13	4.08
Reference rate ^b	%	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
3M WIBOR	%	1.72	1.71	1.69	1.67	1.67	1.67	1.69	1.71	1.71	1.71	1.72	1.73	1.73	1.75
Yield on 2-year T-bonds	%	1.71	1.46	1.46	1.44	1.48	1.54	1.70	1.66	1.61	1.71	1.75	1.85	1.95	2.00
Yield on 5-year T-bonds	%	2.28	2.24	2.26	2.18	2.25	2.24	2.38	2.24	2.14	2.26	2.43	2.74	2.80	2.77
Yield on 10-year T-bonds	%	2.93	3.04	3.03	2.88	2.95	3.04	3.11	2.89	2.71	2.85	3.01	3.41	3.55	3.60

Note: ^a in nominal terms, ^b at the end of the period.

Source: CSO, NBP, Finance Ministry, BZ WBK estimates.

Quarterly and annual economic indicators

		2014	2015	2016E	2017E	1Q16	2Q16	3Q16	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E
GDP	PLN bn	1,719.7	1,798.3	1,846.9	1,934.7	428.3	449.4	453.4	515.8	447.0	468.9	474.6	544.2
GDP	% YoY	3.3	3.9	2.6	2.7	3.0	3.1	2.5	1.8	2.5	2.2	2.8	3.2
Domestic demand	% YoY	4.7	3.4	2.7	2.8	3.9	2.2	2.9	1.8	2.6	2.7	2.6	3.2
Private consumption	% YoY	2.6	3.2	3.7	3.9	3.2	3.3	3.9	4.4	4.2	4.2	3.8	3.2
Fixed investments	% YoY	10.0	6.1	-5.1	1.8	-2.2	-5.0	-7.7	-4.8	-3.5	-1.2	3.0	5.0
Industrial production	% YoY	3.4	4.8	2.7	2.1	3.0	5.7	2.5	0.6	3.1	0.1	2.4	2.9
Construction production	% YoY	4.3	0.3	-15.4	3.2	-12.2	-13.9	-18.1	-15.8	-9.7	-5.7	9.0	11.6
Retail sales ^a	% YoY	3.1	1.5	3.9	6.5	1.9	3.5	4.1	5.8	7.5	8.0	6.4	4.4
Unemployment rate ^b	%	11.4	9.7	8.3	7.4	9.9	8.7	8.3	8.3	8.5	7.5	7.3	7.4
Gross wages in the national economy ^a	% YoY	3.6	3.3	3.8	5.0	3.1	4.3	4.1	3.6	4.6	4.7	4.4	5.8
Employment in the national economy	% YoY	0.2	0.9	2.3	1.0	2.1	2.4	2.4	2.2	1.2	1.0	0.9	0.6
Exports (€)	% YoY	6.4	8.5	2.3	5.3	1.4	3.8	1.9	1.9	3.0	4.0	7.0	7.0
Imports (€)	% YoY	8.3	5.0	2.8	6.1	2.9	1.1	1.9	5.1	4.0	5.5	7.7	7.2
Trade balance	EUR mn	-3,255	2,213	1,413	-37	976	1,503	-735	-331	584	917	-1,092	-446
Current account balance	EUR mn	-8,534	-2,653	-2,765	-3,815	-186	1,357	-2,180	-1,756	-518	863	-2,447	-1,713
Current account balance	% GDP	-2.1	-0.6	-0.7	-0.9	-0.8	-0.5	-0.5	-0.7	-0.7	-0.8	-0.9	-0.9
General government balance	% GDP	-3.4	-2.6	-2.2	-3.2	-	-	-	-	-	-	-	-
CPI	% YoY	0.0	-0.9	-0.6	1.9	-0.9	-0.9	-0.8	0.2	1.9	2.0	2.0	1.9
CPI ^b	% YoY	-1.0	-0.5	0.9	1.6	-1.1	-0.8	-0.5	0.9	2.0	1.8	2.1	1.6
CPI excluding food and energy	% YoY	0.6	0.3	-0.2	1.0	-0.1	-0.3	-0.4	-0.1	0.3	0.8	1.1	1.6
PPI	% YoY	-1.5	-2.2	-0.2	2.5	-1.5	-0.8	-0.1	1.8	4.0	2.8	2.4	0.9
Broad money (M3) ^b	% oY	8.2	9.1	9.6	7.0	9.1	11.4	9.4	9.6	8.9	8.3	7.6	7.0
Deposits ^b	%YoY	9.0	9.0	8.5	6.8	9.4	11.3	9.1	8.5	8.1	7.7	7.3	6.8
Loans ^b	%YoY	7.2	6.9	4.3	3.2	4.4	4.6	3.7	4.3	4.0	3.8	3.5	3.2
EUR/PLN	PLN	4.18	4.18	4.36	4.35	4.37	4.37	4.34	4.38	4.40	4.37	4.32	4.30
USD/PLN	PLN	3.15	3.77	3.95	4.02	3.96	3.87	3.89	4.06	4.18	4.08	3.94	3.89
CHF/PLN	PLN	3.45	3.92	4.00	3.94	3.98	3.99	3.99	4.06	4.05	3.97	3.91	3.86
Reference rate ^b	%	2.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
3M WIBOR	%	2.52	1.75	1.70	1.75	1.69	1.68	1.71	1.73	1.75	1.75	1.75	1.75
Yield on 2-year T-bonds	%	2.46	1.70	1.63	1.99	1.45	1.57	1.66	1.85	2.00	1.98	1.98	1.99
Yield on 5-year T-bonds	%	2.96	2.21	2.35	2.78	2.23	2.29	2.22	2.66	2.73	2.73	2.78	2.87
Yield on 10-year T-bonds	%	3.49	2.69	3.04	3.71	2.98	3.04	2.82	3.32	3.61	3.67	3.77	3.80

Note: ^a in nominal terms, ^b at the end of period. Source: CSO, NBP, Finance Ministry, BZ WBK estimates.

This analysis is based on information available until 16.01.2017 has been prepared by:

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