

27 January 2023

Weekly Economic Update

How soft was the economy's landing?

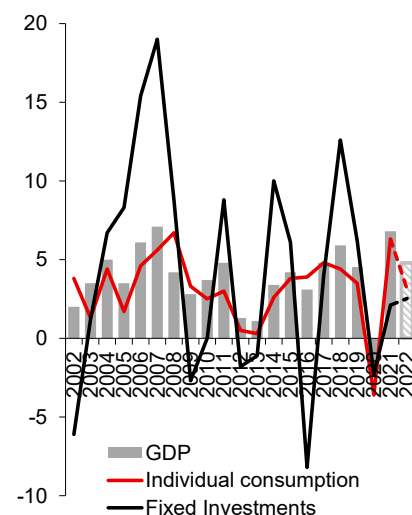
Economy next week

- The end of January and the beginning of February will be full of news and events that could prove important for the market sentiment. In Poland, just two important data releases: the preliminary estimate of GDP for the entire year 2022 (Monday) and the manufacturing PMI for January (Wednesday). In the background, work will continue on unblocking the Recovery Fund - on Tuesday the Senate is expected to start its work on the Supreme Court bill, one of the key milestones.
- The initial estimate of 2022 GDP, to be released on Monday morning, will allow us to proxy 4Q22 GDP growth and thus the economy's momentum at the turn of the year. **Our GDP growth forecast for 2022 is 4.8%**, which would be consistent with the 1.8%-1.9% y/y growth in 4Q. The median forecast according to Bloomberg is 4.6% for the full year and 1.8% y/y in 4Q. In addition to GDP, its breakdown will be also important, in particular the extent of the slowdown in consumption - the smaller it turns out to be, the more justified are doubts about the pace of disinflation in upcoming quarters.
- We expect the **PMI index for Polish manufacturing to rise to 46.0** (market consensus: 46.2), on a wave of continued improvement in sentiment in Europe resulting from the exceptionally mild winter, which reduces concerns about the scale of the slowdown at the turn of the year.
- Much more will be happening abroad: at the very beginning of the week, the IMF will publish a new World Economic Outlook report with the updated forecasts for the global economy, which will probably move towards more optimistic, in line with the IMF chief economist's guidance from Davos. In the following days in Europe, we will get to see a bout of GDP data, preliminary January inflation in the euro zone countries (**in Poland, flash CPI estimates for January and February are not published**), PMI indices for manufacturing and services, while in the US, the labour market report on Friday will be crucial.
- Additionally, **central bank decisions are on the agenda: FOMC, EBC, CNB**. Analysts almost unanimously predict that the US Fed will reduce the scale of the rate hike to +25bp (to 4.50%-4.75%), the ECB will raise rates again by +50bp (to 3.0%) and the Czech National Bank will keep rates unchanged (7.0%).

Markets next week

- In the FX market, we do not expect a fundamental change - **EURPLN may fluctuate near 4.70, possibly going slightly below this level** if domestic data does not disappoint and global sentiment remains supportive. The ECB presenting more hawkish approach than the FOMC should favour EURUSD staying near 1.09, or even rising slightly, which in turn should be positive for the zloty. In the last three weeks, the zloty has underperformed other currencies in the region, which seems to give it some room to rebound.
- In the debt market, **we see room for an upward rebound in yields** (10Y above 6%), which should be supported by good domestic data, improving economic indicators in Europe, and a hawkish ECB. Yields in the core markets started bouncing upward as early as a week ago, and it seems that our market has room to catch up here.

GDP growth, %

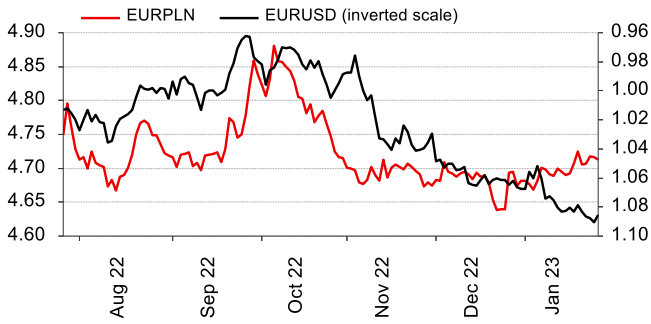


Source: GUS, Santander

Economic Analysis Department:

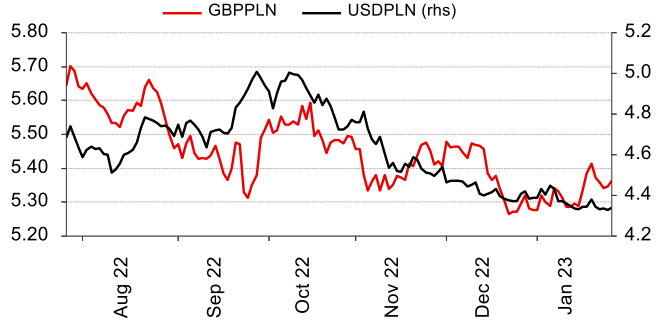
a.l. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
Piotr Bielski +48 691 393 119
Jarostaw Kosaty +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



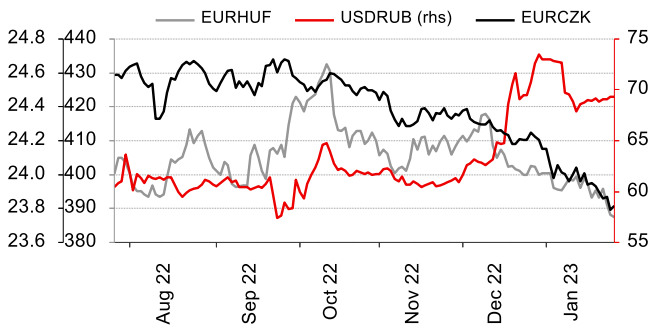
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



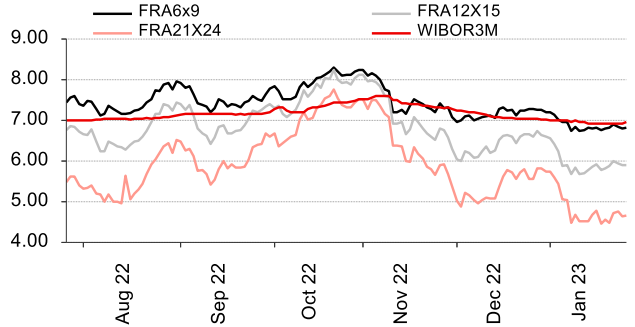
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



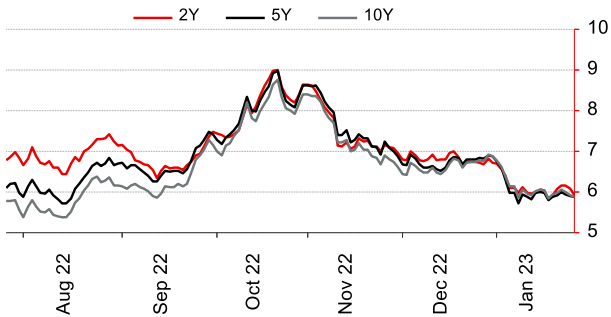
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



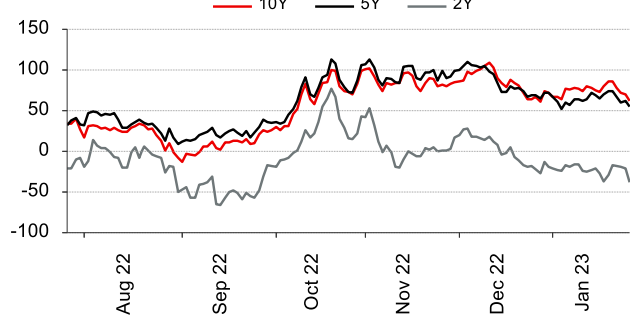
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



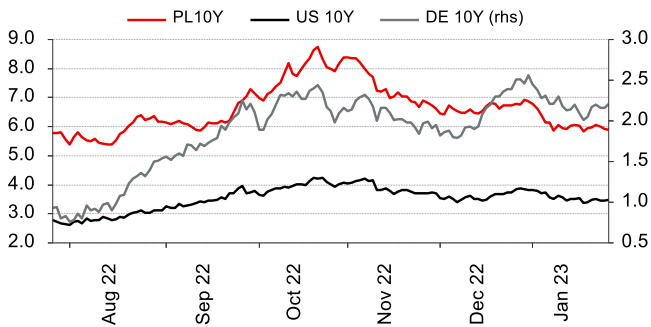
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



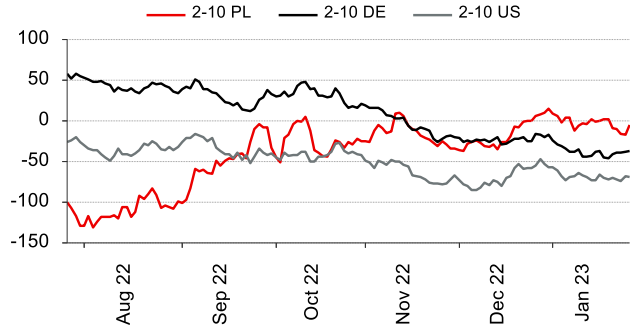
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
MONDAY (30 January)						
10:00	DE	GDP SA	4Q	% q/q	0.0	- 0.4
10:00	PL	GDP	2022	% y/y	4.6	4.8 6.8
11:00	EZ	ESI	Jan	pct.	97.0	- 95.8
TUESDAY (31 January)						
09:00	CZ	GDP SA	4Q	% q/q	-0.6	- -0.2
11:00	EZ	GDP SA	4Q	% q/q	-0.1	- 0.3
14:00	DE	HICP	Jan	% y/y	10.2	- 9.6
16:00	US	Consumer Conference Board	Jan	pts	108.9	- 108.3
WEDNESDAY (1 February)						
02:45	CN	China Manufacturing PMI	Jan	pts	49.8	- 49.0
09:00	PL	Poland Manufacturing PMI	Jan	pts	46.2	46.0 45.6
09:55	DE	Germany Manufacturing PMI	Jan	pts	47.0	- 47.1
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	48.8	- 47.8
11:00	EZ	Flash HICP	Jan	% y/y	9.0	- 9.2
11:00	EZ	Unemployment Rate	Dec	%	6.5	- 6.5
14:15	US	ADP report	Jan	k	160	- 235
16:00	US	ISM manufacturing	Jan	pts	48.1	- 48.4
20:00	US	FOMC decision		%	4.75	- 4.5
THURSDAY (2 February)						
08:00	DE	Exports SA	Dec	% m/m	-3.3	- 0.4
14:15	EZ	ECB Main Refinancing Rate		%	3.0	- 2.5
14:30	US	Durable Goods Orders	Dec	% m/m	2.5	- 5.6
14:30	US	Initial Jobless Claims	week	k	205.0	- 186.0
14:30	CZ	Central Bank Rate Decision		%	7.0	- 7.0
16:00	US	Factory Orders	Dec	% m/m	1.5	- -1.8
FRIDAY (3 February)						
02:45	CN	China PMI Services	Jan	pts	51.6	- 48.0
09:55	DE	Germany Services PMI	Jan	pts	50.4	- 49.2
10:00	EZ	Eurozone Services PMI	Jan	pts	50.7	- 49.8
14:30	US	Change in Nonfarm Payrolls	Jan	k	185.0	- 223
14:30	US	Unemployment Rate	Jan	%	3.6	- 3.5
16:00	US	ISM services	Jan	pts	50.3	- 49.2

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.