

01 December 2023

# Weekly Economic Update

## Growing signs of recovery

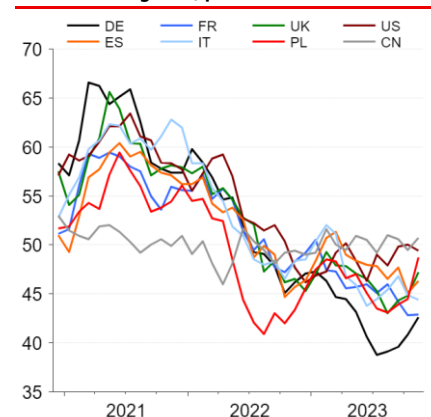
### Economy next week

- With each week passed we are getting more evidence that **the domestic economy has left the slowdown phase for good and is now well on a recovery path, heading for a 3% GDP growth rate next year**, in line with the scenario we have long anticipated. The 3Q GDP data positively surprised with the scale of recovery in consumer demand, confirming that private consumption will be the main driver of the recovery. Interestingly, much better signs are also showing up in industry – Poland's manufacturing PMI index rebounded in November by over 4 pts, the most ever recorded if we exclude the disruptions brought by the pandemic, and companies reported some positive signals related to foreign demand. Analogous indicators for euro area countries are also slowly starting to show some signs of a rebound.
- No publications of key domestic data in the coming week. Attention will be drawn to **the last MPC meeting of the year** - the decision on Wednesday, NBP President Glapinski's conference on Thursday afternoon. The outcome of the meeting seems rather obvious - interest rates will remain unchanged and communication will, similarly as a month ago, point to high uncertainty about the future government's fiscal and regulatory policies and the associated risks to disinflation. Such a narrative has been evident in the remarks of MPC representatives in recent weeks.
- Abroad, there will be some data releases, including services PMIs, industrial data (production, orders) in several EU countries (e.g. Germany, France, Spain, Italy) and, at the end of the week, key data from the US labour market. **Should there be at least some positive surprises in the published indicators, this could trigger another significant turnaround in the global market moods**, which in recent days have turned strongly towards anticipating a scenario of a global economic weakness, accelerated global disinflation and faster interest rate cuts by major central banks in 2024.
- On December 8th in Brussels, EU finance ministers are expected to formally approve the disbursement of an approx. EUR 5 billion advance payment to Poland under the updated National Recovery Plan (under REPowerEU programme).
- This evening, S&P Ratings is scheduled to announce the result of Poland's rating review. We expect no change in the rating or its outlook. The improved economic growth forecasts and higher chances of unblocking EU funds will probably be offset by the uncertainty over fiscal policy.

### Markets next week

- Last week was quite positive for the EM currencies. Against this backdrop, the CEE currencies behaved relatively well, although the middle of the week was marked by a correction we earlier predicted. After a significant strengthening of the zloty, which has been one of the best-performing EM currencies in recent weeks, the PLN correction was also the biggest, yet temporary. We assume that most of the positive factors influencing the domestic currency will persist in the following months and that the zloty will remain relatively strong with the NBP's hawkish rhetoric and the growing chances EU funds' unfreeze. This week, the zloty may remain relatively strong following good GDP and PMI data, although a further recovery of the dollar against the euro could have a negative impact on the region's currencies. **At the end of the year, we expect EURUSD near 1.09, EURPLN near 4.35 and USDPLN below 4.00, so close to current levels.**
- After a sizable drop in rates in the domestic market, but also in the core markets, in the face of clearly lower-than-expected inflation in the euro area and slightly lower inflation in Poland, the next week may bring an upward adjustment in rates. In our view, **the market is still pricing in too much NBP interest rate cuts next year, while probably underestimating the risk of a slight increase in next year's budget deficit** if the parliamentary majority coalition decides to implement some of its election promises. Recent comments by MPC members have been kept in a hawkish tone, and the NBP Governor may reaffirm the hawkish tone at next week's meeting. On top of that, data abroad may again show a solid picture of the US labour market and give reason for an upward revision of rates in core markets as well. In the longer term, we still assume the potential for a flattening of the loan curves.

### Manufacturing PMI, pts.

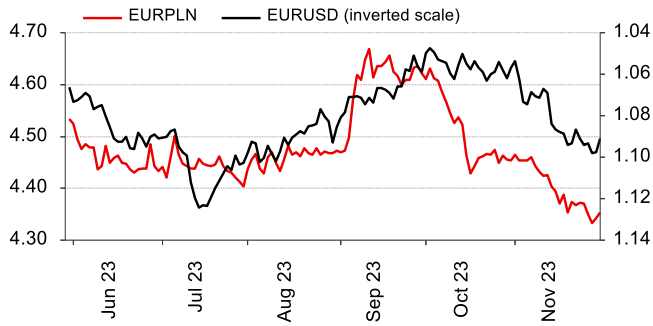


Source: LSEG Datastream, Santander

### Economic Analysis Department:

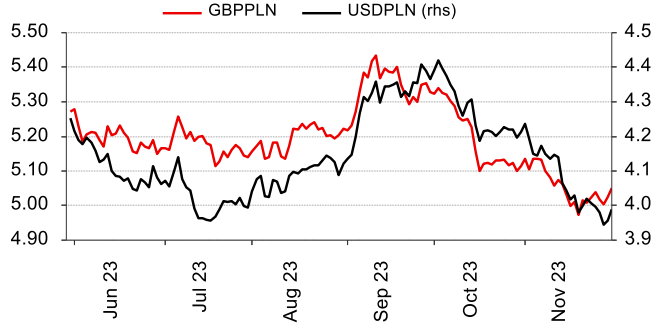
a.l. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 691 393 119  
 Bartosz Białas +48 517 881 807  
 Cezary Chrapek, CFA +48 887 842 480  
 Marcin Luźniński +48 510 027 662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

**EURPLN and EURUSD**



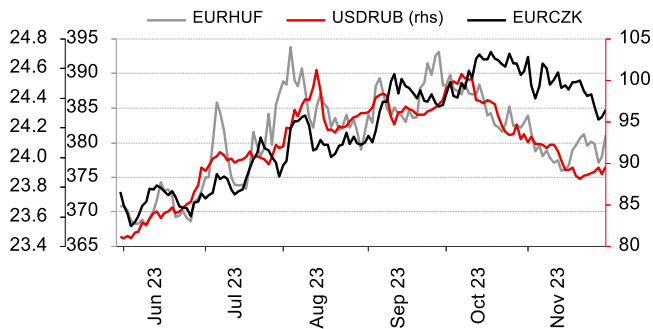
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



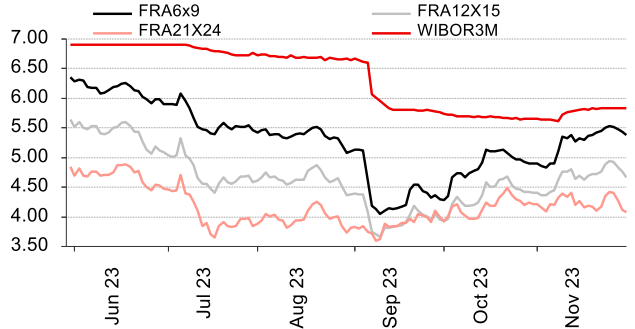
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



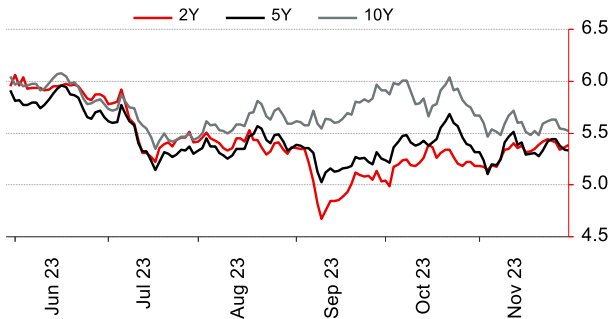
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



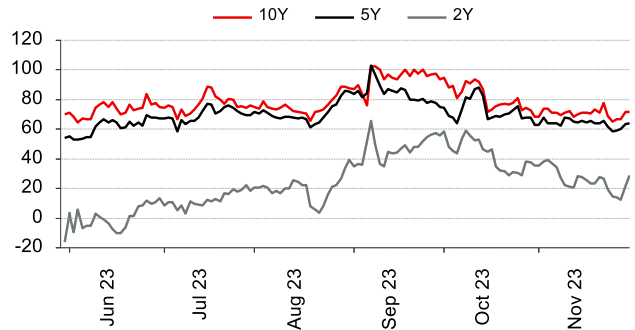
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



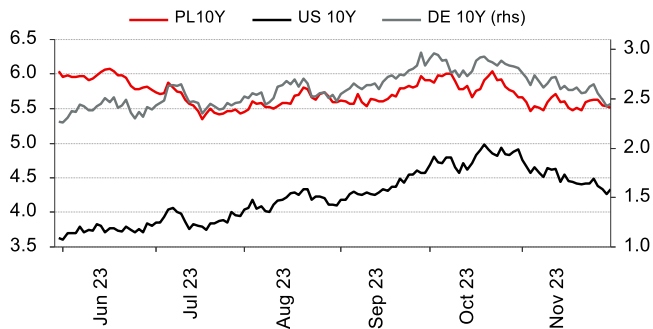
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



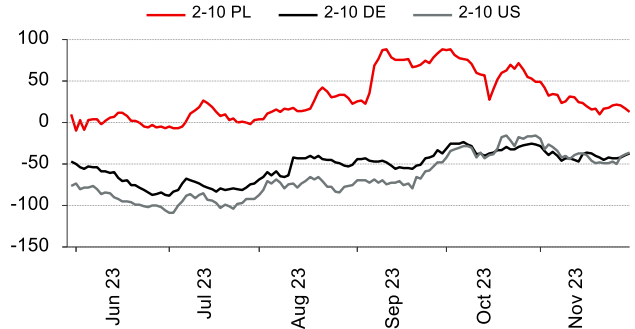
Source: LSEG Datastream, Santander Bank Polska

**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		
<b>MONDAY (4 December)</b>							
08:00	DE	Exports SA	Oct	% m/m	1.1	-	-2.3
16:00	US	Durable Goods Orders	Oct	% m/m	-2.6	-	-5.4
16:00	US	Factory Orders	Oct	% m/m	-3.1	-	2.8
<b>TUESDAY (5 December)</b>							
02:45	CN	Caixin China PMI Services	Nov	pts	50.7	-	50.4
09:55	DE	Markit Germany Services PMI	Nov	pts	48.7	-	48.2
10:00	EZ	Eurozone Services PMI	Nov	pts	48.2	-	47.8
16:00	US	ISM services	Nov	pts	52.5	-	51.8
<b>WEDNESDAY (6 December)</b>							
	PL	<b>MPC decision</b>	Dec	%	<b>5.75</b>	<b>5.75</b>	<b>5.75</b>
08:00	DE	Factory Orders	Oct	% m/m	0.2	-	0.2
08:30	HU	Industrial Production SA	Oct	% y/y	-2.1	-	-5.8
11:00	EZ	Retail Sales	Oct	% m/m	-1.2	-	-0.3
14:15	US	ADP report	Nov	k	120	-	113
<b>THURSDAY (7 December)</b>							
08:00	DE	Industrial Production SA	Oct	% m/m	0.1	-	-1.4
09:00	CZ	Industrial Production	Oct	% y/y	5.1	-	-7.8
11:00	EZ	GDP SA	3Q	% y/y	0.1	-	0.1
14:30	US	Initial Jobless Claims		k	225	-	218
<b>FRIDAY (8 December)</b>							
08:00	DE	HICP	Nov	% m/m	-0.7	-	-0.7
08:30	HU	CPI	Nov	% y/y	8.0	-	9.9
14:30	US	Change in Nonfarm Payrolls	Nov	k	190	-	150
14:30	US	Unemployment Rate	Nov	%	3.9	-	3.9
16:00	US	Michigan index	Dec	pts	61.6	-	61.3

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>.