

Weekly Economic Update

Budget sprint

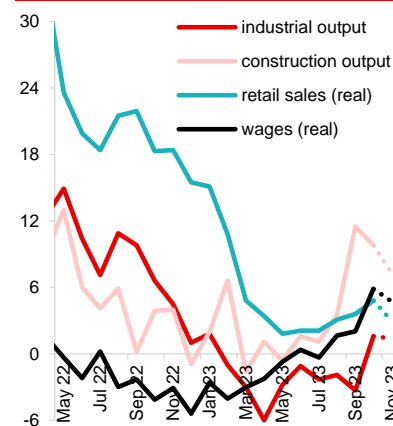
Economy next week

- One of the first major economic challenges which the new government of Donald Tusk will face is the 2024 budget. **The amended draft budget is to be adopted by the government next Tuesday, and the bill is scheduled for the first reading in the Sejm on Thursday.** According to the new Finance Minister Andrzej Domański, the budget deficit "will be different" than estimated by the previous government in the draft budget from September. This is not surprising, as the list of additional budget costs is quite long, firstly, because of the decisions taken by the previous government in recent weeks, and secondly, due to the new coalition's planned policies (including the wage rises in the public sector announced in the Prime Minister's exposé). According to our estimates, these new costs adds up to almost PLN40bn. However, we assume that the final deficit for 2024 will increase on a smaller scale compared to the September draft, due to savings from the announced spending review (including the recent decisions of the predecessors). **We anticipate that the GG deficit in the new draft budget will be slightly above 5% of GDP instead of the currently planned 4.5% of GDP.**
- During the week there we will see a lot of new domestic data which should shed some more light on the health of the economy at the end of the year, including core inflation, wages and employment, consumer sentiment, PPI, industrial and construction production, retail sales, unemployment, money supply. **Our forecasts are consistent with the scenario of a further recovery of the economy;** we are slightly above consensus in wages and manufacturing, and slightly below in retail sales.
- Abroad, there will be a modest number of economic releases (markets will focus on Ifo, euro area inflation, a few activity indicators from the US), and more **monetary policy decision, this time from the central banks of Japan, Czechia, Hungary, Chile, China and Turkey,** as well as quite a few public speeches by the representatives of the Fed and the ECB. Analysts are expecting that Czechia will deliver its first rate cut, and that Hungary will follow with another.

Markets next week

- The Fed decided not to cool the market's expectations for rate cuts next year. With this in mind, there are grounds to expect global risk appetite in the near term which could result in **further appreciation of the zloty.** The domestic currency may also be supported by the news of the government taking steps that may result in rapid unlocking of EU funds - not only the unconditional pre-financing from REPowerEU, but also the first instalment of the RRP, the payment of which depends on fulfilment of milestones.
- The Fed's unexpected dovishness also gives grounds for positive moves in the debt market. After the weekend, the domestic bond market will also get news on Budget 2024. If the new government's proposed increase in the public finance sector deficit turns out to be moderate (and we would consider an addition of no more than 1pp to the 4.5% of GDP from September's draft budget as such), then perhaps this local factor will not outweigh the positive global trend we assume and, as a result, **there will be room for declines in domestic yields.**

Data on economic activity and real wages in Poland, % y/y

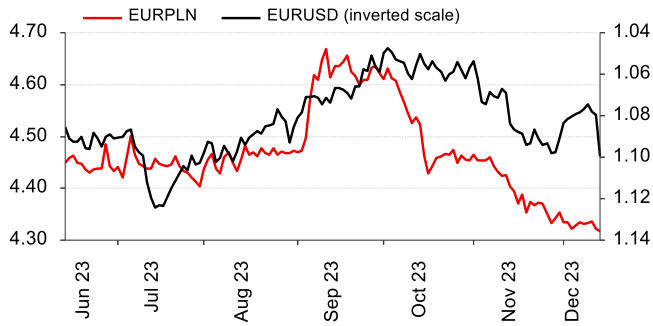


Source: GUS, Santander

Economic Analysis Department:

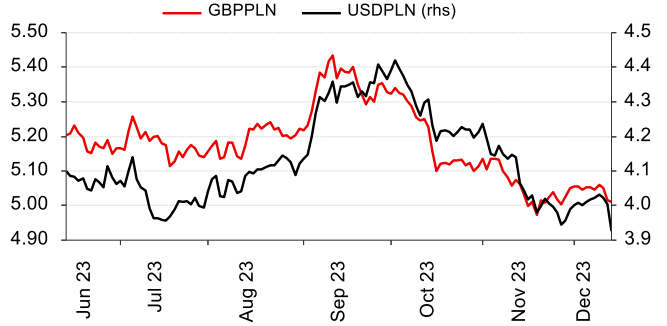
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EURPLN and EURUSD



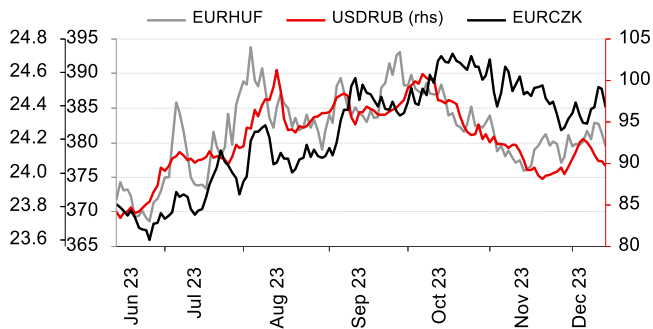
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



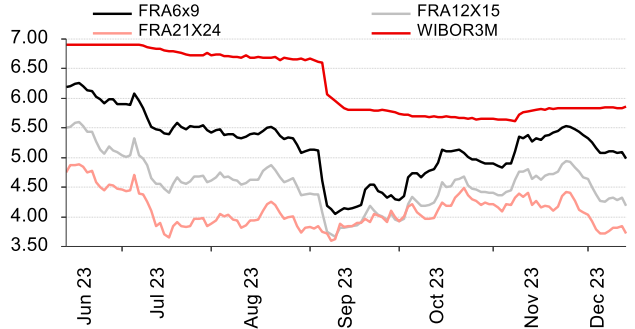
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



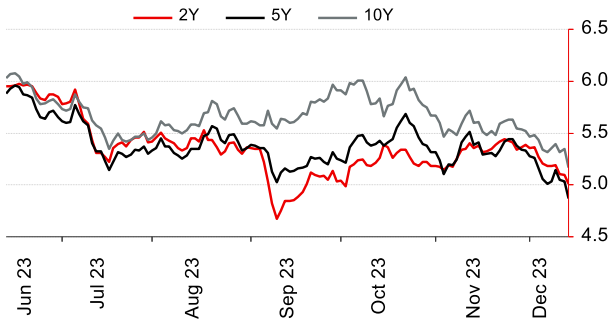
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



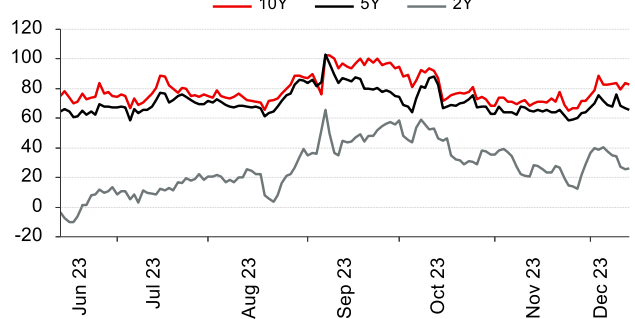
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



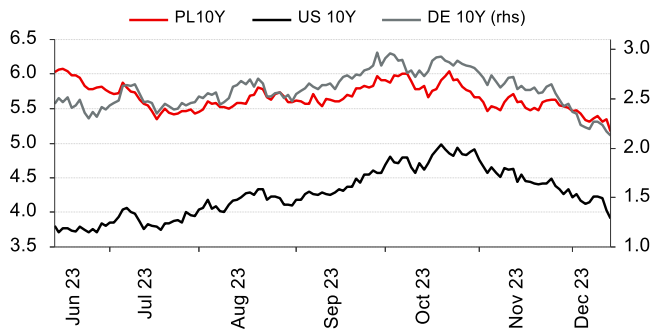
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



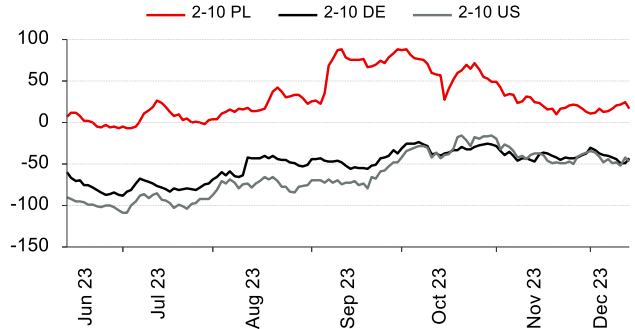
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (18 December)							
10:00	DE	IFO Business Climate	Dec	pts	-	87.3	
14:00	PL	CPI Core	Nov	% y/y	7.2	7.2	8.0
TUESDAY (19 December)							
11:00	EZ	HICP	Nov	% y/y	-	2.4	
14:00	HU	Central Bank Rate Decision	Dec	%	-	10.75	11.50
14:30	US	Housing Starts	Nov	% m/m	-0.87	1.9	
WEDNESDAY (20 December)							
10:00	PL	Employment in corporate sector	Nov	% y/y	-0.2	-0.2	-0.1
10:00	PL	Sold Industrial Output	Nov	% y/y	1.4	1.4	1.6
10:00	PL	PPI	Nov	% y/y	-3.8	-3.7	-4.1
10:00	PL	Average Gross Wages	Nov	% y/y	11.4	11.6	12.8
16:00	US	Consumer Conference Board	Dec	pts	103.3		102.0
16:00	US	Existing Home Sales	Nov	% m/m	-0.26		-4.05
THURSDAY (21 December)							
10:00	PL	Construction Output	Nov	% y/y	6.9	7.3	9.8
10:00	PL	Retail Sales Real	Nov	% y/y	1.8	0.7	2.8
14:30	US	GDP Annualized	3Q	% q/q	5.2		5.2
14:30	US	Initial Jobless Claims	week	k	220		202
14:30	CZ	Central Bank Rate Decision	Dec		6.75	7.00	7.00
FRIDAY (22 December)							
10:00	PL	Unemployment Rate	Nov	%	5.0	5.0	5.0
14:00	PL	Money Supply M3	Nov	% y/y	8.1	8.0	8.2
14:30	US	Durable Goods Orders	Nov	% m/m	2.4		-5.4
14:30	US	Personal Spending	Nov	% m/m	0.2		0.2
14:30	US	Personal Income	Nov	% m/m	0.4		0.2
14:30	US	PCE Deflator SA	Nov	% m/m	0.07		0.0
16:00	US	Michigan index	Dec	pts	69.4		69.4
16:00	US	New Home Sales	Nov	% m/m	0.88		-5.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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