

Weekly Economic Update

Merry Christmas and a Happy New Year!

This is the last Weekly Economic Update this year, **we will resume publication on 5 January 2024**. Merry Christmas and Best Wishes for 2024!

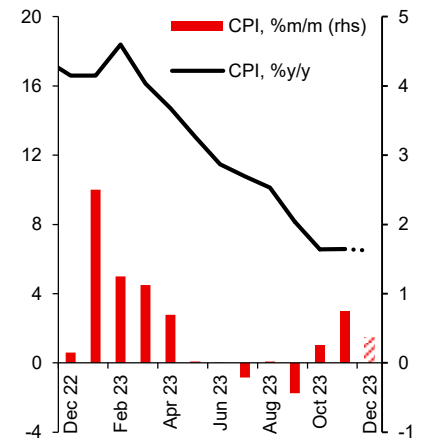
Economy next week

- November was a month of disappointments when it comes to hard data, with industrial production, construction output, and retail sales posting readings below expectations. On a monthly basis, seasonally adjusted declines extended the downturn registered by industrial production in October, and erased some of the growth in sales. While some of the weakness in November's data resulted from one-off effects like poor weather, which negatively affected the construction sector, and a drop in fuel sales after their pre-election uptick, the negative surprises in these pose a slight downside risk to our 4Q23 GDP estimate of 0.2% q/q sa and 2.5% y/y. Without any rebound in December's data the result for the full quarter could come close to zero q/q.
- Despite the weaker data for November, **our baseline scenario assumes a gradual recovery of the economy in 2024**, driven by private consumption with relatively strong investment and a gradual rebuilding of inventories, though also with relatively meagre exports. We project 2024 GDP growth at 3% y/y. Read more on our views regarding next year in [MACROscope "Outlook 2024: Against the trends"](#).
- The next significant data from the domestic economy will be published only after the New Year. We will see the **Polish manufacturing PMI**, which will show how sustainable the increases from the last two months have been and perhaps whether there are any continued signals pointing to a reversal of the inventory cycle. The preliminary December inflation estimate will likely show a **slight decline in CPI growth to 6.5% y/y**.
- From abroad we will get the final December PMIs and US non-farm payrolls, which could show a slight cooling of the US labour market, which would be consistent with a soft landing scenario.

Markets next week

- **The strengthening of the zloty has clearly lost momentum**, with the EURPLN exchange rate heading upwards in recent sessions. We think, however, that the potential for a correction is quite small. In the last days of the year, the activity of market participants may be limited, although with low liquidity the market may be susceptible to greater fluctuations. We do not expect any particular activity from the NBP or the Ministry of Finance towards the end of the year. The NBP is likely to record a high foreign exchange loss, as in order for the bank to avoid it, the zloty would have to weaken by around 6-10% (which we do not foresee). In turn, strong zloty lowers fiscal indicators and supports a faster decline in inflation. **We believe that the zloty may still strengthen in the first months of the year towards 4.25**. This strengthening will be supported by potential inflows of foreign investors to the debt market and growing expectations of Poland receiving next tranches of EU funding and of a late start of rate cuts preceded by a hawkish NBP projection. The technical situation is beginning to look favourably for the zloty and the other CEE currencies, also in the short term, despite the CNB's rate cut.
- After the first wave of strengthening in the debt markets following the end of the rate cut cycle, we see space for an upward correction. In the domestic interest rate market, after a prolonged period of declines, this movement has already been initiated by a strong bounce in the last days before Christmas. As we assume that the start of rate cuts by the MPC is very distant, **we still see space for a further increase in short-term rates. In the 1-2 month horizon, we see a potential for curves to steepen** in the face of an expected decline in inflation in 1Q24, and this movement could start soon.

CPI inflation in Poland

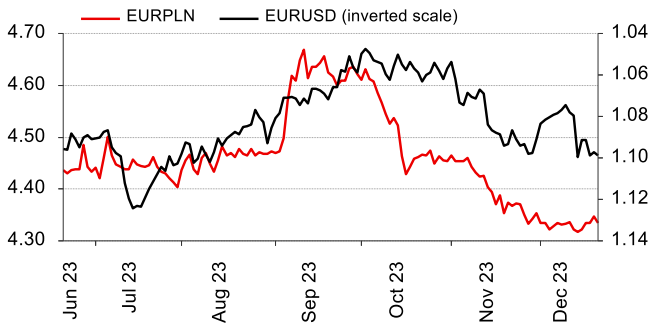


Source: Santander

Economic Analysis Department:

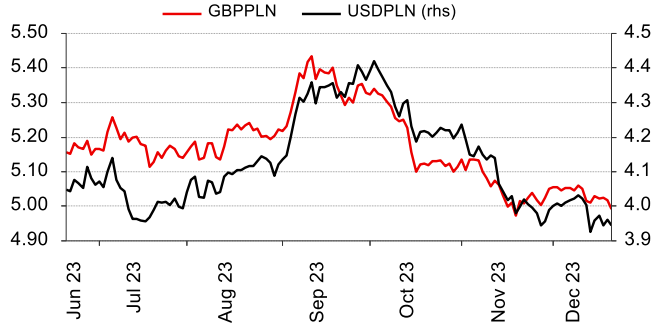
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EURPLN and EURUSD



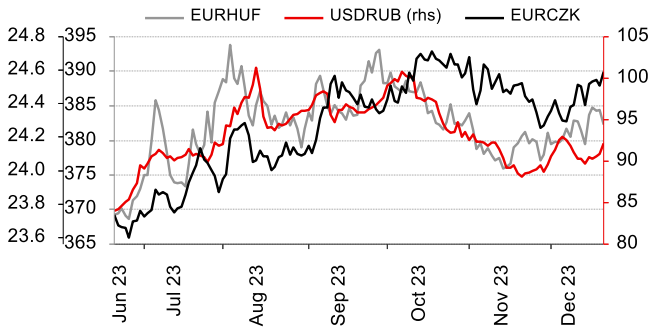
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



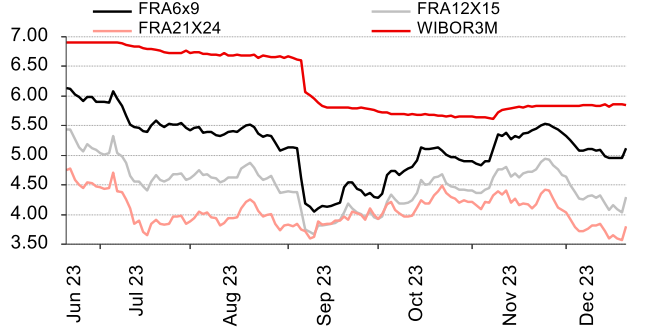
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



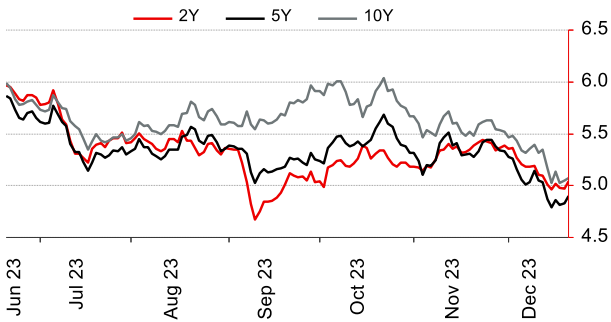
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



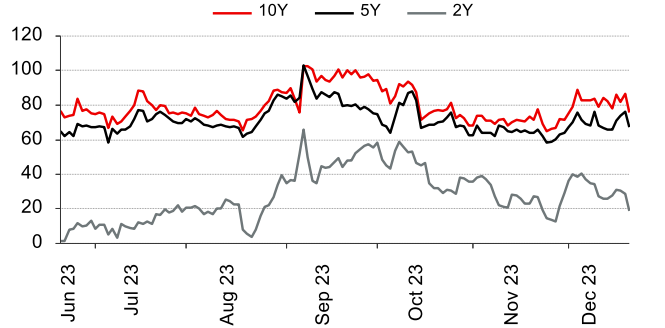
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



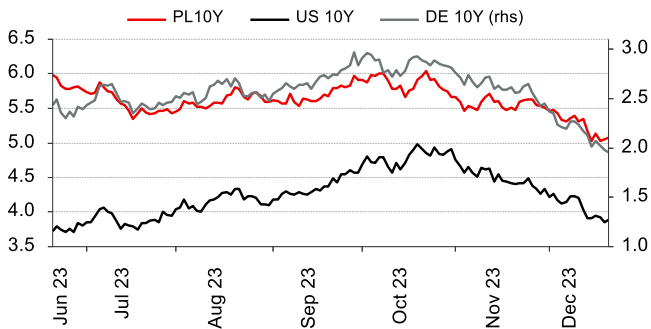
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



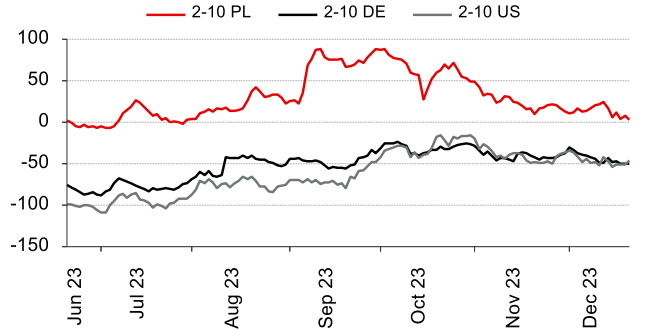
Source: LSEG Datastream, Santander Bank Polska

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 (25 December)							
	PL	Holiday					
TUESDAY (26 December)							
	PL	Holiday					
WEDNESDAY (27 December)							
No key economic news and releases							
THURSDAY (28 December)							
14:30	US	Initial Jobless Claims		k	210	-	205
16:00	US	Pending Home Sales	Nov	% m/m	1.0	-	-1.5
FRIDAY (29 December)							
No key economic news and releases							
MONDAY (1 January)							
	PL	Holiday					
TUESDAY (2 January)							
09:00	PL	Poland Manufacturing PMI	Dec	pts	48.5	49.9	48.7
09:55	DE	Germany Manufacturing PMI	Dec	pts	43.1	-	43.1
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	44.2	-	44.2
WEDNESDAY (3 January)							
16:00	US	ISM manufacturing	Dec	pts	47.2	-	46.7
20:00	US	FOMC Meeting Minutes	Dec				
THURSDAY (4 January)							
02:45	CN	Caixin China PMI Services	Dec	pts	-	-	51.5
09:55	DE	Markit Germany Services PMI	Dec	pts	48.4	-	49.6
10:00	EZ	Eurozone Services PMI	Dec	pts	48.1	-	48.7
14:00	DE	HICP	Dec	% m/m	0.3	-	-0.7
14:15	US	ADP report	Dec	k	113	-	103
FRIDAY (5 January)							
08:00	DE	Retail Sales	Nov	% m/m	-0.5	-	1.2
09:00	CZ	GDP SA	3Q	% y/y	-0.7	-	-0.7
10:00	PL	CPI	Dec	% y/y	6.5	6.5	6.6
11:00	EZ	Flash HICP	Dec	% y/y	2.9	-	2.4
14:30	US	Change in Nonfarm Payrolls	Dec	k	168	-	199
14:30	US	Unemployment Rate	Dec	%	3.8	-	3.7
16:00	US	ISM services	Dec	pts	52.5	-	52.7
16:00	US	Factory Orders	Nov	% m/m	1.4	-	-3.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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