

Weekly Economic Update

Big pack of December's data

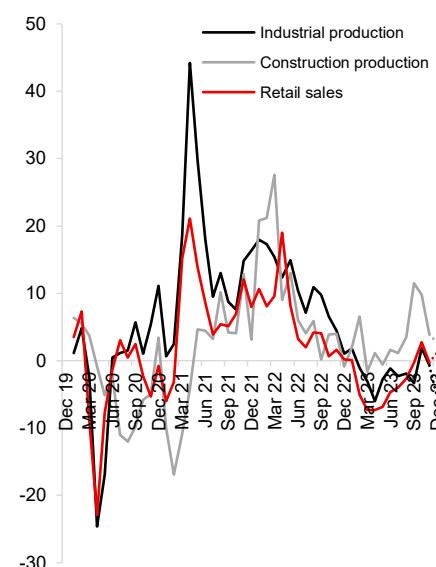
Economy next week

- On Monday, we will receive a solid bundle of domestic data, including **December's industrial and construction production, retail sales, wages and employment, as well as January's business sentiment survey**. On Wednesday, it will be further supplemented by **unemployment rate and money supply data**, as well as by GUS's monthly Statistical Bulletin. Our forecasts for most of the variables are close to the market consensus (only in construction we expect a significantly weaker reading than the market) and are in line with the scenario of further moderate recovery in economic activity at the turn of the year.
- On Wednesday and Thursday, the Senate meeting will take place, with the **2024 budget** (just approved by the Sejm) on the agenda, among other things. If the Senate swiftly passes the budget bill without amendments, it will reach the President's desk before the end of January, which will close the door for a potential scenario of snap elections. Media reports and comments of President A. Duda himself indicate that he may consider referring the budget law to the Constitutional Tribunal before signing it. In such a scenario, the state's finances will operate on the basis of a provisional budget consistent with the draft budget presented by the government.
- Abroad, the list of publications includes, among others, flash January PMI indices, German Ifo, first estimate of US GDP for 4Q23. The calendar also includes several **central bank meetings**: in China on Monday, in Japan on Tuesday, Canada on Wednesday, Norway, ECB and Turkey on Thursday. Only the latter is expected to change interest rates (upwards).

Markets next week

- The start of the week was marked by a strengthening of the dollar against the euro, amid hawkish comments from central bankers and good US data, contributing to the weaker behaviour of the CEE currencies. The zloty gained against the forint and the Czech koruna towards the end of the week, when it strengthened to 4.37. It followed the Friday's comments by EU Justice Commissioner D.Reynders who said that the Polish government is determined to restore the rule of law in line with EU requirements and is in talks to meet milestones as start EU payments even in the case when President Duda blocks the relevant legal changes. The positive comments for Poland stood in contrast to the negative information on Hungary (condemnation of V. Orban for acting against democracy in a European Parliament resolution). **This week there is, in our view, a chance of a slight strengthening of the region's currencies.** In the short term, risk appetite and regional currencies may still be negatively affected by geopolitical risks or the increasing chances of rate cuts in Hungary and the Czech Republic. Domestic data may have a moderate impact on the currency, but political tensions, e.g. around this year's budget, may have some influence on the zloty. In general, in the longer term of the coming months we assume a stronger zloty below 4.30 in 1H.
- In the interest rate market, after several sessions of upward move, the last days of the week were marked by a decline in rates and a slight steepening of the swap curve, as the market unwound the earlier nervous reaction to statements by MPC's I.Dąbrowski on possible rate hikes and/or bond selling. There was little movement in the bond market, which translated into an increase in credit spreads for shorter tenors. A deeper fall in PPI for December may have also contributed to the decline in FRAs and IRS. Industrial output data for December which will look pretty miserable (partly due to fewer working days) may contribute to the **continuation of swap rates decline this week**, while a bond auction scheduled for Tuesday may contribute to the widening of bond vs. swap credit spreads. The domestic market will also be influenced by European markets, for which the ECB meeting will be important. Market participants will be looking forward to comments on the potential timing of the first rate cut in the euro area. Currently, the market is pricing in around 5 rate cuts in the Eurozone and the start of the cycle around April, against our assumption for the start of cuts in Q3.

Output and sales, constant prices, % y/y

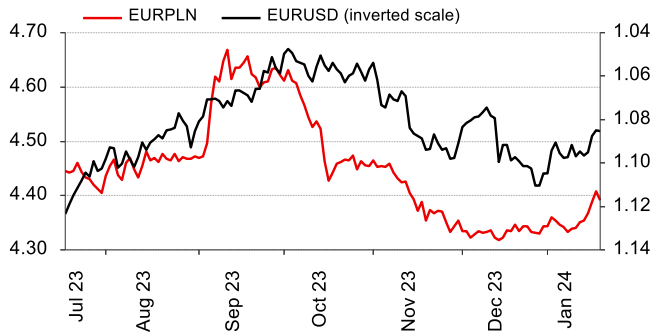


Source: GUS, Santander

Economic Analysis Department:

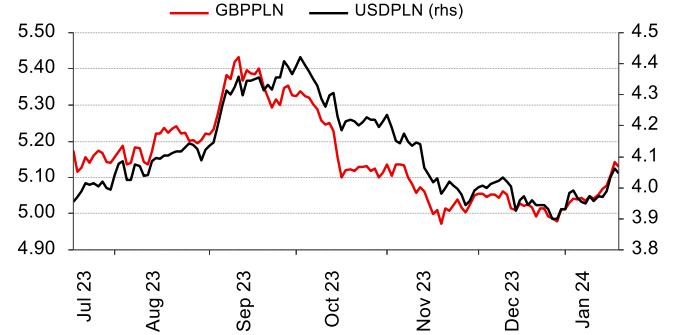
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EURPLN and EURUSD



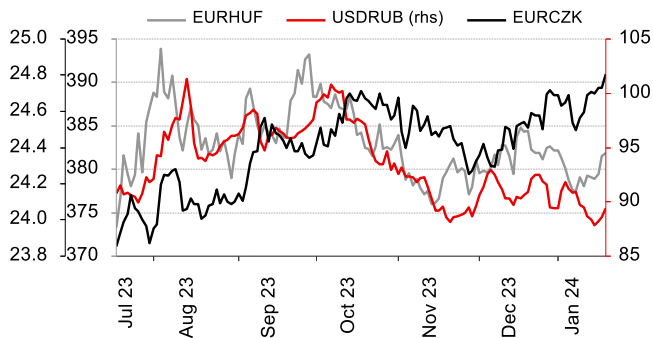
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



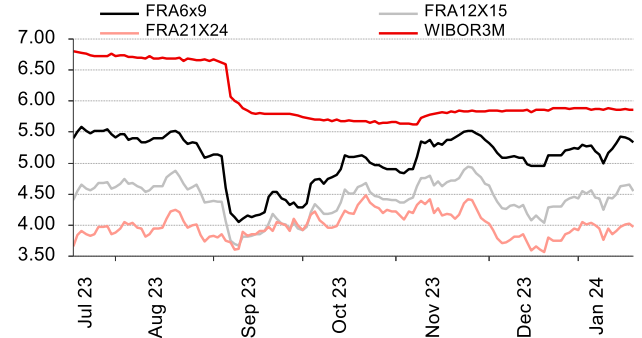
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



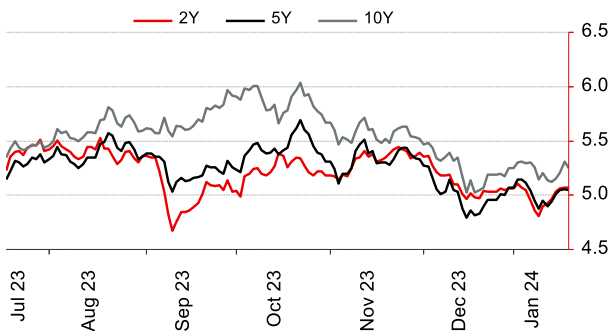
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



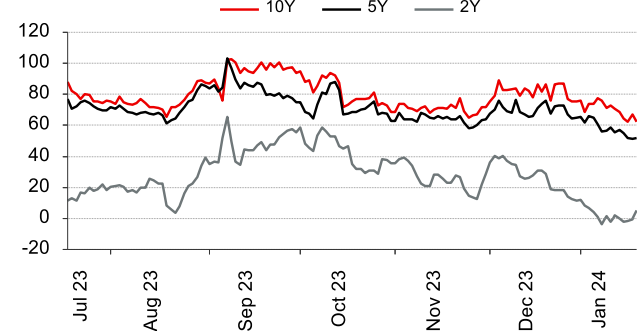
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



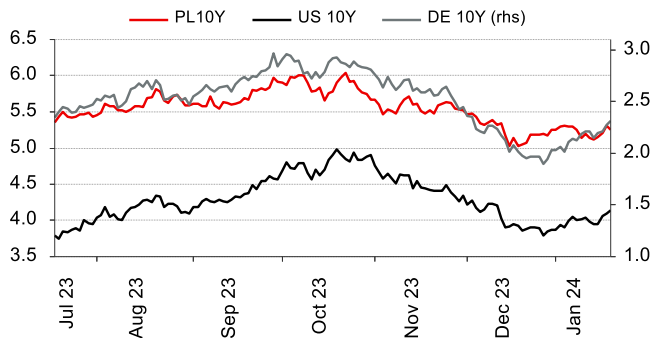
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



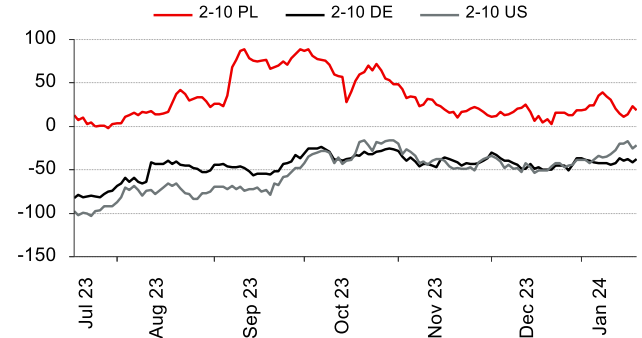
Source: LSEG Datastream, Santander Bank Polska

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 (22 January)							
10:00	PL	Sold Industrial Output	Dec	% y/y	-5.8	-5.3	-0.7
10:00	PL	Construction Output	Dec	% y/y	4.9	2.7	3.9
10:00	PL	Retail Sales Real	Dec	% y/y	1.5	1.2	-0.3
10:00	PL	Employment in corporate sector	Dec	% y/y	-0.2	-0.2	-0.2
10:00	PL	Average Gross Wages	Dec	% y/y	12.1	11.4	11.8
TUESDAY (23 January)							
No data releases							
WEDNESDAY (24 January)							
09:30	DE	Germany Manufacturing PMI	Jan	pts	43.7	-	43.3
09:30	DE	Markit Germany Services PMI	Jan	pts	49.0	-	49.3
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	44.8	-	44.4
10:00	EZ	Eurozone Services PMI	Jan	pts	49.0	-	48.8
10:00	PL	Unemployment Rate	Dec	%	5.1	5.1	5.0
14:00	PL	Money Supply M3	Dec	% y/y	8.3	8.3	7.6
THURSDAY (25 January)							
10:00	DE	IFO Business Climate	Jan	pts	86.6	-	86.4
14:15	EZ	ECB Main Refinancing Rate	Jan	%	4.5	-	4.5
14:30	US	Durable Goods Orders	Dec	% m/m	1.0	-	5.4
14:30	US	GDP Annualized	4Q	% Q/Q	1.95	-	4.9
14:30	US	Initial Jobless Claims		k	200.0	-	187.0
16:00	US	New Home Sales	Dec	% m/m	10.17	-	-12.2
FRIDAY (26 January)							
14:30	US	Personal Spending	Dec	% m/m	0.4	-	0.2
14:30	US	Personal Income	Dec	% m/m	0.3	-	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.2	-	-0.1
16:00	US	Pending Home Sales	Dec	% m/m	1.5	-	0.0

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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