

26 January 2024

Weekly Economic Update

A peek at the fourth quarter

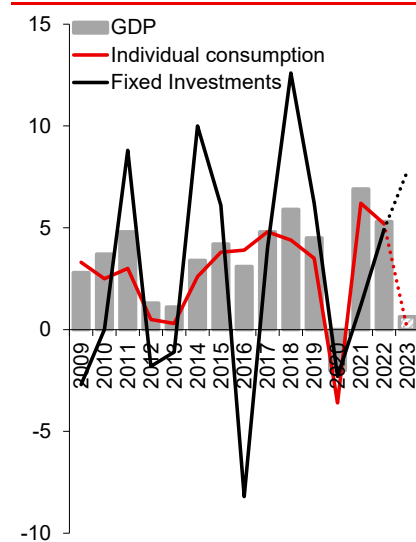
Economy next week

- **In the coming week, we will learn much about economic activity in the global economy at the turn of the year.** Most of the key EU countries will publish their preliminary GDP growth estimates for 4Q. In Poland, preliminary full-year GDP for 2023 will be released, from which we will be able to more or less infer 4Q results. We will get to know the European ESI indices and final manufacturing PMI indices (the preliminary readings of which surprised on the upside in Europe), and the week will end with a nice set of important indicators from the US, including non-farm employment, factory orders, consumer sentiment. Eurozone countries will also see flash January inflation data during the week.
- Also on the calendar are **central bank decisions**: Bank of Hungary on Tuesday, FOMC on Wednesday, Bank of England on Thursday. A 100bp rate cut is expected in Hungary, with no change in the other two.
- **We think the GDP growth for the whole of 2023 was 0.6%**, with consumption growth close to zero and investment growth close to 8%. Such a result would imply an acceleration in GDP growth in the final quarter to around 2.5% y/y, with consumption growing by around 4% y/y and investment by around 7% y/y. The market consensus according to Bloomberg is for full-year GDP to show 0.5%, and consumption -0.5%. The latest activity data from the real economy for December were slightly better than our assumptions, which even poses some upside risk to our GDP estimate for 4Q and reinforces our belief that the GDP outcome for the full year, could be higher than the consensus assumption.
- **We expect January's manufacturing PMI to come at 48.2 pts**, which would indicate a mild rebound from December. The market consensus is similar. Such a change is suggested by alternative measures of sentiment in the sector and the positive surprise in the flash release of the German manufacturing PMI, better than expected industrial output for December and further recovery in industrial orders GUS data.

Markets next week

- In the foreign exchange market, the zloty, alongside the forint, stood out negatively against the group of emerging economies' currencies. The EURPLN exchange rate rose around 0.5 per cent, which may have been a result of both the slight strengthening of the dollar against the euro in recent days. **This week, a zloty would be supported by a better-than-forecast GDP reading and PMI growth.** On the other hand, the impact of international markets will also be important. 4Q GDP growth in the eurozone remained quite weak, inflation data from the eurozone should show a slight uptick, and non-farm employment data could also be quite strong. The key for the EURUSD pair in the coming sessions may be **the not so dovish tone of the Fed at next week's meeting, which may lead to a stronger dollar** against the euro, which could limit the potential for the zloty to strengthen. We think that in the longer term horizon of the coming months there is a potential for a slight rebound of the zloty with the EURUSD rising and the materialisation of the inflow of EU funds, which we assume.
- In the interest rate market, after a significant rise in market rates since mid-October both domestically and in the core markets, **we see some potential for a downward adjustment in rates ahead.** On the other hand, **this will not necessarily happen this week in view of our assumed better-than-consensus domestic data, rising inflation in the euro area, data from the US and a potentially less dovish Fed Governor.** Another debt auction and upcoming further auctions in February and March in the absence of large bond maturities could lead to an upward revision of long-term asset swap credit spreads.

Growth of Poland's GDP and its main components, %

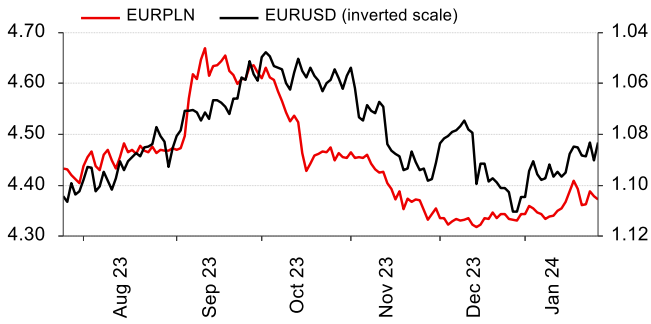


Source: GUS, Santander

Economic Analysis Department:

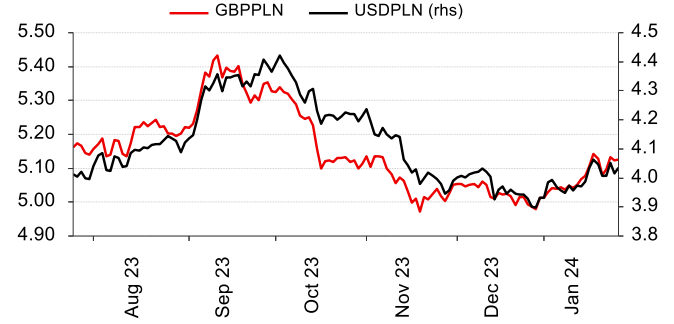
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EURPLN and EURUSD



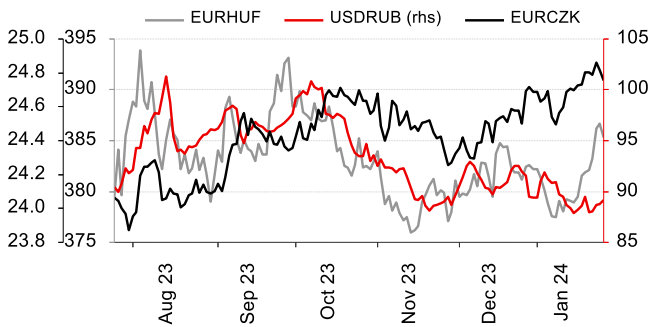
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



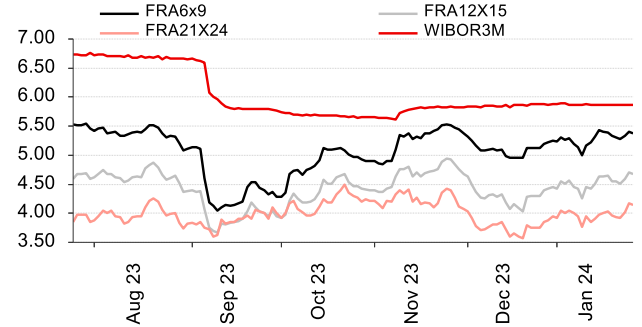
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



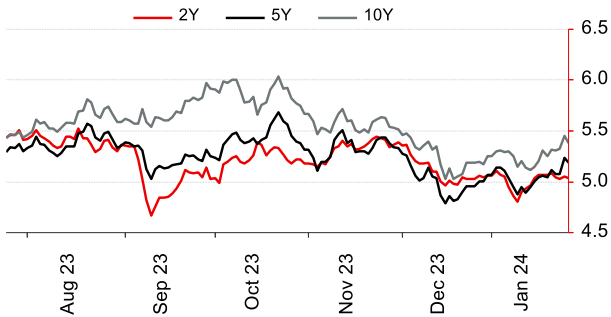
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



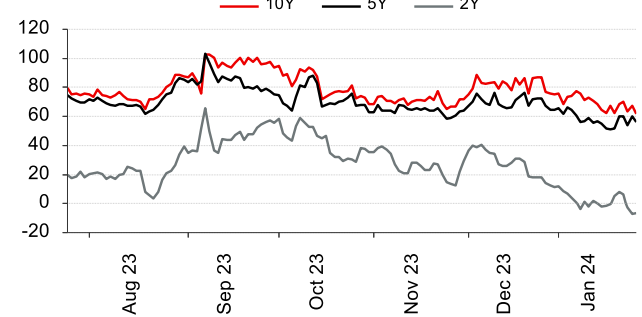
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



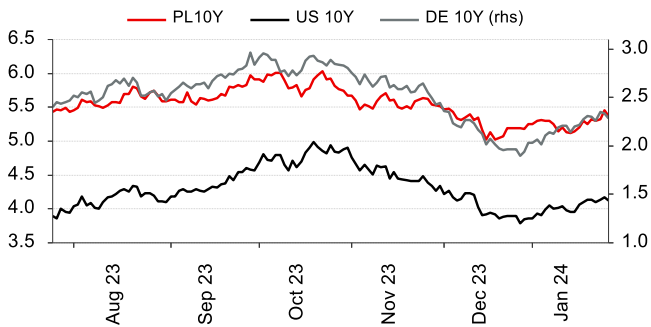
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



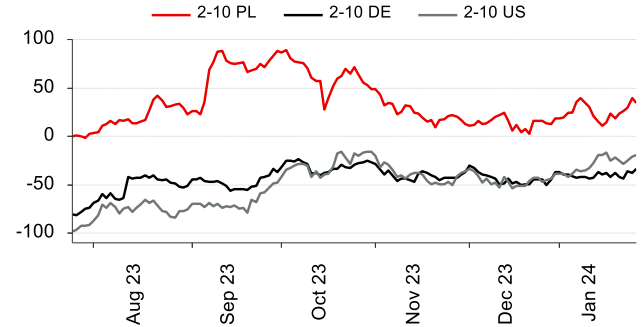
Source: LSEG Datastream, Santander Bank Polska

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 (29 January)							
No data releases							
TUESDAY (30 January)							
09:00	CZ	GDP SA	4Q	% y/y	-0.12	-	-0.8
10:00	DE	GDP WDA	4Q	% y/y	-0.2	-	-0.4
11:00	EZ	GDP SA	4Q	% y/y	0.1	-	0.0
11:00	EZ	ESI	Jan	pct.	96.4	-	96.4
14:00	HU	Central Bank Rate Decision	Jan	%	9.75	-	10.75
16:00	US	Consumer Conference Board	Jan	pts	111.6	-	110.7
WEDNESDAY (31 January)							
10:00	PL	GDP	2023	% y/y	0.5	0.6	5.1
14:00	DE	HICP	Jan	% m/m	-0.1	-	0.2
14:15	US	ADP report	Jan	k	135	-	164
20:00	US	FOMC decision	Jan	%	5.50	-	5.50
THURSDAY (1 February)							
09:00	PL	Poland Manufacturing PMI	Jan	pts	48.2	48.2	47.4
09:55	DE	Germany Manufacturing PMI	Jan	pts	43.7	-	45.4
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	44.7	-	46.6
11:00	EZ	Flash HICP	Jan	% y/y	2.8	-	2.9
11:00	EZ	Unemployment Rate	Dec	%	-	-	6.4
14:30	US	Initial Jobless Claims		k	200	-	187
16:00	US	ISM manufacturing	Jan	pts	47.3	-	47.2
FRIDAY (2 February)							
14:30	US	Durable Goods Orders		% m/m	1.5	-	5.4
14:30	US	Change in Nonfarm Payrolls	Jan	k	167.5	-	216.0
14:30	US	Unemployment Rate	Jan	%	3.8	-	3.7
16:00	US	Michigan index	Jan	pts	78.8	-	78.8
16:00	US	Factory Orders	Dec	% m/m	0.5	-	2.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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