

MACROscope Lite

Too early to panic

■ Preliminary data about GDP for entire 2023 turned out to be a big disappointment, showing the increase of just 0.2%. We might have felt some satisfaction that this was a result almost exactly in line with our forecast from over a year ago (in December 2022 we predicted 0.1% for the following year), were it not for the fact that we have been rather among the optimists in recent months and our last forecast was at 0.6%. Such a low annual reading could mean that the end of year the was very weak (if we assume that there was no revision of the previous three quarters, then according to our estimates GDP growth in 4Q fell by more than 1% q/q on a seasonally adjusted basis). However, this is not a done deal: if there were some data revisions, then we actually know little about the 4Q. Moreover, it is worth remembering that the preliminary GDP result for the entire year can be subject to strong revisions - such was the case in 2022, when GDP was eventually revised upwards by 0.4pp. (from 4.9% to 5.3%).

■ Either way, the new data puts a question mark over the forecasts for 2024, especially in case of those analysts who have recently raised their estimates strongly. We were not a part of this group and continue to believe that GDP in 2024 is likely to grow by around 3% and its main drivers will be consumption and investment. The acceleration in consumption will come from a strong growth of household income, which will allow spending to grow in real terms even as the savings rate recovers. Investment, on the other hand, will be supported by unblocked EU funds and the continuation of processes related to automation, energy transformation, reorganisation of supply chains. We remain cautious about the prospects for Polish exports, although it is worth noting that there is an increasing number of signs of a gradual improvement of sentiment in global industry.

■ Claims about a collapse in consumption seem premature, and we think so because of: firstly, consistently improving consumer optimism indicators, secondly, strong growth in household loans, including consumer credit, thirdly, the situation on the labour market and a strong increase in the real purchasing power of personal incomes.

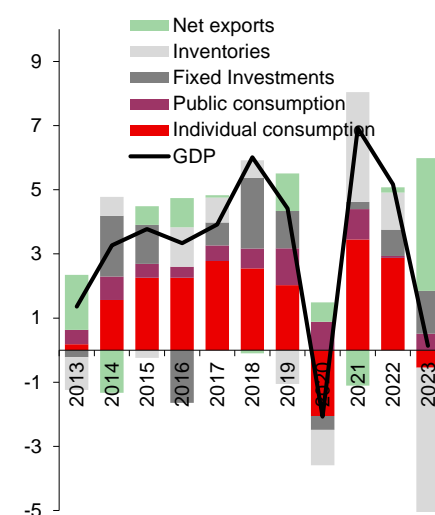
■ The scenario for this year's CPI inflation, which we presented in our December report, remains more or less valid: already in January CPI will approach 4%, in March it is likely to go down almost to the inflation target of 2.5%, before rebounding in the following months, ending the year near 7%. Core inflation, on the other hand, will stabilise in the 4.5%-5.0% range.

■ The central bank remains in the wait-and-see mode, and suggested that the March meeting will be key, as this is when – according to the NBP Governor Adam Glapiński – "everything will be clear", which will allow the MPC to mull further monetary policy decisions. We think that in early March the state of knowledge about the inflation outlook will not be much greater than now – it seems unlikely that we will know anything new about "anti-inflation shields", only January CPI estimate will be available, but still calculated with the use of the old CPI basket weights. The new NBP forecasts will therefore still be based largely on arbitrary assumptions. We do not know exactly what these assumptions will be, but intuition suggests that the new results will allow the MPC to justify keeping interest rates unchanged. Importantly, the MPC should not be very disappointed by the latest GDP data, as the November NBP staff forecasts assumed growth of just 0.3% in 2023.

■ EURPLN moved markedly downwards after the elections, to the range of 4.30-4.40. In our opinion, there is still some room for the zloty to strengthen in the coming months and in the first half of the year, the exchange rate may approach 4.20-4.25. The impulse for this will be, firstly, the verification of market expectations for interest rate cuts, after the MPC will not ease policy at the next meetings despite falling inflation, and secondly, the start of disbursements from the National Recovery Plan and cohesion funds, which we assume. A slight correction of the zloty is possible at the end of the year, which could be fuelled on the one hand by an increase in the geopolitical risk premium (linked to the US elections, among others), and on the other hand by the MPC possibly starting a cycle of rate cuts.

■ The debt market has so far reacted quite well to increased government bond supply since the beginning of the year, but this could be related to high maturities in January and investors building positions early in the year. In February and March, we assume significantly higher net issuance, which, despite sustained demand for debt in global markets, may ultimately translate into a slight correction in credit spreads and a steepening of the curve. The trend of gradual declines in yields should continue over the coming months.

GDP growth and its breakdown, % y/y



Source: Bloomberg, Santander

Recently released Economic Comments:

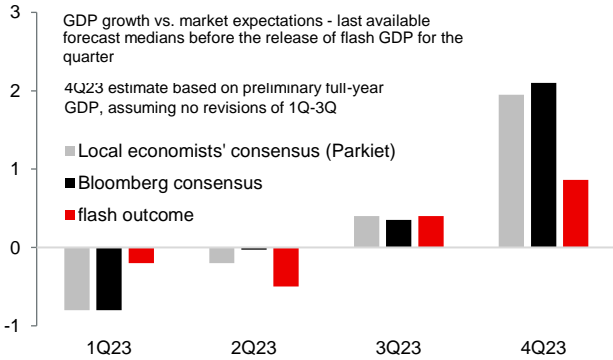
- [Weak GDP in 4Q, no support from consumption](#)
- [Weak retail sales and wages, strong output](#)
- [Inflation pressure eased in December](#)
- [Inflation is gone... but will be back](#)
- [More data failed to meet expectations](#)

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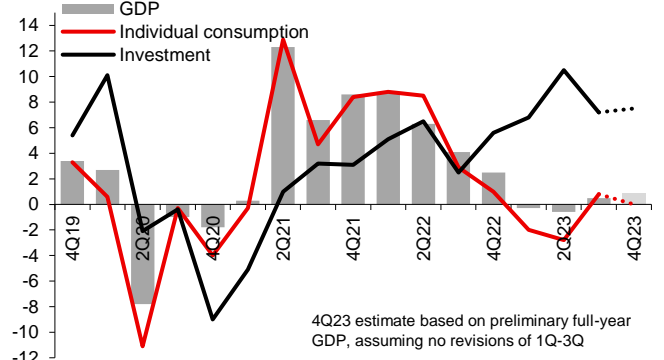
Economy in charts

4Q GDP growth may be a disappointment



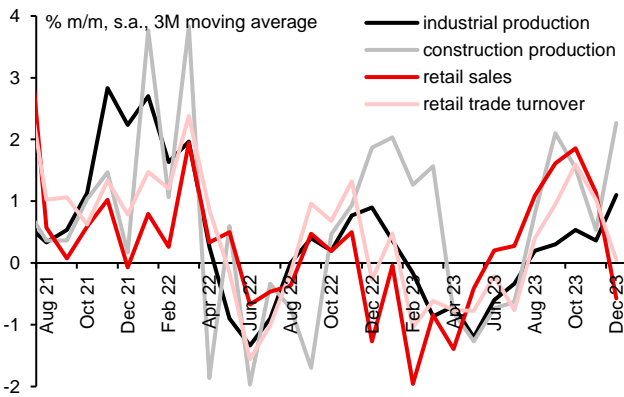
Source: GUS, Bloomberg, Parkiet, Santander

...mostly due to no rebound in private consumption.



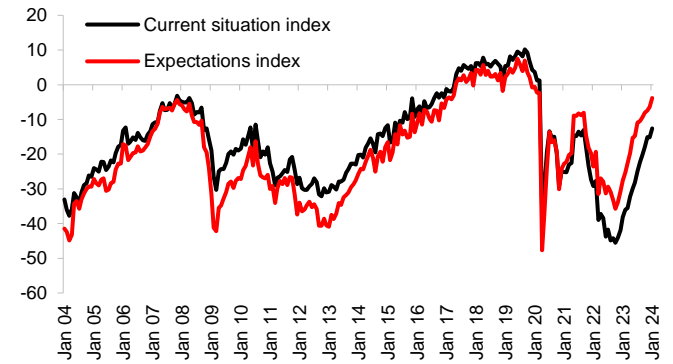
Source: GUS, Santander

Retail sales also looked bleak in late 2023.



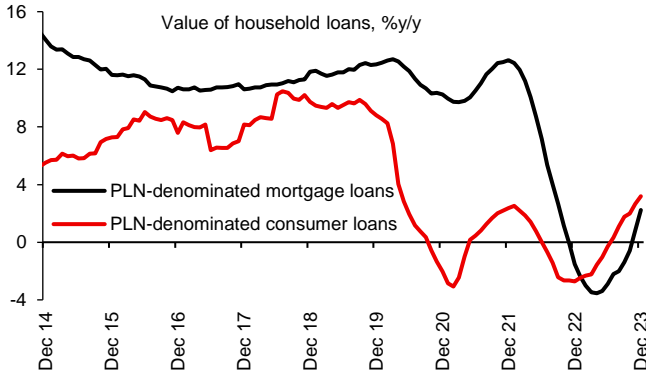
Source: GUS, Santander

The picture of stagnating consumption goes against consumer sentiment improvement



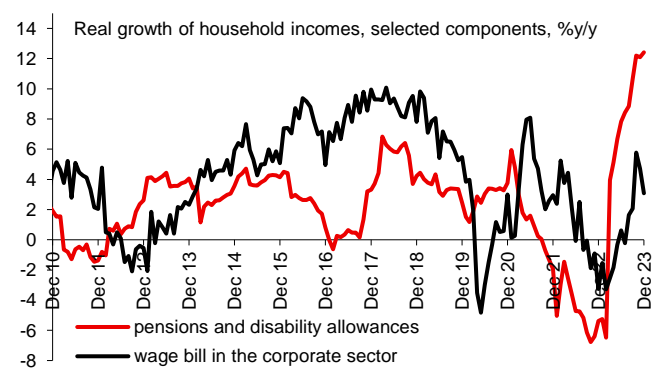
Source: GUS, Santander

...revival in consumer credit



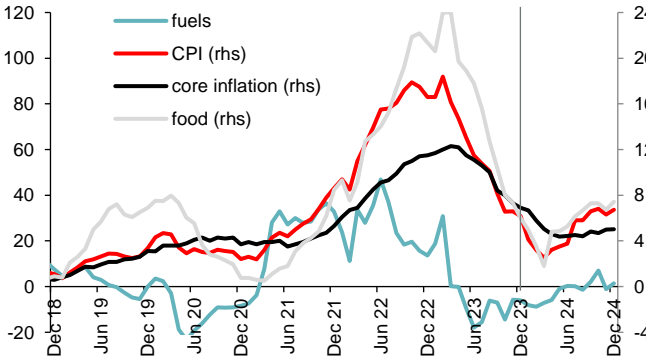
Source: NBP, Santander

...and a solid rise of real incomes



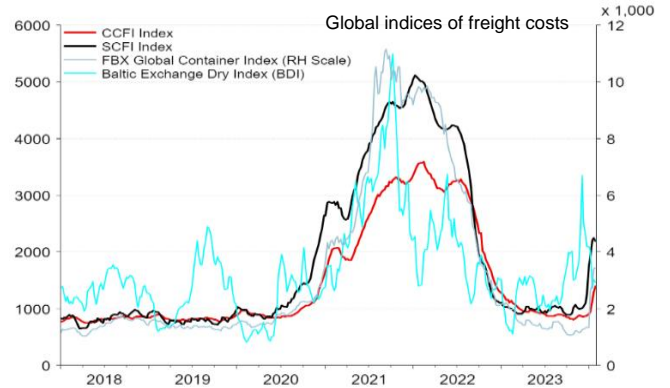
Source: GUS, Santander

Inflation eased faster than expected, but will go up once the shields are gone



Source: GUS, NBP, Santander

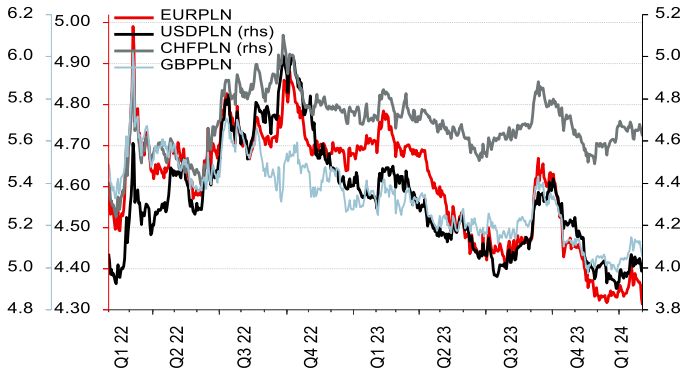
Also, a new cost impulse showed up due to Red Sea crisis



Source: LSEG Datastream, Santander

Markets in charts

Zloty exchange rates



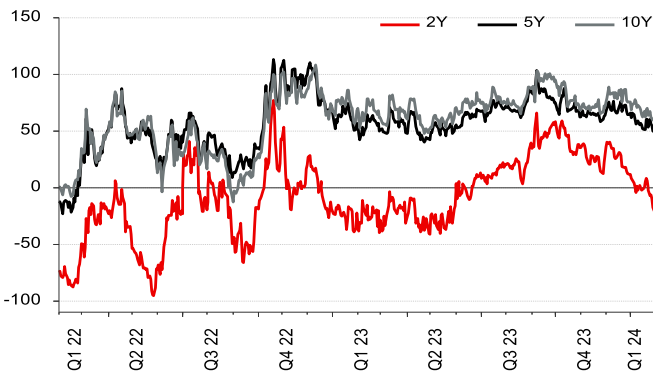
Source: LSEG Datastream, Santander

IRS (%)



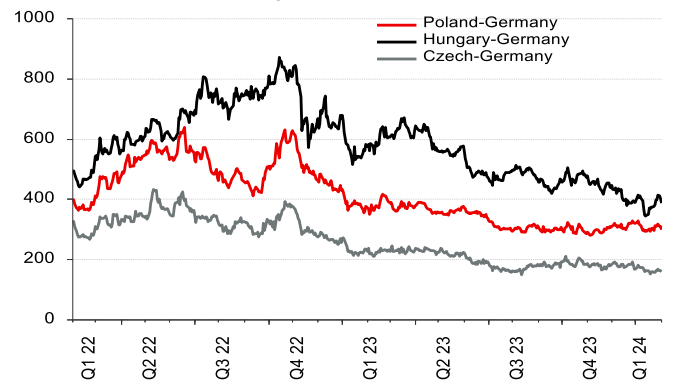
Source: LSEG Datastream, Santander

Poland asset swap spreads (bp)



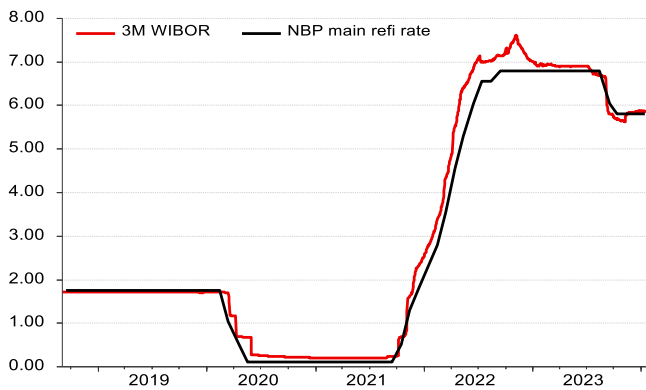
Source: LSEG Datastream, Santander

10Y bond yield spreads vs Bund



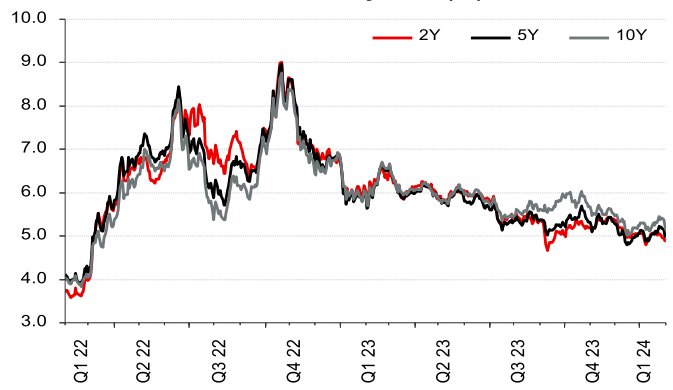
Source: LSEG Datastream, Santander

Interest rates



Source: LSEG Datastream, Santander

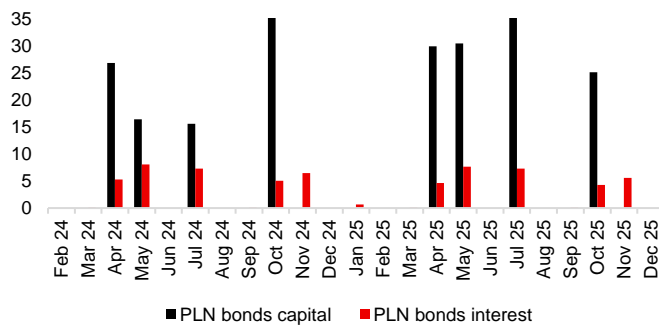
Polish bond yields (%)



Source: LSEG Datastream, Santander

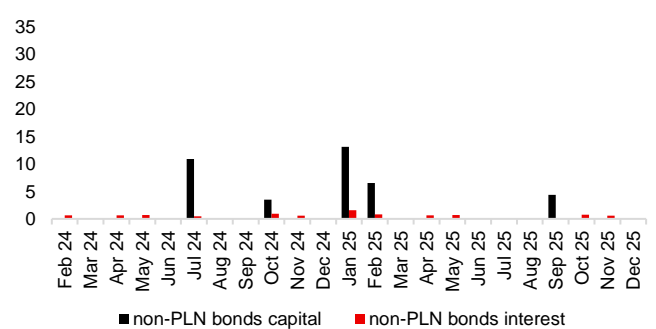
Principal and interest payments

PLN-denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

FX denominated bond redemptions and interest payments, PLNbn



Source: Ministry of Finance, Santander

Economic Calendar

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
29 January No data releases	30 CZ: GDP 4Q DE: GDP 4Q EZ: GDP 4Q EZ: ESI (Jan) HU: MNB rate decision US: Conference Board (Jan)	31 PL: GDP 2023 DE: HICP inflation (Jan) US: ADP employment report (Jan) US: FOMC rate decision	1 February PL: Manufacturing PMI (Jan) DE: Manufacturing PMI (Jan) EZ: Manufacturing PMI (Jan) EZ: HICP inflation (Jan) EZ: Unemployment (Dec) US: ISM Manufacturing (Jan)	2 US: Non-farm payrolls (Jan) US: Unemployment (Jan) US: Factory orders (Dec) US: Durable goods orders (Dec)
5 CN: Caixin Services PMI (Jan) DE: Balance of trade (Dec) DE: Services PMI (Jan) EZ: Services PMI (Jan) US: ISM Manufacturing (Jan)	6 DE: Factory orders (Dec) HU: Industrial production (Dec) CZ: Industrial production (Dec) EZ: Retail sales (Dec)	7 PL: MPC rate decision DE: Industrial production (Dec) CZ: Retail sales (Dec) US: Balance of trade (Dec)	8 CN: CPI inflation (Jan) CN: PPI inflation (Jan)	9 PL: MPC Minutes DE: HICP inflation (Jan) HU: CPI inflation (Jan)
12 No data releases	13 PL: Balance of payments (Dec) DE: ZEW (Feb) US: CPI inflation (Jan)	14 PL: GDP 4Q HU: GDP 4Q EZ: GDP 4Q EZ: Industrial production (Dec) HU: MNB Minutes	15 PL: CPI inflation (Jan) CZ: CPI inflation (Jan) EZ: Balance of trade (Dec) US: Retail sales (Jan) US: Industrial production (Jan)	16 US: Building permits (Jan) US: Housing starts (Jan) US: Michigan Index (Feb)
19 No data releases	20 PL: Wages (Jan) PL: Employment (Jan) PL: PPI inflation (Jan) PL: Sold industrial output (Jan)	21 PL: Consumer sentiment (Feb) PL: Construction output (Jan) PL: Retail sales (Jan) US: FOMC Minutes	22 PL: M3 money supply (Jan) DE: Manufacturing PMI (Feb) DE: Services PMI (Feb) EA: Manufacturing PMI (Feb) EA: Services PMI (Feb)	23 PL: Unemployment (Jan) DE: GDP 4Q DE: IFO (Feb)
26 US: New home sales (Jan)	27 US: Durable goods orders (Jan) US: Conference Board (Feb)	28 EA: ESI (Feb) US: GDP 4Q	29 PL: GDP 4Q DE: HICP inflation (Feb) US: Personal income (Jan) US: Personal spending (Jan)	1 March PL: Manufacturing PMI (Feb) CN: Caixin Manufacturing PMI (Feb) DE: Manufacturing PMI (Feb) EA: Manufacturing PMI (Feb) US: Michigan index (Feb) US: ISM manufacturing (Feb)

Source: GUS, NBP, Ministry of Finance, Bloomberg

Calendar of MPC meetings and data releases for 2024

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
ECB decision			7	11		6	18		12	17		12
Fed decision	31		20		1	12	31		18		7	18
MPC decision	9	7	6	4	9	5	3	20	4	2	6	4
MPC minutes	11	9	8	8	13	7	5	22		4	8	6
Flash GDP*		14			15			14			14	
GDP*		29				3		29			28	
CPI	15	15	15	15	15	14	15	14	13	15	15	13
Core inflation	16											
PPI	19	20	20	22	22	20	18	21	19	21	25	19
Industrial output	22	20	20	22	22	20	18	21	19	21	25	19
Retail sales	22	22	21	23	23	24	22	22	23	22	26	20
Gross wages, employment	22	20	20	22	22	20	18	21	19	21	25	19
Foreign trade	17	15	14	15	15	14	15	14	13	14	15	13
Balance of payments*			29			28			30			30
Balance of payments	12	13	15	12	14							
Money supply	24	22	22	23	24	24	22	23	23	22	26	23

Source: GUS, NBP, Ministry of Finance, * quarterly data

Economic data and forecasts for Poland

Monthly economic indicators

		Jan 23	Feb 23	Mar 23	Apr 23	May 22	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24
PMI	pts	47.5	48.5	48.3	46.6	47.0	45.1	43.5	43.1	43.9	44.5	48.7	47.4	47.1	47.7
Industrial production	% y/y	1.8	-1.0	-3.0	-6.0	-2.8	-1.1	-2.3	-1.9	-3.3	1.9	-0.3	-3.9	3.1	2.5
Construction production	% y/y	2.0	6.6	-1.6	1.1	-0.6	1.6	1.1	3.5	11.5	9.8	3.9	14.0	5.5	3.3
Retail sales (current prices)	% y/y	0.1	-5.0	-7.3	-7.3	-6.8	-4.7	-4.0	-2.7	-0.3	2.8	-0.3	-2.3	1.0	1.7
Unemployment rate	%	5.5	5.5	5.4	5.2	5.1	5.0	5.0	5.0	5.0	5.0	5.0	5.1	5.4	5.4
Gross wages in corporate sector	% y/y	13.6	13.6	12.6	12.1	12.2	11.9	10.4	11.9	10.3	12.8	11.8	9.6	10.5	9.2
Employment in corporate sector	% y/y	1.1	0.8	0.5	0.4	0.4	0.2	0.1	0.0	0.0	-0.1	-0.2	-0.1	-0.3	-0.1
Exports (€)	% y/y	19.2	14.8	16.1	1.8	4.3	4.0	0.0	-2.3	-4.2	2.3	-2.1	-3.6	3.1	3.9
Imports (€)	% y/y	10.4	-1.6	3.3	-9.6	-5.0	-5.8	-7.4	-11.9	-14.7	-7.7	-8.0	-9.9	4.7	6.6
Trade balance	EUR mn	1,557	643	863	402	1,044	1,633	302	340	802	1,287	230	-321	1,169	-42
Current account balance	EUR mn	2,246	1,467	1,372	-230	589	1,272	157	556	1,176	2,119	1,325	99	1,766	710
Current account balance	% GDP	-2.0	-1.3	-0.8	-0.5	-0.2	0.0	0.1	0.5	1.0	1.1	1.4	1.6	1.5	1.4
CPI	% y/y	16.6	18.4	16.1	14.7	13.0	11.5	10.8	10.1	8.2	6.6	6.6	6.2	4.1	3.2
CPI excluding food and energy	% y/y	11.7	12.0	12.3	12.2	11.5	11.1	10.6	10.0	8.4	8.0	7.3	6.9	6.7	5.8
PPI	% y/y	20.1	18.2	10.3	6.2	2.8	0.3	-2.1	-2.9	-2.7	-4.2	-5.1	-6.4	-8.6	-8.3
Broad money (M3)	% y/y	6.9	7.4	6.5	6.7	7.1	7.9	8.0	7.3	8.3	8.2	7.6	8.5	7.9	7.0
Deposits	% y/y	7.5	9.1	8.9	9.4	9.2	9.8	9.9	9.1	9.8	9.8	8.9	9.8	10.5	9.0
Loans	% y/y	1.5	0.7	0.4	-1.0	-0.8	-1.1	-1.8	-3.1	-1.7	-2.1	-1.6	0.0	1.2	1.3
EUR/PLN	PLN	4.70	4.74	4.69	4.64	4.54	4.46	4.44	4.46	4.60	4.51	4.40	4.33	4.36	4.33
USD/PLN	PLN	4.36	4.43	4.38	4.23	4.18	4.12	4.02	4.09	4.30	4.27	4.07	3.97	4.00	3.99
CHF/PLN	PLN	4.72	4.79	4.74	4.71	4.65	4.57	4.60	4.65	4.79	4.72	4.57	4.59	4.66	4.59
Reference rate *	%	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.00	5.75	5.75	5.75	5.75	5.75
3M WIBOR	%	6.95	6.93	6.92	6.90	6.90	6.90	6.81	6.69	5.99	5.68	5.76	5.86	5.87	5.87
Yield on 2-year T-bonds	%	6.10	6.26	6.12	6.13	5.93	5.93	5.51	5.40	5.03	5.23	5.32	5.10	5.00	4.89
Yield on 5-year T-bonds	%	6.00	6.21	6.11	6.07	5.90	5.79	5.41	5.39	5.23	5.44	5.33	5.00	5.07	5.08
Yield on 10-year T-bonds	%	6.06	6.26	6.17	6.09	5.94	5.94	5.57	5.61	5.70	5.86	5.57	5.24	5.28	5.35

Note: * at the end of the period.

Source: GUS, NBP, Finance Ministry, Santander Bank Polska estimates.

Quarterly and annual economic indicators

		2021	2022	2023	2024	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
GDP	PLN bn	2,631.3	3,067.5	3,382.0	3,599.9	799.9	816.7	845.4	920.0	832.6	863.3	931.0	1,002.2
GDP	% y/y	6.9	5.3	0.2	3.0	-0.3	-0.6	0.5	0.9	2.2	3.1	3.3	3.5
Domestic demand	% y/y	8.5	5.2	-4.1	4.1	-4.8	-2.9	-5.2	-3.4	1.8	2.5	5.8	6.1
Private consumption	% y/y	6.2	5.2	-1.0	3.0	-2.0	-2.8	0.8	0.0	2.5	2.5	3.0	4.0
Fixed investments	% y/y	1.2	4.9	8.0	4.2	6.8	10.5	7.2	7.5	6.0	3.5	4.0	4.0
Industrial production	% y/y	14.5	10.4	-1.9	3.9	-0.9	-3.3	-2.5	-0.7	1.2	4.7	5.1	4.6
Construction production	% y/y	1.6	7.6	4.9	12.2	1.9	0.6	5.4	9.5	5.4	12.9	16.5	12.2
Retail sales (constant prices)	% y/y	7.4	5.5	-3.6	2.7	-5.3	-6.8	-2.6	0.1	2.4	1.6	2.2	4.4
Unemployment rate *	%	5.8	5.2	5.1	4.9	5.4	5.0	5.0	5.1	5.3	4.9	4.8	4.9
Gross wages in the national economy	% y/y	8.9	12.1	12.6	9.7	14.3	13.8	11.0	11.3	9.8	9.5	9.5	9.8
Employment in the national economy	% y/y	0.6	2.0	0.5	-0.1	1.0	0.8	0.4	-0.2	-0.2	-0.3	-0.1	0.1
Exports (€)	% y/y	19.5	22.2	3.8	3.4	16.6	3.3	-2.1	-1.1	1.8	2.2	4.0	5.5
Imports (€)	% y/y	27.0	27.7	-6.0	6.8	3.7	-6.8	-11.4	-8.5	4.3	6.2	7.9	9.0
Trade balance	EUR mn	-7,682	-24,274	8,768	-2,290	3,060	3,057	1,455	1,196	1,004	-49	-1,504	-1,740
Current account balance	EUR mn	-7,398	-15,716	12,134	1,786	5,089	1,600	1,902	3,543	2,737	-1,605	-778	1,432
Current account balance	% GDP	-1.3	-2.4	1.6	0.2	-0.7	0.0	1.0	1.6	1.3	0.8	0.5	0.2
General government balance	% GDP	-1.8	-3.8	-5.3	-5.1	-	-	-	-	-	-	-	-
CPI	% y/y	5.1	14.4	11.4	4.9	17.0	13.1	9.7	6.4	3.3	3.5	6.1	6.6
CPI *	% y/y	8.6	16.6	6.2	6.7	16.1	11.5	8.2	6.2	2.5	3.8	6.6	6.7
CPI excluding food and energy	% y/y	4.1	9.1	10.2	4.9	12.0	11.6	9.7	7.4	5.8	4.5	4.6	4.9
PPI	% y/y	7.9	22.4	2.9	-4.0	16.2	3.1	-2.6	-5.2	-8.3	-5.6	-2.7	0.5
Broad money (M3) *	% y/y	8.9	5.4	8.5	8.9	6.5	7.9	8.3	8.5	7.5	8.3	6.2	8.9
Deposits *	% y/y	8.8	5.8	9.8	9.2	8.9	9.8	9.8	9.8	9.3	10.0	8.0	9.2
Loans *	% y/y	5.1	1.4	0.0	8.1	0.4	-1.1	-1.7	0.0	1.0	2.9	5.0	8.1
EUR/PLN	PLN	4.57	4.69	4.54	4.31	4.71	4.55	4.50	4.42	4.34	4.28	4.28	4.35
USD/PLN	PLN	3.86	4.46	4.20	3.85	4.39	4.18	4.13	4.10	3.97	3.84	3.78	3.80
CHF/PLN	PLN	4.22	4.67	4.68	4.29	4.75	4.65	4.68	4.63	4.56	4.25	4.17	4.18
Reference rate *	%	1.75	6.75	5.75	5.25	6.75	6.75	6.00	5.75	5.75	5.75	5.75	5.25
3M WIBOR	%	0.54	6.02	6.52	5.72	6.93	6.90	6.50	5.77	5.86	5.84	5.75	5.42
Yield on 2-year T-bonds	%	0.79	6.35	5.67	4.71	6.16	6.00	5.31	5.22	4.93	4.83	4.66	4.42
Yield on 5-year T-bonds	%	1.39	6.36	5.66	4.91	6.11	5.92	5.34	5.26	5.09	5.04	4.84	4.68
Yield on 10-year T-bonds	%	1.97	6.10	5.83	5.14	6.16	5.99	5.63	5.56	5.34	5.24	5.05	4.93

Note: *at the end of period. Source: GUS, NBP, Finance Ministry, Santander estimates.

This analysis is based on information available until 02.02.2024 has been prepared by:

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