

Weekly Economic Update

How big inflation decline in January?

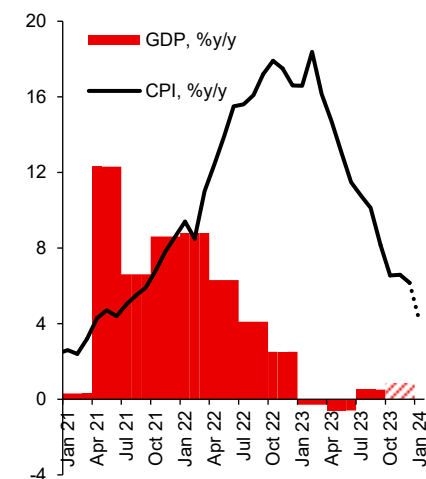
Economy next week

- Following the MPC's decision to keep rates unchanged and the NBP governor's words about the small likelihood of rallying a majority in favour of an interest rate cut this year, it is now time to look at key data from the economy. This week, **January CPI inflation and the first estimate of 4Q economic growth** are due.
- In our view inflation fell to 4.1% y/y from 6.2%, with similar market expectations (4.2% y/y) and NBP calculations (Adam Glapiński mentioned yesterday 4% or slightly higher). This is quite a change in the annual inflation rate (a larger one was last seen in March), especially against the backdrop of only a small decline in 4Q. Energy is responsible for almost ¾ of our estimate of the annual CPI decline, or more precisely the base effect related to the normalisation of VAT on energy in January 2023.
- As for the performance of the economy in 4Q, we calculated implied 4Q growth from the surprisingly low preliminary full-year GDP growth data for 2023 at 0.2%. The growth in the last quarter must have been 0.8-1.0% y/y (unless previous quarters got revised) and this implies a decline of at least 1% in q/q terms. We will not know the structure of this growth before the end of February, but it seems that the biggest disappointment came from private consumption in 4Q, which may have recorded zero growth y/y. Our caveat, however, is that in recent quarters the weakness in consumption has always appeared in the first reading and then disappeared in revisions. However, we must wait until May for possible revisions. If, on the other hand, the data remained low after revisions, we would blame the weakness in services.
- In Poland, we will also get to see the **balance of payments data for December** with a nearly balanced current account (against a deficit of €1.7bn in December 2022). December may turn out to be the only month in 2023 with a negative trade balance, of about €0.3bn, with exports falling by 3.6% y/y and imports by 9.9% y/y.
- On global markets, attention will likely be drawn to data from the **US: CPI inflation**, retail sales and industrial production for January, as well as preliminary results from February's consumer sentiment survey. We will also see 4Q GDP in the euro area and Czech inflation.

Markets next week

- The past week was marked by a weakening of the region's currencies, particularly the forint and the koruna, caused by the deeper-than-expected rate cut in Czechia and weak manufacturing and inflation data in Hungary. The zloty performed best in the region, supported by the hawkish central bank. Still, over the week it registered some minimal losses. **In the coming week we see potential for further slight depreciation of the zloty**, which may be driven by deterioration in current account balance and lower-than-expected inflation data, although after Adam Glapiński's hawkish words the market may be less sensitive to CPI. This time, the zloty may perform worse than other currencies of the region, the koruna and the forint, as these might tend to rebound following their recent losses.
- The interest rate market saw significant increases. FRAs rose mostly in the 6x9 to 12x15 part of the curve, IRS advanced by 17-21bp while bond yields rose slightly less, especially at the short end of the curve, leading to a narrowing of credit spreads. **We see a potential for a downward correction in market rates this week** with support from January inflation data (there is again a chance of a downward surprise after a weak print from Hungary), which could reignite expectations for slightly lower rates.
- Given that rates might remain unchanged until the year-end and the hawkish message from the NBP governor, we think that market rate falls could mostly affect the 5-10Y segment while shorter rates can remain elevated. In the longer term, we think that short-term rates up to 2 years could go higher.

Economic growth and inflation in Poland

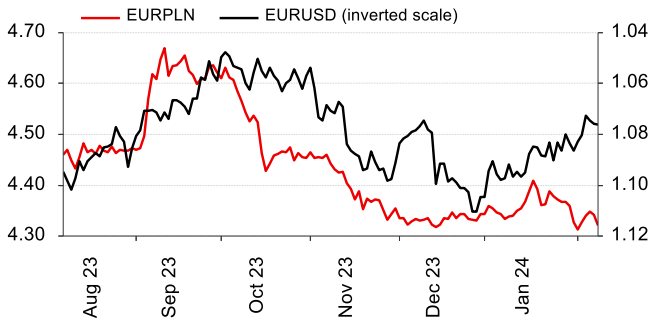


Source: GUS, Santander

Economic Analysis Department:

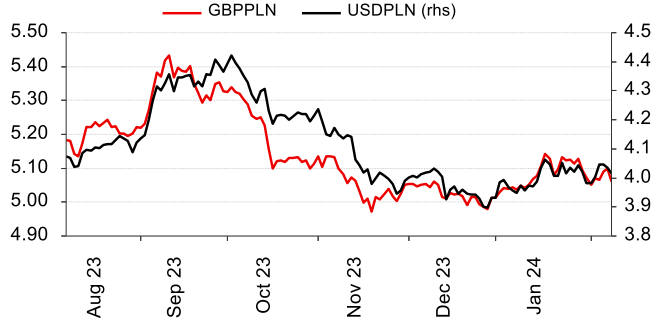
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EURPLN and EURUSD



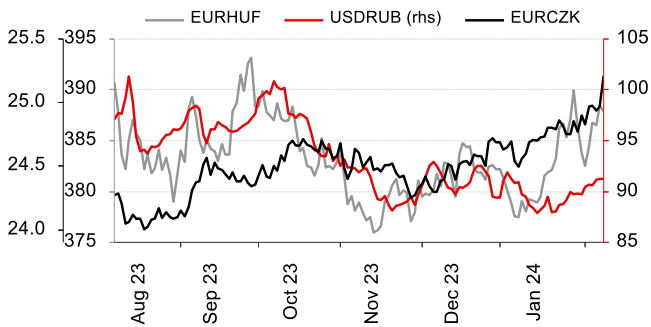
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



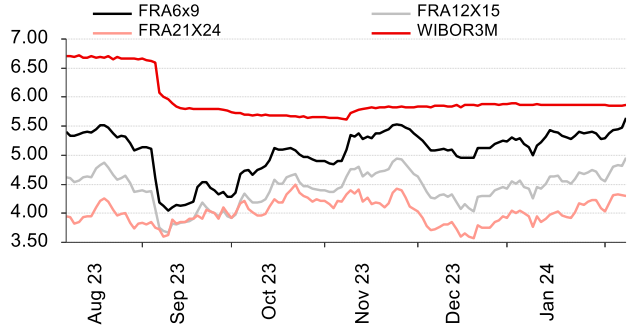
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



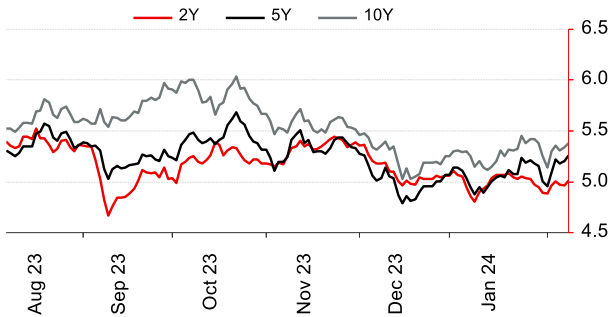
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



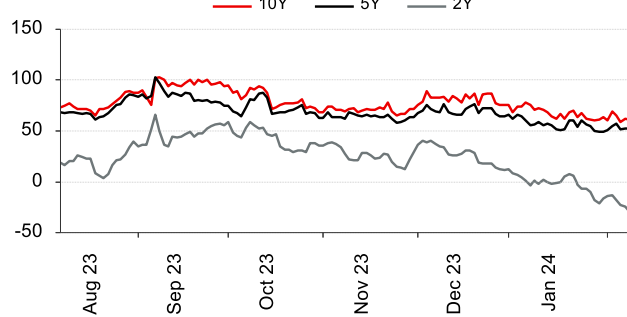
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



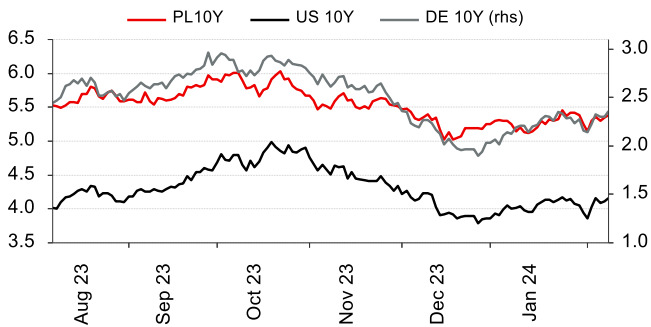
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



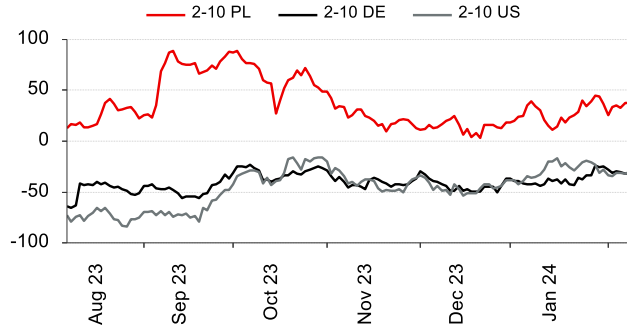
Source: LSEG Datastream, Santander Bank Polska

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 (12 February)						
No data releases						
TUESDAY (13 February)						
11:00	DE	ZEW Survey Current Situation	Feb	pts	-79.0	-77.3
14:00	PL	Current Account Balance	Dec	€mn	-357	99
14:00	PL	Trade Balance	Dec	€mn	-474	230
14:00	PL	Exports	Dec	€mn	25 485	25 466
14:00	PL	Imports	Dec	€mn	25 783	25 767
14:30	US	CPI	Jan	% m/m	0.2	0.3
WEDNESDAY (14 February)						
08:30	HU	GDP	4Q	% y/y	0.6	-0.4
10:00	PL	GDP	4Q	% y/y	1.1	0.9
11:00	EZ	GDP SA	4Q	% y/y	0.1	0.1
11:00	EZ	Industrial Production SA	Dec	% m/m	-0.2	-0.3
THURSDAY (15 February)						
09:00	CZ	CPI	Jan	% y/y	2.9	6.9
10:00	PL	CPI	Jan	% y/y	4.2	4.1
14:30	US	Initial Jobless Claims		k	220	218
14:30	US	Retail Sales Advance	Jan	% m/m	-0.2	0.6
15:15	US	Industrial Production	Jan	% m/m	0.4	0.1
FRIDAY (16 February)						
14:30	US	Housing Starts	Jan	% m/m	0.0	-4.3
16:00	US	Michigan index	Feb	pts	79.0	79.0

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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