

Weekly Economic Update

EU funds finally unfrozen

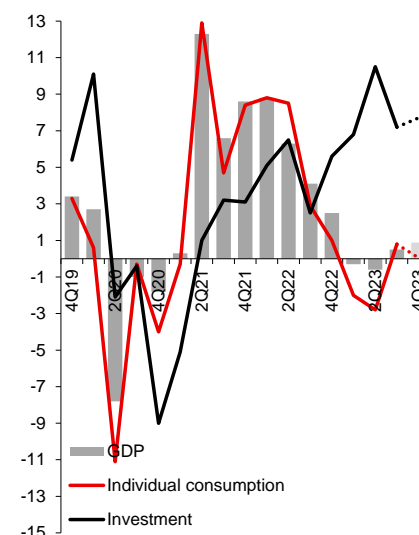
Economy next week

- Next week, there are only two economic releases in the domestic calendar: **detailed GDP data for 4Q2023 and the manufacturing PMI for February**.
- The former numbers will show the breakdown of GDP growth, which according to the flash estimate reached 1.0% y/y and was weaker than our earlier expectations. The room for surprises from this publication is limited by the fact that a month ago the statistical office has already published full-year GDP data, on the basis of which it is quite easy to estimate the last quarter's performance. According to our calculations, private consumption growth in 4Q amounted to a mere 0.1% y/y (vs. 0.8% y/y in 3Q), investments accelerated to almost 8% y/y (7.2% y/y in 3Q), the contribution of inventories to GDP remained strongly negative (ca. -6pp) and net exports clearly positive (+4pp). We do not rule out that the GDP results for 2023 will be revised quite significantly over time, as was the case with the 2022 data.
- On Thursday 29 February, **the European Commission is to formally unfreeze the EU funds for Poland worth EUR137bn in total**, including EUR60bn from the Recovery and Resilience Facility and EUR77bn from Cohesion policy. The decision, which has already been announced today by the EC president Ursula von der Leyen, will pave the way for the disbursement of the first tranche from the RRF (EUR6.3bn requested by Poland in mid-December) in late March/early April.
- Abroad, we will see numerous economic releases, including inflation, GDP, ESI and industrial PMIs in Europe, as well as GDP, PCE price index, real estate data, and consumer sentiment in the US. Monetary policy decisions will be made by central banks of Hungary (markets expect -100bps) and New Zealand.
- The week abroad will also include many political events, for example primaries in Michigan and South Carolina, the 2nd anniversary of the Russian invasion of Ukraine, elections in Belarus, Hungary's decision on Sweden's accession to NATO.

Markets next week

- Over the course of the week, CEE currencies were not very volatile with a slight strengthening in the first part of the week and a predominance of weakness in the second half without any significant impact from the local data or the stronger euro vs. the dollar. As we anticipated, the depreciation trend of the Czech koruna came to a halt. The zloty gained at the end of the week in reaction to the news about the EC's plan to unblock EU funds for Poland, which may positively influence the currency also in the coming week. We also see potential for a relatively better behaviour of the zloty against the forint if the Hungarian central bank cuts interest rates on Tuesday by another 100 bp, as the market assumes. **We still see the potential for appreciation of the zloty towards 4.20 in the coming months**, once EU funds finally start to flow in, our scenario of rising EURUSD materialises and the Polish MPC keeps interest rates unchanged. In the short term, the dollar may be influenced by inflation data from the US (Thursday's PCE release), which may show higher price growth in January than in December.
- The passing week has seen declines in market rates in CEE despite rate going up in core markets amid reduced expectations for rate cuts. The market is already pricing in only three cuts in the US and the euro area. For domestic market participants, more important than positive surprises from wages and retail sales may have been the continuation of the downward movement in yields started earlier, still high investor demand for domestic government bonds (good auction result) and dovish statements by some MPC members. We think that **the beginning of the week could bring a slight upward adjustment of market rates** ahead of the upcoming next debt auction. Potentially, the domestic market could behave slightly weaker than the Hungarian market with the MNB rate cut and we see chances for a slight increase in credit spreads. Towards the end of the week, PMI index or data on GDP structure could be positive for the domestic market. On the other hand, inflation readings (falling inflation in Germany and still slightly elevated PCE inflation in the US) will be important for core markets.

GDP growth, % y/y

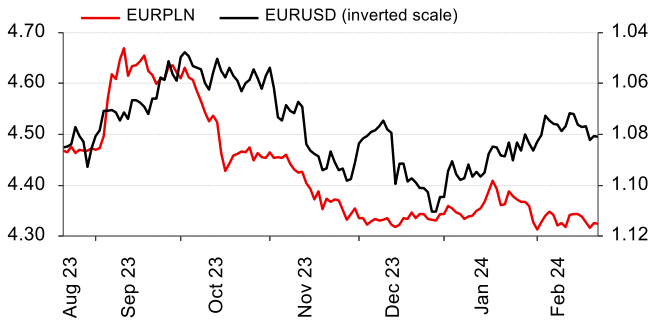


Source: GUS, Santander

Economic Analysis Department:

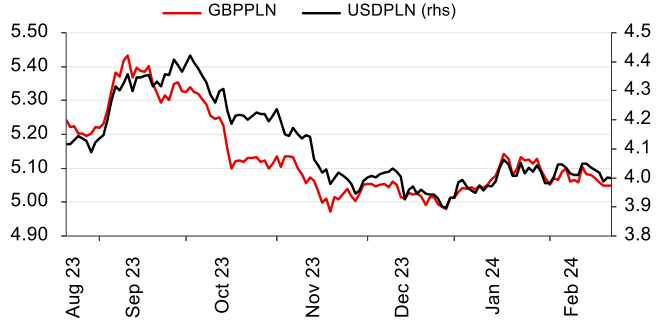
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EURPLN and EURUSD



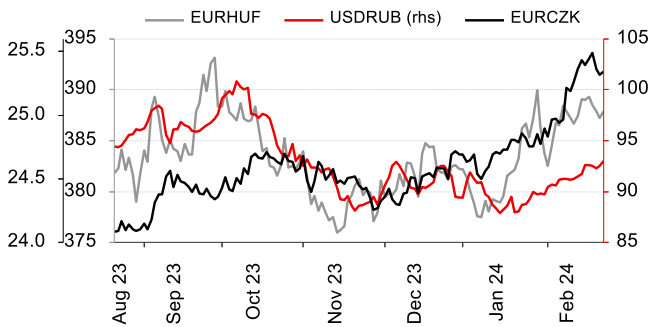
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



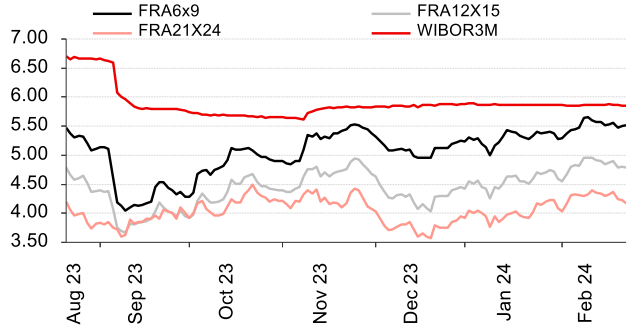
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



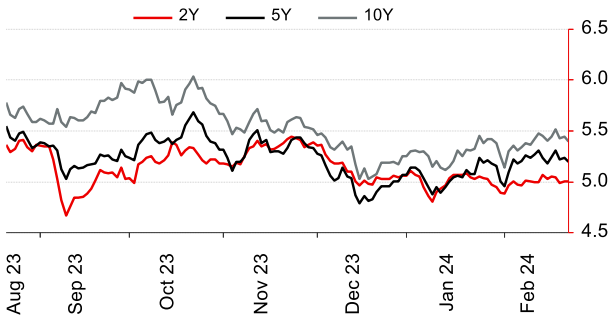
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



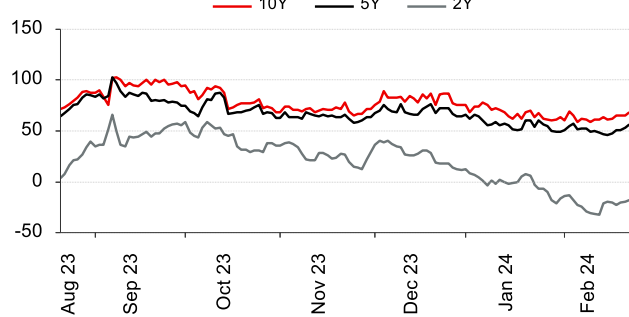
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



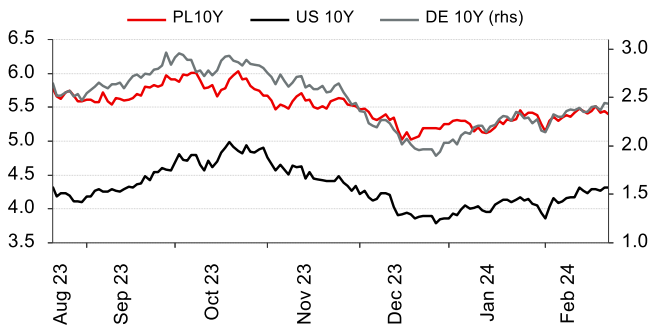
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



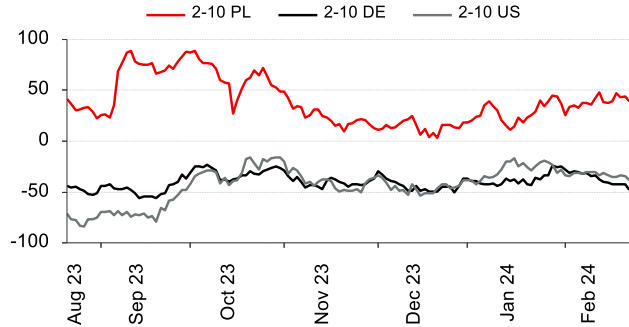
Source: LSEG Datastream, Santander Bank Polska

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 (26 February)						
16:00	US	New Home Sales	Jan	% m/m	3.0	- 8.0
TUESDAY (27 February)						
14:00	HU	Central Bank Rate Decision	Feb	%	9.00	- 10.00
14:30	US	Durable Goods Orders	Jan	% m/m	-4.5	- 0.0
16:00	US	Consumer Conference Board	Feb	pts	114.8	- 108.0
WEDNESDAY (28 February)						
11:00	EZ	ESI	Feb	pts	96.6	- 96.2
14:30	US	GDP Annualized	4Q	% q/q	3.3	- 4.9
THURSDAY (29 February)						
08:00	DE	Retail sales	Jan	% m/m	0.5	- -1.1
10:00	PL	GDP	4Q	% y/y	1.0	1.0 0.5
14:00	DE	HICP	Feb	% m/m	0.6	- -0.2
14:30	US	Initial Jobless Claims		k	210	- 201
14:30	US	Personal Spending	Jan	% m/m	0.2	- 0.7
14:30	US	Personal Income	Jan	% m/m	0.5	- 0.3
14:30	US	PCE Deflator SA	Jan	% m/m	0.4	- 0.2
16:00	US	Pending Home Sales	Jan	% m/m	1.0	- 8.3
FRIDAY (1 March)						
09:00	CZ	GDP SA	4Q	% y/y	-0.2	- -0.8
09:00	PL	Poland Manufacturing PMI	Feb	pts	47.0	46.9 47.1
09:30	DE	Germany Manufacturing PMI	Feb	pts	42.3	- 45.5
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	46.1	- 46.6
11:00	EZ	Flash HICP	Feb	% y/y	2.5	- 2.8
11:00	EZ	Unemployment Rate	Jan	%	6.4	- 6.4
16:00	US	Michigan index	Feb	pts	79.6	- 79.0
16:00	US	ISM manufacturing	Feb	pts	49.5	- 49.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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