

# Weekly Economic Update

## The Judgment Friday

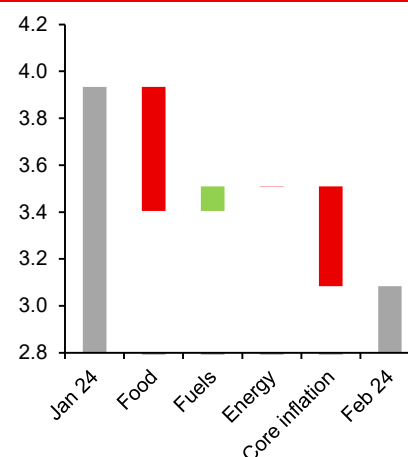
### Economy next week

- The calendar of economic events for the next week is quite light: **on Monday morning, the Inflation Report will be published** and the NBP analytical team will present details of the new projections; **on Friday, data on February CPI inflation and January balance of payments** will show up. On the same day, according to Money.pl, a motion to put the NBP president before the State Tribunal may be submitted in the Sejm. Interviews with MPC members can also be expected during the week as the blackout period following the Council meeting comes to an end. We suspect that most of them will reinforce President Glapinski's message from the press conference: in light of the uncertainty about the inflation outlook it is not justified to consider interest rate cuts in the coming months.
- In the NBP's presentation of its economic forecasts, we will primarily be looking for an explanation to the question why the prospects for inflation's return to the target have improved compared to November, despite a marked increase in optimism about the economic growth.
- Inflation data on Friday will reveal not only the reading for February, but also the new weights in the CPI basket and revised January CPI print. Our estimates suggest that **the change in weights could lower the CPI reading at the start of the year by 0.1-0.2pp, while lifting slightly the CPI path in 2H24**. Yet, we are aware that credibility of such estimates is quite low, as attempts to anticipate the weight effect in the previous years were not particularly successful.
- **Our inflation forecast for February is 3.1% y/y**, against a Bloomberg consensus of 3.2% and an expectation range of 2.7%-3.5% y/y. Another strong decline in annual growth will still be largely due to the effect of a very high statistical base, while our projected m/m price change of 0.4% would be clearly above the median growth for this month in previous years (0.13%), indicating continued price inertia, mainly in core categories.
- **We expect the balance of payments data to show a current account surplus of EUR1.5bn**, marginally above market consensus (EUR1.4bn), with slightly less negative annual export and import growth.
- Abroad, during the week we will see a lot of inflation data in Europe and the US, as well as information regarding industrial output and retail sales.

### Markets next week

- In the absence of any new strong stimulus for most of the week, **we assume a stabilization of the EURPLN exchange rate near the 4.30 level**, and only Friday's news could be a pretext for a larger directional move, provided that it deviates significantly from the consensus. **We see potential for a slight weakening of the zloty and strengthening of the koruna and forint only in the short term**, but in general the trend of strengthening of the zloty against the region's currencies may continue in the coming months.
- We think there is potential for a narrowing of Polish yield spreads to the Bund in the coming week. **After a sizable narrowing of domestic credit spreads, there is a chance of an upward adjustment** ahead of Wednesday's auction (with a positive net issuance of Treasury debt in March), but the next few days should bring renewed demand for bonds and a **decline in swap rates in anticipation of the next inflation reading** with the risk of a renewed downward inflation surprise. An argument against a significant repricing in the debt market and in favor of a relatively faster decline in swap rates may be Monday's inflation data from the Czech Republic, which is expected to fall back toward the 2% target.

### Santander forecast of annual inflation decline in February

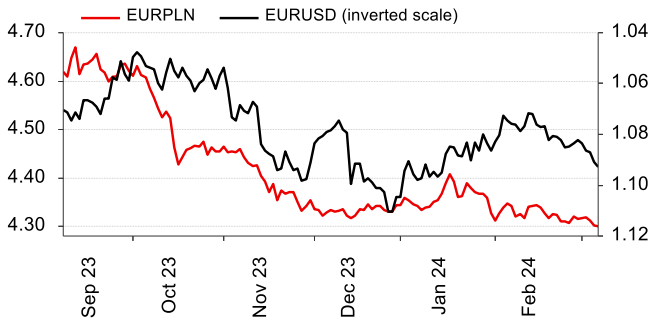


Source: Santander

### Economic Analysis Department:

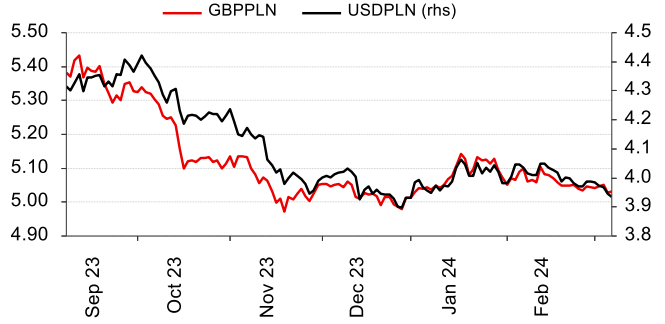
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**EURPLN and EURUSD**



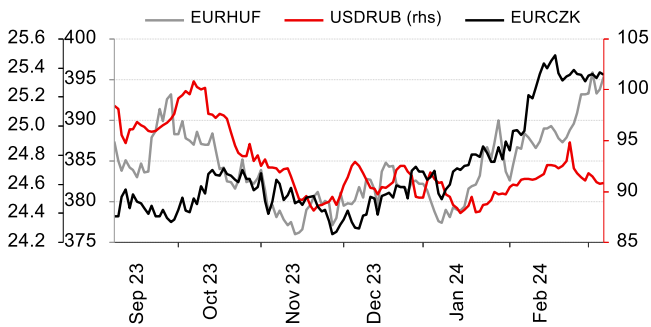
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



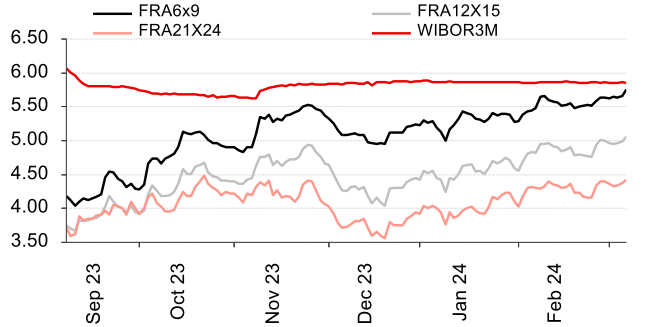
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



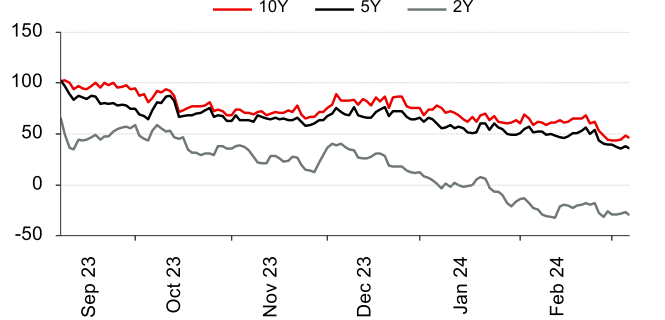
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



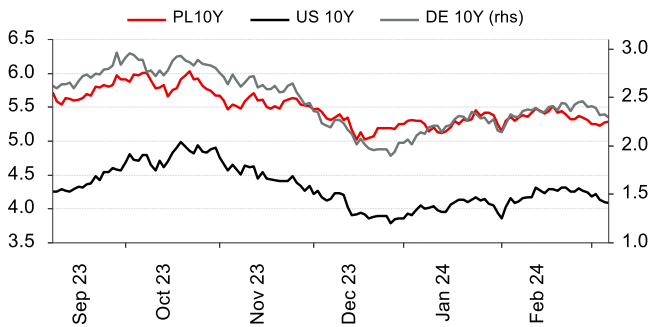
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



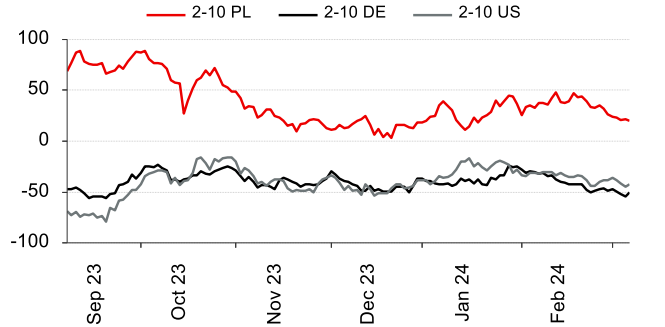
Source: LSEG Datastream, Santander Bank Polska

**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		
<b>MONDAY (11 March)</b>							
09:00	CZ	CPI	Feb	% y/y	-	-	2.3
<b>TUESDAY (12 March)</b>							
08:00	DE	HICP	Feb	% m/m	0.6	-	0.6
13:30	US	CPI	Feb	% m/m	0.4	-	0.3
<b>WEDNESDAY (13 March)</b>							
11:00	EZ	Industrial Production SA	Jan	% m/m	-2.0	-	2.6
<b>THURSDAY (14 March)</b>							
13:30	US	Retail Sales Advance	Feb	% m/m	0.6	-	-0.8
14:30	US	Initial Jobless Claims		k	216	-	217
<b>FRIDAY (15 March)</b>							
09:00	CZ	Industrial Production	Jan	% y/y	-	-	-6.0
10:00	PL	CPI	Feb	% y/y	3.2	3.1	3.9
14:00	PL	Current Account Balance	Jan	€mn	1 432	1 494	-24
14:00	PL	Trade Balance	Jan	€mn	918	1 385	-556
14:00	PL	Exports	Jan	€mn	26 941	27 785	24 808
14:00	PL	Imports	Jan	€mn	26 023	26 400	25 364
14:15	US	Industrial Production	Feb	% m/m	0.0	-	-0.1
15:00	US	Michigan index	Mar	pts	77.0	-	76.9

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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