

Weekly Economic Update

A large set of local data and a bond auction

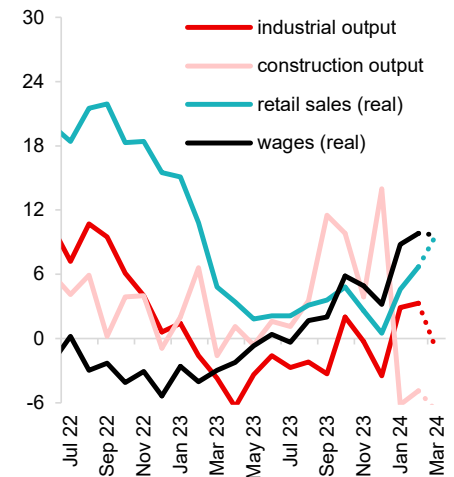
Economy next week

- Next week will see a sizeable set of domestic data releases describing the state of the economy in March: **on Monday, wages and employment in the corporate sector, industrial and construction output, PPI, plus the GUS business climate indices for April; on Tuesday, money supply; on Wednesday, unemployment and other details in the GUS Statistical Bulletin.**
- March was atypical this year. The number of working days in March was smaller by two than a year ago and, unusually, the same as in February. As a consequence economic activity indicators in some sectors may deviate significantly from their seasonal patterns. This largely explains the projected year-on-year declines in industrial and construction output. Fewer working days may also weigh slightly on wage growth, although we expect it (as does the market) to remain close to 12% y/y. Retail sales performance, on the other hand, should in our view be strongly supported by extra shopping ahead of Easter and ahead of the pre-announced VAT increase on food since April, so we expect a marked acceleration in sales growth. All in all, we expect the March data set to confirm the recovery in economic activity in 1Q, once cleared of the impact of calendar effects.
- Abroad, key releases include flash manufacturing and services PMIs, the German Ifo index, in the US the first estimate of 1Q24 GDP and the March PCE deflator (the Fed's preferred inflation measure). **Interest rate decisions will be made by central banks in China (Monday), Hungary (Tuesday), Turkey (Thursday) and Japan (Friday).** In Hungary, another rate cut is expected (by 50bp, to 7.75%), while no change is the most likely outcome elsewhere. Some analysts do not exclude an announcement of the start of QT by the Bank of Japan.

Markets next week

- After a considerable weakening, the zloty has started to recover and **the positive trend may continue after the weekend, in our view, but at a rather slow pace.** Although the Ministry of Finance may pay out part of the EU recovery funds to beneficiaries directly in euro and, in our opinion, a larger part of the funds than in recent years will be exchanged at the NBP, we still assume that with the record inflow of hard currencies to the ministry's accounts, some part of the flow will be still exchanged on the market (although it is unclear when). The Ministry's very high level of foreign currency deposits should support the zloty. In the coming weeks, large bank dividend payments will take place, but in this case, it is also unclear whether and to what extent these proceeds have been already hedged in advance by foreign investors. The behaviour of the zloty may continue to be significantly influenced by the dollar movements. The EURUSD has fallen significantly in recent weeks, and with the PCE index still high or a positive surprise in GDP, the dollar could remain at strong levels, which would slow the zloty's recovery. Uncertainty about the situation in the Middle East still persists. On the other hand, the market has quite clearly reduced expectations of rate cuts in the US this year to less than two moves, which creates asymmetric risks towards falling yields and a weaker dollar. The zloty may gain against the forint in the event of a rate cut in Hungary (we assume -50 bp), even more so in the event of a surprise cut larger than the market assumes.
- **In the interest rate market, we may see a renewed rise in market rates.** In the case of FRAs and swaps, this may be supported by our assumed strong reading of February retail sales. Our PPI forecast is above the market and the surprise in PPI for Germany favours our scenario, as do the increase in metal prices in recent weeks. **For bonds, on the other hand, the main event will be the auction.** Demand from market participants may be subdued until the auction, which may favour the widening of asset swap credit spreads, but around PLN24.5 billion will go to market participants from redemptions and interest payments, so the second half of the week should be favourable for bonds. In the core markets, continued rebound of PMIs and Ifo, or GDP and PCE inflation data from the US, may have an impact towards higher yields. In view of this, **we may observe a narrowing of yield spreads versus core markets.**

Poland's industrial and construction output, real retail sales and wages, % y/y

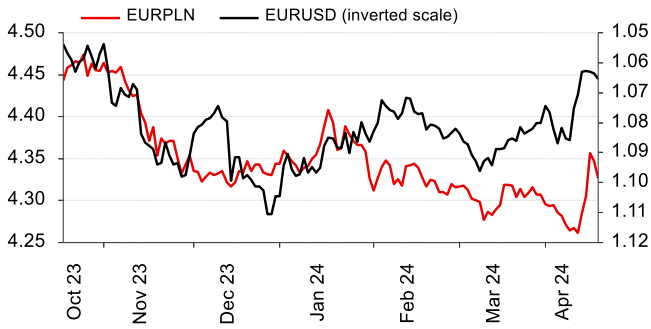


Source: GUS, Santander

Economic Analysis Department:

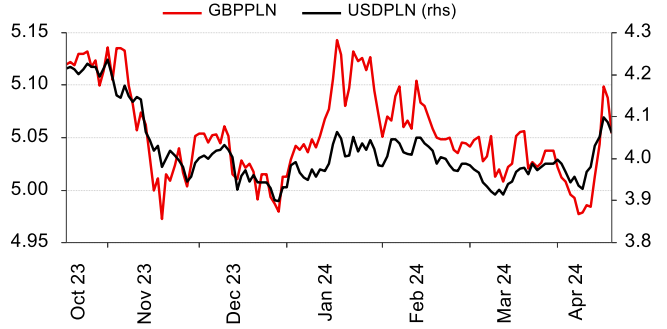
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EURPLN and EURUSD



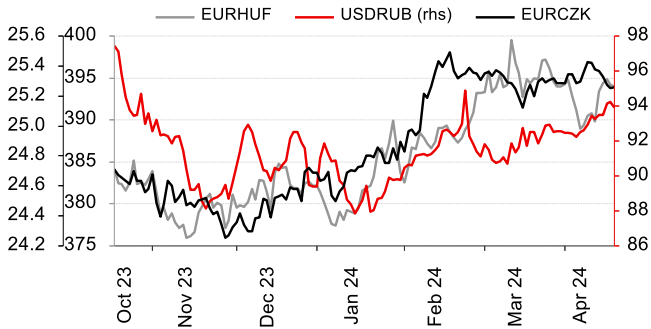
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



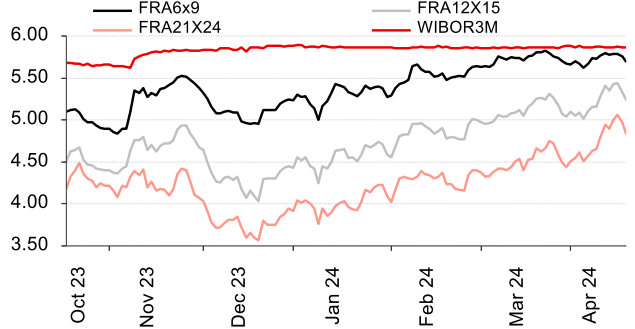
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



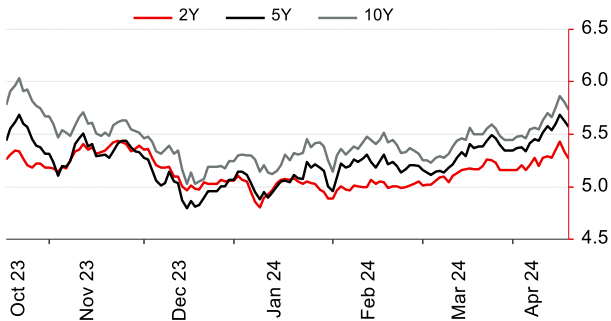
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



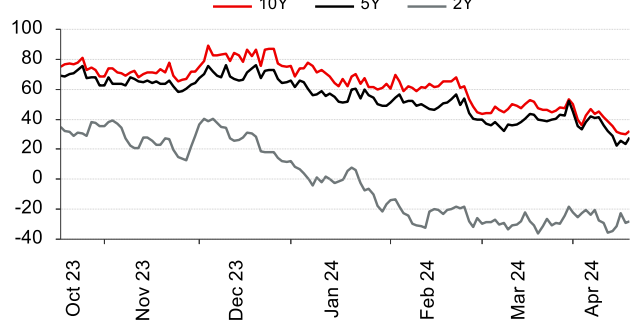
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



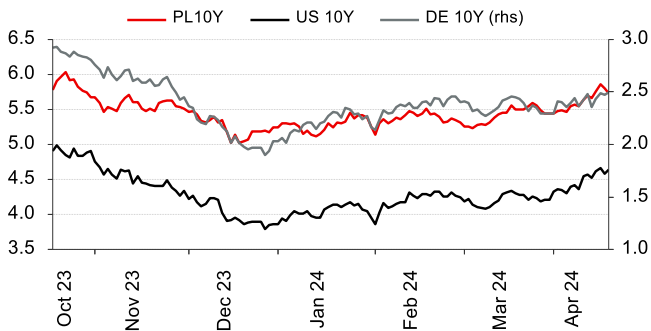
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



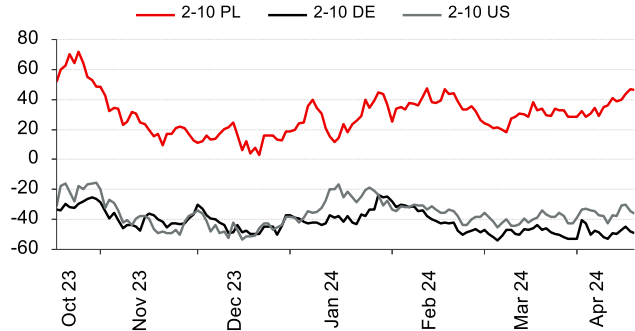
Source: LSEG Datastream, Santander Bank Polska

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 (22 April) | | | | | | | |
| 10:00 | PL | Employment in corporate sector | Mar | % y/y | -0.2 | -0.2 | -0.2 |
| 10:00 | PL | Sold Industrial Output | Mar | % y/y | -2.4 | -1.1 | 3.3 |
| 10:00 | PL | Construction Output | Mar | % y/y | -6.7 | -6.8 | -4.9 |
| 10:00 | PL | PPI | Mar | % y/y | -9.5 | -9.5 | -10.1 |
| 10:00 | PL | Average Gross Wages | Mar | % y/y | 12.0 | 11.9 | 12.9 |
| TUESDAY (23 April) | | | | | | | |
| 09:30 | DE | Germany Manufacturing PMI | Apr | pts | 42.7 | - | 41.9 |
| 09:30 | DE | Markit Germany Services PMI | Apr | pts | 50.5 | - | 50.1 |
| 10:00 | EZ | Eurozone Manufacturing PMI | Apr | pts | 46.5 | - | 46.1 |
| 10:00 | EZ | Eurozone Services PMI | Apr | pts | 51.8 | - | 51.5 |
| 10:00 | PL | Retail Sales Real | Mar | % y/y | 6.9 | 9.5 | 6.1 |
| 14:00 | HU | Central Bank Rate Decision | Apr | % | 7.75 | 7.75 | 8.25 |
| 14:00 | PL | Money Supply M3 | Mar | % y/y | 7.8 | 7.7 | 7.4 |
| 16:00 | US | New Home Sales | Mar | % m/m | 1.2 | - | -0.3 |
| WEDNESDAY (24 April) | | | | | | | |
| 10:00 | DE | IFO Business Climate | Apr | pts | 88.8 | - | 87.8 |
| 10:00 | PL | Unemployment Rate | Mar | % | 5.3 | 5.3 | 5.4 |
| 14:30 | US | Durable Goods Orders | Mar | % m/m | 2.8 | - | 1.3 |
| THURSDAY (25 April) | | | | | | | |
| 14:30 | US | GDP Annualized | 1Q | % q/q | 2.3 | - | 3.4 |
| 14:30 | US | Initial Jobless Claims | | k | 215 | - | 212 |
| 16:00 | US | Pending Home Sales | Mar | % m/m | 1.0 | - | 1.6 |
| FRIDAY (26 April) | | | | | | | |
| 14:30 | US | Personal Spending | Mar | % m/m | 0.6 | - | 0.8 |
| 14:30 | US | Personal Income | Mar | % m/m | 0.5 | - | 0.3 |
| 14:30 | US | PCE Deflator SA | Mar | % m/m | 0.3 | - | 0.3 |
| 16:00 | US | Michigan index | Apr | pts | 77.9 | - | 79.4 |

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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