

# Weekly Economic Update

## How large rebound in 1Q24?

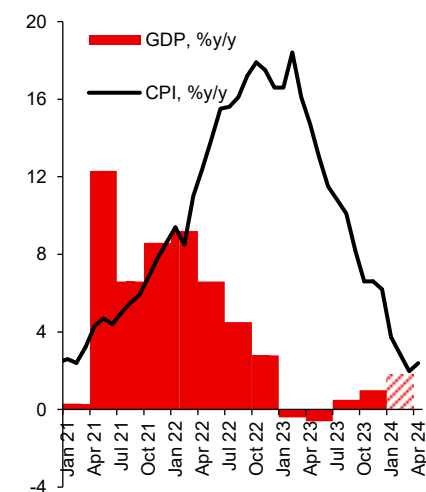
### Economy next week

- Next week will bring, among others, a **preliminary estimate of the Polish economy's performance in 1Q24, full data on April inflation and the March balance of payments**. In our view, GDP accelerated in 1Q24 to 1.8% y/y (in line with the market consensus) from 1.0% in 4Q23 is on track to grow by around 3% in the entire year. Although March's economic activity data came in below market expectations, we do not see this as sufficient reason to undermine the economic rebound in 1Q24. In that very quarter, real retail sales rebounded by 5.0% y/y on average versus 0.1% in 4Q23, industrial production curtailed its decline to 0.2% y/y from 0.6% y/y. Construction output showed -8.7% y/y after averaging +9.5% y/y in 4Q23, but the weight of this sector in value added is exceptionally low in the first quarter - less than 4% compared to around 25% for industry and with a retail trade sector weight of c.15%.
- **CPI inflation**, according to the preliminary reading, was at 2.4% y/y in April, compared to 2.0% y/y in March, its first increase since October 2022. The result was slightly below market expectations and our calculations. However, let's not forget that since October 2023, final inflation readings have turned out to be a notch higher than the preliminary ones. In particular, Statistics Poland (GUS) tended to revise upwards the dynamics of food prices after obtaining full data, and in April this category - due to the reinstatement of VAT - was crucial for determining how far the first inflation rebound would go. Core inflation probably continued to fall in April, according to us to 4.1% y/y from 4.6% y/y.
- **In Poland's March current account**, we expect to see the first negative balance since last May, -€512mn due to the pattern of EU flows, with a slight improvement in the merchandise trade balance, to +€390bn. We assume that the sudden March weakness in industrial production led to exports falling 10.0% y/y, imports may have been lower by 8.4% y/y.
- We are also likely to get to see the **April central budget result** during the week. In it, VAT receipts will be particularly interesting, after previous months performed unexpectedly well and, in our view, dismissed the risk of an under-execution of the annual plan in this slice of government revenue.
- Still ahead of us tonight are **possible revisions to the rating and its outlook by Fitch and S&P** (unlikely, in our view).
- Abroad, there are several market-important releases in the coming week: **April inflation data from the US, Germany and the euro area, US retail sales and 1Q industrial production and GDP from the euro area**. China will release the central bank's rate decision (no change expected), April inflation data (CPI probably still close to zero y/y and PPI to remain negative), the scale of lending in the economy, industrial production and retail sales.

### Markets next week

- Last week was positive for risk appetite and EM FX with gradual weakening of the dollar and rising optimism in the stock markets. The EURPLN exchange rate returned below 4.30, and the **zloty outperformed in the CEE region. This week, a correction of this movement towards a slightly weaker zloty is possible**, influenced by weaker current account balance, GDP data with favourable technical conditions. In the longer term, we still see potential for further strengthening of the zloty towards 4.20.
- In the interest rate market, we observed sizeable declines in FRAs, IRS at about 30 bps each for longer tenors of FRAs and 7-22 bps for swap rates with the flattening of the bond curve and an increase in short-term yields. This was the result of asset swap credit spreads widening more at the shorter end of the curve despite significant negative net issuance this month. **This week we see chances for a slight upward adjustment of rates**. This may be supported by movement in the core markets possible after inflation data from the US. Domestically, 1Q GDP data may be important for the rate market, which may show a slightly lower rebound relative to 4Q than expected just a few weeks ago. Also in focus there will be the first of two bond swap auctions scheduled for this month.

### Prices of food in selected online shops, four-week change, %

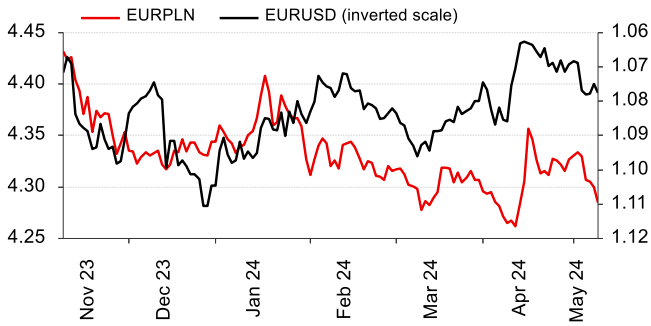


Source: GUS, Santander

### Economic Analysis Department:

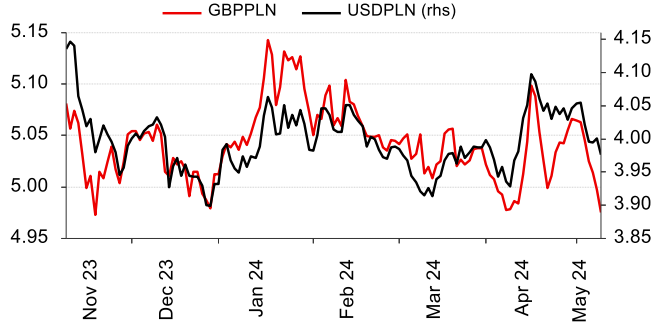
al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 691 393 119  
 Bartosz Białas +48 517 881 807  
 Cezary Chrapek, CFA +48 887 842 480  
 Marcin Luźniński +48 510 027 662  
 Grzegorz Ogonek +48 609 224 857

**EURPLN and EURUSD**



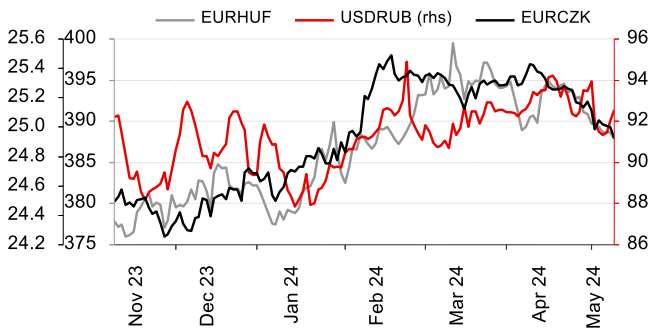
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



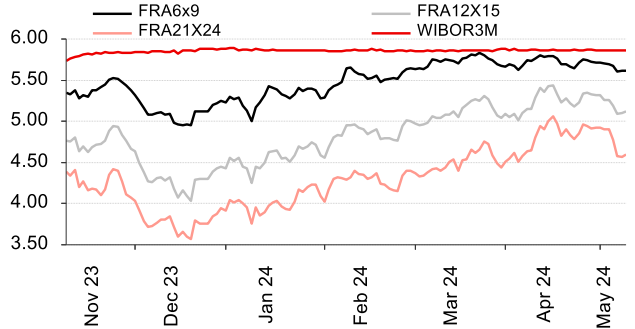
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



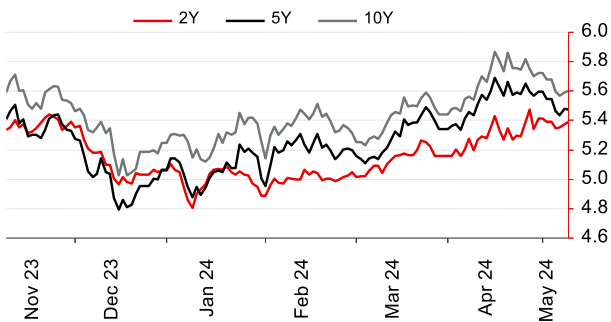
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



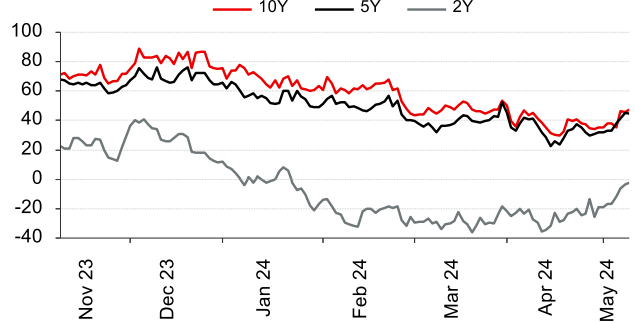
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



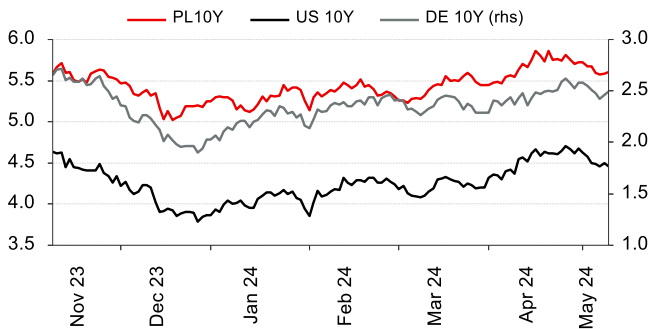
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



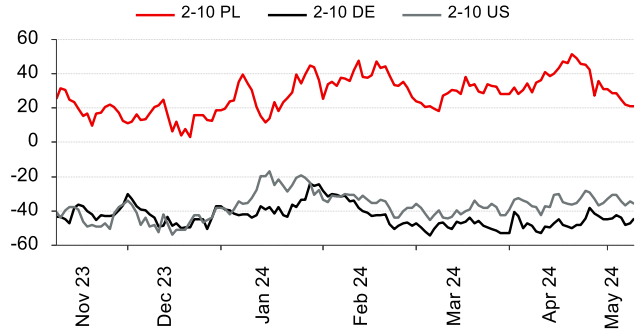
Source: LSEG Datastream, Santander Bank Polska

**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 (13 May)</b>						
09:00	CZ	CPI	Apr	% y/y	2.4	2.0
<b>TUESDAY (14 May)</b>						
08:00	DE	HICP	Apr	% m/m	0.6	0.6
11:00	DE	ZEW Survey Current Situation	May	pts	-76.3	-79.2
14:00	PL	<b>Current Account Balance</b>	Mar	€mn	<b>651</b>	<b>465</b>
14:00	PL	<b>Trade Balance</b>	Mar	€mn	<b>390</b>	<b>310</b>
14:00	PL	<b>Exports</b>	Mar	€mn	<b>28372</b>	<b>27161</b>
14:00	PL	<b>Imports</b>	Mar	€mn	<b>28007</b>	<b>26851</b>
<b>WEDNESDAY (15 May)</b>						
	PL	<b>Central Budget balance, cummulative</b>	Apr	PLNbn	-	-24.5
10:00	PL	CPI	Apr	% y/y	2.4	2.0
10:00	PL	GDP	1Q	% y/y	1.8	1.0
11:00		European Commission's Spring Economic Forecasts				
11:00	EZ	GDP SA	1Q	% y/y	0.4	0.4
11:00	EZ	Industrial Production SA	Mar	% m/m	0.0	0.8
14:30	US	CPI	Apr	% m/m	0.4	0.4
14:30	US	Retail Sales Advance	Apr	% m/m	0.4	0.7
<b>THURSDAY (16 May)</b>						
14:00	PL	<b>CPI Core</b>	Apr	% y/y	<b>4.1</b>	<b>4.6</b>
14:30	US	Initial Jobless Claims	week	k	218	231
14:30	US	Housing Starts	Apr	% m/m	8.4	-14.7
15:15	US	Industrial Production	Apr	% m/m	0.2	0.4
<b>FRIDAY (17 May)</b>						
11:00	EZ	HICP	Apr	% y/y	2.4	2.4

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.