

05 January 2023

Weekly Economic Update

Markets seek new directions in the new year

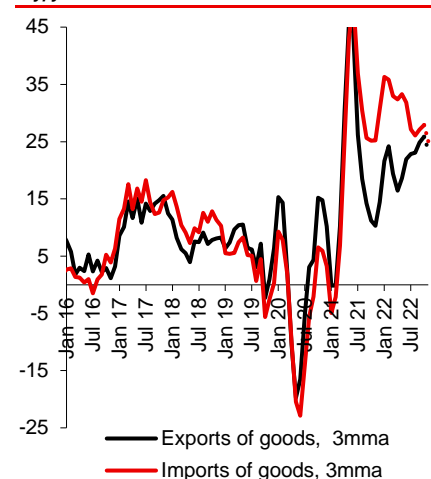
Economy next week

- Still today, the **NBP governor is to deliver his speech**, where he will outline the views of the MPC, which has just kept interest rates unchanged for the fourth consecutive month. In the coming week, we will get to see the **balance of payments** data for November. We expect a lower-than-expected current account deficit with a still fairly large trade deficit. Also full December **CPI inflation** data is due for release, and we expect to see confirmation that the behaviour of solid fuel prices was key to its marked decline. Wednesday sees the start of the first sitting of the Sejm this year. Signals on the judicial bills in the context of the Polish Recovery Fund will be key. In recent days, this topic has become prominently present in the statements of government representatives, which, however, does not necessarily herald its imminent closure.
- Globally, the most important data will show up on Friday 6 January, when the Polish market will be having a day off. Information from the **US labour market** (non-farm payrolls) will be crucial, but there will also be important data on industrial orders in the US and Germany and on retail sales in the euro area. Undoubtedly, the global market will have a lot of food for thought. In the following days, the data calendar will be thinner: on Monday, industrial production in Germany and the unemployment rate in the euro area, on Wednesday, inflation in the Czech Republic, on Thursday, inflation in the US, on Friday, industrial production in the euro area, inflation in Hungary, the Michigan index in the US.

Markets next week

- After limited activity over the Christmas period, marked by an upward drift in EURUSD and core amrekt bond yields, the new year started with a correction. Bond markets saw fresh demand, with the dollar trying to pick itself up after a period of marked weakness. Such a correction was helped by surprisingly low inflation readings in Europe and declining prices of energy commodities. However, the scope of the correction may be limited given that readings of European business sentiment indicators proved quite solid and the labour markets of the major economies are still not showing signs of yielding to the slowdown. On top of this, the Fed's irritation with how fixated markets have become on the vision of falling rates in the US already this year may prove to be an important factor in countering the fall in yields and the value of the dollar.
- Under these conditions, **we see room for EURPLN movements between 4.65 and 4.70**. Developments around the key law for unlocking EU funds for national recovery plan financing will be important. On the domestic debt market, on the other hand, a significant downward surprise in December inflation may be an opportunity for **yields to rebound upwards after a rapid decline** (ca. 80bp in one week). Overall, we still see room for an extension of the declines, but we reckon that in the near term the behaviour of the core markets may interfere with this.

Poland's foreign trade turnover: goods, in EUR, %y/y

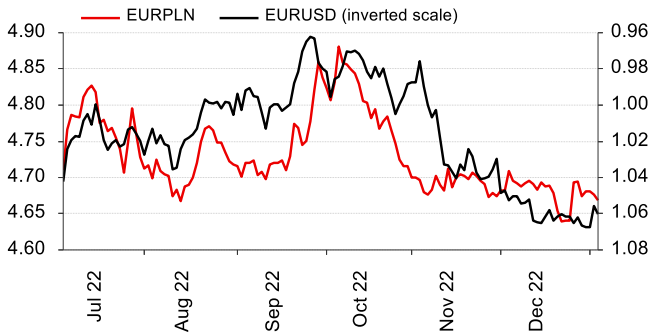


Source: NBP, Santander

Economic Analysis Department:

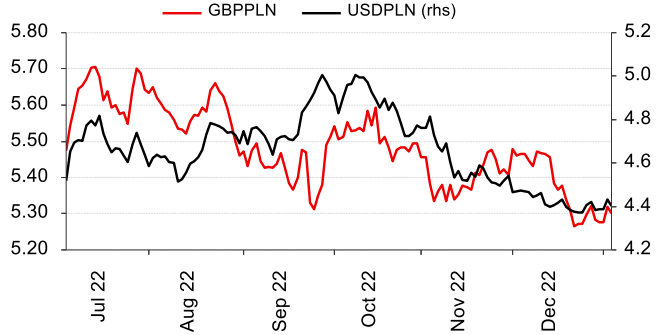
al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
Piotr Bielski +48 691 393 119
Jarosław Kosaty +48 887 842 480
Marcin Luźniński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



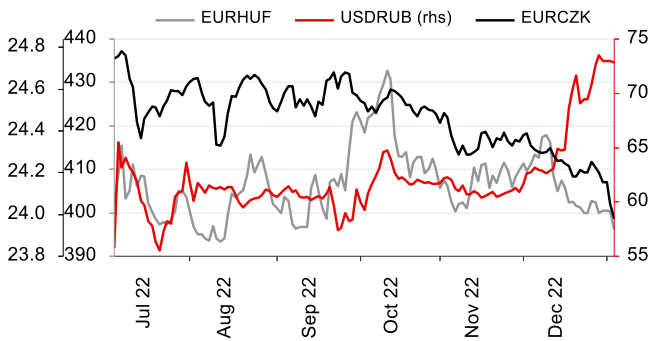
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



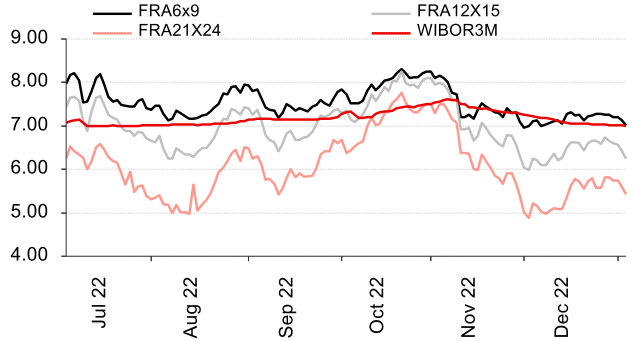
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



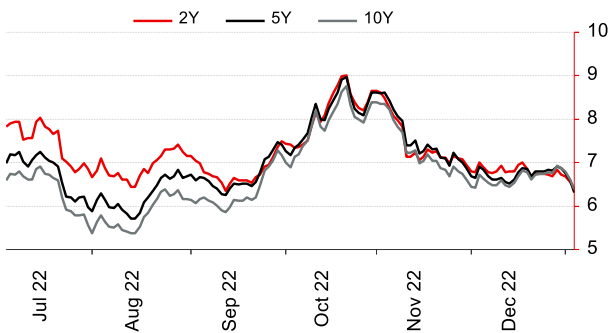
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



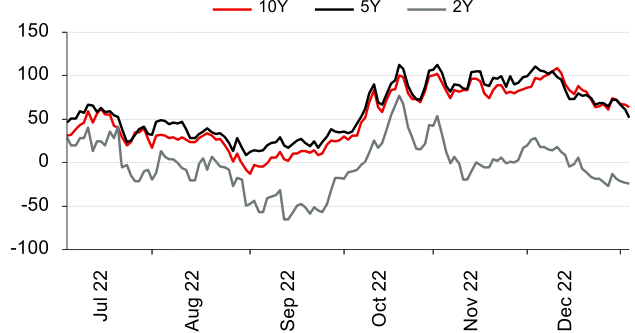
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



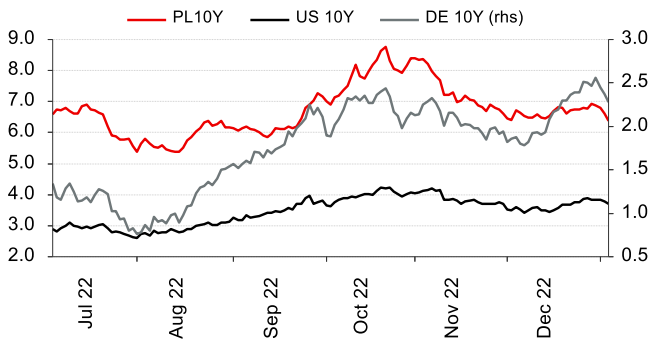
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



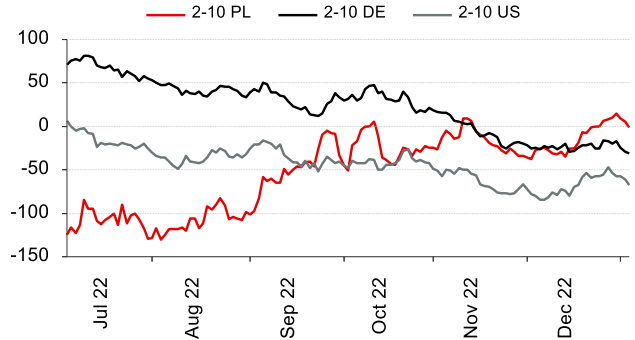
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
FRIDAY (6 January)						
08:00	DE	Factory Orders	Nov	% m/m	-0.5	0.8
08:00	DE	Retail Sales	Nov	% m/m	1.5	-2.7
09:00	CZ	Industrial Production	Nov	% y/y	-1.5	2.9
11:00	EZ	Flash HICP	Dec	% y/y	9.5	10.0
11:00	EZ	Retail Sales	Nov	% m/m	0.5	-1.8
11:00	EZ	ESI	Dec	pts	94.5	93.7
14:30	US	Change in Nonfarm Payrolls	Dec	k	200	263
14:30	US	Unemployment Rate	Dec	%	3.7	3.7
16:00	US	Durable Goods Orders	Nov	% m/m	-2.1	-2.1
16:00	US	ISM services	Dec	pts	55.0	56.5
16:00	US	Factory Orders	Nov	% m/m	-1.0	1.0
MONDAY (9 January)						
08:00	DE	Industrial Production SA	Nov	% m/m	-	-0.1
08:30	HU	Industrial Production SA	Nov	% y/y	-	5.1
09:00	CZ	GDP SA	3Q	% y/y	-	1.7
11:00	EZ	Unemployment Rate	Nov	%	-	6.5
TUESDAY (10 January)						
No key events or releases						
WEDNESDAY (11 January)						
09:00	CZ	CPI	Dec	% y/y	-	16.2
THURSDAY (12 January)						
14:30	US	CPI	Dec	% m/m	0.04	0.1
FRIDAY (13 January)						
08:30	HU	CPI	Dec	% y/y	-	22.5
10:00	PL	CPI	Dec	% y/y	16.6	16.6
11:00	EZ	Industrial Production SA	Nov	% m/m	-	-2.0
14:00	PL	Current Account Balance	Nov	€mn	-973	-486
14:00	PL	Trade Balance	Nov	€mn	-2263	-2343
14:00	PL	Exports	Nov	€mn	29870	29995
14:00	PL	Imports	Nov	€mn	32057	32338
16:00	US	Michigan index	Jan	pts	60.25	59.7

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>.