

Weekly Economic Update

First measurement of sentiment in the new year

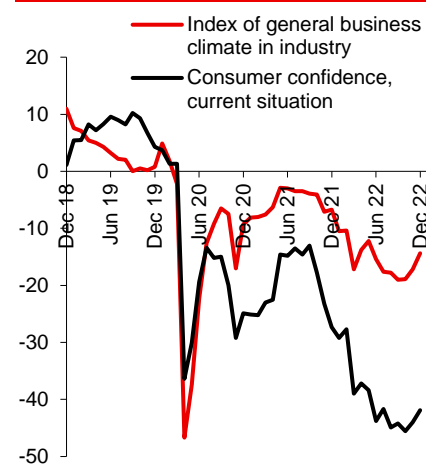
Economy next week

- The week will start with the NBP data showing whether the rise in **core inflation** has stopped in December. Our estimates give some hope for this, but it could just as well have made a further climb. The end of the week will see the release of December **wages and employment** data - generally important for assessing the pace of the expected pullback in inflation in 2023. - The more resilient the labour market is to the slowdown and the more signs of wage chasing high inflation, the more difficult it may be for inflation to fall at the pace the NBP assumes. During the week, GUS will also show indicators of **business and consumer sentiment** - the first measures to shed light on the economy in the new year. Their December readings showed improvement and a continuation of the rebound in January would reduce concerns about the depth of Poland's recession.
- Abroad, attention should focus on Wednesday's **US retail sales and industrial production** data. Strong readings could undermine the markets' belief that the Fed is unnecessarily scaremongering about further rate hikes and then keeping rates high for a long time. There will also be final inflation data from Germany and the Eurozone, and January's ZEW index.
- Tonight **Fitch** may review Poland's sovereign rating. In our view, this is not the moment to change the rating or even its outlook: real data are still relatively good, the likelihood of most negative scenarios seems to be decreasing as the warm weather is reducing the risk of energy crisis, the budget situation is not a source of major concern, markets have calmed down and the issue of unlocking the EU recovery funds remains open. he US.

Markets next week

- The passing week on the foreign exchange market was marked by a weakening of the dollar. Falling inflation in the US for another month in a row, as well as statements by Fed members signalling both a slower pace of further rate hikes and the imminent end of their cycle "slightly above 5%", weakened the dollar against both the euro and the zloty. The zloty's exchange rate against the euro stood relatively stable during this period, fluctuating in the 4.67 - 4.70 range. More significant movements in the EURPLN rate apparently require more support from local factors. Among them, the most important for several weeks has been the issue of possible financing of the RRF with EU money, but in view of the continuing uncertainty on this topic, the domestic market seems to have become immune to further "step-by-step" information, such as passing a new Supreme Court bill by the Sejm. It seems that only the finalisation of the entire process by giving "the green light" the EC, will allow a more pronounced strengthening of the zloty. Until this happens, the level of **4.67 may be difficult for our main currency pair to surpass quickly**. In our opinion, there is a lack of data and events in the coming week that could push the EURPLN rate out of the 4.67 - 4.70 range.
- On the domestic debt market, recent weeks have seen a period of significant declines in yields as a result of another consecutive lower-than-market consensus CPI inflation reading. The ending week, however, has already brought a deceleration of this process. The level of 6% proved to be an important point of attraction for the yield curve. In our view, the prospect of a renewed rise in inflation in the coming months as a result of the removal of the anti-inflationary shield may restrain the market's eagerness to further distance market valuations of rate cuts from the NBP's currently rather cautious rhetoric on these issues. Also, the possible further increase in core inflation in December, despite the reported decline in core CPI over the same period, should favour an **upward rebound in the domestic yield curve**. We expect 2Y and 10y yields to rise to around 6.20% next week. In the middle part of the curve, we expect slightly smaller increases to 6.10%.this.

Poland's in EUR, %y/y

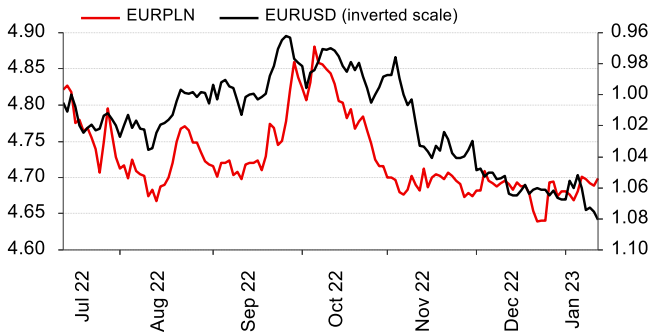


Source: GUS, Santander

Economic Analysis Department:

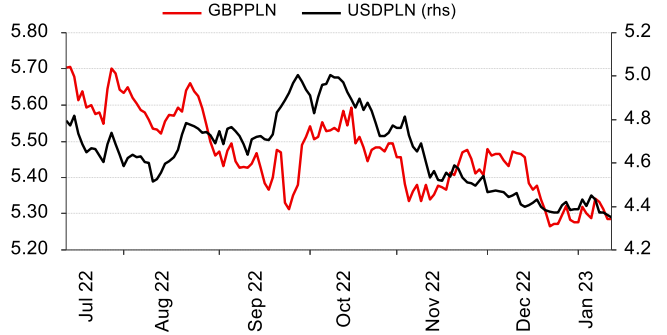
al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Jarosław Kosaty +48 887 842 480
Marcin Luzziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



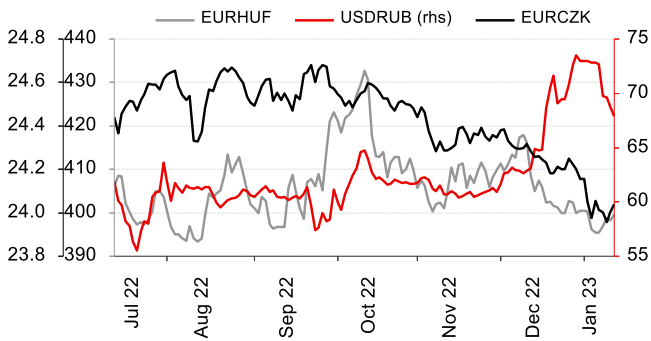
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



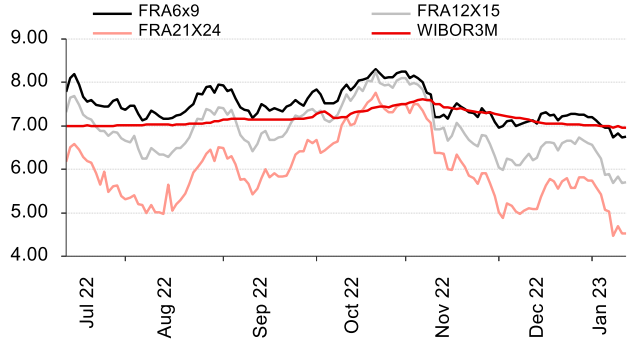
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



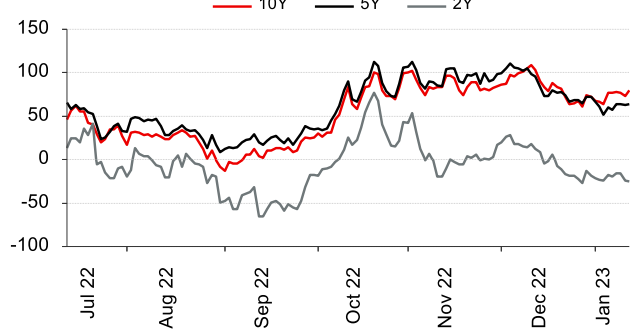
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



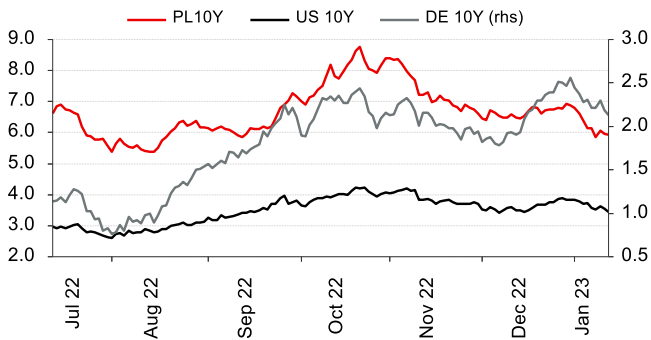
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



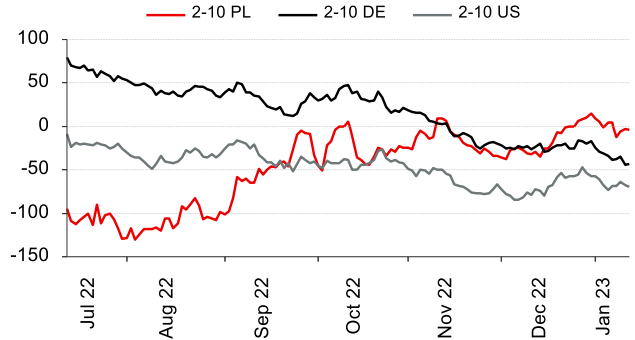
Source: Refinitiv Datastream, Santander Bank Polska

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	
MONDAY (16 January)						
14:00	PL	CPI Core	Dec	% y/y	11.5	11.4
TUESDAY (17 January)						
08:00	DE	HICP	Dec	% m/m	-1.2	0.0
11:00	DE	ZEW Survey Current Situation	Jan	pts	-56.4	-61.4
WEDNESDAY (18 January)						
11:00	EZ	HICP	Dec	% y/y	9.2	10.1
14:30	US	Retail Sales Advance	Dec	% m/m	-0.75	-0.6
15:15	US	Industrial Production	Dec	% m/m	0.0	-0.22
THURSDAY (19 January)						
10:00	PL	Consumer confidence	Jan			
14:30	US	Initial Jobless Claims		k	215.0	205.0
14:30	US	Housing Starts	Dec	% m/m	-5.4	-0.5
14:30	US	Index Philly Fed	Jan		-10.8	-13.7
FRIDAY (20 January)						
10:00	PL	Business confidence	Jan			
10:00	PL	Employment in corporate sector	Dec	% y/y	2.3	2.3
10:00	PL	Average Gross Wages	Dec	% y/y	12.4	12.3
16:00	US	Existing Home Sales	Dec	% m/m	-3.18	-7.67

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>.