

20 January 2023

# Weekly Economic Update

## Braking marks

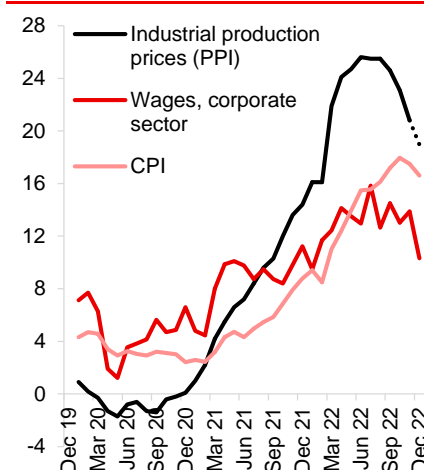
### Economy next week

- It will be an intense week in terms of data releases from the Polish economy. On Monday, we will get a set from the Central Statistical Office (GUS) consisting of **industrial production, construction output, retail sales and PPI inflation** for December. All of these we predict to be readings below market consensus and below their previous values. PPI will be the only publication describing inflation in Poland since the last CPI data until mid-February (no flash CPI estimate is published for January) - a sharp decline in momentum would be part of a disinflationary series consisting much lower-than-expected CPI inflation and wage growth for December. The next days will supplement our knowledge of the state of the economy in December with data on the money supply (Tuesday) and unemployment (Statistical Bulletin on Wednesday).
- As regards data abroad, it will be important whether the **flash European PMIs** (Tuesday) and the Ifo (Wednesday) rebounded further in January. This would be a signal suggesting a rather shallow and short-lived economic slowdown in Poland as well. On Friday, markets' attention will shift to the US where data on consumer income, spending and confidence in January will be released, as well as **PCE inflation** (in y/y terms, the market is counting on a fourth consecutive decline of the headline measure, the third in a row for core inflation).
- Interest rates are set this week by central banks in Hungary (the market is confident that rates will remain unchanged for the fourth time in a row) and Canada (expected to raise rates by 25 bps). The Chinese will be celebrating the new year for the entire week.
- Wednesday and Thursday will see the last meeting of the Sejm before the end of January - the last moment to approve the 2023 budget. In the Sejm materials, we do not see the windmill bill, which was supposed to be another expression of goodwill in relations with the EU. The Senate will not meet in the coming week, so the other important bill for the Recovery Plan funding issue - the Supreme Court bill - will also have to wait.

### Markets next week

- The passing week on the foreign exchange market was marked by a slight weakening of the zloty. However, this was not a result of local publications or events - there were relatively few of them and from the exchange rate perspective their significance was not crucial - but rather a result of external factors. Among these, the most important were remarks by Fed members emphasising that a possible slowdown in the pace of rate hikes, or even a possible end to the cycle of hikes at levels above 5%, do not mean that monetary policy in the US will cease to be restrictive in 2023. In addition to EURUSD volatility, this also caused an increase in the volatility of the EURPLN exchange rate, which during the week even tried to temporarily rise above 4.73, only to return to the area of 4.71 at the end of the week. In the coming week, the domestic currency market will be looking at the data from Poland and the main markets for clues as to the further pace of the economic slowdown. In our view, these should feed into the recently dominant narrative in the markets of a 'soft landing' in 2023, which should improve investment sentiment and **allow the EURPLN exchange rate to return below the 4.70 level**.
- In the domestic debt market, the passing week was marked by a fluctuation of the yield curve by about 20 bps around the 6% level, both at the short and long end. The belly of the curve had a slightly smaller amplitude of fluctuation than the extreme ends of the curve for most of the ending week, but remained below them at every stage. A higher reading of domestic core inflation for December (11.5% y/y vs. 11.4% previously) initially pushed yields up before weaker data from the US pushed them down. By the end of the week, with the upward rebound in yields on the core markets and signals from the MPC indicating that it is still too early to think about rate cuts in 2023, yields returned to the 6% area again. In our view, the 6% level will remain an important benchmark for the debt market in the coming week, but the expected better cyclical data from the core markets and the Ministry of Finance sale auction should support further attempts to increase domestic yields. In the face of the large scale of already discounted rate cuts, published domestic data, despite the expected disinflationary tone, should no longer support further strengthening of domestic debt. **We expect 2Y and 10Y yields to rise around 6.20%, and 5Y yields to rise slightly above 6%.**

Wages and prices in Poland, %y/y

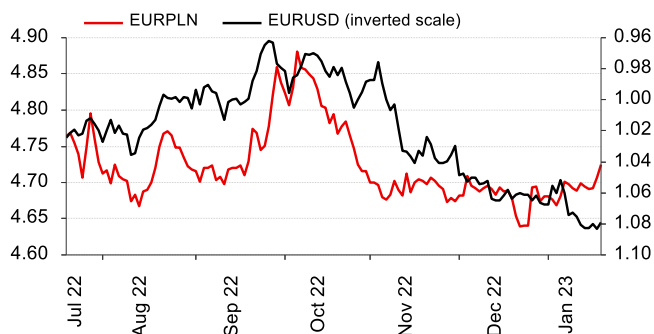


Source: GUS, Santander

### Economic Analysis Department:

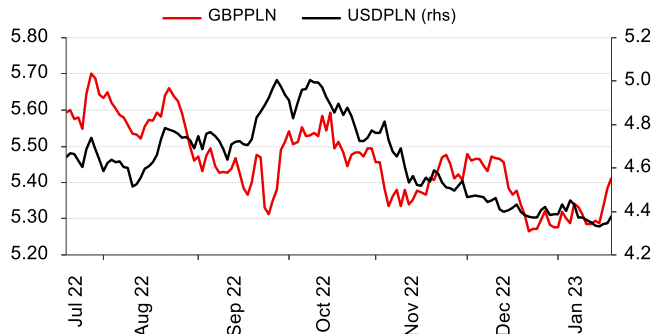
al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 691 393 119  
**Jarosław Kosaty** +48 887 842 480  
**Marcin Luzziński** +48 510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

### EURPLN and EURUSD



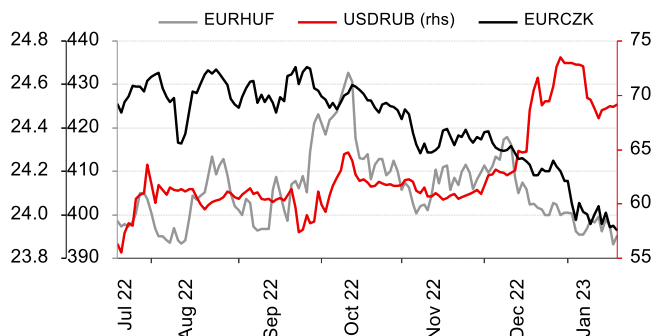
Source: Refinitiv Datastream, Santander

### GBPPLN and USDPLN



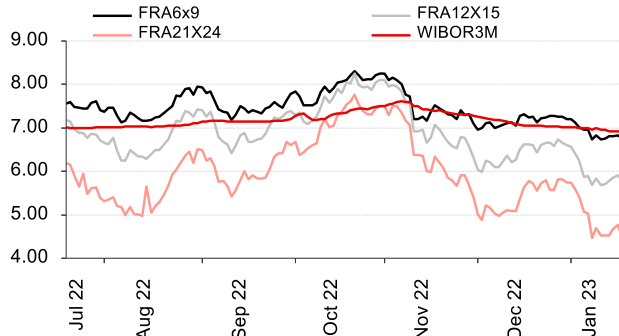
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



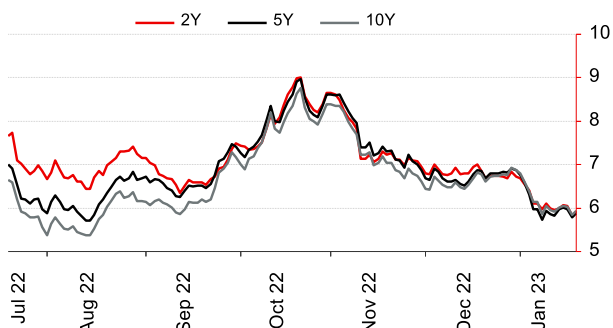
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



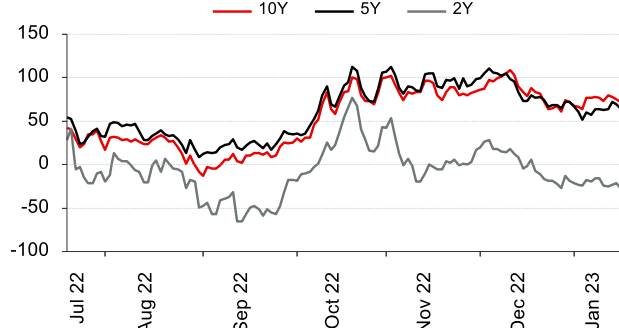
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



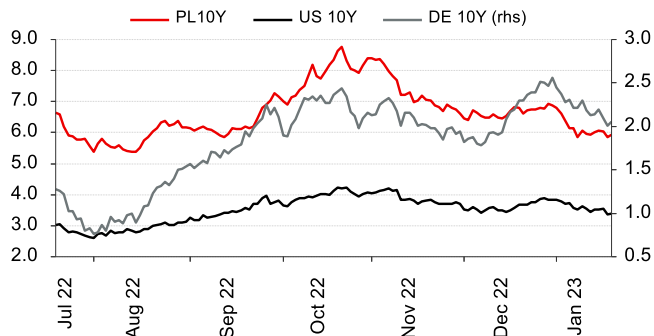
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



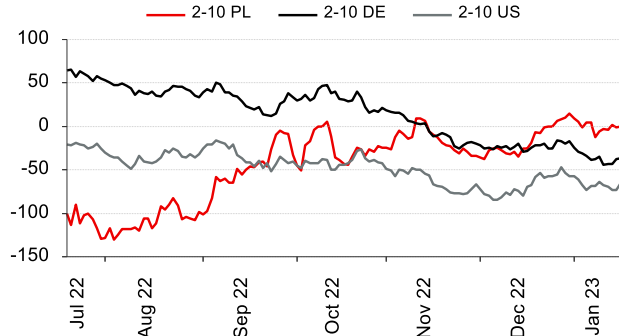
Source: Refinitiv Datastream, Santander Bank Polska

### 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		
<b>MONDAY (23 January)</b>							
10:00	PL	Sold Industrial Output	Dec	% y/y	2.4	1.4	4.6
10:00	PL	Construction Output	Dec	% y/y	2.7	1.8	4.0
10:00	PL	PPI	Dec	% y/y	19.8	19.0	20.8
10:00	PL	Retail Sales Real	Dec	% y/y	2.1	1.2	1.6
<b>TUESDAY (24 January)</b>							
09:30	DE	Germany Manufacturing PMI	Jan	pts	48.0		47.1
09:30	DE	Markit Germany Services PMI	Jan	pts	49.6		49.2
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	48.5		47.8
10:00	EZ	Eurozone Services PMI	Jan	pts	50.2		49.8
14:00	HU	Central Bank Rate Decision	Jan.23	%	13.0		13.0
14:00	PL	Money Supply M3	Dec	% y/y	6.1	5.8	5.6
<b>WEDNESDAY (25 January)</b>							
10:00	DE	Ifo Business Climate	Jan	pts	90.2		88.6
10:00	PL	Unemployment Rate	Dec	%	5.2	5.2	5.1
<b>THURSDAY (26 January)</b>							
14:30	US	Durable Goods Orders	Dec	% m/m	2.8		-2.1
14:30	US	GDP Annualized	4Q	% Q/Q	2.6		3.2
14:30	US	Initial Jobless Claims	Jan.23	k	214		190.0
16:00	US	New Home Sales	Dec	% m/m	-4.1		5.8
<b>FRIDAY (27 January)</b>							
14:30	US	Personal Spending	Dec	% m/m	-0.1		0.1
14:30	US	Personal Income	Dec	% m/m	0.2		0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.0		0.1
16:00	US	Michigan index	Jan	pts	64.6		59.7
16:00	US	Pending Home Sales	Dec	% m/m	-1.0		-4.03

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.