

24 February 2023

Weekly Economic Update

In search of turning points

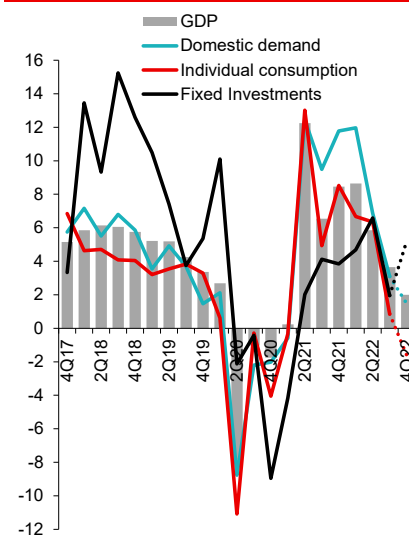
Economy next week

- One year after the Russian invasion of Ukraine, we know more and more about the economic consequences of the event. Economic growth has not suffered as much as we had initially feared, but inflation and interest rates have risen much more. Among other things, Poland's foreign trade, particularly with its neighbours to the east, was strongly affected, and the influx of refugees had a measurable impact on domestic consumption (adding around 1% to it). Currently, investors in financial markets are on the lookout for turning points in trends regarding the global economy, inflation, monetary policy of the main central banks. Data publications in the coming days and weeks will be analysed from this point of view.
- The list of publications for the coming week is not overly long, but contains some important items: **Domestically, we will get details of 4Q22 GDP and manufacturing PMI for January. Abroad, final manufacturing and services PMIs, ESI business climate indexes, Conference Board, plus preliminary inflation data for February from the euro area.**
- GDP growth in 4Q22 according to the preliminary reading slowed to 2.0% y/y with a seasonally adjusted decline of as much as 2.4% q/q, and Tuesday's data will reveal how exactly the various components of demand have changed. Based on previously published full-year data, we estimate that **private consumption slowed markedly at the end of the year (-1.6% y/y), investment continued to perform quite well (+5.2% y/y) and inventories continued to rise.**
- **Polish manufacturing PMI rose for the fourth consecutive month in our view, to 48.5** (the highest since May last year), closing the gap with the eurozone on a wave of declining concerns about the energy crisis and recession in Europe. It is worth remembering that falling delivery times amid improving global supply chains have a negative effect on the headline PMI index, so even a slight disappointment in the reading does not necessarily invalidate the thesis that the economy is bottoming out. We expect also the ESI business climate indicators to confirm that activity is starting to bounce back from the bottom.

Markets next week

- Currencies in emerging markets scored a fairly successful week, despite the continuation of EURUSD decline. After EURPLN's descent near 4.72, **we see a greater chance of a corrective upward move towards 4.75 than a further decline**, especially if the dollar was to strengthen further.
- Bond yields in the core debt markets have been in an uptrend and the mid-week correction was more technical than fundamental, in our view, as new data from the major economies keep showing the surprising resilience of economic growth and the persistence of core inflation. Further signals on the economy and inflation will be key for yields in the days ahead and further rises seem quite likely. While UST yields are approaching local peaks seen in October and German Bunds are even above, the domestic debt market is still lagging behind this global correction (although for Poland there are even more reasons to worry about inflation persistence). Moreover, the increasing inversion of curves in the US and the euro area is accompanied by a steepening of the domestic curve, which could be interpreted, for example, as the result of a growing belief that the ECB and the Fed will crack down on inflation more effectively than the NBP. **We continue to see room for rising bond yields**, with an upper limit at the NBP reference rate (6.75%).

Growth of GDP and selected components, % y/y

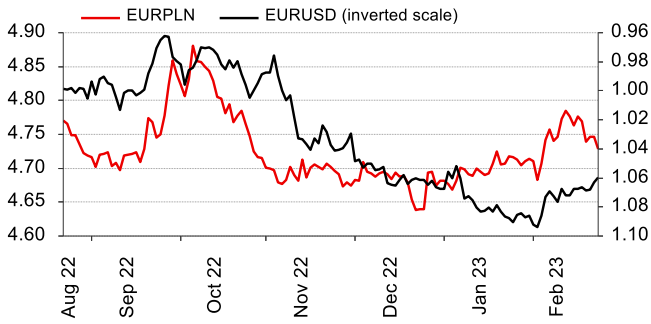


Source: GUS, Santander

Economic Analysis Department:

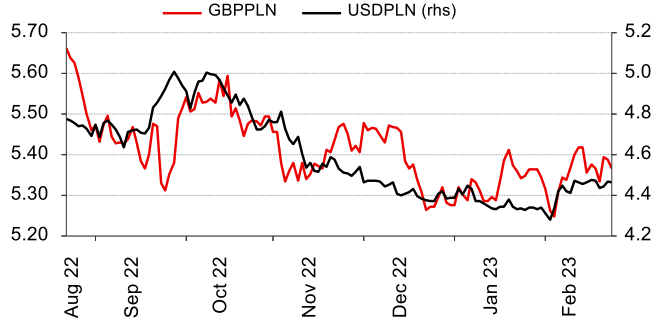
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EURPLN and EURUSD



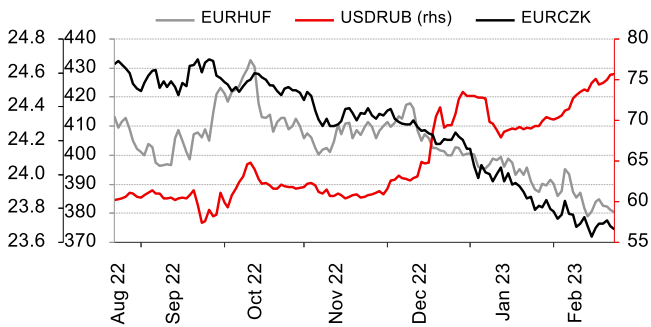
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



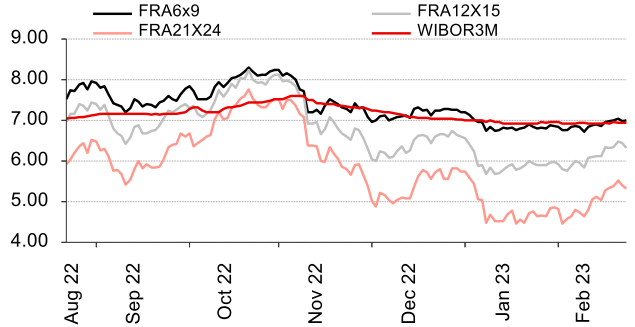
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



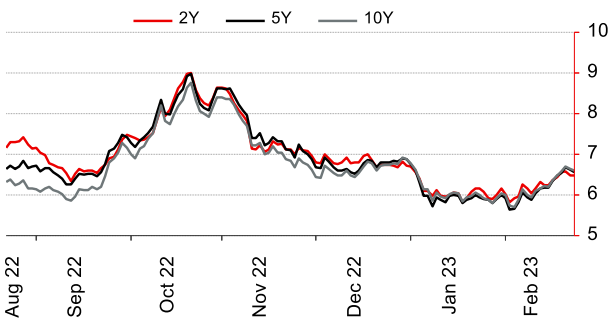
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



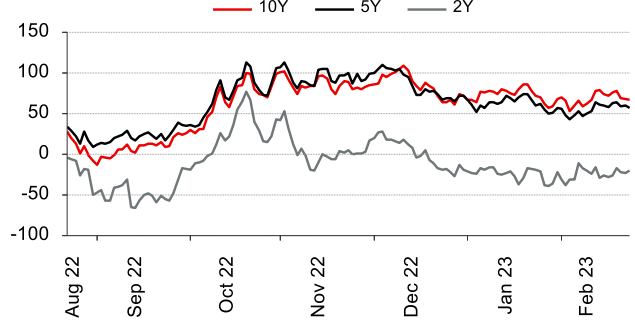
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



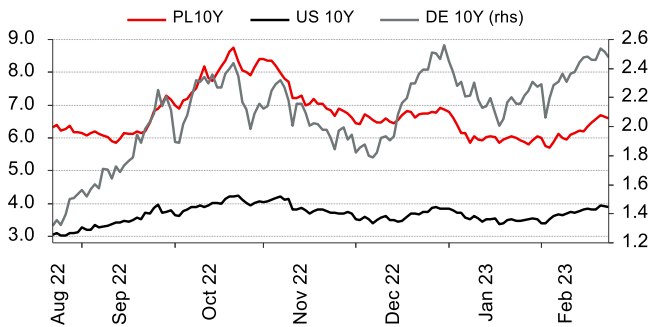
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



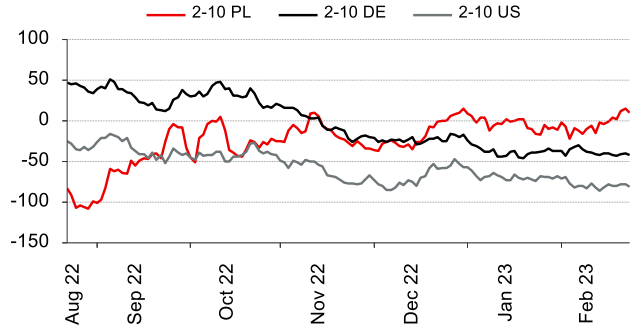
Source: Refinitiv Datastream, Santander Bank Polska

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 (27 February)							
11:00	EZ	ESI	Feb	pct.	101.0	-	99.9
14:30	US	Durable Goods Orders	Jan	% m/m	-3.9	-	5.6
16:00	US	Pending Home Sales	Jan	% m/m	0.9	-	2.53
TUESDAY (28 February)							
10:00	PL	GDP	4Q	% y/y	2.0	2.0	3.6
14:00	HU	Central Bank Rate Decision	Feb.23	%	13.0	-	13.0
16:00	US	Consumer Conference Board	Feb	pts	108.4	-	107.1
WEDNESDAY (1 March)							
09:00	PL	Poland Manufacturing PMI	Feb	pts	47.7	48.5	47.5
09:55	DE	Germany Manufacturing PMI	Feb	pts	46.5	-	47.3
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	48.5	-	48.8
14:00	DE	HICP	Feb	% y/y	9.0	-	9.2
16:00	US	ISM manufacturing	Feb	pts	47.8	-	47.4
THURSDAY (2 March)							
08:30	HU	GDP	4Q	% y/y	0.4	-	4.0
11:00	EZ	Flash HICP	Feb	% y/y	8.1	-	8.5
11:00	EZ	Unemployment Rate	Jan	%	6.6	-	6.6
14:30	US	Initial Jobless Claims	Feb.23	k	200.0	-	192.0
FRIDAY (3 March)							
02:45	CN	Caixin China PMI Services	Feb	pts	54.8	-	52.9
08:00	DE	Exports SA	Jan	% m/m	2.0	-	-5.9
09:00	CZ	GDP SA	4Q	% y/y	0.4	-	1.5
09:55	DE	Markit Germany Services PMI	Feb	pts	51.3	-	50.7
10:00	EZ	Eurozone Services PMI	Feb	pts	53.0	-	50.8
16:00	US	ISM services	Feb	pts	54.5	-	55.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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