

Eyeopener

Polish GDP details ahead

Today details about 4Q22 GDP in Poland
Mixed US data, main ESI indicator for Poland down a bit in February
Zloty is holding strong, longer government bonds slightly stronger

Today detailed GDP data for 4Q22. According to the preliminary reading, economic growth slowed to 2.0% y/y with a seasonally adjusted decline of as much as 2.4% q/q, and today's data will reveal how exactly the components of demand have changed. Based on the previously published entire-year data, we estimate that private consumption slowed noticeably at the end of the year (-1.6% y/y), investment still performed quite well (+5.2% y/y) and inventories continued to rise. Abroad, Hungary's central bank decision and the US Conference Board consumer optimism index. Spain and France showed the preliminary inflation estimates for February: both higher than forecasts and than January y/y prints.

Yesterday's US data on durable goods orders for January turned out to be slightly weaker than forecast, with December's data also revised downwards. In contrast, data on pending home sales surprised in the other direction.

The **ESI headline economic sentiment indicator for Poland** fell to 89.8 points from 90.0 points in February. Over the past six months, this measure of sentiment has remained almost flat. At the same time, however, the aggregate employment indicator (which aggregates responses from various sectors on expected employment levels) rose slightly for the fifth consecutive month. According to the ESI, there was a further improvement in manufacturing, particularly in the current output trend, sentiment worsened slightly in construction and in retail sales (although the current sales index reached its highest level since December 2019). The business climate index for services rebounded, but not enough to cover the large January decline. The consumer section of the survey shows that sentiment deteriorated in February due to a worse assessment of consumer financial situation and the economic outlook, despite a further decline in inflation expectations (the inflation expectations index is at its lowest since February 2020). We think that ESI indices give some hope for an incoming economic rebound in the upcoming future, although these signals are not as clear-cut as the corresponding GUS indices.

In December, domestic **tourists** spent 19.7% more in domestic accommodation establishments than a year earlier and 0.4% more than in December 2019. In contrast, the number of nights spent by foreign tourists was 61.8% higher than a year earlier, but 7.7% lower than in December 2019. The number of foreign tourists is still not back to pre-pandemic levels, although the improvement is ongoing.

The **OECD**, in yesterday's publication on Poland, showed the same growth forecasts as in its global report in November (0.9% in 2023 and 2.4% in 2024), but changed the projected inflation path: average CPI is expected at 12.7% in 2023 (revision from 10.8%) and at 4.6% in 2024 (revision from 6.6%). At the end of next year, CPI is expected at 3.5%. Nevertheless, the organisation recommended that Poland conduct its monetary and fiscal policy in such a way as to prevent inflation persistence at high levels.

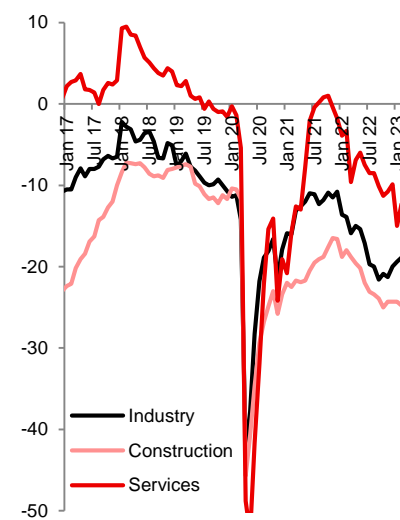
EURUSD rose from about 1.055 to 1.06. The common currency was helped by rising expectations of an interest rate hike in the Eurozone.

EURPLN oscillated in the zone of 4.71 - 4.72. The stabilisation of the zloty was helped by the lack of data publications from the domestic economy. The suspension of Russian oil supplies to Poland via the Druzhba pipeline did not affect PLN. PKN Orlen announced that the shortages on this account in the Polish market will be covered from other sources (this is about 10% of total oil imports and, according to us, this change to probably more expensive oil from other directions will not affect fuel prices due to the way they are formulated). Deliveries of Russian oil to Czechia and Slovakia via the southern branch of the pipeline are being delivered unhindered.

Other CEE currencies: EURCZK fluctuated around the 23.63 level, and the EURHUF fluctuated around the 378 level. Today's NBH decision-making meeting should stimulate forint volatility. Interest rates are unlikely to change, but the market will follow the central bank's rhetoric on the prospects for normalizing monetary policy. We expect the NBH to maintain its current stance that the elevated rate level will be maintained for as long as necessary to restore confidence in the Hungarian currency. One of the key elements in this regard will be a positive settlement of the ongoing dispute with the EC and bringing inflation into a sustained downward trend. Currently, there is still no sign of disinflation, as so far each successive reading of the Hungarian CPI has been higher than the previous one.

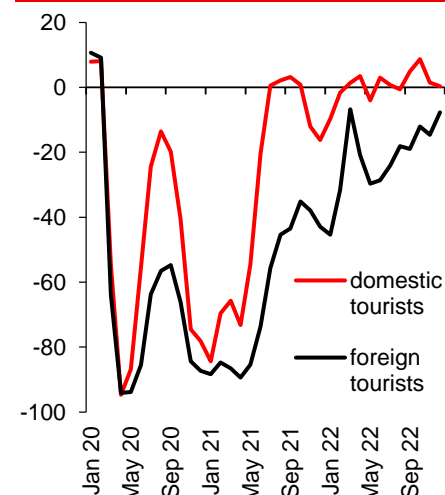
Debt market: Domestic yield curve at the shorter end rose about 5 bps, while the middle and longer end fell about 3 bps. The reduction in the scale of the curve's steepening is the result of weaker economic data from the Eurozone and a deeper-than-expected decline in durable goods orders from the US. Today, the domestic debt market will look at Polish 4Q GDP data.

ESI indicators in selected sectors, pts



Source: European Commission, Santander

Nights spent by tourists in Polish hotels, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7170	CZKPLN	0.1994
USDPLN	4.4517	HUFPLN*	1.2346
EURUSD	1.0598	RUBPLN	0.0594
CHFPLN	4.7415	NOKPLN	0.4297
GBPPLN	5.3544	DKKPLN	0.6336
USDCNY	6.9423	SEKPLN	0.4279

*for 100HUF

Last session in the FX market 27.02.2023

	min	max	open	close	fixing
EURPLN	4.7098	4.7221	4.7180	4.7147	4.7162
USDPLN	4.4355	4.4807	4.4774	4.4495	4.4697
EURUSD	1.0531	1.0619	1.0537	1.0593	-

Interest rate market 27.02.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.43	9
DS0727 (5Y)	6.51	-3
DS0432 (10Y)	6.56	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.07	0	5.53	2	3.57	3
2L	6.64	-4	5.12	-1	3.71	5
3L	6.22	-5	4.70	-3	3.55	5
4L	6.03	-4	4.40	-5	3.41	5
5L	5.94	-6	4.25	-2	3.31	5
8L	5.86	-5	3.99	-3	3.19	5
10L	5.88	-6	3.92	-2	3.18	5

WIBOR rates

Term	%	Change (bps)
O/N	6.74	29
T/N	6.73	-1
SW	6.84	0
2W	6.85	1
1M	6.91	1
3M	6.94	0
6M	7.00	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.95	-1
3x6	6.97	0
6x9	6.97	-2
9x12	6.68	-6
3x9	7.00	-1
6x12	7.01	-3

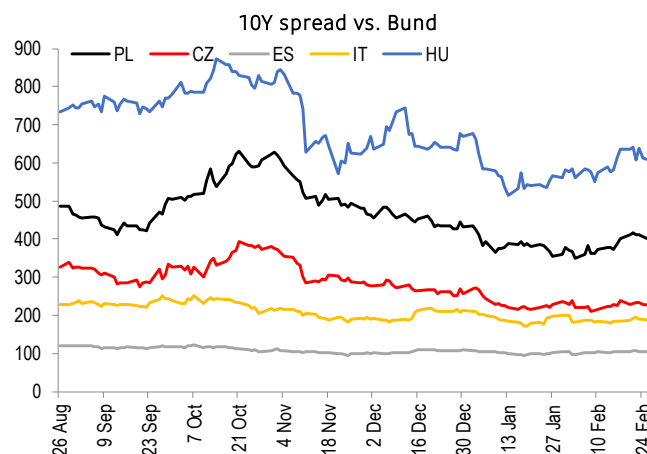
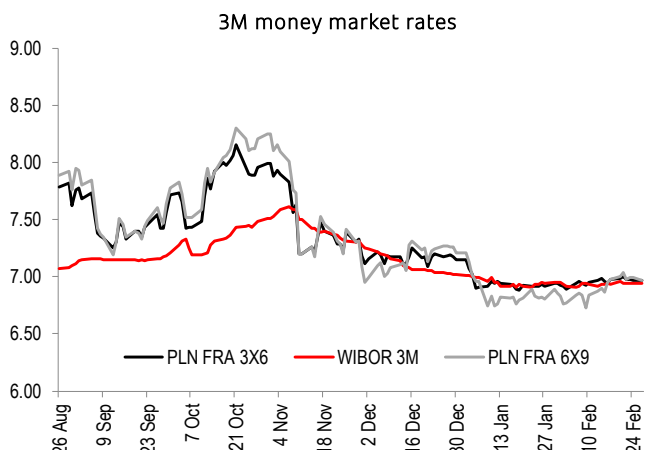
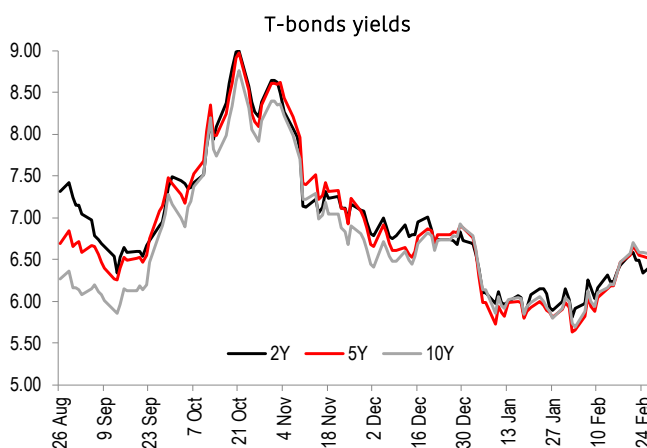
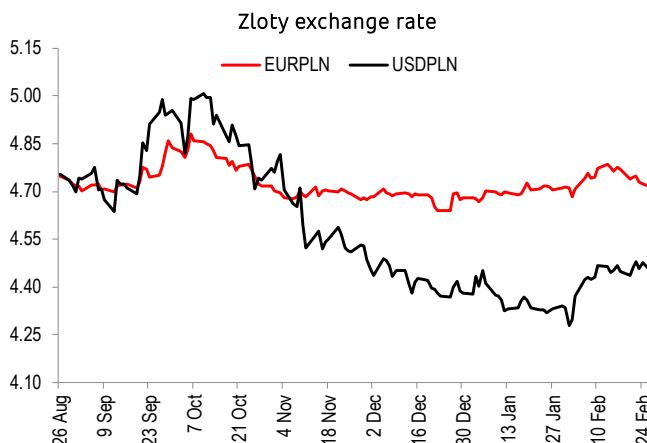
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	95	-2	397	-8
France	10	0	48	-1
Hungary	167	0	604	-10
Spain	45	0	104	-1
Italy	38	0	185	-6
Portugal	30	0	89	-1
Ireland	18	0	47	-2
Germany	11	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (24 February)								
08:00	DE	GDP WDA	4Q	% y/y	1.1	-	0.9	1.4
14:30	US	Personal Spending	Jan	% m/m	1.3	-	1.8	-0.1
14:30	US	Personal Income	Jan	% m/m	1.0	-	0.6	0.3
14:30	US	PCE Deflator SA	Jan	% m/m	0.5	-	0.6	0.2
16:00	US	Michigan index	Feb	pts	66.4	-	67.0	64.9
16:00	US	New Home Sales	Jan	% m/m	0.7	-	7.2	7.2
MONDAY (27 February)								
11:00	EZ	ESI	Feb	pct.	101.0	-	99.7	99.9
14:30	US	Durable Goods Orders	Jan	% m/m	-3.9	-	-4.5	5.1
16:00	US	Pending Home Sales	Jan	% m/m	0.9	-	8.1	1.1
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. Bloomberg. Parkiet

* in the case of a revision the data is updated

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