

Eyeopener

Consumption weakness in late 2022

Today manufacturing PMIs

Polish GDP growth structure in line with forecasts – consumption caused the slowdown

Budget surplus after January lower than a year ago

Zloty strengthened some more, short end of the local yield curve went down

Today the key publications will be the PMI indices for manufacturing, especially for Poland, Germany, the euro area and the US (ISM). In the case of the Polish index, we expected further improvement, signalling an forthcoming rebound of the economic activity and it did hit our forecast of 48.5 pts, exceeding slightly the market consensus. In addition, preliminary February HICP inflation in Germany – the market is expecting a slight decline, but the first land has already reported an increase relative to January. China's industrial PMI released overnight rebounded strongly from neutral level reaching its highest reading in more than a decade, pouring optimism into the markets, China's services index also went up stronger than expected. Yesterday's US data was weaker than expected, on the other hand. Quite pronounced declines were shown in both the Richmond Fed and Conference Board indexes.

GDP growth in 4Q22 slowed to 2.0% y/y, in line with the flash estimate. After seasonal adjustment GDP fell by 2.4% q/q. The breakdown of GDP in 4Q22 was very close to our estimates, based on earlier released data for the entire year: private consumption contracted -1.5% y/y, fixed investments expanded 4.9% y/y, inventories added 1.1pp to GDP growth, net exports added 0.9pp. Such breakdown of economic growth, should it persist, should be quite favourable for disinflation. Later this year, however, we expect a gradual recovery in consumer demand and a deterioration in investments. We continue to expect GDP growth (y/y) to fall below zero in Q1 and then to recover slowly in subsequent quarters, averaging just below 1% y/y in 2023. Read more in our [Comment](#).

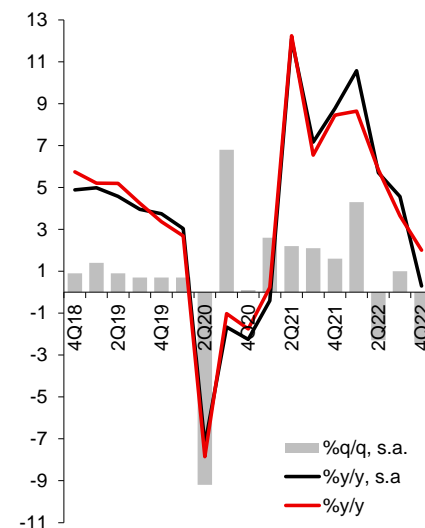
The **budget surplus after January** amounted to PLN 11.2 billion, significantly lower than a year earlier (PLN 22.3 billion), but higher than the average for the 2014-2021 period (around PLN 4 billion). The year-on-year decline in the surplus was due to both weaker revenue (-7.1% y/y, PLN -4.2bn y/y) and higher expenditure (18.8% y/y, PLN +6.9bn y/y). On the revenue side, the strongest declines were recorded in VAT (-21% y/y, PLN -6.9bn) and PIT (-6.6% y/y, PLN -0.7bn). On the other hand, there were increases in revenues from excise duties (21.1% y/y, PLN +1.2bn) and CIT (2.7% y/y, PLN 0.1bn). The VAT result was affected by the timing of VAT rate cuts – in January tax payments based on standard tax rates were still coming to the budget. As VAT rates on energy have returned to standard levels again since January 2023, we expect a marked improvement in this category in the coming months. In contrast, January 2022 was very strong for PIT due to the introduction of the so-called 'Polish Deal' and the increase in the tax-free amount when many employees did not deduct it from their advance tax payments. Nevertheless, the nominal PIT result looks quite good, although it will probably deteriorate in the following months due to the tax refunds associated with the PIT changes effective from July 2022. As for expenditures, the strongest growth was in debt service costs (+63.7% y/y, +2.1bn y/y) and subsidies to the Social Security (+69.5% y/y, +1.0bn y/y) and to local governments (+19.4% y/y, +1.9bn y/y).

EURUSD fluctuated around 1.06, ending the day below it. In the first part of the day, higher-than-expected inflation data from Spain and France, which boosted expectations of an ECB rate hike, as well as weaker data from the US (Chicago PMI, Conference Board consumer confidence), worked in the common currency's favour, but by the end of the day the dollar strengthened, probably as a result of the first statement from new voting Fed member Austan Goolsbee. In his view, the Fed should rely less on market valuations and opinions in its decisions and focus more on signals from the real economy.

EURPLN went from near 4.71 to close to 4.70. The zloty was boosted by a 2.6% m/m reduction in Treasury debt after January. **Other CEE currencies:** **EURCZK** fell from 23.64 to 23.49, reaching its lowest level since July 2008, thanks to a higher-than-expected Czech PPI reading (19% y/y vs. expectations of a slide to 15.2% from 20.1%). **EURHUF** fluctuated around the 377 level. The NBH, as expected, kept all monetary policy parameters unchanged. NBH Vice Chairman Barnabas Virag stressed that the stability of financial markets remains crucial, and the instruments used so far have proven their effectiveness in this regard. In his view, it is too early to talk about rate cuts in the longer term, as the NBH must first combat high inflation.

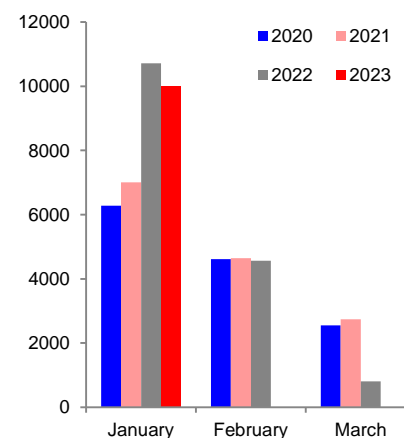
Debt market: Domestic yield curve fell by about 7 bps at the short end. It remained relatively stable in the middle and at the long end. The 2.6% m/m reduction in Treasury debt after January had the effect of narrowing the asset swap spread across the curve.

GDP growth, % y/y



Source: GUS, Santander

Central budget's PIT incomes, PLNmn



Source: Finance Ministry, Santander

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FX market

Today's opening

EURPLN	4.7006	CZKPLN	0.1998
USDPLN	4.4288	HUFPLN*	1.2362
EURUSD	1.0615	RUBPLN	0.0589
CHFPLN	4.7088	NOKPLN	0.4285
GBPPLN	5.3395	DKKPLN	0.6315
USDCNY	6.9016	SEKPLN	0.4244

*for 100HUF

Last session in the FX market 28.02.2023

	min	max	open	close	fixing
EURPLN	4.7018	4.7225	4.7128	4.7040	4.717
USDPLN	4.4205	4.4572	4.4531	4.4376	4.4475
EURUSD	1.0580	1.0645	1.0583	1.0599	-

Interest rate market 28.02.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.29	-14
DS0727 (5Y)	6.49	-2
DS0432 (10Y)	6.56	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.11	4	5.55	2	3.61	4
2L	6.69	5	5.15	3	3.78	7
3L	6.27	5	4.72	2	3.62	7
4L	6.08	5	4.43	3	3.48	7
5L	5.99	5	4.26	1	3.39	7
8L	5.93	7	4.00	1	3.26	7
10L	5.94	6	3.92	0	3.24	6

WIBOR rates

Term	%	Change (bps)
O/N	6.74	0
T/N	6.73	0
SW	6.84	0
2W	6.87	2
1M	6.89	-2
3M	6.94	0
6M	7.00	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.98	2
3x6	7.01	4
6x9	7.03	6
9x12	6.75	8
3x9	7.05	5
6x12	7.07	6

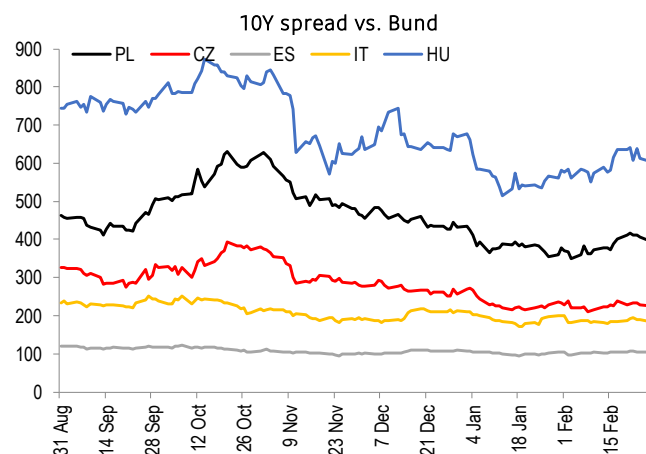
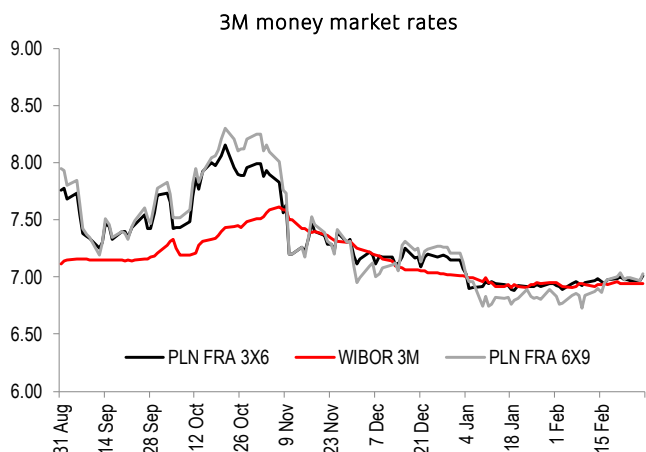
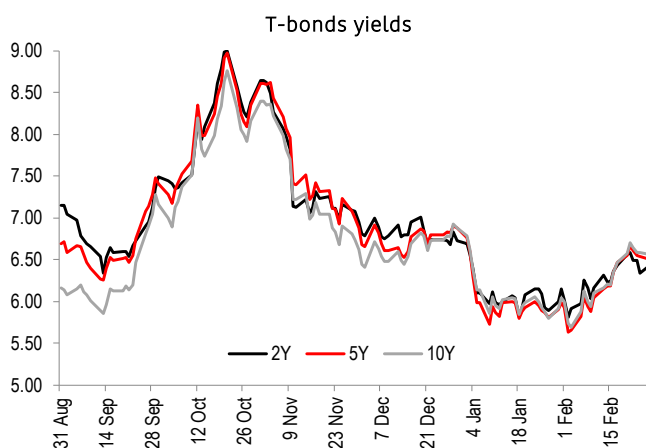
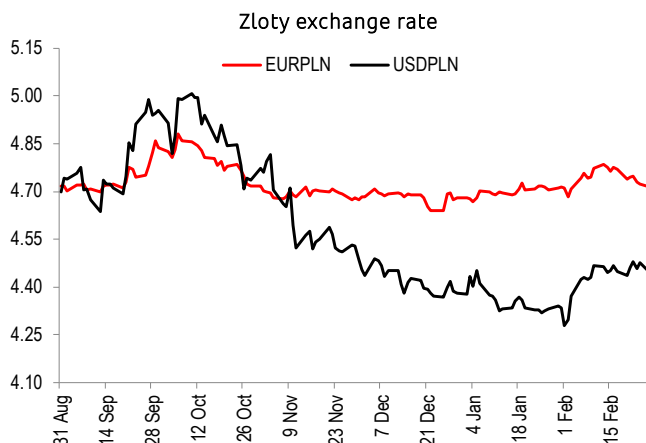
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	94	-1	392	-5
France	10	0	48	0
Hungary	164	-3	607	2
Spain	45	0	104	0
Italy	38	0	184	-1
Portugal	30	0	88	0
Ireland	18	0	50	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	2.0	3.6
14:00	HU	Central Bank Rate Decision	Feb.23	%	13.0	-	13.0	13.0
16:00	US	Consumer Conference Board	Feb	pts	108.4	-	102.9	106.9
WEDNESDAY (1 March)								
09:00	PL	Poland Manufacturing PMI	Feb	pts	47.7	48.5	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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