

Weekly Economic Update

Data rash before the May long weekend

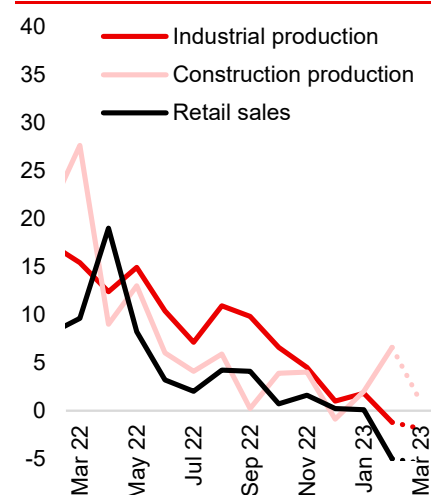
Economy next week

- We have a busy week ahead: in the last days before the May long weekend, we will get a large set of domestic data for March, including industrial and construction output, retail sales, PPI, money supply, unemployment and, at the very end of the week, flash inflation for April.
- Our forecasts for the key economic activity variables for March (**industrial production -1.9%**, **construction +1.0%**, **retail sales -5.5% y/y**) are not significantly different from the market consensus and are consistent with the continued strong deceleration of the economy, which arguably pulled GDP growth in Q1 well below zero (preliminary GDP data will be released in mid-May). Please recall that we have long assumed that it was Q1 of this year that saw the culmination of the economic slowdown, which began shortly after the start of Russian aggression against Ukraine. At the same time, the business climate indices have been pointing to a systematic improvement in sentiment for some time, which allows us to continue to expect a gradual recovery later in the year; in April, business and consumer sentiment improved again in virtually all areas.
- The inflation rate most likely declined markedly once again in April, with base effects and declines in fuel prices playing a key role, as in March. **Our current CPI forecast is 14.7% y/y** (vs. 16.1% y/y in March), although we will update this estimate after the weekend, taking into account the latest data from agricultural markets. The market consensus for inflation is also yet to build. For now, the median forecast in Bloomberg is 15.0%.
- Abroad, we will see new indicators on the economic sentiment in April (Ifo, ESI, consumer confidence in Germany, France, USA), but also the first GDP readings from some European countries and the US, as well as preliminary inflation in several Eurozone states. So there will be plenty of new information, potentially influencing market expectations for future decisions by the major central banks.
- Speaking of central banks, there are several decision-making meetings in the agenda: in Hungary on Tuesday, in Sweden on Wednesday, in Turkey on Thursday and in Japan on Friday. Of this set, only the Riksbank (Sweden) is likely to raise interest rates by 50bp, the rest will keep policy unchanged.

Markets next week

- The scale of the zloty appreciation in recent days has clearly exceeded expectations, especially since the global weakening of the dollar has ceased to support it for a week now. The general market sentiment in the global financial markets is still fairly positive, but it is difficult not to find reasons for the zloty's appreciation in local factors - last week only two emerging market currencies (RUB, CLP) performed better than the zloty. Probably, very good data on the balance of payments and more and more signals heralding an improvement in the economic situation helped, which in turn dampened market expectations of rate cuts by the MPC. However, **we still believe that the room for further appreciation of the zloty is limited, and the publication of rather weak March data in the coming days should favour an upward rebound of EURPLN from the 4.60 level.**
- Yields on domestic bonds declined last week, despite upward trends in the core markets. Confirmation of higher demand for Polish bonds was provided by the results of today's auction, where the Ministry of Finance sold PLN 9 billion worth of papers. As in the case of the zloty, **the scope for bond appreciation seems limited, in our view, unless there is a clear change in trend in the core markets.**

Industrial and construction production, retail sales, constant prices, % y/y

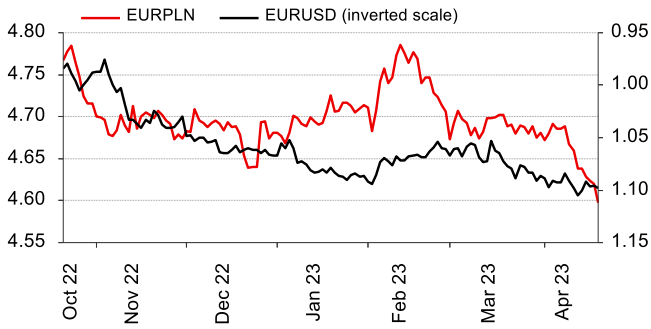


Source: GUS, Santander

Economic Analysis Department:

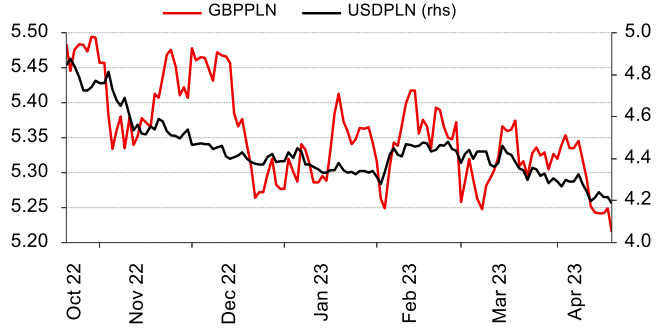
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EURPLN and EURUSD



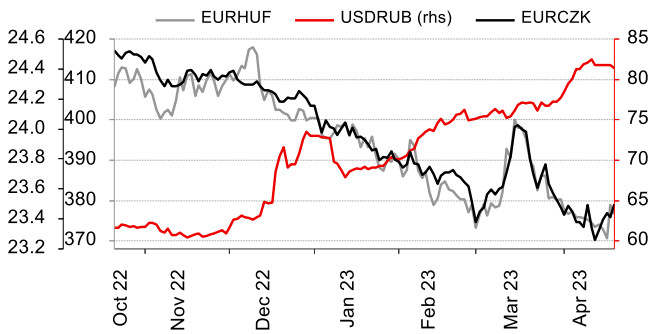
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



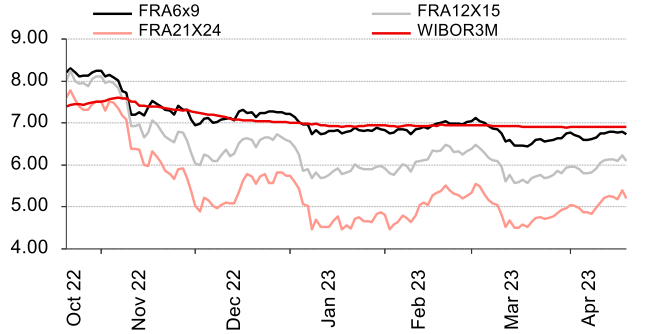
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



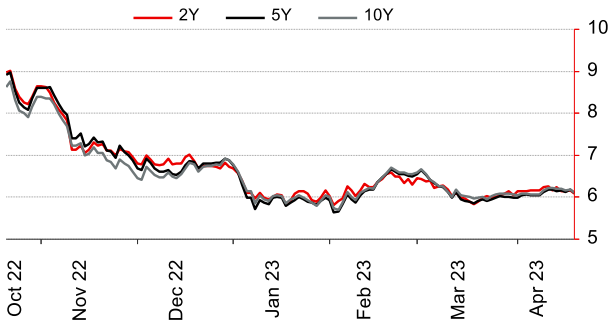
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



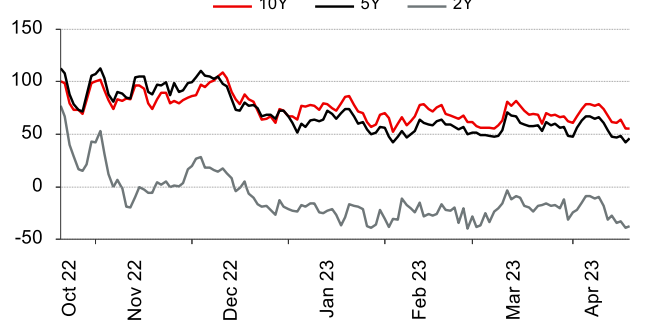
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



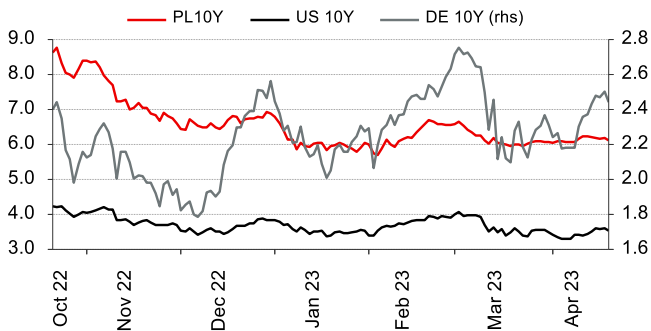
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



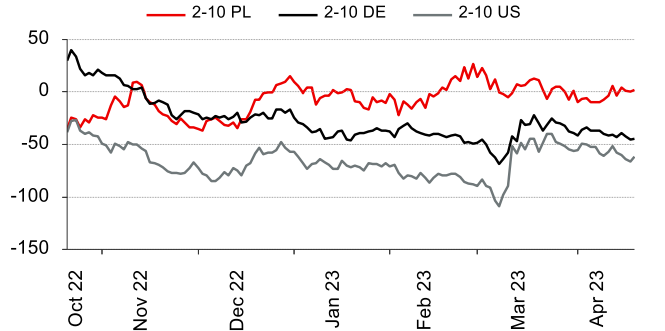
Source: Refinitiv Datastream, Santander Bank Polska

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 (24 April)							
10:00	DE	IFO Business Climate	Apr	pts	93.4	93.3	
10:00	PL	Sold Industrial Output	Mar	% y/y	-2.15	-1.9	-1.2
10:00	PL	Construction Output	Mar	% y/y	0.5	1.0	6.6
10:00	PL	PPI	Mar	% y/y	11.0	10.3	18.4
10:00	PL	Retail Sales Real	Mar	% y/y	-6.2	-5.5	-5.0
TUESDAY (25 April)							
14:00	HU	Central Bank Rate Decision		%	13.0	13.0	
14:00	PL	Money Supply M3	Mar	% y/y	7.2	7.4	7.4
16:00	US	Consumer Conference Board	Apr	pts	104.1	104.2	
16:00	US	New Home Sales	Mar	% m/m	-1.25	1.1	
WEDNESDAY (26 April)							
10:00	PL	Unemployment Rate	Mar	%	5.4	5.4	5.5
14:30	US	Durable Goods Orders	Mar	% m/m	0.7	-1.0	
THURSDAY (27 April)							
11:00	EZ	ESI	Apr	pct.	99.9	99.3	
14:30	US	GDP Annualized	1Q	% Q/Q	2.0	2.6	
14:30	US	Initial Jobless Claims		k	240.0	245.0	
16:00	US	Pending Home Sales	Mar	% m/m	1.0	0.85	
FRIDAY (28 April)							
10:00	PL	CPI	Apr	% y/y	15.0	14.7	16.1
10:00	DE	GDP WDA	1Q	% y/y	0.3	0.9	
11:00	EZ	GDP SA	1Q	% y/y	1.3	1.8	
14:00	DE	HICP	Apr	% m/m	0.75	1.1	
14:30	US	Personal Spending	Mar	% m/m	-0.1	0.2	
14:30	US	Personal Income	Mar	% m/m	0.2	0.3	
14:30	US	PCE Deflator SA	Mar	% m/m	0.1	0.3	
16:00	US	Michigan index	Apr	pts	63.5	63.5	

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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