

15 February 2024

Eyeopener

GDP rebounding slowly

Today CPI inflation for January, expected drop to 4.1% y/y
 GDP growth accelerated to 1.0% y/y (0% q/q s.a.)
 Three MPC members not ruling out any interest rate scenario
 Small changes of the zloty, market interest rates lower

Today, CPI data for January will be released in Poland. We expect they will show a significant drop in annual price growth: from 6.2% y/y in December to 4.1% y/y in January, which is in line with the median market expectations and the forecast formulated by President Glapiński during his last conference. January inflation data will also come from the Czech Republic, where the consensus expectation is for a decline in annual inflation growth from 6.9% to 2.9%. In addition, we will receive a set of data from the US, including information on the number of new jobless claims in the last week, as well as retail sales and industrial production in January.

According to flash data, GDP growth in 4Q23 GDP grew by 1.0% y/y (nsa), close to the market consensus of 1.1% y/y and our estimate of 0.9% y/y, which was based on preliminary data for the full 2023. The 3Q GDP growth rate has not been revised and is still 0.5% y/y. In s.a. terms, Polish GDP stayed flat in q/q terms in 4Q. We feared that there could be a drop exceeding 1% q/q, but the statistical office has revised down quarterly growth in the first three quarters of 2023 by -0.4pp each, moving the starting point lower. This confirms that there are still issues with s.a. numbers and it is hard to draw conclusions on the shape of the economy from these. The path of s.a. level of GDP is now showing less positive momentum than before yesterday's release, but the data will undergo further revisions later this year. We expect economic recovery in 2024 based on expansive fiscal policy and revival of domestic demand, private consumption in particular. In 1Q24 GDP may already grow at more than 2% y/y and the growth rate may average at c.3% this year, in our view. Polish growth should be to some extent resilient to the current weakness of the European economy, but this issue remains a risk factor. The 4Q GDP details will be released on 29 February.

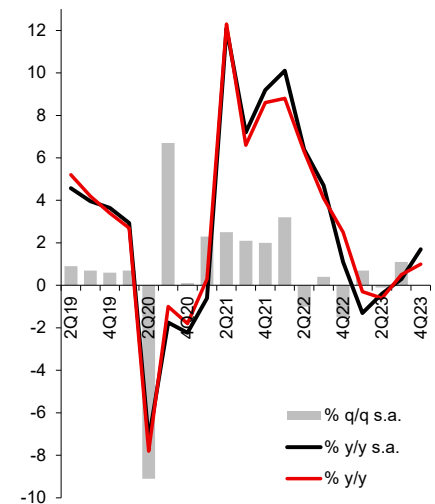
MPC member Cezary Kochalski said in an interview with Bloomberg that although he stands by his view that interest rates could remain unchanged in 2024, he does not rule out a small rate cut in the second half of the year if the return of inflation to the target in the medium term is not at risk. Kochalski added that the drop in inflation at the beginning of the year will only be temporary, but he considers monetary tightening an unlikely option as interest rates are already high. **MPC's Ludwik Kotecki**, in an interview with PAP, said that in the baseline scenario interest rates should not be cut quickly but if uncertainty factors do not materialise then there may be room for "very gentle" rate cut in 2H24. In turn, the materialisation of risks to inflation will imply the risk of rate hikes. He added that a strong zloty could bring closer the prospect of small rate cuts. **Ireneusz Dąbrowski** spoke in a similar tone in an interview with Parkiet. In his view, the probability of rate cuts is below 50% and a hike cannot be ruled out and will depend on the behaviour of inflation and wages. Overall, the message of the three MPC members is quite similar in our view, and matches earlier comments of NBP's Glapiński: next decisions in monetary policy will be data-dependent.

Industrial production in the euro zone increased by 2.6% m/m in December, which is a positive surprise compared to market expectations of a decline of 0.2% m/m. Moreover, the production growth rate in November was revised from -0.3% m/m to +0.4% m/m. In annual terms, this means an increase in production growth from -5.4% y/y in November to 1.2% y/y in December, as well as its return to positive values for the first time since February 2023. The increase in total production was the result of an increased production of capital goods by 20.5% m/m, consumer durable goods by 0.5% m/m, energy by 0.3% m/m and consumer non-durable goods by 0.2% m/m, as well as a decline in the production of intermediate goods by 1.2% m/m. The performance of the largest euro area economies was mixed. In Germany and Spain, production declines of 1.2% m/m and 0.4% m/m, respectively, were recorded, while in France and Italy an increase by 1.1% m/m was recorded.

The CEE currencies recorded negligible movements yesterday. The EURPLN exchange rate remained near 4.34 with a slight weakening pressure at the beginning of the session and a subsequent correction. EURCZK behaved the other way round. The forint lost slightly to around 387 to the euro. The EURUSD exchange rate remained around 1.071. The zloty did not react significantly to the GDP data. We maintain the opinion that after consolidation in the following months, the EURPLN exchange rate should drop towards 4.20-4.30. Today, the US production and sales data are likely to be more important for the zloty exchange rate than domestic inflation data, as they may move the EURUSD exchange rate, provided that the domestic inflation does not show a major surprise.

Market rates declined in Poland and abroad. After a prolonged period of increases, yesterday's session finally saw a downward correction in market rates. The movement on the FRA curve was small, with IRS rates and bond yields falling by a few basis points in line with changes in the core markets. Today, we think that the decline in rates may continue as long as January inflation falls significantly, as we expect.

GDP growth, % y/y, % q/q



Source: GUS, Santander

Economic Analysis Department:

aI. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Cezary Chrapek, CFA +48 887 842 480
Marcin Luzziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.3377	CZKPLN	0.1706
USDPLN	4.0416	HUFPLN*	1.1062
EURUSD	1.0732	RUBPLN	0.0442
CHFPLN	4.5704	NOKPLN	0.3817
GBPPLN	5.0754	DKKPLN	0.5818
USDCNY	7.1929	SEKPLN	0.3844

*for 100HUF

Last session in the FX market					14/02/2024
	min	max	open	close	fixing
EURPLN	4.3339	4.3501	4.3350	4.3405	4.3435
USDPLN	4.0419	4.0671	4.0474	4.0435	4.0593
EURUSD	1.0693	1.0734	1.0712	1.0732	

Interest rate market

14/02/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.07	7
WS0428 (5Y)	5.24	-7
DS1033 (10Y)	5.45	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.74	-2	5.28	-4	3.55	-3
2L	5.28	-4	4.75	-8	3.11	-4
3L	4.98	-4	4.48	-6	2.88	-6
4L	4.83	-4	4.29	-7	2.77	-6
5L	4.77	-5	4.27	-7	2.72	-7
8L	4.77	-6	4.17	-8	2.68	-7
10L	4.81	-6	4.17	-6	2.69	-7

WIRON rate

Term	%	Change (bps)
WIRON	5.21	20

WIBOR rates

Term	%	Change (bps)
O/N	5.57	-4
T/N	5.78	-1
SW	5.82	0
1M	5.81	1
3M	5.86	0
6M	5.86	0
1Y	5.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	0
3x6	5.74	-2
6x9	5.57	0
9x12	5.27	0
3x9	5.71	-1
6x12	5.54	0

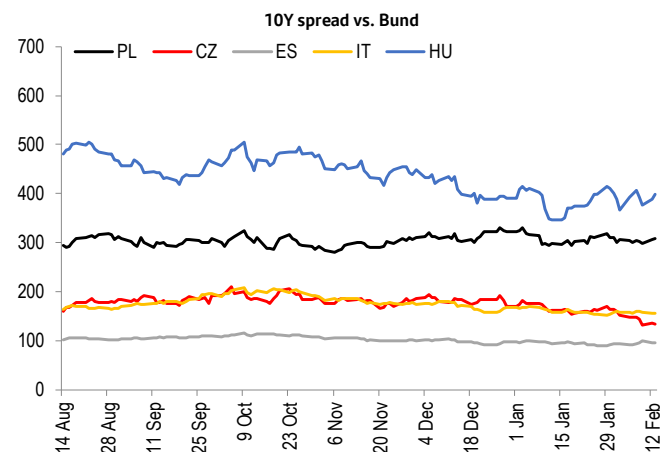
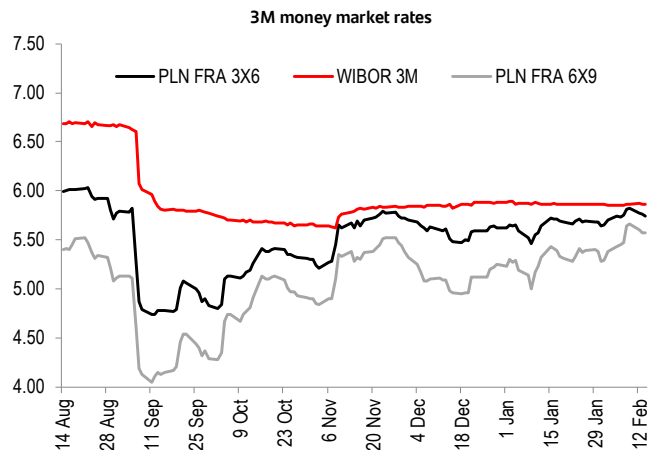
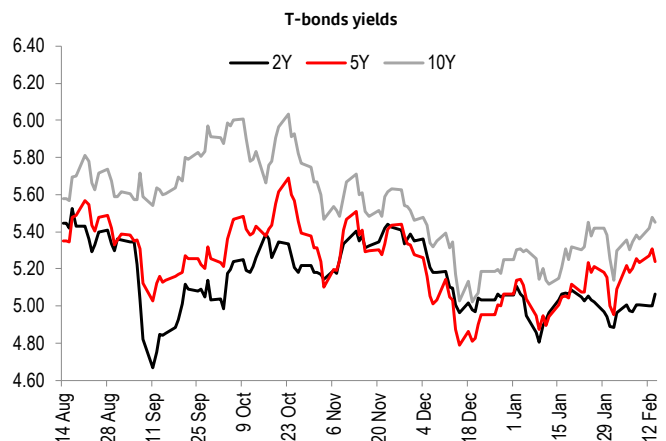
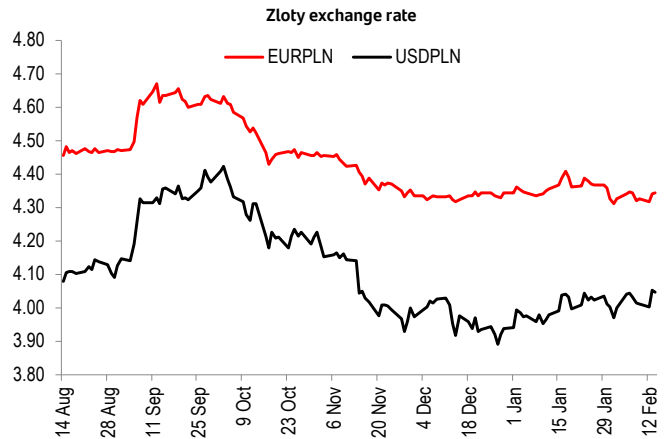
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	65	0	309	3
France	11	0	50	0
Hungary	125	0	398	9
Spain	43	0	95	-1
Italy	29	0	155	0
Portugal	31	0	71	-1
Ireland	16	1	44	0
Germany	10	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 (9 February)							
08:00	DE	HICP	Jan	% m/m	-0.2	-	-0.2
08:30	HU	CPI	Jan	% y/y	4.3	-	3.8
MONDAY (12 February)							
No data releases							
TUESDAY (13 February)							
11:00	DE	ZEW Survey Current Situation	Feb	pts	-79.0	-	-81.7
14:00	PL	Current Account Balance	Dec	€mn	-357	99	-24
14:00	PL	Trade Balance	Dec	€mn	-474	-321	226
14:00	PL	Exports	Dec	€mn	25 485	25 466	24 808
14:00	PL	Imports	Dec	€mn	25 783	25 767	25 364
14:30	US	CPI	Jan	% m/m	0.2	-	0.3
WEDNESDAY (14 February)							
08:30	HU	GDP	4Q	% y/y	0.6	-	0.0
10:00	PL	GDP	4Q	% y/y	1.1	0.9	1.0
11:00	EZ	GDP SA	4Q	% y/y	0.1	-	0.1
11:00	EZ	Industrial Production SA	Dec	% m/m	-0.2	-	2.6
THURSDAY (15 February)							
09:00	CZ	CPI	Jan	% y/y	2.9	-	6.9
10:00	PL	CPI	Jan	% y/y	4.2	4.1	-
14:30	US	Initial Jobless Claims		k	220	-	218
14:30	US	Retail Sales Advance	Jan	% m/m	-0.2	-	0.6
15:15	US	Industrial Production	Jan	% m/m	0.4	-	0.1
FRIDAY (16 February)							
14:30	US	Housing Starts	Jan	% m/m	0.0	-	-4.3
16:00	US	Michigan index	Feb	pts	79.0	-	79.0

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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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.