

## Eyeopener

### CPI inflation again below forecasts

Today Michigan index, measuring US consumer confidence  
CPI inflation fell to 3.9% y/y in January, more than expected  
Some weakening of the zloty, yields fall in reaction to CPI

**Today**, a new reading of the Michigan index of consumer sentiment will be released in the US. Market consensus suggests that after a very strong rise in January, the index will remain unchanged at 79.0pts in February. Also from the US, we will get January housing starts data.

**CPI inflation surprised to the downside in January, falling to 3.9% y/y** from 6.2% in December, after 0.4% m/m price increase. Our forecast and market consensus were at 4.1% y/y and 0.5% m/m. Based on these data, we estimate that core inflation excluding food and energy prices fell to 6.3% y/y in January from 6.9% y/y in December. Core inflation was actually the main source of the surprise. We expect inflation rate to keep declining in the next two months, reaching the local bottom in March at 2.5% y/y. The scenario for the following months will strongly depend on government's decisions regarding the anti-inflation shields. Under our assumption that the zero VAT on food will expire in March and energy price freeze will be ended in June (with a partial protection of households, limiting the scale of price increases to 20% for natural gas and 30% for electricity), we predict CPI to revive towards 7% by the end of 2024. Read more in our [Economic Comment](#).

**Central budget balance was +PLN13.7bn after January** (in January 2023 it was +PLN11.2bn and the average for the last five Januaries was +PLN10.0bn). Revenues rose by 12.8% y/y, compared to 8.3% y/y in December alone and 13.7% y/y on average last year. CIT revenues were down 7.4% y/y, PIT up 13.2%. Indirect taxes brought 17.1% more y/y, which implies that VAT alone was up c.22% y/y, supported by front-loading of VAT returns in December to offer some relief to the challenging 2024 budget. Expenditures rose 10.4% y/y in January, with the social security fund getting 15.2% larger subsidy y/y and local governments receiving 20.1% more y/y. Government liquidity cushion rose in January to PLN92.5bn from PLN58.0bn and was much larger than at the start of last year (PLN62.1bn). This year's budget deficit is planned at PLN164.8bn.

**MPC member Ludwik Kotecki** assessed during the European Financial Congress webinar that despite the strong fall in inflation in January, its problem has not yet disappeared. Kotecki added that although inflation will continue to decline in the next 2-3 months, it will start to rise again after that and it is not ruled out that it will return to the 5-7% y/y level in the second half of the year.

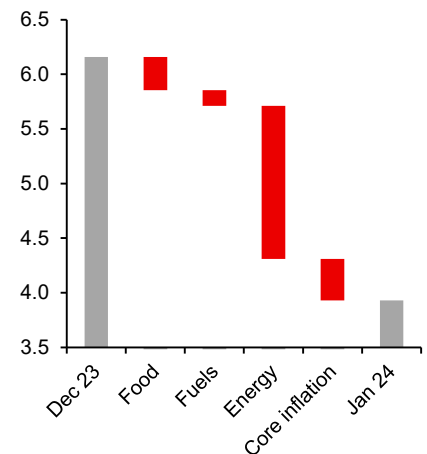
**The European Commission's winter economic forecasts** assume an increase in Poland's GDP growth by 2.7% in 2024 and by 3.2% in 2025. Thus, the EC's expectations have not changed compared to the autumn forecasts published in November. According to the Commission, the source of the growth in economic activity in Poland will be the revival of private consumption and, in 2025, also an increase in investment fuelled by the inflow of EU funds. At the same time, the EC lowered its forecast for GDP growth in the euro zone in 2024 by 0.4 percentage points to 0.8% and by 0.1 percentage points to 1.5% in 2025.

**The number of new US jobless claims** fell to 212k in the week ended 10 February from 220k a week earlier (data revised upwards by 2k). The total number of people continuing to collect unemployment benefits rose to 1895k in the week ended 3 February from 1865k a week earlier. The latest new jobless claims data suggests that the number of layoffs in the US remains low.

**Small changes in the FX market.** Yesterday session was not so positive for the emerging market currencies. Zloty and forint were took the cue and recorded a marginal weakening against the major currencies, to 4.34 and 389 vs. the euro. The Czech koruna stood out positively against the CEE region, supported by E. Zamrazilova's comments that a weakening of the koruna in the medium to long term much greater than indicated by the CNB forecast would be an inflationary factor and could affect the path of interest rates, and that the pace of reduction may be slower than the market is betting.

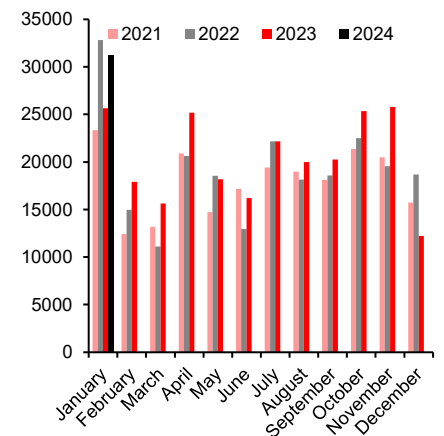
**Market rates fell in response to CPI.** FRA rates fell, particularly on longer maturities, by several basis points and IRS rates by 4-6bp, more so at the shorter end of the curve. Bond yields fell in a similar scale. The largest falls in market rates were recorded in response to the lower-than-forecast inflation reading, with an upward correction later in the session. Little movement was recorded in the core markets.

#### Breakdown of change in annual CPI rate, % y/y



Source: Santander

#### Monthly VAT revenues in central budget, PLNmn



Source: Finance Ministry, Santander

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**FX market**

Today's opening			
EURPLN	4.3422	CZKPLN	0.1710
USDPLN	4.0348	HUFPLN*	1.1063
EURUSD	1.0761	RUBPLN	0.0437
CHFPLN	4.5798	NOKPLN	0.3826
GBPPLN	5.0786	DKKPLN	0.5824
USDCNY	7.1929	SEKPLN	0.3854

\*for 100HUF

Last session in the FX market					15/02/2024
	min	max	open	close	fixing
EURPLN	4.3355	4.3493	4.3386	4.3436	4.3463
USDPLN	4.0244	4.0513	4.0444	4.0352	4.0495
EURUSD	1.0725	1.0784	1.0727	1.0758	

**Interest rate market**

15/02/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.03	-3
WS0428 (5Y)	5.18	-6
DS1033 (10Y)	5.41	-4

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.70	-4	5.28	-1	3.54	-1
2L	5.23	-5	4.73	-2	3.14	3
3L	4.92	-6	4.47	-1	2.91	3
4L	4.78	-5	4.33	3	2.80	3
5L	4.72	-5	4.25	-3	2.75	3
8L	4.74	-2	4.14	-3	2.71	3
10L	4.79	-2	4.15	-2	2.72	3

**WIRON rate**

Term	%	Change (bps)
WIRON	5.01	-21

**WIBOR rates**

Term	%	Change (bps)
O/N	5.59	2
T/N	5.79	1
SW	5.82	0
1M	5.79	-2
3M	5.86	0
6M	5.86	0
1Y	5.85	-1

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	5.84	-1
3x6	5.74	0
6x9	5.52	-5
9x12	5.20	-7
3x9	5.70	-1
6x12	5.44	-10

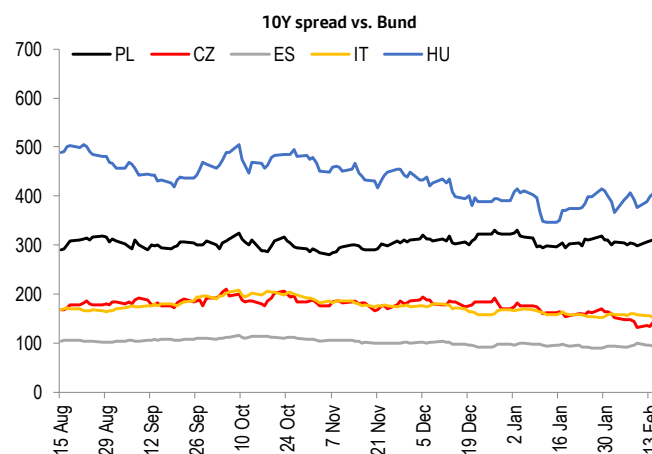
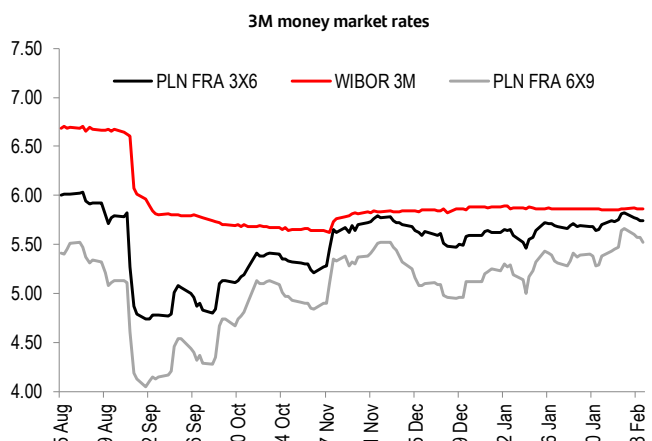
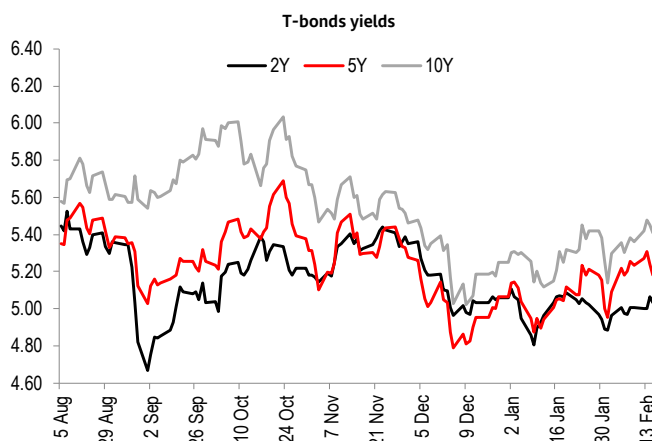
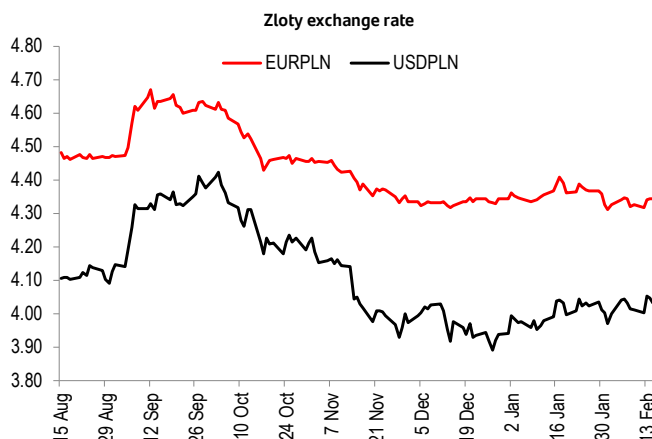
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	3	310	1
France	11	0	48	-2
Hungary	125	0	404	6
Spain	42	-2	93	-2
Italy	29	-1	152	-3
Portugal	30	-1	69	-1
Ireland	16	0	42	-2
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		
<b>FRIDAY (9 February)</b>							
08:00	DE	HICP	Jan	% m/m	-0.2	-	-0.2
08:30	HU	CPI	Jan	% y/y	4.3	-	3.8
<b>MONDAY (12 February)</b>							
No data releases							
<b>TUESDAY (13 February)</b>							
11:00	DE	ZEW Survey Current Situation	Feb	pts	-79.0	-	-81.7
14:00	PL	<b>Current Account Balance</b>	Dec	€mn	<b>-357</b>	<b>99</b>	<b>-24</b>
14:00	PL	<b>Trade Balance</b>	Dec	€mn	<b>-474</b>	<b>-321</b>	<b>226</b>
14:00	PL	<b>Exports</b>	Dec	€mn	<b>25 485</b>	<b>25 466</b>	<b>24 808</b>
14:00	PL	<b>Imports</b>	Dec	€mn	<b>25 783</b>	<b>25 767</b>	<b>29 585</b>
14:30	US	CPI	Jan	% m/m	0.2	-	0.3
<b>WEDNESDAY (14 February)</b>							
08:30	HU	GDP	4Q	% y/y	0.6	-	0.0
10:00	PL	<b>GDP</b>	4Q	% y/y	<b>1.1</b>	<b>0.9</b>	<b>1.0</b>
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
<b>THURSDAY (15 February)</b>							
09:00	CZ	CPI	Jan	% y/y	2.9	-	2.3
10:00	PL	<b>CPI</b>	Jan	% y/y	<b>4.1</b>	<b>4.1</b>	<b>3.9</b>
14:30	US	Initial Jobless Claims		k	220	-	212
14:30	US	Retail Sales Advance	Jan	% m/m	-0.2	-	-0.8
15:15	US	Industrial Production	Jan	% m/m	0.2	-	-0.1
<b>FRIDAY (16 February)</b>							
14:30	US	Housing Starts	Jan	% m/m	0.0	-	-
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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