

24 January 2025

Weekly Economic Update

GDP and central banks

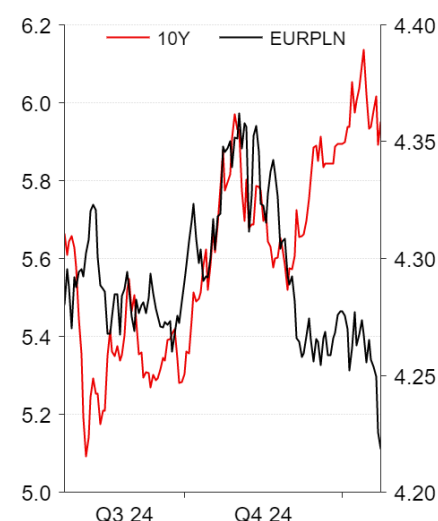
Economy next week

- On Thursday, the Central Statistical Office (GUS) will publish its **preliminary estimate of GDP for 2024**, which will be the most important domestic economic event of the week. Our forecast is 2.8%, which is in line with the consensus according to Bloomberg. According to our estimates, this will be made up of private consumption growth of around 3% and investment growth of just under 1%, with a negative contribution from net exports and a slightly positive contribution from inventories. Based on the full-year result and earlier data for the first three quarters, it will be possible to estimate the result for the final quarter of 2024. Our full-year forecast is consistent with an acceleration of economic growth at the end of the year to 3.0-3.2% y/y, after a surprising weakening in Q3 to 2.7% y/y.
- The results of the **Labour Force Survey for Q3** will also be released on the same day. Earlier on Monday, we will see official data on the December **registered unemployment rate** and the monthly Statistical Bulletin of the Central Statistical Office with more detailed information on the state of the economy at the turn of the year.
- The calendar of publications and events abroad will be richer: there will be 4Q24 GDP data in many European countries and the US, in addition to European business and sentiment indices (e.g. ESI, Ifo, GfK), data on durable goods orders and consumer sentiment in the US, and at the end of the week inflation data in the euro area.
- The week will be full of central bank decisions. Market expectations are for rates to remain unchanged in Hungary and Chile (Tuesday) and the US (Wednesday), a 25bp rate cut in Sweden, Canada (Wednesday), the euro area and South Africa (Thursday) and Colombia (Friday) and a 100bp rate hike in Brazil (Wednesday).

Markets next week

- A week ago, we did not rule out a descent of EURPLN below 4.25, but the scale of the move, which actually took place, far exceeded expectations - the rate fell below 4.21, descending to pre-Covid levels. Over the course of a few days, the zloty strengthened by around 1% against the euro and 3% against the dollar and was the second strongest EM currency, after the Russian rouble. It is difficult to attribute this movement to the hawkish narrative of the NBP President, as the strengthening of the zloty gained momentum after the publication of December's weaker-than-expected domestic data, which revived market expectations for rate cuts. The zloty was undoubtedly helped by a general increase in risk appetite, resulting, among other things, from the markets' reaction to Donald Trump's first statements and actions, which were perceived as moderate, plus the dollar's weakening against the euro, on Friday further boosted by better-than-expected PMI readings in Europe. It is possible that views on Poland's relatively low exposure to possible changes in US trade policy and hopes for closer peace talks in Ukraine also played a role. **We do not rule out that positive market sentiment will persist for some time and the euro may continue to gain against the dollar, so the EURPLN exchange rate may attempt to break through 4.20.** Local data should be conducive to keeping the PLN strong, but a reason for a correction, like in case of its recent gain, may come from abroad and then the rate's move in the opposite direction may be just as rapid. **One should expect more exchange rate volatility than that of recent months.**
- In the rates market, moods were swinging under the influence of a series of mixed signals: hawkish NBP, weak domestic data, renewed upward rebound in yields abroad. Here, volatility may also remain elevated, yet we still assume that the first weeks of the year will not move the curves permanently and strongly downwards and only as the start of the NBP easing cycle gets nearer, it will provide the impulse for a sustained strengthening trend.

10Y bond yield (lhs, %) vs EURPLN (rhs)

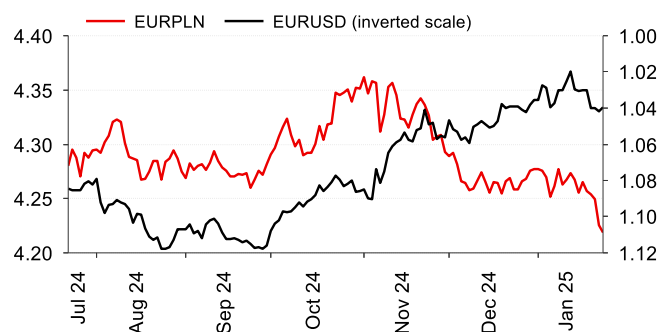


Source: LSEG Datastream, Santander

Economic Analysis Department:

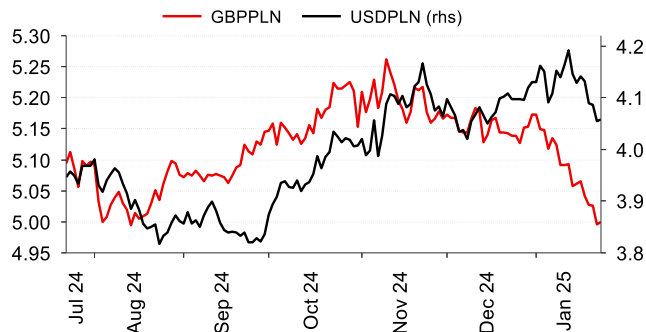
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EURPLN and EURUSD



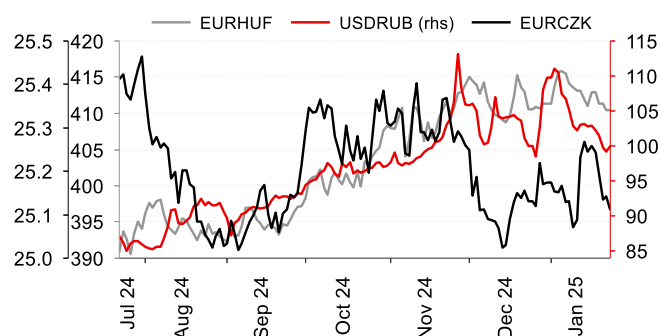
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



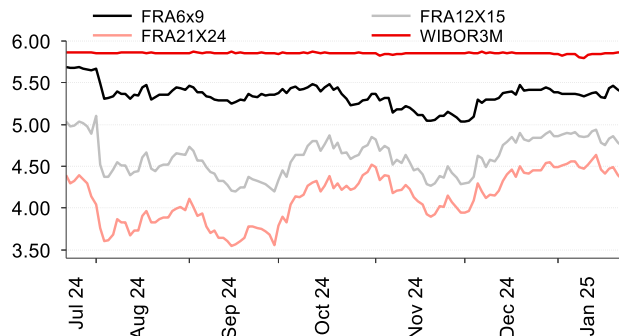
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



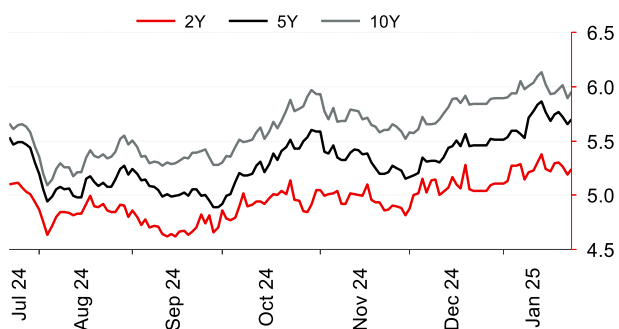
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



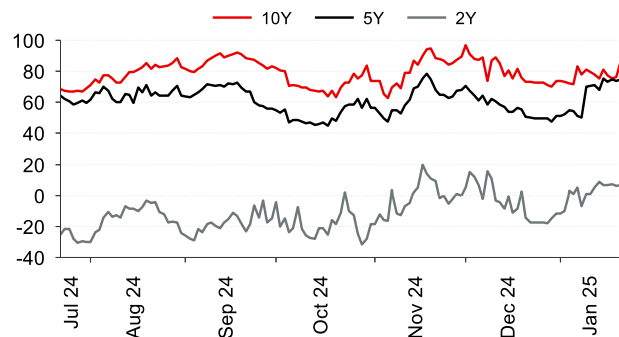
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



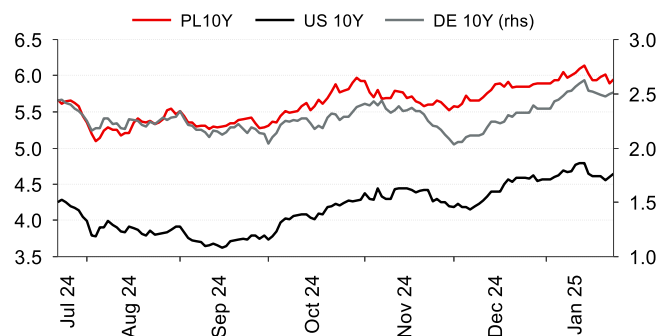
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



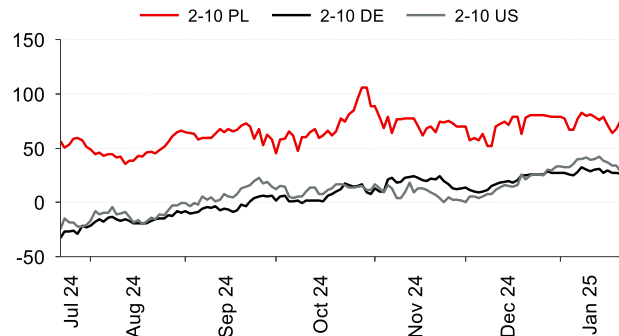
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

| TIME CET | COUNTRY | INDICATOR | PERIOD | FORECAST | | LAST VALUE | |
|------------------------|---------|----------------------------|--------|----------|-----------|---------------|-------|
| | | | | MARKET | SANTANDER | | |
| MONDAY (27 January) | | | | | | | |
| 10:00 | DE | IFO Business Climate | Jan | pts | 84.7 | - | 84.7 |
| 10:00 | PL | Unemployment Rate | Dec | % | 5.1 | 5.0 | 5.0 |
| 16:00 | US | New Home Sales | Dec | % m/m | 6.6 | - | 5.9 |
| TUESDAY (28 January) | | | | | | | |
| 14:00 | HU | Central Bank Rate Decision | Jan | % | 6.5 | - | 6.5 |
| 14:30 | US | Durable Goods Orders | Dec | % m/m | 0.8 | - | -1.2 |
| 16:00 | US | Consumer Conference Board | Jan | pts | 105.6 | - | 104.7 |
| WEDNESDAY (29 January) | | | | | | | |
| 20:00 | US | FOMC decision | Jan | | 4.5 | - | 4.5 |
| THURSDAY (30 January) | | | | | | | |
| 08:30 | HU | GDP | 4Q | % y/y | 0.2 | - | -0.8 |
| 10:00 | PL | GDP | 2024 | % y/y | 2.8 | 2.8 | 0.1 |
| 10:00 | DE | GDP WDA | 4Q | % y/y | -0.1 | - | -0.3 |
| 11:00 | EZ | GDP SA | 4Q | % y/y | 1.0 | - | 0.9 |
| 11:00 | EZ | Unemployment Rate | Dec | % | 6.3 | - | 6.3 |
| 11:00 | EZ | ESI | Jan | pct. | 94.1 | - | 93.7 |
| 14:15 | EZ | ECB Main Refinancing Rate | Jan | % | 2.9 | - | 3.15 |
| 14:30 | US | GDP Annualized | 4Q | % Q/Q | 2.6 | - | 3.1 |
| 14:30 | US | Initial Jobless Claims | weekly | k | 220 | - | 223 |
| 16:00 | US | Pending Home Sales | Dec | % m/m | -1.0 | - | 2.2 |
| FRIDAY (31 January) | | | | | | | |
| 08:00 | DE | Retail Sales | Dec | % m/m | -0.2 | - | -0.1 |
| 09:00 | CZ | GDP SA | 4Q | % y/y | 1.6 | - | 1.4 |
| 14:00 | DE | HICP | Jan | % m/m | -0.3 | - | 0.7 |
| 14:30 | US | Personal Spending | Dec | % m/m | 0.5 | - | 0.4 |
| 14:30 | US | Personal Income | Dec | % m/m | 0.4 | - | 0.3 |
| 14:30 | US | PCE Deflator SA | Dec | % m/m | 0.3 | - | 0.1 |

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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