

Weekly Economic Update

January's data affected by frost

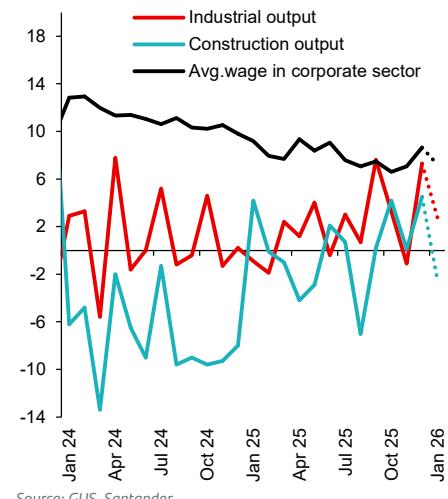
Economy next week

- After January inflation, which fell by less than expected to 2.2% y/y, the coming week will bring the release of further domestic January data. On Thursday, figures for **wages and employment in the enterprise sector, industrial and construction output, and PPI** will be published. This may be a series of rather weak-looking indicators, especially when compared with the very strong December readings. Economic activity at the start of the year was significantly disrupted not only by calendar effects (one fewer working day than a year earlier) but also by an exceptionally harsh winter. **We discuss the potential implications of winter conditions for the economy in a commentary published today** ([link](#)). As a result, we expect (in line with market consensus) a slowdown in the growth of output and wages. Such readings should help sustain expectations of an NBP interest rate cut in March, which were dented by today's higher-than-forecast inflation print.
- On Wednesday, GUS will publish the **consumer confidence** report, and on Friday the **business confidence** survey – in both cases we expect a further slight improvement in sentiment in February.
- Abroad, there will be a substantial flow of new information. In the US, Monday is a public holiday, after which data will be released including durable goods orders, industrial production, the PCE deflator, and consumer sentiment. In Europe, releases will include industrial production, inflation, and preliminary PMI indices for February.

Markets next week

- The EURPLN exchange rate remains stable, fluctuating between 4.20 and 4.23 since mid-December. Our thesis from last week, that domestic data releases could revive expectations for interest rate cuts and thus weaken the zloty, did not materialise. Data releases in the coming week are unlikely to be impressive, but this should already be priced in. As a result, we expect the sideways trend on the currency market to continue.
- Currency stability and considerable fluctuations on the stock markets have been accompanied in recent days by a marked strengthening on the bond markets. The trend was global, but Polish securities were undoubtedly favoured by macroeconomic data: accelerating GDP and a slower-than-expected decline in inflation mean less risk for this year's budget performance. The yield on domestic 10-year bonds fell below 5% for the first time since March 2022, ASW spreads narrowed quite significantly, and the bond curve flattened slightly in the 2-10L segment. The direction for the coming days will likely be set by the core markets. We expect stabilisation after such a marked strengthening, especially with January data readings looking worse than expected.

Wage and production growth, % y/y

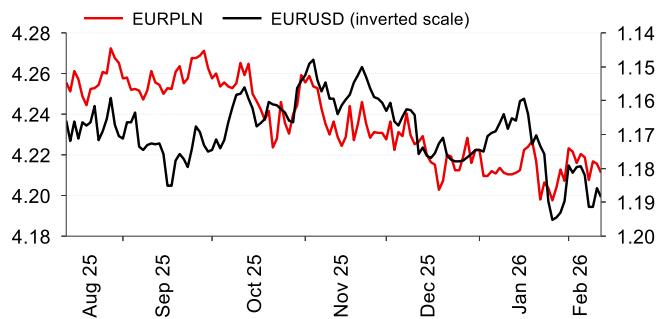


Source: GUS, Santander

Economic Analysis Department:

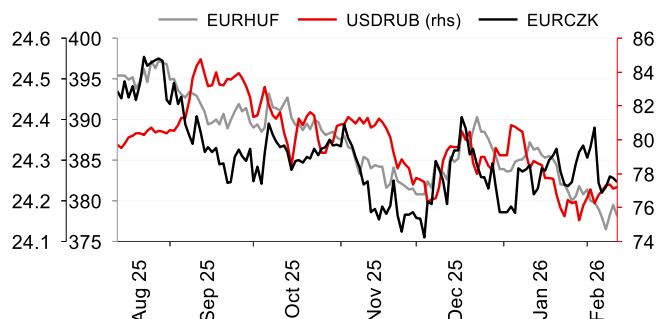
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EURPLN and EURUSD



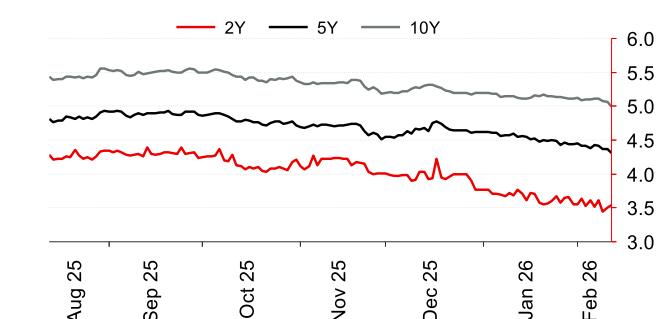
Source: LSEG Datastream, Santander

EURCZK, EURHUF and USDRUB



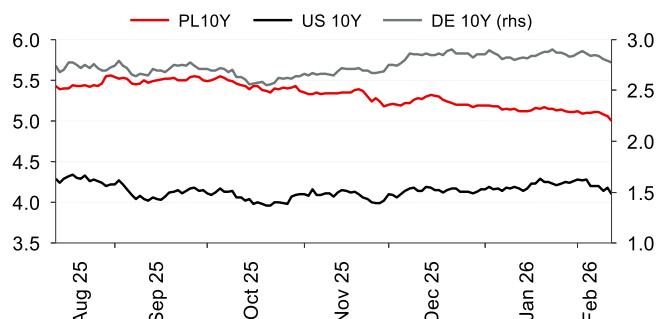
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



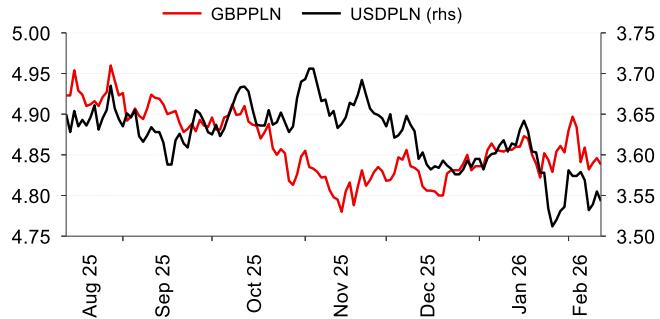
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



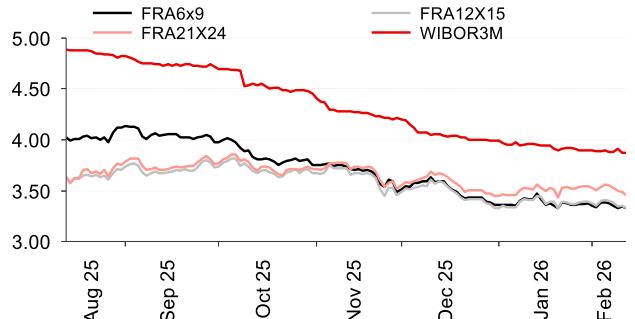
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



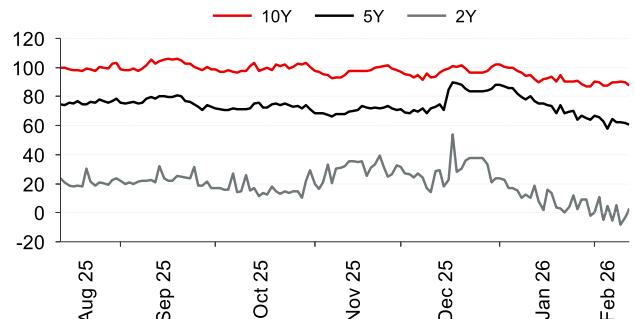
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



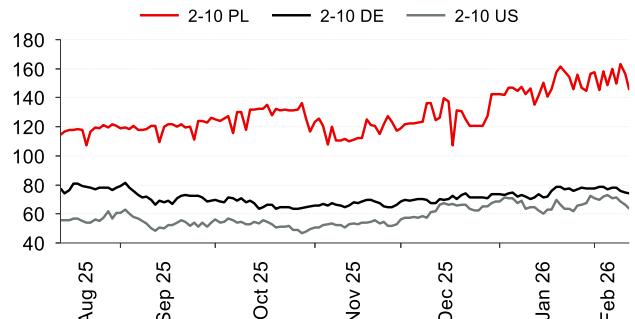
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



Source: LSEG Datastream, Santander Bank Polska

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

| TIME CET | COUNTRY | INDICATOR | PERIOD | FORECAST MARKET | FORECAST SANTANDER | LAST VALUE |
|--------------------------------|---------|--------------------------------|--------|--------------------|-----------------------|---------------|
| MONDAY (16 February) | | | | | | |
| 11:00 | EZ | Industrial Production SA | Dec | % m/m | -1.5 | 0.7 |
| TUESDAY (17 February) | | | | | | |
| 08:00 | DE | HICP | Jan | % m/m | -0.1 | -0.1 |
| 11:00 | DE | ZEW Survey Current Situation | Feb | pts | -65.7 | -72.7 |
| WEDNESDAY (18 February) | | | | | | |
| 14:30 | US | Durable Goods Orders | Dec | % m/m | -1.7 | 5.3 |
| 14:30 | US | Housing Starts | Dec | % m/m | 6.3 | -4.6 |
| 15:15 | US | Industrial Production | Jan | % m/m | 0.4 | 0.4 |
| 20:00 | US | FOMC Meeting Minutes | Jan.26 | | | |
| THURSDAY (19 February) | | | | | | |
| 10:00 | PL | Employment in corporate sector | Jan | % y/y | -0.7 | -0.7 |
| 10:00 | PL | Average Gross Wages | Jan | % y/y | 7.2 | 7.2 |
| 10:00 | PL | Sold Industrial Output | Jan | % y/y | 1.7 | 2.8 |
| 10:00 | PL | Construction Output | Jan | % y/y | -5.0 | -2.5 |
| 10:00 | PL | PPI | Jan | % y/y | -2.3 | -2.5 |
| 14:30 | US | Initial Jobless Claims | week | k | 223 | 227 |
| 16:00 | US | Pending Home Sales | Jan | % m/m | 2.5 | -9.3 |
| FRIDAY (20 February) | | | | | | |
| 09:30 | DE | Germany Manufacturing PMI | Feb | pts | 49.6 | 49.1 |
| 09:30 | DE | Markit Germany Services PMI | Feb | pts | 52.5 | 52.4 |
| 10:00 | EZ | Eurozone Manufacturing PMI | Feb | pts | 50.0 | 49.5 |
| 10:00 | EZ | Eurozone Services PMI | Feb | pts | 51.9 | 51.6 |
| 14:30 | US | GDP Annualized | 4Q | % Q/Q | 2.8 | 4.4 |
| 14:30 | US | Personal Spending | Dec | % m/m | 0.4 | 0.5 |
| 14:30 | US | Personal Income | Dec | % m/m | 0.3 | 0.3 |
| 14:30 | US | PCE Deflator SA | Dec | % m/m | 0.3 | 0.2 |
| 16:00 | US | Michigan index | Feb | pts | 56.9 | 57.3 |
| 16:00 | US | New Home Sales | Dec | % m/m | -0.3 | -0.1 |

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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