

26 March 2021

Weekly Economic Update

Zloty under pandemic pressure

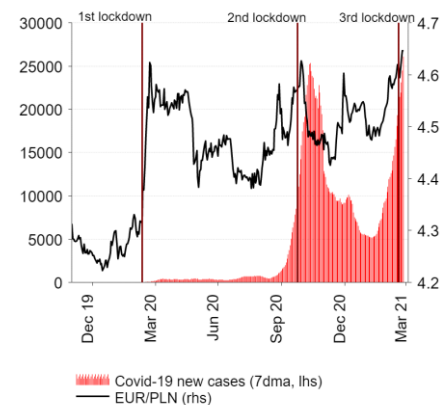
What's hot next week

- At the weekend additional restrictions will enter into force (e.g. closure of DIY stores, beauty salons, kindergartens and nurseries), which according to the government will last until 9 April. If this was the actual end date (or even, what we feel is more probable, these restrictions would hold until after the holiday period at the start of May) this would not dramatically affect our macroeconomic scenario. Our base scenario for some time now assumed that 1Q and 2Q21 will see limited economic activity due to the lingering problems with the pandemic.
- That said, the pace of the pandemic is currently so high that, in our view, with every day the risk is rising that more restrictions will be necessary (e.g. a proper lockdown ordering people to stay at home) and the longer it takes to launch them the longer they will later last. In a negative scenario (not our base case yet) it cannot be excluded that in 2Q GDP might fall q/q. This would require a significant downside adjustment of the GDP forecast for the whole year. Much depends on the development of the pandemic, which is why news on the subject may be key for the markets in the coming days.
- The final week before Easter is likely to see limited market activity, nevertheless the calendar includes some interesting macro events. Abroad, German retail sales and inflation will be released, as well as European ESI and PMI indexes of business sentiment, plus some US data: consumer sentiment, non-farm payrolls.
- In Poland, key releases will be flash March inflation (Wednesday) and manufacturing PMI (Thursday). Our forecasts point to an acceleration of CPI in March to 3.0% y/y, mainly on rising fuel prices (by c.7-8% m/m). The market consensus is at 2.8% y/y. However, core inflation will in our view decrease to 3.4% y/y. The PMI index is likely to rise once more (our forecast 54.9 pts, consensus 55.4) following the counterparts from other UE countries. PMI level is being pushed up not only by the prevailing strong demand, but also, paradoxically – by problems with deliveries (which is a consequence of the method of calculation of the index).
- On Friday, 2 April, S&P plans to issue a review of Poland's rating. We do not expect any change.
- After Easter holidays the calendar of economic publications will be lighter. Locally, the only event to mention will be the MPC meeting on Wednesday, 7 April. When announcing tougher restrictions, the government has asked all public administration units to switch to remote work where possible and the MPC chose not to hold its meetings in the form of video calls during the pandemic. Anyway, the result of the meeting seems easy to guess: rates unchanged and a declaration that there are no reasons to change them still in this term of office (such communication seems clear given the many recent media appearances and articles of the NBP governor).

Markets next week

- The rising Covid-19 wave (and thus worries about recovery) coupled with end-of-month and end-of-quarter effects (window dressing and banks' usual interest in moving excess liquidity to T-bonds due to the bank tax) will be supportive for Polish T-bonds in the upcoming days. On the other hand, yields have been declining since early March and it seems that the correction has been advanced already. We think that 10Y yields are unlikely to go below 1.40% and after Easter the market could take a hit again, especially if CPI data surprise to the upside and US yields go further up.
- In line with our expectations, the zloty is reacting negatively to the new pandemic wave, the stronger dollar and higher NBP activity in bond purchases. It seems that the upward momentum of EURPLN is still strong and 4.70 remains within range.

EURPLN and pandemic situation in Poland



Source: Refinitiv Datastream, Santander Bank Polska

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Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
TUESDAY (30 March)						
11:00	EZ	ESI	Mar	pct.	94.75	93.4
14:00	DE	HICP	Mar	% m/m	0.5	0.6
16:00	US	Consumer Conference Board	Mar	pts	96.0	91.3
WEDNESDAY (31 March)						
10:00	PL	CPI	Mar	% y/y	2.8	3.0
11:00	EZ	Flash HICP	Mar	% y/y	1.35	0.9
14:15	US	ADP report	Mar	k	500.0	117.1
16:00	US	Pending Home Sales	Feb	% m/m	-2.65	-2.8
THURSDAY (1 April)						
08:00	DE	Retail Sales	Feb	% m/m	1.0	-6.5
09:00	CZ	GDP SA	4Q	% y/y	-4.7	-4.7
09:00	PL	Poland Manufacturing PMI	Mar	pts	55.4	54.9
09:55	DE	Germany Manufacturing PMI	Mar	pts	66.6	66.6
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	62.4	62.4
14:30	US	Initial Jobless Claims	Mar/21	k	730.0	684.0
16:00	US	ISM manufacturing	Mar	pts	61.0	60.8
FRIDAY (2 April)						
14:30	US	Change in Nonfarm Payrolls	Mar	k	600.0	379.0
14:30	US	Unemployment Rate	Mar	%	6.0	6.2
MONDAY (5 April)						
16:00	US	Durable Goods Orders	Feb	% m/m		-1.1
16:00	US	ISM services	Mar	pts	57.25	55.3
16:00	US	Factory Orders	Feb	% m/m	-1.0	2.6
TUESDAY (6 April)						
03:45	CN	Caixin China PMI Services	Mar	pts	52.1	51.5
11:00	EZ	Unemployment Rate	Feb	%	-	8.1
WEDNESDAY (7 April)						
	PL	MPC decision		%	-	0.1
09:55	DE	Markit Germany Services PMI	Mar	pts	46.5	50.8
10:00	EZ	Eurozone Services PMI	Mar	pts	46.0	48.8
20:00	US	FOMC Meeting Minutes	Mar/21		-	0.0
THURSDAY (8 April)						
08:00	DE	Factory Orders	Feb	% m/m	-	1.4
09:00	CZ	Industrial Production	Feb	% y/y	-	-4.4
09:00	HU	Industrial Production SA	Feb	% y/y	-	-2.84
08:00	DE	Exports SA	Feb	% m/m	-	1.5
08:00	DE	Industrial Production SA	Feb	% m/m	-	-2.5
09:00	HU	CPI	Mar	% y/y	-	3.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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