

Weekly Economic Update

New deal on the Polish debt market

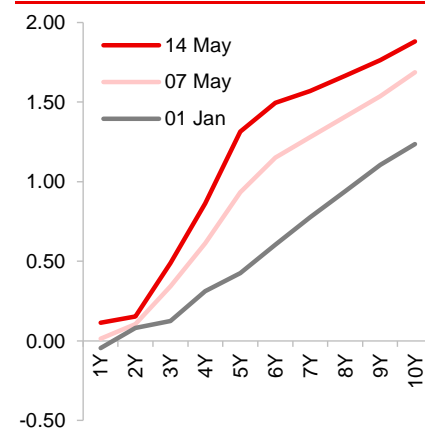
Economy next week

- The passing week was particularly interesting on the financial markets (big spikes in bond yields, equity declines), while the upcoming one will surely be not boring either. The calendar is full of important events both in Poland and abroad.
- As early as this weekend the ruling party PiS (Prawo i Sprawiedliwość) will present its new economic program called **Polski Nowy Ład** (Polish New Deal), and the markets will focus on the details of the program at the start of the week.
- On Monday the **April core CPI** will be published. Despite the fact that we already know the details of the headline CPI print, the range of economic forecasts is pretty wide (from 3.7% y/y to 3.9% y/y). Our forecast is close to the lower band of the range.
- On Thursday we will get to see **April's wages and employment**, on Friday – **construction output and PPI**. Labour market statistics are likely to be impressive (wage growth close to 10% y/y), mostly thanks to low base effect, data after correction for this effect should prove rather normal. In construction we are likely to see another month with negative growth rate (weather was less supportive in 2021 and statistical base from 2020 was still high).
- The agenda also includes **May sentiment indexes** from GUS: on Thursday the consumer survey, on Friday the business confidence measures.
- Abroad, market will focus on 1Q2021 GDP in Europe, flash May PMIs for manufacturing and services, US housing market data and FOMC minutes.

Markets next week

- On the domestic debt market there was a massive sell-off during the week, caused by both the global rise of yields (inflation data surprises caused a surge of reflation expectations) and the fallout of the NBP governor's press conference held last Friday. His remark that the start of rate hikes under the still active unlimited QE program would be illogical made the market worried that NBP bond purchases may soon end. As a result the last QE auction failed to prevent a substantial rise of domestic yield. At the same time, the market finds it increasingly likely that NBP rate hikes are coming closer, which caused a flattening of the IRS curve. In the nearest future we do not exclude some correction, especially if, in line with what we expect, the data coming this week do not fuel inflation expectations.
- The long-awaited ruling of the Supreme Court, which was supposed to be out on Wednesday 12 May, has been delayed indefinitely (the institutions the Court asked for opinions have 30 days to send in their replies, there is still no set date of the next Supreme Court meeting). As a result the risk premium linked to the event decreased significantly. The large rise of market rates in Poland was also important for the exchange rate. EURPLN dropped by 0.7% in a week, to 4.52. We expect it to decline some more in the coming week, towards 4.50 or even lower, noting that there is an important technical level on the way, the 200-day moving average, which might slow down the move.

Polish yield curve, government bonds



Source: Refinitiv Datastream, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: www.santander.pl/en/economic-analysis

Piotr Bielski +48 22 534 18 87

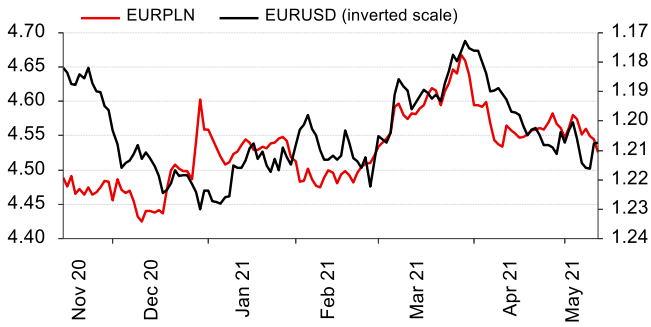
Marcin Luzziński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 18 84

Wojciech Mazurkiewicz +48 22 534 18 86

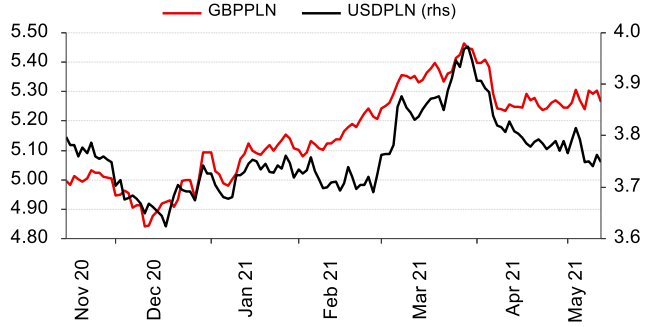
FX and FI markets

EURPLN and EURUSD



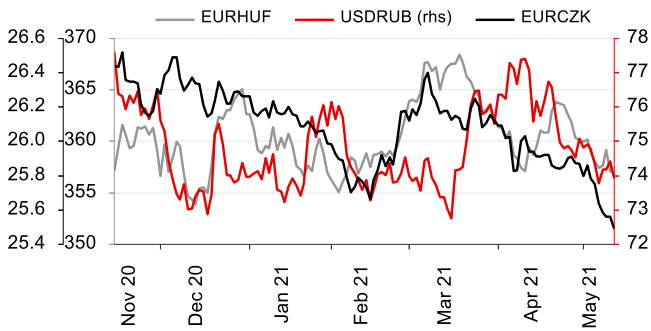
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



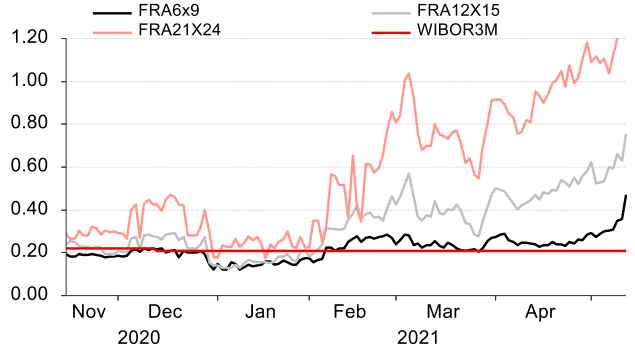
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



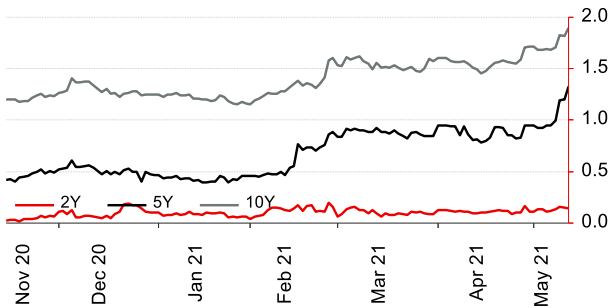
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



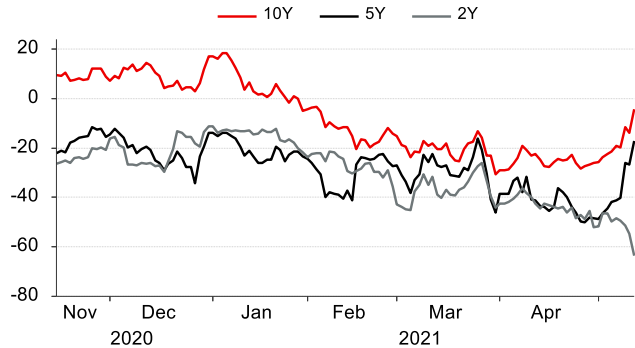
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



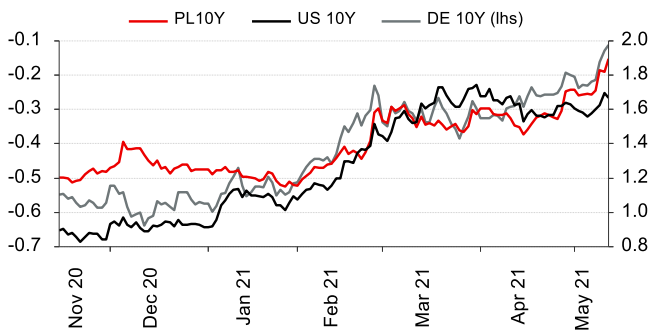
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



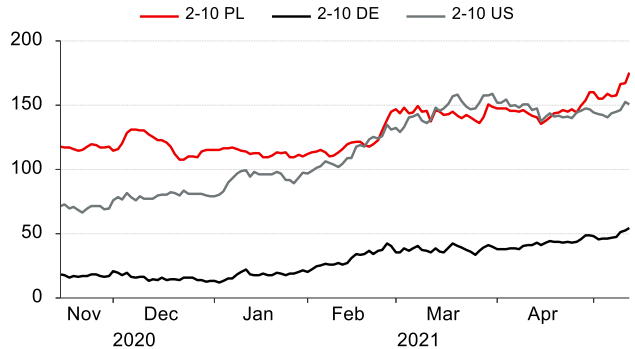
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander Bank Polska

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (17 May)							
14:00	PL	CPI Core	Apr	% y/y	3.8	3.7	3.9
TUESDAY (18 May)							
09:00	HU	GDP	1Q	% y/y	-3.7		-3.6
11:00	EZ	GDP SA	1Q	% y/y	-1.8		-1.8
14:30	US	Housing Starts	Apr	% m/m	-2.0		19.4
WEDNESDAY (19 May)							
11:00	EZ	CPI	Apr	% y/y	1.6		1.3
20:00	US	FOMC Meeting Minutes	Apr/21				
THURSDAY (20 May)							
10:00	PL	Consumer confidence					
10:00	PL	Employment in corporate sector	Apr	% y/y	1.1	1.1	-1.3
10:00	PL	Average Gross Wages	Apr	% y/y	9.9	9.9	8.0
14:30	US	Initial Jobless Claims		k			473.0
14:30	US	Index Philly Fed	May		43.2		50.2
FRIDAY (21 May)							
09:30	DE	Germany Manufacturing PMI	May	pts	66.0		66.4
09:30	DE	Markit Germany Services PMI	May	pts	52.0		49.9
10:00	EZ	Eurozone Manufacturing PMI	May	pts	62.3		62.9
10:00	EZ	Eurozone Services PMI	May	pts	52.0		50.5
10:00	PL	Business confidence					
10:00	PL	Construction Output	Apr	% y/y	-7.6	-7.6	-10.8
10:00	PL	PPI	Apr	% y/y	4.9	4.5	3.9
16:00	US	Existing Home Sales	Apr	% m/m	0.8		-3.7

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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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.