

Weekly Economic Update

Next positive data coming up

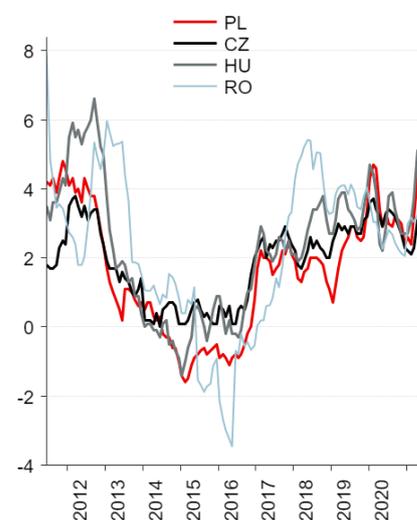
Economy next week

- In the recent weeks there were many data releases that made us revise up our GDP and CPI forecasts: **we expect Polish economic growth to be close to 5%, and CPI to near 4%, both this year and in 2022** (more details in [MACROscope Lite](#)). The scenario of significant heating up of the economy is in our view an ever stronger argument to consider monetary policy normalisation (deeply negative real interest rates are becoming less and less desirable).
- [The press release](#) after the June MPC meeting offers no signs that the Council thinks in a similar way – the emphasis was put on communication that the elevated inflation came almost entirely from temporary or policy-independent factors and it is acceptable to tolerate its deviation from the target for some time. Today at 15:00 CET the video conference of NBP governor Adam Glapiński takes place. A month ago the governor [de facto withdrew](#) from earlier pledge of long-term stabilisation of rates and infinite QE, but at the same time he did not want to openly admit changing his view. Even if the MPC sticks to its dovish rhetoric in the nearest future, **we do not rule out that by the end of this year (possibly in November) it may decide to pass a minor rate hike (+15bp), when it should be quite obvious that the rise of inflation is much more durable than it seemed and the risk of significant economic damage from the next Covid-19 waves is not materialising.**
- New bout of data in the upcoming week: in Poland balance of payments (Monday), final CPI (Tuesday) and core inflation (Wednesday), wages and employment (Friday). Abroad: FOMC meeting (Wednesday), inflation and output in the euro zone, output and sales in USA.
- Poland's foreign trade data are likely to be positive – high current account surplus (our forecast sits well above the consensus), growth rate of exports above 60% (low base effect!) – which can temporarily support the zloty.
- Final inflation print is likely to confirm the flash reading at 4.8% y/y, showing at the same time that the core inflation inched up again to 4.0% y/y, undermining the central bank's claims that the price rise results entirely from exogenous factors.
- Labour market data also should look solid: wage growth at c. 10% y/y, employment growth at 2.5% y/y, being consistent with the scenario of reviving consumption.

Markets next week

- The dovish MPC communique has weakened the zloty, as before the MPC meeting the common expectation (which we shared) was that the rhetoric might slightly turn toward the less dovish one. As a result, the PLN noticeably detached from other CEEMEA currencies most of which strengthened during the week. After the weekend the zloty might catch up with them (EURPLN towards 4.45) due to good global sentiment and solid local macro data which might support expectations that monetary policy normalisation is indeed justified. Overall, market activity may be reduced somehow as the EURO2020 Football Championship starts.
- Yields of POLGBS, IRS and at the end of the week also the FRA fell a lot, not only as a reaction to the MPC meeting but also following the core markets. At the start of the next week the FI trend in Poland might depend on the outcome of today's conference of NBP governor but also on the sentiment abroad. In our opinion the declines in yields that took place in the last few days are temporary and will rebound soon which will be helped by macroeconomic data which would support the scenario of strong economic rebound and elevated inflation.

Inflation rates in CEE, % y/y



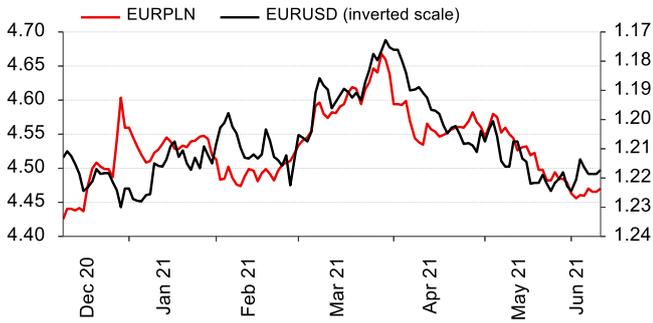
Źródło: Refinitiv Datastream, Santander

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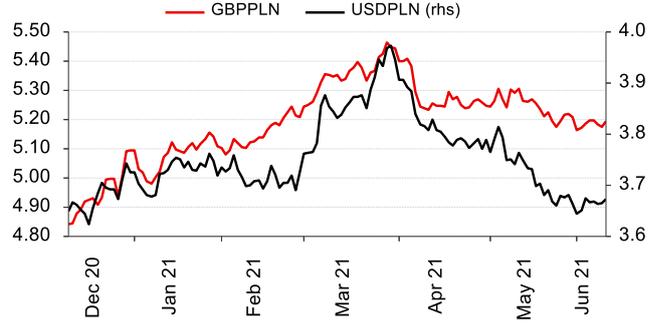
FX and FI markets

EURPLN and EURUSD



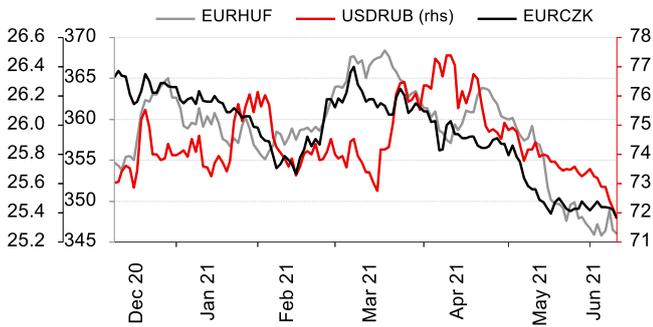
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



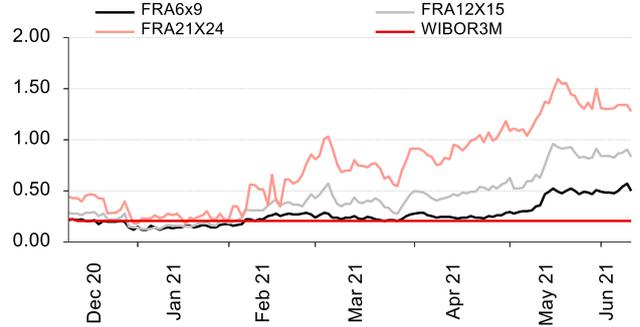
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



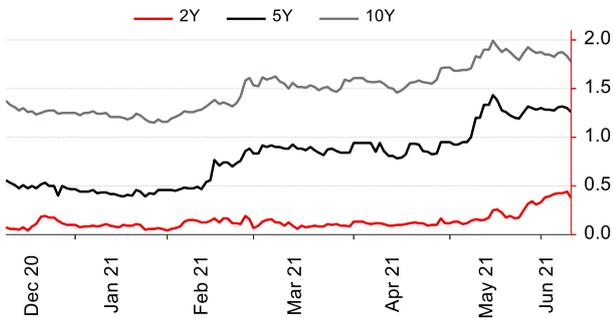
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



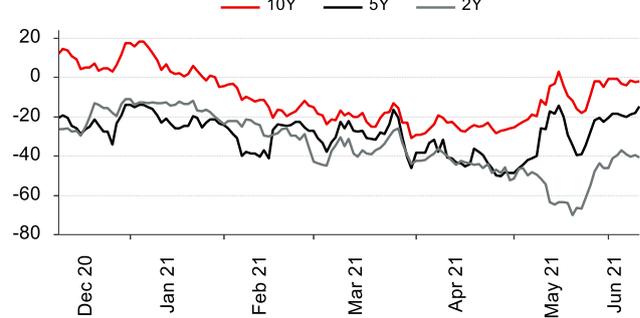
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



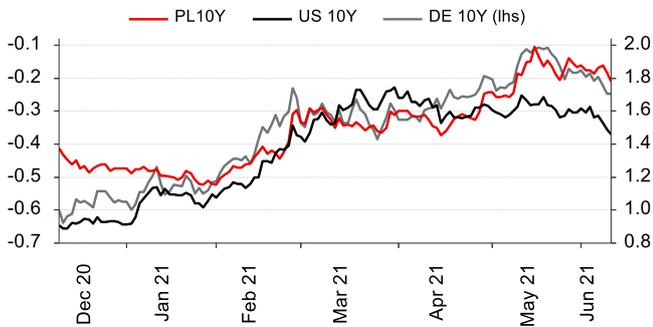
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



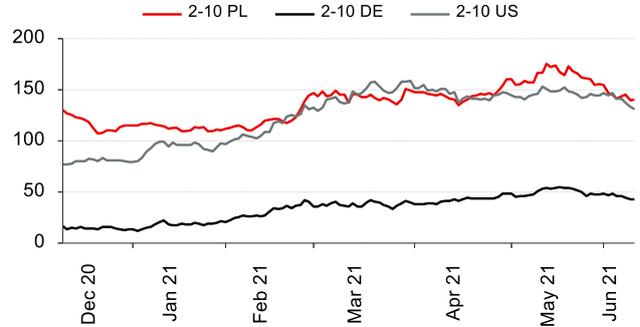
Source: Refinitiv Datastream, Santander Bank Polska

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 (14 June)							
11:00	EZ	Industrial Production SA	Apr	% m/m	0.4	0.1	
14:00	PL	Current Account Balance	Apr	€mn	997	1721	938
14:00	PL	Trade Balance	Apr	€mn	300	712	589
14:00	PL	Exports	Apr	€mn	22610	22782	24427
14:00	PL	Imports	Apr	€mn	22378	22065	23838
TUESDAY (15 June)							
08:00	DE	HICP	May	% m/m	0.3	0.3	
10:00	PL	CPI	May	% y/y	4.8	4.8	4.3
14:30	US	Retail Sales Advance	May	% m/m	-0.4	0.0	
15:15	US	Industrial Production	May	% m/m	0.6	0.6	
WEDNESDAY (16 June)							
14:00	PL	CPI Core	May	% y/y	4.1	4.0	3.9
14:30	US	Housing Starts	May	% m/m	5.2	-9.5	
20:00	US	FOMC decision	Jun/21		0.25	0.25	
THURSDAY (17 June)							
11:00	EZ	HICP	May	% y/y	2.0	2.0	
14:30	US	Initial Jobless Claims	Jun/21	k	370	376	
14:30	US	Index Philly Fed	Jun		30.5	31.5	
FRIDAY (18 June)							
10:00	PL	Employment in corporate sector	May	% y/y	2.5	2.5	0.9
10:00	PL	Average Gross Wages	May	% y/y	10.5	10.2	9.9

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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