

16 July 2021

Weekly Economic Update

Week rich in domestic data

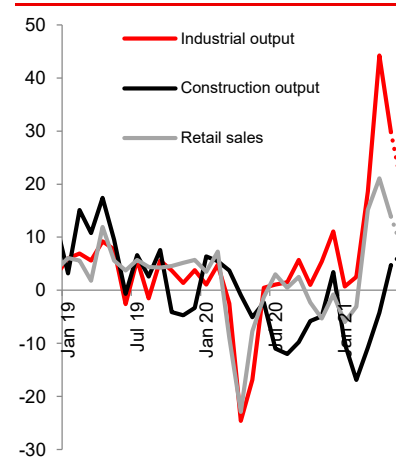
Economy next week

- In the coming week **a lot of important June macroeconomic data are due for release in Poland**: on Monday labour market data, on Tuesday **industrial production** and PPI inflation, on Wednesday construction output and **retail sales**, on Thursday money supply, while on Friday unemployment rate and the Statistical Bulletin. Our forecasts are roughly in line with the current market consensus and point to a further economic rebound, even though most numbers will be lower than in May due to statistical base effects.
- **The calendar of the data publications abroad is less dense**, in Europe important events and publications take place in the second part of the week. On Thursday the **ECB meeting** is taking place, and according to announcement by president Christine Lagarde, the forward guidance policy will be adjusted (the current one assumes bond purchases as long as it remains necessary as well as keeping interest rates low as long as the inflation outlook converges with the inflation target for good). According to Ms Lagarde, favourable financing conditions are here to stay, while the PEPP (Pandemic Emergency Purchase Programme) is likely to be modified. On Friday we will get to see preliminary July **PMI data** in manufacturing and services for Eurozone and Germany. Lately the data from the European manufacturing disappointed hence forecasts regarding manufacturing PMI imply slight declines. The expectations towards services PMIs are optimistic.
- On Tuesday the **People's Bank of China decides on interest rates** – no changes are expected despite the unexpected cut to the reserve requirements rate in the passing week to 12.0% from 12.5%. In the US there data from the real estate markets are scheduled for Tuesday (starts) and Thursday (existing home sales).

Markets next week

- EURPLN at 4.5850 has already gone up 1.4% since the end of June. Within the EM FX space last week only the Hungarian forint which fared worse than the zloty. The escalation of conflict with the EU regarding the rule of law is not helping any of the two currencies. On top of that, at the moment NBP seems to be the most dovish central bank within the CEE region, while after the NBP governor Glapiński conference the expectations for rate hikes this year fell even further. All above probably means that the zloty is going to underperform going forward – **in the coming week we expect EURPLN to increase to 4.65 (+1.4%)**.
- In the week about to start, on 23 July there will be the MF outright sale bond auction worth PLN4-8bn, but no BGK bond auction (it is scheduled for 28 July). Soon bonds worth PLN11.7bn worth mature. Moreover, the liquidity in the banking sector is still elevated – today NBP accepted a record PLN234.5bn worth of bids for NBP 7-day bills. Hence the resulting demand for bonds might keep ASW tight or even tighten them a bit, however later on we expect the ASW to resume widening trend. **In the next week we expect rather stable 10Y bond yields in the 1.60-1.70% range.**

Output and retail sales, % y/y



Source: NBP, GUS, Santander

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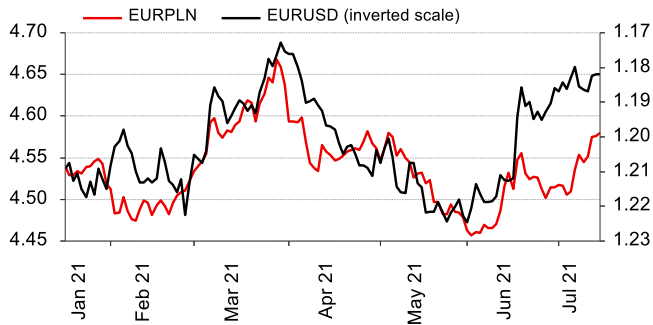
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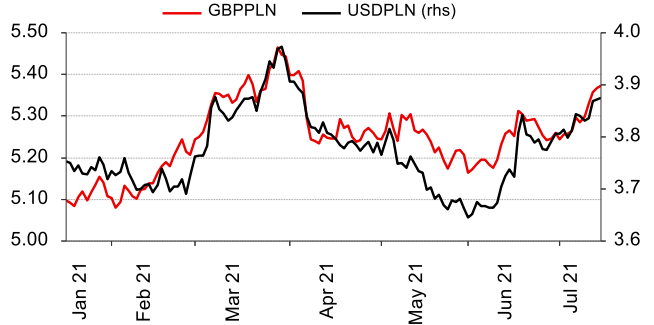
FX and FI markets

EURPLN and EURUSD



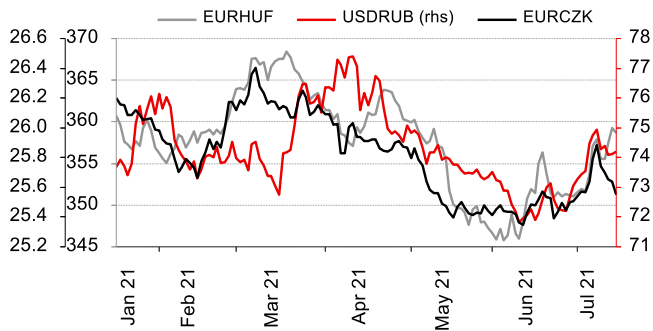
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



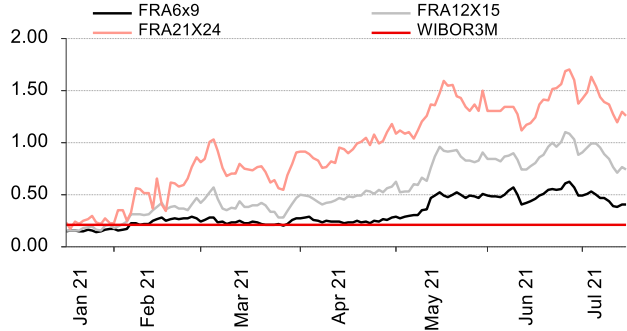
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



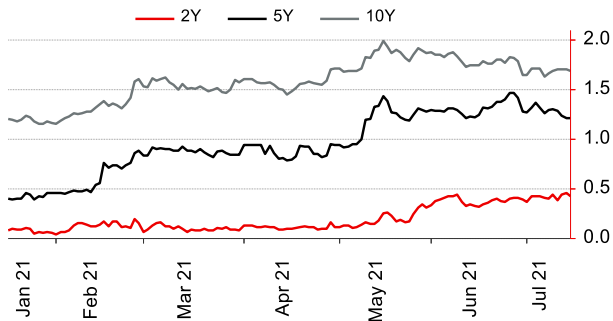
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PLN FRA and WIBOR3M



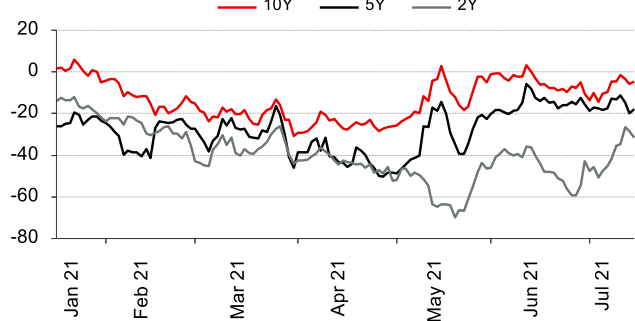
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



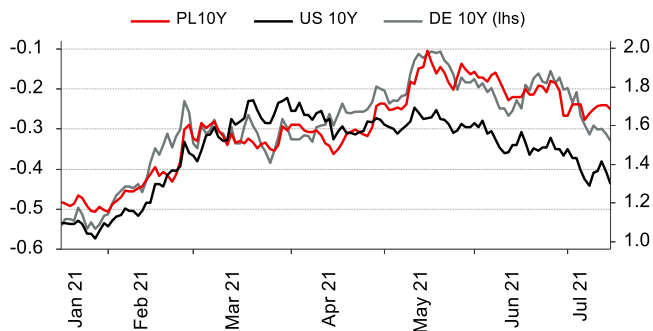
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



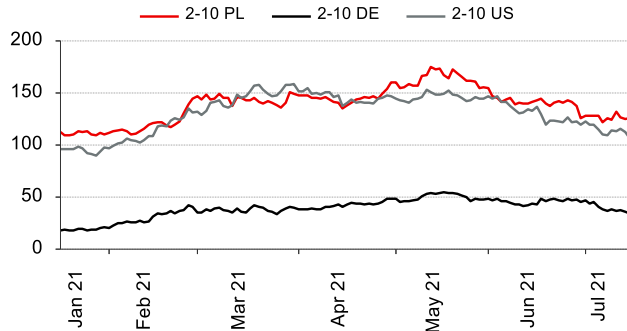
Source: Refinitiv Datastream, Santander Bank Polska

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 (19 July)							
10:00	PL	Employment in corporate sector	Jun	% y/y	2.7	2.7	2.7
10:00	PL	Average Gross Wages	Jun	% y/y	9.3	8.8	10.1
TUESDAY (20 July)							
10:00	PL	Sold Industrial Output	Jun	% y/y	18.0	19.0	29.8
10:00	PL	PPI	Jun	% y/y	6.8	7.0	6.5
14:30	US	Housing Starts	Jun	% m/m	1.2		3.6
WEDNESDAY (21 July)							
10:00	PL	Construction Output	Jun	% y/y	6.8	7.0	4.7
10:00	PL	Retail Sales Real	Jun	% y/y	9.0	7.6	13.9
THURSDAY (22 July)							
13:45	EZ	ECB Main Refinancing Rate	Jul/21	%	0.0		0.0
14:00	PL	Money Supply M3	Jun	% y/y	7.5	7.9	9.0
14:30	US	Initial Jobless Claims		k			360.0
16:00	US	Existing Home Sales	Jun	% m/m	2.6		-0.9
FRIDAY (23 July)							
09:30	DE	Germany Manufacturing PMI	Jul	pts	64.6		65.1
09:30	DE	Markit Germany Services PMI	Jul	pts	60.0		57.5
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	62.5		63.4
10:00	EZ	Eurozone Services PMI	Jul	pts	60.0		58.3
10:00	PL	Unemployment Rate	Jun	%	6.0	6.0	6.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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