

16 August 2021

# Eyeopener

## Week rich in Polish macroeconomic data

2Q21 GDP at 10.9% y/y, July CPI at 5.0% y/y  
 Core market yields lower after worse than expected US data  
 Dollar weaker, EURPLN and POLGBs stable  
 Today July core CPI, Polish government deadline for reply (re Disciplinary Chamber)

On Friday the markets were calm most of the day, however the much worse-than-expected preliminary results of August University of Michigan consumer survey caused a rise of worries among investors about US economic growth. The sentiment index dropped to the lowest level since 2011, i.e. 70.2 pts from 81.2, the index of current situation assessment dropped to 77.9 from 84.5 and the index of expectations to 65.2 from 79.0 a month ago. The reasons for the 11-point drop of the headline index were the spread of Covid-19, decreasing real incomes due to high inflation and worries about economic prospects. If the sentiment stays low for longer it might affect consumer spending and economic growth in the coming quarters. In response to the data the 10Y UST yield fell by 4bp to 1.31% and Bund by 2bp to -0.47%, the dollar lost c.0.4%. In Germany, the July wholesale prices inflation (WPI) rose by 11.3% y/y vs. 10.7% a month earlier. This morning the Chinese data on July industrial output (6.4% y/y) and sales (8.5% y/y) were worse than expected which might additionally weigh on market mood.

**GDP growth in 2Q21** was very strong at 10.9% y/y, not only due to the base effect but also due to solid revival after lifting restrictions, which is confirmed by high 1.9% q/q s.a. increase. Meanwhile, **final CPI** data confirmed 5.0% y/y level in July, driven not only by more expensive food and fuel but also the core component, including prices of goods rising due to supply-side bottlenecks and services prices up after the re-opening of the economy. Both rapid economic growth and elevated inflation bring us closer and closer to the monetary policy normalisation, which we think will start in November.

**Current account balance in June** reached €281m (slightly above our forecast), as trade balance reached surplus €761m, services surplus €2036m, while balances of primary and secondary income were in deficits (-€2158m and -€358m, correspondingly). The cumulative 12-month current account surplus decreased in June to 2.3% of GDP (in line with our forecast) and we think it will keep shrinking in the coming months, amid rapid imports expansion. Export and import growth rates decelerated but remained in double digits (23.9% y/y and 36.3% y/y, respectively). High export growth was recorded in case of car batteries, TV receivers, car parts, train cars; on the imports side mainly supply products were rising quickly.

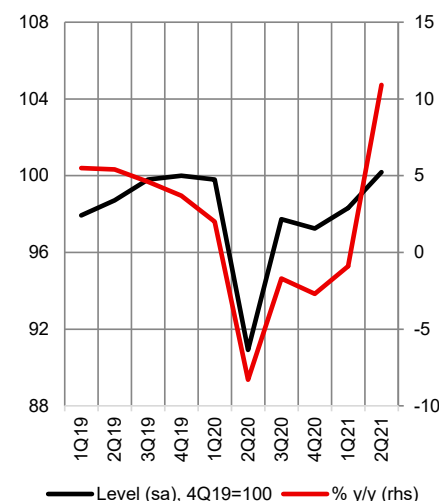
**EURUSD** has increased by 0.4% to 1.1785 but only as a reaction to the much weaker than expected University of Michigan index. Before that, for the most part of Friday trading, the currency pair was stable. During the whole previous week the EURUSD has gained 0.3%.

**EURPLN** on Friday has not changed on a daily basis, it has not changed on a weekly basis either – it closed near 4.5750 and the daily range was just a 1 figure. In the coming week we are not excluding the possibility of the EURPLN to test the 4.6000 level or even breaking higher especially if the data coming out of the US will allow for stronger USD.

**As for the other CEE currencies**, EURHUF did not change and closed the week at 352.9 - similar to EURPLN it was almost unchanged vs. Thursday and the previous Friday. EURCZK closed at 25.4, unchanged. The C/A of Czechia worsened much in June and surprised negatively at CZK-12.8bn vs. CZK-3.9bn expected. Minutes from the CNB's 5 August meeting showed that the majority of policy makers want rates to be raised gradually. USDRUB declined by 0.4% to 73.25 due to an appreciation of the ruble (basket) and the dollar weakness later in the session.

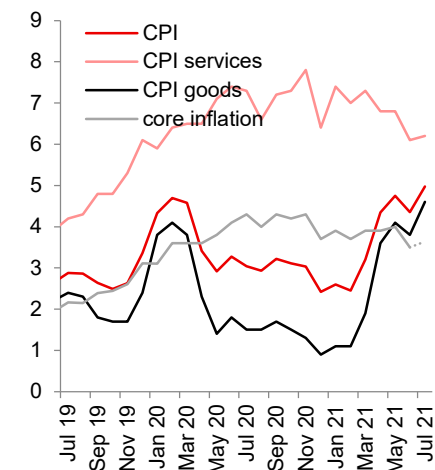
**On the Polish fixed income market** the bond curve did not move much: 10Y closed at 1.79%, down by 1bp. The IRS curve fell by c.3bp following yields on core markets. The Bund spread was 225bp at the end of the session.

### GDP in Poland



Source: GUS, Santander

### CPI and selected components, % y/y



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5648	CZKPLN	0.1791
USDPLN	3.8716	HUFPLN*	1.2842
EURUSD	1.1788	RUBPLN	0.0528
CHFPLN	4.2288	NOKPLN	0.4400
GBPPLN	5.3608	DKKPLN	0.6122
USDCNY	6.4766	SEKPLN	0.4492

\*for 100HUF

Last session in the FX market						13/08/2021
	min	max	open	close	fixing	
EURPLN	4.563	4.582	4.574	4.565	4.572	
USDPLN	3.867	3.900	3.895	3.870	3.893	
EURUSD	1.173	1.180	1.174	1.179	-	

**Interest rate market** 13/08/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.49	0
DS0726 (5Y)	1.16	-1
DS0432 (10Y)	1.80	-2

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.54	-1	0.16	0	-0.54	0
2L	0.89	-4	0.30	-1	-0.50	0
3L	1.16	-4	0.53	-2	-0.46	0
4L	1.34	-4	0.71	-4	-0.42	-1
5L	1.47	-4	0.85	-5	-0.38	-1
8L	1.66	-4	1.14	-8	-0.23	-2
10L	1.76	-4	1.27	-8	-0.11	-2

**WIBOR rates**

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.31	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	0.26	0
3x6	0.44	-1
6x9	0.63	-2
9x12	0.86	-3
3x9	0.51	-1
6x12	0.74	-2

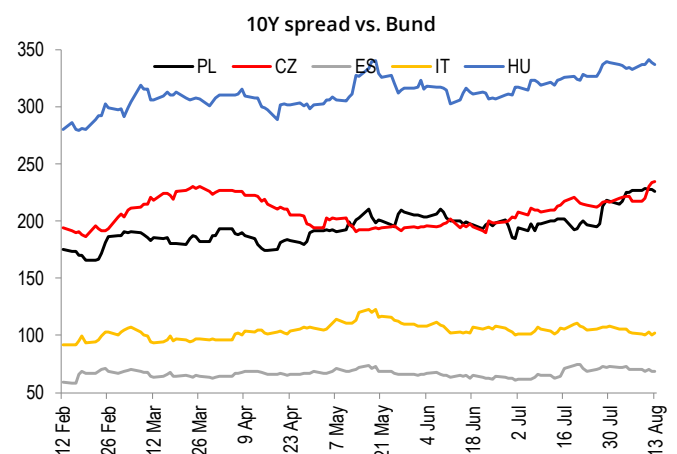
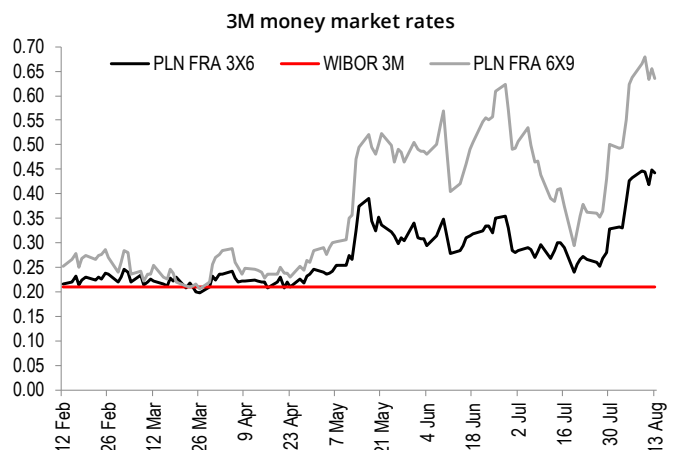
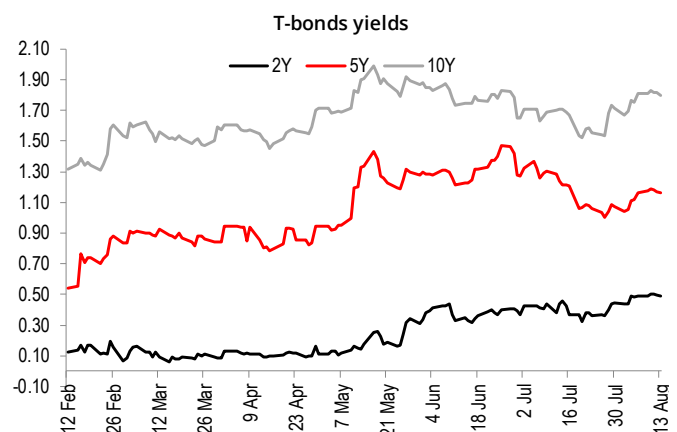
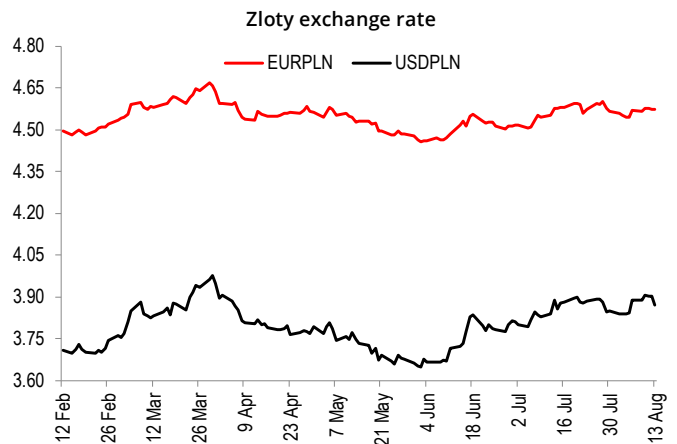
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	226	-2
France	9	0	34	1
Hungary	55	0	337	-3
Spain	30	0	69	0
Italy	43	0	102	1
Portugal	21	0	58	1
Ireland	11	0	39	0
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
<b>FRIDAY (13 August)</b>							
10:00	PL	CPI	Jul	% y/y	5.0	5.0	5.0
10:00	PL	GDP	2Q	% y/y	10.7	10.6	10.9
14:00	PL	Current Account Balance	Jun	€mn	456	76	281
14:00	PL	Trade Balance	Jun	€mn	848	869	761
14:00	PL	Exports	Jun	€mn	23783	24038	23680
14:00	PL	Imports	Jun	€mn	22908	23169	22919
16:00	US	Michigan index	Aug	pts	81.2		70.2
<b>MONDAY (16 August)</b>							
14:00	PL	CPI Core	Jul	% y/y	3.6	3.6	-
<b>TUESDAY (17 August)</b>							
09:00	HU	GDP	2Q	% y/y	0.0		-2.1
11:00	EZ	GDP SA	2Q	% y/y	13.7		13.7
14:30	US	Retail Sales Advance	Jul	% m/m	-0.2		0.6
15:15	US	Industrial Production	Jul	% m/m	0.5		0.4
<b>WEDNESDAY (18 August)</b>							
10:00	PL	Employment in corporate sector	Jul	% y/y	2.0	2.0	-
10:00	PL	Average Gross Wages	Jul	% y/y	8.8	8.9	-
11:00	EZ	HICP	Jul	% y/y	2.2		2.2
14:30	US	Housing Starts	Jul	% m/m	-2.2		6.3
20:00	US	FOMC Meeting Minutes	Jul/21				
<b>THURSDAY (19 August)</b>							
10:00	PL	Sold Industrial Output	Jul	% y/y	10.6	8.5	-
10:00	PL	PPI	Jul	% y/y	7.7	8.0	-
14:30	US	Initial Jobless Claims		k			375.0
14:30	US	Index Philly Fed	Aug		24.2		21.9
<b>FRIDAY (20 August)</b>							
10:00	PL	Construction Output	Jul	% y/y	7.1	6.7	-
10:00	PL	Retail Sales Real	Jul	% y/y	5.1	5.5	-

Source: Santander Bank Polska, Bloomberg, Parkiet  
\* in the case of a revision the data is updated

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