

20 August 2021

Eyeopener

PPI growth beats expectations again

Stock indices further lower, the dollar even stronger
 Polish industrial output grew by less than expected, but PPI more than expected
 EURUSD remained below 1.17, zloty significantly weaker
 Falls in core market yields, POLGB more stable
 Today in Poland retail sales and construction output

Thursday was yet another day of decreasing US stock market indices. Negative sentiment, which was caused by the FOMC minutes (released on Wednesday evening) even stronger affected European equities, which decreased 1.2-2.5%. Meanwhile, bonds enjoyed higher demand: 10Y UST yields fell by 3-4bp (to c.1.23%), German Bund yields were close to -0.50% during the day but at the end of the session went up by 2bp. It was good environment for EURUSD to stay below 1.17. Amid strengthening dollar, crude oil price decreased c.3% and was lowest since May. Philly Fed index fell moderately, against expected increase, although its components describing employment and new orders improved. Also prices paid and charged by companies increased, according to the survey. Companies predict slower expansion in the next six months, but it can be still described as quite optimistic outlook. In the additional question about expected consumer inflation in the next year the median reached 5.0%, vs. previous 4.0%. The number of new jobless claims in the US fell for the fourth consecutive week. Today in the morning the PBoC did not change interest rates in China.

Industrial output rose in July by 9.8% y/y with market expectations at 10.6% and our estimate at 8.5%. The seasonally-adjusted m/m growth was quite strong at +0.7%. It still seems the supply issues are not able to threaten the ongoing recovery. **PPI** inflation advanced in July to 8.2% y/y from 7.2%, beating forecasts once again and reaching the highest level since December 2011. Construction prices advanced by 0.5% m/m for the fourth month in a row, bringing the annual indicator to 3.9% y/y, the highest level since August 2008. More in [Economic Comment](#).

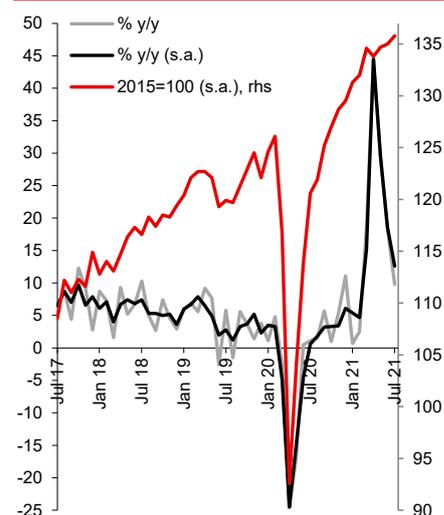
EURUSD remained below 1.17 for the whole session and during the day tested the level, this time already as a resistance level. If the current market sentiment is to hold, the exchange rate may set course for 1.1620 – the local low reached in September and November 2020.

EURPLN started the day from a rapid ascent, paused for some time below 4.57 and then rushed to around 4.585 (+0.6% on the day). The Polish data showing somewhat smaller than expected growth of the volume of industrial output, but a clearly higher than expected growth of its prices may have contributed to the move, even if in our view the readings do not spell worse business climate. It looks like the exchange rate wants to test 4.60, like it kept doing in the second half of July.

As for the other CEE currencies: Czech koruna weakened much less than zloty (c.0.25%), EURCZK remained near 25.50 despite central bank governor's suggestion that they will discuss using bigger rate hikes than 25bp. EURHUF was also stable, near 351.0. Victor Orban's economic advisor Marton Nagy said that strong revival in consumption, construction, retail sales and services means that Hungarian GDP could rise by 5.5% in 2021. Lower oil prices (Brent fell to \$67) and further dollar strengthening moved USDRUB to 74.0 (two-day change +0.6%).

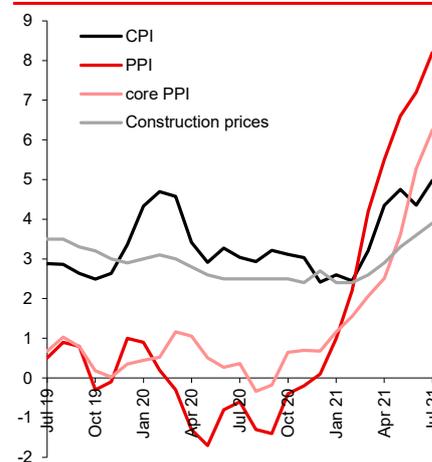
On the Polish fixed income market again there was little day-to-day movement of government bond yields: a decline by 1bp in the middle of the curve and by 2bp at the long end. The same parts of the IRS curve dropped by 3bp. The switch auction organised by the Ministry of Finance resulted in PLN4.37bn worth of papers bought back out of the PLN5.89bn presented by market participants and sales of bonds worth PLN4.51bn. The ministry informed that after the auction the total value of issued bonds was PLN756.4bn.

Industrial output in Poland



Source: GUS, Santander

Selected inflation measures, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.5790	CZKPLN	0.1791
USDPLN	3.9211	HUFPLN*	1.2948
EURUSD	1.1680	RUBPLN	0.0529
CHFPLN	4.2686	NOKPLN	0.4371
GBPPLN	5.3379	DKKPLN	0.6122
USDCNY	6.5015	SEKPLN	0.4460

*for 100HUF

Last session in the FX market						19/08/2021
	min	max	open	close	fixing	
EURPLN	4.559	4.592	4.568	4.585	4.584	
USDPLN	3.904	3.930	3.911	3.921	3.923	
EURUSD	1.167	1.170	1.168	1.169	-	

Interest rate market 19/08/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.47	1
DS0726 (5Y)	1.08	-1
DS0432 (10Y)	1.71	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.51	-2	0.17	1	-0.54	0
2L	0.84	-2	0.31	0	-0.50	0
3L	1.07	-2	0.54	1	-0.46	0
4L	1.23	-3	0.71	0	-0.42	0
5L	1.34	-4	0.84	-1	-0.38	0
8L	1.53	-3	1.13	-1	-0.23	-1
10L	1.63	-3	1.25	-2	-0.11	0

WIBOR rates

Term	%	Change (bps)
O/N	0.10	-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	0.35	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.24	0
3x6	0.40	-1
6x9	0.60	0
9x12	0.81	-4
3x9	0.46	-2
6x12	0.68	-3

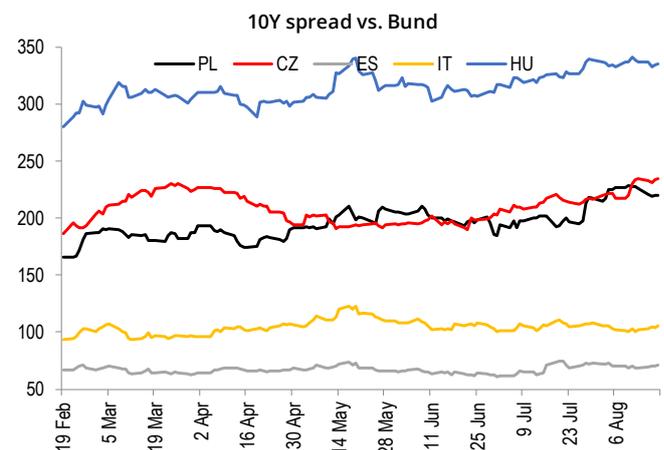
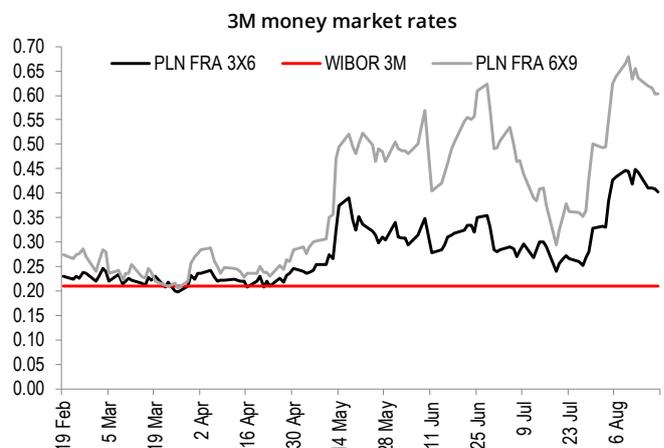
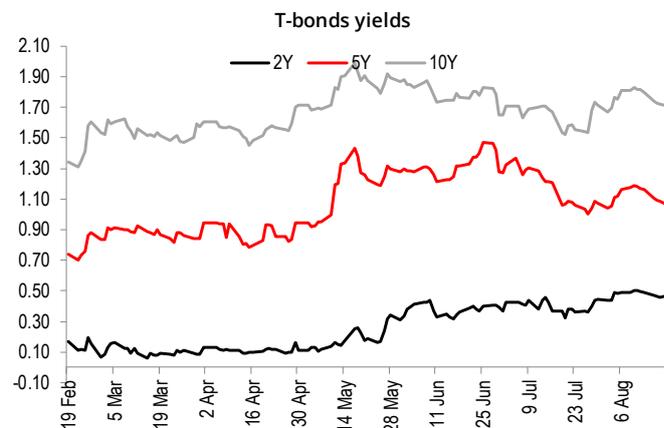
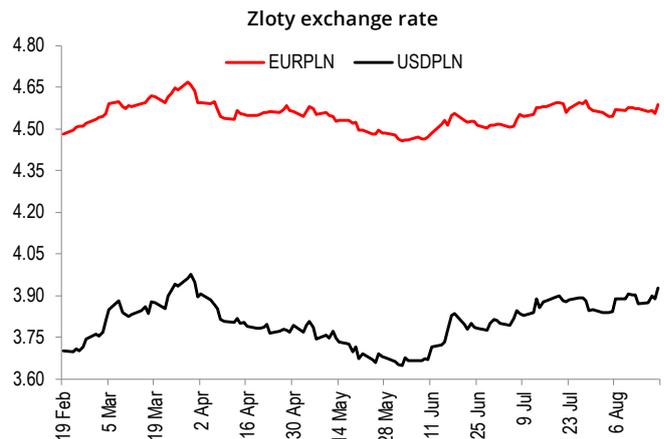
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	220	0
France	9	0	35	0
Hungary	55	0	335	1
Spain	30	0	71	1
Italy	43	1	106	2
Portugal	21	0	60	1
Ireland	11	0	39	1
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		
FRIDAY (13 August)								
10:00	PL	CPI	Jul	% y/y	5.0	5.0	5.0	5.0
10:00	PL	GDP	2Q	% y/y	10.7	10.6	10.9	-0.9
14:00	PL	Current Account Balance	Jun	€mn	456	76	281	129
14:00	PL	Trade Balance	Jun	€mn	848	869	761	185
14:00	PL	Exports	Jun	€mn	23783	24038	23680	22636
14:00	PL	Imports	Jun	€mn	22908	23169	22919	22451
16:00	US	Michigan index	Aug	pts	81.2		70.2	81.2
MONDAY (16 August)								
14:00	PL	CPI Core	Jul	% y/y	3.6	3.6	3.7	3.5
TUESDAY (17 August)								
09:00	HU	GDP	2Q	% y/y	16.0		17.9	-2.1
11:00	EZ	GDP SA	2Q	% y/y	13.7		13.6	-1.3
14:30	US	Retail Sales Advance	Jul	% m/m	-0.2		-1.1	0.7
15:15	US	Industrial Production	Jul	% m/m	0.5		0.9	0.2
WEDNESDAY (18 August)								
10:00	PL	Employment in corporate sector	Jul	% y/y	2.0	2.0	1.8	2.8
10:00	PL	Average Gross Wages	Jul	% y/y	8.8	8.9	8.7	9.8
11:00	EZ	HICP	Jul	% y/y	2.2		2.2	1.9
14:30	US	Housing Starts	Jul	% m/m	-2.2		-7.0	6.3
20:00	US	FOMC Meeting Minutes	Jul/21					
THURSDAY (19 August)								
10:00	PL	Sold Industrial Output	Jul	% y/y	10.6	8.5	9.8	18.4
10:00	PL	PPI	Jul	% y/y	7.7	8.0	8.2	7.2
14:30	US	Initial Jobless Claims	week	k	364.0	348.0	-	377.0
14:30	US	Index Philly Fed	Aug		23.1	19.4	-	21.9
FRIDAY (20 August)								
10:00	PL	Construction Output	Jul	% y/y	7.1	6.7	-	4.4
10:00	PL	Retail Sales Real	Jul	% y/y	5.1	5.5	-	8.6

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

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