

# Weekly Economic Update

## Inflation week

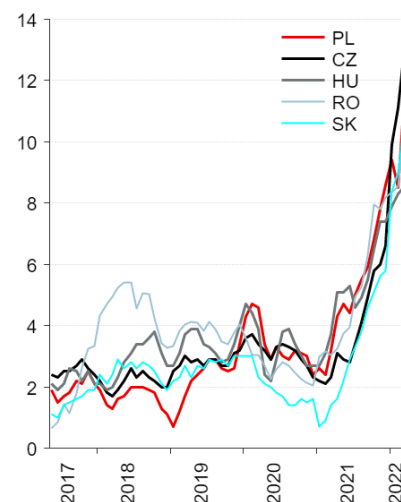
### Economy next week

- After a week with interest rate hikes in the fore we are heading for a **week of inflation prints**. April inflation data will be released in Czechia and Hungary (Tuesday), in the USA and Germany (Wednesday) and in Poland at the end of the week. Apart from that, the calendar will be light: C/A data in Poland (Friday) while abroad, among others, Eurozone industrial output, which may be important for the markets given the disappointing reading in Germany this week.
- Market forecasts assume a **continuation of inflation rise in most economies**, except the USA. The scale of the potential surprises will affect expectations regarding monetary policy outlook in these particular countries. As can be seen from the decisions of BoE, CNB or even FOMC, the excessive rise of inflation is currently the key issue for central banks and may force further interest rates hikes even if economic stagnation or recession appears on the horizon.
- **Polish inflation data** will reveal the breakdown of consumer price increases, which sent CPI to 12.3% y/y according to the flash print and will most likely confirm another large rise of core inflation (to the new all-time high of 7.5% y/y).
- Poland's balance of payments is likely to show **another big C/A deficit in March** and while it can turn out slightly smaller than in February (we moved up our C/A balance forecast after the Finance Ministry's publication on Poland-EU financial flows and we are now above the Bloomberg consensus), the trend of deteriorating 12M moving sum of C/A balances will hold – the measure can in our view indicate a deficit worth 2.2% of GDP.
- This can be an important week in the domestic politics. On 11-12 May the Sejm is to take a **vote on Adam Glapiński's second term as NBP president**. There is a heated debate in the media, revolving around the notion that the results are not sure and there is growing uncertainty whether this nomination will be confirmed. So far **no further works on bill liquidating the Supreme Court's Disciplinary Chamber** are scheduled in the Sejm's or Justice Committee's calendars, but we do not rule out that this issue will also pop up due to time pressure - the prolonged blockade of EU Recovery Funds is deteriorating chances that Poland will be able to fully take advantage of them.
- On 9th May Russia is celebrating the end of World War 2 and it is widely expected that some form of escalation of conflict in Ukraine is possible around that date.

### Markets next week

- PLN depreciated as a result of lower-than-expected rate hike by the MPC and, **in our opinion, in the coming week the Polish zloty will remain under pressure**. Adam Glapiński may try to neutralise this effect on today's press conference and present his position as "hawk leading a cauldron of hawks", however, in our view, the possibilities of influencing the exchange rate only by rhetoric (not necessarily very consistent recently) are fading and may not be efficient for a longer time. Simultaneously, external background (stronger dollar, possible further geopolitical escalation) is not supportive for the appreciation of EM currencies. Potential problems with NBP chair re-election, and lack of progress in bringing back the rule-of-law may additionally make the zloty more volatile.
- Debt markets in Poland and abroad are predominantly remaining under the influence of an upward trend. Question if this trend will be continued in the coming days may be answered by the foreign inflation data releases fuelling expectations for further central banks actions.

CPI inflation in CEE countries, % y/y

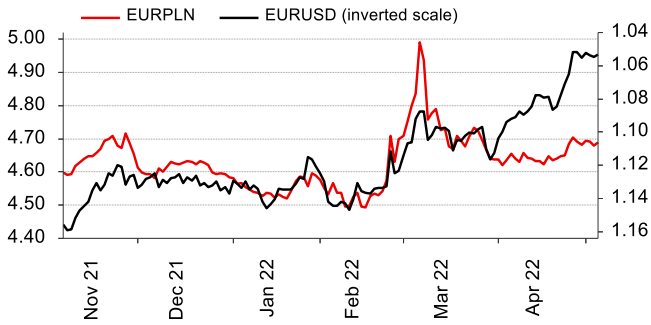


Source: Refinitiv Datastream, Santander

### Economic Analysis Department:

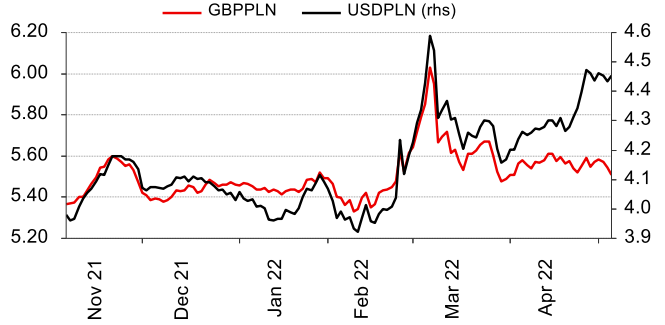
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### EURPLN and EURUSD



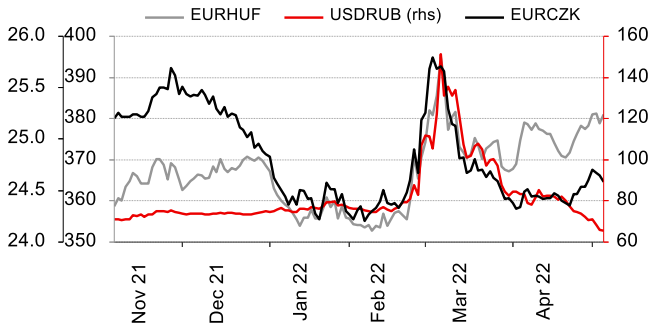
Source: Refinitiv Datastream, Santander

### GBPPLN and USDPLN



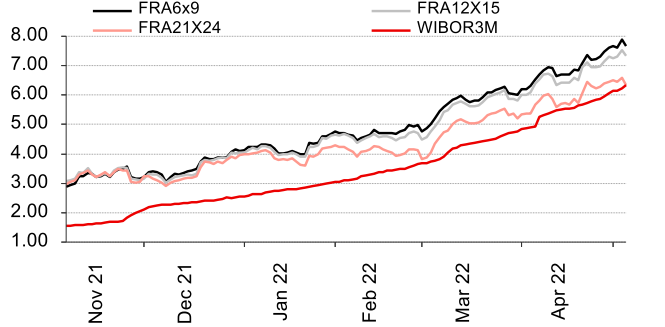
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



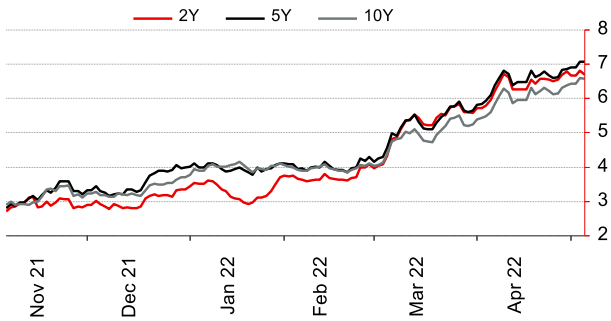
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



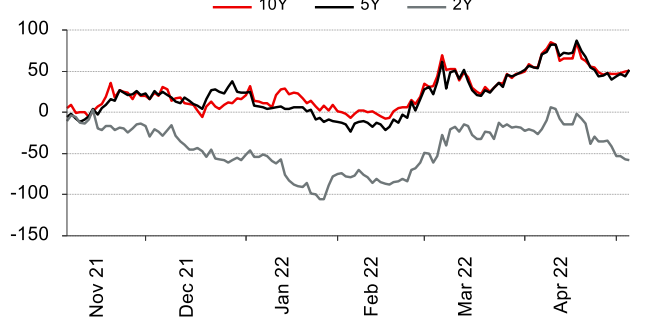
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



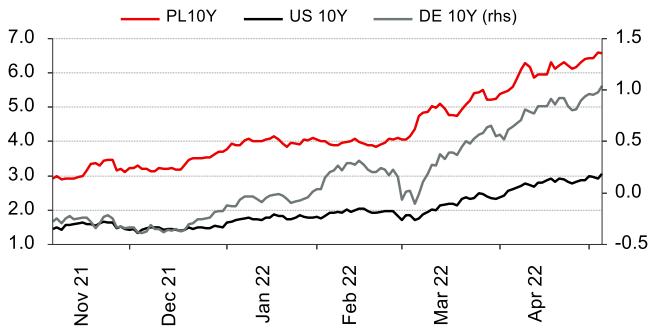
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



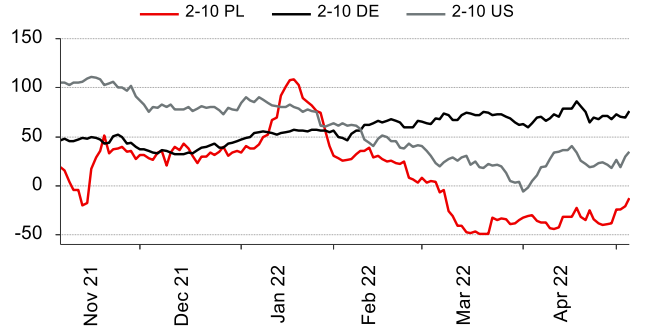
Source: Refinitiv Datastream, Santander Bank Polska

### 10Y bond yields



Source: Refinitiv Datastream, Santander

### Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
<b>MONDAY (9 May)</b>							
09:00	CZ	Industrial Production	Mar	% y/y	-2.8	-	-0.3
<b>TUESDAY (10 May)</b>							
09:00	CZ	CPI	Apr	% y/y	13.2	-	12.7
09:00	HU	CPI	Apr	% y/y	8.9	-	8.5
11:00	DE	ZEW Survey Current Situation	May	pts	-	-	-30.8
<b>WEDNESDAY (11 May)</b>							
08:00	DE	HICP	Apr	% y/y	7.8	-	7.6
14:30	US	CPI	Apr	% y/y	8.1	-	8.5
<b>THURSDAY (12 May)</b>							
14:30	US	Initial Jobless Claims		k	-	-	200
<b>FRIDAY (13 May)</b>							
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Apr</b>	<b>% y/y</b>	<b>12.3</b>	<b>12.3</b>	<b>11.0</b>
11:00	EZ	Industrial Production SA	Mar	% m/m	-0.7	-	0.7
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Mar</b>	<b>€mn</b>	<b>-2935</b>	<b>-2478</b>	<b>-2871</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Mar</b>	<b>€mn</b>	<b>-2194</b>	<b>-1836</b>	<b>-1741</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Mar</b>	<b>€mn</b>	<b>26259</b>	<b>25950</b>	<b>25270</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Mar</b>	<b>€mn</b>	<b>28919</b>	<b>28038</b>	<b>27011</b>
16:00	US	Michigan index	May	pts	63.7	-	65.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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