

# Weekly Economic Update

## Hot start of summer holidays

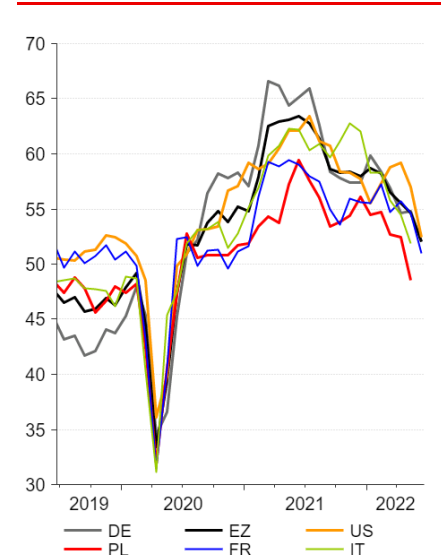
### Economy next week

- There was a total mood swing on the markets. The week began with a trauma following the hawkish pivot of main central banks, which triggered the rise of expectations about future rate hikes and the rise of bond yields around the world to new highs. However, starting from Tuesday, the main market theme were fears that a commodity price shock and a radical monetary tightening would inevitably force the global economy into recession, which in turn triggered a sudden U-turn in debt markets with sharply declining yields. This global trend was reinforced by our domestic data (production, employment, wages, retail sales all came below forecasts), suggesting that the economy is beginning to slow, which may help to stoke inflation.
- For the better part of the coming week, global news on the outlook for inflation, economic growth and interest rates will take centre stage, determining the trend in global markets. On Monday evening the **ECB's annual central banking forum in Sintra** starts and will run until Wednesday. This will provide an opportunity for numerous central bankers' remarks on how monetary policy should respond in the current environment. We expect the overall tone of the event to be hawkish, which on the one hand will fuel expectations for strong rate hikes in the coming months, and on the other hand may feed fears of a global recession. Apart from this, during the week the focus will be on preliminary inflation data in Europe, consumer sentiment and spending in the USA, final manufacturing PMIs.
- The local calendar includes important data, but coming only on Friday: **flash CPI and manufacturing PMI for June**. We expect another **substantial CPI increase to 15.5% y/y** (from 13.9% in May), supported not only by a strong rise in fuel prices (nearly 10% m/m) and still considerable, albeit weaker than in the previous months, food price growth (0.8% m/m), but also by strong inertia in other categories, resulting in core inflation rising to no less than 9% y/y. **We think that Polish PMI will fall again** (our forecast is 47.0 pts), just like the indexes of other EU countries, announcing further deceleration in industrial activity.
- There is the Hungarian central bank meeting on Tuesday, the market expects a 50bp rate hike.

### Markets next week

- The bond yields' freefall has halted this Friday and after such a large correction it is quite possible **that the upward trend in yields may be resumed after the weekend**, especially if it is supported by the hawkish message from the ECB forum in Sintra and inflation data in Europe still moving upwards. This will be joined next Friday by Polish data on strong CPI jump in June.
- This week has confirmed that **the room for the zloty appreciation is very limited** given the contrast between the rhetoric of the NBP and major central banks. We assume that EURPLN will remain near 4.70 and may try to break higher if the global risk aversion deepens..

PMI manufacturing, pts.

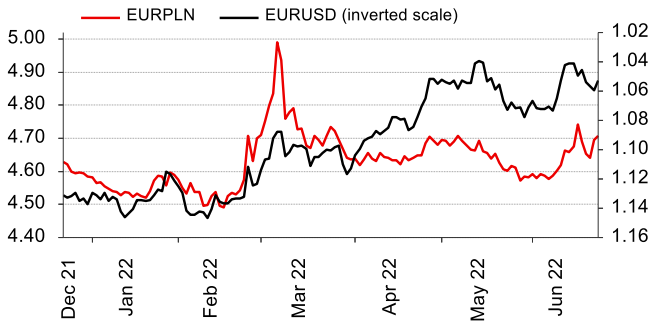


Source: Refinitiv Datastream, Santander

### Economic Analysis Department:

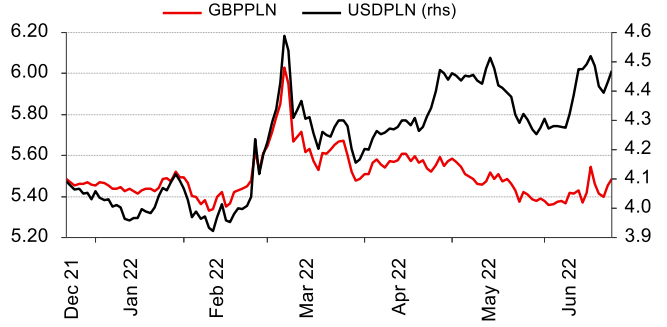
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### EURPLN and EURUSD



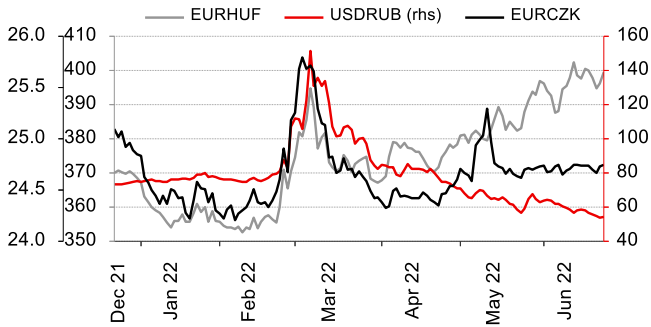
Source: Refinitiv Datastream, Santander

### GBPPLN and USDPLN



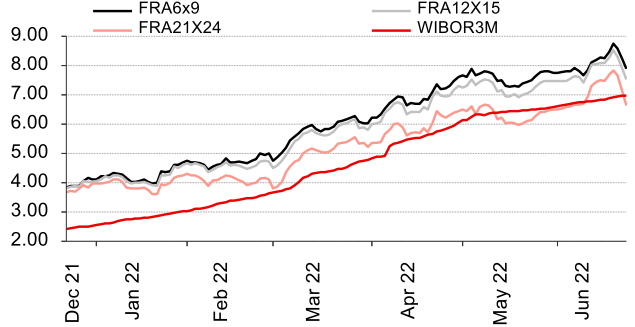
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



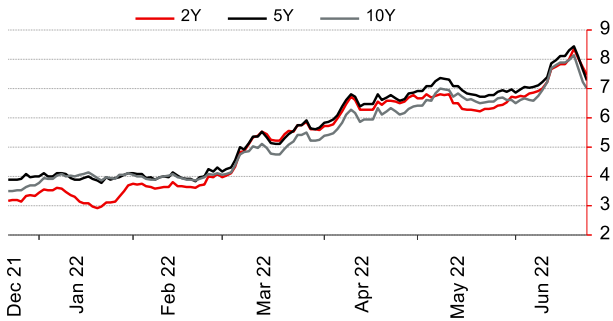
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



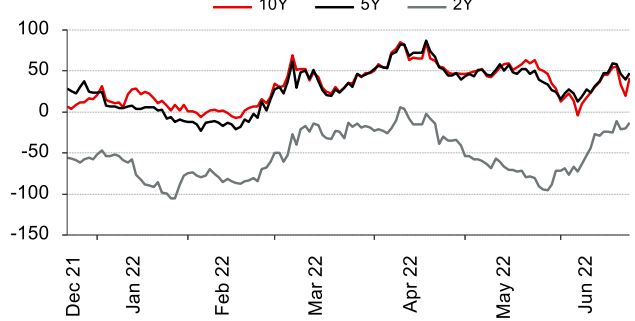
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



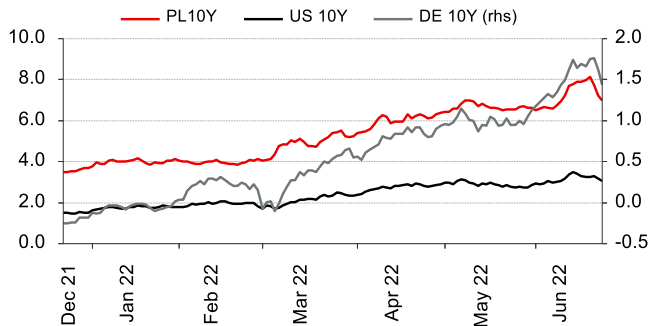
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



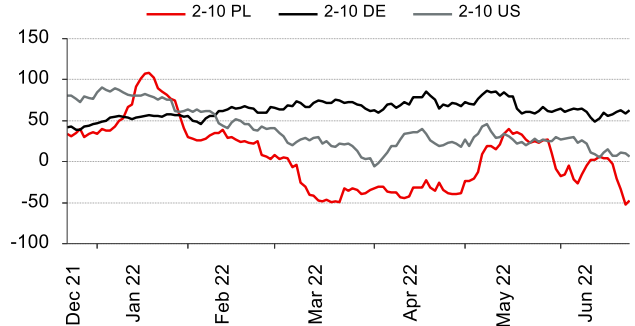
Source: Refinitiv Datastream, Santander Bank Polska

### 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 (27 June)</b>							
14:30	US	Durable Goods Orders	May	% m/m	0.1	-	0.5
16:00	US	Pending Home Sales	May	% m/m	-3.5	-	-3.9
<b>TUESDAY (28 June)</b>							
14:00	HU	Central Bank Rate Decision	Jun.22	%	-	-	5.9
16:00	US	Consumer Conference Board	Jun	pts	100.0	-	106.4
<b>WEDNESDAY (29 June)</b>							
11:00	EZ	ESI	Jun	pct.	103.0	-	105.0
14:00	DE	HICP	Jun	% m/m	8.7	-	8.7
14:30	US	GDP Annualized	1Q	% Q/Q	-1.4	-	-1.5
<b>THURSDAY (30 June)</b>							
09:00	CZ	GDP SA	1Q	% y/y	4.8	-	4.8
11:00	EZ	Unemployment Rate	May	%	6.8	-	6.8
14:30	US	Initial Jobless Claims		k	226.0	-	229.0
14:30	US	Personal Spending	May	% m/m	-	-	0.9
14:30	US	Personal Income	May	% m/m	-	-	0.4
14:30	US	PCE Deflator SA	May	% m/m	0.7	-	0.2
<b>FRIDAY (1 July)</b>							
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Jun</b>	<b>pts</b>	<b>48.5</b>	<b>47.0</b>	<b>48.5</b>
09:30	DE	Germany Manufacturing PMI		pts	52.0	-	52.0
10:00	EZ	Eurozone Manufacturing PMI		pts	52.0	-	52.0
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Jun</b>	<b>% y/y</b>	<b>15.6</b>	<b>15.5</b>	<b>13.9</b>
11:00	EZ	Flash HICP	Jun	% y/y	8.3	-	8.1
16:00	US	ISM manufacturing	Jun	pts	55.4	-	56.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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