

Weekly Economic Update

GDP to slow, the question is how much

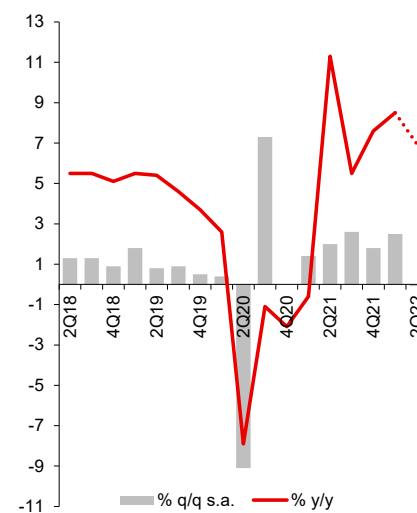
Economy next week

- After the [inflation data](#), which set what we believe to be the local CPI peak in July at 15.6% y/y (a slight upward revision from the flash reading), it is now time for **Q2 GDP data**, which will be the main focus of the coming week. Preliminary GDP readings for Poland and selected EU countries will be announced on Wednesday.
- The pace of economic growth has already peaked in Q1 and **we now expect GDP growth in Q2 to slow down to 7.0% y/y**. The market consensus is clearly below: around 6% y/y, with a wide spread of forecasts (5.2%-7.4%). While our forecast still looks 'not bad' in terms of annual growth, it actually implies a clear stagnation in economic activity - seasonally adjusted q/q growth around zero (or even just below), versus +2.5% q/q in Q1. Any weaker reading will reinforce fears of a looming recession. The preliminary GDP release will not reveal the composition of economic growth - we will get more details on this in the next data release at the end of August.
- On Tuesday, we will see **core inflation data for July**, which we estimate rose to a new record (9.2%-9.3% y/y).
- On Thursday, **consumer confidence** - it is likely that sentiment will remain deeply negative amid continued high inflation and growing concerns about energy shortages during the heating season.
- Friday will see July **wages and employment, industrial production and PPI**. We expect wages to accelerate slightly (13.5% y/y), employment growth to continue (2.2% y/y), manufacturing to decelerate (7.5% y/y) and PPI to set another record high (26% y/y). These forecasts do not deviate significantly from the consensus.
- Abroad, the list of publications is not particularly long. In addition to GDP data in Europe, production and sales from the US, HICP inflation in the euro area, the Fed minutes from the July meeting will merit attention.

Markets next week

- EURPLN has slipped below 4.68 in recent days, its lowest level since June, helped in part by a weaker dollar and reduced fears of aggressive interest rate hikes by the Fed after US inflation data proved lower than forecast. In our view, however, the potential for the zloty's appreciation is running out, as we have seen in recent days: although the zloty's appreciation was one of the strongest in emerging markets throughout the week, on Thursday-Friday the zloty performed worse than most other EM currencies, despite the globally dominant risk appetite. Data releases in the coming week, confirming a clear deceleration of the Polish economy, which will increase the chances of a pause in NBP rate hikes after the holidays, plus a possible EURUSD rebound after the recent gains, create in our view **the potential for EURPLN to rise above 4.70** after the long weekend.
- The domestic debt market has recently shown resilience to yield increases in the core bond markets. **It is possible that Polish yields may still go down a bit**, in response to growing recession fears and repeated [dovish voices](#) from the NBP suggesting the end of the hike cycle is near. Bonds are also supported by the low supply of POLGBs on the primary market.

GDP growth, %

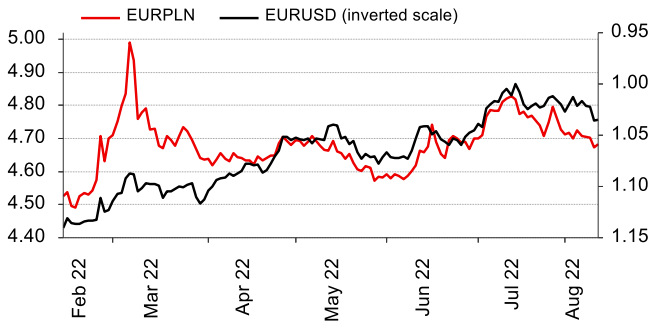


Source: Refinitiv, Santander

Economic Analysis Department:

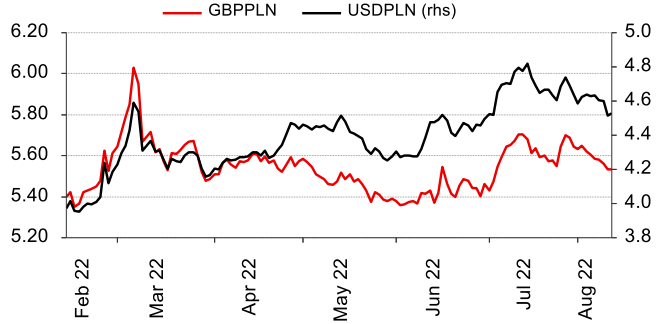
a.l. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Jarostaw Kosaty +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



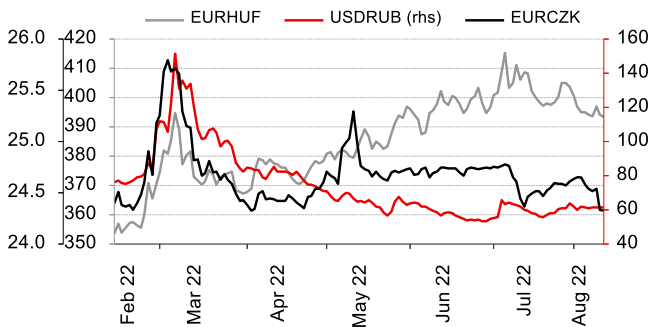
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



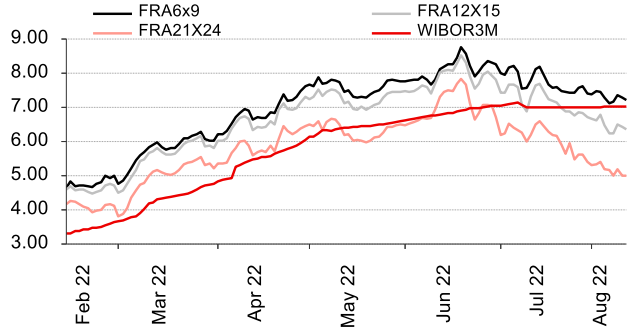
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



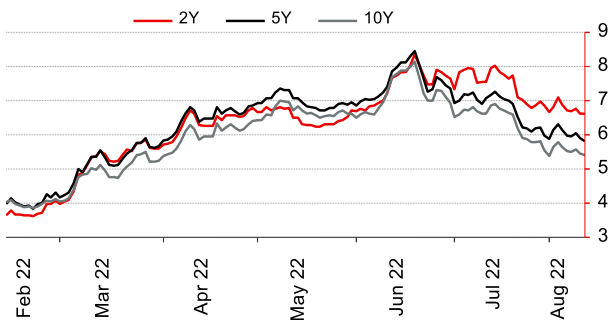
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



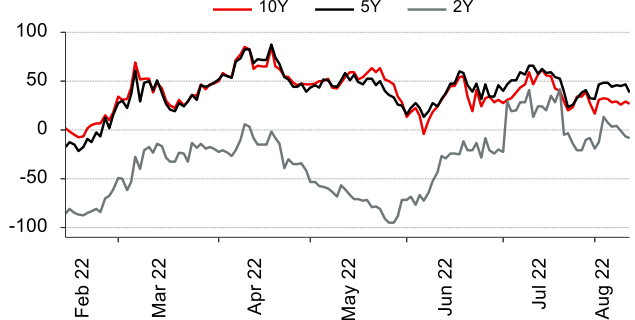
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



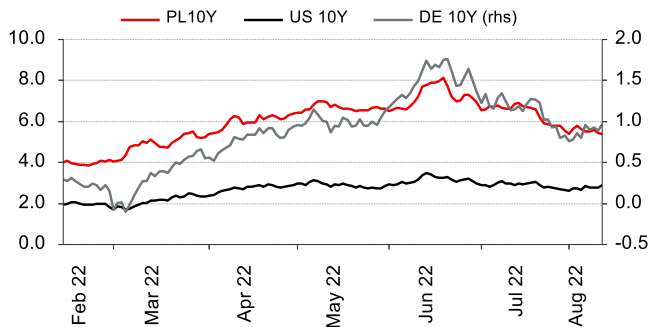
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



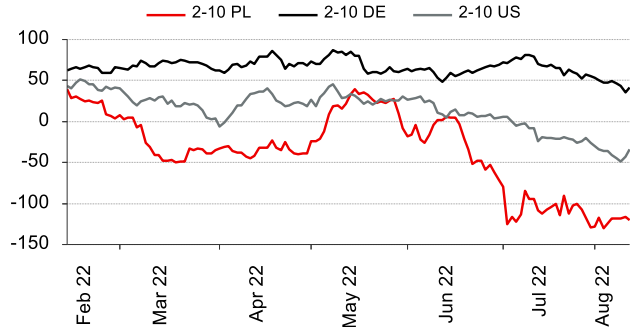
Source: Refinitiv Datastream, Santander Bank Polska

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	
MONDAY (15 August)						
	PL	Market holiday				
TUESDAY (16 August)						
11:00	DE	ZEW Survey Current Situation	Aug	pts	-49.8	-45.8
14:00	PL	CPI Core	Jul	% y/y	9.2	9.1
14:30	US	Housing Starts	Jul	% m/m	-1.4	-2.0
15:15	US	Industrial Production	Jul	% m/m	0.3	-0.2
WEDNESDAY (17 August)						
09:00	HU	GDP	2Q	% y/y	6.1	8.2
10:00	PL	GDP	2Q	% y/y	6.1	7.0
11:00	EZ	GDP SA	2Q	% y/y	4.0	4.0
14:30	US	Retail Sales Advance	Jul	% m/m	0.2	1.0
20:00	US	FOMC Meeting Minutes	Jul			
THURSDAY (18 August)						
10:00	PL	Consumer confidence	Aug	pts.	-41.7	-41.7
11:00	EZ	HICP	Jul	% y/y	8.9	8.6
14:30	US	Initial Jobless Claims	week	k	265	262.0
14:30	US	Index Philly Fed	Aug	pts.	-3.5	-12.3
16:00	US	Existing Home Sales	Jul	% m/m	-5.1	-5.36
FRIDAY (19 August)						
10:00	PL	Employment in corporate sector	Jul	% y/y	2.2	2.2
10:00	PL	Average Gross Wages	Jul	% y/y	13.3	13.0
10:00	PL	Sold Industrial Output	Jul	% y/y	7.4	7.5
10:00	PL	PPI	Jul	% y/y	25.6	26.0

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.