

16 August 2022

Eyeopener

Surprising export rebound

Today core inflation in Poland, US data releases
 Glapiński: further strong monetary tightening unnecessary
 CPI inflation slightly up in July, current account gap in June below forecast
 Dollar and zloty stronger, bond yields lower

Today, we will get to see the domestic core inflation data for June, we expect a new record at 9.2-9.3% y/y. In addition, US data are due for release: industrial production and real estate market data, as well as the German ZEW business climate index.

Friday's **US consumer optimism index** from the University of Michigan recorded a marked improvement. Monday's industrial production and retail sales data from China were below forecasts. China's central bank cut interest rates by 10bp.

On Friday the **NBP President Adam Glapiński** published an article in the Super Express in which he wrote that "in the light of the current data and forecasts, ensuring medium-term price stability will not require further, strong monetary policy tightening." This statement is consistent with the NBP president's earlier words that the tightening cycle is coming to an end and with those from the pier that we are facing one more rate hike by maximum 25bp.

CPI inflation in July reached 15.6% y/y after a revision from 15.5% y/y. Services were mainly responsible for the acceleration in inflation, rising by 1.2% m/m as compared to a 0.3% m/m increase in goods prices. We estimate that core inflation rose to 9.2-9.3% y/y from 9.1% y/y in June. We expect inflation to ease in the coming months towards 14% in December. The weakening price momentum and growing signals of imminent recession suggest that the Polish MPC may be considering a pause in the hiking cycle in September, when it meets after the summer break. Whether it will be the end of the cycle or just a short break, it will depend on the future economic data and the FX market situation. But we do not expect the NBP rate to go above 7% in this cycle. Read more in our [economic comment](#).

June current account showed EUR1.5bn deficit, much lower than we and the market expected (EUR3.5bn and EUR2.5bn, respectively). While generally all main chapters of current account were better than we assumed, a major positive surprise was delivered by exports which advanced by 25.8% y/y, despite rather disappointing results of industrial output in that month. According to NBP comment, exports were driven by sales of fuels and used cars to Ukraine, so it is probably a temporary phenomenon. 12M current account deficit widened to 3.9% of GDP from 3.8% in May (May deficit was revised down to EUR1.5bn from EUR1.9bn) and we are expecting it to go towards 4.5% at the end of 2022.

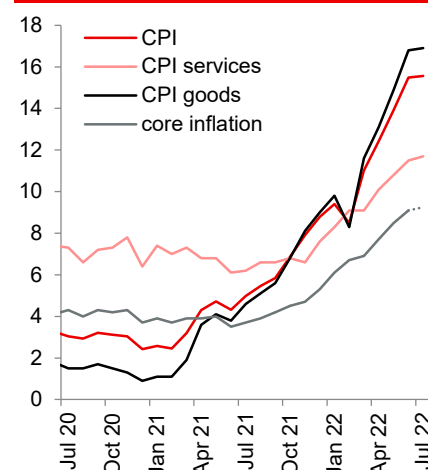
The central budget recorded a surplus of PLN34.7bn after seven months of the year, and PLN6.9 bn in July alone. Revenues continued to grow at a rapid rate of 12.6% y/y, including both indirect and income tax inflows. Expenditure was 16% higher y/y.

On Friday, the dollar was strengthening against the euro throughout the day, with **EURUSD** falling to 1.026 from above 1.03. The higher-than-expected Michigan index provided additional support for the US currency. The dollar continued to strengthen on Monday and this morning EURUSD is close to 1.016.

The zloty strengthened despite a stronger dollar, a dovish statement from the President of the National Bank of Poland and higher-than-expected CPI inflation and by the end of the day the EURPLN exchange rate had fallen to 4.67 from 4.68. The Czech koruna weakened slightly, with the **EURCZK** exchange rate rising to 24.38 from 24.32. The Czech currency was undermined by the weaker-than-expected current account balance reading for June. The forint, on the other hand, strengthened, as did the zloty, and temporarily the **EURHUF** exchange rate was below 392, although by the end of the day it had returned above this value.

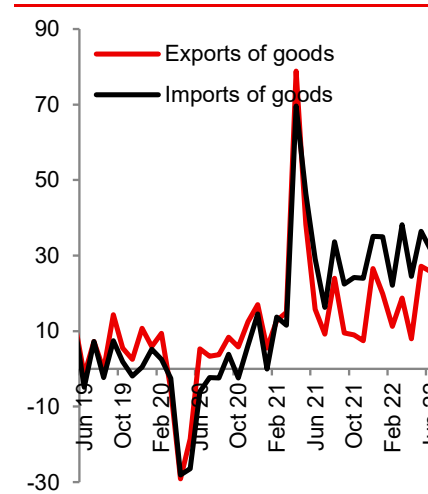
Domestic bond yields moved lower on Friday in response to President Glapiński's dovish statement. The curve fell by 15bp at the short end and by 7bp at the long end. The IRS curve also went down although on a smaller scale. The Ministry of Finance reported that retail bond sales totalled PLN10.333bn in June after PLN14.072bn in June. Total sales since the beginning of the year amounted to PLN41.19bn.

CPI inflation measures, % y/y



Source: GUS, NBP Santander

Exports and imports in EUR, % y/y



Source: NBP, 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

FX market

Today's opening

EURPLN	4.6753	CZKPLN	0.1912
USDPLN	4.6044	HUFPLN*	1.1768
EURUSD	1.0156	RUBPLN	0.0751
CHFPLN	4.8242	NOKPLN	0.4743
GBPPLN	5.5119	DKKPLN	0.6321
USDCNY	6.7921	SEKPLN	0.4452

*for 100HUF

Last session in the FX market 15/08/2022

	min	max	open	close	fixing
EURPLN	4.6574	4.6933	4.6610	4.6800	4.6832
USDPLN	4.5442	4.6049	4.5467	4.5937	4.5459
EURUSD	1.0179	1.0252	1.0250	1.0184	-

Interest rate market 15/08/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.44	0
DS0726 (5Y)	5.71	0
DS0432 (10Y)	5.38	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.23	0	3.63	-3	1.02	-6
2L	6.65	0	3.47	-6	1.33	-7
3L	6.04	0	3.22	-4	1.40	-7
4L	5.66	0	3.03	-6	1.45	-8
5L	5.43	0	2.92	-6	1.50	-8
8L	5.15	0	2.81	-6	1.64	-8
10L	5.14	0	2.81	-7	1.73	-8

WIBOR rates

Term	%	Change (bps)
O/N	6.48	10
T/N	6.50	-1
SW	6.68	-2
2W	6.74	-2
1M	6.82	-1
3M	7.03	0
6M	7.30	0
1Y	7.44	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.13	0
3x6	7.28	-3
6x9	7.16	-1
9x12	8.28	146
3x9	7.48	9
6x12	7.25	3

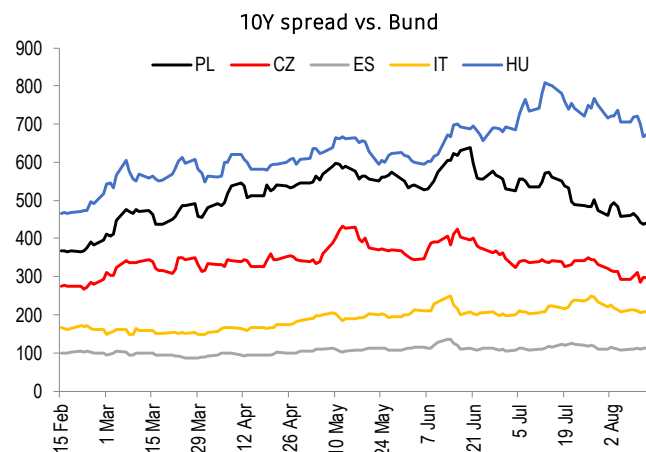
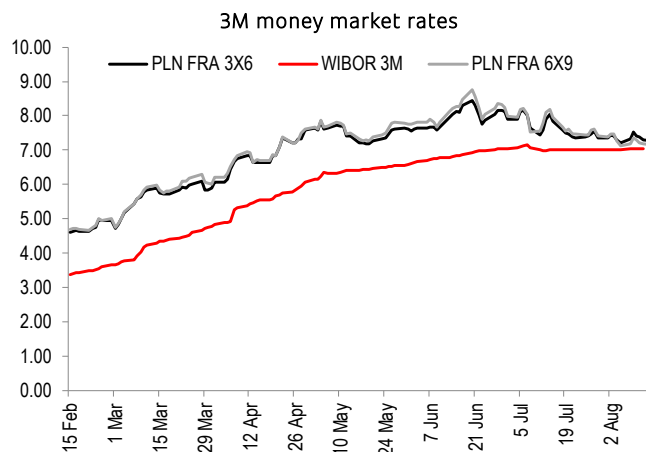
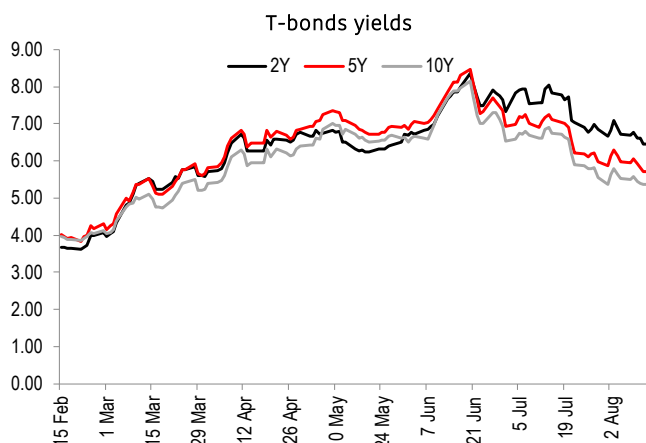
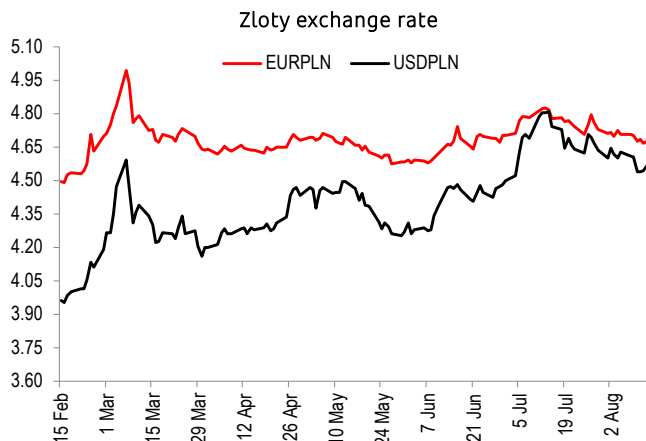
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	123	0	448	10
France	13	0	57	1
Hungary	179	0	684	18
Spain	48	0	111	0
Italy	63	0	208	0
Portugal	35	0	102	1
Ireland	13	0	61	2
Germany	12	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 (12 August)								
10:00	PL	CPI	Jul	% y/y	15.5	15.5	15.6	15.5
11:00	EZ	Industrial Production SA	Jun	% m/m	0.0	-	0.7	2.1
14:00	PL	Current Account Balance	Jun	€mn	-2571	-3220	-1468	-1485
14:00	PL	Trade Balance	Jun	€mn	-1500	2016	-849	-1157
14:00	PL	Exports	Jun	€mn	27296	26133	28076	28289
14:00	PL	Imports	Jun	€mn	29144	28149	28925	29446
16:00	US	Michigan index	Aug	pts	51.8	-		51.5
MONDAY (15 August)								
	PL	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	9.2		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		8.5
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.				
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		2.2
10:00	PL	Average Gross Wages	Jul	% y/y	13.3	13.5		13.0
10:00	PL	Sold Industrial Output	Jul	% y/y	7.4	7.5		10.4
10:00	PL	PPI	Jul	% y/y	25.6	26.0		25.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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.