

# Weekly Economic Update

## Week of interest rate hikes

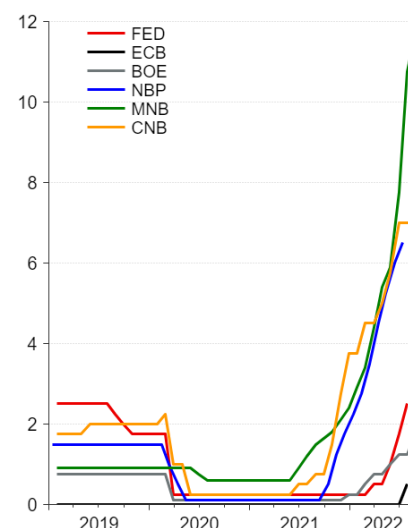
### Economy next week

- The key events next week are the decisions of the central banks: **the Polish Monetary Policy Council on Wednesday and the European Central Bank on Thursday**. Other than that, the domestic publications calendar is empty. There will be also newsflow from the Economic Forum in Karpacz starting on Tuesday, at which, among others, PIS President Jarosław Kaczyński will be speaking. However, this is likely to be more political than economic information.
- We expect **the MPC to raise rates by 25bp**, as signalled by the NBP president in a recent [interview with Business Insider](#). Were it not for this interview, we would probably be considering a 50bp hike after the [strong surprise from August inflation and a less worrying than might have been feared GDP breakdown in Q2](#), but the door to such decision was pretty much shut by the NBP governor's recent comments.
- Probably in line with the recent tradition, the **NBP president will hold the press conference** on Thursday at 3pm explaining the decision and suggesting what next. We expect a repeat of the message from the interview: "we are not declaring the end of the cycle, but the room for further rate hikes is already small and rate cuts are possible before the end of 2023". The market already knows this guidance but is not convinced by it (at least in terms of the scale of rate hikes), as reflected by the fact that FRA 6x9 contracts keep heading towards 8%.
- Almost at the same time as Adam Glapiński, Christine Lagarde will start her press conference. From the markets' point of view, it will be a much more important event, just like the ECB decision earlier and the publication of the bank's new economic forecasts. The question is not whether the ECB will raise rates but by how much. Market pricing indicates investors are certain it will be at least 50bp and see almost 65% chance of +75bp.
- **Central banks in Norway (+50bp expected) and Canada (+75bp) will also make decisions during the week.**
- Other than that, the economic calendar abroad will be quite modest. In the EU, key publications include final PMI in services, final Q2 GDP, manufacturing data from Germany and France, among others; in the US, it will be even quieter: Monday is a day off, followed by little data and the Fed Beige Book.

### Markets next week

- EURPLN slipped again during the week, approaching 4.70 today. However, **in our view we are just hitting a local bottom before a move upwards**. Such a scenario will be supported by a soft message from the NBP contrasting with a strong rate hike from the ECB and other central banks abroad, but also by a stream of anti-European messages from the ruling party, which may further intensify during the Karpacz forum, making the chances of unblocking recovery funds for Poland even less likely.
- In bond market, **we also expect a rise in yields, following the trend in the core markets** (although perhaps on a smaller scale).

Central banks' main interest rates, %

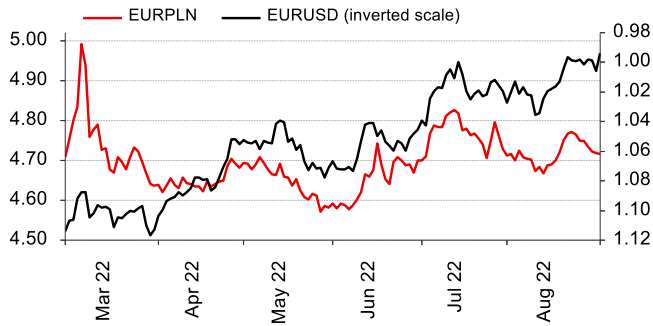


Source: Refinitiv Datastream, Santander

### Economic Analysis Department:

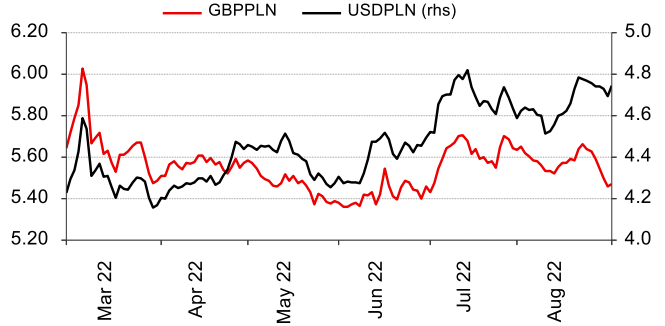
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### EURPLN and EURUSD



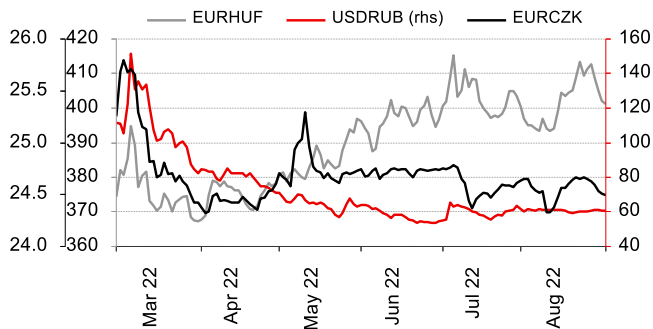
Source: Refinitiv Datastream, Santander

### GBPPLN and USDPLN



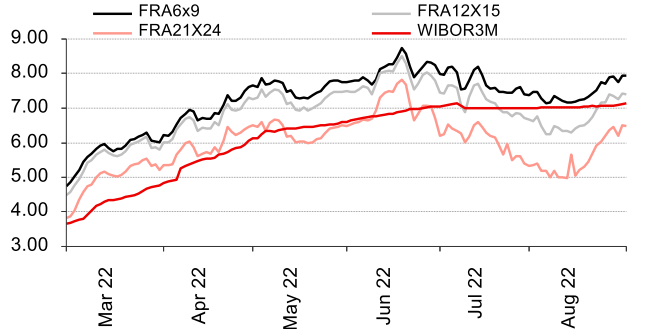
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



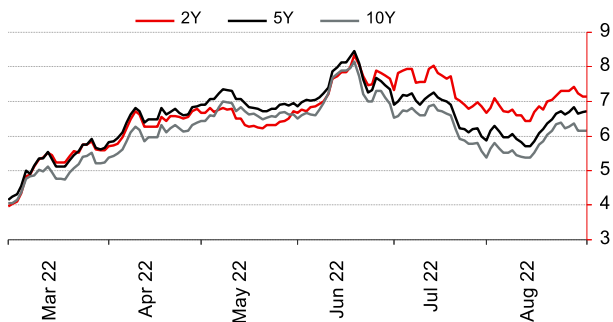
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



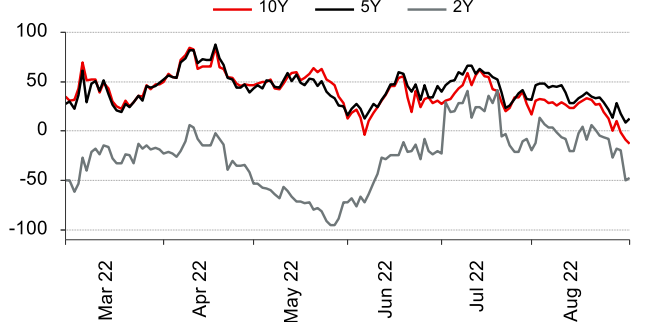
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



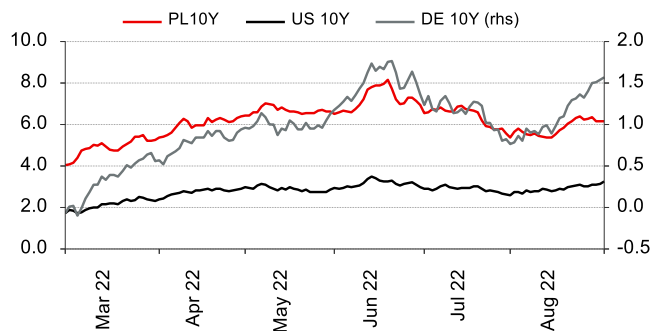
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



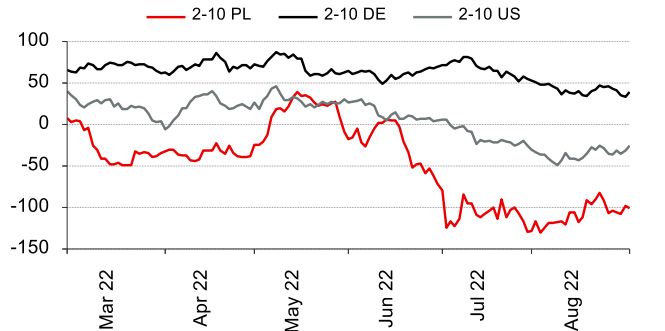
Source: Refinitiv Datastream, Santander Bank Polska

### 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 (5 September)</b>						
	US	Market holiday				
03:45	CN	Caixin China PMI Services	Aug	pts	54.0	55.5
09:55	DE	Markit Germany Services PMI	Aug	pts	48.2	48.2
10:00	EZ	Eurozone Services PMI	Aug	pts	50.2	50.2
11:00	EZ	Retail Sales	Jul	% m/m	0.5	-1.2
<b>TUESDAY (6 September)</b>						
08:00	DE	Factory Orders	Jul	% m/m	-0.5	-0.4
09:00	CZ	Industrial Production	Jul	% y/y	-1.6	1.7
16:00	US	ISM services	Aug	pts	55.2	56.7
<b>WEDNESDAY (7 September)</b>						
	PL	<b>MPC decision</b>	Sep	%	<b>6.75</b>	<b>6.75</b>
08:00	DE	Industrial Production SA	Jul	% m/m	-0.5	0.4
09:00	HU	Industrial Production SA	Jul	% y/y	0.0	4.8
11:00	EZ	GDP SA	2Q	% y/y	3.9	3.9
<b>THURSDAY (8 September)</b>						
09:00	HU	CPI	Aug	% y/y	16.0	13.7
14:15	EZ	ECB Main Refinancing Rate	Sep	%	1.25	0.5
14:30	US	Initial Jobless Claims	week	k	247.5	232.0
<b>FRIDAY (9 September)</b>						
03:30	CN	Inflation	Aug	% y/y	2.8	2.7
03:30	CN	PPI	Aug	% y/y	3.2	4.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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