

16 September 2022

## Weekly Economic Update

### Will the Fed shake up the markets?

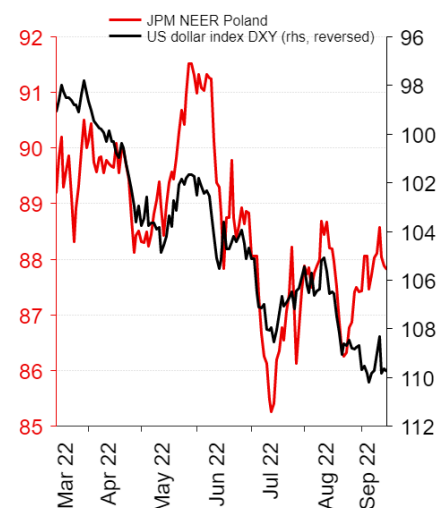
#### Economy next week

- After the weekend, we will see again **plenty of local data releases**. Between Tuesday and Friday we will know most of the key indicators for August: wages and employment, industrial and construction production, retail sales, PPI, unemployment, money supply, government budget results, plus September's consumer and business sentiment surveys. The data will provide further clues as to how much the domestic economy decelerates in Q3 and how the labour market is reacting to this. Our forecasts are partly below and partly above market consensus, but on balance they are consistent with a scenario of further moderation in GDP growth (including consumption) with gradually weakening wage pressures. Information from the labour market and on the health of consumer sector seem to be key in this set of releases and of particular interest for the inflation outlook - if it turns out that the strong wage spike in July was not as transitory as we think and retail sales are not slowing down, this could further reinforce the recently resurgent market expectations for future rate hikes.
- The key event of the week will be the **Fed decision on Wednesday evening**. A 75bp rate hike is expected (and recently the market has even started to price in a rising chance of +100bp - currently around a 20% probability of such a move). Apart from the decision itself, the tone of J.Powell's speech and the central bank's new economic forecasts will be very important. A strongly hawkish message from the Fed may further strengthen the dollar, hurting higher-risk assets, including EM currencies.
- Apart from that, the calendar of publications abroad is pretty thin and includes mainly leading indicators: flash PMIs, ESI indices, Conference Board.

#### Markets next week

- EURPLN has been in a horizontal trend for the third week now, bouncing like a ball off the 4.70 'floor'. However, the nominal effective exchange rate of the zloty (the exchange rate against a basket of currencies weighted by foreign trade) has first risen markedly during this time and then turned back in the last week. The divergence between the strength of the zloty measured this way and the dollar strength index (DXY) does not usually last long and, in our view, without a clear weakening of the US currency, it will be difficult to avoid a repricing of the zloty in the following weeks. **This week's Fed meeting could be a good trigger for weakening of the PLN.**
- There is a clear upward trend in yields on the bond market in the US and the euro area, resulting from further inflation surprises and hawkish rhetoric from central banks. In Poland, yields have rebounded from their local lows after a temporary decline and resumed their upward movement, supported at the same time by growing concerns about next year's budget (the increasing scale of looming costly stimulus measures) and growing doubts about whether the MPC will be able to deliver the announced end of the hike cycle (let alone cuts in 2023) in the face of accumulating factors that could make inflation more persistent, even if the local CPI peak in early 2023 could turn out to be smaller due to energy tariff freeze. **We see further increases in yields and asset swap spreads in the coming days.**

**Nominal effective rate of the zloty (lhs)  
vs dollar index (rhs, reversed)**

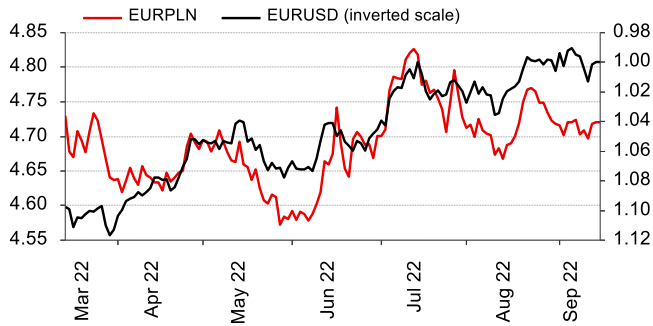


Source: Refinitiv Datastream, Santander

#### Economic Analysis Department:

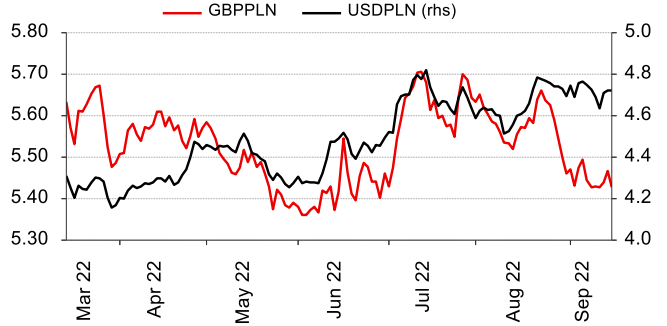
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### EURPLN and EURUSD



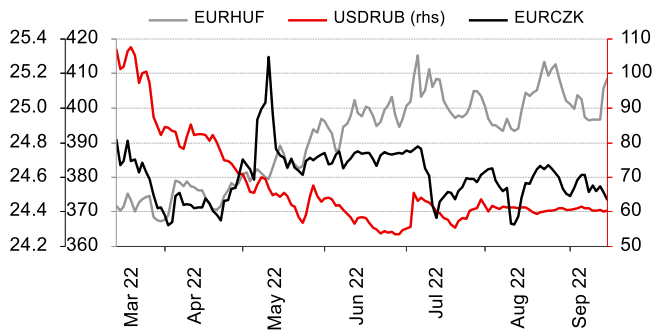
Source: Refinitiv Datastream, Santander

### GBPPLN and USDPLN



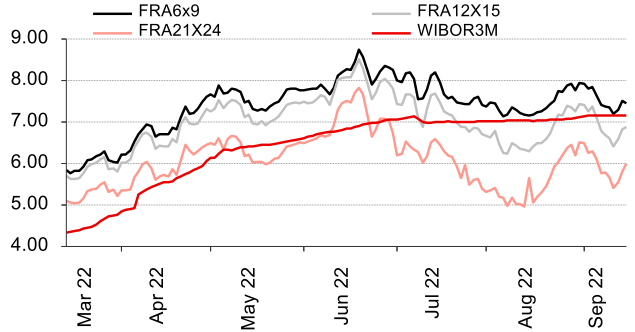
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



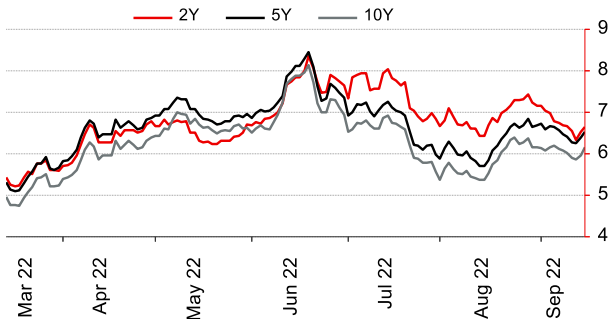
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



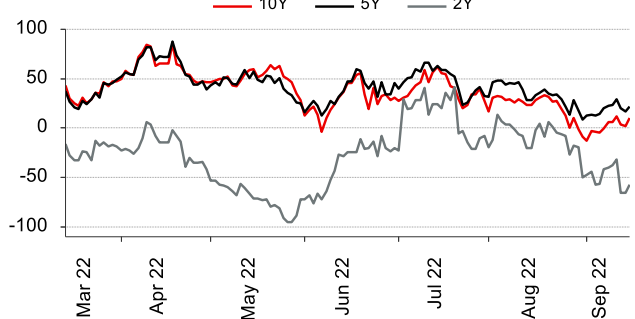
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



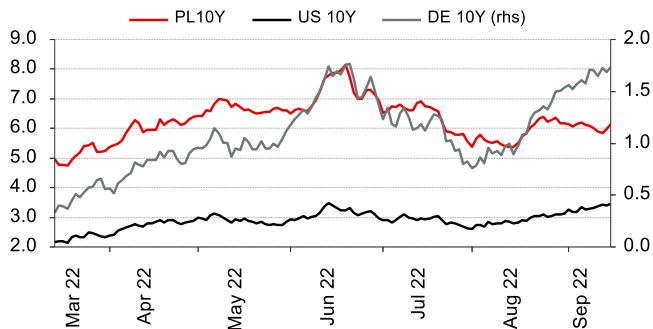
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



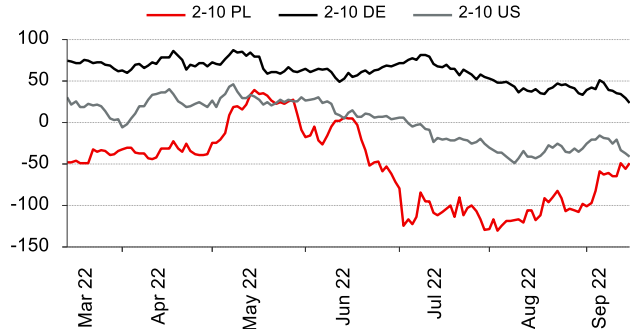
Source: Refinitiv Datastream, Santander Bank Polska

### 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 (19 September)</b>							
No key economic events and publications							
<b>TUESDAY (20 September)</b>							
10:00	PL	Employment in corporate sector	Aug	% y/y	2.4	2.5	2.3
10:00	PL	Sold Industrial Output	Aug	% y/y	10.1	12.9	7.6
10:00	PL	PPI	Aug	% y/y	24.4	23.7	24.9
10:00	PL	Average Gross Wages	Aug	% y/y	13.6	13.1	15.8
14:30	US	Housing Starts	Aug	% m/m	0.9	-	-9.6
<b>WEDNESDAY (21 September)</b>							
10:00	PL	Construction Output	Aug	% y/y	4.3	1.9	4.2
10:00	PL	Retail Sales Real	Aug	% y/y	3.3	1.1	2.0
16:00	US	Existing Home Sales	Aug	% m/m	-2.3	-	-5.87
20:00	US	FOMC decision	Sep.22		3.25	-	2.5
<b>THURSDAY (22 September)</b>							
14:00	PL	Money Supply M3	Aug	% y/y	6.1	6.1	6.2
14:30	US	Initial Jobless Claims		k	220.0	-	213.0
<b>FRIDAY (23 September)</b>							
09:30	DE	Germany Manufacturing PMI	Sep	pts	48.3	-	49.1
09:30	DE	Markit Germany Services PMI	Sep	pts	47.2	-	47.7
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	49.0	-	49.6
10:00	EZ	Eurozone Services PMI	Sep	pts	49.2	-	49.8
10:00	PL	Unemployment Rate	Aug	%	4.9	4.8	4.9

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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