

Weekly Economic Update

Struggle between inflation and recession continues

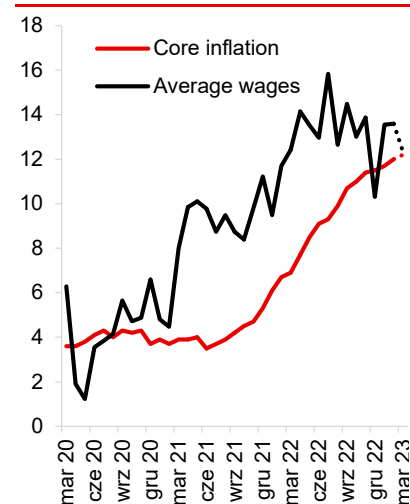
Economy next week

- Financial markets are still struggling to gauge the implications of the recent banking turmoil for macroeconomic scenarios and monetary policy outlooks. A [new IMF report](#) published several days ago brought mixed signals: on the one hand, their baseline scenario is still a 'soft landing' of the global economy, with the economic slowdown soon coming to an end and transitioning to a moderate recovery. On the other hand, the report makes clear that the risks to this scenario are strongly tilted to the downside. In addition, according to the Fund, global economic growth in the next few years will be subdued, mainly because China is structurally losing its ability to expand very quickly. Finally, the IMF believes that once elevated inflation is finally brought under control, global interest rates could return to their pre-pandemic levels.
- The calendar of macroeconomic data releases for next week is fairly modest. **Locally, core inflation (Monday), consumer sentiment and GDP update for 2021-22 (Thursday), wages and employment and business sentiment (Friday).** Abroad, preliminary April PMIs (Friday), and before that some data from the US real estate market, Chinese GDP for Q1. The season of quarterly earnings reports' publication in the US begins - for investors, information from companies, especially from banks, may be important in assessing how tightening credit conditions will affect the economy.
- On the basis of [CPI data](#), we can estimate that **core inflation excluding energy and food prices rose to a new record in March** (our estimate and market consensus 12.2% y/y). Despite the extinction of shocks, underlying price momentum remains high, supporting our view that the disinflation process will be slower than assumed by the central bank, leaving no room for rate cuts this year.
- In the labour market, on the other hand, **wages are expected to slow slightly in March** (our forecast and consensus: 12.3% y/y), partly due to last year's high base, **with employment relatively stable** (our forecast 0.5% y/y, market 0.7% y/y).
- In our view, **consumer confidence should continue its upward trend in April**, while the situation in businesses may be more mixed - weakness in foreign demand may weigh on sentiment in manufacturing.

Markets next week

- The weakening of the dollar (EURUSD rose above 1.10) clearly supported EM currencies, including the zloty. This situation may persist in the near future, as the dollar is hurt both by expectations regarding relative interest rates (the Fed likely to give up on further policy tightening sooner than the ECB) and by resurgent fears of possible consequences of hitting the US debt ceiling. The zloty is also supported by a surprisingly rapid improvement in the balance of payments. As a result, **it appears that the short-term equilibrium for EURPLN is now moving from around 4.70 to around 4.65.**
- In the debt market, a gentle rebound in yields from the local lows reached in mid-March is underway, but the scale of the increases is limited by the still present worries about a hard landing in the global economy. **We assume that such a slow upward climb in yields may continue**, especially if information from the quarterly earnings reports of US companies does not herald a strong slowdown in corporate activity.

Inflation in Poland

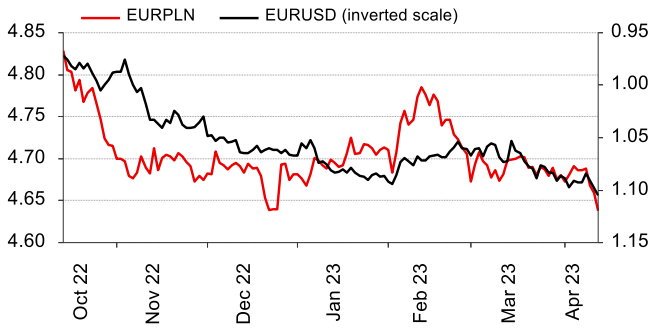


Source: GUS, Santander

Economic Analysis Department:

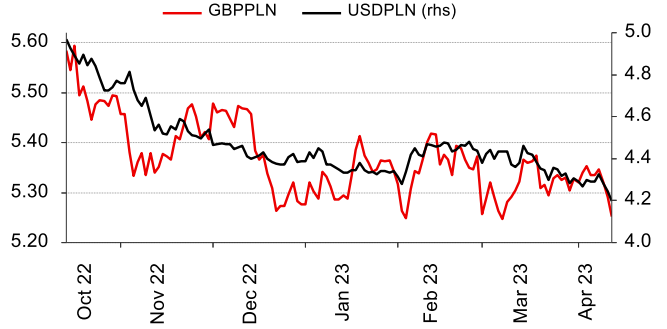
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EURPLN and EURUSD



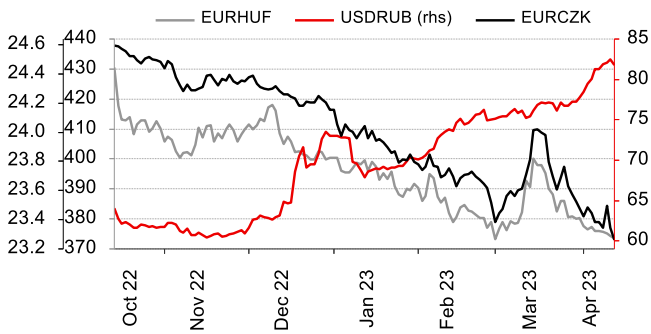
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



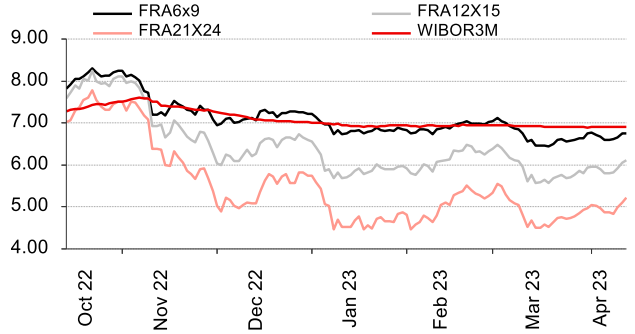
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



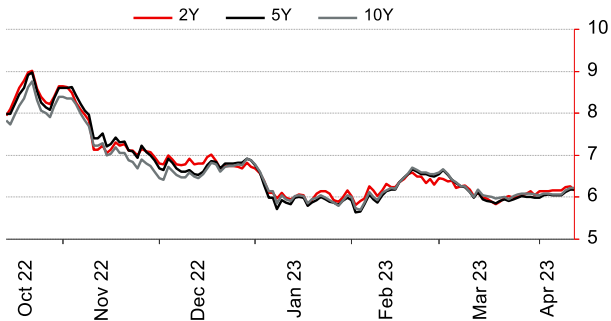
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



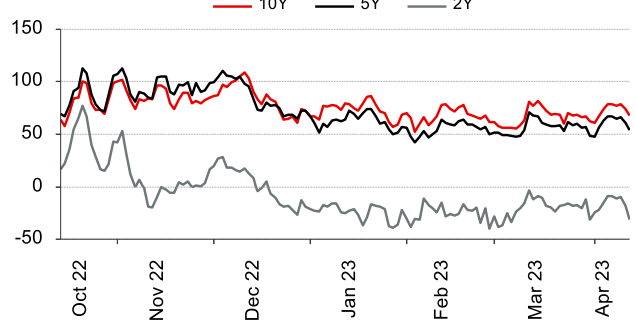
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



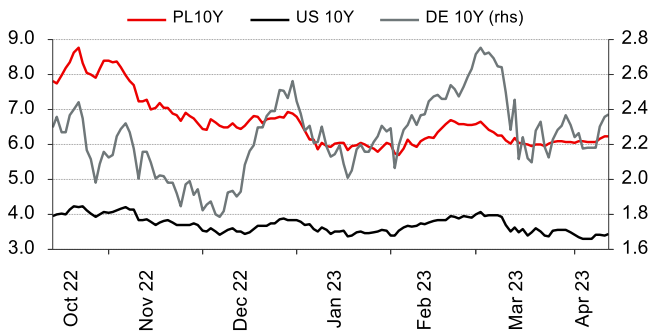
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



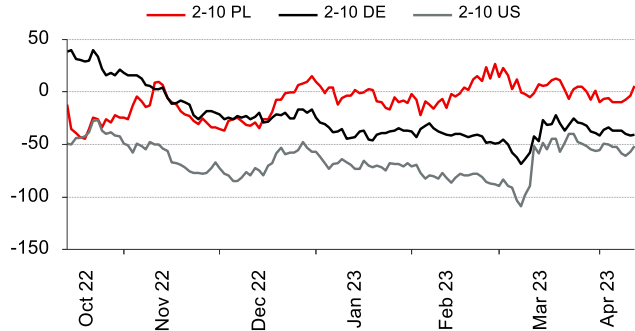
Source: Refinitiv Datastream, Santander Bank Polska

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		
MONDAY (17 April)							
14:00	PL	CPI Core	Mar	% y/y	12.2	12.2	12.0
TUESDAY (18 April)							
11:00	DE	ZEW Survey Current Situation	Apr	pts	-39.0		-46.5
14:30	US	Housing Starts	Mar	% m/m	-3.1		9.8
WEDNESDAY (19 April)							
11:00	EZ	HICP	Mar	% y/y	6.9	-	8.6
THURSDAY (20 April)							
10:00	PL	Consumer confidence	Apr	pts	-34.0		-35.6
10:00	PL	Update of quarterly GDP data for 2021-2022					
14:30	US	Initial Jobless Claims		k	237.5	-	239
16:00	US	Existing Home Sales	Mar	% m/m	-1.8	-	14.5
FRIDAY (21 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	45.6	-	44.7
09:30	DE	Markit Germany Services PMI	Apr	pts	53.2	-	53.7
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	48.0	-	47.3
10:00	EZ	Eurozone Services PMI	Apr	pts	54.5	-	55.0
10:00	PL	Employment in corporate sector	Mar	% y/y	0.6	0.5	0.8
10:00	PL	Average Gross Wages	Mar	% y/y	12.35	12.3	13.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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