

# Weekly Economic Update

## Another set of (weak?) local data

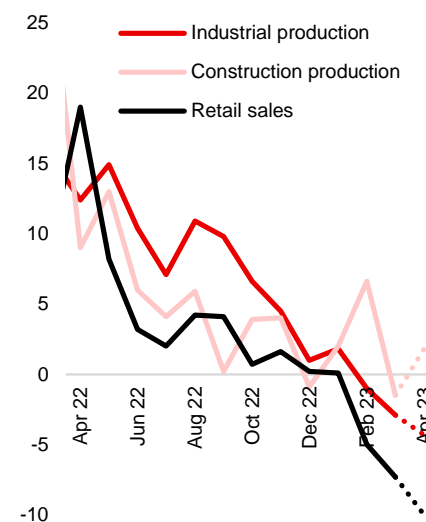
### Economy next week

- A solid batch of Polish economic data is coming after the weekend. On Monday, April wages, employment, industrial production, PPI and May business sentiment; on Tuesday, construction production and retail sales; on Wednesday, money supply and consumer sentiment; and on Thursday, unemployment and the monthly Statistical Bulletin.
- One should be prepared for a **deterioration in annual growth rate of most of April indicators** (industrial production, retail sales, employment, wages)-at least this is what our forecasts and the Bloomberg consensus indicate. The high base effect will be partly responsible for this (in April 2022 industry was still buoyant, the labour market was heated, retail sales got an extra boost from the inflow of migrants) and fewer working days than a year ago. Another factor to take into account is the general weakness in industry, evident since March across virtually the whole of Europe. In construction, on the other hand, the expected improvement in annual growth will be mainly due to an exceptionally low base. Just as important as the "hard" data in April (production, sales) will be the "soft" sentiment indicators for May, which will hint at whether the trends observed in recent months are changing and in which direction. **We are counting on a further improvement in consumer confidence and the business climate in most sectors of the economy, confirming our scenario of a gradual economic recovery in the coming quarters.**
- The preliminary GDP estimate for the first quarter of this year published on Tuesday (-0.2% y/y, +3.9% q/q s.a.) turned out to be much better than forecast, despite the fact that the monthly production and sales data for the period did not look good at all. Perhaps the weakness we expect to see in the April should not worry us too much either 😊. For now, we do not understand exactly what was behind the GDP surprise, the full data will not be available until the end of May, but we take it as a confirmation of the resilience of the domestic economy to rising interest rates and the global downturn, which should in fact increase optimism about the situation expected in the following quarters of the year.
- Abroad, among others, a large set of economic indices (preliminary PMI, Ifo, Gfk), US consumer spending and income. The calendar also features a number of statements by ECB and Fed representatives. However, the key issue will be the topic of **raising the US government debt limit** - the closer we get to the end of the month without a political agreement on the issue, the more market anxiety and risk aversion may grow.

### Markets next week

- We think that the **EURPLN upside move may continue** this week, supported by weak economic activity data and a possible further weakening of the CEE currency basket amid US dollar strengthening. The forint may continue to be negatively affected by expectations for a 100bp cut in the overnight deposit rate from 18% towards the MNB reference rate of 13%. If the decision is pushed back to June the end of the week may bring an improvement in sentiment towards the forint and the region.
- April GUS data will most likely show a bottoming out of the annual dynamics of real retail sales and manufacturing and a continuation of the slowdown in PPI growth, which could lead to a **pause in the upward trend in the interest rate market** for FRAs and swap rates. Meanwhile, we see room for widening in asset swap spreads on the back of fiscal easing and the unfolding election campaign. Any news on agreement to raise the debt limit in the US or further hawkish comments from the euro zone could favour a further increase in core bond yields and/or a narrowing of POLGB spreads against the US or the euro zone.

Real output and retail sales in Poland, %y/y

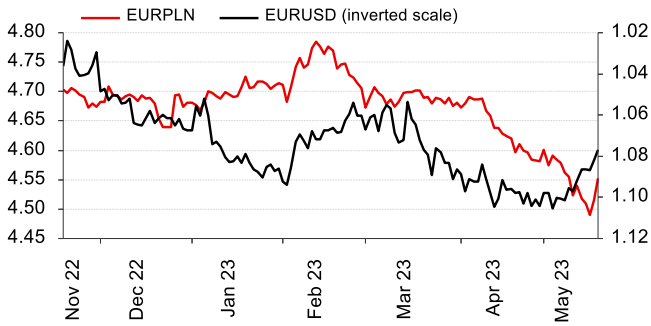


Źródło: GUS, Santander

### Economic Analysis Department:

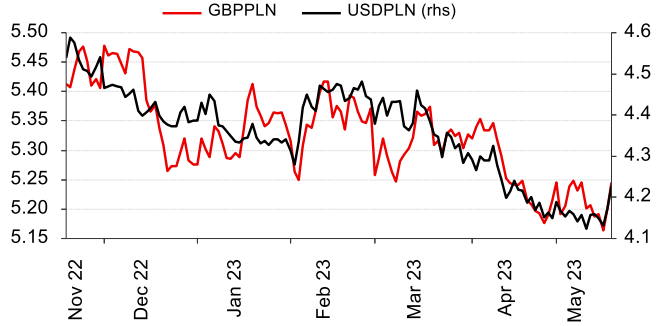
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**EURPLN and EURUSD**



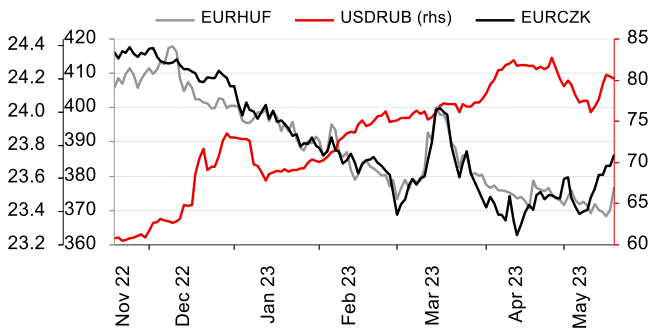
Source: Refinitiv Datastream, Santander

**GBPPLN and USDPLN**



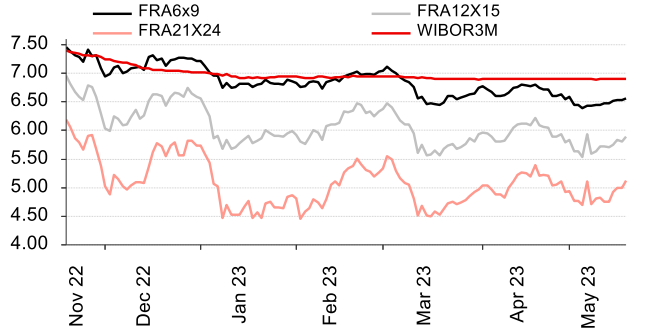
Source: Refinitiv Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



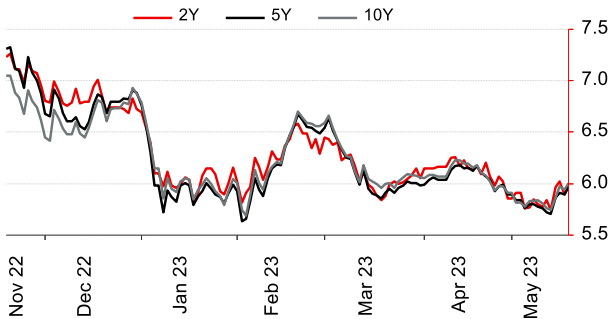
Source: Refinitiv Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



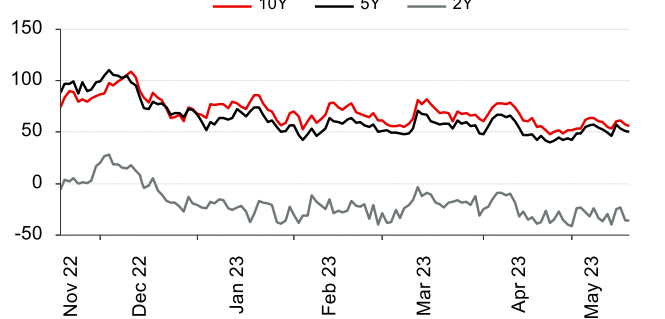
Source: Refinitiv Datastream, Santander Bank Polska

**Polish bond yields**



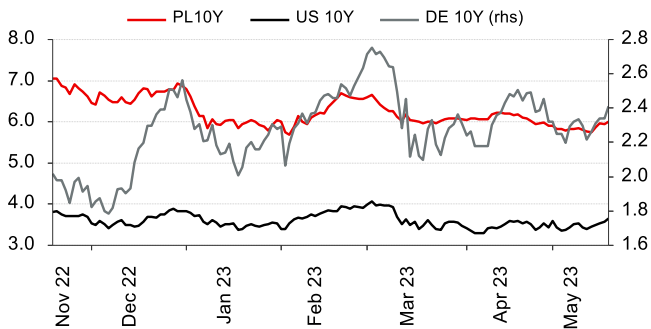
Source: Refinitiv Datastream, Santander Bank Polska

**Asset swap spreads**



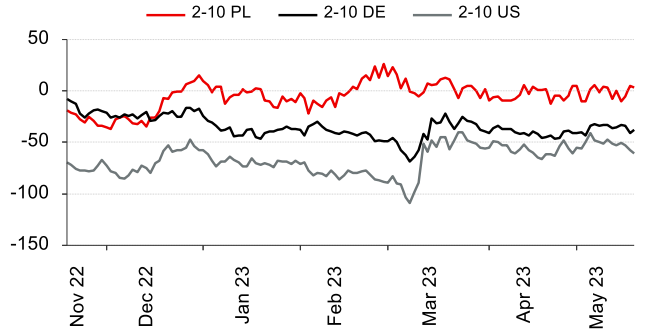
Source: Refinitiv Datastream, Santander Bank Polska

**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		
<b>MONDAY (22 May)</b>							
10:00	PL	Employment in corporate sector	Apr	% y/y	0.2	0.1	0.5
10:00	PL	Sold Industrial Output	Apr	% y/y	-4.3	-4.3	-2.9
10:00	PL	PPI	Apr	% y/y	7.7	7.7	10.1
10:00	PL	Average Gross Wages	Apr	% y/y	12.1	12.2	12.6
<b>TUESDAY (23 May)</b>							
09:30	DE	Germany Manufacturing PMI	May	pts	45.0	-	44.5
09:30	DE	Markit Germany Services PMI	May	pts	55.0	-	56.0
10:00	EZ	Eurozone Manufacturing PMI	May	pts	46.0	-	45.8
10:00	EZ	Eurozone Services PMI	May	pts	55.5	-	56.2
10:00	PL	Construction Output	Apr	% y/y	1.9	1.8	-1.5
10:00	PL	Retail Sales Real	Apr	% y/y	-8.2	-10.0	-7.3
14:00	HU	Central Bank Rate Decision	May.23	%	13.00	-	13.00
16:00	US	New Home Sales	Apr	% m/m	-3.4	-	9.6
<b>WEDNESDAY (24 May)</b>							
10:00	DE	IFO Business Climate	May	pts	93.0	-	93.6
14:00	PL	Money Supply M3	Apr	% y/y	6.7	6.7	6.5
20:00	US	FOMC Meeting Minutes	May.23				
<b>THURSDAY (25 May)</b>							
08:00	DE	GDP WDA	1Q	% y/y	-0.1	-	0.9
10:00	PL	Unemployment Rate	Apr	%	5.3	5.3	5.4
14:30	US	GDP Annualized	1Q	% Q/Q	1.1	-	2.6
14:30	US	Initial Jobless Claims		k	251	-	242
16:00	US	Pending Home Sales	Apr	% m/m	-	-	-5.2
<b>FRIDAY (26 May)</b>							
14:30	US	Durable Goods Orders	Apr	% m/m	-1.0	-	3.2
14:30	US	Personal Spending	Apr	% m/m	0.4	-	0.0
14:30	US	Personal Income	Apr	% m/m	0.4	-	0.3
14:30	US	PCE Deflator SA	Apr	% m/m	0.3	-	0.1
16:00	US	Michigan index	May	pts	58.0	-	63.5

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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