

15 September 2023

## Weekly Economic Update

### A lot of data and central banks' decisions

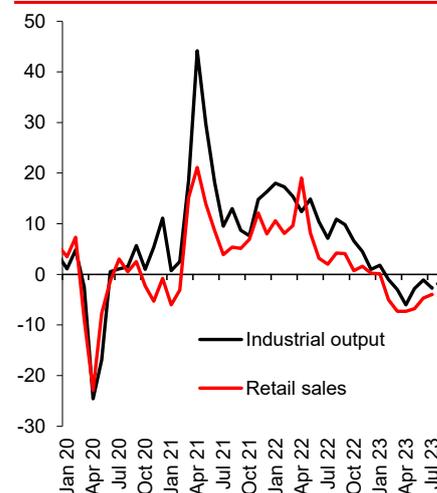
#### Economy next week

- After a short breather, it is time for another big batch of domestic data. **After the weekend, we will see practically all the most important statistics for August: core inflation, wages and employment, output in industry and construction, retail sales, PPI, money supply.** We will also get to see the September consumer confidence survey. Our estimates, as well as the market consensus, suggest that the readings should not point to a sharp change in economic trends - economic activity in 3Q is no longer deteriorating in our view, but showing a slow recovery rather than a clear rebound. Of particular interest will be the signals which could affect the outlook for consumption, i.e. those showing whether there are any cracks in the stable employment trend, whether the double-digit wage dynamics are likely to dim, or whether consumers are losing optimism (though, in our view, the answer is 3xNO).
- Abroad, the week will be dominated by central banks' policy decisions. **Banks in China, the US and Brazil are making their decisions on Wednesday, those in the UK, Switzerland, Sweden, Norway, Turkey, and South Africa on Thursday, and the Bank of Japan on Friday. For markets, the most important will of course be the decision made by the Fed - most analysts expect a 'hawkish pause'; the way the decision will be communicate will be as important as the decision itself, the market will also eye the updated economic forecasts and the so-called dot-plot with the trajectory of future rates expected by FOMC members.** The Bank of Japan may be no less important - the baseline scenario assumes its policy will be kept unchanged, but if the BoJ were to surprise with a decision (already announced for some time) to move away from negative rates and yield curve control, the consequences for emerging markets could be very negative. The Bank of China has recently been making attempts to support the economy, so a cut in the main rate cannot be ruled out; another rate cut is also imminent in Brazil, while in the UK, Switzerland, Sweden, Norway, Turkey interest rates are likely to go up. The desynchronisation of monetary policy in different parts of the world, which we wrote about a few weeks ago, is progressing.
- In addition to central banks, inflation data and preliminary PMI readings for September will also be carefully observed abroad.
- The week will end with an update of the Polish rating by Moody's. No changes are expected.

#### Markets next week

- The domestic currency market seems to have reached a point of local equilibrium after the shock MPC decision and the recent verbal interventions by the PFR head. **Unless there are any big surprises in domestic data, we assume EURPLN to stabilise near 4.63-4.65 at least until Thursday.** A more hawkish-than-expected message from the Fed and even more so from the Bank of Japan could weaken the zloty again at the end of the week, but this is a risk factor rather than a baseline scenario.
- Market expectations for the scale of future rate cuts have adjusted somewhat, but remain high. **We do not anticipate big changes in the interest rate market in the coming week,** mostly because we do not expect new data releases to fundamentally change the economic outlook. As with FX, the decisions of the Fed and BoJ may signal a weakening of global risk appetite, which could drive up local yields.

#### Industrial output and retail sales, % y/y

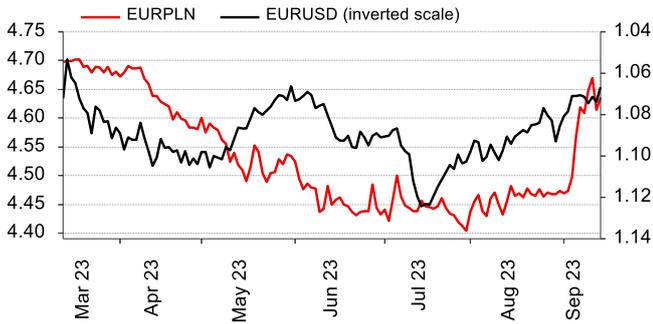


Source: GUS, Santander

#### Economic Analysis Department:

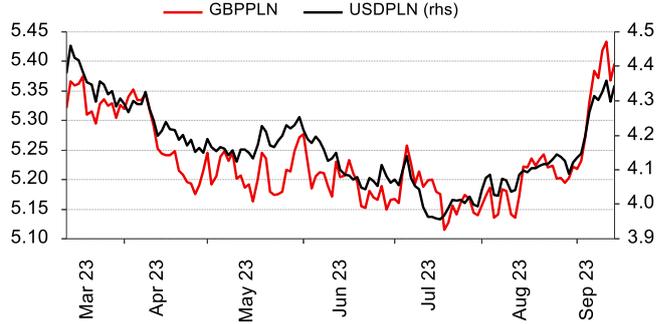
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**EURPLN and EURUSD**



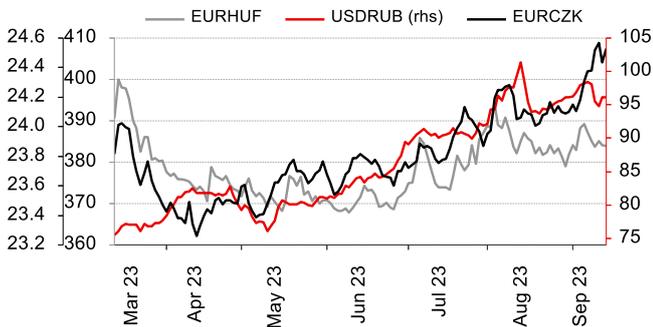
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



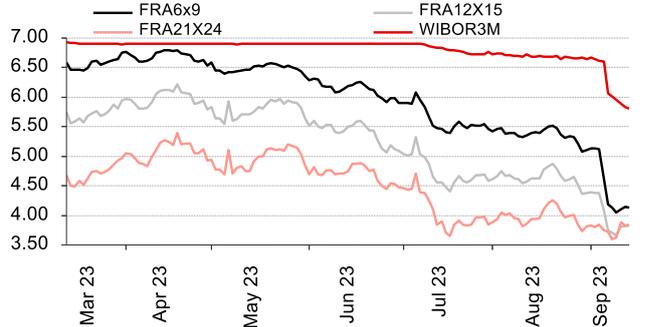
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



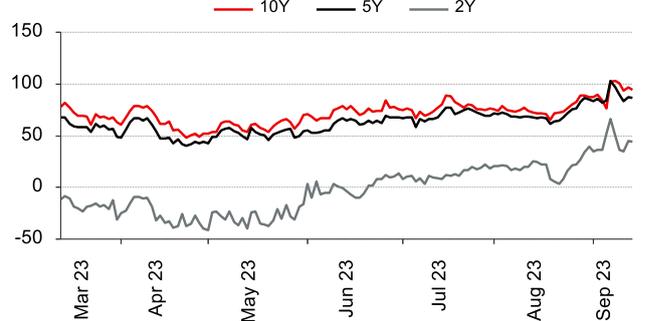
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



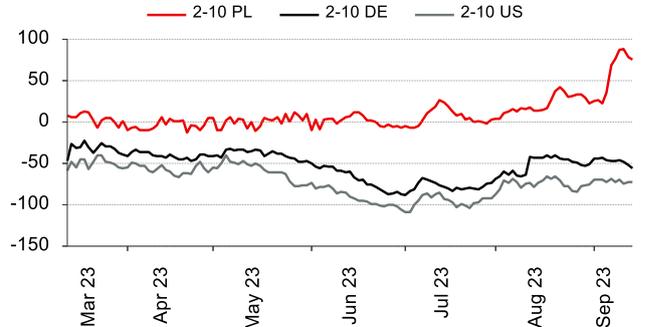
Source: LSEG Datastream, Santander Bank Polska

**10Y bond yields**



Source: LSEG Datastream, Santander

**Steepness of yield curves**



Source: LSEG Datastream, Santander Bank Polska

## Economic Calendar

| TIME<br>CET                     | COUNTRY | INDICATOR                      | PERIOD | FORECAST |           | LAST<br>VALUE |      |
|---------------------------------|---------|--------------------------------|--------|----------|-----------|---------------|------|
|                                 |         |                                |        | MARKET   | SANTANDER |               |      |
| <b>MONDAY (18 September)</b>    |         |                                |        |          |           |               |      |
| 14:00                           | PL      | CPI Core                       | Aug    | % y/y    | 10.1      | 10.0          | 10.6 |
| <b>TUESDAY (19 September)</b>   |         |                                |        |          |           |               |      |
| 11:00                           | EZ      | HICP                           | Aug    | % y/y    | 5.3       | -             | 5.3  |
| 14:30                           | US      | Housing Starts                 | Aug    | % m/m    | -0.8      | -             | 3.9  |
| <b>WEDNESDAY (20 September)</b> |         |                                |        |          |           |               |      |
| 10:00                           | PL      | Employment in corporate sector | Aug    | % y/y    | 0.1       | 0.1           | 0.1  |
| 10:00                           | PL      | Sold Industrial Output         | Aug    | % y/y    | -2.1      | -1.4          | -2.7 |
| 10:00                           | PL      | PPI                            | Aug    | % y/y    | -3.0      | -2.9          | -1.7 |
| 10:00                           | PL      | Average Gross Wages            | Aug    | % y/y    | 11.8      | 11.8          | 10.4 |
| 20:00                           | US      | FOMC decision                  | Sep    | %        | 5.50      | -             | 5.50 |
| <b>THURSDAY (21 September)</b>  |         |                                |        |          |           |               |      |
| 10:00                           | PL      | Construction Output            | Aug    | % y/y    | 1.0       | -0.4          | 1.1  |
| 10:00                           | PL      | Retail Sales Real              | Aug    | % y/y    | -3.5      | -4.5          | -4.0 |
| 14:30                           | US      | Initial Jobless Claims         | Sep.23 | k        | 225       | -             | 220  |
| 16:00                           | US      | Existing Home Sales            | Aug    | % m/m    | 0.7       | -             | -2.2 |
| <b>FRIDAY (22 September)</b>    |         |                                |        |          |           |               |      |
| 09:30                           | DE      | Germany Manufacturing PMI      | Sep    | pts      | 39.3      | -             | 39.1 |
| 09:30                           | DE      | Markit Germany Services PMI    | Sep    | pts      | 47.5      | -             | 47.3 |
| 10:00                           | EZ      | Eurozone Manufacturing PMI     | Sep    | pts      | 43.6      | -             | 43.5 |
| 10:00                           | EZ      | Eurozone Services PMI          | Sep    | pts      | 47.8      | -             | 47.9 |
| 14:00                           | PL      | Money Supply M3                | Aug    | % y/y    | 7.2       | 7.4           | 8.0  |

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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