

# Weekly Economic Update

## MPC returns from summer holidays

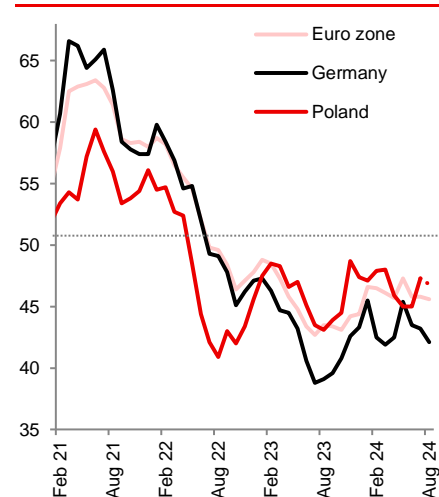
### Economy next week

- The main event of the next week will be **the first decision-making meeting of the MPC** after the summer holidays. The decision will be announced on Wednesday at an unknown time. No one expects a change in interest rates (neither do we), but the tone of the communiqué and in particular the tone of President Glapinski's conference (probably as usual on Thursday at 15:00 CET) will be followed with great attention.
- More than a week ago, just after the one-day working meeting of the MPC, the NBP president gave an interview in which he clearly softened his July declaration of no possibility of discussing rate cuts until 2026. This may have been the result of discussions with the other MPC members at the working meeting (we know that at least five of them, in earlier statements, allowed for the possibility of starting a cycle of cuts as early as 2025). Shortly thereafter, however, a set of news emerged that could have clearly cooled the Council members' enthusiasm for rapid rate cuts: surprisingly high wage growth in the national economy in Q2 (14.7% y/y), Q2 GDP data confirming solid growth (3.2% y/y) based mainly on consumption, draft budget for 2025, indicating an expansionary fiscal policy in 2024-25. We are not expecting to see another 180-degree pivot by the NBP president and a return to declaration of no cuts until 2026, but the message may be more nuanced, emphasising the conditionality of the MPC's decision and its data dependence. This may cool somewhat market expectations on the pace of NBP rate cuts.
- **On Monday, we will get to see the August PMI for Polish manufacturing.** The market consensus is pointing to the second consecutive increase (although this time marginal, from 47.3 pts to 47.4 pts), and we expect a slight correction (to 46.8 pts) after the large, unexpected rise in July.
- Final PMI readings for manufacturing and services will also be released abroad. Preliminary manufacturing PMI indices in Europe took a dive, in services the results were mixed. Economic weakness of our main trading partners remains the main risk to the scenario of further economic recovery in Poland.
- The working week will end with **another monthly US labour market report**. The previous publication triggered a large, albeit short-lived, wave of market turbulence and increased risk aversion. We expect that this time the employment and unemployment readings are likely to reassure investors that the US economy is not on a recessionary path, but is rather experiencing a soft landing.

### Markets next week

- EURPLN unsuccessfully tried to break above 4.30 in reaction to the publication of the budget draft with a high deficit and borrowing needs planned for 2025. However, emotions had already started to subside and, despite a stronger dollar, the zloty was recovering by the end of the week, probably helped by data on a solid GDP structure and a slight rise in inflation, which, together with an expansionary budget, will not encourage the MPC to cut rates quickly. **EURPLN may test 4.25 in the week ahead, supported by, among other things, a not so dovish message from the NBP.**
- Domestic bond yields, like EURPLN, started to retreat towards the end of the week, after a temporary rise in reaction to the announcement of the draft budget for 2025. **The beginning of the new week may bring a continuation of the declines**, among others, due to the strengthening in the underlying markets after the publication of the final PMI indices. **However, a correction is possible at the end of the week** in reaction to the tone of the NBP president's conference and data from the US labour market, from which we expect an improvement against July.

### Manufacturing PMIs, pts

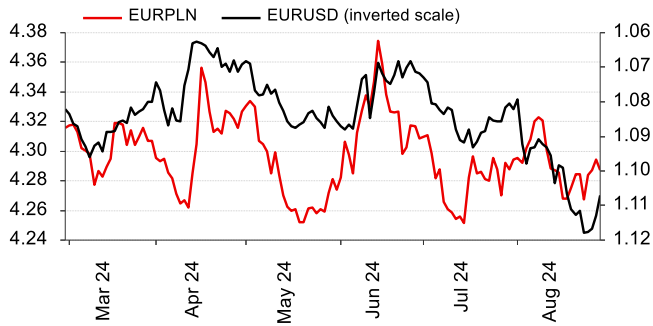


Aug'24 value for Poland is Santander forecast  
Source: Bloomberg, Santander

### Economic Analysis Department:

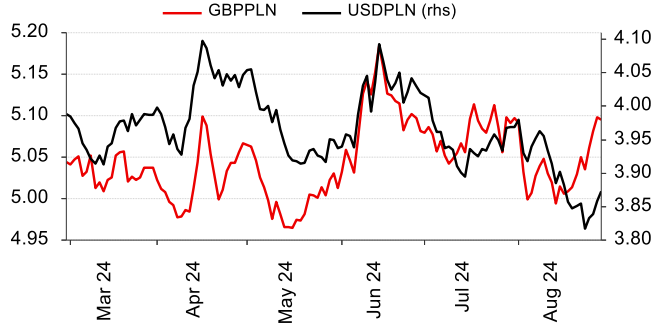
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**EURPLN and EURUSD**



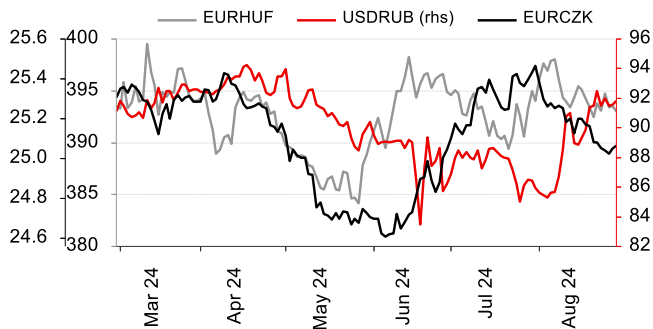
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



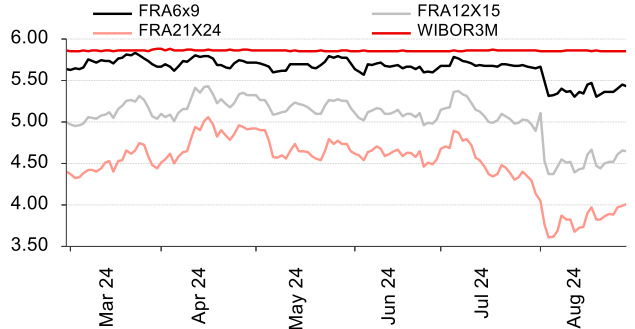
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



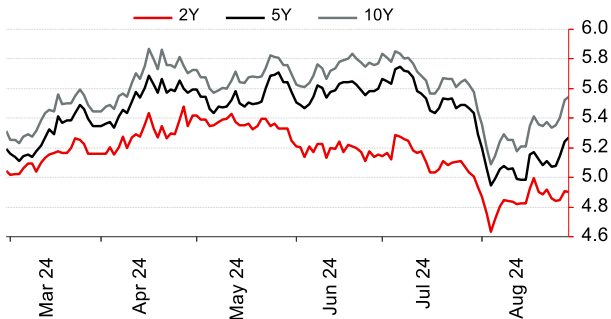
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



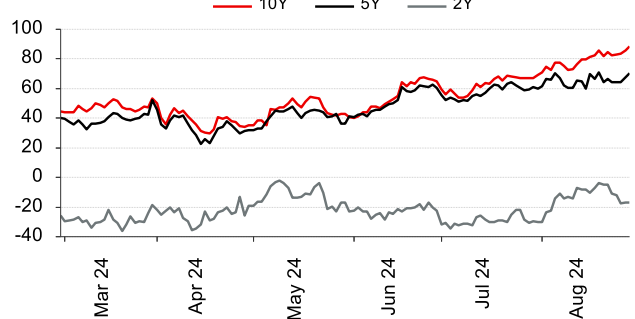
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



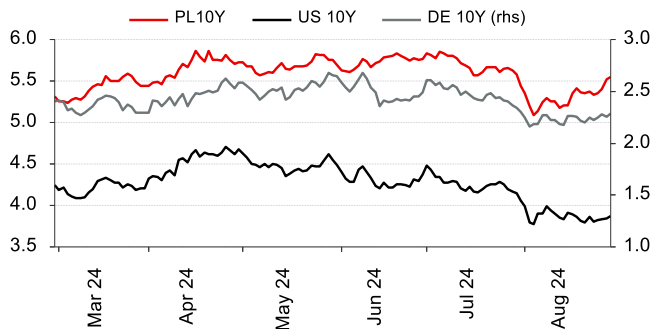
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



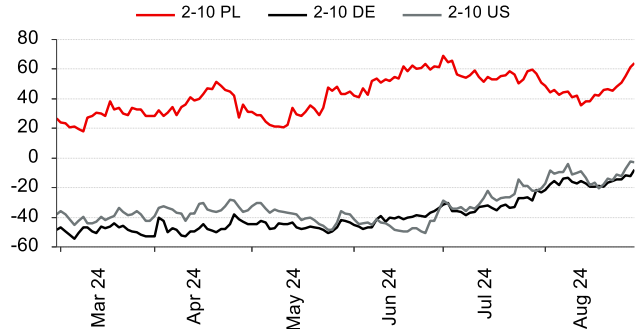
Source: LSEG Datastream, Santander Bank Polska

**10Y bond yields**



Source: LSEG Datastream, Santander

**Steepness of yield curves**



Source: LSEG Datastream, Santander Bank Polska

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
<b>MONDAY (2 September)</b>							
09:00	PL	Poland Manufacturing PMI	Aug	pts	47.4	46.8	47.3
09:55	DE	Germany Manufacturing PMI	Aug	pts	42.1	-	43.2
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	45.6	-	45.8
<b>TUESDAY (3 September)</b>							
08:30	HU	GDP	2Q	% y/y	1.5	-	1.1
16:00	US	ISM manufacturing	Aug	pts	47.5	-	46.8
<b>WEDNESDAY (4 September)</b>							
	PL	MPC decision	Sep	%	5.75	5.75	5.75
03:45	CN	Caixin China PMI Services	Aug	pts	52.1	-	52.1
09:55	DE	Markit Germany Services PMI	Aug	pts	51.4	-	52.5
10:00	EZ	Eurozone Services PMI	Aug	pts	53.3	-	51.9
16:00	US	Durable Goods Orders	Jul	% m/m	-	-	9.9
16:00	US	Factory Orders	Jul	% m/m	4.6	-	-3.3
<b>THURSDAY (5 September)</b>							
08:00	DE	Factory Orders	Jul	% m/m	-1.5	-	3.9
11:00	EZ	Retail Sales	Jul	% m/m	0.1	-	-0.3
14:15	US	ADP report	Aug	k	145	-	122
14:30	US	Initial Jobless Claims	weekly	k	-	-	231
16:00	US	ISM services	Aug	pts	50.9	-	51.4
<b>FRIDAY (6 September)</b>							
08:00	DE	Exports SA	Jul	% m/m	1.1	-	-3.3
08:00	DE	Industrial Production SA	Jul	% m/m	-0.5	-	1.4
08:30	HU	Industrial Production SA	Jul	% y/y	-6.1	-	-3.7
09:00	CZ	Industrial Production	Jul	% y/y	7.0	-	-9.1
11:00	EZ	GDP SA	2Q	% y/y	0.6	-	0.5
14:30	US	Change in Nonfarm Payrolls	Aug	k	163	-	114
14:30	US	Unemployment Rate	Aug	%	4.2	-	4.3

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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