

20 September 2024

Weekly Economic Update

Next interest rate cuts in CEE region

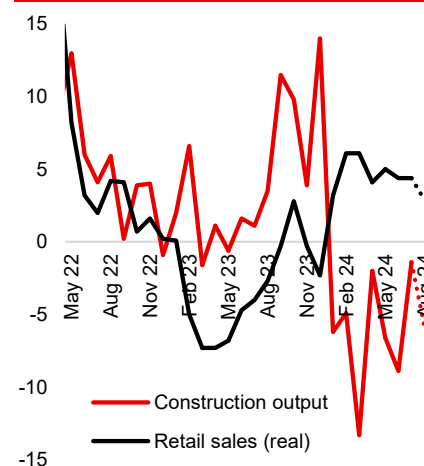
Economy next week

- After the weekend, another portion of domestic data will be released: **August construction output, retail sales and money supply** on Monday, **the unemployment rate** and detailed data in the GUS Statistical Bulletin on Tuesday.
- This week's industrial production and employment data were disappointing, but that doesn't mean that the next data will surprise in the same direction – there have been surprises in opposite directions in previous months. Our forecast for construction production is slightly better than the consensus, for retail sales it is slightly below, but the differences are small. In both cases, a deterioration in the annual growth rate compared to July is widely expected, partly due to the effect of a lower number of working days and partly to the high base from August 2023. In our opinion, the money supply may slow down slightly, but remain close to 8% y/y.
- Abroad, there will be plenty of business sentiment indices for September: flash PMIs for manufacturing and services, German Ifo, European ESI, US consumer confidence according to the Conference Board and the University of Michigan.
- **Decisions on interest rates will be made by central banks in the Czech Republic and Hungary** (in both cases we are betting on a 25bp cut), but also in **Switzerland** (also a possible cut), Sweden and Australia. There is also a large flood of public speeches from central bank officials in the agenda, most of them from the Fed, but also from the ECB and other countries.
- The next meeting of the parliamentary Committee of Constitutional Responsibility was supposed to take place on September 24th, during which the hearing of the first witnesses in Adam Glapiński's case was planned. However, the meeting is not listed in the parliamentary calendar for the time being. In the meantime, NBP filed a notification with the prosecutor's office regarding unlawful – according to the central bank's lawyers – actions taken by the Sejm Speaker and the Chairman of the Committee related to the above-mentioned motion regarding the investigation against NBP's Glapiński.

Markets next week

- Last week clearly showed that central banks' interest rate policies are important the FX market. Brazilian real gained in the face of a rate hike, the rand slightly corrected its weekly gains in the face of a rate cut in South Africa, the yen lost slightly after a wave of appreciation in the absence of a rate change and a dovish tone from Governor Ueda, and a strong rate cut by the Fed was followed by a delayed dollar weakening. Faster rate cuts in the US, especially if continued later in the year, are a good signal for risk appetite, equity markets or broader EM assets. A quick cut by the Fed with slow moves by the ECB (suggested no move in October) could mean a fairly good outlook for the zloty. **In the coming week, the EURPLN may remain in the 4.26-4.30 range, and the technical situation favours a slight dollar recovery and weakening of the CEE currencies. The expected rate cuts in Czechia and Hungary could negatively affect these currencies against the euro, but also against the zloty.** With these central banks slowing the cycle of rate cuts, their disparity against the euro may stabilize, but it will grow for the zloty and will be a supporting factor for the Polish currency in the coming months. Domestic data will probably be less important for the currency market, unless they clearly surprise affecting the scenario of accelerating economic growth.
- In the interest rate market, last week was marked by a continuation of the downward trend, accompanied by a deeper rate cut by the Fed, but also weaker-than-expected manufacturing data. Friday brought the upward adjustment in swap rates that we have been anticipating for some time, with a slight weakening in bonds as well. **In the coming week we are likely to see a continuation of the upward movement in market rates**, given that we are still assuming a much more distant date for the first rate cut in the country, and also expectations for rate cuts in the core markets may be a bit too high. **A correction in the debt market may be caused by preparing portfolios for the bond auction** scheduled for next week (Wednesday). The auction may be followed by a gradual narrowing of credit spreads due to the fact that net issuance in October will already be heavily negative. Nevertheless, we do not assume that this narrowing to be significant, as the market will be looking ahead to record issuance next year probably with its culmination in the first half of the year.

Construction production and retail sales in Poland, in constant prices, % y/y

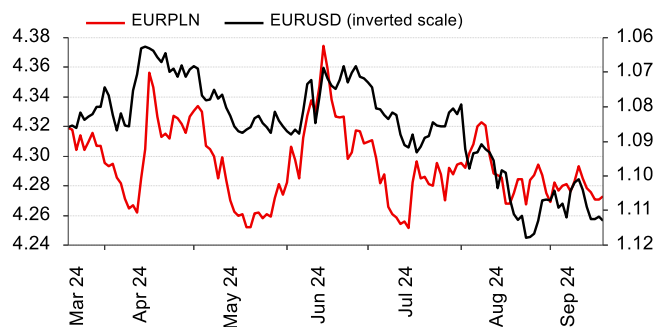


Values for August 2024 are Santander forecasts
Source: GUS, Santander

Economic Analysis Department:

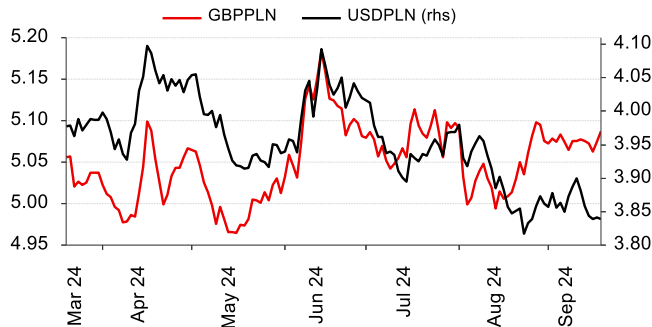
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EURPLN and EURUSD



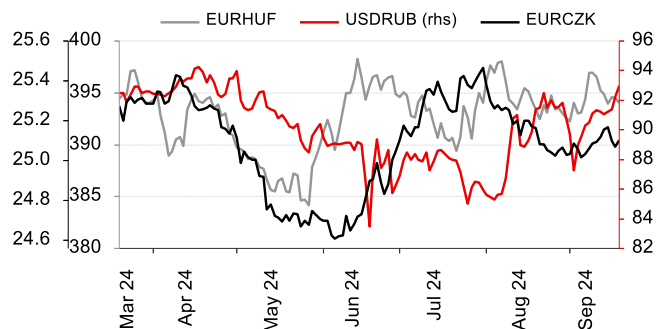
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



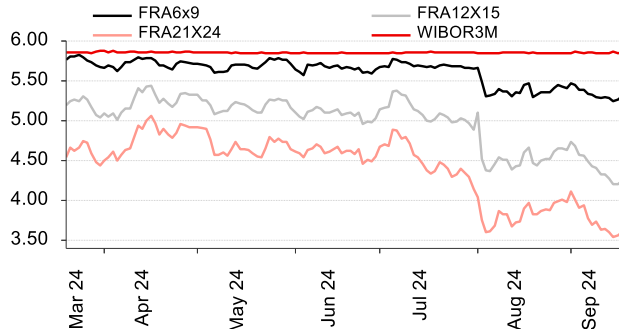
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



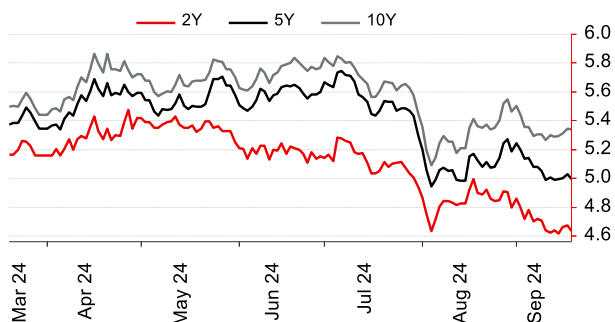
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



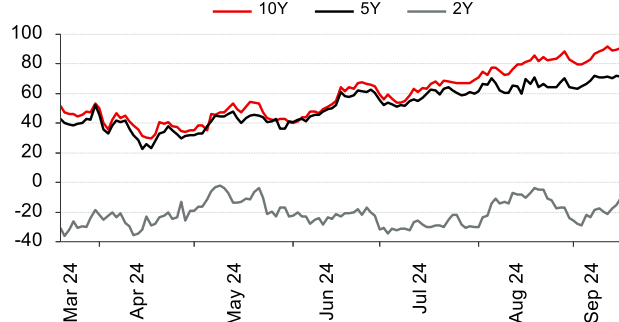
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



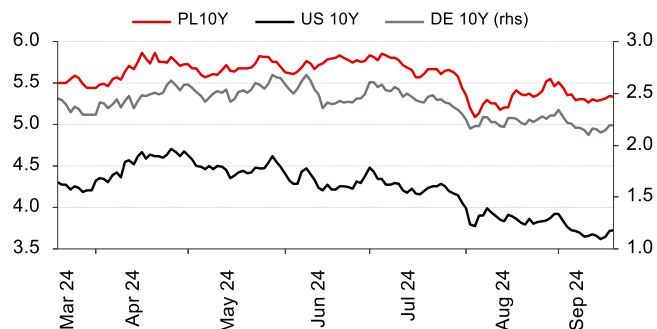
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



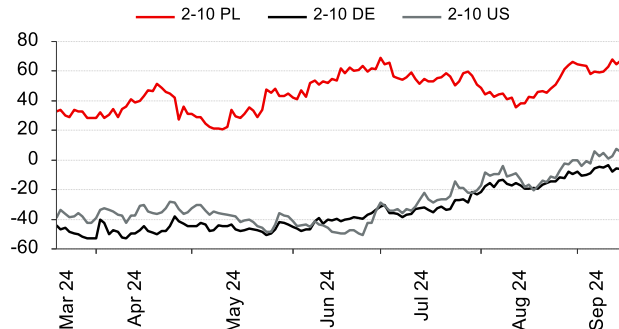
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		LAST VALUE
					MARKET	SANTANDER	
MONDAY (23 September)							
09:30	DE	Germany Manufacturing PMI	Sep	pts	42.2	-	42.4
09:30	DE	Markit Germany Services PMI	Sep	pts	51.0	-	51.2
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	45.7	-	45.8
10:00	EZ	Eurozone Services PMI	Sep	pts	52.3	-	52.9
10:00	PL	Construction Output	Aug	% y/y	-7.1	-5.9	-1.4
10:00	PL	Retail Sales Real	Aug	% y/y	3.3	2.9	4.4
14:00	PL	Money Supply M3	Aug	% y/y	8.0	7.9	8.3
TUESDAY (24 September)							
10:00	DE	IFO Business Climate	Sep	pts	86.0	-	86.6
10:00	PL	Unemployment Rate	Aug	%	5.0	5.0	5.0
14:00	HU	Central Bank Rate Decision	Sep	%	6.50	6.50	6.75
16:00	US	Consumer Conference Board	Sep	pts	103.3	-	103.3
WEDNESDAY (25 September)							
14:30	CZ	Central Bank Rate Decision	Sep	%	4.25	4.25	4.50
16:00	US	New Home Sales	Aug	% m/m	-6.0	-	10.6
THURSDAY (26 September)							
14:30	US	Durable Goods Orders	Aug	% m/m	-2.7	-	9.8
14:30	US	GDP Annualized	2Q	% q/q	2.9	-	1.4
14:30	US	Initial Jobless Claims	weekly	k	225	-	219
16:00	US	Pending Home Sales	Aug	% m/m	3.0	-	-5.5
FRIDAY (27 September)							
11:00	EZ	ESI	Sep	pct.	96.5	-	96.6
14:30	US	Personal Spending	Aug	% m/m	0.3	-	0.5
14:30	US	Personal Income	Aug	% m/m	0.4	-	0.3
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-	0.2
16:00	US	Michigan index	Sep	pts	69.4	-	67.9

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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