

# Weekly Economic Update

## What now for monetary policy?

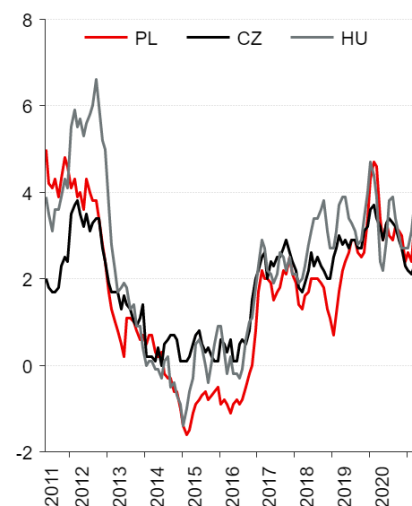
### Economy next week

- At the beginning of next week market may be still digesting the tone of **today's videoconference of the NBP Governor Adam Glapiński** (start at 15:00 CET). At the last meeting on 5 May the MPC kept interest rates unchanged, but in the [official statement](#) deleted the sentence saying that "NBP's monetary policy (...) stabilises inflation at the level consistent with the NBP's inflation target in the medium term". It looks like the Council is aware of increasingly pro-cyclical nature of its policy, but the statement included no more hints about the policy outlook. Possibly Adam Glapiński will elaborate more on this issue today. In recent months he strongly claimed that inflation rise is temporary and driven by exogenous factors, that the most likely scenario is rates' stability until the end of MPC's and his own term of office (mid-2022), that the discussion about rate hikes is now "absurd", and that QE boost is a "persistent change". However, such decisively dovish rhetoric is being challenged by the new data (inflation and activity picking up faster than expected), financial market (pricing-in first rate hikes already this year), other central banks (BoE already started QE tapering, ECB starts signalling tapering in June) and even some local officials (PFR head Paweł Borys said twice recently that monetary policy normalisation is needed). So, it cannot be ruled out that the NBP chief's rhetoric will start gradually changing as well.
- Monetary policy will also be in focus abroad, after the weekend. There will be many **new inflation data releases (Hungary and Czechia on Tuesday, Germany and USA on Wednesday)**. Recently, inflation data were mostly coming above expectations. New readings may have a high impact on global debt market trends and expectations regarding the monetary policy of central banks. Apart from inflation, there is little in the calendar of events abroad (industrial output of euro zone and the US are worth mentioning).
- In Poland, we will have to wait until Friday for a number of key data releases: **final April CPI inflation, flash 1Q GDP, March balance of payments**. The most important item in our view will be the GDP growth, which in 1Q most likely accelerated significantly despite the lingering problems related to the pandemic. After the set of strong March economic activity data we pushed our growth forecast up to -0.5% y/y (market consensus is -1.3% y/y), which translates to a really strong q/q rebound (in seasonally-adjusted terms) by c.2%. CPI will most likely be confirmed at the level indicated in the flash release, 4.3% y/y, and the balance of payments will show another high C/A surplus (c.EUR1.6bn, or almost 4% of GDP), supported by a quick rise of foreign trade turnover.
- A **meeting of the Civil Chamber of the Polish Supreme Court** in full force regarding FX loans is scheduled on Tuesday. The ruling may be important for the FX market, as may be the today's meeting of some members of the Civil Chamber (the verdict to be published at 13:30 CET).

### Markets next week

- For EURPLN the most important event will be the Tuesday Supreme Court ruling. The options market expects elevated volatility, however without a preference for any particular direction. Zloty will also be under the influence of events abroad. In case the CPI in Czech and Hungary beat expectations, the pressure for the local central banks to hike sooner might increase which in the short-term would strengthen the koruna, the forint, and the zloty. The US CPI reading might also influence the zloty (via UST yields change).
- For the POLGBs market the most important event is today's NBP governor conference. On Monday the BGK will issue long term bonds for no less than PLN1bn (YTD the issuance stands at PLN14.1bn out of PLN33.0 scheduled for the whole 2021). On Wednesday the first (out of two this month) NBP purchasing auction will take place. Historically speaking, the prospect of NBP purchase auction slightly supported the bond market, however this time much depends on governor Glapinski's conference. If, as we expect, the Q1 2021 GDP reading on Friday will beat expectations POLGBs might sell-off a bit. Summing up, there might be some elevated volatility on POLGBs market next week, but the trend of yields is upward as the economy slowly recovers from the pandemic. At the end of Q2 2021 we expect the 10Y bond yield at 1.80%.

### Inflation in CEE countries, % y/y



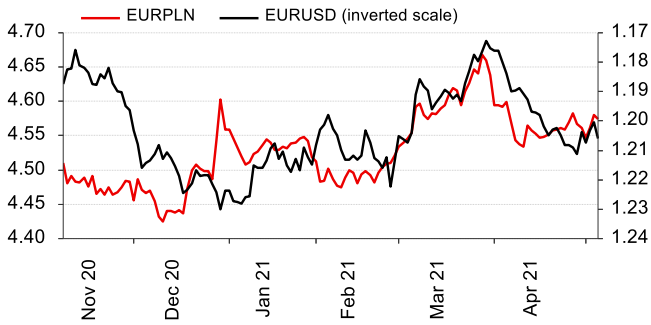
Source: Refinitiv Datastream, Santander

### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [www.santander.pl/en/economic-analysis](http://www.santander.pl/en/economic-analysis)  
 Piotr Bielski +48 22 534 18 87  
 Marcin Luzziński +48 22 534 18 85  
 Grzegorz Ogonek +48 22 534 18 84  
 Wojciech Mazurkiewicz +48 22 534 18 86

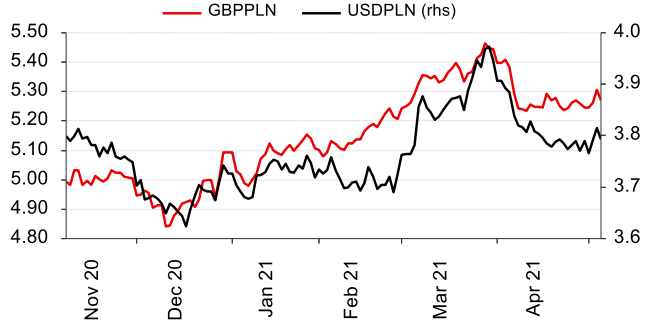
## FX and FI markets

### EURPLN and EURUSD



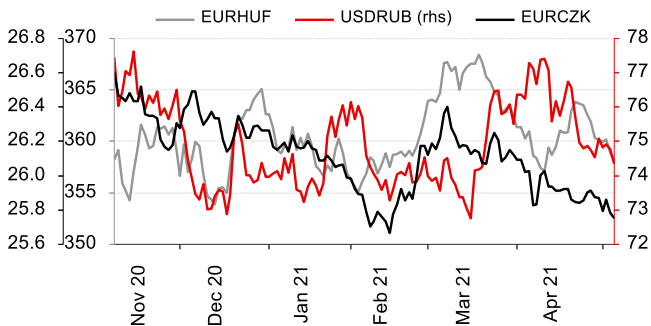
Source: Refinitiv Datastream, Santander Bank Polska

### GBPPLN and USDPLN



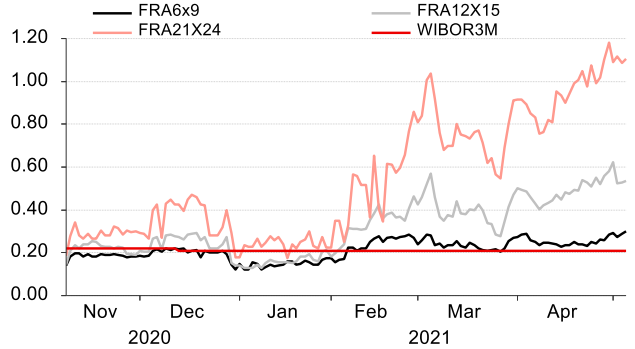
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



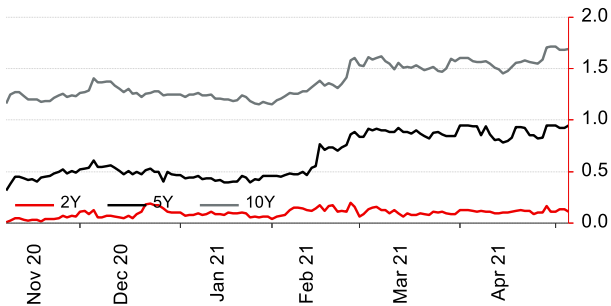
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



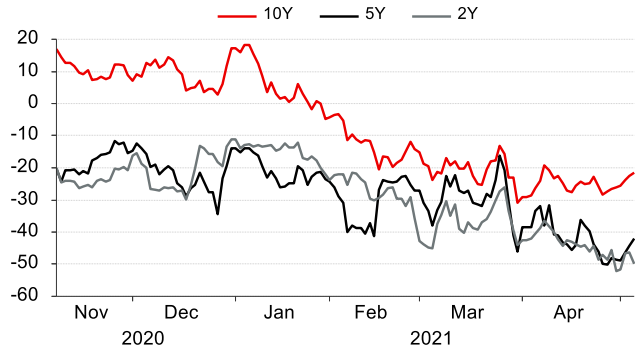
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



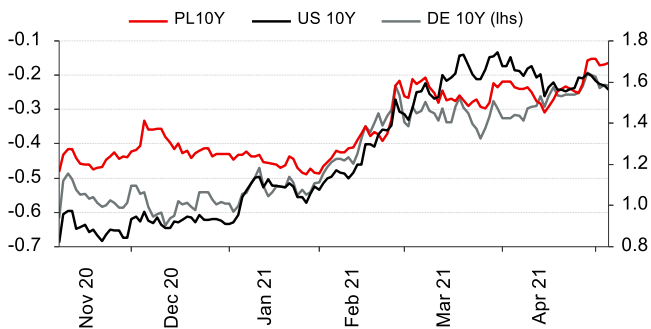
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



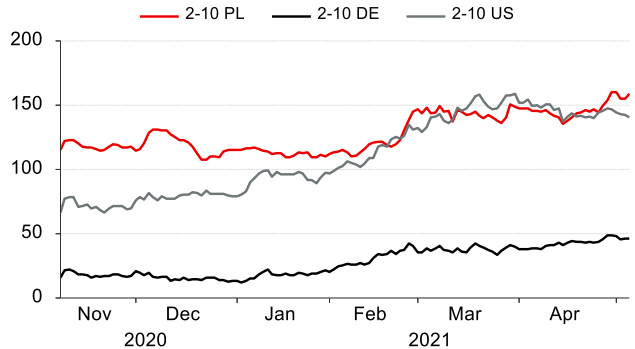
Source: Refinitiv Datastream, Santander Bank Polska

### 10Y bond yields



Source: Refinitiv Datastream, Santander Bank Polska

### Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
<b>TUESDAY (11 May)</b>						
	<b>PL</b>	<b>Civil Chamber of the Polish Supreme Court ruling on FX loans</b>				
09:00	CZ	CPI	Apr	% y/y	2.8	2.3
09:00	HU	CPI	Apr	% y/y	4.8	3.7
11:00	DE	ZEW Survey Current Situation	May	pts	-40.0	-48.8
<b>WEDNESDAY (12 May)</b>						
08:00	DE	HICP	Apr	% m/m	0.5	0.5
11:00	EZ	Industrial Production SA	Mar	% m/m	1.0	-1.0
14:30	US	CPI	Apr	% m/m	0.2	0.6
<b>THURSDAY (13 May)</b>						
14:30	US	Initial Jobless Claims		k		498.0
<b>FRIDAY (14 May)</b>						
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Apr</b>	<b>% y/y</b>	<b>4.3</b>	<b>4.3</b>
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>1Q</b>	<b>% y/y</b>	<b>-1.3</b>	<b>-0.5</b>
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Mar</b>	<b>€mn</b>	<b>1589</b>	<b>1654</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Mar</b>	<b>€mn</b>	<b>930</b>	<b>1017</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Mar</b>	<b>€mn</b>	<b>24161</b>	<b>24642</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Mar</b>	<b>€mn</b>	<b>23064</b>	<b>23625</b>
14:30	US	Retail Sales Advance	Apr	% m/m	1.1	9.8
15:15	US	Industrial Production	Apr	% m/m	1.3	1.4
16:00	US	Michigan index	May	pts	90.1	88.3

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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*Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.*