

# Weekly Economic Update

## Czechs and Hungarians ready to hike rates

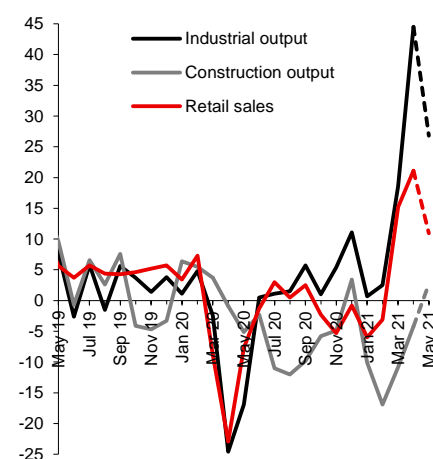
### Economy next week

- After the weekend there is plethora of local macroeconomic data (PPI, construction output, industrial production, retail sales, unemployment rate, money supply, business and consumer confidence indicators) plus a handful of important data releases abroad (preliminary June PMI, German IFO, in the US real estate data, durables, personal income and spending, PCE price index) as well as central bank meetings in Hungary (MNB), Czechia (CNB) and the UK (BoE).
- **We expect solid readings of the local macroeconomic publications, which should confirm the economic rebound after restrictions were lifted** (our forecasts of the construction output, retail sales, and PPI are above the consensus, those for the industrial production are slightly below the consensus but still pretty solid).
- **Abroad, the PMI manufacturing indices are expected to remain at elevated levels while the PMI services indices are likely to further improve.** Of significance might be all signals regarding the strength and potential duration of the inflation pressures.
- **For the MNB (Tuesday) and CNB (Wednesday), investors expect rates to go up** (according to Bloomberg consensus, the main Hungarian rate is expected to go up to 0.9% from 0.6%, the Czech one to 0.50% from 0.25%), and such moves were clearly suggested by representatives of both central banks over the last few weeks. The NBP president Adam Glapiński stated at the last conference that the possible tightening in the other CEE countries will not matter for the MPC, which is paying attention only to „serious“ central banks... However, the growing discrepancy between market perception of NBP rhetoric (we read between the lines that the NBP has actually made a slight hawkish turn, but this does not seem to be dominant interpretation) and MNB/CNB could finally turn out negative for the zloty (which could increase pressure on import prices). Moreover, the “serious“ central banks (especially the Fed) are also taking a less dovish road.

### Markets next week

- Last week after the NBP governor Adam Glapinski's conference (officially denying a change in the monetary policy stance) and also after the FOMC meeting (surprise indication of possible two rate hikes in 2023, QE tapering already in 2022) EURPLN rose vividly by 2.3% to 4.55. The forint and the koruna also weakened despite rate hikes being expected at the upcoming meetings of their central banks. **Solid Polish macro data coming this week should help the zloty to some extent**, but with the appreciation of the dollar and the more hawkish Fed it will be hard for EURPLN to decline below 4.525 (200-day moving average).
- Medium-term trend in Polish government bond yields is still oriented upwards due to solid local fundamentals and the growing likelihood that core market bond yields will go further up. Wednesday readings of June PMIs for the Eurozone and Germany may be key for the behaviour of core markets. **In the coming week we expect a rise of 10Y POLGB yields above 1.80% and then a slow drift towards 1.90%.** The second of the two switch auctions planned by the Ministry of Finance for June will be on 24 June.

Production and sales growth, constant prices, % y/y



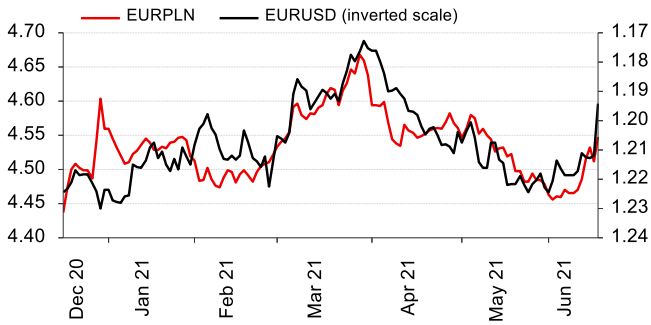
Source: GUS, Santander

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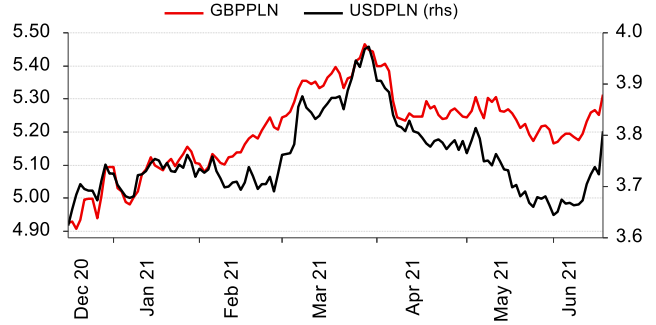
## FX and FI markets

### EURPLN and EURUSD



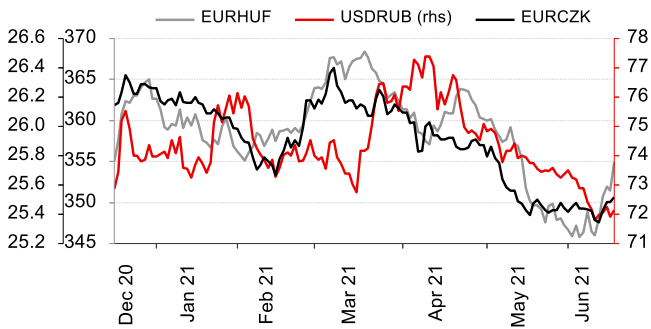
Source: Refinitiv Datastream, Santander Bank Polska

### GBPPLN and USDPLN



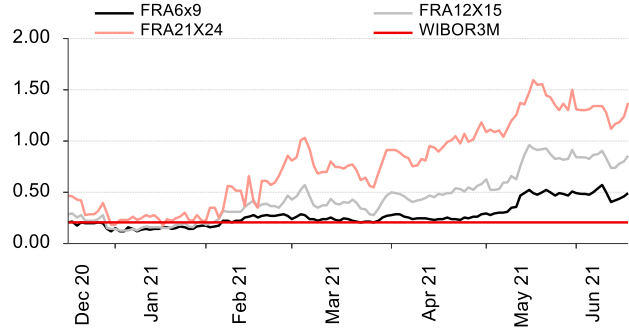
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



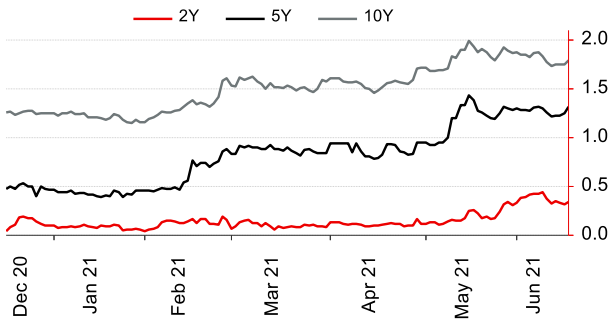
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



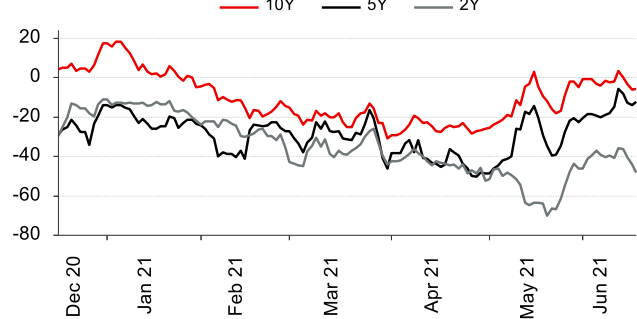
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



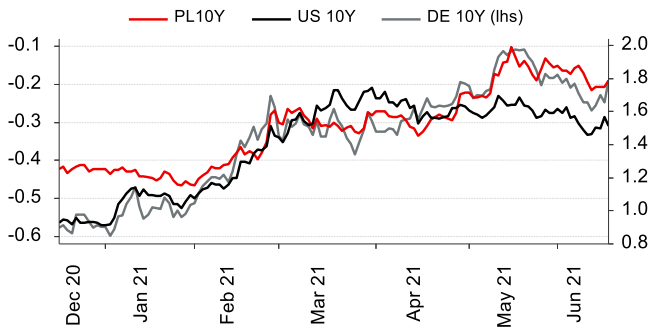
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



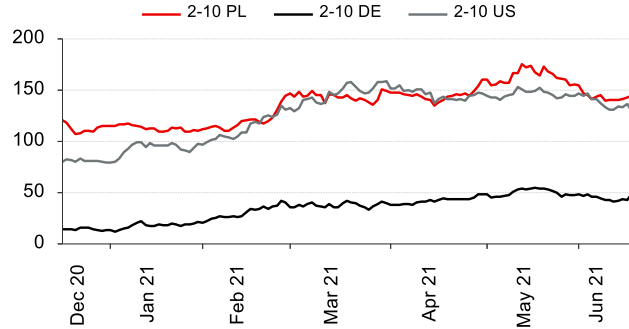
Source: Refinitiv Datastream, Santander Bank Polska

### 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>MONDAY (21 June)</b>							
10:00	PL	Sold Industrial Output	May	% y/y	30.4	26.8	44.5
10:00	PL	PPI	May	% y/y	5.8	6.8	5.3
<b>TUESDAY (22 June)</b>							
10:00	PL	Construction Output	May	% y/y	1.5	2.7	-4.2
10:00	PL	Retail Sales Real	May	% y/y	11.4	12.8	21.1
14:00	HU	Central Bank Rate Decision	Jun/21	%	0.9		0.6
16:00	US	Existing Home Sales	May	% m/m	-2.2		-2.7
<b>WEDNESDAY (23 June)</b>							
09:30	DE	Germany Manufacturing PMI	Jun	pts	63.2		64.4
09:30	DE	Markit Germany Services PMI	Jun	pts	55.3		52.8
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	62.2		63.1
10:00	EZ	Eurozone Services PMI	Jun	pts	57.5		55.2
14:30	CZ	Central Bank Rate Decision	Jun/21		0.50		0.25
16:00	US	New Home Sales	May	% m/m	1.4		-5.9
<b>THURSDAY (24 June)</b>							
10:00	DE	Ifo Business Climate	Jun	pts	100.0		99.2
10:00	PL	Unemployment Rate	May	%	6.1	6.1	6.3
14:00	PL	Money Supply M3	May	% y/y	9.1	8.7	11.2
14:30	US	Durable Goods Orders	May	% m/m	3.0		-1.3
14:30	US	GDP Annualized	1Q	% Q/Q	6.4		6.4
14:30	US	Initial Jobless Claims		k			412.0
<b>FRIDAY (25 June)</b>							
14:30	US	Personal Spending	May	% m/m	0.3		0.5
14:30	US	Personal Income	May	% m/m	-2.7		-13.1
14:30	US	PCE Deflator SA	May	% m/m	0.6		0.6
16:00	US	Michigan index	Jun	pts	86.8		86.4

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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