09 July 2021

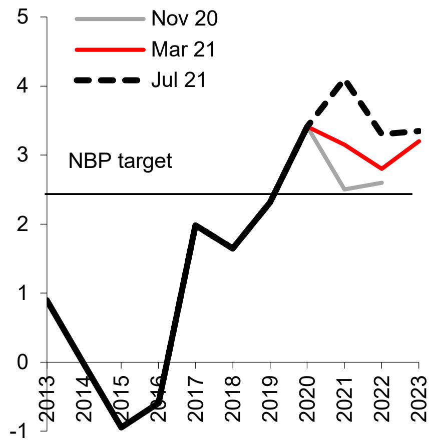
Weekly Economic Update

NBP forecasts went up

Economy next week

- In the coming week **plenty of inflation-related data will get released**, including in Poland. We expect to see a confirmation that domestic CPI inflation fell in June to 4.4% y/y from 4.7% in May, as presented in the preliminary release. Core inflation in our view slid to 3.6% y/y from 4.0% which would be its lowest print in a year. We think the headline inflation will not be falling any further in the coming months and instead it can hover around 4.5% for the remaining part of the year. We will also get to see inflation data from Czechia, the USA, Germany and the Eurozone. Their forecasts point to some moderation of inflation pressure.
- In Poland the **details of the new NBP inflation projection** will also be out. The most important figures are already known: the projected average 2021 inflation rose to 4.1% from 3.1% and for 2022 to 3.3% from 2.8%. The projected GDP growth was pushed higher to 5.0% from 4.1% in 2021 while 2022 was left at 5.4%. In recent months the MPC is slowly shifting its course towards more hawkish policy and the projection update is justifying such change.
- Apart from this the set of publications will include the following **economic data**: in Poland C/A balance will in our view show a further strong growth of trade turnover and a mild decrease of the C/A surplus; abroad the data on industrial output and retail sales in the euro zone and the USA need some attention and so will US consumer confidence (Michigan index). Recently German data have been coming on the weaker side, causing some doubts on the market about the durability of the rebound, so investors are likely to closely watch the euro zone data and compare them to the US readings.

NBP's CPI forecasts (central path)



Source: NBP, GUS, Santander

Markets next week

- The domestic data are probably not going to be very important from the market perspective. The focus will be on the data released abroad, especially the ones casting some light on global inflation trends, the pace of economic rebound, the growth differential between Europe and the US. Weaker macro readings could support the recently appearing ideas on the market that world is heading to stagflation (a growth slowdown with inflation holding high), which would open the way for more yield declines. The short end of the yield curve may stay in place due to the growing expectations for a rate hike in Poland.
- Recent days were quite tough for CEE currencies, i.a. because of the rising risk of the freeze of EU funds for Hungary (read e.g. in Politico). The factor may still affect the market in the coming days so we do not expect any significant appreciation of the zloty. If the US data keep coming strong and the European ones will be disappointing, the effect on the zloty may be negative.

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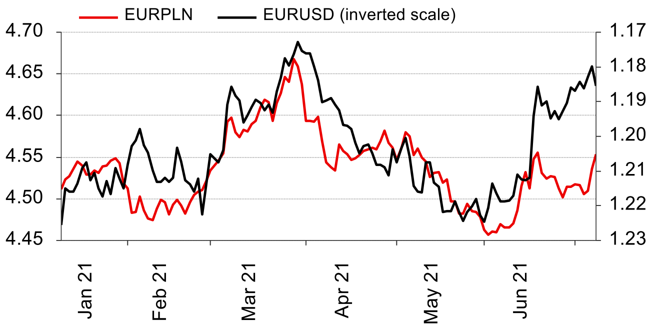
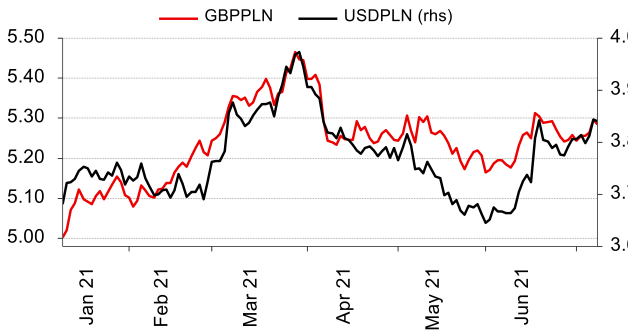
FX and FI markets

EURPLN and EURUSD



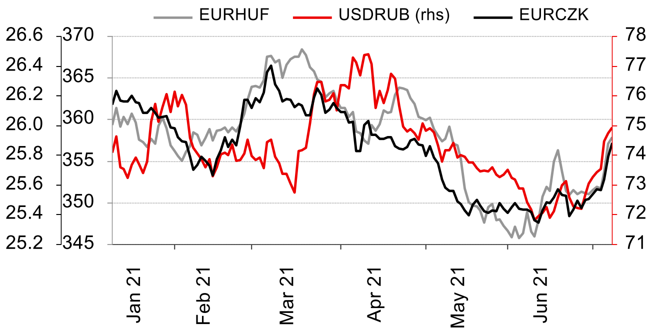
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



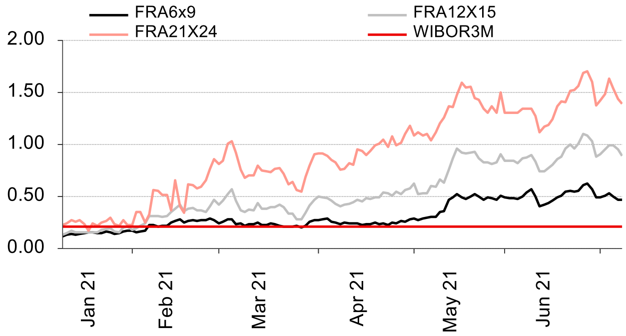
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



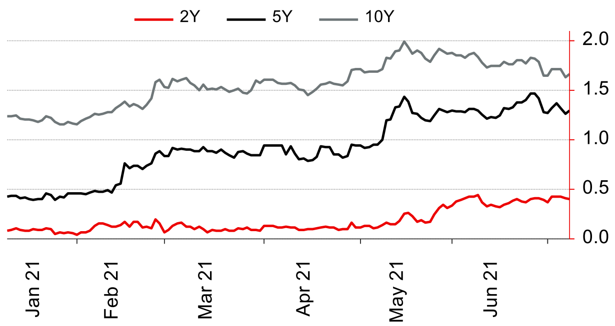
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



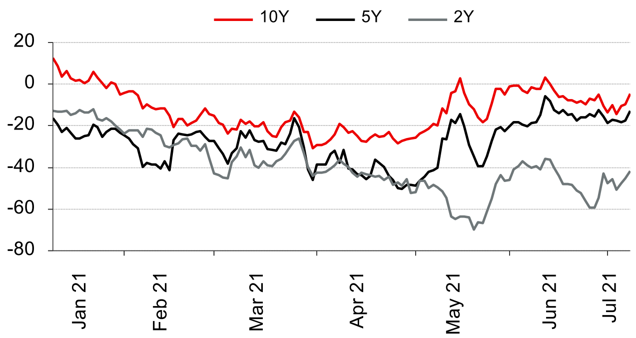
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



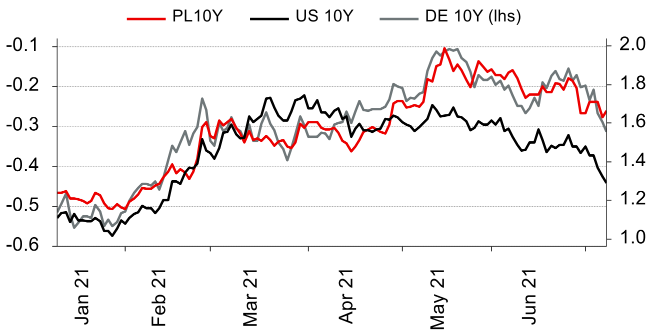
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



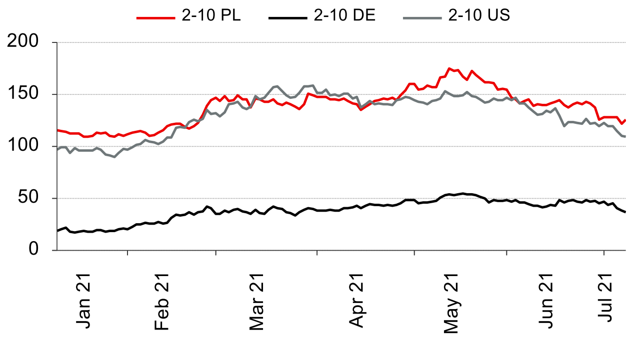
Source: Refinitiv Datastream, Santander Bank Polska

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 MARKET	FORECAST SANTANDER	LAST VALUE
			MONDAY (12 July)				
	PL	**NBP Staff forecasts**					
			TUESDAY (13 July)				
08:00	DE	HICP	Jun	% m/m	-		0.4
09:00	CZ	CPI	Jun	% y/y	2.7		2.9
14:30	US	CPI	Jun	% m/m	0.5		0.6
			WEDNESDAY (14 July)				
11:00	EZ	Industrial Production SA	May	% m/m	-		0.8
14:00	**PL**	**Current Account Balance**	**May**	**€mn**	**1317**	**1061**	**1740**
14:00	**PL**	**Trade Balance**	**May**	**€mn**	**1015**	**831**	**1289**
14:00	**PL**	**Exports**	**May**	**€mn**	**23000**	**22801**	**23386**
14:00	**PL**	**Imports**	**May**	**€mn**	**21482**	**21970**	**22097**
			THURSDAY (15 July)				
10:00	**PL**	**CPI**	**Jun**	**% y/y**	**4.4**	**4.4**	**4.7**
14:30	US	Initial Jobless Claims		k	350.0		364.0
14:30	US	Index Philly Fed	Jul		29.4		30.7
15:15	US	Industrial Production	Jun	% m/m	0.6		0.85
			FRIDAY (16 July)				
11:00	EZ	HICP	Jun	% y/y	-		1.9
14:00	**PL**	**CPI Core**	**Jun**	**% y/y**	**3.7**	**3.6**	**4.0**
14:30	US	Retail Sales Advance	Jun	% m/m	-0.05		-1.3
16:00	US	Michigan index	Jul	pts	86.5		85.5

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg