

30 July 2021

Weekly Economic Update

Awaiting the US labour market data

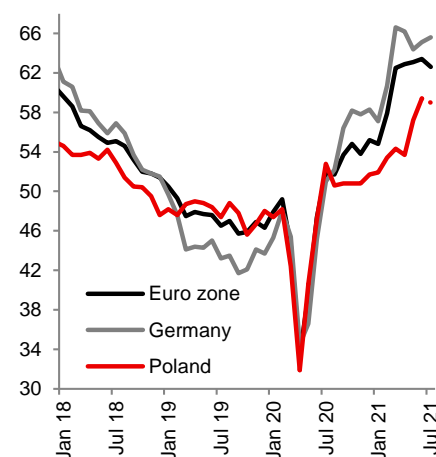
Economy next week

- The intensity of news flow from main economies will go down in the upcoming week, giving markets time to mull recent information: it seems that the Fed is making the shift towards policy normalisation very gently in order not to surprise the markets, global inflation pressures are not giving in – flash readings in July surprised to the upside, 2Q GDP growth in USA and Germany was worse than expected. We will get to see **PMI readings for July**, but we already saw flash estimates, so space for surprises is limited – European services entered 3Q vigorously thanks to reopening of economies, but sentiments in manufacturing no longer improve due to rising cost pressures and supply disruptions. The second half of the week will be overshadowed by **US labour market statistics**; markets are preparing for a further rebound in employment data after positive surprises in June.
- In Poland we will only get to see PMI in manufacturing, which has set an all-time record last time. Positive shape of the European economy and ongoing problems with supplies (which is pushing PMI higher, actually) could secure a reading close to the previous value, in our view slightly below it.
- After the Hungarian central bank hiked rates by 30bp, while market was expecting 10-15bp, now it is the turn of Czech National Bank (CNB). CNB's deputy president warned recently that high inflation is more threatening for the economy than another pandemic wave and rate hike can come at every single meeting (in June the CNB started with monetary tightening by +25bp).

Markets next week

- Still rather dovish Fed rhetoric and disappointing data from the USA prevented the dollar from gaining further and opened the door for EM currencies appreciation. At the same time, high inflation readings in July (e.g. 5% in Poland, highest in 20 years) after milder June suggest that inflation is not going to give up that easily. At the turn of the week the global sentiment seems to be more positive for the zloty than a week earlier. Similarly, negative local factors lost strength somewhat (further actions in conflict with the European Commission are to come in mid-August), and the September Supreme Court meeting could potentially bring no solution about the FX loans (important factor for the zloty). This PLN-positive environment could be undermined by positive information about the US labour market (in Friday official report, but also maybe in Wednesday ADP or even ISM reports). Thus, in the upcoming week **we can see EURPLN going down but it may have too little time to fall below 4.53 after which it might target 4.60 again provided that the US data prove strong.**
- On the domestic interest rate market the July's inflation helped FRA rates to go up again. This was also felt by the yield curve, but its upward potential could be limited by lower core yields, kept at bay by disappointing GDP in Germany and the USA. Thus, **domestic yields could remain stable awaiting stronger US data to enable them to go up at the longer end.**

Manufacturing PMI indexes



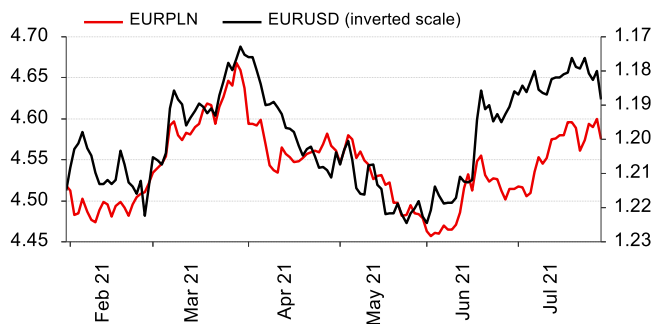
Source: Markit, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: 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

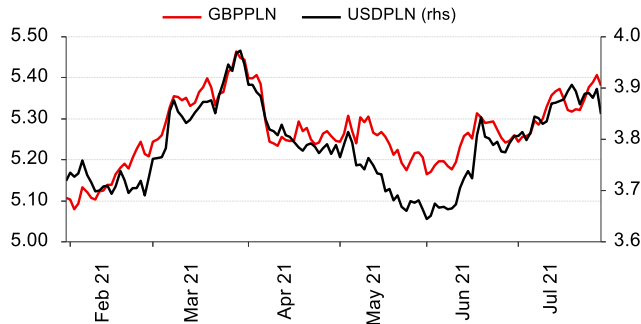
FX and FI markets

EURPLN and EURUSD



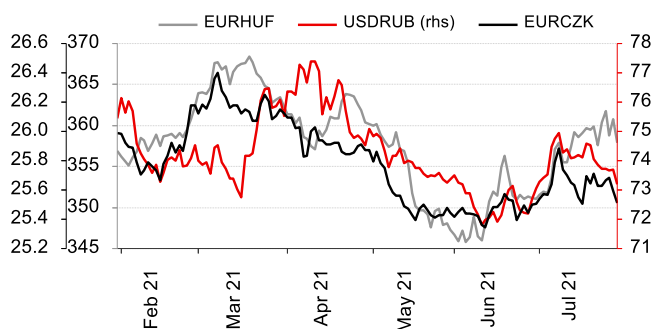
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



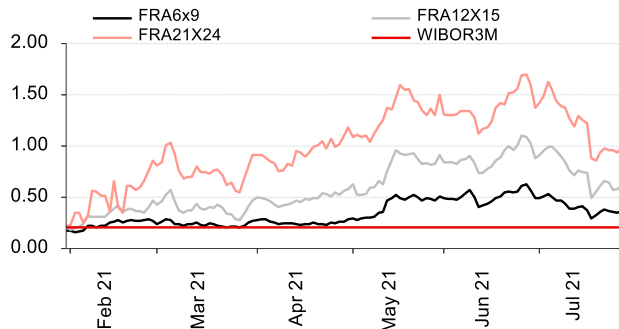
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



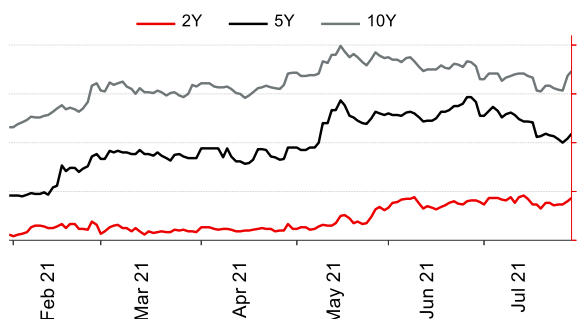
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



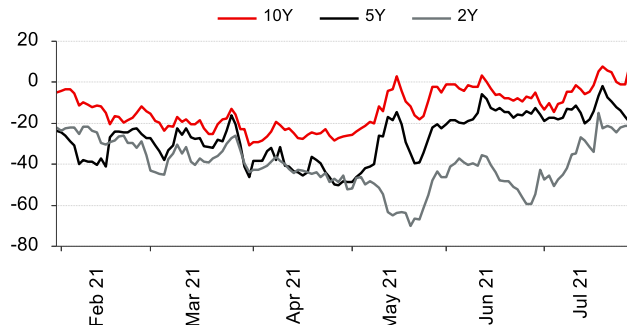
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



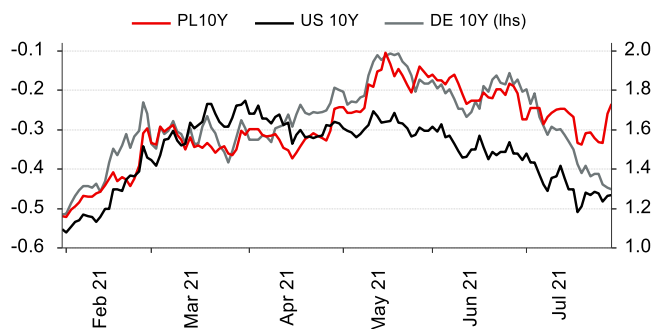
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



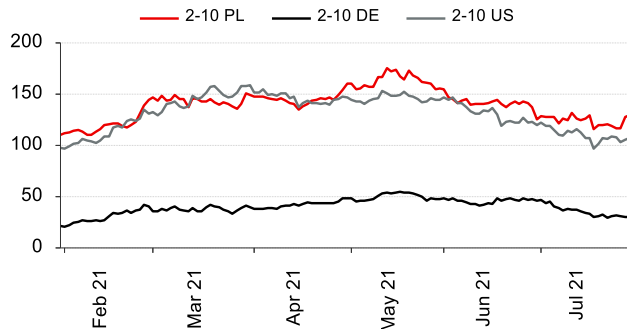
Source: Refinitiv Datastream, Santander Bank Polska

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		
MONDAY (2 August)							
8:00	DE	Retail sales, constant prices	Jun	%m/m	2.0	-	4.2
9:00	PL	PMI manufacturing	Jul	pts	59.0	59.0	59.4
9:55	DE	PMI manufacturing	Jul	pts	65.6	-	65.1
10:00	EZ	PMI manufacturing	Jul	pts	62.6	-	63.4
16:00	US	ISM manufacturing	Jul	pts	60.5	-	60.6
TUESDAY (3 August)							
No key events							
WEDNESDAY (4 August)							
9:55	DE	PMI services	Jul	pts	62.2	-	57.5
10:00	EZ	PMI services	Jul	pts	60.4	-	58.3
14:15	US	ADP employment change	Jul	k	600	-	692
16:00	US	ISM non-manufacturing	Jul	pts	60.2	-	60.1
THURSDAY (5 August)							
8:00	DE	Factory orders	Jun	%m/m	2.0	-	-3.7
14:30	CZ	Central bank rate decision		%		-	0.50%
14:30	US	Trade balance	Jun	USDbn	-71.5	-	-71.2
14:30	US	Initial Jobless Claims	week	k		-	400
FRIDAY (6 August)							
8:00	DE	Industrial output	Jun	%m/m	0.9	-	-0.3
9:00	CZ	Industrial output	Jun	%y/y		-	25.3
9:00	HU	Industrial output	Jun	%y/y		-	39.1
14:30	US	Non-farm payrolls	Jul	k	926	-	850
14:30	US	Unemployment Rate	Jul	%	5.7	-	5.9

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. ul. Jana Pawła II 17. 00-854 Warsaw, Poland. phone +48 22 534 18 87. email ekonomia@santander.pl. http://www.santander.pl.