

27 August 2021

# Weekly Economic Update

## Inflation rate to breach 5%?

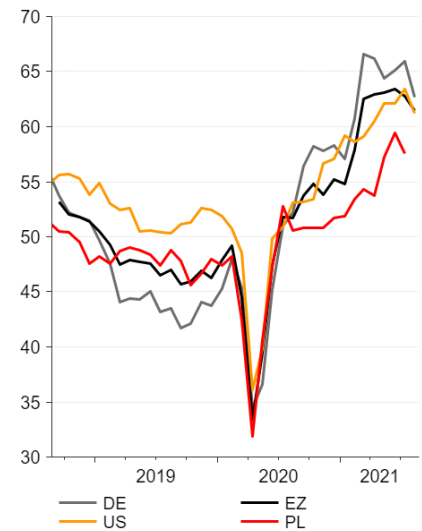
### Economy next week

- There will be three important economic data releases in Poland in the coming week: on Tuesday flash inflation data for August and complete GDP data for 2Q21, on Wednesday the manufacturing PMI. Abroad the calendar is much more busy. In Europe, roughly one week before the next ECB meeting (on 9 September) markets will be closely monitoring the inflation data. Important other data include the ones about consumer spending, GDP and business sentiment (PMI, ESI). In the US the most important data would be published on Friday: labour market data, services ISM, as well as earlier data about factory orders, consumer confidence.
- **CPI inflation** after rising in July by 5.0%/y/y might break this level in August (our forecast and market consensus both at 5.1%/y/y) due to rising prices of fuels, gas prices hike as well as further acceleration of services prices in the sectors which had been reopened post the pandemic. According to our estimates the CPI will remain near 5% at least until March 2022.
- **GDP growth** in 2Q21 stood at 10.9%/y/y according to preliminary data, thanks to which Poland was one of the first EU countries to reach the pre-pandemic GDP level. The Tuesday data will show the breakdown of the growth. We expect all main demand components to show rapid increase (consumption 13.5%/y/y, investments 15.0%/y/y, export c.30%/y/y).
- **PMI manufacturing** will likely extend the July's correction (we expect 56.8 vs market consensus 57.0), due to Covid-19 Delta variant fears and supply chain disruptions, similarly to the manufacturing PMIs abroad. The level of the index should remain in the significant expansion zone, however, and is unlikely to worsen much the optimistic outlook for the Polish manufacturing sector.
- **Local politics** may enter the stage again as the holiday period nears end: on 31 August the Constitutional Court is likely to issue a verdict regarding EU Treaty's conformity with the Polish Constitution, which might awake the worries about Poland's relations with the EU. At the same time, the risk of deterioration of relations with the US seems to be declining – President Andrzej Duda announced that he would veto the controversial changes in the media law if they manage to get out of the Parliament. Local media inform about possible government reshuffle in September.
- Today in the evening the **Fitch rating agency** plans to review the sovereign rating of Poland. We expect no changes to the rating or the outlook.

### Markets next week

- Markets have been awaiting today's Jay Powell's speech at the virtual Jackson Hole symposium. The Fed governor on one hand has sent a strong signal that the QE tapering may start already this year, on the other hand emphasised that it does not mean quick interest rate hikes, and that elevated inflation is transitory. In the first reaction to the Powell's speech equity markets soared, bond yields fell, dollar depreciated.
- Weaker dollar after Powell's speech immediately supported the zloty and it seems that the risk of testing again the 4.60 level in the coming days has diminished. After the weekend the EURPLN is likely to remain in the range 4.55-4.60, waiting for new important impulses.
- FOMC chairman did not give bond yields any new fuel to continue their upward trend, but next week we will see data releases, which potentially may be catalysts for such move: in particular, European inflation, US labour market. Therefore, in the nearest week we do not expect to see a decline of bond yields, but rather their horizontal trend with the upside risk if inflation in Germany or euro zone surprise to the upside.

### Manufacturing PMIs



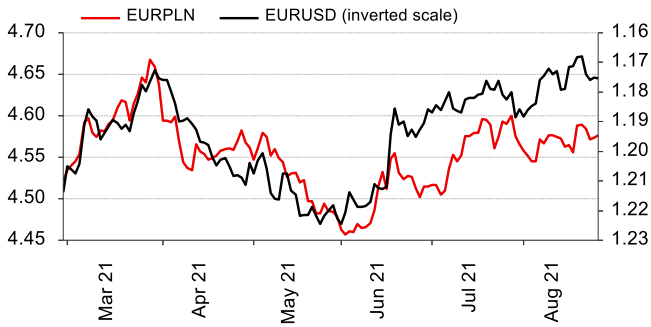
Source: Refinitiv Datastream, Santander

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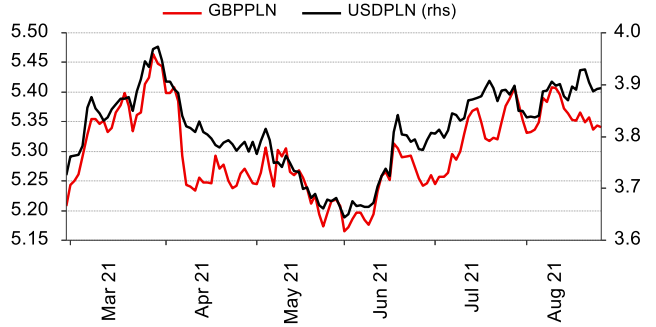
## FX and FI markets

### EURPLN and EURUSD



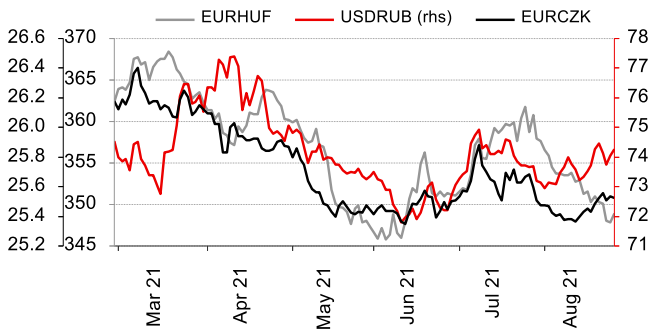
Source: Refinitiv Datastream, Santander Bank Polska

### GBPPLN and USDPLN



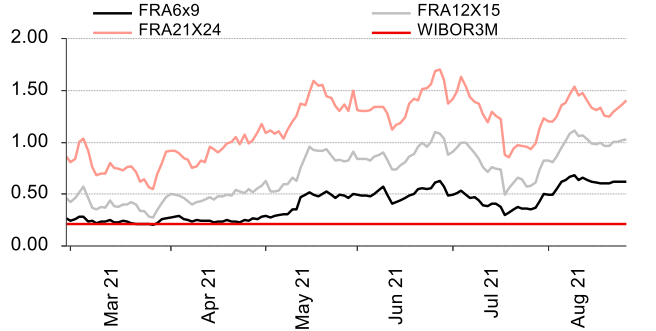
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



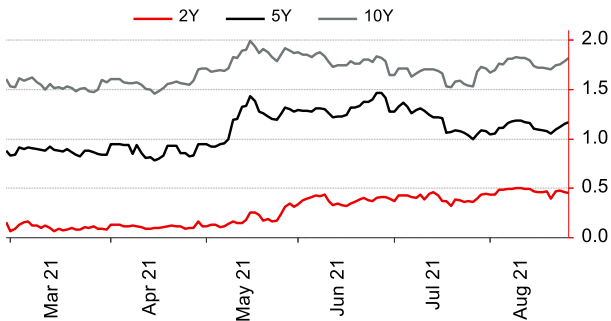
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



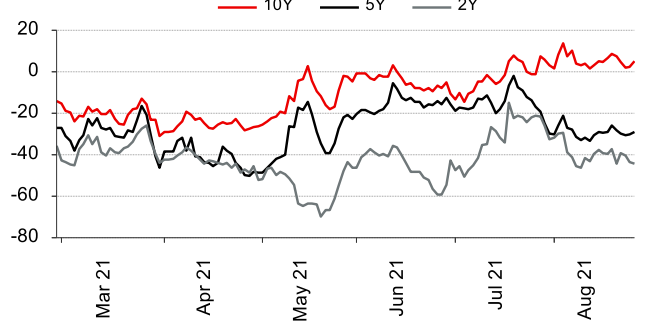
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



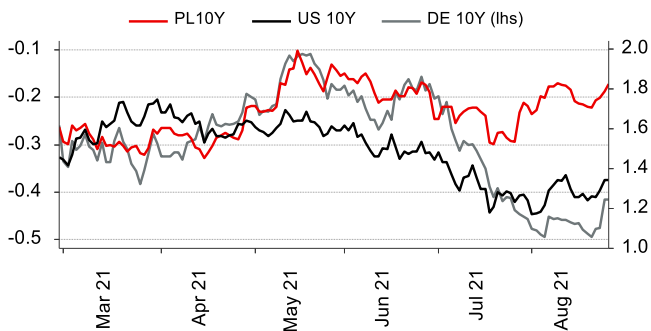
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



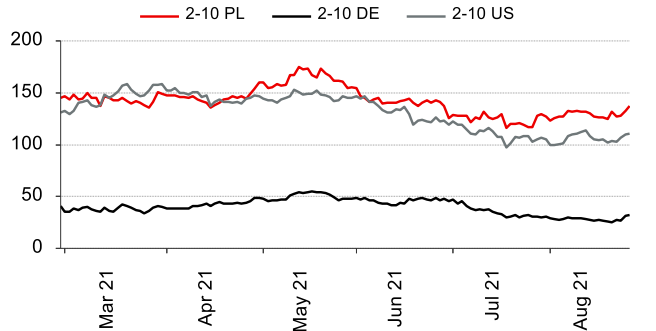
Source: Refinitiv Datastream, Santander Bank Polska

### 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 (30 August)</b>						
08:00	DE	Retail Sales	Jul	% m/m	-1.0	4.2
11:00	EZ	ESI	Aug	pct.	118.0	119.0
14:00	DE	HICP	Aug	% m/m	0.0	0.5
16:00	US	Pending Home Sales	Jul	% m/m	0.4	-1.9
<b>TUESDAY (31 August)</b>						
09:00	CZ	GDP SA	2Q	% y/y	7.9	7.8
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Aug</b>	<b>% y/y</b>	<b>5.1</b>	<b>5.1</b>
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>2Q</b>	<b>% y/y</b>	<b>10.9</b>	<b>10.9</b>
11:00	EZ	Flash HICP	Aug	% y/y	2.6	2.2
16:00	US	Consumer Conference Board	Aug	pts	124.0	129.1
<b>WEDNESDAY (1 September)</b>						
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Aug</b>	<b>pts</b>	<b>57.0</b>	<b>56.8</b>
09:00	HU	GDP	2Q	% y/y	-	17.9
09:55	DE	Germany Manufacturing PMI	Aug	pts	62.7	62.7
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	61.5	61.5
11:00	EZ	Unemployment Rate	Jul	%	7.6	7.7
14:15	US	ADP report	Aug	k	650.0	330.0
16:00	US	ISM manufacturing	Aug	pts	58.7	59.5
<b>THURSDAY (2 September)</b>						
14:30	US	Initial Jobless Claims		k		353.0
16:00	US	Durable Goods Orders	Jul	% m/m		-0.1
16:00	US	Factory Orders	Jul	% m/m	0.3	1.5
<b>FRIDAY (3 September)</b>						
03:45	CN	Caixin China PMI Services	Aug	pts	51.3	54.9
09:55	DE	Markit Germany Services PMI	Aug	pts	61.5	61.5
10:00	EZ	Eurozone Services PMI	Aug	pts	59.7	59.7
11:00	EZ	Retail Sales	Jul	% m/m	-0.4	1.5
14:30	US	Change in Nonfarm Payrolls	Aug	k	787.0	943.0
14:30	US	Unemployment Rate	Aug	%	5.2	5.4
16:00	US	ISM services	Aug	pts	62.0	64.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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