

03 September 2021

## Weekly Economic Update

### Will NBP head follow Fed president's footsteps?

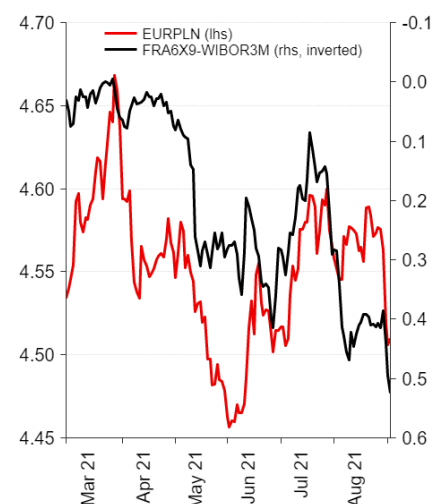
#### Economy next week

- In the nearest week we will have a rest from the local macro data but we will get the result of the **MPC meeting** (on Wednesday), the first one after the summer break and the first one after the surprising inflation jump to 5.4% y/y. It is almost certain that the rate hike motion will be voted again (without success). The MPC's official rhetoric is unlikely to change much, in our view – the post-meeting statement will repeat the view that elevated inflation is transitory and results from factors beyond monetary policy control, plus the argument about large uncertainty regarding the impact of the next wave of pandemic. As always, we expect to hear much more from the NBP governor's speech (most likely on Friday afternoon). After the Fed governor suggested that QE tapering may start already this year, it cannot be ruled out that Adam Glapiński will try to send a similar signal, probably adding – just as J.Powell did – that it does not imply any automatism in interest rate decisions (in attempt to replicate the Fed's dovish taper). It would be even more likely if the tapering signal appears after the ECB meeting on Thursday. Please recall that in previous months Glapiński was emphasising that Fed and ECB actions set an important benchmark for the Polish central bank. We have been observing a gradual change in the NBP governor's rhetoric since May and sending such message in September would be a natural continuation of this process, we think. Whether it boosts even more expectations for interest rate hikes (market is already pricing-in rate hike in November) depends on if and how strongly Glapiński rules out any rate changes this year.
- The main even abroad will be the **ECB meeting** (on Thursday), where the suggestion about the looming PEPP taper could appear as well. Moreover, in the agenda there are data about German production, orders and exports, plus inflation in Czechia, Hungary and Germany.
- **The Covid-19 pandemic** will return to the forefront, as the number of new cases started rising quickly (although still remains among the lowest in Europe) and the rapid growth is likely to be continued. Each culmination of Covid-19 wave before coincided with PLN weakness.

#### Markets next week

- EURPLN has fallen significantly after the high CPI and GDP prints. Even after the move EURPLN is roughly unchanged YTD, while EURHUF and EURCZK are lower by 2.5% and 3.3% respectively (Hungarian and Czech central banks started rates hiking cycle in July). **In the coming week EURPLN might consolidate near current level.** The strong support is now at 4.50, while the strong resistance at 4.5350 (200-day moving average), the breaking of which would require new impulse, for example weakening of rate hike expectations. Weaker than expected US payrolls data and the resulting dollar depreciation may delay the moment of PLN correction, in our view. Risk factors for PLN in the coming weeks include: (a) longer delay in the launch of EU Recovery Fund for Poland (on September 22 the Polish Constitutional Court will rule on the supremacy of the EU law over the Polish one), (b) the start on September 10 of the Russian and Belarussian military exercises Zapad-2021 very close to Polish border which – as some European politicians admit – might be an occasion for "provocations and incidents" against NATO, (c) likely continuation of the increase in the number of Covid-19 cases.
- We have forecasted 10Y POLGBs yields at the end of August pretty well (1.90%), and now we expect that the yields' upward trend will be continued toward the end of the year. The trend would be supported by Fed and ECB which are likely to start tapering (the latter within PEPP) still in 2021, in our view, and the MPC which we expect to start the monetary policy normalization this year as well. At the same time we reckon that a new Covid-19 wave will have a limited impact on economic growth. **In the coming week we expect 10Y bond yield to reach 2.0% and consolidate near this level.** On Wednesday there will be a BGK bond auction (the first from the two scheduled for September). There will be no NBP QE purchase auction (the only one in September will be in the following week on September 15) nor Ministry of Finance switch auction (one was yesterday, the other already on September 16).

EURPLN vs market expectations about future interest rates



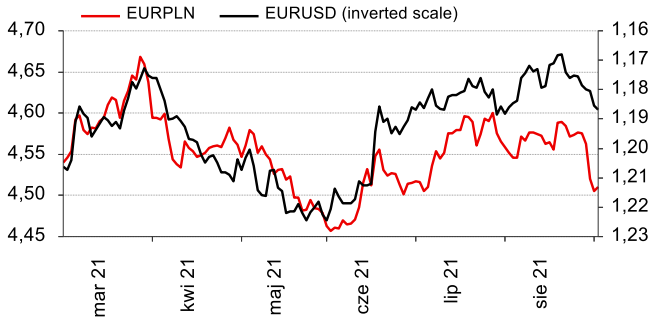
Source: Refinitiv Datastream, Santander

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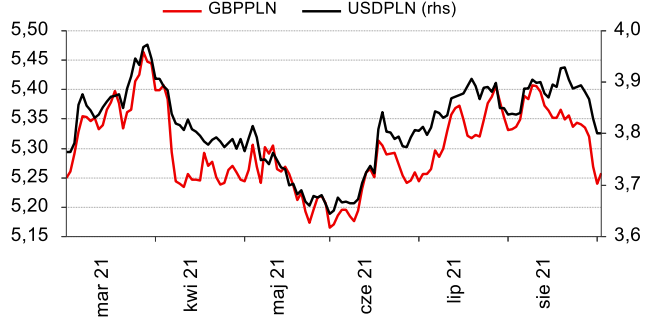
## FX and FI markets

### EURPLN and EURUSD



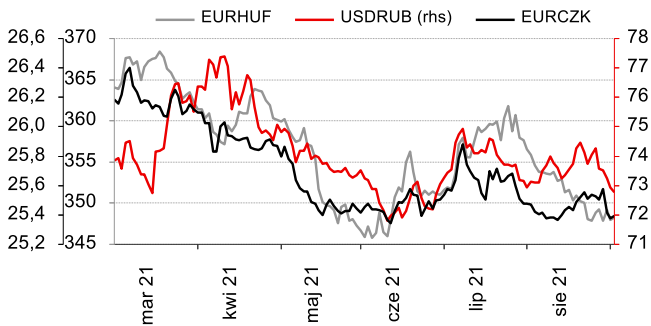
Source: Refinitiv Datastream, Santander Bank Polska

### GBPPLN and USDPLN



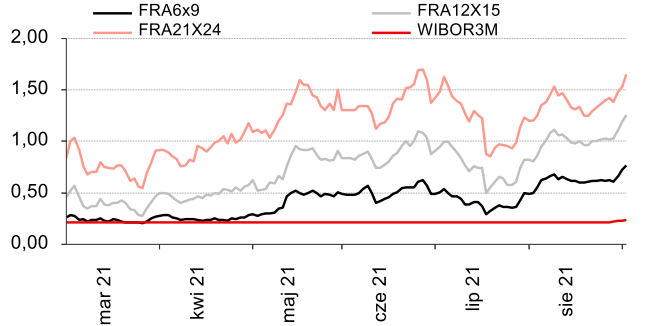
Source: Refinitiv Datastream, Santander Bank Polska

### EURCZK, EURHUF and USDRUB



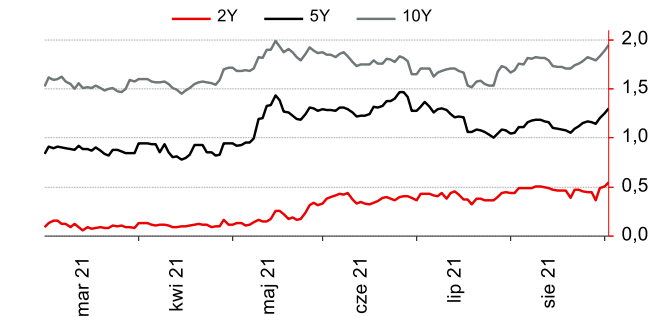
Source: Refinitiv Datastream, Santander Bank Polska

### PLN FRA and WIBOR3M



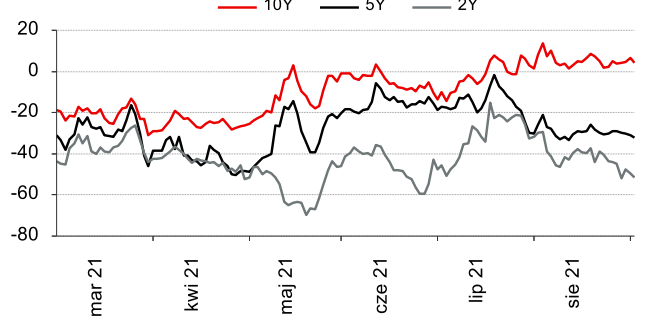
Source: Refinitiv Datastream, Santander Bank Polska

### Polish bond yields



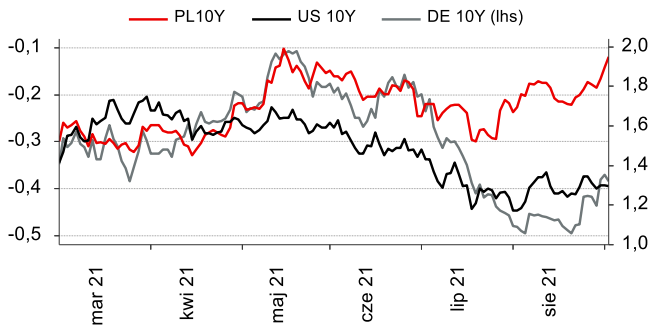
Source: Refinitiv Datastream, Santander Bank Polska

### Asset swap spreads



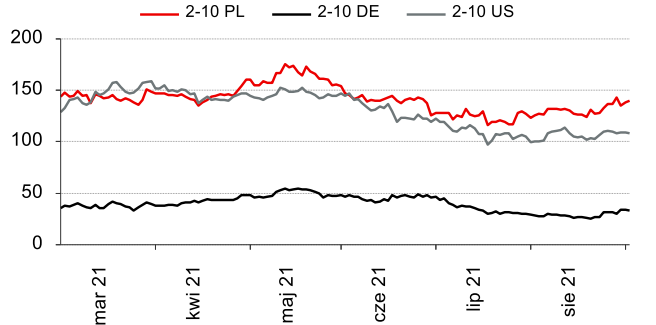
Source: Refinitiv Datastream, Santander Bank Polska

### 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 (6 September)</b>						
08:00	DE	Factory Orders	Jul	% m/m	-1.0	4.1
09:00	CZ	Industrial Production	Jul	% y/y	0.1	11.4
<b>TUESDAY (7 September)</b>						
08:00	DE	Industrial Production SA	Jul	% m/m	0.9	-1.3
09:00	HU	Industrial Production SA	Jul	% y/y	13.7	18.6
11:00	EZ	GDP SA	2Q	% y/y	13.6	13.6
11:00	DE	ZEW Survey Current Situation	Sep	pts	34.0	29.3
<b>WEDNESDAY (8 September)</b>						
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>0.1</b>	<b>0.1</b>
09:00	HU	CPI	Aug	% y/y	4.7	4.6
<b>THURSDAY (9 September)</b>						
08:00	DE	Exports SA	Jul	% m/m	1.3	1.3
13:45	EZ	ECB Main Refinancing Rate	Sep/21	%	0.0	0.0
14:30	US	Initial Jobless Claims		k	345.0	353.0
<b>FRIDAY (10 September)</b>						
08:00	DE	HICP	Aug	% m/m	0.1	0.1
09:00	CZ	CPI	Aug	% y/y	3.6	3.4

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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