

15 October 2021

Weekly Economic Update

Numerous local data, EP discussion

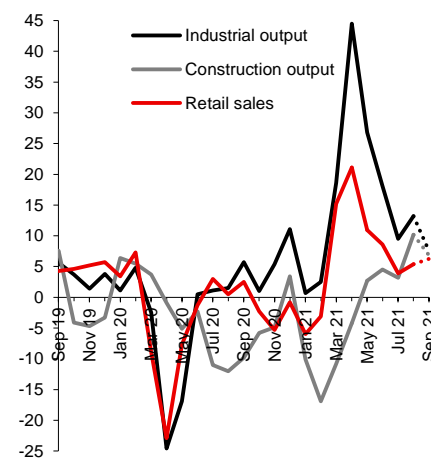
Economy next week

- After the weekend we get back to the Polish data releases. There is a **long list of September's indicators** in the agenda: core inflation, wages and employment, PPI, industrial and construction output, retail sales, money supply, plus new business climate indicators and consumer confidence survey. After another inflationary surprise (final CPI in September revised up to 5.9% y/y), market will be looking for more hints regarding inflationary pressure. Our estimates show core inflation rise to 4.2% y/y, PPI up 10% y/y, growth rates in wages and retail sales above market consensus, which may even strengthen the (already high) market expectations for interest rate hike in November. We think those factors will outweigh the predicted slight deceleration in employment and production in industry and construction.
- On Tuesday the MPC one-day working meeting takes place and on Thursday the NBP will release **minutes from the October's MPC meeting**, which ended with a surprising rate hike. Markets will eye any hints about next steps in monetary policy. We may learn from the minutes if any other motions to change rates were submitted. On Thursday or Friday the detailed results of MPC voting in September should be published (when two rate hike motions were proposed: by 15bp and by 190bp).
- The calendar abroad is not very busy, with US industrial production and leading indicators, Eurozone final HICP, and flash PMIs at the end of the week. The Hungarian central bank meets on Tuesday and is likely to hike interest rates again by 15bp.
- On Tuesday **the European Parliament will debate the recent ruling of the Polish Constitutional Tribunal** with Polish Prime Minister Mateusz Morawiecki and European Commission President Ursula von der Leyen participating in the meeting. It may be important event, signalling where we are heading in Poland-EU relations.

Markets next week

- It seems that for the Polish zloty key issue in the coming days will be the question what next in the conflict between Poland and EU on the rule of law. We do not know what to expect from the PM Morawiecki's speech in the EP, so it is hard to draw strong conclusions for the zloty. If there are signals making the scenario of conflict de-escalation more likely, the zloty should appreciate. And conversely – any signals that the standoff is worsening (meaning higher risk of EU funds freeze) would favour higher EURPLN. Local data seem to be of lower importance for the currency in the near term (unless they prove to be a major disappointment), as the market is betting anyway on quick interest rate hikes.
- Next data increasing inflationary worries would support elevated bond yields and IRS rates, although the room for their further increase seems limited by the fact that the market is already aggressively pricing in the front-loaded monetary policy tightening. Additional factor will be the expectations regarding the rule of law conflict. Just as in the case of the zloty – signals of possible deal with the EU should favour lowering the credit risk premium and thus lowering the spread of Polish yields vs. German Bund. Signals of escalating conflict would support higher yields of domestic bonds.

Output and retail sales, % y/y



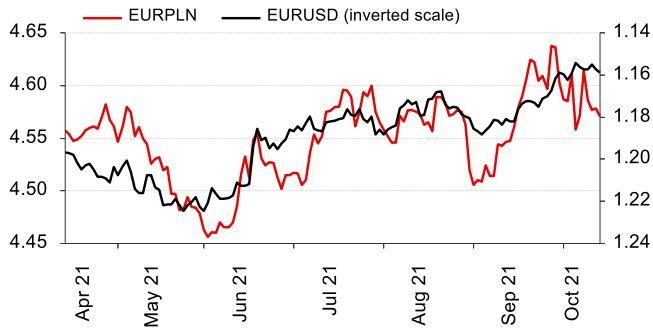
Source: GUS, NBP, Santander

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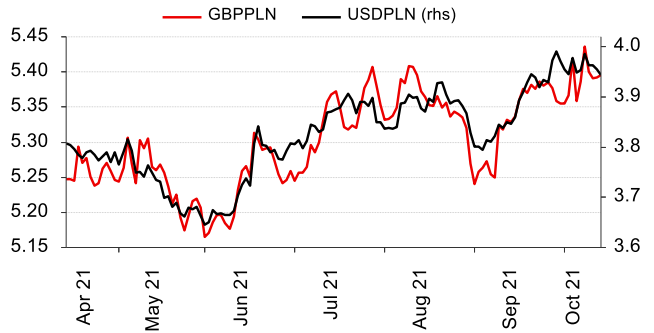
FX and FI markets

EURPLN and EURUSD



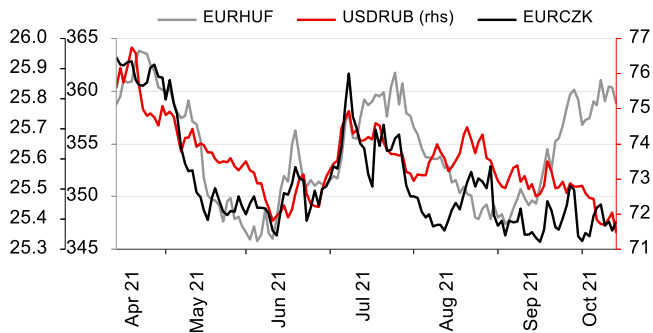
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



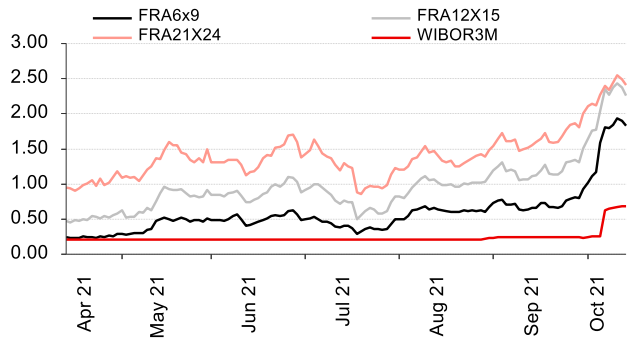
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



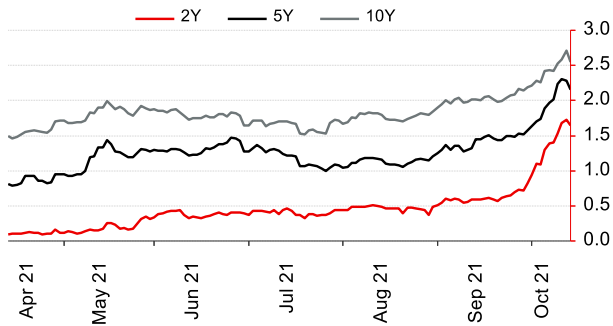
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



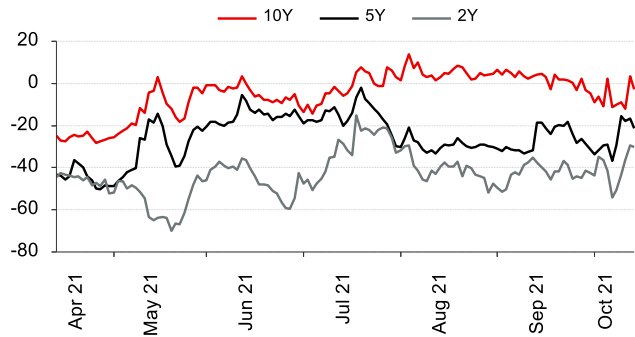
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



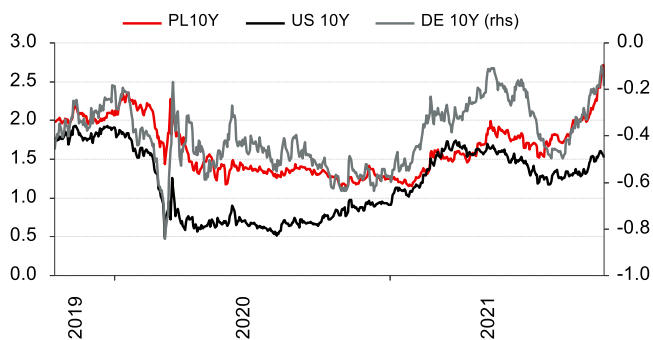
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



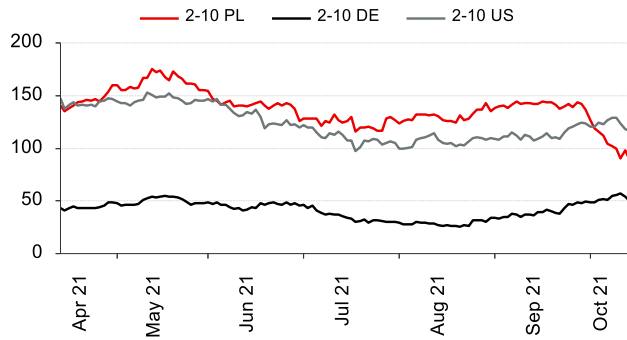
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (18 October)							
14:00	PL	CPI Core	Sep	% y/y	4.1	4.2	3.9
15:15	US	Industrial Production	Sep	% m/m	0.2		0.4
TUESDAY (19 October)							
10:00	PL	Employment in corporate sector	Sep	% y/y	0.7	0.5	0.9
10:00	PL	Average Gross Wages	Sep	% y/y	8.7	9.1	9.5
14:00	HU	Central Bank Rate Decision	Oct/21	%	1.80		1.65
14:30	US	Housing Starts	Sep	% m/m	-0.3		3.9
WEDNESDAY (20 October)							
10:00	PL	Sold Industrial Output	Sep	% y/y	8.2	7.6	13.2
10:00	PL	PPI	Sep	% y/y	10.0	9.9	9.5
11:00	EZ	HICP	Sep	% y/y	3.4		3.4
THURSDAY (21 October)							
10:00	PL	Construction Output	Sep	% y/y	8.2	6.8	10.2
10:00	PL	Retail Sales Real	Sep	% y/y	5.5	6.2	5.4
14:00	PL	MPC minutes	Oct				
14:30	US	Initial Jobless Claims		k	320.0		293.0
14:30	US	Index Philly Fed	Oct		24.0		30.7
16:00	US	Existing Home Sales	Sep	% m/m	2.83		-2.0
FRIDAY (22 October)							
09:30	DE	Germany Manufacturing PMI	Oct	pts	56.8		58.4
09:30	DE	Markit Germany Services PMI	Oct	pts	55.0		56.2
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	57.3		58.6
10:00	EZ	Eurozone Services PMI	Oct	pts	55.5		56.4
14:00	PL	Money Supply M3	Sep	% y/y	8.6	9.1	9.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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