

14 January 2022

Weekly Economic Update

Another set of data coming on Friday

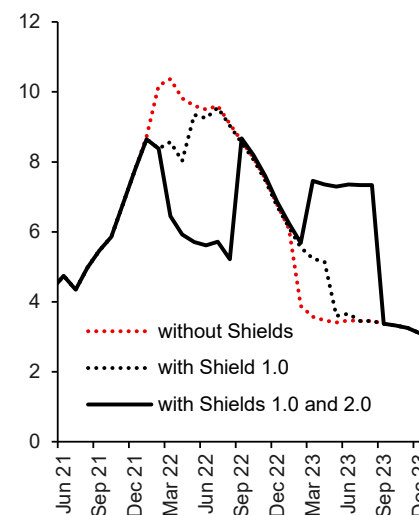
Economy next week

- The major part of the coming week will be pretty quiet when it comes to economic data releases. Abroad, European inflation data may take centre stage, but apart from that there will be few indicators, i.a. German ZEW, US real estate market data. We will also get more 4Q financial reports from US listed companies, which can affect global market sentiment. **In Poland core CPI will be out on Monday, and later we will have to wait until Friday for more releases. The package will include wages, employment, industrial and construction output, PPI.**
- Our forecasts are close to market consensus and assume a rise of core inflation to 5.3% y/y, solid output of industry (above 14% y/y) and construction (almost 10% y/y), employment growth maintained at 0.7% y/y and wages growing 9.1% y/y. In case of wage we see a clear risk to the upside due to media reports that some companies frontloaded wage payments to evade the 'Polish Deal' tax regulations entering into force in 2022. We do not know however how broad this phenomenon might have been.

Markets next week

- The dollar got significantly weaker in the recent days which supported EM currencies, including the zloty. In our view the room for EURUSD rise and for EURPLN descent may soon be gone, but it is hard to pinpoint the time of trend reversal. The coming week may not bring any strong reasons for such change and EURPLN may again approach 4.52. EURPLN is currently almost exactly where it was a year ago. We think that despite the much higher interest rates and the still strong economy room for further PLN appreciation would only appear if chances for a compromise in the Poland-EU rule of law conflict rose significantly, leading to unfreezing of EU funds – there is little scope for this at the moment.
- On the debt markets the direction may be set by further inflation data. In recent publications regarding inflation across the globe, there are some tentative signs of downside surprises, instead of all readings beating expectations, which – together with Omicron infections – may slow down the upward trend in yields. On the other hand there seems to be a growing conviction that Fed will act faster and tighten monetary policy more than currently expected. On the domestic debt market in the recent days yields pulled back lower, and only a set of strong reading on Friday might fuel MPC rate hike expectations.

CPI inflation forecasts, %y/y

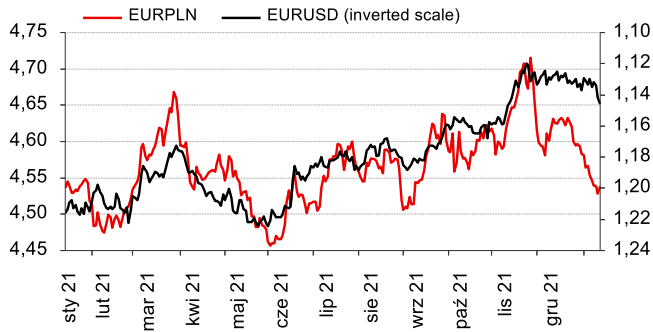


Source: GUS, Markit, Santander

Economic Analysis Department:

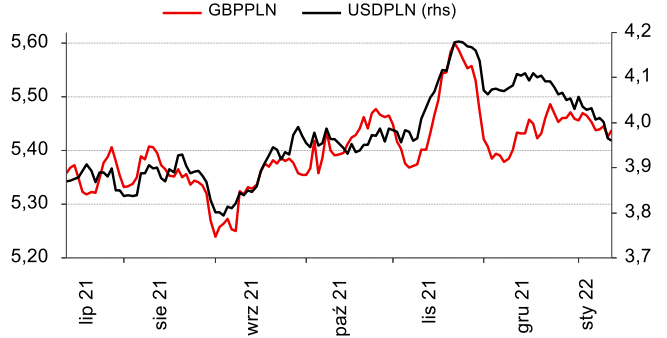
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EURPLN and EURUSD



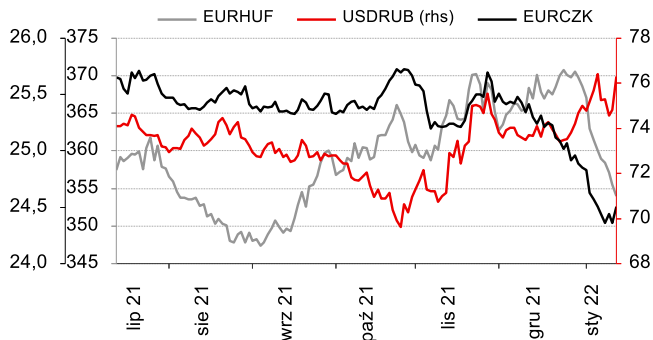
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



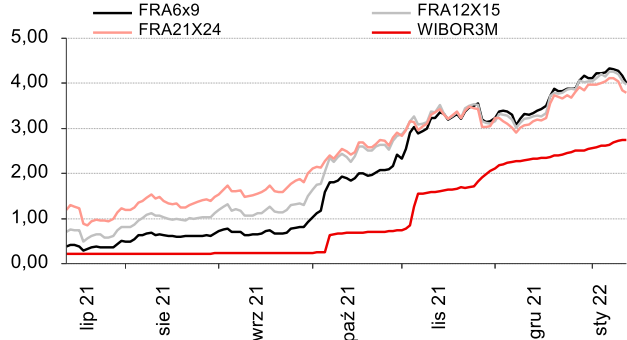
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



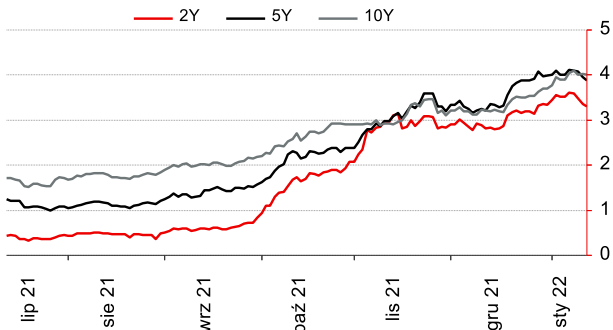
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



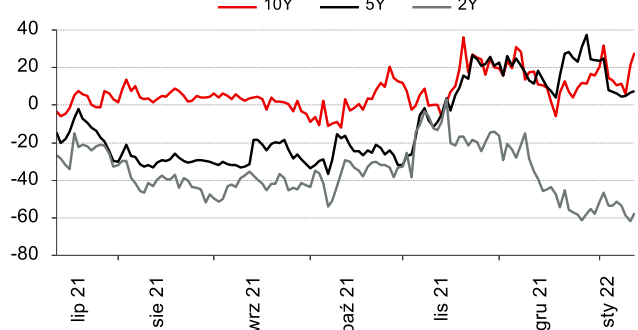
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



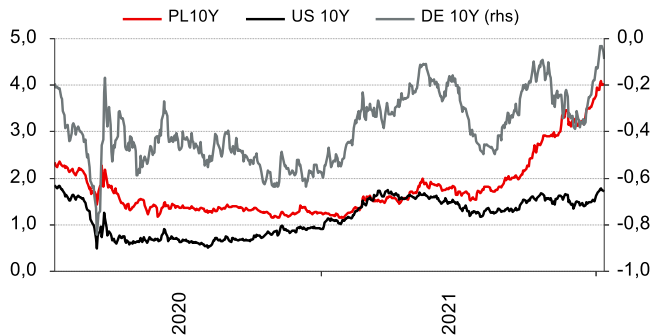
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



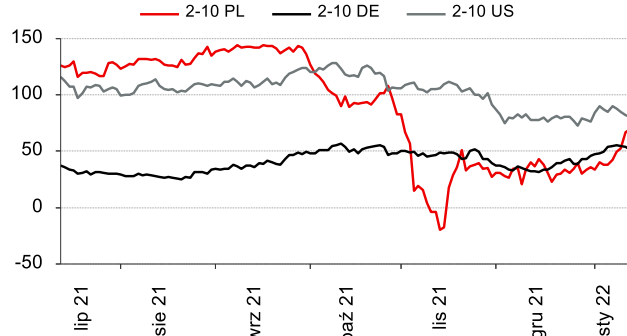
Source: Refinitiv Datastream, Santander Bank Polska

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 (17 January)							
14:00	PL	CPI Core	Dec	% y/y	5.2	5.3	4.7
TUESDAY (18 January)							
11:00	DE	ZEW Survey Current Situation	Jan	pts	-		-7.4
WEDNESDAY (19 January)							
08:00	DE	HICP	Dec	% m/m	-		0.3
14:30	US	Housing Starts	Dec	% m/m	-1.73		11.8
THURSDAY (20 January)							
11:00	EZ	HICP	Dec	% y/y	-		4.9
14:30	US	Initial Jobless Claims		k	200		207
14:30	US	Index Philly Fed	Jan		21.0		15.4
16:00	US	Existing Home Sales	Dec	% m/m	-0.31		1.89
FRIDAY (21 January)							
10:00	PL	Employment in corporate sector	Dec	% y/y	0.7	0.7	0.7
10:00	PL	Sold Industrial Output	Dec	% y/y	14.0	14.9	15.2
10:00	PL	Construction Output	Dec	% y/y	9.8	9.8	12.7
10:00	PL	PPI	Dec	% y/y	13.5	13.0	13.2
10:00	PL	Average Gross Wages	Dec	% y/y	9.1	9.1	9.8

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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