

21 January 2022

Weekly Economic Update

Hard data still strong, sentiment deteriorating

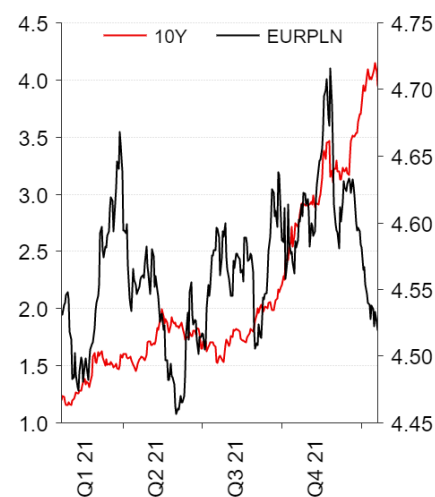
Economy next week

- A set of solid macroeconomic data for December has just been released (production and wages well above forecast) and next week we will see more publications: retail sales on Monday, on Wednesday money supply, unemployment, monthly Statistical Bulletin with many detailed indicators. We expect to see more good news: retail sales growth near 9% y/y in constant prices, unemployment stable at 5.4%. Overall, the data should be consistent with high GDP growth at the end of 2021 – we would not be surprised to see GDP growth near 7% y/y in 4Q21. The flash GDP data for the entire 2021 will be released on January 31.
- Business confidence indicators are not as optimistic as the hard data – the sentiment of both firms and consumers started deteriorating under influence of surging costs and new wave of pandemic, which may herald economic slowdown in 2022. On Wednesday more detailed information about January's business climate will be released.
- There will be numerous data releases abroad, regarding both real economic activity in the recent months (flash GDP in USA and Europe, retail sales, consumer income and spending) and leading indicators (flash PMIs, ESI, Ifo, Conference Board). On Tuesday the Hungarian central bank holds a meeting (another interest rate hike likely) and on Wednesday the FOMC meeting takes place (expected rates on hold, investors will eye any indications about future decisions).
- Apart from economic data, information about Covid-19 will be important. In Poland the fifth wave of pandemic started accelerating and we are likely to see new record-high infection numbers next week. The number of quarantined people has been rising by over 100k daily in recent days and the continuation of this trend may imply a clear worsening of labour shortages. The government has just decided to cut quarantine period to 7 days but it is not going to slow the pandemic spread for sure.
- On January 25 two MPC members end their term of office (E.Gatnar, J.Kropiwnicki) and will be replaced by Ludwik Kotecki and Przemysław Litwiniuk, nominated by the Senate. The next MPC meeting is scheduled on February 8.

Markets next week

- While equity and bond markets have been weakening recently and became more volatile, FX markets remained surprisingly stable so far – since the end of December EURUSD has barely changed (1.1350), which was supportive for EM currencies, including the zloty: EURPLN declined 1.5% in the same period, to 4.52. Such situation is unlikely to hold, in our view, due to the worsening global risk aversion, new wave of Covid-19 and the geopolitical risk (growing tension around Ukraine). As a result, we expect the EURPLN to increase towards 4.57 (200-day moving average) in the coming week.
- Both IRS and bond yields have declined in the last week by c.10bp, after earlier significant rise. The just-released data about PPI and wage growth (above forecast) signal that inflation may be harder to contain, which should limit further yield drop, at least at the short end of the curve (2Y bond yield near 3.0%). The long end will be influenced by the trend in the global markets. If the risk aversion persists, a further drop of yield cannot be ruled out, but in the longer run we expect 10Y bond yield to return above 4.0%.

EURPLN and 10Y bond yields

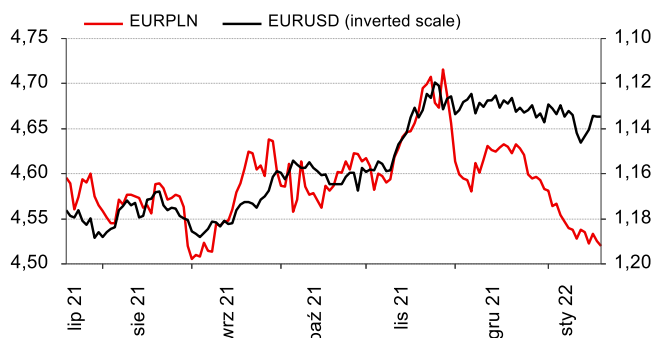


Source: Refinitiv Datastream, Santander

Economic Analysis Department:

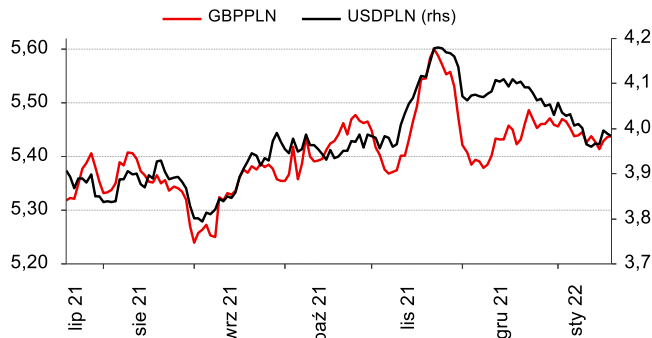
al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 691 393 119
 Marcin Luźniński +48 510 027 662
 Wojciech Mazurkiewicz +48 887 842 480
 Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



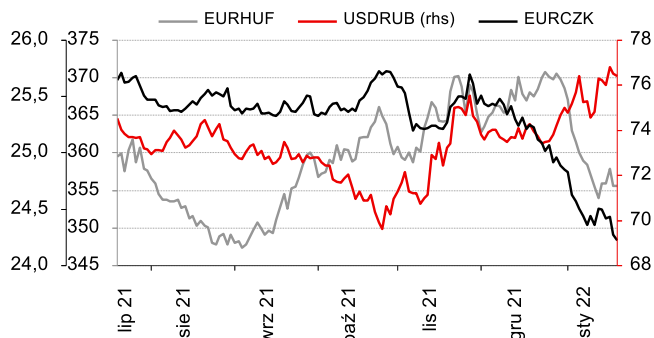
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



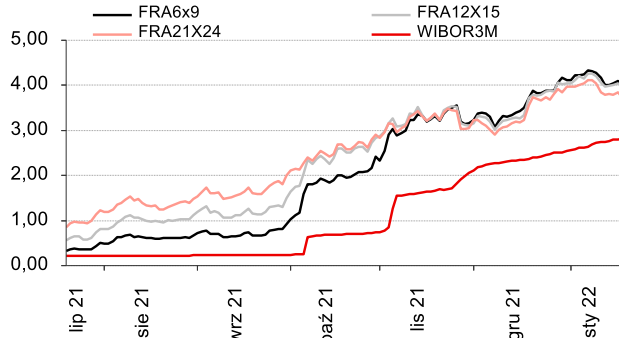
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



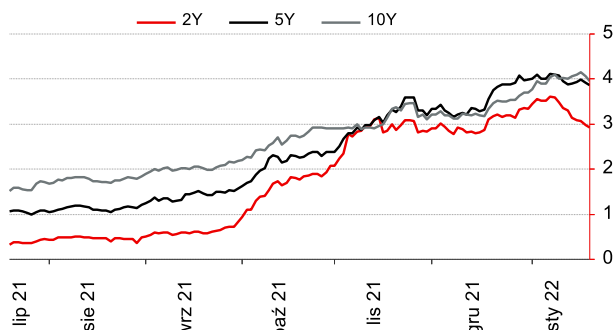
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



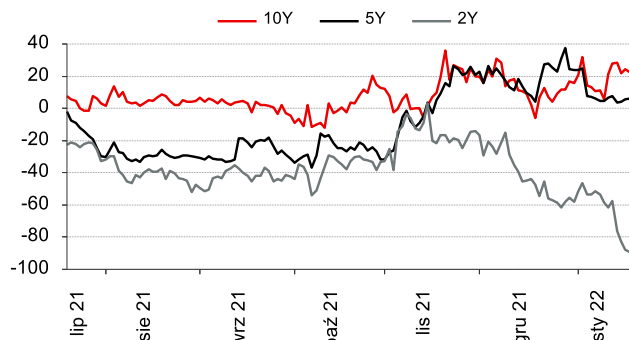
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



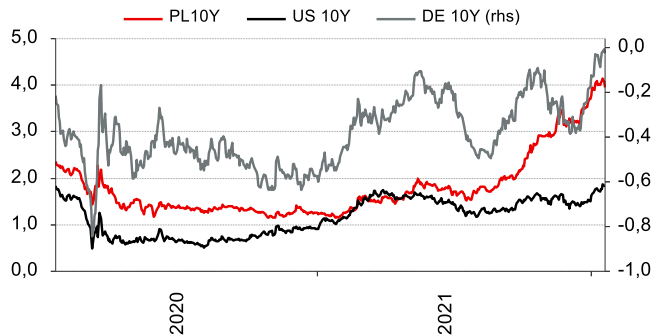
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



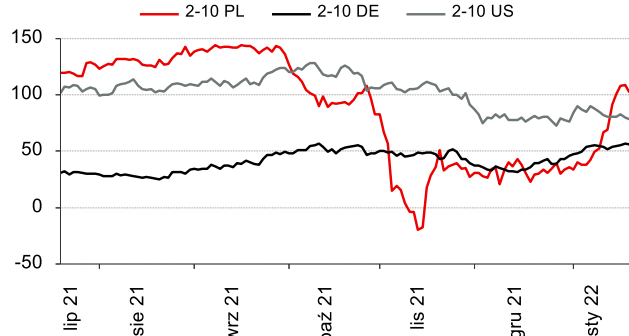
Source: Refinitiv Datastream, Santander Bank Polska

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 (24 January)						
09:30	DE	Germany Manufacturing PMI	Jan	pts	57.3	57.4
09:30	DE	Markit Germany Services PMI	Jan	pts	48.1	48.7
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	58.2	58.0
10:00	EZ	Eurozone Services PMI	Jan	pts	52.5	53.1
10:00	PL	Retail Sales Real	Dec	% y/y	9.2	8.9
TUESDAY (25 January)						
10:00	DE	IFO Business Climate	Jan	pts	94.4	94.7
14:00	HU	Central Bank Rate Decision	Jan	%	2.7	2.4
16:00	US	Consumer Conference Board	Jan	pts	112.0	115.8
WEDNESDAY (26 January)						
10:00	PL	Unemployment Rate	Dec	%	5.4	5.4
14:00	PL	Money Supply M3	Dec	% y/y	9.3	10.1
16:00	US	New Home Sales	Dec	% m/m	3.5	12.4
20:00	US	FOMC decision	Jan		0.25	0.25
THURSDAY (27 January)						
	DE	Retail Sales	Dec	% m/m	-1.4	0.6
14:30	US	Durable Goods Orders	Dec	% m/m	-0.4	2.6
14:30	US	GDP Annualized	4Q	% Q/Q	5.7	2.3
14:30	US	Initial Jobless Claims		k		286.0
16:00	US	Pending Home Sales	Dec	% m/m	-0.3	-2.2
FRIDAY (28 January)						
10:00	DE	GDP WDA	4Q	% y/y	1.8	2.5
11:00	EZ	ESI	Jan	pct.		115.3
14:30	US	Personal Spending	Dec	% m/m	-0.5	0.6
14:30	US	Personal Income	Dec	% m/m	0.5	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.5	0.6
16:00	US	Michigan index	Jan	pts	68.8	68.8

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division. Economic Analysis Department. al. Jana Pawła II 17. 00-854 Warsaw. Poland. phone +48 22 534 18 87. email ekonomia@santander.pl. http://www.santander.pl.