

04 February 2022

Weekly Economic Update

Will the MPC try to support the zloty?

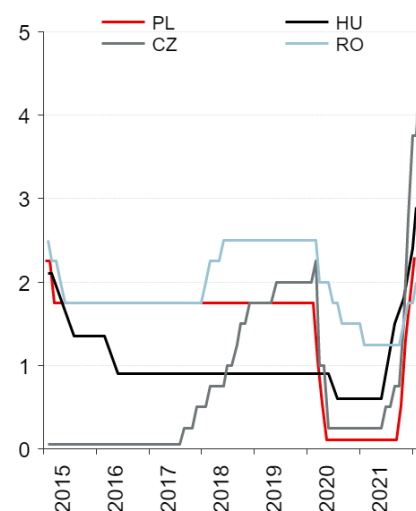
Economy next week

- The key event of the new week (at least in Poland) will be the MPC meeting on Tuesday, February 8. **We expect to see another rate hike by 50bp, to 2.75%.** However, the recent comments of NBP president Adam Glapiński that he would welcome zloty appreciation (quite a change of mind in this aspect) and that there is still big room for interest rate hikes, suggest in our view that the central bank may consider a larger hike if it really is determined to deliver appreciation impulse for the currency. PLN did react to Glapiński's comments and then to information suggesting possible de-escalation of tensions with EU, but the move was moderate and not very persistent, so it will not help in fighting inflation too much. We think that the NBP governor would rather choose a more "hawkish" tone of his press conference (the date of which has not been confirmed yet, possibly Wednesday at 15:00CET) rather than a rate hike bigger than 50bp.
- **It will be the first MPC meeting attended by two members appointed by the Senate: Ludwik Kotecki and Przemysław Litwiniuk** (who replaced Eugeniusz Gatnar and Jerzy Kropiwnicki). One day after the meeting (on February 9) two other members end their term of office: Eryk Łon and Grażyna Ancyparowicz. The Sejm should appoint their successors on Tuesday or Wednesday. On Monday the Sejm's Public Finance Committee will hold a hearing of the opposition's candidate to the MPC Jakub Borowski. The Committee has already recommended two candidates endorsed by the ruling PiS (Wiesław Janczyk, Gabriela Masłowska) and those two are most likely to be appointed. On February 20 two "presidential" MPC members (Łukasz Hardt, Kamil Zubelewicz) end their term of office and we still know nothing about likely successors.
- Apart from the MPC meeting, there is no important economic events in the agenda in Poland. Abroad, the list of publications is quite short, with focus on US inflation (Thursday) and earlier on German production and exports (Monday-Tuesday).

Markets next week

- The zloty responded positively, but not very strongly, to Mr. Glapiński's comments and later to the signals about possible de-escalation of the conflict with the EU (a deal with Czechia on Turów mine, the president's initiative to disband the Supreme Court's Disciplinary Chamber). A larger and more permanent reaction of PLN apparently requires actions rather than words. **We expect stabilisation of EURPLN near 4.55 until the MPC decision and if the rate hike is 50bp, as expected, then the market should be little affected.** Mr. Glapiński's attempts of verbal interventions may have limited effectiveness due to the track record of very volatile views and opinions.
- Interest rate market remains very volatile – the pricing of future rate hikes saw large swings during the week and surprisingly fell on Friday, as did the domestic bond yields. It could have been related to a similar move in Czechia, where after 75bp rate hike on Thursday the CNB suggested less aggressive tightening ahead. Given the reaction of the European market to the ECB meeting, which prompted markets to price in much faster rate hikes in the Eurozone (the expected size of rate hikes to be delivered this year by the ECB has approached the same measure for FOMC) and much stronger than expected US labour market data, we think that **after the weekend Polish yields should rise in a delayed reaction to the weakening debt markets in the USA and the Eurozone, and later also in response to "hawkish" message from the MPC.**

CEE central bank interest rates, %

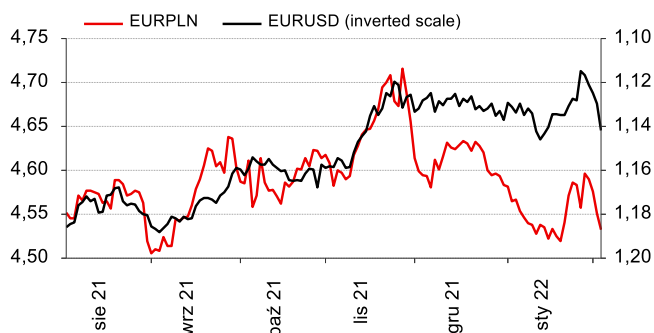


Source: Refinitiv Datastream, Santander

Economic Analysis Department:

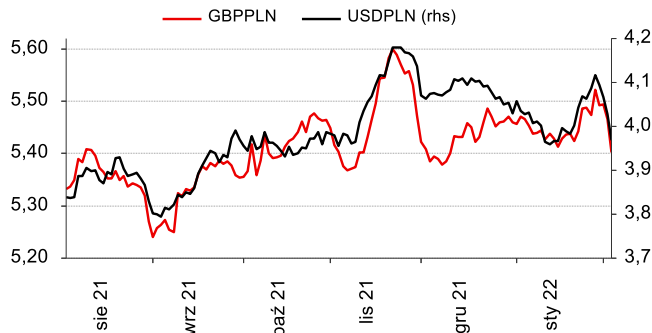
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EURPLN and EURUSD



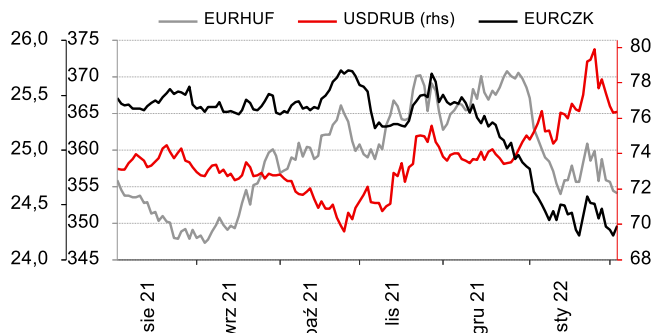
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



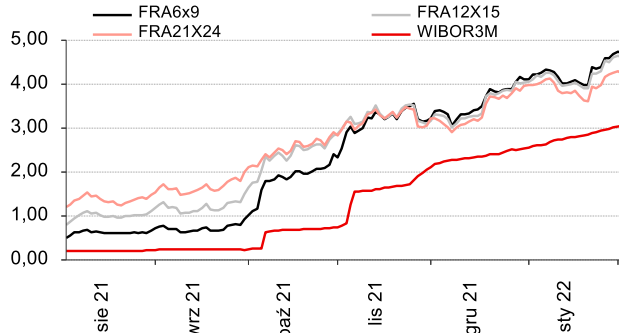
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



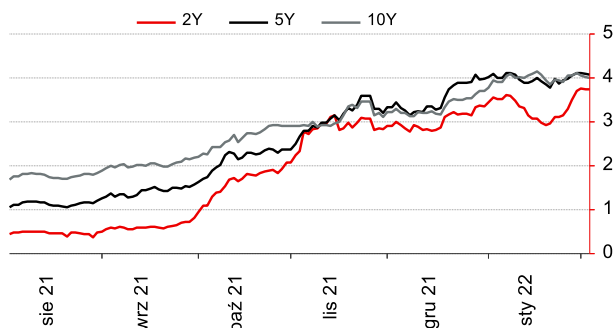
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



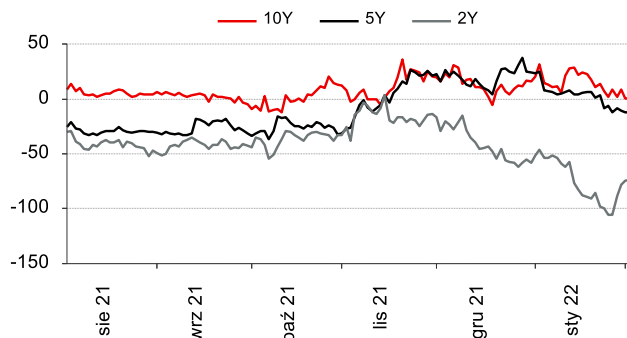
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



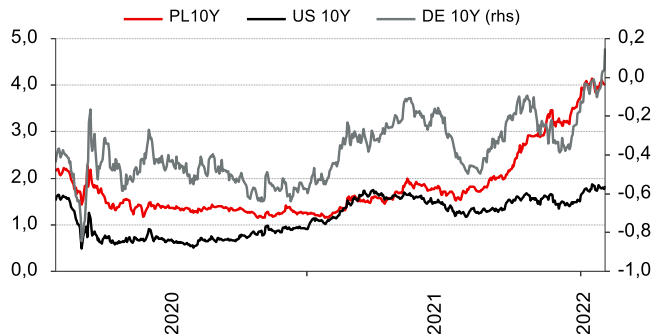
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



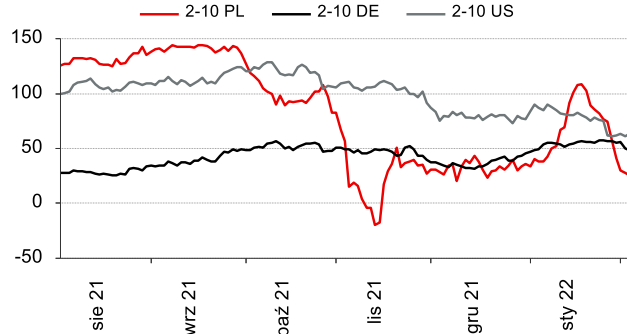
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTR Y	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDE R	
MONDAY (7 February)						
02:45	CN	Caixin China PMI Services	Jan	pts	50.3	53.1
08:00	DE	Industrial Production SA	Dec	% m/m	0.5	-0.2
09:00	CZ	Industrial Production	Dec	% y/y	4.0	4.5
TUESDAY (8 February)						
	PL	MPC decision		%	2.75	2.75
WEDNESDAY (9 February)						
08:00	DE	Exports SA	Dec	% m/m	0.0	1.8
THURSDAY (10 February)						
14:00	PL	MPC minutes	Jan			
14:30	US	CPI	Jan	% m/m	0.5	0.5
14:30	US	Initial Jobless Claims	Feb/22	k	0.0	238.0
FRIDAY (11 February)						
08:00	DE	HICP	Jan	% m/m	0.0	0.9
09:00	HU	CPI	Jan	% y/y	7.35	7.4
16:00	US	Michigan index	Feb	pts	67.25	67.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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