

15 April 2022

Weekly Economic Update

Many data releases after Easter

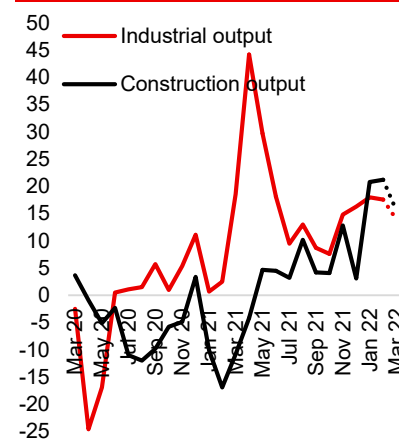
Economy next week

- The week just after Easter will be full of Polish economic data releases for March – on Tuesday core inflation, on Thursday wages and employment, industrial output and PPI, on Friday construction output and retail sales. It will be the first data releases that could reveal some early impact of Russian invasion on Ukraine. However, we think that it is too early to see this effect in March data and it will show up with a lag. New business climate survey for April will be also released, both for consumers (Thursday) and business (Friday).
- Retail sales is likely to keep real growth near 8% y/y, supported by higher spending on necessities due to refugee inflow. Production in construction and industry will likely slow, but it is too early for a significant drop, in our view, due to data inertia (our forecast are above consensus). Industrial output may be boosted by exceptionally high electricity consumption, as suggested by data from power grid; on the other hand, automotive production suffered from shortage of key components from Ukraine. We expect the labour market data to show continuation of recent trends, with wage growth still in double digits.
- Key data releases abroad include: 1Q22 GDP in China, industrial production in the US and euro zone, European inflation, flash PMIs for April.
- The IMF/WB Spring Meetings are just starting and shortly after the weekend the new forecasts for the world economy will be released, including effects of war in Ukraine. The stagflation risk is likely to be in focus.
- Domestic political calendar may see a moment of breather just after Easter. Only in the next week (April 27-28) an important session of the parliament will be held, when the Sejm may vote on Adam Glapiński's reappointment for the second term and on the amendment to the law on Supreme Court, liquidating its Disciplinary Chamber (which is needed to unlock the recovery fund for Poland). Earlier the final shape of this law has to be worked out by the parliament's justice committee, but its agenda for the next week is still empty.
- As regards politics abroad, it will be the last week before the second round of presidential elections in France, with the debate Macron – Le Pen scheduled on April 20.
- The Russian offensive in Eastern Ukraine may be important for market sentiment. Many analysts suggest that Russian aggression may strengthen in the coming days.

Markets next week

- EURPLN seems to have settled in the range 4.61-4.66 and it may need a strong impulse to break away. The March data releases are unlikely to deliver such impulse, in our view (unless we see strong surprises), thus we bet for continuation of horizontal trend after Easter.
- Bond yields rebounded somehow from their local peaks reached at the start of April. On Thursday, April 21, the second bond auction this month takes place, with supply planned tentatively at PLN3-8bn. The day of auction settlement (April 25) is also the day when bonds worth over PLN22bn are maturing, so we think that selling even the upper range of the supply should not be a big problem (even assuming that the NBP does not reinvest maturing bonds that it has in its portfolio, worth over PLN7bn). If the final sale at the auction is significantly lower, it would be a worrying signal for the debt market outlook, considering that the debt supply later this year is likely to increase, in our view, due to the looming increase of budget deficit.

Production in industry and construction, % y/y

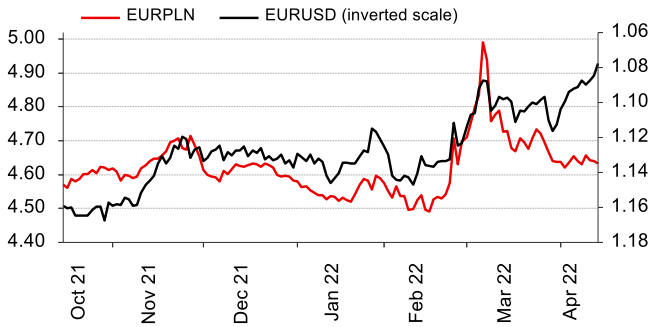


Source: GUS, Santander

Economic Analysis Department:

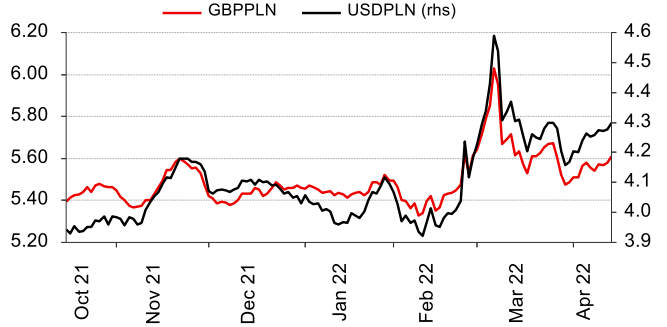
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EURPLN and EURUSD



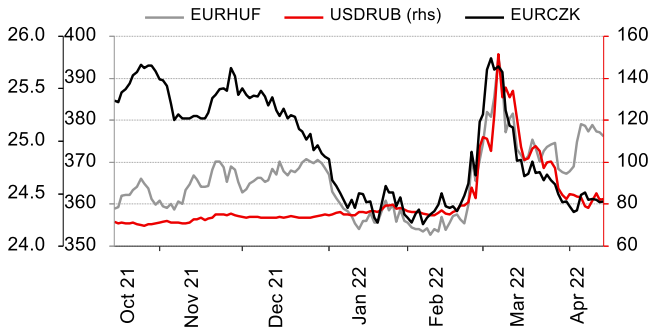
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



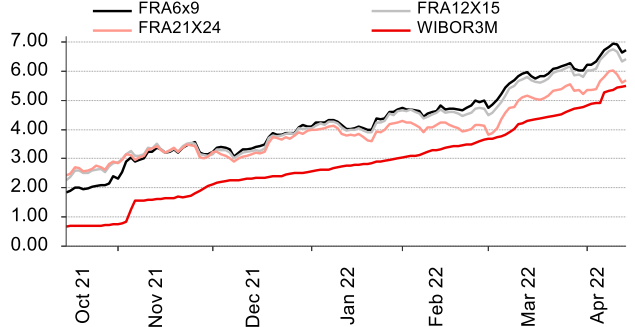
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



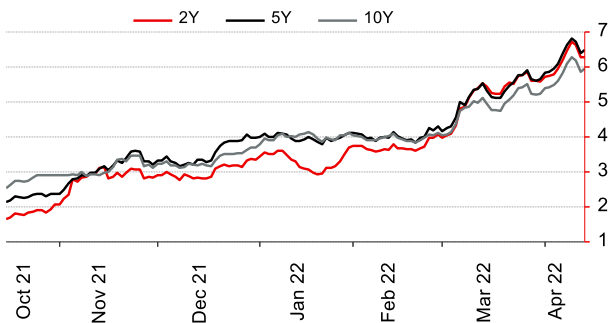
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



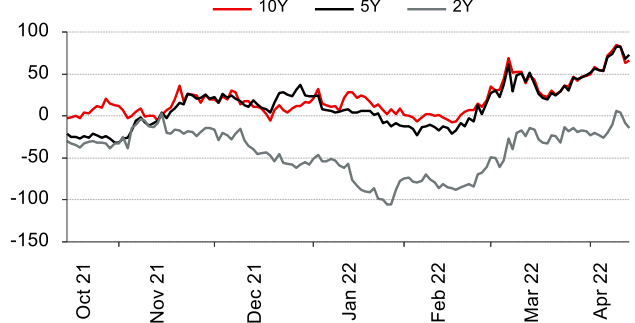
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



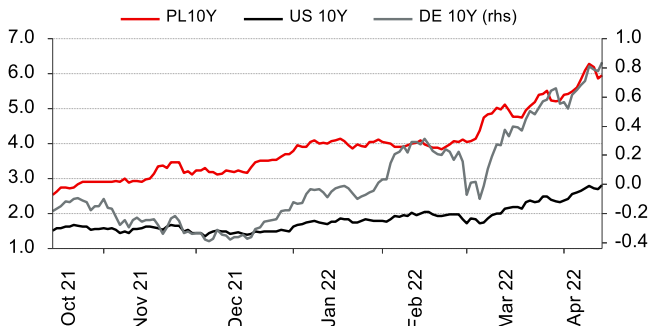
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



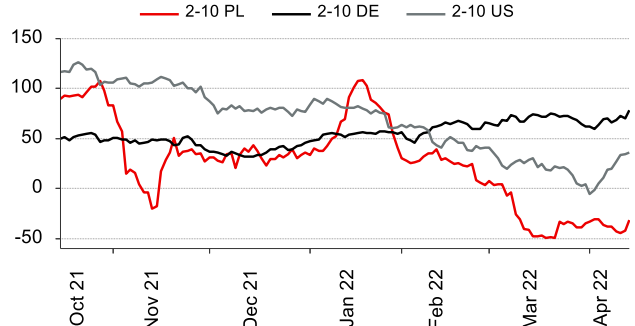
Source: Refinitiv Datastream, Santander Bank Polska

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 (18 April)							
04:00	CN	GDP	1Q	% y/y	4.2	-	4.0
TUESDAY (19 April)							
14:00	PL	CPI Core	Mar	% y/y	7.0	7.0	6.7
14:30	US	Housing Starts	Mar	% m/m	-1.6	-	6.8
WEDNESDAY (20 April)							
11:00	EZ	Industrial Production SA	Feb	% m/m	0.7	-	0.0
16:00	US	Existing Home Sales	Mar	% m/m	-4.2	-	-7.2
THURSDAY (21 April)							
10:00	PL	Employment in corporate sector	Mar	% y/y	2.4	2.3	2.2
10:00	PL	Sold Industrial Output	Mar	% y/y	11.6	13.9	17.6
10:00	PL	PPI	Mar	% y/y	18.1	18.1	15.9
10:00	PL	Average Gross Wages	Mar	% y/y	10.6	10.6	11.7
11:00	EZ	HICP	Mar	% y/y	7.5	-	7.5
14:30	US	Initial Jobless Claims		k	180.0	-	185.0
14:30	US	Index Philly Fed	Apr		20.0	-	27.4
FRIDAY (22 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	54.5	-	56.9
09:30	DE	Markit Germany Services PMI	Apr	pts	55.3	-	56.1
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	54.7	-	56.5
10:00	EZ	Eurozone Services PMI	Apr	pts	55.0	-	55.6
10:00	PL	Construction Output	Mar	% y/y	14.8	15.5	21.2
10:00	PL	Retail Sales Real	Mar	% y/y	8.8	7.8	8.1

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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