

23 September 2022

Weekly Economic Update

More inflation coming

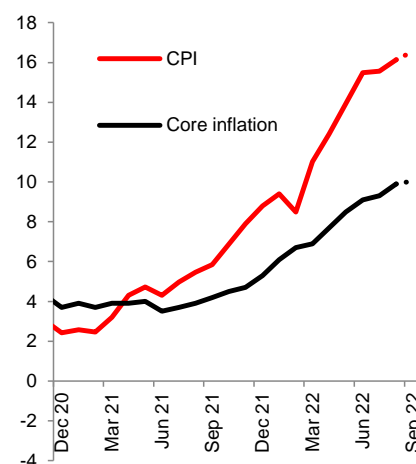
Economy next week

- In the coming week we will get to see preliminary data on **September inflation in Poland**. We expect CPI to rise by 16.6% y/y. In our view, such a reading could really disturb the MPC, which has recently been mulling a pause in rate hikes. NBP Governor Adam Glapiński and several other members have indicated that they expect inflation to peak during the summer holidays, so an increase in September would come as a surprise for central bankers. If our CPI forecast materialises, we would expect a 25bp rate hike in October.
- GUS will also publish an updated estimate of the main crops; this publication may easily be overlooked by investors, but, it will help clarify expectations for a possible increase in fruit and vegetable prices in the coming months.
- The calendar includes **a lot of data releases abroad**. German Ifo index and retail sales will be out. In the USA there will be durable goods orders, another reading of 2Q GDP, real estate market data, consumer spending and income, PCE inflation, Michigan index, among others. In the euro zone: ESI, unemployment rate, HICP inflation. In particular, HICP inflation data may be important, the market expects visible consumer price acceleration in the euro and Germany. Also scheduled are speeches by central bank governors, including Jerome Powell and Christine Lagarde. In other words - there are likely to be a lot of signals that will shape investors' expectations of economic conditions in major economies. Apart from that, there are elections in Italy over the weekend. The leaders of the polls are the center-right Fratelli d'Italia and the center-left Democratic Party. Currently, the largest parties in the Italian parliament are the Lega and the Five Star Movement.
- Next Friday, energy ministers from EU countries meet to agree on an **EU package of measures to curb rising electricity and gas prices**.

Markets next week

- EURPLN broke out of the horizontal trend valid for the past few weeks. This happened due to the rise in geopolitical tensions following Russia's announcement of "partial mobilization," as well as to the hawkish Fed and other major central banks aggressively raising interest rates and signalling a willingness to continue their "determined" fight against inflation even at the cost of dampening economic growth. Meanwhile, the Polish MPC has hinted that it wants to end the cycle of hikes soon, generating pressure on the zloty. However, the domestic currency was supported by better-than-expected macro data. On the one hand, they support the markets' faith in further rate hikes, while on the other, they offset the impact of growing global recessionary fears, which have pushed the dollar index (DXY) to new peaks recently. Nevertheless, even if we assume that domestic data dampen the impact of the weaker global markets on the zloty, the example of the passing week clearly shows that the domestic market is not a lonely island. Given this week's scheduled speeches by the head of the Fed and the head of the ECB, readings of inflation data from the euro zone and the US, which should support expectations of further rate increases in the main markets, **we expect the trend of weakening of the zloty to continue**.
- In the US and euro bond markets, the ending week brought yields to new annual maximums, helped by the decisions and rhetoric of major central banks, increasingly convinced of the need to both increase the monetary policy tightness and to extend its duration. Changes in the domestic debt market this week were admittedly much less spectacular due to signals from the dovish wing of the NBP, but nevertheless both FRA and bond yields rose. In coming week, **we expect a further weakening of domestic debt**, supported by Friday's CPI inflation reading for September, as well as the Ministry of Finance's planned bond sale auction.

CPI and core inflation, % y/y

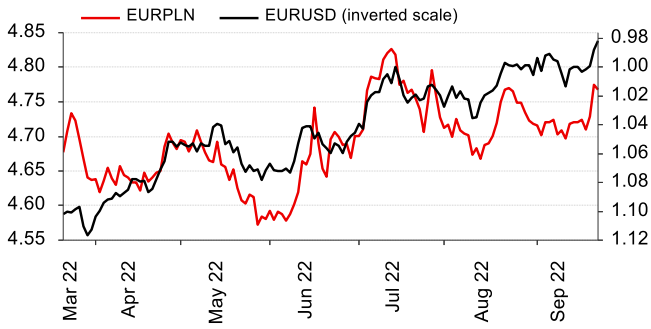


Source: GUS, NBP, Santander

Economic Analysis Department:

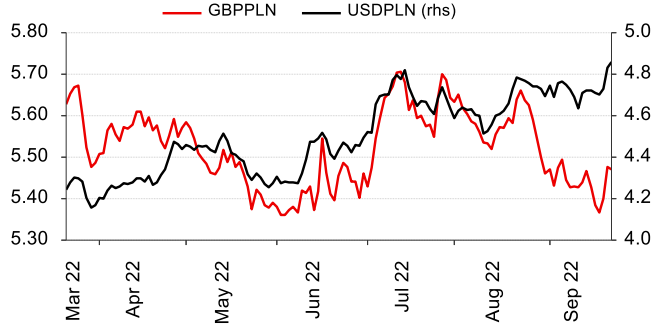
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EURPLN and EURUSD



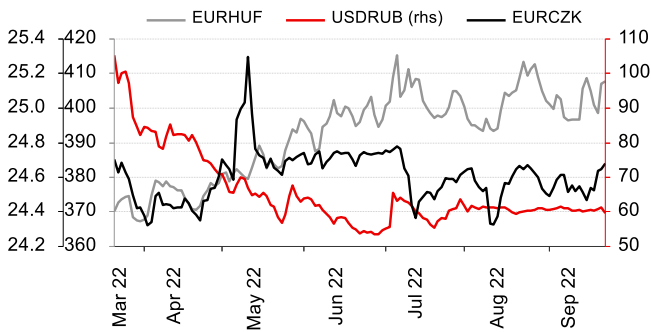
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



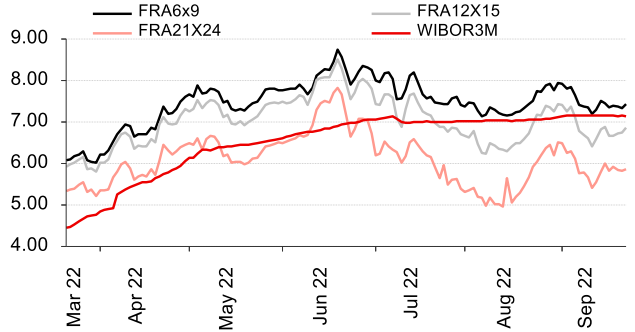
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



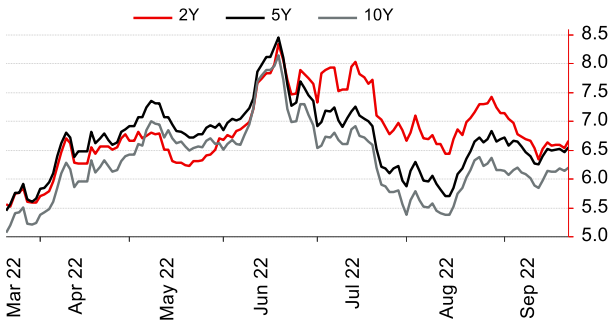
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



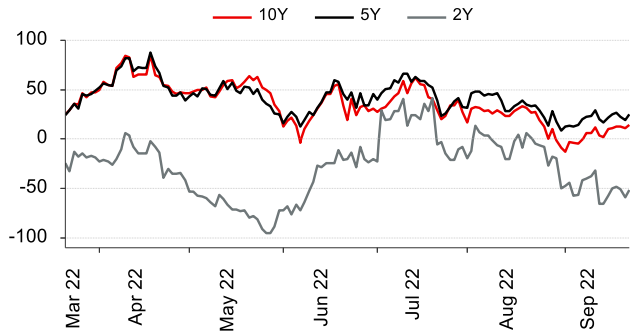
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



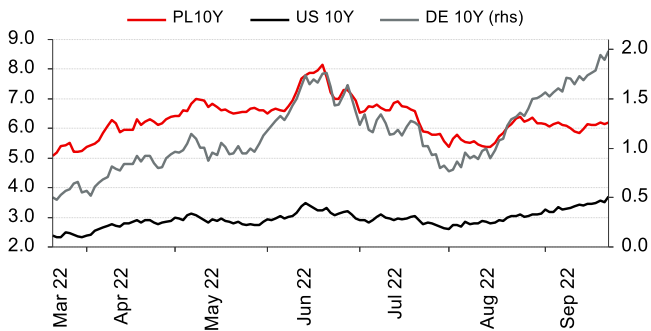
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



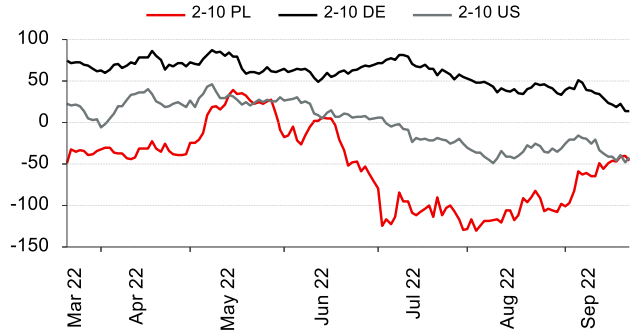
Source: Refinitiv Datastream, Santander Bank Polska

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 (26 September)						
10:00	DE	IFO Business Climate	Sep	pts	87.0	88.5
TUESDAY (27 September)						
14:00	HU	Central Bank Rate Decision	Sep.22	%	12.75	11.75
14:30	US	Durable Goods Orders	Aug	% m/m	-0.05	-0.1
16:00	US	Consumer Conference Board	Sep	pts	104.25	103.2
16:00	US	New Home Sales	Aug	% m/m	-2.15	-12.6
WEDNESDAY (28 September)						
16:00	US	Pending Home Sales	Aug	% m/m	-0.8	-0.99
THURSDAY (29 September)						
11:00	EZ	ESI	Sep	pct.	95.0	97.6
14:00	DE	HICP	Sep	% m/m	1.5	0.4
14:30	US	GDP Annualized	2Q	% Q/Q	-0.6	-0.6
14:30	US	Initial Jobless Claims	Sep.22	k	220.0	213.0
14:30	CZ	Central Bank Rate Decision	Sep.22		7.0	7.0
FRIDAY (30 September)						
09:00	CZ	GDP SA	2Q	% y/y	3.7	3.7
10:00	PL	CPI	Sep	% y/y	16.4	16.6
11:00	EZ	Flash HICP	Sep	% y/y	9.7	9.1
11:00	EZ	Unemployment Rate	Aug	%	6.6	6.6
14:30	US	Personal Spending	Aug	% m/m	0.2	0.1
14:30	US	Personal Income	Aug	% m/m	0.3	0.2
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-0.1
16:00	US	Michigan index	Sep	pts	59.5	59.5

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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