

# Weekly Economic Update

## Waiting for FOMC, ECB, CJEU

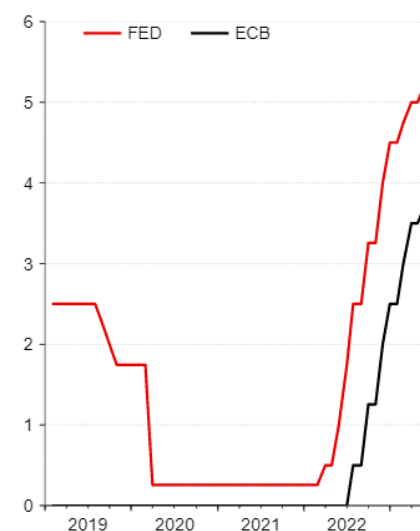
### Economy next week

- This could be a very important week for financial markets. Abroad, the focus will be on central bank decisions: **the FOMC on Wednesday evening, the ECB on Thursday and the BOJ on Friday**. Also, inflation data will be released in many countries (of which the most important will be US CPI on Tuesday), as well as production data (eurozone, US, China). Locally, the event of the week will be the **CJEU verdict** on the settlement of CHF loans with customers (Thursday 9:30 CET). The local agenda also includes the **balance of payments data for April** (Tuesday), **CPI inflation for May** (Thursday) and **core inflation** (Friday). On Tuesday, the Sejm begins its session, at which it should theoretically pick members of a commission to investigate Russian influence. In the background, warfare is intensifying across our eastern border, where, according to available information, the long-awaited **counter-offensive by Ukrainian troops** against Russia has begun.
- **The Fed is expected to leave interest rates unchanged in June**, but the post-meeting communication and the tone of the updated macroeconomic forecasts will be important for market sentiment. Recent decisions by the Bank of Australia and the Bank of Canada have shown that a pause in the cycle does not necessarily mean the end of hikes, even when the observed inflation rate is falling - the key for central banks is the prospect of bringing inflation back to target in the medium term. A "hawkish pause" accompanied by forecasts justifying concerns about the persistence of inflation could shake investors' hopes for looming interest rate cuts in the US, undermining global risk appetite. **ECB is expected to hike rates by 25bp**, which is also unlikely to be the last in the cycle. Like the Fed, the bank will present an updated set of economic forecasts. **The Bank of Japan is unlikely to change policy**, but may focus communication on the risk of inflation exceeding forecasts. All in all, the message from central banks in the developed world may increasingly go against the market expectations of imminent monetary easing.
- Domestic macro data may remain overshadowed by other developments. **The current account balance in April is likely to remain in surplus** (our forecast €1.54bn, consensus €1.6bn), mainly due to weakness in imports. **The detailed inflation data** will help clarify what exactly was behind the stronger-than-forecast decline in CPI in May to 13.0% y/y and how this affects the outlook for the months ahead. In particular, how realistic it is for inflation to go below 10% y/y as early as September, which the NBP President has indicated as one of the important preconditions for considering interest rate cuts..

### Markets next week

- The domestic financial market has been in optimistic mood in recent days, undeterred by either the impending CJEU ruling or the growing set of pre-election promises that will result in increasing fiscal expansion (the government has just approved 2023 budget amendment that will increase this year's fiscal deficit by around 0.7% of GDP, and earlier the ruling party proposed measures that could raise the deficit in 2024 by around 0.9% of GDP). However, we see less and less justification for a continuation of the positive trends in the zloty and bond markets. Since the impetus for the correction was not local events, perhaps external factors will be.
- If the CJEU verdict turns out to be in line with the Advocate General's opinion and the major central banks send a rather hawkish message, **we expect the zloty to eventually weaken**, and in the horizon of the following months EURPLN may head towards 4.60 with the balance of payments gradually deteriorating later in the year.
- In the bond market, the prospect of local fiscal expansion and likely further increases in yields abroad (in addition to signals from the central banks, this will be supported by a marked increase in US debt issuance following the debt limit shift) should result in a **steepening of the yield curve and an increase in asset swap spreads**.

### Central banks' main interest rates, %

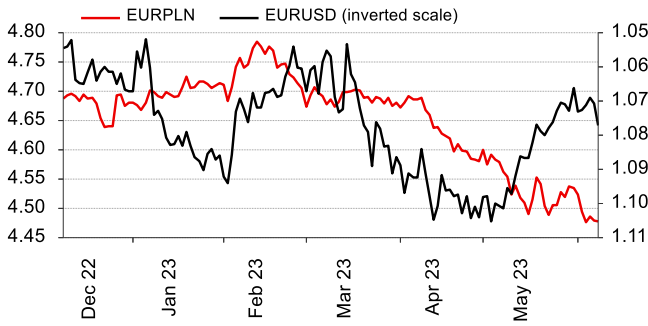


Source: Refinitiv Datastream, Santander

### Economic Analysis Department:

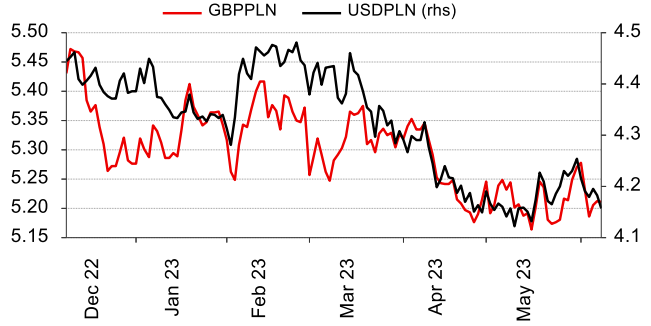
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**EURPLN and EURUSD**



Source: Refinitiv Datastream, Santander

**GBPPLN and USDPLN**



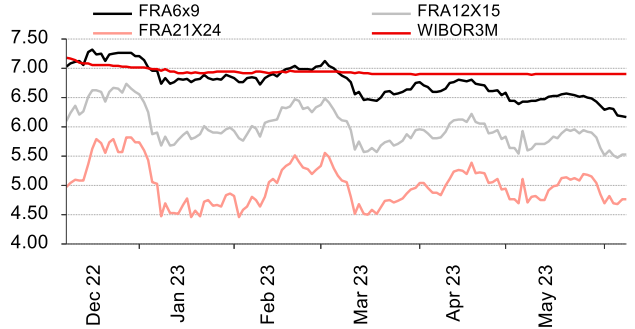
Source: Refinitiv Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



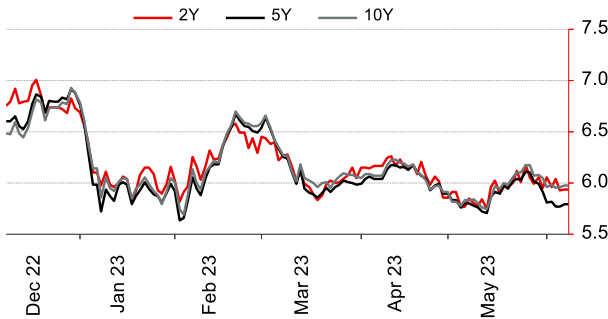
Source: Refinitiv Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



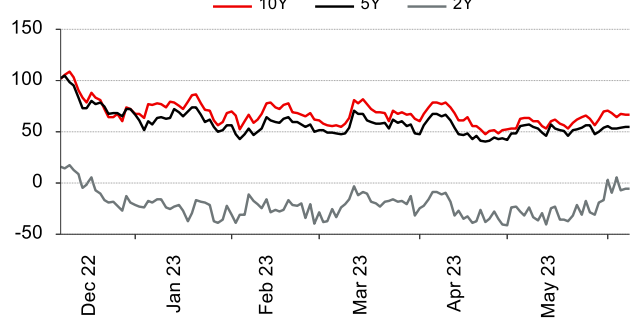
Source: Refinitiv Datastream, Santander Bank Polska

**Polish bond yields**



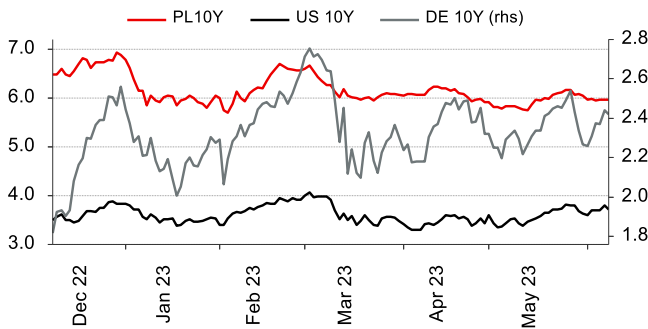
Source: Refinitiv Datastream, Santander Bank Polska

**Asset swap spreads**



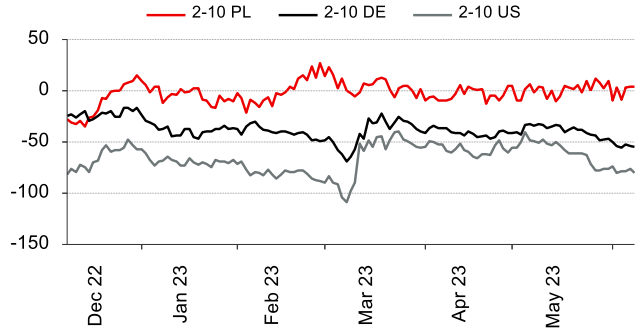
Source: Refinitiv Datastream, Santander Bank Polska

**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	
<b>MONDAY (12 June)</b>						
09:00	CZ	CPI	May	% y/y	10.8	12.7
<b>TUESDAY (13 June)</b>						
08:00	DE	HICP	May	% m/m	-0.2	-0.2
11:00	DE	ZEW Survey Current Situation	Jun	pts	-40.0	-34.8
14:00	PL	<b>Current Account Balance</b>	Apr	€mn	<b>1600</b>	<b>1545</b>
14:00	PL	<b>Trade Balance</b>	Apr	€mn	<b>1434</b>	<b>1487</b>
14:00	PL	<b>Exports</b>	Apr	€mn	<b>27788</b>	<b>27475</b>
14:00	PL	<b>Imports</b>	Apr	€mn	<b>26020</b>	<b>25988</b>
14:30	US	CPI	May	% m/m	0.2	0.4
<b>WEDNESDAY (14 June)</b>						
11:00	EZ	Industrial Production SA	Apr	% m/m	0.8	-4.1
20:00	US	FOMC decision	Jun		5.25	5.25
<b>THURSDAY (15 June)</b>						
9:30	PL	<b>CJEU ruling</b>				
10:00	PL	<b>CPI</b>	May	% y/y	<b>13.0</b>	<b>13.0</b>
14:15	EZ	ECB Main Refinancing Rate	Jun	%	4.00	3.75
14:30	US	Initial Jobless Claims	week	k	250	261
14:30	US	Retail Sales Advance	May	% m/m	0.0	0.4
15:15	US	Industrial Production	May	% m/m	0.1	0.5
<b>FRIDAY (16 June)</b>						
11:00	EZ	HICP	May	% y/y	6.1	7.0
14:00	PL	<b>CPI Core</b>	May	% y/y	<b>11.5</b>	<b>11.4</b>
16:00	US	Michigan index	Jun	pts	60.0	59.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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