

Weekly Economic Update

More data on 2Q

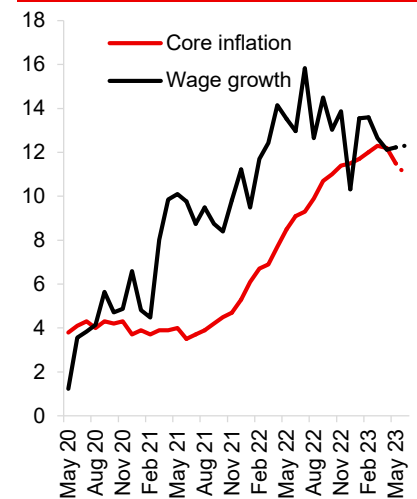
Economy next week

- The number one topic on domestic and foreign markets is still disinflation and its impact on future central bank decisions, so any news which may shed some light on it will be followed particularly closely. In the just-published [MACROscope](#) report, we write - among other things - that we have lowered our inflation forecasts for the coming months and revised our expectations for rate cuts after the NBP President explicitly announced them. However, the prospect of inflation returning to the target in the medium term is, in our view, not getting any closer, and the developments expected by us, including the economic recovery, the resilience of the labour market and the loose fiscal policy, mean that the room for monetary easing is smaller than what the financial markets are currently pricing in.
- **At the very beginning of the new week, the NBP will publish data on Polish core inflation, which, according to our estimates, fell to 11.0% y/y in June.** The monthly change in prices has likely markedly slowed (to 0.1% m/m), although we expect to see somewhat stronger price growth again in the following months.
- A large bundle of domestic data will be released in the second half of the week: on Wednesday, consumer sentiment; on Thursday, PPI, industrial and construction production, wages and employment; on Friday, retail sales and business sentiment. **For most of the June indicators, our forecasts are not very far from the consensus and assume that the economic activity has started bottoming out, which should be supportive for GDP forecasts for 2Q.** Perhaps this could be an argument for a correction of market expectations concerning the scale and pace of rate cuts by the MPC, but probably not a decisive one, as the conditions formulated by President Glapiński were focused on bringing observed CPI inflation below 10%, and this will probably happen in September at the latest.
- Abroad, the week will start with Chinese 2Q GDP and manufacturing and sales data for June - if they disappoint again, recession fears in Europe could intensify. In the following days, quite a few countries in Europe will publish final June inflation data (which could confirm the persistence of the prices of services). Euro zone consumer sentiment will also be released. In the US, there will be an inflow of activity indicators, including manufacturing and retail sales, as well as inventories.

Markets next week

- FX: After a slight upward correction towards the end of the week, **EURPLN may remain in a fairly narrow channel 4.42-4.47.** The zloty may be supported by better-than-expected current account data, as well as by June activity data. The zloty could also be supported by some reduction in expectations of interest rate cuts this year. Despite these potentially positive factors, we assume that the trend of slight weakening of the zloty, which has been visible since mid-June, will continue. This could be supported by the rebound of the dollar, which we assume will continue in the coming months.
- FI: Since the NBP president has made his dovish turn, there has been a significant drop in market rates supported by a corresponding move in the core markets in response to inflation data from the US. **After such a decisive downward movement, we believe it is high time the rates adjusted upwards.** Admittedly, catching the time of the rebound is like catching a falling knife, but, maybe, the activity data will offer some support as they may show a slight improvement. On the other hand, we will also get to see PPI data, which may show decline with a risk of a below-zero annual reading. Regardless of when the upward movement in rates will take place, we think that the market's expectations of rate cuts are greatly exaggerated and unwarranted by macroeconomic fundamentals.

Core inflation and corporate wages, % y/y

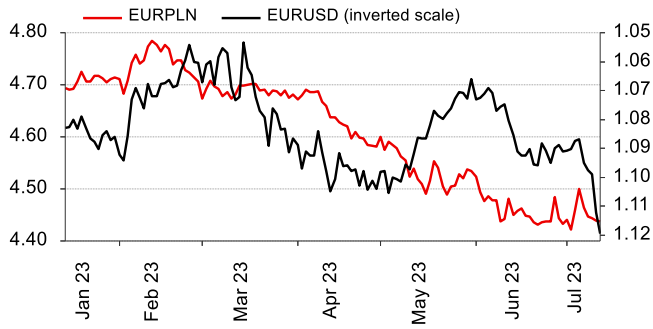


Source: GUS, Santander

Economic Analysis Department:

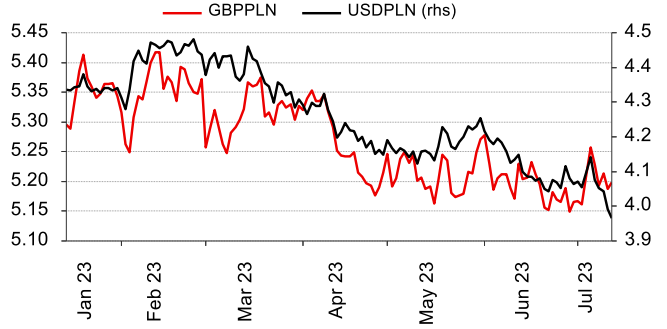
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EURPLN and EURUSD



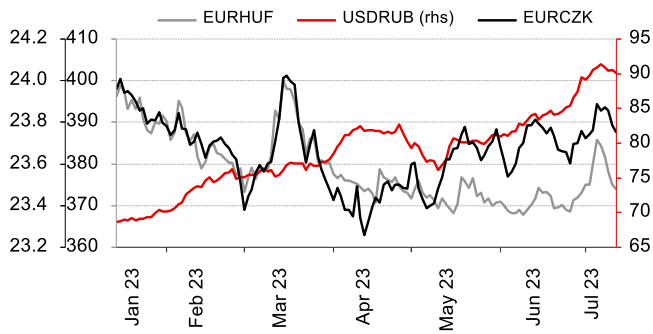
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



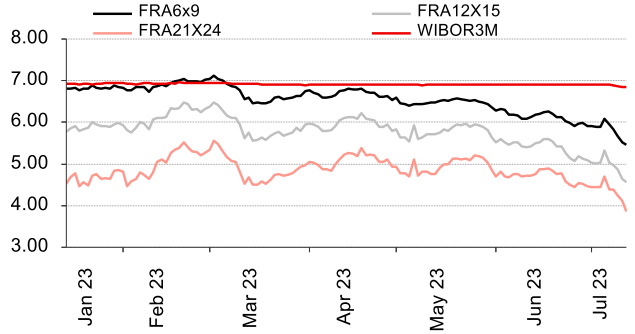
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



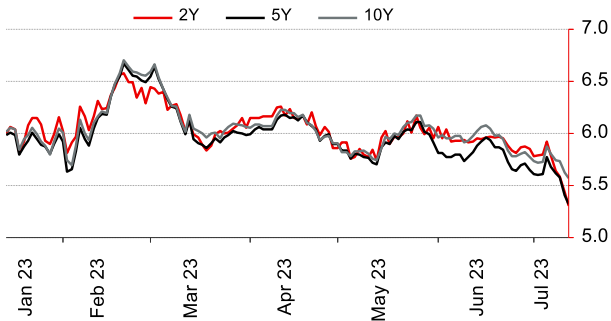
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



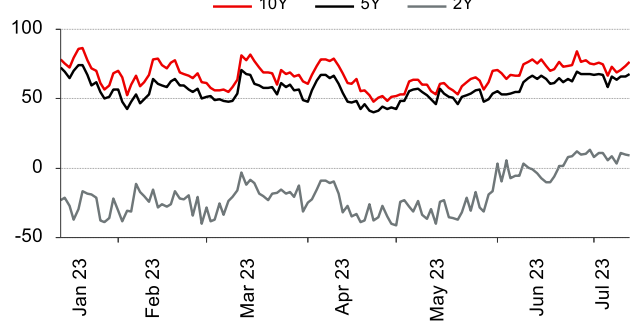
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



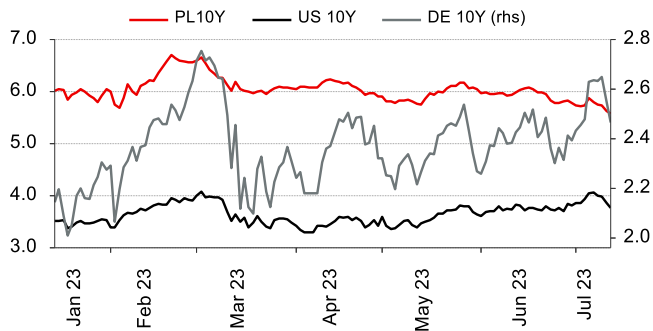
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



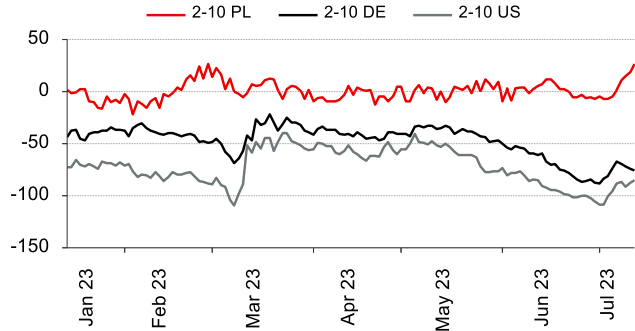
Source: Refinitiv Datastream, Santander Bank Polska

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 (17 July)							
14:00	PL	CPI Core	Jun	% y/y	11.1	11.0	11.5
TUESDAY (18 July)							
14:30	US	Retail Sales Advance	Jun	% m/m	0.5		0.3
15:15	US	Industrial Production	Jun	% m/m	0.1		-0.16
WEDNESDAY (19 July)							
11:00	EZ	HICP	Jun	% y/y	5.5		5.5
14:30	US	Housing Starts	Jun	% m/m	-9.87		21.7
THURSDAY (20 July)							
10:00	PL	Employment in corporate sector	Jun	% y/y	0.4	0.4	0.4
10:00	PL	Sold Industrial Output	Jun	% y/y	-1.8	-2.5	-3.2
10:00	PL	Construction Output	Jun	% y/y	1.2	3.0	-0.7
10:00	PL	PPI	Jun	% y/y	1.0	0.0	3.1
10:00	PL	Average Gross Wages	Jun	% y/y	12.1	12.3	12.2
14:30	US	Initial Jobless Claims	Jul/23	k	245.0		237.0
16:00	US	Existing Home Sales	Jun	% m/m	-1.98		0.23
FRIDAY (21 July)							
10:00	PL	Retail Sales Real	Jun	% y/y	-5.0	-4.8	-6.8

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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