

Weekly Economic Update

Silly season in full swing

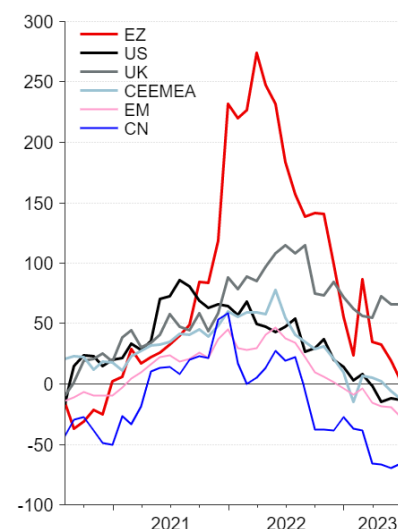
Economy next week

- The economic calendar for the next week is quite empty as regards important domestic data releases. There will be some publications abroad, including industrial output (Germany, Czechia) and inflation (Hungary, Czechia, Romania, Germany, Italy, Spain, USA, China), as well as quite a few speeches of FOMC members. The market expects a further deterioration of production in Germany and a recovery in the Czech Republic, a continuation of disinflation in the CEE region and a year-on-year decline in consumer prices in China. In contrast, the downward trend in inflation in Germany has slowed down despite recent downward surprises in PPI and import prices, while in the US inflation might have slightly increased. Overall, the low number of data releases and the peak of the holiday season should result in a calm atmosphere to the markets next week.
- Locally, attention may focus on political issues. The pretext will probably be delivered by **President Andrzej Duda, who – according to media reports – is likely to officially announce the date of the parliamentary election on Monday, August 7th.** Deadline for his decision about the election timing is August 14th. The elections have to take place on one of the four Sundays between October 15th and November 5th. The most likely date is the earliest one, October 15th. The announcement of the election date will formally start the election campaign and will force the political parties to make final decisions on possible coalitions and lists of candidates.

Markets next week

- Last week was not the best for risk appetite and the currencies of emerging economies or the CEE region, where the forint was the weakest performer. A factor supporting the depreciation of the koruna was the formal end of the intervention regime aimed at limiting the weakening of the Czech currency by the CNB. The zloty lost relatively the least in the region. **The weakening of the CEE currencies is in line with our medium-term forecast, but we see room for it to unwind next week,** which should be supported by a temporary rise in EURUSD after slightly weaker-than-forecast US employment data.
- In the interest rate market, there has been an upward adjustment of rates and a steepening of curves, accompanied by a corresponding movement in the core markets. We think there is still room for this movement to continue in the coming week. In addition to global trends, this may be supported by the structure of demand in the domestic debt market (domestic commercial banks mainly interested in the short end of the curve), the risk of greater supply of debt later in the year and the greater likelihood of the MPC starting interest rate cuts as early as September. After the [preliminary July inflation data](#) released earlier this week, our CPI estimate for August is on the edge of 10% y/y and the chance has increased that the Council will decide to act immediately after the summer holidays.

Citi inflation surprise index

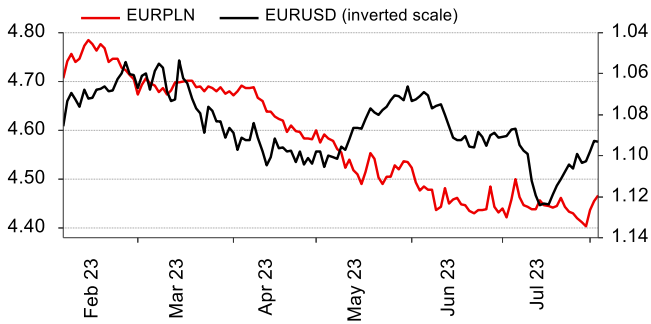


Source: Refinitiv Datastream, Santander

Economic Analysis Department:

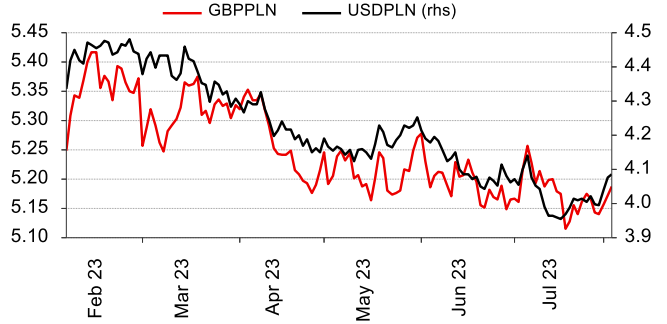
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EURPLN and EURUSD



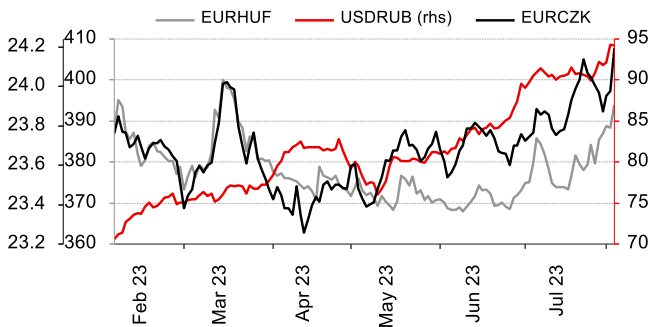
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



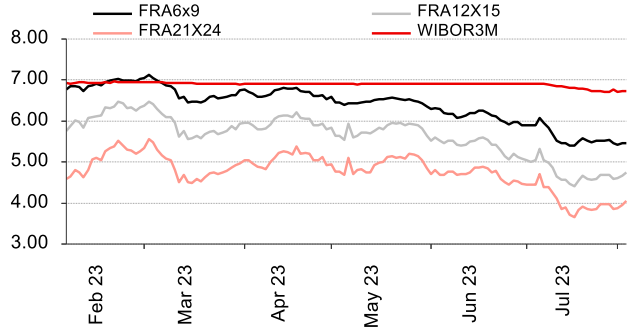
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



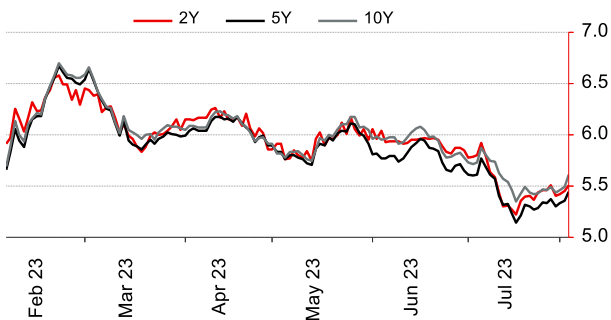
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



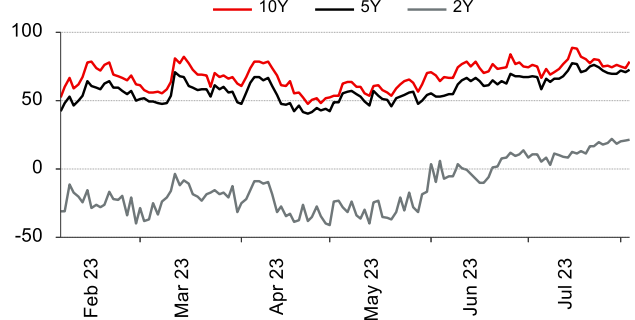
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



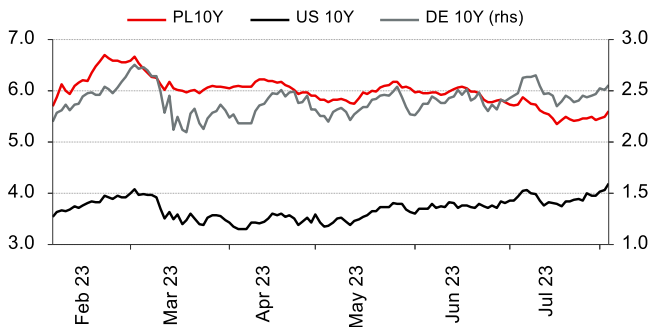
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



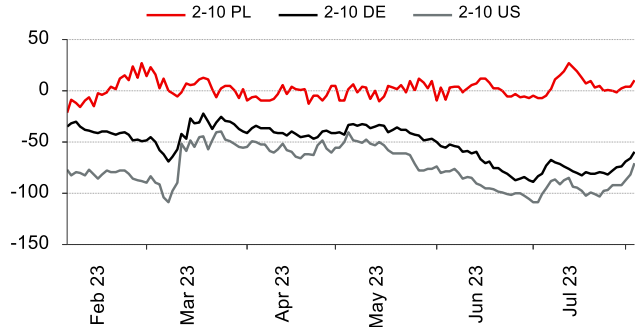
Source: Refinitiv Datastream, Santander Bank Polska

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		
MONDAY (7 August)							
08:00	DE	Industrial Production SA	Jun	% m/m	-0.4	-	-0.2
09:00	CZ	Industrial Production	Jun	% y/y	-0.9	-	-1.6
TUESDAY (8 August)							
08:00	DE	HICP	Jul	% m/m	0.5	-	0.4
08:30	HU	CPI	Jul	% y/y	-	-	20.1
WEDNESDAY (9 August)							
03:30	CN	CPI	Jul	% y/y	-0.5	-	0,0
THURSDAY (10 August)							
09:00	CZ	CPI	Jul	% y/y	8.8	-	9.7
14:30	US	CPI	Jul	% m/m	0.2	-	0.2
14:30	US	Initial Jobless Claims	Aug.23	k	-	-	227
FRIDAY (11 August)							
16:00	US	Michigan index	Aug	pts	-	-	71.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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