

18 August 2023

Weekly Economic Update

Which data will show rebound?

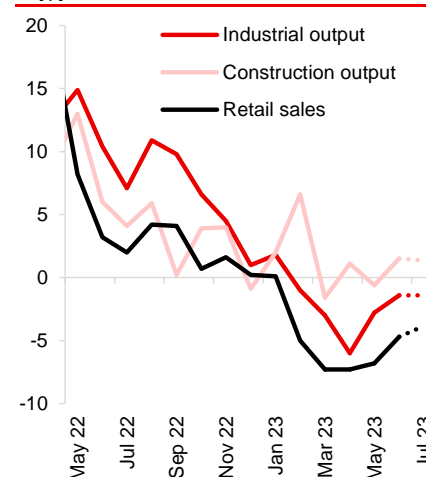
Economy next week

- We face a **week filled with domestic data** for July (industrial and construction production, retail sales, wages and employment, money supply, PPI inflation) and the results of business and consumer sentiment surveys for August. After a weak preliminary GDP reading for 2Q (an unexpected deepening of the cycle bottom to -0.5% y/y from -0.3% y/y in 1Q), numbers that fuel hope for an economic rebound in 2H23 would be useful. Meanwhile, our estimates for retail sales, industrial production and construction are all below market consensus, but at least do not assume a material deterioration in y/y growth in these categories. Consumer sentiment picked up the pace of improvement in the latest survey, while business sentiment has yet to see a significant recovery in optimism. A rebound in the August business climate indicators would be an important signal, as would a further pick-up in credit growth in the money supply data.
- Abroad, there will be **preliminary readings of the PMIs for the euro area**. Although these have already previously reached ominous levels and the market is assuming that they will now fall even further, the recent not so bad hard data from the Eurozone (industrial production, 2Q GDP) were in contrast with the pessimism emanating from the PMI reports.
- Much will also be happening in the monetary policy area. The **annual symposium in Jackson Hole kicks off on Thursday - Jerome Powell's speech** on Friday around 16:00CET. Lately, the Fed chairman has been reminding the markets of possible further rate hikes rather than sounding dovish, and good US data have allowed him to do so. China's central bank is likely to cut one-year and five-year loan prime rates at the start of the week amid the weakness of the economy, while Turkey may decide on another large rate hike (250bp according to the market) in the face of a resurgence in inflation.
- On the other hand, things were supposed to happen in Polish monetary policy and they will not. The MPC's non-decisional meeting scheduled for Monday has been postponed by a week (to 28 August), as has the September decision-making meeting (from 5-6 September to 12-13 September). Neither postponement will give the Council access to important new data (details of 2Q GDP and flash CPI will be released on 31 August and full inflation data on 15 September). We therefore do not see this change of date as something changing the probability of a rate cut and continue to assume a 25bp cut only in October.

Markets next week

- The past week was rather weak in terms of the risk appetite perspective, which translated into declines in equity markets. The behaviour of the currencies of the emerging economies was mixed. The zloty was the weakest-performing currency in its region last week and weakened by around 1%. The weakening of the region's currencies was helped by the gradual strengthening of the dollar against the euro, which resulted from a series of better-than-expected data from the US economy and hawkish FOMC minutes. We believe that **further weakening of the zloty is possible in the coming week** in view of weaker data from the economy, a possible reversal of the downward trend in market rates. Further weakening of the zloty may be limited by the recent better-than-expected current account data, which suggest that the deterioration in the current account may be slower and occur later than we expected.
- Market rates rose gradually throughout the past week with yield curves steepening. FRA rates on longer tenors rose by up to 30bp by the end of the week. IRS rates rose by around 15-20bp by the end of the week. The domestic market followed the trends in the core markets, where market rates rose for almost the entire week. We think that **the potential for further increases in 5Y-10Y long-term rates is gradually running out**, and next week's data from the domestic economy may be weaker than consensus and show PPI deflation which, especially after the weak GDP data, may give fuel for a reversal of market rate increases.

Output and sales in Poland, constant prices, % y/y

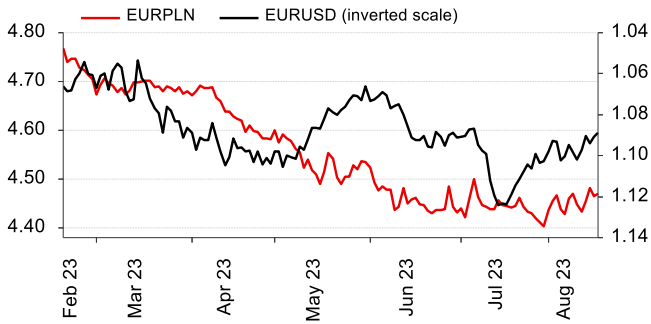


Source: GUS, Santander

Economic Analysis Department:

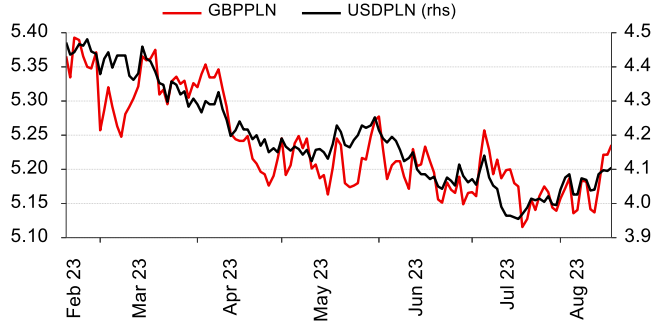
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EURPLN and EURUSD



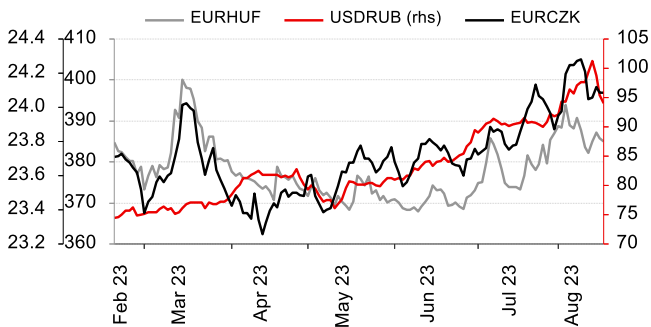
Source: Refinitiv Datastream, Santander

GBPPLN and USDPLN



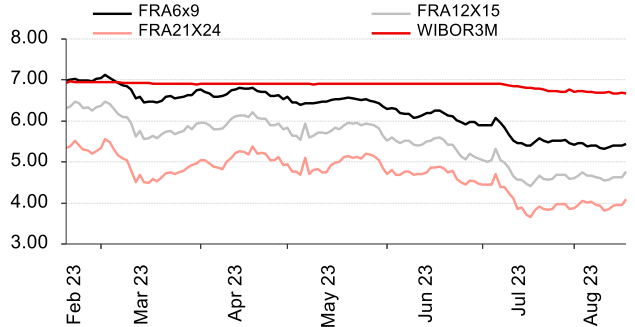
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



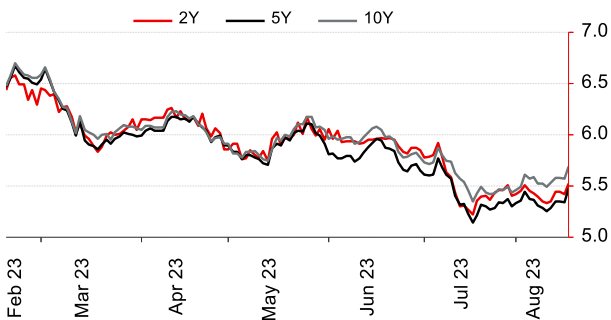
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



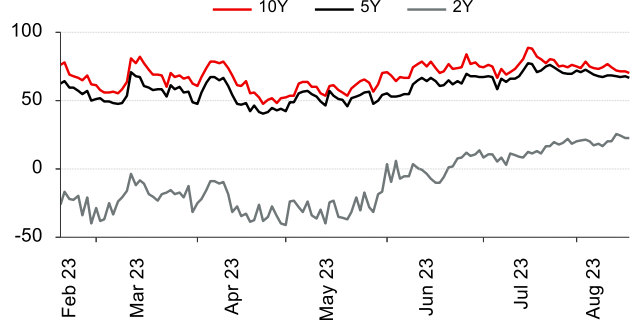
Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



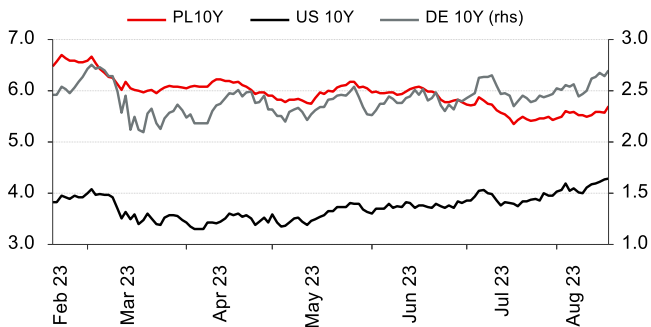
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



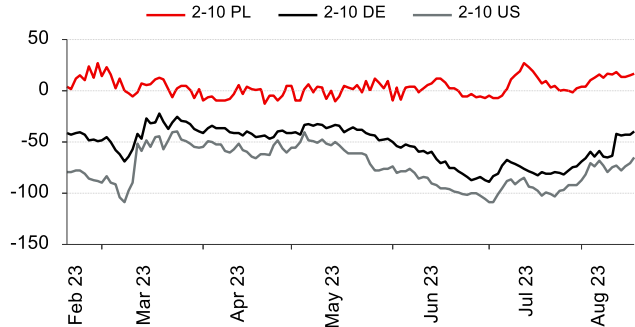
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	w/e	PERIOD	FORECAST		LAST	
				MARKET	SANTANDER	VALUE	
MONDAY (21 August)							
10:00	PL	Employment in corporate sector	Jul	% y/y	0.1	0.0	0.2
10:00	PL	Sold Industrial Output	Jul	% y/y	-0.8	-1.4	-1.4
10:00	PL	PPI	Jul	% y/y	-1.1	-1.0	0.5
10:00	PL	Average Gross Wages	Jul	% y/y	11.05	11.0	11.9
TUESDAY (22 August)							
10:00	PL	Construction Output	Jul	% y/y	2.6	1.4	1.5
10:00	PL	Retail Sales Real	Jul	% y/y	-3.7	-3.9	-4.7
16:00	US	Existing Home Sales	Jul	% m/m	-0.24		-3.26
WEDNESDAY (23 August)							
09:30	DE	Germany Manufacturing PMI	Aug	pts	38.5		38.8
09:30	DE	Markit Germany Services PMI	Aug	pts	51.5		52.3
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	42.5		42.7
10:00	EZ	Eurozone Services PMI	Aug	pts	50.5		50.9
14:00	PL	Money Supply M3	Jul	% y/y	7.8	7.7	7.9
16:00	US	New Home Sales	Jul	% m/m	1.43		-2.5
THURSDAY (24 August)							
10:00	PL	Unemployment Rate	Jul	%	5.0	5.0	5.0
14:30	US	Durable Goods Orders	Jul	% m/m	-4.0		4.6
14:30	US	Initial Jobless Claims	week	k	240		239
FRIDAY (25 August)							
08:00	DE	GDP WDA	2Q	% y/y	-0.15		-0.2
10:00	DE	Ifo Business Climate	Aug	pts	86.8		87.3
16:00	US	Michigan index	Aug	pts	71.2		71.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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