

Weekly Economic Update

A week of inflation releases

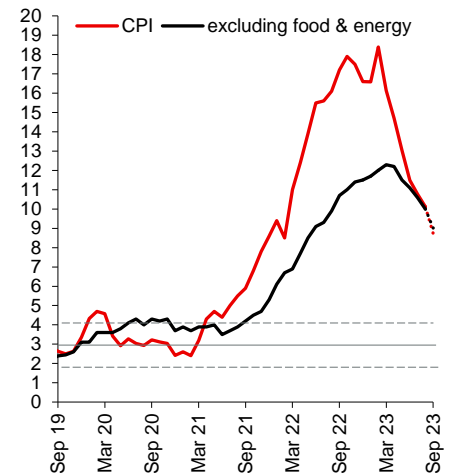
Economy next week

- After last week's massive inflow of Polish data, which reinforced our view that an economic rebound is imminent, we will now wait for Friday's preliminary inflation reading for September. In the meantime, we will see whether industrial orders have already inched any higher (**GUS statistical bulletin on Tuesday**) and what the new **ESI business climate indicators show (Thursday)**.
- Next week's CPI release will not be as exciting as the one from the previous month, with hype about whether inflation crossed into single-digits or not (which, ironically, later turned out to be irrelevant for the MPC). This time, inflation will likely fall by at least 1pp. In light of the recent communication from the NBP and our guesses as to how to interpret it, this should be enough for interest rates to be cut again in October, although this time by less than 75bp (25bp in our view). **Our forecast for September CPI is 8.7% y/y, while the market consensus is a little lower, at 8.5% y/y**, with the difference likely stemming from the estimated scale of the fall in fuel prices and the way GUS has factored in changes to the law on the price of electricity and the cap on its consumption. Inflation will be pushed down by free medicine, but on the other hand, September's cash injection in the form of the so-called 14th pension may have triggered an upward price reaction in some areas.
- **The main event abroad will be the release of euro zone inflation data** which will likely show a fall below 5% y/y, although for some member countries, like France and Spain, the data could show a rebound. **In the US, PCE inflation** could have risen in August, as it did in July. We will also see if the **Ifo indicators** confirm the improvement in German economic conditions captured by September's preliminary PMI readings.
- Later today, there may be a **review of the Polish rating by Moody's**. We do not expect any changes. Even if the 2024 draft budget may have raised the agency's concerns about the fiscal outlook, making changes to the rating a month before general elections would be – in our view – suboptimal. After the 2015 elections, agencies waited three (S&P) and seven months (Moody's) for the political situation to clear before adjusting Poland's credit ratings.

Markets next week

- Adam Glapinski's words about the shrunken monetary space for further rate cuts, and Henryk Wnorowski's statement that further weakening of the zloty would be undesirable, positively affected the Polish currency. In our view, next week will be similar to the last few days of this week in that **EURPLN will make no attempt to set new peaks** in the move initiated by the MPC's surprisingly large rate cut. Preliminary inflation - viewed through the prism of its impact on the scale of a possible rate cut in October - may be significant for the market.
- In the debt market, statements from the MPC also helped correct an earlier nervous market reaction and a significant drop in rates, with the upward correction helped by a hawkish Fed and rises in US Treasuries yields. The climate of anticipation for inflation data from the euro zone and market expectations that it will discourage the ECB from further rate hikes, should stabilise the Polish debt market. With current market sensitivity to Polish central bank communication, it is difficult to rule out that some statement might drive up local volatility. However, we think **there is still room for an upward adjustment of the FRA and the short end of the yield curve** in view of the expected lower number of hikes than the market is pricing in.

CPI inflation in Poland, % y/y

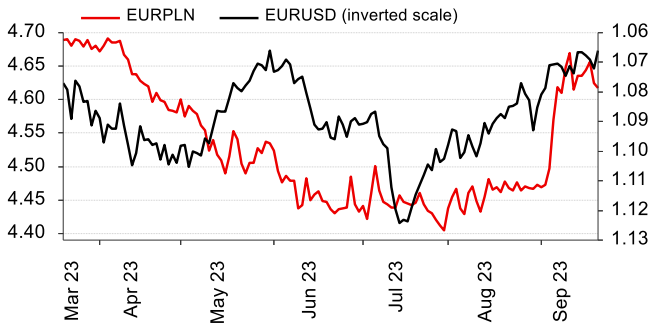


Source: GUS, NBP, Santander

Economic Analysis Department:

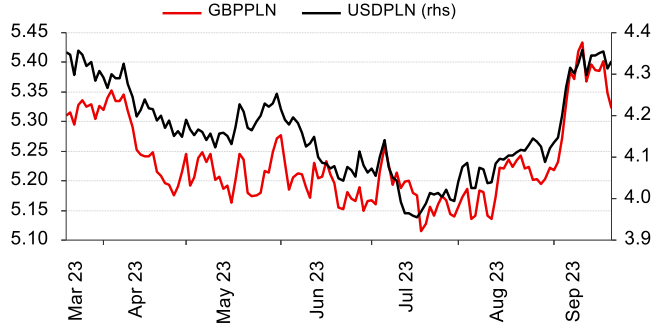
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EURPLN and EURUSD



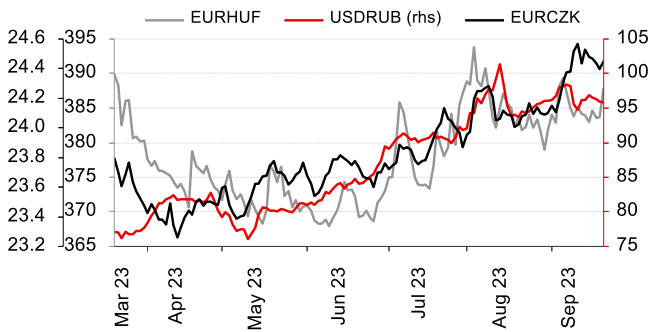
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



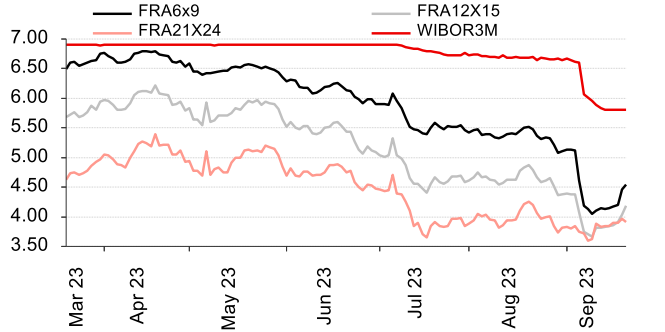
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



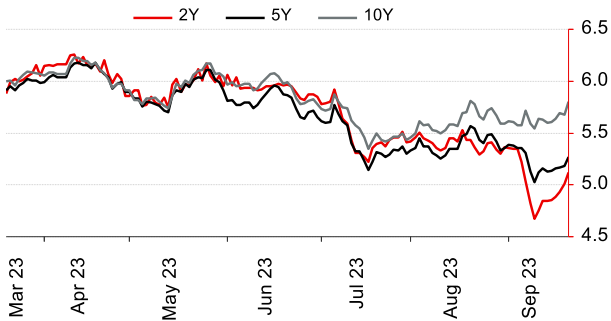
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



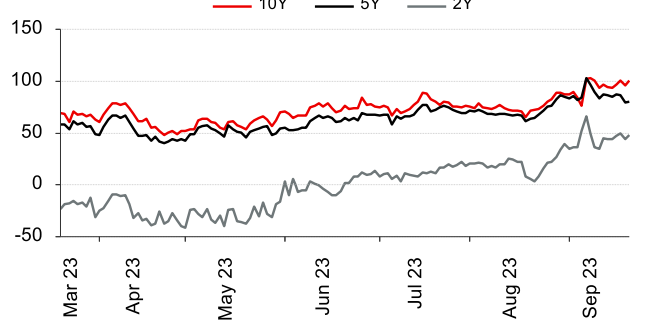
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



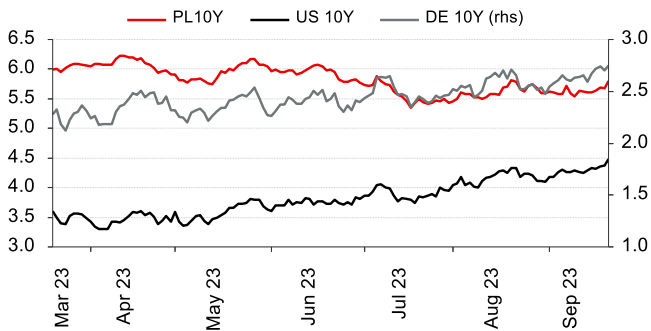
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



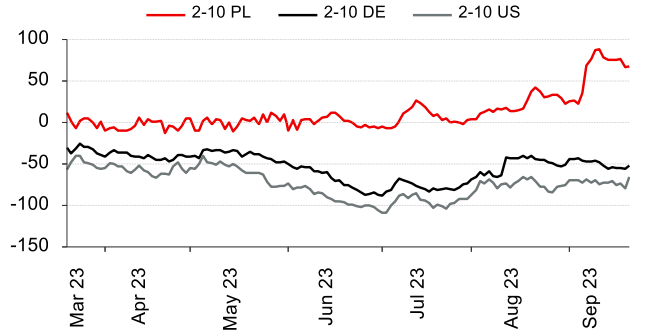
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (25 September)							
10:00	DE	IFO Business Climate	Sep	pts	85.1	-	85.7
10:00	PL	Unemployment Rate	Aug	%	5.0	5.0	5.0
TUESDAY (26 September)							
14:00	HU	Central Bank Rate Decision	Sep	%	13.00	-	13.00
16:00	US	Consumer Conference Board	Sep	pts	105.2	-	106.1
16:00	US	New Home Sales	Aug	% m/m	-2.0	-	4.4
WEDNESDAY (27 September)							
14:30	US	Durable Goods Orders	Aug	% m/m	-0.4	-	-5.2
14:30	CZ	Central Bank Rate Decision	Sep	%	7.00	-	7.00
THURSDAY (28 September)							
11:00	EZ	ESI	Sep	pct.	92.3	-	93.3
14:00	DE	HICP	Sep	% m/m	0.3	-	0.4
14:30	US	GDP Annualized	2Q	% Q/Q	2.3	-	2.0
14:30	US	Initial Jobless Claims		k	214	-	201
16:00	US	Pending Home Sales	Aug	% m/m	0.3	-	0.9
FRIDAY (29 September)							
08:00	DE	Retail Sales	Aug	% m/m	0.5	-	-1.0
09:00	CZ	GDP SA	2Q	% y/y	-0.4	-	-0.4
10:00	PL	CPI	Sep	% y/y	8.5	8.7	10.1
11:00	EZ	Flash HICP	Sep	% y/y	4.5	-	5.2
14:30	US	Personal Spending	Aug	% m/m	0.4	-	0.8
14:30	US	Personal Income	Aug	% m/m	0.5	-	0.2
14:30	US	PCE Deflator SA	Aug	% m/m	0.5	-	0.2
16:00	US	Michigan index	Sep	pts	67.7	-	69.5

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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