

26 April 2024

(Bi)Weekly Economic Update

May spring break with CPI and PMI data

Economy next week

• The coming week in Poland will be marked by a holiday break (May 1st and 3rd are public holidays), barbecues and reduced financial market liquidity. This does not mean that the economic calendar is completely empty. Locally, there will be two important publications: **flash April CPI inflation on Tuesday and manufacturing PMI index on Thursday**. In addition, **on Tuesday, the government is expected to approve the Multiannual Financial Plan of the State** with the forecast of public finances for 2024-27. Abroad, the list of events is longer: in Europe we will see, inter alia, ESI indices, first GDP estimates for Q1 in selected countries, preliminary data on April inflation, manufacturing PMIs; in the USA, the focus will be on Wednesday's FOMC decision and Friday's labour market data. On Thursday, the Czech central bank will decide on interest rates.

• Our estimates show that the **Polish inflation rate rebounded to 2.7% y/y in April (from 2.0% in March)**, driven largely by a rise in food prices following the reinstatement of a higher VAT rate on this product category. Our analysis of prices from online sources shows that food rose by around 3% m/m on average in April, despite some retailers holding back on increasing the prices of selected products following the VAT increase. Higher fuel prices (+2.5% m/m) also contributed to the CPI increase. In contrast, prices in the core categories increased moderately in our view, resulting in core inflation (ex energy and food), probably decelerating to around 4.2% y/y.

• **In the case of the PMI index, we expect a slight drop to 47.8**, reflecting weakness in the Eurozone, particularly in the German economy. However, it is worth bearing in mind that the signals from the domestic manufacturing sector are mixed, with indications of a gradual improvement of sentiment in manufacturing dominating.

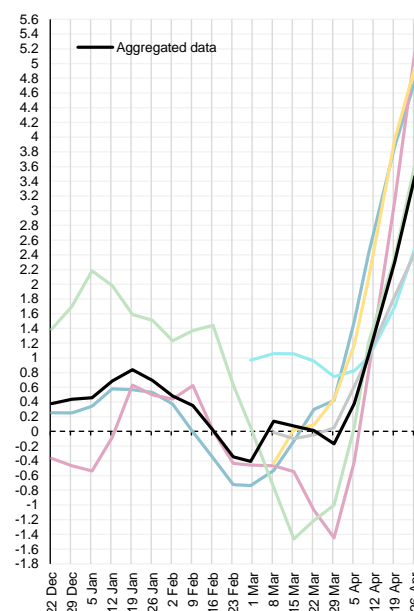
• The second week of May will be fairly quiet in terms of economic events. **The domestic calendar foresees only the MPC decision on Thursday (9/05) and the conference of the NBP president a day later. On Friday (10/05) evening, Fitch and S&P are expected to present the review of the Polish sovereign rating.** No changes are expected in the MPC's monetary policy or in Poland's ratings. Abroad, we will see, among others, PMI indices in services, industrial output data from selected EU countries. Interest rate decisions will be announced by central banks in Sweden, Australia and the UK, among others.

Markets next week

• After a wave of EM currencies' weakness in response to a stronger dollar, its weakening last week did not bring a corresponding rebound in the EM FX space. The growing belief that US interest rates will stay 'higher for longer' is cooling global risk appetite, while at the same time possible rate cuts in some local markets could still weigh on the corresponding currencies. In the region, the central banks of Czechia and Hungary are signalling caution in easing monetary policy further, but are unlikely to have completed their rate cuts cycles yet, which should limit the attractiveness of these currencies, especially in the face of slightly increased market volatility. In the coming week, the CNB announcement following the expected 50bp rate cut will be important in this regard. Domestically, **a return to a slight EURPLN downtrend is possible, supported by a marked rebound in April CPI, and in the next week by the MPC's not-so-dovish rhetoric** - unless new information from the US strengthens the dollar again, pushing back the prospects of rate cuts by the Fed even further. We still do not rule out a descent of EURPLN to 4.20 before the middle of this year.

• In the interest rate market, the focus will be on the domestic inflation reading for April: **the first sizable rebound in CPI in a long time could translate into a further rise in FRAs and short-term IRS rates and a flattening of curves.** The message from the MPC meeting a week later, confirming the distant prospect of interest rate cuts, could have a similar impact. However, the potential for an impulse from this side is narrowing, as the domestic market has already significantly adjusted expectations for NBP rate cuts in recent months. As a result, the domestic rate market may be more sensitive to information from the global economy, and here the signals may be multi-directional: on the one hand, stabilisation of inflation in the euro area at relatively low levels and rather weak PMI/ISM readings, on the other hand, the risk of another positive surprise from the US labour market data at the end of the week.

Prices of food in selected online shops, four-week change, %

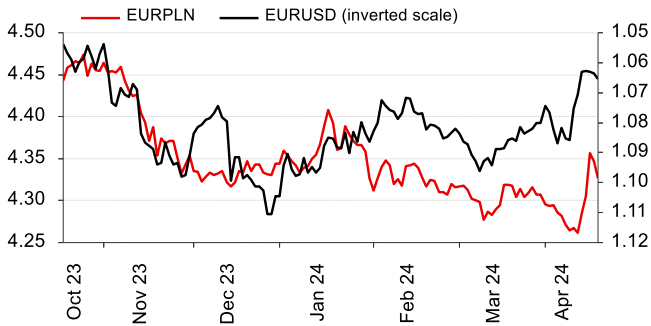


Source: online shops, Santander

Economic Analysis Department:

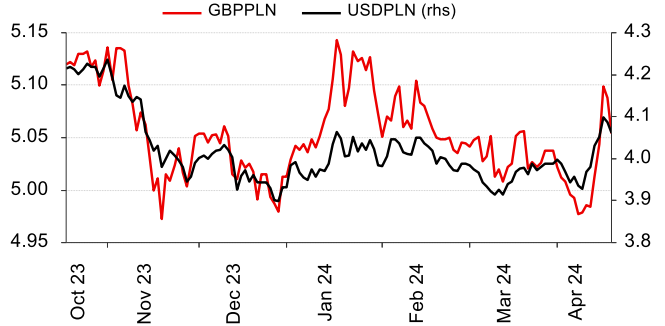
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EURPLN and EURUSD



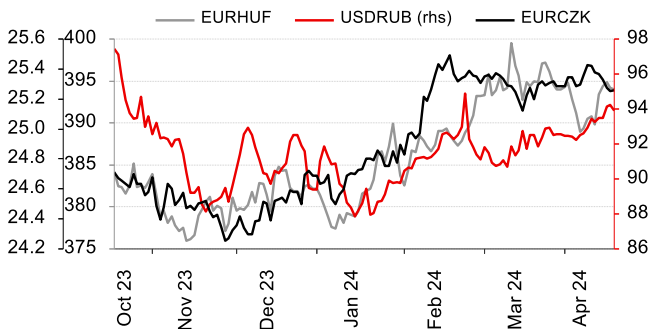
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



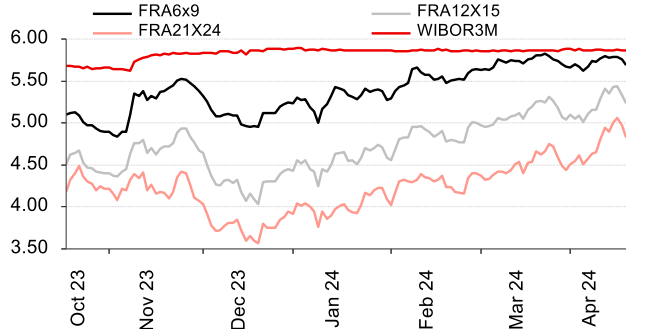
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



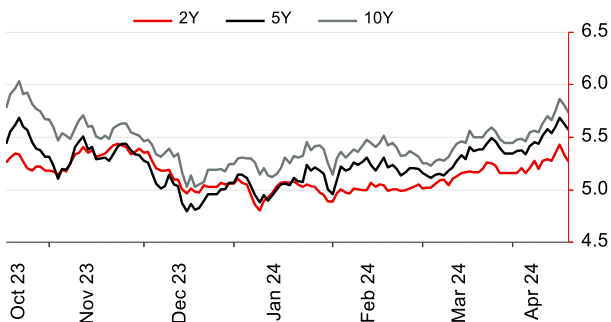
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



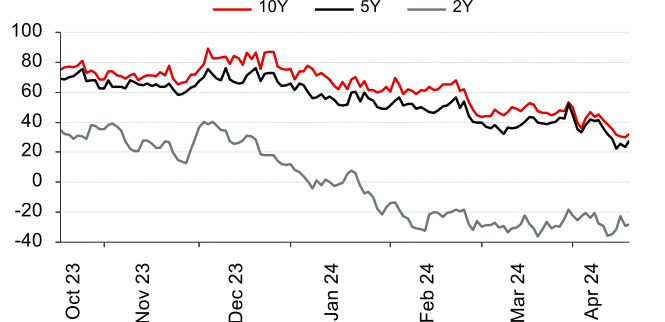
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



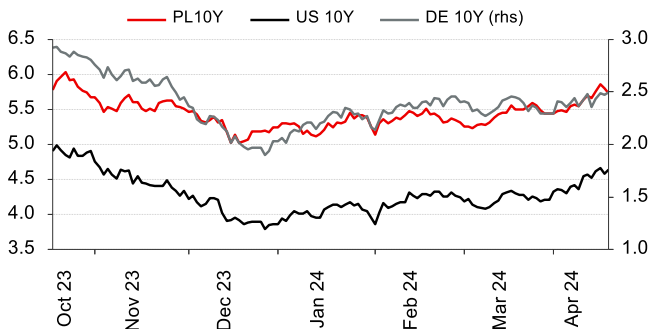
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



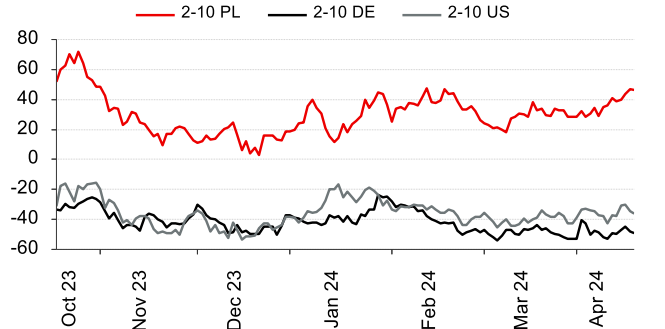
Source: LSEG Datastream, Santander Bank Polska

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 (29 April)							
11:00	EZ	ESI	Apr	pts	96.7	-	96.3
14:00	DE	HICP	Apr	% m/m	0.6	-	0.6
TUESDAY (30 April)							
08:30	HU	GDP	1Q	% y/y	1.3	-	0.0
09:00	CZ	GDP SA	1Q	% y/y	0.3	-	0.2
10:00	PL	CPI	Apr	% y/y	2.5	2.7	2.0
10:00	DE	GDP WDA	1Q	% y/y	-0.2	-	-0.2
11:00	EZ	Flash HICP	Apr	% y/y	2.4	-	2.4
11:00	EZ	GDP SA	1Q	% y/y	0.2	-	0.1
16:00	US	Consumer Conference Board	Apr	pts	104.1	-	104.7
WEDNESDAY (1 May)							
	PL	National holiday					
14:15	US	ADP report	Apr	k	185	-	184
16:00	US	ISM manufacturing	Apr	pts	50.1	-	50.3
20:00	US	FOMC decision	May	%	5.50	-	5.50
THURSDAY (2 May)							
09:00	PL	Poland Manufacturing PMI	Apr	pts	47.8	47.8-	48.0
09:55	DE	Germany Manufacturing PMI	Apr	pts	42.2	-	41.9
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	45.6	-	46.1
14:30	US	Initial Jobless Claims	week	k	215	-	207
14:30	CZ	Central Bank Rate Decision	May	%	5.25	5.25	5.75
16:00	US	Durable Goods Orders	Mar	% m/m	-	-	2.6
16:00	US	Factory Orders	Mar	% m/m	1.6	-	1.4
FRIDAY (3 May)							
	PL	National holiday					
11:00	EZ	Unemployment Rate	Mar	%	6.5	-	6.5
14:30	US	Change in Nonfarm Payrolls	Apr	k	250	-	303
14:30	US	Unemployment Rate	Apr	%	3.8	-	3.8
16:00	US	ISM services	Apr	pts	52.1	-	51.4
MONDAY (6 May)							
03:45	CN	Caixin China PMI Services	Apr	pts	-	-	52.7
09:55	DE	Markit Germany Services PMI	Apr	pts	53.3	-	50.1
10:00	EZ	Eurozone Services PMI	Apr	pts	52.9	-	51.5
TUESDAY (7 May)							
08:00	DE	Exports SA	Mar	% m/m	-	-	-2.0
08:00	DE	Factory Orders	Mar	% m/m	-	-	0.2
09:00	CZ	Industrial Production	Mar	% y/y	-	-	1.5
11:00	EZ	Retail Sales	Mar	% m/m	-	-	-0.5
WEDNESDAY (8 May)							
08:00	DE	Industrial Production SA	Mar	% m/m	-	-	2.1
08:30	HU	Industrial Production SA	Mar	% y/y	-	-	1.4
THURSDAY (9 May)							
	PL	MPC rate decision	May	%	5.75	5.75	5.75
13:00	UK	Bank of England rate decision	May	%	-	-	5.25
FRIDAY (10 May)							
08:30	HU	CPI	Apr	% y/y	-	-	3.6
15:00	PL	NBP Governor's press conference					
	PL	Fitch rating/outlook review				A-/stable	A-/stable
	PL	S&P rating/outlook review				A-/stable	A-/stable

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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