

21 June 2024

Weekly Economic Update

More disappointments ahead?

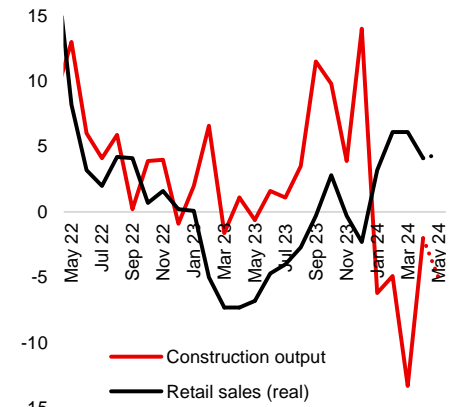
Economy next week

- A week ago we highlighted that May economic activity data might look meagre, but we did not expect them to be so meagre. Industrial production surprised again by the scale of the decline. We see reasons to attribute this mainly to the fact that we underestimated the negative impact of calendar factors (as many as two long weekends in May!). Nevertheless, other signs of weakness in industry appeared in parallel (a decline in the GUS business sentiment index, disappointing PMIs in Europe) and give reasons for concern as to whether the gradual recovery we expected in this sector in 2H24 will materialise.
- In the coming week, we will see **another set of data for May**. **On Monday, construction production, retail sales and money supply are due**. **On Tuesday unemployment** and detailed information from the GUS Statistical Bulletin will be released. Surprises in industrial production often go hand in hand with surprises in other activity data so it is worth preparing for poor readings from construction and retail trade sectors (our forecasts are slightly below consensus, so probably on the right side). The stats office has also scheduled a revision of quarterly GDP data for 2019-2023 for Thursday.
- On Friday, the stats office releases the **flash estimate of June CPI inflation**. So far, the rebound from the March bottom has been taking place quite slowly and our estimates suggest that **in June the CPI inflation rate might have remained at its May level of 2.5% y/y**, with only a 0.1% monthly increase in the price level. The minor increase in the overall price level was likely the result of a modest rise of food prices (0.2% m/m), a decrease of fuel prices (-2.2% m/m), and a small change in the core prices (0.1% m/m).
- As June is nearing its end, **it is high time we learned what tariffs the Energy Regulatory Office will set for the second half of the year**. no information has been released into the public domain, so we expect some to appear in the coming week.
- From abroad we will get to see European business climate indices (Ifo, ESI), US consumer sentiment (Conference Board), at the end of the week personal income and expenditure data and the PCE deflator, important from the point of view of the Fed. Central bank meetings in Turkey and the Czech Republic and scheduled for Thursday - the latter is likely to cut rates once again (according to market expectations by 50bp).
- **Poland's next matches in the group stage of EURO2024** are ahead of us: today against Austria, on Tuesday against France. Our forecasting models suggest 2:0 and 1:3, respectively.

Markets next week

- **After the recent rebound, the zloty could weaken a bit**, against the euro but also especially against the forint, which is close to important support levels and could recover. The Czech koruna will be influenced by the upcoming CNB decision. There have been comments from the CNB that a stronger koruna would argue for a larger rate cut of 50 bp, but recent sessions have been marked by some CZK weakness. A 25bp move seems more likely to us, while 50bp could trigger a currency depreciation. An upward rebound in EURUSD would favour the region's currencies. Although after the latest PMI data from the euro area it may be difficult to achieve that, the US PCE release scheduled for Friday may provide an opportunity if it comes low.
- After the surprisingly weak domestic manufacturing print for May, much lower-than-forecast preliminary PMI readings in Europe, **the downward trend in market rates may continue for some time**, the more so as retail sales data for May and preliminary inflation reading are ahead, and may surprise to the downside. Thus, support level on the 5-year swap near 5% may be overcome. Nevertheless, we do not assume a sustained breakthrough of this level in view of the fact that inflation nevertheless remains on an upward trend and the economy is accelerating on the back of consumption. We assume that market rates may not come down permanently until closer to the end of the year. A swap auction is also scheduled for this week.

Construction output and retail sales, % y/y

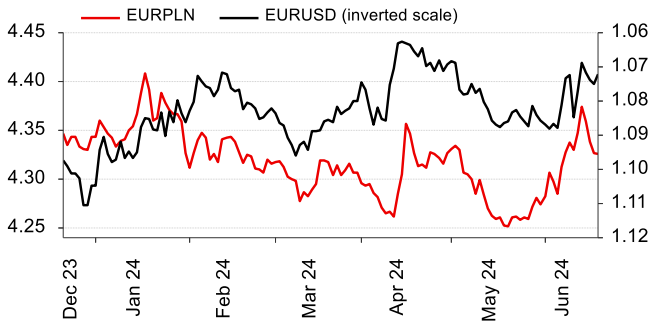


May 2024 values are Santander forecasts
Source: GUS, Santander

Economic Analysis Department:

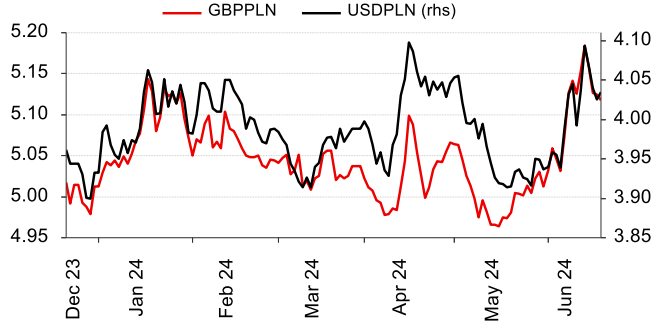
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EURPLN and EURUSD



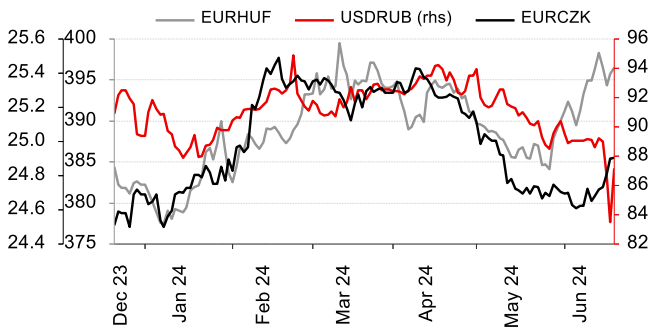
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



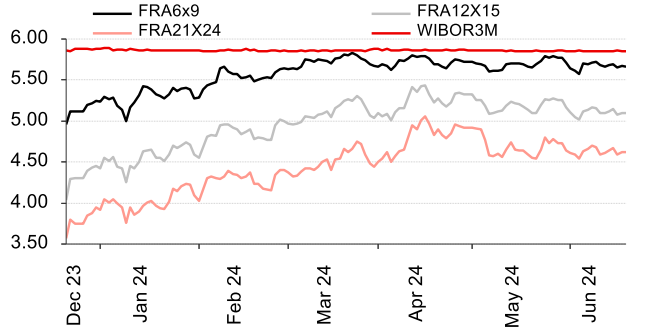
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



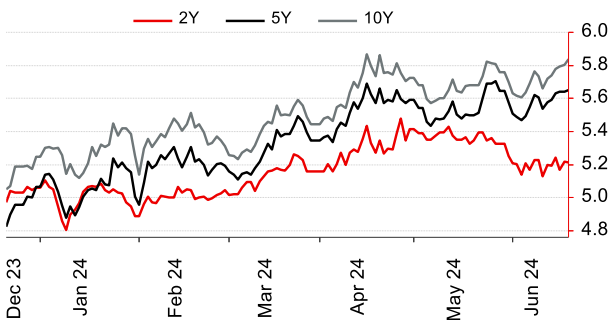
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



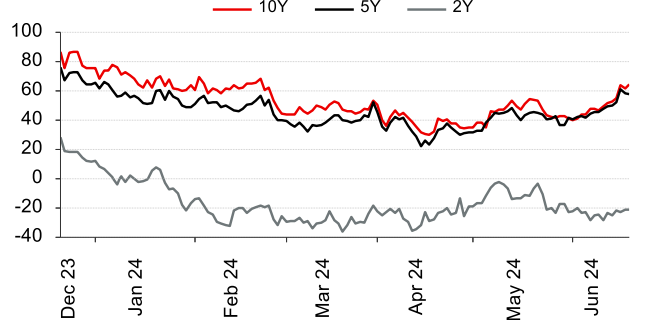
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



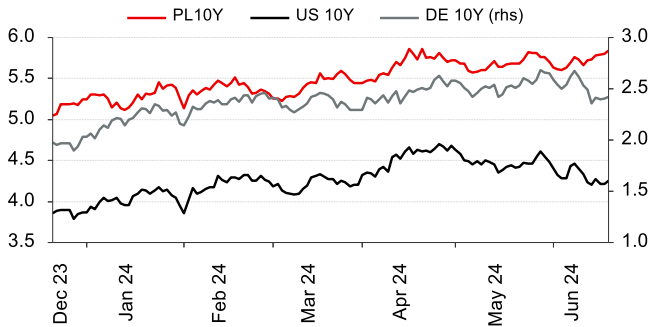
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



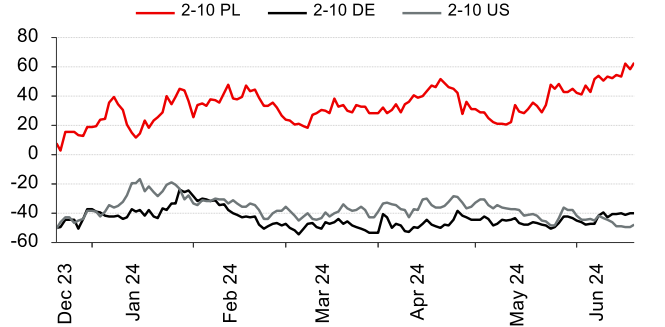
Source: LSEG Datastream, Santander Bank Polska

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	
FRIDAY (21 June)						
18:00		UEFA Euro 2024: Poland vs Austria				2:0
MONDAY (24 June)						
10:00	DE	IFO Business Climate	Jun	pts	89.6	- 89.3
10:00	PL	Construction Output	May	% y/y	-4.8	-5.0 -2.0
10:00	PL	Retail Sales Real	May	% y/y	5.4	4.4 4.1
14:00	PL	Money Supply M3	May	% y/y	7.4	7.4 7.4
TUESDAY (25 June)						
10:00	PL	Unemployment Rate	May	%	5.0	5.0 5.1
16:00	US	Consumer Conference Board	Jun	pts	100.0	- 102.0
18:00		UEFA Euro 2024: France vs Poland				3:1
WEDNESDAY (26 June)						
16:00	US	New Home Sales	May	% m/m	2.5	- -4.7
THURSDAY (27 June)						
	DE	Retail Sales	May	% m/m	-0.3	- -0.2
11:00	EZ	ESI	Jun	pct.	96.1	- 96.0
14:30	US	Durable Goods Orders	May	% m/m	0.0	- 0.6
14:30	US	GDP Annualized	1Q	% Q/Q	1.4	- 1.3
14:30	US	Initial Jobless Claims		k	235	- 238
14:30	CZ	Central Bank Rate Decision	Jun	%	5.00	- 5.25
16:00	US	Pending Home Sales	May	% m/m	1.8	- -7.7
FRIDAY (28 June)						
09:00	CZ	GDP SA	1Q	% y/y	0.2	- 0.2
10:00	PL	CPI	Jun	% y/y	2.6	2.5 2.5
14:30	US	Personal Spending	May	% m/m	0.3	- 0.2
14:30	US	Personal Income	May	% m/m	0.4	- 0.3
14:30	US	PCE Deflator SA	May	% m/m	0.0	- 0.3
16:00	US	Michigan index	Jun	pts	66.0	- 65.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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