

Weekly Economic Update

Complete set of 2Q monthly data

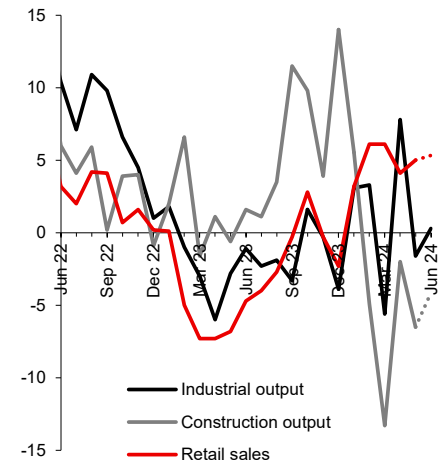
Economy next week

- Next week, we will see lot of important statistics from Poland and from abroad. On Monday, a strong dose of Polish data: **business climate indicators, construction output and retail sales**. With foreign demand still weak and private investment optimism declining, the recovery of economic growth depends on private consumption. Therefore, retail sales are currently one of the most important monthly releases. We expect a slight acceleration compared to May and our forecast is roughly in line with the consensus. Certainly, it will also be worth to take a close look at the economic situation indicators and see, if they will confirm the negative trends visible in other leading indicators, e.g. the PMI. As to construction, in our opinion, we still have to wait for the sector to rebound. In addition, on Tuesday we will get the new Statistical Bulletin, which will supplement the set of monthly statistics for the second quarter and will include the unemployment rate. In our opinion, **the unemployment rate** will not differ from the estimate published by the Ministry of Family, Work and Social Policy.
- Globally, the crucial releases will be the **preliminary PMIs** for Germany, the euro area, and the US (Wednesday). Recently, their indications were not overly optimistic, which casts a shadow on expectations for an economic rebound in Europe in the second half of the year. In addition, business climate indicators, GfK and Ifo, will be released in Germany. In the second half of the week – on Thursday and Friday – we will see important data from the US: **the first estimate of GDP growth in 2Q, durable goods orders, the Michigan index, personal income and spending, as well as PCE inflation** (the so-called Fed's favourite measure). Therefore, the market will have a lot of opportunities to speculate on the possible date of rate cuts in the US and in the euro area.
- Policy decision will be made by central banks in Hungary, Turkey, Canada, among others. The Hungarian bank's announcement may be important for the CEE region assets. After the MNB slowed down the pace of rate cuts to 50 bps in May and 25 bps in June, it is likely to hold off on another rate cut in July, although rates are likely to be cut further later in the year. Reductions in ECB rates would make this easier. In view of still elevated inflation (approx. 70% y/y), the rates (50%) should remain unchanged by the Bank of Turkey. The Bank of Canada could potentially repeat the 25 bps cut made in June, although the recent upward inflation surprise could delay such a decision.

Markets next week

- **We see room for further depreciation of the zloty in the coming week, but the possible weakening should not be significant.** Since April, EURPLN has been oscillating in a wide range of 4.25-4.38 and currently there is no indication that the zloty will break out of it. In the background, the election campaign in the US may become increasingly important, and it may add to the volatility on international markets. The results of the latest NBP survey suggest that the EURPLN export breakeven decreased in the second quarter to 4.07 from 4.10, which suggests **that there is some structural space for the zloty to strengthen in the long term**, but too large a scale of appreciation of the zloty would not be welcomed by the Ministry of Finance due to the weakness of exports. The latest data from the Ministry of Finance for June indicate a decrease in foreign currency deposits and a corresponding increase in reserves at the National Bank of Poland, which suggests that currently most currencies are exchanged by the ministry at the central bank, without any impact on the market. An increase in the disparity in interest rates against the eurozone after the ECB will return to rate cuts in September will be the first test of the sensitivity of the Polish currency to this factor.
- **After an extended period of declining market rates domestically, regionally and in the main core markets, we see the potential for an upward revision of market rates.** Higher domestic yields could be supported by Monday's retail sales data, which may be quite solid. Tuesday's debt auction will also be important, as it may put pressure on yields and decelerate the decline of asset swap spreads from the current quite high levels. On the other hand, on the core markets, the impulse could come from quite good 2Q24 GDP data due for release in the US, or thanks to the improvement of the German Ifo index. At the end of the week, the PCE inflation index will also be important.

Main economic activity indicators, % y/y

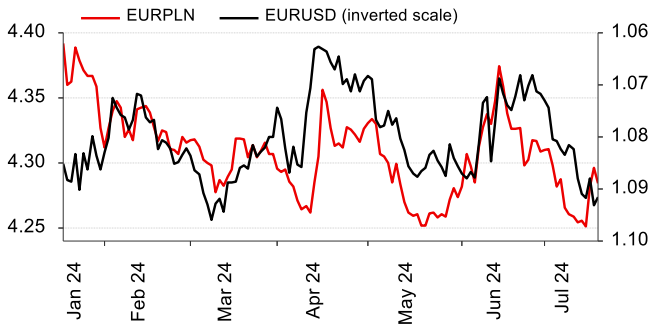


Source: GUS, Santander

Economic Analysis Department:

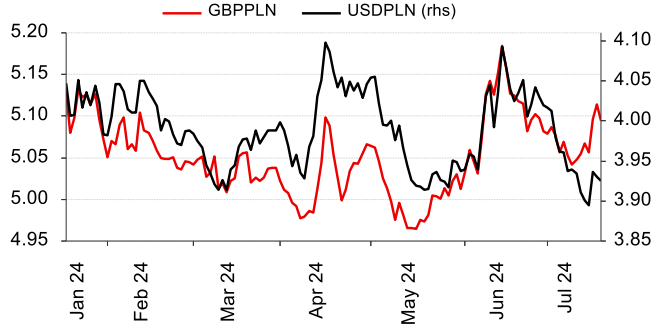
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EURPLN and EURUSD



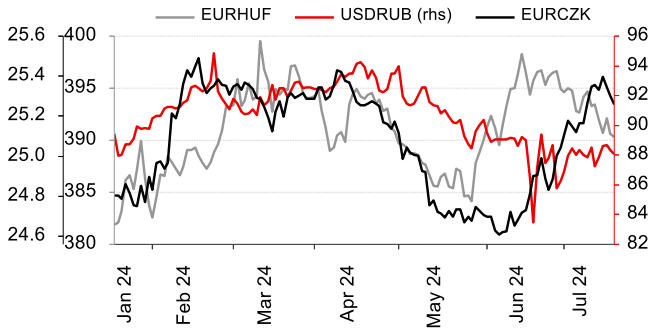
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



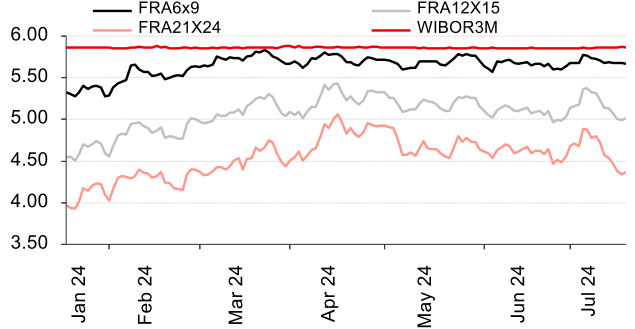
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



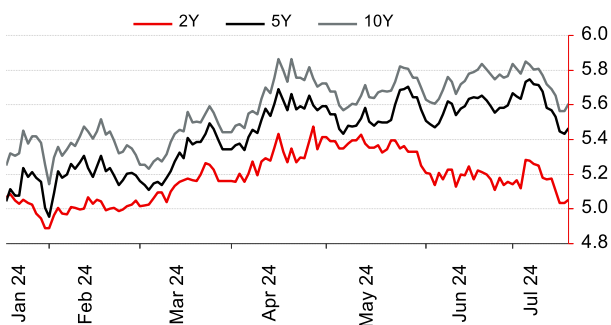
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



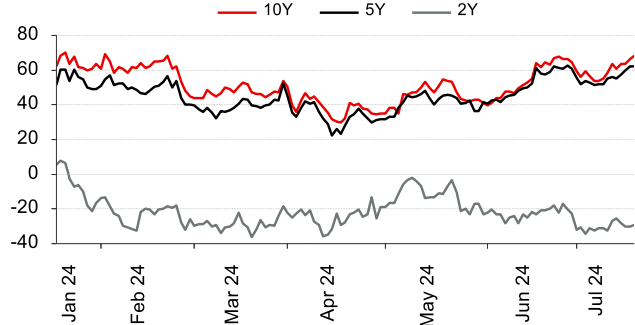
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



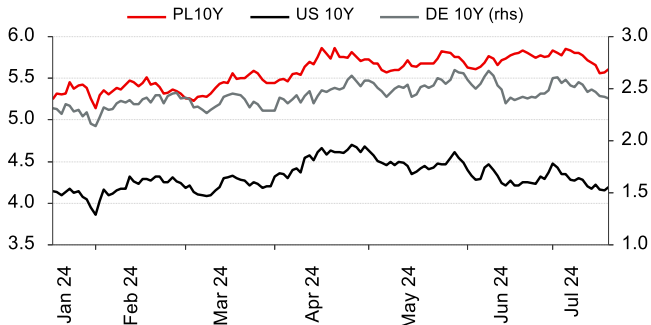
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



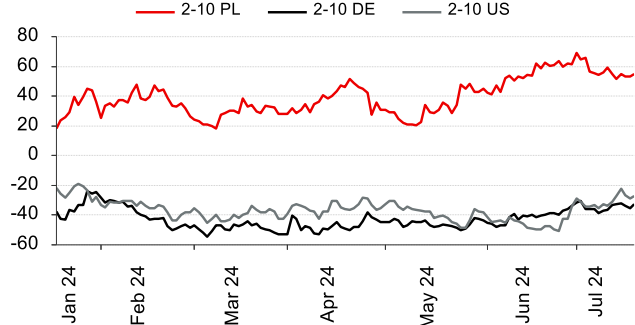
Source: LSEG Datastream, Santander Bank Polska

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	
				MARKET	SANTANDER	VALUE	
MONDAY (22 July)							
08:00	DE	Retail Sales	May	% m/m	0.0	-	-1.2
10:00	PL	Retail Sales Real	Jun	% y/y	5.3	5.3	5.0
14:00	PL	Construction Output	Jun	% y/y	-4.6	-4.1	-6.5
14:00	PL	Money Supply M3	Jun	% y/y	8.3	8.8	8.0
TUESDAY (23 July)							
10:00	PL	Unemployment Rate	Jun	%	4.9	4.9	5.0
16:00	US	Existing Home Sales	Jun	% m/m	-	-	-0.7
WEDNESDAY (24 July)							
09:30	DE	Manufacturing PMI	Jul	pts	-	-	43.5
09:30	DE	Services PMI	Jul	pts	-	-	53.1
10:00	EZ	Manufacturing PMI	Jul	pts	-	-	45.8
10:00	EZ	Services PMI	Jul	pts	-	-	52.8
16:00	US	New Home Sales	Jun	% m/m	-	-	-11.3
THURSDAY (25 July)							
10:00	DE	Ifo	Jul	pts	-	-	88.6
14:30	US	Durable Goods Orders	Jun	% m/m	0.3	-	0.1
14:30	US	GDP	2Q	%	2.0	-	1.4
14:30	US	Initial Jobless Claims	weekly	k	-	-	243
FRIDAY (26 July)							
14:30	US	PCE	Jun	% m/m	0.1	-	0.0
14:30	US	Personal Income	Jun	% m/m	0.4	-	0.5
14:30	US	Personal Spending	Jun	% m/m	0.3	-	0.2
16:00	US	Michigan Index	Jun	% m/m	66.0	-	68.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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