

# Weekly Economic Update

## In search of an economic improvement

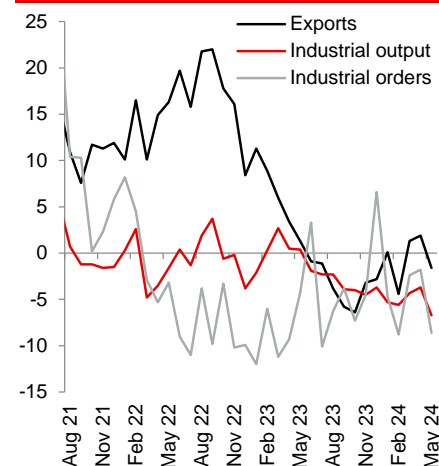
### Economy next week

- We have a **week without Polish data** ahead of us. As a pastime, we suggest checking for signs of economic recovery the data from China and the industrial sectors of Poland's neighbours. July's sentiment indicators in the eurozone and US services sectors will also be released.
- The **data set from China** includes services PMI (Monday, it is important that it does not repeat the large decline from a month ago), foreign trade in goods for July (Wednesday, the market is counting on an acceleration of exports in USD to nearly 10% y/y, which would be one of the best results of the last 12 months), CPI and PPI inflation for July (both remain very low and an upward surprise could be interpreted as a sign of an improvement in economic conditions).
- **German industry will show June data** on factory orders (Tuesday), exports (Wednesday) and production (Thursday). As a reminder, the set of these data for May brought only disappointments and shocked with the scale of declines, both m/m and y/y. The results of the June production will also be presented by the Czech Republic (Tuesday) and Hungary (Wednesday).
- The **central banks of Australia and India** will decide on interest rates. The last rate hikes took place there last summer. and since then, their policy rates have been in place – and are unlikely to be changed now.

### Markets next week

- As we assumed last week, the **EURPLN exchange rate oscillated in a range of 4.25-4.30 with a slight tendency for the zloty to weaken**. The weakening of the zloty went hand in hand with a downward trend in the EURUSD exchange rate and worse sentiment on stock exchanges on fears of a too late start of rate cuts in the USA. We think that a **further drop in US yields could stem the EURUSD decline, potentially giving support to the CEE currencies**. The forint is close to an important resistance level (around 398-99), the Czech koruna has rebounded from one (around 25.5) after a rather "hawkish rate cut" of 25 bps to 4.50%. **EURPLN**, on the other hand, **could fall further below 4.30** again. A limit to the zloty strengthening could be a continuation of the decline of stock indices, but an improvement in German industrial data or the services ISM index could improve sentiment somewhat.
- **Interest rate markets have seen significant declines in yields**. In the core markets, yields have reached support levels and potentially with slightly better data this week there is a chance for an upward correction. In the domestic market, important support levels have been overcome, which is usually associated with an intensification of the downward trend. While we see more downside than upside risks to our 2Q GDP forecast of 3.2% y/y and for the full year forecast at 3%, this does not mean a change to our interest rate scenario with our assumption of distant rate cuts. Given this, **we assume that the coming days may bring an upward adjustment in market rates. In view of the cancellation of the first government bond auction in August, there is a chance of a slight narrowing of asset swap spreads, but, generally, net bond supply should be positive this month**. The swap curve has flattened in the past week, although this move was due more about a decline in long-term rates than an increase in short-term rates. In the coming week, **we see the potential for a correction of this movement toward a steepening of the curve**.

### Selected data for Germany, %/y

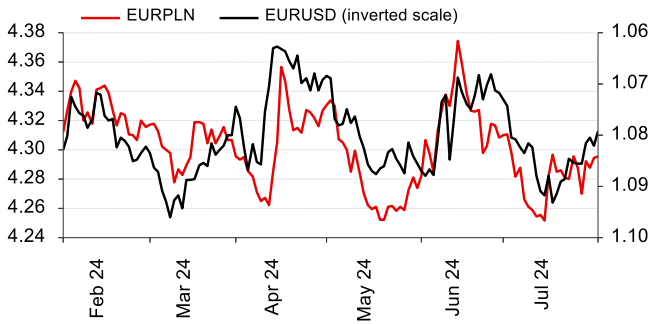


Source: Bloomberg, Santander

### Economic Analysis Department:

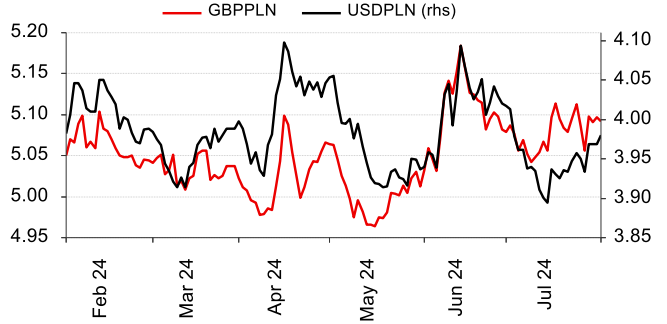
al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
**Piotr Bielski** +48 691 393 119  
**Bartosz Białas** +48 517 881 807  
**Cezary Chrapek, CFA** +48 887 842 480  
**Marcin Luźniński** +48 510 027 662  
**Grzegorz Ogonek** +48 609 224 857

**EURPLN and EURUSD**



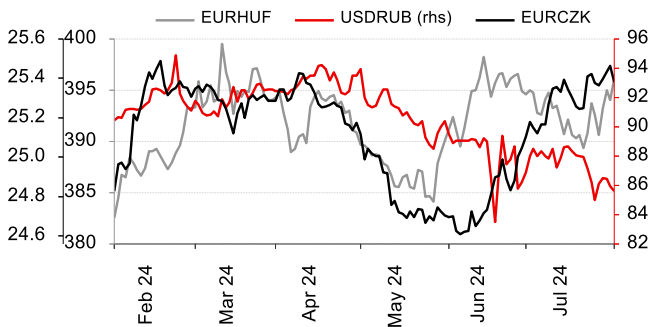
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



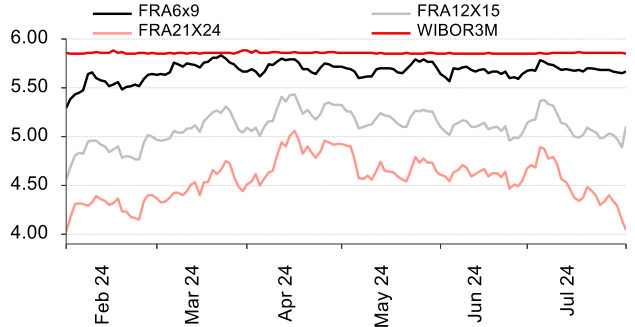
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



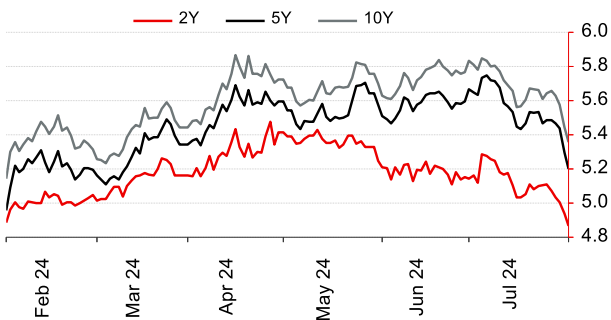
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



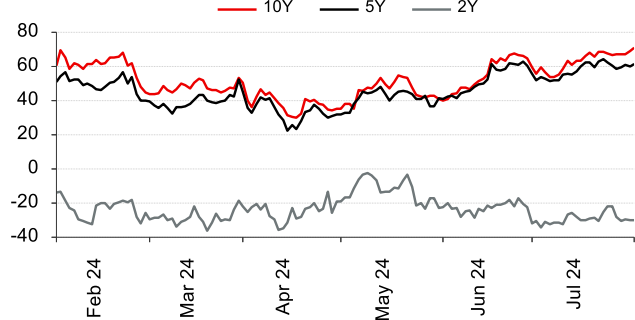
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



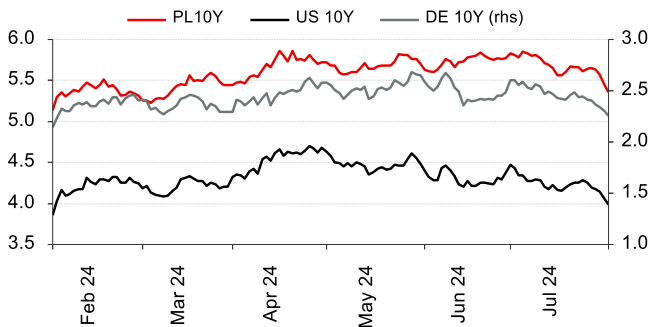
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



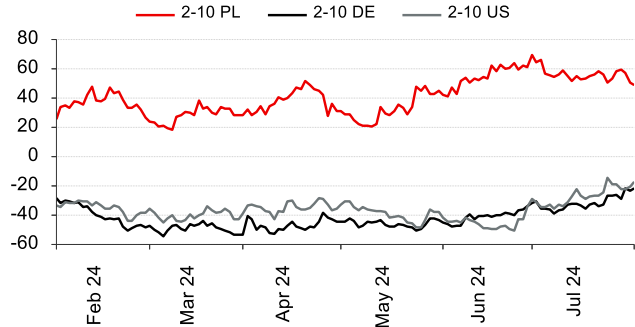
Source: LSEG Datastream, Santander Bank Polska

**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		
<b>MONDAY (5 August)</b>							
03:45	CN	Caixin China PMI Services	Jul	pts	51.5	-	51.2
09:55	DE	Markit Germany Services PMI	Jul	pts	52.0	-	53.1
10:00	EZ	Eurozone Services PMI	Jul	pts	51.9	-	52.8
16:00	US	ISM services	Jul	pts	51.3	-	48.8
<b>TUESDAY (6 August)</b>							
08:00	DE	Factory Orders	Jun	% m/m	0.8	-	-1.6
09:00	CZ	Industrial Production	Jun	% y/y	-7.6	-	-3.2
11:00	EZ	Retail Sales	Jun	% m/m	-0.2	-	0.1
<b>WEDNESDAY (7 August)</b>							
08:00	DE	Exports SA	Jun	% m/m	-1.5	-	-3.6
08:30	HU	Industrial Production SA	Jun	% y/y	-3.9	-	-4.9
<b>THURSDAY (8 August)</b>							
08:00	DE	Industrial Production SA	Jun	% m/m	1.0	-	-2.5
08:30	HU	CPI	Jul	% y/y	3.9	-	3.7
14:30	US	Initial Jobless Claims	weekly	k	-	-	249
<b>FRIDAY (9 August)</b>							
08:00	DE	HICP	Jul	% m/m	0.5	-	0.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.