

Weekly Economic Update

GDP and CPI data just before market holiday

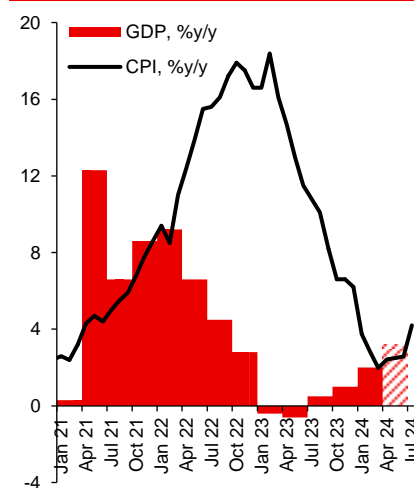
Economy next week

- Another shorter working week in Poland ahead. But just before the Thursday's market holiday new important data will be released: **flash GDP data for 2Q24 and final July CPI**, both on Wednesday at 10:00am. **Balance of payments** results for June will be out the day before.
- After the preliminary GDP data showed disappointing readings in some EU countries (Germany, Czechia, Hungary), some investors started mulling a risk of a negative surprise also in the Polish data. **Our forecast assuming GDP acceleration to 3.2% y/y is one of the highest on the market** (median at 2.7% y/y according to Bloomberg). In our view, a set of monthly metrics for 2Q24 suggested a slight downside risk to our forecast, but not a significant one. We believe the Polish economy should be more resilient to the downturn in Germany than our southern CEE neighbours, due to the greater importance of the internal market, which benefits from a gradual recovery in consumption amid rapidly growing wages. We will find out what was the breakdown of GDP growth in 2Q from the next publication at the end of August.
- **Inflation data will probably confirm the flash estimate of CPI at 4.2% y/y**, with core inflation stabilizing or slightly rebounding up, thus breaking the streak of declines lasting since April 2023.
- **Current account balance in June improved to EUR950m**, according to our estimate, after two months of slight deficits, above the market consensus (median according to Parkiet daily at EUR363m), with a slight improvement in the (still low) dynamics of exports and imports.
- Abroad, investors will probably continue to pay the most attention to information from the US (including retail sales, industrial production, consumer confidence, inflation), looking for possible new signals about the looming (or not) recession and possible rate cuts of the Fed. In Europe, data on GDP and inflation will be released in selected countries.
- In the following week, after the long weekend, a new portion of economic data will be released in Poland, which, in our opinion, should confirm the continuation of moderate economic acceleration at the beginning of 3Q24: we see **data on July wages and employment, PPI, production in industry and construction, retail sales, August consumer sentiment**.
- At that time, the list of publications abroad will be shorter, including preliminary PMIs for August, among others. The Fed's monetary policy may continue to be in the spotlight, among others due to the annual **central bankers' symposium in Jackson Hole** (August 22-23), where investors can expect to hear more precise guidance regarding the outlook for interest rates in the US.

Markets next week

- During the recent market turmoil, the implied volatility of the zloty against euro has increased only slightly, below the peak from June and less than for the forint. The volatility of the koruna has fallen to its lowest level since May. After the sell-off on the stock markets and the strengthening of bonds, there was a rebound; the improvement in risk appetite and reduced fears of recession and the scale of interest rate cuts in the US led to the strengthening of the EM currencies with a rebound of the dollar against the euro. EURPLN remains above 4.32, and its slight changes recently and a return to a downward trend in the case of implied volatility indicate the structural strength of the zloty against the background of unstable markets. **Solid Q2 GDP data may support the zloty**, which is at relatively weak levels according to technical indicators. The PLN may also be supported by the recently published strong GUS data on wages in Q2 (+14.7% y/y). **Better data on GDP and production from the eurozone would also be conducive to an improvement in sentiment. On the other hand, the dollar's strengthening or the continuation of the yen's strengthening would be a limitation for the zloty's rebound.** Comments from Jackson Hole may be important for the EURUSD. In the longer term, we assume that the zloty will stabilize near 4.30, with a possible strengthening towards 4.20 next year along with the widening of the disparity in interest rates against the eurozone (the first Fed cut and the next ECB cut expected in September).
- After significant declines in market rates, the upward correction has so far been limited in scope, and Friday's session brought even further declines. The swap curve is slightly steepening, and the scale of the curve inversion has decreased from the deepest level since March with a slightly larger rebound in the 10-year rates. **We assume that the tendency to steepen may continue with solid GDP print, which would strengthen our scenario of 3% economic growth this year.** Despite the statements of MPC members about a possible rate cut in 1Q-2Q 2025, such scenario seems unlikely to us for now. **However, in the event of a negative surprise in GDP (similar to the one in CEE peers), market rates could remain at a reduced level for longer.** Later in the month, two bond auctions are planned, including a swap auction and a standard auction with a supply of PLN5-9bn, which will ensure positive net supply in August. **This could be a factor that will keep asset swap spreads relatively high.** We assume three rate cuts from the Fed and two from the ECB by the end of the year, in both cases less than the market expects, which creates room for further upward rate correction in the longer term. The next data on US non-farm payrolls in the US may be crucial in this regard.

Poland's economic growth and CPI inflation

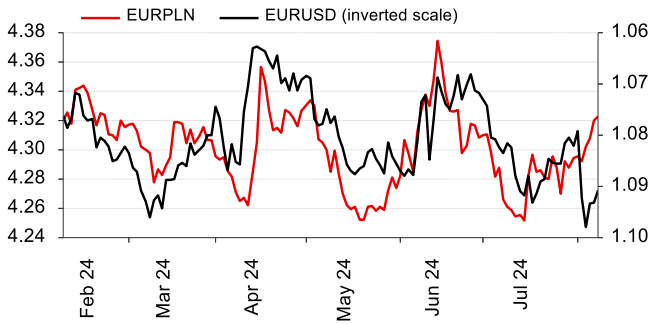


The value for 2Q24 GDP is Santander forecast
Source: GUS, Santander

Economic Analysis Department:

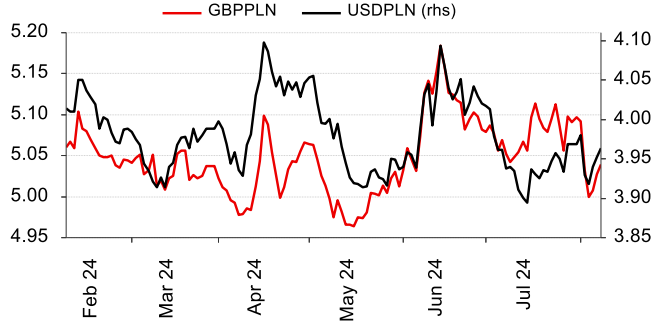
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EURPLN and EURUSD



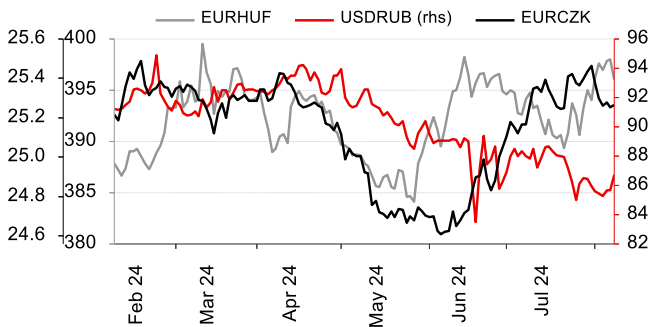
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



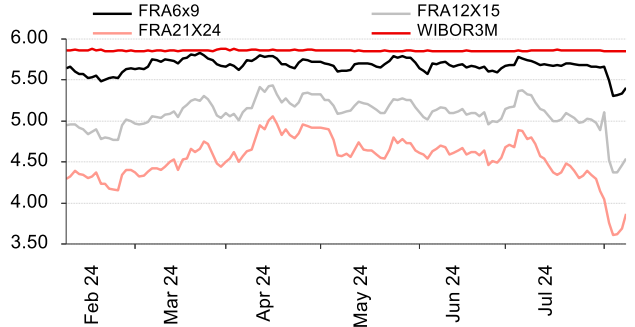
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



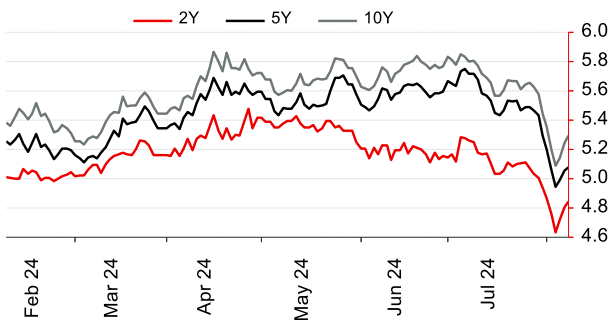
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



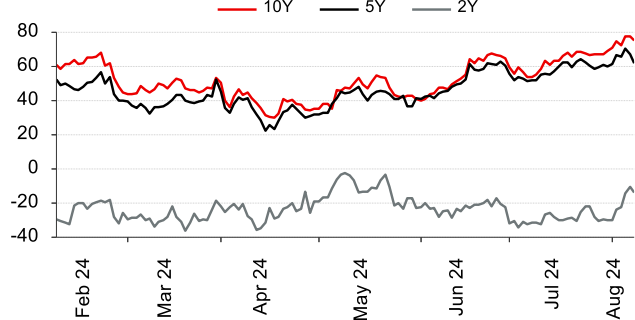
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



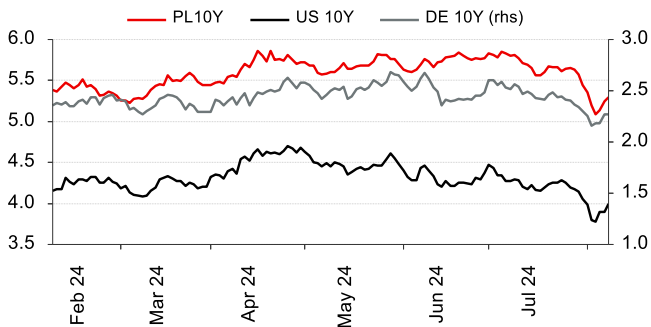
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



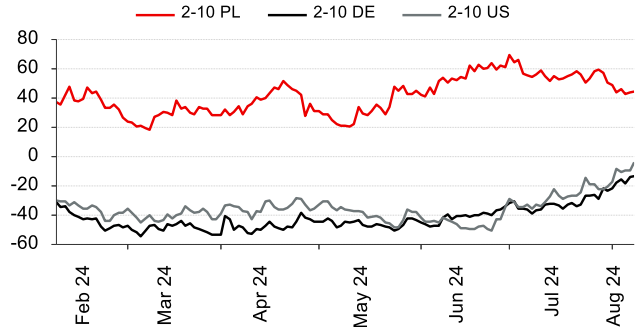
Source: LSEG Datastream, Santander Bank Polska

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		
MONDAY (12 August)							
09:00	CZ	CPI	Jul	% y/y	2.0	-	2.0
TUESDAY (13 August)							
11:00	DE	ZEW Survey Current Situation	Aug	pts	-75.0	-	-68.9
14:00	PL	Current Account Balance	Jun	€mn	376	950	-63
14:00	PL	Trade Balance	Jun	€mn	-250	89	-613
14:00	PL	Exports	Jun	€mn	27 000	27 289	26 358
14:00	PL	Imports	Jun	€mn	27 200	27 200	26 971
WEDNESDAY (14 August)							
10:00	PL	CPI	Jul	% y/y	4.2	4.2	2.6
10:00	PL	GDP	2Q	% y/y	2.7	3.2	2.0
11:00	EZ	GDP SA	2Q	% y/y	0.6	-	0.5
11:00	EZ	Industrial Production SA	Jun	% m/m	0.6	-	-0.6
14:30	US	CPI	Jul	% m/m	0.2	-	-0.1
THURSDAY (15 August)							
14:30	US	Initial Jobless Claims	Aug.24	k	240	-	233
14:30	US	Retail Sales Advance	Jul	% m/m	0.3	-	0.0
15:15	US	Industrial Production	Jul	% m/m	0.0	-	0.64
FRIDAY (16 August)							
14:00	PL	CPI Core	Jul	% y/y	3.7	3.7	3.6
14:30	US	Housing Starts	Jul	% m/m	-0.9	-	3.0
16:00	US	Michigan index	Aug	pts	67.2	-	66.4
TUESDAY (20 August)							
11:00	EZ	HICP	Jul	% y/y	2.6	-	2.5
WEDNESDAY (21 August)							
10:00	PL	Average Gross Wages	Jul	% y/y	11.0	10.1	11.0
10:00	PL	Employment in corporate sector	Jul	% y/y	-0.4	-0.4	-0.4
10:00	PL	Sold Industrial Output	Jul	% y/y	7.3	7.5	0.3
10:00	PL	PPI	Jul	% y/y	-5.0	-5.3	-6.1
20:00	US	FOMC Meeting Minutes	Jul.24				
THURSDAY (22 August)							
09:30	DE	Germany Manufacturing PMI	Aug	pts	-	-	43.2
09:30	DE	Markit Germany Services PMI	Aug	pts	-	-	52.5
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	-	-	45.8
10:00	EZ	Eurozone Services PMI	Aug	pts	-	-	51.9
10:00	PL	Construction Output	Jul	% y/y	-2.5	-3.6	-8.9
10:00	PL	Retail Sales Real	Jul	% y/y	5.2	5.2	4.4
16:00	US	Existing Home Sales	Jul	% m/m	-	-	-5.4
14:00	PL	Money Supply M3	Jul	% y/y	8.3	8.4	8.4
16:00	US	New Home Sales	Jul	% m/m	-	-	-0.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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