

Weekly Economic Update

Another ECB rate cut coming

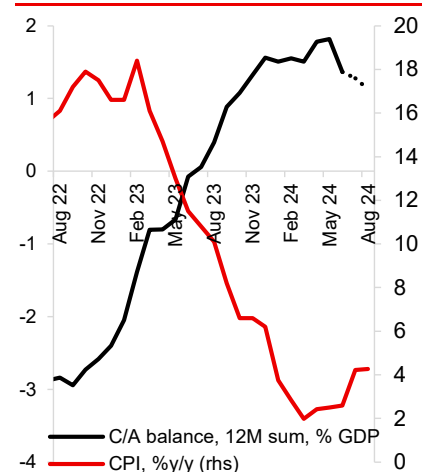
Economy next week

- Next couple of days will see a break in the publication of domestic economic data. Only on Friday we will see the **July balance of payments and the final data on August CPI inflation**.
- We expect a current account deficit of around EUR500m in July, close to the market consensus, with annual growth rates of imports and exports slightly above zero (largely due to last year's low base).
- **CPI inflation is likely to confirm the flash reading of 4.3% y/y**, which was supported by, among others, lower than we anticipated declines in food and fuel prices and a moderate increase in prices in other categories, bringing core inflation to 3.8% YoY.
- As usually, in the week following the MPC meeting, new interviews with MPC members can be expected, most of which will probably confirm their readiness to start a rate cuts cycle somewhere in 2025. This morning P.Litwiniuk said that in his view the second half of 2025 could be a good moment to start policy easing, while L.Kotecki sees a possibility of discussion on rate cuts already in 1Q25. According to [Adam Glapiński's guidance](#) at Thursday's conference, the **discussion on rate cuts may start when inflation stops rising and forecasts confirm its decline in the future**. Our forecasts indicate that CPI will not reach a local peak until March, which we believe would be consistent with the first rate cut in July. A decision as early as March would require stopping the upward trend in inflation at the end of this year.
- Abroad, we also have a rather scanty set of publications. Inflation data for August will be in focus, including in the US, many eurozone countries, Czechia and Hungary.
- **The ECB decision is scheduled on Thursday**. Another interest rate cut by 25 bps is likely. The central bank will also present an update of its economic forecasts, the shape of which may affect market forecasts for cuts in the coming months.
- The Polish parliament returns to work after the summer break next week. The Sejm's Committee on Constitutional Responsibility has scheduled a meeting for 12 September to determine the **schedule of work on the motion to bring the President of NBP before the State Tribunal**.

Markets next week

- Since mid-August, the EURPLN exchange rate has fluctuated in a narrow range of 4.25-4.30, and the region's currencies have seen similarly low volatility. A similar situation may persist in the coming week in the absence of new key local data and the lack of a strong market reaction to August non-farm payrolls data in the US. **The technical situation favours, in our opinion, some zloty weakening**. The upcoming US elections or the uncertain outlook for fiscal policy and the general government debt path, as well as still elevated inflation, could weigh on the zloty later in the year. **In the longer run, we assume that rising interest rate disparity versus the euro area should work towards a stronger PLN**. Strong pressure to strengthen the currency could potentially accelerate the MPC's consideration of a rate cut. We currently assume that the first reduction could occur in the middle of next year.
- **The downward trend in the interest rate market may continue into next week**. In the absence of domestic data releases, we think the market will be more influenced by the situation in the core markets, and these may be dominated by the not-so-good data from the US and the euro area released at the end of this week, and expectations of a rate cut by the ECB and communication about further moves. We assume in the baseline scenario one more ECB rate cut (in addition to September) by the end of the year, and a 25bp rate cut by the Fed in September and an additional 50bp in 4Q. Such a scenario for rates and the prospect of cuts in Poland from the middle of next year create room for periodic upward adjustments in market rates. Besides, important for the debt market will be the next bond auction with supply of approx. PLN4-8bn with a positive net supply in the absence of maturities this month, which may keep credit spreads at elevated levels.

Poland's current account balance, 12M sum as % of GDP and CPI inflation, % y/y

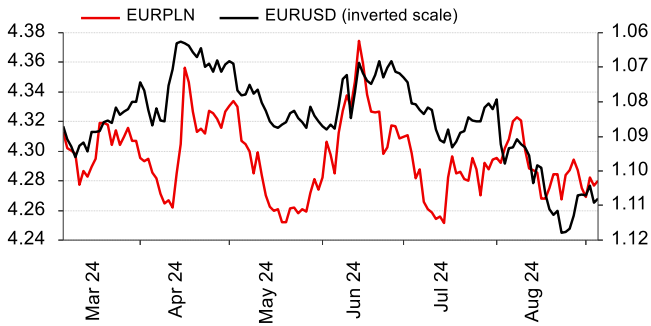


Source: GUS, NBP, Santander

Economic Analysis Department:

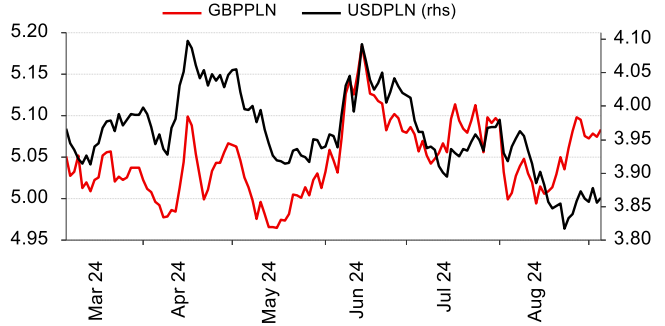
al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Bartosz Białas +48 517 881 807
Cezary Chrapek, CFA +48 887 842 480
Marcin Luźniński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

EURPLN and EURUSD



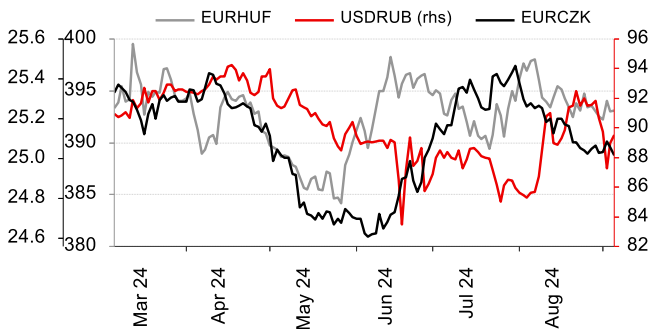
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



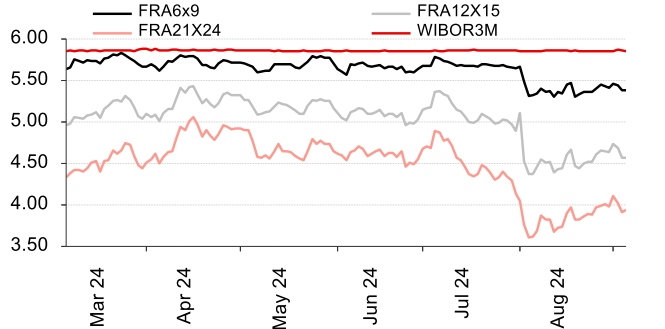
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



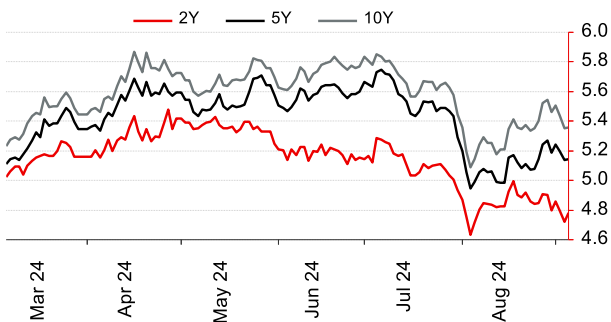
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



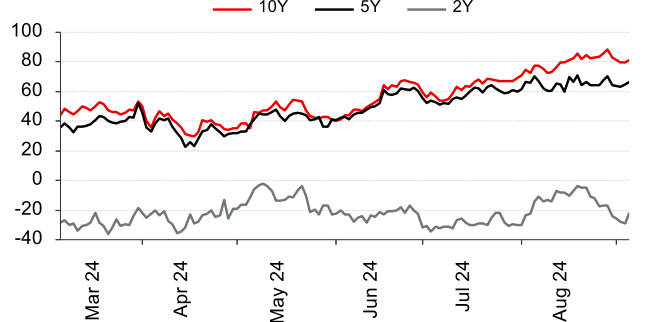
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



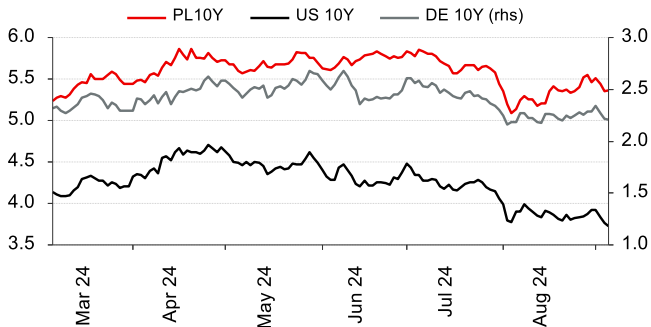
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



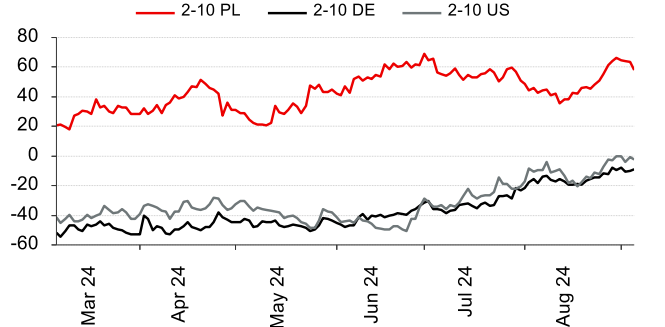
Source: LSEG Datastream, Santander Bank Polska

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	
MONDAY (9 September)							
No key events or data releases							
TUESDAY (10 September)							
08:00	DE	HICP	Aug	% y/y	2.0	-	2.6
08:30	HU	CPI	Aug	% y/y	3.6	-	4.1
09:00	CZ	CPI	Aug	% y/y	2.0	-	2.2
WEDNESDAY (11 September)							
14:30	US	CPI	Aug	% y/y	2.6	-	2.9
THURSDAY (12 September)							
14:15	EZ	ECB Deposit Facility Rate	Sep	%	3.50	-	3.75
14:30	US	Initial Jobless Claims		k	230	-	227
FRIDAY (13 September)							
10:00	PL	CPI	Aug	% y/y	4.3	4.3	4.2
11:00	EZ	Industrial Production SA	Jul	% y/y	-2.7	-	-3.9
14:00	PL	Current Account Balance	Jul	€mn	-445	-514	588
14:00	PL	Trade Balance	Jul	€mn	-900	-954	-191
14:00	PL	Exports	Jul	€mn	26377	26320	27092
14:00	PL	Imports	Jul	€mn	27213	27274	27283
16:00	US	Michigan index	Sep	pts	68.0	-	67.9

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>.