

2 February 2021

Eyeopener

Companies expect improvement

Rebound in the world equity markets, stronger USD
Zloty appreciating, approaching the key 4.50 level vs euro
Polish bonds and IRS rates stable
Today, 4Q GDP data in the euro zone and Czechia

On Monday stock markets were gaining, trimming most of the Friday's losses. The series of manufacturing indicators for January was mixed, with declines, among others, in China or partly in the USA (ISM lower, but PMI higher) and increases in the remaining part of Asia or in CEE. Bond yields in core markets were stable, US dollar gained.

Polish manufacturing PMI rose a bit to 51.9 pts in January from 51.7 pts while a descent to 51.3 had been expected (our forecast was 51.0). The headline index was still significantly above the breakeven 50-pt level despite the output component remaining below 50 pts for the third month running. The PMI report explains that demand conditions are strong, especially demand from abroad, but there are capacity constraints – employees' self-isolation and supply bottlenecks. These issues were also signalled in the previous PMI report, but seem to have intensified since then. The constraints led to growing production backlogs and increased effort to increase pre-production inventories. The supply chain bottlenecks – suppliers' delivery times component was the third highest on record – also caused further pressure on input costs – their index was the highest since 2011. While the overall message of the PMI report looks quite promising, the production issues may lead to temporarily subdued hard data on industrial output.

NBP quarterly Quick Monitoring report showed quite positive picture of the corporate sector in 4Q20, with the exception of businesses affected the most by Covid restrictions. No pressure on supply chains was recorded in 3Q and 4Q, the measure of stocks-to-demand mismatch was at a similar level as before the pandemic. Shortage of commodities and other production input was not considered an important obstacle to growth. The main obstacle was still the coronavirus and insufficient demand. At the same time indexes of companies' demand forecasts improved q/q. Only in production of consumer durables and non-market services the already high readings did not go any higher. Breakdown of results by exposure to foreign demand reveals a clearer split: exporters already had higher expectations previously and now increased their optimism, while the index of non-exporters remained lower. According to the NBP report the liquidity situation of firms was already shown as comfortable in the previous edition and in 4Q it improved. Despite this, companies expressed lower labour demand and reduced their employment plans. Wage pressure also eased somewhat. On the other hand, companies entered 2021 more open to investments, albeit the report claims it is about reactivating projects that had been put on hold during the pandemic and cutting investment plans less than before.

According to latest **NBP credit survey**, in Q4 2020 the banking sector observed further decline in the demand for corporate loans, especially from the SMEs. The details of the demand decline point to lower financing needs for investments and current operations. What increased is the demand for financing of restructurings. The credit policy of banks became somewhat tighter, especially for the sectors that are sensitive to the pandemic. Housing loans criteria got eased, however loan margins increased, while the demand for loans declined. In Q1 2021 banks expect an increase in demand for credit as well as easing of credit policy for corporate loans and mortgages. Consumer loans criteria are the only ones expected to be tightened.

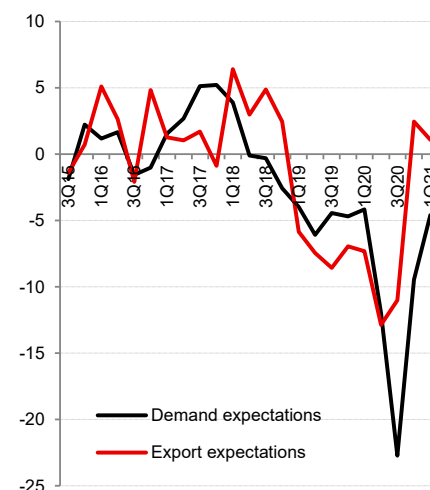
EURUSD fell 0.6% to 1.206 and is testing January's low. In our view, the target for this down move is 1.196.

EURPLN fell 0.3% to 4.509 and the 3-day decline amounts already to 1% (from 4.555). Looking at the chart, the next target could be 4.483 but the exchange rate would have to first break 4.50 when the NBP may (but may not) intervene again.

As regards **other CEE currencies**, EURHUF fell by 0.4% to 356.0 and is oscillating around 200-day moving average, so 355.0 could stop it for a while. EURCZK posted a further decline, this time by 0.4% to 25.93 and continued the strengthening trend started in October 2020. USDRUB climbed by 0.2% to 76.10.

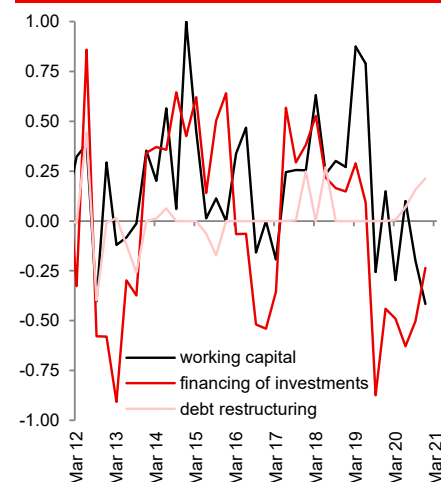
There were no important changes on the **Polish interest rate market** on Monday, with IRS and bonds stable, i.e. 10Y IRS at 1.20% and 10% bonds at 1.15%.

Quick Monitoring report – y/y change of selected indicators



Source: NBP, Santander

Senior loan officers' survey – change of corporate credit demand by loan purpose



Source: 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 22 534 18 87
Marcin Łuziński +48 22 534 18 85
Wojciech Mazurkiewicz +48 22 534 18 86
Grzegorz Ogonek +48 22 534 19 23
Marcin Sulewski, CFA +48 22 534 18 84

FX market

Today's opening

EURPLN	4.5079	CZKPLN	0.1736
USDPLN	3.7349	HUFPLN*	1.2654
EURUSD	1.2069	RUBPLN	0.0492
CHFPLN	4.1637	NOKPLN	0.4351
GBPPLN	5.1094	DKKPLN	0.6060
USDCNY	6.4595	SEKPLN	0.4433

*for 100HUF

Last session in the FX market

01/02/2021

	min	max	open	close	fixing
EURPLN	4.498	4.525	4.518	4.507	4.514
USDPLN	3.721	3.740	3.724	3.734	3.732
EURUSD	1.207	1.213	1.213	1.207	-

Interest rate market

01/02/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.04	-2
DS0725 (5Y)	0.46	0
DS1030 (10Y)	1.16	-1

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.18	0	-0.56
2L	0.28	-1	-0.53
3L	0.40	0	-0.51
4L	0.55	0	-0.48
5L	0.70	1	-0.44
8L	1.03	0	-0.29
10L	1.20	-1	-0.19

WIBOR rates

Term	%	Change (bps)
O/N	0.08	-2
T/N	0.08	-2
SW	0.11	0
2W	0.16	0
1M	0.19	0
3M	0.21	0
6M	0.25	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.18	0
3x6	0.15	-4
6x9	0.17	0
9x12	0.18	0
3x9	0.20	-2
6x12	0.22	1

Measures of fiscal risk

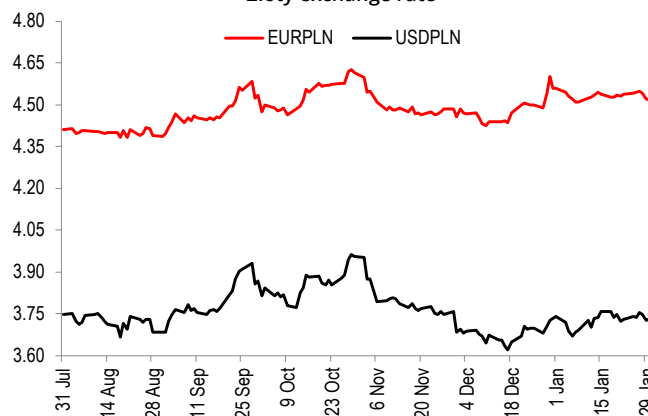
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	167
France	9	26
Hungary	64	292
Spain	43	61
Italy	61	114
Portugal	28	55
Ireland	12	33
Germany	9	-

* 10Y treasury bonds over 10Y Bunds

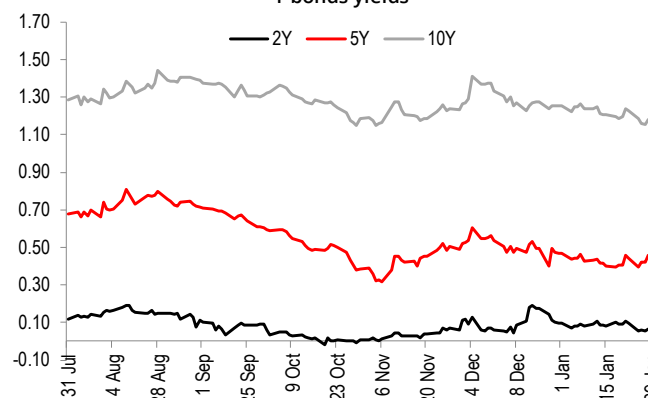
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

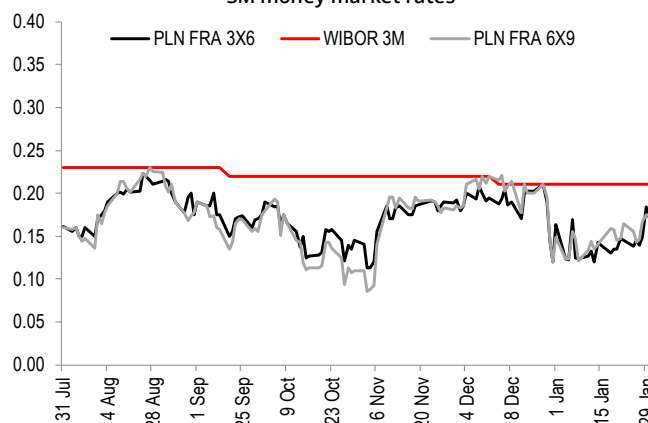
Zloty exchange rate



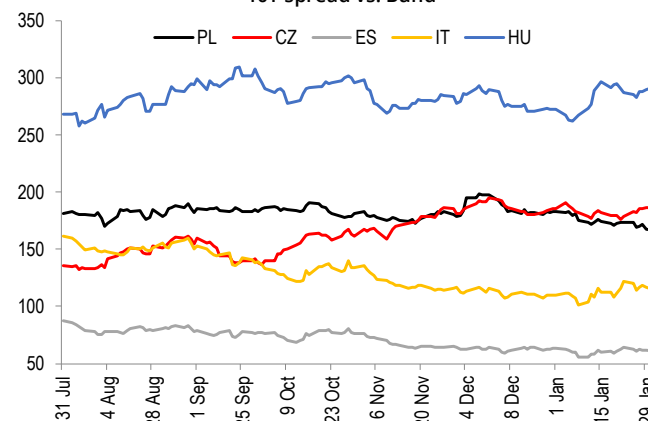
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (29 January)								
08:00	DE	GDP WDA	4Q	% y/y	-4.0	-3.9	-4.0	
10:00	PL	GDP	Jul.05	% y/y	-2.7	-2.9	-2.8	4.5
14:30	US	Personal Spending	Dec	% m/m	-0.4	-0.2	-0.4	
14:30	US	Personal Income	Dec	% m/m	0.1	0.6	-1.1	
14:30	US	PCE Deflator SA	Dec	% m/m	0.3	0.4	0.0	
16:00	US	Michigan index	Jan	pts	79.4	79.0	79.2	
16:00	US	Pending Home Sales	Dec	% m/m	-0.5	-0.3	-2.6	
MONDAY (1 February)								
	DE	Retail Sales	Dec	% m/m	-2.2	-9.6	1.9	
09:00	PL	Poland Manufacturing PMI	Jan	pts	51.3	51.0	51.9	51.7
09:55	DE	Germany Manufacturing PMI	Jan	pts	57.0	57.1	57.0	
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	54.7	54.8	54.7	
11:00	EZ	Unemployment Rate	Dec	%	8.3	8.3	8.3	
16:00	US	ISM manufacturing	Jan	pts	59.9	58.7	60.7	
TUESDAY (2 February)								
09:00	CZ	GDP SA	4Q	% y/y	-7.2	-	-5.0	
11:00	EZ	GDP SA	4Q	% y/y	-	-	-4.3	
WEDNESDAY (3 February)								
	PL	MPC decision		%	0.1	0.1	-	0.1
02:45	CN	Caixin China PMI Services	Jan	pts	55.5	-	56.3	
09:55	DE	Markit Germany Services PMI	Jan	pts	46.8	-	46.8	
10:00	EZ	Eurozone Services PMI	Jan	pts	45.0	-	45.0	
11:00	EZ	Flash HICP	Jan	% y/y	0.2	-	-0.3	
14:15	US	ADP report	Jan	k	50.0	-	-123.0	
16:00	US	ISM services	Jan	pts	56.8	-	57.5	
THURSDAY (4 February)								
11:00	EZ	Retail Sales	Dec	% m/m	-	-	-6.1	
14:30	US	Initial Jobless Claims		k	-	-	847.0	
14:30	CZ	Central Bank Rate Decision	Feb.21		0.25	-	0.25	
16:00	US	Durable Goods Orders	Dec	% m/m	-	-	0.2	
16:00	US	Factory Orders	Dec	% m/m	0.8	-	1.0	
FRIDAY (5 February)								
08:00	DE	Factory Orders	Dec	% m/m	-2.0	-	2.3	
09:00	HU	Industrial Production SA	Dec	% y/y	0.0	-	1.6	
14:00	PL	NBP Minutes	Jan					
14:30	US	Change in Nonfarm Payrolls	Jan	k	50.0	-	-140.0	
14:30	US	Unemployment Rate	Jan	%	6.7	-	6.7	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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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>.