

## Eyeopener

### Consumption and investment up year-on-year

Markets steady yesterday during US, UK holiday  
 Polish 1Q GDP growth revised up, strong push of investments  
 EURPLN stable and so was EURUSD  
 June calendar of MinFin, BGK and NBP QE tenders  
 Today Polish CPI, manufacturing PMIs i.a. in Poland, Eurozone, Germany

On Monday market volatility was reduced due to market holiday in the USA and UK and main stock indices almost did not change. UST yield remained stable (1.59%) and Bund yield reached -0.17%. Only Brent oil price moved higher (\$70) ahead of today's OPEC+ meeting (market does not seem to worry about potential increase of supply assuming it will be more than offset by rising demand). German inflation in May surprised to the upside (HICP 2.4% y/y, CPI 2.5% y/y, surprises correspondingly 0.1pp and 0.2pp). Eurozone money supply in April rose less than expected, however. PBOC, dissatisfied with a rapid yuan appreciation, increased the reserve rate for banks from 5% to 7%.

**1Q21 GDP growth** was revised up to -0.9% y/y and +1.1% q/q (sa) from -1.2% y/y and +0.9% q/q. The growth breakdown proved very surprising, especially the investment rebound by 1.3% y/y (nsa) and 18.2% q/q (sa). The recovery of investment activity came much earlier than we had thought. Private consumption was also quite strong at +0.2% y/y and +1.0% q/q and should see a further recovery together with looser restrictions and improving incomes. On the other hand net exports' contribution to GDP growth reached -1.9pp and was a major negative surprise. In general, the GDP growth structure based on strong domestic demand seems to support a further buildup of inflationary pressure. In 1Q the GDP deflator rose to 5.8% y/y, the highest since 2004 (albeit the acceleration came mostly from prices in international trade). We expect a further rebound of the economy in the coming quarters. In 2Q21 the annual GDP growth may be close to double-digit levels (due to a very low base) and in the whole year it should exceed 4.5%. More in [Economic comment](#).

**OECD** has upgraded its world growth forecast to 5.8% from 5.6% in 2021 and to 4.4% from 4.0% in 2022 (latest forecast upgrade was in March 2021). The Chinese growth upgrade was particularly visible (OECD now sees 8.5% in 2021 and 5.8% in 2022 - up by 0.7pp and 0.9pp, respectively) and the Eurozone one as well (to 4.3% in 2021 and 4.4% in 2022 - up 0.4pp and 0.6pp). According to OECD, the Polish GDP will grow by 3.7% in 2021 and 4.7% in 2022.

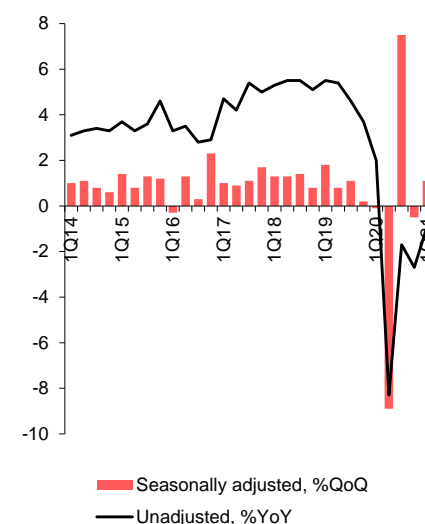
**MPC member Rafal Sura** has conditioned his support for a rate hike on the fact if whether November NBP inflation projection would imply a CPI above 3.5% (upper band of inflation target range) in 2022 and 2023. He said that the latest NBP bond purchase auction (on which NBP has not bought any government bonds at all) should not be interpreted as a signal of a change to monetary policy. The total amount of bonds purchased by NBP in May was roughly PLN 1bn lower than in April. **Eryk Łon** repeated that the economy still needs dovish monetary policy.

**EURUSD** did not change on Monday, spent most of the day near 1.22. **EURPLN** wasn't volatile, remained near 4.48 while the positive data about Q1 GDP components have not influenced the exchange rate. In the coming days we expect EURPLN to trade lower towards 4.46-4.47. As for the **other CEE currencies**, EURHUF unchanged at 348,0 despite the April PPI showed an increase of 9.8%/y. EURCZK has not changed 25.42, USDRUB at 73.30.

The Polish **interest rate market** was not very active on Monday due to very limited brokers' activity and low liquidity. FRA rates went up after strong GDP data. Market could be revived by today's publications (flash CPI inflation for May, which we expect to go up to 4.8% and market consensus is even slightly higher, and manufacturing PMI). The Ministry of Finance informed that at the end of April the share of foreign investors in Polish government bonds decreased to 16.3% from 16.8% (or to PLN131.3bn from PLN134.8bn), while the share of domestic banks has increased (to 55.5% from 54.9% or PLN448bn from PLN441.1bn). The total debt in securities reached PLN807.1bn (+PLN3.6bn). At the end of May the amount of money at government's accounts reached PLN126.0bn (vs PLN122.5bn at the end of April) and this year's borrowing needs were covered in 71%.

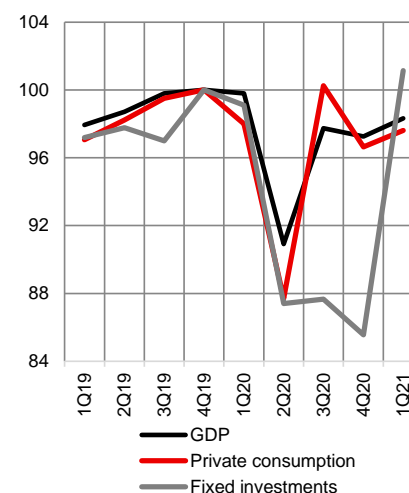
As to the **issuance calendar in June**, the Ministry of Finance is planning two switch auctions, on 11th and 24th June (the new 10Y benchmark DS0432 will be offered). BGK (which YTD has issued PLN 20bn of Covid bonds out of PLN 33bn planned for 2021) will issue bonds on 7th and 30th June (FPC0328, FPC0631, FPC0733, FPC1140). The only NBP bond purchase auction will take place on 16 June.

#### Polish GDP growth



Source: GUS, Santander

#### GDP, consumption and investment levels, 4Q19=100, s.a.



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.4768	CZKPLN	0.1758
USDPLN	3.6633	HUFPLN*	1.2897
EURUSD	1.2222	RUBPLN	0.0500
CHFPLN	4.0729	NOKPLN	0.4411
GBPPLN	5.2094	DKKPLN	0.6020
USDCNY	6.3711	SEKPLN	0.4416

\*for 100HUF

**Last session in the FX market 31.05.2021**

	min	max	open	close	fixing
EURPLN	4.478	4.488	4.483	4.479	4.481
USDPLN	3.661	3.683	3.675	3.663	3.672
EURUSD	1.218	1.223	1.220	1.223	-

**Interest rate market 31.05.2021**

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.31	-3
DS0725 (5Y)	1.28	-2
DS1030 (10Y)	1.87	-3

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.41	1	0.15	1	-0.53	1
2L	0.78	-1	0.23	0	-0.47	0
3L	1.10	0	0.42	0	-0.41	0
4L	1.33	-1	0.65	0	-0.34	0
5L	1.51	0	0.87	0	-0.26	0
8L	1.79	0	1.34	-1	-0.02	0
10L	1.92	0	1.55	0	0.12	0

**WIBOR rates**

Term	%	Change (bps)
O/N	0.09	1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.26	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	0.25	1
3x6	0.34	4
6x9	0.51	4
9x12	0.71	5
3x9	0.43	3
6x12	0.64	3

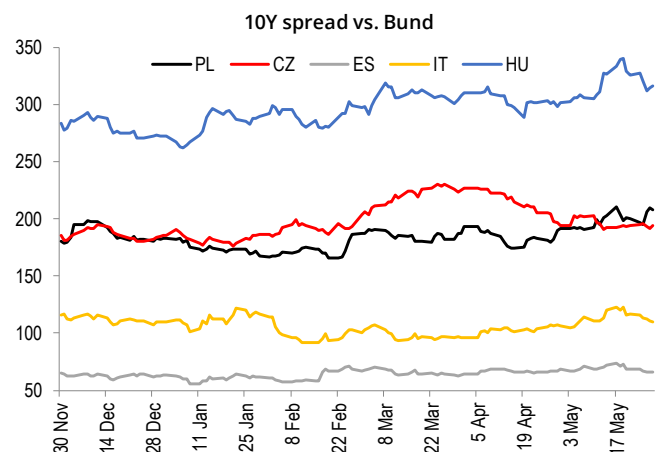
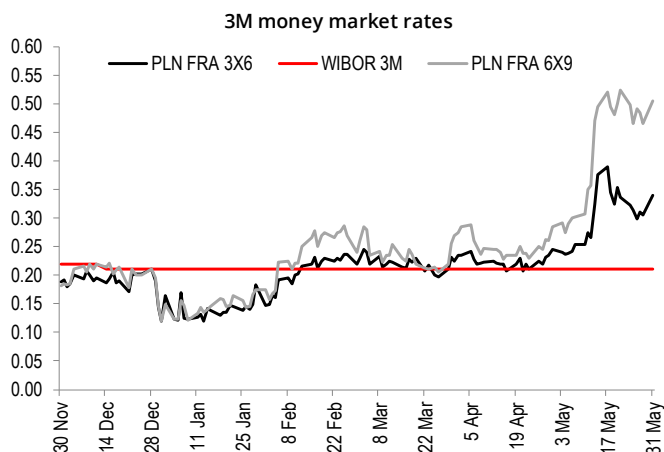
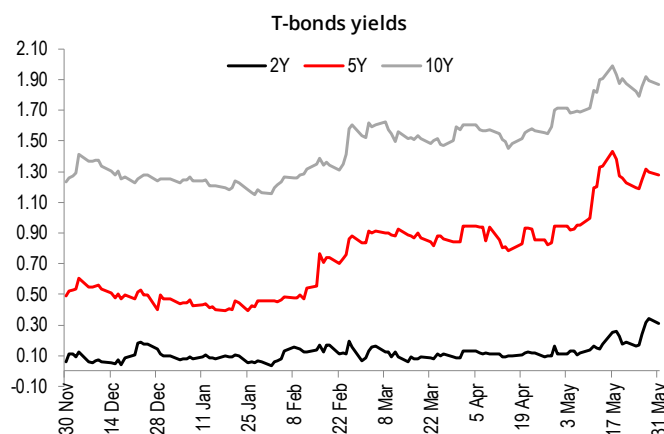
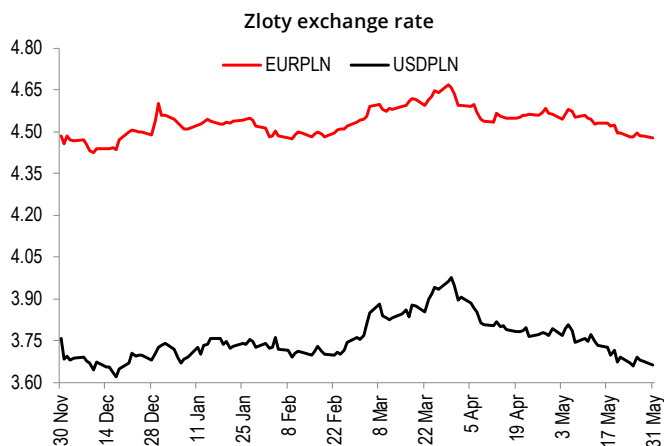
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	208	-2
France	10	0	36	0
Hungary	64	0	316	2
Spain	35	0	66	0
Italy	46	0	110	-1
Portugal	21	0	65	0
Ireland	11	0	40	0
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Refinitiv, Datastream



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
<b>FRIDAY (28 May)</b>								
11:00	EZ	ESI	May	pct.	112.1		114.5	110.3
14:30	US	Personal Spending	Apr	% m/m	0.5		0.5	4.2
14:30	US	Personal Income	Apr	% m/m	-14.2		-13.1	21.1
14:30	US	PCE Deflator SA	Apr	% m/m	0.6		0.6	0.5
16:00	US	Michigan index	May	pts	83.0		82.9	82.8
<b>MONDAY (31 May)</b>								
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>1Q</b>	<b>% y/y</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-0.9</b>	<b>-2.7</b>
14:00	DE	HICP	May	% m/m	0.3		0.3	0.5
<b>TUESDAY (1 June)</b>								
09:00	CZ	GDP SA	1Q	% y/y	-2.1		-	-2.1
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>May</b>	<b>pts</b>	<b>54.5</b>	<b>55.0</b>	-	<b>53.7</b>
09:00	HU	GDP	1Q	% y/y	-2.3		-	-2.3
09:55	DE	Germany Manufacturing PMI	May	pts	64.0		-	64.0
10:00	EZ	Eurozone Manufacturing PMI	May	pts	62.8		-	62.8
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>May</b>	<b>% y/y</b>	<b>4.9</b>	<b>4.8</b>	-	<b>4.3</b>
11:00	EZ	Flash HICP	May	% y/y	1.9		-	1.6
11:00	EZ	Unemployment Rate	Apr	%	8.1		-	8.1
16:00	US	ISM manufacturing	May	pts	61.0		-	60.7
<b>THURSDAY (3 June)</b>								
03:45	CN	Caixin China PMI Services	May	pts	56.0		-	56.3
09:55	DE	Markit Germany Services PMI	May	pts	52.8		-	52.8
10:00	EZ	Eurozone Services PMI	May	pts	55.1		-	55.1
14:15	US	ADP report	May	k	700.0		-	742.2
14:30	US	Initial Jobless Claims		k			-	406.0
16:00	US	ISM services	May	pts	63.0		-	62.7
<b>FRIDAY (4 June)</b>								
11:00	EZ	Retail Sales	Apr	% m/m	-1.7		-	2.7
14:30	US	Durable Goods Orders		% m/m			-	-1.3
14:30	US	Change in Nonfarm Payrolls	May	k	663.0		-	266.0
14:30	US	Unemployment Rate	May	%	5.9		-	6.1
16:00	US	Factory Orders	Apr	% m/m	0.5		-	1.1

Source: Santander Bank Polska, Bloomberg, Parkiet  
\* in the case of a revision the data is updated

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