

Eyeopener

Corporate credit still flat, strong mortgage loans

Equities gained, dollar stable, core bond market yields stable
 EURPLN still near the 200-day moving average
 Domestic IRS end the day higher
 Today US personal income and spending, PCE inflation, Michigan index

On Thursday main stock market indices went up; in Europe also thanks to stronger-than-expected Ifo index in Germany. A positive impulse came also from information that the US president won support of senators for his next stimulus package based on infrastructural spending. The US weekly jobless claims declined somewhat, but less than the market had expected. US durable goods orders in May were also below expectations. Another EM central bank tightened policy: after hikes in Hungary and Czech Republic, yesterday rates were increased by 25bp in Mexico.

M3 money supply slowed down in May to 9.0% y/y from 11.2% y/y in April. The annual growth rate of cash declined to 17.4% from 19.6%, and of deposits to 7.3% y/y from 9.6% y/y. Household deposits slowed to 5.7% from 6.7% and corporate to 10.6% from 15.1%. Note the high statistical base effect from 2020; in monthly terms companies' deposits rose by about 3%, which is quite high for this month. Volume of loans declined by 0.2% y/y versus -1.3% y/y in April (after FX correction). Household loans rose by 3.5% y/y as compared to 3.0% y/y in April, while corporate loans declined by 5.8% after falling by 7.9% in April. Interpretation of loan data is also more difficult due to base effects, yet monthly data show some revival in household loans (with mortgage loans still strong) and further stagnation of corporate loans.

Employment rose in May by 21.6k mostly on positive tendencies in trade (+5k) and manufacturing (+5k). The employed count rose by 10k of which 3k in trade while in manufacturing it was unchanged. In sum, trade sector was hiring while in manufacturing average worktime was increased. The registered unemployment rate declined in May to 6.1% from 6.3% in April, according to preliminary data from Ministry of Labour. In our opinion, the positive labour market reaction in May resulted from the opening of the economy in this month. We expect that the labour market will remain in good condition in the coming months.

The **LFS unemployment** rate was 4.0% in Q1 2021, up from 3.1% in Q4 2020. However the GUS (Stats Office) has changed the methodology and has not published the revised historical data. As a result, one cannot compare the previous data and the new print, they are incompatible. The changes touched mostly on the definition of a working person: the group now includes family members which work for another household as well as people who are formally employed however have not actually worked in the reference week. From the group got excluded: self-employed people produce agricultural goods only for own consumption. We estimate that the net effect was an increase in the unemployed by around 100k.

The value of total **industrial new orders** rose in May by 54.8% y/y and foreign orders by 64.1% y/y (thanks to a very low base). Compared to the same month of 2019 new orders were up 16.7% in total and 11.1% for export (the previous readings were 18.2% and 25.2% respectively). In m/m terms new orders dropped by 0.8% for total orders and by 5.1% for export orders. Such behavior of the inflow of new business should secure large growth of industrial output, especially that the survey-based indexes of order books in June (both the current state and expected orders index) were somewhat higher than in May.

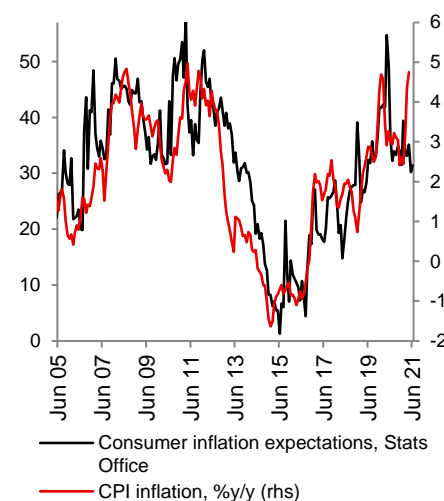
Consumer inflation expectations went marginally higher in June despite a quick rise of inflation way above the target in recent months. The current level of the inflation expectations index, 31.4 pts, as well as the previous reading were historically seen when CPI was close to the 2.5% y/y target.

MPC's Eugeniusz Gatnar thought that a quick hike by 15bp is necessary to signal that gradual policy normalisation has started and NBP asset purchases do not have to end before that. Such a view was based on current NBP internal forecasts showing inflation approaching 5% at the end of the year according to his remarks.

EURUSD was stable for the better part of the session, only at the end of the day it attempted to breach 1.1950 for the third time. **EURPLN** stable exactly at the level of 200-day moving average. As for **other CEE currencies**, EURHUF moved up slightly to 350.9 and overnight to 351.5; EURCZK ultimately rose to 25.44; USDRUB inched lower to 72.3.

At the domestic **interest rate market** in the first part of the day IRS curve moved up at the belly (5Y +6bp to 1.60%), but later it retraced roughly half of the move (to 1.56%). Similar, but smaller moves took place in the bond yield curve (10Y to 1.80%). At the swich auction the MoF sold bonds worth PLN4.1bn (bought back PLN3.95bn). The borrowing needs are already covered in 75%.

Consumer inflation expectations in Poland



Source: Santander

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FX market

Today's opening			
EURPLN	4.5207	CZKPLN	0.1774
USDPLN	3.7875	HUFPLN*	1.2788
EURUSD	1.1936	RUBPLN	0.0525
CHFPLN	4.1235	NOKPLN	0.4455
GBPPLN	5.2715	DKKPLN	0.6078
USDCNY	6.4584	SEKPLN	0.4465

*for 100HUF

Last session in the FX market						24.06.2021
	min	max	open	close	fixing	
EURPLN	4.515	4.531	4.529	4.523	4.530	
USDPLN	3.781	3.802	3.797	3.793	3.799	
EURUSD	1.192	1.196	1.192	1.193	-	

Interest rate market 24.06.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.37	-1
DS0725 (5Y)	1.40	2
DS1030 (10Y)	1.78	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.47	0	0.19	0	-0.52	0
2L	0.93	3	0.34	0	-0.45	1
3L	1.22	3	0.57	1	-0.39	0
4L	1.42	3	0.78	1	-0.32	1
5L	1.56	3	0.96	1	-0.25	0
8L	1.77	0	1.31	1	-0.03	0
10L	1.87	-1	1.45	0	0.11	0

WIBOR rates

Term	%	Change (bps)
O/N	0.10	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	0.24	0
3x6	0.32	-2
6x9	0.56	1
9x12	0.79	3
3x9	0.41	-3
6x12	0.69	0

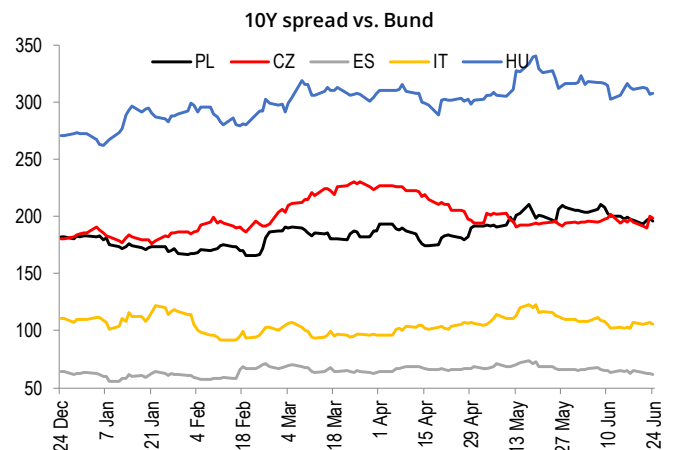
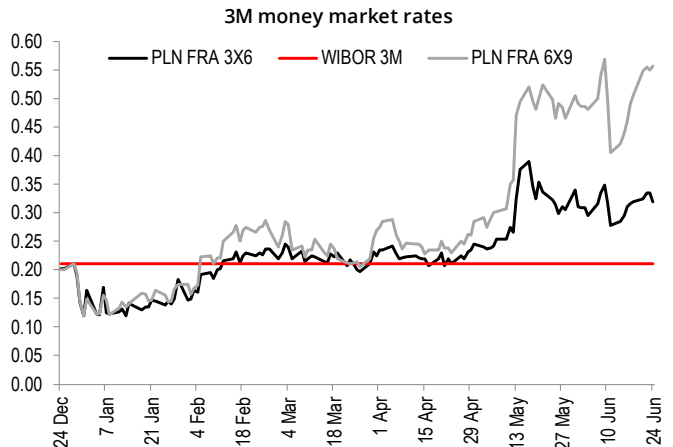
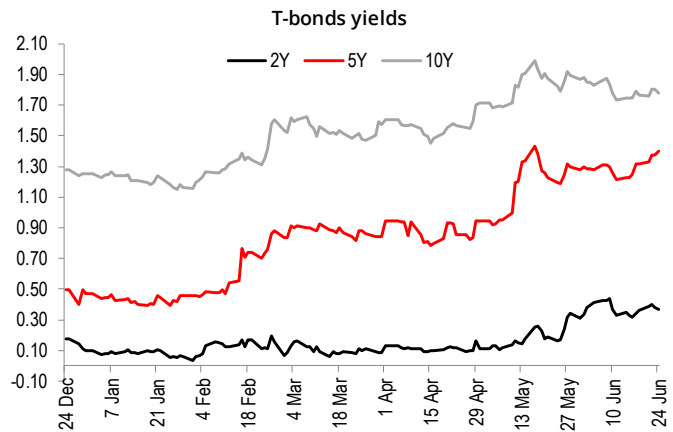
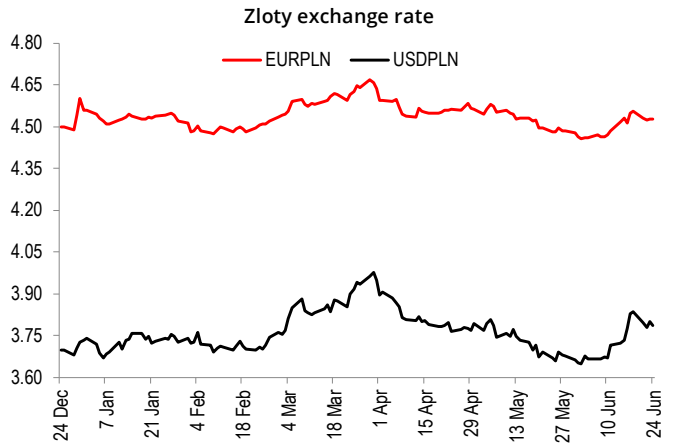
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	47	0	196	-2
France	10	0	34	0
Hungary	64	0	308	0
Spain	34	0	62	-1
Italy	45	0	105	-2
Portugal	21	0	60	-1
Ireland	12	0	37	-1
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		
FRIDAY (18 June)								
10:00	PL	Employment in corporate sector	May	% y/y	2.5	2.5	2.7	0.9
10:00	PL	Average Gross Wages	May	% y/y	10.5	10.2	10.1	9.9
MONDAY (21 June)								
10:00	PL	Sold Industrial Output	May	% y/y	30.4	26.8	29.8	44.5
10:00	PL	PPI	May	% y/y	5.8	6.0	6.5	5.3
TUESDAY (22 June)								
10:00	PL	Construction Output	May	% y/y	1.5	2.7	4.7	-4.2
10:00	PL	Retail Sales Real	May	% y/y	11.4	12.8	13.9	21.1
14:00	HU	Central Bank Rate Decision	Jun/21	%	0.9		0.9	0.6
16:00	US	Existing Home Sales	May	% m/m	-2.2		-0.9	-2.7
WEDNESDAY (23 June)								
09:30	DE	Germany Manufacturing PMI	Jun	pts	63.2		64.9	64.4
09:30	DE	Markit Germany Services PMI	Jun	pts	55.7		58.1	52.8
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	62.3		63.1	63.1
10:00	EZ	Eurozone Services PMI	Jun	pts	58.0		58.0	55.2
14:30	CZ	Central Bank Rate Decision	Jun/21		0.50		0.50	0.25
16:00	US	New Home Sales	May	% m/m	0.2		-5.9	-7.8
THURSDAY (24 June)								
10:00	DE	IFO Business Climate	Jun	pts	100.7		101.8	99.2
10:00	PL	Unemployment Rate	May	%	6.1	6.1	6.1	6.3
14:00	PL	Money Supply M3	May	% y/y	9.2	8.7	9.0	11.2
14:30	US	Durable Goods Orders	May	% m/m	2.8		2.3	-1.3
14:30	US	GDP Annualized	1Q	% Q/Q	6.4		6.4	6.4
14:30	US	Initial Jobless Claims		k	380		411	418
FRIDAY (25 June)								
14:30	US	Personal Spending	May	% m/m	0.3		-	0.5
14:30	US	Personal Income	May	% m/m	-2.7		-	-13.1
14:30	US	PCE Deflator SA	May	% m/m	0.6		-	0.6
16:00	US	Michigan index	Jun	pts	86.8		-	86.4

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

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