

24 August 2021

## Eyeopener

### Record-high profits of Polish firms

Global equity markets slightly higher  
Weaker dollar, stable zloty  
Higher bond yields in core markets and in Poland  
Today German GDP, Polish unemployment, interest rate decision in Hungary

On Monday equity markets bounced higher after the declines in the previous week, the S&P500 index moved back to the level of roughly 4470 last seen around 2 weeks ago before the FOMC minutes which made some investors more careful. The dollar weakened by 0.2%, while the UST yields have increased slightly (+1bp) to 1.26%. The Bund yield after rising by 3bp during the first part of the day declined by 2bp in the latter part closing at -0.48%. Gold price went up 1.2% to \$1802 per ounce; the Brent oil price increased by 4.8% to \$68.2 per barrel. The US existing home sales data surprised to the upside.

On Monday the **flash August PMIs** in manufacturing and services were released. In Japan and Australia the readings declined vs the previous month, however in manufacturing they remain 2pp above the 50 level while in services are low – in both cases near 43.5. In Europe, the manufacturing PMI declined somewhat in August but remained at solid levels (Eurozone 61.5, Germany 62.7, France 57.3, UK 60.1). Services PMIs were stable in the Eurozone 59.7, Germany 61.5 and France 56.4 but declined by roughly 4pp in the UK to 55.5. In the US the manufacturing PMI fell 2pp to 61.2, while the services one by 4.7pp to 55.2. The general message from the August PMI in Europe is pretty positive, it is worth pointing to very high inflow of new orders as well as still longer delivery times which are reflecting supply disruptions; the companies are trying to pass the cost pressure to the buyers.

**M3 money supply** grew by 8.8% y/y in July, stronger than expected. Corporate deposit growth accelerated to 7.6% y/y, and household deposits growth to 6.7% y/y, while cash in circulation maintained its high growth rate (16.2% y/y). Loan growth is gradually improving – total loans adjusted for exchange rate fluctuations climbed by 1.3% y/y, most in a year. Loans for households (FX adjusted) went up by 4.2% y/y, loans for companies fell “only” by 3% y/y (vs -5.4% y/y in June). The data showed an uninterrupted boom on PLN mortgage loans (11% y/y) and some recovery in consumer loans (0.5% y/y) after their earlier slowdown.

The **financial results of big companies** (with at least 50 employees) improved further in 2Q21. Both gross and net financial results in 2Q were the best in the recorded history, by 70% better than a year ago and 40% better than in 2Q19. In the 2Q21 the growth of operating costs have shoot up (27.6% y/y, highest since 1998) but this was accompanied by even faster revenues increase (30.0% y/y) while the gross sales margin increased to a record 7.3%. The main contribution to the rising costs came from materials, which is surely a function of the global supply chain issues. As can be seen, however, the corporates were able to efficiently pass the costs to the final customers, fuelling inflation. The investment outlays in 2Q21 were 11.0% higher than a year ago (and at 4.6% in 1Q21), which points to the fact that the investments rebound in the private sector keeps accelerating.

After 2Q21 the **local governments recorded a surplus** of PLN22.4bn, suggesting that the entire year could see a record high surplus and the entire general government balance is likely to be markedly better than expected in the 2021 budget act (-6% of GDP). Local government's investment declined by 11.3% y/y in 2Q21 after a decline by 18.6% y/y in 1Q21. In our view their investment spending is likely to stagnate also in the second half of the year, but we are expecting growth rates closer to zero than in first half of the year.

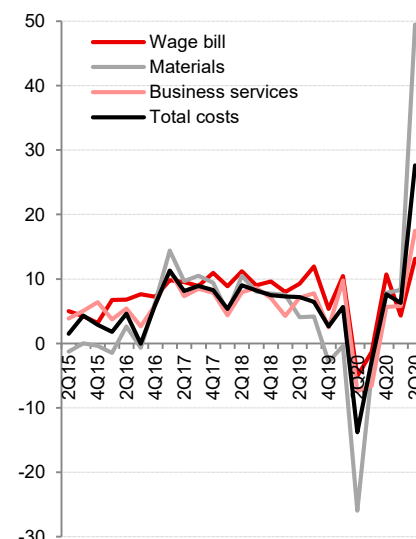
**EURUSD** jumped above 1.1700 to 1.1720 on Monday. A further upward move, to 1.1830 can happen if the Fed decided to postpone its decision on QE tapering. However, in our view a decline towards 1.1600 is more probable.

**EURPLN** started the week at 4.5820 and then declined to 4.57. Later the pair jumped to 4.59 again the end the day at 4.5850. In the upcoming days we are expecting EURPLN to exceed 4.60.

As for the **other CEE currencies**, EURHUF remained stable (350.0) and its MTD drop is already 2.4%. Today the MNB decides about interest rates and the market anticipates a rate hike by 30bp to 1.50%. EURCZK was hovering near 25.55, almost unchanged MTD. The ruble basket rose to test the important level 80.0 and we will see in the coming days if it proves successful. USDRUB fell to 74.15 amid slightly weaker dollar.

**On the Polish fixed income market** the IRS curve moved up by 5-6bp (5Y to 1.39%, 10Y to 1.70%), but still at low, holiday-type liquidity. Bond yield curve increased c.3bp (10Y to 1.73%) following the core markets, and so did the FRA curve.

Costs in big companies, % y/y



Source: GUS, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: ekonomia@santander.pl  
website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)  
Piotr Bielski +48 22 534 18 87  
Marcin Luzziński +48 22 534 18 85  
Wojciech Mazurkiewicz +48 22 534 18 86  
Grzegorz Ogonek +48 22 534 18 84

**FX market**

Today's opening			
EURPLN	4.5792	CZKPLN	0.1791
USDPLN	3.8999	HUFPLN*	1.2967
EURUSD	1.1743	RUBPLN	0.0527
CHFPLN	4.2692	NOKPLN	0.4371
GBPPLN	5.3585	DKKPLN	0.6122
USDCNY	6.4775	SEKPLN	0.4460

\*for 100HUF

Last session in the FX market						23/08/2021
	min	max	open	close	fixing	
EURPLN	4.574	4.590	4.574	4.583	4.588	
USDPLN	3.901	3.918	3.905	3.907	3.911	
EURUSD	1.171	1.174	1.172	1.173	-	

**Interest rate market** 23/08/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.47	8
DS0726 (5Y)	1.10	5
DS0432 (10Y)	1.74	4

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.52	1	0.17	0	-0.54	0
2L	0.86	3	0.31	0	-0.50	0
3L	1.10	3	0.53	-1	-0.46	0
4L	1.27	5	0.70	-1	-0.42	0
5L	1.40	6	0.84	-2	-0.38	-1
8L	1.60	8	1.13	-1	-0.23	0
10L	1.70	7	1.25	-1	-0.11	0

**WIBOR rates**

Term	%	Change (bps)
O/N	0.11	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	0.35	0

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

Term	%	Change (bps)
1x4	0.24	0
3x6	0.41	0
6x9	0.62	1
9x12	0.84	2
3x9	0.48	0
6x12	0.73	2

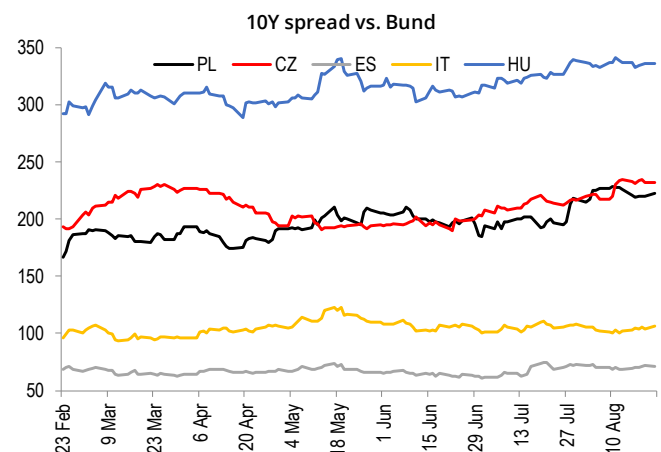
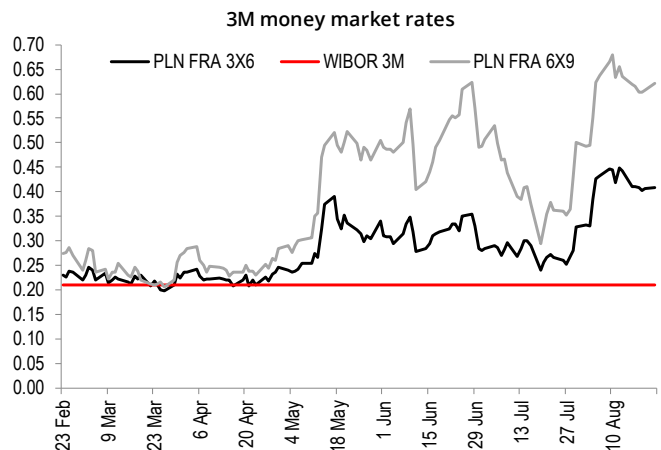
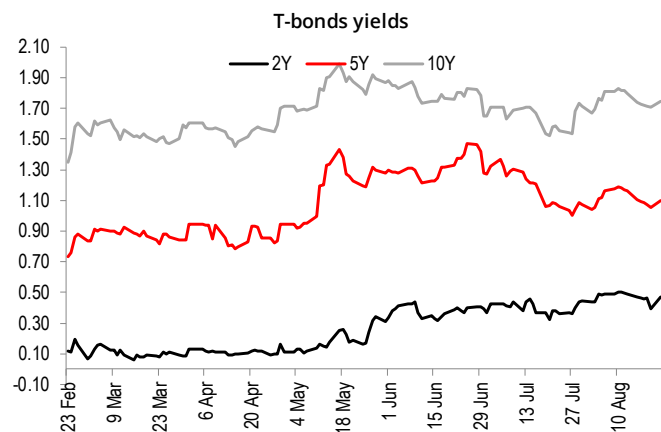
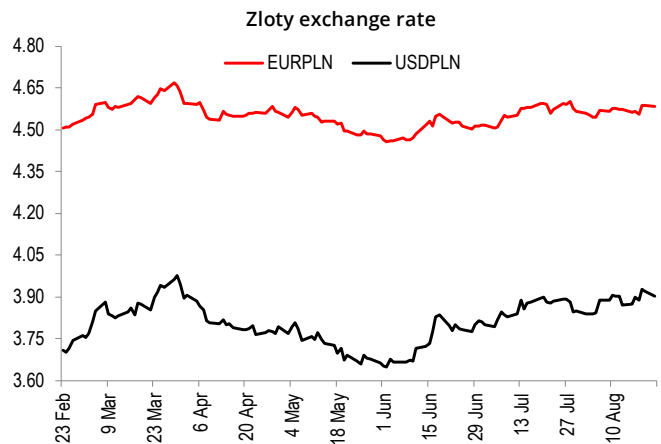
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	222	2
France	9	0	35	0
Hungary	55	0	336	0
Spain	30	0	72	0
Italy	43	0	106	2
Portugal	21	0	61	0
Ireland	12	0	39	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 (20 August)</b>								
10:00	PL	Construction Output	Jul	% y/y	6.8	7.0	3.3	4.4
10:00	PL	Retail Sales Real	Jul	% y/y	4.7	5.5	3.9	8.6
<b>MONDAY (23 August)</b>								
09:30	DE	Germany Manufacturing PMI	Aug	pts	65.0		62.7	65.9
09:30	DE	Markit Germany Services PMI	Aug	pts	61.0		61.5	61.8
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	62.0		61.5	62.8
10:00	EZ	Eurozone Services PMI	Aug	pts	59.5		59.7	59.8
14:00	PL	Money Supply M3	Jul	% y/y	8.2	8.3	8.8	7.4
16:00	US	Existing Home Sales	Jul	% m/m	-0.5		2.0	1.4
<b>TUESDAY (24 August)</b>								
08:00	DE	GDP WDA	2Q	% y/y	9.2		-	9.2
10:00	PL	Unemployment Rate	Jul	%	5.8	5.8	-	5.9
14:00	HU	Central Bank Rate Decision	Aug/21	%	1.5		-	1.2
16:00	US	New Home Sales	Jul	% m/m	3.6		-	-6.6
<b>WEDNESDAY (25 August)</b>								
10:00	DE	IFO Business Climate	Aug	pts	100.5		-	101.2
14:30	US	Durable Goods Orders	Jul	% m/m	-0.3		-	0.9
<b>THURSDAY (26 August)</b>								
14:30	US	GDP Annualized	2Q	% Q/Q	6.6		-	6.5
14:30	US	Initial Jobless Claims		k			-	348.0
<b>FRIDAY (27 August)</b>								
	DE	Retail Sales	Jul	% m/m			-	4.2
14:30	US	Personal Spending	Jul	% m/m	0.4		-	1.0
14:30	US	Personal Income	Jul	% m/m	0.2		-	0.1
14:30	US	PCE Deflator SA	Jul	% m/m	0.4		-	0.5
16:00	US	Michigan index	Aug	pts	70.9		-	70.2

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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.