

Eyeopener

Zloty steadily getting stronger

Today consumer confidence and unemployment rate

Abroad: GDP data and Fed minutes

Companies recorded improving results, M3 money supply below forecasts

EURPLN broke below 4.60, domestic bonds climbed again

Today GUS will publish May consumer confidence and April unemployment rate, among others. We will also see German 1Q GDP and minutes from the last FOMC meeting, possibly casting more light on the Fed's reaction function.

Companies employing 50+ persons saw further improvement of financial results. In 1Q22 their revenues were up 31.5% y/y and costs rose 30.6% y/y which led to an improvement of gross financial result by 43.9% y/y. Margins also rose (financial results to revenues) – their 4Q average was 6.9% and was the highest since the data are available. On the cost side there is a large pressure from materials (up some 45% y/y) and energy (up c.60%) and in our view the negative impact of these two categories will only grow. On the other side companies were still able to transmit the higher costs to prices and the record high margins do not have to collapse yet. Investments of companies employing 50+ were up 1.3% y/y in 1Q and this clear slowdown among larger enterprises is in line with our forecast for the whole economy at -1.0% y/y.

M3 money supply rose by 8.2% y/y in April, after 7.9% from March. Cash in circulation rose a bit less than before, 15.2% y/y vs. 16.7%. Deposits growth rose to 6.5% y/y from 5.8%. Term deposits rebounded significantly, by 23.6% y/y compared to +8.7% y/y in March. In m/m terms their increase was PLN33bn (the largest since the data are available, 1996). Credit growth increased somewhat, to 5.8% y/y from 5.5% (corrected for FX changes). The improvement was seen in corporate loans which rose by 11.5% y/y after 8.5% in March. On the other hand household loans continued to slow down, to 3.4% y/y from 4.1%. We expect the current trends in loans and deposits to keep going. In 2H22 the volumes of mortgage loans will be supported by the credit holidays imposed by the government (leading to slower repayment of the loans), which however will not reflect a qualitative change on the market.

Polish central budget balance improved to PLN9.2bn after April from -PLN0.3bn after March. The environment of very high nominal GDP growth is boosting total tax receipts, in April alone by 7% y/y, while the "anti-inflation" measures - zero or reduced VAT on basic food, fuel and energy - are decreasing revenues from indirect taxes (+0.3% y/y). The strong labour market with quickly accelerating wages and employment rise are supportive for PIT revenues (+13.2% y/y) while highly positive financial results of companies stand behind the CIT rise of 33.2% y/y in April. We expect the central budget balance to keep improving in the coming months but it will be hard to read from it the actual fiscal condition with much spending occurring via different channels. The full fiscal year outcome will most likely be determined again by the balance in the final month (in December 2020 and 2021 there were central budget deficits exceeding PLN70bn).

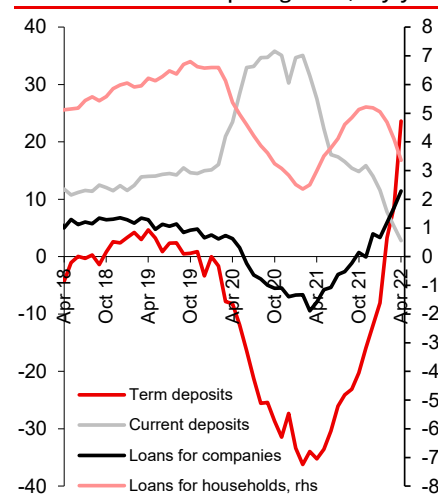
MPC's Rafal Sura cited by PAP said that the scale of rate hikes has to be adjusted to the new data on CPI and economic sentiment, and the forecasts. He also said that the Council has no set terminal rate or the time frame when it wants to keep tightening the policy as this would be difficult to set in advance even without the additional uncertainty related to the war in Ukraine.

EURUSD exceeded 1.07. EUR was supported by growing expectations for an imminent ending of the negative deposit rates policy in the Eurozone and weaker data from US real estate market (new home sales fell another month in a row, -16,6% m/m in April). **EURPLN** decreased to 4.60 from 4.61. During the day, after companies' financial results for 1Q and central budget results for April the exchange rate tried to attack 4.59, however, weaker US real estate data slightly cooled the market sentiment.

Other CEE currencies: EURCZK and EURHUF remained relatively stable on Tuesday. Deputy MNB governor Barnabas Virag stated in the interview that the pace of rate hikes may be lowered to 50bp from 100bp which were observed in the last months.

On the interest rate market on Tuesday the Polish yield curve went up. Despite the growing worries on core markets (especially in the USA) about the economic growth prospects, which in the past weeks have even gave an excuse for a downside correction of the Polish curve, the 1Q company results proved another local publication confirming the growing price pressure and no signs of slowdown in Poland. Expectations about interest rate hikes rose some more.

Poland's credit and deposit growth, % y/y



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.5932	CZKPLN	0.1862
USDPLN	4.2929	HUFPLN*	1.1890
EURUSD	1.0697	RUBPLN	0.0757
CHFPLN	4.4582	NOKPLN	0.4473
GBPPLN	5.3794	DKKPLN	0.6172
USDCNY	6.6708	SEKPLN	0.4380

*for 100HUF

Last session in the FX market						24/05/2022
	min	max	open	close	fixing	
EURPLN	4.590	4.614	4.612	4.600	4.611	
USDPLN	4.273	4.328	4.324	4.282	4.307	
EURUSD	1.066	1.075	1.066	1.074	-	

Interest rate market 24/05/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.32	0
DS0726 (5Y)	6.78	5
DS0432 (10Y)	6.57	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.39	5	2.51	-8	0.39	-1
2L	7.13	3	2.79	-10	0.94	-5
3L	6.78	3	2.77	-14	1.14	-6
4L	6.48	1	2.76	-13	1.27	-5
5L	6.28	1	2.75	-12	1.37	-5
8L	5.99	-2	2.76	-11	1.58	-4
10L	5.94	-1	2.79	-9	1.69	-4

WIBOR rates

Term	%	Change (bps)
O/N	5.07	-1
T/N	5.21	2
SW	5.35	2
2W	5.40	1
1M	5.69	-2
3M	6.50	2
6M	6.71	1
1Y	6.82	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.98	4
3x6	7.35	2
6x9	7.49	4
9x12	7.46	7
3x9	7.54	2
6x12	7.65	5

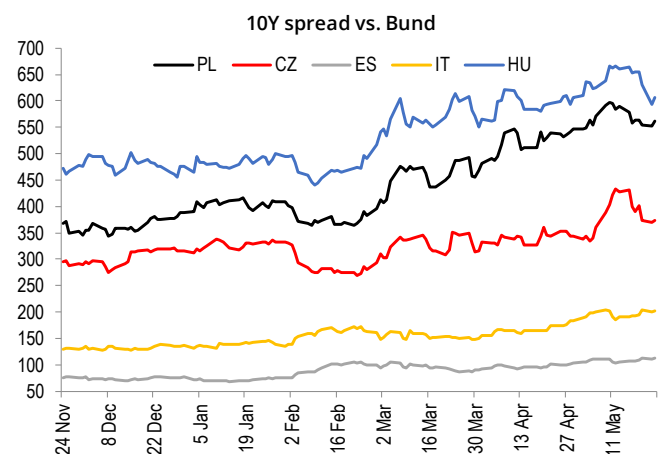
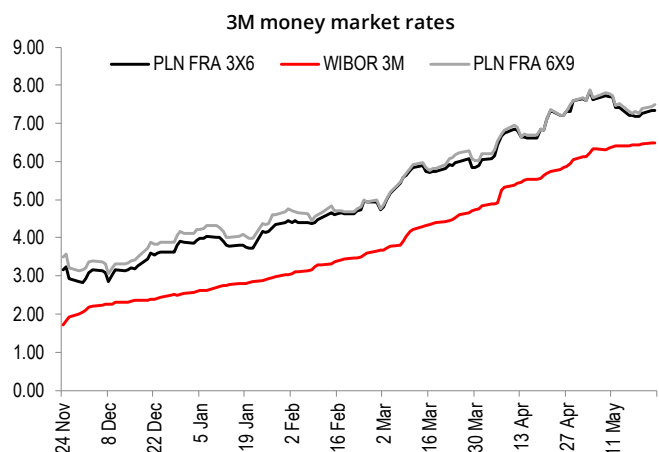
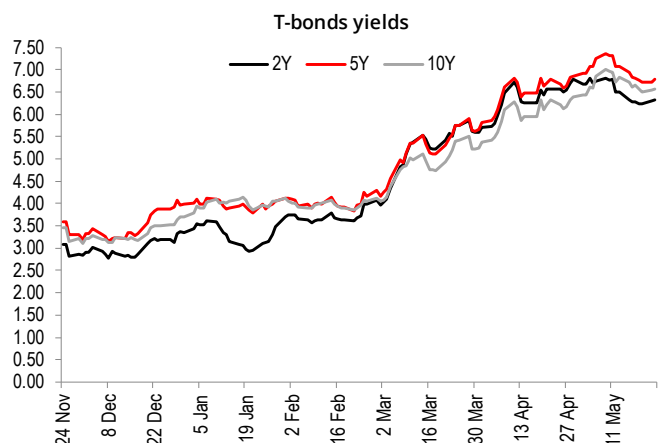
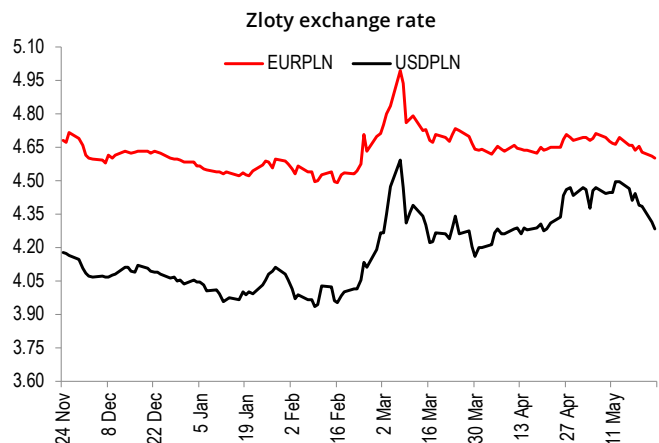
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	116	1	562	10
France	12	0	54	2
Hungary	132	2	606	12
Spain	55	0	113	2
Italy	65	0	202	1
Portugal	43	0	118	2
Ireland	13	0	62	2
Germany	9	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 (20 May)								
10:00	PL	Employment in corporate sector	Apr	% y/y	2.7	2.8	2.8	2.4
10:00	PL	Sold Industrial Output	Apr	% y/y	14.5	12.3	13.0	17.3
10:00	PL	PPI	Apr	% y/y	20.3	20.5	23.3	20.0
10:00	PL	Average Gross Wages	Apr	% y/y	12.3	12.4	14.1	12.4
MONDAY (23 May)								
10:00	DE	IFO Business Climate	May	pts	91.4	-	93.0	91.8
10:00	PL	Construction Output	Apr	% y/y	18.9	18.5	9.3	27.6
10:00	PL	Retail Sales Real	Apr	% y/y	16.1	17.1	19.0	9.6
TUESDAY (24 May)								
09:30	DE	Germany Manufacturing PMI	May	pts	54.0	-	54.7	54.6
09:30	DE	Markit Germany Services PMI	May	pts	57.2	-	56.3	57.6
10:00	EZ	Eurozone Manufacturing PMI	May	pts	54.7	-	54.4	55.5
10:00	EZ	Eurozone Services PMI	May	pts	57.5	-	56.3	57.7
14:00	PL	Money Supply M3	Apr	% y/y	8.4	8.8	8.2	7.9
16:00	US	New Home Sales	Apr	% m/m	-1.7	-	-16.6	-10.5
WEDNESDAY (25 May)								
08:00	DE	GDP WDA	1Q	% y/y	3.7	-	3.8	3.7
10:00	PL	Unemployment Rate	Apr	%	5.3	5.3	-	5.4
14:30	US	Durable Goods Orders	Apr	% m/m	0.6	-	-	0.8
20:00	US	FOMC Meeting Minutes	May.22					
THURSDAY (26 May)								
14:30	US	GDP Annualized	1Q	% Q/Q	-1.3	-	-	-1.4
14:30	US	Initial Jobless Claims	May.22	k	210.0	-	-	218.0
16:00	US	Pending Home Sales	Apr	% m/m	-1.9	-	-	-1.24
FRIDAY (27 May)								
14:30	US	Personal Spending	Apr	% m/m	0.6	-	-	1.1
14:30	US	Personal Income	Apr	% m/m	0.5	-	-	0.5
14:30	US	PCE Deflator SA	Apr	% m/m	0.2	-	-	0.9
16:00	US	Michigan index	May	pts	59.1	-	-	59.1

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

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