

# Eyeopener

## Today PMIs in manufacturing

Today PMI for manufacturing in Poland in May, possible approval of Recovery Plan  
Weak consumption but rebound of investment in 1Q, inflation close to 14%  
National Bank of Hungary hiked rates by 50bp, half of move in April  
Domestic yields rose after CPI data, EURPLN close to 4.58

**Today** we will get to see **Polish manufacturing PMI for May**. We expect to see a slightly lower print in response to weaker external demand and trade distortions, but this would only be a prelude to a greater deceleration later in the year. Also on the agenda today are PMIs from Germany, Eurozone and the USA, which are going to give at least a partial answer if there is already a gradual economic slowdown. We also expect to receive today a gift from the European Commission in the form of local recovery plan approval.

**GDP growth in 1Q22** rose 8.5% y/y. Private consumption performed quite poorly, but fixed investments surged, providing a positive surprise. The strongest growth contributor was stock building. We view the very good Q1 GDP data as the swan song of an exceptionally robust post-pandemic recovery. In the following quarters we expect GDP growth to decelerate, which could lead us into a technical recession in the second half of the year. As a result, annual GDP growth may slow down from 8.5% y/y in Q1 to around 1% y/y in Q4. This will create a low starting point for economic growth in 2023. **Flash CPI jumped in May** to 13.9% y/y from 12.4%. Even though the headline reading was a notch below our forecast we still have to say that the May CPI data is another strong argument for restrictive monetary policy, given the larger-than-expected increase in core inflation. The MPC can deliver a 75bp rate hike on 8 June. Read more in [Economic comment](#).

**Deputy finance minister Sebastian Skuza** told PAP that this year's borrowing needs are covered in 75% in gross terms. Government accounts held PLN108bn at the end of May compared to PLN87.5bn after April.

**Inflation in the euro zone** increased to 8.1% y/y in May vs expected 7.8% y/y and April's 7.4%. HICP excluding prices of food and energy rose 4.4% vs. expected 3.9% and previous 3.9%. Next upward inflation surprises increase the pressure on the ECB to start normalising the monetary policy quickly. **US Conference Board index** of consumer confidence soared in May to 106.4, above market consensus (103.8) but below April's level (108.6 revised from 107.3). Today in the morning **German retail sales** data for April were weaker than expected.

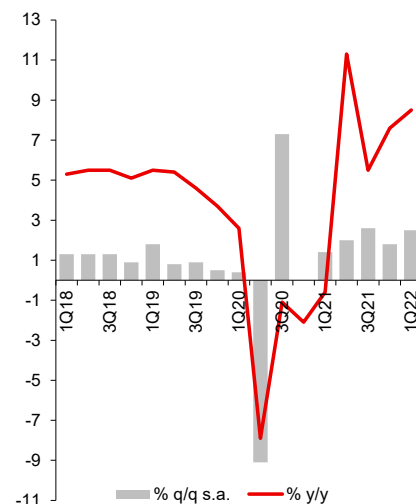
**EURUSD** remains in an upward trend headed towards 1.08. The higher-than-expected inflation reading for May from the euro zone fuelled expectations for faster ECB rate hikes. Although the exchange rate tried to make a correction below 1.07 after consumer confidence reading from the US, it quickly returned above this level. EU embargo on Russian oil transported by tankers may additionally strengthen expectations for a faster ECB monetary policy normalisation, lifting the euro further.

**EURPLN** stayed around 4.58 despite higher-than-expected domestic CPI inflation in May. Attempts to strengthen the dollar backed by increasing pressure on the Fed to hike rates further acted prevented PLN from the appreciation.

As for the **other currencies of the CEE region**: EURHUF rose to about 396 from 394. The Hungarian central bank decided to reduce the pace of monetary tightening by half (in line with the earlier remarks by deputy governor Barnabas Virag) and this worked against the forint. EURCZK remains slightly above 24.70 waiting for nominations to the CNB board.

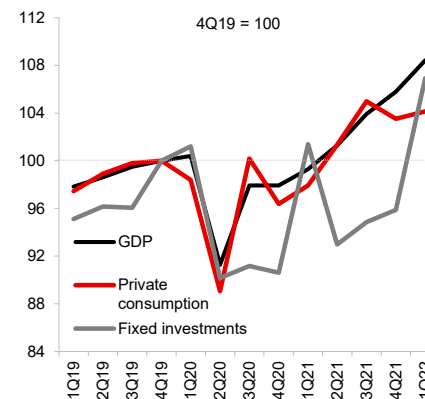
**Debt market**: Above-consensus domestic CPI data moved up the local yield curve, although stronger at the short than at the long end. IRS curve also increased. Amid rising inflationary pressure, market will anticipate the NBP interest rate decision. Core markets also saw rising yields. Higher than expected inflation in the euro area and the agreed embargo on Russian oil transported by sea, which boosted already high prices of crude oil, were negative for German Bunds. US debt was negatively affected by solid reading of Conference Board consumer confidence and another rise of rate hike expectations.

Polish GDP growth



Source: GUS, Santander

Level of GDP and main components, seasonally adjusted data



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5793	CZKPLN	0.1849
USDPLN	4.2724	HUFPLN*	1.1512
EURUSD	1.0712	RUBPLN	0.0700
CHFPLN	4.4510	NOKPLN	0.4546
GBPPLN	5.3785	DKKPLN	0.6153
USDCNY	6.6918	SEKPLN	0.4359

\*for 100HUF

Last session in the FX market						31/05/2022
	min	max	open	close	fixing	
EURPLN	4.563	4.588	4.582	4.581	4.576	
USDPLN	4.256	4.289	4.264	4.268	4.265	
EURUSD	1.068	1.076	1.074	1.073	-	

**Interest rate market** 31/05/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.71	20
DS0726 (5Y)	6.96	7
DS0432 (10Y)	6.63	1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.66	0	2.62	5	0.46	3
2L	7.43	3	2.88	-1	1.08	7
3L	7.13	5	2.89	-1	1.30	8
4L	6.88	7	2.86	9	1.43	8
5L	6.71	8	2.85	8	1.52	8
8L	6.43	8	2.87	10	1.73	8
10L	6.34	7	2.91	11	1.85	8

**WIBOR rates**

Term	%	Change (bps)
O/N	5.36	-7
T/N	5.39	10
SW	5.45	3
2W	5.69	7
1M	5.89	5
3M	6.59	3
6M	6.79	2
1Y	6.88	2

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

Term	%	Change (bps)
1x4	7.10	1
3x6	7.62	-1
6x9	7.76	-4
9x12	7.77	0
3x9	7.78	-4
6x12	7.94	-2

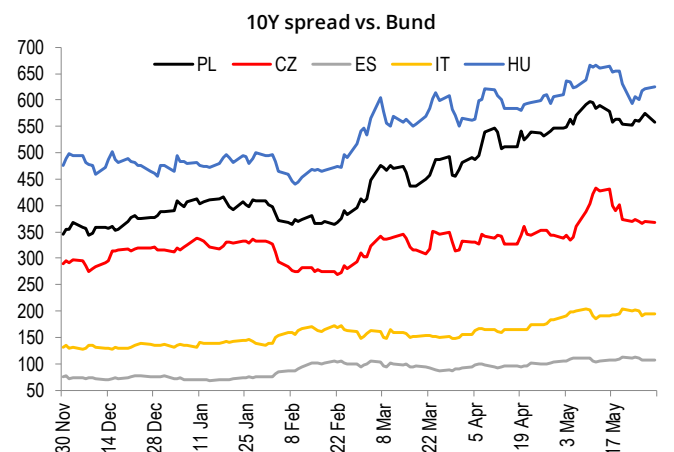
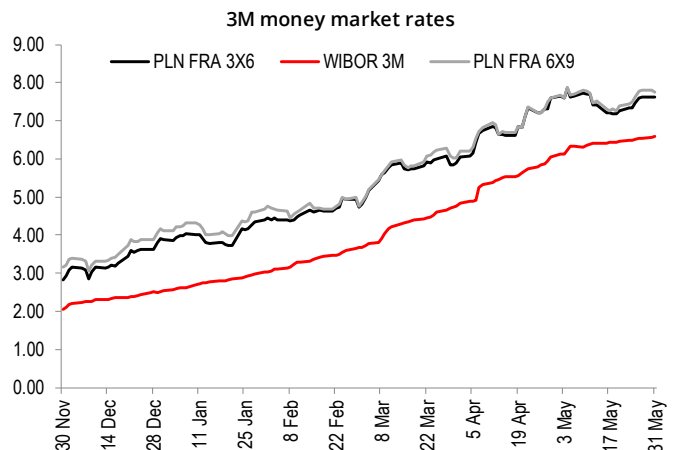
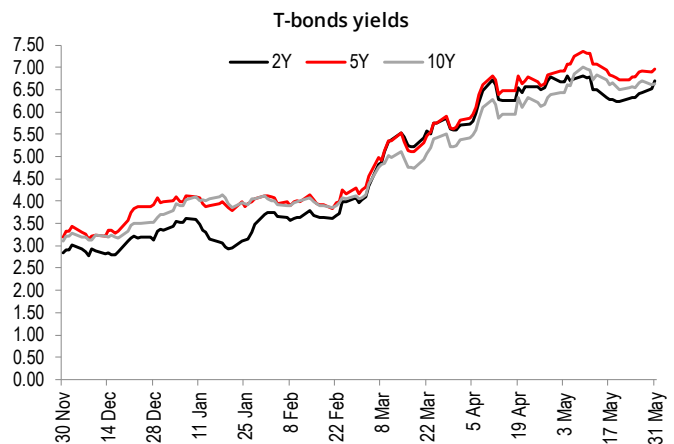
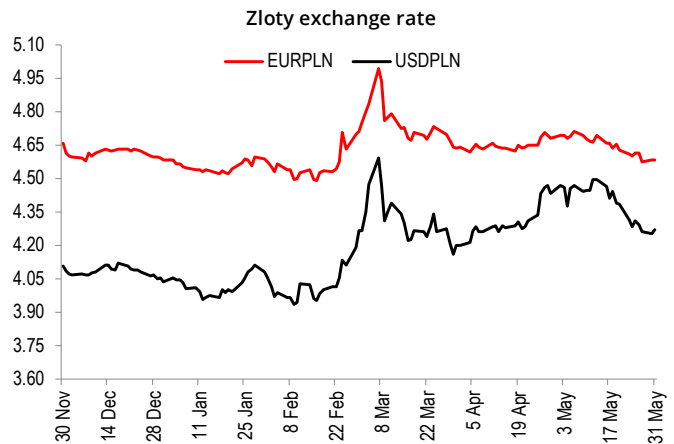
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	108	-2	557	-17
France	10	0	51	-2
Hungary	130	5	626	4
Spain	54	2	107	0
Italy	63	3	194	1
Portugal	43	1	113	0
Ireland	13	0	59	-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			
<b>FRIDAY (27 V)</b>								
14:30	US	Personal Spending	IV	% m/m	0.6	-	0.9	1.4
14:30	US	Personal Income	IV	% m/m	0.5	-	0.4	0.5
14:30	US	PCE Deflator SA	IV	% m/m	0.2	-	0.2	0.9
16:00	US	Michigan index	V	pts	59.1	-	58.4	59.1
<b>MONDAY (30 V)</b>								
11:00	EZ	ESI	V	pts	104.9	-	105.0	104.9
14:00	DE	Flash HICP inflation	V	% m/m	0.5	-	1.1	0.7
<b>TUESDAY (31 V)</b>								
09:00	CZ	Flash GDP	1Q	% y/y	4.6	-	4.8	4.6
<b>10:00</b>	<b>PL</b>	<b>Flash CPI</b>	<b>V</b>	<b>% y/y</b>	<b>13.5</b>	<b>14.0</b>	<b>13.9</b>	<b>12.4</b>
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>1Q</b>	<b>% y/y</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>7.6</b>
11:00	EZ	Flash HICP inflation	V	% y/y	7.7	-	8.1	7.5
14:00	HU	NBH Policy rate		%		5.9	5.9	5.4
16:00	US	Consumer confidence	V	pts	103.9	-	106.4	107.3
<b>WEDNESDAY (1 Jun)</b>								
<b>09:00</b>	<b>PL</b>	<b>Manufacturing PMI</b>	<b>V</b>	<b>pts</b>	<b>52.3</b>	<b>51.9</b>	<b>-</b>	<b>52.4</b>
09:00	HU	GDP	1Q	% y/y	8.2	-	-	7.1
09:55	DE	Manufacturing PMI	V	pts	54.0	-	-	54.6
10:00	EZ	Manufacturing PMI	V	pts	54.7	-	-	55.5
11:00	EZ	Unemployment rate	IV	%	-	-	-	6.8
16:00	US	ISM Manufacturing	V	pts	55.0	-	-	55.4
<b>THURSDAY (2 Jun)</b>								
14:15	US	ADP Employment change	V	k	302.0	-	-	247.0
14:30	US	Initial Jobless Claims	1Q	k	215.0	-	-	210.0
16:00	US	Durable goods orders	V	% m/m	-	-	-	0.4
16:00	US	Factory orders	V	% m/m	0.8	-	-	1.8
<b>FRIDAY (3 Jun)</b>								
08:00	DE	Export	IV	% m/m	-	-	-	-3.0
09:55	DE	Services PMI	V	pts	57.1	-	-	57.6
10:00	EZ	Services PMI	V	pts	57.4	-	-	57.7
11:00	EZ	Retail sales	IV	% m/m	-	-	-	-0.4
14:30	US	Non-farm payrolls	V	k	-	-	-	428.0
14:30	US	Unemployment rate	V	pts	3.5	-	-	3.6
16:00	US	ISM Services	V	pts	-	-	-	57.1

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

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