

Eyeopener

Consumer confidence collapsed

Today unemployment rate for Poland, German Ifo
Consumer confidence collapsed in May, business sentiment also lower
EURPLN rose above 4.70, bond yields and IRS keep falling

Today, we will see Polish unemployment rate, which likely fell in May, plus a set of detailed data from the CSO Statistical Bulletin. The German Ifo sentiment index - if disappoints - could deepen recessionary sentiment in Europe, pushing yields even lower.

Consumer confidence was much worse in June than in May. The current assessment index recorded the lowest level ever (data since 2004). Values at (or near) record lows were seen in households' perception of their current and future finances and the current and future shape of the economy, and also in the major purchases index. The pessimism is coming from high inflation environment, while the index of job security is still above its long-term average. The surprisingly weak consumer confidence reading adds to our worries about future private consumption.

All seasonally-adjusted **sectoral business sentiment** indicators dropped in June. The largest decline was seen in hotels and restaurants, financial and insurance companies, and in wholesale trade. The worsening of the sentiment was almost entirely coming from lower expectations indices. The sentiment index for industry is not as low as the March reading, depressed by the war in Ukraine, but at the same time this is its second lowest reading in 1.5 years. Additional questions regarding the impact of the war in Ukraine showed that still around 25-35% companies are feeling serious or very serious negative effects (only retail trade sector stood out as much less affected with the share at 16.5%.

M3 money supply rose by 7.6% y/y in May after 8.2% in April. The market expected the previous pace to be maintained while we thought there could be a slowdown to 7.8% y/y. Cash in circulation declined by 1.6% m/m which is an unusual behaviour (the average May change for the last 8 years was +1.1% m/m). At the same time the value of household loans dropped by 0.5% m/m or PLN4.5bn. Annual growth rate of deposits was similar as in April (6.3% y/y for total deposits, +2.3% y/y for household deposits and +8.8% y/y for corporate deposits). The growth of demand deposits kept shrinking, in May to 0.3% y/y from 3.2% while term deposits accelerated to 35.2% y/y from 23.6%. The increase of credit, corrected for exchange rate moves, was 5.3% y/y vs. 5.8% previously. It included a rise of household loans by 2.5% (the weakest since February 2021, and a rise of corporate loans by 11.7% y/y - the highest since mid-2012. The value of PLN-denominated mortgage loan portfolio was up 8.7% y/y (down from 10.1% y/y) and it was the growth rate since 2009. If credit holidays enter into force it will mean a greatly reduced pace of repayments and will thus support the growth of the portfolio value.

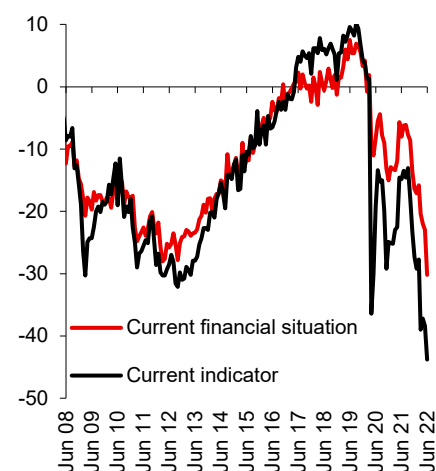
EURUSD fell on Thursday to around 1.05. Weak PMI readings from Europe and the US worsened the global market sentiment which, in turn, strengthened the dollar. This morning a slight upward rebound is taking place.

EURPLN rose from around 4.70 to c.4.71. Apart from falling bond yields and lower expectations about the peak NBP rate in this cycle, the zloty was losing due to the weaker-than-expected PMI data from Europe. During the day there were attempts to break above 4.72, but eventually the exchange rate retreated in the afternoon.

Other CEE currencies: EURCZK stayed close to 24.74. EURHUF approached again the psychological level of 400, which has been touched this morning. The forint was negatively affected by the Hungarian central bank's decision to leave the weekly deposit rate unchanged (last week it was raised by 50bp) and the information that by the end of May the Hungarian budget deficit had already met 86% of the level planned for the whole year.

Debt market: The declines in domestic yields and IRS rates continued on Thursday. The yield curve fell by about 30 bp, and IRS rates by about 45 bp. Since Monday's peak of 8.16%, the Polish 10-year yield has already fallen by over 115 bp. Concerns about a global economic slowdown as a result of a more aggressive stance by major central banks coincided with lower-than-expected domestic industrial and labor market data, which reinforced the National Bank of Poland's narrative about the imminent end of the rate hike cycle. As a result, rate target expectations in the FRA market started to fall well below the 8% level, and demand for domestic debt started to rise sharply. Thursday's auction of MF bonds only confirmed these trends, with demand close to PLN 6.9 billion from a supply of around PLN 4 billion.

Consumer confidence in Poland



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Jarosław Kosaty +48 887 842 480
Marcin Luzziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.7003	CZKPLN	0.1896
USDPLN	4.4621	HUFPLN*	1.1655
EURUSD	1.0534	RUBPLN	0.0836
CHFPLN	4.6435	NOKPLN	0.4480
GBPPLN	5.4683	DKKPLN	0.6316
USDCNY	6.6972	SEKPLN	0.4389

*for 100HUF

Last session in the FX market 23/06/2022

	min	max	open	close	fixing
EURPLN	4.692	4.721	4.696	4.704	4.710
USDPLN	4.437	4.494	4.443	4.476	4.488
EURUSD	1.048	1.058	1.057	1.050	-

Interest rate market 23/06/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.47	-26
DS0726 (5Y)	7.27	-37
DS0432 (10Y)	7.00	-22

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.83	-26	3.29	-4	0.90	-10
2L	7.61	-33	3.37	-7	1.53	-21
3L	7.26	-38	3.26	-8	1.69	-28
4L	6.97	-43	3.20	-9	1.82	-27
5L	6.80	-45	3.17	-9	1.92	-26
8L	6.60	-46	3.13	-8	2.11	-22
10L	6.59	-43	3.15	-7	2.23	-21

WIBOR rates

Term	%	Change (bps)
O/N	5.73	-5
T/N	6.00	-1
SW	6.13	0
2W	6.25	5
1M	6.49	0
3M	6.98	1
6M	7.26	2
1Y	7.44	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.43	-9
3x6	7.75	-27
6x9	7.90	-31
9x12	7.84	-32
3x9	7.96	-31
6x12	8.06	-37

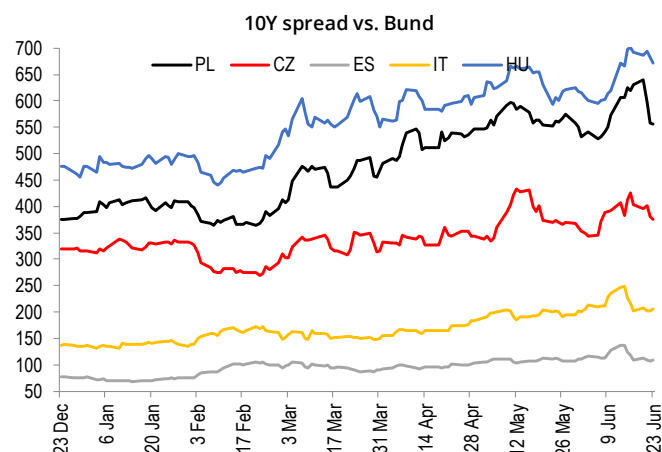
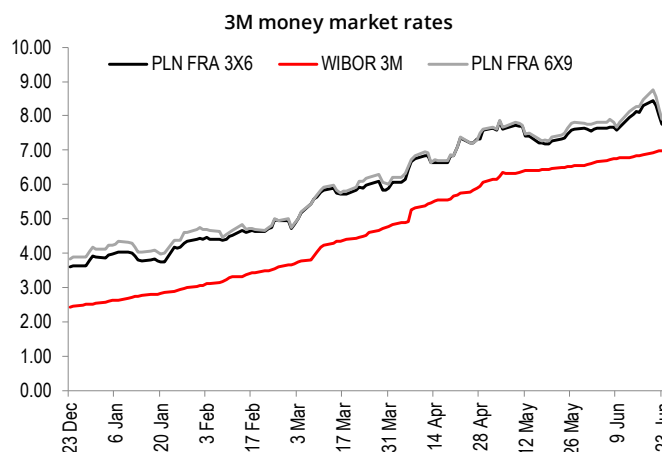
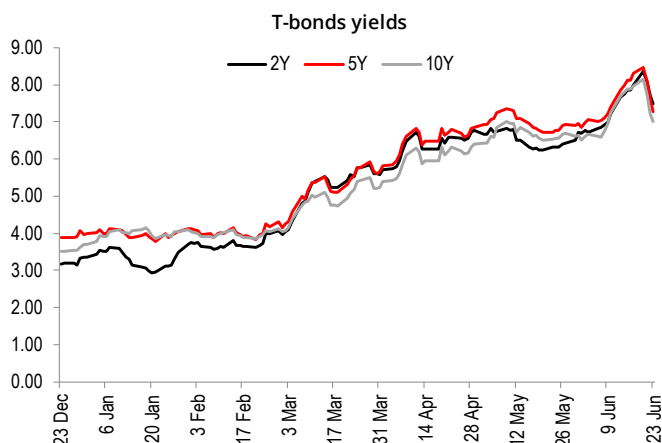
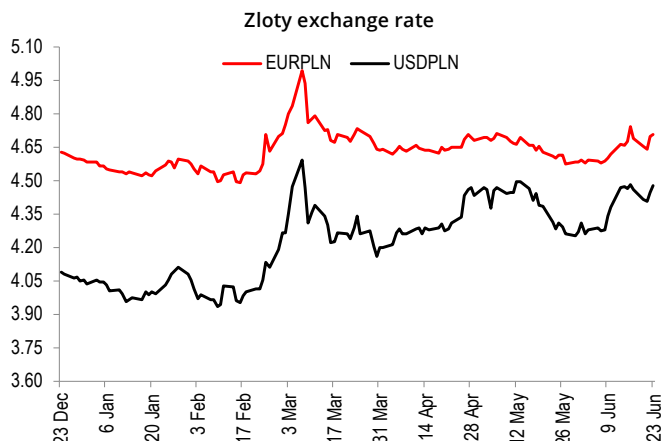
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	112	2	556	-3
France	13	2	55	1
Hungary	159	5	671	-12
Spain	58	5	109	2
Italy	63	2	205	4
Portugal	45	5	107	2
Ireland	13	0	63	-2
Germany	10	1	-	-

* 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 (17 Jun)									
11:00	EZ	HICP	May	% y/y	8.1	-	8.1	8.1	
14:00	PL	CPI Core	May	% y/y	8.5	8.5	8.5	7.7	
15:15	US	Industrial Production	May	% m/m	0.4	-	0.2	1.4	
MONDAY (20 Jun)									
	US	Market holiday							
TUESDAY (21 Jun)									
10:00	PL	Employment in corporate sector	May	% y/y	2.6	2.6	2.4	2.8	
10:00	PL	Sold Industrial Output	May	% y/y	16.7	17.3	15	13	
10:00	PL	PPI	May	% y/y	24.7	24.8	24.7	23.3	
10:00	PL	Average Gross Wages	May	% y/y	15.0	14.5	13.5	14.1	
16:00	US	Existing Home Sales	May	% m/m	-3.7	-	-3,4	-2.43	
WEDNESDAY (22 Jun)									
10:00	PL	Construction Output	May	% y/y	8.0	8.6	13	9.3	
10:00	PL	Retail Sales Real	May	% y/y	8.8	8.6	8.2	19	
14:30	CZ	Central Bank Rate Decision		%	6.88	-	7	5.75	
THURSDAY (23 Jun)									
09:30	DE	Flash Manufacturing PMI	Jun	pts	54.0	-	52	54.8	
09:30	DE	Flash Services PMI	Jun	pts	54.5	-	52.4	55	
10:00	EZ	Flash Manufacturing PMI	Jun	pts	53.8	-	52	54.6	
10:00	EZ	Flash Services PMI	Jun	pts	55.5	-	52.8	56.1	
14:00	PL	Money Supply M3	May	% y/y	8.2	7.8	7.6	8.2	
FRIDAY (24 Jun)									
10:00	DE	Ifo Business Climate	Jun	pts	92.7	-		93	
10:00	PL	Unemployment Rate	May	%	5.1	5.1		5.2	
16:00	US	New Home Sales	May	% m/m	0.7	-		-16.6	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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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.