

25 July 2022

Eyeopener

Fitch confirms Poland's rating

Statistical bulletin today, in Germany Ifo
M3 money supply slows, domestic business indicators down
PMI indicators decline in Europe
Another day of strong declines in domestic yields

Today in Poland we will get to see the Statistical Bulletin with additional economic data, in Germany the Ifo indicator is due for release.

PMIs for the euro area and Germany declined in July under the influence of weak new orders inflows and lower employment. Sentiment was also negatively affected by the spectre of energy availability problems. The PMI indicators forecast a marked decline in economic activity in the euro area in 3Q2022.

M3 money supply slowed in June to 6.5% y/y from 7.6% y/y in May. The strong decline was driven by a reduction in the dynamics of cash (10.7% y/y vs. 12.8% y/y in May) and deposits (5.5% y/y from 6.3% y/y in May). The growth rate of term deposits continued to improve (49.1% y/y against 35.2% y/y in May) with a decline in current deposits (-3.1% y/y against 0.4% y/y in May). Loan growth slowed only slightly to 5.2% y/y from 5.3% y/y after accounting for exchange rate differences, with loans to individuals slowing to 1.3% y/y from 2.5% y/y and loans to businesses accelerating to 13.2% y/y from 11.7% y/y. In our view, the decline in deposits with a fairly stable growth trend in total loans may be an effect of strong sales of retail government bonds. We expect a further decline in loan growth in the coming months, with corporate loans somewhat more resilient.

GUS July business climate indicators worsened for manufacturing, construction, trade and transportation, and improved slightly in accommodation and catering, finance and insurance, and information and communication. Nonetheless, all were clearly below their long-term averages, and the index for manufacturing was lower than in March when it had tumbled on the outbreak of the war in Ukraine. The behaviour of the indicators is consistent with our expectations of a clear economic slowdown in Poland.

MPC's Przemysław Litwiniuk said that he considers the 100bp rate hike in April a "hysterical" move which did not serve the Council's credibility and aimed at strengthening the zloty.

The International Grains Council lowered its forecast for the global grain harvest in the 2022/23 season to 2252 million tons from 2292 million tons in the 2021/22 season.

Fitch rating agency affirmed Poland's grade at "A-" with a stable outlook. The agency noted, however, that there are growing risks to fiscal transparency in Poland, with more and more spending placed outside the central budget, lowering fiscal policy oversight and increasing contingent liabilities, which stood at 15% of GDP in May vs. 4.9% at the end of 2019.

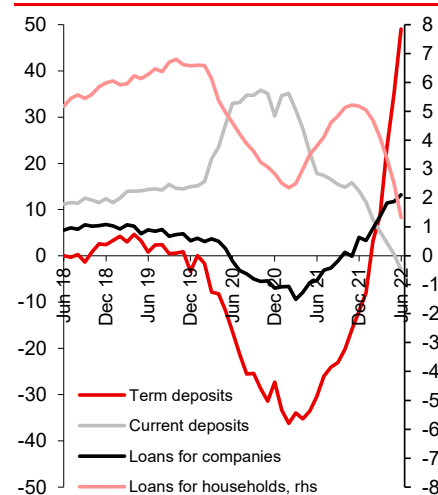
EURUSD fluctuated around the level of 1.02. The exchange rate tried to descend towards 1.01 after weaker-than-expected June PMI data from Germany and the Eurozone, but by the end of the day it returned again to the vicinity of the opening levels after weak service sector PMI data from the US. An unfavourable factor for the euro is the political crisis in Italy and the upcoming Fed meeting, where the market expects a 75bp hike.

EURPLN slipped from around 4.76 to near 4.74. The zloty was supported by Fitch maintaining Poland's credit rating at "A-".

Other CEE currencies: **EURCZK** remained around 24.53. **EURHUF** ended the day near its opening levels, i.e. near 496.

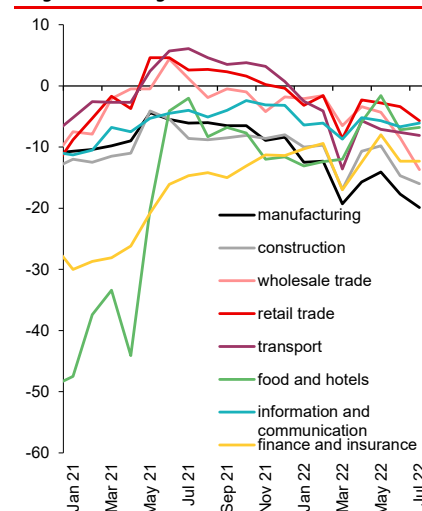
Debt market: Friday was another day of strong declines in the domestic curve. The largest declines of more than 20 bps were at the longer end of the curve and were related to growing recessionary fears in the country and the world. Friday's PMI data from Germany, Eurozone and the US for June only multiplied them. Core markets also saw strong declines. German and US 10-year yields fell about 15 bps each.

Loans and deposits, % y/y



Source: NBP, Santander

Business climate indicators, pts, deviation from long-term average



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,7390	CZKPLN	0,1924
USDPLN	4,6487	HUFPLN*	1,1834
EURUSD	1,0197	RUBPLN	0,0810
CHFPLN	4,8221	NOKPLN	0,4668
GBPPLN	5,5586	DKKPLN	0,6359
USDCNY	6,7532	SEKPLN	0,4530

*for 100HUF

Last session in the FX market 22.07.2022

	min	max	open	close	fixing
EURPLN	4,7344	4,7760	4,7612	4,7410	4,7643
USDPLN	4,6215	4,7072	4,6762	4,6362	4,692
EURUSD	1,0128	1,0255	1,0179	1,0225	-

Interest rate market 22.07.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7,03	-7
DS0726 (5Y)	6,21	-32
DS0432 (10Y)	5,91	-28

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,48	-1	3,36	-10	1,01	-12
2L	7,06	-9	3,18	-13	1,28	-19
3L	6,57	-11	2,96	-16	1,36	-19
4L	6,21	-12	2,86	-15	1,45	-19
5L	5,98	-16	2,82	-14	1,54	-21
8L	5,73	-16	2,78	-13	1,74	-18
10L	5,71	-19	2,81	-13	1,86	-16

WIBOR rates

Term	%	Change (bps)
O/N	6,45	12
T/N	6,51	2
SW	6,64	-1
2W	6,65	0
1M	6,70	0
3M	7,00	0
6M	7,29	0
1Y	7,44	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7,08	0
3x6	7,37	-1
6x9	7,46	-2
9x12	7,27	-8
3x9	7,56	-7
6x12	7,61	-3

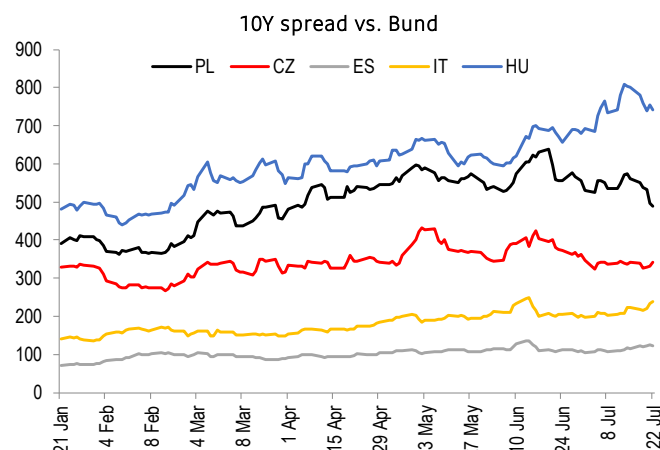
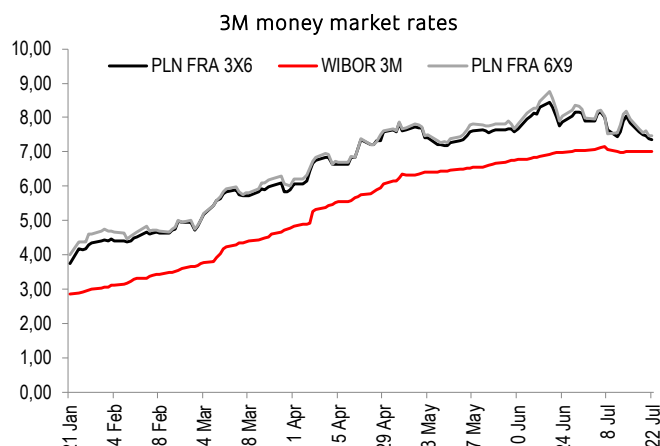
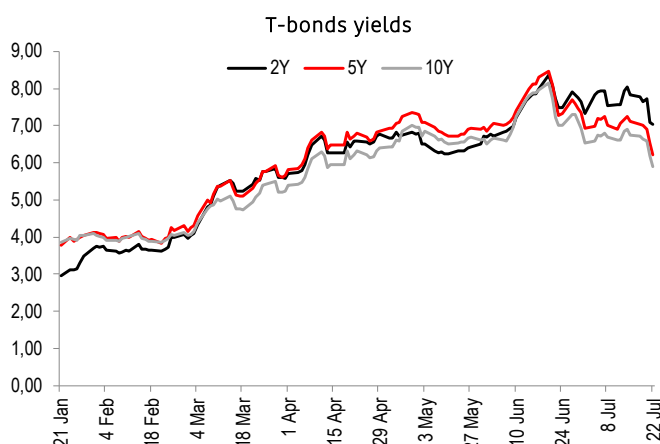
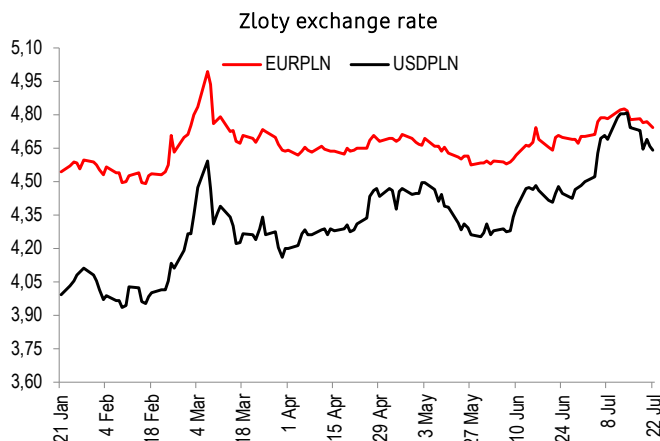
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	132	2	489	-8
France	15	0	59	0
Hungary	206	-2	741	-13
Spain	63	-4	123	-2
Italy	73	-2	240	6
Portugal	45	-5	117	-1
Ireland	15	0	63	2
Germany	14	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 (22 July)							
09:30	DE	Germany Manufacturing PMI	Jul	pts	50.9	49.2	52.0
09:30	DE	Markit Germany Services PMI	Jul	pts	51.4	49.2	52.4
10:00	EZ	Eurozone Manufacturing PMI	Jul	pts	51.0	49.6	52.1
10:00	EZ	Eurozone Services PMI	Jul	pts	52.0	50.6	53.0
14:00	PL	Money Supply M3	Jun	% y/y	7.7	7.6	6.5
MONDAY (25 July)							
10:00	DE	IFO Business Climate	Jul	pts	90.3		92.3
10:00	PL	Unemployment Rate	Jun	%	4.9	4.9	5.1
TUESDAY (26 July)							
14:00	HU	Central Bank Rate Decision		%	10.75		9.75
16:00	US	New Home Sales	Jun	% m/m	-3.4		10.7
WEDNESDAY (27 July)							
14:30	US	Durable Goods Orders	Jun	% m/m	-0.5		0.8
16:00	US	Pending Home Sales	Jun	% m/m			0.7
20:00	US	FOMC decision		%	2.50		1.75
THURSDAY (28 July)							
11:00	EZ	ESI	Jul	pct.	102.0		104.0
14:00	DE	HICP	Jul	% y/y	8.1		8.2
14:30	US	GDP Annualized	2Q	% Q/Q	0.5		-1.6
14:30	US	Initial Jobless Claims		k	240.0		251.0
FRIDAY (29 July)							
09:00	CZ	GDP SA	2Q	% y/y	3.4		4.9
10:00	PL	CPI	Jul	% y/y	15.6	15.2	15.5
10:00	DE	GDP WDA	2Q	% y/y	1.7		3.8
11:00	EZ	Flash HICP	Jul	% y/y	8.7		8.6
11:00	EZ	GDP SA	2Q	% y/y	3.4		5.4
14:30	US	Personal Spending	Jun	% m/m	0.8		0.2
14:30	US	Personal Income	Jun	% m/m	0.5		0.5
14:30	US	PCE Deflator SA	Jun	% m/m	0.9		0.6
16:00	US	Michigan index	Jul	pts	51.1		51.1

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

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