

2 August 2022

Eyeopener

PMI confirms slowdown

Polish PMI strongly down
 German retail sales declined markedly in June
 US manufacturing ISM above expectations but weakest since 2020
 Zloty stable, yields down

There are no important data releases today.

Polish PMI Manufacturing index declined in July to 42.1pts from 44.4pts in June, more than we expected (42.9pts). The headline index was dragged lower mostly by output and new orders. Companies were reporting problems with material shortages and logistical challenges. Weak expectations in the manufacturing sector underpin our forecasts of a major economic slowdown in 2H22. **Final PMI readings of the German and euro zone** manufacturing sectors for July were revised slightly upward but still remained below 50pts, indicating the risk of recession. **The US manufacturing ISM** was slightly better than market expectations, but it was still the weakest reading in about two years. The new orders component fell from 49.2 to 48pts, and this was the second consecutive month of decline. The drop in the backlog index suggests a further decline in production in 3Q.

According to an **NBP survey of credit committees**, banks tightened lending criteria for all types of loans in 3Q2022, and recorded a decline in demand in most segments, except for short-term loans to large companies and consumer loans. Banks expect further tightening of criteria and a decline in demand in all market segments. In the case of companies, there was a decline in demand for investment loans, while demand for inventory and working capital financing increased.

German real retail sales fell in June by as much as 8.8% y/y and 1.6% m/m. This was the largest decline since the beginning of the listing of this indicator (1994). A large share of this was attributable to food sales (down as much as 7.2% y/y), probably due to the increase in its prices. The index excluding food was as much as 13.6% lower than pre-pandemic levels. Internet sales also fell strongly (-15.1% y/y), although they remained 22.3% above pre-pandemic levels. German sales data indicate that household consumption may have declined further in 2Q. Weak consumer confidence indicators suggest that this trend of economic slowdown in our most important trading partner may also continue in the 2H22.

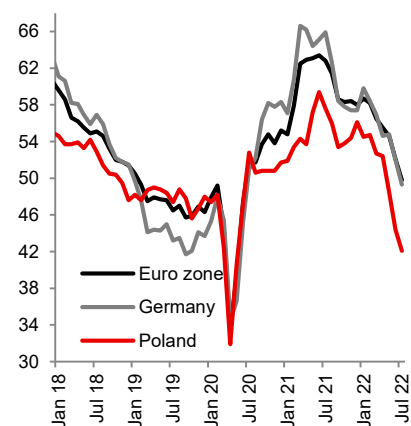
EURUSD rose above 1.0250 Weak ISM data from the US hurt the dollar. After the latest Fed meeting, the market is looking for signals confirming a possible slowdown in the pace of US rate hikes.

EURPLN ended the day near 4.72 where it started the session. Admittedly, after the weaker domestic PMI reading, the exchange rate tried to attack 4.75, but by the end of the day it returned to its starting positions thanks to the weakening dollar.

Other CEE currencies: EURCZK rose from near 24.60 to 24.62. The Czech Finance Ministry reported that the budget deficit increased from 183 to 192.7 billion CZK at the end of June. EURHUF strengthened to 400 from 402. In contrast to recent trends seen in the region, Hungary's PMI rose from 57 to 57.8 in July. However, a barrier to stronger appreciation of the forint was the government's weekend decisions to increase taxation on the national fuel monopoly MOL from 25% to 40% and to reduce limits on the purchase of cheaper fuel for households. Markets feared this could spur inflation.

Debt market: The domestic curve fell by about 10bp, the IRS curve fell no less. The weaker domestic PMI reading reinforced market recessionary fears. In the main markets, despite the worrying data, yields fell only symbolically, suggesting at least a temporary exhaustion of the potential for further debt appreciation.

PMI indices in manufacturing, pts



Source: S&P Global, Santander

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FX market

Today's opening

EURPLN	4.7177	CZKPLN	0.1913
USDPLN	4.6011	HUFPLN*	1.1795
EURUSD	1.0251	RUBPLN	0.0764
CHFPLN	4.8353	NOKPLN	0.4755
GBPPLN	5.6278	DKKPLN	0.6335
USDCNY	6.7622	SEKPLN	0.4531

*for 100HUF

Last session in the FX market 01/08/2022

	min	max	open	close	fixing
EURPLN	4.7065	4.7501	4.7370	4.7148	4.7475
USDPLN	4.5815	4.6414	4.6329	4.5912	4.629
EURUSD	1.0212	1.0275	1.0223	1.0268	-

Interest rate market 01/08/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.67	-18
DS0726 (5Y)	5.88	-10
DS0432 (10Y)	5.38	-18

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.40	-4	3.33	-1	0.88	-2
2L	6.86	-7	3.12	0	1.12	-3
3L	6.29	-8	2.89	-4	1.18	-1
4L	5.86	-9	2.74	-3	1.24	-3
5L	5.56	-9	2.64	-6	1.32	-3
8L	5.25	-8	2.58	-8	1.51	-2
10L	5.22	-7	2.61	-10	1.62	-2

WIBOR rates

Term	%	Change (bps)
O/N	6.77	-2
T/N	6.80	-3
SW	6.78	4
2W	6.79	8
1M	6.74	-1
3M	7.01	0
6M	7.30	0
1Y	7.44	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.12	2
3x6	7.36	-1
6x9	7.37	-4
9x12	7.10	-4
3x9	7.51	-2
6x12	7.48	-4

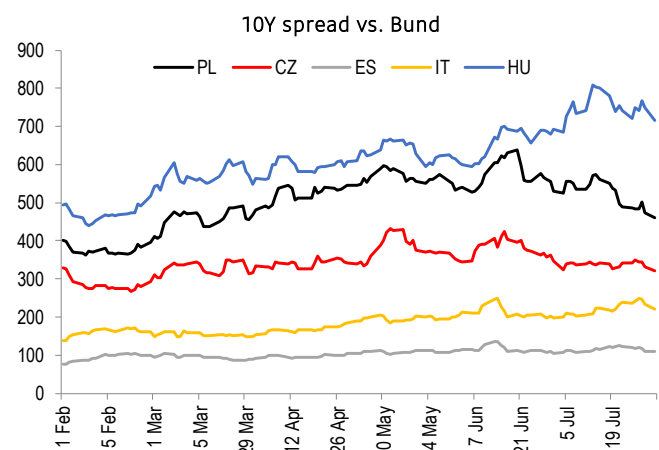
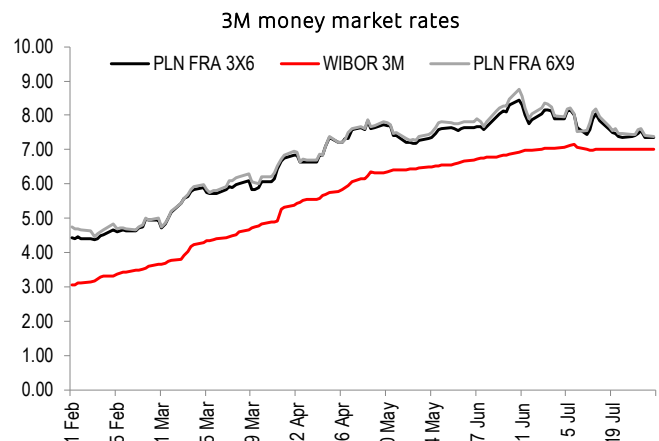
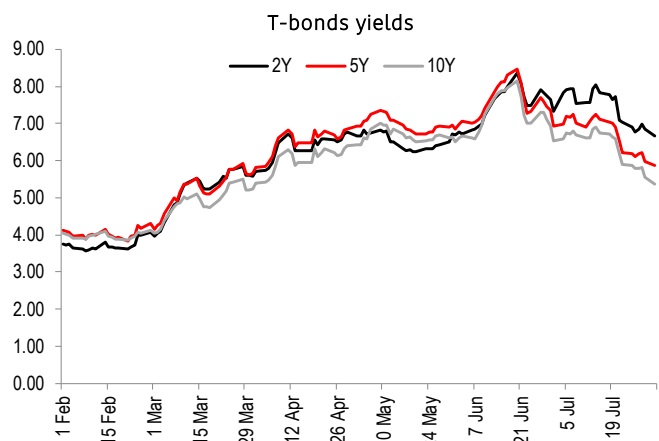
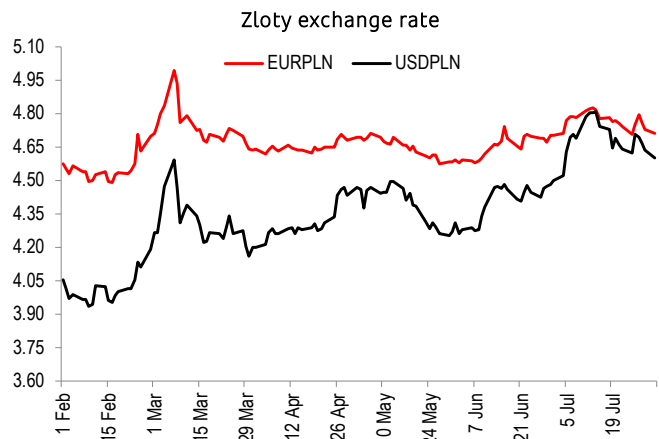
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	0	462	-11
France	15	0	57	1
Hungary	194	0	716	-34
Spain	53	-2	109	-2
Italy	75	0	221	-11
Portugal	40	-2	102	-1
Ireland	13	0	66	3
Germany	13	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 (29 July)							
09:00	CZ	GDP SA	2Q	% y/y	3.3	3.6	4.9
10:00	PL	CPI	Jul	% y/y	15.6	15.5	15.5
10:00	DE	GDP WDA	2Q	% y/y	1.7	1.4	3.6
11:00	EZ	Flash HICP	Jul	% y/y	8.7	8.9	8.6
11:00	EZ	GDP SA	2Q	% y/y	3.4	4.0	5.4
14:30	US	Personal Spending	Jun	% m/m	0.9	1.1	0.3
14:30	US	Personal Income	Jun	% m/m	0.5	0.6	0.6
14:30	US	PCE Deflator SA	Jun	% m/m	0.9	1.0	0.6
16:00	US	Michigan index	Jul	pts	51.1	51.5	51.1
MONDAY (1 August)							
03:45	CN	Manufacturing PMI	Jul	pts	51.5	50.4	51.7
08:00	DE	Retail Sales	Jun	% m/m	0.4	-1.6	1.2
09:00	PL	Manufacturing PMI	Jul	pts	42.9	42.9	42.1
09:55	DE	Manufacturing PMI	Jul	pts	49.2	49.3	52.0
10:00	EZ	Manufacturing PMI	Jul	pts	49.6	49.8	52.1
11:00	EZ	Unemployment Rate	Jun	%	6.6	6.6	6.6
16:00	US	ISM manufacturing	Jul	pts	52.1	52.8	53.0
TUESDAY (2 August)							
No key events or releases							
WEDNESDAY (3 August)							
03:45	CN	Services PMI	Jul	pts	54.0	-	54.5
08:00	DE	Exports SA	Jun	% m/m	1.0	-	1.6
09:55	DE	Services PMI	Jul	pts	49.2	-	52.4
10:00	EZ	Services PMI	Jul	pts	50.6	-	53.0
11:00	EZ	Retail Sales	Jun	% m/m	0.0	-	0.2
16:00	US	Durable Goods Orders	Jun	% m/m	-	-	1.9
16:00	US	ISM services	Jul	pts	53.9	-	55.3
16:00	US	Factory Orders	Jun	% m/m	0.8	-	1.6
THURSDAY (4 August)							
08:00	DE	Factory Orders	Jun	% m/m	-1.2	-	0.1
14:30	US	Initial Jobless Claims	week	k	-	-	256
14:30	CZ	Central Bank Rate Decision		%	7.00	-	7.00
FRIDAY (5 August)							
08:00	DE	Industrial Production SA	Jun	% m/m	-0.4	-	0.2
09:00	HU	Industrial Production SA	Jun	% y/y	-	-	3.4
14:30	US	Change in Nonfarm Payrolls	Jul	k	250	-	372
14:30	US	Unemployment Rate	Jul	%	3.6	-	3.6

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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