

Eyeopener

Consumers increasingly depressed

Today industrial production, PPI, wages and employment for July
 Worsening consumer confidence does not bode well for private consumption outlook
 Glapiński: signs of worsening economic climate in next months may open discussion about rate cuts
 Zloty keeps weakening, Polish bond yields increased

Today, an important set of monthly data from the Polish economy, including industrial production and the labour market, covering the first month of the third quarter. The release may bring further signs of cooling in the domestic economy.

NBP President Adam Glapiński, in an interview with Gazeta Polska expressed the opinion that if the demand declines in the coming months and the risk of a marked weakening of the business climate emerges, the MPC will have grounds to start discussing interest rate cuts. In his opinion, the prospect of cuts is not imminent. It is quite interesting, since a clear deterioration of the business climate is not a risk but a fact for several months already.

HICP inflation in Poland was 14.2% y/y in July, the same as in June and the highest since February 1998. HICP core inflation, having gone up in every month from July 2021 to June 2022, remained at 9.9% y/y in July. The range of price increases remains very wide - only components accounting for 0.7% of the HICP basket did not become more expensive y/y. The price growth of the internationally tradable part of core inflation stabilised in August slightly above 8% y/y and the non-tradable part above 11% y/y. The non-core part of HICP inflation grew at a rate of 20.9% y/y. Our attention was drawn to the decline in industrial durable goods inflation - from 8.3% y/y to 7.5%, while non-durable goods rose at a rate of 8.3% y/y (previously by 8.4%).

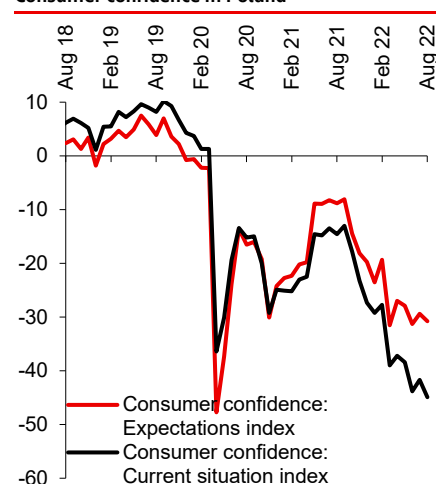
Polish **consumer confidence** worsened in August – the index describing current situation is now the lowest ever, much below the print seen at the start of the pandemic, the index covering household expectations also declined and was historically very low. Almost all sub-indices went down, with the largest m/m deterioration seen in attitude towards major purchases (the second lowest reading ever ex the initial month of the pandemic) and in consumers' assessment of their own current financial situation (the lowest in 18 years). What did not deteriorate in August was the job security index. What we read from this is that households' fears expressed in the survey are not about job loss, but the falling purchasing power of their incomes due to continued high inflation and growing concerns about energy shortages during the heating season. In general, the survey continues to signal negative prospects for private consumption. Consumer inflation expectations fell for the second time in a row and is the lowest since February. There was a notable increase of the share of households feeling that inflation will decline in the coming 12 months (from 11.8% to 17.2%) while the view that inflation will be the same or higher fell from 74.5% to 70.6%.

EURUSD fell to 1.013 on Thursday, the lowest it has been so far in August, and overnight it continued the move and is close to 1.008 this morning. Reports from the US supported the dollar. Mary Daly of the FOMC (currently non-voting, considered neutral) indicated that markets are pricing in rate cuts too quickly, it will still take a lot of work to beat inflation and both a 50bp or 75bp hike could be considered in September. At the same time, the Philly Fed business climate index for August performed quite well (a clear rebound in real activity with falling cost and price indices) and new US jobless claims were lower than the market expected.

EURPLN did not attempt to return below 4.70. Instead, it rose to almost 4.73 and today's data from Poland raise the risk of further weakening of the zloty. The Czech koruna was also losing (**EURCZK** up to 24.6), **EURHUF** was back to 404 again at the end of the day, but this morning it is higher - close to 406.

On the debt market, the domestic bonds had a worse day as compared to core markets - the domestic curve went up by 10-12bp except at the short end, while the German curve was stable and the US was down by 4-6bp. The money market is still not giving up on a 50bp hike in September in Poland and longer FRA rates (more than a year ahead) moved up again. This morning yields abroad went up after much higher than forecast PPI inflation in Germany.

Consumer confidence in Poland



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7242	CZKPLN	0.1912
USDPLN	4.6849	HUFPLN*	1.1768
EURUSD	1.0081	RUBPLN	0.0786
CHFPLN	4.8242	NOKPLN	0.4743
GBPPLN	5.5119	DKKPLN	0.6321
USDCNY	6.8062	SEKPLN	0.4452

*for 100HUF

Last session in the FX market 18/08/2022

	min	max	open	close	fixing
EURPLN	4.6975	4.7301	4.7009	4.7215	4.7244
USDPLN	4.6155	4.6784	4.6228	4.6687	4.6468
EURUSD	1.0110	1.0188	1.0165	1.0112	-

Interest rate market 18/08/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.77	-10
DS0726 (5Y)	6.19	11
DS0432 (10Y)	5.85	11

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.37	2	3.67	-2	1.21	6
2L	6.85	3	3.54	-4	1.58	5
3L	6.31	4	3.33	-5	1.64	5
4L	5.99	6	3.16	-3	1.69	6
5L	5.80	8	3.04	-4	1.73	5
8L	5.54	9	2.91	-3	1.84	4
10L	5.51	8	2.91	-3	1.92	4

WIBOR rates

Term	%	Change (bps)
O/N	6.63	-5
T/N	6.69	-5
SW	6.74	1
2W	6.79	-1
1M	6.86	2
3M	7.04	1
6M	7.30	0
1Y	7.44	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.25	2
3x6	7.26	-1
6x9	7.26	1
9x12	7.03	2
3x9	7.40	-2
6x12	7.36	-6

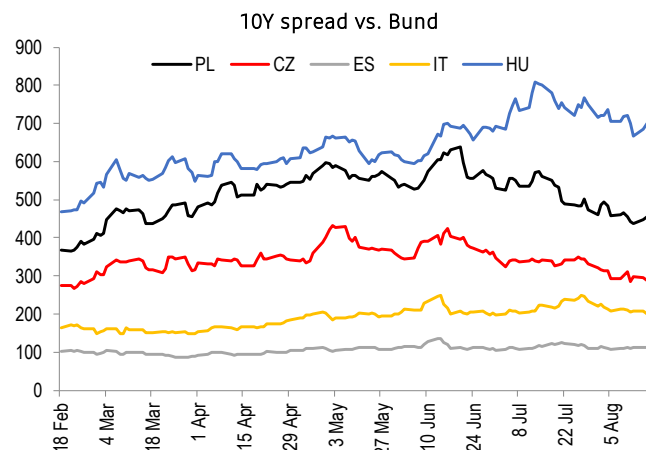
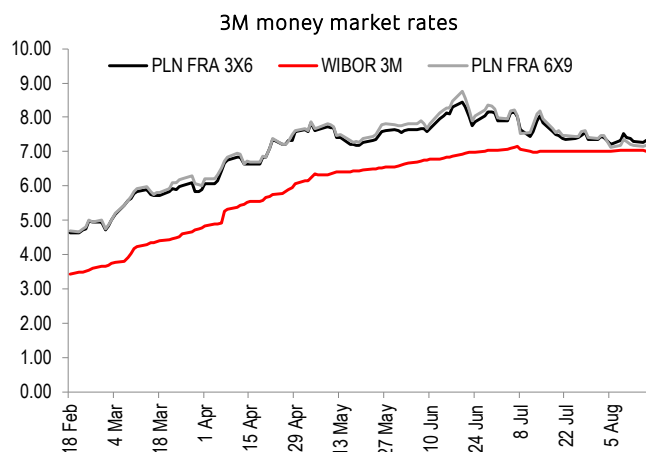
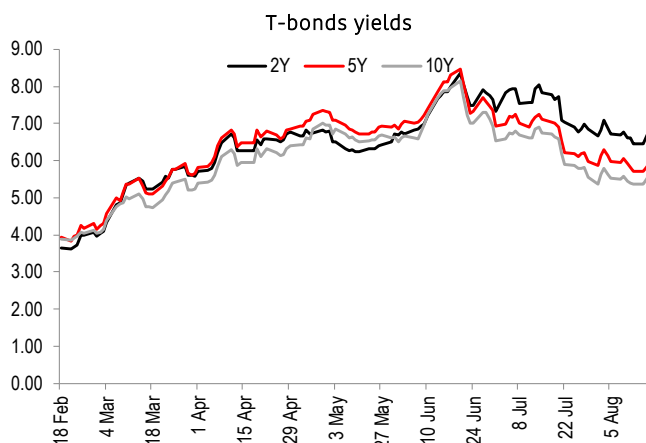
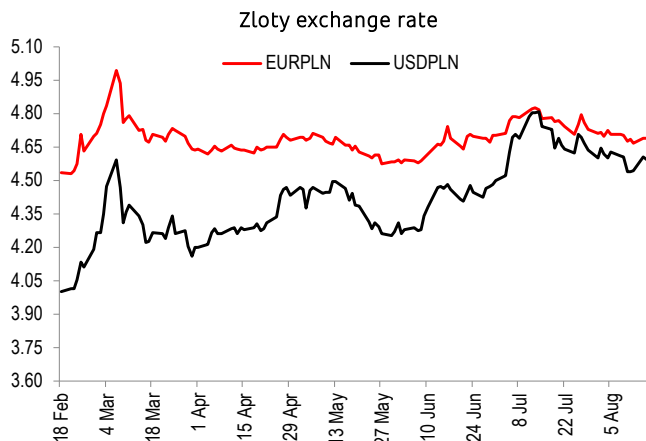
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	7	476	9
France	13	0	58	0
Hungary	184	0	711	7
Spain	53	0	115	1
Italy	70	0	223	1
Portugal	40	0	107	1
Ireland	13	0	62	0
Germany	12	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 (12 August)								
10:00	PL	CPI	Jul	% y/y	15.5	15.5	15.6	15.5
11:00	EZ	Industrial Production SA	Jun	% m/m	0.0	-	0.7	2.1
14:00	PL	Current Account Balance	Jun	€mn	-2571	-3220	-1468	-1485
14:00	PL	Trade Balance	Jun	€mn	-1500	2016	-849	-1157
14:00	PL	Exports	Jun	€mn	27296	26133	28076	28289
14:00	PL	Imports	Jun	€mn	29144	28149	28925	29446
16:00	US	Michigan index	Aug	pts	51.8	-		51.5
MONDAY (15 August)								
	PL	Holiday						
TUESDAY (16 August)								
11:00	DE	ZEW Survey Current Situation	Aug	pts	-49.8		-47.6	-45.8
14:00	PL	CPI Core	Jul	% y/y	9.2	9.2	9.3	9.1
14:30	US	Housing Starts	Jul	% m/m	-1.4		-9.6	-2.0
15:15	US	Industrial Production	Jul	% m/m	0.3		0.6	-0.2
WEDNESDAY (17 August)								
09:00	HU	GDP	2Q	% y/y	6.1		6.5	8.2
10:00	PL	GDP	2Q	% y/y	6.1	7.0	5.3	8.5
11:00	EZ	GDP SA	2Q	% y/y	4.0		3.9	4.0
14:30	US	Retail Sales Advance	Jul	% m/m	0.2		0.0	0.8
20:00	US	FOMC Meeting Minutes	Jul					
THURSDAY (18 August)								
10:00	PL	Consumer confidence	Aug	pts.	-41.7		-44.9	-41.7
11:00	EZ	HICP	Jul	% y/y	8.9		8.9	8.6
14:30	US	Initial Jobless Claims	week	k	265		250	262.0
14:30	US	Index Philly Fed	Aug	pts.	-3.5		6.2	-12.3
16:00	US	Existing Home Sales	Jul	% m/m	-5.1		-5.9	-5.5
FRIDAY (19 August)								
10:00	PL	Employment in corporate sector	Jul	% y/y	2.2	2.2		2.2
10:00	PL	Average Gross Wages	Jul	% y/y	13.3	13.5		13.0
10:00	PL	Sold Industrial Output	Jul	% y/y	7.4	7.5		10.4
10:00	PL	PPI	Jul	% y/y	25.6	26.0		25.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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