

## Eyeopener

### Results of companies are worsening

Today Polish unemployment rate, US durable goods orders data  
Mixed PMIs, weak US data  
EURUSD back to 1.00 for a brief period, the zloty weakened

**Today** registered Polish unemployment rate and the monthly Statistical Bulletin will be released in Poland. In the US, durable goods orders and pending home sales will be out.

The government adopted a draft bill to **extend the anti-inflation shield** by two months, until the end of 2022. We think the regulations will eventually be extended to cover 2023 too.

**Flash PMIs** for July were slightly better than expected in manufacturing and weaker than forecast in services, at least for Germany, France and the euro area. Indices from the US surprised to the downside for both services and manufacturing, with the index for services falling much more sharply. In most cases the indicators were below the 50-point threshold, dividing between expansion and contraction. Other US data were also weaker than expected: new home sales and the Richmond Fed index.

In **2Q22, non-financial companies employing 50 or more people** reported a 34.8% y/y increase in revenue amid a 36.1% y/y increase in costs. Costs grew faster than revenues for the first time since 3Q20, suggesting that firms are losing the ability to pass costs on to consumers. Corporate profitability also fell sharply, although it remained high by historical standards (yet, seasonal adjustment reveals a sizable drop), and gross profit was up 18% y/y. Costs of energy and material grew the most (by c. 60% y/y and 50% y/y, respectively). Capital expenditure accelerated to 7.4% y/y from 1.3% in 1Q: spending on buildings to 14.9% y/y from 1.4% y/y, on machinery and equipment to 3.3% y/y from -0.3% y/y, while on transport equipment slowing to 3.7% y/y from 5.4% y/y. Data from large companies suggest that total investment may have grown faster in 2Q than in 1Q, despite the marked economic slowdown. However, we expect a significant reduction in investment activity in subsequent quarters.

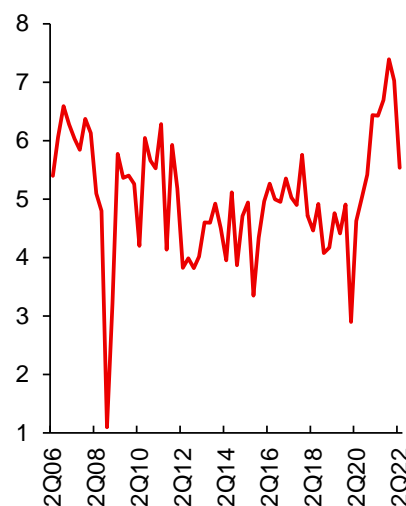
**M3 money supply** continued to decelerate in July, but by less than expected - to 6.2% y/y from 6.5% y/y (market forecast was 5.9%, our call was 5.5%). Total deposits, which we had expected to decelerate further, have hardly changed their rate of growth (5.4% y/y in July, 5.5% previously). Deposit growth by 0.9% m/m is mostly explained by additional PLN7bn set aside in the corporate sector and a similar amount in non-monetary financial institutions. Growth rate of cash in circulation declined further, to 9.3% y/y from 10.7% y/y. In deposits, the retreat from current accounts continued (-6.4% y/y, down by PLN30bn in a month) while term deposits increased (+66% y/y, up by PLN45bn in a month). Consumer loans slowed to -0.8% y/y and housing loans to +3.5% y/y (including PLN-denominated loans to 5.4% y/y, their slowest growth rate in 19 years). Meanwhile, working capital credit for companies kept the pace of around 29% y/y, credit for investments already showed an increase of 8.7% y/y (its growth rate was still negative in January). After clearing the data of the exchange rate effect (positive and relatively strong in July), we saw total household credit grow by just 0.1% y/y (previously 1.3%, at the beginning of the year it was around 5%) and corporate credit by 13.9% y/y (previously 13.2%, in January 3.3%). We assume that the global downturn will bring credit and overall M3 growth rates down in the months ahead.

At the start of the day, **EURUSD** continued to go down, to around 0.991. After weak US PMI data, the dollar took a hit and the exchange rate returned to unity for a while. This morning it is lower again.

On Tuesday, the zloty weakened and **EURPLN** rose from around 4.76 at the start of the day above 4.77. Weak US data and the weakening of the dollar stopped the zloty depreciation. The forint behaved similarly and the **EURHUF** exchange rate rose from 409 to 414. According to a representative of the Hungarian government, Hungary has pledged to amend laws criticised by the EU by the end of October if an agreement is reached on the disbursement of the Reconstruction Fund. However, this information did not help the forint. The **EURCZK** was stable at 24.65.

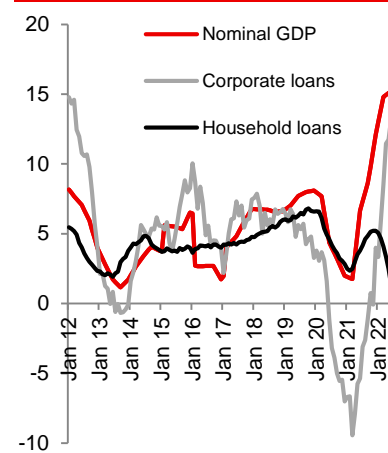
On the **debt market**, rates continued to rise, with bond yield curves and IRS curves becoming less negatively sloped. The short end of the yield curve rose by 7 bp, the long end by 12 bp, with the 2-10L spread narrowing to -89 bp from -107 bp a week earlier.

#### Gross profitability of 50+ companies, seasonally-adjusted, %



Source: GUS, Santander

#### Loans and GDP, % y/y, FX-corrected



Source: NBP, GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.7721	CZKPLN	0.1912
USDPLN	4.8051	HUFPLN*	1.1509
EURUSD	0.9936	RUBPLN	0.0802
CHFPLN	4.9600	NOKPLN	0.4919
GBPPLN	5.6590	DKKPLN	0.6321
USDCNY	6.8636	SEKPLN	0.4496

\*for 100HUF

**Last session in the FX market** 23.08.2022

	min	max	open	close	fixing
EURPLN	4.7564	4.7856	4.7587	4.7667	4.7706
USDPLN	4.7641	4.8231	4.7886	4.7784	4.803
EURUSD	0.9899	1.0018	0.9933	0.9972	-

**Interest rate market** 23.08.2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.16	10
DS0726 (5Y)	6.65	16
DS0432 (10Y)	6.33	18

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.54	8	3.75	1	1.36	1
2L	7.20	15	3.66	0	1.81	0
3L	6.73	16	3.46	0	1.90	1
4L	6.44	15	3.30	1	1.93	-2
5L	6.31	15	3.19	2	1.98	-1
8L	6.08	17	3.10	3	2.11	2
10L	6.06	17	3.10	5	2.19	3

**WIBOR rates**

Term	%	Change (bps)
O/N	6.33	-4
T/N	6.52	-5
SW	6.70	-1
2W	6.77	0
1M	6.90	3
3M	7.05	-1
6M	7.30	0
1Y	7.44	0

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

Term	%	Change (bps)
1x4	7.30	0
3x6	7.42	7
6x9	7.51	8
9x12	7.35	13
3x9	7.53	4
6x12	7.57	3

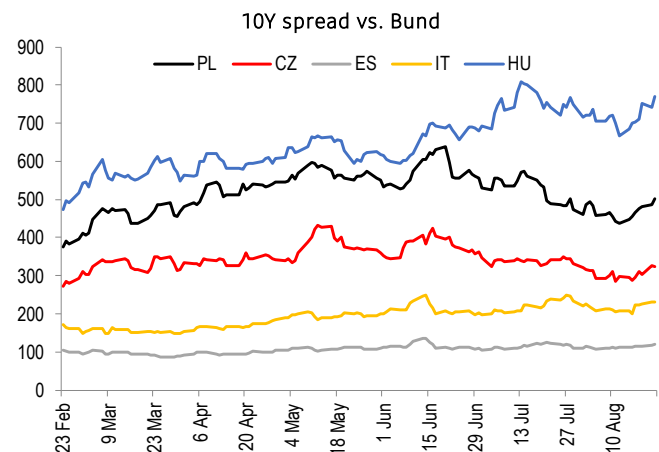
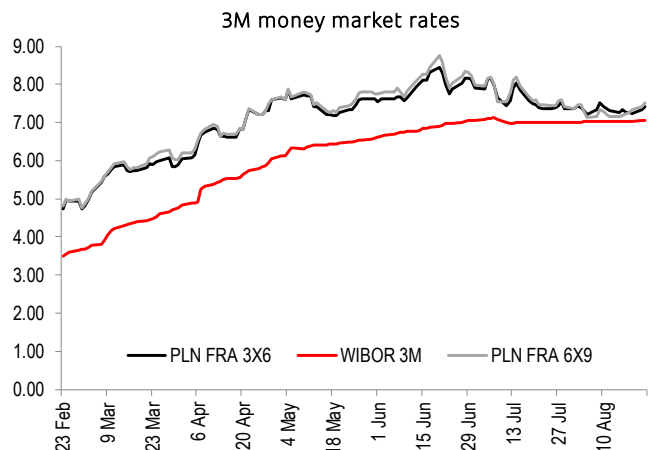
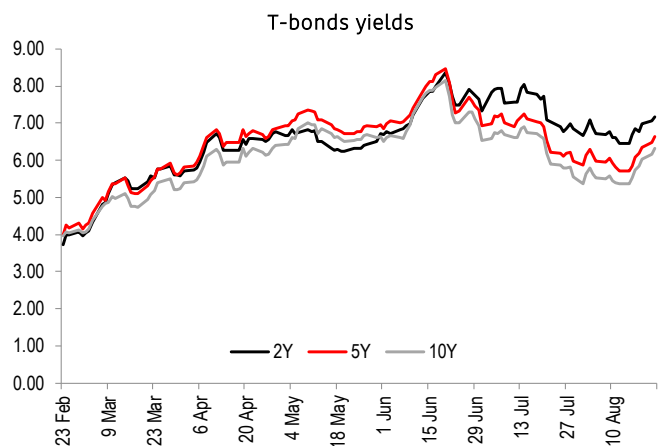
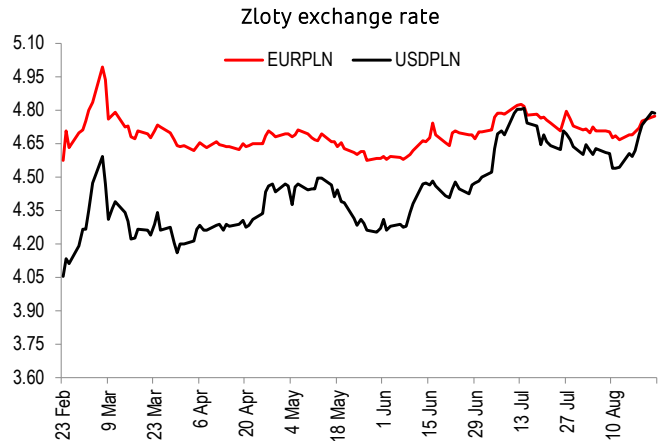
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	140	0	501	15
France	13	0	60	1
Hungary	184	0	770	29
Spain	53	0	119	1
Italy	73	0	232	1
Portugal	40	0	110	1
Ireland	13	0	62	-2
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		
<b>FRIDAY (19 August)</b>								
10:00	PL	Employment in corporate sector	Jul	% y/y	2.2	2.2	2.3	2.2
10:00	PL	Average Gross Wages	Jul	% y/y	13.3	13.5	15.8	13.0
10:00	PL	Sold Industrial Output	Jul	% y/y	7.4	7.5	7.6	10.4
10:00	PL	PPI	Jul	% y/y	25.6	26.0	24.9	25.6
<b>MONDAY (22 August)</b>								
10:00	PL	Construction Output	Jul	% y/y	5.6	6.2	4.2	5.9
10:00	PL	Retail Sales Real	Jul	% y/y	1.1	2.3	2.0	3.2
<b>TUESDAY (23 August)</b>								
09:30	DE	Germany Manufacturing PMI	Aug	pts	48.3		49.8	49.3
09:30	DE	Markit Germany Services PMI	Aug	pts	49.0		48.2	49.7
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	49.4		49.7	49.8
10:00	EZ	Eurozone Services PMI	Aug	pts	50.5		50.2	51.2
14:00	PL	Money Supply M3	Jul	% y/y	5.9	5.5	6.2	6.5
16:00	US	New Home Sales	Jul	% m/m	-1.7		-12.6	-7.1
<b>WEDNESDAY (24 August)</b>								
10:00	PL	Unemployment Rate	Jul	%	4.8	4.9		4.9
14:30	US	Durable Goods Orders	Jul	% m/m	0.6			2.0
16:00	US	Pending Home Sales	Jul	% m/m	-2.5			-8.6
<b>THURSDAY (25 August)</b>								
08:00	DE	GDP WDA	2Q	% y/y	1.4			1.4
10:00	DE	IFO Business Climate	Aug	pts	86.9			88.6
14:30	US	GDP Annualized	2Q	% Q/Q	-0.9			-0.9
14:30	US	Initial Jobless Claims		k	263.5			250.0
<b>FRIDAY (26 August)</b>								
14:30	US	Personal Spending	Jul	% m/m	0.3			1.1
14:30	US	Personal Income	Jul	% m/m	0.6			0.6
14:30	US	PCE Deflator	Jul	% m/m	0.1			1.0
16:00	US	Michigan index	Aug	pts	55.1			55.1

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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