

Eyeopener

SNB ends negative interest rate period

Today Polish unemployment rate for August, flash PMIs for Germany and the euro zone
BoE and SNB raised interest rates, SNB no longer uses negative rates
EURUSD still near 0.98, EURPLN down to 4.76, Polish bond yields slightly higher

Today GUS monthly Statistical Bulletin is out with data on the unemployment rate in August, among others. We expect a slight m/m decline. Abroad, September flash PMIs from Germany and the euro zone are due, and will provide an assessment of the expected slowdown in these economies.

In August, the **M3 money supply** accelerated to 7.4% y/y from 6.2% in July (we and the market expected 6.1%). Cash in circulation slowed to 7.8% y/y from 9.3% y/y, while deposits accelerated to 7.2% y/y from 5.4% y/y. On a month-on-month basis, deposit volumes increased by PLN35.3bn, of which corporates contributed PLN14.5bn and non-monetary financial institutions PLN10.3bn. The larger-than-expected increase in the money supply is mainly the result of a strong growth in corporate lending: loans to the sector accelerated to 17.7% y/y from 13.9% y/y in July (after FX-rate adjustments), including current loans growth going up to 36.6% y/y from 28.3% y/y. Another factor may also have been the transfer of additional money from the central budget to the government funds. The growth rate of loans to individuals declined to -0.8% y/y from 0.1% y/y - all major household credit categories were below zero in y/y terms. PLN-denominated housing loans slowed to 3.9% y/y from 5.3% y/y. Our estimate of the annualised repayment rate for these loans suggests a sharp decline in August, to 8-10% from 17-18% recorded in recent months. An increase in the repayment rate would imply that the "credit vacations" (government-imposed regulation that allows mortgagors not to service their loans in 4 months in 2H22 and 4 months in 2023) has encouraged borrowers to overpay their mortgages even more often than before. A fall of around 4 percentage points would mean that the trend towards overpayments has remained roughly unchanged (at around 50% participation in the programme). In contrast, a stronger decline means, in our view, that the "credit vacations" have actually discouraged borrowers from overpaying.

All **GUS sectoral business sentiment** indicators fell in September except for those for financial and insurance institutions. Sentiment deteriorated most sharply in accommodation and catering. Expectations indicators fell more than those for assessment of the current situation. The business outlook was markedly worse in September for industrial and construction companies, in contrast to the latest hard data on output in these sectors, for August, which were better than expected.

SNB raised interest rates by 75 bp to 0.5% from -0.25%, ending its negative interest rate policy. The central bank does not rule out further rate hikes to combat resurgent inflationary pressures. It also signalled the potential reduction of liquidity via open market operations using bills and repo operations. The SNB also does not rule out currency interventions but does not prejudge their clear direction, but stressed that the franc's appreciation so far has helped lower inflation. **The Bank of England** raised rates by 50 bps to 2.25%. Despite the risk of recession, the central bank maintained its hawkish stance, stressing that it intends to "act as decisively as necessary" at future meetings to combat inflation.

ECB's Isabel Schnabel said the central bank must continue raising interest rates despite visible signs of an economic slowdown in the Eurozone. In her view, a recession in Germany may be "inevitable" while the Eurozone economy as a whole is likely to enter a phase of stagnation, not recession.

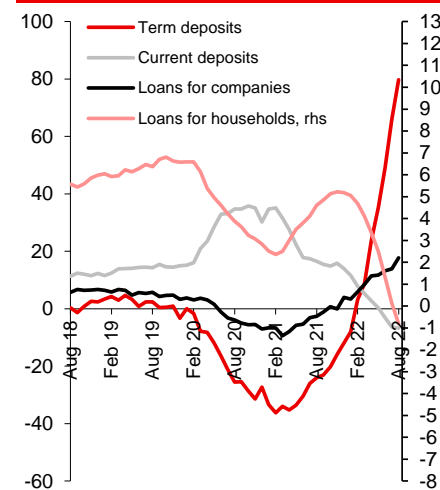
EURUSD, after trying to rebound to 0.99, fell again to 0.98. The potential for rate hikes is definitely greater in the US than in the Eurozone, and today's PMI data from Germany and the euro zone may put further downward pressure on the rate.

EURPLN retreated from around 4.78 to 4.76. After a strong upward move on Wednesday, some investors probably took profits.

Other CEE currencies: **EURCZK** oscillated around the level of 24.65. CNB Vice President Eva Zamrazilova spoke out against a rate cut this year - only an obvious and sustained drop in inflation could justify a decision to cut, but in her view the chances of this happening in the coming months are rather slim. She is likely to vote to leave rates unchanged next week. **EURHUF** has risen from around 405 to around 407. NBH Deputy Governor Barnabas Virag said that after a "decisive" rate hike, at the meeting on Tuesday next week the central bank may consider ending the more than one-year cycle of interest rate hikes. The bank could raise rates by 50, 75 or even 100 bp and "all options will be on the table", including both ending the cycle immediately and spreading the process over several smaller moves.

Debt market: Domestic yield curve rose by about 9 bp on average. Expectations of rate hikes in the FRA market also rose on rates reaching farther into the future. In Germany and the US, yield curves continued their strong rise, which, given the clearly hawkish stance of the Fed and the ECB, will probably continue today and in the days ahead.

Credit and deposit growth in Poland, % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.7539	CZKPLN	0.1923
USDPLN	4.8395	HUFPLN*	1.1620
EURUSD	0.9818	RUBPLN	0.0822
CHFPLN	4.9432	NOKPLN	0.4654
GBPPLN	5.4573	DKKPLN	0.6345
USDCNY	7.0979	SEKPLN	0.4377

*for 100HUF

Last session in the FX market 22.09.2022

	min	max	open	close	fixing
EURPLN	4.7541	4.7862	4.7753	4.7567	4.7758
USDPLN	4.8127	4.8723	4.8581	4.8348	4.8343
EURUSD	0.9810	0.9907	0.9828	0.9838	-

Interest rate market 22.09.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.54	-6
DS0727 (5Y)	6.47	-6
DS0432 (10Y)	6.14	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.50	1	4.54	9	2.40	5
2L	7.13	2	4.44	10	2.81	12
3L	6.68	1	4.19	9	2.79	11
4L	6.41	-1	3.99	6	2.73	6
5L	6.28	-2	3.84	2	2.71	5
8L	6.07	-2	3.64	-1	2.68	3
10L	6.03	-3	3.58	-4	2.69	-1

WIBOR rates

Term	%	Change (bps)
O/N	6.64	0
T/N	6.68	-6
SW	6.95	1
2W	7.00	1
1M	7.04	2
3M	7.14	-1
6M	7.32	0
1Y	7.46	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.23	-1
3x6	7.35	-4
6x9	7.33	-5
9x12	7.20	-2
3x9	7.51	2
6x12	7.46	-5

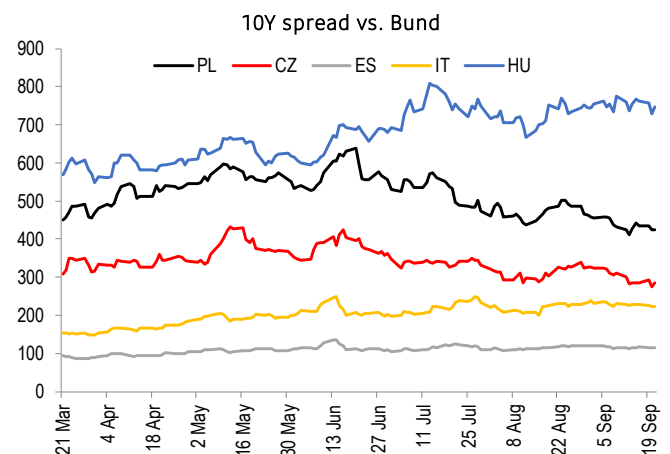
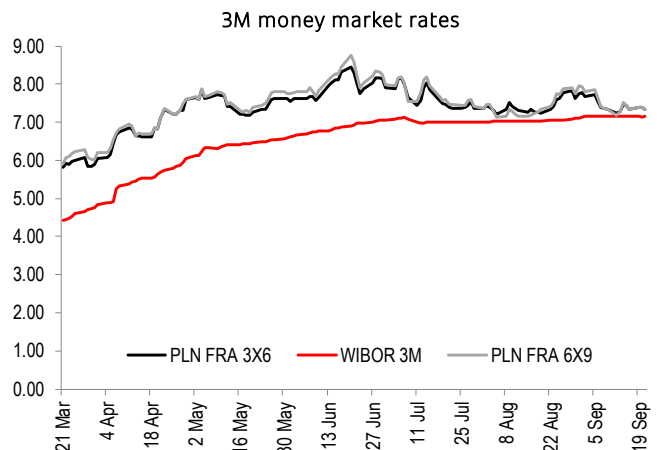
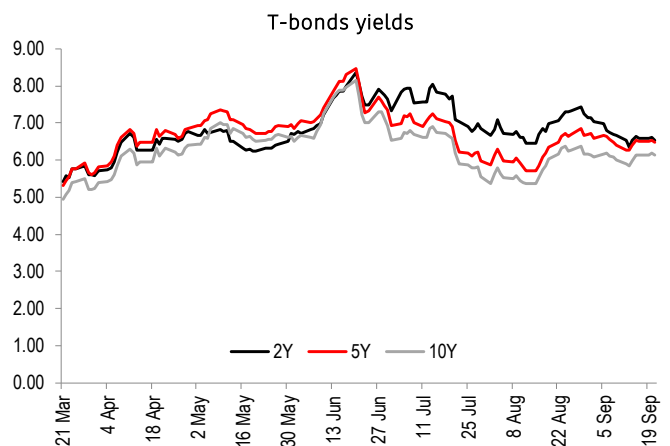
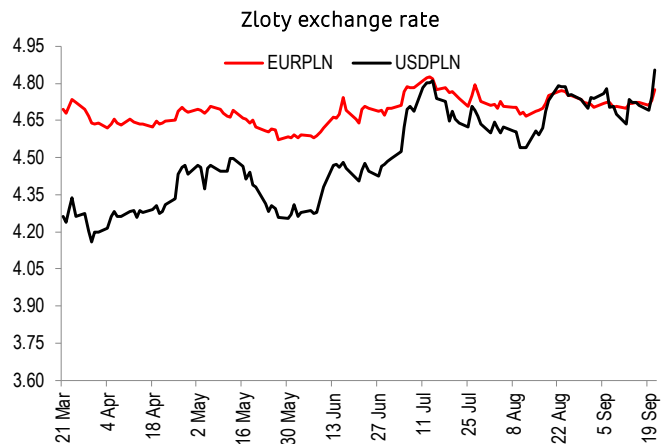
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	135	5	425	0
France	13	0	55	0
Hungary	187	4	747	18
Spain	58	0	114	0
Italy	70	0	224	0
Portugal	45	0	105	0
Ireland	15	0	56	-2
Germany	14	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 (16 September)								
11:00	EZ	HICP	Aug	% y/y	9.1	-	9.1	8.9
14:00	PL	CPI Core	Aug	% y/y	9.9	9.9	9.9	9.3
16:00	US	Michigan index	Sep	pts	60.0	-	59.5	58.2
MONDAY (19 September)								
No key economic events and publications								
TUESDAY (20 September)								
10:00	PL	Employment in corporate sector	Aug	% y/y	2.4	2.5	2.4	2.3
10:00	PL	Sold Industrial Output	Aug	% y/y	10.1	12.9	10.9	7.1
10:00	PL	PPI	Aug	% y/y	24.4	23.7	25.5	25.5
10:00	PL	Average Gross Wages	Aug	% y/y	13.6	13.1	12.7	15.8
14:30	US	Housing Starts	Aug	% m/m	0.9	-	12.2	-10.9
WEDNESDAY (21 September)								
10:00	PL	Construction Output	Aug	% y/y	4.3	1.9	6.1	4.2
10:00	PL	Retail Sales Real	Aug	% y/y	3.3	1.1	4.2	2.0
16:00	US	Existing Home Sales	Aug	% m/m	-2.3	-	-0.4%	-5.87
20:00	US	FOMC decision	Sep.22		3.25	-	3.25	2.5
THURSDAY (22 September)								
14:00	PL	Money Supply M3	Aug	% y/y	6.1	6.1	7.4	6.2
14:30	US	Initial Jobless Claims		k	220.0	-	213.0	208.0
FRIDAY (23 September)								
09:30	DE	Germany Manufacturing PMI	Sep	pts	48.3	-	-	49.1
09:30	DE	Markit Germany Services PMI	Sep	pts	47.2	-	-	47.7
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	49.0	-	-	49.6
10:00	EZ	Eurozone Services PMI	Sep	pts	49.2	-	-	49.8
10:00	PL	Unemployment Rate	Aug	%	4.9	4.8	-	4.9

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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