

4 October 2022

Eyeopener

PMI rose, but remains in contraction territory

Today US data about new orders

PMI for Poland rebounded, for Germany deepened its decline

Zloty stronger thanks to regaining euro and BGK's interventions

Debt markets in Poland and abroad strengthened

Today, data from the US: industrial and durable goods orders.

Polish manufacturing PMI unexpectedly jumped in September to 43.0 pts from 40.9 amid market expectations of 40.2 pts and our forecast of 39.9 pts. The rebound, caused by a slightly better output and new orders components, comes after a streak of six declines, which started at 54.7 pts. Nevertheless, the PMI report does not sound optimistic: it stressed a higher pace of job shedding, a new wave of cost inflation, and current production and new orders still showing severe rates of contraction, despite the m/m improvement. The highlighted softer demand from Germany and the growing use of stocks of finished products suggest poor industrial output figures in the coming months.

The **leading indicators for major economies** surprised on the downside, with final PMIs for Germany, the Euro zone and the US ISM lower than earlier readings. Indicators for new orders and new export orders were particularly weak.

NBP confirmed that the **NBP president's conference** will take place on October 6 at 15:00 CET.

According to PAP, in 2023 the government plans to introduce a **floor for social benefits' indexation** of PLN250. It was reported earlier that the indexation factor will be 13.8%, although according to our estimate it may be slightly higher, at 14.3%. With such a level of the indexation factor, the floor will affect benefit recipients collecting up to about PLN1750, so it will affect about 20% of pensions and survivors' pensions (collected by widows/widowers from the pension accounts of their late spouses) and more than half of disability pensions (benefits paid by the social insurance institution ZUS). We estimate the cost of this solution at about PLN1.5bn on an annual basis. Since the minimum pension would then rise to PLN1588.34, this would also mean a higher payment of the 13th pension (by about PLN0.5bn) and the 14th pension (by about PLN0.4bn). Recall that the cost of the latter was not included in the draft budget.

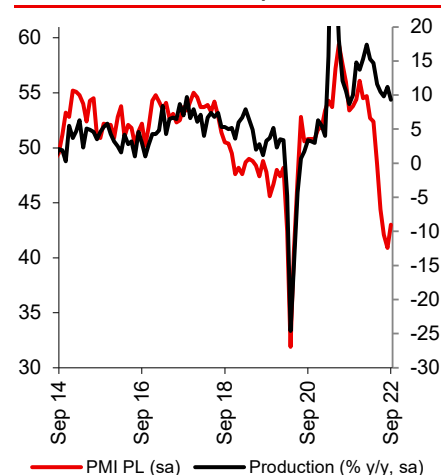
EURUSD fell from around 0.98 to near 0.9750 after worse-than-expected manufacturing PMI data for Germany and the Eurozone, but by the end of the day had recovered to near 0.98, and even slightly higher after the close. Global market sentiment improved after the British government announced it was backing off plans for tax cuts that spooked investors last week.

EURPLN from around 4.85 went down to around 4.82. The zloty was helped by a better-than-expected reading of the country's manufacturing PMI for September, as well as interventions by BGK, which was buying the Polish currency.

Other CEE currencies: EURCZK fell from around 24.57 to around 24.53. Czech currency did not suffer from the worse-than-expected manufacturing PMI reading for September (44.7 vs. 46 expected), as the Czech budget results at the end of Q3 turned out to be better than the same period a year earlier (the deficit was 270.0 billion vs. 326.3 billion koruna in 2021). EURHUF, from just below 421, tried to attack the 426 level after Hungary's manufacturing PMI fell from 57.8 to 49.6 in September but by the end of the day the forint had recovered.

Debt market: Domestic yield curve moved down in the middle and at the longer end by about 12 bps on average. This was helped by a strengthening of bonds in the core markets, which in turn was driven by increased expectations that decelerating economies will stall aggressive rate hikes by the ECB and Fed. In the case of the NBP, recent inflation data has increased the pricing of expected rate hikes in the shorter term, which in turn increases fears of a stronger economic slowdown later. Asset swap curve rose in the middle and at the longer end, which may have been a result of the public finance sector debt management strategy published by the MF. It shows that with an assumed economic slowdown next year, the government intends to maintain similar levels of gross borrowing needs for the budget and off-budget funds as this year (around PLN 288 billion in 2023, compared to the level of PLN 297 billion planned for 2022), while investors realize that the actual needs are likely to be higher, as the government's plans do not include a number of measures aimed at protecting the economy from the energy crisis.

PMI index vs industrial output



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.8195	CZKPLN	0.1961
USDPLN	4.8869	HUFPLN*	1.1550
EURUSD	0.9861	RUBPLN	0.0835
CHFPLN	4.9312	NOKPLN	0.4604
GBPPLN	5.5452	DKKPLN	0.6478
USDCNY	7.1135	SEKPLN	0.4457

*for 100HUF

Last session in the FX market 03/10/2022

	min	max	open	close	fixing
EURPLN	4.8067	4.8567	4.8552	4.8268	4.8272
USDPLN	4.9010	4.9631	4.9614	4.9223	4.9207
EURUSD	0.9751	0.9844	0.9783	0.9806	-

Interest rate market 03/10/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.44	-5
DS0727 (5Y)	7.28	-14
DS0432 (10Y)	7.00	-17

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.86	3	4.50	-7	2.30	-11
2L	7.63	-4	4.39	-7	2.67	-15
3L	7.28	-7	4.18	-11	2.71	-18
4L	7.04	-13	4.02	-16	2.75	-18
5L	6.92	-15	3.91	-20	2.78	-19
8L	6.74	-19	3.73	-19	2.84	-19
10L	6.70	-21	3.67	-18	2.89	-19

WIBOR rates

Term	%	Change (bps)
O/N	6.88	3
T/N	6.98	2
SW	7.09	2
2W	7.09	1
1M	7.14	3
3M	7.28	7
6M	7.43	2
1Y	7.52	4

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.48	0
3x6	7.73	1
6x9	7.83	5
9x12	7.74	3
3x9	7.88	1
6x12	7.96	4

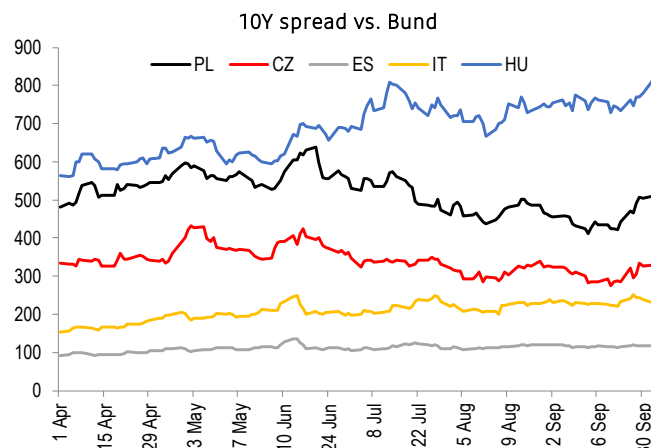
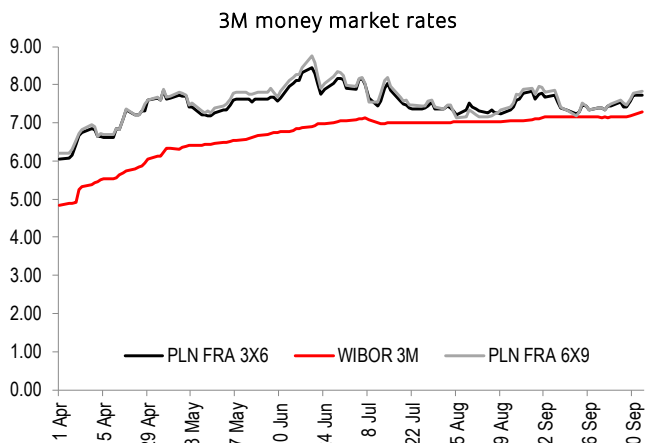
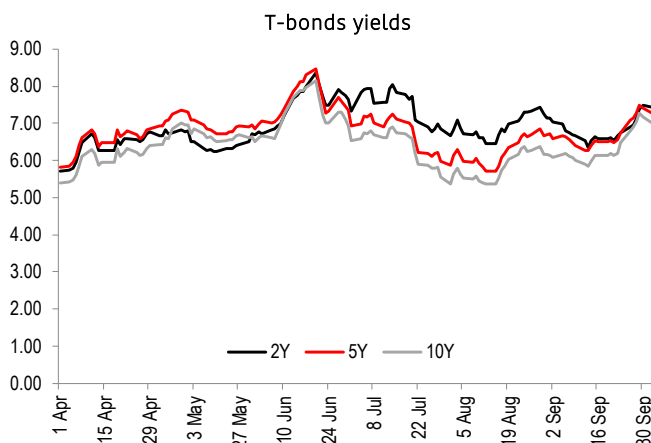
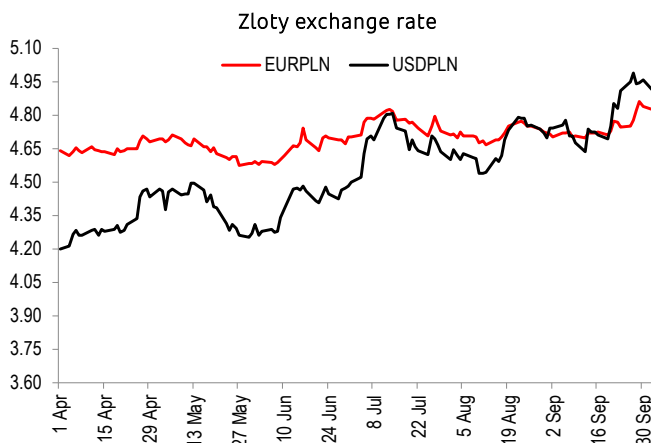
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	140	0	510	5
France	18	0	60	-1
Hungary	243	-1	811	30
Spain	65	0	117	-1
Italy	80	-2	231	-9
Portugal	50	0	107	0
Ireland	23	0	59	0
Germany	18	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 (30 September)							
09:00	CZ	GDP SA	2Q	% y/y	3.7	3.7	3.7
10:00	PL	CPI	Sep	% y/y	16.4	16.6	17.2
11:00	EZ	Flash HICP	Sep	% y/y	9.7	10.0	9.1
11:00	EZ	Unemployment Rate	Aug	%	6.6	6.6	6.6
14:30	US	Personal Spending	Aug	% m/m	0.2	0.3	0.3
14:30	US	Personal Income	Aug	% m/m	0.3	0.4	-0.2
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	0.3	-0.1
16:00	US	Michigan index	Sep	pts	59.5	58.6	59.5
MONDAY (3 October)							
09:00	PL	Poland Manufacturing PMI	Sep	pts	40.0	39.9	43.0
09:55	DE	Germany Manufacturing PMI	Sep	pts	48.3	47.8	49.1
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	48.5	48.4	49.6
16:00	US	ISM manufacturing	Sep	pts	52.3	50.9	52.8
TUESDAY (4 October)							
16:00	US	Durable Goods Orders	Aug	% m/m	0.0	-	-0.2
16:00	US	Factory Orders	Aug	% m/m	0.3	-	-1.0
WEDNESDAY (5 October)							
	PL	MPC decision		%	7.00	7.25	-
08:00	DE	Exports SA	Aug	% m/m	0.0	-	-2.0
09:55	DE	Markit Germany Services PMI	Sep	pts	0.0	-	45.4
10:00	EZ	Eurozone Services PMI	Sep	pts	0.0	-	48.9
14:15	US	ADP report	Sep	k	200.0	-	132.0
16:00	US	ISM services	Sep	pts	56.0	-	56.9
THURSDAY (6 October)							
08:00	DE	Factory Orders	Aug	% m/m	-0.5	-	-1.1
09:00	HU	Industrial Production SA	Aug	% y/y	0.0	-	6.6
11:00	EZ	Retail Sales	Aug	% m/m	0.0	-	0.3
14:30	US	Initial Jobless Claims		k	215.0	-	193.0
15:00	PL	NBP Governor conference					
FRIDAY (7 October)							
08:00	DE	Industrial Production SA	Aug	% m/m	-0.5	-	-0.3
08:00	DE	Retail Sales	Aug	% m/m	-1.0	-	1.9
09:00	CZ	Industrial Production	Aug	% y/y	6.7	-	-1.9
14:30	US	Change in Nonfarm Payrolls	Sep	k	250.0	-	315.0
14:30	US	Unemployment Rate	Sep	%	3.7	-	3.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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