

Eyeopener

Economic sentiment in Europe keeps worsening

Today unemployment rate and the new monthly Statistical Bulletin
Flash PMIs in main economies fell again in October
Money supply growth accelerated to 7.7% y/y in September
MPC's Mastowska against "radical" interest rate changes, Tyrowicz in favour of rate hikes
Zloty slightly weaker, bonds trimming last week's losses

Today in Poland the unemployment rate for September will be released and the Statistical Bulletin, which contains many additional data describing the economy. In addition, the German Ifo index and the Conference Board index in the USA will be out. Hungary will make a decision on interest rates.

The flash PMIs for major economies mostly turned out to be noticeably weaker than expected in October, particularly in German manufacturing, which saw a strong decline in the indices describing current production and new orders. The index for the euro area as a whole and for the USA behaved similarly. The indices for services also fell, but were roughly in line with forecasts. These data suggest a further deterioration in the global economy in 4Q22.

MPC member Gabriela Mastowska wrote in a column for Radio Maryja that, following the publication of November's inflation projection, the Council should consider whether to raise rates further, but moderately, or keep them unchanged, guided by concern for the economic slowdown. She is opposed to "radical changes" in rates that would bring the NBP rate above inflation. **Joanna Tyrowicz**, on the other hand, believes that without a positive real interest rate (the NBP rate above expected inflation) it will be impossible to bring inflation down to the target. In her opinion, the NBP rate should rise by 1pp in November, which she would see as the first step for restoring the MPC's credibility.

M3 money supply accelerated to 7.7% y/y in September from 7.4% y/y in August, in line with our forecast. Cash in circulation slowed slightly to 7.5% y/y from 7.8% y/y. Deposits accelerated to 7.6% y/y from 7.2% y/y, partly driven by the currency effect. Loans (adjusted for the FX effect) slowed to 3.9% y/y from 5.2% y/y in August. Zloty-denominated housing loans increased by 2.6% y/y (compared to 3.9% y/y in August), while consumer loans decreased by 2.6% y/y after falling by 1.7% y/y in August. Business lending slowed slightly to 15.4% y/y from 17.7% y/y in August. Current loans were mainly responsible for this decline in growth. We expect a further slowdown in loans to individuals in the coming months, while the momentum of loans to companies should remain at elevated levels.

Yesterday, President Andrzej Duda signed a bill extending the **Anti-Inflation Shield** until the end of this year. We expect that there will be another extension of this law in the coming months, at least until the elections in autumn 2023.

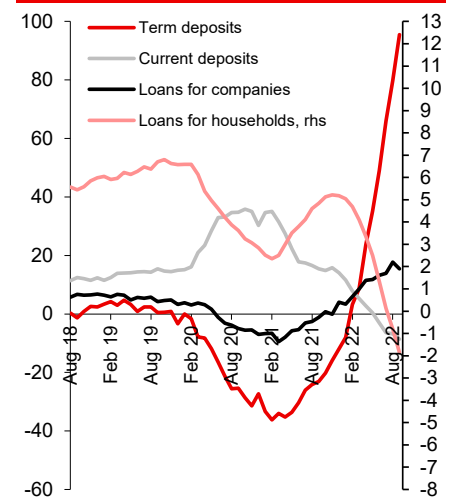
EURUSD oscillated on Monday in the 0.98-0.99 zone. After weaker-than-expected October PMI data from Germany and the Eurozone, the exchange rate tried to drop towards 0.98, but by the end of the day it had returned closer to the 0.99 level. The prospect of a hawkish ECB meeting on Thursday is effectively stopping any attempts to weaken the single currency, at least for now.

EURPLN rose from the area below 4.77 to slightly above 4.78. The zloty was hurt by a drop in market expectations for an increase in NBP interest rates, reflected in the FRA market.

Other CEE currencies: EURHUF rose from near 407 to around 414. The forint weakened in anticipation of today's NBH meeting, which, in view of the successful defence of the forint through the introduction of a new O/N deposit facility bearing interest at 18%, is likely to leave the base interest rate unchanged at 13%. EURCZK fluctuated around the 24.47 level.

Debt market: Domestic yield curve moved down by an average of about 43 bps continuing the recovery that on Friday afternoon. Thanks to the cancellation of Monday's BGK auction, the asset swap curve also narrowed. This was also helped by the Prime Minister's declaration that c.30-35% of the 2023 budget's borrowing needs has been already pre-financed (this calculation probably takes into account a large part of the budget's current "liquidity cushion"). In the core markets, German yields fell after weaker PMI data from Germany and the Eurozone, and US yields recovered around Monday's market-opening levels after trying to continue their declines.

Loans and deposits, % y/y



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.7776	CZKPLN	0.1951
USDPLN	4.8401	HUFPLN*	1.1535
EURUSD	0.9875	RUBPLN	0.0793
CHFPLN	4.8319	NOKPLN	0.4608
GBPPLN	5.4595	DKKPLN	0.6422
USDCNY	7.3040	SEKPLN	0.4333

*for 100HUF

Last session in the FX market						24/10/2022
	min	max	open	close	fixing	
EURPLN	4.7669	4.7926	4.7693	4.7797	4.7866	
USDPLN	4.8337	4.8852	4.8451	4.8411	4.8669	
EURUSD	0.9805	0.9893	0.9847	0.9872	-	

Interest rate market 24/10/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	8.58	-42
DS0727 (5Y)	8.53	-44
DS0432 (10Y)	8.32	-44

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.19	-12	5.03	2	2.58	-5
2L	8.18	-15	4.86	0	2.96	-2
3L	7.93	-19	4.63	1	2.98	-6
4L	7.74	-22	4.48	4	3.03	-5
5L	7.65	-24	4.39	4	3.06	-6
8L	7.55	-25	4.27	4	3.13	-8
10L	7.52	-25	4.24	3	3.18	-9

WIBOR rates

Term	%	Change (bps)
O/N	6.48	-3
T/N	6.65	-8
SW	6.90	0
2W	6.94	0
1M	7.07	1
3M	7.44	1
6M	7.65	3
1Y	7.76	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.62	-5
3x6	7.96	-19
6x9	8.21	-9
9x12	8.17	-15
3x9	8.15	-20
6x12	8.37	-13

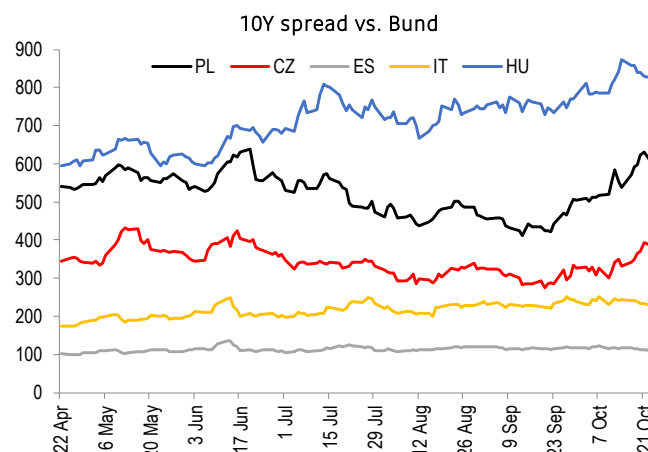
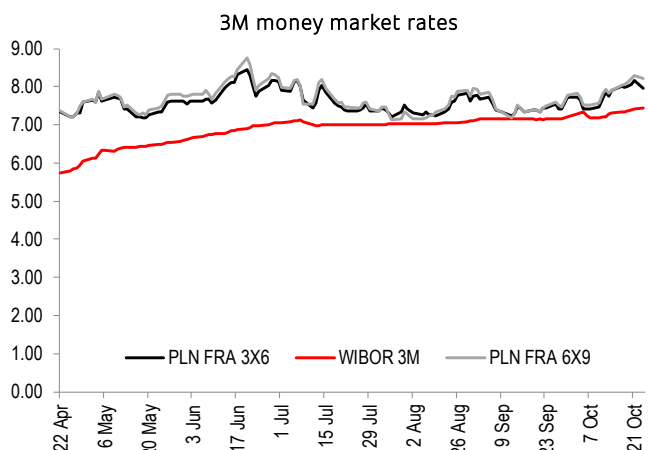
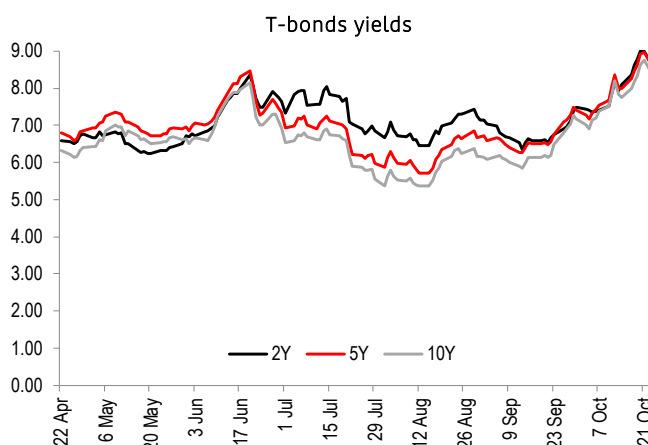
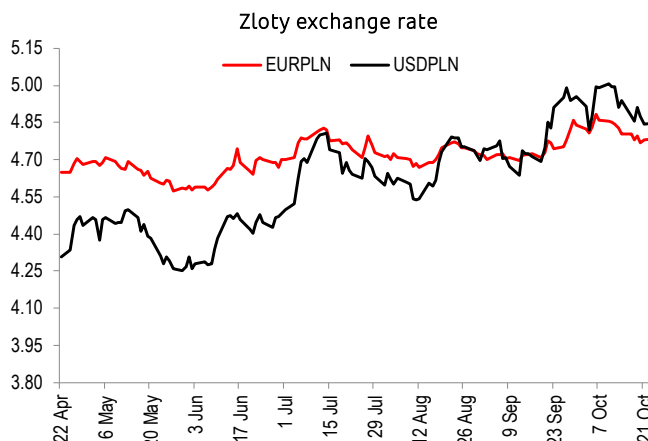
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	155	0	597	-35
France	20	0	53	-2
Hungary	260	1	825	-5
Spain	65	0	111	-1
Italy	70	-5	225	-9
Portugal	50	0	101	-4
Ireland	25	0	46	-2
Germany	22	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 (21 October)								
10:00	PL	Construction output	IX	% r/r	6.5	9.2	0.3	6.1
10:00	PL	Retail sales	IX	% r/r	4.5	3.5	4.1	4.2
MONDAY (24 October)								
09:30	DE	PMI manufacturing	X	pkt	47.1		45.7	47.8
09:30	DE	PMI services	X	pkt	45.1		44.9	45.0
10:00	EZ	PMI manufacturing	X	pkt	48.0		46.6	48.4
10:00	EZ	PMI services	X	pkt	48.5		48.2	48.8
14:00	PL	M3 money supply	IX	% r/r	7.6	7.7	7.7	7.4
TUESDAY (25 October)								
10:00	DE	Ifo	X	pkt	83.8			84.3
10:00	PL	Unemployment rate	IX	%	4.8	4.8		4.8
14:00	HU	Central bank decision		%	13.0			13.0
16:00	US	Conference Board	X	pkt	105.0			108.0
WEDNESDAY (26 October)								
16:00	US	New home sales	IX	% m/m	-12.4			28.8
THURSDAY (27 October)								
14:15	EZ	ECB decision		%	2.0			1.3
14:30	US	Durable goods orders	IX	% m/m	0.6			-0.2
14:30	US	GDP	III kw.	% k/k	2.1			-0.6
FRIDAY (28 October)								
10:00	DE	GDP WDA	III kw.	% r/r	0.8			1.7
11:00	EZ	ESI	X	pkt	0.0			93.7
14:00	DE	HICP inflation	X	% m/m	0.4			2.2
14:30	US	Personal spending	IX	% m/m	0.3			0.4
14:30	US	Personel incomes	IX	% m/m	0.3			0.3
14:30	US	PCE price index	IX	% m/m	0.3			0.3
16:00	US	Michigan	X	pkt	59.5			59.8
16:00	US	Pending home sales	IX	% m/m	-5.0			-2.0
	PL	Moody's rating review						

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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