

24 November 2022

Eyeopener

Less fuel to feed inflation

Today, M3 money supply in Poland, Ifo indicator for Germany, ECB minutes
3Q sales profitability slump, weaker retail sales, construction rebounds
FOMC minutes showed majority of members favoring slower rate hikes
EURPLN and yields held steady

Today, we will get to see the October M3 money supply data. Abroad, the important German economic indicator, Ifo, and minutes of the last ECB meeting. The US celebrates the Thanksgiving holiday today, which will probably affect activity and volatility in the markets. Also today, the EU Energy Council discusses the natural gas agreement: bulk purchases, exchanges between countries and price caps.

Preliminary PMIs for the Eurozone in November performed better than the market expected in, with statistic for services remaining flat and for the manufacturing rebounding slightly to 47.3. Although sentiment remained negative and companies again reported intentions to cut jobs, the pace of deterioration in new orders was lower than previously, companies encountered supply constraints less frequently and were slightly less pessimistic about the outlook for the year ahead. Our GDP forecast for the euro area is for a mild recession next year (-0.2%).

Retail sales slowed more than expected, to 0.7% y/y in October from 4.1% y/y in September (we expected 2.9%, market: 3.1%). The weakness was quite broad-based. High inflation and slowing wage growth is taking its toll on consumers. We think that the upcoming quarters will be challenging for retail sales and for consumption. In October Polish **construction output** rose by 3.9% y/y, beating market consensus at -0.8% y/y and our estimates of -2.1% y/y, yet we still see negative growth in the coming months and in most of 2023. **Financial results of companies employing 50+** in 3Q22 show a major deterioration and a spectacular collapse of profit margins (gross financial results down by 54.6% y/y and profit margin down to 2.4% from 7.2% in 2Q22 and from 6.9% in 3Q21). Investment in these companies slowed down to 5.7% y/y from 7.4% y/y in 2Q22. More in Economic Comment.

Minutes of the FOMC meeting of 1-2 November showed that the majority of its members support a reduction in the pace of interest rate hikes. Such slower pace of tightening is intended to allow a better assessment of progress towards the Fed's objectives amid uncertainty about the extent of the delay in the impact of monetary policy on the economy. With the achievement of a 'sufficiently restrictive' level of interest rates, the pace of rate hikes has become less of an issue than the target level of rates. Many FOMC members remained uncertain about the target level of interest rates that could ensure that inflation would be defeated, while some formed opinions that it would be higher than they had previously expected. At the same time, the majority of FOMC members believe that the evidence of abating inflationary pressures is still insufficient and that the risks for further CPI readings are skewed to the upside. The labour market, on the other hand, remains, in their view, hot with signs of only a slow move towards a better balance of supply and demand.

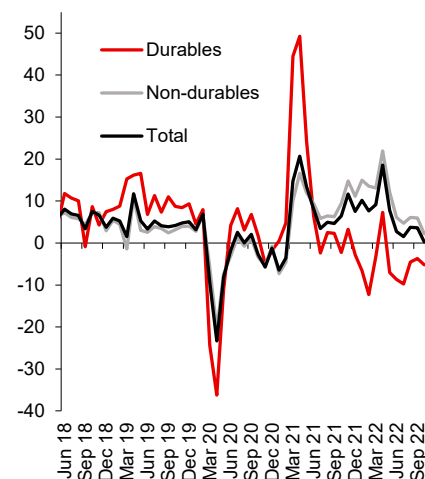
EURUSD rose above 1.04 from near 1.03. The exchange rate was affected by the uncertainty of FOMC members about the target level of interest rates necessary to combat inflation, with a simultaneous willingness to slow down the process of further monetary tightening.

EURPLN oscillated around the level of 4.70. Domestic data had no significant impact on the zloty, as did the weakening of the dollar on global markets.

Other CEE currencies: EURHUF rose from around 404 to near 409. The value of the forint was negatively affected by reports that the EC intends to recommend to the EU Council the freezing of €7.5 billion in cohesion funds for Hungary. **EURCZK** rose from around 24.34 to the vicinity of 24.36. The Czech government supports gas price caps for large companies, but further steps on this issue will depend on a common understanding at the EU.

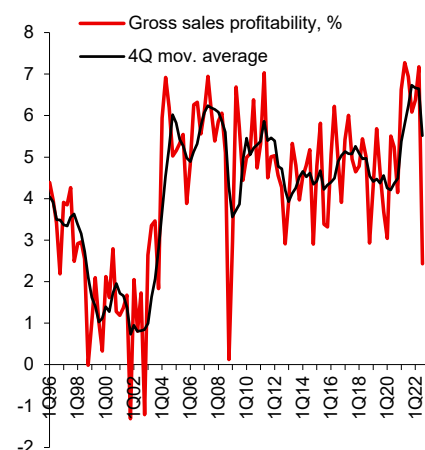
Debt market: Domestic yield curve remained stable. The auction of government bond sales did not significantly affect yield quotes. The Finance Ministry sold bonds for a total of PLN 5.5 billion against the originally planned supply of PLN 4-6 billion. Demand was around PLN 6.86 billion. In the main markets, yield curves also remained stable. Minutes from the latest FOMC meeting did not significantly affect global debt markets.

Retail sales, % y/y



Source: GUS, Santander

Average sales profitability in non-financial companies employing 50+ persons



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,6997	CZKPLN	0,1926
USDPLN	4,5051	HUFPLN*	1,1387
EURUSD	1,0434	RUBPLN	0,0745
CHFPLN	4,7864	NOKPLN	0,4544
GBPPLN	5,4457	DKKPLN	0,6318
USDCNY	7,1413	SEKPLN	0,4322

*for 100HUF

Last session in the FX market 23.11.2022

	min	max	open	close	fixing
EURPLN	4,6912	4,7164	4,7082	4,7012	4,6958
USDPLN	4,5249	4,5675	4,5587	4,5369	4,548
EURUSD	1,0295	1,0383	1,0326	1,0362	-

Interest rate market 23.11.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7,11	0
DS0727 (5Y)	7,10	-2
DS0432 (10Y)	6,84	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,42	-3	5,17	-3	2,73	2
2L	7,06	-3	4,78	-3	2,87	2
3L	6,58	-3	4,34	-5	2,78	1
4L	6,27	-4	4,09	-6	2,72	0
5L	6,10	-5	3,93	-6	2,68	-1
8L	5,95	-3	3,70	-6	2,64	-4
10L	5,94	-4	3,65	-6	2,65	-5

WIBOR rates

Term	%	Change (bps)
O/N	6,47	-1
T/N	6,65	-1
SW	6,86	1
2W	6,91	1
1M	6,98	0
3M	7,34	-2
6M	7,53	-1
1Y	7,69	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7,28	-1
3x6	7,29	0
6x9	7,29	-2
9x12	7,01	-4
3x9	7,43	0
6x12	7,39	-1

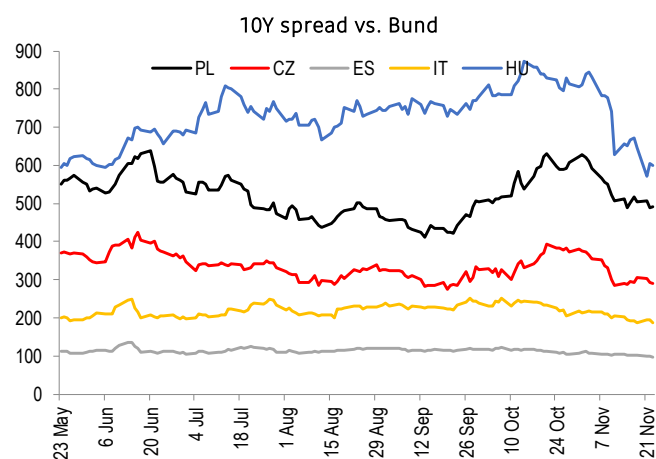
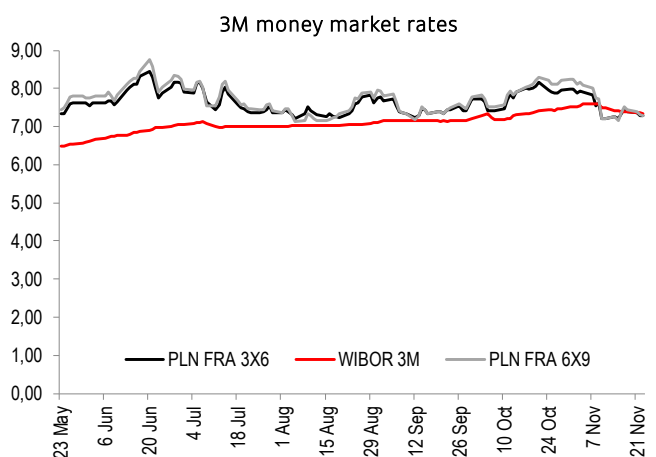
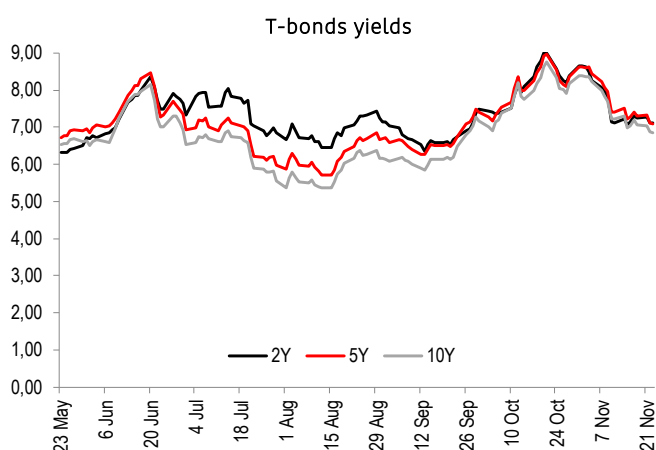
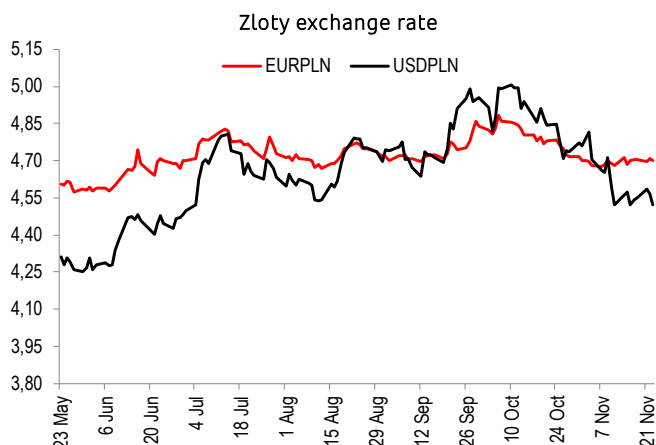
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	133	3	492	2
France	15	0	46	-2
Hungary	214	0	601	-4
Spain	55	-1	97	-3
Italy	55	0	187	-7
Portugal	40	-1	92	-4
Ireland	20	0	44	-1
Germany	15	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 (18 November)							
16:00	US	Existing Home Sales	Oct	% m/m	-6.6	-	-1.5
MONDAY (21 November)							
No key events							
TUESDAY (22 November)							
10:00	PL	Employment in corporate sector	Oct	% y/y	2.2	2.2	2.4
10:00	PL	Sold Industrial Output	Oct	% y/y	7.8	6.7	6.8
10:00	PL	PPI	Oct	% y/y	23.5	23.5	22.9
10:00	PL	Average Gross Wages	Oct	% y/y	13.9	14.3	13.0
14:00	HU	Central Bank Rate Decision	Nov.22	%	13.0	13.0	13.0
WEDNESDAY (23 November)							
09:30	DE	Germany Manufacturing PMI	Nov	pts	45.0	46.7	45.1
09:30	DE	Markit Germany Services PMI	Nov	pts	46.2	46.4	46.5
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	46.0	47.3	46.4
10:00	EZ	Eurozone Services PMI	Nov	pts	48.0	48.6	48.6
10:00	PL	Construction Output	Oct	% y/y	-0.8	-2.1	3.9
10:00	PL	Retail Sales Real	Oct	% y/y	3.1	2.9	0.7
14:30	US	Durable Goods Orders	Oct	% m/m	0.5	1.0	0.4
14:30	US	Initial Jobless Claims	Nov.22	k	225	240.0	222.0
16:00	US	Michigan index	Nov	pts	55.5	56.8	54.7
16:00	US	New Home Sales	Oct	% m/m	-4.6	7.5	-10.9
20:00	US	FOMC minutes					
THURSDAY (24 November)							
10:00	DE	Ifo Business Climate	Nov	pts	85.0	-	84.3
13:30	EZ	ECB minutes					
14:00	PL	Money Supply M3	Oct	% y/y	7.5	7.3	-
FRIDAY (25 November)							
08:00	DE	GDP WDA	3Q	% y/y	1.2	-	1.2
10:00	PL	Unemployment Rate	Oct	%	5.1	5.1	-

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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