

25 January 2023

Eyeopener

Loan growth close to zero

Today Statistical Bulletin, German Ifo

January PMI in the euro zone increased but for German manufacturing

M3 money supply rose by 5.4% y/y in December, further deceleration in loans

Zloty slightly weaker to euro, bonds stronger in Poland and in core markets

Today, a major German business climate indicator, the Ifo, will be published. In addition, we will see the GUS's Statistical Bulletin with, among other figures, the official estimate of the unemployment rate.

The flash readings of the PMI indicators for the euro zone came as a positive surprise. The combined index for industry and services climbed above 50 points which means that activity has gently improved at the start of the year. This is the highest reading for this indicator in seven months. Services were the main reason behind the improvement. Still, there are some negative undertones stemming from the weakening demand, both domestic and foreign, while labour demand seems to have remained relatively high. It is difficult to judge from this data whether the euro zone will avoid recession - in our view it will be difficult, and the cost and own-price indicators suggest a slow decline in inflation. In the case of Germany, an improvement in services also pulled the combined index upwards, slightly above expectations. Meanwhile, the manufacturing index disappointed and fell (the market was hoping for a third consecutive improvement of around 1 point and got a drop of 0.1 points instead). The weak performance in manufacturing was determined by the component describing employment, while the measure of new orders improved, as did the assessment of business prospects over a 12-month horizon.

M3 money supply increased by 5.4% y/y in December, up from 5.6% y/y in November. The growth rate of cash in circulation declined further (to 3.9% y/y from 4.3%). For the second consecutive month, the value of money held on term deposits by companies fell, resulting in total term deposit growth retreating in December to 90.7% y/y from 102.6% (its first decline since April 2021). Local governments' term deposits fell by PLN16bn, or by more than half, in one month, while household term deposits saw an atypical for December increase of PLN12.6bn. Total loan growth, FX adjusted, reached 0.6% y/y (previously 1.9%), of which household loans contracted by 4.0% y/y (previously -3.3% y/y) and corporate loans increased by 9.1% y/y (slowing from 12.0% y/y). The decline in consumer loans continued for the third month at -2.8% y/y and PLN-denominated mortgage loans slowed further (to -1.5% y/y from -0.1% y/y). In our view, the negative trends in credit may yet continue and M3 growth will hover around 5% y/y in the coming months.

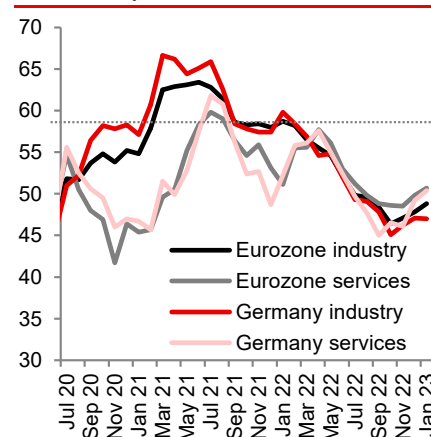
EURUSD fluctuated between 1.083 and 1.093, with the exchange rate initially rising under the influence of better-than-expected PMI data from Germany and the euro zone, but slipping towards lower levels later in the day after better PMI data from the US. The dollar was also helped by statements from the Fed's Esther George, who ruled out the possibility of a US recession in 2023 and raised her rate forecast to above 5%. She also noted that once the rate target is reached, it should be maintained also in 2024 due to inflation.

EURPLN rose from around 4.71 towards 4.72, with the zloty hurt by expectations of higher interest rates in the Eurozone.

Other CEE currencies: EURHUF, after attempts to rise around 398, finally fell to 390 at the end of the day. The NBH kept the key interest rate unchanged at 13%. The reserve requirement rate was raised from 5% to 10%, effective from April. NBH Vice Chairman Barnabas Virag announced that monetary policy will remain restrictive for a longer period of time due to inflation. He stressed that the new monetary instruments introduced in October have helped stabilise Hungary's financial market. The key point of the NBH's policy remains managing the market's perception of risk, on which the central bank's next steps will depend. The issue of obtaining EU financing remains their main focus. EURCZK fluctuated around 23.86. The continued strength of the koruna for a long time is the result not only of CNB activity but also of lower gas prices on European markets.

Debt market: the domestic yield curve oscillated around 6%.

PMI indices, pts



Source: S&P Global, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: santander.pl/en/economic-analysis

Piotr Bielski +48 691 393 119

Jarosław Kosaty +48 887 842 480

Marcin Luzziński +48 510 027 662

Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.7138	CZKPLN	0.1973
USDPLN	4.3207	HUFPLN*	1.2088
EURUSD	1.0908	RUBPLN	0.0628
CHFPLN	4.6819	NOKPLN	0.4391
GBPPLN	5.3295	DKKPLN	0.6335
USDCNY	6.7825	SEKPLN	0.4242

*for 100HUF

Last session in the FX market 24/01/2023

	min	max	open	close	fixing
EURPLN	4.7022	4.7190	4.7033	4.7131	4.7073
USDPLN	4.3202	4.3509	4.3244	4.3366	4.3341
EURUSD	1.0832	1.0897	1.0876	1.0870	-

Interest rate market 24/01/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.15	0
DS0727 (5Y)	5.95	-6
DS0432 (10Y)	6.00	-6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.95	0	5.04	-2	3.22	-1
2L	6.34	1	4.44	-1	3.21	-3
3L	5.76	1	3.97	-3	3.03	-2
4L	5.48	2	3.74	-4	2.90	-4
5L	5.35	1	3.60	-7	2.83	-4
8L	5.23	0	3.42	-6	2.75	-4
10L	5.28	0	3.40	-7	2.77	-3

WIBOR rates

Term	%	Change (bps)
O/N	6.54	6
T/N	6.60	-7
SW	6.83	1
2W	6.84	2
1M	6.86	-2
3M	6.93	2
6M	6.99	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.91	1
3x6	6.92	0
6x9	6.83	-6
9x12	6.43	-1
3x9	6.95	-1
6x12	6.84	-6

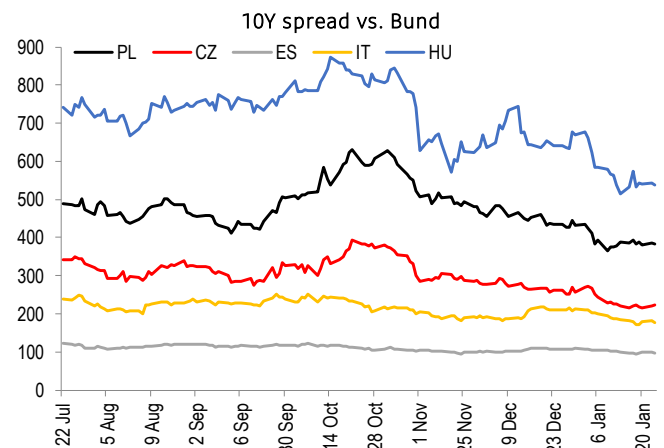
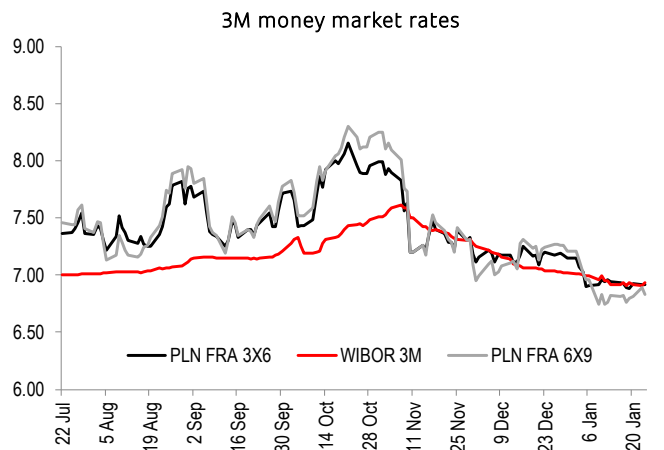
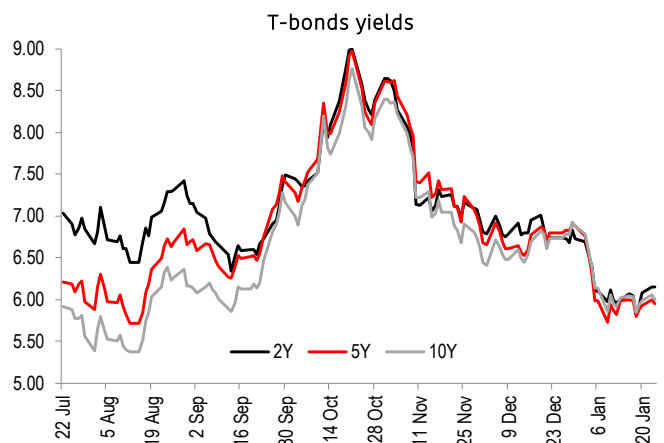
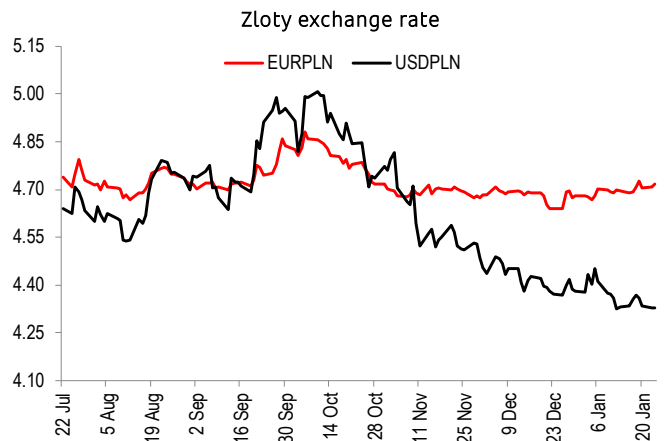
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	110	0	384	-1
France	13	0	44	-2
Hungary	194	0	539	-5
Spain	48	0	97	-3
Italy	45	0	176	-6
Portugal	33	0	87	-2
Ireland	18	0	41	-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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (20 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	2.3	2.3	2.2	2.3
10:00	PL	Average Gross Wages	Dec	% y/y	13.1	12.3	10.3	13.9
16:00	US	Existing Home Sales	Dec	% m/m	-3.4		-1.5	-7.9
MONDAY (23 January)								
10:00	PL	Sold Industrial Output	Dec	% y/y	2.4	1.4	1.0	4.5
10:00	PL	Construction Output	Dec	% y/y	2.7	1.8	-0.8	4.0
10:00	PL	PPI	Dec	% y/y	19.8	19.0	20.4	21.1
10:00	PL	Retail Sales Real	Dec	% y/y	2.1	1.2	0.2	1.6
TUESDAY (24 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	48.0		47.0	47.1
09:30	DE	Markit Germany Services PMI	Jan	pts	49.6		50.4	49.2
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	48.5		48.8	47.8
10:00	EZ	Eurozone Services PMI	Jan	pts	50.2		50.7	49.8
14:00	HU	Central Bank Rate Decision	Jan.23	%	13.0		13.0	13.0
14:00	PL	Money Supply M3	Dec	% y/y	6.1	5.8	5.4	5.6
WEDNESDAY (25 January)								
10:00	DE	Ifo Business Climate	Jan	pts	90.2		-	88.6
10:00	PL	Unemployment Rate	Dec	%	5.2	5.2	-	5.1
THURSDAY (26 January)								
14:30	US	Durable Goods Orders	Dec	% m/m	2.8		-	-2.1
14:30	US	GDP Annualized	4Q	% Q/Q	2.6		-	3.2
14:30	US	Initial Jobless Claims	Jan.23	k	214		-	190.0
16:00	US	New Home Sales	Dec	% m/m	-4.1		-	5.8
FRIDAY (27 January)								
14:30	US	Personal Spending	Dec	% m/m	-0.1		-	0.1
14:30	US	Personal Income	Dec	% m/m	0.2		-	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.0		-	0.1
16:00	US	Michigan index	Jan	pts	64.6		-	59.7
16:00	US	Pending Home Sales	Dec	% m/m	-1.0		-	-4.03

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.