

25 May 2023

# Eyeopener

## Polish consumer remains confident

Today second releases of GDP in Germany and USA in 1Q23, Statistical Bulletin in Poland  
Further improvement of consumer confidence in Poland, M3 shows rising deposits  
Dovish Fed minutes from May meeting  
EURPLN back at 4.50, EURUSD falling further

**Today**, in addition to the GUS Statistical Bulletin, which will include information on, among other things, Polish unemployment data and new orders in industry, it is worth paying attention to the publication of 1Q GDP in the US (second estimate).

**Germany's 1Q GDP** reading showed a contraction of 0.3% q/q on a seasonally adjusted basis. This was the second negative reading in a row (after -0.5% in 4Q22), which meets the definition of a technical recession.

**The Ifo index** describing the business climate in Germany fell more sharply in May than the market consensus expected. The decline was triggered by a significant deterioration in expectations with a slight negative change in the assessment of the current situation. The mood in services was positive and stable compared to April, but industry, construction and trade dragged the headline index down. The Ifo, like the PMIs, hints that economic growth in Germany will also be weak in 2Q this year.

**The FOMC meeting minutes** showed that its members were divided on the need for further policy tightening. According to some, there was still too little progress in bringing inflation down, justifying further rate hikes, while according to several others, further increases would no longer be necessary. The wording used in the minutes suggest that the latter group may be larger, which could mean that the committee will not decide to raise rates in June, however, incoming data will be important.

In May, **consumer confidence** improved more than we had expected and the improvement covered all components. The data suggest that a rebound in private consumption is approaching. According to data on the **results of Polish non-financial companies** employing 50+ persons, in 1Q23 there was a decline - but no collapse - in profit margins, forced by weakening demand. **Investment** in biggest companies rose a bit less than in late 2022, but were stronger than we expected, so investment could be a reason behind higher-than-expected GDP in 1Q23. Read more in [Economic Comment](#).

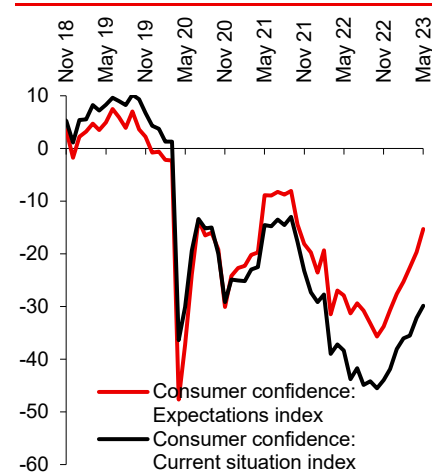
In April, **M3 money supply** rose by 6.7% y/y, in line with market expectations and our forecast. The previous reading was 6.5% y/y. Deposits were up 9.3% y/y vs. 8.9% y/y in March and 8.5% average 1Q growth. Household deposits growth increased just above 10% y/y, up from 4% y/y at the start of the year. Corporate deposits growth was also in the double-digit area (13.0% y/y, vs. 12.4% previously). At the same time cash in circulation decreased by 5.1% y/y. There was also further outflow from demand deposits (-9.1% y/y) to term deposits (+82.1% y/y). Total loan portfolio adjusted for FX changes dropped by 1.1% y/y (down from March's -0.1% y/y) - loans of individuals stayed at -4.9% y/y while corporate loans decelerated to +3.5% y/y from +7.0% y/y. PLN denominated consumer loans fell by 1.6% y/y (a further step in slow recovery from -2.7% y/y in December, but this time there was a m/m rise of the volume - the first since August 2022) and PLN housing loans stayed at -3.5% y/y. We believe that household deposit accumulation and some recovery in consumer loans are forming a base for private consumption rebound later this year.

**EURUSD** continued its downward movement, with the euro dragged down by weak Ifo data from the German economy. Today's weak German GDP data may contribute to further decline in EURUSD. Meanwhile, Fitch placed the US AAA credit rating on negative watch as the debt limit increase deadline approaches, which increased risk aversion and positively impacted the dollar.

**CEE currencies:** The zloty lost slightly yesterday, having returned above 4.50 and was the region's weakest currency against a slight strengthening of the Czech koruna and a larger decline in the EURHUF. Stronger dollar partly driven by some increase in risk aversion may result in weaker CEE FX today.

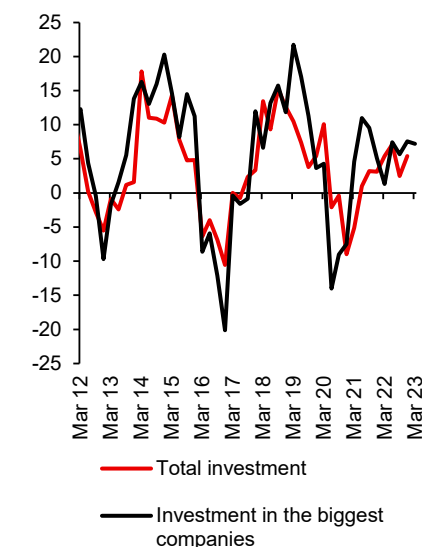
**Interest rate market:** Domestic rates declined slightly yesterday, in line with core markets. Yields in the core markets increased in reaction to Fitch decision on US rating, which could translate into a widening of the domestic asset swap spreads. Today, the bond auction will be the main event of the day.

### Main consumer confidence indicators



Source: GUS, Santander

### Investment in total economy and in biggest companies, % y/y, real terms



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.5009	CZKPLN	0.1901
USDPLN	4.1924	HUFPLN*	1.2059
EURUSD	1.0738	RUBPLN	0.0523
CHFPLN	4.6255	NOKPLN	0.3818
GBPPLN	5.1825	DKKPLN	0.6041
USDCNY	7.0689	SEKPLN	0.3908

\*for 100HUF

**Last session in the FX market 24/05/2023**

	min	max	open	close	fixing
EURPLN	4.4761	4.5077	4.4795	4.5040	4.4803
USDPLN	4.1488	4.1912	4.1582	4.1873	4.1573
EURUSD	1.0746	1.0801	1.0778	1.0756	-

**Interest rate market 24/05/2023**

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.01	-11
WS0428 (5Y)	6.03	-1
DS1033 (10Y)	6.11	0

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.80	-2	5.26	8	3.80	2
2L	6.32	-1	4.57	8	3.63	3
3L	5.85	-2	4.18	8	3.41	3
4L	5.62	-1	3.97	7	3.27	2
5L	5.49	-2	3.87	9	3.20	2
8L	5.43	-2	3.75	7	3.12	1
10L	5.47	-2	3.73	6	3.12	0

**WIBOR rates**

Term	%	Change (bps)
O/N	6.75	0
T/N	6.82	2
SW	6.84	0
2W	6.84	1
1M	6.84	1
3M	6.90	0
6M	6.95	0
1Y	7.06	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	6.89	1
3x6	6.85	-1
6x9	6.51	-3
9x12	6.22	-4
3x9	6.87	-1
6x12	6.51	-3

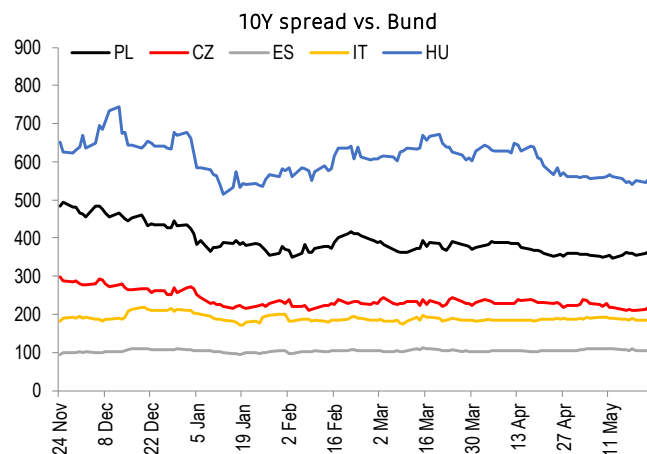
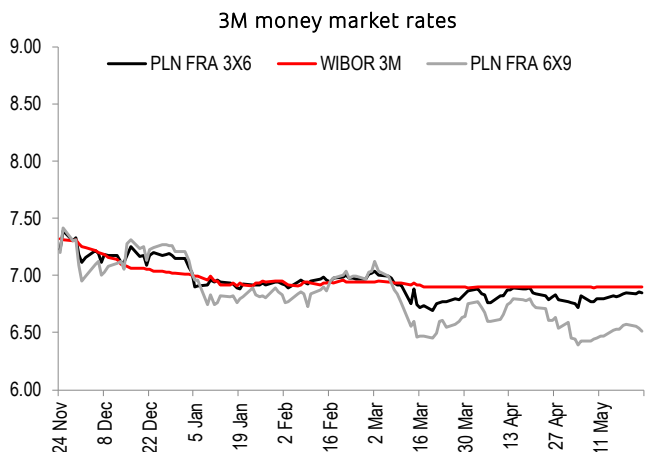
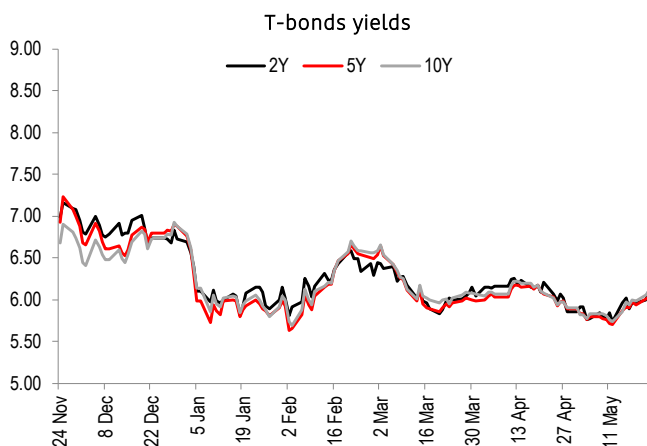
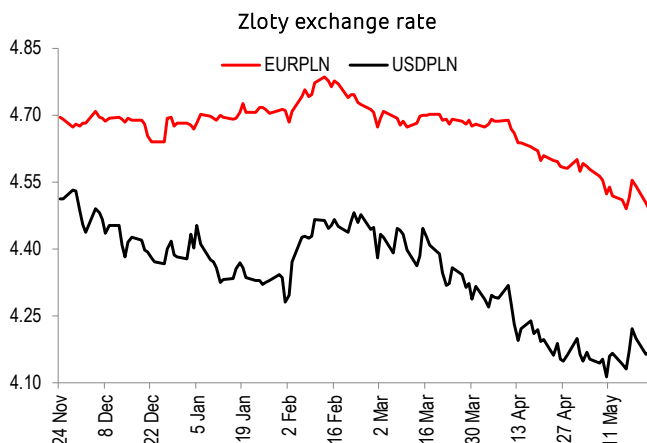
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	85	-1	366	2
France	14	0	58	0
Hungary	177	5	559	3
Spain	53	0	107	2
Italy	47	0	187	1
Portugal	40	0	77	0
Ireland	19	0	43	2
Germany	10	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			
<b>FRIDAY (19 May)</b>								
No key data release or events								
<b>MONDAY (22 May)</b>								
10:00	PL	Employment in corporate sector	Apr	% y/y	0.2	0.1	0.4	0.5
10:00	PL	Sold Industrial Output	Apr	% y/y	-4.3	-4.3	-6.4	-3.0
10:00	PL	PPI	Apr	% y/y	7.7	7.7	6.8	10.3
10:00	PL	Average Gross Wages	Apr	% y/y	12.1	12.2	12.1	12.6
<b>TUESDAY (23 May)</b>								
09:30	DE	Germany Manufacturing PMI	May	pts	45.0	-	42.9	44.5
09:30	DE	Markit Germany Services PMI	May	pts	55.0	-	57.8	56.0
10:00	EZ	Eurozone Manufacturing PMI	May	pts	46.0	-	44.6	45.8
10:00	EZ	Eurozone Services PMI	May	pts	55.5	-	55.9	56.2
10:00	PL	Construction Output	Apr	% y/y	1.9	1.8	1.2	-1.5
10:00	PL	Retail Sales Real	Apr	% y/y	-8.2	-10.0	-7.3	-7.3
14:00	HU	Central Bank Rate Decision	May.23	%	13.00	-	13.00	13.00
16:00	US	New Home Sales	Apr	% m/m	-3.4	-	4.1	4.0
<b>WEDNESDAY (24 May)</b>								
10:00	DE	IFO Business Climate	May	pts	93.0	-	91.7	93.6
14:00	PL	Money Supply M3	Apr	% y/y	6.7	6.7	6.7	6.5
20:00	US	FOMC Meeting Minutes	May					
<b>THURSDAY (25 May)</b>								
08:00	DE	GDP WDA	1Q	% y/y	-0.1	-	-0.3	-0.5
10:00	PL	Unemployment Rate	Apr	%	5.3	5.3		5.4
14:30	US	GDP Annualized	1Q	% Q/Q	1.1	-		2.6
14:30	US	Initial Jobless Claims		k	251	-		242
16:00	US	Pending Home Sales	Apr	% m/m	-	-		-5.2
<b>FRIDAY (26 May)</b>								
14:30	US	Durable Goods Orders	Apr	% m/m	-1.0	-		3.2
14:30	US	Personal Spending	Apr	% m/m	0.4	-		0.0
14:30	US	Personal Income	Apr	% m/m	0.4	-		0.3
14:30	US	PCE Deflator SA	Apr	% m/m	0.3	-		0.1
16:00	US	Michigan index	May	pts	58.0	-		63.5

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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