

2 June 2023

# Eyeopener

## Disinflationary rebound of Polish PMI

Unexpected rise of Polish manufacturing PMI with stronger disinflationary tendencies  
Weak European PMIs, significant drop of euro zone inflation, US debt limit rise approved  
Further significant declines in market rates, EURUSD rebound

US labour market data will be in focus **today**. The market expects non-farm employment to have advanced at a much slower pace in May, but the ADP report indicates a possible upward risk for today's reading. Both chambers of the US Congress have already voted to raise the debt limit, so the topic can be considered closed.

**PMI index for Polish manufacturing** improved in May to 47.0pts from 46.6pts, against broad expectations of a further decline (us: 45.5pts, market: 46.0pts). Improvement was driven mostly by higher values of subindices for output, new orders and employment, which however remained below 50pts. Suppliers' delivery times posted the best improvement over the last decade, and this was dragging the headline index lower. Input and output prices fell and both posted record declines. This was apparently driven by lower prices for raw materials, especially metals, chemicals and plastics as well as by stronger zloty. May PMI is suggesting some improvement in business sentiment, continuation of disinflationary process and a major recovery in supply chains, reinforcing our call that 1Q23 was the lowest point in the economic cycle. **Czech manufacturing PMI** remained at 42.8 pts despite lower output and new orders components. Faced with weaker demand and input prices, Czech manufacturers lowered their output prices for the first time since 2020 and the output price index was the lowest since 2016.

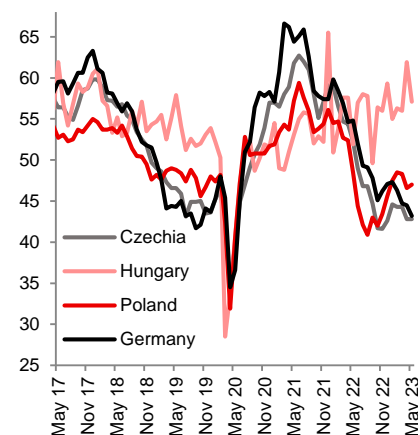
**URE (energy market regulator) head Rafał Gawin** said that a reduction in electricity and gas tariffs could be expected next year, but it is not yet clear whether these tariffs would be binding for consumers (if the price freeze mechanism was still in place). Gawin also announced that he had rejected requests for electricity tariff increases in July this year.

In its latest [Article IV report on Poland](#), the **IMF** forecasts a fairly low path for GDP, with high fiscal and current account deficits and a slow decline in core inflation. The Fund expects domestic GDP to grow by 0.3% this year, 2.4% next year and 3.7% in 2025, with the public finance sector deficit rising to 4.5% of GDP this year and remaining close to 4% thereafter. Defence spending would sustain the current account deficit at 2.4% of GDP this year and around 2% of GDP thereafter. Inflation would be at the upper end of the NBP target band at the end of 2025 and the target itself, according to the IMF, would be reached in 2027. The report stresses the importance of the role of EU funds under the Recovery Plan in sustaining potential growth in Poland and offsetting the negative effect of population ageing. The recommendations include: refraining from fiscal expansion, better addressing tools to lower the cost of energy, keeping an eye on the size of public debt while financing defence spending. The central bank should be ready to raise rates further should the economy, core inflation and wages slow down less than forecast.

**CEE currencies** depreciated slightly against the euro yesterday, however this morning **EURPLN** is already below last week's trading range and close to 4.51. **EURUSD** rose slightly to 1.073 despite weak German retail sales data and a better-than-forecast ISM for manufacturing, which, alongside earlier comments from the Fed about a possible pause in June (Jefferson, Harker), translated into a fall in the spread between US and German 2-year bond yields.

**Market rates** in core markets and locally have been falling since the start of the week and Thursday's session was no different. UST yields fell by 2-4bp and Bunds by 1-2bp on the back of a decline in euro zone inflation in May to 6.1% y/y from 7% and slightly better final PMI readings. In Poland, FRA rates once again fell by 8-18bp and IRS rates and bond yields by 8-12bp amid the flattening of the bond curve. Supporting factor for the downward trend was the disinflationary nature of the PMI data. Czech and Hungarian bond yields also fell partly in response to the movement in the core markets and partly influenced by local news. In Hungary, Economy Minister M. Nagy announced tax and regulatory changes to boost demand for Hungarian bonds by around USD 5 billion.

Manufacturing PMI in CEE and Germany, pts



Source: S&P Global, Santander

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### FX market

Today's opening			
EURPLN	4.5129	CZKPLN	0.1905
USDPLN	4.1886	HUFPLN*	1.2130
EURUSD	1.0772	RUBPLN	0.0519
CHFPLN	4.6334	NOKPLN	0.3799
GBPPLN	5.2514	DKKPLN	0.6058
USDCNY	7.0713	SEKPLN	0.3887

\*for 100HUF

Last session in the FX market					01.06.2023
	min	max	open	close	fixing
EURPLN	4.5129	4.5471	4.5243	4.5217	4.5312
USDPLN	4.1992	4.2540	4.2371	4.2054	4.2399
EURUSD	1.0660	1.0753	1.0681	1.0749	-

### Interest rate market 01.06.2023

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.06	11
WS0428 (5Y)	5.81	-11
DS1033 (10Y)	5.96	-8

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.62	-4	5.26	-6	3.72	-1
2L	6.03	-9	4.52	-5	3.47	-4
3L	5.58	-10	4.07	-7	3.22	-4
4L	5.37	-10	3.86	-6	3.06	-5
5L	5.26	-12	3.76	-6	2.98	-5
8L	5.20	-11	3.62	-5	2.90	-5
10L	5.26	-9	3.61	-4	2.91	-4

### WIBOR rates

Term	%	Change (bps)
O/N	7.01	80
T/N	6.79	0
SW	6.83	-1
2W	6.85	0
1M	6.82	-1
3M	6.90	0
6M	6.95	0
1Y	7.05	0

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

Term	%	Change (bps)
1x4	6.87	0
3x6	6.75	-1
6x9	6.29	-7
9x12	5.84	-12
3x9	6.74	-3
6x12	6.27	-9

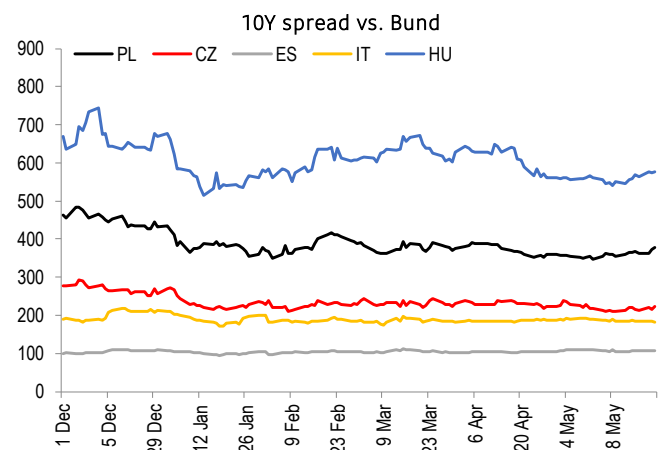
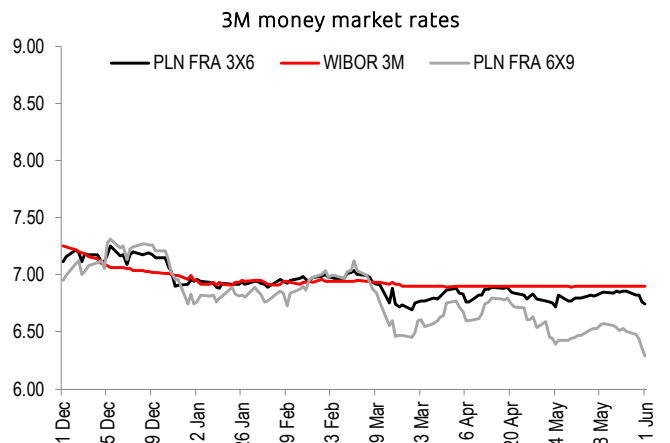
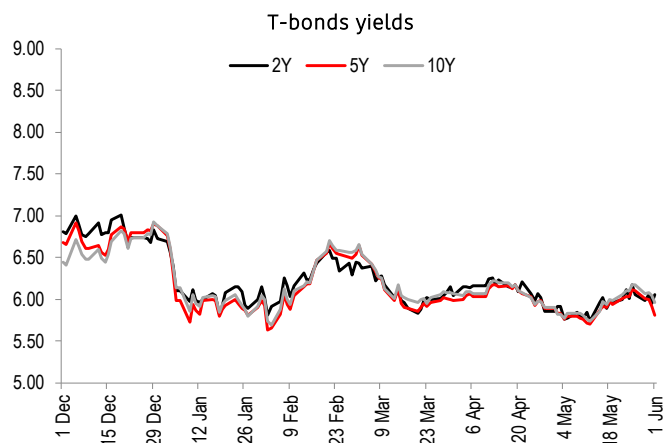
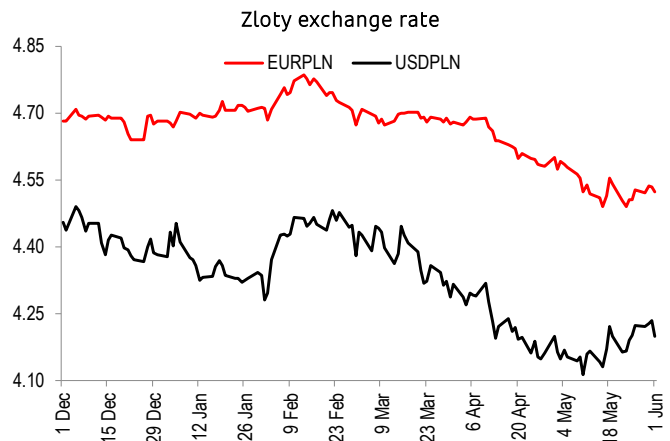
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	78	0	378	4
France	14	0	57	-9
Hungary	177	0	577	3
Spain	52	0	107	0
Italy	45	0	182	-1
Portugal	40	0	75	1
Ireland	19	0	47	2
Germany	11	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 (26 May)</b>							
14:30	US	Durable Goods Orders	Apr	% m/m	-1.0	1.1	3.3
14:30	US	Personal Spending	Apr	% m/m	0.5	0.8	0.1
14:30	US	Personal Income	Apr	% m/m	0.4	0.4	0.3
14:30	US	PCE Deflator SA	Apr	% m/m	0.3	0.4	0.1
16:00	US	Michigan index	May	pts	58.0	59.2	57.7
<b>MONDAY (29 May)</b>							
No key data releases or events							
<b>TUESDAY (30 May)</b>							
09:00	CZ	GDP SA	1Q	% y/y	-0.2	-0.4	0.3
11:00	EZ	ESI	May	pct.	99.0	96.5	99.0
16:00	US	Consumer Conference Board	May	pts	99.0	102.3	103.7
<b>WEDNESDAY (31 May)</b>							
10:00	PL	CPI	May	% y/y	13.4	13.0	14.7
10:00	PL	GDP	1Q	% y/y	-0.2	-0.3	2.3
14:00	DE	HICP	May	% m/m	0.2	-0.2	0.6
<b>THURSDAY (1 June)</b>							
08:30	HU	GDP	1Q	% y/y	-0.9	-0.9	0.4
09:00	PL	<b>Poland Manufacturing PMI</b>	May	pts	<b>46.0</b>	<b>47.0</b>	<b>46.6</b>
09:55	DE	Germany Manufacturing PMI	May	pts	42.9	43.2	44.5
10:00	EZ	Eurozone Manufacturing PMI	May	pts	44.6	44.8	45.8
11:00	EZ	Flash HICP	May	% y/y	6.4	6.1	7.0
11:00	EZ	Unemployment Rate	Apr	%	6.5	6.5	6.6
14:15	US	ADP report	May	k	160	278	291
14:30	US	Initial Jobless Claims	May.23	k	245	232	230
16:00	US	ISM manufacturing	May	pts	47.0	46.9	47.1
<b>FRIDAY (2 June)</b>							
14:30	US	Change in Nonfarm Payrolls	May	k	180	-	253.0
14:30	US	Unemployment Rate	May	%	3.5	-	3.4

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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