

21 July 2023

Eyeopener

Better results of industry, today retail sales

Today June's retail sales and business climate indicators in July
 Positive data on economic activity, mixed on labour market, PPI inflation down to 0.5% y/y
 Dollar stronger, zloty stable versus euro
 Interest rate market witnessing increases

Today, Polish data on retail sales in June will be in focus. We expect to see an improvement in annual growth rate after a surprisingly weak May (-6.8% y/y) and our forecast of -4.8% y/y is close to market expectations (-5.0% y/y). GUS will also show the July results of the sectoral business climate survey.

Industrial production accelerated to -1.4% y/y (+0.4% m/m SA) from -2.8% y/y, surprising positively. After adjusting the data for seasonal effects, the decline in production was only 0.8% r/r, which is the best result since January, while the monthly growth rate turned positive, at 0.4% m/m, for the first time in 3 months. The positive results were heavily driven by the automobile industry. In our view, chances for a positive annual growth rate in 4Q are growing, and with them the support for our forecast of a recovery in the second half of the year. Slightly weaker data came from the labour market, where **employment growth decelerated to 0.2% y/y from 0.4%**. On a monthly basis, there were 4.9k jobs – a worse cut in June happened last time in 2009. **Wages slowed down to 11.9% y/y from 12.2% y/y in May**. Nonetheless, for the first time since July 2022, we have seen positive real wage growth, at 0.4% y/y. In our view, wage growth will stay at double-digit levels in the coming quarters, supported by continued high inflation, economic recovery and a strong increase in the minimum wage in 2024. **PPI inflation fell to 0.5% y/y** from 2.8% y/y (revised from 3.2% y/y). We expect PPI growth to fall further below zero as early as July, with the annual price decline continuing until early next year. In the short term, this should also favour a decline in CPI inflation. Read more in [Economic Comment](#).

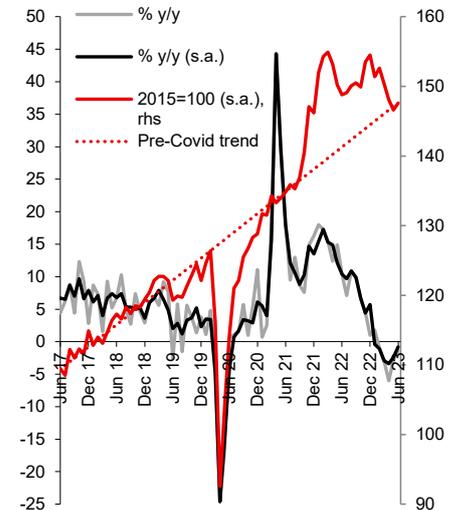
MPC member Ireneusz Dąbrowski said that space for interest rate cuts would emerge if wage growth as a share of GDP was under control with falling CPI inflation. **MPC's Wiesław Janczyk** said that the first rate cut could be in September or October and will be cautious, by 25bp.

The Finance Ministry said that at the end of June, **the Treasury's debt** increased by PLN13.9bn (1.1% m/m), reaching PLN1283.5bn (around 39% of GDP), of which domestic debt amounted to PLN990.9bn (around 77% of the total) and foreign currency debt to PLN292.6bn (around 23%).

Good data from the US labour market (only 228k in new jobless claims), helped **EURUSD** fall below 1.115, which is in line with our scenario for the coming months that the dollar may gain to below 1.10 against the euro. The dollar's strength was also evident in the behaviour of the **USDPLN** exchange rate, which rose near 4.00. In contrast, the zloty remained stable against the euro. Again, **the CEE currencies** fared worse than the PLN, looking quite weak against other emerging market currencies. The Czech koruna lost more than 0.5% and the forint has already lost more than 2% to the euro in two days. Volatility of the forint has increased in the last month, not least due to budget concerns. Yesterday, Hungarian Finance Minister Varga suggested that the deficit plan of 3.9% of GDP and 2.9% for 2024 could be achieved without additional fiscal tightening.

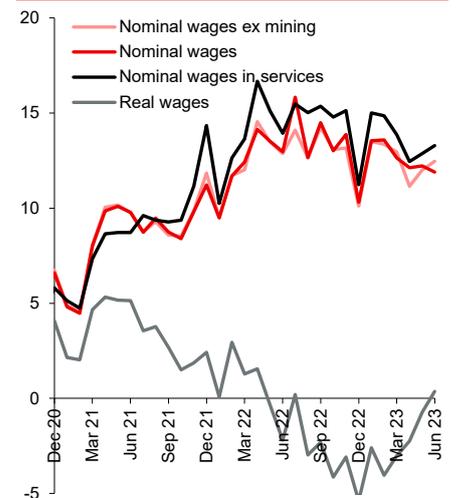
The upward correction in the domestic interest rate market continues. 5Y bond yields rose the most, by 9bp, while 2- and 10Y yields rose by 5 and 8bp, helped by the slightly positive tone of the activity data released yesterday. Swap rates rose by 6-9bp and FRA rates moved by -1 - 9bp. Bond yields also rose in foreign markets, with the euro area up 2bp across the curve and the US up 6-8bp. We are of the view that domestic yields will continue to rise after the recent strong declines.

Industrial production in Poland



Source: GUS, Santander

Wages in the corporate sector, % y/y



Source: GUS, 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
 Bartosz Biały +48 517 881 807
 Cezary Chrapek, CFA +48 887 842 480
 Marcin Luziński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.4526	CZKPLN	0.1857
USDPLN	3.9959	HUFPLN*	1.1588
EURUSD	1.1143	RUBPLN	0.0443
CHFPLN	4.6154	NOKPLN	0.3970
GBPPLN	5.1453	DKKPLN	0.5977
USDCNY	7.1682	SEKPLN	0.3862

*for 100HUF

Last session in the FX market						20/07/2023
	min	max	open	close	fixing	
EURPLN	4.4355	4.4567	4.4481	4.4480	4.4511	
USDPLN	3.9613	3.9981	3.9654	3.9952	3.971	
EURUSD	1.1130	1.1223	1.1219	1.1133	-	

Interest rate market 20/07/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.40	4
WS0428 (5Y)	5.32	10
DS1033 (10Y)	5.50	7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.06	4	5.58	3	3.91	-2
2L	5.29	6	5.02	6	3.82	5
3L	4.86	8	4.59	10	3.57	6
4L	4.68	8	4.33	11	3.39	6
5L	4.60	9	4.17	11	3.28	6
8L	4.61	8	3.93	11	3.12	6
10L	4.70	9	3.86	10	3.10	9

WIBOR rates

Term	%	Change (bps)
O/N	6.66	-19
T/N	6.88	0
SW	6.86	1
2W	6.82	0
1M	6.85	0
3M	6.78	-1
6M	6.69	-1
1Y	6.65	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.69	-1
3x6	6.24	3
6x9	5.58	8
9x12	5.06	8
3x9	6.13	3
6x12	5.48	8

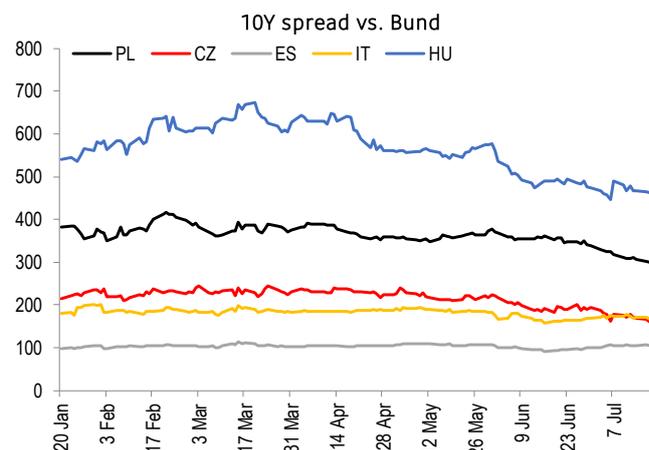
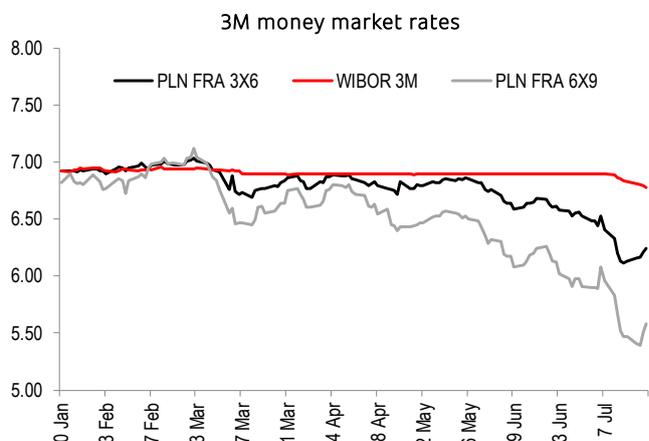
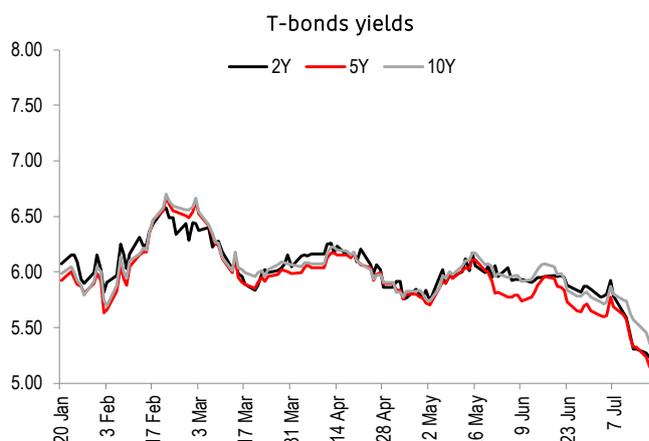
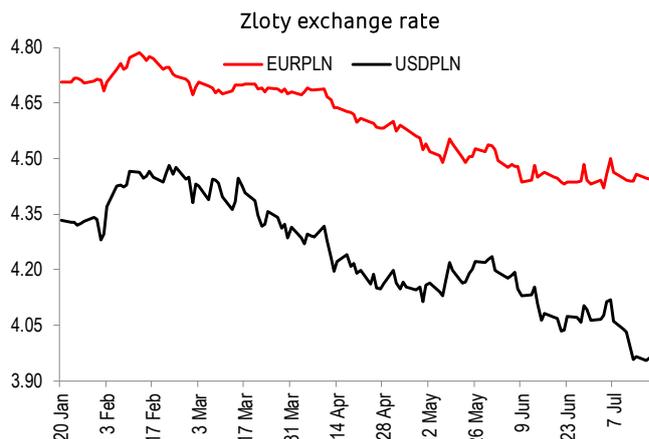
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	70	0	305	2
France	13	0	56	0
Hungary	156	0	478	17
Spain	48	0	103	-1
Italy	35	0	166	-2
Portugal	37	0	74	-1
Ireland	17	0	44	1
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			
FRIDAY (14 July)								
10:00	PL	CPI	Jun	% y/y	11.5	11.5	11.5	13.0
14:00	PL	Current Account Balance	May	€mn	437	856	1392	529
14:00	PL	Trade Balance	May	€mn	609	1266	1111	327
14:00	PL	Exports	May	€mn	28047	28066	28221	26408
14:00	PL	Imports	May	€mn	27387	26800	27110	26081
16:00	US	Michigan index	Jul	pts	65.5	-	72.6	64.4
MONDAY (17 July)								
14:00	PL	CPI Core	Jun	% y/y	11.1	11.0	11.1	11.5
TUESDAY (18 July)								
14:30	US	Retail Sales Advance	Jun	% m/m	0.5	-	0.2	0.5
15:15	US	Industrial Production	Jun	% m/m	0.0	-	-8,0	-0.5
WEDNESDAY (19 July)								
11:00	EZ	HICP	Jun	% y/y	5.5	-	5.5	6.1
14:30	US	Housing Starts	Jun	% m/m	-9.9	-	-8.0	21.7
THURSDAY (20 July)								
10:00	PL	Employment in corporate sector	Jun	% y/y	0.4	0.4	0.2	0.4
10:00	PL	Average Gross Wages	Jun	% y/y	12.1	12.3	11.9	12.2
10:00	PL	Sold Industrial Output	Jun	% y/y	-1.9	-2.5	-1.4	-2.8
10:00	PL	Construction Output	Jun	% y/y	1.2	3.0	1.5	-0.7
10:00	PL	PPI	Jun	% y/y	1.0	0.0	0.5	2.8
14:30	US	Initial Jobless Claims	week	k	245	-	228	237
16:00	US	Existing Home Sales	Jun	% m/m	-1.98	-	-3.3	0.23
FRIDAY (21 July)								
10:00	PL	Retail Sales Real	Jun	% y/y	-5.0	-4.8	-	-6.8

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>.