23 November 2023

Eyeopener

Focus on PMI numbers

Today M3 money supply, 3Q results of companies and flash PMIs in Germany and euro zone
Retail sales surprised to the upside again, consumer and business sentiments improved
Slightly weaker zloty, higher market rates

Today, we will see data on M3 money supply in October, which in our view should show an expansion by 8.8% y/y, above the market consensus of 8.5% y/y. We will also see data on the performance of non-financial companies in 3Q23. In addition, flash November PMI readings will flow-in from Germany and the euro area. The consensus suggests that most of the new indices should rise by 0.2-0.3 pts, signalling a slight improvement in the economy.

Retail sales jumped to 2.8% y/y in October from -0.3% y/y in September, strongly beating expectations for the second consecutive month. The growth was largely based on a temporary improvement in fuels and clothing. **Construction output grew by 9.8% y/y** in October, more than 1pp below market expectations. However, its 1.1% m/m decline is small against the backdrop of a rebound in the previous two months totalling close to 7%. Data from the housing market indicate that the supply side is steadily adjusting further in response to the increased demand. **Consumer sentiment improved for the 13th consecutive month** in November, particularly in the 'major purchases' part, and most sectoral sentiment indicators pointed to improved business conditions. In wholesale food prices, stabilisation showed up in place of rapid m/m declines. Read more in our Economic Comment.

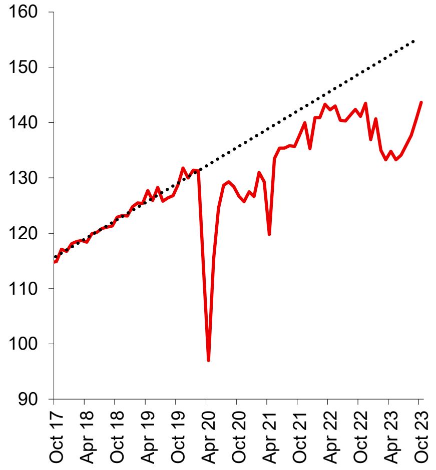
Initial jobless claims in the US fell to 209k in the week ended 18 November from 233k a week earlier (data revised upwards by 2k). The total number of people claiming benefits also fell, to 1.840m from 1.862m a week earlier. When the previous initial jobless claims data were released, we pointed out that when assessing it, the increased volatility characterising the final months of the year must be taken into account. This holds true also for yesterday's figures, which should be given slightly less weight when analysing the current trend in the US labour market.

US durable goods orders decreased by 5.4% m/m in October, following a 4.0% m/m increase in September. Although much of October's decline is the result of a weaker performance of the transport sector (which was to a large extent caused by the UAW strike), the measure of new orders excluding transport showed only no change. Core capital goods also recorded a poor performance, with October's growth rate at -0.1% m/m and September's revised from +0.5% m/m to -0.2% m/m. The latest data indicate that the US industrial sector still remains weakened.

Zloty stable at a strong level. During yesterday's session, investor sentiment towards the currencies of emerging economies was relatively good, however, CEE currencies were an exception. The Hungarian forint was the weakest performer after the MNB cut rates by 75bp with a relatively dovish statement, while EURHUF rose slightly to 381. The Czech koruna performed better, strengthening slightly to 24.45. The koruna may have been supported by hawkish comments from Kubelkova, a member of the Czech central bank's executive board, on concerns of a sizable upward adjustment in retail prices in January. The zloty, after strengthening in the first part of the day thanks to strong economic data, weakened to its opening level of around 4.374 after the dollar strengthened against the euro on international markets. EURUSD fell to 1.0853 in response to the better-than-expected initial jobless claims data and a better-than-forecasted Michigan index reading with weaker durable goods orders. After such a large appreciation, the correction for the weakening of the zloty may still take time, but in our opinion the space for both the weakening of the zloty and the strengthening of the dollar against the euro is small.

Slight rise in market rates. Yesterday was marked by a slight increase in market rates of around 2-bp in FRAs, IRS rates and bonds. This may have been supported by better-than-expected data from the domestic economy, as well as a rise in US market rates in response to better labour market data. The German curve was little changed, with further declines in FRA rates in the CEE region. Today, the upward movement in market rates may continue in the event of improvement in euro area PMI indices. At yesterday's auction, BGK sold three series of FPC bonds for the COVID-19 Fund for PLN546mn, with demand for four series at PLN2.4bn. The Ministry of Finance, in turn, announced that it is currently organising an issue of euro-denominated benchmark bonds. It is worth noting that already in the earlier months of the year, the Ministry of Finance exceeded the issuance plan initially planned for this year, and has planned a record issuance of foreign currency bonds for next year (around PLN60bn gross and around PLN30bn net).

Retail sales, sa index (2015=100) vs pre-covid trend



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.3603	CZKPLN	0.1782
USDPLN	3.9977	HUFPLN*	1.1452
EURUSD	1.0906	RUBPLN	0.0454
CHFPLN	4.5265	NOKPLN	0.3719
GBPPLN	5.0006	DKKPLN	0.5848
USDCNY	7.1403	SEKPLN	0.3829

*for 100HUF

Last session in the FX market 22/11/2023

	min	max	open	close	fixing
EURPLN	4.3589	4.3818	4.3739	4.3666	4.3804
USDPLN	3.9943	4.0312	4.0111	4.0172	4.018
EURUSD	1.0850	1.0919	1.0905	1.0868	-

Interest rate market 22/11/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.42	3
WS0428 (5Y)	5.33	5
DS1033 (10Y)	5.59	11

IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	5.68	4	5.53	2	3.87	1
2L	5.15	4	4.98	-1	3.52	4
3L	4.85	5	4.68	1	3.26	4
4L	4.72	4	4.44	0	3.13	3
5L	4.68	4	4.42	1	3.07	2
8L	4.74	4	4.33	0	3.03	1
10L	4.81	4	4.34	0	3.04	0

WIRON rate

Term	%	Change (bps)
WIRON	4.89	-15

WIBOR rates

Term	%	Change (bps)
O/N	5.73	-8
T/N	5.81	2
SW	5.83	0
1M	5.84	-3
3M	5.84	2
6M	5.80	1
1Y	5.77	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	3
3x6	5.77	3
6x9	5.45	3
9x12	5.11	4
3x9	5.73	3
6x12	5.39	3

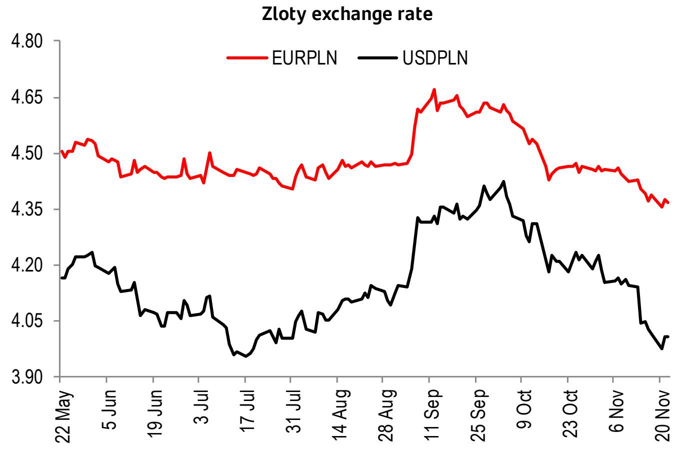
CDS rates and 10Y yield spread vs. German Bund

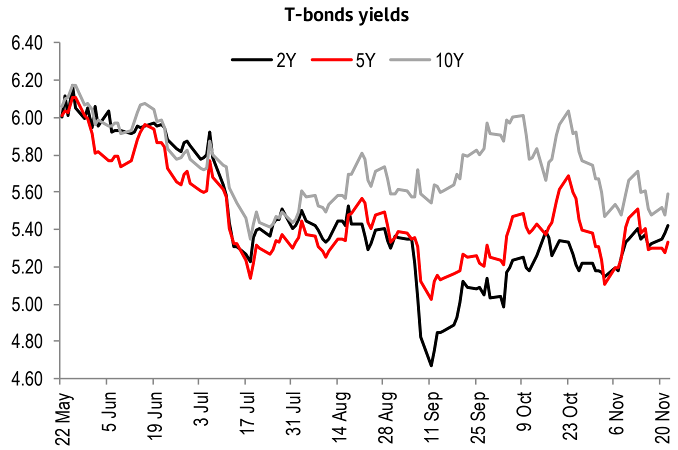
Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland	63	0	303	10
France	13	0	55	-1
Hungary	144	0	432	14
Spain	49	0	99	-1
Italy	40	0	176	-1
Portugal	37	0	66	-1
Ireland	19	0	38	-1
Germany	14	0	-	-

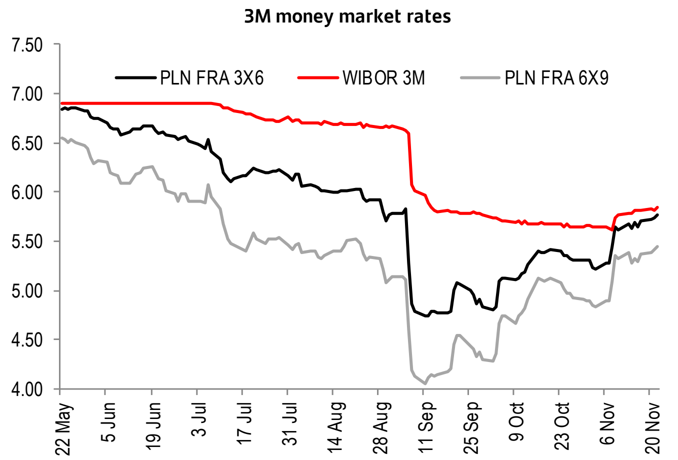
* 10Y treasury bonds over 10Y Bunds

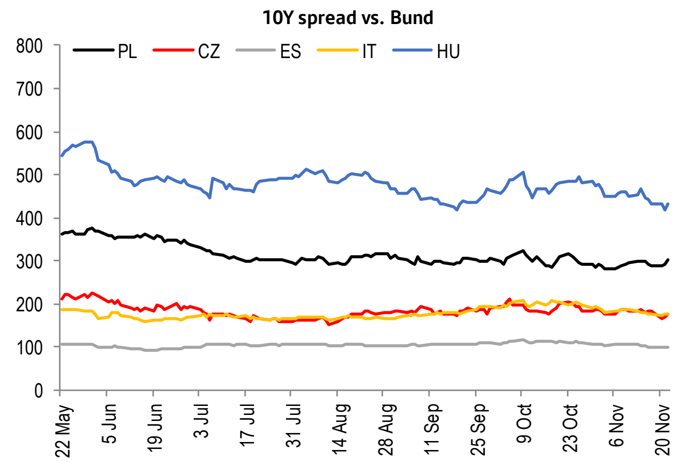
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream









Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (17 November)					
11:00	EZ	HICP	Oct	% y/y	2.9	-	2.9	4.3
14:30	US	Housing Starts	Oct	% m/m	-0.59	-	1.9	3.0
			MONDAY (20 November)					
02:15	CN	PBOC's 1Y loan prime rate	Nov	%	3.45	-	3.45	3.45
			TUESDAY (21 November)					
10:00	**PL**	**Employment in corporate sector**	**Oct**	**% y/y**	**0.0**	**0.0**	**-0.1**	**0.0**
10:00	**PL**	**Sold Industrial Output**	**Oct**	**% y/y**	**1.9**	**0.7**	**1.6**	**-3.1**
10:00	**PL**	**PPI**	**Oct**	**% y/y**	**-3.7**	**-4.5**	**-4.1**	**-2.8**
10:00	**PL**	**Average Gross Wages**	**Oct**	**% y/y**	**12.0**	**12.0**	**12.8**	**10.3**
14:00	HU	Central Bank Rate Decision	Nov	%	11.50	11.50	11.50	12.25
16:00	US	Existing Home Sales	Oct	% m/m	-1.5		-4.1	-1.98
20:00	US	FOMC Meeting Minutes	Nov					
			WEDNESDAY (22 November)					
10:00	**PL**	**Construction Output**	**Oct**	**% y/y**	**11.3**	**12.0**	**9.8**	**11.5**
10:00	**PL**	**Retail Sales Real**	**Oct**	**% y/y**	**1.3**	**0.8**	**2.8**	**-0.3**
14:30	US	Durable Goods Orders	Oct	% m/m	-3.0		-5.4	4.6
14:30	US	Initial Jobless Claims	week	k	225		209	233
16:00	US	Michigan index	Nov	pts	60.8		61.3	60.4
			THURSDAY (23 November)					
09:30	DE	Germany Manufacturing PMI	Nov	pts	41.1			40.8
09:30	DE	Markit Germany Services PMI	Nov	pts	48.2			48.2
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	43.3			43.1
10:00	EZ	Eurozone Services PMI	Nov	pts	48.1			47.8
14:00	**PL**	**Money Supply M3**	**Oct**	**% y/y**	**8.5**	**8.8**		**8.3**
			FRIDAY (24 November)					
08:00	DE	GDP WDA	3Q	% y/y	-0.3			-0.2
10:00	DE	IFO Business Climate	Nov	pts	87.5			86.9
10:00	**PL**	**Unemployment Rate**	**Oct**	**%**	**5.0**	**5.0**		**5.0**

Source: Santander Bank Polska. Bloomberg. Parkiet
** in the case of a revision the data is updated*

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.