

2 January 2024

# Eyeopener

## The year starts with PMIs

Today manufacturing PMIs

MPC's Dąbrowski: The Council should wait until March with further decisions

M3 money supply rose less than expected again

Some PLN weakness and higher market rates at the end of 2023

**Today**, December PMI readings are being released. For Poland, we had expected a slight increase in the index, but got a significant drop. The readings already published for China did not show a clear picture: the "governmental" industrial index retreated slightly to 49.0 pts, while its counterpart from S&P Global remained at 50.8 pts - slightly above the neutral level.

**MPC member Ireneusz Dąbrowski** said in an interview with PAP Business that CPI inflation would reach 3.4-3.9% y/y in March and that the Council should hold off policy decisions until March. In our opinion, inflation in March may be even lower than Dąbrowski estimated, but the March projection will indicate that it will increase in the following months, so we assume that the MPC will cut rates only at the end of 2024.

**The government is going to extend the credit holidays** to 2024 and introduce a new formula to support borrowers in the mortgage market in place of the subsidised 2% loan. The proposal is to suspend the payment of 4 instalments in 2024, but a eligibility constraint in the form of a household income threshold will be introduced. The estimated cost of this solution is PLN2.5bn, in the case of 100% participation going up to PLN3.6bn.

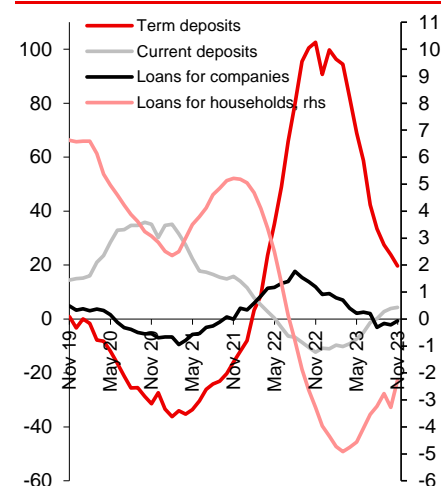
**M3 money supply posted 7.6% y/y growth in November**, down from 8.2% y/y in October. Market expected a rise to 8.3% y/y, while we thought a slowdown to 8.0% was likely. The data were under downside pressure of PLN appreciation vs. EUR and CHF (over 5% y/y, almost 2% m/m). This is the second downside surprise in a row. Cash in circulation was up 1.6% y/y (1.0% y/y previously), total deposit growth eased to 9.1% y/y from 10.0%. Still, credit numbers corrected for the exchange rate effect look decent - total credit rose by 0.8% y/y (previously -0.3%) which is the highest growth since November 2022. FX-adjusted corporate loans moved to -0.8% y/y from -2.2% and household loans to -2.3% y/y from -3.3%. The value of PLN-denominated mortgage loans portfolio rose by PLN4.2bn after pretty flat first eight months of the year followed by two months of increases by c.PLN2.1bn. PLN consumer loans portfolio grew in value by PLN0.9bn and was the highest since November 2021. We think that the credit demand will be further stimulated by the economic rebound already taking place, amid stable labour market offering double-digit wage growth. Average 2024 M3 growth could be in the 7-8% y/y area, similar to 2023 we see at 7.5% y/y.

**Debt in domestic Treasury securities increased by PLN12.5bn to PLN956.4bn in November**. The increase in the total amount of Treasury debt was the result of an increase in debt to local banks by PLN7.8bn to PLN493.5bn and to domestic non-bank investors by PLN5.4bn to PLN333.5bn, as well as a decrease in debt to non-residents by PLN0.6bn to PLN129.5bn.

**During the last session of 2023 EURPLN remained in 4.32-4.35** range valid since mid-December, but moved closer to its upper limit. This confirms our pre-Christmas call that once the appreciative momentum has worn off, the potential for the zloty to correct will be limited. The zloty's tendency to weaken was not disturbed by Thursday's news of the transfer of €5bn of REPowerEU funds or EURUSD's trip above 1.11. It was also confirmed that neither the NBP nor the MF appeared to have tried to influence the final fixing of the year, as sometimes happened in the past (in the case of the NBP, a weaker zloty at the end of the year improves the financial result, in the case of the MF, a stronger zloty reduces the value of foreign debt expressed in PLN). We believe the zloty may still strengthen in the first months of the year towards 4.25, supported by potential inflows of foreign investors to the debt market and growing expectations for the release of further tranches from EU programmes or a late start of rate cuts preceded by a hawkish NBP projection.

**During the last week in the debt market**, domestic bond yields rose slightly, by 3-8bp, mostly in the middle of the curve. There was a slight steepening of the German yield curve - the short end fell by 2bp and the long end rose by 4bp, and a marginal slide in both ends of the UST curve. More volatility was evident in domestic IRS rates, which rose by 10-18bp, and in FRA rates, which rose by 0-20bp, more so on the longer tenors. The MF announced three regular bond tenders for January (instead of the usual two), but without supply of treasury bills.

Loans and deposits, % y/y



Source: NBP, Santander

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## FX market

### Today's opening

EURPLN	4.3453	CZKPLN	0.1754
USDPLN	3.9400	HUFPLN*	1.1243
EURUSD	1.1029	RUBPLN	0.0440
CHFPLN	4.6440	NOKPLN	0.3847
GBPPLN	4.9906	DKKPLN	0.5795
USDCNY	7.1304	SEKPLN	0.3919

\*for 100HUF

### Last session in the FX market

01.01.2024

	min	max	open	close
EURPLN	#N/A	#N/A	#N/A	4.3423
USDPLN	3.9322	3.9373	3.9373	3.9369
EURUSD	#N/A	#N/A	#N/A	1.1060

## Interest rate market

01.01.2024

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

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.06	0
WS0428 (5Y)	5.07	0
DS1033 (10Y)	5.25	0

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.50	5.05	0.00
	-1	0	-335
2L	4.94	4.35	2.81
	0	0	1
3L	4.62	4.03	2.57
	0	0	2
4L	4.46	3.82	2.46
	0	0	0
5L	4.41	3.81	2.44
	-1	0	0
8L	4.43	3.74	2.46
	1	0	0
10L	4.49	3.75	2.49
	0	0	0

### WIRON rate

Term	%	Change (bps)
WIRON	4.41	-57

### WIBOR rates

Term	%	Change (bps)
O/N	3.64	-183
T/N	5.79	0
SW	5.84	0
1M	5.80	-4
3M	5.88	1
6M	5.82	0
1Y	5.79	0

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

Term	%	Change (bps)
1x4	5.84	2
3x6	5.62	0
6x9	5.23	-1
9x12	4.80	-2
3x9	5.58	5
6x12	5.19	2

### CDS rates and 10Y yield spread vs. German Bund

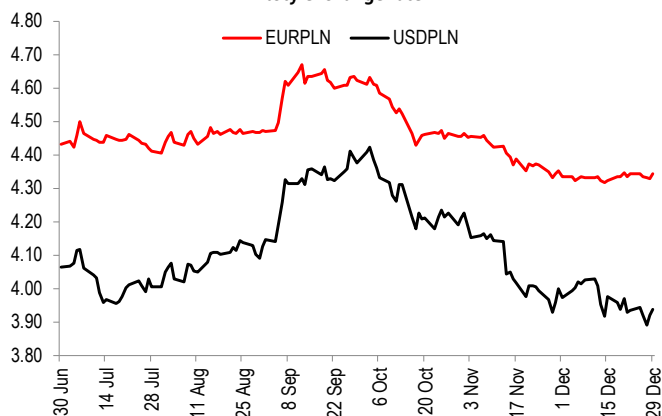
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	63	322
	0	-2
France	13	53
	0	1
Hungary	128	390
	0	-5
Spain	45	97
	0	1
Italy	32	168
	0	2
Portugal	35	76
	0	1
Ireland	19	34
	0	7
Germany	13	-
	0	-

\* 10Y treasury bonds over 10Y Bunds

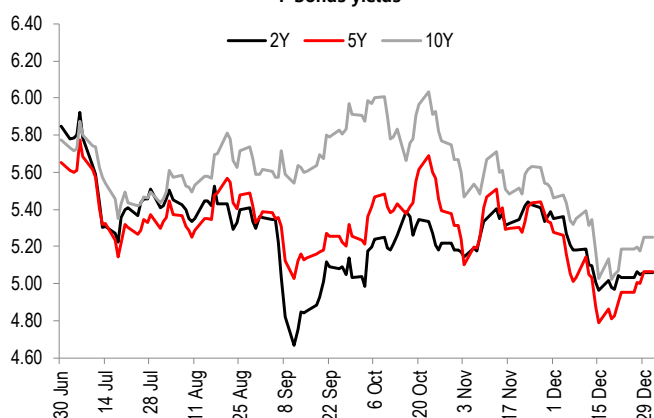
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

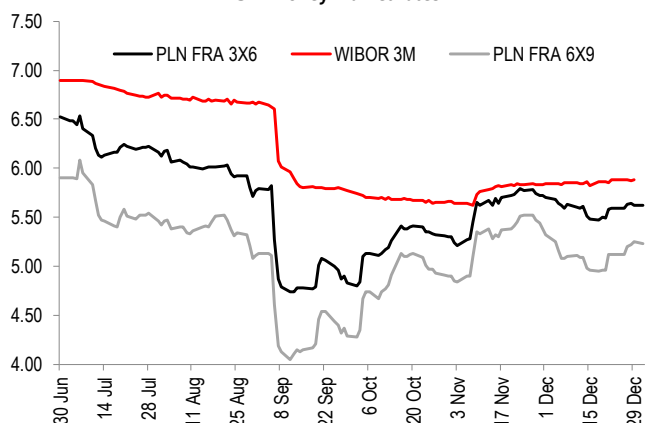
## Zloty exchange rate



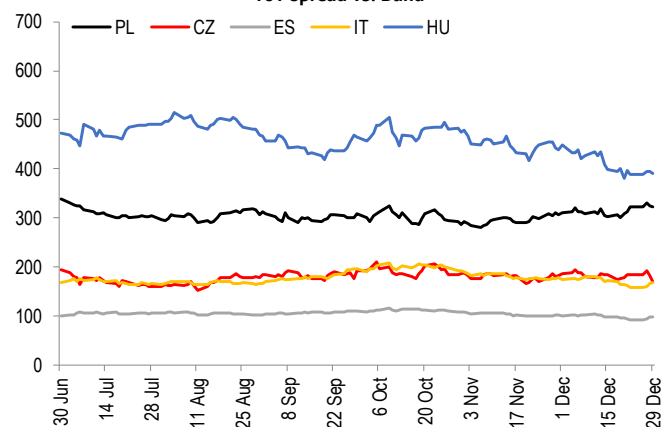
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
TUESDAY (2 January)								
09:00	PL	Poland Manufacturing PMI	Dec	pts	48.4	48.9	-	48.7
09:55	DE	Germany Manufacturing PMI	Dec	pts	43.1	-	-	43.1
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	44.2	-	-	44.2
WEDNESDAY (3 January)								
16:00	US	ISM manufacturing	Dec	pts	47.2	-	-	46.7
20:00	US	FOMC Meeting Minutes	Dec					
THURSDAY (4 January)								
02:45	CN	Caixin China PMI Services	Dec	pts	51.6	-	-	51.5
09:55	DE	Markit Germany Services PMI	Dec	pts	48.4	-	-	48.4
10:00	EZ	Eurozone Services PMI	Dec	pts	48.1	-	-	48.1
14:00	DE	HICP	Dec	% m/m	0.3	-	-	-0.7
14:15	US	ADP report	Dec	k	112.5	-	-	103.0
14:30	US	Initial Jobless Claims		k	210	-	-	218
FRIDAY (5 January)								
08:00	DE	Retail Sales	Nov	% m/m	-0.5	-	-	1.2
09:00	CZ	GDP SA	3Q	% y/y	-0.7	-	-	-0.7
10:00	PL	CPI	Dec	% y/y	6.4	6.5	-	6.6
11:00	EZ	Flash HICP	Dec	% y/y	3.0	-	-	2.4
14:30	US	Change in Nonfarm Payrolls	Dec	k	170	-	-	199
14:30	US	Unemployment Rate	Dec	%	3.8	-	-	3.7
16:00	US	Durable Goods Orders	Nov	% m/m	-	-	-	5.4
16:00	US	ISM services	Dec	pts	52.5	-	-	52.7
16:00	US	Factory Orders	Nov	% m/m	2.0	-	-	-3.6

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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