6 February 2024

Eyeopener

Strong demand for loans in 4Q23

Today retail sales in the euro zone, industrial output in Czechia
In 4Q23 banks tightened lending criteria, but demand for loans remained strong
Fitch: escalation of political conflict can undermine government's effectiveness
Weaker zloty, market rates still going up following core markets in reaction to US numbers

Today, we will see December data on retail sales data in the euro area and industrial production in Czechia. The consensus indicates that retail sales probably declined again, this time by 1.0% m/m, while the pace of decline of Czech manufacturing gained more momentum (-8.1% y/y vs. -2.7% y/y previously). Meanwhile, Germany's December industrial orders, also published today, turned out to be very strong.

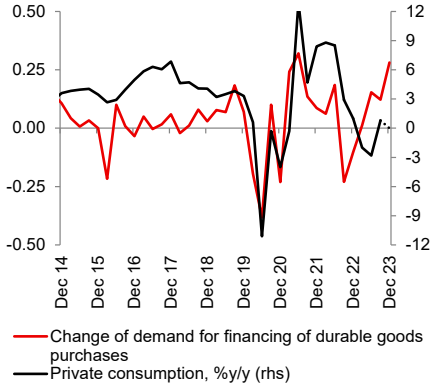
The results of the NBP's survey on the situation in the credit market indicate that in 4Q23 banks still tended, more often than not, to tighten the criteria and conditions for granting most types of business loans. Concerns about economic developments and the deterioration of the quality of the loan portfolio were most often quoted as the reason. The tightening of consumer loans' criteria continued, whereas the approach to changing the criteria of mortgage loans was neutral. In the case of the latter, more banks raised margins than reduced them, which was mainly due to the significant rise in demand recorded by banks for the fourth consecutive quarter, driven by the prospect of the 2% Safe Credit programme coming to an end. The exhaustion of the programme's funds will also coincide with a significant decline in the banks' expected demand for mortgage loans in 1Q24 (the decline of which is already visible in the BIK data, which we discussed in yesterday's report). Significantly increased demand in 4Q was also registered in the consumer loan segment, mainly due to an increase in demand for financing purchases of durable goods, and should continue in 1Q24, according to banks' expectations, which is a positive signal for the consumption outlook. In the case of business loans, demand for short-term loans decreased and demand for long-term loans increased, driven on the one hand by a decrease in demand for inventory and working capital financing, and on the other by higher M&A financing needs. Banks expect to see an increase in demand for all types of business loans in 1Q24, and report that they intend to tighten their lending conditions further.

The Fitch rating agency assessed that the escalation of political tensions in Poland increases the risk of a decline in government effectiveness, which could complicate fiscal consolidation, delay the inflow of EU funds and have a negative impact on the market sentiment. The agency also added that the level and frequency of political confrontations has exceeded its expectations and is starting to affect policy implementation. As a result, Fitch assumes that fiscal consolidation will be modest and that the general government debt-to-GDP level will rise to 55% in 2025 (which, however, remains in line with the median 'A' rating category).

Zloty depreciating. Yesterday was not the best day for the CEE currencies, which lost heavily versus the major currencies, with the zloty being one of the weakest currencies of the emerging economies. The EURPLN exchange rate rose during the day to around 4.35 from around 4.30, EURHUF to 386.6 and EURCZK to 24.96. This was likely driven by the strengthening dollar, which gained around 0.4% to the euro to around 1.074 in a further reaction to Friday's very strong US labour market data, but also hawkish comments from J. Powell, who suggested that interest rates will be cut with greater caution and will most likely be less than the market is pricing in, which reduced expectations for a cut in March. In the face of this, yields in the core markets rose and equity indices fell.

Further increases in market rates. In yesterday's session, the upward movement from the end of last week continued. FRA rates rose by 4-14bp for longer terms, IRS rose by 7-11bp and bond yields rose by 2-14bp with a larger increase at the longer end of the curve. After a sizeable drop in market rates last week, we expected an upward correction, with last week's US labour market data being the catalyst for the move. Market rates in the core markets, including to a greater extent the US, also rose sharply, also supported by a better-than-expected ISM reading for the services sector. We assume that the upward movement may last until the NBP governor's conference on Thursday, which may be kept in a not so dovish tone despite the slightly weaker GDP data.

Signals from credit committees: demand for loans to buy durable goods vs. private consumption



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.3309	CZKPLN	0.1734
USDPLN	4.0254	HUFPLN*	1.1136
EURUSD	1.0760	RUBPLN	0.0445
CHFPLN	4.6281	NOKPLN	0.3777
GBPPLN	5.0577	DKKPLN	0.5805
USDCNY	7.1881	SEKPLN	0.3808

*for 100HUF

Last session in the FX market **05/02/2024**

	min	max	open	close	fixing
EURPLN	4.3181	4.3467	4.3198	4.3394	4.3278
USDPLN	4.0037	4.0529	4.0070	4.0422	4.0244
EURUSD	1.0721	1.0785	1.0780	1.0733	

Interest rate market **05/02/2024**

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.01	4
WS0428 (5Y)	5.22	13
DS1033 (10Y)	5.36	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.66	5	5.20	7	3.51	3
2L	5.19	10	4.59	8	3.05	6
3L	4.88	12	4.33	11	2.82	7
4L	4.71	10	4.15	6	2.73	7
5L	4.65	11	4.13	12	2.68	7
8L	4.65	11	4.06	14	2.68	7
10L	4.71	10	4.07	13	2.70	7

WIRON rate

Term	%	Change (bps)
WIRON	4.89	-2

WIBOR rates

Term	%	Change (bps)
O/N	5.61	-8
T/N	5.78	3
SW	5.83	0
1M	5.84	0
3M	5.85	0
6M	5.85	1
1Y	5.82	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.84	0
3x6	5.74	4
6x9	5.43	5
9x12	5.13	12
3x9	5.68	4
6x12	5.37	5

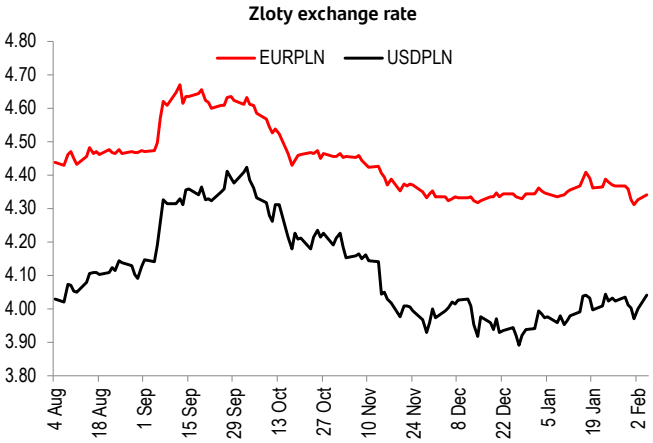
CDS rates and 10Y yield spread vs. German Bund

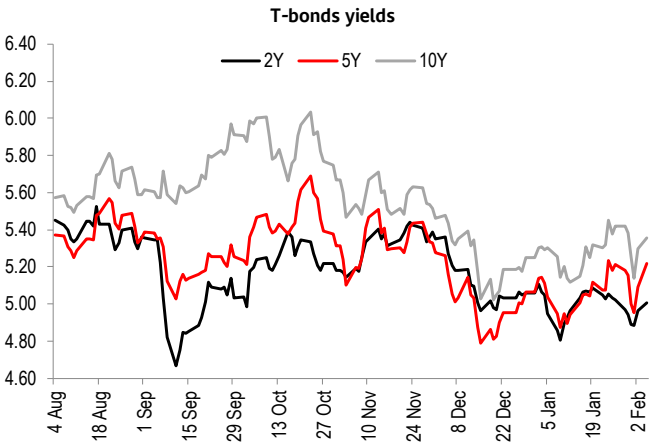
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	65	0	303	-4
France	12	0	50	0
Hungary	125	0	393	26
Spain	43	0	92	-1
Italy	29	0	157	-1
Portugal	30	0	69	-3
Ireland	16	0	43	-3
Germany	10	0	-	-

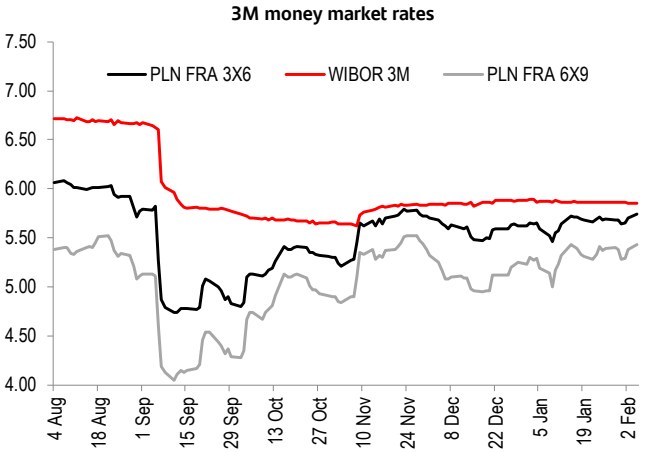
* 10Y treasury bonds over 10Y Bunds

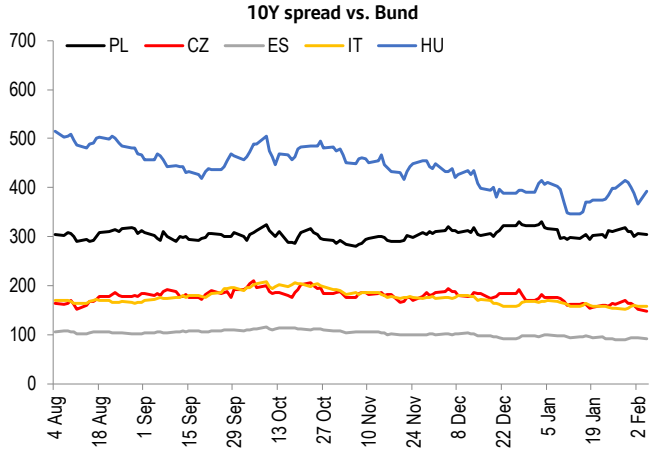
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream









Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (2 February)					
14:30	US	Change in Nonfarm Payrolls	Jan	k	185	-	353	333
14:30	US	Unemployment Rate	Jan	%	3.8	-	3.7	3.7
16:00	US	Michigan index	Jan	pts	78.9	-	79.0	78.8
16:00	US	Durable Goods Orders	Dec	% m/m	0.0	-	0.0	5.4
16:00	US	Factory Orders	Dec	% m/m	0.2	-	0.2	2.6
			MONDAY (5 February)					
02:45	CN	Caixin China PMI Services	Jan	pts	53.0	-	52.7	52.9
08:00	DE	Exports SA	Dec	% m/m	-2.9	-	-4.6	3.8
09:55	DE	Markit Germany Services PMI	Jan	pts	47.6	-	47.7	49.3
10:00	EZ	Eurozone Services PMI	Jan	pts	48.4	-	48.4	48.8
16:00	US	ISM services	Jan	pts	52.0	-	53.4	50.5
			TUESDAY (6 February)					
08:00	DE	Factory Orders	Dec	% m/m	-0.2	-	-	0.3
08:30	HU	Industrial Production SA	Dec	% y/y	-7.6	-	-	-5.6
09:00	CZ	Industrial Production	Dec	% y/y	-8.1	-	-	-2.7
11:00	EZ	Retail Sales	Dec	% m/m	-1.0	-	-	-0.3
			WEDNESDAY (7 February)					
	PL	**MPC decision**	**Feb**	**%**	**5.75**	**5.75**	**-**	**5.75**
08:00	DE	Industrial Production SA	Dec	% m/m	-0.5	-	-	-0.7
			THURSDAY (8 February)					
14:30	US	Initial Jobless Claims		k	215	-	-	224
14:30	CZ	Central Bank Rate Decision	Feb	%	6.50	-	-	6.75
15:00	**PL**	**NBP President's Press Conference**						
			FRIDAY (9 February)					
08:00	DE	HICP	Jan	% m/m	-0.2	-	-	0.2
08:30	HU	CPI	Jan	% y/y	4.3	-	-	5.5

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

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