

24 April 2024

Eyeopener

Return to consumption slower than expected

Today unemployment rate in March and GUS Statistical Bulletin
Annual growth rate of retail sales remained above 6% y/y
PMI for German and euro zone manufacturing disappointed
Zloty slightly stronger, some decline in yields after weaker US PMI, weak auction results

Today, the stats office will release its newest Statistical Bulletin. Inside we will find, among other data, the March unemployment rate, which in our view should have fallen by 0.1 pp to 5.3%. In addition, from Germany we will get the April reading of the Ifo index, which the market believes should signal a slight improvement in economic sentiment, and from the US, data on durable goods orders in March.

Retail sales rose 6.1% y/y in March, unchanged from February and below expectations (market: 6.9% y/y, us: 9.5% y/y). In seasonally adjusted terms, retail sales fell 0.2% m/m. The effect of purchases ahead of Easter and the normalization of VAT rates proved weaker than our forecasts, and the negative effect of working days did not help sales of durable goods. Despite weaker-than-forecast data in March, retail sales for the whole 1Q24 increased by 5.0% y/y (+2.2% q/q sa), which is significantly faster than in 4Q23 (0.0% y/y). We remain quite optimistic about the outlook for consumer demand in the coming quarters due to good consumer sentiment and strong real wage growth. Following retail sales and industrial output data, we see significant downside risks to our GDP growth forecast for 1Q24 at 2.1% y/y. Read more in our [Economic Comment](#).

In March, Polish M3 money supply rose by 6.6% y/y vs. 7.8% y/y market consensus and our 7.7% forecast. This was the largest negative surprise in around three years. The slowdown from February's 7.4% y/y growth was due to a drop in deposits of non-monetary financial institutions by over PLN17bn (the growth rate sank from +13.9% y/y to -9.0% y/y). It seems the market underestimated the impact of PFR (Polish Development Fund) bond maturity. Cash in circulation grew at 4.9% y/y, compared to 3.7% y/y in February. Household deposits still grew at above 10% y/y with the growth rate descending slowly due to a negative base effect. For the first time since April 2022 demand deposits went up at a faster rate than term deposits (11.1% y/y vs. 9.8% y/y, respectively). Corporate deposits were 1.9% larger y/y (2.3% y/y in February). Total loan portfolio corrected for exchange rate movement rose by 3.3% y/y, up from February's 2.7% y/y: household loans accelerated to 1.8% y/y from 0.8% y/y which is the best reading since May 2022. The nominal value of PLN-denominated consumer loans rose in March by PLN1.5bn (or +5.0% y/y) after two months of c.PLN0.4bn increases. PLN-denominated mortgage loans were up PLN3.3bn m/m (or 6.5% y/y) after two months of very high increases exceeding PLN4bn. The nominal value of PLN-denominated credit to enterprises showed the first positive growth, 1.4% y/y, in a year, while total credit to enterprises returned to zero growth after seven months of y/y declines. The surprisingly low headline M3 growth in March hides the ongoing positive developments in various segments of the credit market.

The NBP's loss reached PLN20.8bn in 2023. In the year before, the central bank lost PLN16.9bn. The newest figure is in line with earlier announcements and constitutes a final confirmation that the PLN6bn transfer from the NBP assumed in the budget will not be realised.

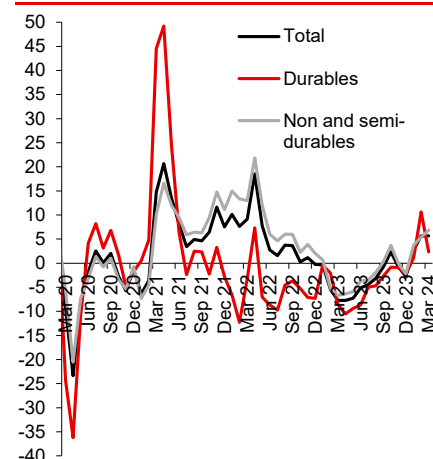
According to preliminary data, Germany's manufacturing PMI rose by 0.3 pts to 42.2 pts in April, below the expected 42.7 pts. The slight improvement in the index was largely caused by better expectations of future output and occurred despite a sharp decline in new orders and further job cuts. The PMI for services rose by 3.2 pts to 53.3 pts, clearly above expectations. In the euro area, the manufacturing PMI fell from 46.1 pts to 45.6 pts, while the services PMI rose from 51.5 pts to 52.9 pts.

The government measures aimed at reducing the household energy bills can cost PLN8.1bn in 2024-2025 instead of the PLN6.3bn indicated earlier in the official fiscal impact assessment, the Ministry of Finance said. The difference is due to the fact that the original assessment did not take into account a PLN1.03bn increase in expenditure in another bill connected to energy price regulations and PLN0.8bn higher expenditure on compensation for energy companies.

Slight strengthening of the zloty. Yesterday's session was not the best for the currencies of the emerging economies, but against this background the CEE currencies behaved relatively well. The zloty and forint gained around 0.1% and the Czech koruna remained stable. This was accompanied by a rebound in the EURUSD to 1.07 from 1.06. With European PMIs slightly slower than expected and another comment from the ECB (L. de Guindos) that the central bank should be more cautious with rate changes in the coming months after the June rate cut, a slightly weaker US PMI reading proved key to the EURUSD movement. The forint was marginally affected by the MNB's decision, in line with expectations, to cut rates by 50 bps.

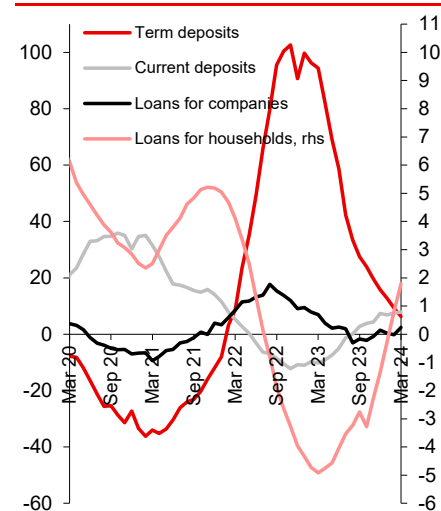
Yields fell in response to US PMIs. From the start of yesterday's session, yields tracked the core markets in a slight upward trend. The minor strengthening followed a rather weak auction during which the Ministry of Finance sold bonds for c. PLN5.8bn, almost half of which were 5-year PS0729 bonds. The demand-to-sale ratio stood at around 1.15, perhaps due to lower demand on the side of domestic banks. In the second part of the day, the domestic market was also influenced by the strengthening in the core markets after a weaker PMI reading from the US. In the end, bond yields declined by 1-3 bps at the longer end. US yields fell by 1-3 bps, and long-term German rates increased slightly. Markets have firmly reduced expectations of rate cuts in the US so any weak data from abroad may cause strong market moves. Today, the market may react to a stronger Ifo.

Retail sales, % y/y



Source: GUS, Santander

Loans and deposits, % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.3102	CZKPLN	0.1704
USDPLN	4.0286	HUFPLN*	1.0841
EURUSD	1.0696	RUBPLN	0.0434
CHFPLN	4.4094	NOKPLN	0.3683
GBPPLN	5.0062	DKKPLN	0.5769
USDCNY	7.2457	SEKPLN	0.3716

*for 100HUF

Last session in the FX market

23/04/2024

	min	max	open	close	fixing
EURPLN	4.3074	4.3369	4.3140	4.3098	4.3335
USDPLN	4.0217	4.0677	4.0491	4.0304	4.061
EURUSD	1.0637	1.0711	1.0653	1.0693	

Interest rate market

23/04/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.30	3
WS0428 (5Y)	5.59	2
DS1033 (10Y)	5.76	0

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.81	5.46	3.58
	-1	-2	1
2L	5.50	5.10	3.31
	1	-5	1
3L	5.31	4.89	3.10
	0	-3	1
4L	5.23	4.72	2.97
	-1	-3	1
5L	5.22	4.65	2.89
	-2	-2	1
8L	5.28	4.52	2.81
	-1	-2	1
10L	5.35	4.50	2.81
	-1	0	1

WIRON rate

Term	%	Change (bps)
WIRON	5.39	-2

WIBOR rates

Term	%	Change (bps)
O/N	5.68	14
T/N	5.78	-1
SW	5.83	-1
1M	5.85	0
3M	5.87	1
6M	5.87	0
1Y	5.85	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.86	1
3x6	5.82	1
6x9	5.65	-2
9x12	5.40	-3
3x9	5.80	2
6x12	5.63	-1

CDS rates and 10Y yield spread vs. German Bund

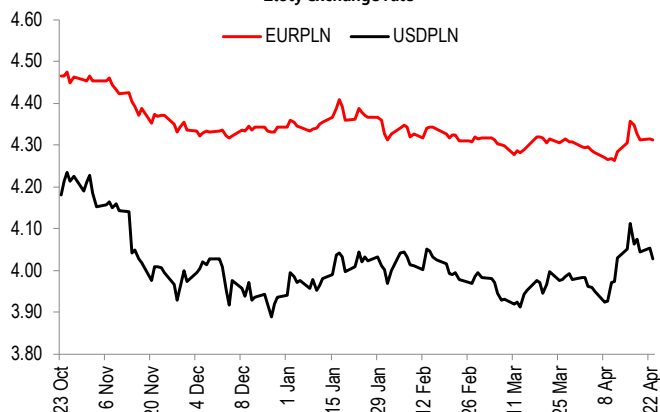
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	72	325
	0	-1
France	12	49
	0	0
Hungary	125	456
	0	-14
Spain	38	77
	0	-1
Italy	27	131
	0	-2
Portugal	25	63
	0	-1
Ireland	15	41
	0	2
Germany	7	-
	0	-

* 10Y treasury bonds over 10Y Bunds

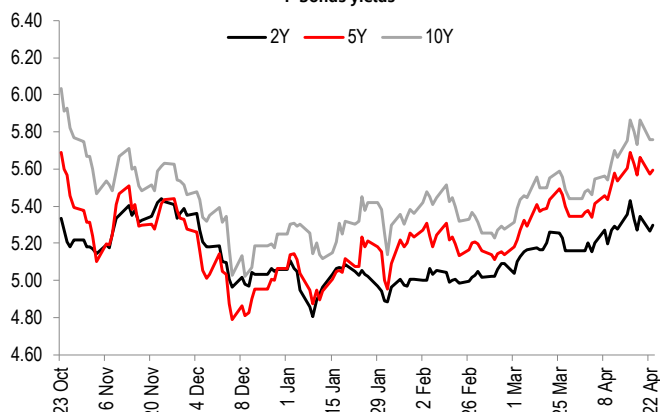
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

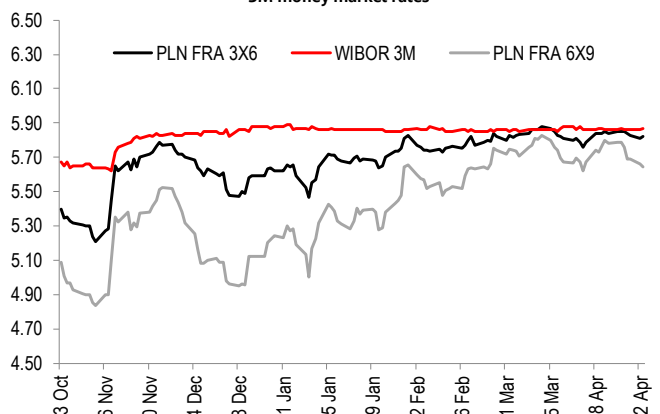
Zloty exchange rate



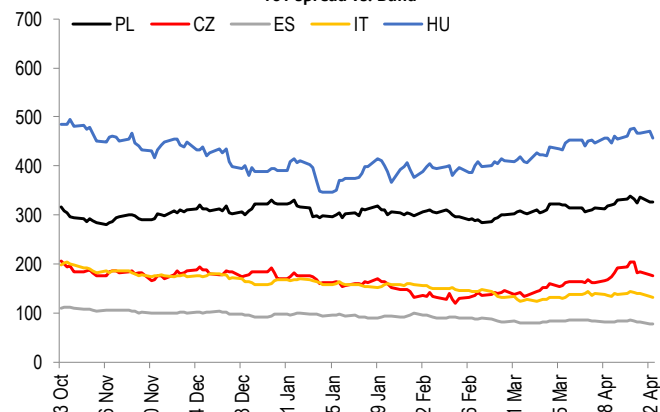
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
MONDAY (22 April)							
10:00	PL	Employment in corporate sector	Mar	% y/y	-0.2	-0.2	-0.2
10:00	PL	Sold Industrial Output	Mar	% y/y	-2.4	-1.1	-6.0
10:00	PL	Construction Output	Mar	% y/y	-6.7	-6.8	-13.3
10:00	PL	PPI	Mar	% y/y	-9.5	-9.5	-9.6
10:00	PL	Average Gross Wages	Mar	% y/y	12.0	11.9	12.0
TUESDAY (23 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	42.7	-	42.2
09:30	DE	Markit Germany Services PMI	Apr	pts	50.5	-	53.3
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	46.5	-	45.6
10:00	EZ	Eurozone Services PMI	Apr	pts	51.8	-	52.9
10:00	PL	Retail Sales Real	Mar	% y/y	6.9	9.5	6.1
14:00	HU	Central Bank Rate Decision	Apr	%	7.75	7.75	7.75
14:00	PL	Money Supply M3	Mar	% y/y	7.8	7.7	6.6
16:00	US	New Home Sales	Mar	% m/m	1.1	-	8.8
WEDNESDAY (24 April)							
10:00	DE	IFO Business Climate	Apr	pts	88.8	-	87.8
10:00	PL	Unemployment Rate	Mar	%	5.3	5.3	5.4
14:30	US	Durable Goods Orders	Mar	% m/m	2.8	-	1.3
THURSDAY (25 April)							
14:30	US	GDP Annualized	1Q	% Q/Q	2.3	-	3.4
14:30	US	Initial Jobless Claims		k	215	-	212
16:00	US	Pending Home Sales	Mar	% m/m	1.0	-	1.6
FRIDAY (26 April)							
14:30	US	Personal Spending	Mar	% m/m	0.6	-	0.8
14:30	US	Personal Income	Mar	% m/m	0.5	-	0.3
14:30	US	PCE Deflator SA	Mar	% m/m	0.3	-	0.3
16:00	US	Michigan index	Apr	pts	77.9	-	79.4

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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