

Eyeopener

Tough start of 2024 for large and medium companies

Today May reading of Conference Board indicator
 Markups, profits and investment outlays of non-financial enterprises shrank in 1Q24
 LFS unemployment rate was 3.1% in 1Q, up 0.2pp in a year

Today, the economic calendar contains only the May reading of the Conference Board indicator of US consumer sentiment. According to the market consensus, the indicator is expected to decline from 97.0 pts to 96.0 pts. Apart from that, the Polish cabinet is going to work today on a report summing up the realization of the 2023 budget.

In 1Q24, non-financial companies employing 50+ persons saw their gross financial result go down 35.8% y/y, compared to -19.3% in 4Q23, while their net financial result dropped by 39.9% y/y (vs. -26.3% in 4Q23). Total revenues dropped by 6.2% y/y, down from -1.3% y/y in 4Q23. Such a large revenue decline has not been seen in this century apart from the quarter of the Covid-19 outbreak. Total costs fell by 4.5% y/y in 1Q24 after two quarters of marginal y/y decreases – this also happens to be the lowest largest decline since the start of the century excluding 2Q20. The financial results data is given in nominal values, thus the declines in revenues and costs now are generally a consequence of the very high inflation at the start of 2023 and the quick disinflation that followed. However, this does not tell the whole story, since several cost categories were still growing at a relatively high pace (e.g. wage bill up 13.1% y/y, insurance up 12.9% y/y) and the average markup calculated on the back of this data registered a substantial decline. The average markup calculated as a 4-quarter moving average dropped further to 4.9% from 5.4% in 4Q23 and the peak at 6.7% in 1Q22. The delayed economic rebound in Europe must have forced companies to reduce margins further. **Investment outlays of companies employing 50+ persons fell in 1Q24 by 2.2% y/y in real terms**, down from +7.9% y/y in 4Q23. The drop was caused by a 14.2% y/y decline in outlays on buildings (the weakest print since 4Q16), while purchases of machinery and equipment rose by 2.8% y/y and transport equipment by 8.7% y/y. The investment outlays were already high in 2023 so we do not expect them to grow rapidly this year, but they still should deliver a decent, moderate contribution to overall economic growth.

The registered unemployment rate fell in April to 5.1% from 5.3% in March, in line with our forecast and slightly stronger than the market had expected. The monthly declines in the number of the unemployed in March and April were slightly larger than in the same months of 2023 and 2022. In our view, further declines in the unemployment rate should follow in the coming months, leading to its fall below 5% around the middle of the year, where it should remain until the end of the year. **The Labour Force Survey unemployment rate equalled 3.1% in 1Q24**, the same as in 4Q23 and 0.2 pp higher than in 1Q23. On an annual basis, the working-age population fell by 12k, with the number of employed falling by 138k, the number of unemployed increasing by 39k, and the number of economically inactive increasing by 87k. The still-very-low number of jobseekers should support continued high wage growth this year, but the increase in inactivity may be a sign of constrained or selective labour demand.

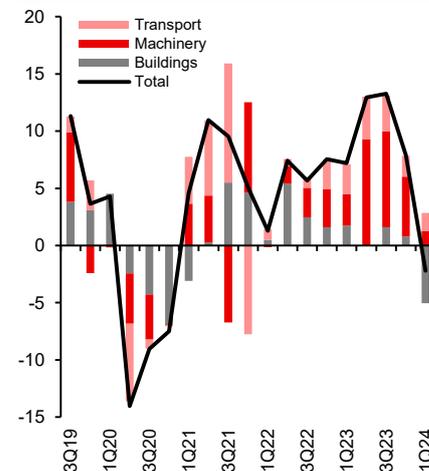
New industrial orders fell in value by 0.9% y/y in April, and new export orders fell 1.1% y/y. On a monthly basis, total orders rose 0.2%, while export orders fell 1.3%. The latest data indicate that demand in the domestic industrial sector remains weakened, but hopes for a recovery are provided by recent improving business climate indicators in Europe.

This year's first drought report from the Institute of Crops, Fertilization and Soil Science indicated agricultural drought in 14 out of 16 provinces and the risk of significant yield losses on about 4-8% of land was detected in 3 of the 7 crop categories examined. A year ago, the first report found no drought.

Slightly weaker zloty. Yesterday's session was marked by a marginal strengthening of the euro against the dollar, but this did not help the currencies of emerging economies. The region's currencies were part of the weaker trend and lost between 0.2% for the zloty and 0.5% for the forint.

Stable on the rate market. There were no significant changes in either FRAs, IRS rates or bond yields in yesterday's session. The low activity was, among other things, the result of a day off in the UK and the US. The German market witnessed small declines in yields of 3-4 bps, supported by a weaker German lfo reading. Today, the focus is on the switch auction in Poland, and US data in the core markets.

Growth structure of nonfinancial companies' investment outlays, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.2602	CZKPLN	0.1724
USDPLN	3.9159	HUFPLN*	1.0959
EURUSD	1.0877	RUBPLN	0.0442
CHFPLN	4.2934	NOKPLN	0.3736
GBPPLN	5.0040	DKKPLN	0.5709
USDCNY	7.2465	SEKPLN	0.3703

*for 100HUF

Last session in the FX market 27.05.2024

	min	max	open	close	fixing
EURPLN	4.2497	4.2614	4.2510	4.2582	4.2528
USDPLN	3.9112	3.9298	3.9181	3.9213	3.9196
EURUSD	1.0839	1.0867	1.0847	1.0858	

Interest rate market 27.05.2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.36	1
WS0429 (5Y)	5.69	0
DS1033 (10Y)	5.81	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.88	1	5.49	0	3.61	-2
2L	5.56	0	5.11	0	3.38	-3
3L	5.37	0	4.84	0	3.17	-3
4L	5.29	0	4.66	0	3.03	-3
5L	5.28	0	4.55	0	2.93	-3
8L	5.32	1	4.40	0	2.81	-3
10L	5.39	0	4.37	0	2.80	-2

WIRON rate

Term	%	Change (bps)
WIRON	5.07	-29

WIBOR rates

Term	%	Change (bps)
O/N	5.64	11
T/N	5.74	-3
SW	5.82	-1
1M	5.83	-2
3M	5.85	0
6M	5.86	0
1Y	5.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.84	-3
3x6	5.83	-1
6x9	5.77	-2
9x12	5.51	-3
3x9	5.83	-1
6x12	5.77	-2

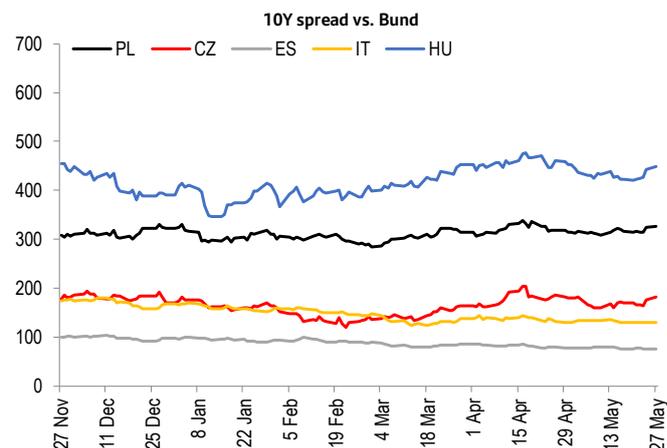
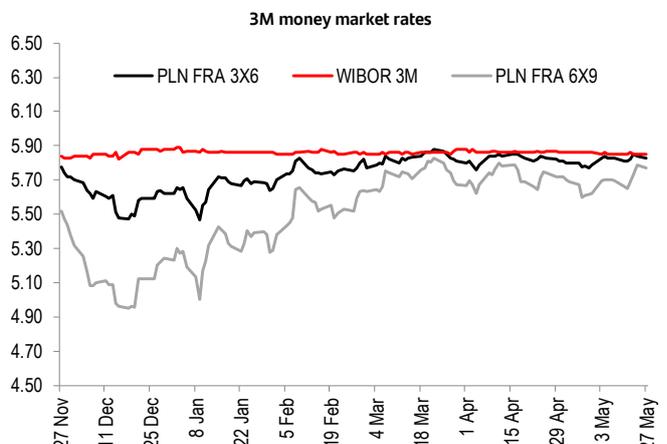
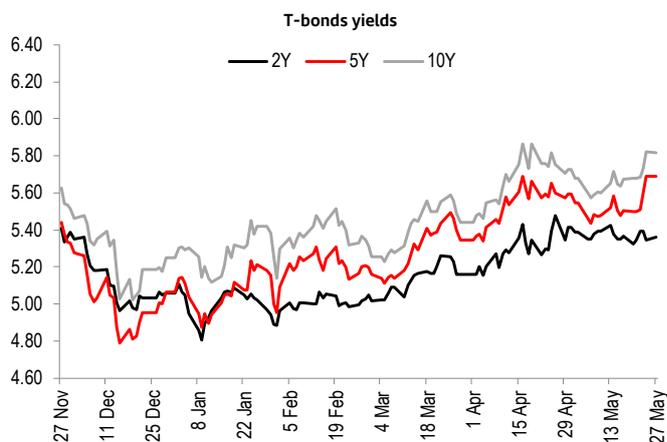
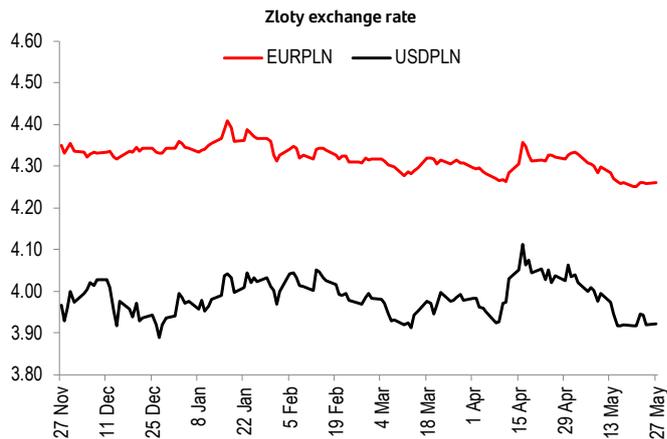
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	0	327	3
France	12	0	48	0
Hungary	119	0	449	7
Spain	35	0	75	-1
Italy	28	0	129	-2
Portugal	22	0	62	-2
Ireland	14	0	39	0
Germany	5	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 (24 May)								
08:00	DE	GDP WDA	1Q	% y/y	-0.2	-	-0.2	-0.2
14:00	PL	Money Supply M3	Apr	% y/y	6.7	6.7	7.4	6.6
14:30	US	Durable Goods Orders	Apr	% m/m	-0.8	-	0.7	0.8
16:00	US	Michigan index	May	pts	67.7	-	69.1	77.2
MONDAY (27 May)								
10:00	DE	IFO Business Climate	May	pts	90.5	-	89.3	89.3
10:00	PL	Unemployment Rate	Apr	%	5.2	5.1	5.1	5.3
TUESDAY (28 May)								
16:00	US	Consumer Conference Board	May	pts	96.0	-	-	97.0
WEDNESDAY (29 May)								
10:00	PL	CPI	May	% y/y	2.9	2.7	-	2.4
14:00	DE	HICP	May	% m/m	0.2	-	-	0.6
THURSDAY (30 May)								
11:00	EZ	Unemployment Rate	Apr	%	6.5	-	-	6.5
11:00	EZ	ESI	May	pct.	96.2	-	-	95.6
14:30	US	GDP Annualized	1Q	% Q/Q	1.3	-	-	1.6
14:30	US	Initial Jobless Claims		k	218	-	-	215
16:00	US	Pending Home Sales	Apr	% m/m	-0.6	-	-	3.4
FRIDAY (31 May)								
08:00	DE	Retail Sales	Apr	% m/m	-0.2	-	-	2.3
09:00	CZ	GDP SA	1Q	% y/y	0.4	-	-	0.4
11:00	EZ	Flash HICP	May	% y/y	2.5	-	-	2.4
14:30	US	Personal Spending	Apr	% m/m	0.3	-	-	0.8
14:30	US	Personal Income	Apr	% m/m	0.3	-	-	0.5
14:30	US	PCE Deflator SA	Apr	% m/m	0.3	-	-	0.3

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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