

19 July 2024

Eyeopener

Stronger output, still strong wages

Today, weak retail sales in the UK and a higher PPI reading from Germany
Industrial production rose 0.3% y/y, above expectations, wage growth slowed to 11%
ECB rates unchanged, weaker US labor market data
Stable zloty, upward revision of market rates

Today, economic calendar does not foresee any significant events or publications. In the morning, we learned only German PPI data, which accelerated to -1.6% y/y from -2.2%. UK retail sales for June fell 1.2% m/m, slightly deeper than expected, and slowed to -0.2% y/y from +1.3% in May. The next more important economic releases will flow in next week and will include more real data on the state of the Polish economy in June, business sentiment indicators, as well as a new Statistical Bulletin.

Industrial production recovered in June to +0.3% y/y from -1.6% y/y, above market and our expectations, with seasonally-adjusted growth of 1.3% m/m. Improvement was recorded especially in sectors focused on the domestic market and on consumer goods. Wage growth weakened in June to 11.0% y/y from 11.4% y/y, contrary to forecasts betting on an acceleration. Weaker results were seen in the energy supply, construction and manufacturing. **Real wage growth rate went down to 8.2% y/y from 8.7% y/y**, thus still remained high in historical comparison. Annual employment growth rate rose to -0.4% y/y in June from -0.5% y/y in May. Decline of prices in industry slowed to -6.1% y/y from -7.0% y/y. All in all data are quite positive and support our moderate optimism about industrial outlook in 2H24. As the labour market situation remains fairly positive and the economy accelerates, we assume that wages will continue to grow at a two-digit pace which – despite the rebound in inflation – will still yield a high real growth of households' incomes. Today's numbers do not change our view that the MPC will start the rate cutting cycle relatively late, at earliest in mid-25, but were good enough to trigger an upward correction in market rates. Read more in our [Economic Comment](#).

At the June MPC meeting, only one motion was submitted, to increase the level of interest rates by 200 bps. The motion was supported only by Joanna Tyrowicz.

The General Directorate for National Roads and Motorways announced that the contracts already signed and those planned to be signed will provide investment expenditures of about PLN20bn per annum in the coming years. The Directorate added that it intends to maintain this level of expenditure at least until 2030.

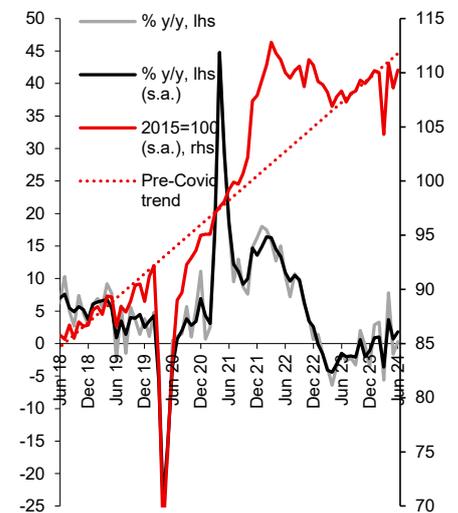
The ECB kept interest rates unchanged, including the main rate at 4.25%, as expected. President Lagarde stressed that a possible interest rate cut in September is not a foregone conclusion, but is an open question, and that the Governing Council is determined to take decisions from meeting to meeting and remains data-dependent. Lagarde added that the ECB expects inflation in the eurozone to fluctuate around current levels for the rest of the year and to fall towards its inflation target 2H25. Lagarde pointed to the downside risk to GDP growth.

Initial jobless claims in the US rose by 20k to 243k in the week ended 13th July, thus fully reversing the decline by 16k registered the week before. It should be noted, that the renewed increase in the number of initial jobless claims does not necessarily reflect structural changes, but may be related to the negative effects of Hurricane Beryl, or retooling of factories, which usually takes place in July.

Slight changes in the zloty exchange rate. The beginning of yesterday's session was marked by a further weakening of the zloty, but before noon the Polish currency began to make up for its losses. The forint strengthened slightly, and the Czech koruna remained fairly stable. The EURUSD exchange rate fell slightly, which was supported by an increase in the disparity in rates for the dollar against the euro. Negative sentiment dominated in the stock markets.

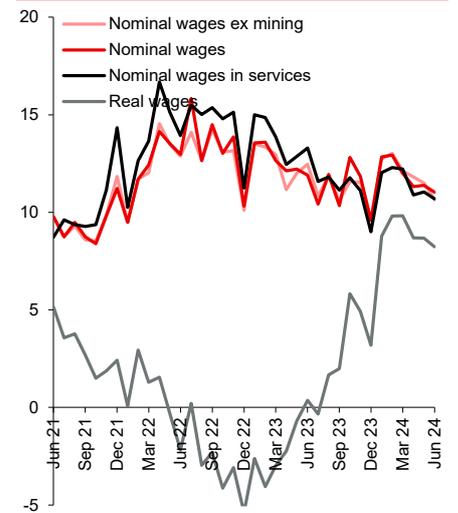
Increase in market rates. Domestic rates rose by 4-20 bps for longer FRA tenors, IRS rose by 5-25 bps with a steepening of the curve, and bond yields rose by 10-19 bps. During this time, yields on German bonds fell by about 1-3 bps, and US bonds remained relatively stable, as the initial increases were followed by a downward correction of rates after weaker than expected data from the US labour market. Domestic rates rose strongly in response to domestic data. Wage growth, despite a slight downward surprise, was high, and production growth surprised to the upside, which, after strong declines in yields in recent days, was enough to cause a correction. The upward movement of rates in the domestic market was limited after weaker data from the US labour market.

Industrial production in Poland



Source: GUS, Santander

Wage growth, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2927	CZKPLN	0.1697
USDPLN	3.9269	HUFPLN*	1.0880
EURUSD	1.0930	RUBPLN	0.0448
CHFPLN	4.4403	NOKPLN	0.3660
GBPPLN	5.1010	DKKPLN	0.5753
USDCNY	7.2561	SEKPLN	0.3720

*for 100HUF

Last session in the FX market 17/07/2024

	min	max	open	close	fixing
EURPLN	4.2764	4.3011	4.2815	4.2964	4.2904
USDPLN	3.9187	3.9328	3.9280	3.9286	3.921
EURUSD	1.0893	1.0947	1.0903	1.0931	

Interest rate market

17/07/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.04	0
WS0429 (5Y)	5.43	-1
DS1033 (10Y)	5.57	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.80	0	5.08	2	3.37	5
2L	5.34	0	4.54	2	3.05	1
3L	5.02	-2	4.28	2	2.86	1
4L	4.87	-3	4.13	0	2.77	1
5L	4.81	-4	4.06	1	2.72	1
8L	4.84	-3	4.00	2	2.67	0
10L	4.90	-3	4.00	1	2.68	0

WIRON rate

Term	%	Change (bps)
WIRON	5.22	14

WIBOR rates

Term	%	Change (bps)
O/N	5.72	-4
T/N	5.77	-1
SW	5.83	-1
1M	5.85	0
3M	5.87	1
6M	5.87	0
1Y	5.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.86	1
3x6	5.81	0
6x9	5.68	0
9x12	5.35	-1
3x9	5.80	0
6x12	5.66	2

CDS rates and 10Y yield spread vs. German Bund

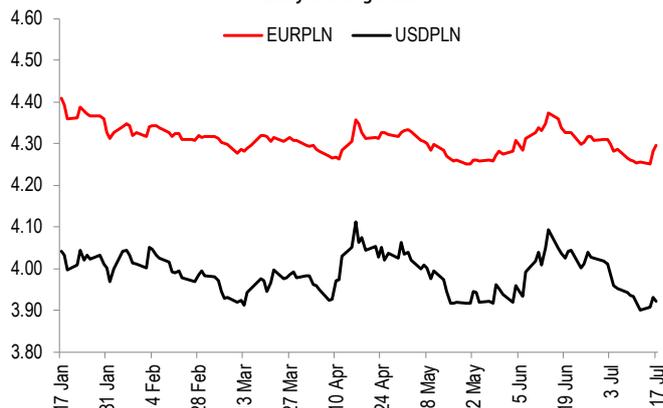
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	66	0	314	1
France	14	0	66	0
Hungary	120	0	416	11
Spain	35	0	78	1
Italy	25	0	129	2
Portugal	23	0	60	1
Ireland	14	0	39	1
Germany	6	0	-	-

* 10Y treasury bonds over 10Y Bunds

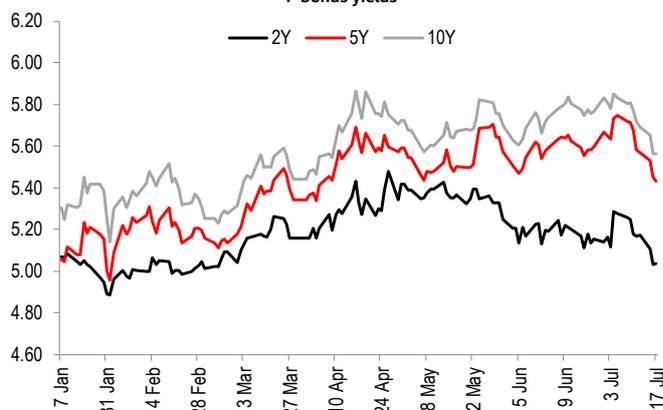
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

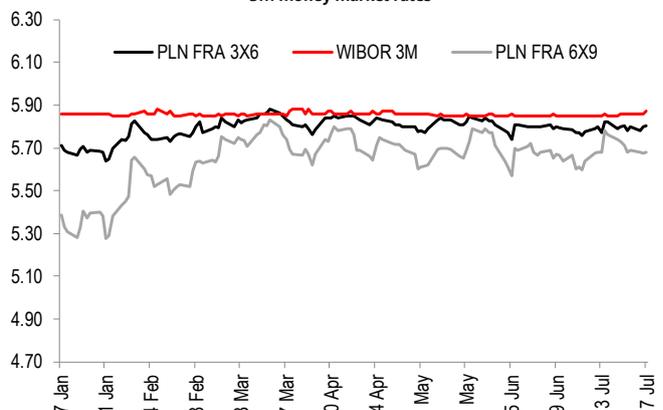
Zloty exchange rate



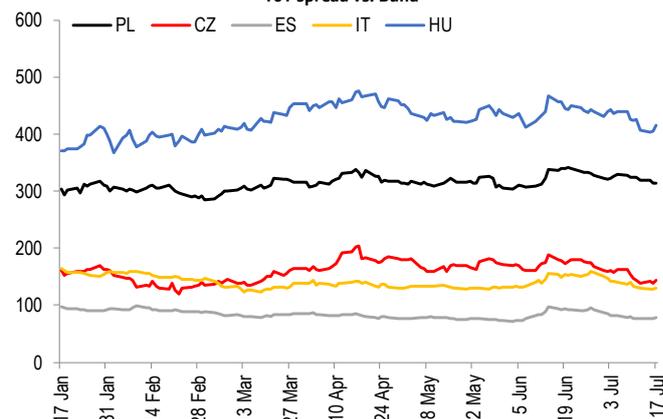
T-bonds yields



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			
FRIDAY (12 July)								
16:00	US	Michigan index	Jul	pts	68.5	-	66.0	68.2
MONDAY (15 July)								
10:00	PL	CPI	Jun	% y/y	2.6	2.6	2.6	2.5
11:00	EZ	Industrial Production SA	May	% m/m	-1.0	-	-0.6	-0.1
14:00	PL	Current Account Balance	May	€mn	187	289	-63	-13
14:00	PL	Trade Balance	May	€mn	314	338	-613	124
14:00	PL	Exports	May	€mn	27 183	26 498	26 358	28 250
14:00	PL	Imports	May	€mn	26 860	26 160	26 971	28 126
TUESDAY (16 July)								
11:00	DE	ZEW Survey Current Situation	Jul	pts	-75.5	-	-68.9	-73.8
14:00	PL	CPI Core	Jun	% y/y	3.7	3.7	3.6	3.8
14:30	US	Retail Sales Advance	Jun	% m/m	-0.2	-	0.0	0.3
WEDNESDAY (17 July)								
11:00	EZ	HICP	Jun	% y/y	2.5	-	2.5	2.5
14:30	US	Housing Starts	Jun	% m/m	1.8	-	3.0	-4.6
15:15	US	Industrial Production	Jun	% m/m	0.3	-	0.6	0.9
THURSDAY (18 July)								
10:00	PL	Employment in corporate sector	Jun	% y/y	-0.4	-0.5	-0.4	-0.5
10:00	PL	Sold Industrial Output	Jun	% y/y	-1.5	-1.1	0.3	-1.7
10:00	PL	PPI	Jun	% y/y	-6.3	-6.2	-6.1	-7.0
10:00	PL	Average Gross Wages	Jun	% y/y	11.5	11.7	11.0	11.4
14:15	EZ	ECB Main Refinancing Rate	Jul	%	4.25	-	4.25	4.25
14:30	US	Initial Jobless Claims		k	229	-	243	223
FRIDAY (19 July)								
No data releases								

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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