24 September 2024

Eyeopener

Another bunch of weak data

Today Statistical Bulletin, decision of the National Bank of Hungary
Retail sales and construction output below expectations
Disappointing PMI in the euro zone, US PMI composite above forecasts
Zloty in a narrow range, stronger dollar, declining rates on the core markets

Today, the stats office releases its newest Statistical Bulletin, which will include e.g. information on the registered unemployment rate, which most likely remained at 5.0% in August. In addition, the National Bank of Hungary will decide on the level of interest rates and - both in our opinion and according to the consensus – will likely reduce them by 25bp, bringing the main rate to 6.50%. In addition, the September reading of the Ifo index will be published in Germany, and the September reading of the Conference Board index will be released in the US. Today in the night, the People's Bank of China (PBoC) announced the introduction of an economic stimulus package, including a reduction in the reserve requirement ratio for banks and interest rate cuts.

Real retail sales increased 2.6% y/y in August, a bit below our forecast (2.9% y/y) and the market consensus (3.3% y/y). Deceleration of growth affected especially sales of durable goods. However, we still think the outlook of consumption remains positive. Construction output also surprised negatively (-9.6% y/y, below the consensus at -7.1% y/y and our forecast of -5.9% y/y). Reconstruction needs caused by the flood should lead to an improvement in both retail sales and construction output. The latter may also be stimulated by projects financed with EU funds. The data from the housing market showed a decline in completions, but also an increase in new projects. Prices of agricultural products rebounded by 0.7% m/m. August turned out to be surprisingly weak when it comes to economic activity, though not as weak as to already make us consider a revision of our economic growth forecasts. Read more in our Economic Comment.

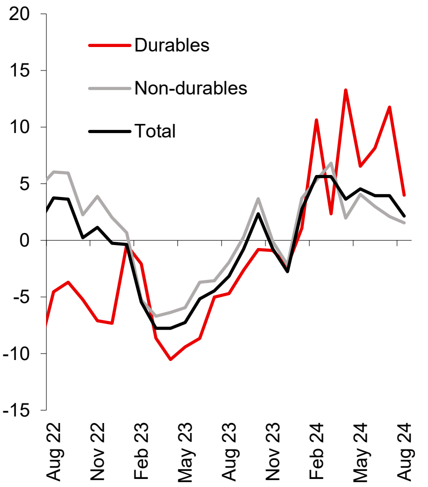
Money supply growth decelerated to 7.8% y/y from 8.3% y/y (our estimate at 7.9% y/y). This resulted from slowdown in deposit growth to 7.5% y/y from 8.6% y/y amid acceleration in cash in circulation to 8.5% y/y from 7.8%. After adjustment for FX changes, loans growth accelerated to 4.3% y/y from 3.6% y/y comprising strengthening in loans growth for households to 3.8% y/y from 3.5% y/y and for corporates to 3.7% y/y from 1.3% y/y. Consumer loans marginally accelerated to 5.5% y/y from 5.4%, while PLN-denominated household mortgage loans accelerated 9.4% y/y from 8.9%. Data confirm a solid demand for loans from consumers amid improving disposable income, which bodes well for private consumption. Now, Given the unsure future for the new government support programme for mortgages, the prospects for mortgage loans will depend on the rate cutting cycle. Strengthening in demand for corporate loans supports expectations for gradual improvement in investment growth.

The PMIs of Germany and the euro area registered unexpectedly strong declines in September. For Germany, the manufacturing PMI fell by 2.1 pts to 40.3 pts, and the services PMI by 0.6 pts to 50.6 pts. In both sectors, the weakening was caused by declines in new orders and backlogs of work, as well as by further job cuts. As reported, the pace of layoffs was the highest in over 15 years (excluding the pandemic period), and the number of companies expecting a decline in output over the next year exceeded the number of companies expecting an increase in output for the first time in 12 months. A decline in the number of orders and a reduction in jobs was also recorded for the whole euro area, and as a result, its manufacturing PMI decreased by 1.0 pts to 44.8 pts and its services PMI by 2.4 pts to 50.5 pts.

The zloty in a narrow trading range, the dollar stronger. At the yesterday's session on the stock markets, despite the initial declines in the European equities, optimism prevailed thanks to a slightly better than forecast Composite PMI index for the US and a reduction in the 14-day repo rate by the Chinese central bank by 10 bp to 1.85%. The EURUSD fell from 1.116 to 1.108 after the weak PMI readings for the eurozone, after which the euro gradually pared its losses, sending the exchange rate to around 1.112. After a slight depreciation at the opening, the zloty made up for its losses and still remains in a narrow range of fluctuations. The other CE3 currencies, i.e. the Czech koruna and the forint, depreciated in anticipation of their central banks' decisions on interest rates.

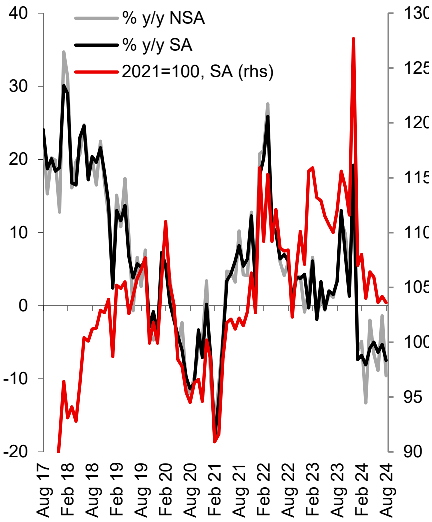
Slight changes in domestic market rates, declines in core markets. The beginning of yesterday's session was marked by a decline in market rates under the influence of weak PMI data from Europe and worse than expected data on Polish retail sales and construction production. The rest of the session was marked by a rise, especially at the short end of the local yield curve. The domestic curve followed the core markets, and after the close of the domestic session, rates on the core markets began to fall again. Today, a further decline in the Ifo index may be conducive to a decline in yields on the core markets, which may translate into the domestic market. The Ministry of Finance announced that at the auction on September 25, it will offer bonds for sale with a total value of PLN6-10bn. Waiting for the auction may not be conducive to narrowing credit spreads.

Retail sales, main categories, % y/y



Source: GUS, Santander

Construction output in Poland



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.2708	CZKPLN	0.1696
USDPLN	3.8449	HUFPLN*	1.0716
EURUSD	1.1109	RUBPLN	0.0414
CHFPLN	4.5336	NOKPLN	0.3669
GBPPLN	5.1288	DKKPLN	0.5726
USDCNY	7.0380	SEKPLN	0.3772

*for 100HUF

Last session in the FX market 23/09/2024

	min	max	open	close	fixing
EURPLN	4.2672	4.2812	4.2682	4.2718	4.2785
USDPLN	3.8199	3.8592	3.8228	3.8383	3.8571
EURUSD	1.1082	1.1167	1.1163	1.1130	

Interest rate market 23/09/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.70	3
WS0429 (5Y)	5.06	0
DS1033 (10Y)	5.39	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.52	-1	4.07	-2	2.68	-13
2L	4.88	-1	3.63	-1	2.39	-5
3L	4.55	1	3.51	-3	2.29	-5
4L	4.42	0	3.48	0	2.27	-5
5L	4.39	0	3.49	1	2.28	-6
8L	4.44	0	3.53	2	2.34	-5
10L	4.52	1	3.57	1	2.40	-5

WIRON rate

Term	%	Change (bps)
WIRON	5.17	-17

WIBOR rates

Term	%	Change (bps)
O/N	5.54	3
T/N	5.76	-1
SW	5.83	0
1M	5.84	1
3M	5.85	0
6M	5.85	0
1Y	5.79	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.82	-1
3x6	5.74	0
6x9	5.34	-2
9x12	4.71	-1
3x9	5.69	0
6x12	5.24	-2

CDS rates and 10Y yield spread vs. German Bund

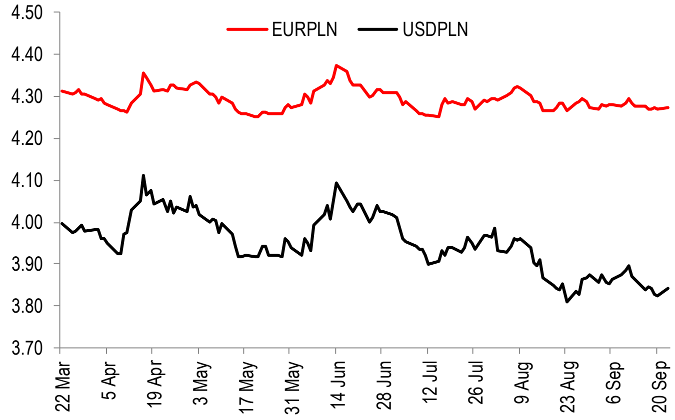
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	69	-2	322	5
France	15	0	78	3
Hungary	124	-4	418	6
Spain	37	-1	79	0
Italy	26	-1	135	-1
Portugal	23	-1	55	-2
Ireland	13	0	35	-1
Germany	6	0	-	-

* 10Y treasury bonds over 10Y Bunds

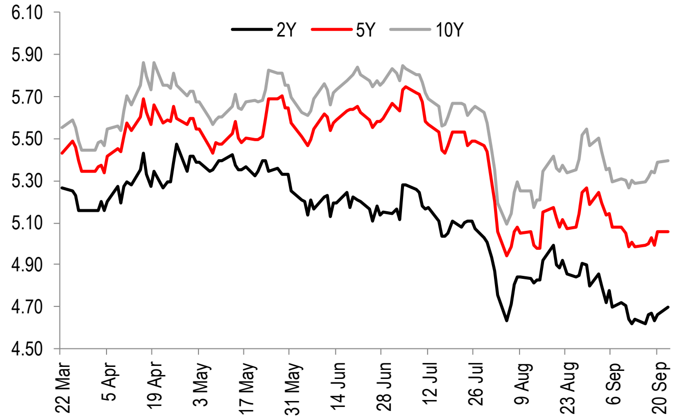
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

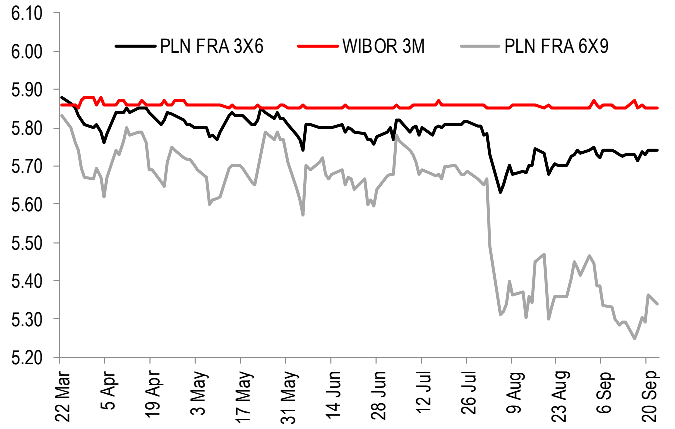
Zloty exchange rate



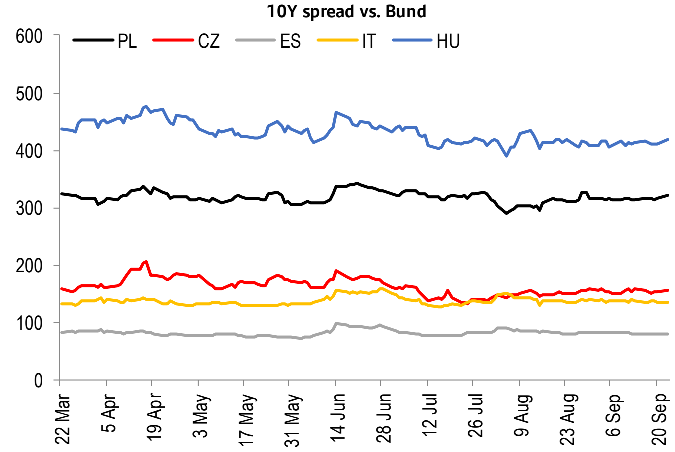
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			MONDAY (23 September)					
09:30	DE	Germany Manufacturing PMI	Sep	pts	42.2	-	40.3	42.4
09:30	DE	Markit Germany Services PMI	Sep	pts	51.0	-	50.6	51.2
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	45.7	-	44.8	45.8
10:00	EZ	Eurozone Services PMI	Sep	pts	52.3	-	50.5	52.9
10:00	**PL**	**Construction Output**	**Aug**	**% y/y**	**-7.1**	**-5.9**	**-9.6**	**-1.4**
10:00	**PL**	**Retail Sales Real**	**Aug**	**% y/y**	**3.3**	**2.9**	**2.6**	**4.4**
14:00	**PL**	**Money Supply M3**	**Aug**	**% y/y**	**8.0**	**7.9**	**7.8**	**8.3**
			TUESDAY (24 September)					
10:00	DE	IFO Business Climate	Sep	pts	86.0	-	-	86.6
10:00	**PL**	**Unemployment Rate**	**Aug**	**%**	**5.0**	**5.0**	**-**	**5.0**
14:00	HU	Central Bank Rate Decision	Sep	%	6.50	6.50	-	6.75
16:00	US	Consumer Conference Board	Sep	pts	103.3	-	-	103.3
			WEDNESDAY (25 September)					
14:30	CZ	Central Bank Rate Decision	Sep	%	4.25	4.25	-	4.50
16:00	US	New Home Sales	Aug	% m/m	-6.3	-	-	10.6
			THURSDAY (26 September)					
14:30	US	Durable Goods Orders	Aug	% m/m	-2.7	-	-	9.8
14:30	US	GDP Annualized	2Q	% Q/Q	2.9	-	-	1.4
14:30	US	Initial Jobless Claims	weekly	k	225	-	-	219
16:00	US	Pending Home Sales	Aug	% m/m	3.0	-	-	-5.5
			FRIDAY (27 September)					
11:00	EZ	ESI	Sep	pct.	96.5	-	-	96.6
14:30	US	Personal Spending	Aug	% m/m	0.3	-	-	0.5
14:30	US	Personal Income	Aug	% m/m	0.4	-	-	0.3
14:30	US	PCE Deflator SA	Aug	% m/m	0.1	-	-	0.2
16:00	US	Michigan index	Sep	pts	69.4	-	-	67.9

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