

Eyeopener

Moods in companies did not improve in June

Today May numbers on construction output, retail sales and M3 money supply
Most sectoral business sentiment indicators down, European PMI disappointed
Lower yields, slightly stronger zloty

Today, we will receive another set of May data from the Polish economy, including construction output, retail sales and money supply. The latest industrial numbers were clearly worse than expected, and surprises in industrial production often go hand in hand with surprises in other activity data. We expect that construction output growth fell from -2.0% y/y to -5.0% y/y and retail sales growth increased from 4.1% y/y to 4.4% y/y. Both forecasts are below median market expectations. In the case of money supply, our expectations do not deviate significantly from the consensus and point to M3 growth remaining at 7.4% y/y. In addition to the data from Poland, today we will also see the June reading of the German Ifo business climate index, which, according to the market, should register a minimal improvement to 89.6 pts.

Most of the sectoral business climate indicators released by GUS declined in June on a seasonally adjusted basis. On a monthly basis, sentiment deteriorated the most in industry and among financial and insurance companies, and to a lesser extent in retail trade. Only accommodation and catering companies became more optimistic in June. Only the index of the transport sector was higher at the end of 2Q24 than at the end of 1Q24, whereas the index of the construction sector remained almost unchanged. For the whole six months, optimism increased only in construction, and in transport it remained more or less the same.

MPC's Ludwik Kotecki said on TOK FM radio on Friday that there was no room for an interest rate cut in the next two or three quarters. Kotecki added that the MPC was waiting for the July inflation projection, which in his view would probably confirm that inflation persistence would be evident and that with the current economic growth, deficit and wages, there was no space for rate cuts.

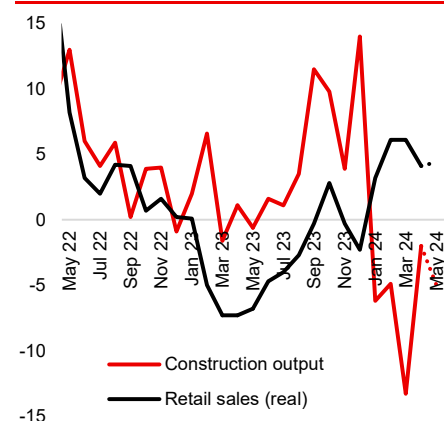
At the MPC's May policy meeting there was one motion to increase the level of interest rates by 200 bps. The motion was supported only by Joanna Tyrowicz.

German manufacturing PMI fell to 43.4pts in June from 45.4pts in May, against market expectations of an increase to 46.4pts. The weakening was mainly due to a sharp drop in current production, accompanied by a decline in new orders and employment. Nevertheless, the expectations of the industrial sector remained at the highest level since February 2022. The services sector also recorded a decline in the PMI, from 54.2pts to 53.5pts, but it remained clearly above the neutral level of 50pts, which was supported – unlike in the industrial sector – by increases in new orders and employment. On the other hand, the expectations of the services sector fell to the weakest level since January. **In the eurozone, manufacturing PMI also decreased, from 47.3pts to 45.6pts**, while services PMI weakened from 53.2pts to 52.6pts. Despite this, the average indices in the second quarter of 2Q24 exceeds that of 1Q24, which gives some hope for the continuation of the delicate economic recovery.

Slight strengthening of the zloty. EURPLN recorded a marginal decline, amid slightly larger forint strengthening and a stable koruna. EURUSD fell slightly below 1.07, which could have been supported by weaker PMI readings. After the rebound observed in recent days, the zloty may weaken slightly against the euro, but also especially against the forint, which is close to significant support levels and may make up for losses. The Czech koruna will be influenced by the CNB's decision. Recently, there have been suggestions that a stronger koruna would be an argument for a 50bp cut, but last sessions saw the currency weakening. A move of -25bp seems more likely to us, and -50bp could cause the koruna to weaken. An upward rebound of the EURUSD exchange rate could be conducive to the CEE currencies. Although it may be difficult to do so after the latest PMI data, the opportunity may arise after the low PCE reading for the US, which is scheduled for publication on Friday.

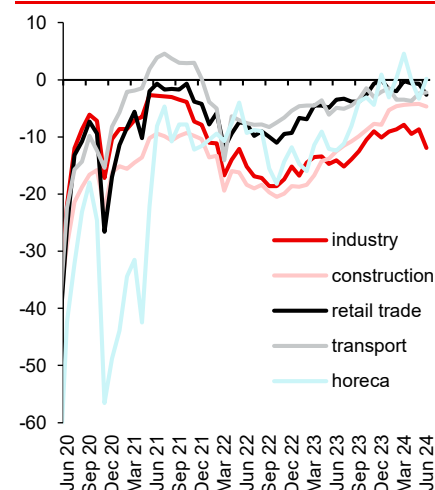
Declines in the interest rate market. FRA rates fell by up to 5 bps at the long end of the curve, and IRS rates by 2-4 bps. This time, bond yields fell more at the longer end of the curve. In core markets, rates fell by a few basis points, especially at the short end of the curve. After the surprisingly weak domestic industrial production print for May and the much lower than forecast preliminary PMI readings in Europe, the downward trend in market rates may continue for some time, especially since we are facing retail sales for May and the preliminary June inflation data, which may show quite low readings. Thus, the support level on the 5Y swap around 5% can be overcome. Nevertheless, we do not assume a permanent break of this level, as inflation remains in an upward trend and the economy is accelerating. We assume that market rates may decrease permanently only later in the year. A bond auction is also scheduled for this week.

Construction output and retail sales, % y/y



May 2024 values are Santander forecasts
Source: GUS, Santander

Sectoral business sentiment indexes, SA



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.3265	CZKPLN	0.1727
USDPLN	4.0415	HUFPLN*	1.0795
EURUSD	1.0705	RUBPLN	0.0464
CHFPLN	4.5253	NOKPLN	0.3813
GBPPLN	5.1053	DKKPLN	0.5781
USDCNY	7.2616	SEKPLN	0.3835

*for 100HUF

Last session in the FX market 21/06/2024

	min	max	open	close	fixing
EURPLN	4.3181	4.3355	4.3257	4.3288	4.3331
USDPLN	4.0336	4.0626	4.0349	4.0485	4.0527
EURUSD	1.0668	1.0720	1.0717	1.0692	

Interest rate market

21/06/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.20	-1
WS0429 (5Y)	5.63	-2
DS1033 (10Y)	5.80	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.78	-1	5.32	-2	3.47	-3
2L	5.40	-2	4.84	-1	3.17	-3
3L	5.17	-2	4.55	-1	2.98	-3
4L	5.07	-4	4.38	-1	2.87	-3
5L	5.04	-4	4.28	-1	2.81	-3
8L	5.10	-3	4.14	-1	2.74	-1
10L	5.17	-2	4.13	0	2.75	-1

WIRON rate

Term	%	Change (bps)
WIRON	5.25	19

WIBOR rates

Term	%	Change (bps)
O/N	5.55	-5
T/N	5.76	1
SW	5.83	0
1M	5.84	0
3M	5.85	0
6M	5.86	0
1Y	5.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.84	0
3x6	5.79	0
6x9	5.64	-3
9x12	5.34	-3
3x9	5.78	0
6x12	5.61	-2

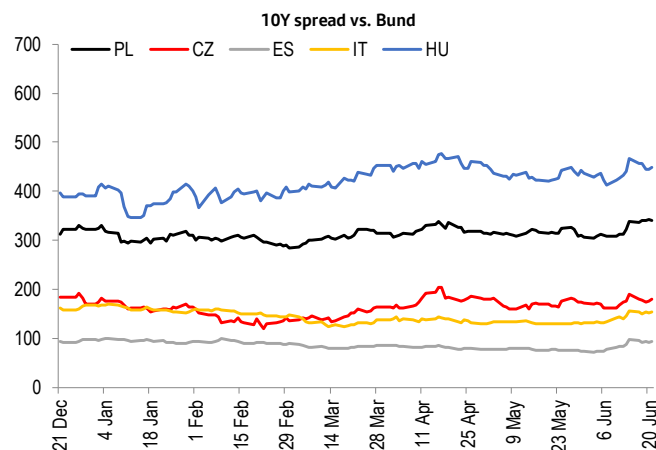
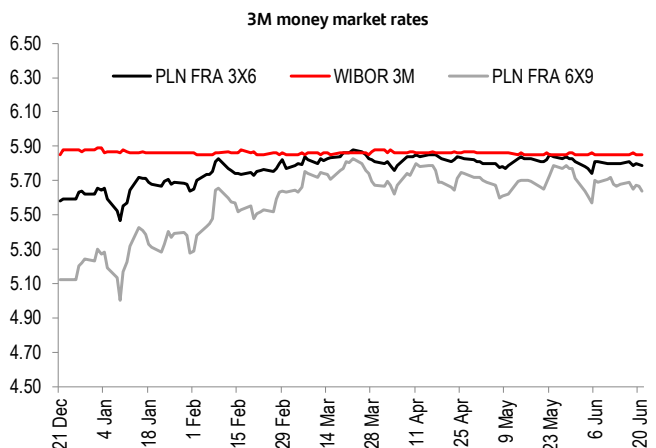
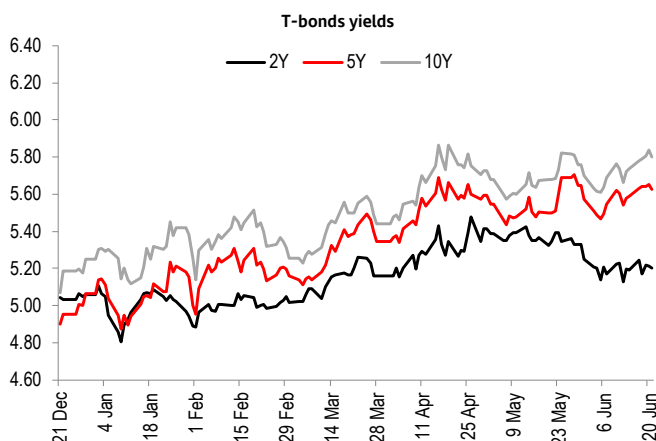
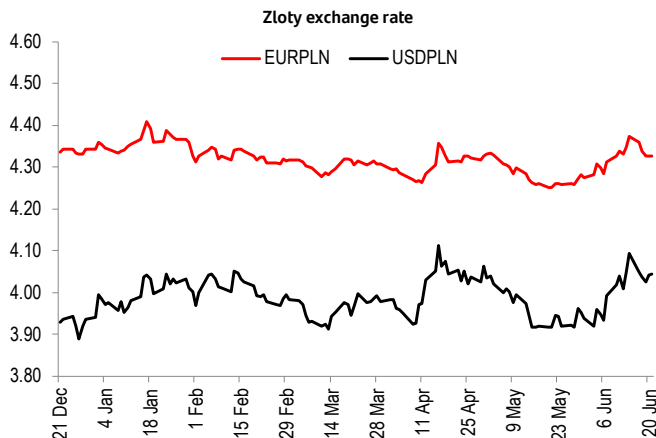
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	67	1	339	-2
France	19	0	76	3
Hungary	120	0	449	6
Spain	39	0	92	1
Italy	33	0	153	2
Portugal	25	0	74	1
Ireland	13	0	49	1
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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (21 June)								
09:30	DE	Germany Manufacturing PMI	Jun	pts	46.4	-	43.4	45.4
09:30	DE	Markit Germany Services PMI	Jun	pts	54.3	-	53.5	54.2
10:00	EZ	Eurozone Manufacturing PMI	Jun	pts	47.9	-	45.6	47.3
10:00	EZ	Eurozone Services PMI	Jun	pts	53.4	-	52.6	53.2
16:00	US	Existing Home Sales	May	% m/m	-1.0	-	-0.7	-1.9
MONDAY (24 June)								
10:00	DE	IFO Business Climate	Jun	pts	89.6	-	-	89.3
10:00	PL	Construction Output	May	% y/y	-4.8	-5.0	-	-2.0
10:00	PL	Retail Sales Real	May	% y/y	5.4	4.4	-	4.1
14:00	PL	Money Supply M3	May	% y/y	7.4	7.4	-	7.4
TUESDAY (25 June)								
10:00	PL	Unemployment Rate	May	%	5.0	5.0	-	5.1
16:00	US	Consumer Conference Board	Jun	pts	100.0	-	-	102.0
WEDNESDAY (26 June)								
16:00	US	New Home Sales	May	% m/m	2.5	-	-	-4.7
THURSDAY (27 June)								
	DE	Retail Sales	May	% m/m	-0.3	-	-	-0.2
11:00	EZ	ESI	Jun	pct.	96.1	-	-	96.0
14:30	US	Durable Goods Orders	May	% m/m	0.0	-	-	0.6
14:30	US	GDP Annualized	1Q	% Q/Q	1.4	-	-	1.3
14:30	US	Initial Jobless Claims		k	235	-	-	238
14:30	CZ	Central Bank Rate Decision	Jun	%	5.00	-	-	5.25
16:00	US	Pending Home Sales	May	% m/m	1.8	-	-	-7.7
FRIDAY (28 June)								
09:00	CZ	GDP SA	1Q	% y/y	0.2	-	-	0.2
10:00	PL	CPI	Jun	% y/y	2.6	2.5	-	2.5
14:30	US	Personal Spending	May	% m/m	0.3	-	-	0.2
14:30	US	Personal Income	May	% m/m	0.4	-	-	0.3
14:30	US	PCE Deflator SA	May	% m/m	0.0	-	-	0.3
16:00	US	Michigan index	Jun	pts	66.0	-	-	65.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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