

28 June 2024

## Eyeopener

### CPI close to target in June, but above 4% in July

Today flash CPI data for June

Energy regulator approved new tariffs, electricity and natural gas bill will rise c.20%

ESI shows slight worsening of business climate in June in Poland and euro zone

Little changes in PLN exchange rate, slight decrease of yields

**Today**, the stats office will publish flash CPI inflation for June. Our estimates suggest that the inflation rate may have remained at the May level of 2.5% y/y, with prices rising only by a modest 0.1% m/m, due to a small increase in food prices (0.2% m/m), a decline in the prices of fuel (-2.2% m/m), as well as a minor change in core prices (0.1% m/m). We will also receive another set of data from the US, this time including information on May personal income and spending, May PCE inflation, the June level of the Michigan index. In addition, a new estimate of 1Q GDP growth will be released in Czechia.

**Since 1 July 2024, the price of high-methane gas for households will equal 239 PLN/MWh, as decided by the Energy Regulatory Office.** According to the Office, for the average consumer this should translate on average into a 20% increase in the gas bill. The Office also stated that from 1 July to 31 December 2024, the electricity bill for a household whose annual consumption does not exceed 2 MWh will increase by a net PLN27.5 per month, with the distribution tariff set at PLN430.1/MWh (up from PLN289/MWh). The average increase in the electricity bill is in line with our expectations, but the increase in the gas bill is about twice as high as we anticipated, and as a result, it increases our projected inflation path by about 0.3 percentage points, elevating our July CPI inflation forecast above 4% y/y and the December forecast to 5.3% y/y.

Deputy Finance Minister Jurand Drop said yesterday at the Sejm that **in the coming months we should see an improvement in VAT revenues** on an annual basis, due to an increase in household disposable income.

**The Economic Sentiment Indicator for the Polish economy slipped 0.1 pts to 101.5 pts in June.**

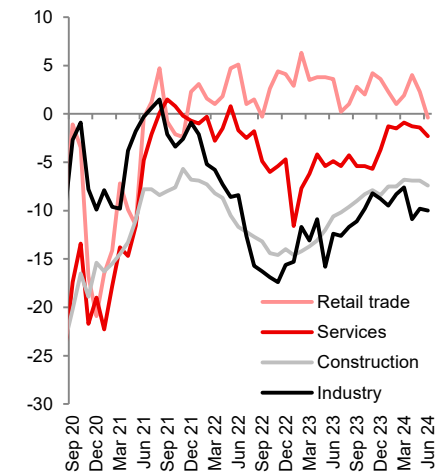
All sectoral sub-indices weakened, most notably the retail confidence indicator, down 1.8 pts to -2.4 pts, and the services confidence indicator, down 1.5 pts to -2.3 pts (so, the two indices which should benefit from the recovery in consumer demand). In June, both of the indices reached their lowest levels this year. Declines in the other sectors were minimal. Our attention was drawn to a significant decline in the indicator of expected production by industry, a marked deterioration in the indicator of current activity in retail trade (the lowest in 2.5 years), and the simultaneous rebound of the indicator of future purchases of durable goods in the consumer survey. A weakening of the euro area's overall ESI was also registered, by 0.2 pts to 95.9 pts, as a result of a decline in all sub-indices except that of consumer sentiment. The euro area's aggregate employment expectations indicator fell below the neutral level of 100 pts for the first time since March 2021.

**US 1Q GDP growth was revised upwards from 1.3% to 1.4% q/q, annualized.** The revision was mainly the result of higher contribution of gross capital formation by c.0.2 pp (including mainly raising investment growth from 6.0% to 7.0% q/q, annualised), as well as the contribution of net exports by c.0.24 pp. At the same time, the growth rate of private consumption was reduced from 2.0% to 1.5% q/q, which subtracted about 0.36 pp from the overall growth rate. GDP deflator and core PCE inflation were raised by 0.1 pp, to 3.1% q/q ann. and 3.7% q/q ann., correspondingly.

**Little change in the exchange rate of the zloty.** Yesterday's session saw mixed sentiment in the European stock market, and slightly better sentiment in the US with a decline in the VIX volatility index. The EURUSD exchange rate rose slightly to 1.07 after fairly weak labour market data, although it is lower again this morning after the Trump-Biden presidential debate. EM currencies mostly lost. The zloty performed reasonably well against this backdrop, remaining slightly above 4.30. The Czech koruna was clearly losing ground after the CNB decided to cut rates by 50 bp rather than 25, as the consensus had expected. US PCE data in the spotlight today.

**Yields lower.** The rates market saw little change with a slight downward trend. Declines were also recorded in the core markets with slightly larger declines in the US than in Germany, up to 4 bps.

ESI, Poland: indicators of trends in current business activity, pts



Source: Eurostat, Santander

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**FX market**

Today's opening			
EURPLN	4.3105	CZKPLN	0.1718
USDPLN	4.0312	HUFPLN*	1.0767
EURUSD	1.0693	RUBPLN	0.0473
CHFPLN	4.4818	NOKPLN	0.3775
GBPPLN	5.0933	DKKPLN	0.5779
USDCNY	7.2679	SEKPLN	0.3788

\*for 100HUF

Last session in the FX market					27/06/2024
	min	max	open	close	fixing
EURPLN	4.3051	4.3205	4.3110	4.3145	4.3085
USDPLN	4.0194	4.0405	4.0318	4.0301	4.0312
EURUSD	1.0679	1.0726	1.0692	1.0705	

**Interest rate market** 27/06/2024

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.14	-4
WS0429 (5Y)	5.58	0
DS1033 (10Y)	5.76	-2

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.74	-1	5.31	-3	3.46	-1
2L	5.34	-1	4.85	-4	3.19	-1
3L	5.09	-2	4.58	-4	3.01	0
4L	4.99	-2	4.40	-5	2.91	0
5L	4.96	-2	4.30	-4	2.85	0
8L	5.02	-1	4.17	-5	2.79	0
10L	5.10	-2	4.15	-4	2.80	1

**WIRON rate**

Term	%	Change (bps)
WIRON	5.46	60

**WIBOR rates**

Term	%	Change (bps)
O/N	5.59	-17
T/N	5.79	0
SW	5.84	1
1M	5.82	-1
3M	5.85	0
6M	5.86	0
1Y	5.86	0

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	5.82	-2
3x6	5.76	-1
6x9	5.60	-2
9x12	5.28	-1
3x9	5.75	-1
6x12	5.57	-1

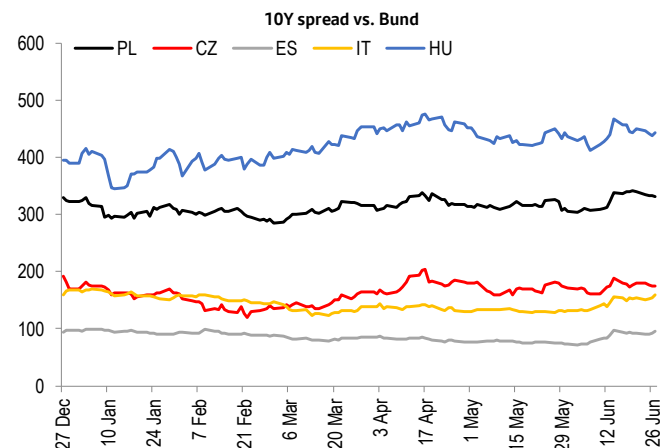
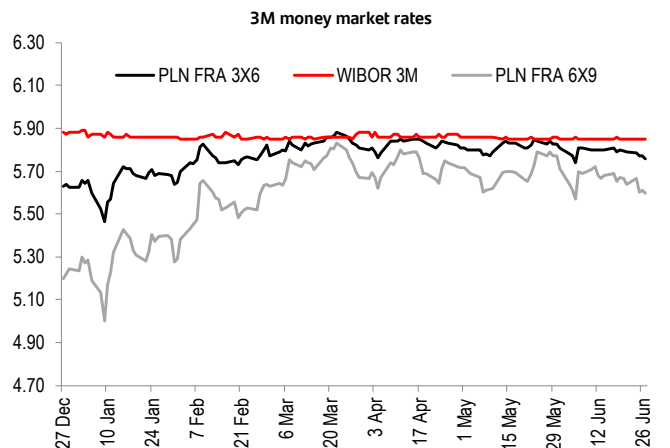
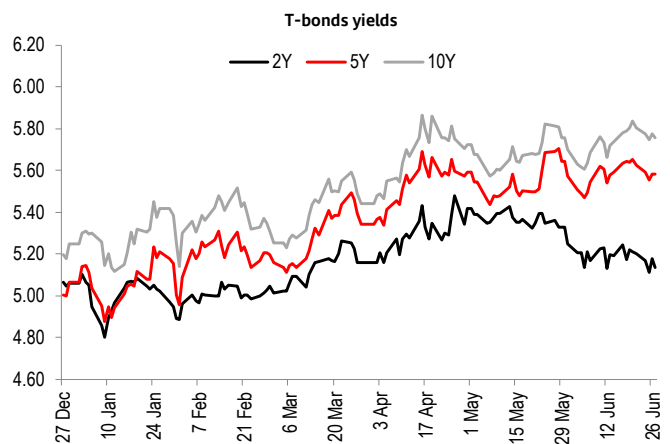
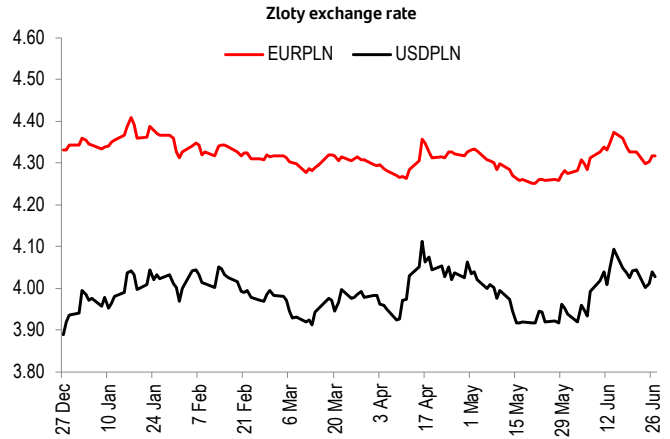
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	0	331	-2
France	19	0	82	9
Hungary	120	0	443	6
Spain	39	1	96	3
Italy	33	1	158	4
Portugal	28	1	78	4
Ireland	13	1	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			
<b>FRIDAY (21 June)</b>								
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
<b>MONDAY (24 June)</b>								
10:00	DE	Ifo Business Climate	Jun	pts	89.6	-	88.6	89.3
10:00	PL	Construction Output	May	% y/y	-4.8	-5.0	-6.5	-2.0
10:00	PL	Retail Sales Real	May	% y/y	5.4	4.4	5.0	4.1
14:00	PL	Money Supply M3	May	% y/y	7.4	7.4	8.0	7.4
<b>TUESDAY (25 June)</b>								
10:00	PL	Unemployment Rate	May	%	5.0	5.0	5.0	5.1
16:00	US	Consumer Conference Board	Jun	pts	100.0	-	100.4	101.3
<b>WEDNESDAY (26 June)</b>								
16:00	US	New Home Sales	May	% m/m	0.6	-	-11.3	2.0
<b>THURSDAY (27 June)</b>								
11:00	EZ	ESI	Jun	pct.	96.1	-	95.9	96.1
14:30	US	Durable Goods Orders	May	% m/m	-0.3	-	0.1	0.2
14:30	US	GDP Annualized	1Q	% Q/Q	1.4	-	1.4	1.3
14:30	US	Initial Jobless Claims		k	235	-	233	239
14:30	CZ	Central Bank Rate Decision	Jun	%	5.00	5.00	4.75	5.25
16:00	US	Pending Home Sales	May	% m/m	0.5	-	-2.1	-7.7
<b>FRIDAY (28 June)</b>								
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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