

23 July 2024

Eyeopener

Retail sales and construction disappointed

Today June's Statistical Bulletin and MNB decision
Retail sales and construction output below forecasts in June
M3 money supply rose in June by 8.4% y/y
CEE currencies slightly stronger, domestic yield curve steeper

Today, GUS releases its June Statistical Bulletin, including e.g. unemployment data. We expect that the unemployment rate declined in June to 4.9%, in line with the estimates published by the Ministry of Family, Labour and Social Policy. Also today, the National Bank of Hungary decides on interest rates. We expect that after the pace of rate cuts was lowered to 50 bps in May and 25 bps in June, the MNB will refrain from another rate cut in July. Finally, data on home sales in June will flow in from the US.

Retail sales disappointed in June and grew by 4.4% y/y. Annual growth rate was dragged lower by non- and semi-durables. However, durable goods accelerated, which we view as a positive signal. In general, the data do not indicate consumer weakness, but they also do not suggest that private consumption should accelerate. In the entire 2Q24 retail sales increased by 4.5% y/y, i.e. slightly weaker than in 1Q (5.0% y/y). This result is consistent with our forecast of a slight deceleration in private consumption in 2Q24 compared to 1Q24. In June, Polish construction output declined by 8.9% y/y and was weaker than expected. All in all, though the latest data do not look overly optimistic, we think that its mid- to long-term outlook remains positive, e.g. thanks to the inflow of EU funds. Monthly housing market statistics showed improvement in the pace of dwelling completions, though growth rates of issued building permits and housing starts decreased a bit. For now, the data seem to confirm also that in 2Q real growth of investment will again be weak, as the results of construction output over the whole 2Q were only a bit better than over 1Q (its average rate of decline equaled 8.7% y/y in 1Q and 6.1% y/y in 2Q). Although the real data were quite weak, business sentiment either stabilised or improved. Particularly welcome was the modest improvement of sentiment in manufacturing. Read more in our [Economic Comment](#).

Growth of M3 money supply accelerated to 8.4% y/y in June from 8.0% y/y in May. Cash increased by 7.6% y/y vs. 6.0% y/y in May, and the acceleration of its growth was mainly the effect of the low statistical base from June 2023, when the behaviour of cash fell out of seasonal patterns. Deposits grew steadily at a rate of 8.7% y/y. Loan growth continued to slowly improve, to 4.2% y/y from 4.0% y/y adjusted for the impact of the exchange rate. Loans to households accelerated to 3.1% y/y from 2.8% y/y, including housing loans in PLN to 2.1% y/y from 0.8% y/y. On the side of the firms, the value of the loan portfolio increased by 2.1% y/y, as in the previous month. We assume that the recovery in economic activity should support demand for credit in the coming months. However, a significant stimulus to demand for housing loans will appear only when the new program of housing loan subsidies is introduced.

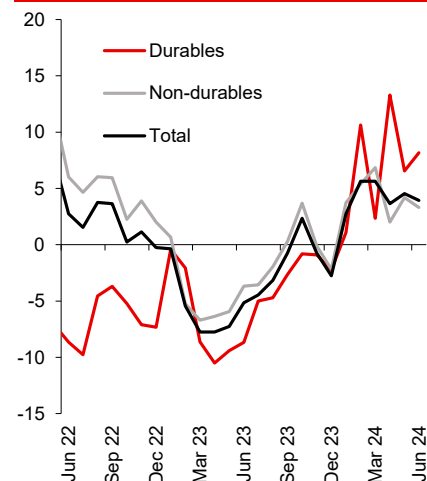
The government has prepared a draft regulation, setting the level of indexation of pensions in 2025 at 6.78%. The indexation rate was set based on the assumptions that the average annual CPI inflation for households of pensioners in 2024 will amount to 5.5%, and the real increase in the average gross salary in the national economy will equal 6.4%. According to the impact assessment, the cost of indexation is estimated at cPLN28.1bn, which takes into account the impact of the indexation on the size of the so-called 13th and 14th pensions.

Finance Minister Andrzej Domański said on Tok FM radio that his ministry will talk with the Minister of Climate and the Minister of Industry on halting the increase in energy prices in 2025.

Slight strengthening of the zloty. Yesterday's session was marked by a slight strengthening of the CEE currencies. The EURPLN exchange rate fell below 4.28. EURUSD traded near 1.088, the dollar gained against the yuan after an unexpected cut in the Chinese central bank's 7-day repo rate to 1.7% from 1.8% in an effort to improve open market operations and support the economy. At the same time, the dollar lost against the yen due to a possible rate hike by the Bank of Japan next week.

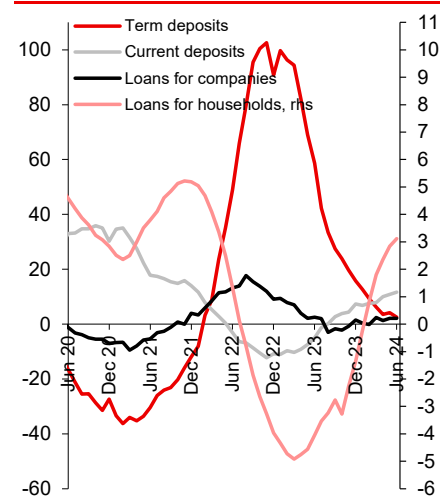
Steepening of curves. Yesterday's session saw a decrease in short-term FRA rates by 6-15 bps and 2-year swap rates to 6 bps, with an increase in rates for longer terms by 3-9 bps and bond yields by 3-8 bps. On the core markets, yields on German bonds increased by 1-3 bps, mostly at the short end of the curve. Slightly weaker domestic data may have pushed domestic rates down a bit. Today, the debt auction (supply of PLN5-10bn) is in the spotlight.

Real retail sales, durables and non-durables, % y/y



Source: GUS, Santander

Loans and deposits, % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.2756	CZKPLN	0.1695
USDPLN	3.9280	HUFPLN*	1.0882
EURUSD	1.0883	RUBPLN	0.0450
CHFPLN	4.4173	NOKPLN	0.3585
GBPPLN	5.0784	DKKPLN	0.5749
USDCNY	7.2742	SEKPLN	0.3662

*for 100HUF

Last session in the FX market 22/07/2024

	min	max	open	close	fixing
EURPLN	4.2742	4.2899	4.2877	4.2798	4.2797
USDPLN	3.9236	3.9414	3.9393	3.9327	3.9307
EURUSD	1.0871	1.0895	1.0887	1.0878	

Interest rate market

22/07/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.08	-3
WS0429 (5Y)	5.53	0
DS1033 (10Y)	5.67	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.82	0	5.11	0	3.40	2
2L	5.39	-1	4.61	0	3.10	3
3L	5.08	-3	4.35	-1	2.91	2
4L	4.95	-3	4.22	0	2.83	3
5L	4.90	-4	4.15	1	2.78	4
8L	4.93	-3	4.09	2	2.74	3
10L	4.98	-3	4.09	1	2.75	2

WIRON rate

Term	%	Change (bps)
WIRON	5.14	-8

WIBOR rates

Term	%	Change (bps)
O/N	5.59	-4
T/N	5.76	-1
SW	5.83	0
1M	5.80	-7
3M	5.86	0
6M	5.88	1
1Y	5.86	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	0
3x6	5.81	0
6x9	5.70	0
9x12	5.41	-1
3x9	5.80	0
6x12	5.67	0

CDS rates and 10Y yield spread vs. German Bund

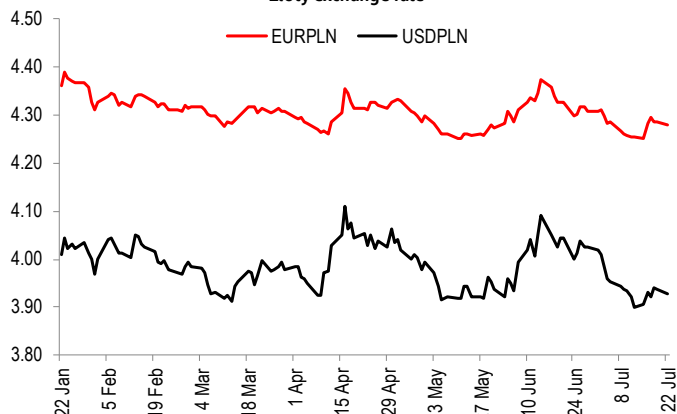
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	66	0	318	-3
France	14	0	65	-1
Hungary	120	0	410	-3
Spain	35	0	76	-1
Italy	24	0	128	-3
Portugal	23	0	59	-1
Ireland	14	0	40	0
Germany	6	0	-	-

* 10Y treasury bonds over 10Y Bunds

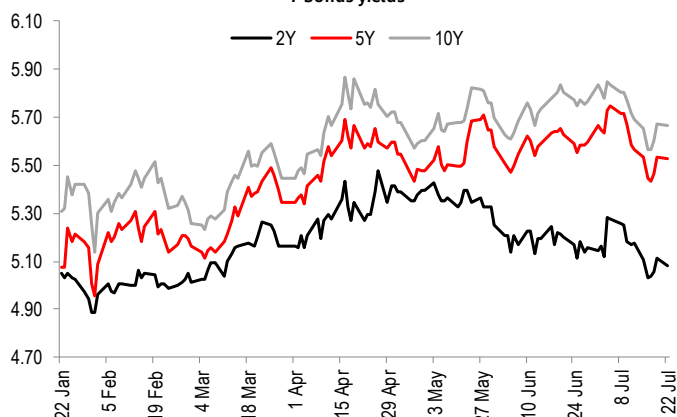
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

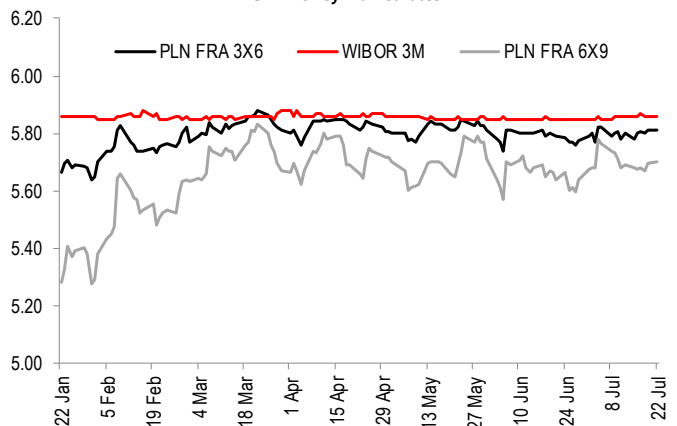
Zloty exchange rate



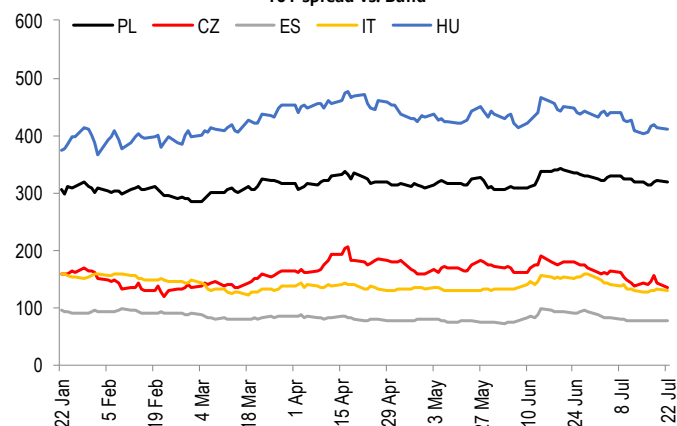
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (19 July)								
No data releases								
MONDAY (22 July)								
10:00	PL	Retail Sales Real	Jun	% y/y	5.3	5.3	4.4	5.0
14:00	PL	Construction Output	Jun	% y/y	-5.1	-4.1	-8.9	-6.5
14:00	PL	Money Supply M3	Jun	% y/y	8.3	8.8	8.4	8.0
TUESDAY (23 July)								
10:00	PL	Unemployment Rate	Jun	% y/y	4.9	4.9	-	5.0
14:00	HU	Central Bank Rate Decision	Jul	%	6.75	7.00	-	7.00
16:00	US	Existing Home Sales	Jun	% m/m	-3.0	-	-	-0.7
WEDNESDAY (24 July)								
09:30	DE	Manufacturing PMI	Jul	pts	44.0	-	-	43.5
09:30	DE	Services PMI	Jul	pts	53.3	-	-	53.1
10:00	EZ	Manufacturing PMI	Jul	pts	46.1	-	-	45.8
10:00	EZ	Services PMI	Jul	pts	52.9	-	-	52.8
16:00	US	New Home Sales	Jun	% m/m	3.4	-	-	-11.3
THURSDAY (25 July)								
10:00	DE	Ifo	Jul	pts	89.0	-	-	88.6
14:30	US	Durable Goods Orders	Jun	% m/m	0.5	-	-	0.1
14:30	US	GDP	2Q	%	1.9	-	-	1.4
14:30	US	Initial Jobless Claims	weekly	k	238	-	-	243
FRIDAY (26 July)								
14:30	US	PCE	Jun	% m/m	0.0	-	-	0.0
14:30	US	Personal Income	Jun	% m/m	0.4	-	-	0.5
14:30	US	Personal Spending	Jun	% m/m	0.3	-	-	0.2
16:00	US	Michigan Index	Jun	% m/m	66.4	-	-	68.2

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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