

21 October 2024

Eyeopener

Today set of September data

Today, September data on production, wages, employment and PPI

The parliament approved an amendment increasing excise taxes on cigarettes from March 2025

The zloty loses slightly above 4.30, the dollar gains continued

Market rates decline at end of week after longer period of increase with steepening curves

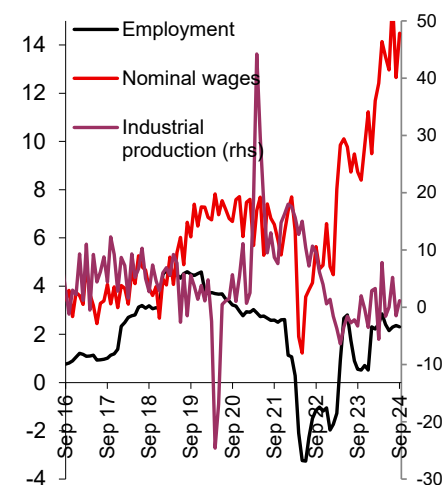
Today, the statistical office releases the first part of the real data on the state of the Polish economy in September, including information on industrial and construction output, PPI inflation, and the labour market. Similarly to the consensus, we expect that the data on industrial output will indicate that its growth rate returned above zero, in our opinion to 1.1% y/y. Nevertheless, it is worth to note that in the last two months the data on output have been disappointing, and if they will disappoint again today, it will be a reason to rethink the prospects of Polish manufacturing. When it comes to construction output, we expect that its growth rate remained clearly below zero, but improved slightly and increased from -9.6% y/y to -8.7% y/y. In the market's opinion, the growth rate of construction output slowed down to -9.8% y/y. Data from the labour market will probably indicate that employment growth remained at -0.5% y/y and wage growth stayed slightly above 11.0% y/y. Finally, with regard to PPI inflation, both our and market forecasts point to a decrease in its rate to -5.7% y/y.

The Sejm has passed an amendment increasing excise duty on cigarettes and liquid for electronic cigarettes. The amended act assumes that the excise duty rate on cigarettes in its quota part will increase by 25% in 2025, by 20% in 2026 and by 15% in 2027. In the case of heated tobacco products, the excise duty rate in the quota part will increase by 50% in 2025, by 20% in 2026 and by 15% in 2027. The current excise duty rates will remain in force until 28 February 2025.

Slightly weaker zloty. On the stock markets, increases prevailed both in Europe and in the United States, for the sixth session in a row in the latter. Once again, gold prices rose and oil prices fell. The euro gradually rose against the dollar towards 1.087. After a stronger opening, the zloty slightly depreciated, as in previous days, and remained above 4.30. The EURPLN exchange rate remains in a narrow range of fluctuation and we assume that this trend will continue in the next week. Further strengthening of the dollar against the euro in view of the upcoming U.S. elections with the growing lead of D. Trump may mean that the region's currencies may behave relatively weak in the near term. D. Trump said that he could set tariffs of 150-200% on goods from China if it decided to enter Taiwan. We assume that the EURPLN exchange rate may head toward 4.33. The EURHUF exchange rate is fluctuating near 400, and should be protected from further rise at least for a while by the MNB's decision to make a pause in the cycle of rate cuts.

Market rates fall at end of week of increases. The past week was marked by a continuation of the upward trend in the interest rate market with a continuation of the slight steepening of the IRS curve amid the euro curve falling and steepening following the ECB's rate cut. Bond yields rose in a slightly wider range with spreads to Bunds widening to around 340 bps. Only the end of the week brought a drop in market rates, but a continuation of the steepening from the curves. According to our forecasts, data released at the beginning of the week may surprise slightly to the upside and there will be also the first of two bond auctions scheduled for this month. Thus, we assume that IRS rates may still rise slightly until the auction, and bonds may weaken a bit more. Friday is the due date for maturing PS1024 bonds in the amount of PLN 31.3 bn (most of which are in the portfolios of local banks), so we assume that demand at the auction may be strong, and the debt market may strengthen until the next auction. We have assumed for some time that the room for further increases in market rates has diminished, in view of the fact that in the longer term, i.e. in 2-year horizon, the market is currently pricing the NBP rate to go down to around 4.25-4.50, and we see the potential for a slightly larger decline. In our view the FRA rates between 5x8 and 8x11 have still some potential room to rise slightly further in view of the fact that we still assume the timing of the first rate cut in July next year. Looking ahead to the next few weeks, we see chance for the curves to decline and flatten.

Industrial and construction output, % y/y



Source: GUS, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 691 393 119
 Bartosz Białas +48 517 881 807
 Cezary Chrapek, CFA +48 887 842 480
 Marcin Luźniński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.3066	CZKPLN	0.1703
USDPLN	3.9661	HUFPLN*	1.0657
EURUSD	1.0853	RUBPLN	0.0413
CHFPLN	4.5790	NOKPLN	0.3622
GBPPLN	5.1662	DKKPLN	0.5769
USDCNY	7.1121	SEKPLN	0.3760

*For 100HUF

Last session in the FX market 18/10/2024

	min	max	open	close	fixing
EURPLN	4.3001	4.3111	4.3069	4.3029	4.3048
USDPLN	3.9596	3.9774	3.9741	3.9648	3.9718
EURUSD	1.0833	1.0864	1.0840	1.0853	

Interest rate market 18/10/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.00	-1
WS0429 (5Y)	5.32	-6
DS1033 (10Y)	5.62	-6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.62	-5	4.38	-2	2.50	-8
2L	5.16	-11	4.02	-2	2.29	-4
3L	4.91	-11	3.90	-2	2.22	-3
4L	4.84	-9	3.86	-1	2.22	-3
5L	4.83	-11	3.83	-2	2.23	-3
8L	4.88	-9	3.84	-3	2.30	-3
10L	4.94	-9	3.89	-1	2.36	-3

WIBOR rates

Term	%	Change (bps)
O/N	5.58	-9
T/N	5.76	-1
SW	5.83	1
1M	5.80	-2
3M	5.85	0
6M	5.85	0
1Y	5.74	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	0
3x6	5.78	-3
6x9	5.42	-6
9x12	4.96	-12
3x9	5.75	-1
6x12	5.38	-9

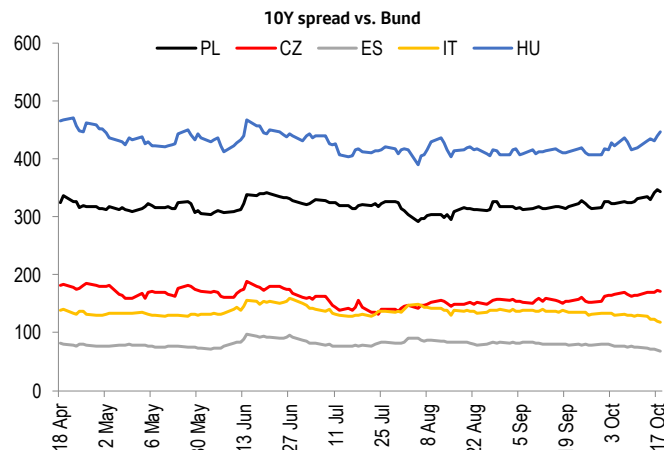
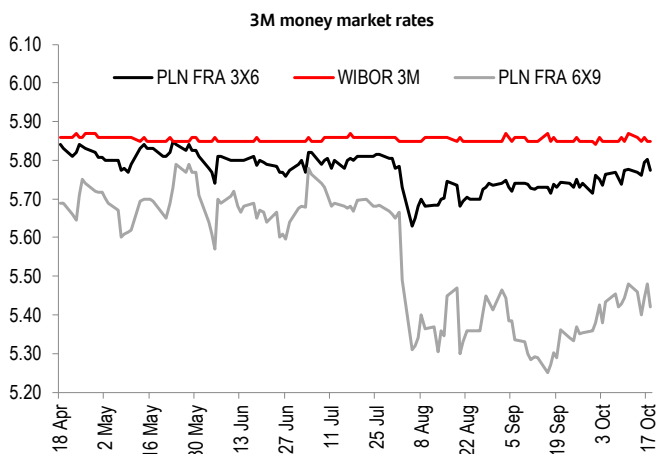
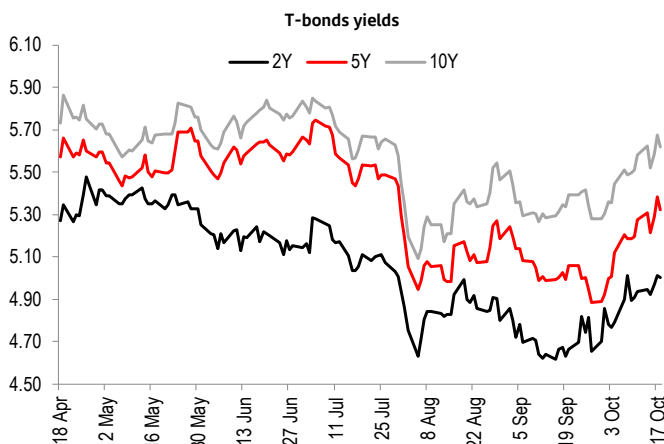
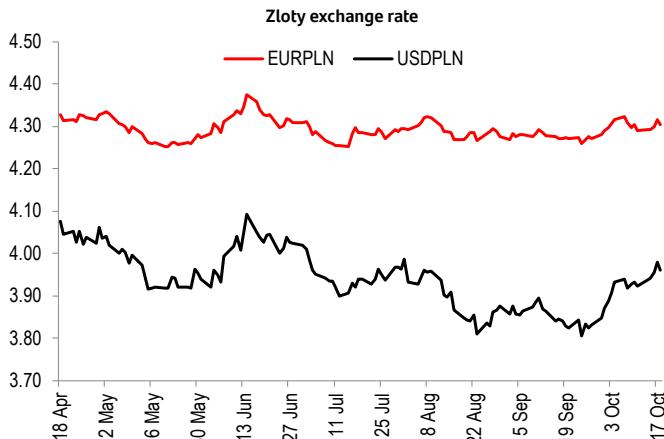
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	69	0	343	-4
France	15	0	71	-2
Hungary	128	0	447	8
Spain	31	0	69	-2
Italy	24	0	117	-2
Portugal	19	0	44	-1
Ireland	12	0	35	-2
Germany	5	-1	-	-

* 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 (18 October)								
14:30	US	Housing Starts	Sep	% m/m	-0.4	-	-0.5	7.8
MONDAY (21 October)								
10:00	PL	Employment in corporate sector	Sep	% y/y	-0.5	-0.5	-	-0.5
10:00	PL	Average Gross Wages	Sep	% y/y	11.1	11.2	-	11.1
10:00	PL	Sold Industrial Output	Sep	% y/y	0.6	1.1	-	-1.5
10:00	PL	Construction Output	Sep	% y/y	-9.8	-8.7	-	-9.6
10:00	PL	PPI	Sep	% y/y	-5.7	-5.7	-	-5.1
TUESDAY (22 October)								
10:00	PL	Retail Sales Real	Sep	% y/y	2.2	2.5	-	2.6
14:00	HU	Central Bank Rate Decision	Oct	%	6.50	-	-	6.50
14:00	PL	Money Supply M3	Sep	% y/y	6.6	6.5	-	7.8
WEDNESDAY (23 October)								
10:00	PL	Unemployment Rate	Sep	%	5.0	5.0	-	5.0
16:00	US	Existing Home Sales	Sep	% m/m	1.0	-	-	-2.5
THURSDAY (24 October)								
09:30	DE	Germany Manufacturing PMI	Oct	pts	40.8	-	-	40.6
09:30	DE	Markit Germany Services PMI	Oct	pts	50.9	-	-	50.6
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	45.3	-	-	45.0
10:00	EZ	Eurozone Services PMI	Oct	pts	51.7	-	-	51.4
14:30	US	Initial Jobless Claims	weekly	k	259	-	-	241
16:00	US	New Home Sales	Sep	% m/m	-0.42	-	-	-4.7
FRIDAY (25 October)								
10:00	DE	IFO Business Climate	Oct	pts	85.8	-	-	85.4
14:30	US	Durable Goods Orders	Sep	% m/m	-0.9	-	-	0.0
16:00	US	Michigan index	Oct	pts	69.5	-	-	68.9

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.