

24 October 2024

## Eyeopener

### Consumer sentiment worse than in September

Preliminary PMIs from Europe today, marginal improvement expected from weak levels  
 October's deterioration in consumer sentiment negated its September improvement  
 Deeper drop in new orders in Polish industry in September  
 Zloty continues to lose on weakening dollar, further slight steepening of curves, US election in background

**Today**, we will see preliminary October PMI prints for Germany and the euro area. In case of both the manufacturing and the services indices, the market expects a slight strengthening compared to the level from September, by 0.2-0.3 pts. Although the expectations are modest, in the case of the German manufacturing PMI, their fulfilment would allow the indicator to break the streak of 4 consecutive declines, which in September brought the German manufacturing PMI to 40.6 pts, i.e. the lowest level in twelve months. In addition to the PMIs, there will also be data from the US on the number of initial jobless claims last week, as well as on new home sales in September.

**In October, consumer confidence deteriorated.** Both aggregate indices, covering current assessment and expectations, dropped by almost two points m/m, the former to -15.8 pts, which is close to its long-term average and the latter to -11.6 pts, still some 7 pts above the long-term average. The rise of pessimism pretty much reverses the improvement recorded in September and was concentrated in current economic situation assessment and in consumers' views on their ability to save money. On the positive side, the job security index, generally trending up for over a year, was stable in October, and the major purchases index saw a minor decline, too small to claim that consumers have switched to a more cautious stance. This edition of the consumer survey was the first one to take into account the effect of the flood in Southern Poland which may be the reason behind the expressed pessimism. It seems to us that the deterioration was also a consequence of consumers facing higher prices and higher bills – the index of the observed current changes to prices went up by 3.9 pts (the largest move since May), with the share of respondents mentioning large price hikes going up by 5.2pp m/m. The inflation expectations index also rose, but was still lower than in July. The quarterly part of the survey showed a bit less willingness to buy a car within the next 12 months or to renovate one's dwelling, but also signalled that more people were checking the housing market. The consumer confidence indicators formed a mild downtrend and remind us that there are limits to quickly private consumption can expand in 2H24, having risen by over 4% y/y in 1H24.

**The growth rate of new orders in industry dropped to -7.2% y/y in September from -2.1% y/y in August**, and the growth rate of new export orders to -7.7% y/y from 0.6% y/y. In recent months data on new orders growth were in an upward trend, which counted as an argument for cautious optimism regarding the outlook of Polish industry. Given the negative surprises in the data on industrial production, a clear decline in the growth rate of new orders may be another cause for concern, but it is worth noting that this data is characterized by significant volatility.

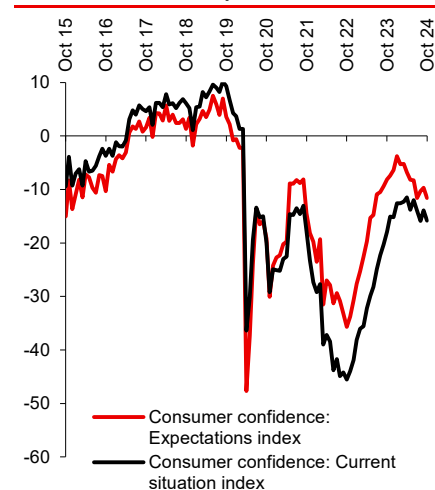
**The registered unemployment rate remained at 5.0% in September**, in line with our expectations and the market consensus. We expect the unemployment rate to remain at 5% in October, but it may rise slightly later on due to seasonal effects.

**The International Monetary Fund predicts that the general government deficit in Poland will amount to 5.5% of GDP in 2025**, in line with the draft budget law, 5.0% of GDP in 2026, and after that it will steadily decrease to 4.0% of GDP in 2029 (where the IMF forecast ends). In turn, Polish general government debt could exceed 55% of GDP this year, reach 60% next year and continue to grow to 66.3% in 2029. A day earlier, the IMF showed a forecast of Polish GDP growth for 2024-2025, in line with our predictions (3.0%, 3.5%), and 3.4% for 2026. Global growth is expected by the Fund to be 3.2% this year and next (an upward revision of 2025 by 0.1pp), thanks to better US results (2.8% in 2024, 2.2% in 2025) than the Fund had previously assumed, but with a lower forecast for the Eurozone (to 0.8%, 1.2%).

MPC member **H. Wnorowski** told Bloomberg that he would not come to hasty conclusions in the first reaction to the retail sales data and that he is all the more impatient for the NBP's November projection. Wnorowski confirmed that the MPC will be able to start a discussion on a rate cut in March 2025 at the earliest. **L. Kotecki** also stated that it is too early to consider rate cuts, despite the sudden decrease in retail sales.

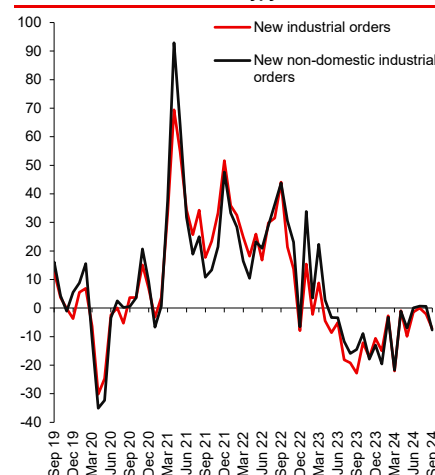
**Continuation of the zloty's depreciation, toward 4.35 against the euro.** Yesterday's session saw solid declines in stock indices in Europe and especially in the USA. The dollar continued to gain against the euro to around 1.077, which had a negative impact on the CEE currencies, with the zloty and the forint losing the most, as in previous sessions, presenting a greater sensitivity to EURUSD changes. Technically, the zloty seems to be oversold, which would open the way for a correction towards stronger levels. However, uncertainty about the US elections may still negatively affect risk appetite for some time, at least until the election day on 5th November. **Slight changes in the rate market.** FRA rates recorded slight declines for most maturities, short-term IRS rates decreased slightly and long-term rates increased somewhat, a similar pattern was observed in the case of bonds. Further steepening of the curves was recorded on the core markets, with significant declines recorded on short-term German bonds, and in the US the short end of the yield curve climbed less than the longer end.

Consumer confidence, pts



Source: GUS, Santander

New industrial orders, % y/y



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.3426	CZKPLN	0.1718
USDPLN	4.0266	HUFPLN*	1.0680
EURUSD	1.0785	RUBPLN	0.0418
CHFPLN	4.6492	NOKPLN	0.3670
GBPPLN	5.2161	DKKPLN	0.5821
USDCNY	7.1142	SEKPLN	0.3802

\*for 100HUF

Last session in the FX market					23/10/2024
	min	max	open	close	fixing
EURPLN	4.3211	4.3479	4.3224	4.3463	4.3344
USDPLN	3.9983	4.0359	4.0010	4.0322	4.0176
EURUSD	1.0760	1.0806	1.0802	1.0778	

**Interest rate market** 23/10/2024

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

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.13	12
WS0429 (5Y)	5.51	7
DS1033 (10Y)	5.88	10

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.54	-4	4.46	2	2.48	-4
2L	5.11	-1	4.15	3	2.31	-5
3L	4.94	2	4.07	6	2.27	-1
4L	4.92	3	4.03	6	2.28	-3
5L	4.94	4	4.01	5	2.31	-3
8L	5.07	6	4.00	4	2.39	-1
10L	5.15	7	4.05	4	2.44	-1

**WIBOR rates**

Term	%	Change (bps)
O/N	5.66	0
T/N	5.76	0
SW	5.83	1
1M	5.84	-1
3M	5.85	0
6M	5.85	0
1Y	5.71	-2

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

Term	%	Change (bps)
1x4	5.83	0
3x6	5.68	-7
6x9	5.31	-6
9x12	4.87	-2
3x9	5.65	-9
6x12	5.27	-4

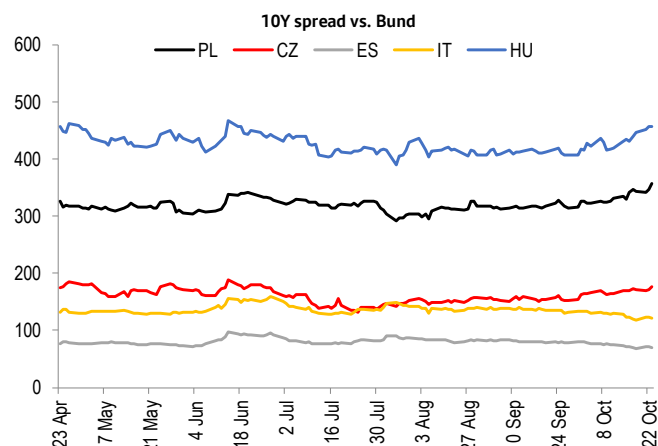
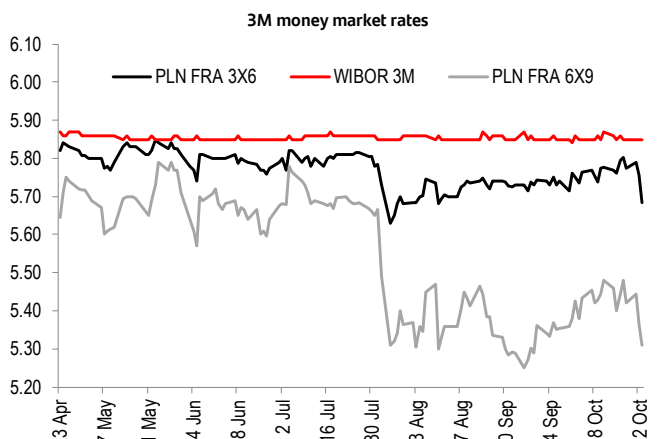
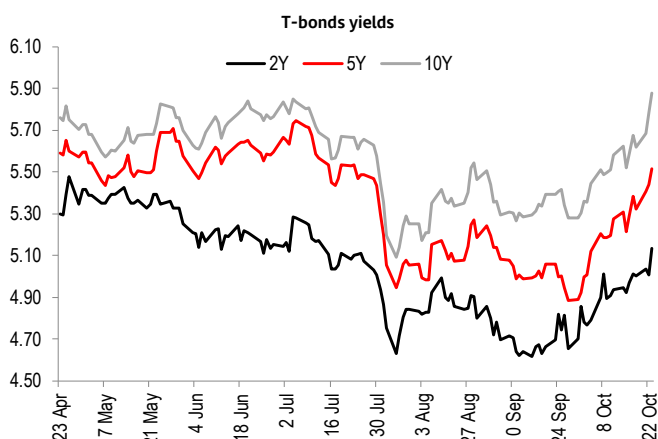
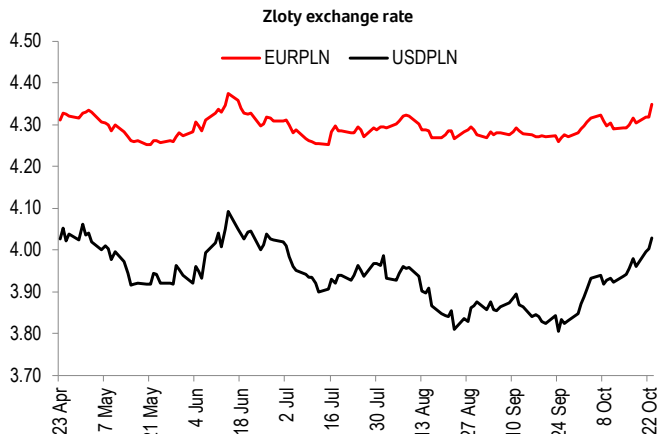
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	0	357	10
France	15	0	73	-1
Hungary	128	0	456	0
Spain	30	0	70	-1
Italy	24	0	121	-2
Portugal	18	0	44	-1
Ireland	12	0	34	-2
Germany	5	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 (18 October)</b>								
14:30	US	Housing Starts	Sep	% m/m	-0.4	-	-0.5	7.8
<b>MONDAY (21 October)</b>								
10:00	PL	Employment in corporate sector	Sep	% y/y	-0.5	-0.5	-0.5	-0.5
10:00	PL	Average Gross Wages	Sep	% y/y	11.1	11.2	10.3	11.1
10:00	PL	Sold Industrial Output	Sep	% y/y	0.6	1.1	-0.3	-1.2
10:00	PL	Construction Output	Sep	% y/y	-9.8	-8.7	-9.0	-9.6
10:00	PL	PPI	Sep	% y/y	-5.7	-5.7	-6.3	-5.5
<b>TUESDAY (22 October)</b>								
10:00	PL	Retail Sales Real	Sep	% y/y	2.2	2.5	-3.0	2.6
14:00	HU	Central Bank Rate Decision	Oct	%	6.50	6.50	6.50	6.50
14:00	PL	Money Supply M3	Sep	% y/y	6.6	6.5	6.5	7.8
<b>WEDNESDAY (23 October)</b>								
10:00	PL	Unemployment Rate	Sep	%	5.0	5.0	5.0	5.0
16:00	US	Existing Home Sales	Sep	% m/m	0.5	-	-1.0	-2.0
<b>THURSDAY (24 October)</b>								
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
<b>FRIDAY (25 October)</b>								
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

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