

# EYEOPENER

18 January 2018

## Rise of wage growth in December

- **Wages up 7.3% y/y in December, employment 4.6% y/y**
- **EURPLN finished the day lower**
- **Correction on the long end of the domestic yield curve**
- **Today US real estate data and speeches of ECB members**

Wages and employment in December grew stronger than expected, which confirmed an excellent situation on the labour market fuelled both by domestic demand and foreign orders. The growing US stock exchange supported PLN appreciation against EUR in the afternoon. US stock markets were supported by companies' expectations of tax cuts disclosed in their financial statements. It also seems that the Republicans will be able to pass a one-month extension of funding for federal agencies today. EURUSD and US bond prices fell. The domestic debt weakened at the long-end of the yield curve and strengthened at the short-end.

Enterprise sector data on wages and employment for December beat expectations. Wage growth accelerated from 6.5% y/y to 7.3% with market expecting 7.1% and our forecast of 7.5%. The acceleration in wages happened despite a lower number of working days y/y and is in line with our call that the tight labour market is already generating a substantial wage pressure. Employment surprised on the upside, with y/y growth rising further from 4.5% to 4.6% (as we expected, market saw 4.5%). Corporate employment seems to defy the scarcity of spare labour force issues faced by the Polish economy. Even the lowering of the retirement age in October did not depress employment growth, suggesting that the new retirees returned to their previous jobs after acquiring pensions. The MPC is unlikely to be affected by the data, given its recent dovish rhetoric only a larger set of positive surprises, including a rise of core CPI later in the year might influence the Council's approach. We still think a rate hike is possible in late 2018.

The MPC's Grażyna Ancyparowicz views it highly probable that interest rates will remain on hold throughout 2018 as long as there are no signals that credit action is too high. Eugeniusz Gatnar said that even though his arguments to hike rates in 1Q18 lost strength, he still does not rule out a hike further in the year.

Yesterday Moody's rating agency released report about CEE countries where it pointed to potential negative consequences of judiciary system reform in Poland on the country's

institutional power in Europe. Still, the agency does not expect that launch of the Article 7 procedure will have any material impact. We do not see this opinion as a hint that Polish rating or its outlook could be downgraded (Moody's plans next review for 23 March).

Having grown at night, EURUSD continued falling during the day. The reason behind the weaker euro was a comment of the new head of the Eurogroup, Mario Centeno (the Portuguese minister of finance), who warned against too rapid appreciation of this currency. As a result, at the end of the day we witnessed EURUSD depreciation from 1.23 to 1.2240, and a hit of 1.2200 during the day.

EURPLN declined for most of the day, reaching 4.1690 at the end (vs. 4.1780 at the opening). Better-than-expected wages and employment data gave some support for PLN appreciation against EUR. USDPLN grew during the day and ended the session at 3.4050, close to the opening level.

The Czech koruna gained (EURCZK was at 25.40, the lowest level since October 2013). Dismissal of the Czech government, widely expected on the market, did not affect the currency. EURHUF was climbing throughout the day but returned to the opening level at the end of the day (308.70). USDRUB went to 56.80 from 56.50, fueled by cheaper oil, warnings of Russian policymakers about too strong ruble and suggestions of quick rate cuts by the Russian central bank.

Today we expect stabilization of the zloty, due to lack of major macro publications and possible stable trading on EURUSD.

On Wednesday German yield curve remained fairly stable with changes not exceeding 0.5bp. Bunds did not react to lower-than-expected inflation in euro zone. In the case of the US Treasuries, yields continued to move up amid solid data on industrial output, capacity utilization rate and more US banks suggesting improvement of financial results. As a result, bond curve moved 2bp up on the long end and 4bp on the front end (where yields reached 2.04%, their highest level since 2008).

Yesterday Polish yield curve rose 2bp on the long end. Belly of the curve remained stable while the short end moved 1bp down. Floaters did not move much. Polish data on wages and employment did not impact domestic debt. Today we expect bond prices to stay flat. In the week-end horizon, we expect 2-5Y bond yields to fall.

### ECONOMIC ANALYSIS DEPARTMENT:

al. Jana Pawła II 17, 00-854 Warsaw fax +48 22 586 83 40

email: [ekonomia@bzwbk.pl](mailto:ekonomia@bzwbk.pl)

Web site: [skarb.bzwbk.pl](http://skarb.bzwbk.pl)

Piotr Bielski +48 22 534 18 87

Marcin Luźniński +48 22 534 18 85

Grzegorz Ogonek +48 22 534 19 23

Konrad Soszyński +48 22 534 18 86

Marcin Sulewski +48 22 534 18 84

### TREASURY SERVICES:

Poznań +48 61 856 5814/30

Warszawa +48 22 586 8320/38

Wrocław +48 71 369 9400

## FX market

## Today's opening

EURPLN	4.1676	CZKPLN	0.1641
USDPLN	3.4127	HUFPLN*	1.3507
EURUSD	1.2212	RUBPLN	0.0601
CHFPLN	3.5414	NOKPLN	0.4334
GBPPLN	4.7230	DKKPLN	0.5597
USDCNY	6.4279	SEKPLN	0.4246

\*for 100HUF

## Last session in the FX market

17/01/2018

	min	max	open	close	fixing
EURPLN	4.165	4.179	4.171	4.166	4.1739
USDPLN	3.386	3.421	3.407	3.400	3.4109
EURUSD	1.220	1.232	1.224	1.225	-

## Interest rate market

17/01/2018

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

Benchmark (term)	%	Change (bps)	Last auction	Paper offered	Average yield
DS1019 (2L)	1.57	-1	1/4/18	OK0720	1.863
PS0123 (5L)	2.49	-13	1/4/18	PS0123	2.561
DS0727 (10L)	3.28	0	12/15/17	DS0727	3.209

## IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.77	0	2.03	1	-0.26	-1
2L	1.98	0	2.23	1	-0.13	-2
3L	2.15	1	2.34	2	0.04	-1
4L	2.31	0	2.39	2	0.21	-1
5L	2.44	0	2.43	2	0.37	-1
8L	2.72	0	2.52	2	0.74	-1
10L	2.87	1	2.57	1	0.95	-1

## WIBOR rates

Term	%	Change (bps)
O/N	1.50	-2
T/N	1.50	-2
SW	1.56	0
2W	1.59	0
1M	1.65	0
3M	1.72	0
6M	1.81	0
9M	1.82	0
1Y	1.85	0

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

Term	%	Change (bps)
1x4	1.73	0
3x6	1.73	0
6x9	1.76	1
9x12	1.83	-1
3x9	1.81	0
6x12	1.82	0

## Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland			2.71	-1
France	16	0	0.27	0
Hungary	116	1	1.38	-1
Spain	45	0	0.92	-1
Italy	105	1	1.42	-2
Portugal	72	-1	1.44	-3
Ireland	25	-1	0.41	0
Germany	8	1	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

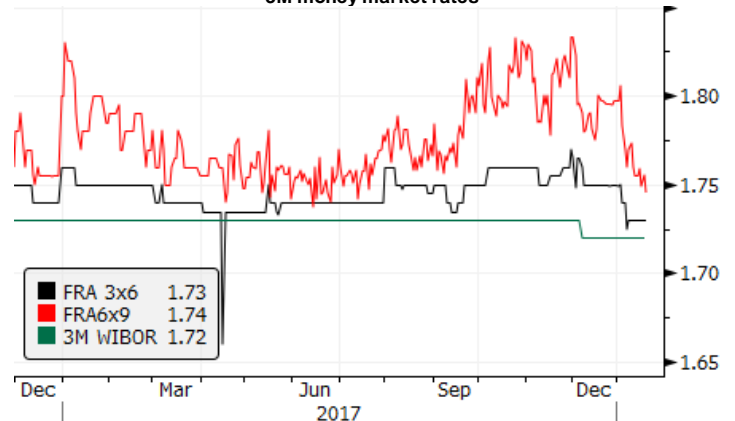
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME		INDICATOR	PERIOD				VALUE	
CET					MARKET	BZWBK	VALUE	
FRIDAY (12 January)								
09:00	HU	CPI	Dec	% y/y	2.2	-	2.1	2.5
14:30	US	CPI	Dec	% m/m	0.1	-	0,1	0.4
14:30	US	Retail Sales Advance	Dec	% m/m	0.5	-	0.4	0.8
MONDAY (15 January)								
14:00	PL	CPI	Dec	% y/y	2.0	2.0	2.1	2.0
14:00	PL	Current Account Balance	Nov	€mn	693	881	233	575
14:00	PL	Trade Balance	Nov	€mn	554	608	109	597
14:00	PL	Exports	Nov	€mn	17 884	17 985	18 243	17 914
14:00	PL	Imports	Nov	€mn	17 289	17 377	18 134	17 317
TUESDAY (16 January)								
14:00	PL	CPI Core	Dec	% y/y	0.8	0.8	0.9	0.9
WEDNESDAY (17 January)								
11:00	EZ	HICP	Dec	% y/y	1.4	-	1.4	1.4
14:00	PL	Employment in corporate sector	Dec	% y/y	4.5	4.6	4.6	4.5
14:00	PL	Average Gross Wages	Dec	% y/y	6.9	7.5	7.3	6.5
15:15	US	Industrial Production	Dec	% m/m	0.4	-	0.9	0.2
THURSDAY (18 January)								
14:30	US	Initial Jobless Claims	Jan-18	k	245.0	-		261.0
14:30	US	Housing Starts	Dec	% m/m	-2.08	-		3.3
FRIDAY (19 January)								
14:00	PL	Sold Industrial Output	Dec	% y/y	2.8	2.2		9.1
14:00	PL	Construction Output	Dec	% y/y	10.1	10.2		19.8
14:00	PL	PPI	Dec	% y/y	0.6	0.7		1.8
14:00	PL	Retail Sales Real	Dec	% y/y	5.8	10.9		8.8
16:00	US	Michigan index	Jan	pts	97.0	-		95.9

Source: BZ WBK, Bloomberg, Parkiet

\* in case of the revision the data is updated

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Additional information is available on request. Please contact Bank Zachodni WBK 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@bzwbk.pl, http://www.bzwbk.pl.