

19 December 2018

# Eyeopener

## Strong wages in November

Poland labour market still in decent shape  
Zloty stable, EURUSD slightly up  
Yields still in the down trend  
Today Poland output data and FOMC decision

The Polish labour market data surprised to the upside, while the German Ifo index was again weaker than projected. Both zloty and bonds ignored the domestic data, following core market trends where slight strengthening of euro and yield falls were observed. Yesterday evening the spokesman of the Italy's Ministry of Economy informed that an agreement has been reached with the European Commission on the next year's state budget. It is to be formally announced today. In November the EC rejected the draft Italian budget due to excessive deficit assumed for 2019.

**Wages in the corporate sector** surprised strongly to the upside in November, advancing by 7.7% y/y (consensus: 7.2% y/y, our forecast 7%). This is the second strongest growth rate this year (just a tick below 7.8% y/y in April). We were expecting some slowdown versus October (7.6% y/y) due to the negative working day effect, and such a strong reading suggests some one-offs, probably in mining, as usual. Detailed information will be released in the Statistical Bulletin on Friday. Still, the wage growth remains robust and we expect it to run close to 7-8% also in 2019. **Employment** rose in November by 3.0% y/y, in line with expectations. In monthly terms, employment rose by 5k and this was the weakest result for this month since 2013. Positive tendencies in employment are clearly losing momentum and we are expecting the 2019 employment growth to be minute. Strong wage growth will be supportive for private consumption throughout 2019, in our view.

**EURUSD** was rising at the start of the day, only to return to the opening level in the afternoon. In the morning the euro was supported by rising equity indices, but the poor Ifo reading and reversal of the move on equities sent EURUSD lower. As a result the exchange rate closed the day at 1.136 vs 1.135 in the morning. Today we expect EURUSD to try to move higher again, awaiting a "dovish" hike by FOMC. Additionally, the euro may be strengthened by the developments regarding the Italian budget. This morning EURUSD tries to push above 1.14.

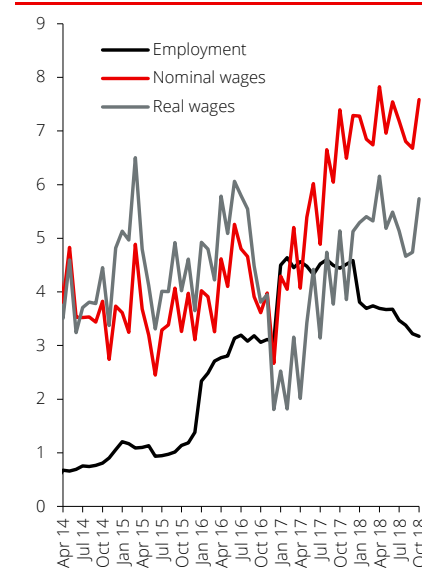
On Tuesday, **EURPLN** was oscillating around 4.284 despite quite dynamic changes on the stock markets and slight rise of EURUSD. The euro is gaining versus the dollar since the start of the session and this may offset the effect of weaker data on industrial output.

**As regards other CEE currencies**, EURCZK fell to 25.72 from 25.87 ahead of Thursday's central bank conference, where investors are expecting further suggestions of interest rate hikes. EURHUF slid to 322.30 from 323.50 thanks to remarks on the central bank conference, where risk of further rise in core inflation was underlined. USDRUB was going up throughout the day (to 66.70 from 67.10) amid falling oil prices.

In the morning the **domestic interest rates market** saw yields decrease (due to weaker-than-expected Ifo data) but rebounded in the afternoon, following the core market trends. On daily basis, yields closed the session c1bp lower. The IRS curve moved in the same direction, however on a slightly larger scale. Favourable data from the Polish labour market did not impress investors. Today yields stabilisation at lower levels is expected, while on Thursday a yields rise should be observed, following the interest rates increase by the FOMC.

**Today at 10:00 CET** the Stats Office releases data on industrial and construction output. In our view, results in these sectors will be markedly worse than in October. This deterioration will be mostly due to working-day effect, additionally aggravated by a one-off holiday on 12 November. Still, given the inflow of disappointing information from the German industry, we are expecting the Polish sector to slow down in 2019.

Employment and wages in corporate sector, % y/y



Source: GUS, NBP, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.2810	CZKPLN	0.1664
USDPLN	3.7543	HUFPLN*	1.3283
EURUSD	1.1403	RUBPLN	0.0560
CHFPLN	3.7847	NOKPLN	0.4316
GBPPLN	4.7586	DKKPLN	0.5733
USDCNY	6.8961	SEKPLN	0.4152

\*for 100HUF

### Last session in the FX market 18/12/2018

	min	max	open	close	fixing
EURPLN	4.281	4.288	4.282	4.284	4.2853
USDPLN	3.757	3.781	3.772	3.771	3.7668
EURUSD	1.134	1.140	1.135	1.136	-

## Interest rate market 18/12/2018

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1020 (2L)	1.39	0	14 gru 18	OK0521	1.625
PS0424 (5L)	2.32	-4	14 gru 18	PS0424	2.382
WS0428 (10L)	2.90	-3	14 gru 18	WS0428	2.931

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.75	0	2.81	-4	-0.23	0
2L	1.86	0	2.80	-5	-0.15	-1
3L	1.97	0	2.77	-6	-0.03	-1
4L	2.10	0	2.76	-5	0.11	-1
5L	2.22	-1	2.76	-5	0.25	-1
8L	2.44	-2	2.81	-4	0.63	-2
10L	2.57	-3	2.86	-4	0.85	-2

## WIBOR rates

Term	%	Change (bps)
O/N	1.35	7
T/N	1.40	8
SW	1.53	0
2W	1.58	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.82	0
1Y	1.87	0

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

Term	%	Change (bps)
1x4	1.72	0
3x6	1.73	0
6x9	1.75	0
9x12	1.78	0
3x9	1.80	0
6x12	1.81	0

## Measures of fiscal risk

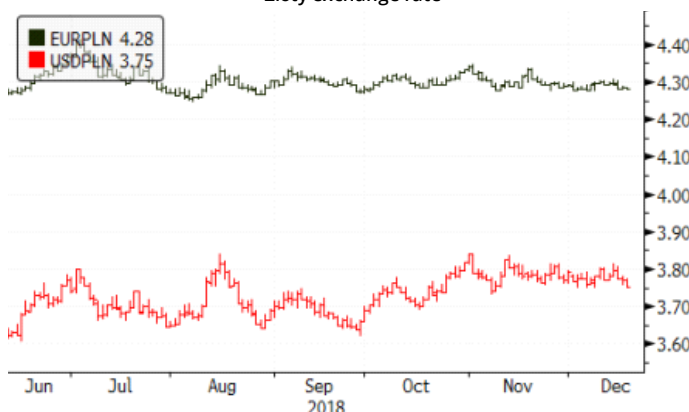
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.65 -3
France	25 1	0.46 -1
Hungary	116 1	3.05 2
Spain	65 4	1.11 -2
Italy	221 8	2.59 -11
Portugal	64 0	1.37 -2
Ireland	25 0	0.66 -1
Germany	11 0	- -

\* 10Y treasury bonds over 10Y Bunds

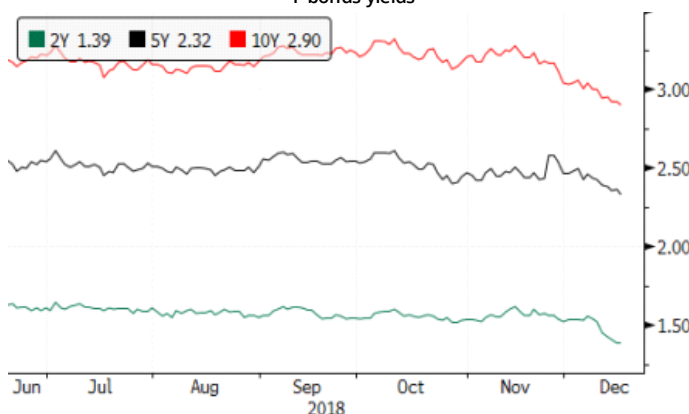
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

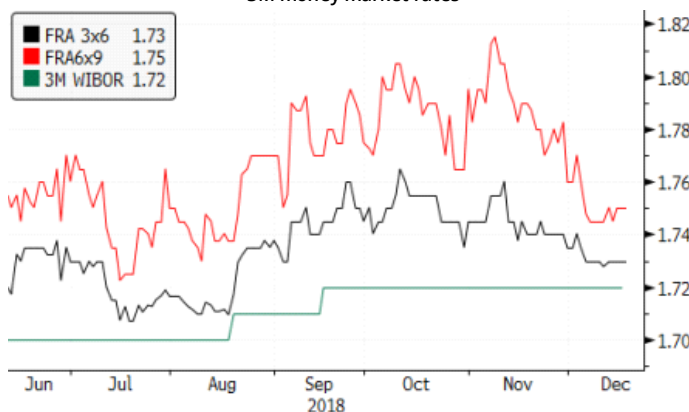
## Zloty exchange rate



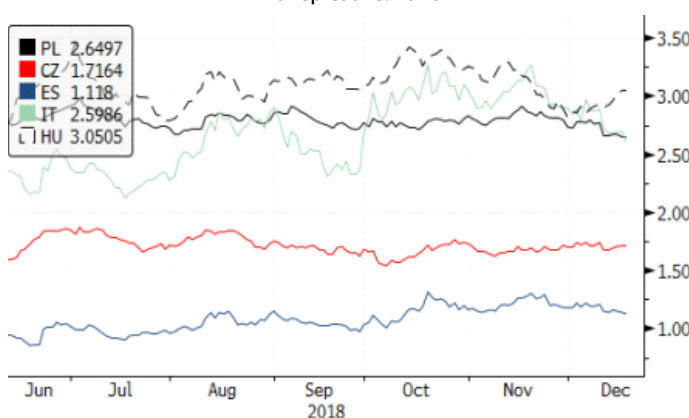
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (14 December)								
09:30	DE	Germany Manufacturing PMI	Dec	pts	51.65	-	51.5	51.8
09:30	DE	Markit Germany Services PMI	Dec	pts	53.5	-	52.5	53.3
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	51.8	-	51.4	51.8
10:00	EZ	Eurozone Services PMI	Dec	pts	53.4	-	51.4	53.4
10:00	PL	CPI	Nov	% y/y	-	1.2	1.3	1.2
14:00	PL	Current Account Balance	Oct	€mn	-471	-559.1	-457	-547
14:00	PL	Trade Balance	Oct	€mn	-341	-334	-588	-449
14:00	PL	Exports	Oct	€mn	19 281	19 530	20 143	17 683
14:00	PL	Imports	Oct	€mn	19 833	19 864	20 731	18 132
14:30	US	Retail Sales Advance	Nov	% m/m	0.1		0.2	0.8
15:15	US	Industrial Production	Nov	% m/m	0.3		0.6	0.1
MONDAY (17 December)								
11:00	EZ	HICP	Nov	% y/y	2.0	-	1.9	2.0
14:00	PL	CPI Core	Nov	% y/y	0.7	0.7	0.7	0.9
TUESDAY (18 December)								
10:00	DE	IFO Business Climate	Dec	pts	101.8	-	101.0	102.0
10:00	PL	Employment in corporate sector	Nov	% y/y	3.0	3.0	3.0	3.2
10:00	PL	Average Gross Wages	Nov	% y/y	7.15	7.0	7.7	7.6
14:00	HU	Central Bank Rate Decision		%	0.9	-	0.9	0.9
14:30	US	Housing Starts	Nov	% m/m	0.0	-	3.2	1.5
WEDNESDAY (19 December)								
	PL	Central Budget Cumul.	Nov	mn PLN	-	-		6476.31
10:00	PL	Sold Industrial Output	Nov	% y/y	4.6	3.3		7.4
10:00	PL	Construction Output	Nov	% y/y	18.4	10.8		22.4
10:00	PL	PPI	Nov	% y/y	3.2	2.8		3.2
16:00	US	Existing Home Sales	Nov	% m/m	-0.38	-		1.4
20:00	US	FOMC decision		%	2.5	-		2.25
THURSDAY (20 December)								
13:00	CZ	Central Bank Rate Decision		%	1.75	-		1.75
14:30	US	Initial Jobless Claims	week	k	226	-		206
14:30	US	Index Philly Fed	Dec	pts	15.0	-		12.9
FRIDAY (21 December)								
10:00	PL	Retail Sales Real	Nov	% y/y	6.8	6.8		7.8
10:00	PL	Unemployment Rate	Nov	%	5.8	5.7		5.7
14:30	US	Durable Goods Orders	Nov	% m/m	2.0	-		-4.3
14:30	US	GDP Annualized	3Q	% Q/Q	3.5	-		3.5
16:00	US	Michigan index	Dec	pts	97.5	-		97.5
16:00	US	Personal Spending	Nov	% m/m	0.3	-		0.6
16:00	US	Personal Income	Nov	% m/m	0.3	-		0.5
16:00	US	PCE Deflator SA	Nov	% m/m	0.0	-		0.2

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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