

# Eyeopener

## PLN11bn budget surplus after November

Market still under impact of the Fed rate hike  
 Polish budget holds surplus after November  
 EURPLN in a narrow range, EURUSD slightly up  
 Today Poland retail sales and unemployment rate data, abroad many US data

The Ministry of Finance announced that in the January-November period the state budget recorded a PLN11bn surplus. In USA, the Philly Fed index was released which surprised to the downside. Stock and oil prices were falling together with the bond yields, while the dollar was weakening in reaction to the lower expected Fed rates path. The zloty and the domestic debt remained relatively stable.

**The budget surplus in the January-November** period totalled PLN11.06bn. Revenues were at PLN343.4bn (96.5% of the plan) and expenses PLN332.3bn (83.7%) YTD. According to the Ministry of Finance VAT income was higher by 7.6% y/y, other indirect taxes income - by 5.2%, PIT income - by 13.9% and CIT - by 16.4%. As announced by the Minister of Finance a few days ago, the budget deficit at the year-end is to reach 0.5% of the GDP, i.e. cPLN 10bn.

**During the November NBP meeting** a motion for interest rate hike was submitted. The only MPC member voting for the hike was Kamil Zubelewicz.

**EURUSD** continued to rise on Thursday, reaching 1.148 in the afternoon. The weakening of the dollar was triggered by the FOMC rhetoric after the Wednesday rate hike and weaker-than-expected Philadelphia Fed index. At the end of the day, a news came that Donald Trump will not sign an extension of the spending bill, if there is no money assigned to the construction of the wall on the US-Mexican border. Today we will see many US data, PCE index among others. If the inflation measure declines vs the previous reading, it could weigh on the dollar.

**EURPLN** dropped quickly at the start of the local session from 4.29 to 4.28 thanks to a rebound of EURUSD, but as hours passed, the exchange rate returned to the opening level. Today's data from Poland should be neutral for the zloty, while EURUSD will be key. In general, the zloty is very stable and at the moment of writing, the weekly trading range of EURPLN is the lowest since June 1997.

**In case of the other CEE currencies**, EURHUF fell from 322.8 to 321.5, supported by comments from the central bank about a possible increase of volatility of core inflation in the coming months. Investors perceived this as a signal that the use of non-standard monetary policy measures may start to be trimmed soon. EURCZK climbed from 25.76 to 25.79, responding to comments during the central bank's press conference. Governor Jiri Rusnok said there may be a break in rate hikes and the situation requires a more careful analysis of the data, as uncertainties build around economic growth. USDRUB went from 67.5 to 68.5, negatively responding to the decline of oil prices (Brent price below US\$55/bbl).

At the morning **on the domestic debt market** yields tried to rise amid profit taking. However, the stocks prices slump, oil prices decline and core bond yields drop pushed Poland rates back to the opening level. Today we expect the yields to stabilize, in the face of liquidity drying up before Christmas. Polish macro data scheduled for release today should not affect domestic debt.

**Retail sales data** (due out today at 10:00CET) will show a continuation of strong growth, in our view. It seems that the negative impact of new emission norms on car sales took its toll in September and no further negative effects will be visible.

Please be advised that today's Eyeopener will be the last for 2018.

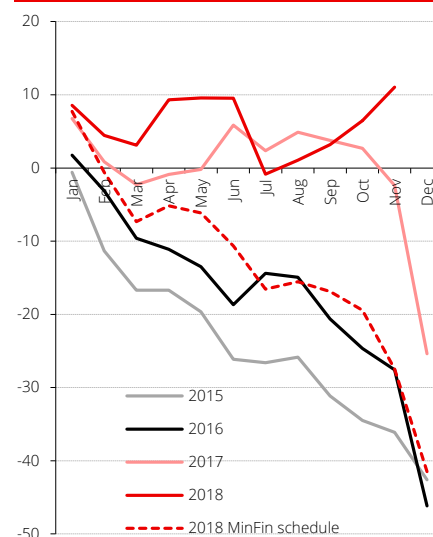
We will resume publication on January 2, 2019.

We wish our readers Merry Christmas and a prosperous New Year!



21 December 2018

### Cumulative budget performance



Source: GUS, NBP, Santander Bank Polska

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.2855 | CZKPLN  | 0.1662 |
| USDPLN | 3.7388 | HUFPLN* | 1.3328 |
| EURUSD | 1.1463 | RUBPLN  | 0.0550 |
| CHFPLN | 3.7890 | NOKPLN  | 0.4316 |
| GBPPLN | 4.7395 | DKKPLN  | 0.5740 |
| USDCNY | 6.8946 | SEKPLN  | 0.4169 |

\*for 100HUF

### Last session in the FX market 20/12/2018

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.280 | 4.290 | 4.282 | 4.286 | 4.2849 |
| USDPLN | 3.730 | 3.774 | 3.748 | 3.740 | 3.7331 |
| EURUSD | 1.137 | 1.149 | 1.143 | 1.146 | -      |

## Interest rate market 20/12/2018

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

| Benchmark (term) | %    | Change (bps) | Last auction | per offer | Average yield |
|------------------|------|--------------|--------------|-----------|---------------|
| DS1020 (2L)      | 1.36 | -3           | 14 gru 18    | OK0521    | 1.625         |
| PS0424 (5L)      | 2.31 | -2           | 14 gru 18    | PS0424    | 2.382         |
| WS0428 (10L)     | 2.87 | -2           | 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            | 2.85 | 4            | -0.23 | 0            |
| 2L                            | 1.84 | -1           | 2.81 | 1            | -0.16 | -1           |
| 3L                            | 1.95 | -2           | 2.75 | -1           | -0.05 | 0            |
| 4L                            | 2.07 | -2           | 2.73 | -2           | 0.09  | -1           |
| 5L                            | 2.18 | -3           | 2.73 | -2           | 0.23  | -1           |
| 8L                            | 2.41 | -3           | 2.76 | -3           | 0.61  | -1           |
| 10L                           | 2.54 | -3           | 2.80 | -4           | 0.82  | -1           |

## WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.32 | -1           |
| T/N  | 1.48 | 7            |
| SW   | 1.53 | 1            |
| 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 | 1.77 | -1           |
| 3x9  | 1.80 | 0            |
| 6x12 | 1.81 | 0            |

## Measures of fiscal risk

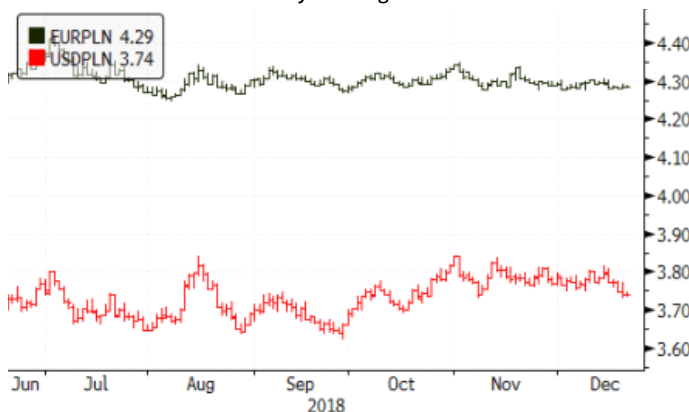
| Country  | CDS 5Y USD         | 10Y spread*        |
|----------|--------------------|--------------------|
|          | Level Change (bps) | Level Change (bps) |
| Poland   |                    | 2.62 -4            |
| France   | 25 1               | 0.44 0             |
| Hungary  | 116 1              | 2.84 -15           |
| Spain    | 65 4               | 1.14 -1            |
| Italy    | 221 8              | 2.50 0             |
| Portugal | 64 0               | 1.41 -1            |
| Ireland  | 25 0               | 0.62 -5            |
| Germany  | 11 0               | - -                |

\* 10Y treasury bonds over 10Y Bunds

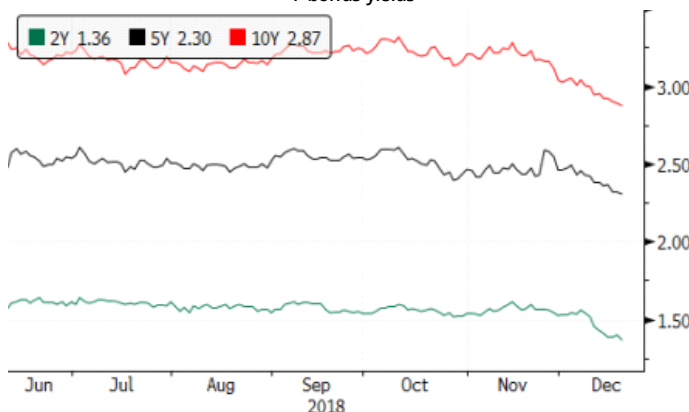
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

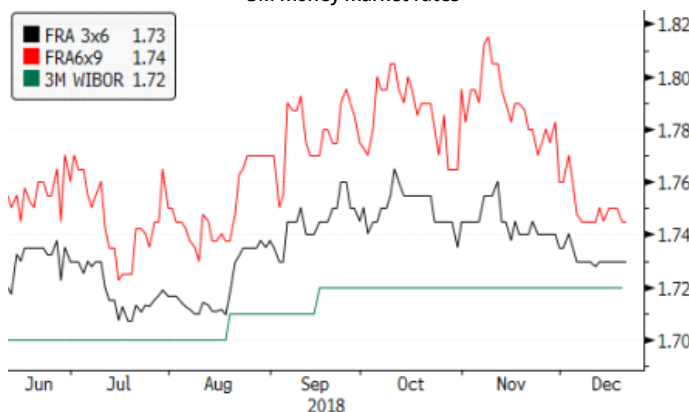
## Zloty exchange rate



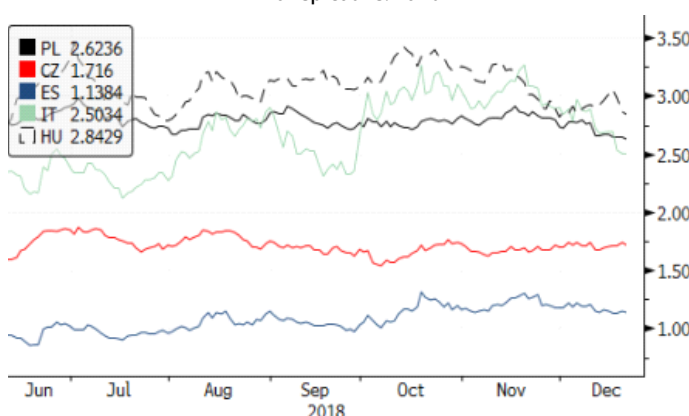
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME<br>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) |         |                                |        |          |           |        |        |        |
| 10:00                   | PL      | Sold Industrial Output         | Nov    | % y/y    | 4.6       | 3.3    | 4.7    | 7.4    |
| 10:00                   | PL      | Construction Output            | Nov    | % y/y    | 18.4      | 10.8   | 17.1   | 22.4   |
| 10:00                   | PL      | PPI                            | Nov    | % y/y    | 3.2       | 2.8    | 2.7    | 3.2    |
| 16:00                   | US      | Existing Home Sales            | Nov    | % m/m    | -0.4      | -      | 1.9    | 1.4    |
| 20:00                   | US      | FOMC decision                  |        | %        | 2.50      | -      | 2.50   | 2.25   |
| THURSDAY (20 December)  |         |                                |        |          |           |        |        |        |
|                         | PL      | Central Budget Cumul.          | Nov    | PLNbn    | -         | -      | 11.06  | 6.5    |
| 13:00                   | CZ      | Central Bank Rate Decision     |        | %        | 1.75      | -      | 1.75   | 1.75   |
| 14:30                   | US      | Initial Jobless Claims         | week   | k        | 215       | -      | 214    | 206    |
| 14:30                   | US      | Index Philly Fed               | Dec    | pts      | 15.0      | -      | 9.4    | 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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