

15 February 2019

# Eyeopener

## Polish GDP below 5.0% y/y. CPI below 1.0% y/y?

Polish 4Q18 GDP eased below 5% y/y  
 EURPLN tested 4.34  
 Domestic bonds gains on poor US data  
 Today: Polish CPI, more US important data

On Thursday we got new US data, which moved the markets. December retail sales unexpectedly fell in m/m terms and weekly new jobless claims exceeded expectations. The market response was a weaker dollar and a decline of bond yields. At night, in the US a deal on prevention of another government shutdown was reached. The pound lost ahead of the British parliamentary debate. This morning the sentiment is somewhat worse due to worries that US-China trade negotiations are showing no progress.

**GDP growth** in 4Q18 came in at 4.9% y/y, falling below the 5% mark for the first time since mid-2017. Seasonally-adjusted growth reached 0.5% q/q, the lowest since 2Q16, confirming that the Polish economy has finally entered a slowdown. Still, to some extent, 4Q18 results were negatively affected by a calendar effect (the Christmas date favoring extended leaves). This was the flash release, so the breakdown of growth in 4Q18 was not provided. However, based on tentative full-year figures, it could be estimated that the final quarter saw a slowdown in private consumption and fixed investment (to 3.9% y/y and 6.9% y/y, respectively) and a surprisingly positive contribution from net exports (despite the fact that foreign trade data showed a clear deterioration in the balance of goods and services). Overall, there were no surprises in the data. We expect a further mild slowdown down the road - to 3.8% y/y on average in 2019.

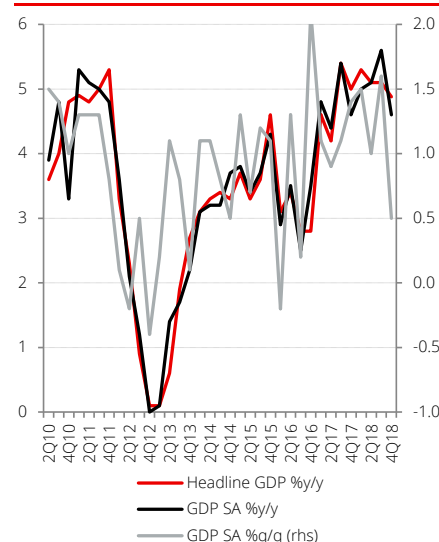
**Today at 10:00CET**, GUS will release preliminary (ie still based on 2018 item weights) data on **January CPI**. Our forecast of 0.7% y/y is below consensus (1% y/y). Apart from the usual sources of forecasting uncertainty, there is also a puzzle of how GUS treated the legislation on electricity prices. We assumed that electricity prices for households declined by c5% m/m in January. We remind that today's reading will be revised in March with new 2019 weights. Higher than usual uncertainty level is also seen in wider range of CPI forecasts, with 0.6pp min-max range in the consensus of "Parkiet" daily. The last time the differences in opinions was so big was in May 2017 (0.7pp).

Since the start of the day, **EURUSD** was hovering dynamically slightly above this year's minimum at 1.125, set one day before. Weaker data releases from the USA hit the greenback, bringing the rate towards 1.13. Overnight, the dollar strengthened after information that the US government shutdown will be avoided. Today in the afternoon we will get to see new US data - industrial output in January and flash Michigan in February which will be key drivers for EURUSD today.

**EURPLN** was testing the 4.34 resistance holding at its highest levels since October. The exchange rate terminated the series of a seven consecutive sessions of a rise in a row thanks to stabilization of EURUSD and still good sentiment on the global market. USDPLN eased to 3.84 from 3.855. The passing two weeks saw sharp zloty depreciation and we think today the market could stabilize. Our forecast of the Poland January CPI is below consensus and so the room for lower EURPLN looks to be limited.

**On the domestic interest rate market** yields fell 1-2bp in response to the US data that supported the core bonds. As a result, the 10Y yield broke the 2.70% support. Today the stat office will release January CPI that could be below consensus, in our view. The short-end is already pricing a scenario of stable rates in the next two years (in line with the MPC rhetoric), so the data could influence the belly and - to a smaller extent - the long end of the curve.

Economic growth in Poland



Source: GUS, Santander

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## FX market

### Today's opening

|        |        |         |        |
|--------|--------|---------|--------|
| EURPLN | 4.3324 | CZKPLN  | 0.1680 |
| USDPLN | 3.8421 | HUFPLN* | 1.3589 |
| EURUSD | 1.1276 | RUBPLN  | 0.0576 |
| CHFPLN | 3.8209 | NOKPLN  | 0.4430 |
| GBPPLN | 4.9173 | DKKPLN  | 0.5807 |
| USDCNY | 6.7796 | SEKPLN  | 0.4124 |

\*for 100HUF

### Last session in the FX market 14/02/2019

|        | min   | max   | open  | close | fixing |
|--------|-------|-------|-------|-------|--------|
| EURPLN | 4.334 | 4.342 | 4.337 | 4.336 | 4.3394 |
| USDPLN | 3.835 | 3.860 | 3.846 | 3.838 | 3.8516 |
| EURUSD | 1.125 | 1.131 | 1.128 | 1.130 | -      |

## Interest rate market 14/02/2019

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

| Benchmark (term) | %    | Change (bps) | Last auction | per offer | Average yield |
|------------------|------|--------------|--------------|-----------|---------------|
| PS0421 (2L)      | 1.53 | -1           | 7 lut 19     | OK0521    | 1.493         |
| PS0424 (5L)      | 2.15 | -2           | 7 lut 19     | PS0424    | 2.158         |
| WS0428 (10L)     | 2.69 | -2           | 7 lut 19     | DS1029    | 2.820         |

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

| Rates on the interbank market |      |              |      |              |       |              |
|-------------------------------|------|--------------|------|--------------|-------|--------------|
| Term                          | PL   |              | US   |              | EZ    |              |
|                               | %    | Change (bps) | %    | Change (bps) | %     | Change (bps) |
| 1L                            | 1.72 | 0            | 2.70 | -1           | -0.22 | 0            |
| 2L                            | 1.77 | -1           | 2.64 | -3           | -0.15 | 0            |
| 3L                            | 1.81 | -1           | 2.58 | -3           | -0.07 | 0            |
| 4L                            | 1.91 | -1           | 2.56 | -4           | 0.03  | 0            |
| 5L                            | 2.01 | -2           | 2.56 | -4           | 0.13  | 0            |
| 8L                            | 2.22 | -2           | 2.63 | -4           | 0.45  | -1           |
| 10L                           | 2.35 | -2           | 2.69 | -3           | 0.65  | -1           |

## WIBOR rates

| Term | %    | Change (bps) |
|------|------|--------------|
| O/N  | 1.60 | 0            |
| T/N  | 1.59 | -1           |
| SW   | 1.56 | 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 | 1            |
| 3x6  | 1.71 | 0            |
| 6x9  | 1.70 | 0            |
| 9x12 | 1.69 | -1           |
| 3x9  | 1.78 | 0            |
| 6x12 | 1.76 | 0            |

## Measures of fiscal risk

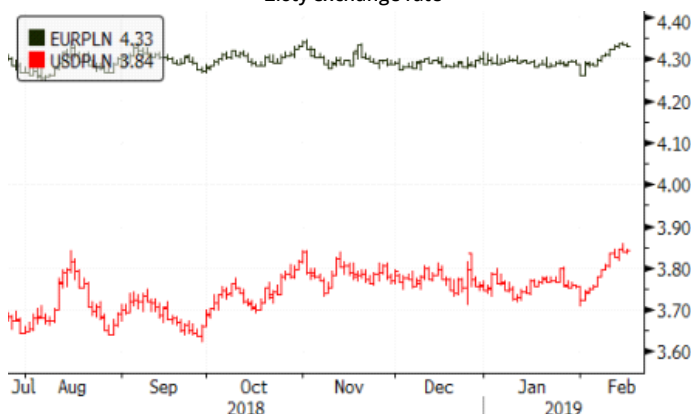
| Country  | CDS 5Y USD         | 10Y spread*        |
|----------|--------------------|--------------------|
|          | Level Change (bps) | Level Change (bps) |
| Poland   |                    | 2.59 -1            |
| France   | 37 0               | 0.43 1             |
| Hungary  |                    | 2.63 1             |
| Spain    | 77 1               | 1.14 0             |
| Italy    | 221 3              | 2.72 2             |
| Portugal | 89 0               | 1.47 0             |
| Ireland  | 41 0               | 0.76 1             |
| Germany  | 13 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



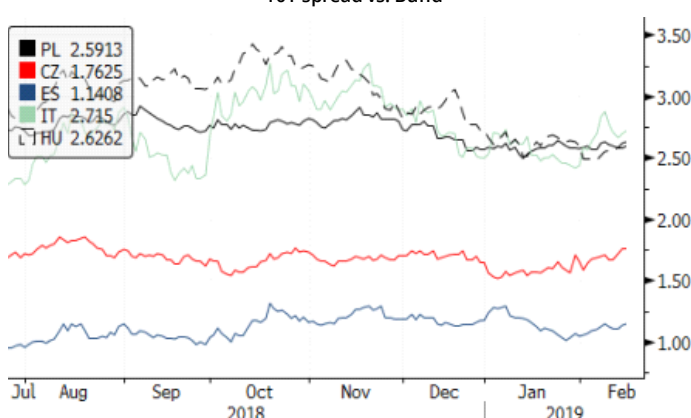
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

| TIME                    | COUNTRY | INDICATOR               | PERIOD | FORECAST |           | ACTUAL | LAST   |
|-------------------------|---------|-------------------------|--------|----------|-----------|--------|--------|
| CET                     |         |                         |        | MARKET   | SANTANDER | VALUE  | VALUE* |
| FRIDAY (8 February)     |         |                         |        |          |           |        |        |
| 08:00                   | DE      | Exports SA              | Dec    | % m/m    | 0.4       | 1.5    | -0.3   |
| MONDAY (11 February)    |         |                         |        |          |           |        |        |
| No important events     |         |                         |        |          |           |        |        |
| TUESDAY (12 February)   |         |                         |        |          |           |        |        |
| 09:00                   | HU      | CPI                     | Jan    | % y/y    | 2.8       | -      | 2.7    |
| WEDNESDAY (13 February) |         |                         |        |          |           |        |        |
| 09:00                   | CZ      | CPI                     | Jan    | % y/y    | 2.1       | -      | 2.5    |
| 11:00                   | EZ      | Industrial Production   | Dec    | % m/m    | -0.4      | -      | -0.9   |
| 14:00                   | PL      | Current Account Balance | Dec    | €mn      | -960      | -1 770 | -1 400 |
| 14:00                   | PL      | Trade Balance           | Dec    | €mn      | -1 156    | -1 640 | -1 340 |
| 14:00                   | PL      | Exports                 | Dec    | €mn      | 16 600    | 16 303 | 16 005 |
| 14:00                   | PL      | Imports                 | Dec    | €mn      | 17 881    | 17 943 | 17 345 |
| 14:30                   | US      | CPI                     | Jan    | % m/m    | 0.1       | -      | 0.0    |
| THURSDAY (14 February)  |         |                         |        |          |           |        |        |
| 08:00                   | DE      | GDP                     | 4Q     | % y/y    | 0.8       | -      | 0.9    |
| 09:00                   | HU      | GDP                     | 4Q     | % y/y    | 4.6       | -      | 5.0    |
| 10:00                   | PL      | GDP                     | 4Q     | % y/y    | 4.8       | 4.8    | 4.9    |
| 11:00                   | EZ      | GDP                     | 4Q     | % y/y    | 1.2       | -      | 1.2    |
| 14:30                   | US      | Initial Jobless Claims  | week   | k        | 225       | -      | 239    |
| 14:30                   | US      | Retail Sales            | Dec    | % m/m    | 0.1       | -      | -1.2   |
| FRIDAY (15 February)    |         |                         |        |          |           |        |        |
| 09:00                   | CZ      | GDP                     | 4Q     | % y/y    | 2.4       | -      | 2.9    |
| 10:00                   | PL      | CPI                     | Jan    | % y/y    | 1.0       | 0.7    | 1.1    |
| 15:15                   | US      | Industrial Production   | Jan    | % m/m    | 0.1       | -      | 0.35   |
| 16:00                   | US      | Flash Michigan index    | Feb    | pts      | 93.5      | -      | 91.2   |

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in case of the revision the data is updated

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