

18 April 2019

Eyeopener

Wages slowed down, employment – accelerated

Market moods improved after better data from China
 Polish wages below expectations, employment surprised to the upside
 Zloty stronger following the stronger euro
 Bond yields up in line with core markets
 Today euro zone PMI and domestic industrial output

On Wednesday European equities rose, responding to the positive data on Chinese GDP and comments from officials confirming plans for further stimulus in the country. As a result EURUSD rose in the first half of the day, as did bond yields on both sides of the Atlantic. The zloty marginally strengthened, despite weak wage data in Poland.

In March, **wages in the corporate sector** surprised negatively with a 5.7% y/y print vs. expectations at 7.3% and our 7.4% forecast. The previous two readings deviated positively from the consensus, so we may be observing a different seasonal pattern of bonus payments this year. The breakdown of the data, which will make it possible to determine whether the slowdown was widespread, will be available next Wednesday. **Employment growth for March** was a positive surprise, 3% y/y vs. 2.9% expected. This represents one of the strongest m/m March changes in recent years (comparable to the 2016 result and to growth rates registered in the peak years of 2007 and 2008). The labour market remains tight, judging by the record-low unemployment levels, which should lead to wage pressures and slower employment growth, in our view. However, this was not seen in the March data, which we think was due to some one-off effects in a narrow segment of the economy. In general, we expect 2019 to be marked by relatively high wage growth.

Main **consumer confidence indicators** decreased in April, but were still not far from record-high levels. The optimism of consumers will be supportive for private consumption, which in our view will be the key source of GDP growth this year.

EURUSD rose on Wednesday morning, but declined in the second part of the day. The appreciation of the dollar happened despite gaining stock indices. The dollar was supported by the growing spread between UST and Bunds and data on lower than expected trade deficit of the USA. Today we expect the preliminary PMIs from euro zone to beat market expectations, while US retail sales might disappoint, which should push EURUSD higher.

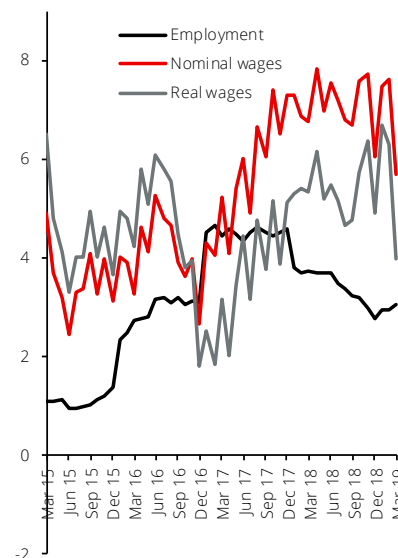
EURPLN continued the down move, easing to 4.272 from 4.275 amid rising stock indexes in Europe. The zloty ignored Polish the below-consensus wages data. Today the euro zone flash April PMIs are due for release. Consensus is that the indexes will rise and should this happen, the zloty may gain. Poland industrial output should be neutral.

Among the **CEE currencies**, EURHUF dropped in the intraday trading, but in the afternoon the pair came back to the opening level. On Wednesday EURCZK decreased to 25.6 from 25.68, supported by comment of member of central bank board Tomáš Holuba, who said that he saw the room for one interest rates hike in 2019. USDRUB slid to 63.90 from 64.10 (to the level last seen in the mid-March) fuelled by rising oil prices.

On Wednesday **domestic bonds prices** were falling, following the core markets bonds. The upward move of yields was rather small and did not exceed 2bp in the 5-10Y segment. In the afternoon a part of this uptick was erased following the core markets recovery. The changes in IRS rates were durable, the whole IRS curve was shifted up by 2 bp.

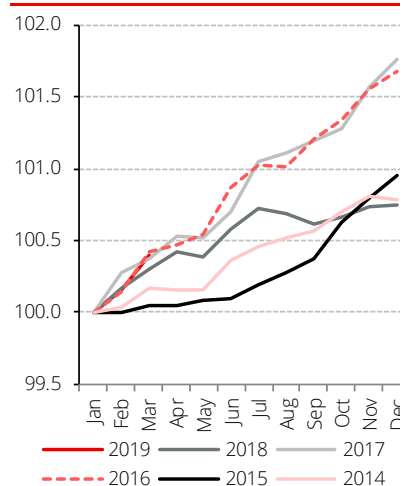
Today at 10:00CET, the Stat Office is to publish **March's industrial production data**. We expect some deceleration vs. 6.9% y/y in February, owing to the negative effect of working days and lack of positive one-off, but generally we see the underlying growth to remain positive.

Labour market data, % y/y



Source: GUS, Santander Bank Polska

Employment (Jan=100)



Source: GUS, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.2707	CZKPLN	0.1664
USDPLN	3.7790	HUFPLN*	1.3369
EURUSD	1.1302	RUBPLN	0.0591
CHFPLN	3.7424	NOKPLN	0.4450
GBPPLN	4.9299	DKKPLN	0.5720
USDCNY	6.6932	SEKPLN	0.4089

*for 100HUF

Last session in the FX market 17/04/2019

	min	max	open	close	fixing
EURPLN	4.270	4.278	4.273	4.271	4.275
USDPLN	3.774	3.791	3.787	3.781	3.7778
EURUSD	1.128	1.132	1.128	1.130	-

Interest rate market

17/04/2019

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
PS0421 (2L)	1.59	0	21 mar 19	OK0521	1.633
PS0424 (5L)	2.20	0	21 mar 19	PS0424	2.209
DS1029 (10L)	2.88	2	21 mar 19	DS1029	2.877

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	1.75	2.61	-0.23
2L	1.84	2.50	-0.20
3L	1.90	2.44	-0.12
4L	2.00	2.42	-0.03
5L	2.09	2.43	0.07
8L	2.31	2.51	0.38
10L	2.43	2.58	0.58

WIBOR rates

Term	%	Change (bps)
O/N	1.63	-9
T/N	1.64	-8
SW	1.59	-1
2W	1.58	0
1M	1.64	0
3M	1.72	0
6M	1.79	0
9M	1.81	0
1Y	1.87	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	1.72	0
3x6	1.72	0
6x9	1.74	1
9x12	1.75	2
3x9	1.79	0
6x12	1.81	1

Measures of fiscal risk

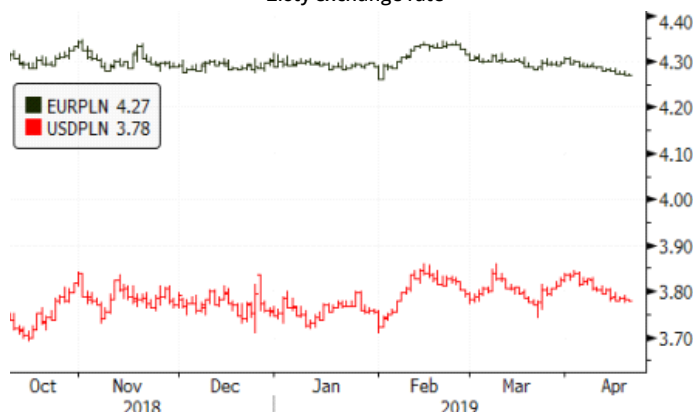
Country	CDS 5Y USD Level	Change (bps)	10Y spread* Level	Change (bps)
Poland			2.80	2
France	28	0	0.34	0
Hungary			3.14	0
Spain	58	0	1.02	0
Italy	193	0	2.53	0
Portugal	68	0	1.13	0
Ireland	33	-3	0.49	0
Germany	12	-1	-	-

* 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



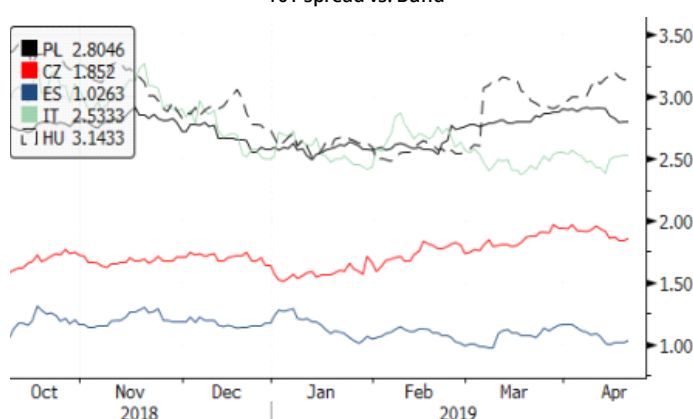
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
CET				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (12 April)								
11:00	EZ	Industrial Production SA	Feb	% m/m	-0.5	-	-0.2	1.9
14:00	PL	Current Account Balance	Feb	€mn	-400	-597	-1 386	1 825
14:00	PL	Trade Balance	Feb	€mn	-262	-506	-1 327	290
14:00	PL	Exports	Feb	€mn	17 963	-	18 324	18 445
14:00	PL	Imports	Feb	€mn	18 133	-	19 651	18 735
16:00	US	Michigan index	Apr	pts	98.2	-	96.9	98.4
MONDAY (15 April)								
10:00	PL	CPI	Mar	% y/y	1.7	1.7	1.7	1.7
TUESDAY (16 April)								
11:00	DE	ZEW Survey Current Situation	Apr	pts	8.5	-	5.5	11.1
14:00	PL	CPI Core	Mar	% y/y	1.3	1.4**	1.4	1.0
15:15	US	Industrial Production	Mar	% m/m	0.2	-	-0.1	0.1
WEDNESDAY (17 April)								
10:00	PL	Employment in corporate sector	Mar	% y/y	2.9	2.9	3.0	2.9
10:00	PL	Average Gross Wages	Mar	% y/y	7.3	7.4	5.7	7.6
11:00	EZ	HICP	Mar	% y/y	1.4	-	1.4	1.4
THURSDAY (18 April)								
09:30	DE	Flash Germany Manufacturing PMI	Apr	pts	45.0	-		44.1
09:30	DE	Flash Markit Germany Services PMI	Apr	pts	55.0	-		55.4
10:00	EZ	Flash Eurozone Manufacturing PMI	Apr	pts	47.8	-		47.5
10:00	EZ	Flash Eurozone Services PMI	Apr	pts	53.05	-		53.3
10:00	PL	Sold Industrial Output	Mar	% y/y	4.3	4.1		6.9
10:00	PL	PPI	Mar	% y/y	2.6	2.4		2.9
14:30	US	Initial Jobless Claims	week	k	210.0	-		196.0
14:30	US	Retail Sales Advance	Mar	% m/m	0.8	-		-0.2
14:30	US	Index Philly Fed	Apr	pts	11.0	-		13.7
FRIDAY (19 April)								
14:30	US	Housing Starts	Mar	% m/m	5.85		-	-8.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in case of the revision the data is updated

** estimate after inflation data

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