

8 November 2019

# Eyeopener

## EC cut forecasts for Poland

Markets still optimistic, positive data from Germany  
EC cut forecasts for Poland  
Zloty stronger, EURUSD slightly down  
Polish bond yields up  
Today data from Hungary and USA

Thursday another day in a row with positive sentiment. Stock indexes rose, bonds suffered from morning news about readiness of the USA and China to reduce trade tariffs. What is more, in the afternoon better-than-expected data on US jobless claims were published. On the fx market there were little changes. The Bank of England did not change interest rates yesterday, but two members wanted a cut, which had some negative influence on the pound. German exports data out this morning were much stronger than market consensus.

According to the Ministry of Labour, in October **the registered unemployment rate** was at 5.1%, unchanged vs September. The number of the unemployed decreased however by 9.3k and in our view there is a chance that the final print by GUS will be 5.0% (GUS usually shows slightly lower unemployment and it uses refreshed data on employment – which usually goes up in October). The GUS reading is due on 27 November. In the coming months the seasonal pattern should push the unemployment rate higher.

In the autumn forecasting round, **the European Commission lowered GDP forecast for Poland** for years 2019/2020 to 4.1%/3.3% from 4.4%/3.6%. For the first time the forecast for 2021 was shown: 3.3%. As for HICP inflation, there were small changes (2.2%/2.6% in 2019/2020 instead of 2.1%/2.7%, EC forecast for 2021 is 2.5%). According to the EC, Poland is to remain one of the growth leaders in the EU (behind Ireland, Malta and Romania, but the latter is expected to pay a large price for maintain such relatively high growth – a rise of GG deficit from 3% in 2018 to 6.1% in 2021). Polish general government sector is expected to show a result of -1% GDP this year, -0.2% next year (improvement mostly due to the one-off transformation charge on households from open pension funds reform) and -0.9% in 2021. However, the EC based its calculations on what it found in the 2020 budget draft, which most likely is no longer valid. The EC included gains from removal of the social security contributions' limit, it did not add another 13. pension, promised during the election campaign, and the possible extension of electricity price freeze for households on the spending side. The structural deficit of Poland is in EC's view going to grow to 2.1% this year and decrease to 1.9% in 2020 and 1.5% in 2021. The previous spring version of the fiscal forecasts assumed a rise to 2.8% this year and 3.0% in 2020, but the Commission warned that it could not assess all the revenue items due to lack of details and proper legislation. As a result in the autumn round Poland saw the largest improvement of structural balance forecast for 2020 out of all EU countries and fourth largest improvement for 2019.

**EURUSD** fell below the Wednesday's low and at the end of Thursday's session was near 1.104, after the fourth day of decrease. The scale of movement was slightly lower than on Wednesday. Today in the afternoon we will see the November's flash Michigan index in the US that may affect the currency.

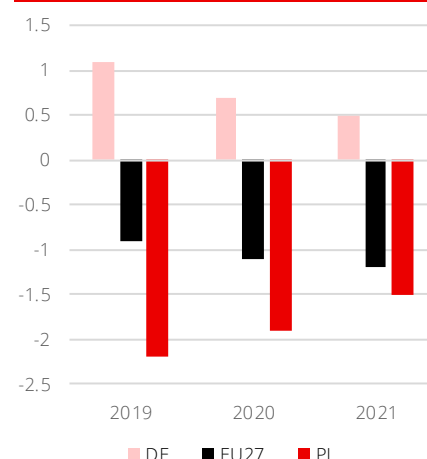
**EURPLN** was hovering around 4.265 for the better part of Thursday's session and only at the end of the day decreased to 4.254 profiting from appreciation of Czech koruna. Thus, the zloty trimmed less than a half of Monday's weakening. As expected, the Czech central bank did not change interest rates and two members were in favour of 25bp rate hike in reaction to the still elevated inflationary pressure.

**In case of the other CEE currencies**, the forint lost slightly vs the euro while the ruble was stable vs the dollar. The Czech koruna was performing quite well and it gained vs the euro in response to the outcome of the Czech central bank meeting. In line with expectations, interest rates were left unchanged but the two members voted for a 25bp hike amid still high inflation pressure.

**On the domestic interest rate market** yields and IRS rates rose on the belly and long end of the curves by 6-10bp amid significant weakening on the core debt – the 10Y Bund and Treasuries yields rose by c9bp to -0.26% and 1.90%, respectively. Polish 10Y bond yield broke the resistance we mentioned at 2.05% and jumped to 2.10%, its highest since mid-September. The bond and IRS curves steepened – the 2-10 spreads rose to their highest since July and early-August, respectively.

**At the switch auction**, the Ministry of Finance sold bonds for PLN2.7bn and 2020 gross borrowing needs are now covered in 30%.

EC forecasts of general government's structural balance, % of potential GDP



Source: European Commission, Santander

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## FX market

### Today's opening

EURPLN	4.2612	CZKPLN	0.1669
USDPLN	3.8573	HUFPLN*	1.2808
EURUSD	1.1047	RUBPLN	0.0605
CHFPLN	3.8764	NOKPLN	0.4225
GBPPLN	4.9408	DKKPLN	0.5702
USDCNY	6.9868	SEKPLN	0.3999

\*for 100HUF

### Last session in the FX market 07/11/2019

	min	max	open	close	fixing
EURPLN	4.255	4.269	4.268	4.258	4.2653
USDPLN	3.844	3.858	3.857	3.856	3.8502
EURUSD	1.104	1.109	1.107	1.104	-

## Interest rate market 07/11/2019

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.41	3	21 mar 19	OK0521	1.633
PS1024 (5L)	1.83	9	21 mar 19	PS0424	2.209
DS1029 (10L)	2.13	12	21 mar 19	DS1029	2.877

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

Rates on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	1.71	1	1.80	5	-0.34	1
2L	1.77	2	1.74	9	-0.32	3
3L	1.78	4	1.73	12	-0.29	3
4L	1.81	6	1.73	13	-0.23	6
5L	1.86	8	1.75	14	-0.17	7
8L	1.91	9	1.82	14	0.03	8
10L	1.94	10	1.87	14	0.16	9

### WIBOR rates

Term	%	Change (bps)
O/N	1.59	0
T/N	1.60	-1
SW	1.59	0
2W	1.60	0
1M	1.63	0
3M	1.71	0
6M	1.79	0
9M	1.80	0
1Y	1.84	0

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

Term	%	Change (bps)
1x4	1.71	0
3x6	1.70	0
6x9	1.69	2
9x12	1.66	1
3x9	1.78	1
6x12	1.76	1

### Measures of fiscal risk

Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.38 13
France	20 -1	0.28 -1
Hungary		2.28 2
Spain	35 0	0.61 0
Italy	114 -2	1.40 0
Portugal	35 -1	0.53 -1
Ireland	27 0	0.39 11
Germany	9 0	- -

\* 10Y treasury bonds over 10Y Bunds

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

Source: Bloomberg

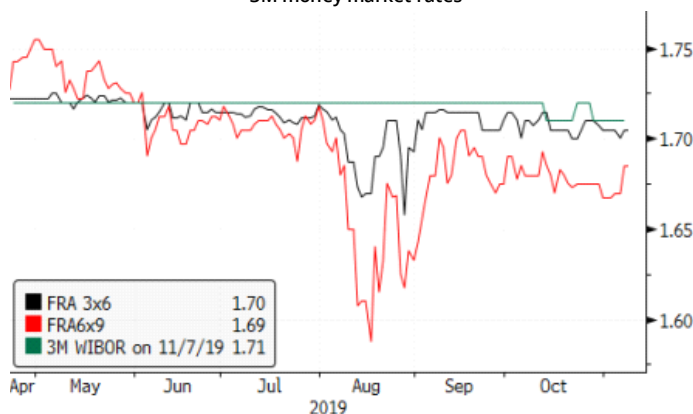
### Zloty exchange rate



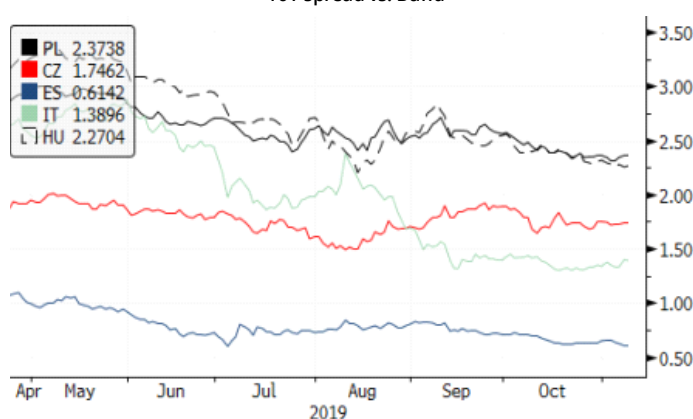
### T-bonds yields



### 3M money market rates



### 10Y spread vs. Bund



## Economic Calendar

Economic calendar					FORECAST		ACTUAL	LAST
TIME	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
CET								
THURSDAY (31 October)								
08:00	DE	Retail Sales	Sep	% m/m	0.2	-	0.1	-0.1
10:00	PL	CPI	Oct	% y/y	2.5	2.5	2.5	2.6
11:00	EZ	Flash HICP	Oct	% y/y	0.7	-	0.7	0.8
11:00	EZ	GDP SA	3Q	% y/y	1.1	-	1.1	1.2
11:00	EZ	Unemployment Rate	Sep	%	7.4	-	7.5	7.5
13:30	US	Initial Jobless Claims	week	k	215	-	218	213
13:30	US	Personal Spending	Sep	% m/m	0.3	-	0.2	0.2
13:30	US	Personal Income	Sep	% m/m	0.3	-	0.3	0.5
13:30	US	PCE Deflator SA	Sep	% m/m	0.0	-	0.0	0.0
FRIDAY (1 November)								
13:30	US	Change in Nonfarm Payrolls	Oct	k	85	-	128	180
13:30	US	Unemployment Rate	Oct	%	3.6	-	3.6	3.5
15:00	US	ISM manufacturing	Oct	pts	49.0	-	48.3	47.8
MONDAY (4 November)								
09:00	PL	Poland Manufacturing PMI	Oct	pts	48.1	48.1	45.6	47.8
09:55	DE	Germany Manufacturing PMI	Oct	pts	41.9	-	42.1	41.7
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	45.7	-	45.9	45.7
16:00	US	Durable Goods Orders	Sep	% m/m	-	-	-1.2	-1.1
16:00	US	Factory Orders	Sep	% m/m	-0.5	-	-0.6	-0.1
TUESDAY (5 November)								
02:45	CN	Caixin China PMI Services	Oct	pts	51.5	-	51.1	51.3
16:00	US	ISM services	Oct	pts	53.5	-	54.7	52.6
WEDNESDAY (6 November)								
	PL	MPC decision		%	1.50	1.50	1.50	1.50
08:00	DE	Factory Orders	Sep	% m/m	0.1	-	1.3	-0.4
09:00	CZ	Industrial Production	Sep	% y/y	4.5	-	4.9	-3.8
09:55	DE	Markit Germany Services PMI	Oct	pts	51.2	-	51.6	51.2
10:00	EZ	Eurozone Services PMI	Oct	pts	51.8	-	52.2	51.8
11:00	EZ	Retail Sales	Sep	% m/m	0.0	-	0.1	0.6
THURSDAY (7 November)								
08:00	DE	Industrial Production SA	Sep	% m/m	-0.4	-	-0.6	0.4
13:00	CZ	Central Bank Rate Decision		%	2.0	-	2.0	2.0
14:30	US	Initial jobless claims	week	k	215	-	211	219
FRIDAY (8 November)								
08:00	DE	Exports SA	Sep	% m/m	0.3	-	1.5	-1.8
09:00	HU	Industrial Production SA	Sep	% y/y	5.4	-		2.7
09:00	HU	CPI	Oct	% y/y	2.8	-		2.8
16:00	US	Michigan index	Nov	pts	99.5	-		95.5

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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