

29 January 2020

# Eyeopener

## GDP for 2019 hint for 4Q

Markets less volatile ahead of FOMC decision  
Zloty stable  
Polish yields slightly up  
Today Poland 2019 GDP, in the evening FOMC decision

On Tuesday the volatility on the market decreased as markets await the FOMC decision. Falling stock indices and low core market yields point however that fears regarding Chinese GDP growth are serious and might ease only if credible news about the stop of the virus spreading are confirmed or any of the main central banks will signal that it is monitoring this aspect and might act if needed.

**NBP „Quick monitoring”** report for 4Q19, based on a survey among enterprises, showed that while there are negative tendencies in many areas (demand, activity, labour demand), the current levels of the indicators are still relatively high. However, the authors drew a conclusion based on the calculated leading indicators that in 2020 there can be a severe deterioration in the situation of enterprises. The report showed how profit margin were rebuilt in the course of 2019, but, going forward, firms expect a decline in profitability in the coming quarters. There was a growing share of indications that labour costs are an important obstacle to growth and so are taxes and regulations (the issue of labour shortage is no longer the key problem). The indicator of labour demand dropped further, but wage pressure remained strong. The part of the report covering investments suits our forecast of their zero growth this year. The index of continuation of ongoing investment projects hit the lowest level since 2009 while new projects are going to be focused more on cost reduction than on capacity expansion. The report supports our forecast of further loss of pace by GDP in 4Q19 and at the start of 2020. After 3Q19, **the 12M general government balance** amounted to -0.02% of GDP and the entire 2019 could have closed with a deficit similar to that recorded in 2018 (0.2% of GDP). For 2020, we are expecting the deficit to grow beyond 1% of GDP, but still to remain below EU criterion of 3%. **Corporate investment** slowed to 15.1% y/y in 3Q19 from 15.9% y/y in 2Q19 and 20.4% y/y in 1Q19, thus rose a bit faster than we expected. Household investment remained quite stable around 7% y/y. As we were expecting, private investment was slowing down in 2019: to 12.9% y/y in 3Q19 from 16.6% y/y in 1Q19, but this slowdown was less pronounced than in case of the general government (-8.4% y/y in 3Q19 versus +6.1% y/y in 1Q19). Private investment will continue to slowdown, in our view, with households probably still recording a rather quite growth rates, given the booming housing market.

**Gross disposable incomes** advanced by 9.2% y/y in 3Q19 as compared to 7.4% y/y in 1Q19. The acceleration in incomes was mostly caused by social benefits, while labour incomes accelerated to 8.6% y/y from 8.0% y/y in 1Q19. We are expecting a further acceleration of nominal disposable incomes in the upcoming quarters, given lower PIT rates and rising social benefits. In 2H20 incomes will be decelerating markedly given slower GDP growth and fading positive impulses from social transfers. The saving rate (4Q average) climbed to 2.9% in 3Q19 from 1.9% in 1Q19 showing that rising incomes translate more into saving than into consumption.

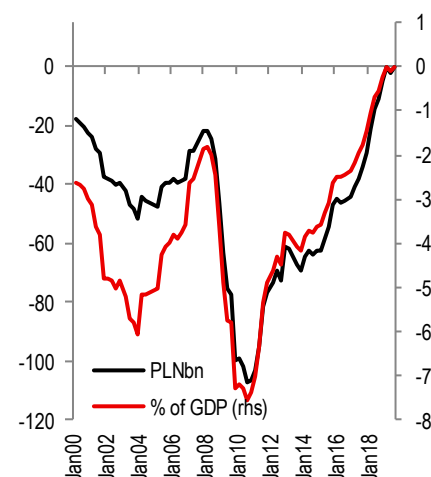
**EURUSD** fell for another day i.e. after US durable goods orders and closed at 1.10. FX option Gamma dampens the volatility of the pair relative to other G7 currencies, however we do expect the volatility to rise in the next week and the pair testing the 1.09 level.

**EURPLN** moved off the Monday highs a bit and closed near 4.27. The correction, if takes longer than one day, might move the currency pair lower to 4.26, after which we expect the zloty depreciating trend to resume. EURHUF traded at all-time high again, despite the fact that the NBH has not changed the rates. EURCZK fell by about 0.25% to 25.20 while USDRUB by 0.7% to 62.65.

**On the Polish fixed income market**, as well as on the German one, the day was very quiet. 10Y POLGB closed at 2.23% while the spread to Bund widened just by 1bp to 261bp. We expect the spread widening to continue in the near future.

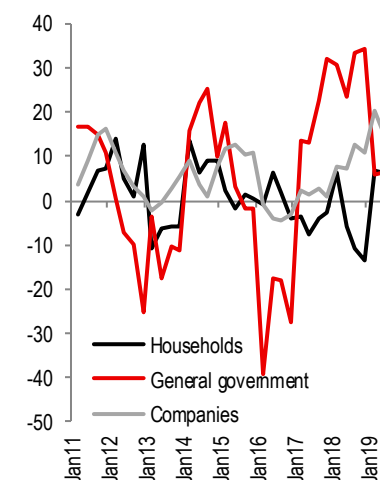
**Today** at 10:00 CET the GUS will publish Polish GDP for the whole 2019. It will be an important suggestion as to how quick the Polish economy grew in 4Q19. Our forecast for the 2019 GDP growth is slightly below consensus.

### General government balance, 4Q sum



Źródło: GUS, Santander

### Investments among sectors, % y/y



Źródło: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.2722	CZKPLN	0.1694
USDPLN	3.8815	HUFPLN*	1.2641
EURUSD	1.1006	RUBPLN	0.0622
CHFPLN	3.9837	NOKPLN	0.4254
GBPPLN	5.0503	DKKPLN	0.5717
USDCNY	6.9109	SEKPLN	0.4036

\*for 100HUF

### Last session in the FX market 28/01/2020

	min	max	open	close	fixing
EURPLN	4.266	4.283	4.278	4.272	4.2794
USDPLN	3.877	3.888	3.884	3.881	3.8844
EURUSD	1.100	1.103	1.102	1.101	-

## Interest rate market

28/01/2020

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

Benchmark (term)	%	Change (bps)	Last auction	per offer	Average yield
DS1021 (2L)	1.51	1	21 mar 19	OK0521	1.633
PS1024 (5L)	1.88	3	21 mar 19	PS0424	2.209
DS1029 (10L)	2.25	4	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	1.74	1	1.65	2	-0.35	0
2L	1.84	2	1.52	3	-0.34	0
3L	1.85	2	1.47	3	-0.31	1
4L	1.86	3	1.46	3	-0.28	2
5L	1.88	4	1.47	4	-0.24	3
8L	1.93	4	1.54	4	-0.09	4
10L	1.96	4	1.59	4	0.02	4

## WIBOR rates

Term	%	Change (bps)
O/N	1.50	32
T/N	1.50	24
SW	1.54	1
2W	1.58	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	1.72	1
6x9	1.74	1
9x12	1.75	1
3x9	1.80	1
6x12	1.84	2

## Measures of fiscal risk

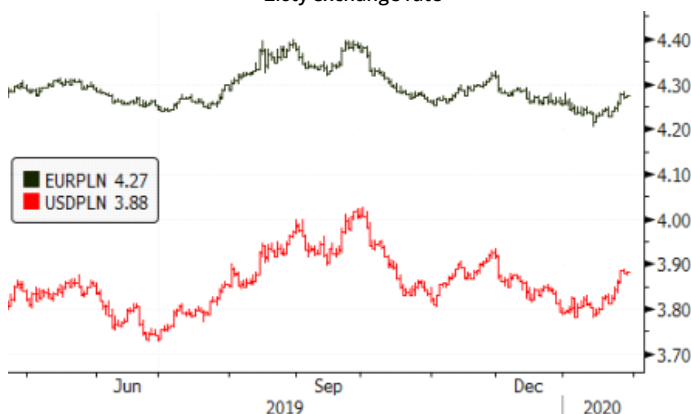
Country	CDS 5Y USD	10Y spread*
	Level Change (bps)	Level Change (bps)
Poland		2.61 5
France	18 0	0.26 0
Hungary		2.56 3
Spain	39 0	0.66 0
Italy	115 -3	1.37 0
Portugal	35 -1	0.68 0
Ireland	23 0	0.27 6
Germany	9 0	- -

\* 10Y treasury bonds over 10Y Bunds

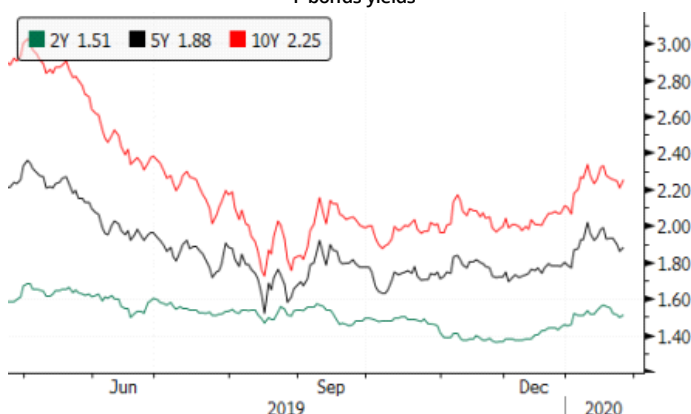
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Bloomberg

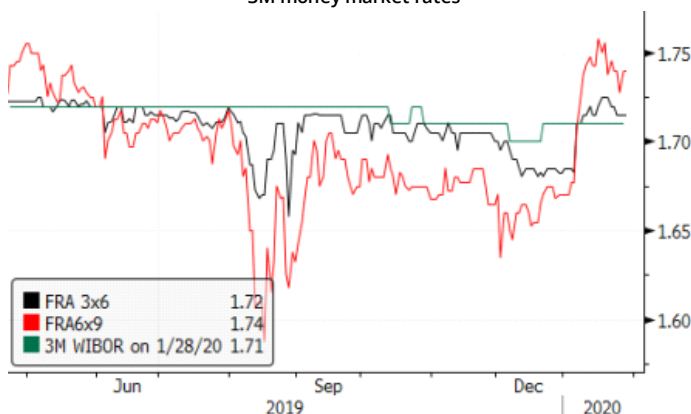
## Zloty exchange rate



## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (24 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	44.5	-	45.2	43.7
09:30	DE	Markit Germany Services PMI	Jan	pts	53.0	-	54.2	52.9
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	46.8	-	47.8	46.3
10:00	EZ	Eurozone Services PMI	Jan	pts	52.8	-	52.2	52.8
14:00	PL	Money Supply M3	Dec	% y/y	9.1	8.9	8.3	9.4
MONDAY (27 January)								
10:00	DE	IFO Business Climate	Jan	pts	97.0	-	95.9	96.3
10:00	PL	Unemployment Rate	Dec	%	5.2	5.2	5.2	5.1
16:00	US	New Home Sales	Dec	% m/m	1.5	-	-0.4	-1.1
TUESDAY (28 January)								
14:00	HU	Central Bank Rate Decision		%	0.9	-	0.9	0.9
14:30	US	Durable Goods Orders	Dec	% m/m	0.3	-	2.4	-2.1
16:00	US	Consumer Conference Board	Jan	pts	128.0	-	131.6	128.2
WEDNESDAY (29 January)								
10:00	PL	GDP	2019	% y/y	4.2	4.1		5.1
16:00	US	Pending Home Sales	Dec	% m/m	0.6	-		1.2
20:00	US	FOMC decision		%	1.75	-		1.75
THURSDAY (30 January)								
11:00	EZ	Unemployment Rate	Dec	%	7.5	-		7.5
11:00	EZ	ESI	Jan	pct.	101.75	-		101.5
14:00	DE	HICP	Jan	% m/m	-0.75	-		0.6
14:30	US	GDP Annualized	4Q	% Q/Q	2.2	-		2.1
14:30	US	Initial Jobless Claims	week	k	214	-		211
FRIDAY (31 January)								
11:00	EZ	Flash HICP	Jan	% y/y	1.4	-		1.3
11:00	EZ	GDP SA	4Q	% y/y	1.0	-		1.2
14:30	US	Personal Spending	Dec	% m/m	0.3	-		0.4
14:30	US	Personal Income	Dec	% m/m	0.3	-		0.5
14:30	US	PCE Deflator SA	Dec	% m/m	0.2	-		0.2
16:00	US	Michigan index	Jan	pts	99.0	-		99.1

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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