

26 August 2020

Eyeopener

Unemployment stable, yet jobs disappearing

Number of jobs keeps falling despite rise in average employment
 Cautious optimism persists on the market
 Zloty and other CEE currencies losing slightly despite higher EURUSD
 Polish asset swap spread keeps narrowing
 Today, US durable goods orders

Tuesday's session passed in good moods. Main stock market indices in Europe and USA rose thanks to US and China's reassurances that they are willing to respect the terms of their phase one trade agreement. Recently the media reported that China is not buying enough US goods, so yesterday's declaration has calmed down markets a bit. Moreover, investors were still under positive influence of recent news about work on vaccine. Moreover, German Ifo index surprised positively, which has partly offset negative impression after flash PMIs. Also, US home sales data were much above expectations.

The registered **unemployment rate** in July remained unchanged at 6.1%, in line with expectations. The LFS unemployment rate in Q2 2020 also remained unchanged at 3.1%. The GUS analysts pointed to the fact that the decline of the number of employed was equal to the increase in the number of inactive people. As we indicated before, due to pandemic-related formal limitations, some people who lost jobs during the pandemic did not qualify for being regarded as unemployed (actively looking for a job, ready to take a job when offered), hence the LFS unemployment rate is currently a poor indicator of the actual situation on the labor market. In total, 247 thousand of inactive people said that they are not looking for a job due to pandemic. The number of employed declined in y/y terms by 210 thousands and this number, in our opinion, is a much better labor market indicator. Also, out of 1.96 mln people who did not actually work despite being formally employed, 1.22 mln indicated it was due to pandemic. The **number of employed** in July declined by 5 thousand, despite the fact that the average employment increased at a record pace this month (+66 thousand). This is in line with our expectations: companies are restoring the normal working times (which is increasing average employment) while at the same time are optimising total staff size (which lowers number of employed). The services sectors, which previously shed workers, have in July hired again, while manufacturing kept cutting jobs (down 9 thousand) where the car production sector has been hit the most (down 3 thousand). The number of employed fell in July fifth time in a row and we expect this trend to continue in the coming months. Wages in companies excluding mining accelerated to 4.4% y/y from 3.4%, while wages in mining plummeted 12.6% y/y (strongest drop since 2011). We think it could be triggered by shutdowns of coal mines. We were expecting to see the impact in employment, but it looks that it has shown up in wage data.

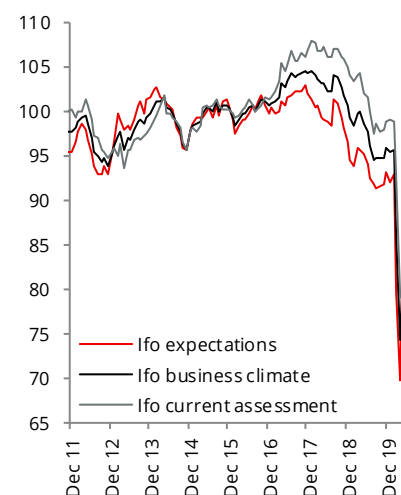
Yesterday **EURUSD** climbed to 1.184 from 1.18 thanks to positive global sentiment. The rate remained between min-max range set on Monday. Since the start of August EURUSD has been moving in a horizontal trend with some upward tendency. This week the Jackson Hole conference is set to start and in or view the EURUSD volatility will be limited until Thursday Fed head speech.

EURPLN was hovering around 4.39 yesterday and climbed to 4.395 at the end of the day. USDPLN was moving between 3.705 and 3.72. This week both rates were moving in range set on Friday. The Zloty again failed to gain versus the euro despite rising EURUSD and stock indices. In our view this is suggesting that PLN weakening is more probable than a strengthening in the upcoming time.

In case of the **other CEE currencies** we saw weakening with the ruble underperforming again (-0.8% vs the dollar). As a result, USDRUB reached new August peak at slightly above 75.0. EURCZK rebounded to 26.16 from 26.08 during the third consecutive session of a rise. EURHUF reached its new August peak at above 354 intraday but at the end of the session it was back close to the opening level of 352. The Hungarian central bank left interest rates unchanged, main still at 0.60%, which might have helped the forint to recover after the weakening in the first part of the session.

On the **domestic interest rate market** bond yields ended the session above Monday's closing but yet again the scale of the IRS rise was much bigger, particularly on the belly and long end. The 5Y IRS rose by 5bp and the 10Y by 10bp. As a result, the 10Y asset swap spread narrowed again and reached c25bp, its lowest since February and so the spread has neutralized the whole rise recorded in the reaction to the pandemic outbreak. The 10Y Bund yield also rose noticeably yesterday which helped the PL-DE 10Y spread to narrow (by c6bp to 178bp).

German Ifo index (pts)



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.4005	CZKPLN	0.1664
USDPLN	3.7239	HUFPLN*	1.2325
EURUSD	1.1817	RUBPLN	0.0495
CHFPLN	4.0946	NOKPLN	0.4156
GBPPLN	4.8905	DKKPLN	0.5901
USDCNY	6.9045	SEKPLN	0.4246

*for 100HUF

Last session in the FX market

25/08/2020

	min	max	open	close	fixing
EURPLN	4.383	4.400	4.388	4.398	4.392
USDPLN	3.705	3.726	3.715	3.722	3.714
EURUSD	1.180	1.184	1.181	1.182	-

Interest rate market

25/08/2020

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)	Last auction	Series	Average yield
PS0422 (2Y)	0.15	0	5.03.2020	OK0722	1.225
PS1024 (5Y)	0.78	1	5.03.2020	PS1024	1.431
DS1029 (10Y)	1.37	2	5.03.2020	DS1029	1.725

IRS on the interbank market**

Rate on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.22	1	0.23	0	-0.48	1
2L	0.34	2	0.22	0	-0.43	2
3L	0.45	2	0.24	1	-0.42	2
4L	0.60	4	0.28	1	-0.40	1
5L	0.74	5	0.34	2	-0.37	3
8L	1.01	7	0.55	3	-0.26	3
10L	1.14	8	0.67	4	-0.17	4

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.12	0
2W	0.17	0
1M	0.20	0
3M	0.23	0
6M	0.27	0
1Y	0.27	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.23	1
3x6	0.22	2
6x9	0.22	1
9x12	0.24	1
3x9	0.27	2
6x12	0.27	-1

Measures of fiscal risk

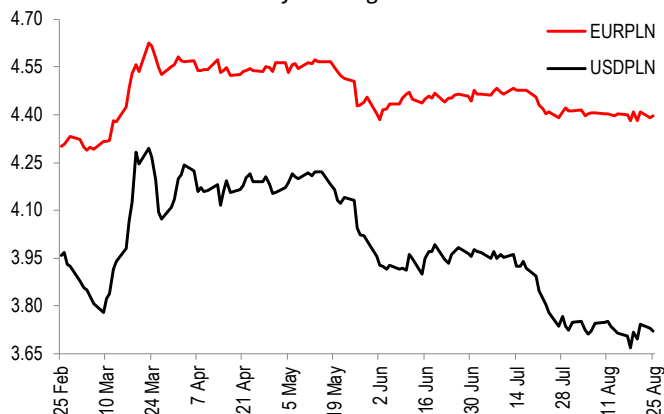
Measures of credit risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	58	0	179	-5
France	10	0	29	-1
Hungary	74	0	282	-5
Spain	58	-2	81	-1
Italy	98	-1	152	2
Portugal	38	0	86	0
Ireland	18	0	34	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

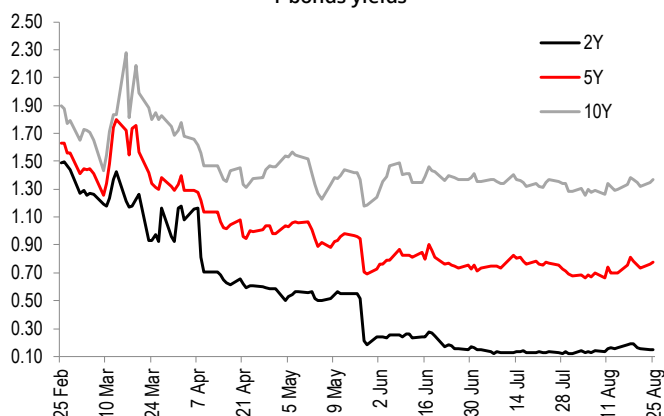
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

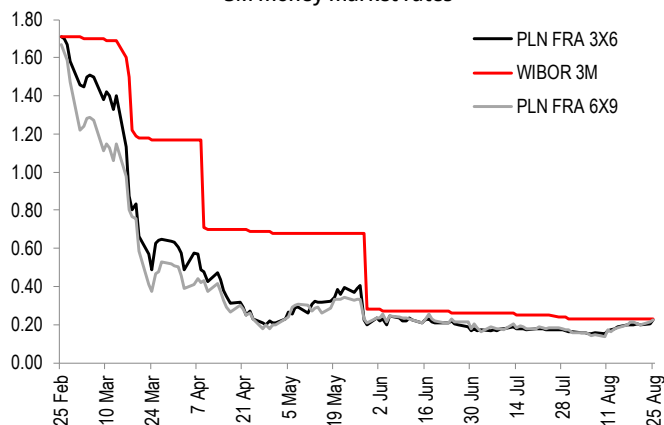
Zloty exchange rate



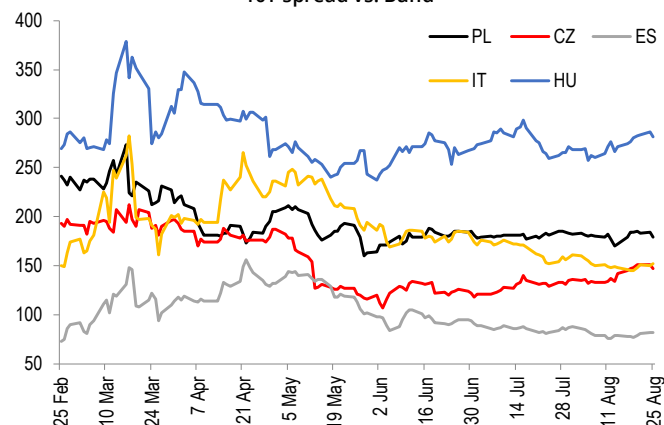
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

TIME					FORECAST		ACTUAL	LAST
CET	COUNTRY	INDICATOR	PERIOD		MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (21 August)								
09:30	DE	Germany Manufacturing PMI	Aug	pts	52.5		53.0	51.0
09:30	DE	Markit Germany Services PMI	Aug	pts	55.0		50.8	55.6
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	53.1		51.7	51.8
10:00	EZ	Eurozone Services PMI	Aug	pts	54.7		50.1	54.7
10:00	PL	Construction Output	Jul	% y/y	-5.5	-4.5	-10.9	-2.4
10:00	PL	Retail Sales Real	Jul	% y/y	-0.7	2.8	3.0	-1.3
16:00	US	Existing Home Sales	Jul	% m/m	12.9		24.7	20.2
MONDAY (24 August)								
14:00	PL	Money Supply M3	Jul	% y/y	18.5	18.6	16.8	18.1
TUESDAY (25 August)								
08:00	DE	GDP WDA	2Q	% y/y	-11.7	-	-11.3	-11.7
10:00	DE	IFO Business Climate	Aug	pts	92.5	-	92.6	90.5
10:00	PL	Unemployment Rate	Jul	%	6.1	6.1	6.1	6.1
14:00	HU	Central Bank Rate Decision	Aug.20	%	0.6	-	0.60	0.60
16:00	US	Consumer Conference Board	Aug	pts	93.0	-	84.8	91.7
16:00	US	New Home Sales	Jul	% m/m	-0.1	-	13.9	15.1
WEDNESDAY (26 August)								
14:30	US	Durable Goods Orders	Jul	% m/m	4.0	-		7.6
THURSDAY (27 August)								
14:30	US	GDP Annualized	2Q	% q/q	-32.5	-		-32.9
14:30	US	Initial Jobless Claims	week	k	920	-		1 106
16:00	US	Pending Home Sales	Jul	% m/m	5.5	-		16.6
FRIDAY (28 August)								
11:00	EZ	ESI	Aug	pct.	85.0	-		82.3
14:00	PL	MPC minutes						
14:30	US	Personal Spending	Jul	% m/m	1.5	-		5.6
14:30	US	Personal Income	Jul	% m/m	-0.3	-		-1.1
14:30	US	PCE Deflator SA	Jul	% m/m	0.4	-		0.4
16:00	US	Michigan index	Aug	pts	72.8	-		72.8

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

** estimate after CPI inflation data

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