

18 December 2020

# Eyeopener

## Tightening restrictions after Christmas

Wages and employment better than expected in November  
Health minister announced a return to tighter restrictions  
EURPLN still stable, EURUSD even higher  
Debt markets in Poland and abroad stronger  
Today, Polish industrial output and German Ifo

Optimism prevailed during the Thursday's session amid much better Wednesday's European data, signals from the US that the fiscal package could be launched yet before the year-end and comments suggesting progress in the EU-UK talks. As a result, the stock indexes rose and the euro added gains vs the dollar. Bond yields fell slightly owing to the US data – the initial weekly jobless claims rose further and the Philly Fed index fell much more than expected.

One day after the Fed, two more central banks decided to keep monetary parameters unchanged. **SNB** kept main interest rate at -0.75% and sustained its readiness to take more decisive action on the FX market to weaken the franc. Historically, EURUSD and EURCHF were trading similarly but now the former is at its highest level for two years and the latter is trading in a horizontal trend since June. The main rate of the **Bank of England** was left unchanged at 0.1% and the current situation was described as uncertain.

Health minister announced **temporary tightening of restrictions** between 28 December and 17 January. He called it a National Quarantine (though the scope of restrictions does not match the list describing this stance earlier and we are far from meeting conditions that were supposed to trigger it). On top of the already existing restrictions, hotels and ski slopes will be closed, just like shopping malls (excluding stores with basic goods). All people coming into Poland by organized transport will go into a 10 day quarantine. There will be also strict movement restriction on the New Year's Eve: from 19:00CET on December 31 until 6:00 on January 1.

In November **average employment in corporate sector** fell 1.2% y/y while average wage rose 4.9% y/y. The data confirm that despite the second wave of coronavirus in autumn was much stronger in terms of new infections in Poland, its influence on the economy was much milder than in the spring. In particular, there was no widespread reduction of working hours (unlike in April-May) – average employment remained stable m/m – which suggests that the contraction of business activity was also not dramatic. Total wage bill in corporate sector rose 3.6% y/y in current prices or 0.5% y/y in real terms. The labour market reaction to the pandemic disruptions still remains mild, which bodes well for the private consumption outlook later in 2021 once the vaccination process advances and restrictions are lifted again.

Improvement of the **consumer confidence** in December is also a positive sign for consumption. Both current and leading indicators rebounded from the November's bottom thanks to pick-up in nearly all sub-indexes (with exception of assessment of the personal financial situation). Noticeable improvement was recorded, among others, in capacity for major purchases and expected financial situation – which might have been thanks to the optimistic information about vaccination.

**Head of energy market regulator** (URE) approved yesterday energy tariff for Energa (price of electricity up 3.6% since January, similarly as for other big suppliers) and new gas tariff for PGNiG (price of gas down 4.5%, other fees unchanged). The former was already included in our forecast, the latter lowers CPI by 0.1pp since January.

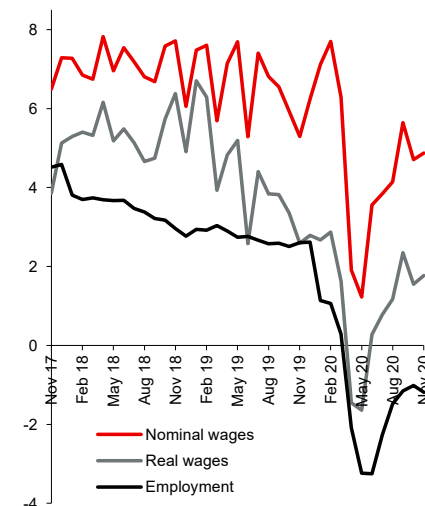
**EURUSD** continued the upward move started after Wednesday's PMIs and reached 1.1226 yesterday. After correction overnight today it is close to 1.1225.

**EURPLN** once again was hovering near 4.435 and the range of fluctuations was similar as on Wednesday. Polish currency did not benefit from a clear rise of stock indices, again, and decline of USDPLN temporarily below 3.62 was the effect of higher EURUSD.

In case of the **other CEE currencies**, EURHUF kept hovering near 355, EURCZK lowered from 26.2 to 26.1 and USDRUB attempted once again (unsuccessfully) to break through the support at 72.0.

On the **domestic interest rate market** IRS fell by 1-3bp, 5Y and 10Y bond yields by 3-4bp. This time, domestic market behaviour was consistent with Bund and UST, which did not prevent a further narrowing of spread vs German benchmark (to 183bp).

Poland wages and employment in corporate sector, % y/y



Source: GUS, Santander Bank Polska

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## FX market

### Today's opening

EURPLN	4.4363	CZKPLN	0.1694
USDPLN	3.6216	HUFPLN*	1.2368
EURUSD	1.2250	RUBPLN	0.0494
CHFPLN	4.0925	NOKPLN	0.4213
GBPPLN	4.9040	DKKPLN	0.5962
USDCNY	6.5397	SEKPLN	0.4366

\*for 100HUF

### Last session in the FX market

17/12/2020

	min	max	open	close	fixing
EURPLN	4.426	4.444	4.432	4.437	4.435
USDPLN	3.616	3.634	3.625	3.619	3.625
EURUSD	1.222	1.226	1.223	1.226	-

## Interest rate market 17/12/2020

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

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.04	-3
DS0725 (5Y)	0.47	-3
DS1030 (10Y)	1.25	-5

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

Risks on the interbank market						
Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.22	1	0.20	0	-0.54	0
2L	0.34	0	0.21	0	-0.52	1
3L	0.46	0	0.25	0	-0.51	1
4L	0.61	-1	0.33	1	-0.50	0
5L	0.76	0	0.44	1	-0.47	0
8L	1.06	0	0.75	1	-0.36	-1
10L	1.21	0	0.92	1	-0.27	-1

### WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.10	0
SW	0.11	0
2W	0.16	0
1M	0.20	0
3M	0.21	0
6M	0.25	0
1Y	0.25	0

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

Term	%	Change (bps)
1x4	0.19	-2
3x6	0.19	-2
6x9	0.21	1
9x12	0.24	3
3x9	0.24	0
6x12	0.28	2

### Measures of fiscal risk

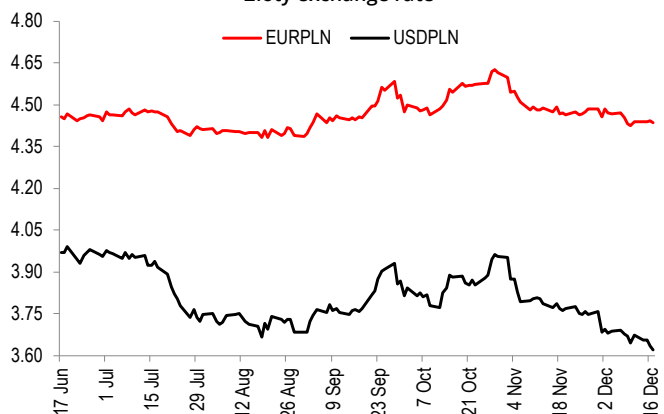
Measures of fiscal risk				
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	183	-4
France	9	0	24	0
Hungary	60	0	277	2
Spain	46	0	61	1
Italy	68	0	108	1
Portugal	28	0	59	2
Ireland	13	0	29	0
Germany	8	0	-	-

\* 10Y treasury bonds over 10Y Bunds

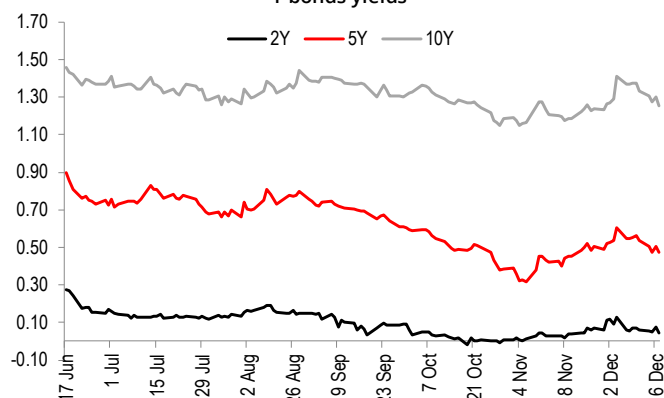
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

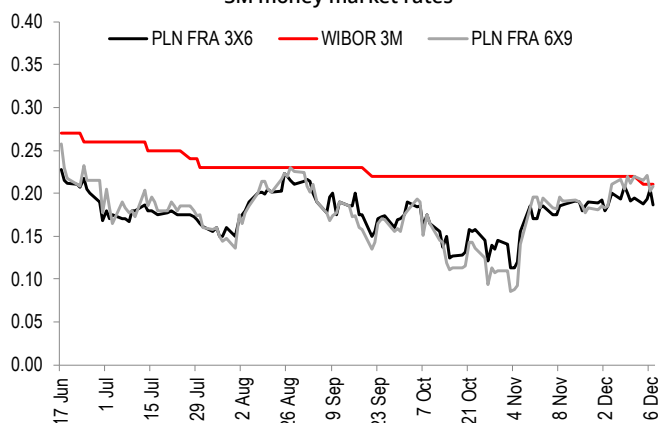
## Zloty exchange rate



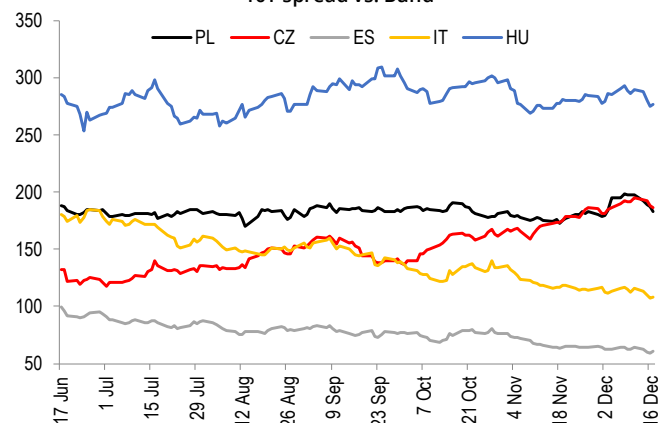
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (11 December)								
08:00	DE	HICP	Nov	% m/m	-0.8	-	-0.8	-0.8
16:00	US	Michigan index	Dec	pts	76.0	-	81.4	76.9
MONDAY (14 December)								
11:00	EZ	Industrial Production SA	Oct	% m/m	1.8	-	2.1	-0.4
14:00	PL	Current Account Balance	Oct	€mn	1 235	1 022	2 241	1 072
14:00	PL	Trade Balance	Oct	€mn	1 114	848	1 732	1 238
14:00	PL	Exports	Oct	€mn	22 448	22 152	22 965	21 109
14:00	PL	Imports	Oct	€mn	21 277	21 304	21 233	19 871
TUESDAY (15 December)								
10:00	PL	CPI	Nov	% y/y	3.0	3.0	3.0	3.1
14:00	HU	Central Bank Rate Decision		%	0.60	-	0.60	0.60
15:15	US	Industrial Production	Nov	% m/m	0.5	-	0.4	0.9
WEDNESDAY (16 December)								
09:30	DE	Flash Germany Manufacturing PMI	Dec	pts	56.5	-	58.6	57.8
09:30	DE	Flash Markit Germany Services PMI	Dec	pts	44.0	-	47.7	46.0
10:00	EZ	Flash Eurozone Manufacturing PMI	Dec	pts	53.1	-	55.5	53.8
10:00	EZ	Flash Eurozone Services PMI	Dec	pts	41.5	-	47.3	41.7
14:00	PL	CPI Core	Nov	% y/y	4.2	4.3**	4.3	4.2
14:30	US	Retail Sales Advance	Nov	% m/m	-0.1	-	-1.1	-0.1
20:00	US	FOMC decision		%	0.25	-	0.25	0.25
THURSDAY (17 December)								
10:00	PL	Employment in corporate sector	Nov	% y/y	-1.5	-1.5	-1.2	-1.0
10:00	PL	Average Gross Wages	Nov	% y/y	4.7	4.8	4.9	4.7
11:00	EZ	HICP	Nov	% y/y	-	-	-0.3	-0.3
14:30	US	Initial Jobless Claims	week	k	800	-	885	862
14:30	US	Housing Starts	Nov	% m/m	-0.3	-	1.2	6.3
14:30	CZ	Central Bank Rate Decision		%	0.25	-	0.25	0.25
14:30	US	Index Philly Fed	Dec	pts	21.7	-	11.1	26.3
FRIDAY (18 December)								
10:00	DE	IFO Business Climate	Dec	pts	90.3	-		90.7
10:00	PL	Sold Industrial Output	Nov	% y/y	3.5	3.8		1.0
10:00	PL	PPI	Nov	% y/y	-0.1	0.0		-0.4

Source: Santander Bank Polska, Bloomberg, Parkiet

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

\*\*estimate after detailed CPI inflation data release

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