

22 January 2021

Eyeopener

Improvement in wages and employment

Markets full of optimism after Biden's swearing in and strong US data
 Polish labour market data beat expectations
 Zloty still stable
 Bond yields rose
 Today Polish retail sales, construction output, flash PMI in Europe

Equity markets started the Thursday's session in optimistic mood after Joe Biden has been sworn in as the US president the day before. During the day the Bank of Japan and ECB meetings concluded. Both kept rates unchanged and the first one decided to review monetary policy strategy in March. In the second part of the day the solid data from the US real estate market (housing starts) and labour market fuelled even more optimism in the stock market. Bond yields in the core markets were also rising and the dollar strengthened.

December **labour market statistics** surprised to the upside. Employment in the corporate sector rose by 0.2% m/m to -1.0% y/y (our forecast and consensus at -1.1% y/y), while wages accelerated to 6.6% y/y from 4.9% y/y November and hit the highest pace since February (our forecast and consensus at 4.7% y/y). We are expecting the labour market to be improving over 2021 with average wage growth above 2020 pace, which will build solid fundamentals for a rebound in consumption. In January **consumer confidence** remained worse than in 3Q20, between the Covid waves. More in [Economic Comment](#).

In 3Q20 the Poland's **general government debt** amounted to 56.7% of GDP as compared to 54.8% in 2Q20 and 47.0% PKB in 2019. The annual jump in debt (9.7% of GDP) was only slightly lower than in the EU on average (10.6% of GDP). The general government deficit amounted to 6.3% of GDP in 3Q20 (sum for four quarters). In 3Q20 alone the sector's revenues climbed by 6.2% y/y (as compared to 4.4% y/y in 2Q) and spending by 13.6% y/y (versus 40.9% y/y in 2Q20). In our view these results are likely to deteriorate somewhat in 4Q20 given harsher epidemic restrictions, but in general these numbers support our expectations that 2020 deficit was markedly below 10% of GDP.

MPC member Rafal Sura commented on the NBP FX intervention. He said that: "it was not about weakening of the zloty and increasing profits of exporters" but rather "to prohibit the declines of exporters' profit in a situation of strong appreciation pressure". Rafal Sura also said that the central bank trying to increase interest rates while simultaneously running a QE would risk its reputation, this type of action would be "internally incoherent". In his opinion the reserve requirement should not play a big role in tightening of the monetary policy, while lending to banks below the reference rate would mean subsidizing them. Another **MPC member Lukasz Hardt** said that "at this moment, there is simply no room for further rate cuts".

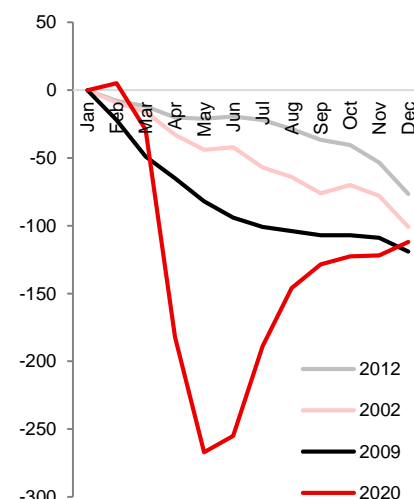
EURUSD on Thursday opened at 1.210 and moved towards 1.218 (+0.6%) after which it closed the day at 1.215 after the strong data from the US real estate market helped the dollar.

EURPLN was very stable on Thursday and moved within +/- 0.5 figure around the 4.53 level and this despite the ECB meeting as well as local macroeconomic data which printed away from expectations.

In case of the **other CEE currencies**, the forint was also stable with EURHUF hovering for the most of the day around 357.2. Similarly, EURCZK did not move much away from 26.1. USDRUB rose 0.4% to 73.7.

On the domestic **interest rate market** IRS moved up with 2Y rate climbing by 4bp to 0.26% while 5Y and 10Y rose by 1-3bp. In case of bonds, the front end was stable while the 5Y yield rose by 5bp to 0.41% and 10Y yield by 4bp to 1.22%.

Employment – change vs January, thousand



Source: GUS, Santander

Wage growth, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.5316	CZKPLN	0.1719
USDPLN	3.7259	HUFPLN*	1.2693
EURUSD	1.2162	RUBPLN	0.0502
CHFPLN	4.2067	NOKPLN	0.4410
GBPPLN	5.0969	DKKPLN	0.6090
USDCNY	6.4710	SEKPLN	0.4492

*for 100HUF

Last session in the FX market

21.01.2021

	min	max	open	close	fixing
EURPLN	4.524	4.535	4.530	4.533	4.531
USDPLN	3.721	3.744	3.733	3.733	3.731
EURUSD	1.211	1.217	1.213	1.214	-

Interest rate market

21.01.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	2
DS0725 (5Y)	0.46	5
DS1030 (10Y)	1.24	4

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.16	0.20	-0.54
2L	0.23	0.20	-0.52
3L	0.34	0.26	-0.50
4L	0.50	0.39	-0.46
5L	0.65	0.52	-0.42
8L	1.00	0.91	-0.28
10L	1.18	1.10	-0.18

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.09	1
SW	0.11	0
2W	0.17	0
1M	0.19	0
3M	0.21	0
6M	0.25	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.18	0
3x6	0.15	1
6x9	0.15	0
9x12	0.18	2
3x9	0.20	2
6x12	0.20	1

Measures of fiscal risk

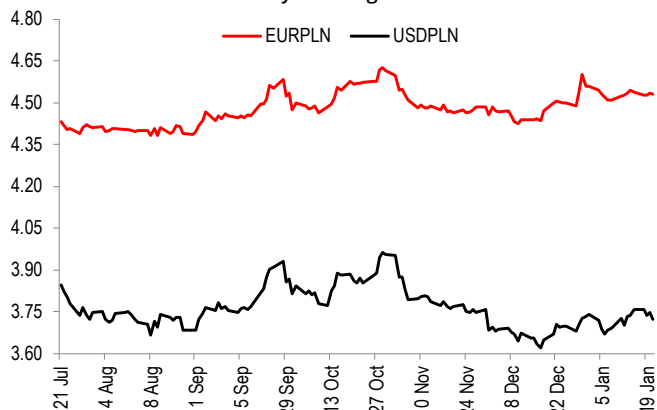
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	174
France	7	23
Hungary	64	291
Spain	43	63
Italy	67	116
Portugal	28	58
Ireland	12	32
Germany	8	-

* 10Y treasury bonds over 10Y Bunds

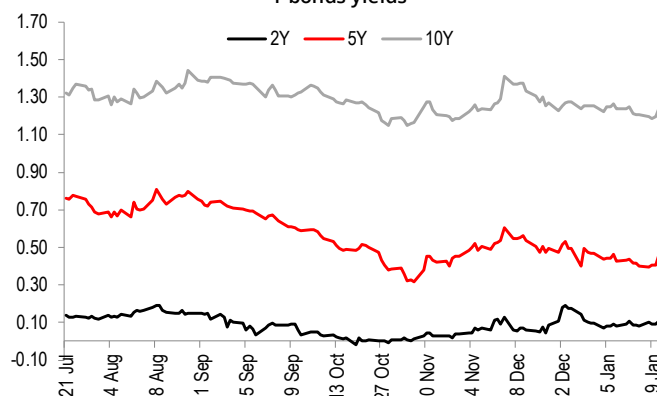
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

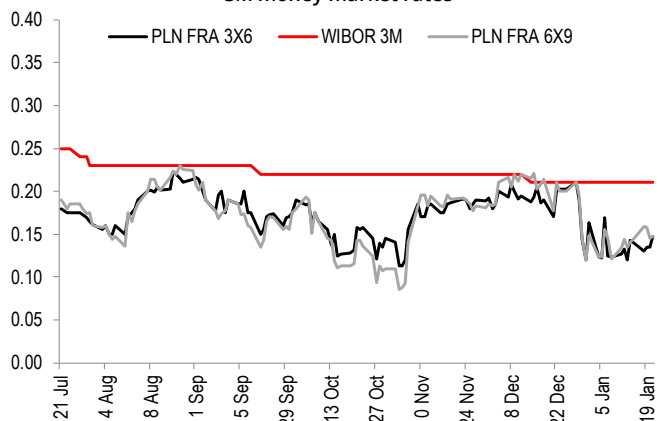
Zloty exchange rate



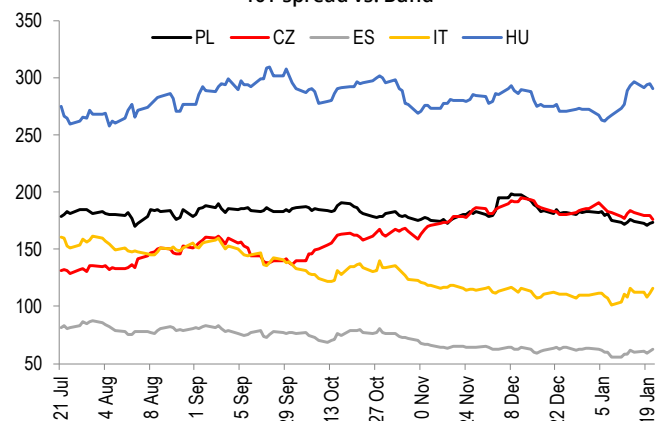
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (15 January)								
10:00	PL	CPI	Dec	% y/y	2.3	2.3	2.4	3.0
14:30	US	Retail Sales Advance	Dec	% m/m	0.0		-0.7	-1.4
15:15	US	Industrial Production	Dec	% m/m	0.5		1.6	0.5
16:00	US	Michigan index	Jan	pts	79.5		79.2	80.7
MONDAY (18 January)								
14:00	PL	CPI Core	Dec	% y/y	3.7	3.7	3.7	4.3
TUESDAY (19 January)								
08:00	DE	HICP	Dec	% m/m	0.6		0.6	0.6
11:00	DE	ZEW Survey Current Situation	Jan	pts	-68.3		-66.4	-66.5
WEDNESDAY (20 January)								
11:00	EZ	HICP	Dec	% y/y	-0.3	-	-0.3	-0.3
THURSDAY (21 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	-1.1	-1.1	-1.0	-1.2
10:00	PL	Average Gross Wages	Dec	% y/y	4.7	4.7	6.6	4.9
13:45	EZ	ECB Main Refinancing Rate		%	0.0	-	0.0	0.0
14:30	US	Initial Jobless Claims	week	k	935	-	900	965
14:30	US	Housing Starts	Dec	% m/m	0.8	-	5.8	1.2
14:30	US	Index Philly Fed	Jan		11.8	-	26.5	9.1
FRIDAY (22 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	58.0	-		58.3
09:30	DE	Markit Germany Services PMI	Jan	pts	46.0	-		47.0
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	54.9	-		55.2
10:00	EZ	Eurozone Services PMI	Jan	pts	45.5	-		46.4
10:00	PL	Construction Output	Dec	% y/y	-0.6	-3.2	-	-4.9
10:00	PL	PPI	Dec	% y/y	0.0	0.0	-	-0.2
10:00	PL	Retail Sales Real	Dec	% y/y	1.3	-3.8	-	-5.3
16:00	US	Existing Home Sales	Dec	% m/m	-2.1		-	-2.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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