

23 February 2021

Eyeopener

Today labor market data

Quiet start of the week

Zloty stable, EURUSD slightly higher

Polish debt immune to core market yields

Today HICP in the Eurozone, consumer confidence in the US, NBH rate decision

On Monday the European stock indices started the session below Friday closing level, while bond yields started above it. In the following hours these moves were being corrected, stocks were supported by German Ifo. Some support for bonds may have been delivered by the ECB head, who said that the central bank is eyeing recent rises in bond yields.

The GUS **business confidence survey** showed that in February there was a broad-based deterioration of assessment of current situation and at the same time all sectors were more optimistic about business prospects. In industry and construction, the index of current situation was the lowest since July while expectations index was the highest since September. Some sectors expressed less worries about the impact of the pandemic (industry, retail sales, transport) while hotels and restaurants felt even more threatened than a month earlier. In almost all business sectors access to labour improved m/m (lower share of unplanned leaves and quarantined employees, lower use of remote work). All sectors were at least a bit more positive on the inflow of new orders, especially hotels and restaurants (hotels were allowed to reopen for the second part of February at 50% capacity). The publication fits our view that performance of the economy is still depressed in 1Q, a gradual rebound may be seen in 2Q, but a more pronounced recovery could come in 2H21.

In January, **M3 money supply** rose by 16.8% y/y vs 16.4% previously. Deposits kept growing by 13.5% y/y, with households' deposits still close to +11% y/y and corporate deposits accelerating to 20.1% y/y from 19% as the support from Financial Shield 2.0 program started to be distributed. In line with the 2020 trend, in January demand deposits kept rising quickly (+34.7% y/y) while term deposits were rapidly shrinking (-33.4% y/y). Growth rate of cash in circulation set yet another record (the highest since at least 1997), pushing to 38.9% y/y. FX-adjusted value of total loans was 1.1% lower than a year ago (down from -1.0% y/y in December): while loans of individuals continued the deceleration seen since February 2020 (this time down to 2.5% y/y from 2.8%), the growth of credit to businesses – albeit still deeply negative – managed to improve somewhat (to -6.6% y/y from -7.0%). The 10% y/y rise of PLN-denominated mortgage loans is the lowest on record since 2009, consumer loans almost reached -3% y/y, showing the worst print seen 2013. January was another month when support programs were boosting deposits while overall uncertainty blocked credit demand.

MPC's Eryk Łon wrote yesterday on wGospodarcze.pl website that in recent days his conviction to think about rate cuts has increased. To support his view, he quoted January retail sales and industrial output data released last week. He also fears that the growing number of Covid-19 cases will delay easing of restrictions.

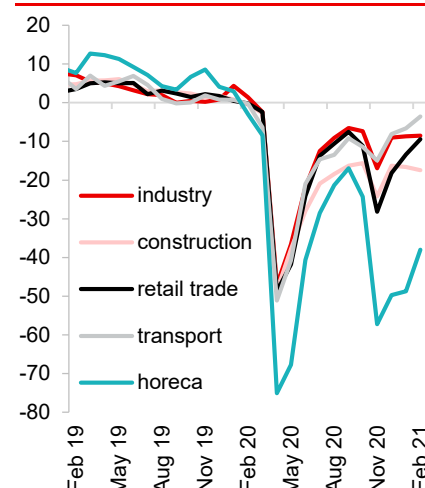
EURUSD was sticking yesterday to the Friday trading range (1.208 – 1.214), but finished the day at 1.216, 0.4% above the closing level for last week. The euro benefitted from better-than-expected German data and rising stock indexes, reducing the previous losses with every hour of the session. Until yesterday, EURUSD was moving just below the 1.217 February top, but this morning it has already breached the level.

EURPLN remained within 4.47-4.51 range. So far, February is a very calm month and the high-low spread is the lowest since August 2020 (when the spread was the smallest since June 2019). Today in the morning EURPLN is close to 4.50.

Among other CEE currencies, USDRUB witnessed the biggest move since it rose 0.8% to 74.8 despite weaker dollar and 1.5% rise of Brent oil price and then corrected back to 74.2. EURCZK and EURHUF did not change much.

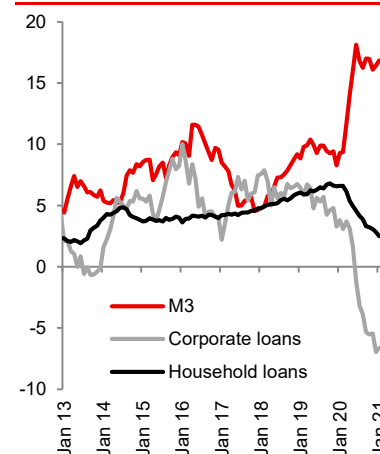
On the domestic interest rate market On the domestic interest rate market IRS and bond yields eased 3-4bp despite further weakening seen in the core markets.

Sectoral business sentiment indexes, SA



Source: GUS, Santander

Money supply and value of loans (fx-corrected), % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.4945	CZKPLN	0.1735
USDPLN	3.6933	HUFPLN*	1.2388
EURUSD	1.2172	RUBPLN	0.0499
CHFPLN	4.1223	NOKPLN	0.4368
GBPPLN	5.1983	DKKPLN	0.6044
USDCNY	6.4607	SEKPLN	0.4464

*for 100HUF

Last session in the FX market						2/22/2021
	min	max	open	close	fixing	
EURPLN	4.480	4.499	4.480	4.493	4.496	
USDPLN	3.694	3.717	3.696	3.696	3.714	
EURUSD	1.209	1.216	1.212	1.215	-	

Interest rate market 2/22/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.11	-6
DS0725 (5Y)	0.70	-4
DS1030 (10Y)	1.31	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	-1	0.18	1	-0.54	0
2L	0.41	-2	0.21	1	-0.50	0
3L	0.58	-3	0.32	1	-0.46	0
4L	0.77	-4	0.53	2	-0.40	0
5L	0.95	-4	0.72	2	-0.34	-1
8L	1.32	-4	1.22	2	-0.14	-3
10L	1.50	-4	1.43	2	-0.01	-4

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	0
SW	0.11	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.21	0
3x6	0.22	0
6x9	0.27	-1
9x12	0.31	-2
3x9	0.27	-1
6x12	0.32	-2

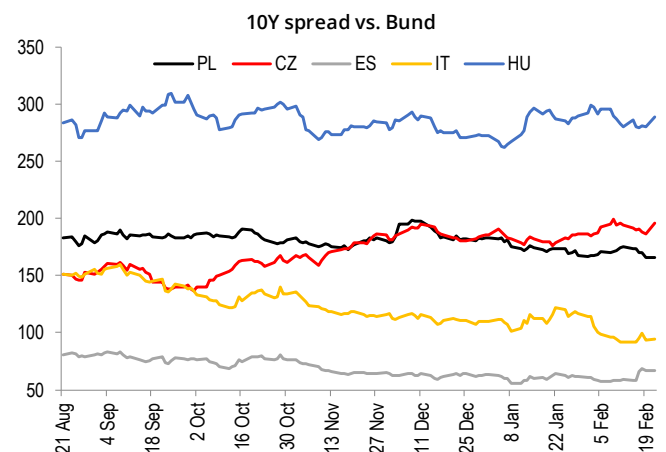
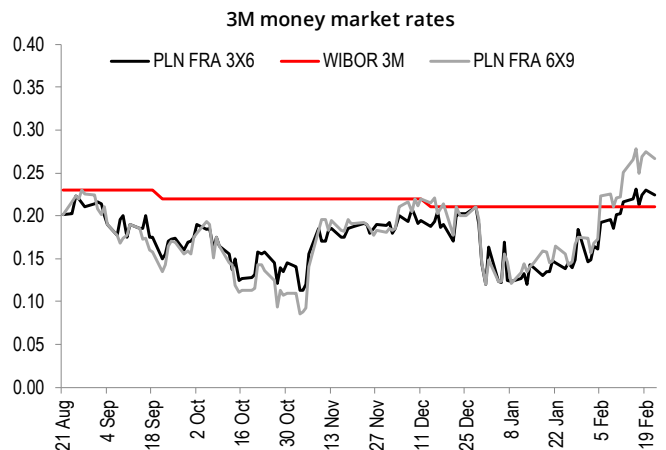
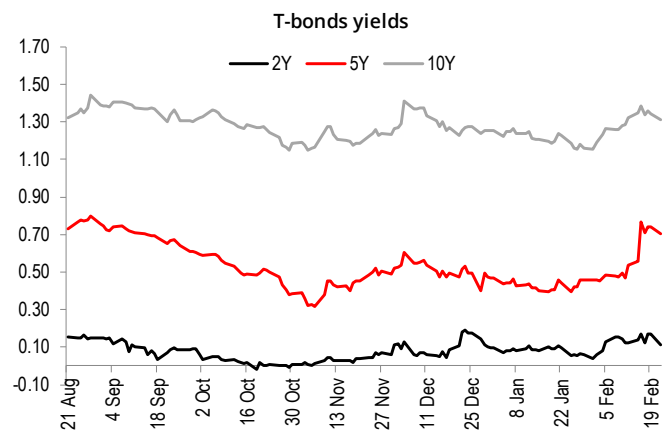
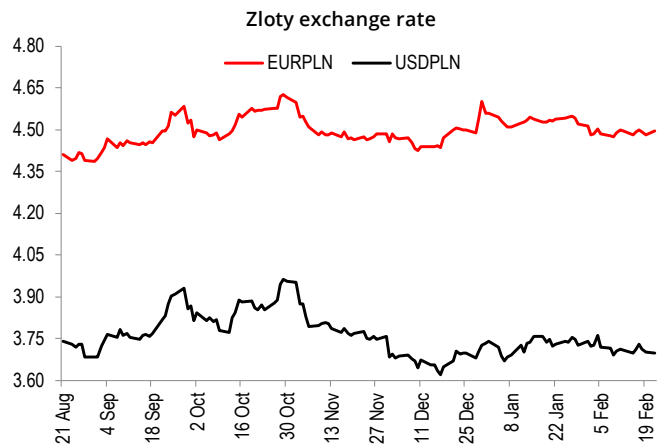
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	166	0
France	8	0	25	0
Hungary	59	0	289	8
Spain	37	0	67	1
Italy	46	0	95	1
Portugal	21	0	56	0
Ireland	10	0	37	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



Economic Calendar

TIME	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
CET								
FRIDAY (19 February)								
09:30	DE	Flash Manufacturing PMI	Feb	pts	56.5	-	60.6	57.1
09:30	DE	Flash Services PMI	Feb	pts	46.5	-	45.9	46.7
10:00	EZ	Flash Manufacturing PMI	Feb	pts	54.3	-	57.7	54.8
10:00	EZ	Flash Services PMI	Feb	pts	45.9	-	44.7	45.4
10:00	PL	Construction Output	Jan	% y/y	-2.8	-12.8	-10.0	3.4
10:00	PL	Retail Sales Real	Jan	% y/y	-6.6	-4.5	-6.0	-0.8
16:00	US	Existing Home Sales	Jan	% m/m	-2.4	-	0.6	0.9
MONDAY (22 February)								
10:00	DE	IFO Business Climate	Feb	pts	90.1	-	92.4	90.3
14:00	PL	Money Supply M3	Jan	% y/y	16.4	16.5	16.8	16.4
TUESDAY (23 February)								
10:00	PL	Unemployment Rate	Jan	%	6.5	6.5		6.2
11:00	EZ	HICP	Jan	% y/y	0.9	-		0.9
14:00	HU	Central Bank Rate Decision		%	0.60	-		0.60
16:00	US	Consumer Conference Board	Feb	pts	90.0	-		89.3
WEDNESDAY (24 February)								
08:00	DE	GDP WDA	4Q	% y/y	-3.9	-		-3.9
16:00	US	New Home Sales	Jan	% m/m	1.9	-		1.6
THURSDAY (25 February)								
11:00	EZ	ESI	Feb	pct.	92.0	-		91.5
14:30	US	Durable Goods Orders	Jan	% m/m	1.4	-		0.5
14:30	US	GDP Annualized	4Q	% Q/Q	4.3	-		4.0
14:30	US	Initial Jobless Claims	week	k	-	-		861
16:00	US	Pending Home Sales	Jan	% m/m	-	-		-0.3
FRIDAY (26 February)								
10:00	PL	GDP	4Q	% y/y	-	-2.8		-1.5
14:30	US	Personal Spending	Jan	% m/m	0.5	-		-0.2
14:30	US	Personal Income	Jan	% m/m	8.0	-		0.6
14:30	US	PCE Deflator SA	Jan	% m/m	0.2	-		0.4
16:00	US	Michigan index	Feb	pts	76.2	-		76.2

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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