

22 April 2021

Eyeopener

Output and wages above forecasts

Stock markets stable

Data from industry and labour market surprise to the upside
Slight moderation of restrictions on 26 April
Dollar somewhat stronger, zloty weaker at the end of the day
Today retail sales, construction output and ECB meeting

One day before the ECB meeting, which is broadly perceived as rather not very interesting, and amid still empty calendar of economic data releases, global equity markets were stable. In the UK inflation surprised to the downside in March, similarly as in Canada and South Africa. Dollar gained slightly but is still c.2% weaker than at the start of the month. UST yields were stable (1.56%) and Bund yield fell by 2bp to -0.27%, which could have been related to large debt redemptions this week. Crude oil price went down and gold price went up.

Polish industrial output beat expectations in March, rising 18.9% y/y vs 12.5% market median and our 13.5% forecast. This confirms the strong message from recent European PMIs. Low base effect was not the key factor. **Wage growth** surprised to the upside and rose to 8.0% y/y vs 4.5% y/y in February (highest since 2012). **PPI inflation** rose to 3.9% y/y in March from 2.2% mostly due to weaker PLN and rising commodity prices. Please see more in our [Economic comment](#).

The central budget after March recorded deficit PLN3.4bn, roughly in line with our expectations. During the month the result deteriorated by c.PLN4.3bn, similarly as in the previous years. Budgeted revenues rose in March by 14% y/y, including VAT at almost 40% y/y and excise duties over 30% y/y. Such high pace of growth is partly the result of the low base from 2020. Spending increased by 6% y/y. The government plans to reach the deficit of PLN89bn this year, which we think is a realistic assumption.

Health minister Adam Niedzielski informed that the government has kept the restrictions at current level in five regions most affected by the pandemic and in the remaining 11 regions from 26 April hybrid model of education will start for pupils of first three grades, hairdressers and beauty salons will reopen.

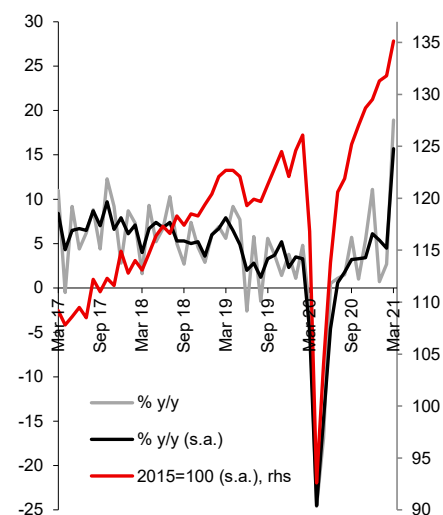
EURUSD fell by 0.2% to 1.200. 1Y risk reversal continued to decline (to almost -0.30%), which may suggest a correction of EURUSD to around 1.160.

EURPLN seemed stable for another day. Given the batch of strong macro data it should have gone down and instead it even got a bit higher late in the session (close at 4.558). Such a behaviour of the exchange rate shows in our view that in the coming days depreciation of the zloty is more likely than its appreciation.

As for the other CEE currencies, EURHUF has increased by a total of 1.8% since it started to rebound on 12 April, of which 0.5% on Wednesday alone. As a result the MTD change flipped to the positive side (+0.2% MTD) at 362.8. We expect a further forint weakening. EURCZK slightly decreased however in a broader picture remains roughly unchanged since 2 weeks' time near 25.90. As for USDRUB the currency pair has not changed much and hovered near 76.7 and this was quite unusual.

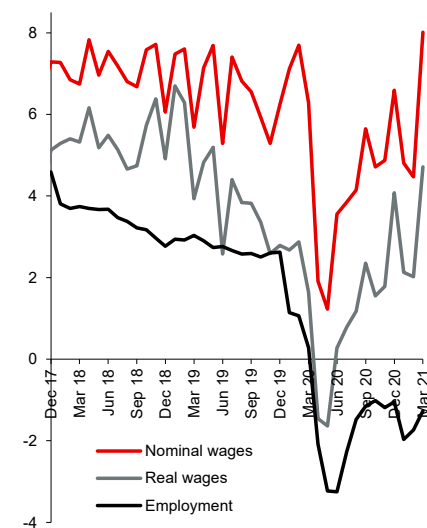
On the Polish fixed income market the front end IRS have increased a bit for another day - 2Y at 0.58% is already 10bp higher than the April minimum on 8 April. The belly and long-end have been more volatile - initially increased by up to 5bp (5Y to 1.35%, 10Y to 1.85%) only to give back almost all gains in the latter part of the day (5Y back to 1.30%, 10Y lower to 1.81%). POLGBs at the end of the day have also made up for losses from the pre-noon trading. 10Y POLGB closed at 1.56%. The spread vs Bund widened by other 4bp to 183bp.

Industrial output



Source: GUS, Santander

Labour market statistics, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.5527	CZKPLN	0.1758
USDPLN	3.7828	HUFPLN*	1.2560
EURUSD	1.2038	RUBPLN	0.0494
CHFPLN	4.1295	NOKPLN	0.4544
GBPPLN	5.2694	DKKPLN	0.6122
USDCNY	6.4842	SEKPLN	0.4501

*for 100HUF

Last session in the FX market 21.04.2021

	min	max	open	close	fixing
EURPLN	4.543	4.563	4.551	4.556	4.557
USDPLN	3.778	3.803	3.783	3.786	3.795
EURUSD	1.200	1.204	1.203	1.203	-

Interest rate market 21.04.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.12	1
DS0725 (5Y)	0.93	0
DS1030 (10Y)	1.57	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	0	0.21	-1	-0.53	0
2L	0.56	0	0.27	0	-0.49	0
3L	0.84	2	0.44	1	-0.44	0
4L	1.10	1	0.67	1	-0.38	-1
5L	1.31	2	0.88	1	-0.30	0
8L	1.66	3	1.35	1	-0.07	0
10L	1.82	2	1.54	1	0.07	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.24	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.21	-1
3x6	0.21	-2
6x9	0.24	-1
9x12	0.34	0
3x9	0.24	-2
6x12	0.34	4

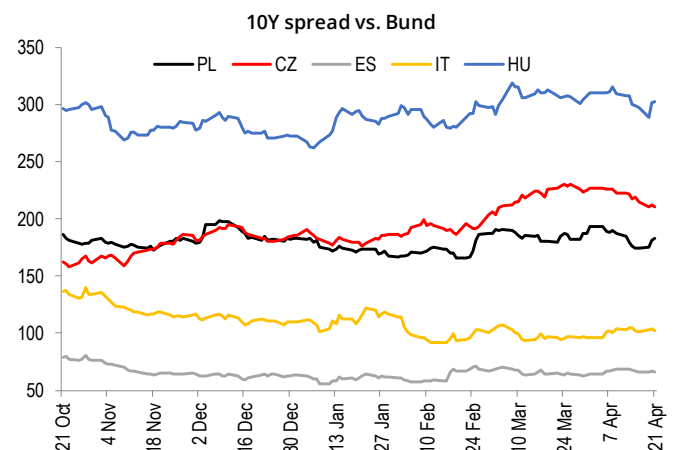
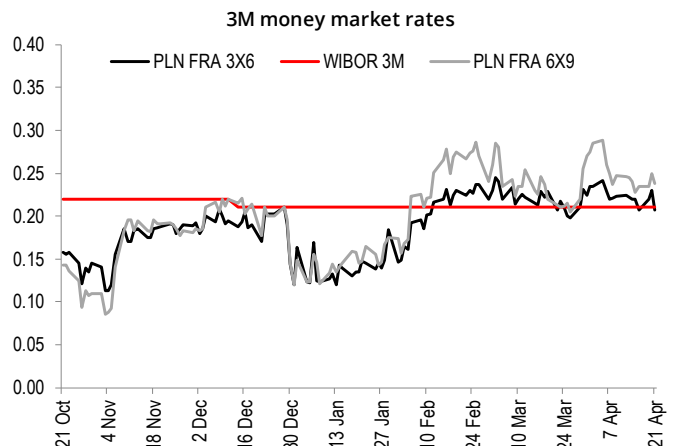
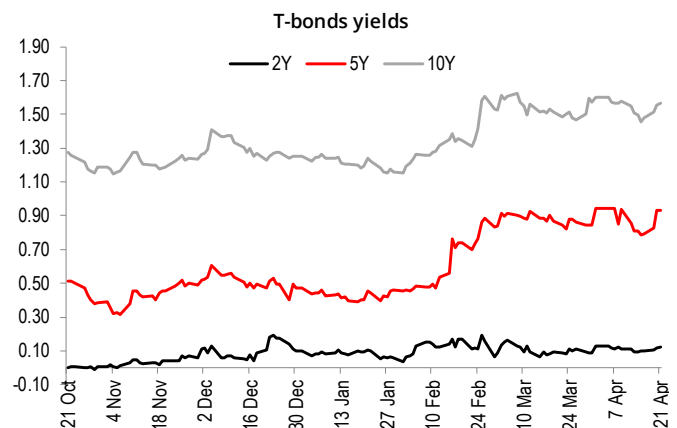
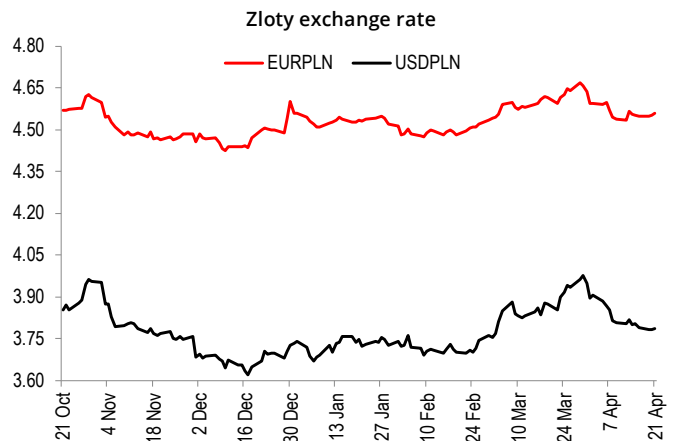
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	183	1
France	10	0	25	0
Hungary	64	0	302	0
Spain	35	-1	66	-1
Italy	48	-2	102	-2
Portugal	22	0	66	-1
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 CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (16 April)							
11:00	EZ	HICP	Mar	% y/y	1.3	1.3	1.3
14:00	PL	CPI Core	Mar	% y/y	3.9	4.0	3.9
14:30	US	Housing Starts	Mar	% m/m	13.5	19.4	-10.3
16:00	US	Michigan index	Apr	pts	89.0	86.5	84.9
WEDNESDAY (21 April)							
10:00	PL	Employment in corporate sector	Mar	% y/y	-1.2	-1.3	-1.3
10:00	PL	Sold Industrial Output	Mar	% y/y	13.1	13.5	18.9
10:00	PL	PPI	Mar	% y/y	3.6	4.0	3.9
10:00	PL	Average Gross Wages	Mar	% y/y	5.3	5.4	8.0
THURSDAY (22 April)							
10:00	PL	Construction Output	Mar	% y/y	-10.3	-14.8	-
10:00	PL	Retail Sales Real	Mar	% y/y	9.9	9.2	-
13:45	EZ	ECB Main Refinancing Rate	Apr/21	%	0.0	-	0.0
14:30	US	Initial Jobless Claims		k	700.0	-	576
16:00	US	Existing Home Sales	Mar	% m/m	-0.8	-	-6.6
FRIDAY (23 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	65.7	-	66.6
09:30	DE	Markit Germany Services PMI	Apr	pts	51.4	-	51.5
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	62.2	-	62.5
10:00	EZ	Eurozone Services PMI	Apr	pts	49.9	-	49.6
14:00	PL	M3 Money Supply	Mar	% y/y	14.0	14.5	-
16:00	US	New Home Sales	Mar	% m/m	12.0	-	-18.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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