

Eyeopener

Unemployment rate almost at last year's level

Unemployment rate fell in May, job offers increased
 EURUSD returned towards 1.22, zloty and forint slightly weaker vs euro
 Bond yields higher in Poland and abroad
 Today, German industrial production and ZEW indicator

The new week started in positive moods - the European stock indices ended the day in green (small declines in the US). On the core markets yields increased a bit trying to offset the Friday falls due to weak payrolls number. EURUSD moved higher to 1.22 in the second part of the day. Brent oil was stable for a third session in a row near \$71.5 per barrel. Today in the morning German April industrial production data was disappointing (-1.0% m/m) which slightly lowered Bund yields however has not impacted the currency markets so far.

According to the Ministry of Economic Development, Labor and Technology the **registered unemployment rate** declined to 6.1% in May from 6.3% in April. This is almost the same level which was recorded in May 2020. The number of unemployed declined by 25.5k which is more than in April and simultaneously quite atypical. The distortions to the seasonal pattern are likely attributable to the loosening of the restrictions. We expect that in the nearest months the unemployment rate will decline but on a seasonally adjusted basis will remain quite stable. The Ministry said that in May there were 112.2k **new job offers** submitted to labour offices, which is over 50% y/y. Here, the loosening of pandemic restrictions has not impacted the seasonal pattern though. The number of vacancies was - similarly to the previous few months - lower than in the same months of the previous years (by 10k vs 2019 and by 30k vs 2018).

In Q1 2021 the **local governments had a surplus** of PLN14.8bn which constitutes an increase year over year (Q1 2020: PLN9.8bn). The incomes have increased by 8.2%/y while expenditures by 1.9%/y; the investment outlays declined by 18.6%/y (after falling by 7.6%/y in Q4 2020). In line with our expectations the investment activity of local governments remains subdued, which goes against the trend reported by the statistical office for the whole economy (+1.3% y/y in Q1 2021). The weak local government investments might contribute to the lowering of the overall investment figure, but only slightly. The reason being a strong seasonal pattern - at the start of the year the local governments investments contribute to the overall investment only marginally. We estimate that the downward revision may amount to -1.5pp.

The NBP officially confirmed that on Friday at 15:00 CET the **NBP head Adam Glapiński will hold the videoconference**. We think that, just as in the last few months, it may be much more informative as regards the monetary policy outlook and the approach of the MPC (or at least of NBP governor, who still seems to control majority of votes) than the official press release of the Council released on Wednesday after the meeting.

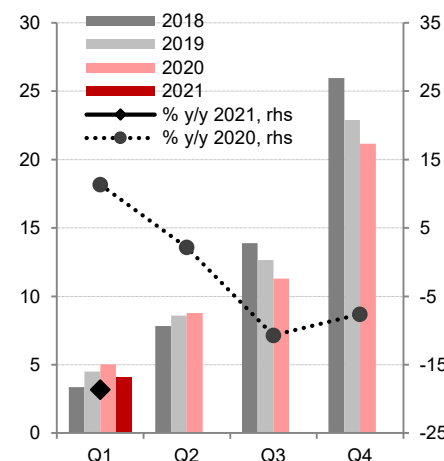
EURUSD was initially stable for the better part of the European session, near the opening level 1.217, and at the end of the day rose towards 1.22. Both levels seem neutral in the context of the currency behaviour in the recent weeks and it is likely that only important news later this week (in USA: CPI, consumer confidence, in Europe the ECB meeting of Thursday and ZEW index today) may help to set the direction for the currency.

EURPLN, despite the stability of EURUSD and then its increase, returned above 4.47. We think that positive global environment and expectation for less dovish MPC approach should help EURPLN to head down in the near term. USDPLN remained stable yesterday.

As for the **other CEE currencies**, forint also failed to appreciate despite rising EURUSD and gaining equity markets. It seemed that EURHUF, after struggling with the support at 346 since the start of June, and after opening below this level, should head lower, but it ended the day moving to 346.5. Czech koruna was doing better: EURCZK was hovering near 25.4 and during the day it was below last week's low. Russian ruble maintained Friday's gain vs dollar and closed near 72.9.

On the **Polish fixed income market** both bond yields and IRS rates have been rising on Monday. In case of IRS curve, the move up reached 3bp at the short end, 4bp further down the curve. Bond yields were somewhat more stable (10Y bond moved to 1.84%). On the FRA market the priced-in probability of interest rate hikes in the several months horizon has increased (for example, FRA9x12 moved up 4bp to 0.70%). BGK sold bonds issued for Covid-19 Countermeasure Fund worth PLN2.3bn (including the top-up auction), versus the demand worth PLN2.36bn. It means that already 69% of the total supply planned for this year has been accomplished.

Investment in local governments, PLNbn



Source: Ministry of Finance, Santander

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FX market

Today's opening			
EURPLN	4.4654	CZKPLN	0.1754
USDPLN	3.6664	HUFPLN*	1.2867
EURUSD	1.2178	RUBPLN	0.0503
CHFPLN	4.0829	NOKPLN	0.4429
GBPPLN	5.1875	DKKPLN	0.6003
USDCNY	6.3926	SEKPLN	0.4437

*for 100HUF

Last session in the FX market						07/06/2021
	min	max	open	close	fixing	
EURPLN	4.415	4.473	4.455	4.470	4.458	
USDPLN	3.659	3.677	3.661	3.664	3.666	
EURUSD	1.214	1.220	1.217	1.220	-	

Interest rate market 07/06/2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.43	1
DS0725 (5Y)	1.31	3
DS1030 (10Y)	1.86	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.44	3	0.15	0	-0.53	0
2L	0.82	3	0.23	0	-0.47	0
3L	1.13	4	0.42	0	-0.41	1
4L	1.35	4	0.65	1	-0.34	1
5L	1.51	4	0.86	2	-0.27	1
8L	1.78	4	1.34	0	-0.02	2
10L	1.90	4	1.53	2	0.12	2

WIBOR rates

Term	%	Change (bps)
O/N	0.07	-3
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.25	0
1Y	0.26	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.25	1
3x6	0.32	2
6x9	0.50	2
9x12	0.69	3
3x9	0.41	2
6x12	0.62	0

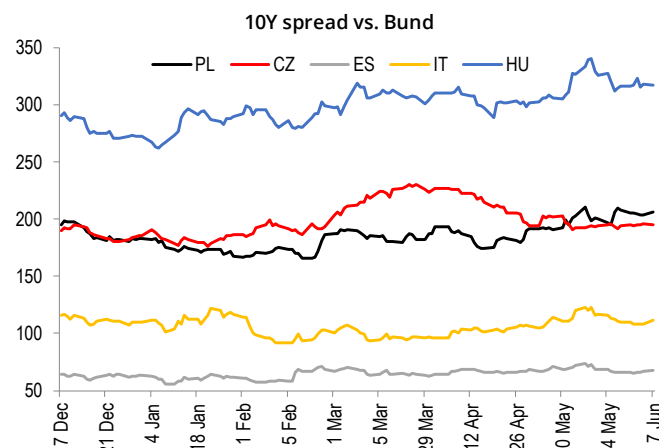
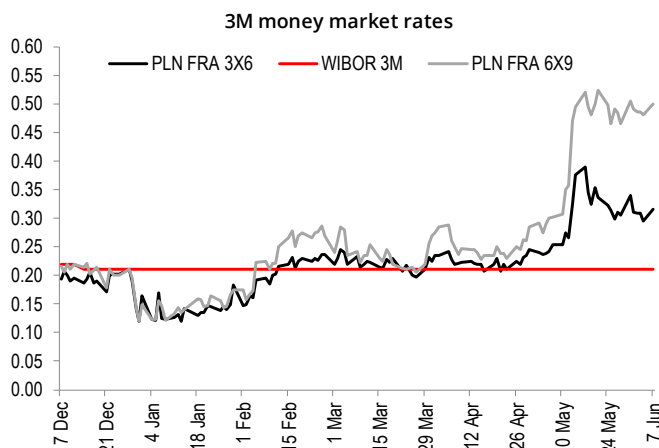
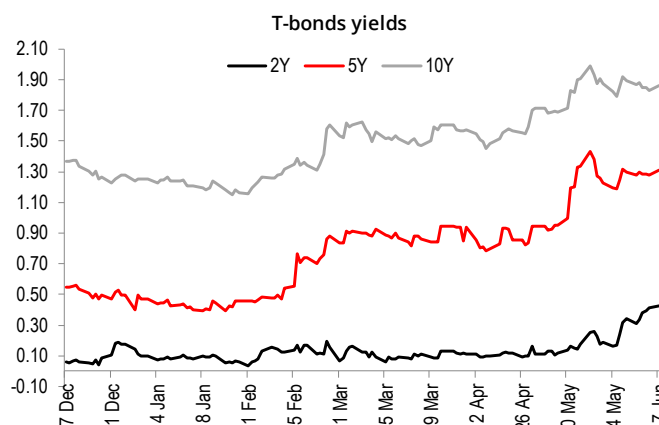
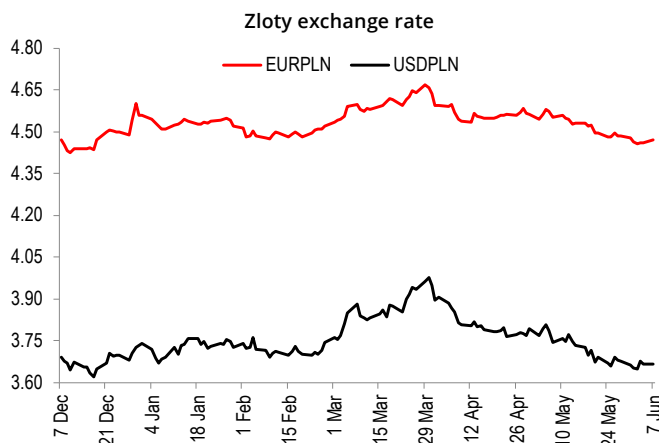
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	206	2
France	10	0	37	0
Hungary	64	0	317	-1
Spain	35	0	68	1
Italy	46	0	112	4
Portugal	20	0	67	1
Ireland	11	0	41	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



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (4 June)								
11:00	EZ	Retail Sales	Apr	% m/m	-1.5	-3.1	2.7	
14:30	US	Change in Nonfarm Payrolls	May	k	652.5	559	266.0	
14:30	US	Unemployment Rate	May	%	5.9	5.8	6.1	
16:00	US	Durable Goods Orders	Apr	% m/m	-1.3	-1.3	-1.3	
16:00	US	Factory Orders	Apr	% m/m	-0.3	-0.6	1.1	
MONDAY (7 June)								
08:00	DE	Factory Orders	Apr	% m/m	1.5	-0.5	3.9	
09:00	CZ	Industrial Production	Apr	% y/y	52.5	55.1	14.1	
TUESDAY (8 June)								
08:00	DE	Industrial Production SA	Apr	% m/m	0.7	-	2.5	
09:00	HU	Industrial Production SA	Apr	% y/y	-	-	16.2	
11:00	EZ	GDP SA	1Q	% y/y	-1.8	-	-1.8	
11:00	DE	ZEW Survey Current Situation	Jun	pts	-28.3	-	-40.1	
WEDNESDAY (9 June)								
	PL	MPC decision		%	0.10	0.10	-	0.10
08:00	DE	Exports SA	Apr	% m/m	0.8	-	1.3	
09:00	HU	CPI	May	% y/y	5.2	-	5.1	
THURSDAY (10 June)								
09:00	CZ	CPI	May	% y/y	-	-	3.1	
13:45	EZ	ECB Main Refinancing Rate	Jun/21	%	0.0	-	0.0	
14:30	US	CPI	May	% m/m	0.4	-	0.8	
14:30	US	Initial Jobless Claims		k	388.0	-	406.0	
FRIDAY (11 June)								
16:00	US	Michigan index	Jun	pts	83.25	-	82.9	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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