

20 September 2021

Eyeopener

Employment again below expectations

Polish wage growth beat expectations while employment disappointed
 Default risk of a large Chinese developer could lead to major risk aversion
 EURPLN already above 4.59, stronger dollar
 Core market bonds higher, Polish 10Y yield still above 2%
 Today Polish industrial output and PPI

On Friday it was both the equities and core market bond prices which fell. Main European stock indices fell by c.1%, the S&P by 0.7% but at least it did not print a new weekly low again. 10Y UST yields went up by 4bp, Bunds up by 2bp. The dollar gained on Friday 0.4% vs the basket of other major currencies, the EURUSD exchange rate fell to the levels from before the Jackson Hole summit. As a result, commodities quickly corrected lower, worth noting the Brent oil price managed to hold above US\$75 per barrel. The September US consumer confidence (preliminary reading of University of Michigan index) has not shown any significant improvement - the main index despite having risen a little still remains near the pandemic lows. The 1-year ahead inflation expectations moved up to 4.7% from 4.6% while those 5-10 years ahead remained at 2.9%. Final inflation reading in the Eurozone confirmed its level at 3.0% y/y (highest in 10 years). The core HICP has increased in August to 1.6% y/y from 0.7% y/y. During the weekend the Chinese developer Evergrande story remained in focus - if it is able to fulfil its upcoming financial obligations. Given the sheer size of the company the potential contagion effect might cause a lot of harm in many sectors and economies globally.

Employment growth in the corporate sector slowed down to 0.9% y/y in August from 1.8% y/y in July after a decline by 10k jobs m/m (market and our forecast: 1.1%). This is a second weak employment reading in a row. In our view, demand for labour remains strong and companies are reporting rising problems with finding staff. Thus, we would blame these weak results on supply problems or possible adjustment in employment as the deadline of PFR loan cancellations has come (Levels of PFR loan cancellation were conditional on changes in employment, so some companies can be reducing employment after PFR cancelled their loans). While we do not have detailed data for August available yet, July data revealed that layoffs were conducted in the very sectors that were reporting mounting problems with finding staff, which could be connected to the phenomenon described above. Meanwhile, **wages** rose by 9.5% y/y in August as compared to 8.7% y/y in July (market: 8.7%, we: 9.1%). In our view the labour shortages will be fuelling wage pressure in the upcoming months.

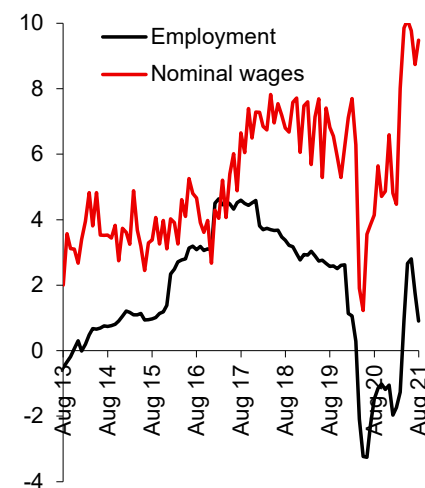
After the start of the US session **EURUSD** declined to 1.173 and has fully reversed the upward move recorded after the speech of Fed head in Jackson Hole and lasting until early September.

EURPLN continued its upward march by more than 0.5%. The exchange rate ended the week near 4.59. There are many important releases this week but the fate of the zloty - whether it attacks 4.60, the effective upward bound of its trading range from recent months, or retreats to its 200-day moving average below 4.54 - will depend upon message of the FOMC meeting and the sentence of the Constitutional Tribunal about precedence of the EU law before the domestic law (both events of Wednesday).

As for the **other CEE currencies**, again it was the forint which lost more than the zloty (by 0.6% vs euro - EURHUF stopped rising only at 353.0). The Czech koruna again proved to be resilient to the stronger USD. USDRUB have risen more less to the mid of the week's range (near 72.8).

On the interest rate market, there was slight weakening. 10Y bond yields reached 2.06%, IRS curve moved up even stronger between 3bp at the short end and 6-7bp at the belly and long end. This week the Fed meeting seems crucial and if there is no surprise with hawkish rhetoric, we may see some strengthening after the recent yields' increase, probably mostly at the short end of the curve, as the long end may be pricing-in the premium for the central bank being behind the curve with policy tightening. The risk factor is the situation of the Chinese developer, which could potentially cause ripple effects across markets.

Employment and wages in corporate sector, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.5881	CZKPLN	0.1804
USDPLN	3.9163	HUFPLN*	1.2872
EURUSD	1.1713	RUBPLN	0.0536
CHFPLN	4.2016	NOKPLN	0.4485
GBPPLN	5.3645	DKKPLN	0.6166
USDCNY	6.4655	SEKPLN	0.4500

*for 100HUF

Last session in the FX market 17/09/2021

	min	max	open	close	fixing
EURPLN	4.568	4.590	4.572	4.588	4.579
USDPLN	3.881	3.913	3.883	3.910	3.888
EURUSD	1.173	1.179	1.177	1.173	-

Interest rate market 17/09/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.62	1
DS0726 (5Y)	1.51	3
DS0432 (10Y)	2.06	1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.62	3	0.16	0	-0.52	0
2L	1.07	5	0.33	-1	-0.45	0
3L	1.39	6	0.59	0	-0.39	0
4L	1.60	6	0.80	2	-0.32	-1
5L	1.75	6	0.96	2	-0.25	0
8L	1.99	7	1.27	3	-0.05	0
10L	2.08	6	1.39	3	0.09	1

WIBOR rates

Term	%	Change (bps)
O/N	0.10	-1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.24	0
6M	0.28	0
1Y	0.45	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.29	0
3x6	0.45	1
6x9	0.73	0
9x12	1.00	3
3x9	0.54	2
6x12	0.87	3

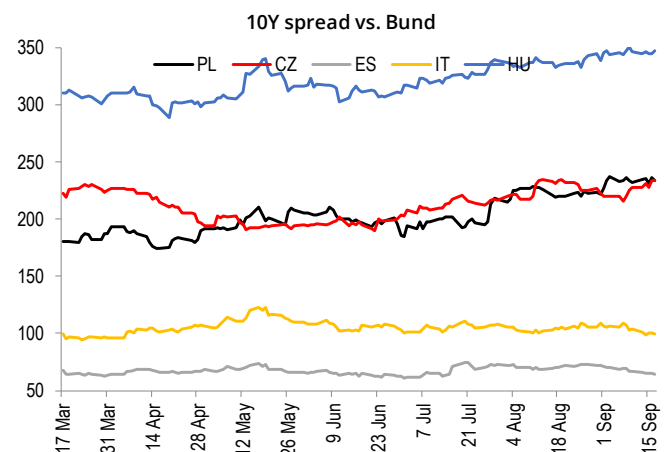
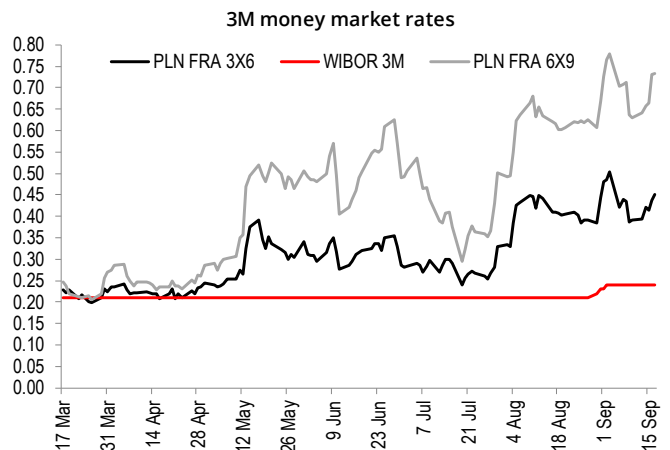
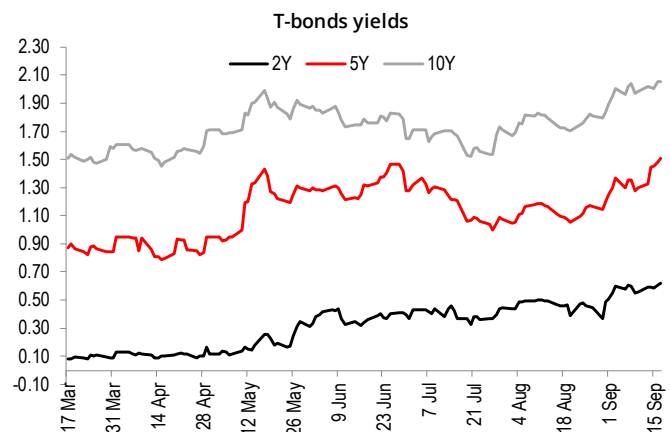
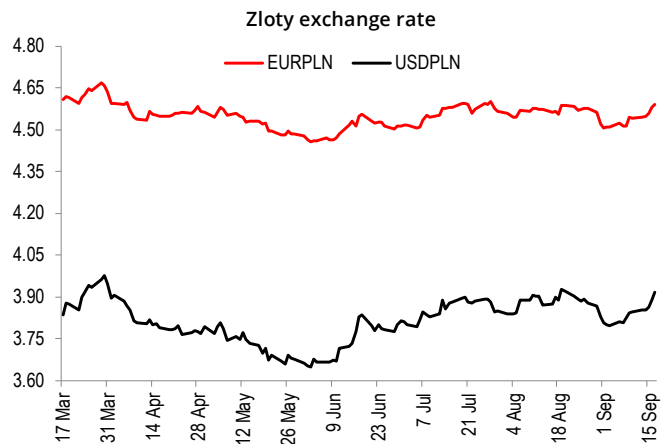
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	234	-2
France	9	0	33	-1
Hungary	55	0	347	2
Spain	29	0	64	-1
Italy	41	0	100	0
Portugal	20	0	53	-2
Ireland	10	0	38	0
Germany	7	-1	-	-

* 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 (17 September)								
10:00	PL	Employment in corporate sector	Aug	% y/y	1.1	1.1	0.9	1.8
10:00	PL	Average Gross Wages	Aug	% y/y	8.7	9.1	9.5	8.7
11:00	EZ	HICP	Aug	% y/y	3.0		3.0	3.0
16:00	US	Michigan index	Sep	pts	72.0		71.0	70.3
MONDAY (20 September)								
10:00	PL	Industrial output	Aug	%y/y	13.7	15.9		9.8
10:00	PL	PPI	Aug	%y/y	9.2	9.0		8.2
TUESDAY (21 September)								
10:00	PL	Construction output	Aug	%y/y	7.5	8.0		3.3
10:00	PL	Retail sales in constant prices	Aug	%y/y	5.3	6.8		3.9
14:00	HU	Hungarian central bank decision		%	1.75	-		1.50
14:30	US	House starts	Aug	% m/m	3.0	-		-7.0
WEDNESDAY (15 September)								
14:00	PL	M3 money supply	Aug	% y/y	9.2	8.9		8.8
16:00	US	Existing home sales	Aug	% m/m	-1.7	-		2.0
20:00	US	FOMC decision		%	0.25	-		0.25
THURSDAY (22 September)								
9:30	DE	PMI – industry, flash	Sep	pts	61.4	-		62.6
9:30	DE	PMI – services, flash	Sep	pts	60.4	-		60.8
10:00	EZ	PMI – industry, flash	Sep	pts	60.4	-		61.4
10:00	EZ	PMI – services, flash	Sep	pts	59.0	-		59.0
10:00	PL	Unemployment rate	Aug	%	5.8	5.8		5.8
14:30	US	Initial Jobless Claims	week	k		-		332
14:45	US	PMI – industry, flash	Sep	pts		-		61.1
14:45	US	PMI – services, flash	Sep	pts		-		55.1
FRIDAY (23 September)								
10:00	DE	Ifo index	Sep	pts	98.8	-		99.4
16:00	US	New home sales	Aug	%m/m	1.7	-		1.0

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

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