

3 January 2022

Eyeopener

Happy New Year

Stock markets continued upward trend in the last week of 2021
 EURUSD stable, bond yields higher
 EURPLN below 4.60 after Gatnar's hawkish comment, among others
 Today manufacturing PMIs in Europe

In the final week of the 2021 the main stock indices increased and then stabilized, the 10Y yields on the core markets moved up as well, as did the price of crude oil. In the US the manufacturing Richmond Fed index beat expectations. The solid investment demand triggered - via record high imports - the widening of the US trade deficit to almost \$100bn. ECB's Klaas Knot said the bank would be ready for interest rate increases at the start of the 2023, after the asset purchase programs would be wound down by end of 2022. Earlier, ECB's Robert Holzmann said that the bank will have to focus on gradually phasing out negative interest rates and unconventional monetary policy in 2022.

NBP president Adam Glapiński said on 30 December that the average 2022 inflation will stand at 7.6%. The CPI will peak in July at 8.3% y/y after which it will fall to 6.2% y/y by the end of the year. It is a path very similar to the one that we expect. The NBP Governor acknowledged that the elevated inflation is broad based (affects most of goods and services). On top of that, the process of elevated inflation impacting the remaining groups of goods and services might strengthen. Earlier, on 29 December, **MPC member Eugeniusz Gatnar** said that in January the MPC should increase interest rates by 50bp, however the 75bp hike would be possible if the MPC judged that the anti-inflationary shield would not be effective. **Eryk Łon** said that he is against interest rate increases of 100bp at the January meeting, however he would be in favour of a moderate increase. **Jerzy Kropiwnicki** said that the current inflation results from the external factors while the further rise in the cost of credit might lead to stagflation. The **Senate candidate for the MPC Ludwik Kotecki** said today in the morning that inflation might breach 10% in 2022, while interest rates should be further increased, however it is not clear to what target level.

In 2020 **the smallest nonfinancial companies, employing up to 9 people**, recorded only a minor decline of gross financial result vs. 2019 (by 0.3%) despite the tough pandemic environment. Revenues of the sector rose by 2.5%, employment by 2.2% and average wage by 4.8%. Interestingly, the main financial and economic parameters in this group of companies were slightly better than among all nonfinancial enterprises (revenues at -0.1%, employment -1.1%, gross financial result -1.6%), despite worries that lockdowns will be more dangerous for small enterprises. However the situation in the sector was diverse: revenues and profitability rose in ICT, transportation and storage, healthcare, social care. Lower revenues and margins were seen in accommodation and restaurants, education, culture, entertainment and recreation.

In 2020 **the number of persons on civil job contracts** dropped by one fourth to 0.9mn from 1.2mn in 2019. The number of retirees with job contracts decreased on a similar scale (also to 0.9mn from 1.2mn). These two groups have relatively weak position on the labour market and were affected more by pandemic-related layoffs than other employees. For comparison: in 2020 the total number of employed in nonfinancial enterprises decreased by only 0.2% (17k).

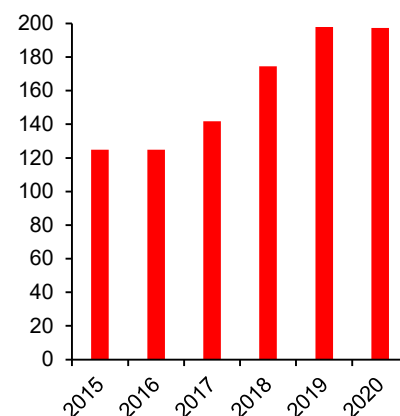
EURUSD in the last week of the year was remaining in a horizontal trend around 1.13 however the volatility has been growing over time. The weekly minimum was set near 1.1280, while the maximum near 1.1360 at the end of the week.

EURPLN, which ended the Christmas eve session at 4.62, moved below 4.60 in the following week. This move was supported by the dollar weakening and comment of MPC's Gatnar who did not rule out a rate hike by 75bp. Analysts' consensus sees a 50bp hike at the 4th January meeting, but market seems to be pricing-in a more aggressive hike. Thus, a move by 50bp could be disappointing for investors. Meanwhile, EURPLN started the new year below 4.59.

Other CEE currencies: even though MNB hiked the weekly deposit rate (to 4.00% from 0.75% in June and 1.80% in November), EURHUF flirted with the all-time high slightly above 370.0 and in the upcoming days it has chances to break this barrier. As a result of rate hike in the Czech Republic (+100bp on 22 December), the EURCZK exchange rate continued to go down and ended the year at 24.90. The ruble was underperforming in the last week of the year, USDRUB climbed to 75.0 from 73.5 at the Christmas eve.

On the **Polish interest rate market** in the last week of the year the bond yields continued to go up - the yield curve shifted up by between 14bp (10Y at 3.65%) and 20bp (2Y by 3.38%). Similar moves were recorded on the IRS curve (5Y at 3.73%). Prior to the MPC meeting the FRA 1x4 contract was at 3.20% as compared to NBP rate at 1.75% and WIBOR3M at 2.54%, so markets are anticipating at least 70bp rate hike at the tomorrow's meeting.

Financial results of companies employing up to 9 people, PLNbn



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.5884	CZKPLN	0.1840
USDPLN	4.0458	HUFPLN*	1.2339
EURUSD	1.1339	RUBPLN	0.0541
CHFPLN	4.4210	NOKPLN	0.4570
GBPPLN	5.4506	DKKPLN	0.6167
USDCNY	6.3521	SEKPLN	0.4453

*for 100HUF

Last session in the FX market						31/12/2021	
	min	max	open	close	fixing		
EURPLN	4.581	4.600	4.587	4.585	4.599		
USDPLN	4.027	4.062	4.055	4.029	4.060		
EURUSD	1.130	1.138	1.131	1.138	-		

Interest rate market 31/12/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.36	0
DS0726 (5Y)	3.97	0
DS0432 (10Y)	3.70	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	3.69	-2	0.53	0	-0.50	0
2L	3.93	1	0.96	4	-0.30	0
3L	3.89	4	1.17	2	-0.15	0
4L	3.82	4	1.27	1	-0.05	0
5L	3.75	3	1.35	0	0.02	0
8L	3.58	2	1.49	1	0.19	0
10L	3.55	1	1.56	1	0.30	0

WIBOR rates

Term	%	Change (bps)
O/N	1.63	-13
T/N	1.74	11
SW	2.09	7
2W	2.18	8
1M	2.23	5
3M	2.54	3
6M	2.84	2
1Y	3.13	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.22	-2
3x6	3.89	-2
6x9	4.11	-5
9x12	4.06	-2
3x9	4.15	2
6x12	4.32	1

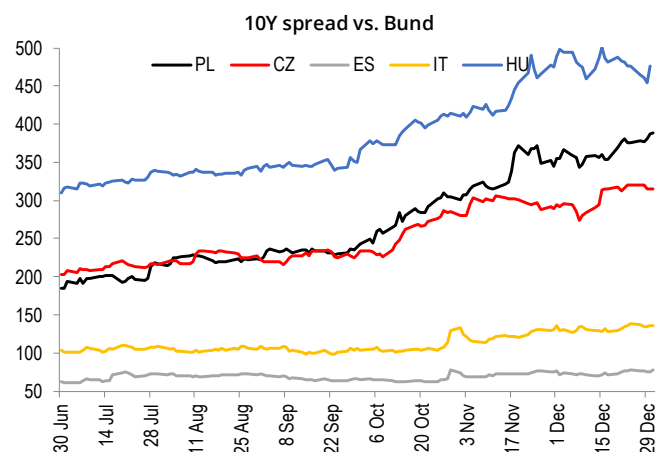
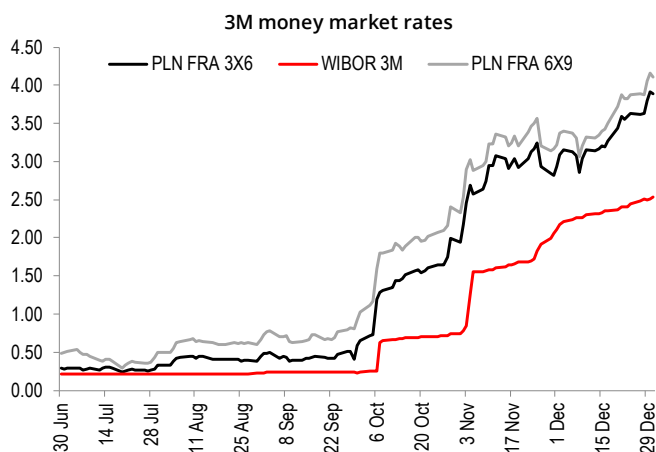
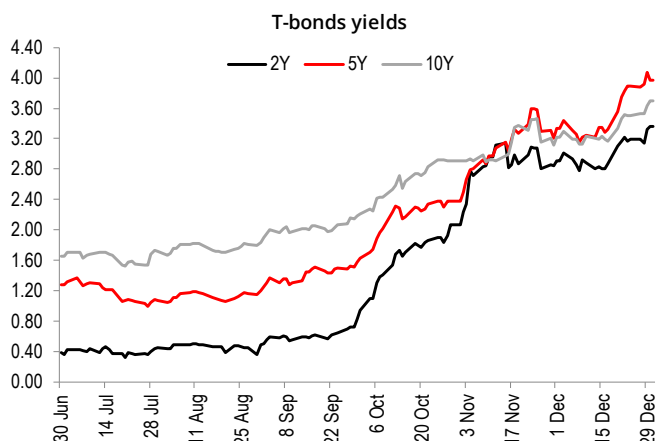
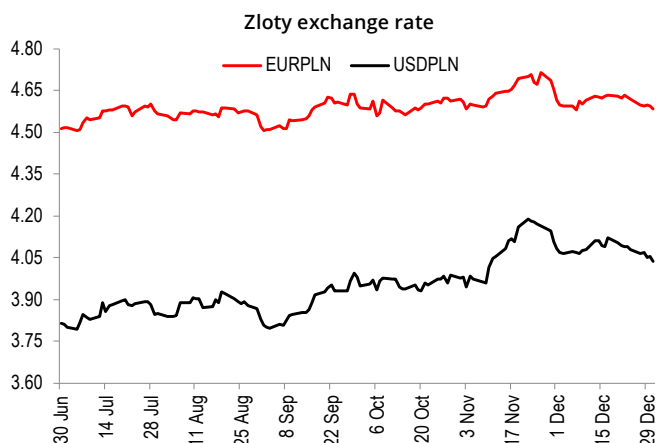
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	41	0	388	0
France	9	0	37	-1
Hungary	49	0	0	-476
Spain	35	0	77	3
Italy	52	0	136	1
Portugal	23	0	66	1
Ireland	11	0	43	0
Germany	7	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			
MONDAY (3 January)								
09:00	PL	Poland Manufacturing PMI	Dec	pts	54.0	54.0	-	54.4
09:55	DE	Germany Manufacturing PMI	Dec	pts	57.9	-	-	57.9
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	58.0	-	-	58.0
TUESDAY (4 January)								
	PL	MPC decision		%	2.25	2.25	-	1.75
08:00	DE	Retail Sales	Nov	% m/m	-0.5	-	-	0.1
16:00	US	ISM manufacturing	Dec	pts	60.25	-	-	61.1
WEDNESDAY (5 January)								
09:55	DE	Markit Germany Services PMI	Dec	pts	48.4	-	-	48.4
10:00	EZ	Eurozone Services PMI	Dec	pts	53.3	-	-	53.3
14:15	US	ADP report	Dec	k	385.0	-	-	534.1
20:00	US	FOMC Meeting Minutes	Dec/21					
THURSDAY (6 January)								
	PL	Public holiday						
02:45	CN	Caixin China PMI Services	Dec	pts	51.85	-	-	52.1
08:00	DE	Factory Orders	Nov	% m/m	2.4	-	-	-6.9
14:00	DE	HICP	Dec	% m/m	0.2	-	-	0.3
14:30	US	Initial Jobless Claims		k	206.0	-	-	205.0
16:00	US	Durable Goods Orders	Nov	% m/m	0.0	-	-	2.5
16:00	US	ISM services	Dec	pts	07/03/1900.0	-	-	69.1
16:00	US	Factory Orders	Nov	% m/m	1.5	-	-	1.0
FRIDAY (7 January)								
08:00	DE	Exports SA	Nov	% m/m	0.4	-	-	4.2
08:00	DE	Industrial Production SA	Nov	% m/m	1.0	-	-	2.8
09:00	CZ	GDP SA	3Q	% y/y	3.1	-	-	3.1
09:00	CZ	Industrial Production	Nov	% y/y	-0.5	-	-	-7.4
09:00	HU	Industrial Production SA	Nov	% y/y	-1.4	-	-	-2.7
10:00	PL	CPI flash	Dec	% y/y	8.1	8.3	-	7.8
11:00	EZ	Flash HICP	Dec	% y/y	4.7	-	-	4.9
11:00	EZ	Retail Sales	Nov	% m/m	-0.5	-	-	0.2
11:00	EZ	ESI	Dec	pct.	116.2	-	-	117.5
14:30	US	Change in Nonfarm Payrolls	Dec	k	400.0	-	-	210.0
14:30	US	Unemployment Rate	Dec	%	4.1	-	-	4.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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