

1 February 2022

## Eyeopener

### Solid GDP growth, consumption disappointed

In 4Q21 the GDP growth probably at 7.2% y/y and based on stockbuilding  
Upward surprise in German and Spanish inflation supported the euro, zloty stronger  
Yields in Europe and Poland higher, more stable in the USA  
Today PMIs in industry, Czech GDP

An upward surprise from HICP inflation in Germany (deceleration from 5.7% to 5.1% y/y vs expected 4.3%) and in Spain (deceleration from 6.6% to 6.1% y/y, instead expected 5.5%) triggered a clear increase of bond yields in Europe (10Y Bund yield again above zero) and overshadowed weaker than expected euro zone GDP in 4Q21 (+0.3% q/q vs expected 0.4%). The market for the first time priced-in full 25bp rate hike by the ECB before the end of 2022. It helped the EURUSD to rebound to 1.1225.

Markets were in optimistic mood supported by **comments from Fed**, which did not boost expectations for interest rate hike. Mary Daly (San Francisco Fed chair, currently non-voter) would prefer a rate hike already in March and then a rise of the main US interest rate to 1.25% at the end of this year. Her comment about the reduction of Fed balance sheet was however quite soft – it would be clearly signalled, with next adjustments less often than at every meeting and preferably in the background of monetary tightening by interest rates. Esther George (Kansas City Fed chair, voting) was talking about the potential benefits of keeping elevated balance sheet, would prefer to start reducing it faster (Jerome Powell said that it will start only after the first rate hike) and if it is aggressive, then it could allow to hike rates less aggressively. Thomas Barkin (Richmond Fed chair, non-voter) was convinced about the persistent demand strength in the US economy and said that in Friday's labour market report there may be weak employment due to the Covid-19 wave, but it would not change his assessment that the full employment has been virtually achieved.

**NBP governor Adam Glapiński** said that the data about economic climate and inflation suggest there is still large room for interest rate hikes and so the monetary tightening should continue. He also said the current wave of pandemic should not disrupt the economic recovery and declared that in case of worsening situation in Ukraine, the central bank "has tools to support economy and zloty".

The ruling Law and Justice proposed **Gabriela Masłowska as the candidate for the MPC** (after the resignation of earlier candidate Elżbieta Ostrowska). She is the member of parliament, the deputy head of the Public Finance Committee, holds PhD in economics. The main opposition party nominated Jakub Borowski, PhD in economics, covering monetary policy issues and chief economist of the Polish branch of Crédit Agricole, and former NBP analyst. The latest Sejm meeting when two candidates have to be approved (apart from Masłowska, PiS proposed earlier Wiesław Janczyk, MP, head of the Public Finance Committee) will be on 8-9 February, but candidates have to first pass a hearing by the Public Finance Committee, scheduled today at 1400CET.

**PMI for Polish manufacturing** declined to 54.5pts in January from 56.1pts in December, driven by lower subindices for output and new orders. Positive contribution to the headline index was delivered by longer delivery times and higher employment gauge. Companies were especially worried about rising costs and are thus raising their own charges. Output prices subindex rose to the highest level in three months. Lower PMI comes in line with other business climate indicators for Poland, suggesting some deceleration in economic growth.

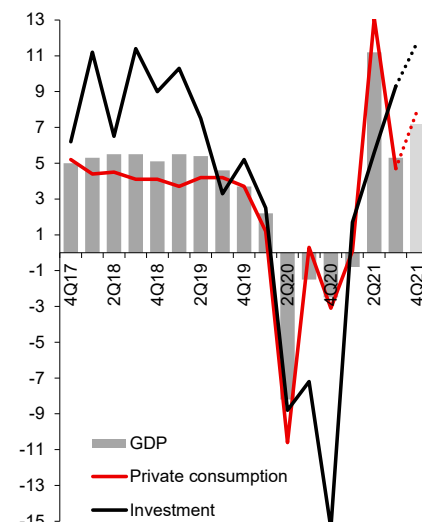
**Polish GDP** rose 5.7% in 2021 after -2.5% in 2020, slightly below our expectations (5.8%). The annual data implies that GDP growth reached 7.2% y/y in 4Q21. Seasonally adjusted GDP growth was probably slightly above 1% q/q. Private consumption advanced by 8.0% y/y, which is disappointing as it suggests that the seasonally adjusted q/q growth was close to zero or even negative. Investments rose almost 12% y/y, which is a bit less than we predicted, but still a solid result. The biggest contributor to GDP growth in 4Q was stockbuilding, which added more than 4pp. In turn, net exports deducted c.3pp. Overall, we find the GDP data somewhat disappointing. While the headline growth rate looks fine, the growth breakdown does not bode well going forward. Especially the weak result of consumption. We expect some slowdown in the following quarters, mainly due to weaker global expansion and tighter local monetary policy. More in [Economic Comment](#).

According to the document on **MPC voting results released today**, in November the motion to raise rates by 75bp was supported by all voters.

**EURUSD** rose by c.0.7% yesterday. The inflation data from some euro zone countries made the euro appreciate. EURPLN went up to 4.60 and after the GDP data release turned lower to the starting point of 4.58. We think that without signals of de-escalation of the Russian-Ukrainian conflict the fx rate may find it difficult to move any lower. The dollar weakness offered some room for other CEE currencies' gains. EURCZK was down 0.5% to 24.34, EURHUF by 1% to 355.3 and the ruble increased its gain since the middle of the last week vs. the dollar to c.2.2%.

**On the interest rate market**, in Poland the short end yields rose by around 20bp while the long end was up 8bp. IRS curve also went up with a larger move on the short end (7-10bp vs. 3bp at 10Y). In February the Ministry of Finance will hold one ordinary auction (on 24th, PLN3-6bn) and one switching auction (on 11th). BGK does not plan to issue any Covid bonds. In December foreign investors decreased their PLN-denominated government bond holdings by net PLN1.1bn (their share down from 15.5% to 15.2%) and banks by PLN3.2bn (share down from 55.8% to 54.7%), while central government and local government institutions made net purchases of over PLN9bn.

Polish GDP growth, % y/y



Source: GUS, Santander

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### FX market

Today's opening			
EURPLN	4.5780	CZKPLN	0.1880
USDPLN	4.0708	HUFPLN*	1.2883
EURUSD	1.1244	RUBPLN	0.0527
CHFPLN	4.3988	NOKPLN	0.4580
GBPPLN	5.4797	DKKPLN	0.6155
USDCNY	6.3605	SEKPLN	0.4370

\*for 100HUF

Last session in the FX market						31/01/2022
	min	max	open	close	fixing	
EURPLN	4.577	4.600	4.579	4.583	4.598	
USDPLN	4.083	4.122	4.101	4.088	4.115	
EURUSD	1.115	1.122	1.116	1.121	-	

### Interest rate market 31/01/2022

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.70	21
DS0726 (5Y)	4.12	6
DS0432 (10Y)	4.11	6

#### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.29	11	0.88	3	-0.42	3
2L	4.48	11	1.31	0	-0.12	7
3L	4.41	11	1.51	-2	0.07	6
4L	4.31	8	1.61	-3	0.17	7
5L	4.23	8	1.66	-1	0.23	7
8L	4.09	4	1.78	0	0.37	5
10L	4.02	0	1.84	1	0.46	5

#### WIBOR rates

Term	%	Change (bps)
O/N	2.03	-11
T/N	2.21	2
SW	2.31	1
2W	2.50	7
1M	2.63	3
3M	3.02	3
6M	3.47	3
1Y	3.67	2

#### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	3.59	0
3x6	4.41	6
6x9	4.69	9
9x12	4.71	11
3x9	4.71	10
6x12	4.92	11

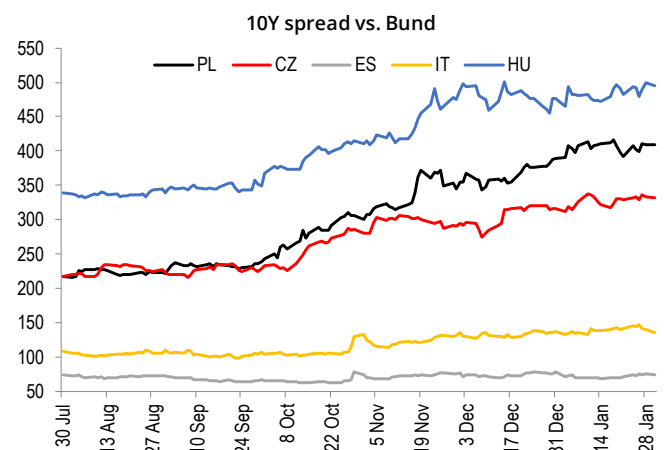
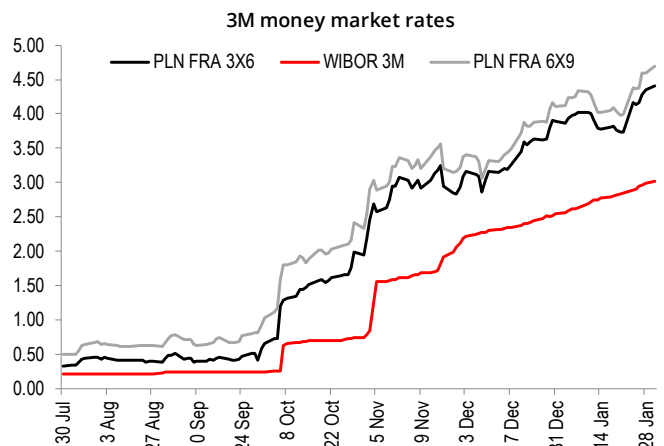
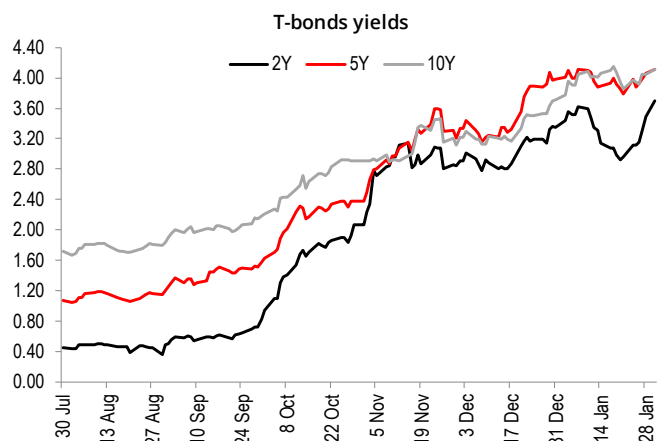
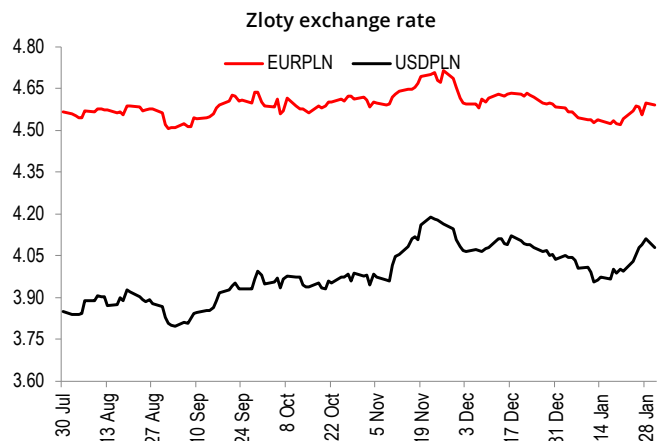
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	43	0	410	1
France	9	0	41	0
Hungary	53	0	495	-5
Spain	34	-1	74	0
Italy	46	-4	135	-4
Portugal	23	-2	66	-1
Ireland	10	0	50	-2
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		
<b>FRIDAY (28 January)</b>								
10:00	DE	GDP WDA	4Q	% y/y	1.8		1.4	2.5
11:00	EZ	ESI	Jan	pct.	114.5		112.7	115.3
14:30	US	Personal Spending	Dec	% m/m	-0.6		-0.6	0.6
14:30	US	Personal Income	Dec	% m/m	0.5		0.3	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.4		0.4	0.6
16:00	US	Michigan index	Jan	pts	68.8		67.2	70.6
<b>MONDAY (31 January)</b>								
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>2021</b>	<b>% y/y</b>	<b>5.5</b>	<b>5.8</b>	<b>5.7</b>	<b>-2.5</b>
11:00	EZ	GDP SA	4Q	% y/y	4.6		4.6	3.9
14:00	DE	HICP	Jan	% m/m	0.0		0.9	0.3
<b>TUESDAY (1 February)</b>								
08:00	DE	Retail sales	Dec	% m/m	-1.4		-5.5	0.6
09:00	CZ	GDP SA	4Q	% y/y	2.9		3.6	3.3
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Jan</b>	<b>pts</b>	<b>56.4</b>	<b>56.7</b>	<b>54.5</b>	<b>56.1</b>
09:55	DE	Germany Manufacturing PMI	Jan	pts	60.5		-	57.4
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	59.0		-	58.0
11:00	EZ	Unemployment Rate	Dec	%	7.1		-	7.2
16:00	US	ISM manufacturing	Jan	pts	58.0		-	58.7
<b>WEDNESDAY (2 February)</b>								
11:00	EZ	Flash HICP	Jan	% y/y	4.3		-	5.0
14:15	US	ADP report	Jan	k	208.0		-	807.3
<b>THURSDAY (3 February)</b>								
09:55	DE	Markit Germany Services PMI	Jan	pts	52.2		-	48.7
10:00	EZ	Eurozone Services PMI	Jan	pts	51.2		-	53.1
13:45	EZ	ECB Main Refinancing Rate	Feb/22	%	0.0		-	0.0
14:30	US	Initial Jobless Claims	Jan/22	k	265		-	260
14:30	CZ	Central Bank Rate Decision	Feb/22		4.5		-	3.75
16:00	US	Durable Goods Orders	Dec	% m/m			-	-0.9
16:00	US	ISM services	Jan	pts	59.6		-	62.3
16:00	US	Factory Orders	Dec	% m/m	0.1		-	1.6
<b>FRIDAY (4 February)</b>								
08:00	DE	Factory Orders	Dec	% m/m	0.0		-	3.7
09:00	HU	Industrial Production SA	Dec	% y/y			-	2.1
11:00	EZ	Retail Sales	Dec	% m/m	-0.5		-	1.0
14:30	US	Change in Nonfarm Payrolls	Jan	k	178		-	199
14:30	US	Unemployment Rate	Jan	%	3.9		-	3.9

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

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