

2 February 2022

Eyeopener

Companies optimistic in 1Q but worries grow

NBP Quick Monitoring Survey: strong wage pressure and risk of weak investment
 Zloty markedly stronger, EURUSD up
 Core market yields rebounded after a calm start of the day
 Polish PMI down
 Today inflation in the euro zone, ADP report

The dollar was still depreciating yesterday, equity markets rebounded, and in the second part of the day bond yields in core markets bounced up (10Y UST returned above 1.80%, Bund yield at close above zero and higher than on Monday). Market participants did not see a tightening of tone in another comment from the Fed (Philadelphia Fed's Patrick Harker still thinks that the economy needs four rate hikes by 25bp this year). US data proved to be quite good (manufacturing ISM in line with expectations, slightly lower than in December, but with surprising rebound in employment and cost components; JOLTS report for December with new vacancies 6% above expectations and historically low redundancies).

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.

Gabriela Masłowska, the Sejm's candidate to the MPC approved yesterday by the Public Finance Committee, said she sees further rate hikes possible, but small and cautious, and the MPC should wait for the results of already taken measures. In her view bringing inflation to the target should be gradual and cautious in order not to harm the economy. On Monday the Committee will hear the opposition's candidate Jakub Borowski and soon later one of those two candidates will be appointed by the Sejm.

Quick Monitoring, the quarterly survey among companies by the NBP, showed the record-high wage pressure amid all-time high new vacancies and solid employment plans. Half of surveyed firms pointed to high inflation as a reason for rising wage claims. Authors of the survey pointed however that the median of planned wage hikes remained unchanged. The report warns against possible cooling of investment activity in 1Q22 although it will not necessarily affect investment plans for the entire 2022. The results show deepening worries about firms' financial situation but also persistence of high demand forecasts for 2022.

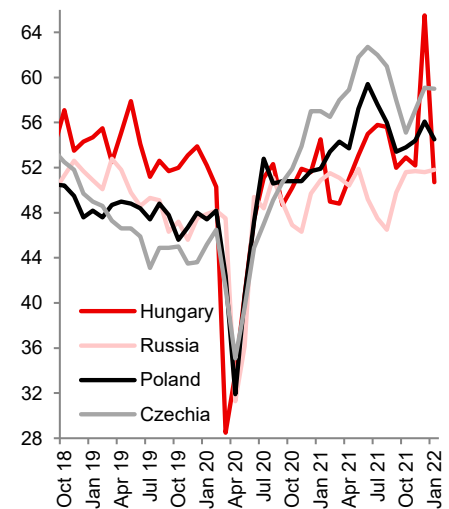
EURUSD extended the Monday rise slightly above 1.125, but at the end of the day returned to the level. We still think that within 1-2 months the FX rate should move below, but it may currently try to test 1.13 resistance first.

EURPLN hit a support level of 4.58 which kept it steady for most of the day, but in the evening it was broken and the pair quickly moved to 4.57. The zloty gained 0.4% vs. the euro yesterday and this was possible due to no signals from Fed confirming determination to quickly tighten monetary policy (which let the dollar lose some more value). Technically EURPLN decline might extend to 4.55, but we think that it may equally well choose to revisit the 4.60 neighbourhood.

Among other CEE currencies, the ruble gained similarly to PLN (USDRUB down to 76.6), the koruna strengthened by 0.2% vs. the euro and HUF was seen unchanged day-on-day at 355.6 vs. the euro. This is still a good result considering the large negative surprises in January PMIs from Czechia and Hungary.

On the interest rate market in Poland this time yields were moving up only on the short end and by less (+7bp) than on Monday. The IRS curve moved marginally higher, by 1-2bp and the shortest FRA contracts, 1x4 even dipped by 5bp.

Manufacturing PMIs in CEE region



Source: Markit, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 691 393 119
 Marcin Luźniński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.5706	CZKPLN	0.1879
USDPLN	4.0532	HUFPLN*	1.2731
EURUSD	1.1276	RUBPLN	0.0529
CHFPLN	4.4016	NOKPLN	0.4587
GBPPLN	5.4837	DKKPLN	0.6141
USDCNY	6.3605	SEKPLN	0.4380

*for 100HUF

Last session in the FX market						01/02/2022
	min	max	open	close	fixing	
EURPLN	4.560	4.589	4.581	4.569	4.582	
USDPLN	4.050	4.079	4.074	4.065	4.069	
EURUSD	1.123	1.128	1.124	1.124	-	

Interest rate market 01/02/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.75	5
DS0726 (5Y)	4.11	0
DS0432 (10Y)	4.06	-6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.32	3	0.86	-2	-0.42	0
2L	4.50	2	1.30	-1	-0.11	1
3L	4.41	0	1.51	0	0.09	2
4L	4.31	0	1.61	0	0.19	2
5L	4.24	1	1.67	1	0.26	2
8L	4.09	0	1.78	0	0.40	3
10L	4.05	3	1.84	0	0.49	3

WIBOR rates

Term	%	Change (bps)
O/N	2.16	13
T/N	2.20	-1
SW	2.34	3
2W	2.55	5
1M	2.65	2
3M	3.04	2
6M	3.50	3
1Y	3.71	4

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.60	1
3x6	4.44	3
6x9	4.75	6
9x12	4.76	5
3x9	4.78	6
6x12	5.00	8

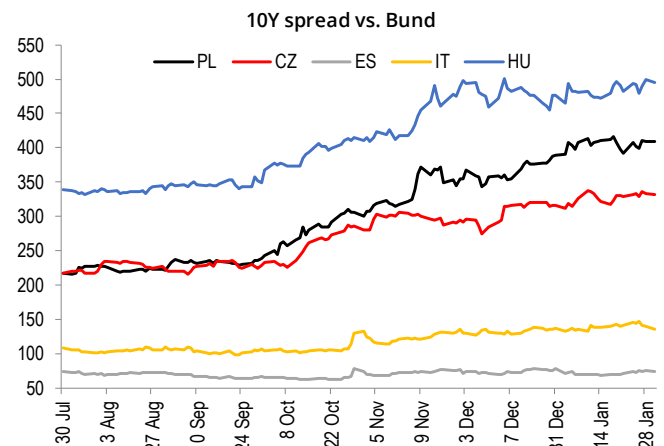
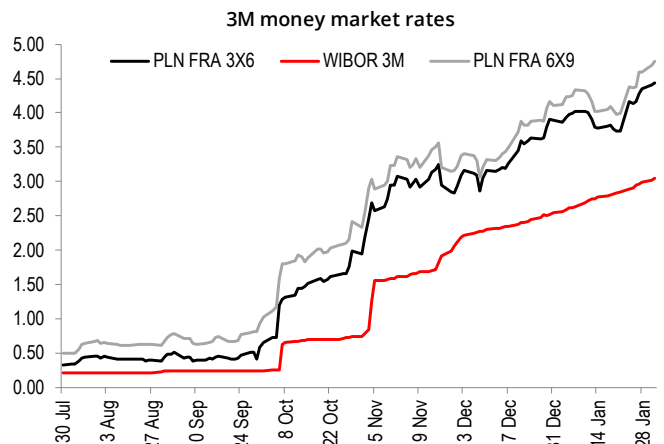
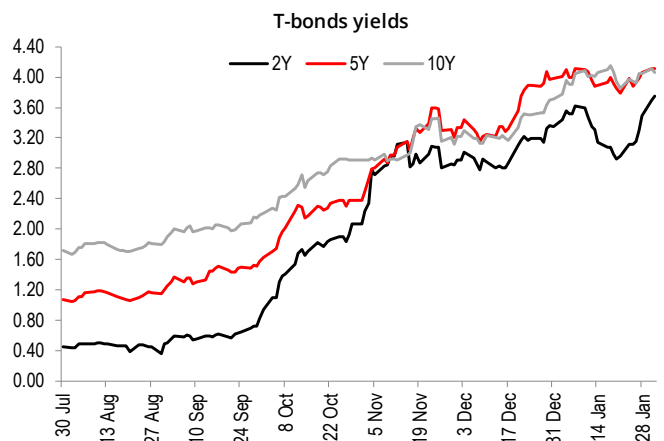
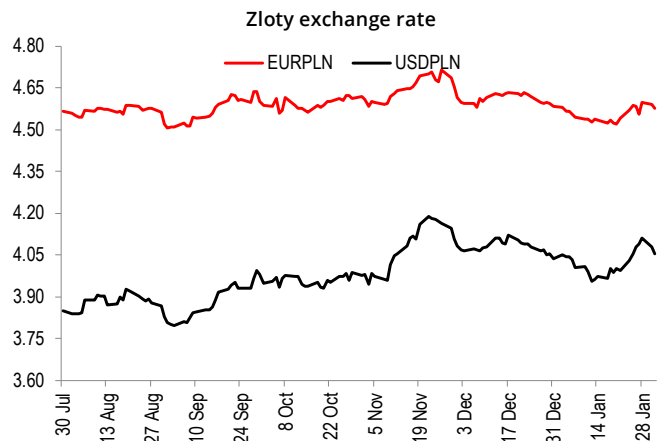
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	43	0	410	1
France	9	0	41	0
Hungary	52	0	495	-5
Spain	33	-1	74	0
Italy	46	0	135	-4
Portugal	23	1	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		
FRIDAY (28 January)								
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
MONDAY (31 January)								
10:00	PL	GDP	2021	% y/y	5.5	5.8	5.7	-2.5
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
TUESDAY (1 February)								
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
09:00	PL	Poland Manufacturing PMI	Jan	pts	56.4	56.7	54.5	56.1
09:55	DE	Germany Manufacturing PMI	Jan	pts	60.5		59.8	57.4
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	59.0		58.7	58.0
11:00	EZ	Unemployment Rate	Dec	%	7.1		7.0	7.2
16:00	US	ISM manufacturing	Jan	pts	58.0		57.6	58.7
WEDNESDAY (2 February)								
11:00	EZ	Flash HICP	Jan	% y/y	4.3		-	5.0
14:15	US	ADP report	Jan	k	208.0		-	807.3
THURSDAY (3 February)								
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
FRIDAY (4 February)								
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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.