

8 February 2022

# Eyeopener

## MPC decision day

Finance minister dismissed, PM temporarily takes over responsibilities  
 EURUSD still above 1.14, zloty trimmed Friday's losses  
 10Y UST yield remained near 1.92%, calm Polish debt market  
 Today MPC decision, expected 50bp rate hike

On Monday the European stock markets rebounded somewhat after last two negative sessions. US stock markets ended the day with minor losses. The ECB head Christine Lagarde, who surprised on Thursday with a hawkish message on monetary policy, spoke before the European Parliament and this time did not fuel expectations for a rate hike in the euro zone. 10Y UST yield remained at 1.92%, where it arrived after a 10bp increase on Friday. Bund added 2bp (yield reached +0.23%). EURUSD remained close to Friday's level (above 1.14) and so did the crude oil (about \$93 per barrel).

**NBP credit survey among loan officers** showed that banks' credit policy remained unchanged or was slightly loosened in 4Q21. Criteria for mortgage loans were tightened. Demand for loans was declining, which in our view was mostly caused by interest rate hikes and thus rising financing costs. Results of the survey supported out forecasts of the loan market development in 2022 – slowdown in loans for households and some acceleration for companies. Loans for companies some mitigation in criteria (especially for SME) or remained unchanged. Maximum loan quotes went down, non-interest costs and collaterals decreased, even though margins went up. Banks noticed rising demand from big companies, but decline from SME. According to the Survey, the higher demand for financing was mostly caused by need to finance working capital and investment. Expectations for 1Q22 point to a further rise in demand and some loosening of criteria. Mortgage loans saw a tightening and a major decline in demand. The latter was attributed to forecasts about the housing market development and changes in the households' economic conditions. Continuation of this tendency is expected in 1Q22. Decline in demand was also recorded in case of consumer loans, but these saw looser criteria: despite rising margins maximum loan quotes went up and non-interest costs went down.

Every two years GUS shows **detailed data on wages**. Yesterday it released a report for October 2020. While it does not tell us much about current trends, it is worth noting how the wage distribution has evolved. Median wage in national economy was PLN4703 in that period and was 14.8% higher than in the previous report covering October 2018. The new data also show that wages of low-earners were growing faster, e.g. the fifth percentile rose by 23.8%, the tenth one by 22.3% while the 90th one by 13.9% and the 95th one by 12.4%. According to GUS estimates the wage gap between women and men was 4.8% (to the benefit of men).

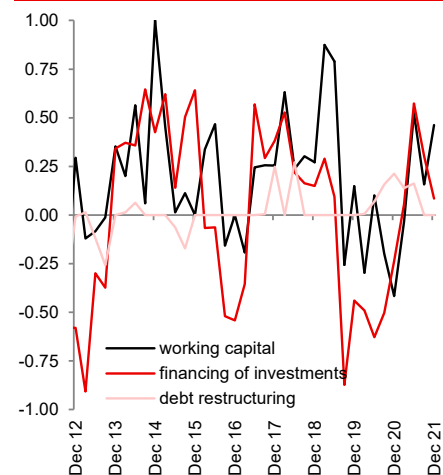
**Finance Minister Tadeusz Kościński resigned from office**. PM Mateusz Morawiecki will take over his responsibilities until the successor is appointed. According to deputy spokesperson of PiS many candidates are being considered and most likely it will be someone not the current cabinet.

**MPC candidate Jakub Borowski**, proposed by the opposition, did not get a positive opinion from the Public Finance Commission. His candidacy will be however up for a vote by the Sejm on Wednesday around 1500CET together with Gabriela Masłowska and Wiesław Janczyk (candidates of the ruling coalition). Borowski said during his hearing that the MPC should lift rates by 75bp now and continue hiking them in smaller steps until the main rate goes slightly above 4%.

**EURUSD** remained in the Friday trading range with a tendency to decline towards 1.14. The level seems to be the closest technical support. **EURPLN** ended the week above 4.56 but it was moving down for the whole Monday, to below 4.54 (0.7% in a day) which might have been understood as preparations of the market for today's MPC communication (recently the NBP governor said he prefers the zloty to be stronger). The tendency to appreciate was also seen on **other CEE currencies**: EURCZK dropped to around 24.2 where it had been already in the past week, so it remains close to the lowest levels in 10 years. EURHUF also tried (and failed) to deepen the low from before the weekend (close at 353.6). The ruble managed to achieve this and is currently the strongest vs. the dollar since the middle of January.

**The Polish interest rate market** was calm before today's MPC meeting, at which a 50bp rate hike is expected. Bond yield curve declined very slightly and most of IRS rates went down by c.6bp, with the exception of short end which declined 2bp. FRA rates also moved lower. We expect to see a correction after today's MPC decision, which may surprise by either lifting interest rates more than by 50bp or (which seems more likely) by a hawkish rhetoric after a 50bp rate hike.

Index of corporate credit demand by type,  
Senior Loan Officers' Survey



Source: NBP, Santander

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**FX market**

Today's opening			
EURPLN	4.5363	CZKPLN	0.1869
USDPLN	3.9796	HUFPLN*	1.2708
EURUSD	1.1396	RUBPLN	0.0528
CHFPLN	4.2948	NOKPLN	0.4507
GBPPLN	5.3769	DKKPLN	0.6093
USDCNY	6.3673	SEKPLN	0.4340

\*for 100HUF

Last session in the FX market						07/02/2022
	min	max	open	close	fixing	
EURPLN	4.533	4.558	4.558	4.537	4.555	
USDPLN	3.961	3.991	3.987	3.968	3.987	
EURUSD	1.141	1.146	1.143	1.143	-	

**Interest rate market** 07/02/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.63	-3
DS0726 (5Y)	3.98	2
DS0432 (10Y)	3.90	-1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.27	-2	0.98	0	-0.32	-3
2L	4.40	-5	1.46	0	0.13	-1
3L	4.31	-5	1.67	0	0.36	0
4L	4.19	-6	1.77	0	0.48	2
5L	4.11	-7	1.83	0	0.54	3
8L	3.95	-6	1.93	0	0.64	5
10L	3.92	-6	1.97	0	0.70	5

**WIBOR rates**

Term	%	Change (bps)
O/N	2.14	3
T/N	2.24	-3
SW	2.70	14
2W	2.75	7
1M	2.74	3
3M	3.13	2
6M	3.62	3
1Y	3.85	3

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

Term	%	Change (bps)
1x4	3.60	1
3x6	4.39	-1
6x9	4.63	-4
9x12	4.65	-5
3x9	4.64	-4
6x12	4.78	-6

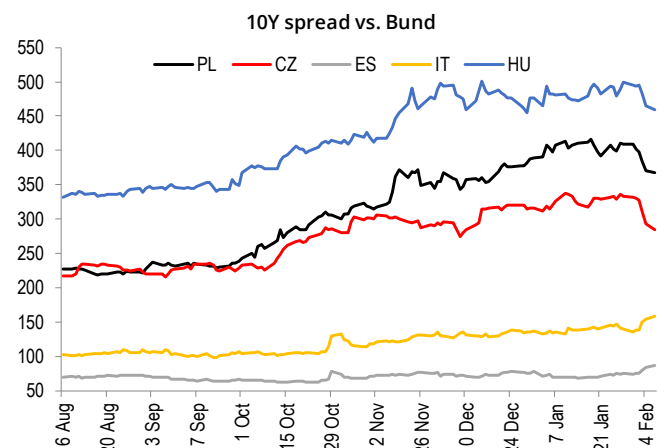
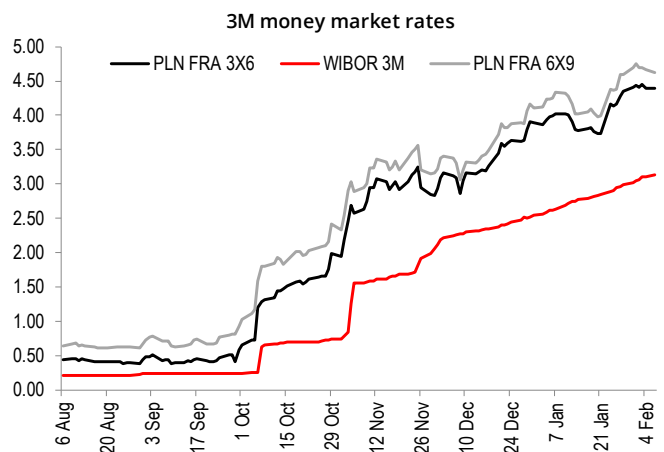
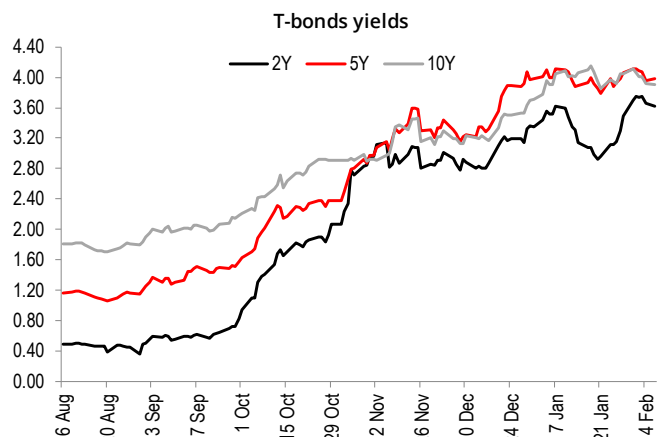
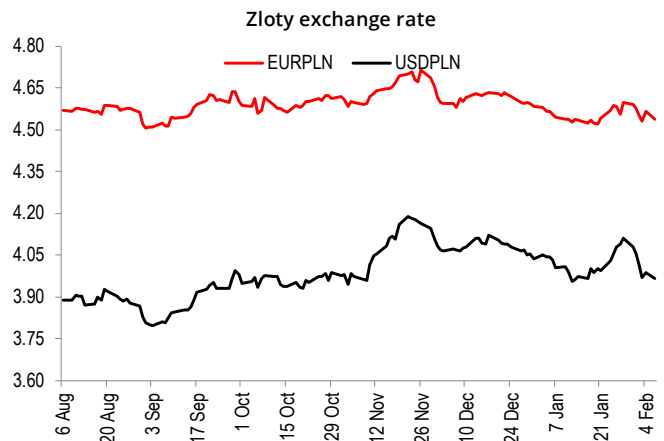
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	43	0	368	-3
France	9	0	45	1
Hungary	52	0	460	-6
Spain	40	2	87	2
Italy	53	-2	159	5
Portugal	28	1	80	3
Ireland	10	0	53	1
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 (4 February)</b>								
08:00	DE	Factory Orders	Dec	% m/m	0.3	2.8	3.7	
09:00	HU	Industrial Production SA	Dec	% y/y	3.5	3.6	2.1	
11:00	EZ	Retail Sales	Dec	% m/m	-0.9	-3.0	1.0	
14:30	US	Change in Nonfarm Payrolls	Jan	k	125	467	199	
14:30	US	Unemployment Rate	Jan	%	3.9	4.0	3.9	
<b>MONDAY (7 February)</b>								
02:45	CN	Caixin China PMI Services	Jan	pts	50.3	51.4	53.1	
08:00	DE	Industrial Production SA	Dec	% m/m	0.5	-0.3	-0.2	
09:00	CZ	Industrial Production	Dec	% y/y	4.0	0.4	4.5	
<b>TUESDAY (8 February)</b>								
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>2.75</b>	<b>2.75</b>	<b>-</b>	<b>2.25</b>
<b>WEDNESDAY (9 February)</b>								
08:00	DE	Exports SA	Dec	% m/m	-0.9	-	1.8	
<b>THURSDAY (10 February)</b>								
<b>14:00</b>	<b>PL</b>	<b>MPC minutes</b>	<b>4 Jan</b>					
14:30	US	CPI	Jan	% m/m	0.5	-	0.5	
14:30	US	Initial Jobless Claims	week	k	245	-	238	
<b>FRIDAY (11 February)</b>								
08:00	DE	HICP	Jan	% m/m	0.9	-	0.3	
09:00	HU	CPI	Jan	% y/y	7.35	-	7.4	
16:00	US	Michigan index	Feb	pts	67.3	-	67.2	

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

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