

18 February 2022

Eyeopener

Today a set of data from Poland

The ECJ or the Constitutional Tribunal

Today important data from January, including wages, output and PPI

Growing worries about situation in the east and prospect of weekend are likely to increase market volatility today

Today we will see a big data set from Poland: industrial production, labour market, PPI inflation. The results should be solid, confirming that economic activity at the start of 2022 remains strong, even though annual growth rates could be lower than in December. Our forecasts are quite close to market consensus. Industrial output in the last three months was clearly better than expected, and today is likely to exceed 10% y/y. Wage growth may decelerate just below 10% y/y, but it would be still result confirming strong wage pressure. Our estimates suggest that PPI growth may decelerate for the first time in many months (the previous deceleration took place in September 2000 at the level -0.4% y/y; since then PPI inflation has been rising to 14.2% y/y in December 2021). Even if there is no slowdown in January data, we think it is only a matter of months and PPI growth should descend for the better part of this year. January employment is, as always, not comparable with previous readings due to the change of sample, and thus is subject to high uncertainty.

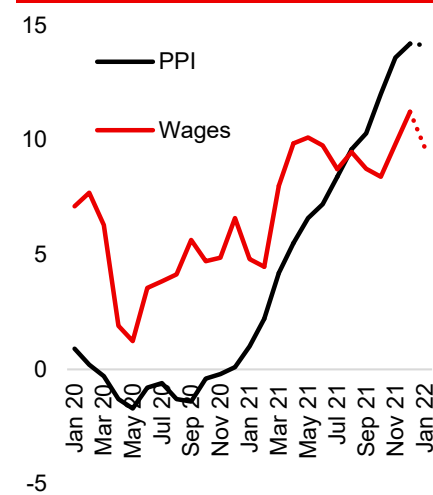
Worries about situation in Ukraine started rising again, but did not trigger such sudden market moves as last Friday and Monday. Equity markets fell c.1%, bond yields in core markets by c.6bp. EURUSD reacted quite gently (especially that comments favoured bigger move – Fed's Bullard sad about the need to raise rates to 2% while ECB's Lane and Hernández de Cos warned about overreaction to currently elevated inflation). We think that today may be another day of elevated market volatility. The weekend ahead, during which the conflict may potentially escalate, could favour nervous moves, similarly as last Friday (when zloty lost c.1% against euro).

The zloty will remain driven mostly by the geopolitical factor. The increase of tension on the markets, showing up on Thursday for example in EURPLN moving above 4.52 from 4.50, will most likely prevent the zloty from gaining significantly if today's data come stronger than expected. If there is an escalation of the conflict in the East it cannot be excluded that the local FX market will open next week at higher EURPLN levels than during the previous weekend. After the disillusion about the Russian claims about a pullback of troops from the Ukrainian border it is hard to imagine what sort of information could trigger risk-on sentiment today, needed to give the zloty a chance to return to 4.50.

Other CEE currencies: the forint lost 0.5% vs. the euro and during the day EURHUF was seen above 357 (not much below the tops reached at the end of the Monday sell-off). The Hungarian central bank kept the 1W deposit rate at 4.30% for the third week running. As the bank communicated earlier, the rate should be considered a ceiling for the main policy rate set during the meetings (since January 25 it is at 2.90% and on Tuesday next week is expected to go up by 50bp). The koruna was stable and the ruble remained in high-volatility mode, this time losing 1.5% to the dollar day-on-day.

The domestic interest rate market showed slightly lower yields and IRS rates than a day before. The same direction was chosen by core bond markets. Yet, it is hard to say that a directional trend is being shaped. As this week showed, the geopolitical tensions are leading rather to local interest rate market stability than to sudden large swings. The decline of yields and rates might be continued today if industrial output and/or wages surprise much to the downside. There may also be some impact if PPI inflation does not go up in the upcoming January reading, given that just three days ago we saw the first downside surprise in CPI inflation after watching its faster-than-expected growth for six months.

Corporate wages and PPI inflation, %y/y



Source: GUS, 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	4.5145	CZKPLN	0.1854
USDPLN	3.9700	HUFPLN*	1.2534
EURUSD	1.1368	RUBPLN	0.0524
CHFPLN	4.3249	NOKPLN	0.4462
GBPPLN	5.4242	DKKPLN	0.6079
USDCNY	6.3249	SEKPLN	0.4261

*for 100HUF

Last session in the FX market 17/02/2022

	min	max	open	close	fixing
EURPLN	4.494	4.529	4.513	4.526	4.509
USDPLN	3.947	3.988	3.973	3.982	3.969
EURUSD	1.134	1.139	1.136	1.136	-

Interest rate market 17/02/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.65	-2
DS0726 (5Y)	3.91	-4
DS0432 (10Y)	3.89	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.45	3	1.19	-2	-0.33	-1
2L	4.52	-1	1.67	-3	0.13	-4
3L	4.36	-4	1.83	-5	0.36	-3
4L	4.20	-6	1.88	-6	0.49	-4
5L	4.09	-8	1.91	-7	0.57	-4
8L	3.96	-8	1.99	-5	0.72	-3
10L	3.95	-6	2.02	-6	0.80	-2

WIBOR rates

Term	%	Change (bps)
O/N	2.58	2
T/N	2.70	4
SW	2.79	1
2W	2.80	1
1M	2.91	3
3M	3.43	4
6M	3.86	2
1Y	4.07	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.95	3
3x6	4.66	4
6x9	4.72	1
9x12	4.72	1
3x9	4.87	3
6x12	4.90	4

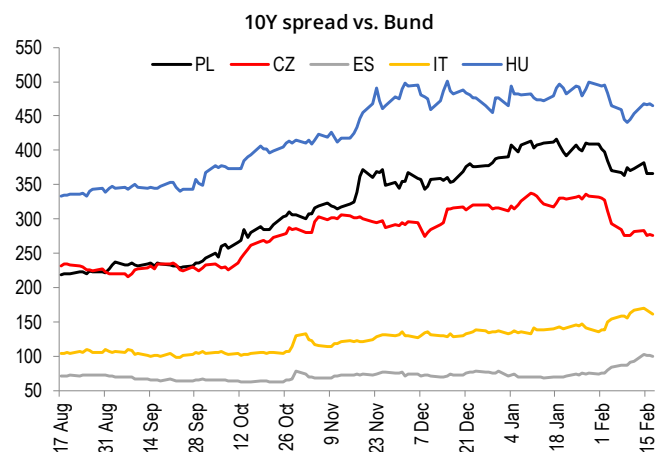
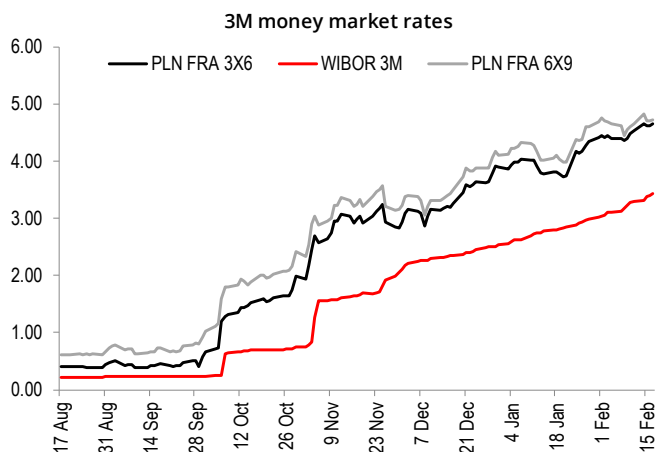
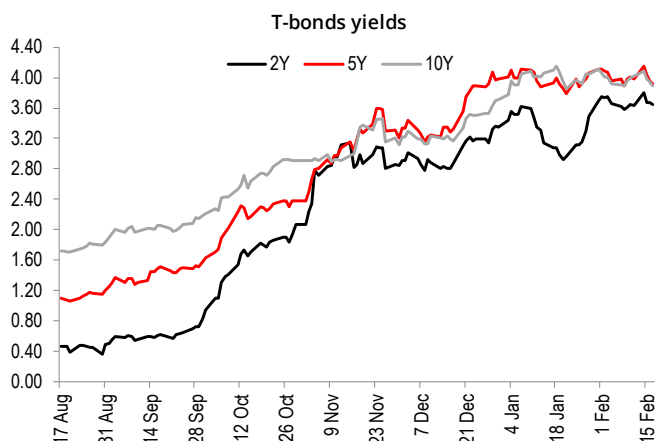
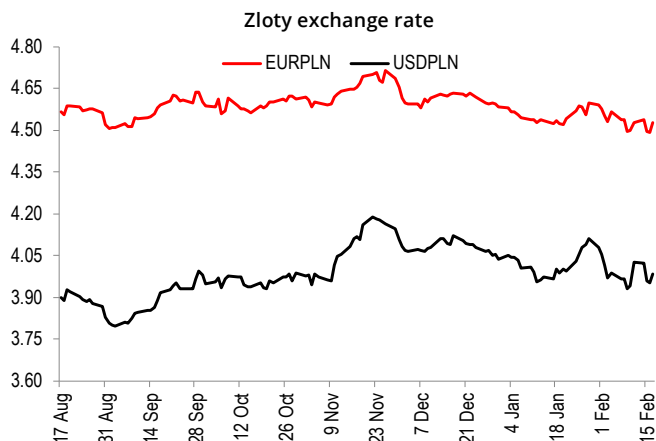
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	366	-1
France	9	0	48	0
Hungary	60	0	465	-3
Spain	41	0	99	-1
Italy	51	0	162	-2
Portugal	28	0	87	0
Ireland	11	1	57	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	LAST
				MARK ET	SANTANDER	VALUE	VALUE*
FRIDAY (11 February)							
08:00	DE	HICP	Jan	% m/m	0.9	0.9	0.3
09:00	HU	CPI	Jan	% y/y	7.3	7.9	7.4
16:00	US	Michigan index	Feb	pts	67.3	61.7	67.2
MONDAY (14 February)							
09:00	CZ	CPI	Jan	% y/y	9.3	-	6.6
14:00	PL	Current Account Balance	Dec	€mn	-2254	-2997	-3957
14:00	PL	Trade Balance	Dec	€mn	-1570	-1624	-242
14:00	PL	Exports	Dec	€mn	23941	24370	27414
14:00	PL	Imports	Dec	€mn	25745	25994	26644
TUESDAY (15 February)							
09:00	HU	GDP	4Q	% y/y	5.7	-	6.1
10:00	PL	CPI	Jan	% y/y	9.4	9.0	8.6
10:00	PL	GDP	4Q	% y/y	7.1	7.2	5.3
11:00	EZ	GDP SA	4Q	% y/y	4.6	-	4.6
11:00	DE	ZEW Survey Current Situation	Feb	pts	-6.5	-	-10.2
WEDNESDAY (16 February)							
9:00	PL	Constitutional Court on conditionality mechanism					
9:30	PL	ECJ on conditionality mechanism					
11:00	EZ	Industrial Production SA	Dec	% m/m	0.3	-	2.4
14:30	US	Retail Sales Advance	Jan	% m/m	2.0	-	-2.5
15:15	US	Industrial Production	Jan	% m/m	0.5	-	-0.1
20:00	US	FOMC Meeting Minutes	Jan/22				
THURSDAY (17 February)							
14:30	US	Housing Starts	Jan	% m/m	-0.4	-	1.4
14:30	US	Index Philly Fed	Feb		20.0	-	23.2
FRIDAY (18 February)							
10:00	PL	Employment in corporate sector	Jan	% y/y	1.7	2.0	0.5
10:00	PL	Sold Industrial Output	Jan	% y/y	14.7	13.6	16.7
10:00	PL	PPI	Jan	% y/y	14.4	14.1	14.2
10:00	PL	Average Gross Wages	Jan	% y/y	10.1	9.7	11.2
16:00	US	Existing Home Sales	Jan	% m/m	-1.3	-	-4.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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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.