

23 February 2022

## Eyeopener

### Business climate indicators improving

Today inflation data in the euro zone, Statistical Bulletin in Poland  
West introduces limited sanctions on Russia, situation still under observation  
Loan and deposit growth slowed in January  
Business climate indicators improved in February

**Today** not many significant data releases in the calendar: final January inflation in the Eurozone, Statistical Bulletin in Poland, including consumer confidence and jobless rate. The PM is to announce today easing of Covid restrictions. Developments in Ukraine remain the key factor shaping market sentiment. After Russia recognised the independence of separatists' republics sending there its army, the West is introducing sanctions. German Chancellor Olaf Scholz said that the certification of Nord Stream 2 pipeline has been put on hold, and later the US administration informed the project will never be completed. In the evening EU ambassadors agreed on a package of sanctions to be announced today. The US president also decided on introduction of sanctions. These are mainly targeted at the Russian financial sector and some individuals, but may be extended if Russia acts more aggressively. The Blinken-Lavrov and Biden-Putin meetings were cancelled.

**GUS business sentiment indicators** showed a bit higher optimism among companies in February, but all the sectoral indexes are still below their long-term averages. The largest improvement was seen in retail trade (+1.5pts), finance and insurance (+0.9pts). Pessimism rose only in transport (the index fell 1.5pts).

**M3 money supply** rose 7.7% y/y in January (c.1pp below our and market forecast). Deposits slowed down, both from households and companies (both had m/m growth below typical seasonality). On the other hand, deposits of local governments rose surprisingly strong, possibly due to the large subsidy from central budget paid at the end of 2021. On the credit side, there was a slowdown of the rebound observed in the last few months. Total loans adjusted for FX moves went from 4.5% to 4.1% y/y, loans of individuals from 5.3% y/y to 5.1% and corporate loans from 4.1% y/y to 3.3%. The flattening was seen in both consumer loans and mortgage loans.

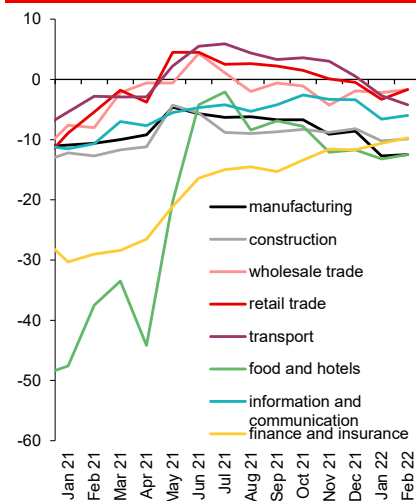
**MPC member Przemysław Litwiniuk** said that interest rate hikes should continue at gradual pace (50bp per month, as recently) and the target interest rate level is hard to define. In his view "the zloty may and should appreciate as it has room to do so". He also thinks that fiscal policy adjustment would help taming inflation.

**The zloty** was hesitant how to react to looming first sanctions against Russia, while many other markets decided this was a good reason to increase risk appetite (retreat from bonds, rebound in EURUSD, weaker CHF and JPY). EURPLN stopped above 4.54 but the flat session was not enough to escape the upward trend valid for a week. Declaration of limited set of sanctions can temporarily improve the risk appetite and support the zloty, we think, but further actions of Russia will be key. We cannot rule out that geopolitics will make EURPLN go to towards 4.60 again this week.

**CEE currencies** were not behaving the same way. USDRUB broke through 80 on Monday night, but did not try to repeat this development during the day and ended more or less unchanged and reacted positively to information about limited sanctions against Russia. The Czech koruna weakened at a similar scale as on Monday, so it has already lost 0.5% against the euro this week. Tomas Nidetzky from the Czech National Bank assessed that the main rate may approach 5% and at the end of the year rate cuts are possible. A similar scenario is priced-in by the interest rate market. As we have signalled, circumstances concerning yesterday's meeting of the Hungarian central bank offered some chance for a stronger forint and this was actually the case with EURHUF down by 0.4%. While the MNB hiked rates by 50bp as expected, the deputy prime minister Barnabas Virag announced that 1 week deposit rate (setting the upper limit for the reference rate) will go up by 30bp to 4.60% on Thursday. Virag added that all Hungarian central bankers agree monetary tightening has to be continued given elevated inflation risk.

**The Polish interest rate market** saw a bear flattener on the bond curve (2Y up by 7bp, 10Y up by 4bp). A similar move was witnessed on the German market, while in the USA only the front end moved up markedly. Polish swap curve moved horizontally up by 5bp. The Finance Ministry informed it will sell OK0724, PS0527, DS0432 and floating WZ1126 and WZ1131 at the Thursday auction. The monthly supply plan assumed a size of PLN3-6bn. The looming auction should be stabilising for the debt market.

Business climate indicators – seasonally adjusted, deviation from long-term average



Source: GUS, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
email: ekonomia@santander.pl  
website: [santander.pl/en/economic-analysis](https://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	4.5411	CZKPLN	0.1850
USDPLN	4.0102	HUFPLN*	1.2668
EURUSD	1.1322	RUBPLN	0.0509
CHFPLN	4.3481	NOKPLN	0.4509
GBPPLN	5.4471	DKKPLN	0.6098
USDCNY	6.3270	SEKPLN	0.4292

\*for 100HUF

Last session in the FX market						22/02/2022
	min	max	open	close	fixing	
EURPLN	4.531	4.555	4.536	4.548	4.542	
USDPLN	3.993	4.033	4.012	4.009	4.012	
EURUSD	1.129	1.137	1.130	1.134	-	

### Interest rate market 22/02/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	3.69	7
DS0726 (5Y)	3.97	13
DS0432 (10Y)	3.91	6

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.49	5	1.24	7	-0.32	2
2L	4.50	4	1.73	6	0.16	3
3L	4.31	5	1.86	7	0.40	6
4L	4.12	4	1.90	3	0.53	5
5L	4.00	3	1.91	2	0.60	4
8L	3.85	3	1.97	1	0.75	4
10L	3.85	5	1.99	-1	0.84	4

#### WIBOR rates

Term	%	Change (bps)
O/N	2.47	2
T/N	2.66	1
SW	2.78	-1
2W	2.80	0
1M	2.96	1
3M	3.48	1
6M	3.89	1
1Y	4.10	1

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

Term	%	Change (bps)
1x4	4.00	6
3x6	4.71	6
6x9	4.76	8
9x12	4.74	9
3x9	4.92	5
6x12	4.96	5

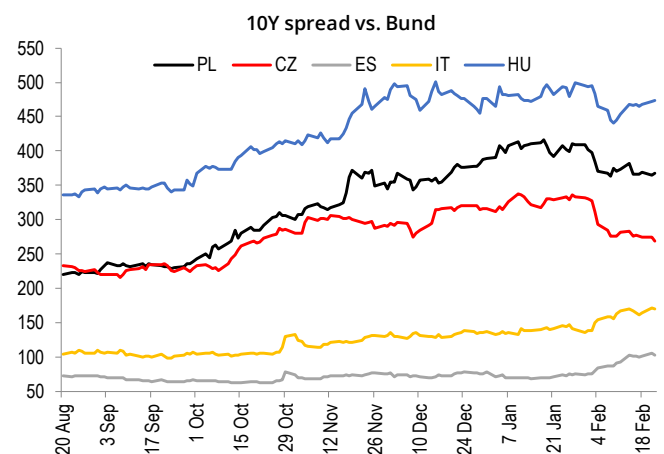
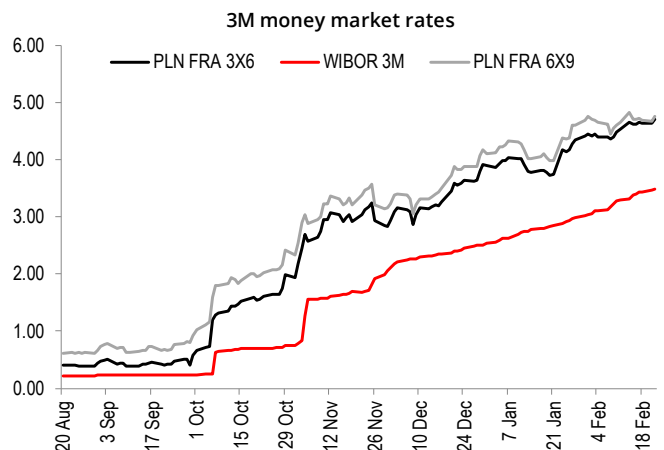
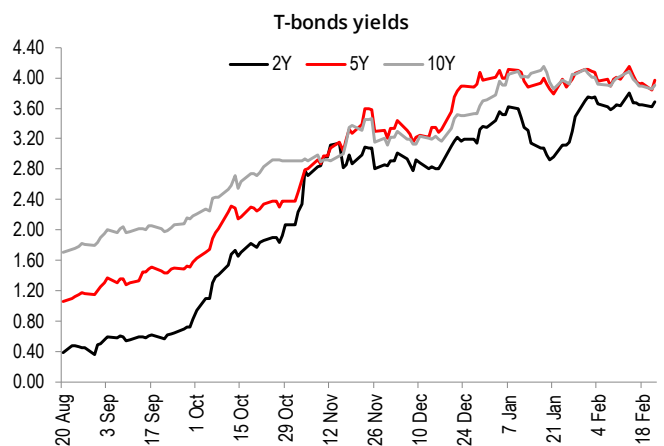
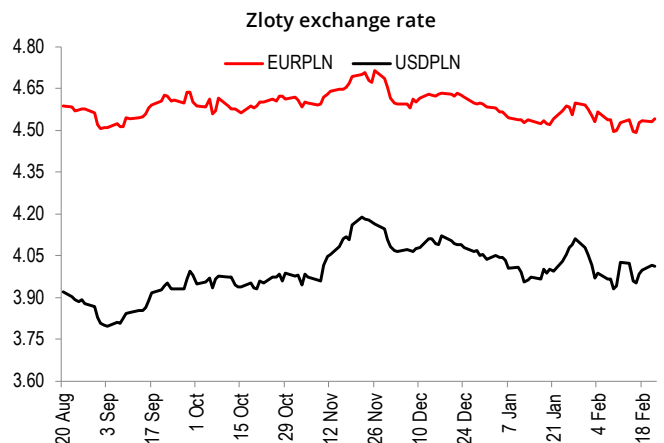
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	45	0	367	2
France	10	1	50	-2
Hungary	60	0	474	2
Spain	41	-1	103	-2
Italy	50	-2	169	-3
Portugal	29	0	91	-1
Ireland	9	-1	62	-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 (18 February)</b>								
10:00	PL	Employment in corporate sector	Jan	% y/y	1.9	2.0	2.3	0.5
10:00	PL	Sold Industrial Output	Jan	% y/y	13.5	13.6	19.2	16.7
10:00	PL	PPI	Jan	% y/y	14.6	14.1	14.8	14.4
10:00	PL	Average Gross Wages	Jan	% y/y	10.1	9.7	9.5	11.2
16:00	US	Existing Home Sales	Jan	% m/m	-1.3	-	6.7	-3.8
<b>MONDAY (21 February)</b>								
09:30	DE	Germany Manufacturing PMI	Feb	pts	59.4	-	58.5	59.8
09:30	DE	Markit Germany Services PMI	Feb	pts	54.0	-	56.6	52.2
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	58.6	-	58.4	58.7
10:00	EZ	Eurozone Services PMI	Feb	pts	52.3	-	55.8	51.1
10:00	PL	Construction Output	Jan	% y/y	4.3	2.9	20.8	3.1
10:00	PL	Retail Sales Real	Jan	% y/y	10.5	13.1	10.6	8.0
<b>TUESDAY (22 February)</b>								
10:00	DE	IFO Business Climate	Feb	pts	96.5	-	98.9	96.0
14:00	HU	Central Bank Rate Decision	Feb/22	%	3.40	-	3.40	2.90
14:00	PL	Money Supply M3	Jan	% y/y	8.6	8.7	7.7	8.9
16:00	US	Consumer Conference Board	Feb	pts	110.0	-	110.5	111.1
<b>WEDNESDAY (23 February)</b>								
10:00	PL	Unemployment Rate	Jan	%	5.6	5.6	-	5.4
11:00	EZ	HICP	Jan	% y/y	5.1	-	-	5.1
<b>THURSDAY (24 February)</b>								
14:30	US	GDP Annualized	4Q	% Q/Q	7.0	-	-	6.9
16:00	US	New Home Sales	Jan	% m/m	-0.3	-	-	11.9
<b>FRIDAY (25 February)</b>								
08:00	DE	GDP WDA	4Q	% y/y	1.4	-	-	1.4
11:00	EZ	ESI	Feb	pct.	113.0	-	-	112.7
14:30	US	Durable Goods Orders	Jan	% m/m	0.6	-	-	-0.7
14:30	US	Personal Spending	Jan	% m/m	1.5	-	-	-0.6
14:30	US	Personal Income	Jan	% m/m	-0.3	-	-	0.3
14:30	US	PCE Deflator SA	Jan	% m/m	0.6	-	-	0.4
16:00	US	Pending Home Sales	Jan	% m/m	-	-	-	-3.8

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.