

23 May 2022

Eyeopener

Strength of April's data

Today new important data for April: construction output and retail sales
Industrial output quite strong, wage growth and PPI growth very high in April
Zloty stronger with the potential to gain even more

Today we will see next data showing the condition of Polish economy at the start of 2Q22: construction production and retail sales. We expect a mild slowdown in construction output due to lower availability of materials and workforce, but if its scale proves consistent with forecasts, it will be another sign of economy's resilience to shocks. In case of retail sales, we see chances for a clear acceleration. We know that consumer labour income was still decent as average wage growth remained above CPI inflation. Moreover, consumer confidence slightly improved in April, due to some decrease in worries related to war in Ukraine.

April's production data showed some negative influence of the war in Ukraine and of the supply problems. On top of that, the result depended much less than in previous months on the controversial growth in energy production. Add to this the relatively strong employment growth, wage growth exceeding 14% y/y and PPI inflation jumping to over 23% y/y, and we have a picture of an economy that is not bending under the weight of tight monetary policy either in terms of real output or inflationary pressure. Moreover, in May companies were less worried about the impact of the war on the economy, but some sectors experienced a big increase in labour supply. Read more in our [Economic comment](#).

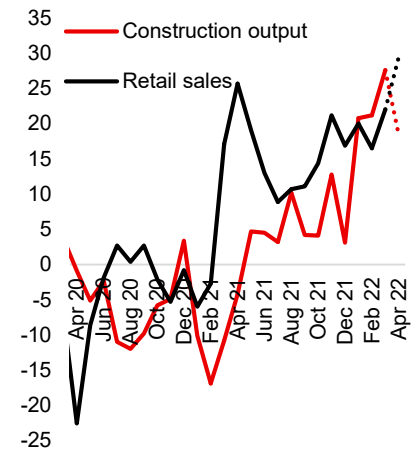
EURUSD remained in the range of 1.05-1.06. Growing expectations for rate hikes in Eurozone and weaker industrial data from US were the main drivers of the exchange rate recovery from about 1.04 in the last week. In coming days further upward move seems to be very likely.

EURPLN went down from 4.64 to 4.62 on Friday. Strong Friday industrial and labour market data boosted inflation expectations and investors' anticipation of interest rate hikes in Poland, which clearly supported the zloty. Today's retail sales data, the prospect of further steps towards unlocking the Recovery Fund later this week (possible parliament's approval of the bill liquidating the Supreme Court's Disciplinary Chamber on Wednesday-Thursday) and a possible further rise of the EURUSD should be conducive to a stronger zloty.

Other CEE currencies: EURCZK has remained slightly below 24.70 for the last few days showing a slight tendency of the Czech koruna to appreciate. Market concerns about the future monetary policy of the CNB are weighing on the koruna, limiting its potential appreciation. EURHUF also fell slightly on Friday to 383 from 384. The factors holding back the forint's appreciation are: uncertainty about the MNB's further policy, which signals a potential slowdown in the pace of rate hikes, and the fate of the proposed EU embargo on energy resources from Russia, which is strongly opposed by Hungary.

Debt market: the domestic curve rose slightly on Friday at the short end and eased marginally at the long end. A strong set of domestic data raised expectations for a domestic rate hike, but the potential upward movement in Polish yields was undermined by concerns in major markets about economic growth outlook, which were also shared by the domestic market. However, further strong domestic data this week and the looming prospect of Recovery Fund unblocking are likely to gradually start putting upward pressure on the domestic curve.

Selected economic activity data, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.6222	CZKPLN	0.1875
USDPLN	4.3628	HUFPLN*	1.1961
EURUSD	1.0598	RUBPLN	0.0727
CHFPLN	4.4932	NOKPLN	0.4492
GBPPLN	5.4616	DKKPLN	0.6216
USDCNY	6.6555	SEKPLN	0.4399

*for 100HUF

Last session in the FX market

20/05/2022

	min	max	open	close	fixing
EURPLN	4.620	4.645	4.644	4.623	4.637
USDPLN	4.373	4.395	4.393	4.380	4.383
EURUSD	1.054	1.060	1.057	1.056	-

Interest rate market 20/05/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.23	-1
DS0726 (5Y)	6.72	-6
DS0432 (10Y)	6.49	-8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.29	8	2.54	-1	0.38	-2
2L	7.02	6	2.84	-3	0.92	-5
3L	6.65	1	2.84	-7	1.13	-6
4L	6.39	-2	2.82	-5	1.26	-5
5L	6.19	-6	2.81	-4	1.36	-4
8L	5.93	-11	2.80	-6	1.56	-2
10L	5.86	-13	2.82	-6	1.68	-1

WIBOR rates

Term	%	Change (bps)
O/N	5.11	11
T/N	5.24	1
SW	5.33	0
2W	5.38	1
1M	5.62	2
3M	6.46	1
6M	6.69	1
1Y	6.80	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.90	4
3x6	7.26	6
6x9	7.38	11
9x12	7.33	9
3x9	7.43	6
6x12	7.52	6

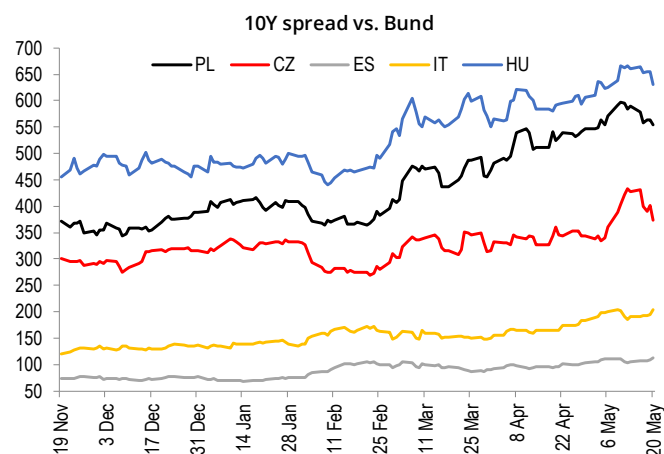
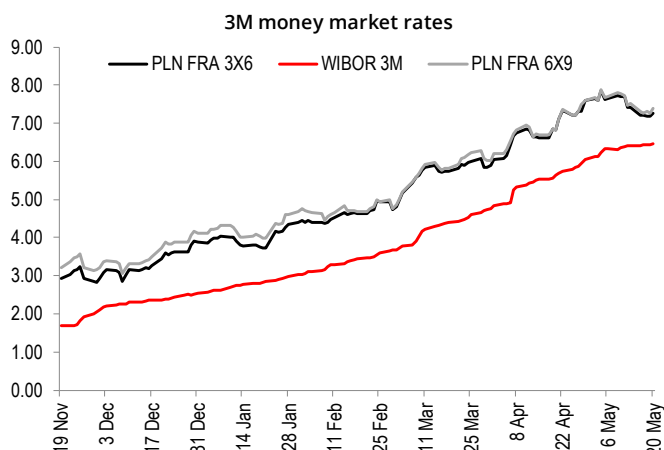
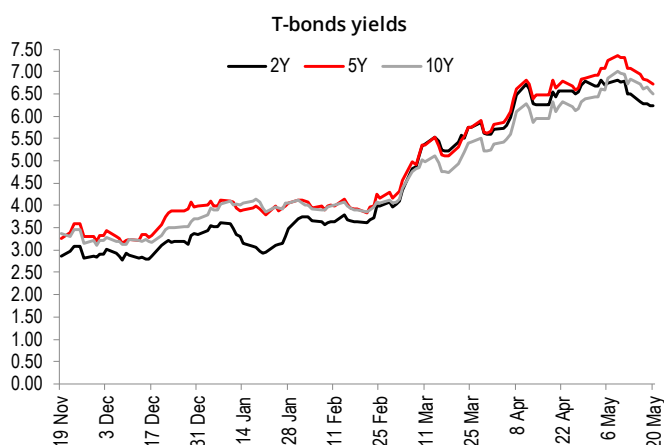
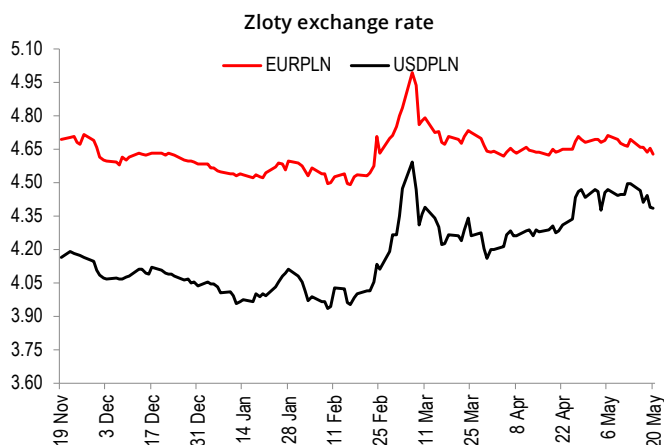
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	0	563	0
France	12	0	50	1
Hungary	130	0	655	-1
Spain	55	2	109	2
Italy	65	2	195	3
Portugal	43	2	116	2
Ireland	13	0	64	1
Germany	9	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

FRIDAY (20 May)								
10:00	PL	Employment in corporate sector	Apr	% y/y	2.7	2.8	2.8	2.4
10:00	PL	Sold Industrial Output	Apr	% y/y	14.5	12.3	13.0	17.3
10:00	PL	PPI	Apr	% y/y	20.3	20.5	23.3	20.0
10:00	PL	Average Gross Wages	Apr	% y/y	12.3	12.4	14.1	12.4
MONDAY (23 May)								
10:00	DE	IFO Business Climate	May	pts	91.4	-	-	91.8
10:00	PL	Construction Output	Apr	% y/y	18.9	18.5	-	27.6
10:00	PL	Retail Sales Real	Apr	% y/y	16.1	17.1	-	9.6
TUESDAY (24 May)								
09:30	DE	Germany Manufacturing PMI	May	pts	54.0	-	-	54.6
09:30	DE	Markit Germany Services PMI	May	pts	57.2	-	-	57.6
10:00	EZ	Eurozone Manufacturing PMI	May	pts	54.7	-	-	55.5
10:00	EZ	Eurozone Services PMI	May	pts	57.5	-	-	57.7
14:00	PL	Money Supply M3	Apr	% y/y	8.4	8.8	-	7.9
16:00	US	New Home Sales	Apr	% m/m	-1.7	-	-	-8.6
WEDNESDAY (25 May)								
08:00	DE	GDP WDA	1Q	% y/y	3.7	-	-	3.7
10:00	PL	Unemployment Rate	Apr	%	5.3	5.3	-	5.4
14:30	US	Durable Goods Orders	Apr	% m/m	0.6	-	-	0.8
20:00	US	FOMC Meeting Minutes	May,22					
THURSDAY (26 May)								
14:30	US	GDP Annualized	1Q	% Q/Q	-1.3	-	-	-1.4
14:30	US	Initial Jobless Claims	May,22	k	210.0	-	-	218.0
16:00	US	Pending Home Sales	Apr	% m/m	-1.9	-	-	-1.24
FRIDAY (27 May)								
14:30	US	Personal Spending	Apr	% m/m	0.6	-	-	1.1
14:30	US	Personal Income	Apr	% m/m	0.5	-	-	0.5
14:30	US	PCE Deflator SA	Apr	% m/m	0.2	-	-	0.9
16:00	US	Michigan index	May	pts	59.1	-	-	59.1

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

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