

Eyeopener

Awaiting the MPC

Today the MPC is to decide on interest rates, we are expecting +75bp
 Government plans to hike minimum wage twice in 2023 by 14.6% in total
 Today three nomination to seven strong CNB board, koruna volatile

Today Polish MPC meeting which will likely result in a rate hike. We expect to see +75bp, the same as in May. The signals coming from the economy since the last meeting have not been unequivocal from the point of view of monetary policy conduct, but in our view the decision will be influenced mostly by the surprisingly strong rise of core inflation (no official release for May yet, but the flash CPI print implies that it went from 7.7% y/y in April to 8.5% in May). Apart from this, in several previous months the scale of the NBP rate hikes was highly correlated with the monthly change of the annual growth rate of CPI and if we assume that the relationship still holds, then the May flash CPI print suggests a 75bp rate hike today.

After the Tuesday release of **worryingly poor data from German industry** about new orders in April (the second large m/m decline in a row despite expectations for a slight recovery), today we saw the industrial output data which also were a negative surprise.

Government spokesman Piotr Müller informed about a proposal to raise the **minimum wage** from 1 January from PLN3010 to PLN3383 (+12.4% y/y) and then on 1 July to PLN3450 (+14.6% y/y and +2.0% vs. the January hike). Such a scale of the increase would exceed the average wage growth in the economy we expect for this year and in 2023. As a consequence the minimum wage in 2023 would rise to more than a half of the average wage. The government has to propose a double increase in one year whenever the inflation forecast used in construction of the fiscal budget is above 5%. Deputy finance minister Piotr Patkowski said that the government anti-inflation shields that are to expire with the end of July will most likely be extended by three months.

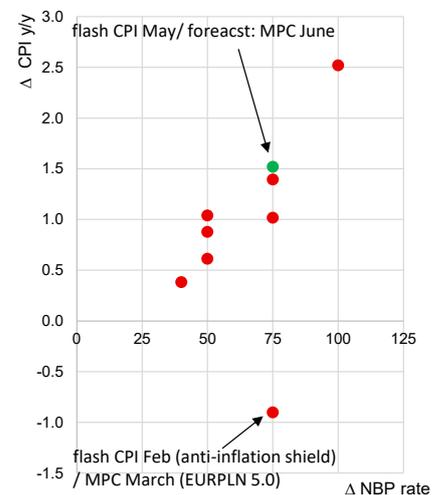
EURUSD continued to hold near 1.07. It seems that a directional rate signal will not appear until Thursday's ECB decision.

EURPLN, despite a temporary strengthening of the dollar during and after weak German data, ended the day around 4.58, below Tuesday's range. We see this as a sign that the market is preparing for a hawkish message. However, we may have to wait until the NBP President's conference to find out what the Council's intentions are going forward - the latest announcements did not contain any reformulations that would allow us to discern any changes in the MPC's approach, and Adam Glapiński was responsible for practically the entire communication. The decision itself, if it amounts to +75bp, should be neutral for the zloty. A smaller increase may send the exchange rate under 4.60, a bigger one will help to break below 4.57.

Other CEE currencies: EURCZK's further increase was triggered by the uncertainty relevant to the fact that the president's nomination ceremony for two members of the central bank's board, announced for today, did not invite term-ending Vojtech Benda (distinguished for his hawkish stance in monetary policy) and Tomas Nidetzky (supported all rate hikes so far in this tightening cycle). Both could remain on the board for a second term. A third appointment is also needed following the presidential decision to move current board member Ales Michl to head the CNB (this decision showed that Milos Zeman would prefer a softer monetary policy stance than before). A day before the publication of May inflation, the forint yesterday gave back some of the gains of the last days, but the EURHUF did not move above 390 in this move.

Debt market: the Polish curve still managed to move gently lower across the board, with the underlying debt markets going the same way this time, correcting slightly the recent strong gains in yields.

Interest rate hike vs change of CPI inflation rate (% y/y) vs previous month



Source: NBP, GUS, Santander

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FX market

Today's opening

EURPLN	4.5753	CZKPLN	0.1847
USDPLN	4.2798	HUFPLN*	1.1764
EURUSD	1.0690	RUBPLN	0.0705
CHFPLN	4.3916	NOKPLN	0.4507
GBPPLN	5.3750	DKKPLN	0.6148
USDCNY	6.6709	SEKPLN	0.4360

*for 100HUF

Last session in the FX market 07/06/2022

	min	max	open	close	fixing
EURPLN	4.574	4.593	4.587	4.582	4.586
USDPLN	4.273	4.304	4.293	4.283	4.294
EURUSD	1.065	1.071	1.068	1.070	-

Interest rate market 07/06/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.86	2
DS0726 (5Y)	7.05	3
DS0432 (10Y)	6.60	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.75	6	2.74	1	0.62	1
2L	7.58	8	3.07	0	1.28	-1
3L	7.29	8	3.09	-1	1.50	-2
4L	7.06	10	3.05	-2	1.62	-3
5L	6.92	13	3.02	-5	1.71	-3
8L	6.70	15	3.02	-6	1.89	-1
10L	6.64	16	3.04	-7	2.00	0

WIBOR rates

Term	%	Change (bps)
O/N	5.22	-13
T/N	5.36	-11
SW	5.99	9
2W	6.04	4
1M	6.07	2
3M	6.72	2
6M	6.97	3
1Y	7.08	6

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.17	6
3x6	7.68	5
6x9	7.91	11
9x12	7.90	10
3x9	7.88	5
6x12	8.07	11

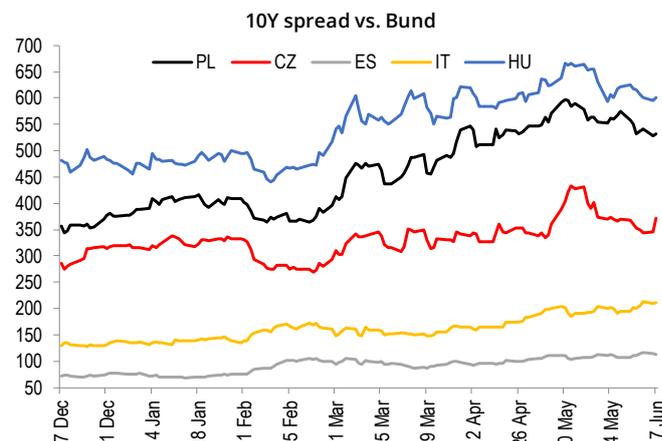
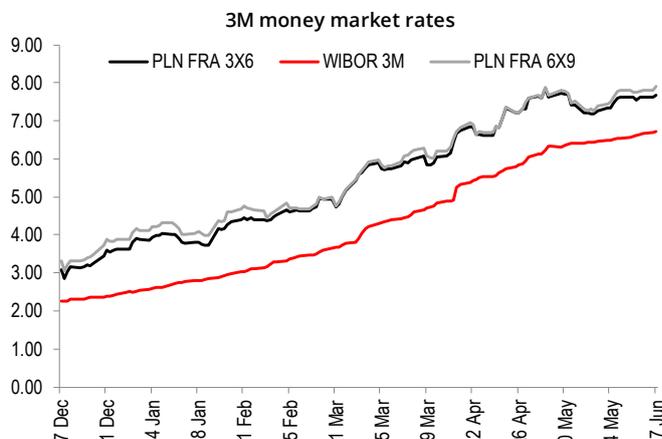
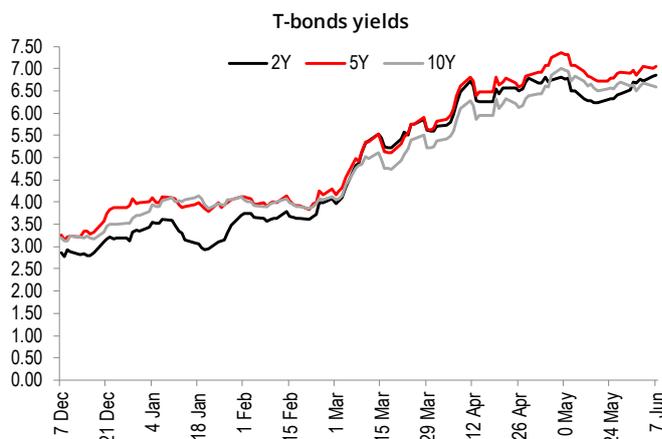
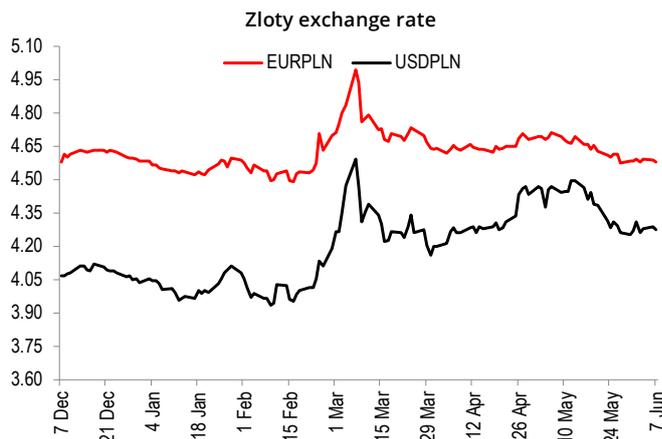
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	106	2	531	2
France	10	0	52	0
Hungary	135	5	601	6
Spain	55	3	112	-3
Italy	65	0	210	1
Portugal	43	0	117	-3
Ireland	13	0	58	3
Germany	8	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 (3 Jun)								
08:00	DE	Export	Apr	% m/m	1.0	-	4.4	-3.0
09:55	DE	Services PMI	May	pts	56.3	-	55.0	57.6
10:00	EZ	Services PMI	May	pts	56.3	-	56.1	57.7
11:00	EZ	Retail sales	Apr	% m/m	0.3	-	-1.3	0.3
14:30	US	Non-farm payrolls	May	k	325	-	390	436
14:30	US	Unemployment rate	May	pts	3.5	-	3.6	3.6
16:00	US	ISM Services	May	pts	56.5	-	55.9	57.1
MONDAY (6 Jun)								
03:45	CN	Services PMI	May	pts	46	-	41.4	36.2
09:00	CZ	Industrial output	Apr	% y/y	-1.6	-	-6.4	-1.4
TUESDAY (7 Jun)								
06:30	AU	RBA rate decision		%	0.68	-	0.85	0.35
08:00	DE	Factory orders	Apr	% m/m	0.4	-	-2.7	-4.2
WEDNESDAY (8 Jun)								
	PL	NBP rate decision		%	6.00	6.00	-	5.25
08:00	DE	Industrial output	Apr	% m/m	1.2	-	-	-3.9
09:00	HU	Industrial output	Apr	% y/y	-	-	-	4.2
09:00	HU	CPI	Apr	% y/y	-	-	-	9.5
11:00	EZ	GDP	1Q	% q/q	0.3	-	-	0.3
THURSDAY (9 Jun)								
13:45	EZ	ECB rate decision		%	0	-	-	0
14:30	US	Initial jobless claims	week	k	210	-	-	210
15:00	PL	Adam Glapiński's conference						
FRIDAY (10 Jun)								
09:00	CZ	CPI	May	% y/y	-	-	-	14.2
14:30	US	CPI	May	% m/m	0.7	-	-	0.3
16:00	US	Michigan consumer confidence	Jun	pts	59	-	-	58.4

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

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