

Eyeopener

Weaker domestic data, new round today

Today construction output and retail sales
 Czech National Bank to take decision on interest rates
 Weaker data from the domestic industry and labour market
 Bond yields and IRS slightly down, zloty stronger

Today the domestic data construction output and retail sales for May will be released. After yesterday's weaker industrial output and labour market data, investors will look to today's data for further confirmation of signs of a slowing economy in Poland.

MPC member Henryk Wnorowski said in an interview with PAP that stabilisation of CPI growth, followed by its trend reversal, will take place at the end of the summer holidays or soon after. In his opinion, this means that there is a room for at least two further rate hikes of 50-75 bps each. In turn, the first rate cuts should be possible already in 4Q23. As for the zloty, he said that the currency is currently weaker than fundamental factors would justify.

In May Polish **industrial output** rose by 15.0% y/y, but was clearly below expectations, confirming that the sector entered a slowdown period. May readings of employment and wages were also worse than had been expected. Interestingly, CPI growth outpaced the wage growth. We think the **labour market statistics** were affected by some Ukrainians returning home while others found jobs in Poland. PPI inflation reached 24.7% y/y in May and in our view is already close to the peak. Today's set of data shows that the economy is starting to slow down. Read more in our [Economic comment](#).

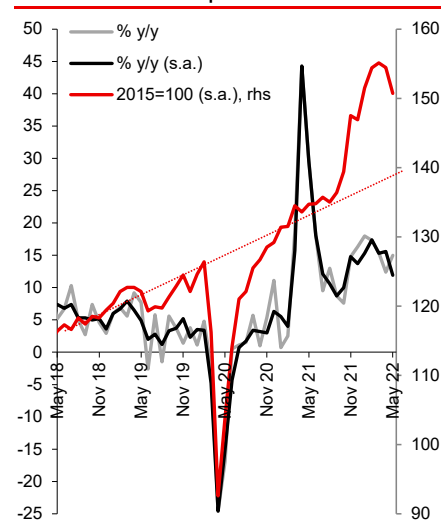
EURUSD remained in 1.05 - 1.06 zone. The factor limiting further rate increases is the uncertainty about the final shape of the new "anti-fragmentation" tool announced at the last week's unscheduled ECB meeting. After François Villeroy stated on Monday that its unlimited availability must be a factor that guarantees its effectiveness, on Tuesday Peter Kažimír and Olli Rehn emphasized the necessity of introducing conditionality to the new instrument and opposed the use of a single benchmark for assessing the acceptable scale of spreads deviations on the euro area debt market.

EURPLN declined from around 4.65 to 4.64. Attempts to go persistently below 4.63 were stymied by weaker-than-expected industrial output and labour market data, pointing to some possible waning of inflationary pressure in the economy, which also translated into a lowering of rate hike expectations in the FRA market. If today's data confirm signs of a gradual slowdown in the economy, further continuation of the zloty's appreciation will be difficult.

Other CEE currencies: EURHUF dropped from around 396 to 394. EURCZK rose from c.24.67 to 24.70. Today's CNB rate meeting will decide the koruna's trend for the next few days. We expect a 1pp interest rate hike. A lower scale of the move may fuel market concerns about the gradual end of the tightening cycle in Czechia and weaken the local currency.

Debt market: there was a marked strengthening of the domestic debt market on Tuesday. The yield curve fell by over 30bp and IRS rates by about 20bp. The weaker-than-expected domestic production and labour market data turned out to be the trigger for the correction from new year-to-date. If today's data are also disappointing, declines in yields and IRS rates are likely continue.

Polish industrial output



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
 Jarosław Kosaty +48 887 842 480
 Marcin Luziński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.6415	CZKPLN	0.1878
USDPLN	4.4223	HUFPLN*	1.1619
EURUSD	1.0495	RUBPLN	0.0822
CHFPLN	4.5682	NOKPLN	0.4449
GBPPLN	5.4049	DKKPLN	0.6238
USDCNY	6.7210	SEKPLN	0.4346

*for 100HUF

Last session in the FX market 21/06/2022

	min	max	open	close	fixing
EURPLN	4.625	4.649	4.641	4.634	4.646
USDPLN	4.385	4.418	4.410	4.395	4.392
EURUSD	1.051	1.058	1.052	1.055	-

Interest rate market 21/06/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	8.07	-29
DS0726 (5Y)	8.10	-35
DS0432 (10Y)	7.73	-42

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.34	-14	3.41	-1	1.05	0
2L	8.28	-19	3.59	0	1.82	-1
3L	8.00	-22	3.52	-4	2.06	-1
4L	7.78	-23	3.44	0	2.20	0
5L	7.64	-23	3.39	1	2.29	1
8L	7.45	-21	3.33	4	2.45	1
10L	7.39	-20	3.33	6	2.55	2

WIBOR rates

Term	%	Change (bps)
O/N	5.87	8
T/N	6.01	-1
SW	6.11	0
2W	6.18	0
1M	6.44	6
3M	6.94	3
6M	7.21	3
1Y	7.38	4

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.72	-10
3x6	8.31	-14
6x9	8.57	-18
9x12	8.57	-16
3x9	8.56	-24
6x12	8.77	-25

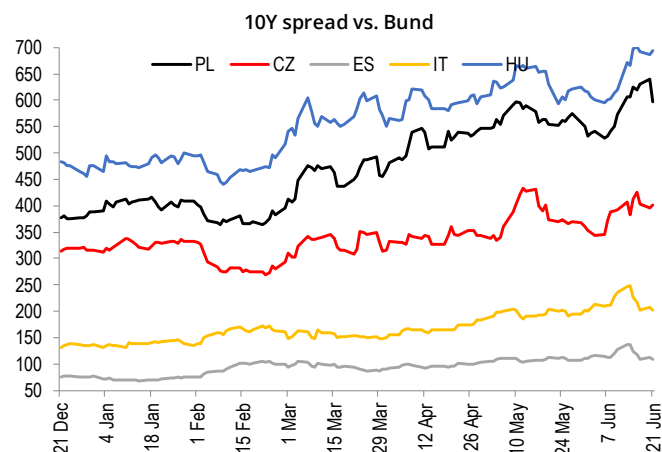
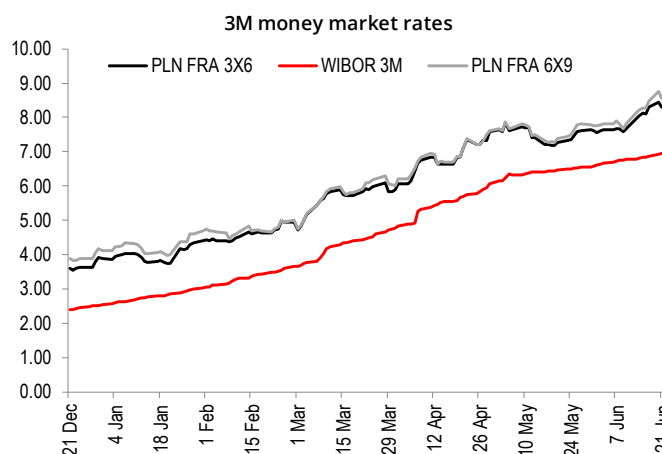
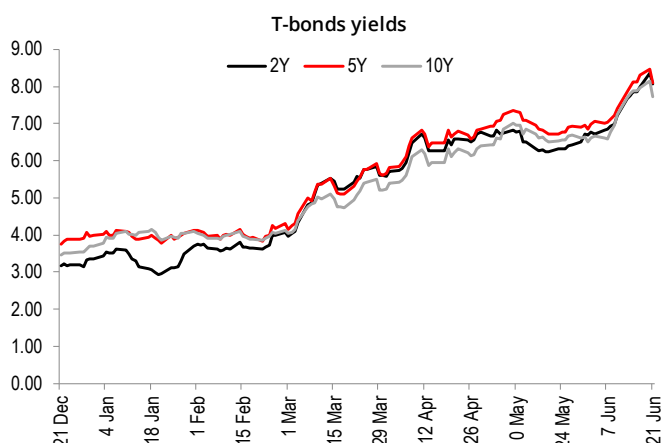
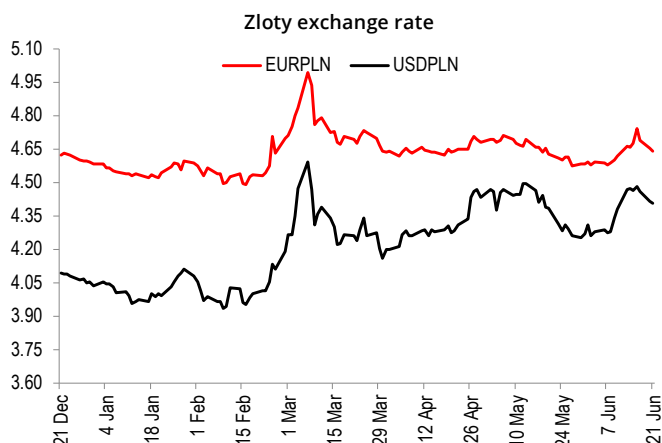
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	110	0	597	-43
France	10	0	56	-1
Hungary	154	3	695	8
Spain	53	-2	109	-4
Italy	58	-2	203	-4
Portugal	40	-2	105	1
Ireland	13	0	67	-1
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 (17 Jun)								
11:00	EZ	HICP	May	% y/y	8.1	-	8.1	8.1
14:00	PL	CPI Core	May	% y/y	8.5	8.5	8.5	7.7
15:15	US	Industrial Production	May	% m/m	0.4	-	0.2	1.4
MONDAY (20 Jun)								
	US	Market holiday						
TUESDAY (21 Jun)								
10:00	PL	Employment in corporate sector	May	% y/y	2.6	2.6	2.4	2.8
10:00	PL	Sold Industrial Output	May	% y/y	16.7	17.3	15	13
10:00	PL	PPI	May	% y/y	24.7	24.8	24.7	23.3
10:00	PL	Average Gross Wages	May	% y/y	15.0	14.5	13.5	14.1
16:00	US	Existing Home Sales	May	% m/m	-3.7	-	-3,4	-2.43
WEDNESDAY (22 Jun)								
10:00	PL	Construction Output	May	% y/y	8.0	8.6		9.3
10:00	PL	Retail Sales Real	May	% y/y	8.8	9.1		19
14:30	CZ	Central Bank Rate Decision		%	6.88	-		5.75
THURSDAY (23 Jun)								
09:30	DE	Flash Manufacturing PMI	Jun	pts	54.0	-		54.8
09:30	DE	Flash Services PMI	Jun	pts	54.5	-		55
10:00	EZ	Flash Manufacturing PMI	Jun	pts	53.8	-		54.6
10:00	EZ	Flash Services PMI	Jun	pts	55.5	-		56.1
14:00	PL	Money Supply M3	May	% y/y	8.2	7.8		8.2
FRIDAY (24 Jun)								
10:00	DE	Ifo Business Climate	Jun	pts	92.7	-		93
10:00	PL	Unemployment Rate	May	%	5.1	5.1		5.2
16:00	US	New Home Sales	May	% m/m	0.7	-		-16.6

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.