

25 August 2022

## Eyeopener

### Unemployment the lowest on record

Today Polish MPC and ECB minutes, US data, the start of the Jackson Hole event  
Record low prints of registered and LFS unemployment in Poland  
EURUSD sticks close to 1 ahead of tomorrow's Powell speech, zloty stable  
Interest rate market with rising rates

**Today**, the minutes of the Polish MPC meeting in July will be released. It was a quite important meeting, as it was the one where the MPC reviewed the new projections and made a dovish turn. However, we do not expect the minutes to add much to the assessment of the monetary policy outlook. Also, the ECB will publish the minutes of its last meeting. In the US, second release of 2Q GDP data, new jobless claims. In Germany, 2Q GDP was published in the morning, slightly revised up from the low flash estimate. In the evening, the Jackson Hole symposium starts and the expectations for this meeting have a major influence on the markets' behaviour. While awaiting this event, US yields are rising and dollar is strengthening. Yesterday's **US data were mixed**. Durable goods orders were worse than forecast, although this was mainly due to a weaker result of transport equipment, while data without this category was in line with forecasts. In contrast, pending home sales fell less than expected. However, the housing market data were the weakest since the start of the pandemic.

In Poland, the registered **unemployment rate** remained at 4.9% in July. In seasonally adjusted terms, however, it fell to 5.0% from 5.1% in June (the lowest ever, the same as the number of the unemployed). 7.1% of the newly registered unemployed were foreigners. A year earlier, they accounted for only 0.4% of this number. The LFS unemployment rate, on the other hand, fell to 2.6% in 2Q from 3.1% in 1Q and was the lowest on record. We expect that the economic slowdown may bring a slight increase in unemployment in the coming quarters.

Recent data indicate a **slump in the production of consumer durables**, particularly those related to home furnishings (cookers, TV sets, refrigerators). In our view, this is a consequence of the weakening of consumer demand in Poland and in Europe and the marked cooling of the housing market as a result of interest rate hikes. We believe that the situation in the market will not improve any time soon. We wrote more in [Economic Comment](#).

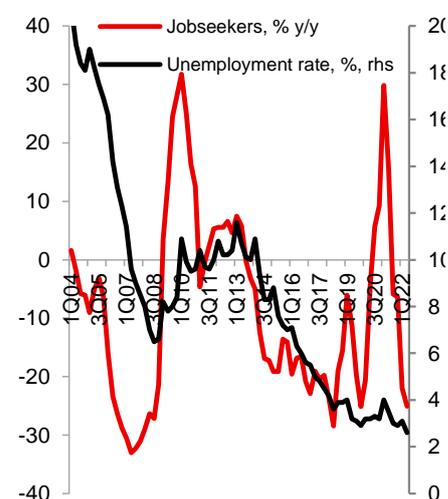
**Industrial new orders** rose by nearly 30% y/y in July for both total orders (29.8% y/y, June 16.8% y/y) and export orders (28.9% y/y, previously 20.9%). If one takes into account that PPI inflation was 24.9% y/y in the period, the result still suggests some improvement in demand. The GUS' synthetic business climate index showed a drop in July to 91.6 points from 92.2 points, where 100 points is the long-run average. This is its lowest reading since January 2021.

On Wednesday, the dollar strengthened against the euro despite the weaker-than-expected US factory orders data. It appears that the market is betting heavily on a hawkish message at the Jackson Hole conference. The **EURUSD** exchange rate slipped to 0.992 from around 0.996 at the start of the day, but returned to the 1.000 area this morning. US data and the ECB meeting minutes could be important for the exchange rate today.

In the first part of the session, the zloty weakened, with the **EURPLN** exchange rate rising from 4.77 at the opening to 4.785. Later, however, the zloty began to recover, despite the more expensive dollar and in the face of some improvement in market sentiment. At the end of the day, the euro cost just below 4.77 zlotys. The **forint** strengthened more markedly: the EURHUF fell to 410 from 414. The **Czech koruna**, on the other hand, was slightly stronger during the day, but by the end of the day was back to its opening level, around 24.65 per euro.

On Wednesday, the **debt market** followed the trends of the previous days, although rates rose less decisively. Yield on the Polish 2-year bond rose by 2bp and the 10-year bond by 7bp. In contrast, the IRS curve reacted much more strongly, moving up in parallel by 17bp, with asset swap spreads narrowing slightly. The market betted stronger on higher interest rates in Poland: FRA rates also rose, including the FRA9x12 rate by as much as 30bp.

LFS unemployment numbers



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.7612	CZKPLN	0.1912
USDPLN	4.7519	HUFPLN*	1.1646
EURUSD	1.0014	RUBPLN	0.0794
CHFPLN	4.9334	NOKPLN	0.4935
GBPPLN	5.6426	DKKPLN	0.6321
USDCNY	6.8468	SEKPLN	0.4506

\*for 100HUF

**Last session in the FX market 24.08.2022**

	min	max	open	close	fixing
EURPLN	4.7615	4.7874	4.7725	4.7690	4.7772
USDPLN	4.7651	4.8152	4.7922	4.7847	4.8029
EURUSD	0.9908	0.9999	0.9956	0.9966	-

**Interest rate market 24.08.2022**

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.30	14
DS0726 (5Y)	6.73	8
DS0432 (10Y)	6.39	5

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.71	17	3.78	3	1.41	5
2L	7.35	16	3.69	3	1.87	6
3L	6.87	14	3.50	4	1.95	5
4L	6.59	15	3.35	5	2.01	7
5L	6.44	13	3.26	6	2.05	8
8L	6.22	14	3.17	7	2.18	8
10L	6.19	14	3.17	6	2.26	8

**WIBOR rates**

Term	%	Change (bps)
O/N	6.28	-5
T/N	6.50	-2
SW	6.70	0
2W	6.78	1
1M	6.88	-2
3M	7.06	1
6M	7.30	0
1Y	7.44	0

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

Term	%	Change (bps)
1x4	7.37	7
3x6	7.60	18
6x9	7.75	24
9x12	7.63	28
3x9	7.85	33
6x12	7.82	25

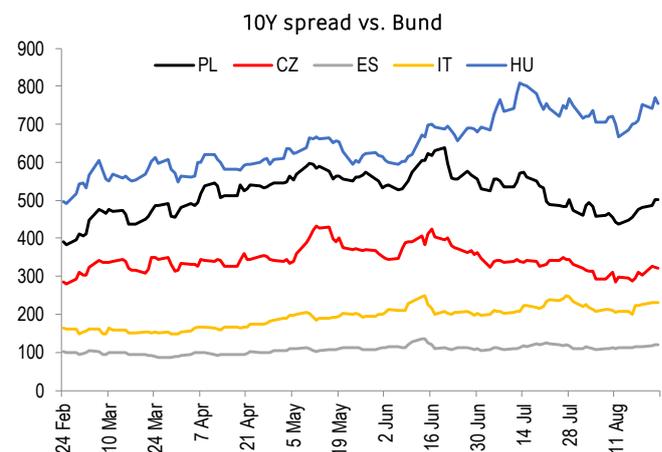
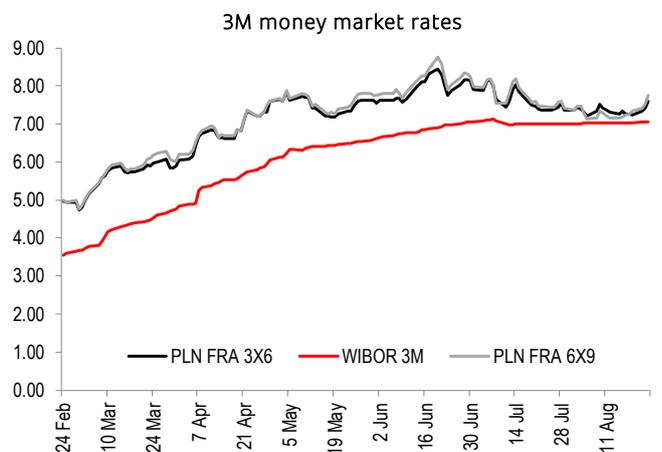
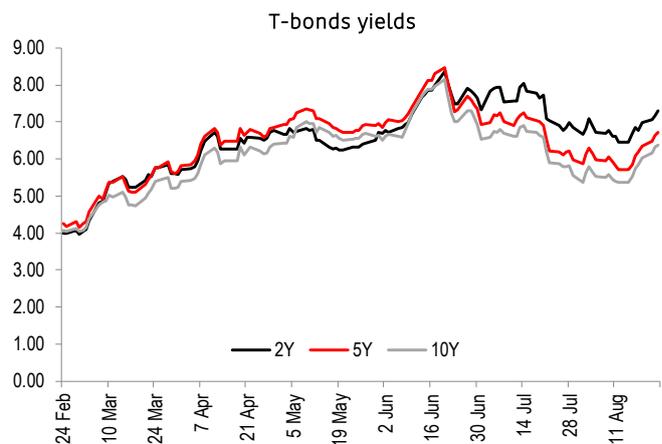
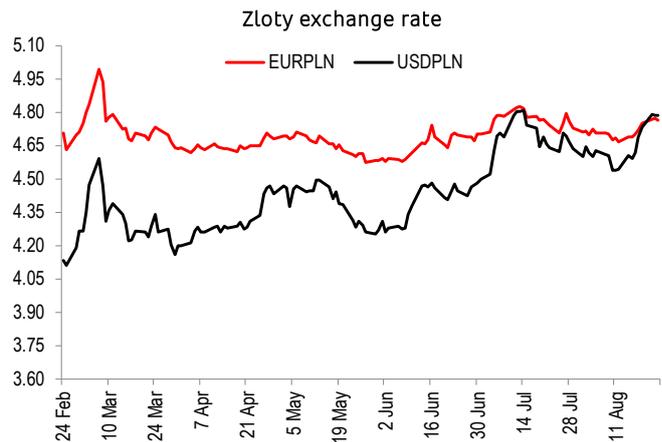
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	146	6	503	1
France	13	0	61	1
Hungary	184	0	755	-15
Spain	53	0	120	1
Italy	73	0	231	-1
Portugal	40	0	110	1
Ireland	14	1	63	1
Germany	13	1	-	-

\* 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 (19 August)</b>								
10:00	PL	Employment in corporate sector	Jul	% y/y	2.2	2.2	2.3	2.2
10:00	PL	Average Gross Wages	Jul	% y/y	13.3	13.5	15.8	13.0
10:00	PL	Sold Industrial Output	Jul	% y/y	7.4	7.5	7.6	10.4
10:00	PL	PPI	Jul	% y/y	25.6	26.0	24.9	25.6
<b>MONDAY (22 August)</b>								
10:00	PL	Construction Output	Jul	% y/y	5.6	6.2	4.2	5.9
10:00	PL	Retail Sales Real	Jul	% y/y	1.1	2.3	2.0	3.2
<b>TUESDAY (23 August)</b>								
09:30	DE	Germany Manufacturing PMI	Aug	pts	48.3		49.8	49.3
09:30	DE	Markit Germany Services PMI	Aug	pts	49.0		48.2	49.7
10:00	EZ	Eurozone Manufacturing PMI	Aug	pts	49.4		49.7	49.8
10:00	EZ	Eurozone Services PMI	Aug	pts	50.5		50.2	51.2
14:00	PL	Money Supply M3	Jul	% y/y	5.9	5.5	6.2	6.5
16:00	US	New Home Sales	Jul	% m/m	-1.7		-12.6	-7.1
<b>WEDNESDAY (24 August)</b>								
10:00	PL	Unemployment Rate	Jul	%	4.8	4.9	4.9	4.9
14:30	US	Durable Goods Orders	Jul	% m/m	0.6		0.0	2.0
16:00	US	Pending Home Sales	Jul	% m/m	-2.5		-1.0	-8.9
<b>THURSDAY (25 August)</b>								
08:00	DE	GDP WDA	2Q	% y/y	1.4		1.7	1.4
10:00	DE	IFO Business Climate	Aug	pts	86.9			88.6
14:30	US	GDP Annualized	2Q	% Q/Q	-0.9			-0.9
14:30	US	Initial Jobless Claims		k	263.5			250.0
<b>FRIDAY (26 August)</b>								
14:30	US	Personal Spending	Jul	% m/m	0.3			1.1
14:30	US	Personal Income	Jul	% m/m	0.6			0.6
14:30	US	PCE Deflator	Jul	% m/m	0.1			1.0
16:00	US	Michigan index	Aug	pts	55.1			55.1

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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