

20 September 2022

## Eyeopener

### Polish corporate wages in focus

Today important Polish data regarding labour market and industry  
 10Y UST yield breached 3.5%, setting this year's high  
 EURPLN and local bond yields were stable awaiting local data and Wednesday FOMC

**Today** marks the start of a series of important macroeconomic data releases from Poland. This morning we will get to see statistics on employment in the corporate sector, wages and salaries, as well as industrial production and producer prices. Among these, wages and producer prices seem to be key, as they may give a hint on the outlook for consumer inflation, the possible weakening or intensification of wage-price pressures in the domestic economy (both we and the market considered July's acceleration in wages to be a one-off phenomenon). In both wages and PPI we expect lower readings than the July outcomes. China's central bank, as expected, did not change the one-year and five-year lending rates today. What did surprise was the German PPI inflation, which instead of stalling around the previous reading at 37.1% y/y jumped to 45.8% (+7.9% m/m).

The Minister for Development and Technology, Waldemar Buda, announced at a press conference that around **two-thirds of households were below 2000 kWh energy consumption in 2021 and thus are likely to see no rise in electricity prices in 2023**. The complete draft bill on the guaranteed price of electricity is expected to be presented within 1-2 weeks.

According to the Border Guard, the balance of arrivals and departures of Ukrainians since the beginning of the war is c.1.8 million. According to a study by the University of Warsaw's Centre for East European Studies and the EWL Group, **almost half of Ukrainian refugees (48%) intend to stay in Poland** for at least one more year after the end of the war. A quick return to Ukraine is planned by 22% of refugees staying in Poland and 12% intend to leave Poland for a country other than Ukraine. The presence of Ukrainians, according to us, reduces wage pressure and staff shortages in certain sectors.

**ECB Vice President Luis de Guindos** said that the number of rate hikes made by the ECB will depend on economic data. **ECB chief economist Philip Lane** said that the central bank will have to raise rates both this year and next, which will certainly dampen demand and hurt consumers. In his view, the ECB has no choice, because unlike 6-9 months ago, the main source of inflation is not supply factors but demand factors. He added that the Eurozone economy is expected to slow down or even fall into recession over the winter due to high energy commodity prices and possible gas shortages.

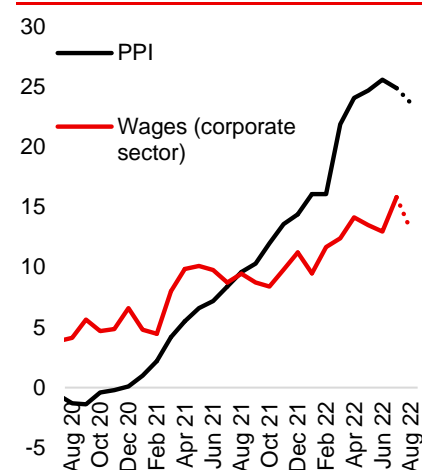
**EURUSD** has been balancing around parity for several days. Hawkish statements by ECB members have not been able to send the rate higher. It is awaiting Wednesday's decision by Fed and the "dot plot" showing the FOMC members' desired interest rate level. Until then, the situation on this currency pair is unlikely to change significantly.

**EURPLN** continued to move around the 4.71-4.72 zone, and the rate needs a stronger impulse to move clearly away from it. It seems to us that given the preponderance of dovish tones coming from the MPC, the impulse is more likely to come from global markets.

**Other CEE currencies: EURHUF** fell to around the 400 level from 404 at the beginning of the week. Despite the EC's highly unfavourable recommendation for Hungary to freeze selected cohesion funds, the forint managed to strengthen on Monday thanks to assurances from the Hungarian authorities that all EU demands will be met. **EURCZK** held steady around the 24.50 level. CNB board member Jan Frait said that while he assumes that interest rates will remain at elevated levels for an extended period, it is difficult to find reasons for adding to the current cycle of increases. In his view, recent inflation data may have set the peak and he considers a possible further increase in inflation unlikely.

**Debt market:** Domestic yield curve and IRS remained stable on Monday. Today's releases of Polish macroeconomic data should stimulate volatility in the domestic market. In the main markets, German yields rose, US 10-year government bond yield exceeded the 3.5% level, setting a new one-year peak.

Polish corporate sector wages and PPI inflation, % y/y, with our forecast for August



Source: GUS, Santander

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### FX market

#### Today's opening

EURPLN	4.7162	CZKPLN	0.1923
USDPLN	4.7066	HUFPLN*	1.1763
EURUSD	1.0021	RUBPLN	0.0781
CHFPLN	4.8714	NOKPLN	0.4586
GBPPLN	5.3702	DKKPLN	0.6345
USDCNY	7.0133	SEKPLN	0.4351

\*for 100HUF

#### Last session in the FX market 19.09.2022

	min	max	open	close	fixing
EURPLN	4.7033	4.7196	4.7167	4.7131	4.7142
USDPLN	4.6997	4.7347	4.7205	4.7116	4.7255
EURUSD	0.9964	1.0017	0.9992	1.0002	-

### Interest rate market 19.09.2022

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.60	1
DS0727 (5Y)	6.51	2
DS0432 (10Y)	6.13	0

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.43	-3	4.43	6	2.29	7
2L	7.08	-1	4.30	7	2.59	9
3L	6.64	0	4.06	7	2.56	7
4L	6.37	0	3.87	6	2.54	7
5L	6.25	0	3.76	5	2.54	7
8L	6.04	0	3.59	5	2.53	4
10L	6.00	-2	3.54	4	2.57	5

#### WIBOR rates

Term	%	Change (bps)
O/N	6.84	11
T/N	6.93	22
SW	6.96	9
2W	6.97	6
1M	7.01	1
3M	7.15	0
6M	7.32	0
1Y	7.46	0

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

Term	%	Change (bps)
1x4	7.25	2
3x6	7.40	6
6x9	7.40	6
9x12	7.22	2
3x9	7.56	6
6x12	7.53	3

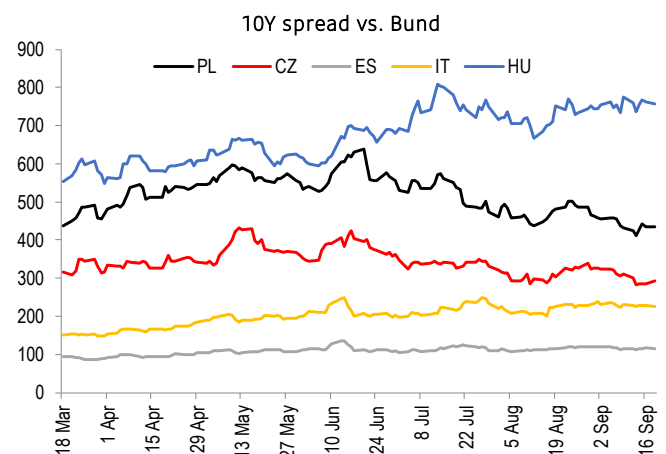
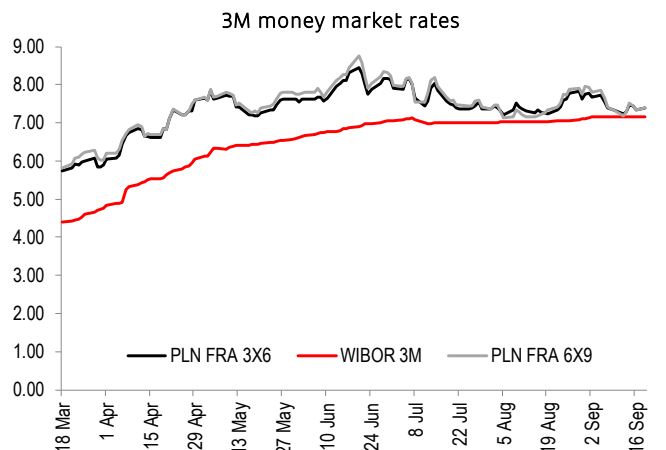
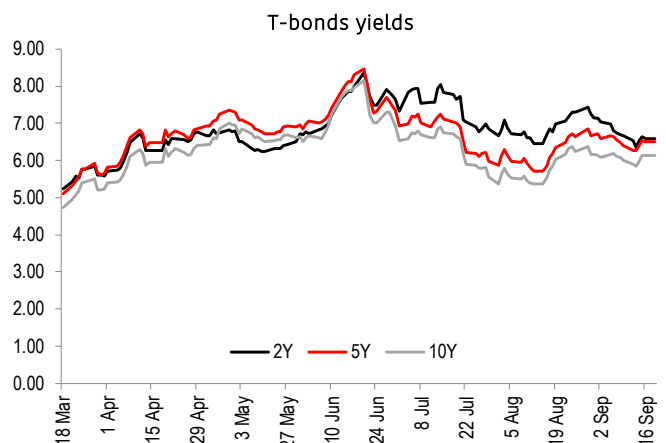
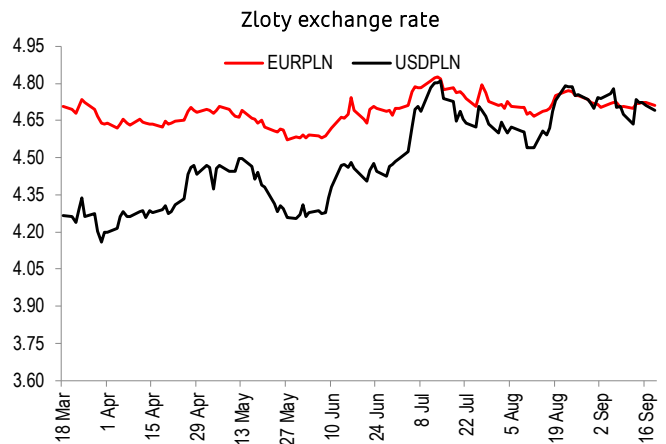
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	135	0	434	-2
France	13	0	55	0
Hungary	179	0	757	-5
Spain	53	0	115	-2
Italy	65	0	226	-2
Portugal	40	0	106	-1
Ireland	15	0	61	3
Germany	13	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 (16 September)</b>								
11:00	EZ	HICP	Aug	% y/y	9.1	-	9.1	8.9
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>Aug</b>	<b>% y/y</b>	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>	<b>9.3</b>
16:00	US	Michigan index	Sep	pts	60.0	-	59.5	58.2
<b>MONDAY (19 September)</b>								
No key economic events and publications								
<b>TUESDAY (20 September)</b>								
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Aug</b>	<b>% y/y</b>	<b>2.4</b>	<b>2.5</b>	-	<b>2.3</b>
<b>10:00</b>	<b>PL</b>	<b>Sold Industrial Output</b>	<b>Aug</b>	<b>% y/y</b>	<b>10.1</b>	<b>12.9</b>	-	<b>7.6</b>
<b>10:00</b>	<b>PL</b>	<b>PPI</b>	<b>Aug</b>	<b>% y/y</b>	<b>24.4</b>	<b>23.7</b>	-	<b>24.9</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>Aug</b>	<b>% y/y</b>	<b>13.6</b>	<b>13.1</b>	-	<b>15.8</b>
14:30	US	Housing Starts	Aug	% m/m	0.9	-	-	-9.6
<b>WEDNESDAY (21 September)</b>								
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Aug</b>	<b>% y/y</b>	<b>4.3</b>	<b>1.9</b>	-	<b>4.2</b>
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Aug</b>	<b>% y/y</b>	<b>3.3</b>	<b>1.1</b>	-	<b>2.0</b>
16:00	US	Existing Home Sales	Aug	% m/m	-2.3	-	-	-5.87
20:00	US	FOMC decision	Sep.22		3.25	-	-	2.5
<b>THURSDAY (22 September)</b>								
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Aug</b>	<b>% y/y</b>	<b>6.1</b>	<b>6.1</b>	-	<b>6.2</b>
14:30	US	Initial Jobless Claims		k	220.0	-	-	213.0
<b>FRIDAY (23 September)</b>								
09:30	DE	Germany Manufacturing PMI	Sep	pts	48.3	-	-	49.1
09:30	DE	Markit Germany Services PMI	Sep	pts	47.2	-	-	47.7
10:00	EZ	Eurozone Manufacturing PMI	Sep	pts	49.0	-	-	49.6
10:00	EZ	Eurozone Services PMI	Sep	pts	49.2	-	-	49.8
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Aug</b>	<b>%</b>	<b>4.9</b>	<b>4.8</b>	-	<b>4.9</b>

Source: Santander Bank Polska. Bloomberg. Parkiet

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

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