

21 September 2022

## Eyeopener

### PLN weaker ahead of FOMC and on news from Russia

Today Polish retail sales, construction output and consumer sentiment  
 This evening FOMC decision with new projections and refreshed dot plot  
 Polish wage growth eased in August, PPI again at 25.5% y/y  
 EURPLN up ahead of Fed and after partial mobilisation announcement in Russia

**Today** we will learn data on domestic retail sales and construction production. We will also see how consumer sentiment changed in September. Abroad, the Fed will decide on interest rates and show a "dot plot" forecast of interest rates, which will determine how much the market's valuation of the level of rates coincides with FOMC members' preferences for their target level. The press conference of Fed chief Jerome Powell will also be important – especially the message on the further pace of rate hikes in the US and how far the Fed intends to go in the fight against inflation.

Polish **employment rose in August by 2.4% y/y**, in line with market consensus and below our call at 2.5% y/y. Manufacturing shed particularly many jobs. We are expecting the employment to be under pressure in the upcoming months. Wages slowed down to 12.7% y/y in August from 15.8% y/y in July, below our call (13.1% y/y) and market expectations (13.6% y/y). We are expecting the wage growth to slow down in the upcoming month, yet some upward signal is likely to be provided by hike in minimum wage by 15.9% in January 2023. **PPI inflation was 25.5% y/y in August**. We and the market had expected it to decline to 23.7% and 24.4% respectively. The July print of 24.9% was revised higher also to 25.5%. August industrial output grew by 10.9% y/y, between the 10.1% expected by the market and our 12.9% forecast. The data give hope that the sector is not in a free fall suggested by recent very low PMIs, yet we still assume negative growth is a matter of a few months. Read more in our [Economic Comment](#).

Wholesale **prices for basic agricultural products** in August rose 56.3% y/y, following a 51.6% increase in July. This price aggregate includes wheat, rye, beef livestock, pork livestock, poultry and cow milk. We think the annual growth rate of retail food prices entering the CPI basket will also increase in the coming months.

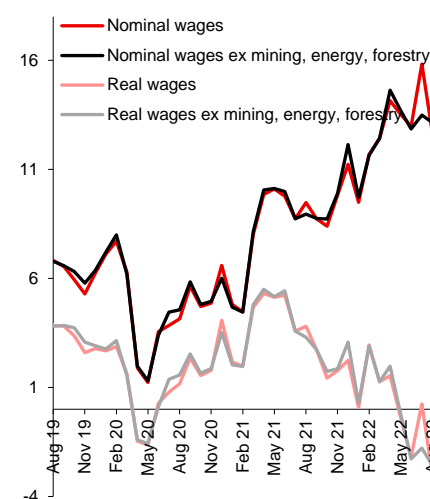
**EURUSD** continued to fluctuate around parity in anticipation of the Fed. This morning, a speech by the Russian president was published, in which he announced partial mobilization and efforts to annex the occupied parts of Ukraine - referendums in favour of annexation to Russia are to be held there over the weekend. In response to this news, EURUSD fell to around 0.99.

**EURPLN** rose to 4.73 on a wave of concerns about a possible energy crisis in Europe during the fall and winter. Contributing to this was a high reading of domestic producer prices and, most notably, the highest reading in the survey's history of its German counterpart (45.8% y/y), which was triggered by high gas and electricity prices. Without the price of energy, the German PPI would have risen only 14% in August. Today's possibly very hawkish Fed meeting may further add to the pressure on the zloty. Further weighing on the zloty is the Russian president's speech this morning - EURPLN has already moved to 4.75 today and, along with the rest of the region, may be under pressure due to geopolitical risks.

**Other CEE currencies: EURHUF**, after trying to descend to 398 on the basis of optimism about a possible agreement with the EC regarding the non-blocking of cohesion funds for Hungary, the forint returned to about 400. **EURCZK** rose from about 24.50 to around 24.64. The Czech koruna was hurt by news that the budget deficit in 2023 could be larger than the planned CZK270bn, due to the government's shielding measures related to high energy prices.

**Debt market:** Domestic yield curve and IRS remained stable for another day. A significant rise in producer prices with weakening domestic wage growth proved insufficient to spur volatility in the domestic market. German 10-year yields rose about 15 bps setting new one-year peaks after local producer prices on the back of rising gas and electricity prices rose as much as 45.8% y/y. In the US, the yield curve continued to rise in anticipation of the FOMC's interest rate decision.

#### Wage growth, % y/y



Source: GUS, Santander

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**FX market**

**Today's opening**

EURPLN	4.7372	CZKPLN	0.1923
USDPLN	4.7664	HUFPLN*	1.1733
EURUSD	0.9937	RUBPLN	0.0779
CHFPLN	4.9197	NOKPLN	0.4593
GBPPLN	5.4044	DKKPLN	0.6345
USDCNY	7.0456	SEKPLN	0.4356

\*for 100HUF

**Last session in the FX market 20.09.2022**

	min	max	open	close	fixing
EURPLN	4.7035	4.7342	4.7139	4.7298	4.7165
USDPLN	4.6882	4.7518	4.7030	4.7328	4.7118
EURUSD	0.9953	1.0041	1.0021	0.9992	-

**Interest rate market 20.09.2022**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.60	0
DS0727 (5Y)	6.53	1
DS0432 (10Y)	6.19	6

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.48	6	4.45	2	2.35	7
2L	7.11	3	4.34	4	2.69	11
3L	6.67	3	4.10	5	2.68	13
4L	6.42	5	3.93	5	2.66	13
5L	6.30	5	3.83	7	2.66	13
8L	6.09	4	3.65	6	2.65	12
10L	6.06	6	3.62	8	2.70	12

**WIBOR rates**

Term	%	Change (bps)
O/N	6.73	-11
T/N	6.83	-10
SW	6.97	1
2W	6.99	2
1M	7.03	2
3M	7.14	-1
6M	7.32	0
1Y	7.46	0

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

Term	%	Change (bps)
1x4	7.24	-1
3x6	7.40	0
6x9	7.38	-2
9x12	7.22	0
3x9	7.49	-7
6x12	7.52	-2

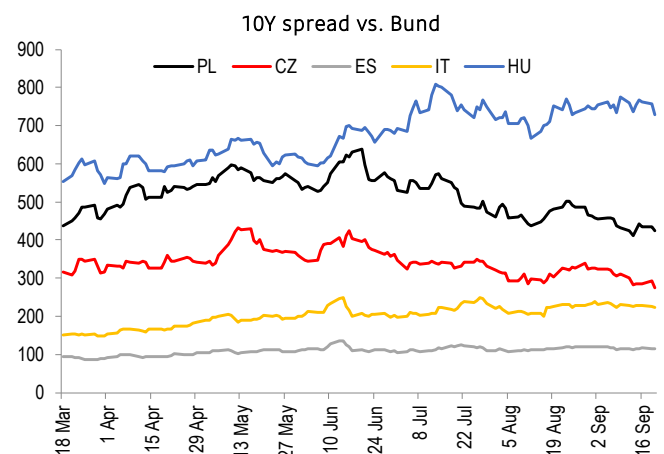
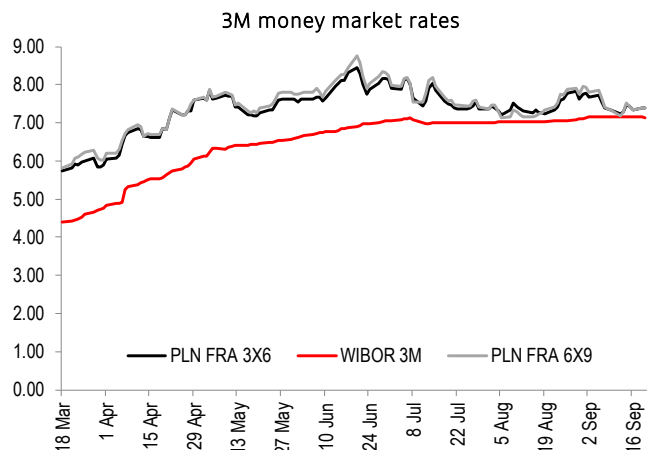
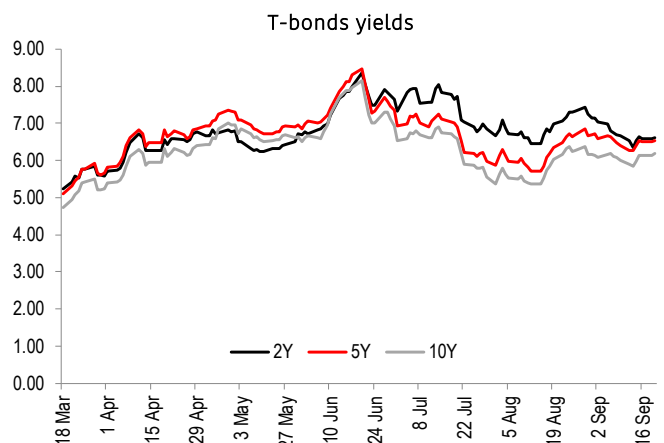
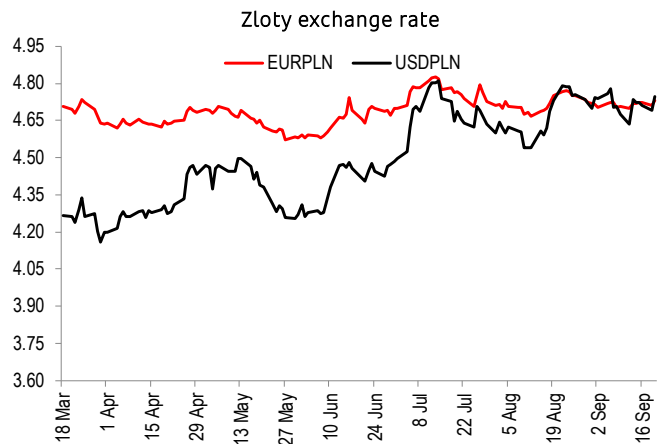
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	130	-5	425	-9
France	13	0	55	0
Hungary	183	4	730	-28
Spain	58	5	114	0
Italy	70	5	225	-1
Portugal	45	5	105	-1
Ireland	15	0	58	-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>2.4</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>10.9</b>	<b>7.1</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>25.5</b>	<b>25.5</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>12.7</b>	<b>15.8</b>
14:30	US	Housing Starts	Aug	% m/m	0.9	-	12.2	-10.9
<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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