

Eyeopener

Wages and output beat forecasts, PPI inflation down

Today more Polish data for September: retail sales and construction output

UK PM Liz Truss resigned after failed plans to reduce taxes

Polish yield curve keeps rising, EURPLN keeps falling

Today, more domestic data for September are due for release: retail sales and construction output. After stronger-than-expected industrial production and wage data, investors will be watching to see to what extent further data will point to a deceleration in the domestic economy, which could be a clue as to the direction of the MPC's further monetary policy evolution.

September employment surprised to the downside and rose by 2.3% y/y (we and the market had expected 2.4% y/y). This signals that concerns about the economic slowdown may already be translating into hiring decisions. Wages, on the other hand, surprised to the upside and rose by 14.5% y/y vs. our forecast and consensus of 13.4% and the August reading of 12.7% y/y. It looks like wage pressure remains quite strong, but probably not enough to restore positive real wage growth. **Industrial production rose by 9.8% y/y** in September and this was the second significant upward surprise in a row. Soft indicators for manufacturing point to a decline in activity, so output may slow down in our view in the coming months. **PPI inflation fell to 24.6% y/y** in September from 25.5%. The market and we expected no slowdown. Read more in our [Economic comment](#).

Prime Minister Mateusz Morawiecki said in an interview with DGP daily that work is underway to freeze the price of natural gas for households and maximum price will be set before the end of the year. Compensations for some branches like fertiliser producers are also being considered. The PM assessed that monetary and regulatory policies are restrictive, so fiscal policy cannot be "extremely tight" in order not to stifle growth and cause unemployment. The government's fight against inflation is to be based on limiting energy price increases.

The second **EU energy summit** ended with an agreement to go ahead with emergency actions to tackle the energy crisis. During the talks, Germany changed its position and now it allows for a price cap on joint natural gas purchases. It was reported in the summit conclusions that the EC is now to develop a dynamic corridor mechanism for prices in natural gas transactions.

UK Prime Minister Liz Truss has resigned after six weeks in office after a nervous reaction from markets first forced the resignation of Treasury Secretary Kwasi Kwarteng and the abandonment of plans to cut most corporate taxes. The PM's decision to resign has lowered expectations about the scale of the necessary tightening of monetary policy in the UK. The market-implied probability of a 100bp rate hike at the Bank of England's next meeting decreased during the day from 25% to around 8%.

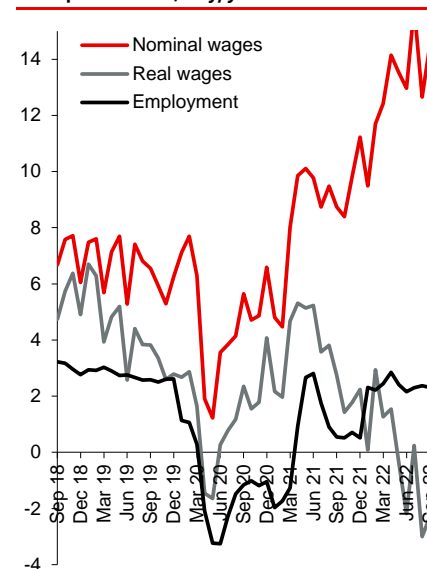
EURUSD oscillated around the 0.98 level. The decision on the resignation of the British government initially improved investment sentiment, but by the end of the day the exchange rate was back below 0.98.

EURPLN slipped from around 4.79 to around 4.77. The zloty was helped by strong domestic wage data for September, which increased expectations for an NBP rate hike.

Other CEE currencies: EURHUF fell from around 412 to around 408. The forint was helped by a statement from the S&P rating agency about the low risk of a significant downgrade of Hungary's credit rating even if there were a freeze on cohesion funds for the country. **EURCZK** fell from around 24.53 to around 24.51. The region's currencies were further helped by news of a planned reduction of the quarantine for travellers arriving in China from 10 to 7 days. This was read as a signal of the imminent lifting of all restrictions in the country and thus potentially easing tensions in global supply chains.

Debt market: Domestic yield curve rose strongly across the board for another day, discounting the expected higher NBP rates in response to solid domestic data that dismisses the prospect of an imminent easing of inflationary pressures in the country. Asset swap curve also widened noticeably, particularly in the middle section and at its longer end, boosted in part by Thursday's Ministry of Finance auction at which five bond series were sold for PLN5.72bn against demand of PLN7.34bn.

Wage and employment growth in the Polish enterprise sector, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7683	CZKPLN	0.1942
USDPLN	4.8777	HUFPLN*	1.1533
EURUSD	0.9771	RUBPLN	0.0791
CHFPLN	4.8467	NOKPLN	0.4561
GBPPLN	5.4521	DKKPLN	0.6406
USDCNY	7.2473	SEKPLN	0.4315

*for 100HUF

Last session in the FX market 20.10.2022

	min	max	open	close	fixing
EURPLN	4.7614	4.8067	4.8008	4.7687	4.7955
USDPLN	4.8403	4.9156	4.9120	4.8558	4.9024
EURUSD	0.9770	0.9845	0.9778	0.9820	-

Interest rate market 20.10.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	8.98	19
DS0727 (5Y)	8.92	31
DS0432 (10Y)	8.63	29

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	8.21	8	5.09	5	2.72	6
2L	8.21	8	5.00	9	3.10	7
3L	8.00	10	4.76	9	3.17	7
4L	7.85	11	4.58	10	3.21	8
5L	7.79	12	4.47	11	3.23	7
8L	7.67	14	4.29	11	3.28	7
10L	7.63	14	4.23	11	3.33	8

WIBOR rates

Term	%	Change (bps)
O/N	6.52	-4
T/N	6.73	5
SW	6.90	0
2W	6.94	-1
1M	7.06	1
3M	7.40	4
6M	7.57	2
1Y	7.66	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.71	8
3x6	8.06	4
6x9	8.21	10
9x12	8.18	10
3x9	8.26	7
6x12	8.37	10

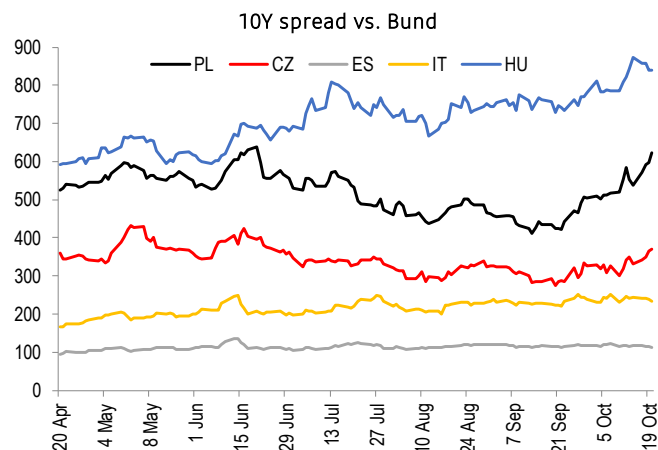
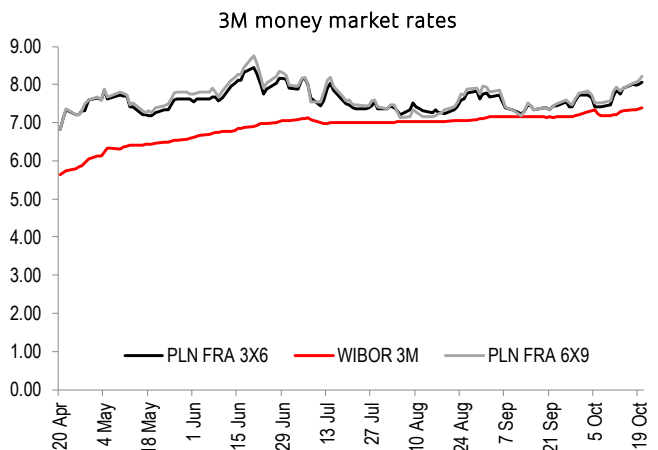
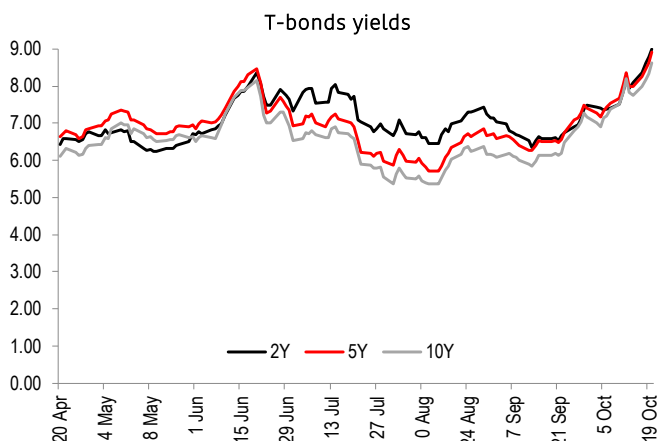
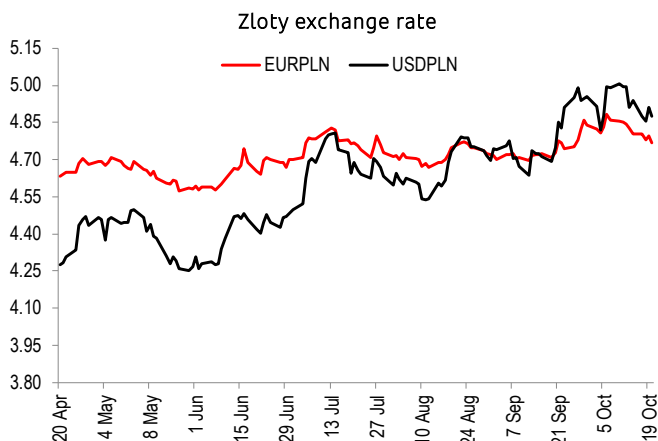
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	152	0	623	25
France	20	0	55	-2
Hungary	260	0	839	-1
Spain	65	-2	113	-2
Italy	75	-2	233	-6
Portugal	50	-2	105	-2
Ireland	22	-2	52	-4
Germany	22	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 (14 October)							
10:00	PL	CPI	Sep	% y/y	17.2	17.2	17.2
14:00	PL	C/a balance	Aug	€mn	-1642	-1534	-3967
14:00	PL	Trade balance	Aug	€mn	-1317	-2226	-2927
14:00	PL	Export	Aug	€mn	26560	24775	25358
14:00	PL	Import	Aug	€mn	27876	27001	28285
14:30	US	Retail sales	Sep	% m/m	0.2	0.0	0.3
16:00	US	Michigan index	Aug	pts	58.8	59.8	58.6
MONDAY (17 October)							
14:00	PL	CPI Core	Sep	% y/y	10.7	10.8	10.7
TUESDAY (18 October)							
11:00	DE	ZEW Survey Current Situation	Oct	pts	-69.0		-72.2
15:15	US	Industrial Production	Sep	% m/m	0.1		0.4
WEDNESDAY (19 October)							
11:00	EZ	HICP	Sep	% y/y	10.0		9.9
14:30	US	Housing Starts	Sep	% m/m	-6.4		-8.1
THURSDAY (20 October)							
10:00	PL	Employment in corporate sector	Sep	% y/y	2.4	2.4	2.3
10:00	PL	Average Gross Wages	Sep	% y/y	13.4	13.4	14.5
10:00	PL	Sold Industrial Output	Sep	% y/y	8.8	9.2	9.8
10:00	PL	PPI	Sep	% y/y	25.5	25.6	24.6
14:30	US	Initial Jobless Claims		k	235.0		214.0
16:00	US	Existing Home Sales	Sep	% m/m	-2.1		-1.5
FRIDAY (21 October)							
10:00	PL	Construction Output	Sep	% y/y	6.5	9.2	6.1
10:00	PL	Retail Sales Real	Sep	% y/y	4.5	3.5	4.2

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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