

22 November 2022

## Eyeopener

### Important domestic data ahead

Today domestic PPI inflation, wages and employment, and industrial production

Tyrowicz of the MPC sees room for further interest rate hikes, Litwiniuk and Wnorowski expect them only if the next CPI readings are higher than the NBP projection

EURPLN glued to 4.70, domestic yields stable

**Today**, important data from Poland for October are due for release: industrial production (we fear a rather weak reading), employment and wages in the corporate sector (possibly showing a further resilience of the labour market, and a still high wage growth), PPI inflation. After a significant drop in PPI in Germany (35% y/y in October after 46% previously, while the consensus expected a retreat towards 42%), the market may count on a sharp deceleration in Poland as well - according to us, however, producer price inflation will fall by ca. 1ppt. Also today, the government may provide details on further anti-inflationary tools it intends to use in 2023 and declare what will happen to elements of the current anti-inflationary shield. The government's decisions are key for the CPI inflation path next year - the associated shifts could be as high as 3-4 percentage points. Also today, the OECD is due to show its global growth forecasts.

**MPC's Joanna Tyrowicz** told Bloomberg agency that she disagrees with the Council's wait-and-see approach. She argued that, after having delivered 75bp hikes since the publication of the July projection, its November version shows the materialisation of inflationary risks and an even higher CPI path, and this cannot lead to the conclusion that rates should be kept unchanged. In her opinion, it is also wrong to emphasise that the current high inflation is largely the result of the war in Ukraine - according to her, the reason are the already high, and still growing, demand factors. Tyrowicz also expressed the opinion that even a further rise in inflation would not convince the majority of the MPC to resume rate rises. According to **Przemysław Litwiniuk**, on the other hand, the inflation path in line with the projection would mean that the Council would not gather a majority in favour of further increases. However, he himself expects a higher inflation level peak than the NBP staff. Litwiniuk stressed the high inflation expectations of consumers and producers. In his opinion, with the observed resilience of the labour market, there is room for further rate rises, but only in order to make real rates less negative. On the other hand, **Henryk Wnorowski**, in an interview with PAP, said that with the realisation of the CPI path expected by the NBP, there is a high probability of a continuation of the pause in the cycle, but if the next inflation readings were higher than the central bank forecasts, then there could be room for further rate hikes in 25bp steps. However, he stressed that until inflation reaches its peaks it is difficult to discuss rate cuts.

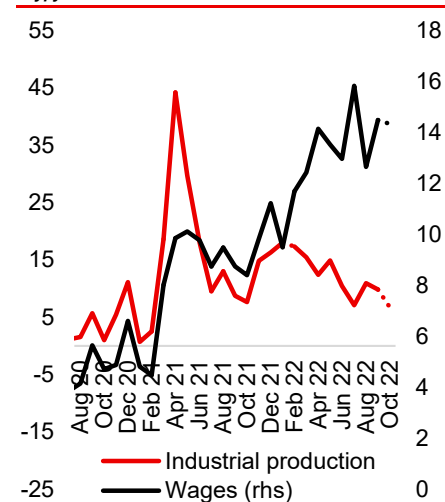
**EURUSD** slipped from the 1.03 area to near 1.02. Chief economist Philip Lane and ECB council member Mario Centeno signalled that the current economic condition is creating conditions for smaller than 75 bp rate hikes at future meetings. Mario Centeno acknowledged that most of the hikes in the cycle have already been done. Francois Villeroy de Galhau, on the other hand, believes that ECB interest rates will rise above 2% with inflation peaking in France and the Eurozone in the first half of next year. As a result of these statements, the euro exchange rate came under pressure.

**EURPLN** consolidated around the level of 4.70. If today's readings show a weakening of price and wage pressures in the country, the zloty may start to weaken in the following days, as a result of a further decline in expectations for an interest rate hike in Poland.

**Other CEE currencies:** **EURCZK** slipped to 24.31 from around 24.33. CNB Vice President Marek Mora said he would prefer less currency intervention in favour of using interest rates as the main monetary policy instrument. In his view, inflation in the Czech Republic is close to reaching its peak. **EURHUF** rose from around 405 to around 409. The forint lost on the back of the global strengthening of the dollar and continued uncertainty over the issue of EU funds for Hungary. Today's MNB decision is unlikely to bring any surprises (the market assumes the main rate will remain at 13.0%).

**Debt market:** Domestic yield curve remained relatively stable in anticipation of today's series of domestic data. The Finance Ministry said it will offer bonds worth PLN 4-6 billion at Wednesday's auction of Treasury securities. The originally reported supply range for this auction was PLN 3-6 billion.

Poland: industrial output and corporate wages, %y/y + our forecast



Source: GUS, Santander

#### Economic Analysis Department:

aL. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)

Piotr Bielski +48 691 393 119

Jarostaw Kosaty +48 887 842 480

Marcin Luziński +48 510 027 662

Grzegorz Ogonek +48 609 224 857

### FX market

#### Today's opening

EURPLN	4,7000	CZKPLN	0,1929
USDPLN	4,5858	HUFPLN*	1,1349
EURUSD	1,0251	RUBPLN	0,0754
CHFPLN	4,7879	NOKPLN	0,4470
GBPPLN	5,4231	DKKPLN	0,6317
USDCNY	7,1637	SEKPLN	0,4279

\*for 100HUF

#### Last session in the FX market 21.11.2022

	min	max	open	close	fixing
EURPLN	4,6912	4,7153	4,6985	4,6961	4,7035
USDPLN	4,5671	4,6076	4,5712	4,5887	4,5991
EURUSD	1,0224	1,0287	1,0280	1,0235	-

### Interest rate market 21.11.2022

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7,26	2
DS0727 (5Y)	7,32	1
DS0432 (10Y)	7,05	0

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,54	-5	5,20	1	2,71	1
2L	7,22	-7	4,85	2	2,88	1
3L	6,80	-9	4,46	2	2,81	1
4L	6,51	-9	4,21	1	2,76	0
5L	6,35	-8	4,06	1	2,75	0
8L	6,20	-10	3,85	0	2,73	0
10L	6,21	-10	3,81	1	2,75	-2

### WIBOR rates

Term	%	Change (bps)
O/N	6,45	-4
T/N	6,68	-13
SW	6,85	-2
2W	6,88	-4
1M	6,92	-10
3M	7,37	-3
6M	7,56	-2
1Y	7,70	-1

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

Term	%	Change (bps)
1x4	7,35	-4
3x6	7,37	-4
6x9	7,39	-7
9x12	7,18	-9
3x9	7,51	-7
6x12	7,49	-6

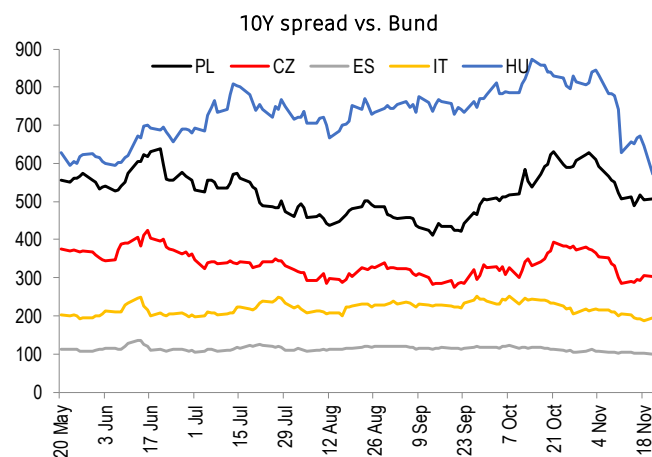
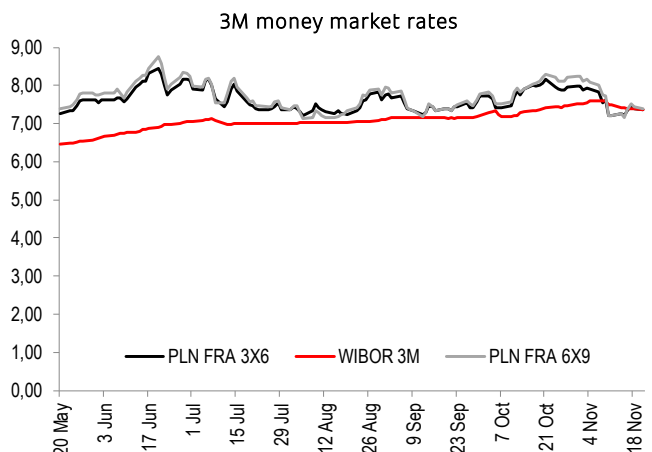
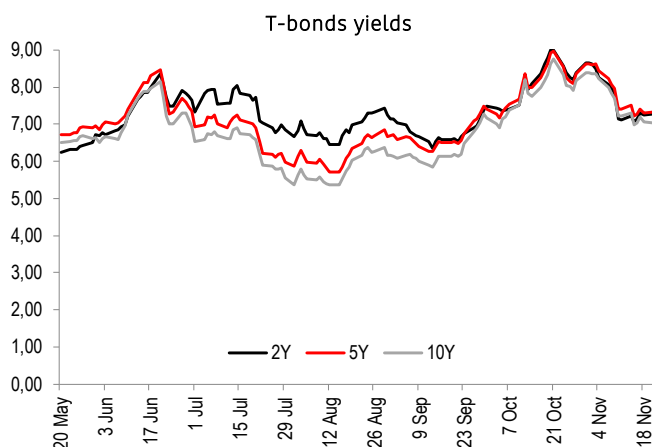
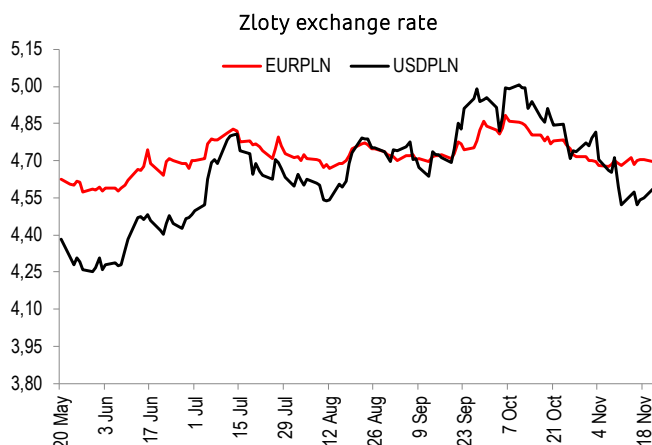
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	132	0	507	3
France	15	0	47	1
Hungary	221	2	571	-76
Spain	58	0	100	-1
Italy	55	0	194	7
Portugal	43	0	96	0
Ireland	20	0	47	1
Germany	15	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 (18 November)</b>							
16:00	US	Existing Home Sales	Oct	% m/m	-6.6	-	-1.5
<b>MONDAY (21 November)</b>							
No key events							
<b>TUESDAY (22 November)</b>							
10:00	PL	Employment in corporate sector	Oct	% y/y	2.2	2.2	- 2.3
10:00	PL	Sold Industrial Output	Oct	% y/y	7.8	6.7	- 9.8
10:00	PL	PPI	Oct	% y/y	23.5	23.5	- 24.6
10:00	PL	Average Gross Wages	Oct	% y/y	13.9	14.3	- 14.5
14:00	HU	Central Bank Rate Decision	Nov.22	%	13.0	-	13.0
<b>WEDNESDAY (23 November)</b>							
09:30	DE	Germany Manufacturing PMI	Nov	pts	45.0	-	45.1
09:30	DE	Markit Germany Services PMI	Nov	pts	46.2	-	46.5
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	46.0	-	46.4
10:00	EZ	Eurozone Services PMI	Nov	pts	48.0	-	48.6
10:00	PL	Construction Output	Oct	% y/y	-0.8	-2.1	- 0.3
10:00	PL	Retail Sales Real	Oct	% y/y	3.1	2.9	- 4.1
14:30	US	Durable Goods Orders	Oct	% m/m	0.5	-	0.4
14:30	US	Initial Jobless Claims	Nov.22	k	225	-	222.0
16:00	US	Michigan index	Nov	pts	55.5	-	54.7
16:00	US	New Home Sales	Oct	% m/m	-4.6	-	-10.9
20:00	US	FOMC minutes					
<b>THURSDAY (24 November)</b>							
10:00	DE	Ifo Business Climate	Nov	pts	85.0	-	84.3
13:30	EZ	ECB minutes					
14:00	PL	Money Supply M3	Oct	% y/y	7.5	7.3	- 7.7
<b>FRIDAY (25 November)</b>							
08:00	DE	GDP WDA	3Q	% y/y	1.2	-	1.2
10:00	PL	Unemployment Rate	Oct	%	5.1	5.1	- 5.1

Source: Santander Bank Polska, Bloomberg, Parkiet

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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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>.