

23 November 2022

Eyeopener

Industrial production and wages played in a weakened lineup

Today construction production and retail sales from Poland, preliminary PMI indexes, FOMC minutes

Weakness in October industrial production and wages, further decline in PPI inflation
EURPLN slightly higher, yields fall at home and in core markets

Today, the remaining real data for October are due. We expect them to reveal weakness in the Polish economy, just like we had expected from the yesterday's set of releases. This time, construction production will be published (we expect the first negative reading of its y/y growth since April 2021) plus data from the housing market, which has clashed with rapidly falling sales of mortgage loans. Retail sales will also be released, which have so far this year surprised negatively only once, in June, but according to us this time may turn out to be slightly lower than the market assumes. In addition, GUS will show the aggregate financial results for 3Q of companies employing 50+ people. Already in Q2, we saw a deterioration of results due to the quickly rising costs and a decline in average margin, suggesting that the demand weakness has started to hinder the full pass-through of higher costs to own prices and thus to CPI. A marked decline in margins would reduce the risk of a wage-price spiral developing and offer hope for a faster retreat of inflation in Poland.

From the point of view of global market sentiment, the preliminary PMI readings will be key today. We will be primarily interested in those for the Eurozone and Germany, from which further gentle declines are expected, both in manufacturing and services. In the evening, the minutes of the latest FOMC meeting will be out.

Industrial output rose by 6.8% y/y in October, less than the market had expected (7.8% y/y) and close to our forecast (6.7% y/y). The slowdown in output may intensify significantly in the coming months. **Employment** surprised to the upside and rose by 2.4% y/y versus our and market forecasts at 2.2% y/y. While employment data for the entire corporate sector do not show much weakness, manufacturing has been in a free fall since May. **Wage** growth was weaker than expected and advanced by 13.0% y/y vs. market consensus at 13.9% y/y and our forecast 14.3% y/y (and compared to 14.5% y/y in September). Weak performance was visible in almost all categories. Weakness in wages is a very negative sign for private consumption in the upcoming quarters. **PPI** inflation eased in October more than had been expected: to 22.9% y/y from 24.6% y/y and may keep falling in the months to come. More in [Economic Comment](#).

New OECD forecasts showed Poland's economic growth descending to 0.9% in 2023 to rebound to 2.4% in 2024. Assuming the government maintains consumer support similar to the current anti-inflationary shield, inflation would be 10.8% in 2023, and is expected to go down to 6.6% in 2024. The fiscal deficit, according to the OECD, will widen to 4.9% of GDP next year and narrow to 4.0% in 2024. The current account deficit will also remain large (3.5% in 2023 and 2.9% in 2024). The OECD's scenario for the global economy does not envisage a worldwide recession, but a marked slowdown in global growth from 3.1% this year to 2.2% next year and 2.7% in 2024 (Europe is to be particularly affected - the growth path for the Eurozone in 2022-2024 is 3.3%, 0.5%, 1.4%, while Asia is to be the engine of global growth).

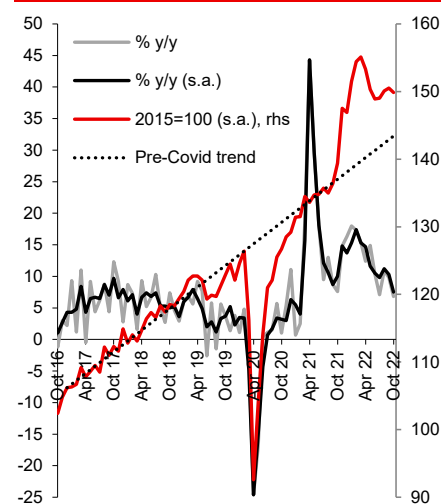
EURUSD remained in the 1.02 - 1.03 zone but moved slightly closer to its upper limit. The single currency was helped by a better-than-expected November reading of the euro zone consumer confidence index. If the tone of today's minutes from the latest FOMC meeting is in line with the recent rhetoric from Fed members, the dollar could strengthen against the euro.

EURPLN rose from 4.70 to 4.71. Weaker domestic data temporarily undermined the zloty even towards 4.72, but at the end of the day bottom the rate retreated a figure lower. A boost from global markets is apparently needed for a more sustained upward bounce.

Other CEE currencies: **EURHUF** slipped to 406 from around 408. The MNB left interest rates unchanged. Central bank vice-president Barnabas Virag expects inflation to rise further in the coming months due to the expected further increase in food prices. He stressed that all monetary transmission channels are needed to combat inflation among which the role of the exchange rate is "critically important". **EURCZK** rose from around 24.31 to the area of 24.36.

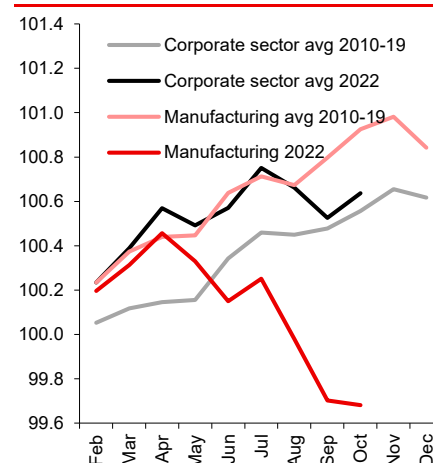
Debt market: Domestic yield curve fell by around 17bp on average. Following weaker domestic data indicating some signs of weakening inflationary pressures, expectations of an increase in NBP interest rates also fell, especially on longer maturities. In the core markets, yields also fell, but an opportunity for an upward rebound could come from today's publication of the minutes of the latest FOMC meeting.

Industrial output in Poland



Source: GUS, Santander

Employment data, January = 100



Source: GUS, Santander

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FX market

Today's opening

| | | | |
|--------|--------|---------|--------|
| EURPLN | 4,7103 | CZKPLN | 0,1932 |
| USDPLN | 4,5551 | HUFPLN* | 1,1426 |
| EURUSD | 1,0342 | RUBPLN | 0,0753 |
| CHFPLN | 4,7923 | NOKPLN | 0,4512 |
| GBPPLN | 5,4176 | DKKPLN | 0,6334 |
| USDCNY | 7,1506 | SEKPLN | 0,4293 |

*for 100HUF

Last session in the FX market 22.11.2022

| | min | max | open | close | fixing |
|--------|--------|--------|--------|--------|--------|
| EURPLN | 4,6942 | 4,7171 | 4,6944 | 4,7073 | 4,7075 |
| USDPLN | 4,5723 | 4,5948 | 4,5787 | 4,5814 | 4,5844 |
| EURUSD | 1,0244 | 1,0290 | 1,0251 | 1,0273 | - |

Interest rate market 22.11.2022

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| PS1024 (2Y) | 7,11 | -15 |
| DS0727 (5Y) | 7,12 | -21 |
| DS0432 (10Y) | 6,88 | -17 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 7,45 | -9 | 5,20 | 0 | 2,72 | 1 |
| 2L | 7,09 | -13 | 4,81 | -4 | 2,85 | -3 |
| 3L | 6,62 | -18 | 4,40 | -6 | 2,77 | -4 |
| 4L | 6,31 | -20 | 4,15 | -6 | 2,72 | -4 |
| 5L | 6,15 | -20 | 4,00 | -7 | 2,70 | -5 |
| 8L | 5,98 | -22 | 3,76 | -9 | 2,67 | -5 |
| 10L | 5,99 | -23 | 3,71 | -9 | 2,70 | -5 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 6,48 | 3 |
| T/N | 6,66 | -2 |
| SW | 6,85 | 0 |
| 2W | 6,90 | 2 |
| 1M | 6,98 | 6 |
| 3M | 7,36 | -1 |
| 6M | 7,54 | -2 |
| 1Y | 7,69 | -1 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 7,29 | -5 |
| 3x6 | 7,29 | -8 |
| 6x9 | 7,31 | -8 |
| 9x12 | 7,05 | -13 |
| 3x9 | 7,43 | -8 |
| 6x12 | 7,40 | -10 |

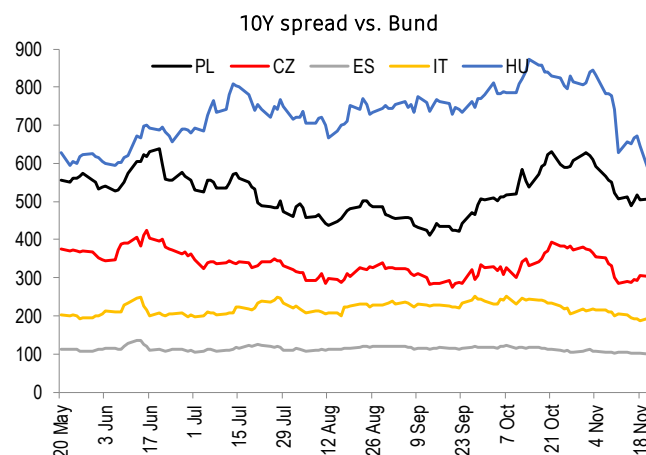
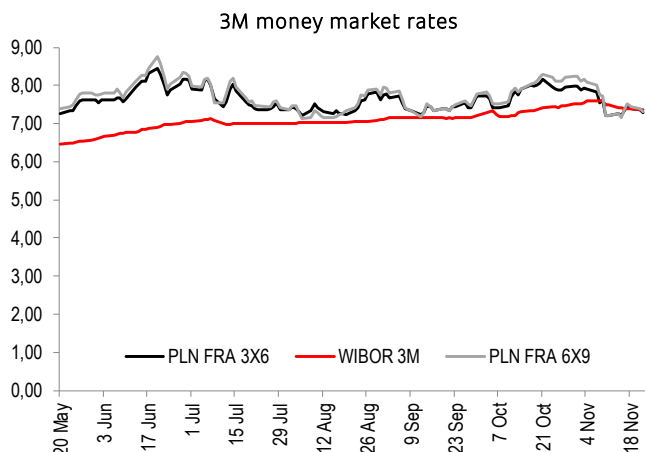
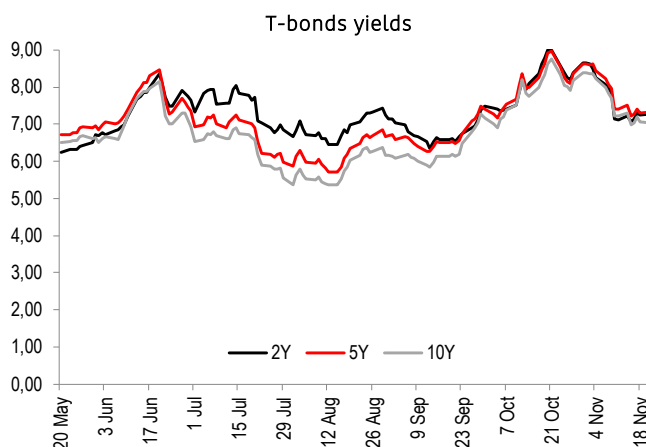
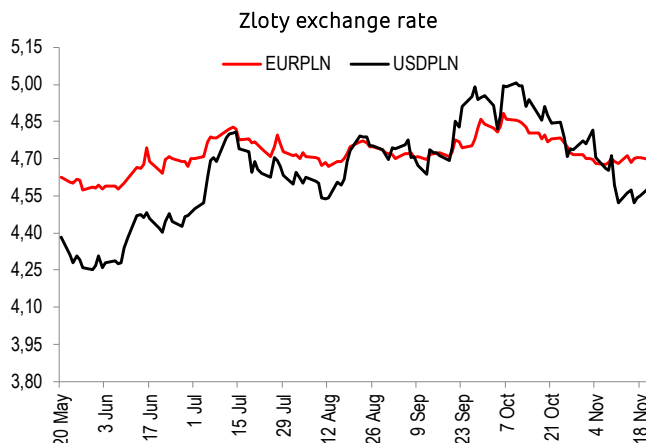
Measures of fiscal risk

| Country | CDS 5Y USD | | 10Y spread* | |
|----------|------------|--------------|-------------|--------------|
| | Level | Change (bps) | Level | Change (bps) |
| Poland | 130 | -2 | 490 | -17 |
| France | 15 | 0 | 48 | 1 |
| Hungary | 213 | -7 | 605 | 34 |
| Spain | 56 | -1 | 100 | 0 |
| Italy | 55 | 0 | 194 | -1 |
| Portugal | 41 | -1 | 95 | -1 |
| Ireland | 20 | 0 | 45 | -2 |
| 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 | | |
| FRIDAY (18 November) | | | | | | | |
| 16:00 | US | Existing Home Sales | Oct | % m/m | -6.6 | - | -1.5 |
| MONDAY (21 November) | | | | | | | |
| No key events | | | | | | | |
| TUESDAY (22 November) | | | | | | | |
| 10:00 | PL | Employment in corporate sector | Oct | % y/y | 2.2 | 2.2 | 2.4 |
| 10:00 | PL | Sold Industrial Output | Oct | % y/y | 7.8 | 6.7 | 6.8 |
| 10:00 | PL | PPI | Oct | % y/y | 23.5 | 23.5 | 22.9 |
| 10:00 | PL | Average Gross Wages | Oct | % y/y | 13.9 | 14.3 | 13.0 |
| 14:00 | HU | Central Bank Rate Decision | Nov.22 | % | 13.0 | 13.0 | 13.0 |
| WEDNESDAY (23 November) | | | | | | | |
| 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 | - |
| 10:00 | PL | Retail Sales Real | Oct | % y/y | 3.1 | 2.9 | - |
| 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 | | | | | |
| THURSDAY (24 November) | | | | | | | |
| 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 | - |
| FRIDAY (25 November) | | | | | | | |
| 08:00 | DE | GDP WDA | 3Q | % y/y | 1.2 | - | 1.2 |
| 10:00 | PL | Unemployment Rate | Oct | % | 5.1 | 5.1 | - |

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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