

Eyeopener

Natural gas prices frozen, but will rise anyway

Government plans to freeze net natural gas prices for households, but 23% VAT is to return
 Slowdown in new industrial orders, LFS unemployment up to 2.9%
 MPC's Dąbrowski: pause in the hiking cycle will last
 EURPLN at 4.70, T-bond yields up after government proposal on natural gas prices

No key events or publications in the calendar **today**. However, the next few days, with preliminary inflation for November and details of 3Q GDP in Poland, but not only, and a report on the US labour market have market-moving potential. Currently, the market is influenced by social unrest in China, which has increased the risk aversion.

The draft bill about household natural gas prices in 2023 assumes that they will be frozen at this year's level in net terms. However, due to the reinstatement of the 23% VAT rate with the start of new year, this is how much the actual paid price of gas will increase. The bill also provides for the return of the amount of VAT on gas paid by households below the income threshold (PLN2100 for a one-person household, PLN1500 per person for a multi-person household), the extension of the price freeze to some public institutions (eg schools, hospitals), and compensation for gas suppliers. At current market gas prices, the solution is expected to cost around PLN30bn, according to the government. The Sejm would proceed with the draft during its session this week (Wednesday-Friday). The impact on inflation of the reinstatement of VAT on gas is around 0.6 percentage points (this is the amount by which the entire 2023 CPI path would be raised due to this policy change). However, GUS might immediately adjust this effect for the VAT refund mechanism for some households - recently, Czech inflation managed to surprise downwards due to the inclusion of government energy support for households in the CPI calculation.

MPC's Ireneusz Dąbrowski said that interest rates are currently at the right level and that the pause in the rate hike cycle will continue, although the cycle has not been completed yet.

New orders in Polish industry slowed to 21.4% y/y in October from 44.1% y/y in September (export orders to 30.5% y/y from 43.8% y/y). The value of orders thus grew at a slightly slower pace than the PPI price index (22.9% y/y). In the GUS's survey of business conditions among industrial companies, the assessment of the current stream of orders remained strongly negative in November (although not as much as at the start of the pandemic), suggesting a further deceleration in the sector's activity. **The unemployment rate** stood at 5.1% in October, in line with expectations. According to us, the next readings will already be higher, rising towards 6% by the end of 2023. On the other hand, **the LFS data for 3Q** showed that the number of employed had already moved to y/y declines (-0.7%), the number of unemployed had already fallen by only 4.9% y/y, while the economically inactive had increased (0.5% y/y). The LFS unemployment rate rebounded from 2.6% to 2.9% and the labour force participation rate at 57.8% was 0.4pp lower than a year earlier (the first annual decline since 3Q2020).

EURUSD oscillated around 1.04. The upward revision of 3Q German GDP did not significantly affect the exchange rate. Within the ECB, disagreements are beginning to grow over the scale of the December rate hike. Isabel Schnabel of the institution's executive board advocates 75bp to prevent a wage-price spiral, while ECB chief economist Philip Lane believes that all arguments for faster rate hikes are "no longer there". This week, the key publication for the currency pair will be data from the US labour market. In the absence of signs of a cooling labour market, expectations for a rate hike in the US could rise somewhat, supporting the dollar's quotations.

EURPLN continued to oscillate in the 4.69 - 4.70 zone in anticipation of new impulses.

Other CEE currencies: EURHUF fell from around 412 to near 409. The forint's quotations improved slightly, but the focus remains on the issue of a potential freeze of EU funds for Hungary. EURCZK fell from near 24.40 to near 24.36. After a temporary interruption in the flow of oil via the Druzhba pipeline, deliveries to the Czech Republic and Slovakia resumed.

Debt market: Domestic yield curve rose by an average of 23bp. the largest increases were recorded in the middle and longer part of the curve. Expectations of a rate hike in the FRA market also rose markedly. The basis for the increases was the government's proposals to freeze gas prices in 2023, which the market read as pro-inflationary in the long run. This resulted in an expansion of asset swaps.

LFS: changes in the labour market status, y/y, in thousand persons



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.6824	CZKPLN	0.1921
USDPLN	4.5085	HUFPLN*	1.1269
EURUSD	1.0382	RUBPLN	0.0743
CHFPLN	4.7691	NOKPLN	0.4540
GBPPLN	5.4463	DKKPLN	0.6295
USDCNY	7.1952	SEKPLN	0.4316

*For 100HUF

Last session in the FX market 25/11/2022

	min	max	open	close	fixing
EURPLN	4.6835	4.6996	4.6968	4.6896	4.6884
USDPLN	4.4971	4.5317	4.5114	4.5074	4.5111
EURUSD	1.0353	1.0428	1.0409	1.0399	-

Interest rate market 25/11/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	7.16	17
DS0727 (5Y)	7.24	31
DS0432 (10Y)	6.91	22

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.51	10	5.17	0	2.77	3
2L	7.15	15	4.78	1	2.91	7
3L	6.72	20	4.34	2	2.82	9
4L	6.41	18	4.08	-2	2.75	9
5L	6.25	19	3.92	-2	2.71	9
8L	6.08	19	3.70	-2	2.66	10
10L	6.09	20	3.65	0	2.68	10

WIBOR rates

Term	%	Change (bps)
O/N	6.49	0
T/N	6.74	2
SW	6.88	1
2W	6.94	2
1M	6.95	-1
3M	7.31	-1
6M	7.50	-1
1Y	7.67	-3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.33	11
3x6	7.39	17
6x9	7.41	21
9x12	7.14	23
3x9	7.52	17
6x12	7.50	22

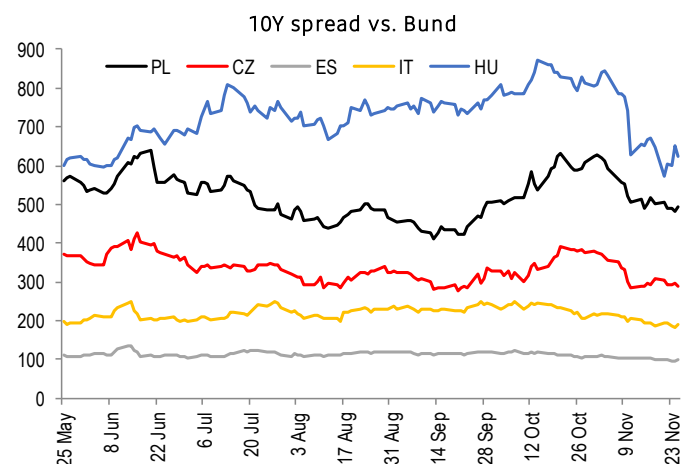
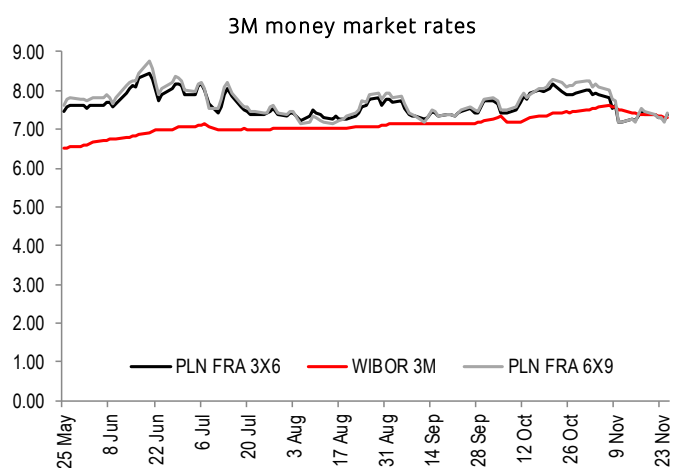
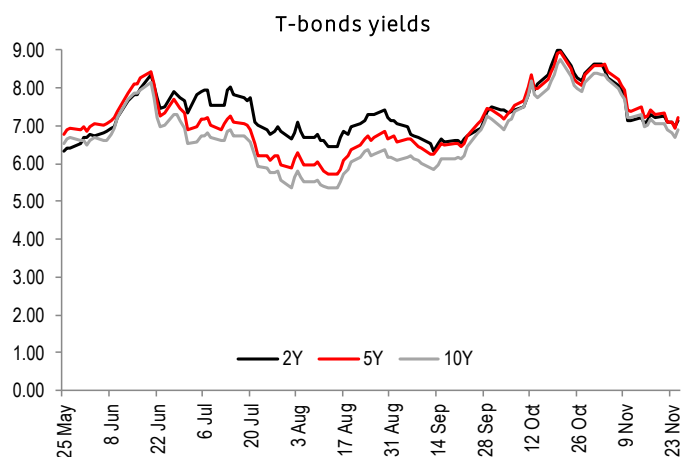
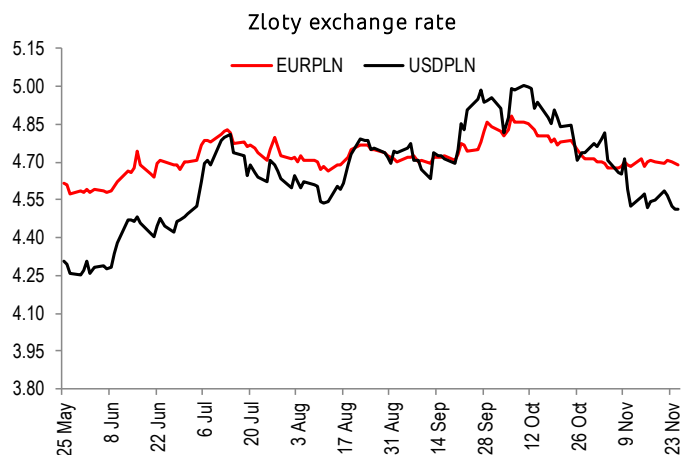
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	133	0	494	10
France	15	0	47	2
Hungary	214	0	625	-25
Spain	55	0	98	4
Italy	55	0	189	6
Portugal	40	0	94	4
Ireland	20	0	44	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 (25 November)								
08:00	DE	GDP WDA	3Q	% y/y	1.2		1.3	1.2
10:00	PL	Unemployment Rate	Oct	%	5.1		5.1	5.1
MONDAY (28 November)								
No key events								
TUESDAY (29 November)								
11:00	EZ	ESI	Nov	pct.	93.5		-	92.5
14:00	DE	HICP	Nov	% m/m	1.9		-	1.1
16:00	US	Consumer Conference Board	Nov	pts	100.0		-	102.5
WEDNESDAY (30 November)								
10:00	PL	CPI	Nov	% y/y	18.0	18.0	-	17.9
10:00	PL	GDP	3Q	% y/y	3.5	3.5	-	5.8
11:00	EZ	Flash HICP	Nov	% y/y	11.2		-	10.7
14:15	US	ADP report	Nov	k	195.0		-	239.0
14:30	US	GDP Annualized	3Q	% Q/Q	2.7		-	2.6
16:00	US	Pending Home Sales	Oct	% m/m	-5.15		-	-10.17
THURSDAY (1 December)								
09:00	PL	Poland Manufacturing PMI	Nov	pts	-	43.0	-	42.0
09:00	HU	GDP	3Q	% y/y	-		-	4.0
09:55	DE	Germany Manufacturing PMI	Nov	pts	46.7		-	45.1
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	47.3		-	46.4
11:00	EZ	Unemployment Rate	Oct	%	6.6		-	6.6
14:30	US	Initial Jobless Claims	Nov.22	k	225.0		-	240.0
14:30	US	Personal Spending	Oct	% m/m	0.8		-	0.6
14:30	US	Personal Income	Oct	% m/m	0.4		-	0.4
14:30	US	PCE Deflator SA	Oct	% m/m	0.4		-	0.3
16:00	US	ISM manufacturing	Nov	pts	49.8		-	50.2
FRIDAY (2 December)								
08:00	DE	Exports SA	Oct	% m/m	0.0		-	-0.6
09:00	CZ	GDP SA	3Q	% y/y	-		-	1.6
14:30	US	Change in Nonfarm Payrolls	Nov	k	200.0		-	261.0
14:30	US	Unemployment Rate	Nov	%	3.7		-	3.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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