

22 December 2022

Eyeopener

Retail sales above forecasts

Today M3 money supply, US GDP revision
Construction output and retail sales above forecasts
EURPLN falls below 4.66, domestic yields down sharply

Today in Poland, M3 money supply data are out. In the US, revised 3Q GDP and weekly new jobless claims releases are due.

Yesterday data from the US were mixed: the **US Conference Board consumer optimism index** showed a marked improvement in December and was the highest in eight months. Consumers assessed their current situation better and were more optimistic about the future. Inflation expectations fell to their lowest level since September 2021, mainly influenced by the fall in gas prices. In contrast, data from the **property market** showed weaker-than-expected house sales: the lowest since the early pandemic period (May 2020). Activity in this US market is likely to decline further.

New pieces of November data proved better than forecast. **Retail sales** rose by 1.6% y/y, **construction production** by 4% y/y. In both cases, a deceleration was expected; meanwhile, the data indicate greater resilience in the economy, although still consistent with a slowdown in economic activity in 4Q. **Consumer sentiment** also improved in December, which, however, we view more as a correction of exaggerated pessimism than as a harbinger of a revival in consumer spending. A detailed analysis of the data points to suspicious behaviour of deflators in some categories (e.g. fuel sales), which may imply that some of these positive surprises are at least to some extent due to statistical office's problems with correct distinction between real and nominal categories (doubts about deflators also apply, for example, to yesterday's exceptionally strong energy production data). Nevertheless, until (if) the data are revised, stronger readings shift the balance of risks for economic growth forecasts (but also for inflation) slightly upwards. See more in our [Economic comment](#).

ECB Vice-President Luis de Guindos said that 50bp hikes could become the "new rule" at upcoming central bank meetings. In his view, inflation will remain around current levels for a few months, followed by a decline to around 7% by mid-year. In this situation, the central bank has no choice but to continue raising interest rates steadily.

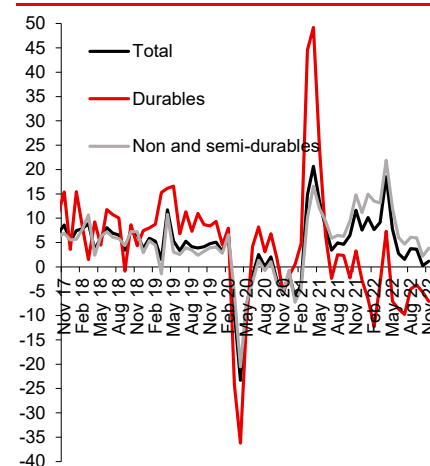
EURUSD remained around 1.06. In the face of the weakening US property market, the better-than-expected consumer confidence data were unable to significantly help the dollar.

EURPLN dropped from just below 4.68 to below 4.66. The zloty clearly benefited from the publication of better-than-expected domestic retail sales and construction production data. They provided a convenient excuse for the exchange rate to break out of the consolidation valid for the last two weeks.

Other CEE currencies: **EURCZK** oscillated around 24.18. The CNB left interest rates unchanged at 7%. CNB Governor Aleš Michl announced that, in line with the central bank's forecasts, the January inflation reading may remain relatively high. Due to the persistent risk of intensifying demand pressures, the central bank did not officially end the hiking cycle, leaving room for further rate increases. The central bank signalled, also, that at this stage, discussion about the prospects for possible rate cuts are pointless. **EURHUF** tried to test 400 but by the end of the day returned to 402. Prime Minister Victor Orban announced that the fight against inflation remains one of the government's main goals for 2023.

Debt market: Domestic yield curve fell by around 18bp on average as interest rate expectations fell in the FRA market. In view of the dovish statements of MPC members recently, which basically ruled out the possibility of rate hikes and only indicated that the possible dispute was only about whether cuts should take place as early as 2023 or as late as 2024, the domestic debt market started to 'bounce back' from the trends seen in euro area debt markets, which had recently discounted more ECB rate hikes. In the core debt markets, bond prices stabilised.

Retail sales, % y/y



Source: GUS, Santander

Economic Analysis Department:

aL. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: 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	4,6588	CZKPLN	0,1924
USDPLN	4,3801	HUFPLN*	1,1657
EURUSD	1,0635	RUBPLN	0,0607
CHFPLN	4,7348	NOKPLN	0,4491
GBPPLN	5,3356	DKKPLN	0,6294
USDCNY	6,9785	SEKPLN	0,4241

*for 100HUF

Last session in the FX market 21.12.2022

	min	max	open	close	fixing
EURPLN	4,6494	4,6745	4,6685	4,6605	'aused at 08:34:17
USDPLN	4,3738	4,4022	4,3985	4,3971	'aused at 08:34:17
EURUSD	1,0593	1,0645	1,0616	1,0596	-

Interest rate market 21.12.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,68	-18
DS0727 (5Y)	6,69	-16
DS0432 (10Y)	6,61	-18

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,26	-8	5,00	-3	3,14	4
2L	6,79	-14	4,51	-4	3,28	4
3L	6,31	-16	4,12	-2	3,16	5
4L	6,05	-16	3,92	-1	3,09	4
5L	5,91	-17	3,79	-2	3,05	5
8L	5,77	-16	3,65	1	2,99	4
10L	5,80	-16	3,62	1	2,98	4

WIBOR rates

Term	%	Change (bps)
O/N	6,53	-5
T/N	6,68	4
SW	6,84	0
2W	6,87	1
1M	6,96	-2
3M	7,05	-1
6M	7,18	-1
1Y	7,28	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7,02	-3
3x6	7,09	-8
6x9	7,13	-13
9x12	6,94	-10
3x9	7,17	-9
6x12	7,13	-16

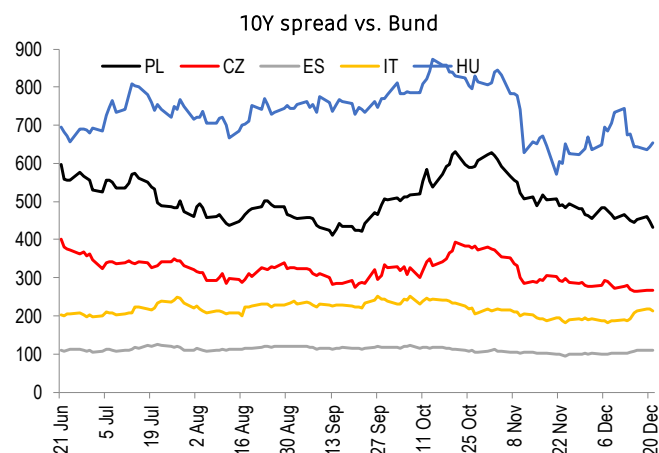
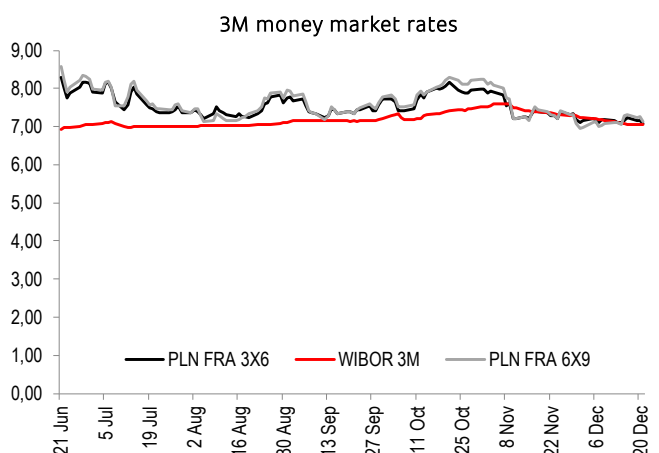
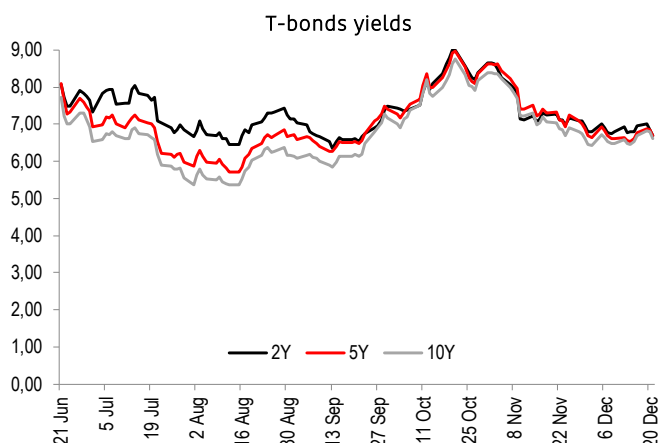
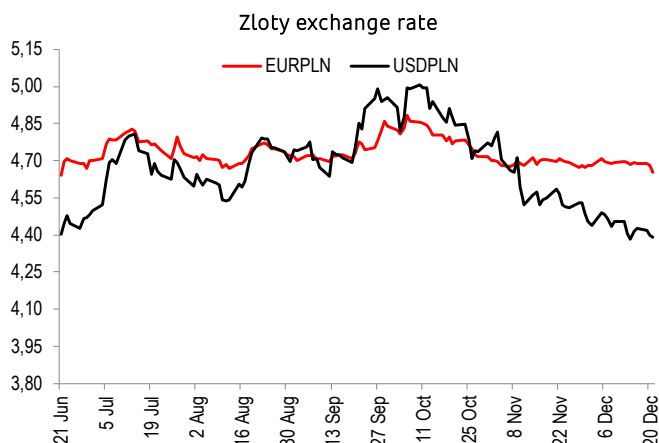
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	117	0	431	-18
France	15	0	54	0
Hungary	202	0	655	11
Spain	58	0	109	-2
Italy	58	0	212	-5
Portugal	43	0	104	-3
Ireland	23	0	54	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 (16 December)							
09:30	DE	Germany Manufacturing PMI	Dec	pts	46.3	47.4	46.2
09:30	DE	Markit Germany Services PMI	Dec	pts	46.3	49.0	46.1
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	47.1	47.8	47.1
10:00	EZ	Eurozone Services PMI	Dec	pts	48.5	49.1	48.5
11:00	EZ	HICP	Nov	% y/y	10.0	10.1	10.6
14:00	PL	CPI Core	Nov	% y/y	11.3	11.4	11.0
MONDAY (19 December)							
10:00	DE	Ifo Business Climate	Dec	pts	87.5	88.6	86.4
TUESDAY (20 December)							
10:00	PL	Employment in corporate sector	Nov	% y/y	2.3	2.3	2.4
10:00	PL	Sold Industrial Output	Nov	% y/y	2.2	4.0	6.8
10:00	PL	PPI	Nov	% y/y	21.1	20.7	22.9
10:00	PL	Average Gross Wages	Nov	% y/y	12.8	12.7	13.0
14:00	HU	Central Bank Rate Decision	Dec.22	%	-	13.00	13.00
14:30	US	Housing Starts	Nov	% m/m	-1.8	-0.5	-4.2
WEDNESDAY (21 December)							
10:00	PL	Construction Output	Nov	% y/y	-1.6	-2.2	4.0
10:00	PL	Retail Sales Real	Nov	% y/y	0.3	-0.2	1.6
14:30	CZ	Central Bank Rate Decision	Dec.22		-	7.00	7.00
16:00	US	Consumer Conference Board	Dec	pts	101.0	108.3	101.4
16:00	US	Existing Home Sales	Nov	% m/m	-5.2	-7.7	-5.9
THURSDAY (22 December)							
14:00	PL	Money Supply M3	Nov	% y/y	5.9	5.7	-
14:30	US	GDP Annualized	3Q	% Q/Q	2.9	-	-0.6
14:30	US	Initial Jobless Claims		k	232	-	230
FRIDAY (23 December)							
10:00	PL	Unemployment Rate	Nov	%	5.1	5.1	-
14:30	US	Durable Goods Orders	Nov	% m/m	-0.5	-	1.0
14:30	US	Personal Spending	Nov	% m/m	0.2	-	0.8
14:30	US	Personal Income	Nov	% m/m	0.2	-	0.7
14:30	US	PCE Deflator SA	Nov	% m/m	0.3	-	0.3
16:00	US	Michigan index	Dec	pts	59.1	-	56.8
16:00	US	New Home Sales	Nov	% m/m	-5.1	-	7.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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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.