

2 January 2023

Eyeopener

Prosperous New Year!

Today manufacturing PMIs are due
EURPLN returned to the 4.68-4.69 range, domestic yields rose on the long end

Today we will get to see PMI indices for manufacturing. We expect a slight rebound in this measure for Poland. Chinese business confidence indicators showed a marked deterioration in services and a decline in manufacturing due to a COVID-19 wave.

In 2021, the **number of employees earning the minimum wage** or less in the national economy entities fell by 0.6%. In total, there were 1.6 million such people out of 12 million employed in the sector. In construction, the number decreased by 6.1%, in transport by 2.8%, in manufacturing by 2.0% and in trade by 0.6%. However, the number increased in case of administration and support activities (by 20.2%) and accommodation and catering (12.2%). The highest share of employees the minimum or lower wage was recorded in accommodation and catering (43.4%) and construction (31.7%). These sectors will be hit the hardest by the strong increase in the minimum wage in 2023.

The **financial situation of the smallest companies** clearly improved in 2021. Companies employing nine people and less recorded a gross result of PLN251bn, 27.5% higher than a year earlier. The sector's revenues increased by 8.4% y/y and costs by 5.4% y/y, gross profitability improved to 16.1% from 13.7% in 2020. Profitability improved most markedly in the real estate services (to 14.5% from -1.0%) and in professional, scientific and technical activities (to 31.9% from 24.1%). In contrast, profitability deteriorated in financial and insurance activities (to 10.6% from 18.0%).

After November, the **central budget balance** recorded a surplus of PLN18.2bn. Over the month, the result deteriorated by PLN9bn, making it the weakest November in years. This was caused primarily by weaker budget revenues: in November alone, they were 15.7% lower than a year earlier, of which VAT revenues fell by c. 4% y/y, PIT revenues fell by 57.6% y/y (the effect of transferring part of the funds as subsidies to local governments), and CIT revenues rose by 5.8% y/y. Budget revenues are supported by high inflation, but undermined by the economic slowdown and 'anti-inflationary shields'. In spending terms, the high cost of debt servicing draws attention: almost PLN7.5bn compared to around PLN2.0 bn on average this month in previous years. We expect the budget surplus to disappear in December and the whole year to close with a small deficit. In terms of the entire general government sector, we expect a deficit of 2.6% of GDP.

The National Bank of Poland has revised its **balance of payments data 2Q and 3Q22**. Estimates for exports of services were raised markedly, by a total of €4.5bn (especially exports of transport and travel services). Estimates for imports of services were raised by €1.6bn, exports of goods by €0.6bn, imports of goods by €0.7bn. The revenue balance deteriorated by €1.4bn. Overall, the revision had a favourable impact on the current account balance, which rose by €1.3bn. In 3Q22, the 12m cumulated current account balance was at -3.5% of GDP compared to -3.7% of GDP before the revision.

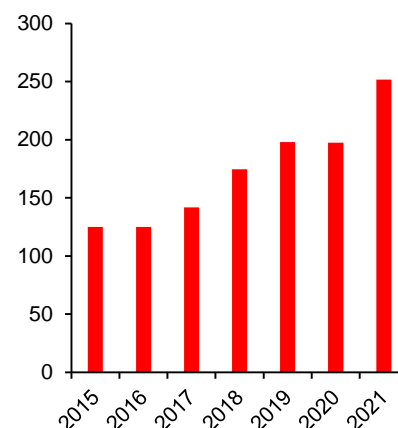
Poland's gross external debt decreased in 3Q22 to 53.7% of GDP from 54.7% of GDP in 2Q22 and 56.9% of GDP in 3Q21. In nominal terms, the debt of all main sectors increased, while the relative reduction versus the GDP was possible thanks to a very high nominal GDP growth. On an annualised basis, nominal GDP growth subtracted around 6.5 percentage points from the debt ratio. The **net international investment position** improved to -31.9% of GDP in 3Q22 from -35.1% of GDP in 2Q22 and -39.6% of GDP in 3Q21. Further improvement in debt and IIP ratios should have a favourable impact on Poland's credit rating.

EURUSD has fluctuated in 1.06-1.07 zone in recent days, with a clear upward bias driven by expectations of higher target interest rates in the euro area. ECB representatives were clearly declaring that rate hikes by 50 bp would be required at the February and March ECB meetings and this was the market's focus. In these circumstances, better economic data from the US was unable to convince the market that in 2023, Fed will raise rates above 5%.

EURPLN last week attempted to attack 4.63, but a lively discussion within the ruling coalition on Recovery Fund issues, indicating a lack of consensus on the matter brought the rate back to the 4.68 - 4.70 zone where it stayed for the better part of December. **Other CEE currencies:** the EURCZK fell to around 24.14 from around 24.19 last week. the EURHUF fluctuated around 400.

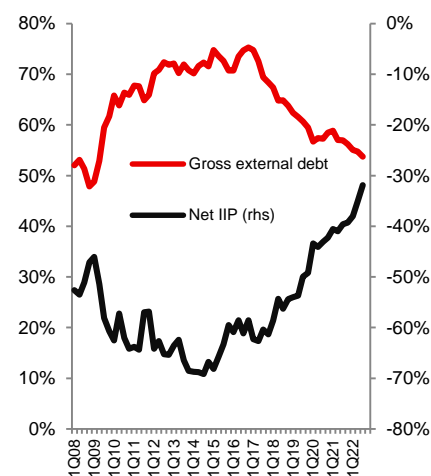
Debt market: The domestic yield curve rose in the middle part and at the longer end last week. Better macro data from the main markets stimulated expectations of longer-lasting domestic inflation. The NBP rate remained an anchor for the curve. A lower CPI inflation reading for December (publication on Thursday) should lower yields in Poland again, although downside potential remains limited by uncertainty over the pace of inflation descent in 2023.

Gross financial results in companies employing up to 9, PLNbn



Source: GUS, Santander

Poland's gross external debt and net IIP, % of GDP



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.6750	CZKPLN	0.1928
USDPLN	4.3762	HUFPLN*	1.1577
EURUSD	1.0693	RUBPLN	0.0604
CHFPLN	4.7195	NOKPLN	0.4461
GBPPLN	5.2730	DKKPLN	0.6281
USDCNY	6.8972	SEKPLN	0.4181

*for 100HUF

Last session in the FX market 30.12.2022

	min	max	open	close	fixing
EURPLN	4.6740	4.6936	4.6790	4.6763	4.6899
USDPLN	4.3715	4.4116	4.3980	4.3716	4.4018
EURUSD	1.0637	1.0700	1.0641	1.0696	-

Interest rate market 30.12.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.73	-10
DS0727 (5Y)	6.88	-3
DS0432 (10Y)	6.88	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.31	-2	5.11	5	3.21	1
2L	6.92	-4	4.70	4	3.39	5
3L	6.47	-5	4.32	3	3.31	6
4L	6.23	-4	4.11	4	3.26	8
5L	6.16	-3	4.01	4	3.24	10
8L	6.08	-3	3.82	1	3.19	11
10L	6.15	-3	3.82	5	3.20	12

WIBOR rates

Term	%	Change (bps)
O/N	5.90	-55
T/N	6.80	6
SW	6.86	1
2W	6.86	0
1M	6.93	0
3M	7.02	0
6M	7.14	0
1Y	7.23	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.96	-5
3x6	7.15	-3
6x9	7.21	-5
9x12	7.06	-2
3x9	7.21	-4
6x12	7.21	-4

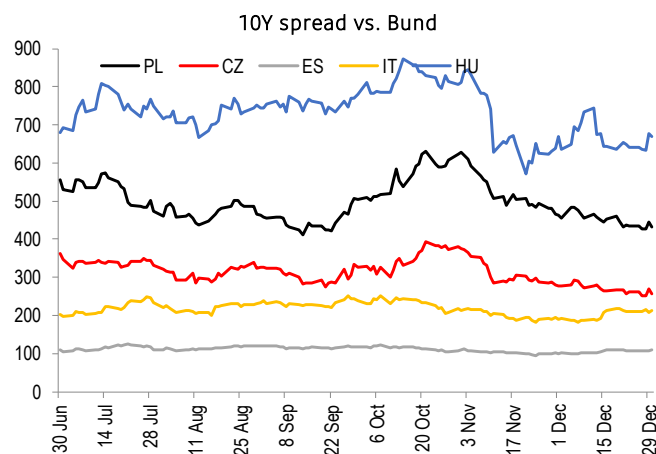
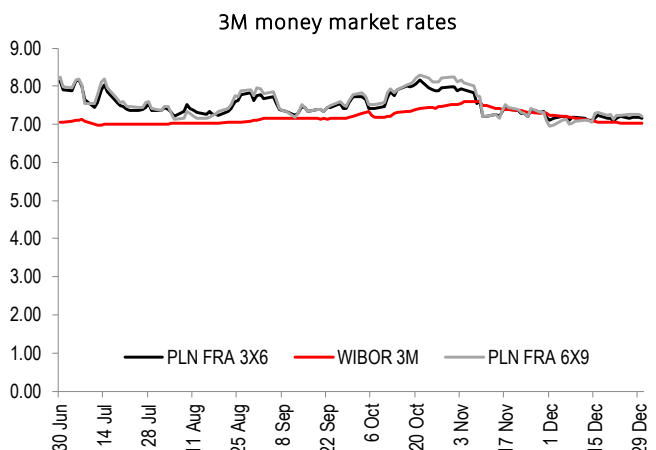
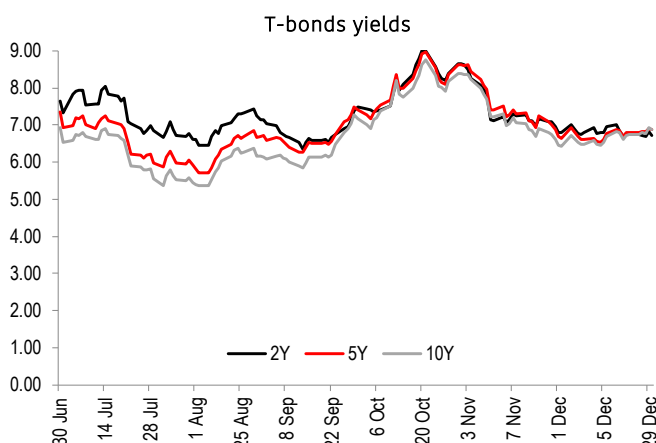
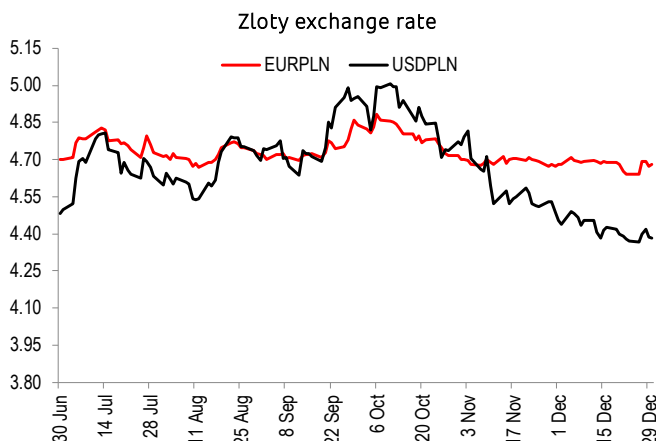
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	0	432	-15
France	15	0	55	1
Hungary	202	0	669	-10
Spain	55	0	109	2
Italy	55	0	213	5
Portugal	40	0	104	2
Ireland	23	0	56	7
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



Kalendarz wydarzeń i publikacji

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (30 December)								
No important data								
MONDAY (2 January)								
09:00	PL	PMI manufacturing	Dec	pts	44.0	43.7		43.4
09:55	DE	PMI manufacturing	Dec	pts	47.4	-		46.2
10:00	EZ	PMI manufacturing	Dec	pts	47.8	-		47.1
TUESDAY (3 January)								
14:00	DE	HICP inflation	Dec	% m/m	-0.5	-		0.0
WEDNESDAY (4 January)								
	PL	MPC decision		%	6.75	6.75		6.75
02:45	CN	PMI services	Dec	pts		-		46.7
09:55	DE	PMI services	Dec	pts	49.0	-		46.1
10:00	EZ	PMI services	Dec	pts	49.1	-		48.5
16:00	US	ISM manufacturing	Dec	pts	48.5	-		49.0
20:00	US	Minutes FOMC	14.12.2022					
THURSDAY (5 January)								
08:00	DE	Export	Nov	% m/m	-0.5	-		0.8
10:00	PL	CPI inflation	Dec	% y/y	17.4	17.2		17.5
14:15	US	ADP report	Dec	k	140	-		127.0
FRIDAY (6 January)								
	PL	National holiday						
08:00	DE	Factory orders	Nov	% m/m	-0.5	-		0.8
08:00	DE	Retail sales	Nov	% m/m	1.5	-		-2.7
09:00	CZ	Industrial output	Nov	% y/y	-1.4	-		2.9
11:00	EZ	HICP flash	Dec	% y/y	9.6	-		10.0
11:00	EZ	Retail sales	Nov	% m/m	0.6	-		-1.8
11:00	EZ	ESI	Dec	pts	94.5	-		93.7
14:30	US	Non-farm payrolls	Dec	k	200	-		263.0
14:30	US	Unemployment rate	Dec	%	3.7	-		3.7
16:00	US	ISM services	Dec	pts	55.0	-		56.5
16:00	US	Factory orders	Nov	% m/m	-0.8	-		1.0

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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