

18 January 2023

Eyeopener

China intends to return to normal growth rate

Today, HICP inflation in the Eurozone, data from the US ZEW surprises up, Empire State index down
EURPLN further in sideways trend, yields fluctuate around 6%

Today, we will see data on HICP inflation in the euro area and the European Union (including Poland) and US data on retail sales, industrial production and PPI inflation. In other words, a bit of food for thought for market expectations on monetary policy in the US and the euro area.

According to Bloomberg, citing anonymous sources, a **50bp rate hike at the ECB's February meeting remains the most likely option, but the prospect of reducing the pace of hikes to 25bp from March is gaining support within the ECB Council**. The ECB's main rate stands at 2.50% versus 0.00% before the start of the hike cycle.

ZEW index for Germany, published yesterday, showed a marked improvement in the expectations index: from -23.3 points to +16.9 points (the highest since February 2022). Such a strong movement was primarily due to a strong correction in inflation expectations. The inflation expectations index even fell to its lowest level since 1991 (one can therefore assume that this was an exaggerated movement). The current assessment indicator also improved, but much less markedly and was weaker than market had expected. In the US, on the other hand, the **Empire State manufacturing** leading indicator was published much worse than expected (-32.9 points versus expectations of -8.6 points). The weak result was the aftermath of a slump in the new orders index.

Chinese Deputy PM Liu He announced in Davos that the country's economic growth and foreign trade will recover from the Covid-19 pandemic in 2023. He assured that the outbreak of the disease in China is now under control and that the speed at which people are recovering from infections is "astonishing". China's 4Q22 GDP growth data came in higher than forecast (2.9% y/y vs. expectations of 1.8% y/y and 3.9% y/y previously).

Polish stats office data on foreign trade in goods for November showed a balance of -€1.99bn against -€1.62bn previously, while the central bank's balance of payments data for the period suggested a surprisingly large trade balance improvement to -€1.50bn from -€2.28bn. The result is quite unusual: since the beginning of 2014, apart from this November reading, GUS monthly data has only twice shown a lower goods trade balance than the NBP data. This could mean future significant revisions of these data. On the export side, GUS showed a deceleration in annual growth to 12.3% from 18.7%, with less dynamic shipments to the Eurozone responsible for more than 4pp of this slowdown (the result was distorted, however, by a negative base effect). In particular, exports to Germany slowed to 7.3% y/y from 16.2%. A significant contribution to Polish exports growth rate was still delivered by shipments to Ukraine (nearly +100% y/y), the Czech Republic and the USA. On the import side, the annual growth rate fell to 17.5% y/y from 23.5%, caused primarily by a sharp slowdown in shipments from China (+0.2% y/y in November, after +23.9% y/y in October and 36.6% y/y in September) and less dynamic imports from the USA (53.5% y/y in November, but in previous months the increase had been 100%). On the other hand, imports from Germany rebounded markedly (21.7% y/y vs. 5.8% y/y previously) and imports from South Korea continued to grow strongly (up 35-50% y/y for the last six months). We have doubts as to whether the improvement in the trade balance shown in the latest balance of payments data can continue in the following months and the GUS data support these doubts.

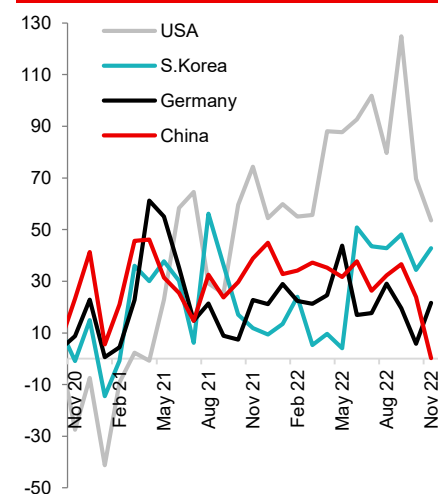
EURUSD fell from the 1.08-1.09 zone where it stayed for most of the day to below its lower limit. Initially, the situation for the single currency looked promising. A better reading of the German ZEW index and a surprisingly weak leading indicator of economic activity for the New York area favoured a climb towards 1.09. However, indications of a possible slowdown in the pace of rate hikes to 25bp by the ECB pushed the exchange rate below 1.08. This morning, the exchange rate returned above 1.08 again.

EURPLN oscillated around 4.69. The zloty is awaiting further progress on Poland's access to Recovery Funds.

Other CEE currencies: **EURCZK** fell from around 24.01 to 23.94. **EURHUF** pushed again towards 400 but by the end of the day it had recovered to 396. the Forint was helped by falling gas prices on European markets, which fell to levels not seen since September 2021.

Debt market: Domestic yield curve fluctuated around 6% level, attempts to move up around 6.20% during the day after a better-than-expected reading of the German ZEW index were negated after a markedly weaker-than-expected reading of the New York region's manufacturing leading indicator and signals of a possible slowdown in the pace of rate hikes in the euro area.

Poland imports in €, selected countries, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,6936	CZKPLN	0,1957
USDPLN	4,3409	HUFPLN*	1,1659
EURUSD	1,0816	RUBPLN	0,0629
CHFPLN	4,7140	NOKPLN	0,4402
GBPPLN	5,3450	DKKPLN	0,6308
USDCNY	6,7730	SEKPLN	0,4185

*for 100HUF

Last session in the FX market 17.01.2023

	min	max	open	close	fixing
EURPLN	4,6841	4,7046	4,6868	4,6933	4,6946
USDPLN	4,3152	4,3533	4,3289	4,3478	4,3398
EURUSD	1,0784	1,0869	1,0830	1,0792	-

Interest rate market 17.01.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,04	-2
DS0727 (5Y)	5,98	-2
DS0432 (10Y)	6,04	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,93	1	5,04	-3	3,08	-9
2L	6,31	3	4,44	-5	3,08	-10
3L	5,72	4	3,99	-3	2,87	-10
4L	5,46	4	3,76	-2	2,74	-10
5L	5,33	2	3,64	0	2,67	-10
8L	5,26	1	3,50	2	2,62	-9
10L	5,31	1	3,50	4	2,64	-9

WIBOR rates

Term	%	Change (bps)
O/N	6,57	7
T/N	6,70	-1
SW	6,83	1
2W	6,85	-1
1M	6,90	0
3M	6,93	1
6M	7,01	0
1Y	7,09	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,88	-1
3x6	6,93	0
6x9	6,82	1
9x12	6,39	4
3x9	6,97	1
6x12	6,84	6

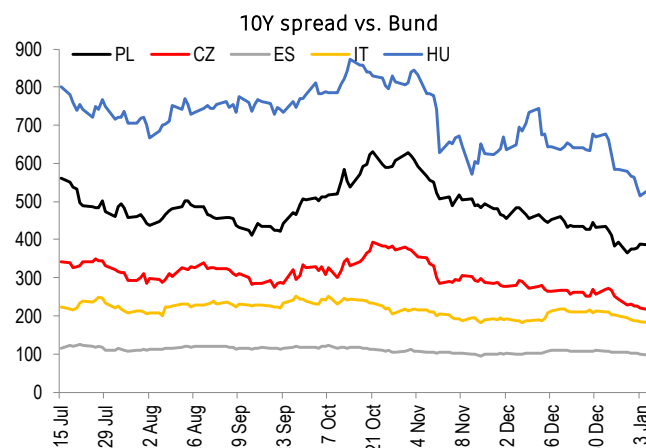
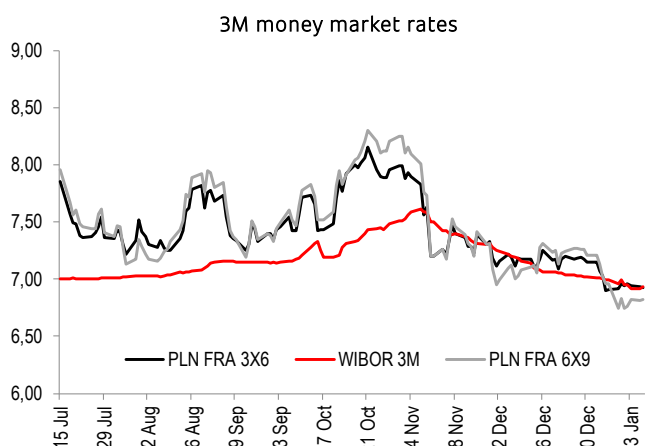
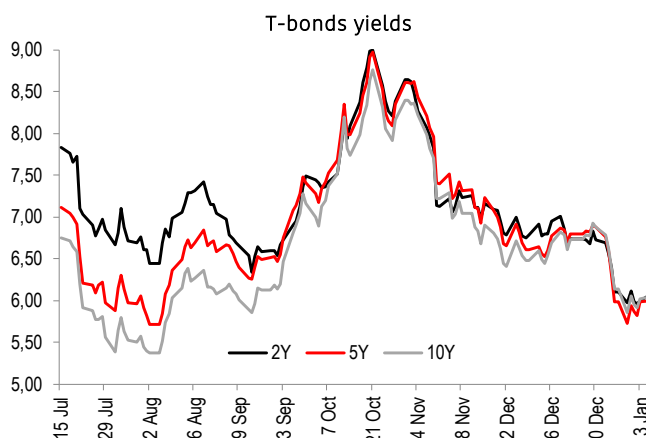
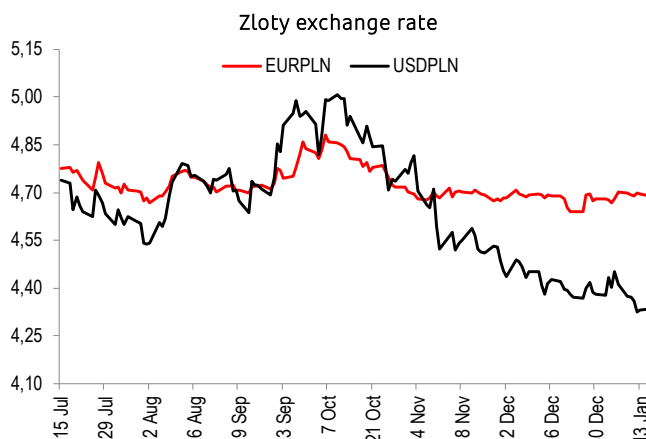
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	119	2	395	9
France	10	0	45	0
Hungary	206	0	574	41
Spain	48	0	97	1
Italy	45	0	180	-2
Portugal	33	0	91	1
Ireland	18	0	40	-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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (13 January)							
08:30	HU	CPI	Dec	% y/y	25.8	24.5	22.5
10:00	PL	CPI	Dec	% y/y	16.6	16.6	17.5
11:00	EZ	Industrial Production SA	Nov	% m/m	0.5	1.0	-1.9
14:00	PL	Current Account Balance	Nov	€mn	-1014	-486	-549
14:00	PL	Trade Balance	Nov	€mn	-2327	-2343	-2277
14:00	PL	Exports	Nov	€mn	29808	29995	30018
14:00	PL	Imports	Nov	€mn	31878	32338	31514
16:00	US	Michigan index	Jan	pts	60.5	64.6	59.7
MONDAY (16 January)							
14:00	PL	CPI Core	Dec	% y/y	11.5	11.4	11.4
TUESDAY (17 January)							
08:00	DE	HICP	Dec	% m/m	-1.2	-1.2	0.0
11:00	DE	ZEW Survey Current Situation	Jan	pts	-56.4	-58.6	-61.4
WEDNESDAY (18 January)							
11:00	EZ	HICP	Dec	% y/y	9.2	-	10.1
14:30	US	Retail Sales Advance	Dec	% m/m	-0.75	-	-0.6
15:15	US	Industrial Production	Dec	% m/m	0.0	-	-0.22
THURSDAY (19 January)							
10:00	PL	Consumer confidence	Jan			-	
14:30	US	Initial Jobless Claims		k	215.0	-	205.0
14:30	US	Housing Starts	Dec	% m/m	-5.4	-	-0.5
14:30	US	Index Philly Fed	Jan		-10.8	-	-13.7
FRIDAY (20 January)							
10:00	PL	Business confidence	Jan			-	
10:00	PL	Employment in corporate sector	Dec	% y/y	2.3	2.3	2.3
10:00	PL	Average Gross Wages	Dec	% y/y	12.4	12.3	13.9
16:00	US	Existing Home Sales	Dec	% m/m	-3.18	-	-7.67

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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