

20 January 2023

Eyeopener

Domestic labour market in focus

Today domestic labour market data, economic sentiment indicators

Consumer confidence continues to improve

EURPLN slightly higher, domestic yields tried again to rise above 6%

Today, important data from Poland: December labour market statistics (wages and employment) and the GUS economic sentiment indicators. Recent labour market data showed wage growth clearly slower than inflation and reasonably good employment with weaker trends in manufacturing. In our view, the December data will show confirmation of these trends. We also expect business optimism to improve. In the US, home sales data will be published.

Minutes from the December ECB meeting showed that a large number of Governing Council members initially wanted a 75bp hike, but agreed to a 50bp move in exchange for a clear statement that 50bp moves would also be applied in the following months (forward guidance). The tone of this document is quite hawkish and it supports expectations for a 50 bp move in February.

In the first monthly reading for 2023, the main **Polish consumer confidence indicators** showed a further recovery. Current assessment index rose for the third time in a row, and this time much faster, but so far the move has only restored the sentiment to spring 2022 levels. At -38.1 pts, the index is way below the pre-pandemic 0-10 pts range. The expectations index also recorded the third consecutive rise, gaining 3.1 pts, the same as in December, reached the highest level (-27.6 pts) since April 2022 and is some 30 pts below pre-pandemic values. Consumer optimism improved particularly when it comes to future own financial situation and economic prospects with job security improving significantly in January at the time when the current slowdown of the economy should be destabilising the labour market. Consumers also expressed more openness to major purchases, including a higher probability of buying a car within the next 12 months. The only consumer confidence components falling in January were the ones related to inflation (current and future) and the expected ability to save money in future (which, given the improving views on future incomes and readiness to spend, may be a sign of reduction of precautionary savings). The data increase the chances that Polish consumers will make it through the slowdown without significant cuts to the private consumption level that we have in 2023. That said, the 3Q22 surprise and quite unusual 0.7% q/q drop in private consumption was in our view not flagged by consumer confidence numbers.

The results of the MPC vote showed that in December the Council rejected motions for 100, 50 and 25 bp hikes. Only J. Tyrowicz voted in favour of the 100 bp hike, the 50 bp hike was supported by J. Tyrowicz and L. Kotecki, and 25 bp only by P. Litwiniuk. The latter supported a 50 bp move in October and November, so the results indicate a reduction in his willingness to raise rates.

Polish Finance Minister Magdalena Rzeczkowska said that the central budget deficit for 2022, is likely to be lower than the planned PLN29.9bn. However, the general government debt will be around 50% of GDP. For 2023, the budget deficit is planned to increase to PLN68bn and the general government debt to 53.3% GDP. The finance minister said that the government needs to be cautious about planning additional spending. She also announced that in 2023, foreign bond issuance may be offered not only in euros and US dollars, but also in Japanese yen.

US Treasury Secretary Janet Yellen informed the Congress that the country's debt levels had reached the legal limit, so she was forced to launch "extraordinary measures" to avoid bankruptcy by June this year.

EURUSD hovered around 1.08. Attempts to move towards 1.09, which were made after the publication of the hawkish ECB minutes, were torpedoed by better-than-expected US data.

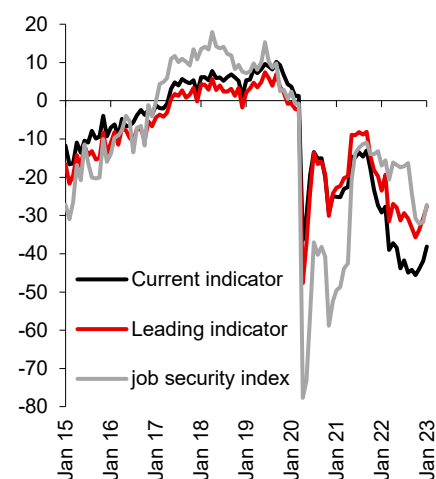
EURPLN rose from around 4.72 to around 4.73. Initially, the zloty was supported by rising domestic consumer confidence, but the uncertain situation in EURUSD market eventually worked against the zloty. The market feared that the Fed might be slightly more hawkish, which put negative pressure on the zloty. This morning, the exchange rate is again near 4.72.

Other CEE currencies: **EURHUF** from around 393 rose to 395. MNB President Gyorgy Matolcsy announced that if inflation starts to fall quickly and regularly, then interest rates could be reduced.

EURCZK fell from around 23.96 to around 23.92.

Debt market: Domestic yield curve rose by 9 bp on average. The shorter and longer end of the curve tried to push through the 6% mark after the publication of consumer confidence data but these levels did not hold for the rest of the day.

Consumer confidence, pts



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,7192	CZKPLN	0,1969
USDPLN	4,3564	HUFPLN*	1,1826
EURUSD	1,0836	RUBPLN	0,0633
CHFPLN	4,7492	NOKPLN	0,4398
GBPPLN	5,3814	DKKPLN	0,6342
USDCNY	6,7801	SEKPLN	0,4222

*for 100HUF

Last session in the FX market 19.01.2023

	min	max	open	close	fixing
EURPLN	4,7004	4,7303	4,7260	4,7275	4,7053
USDPLN	4,3406	4,3828	4,3818	4,3745	4,3469
EURUSD	1,0781	1,0838	1,0790	1,0807	-

Interest rate market 19.01.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5,92	10
DS0727 (5Y)	5,88	8
DS0432 (10Y)	5,94	10

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,90	2	5,03	5	3,16	6
2L	6,22	2	4,36	4	3,13	5
3L	5,58	3	3,89	4	2,91	4
4L	5,28	5	3,65	4	2,79	5
5L	5,14	4	3,50	3	2,72	6
8L	5,04	3	3,35	3	2,63	4
10L	5,09	4	3,34	1	2,63	3

WIBOR rates

Term	%	Change (bps)
O/N	6,51	-15
T/N	6,67	-4
SW	6,82	-1
2W	6,85	1
1M	6,88	-1
3M	6,93	2
6M	6,99	-1
1Y	7,10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,89	0
3x6	6,89	0
6x9	6,80	4
9x12	6,33	3
3x9	6,92	-1
6x12	6,79	7

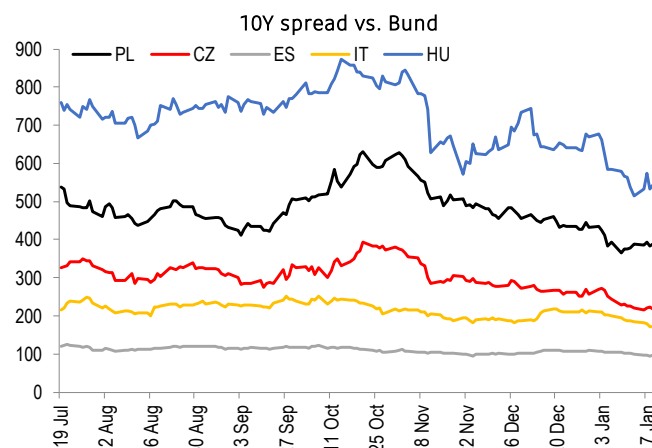
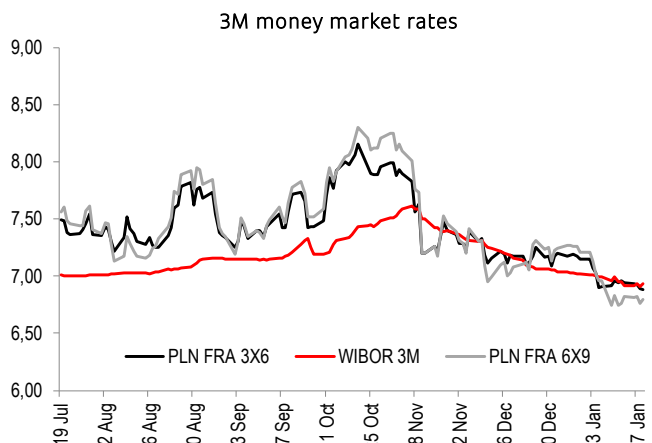
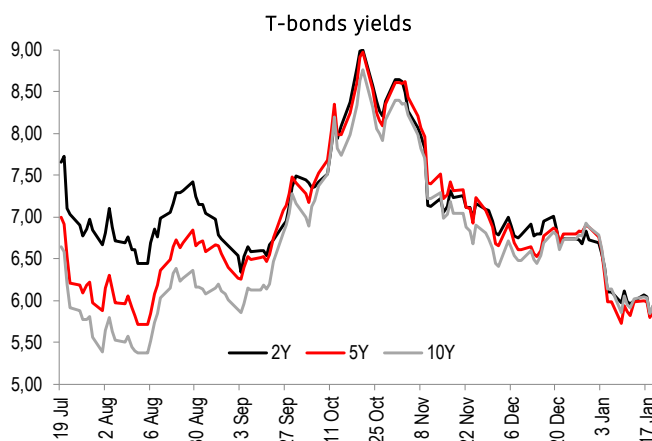
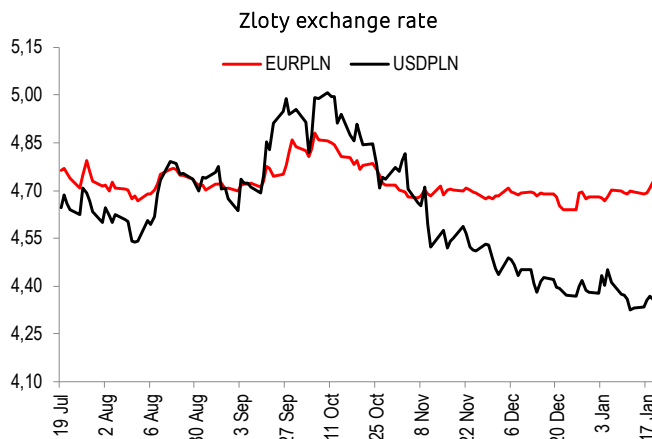
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	117	0	389	5
France	10	0	43	0
Hungary	204	5	544	12
Spain	48	2	96	3
Italy	43	0	172	-1
Portugal	33	2	86	-2
Ireland	18	0	39	-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	-1496
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	9.2	10.1
14:30	US	Retail Sales Advance	Dec	% m/m	-0.75	-1.1	-1.0
15:15	US	Industrial Production	Dec	% m/m	0.0	-0.7	-0.6
THURSDAY (19 January)							
10:00	PL	Consumer confidence	Jan			-	
14:30	US	Initial Jobless Claims		k	215.0	190	205.0
14:30	US	Housing Starts	Dec	% m/m	-5.4	-1.4	-1.8
14:30	US	Index Philly Fed	Jan		-10.8	-8.9	-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	-
10:00	PL	Average Gross Wages	Dec	% y/y	12.4	12.3	-
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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