

23 January 2023

Eyeopener

December set of weaker economic data

Today domestic data on industrial and construction output, retail sales, PPI inflation
Wages disappointed in December, employment below expectations, but moods improve
EURPLN trying to get below 4.70, domestic yields rose less than abroad

Today will see a data set from Poland consisting of industrial production, construction output, retail sales and PPI inflation for December. In all those cases, we expect readings lower than the market consensus and lower than their previous values. A marked decline in PPI growth would be part of a disinflationary series composed of much lower-than-expected CPI inflation and wage growth for December.

December labour market statistics were clearly disappointing. **Wages** slowed down to 10.3% y/y in December from 13.9% y/y in November. In real terms, they slumped by as much as 5.4% y/y. We do not rule out that some companies held back wage hikes until minimum wage rise stepping in January 2023, which will trigger an update in wage schemes anyway. We think that wage growth will remain in double-digit territory in the months to come, but we do not see much potential for a more pronounced acceleration, given slowing economy and pressure on companies financial results. **Employment** unexpectedly slowed to 2.2% y/y in December from 2.3% y/y in November and is likely to lose momentum further. December's labour market data confirm that the Polish economy is feeling the impact of the economic slowdown, with the market adjusting more through a decline in real wages rather than through cuts in employment – in line with our call. The weaker labour market situation will have a negative impact on private consumption in the coming quarters. On the other hand, there are more and more signs that the downturn may turn out to be shallower and shorter than we had anticipated (thanks to exceptionally mild winter, which reduces the risk of energy shortages and lowers commodity prices, e.g. for gas), and the sooner we enter a new phase of recovery, the more quickly the weakness in the labour market should end. Meanwhile, January **business climate indicators** improved in most sectors, but not in industry. Read more in our [Economic Comment](#).

EURUSD moved from 1.08 area closer to 1.085 on Friday. Fed members John Williams and Esther George signalled that the further course of the US rate hike cycle will depend on incoming data. In contrast, ECB Governing Council member Klaas Knot said that interest rates in the euro zone will go up by 50 basis points in February and March, with hikes thereafter as well. The statement contrasts with earlier anonymous suggestions that the ECB will raise rates by 25 basis points starting in March. Following its impact, the EURUSD exchange rate rose to nearly 1.09.

EURPLN dropped below 4.71 from around 4.72. The zloty was helped by MPC member Iwona Duda statement, who said that consideration of possible rate cuts in 2023 should be considered premature, as the Council currently remains in "wait and see" mode.

Other CEE currencies: EURHUF fluctuated around 394. The forint was awaiting Friday's revision of Hungary's credit rating by Fitch, which decided to downgrade the debt outlook to negative. According to the agency, the difficult international environment underscores Hungary's weaknesses, which in turn are derived from poor economic policies. In addition, the protracted delay in accessing the Recovery Funds was cited as a reason for the outlook change. However, the Hungarian currency did not react to the event. EURCZK oscillated around 23.90.

Debt market: the domestic yield curve rose by around 16bp at the shorter end after a statement by MPC member Iwona Duda suggesting that the market's pricing of rate cuts in 2023 is premature. In the middle part of the curve and at its longer end, yields rose by only around 5bp. The rise in domestic yields was also helped by the situation on the main markets, where debt also weakened.

Wages and employment, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.7067	CZKPLN	0.1964
USDPLN	4.3207	HUFPLN*	1.1971
EURUSD	1.0892	RUBPLN	0.0630
CHFPLN	4.7070	NOKPLN	0.4372
GBPPLN	5.3681	DKKPLN	0.6319
USDCNY	6.7825	SEKPLN	0.4193

*for 100HUF

Last session in the FX market 20/01/2023

	min	max	open	close	fixing
EURPLN	4.7032	4.7223	4.7151	4.7089	4.7137
USDPLN	4.3389	4.3648	4.3528	4.3475	4.352
EURUSD	1.0800	1.0859	1.0835	1.0830	-

Interest rate market 20/01/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.08	16
DS0727 (5Y)	5.93	5
DS0432 (10Y)	5.99	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.93	3	5.05	2	3.19	4
2L	6.25	3	4.41	5	3.19	6
3L	5.64	5	3.95	6	3.00	9
4L	5.34	5	3.71	6	2.88	9
5L	5.19	5	3.59	9	2.82	10
8L	5.09	4	3.45	10	2.74	11
10L	5.13	4	3.43	9	2.75	12

WIBOR rates

Term	%	Change (bps)
O/N	6.53	2
T/N	6.71	4
SW	6.83	1
2W	6.84	-1
1M	6.90	2
3M	6.92	-1
6M	6.99	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.89	0
3x6	6.93	4
6x9	6.82	2
9x12	6.37	3
3x9	6.94	3
6x12	6.79	0

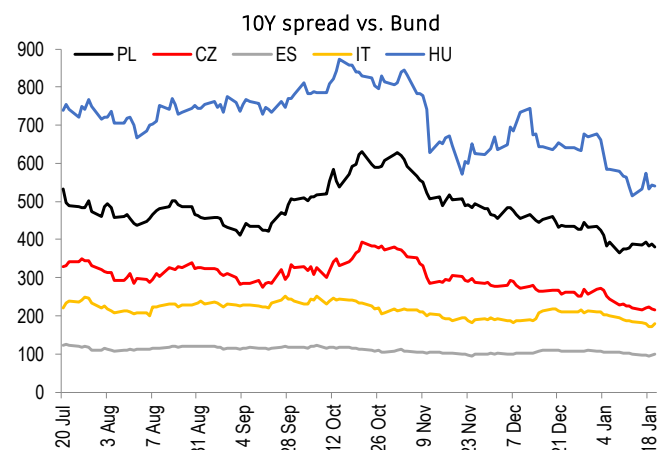
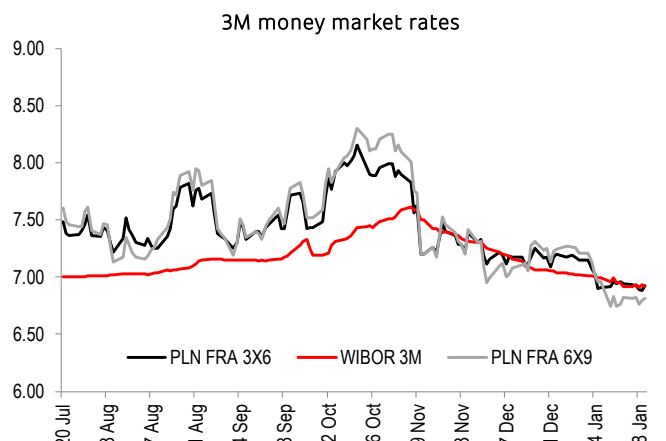
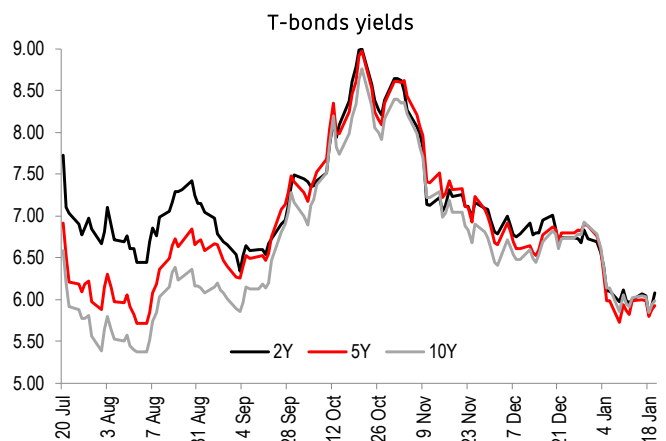
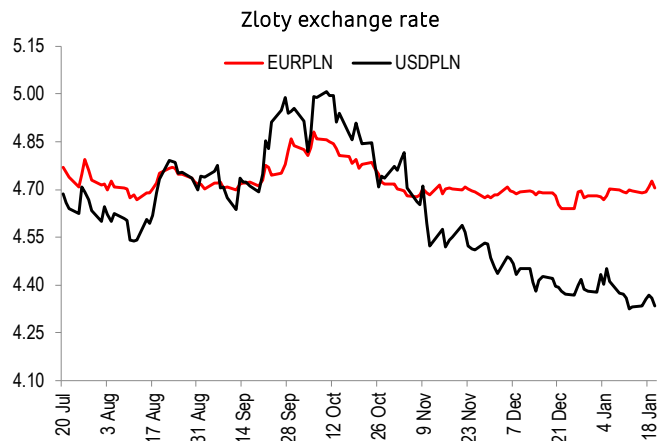
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	-2	382	-7
France	12	3	45	2
Hungary	199	-5	541	-3
Spain	48	0	98	2
Italy	45	2	180	8
Portugal	33	0	89	3
Ireland	17	0	42	3
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 (20 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	2.3	2.3	2.2	2.3
10:00	PL	Average Gross Wages	Dec	% y/y	13.1	12.3	10.3	13.9
16:00	US	Existing Home Sales	Dec	% m/m	-3.4		-1.5	-7.9
MONDAY (23 January)								
10:00	PL	Sold Industrial Output	Dec	% y/y	2.4	1.4	-	4.6
10:00	PL	Construction Output	Dec	% y/y	2.7	1.8	-	4.0
10:00	PL	PPI	Dec	% y/y	19.8	19.0	-	20.8
10:00	PL	Retail Sales Real	Dec	% y/y	2.1	1.2	-	1.6
TUESDAY (24 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	48.0		-	47.1
09:30	DE	Markit Germany Services PMI	Jan	pts	49.6		-	49.2
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	48.5		-	47.8
10:00	EZ	Eurozone Services PMI	Jan	pts	50.2		-	49.8
14:00	HU	Central Bank Rate Decision	Jan.23	%	13.0		-	13.0
14:00	PL	Money Supply M3	Dec	% y/y	6.1	5.8	-	5.6
WEDNESDAY (25 January)								
10:00	DE	IFO Business Climate	Jan	pts	90.2		-	88.6
10:00	PL	Unemployment Rate	Dec	%	5.2	5.2	-	5.1
THURSDAY (26 January)								
14:30	US	Durable Goods Orders	Dec	% m/m	2.8		-	-2.1
14:30	US	GDP Annualized	4Q	% Q/Q	2.6		-	3.2
14:30	US	Initial Jobless Claims	Jan.23	k	214		-	190.0
16:00	US	New Home Sales	Dec	% m/m	-4.1		-	5.8
FRIDAY (27 January)								
14:30	US	Personal Spending	Dec	% m/m	-0.1		-	0.1
14:30	US	Personal Income	Dec	% m/m	0.2		-	0.4
14:30	US	PCE Deflator SA	Dec	% m/m	0.0		-	0.1
16:00	US	Michigan index	Jan	pts	64.6		-	59.7
16:00	US	Pending Home Sales	Dec	% m/m	-1.0		-	-4.03

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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