

7 February 2023

Eyeopener

NBP's credit survey does not inspire optimism

No key events left today, German output surprised to the downside
NBP's credit survey suggests a further weakness of the market
More zloty weakening, bond yields still going up

All the main macroeconomic events scheduled for **today** are already behind us. German industrial production posted a disappointing result in December (-3.9% y/y, the weakest since March) and Hungarian industrial production unexpectedly rebounded from 0.9% to 5.7% y/y. Australia's central bank raised rates by 25bp as expected, it said it would make further tightening dependent on incoming data, in which it sees wages accelerating in a tight labour market.

According to preliminary data from the Polish Ministry of Labour, the **registered unemployment** rate rose to 5.5% in January from 5.2% in December, in line with our forecasts. The increase in the unemployment rate in January fits the seasonal pattern. However, it is worth noting that the m/m rise is higher than a year earlier (46.4k this year vs. 31.9k in January 2022), while the number of job offers reported to labour offices is lower (89.9k this year vs. 115.8k in January 2022). The labour market situation is gradually deteriorating and unemployment will rise this year, although only slightly in our view (to 5.8% by the end of the year).

The **NBP's quarterly lending survey** of banks operating in Poland showed that in 4Q22 there was a marked tightening of lending policies for consumer loans and for SMEs, while policy towards large companies and mortgages remained unchanged. According to the banks, the same is expected to happen in the first quarter of this year. The main reason for the banks' more cautious approach was the risk associated with the anticipated economic situation and household budgets. Demand for long-term corporate credit continued to decline markedly in 4Q22 - the indicator of companies' reported demand for fixed asset financing was particularly negative (the lowest reading in the survey's history, i.e. since 4Q03, which is a bad sign for private investment prospects in the coming quarters). At the same time, demand for short-term financing from large companies continued to grow. Demand for mortgages has been steadily weakening for five quarters and has reached such a low level that banks have no longer decided to tighten credit policy in this segment, despite growing concerns about the health of households' financial position. In turn, demand for consumer credit has also been weakening for the past two quarters, although with banks not seeing a marked decline in interest in credit for the purchase of durable goods; the reason for worsening was rather a change in the economic situation of households.

Prime Minister Mateusz Morawiecki said that Polish firms will soon receive **lower natural gas prices**.

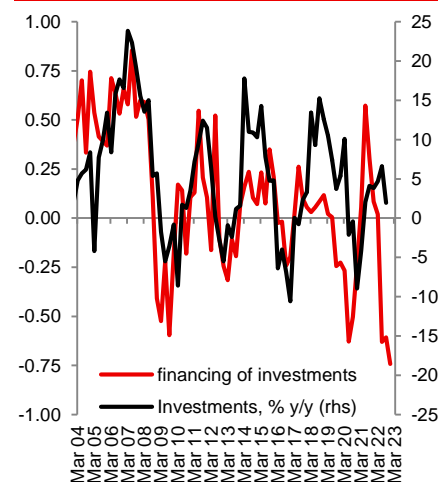
ECB Governing Council member Robert Holzmann said the central bank should actively fight inflation until people feel price stability. In his view, the risk of excessive monetary tightening seems minuscule compared to the risk of insufficient tightening. Bostjan Vasle spoke in a similar vein (interest rate hikes are far from over) while Martins Kazaks sounded slightly more dovish (only a significant surprise in the data can stop the planned hike in March). The **Fed's** Raphael Bostic, on the other hand, after Friday's strong data from the US labour market, sees the target level for US interest rates higher than he had assumed so far and the FOMC will have to work harder to achieve its goal.

EURUSD has slipped from the 1.08 area to around 1.07. Another day in a row, the dollar has been strengthening under the influence of rising expectations of rate hikes in the US. While after the last week's FOMC meeting the markets still did not want to believe in US rate hikes above 5% and keeping rates at an elevated level "for some time", after Friday's release of US labour market data for January the market-implied path of future rates is going towards such a scenario. US rate levels above 5% are already priced in by the market in May, and the first rate cut is currently not seen until December this year.

EURPLN rose from just below 4.70 to above 4.74. The global strengthening of the dollar and weak Eurozone retail sales data for December clearly hurt the zloty. **Other CEE currencies:** EURHUF has risen above 395 from around 386. The EURCZK has risen to 23.87 from 23.75. The market is beginning to fear that tighter monetary policy by major central banks will have a bad impact on the global economy, which will hurt CEE currencies. Under these circumstances, even better-than-expected December industrial production data from the Czech Republic was ignored by the market.

Debt market: Domestic yield curve rose significantly from Friday, but managed to correct some of the move before the end of the day. Expectations of rate changes in the Polish FRA contract market remained relatively stable. The domestic debt market is beginning to worry that higher interest rates in the main markets will accelerate recessionary processes in Poland. In the core markets, yields continued to rise.

Signals from senior loan officers' survey vs investment growth



Source: NBP, GUS, Santander

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FX market

Today's opening

EURPLN	4.7423	CZKPLN	0.1985
USDPLN	4.4201	HUFPLN*	1.1928
EURUSD	1.0728	RUBPLN	0.0625
CHFPLN	4.7695	NOKPLN	0.4283
GBPPLN	5.3146	DKKPLN	0.6370
USDCNY	6.7846	SEKPLN	0.4163

*for 100HUF

Last session in the FX market 06.02.2023

	min	max	open	close	fixing
EURPLN	4.7123	4.7476	4.7158	4.7460	4.7195
USDPLN	4.3653	4.4286	4.3689	4.4267	4.3833
EURUSD	1.0716	1.0797	1.0795	1.0719	-

Interest rate market 06.02.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.97	6
DS0727 (5Y)	5.83	17
DS0432 (10Y)	5.88	19

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.94	2	5.27	13	3.29	4
2L	6.28	6	4.72	16	3.28	9
3L	5.74	8	4.29	17	3.10	11
4L	5.48	11	4.04	18	2.99	12
5L	5.35	11	3.89	18	2.93	12
8L	5.23	10	3.67	14	2.87	12
10L	5.28	11	3.62	11	2.87	12

WIBOR rates

Term	%	Change (bps)
O/N	6.62	-2
T/N	6.68	-2
SW	6.83	0
2W	6.85	1
1M	6.87	1
3M	6.91	-1
6M	6.99	0
1Y	7.10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.92	3
3x6	6.94	5
6x9	6.84	7
9x12	6.39	3
3x9	6.97	4
6x12	6.82	4

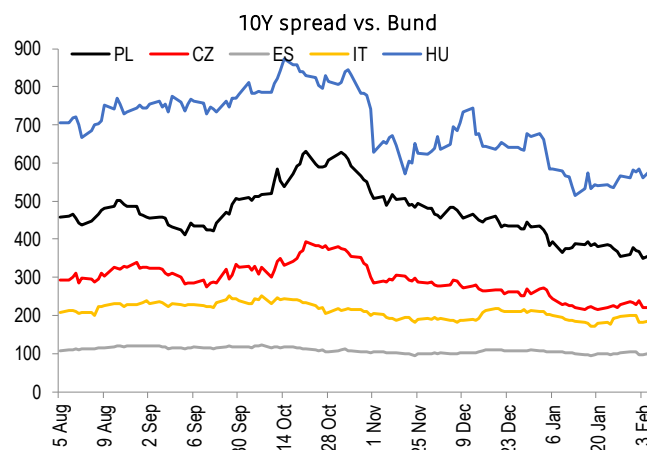
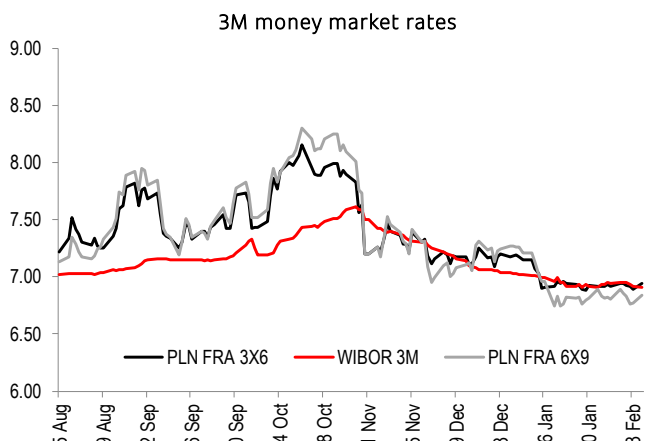
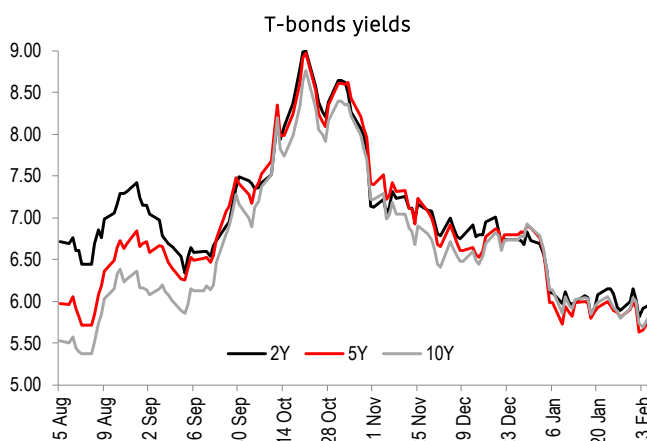
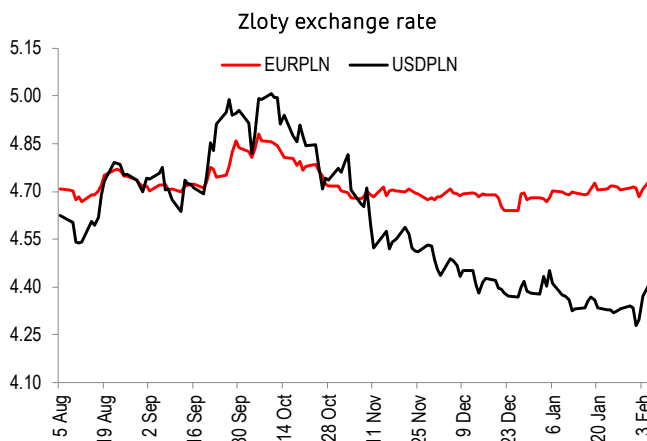
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	100	0	360	10
France	10	0	46	1
Hungary	165	2	585	22
Spain	45	3	101	4
Italy	45	3	186	4
Portugal	30	3	86	-1
Ireland	17	0	44	2
Germany	11	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 (3 February)								
02:45	CN	Caixin China PMI Services	Jan	pts	51.0	-	52.9	48.0
09:55	DE	Markit Germany Services PMI	Jan	pts	50.4	-	50.7	49.2
10:00	EZ	Eurozone Services PMI	Jan	pts	50.7	-	50.8	49.8
14:30	US	Change in Nonfarm Payrolls	Jan	k	185	-	517	260
14:30	US	Unemployment Rate	Jan	%	3.6	-	3.4	3.5
16:00	US	ISM services	Jan	pts	50.5	-	-	49.2
MONDAY (6 February)								
08:00	DE	Factory Orders	Dec	% m/m	2.0	-	3.2	-4.4
09:00	CZ	Industrial Production	Dec	% y/y	3.3	-	4.0	0.5
11:00	EZ	Retail Sales	Dec	% m/m	-2.5	-	-2.7	0.8
TUESDAY (7 February)								
08:00	DE	Industrial Production SA	Dec	% m/m	-0.8	-	-3.1	0.4
08:30	HU	Industrial Production SA	Dec	% y/y	-0.5	-	5.7	0.9
WEDNESDAY (8 February)								
	PL	MPC decision		%	6.75	6.75	-	6.75
THURSDAY (9 February)								
08:00	DE	HICP inflation	Jan	% m/m	1.4	-	-	-1.2
14:30	US	Initial Jobless Claims		k	195	-	-	183
15:00	PL	NBP head press conference						
FRIDAY (10 February)								
08:30	HU	CPI	Jan	% y/y	25.1	-	-	24.5
09:00	CZ	CPI	Jan	% y/y	17.1	-	-	15.8
16:00	US	Michigan index	Feb	pts	65.0	-	-	64.9

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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