

10 February 2023

Eyeopener

NBP head believes in strong disinflation in 2023

Today Michigan index in the US, inflation in Czechia and Hungary
 Glapiński: rates at the right level, too early to discuss rate cuts
 A pause in EURUSD correction. Polish bond yields down

No important data from Poland **today**. Abroad, we will get to see Michigan index describing the US consumer confidence. The European Commission is to release its new economic forecasts. In January the Chinese CPI inflation was at 2.1% y/y, in line with expectations, while PPI inflation (-0.8% y/y) was slightly lower than expected and was negative for the fourth time in a row. Inflation in Hungary was above forecasts and jumped above 25% y/y (unlike the last reading which surprised to the downside). Today we are also awaiting the Czech inflation.

At the yesterday conference **NBP governor Adam Glapiński** reaffirmed the message from the previous months: The current interest rate level is adequate and in the central bank's view it should help taming inflation. The MPC will be closely watching the data in the coming months, and the next monetary policy decisions will be strongly dependent on the results. Glapiński believes that inflation in 1Q23 should be lower than predicted in the November's NBP forecast, it should go below 10% in the middle of the year and could reach 6% in December. According to Glapiński, for now it is still too early to talk about rate cuts. The key for monetary policy will be the January-February inflation and labour market data, which will significantly influence expectations on the pace of disinflation later in the year. New NBP projection to be released in March may be also an important reference point, but we think it will be still too early to trigger a major change in monetary policy, as it will be prepared before the release of the key inflation data for February. Our inflation forecasts for 2023 are clearly above President Glapiński's expectations (we see CPI above 10% by the end of this year), which supports our view that the MPC will not start easing monetary policy this year. Read more in [Economic Comment](#).

Average wages in the national economy grew by 12.3% y/y in 4Q22, following a 14.6% increase in 3Q. Adjusted for inflation, this represents a 4.3% y/y decline in the real value of average wages (in 3Q it was -1.5% y/y). The data on wages from the corporate sector showed the same growth rate in 4Q, +12.3% y/y, and this too was a lower reading than in 3Q. We believe that 2023 may start with average wage growth similar to that of 4Q 2022 or gently lower. This means that it is only towards the end of the year that real wages may stop falling.

The **number of foreigners insured with the Social Insurance Institution (ZUS)** in January 2023 amounted to 1057.4 thousand and decreased by 0.6% m/m. The number of Ukrainian nationals in ZUS amounted to 737.8 thousand after a decrease of 1.1% m/m. The share of Ukrainians in the total number of registered foreigners fell below 70% for the first time since 2017. This is the second decline in a row, but it is worth noting that it is quite typical for the December-January period.

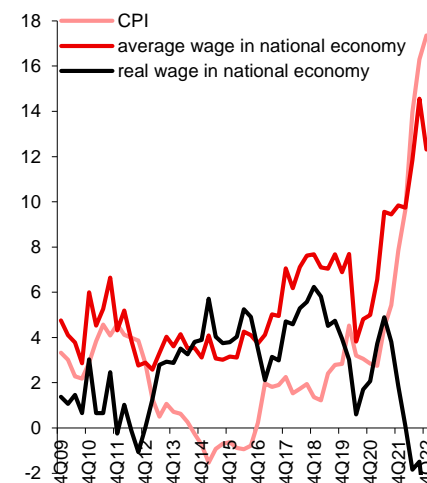
EURUSD rose from near 1.07 to near 1.075. A lower inflation reading from Germany did not hurt the common currency. Supporting the rate was a statement by Fed member Thomas Barkin, who said that monetary tightening in the US is "unequivocally" slowing down the economy, allowing the Fed to raise rates in a more calibrated manner. In his view, US inflation is likely to have passed its peak, although the key question remains whether there is a systematic further decline.

EURPLN rose to 4.75 from around 4.74. The conference of NBP President Adam Glapiński had no impact on the zloty.

Other CEE currencies: EURHUF oscillated around the 386 level. EURCZK fell to 23.68 from 23.75. The region's currencies will be focused on today's inflation readings from the Czech Republic and Hungary.

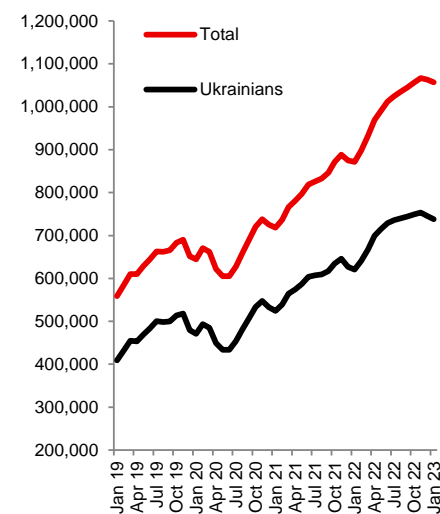
Debt market: Domestic yield curve fell by about 9 bps on average. Although the president of the National Bank of Poland announced that it is too early to think about cutting rates, he signalled that inflation may be lower in the coming months than the central bank's latest forecasts indicated. The strengthening of domestic debt was also supported by a lower-than-expected German inflation reading for January.

Wages in national economy, % y/y



Source: GUS, Santander

Number of foreigners registered in ZUS



Source: ZUS, Santander

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FX market

Today's opening			
EURPLN	4.7513	CZKPLN	0.2002
USDPLN	4.4267	HUFPLN*	1.2182
EURUSD	1.0733	RUBPLN	0.0609
CHFPLN	4.7978	NOKPLN	0.4357
GBPPLN	5.3562	DKKPLN	0.6381
USDCNY	6.8013	SEKPLN	0.4289

*for 100HUF

Last session in the FX market						09/02/2023
	min	max	open	close	fixing	
EURPLN	4.7282	4.7527	4.7349	4.7512	4.7363	
USDPLN	4.3900	4.4219	4.4106	4.4155	4.4003	
EURUSD	1.0722	1.0792	1.0734	1.0758	-	

Interest rate market 09/02/2023

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.04	-13
DS0727 (5Y)	5.88	-6
DS0432 (10Y)	5.94	-6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.91	-5	5.26	3	3.35	2
2L	6.24	-10	4.75	5	3.34	3
3L	5.71	-10	4.31	7	3.12	-1
4L	5.48	-9	4.05	7	3.02	1
5L	5.38	-9	3.89	6	2.95	1
8L	5.28	-10	3.68	5	2.85	-2
10L	5.32	-10	3.63	5	2.88	0

WIBOR rates

Term	%	Change (bps)
O/N	6.64	1
T/N	6.74	6
SW	6.82	-1
2W	6.84	0
1M	6.88	0
3M	6.94	0
6M	6.99	0
1Y	7.11	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.92	-2
3x6	6.92	-2
6x9	6.73	-11
9x12	6.33	-11
3x9	6.95	-2
6x12	6.73	-11

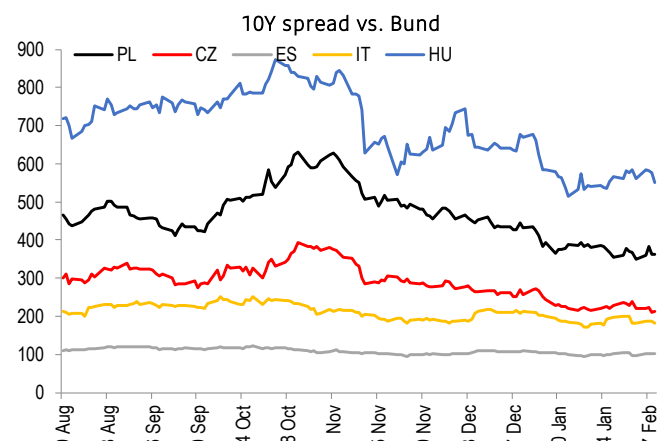
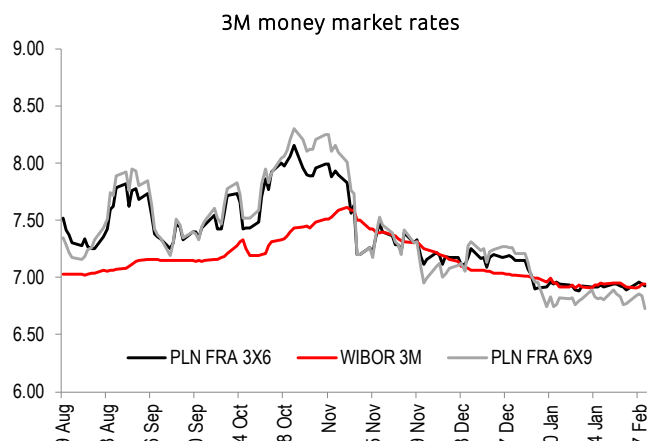
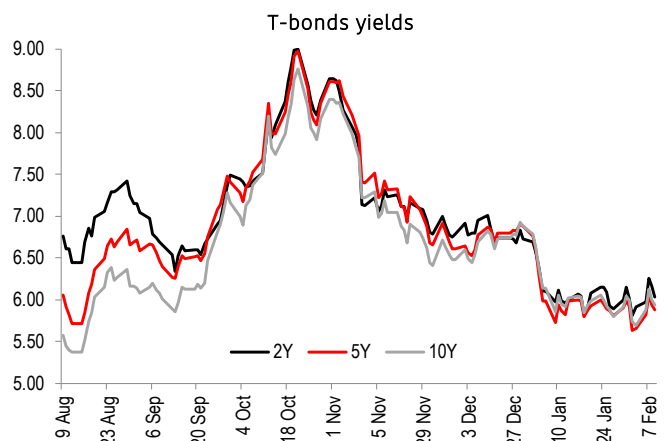
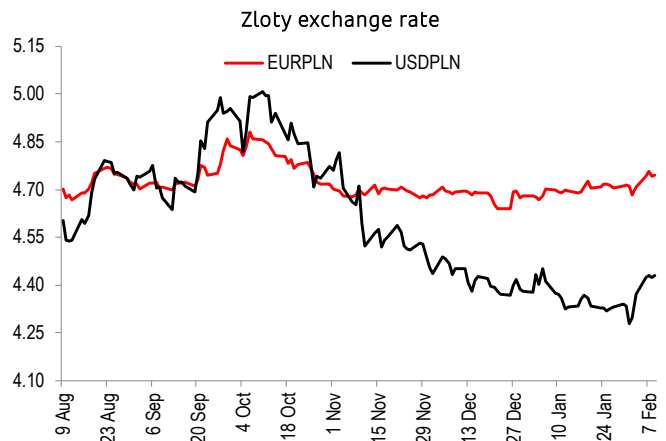
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	94	-4	363	-1
France	10	0	46	1
Hungary	160	-5	552	-24
Spain	43	0	102	-1
Italy	43	0	182	-5
Portugal	28	0	86	-1
Ireland	18	0	43	1
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	6.75
THURSDAY (9 February)								
08:00	DE	HICP inflation	Jan	% m/m	1.4	-	0.5	-1.2
14:30	US	Initial Jobless Claims		k	195	-	196	183
15:00	PL	NBP head press conference						
FRIDAY (10 February)								
08:30	HU	CPI	Jan	% y/y	25.1	-	25.7	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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