

21 February 2023

## Eyeopener

### Industry did not impress, what about consumers?

Today Polish retail sales and construction output, flash PMI indices  
Industrial output and employment disappointed, wages accelerated, PPI down  
Markets were calm during US holiday, Polish yields up

**Today**, construction output and retail sales for January. The former is expected to show a second y/y decline in a row; the median forecast is c. -5% y/y and our forecast c. -2% y/y. In the case of retail sales, the annual growth rate in current prices probably remained close to 16% y/y, but after adjusting for price movements, it was near 1% y/y. February's flash PMI indices in Europe are expected to show further gentle increases. We are particularly interested in whether the German industrial sentiment index will move more decisively upwards towards 50 points (in January it went up from 47.1 to only 47.3).

**Industrial production** grew by 2.6% y/y in January, below expectations. **Employment** growth was also lower (1.1% y/y), while **wage** growth turned out to be quite good (13.5% y/y), and the fall in **PPI inflation** (to 18.5% y/y) was slightly smaller in scale than expected. Data coming from the economy are still ambiguous, but they fit into the scenario we expect: 1Q23 is likely to be the lowest point in this business cycle, and some gradual acceleration should follow. This will be accompanied by disinflation, which, however (due to the labour market situation, among other things), may not be fast enough to justify interest rate cuts before the end of this year. More in [Economic Comment](#).

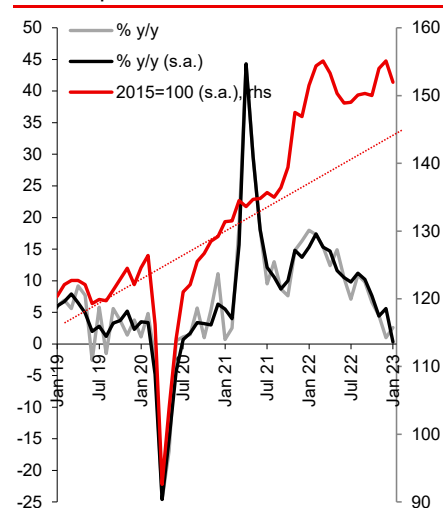
**NBP President Adam Glapiński** expressed the view that CPI inflation will be below 10% y/y at the end of this year (at his February press conference two weeks ago, he spoke specifically of 6% y/y). He also stated that the MPC will choose the right moment to start interest rate cuts and would like it to be possible at the end of this year, but in his view this will most likely not happen until 2024. In turn, **MPC's Joanna Tyrowicz** referred to yesterday's data and stressed that January's PPI inflation and wage growth are far from being consistent with the inflation target.

**EURUSD** remained in a lull in the face of the holiday in the US. We suppose that the market will prefer a stronger dollar due to the weekend's Blinken-Yi meeting (representatives of the US and Chinese governments), which has revealed the escalating tension on this line. However, solid readings of European PMIs could help EURUSD shore up any declines. **ECB Governing Council member Olli Rehn** acknowledged that with high current inflation, a rate hike in March would be logical and appropriate, the bank will reach its rate target in the summer, and he sees higher recent wage dynamics in the Eurozone as reconstruction of their real value rather than factoring in high inflation expectations (i.e., there is no wage-price spiral). In his view, the ECB should neither overreact with restrictiveness (i.e., the scale of further increases) nor rush to communicate possible rate cuts.

**EURPLN** fell to 4.74 yesterday benefiting from the lack of clear global demand for the dollar and on a wave of unwinding risk of a worse credit assessment for Poland by S&P, after the agency maintained its rating on Friday. It seems to us that today's data cannot significantly affect the zloty since the important local events of last week (GDP, inflation, European Commission's complaint against Poland in the CJEU) did not manage to do so. If EURUSD moves down, a breakthrough of 4.80 is not out of the question in the near future. **EURCZK and EURHUF** remained at levels not far from Friday's close. The Hungarian government has expressed hope that a pending set of bills will allow an agreement with the EC in March, leading to regaining access to EU funds.

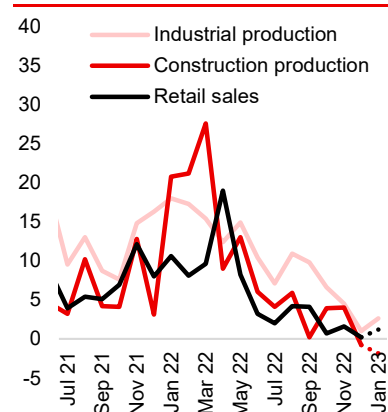
**Domestic debt** market showed levels above 6.50% on the yield curve beyond 3Y. The slope of the curve rose gently again and, unlike the strongly inverted German (-40 bps) and US (-80 bps) curves, turned slightly positive (+13 bps). In addition, there were minimal upward shifts in the valuation of future interest rate paths in Poland and in the core markets.

Industrial production in Poland



Source: GUS, Santander

Output and retail sales in Poland, constant prices, % y/y



Source: Bloomberg, Santander

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### FX market

#### Today's opening

EURPLN	4.7469	CZKPLN	0.2009
USDPLN	4.4510	HUFPLN*	1.2263
EURUSD	1.0663	RUBPLN	0.0593
CHFPLN	4.8088	NOKPLN	0.4332
GBPPLN	5.3936	DKKPLN	0.6406
USDCNY	6.8742	SEKPLN	0.4284

\*for 100HUF

#### Last session in the FX market 20/02/2023

	min	max	open	close	fixing
EURPLN	4.7372	4.7602	4.7563	4.7383	4.7542
USDPLN	4.4309	4.4527	4.4478	4.4312	4.4515
EURUSD	1.0669	1.0704	1.0689	1.0687	-

### Interest rate market 20/02/2023

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.56	12
DS0727 (5Y)	6.55	8
DS0432 (10Y)	6.58	10

#### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.10	3	5.42	3	3.46	1
2L	6.73	3	4.94	2	3.53	2
3L	6.26	5	4.53	4	3.35	2
4L	6.01	5	4.25	1	3.23	3
5L	5.91	6	4.11	3	3.15	3
8L	5.80	9	3.85	1	3.03	3
10L	5.80	8	3.79	-1	3.02	3

#### WIBOR rates

Term	%	Change (bps)
O/N	6.55	-1
T/N	6.72	-3
SW	6.83	1
2W	6.85	1
1M	6.92	1
3M	6.96	3
6M	7.00	0
1Y	7.10	0

#### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	6.97	2
3x6	6.98	1
6x9	7.00	2
9x12	6.72	3
3x9	7.04	1
6x12	7.05	9

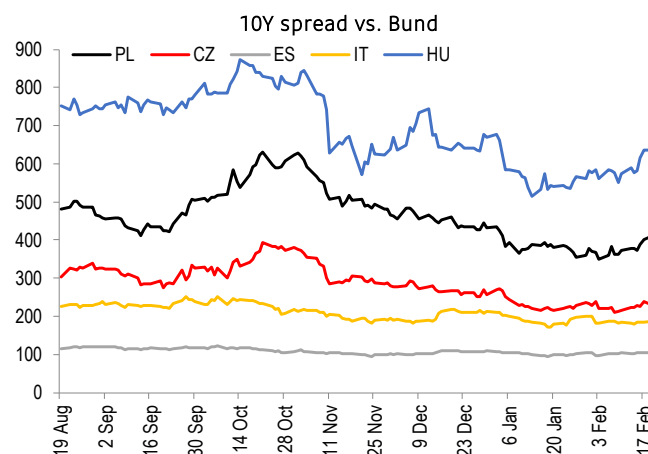
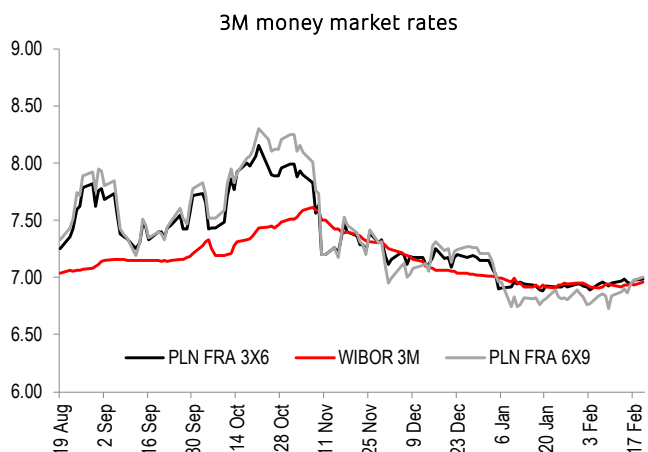
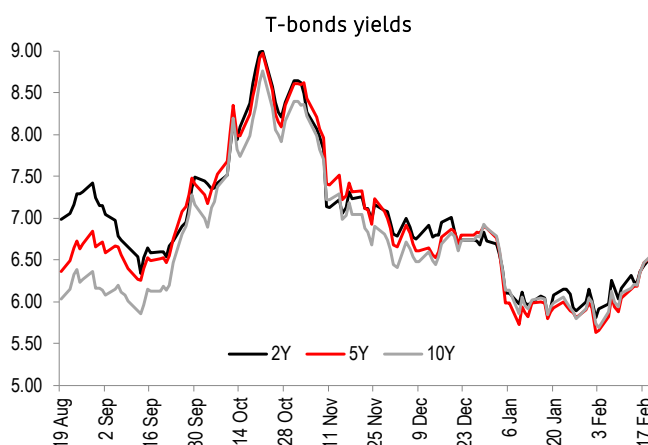
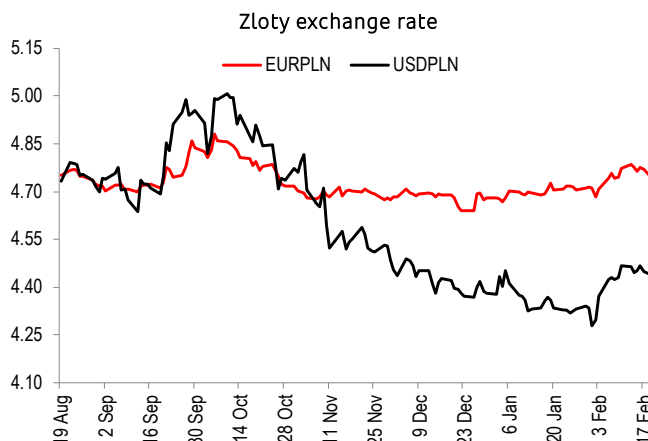
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	97	-1	412	10
France	10	0	47	2
Hungary	164	0	637	2
Spain	45	0	105	0
Italy	40	0	188	3
Portugal	30	0	89	-1
Ireland	18	0	47	3
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		
<b>FRIDAY (17 February)</b>								
	PL	S&P rating/outlook review					A-/stable	A-/stable
<b>MONDAY (20 February)</b>								
10:00	PL	Employment in corporate sector	Jan	% y/y	1.8	2.0	1.1	2.2
10:00	PL	Sold Industrial Output	Jan	% y/y	4.7	5.1	2.6	1.0
10:00	PL	PPI	Jan	% y/y	18.5	18.2	18.5	20.5
10:00	PL	Average Gross Wages	Jan	% y/y	12.7	13.8	13.5	10.3
<b>TUESDAY (21 February)</b>								
09:30	DE	Germany Manufacturing PMI	Feb	pts	48.0	-	-	47.3
09:30	DE	Markit Germany Services PMI	Feb	pts	51.0	-	-	50.7
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	49.3	-	-	48.8
10:00	EZ	Eurozone Services PMI	Feb	pts	51.3	-	-	50.8
10:00	PL	Construction Output	Jan	% y/y	-4.7	-1.9	-	-0.8
10:00	PL	Retail Sales Real	Jan	% y/y	1.1	1.2	-	0.2
11:00	DE	ZEW Survey Current Situation	Feb	pts	-52.0	-	-	-58.6
16:00	US	Existing Home Sales	Jan	% m/m	2.1	-	-	-1.5
<b>WEDNESDAY (22 February)</b>								
08:00	DE	HICP	Jan	% m/m	0.5	-	-	-1.2
10:00	DE	IFO Business Climate	Feb	pts	91.0	-	-	90.2
14:00	PL	Money Supply M3	Jan	% y/y	6.1	5.6	-	5.4
20:00	US	FOMC Meeting Minutes	Feb.23					
<b>THURSDAY (23 February)</b>								
10:00	PL	Unemployment Rate	Jan	%	5.45	5.5	-	5.2
11:00	EZ	HICP	Jan	% y/y	8.6	-	-	9.2
14:30	US	GDP Annualized	4Q	% q/q	2.9	-	-	3.2
14:30	US	Initial Jobless Claims		k	200.0	-	-	194.0
<b>FRIDAY (24 February)</b>								
08:00	DE	GDP WDA	4Q	% y/y	1.1	-	-	1.4
14:30	US	Personal Spending	Jan	% m/m	1.0	-	-	-0.2
14:30	US	Personal Income	Jan	% m/m	1.0	-	-	0.2
14:30	US	PCE Deflator SA	Jan	% m/m	0.4	-	-	0.1
16:00	US	Michigan index	Feb	pts	66.4	-	-	64.9
16:00	US	New Home Sales	Jan	% m/m	0.7	-	-	2.3

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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