

23 February 2023

Eyeopener

Mixed business sentiments

Today registered unemployment rate, abroad: HICP in the euro area and preliminary US 4Q GDP
 Consumer optimism improved in February, business sentiment deteriorated
 FOMC minutes showed unanimity among Fed members on further rate hikes
 EURPLN stable, yields fell

Today, in Poland the release of registered unemployment rate and the Statistical Bulletin. Abroad, we will learn the Eurozone HICP inflation for January and next release of US GDP for 4Q22.

The FOMC minutes from the 31 January - 1 February meeting indicated a broad consensus on the need to continue to raise rates in the US and to maintain restrictive monetary policy until the body is confident that inflation is moving securely towards the target (2%). According to the majority, it may take "some time". Although inflation has started to ease in recent months, more evidence of the sustainability of this process is needed, especially as the labour market remains unbalanced and demand significantly outstrips supply, putting upward pressure on prices. Two members of the FOMC favoured a 50bp hike rather than 25bp as the majority wanted.

Consumer confidence indices improved in February. The current indicator climbed to -36pts from -38.1pts, while the leading indicator increased to -25.3pts from -27.6pts in January. Note that despite this move, both gauges remain way below long-term averages. This improvement in sentiments was mostly driven by a more optimistic assessment of future financial situation of households, and of general economic situation, both in the past and in the future, while other subindices were rather stable and propensity to make bigger purchases even declined. While the upcoming months will continue to put a strain on consumers, we think that the decline of inflation, starting in 2Q23 will provide an important support for consumption.

Most **sectoral business sentiment indicators** in Poland were showing little change in February in SA terms. The exception was more optimism in industry (8-month high) and more pessimism in hotels and restaurants (drop close to the 1.5-year low). Most current assessment indicators worsened, but at the same time expectations improved in all sectors. The gradual rise of business confidence shown by the Statistical Office suggests a revival in real economy, but 1Q GDP growth may still be poor.

M3 money supply increased by 6.9% y/y in January, beating market expectations (5.8%) and our forecast (5.6%). This is also a marked acceleration relative to December (5.4% y/y). Cash in circulation fell by 1.5% m/m, even slightly more than usually at the beginning of the year. Deposits, on the other hand, showed an atypical-for-January increase of 0.5% m/m (the average January change over the previous five years was around -1%), with businesses reducing deposits by just 0.5% m/m (by PLN2.1bn) although the usual January decrease was around 3-4% (the January 2022 decrease was PLN17.1bn). Total term deposits grew by 99.7% y/y, while current account balances fell by 11% y/y. Adjusted for exchange rate movements, total loans growth was 0.8% y/y compared with 0.6% y/y in December. Household credit growth slowed to -4.3% y/y from -4.0%. Corporate loans increased by 9.4% y/y (previously 9.1% y/y). Consumer credit fell at a similar pace to previous months, by 2.6% y/y and PLN-denominated mortgage loans fell by 3.8% y/y. In our view, M3 money supply may grow at an average rate of around 5% this year.

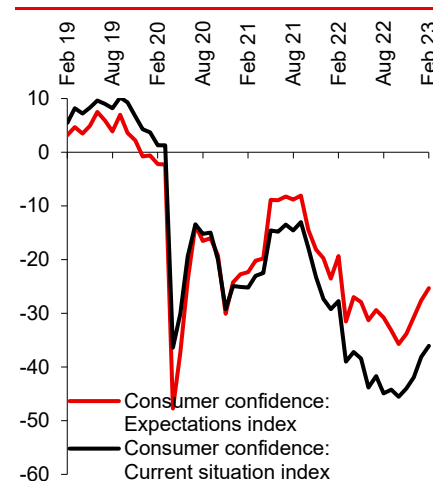
Local governments closed 2022 with a deficit of PLN7bn, the highest since 2018 (versus a surplus of PLN17.4bn in 2021). In 4Q, local government revenues increased by 0.7% y/y and expenditures by as much as 16.3% y/y, including investments by 22.3% y/y. The value of local government investment outlays exceeded PLN30bn in the last quarter, breaking a record. The data from local governments support our forecast of an increase in the public finance deficit towards 3% of GDP in 2022 from 1.8% in 2021.

EURUSD fell to 1.06 from slightly below 1.065. The dollar was helped by the release of the FOMC minutes indicating a broad consensus on the need to raise rates further. In the face of slower-than-expected declines in US inflation, the market is beginning to price-in the possibility that the Fed will need to raise rates above 5.25%.

EURPLN fluctuated in a wide band around 4.75, with the pair waiting for stronger impulses from the global or local markets. EURCZK fell to 23.68 from 23.72. EURHUF fell below 381 from around 382.

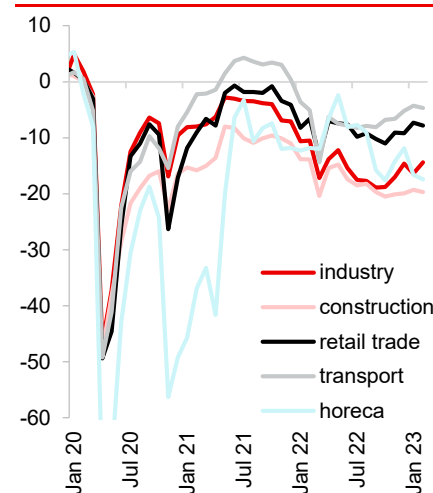
Debt market: domestic yield curve fell by about 7bp on average. The IRS curve also fell on a similar scale. Corrective trends were also seen in the FRA contract market.

Consumer confidence in Poland



Source: GUS, Santander

Sectoral business sentiment indicators, seasonally adjusted



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.7514	CZKPLN	0.2009
USDPLN	4.4759	HUFPLN*	1.2321
EURUSD	1.0613	RUBPLN	0.0597
CHFPLN	4.8045	NOKPLN	0.4332
GBPPLN	5.3936	DKKPLN	0.6406
USDCNY	6.8895	SEKPLN	0.4284

*for 100HUF

Last session in the FX market					22/02/2023
	min	max	open	close	fixing
EURPLN	4.7378	4.7650	4.7455	4.7466	4.7538
USDPLN	4.4469	4.4775	4.4537	4.4677	4.4687
EURUSD	1.0615	1.0663	1.0657	1.0621	-

Interest rate market

22/02/2023

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.49	-9
DS0727 (5Y)	6.61	-6
DS0432 (10Y)	6.64	-6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.08	-6	5.48	2	3.49	-3
2L	6.72	-9	5.02	-1	3.56	-2
3L	6.29	-9	4.60	-2	3.39	-2
4L	6.10	-7	4.36	-3	3.28	-1
5L	6.02	-7	4.20	-2	3.21	0
8L	5.95	-6	3.97	-2	3.11	1
10L	5.96	-5	3.91	-3	3.10	2

WIBOR rates

Term	%	Change (bps)
O/N	6.54	-2
T/N	6.71	-1
SW	6.83	0
2W	6.84	1
1M	6.89	-1
3M	6.94	0
6M	7.00	0
1Y	7.11	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.95	-1
3x6	6.98	-2
6x9	6.98	-5
9x12	6.73	-11
3x9	7.04	-3
6x12	7.04	-5

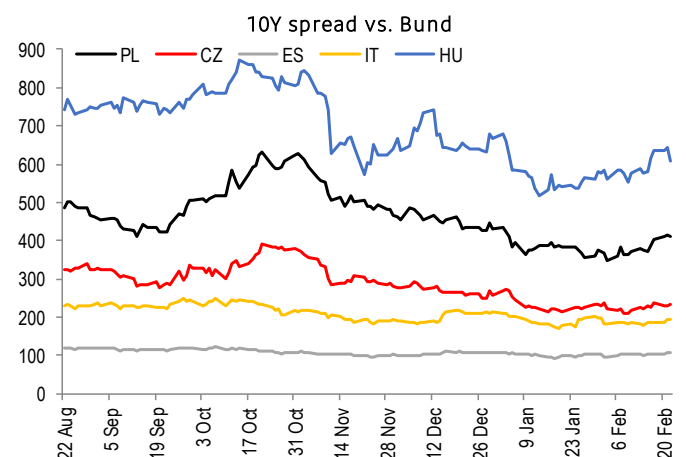
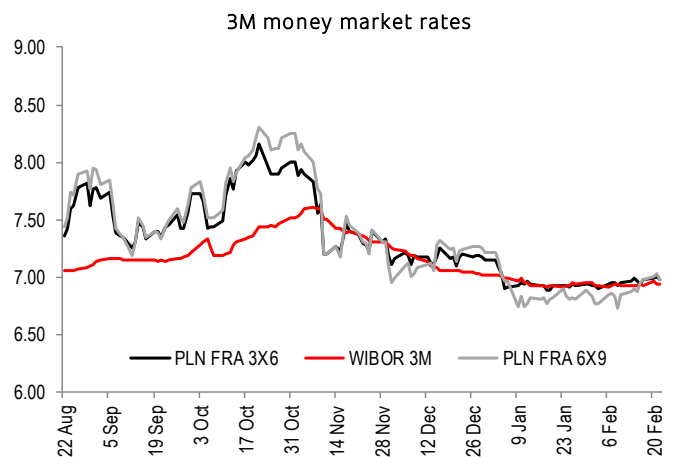
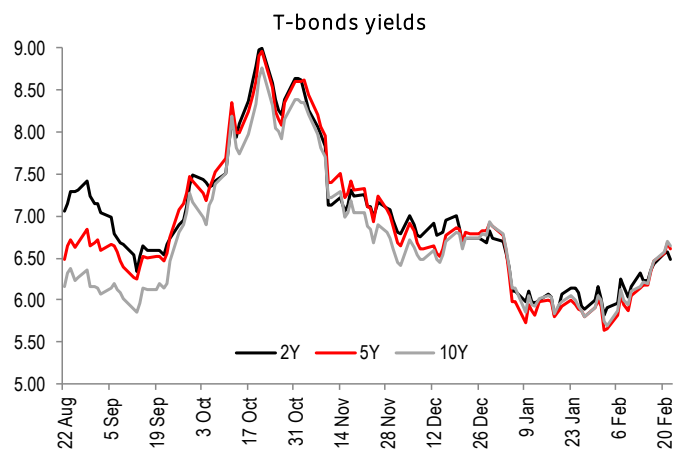
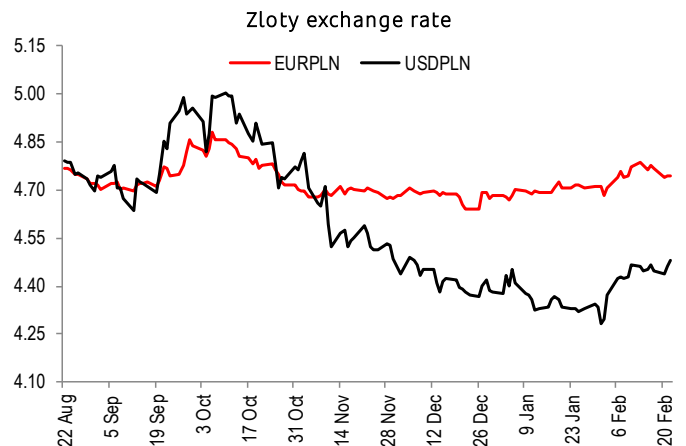
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	99	0	413	-3
France	10	0	48	0
Hungary	169	0	608	-35
Spain	45	0	107	0
Italy	43	0	195	1
Portugal	30	0	92	1
Ireland	18	0	50	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 (17 February)								
	PL	S&P rating/outlook review					A-/stable	A-/stable
MONDAY (20 February)								
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
TUESDAY (21 February)								
09:30	DE	Germany Manufacturing PMI	Feb	pts	48.0	-	46.5	47.3
09:30	DE	Markit Germany Services PMI	Feb	pts	51.0	-	51.3	50.7
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	49.3	-	48.5	48.8
10:00	EZ	Eurozone Services PMI	Feb	pts	51.3	-	53.0	50.8
10:00	PL	Construction Output	Jan	% y/y	-4.7	-1.9	2.4	-0.8
10:00	PL	Retail Sales Real	Jan	% y/y	1.1	1.2	-0.3	0.2
11:00	DE	ZEW Survey Current Conditions	Feb	pts	-52.0	-	-45.1	-58.6
16:00	US	Existing Home Sales	Jan	% m/m	2.1	-	-0.7	-2.2
WEDNESDAY (22 February)								
08:00	DE	HICP	Jan	% m/m	0.5	-	0.5	-1.2
10:00	DE	IFO Business Climate	Feb	pts	91.0	-	91.1	90.1
14:00	PL	Money Supply M3	Jan	% y/y	6.1	5.6	6.9	5.4
20:00	US	FOMC Meeting Minutes	Feb.23					
THURSDAY (23 February)								
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
FRIDAY (24 February)								
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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