

24 February 2023

Eyeopener

Day with US data

No data releases in Poland today. Abroad a series of US data: PCE inflation, consumption, spending, February Michigan

MPC's Wnorowski saw no justification to discuss NBP rate cuts

Zloty stronger, yields down in the belly and the longer part of the curve

No major data in Poland **today**. Abroad, we will see the Fed's favourite inflation indicators (PCE), the US spending and personal income data, the University of Michigan's consumer sentiment index. Investors will eye these gauges for signals regarding the Fed's further actions. German 4Q GDP came in slightly weaker than expected.

In January, **the number of employees** in the Polish corporate sector fell by 10k m/m, despite an increase in employment of 25k FTEs m/m. GUS updates the survey sample in January, hence the strong nominal changes. However, a situation where the two values move in different directions has occurred for the first time since comparable data are available (2009). The divergence between employment (expressed in FTEs) and headcount suggests that there were, on average, fewer firms with part-time jobs in the sample.

Industrial new orders rose in Poland by 15.4% y/y in January, export orders increased by 33.8% y/y, and thus rebounded markedly after a sudden weakening in December (-7.9% y/y and -6.5% y/y respectively). In real terms (after adjusting for PPI inflation), the total value of orders is however lower than a year earlier, suggesting little potential for industrial production to accelerate.

HICP inflation was 15.9% y/y in January, compared to 15.3% y/y in December. The reading is already recalculated according to the new weights. We estimate that this change did not have a significant impact on HICP. This will not necessarily be the case for the CPI, as the HICP methodology primarily takes into account national accounts data for 2021 while the CPI will use household budget survey for 2022. On the other hand, the changes in the HICP basket are undoubtedly interesting. In particular, the weighting for energy has fallen: to 8.54% from 8.93%, despite a very clear increase in prices in this category. If we were to update the HICP weights on the basis of relative price changes alone, the weight would rise to 10.75% and, in our view, the revision of the basket in the CPI is more likely to go that way, which should add a few tenths of a percentage point to the index.

The HICP data also provide an opportunity to estimate **price changes across CPI categories**. The figures show a broad upward impulse in all groups, except clothing and footwear. This is likely related to the price list update at the beginning of the year. We estimate that the prices of services rose by 1.7% m/m and goods by 3.0% m/m. Increase in the cost of living and furnishings drew our attention: rents (1.7% m/m), water (1.0% m/m), trash collection (3.6% m/m), sewage (1.8% m/m), furniture (1.5% m/m), cleaning products (2.6% m/m), household services (3.3% m/m). Above-normal growth was also recorded in medical services (2.9% m/m), dental services (3.3% m/m), hospital and sanatorium services (8.7% m/m), telecommunications (1.5% m/m), recreation and culture (2.0% m/m), newspapers and magazines (4.9% m/m), package tourism (4.2% m/m), and social care (5.4% m/m), among others. Energy prices rose by most, due to the reinstatement of previous VAT rates. Electricity prices increased by 22.3% m/m, meaning that net prices rose by an average of around 4% m/m. Gas prices increased by 18.3% m/m, including town gas by 23% m/m (i.e. net prices were stable) and liquefied gas prices fell by 1.3% m/m. Solid fuel prices decreased by 3.4% m/m including coal by 5.3% m/m. Heat prices, on the other hand, increased by 8.3% m/m, i.e. net prices fell by around 4% m/m.

The Credit Information Bureau (BIK) reported that the **value of housing loans granted in January** fell by 65.2% y/y in Poland. Compared to December, this is a decrease of 2.9% m/m.

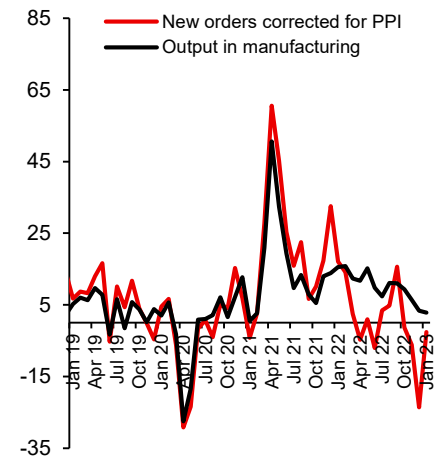
MPC's Henryk Wnorowski that although recent data suggest that CPI may return to the acceptable range of deviations from the target earlier than indicated by the November NBP projection, there is currently no justification for discussing rate cuts. He stressed, however, that although the cycle of rate hikes is not officially over, there will certainly come a time when the Council will be ready to communicate this. The March inflation projection will be key. He also pointed out that the decisions of major central banks are unlikely to affect the MPC, as the latter started the rate hike cycle much earlier, which is already having an impact on the economy, and the effects will become increasingly visible in the coming months.

EURUSD slipped slightly below 1.06. The euro was undermined by a statement by ECB's Francois Villeroy de Galhau, who said that the target interest rate level could be reached by the end of the summer, but that after the 50bp rate hike in March, further rate hikes would no longer have to occur regularly.

EURPLN slipped to 4.73 from 4.75, with the zloty helped by votes from the MPC dismissing the prospect of first rate cuts. **EURCZK** slipped to 23.66 from 23.68. **EURHUF** held near 380.

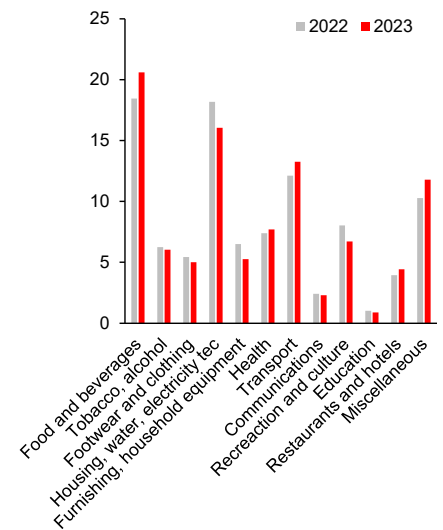
Debt market: Domestic yield curve fell by about 5 bps in the middle part and at the longer end. In the FRA market, expectations for the level of interest rates in 2024 fell despite voices from the MPC suggesting a slim likelihood of rate cuts in the 2023 horizon (expectations of lower CPI in the following years were key). At the tender, the Finance Ministry sold five series of bonds for PLN4.595bn against demand of PLN7.392bn. The greatest demand was recorded in case of 5Y papers. After the auction, the budget's gross borrowing needs are covered in about 61%.

New orders and output in manufacturing, % y/y



Source: GUS, Santander

New & old HICP weights



Source: Eurostat, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: [santander.pl/en/economic-analysis](https://www.santander.pl/en/economic-analysis)
Piotr Bielski +48 691 393 119
Jarosław Kosaty +48 887 842 480
Marcin Luźniński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.7220	CZKPLN	0.2009
USDPLN	4.4575	HUFPLN*	1.2308
EURUSD	1.0591	RUBPLN	0.0594
CHFPLN	4.8045	NOKPLN	0.4332
GBPPLN	5.3936	DKKPLN	0.6406
USDCNY	6.9353	SEKPLN	0.4284

*for 100HUF

Last session in the FX market 23/02/2023

	min	max	open	close	fixing
EURPLN	4.7243	4.7594	4.7462	4.7289	4.7525
USDPLN	4.4557	4.4936	4.4680	4.4688	4.4873
EURUSD	1.0577	1.0627	1.0621	1.0580	-

Interest rate market 23/02/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.49	0
DS0727 (5Y)	6.55	-6
DS0432 (10Y)	6.59	-5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.09	0	5.47	0	3.48	-1
2L	6.69	-3	5.02	0	3.55	-1
3L	6.27	-3	4.59	-1	3.38	-1
4L	6.08	-2	4.33	-3	3.27	-1
5L	5.99	-3	4.16	-5	3.19	-2
8L	5.92	-3	3.93	-4	3.08	-3
10L	5.93	-4	3.86	-4	3.07	-3

WIBOR rates

Term	%	Change (bps)
O/N	6.52	-2
T/N	6.74	3
SW	6.83	0
2W	6.85	1
1M	6.91	2
3M	6.94	0
6M	7.00	0
1Y	7.10	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.94	-1
3x6	6.98	0
6x9	6.99	1
9x12	6.72	-1
3x9	7.02	-2
6x12	7.03	-1

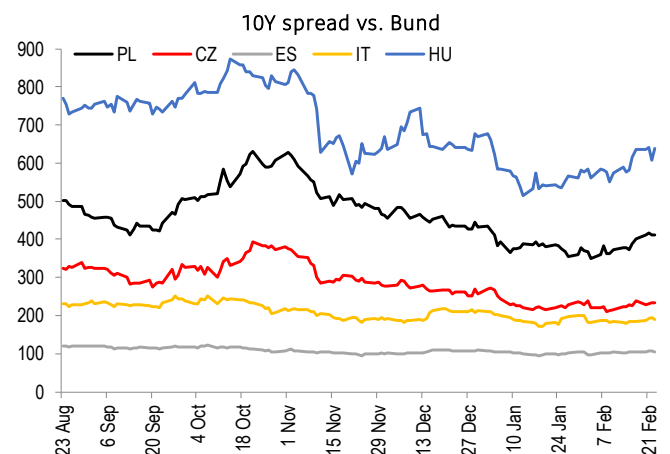
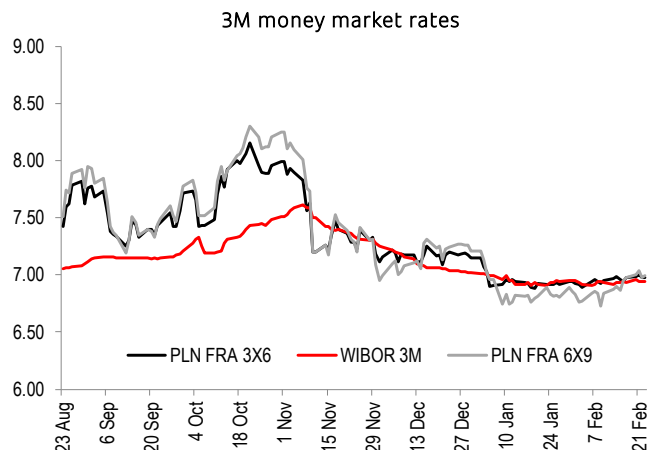
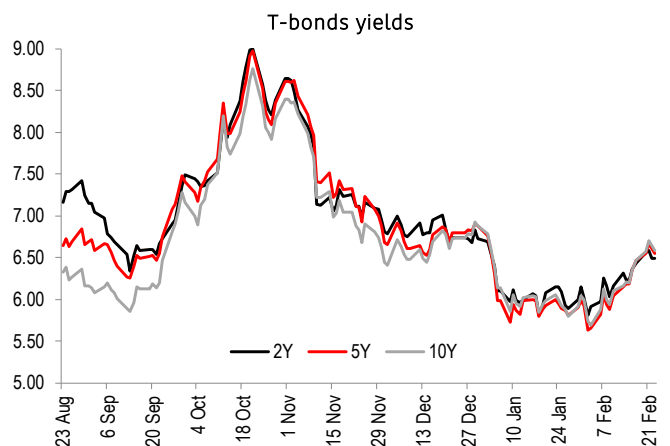
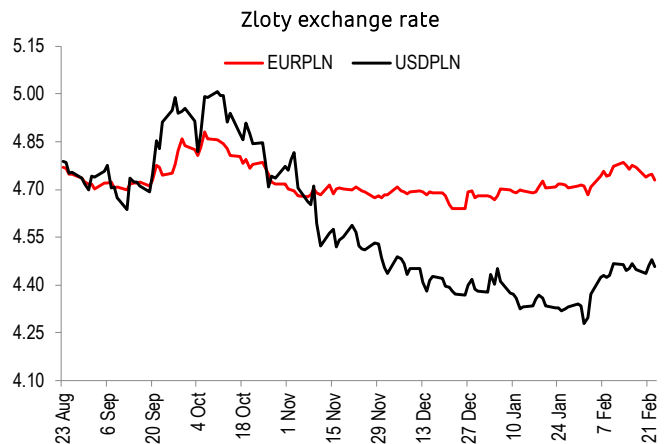
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	98	-1	412	-1
France	10	0	48	-1
Hungary	167	-2	640	32
Spain	45	0	104	-3
Italy	40	-2	189	-5
Portugal	30	0	88	-3
Ireland	18	0	49	-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 (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	5.5	5.2
11:00	EZ	HICP	Jan	% y/y	8.6	-	8.6	9.2
14:30	US	GDP Annualized	4Q	% q/q	2.9	-	2.7	3.2
14:30	US	Initial Jobless Claims		k	200.0	-	192.0	194.0
FRIDAY (24 February)								
08:00	DE	GDP WDA	4Q	% q/q	-0.2	-	-0.4	0.5
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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.