

21 March 2023

## Eyeopener

### Stagflationary package of Polish data

Today Polish construction output and retail sales for February, German ZEW index  
 Stagflationary Polish data: weak industrial output and employment, high wages and PPI  
 ECB: fight with inflation is still on, European banking system is strong  
 EURPLN slightly higher, bond yields up at the end of the day

Important Polish data **today** - construction output and retail sales for February. We expect readings showing low economic activity, in line with the industrial data published yesterday, suggesting a further slowdown in the economy. In addition, the ZEW index will be published in Germany and real estate market data in the US.

Polish data released yesterday sent a stagflationary tone. **Industry** recorded an unexpected 1.2% y/y output decline (consensus +0.8% y/y, our forecast +1.4% y/y) and **employment** was lower than expected (0.8% y/y in February vs. our forecast of 0.9% y/y and market consensus of 1.0% y/y). **Wages**, on the other hand, accelerated in February to 13.6% y/y from 13.5% y/y in January, while we expected a slowdown to 12.0% y/y and the market saw 11.9% y/y. Although **PPI** inflation fell to 18.4% y/y in February from 20.1% y/y in January, it was higher than expectations and the previous reading was revised upwards. The figures support our scenario that the Polish economy continued to decelerate at the beginning of the year (we expect the economy to bottom out in 1Q) and that inflation will fall, but slower than the NBP expects. Read more in [Economic Comment](#).

A number of **ECB members** spoke yesterday, including Lagarde, Villeroy de Galhau (France), Visco (Italy), Centeno (Portugal) and Stournaras (Greece). All statements were similar in tone: European banks are in good shape and the central bank continues to fight inflation. Christine Lagarde, head of the ECB, said that forecasts indicate that inflation will remain too high for too long, wage pressures have strengthened and that the ECB will continue to use the interest rate to fight these developments and is determined to do so. She also assured that the capital and liquidity positions of European banks are strong. François Villeroy de Galhau said that inflation cannot be allowed to settle into the system and that the regulation of the European banking system is much better than in the US, so they are not affected by the problems recently observed in the market.

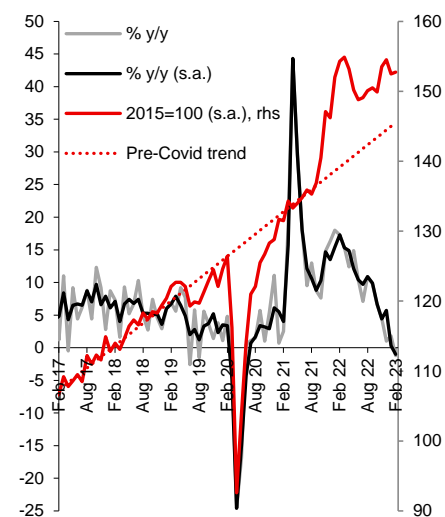
**EURUSD** has risen above this level from levels below 1.07. The dollar was hurt by the Fed's coordinated action with other major central banks aimed at increasing USD liquidity in global markets. Additional support for the exchange rate came from hawkish statements by ECB members, who, based on a solid assessment of the European banking sector's fundamentals, signalled a willingness to continue fighting inflation through rate hikes.

**EURPLN** remained above 4.70. The zloty was not supported by declines in domestic interest rate expectations, which occurred despite the wage pressure highlighted in February data.

**Other CEE currencies: EURCZK**, despite attempts to rise above 24.07 during the day, finally ended the day near the opening levels, i.e. near 23.97. **EURHUF** behaved similarly to EURCZK. After attempts to rise above 402 by the end of the day, it fell near the level of 395 from which it had started the day. The better performance of the region's currencies at the end of the day was the effect of improved sentiment in global markets as a result of the acquisition of Credit Suisse by UBS and liquidity stimulation by major central banks.

**Debt market:** Polish yield curve, after trying to descend the first part of the day, returned to the area of opening levels at the end of the day, along with improved sentiment in the core markets. Yield curves in the core markets also behaved similarly

Industrial output in Poland, constant prices



Source: GUS, NBP, Santander

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**FX market**

**Today's opening**

EURPLN	4.6972	CZKPLN	0.1959
USDPLN	4.3851	HUFPLN*	1.1906
EURUSD	1.0715	RUBPLN	0.0571
CHFPLN	4.7114	NOKPLN	0.4111
GBPPLN	5.3694	DKKPLN	0.6309
USDCNY	6.8773	SEKPLN	0.4220

\*for 100HUF

**Last session in the FX market 20.03.2023**

	min	max	open	close	fixing
EURPLN	4.6972	4.7196	4.6995	4.7046	4.7109
USDPLN	4.3827	4.4333	4.4019	4.3878	4.413
EURUSD	1.0630	1.0730	1.0677	1.0725	-

**Interest rate market 20.03.2023**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.84	-5
DS0727 (5Y)	5.86	-3
DS0432 (10Y)	5.96	-4

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.68	-2	4.75	12	3.20	6
2L	6.04	-4	4.35	25	3.14	-1
3L	5.58	-3	4.05	19	3.04	-5
4L	5.36	-3	3.84	12	2.97	1
5L	5.28	-2	3.66	7	2.93	-1
8L	5.24	0	3.52	6	2.86	1
10L	5.27	0	3.50	5	2.87	1

**WIBOR rates**

Term	%	Change (bps)
O/N	6.59	10
T/N	6.68	-5
SW	6.83	0
2W	6.85	-1
1M	6.86	3
3M	6.90	0
6M	6.96	-1
1Y	7.06	-2

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

Term	%	Change (bps)
1x4	6.86	-2
3x6	6.69	-4
6x9	6.45	-1
9x12	5.99	-5
3x9	6.71	-4
6x12	6.42	-4

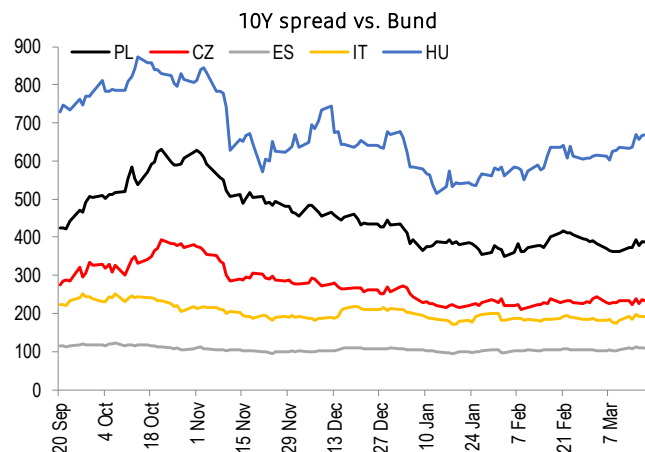
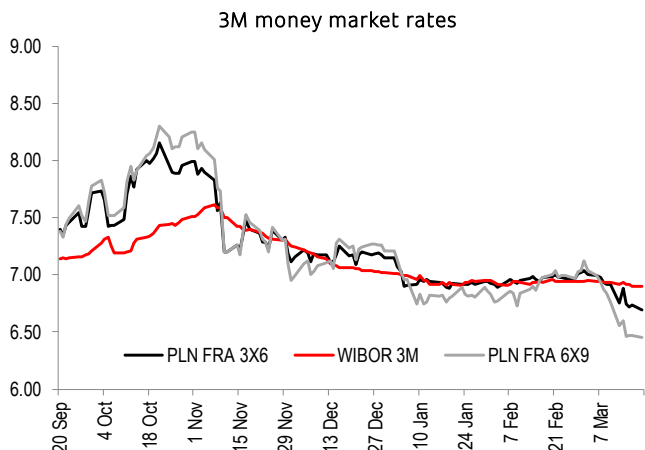
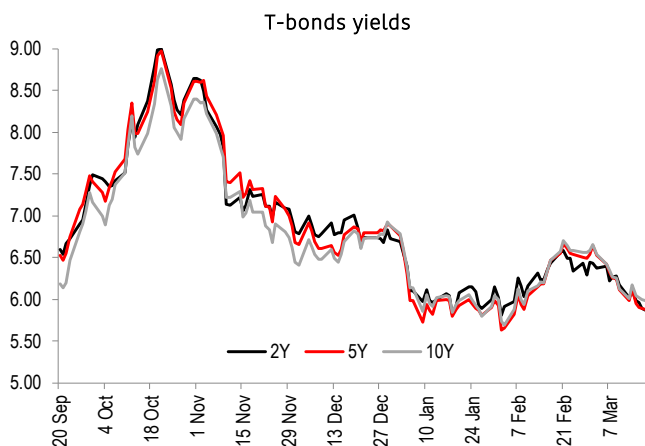
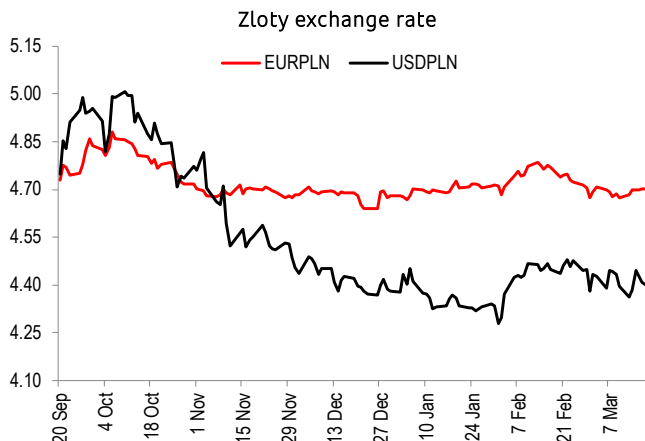
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	107	7	386	-1
France	13	0	55	-2
Hungary	176	10	672	4
Spain	56	3	108	-2
Italy	54	3	189	-4
Portugal	37	2	92	-3
Ireland	20	-1	51	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		
<b>FRIDAY (17 March)</b>							
11:00	EZ	HICP	Dec.23	% y/y	8.5	-	8.5
14:15	US	Industrial Production	Dec.23	% m/m	0.2	-	0.0
15:00	US	Michigan index	Jan.23	pts	67.0	-	63.4
<b>MONDAY (20 March)</b>							
10:00	PL	Employment in corporate sector	Feb	% y/y	1.0	0.9	0.8
10:00	PL	Sold Industrial Output	Feb	% y/y	1.1	1.4	-1.2
10:00	PL	PPI	Feb	% y/y	17.7	17.7	18.4
10:00	PL	Average Gross Wages	Feb	% y/y	11.9	12.0	13.6
<b>TUESDAY (21 March)</b>							
10:00	PL	Construction Output	Feb	% y/y	1.0	0.7	-
10:00	PL	Retail Sales Real	Feb	% y/y	-1.5	-1.2	-
11:00	DE	ZEW Survey Current Situation	Mar	pts	-45.0	-	-45.1
15:00	US	Existing Home Sales	Feb	% m/m	4.8	-	-0.7
<b>WEDNESDAY (22 March)</b>							
14:00	PL	Money Supply M3	Feb	% y/y	6.5	6.4	-
19:00	US	FOMC decision			4.75	-	4.50
<b>THURSDAY (23 March)</b>							
10:00	PL	Unemployment Rate	Feb	%	5.5	5.5	-
13:30	US	Initial Jobless Claims	week	k		-	192
15:00	US	New Home Sales	Feb	% m/m	-3.0	-	7.2
<b>FRIDAY (24 March)</b>							
09:30	DE	Germany Manufacturing PMI	Mar	pts	47.0	-	46.3
09:30	DE	Markit Germany Services PMI	Mar	pts	51.0	-	50.9
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	49.0	-	48.5
10:00	EZ	Eurozone Services PMI	Mar	pts	52.5	-	52.7
13:30	US	Durable Goods Orders	Feb	% m/m	1.5	-	-4.5
	PL	Rating review by Moody's				A2/stable	A2/stable

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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