

24 April 2023

Eyeopener

Day with Polish data releases

Today Polish data on industrial and construction output, retail sales, PPI
Wages increased 12.6% y/y in March after 13.6% in February
GG balance in 2022 at -3.7% of GDP
Zloty slightly weaker vs euro, bond yields higher at the short end

Today, a set of data releases from Poland: March readings of industrial and construction production, PPI and retail sales. Abroad, the April Ifo index of German business sentiment.

Employment rose by 0.5% y/y in March, in line with our expectations. In monthly terms, employment fell by 9.5k, marking the worst March since 2009. Most jobs were shed in manufacturing (3.4k), transport (2.3k) and trade (2.0k). **Wages advanced by 12.6% y/y in March vs 13.6% y/y in February**, slightly above forecast (we: 12.3%, market: 12.5%). Wages ex mining slowed to 13.0% y/y from 13.4% y/y and wages in services to 13.9% y/y from 14.9% y/y. The wage momentum remains relatively high and slowdown in annual growth was mostly due to swings in payments in mining and high statistical base in transport (effects of the mobility package). In real terms wages fell by 3% y/y after a decline by 4.0% y/y in February. The economic slowdown is clearly taking its toll on the labour market, with very weak performance of employment. We think that demand for labour is likely to remain under pressure in the upcoming months, and some rebound may appear in 2H23. Wages are still rising at double-digit rate and we are expect to it to stay so through 2023. Note however that they are declining in real terms and we are expecting this to be the main channel of adjustment in the labour market. Still, the high nominal wage growth will be fuelling core inflation. More in our [Economic comment](#).

General Government balance in 2022 reached -3.7% of GDP (PLN -115bn), versus flash estimate -3.4% of GDP released on April 3rd and -1.8% of GDP recorded in 2021. Public debt was at 49.1% of GDP, in line with the flash estimate and down from 53.6% in 2021. We still think that the fiscal deficit this year is likely to expand to around 5% of GDP, while the debt-to-GDP ratio should remain roughly stable amid double digit nominal GDP expansion.

Business climate indicators in April improved in all sectors of the economy, according to the GUS survey. While current assessment was mostly similar to March levels, majority of the sectors reported a rise in expected situation. All indicators, except the retail trade, remained below the long-term average, yet the trend of improvement is quite clear and seems consistent with our scenario of gradual economic recovery later this year.

MPC's Henryk Wnorowski said that mulling interest rate cuts in Poland is certainly premature, and reiterated that the Council can still raise rates if it deems it necessary. However, in his opinion, for the time being there is no indication that any change in interest rates will be needed in the near future. **MPC's Joanna Tyrowicz**, in turn, said that inflation is spilling over into all areas of the economy, and hoping that leaving rates unchanged will be enough for the situation to settle is unjustified optimism.

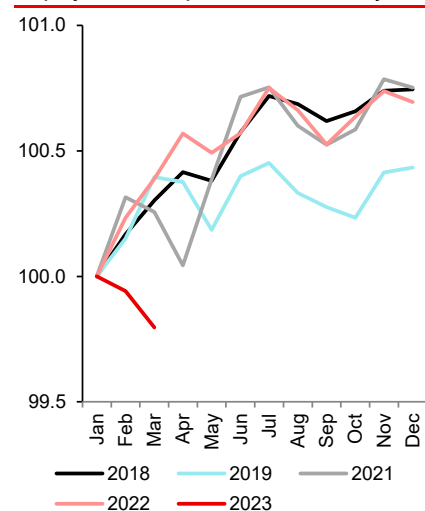
EURUSD fluctuated around the 1.095 level for another day in a row. Weaker manufacturing PMI from Germany and the Eurozone contrasted with stronger PMI from the US, but were offset by hawkish statements from ECB members (Olli Rehn, Gabriel Makhlouf) signalling the need to raise rates further and, once the target level is reached, to keep them at elevated levels for an extended period of time.

EURPLN rose to 4.61 from levels below 4.60. The zloty lost on the downward adjustment of FRA rates, pricing-in future interest rates in Poland.

Other CEE currencies: EURCZK rose to 23.50 from 23.47. EURHUF rose to 376 from 375. The region's currencies lost on weaker manufacturing PMI data from Germany and the Eurozone.

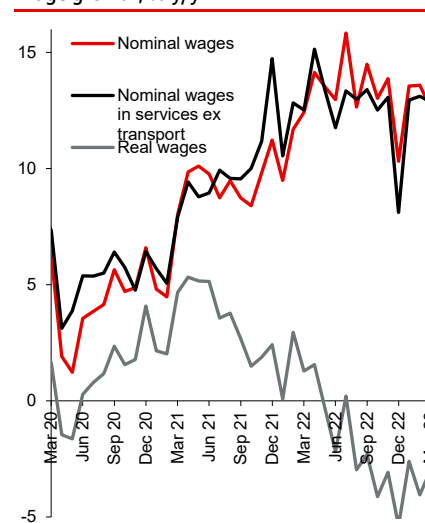
Debt market: Domestic yield curve rose at the short end by about 12 bps, and fell in the belly and at the longer end. The Finance Ministry sold five series of bonds at a tender worth PLN9bn against demand of PLN 11.75 billion. Top-up sales included securities sold for a total of PLN 568.4 million. The auction did not hurt yields, the rise at the short end of the yield curve appeared only at the end of the day.

Employment in corporate sector, January = 100



Source: GUS, Santander

Wage growth, % y/y



Source: GUS, Santander

Economic Analysis Department:

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

FX market

Today's opening

EURPLN	4.6109	CZKPLN	0.1957
USDPLN	4.1993	HUFPLN*	1.2332
EURUSD	1.0981	RUBPLN	0.0515
CHFPLN	4.7047	NOKPLN	0.3957
GBPPLN	5.2106	DKKPLN	0.6224
USDCNY	6.9005	SEKPLN	0.4062

*for 100HUF

Last session in the FX market 21/04/2023

	min	max	open	close	fixing
EURPLN	4.5943	4.6132	4.5964	4.6097	4.6039
USDPLN	4.1892	4.2115	4.1928	4.2028	4.2006
EURUSD	1.0937	1.0993	1.0960	1.0972	-

Interest rate market 21/04/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.21	12
WS0428 (5Y)	6.07	-4
DS1033 (10Y)	6.08	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.90	0	5.13	1	3.76	3
2L	6.47	0	4.44	2	3.61	1
3L	6.01	0	4.05	4	3.41	1
4L	5.78	2	3.84	3	3.29	1
5L	5.66	1	3.73	5	3.22	2
8L	5.55	2	3.57	3	3.13	2
10L	5.56	1	3.56	5	3.12	3

WIBOR rates

Term	%	Change (bps)
O/N	6.69	-4
T/N	6.74	-1
SW	6.83	0
2W	6.83	0
1M	6.86	0
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.88	0
3x6	6.84	-1
6x9	6.72	-2
9x12	6.40	-1
3x9	6.88	0
6x12	6.72	-2

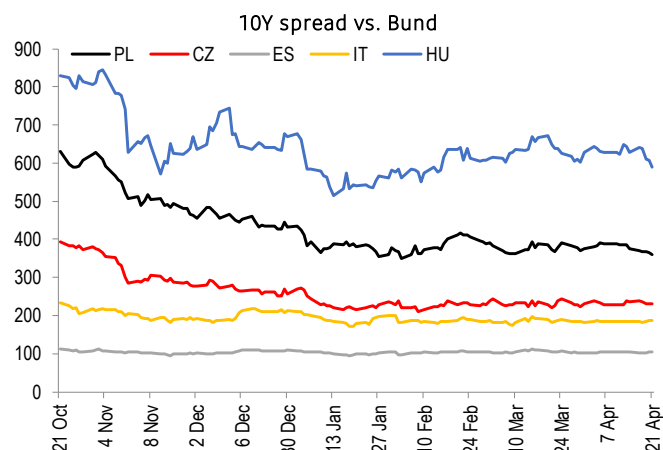
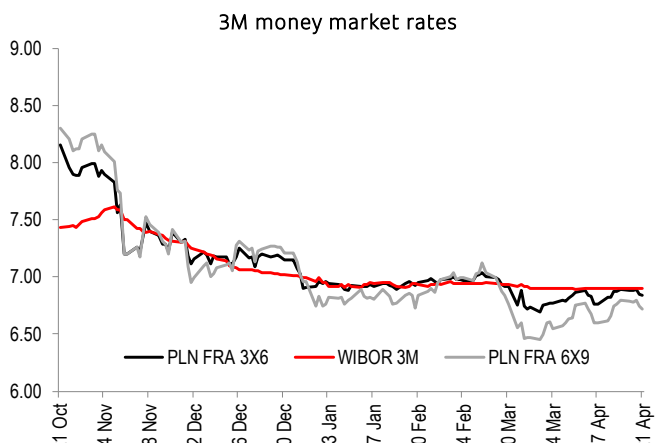
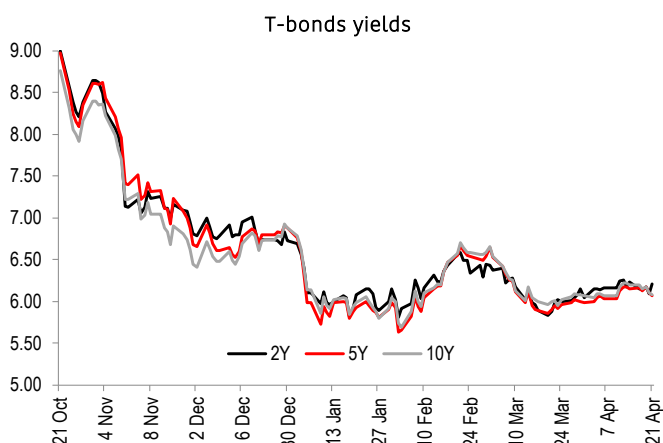
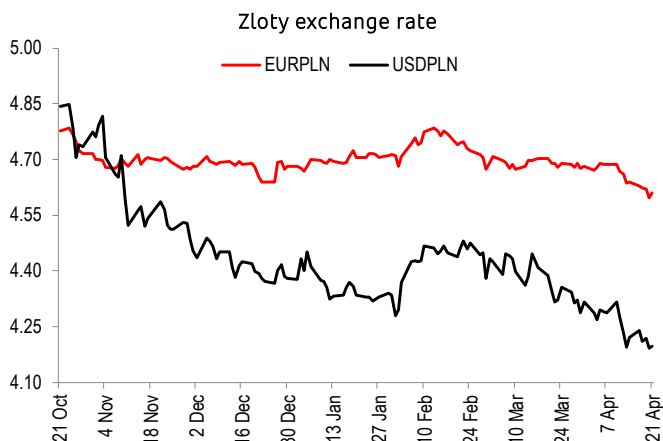
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	95	0	359	-7
France	14	0	51	0
Hungary	174	0	589	-17
Spain	49	0	104	0
Italy	46	0	187	0
Portugal	37	0	85	-2
Ireland	19	0	40	-2
Germany	12	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	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (21 April)								
09:30	DE	Germany Manufacturing PMI	Apr	pts	45.7		44.0	44.7
09:30	DE	Markit Germany Services PMI	Apr	pts	53.35		55.7	53.7
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	48.0		45.5	47.3
10:00	EZ	Eurozone Services PMI	Apr	pts	54.5		56.6	55.0
10:00	PL	Employment in corporate sector	Mar	% y/y	0.6	0.5	0.5	0.8
10:00	PL	Average Gross Wages	Mar	% y/y	12.4	12.3	12.6	13.6
MONDAY (24 April)								
10:00	DE	IFO Business Climate	Apr	pts	93.4		-	93.3
10:00	PL	Sold Industrial Output	Mar	% y/y	-2.2	-1.9	-	-1.2
10:00	PL	Construction Output	Mar	% y/y	0.5	1.0	-	6.6
10:00	PL	PPI	Mar	% y/y	11.0	10.3	-	18.4
10:00	PL	Retail Sales Real	Mar	% y/y	-6.2	-5.5	-	-5.0
TUESDAY (25 April)								
14:00	HU	Central Bank Rate Decision	Apr.23	%	13.0		-	13.0
14:00	PL	Money Supply M3	Mar	% y/y	7.2	7.4	-	7.4
16:00	US	Consumer Conference Board	Apr	pts	104.1		-	104.2
16:00	US	New Home Sales	Mar	% m/m	-1.3		-	1.1
WEDNESDAY (26 April)								
10:00	PL	Unemployment Rate	Mar	%	5.4	5.4	-	5.5
14:30	US	Durable Goods Orders	Mar	% m/m	0.7		-	-1.0
THURSDAY (27 April)								
	DE	Retail Sales	Mar	% m/m	0.0		-	-0.4
11:00	EZ	ESI	Apr	pct.	99.9		-	99.3
14:30	US	GDP Annualized	1Q	% Q/Q	2.0		-	2.6
14:30	US	Initial Jobless Claims	Apr.23	k	240.0		-	245.0
16:00	US	Pending Home Sales	Mar	% m/m	1.0		-	0.85
FRIDAY (28 April)								
10:00	PL	CPI	Apr	% y/y	15.0	14.7	-	16.1
10:00	DE	GDP WDA	1Q	% y/y	0.3		-	0.9
11:00	EZ	GDP SA	1Q	% y/y	1.3		-	1.8
14:00	DE	HICP	Apr	% m/m	0.8		-	1.1
14:30	US	Personal Spending	Mar	% m/m	-0.1		-	0.2
14:30	US	Personal Income	Mar	% m/m	0.2		-	0.3
14:30	US	PCE Deflator SA	Mar	% m/m	0.1		-	0.3
16:00	US	Michigan index	Apr	pts	63.5		-	63.5

Source: Santander Bank Polska, Bloomberg, Parkiet

*in the case of a revision the data is updated

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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>.