

20 February 2024

## Eyeopener

### Important data for January

Today, data from the labor market, industrial production and PPI  
 The EU Council is discussing the rule of law in Poland today  
 Finance Minister plans to seal VAT system and sell currencies without market impact  
 Markets quiet on Monday in the absence of US investors  
 Slight strengthening of the zloty and increases in yields

**Today**, we will see January data on the Polish labour market and industrial production. We expect employment growth to decelerate from -0.1% y/y in December to -0.3% y/y, below the consensus of -0.2% y/y. The decisive factor will be the effect of the annual change in the sample of companies surveyed, which increases volatility in January data. We also expect an increase in the growth rate of corporate wages, from 9.6% y/y to 10.5% y/y, below the consensus of 11.2% y/y. In wages, we will see the effect of the increase of the minimum wage to PLN4242 from PLN3600 (+17.8%), which we believe can add around 2 percentage points to the annual wage growth in the corporate sector and will determine whether it will remain at double-digit levels. As for industrial production data, our forecasts are in line with market expectations and point to an increase in production dynamics from -3.9% y/y in December to +3.1% y/y in January (unfortunately, this will be mainly a statistical effect resulting from the difference in working days rather than a significant rebound in economic activity). There will be also PPI inflation data for January published today, and should show in our view further deepening of the decline from December's -6.4% y/y to -8.6% y/y, against the market's expectations of -8.3% y/y. In the US, markets reopen after Monday's holiday.

The **EU Council's General Affairs Council is meeting today to discuss Poland's progress in restoring the rule of law** in preparation for the EU summit in March. According to Bloomberg, the Polish side is expected to present a detailed action plan as part of the meeting in order to increase the chances of unlocking the RRF funds.

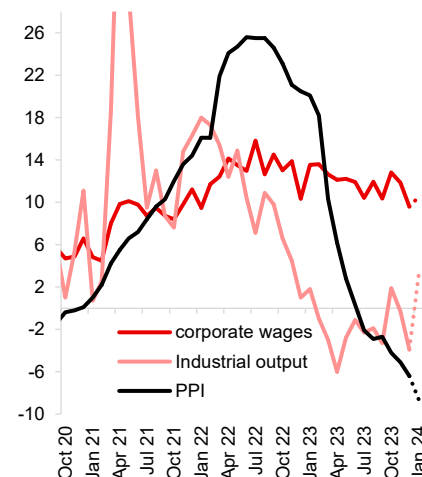
**Minister of finance A. Domański** said in an interview with Business Insider that the Ministry of Finance is trying to ensure that the sale of currencies, which are flowing into the ministry, is done without affecting the market. A. Domański added that the appreciation of the zloty is forecasted by many institutions and the EU funds will further support the trend of appreciation of the zloty. The Minister of Finance also said that he does not expect an amendment to the budget bill, but is planning further measures to tighten the tax system in terms of VAT receipts and signalled that the burden on banks may increase. A. Domański also added that about 40% of the borrowing needs were already financed, and at the end of 1Q 50% threshold will be reached. According to the Minister, interest in Polish bonds is still very high, partly due to the domestic banking sector demand, although the Ministry would like to diversify the investor base. Domański announced further debt issues in euros and dollars. In our view, the Minister's wording suggests that the Ministry of Finance may prefer to sell more of FX deposits at the NBP rather than in the market, and sealing of the VAT system will be indeed needed to meet the optimistic assumptions about this year's revenues, which may be difficult to achieve.

The **Ministry of Funds and Regional Policy** said that 13.1% of the available allocation of EU funds from the 2021-2027 financial perspective, or PLN 39.4 bn, had been contracted by February 18. At the same time, the Ministry said that as of February 18, PLN 328.5 bn of the nearing end of the 2014-2020 financial perspective, or 93.7% of its total allocation, had been cleared.

**Slight strengthening of the zloty.** Given that the US market was closed (Presidents' Day) and there were no significant macroeconomic data releases, the financial markets were relatively quiet. The mixed behaviour of equity indices in Europe was accompanied by marginal movements in EURUSD, which oscillated near 1.077. The zloty strengthened slightly to 4.323, the forint lost somewhat after a stronger opening, and the Czech koruna continued its depreciation, reaching its weakest levels since 1H2022, around 25.47. We maintain that the zloty may react positively to data from the domestic economy published this week, including today's production and labour market data.

**Market rates up.** With little activity in yesterday's session, market rates moved slightly upwards. FRA rates rose by 3-4bp, IRS rates rose by 2-5bp and bond yields rose by 4-7bp with a larger increase at the longer end of the curve. The US market was closed and yield movements were marginal in the German market. The domestic market may have been positioning for the data due for release this week and for the Wednesday's bond auction. We see the potential for a further slight upward increase of market rates at least until the auction.

Wages, industrial output and PPI inflation, %y/y, with Santander forecast



Source: GUS, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 691 393 119  
 Bartosz Biały +48 517 881 807  
 Cezary Chrapek, CFA +48 887 842 480  
 Marcin Luziński +48 510 027 662  
 Grzegorz Ogonek +48 609 224 857

**FX market**

Today's opening			
EURPLN	4.3233	CZKPLN	0.1694
USDPLN	4.0151	HUFPLN*	1.1116
EURUSD	1.0768	RUBPLN	0.0435
CHFPLN	4.5458	NOKPLN	0.3821
GBPPLN	5.0524	DKKPLN	0.5799
USDCNY	7.1983	SEKPLN	0.3855

\*for 100HUF

Last session in the FX market					19/02/2024
	min	max	open	close	fixing
EURPLN	4.3220	4.3412	4.3389	4.3263	4.339
USDPLN	4.0119	4.0293	4.0247	4.0173	4.0269
EURUSD	1.0760	1.0789	1.0780	1.0768	

**Interest rate market**

19/02/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.04	-1
WS0428 (5Y)	5.31	6
DS1033 (10Y)	5.52	7

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.73	1	5.31	0	3.59	0
2L	5.28	2	4.80	0	3.18	-1
3L	4.97	2	4.52	0	2.96	0
4L	4.84	3	4.38	5	2.85	-1
5L	4.80	4	4.31	1	2.79	-1
8L	4.81	4	4.21	2	2.75	0
10L	4.87	4	4.20	0	2.76	1

**WIRON rate**

Term	%	Change (bps)
WIRON	5.25	31

**WIBOR rates**

Term	%	Change (bps)
O/N	5.48	-7
T/N	5.77	0
SW	5.82	0
1M	5.85	2
3M	5.86	-2
6M	5.86	0
1Y	5.85	0

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

Term	%	Change (bps)
1x4	5.84	-2
3x6	5.75	1
6x9	5.56	2
9x12	5.26	6
3x9	5.71	-3
6x12	5.53	8

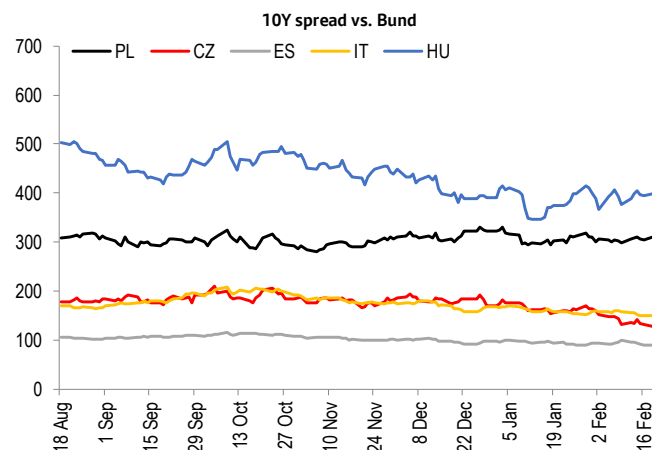
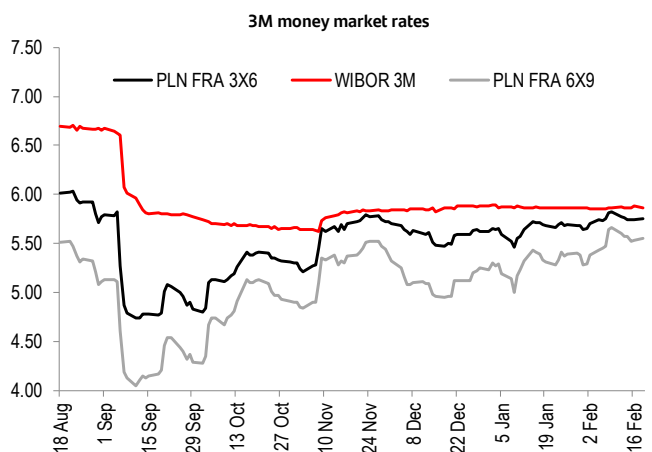
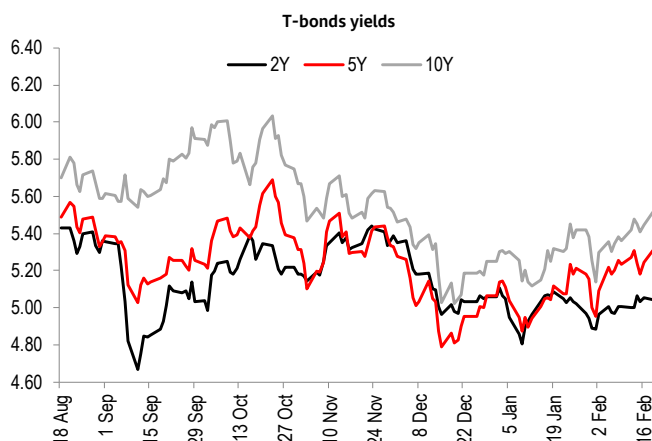
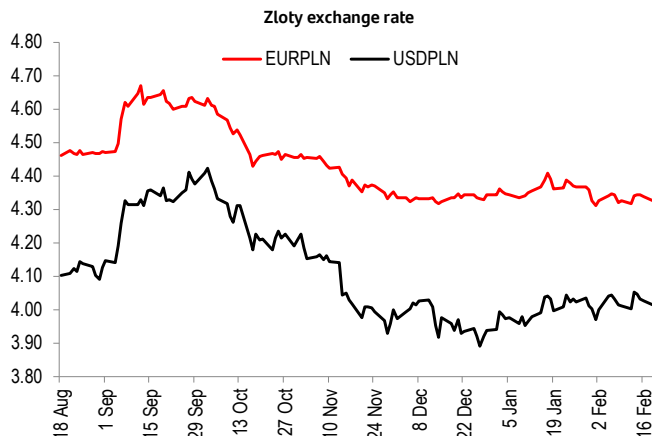
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	0	310	6
France	11	0	47	0
Hungary	125	0	399	5
Spain	41	0	90	0
Italy	29	0	149	1
Portugal	30	0	66	-1
Ireland	16	0	42	0
Germany	10	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 (16 February)</b>								
14:30	US	Housing Starts	Jan	% m/m	1.3	-	-14.8	3.3
16:00	US	Michigan index	Feb	pts	80.0	-	79.6	79.0
<b>MONDAY (19 February)</b>								
US holiday								
<b>TUESDAY (20 February)</b>								
10:00	PL	<b>Employment in corporate sector</b>	Jan	% y/y	-0.2	-0,3	-	-0.1
10:00	PL	<b>Sold Industrial Output</b>	Jan	% y/y	3.1	3,1	-	-3.9
10:00	PL	<b>PPI</b>	Jan	% y/y	-8.3	-8,6	-	-6.4
10:00	PL	<b>Average Gross Wages</b>	Jan	% y/y	11.2	10,5	-	9.6
<b>WEDNESDAY (21 February)</b>								
10:00	PL	<b>Construction Output</b>	Jan	% y/y	5.5	5,5	-	14.0
20:00	US	FOMC Meeting Minutes	Jan					
<b>THURSDAY (22 February)</b>								
09:30	DE	Germany Manufacturing PMI	Feb	pts	46.5	-	-	45.5
09:30	DE	Markit Germany Services PMI	Feb	pts	48.5	-	-	47.7
10:00	PL	<b>Retail Sales Real</b>	Jan	% y/y	1.4	1,0	-	-2.3
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	47.0	-	-	46.6
10:00	EZ	Eurozone Services PMI	Feb	pts	48.7	-	-	48.4
11:00	EZ	HICP	Jan	% y/y	2.8	-	-	2.8
13:30	EZ	ECB Meeting Minutes	Jan					
14:00	PL	<b>Money Supply M3</b>	Jan	% y/y	8.0	7,9	-	8.5
14:30	US	Initial Jobless Claims		k	220	-	-	212
16:00	US	Existing Home Sales	Jan	% m/m	4.9	-	-	-1.1
<b>FRIDAY (23 February)</b>								
08:00	DE	GDP WDA	4Q	% y/y	-0.2	-	-	-0.2
10:00	DE	IFO Business Climate	Feb	pts	85.8	-	-	85.2
10:00	PL	<b>Unemployment Rate</b>	Jan	%	5.4	5,4	-	5.1

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>.