

20 February 2025

Eyeopener

Large set of domestic data today

Today, data from the Polish labour market, industrial and construction output, PPI
 Consumers more open to spend in February, yet more afraid of unemployment
 Clear weakening of CEE currencies, local bond yields slightly higher

Today, we will get most of the real data on the state of the Polish economy in January, including information on the labour market as well as on output in industry and construction. We expect the labour market data to show a further slowdown in wage growth, from 9.8% y/y to 9.4% y/y, and employment growth remaining at -0.6% y/y, though the latter forecast is subject to greater uncertainty than usual due to the annual change in the statistical sample by GUS. We estimate that industrial output growth declined from -0.2% y/y in December to -1.0% y/y (the consensus suggests the decline may be 0.2 percentage points deeper) due to, among other factors, a negative working days effect. At the same time, the growth rate of construction output should clearly improve, in our opinion from -8.0% y/y to -2.7% y/y, and the market is even expecting it to be slightly positive. PPI inflation should also rebound markedly, from -2.6% y/y to -0.4% y/y. In addition to data from Poland, we will also see the number of initial jobless claims in the US last week.

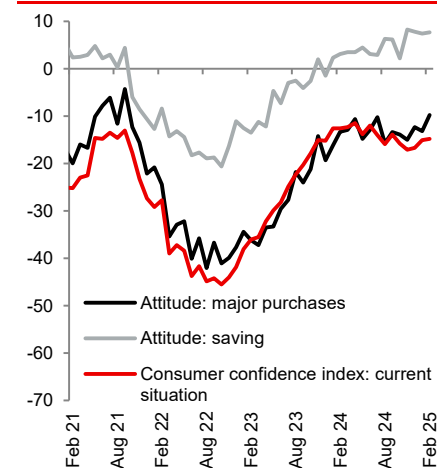
The results of the Polish consumer confidence survey for February were a mixed bag. The aggregate index of current situation improved to -14.8 pts from -15.1 pts which means it was 1.3 pts above its long-term average. The aggregate consumer expectations index fell to -10.8 pts (ie. 7.4 pts above the long-term average) from -9.9 pts. The largest improvement and the most surprising change was in the 'major purchases at present' component, jumping to the strongest level in 3.5 years. At the same time the saving-related questions kept showing strong drive towards putting money aside (possibility of saving within the next 12 months close to the all-time high level from November). What is more, the outlook for making major purchases seems to have deteriorated. The previous survey showed Polish consumers clearly more relaxed about job security, but the February edition reversed the move, sending the index to the second worst level of the last two years. Detailed data showed a polarisation of views in many categories, but generally not leading to swings in headline results. Consumer inflation expectations eased somewhat in February, to the lowest level since September. The results are broadly in line with our expectations of a continued support of private consumption to Polish economic growth.

The Fed wants to see further disinflation before changing interest rates in the US, it was reported in the minutes of the latest FOMC meeting. The minutes indicated that changes in US trade and immigration policies could disrupt the disinflation process.

The zloty depreciated markedly against the euro on Wednesday. The EURPLN exchange rate rose above 4.17, c. 0.7% above the opening level. The EURHUF and EURCZK currency pairs also weakened, although in their case the initial loss was followed by a slight rebound. The depreciation of the CEE currencies was supported by the strengthening of the dollar against the euro. It seems that the depreciation may have been triggered by profit taking from the earlier marked appreciation and, perhaps, updating investors' expectations related to a possible Russia-Ukraine peace agreement. In our view, the attention of the markets has recently been so focused on the prospect of an end to the war in Ukraine that the issue of already imposed tariffs by the US and the announcement of possible further escalation of trade tensions was not entirely reflected in European currencies (in principle, this factor should weaken the euro and CEE currencies against the dollar, in our view).

Polish yields and money market rates rose slightly. Yields on domestic 5Y and 10Y bonds increased by around 4 bps and 6 bps, respectively, and yields on 2Y bonds declined negligibly. The changes in domestic yields took place alongside increases in corresponding German bond yields by around 6 bps, as well as slight declines in US bond yields. At the same time, Polish IRS and FRA rates rose by around 1-2 bps, a little more strongly at the long end of the curve.

Consumer confidence, selected components, pts



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.1767	CZKPLN	0.1660
USDPLN	4.0057	HUFPLN*	1.0282
EURUSD	1.0426	RONPLN	0.8395
CHFPLN	4.4359	NOKPLN	0.3602
GBPPLN	5.0441	DKKPLN	0.5599
USDCNY	7.2691	SEKPLN	0.3738

*for 100HUF

Last session in the FX market					19/02/2025
	min	max	open	close	fixing
EURPLN	4.1478	4.1782	4.1492	4.1766	4.1582
USDPLN	3.9639	4.0163	3.9690	4.0145	3.9875
EURUSD	1.0403	1.0461	1.0455	1.0404	

Interest rate market

19/02/2025

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.32	0
DS1029 (5L)	5.63	1
DS1034 (10L)	5.89	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.65	0	4.51	-2	2.26	2
2L	5.21	0	4.39	-3	2.30	3
3L	5.01	1	4.36	-3	2.31	3
4L	4.94	1	4.38	-1	2.34	3
5L	4.95	0	4.37	-2	2.36	2
8L	5.03	0	4.38	-1	2.43	3
10L	5.11	0	4.42	-1	2.48	2

WIBOR rates

Term	%	Change (bps)
O/N	5.69	6
T/N	5.86	8
SW	5.82	0
1M	5.82	-1
3M	5.87	0
6M	5.82	0
1Y	5.62	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.86	1
3x6	5.79	1
6x9	5.45	0
9x12	5.03	0
3x9	5.74	0
6x12	5.39	0

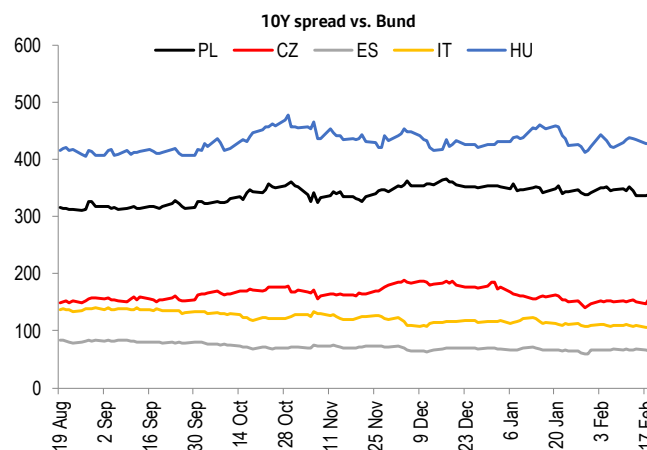
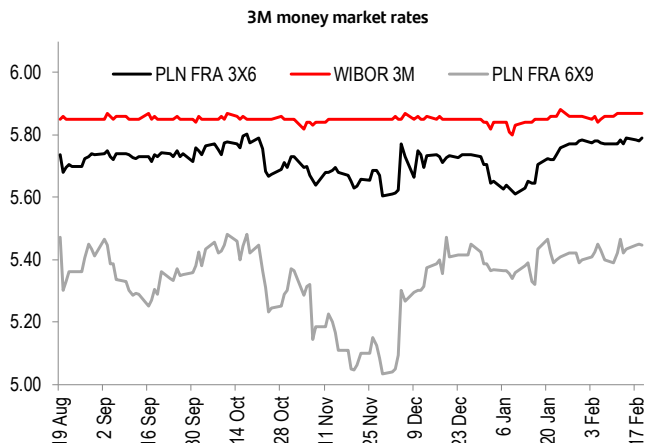
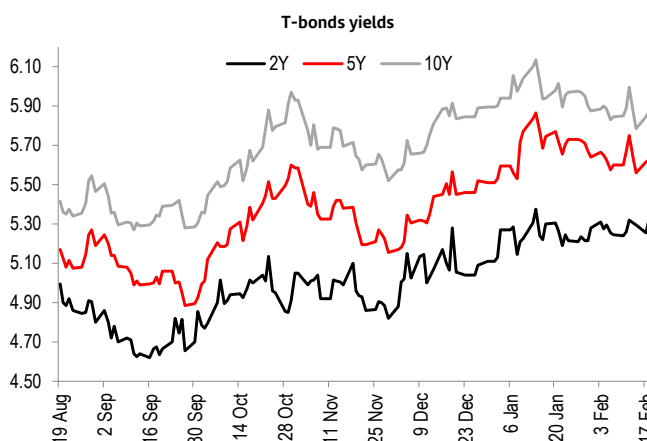
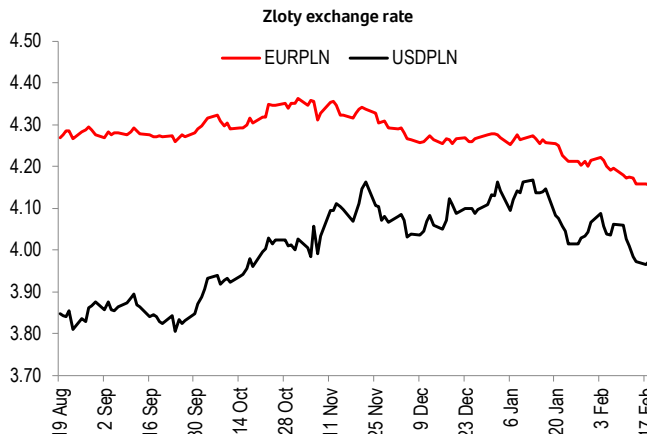
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	66	0	334	-4
France	16	0	68	2
Hungary	117	-2	425	-3
Spain	32	0	66	1
Italy	22	0	109	3
Portugal	17	0	52	1
Ireland	10	0	31	1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (14 February)								
10:00	PL	CPI	Jan	% y/y	5.0	5.1	5.3	4.7
11:00	EZ	GDP SA	4Q	% y/y	0.9	-	0.9	0.9
14:30	US	Retail Sales Advance	Jan	% m/m	-0.2	-	-0.9	0.7
15:15	US	Industrial Production	Jan	% m/m	0.3	-	0.5	1.0
MONDAY (17 February)								
No key data releases or economic events								
TUESDAY (18 February)								
11:00	DE	ZEW Survey Current Situation	Feb	pts	-89.4	-	-88.5	-90.4
WEDNESDAY (19 February)								
14:30	US	Housing Starts	Jan	% m/m	-7.0	-	-9.8	16.1
20:00	US	FOMC Meeting Minutes	Jan					
THURSDAY (20 February)								
10:00	PL	Employment in corporate sector	Jan	% y/y	-0.6	-0.6	-	-0.6
10:00	PL	Sold Industrial Output	Jan	% y/y	-1.0	-1.0	-	0.2
10:00	PL	Construction Output	Jan	% y/y	0.3	-2.7	-	-8.0
10:00	PL	PPI	Jan	% y/y	-0.4	-0.4	-	-2.6
10:00	PL	Average Gross Wages	Jan	% y/y	9.5	9.4	-	9.8
14:30	US	Initial Jobless Claims	Feb.25	k	216	-	-	213
FRIDAY (21 February)								
09:30	DE	Germany Manufacturing PMI	Feb	pts	45.5	-	-	45.0
09:30	DE	Markit Germany Services PMI	Feb	pts	52.5	-	-	52.5
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	47.0	-	-	46.6
10:00	EZ	Eurozone Services PMI	Feb	pts	51.5	-	-	51.3
16:00	US	Michigan index	Feb	pts	-	-	-	67.8
16:00	US	Existing Home Sales	Jan	% m/m	-2.1	-	-	2.2

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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