



Central European Daily

Thursday, 19 November 2015

Headlines

Polish PM Szydlo says NBP could introduce TLTRO

Ambiguous data from the Polish labour market (a slower wage growth but, at the same time, a faster employment growth than expected) got little attention yesterday compared to a speech by the new Polish PM in which Beata Szydlo sketched out some principles of new government's economic programme.

On the fiscal side, Ms. Szydlo affirmed government's intention to strengthen support for families with children and to lower the retirement age (the reforms should be financed by better tax collection and imposition of sector taxes). A novelty, on the other hand, was the idea of introduction - in cooperation with the National Bank of Poland – of monetary measures that would resemble ECB's TLTRO, i.e. long-term repo operations facilitating access to credits for enterprises. Let us recall that the new government will appoint a majority of Monetary Policy Council (MPC) members early next year (incl. the NBP president, whose tenure expires in June), which can make the future MPC more receptive to government's intentions than the current one.

In our view, the usefulness of "Polish TLTRO" is moot as official rates are at an all-time low and the credit growth has already gathered pace in recent months. However, if it was introduced, it could have a negative effect on the zloty. Hence we do not need to change our scenario and continue to bet on a slight depreciation of the zloty in 2016Q1.

Currencies		% chng
EUR/CZK	27.02	-0.1
EUR/HUF	310.1	-0.2
EUR/PLN	4.24	0.0
EUR/USD	1.07	0.2
EUR/CHF	1.09	0.7

FX Correlation Matrix

	EUR/PLN	EUR/HUF	EUR/USD	EUR/CHF
EUR/CZK	0.12	0.12	0.04	0.07
EUR/PLN		0.32	0.10	0.08
EUR/HUF			0.26	0.15
EUR/USD				0.58

correlations of 30 min changes over past 5 sessions

FRA 3x6	%	bps chng
CZK	0.24	-1
HUF	1.33	2
PLN	1.63	1
EUR	-0.16	1

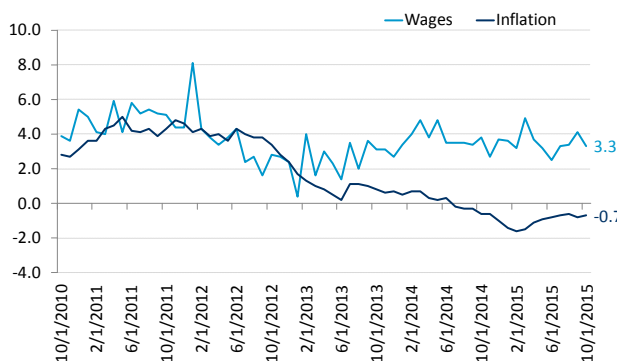
GB	%	bps chng
Czech Rep. 10Y	0.51	-1
Hungary 10Y	3.43	0
Poland 10Y	2.77	2
Slovakia 10Y	0.80	-3

CDS 5Y	%	bps chng
Czech Rep.	51	0
Hungary	159	-1
Poland	73	0
Slovakia	51	0

Source: Reuters

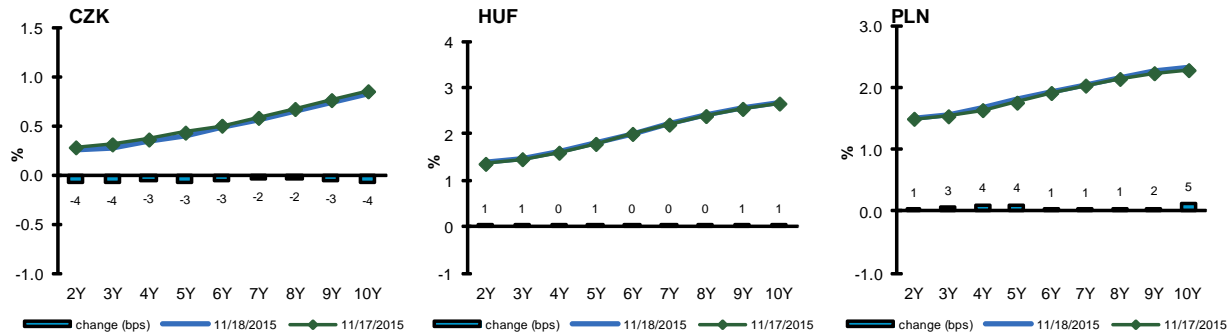
PL: Nominal gross wages vs. Inflation

Y/Y in %



Polish wages growth fell short of expectations in October...
(Source: Bloomberg, CSOB)

Interest-rate Swap Curves



Calendar

Country	Time	Indicator	Period	Forecast		Actual		Consensus		Previous	
				m/m	y/y	m/m	y/y	m/m	y/y	m/m	y/y
PL	14:00	Industrial output	% 10/01/2015					1.9	2.5	15.1	4.1
PL	14:00	PPI	% 10/01/2015					-0.1	-2.5	-0.1	-2.9
PL	14:00	Retail sales	% 10/2015					4.4	0.4	-0.5	0.1

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