

23 March 2021

## Eyeopener

### NBP to provide base for economic rebound

NBP governor wants low rates and low volatility on fx and bond market  
 Stable stock markets and core bond markets  
 EURUSD higher, ECB increases PEPP purchases  
 Domestic bond yields and IRS rates lower  
 Today Polish unemployment rate, Hungarian central bank decision

On Monday the volatility on the equity markets was low. South Korean export and import growth in the first 20 days of March was still high, but lower than in February, which may signal fading economic rebound momentum. ECB bought bonds worth EUR21.2bn in its PEPP programme, versus EUR14bn last week. The weekly increase by c.50% is the realisation of its earlier promise of "significantly higher" pace of purchases. 10Y Bund yield declined 2bp to -0.30% and UST did not change at 1.69%. New US home sales in February were lower than expected and January print revised down. Worse reading was mainly the result of bad weather and may be reversed in the next months (higher disposable incomes). Turkish lira depreciated sharply after the dismissal of the central bank governor.

In today's article for Dziennik Gazeta Prawna, NBP president **Adam Glapiński** indicated that the current aim of the monetary policy is to maintain conditions for a persistent economic rebound after the recession. This means that rates will remain at unchanged level and that the NBP will not allow for "possible rapid changes in zloty exchange rate or bond yields to undermine our growth outlook". However, he also mentioned fx rate as a shock absorber (suggesting a higher tolerance for a weakening than for the strengthening of the zloty). The article clearly shows that in Glapiński's view there is no necessity to react to the rise in CPI shown in the NBP forecasts. **Eryk Łon** spoke in a similar manner and said the monetary policy should remain expansionary in order to secure a dynamic economic rebound. He also said the MPC should not be afraid to temporarily cut rates below zero if necessary.

The main **government's pandemic advisor Andrzej Horban** suggested that on Sunday further country-wide restrictions ("total lockdown") could be introduced if infections continue to go up and that the government is already discussing the issue. According to Horban, restrictions could start to be eased at the end of May.

February **M3 money supply** increased by 16.3% y/y after 16.8% in January. In our view, the lower growth was due to lower issuance by PFR and BGK in February. Deposits and cash also grew at a slower pace. Total deposits growth fell to 13.0% y/y from 13.5% y/y, mainly in the section of non-monetary financial institutions (-8.9% y/y vs +1.9% y/y in January). The credit market remained subdued – fx-adjusted corporate credit growth stayed at -6.6% y/y, while the consumer credit declined somewhat to 2.4% y/y from 2.5% y/y. PLN-denominated mortgage growth declined to 9.7% y/y from 10%. We expect that in the coming months the activity in the credit market will remain weak, while any improvement is possible in 2H21 when it is more likely there will be less restrictions in the economy.

In **March business climate indicators** have improved in all sectors except transport, where it remained at the highest level since the start of the pandemic. The current assessment was predominantly falling, while firms' expectations about future improved across the board (fourth month in a row). In industry and construction the current situation index was the lowest since mid-2020 while expectations index was the highest in a year. At the start of March companies did not signal growing problems with workforce (unplanned vacancies, quarantines) due to pandemic. In March 27.5% of industrial firms judged the effects of pandemic as serious or threatening their business stability – the lowest ratio on record – in November it was over 40% and in May 2020 c.60%. As the improvement of business climate is based mainly on growing optimism about future, we think that the just-started lockdown will sent indicators much lower, dampening both current activity and expectations.

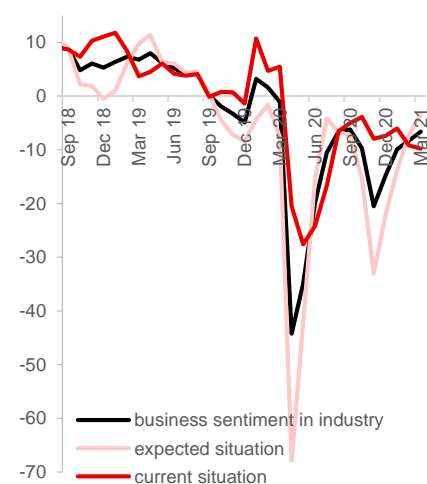
**EURUSD** opened at 1.188 yesterday which was below the Friday close at 1.191. During the day the pair tried twice in vain to break below 1.187 after which it rebounded higher to 1.193.

**EURPLN** opened on Monday at 4.62 after which it abruptly declined to 4.595, by 0.6% which might have resulted from the EURUSD move as well as an increased activity of exporters.

As regards **other CEE currencies**: EURHUF declined by 0.55 to 366.4, as consumer and business sentiment improved in Hungary. EURCZK was stable at 26.07. USDRUB climbed markedly by 0.7% to 75.0

On the Polish **interest rate market** the activity was moderate, and mostly coming from local investors. Bond yields declined: 5Y by 4bp to 0.81%, 10Y was temporarily falling by 6bp but ended the day only 2bp below the opening level. IRS fell more considerably – 10Y by 7bp to 1.69%, 5Y to 1.13%. According to the Finance Ministry, at the end of February the domestic debt climbed by 3% m/m (+32.6bn) to PLN1122.2bn including PLN-denominated debt at PLN845.1bn and FX-denominated debt at PLN277.1bn.

#### Industry, business sentiment indexes, NSA



Source: GUS, Santander

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**FX market**

Today's opening			
EURPLN	4.5932	CZKPLN	0.1757
USDPLN	3.8540	HUFPLN*	1.2429
EURUSD	1.1923	RUBPLN	0.0512
CHFPLN	4.1664	NOKPLN	0.4515
GBPPLN	5.3296	DKKPLN	0.6176
USDCNY	6.5096	SEKPLN	0.4509

\*for 100HUF

Last session in the FX market						22.03.2021
	min	max	open	close	fixing	
EURPLN	4.590	4.624	4.620	4.592	4.614	
USDPLN	3.846	3.893	3.885	3.847	3.877	
EURUSD	1.187	1.194	1.189	1.194	-	

**Interest rate market** 22.03.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	-1
DS0725 (5Y)	0.84	-3
DS1030 (10Y)	1.48	-3

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.24	-1	0.21	0	-0.54	0
2L	0.45	-2	0.26	0	-0.50	0
3L	0.67	-4	0.45	0	-0.47	-1
4L	0.91	-6	0.72	1	-0.40	-1
5L	1.12	-6	0.95	-2	-0.33	0
8L	1.51	-7	1.49	-2	-0.10	-1
10L	1.69	-8	1.69	-2	0.05	-1

**WIBOR rates**

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.19	0
3M	0.21	0
6M	0.25	0
1Y	0.25	0

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

Term	%	Change (bps)
1x4	0.21	-1
3x6	0.21	-2
6x9	0.21	-1
9x12	0.30	-2
3x9	0.24	0
6x12	0.31	3

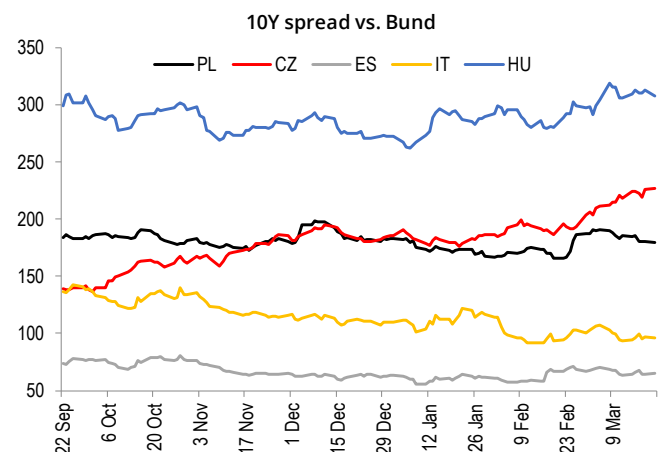
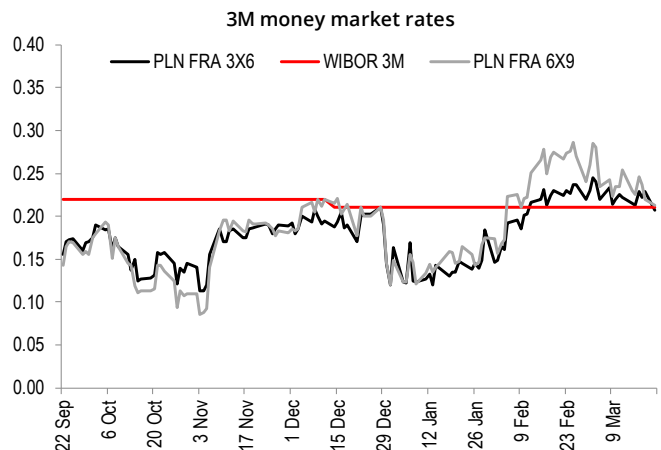
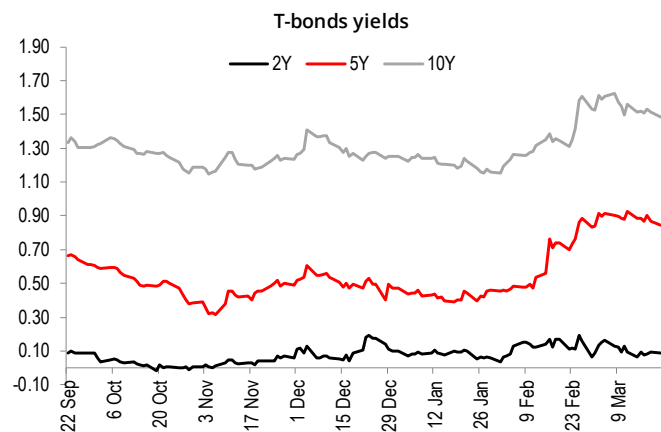
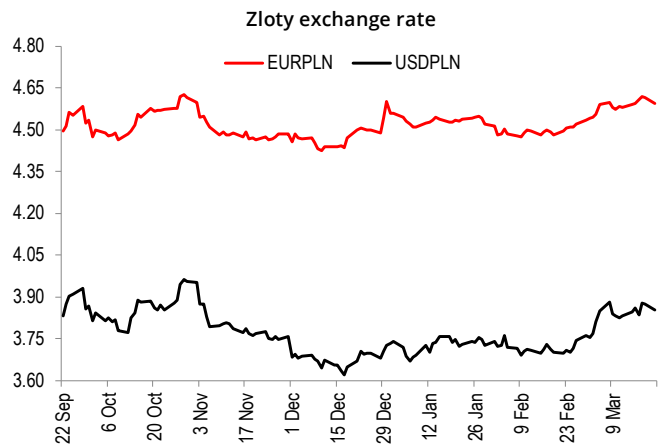
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	50	0	179	-1
France	6	0	25	0
Hungary	64	5	308	-4
Spain	35	3	65	1
Italy	48	4	96	0
Portugal	23	2	54	1
Ireland	11	1	35	0
Germany	8	1	-	-

\* 10Y treasury bonds over 10Y Bunds

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

Source: Refinitiv, Datastream



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
<b>FRIDAY (19 March)</b>								
10:00	PL	Construction Output	Feb	% y/y	-9.5	-11.6	-16.9	-10.0
10:00	PL	Retail Sales Real	Feb	% y/y	-2.5	-4.5	-2.7	-6.0
<b>MONDAY (22 March)</b>								
14:00	PL	Money Supply M3	Feb	% y/y	16.3	16.4	16.3	16.8
15:00	US	Existing Home Sales	Feb	% m/m	-3.0		-6.6	0.6
<b>TUESDAY (23 March)</b>								
10:00	PL	Unemployment Rate	Feb	%	6.5	6.6	-	6.5
14:00	HU	Central Bank Rate Decision	Mar.21	%	0.6		-	0.6
15:00	US	New Home Sales	Feb	% m/m	-4.1		-	4.3
<b>WEDNESDAY (24 March)</b>								
09:30	DE	Germany Manufacturing PMI	Mar	pts	60.7		-	60.7
09:30	DE	Markit Germany Services PMI	Mar	pts	46.4		-	45.7
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	57.6		-	57.9
10:00	EZ	Eurozone Services PMI	Mar	pts	45.7		-	45.7
13:30	US	Durable Goods Orders	Feb	% m/m	1.0		-	3.4
14:30	CZ	Central Bank Rate Decision	Mar.21		0.25		-	0.25
<b>THURSDAY (25 March)</b>								
13:30	US	GDP Annualized	4Q	% Q/Q	4.1		-	4.1
13:30	US	Initial Jobless Claims		k			-	770
<b>FRIDAY (26 March)</b>								
10:00	DE	IFO Business Climate	Mar	pts	93.1		-	92.4
13:30	US	Personal Spending	Feb	% m/m	-0.2		-	2.4
13:30	US	Personal Income	Feb	% m/m	-7.0		-	10.0
13:30	US	PCE Deflator SA	Feb	% m/m	0.3		-	0.3
15:00	US	Michigan index	Mar	pts	83.5		-	83.0

Source: Santander Bank Polska, Bloomberg, Parkiet

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

\*\* estimate after CPI data

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