

31 March 2021

## Eyeopener

### Government announced faster vaccine rollout

Stock markets in Europe in black

Government plans to step up vaccine rollout to 14mn in 2Q

USD stronger but EURPLN stabilised near 4.66 ahead of inflation

Yields higher after a set of stronger data

Today inflation in Poland and euro zone, labour market data in the US

On Tuesday European equity markets ended the day in black after the set of very good data from the world economy. Dollar gained 0.4% against the basket of developed market currencies. Bond yields in the core markets rose markedly: 10Y Bund +6bp to -0.27%, UST +4bp to 1.75%. Rising yields triggered a decline in commodity prices and weakening of EM currencies. The stronger-than-expected data included retail sales in Japan and Spain, leading indicator KOF in Switzerland, ESI indexes in euro zone, consumer sentiment in France, Conference Board index of consumer confidence in the USA and real estate indicator Case Shiller. In Germany inflation was in line with expectations (HICP 2% y/y) but import prices in February rose 1.4%, i.e. 0.3pp above consensus.

Today US president Joe Biden is supposed to present the details of his **new support program for the US economy**. The program will touch on infrastructure and manufacturing spending. There is one more fiscal package planned - the one focused on the health sector.

Many of the euro zone business cycle **ESI indicators** have increased in March to the highest level since the pandemic began. The headline increased to 101 points. The manufacturing indicators were even better than in 2019 thanks to improvements in the new orders component amid low inventories (the index lowest since 2011) which together should contribute to higher production. Expectations regarding the production and hiring plans also improved (the latter the highest since mid-2019) and the sold output prices also went up (highest in 10 years). In the euro zone, the business cycle index is increasing at a relatively slow pace, however the subindices describing expected demand, employment and prices - are already at the pre-pandemic levels. **In the ESI index set for Poland**, the improvements occurred in all of the covered sectors, and in particular in retail trade and services. The construction index has been struggling to bounce back higher for 6 months now, from very low level. As regards output component, the expected output improved after being stable for the past 3 months. The future price index has increased significantly for a second month in a row. The consumer confidence improved only slightly and despite the fact that the current assessment of economic situation is the lowest in 20 years (as long as the survey exists).

According to the government plans, 14mn of **Covid-19 vaccines** will be administered in 2Q, as compared to 6mn in 1Q. The acceleration will be possible thanks to larger supplies. The plan of vaccination rollout will change as well: the current split into phases will be cancelled. Starting on 12 April, each day another annual cohort will be allowed to register for vaccine, beginning with people born in 1962.

**World Bank lowered growth forecast for Poland** to 3.3% from 3.5% in 2021 mostly due to slower-than-expected rollout of vaccinations in Europe.

**Moody's released yesterday a report on Poland**. Its 2021 GDP forecast was kept at 4.0%. The agency named historically strong performance, solid macroeconomic framework, stable financial sector as the country's advantages and developing institutional erosion, ageing society, regional imbalances and social divide rising political risks as disadvantages. Moody's currently holds Poland at A2 with stable outlook.

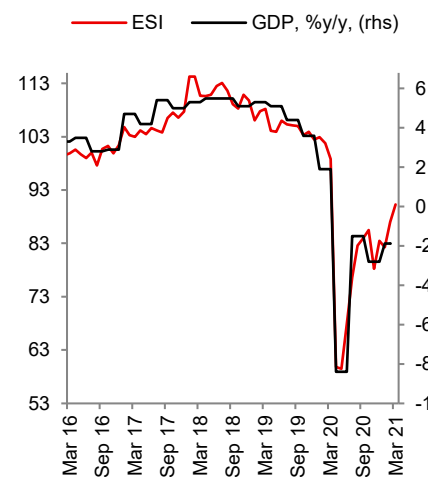
**EURUSD** continued to fall on Tuesday. Month-to-date the pair dropped by full 3% to 1.173 of which 1.8% last week only. On Tuesday the decline was 0.4%. As we have already highlighted, we expect it to drop further to 1.16.

**EURPLN** on Tuesday started the day at 4.66 and in the first hours of trade reached above 4.675. However, after a whole month of rising the exchange rate is losing momentum. In the second part of the day it spent some time below 4.65 and closed at 4.66. The fx rate may consolidate until the CPI release today and also after it if the reading is not far from the consensus.

**In case of other CEE fx**, EURHUF ended the downside correction and on Tuesday it rebounded by 0.2% to 363.4. EURCZK rose by 0.3% to 26.16. USDRUB rose again, above 76.0 (+c.0.4%) but we think it may soon climb to 77.0.

**On the domestic interest rate market** both IRS and bond curve rose substantially on Tuesday: the IRS curve by 7-12bp while yields went up by c.10bp in the middle and the long end, while the short end remained stable. 10Y ASW declined to -0.24% and 10Y Bund spread rose to 187bp. We think the upside move of the yield curve may be continued in the coming days, especially if today's CPI print beats expectations.

#### Main ESI index for Poland vs economic growth



Source: GUS, European Commission, Santander

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**FX market**

Today's opening			
EURPLN	4.6598	CZKPLN	0.1779
USDPLN	3.9777	HUFPLN*	1.2812
EURUSD	1.1722	RUBPLN	0.0525
CHFPLN	4.2172	NOKPLN	0.4649
GBPPLN	5.4641	DKKPLN	0.6266
USDCNY	6.5629	SEKPLN	0.4550

\*for 100HUF

Last session in the FX market						30.03.2021
	min	max	open	close	fixing	
EURPLN	4.629	4.666	4.665	4.657	4.652	
USDPLN	3.952	3.979	3.966	3.973	3.960	
EURUSD	1.171	1.177	1.176	1.172	-	

**Interest rate market** 30.03.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	0
DS0725 (5Y)	0.84	0
DS1030 (10Y)	1.60	10

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.24	2	0.22	1	-0.54	0
2L	0.49	6	0.29	2	-0.50	1
3L	0.75	8	0.49	2	-0.46	1
4L	1.02	9	0.74	1	-0.40	0
5L	1.25	10	0.99	1	-0.32	2
8L	1.65	10	1.52	2	-0.09	2
10L	1.83	10	1.72	0	0.06	1

**WIBOR rates**

Term	%	Change (bps)
O/N	0.11	0
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	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	0
3x6	0.23	2
6x9	0.26	4
9x12	0.32	6
3x9	0.24	-2
6x12	0.29	0

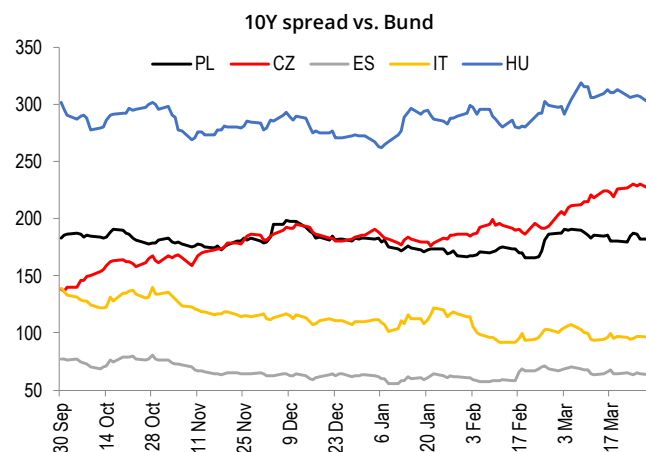
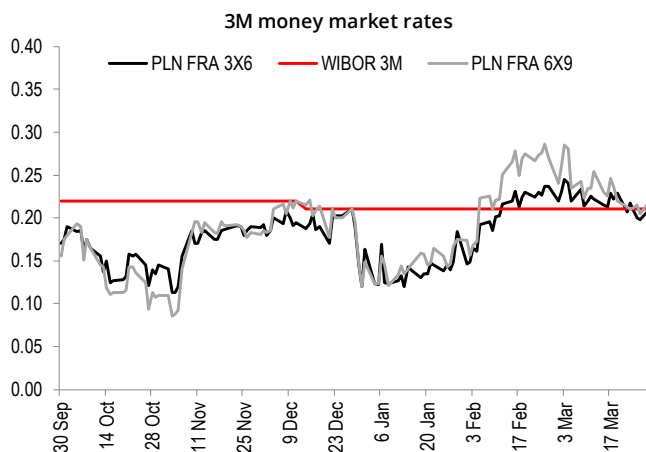
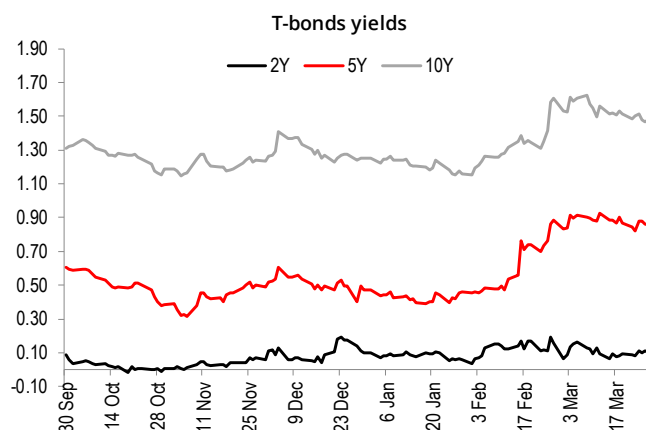
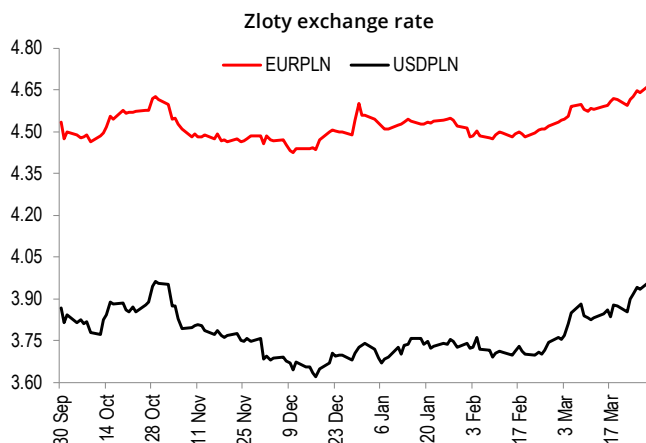
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	187	5
France	8	0	25	0
Hungary	64	0	305	4
Spain	34	0	63	-1
Italy	46	0	97	0
Portugal	24	0	52	0
Ireland	10	0	34	-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: Refinitiv, Datastream



## Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
<b>FRIDAY (26 March)</b>								
10:00	DE	IFO Business Climate	Mar	pts	93.2	96.6	92.4	
13:30	US	Personal Spending	Feb	% m/m	-0.8	-1.0	2.4	
13:30	US	Personal Income	Feb	% m/m	-7.2	-7.1	10.0	
13:30	US	PCE Deflator SA	Feb	% m/m	0.3	0.2	0.3	
15:00	US	Michigan index	Mar	pts	83.6	84.9	83.0	
<b>TUESDAY (30 March)</b>								
11:00	EZ	ESI	Mar	pct.	96.0	101.0	93.4	
14:00	DE	HICP	Mar	% m/m	0.5	0.5	0.6	
16:00	US	Consumer Conference Board	Mar	pts	96.0	109.7	91.3	
<b>WEDNESDAY (31 March)</b>								
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Mar</b>	<b>% y/y</b>	<b>2.8</b>	<b>3.0</b>	<b>-</b>	<b>2.4</b>
11:00	EZ	Flash HICP	Mar	% y/y	1.35	-	0.9	
14:15	US	ADP report	Mar	k	500.0	-	117.1	
16:00	US	Pending Home Sales	Feb	% m/m	-2.65	-	-2.8	
<b>THURSDAY (1 April)</b>								
08:00	DE	Retail Sales	Feb	% m/m	1.0	-	-6.5	
09:00	CZ	GDP SA	4Q	% y/y	0.0	-	-4.7	
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Mar</b>	<b>pts</b>	<b>55.4</b>	<b>54.9</b>	<b>-</b>	<b>53.4</b>
09:55	DE	Germany Manufacturing PMI	Mar	pts	66.6	-	66.6	
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	62.4	-	62.4	
14:30	US	Initial Jobless Claims	Mar/21	k	730.0	-	684.0	
16:00	US	ISM manufacturing	Mar	pts	61.0	-	60.8	
<b>FRIDAY (2 April)</b>								
14:30	US	Change in Nonfarm Payrolls	Mar	k	600.0	-	379.0	
14:30	US	Unemployment Rate	Mar	%	6.0	-	6.2	
	<b>PL</b>	<b>S&amp;P rating review</b>					<b>A-, stable</b>	

Source: Santander Bank Polska, Bloomberg, Parkiet

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

\*\* estimate after CPI data

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