

09 April 2021

Weekly Economic Update

Zloty in the NBP comfort zone

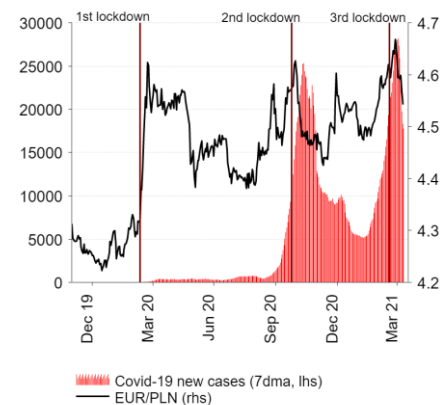
What's hot next week

- The MPC kept interest rates unchanged at its 7th April meeting. As for the statement, the MPC dropped the sentence stating that the pace of recovery may be limited by insufficient and not persistent zloty weakening and instead simply wrote that the pace of recovery will depend on the zloty exchange rate. The NBP president said in his Friday's speech that the zloty is currently in the NBP's "comfort zone" – the central bank preserves the right to intervene if needed but currently does not see any reason to do it. Glapiński repeated the view that interest rates will most likely remain unchanged until the end of the MPC's term of office (spike in inflation will be temporary and driven by supply factors) and said that in more distant future the monetary policy decisions will depend on economic situation.
- After the weekend, there are 3 important macroeconomic releases in Poland: balance of payments (Tuesday), March CPI (Thursday) and March core CPI (Friday). Abroad there are more numbers in the pipeline: inflation, industrial production and retail sales in the US and the euro zone.
- As for the balance of payments we expect a significant current account surplus (EUR1.7bn, slightly above the consensus; the 12-month moving average still at the record level of 3.7% of GDP). We also expect a slight improvement of annual growth rates of both exports and imports. In general, the data should not affect Polish asset prices.
- Inflation data will be much more interesting and they will reveal the reasons behind the surprising spike in March CPI preliminary reading to 3.2% y/y. Our estimates suggest that the core CPI has risen to 4.0% y/y (vs the market consensus of 3.9% y/y) but at the moment we do not know which goods or services contributed most to this jump. Once we know that it will be possible to estimate if the spike is likely to reverse. At the moment we still believe that the core CPI will be gradually declining in the months to come, even though the CPI is to temporarily increase to around 4.0% in May
- Meeting of the Supreme Court's Civil Law Chamber in full court on key issues concerning the FX loans was rescheduled to 11 May from 13 April. However, on 15 April there is another Supreme Court meeting in lower court number (7 people) also devoted to FX loan issues. It is difficult for us to say, however, whether we will get to know anything new in this matter in the upcoming week.

Markets next week

- After the wave of depreciation, since the start of April the zloty has been strengthening. The move is supported by general improvement of sentiment towards emerging markets, weaker dollar, a pause in the upward trend of bond yields in the USA and Europe, but also by decrease of worries about the pandemic in CEE: the number of new Covid-19 cases has started to ease, Czechia and Hungary are preparing to ease restrictions. In our view EURPLN will go back above 4.60, but most likely not during the upcoming week as the remarks of the NBP governor have not given it an impulse to change direction. In the coming days the fx pair could stabilise, but it might also descend further towards 200-day moving average at c.4.50 for a brief period. There are some risks for the zloty appearing on the horizon: a decline of EURUSD (growing wave of Covid-19 in Germany + new restrictions), restart of the US bond yields rise, geopolitical tensions (Russia-Ukraine), possible information about FX loans and rising tensions within the governing coalition in Poland.
- Bond yields on the foreign market could go up again after the recent stabilisation. Fuel can be delivered by new inflation data and optimism about recovery in the USA. On the Polish market the longer swap rates are most likely to take cue from the foreign markets; shorter T-bond yields are still under pressure of banking sector overliquidity and longer by NBP purchases of sovereign bonds. The first of two purchases scheduled for this week are scheduled for Wednesday.

EURPLN and pandemic situation in Poland

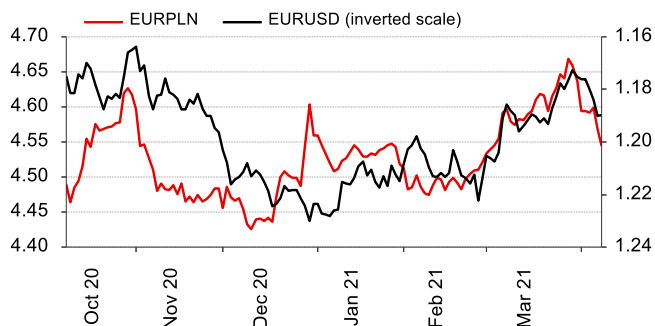


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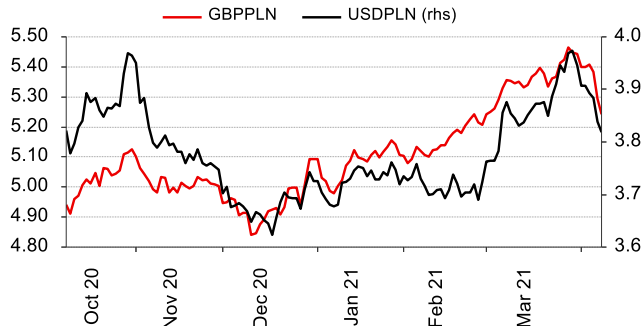
FX and FI markets

EURPLN and EURUSD



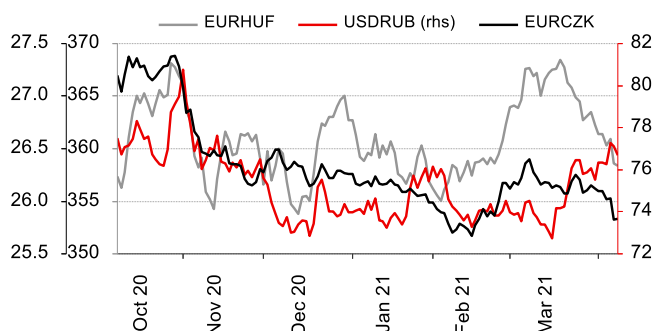
Source: Refinitiv Datastream, Santander Bank Polska

GBPPLN and USDPLN



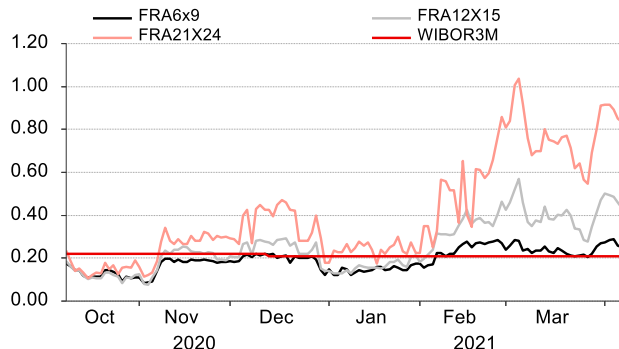
Source: Refinitiv Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



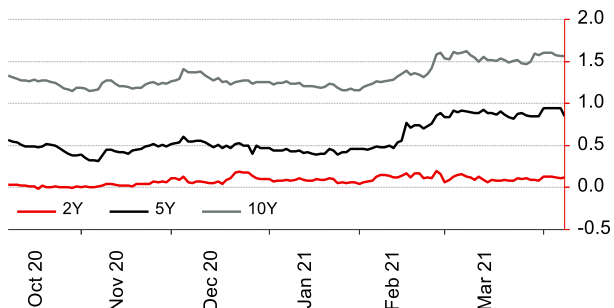
Source: Refinitiv Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



Source: Refinitiv Datastream, Santander Bank Polska

Polish bond yields



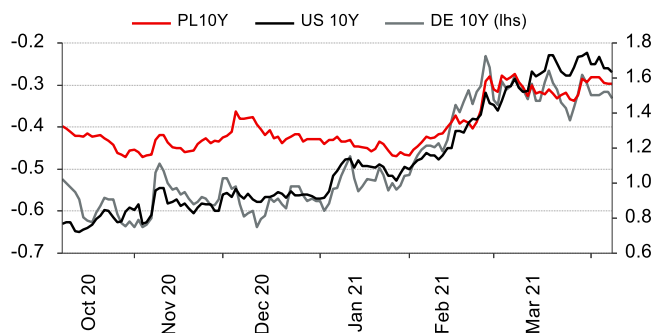
Source: Refinitiv Datastream, Santander Bank Polska

Asset swap spreads



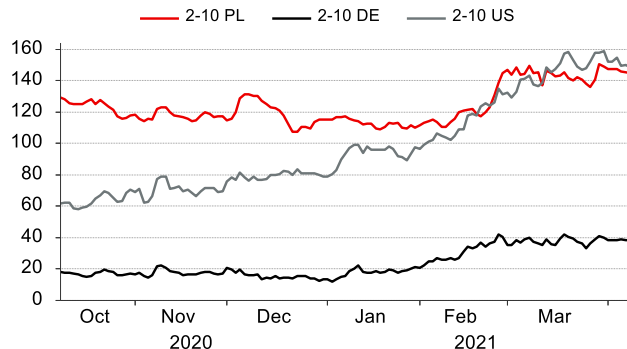
Source: Refinitiv Datastream, Santander Bank Polska

10Y bond yields



Source: Refinitiv Datastream, Santander Bank Polska

Steepness of yield curves



Source: Refinitiv Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE
				MARKET	SANTANDER	
MONDAY (12 April)						
11:00	EZ	Retail Sales	Feb	% m/m	1.3	-5.9
TUESDAY (13 April)						
09:00	CZ	CPI	Mar	% y/y	2.3	2.1
11:00	DE	ZEW Survey Current Situation	Apr	pts	-53.0	-61.0
14:00	PL	Current Account Balance	Feb	€mn	1550.0	1695.0
14:00	PL	Trade Balance	Feb	€mn	968.0	1048.0
14:00	PL	Exports	Feb	€mn	20484.0	20237.0
14:00	PL	Imports	Feb	€mn	19609.0	18304.0
14:30	US	CPI	Mar	% m/m	0.5	0.4
WEDNESDAY (14 April)						
11:00	EZ	Industrial Production SA	Feb	% m/m	0.3	0.8
THURSDAY (15 April)						
08:00	DE	HICP	Mar	% m/m	0.5	0.5
10:00	PL	CPI	Mar	% y/y	3.2	3.2
14:30	US	Initial Jobless Claims		k	680.0	744
14:30	US	Retail Sales Advance	Mar	% m/m	5.0	-3.0
14:30	US	Index Philly Fed	Apr		37.5	51.8
15:15	US	Industrial Production	Mar	% m/m	2.9	-2.2
FRIDAY (16 April)						
11:00	EZ	HICP	Mar	% y/y	1.3	1.3
14:00	PL	CPI Core	Mar	% y/y	3.9	4.0
14:30	US	Housing Starts	Mar	% m/m	14.0	-10.3
16:00	US	Michigan index	Apr	pts	88.8	84.9

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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