

21 April 2021

Eyeopener

Today a lot of key domestic data

Stock markets down
 Stable dollar, zloty and other CEE3 currencies
 Bond yields up
 Today Poland's industrial output, PPI and labour market data

On Tuesday global equity markets were falling and the declines of main indices were up to 2%. The dollar initially maintained its Monday's decline but later in the day it trimmed losses and closed the day unchanged. Bund yield declined 2bp to -0.24% and UST yield remained unchanged at 1.60%. There were very few new data releases on Tuesday but PPI readings joined the global trend of rising inflationary pressures and surprised to the upside: in Germany PPI jumped to 3.7% y/y in March from 1.9% (vs predicted 3.3%) and in Czechia to 3.3% y/y from 1.4% (expected 2.6%). The readings will have some impact on the CPI data in the coming months. Today in the morning the South Korea released very good foreign trade data, treated as a leading indicator for trends in international trade.

MPC member Łukasz Hardt spoke at a webinar organised by Polskie Towarzystwo Ekonomiczne. In his view April inflation is highly likely to exceed 4.0% and rates should not be cut below zero. He also commented on fiscal expenditures, which in his view should be maintained at an elevated level, but should be more precisely addressed. Hardt said that the weakening of the zloty coincides with a growing price of CO2 permits (and the link may be the high CO2 emissions of the Polish economy) and this is "somehow pro-inflationary". He also referred to the QE program that its effectiveness decreases with time. He would also like to have a TLTRO-like tool in Poland to spur investments. Also, he claimed that inflation inequality (relatively higher CPI seen by lower-income households) is particularly strong in Poland due to the income tax system which is not progressive enough.

PFR head Paweł Borys said that the scale of cancellations of Financial Shield 1.0 loans for SMEs may reach 60-65%. The total value of distributed loans was PLN61bn. Cancellation of 25% of the loan is granted for staying in business, another 25% for keeping the employment level and another 25% is linked to the scale of the loss. Selected sectors are entitled to apply for a total cancellation of loans.

Moody's rating agency, estimated that the EU funds inflow to Poland will push up the 2021-2027 GDP growth by 0.2pp per year and to reduce the public debt by 0.2pp per year. This is a much smaller impact than calculated for other CEE economies, e.g. Croatia and Bulgaria have the expected impact at 1pp per year.

EURUSD has not changed much on Tuesday due to empty calendar of macro events. The exchange rate stood at 1.205. The MTD increase equals 2.8%.

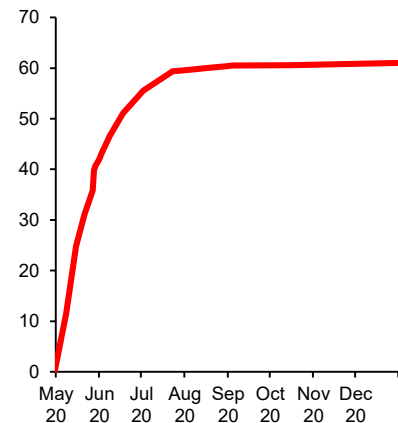
EURPLN remained unchanged for another day in a row. Today's macroeconomic data might help move the currency in the coming days but the uncertainty related to the upcoming Supreme Court ruling will be more important for EURPLN.

As for the other CEE currencies: EURHUF has not changed and remained at 361.1, EURCZK was also stable at 25.91. Only USDRUB increased (0.5% to 76.7) amid higher intra-day volatility. The latest Russian macro data were mixed (retail sales missed, unemployment rate beat expectations).

On the Polish fixed income market the yield increases continued: FRAs by another 2bp (e.g. 9x12 to 0.37%), while the whole IRS curve by 2-4bp. POLGBs were declining in prices and their yields increased as well e.g. 5Y by 3bp to 0.80%, 10Y by 3bp to 1.55%. The 10Y ASW stood at -25bp, while the spread vs Bund slightly widened to 179bp.

Ministry of Finance informed that as of end of March the **total POLGB debt outstanding** stood at PLN1131.7bn of which PLN debt at PLN847.6bn (74.9%) while foreign currency debt at PLN284.1bn (25.1%). The debt increase vs end of February stood at 0.8% m/m (PLN 9.5bn in nominal terms).

Funds paid from Financial Shield to SME, PLNbn, cumulative



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.5462	CZKPLN	0.1751
USDPLN	3.7807	HUFPLN*	1.2584
EURUSD	1.2028	RUBPLN*	0.0493
CHFPLN	4.1269	NOKPLN	0.4518
GBPPLN	5.2685	DKKPLN	0.6114
USDCNY	6.4931	SEKPLN	0.4480

*for 100HUF

Last session in the FX market						20.04.2021
	min	max	open	close	fixing	
EURPLN	4.545	4.558	4.555	4.552	4.554	
USDPLN	3.768	3.784	3.775	3.779	3.774	
EURUSD	1.203	1.208	1.206	1.204	-	

Interest rate market 20.04.2021

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.12	1
DS0725 (5Y)	0.93	10
DS1030 (10Y)	1.55	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.25	0	0.21	0	-0.53	0
2L	0.56	2	0.27	-1	-0.49	0
3L	0.82	2	0.44	-2	-0.44	-1
4L	1.09	3	0.66	-3	-0.37	0
5L	1.29	3	0.87	-3	-0.30	-1
8L	1.63	2	1.34	-4	-0.07	-2
10L	1.80	3	1.53	-4	0.08	-2

WIBOR rates

Term	%	Change (bps)
O/N	0.10	0
T/N	0.10	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.21	0
6M	0.24	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.21	0
3x6	0.23	1
6x9	0.25	2
9x12	0.34	0
3x9	0.26	-2
6x12	0.30	-4

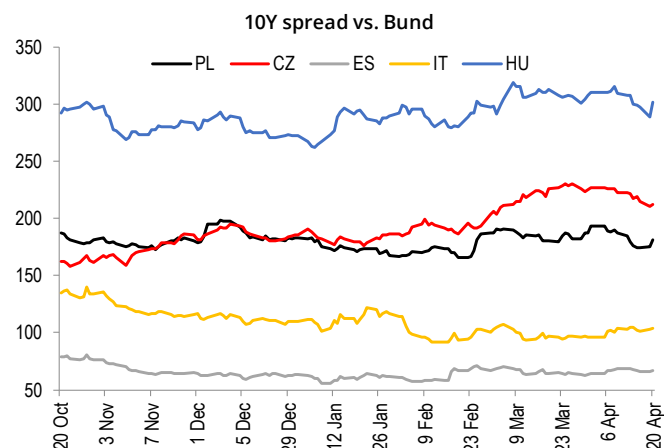
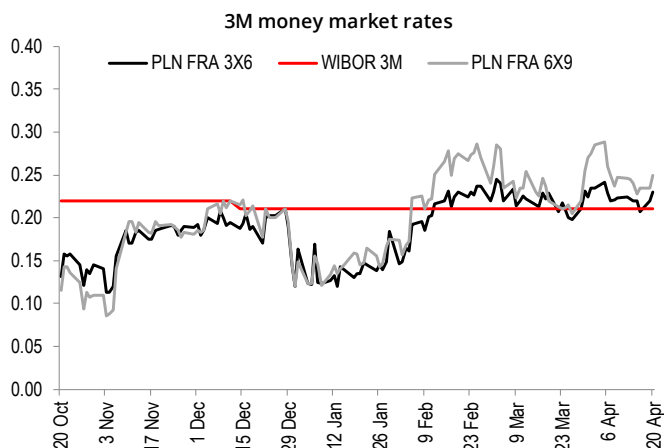
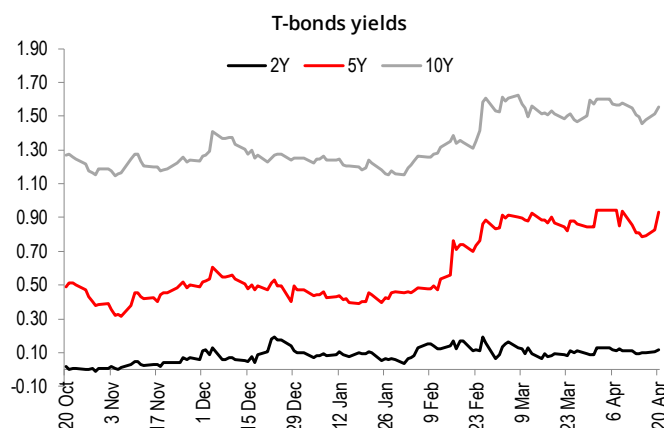
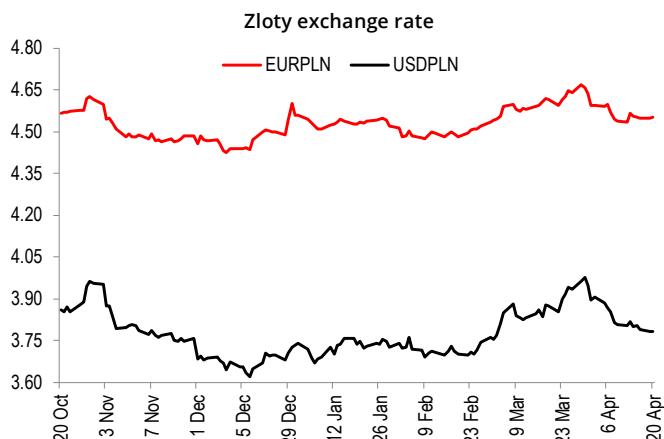
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	37	0	181	6
France	9	0	25	0
Hungary	64	0	302	13
Spain	35	-1	67	1
Italy	50	0	104	1
Portugal	22	0	67	2
Ireland	10	0	37	0
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		
FRIDAY (16 April)							
11:00	EZ	HICP	Mar	% y/y	1.3	1.3	1.3
14:00	PL	CPI Core	Mar	% y/y	3.9	4.0	3.9
14:30	US	Housing Starts	Mar	% m/m	13.5	19.4	-10.3
16:00	US	Michigan index	Apr	pts	89.0	86.5	84.9
WEDNESDAY (21 April)							
10:00	PL	Employment in corporate sector	Mar	% y/y	-1.2	-1.3	-
10:00	PL	Sold Industrial Output	Mar	% y/y	12.5	13.5	-
10:00	PL	PPI	Mar	% y/y	3.3	4.0	-
10:00	PL	Average Gross Wages	Mar	% y/y	5.6	5.4	-
THURSDAY (22 April)							
10:00	PL	Construction Output	Mar	% y/y	-10.3	-14.8	-
10:00	PL	Retail Sales Real	Mar	% y/y	9.9	9.2	-
13:45	EZ	ECB Main Refinancing Rate	Apr/21	%	0.0	-	0.0
14:30	US	Initial Jobless Claims		k	700.0	-	576
16:00	US	Existing Home Sales	Mar	% m/m	-0.8	-	-6.6
FRIDAY (23 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	65.7	-	66.6
09:30	DE	Markit Germany Services PMI	Apr	pts	51.4	-	51.5
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	62.2	-	62.5
10:00	EZ	Eurozone Services PMI	Apr	pts	49.9	-	49.6
14:00	PL	M3 Money Supply	Mar	% y/y	14.0	14.5	-
16:00	US	New Home Sales	Mar	% m/m	12.0	-	-18.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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