

14 September 2021

Eyeopener

Current account surprised with higher deficit

Current account deficit higher than expected

Hardt: rates should go up now; Żyżyński: rates should not go up this year

EURPLN slightly up, EURUSD stable

Domestic interest rate market a bit up

Today US inflation data

After the Friday hesitation on stock exchanges, Monday trading was dominated by gains (in Europe, the US picture was mixed). Core bond yields went up a bit. EURUSD was moving mostly below 1.18, clearly below the levels seen last week, while oil was trading above the levels of the last week (Brent price was around USD73.5/barrel).

MPC's Łukasz Hardt expressed an opinion that in Poland all conditions are met for cautious monetary policy normalisation. In his view the deviation of inflation from the target is not transitory and requires MPC action to be corrected. He added that the demand component is growingly important in the current high CPI (NBP governor Adam Glapiński said recently that current inflation is a purely supply-side phenomenon). Hardt wants rates to be hiked by 15bp without ending the QE program. Referring to the uncertainty related to the pandemic he stressed high adaptive potential of the Polish economy as a factor mitigating the impact of potential new restrictions (in other words, in his view the monetary policy normalisation should not be blocked by a vision of further COVID-19 waves).

MPC member Jerzy Żyżyński maintained his view expressed in late August that this year rates should be kept unchanged and a rate hike could possibly come next year. He also said that the current high inflation is transitory and based on factors the MPC cannot influence do what the NBP can do in such circumstances is "wait for the moment of high inflation to end".

July current account balance showed -EUR1.8bn, much lower than expected (we: -EUR340mn, market: -EUR270mn). This was the first current account deficit in Poland since August 2019 and it was caused primarily by a strong rebound in imports, which advanced by 22.1% y/y and were higher than exports, posting a deficit also in goods balance. According to NBP, strong imports could be attributed mostly to rising oil prices and high imports of intermediate goods. Meanwhile, imports of services also were higher than we expected, rising by 13.2% y/y and due to reviving international tourism and rising transport costs. In our view the upcoming months will witness a further strong rise in imports bringing the 12-month current account surplus to 1% of GDP at the year-end from 1.9% recorded in July and 3.5% recorded in December 2020.

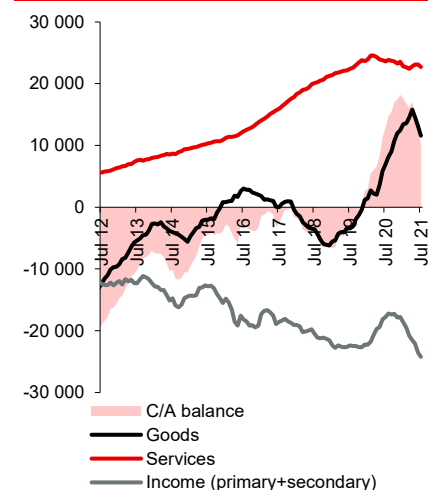
EURUSD opened after the weekend clearly below 1.18 and remained below the level for most of the day. Only at the end of the day it pushed above it, but without symptoms that the market wants to extend the move much. As a result, the tendency for stronger dollar vs. the euro is becoming more visible (the downward trend was seen throughout the whole last week).

EURPLN had a failed attempt to correct its rise caused late last week by the dovish speech by the NBP governor. At the end of the day the exchange rate was close to 4.555, which was about 0.01PLN above the Friday close. We consider the changes happening on the Polish C/A – the systematic shift towards deficits – as a significant PLN-negative factor.

As for other CEE currencies, the koruna and the forint, similarly to the zloty, attempted to strengthen during the day, but failed and ultimately ended the session slightly weaker vs euro than on Friday evening and on Monday morning. In turn, the rebound in crude oil price helped the rouble to defend against the initial weakening vs dollar to 73.1.

On the interest rate market, the long end of the yield curve climbed again to 2%. The belly rose c.2bp while the short end rebounded to 0.59%. The long end of the IRS curve also went up above 2% (the maximum from the last two weeks) although it eventually closed below 1.99%. The short end was c.2bp higher than on Friday.

12M rolling sum of main C/A categories, €m



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.5494	CZKPLN	0.1790
USDPLN	3.8544	HUFPLN*	1.2879
EURUSD	1.1807	RUBPLN	0.0530
CHFPLN	4.1778	NOKPLN	0.4455
GBPPLN	5.3311	DKKPLN	0.6118
USDCNY	6.4482	SEKPLN	0.4472

*for 100HUF

Last session in the FX market 13.09.2021

	min	max	open	close	fixing
EURPLN	4.532	4.554	4.542	4.550	4.539
USDPLN	3.847	3.866	3.853	3.853	3.850
EURUSD	1.177	1.182	1.179	1.181	-

Interest rate market 13.09.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	0.59	3
DS0726 (5Y)	1.33	3
DS0432 (10Y)	2.02	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	0.54	0	0.16	0	-0.52	0
2L	0.94	1	0.31	0	-0.46	0
3L	1.26	2	0.55	0	-0.40	1
4L	1.49	2	0.75	0	-0.35	0
5L	1.64	2	0.90	-1	-0.29	0
8L	1.88	3	1.20	-3	-0.09	1
10L	1.98	2	1.34	-2	0.04	0

WIBOR rates

Term	%	Change (bps)
O/N	0.09	-1
T/N	0.09	0
SW	0.10	0
2W	0.16	0
1M	0.18	0
3M	0.24	0
6M	0.28	0
1Y	0.43	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.28	2
3x6	0.39	0
6x9	0.64	1
9x12	0.86	2
3x9	0.50	4
6x12	0.76	5

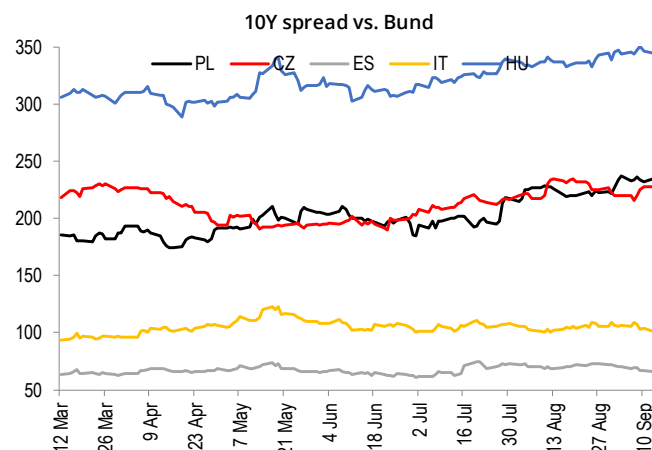
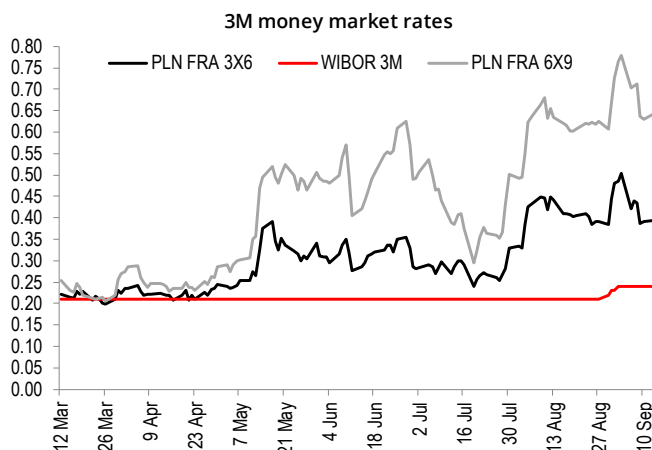
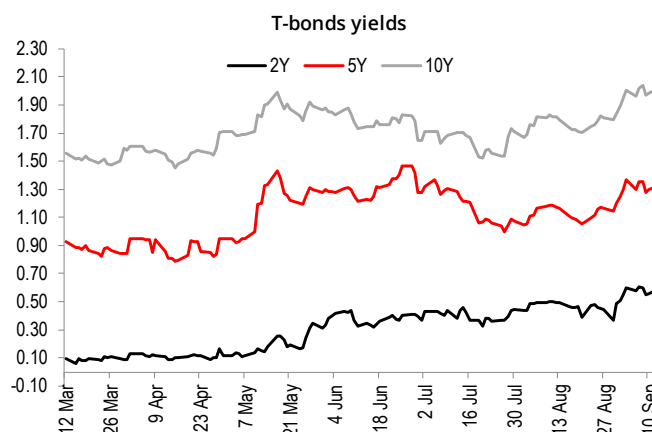
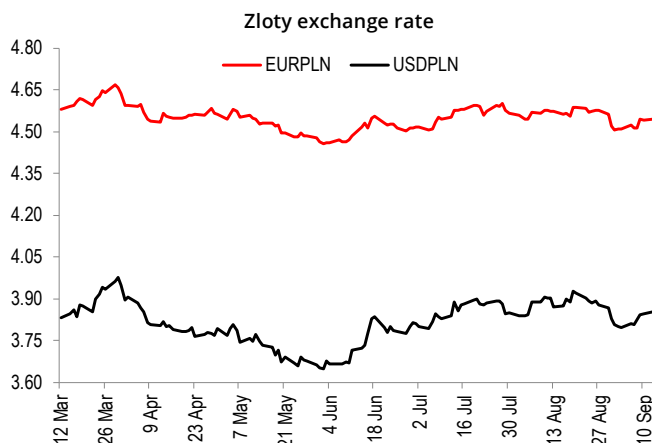
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	46	0	235	3
France	9	0	33	0
Hungary	55	0	345	-1
Spain	30	0	66	-1
Italy	42	0	102	-2
Portugal	21	0	56	-1
Ireland	10	0	38	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 (10 September)								
08:00	DE	HICP	Aug	% m/m	0.1	0.1	0.1	
09:00	CZ	CPI	Aug	% y/y	3.6	4.1	3.4	
MONDAY (13 September)								
14:00	PL	Current Account Balance	Jul	€mn	-270	-341	-1827	281
14:00	PL	Trade Balance	Jul	€mn	258	3	-714	761
14:00	PL	Exports	Jul	€mn	22799-	22032	22346	23680
14:00	PL	Imports	Jul	€mn	22477	22029	23060	22919
TUESDAY (14 September)								
14:30	US	CPI	Aug	% m/m	0.4	-	0.5	
WEDNESDAY (15 September)								
10:00	PL	CPI	Aug	% y/y	5.4	5.4	-	5.0
11:00	EZ	Industrial Production SA	Jul	% m/m	0.6	-	-0.3	
15:15	US	Industrial Production	Aug	% m/m	0.4	-	0.9	
THURSDAY (16 September)								
14:00	PL	CPI Core	Aug	% y/y	3.9	3.9	-	3.7
14:30	US	Initial Jobless Claims		k	315	-	310	
14:30	US	Retail Sales Advance	Aug	% m/m	-1.0	-	-1.1	
14:30	US	Index Philly Fed	Sep		18.5	-	19.4	
FRIDAY (17 September)								
10:00	PL	Employment in corporate sector	Aug	% y/y	1.1	1.1	-	1.8
10:00	PL	Average Gross Wages	Aug	% y/y	8.7	9.1	-	8.7
11:00	EZ	HICP	Aug	% y/y	3.0	-	3.0	
16:00	US	Michigan index	Sep	pts	72.0	-	70.3	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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