

1 March 2022

# Eyeopener

## CEE currencies under pressure

### Today PMI in Polish manufacturing

Further sanctions against Russia and failed peace talks upheld the risk aversion  
MPC's Żyżyński will not support rate hike in March  
Polish GDP growth confirmed at 7.3% y/y in 4Q21

**Today** we will get to see another indicator of sentiment among Polish companies, PMI. We think it may rise a bit in February, similar to indexes published by GUS (on the other hand the ESI indexes were barely changed), confirming the strong position of Polish industry at the start of the year. The survey on which the upcoming PMI reading was based was most likely conducted before the Russian invasion, but already in the period of increased tension. Flash print of German inflation may also be interesting for the markets – its HICP measure reached a peak of 6% y/y in November and fell in the following two months, but this time is expected to rebound from 5.1% to 5.4%.

**On Monday**, contrary to what had happened on Friday, the markets were in a risk-off mood – market moves were not as dynamic as during the Thursday session marked with Russian invasion on Ukraine. Also, by the end of the day there was some recovery on stock exchanges, which reduced the losses of European indexes to 1.5% or less. Demand for core market bonds made their yields drop by 10bp (German and US 10Y papers, 15bp in case of 2Y Bunds). There was also another sharp reaction of oil price to the developments in Ukraine (a jump by 4% to around USD98-99/barrel of Brent). On the FX market the risk-off mood was mostly seen on stronger CHF, gaining some 1.3% vs. the euro (decline of the exchange rate back to the Thursday lows). Market sentiment was following news regarding Ukraine, further sanctions on Russia (US, UK, Japan, Singapore and even Switzerland announced it will comply with EU sanctions), the first negotiations since the start of the war (no effect yet), Ukraine's appeal for immediate accession to the EU.

**GDP in 4Q rose** 7.3% y/y and 1.7% q/q s.a., in line with the flash release. The data confirmed our calculations based on the earlier official full-year GDP estimates that the largest growth contributor were inventory changes while private consumption was a disappointment. The data indicate a continuation of strong economic rebound and dynamic growth at the turn of 2021/2022. The Russian attack on Ukraine in late February means however a deterioration of Polish GDP outlook, mainly due to the likely collapse of exports to Russia and Ukraine (together worth some 3% of Polish GDP). On the other hand, the war will likely lead to higher inflation. Currently we think the MPC will continue to raise interest rates (by 50bp at the March meeting), but the next comments by the members will be key in this respect. Read more in our [Economic comment](#).

So far out of all MPC members only **Jerzy Żyżyński** referred to the impact of the war on monetary policy. On 8 March, at the last MPC meeting of his term he is apparently not going to support a rate hike – he is not “an enthusiast” and does not see any reason, local or linked to the conflict, for extending the cycle of aggressive rate hikes, but focuses on growing uncertainty and risk of a more severe economic slowdown.

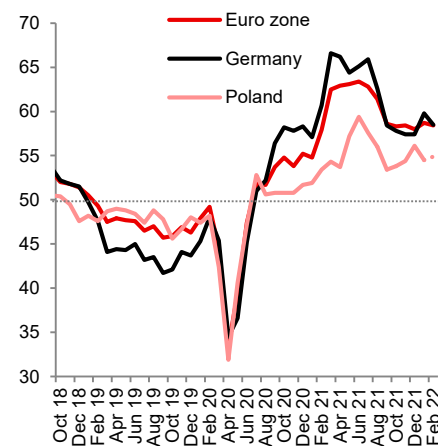
**S&P agency** reminded that ratings of Poland and Hungary would be under pressure, should EU transfers be limited (such an opinion was presented already in October) and such a risk increased after the ECB decision on the conditionality mechanism. The agency is planning to release its report on Poland on 1 April.

**EURPLN** reached 4.70 soon after opening of the session in Asia and was not able to break higher during Monday trade. As far as we are not concerned this was caused neither by NBP intervention nor higher activity of GBK. At the same time, as the possibility to sell the ruble or Russian assets was frozen by sanctions, the zloty may suffer as the closest proxy to the ruble with deep market.

**As regards other CEE currencies** – it seemed that the Czech koruna will manage to anchor at 25 against the euro, similarly as EURPLN at 4.70, but at the end of the day the koruna's loss was extended to 1.7% (25.15). The forint lost even more during the day (1.8% up against the euro), and EURHUF was stopped by a resistance at 372. In case of the ruble the sanctions-related shock caused that its quotations were merely virtual initially. Stabilisation of USDRUB close to 95 means a rise by about 14% as compared to Friday, even though the Russia's main rate went up by 1050bp.

**The interest rate market** saw rising yields, with the move being more dynamic on the shorter end (+10bp) than on the longer end (+5bp). The IRS curve did not move up and 10Y rate declined by 4bp. This may have been to comment of Jerzy Żyżyński, yet at the same time the FRA1x4 rate, signalling market's expectations about MPC decision in March climbed to 75bp above WIBOR 3M rate. The Finance Ministry is expecting one regular auction in March (24/03, worth PLN3-7bn) and one switching tender (11/03).

### Manufacturing PMIs



Source: Markit, Santander

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### FX market

Today's opening			
EURPLN	4.6750	CZKPLN	0.1861
USDPLN	4.1645	HUFPLN*	1.2647
EURUSD	1.1219	RUBPLN	0.0456
CHFPLN	4.5429	NOKPLN	0.4740
GBPPLN	5.5934	DKKPLN	0.6284
USDCNY	6.3120	SEKPLN	0.4403

\*for 100HUF

Last session in the FX market						28/02/2022
	min	max	open	close	fixing	
EURPLN	4.667	4.713	4.696	4.687	4.691	
USDPLN	4.167	4.222	4.207	4.177	4.197	
EURUSD	1.115	1.125	1.115	1.122	-	

### Interest rate market 28/02/2022

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	4.08	10
DS0726 (5Y)	4.30	13
DS0432 (10Y)	4.12	7

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	4.71	6	1.14	-10	-0.39	-6
2L	4.69	3	1.62	-13	0.05	-11
3L	4.49	1	1.75	-14	0.26	-14
4L	4.29	0	1.79	-13	0.37	-15
5L	4.14	-2	1.81	-14	0.46	-14
8L	3.96	-1	1.86	-14	0.70	-6
10L	3.93	-1	1.90	-13	0.79	-8

#### WIBOR rates

Term	%	Change (bps)
O/N	2.64	-4
T/N	2.80	3
SW	2.86	4
2W	3.02	8
1M	3.14	5
3M	3.65	6
6M	4.02	3
1Y	4.23	4

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

Term	%	Change (bps)
1x4	4.33	6
3x6	4.94	1
6x9	4.99	5
9x12	4.97	7
3x9	5.19	7
6x12	5.19	5

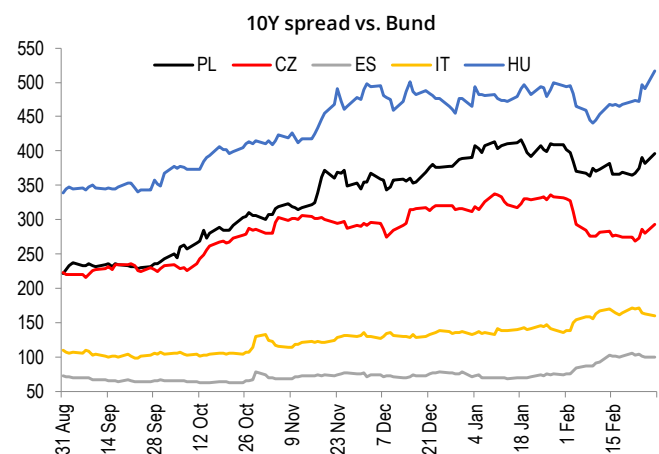
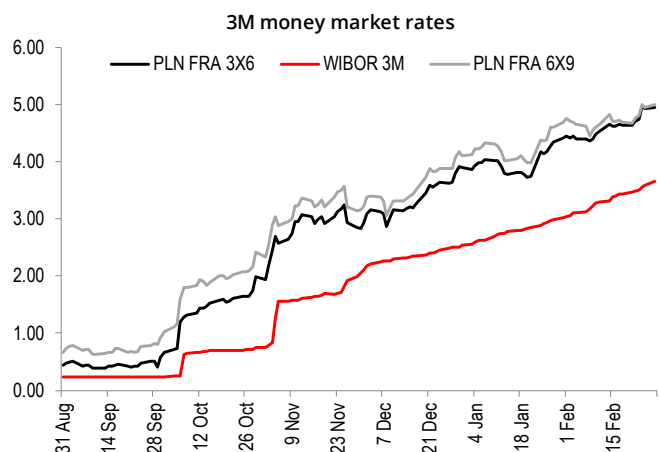
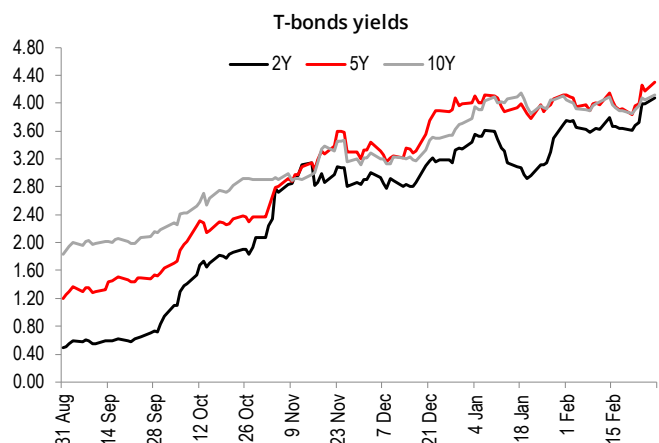
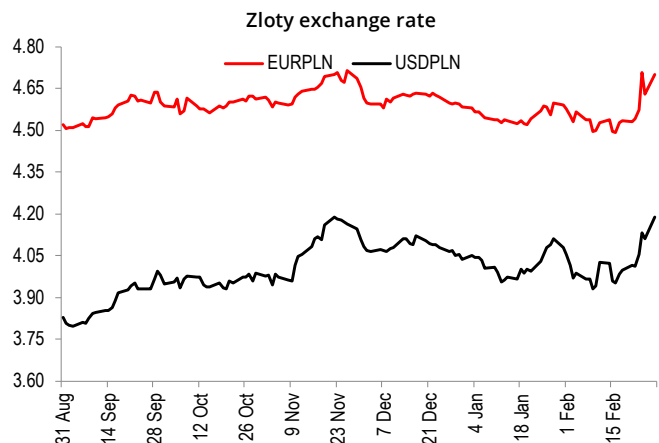
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	80	35	396	13
France	11	1	48	-1
Hungary	60	0	516	26
Spain	43	3	100	0
Italy	51	3	160	-2
Portugal	31	1	88	-1
Ireland	12	1	60	-4
Germany	7	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 (25 February)</b>								
08:00	DE	GDP WDA	4Q	% y/y	1.4	-	1.8	1.4
11:00	EZ	ESI	Feb	pct.	113.0	-	114.0	112.7
14:30	US	Durable Goods Orders	Jan	% m/m	1.0	-	1.6	-0.7
14:30	US	Personal Spending	Jan	% m/m	1.6	-	2.1	-0.6
14:30	US	Personal Income	Jan	% m/m	-0.3	-	0.0	0.3
14:30	US	PCE Deflator SA	Jan	% m/m	0.6	-	0.6	0.4
16:00	US	Michigan index	Feb	pts	61.7	-	62.8	61.7
16:00	US	Pending Home Sales	Jan	% m/m	-0.5	-	-5.7	-3.8
<b>MONDAY (28 February)</b>								
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>4Q</b>	<b>% y/y</b>	<b>7.3</b>	<b>7.3</b>	<b>7.3</b>	<b>5.3</b>
<b>TUESDAY (1 March)</b>								
09:00	CZ	GDP SA	4Q	% y/y	3.6	-	-	3.6
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Feb</b>	<b>pts</b>	<b>54.8</b>	<b>54.9</b>	<b>-</b>	<b>54.5</b>
09:55	DE	Germany Manufacturing PMI	Feb	pts	58.4	-	-	59.8
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	57.7	-	-	58.7
14:00	DE	HICP	Feb	% m/m	0.7	-	-	0.9
16:00	US	ISM manufacturing	Feb	pts	58.0	-	-	57.6
<b>WEDNESDAY (2 March)</b>								
09:00	HU	GDP	4Q	% y/y	7.2	-	-	6.1
11:00	EZ	Flash HICP	Feb	% y/y	5.3	-	-	5.1
14:15	US	ADP report	Feb	k	310.0	-	-	-301.0
<b>THURSDAY (3 March)</b>								
02:45	CN	Caixin China PMI Services	Feb	pts	50.8	-	-	51.4
09:55	DE	Markit Germany Services PMI	Feb	pts	56.6	-	-	52.2
10:00	EZ	Eurozone Services PMI	Feb	pts	55.8	-	-	51.1
11:00	EZ	Unemployment Rate	Jan	%	7.0	-	-	7.0
14:30	US	Initial Jobless Claims		k	235.0	-	-	232.0
16:00	US	ISM services	Feb	pts	60.9	-	-	59.9
16:00	US	Factory Orders	Jan	% m/m	0.5	-	-	-0.4
<b>FRIDAY (4 March)</b>								
08:00	DE	Exports SA	Jan	% m/m	1.0	-	-	0.9
09:00	HU	Industrial Production SA	Jan	% y/y	-	-	-	3.6
11:00	EZ	Retail Sales	Jan	% m/m	1.5	-	-	-3.0
14:30	US	Change in Nonfarm Payrolls	Feb	k	400.0	-	-	467.0
14:30	US	Unemployment Rate	Feb	%	3.9	-	-	4.0

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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