

## Eyeopener

### ECB cuts asset purchases faster

ECB decided to reduce faster the net purchases in its QE program  
 Today NBP inflation projection details  
 Czech CPI above expectations

**Today** we will see the details of the NBP's inflation projection. In the US the Michigan index of consumer confidence will be released – the flash reading for March.

**Inflation** in Czechia surprised to the upside and rose to 11.1% y/y in February from 9.9% y/y in January. Higher than expected CPI readings in Czechia and Hungary support our forecast of Polish CPI at 8.6% y/y, which is above market consensus 8.1% y/y. In turn, US inflation soared to 7.9% y/y from 7.5% y/y, in line with expectations. German HICP inflation also did not surprise this morning, confirming the flash print at 5.5% y/y.

**ECB** decided to lower the asset purchases in its APP programme (to €40bn in April, €30bn in May, €20bn in June). Until recently, the plan was to buy assets worth €40bn per month in 2Q, €30bn in 3Q, €20bn in 4Q. The program may end in 3Q and interest rate hikes will take place “some time” after it happens (earlier were supposed to follow “shortly” after). It implies that the ECB has accelerated APP termination, but it does not necessarily bring forward interest rate hikes. GDP growth forecasts were revised lower: from 4.2% to 3.7% in 2022, from 2.9% to 2.8% in 2023. CPI forecasts were increased: from 3.2% to 5.1% in 2022, from 1.8% to 2.1% in 2023. Markets assessed the ECB message as hawkish. Today in the morning head of the French central bank confirmed there will be no automatic move from the end of QE to interest rate hikes.

At the end of 4Q21 there were 137 thousand **vacancies in Poland**, i.e. 9.6% more than in the corresponding period of 2019 (in 3Q21 the similar growth rate was 3.3%). 112.5k new jobs were created in 4Q21 (1.7% lower than in 4Q19) and 64.9k jobs liquidated (5.9% more than in 4Q19). The growth rate of job creation slowed vs. previous quarters of the year, but labour demand remained elevated.

Deputy finance minister Sebastian Skuza said that in 2021 the **public finance deficit** was slightly below 3% of GDP. Skuza also said that in 2022 the ratio will remain below 3% of GDP. Our estimate for 2021 is 2.5% of GDP, while for 2022 we currently expect 3% with a clear upward risk.

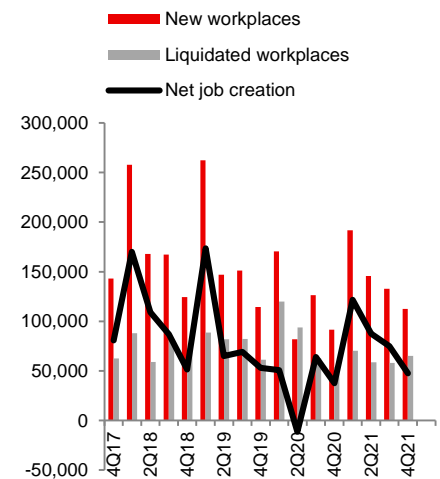
**Minutes from the February MPC meeting** showed that some members considered the government “Anti-inflation Shield” a reason for even tighter monetary policy. However that meeting was held before the outbreak of the war which meaningfully changed the monetary policy outlook. We expect rate hikes in Poland to reach 5.00% in two steps, in April and May.

Unsuccessful Russia-Ukraine negotiations had limited impact on the markets, despite the fact that the optimism from the previous two days had been based on hopes of a quicker end of the conflict. Next to the relatively small decline of stock indexes and the EURUSD fall to 1.10 we could see investors’ move away from core market bonds (10Y UST rose to 2%). **EURPLN** went above 4.80 during the day but closed clearly below the level. Possibly the today's NBP inflation report will allow it to fall some more, to 4.75 where the exchange rate tried to stabilise in the first days of March.

**Other CEE currencies** also did not change much vs. the euro day-on-day. The 1W deposit rate hike in Hungary by 50bp to 5.85% proved neutral for the forint.

On the **domestic interest rate market** the Thursday session looked calm due to the continued poor liquidity. However an upside drift in yields was seen through the whole day and managed to move them in total by more than 20bp on the short end and in the belly of the curve. This time the rise of the IRS rate was almost the same as on the yield curve, showing that this time the cause were growing rate hike expectations. FRA6x9 and 9x12 reates rose above 5.80%. Today the Ministry of Finance holds a switch auction.

#### Labour demand statistics



Source: GUS, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: ekonomia@santander.pl  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 691 393 119  
 Marcin Luźniński +48 510 027 662  
 Grzegorz Ogonek +48 609 224 857

### FX market

Today's opening			
EURPLN	4.7815	CZKPLN	0.1893
USDPLN	4.3499	HUFPLN*	1.2466
EURUSD	1.0994	RUBPLN	0.0372
CHFPLN	4.6715	NOKPLN	0.4859
GBPPLN	5.6901	DKKPLN	0.6425
USDCNY	6.3200	SEKPLN	0.4485

\*for 100HUF

Last session in the FX market						10.03.2022
	min	max	open	close	fixing	
EURPLN	4.770	4.855	4.777	4.785	4.801	
USDPLN	4.315	4.395	4.320	4.348	4.348	
EURUSD	1.098	1.112	1.106	1.101	-	

### Interest rate market 10.03.2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	5.33	22
DS0726 (5Y)	5.36	22
DS0432 (10Y)	5.03	17

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.50	15	1.46	5	-0.24	4
2L	5.51	19	1.89	4	0.26	12
3L	5.27	19	1.99	5	0.46	14
4L	5.04	20	2.01	7	0.57	12
5L	4.86	20	1.99	5	0.66	10
8L	4.57	18	2.03	6	0.85	7
10L	4.51	17	2.06	5	0.96	5

#### WIBOR rates

Term	%	Change (bps)
O/N	3.25	-6
T/N	3.48	-1
SW	3.55	-2
2W	3.55	-3
1M	3.59	-3
3M	4.18	15
6M	4.52	14
1Y	4.63	10

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

Term	%	Change (bps)
1x4	5.09	17
3x6	5.77	13
6x9	5.83	14
9x12	5.82	16
3x9	6.03	8
6x12	6.05	9

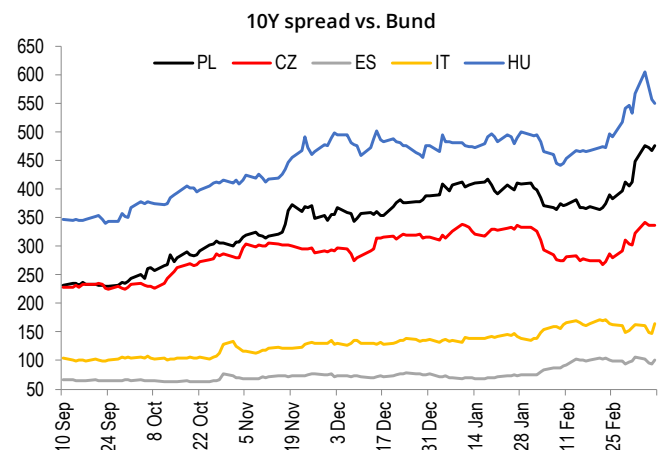
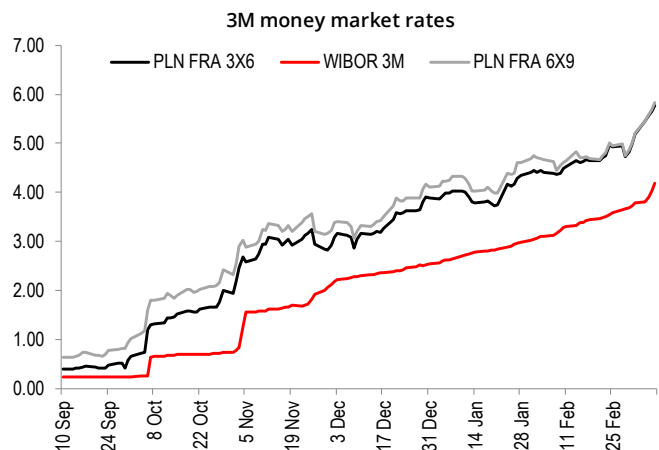
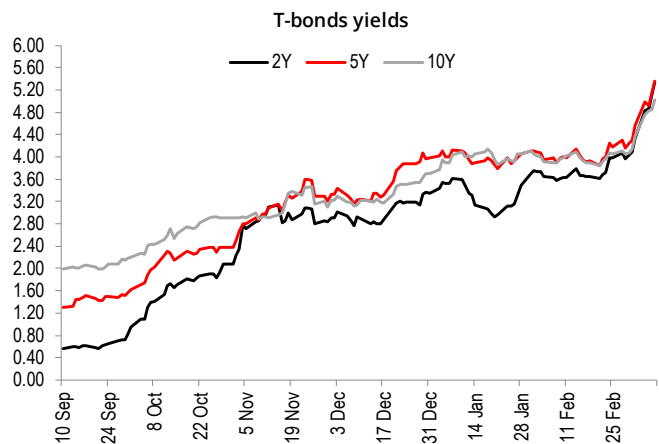
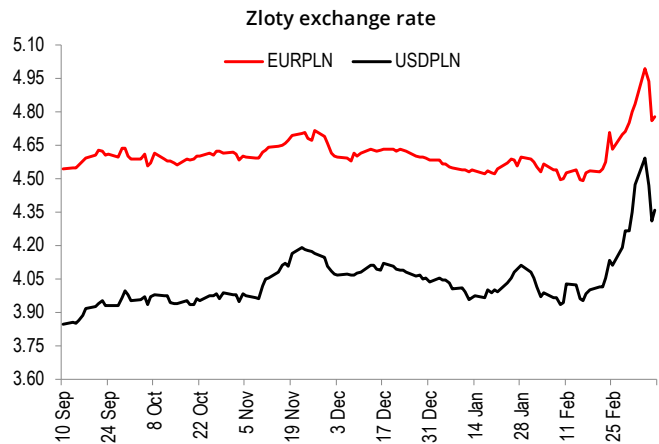
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	80	0	476	9
France	13	0	48	3
Hungary	100	0	550	-6
Spain	46	5	101	7
Italy	55	5	165	17
Portugal	33	5	87	8
Ireland	15	0	67	-4
Germany	10	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 (4 March)</b>							
08:00	DE	Exports SA	Jan	% m/m	1.0	-2.8	0.9
09:00	HU	Industrial Production SA	Jan	% y/y	5.8	7.1	3.6
11:00	EZ	Retail Sales	Jan	% m/m	1.5	0.2	-2.7
14:30	US	Change in Nonfarm Payrolls	Feb	k	423	678	481
14:30	US	Unemployment Rate	Feb	%	3.9	3.8	4.0
<b>MONDAY (7 March)</b>							
08:00	DE	Factory Orders	Jan	% m/m	1.0	1.8	2.8
08:00	DE	Retail Sales	Jan	% m/m	1.5	2.0	-4.6
<b>TUESDAY (8 March)</b>							
	<b>PL</b>	<b>MPC decision</b>		<b>%</b>	<b>3.25</b>	<b>3.25</b>	<b>3.50</b>
08:00	DE	Industrial Production SA	Jan	% m/m	0.5	2.7	1.1
11:00	EZ	GDP SA	4Q	% y/y	4.6	4.6	4.0
<b>WEDNESDAY (9 March)</b>							
09:00	HU	CPI	Feb	% y/y	8.1	8.3	7.9
<b>15:00</b>	<b>PL</b>	<b>NBP President Conference</b>					
<b>THURSDAY (10 March)</b>							
09:00	CZ	CPI	Feb	% y/y	10.4	11.1	9.9
09:30	HU	1W deposit rate		%	-	5.85	5.35
13:45	EZ	ECB Main Refinancing Rate		%	0.0	0.0	0.0
<b>14:00</b>	<b>PL</b>	<b>MPC minutes</b>					
14:30	US	CPI	Feb	% m/m	0.8	0.8	0.6
14:30	US	Initial Jobless Claims	week	k	225	227	216
<b>FRIDAY (11 March)</b>							
08:00	DE	HICP	Feb	% m/m	0.9	0.9	0.9
<b>09:00</b>	<b>PL</b>	<b>NBP Inflation Report</b>					
09:00	CZ	Industrial Production	Jan	% y/y	-	-	0.4
16:00	US	Michigan index	Mar	pts	62.8	-	67.2

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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Additional information is available on request. Please contact Santander Bank Polska S.A. Financial Management Division, Economic Analysis Department, al. Jana Pawła II 17, 00-854 Warsaw, Poland, phone +48 22 534 18 87, email ekonomia@santander.pl, http://www.santander.pl.