

24 March 2022

Eyeopener

Lawmakers to deal with the rule of law

Today the Sejm is to work on bills concerning the rule of law

Today Joe Biden to present new sanctions against Russia, flash PMIs in March

Collapse of consumer confidence and major jump of inflation expectations

Today Sejm, the lower chamber of Polish parliament, is going to start **processing several bills regarding the Supreme Court, Disciplinary Chamber, National Council of the Judiciary** (including the proposal of the president which earlier received some unofficial positive opinions in the EU). According to the schedule, the MPs should work on this between 1400 and 1700 CET. It may be a signal whether Poland plans to use the opportunity to improve relations with the EU and unlock the recovery fund. For a couple of days the media keep repeating that the European Commission is "very close" to approval of Poland's recovery and resilience plan. The approval of itself (which is likely to be a positive impulse for PLN) does not imply releasing the money – the funds will start flowing once Poland implements the required legal changes restoring the rule of law, defined as the "milestones" of the recovery and resilience plan. The longer the stalemate, the more difficult it will be to finish the projects on time and get all the allocated financing. Also today **a draft of more changes to the personal income tax** is expected to be revealed. What is more, we will get flash **PMIs** for March (from Germany, the Eurozone and the USA, i.a.), which may carry important message to investors seeking hints how the war may affect economies. As their publication date was getting closer the median of expectations was moving down. Apart from that, the US president is coming to Europe today for the NATO summit, the meeting of the European Council and G7 meeting. He is to announce new sanctions on Russia, draw a plan of making Europe independent from Russian supply of natural gas and a plan of refilling Europe's LNG reserves within months. According to the media the EU is not going to announce any new sanctions at this summit and will only close loopholes in the already announced sanctions.

Consumer confidence indicators collapsed in March under impact of the war in Ukraine (survey conducted between 7 and 16 March). Current indicator fell to -39.0pts from -27.7pts and set a new all-time low (comparable data since 2004) and leading indicator to -31.5pts from -19.3pts. Note however that the scale of monthly decline was much lower than during the first pandemic shock (about 40pts). All components of two headline indicators declined, and most marked falls were recorded in expected economic situation in Poland (to -57.1pts from -35.1pts). Inflation expectations index jumped to 54.4pts from 36.2pts (biggest monthly change since comparable data are available, 2004) and were only slightly below last peak recorded in April 2020 (54.7pts). We think that rising consumer uncertainty will be negative for durable goods consumption in Poland. However, strong inflow of immigrants will generate some upward impulse for consumption, so we are not expecting a major deterioration.

4Q21 aggregate data on financial results of Polish companies employing 50+ saw a rise in revenues by 29.7% y/y and in costs by 27.1% y/y. Net financial results improved by 97.3% r/r and revenue margin jumped to 6.1% versus 4.1% in 4Q20. Margin for the entire year reached 6.7% and was the best since comparable data are available (1995). Financial results of Polish companies are extremely good, creating a buffer for potential shocks stemming from the war in Ukraine. Meanwhile, investment moderated to 5.1% r/r in 4Q from 9.5% r/r in 3Q.

The EC decided to use EUR3.4bn of funds from REACT-EU instrument to support the EU countries hosting Ukrainian refugees. The list of beneficiaries includes Poland, Hungary, Romania, Slovakia, Austria, Bulgaria, Czechia and Estonia.

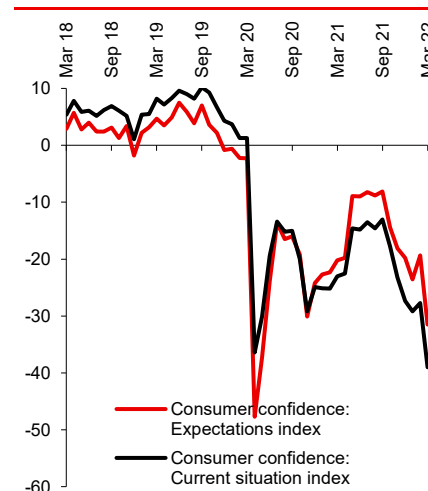
On Wednesday we got to see a further increase in oil prices (Brent above 120\$) under impact of worries whether today's sanctions will disrupt the market even more. The move has seemingly supporting worries about stagflation, as stock indices and core bond yields declines (UST10Y by 9bp, 10Y Bund by 4bp). EURUSD remained at 1.10.

EURPLN increased by 1%, back to the Friday's peak. Today's parliamentary work on judiciary system might prove important for the zloty.

Other CEE currencies: EURHUF also increased by 1%. The Czech koruna was faring a bit better. The CNB deputy president Marek Mora said he will support rate hike in March by at least 50bp and saw a need to increase the main rate visibly above 5% (currently 4.5%), but was reluctant to conduct more FX intervention, suggested earlier by Jiri Rusnok. The ruble gained over 10% yesterday versus the dollar thanks to higher oil prices and Russia's idea to accept payments for natural gas from chosen countries only in rubles.

The domestic interest rate market saw relatively smaller moves and rare differences in direction of yields depending on the curve's segment (decline by 6bp for 2Y, but increase by 9bp for 10Y). This may have been to due preparations before the auction. Today the Finance Ministry plans to conduct a **bond auction** with total offer at PLN3-5bn. Offer is to include OK0724, PS0527, WZ1127, WZ1131 and DS0432.

Poland's consumer sentiment



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.7120	CZKPLN	0.1906
USDPLN	4.2906	HUFPLN*	1.2509
EURUSD	1.0980	RUBPLN	0.0474
CHFPLN	4.5996	NOKPLN	0.4941
GBPPLN	5.6590	DKKPLN	0.6333
USDCNY	6.3662	SEKPLN	0.4531

*for 100HUF

Last session in the FX market						23/03/2022
	min	max	open	close	fixing	
EURPLN	4.671	4.713	4.674	4.710	4.704	
USDPLN	4.232	4.295	4.234	4.280	4.277	
EURUSD	1.096	1.104	1.104	1.100	-	

Interest rate market 23/03/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	5.52	-5
DS0726 (5Y)	5.56	10
DS0432 (10Y)	5.19	12

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.75	1	1.82	-2	-0.21	-1
2L	5.84	3	2.33	-6	0.36	-2
3L	5.65	4	2.43	-7	0.61	-2
4L	5.43	5	2.41	-8	0.73	-3
5L	5.27	5	2.37	-9	0.81	-4
8L	4.97	6	2.37	-8	0.98	-4
10L	4.90	7	2.36	-9	1.08	-5

WIBOR rates

Term	%	Change (bps)
O/N	3.35	1
T/N	3.50	0
SW	3.55	0
2W	3.62	2
1M	3.86	5
3M	4.48	2
6M	4.84	3
1Y	4.95	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.29	0
3x6	5.90	-1
6x9	6.10	1
9x12	6.12	0
3x9	6.15	-3
6x12	6.36	5

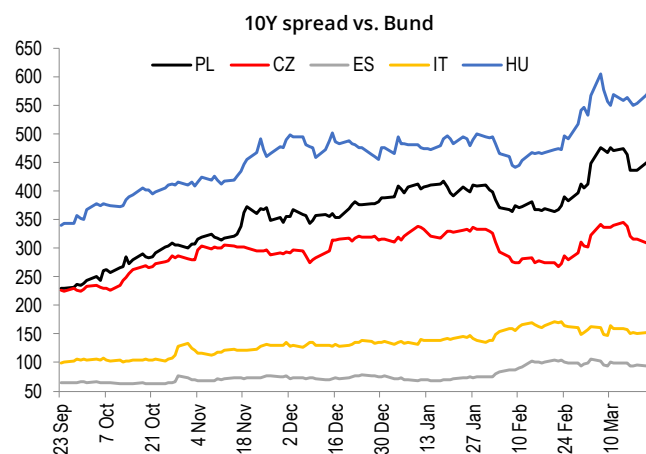
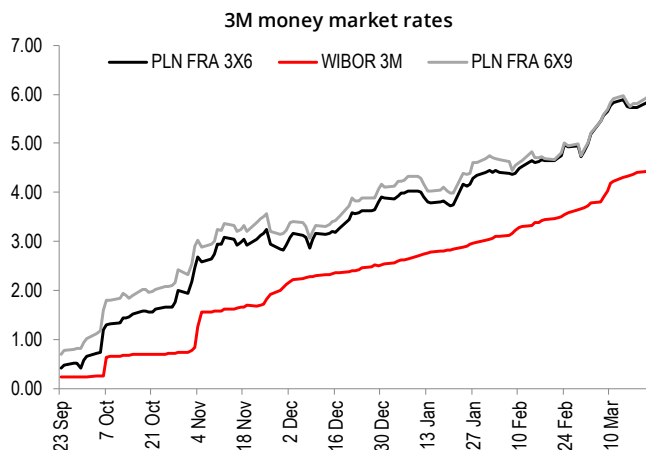
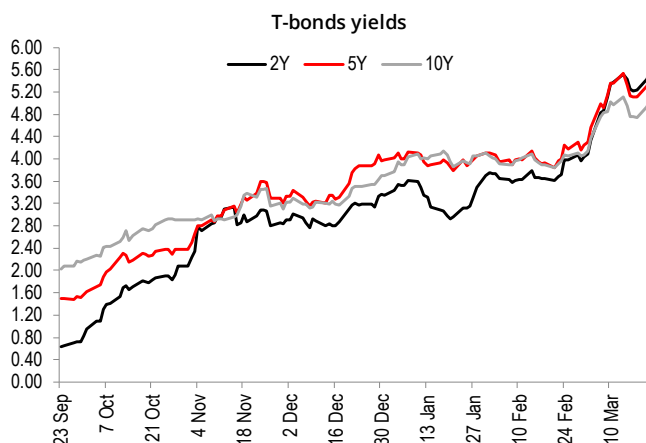
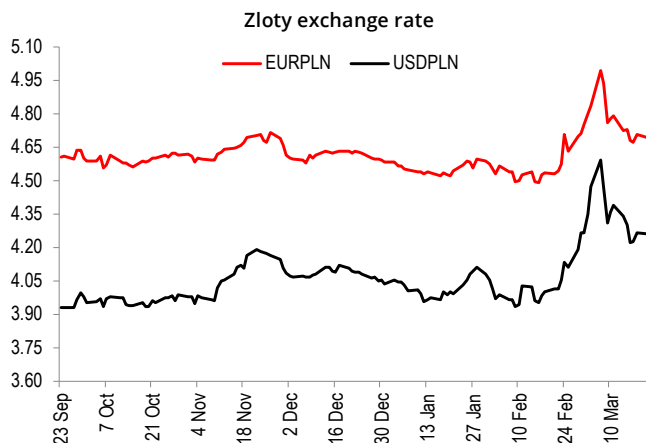
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	83	0	471	14
France	13	0	46	0
Hungary	97	0	603	20
Spain	43	3	91	-2
Italy	52	0	152	-1
Portugal	31	0	80	0
Ireland	15	0	58	0
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		
FRIDAY (18 March)								
10:00	PL	Employment in corporate sector	Feb	% y/y	2.15	2.2	2.2	2.3
10:00	PL	Sold Industrial Output	Feb	% y/y	16.8	17.7	17.6	19.2
10:00	PL	PPI	Feb	% y/y	15.2	15.5	15.9	16.1
10:00	PL	Average Gross Wages	Feb	% y/y	9.9	10.1	11.7	9.5
15:00	US	Existing Home Sales	Feb	% m/m	-6.2	-	-7.2	6.6
MONDAY (21 March)								
10:00	PL	Construction Output	Feb	% y/y	23.7	14.4	21.2	20.8
10:00	PL	Retail Sales Real	Feb	% y/y	8.3	8.2	8.1	10.6
TUESDAY (22 March)								
14:00	HU	Central Bank Rate Decision	Mar.22	%	4.40	-	4.40	3.40
14:00	PL	Money Supply M3	Feb	% y/y	7.9	8.1	8.0	7.7
WEDNESDAY (23 March)								
10:00	PL	Unemployment Rate	Feb	%	5.5	5.5	5.5	5.5
15:00	US	New Home Sales	Feb	% m/m	1.1	-	-2.0	-8.4
THURSDAY (24 March)								
09:30	CH	SNB rate decision		%	-0.75			-0.75
09:30	DE	Germany Manufacturing PMI	Mar	pts	56.3	-	-	58.4
09:30	DE	Markit Germany Services PMI	Mar	pts	54.8	-	-	55.8
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	57.5	-	-	58.2
10:00	EZ	Eurozone Services PMI	Mar	pts	55.0	-	-	55.5
13:30	US	Durable Goods Orders	Feb	% m/m	-0.6	-	-	1.6
13:30	US	Initial Jobless Claims	Mar.22	k	220	-	-	214
FRIDAY (25 March)								
10:00	DE	IFO Business Climate	Mar	pts	94.1	-	-	98.9
15:00	US	Michigan index	Mar	pts	59.7	-	-	59.7
15:00	US	Pending Home Sales	Feb	% m/m	1.0	-	-	-5.7

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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