

31 March 2022

## Eyeopener

### Poland wants to ban Russian hydrocarbons

Today US consumer income and spending data, Czechia decides on rates  
Polish ESI down  
German inflation way above expectations

**Today** a lot of data from abroad: US personal income and spending, PCE price index, retail sales in Germany (it came slightly below expectations), unemployment rate in the Eurozone. The Czech and Hungarian national banks are taking decisions on interest rates. Market is expecting a hike by 50bp at the CNB meeting, while the NBH weekly decision on 1W deposit rate may send it up 30bp to 6.45%. OPEC+ is taking a decision on oil supply in May. Chinese PMI in March, both for manufacturing and services declined below 50pts and were below forecasts.

**German inflation data** surprised markedly upwards: CPI inflation amounted to 7.3% y/y as compared to expectations at 6.3% y/y, while HICP amounted to 7.6% y/y vs forecasts at 6.7%. Especially goods' prices jumped markedly (mostly in energy and good), while services were stable. **ESI business climate indicator** for the euro zone declined in March. Consumer sentiments were stable and services indicators even improved. Indicator for Poland declined more pronouncedly, to 97.3pts from 100.3pts. All main indices fell, with most considerable drop in case of services (to -9.0pts from -4.1pts) and retail trade (to -4.2pts from -0.6pts). **ADP employment data** were in line with expectations.

PM Morawiecki declared yesterday that Poland will introduce an embargo on coal imports from Russia in two months and will resign from Russian natural gas and oil until the year-end. According to Morawiecki, "this will be two most **radical plan to withdraw from Russian hydrocarbons in Europe**". This is to be achieved thanks to diversification of coal deliveries, start of Baltic Pipe natural gas pipeline allowing for imports from Norway, imports of LNG through Świnoujście terminal and a planned floating terminal near Gdańsk, higher purchases from Arabic countries. If these plans come into life, prices of energy commodities in Poland are likely to go up, but currently the impact on inflation is difficult to estimate, in our view.

The Sejm's justice commission meeting, planned for today, which was to work on **bills regarding disbanding the Disciplinary Chamber of the Supreme Court** was cancelled. Thus, we do not see signals that the ruling party wants to hurry with change in law, which are necessary to disburse the Recovery Fund. According to Gazeta.pl Solidarna Polska coalition party is threatening to exit the coalition if its proposals are not put in the final bill.

Government spokesperson Piotr Müller said that **budget act amendment** is very probable, but unlikely to happen in the nearest time.

**Local governments** ended 2021 with a PLN17.4bn surplus. In 4Q21 incomes amounted to PLN94.9bn (increase by 22.2% y/y) and spending to PLN100.9bn (increase by 11.0% y/y). Surplus was record high but let us remind that they were boosted by additional subsidies from the central budget in December worth PLN12bn.

Yesterday the term of **MPC's Jerzy Żyżyński** ended. We still do not know who is going to replace him. The Sejm has also a second post in the MPC to fill, vacant since 9 February.

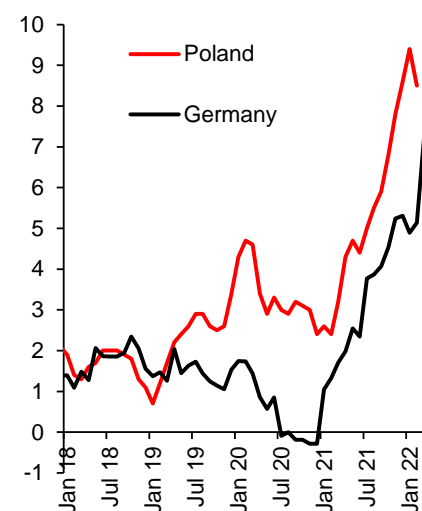
On global markets the Tuesday's enthusiasm has evaporated; equity markets declined, prices of oil, wheat and gold went up. **EURUSD** extended its upward move to 1.115. The euro gained after surprisingly high inflation data in Spain and Germany, which is a hint for potential zloty reaction to March flash CPI print on Friday.

**EURPLN** returned at the end of the day to 4.64 – the level at which it has stopped its Tuesday's decline. It happened despite weak ESI indices for Poland and signals that reaching a compromise with EU on the rule of law does not seem to have the ruling party's priority. We think the zloty appreciation could have been fuelled by market's anticipation of high Polish CPI print for March (due Friday), especially after German data jumped 1pp above forecasts.

**Other CEE currencies** were, just like the zloty, in a narrow group of EM currencies gaining yesterday against euro. The zloty appreciated by 0.6%, forint by 0.2%, koruna by 0.1% and ruble by over 3%. Today the CNB meeting takes place, where the scale of rate hike will be equally important as the communication about plans to push EURCZK lower.

On the **interest rate market**, inflation surprises have not moved prices a lot. Even though the yield of 2Y German bond, after rising 5bp, moved above zero for the first time since 2014, but the long end has barely moved while the US and Polish yield curves declined by 4-6bp. Polish FRA rates were also calm despite high German inflation.

CPI inflation, % y/y



Source: Refinitiv Santander

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### FX market

Today's opening			
EURPLN	4.6460	CZKPLN	0.1898
USDPLN	4.1606	HUFPLN*	1.2557
EURUSD	1.1164	RUBPLN	0.0512
CHFPLN	4.5029	NOKPLN	0.4818
GBPPLN	5.4684	DKKPLN	0.6246
USDCNY	6.3419	SEKPLN	0.4490

\*for 100HUF

Last session in the FX market						30.03.2022
	min	max	open	close	fixing	
EURPLN	4.629	4.678	4.652	4.640	4.651	
USDPLN	4.148	4.205	4.187	4.154	4.169	
EURUSD	1.110	1.117	1.111	1.116	-	

### Interest rate market 30.03.2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	5.60	-1
DS0726 (5Y)	5.61	-4
DS0432 (10Y)	5.21	-1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.77	-2	1.91	-5	-0.07	2
2L	5.77	-3	2.52	-7	0.61	6
3L	5.54	-4	2.61	-7	0.90	4
4L	5.30	-5	2.56	-6	1.02	6
5L	5.16	-6	2.49	-6	1.09	5
8L	4.85	-7	2.42	-6	1.20	3
10L	4.74	-6	2.40	-5	1.27	2

#### WIBOR rates

Term	%	Change (bps)
O/N	3.60	32
T/N	3.48	-1
SW	3.64	7
2W	3.91	7
1M	4.10	5
3M	4.74	2
6M	5.02	3
1Y	5.13	3

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

Term	%	Change (bps)
1x4	5.42	1
3x6	5.85	0
6x9	6.04	-4
9x12	6.04	-2
3x9	6.06	-5
6x12	6.20	-7

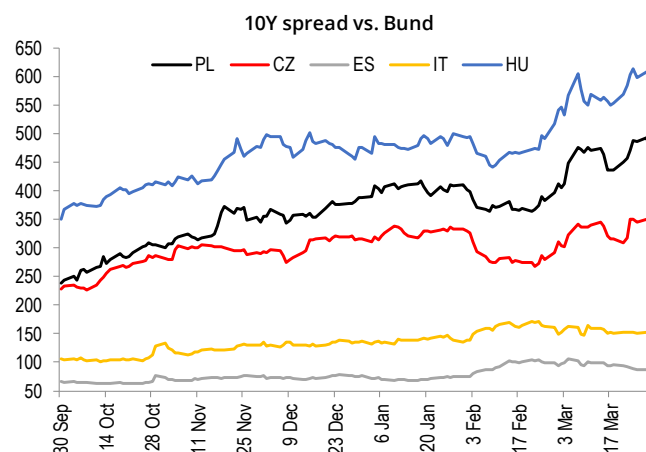
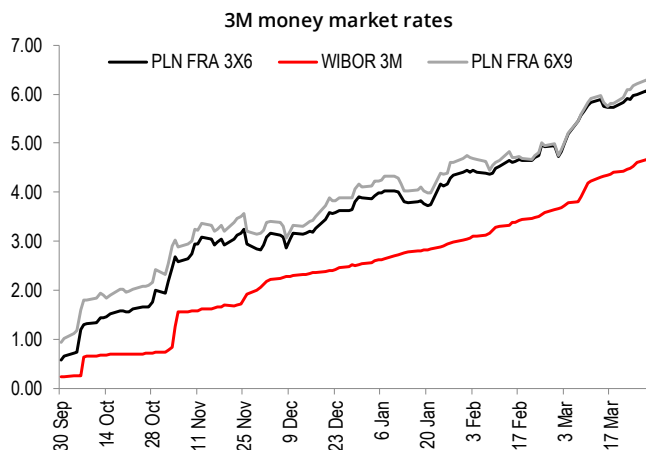
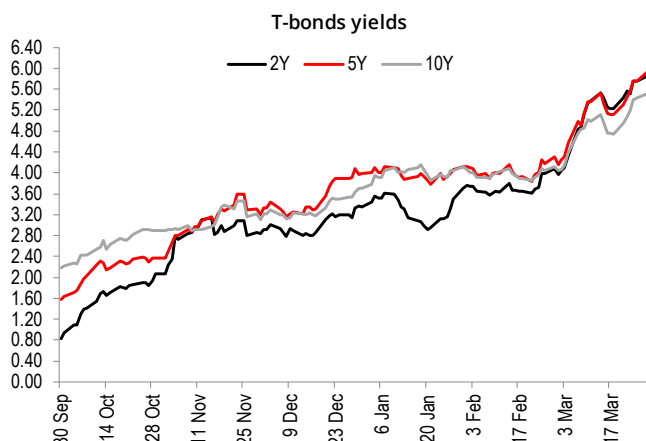
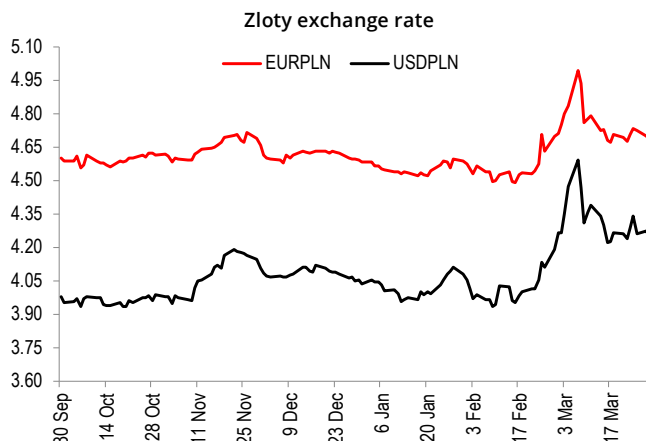
#### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	81	0	456	-3
France	14	0	43	1
Hungary	97	0	571	-11
Spain	41	-1	90	3
Italy	49	-2	149	0
Portugal	31	0	80	3
Ireland	15	0	55	-1
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 (25 March)</b>								
10:00	DE	IFO Business Climate	Mar	pts	94.1	-	90.8	98.9
15:00	US	Michigan index	Mar	pts	59.7	-	59.4	59.7
15:00	US	Pending Home Sales	Feb	% m/m	1.0	-	-4.1	-5.7
<b>MONDAY (28 March)</b>								
No important data releases								
<b>TUESDAY (29 March)</b>								
16:00	US	Consumer Conference Board	Mar	pts	106.9	-	107.2	105.7
<b>WEDNESDAY (30 March)</b>								
11:00	EZ	ESI	Mar	pct.	109.7	-	108.5	113.9
14:00	DE	HICP	Mar	% y/y	6.6	-	7.6	5.5
14:15	US	ADP report	Mar	k	455	-	455	486
14:30	US	GDP Annualized	4Q	% Q/Q	7.1	-	6.9	2.3
<b>THURSDAY (31 March)</b>								
03:30	CN	China Manufacturing PMI	Mar	pts	50.0	-	-	50.2
08:00	DE	Retail sales	Feb	% y/y	6.1	-	-	10.4
09:00	CZ	GDP SA	4Q	% y/y	3.6	-	-	3.5
11:00	EZ	Unemployment Rate	Feb	%	6.7	-	-	6.8
13:30	US	Initial Jobless Claims		k	200.0	-	-	187
14:30	US	Personal Spending	Feb	% m/m	0.5	-	-	2.1
14:30	US	Personal Income	Feb	% m/m	0.5	-	-	0.0
14:30	CZ	Central Bank Rate Decision			5.0	-	-	4.5
<b>FRIDAY (1 April)</b>								
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>Mar</b>	<b>pts</b>	<b>52.7</b>	<b>52.0</b>	-	<b>54.7</b>
09:30	DE	Germany Manufacturing PMI		pts	57.6	-	-	57.6
10:00	EZ	Eurozone Manufacturing PMI		pts	57.0	-	-	57.0
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Mar</b>	<b>% y/y</b>	<b>9.8</b>	<b>10.0</b>	-	<b>8.5</b>
11:00	EZ	Flash HICP	Mar	% y/y	6.5	-	-	5.8
14:30	US	Change in Nonfarm Payrolls	Mar	k	475	-	-	678
14:30	US	Unemployment Rate	Mar	%	3.7	-	-	3.8
16:00	US	ISM manufacturing	Mar	pts	58.4	-	-	58.6
	<b>PL</b>	<b>Poland's rating review by S&amp;P</b>						

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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