

Eyeopener

Polish inflation may reach 10 percent

Today PMI and CPI in Poland, no-farm payrolls in the USA

Polish Development Fund head: in 2021 general government deficit was 2% of GDP

RMF FM radio: Polish recovery plan may be approved on 9 April, government denies

Today is heavyweight as regards data releases. In Poland we will get to see PMI index (already out, down 2pts m/m) and flash CPI inflation in March (we see an increase to double digits). Other data pending release are: PMI for other countries and ISM for the US manufacturing. In the USA also crucial data on non-farm payrolls. In the evening, after the European close, S&P can update its assessment of Poland's rating.

Yesterday's data from the USA: PCE inflation, consumer incomes and spending were more or less in line with forecasts. LFS unemployment rate in the euro zone was higher than expected in February and in Poland it was stable at 3.0%. The Czech central bank hiked rates by 50bp, in line with expectations. Russia's president signed a decree on imposing payments in rubles for natural gas (from countries which imposed sanctions on Russia) starting from 1 April.

New **quarterly balance of payments** data showed a revision of current account by €711mn in 4Q21 and by €1.6bn in the entire 2021. This change was mostly due to a strong upward revision in export of services (+€2.9bn in 2021, import went up by €0.7bn). Goods export and import were revised down (by €1.4bn and €1.1bn, respectively). Total current account deficit in 2021 went down to 0.6% of GDP from 0.9% of GDP. Gross external debt went down in 4Q21 to 56.2% of GDP from 57.4% of GDP in 3Q21 and was the lowest since 2Q09. The International Investment Position (IIP) improved to -39.9% of GDP from -40.8% in 3Q21 and was the highest since comparable data are available (2004). In our view in 2022 the current account deficit is likely to widen, which can slow down the improvement in external debt and IIP.

Paweł Borys (head of state PFR fund) said that in 2021 the **general government deficit** declined to about 2% of GDP and public debt to 54% of GDP. Earlier estimates shown by the Finance Ministry indicated a deficit slightly below 3% of GDP.

According to the RMF FM radio, European Commission signalled that it may **approve Poland's recovery and resilience plan** on April 9, when EC president Ursula von der Leyen visits Poland, although "it is not 100% certain" (deputy minister of funds and regional policy Waldemar Buda denied this morning). While it would be obviously a good news for PLN, please remember that the EC's approval of the plan does not imply that funds will start flowing to Poland soon. Poland To receive the money Poland will have to implement conditions set up as milestones (including liquidation of the disciplinary chamber of the Supreme Court). Meanwhile, it looks that the work on the latter is on hold again.

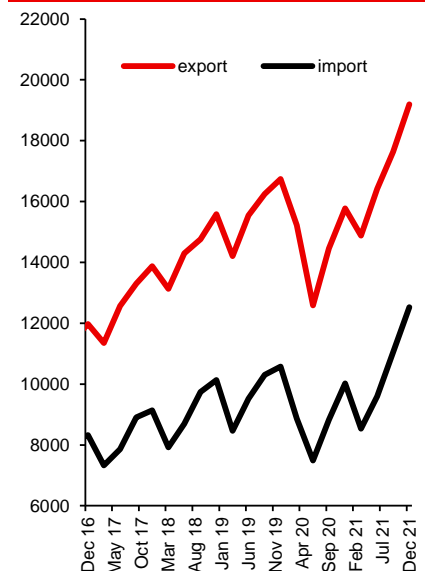
Financial markets saw further slight decline of stock indices, later supported by a retreat in oil prices (Brent below \$110 p/b) after the Biden administration's announcement about the release of strategic oil reserve at unprecedented scale, 180 million barrels, 1mn per day. Decline of oil prices was not reversed by OPEC+ meeting, where earlier supply plans were confirmed. Judging by the behaviour of currency markets, sentiment moved towards more negative – **EURUSD** retreated to 1.11 and stopped at this level, while before earlier news (which were not confirmed) that Russia may move troops away from Kyiv, the rate was below 1.10. **EURCHF** declined substantially, erasing its gains from the previous days.

Despite worse sentiment, **EURPLN** did not change yesterday and the scale of its intraday rebound was smaller than before. The announcement of possible soon approval of Poland's recovery and resilience plan could have helped in stabilising the exchange rate, just like anticipation of high inflation print today.

Among **other currencies in the region**, forint weakened 0.4% against euro. Hungarian central bank did not raise the weekly deposit rate yesterday, which – according to its guidance – sets the upper limit for main interest rate hikes, while market expected it to rise by 30bp. **EURCZK** during the session deepened the low from the previous day but in the end did not change vs Wednesday. CNB has increased main interest rates by 50bp and considered 75bp. CNB president Jiri Rusnok ensured about readiness to hike more, stronger than predicted by the last projection and for longer. The possibility of more aggressive FX interventions was discussed and the assessment was that there is still significant room for interest rate hikes and it will be still the main tool to fight inflation.

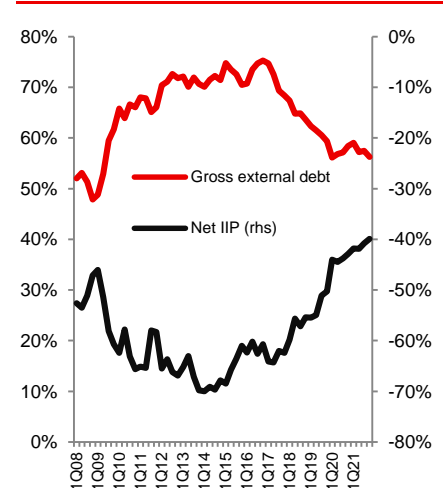
On the **interest rate market** this time Polish bond yields rebounded up slightly while IRS curve was stable. Meanwhile, entire German curve declined by c.10bp and US curve did not change much. The Ministry of Finance planned two auctions for April: PLN2-4bn on 12 Apr and PLN3-8bn on 21 Apr. No switch auction will be held. In the whole 2Q MinFin wants to issue PLN20-35bn of POLGBs. There may be BGK issuance for the Covid fund on 27 April.

Service export and import, PLNmn, quarterly



Source: NBP Santander

IIP and external debt, % of GDP



Source: NBP, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: 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 | 4.6466 | CZKPLN | 0.1899 |
| USDPLN | 4.2013 | HUFPLN* | 1.2503 |
| EURUSD | 1.1056 | RUBPLN | 0.0515 |
| CHFPLN | 4.5485 | NOKPLN | 0.4763 |
| GBPPLN | 5.5141 | DKKPLN | 0.6243 |
| USDCNY | 6.3546 | SEKPLN | 0.4464 |

*for 100HUF

| Last session in the FX market | | | | | | 31.03.2022 |
|-------------------------------|-------|-------|-------|-------|--------|------------|
| | min | max | open | close | fixing | |
| EURPLN | 4.632 | 4.660 | 4.638 | 4.644 | 4.653 | |
| USDPLN | 4.153 | 4.208 | 4.155 | 4.187 | 4.180 | |
| EURUSD | 1.107 | 1.118 | 1.116 | 1.109 | - | |

Interest rate market 31.03.2022

T-bonds on the interbank market**

| Benchmark (term) | % | Change (bps) |
|------------------|------|--------------|
| DS1023 (2Y) | 5.59 | -1 |
| DS0726 (5Y) | 5.66 | 4 |
| DS0432 (10Y) | 5.24 | 3 |

IRS on the interbank market**

| Term | PL | | US | | EZ | |
|------|------|--------------|------|--------------|-------|--------------|
| | % | Change (bps) | % | Change (bps) | % | Change (bps) |
| 1L | 5.77 | 0 | 1.94 | 2 | -0.11 | -4 |
| 2L | 5.78 | 1 | 2.53 | 2 | 0.54 | -8 |
| 3L | 5.56 | 2 | 2.64 | 2 | 0.80 | -10 |
| 4L | 5.32 | 2 | 2.58 | 1 | 0.93 | -10 |
| 5L | 5.17 | 1 | 2.50 | 0 | 0.99 | -10 |
| 8L | 4.87 | 3 | 2.43 | 1 | 1.12 | -8 |
| 10L | 4.77 | 2 | 2.38 | -3 | 1.20 | -7 |

WIBOR rates

| Term | % | Change (bps) |
|------|------|--------------|
| O/N | 3.48 | -12 |
| T/N | 3.55 | 7 |
| SW | 3.78 | 14 |
| 2W | 3.97 | 6 |
| 1M | 4.12 | 2 |
| 3M | 4.77 | 3 |
| 6M | 5.05 | 3 |
| 1Y | 5.16 | 3 |

FRA rates on the interbank market**

| Term | % | Change (bps) |
|------|------|--------------|
| 1x4 | 5.48 | 5 |
| 3x6 | 5.89 | 4 |
| 6x9 | 6.02 | -2 |
| 9x12 | 6.01 | -3 |
| 3x9 | 6.09 | 3 |
| 6x12 | 6.21 | 0 |

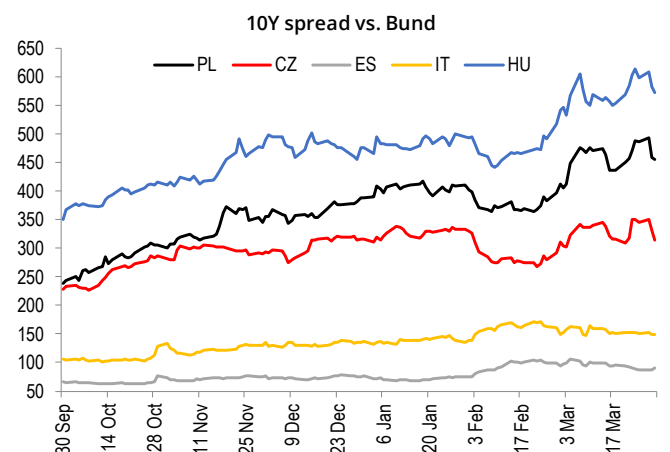
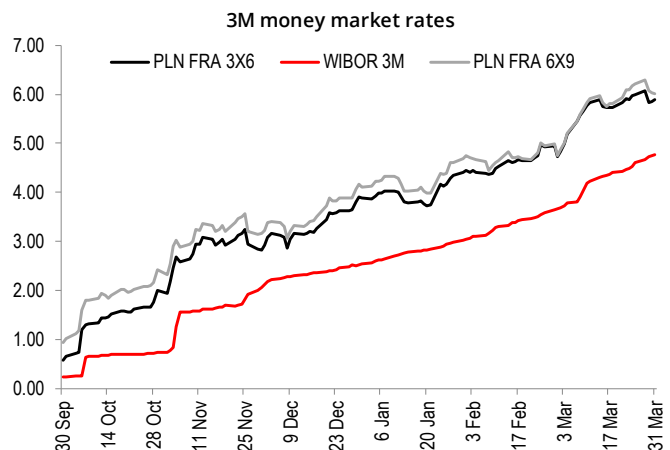
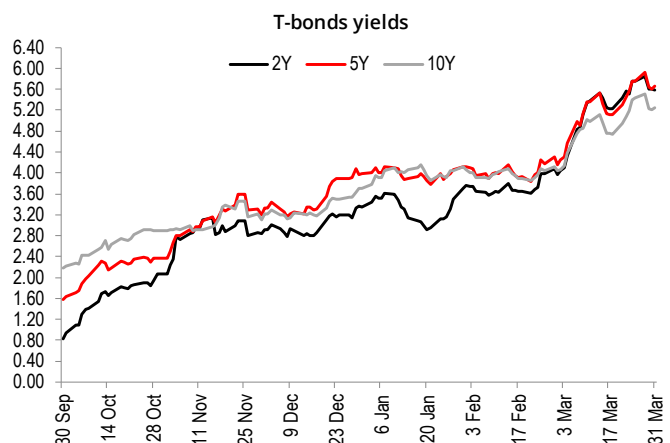
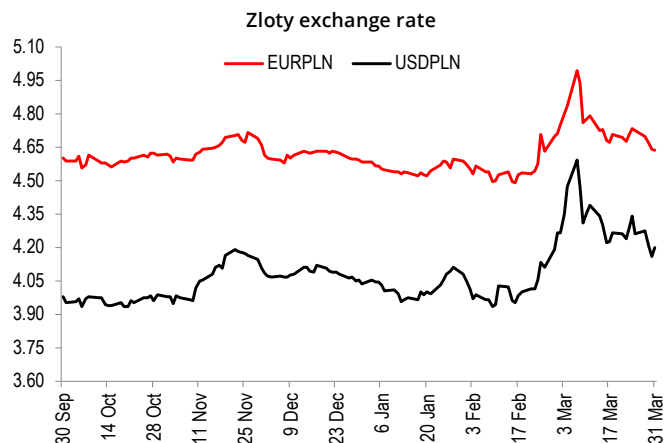
Measures of fiscal risk

| 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 | 0 | 90 | 3 |
| Italy | 50 | 1 | 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 | | | |
| FRIDAY (25 March) | | | | | | | | |
| 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 |
| MONDAY (28 March) | | | | | | | | |
| No important data releases | | | | | | | | |
| TUESDAY (29 March) | | | | | | | | |
| 16:00 | US | Consumer Conference Board | Mar | pts | 106.9 | - | 107.2 | 105.7 |
| WEDNESDAY (30 March) | | | | | | | | |
| 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 |
| THURSDAY (31 March) | | | | | | | | |
| 08:00 | DE | Retail sales | Feb | % y/y | 0.3 | - | 0.8 | 1.4 |
| 09:00 | CZ | GDP SA | 4Q | % y/y | 3.6 | - | 3.6 | 3.3 |
| 11:00 | EZ | Unemployment Rate | Feb | % | 6.7 | - | 6.8 | 6.9 |
| 13:30 | US | Initial Jobless Claims | | k | 200.0 | - | 202 | 187 |
| 14:30 | US | Personal Spending | Feb | % m/m | 0.5 | - | 0.2 | 2.7 |
| 14:30 | US | Personal Income | Feb | % m/m | 0.5 | - | 0.5 | 0.1 |
| 14:30 | US | PCE price index | Feb | % m/m | 6.4 | - | 6.4 | 6.0 |
| 14:30 | CZ | Central Bank Rate Decision | | | 5.00 | - | 5.00 | 4.50 |
| FRIDAY (1 April) | | | | | | | | |
| 09:00 | PL | Poland Manufacturing PMI | Mar | pts | 53.1 | 52.0 | | 54.7 |
| 09:30 | DE | Germany Manufacturing PMI | | pts | 57.6 | - | | 57.6 |
| 10:00 | EZ | Eurozone Manufacturing PMI | | pts | 57.0 | - | | 57.0 |
| 10:00 | PL | CPI | Mar | % y/y | 10.1 | 10.0 | | 8.5 |
| 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 |
| | PL | Poland's rating review by S&P | | | | | | |

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.