

22 April 2022

Eyeopener

Set of strong March data for Poland

Today domestic retail sales, construction output, flash Eurozone PMIs
Industrial output, wages and PPI for March were much above expectations
Minister Buda: final stretch in talks with EC on Polish recovery plan

Today Today flash PMIs for April will be released in Europe. The indices declined moderately already in March in response to war in Ukraine and further deterioration is expected. In Poland data about retail sales, construction output and business climate will be released. Yesterday's set of data was stronger than expected and it cannot be ruled out that today's data will also surprise positively. Also, the revision of quarterly GDP data will be shown, plus the balance and debt of public sector in relation to GDP.

Fed chairman **Jerome Powell** said that in May the central bank will consider an interest rate hike by 50bp and in general he thinks that front-loaded monetary policy tightening makes sense now. ECB's **Christine Lagarde** focused on emphasising downside risks to the economic outlook and that next ECB decisions are data-dependent.

Strong set of **monthly economic indicators for Poland** was released yesterday: industrial production maintained rapid pace in March despite war in Ukraine (17.2% y/y s.a.), employment rose, wages accelerated (12.4% y/y), PPI surged (20% y/y), consumer confidence improved a little in April after an earlier decline. In general the data confirmed the resilience of Polish economy at the very start of war in Ukraine, although there are some caveats as the production growth is artificially boosted by 77% y/y jump in energy output (we think it is a statistical error related to problems with deflators, as Polish power industry does not even seem to have enough capacity for such a jump in production). It is still too early to see the full impact of the war on economic activity (even though manufacturing did slow a bit) and we think the following months will show some slowdown after the shocks will channel through the supply chains and demand. Still, the current data add arguments for continuation of monetary tightening. Please see more in yesterday's [Economic comment](#).

According to minister of development and technology Waldemar Buda, **talks with the European Commission on Poland's recovery and resilience plan** are in their final stage and the agreement may be reached soon, even before the changes in judiciary system are implemented. Minister said that the president's draft bill, proceeded currently in the parliament, is satisfactory for the EC. Sejm's justice committee yesterday did not finish work on the proposed draft bills and plans to resume its meeting on Tuesday.

Deputy internal affairs minister Paweł Szefernaker said that **payments for providing shelter and victuals for refugees from Ukraine** will be provided for other 60 days. So far this benefit was set to be paid by 60 days and amount to PLN40 per capita a day – total costs were initially estimated at PLN2.4bn.

The euro zone **HICP inflation** climbed in March to 7.4% y/y from 5.9% y/y (slightly below flash reading). Acceleration of price growth was visible in all main groupings, especially in energy (44.4% y/y vs 32.0% y/y in February). HICP for Poland climbed to 10.2% y/y from 8.1% y/y in February. **Philly Fed index** surprised strongly to the downside, with expectations index falling by most.

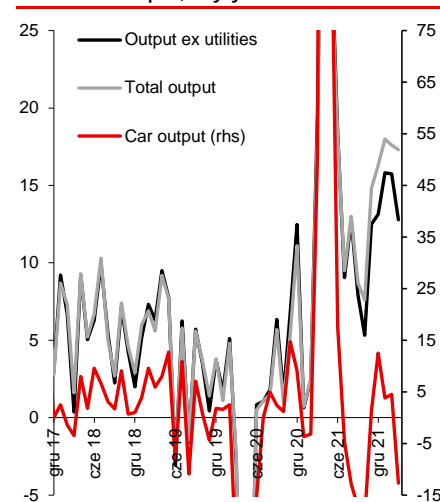
Investors returned to selling bonds on the core markets, while US money market rates started to price-in three consecutive Fed hikes by 50bp. As a result, the rise of **EURUSD** above 1.09 early in the day was reversed.

EURPLN was indifferent to the unexpectedly strong data from Poland and it remained close to 4.64.

Other CEE currencies: the forint was reversing its Wednesday weakening for the first half of the day but later managed to gain so much that EURHUF was lower than one day before even despite no interest rate hike of 1W deposit rate by the MNB. The pair is close to important technical level 370 (support from mid-March). The next MNB decision is due on Tuesday and if EURHUF remains on this week's trend, it can reach the technical support present at the turn of March and April at 367 prior to the decision. The current head of Russian central bank was approved for her third 5-year term. She announced that another rate cut will be mulled on 29 April.

The domestic **interest rate market** saw increases of IRS rates by 15bp in the 10Y segment to 25bp in the 2Y segment, and a few FRA rates, starting from 3x6, managed to get above 7% (increase by over 30pb in a day, and even by 40bp in some cases). Scale of expected hikes in the euro zone and in the USA also increased markedly (main rate at the end of the year seen at 0.25% and 2.75%). Bond auction ended with sales of papers worth PLN6.8bn amid demand at PLN7.6bn. Fixed coupon 5- and 10Y made up 70% of sales volume.

Industrial output, % y/y



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.6353	CZKPLN	0.1899
USDPLN	4.2734	HUFPLN*	1.2501
EURUSD	1.0843	RUBPLN	0.0551
CHFPLN	4.4795	NOKPLN	0.4803
GBPPLN	5.5616	DKKPLN	0.6224
USDCNY	6.4650	SEKPLN	0.4493

*for 100HUF

Last session in the FX market						20.04.2022
	min	max	open	close	fixing	
EURPLN	4.623	4.639	4.634	4.633	4.652	
USDPLN	4.258	4.291	4.282	4.268	4.260	
EURUSD	1.080	1.087	1.082	1.085	-	

Interest rate market

20.04.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.57	14
DS0726 (5Y)	6.70	8
DS0432 (10Y)	6.22	10

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.93	22	2.35	12	0.09	10
2L	6.71	20	2.97	16	0.82	14
3L	6.45	19	3.06	13	1.13	12
4L	6.21	19	3.05	13	1.28	11
5L	6.03	15	3.02	11	1.37	10
8L	5.75	19	2.97	9	1.54	8
10L	5.59	13	2.94	8	1.64	7

WIBOR rates

Term	%	Change (bps)
O/N	4.32	-8
T/N	4.51	2
SW	4.58	0
2W	4.67	5
1M	4.90	3
3M	5.68	3
6M	5.91	3
1Y	6.10	3

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.70	19
3x6	7.11	28
6x9	7.10	27
9x12	7.08	27
3x9	7.34	28
6x12	7.29	29

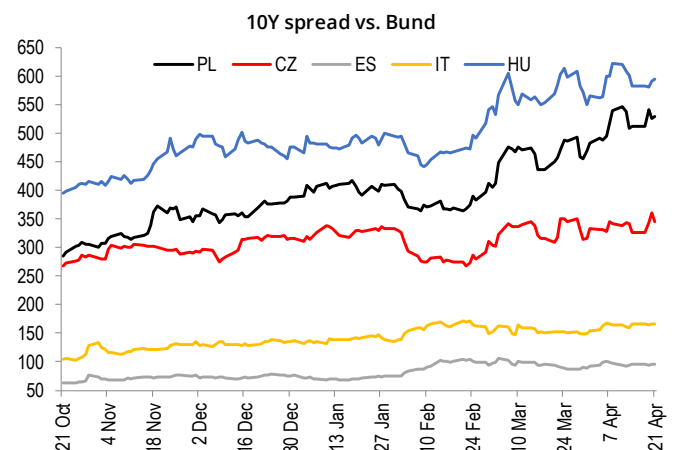
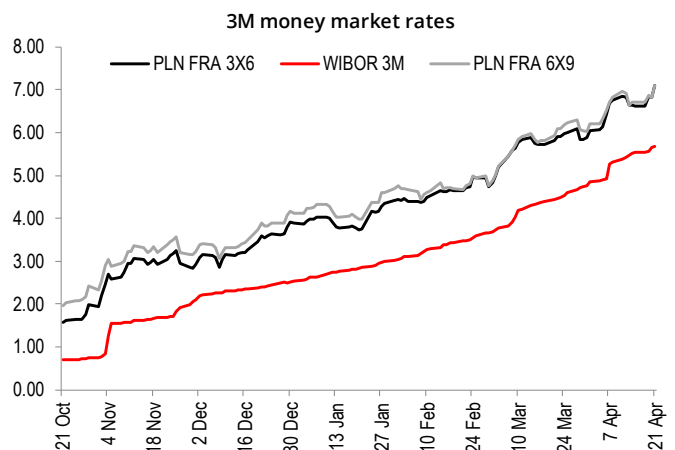
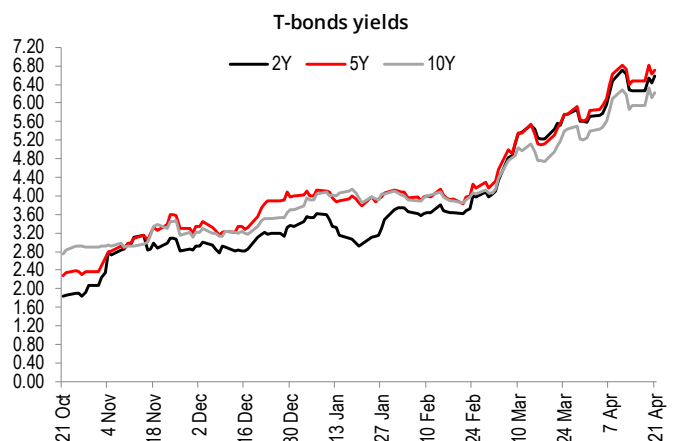
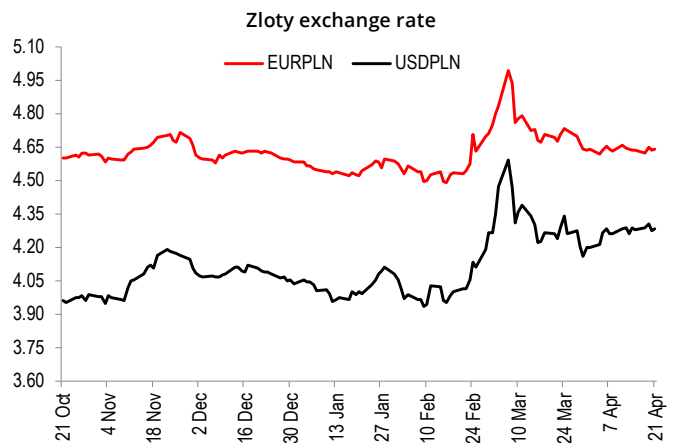
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	82	2	530	4
France	12	-1	46	-2
Hungary	107	0	594	2
Spain	43	0	96	0
Italy	53	0	166	0
Portugal	30	0	102	1
Ireland	12	0	60	1
Germany	9	-1	-	-

* 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 (15 April)								
10:00	PL	CPI	Mar	% y/y	10.9	10.9	11.0	10.9
15:15	US	Industrial Production	Mar	% m/m	0.4	-	0.9	0.9
MONDAY (18 April)								
04:00	CN	GDP	1Q	% y/y	4.2	'	4.8	4.0
TUESDAY (19 April)								
14:00	PL	CPI Core	Mar	% y/y	7.0	7.0	6.9	6.7
14:30	US	Housing Starts	Mar	% m/m	-1.6	-	0.3	6.8
WEDNESDAY (20 April)								
11:00	EZ	Industrial Production SA	Feb	% m/m	0.7	-	0.7	-0.7
16:00	US	Existing Home Sales	Mar	% m/m	-4.2	-	-2.7	-8.6
THURSDAY (21 April)								
10:00	PL	Employment in corporate sector	Mar	% y/y	2.4	2.3	2.4	2.2
10:00	PL	Sold Industrial Output	Mar	% y/y	11.6	13.9	17.3	17.6
10:00	PL	PPI	Mar	% y/y	18.1	18.1	20.0	16.1
10:00	PL	Average Gross Wages	Mar	% y/y	10.6	10.6	12.6	11.7
11:00	EZ	HICP	Mar	% y/y	7.5	-	7.4	5.9
14:30	US	Initial Jobless Claims		k	180	-	184	185
14:30	US	Index Philly Fed	Apr		20.0	-	17.6	27.4
FRIDAY (22 April)								
09:30	DE	Germany Manufacturing PMI	Apr	pts	54.5	-	-	56.9
09:30	DE	Markit Germany Services PMI	Apr	pts	55.3	-	-	56.1
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	54.7	-	-	56.5
10:00	EZ	Eurozone Services PMI	Apr	pts	55.0	-	-	55.6
10:00	PL	Construction Output	Mar	% y/y	14.8	15.5	-	21.2
10:00	PL	Retail Sales Real	Mar	% y/y	8.8	7.8	-	8.1

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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