

Eyeopener

Another weakening of monetary transmission

Today unemployment, work on judicial reform, new finance minister
 New government's plans to support borrowers could lower rate hikes' influence
 Further deceleration in households' loans, acceleration in corporate credit

Today GUS releases the Statistical Bulletin including the March data on the unemployment rate. At 10:00 CET the Sejm's Justice Committee meets to continue work on the proposed changes to the judicial system, which can potentially be key to unlock the Polish recovery plan and payments from the EU recovery fund. At 15:00 CET the president is to swear in the new finance minister. It is also worth to watch the Hungarian central bank decision – the market assumes a 100bp rate hike, just like the one in March, although the last CPI print was much lower than expected (for the first time since July 2021).

PM Mateusz Morawiecki presented on Monday **new proposals to support credit owners**, including: "credit break for all" (in the years 2022-2023 every quarter one of the instalments can be postponed for free), banks will be forced to use other interest rate than WIBOR for mortgage loans (the new rate is to be based on O/N rate) and an increase of the support scheme for credit owners (the eligibility criteria have not changed). Banks are also to create a new support fund of c.PLN3.5bn. According to the PM's office the total size of the support provided is going to be c.PLN3.6bn in 2022 and PLN5.2bn in 2023 –household budgets will be strengthened by these amounts. No details were given so it is hard to assess the reliability of these estimates. There is no clarity if credit break will actually be available to all or some criteria will apply. The idea of replacing WIBOR with O/N rate has raised questions. If it is to happen at the start of 2023, as announced, then it is quite likely that the rate hike cycle will be over by then, the money market curve will be getting flatter and eventually may even invert. If so, the change will hardly generate a large decline of the loan servicing cost for households. All in all, the new proposals of the government are the next steps (after the anti-inflation shields and the anti-Putin shield) weakening the monetary policy transmission. As a result, this may mean more rate hikes needed to achieve the same goal of putting inflation under control.

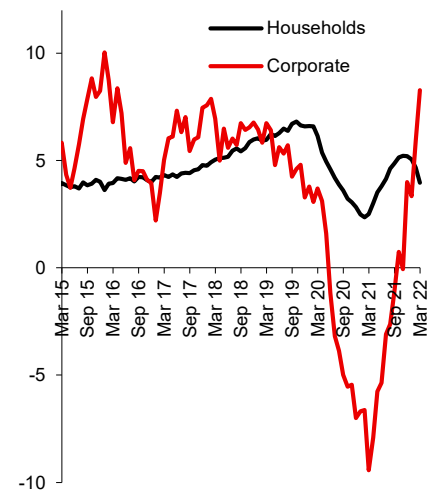
The **PFR head Paweł Borys** assessed yesterday that NBP rates can stabilise at 5.5-6.0% if the zloty remains stable and effectiveness of monetary transmission is improved.

M3 money supply rose in March by 7.9% y/y vs. market expectations at 7.8% and our 7.6% forecast. This is equal to the average of the growth rates for January and February. We believe some slowdown should follow, but may be more evident in 2H22. As the Russian invasion on Ukraine continued so did the acceleration of cash holdings growth (from 13.6% y/y to 16.7%, cash in circulation up PLN18.3bn m/m – compared to PLN15.7bn in February) at the cost of lower household deposit growth (from 4.7% y/y to 2.2%). At the same time corporate deposits eased somewhat in y/y terms (from 7.9% to 7.3%). The share of FX deposits in total deposits rose some, to 13.7% vs. less than 12% at the end of 2021. Credit growth adjusted for FX changes accelerated to 5.4% y/y from 4.8% y/y which is already a similar pace to what was seen on average in the final months before the pandemic. Loans to individuals decelerated once again, to 4.0% y/y from 4.7% and this is the weakest pace since the middle of 2021 and more weakness might come as interest rates are still likely to grow and the war is adding to uncertainty. On the other hand corporate loans saw the highest growth in FX-adjusted terms (+8.3% y/y) since almost six years, with working capital loans reaching the highest annual pace since 2008 (20.6% y/y).

Markets started the week with negative sentiment and the recent price changes are suggesting rising worries about the global growth: stock markets and commodity prices went down (Brent is again trying to test \$100), while demand focused on core market bonds and on the dollar. **EURUSD** declined to almost 1.07. **EURPLN** was under negative pressure of global market trends, but returned before it reached 4.66, so the horizontal trend remains valid. **Other CEE currencies**: the forint weakened more than CZK or PLN, and today's meeting can decide whether the pair will manage to break 375 (this level was stopping similar moves in March).

On the **interest rate market** the Polish bond yields declined by around 10bp (amid stable asset swap spreads). Bonds were gaining even more during the day, but new government's proposals undermined the demand. Core bonds managed to gain more (above 10bp). Pricing of rate hikes in the USA and in the euro zone stabilised somewhat.

Credit growth, %y/y, corrected for fx changes



Source: NBP, Santander

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FX market

Today's opening			
EURPLN	4.6404	CZKPLN	0.1899
USDPLN	4.3297	HUFPLN*	1.2434
EURUSD	1.0714	RUBPLN	0.0578
CHFPLN	4.5121	NOKPLN	0.4742
GBPPLN	5.5156	DKKPLN	0.6235
USDCNY	6.5429	SEKPLN	0.4455

*for 100HUF

Last session in the FX market						25/04/2022
	min	max	open	close	fixing	
EURPLN	4.626	4.662	4.653	4.656	4.641	
USDPLN	4.303	4.357	4.319	4.352	4.319	
EURUSD	1.070	1.078	1.077	1.070	-	

Interest rate market 25/04/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.56	-1
DS0726 (5Y)	6.68	-11
DS0432 (10Y)	6.22	-10

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.03	-10	2.39	-2	0.14	-4
2L	6.86	-10	2.91	-2	0.85	-8
3L	6.60	-10	2.95	-7	1.11	-11
4L	6.35	-7	2.93	-6	1.25	-11
5L	6.16	-9	2.91	-6	1.30	-14
8L	5.80	-9	2.86	-7	1.47	-11
10L	5.68	-9	2.86	-7	1.58	-10

WIBOR rates

Term	%	Change (bps)
O/N	4.29	4
T/N	4.50	-3
SW	4.59	1
2W	4.79	4
1M	4.99	6
3M	5.79	5
6M	6.01	8
1Y	6.22	7

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.76	-10
3x6	7.20	-15
6x9	7.20	-17
9x12	7.20	-17
3x9	7.44	-14
6x12	7.40	-18

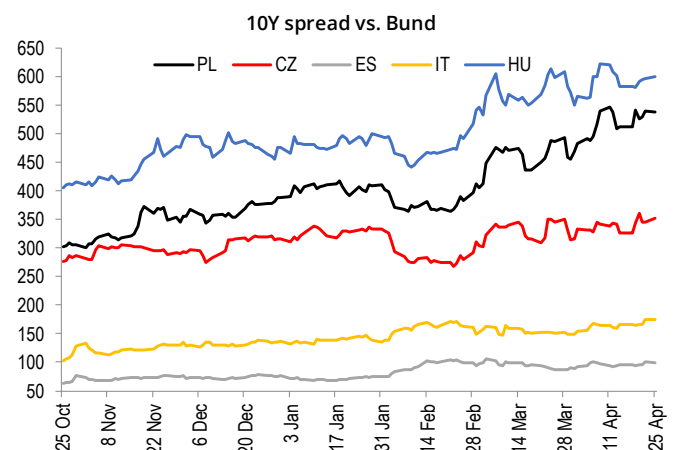
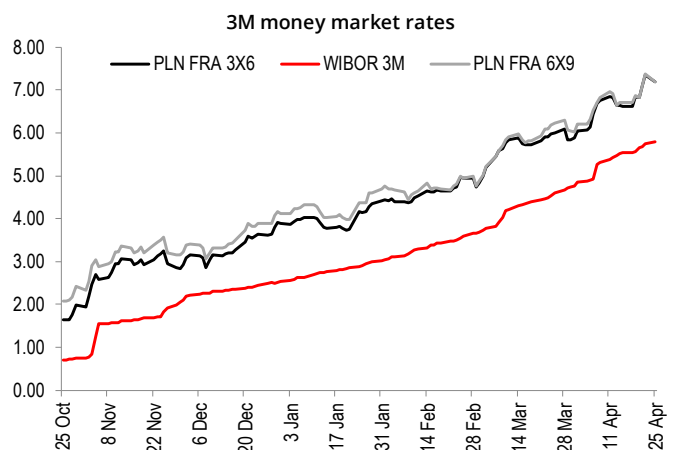
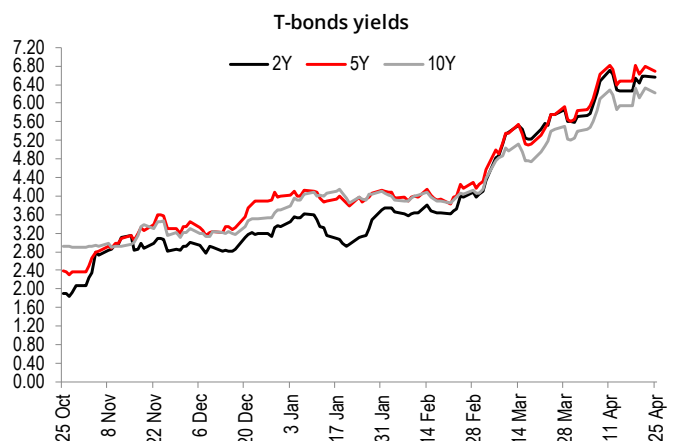
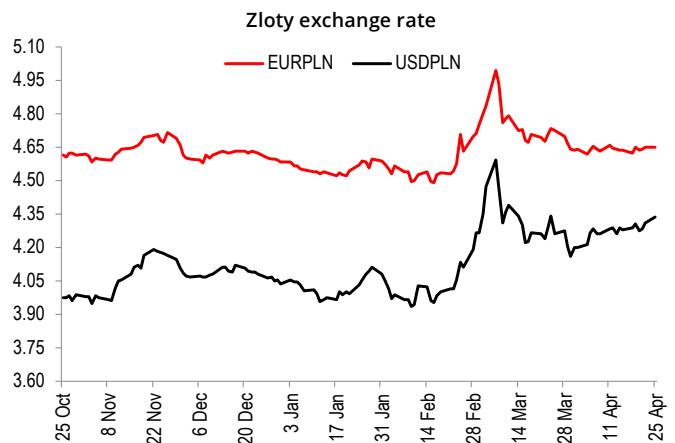
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	82	0	538	-2
France	13	0	48	-2
Hungary	112	5	600	4
Spain	45	0	99	-2
Italy	57	2	174	0
Portugal	31	0	105	-2
Ireland	12	0	62	-3
Germany	9	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 (22 April)								
09:30	DE	Germany Manufacturing PMI	Apr	pts	54.5	-	54.1	56.9
09:30	DE	Markit Germany Services PMI	Apr	pts	55.3	-	57.9	56.1
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	54.9	-	55.3	56.5
10:00	EZ	Eurozone Services PMI	Apr	pts	55.0	-	57.7	55.6
10:00	PL	Construction Output	Mar	% y/y	13.8	15.5	27.6	21.2
10:00	PL	Retail Sales Real	Mar	% y/y	8.8	7.8	9.6	8.1
MONDAY (25 April)								
10:00	DE	IFO Business Climate	Apr	pts	89.1	-	91.8	90.8
14:00	PL	Money Supply M3	Mar	% y/y	7.8	7.6	7.9	8.0
TUESDAY (26 April)								
10:00	PL	Unemployment Rate	Mar	%	5.4	5.4	-	5.5
14:00	HU	Central Bank Rate Decision	Apr.22	%	5.40	-	-	4.40
14:30	US	Durable Goods Orders	Mar	% m/m	1.0	-	-	-2.1
16:00	US	Consumer Conference Board	Apr	pts	108.0	-	-	107.2
16:00	US	New Home Sales	Mar	% m/m	0.4	-	-	-2.0
WEDNESDAY (27 April)								
16:00	US	Pending Home Sales	Mar	% m/m	-0.5	-	-	-4.1
THURSDAY (28 April)								
11:00	EZ	ESI	Apr	pct.	108.0	-	-	108.5
14:00	DE	HICP	Apr	% y/y	7.6	-	-	7.6
14:30	US	GDP Annualized	1Q	% q/q	1.0	-	-	6.9
14:30	US	Initial Jobless Claims		k	180	-	-	184
FRIDAY (29 April)								
09:00	CZ	GDP SA	1Q	% y/y	4.3	-	-	3.6
10:00	PL	CPI	Apr	% y/y	11.3	11.5	-	11.0
10:00	DE	GDP WDA	1Q	% y/y	3.6	-	-	1.8
11:00	EZ	Flash HICP	Apr	% y/y	7.5	-	-	7.5
11:00	EZ	GDP SA	1Q	% y/y	5.1	-	-	4.7
14:30	US	Personal Spending	Mar	% m/m	0.6	-	-	0.2
14:30	US	Personal Income	Mar	% m/m	0.4	-	-	0.5
14:30	US	PCE Deflator SA	Mar	% m/m	6.7	-	-	6.4
16:00	US	Michigan index	Apr	pts	65.7	-	-	59.4

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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