

## Eyeopener

### Russia holds gas supplies

Russia stopped gas supplies to Poland, EURPLN jumped higher  
Magdalena Rzeczkowska is the new finance minister  
Fiscal deficit planned at 4.3% of GDP this year, according to convergence plan

**Today** the Sejm meeting starts, at which the vote on the second term for NBP president Adam Glapiński is expected. Formally, the vote was not included in the agenda yet. Yesterday minister for development and technology Waldemar Buda admitted that the vote can take place during today's meeting and he had no doubts as regards majority support. Also today the European Commission is to start the procedure of depriving Hungary of EU payments within the conditionality mechanism.

**Russia has cut natural gas supply to Poland and Bulgaria**, as these countries refused to pay in rubles. Even though Poland seems to be highly dependent on Russian natural gas imports (50% of domestic consumption), it is more prepared for a disruption in supplies than most other EU countries, thanks to high storages (75% of capacity), possible transitory supplies from Germany and Lithuania, LNG sea terminal in Świnoujście and planned launch of Baltic Pipe at the end of 2022. While natural gas supply to households or companies does not seem to be threatened, cut from Russian supply means an additional inflationary impulse, hard to estimate right now. This, plus zloty weakening, can additionally encourage the MPC to hike rates decisively at the nearest meeting.

The **Sejm's judiciary committee** again halted its work on the Supreme Court bill and did not indicate when it will reconvene. The president's bill is still the default one and any amendments put forward by MPs were discarded. The pace of works is so slow that it does not give much hope for unblocking the Recovery Plan and disbursement of financial means anytime soon.

**Magdalena Rzeczkowska was sworn in as a new finance minister**. Until now she was the deputy finance minister and the head of National Revenue Administration. Rzeczkowska has worked in the ministry for 20 years, dealing with tax and excise duty administration. Probably – similarly as in the case of her predecessors – her role in defining directions of government's economic policies will be limited due to a lack of strong political background.

The government approved the **Convergence Programme Update** with GG deficit at 4.3% of GDP in 2022 and 3.7% in 2023. These forecasts were based on an assumption that GDP will increase by 3.8% in 2022 and by 3.2% in 2023 and with inflation at 9.1% in 2022 and 7.8% in 2023. In our view expectations about GDP and inflation for 2022 are quite conservative, so the public revenues may be supported. On the other hand, the document was not published yet so we are not sure, what was included out of the most recent initiatives (prolongation of "anti-inflation shield", costs of help for refugees, or cut in PIT rates). We think that the deficit may reach 4.7% of GDP this year. In the following years the gradual reduction of deficit should be triggered by the restoration of the Stabilising Spending Rule, which was suspended during the pandemic.

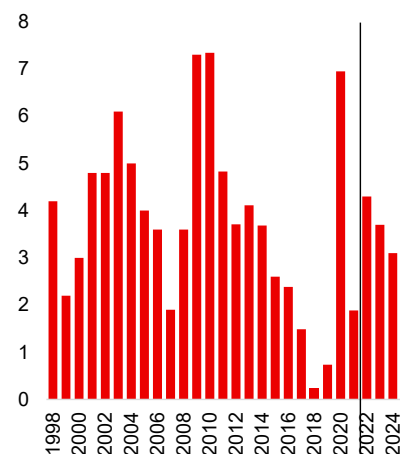
The information that Russia halted gas delivery to Poland caused declines on stock exchanges to the tune of 0.5-1% in Europe. The sentiment was already negative due to worries about the condition of the Chinese economy depressed by a Covid wave. Oil price was rising and so were prices of core market bonds. Gains were seen on JPY, CHF and USD. This was another session of **EURUSD** decline, the exchange rate went below 1.065 and is the lowest since 2017.

**EURPLN** stayed close to 4.64 for most of the day, but after the information that Russia stopped gas, it jumped to 4.72 (a quick loss of around 1.5% vs. the euro), after which it stabilised near 4.70. This morning we can see some recovery (4.68), but we fear that this marks a new chapter in the conflict between Russia and the West and may mean an extended pressure on CEE currencies.

**Other CEE FX**: CZK weakened near the end of the day together with the zloty, but its loss was 50% smaller (still, EURCZK is the highest month-to-date). Despite the 100bp interest rate hike which was in line with expectations and Hungarian central bank's claims that more will be done and after the record high wage growth data (>30% y/y) EURHUF eventually moved according to the new upside trend that started on Friday and took the FX rate above 377. The central bank appealed to the government to provide fiscal tightening, admitting that it will not be able to curb inflation without such cooperation.

On the **domestic interest rate market** government bonds strengthened further. Yields went down 6-10bp which was more than the decline of IRS rates. The scale of the POLGB yields' decline was similar to the US one and exceeded the drop of Bund yields. BGK resigned from holding an auction today to raise money for the government Covid fund. This was the only scheduled auction in April.

General government deficit as % of GDP and the governments forecasts for 2022-2025



Source: Finance Ministry, Santander

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### FX market

#### Today's opening

EURPLN	4.6860	CZKPLN	0.1911
USDPLN	4.4120	HUFPLN*	1.2491
EURUSD	1.0625	RUBPLN	0.0598
CHFPLN	4.5722	NOKPLN	0.4775
GBPPLN	5.5504	DKKPLN	0.6299
USDCNY	6.5528	SEKPLN	0.4488

\*for 100HUF

#### Last session in the FX market

26/04/2022

	min	max	open	close	fixing
EURPLN	4.633	4.707	4.637	4.705	4.643
USDPLN	4.317	4.419	4.322	4.410	4.347
EURUSD	1.064	1.073	1.073	1.066	-

### Interest rate market 26/04/2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.51	-5
DS0726 (5Y)	6.60	-8
DS0432 (10Y)	6.13	-10

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.06	2	2.32	-7	0.11	-3
2L	6.86	0	2.76	-15	0.82	-3
3L	6.59	-1	2.84	-12	1.08	-3
4L	6.34	-1	2.80	-13	1.19	-6
5L	6.16	0	2.79	-13	1.29	-1
8L	5.77	-4	2.75	-10	1.46	-1
10L	5.64	-4	2.76	-10	1.56	-2

### WIBOR rates

Term	%	Change (bps)
O/N	4.50	21
T/N	4.51	1
SW	4.60	1
2W	4.84	5
1M	5.05	6
3M	5.84	5
6M	6.07	6
1Y	6.25	3

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

Term	%	Change (bps)
1x4	6.78	2
3x6	7.22	2
6x9	7.22	2
9x12	7.20	0
3x9	7.45	1
6x12	7.39	0

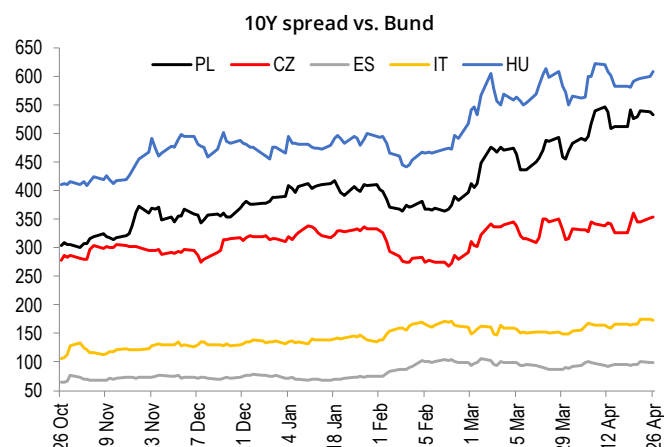
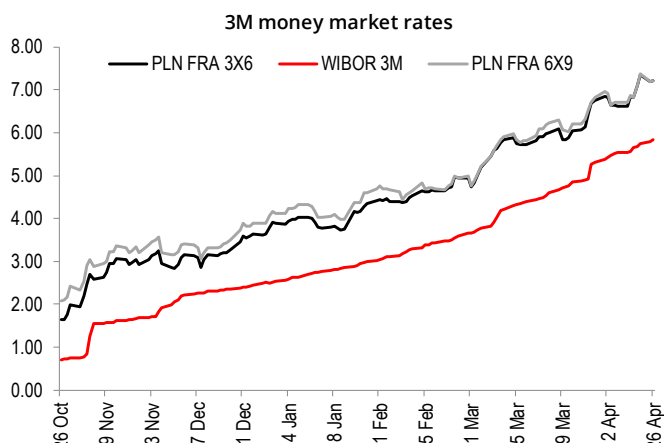
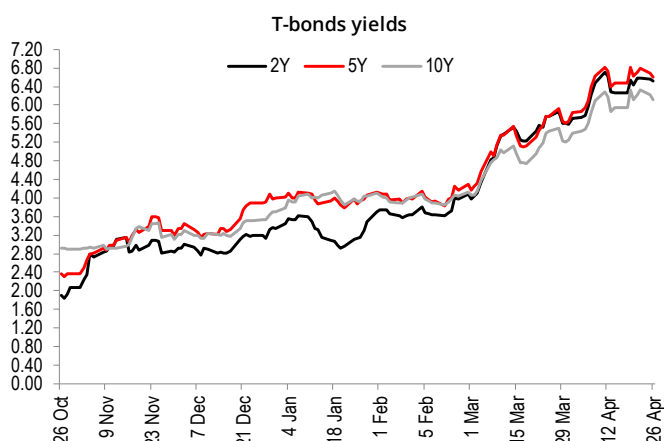
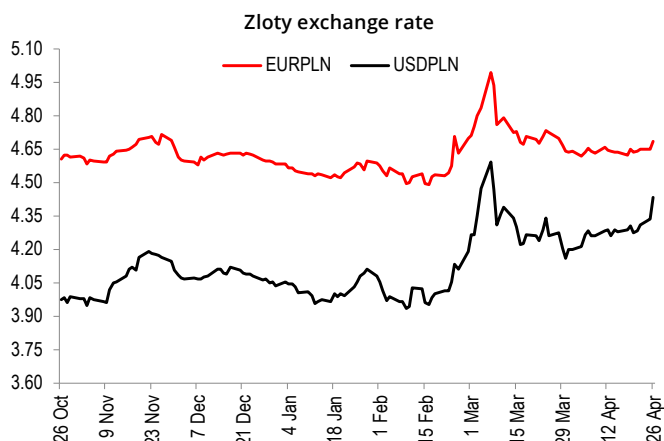
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	82	0	532	-5
France	12	-1	50	3
Hungary	112	0	609	9
Spain	45	0	99	0
Italy	57	0	174	0
Portugal	31	0	105	0
Ireland	12	0	65	4
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			
<b>FRIDAY (22 April)</b>								
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
<b>10:00</b>	<b>PL</b>	<b>Construction Output</b>	<b>Mar</b>	<b>% y/y</b>	<b>13.8</b>	<b>15.5</b>	<b>27.6</b>	<b>21.2</b>
<b>10:00</b>	<b>PL</b>	<b>Retail Sales Real</b>	<b>Mar</b>	<b>% y/y</b>	<b>8.8</b>	<b>7.8</b>	<b>9.6</b>	<b>8.1</b>
<b>MONDAY (25 April)</b>								
10:00	DE	IFO Business Climate	Apr	pts	89.1	-	91.8	90.8
<b>14:00</b>	<b>PL</b>	<b>Money Supply M3</b>	<b>Mar</b>	<b>% y/y</b>	<b>7.8</b>	<b>7.6</b>	<b>7.9</b>	<b>8.0</b>
<b>TUESDAY (26 April)</b>								
<b>10:00</b>	<b>PL</b>	<b>Unemployment Rate</b>	<b>Mar</b>	<b>%</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.5</b>
14:00	HU	Central Bank Rate Decision	Apr.22	%	5.40	-	5.40	4.40
14:30	US	Durable Goods Orders	Mar	% m/m	1.0	-	0.8	-1.7
16:00	US	Consumer Conference Board	Apr	pts	108.0	-	107.3	107.2
16:00	US	New Home Sales	Mar	% m/m	0.4	-	-8.6	-1.2
<b>WEDNESDAY (27 April)</b>								
16:00	US	Pending Home Sales	Mar	% m/m	-0.5	-	-	-4.1
<b>THURSDAY (28 April)</b>								
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
<b>FRIDAY (29 April)</b>								
09:00	CZ	GDP SA	1Q	% y/y	4.3	-	-	3.6
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Apr</b>	<b>% y/y</b>	<b>11.3</b>	<b>11.5</b>	<b>-</b>	<b>11.0</b>
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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