

Eyeopener

Today CPI in CEE region

Unemployment down in April
MPC's Kotecki: further hikes are necessary
Major decline of oil prices
Zloty outperforming EM currencies

Today we will get to see April inflation in Czecha and Hungary. In both cases the market is not expecting a decline in annual CPI growth – forecast range for Czechia is between 12.7% y/y (previous readings) and 14%. In case of Hungary, after March 8.5% market expectations for April are between 8.8% and 9.4% y/y.

MPC's Ludwik Kotecki said in an interview for TOK FM radio that further rate hikes are necessary and the Council cannot allow pauses in the cycle, as inflation will continue to go up and this is the most important reason to tighten the monetary policy. According to Kotecki, last week's hike by 75bp instead of 100bp (we guess that Kotecki was voting for the bigger move) means that the "lacking part" will have to be delivered in the following months, meaning either longer period of rate hikes or stronger moves in the future. It seems that the Council (in its current outline with 2 vacancies) is equally split between these focusing on the inflation mandate and on these worried about rising cost of credit and economic slowdown and thus would like to stop the monetary tightening. We think – taking into account our expectations for CPI – that the Council will hike rates by 75bp in June and 50bp in July (when new forecasts will be released) and this will end the monetary tightening phase.

Minister of family and social policy Marlena Małag said that **the registered unemployment rate** amounted to 5.3% in April as compared to 5.4% previously – in line with our forecast and market consensus. In April the number of jobseekers fell by 22.2k and this is a rather weak results as for this month (the smallest decline since 2001, if we omit the pandemic-driven rise in unemployment in April 2020).

EBRD lowered the Polish growth forecast for 2023 to 3.5% and kept the 2022 forecast at 4.0%. According to bank analysts there are downside risks linked to the war-related uncertainty and the humanitarian crisis, the further rise of energy prices and trade disruptions.

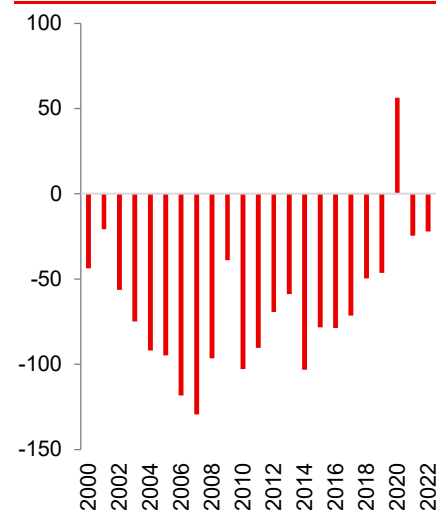
Weak Chinese trade data set a negative tone on stock markets – the European indices extended their decline to the lowest levels in two months. The recent large rise of core market bond yields was extended in the first hours of Monday trading but then came a correction which wiped the whole upside move since Friday morning on 10Y UST and more than a half of the move on 10Y Bund. This would not happen if it were not for the solid fall of oil prices (a barrel of Brent down from around US\$112 to US\$106) on news that the EU may not go as far with sanctions on Russia as banning the ships that carry Russian oil for third party countries. Also, Saudi Arabia decided to lower its oil price taking into account the fading demand of China, its top export destination. **EURUSD** remained between 1.05 and 1.06.

EURPLN halted its increase close to 4.72 – the level reached about week before after the news that Poland has been suspended with the gas supply from Russia. After that PLN came into the correction, which helped the currency to outperform other EM currencies. Today morning EURPLN is around 4.69.

Other CEE currencies: Only PLN, HUF, CZK and RON gained yesterday against the euro, which we connect with the decreased risk of war escalation – the Russian President's speech on the Victory Day did not contain official war declaration on Ukraine or the new round of military mobilisation but concentrated on the need of defending of Donbass against Ukraine. Czech industrial production surprised to the upside, returning in March to marginal annual increase (manufacturing, however, fell below zero on y/y basis, and car manufacturing decreased from -9.3% y/y to -17.4%).

Debt markets: Polish yields rose by 5bp on the belly and 17bp on the longer end, which enabled 10Y yield to reach 7%, and the curve slope grew to 25bp (against -25bp week ago). Further curve steepening was observed also in the US and in Germany, however amid decline of entire curves. Asset swap spreads narrowed by around 5bp. Oil prices decrease brought slight downward correction in Fed and ECB rate hikes expectations.

Monthly registered unemployment change in Poland, thousand persons



Source: Refinitiv, Santander

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FX market

Today's opening			
EURPLN	4.6923	CZKPLN	0.1872
USDPLN	4.4384	HUFPLN*	1.2355
EURUSD	1.0569	RUBPLN	0.0643
CHFPLN	4.4721	NOKPLN	0.4598
GBPPLN	5.4843	DKKPLN	0.6327
USDCNY	6.7028	SEKPLN	0.4410

*for 100HUF

Last session in the FX market						09/05/2022
	min	max	open	close	fixing	
EURPLN	4.677	4.714	4.708	4.693	4.706	
USDPLN	4.424	4.493	4.489	4.443	4.478	
EURUSD	1.049	1.057	1.051	1.056	-	

Interest rate market 09/05/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.81	6
DS0726 (5Y)	7.36	11
DS0432 (10Y)	7.00	16

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.62	6	2.41	-12	0.26	-4
2L	7.45	9	2.87	-18	1.01	-6
3L	7.23	14	2.95	-17	1.30	-6
4L	7.04	14	2.98	-17	1.47	-5
5L	6.91	17	2.99	-15	1.58	-4
8L	6.65	22	3.05	-11	1.82	0
10L	6.57	24	3.08	-11	1.95	1

WIBOR rates

Term	%	Change (bps)
O/N	5.08	6
T/N	5.24	0
SW	5.33	0
2W	5.35	2
1M	5.40	6
3M	6.31	-2
6M	6.59	4
1Y	6.77	4

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	7.11	3
3x6	7.72	7
6x9	7.81	9
9x12	7.81	14
3x9	7.95	10
6x12	8.01	14

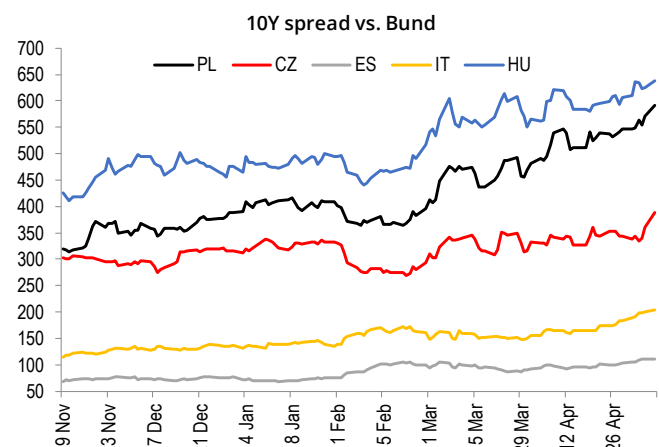
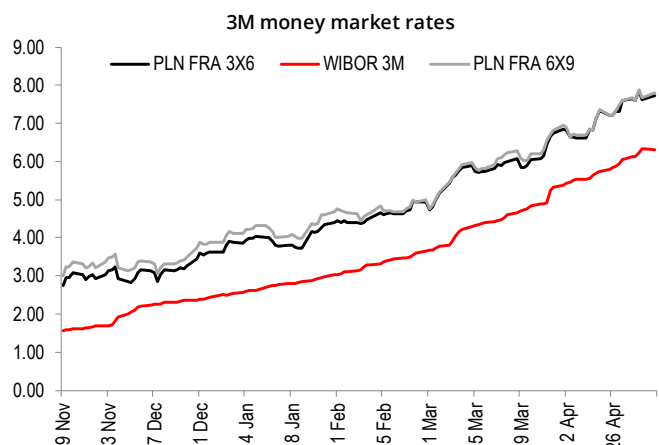
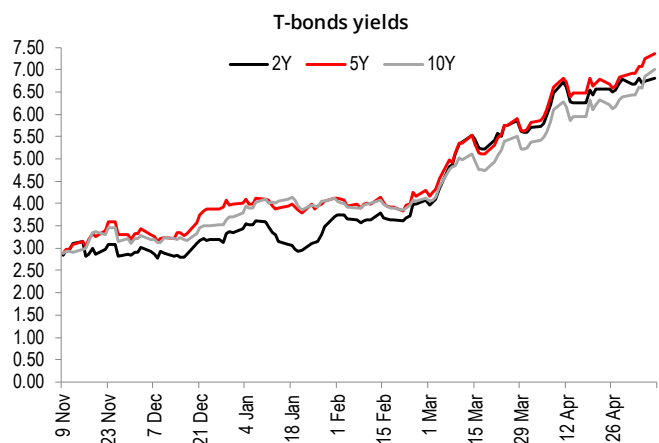
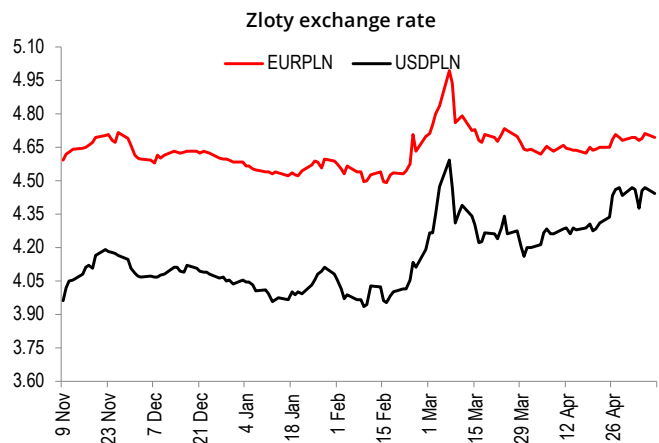
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	95	0	591	21
France	12	0	54	1
Hungary	122	0	639	14
Spain	55	3	112	1
Italy	68	3	205	4
Portugal	40	3	116	1
Ireland	13	0	73	5
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 (6 May)								
08:00	DE	Industrial Production SA	Mar	% m/m	-1.3	-	-3.9	0.1
09:00	HU	Industrial Production SA	Mar	% y/y	3.1	-	4.2	4.8
14:30	US	Change in Nonfarm Payrolls	Apr	k	380	-	428	431
14:30	US	Unemployment Rate	Apr	%	3.5	-	3.6	3.6
MONDAY (9 May)								
09:00	CZ	Industrial Production	Mar	% y/y	-2.8	-	-	-0.3
TUESDAY (10 May)								
09:00	CZ	CPI	Apr	% y/y	13.2	-	-	12.7
09:00	HU	CPI	Apr	% y/y	8.9	-	-	8.5
11:00	DE	ZEW Survey Current Situation	May	pts	-	-	-	-30.8
WEDNESDAY (11 May)								
08:00	DE	HICP	Apr	% y/y	7.8	-	-	7.6
14:30	US	CPI	Apr	% y/y	8.1	-	-	8.5
THURSDAY (12 May)								
14:30	US	Initial Jobless Claims		k	-	-	-	200
FRIDAY (13 May)								
10:00	PL	CPI	Apr	% y/y	12.3	12.3	-	11.0
11:00	EZ	Industrial Production SA	Mar	% m/m	-0.7	-	-	0.7
14:00	PL	Current Account Balance	Mar	€mn	-2935	-2478	-	-2871
14:00	PL	Trade Balance	Mar	€mn	-2194	-1836	-	-1741
14:00	PL	Exports	Mar	€mn	26259	25950	-	25270
14:00	PL	Imports	Mar	€mn	28919	28038	-	27011
16:00	US	Michigan index	May	pts	63.7	-	-	65.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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