

13 May 2022

Eyeopener

NBP president appointed for the second term

Full breakdown of April's inflation today

Second term of Adam Glapiński as NBP president approved by the Sejm

Czech central bank intervened to support the koruna

Hungarian central bank does not to fight inflation aggressively

Today final CPI inflation data for April will be released. The data will show a detailed breakdown of price growth, which has pushed CPI to 12.3% y/y according to flash estimate and are likely to confirm another strong rise in core inflation (to the new record 7.5% y/y – the official release on Monday). Please keep in mind that final CPI data for March as well as the final months of 2021 were slightly above flash estimates (there were no flash releases for January-February). In the afternoon the balance of payments data will be released, which is likely to show another large current account deficit in March. Also today, industrial production data in the euro zone, which may be viewed as important gauge after strongly disappointing German output released last week.

Adam Glapiński has been approved by the parliament for the second 6-year term as the NBP governor. The positive result of the vote could imply there has been an agreement in the ruling coalition, which may result also in a progress in work on the judiciary bill next week; those legal changes are key for unlocking money from the recovery fund.

The Polish Meteorological Institute IMiGW signalled **the growing threat of drought**, with particularly adverse conditions expected in July and September. The drought would negatively affect agricultural crops and led to a quicker rise on food prices.

The minister of labour said that some 132k **Ukrainians have found a job in Poland** since the outbreak of the war.

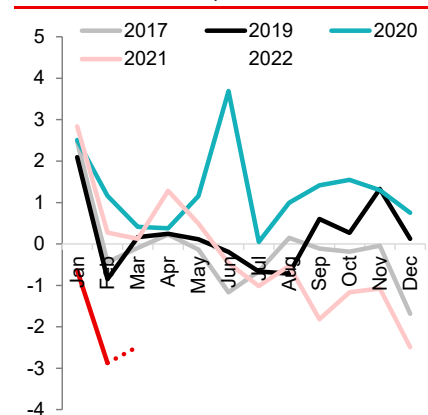
EURUSD broke out of the range of 1.05 – 1.06, in which it was fluctuating in the last days, and fell to 1.04. The further dollar appreciation resulted from maintained geopolitical and economic risks related to the war in Ukraine and growing market doubts concerning materialisation of a scenario of global “soft landing”. These fears have been additionally enhanced by increasing risk of defaults among Chinese real estate developers, which have faced even more difficulties with paying off their bonds.

EURPLN rose from around 4.66 to 4.67. The significant dollar appreciation on Thursday exerted pressure on the zloty, which during the day tried to reach 4.70. Although Putin had not called a general mobilisation on 9 May, the latest reports suggest that Russia prepares for an annexation of the occupied Cherson district. It may mean that Russia is getting prepared for a longer conflict, likely focused now annexation of the whole “land bridge to Crimea”. The Polish zloty was recently supported by growing hopes for the Recovery Plan unlock associated with the agreement in the ruling coalition, which potentially paves way for necessary parliamentary legislative changes. Despite unfavourable external environment, the scale of PLN depreciation was limited, and at the end of the day EURPLN was able to return to 4.66.

Other CEE currencies: CNB held a non-scheduled meeting and decided to launch FX interventions to support the koruna. The action sent EURCZK quickly below 25.0, more or less the level seen before the sudden CZK weakness on Wednesday after the nomination of the new central bank head, a stark opponent of rate hikes. Hungary kept the 1W deposit rate at 6.45%. Deputy MNB governor Barnabas Virag said the fight with inflation moved from aggressive phase to gradual phase and that current economic developments are a textbook example of stagflation. He also claimed that the key issue now is to protect household savings and that retail deposit rates in his view responded insufficiently to the MNB rate hikes. He suggested that an extension of the freeze of interest rates used for mortgage loan servicing should be considered. The forint was yesterday the only EM currency to lose vs. the euro (1% loss), while the koruna was one of the best performers, gaining 1.8% vs. the euro.

On the interest rate market the growing worries about global economic slowdown led also to a drop of yield curves on core markets and in Poland. The local yield curve and IRS curve fell both by around 30bp. There was a similar decline in the end-2022 rate level expected by the markets in Poland. The US and German yield curves dropped on Thursday by less than the Polish one, but have been seen declining for several days now, so one can say that the changes on the local market were delayed vs. the core markets. Considering the scale of the rise in yields in the previous weeks, the currently observed declines can still be treated as a correction rather than a change of the trend.

Poland's C/A balance, EURbn



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
 Jarosław Kosaty +48 887 842 480
 Marcin Luziński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.6618	CZKPLN	0.1865
USDPLN	4.4877	HUFPLN*	1.2167
EURUSD	1.0386	RUBPLN	0.0709
CHFPLN	4.4728	NOKPLN	0.4549
GBPPLN	5.4762	DKKPLN	0.6262
USDCNY	6.7975	SEKPLN	0.4434

*for 100HUF

Last session in the FX market						11/05/2022
	min	max	open	close	fixing	
EURPLN	4.649	4.681	4.674	4.666	4.684	
USDPLN	4.404	4.438	4.434	4.429	4.486	
EURUSD	1.050	1.058	1.054	1.054	-	

Interest rate market 11/05/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.51	-29
DS0726 (5Y)	7.08	-23
DS0432 (10Y)	6.72	-23

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.36	-21	2.46	-2	0.18	-3
2L	7.11	-25	2.83	-9	0.77	-12
3L	6.86	-27	2.89	-9	1.01	-15
4L	6.64	-29	2.88	-8	1.16	-17
5L	6.50	-31	2.87	-7	1.27	-14
8L	6.24	-30	2.89	-6	1.51	-19
10L	6.17	-29	2.92	-5	1.63	-15

WIBOR rates

Term	%	Change (bps)
O/N	4.96	0
T/N	5.23	9
SW	5.34	0
2W	5.38	0
1M	5.47	2
3M	6.40	1
6M	6.63	-1
1Y	6.80	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.94	-13
3x6	7.41	-28
6x9	7.46	-27
9x12	7.43	-26
3x9	7.61	-30
6x12	7.63	-30

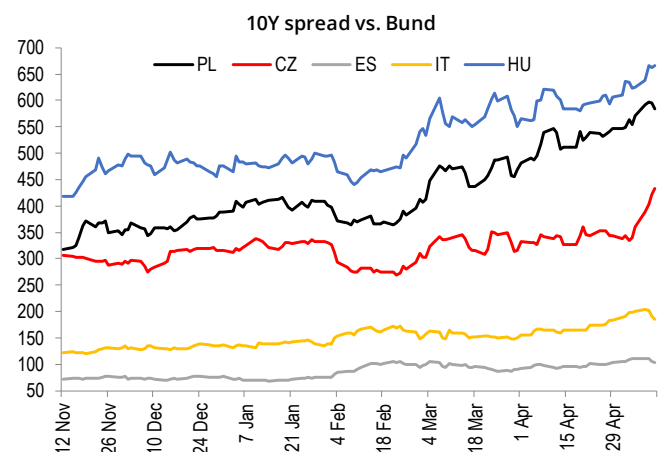
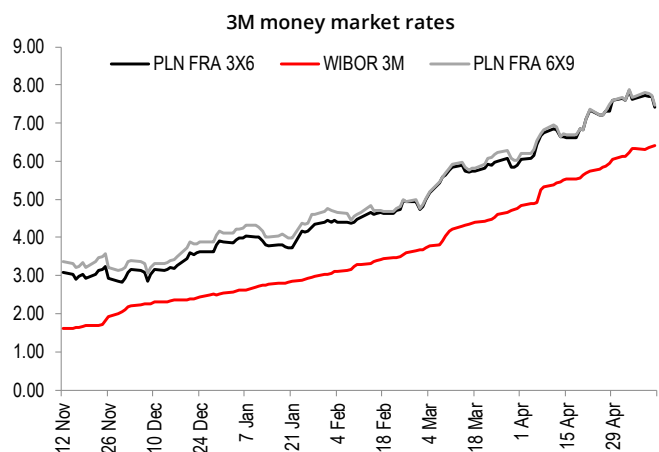
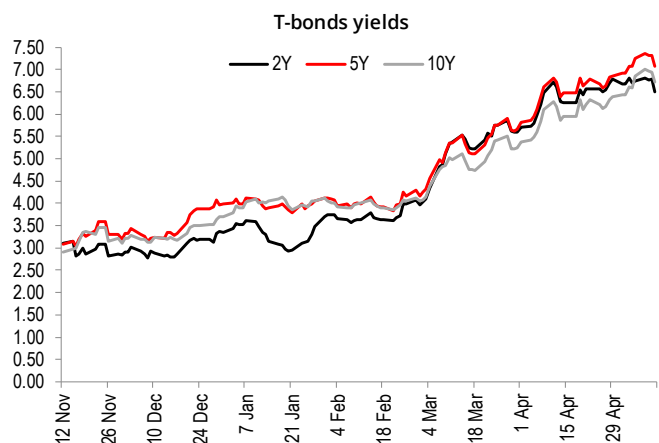
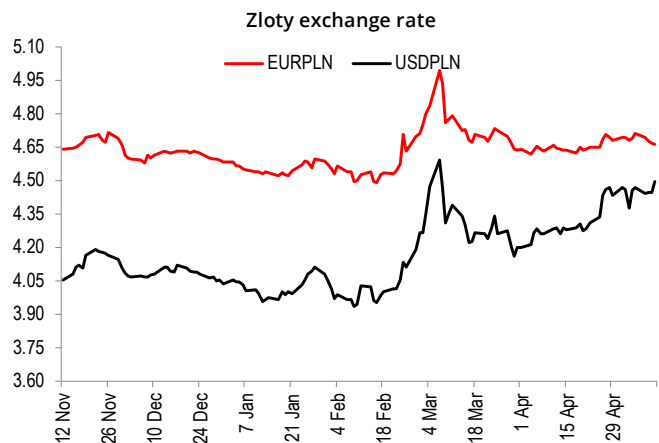
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	108	13	585	-10
France	12	0	52	-3
Hungary	122	2	666	3
Spain	53	0	103	-2
Italy	60	-2	185	-7
Portugal	40	0	109	-2
Ireland	13	0	63	-2
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	-	14.2	12.7
09:00	HU	CPI	Apr	% y/y	8.9	-	9.5	8.5
11:00	DE	ZEW Survey Current Situation	May	pts	-35.0	-	-36.5	-30.8
WEDNESDAY (11 May)								
08:00	DE	HICP	Apr	% y/y	7.8	-	7.8	7.6
14:30	US	CPI	Apr	% y/y	8.1	-	8.3	8.5
THURSDAY (12 May)								
14:30	US	Initial Jobless Claims		k	192	-	203	202
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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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>.