

## Eyeopener

### European Commission's spring forecasts

Today Polish core inflation, EC forecasts for EU economies  
 Polish recovery plan to be approved before the next Sejm sitting  
 April CPI a bit above the flash reading, deeper deficit of Polish C/A  
 Poor industrial output in the Eurozone, large declines in China's activity data

**Today** core inflation for April will be released. We expect another record-high reading at 7.7% y/y after 6.9% in March. European Commission will show its new economic forecasts. Today in the morning Chinese data on industrial output (-2.9% y/y) and retail sales (-11.1% y/y) showed the worst performance since the start of pandemic, reinforcing worries about global growth. Chinese central bank did not decide to ease monetary policy.

Government's spokesman said the negotiations on the milestones for the **recovery fund for Poland** has been completed and the plan is waiting for the EC's approval, which should take place in a couple of days. According to DGP daily the approval of recovery and resilience plan could take place before Sejm approves the law liquidating the Disciplinary Chamber of the Supreme Court, most likely at its next sitting (25-26 May).

**MPC's Przemysław Litwiniuk** said that even though he supports further monetary tightening, the rate hikes are too fast. He reminded his earlier forecast about inflation peaking at 17% saying that it is burdened with high uncertainty.

**April CPI inflation** was revised to 12.4% y/y in the final print from 12.3% y/y in the flash release and vs. 11.0% y/y in March. The data are clearly showing that apart from the general strong upside inflationary pressure, consumer prices are being pushed higher by the consequences of the war in Ukraine. We expect that CPI inflation will reach a peak above 14% y/y in June-July. We estimate April's core inflation at 7.7% y/y and we are expecting it to exceed 8% y/y soon. We assume the decline of inflation after summer will enable the MPC to refrain from further monetary policy tightening after raising rates in June and July by 125bp in total. Read more in [Economic comment](#).

According to NBP data, in 1Q22 the **housing prices** were still rising at a fast rate. Transactional prices on the primary market in Warsaw rose by 16.4% y/y vs 13.5% y/y in 4Q21, by 17.2% y/y vs 17.1% y/y in 6 biggest cities and by 19.0% y/y vs 18.8% y/y in 10 medium cities. All these growth rates were the highest since 2008, but we are expecting the pressure on housing prices to go down in reaction to strong monetary tightening and rising financing costs.

**March C/A balance** showed -EUR3bn. This is the lowest monthly reading since mid-2011 and lowest print for March at least since 2004 (older data are incompatible). Export growth was 16.2% y/y. Import surprised to the upside, with growth rate up to 34.3% y/y from 20.2% in February. The massive drop of trade balance to -EUR3.25bn (the worst on record) from -EUR1.56bn was mostly attributed to the global spike in fuel prices. The 12M rolling sum of C/A balances dropped in March to -2.2% of GDP from -1.7% in February.

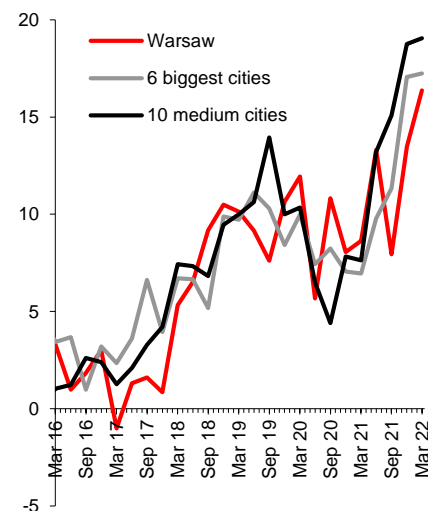
**EURUSD** continued its decline breaking the level of 1.04. Weaker industrial production data from the Eurozone (-1.8 m/m) and today's poor Chinese prints fit in the scenario of global economic slowdown, which recently strongly influences sentiment of FX markets.

**EURPLN** rose from around 4.66 to about 4.69. In the face of grim moods on the global markets associated with the worries of hard landing of the global economy, the pressure on the zloty began to rise again. Very weak data on the European production and worse than expected Polish current account reading harmed the zloty, which tried to approach 4.70 vs the euro again. In these negative circumstances the zloty got some support from the news concerning the agreement between the government and European Commission on the "milestones" paving the way to Recovery Plan unlock. Monday morning EURPLN is close to 4.68.

**Other CEE currencies:** EURCZK made another fast move downwards, below 24.8, pushed by the CNB intervention. Although the bank's board when communicating its last policy decisions signalled preference for fighting inflation rather with rate hikes than the forced exchange rate appreciation, the fact of nominating new CNB chair who is known as a staunch opponent of raising rates, apparently has changed the view on the FX interventions.

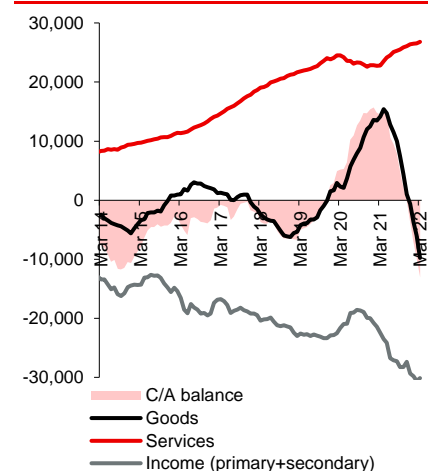
**Debt market:** Friday saw yields and IRS rates rising again in Poland as well as on the core markets. Detailed CPI release fuelled the inflation expectations, while information about agreement between the government and the European Commission about milestones was positive for market's assessment of the growth outlook. Thus, 10Y yields increased to 6.85% from 6.71% and the yield curve steepened by 11bp. Market expectations for NBP rates at the end of the year remained flat.

#### Transactional house prices on the primary market, % y/y



Source: NBP, Santander

#### 12-month current account balances, €mn



Source: NBP, Santander

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### FX market

#### Today's opening

EURPLN	4.6787	CZKPLN	0.1885
USDPLN	4.4941	HUFPLN*	1.2062
EURUSD	1.0404	RUBPLN	0.0719
CHFPLN	4.4802	NOKPLN	0.4605
GBPPLN	5.5109	DKKPLN	0.6280
USDCNY	6.7911	SEKPLN	0.4480

\*for 100HUF

#### Last session in the FX market 13.05.2022

	min	max	open	close	fixing
EURPLN	4.657	4.697	4.658	4.693	4.668
USDPLN	4.477	4.526	4.480	4.506	4.485
EURUSD	1.035	1.042	1.040	1.041	-

### Interest rate market 13.05.2022

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.51	0
DS0726 (5Y)	7.08	0
DS0432 (10Y)	6.84	12

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.40	4	2.48	2	0.21	3
2L	7.17	6	2.87	4	0.79	3
3L	6.91	5	2.89	0	1.04	3
4L	6.71	6	2.90	3	1.20	3
5L	6.58	8	2.90	3	1.32	4
8L	6.34	10	2.95	6	1.57	7
10L	6.26	8	2.98	5	1.71	8

### WIBOR rates

Term	%	Change (bps)
O/N	5.07	11
T/N	5.25	2
SW	5.34	0
2W	5.39	1
1M	5.49	2
3M	6.41	1
6M	6.65	2
1Y	6.80	0

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

Term	%	Change (bps)
1x4	6.96	2
3x6	7.42	1
6x9	7.51	5
9x12	7.49	6
3x9	7.64	2
6x12	7.69	7

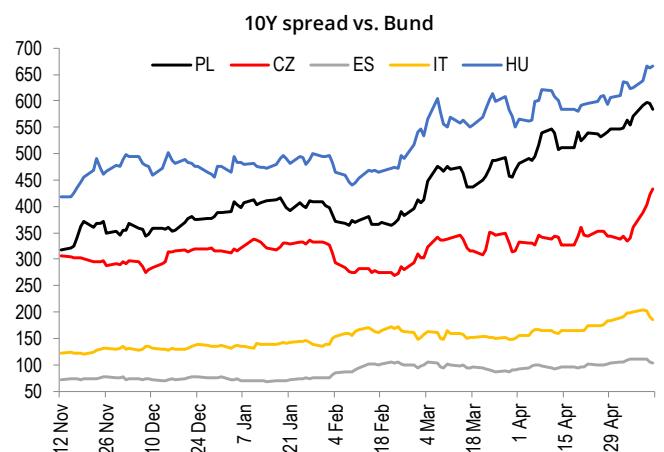
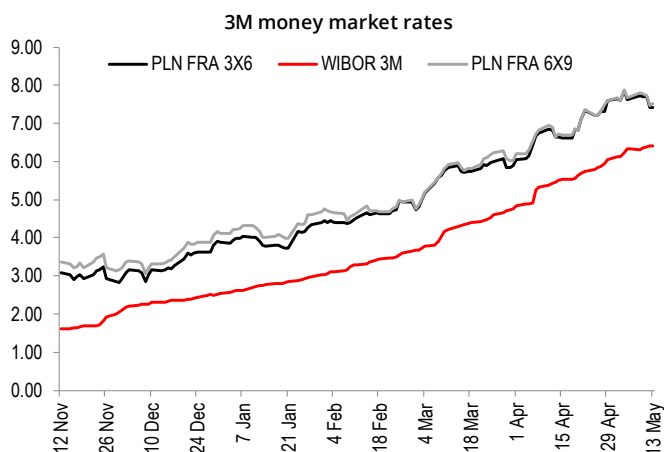
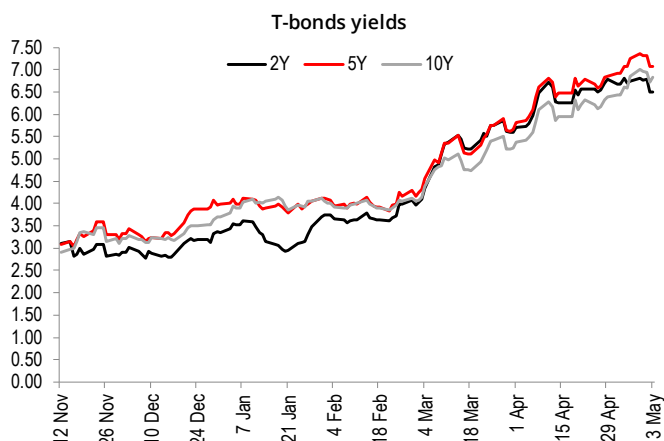
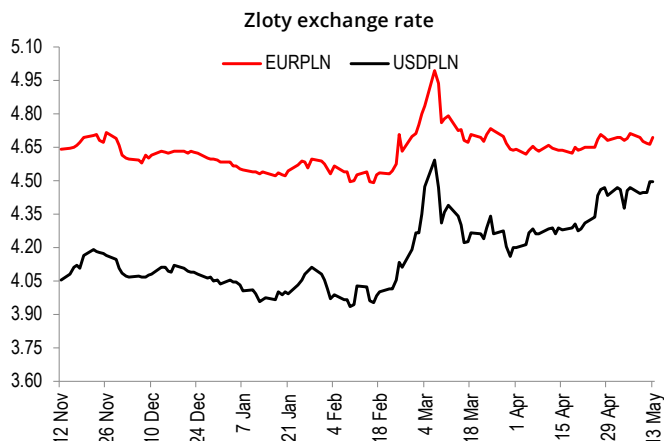
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	100	-8	585	-10
France	11	0	52	-3
Hungary	120	-2	666	3
Spain	53	0	103	-2
Italy	60	0	185	-7
Portugal	40	0	109	-2
Ireland	12	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			
<b>FRIDAY (13 May)</b>								
10:00	PL	CPI	Apr	% y/y	12.3	12.3	12.4	11.0
11:00	EZ	Industrial Production SA	Mar	% m/m	-0.7	-	-1.8	0.5
14:00	PL	Current Account Balance	Mar	€mn	-2935	-2478	-2972	-2663
14:00	PL	Trade Balance	Mar	€mn	-2194	-1836	-3253	-1559
14:00	PL	Exports	Mar	€mn	26259	25950	25831	25141
14:00	PL	Imports	Mar	€mn	28919	28038	29084	26700
16:00	US	Michigan index	May	pts	63.7	-	59.1	65.2
<b>MONDAY (16 May)</b>								
14:00	PL	CPI Core	Apr	% y/y	7.5	7.7	-	6.9
<b>TUESDAY (17 May)</b>								
09:00	HU	GDP	1Q	% y/y	7.8	-	-	7.1
10:00	PL	GDP	1Q	% y/y	8.1	8.1	-	7.3
11:00	EZ	GDP SA	1Q	% y/y	5.0	-	-	5.0
14:30	US	Retail Sales Advance	Apr	% m/m	1.0	-	-	0.7
15:15	US	Industrial Production	Apr	% m/m	0.4	-	-	0.9
<b>WEDNESDAY (18 May)</b>								
11:00	EZ	HICP	Apr	% y/y	-	-	-	7.5
14:30	US	Housing Starts	Apr	% m/m	-1.7	-	-	0.3
<b>THURSDAY (19 May)</b>								
14:30	US	Initial Jobless Claims		k	193	-	-	203
14:30	US	Index Philly Fed	May		16.7	-	-	17.6
16:00	US	Existing Home Sales	Apr	% m/m	-2.1	-	-	-2.7
<b>FRIDAY (20 May)</b>								
10:00	PL	Employment in corporate sector	Apr	% y/y	2.7	2.8	-	2.4
10:00	PL	Sold Industrial Output	Apr	% y/y	14.5	12.3	-	17.3
10:00	PL	PPI	Apr	% y/y	20.3	20.5	-	20.0
10:00	PL	Average Gross Wages	Apr	% y/y	12.3	12.4	-	12.4

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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