

Eyeopener

Polish GDP beats forecasts again

Polish GDP growth up to 8.5% y/y in 1Q22

Knot: ECB may hike rates by 50bp in July

Export to Russia, Ukraine, Belarus down by almost a half in March y/y

Today April's HICP inflation data in Europe and US housing market numbers.

The European Commission said that **European companies should pay for Russian gas** using currency outlined in the contract, while payment in roubles would be a breach of sanctions. The Polish government approved a bill on **14th pension**, which is to be disbursed already in August as compared to November in 2021.

1Q22 GDP growth in Poland amounted to 8.5% y/y and 2.4% q/q (s.a.), stronger than expected. Once again, the Polish economy proved its strength and resilience, confirming that the post-pandemic recovery was very robust. The flash print does not reveal the detailed breakdown, but we suspect that private consumption played an important role in boosting economic activity; investments were also reviving, most likely. The strong start of the year does not change the fact that we expect to see economic slowdown in the following quarters, under impact of commodity price shock, interest rate shock, supply chains disruptions and slowing external demand. But even assuming a technical recession in 2H22, the average GDP growth in 2022 could be near 4.5% (due to high starting point).

GUS data on **foreign goods trade in March** showed exports accelerating to 17.2% y/y from 14.2% y/y in February, even though exports to a group of non-EU CEE countries (incl. Russia, Ukraine, Belarus, Moldova and Albania) tumbled by 47.5% y/y. Export to Germany improved, to 14.2% y/y from 8% y/y, while exports to other EU countries taken together and to non-EU developed economies was by 25% higher than one year ago. Import grew by 33.9% y/y (27.1% y/y previously), with import from Russia up by 148.2% y/y, from China by 41.2% and from the USA by 53.2%. Also import from Italy saw a major rebound to 30.5% from 4.1% y/y.

PM Morawiecki said that it is very likely the **government will extend the anti-inflation shield** or most of its parts. In his view the shield will be withdrawn only when inflation will be in the horizontal or downward trend and salaries will keep rising. We think the package will be extended at least until the end of this year.

Development minister Waldemar Buda said that **approval of Poland's recovery and resilience plan** will take place at the start of June. Please be reminded that the payments of funds will not take place before Poland fulfils EC's requirements regarding the rule of law restoration.

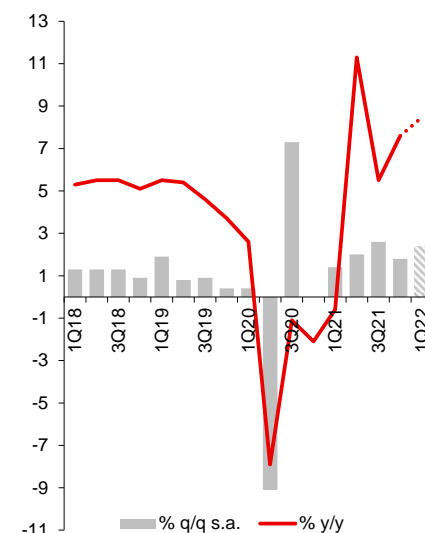
EURUSD rose above 1.05 from nearly 1.04. After in recent days the rate started seeking new lows, the ECB members became more active, trying to boost expectations for interest rate hikes in the euro zone. Madis Mueller was mulling possibility of pre-announcing July rate hike at the June meeting (the obstacle for rate hike in June would be only the ECB commitment of ending asset purchases before the rate move). Klaas Knot said that in July rates should go up by 25bp but even 50bp move cannot be ruled out if inflation keeps "broadening further or accumulating".

EURPLN declined from 4.66 to 4.65. After strong GDP data for 1Q22 the exchange rate even attempted to attack 4.64, but it failed.

Other CEE currencies: EURCZK was fluctuating closely to the level of 24.7. Czech Prime Minister, after the talks with the President, expressed hope on the continuation of the current monetary policy of the CNB through subsequent nominations to the CNB board, which could ensure more balanced composition of views in this body. The market doubts rose after last week's nomination of Ales Michl for the chair of CNB. In previous votings he was against all the rate hikes which occurred since July 2021. EURHUF fell to about 386 from 390 after better than expected Hungarian GDP 1Q data. MNB deputy chair called the government to trim budgetary spendings so as to ensure more consistency with the monetary policy. In his view one of the conditions of suppressing inflation is also to bring the real rates to the positive territory.

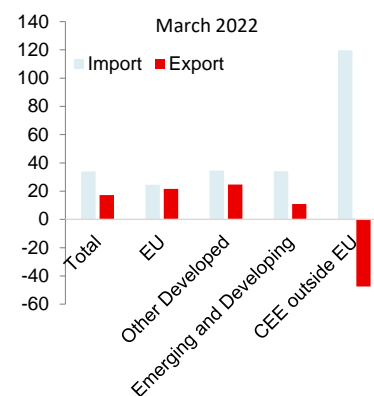
Debt Market: On Tuesday Polish yield curve continued a downward correction despite the better-than-expected domestic GDP data. The market fears that MPC may be gradually making attempts to end rate hikes in coming months and take more wait-and-see attitude in relation to the inflation cycle. The factor which can act against the strengthening of domestic debt are rising prices of energy commodities. It was reported that the Ministry of Finance is going to issue EUR bonds (no information yet on the date and size of the auction). On core markets a downward correction seem to have been finished. Strong retail sales and production releases from the US bumped upward the US curve. In turn German curve was lifted by better than expected 1Q GDP reading from the Eurozone and increasingly hawkish ECB members remarks on rates.

GDP growth



Source: GUS, Santander

Poland's international trade in goods by country groups for selected month, %/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.6514	CZKPLN	0.1877
USDPLN	4.4139	HUFPLN*	1.1924
EURUSD	1.0535	RUBPLN	0.0694
CHFPLN	4.4390	NOKPLN	0.4550
GBPPLN	5.5054	DKKPLN	0.6249
USDCNY	6.7394	SEKPLN	0.4439

*for 100HUF

Last session in the FX market 17.05.2022

	min	max	open	close	fixing
EURPLN	4.641	4.657	4.652	4.650	4.656
USDPLN	4.401	4.457	4.455	4.415	4.438
EURUSD	1.044	1.056	1.044	1.053	-

Interest rate market 17.05.2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.28	-4
DS0726 (5Y)	6.84	-11
DS0432 (10Y)	6.62	-9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.23	-6	2.56	7	0.34	8
2L	6.99	-4	2.97	12	0.94	11
3L	6.71	-3	3.01	16	1.17	11
4L	6.50	-3	3.00	14	1.31	11
5L	6.35	-3	2.99	13	1.41	11
8L	6.15	-3	3.02	12	1.64	9
10L	6.11	-1	3.04	10	1.76	8

WIBOR rates

Term	%	Change (bps)
O/N	5.04	-1
T/N	5.20	-1
SW	5.34	0
2W	5.39	0
1M	5.56	1
3M	6.44	2
6M	6.66	0
1Y	6.80	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.84	-1
3x6	7.21	-1
6x9	7.28	-4
9x12	7.25	-4
3x9	7.40	-6
6x12	7.45	-6

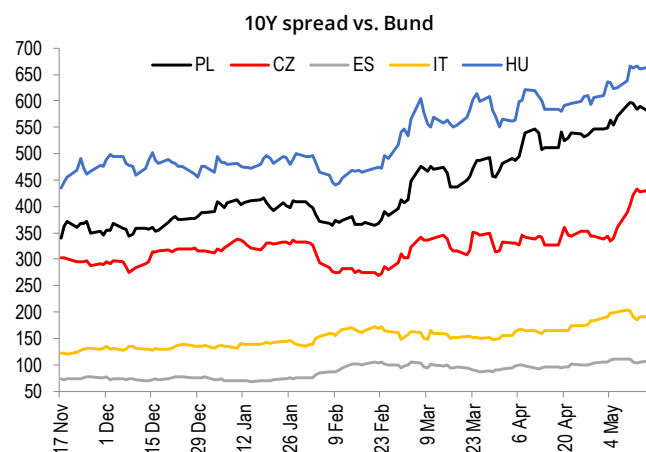
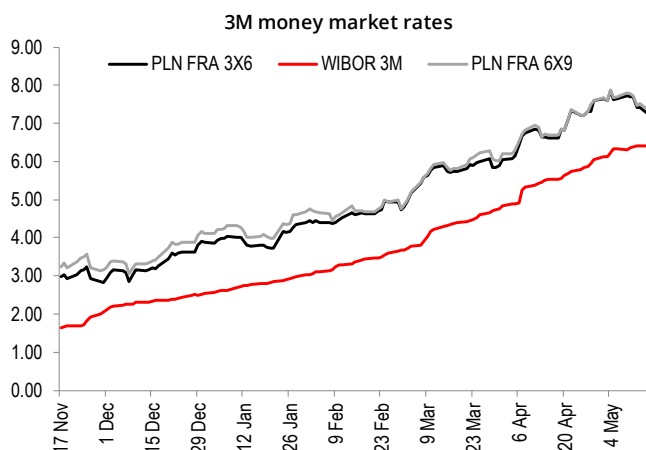
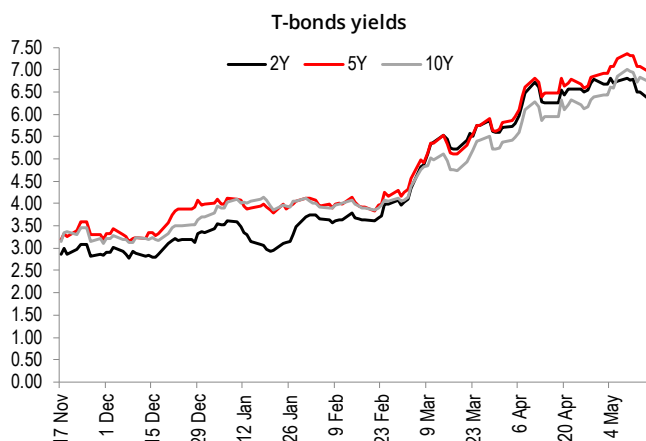
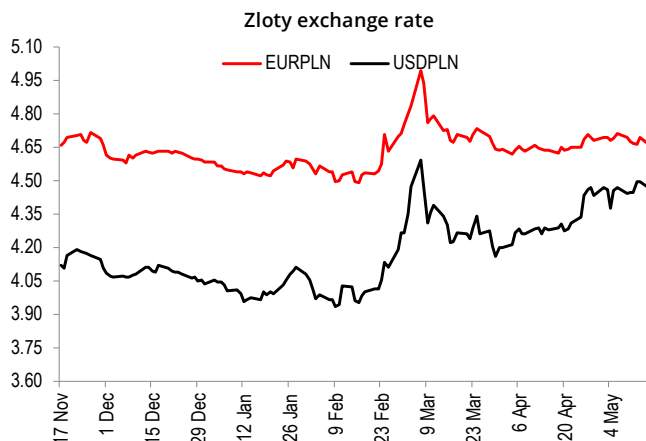
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	5	557	-21
France	11	0	50	-1
Hungary	125	0	652	-12
Spain	53	0	107	0
Italy	60	0	192	1
Portugal	40	0	113	0
Ireland	12	0	63	1
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 (13 May)								
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
MONDAY (16 May)								
14:00	PL	CPI Core	Apr	% y/y	7.5	7.7	7.7	6.9
TUESDAY (17 May)								
09:00	HU	GDP	1Q	% y/y	7.8	-	8.2	7.1
10:00	PL	GDP	1Q	% y/y	8.1	8.1	8.5	7.3
11:00	EZ	GDP SA	1Q	% y/y	5.0	-	5.1	4.6
14:30	US	Retail Sales Advance	Apr	% m/m	1.0	-	0.9	1.4
15:15	US	Industrial Production	Apr	% m/m	0.4	-	1.1	0.9
WEDNESDAY (18 May)								
11:00	EZ	HICP	Apr	% y/y	-	-	-	7.5
14:30	US	Housing Starts	Apr	% m/m	-1.7	-	-	0.3
THURSDAY (19 May)								
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
FRIDAY (20 May)								
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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