

Eyeopener

Not all Polish data look rosy

Today money supply data for April, companies' financial results for 1Q22
Retail sales surprised to the upside, construction output to the downside
Zloty kept strengthening, bond yields higher

Today the statistics office is to publish 1Q22 companies' financial results and the NBP is to release April M3 money supply data. The former will show whether companies still managed to pass on rapidly rising costs to their final prices or whether they started encountering a demand barrier. The M3 data will show how credit reacted to monetary tightening in Poland and to the prospect of further rate hikes. Preliminary PMIs for May will also be shown in Europe.

Germany's Ifo index rose unexpectedly in May (the rebound was seen in the current situation indicator, expectations remained at historically low levels), which on the one hand gives hope that today's flash PMIs in Europe will also rebound, but on the other hand it was not a big enough upward move to pull the index out of the area suggesting a decline in German GDP in 2Q. ECB head **Christine Lagarde** said that the bank's intention is to end its negative deposit rate policy by the end of 3Q. The further path of rate hikes will depend on the medium-term inflation outlook. The baseline scenario is a neutral monetary policy, but she also did not rule out the possibility of moving to a restrictive policy if there were signs of overheating in the economy. Lagarde pointed out, however, that both negative supply shocks and positive demand shocks are the source of current inflation in the euro area, so the current monetary policy environment requires comprehensive observation.

In his message to the economic forum in Davos, **NBP head Adam Glapiński** repeated the view he had expressed after the last meeting of the MPC: interest rates in Poland will continue to rise until the MPC is "confident that inflation will fall permanently". Later in the speech, however, he pointed out that due to the supply-side nature of inflation, the pace of policy tightening would be calibrated so as not to cause excessive social and economic damage. We remind that the last 75bp rate hike disappointed the market that was awaiting a 100bp move. At the same time, more or less since then, the market has started trimming expectations for future rate hikes in Poland (FRA rates covering the coming year are now some 25-30 bps lower than at the end of the day of the last MPC meeting).

Polish **retail sales** accelerated to 19.0% y/y in April from 9.6% y/y in March. This is mainly due to the lockdown a year ago and the timing of Easter, but we also see confirmation of current strong demand in the data. The labour market situation will keep supporting consumption, but the positive base effect will be fading, taking retail sales growth down.

Construction output showed in April a much lower growth than had been expected – the opposite of the March picture. The poor April reading may be an expression of supply side constraints. Demand will also be softening, taking the output growth below zero still this year. See more in the [Economic comment](#).

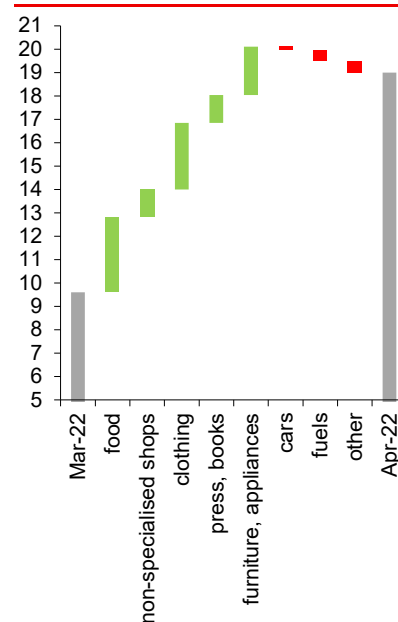
EURUSD rose above 1.06. Euro was supported by the rise of German Ifo and hawkish remarks of the ECB chair, which announced the end of the negative deposit rates policy in Q3 and further rate hikes until medium term inflationary prospects shows its return to 2% target.

EURPLN slid to around 4.61 from 4.63. Polish zloty was supported by German Ifo index release and much better-than-expected domestic retail sales data. Signals of imminent unlock of Polish recovery plan are also supportive for PLN (media suggest that it may be approved by the European Commission this or next Wednesday). During Monday the exchange rate had broken 4.60 but until the end of a day it returned above this key level. Today the exchange rate is quoting slightly above 4.61.

Other CEE FX: EURCZK declined marginally below 24.65. Despite the weaker dollar, the appreciation of the koruna was limited by the prospects of a close end of rate hikes by CNB as the new governor takes over in July. The better sentiment on global markets also helped the forint. EURHUF fell to around 382 from 384.

On the **interest rate market**, on Monday the Polish yield curve and swap curve went up. The large rise of retail sales on the back of strong industrial output and labour market data from Friday indicated that there are no clear signs of slowdown in the economy and in inflationary processes. As a result on the FRA market there was a renewed rise of rate hike expectations. The scenario of global slowdown discounted in the past weeks on main markets was not confirmed locally in the Polish data. In our view this increases the probability that Polish curves will keep going up in the following days.

Change in annual growth rate of retail sales, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.6107	CZKPLN	0.1870
USDPLN	4.3176	HUFPLN*	1.1923
EURUSD	1.0684	RUBPLN	0.0751
CHFPLN	4.4682	NOKPLN	0.4485
GBPPLN	5.4266	DKKPLN	0.6195
USDCNY	6.6776	SEKPLN	0.4389

*for 100HUF

Last session in the FX market						23/05/2022
	min	max	open	close	fixing	
EURPLN	4.596	4.626	4.625	4.608	4.617	
USDPLN	4.306	4.369	4.366	4.319	4.337	
EURUSD	1.059	1.069	1.059	1.067	-	

Interest rate market 23/05/2022

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	6.31	9
DS0726 (5Y)	6.73	1
DS0432 (10Y)	6.54	5

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.35	6	2.59	5	0.39	2
2L	7.10	8	2.89	6	0.98	6
3L	6.75	9	2.91	7	1.20	7
4L	6.46	8	2.88	6	1.33	7
5L	6.27	7	2.87	6	1.42	6
8L	6.00	7	2.87	7	1.62	5
10L	5.95	9	2.88	6	1.73	5

WIBOR rates

Term	%	Change (bps)
O/N	5.08	-3
T/N	5.19	-5
SW	5.33	0
2W	5.39	1
1M	5.71	9
3M	6.48	2
6M	6.70	1
1Y	6.81	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.94	4
3x6	7.33	7
6x9	7.45	7
9x12	7.40	6
3x9	7.52	9
6x12	7.60	8

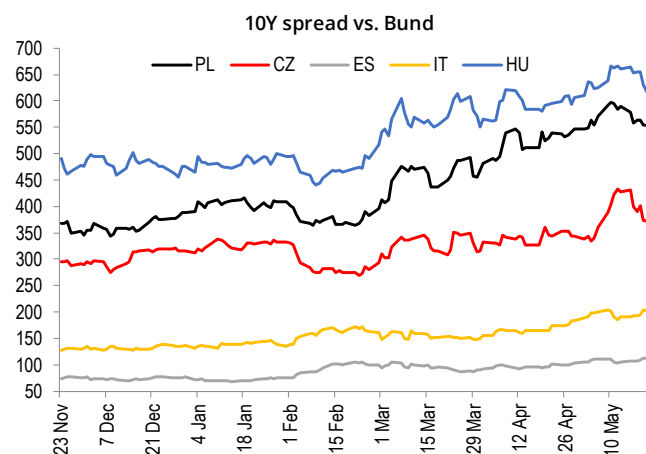
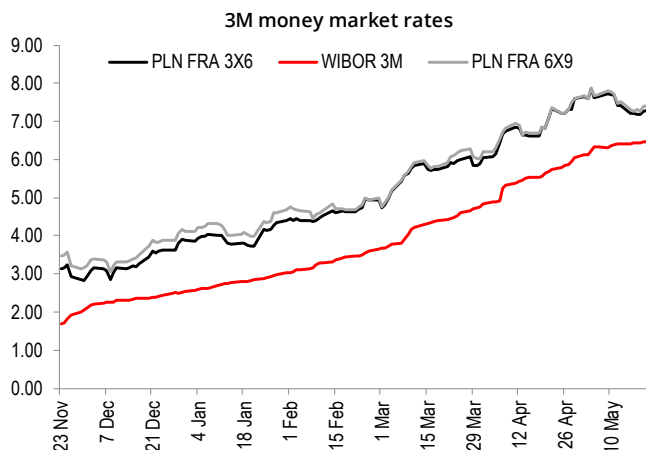
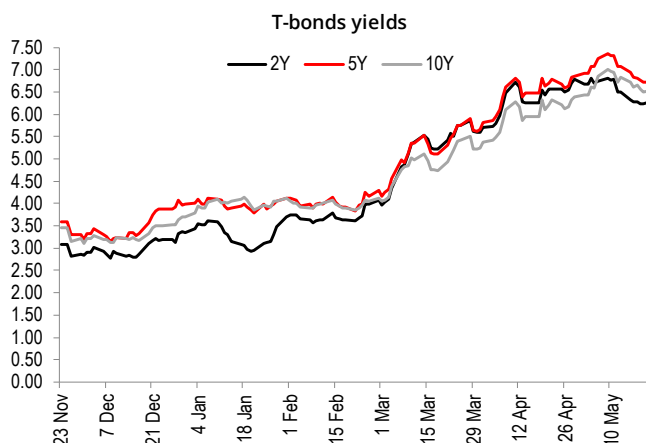
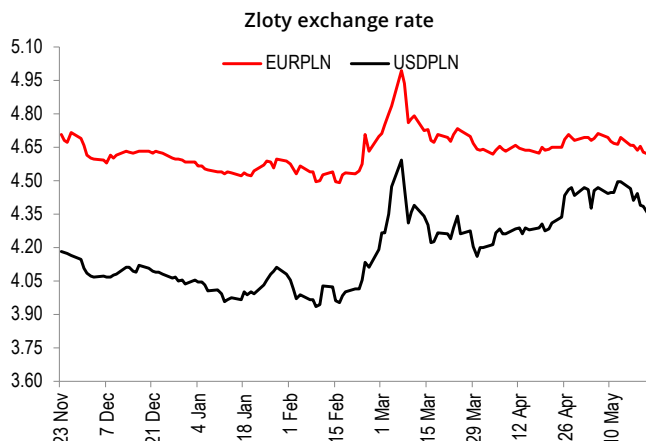
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	0	552	-3
France	11	0	52	0
Hungary	130	0	594	-36
Spain	55	0	112	-2
Italy	65	0	201	-3
Portugal	43	0	116	-3
Ireland	12	0	60	0
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

FRIDAY (20 May)								
10:00	PL	Employment in corporate sector	Apr	% y/y	2.7	2.8	2.8	2.4
10:00	PL	Sold Industrial Output	Apr	% y/y	14.5	12.3	13.0	17.3
10:00	PL	PPI	Apr	% y/y	20.3	20.5	23.3	20.0
10:00	PL	Average Gross Wages	Apr	% y/y	12.3	12.4	14.1	12.4
MONDAY (23 May)								
10:00	DE	IFO Business Climate	May	pts	91.4	-	93.0	91.8
10:00	PL	Construction Output	Apr	% y/y	18.9	18.5	9.3	27.6
10:00	PL	Retail Sales Real	Apr	% y/y	16.1	17.1	19.0	9.6
TUESDAY (24 May)								
09:30	DE	Germany Manufacturing PMI	May	pts	54.0	-	-	54.6
09:30	DE	Markit Germany Services PMI	May	pts	57.2	-	-	57.6
10:00	EZ	Eurozone Manufacturing PMI	May	pts	54.7	-	-	55.5
10:00	EZ	Eurozone Services PMI	May	pts	57.5	-	-	57.7
14:00	PL	Money Supply M3	Apr	% y/y	8.4	8.8	-	7.9
16:00	US	New Home Sales	Apr	% m/m	-1.7	-	-	-8.6
WEDNESDAY (25 May)								
08:00	DE	GDP WDA	1Q	% y/y	3.7	-	-	3.7
10:00	PL	Unemployment Rate	Apr	%	5.3	5.3	-	5.4
14:30	US	Durable Goods Orders	Apr	% m/m	0.6	-	-	0.8
20:00	US	FOMC Meeting Minutes	May.22					
THURSDAY (26 May)								
14:30	US	GDP Annualized	1Q	% Q/Q	-1.3	-	-	-1.4
14:30	US	Initial Jobless Claims	May.22	k	210.0	-	-	218.0
16:00	US	Pending Home Sales	Apr	% m/m	-1.9	-	-	-1.24
FRIDAY (27 May)								
14:30	US	Personal Spending	Apr	% m/m	0.6	-	-	1.1
14:30	US	Personal Income	Apr	% m/m	0.5	-	-	0.5
14:30	US	PCE Deflator SA	Apr	% m/m	0.2	-	-	0.9
16:00	US	Michigan index	May	pts	59.1	-	-	59.1

Source: Santander Bank Polska, Bloomberg, Parkiet
* in the case of a revision the data is updated

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