

## Eyeopener

### Polish currency and bonds taking a hit

#### Today German ZEW in June

The government wants to loosen the Fiscal Spending Rule again  
 Polish C/A deficit the largest since 2013  
 Strong rise of Polish yield curve and IRS rates, large loss of the zloty

**Today**, the German ZEW index for June is due for release. After historically low levels in May, the market consensus expects an improvement of the economic outlook in Germany, which could support the zloty that has been losing ground against the US dollar for several days.

**Current account** deficit in April reached EUR3.9bn and was much wider than expected (again). The rolling 12-month current account balance reached -3% of GDP, according to our estimate – its highest level since early 2013. Export growth disappointed massively, slowing to 6.7% y/y (c.10pp vs. March). The NBP comment to data includes a remark, that the decline in several key export categories like car parts, TV sets and household appliances were caused by supply chain issues. Export to Russia collapsed even more. Imports also slowed and was below our forecast but its growth remained at much higher level (22.6% y/y) – it was still greatly boosted by the growth of prices of oil, natural gas and coal. The report signalled ongoing reduction of Poland's reliance on Russian energy commodities imports. We guess that the lower-than-expected level of total import might reflect short-term problems with full replacement from other countries. Additionally, primary and secondary income balances were much worse than we predicted and also much worse than implied by their seasonal pattern. The data is another PLN-negative signal in the environment which is already not supportive for EM currencies (stronger USD, risk-off mood). We think that C/A deficit may easily exceed 4% of GDP this year.

**MPC's Rafał Sura** said that if there is a weakening of the economic situation (which, according to us, is starting to show in the data), the Council will reduce the scale of rate increases and at the July meeting the NBP rate could rise by 50bp (in our opinion it will be 75bp).

**Jarosław Kaczyński**, head of the ruling party, said that Poland cannot fight inflation like the West by limiting the purchasing power, which would have a quick effect. There will be no restrictions on social benefits. At the same time, the MF is planning to **change the Stabilising Spending Rule**, which was supposed to ensure fiscal restraint. The annual spending limit is annually indexed with inflation target and now the MF wants to use the forecasted inflation instead. According to MF chief economist Łukasz Czernicki the reason behind this change is that many expenditure items are already indexed to inflation. We think that the indexation mechanisms present in the economy will help anchor inflation at high level in 2023. Let us also remind that initially the spending limit was indexed with forecasted inflation, but in 2015, during a period of deflation, the government changed it into inflation target in order to allow for higher spending.

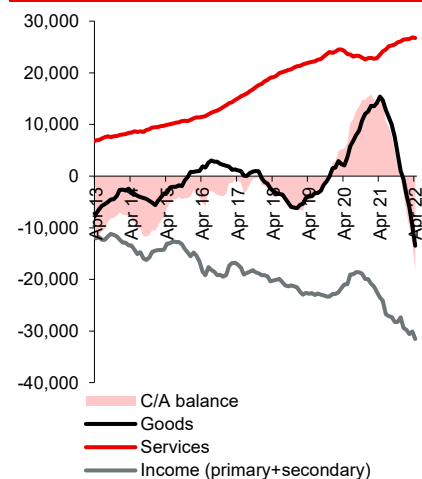
**EURUSD**, driven by global stagflation worries, reached 1.04. Given the hawkish ECB approach on rate hikes perspectives in coming quarters, the market will be waiting for the Wednesday's Fed to get more insight on this bank's balance between fighting inflation and preserving the US economy from a hard landing.

**EURPLN** increased to about 4.66 from 4.61. The zloty was hit by the weak current account reading for April, NBP's signalling of imminent end of the rate hike cycle and growing global risk aversion since Friday. The zloty was the weakest currency in the region against the euro and one of the weakest EM's currencies against the dollar.

**Other CEE currencies:** EURHUF exceeded 400 starting from 397 at the beginning of a Monday session. It was the record of the forint weakness. Aside from global trends, HUF depreciation was stimulated by mild NBH approach concerning further pace of rate hikes and still distant perspectives for the Recovery Fund to be unlocked for Hungary. **EURCZK** rose to about 24.74 from about 24.70.

**On the interest rate markets:** domestic yield curve moved upward by about 40bp and the IRS curve by about 30bp. Given that the inflation pressure remains strong, the NBP chair Adam Glapiński announcements concerning the upcoming end of the rate hikes cycle in Poland triggered the domestic debt sell-off. Under conditions of persisting several pro-inflationary factors, these remarks were considered as premature and potentially supporting long term inflation trend increase. As a result FRA market expectations for rates in the first half of 2023 have exceeded 8% and the yield curve slope, which a week ago still remained in the negative territory, has turned positive again. The move was additionally stimulated by increasing yields on the core markets.

Balance of payments, main accounts, EURm, 12-month moving sum



Source: NBP, Santander

#### Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa  
 email: [ekonomia@santander.pl](mailto:ekonomia@santander.pl)  
 website: [santander.pl/en/economic-analysis](https://santander.pl/en/economic-analysis)  
 Piotr Bielski +48 691 393 119  
 Jarosław Kosaty +48 887 842 480  
 Marcin Luzziński +48 510 027 662  
 Grzegorz Ogonek +48 609 224 857

**FX market**

**Today's opening**

EURPLN	4.6442	CZKPLN	0.1878
USDPLN	4.4500	HUFPLN*	1.1591
EURUSD	1.0437	RUBPLN	0.0781
CHFPLN	4.4734	NOKPLN	0.4502
GBPPLN	5.4167	DKKPLN	0.6252
USDCNY	6.7270	SEKPLN	0.4377

\*for 100HUF

**Last session in the FX market 13.06.2022**

	min	max	open	close	fixing
EURPLN	4.610	4.665	4.615	4.652	4.631
USDPLN	4.385	4.477	4.400	4.460	4.421
EURUSD	1.042	1.050	1.049	1.043	-

**Interest rate market 13.06.2022**

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

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	7.67	46
DS0726 (5Y)	7.86	46
DS0432 (10Y)	7.69	46

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.98	27	3.39	33	1.00	14
2L	7.94	29	3.72	29	1.85	25
3L	7.76	33	3.67	26	2.04	24
4L	7.63	36	3.59	24	2.18	25
5L	7.55	39	3.52	24	2.24	23
8L	7.42	40	3.42	21	2.31	20
10L	7.39	39	3.43	22	2.38	17

**WIBOR rates**

Term	%	Change (bps)
O/N	5.77	-5
T/N	6.00	-3
SW	6.10	1
2W	6.11	1
1M	6.22	7
3M	6.78	1
6M	7.05	2
1Y	7.18	3

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

Term	%	Change (bps)
1x4	7.50	20
3x6	7.95	29
6x9	8.12	30
9x12	8.10	29
3x9	8.21	30
6x12	8.34	33

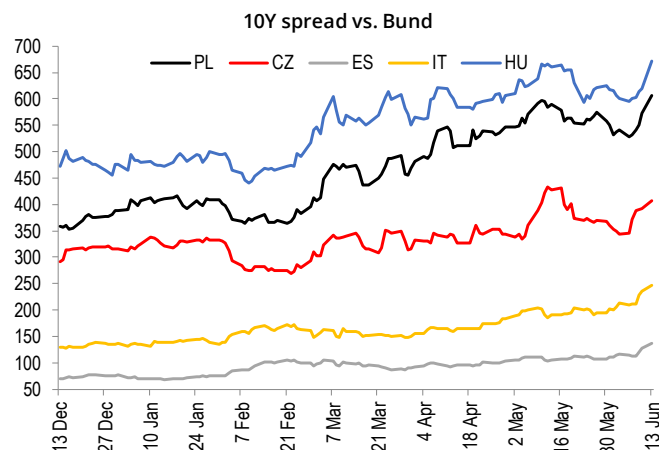
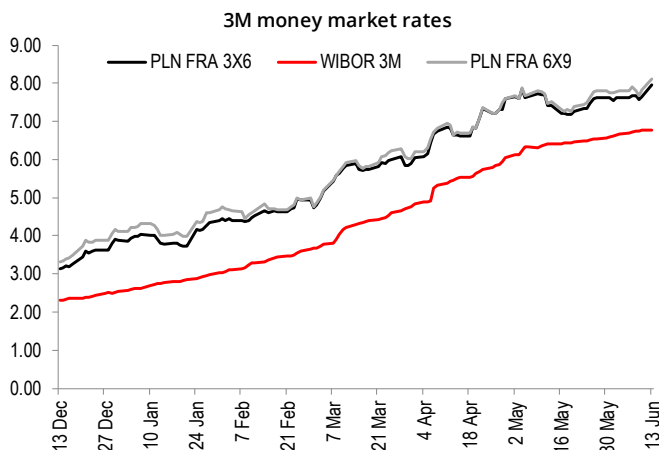
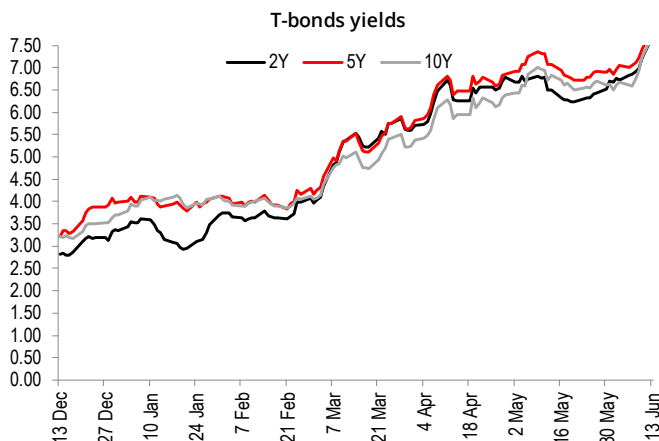
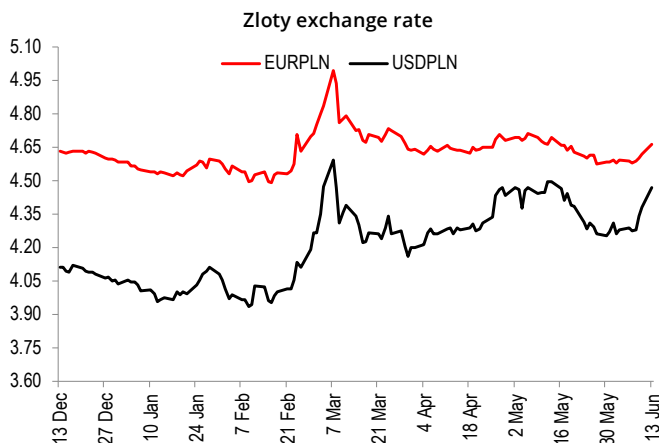
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	110	0	606	33
France	10	0	62	2
Hungary	152	5	671	51
Spain	63	3	136	9
Italy	70	0	247	13
Portugal	46	1	137	8
Ireland	13	0	71	3
Germany	8	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 (10 Jun)</b>								
09:00	CZ	CPI	May	% y/y	15.5	'-	16.0	14.2
14:30	US	CPI	May	% m/m	0.7	'-	1.0	0.3
16:00	US	Michigan index	Jun	pts	58.2	'-	50.2	59.1
<b>MONDAY (13 Jun)</b>								
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Apr</b>	<b>€mn</b>	<b>-3100</b>	<b>-2397</b>	<b>-3924</b>	<b>-2972</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Apr</b>	<b>€mn</b>	<b>-2795</b>	<b>-2795</b>	<b>-2466</b>	<b>-3253</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Apr</b>	<b>€mn</b>	<b>27100</b>	<b>28165</b>	<b>26559</b>	<b>25831</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Apr</b>	<b>€mn</b>	<b>30250</b>	<b>30960</b>	<b>29025</b>	<b>29084</b>
<b>TUESDAY (14 Jun)</b>								
08:00	DE	HICP	May	% m/m	1.1	-	1.1	1.1
11:00	DE	ZEW Survey Current Situation	Jun	pts	0	-		-36.5
<b>WEDNESDAY (15 Jun)</b>								
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>May</b>	<b>% y/y</b>	<b>-</b>	<b>14.0</b>		<b>13.9</b>
11:00	EZ	Industrial Production SA	Apr	% m/m	0.7	-		-1.8
14:30	US	Retail Sales Advance	May	% m/m	0.2	-		0.9
20:00	US	FOMC decision		%	1.5	-		1.0
<b>THURSDAY (16 Jun)</b>								
	<b>PL</b>	<b>Corpus Christi</b>						
09:30	CH	SNB decision		%	-	-		-0.75
14:30	US	Initial Jobless Claims	week	k	206	-		229
14:30	US	Housing Starts	May	% m/m	-0.58	-		-0.2
<b>FRIDAY (17 Jun)</b>								
11:00	EZ	HICP	May	% y/y	8.1	-		8.1
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>May</b>	<b>% y/y</b>	<b>8.5</b>	<b>8.5</b>		<b>7.7</b>
15:15	US	Industrial Production	May	% m/m	0.4	-		1.08

Source: Santander Bank Polska, Bloomberg, Parkiet

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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.