

## Eyeopener

### Poland closer to EU financing of its recovery plan

Today details of November CPI, decisions by ECB, BoE and SNB, a set of US data  
 Fed hiked the main rate by 50bp, to the 4.25-4.50% range  
 Zloty got stronger, domestic yields stable

**Today** the final Poland's CPI inflation reading for November. We expect a confirmation of the preliminary estimate at 17.4% y/y. Following yesterday's Fed decision, today central banks of the Eurozone, the UK and Switzerland will make their decisions on rates and all of them are likely to hike by 50bp. We will also see a set of data from the US: retail sales and industrial production for October and the weekly number of new unemployment claims. EU summit is held today. China activity data (production, retail sales, capital expenditures) disappointed.

**The Fed** raised rates by 50bp, less than at previous meetings, as expected by the market. The Fed's communiqué emphasised that further rate hikes would take into account the cumulative effect of past hikes, their lagged effects and incoming data. The median expected rate level by FOMC members rose from 4.6% to 5.1%, above the level priced-in by the market before the statement (c. 4.8%). Jerome Powell noted, however, that inflation forecasts (raised in this and previous rounds) and the median rate target could be revised downwards if inflationary pressures weaken and recent CPI declines are not enough for the Fed to start considering possible rate cuts. He said the goal is still to achieve sufficient monetary policy tightness.

**Polish government has increased efforts to unblock payments from the Recovery and Resilience Facility (RRF).** On Tuesday the EC commissioners responsible for negotiations with Poland approved a draft of legislative changes regarding the country's Supreme Court and considered it as meeting the requirements included in the milestones linked with the National Recovery Programme (KPO). The draft legislation in this regard has been already submitted to the parliament and is expected to be discussed in the next few days (the first reading possible today, second and third next week). Once this legislation is approved by the parliament and signed by the President, Poland will be able to apply for the first payment. The European Commission has two months to approve the request, so the first disbursement of funds may take place by March. The first tranche can be around EUR4bn, as suggested by the Ministry of Finance. In total, Poland can get EUR24bn grants from the RRF and above EUR20bn in loans (the government so far applied for EUR11bn in loans but has signalled it may change its approach). The investment projects within the National Recovery Programme have already started on the back of pre-financing from Polish Development Fund (PFR) – it was supposed to come up with cEUR2-3bn still in December, according to the fund's head Paweł Borys.

**MPC's Przemysław Litwiniuk** opts for further monetary tightening in Poland as long as the credit moratoria are in effect, as the cost of tolerating high inflation will be greater than the possible weakening of the labour market caused with additional rate hikes. According to Litwiniuk, the MPC may return to raising rates if core inflation escapes above the NBP projection path (this path starts at 11.4% y/y on average in 4Q22 and 12.1% in 1Q23, our forecast is 11.3% and 10.8% respectively).

**In October Polish C/A balance was -€0.55bn**, slightly less negative than market expectations (-€0.80bn) and much above our forecast (-€1.58bn). What surprised us to the upside was mostly the services balance with services exports accelerating to 21.7% y/y from 14.7% and to some extent also the goods trade balance. Goods exports rose by 23.7% y/y (some 1.8pp, or €0.4bn higher than we had expected). NBP report signals that the resilience of exports in the face of the slowdown in Europe comes from improved supply chains in automotive sector. On the imports side the report mentions a slowdown in the intermediate goods due to weaker demand and disinflation in this category. Fuel, coal and oil remained strong contributors to import growth. The gap seen in Polish C/A balance in 12M moving sum terms increased in October to 3.9% GDP from 3.7% (this is the most negative balance since December 2012) and in our view may keep widening in 2023.

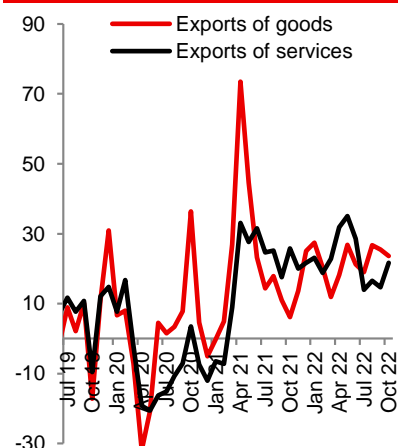
**EURUSD** rose from about to 1.06 to closer to 1.07. Despite a temporary strengthening of the dollar under the influence of higher forecasts of target rates in 2023 than current market valuations, the dovish tones of the Fed chief have led to a renewed weakening of the dollar.

**EURPLN** has been trying to break through the 4.68 level for several days and strengthen the zloty, helped by signals of a growing likelihood of unblocking the EU funds for Polish recovery plan, but the market may be waiting for the delivery of the crucial law changes.

**Other CEE currencies: EURHUF** from around 409 fell below 404, influenced by signals of an imminent unblocking of the Hungarian RRF by the EC. **EURCZK** slipped to 24.27 from around 24.30. Karina Kobelkova of the CNB said that interest rates will remain at elevated levels for an extended period and further rate hikes should not be ruled out.

**Debt market:** Domestic yield curve remained stable. The situation was similar in the main markets.

Poland's foreign trade, (EUR, % y/y)



Source: NBP, Santander

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**FX market**

**Today's opening**

EURPLN	4.6797	CZKPLN	0.1924
USDPLN	4.3932	HUFPLN*	1.1397
EURUSD	1.0650	RUBPLN	0.0683
CHFPLN	4.7397	NOKPLN	0.4515
GBPPLN	5.4505	DKKPLN	0.6294
USDCNY	6.9605	SEKPLN	0.4309

\*for 100HUF

**Last session in the FX market 14.12.2022**

	min	max	open	close	fixing
EURPLN	4.6755	4.6999	4.6947	4.6773	4.6886
USDPLN	4.3865	4.4250	4.4191	4.3889	4.3973
EURUSD	1.0617	1.0672	1.0624	1.0652	-

**Interest rate market 14.12.2022**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.79	1
DS0727 (5Y)	6.53	-3
DS0432 (10Y)	6.45	-4

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.24	6	5.03	0	2.80	2
2L	6.71	5	4.48	-4	2.89	1
3L	6.17	5	4.05	-3	2.79	0
4L	5.87	9	3.80	-3	2.72	0
5L	5.69	9	3.65	-5	2.68	0
8L	5.55	11	3.47	-5	2.59	-3
10L	5.55	9	3.44	-4	2.60	-3

**WIBOR rates**

Term	%	Change (bps)
O/N	6.57	2
T/N	6.61	-2
SW	6.85	-1
2W	6.88	-1
1M	7.00	1
3M	7.09	-1
6M	7.22	-2
1Y	7.35	-3

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

Term	%	Change (bps)
1x4	7.09	-1
3x6	7.11	0
6x9	7.06	-6
9x12	6.82	1
3x9	7.22	0
6x12	7.23	6

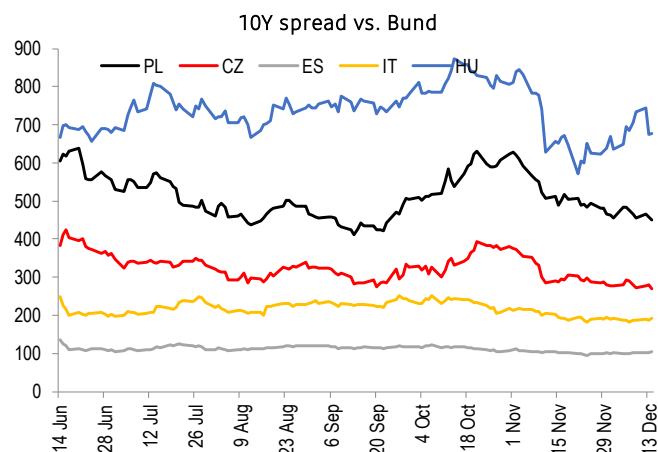
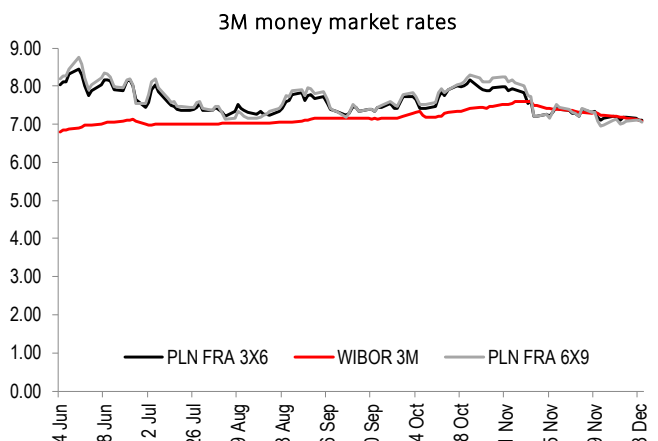
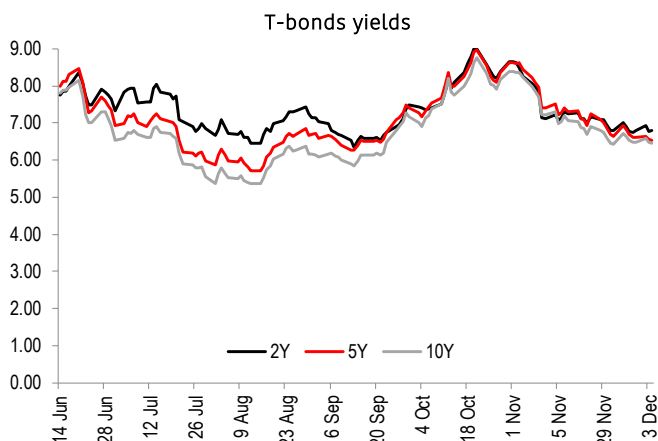
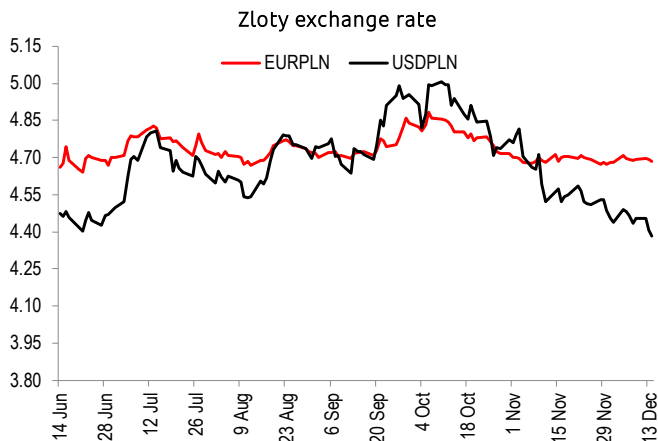
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	117	0	452	-7
France	15	0	49	0
Hungary	202	0	678	4
Spain	53	0	104	2
Italy	53	0	192	5
Portugal	38	0	96	3
Ireland	19	0	45	-2
Germany	15	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>MONDAY (12 December)</b>							
09:00	CZ	CPI	Nov	% y/y	15.5	16.2	15.1
<b>TUESDAY (13 December)</b>							
08:00	DE	HICP	Nov	% m/m	0.0	0.0	1.1
11:00	DE	ZEW Survey Current Situation	Dec	pts	-57.5	-61.4	-64.5
14:30	US	CPI	Nov	% m/m	0.3	0.1	0.4
<b>WEDNESDAY (14 December)</b>							
11:00	EZ	Industrial Production SA	Oct	% m/m	-1.2	-2.0	0.8
14:00	PL	Current Account Balance	Oct	€mn	-796	-1578	-549
14:00	PL	Trade Balance	Oct	€mn	-2316	-2599	-2277
14:00	PL	Exports	Oct	€mn	28072	28264	28677
14:00	PL	Imports	Oct	€mn	30392	30863	30954
20:00	US	FOMC decision			4.50	4.50	4.00
<b>THURSDAY (15 December)</b>							
10:00	PL	CPI	Nov	% y/y	17.4	17.4	-
14:15	EZ	ECB Main Refinancing Rate		%	2.50	-	2.00
14:30	US	Initial Jobless Claims	week	k	230	-	230
14:30	US	Retail Sales Advance	Nov	% m/m	0.0	-	1.3
15:15	US	Industrial Production	Nov	% m/m	0.2	-	-0.1
<b>FRIDAY (16 December)</b>							
09:30	DE	Germany Manufacturing PMI	Dec	pts	46.2	-	46.2
09:30	DE	Markit Germany Services PMI	Dec	pts	46.3	-	46.1
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	47.1	-	47.1
10:00	EZ	Eurozone Services PMI	Dec	pts	48.5	-	48.5
11:00	EZ	HICP	Nov	% y/y	10.0	-	10.6
14:00	PL	CPI Core	Nov	% y/y	11.3	11.2	-

Source: Santander Bank Polska. Bloomberg. Parkiet

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

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