

17 January 2023

# Eyeopener

## Core inflation improved the record again

Germany's ZEW index today  
Core inflation slightly up  
EURPLN remains in a sideways trend, yields up marginally

Not many important data releases **today**: only the ZEW index for the German economy deserves attention.

The main measure of **Polish core inflation**: CPI ex food, fuel and energy, rose in December to 11.5% y/y from 11.4% y/y, setting yet another all-time high (data since 2001). This is the 18th rise of core CPI in a row. At 0.6% m/m, the monthly rise of core CPI is at the low end of 2022 range (0.6-1.4%, with the average m/m growth at 0.9%), but still a sign of strong upward momentum. CPI ex administered prices dropped to 17.1% y/y from 18.1% (second decline in a row), CPI ex most volatile components stayed at the all-time high 15.0% y/y and 15-percent trimmed mean decreased by 0.1pp from the record high 14.5% y/y in November. We assume that the main measure of core CPI will start to move lower in the course of 1Q23 and by the end of this year may decrease below 7%. However, the next reading, including the new year change of price lists in many businesses, is really hard to forecast.

**MPC's Ludwik Kotecki** expects CPI inflation in January at 3.5% m/m and above 18% y/y. Our current forecasts are slightly lower, but L. Kotecki's assessment seems realistic. We believe that rising inflation at the beginning of the year will not make the MPC raise interest rates.

PM Mateusz Morawiecki said that Poland will submit the **request for the first payment from the recovery and resilience facility** when the law regulating windmill industry will be under proceeding.

**New regulations on heat prices** that the government has signalled in recent days are to be introduced from 1 February. A draft of the relevant law has not yet been published, but a preliminary description of the draft shows that the increase in heat prices could be up to 40% compared to their level on 30 September 2022 including 'all charges and rates', which can be interpreted as a possible gross price increase. In 4Q22, heat prices went up in Poland by an average of 11%, after the January VAT rate increase the increase will be 30%. Therefore, if the limitation of heat price increases to 40% is considered to apply to gross prices then there will not be much room for further increases.

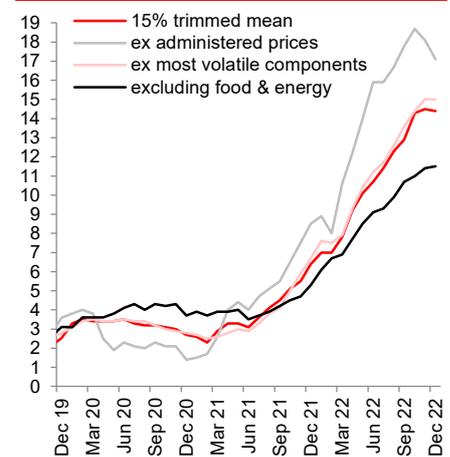
**EURUSD** moved within the 1.08 - 1.09 range, slipping closer to 1.08 towards the end of the day. Volatility in the exchange rate was influenced by the fact that the US market was closed due to a holiday. Today's reading of the German ZEW indicator may again support the common currency.

**EURPLN** fluctuated between 4.68 and 4.70, ending the day around 4.69. The exchange rate attempted to attack the 4.70 level as the dollar strengthened on global markets during the day, but the renewed increase in interest rate expectations on the local FRA market following the publication of the slightly higher-than-previous reading of Polish core inflation strengthened the zloty again.

**Other CEE currencies: EURCZK** oscillated around the level of 24. **EURHUF** rose to 398 from around 394. The market fears that the highest inflation and interest rates in the region will negatively affect economic growth in Hungary.

**Debt market:** Domestic yield curve rose slightly on Monday. Intraday, yields attempted to move up around 6.20% after the core inflation data, but by the end of the day the curve slid back to around 6% across the board. We expect the curve to attempt to move upwards again in the following days. BGK said it will issue up to PLN23bn worth of securities for the COVID-19 Fund in 2023. The Ministry of Finance has announced new debt issues on foreign markets in dollars and euros. The timing of these will depend on market conditions.

Core inflation in Poland, % y/y



Source: NBP, Santander

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### FX market

#### Today's opening

EURPLN	4,6904	CZKPLN	0,1951
USDPLN	4,3363	HUFPLN*	1,1647
EURUSD	1,0815	RUBPLN	0,0631
CHFPLN	4,6856	NOKPLN	0,4365
GBPPLN	5,2877	DKKPLN	0,6304
USDCNY	6,7770	SEKPLN	0,4148

\*for 100HUF

#### Last session in the FX market 16.01.2023

	min	max	open	close	fixing
EURPLN	4,6852	4,7033	4,6911	4,6900	4,7004
USDPLN	4,3182	4,3549	4,3201	4,3324	4,3436
EURUSD	1,0800	1,0860	1,0859	1,0823	-

### Interest rate market 16.01.2023

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,06	6
DS0727 (5Y)	6,00	2
DS0432 (10Y)	6,05	3

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,93	1	5,07	0	3,18	-1
2L	6,28	5	4,49	2	3,18	-2
3L	5,68	5	4,03	1	2,97	-2
4L	5,42	4	3,78	2	2,84	-2
5L	5,31	5	3,64	1	2,78	-1
8L	5,26	6	3,48	1	2,71	0
10L	5,30	6	3,46	1	2,72	0

### WIBOR rates

Term	%	Change (bps)
O/N	6,50	-13
T/N	6,71	0
SW	6,82	-1
2W	6,86	-1
1M	6,90	-3
3M	6,92	0
6M	7,01	-1
1Y	7,10	-1

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

Term	%	Change (bps)
1x4	6,89	-4
3x6	6,93	-1
6x9	6,81	-1
9x12	6,35	1
3x9	6,96	1
6x12	6,78	1

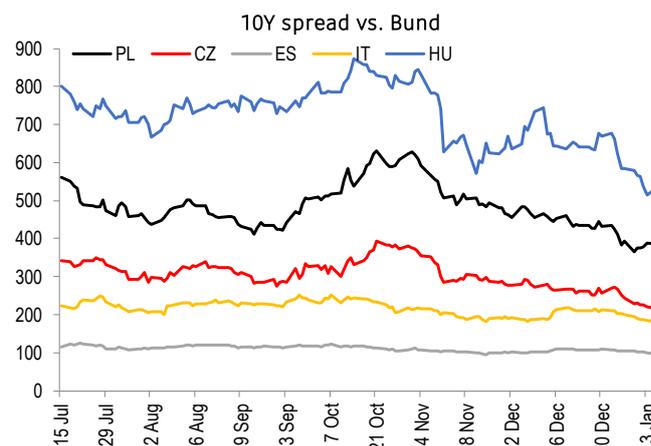
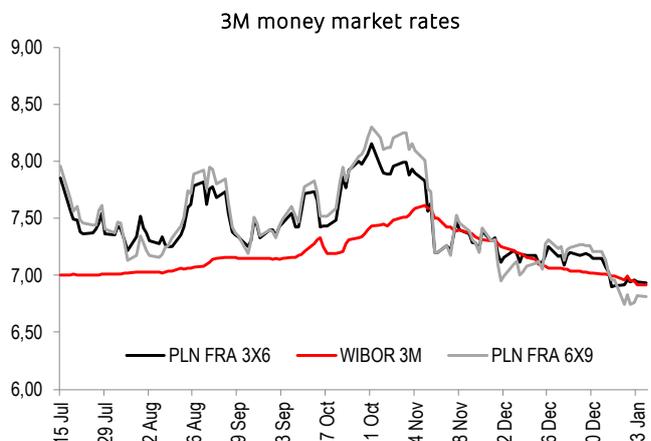
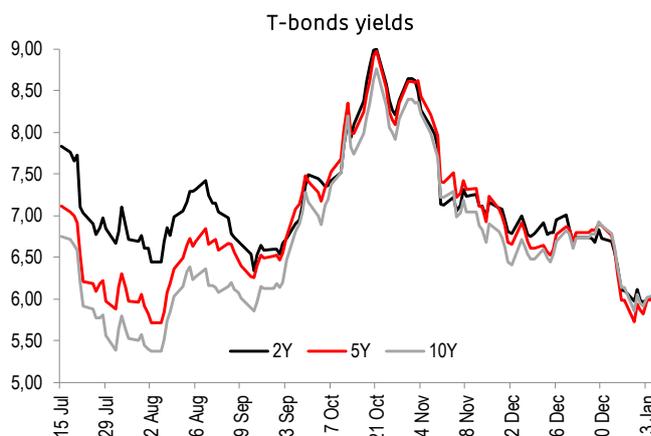
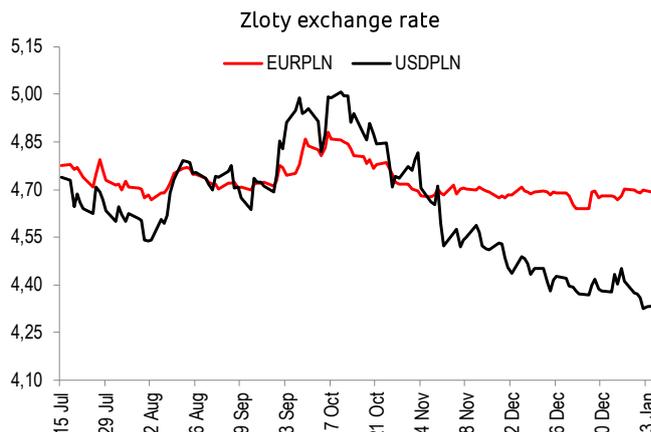
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	117	0	386	-2
France	10	0	45	-3
Hungary	206	0	534	18
Spain	48	0	96	-4
Italy	45	0	182	-2
Portugal	33	0	90	-3
Ireland	18	0	41	-4
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



## Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
<b>FRIDAY (13 January)</b>							
08:30	HU	CPI	Dec	% y/y	25.8	24.5	22.5
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Dec</b>	<b>% y/y</b>	<b>16.6</b>	<b>16.6</b>	<b>17.5</b>
11:00	EZ	Industrial Production SA	Nov	% m/m	0.5	1.0	-1.9
<b>14:00</b>	<b>PL</b>	<b>Current Account Balance</b>	<b>Nov</b>	<b>€mn</b>	<b>-1014</b>	<b>-486</b>	<b>-549</b>
<b>14:00</b>	<b>PL</b>	<b>Trade Balance</b>	<b>Nov</b>	<b>€mn</b>	<b>-2327</b>	<b>-2343</b>	<b>-1496</b>
<b>14:00</b>	<b>PL</b>	<b>Exports</b>	<b>Nov</b>	<b>€mn</b>	<b>29808</b>	<b>29995</b>	<b>30018</b>
<b>14:00</b>	<b>PL</b>	<b>Imports</b>	<b>Nov</b>	<b>€mn</b>	<b>31878</b>	<b>32338</b>	<b>31514</b>
16:00	US	Michigan index	Jan	pts	60.5	64.6	59.7
<b>MONDAY (16 January)</b>							
<b>14:00</b>	<b>PL</b>	<b>CPI Core</b>	<b>Dec</b>	<b>% y/y</b>	<b>11.5</b>	<b>11.4</b>	<b>11.4</b>
<b>TUESDAY (17 January)</b>							
08:00	DE	HICP	Dec	% m/m	-1.2	-1.2	0.0
11:00	DE	ZEW Survey Current Situation	Jan	pts	-56.4	-	-61.4
<b>WEDNESDAY (18 January)</b>							
11:00	EZ	HICP	Dec	% y/y	9.2	-	10.1
14:30	US	Retail Sales Advance	Dec	% m/m	-0.75	-	-0.6
15:15	US	Industrial Production	Dec	% m/m	0.0	-	-0.22
<b>THURSDAY (19 January)</b>							
<b>10:00</b>	<b>PL</b>	<b>Consumer confidence</b>	<b>Jan</b>			-	
14:30	US	Initial Jobless Claims		k	215.0	-	205.0
14:30	US	Housing Starts	Dec	% m/m	-5.4	-	-0.5
14:30	US	Index Philly Fed	Jan		-10.8	-	-13.7
<b>FRIDAY (20 January)</b>							
<b>10:00</b>	<b>PL</b>	<b>Business confidence</b>	<b>Jan</b>			-	
<b>10:00</b>	<b>PL</b>	<b>Employment in corporate sector</b>	<b>Dec</b>	<b>% y/y</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>
<b>10:00</b>	<b>PL</b>	<b>Average Gross Wages</b>	<b>Dec</b>	<b>% y/y</b>	<b>12.4</b>	<b>12.3</b>	<b>13.9</b>
16:00	US	Existing Home Sales	Dec	% m/m	-3.18	-	-7.67

Source: Santander Bank Polska. Bloomberg. Parkiet

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

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