

9 March 2023

Eyeopener

Rates and projection unchanged; attitude unchanged?

NBP governor's press conference today
MPC left rates unchanged, new projection very similar to November's
Powell softer this time, yields down

Today, at 15:00 CET Adam Glapinski will hold a press conference and will refer to yesterday's MPC decision not to change interest rates. We look forward to additional information on the new projection, e.g. CPI at the end of 2023, the expected time of inflation falling to the (upper limit of the) inflation target.

MPC did not change interest rates at its March meeting, as expected. The NBP reference rate remains at 6.75%. The NBP's new forecasts were little changed vs. the November ones: the central CPI forecast for 2023 fell to 11.9% from 13.2%, but CPI expectations for 2024-25 and the entire GDP growth path for 2023-2025 remained almost intact. The post-meeting communiqué changed somewhat vs. February. We feel that the statement sounded a little bit more hawkish, due to the strong declaration of the CPI target's importance, but perhaps this is a misinterpretation and we will look at it differently after today's press conference by the NBP president. Regardless, we think it is unlikely that the MPC will resume the hike cycle. Read more in [Economic Comment](#).

Data on investment in the Polish economy by asset type showed that the faster growth in outlays in 4Q22 was driven by spending on other machinery and equipment and on armaments, which rose by 17.4% y/y against 12.9% y/y in 3Q22 and added 5.9 percentage points to the overall investment growth. The dynamics of outlays in other categories did not show such a marked improvement, e.g. outlays on transport equipment fell by 9.3% y/y after falling by 10.8% y/y in 3Q, and outlays on buildings fell by 2.5% y/y after falling by 0.4% y/y in 3Q. As for construction, outlays on housing fell by 6.5% y/y (-6.6% in 3Q) and outlays on other buildings fell by 1.4% y/y (+1.8% y/y in 3Q). We therefore think that defense spending may have been a significant driver behind the better investment performance in 4Q22 and may be also affecting the following quarters.

European Commission intends to reintroduce EU fiscal discipline in spring 2024, i.e. the 2023 general government balances will be assessed for the existence of an excessive deficit. According to us, Poland will then show a deficit of 5.2% of GDP.

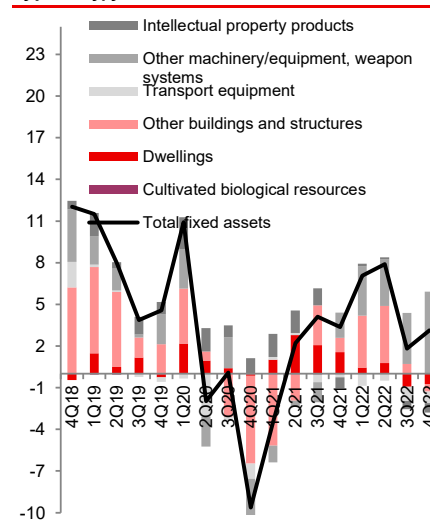
EURUSD oscillated around 1.055. The volatility of the exchange rate decreased markedly versus the previous day, as Fed chief Jerome Powell decided to calm the markets a little on the second day of his congressional testimony. He stressed that although the Fed is prepared to accelerate the pace of rate hikes if necessary, no firm decisions on a 50bp March rate hike have yet been made. Making such a decision requires a comprehensive look at all the data and their unambiguous tone, and some of them have not even been published yet.

EURPLN fluctuated between 4.672 and 4.705, eventually ending the day around 4.68. The stronger zloty is the result of a lack of signals from the MPC regarding the official end of the cycle. The published inflation projection rather rules out a rate cut before the end of this year.

Other CEE currencies: **EURCZK** rose to 23.57 from around 23.54. The koruna is in the process of recovering from 15-year highs in its strength against the euro. **EURHUF** fluctuated in a wide band around 378. The fall in February inflation in Hungary proved too small to give hope for a rapid reduction in inflation. NBH vice-chairman Barnabas Virag said that every time inflation rises above 20% it is a "tough job" to bring it down to single-digit levels. In his opinion, lowering inflation down to single-digit levels this year requires synchronisation of all economic policies. He also expressed the opinion that the sooner inflation is brought down, the faster the economy will return to growth.

Debt market: Domestic yield curve fell across the entire width of the curve, the most in the middle part and at the longer end - by around 8 bp. The domestic market fears that faster and stronger monetary tightening in the US and the euro area will translate into a deeper slowdown in European emerging markets, including Poland. Declines in the middle part and at the longer ends of the yield curves were also observed in the core markets.

Breakdown of investment growth by asset type, % y/y



Source: Eurostat, Santander

Comparison of key numbers from NBP projections, middle points of ranges indicated in the MPC statement

CPI	Mar'23	Nov'22	difference
2023	11.85	13.20	-1.35
2024	5.70	5.85	-0.15
2025	3.50	3.50	0.00

GDP	Mar'23	Nov'22	difference
2023	0.85	0.65	0.20
2024	2.10	2.05	0.05
2025	3.15	3.10	0.05

Source: NBP, Santander

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FX market

Today's opening

EURPLN	4,6827	CZKPLN	0,1980
USDPLN	4,4347	HUFPLN*	1,2223
EURUSD	1,0558	RUBPLN	0,0584
CHFPLN	4,7200	NOKPLN	0,4156
GBPPLN	5,2570	DKKPLN	0,6291
USDCNY	6,9696	SEKPLN	0,4141

*for 100HUF

Last session in the FX market 08.03.2023

	min	max	open	close	fixing
EURPLN	4,6717	4,7045	4,6887	4,6810	4,7018
USDPLN	4,4202	4,4631	4,4524	4,4382	4,4626
EURUSD	1,0528	1,0573	1,0531	1,0546	-

Interest rate market 08.03.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,27	4
DS0727 (5Y)	6,25	-8
DS0432 (10Y)	6,27	-8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7,00	-5	5,79	7	3,87	2
2L	6,51	-5	5,36	4	3,93	3
3L	6,07	-7	4,90	2	3,71	1
4L	5,87	-6	4,59	1	3,53	0
5L	5,78	-7	4,38	3	3,42	-2
8L	5,70	-6	4,07	2	3,24	-3
10L	5,72	-7	3,97	1	3,20	-4

WIBOR rates

Term	%	Change (bps)
O/N	6,74	19
T/N	6,72	1
SW	6,83	0
2W	6,84	-1
1M	6,88	-2
3M	6,93	-1
6M	7,00	0
1Y	7,10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,94	-4
3x6	6,94	-4
6x9	6,88	-5
9x12	6,53	-7
3x9	6,97	-4
6x12	6,90	-6

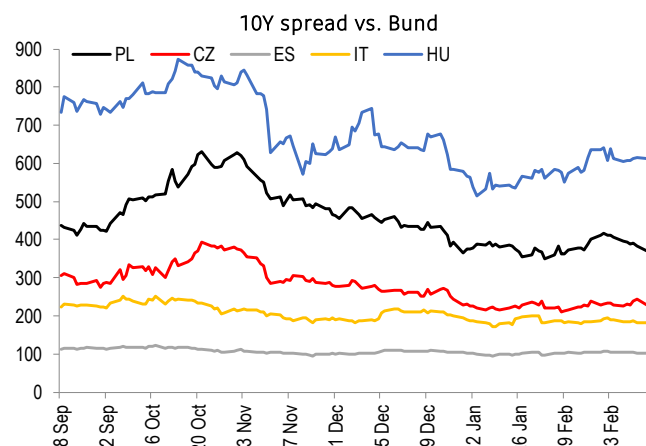
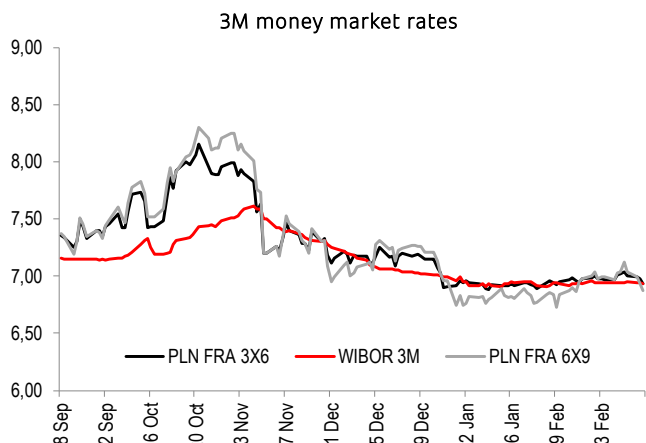
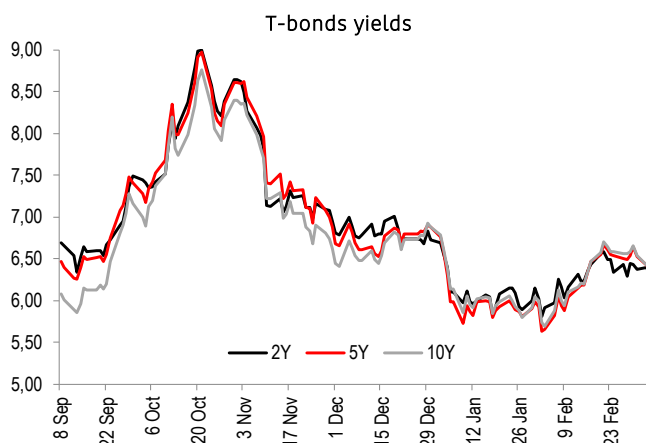
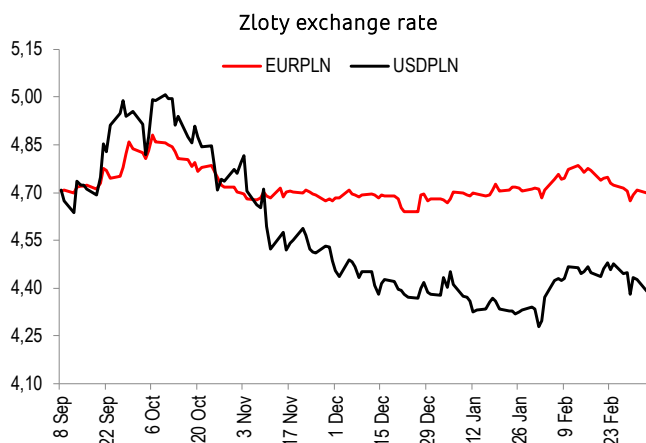
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	89	-3	362	-3
France	10	0	50	0
Hungary	150	0	625	23
Spain	43	0	101	-2
Italy	38	0	178	-7
Portugal	28	0	87	-2
Ireland	18	0	49	0
Germany	11	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			
FRIDAY (3 March)								
02:45	CN	Caixin China PMI Services	Feb	pts	54.5	-	55.0	52.9
08:00	DE	Exports SA	Jan	% m/m	1.5	-	2.1	-5.9
09:00	CZ	GDP SA	4Q	% y/y	0.4	-	0.2	1.5
09:55	DE	Markit Germany Services PMI	Feb	pts	51.3	-	50.9	50.7
10:00	EZ	Eurozone Services PMI	Feb	pts	53.0	-	52.7	50.8
16:00	US	ISM services	Feb	pts	54.5	-	55.1	55.2
MONDAY (6 March)								
11:00	EZ	Retail Sales	Jan	% m/m	0.8	-	0.3	-1.7
16:00	US	Durable Goods Orders	Jan	% m/m	-4.5	-	-4.5	5.1
16:00	US	Factory Orders	Jan	% m/m	-1.8	-	-1.6	1.7
TUESDAY (7 March)								
08:00	DE	Factory Orders	Jan	% m/m	-0.7	-	1.0	3.2
08:30	HU	Industrial Production SA	Jan	% y/y	4.3	-	-0.2	5.7
WEDNESDAY (8 March)								
	PL	MPC decision		%	6.75	6.75	6.75	6.75
08:00	DE	Industrial Production SA	Jan	% m/m	1.5	-	3.5	-2.4
08:00	DE	Retail Sales	Jan	% m/m	2.2	-	-0.3	-4.9
08:30	HU	CPI	Feb	% y/y	25.4	-	25.4	25.7
11:00	EZ	GDP SA	4Q	% y/y	1.9	-	1.8	2.4
14:15	US	ADP report	Feb	k	200	-	242	119
THURSDAY (9 March)								
14:30	US	Initial Jobless Claims		k	200.0	-	-	190.0
15:00	PL	NBP President Adam Glapiński's press conference						
FRIDAY (10 March)								
08:00	DE	HICP	Feb	% m/m	1.0	-	-	0.5
09:00	CZ	Industrial Production	Jan	% y/y	3.4	-	-	1.3
09:00	CZ	CPI	Feb	% y/y	16.6	-	-	17.5
10:00	PL	Publication of NBP's Inflation Report						
14:30	US	Change in Nonfarm Payrolls	Feb	k	200.0	-	-	517.0
14:30	US	Unemployment Rate	Feb	%	3.4	-	-	3.4

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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