

10 March 2023

Eyeopener

NBP chairman optimistic about CPI outlook

Today presentation of new NBP projection, US labour market data set
NBP chairman sees inflation lower than in new projection
The zloty and yields without a sustained reaction to the NBP president's message

Today, at 10:00 CET the Inflation Report will be published by the NBP and will include detailed figures and explanation of the projection. At 11:00 CET, NBP analysts will also talk about it at a press conference. Morning Czech CPI date release has not surprised the markets. Czech Inflation retreated in February to 16.7% from 17.5% y/y. Market expected 16.6%. Morning final German inflation data for February has come in line with the flash reading.

The **NBP president Adam Glapiński** delivered a rather optimistic message during yesterday's press conference. According to Glapiński, the NBP staff forecasts showed that inflation will start falling quickly and will be below 10% in September and slightly above 7% at the end of the year. Personally Glapiński expects inflation to go even lower. We are expecting rates to remain unchanged in 2023, as we believe that inflation will decline slower than the NBP is expecting (we think CPI will be close to 10% at the end of 2023). More in [Economic Comment](#).

The GUS survey of **labour demand** in 4Q22 showed a drop in newly created jobs by 21.2% y/y (compared to -9.0% y/y in 3Q22 and -6.7% y/y in 2Q22). Their number was also 22.6% lower than in 4Q19. A large decline was also seen on the job destruction side: -14.3% y/y in 4Q22, coming after +24.0% y/y in 3Q. However, the number of liquidated workplaces was also lower than before the pandemic (-9.3% lower than in 4Q19). At the end of 2022, 115.7k vacancies were still available, as compared to 137.4k at the end of 2021 125.4k before the pandemic (at the end of 2019). It seems that in 4Q22 Polish companies chose to reduce staff rotation – they were still showing relatively low job destruction while gradually adjusting lower their labour demand amid economic slowdown. With the start of 2023 a change may be seen in higher frequency data – survey-based indicators of expected employment have started to rebound in some business sectors and consumers' unemployment worries, relatively low anyway, have started to ease.

EURUSD slipped a little closer to 1.06 from around 1.055. The dollar was hurt by a slightly higher-than-expected weekly US new jobless claims, which slightly lowered expectations for the Fed's rate target. Today's NFP release could have a similar effect, unless it surprises in the positive territory again.

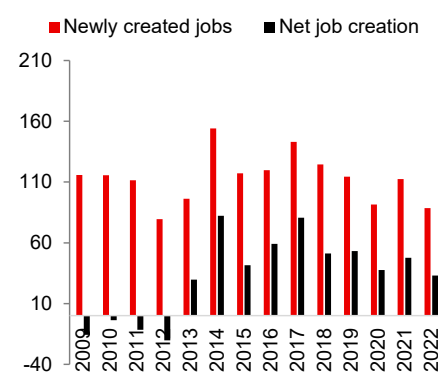
EURPLN oscillated around 4.68. The press conference of the NBP President did not have a significant impact on the zloty.

Other CEE currencies: **EURCZK** rose from 23.56 to 23.58. The market waited for the main event of the week for the Czech market – today's publication of CPI inflation for February. Czech inflation retreated to 16.6% from 17.5% y/y. A lower-than-previous reading may further weaken the koruna through the channel of interest rate expectations, which may be reduced. **EURHUF** settled around the 378 level for another consecutive day.

Debt market: Domestic yield curve did not change significantly versus the previous day. The declines that took place in the earlier part of the week apparently already reflect adjustments to the rhetoric of President Adam Glapiński, who signalled that the rate of inflation decline in 2023 could be even faster than indicated by the NBP's inflation projection.

Sejm passed an amendment to the Bond Act, which introduces a **new type of debt security – contingent convertible bonds** aimed at professional investors. These bonds will convert into equity if a financial institution becomes bankrupt, but in return will offer a higher yield than financial instruments already present on the market. The minimum nominal value of these bonds will be set at PLN400k.

Labour demand statistics in Poland, in thousand jobs, data for fourth quarters



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,6843	CZKPLN	0,1979
USDPLN	4,4209	HUFPLN*	1,2229
EURUSD	1,0591	RUBPLN	0,0582
CHFPLN	4,7575	NOKPLN	0,4135
GBPPLN	5,2791	DKKPLN	0,6292
USDCNY	6,9667	SEKPLN	0,4119

*for 100HUF

Last session in the FX market 09.03.2023

	min	max	open	close	fixing
EURPLN	4,6752	4,6878	4,6802	4,6833	#N/A Stale
USDPLN	4,4195	4,4404	4,4338	4,4268	#N/A Stale
EURUSD	1,0546	1,0586	1,0552	1,0574	-

Interest rate market 09.03.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,28	1
DS0727 (5Y)	6,24	-1
DS0432 (10Y)	6,26	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,99	-1	5,66	-13	3,79	-8
2L	6,49	-2	5,17	-19	3,83	-10
3L	6,05	-2	4,70	-19	3,66	-5
4L	5,85	-2	4,43	-16	3,49	-4
5L	5,76	-2	4,26	-12	3,38	-4
8L	5,66	-3	3,97	-10	3,22	-2
10L	5,68	-4	3,89	-8	3,19	-1

WIBOR rates

Term	%	Change (bps)
O/N	6,69	-5
T/N	6,74	2
SW	6,83	0
2W	6,84	0
1M	6,88	0
3M	6,93	0
6M	7,00	0
1Y	7,10	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,93	-1
3x6	6,92	-1
6x9	6,84	-4
9x12	6,51	-2
3x9	6,98	1
6x12	6,83	-7

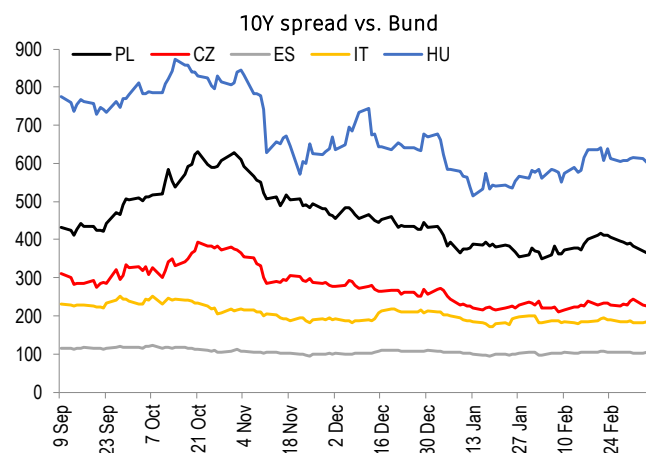
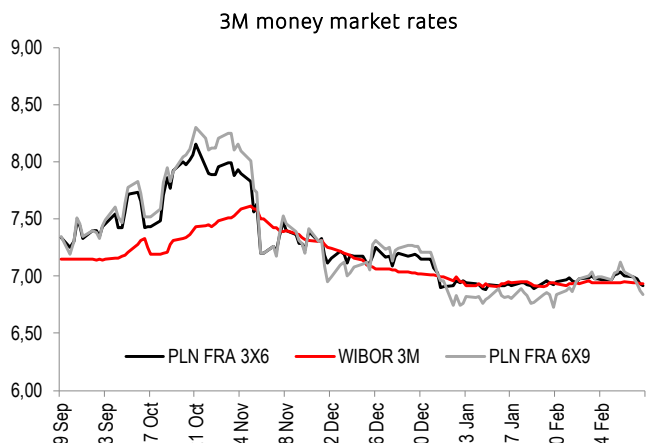
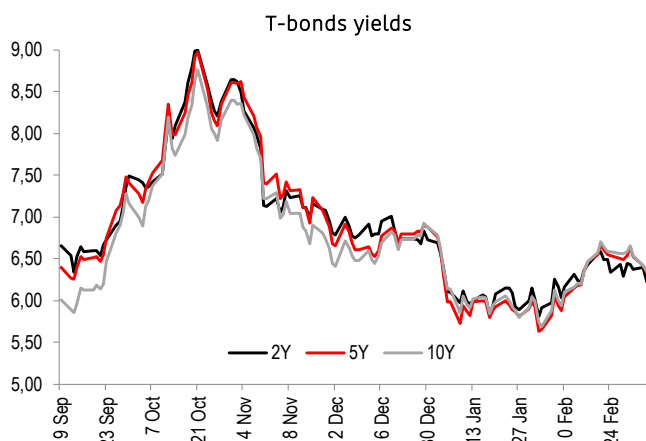
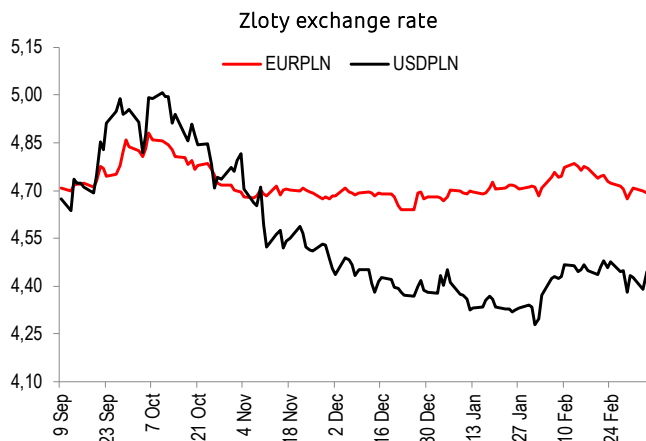
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	89	0	362	0
France	10	0	50	0
Hungary	149	0	629	4
Spain	45	3	101	0
Italy	39	1	175	-3
Portugal	30	3	87	-1
Ireland	18	0	44	-5
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	195	-	211	190.0
15:00	PL	NBP President Adam Glapiński's press conference						
FRIDAY (10 March)								
08:00	DE	HICP	Feb	% m/m	1.0	-	1.0	0.5
09:00	CZ	Industrial Production	Jan	% y/y	3.4	-	-1.4	1.3
09:00	CZ	CPI	Feb	% y/y	16.6	-	16.7	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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