

14 March 2023

Eyeopener

Fitch lowered 2023 GDP forecasts for Poland

US inflation today

President Biden plans to strengthen US banking regulations

Fitch agency lowered 2023 GDP forecast for Poland

Zloty slightly weaker versus euro, yields fell following core markets

No significant macroeconomic data in Poland **today**. The main event of the day will be the publication of February CPI inflation in the USA. Investors will look to these numbers for clues to the pace of disinflationary processes overseas.

Fitch lowered its forecast for Poland's GDP growth in 2023 to 0.7% from 1.1%, and maintained its estimate of 2.6% for 2024. Fitch assumes that interest rates in Poland will stabilise at the current level this year and be cut by 175bp next year to 5%. Inflation is expected to fall to 10.5% y/y at the end of this year. According to the agency, the energy crisis in Europe has been less severe than expected, commodity prices are falling dynamically, which supports a better forecast for the state of the Polish economy in the early part of the year. In the later part of 2023, however, demand will be weak. Inflation eats away at real incomes and reduces consumption, which will not find support in credit action that is losing pace and already showing negative y/y growth. The rate hikes to 6.75% are negatively affecting household spending and corporate investment decisions, but the significant inflow of foreign direct investment and the expected increase in public spending will provide important support that will result in an increase in total investment in 2023. Net exports will also support growth, but even so, total GDP will be lower this year than the agency forecast back in December.

US President Joe Biden, in reaction to the collapse of Silicon Valley Bank and Signature Bank, announced that he would address Congress with a demand to **strengthen regulation of the banking system**. He stressed that access to deposits held in failed regional banks is provided by the government, despite the fact that only deposits up to \$250k are guaranteed by law. According to Biden, taxpayers will not bear the costs and those responsible for the bank failures will be held accountable. Losses from bank failures will be covered by the Federal Deposit Insurance Corporation (FDIC).

The Fed said aggregate data on lending under the new facility announced on Sunday, i.e. **the Bank Term Funding Program**, will be released within a week along with the cyclical release of the Fed's balance sheet, while information on which banks benefited from the facility will not be released until a year after the facility is extinguished.

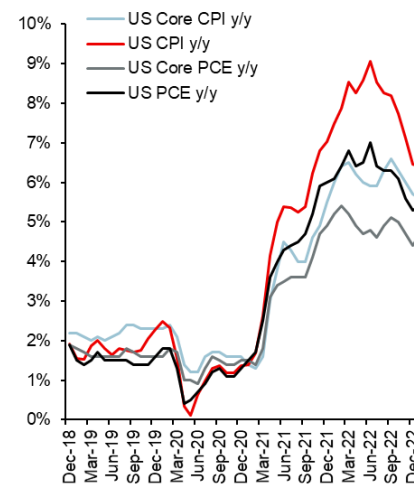
EURUSD rose from near 1.065 to towards 1.075. The dollar's weakening is the result of the bankruptcy of SVP and Signature banks, and recessionary fears in the markets which triggered a sharp drop in expectations for rate hikes in the US. Of the three rate hikes of 25 bps each that were priced in as recently as last week, only the May one remained. In the Eurozone, interest rate expectations also fell, but the market is assuming there will be two more hikes, the promised 50bp in March and other 25bp in the following months.

EURPLN rose from below 4.68 above this level. Volatility during the day was quite high, as the rate fluctuated within 4.665 - 4.705 range. The zloty was hurt by increased risk aversion in global markets and the return of the domestic market to pricing in rate cuts before the end of this year.

Other CEE currencies: EURCZK rose to around 23.73 from 23.62. The CNB assured markets that Czech banks are well-capitalized and there are no similarities between the business models of Czech and failed US banks. Nonetheless, demand for the Czech currency was lower due to rising risk aversion in the region. EURHUF from 381 rose to 392. The NBH also issued a statement similar to the CNB, but this did not stop the forint's depreciation. The Hungarian currency was further hurt by criticism of the central bank's restrictive policies coming from the government.

Debt market: domestic yields across the curve by an average of 13bp. On average, the entire domestic asset swap curve widened by 16bp, signaling a clear increase in risk in the debt market induced by the bankruptcies of several US regional banks. The FRA market has once again started pricing in a NBP rate cut before the end of this year. In the main markets, yield declines were much deeper than in Poland. In Germany, the curve fell by an average of about 29bp, and in the US by about 28bp.

US consumer inflation indicators (%)



Source: Refinitiv, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa

email: ekonomia@santander.pl

website: santander.pl/en/economic-analysis

Piotr Bielski +48 691 393 119

Jarostaw Kosaty +48 887 842 480

Marcin Luziński +48 510 027 662

Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.6813	CZKPLN	0.1974
USDPLN	4.3761	HUFPLN*	1.1856
EURUSD	1.0689	RUBPLN	0.0582
CHFPLN	4.7896	NOKPLN	0.4132
GBPPLN	5.3140	DKKPLN	0.6282
USDCNY	6.8719	SEKPLN	0.4113

*for 100HUF

Last session in the FX market 13/03/2023

	min	max	open	close	fixing
EURPLN	4.6684	4.7037	4.6685	4.6847	4.6848
USDPLN	4.3499	4.4105	4.3544	4.3632	4.3906
EURUSD	1.0649	1.0742	1.0718	1.0739	-

Interest rate market 13/03/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.03	-15
DS0727 (5Y)	5.99	-13
DS0432 (10Y)	6.02	-11

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.72	-20	4.60	-82	3.26	-42
2L	6.06	-28	4.31	-56	3.38	-33
3L	5.61	-30	4.00	-45	3.36	-17
4L	5.39	-30	3.83	-33	3.14	-20
5L	5.29	-30	3.72	-27	3.08	-16
8L	5.20	-29	3.59	-14	2.98	-11
10L	5.21	-29	3.59	-8	2.96	-11

WIBOR rates

Term	%	Change (bps)
O/N	6.57	0
T/N	6.73	-2
SW	6.84	0
2W	6.84	0
1M	6.88	0
3M	6.92	-1
6M	6.99	-1
1Y	7.09	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.86	-6
3x6	6.76	-16
6x9	6.56	-21
9x12	6.12	-29
3x9	6.79	-16
6x12	6.55	-19

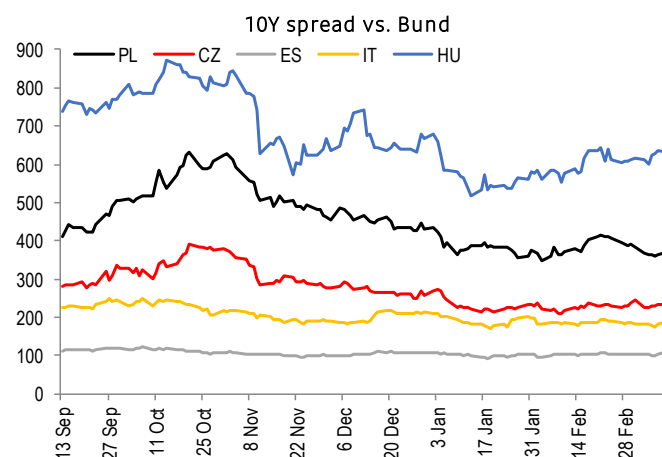
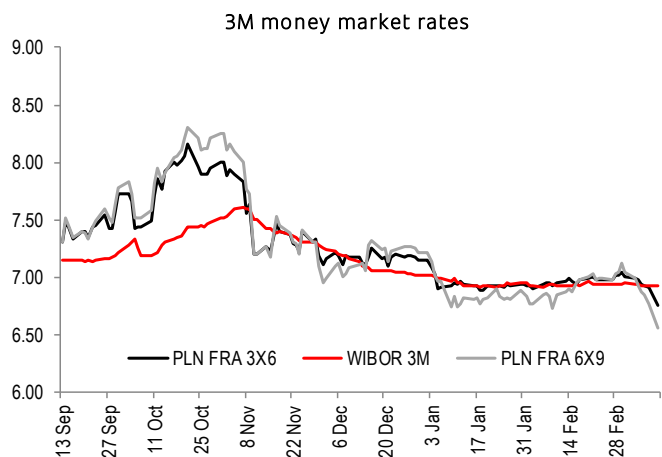
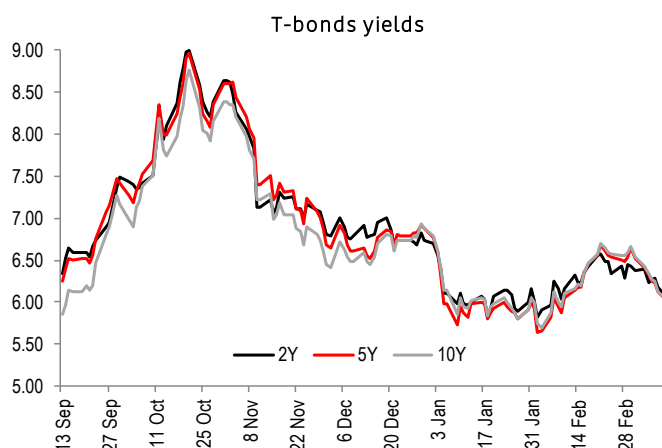
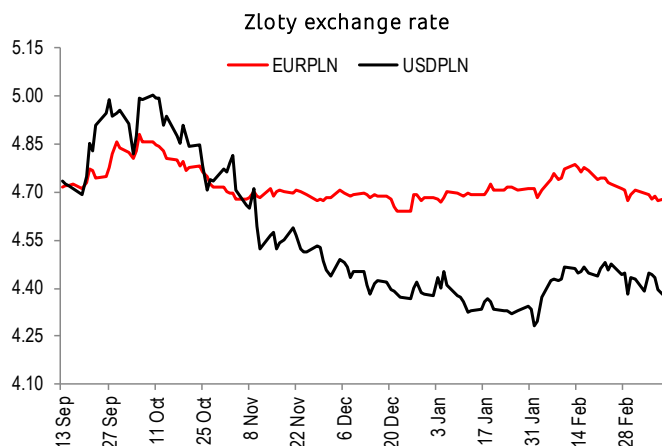
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	3	373	11
France	11	1	54	3
Hungary	161	-3	633	-3
Spain	53	6	110	6
Italy	51	9	192	10
Portugal	36	4	96	6
Ireland	18	0	48	1
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 (10 March)								
08:00	DE	HICP	Feb	% m/m	1.0	-	1.0	0.5
09:00	CZ	Industrial Production	Jan	% y/y	3.2	-	1.3	2.3
09:00	CZ	CPI	Feb	% y/y	16.6	-	16.7	17.5
14:30	US	Change in Nonfarm Payrolls	Feb	k	225.0	-	311.0	504.0
14:30	US	Unemployment Rate	Feb	%	3.4	-	3.6	3.4
MONDAY (13 March)								
No key events or releases								
TUESDAY (14 March)								
13:30	US	CPI	Feb	% m/m	0.4	-	-	0.5
WEDNESDAY (15 March)								
10:00	PL	CPI	Feb	% y/y	18.5	18.4	-	17.2
11:00	EZ	Industrial Production SA	Jan	% m/m	0.5	-	-	-1.1
13:30	US	Retail Sales Advance	Feb	% m/m	0.1	-	-	3.0
THURSDAY (16 March)								
13:30	US	Housing Starts	Feb	% m/m	0.1	-	-	-4.5
14:00	PL	CPI Core	Jan	% y/y	11.8	11.8	-	11.5
14:00	PL	CPI Core	Feb	% y/y	11.9	11.9	-	x
14:00	PL	Current Account Balance	Jan	€mn	-995	-1020	-	-2526
14:00	PL	Trade Balance	Jan	€mn	-1200	-1326	-	-2716
14:00	PL	Exports	Jan	€mn	27281	26458	-	26040
14:00	PL	Imports	Jan	€mn	28034	27784	-	28756
14:15	EZ	ECB Main Refinancing Rate	Mar.23	%	3.5	-	-	3.0
14:30	US	Initial Jobless Claims		k	195	-	-	211
FRIDAY (17 March)								
11:00	EZ	HICP	Feb	% y/y	8.5	-	-	8.6
14:15	US	Industrial Production	Feb	% m/m	0.5	-	-	0.0
15:00	US	Michigan index	Mar	pts	67.0	-	-	67.0

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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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.