

15 March 2023

# Eyeopener

## Polish inflation in focus

Today domestic inflation in February, abroad euro zone industrial output and US retail sales  
 S&P agency views short- and middle-term risk for Poland's rating as balanced  
 US CPI inflation fell to 6% in February, core only by a notch  
 Zloty weaker versus euro, domestic yield curve climbed by 16bp

**Today**, the publication of domestic CPI inflation for February. We expect it to rise to 18.4% y/y, up from 17.2% y/y in January. Abroad, Eurozone January industrial production will come out, together with retail sales data from the US for February.

The government adopted on Tuesday a **draft on the 'First Home' programme**, which includes a mortgage loan with a 2% interest rate for people under 45 buying their first home and a special housing savings account. According to the government's announcement, the programme is to come into force on 1 July 2023. The programme is expected to cost PLN16bn over 10 years. According to the NBP, the programme disrupts the monetary transmission mechanism and weakens the effects of rate hikes. Moreover, it will not increase the availability of housing, but it will drive housing prices up, and the programme will mainly benefit the wealthy.

Prime Minister Mateusz Morawiecki said that he does not rule out **extending the credit holiday programme** to 2024 (allowing mortgage loan takers to postpone debt installments), and that the decision will depend on the rate of inflation decline and interest rate expectations.

The **S&P Global Ratings** believes that in the short term, the risks to Poland's rating remain balanced. In the medium term, more uncertainty can be seen, but the negative and positive factors exerting pressure on the rating are balanced also in this perspective. Poland's macroeconomic developments will depend on the external environment, which includes the war in Ukraine, the path of economic growth and inflation in developed economies, including the euro area, and the outlook for energy supply and prices before next winter. If Poland returns to its pre-pandemic growth path, maintains a strong fiscal and current account position, and manages to put inflation on a sustainable downward trajectory, the rating outlook could be revised to positive. In contrast, the lower availability of EU funds for Poland, particularly from the cohesion funds, could result in downward pressure on the rating - if the reduction in this type of financing were permanent. The agency also reported that the volume of Poland's external debt (23% of GDP) is well below the level that would be of concern to the agency. As Poland issues debt mainly in local currency, a possible area of concern in the medium term could be the impact of the CJEU decision on mortgages denominated in Swiss francs. In a worst-case scenario, there could be pressure on banks' ability to absorb government bonds, which could complicate the government's funding plans. However, with funding already secured at more than half of this year's financing needs, in the short run the risks to the government's ability to finance itself in 2023 are assessed as relatively low. According to the agency, should the CJEU's final verdict turn out to be negative, the government and the NBP are likely to seek a solution to limit its impact on the banking sector and/or spread its effects over time.

**US CPI inflation** fell to 6.0% y/y in February from 6.4% y/y in January. The core declined only slightly to 5.5% y/y from 5.6% y/y in January. Inflationary pressure continued to come from the services component, where housing costs remain the dominant component.

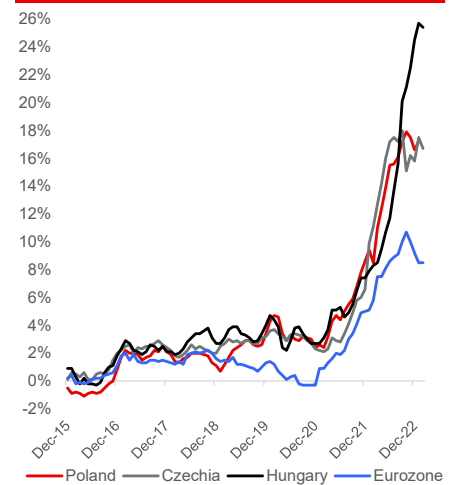
**EURUSD** remained above 1.07 for the better part of the day. The US market has retreated in pricing in any further rate hikes this year. Reductions have been priced in since June. This reaction is the result of the unexpected bankruptcies of several regional banks in the US. Lower CPI inflation from the US further reinforced these trends.

**EURPLN** rose above 4.70 from around 4.68. The weakening of the zloty is the result of deteriorating investment sentiment in global markets.

**Other CEE currencies:** EURCZK rose to 23.79 from 23.73. The koruna was hurt by a weak retail sales reading for January and risk aversion in global markets. EURHUF from 392 fell to 390. During the day, the exchange rate challenged 396, but by the end of the day the forint ultimately was stronger than at the start of the day.

**Debt market:** the domestic yield curve rose by around 16 bp on average. The FRA market is starting to pull back from pricing in rate cuts this year. Today's domestic CPI inflation reading may further reinforce the upward trend in domestic yields. The main markets also saw yields unwind upwards after the US financial market gradually calmed down following the surprise bankruptcy of several regional banks.

CE3 & Eurozone consumer inflation (%)



Source: Refinitiv, Santander

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**FX market**

**Today's opening**

EURPLN	4.7029	CZKPLN	0.1973
USDPLN	4.3785	HUFPLN*	1.1907
EURUSD	1.0740	RUBPLN	0.0581
CHFPLN	4.7840	NOKPLN	0.4153
GBPPLN	5.3181	DKKPLN	0.6312
USDCNY	6.8914	SEKPLN	0.4195

\*for 100HUF

**Last session in the FX market 14/03/2023**

	min	max	open	close	fixing
EURPLN	4.6779	4.7059	4.6779	4.7054	4.6909
USDPLN	4.3564	4.3932	4.3694	4.3904	4.3793
EURUSD	1.0677	1.0748	1.0706	1.0715	-

**Interest rate market 14/03/2023**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.11	8
DS0727 (5Y)	6.13	14
DS0432 (10Y)	6.18	17

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.83	11	4.92	32	3.49	23
2L	6.23	17	4.59	28	3.54	16
3L	5.77	16	4.19	20	3.43	6
4L	5.56	17	4.03	20	3.30	16
5L	5.46	17	3.93	21	3.21	13
8L	5.39	19	3.77	17	3.08	10
10L	5.41	20	3.72	14	3.05	10

**WIBOR rates**

Term	%	Change (bps)
O/N	6.57	0
T/N	6.73	0
SW	6.83	-1
2W	6.81	-3
1M	6.87	-1
3M	6.93	1
6M	6.99	0
1Y	7.09	0

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

Term	%	Change (bps)
1x4	6.91	5
3x6	6.88	13
6x9	6.60	4
9x12	6.18	6
3x9	6.87	8
6x12	6.60	5

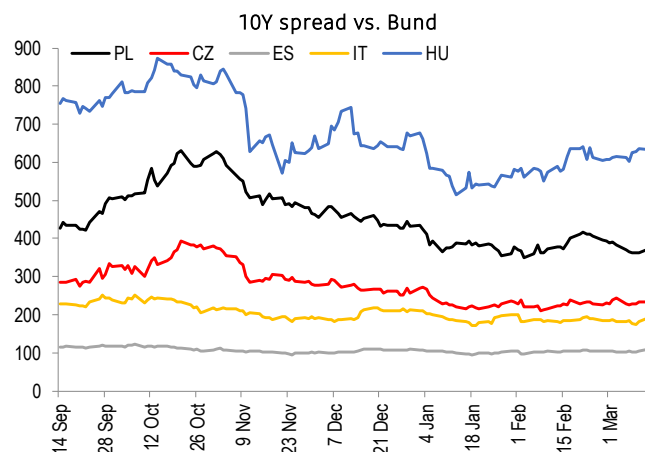
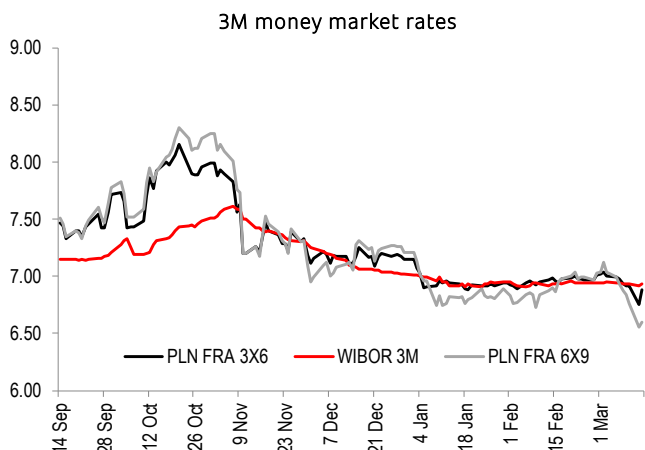
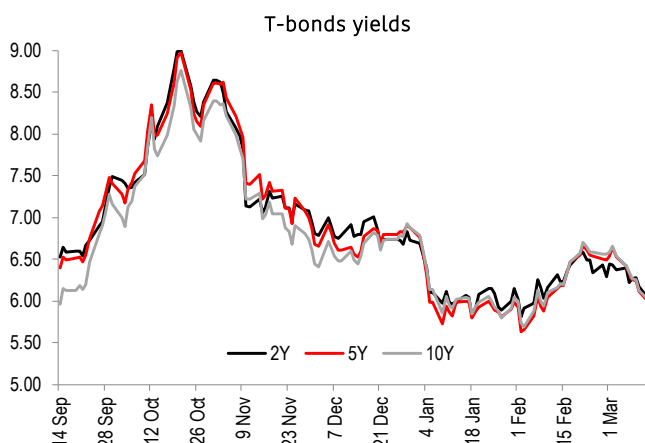
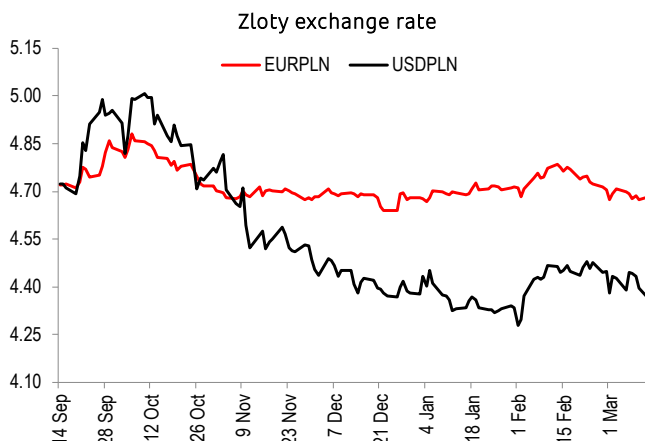
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	0	373	-1
France	11	0	53	-2
Hungary	163	2	636	3
Spain	51	-3	107	-3
Italy	48	-3	185	-7
Portugal	34	-2	90	-5
Ireland	18	0	45	-4
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			
<b>FRIDAY (10 March)</b>								
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
<b>MONDAY (13 March)</b>								
No key events or releases								
<b>TUESDAY (14 March)</b>								
13:30	US	CPI	Feb	% m/m	0.4	-	0.4	0.5
<b>WEDNESDAY (15 March)</b>								
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
<b>THURSDAY (16 March)</b>								
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
<b>FRIDAY (17 March)</b>								
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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