

17 March 2023

Eyeopener

SNB and ECB improved market sentiments

Today euro zone HICP inflation, US industrial output and Michigan index
Core inflation climbed again, current account surprised with a January surplus
ECB hiked rates by 50bp
Zloty stable, yields declined somewhat

No significant data in Poland **today**. Abroad, we will see the HICP inflation reading from the euro area, and from the US, industrial production data and the University of Michigan's consumer sentiment index.

In February, **core inflation set another record**, with inflation ex food and energy prices up to 12.0% y/y from 11.7% y/y in January and 11.5% y/y in December. We thought that core inflation would set its peak in February, just like headline CPI. Currently it seems less certain and core may stay at elevated levels for longer. We do not think that core inflation will give the MPC reasons to think about rate cuts this year. In January, **Polish C/A balance showed an unexpected surplus** of €1.43bn while we and the market were prepared to see a deficit of around €1bn. The main source of the surprise was a sudden deceleration in imports, to 3.1% y/y from 12.1% y/y. More about it in our [Economic comment](#).

MPC's Ludwik Kotecki said that the NBP's latest inflation projection does not provide a basis for discussing possible rate cuts. In his view, these could only be discussed if the projections indicate the possibility of reaching the inflation target. However, the current inflation projection does not show this in the forecast horizon, i.e. by the end of 2025. Inflation is still not showing any significant, lasting signs of weakening. In his view, the probability that inflation will turn single-digit by December is becoming lower and lower.

ECB raised interest rates by 50 bps. The main rate is now at 3.50%. Further decisions will depend on the inflation outlook, the assessment of which will be formulated based on inflation dynamics, incoming macroeconomic and financial data, as well as the strength of monetary policy transmission mechanisms. The communiqué indicates the central bank's clear concern about whether the current turmoil surrounding Credit Suisse bank will ultimately translate into greater distrust of the banking sector as a whole, which in turn would force maintenance of greater liquidity resources at the expense of credit to the economy. ECB chair Christine Lagarde assured that the ECB's assessment is that the Eurozone banking sector is resilient, but the central bank is closely monitoring the situation and has a range of instruments it is prepared to use should any liquidity problems arise. She also signalled that in a baseline scenario that rules out a sharp deterioration in the availability of credit to finance the Eurozone economy, further rate hikes may be necessary due to the persistence of inflation, but she shied away from continuing forward guidance on rates due to the high uncertainty present in the financial markets at the moment.

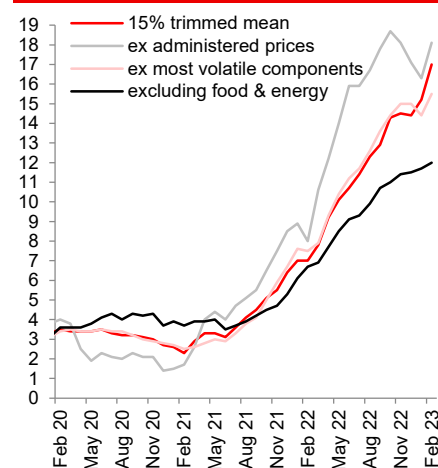
EURUSD oscillated around 1.06, ending the day with a minimal increase. The stabilisation of the exchange rate is the result of reduced tensions in the markets after the SNB agreed to provide liquidity assistance worth about USD54bn to Credit Suisse bank, as well as assurances from the ECB that it remains ready to provide additional liquidity support to the European banking sector if necessary.

EURPLN fluctuated in a wide range around 4.70 for another day in a row. The surprisingly strong data indicating a current account surplus in January further supported the Polish currency against the negative impact of global market turmoil.

Other CEE currencies: EURCZK fell to 24.01 from 24.05. EURHUF fluctuated strongly during the day, eventually ending the day with a slight rise from 394 to 396.

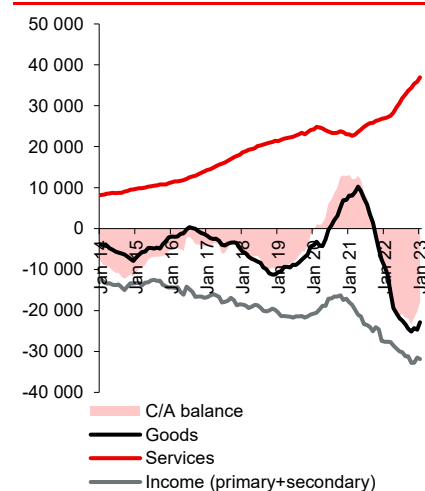
Debt market: domestic yields fell slightly, by about 3 bps across the curve. The asset swap curve narrowed slightly in the middle part and at its longer end. Interest rate expectations in the FRA market remained stable. In the main markets, yield curves rebounded solidly upward by several bps.

Core inflation, %/y



Source: GUS, NBP, Santander

Balance of payments: main balances (12m moving sum), €mn



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.6917	CZKPLN	0.1957
USDPLN	4.4029	HUFPLN*	1.1853
EURUSD	1.0664	RUBPLN	0.0576
CHFPLN	4.7517	NOKPLN	0.4113
GBPPLN	5.3503	DKKPLN	0.6299
USDCNY	6.8743	SEKPLN	0.4205

*for 100HUF

Last session in the FX market 16/03/2023

	min	max	open	close	fixing
EURPLN	4.6847	4.7105	4.7065	4.6999	4.6978
USDPLN	4.4085	4.4523	4.4369	4.4240	4.4248
EURUSD	1.0548	1.0635	1.0607	1.0617	-

Interest rate market 16/03/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.96	-3
DS0727 (5Y)	5.91	-4
DS0432 (10Y)	6.02	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.76	3	4.86	30	3.26	2
2L	6.07	-1	4.40	13	3.35	0
3L	5.61	1	4.08	6	3.23	1
4L	5.37	0	3.93	12	3.14	-2
5L	5.30	2	3.84	20	3.08	-3
8L	5.22	1	3.63	9	2.99	6
10L	5.25	3	3.60	12	2.99	6

WIBOR rates

Term	%	Change (bps)
O/N	6.64	6
T/N	6.73	0
SW	6.83	-1
2W	6.85	2
1M	6.84	-3
3M	6.92	0
6M	6.98	0
1Y	7.08	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.85	-1
3x6	6.72	-2
6x9	6.47	1
9x12	6.04	1
3x9	6.74	-2
6x12	6.47	0

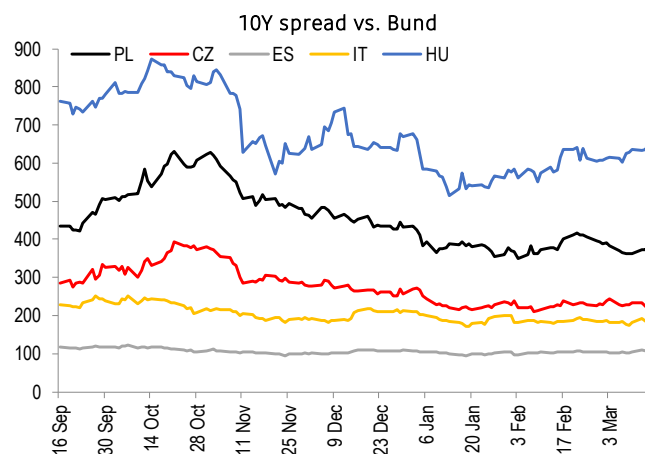
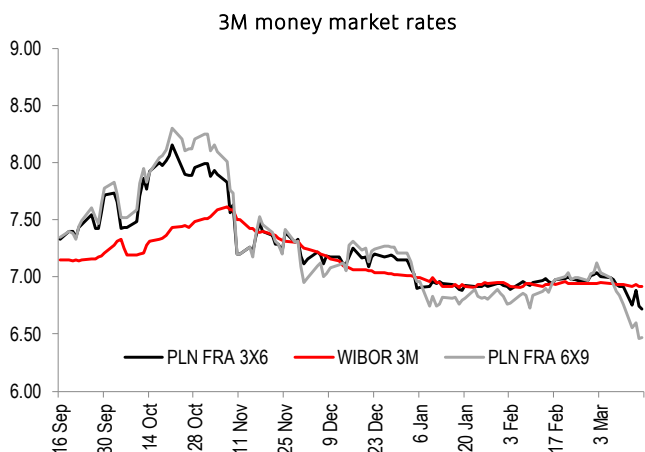
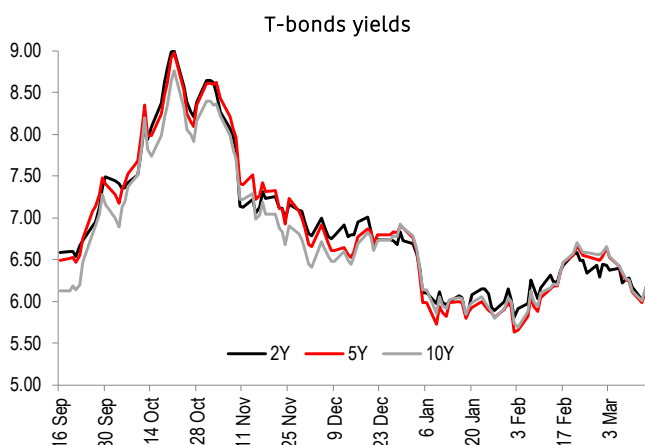
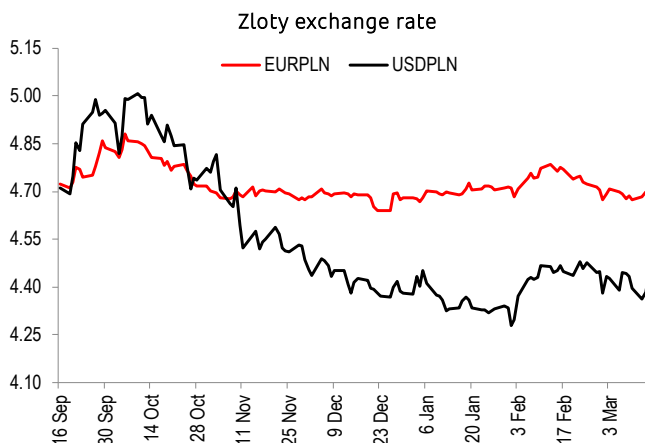
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	101	7	378	-15
France	13	0	55	0
Hungary	167	1	658	-12
Spain	53	0	110	-3
Italy	50	-1	191	-6
Portugal	34	-1	95	-3
Ireland	20	-1	55	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	-	0.4	0.5
WEDNESDAY (15 March)								
10:00	PL	CPI	Feb	% y/y	18.5	18.4	18.4	16.6
11:00	EZ	Industrial Production SA	Jan	% m/m	0.5	-	0.7	-1.3
13:30	US	Retail Sales Advance	Feb	% m/m	0.1	-	-0.4	3.2
THURSDAY (16 March)								
13:30	US	Housing Starts	Feb	% m/m	0.1	-	9.8	-2.0
14:00	PL	CPI Core	Jan	% y/y	11.8	11.8	11.7	11.5
14:00	PL	CPI Core	Feb	% y/y	11.9	11.9	12.0	x
14:00	PL	Current Account Balance	Jan	€mn	-995	-1020	1429	-2526
14:00	PL	Trade Balance	Jan	€mn	-1200	-1326	1225	-2716
14:00	PL	Exports	Jan	€mn	27281	26458	26809	26040
14:00	PL	Imports	Jan	€mn	28034	27784	25584	28756
14:15	EZ	ECB Main Refinancing Rate	Mar.23	%	3.5	-	3.5	3.0
14:30	US	Initial Jobless Claims		k	205	-	192	212
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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