

22 March 2023

Eyeopener

Retail sales deepen the decline

Today Polish money supply, consumer confidence, FOMC decision
Very weak reading of Polish retail sales, upside surprise in construction
Zloty stronger, domestic yields started to rise

Today, in Poland, M3 money supply data and March consumer sentiment and business sentiment survey results. In the US, there is a FOMC meeting with the presentation of new forecasts and an update of the chart describing the committee members' preferred interest rate path in the coming years. We expect a rate hike of 25 basis points today. This is the first regular FOMC meeting after a series of US bank failures and the market will be watching closely to see how these events affect the views of central bankers. This morning, data from the UK reminded markets that the problem of stubborn inflation is not yet gone: both the headline CPI reading (10.4% y/y) and core inflation (6.2% y/y) came in 0.5pp higher than expected and higher than the their previous levels.

Janet Yellen, US Treasury Secretary, said that guarantees of failed banks' deposits was necessary to protect the US banking system and her view is that similar measures would be repeated if there were still panic withdrawals of deposits.

The ZEW indices for Germany and the euro area fell in March to their lowest level since late 2022, along with a drop in the expectations index, with the current situation index fairly stable. This is mainly the aftermath of uncertainty surrounding the problems of banks, in particular Credit Suisse. Similarly, the March **Philadelphia Fed index**, describing non-manufacturing activity in a US region, showed a marked decline to -12.8 points from 3.2 points. The headline measure was dragged down most sharply by the new orders and wages index. The business expectations index also deteriorated markedly. In contrast, **US home sales** in February surprised sharply upwards.

Polish Retail sales slumped by 5% y/y in February, while we expected -1.2% y/y and market consensus was at -1.5%. Even though retail sales data are markedly weaker than we had expected, they are generally in line with our scenario that the trough of economic cycle was set in 1Q23. We hope that the following quarters will show some improvement in retail sales and in private consumption. As real household incomes will stay under pressure, we think this rebound will not be very strong, though. **Construction output** was up 6.6% y/y in February and for the second month running it was much stronger than expected, despite a further slowdown in **housing market**. February data support our forecast of a GDP decline in y/y terms in 1Q23. Read more in our [Economic comment](#).

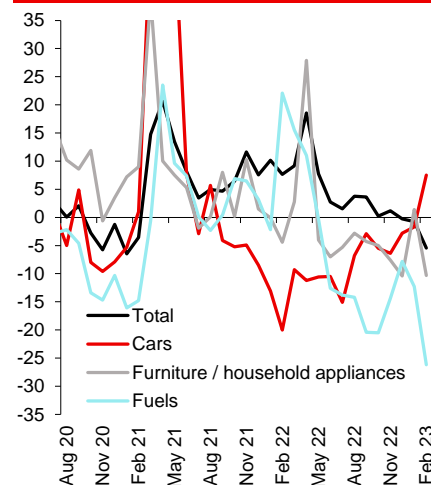
EURUSD continued its gains for another day in a row heading above 1.075. The declines that occurred after the Credit Suisse case have now been completely recovered. In addition to the global improvement in risk appetites, the exchange rate is also helped by the ECB's slightly more hawkish stance than the Fed. Today's expected 25bp rate hike should not lead to a reversal of the common currency's upward trend.

EURPLN dropped below 4.69 from levels above 4.70. Despite weaker domestic retail sales data, the zloty was the beneficiary of improved global investment sentiment.

Other CEE currencies: **EURCZK** fell to 23.78 from around 23.98. **EURHUF** fell below 389 from around 394. The region's currencies gained as investors returned to European emerging markets.

Debt market: Domestic yield curve rose by about 5 bps on average. Yields on 10-year bonds touched the 6% level again. Interest rate expectations rose in the longer-dated FRA contracts. The rebound of yields in the core markets was much more pronounced than in Poland. In the US, the yield curve rose by about 18 bps on average and in Germany by about 22 bps. Today's Fed rate hike should further support the upward trend in yields in both the US and Europe.

Retail sales and particular categories, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.6890	CZKPLN	0.1966
USDPLN	4.3540	HUFPLN*	1.2044
EURUSD	1.0762	RUBPLN	0.0567
CHFPLN	4.7137	NOKPLN	0.4126
GBPPLN	5.3351	DKKPLN	0.6293
USDCNY	6.8900	SEKPLN	0.4202

*for 100HUF

Last session in the FX market 21.03.2023

	min	max	open	close	fixing
EURPLN	4.6852	4.7078	4.7047	4.6896	4.6981
USDPLN	4.3484	4.3985	4.3915	4.3551	4.3715
EURUSD	1.0702	1.0788	1.0714	1.0765	-

Interest rate market 21.03.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.88	4
DS0727 (5Y)	5.91	5
DS0432 (10Y)	6.00	4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.72	4	5.01	26	3.37	17
2L	6.12	8	4.50	14	3.29	15
3L	5.64	6	4.20	15	3.18	14
4L	5.43	6	3.96	12	3.09	12
5L	5.33	5	3.83	17	3.03	11
8L	5.27	3	3.66	14	2.96	9
10L	5.31	3	3.64	13	2.95	8

WIBOR rates

Term	%	Change (bps)
O/N	6.54	-5
T/N	6.69	1
SW	6.82	-1
2W	6.84	-1
1M	6.86	0
3M	6.90	0
6M	6.96	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.87	1
3x6	6.75	6
6x9	6.50	4
9x12	6.07	8
3x9	6.77	5
6x12	6.48	5

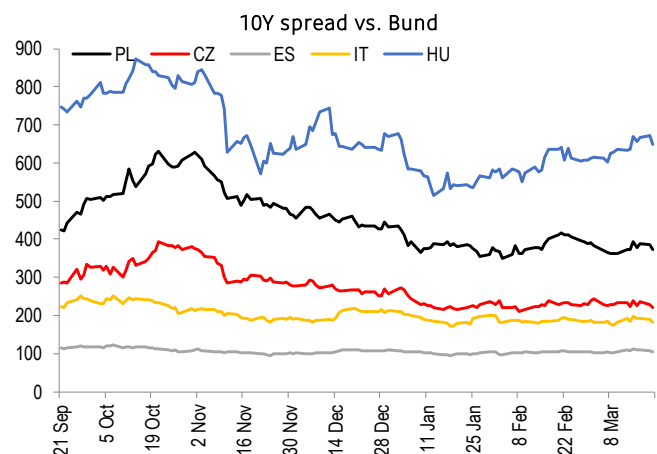
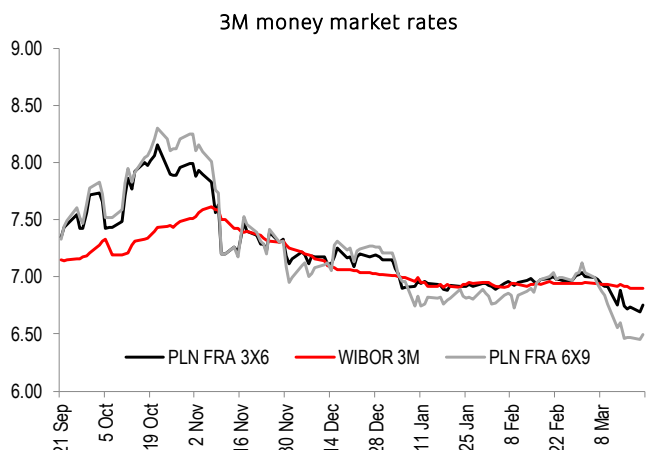
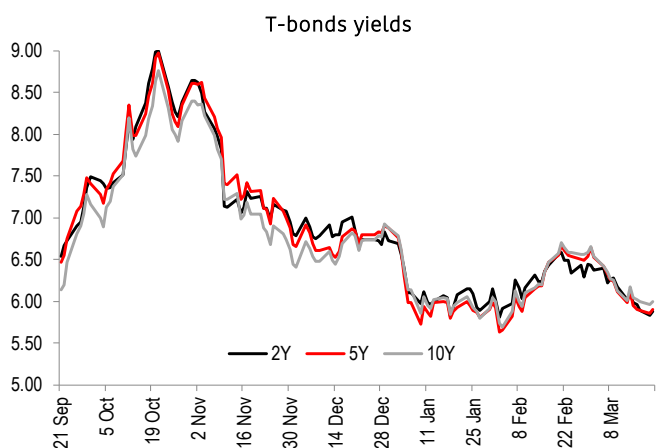
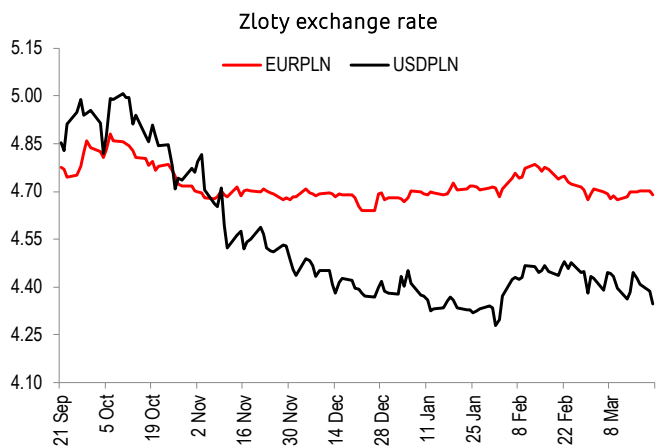
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	105	-2	372	-14
France	13	0	53	-3
Hungary	179	3	649	-23
Spain	50	-6	105	-3
Italy	50	-4	183	-6
Portugal	35	-2	87	-5
Ireland	20	0	48	-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		
FRIDAY (17 March)							
11:00	EZ	HICP	Dec.23	% y/y	8.5	-	8.5
14:15	US	Industrial Production	Dec.23	% m/m	0.2	-	0.0
15:00	US	Michigan index	Jan.23	pts	67.0	-	63.4
MONDAY (20 March)							
10:00	PL	Employment in corporate sector	Feb	% y/y	1.0	0.9	0.8
10:00	PL	Sold Industrial Output	Feb	% y/y	1.1	1.4	-1.2
10:00	PL	PPI	Feb	% y/y	17.7	17.7	18.4
10:00	PL	Average Gross Wages	Feb	% y/y	11.9	12.0	13.6
TUESDAY (21 March)							
10:00	PL	Construction Output	Feb	% y/y	1.0	0.7	6.6
10:00	PL	Retail Sales Real	Feb	% y/y	-1.5	-1.2	-5.0
11:00	DE	ZEW Survey Current Situation	Mar	pts	-45.0	-	-46.5
15:00	US	Existing Home Sales	Feb	% m/m	4.8	-	14.5
WEDNESDAY (22 March)							
14:00	PL	Money Supply M3	Feb	% y/y	6.5	6.4	-
19:00	US	FOMC decision			4.75	-	4.50
THURSDAY (23 March)							
10:00	PL	Unemployment Rate	Feb	%	5.5	5.5	-
13:30	US	Initial Jobless Claims	week	k		-	192
15:00	US	New Home Sales	Feb	% m/m	-3.0	-	7.2
FRIDAY (24 March)							
09:30	DE	Germany Manufacturing PMI	Mar	pts	47.0	-	46.3
09:30	DE	Markit Germany Services PMI	Mar	pts	51.0	-	50.9
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	49.0	-	48.5
10:00	EZ	Eurozone Services PMI	Mar	pts	52.5	-	52.7
13:30	US	Durable Goods Orders	Feb	% m/m	1.5	-	-4.5
	PL	Rating review by Moody's				A2/stable	A2/stable

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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