

27 March 2023

# Eyeopener

## Worse sentiment in euro zone industry

Today Ifo in Germany

PMI in manufacturing below forecasts in Germany and euro zone

Global trade volume slightly down in January

IMF: the government should support fight with inflation and do not ease fiscal policy

EURPLN and domestic bond yields up

**Today** the German Ifo business climate indicator is due for release. **This week** we will get to see the preliminary CPI reading for March (Friday) in Poland. We expect a marked decline, but this will be largely due to statistical effects. Preliminary estimates of March inflation will also be shown by Germany and the euro, and there should be a decline as well. Domestically, we will also get to see the quarterly balance of payments (Friday) and ESI business climate indicators (Thursday).

**Moody's on did not update Poland's credit rating** on Friday - it is still A2 with a stable outlook.

**Flash PMIs in Germany and the euro area** clearly surprised downwards in manufacturing, but in services. The composite indexes, which take into account both sectors of the economy, were also better than forecast and the highest since May. The declines in the manufacturing PMIs were partly due to worse readings of the new orders index, which is not a good harbinger. However, longer delivery times were also a significant contributor to the lower PMIs. As we have pointed out before, usually an extension of delivery times suggests a downturn and depresses the headline index. This time, however, it is due to the unblocking of supply chains, so the PMI decline is stronger than actual assessments of the economy would suggest. **US durable goods orders data were also weaker than expected.**

**ECB head Christine Lagarde** reiterated her earlier words that the ECB is well equipped to provide liquidity to banks and is determined to bring inflation down to target (2%). **Joachim Nagel**, head of the Bundesbank, said that rates in the euro area need to be raised further, to sufficiently restrictive level, underlying inflation is increasingly worrying, the labour market is tight and there are signs of second-round effects.

**The World Trade Monitor** index of international trade volume declined by 0.1% in January. This indicator had been recording fairly sharp declines since October. It is possible that the January reading heralds an upturn in global trade.

**The IMF** assessed that the Polish government should support the actions of the NBP and refrain from loosening fiscal policy in 2023. In particular, the government should find savings to finance the increase of defense spending. The MPC, in turn, should be prepared to hike rates further, should the task of bringing inflation down to the target in 2025 require it. The institution forecasts the public finance deficit at 4.5% of GDP in 2023, 3.8% in 2024. The GDP growth forecasts are 0.3% in 2023 and 2.4% the following year.

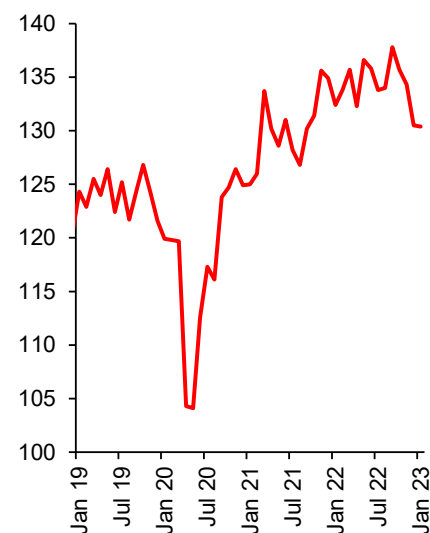
**EURUSD** fell from above 1.08 to around 1.075. During the day, the exchange rate tried to attack 1.07 after news that shares of large global banks are starting to lose heavily on the stock markets.

**EURPLN** rose to around 4.69 from around 4.68. **EURCZK** rose to 23.70 from around 23.62.

**EURHUF** rose above 385 from 383. The CEE currencies lost on renewed concerns about the health of the banking sector in the Eurozone and the US.

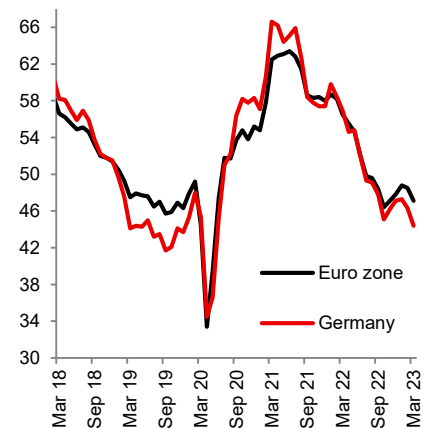
**Debt market:** In the main markets, yields fell. The market feared that problems in the banking sector would translate into a reduction in credit expansion and thus a faster economic slowdown on both sides of the Atlantic. This also pulled the Polish IRS curve down, although yields rose at the middle and long end of the curve.

CPB World Trade Index, pts



Source: GUS, Santander

Manufacturing PMIs, pts



Source: S&P Global, Santander

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**FX market**

**Today's opening**

EURPLN	4.6851	CZKPLN	0.1974
USDPLN	4.3544	HUFPLN*	1.2028
EURUSD	1.0757	RUBPLN	0.0567
CHFPLN	4.7317	NOKPLN	0.4150
GBPPLN	5.3189	DKKPLN	0.6287
USDCNY	6.8812	SEKPLN	0.4173

\*for 100HUF

**Last session in the FX market** 24/03/2023

	min	max	open	close	fixing
EURPLN	4.6767	4.6982	4.6805	4.6894	4.6911
USDPLN	4.3172	4.3790	4.3205	4.3576	4.3742
EURUSD	1.0712	1.0835	1.0832	1.0755	-

**Interest rate market** 24/03/2023

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.00	-2
DS0727 (5Y)	5.96	5
DS0432 (10Y)	6.02	7

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.76	-2	4.73	-4	3.35	-1
2L	6.16	-4	4.08	-10	3.21	-10
3L	5.65	-4	3.75	-13	3.06	-9
4L	5.43	-4	3.58	-9	2.95	-6
5L	5.34	-4	3.44	-7	2.90	-9
8L	5.29	-4	3.36	-5	2.85	-6
10L	5.32	-3	3.35	-6	2.86	-5

**WIBOR rates**

Term	%	Change (bps)
O/N	6.47	-4
T/N	6.70	1
SW	6.83	0
2W	6.84	0
1M	6.85	0
3M	6.90	0
6M	6.95	0
1Y	7.06	0

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

Term	%	Change (bps)
1x4	6.89	0
3x6	6.77	0
6x9	6.55	-6
9x12	6.11	-5
3x9	6.77	-3
6x12	6.52	-6

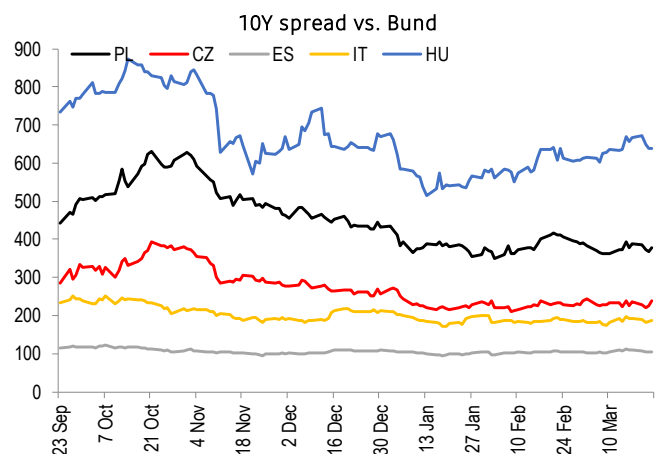
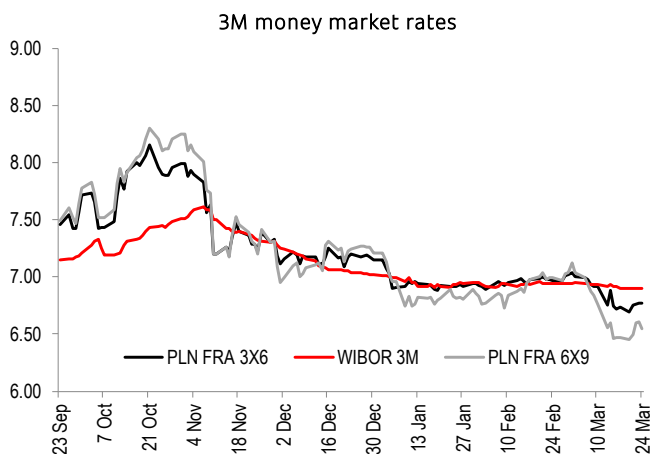
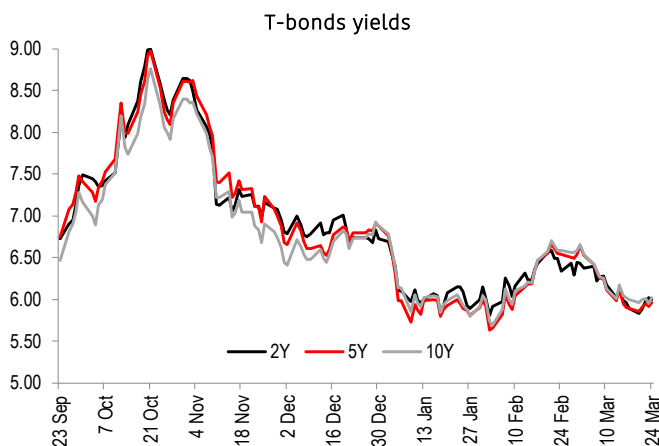
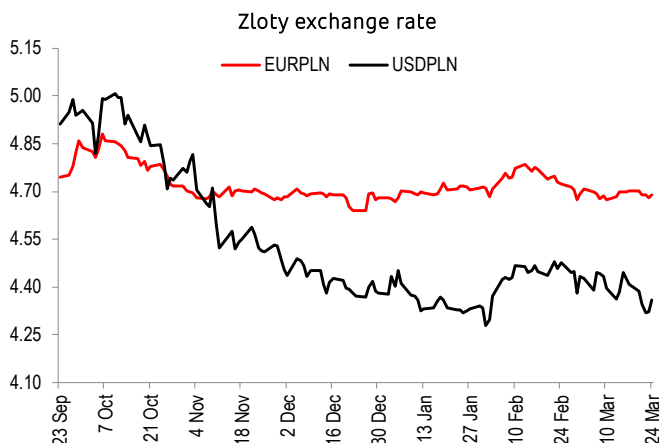
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	103	1	377	9
France	15	1	53	0
Hungary	173	0	637	-1
Spain	55	2	105	1
Italy	50	1	186	1
Portugal	38	1	89	0
Ireland	21	0	45	1
Germany	12	1	-	-

\* 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	LAST
				MARKET	SANTANDER	VALUE	VALUE*
<b>FRIDAY (24 March)</b>							
09:30	DE	Germany Manufacturing PMI	Mar	pts	47.0	44.4	46.3
09:30	DE	Markit Germany Services PMI	Mar	pts	51.0	53.9	50.9
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	49.0	47.1	48.5
10:00	EZ	Eurozone Services PMI	Mar	pts	52.5	55.6	52.7
13:30	US	Durable Goods Orders	Feb	% m/m	0.5	-1.0	-5.0
<b>MONDAY (27 March)</b>							
10:00	DE	IFO Business Climate	Mar	pts	91.0	-	91.1
<b>TUESDAY (28 March)</b>							
14:00	HU	Central Bank Rate Decision	Mar/23	%	13.0	-	13.0
16:00	US	Consumer Conference Board	Mar	pts	101.5	-	102.9
<b>WEDNESDAY (29 March)</b>							
14:30	CZ	Central Bank Rate Decision	Mar/23		7.0	-	7.0
16:00	US	Pending Home Sales	Feb	% m/m	-2.25	-	8.13
<b>THURSDAY (30 March)</b>							
11:00	EZ	ESI	Mar	pct.	99.8	-	99.8
13:30	US	Initial Jobless Claims		k	197.0	-	191.0
14:00	DE	HICP	Mar	% m/m	0.9	-	1.0
14:30	US	GDP Annualized	4Q	% Q/Q	2.7	-	2.7
<b>FRIDAY (31 March)</b>							
09:00	CZ	GDP SA	4Q	% y/y	0.2	-	0.2
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>Mar</b>	<b>% y/y</b>	<b>16.1</b>	<b>15.8</b>	<b>-</b>
11:00	EZ	Flash HICP	Mar	% y/y	7.1	-	8.5
11:00	EZ	Unemployment Rate	Feb	%	6.6	-	6.6
<b>14:00</b>	<b>PL</b>	<b>Current account balance</b>	<b>4Q</b>	<b>€mn</b>		<b>-2810</b>	<b>-</b>
14:30	US	Personal Spending	Feb	% m/m	0.3	-	1.8
14:30	US	Personal Income	Feb	% m/m	0.3	-	0.6
14:30	US	PCE Deflator SA	Feb	% m/m	0.3	-	0.6
16:00	US	Michigan index	Mar	pts	63.4	-	63.4

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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