

30 March 2023

Eyeopener

Moody's not planning rating change for Poland

Today, ESI business climate indicators, German inflation
 Moody's sees no reason to change Polish rating, tolerates elevated inflation
 According to Gazeta Wyborcza, PiS decided to raise 500+ to 700+
 Zloty stable again, local bond yields stable

Today, the European Commission will publish economic activity indicators. In the last set of ESI indicators for Poland, consumer sentiment worsened and companies' willingness to hire declined, while the GUS consumer sentiment survey presented an improvement in sentiment and a decrease in unemployment concerns. Today we will also get to know the preliminary reading for March inflation in Germany and the third estimate of 4Q GDP in the US.

Moody's rating agency, which did not revise Poland's credit rating last Friday, presented its rationale for maintaining the current A2 rating and its stable outlook. Admittedly, heightened geopolitical risks are present in the CEE region, but the rating is stabilised by the strength of the Polish economy, moderate public debt and its relatively easy servicing. In the case of Poland, the agency tolerates temporarily high inflation, low growth, higher fiscal spending and relations with the EU in their current state. In subsequent rating decisions, the agency will take into account whether Poland's economic growth will deviate from its projected path (0.4% in 2023, 2.4% in 2024), and which way the relations with the EU develop. In particular, a further postponement of EU Recovery Fund disbursements would be a negative signal. On top of that, the agency said that the extension of an armed conflict into Poland would be reason to downgrade the country by several grades. In a separate note published yesterday, the agency presented the view that the energy crisis and the war in Ukraine would undermine competitiveness and the ability to absorb shocks in Europe, especially in the CEE region, for many years.

According to Gazeta Wyborcza, the Law and Justice party has decided to **increase the 500+ family benefit by PLN200**. If this were to happen, the annual cost of the programme would increase from the current ca. PLN40bn to cPLN55bn, or by c0.5% of GDP. For the time being, it is not confirmed when or whether such changes would actually be introduced.

Philip Lane, the ECB's chief economist, said that if it turns out that tensions in the European banking system have limited or no impact, the central bank should continue raising rates. At this stage, however, it is too early to determine how the situation will unfold further. **ECB's Peter Kazimir**, on the other hand, said that in the absence of a significant deviation of further economic developments from the assumed baseline scenario, rates should be raised further, albeit perhaps at a slightly slower pace. However, he noted a lower willingness of investors to deposit funds in banks which, in his opinion, could translate into a reduction in credit expansion and, as a result, a slower pace of economic growth.

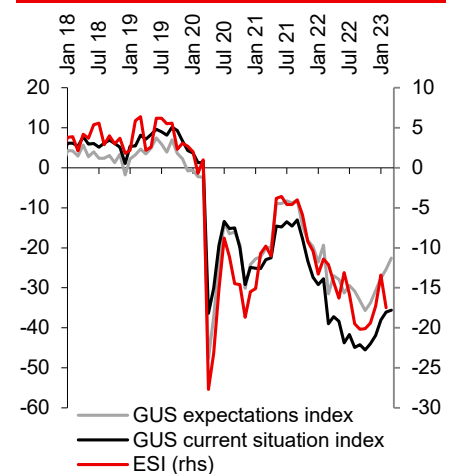
EURUSD oscillated around the level of 1.0850. The situation in the financial markets has calmed down but the exchange rate needs new stimulus to increase its volatility again.

EURPLN, from the area of 4.6750, returned again to the area of 4.69, from which it had descended the day before. The relative stabilization of the zloty in recent days is the result of the contradiction between high inflation at home and the downward pressure on rates imported from core markets.

Other CEE currencies: EURCZK fell to 23.57 from 23.62. The CNB left interest rates unchanged. One of the CNB's seven members voted for a 25bp hike. The CNB chairman welcomed the koruna's appreciation, which he said should have been even stronger. He stressed that interest rates may not have reached their peak yet. The bank is ready to raise rates further, especially if the risk of a wage-price spiral increases. According to Ales Michl, the market's valuation of rate cuts later in the year is premature. EURHUF, which has been falling over the past few days, has stopped at 380.

Debt market: Domestic yield curve maintained stable quotations at levels slightly above 6%. The stability was achieved amid a rise in the IRS curve with simultaneous declines in the asset swap spread, which was not harmed by the bond sale auction held by the MF. The auction sold 6 series of bonds for PLN 7 billion against demand of PLN 10.4 billion. After Tuesday's bond issue on the US market and Wednesday's one on the domestic market, the level of financing of the 2023 budget's gross borrowing needs reached 74%.

Consumer confidence in Poland



Source: European Commission, GUS, Santander

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FX market

Today's opening

EURPLN	4.6864	CZKPLN	0.1986
USDPLN	4.3238	HUFPLN*	1.2311
EURUSD	1.0838	RUBPLN	0.0560
CHFPLN	4.7129	NOKPLN	0.4142
GBPPLN	5.3261	DKKPLN	0.6289
USDCNY	6.8800	SEKPLN	0.4151

*for 100HUF

Last session in the FX market 29/03/2023

	min	max	open	close	fixing
EURPLN	4.6727	4.6893	4.6738	4.6875	4.685
USDPLN	4.3097	4.3314	4.3146	4.3307	4.3247
EURUSD	1.0816	1.0871	1.0836	1.0823	-

Interest rate market 29/03/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.08	4
WS0428 (5Y)	6.01	-2
DS1033 (10Y)	6.08	-1

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.82	4	5.00	2	3.43	1
2L	6.29	7	4.38	-2	3.35	4
3L	5.77	4	4.10	2	3.20	4
4L	5.54	3	3.89	1	3.09	3
5L	5.45	3	3.73	0	3.03	2
8L	5.40	3	3.57	0	2.98	2
10L	5.42	1	3.55	1	2.99	2

WIBOR rates

Term	%	Change (bps)
O/N	6.69	15
T/N	6.74	6
SW	6.84	1
2W	6.84	1
1M	6.85	1
3M	6.90	0
6M	6.96	1
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.89	-2
3x6	6.82	3
6x9	6.64	4
9x12	6.26	8
3x9	6.86	6
6x12	6.63	5

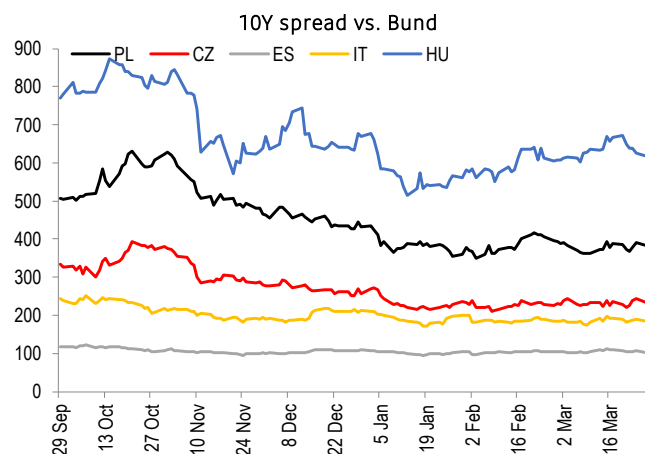
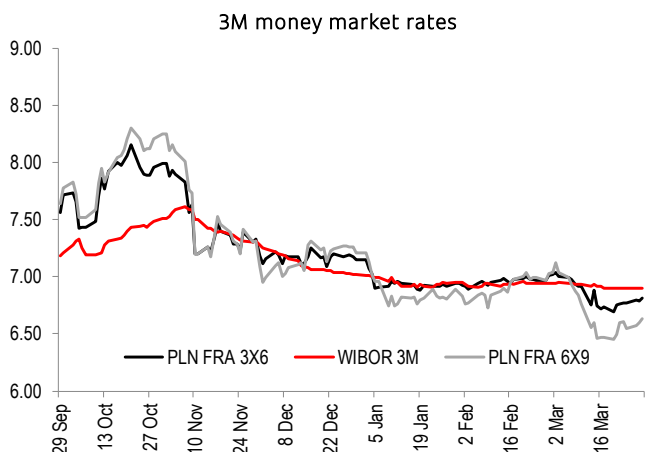
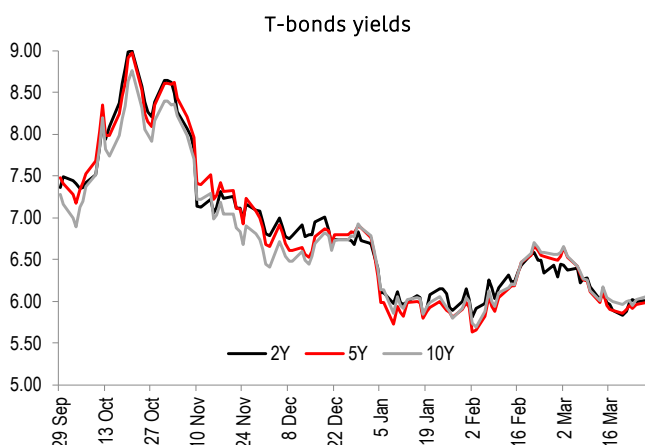
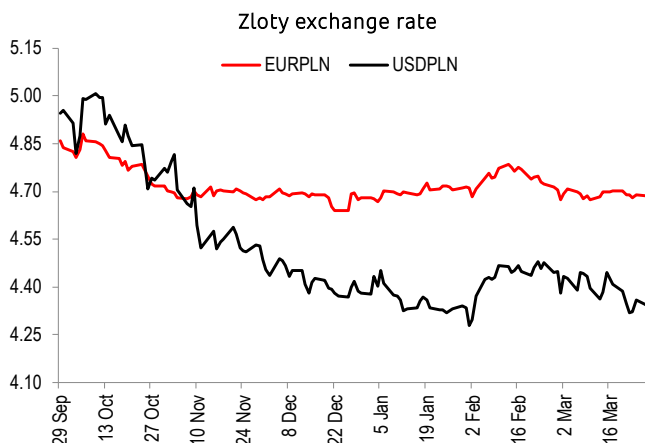
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	102	-3	378	-3
France	14	0	51	-1
Hungary	169	-4	610	5
Spain	53	0	102	-2
Italy	48	0	183	-2
Portugal	37	0	88	-2
Ireland	20	0	45	2
Germany	12	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	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (24 March)							
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
MONDAY (27 March)							
10:00	DE	Ifo Business Climate	Mar	pts	91.0	93.3	91.1
TUESDAY (28 March)							
14:00	HU	Central Bank Rate Decision		%	13.0	13.0	13.0
16:00	US	Consumer Conference Board	Mar	pts	101.5	104.2	103.4
WEDNESDAY (29 March)							
14:30	CZ	Central Bank Rate Decision			7.0	7.0	7.0
16:00	US	Pending Home Sales	Feb	% m/m	-2.3	0.8	8.1
THURSDAY (30 March)							
11:00	EZ	ESI	Mar	pct.	99.8	-	99.8
13:30	US	Initial Jobless Claims		k	197	-	191
14:00	DE	HICP	Mar	% m/m	0.9	-	1.0
14:30	US	GDP Annualized	4Q	% Q/Q	2.7	-	2.7
FRIDAY (31 March)							
09:00	CZ	GDP SA	4Q	% y/y	0.2	-	0.2
10:00	PL	CPI	Mar	% y/y	16.1	15.8	-
11:00	EZ	Flash HICP	Mar	% y/y	7.1	-	8.5
11:00	EZ	Unemployment Rate	Feb	%	6.6	-	6.6
14:00	PL	Current account balance	4Q	€mn		-2810	-
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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