

# Eyeopener

## CPI above forecasts in March

Today PMI and ISM in manufacturing, general government deficit in 2022  
CPI inflation fell to 16.2% y/y in March  
Current account deficit in 4Q slightly above flash data  
EURPLN slightly higher, Polish yields lower

**Today**, Polish manufacturing PMI data for March are due for release, and we will also get to see the balance and debt of the public finance sector for 2022. On Friday, the Ministry of Finance reported that the public debt stood at 49.3% of GDP in 4Q22, compared to 50.3% in 3Q and 53.8% in 2Q. Abroad, manufacturing PMIs will be published in Germany and the euro area, as well as the US manufacturing sector ISM.

OPEC+ decided to **cut oil production by c1.2 million barrels per day**. This is another reduction in several months. The oil market reacted by increasing the price of the product by around 4%.

**CPI inflation slid to 16.2% y/y in March from 18.4% y/y in February** and was above expectations (us 15.8% y/y, BBG 16.0% y/y). The data confirmed that February marked the peak of the y/y inflation. We expect annual CPI growth to fall further in the coming months, mainly due to weakening effects of last year's shocks and statistical base effects. However, the momentum is still strong and greater than expected - on a monthly basis, CPI has risen by 1.1% m/m, and already by almost 5% since December. This supports our claim that inflation will fall this year slower than expected by the market, NBP experts and the NBP president himself. We expect 10% inflation at the end of the year. This makes us still consider it unlikely that the MPC will cut interest rates this year. Our calculations show that core inflation (CPI excluding food and energy prices) may have risen to 12.2% y/y in March from 12.0% y/y in February, thus setting yet another record. On a monthly basis, the increase was 1.2% m/m, similar to February. Read more in our [Economic comment](#).

Poland's BoP data for **4Q showed that the current account result amounted to -€2.66bn**, €0.15bn higher than NBP's monthly estimates. The balance of goods turned out to be €0.32bn better (at -€5.66bn), with both exports and imports down in 4Q from earlier estimates by €0.73bn and €1.04bn, respectively. The services balance (€9.02bn) saw a marginal revision, while the income balance was revised downward by €0.26bn to €6.02bn. The revision also covered the remaining quarters of 2022, and in total raised last year's current account balance by €0.90bn, including the goods trade balance by €0.55bn, the services balance by €0.64bn, while the income balance got lowered by €0.30bn. Particularly large revisions included 1Q22. Taken together, such a revision could mean that growth in 2022 will be revised upward, which in turn, through the base effect, will work to lower GDP growth readings in 2023.

After February, **nothing was left of the PLN11.2bn central budget surplus (recorded in January); the total balance for January-February was -PLN47.4mn**. In February alone, expenditure amounted to PLN49.9bn (13.6% y/y) and revenues to PLN38.6bn (17.4% y/y). Tax revenues increased by 12.6% y/y, including CIT by 9.7%, VAT by 22.2% y/y (there was an effect of restoring the temporarily lowered tax rates to their original values: in fuel, electricity, gas and heat). PIT receipts fell by 6.6% y/y - in this reading, the first refunds for 2022 may have already appeared (first tax returns were filed in in mid-February and the Ministry of Finance signaled that in some cases it may take just 10 days to receive the payment), which this year, as a consequence of last year's mid-year tax changes, will be exceptionally large and involve an unusually large number of taxpayers. However, the main effect, negative for PIT, is expected in March and April.

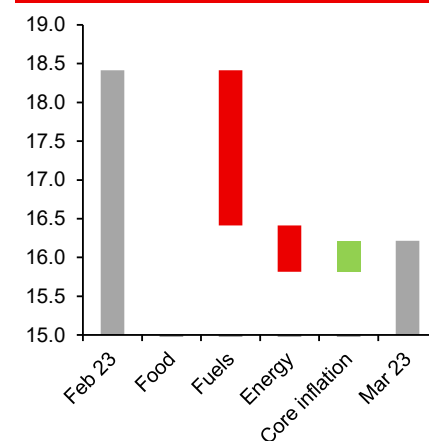
**EURUSD** fell to 1.085 from 1.09. The euro was undermined by weaker PMI data from China (51.9pts vs. 52.6pts in February), which cooled hopes for economic acceleration in after reopening of the Chinese economy. The single currency was also not helped by a statement from François Villeroy de Galhau of the ECB (Bank of France), who signalled that the ECB, like the Fed, may be nearing the end of its hike cycle - there is "a short way to go."

**EURPLN** rose to 4.68 from around 4.67, the zloty weakened on rising fears of a stronger slowdown in the global economy following Chinese data and a weaker US consumption reading for February.

**Other CEE currencies:** EURCZK slipped to 23.47 from around 23.51. The koruna was helped by a better GDP reading for 4Q. EURHUF settled around 380 for another consecutive day. Despite lower PPI inflation for February (29% y/y vs. 33.5% in January), the forint was unable to gain significantly due to a noticeably larger trade deficit for January (-413 million € vs. 165 million € in December).

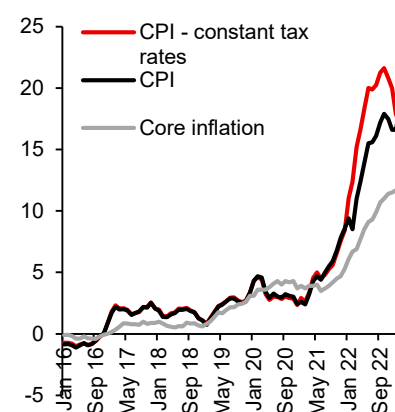
**Debt market:** The domestic yield curve fell on Friday. The largest drop, by about 10 bps, occurred at the short end, which was associated with lower CPI inflation readings from Poland, the euro zone and the US. Yields on the core markets also fell for the same reason. Expectations for ECB and Fed target rates were also reduced.

Decrease of yearly CPI growth, breakdown, % y/y



Source: GUS, Santander

CPI inflation measures, % y/y



Source: GUS, NBP, Santander

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**FX market**

**Today's opening**

EURPLN	4.6814	CZKPLN	0.1988
USDPLN	4.3335	HUFPLN*	1.2331
EURUSD	1.0802	RUBPLN	0.0560
CHFPLN	4.7101	NOKPLN	0.4114
GBPPLN	5.3118	DKKPLN	0.6273
USDCNY	6.8910	SEKPLN	0.4150

\*for 100HUF

**Last session in the FX market 31.03.2023**

	min	max	open	close	fixing
EURPLN	4.6671	4.6805	4.6707	4.6773	4.6755
USDPLN	4.2822	4.3105	4.2849	4.3029	4.2934
EURUSD	1.0856	1.0910	1.0901	1.0870	-

**Interest rate market 31.03.2023**

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

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.05	-10
WS0428 (5Y)	5.98	-2
DS1033 (10Y)	6.07	-1

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.89	6	5.02	-1	3.50	-2
2L	6.37	9	4.38	-5	3.42	-4
3L	5.84	9	3.99	-3	3.25	-4
4L	5.61	8	3.77	-5	3.12	-6
5L	5.50	6	3.59	-14	3.04	-7
8L	5.43	5	3.46	-11	2.96	-8
10L	5.44	3	3.44	-10	2.96	-5

**WIBOR rates**

Term	%	Change (bps)
O/N	6.14	-75
T/N	6.75	-1
SW	6.83	-1
2W	6.83	1
1M	6.84	0
3M	6.89	-1
6M	6.95	0
1Y	7.06	0

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

Term	%	Change (bps)
1x4	6.88	-2
3x6	6.87	3
6x9	6.75	11
9x12	6.34	12
3x9	6.89	4
6x12	6.73	11

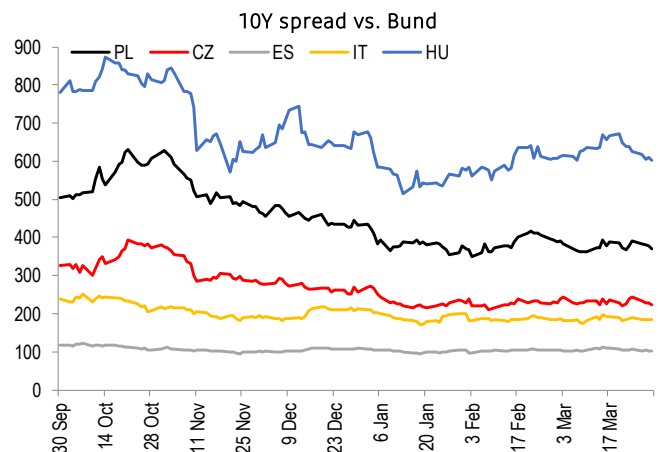
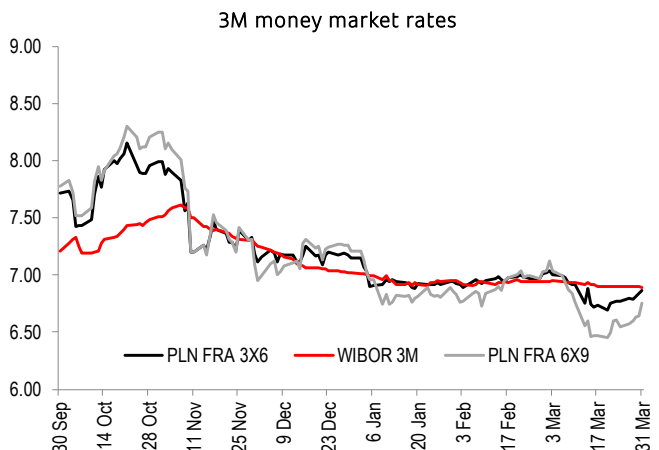
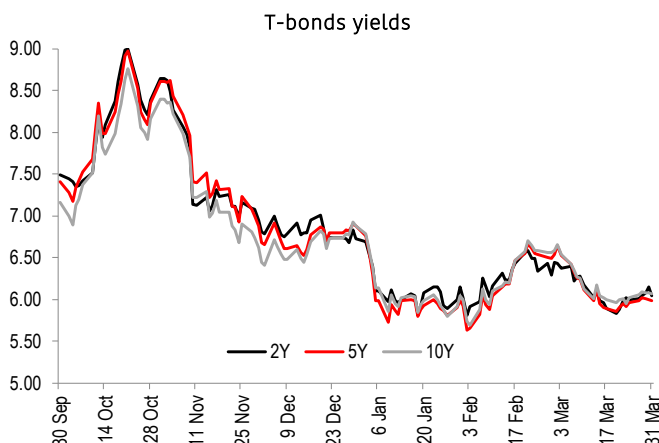
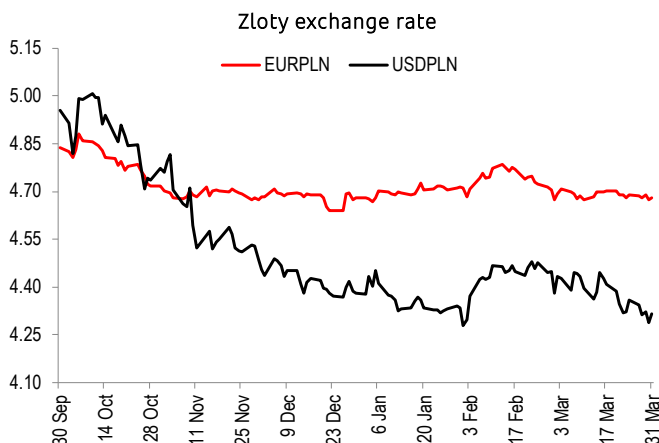
**Measures of fiscal risk**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	102	0	371	-7
France	14	0	51	-1
Hungary	169	0	603	-6
Spain	48	0	103	0
Italy	46	0	186	2
Portugal	35	0	87	0
Ireland	20	0	45	0
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 VALUE	LAST VALUE*
				MARKET	SANTANDER		
<b>FRIDAY (31 March)</b>							
08:00	DE	Retail Sales	Feb	% m/m	0.5	-1.3	-0.3
09:00	CZ	GDP SA	4Q	% y/y	0.2	0.3	0.2
10:00	PL	CPI	Mar	% y/y	16.0	16.2	18.4
10:14	PL	Central Budget Cumul.	Feb	mn PLN	-	-47.4	11232.0
11:00	EZ	Flash HICP	Mar	% y/y	7.1	6.9	8.5
11:00	EZ	Unemployment Rate	Feb	%	6.6	6.6	6.7
14:30	US	Personal Spending	Feb	% m/m	0.3	0.2	1.8
14:30	US	Personal Income	Feb	% m/m	0.2	0.3	0.6
14:30	US	PCE Deflator SA	Feb	% m/m	0.3	0.3	0.6
16:00	US	Michigan index	Mar	pts	63.25	62.0	63.4
<b>MONDAY (3 April)</b>							
09:00	PL	Poland Manufacturing PMI	Mar	pts	48.05	-	48.5
09:55	DE	Germany Manufacturing PMI	Mar	pts	44.4	-	44.4
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	47.1	-	47.1
10:00	PL	GG fiscal balance	2022	% GDP		-3.0	-1.8
16:00	US	ISM manufacturing	Mar	pts	47.5	-	47.7
<b>TUESDAY (4 April)</b>							
08:00	DE	Exports SA	Feb	% m/m	1.8	-	2.7
16:00	US	Durable Goods Orders	Feb	% m/m	-	-	-1.0
16:00	US	Factory Orders	Feb	% m/m	-0.5	-	-1.6
<b>WEDNESDAY (5 April)</b>							
	PL	MPC decision		%	6.75	-	6.75
08:00	DE	Factory Orders	Feb	% m/m	0.5	-	1.0
08:30	HU	Industrial Production SA	Feb	% y/y	-2.25	-	-3.2
09:55	DE	Markit Germany Services PMI	Mar	pts	53.9	-	53.9
10:00	EZ	Eurozone Services PMI	Mar	pts	55.6	-	55.6
14:15	US	ADP report	Mar	k	205.0	-	242.0
16:00	US	ISM services	Mar	pts	54.5	-	55.1
<b>THURSDAY (6 April)</b>							
03:45	CN	Caixin China PMI Services	Mar	pts	55.0	-	55.0
08:00	DE	Industrial Production SA	Feb	% m/m	-0.25	-	3.5
09:00	CZ	Industrial Production	Feb	% y/y	1.7	-	1.3
14:30	US	Initial Jobless Claims	Apr.23	k	0.0	-	198.0
<b>FRIDAY (7 April)</b>							
14:30	US	Change in Nonfarm Payrolls	Mar	k	240.0	-	311.0
14:30	US	Unemployment Rate	Mar	%	3.6	-	3.6

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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