

Eyeopener

MPC less confident about rate cuts

Today US labour market data: employment, wages and unemployment rate
 NBP rates unchanged, MPC still did not formally end hiking cycle
 German industrial output rebounded in February
 Zloty and Polish yields stable

US labour market data will be released **today**: non-farm payrolls, wages and the unemployment rate. With the recent turmoil in the US banking sector, investors will be looking for signals on the state of the labour market and clues on the Fed's future interest rate policy. The imbalance in the labour market manifested by excessive demand has been cited by the Fed as the main reason for the persistence of inflation and the slow pace of disinflationary processes in the US.

NBP governor underscored that the key priority of the central bank is lowering inflation to the official target, the MPC has not concluded the monetary tightening cycle and is prepared for every possible scenario. Next decisions will be strongly data-dependent. If everything goes according to central bank's forecasts, there will be no interest rate hikes. It may be a small change in the tone but we have noticed it: earlier Glapiński formulated conditions for rate cuts, now he started with conditions for avoiding rate hikes. We see the message from the central bank head as still cautious. Apparently, Adam Glapiński is already aware that his earlier predictions about the pace of inflation decline in the coming months were overly optimistic. In our view, there was absolutely no hint in the speech that could spur market expectations for interest rate cuts. We think that interest rates will remain unchanged this year. More in our [Economic comment](#).

MPC's Henryk Wnorowski said in an interview with Biznes24 that there is no fundamental rationale for high inflation, and that core inflation will fall faster than announced by the NBP president. He also said that there is currently no reason to cut rates, although a month earlier such a prospect was more realistic. According to Wnorowski, the issue of rate cuts has been complicated by OPEC+ decision to cut oil production.

The World Bank maintained its forecast for Poland's GDP growth in 2023 at 0.7%, vs. 4.9% growth recorded last year. Economic growth is expected to accelerate to 2.6% in 2024, thanks to a rebound in private consumption and investment, as well as higher public spending. Economic growth is expected to slow in 2023 due to high inflation, tighter monetary policy, the effects of the war in Ukraine, and lower demand in Poland's main trading partners. Higher energy and food prices in Poland will continue to dampen household demand this year, particularly hitting the less well-off, who spend half of their monthly expenses on food and energy.

German industrial production rose by 2% m/m in February, higher than forecast. The main causes of the increase were a recovery in the automotive sector, where output rose by as much as 7.6%, and construction output, which grew by 1.5%. The reported increase in production will have a positive impact on GDP growth in the first quarter, however, the leading indicators of the manufacturing sector point to a further slowdown in internal and external demand and signal that the increases were mainly due to the filling of labour shortages and an increase in stocks of finished products. As such, there appears to be little chance of a continuation in the positive trends in German manufacturing, at least in the short term.

ECB chief economist Philip Lane said that the central bank could raise rates at its forthcoming May meeting if forecasts formulated before the turmoil in the banking sector on both sides of the Atlantic are confirmed by the readings of economic data.

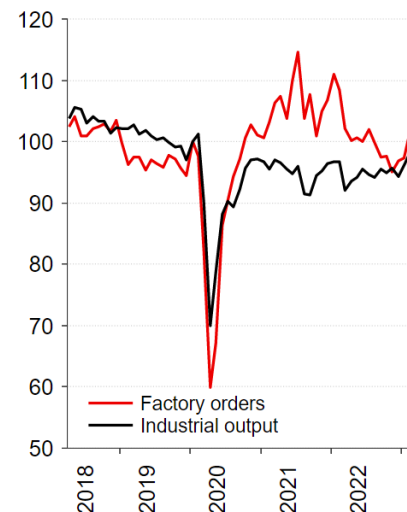
EURUSD hovered around 1.09, with the exchange rate awaiting Friday's publication of US labour market data for March.

EURPLN fluctuated in the 4.68 - 4.69 zone for most of the day. The conference of NBP President Adam Glapiński had no measurable impact on the zloty's exchange rate.

Other CEE currencies: EURCZK fell from around 23.42 to 23.39. Support for the koruna came from good data on Czech industrial production and trade balance for February. EURHUF fell from around 376 to 374. The forint was helped by better-than-expected data on Hungary's trade balance for February.

Debt market: domestic yield curve held steady thanks to increases in the asset swap spread, which offset declines in the IRS curve. The behaviour of the debt market indicates an increase in pessimism about the future course of the economic situation in Poland and the core markets.

German industrial production & orders (January 2020 = 100).



Source: Refinitiv, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
Piotr Bielski +48 691 393 119
Jarostaw Kosaty +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.6823	CZKPLN	0.1995
USDPLN	4.2903	HUFPLN*	1.2469
EURUSD	1.0911	RUBPLN	0.0522
CHFPLN	4.7420	NOKPLN	0.4099
GBPPLN	5.3389	DKKPLN	0.6282
USDCNY	6.8752	SEKPLN	0.4106

*for 100HUF

Last session in the FX market 06/04/2023

	min	max	open	close	fixing
EURPLN	4.6800	4.6934	4.6842	4.6832	4.6902
USDPLN	4.2839	4.3072	4.3010	4.2856	4.3033
EURUSD	1.0884	1.0928	1.0891	1.0924	-

Interest rate market 06/04/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.17	2
WS0428 (5Y)	6.04	-2
DS1033 (10Y)	6.07	-2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.78	-3	4.89	7	3.44	1
2L	6.26	-4	4.12	3	3.26	2
3L	5.73	-6	3.76	8	3.07	2
4L	5.49	-6	3.54	7	2.96	1
5L	5.37	-7	3.43	4	2.91	1
8L	5.28	-6	3.30	1	2.84	1
10L	5.29	-6	3.28	0	2.85	0

WIBOR rates

Term	%	Change (bps)
O/N	6.72	9
T/N	6.75	10
SW	6.83	0
2W	6.83	-1
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	6.87	0
3x6	6.77	-7
6x9	6.60	-8
9x12	6.18	-9
3x9	6.78	-7
6x12	6.58	-8

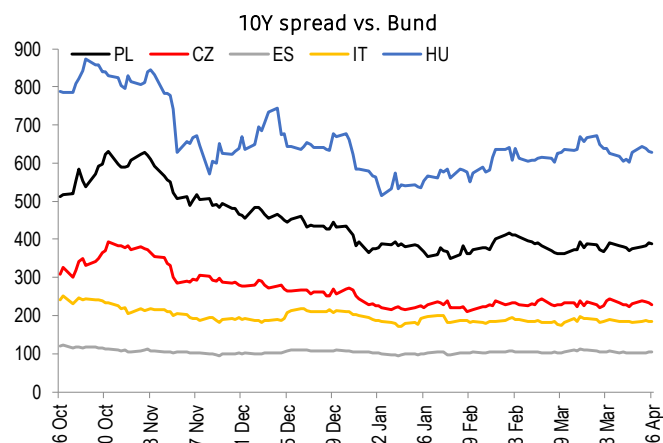
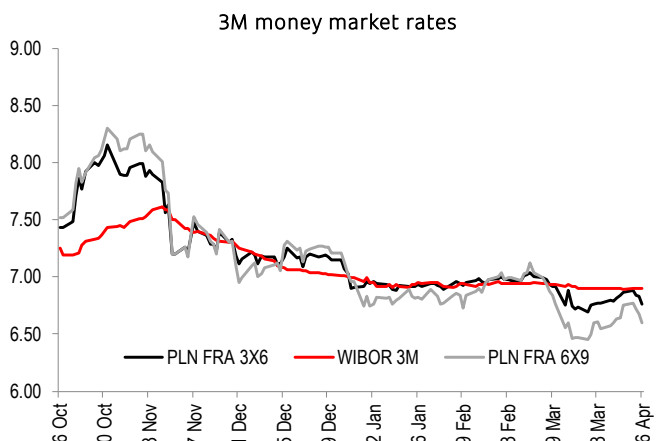
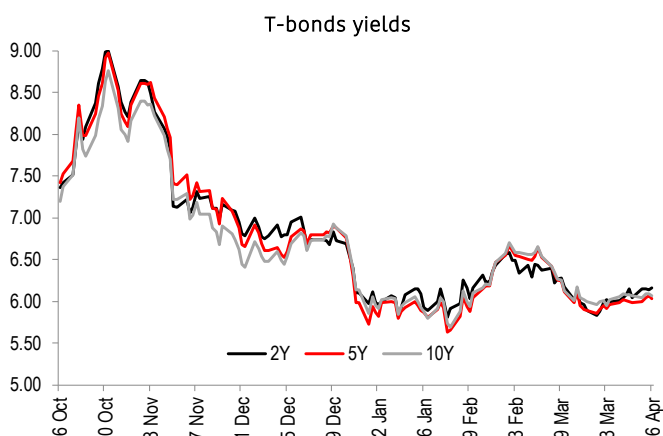
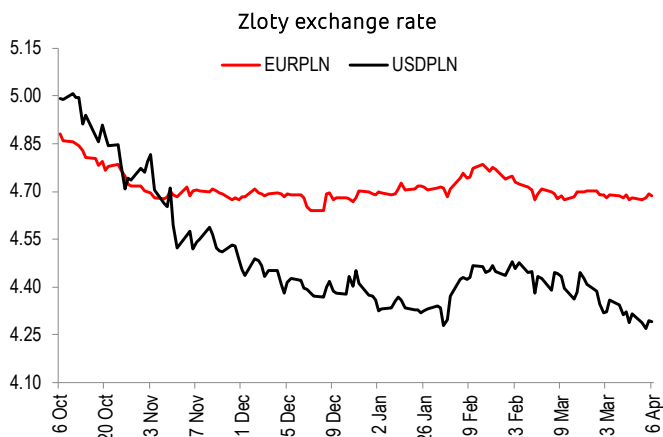
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	100	0	389	-2
France	14	0	52	1
Hungary	169	0	629	-1
Spain	48	0	104	1
Italy	48	1	184	0
Portugal	36	0	88	1
Ireland	19	0	44	-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 VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (31 March)							
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	15.8	16.2
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
MONDAY (3 April)							
09:00	PL	Poland Manufacturing PMI	Mar	pts	48.05	48.3	48.5
09:55	DE	Germany Manufacturing PMI	Mar	pts	44.4	44.7	44.4
10:00	EZ	Eurozone Manufacturing PMI	Mar	pts	47.1	47.3	47.1
10:00	PL	GG fiscal balance	2022	% GDP		-3.0	3.4
16:00	US	ISM manufacturing	Mar	pts	47.5	46.3	47.7
TUESDAY (4 April)							
08:00	DE	Exports SA	Feb	% m/m	1.8	4.0	2.7
16:00	US	Durable Goods Orders	Feb	% m/m	-	-1.0	-1.0
16:00	US	Factory Orders	Feb	% m/m	-0.5	-0.7	-2.1
WEDNESDAY (5 April)							
	PL	MPC decision		%	6.75	6.75	6.75
08:00	DE	Factory Orders	Feb	% m/m	0.5	4.8	1.0
08:30	HU	Industrial Production SA	Feb	% y/y	-2.3	-1.3	-3.2
09:55	DE	Markit Germany Services PMI	Mar	pts	53.9	53.7	53.9
10:00	EZ	Eurozone Services PMI	Mar	pts	55.6	55.0	55.6
14:15	US	ADP report	Mar	k	205.0	145	261.0
16:00	US	ISM services	Mar	pts	54.5	52.6	55.1
THURSDAY (6 April)							
03:45	CN	Caixin China PMI Services	Mar	pts	55.0	57.8	55.0
08:00	DE	Industrial Production SA	Feb	% m/m	-0.3	2.0	3.7
09:00	CZ	Industrial Production	Feb	% y/y	1.7	2.0	1.3
14:30	US	Initial Jobless Claims	Apr.23	k	200	228	246.0
15:00	PL	Conference of NBP President					
FRIDAY (7 April)							
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

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.