

12 April 2023

Eyeopener

Minor changes in IMF forecasts

Today US CPI inflation, FOMC minutes
IMF set global growth forecasts marginally lower, stressed downside risks
Zloty a bit stronger, Polish yields up

Today, US CPI inflation data and minutes from the last FOMC meeting. According to media reports, a March decision on an interest rate hike was on a knife edge. The minutes may shed more light on this issue. US inflation data may also influence the markets' behaviour, especially the core inflation, for which the market expects the first increase (to 5.6% y/y from 5.5%) since last September. CPI inflation was already shown by Hungary today (down to 25.2% y/y from 25.4% instead of the expected drop below 25%).

February's **euro zone retail sales** data were in line with expectations, but the January reading was revised upwards. The data suggest that households in Europe further reduced consumption in 1Q23. In contrast, the US NFIB small company optimism index improved slightly in March. However, the index remains at historically low levels and assessments of the future are particularly pessimistic.

John Williams (New York Fed, considered a moderate member of the FOMC) said that the assumption that there will be one more 25-point US rate hike is a reasonable starting point, but that FOMC decisions will depend on incoming data. In his view, the US banking system has already stabilised. In doing so, he pointed out that inflation is clearly above the inflation target and that the FOMC will not let up until it sees inflationary pressures ease.

The IMF slightly lowered its forecasts for world GDP for 2023 to 2.8% from 2.9% and for 2024 to 3.0% from 3.1%. According to the Fund, as many as 90% of the world's economies will see a slowdown in economic growth in 2023. The institution also expects inflation to fall, but its forecasts are higher than during the previous forecasting round. The IMF points to the spillover effects of rapid interest rate rises, which have revealed weaknesses in the financial system. Due to these developments, the risks to growth forecasts are asymmetrically downwards and the chances of a so-called 'hard landing' have increased. Other risk factors include possible sovereign debt problems, the intensification of the war in Ukraine, the persistence of core inflation and the fragmentation of markets into geopolitical blocs. GDP forecasts for Poland have remained unchanged (0.3% in 2023 and 2.4% in 2024).

EURUSD oscillated around 1.09, with the euro gradually strengthening against the dollar throughout yesterday's session on the back of slightly better market sentiment and less pessimism about the US financial sector. Neither data released during the day nor new IMF forecasts had an impact on the currency pair.

Good market sentiment favoured **the zloty**, with EURPLN falling to 4.67 from around 4.69 at the start of the day. **Other currencies in the region**, however, did not benefit from the increase in risk demand; EURHUF was stable around 375, and EURCZK rose to 23.5 from 23.4. The National Bank of Hungary left the 1-day deposit rate unchanged (18.00%).

Interest rate market rates rose on Tuesday, mainly due to slightly better market sentiment and Friday's US labour market data, which came in slightly above expectations. The domestic IRS curve moved up by about 10 basis points in parallel, which also took yields with it, despite a slight narrowing of asset swap spreads (yields rose from 6 basis points at the short end to 9 points at the long end). Domestic FRA rates also rose sharply, including the 9x12 rate by 10 bps, and those covering a year and beyond by as much as 12 bps.

Finance Ministry said it will offer 4-6 billion zlotys worth of bonds at the **April 13 auction** - a range unchanged from the plan published earlier this month.

IMF forecasts

GDP (% y/y), differences vs January in brackets

	2023	2024
World	2.8 (-0.1)	3.0 (-0.1)
Advanced economies	1.3 (0.1)	1.4 (0.0)
USA	1.6 (0.2)	1.1 (0.1)
Euro zone	0.8 (0.1)	1.4 (-0.2)
Japan	1.3 (-0.5)	1.0 (0.1)
Emerging market and developing economies	3.9 (-0.1)	4.2 (0.0)
China	5.2 (0.0)	4.5 (0.0)
Emerging and developing Europe	1.2 (-0.3)	2.5 (-0.1)
Poland	0.3 (0.0)	2.4 (0.0)

Source: IMF, Santander Bank Polska

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FX market

Today's opening

EURPLN	4.6686	CZKPLN	0.1990
USDPLN	4.2761	HUFPLN*	1.2306
EURUSD	1.0918	RUBPLN	0.0520
CHFPLN	4.7353	NOKPLN	0.4047
GBPPLN	5.3134	DKKPLN	0.6269
USDCNY	6.8873	SEKPLN	0.4088

*for 100HUF

Last session in the FX market 11.04.2023

	min	max	open	close	fixing
EURPLN	4.6645	4.6926	4.6876	4.6676	4.681
USDPLN	4.2682	4.3110	4.3084	4.2780	4.2917
EURUSD	1.0879	1.0927	1.0881	1.0903	-

Interest rate market 11.04.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.25	8
WS0428 (5Y)	6.13	9
DS1033 (10Y)	6.17	10

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.83	2	5.04	0	3.55	11
2L	6.35	7	4.34	3	3.39	13
3L	5.83	7	3.95	2	3.20	13
4L	5.58	8	3.72	1	3.09	13
5L	5.47	8	3.59	0	3.03	12
8L	5.37	6	3.43	0	2.95	12
10L	5.39	9	3.42	1	2.95	11

WIBOR rates

Term	%	Change (bps)
O/N	6.53	13
T/N	6.73	-4
SW	6.83	0
2W	6.84	1
1M	6.86	-1
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.88	3
3x6	6.82	0
6x9	6.66	4
9x12	6.27	5
3x9	6.84	0
6x12	6.64	1

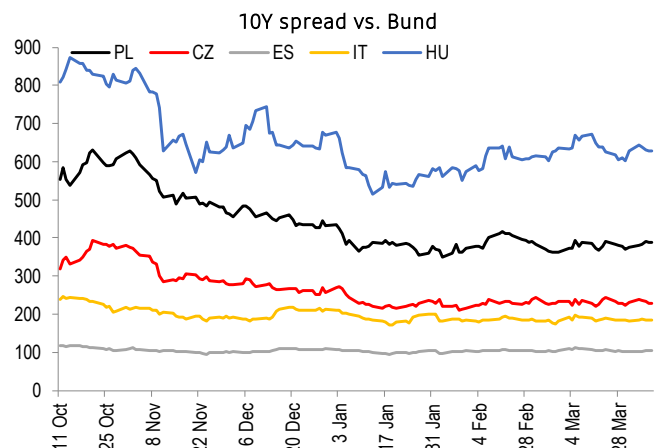
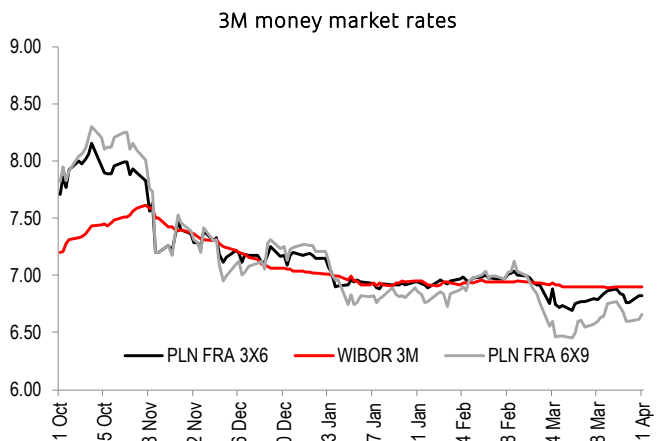
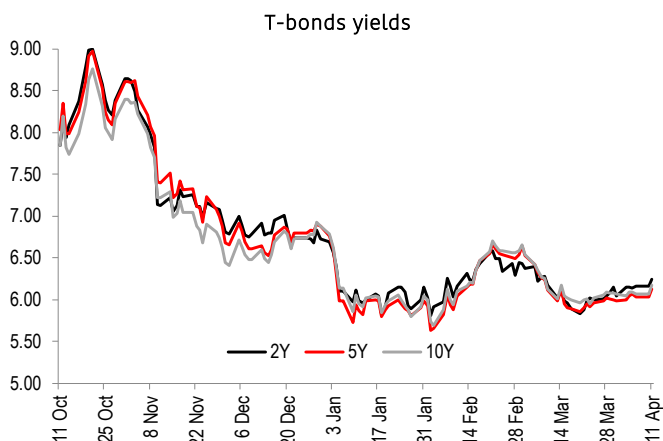
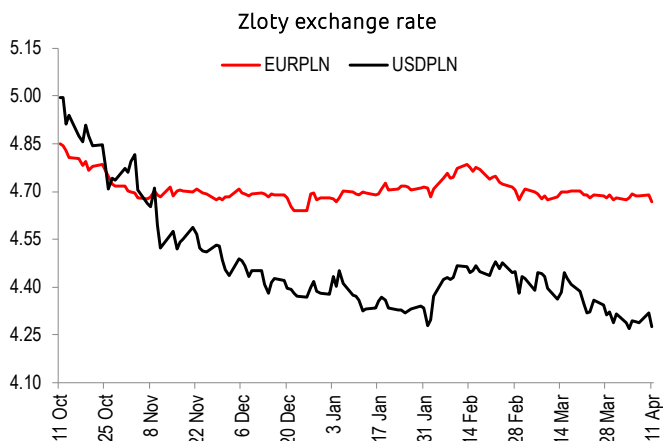
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	99	-1	389	0
France	14	0	52	0
Hungary	169	0	629	0
Spain	48	0	104	0
Italy	47	-1	184	0
Portugal	36	0	88	0
Ireland	19	0	44	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			
FRIDAY (7 April)								
14:30	US	Change in Nonfarm Payrolls	Mar	k	230	-	236	326
14:30	US	Unemployment Rate	Mar	%	3.6	-	3.5	3.6
MONDAY (10 April)								
	PL	Holiday						
TUESDAY (11 April)								
11:00	EZ	Retail Sales	Feb	% m/m	-0.8	-	-0.8	0.8
WEDNESDAY (12 April)								
08:30	HU	CPI	Mar	% y/y	24.9	-	25.2	25.4
14:30	US	CPI	Mar	% m/m	0.2	-		0.4
20:00	US	FOMC Meeting Minutes	Mar.23		-			0.0
THURSDAY (13 April)								
08:00	DE	HICP	Mar	% m/m	1.1	-		1.1
09:00	CZ	CPI	Mar	% y/y	15.0	-		16.7
11:00	EZ	Industrial Production SA	Feb	% m/m	1.0	-		0.7
14:00	PL	Current Account Balance	Feb	€mn	347	-416		1429
14:00	PL	Trade Balance	Feb	€mn	96	-815		1225
14:00	PL	Exports	Feb	€mn	26809	25945		26809
14:00	PL	Imports	Feb	€mn	26346	26760		25584
14:30	US	Initial Jobless Claims		k	200	-		228
FRIDAY (14 April)								
10:00	PL	CPI	Mar	% y/y	16.2	16.2		18.4
14:30	US	Retail Sales Advance	Mar	% m/m	-0.5	-		-0.4
15:15	US	Industrial Production	Mar	% m/m	0.3	-		0.0
16:00	US	Michigan index	Apr	pts	61.8	-		62.0

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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