

14 April 2023

Eyeopener

Record high trade surplus

Today full March CPI data in Poland, retail sales in the US, among other releases
Reuters: a consensus is building in the ECB to hike rates by 25bp in May
Polish trade in goods recorded in February the highest surplus ever
Zloty stronger, yields stable

Today final March CPI inflation data in Poland and several data releases from the US: industrial production, Michigan consumer optimism index, retail sales.

According to Reuters, **ECB members are leaning towards a 25bp rate hike in May** after a series of 50bp moves. A smaller move is justified by caution due to the financial market turmoil. Joachim Nagel, head of the Bundesbank, said that core inflation will start moving in the right direction before the holidays, and the ECB want to avoid previous mistakes thus it is too early to speculate about rate cuts. In his view there is no risk of a banking crisis.

February's **industrial production in the euro area** was better than expected, with January's figures also revised upwards. The improvement was evident in all major sectors, but in our view, however, the weak orders data suggests that the next few months could be weaker. **US PPI inflation** data in March came in below forecasts and showed a 0.5% m/m decline, while the market expected no change in producer prices.

Current account balance was at +€2.6bn in February, beating expectations (us: -€0.4bn, market +€0.3bn). Trade balance was the main culprit behind this surprise, as goods balance printed +€2.2bn, a new all-time high. Exports jumped by 10.0% y/y, driven mostly by sales of batteries and automotive products, while imports declined by 5.4% y/y, with weak performances in intermediate and consumer goods. Services balance was at €3.4bn and income balance at -€3.0bn, roughly in line with our expectations. January data were corrected to the positive side with current account now showing +€2.1bn vs +€1.4bn previously. Correction was mostly visible in goods balance (€1.6bn from €1.2bn, with mostly exports going higher) and in services (€3.6bn from €3.4bn). 12m current account deficit shrank abruptly to 1.9% of GDP in February from 3.0% of GDP in December. While improvement in goods balance was partially caused by more favourable terms of trade, the data shows that the Polish exporting industry is still faring quite well, while imports are heavily undermined by the economic slowdown, especially in consumption.

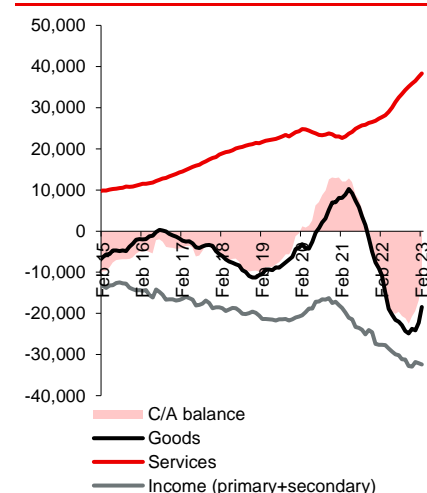
EURUSD rose to 1.105 from just below 1.10, with the common currency gaining on signals indicating a slightly more hawkish stance of monetary policymakers in the euro zone relative to those in the US.

EURPLN continued its declines for the third day in a row. The exchange rate fell from 4.65 to about 4.635. The zloty was helped by a further reduction in expectations for rate cuts in Poland this year, as well as exceptionally strong balance of payments and trade data for February.

Other CEE currencies: EURCZK fell to 23.23 from 23.32. The koruna strengthened after a higher-than-expected reading of the balance of payments for February (+CZK13.31bn) - the surplus turned out to be twice as high as market expectations. **EURHUF** remained near 374. The head of the NBH and the Hungarian MF held a meeting to discuss ways to strengthen the harmonisation of monetary and fiscal policy in the fight against inflation.

Debt market: Domestic yield curve remained stable. Pressure from a rising IRS curve was consumed by narrowing asset swap spreads as a result of a declining perception of the risk of financing the Polish budget. The Ministry of Finance's auction, at which five series of bonds were sold for PLN6bn against a demand of PLN10.3bn, had no negative impact on market prices of domestic debt. The degree of financing of gross borrowing needs for 2023 increased afterwards from about 74% to about 77%. In the core markets, curves also remained stable.

Current account balance, 12m sum, €mn



Source: NBP, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
email: ekonomia@santander.pl
website: [santander.pl/en/economic-analysis](https://www.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	4.6347	CZKPLN	0.1988
USDPLN	4.1877	HUFPLN*	1.2312
EURUSD	1.1070	RUBPLN	0.0515
CHFPLN	4.7188	NOKPLN	0.4066
GBPPLN	5.2496	DKKPLN	0.6220
USDCNY	6.8390	SEKPLN	0.4075

*for 100HUF

Last session in the FX market 13.04.2023

	min	max	open	close	fixing
EURPLN	4.6300	4.6537	4.6496	4.6368	4.6511
USDPLN	4.1891	4.2370	4.2330	4.1950	4.2225
EURUSD	1.0975	1.1067	1.0988	1.1051	-

Interest rate market 13.04.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.17	-9
WS0428 (5Y)	6.18	0
DS1033 (10Y)	6.23	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.92	1	4.97	-3	3.62	1
2L	6.49	4	4.26	-1	3.46	-1
3L	5.99	5	3.88	2	3.26	-2
4L	5.75	5	3.67	3	3.14	-2
5L	5.64	7	3.56	6	3.07	-1
8L	5.53	7	3.44	5	3.00	0
10L	5.55	6	3.42	7	3.00	0

WIBOR rates

Term	%	Change (bps)
O/N	6.61	0
T/N	6.73	1
SW	6.83	0
2W	6.84	0
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	6.89	-2
3x6	6.87	0
6x9	6.76	1
9x12	6.43	3
3x9	6.92	3
6x12	6.75	-2

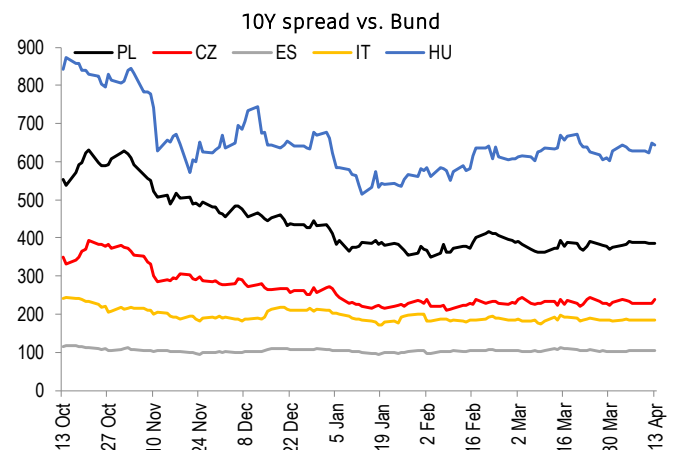
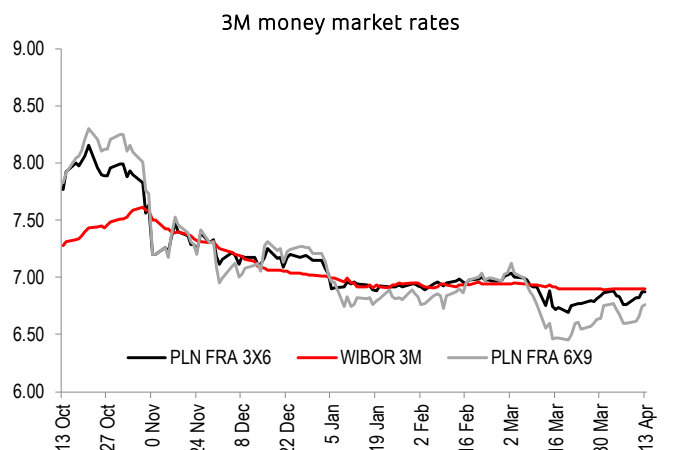
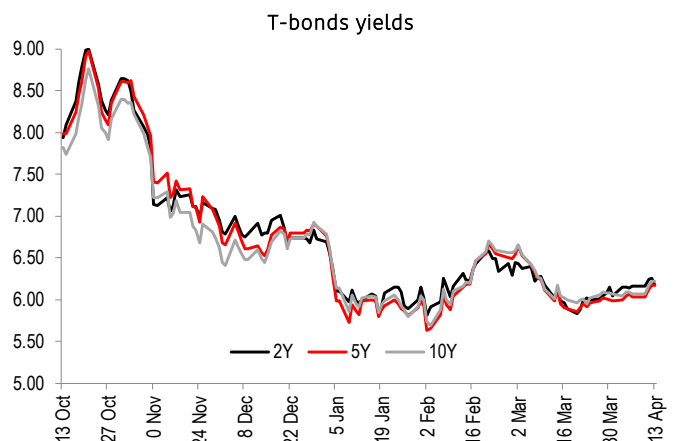
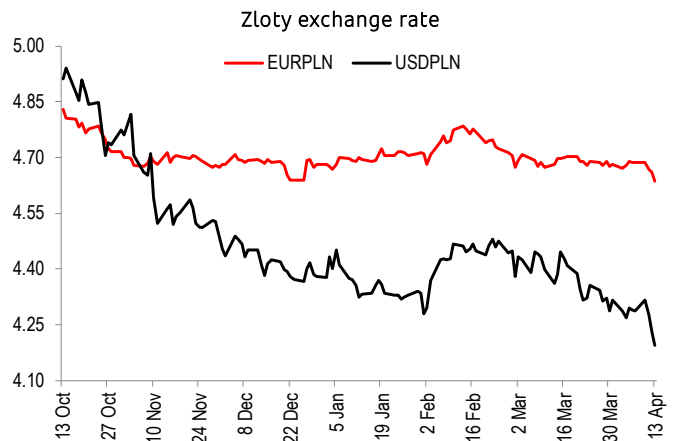
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	95	-2	386	-1
France	14	0	52	0
Hungary	172	3	645	-4
Spain	50	0	105	0
Italy	47	0	185	0
Portugal	37	0	88	1
Ireland	19	0	43	-3
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	-	0.1	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	1.1
09:00	CZ	CPI	Mar	% y/y	15.0	-	15.0	16.7
11:00	EZ	Industrial Production SA	Feb	% m/m	1.0	-	1.5	1.0
14:00	PL	Current Account Balance	Feb	€mn	347	-416	2586	2133
14:00	PL	Trade Balance	Feb	€mn	96	-815	2243	1559
14:00	PL	Exports	Feb	€mn	26809	25945	26502	27165
14:00	PL	Imports	Feb	€mn	26346	26760	24259	25606
14:30	US	Initial Jobless Claims		k	200	-	239	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

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>.