

17 April 2023

Eyeopener

Poland halts food imports from Ukraine

Today core inflation for March
CPI inflation in March reached 16.1% y/y, a notch below the flash reading
Kochalski: no reason to talk about interest rate cuts
Dollar stronger, zloty weaker after US data

Today core inflation data will be released in Poland, which – according to our and market forecasts – climbed to 12.2% y/y in March and hit another all-time high. Release of March central budget performance is also likely.

CPI inflation was 16.1% y/y in March, not 16.2% as initially estimated by GUS. The drop from 18.4% y/y in February is mainly due to the base effect in fuels. March monthly price growth, 1.1% m/m, was not revised downwards and suggests inflation persistence. In our view, core inflation rose to 12.2% y/y in March from 12.0% y/y in February, which would mark a new record and, so far, no downward bend. We expect the annual CPI growth rate to continue to decline in the following months, possibly below 13% y/y by mid-year and to around 10% by the end of the year. We assume that the persistence of inflation will continue to show up in subsequent monthly data and this will discourage the MPC from cutting interest rates this year. More in our [Economic comment](#).

The Polish government has decided to ban the imports of grain and other agricultural products from Ukraine until 30 June. The decision was announced on Saturday by PiS leader Jarostaw Kaczyński and followed by release of regulation by the Minister of Development and Technology. A similar decision was taken simultaneously by Hungary. Representatives of the European Commission point out that the unilateral import ban is incompatible with EU regulations, as trade policy is an exclusive competence of the Union.

MPC's Cezary Kochalski, said that the Council has not discussed interest rate cuts, as this is not justified given economic and inflationary processes. According to him, there is a readiness in the MPC to raise rates if necessary, but the Polish economy is heading for a soft landing and wage growth, which is currently lagging behind inflation, should work towards lowering it over time.

FOMC's Rafael Bostic said that after the upcoming 25bp rate hike in May, the Fed could end the rate hike cycle with some confidence that inflation will gradually return to the 2% target. In his view, the series of aggressive rate hikes initiated over the past 12 months is only just beginning to have an impact on the economy. For this reason, after the next hike, there will be favourable circumstances to announce a pause in the cycle and move into wait-and-see mode.

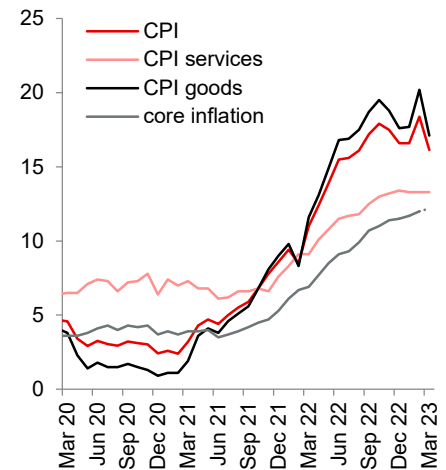
EURUSD fell from around 1.105 to below 1.10. Support for the dollar turned out to be data on US industrial production and retail sales for March, an improvement in consumer sentiment in the University of Michigan survey, as well as surprisingly good quarterly financial results of US banks. This lifted expectations of the US interest rate target.

EURPLN rebounded up after three days of rapid declines. The rate rose to 4.64 from 4.63. The zloty was hurt by the strengthening of the dollar on global markets.

Other CEE currencies: EURCZK rose to 23.33 from 23.23. EURHUF rose above 373 from 372. The end of the week brought a rebound in exchange rates in the region, helped by favourable consumer sentiment in the US and slightly more hawkish tones coming from the dovish wing of the FOMC.

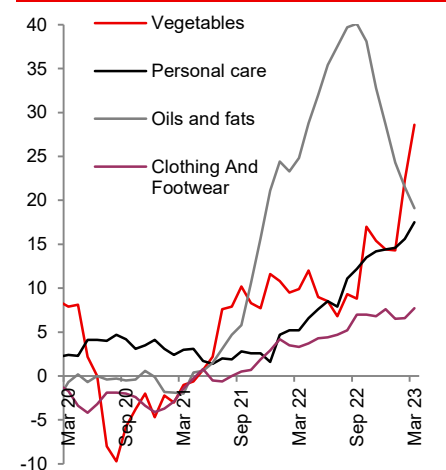
Debt market: Domestic yield curve held steady. Increases in the IRS curve were accompanied by a further reduction in concerns about the financing of the Polish budget. In the main markets, yields rose on the back of rising rate expectations.

CPI inflation in Poland, % y/y



Source: GUS, NBP, Santander

CPI, selected categories, % y/y



Source: GUS, 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	4.6359	CZKPLN	0.1985
USDPLN	4.2192	HUFPLN*	1.2288
EURUSD	1.0988	RUBPLN	0.0515
CHFPLN	4.7180	NOKPLN	0.4055
GBPPLN	5.2347	DKKPLN	0.6224
USDCNY	6.8705	SEKPLN	0.4080

*for 100HUF

Last session in the FX market 14/04/2023

	min	max	open	close	fixing
EURPLN	4.6293	4.6577	4.6293	4.6396	4.6494
USDPLN	4.1819	4.2285	4.1844	4.2271	4.2042
EURUSD	1.0973	1.1075	1.1067	1.0978	-

Interest rate market 14/04/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.23	6
WS0428 (5Y)	6.15	-3
DS1033 (10Y)	6.20	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.93	2	5.10	13	3.67	5
2L	6.50	2	4.38	12	3.53	7
3L	6.02	3	3.99	10	3.34	8
4L	5.79	4	3.78	11	3.20	6
5L	5.68	4	3.66	10	3.12	4
8L	5.57	4	3.51	7	3.04	4
10L	5.59	4	3.49	7	3.03	3

WIBOR rates

Term	%	Change (bps)
O/N	6.56	-5
T/N	6.73	0
SW	6.83	0
2W	6.82	-2
1M	6.85	-1
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.90	1
3x6	6.89	2
6x9	6.80	4
9x12	6.45	2
3x9	6.93	1
6x12	6.79	4

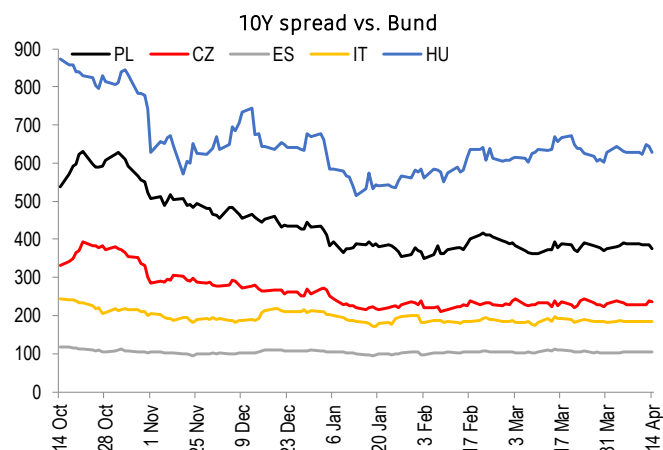
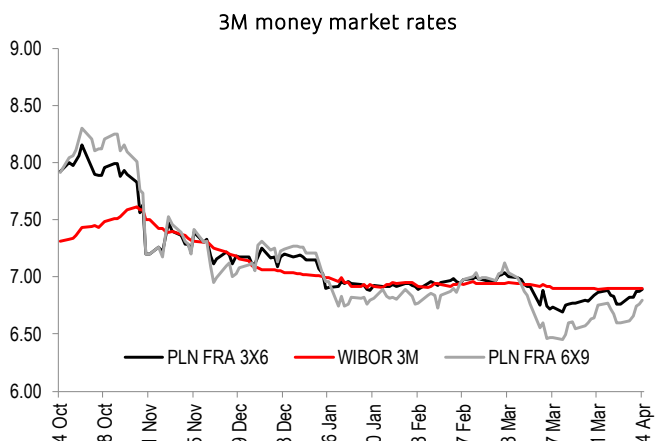
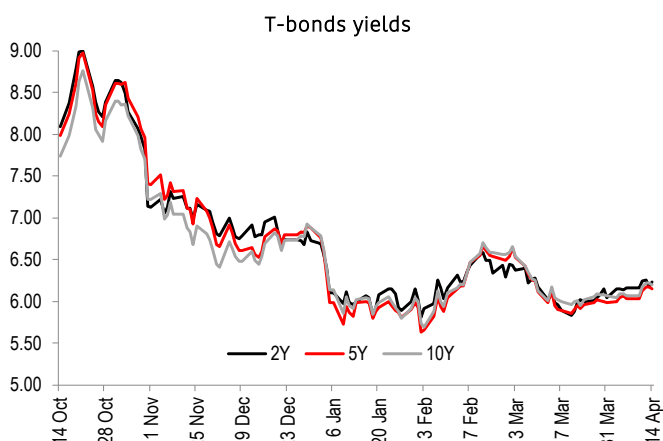
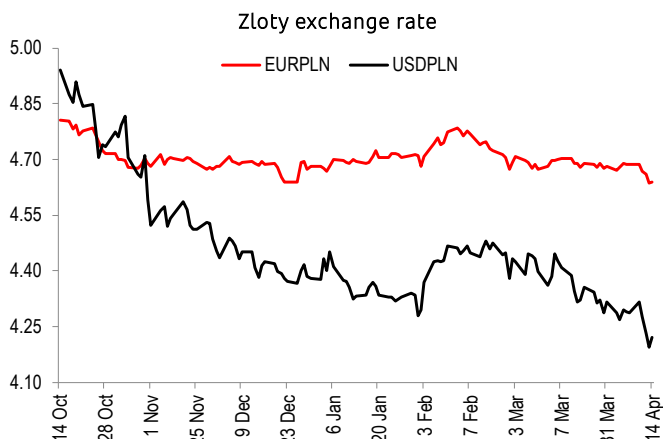
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	95	0	377	-9
France	13	0	51	-1
Hungary	172	0	629	-16
Spain	50	0	104	0
Italy	47	0	186	0
Portugal	37	0	87	-1
Ireland	19	0	43	0
Germany	11	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 (14 April)							
10:00	PL	CPI	Mar	% y/y	16.2	16.1	16.2
14:30	US	Retail Sales Advance	Mar	% m/m	-0.4	-1.0	-0.2
15:15	US	Industrial Production	Mar	% m/m	0.2	0.4	0.2
16:00	US	Michigan index	Apr	pts	62.0	63.5	62.0
MONDAY (17 April)							
	PL	Central Budget Cumul.	Mar	mn PLN	-	-	-47.37
14:00	PL	CPI Core	Mar	% y/y	-	12.2	12.0
TUESDAY (18 April)							
11:00	DE	ZEW Survey Current Situation	Apr	pts	-	-	-46.5
14:30	US	Housing Starts	Mar	% m/m	-2.7	-	9.8
WEDNESDAY (19 April)							
11:00	EZ	HICP	Mar	% y/y	-	-	6.9
THURSDAY (20 April)							
14:30	US	Initial Jobless Claims		k	235	-	239
16:00	US	Existing Home Sales	Mar	% m/m	-1.75	-	14.5
FRIDAY (21 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	-	-	44.7
09:30	DE	Markit Germany Services PMI	Apr	pts	-	-	53.7
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	-	-	47.3
10:00	EZ	Eurozone Services PMI	Apr	pts	-	-	55.0
10:00	PL	Employment in corporate sector	Mar	% y/y	0.6	0.5	0.8
10:00	PL	Average Gross Wages	Mar	% y/y	12.5	12.3	13.6

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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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>.