

18 April 2023

Eyeopener

Core inflation rose to new record high

Today German ZEW index and US new house starts
Data from China and USA better than forecast, support the "soft landing" scenario
Core inflation rose in March to 12.3% y/y
Zloty stronger despite firmer dollar, bond yields stable

Today no major data releases in Poland. Abroad, we will learn the April reading of the German ZEW index of economic analysts' sentiment and data on US house starts in March.

Data from China released last night was mostly better than expected: GDP growth in 1Q23 accelerated to 4.5% y/y, retail sales in March rose 5.8% y/y, industrial production in March rose 3.0% (and only this indicator was below forecasts). This information supported expectations that an increase in economic activity in China following the lifting of pandemic restrictions would provide a boost to the global economy.

The New York Empire State manufacturing index surprised in April with an increase to +10 points, while the market was expecting -18pts versus -24.6pts previously. This was the highest reading since November. The index components describing new orders, which were the highest since April 2022, and inventories, which rose by the most since July, were responsible for the surprising increase.

Core inflation excluding prices of food and energy climbed in March to 12.3% y/y from 12.0% y/y in February and a notch higher than we expected. In monthly terms, core inflation rose by 1.3% m/m and did not lose momentum as compared to February. We think that this could have been core inflation's peak in annual terms and we are expecting this measure to start a slow decline soon. Inflation ex administered prices declined to 15.7% y/y from 18.1% y/y, ex most volatile prices to 15.5% y/y from 16% y/y and 15% trimmed mean to 15.5% y/y from 17.0% y/y. Declines in these measures were mostly triggered by base effects, with monthly growth rates still at high levels.

The Grain and Feed Chamber believes that the **government's announcements of intervention grain purchases are discouraging farmers from selling grain**. The government's promises to launch further price subsidies for wheat and possibly other grains are stiffening farmers against selling grain while waiting for concrete decisions. According to the chamber, demand for grain from processors is currently moderate, as most of them appear to be covered in grain for the coming weeks. On the other hand, the restriction on grain sales by farmers and buying companies has limited the ability of exporters to purchase grain for delivery to ports.

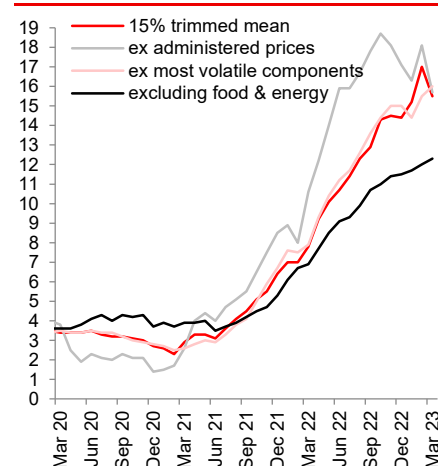
EURUSD fell from levels near 1.10 to the vicinity of 1.09. Support for the dollar came from the significantly better-than-expected April New York Manufacturing Index (+10.8 vs. the expected -18 and -24.6 previously in March).

EURPLN dropped below 4.63 from around 4.64. The zloty was supported by improving economic sentiment in the core markets.

Other CEE currencies: EURCZK rose to 23.41 from 23.31. Weaker-than-expected Czech tax revenues have been weighing on the value of the koruna for several days. EURHUF rose to 372 from 371, with the exchange rate rebounding slightly after hitting year lows.

Debt market: Domestic yield curve remained stable. Interest rate expectations also remained unchanged. The change in sentiment in the core markets in recent days had little impact on the Polish debt market. Bond yield curves in Germany rose by an average of about 3 bps and in the US by about 9 bps.

Core inflation measures in Poland, % y/y



Source: GUS, NBP, Santander

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FX market

Today's opening

EURPLN	4.6312	CZKPLN	0.1985
USDPLN	4.2344	HUFPLN*	1.2307
EURUSD	1.0935	RUBPLN	0.0520
CHFPLN	4.7163	NOKPLN	0.4055
GBPPLN	5.2416	DKKPLN	0.6224
USDCNY	6.8719	SEKPLN	0.4080

*for 100HUF

Last session in the FX market 17/04/2023

	min	max	open	close	fixing
EURPLN	4.6245	4.6451	4.6428	4.6272	4.6341
USDPLN	4.2108	4.2433	4.2266	4.2407	4.2261
EURUSD	1.0907	1.0999	1.0984	1.0912	-

Interest rate market 17/04/2023

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	6.54	-2
T/N	6.70	-3
SW	6.83	0
2W	6.84	2
1M	6.87	2
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

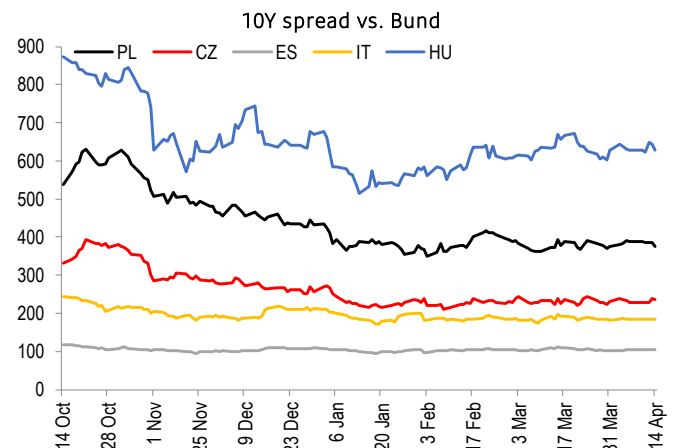
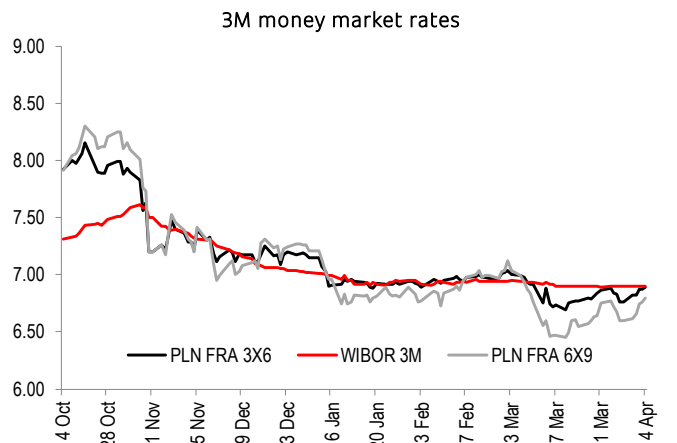
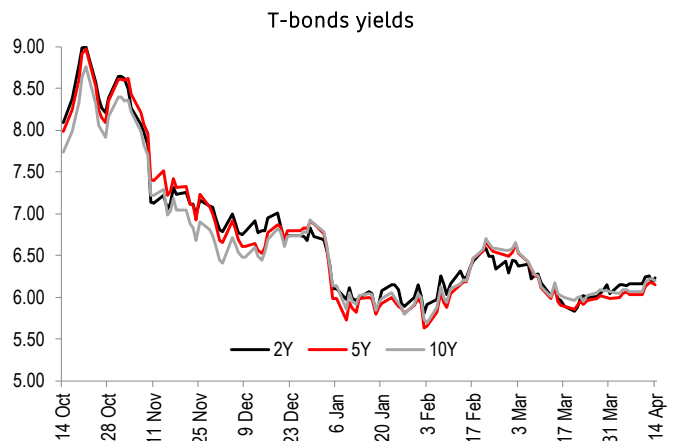
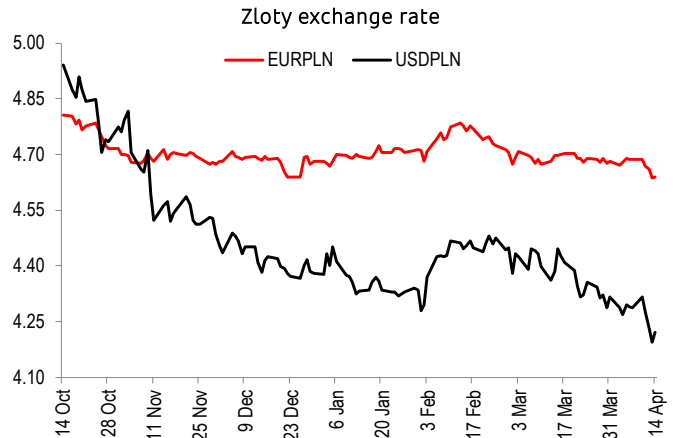
Measures of fiscal risk

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)							
14:00	PL	CPI Core	Mar	% y/y	-	12.2	12.3
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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