

Eyeopener

Inflation in Europe remains sticky

Today GDP data revision and consumer confidence in Poland

Core inflation in the euro zone increased again

Zloty keeps strengthening, bond yields higher

Today, the statistical office will publish updated quarterly GDP estimates for 2021-2022 and April consumer confidence. Abroad, data from the US - home sales and new jobless claims.

Euro zone HICP inflation eased to 6.9% y/y from 8.5% y/y, in line with forecasts and the preliminary reading. However, the decline was largely due to a reduction in energy prices, while core inflation rose to 5.7% y/y, with services prices also accelerating. The data were therefore not very optimistic as regards the disinflation process in the euro zone and supported expectations of further ECB rate hikes. **HICP inflation for Poland** fell to 15.2% y/y in March from 17.2% y/y in February. HICP core inflation fell to 11.6% y/y from 11.8% and is slowly moving away from the 12.0% y/y peak registered in November and December. Our estimates of additional measures of core CPI inflation based on HICP data cleared of the effects of tax changes indicate a further increase in core inflation: to 12.2% y/y from 11.8% y/y and super core inflation (inflation excluding food, energy, fuel and administered prices): to 12.5% y/y from 12.0% y/y, with a slight deceleration in the growth of non-tradable prices (12.5% y/y from 12.6% y/y). Measures of inflation dependent on the domestic demand gap also declined.

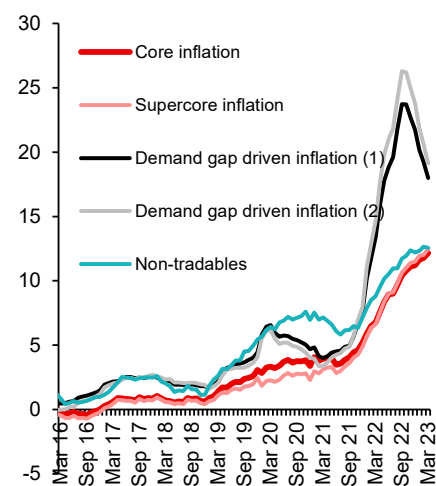
Yesterday, the dollar initially strengthened against the euro and **EURUSD** fell to 1.092 from 1.095. However, the single currency later recovered after the euro zone inflation data and the pair ended the day at 1.097.

The zloty continued to gain and the **EURPLN** exchange rate fell from 4.633 at the beginning of the day to 4.615. The strengthening of the zloty is mainly a derivative of good global sentiment, but in our opinion there is not much room for a stronger zloty anymore and a clearer downward movement would require some new signal.

Other CEE currencies: the Czech koruna initially weakened and the EURCZK exchange rate rose to 23.48, but the Czech currency later recovered and at the end of the day the euro was at 23.40 koruna. The EURHUF was up 378 at the end of the day from 371 at the start. The forint lost due to the words of MNB vice-president Barnabas Virag, who suggested that the bank may decide to narrow the spread between the main rate (13%) and the overnight deposit rate (18%), which would be a step towards the normalisation of monetary policy in the country.

Rates in the interest rate market rose sharply yesterday. The IRS curve moved up by 10 basis points in parallel and the yield curve by 3 basis points. The domestic market followed the lead of the core markets, with yield increases in the US and Germany even slightly stronger than locally. At an auction scheduled for 21 April, the Ministry of Finance will offer bonds worth PLN 5-9 billion.

Core inflation measures, corrected for changes in taxes



Inflation dependent on output gap based on: Hatka A., Kottowski J., Does domestic output gap matter for inflation in a small open economy? NPB, 2014.

Source: Eurostat, Santander

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FX market

Today's opening

EURPLN	4.6201	CZKPLN	0.1969
USDPLN	4.2123	HUFPLN*	1.2332
EURUSD	1.0965	RUBPLN	0.0515
CHFPLN	4.7039	NOKPLN	0.3973
GBPPLN	5.2420	DKKPLN	0.6224
USDCNY	6.8859	SEKPLN	0.4071

*for 100HUF

Last session in the FX market 19/04/2023

	min	max	open	close	fixing
EURPLN	4.6117	4.6348	4.6269	4.6187	4.6278
USDPLN	4.2018	4.2376	4.2205	4.2168	4.2244
EURUSD	1.0915	1.0979	1.0967	1.0951	-

Interest rate market 19/04/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.17	3
WS0428 (5Y)	6.18	5
DS1033 (10Y)	6.18	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.95	2	5.15	1	3.74	3
2L	6.56	9	4.53	7	3.65	6
3L	6.10	10	4.14	4	3.45	6
4L	5.87	11	3.89	3	3.32	6
5L	5.75	11	3.77	4	3.25	5
8L	5.63	13	3.60	2	3.15	5
10L	5.63	11	3.59	2	3.14	5

WIBOR rates

Term	%	Change (bps)
O/N	6.63	8
T/N	6.72	5
SW	6.84	1
2W	6.84	-1
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	6.91	1
3x6	6.89	1
6x9	6.80	2
9x12	6.51	8
3x9	6.92	1
6x12	6.87	10

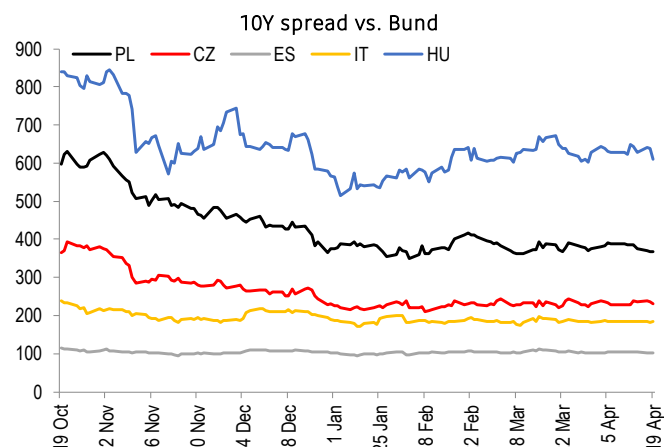
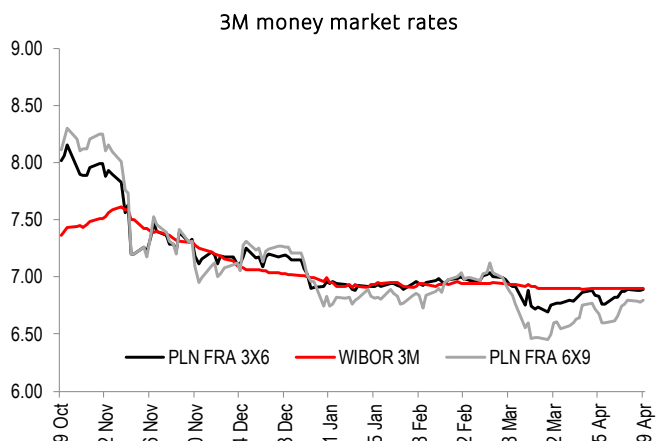
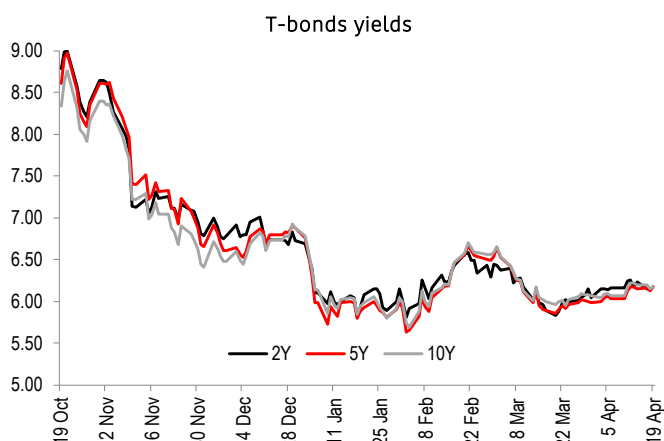
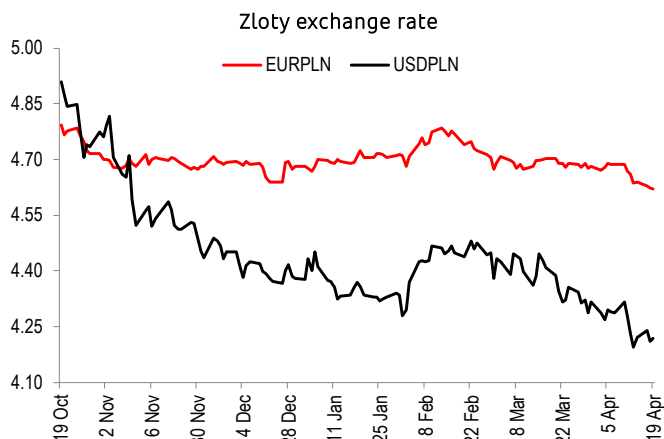
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	95	0	368	-1
France	14	0	50	1
Hungary	174	3	610	-28
Spain	49	0	103	2
Italy	45	0	185	3
Portugal	37	0	86	1
Ireland	19	0	42	1
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		16.2
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	12.2	12.3
TUESDAY (18 April)							
11:00	DE	ZEW Survey Current Situation	Apr	pts	-	-32.5	-46.5
14:30	US	Housing Starts	Mar	% m/m	-2.8	-0.8	7.3
WEDNESDAY (19 April)							
11:00	EZ	HICP	Mar	% y/y	6.9	-	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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