

Eyeopener

Hungarians have started to cut rates

Today GUS Statistical Bulletin, durable goods orders in the US
 M3 money supply surprised downward this time, further decline in credit growth
 Hungarian central bank cut lending rate by 450 bps, main rate unchanged.
 Kotecki: inflation will have to wait until 2026 to hit target.
 Zloty strengthened despite return of negative sentiment in markets, bond yields lower

Today, GUS will publish its Statistical Bulletin and in it, among other things, official data on the unemployment rate and March new orders in industry.

In March, M3 **money supply** growth was 6.5% y/y vs. 7.4% y/y in February with our forecast at 7.4% and the market assuming only a slight deceleration (to 7.2% y/y). Deposit growth, after a rapid rebound from 5.5% y/y last December to 9.2% y/y in February, retreated to 8.9% y/y in March. For the second month in a row, household deposits grew by a dozen or so billion zlotys m/m - while February's increase in their deposits was spread half and half between current accounts and time deposits, in March the growth was seen almost exclusively in time deposits. At the same time, the decline in the volume of cash in circulation deepened, to -6.0% y/y from -1.7% y/y in February. Correcting for the exchange rate effect, we saw -0.1% y/y in total loans (the first decline since May 2021) after +0.3% y/y in February. Loans to individuals fell by 4.9% y/y (previously -4.7%) - PLN housing loans were lower y/y by 3.5% and consumer loans by 2.4% (for the latter this was the third month of minimal improvement in annual growth). Business lending slowed further, to 7.0% y/y from 7.9%. In our view, credit demand will recover going forward, but this may be a slow process. The recent marked changes in the money supply dynamics (upside surprises in January and February and the downside surprise in March) are mainly attributable to the shifts in foreign assets of monetary financial institutions - rising rapidly in January and February (by PLN23bn and PLN37bn) and falling by PLN16bn in March.

The government has adopted the **Multiannual Financial Plan of the State** for 2023-2026, including the Convergence Program Update. The main macro assumptions have been released earlier and we discussed them in the previous daily report. It is important to note, however, that the public finance sector deficit forecast of 4.7% of GDP, contrary to what was usually presented in the Convergence Program Update, already includes an adjustment for the so-called natural savings (occurring regularly and related to the under-execution of certain expenditures) of 1.1 percentage points. The document also indicates that the deficit calculations disregard the expenditure rule, as the latter in its current form would force such a strong consolidation that macroeconomic stability would be jeopardised. Therefore, the government intends to modify the rule, seeking in particular to exclude defence from the spending cap.

Yesterday's **US data** gave conflicting signals for the Fed. We saw a deterioration in consumer sentiment in April (according to the Conference Board's measure, which retreated to the lowest since last July), particularly when it comes to major purchases. In contrast, new home sales in March far exceeded expectations, rising by nearly 10% m/m with demand strong enough to pull the median house price up to its highest level since last December, showing that the US real estate sector may require additional cooling by the central bank.

MPC member Ludwik Kotecki assessed that with the loose fiscal policy in place and the prospect of a recovery in the Polish economy from 3Q22, there is no room for interest rate cuts, but rather for rate rises. In his opinion, during the course of this year, core inflation will outpace CPI inflation and the latter is likely to reach the NBP target only in 2026.

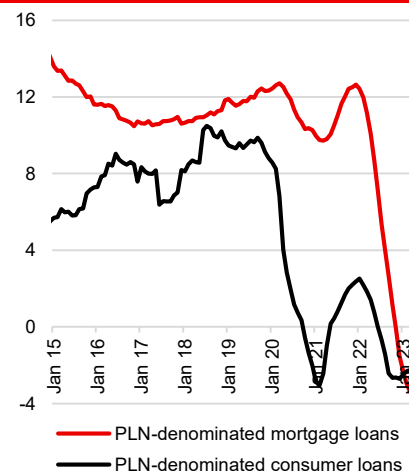
EURUSD reversed Tuesday's entire Monday's climb from around 1.098 to above 1.105, with risk-averse demand for the dollar provided by First Republic Bank's slump in quotes.

EURPLN also felt the negative change in global market sentiment, but after rebounding from levels below 4.59, it no longer attempted to break back above 4.60 yesterday, which leads us to believe that appetite for the zloty has not yet run out.

Other CEE currencies: Hungary's central bank did not change the main rate (13%), but sharply reduced the O/N lending rate, by 450bp, thus fulfilling the announcement of such a move by the bank's vice-president Barnabas Virag a week ago. As a result, the EURHUF moved above 378. Minimal weakness also affected the Czech crown.

Debt market saw broad-based demand, lowering yields by a dozen bps in Germany and the US, and by slightly less in Poland, but enough to bring 2Y, 5Y and 10Y below 6%. The climate of risk aversion also helped to gently deepen the valuation of rate cuts in Poland and in the core markets.

Value of credit to individuals, %/y



Source: NBP, 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	4,5929	CZKPLN	0,1951
USDPLN	4,1798	HUFPLN*	1,2098
EURUSD	1,0987	RUBPLN	0,0513
CHFPLN	4,6900	NOKPLN	0,3917
GBPPLN	5,1937	DKKPLN	0,6224
USDCNY	6,9212	SEKPLN	0,4058

*for 100HUF

Last session in the FX market 25.04.2023

	min	max	open	close	fixing
EURPLN	4,5832	4,6046	4,5973	4,5948	4,598
USDPLN	4,1574	4,1891	4,1603	4,1860	4,1649
EURUSD	1,0967	1,1056	1,1050	1,0967	-

Interest rate market 25.04.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5,98	-8
WS0428 (5Y)	5,93	-11
DS1033 (10Y)	5,94	-9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,81	-7	4,98	-9	3,67	-14
2L	6,34	-11	4,21	-13	3,57	-10
3L	5,87	-12	3,81	-13	3,35	-11
4L	5,64	-12	3,61	-14	3,15	-18
5L	5,51	-13	3,50	-11	3,08	-18
8L	5,42	-12	3,38	-9	3,05	-11
10L	5,43	-12	3,38	-9	3,05	-10

WIBOR rates

Term	%	Change (bps)
O/N	6,74	17
T/N	6,73	-1
SW	6,83	0
2W	6,81	-2
1M	6,86	0
3M	6,90	0
6M	6,95	0
1Y	7,06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,86	-1
3x6	6,79	-3
6x9	6,61	-10
9x12	6,25	-14
3x9	6,83	-3
6x12	6,61	-10

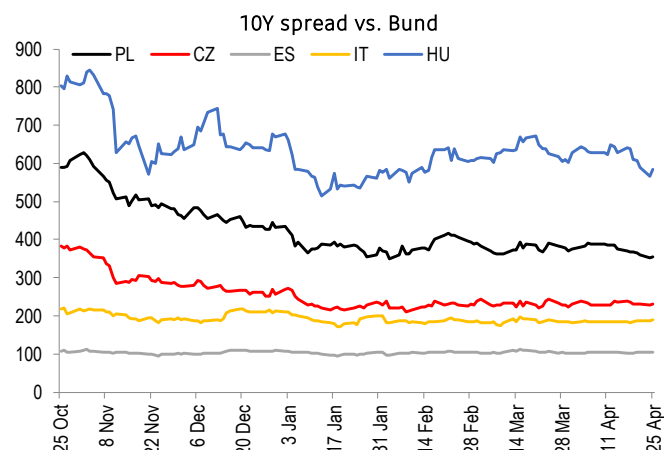
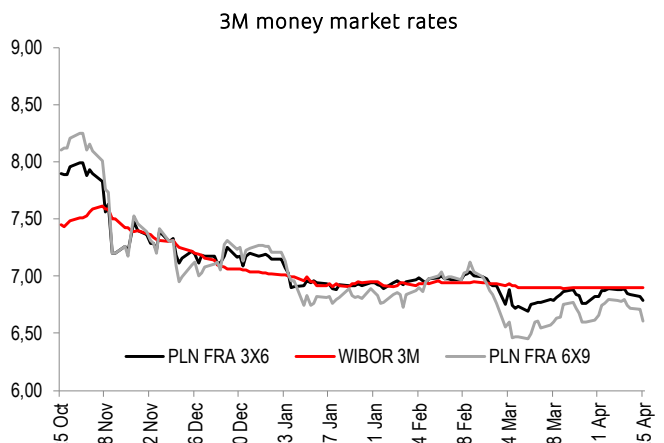
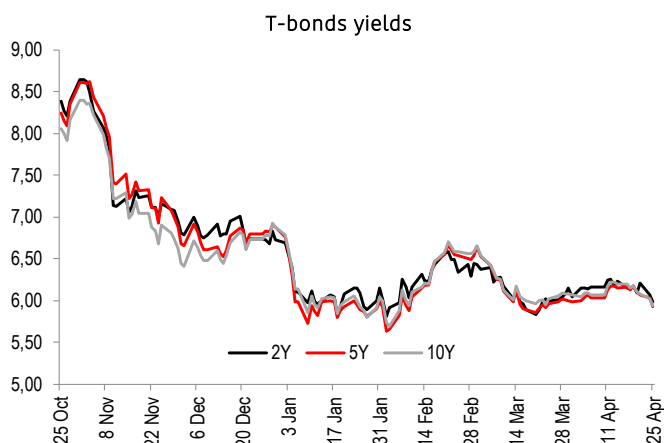
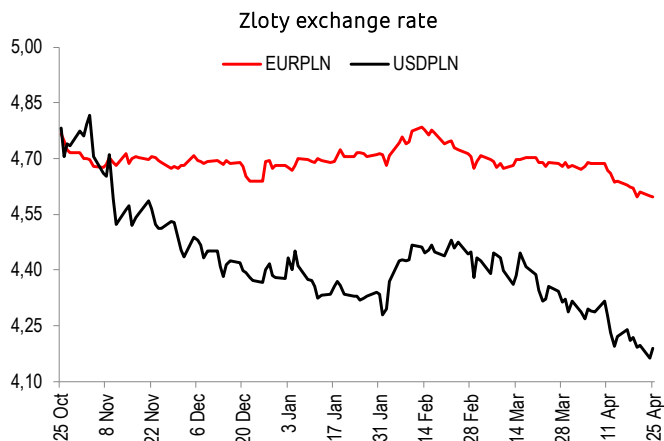
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	93	-2	356	3
France	14	0	57	1
Hungary	174	0	585	18
Spain	50	0	105	1
Italy	46	0	189	2
Portugal	37	0	85	1
Ireland	21	0	41	-1
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 (21 April)							
09:30	DE	Germany Manufacturing PMI	Apr	pts	45.7	44.0	44.7
09:30	DE	Markit Germany Services PMI	Apr	pts	53.35	55.7	53.7
10:00	EZ	Eurozone Manufacturing PMI	Apr	pts	48.0	45.5	47.3
10:00	EZ	Eurozone Services PMI	Apr	pts	54.5	56.6	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	12.4	12.3	13.6
MONDAY (24 April)							
10:00	DE	IFO Business Climate	Apr	pts	93.4	93.6	93.2
10:00	PL	Sold Industrial Output	Mar	% y/y	-2.2	-1.9	-2.9
10:00	PL	Construction Output	Mar	% y/y	0.5	1.0	6.6
10:00	PL	PPI	Mar	% y/y	11.0	10.3	18.4
10:00	PL	Retail Sales Real	Mar	% y/y	-6.2	-5.5	-7.3
TUESDAY (25 April)							
14:00	HU	Central Bank Rate Decision	Apr.23	%	13.0	13.0	13.0
14:00	PL	Money Supply M3	Mar	% y/y	7.2	7.4	6.5
16:00	US	Consumer Conference Board	Apr	pts	104.1	101.0	104.0
16:00	US	New Home Sales	Mar	% m/m	-1.3	9.6	-3.9
WEDNESDAY (26 April)							
10:00	PL	Unemployment Rate	Mar	%	5.4	5.4	-
14:30	US	Durable Goods Orders	Mar	% m/m	0.7	-	-1.0
THURSDAY (27 April)							
	DE	Retail Sales	Mar	% m/m	0.0	-	-0.4
11:00	EZ	ESI	Apr	pct.	99.9	-	99.3
14:30	US	GDP Annualized	1Q	% Q/Q	2.0	-	2.6
14:30	US	Initial Jobless Claims	Apr.23	k	240.0	-	245.0
16:00	US	Pending Home Sales	Mar	% m/m	1.0	-	0.85
FRIDAY (28 April)							
10:00	PL	CPI	Apr	% y/y	15.0	14.7	-
10:00	DE	GDP WDA	1Q	% y/y	0.3	-	0.9
11:00	EZ	GDP SA	1Q	% y/y	1.3	-	1.8
14:00	DE	HICP	Apr	% m/m	0.8	-	1.1
14:30	US	Personal Spending	Mar	% m/m	-0.1	-	0.2
14:30	US	Personal Income	Mar	% m/m	0.2	-	0.3
14:30	US	PCE Deflator SA	Mar	% m/m	0.1	-	0.3
16:00	US	Michigan index	Apr	pts	63.5	-	63.5

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>.