

27 April 2023

Eyeopener

Budget showed a deficit

Today ESI economic indicators for April
 Budget deficit after March rose to PLN 12 billion
 PLN strongest among emerging market currencies in April, debt market remained calm

April set of ESI consumer and business climate indicators will be released **today**. This edition of the survey includes quarterly questions, including consumer interest in house and car purchases, and a semi-annual survey of companies' investment plans. In the US, the first estimate of 1Q GDP will be released - the market expects a weakening of economic growth, but with significantly better private consumption than in 4Q (4.1% y/y on a seasonally adjusted basis, vs. 1.0% previously).

Polish industrial new orders increased by 8.8% y/y in March, which, adjusted for changes in producer prices, is a much smaller y/y decline than in February (-1.3% y/y vs. -20.4% y/y). On top of this, the value of export orders rebounded by more than 20% y/y, which, together with the progressive improvement in industrial sentiment indicators, supports our view that 1Q will mark the lowest point in this business cycle. **Registered unemployment rate** came in at 5.4% in March, as expected, a notch lower than in February (a 0.1pp drop also occurred in the previous three years in March). The number of job offers available in public employment offices per 100 unemployed calculated as a 12-month moving average fell to 8.5, which is still a high level - the average for the last 10 years was 6.6 and the peak was 9.3 in September last year.

In the January-March period, the Polish **central budget** showed a deficit of PLN12.03bn. This means that in March alone, the balance fell by PLN11.98bn, with revenues at PLN31.55bn (+10.8% y/y) and expenditures at PLN43.53bn (+8.8% y/y). On the revenue side, the scale of PIT refunds was so large that total net tax receipts on this account were lower after March than after February by almost PLN3bn (we had assumed a slightly smaller scale of this decline, but apparently high inflation prompted tax payers to apply faster than usual for 2022 settlement). This decline in revenues was filled by higher VAT receipts after the end of the anti-inflation shield based on reduced VAT rates on selected products (around +40% y/y). Non-tax revenues also helped, being higher by PLN2.5bn in March than a year earlier, and by PLN6.3bn in 1Q as a whole. CIT receipts rose by 14.4% y/y. On the expenditure side, in addition to more expensive debt service (up by 47.3% y/y in March and by 62.6% y/y in the whole 1Q), we saw an 18.1% y/y increase in general subvention to local governments in March (up by 18.2% y/y in 1Q), and a 78% higher transfer to FUS than a year ago (although this was still about 6% lower y/y in the whole quarter). On the other hand, the contribution to the EU budget was exceptionally low (4-5 times lower than usual). The government's liquidity cushion expanded to PLN78.4bn, the level seen in December. In 12-month cumulative terms, the central budget balance amounted to c.-0.8% of GDP.

US durable goods orders surprised with a more than 3% rebound after a weak February, but this was only due to civil aircraft demand. Orders for other capital goods fell 0.4% m/m after falling 0.7% previously. The **Swedish central bank** presented higher inflation forecasts, raised interest rates by 50 bp and announced another hike, but possibly smaller, at one of its next two meetings. The total of the rate increases made in Sweden since February 2022 is 350 bp.

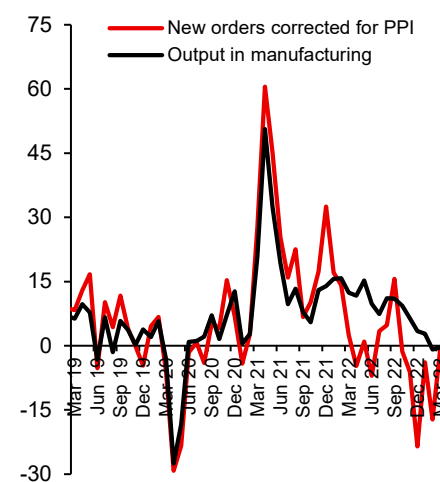
EURUSD copied its Monday rise and briefly emerged above 1.105. Market sentiment towards risk improved after positive surprises from US tech giants' 1Q results. The euro was also supported by comments from ECB vice-president Luis de Guindos that the Eurozone probably avoided recession, while as recently as December the bank had still considered a technical recession to be the baseline scenario (preliminary 1Q GDP data are due this Friday).

EURPLN deepened its fall to close to 4.58. Since the beginning of the month, the zloty has already gained 2% to the euro and 4% to the dollar, making it the best performing emerging market currency. The test for the sustainability of this appreciation, in our view, will be the preliminary GDP reading for 1Q in mid-May. For the time being, the new equilibrium level seems to now be 4.60 instead of the previous stabilisation around 4.70.

Other CEE currencies: the Hungarian forint has already recovered half of the loss caused by the pre-announcement a week ago and delivery on Tuesday of the central bank's loan rate cut (EURHUF went yesterday below 375). It was helped in this move by the rising EURUSD (it is about a cent higher than it was before the HUF weakened on loan rate cut news). EURCZK spent the day close to 23.50.

Debt market was quieter yesterday than on Tuesday and showed a gentle rise in yields on some tenors. Minimal movements in the IRS market. Valuation of the scale of rate cuts by the Fed between now and the end of this year declined slightly.

New orders and output, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4,5806	CZKPLN	0,1948
USDPLN	4,1437	HUFPLN*	1,2242
EURUSD	1,1057	RUBPLN	0,0506
CHFPLN	4,6583	NOKPLN	0,3899
GBPPLN	5,1758	DKKPLN	0,6224
USDCNY	6,9178	SEKPLN	0,4017

*for 100HUF

Last session in the FX market 26.04.2023

	min	max	open	close	fixing
EURPLN	4,5745	4,6003	4,5965	4,5845	4,5887
USDPLN	4,1247	4,1883	4,1871	4,1474	4,1557
EURUSD	1,0978	1,1095	1,0979	1,1049	-

Interest rate market 26.04.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,07	8
WS0428 (5Y)	5,98	5
DS1033 (10Y)	5,97	3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,81	0	5,00	2	3,69	2
2L	6,34	0	4,24	3	3,55	-2
3L	5,87	0	3,87	5	3,33	-2
4L	5,65	2	3,65	4	3,21	5
5L	5,53	2	3,54	4	3,14	6
8L	5,43	1	3,43	5	3,07	1
10L	5,45	2	3,44	6	3,07	2

WIBOR rates

Term	%	Change (bps)
O/N	6,60	-14
T/N	6,74	1
SW	6,83	0
2W	6,81	0
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	6,88	2
3x6	6,81	2
6x9	6,61	0
9x12	6,25	0
3x9	6,84	1
6x12	6,62	1

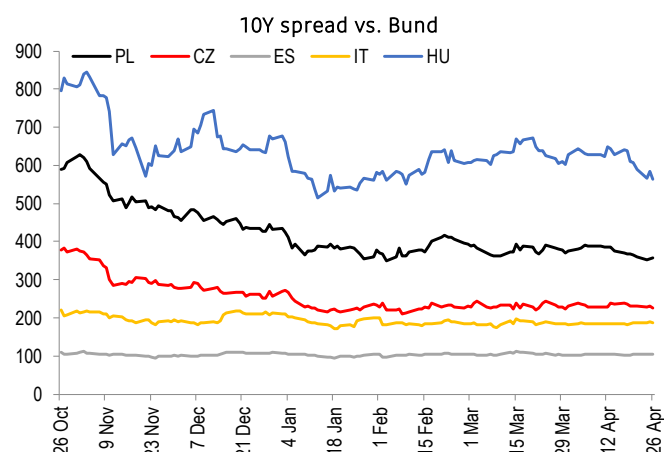
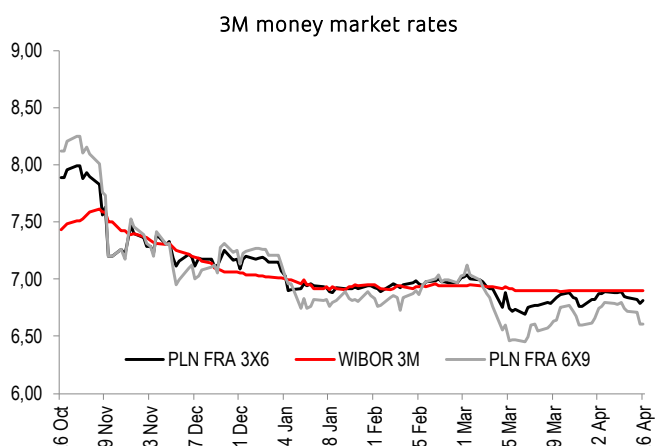
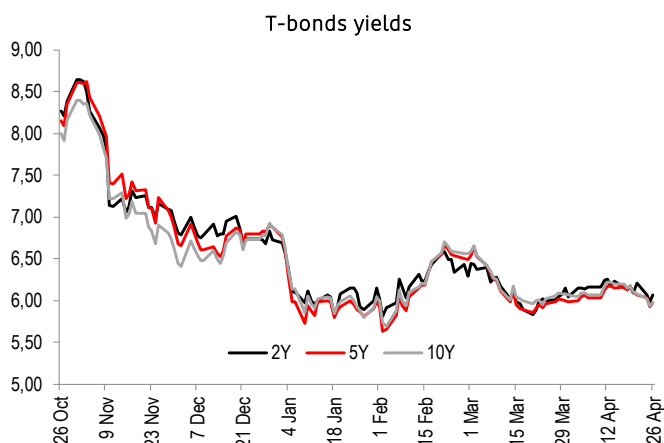
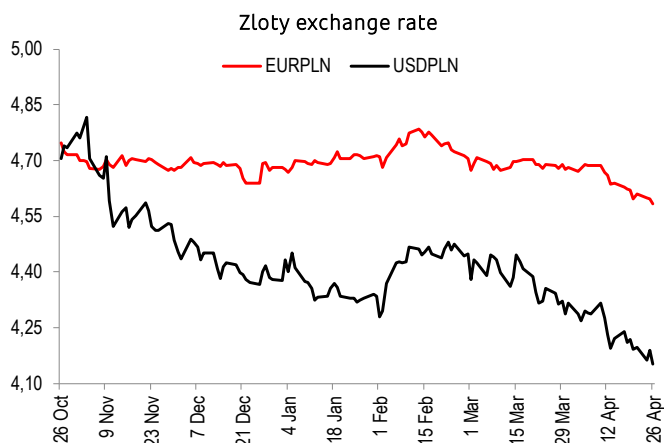
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	93	0	359	3
France	13	0	57	0
Hungary	174	1	564	-22
Spain	52	2	105	0
Italy	48	2	188	-1
Portugal	37	1	85	0
Ireland	20	-1	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 (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	0.5
10:00	PL	Average Gross Wages	Mar	% y/y	12.4	12.3	12.6
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	10.1
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	5.5
14:30	US	Durable Goods Orders	Mar	% m/m	0.7	3.2	-1.2
THURSDAY (27 April)							
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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