

28 April 2023

Eyeopener

Today flash inflation reading for April

Today, flash inflation reading for April in Poland and Germany, GDP in Eurozone
Headline ESI for Poland rebounded more strongly in April than before
PLN continues to gain, core market bond yields rise

Today we will get the flash CPI reading from Poland for April. Inflation arguably fell markedly again, with base effects playing a key role - as in March. What is important, however, is the scale of the decline. The median market forecast is 15.0% y/y (versus 16.1% in March). Our earlier forecast assumed a stronger decline, but the last-minute update of food prices suggests a much stronger increase, which could push CPI well above 15% y/y. Anyway, even the realisation of our earlier forecast would not give a sense of significant extinction of inflationary pressures, as it would imply an increase in prices of 0.8% m/m and core inflation probably around 1% m/m. In addition to Poland, preliminary inflation for April will also be shown by Germany, supplemented by the first GDP readings for Q1 from Germany and the euro area as a whole. In the US, important consumer data (spending, income, sentiment).

Headline ESI index for Poland climbed to 91.5 points in April from 90.4 points in March and 90.1 points in February. The strongest improvement was in the services sector, with consumer optimism also rising, as well as in the retail trade sector that serves them. A decline took place in industry, mainly due to a weakening of the order stream and the build-up of finished goods stocks.

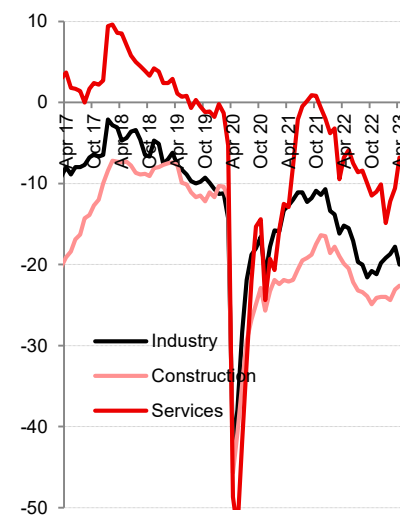
On the surface, the **first estimate of US GDP for 1Q** looked like a weak reading (1.1% y/y seasonally adjusted vs. expectations at 2%). Inside, it hid a solid rebound in private consumption (up 3.7% y/y s.a.), especially durable goods purchases (up 16.9% y/y s.a.). On top of this, the quarterly PCE index of price changes, published alongside GDP, surprised upwards with an increase of around 5% y/y s.a. (previously 4.4%).

EURUSD moved lower yesterday and stalled above 1.10. The move was backed by a strengthening of the dollar following the release of US data - due to the signals seen in the data that may discourage the Fed from an easing approach. Equally important in this regard will be today's US data describing the condition of consumers there.

EURPLN has once again dipped below the previous day's trading range. There is no sign that the money market is giving up on the MPC's valuation of rate cuts still this year, so it is difficult to attribute the recent strengthening of the zloty to a change in the central bank's stance to a more hawkish one that, we think, has occurred. It also means that the high CPI reading could push the PLN even further in appreciation, which so far this week has reached 0.7% to the euro and 0.9% to the dollar. **Other CEE currencies:** CZK and HUF experienced a slight strengthening.

Debt market: in Poland, only bonds from the short end of the yield curve strengthened (down 5 bps) and the rest hardly moved. The entire PLN IRS curve rose by a few bps. At the same time yields on core markets rose by 5-10 bp.

ESI, Poland, sectoral business sentiment indicators, pts



Source: European Commission, Santander

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FX market

Today's opening

EURPLN	4,5825	CZKPLN	0,1949
USDPLN	4,1621	HUFPLN*	1,2183
EURUSD	1,1009	RUBPLN	0,0510
CHFPLN	4,6526	NOKPLN	0,3909
GBPPLN	5,1919	DKKPLN	0,5476
USDCNY	6,9144	SEKPLN	0,4037

*for 100HUF

Last session in the FX market 27.04.2023

	min	max	open	close	fixing
EURPLN	4,5761	4,5970	4,5796	4,5814	4,5915
USDPLN	4,1365	4,1742	4,1459	4,1608	4,1541
EURUSD	1,0991	1,1063	1,1050	1,1014	-

Interest rate market 27.04.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6,02	-5
WS0428 (5Y)	5,99	2
DS1033 (10Y)	5,98	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6,82	1	5,08	8	3,71	2
2L	6,37	3	4,33	10	3,57	2
3L	5,91	4	3,95	8	3,36	3
4L	5,69	4	3,76	11	3,24	3
5L	5,57	4	3,65	11	3,18	3
8L	5,47	4	3,51	7	3,10	4
10L	5,49	4	3,50	6	3,10	4

WIBOR rates

Term	%	Change (bps)
O/N	6,54	-6
T/N	6,75	1
SW	6,83	0
2W	6,83	2
1M	6,87	1
3M	6,90	0
6M	6,95	0
1Y	7,06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6,88	0
3x6	6,83	2
6x9	6,63	2
9x12	6,29	4
3x9	6,87	3
6x12	6,63	1

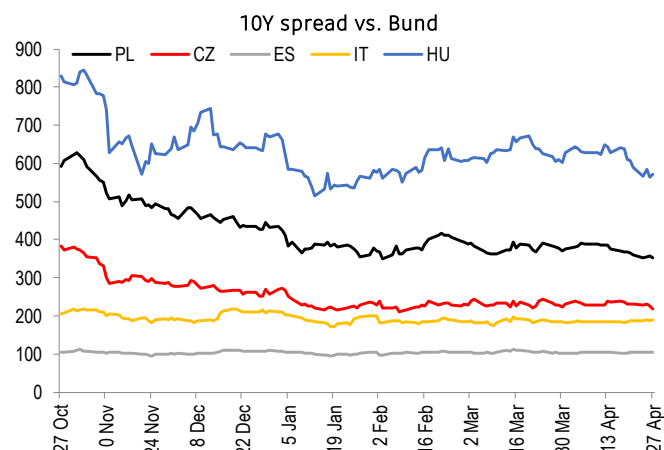
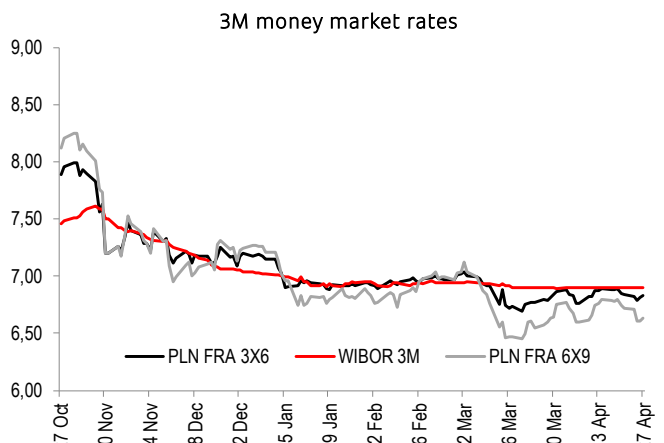
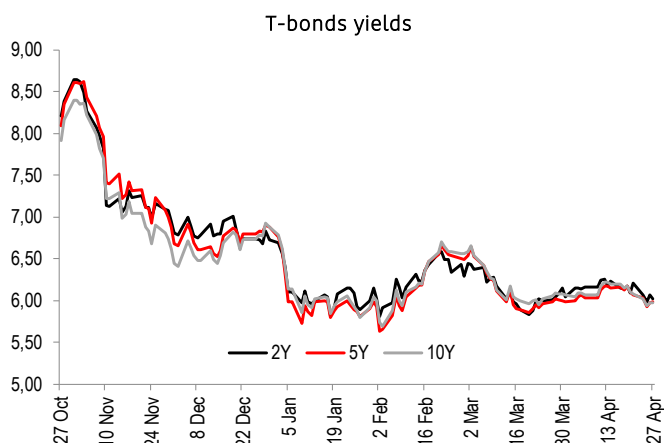
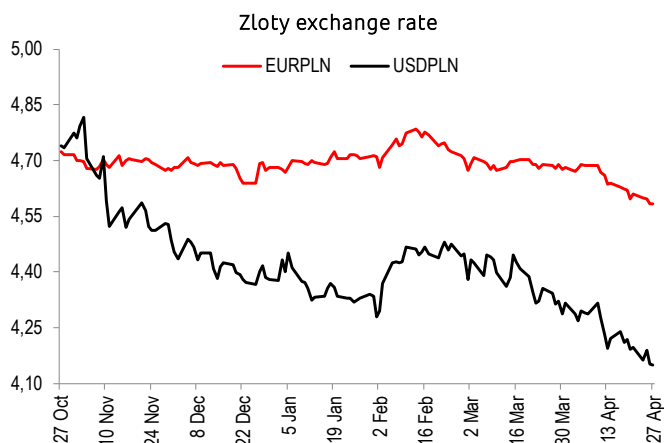
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	91	-2	352	-6
France	13	0	58	0
Hungary	172	-2	573	9
Spain	52	0	105	0
Italy	48	0	190	2
Portugal	37	0	86	1
Ireland	20	0	40	-2
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	0.8
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	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	99.2
14:30	US	GDP Annualized	1Q	% Q/Q	2.0	1.1	2.6
14:30	US	Initial Jobless Claims	Apr.23	k	240	230	246
16:00	US	Pending Home Sales	Mar	% m/m	1.0	-5.2	0.8
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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