

Eyeopener

Start of the MPC meeting

Today industrial output in Czechia, start of the MPC meeting
 Unemployment rate down to 5.3%, in line with expectations
 EURPLN went further down
 Domestic yields stable despite rises in the core markets

Today, March industrial production data are published by the Czech Republic. Across the region, industry has already lost its upward momentum by early 2022 and Hungary is already seeing a downward trend. The mention in the Polish manufacturing PMI report of signs of industrial recession in Europe and a sizable drop in the country's electricity consumption (most likely due to lower industrial demand) suggest that a rebound in this sector does not seem imminent.

Also, **the MPC meeting** kicks off today. The decision on rates will come tomorrow, and NBP President Adam Glapiński's press conference has already been formally announced for Thursday at 15:00CET. These are the central economic events of the week in Poland, and although a change in rates at this meeting seems highly unlikely to us, the event could have an impact on local markets. May's series of interviews by MPC members (Dąbrowski, Wnorowski, Mastowska), president Glapiński and head of research Szpunar, whose common theme was the message: disinflation is gaining pace, single-digit inflation is on the horizon, a rate cut could be considered still this year, is in our view a preparation of the ground for a possible announcement of the end of the rate hike cycle.

According to estimates from the Ministry of Labour, **the registered unemployment rate** fell to 5.3% in April from 5.4%, which is exactly what the market and we had assumed. On a monthly basis, the number of unemployed fell by 23.1k, which is a tad less than in the same month in 2021 and 2022 (around 24k) and half as much as in the final years before the pandemic (it dropped by 50k in 2018 and 46k in 2019). In our view, we will not see a significant rebound in the registered unemployment rate this year - after a seasonal dip in the summer, it could rebound to around 5.5% by the end of the year.

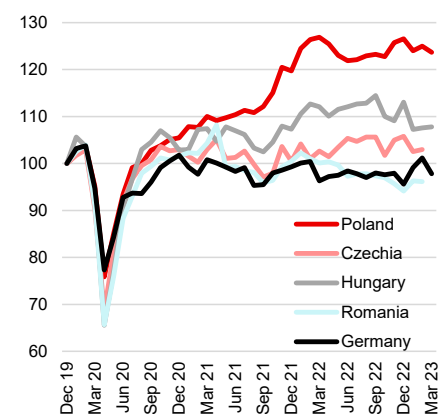
According to BIK data, **the number of applications for home loans** fell by 6% in April compared to March. There has been some improvement in credit demand in recent months, after a strong slump in 2022. However, as we expected the dynamics of the rebound are not strong.

EURUSD: Since mid-April, EURUSD has remained relatively stable near 1.10 and Monday's session was no different, especially in the face of low activity due to a day off in London. After a slightly better start to the session for the euro, the dollar made minimal gains, perhaps partly due to weaker German manufacturing data and Sentix data for the euro area. Technical indicators may favour the correction towards 1.07 that we have been waiting for in the near term, although this week rather lacks any significant data that could trigger such a move. Investors will wait for inflation data from the US.

CEE currencies: After the stop of the appreciation trend in the first week of May, yesterday's session was marked by a further decline in EURPLN, which fell below 4.56 touching the May 2022 support line. The zloty was also the best-performing currency in the region yesterday. While we have been noting the potential for a correction for some time, it seems that this moment may finally be approaching, and this may be supported by the dovish tone of the MPC and the materialisation of the EURUSD downward move assumption. The upcoming Turkish elections should have a rather moderate impact on the region's currencies, and Wednesday's inflation readings (Wednesday: HU, Thursday: CZ) may prove more important.

Interest rate market: Yesterday's session was marked by a stabilisation of market rates in Poland and a rise in rates in the core markets by around 4bp. We maintain the assumption of a possible slight steepening of the curve in the near term in the event of a dovish MPC, declines in CPI readings in the region or core inflation in the US, and an increase in the risk of no debt limit increase in the US.

Industrial output, December 2019 = 100



Source: Bloomberg, Santander

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FX market

Today's opening

EURPLN	4.5603	CZKPLN	0.1946
USDPLN	4.1466	HUFPLN*	1.2138
EURUSD	1.0995	RUBPLN	0.0534
CHFPLN	4.6633	NOKPLN	0.3933
GBPPLN	5.2336	DKKPLN	0.6122
USDCNY	6.9244	SEKPLN	0.4076

*for 100HUF

Last session in the FX market 08/05/2023

	min	max	open	close	fixing
EURPLN	4.5576	4.5807	4.5708	4.5611	4.5671
USDPLN	4.1290	4.1477	4.1408	4.1387	4.1384
EURUSD	1.1010	1.1053	1.1042	1.1019	-

Interest rate market 08/05/2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.85	8
WS0428 (5Y)	5.80	0
DS1033 (10Y)	5.83	0

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.67	-1	5.00	6	3.63	3
2L	6.09	0	4.22	7	3.41	4
3L	5.59	0	3.85	8	3.18	4
4L	5.35	-2	3.67	9	3.06	3
5L	5.23	-1	3.57	10	3.00	3
8L	5.16	-1	3.51	8	2.97	3
10L	5.20	0	3.52	8	2.99	3

WIBOR rates

Term	%	Change (bps)
O/N	6.85	2
T/N	6.78	4
SW	6.83	1
2W	6.77	-3
1M	6.87	0
3M	6.90	0
6M	6.95	0
1Y	7.05	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.86	0
3x6	6.77	-6
6x9	6.43	0
9x12	6.02	0
3x9	6.72	-15
6x12	6.42	1

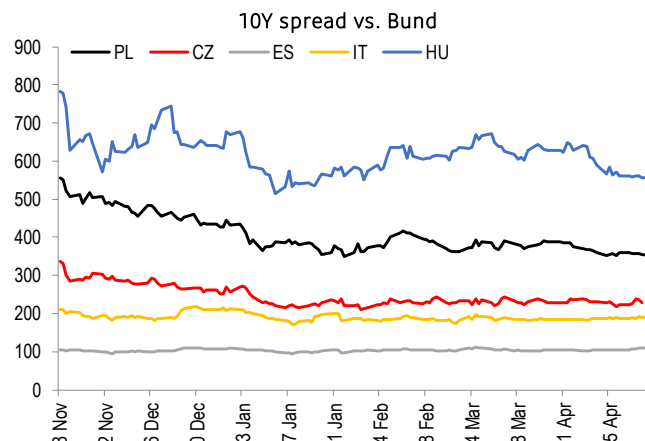
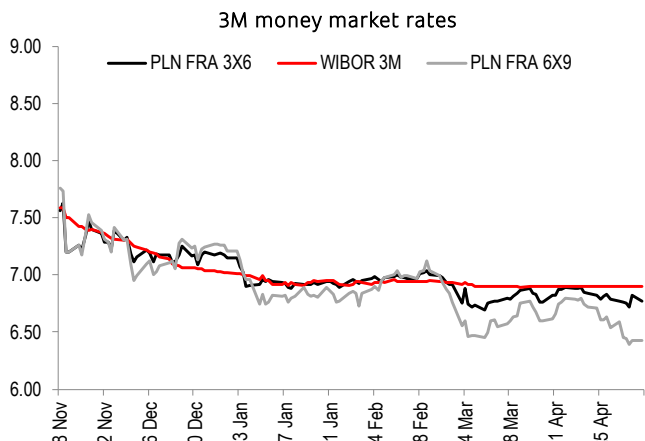
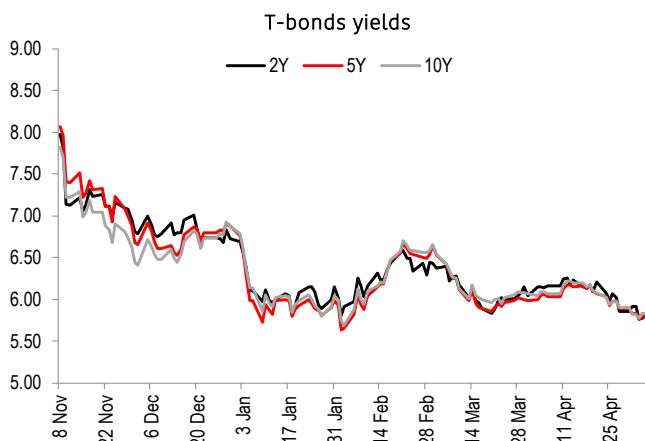
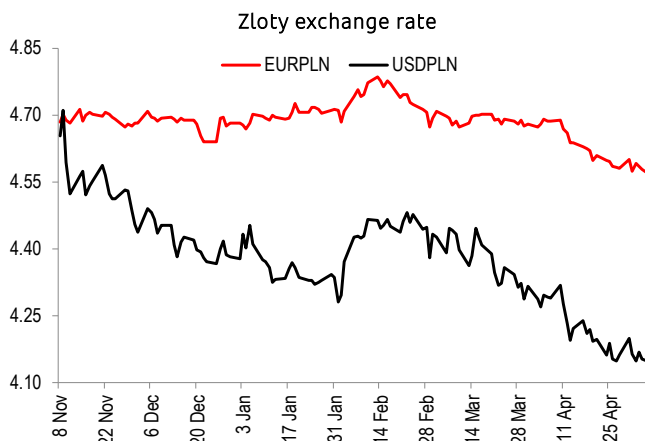
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	90	0	351	-2
France	14	0	59	0
Hungary	172	0	558	2
Spain	54	0	109	0
Italy	49	0	192	1
Portugal	39	0	86	0
Ireland	19	0	46	1
Germany	10	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 (5 May)								
03:45	CN	Caixin China PMI Services	Apr	pts	57.3	56.4	57.8	
08:00	DE	Factory Orders	Mar	% m/m	-2.3	-10.7	4.8	
08:30	HU	Industrial Production SA	Mar	% y/y	-2.7	-4.0	-4.6	
11:00	EZ	Retail Sales	Mar	% m/m	-0.2	-1.2	-0.2	
14:30	US	Change in Nonfarm Payrolls	Apr	k	185	253	165	
14:30	US	Unemployment Rate	Apr	%	3.6	3.4	3.5	
MONDAY (8 May)								
08:00	DE	Industrial Production SA	Mar	% m/m	-1.4	-3.4	2.0	
TUESDAY (9 May)								
09:00	CZ	Industrial Production	Mar	% y/y	1.9	-	2.0	
WEDNESDAY (10 May)								
	PL	MPC decision		%	6.75	6.75	-	
08:00	DE	HICP	Apr	% m/m	0.6	-	0.6	
08:30	HU	CPI	Apr	% y/y	24.0	-	25.2	
14:30	US	CPI	Apr	% m/m	0.4	-	0.1	
THURSDAY (11 May)								
09:00	CZ	CPI	Apr	% y/y	13.3	-	15.0	
13:00	UK	BoE decision	May	%	4.50	-	4.25	
14:30	US	Initial Jobless Claims		k	240	-	242	
15:00	PL	NBP governor's press conference						
FRIDAY (12 May)								
16:00	US	Michigan index	May	pts	63.0	-	63.5	

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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