

Eyeopener

The likely fall of GDP in 1Q

Today Polish 1Q GDP and April core inflation
 April CPI confirmed at 14.7% y/y, C/A balance lower than forecast
 European Commission more optimistic about euro zone growth
 Significant rise of bond yields and asset swap spread after social transfers boost proposal, Złoty remains strong

Important data in Poland **today**: the preliminary 1Q GDP reading and core inflation in April. According to our forecasts, GDP growth fell to -1.5% y/y (median forecast in Bloomberg -0.9%). The preliminary data will not reveal the breakdown of growth - we will only get to know this numbers at the end of May. Our baseline scenario still assumes that 1Q was the bottom of the cycle, after which GDP growth should gradually start to rebound upwards. Core inflation excluding food and energy prices, fell to 12.1% y/y from 12.3% y/y, according to our estimates. GDP data will also be released in the euro zone, and in the US retail sales and industrial production. In the US, J. Biden will negotiate on raising the debt limit. April industrial output, retail sales and investment outlays in China all surprised to the downside, especially the former (+5.6% y/y instead of expected 10.9%). Hungarian GDP fell 0.9% y/y in 1Q.

The **euro zone industrial output** data in March were worse than expected. Capital goods surprised negatively in particular. The weaker industrial production results could mean a downward revision of today's euro zone GDP data.

The **European Commission presented slightly more optimistic forecasts** than during the forecasting round in the autumn. Euro zone GDP growth was revised up to 1.1% and 1.6% in 2023 and 2024, from 0.3% and 1.5% previously, including for Germany to 0.2% and 1.4% from -0.6% and 1.4%, for France to 0.7% and 1.4% from 0.4% and 1.5% and for Italy to 1.2% and 1.1% from 0.3% and 1.1%. The sources of the revision were the better performance of the economies recorded so far and the fall in in energy prices. In the case of Poland, the Commission expects growth of 0.7% this year and 2.7% in 2024, with HICP inflation of 11.7% and 6.0% and public finance deficits of 5.0% and 3.7% of GDP.

April's CPI was confirmed at 14.7% y/y (as compared to 16.1% y/y in March). Services prices went up by 13.3% y/y, for the fourth month in a row, while goods prices eased to 15.1% y/y from 17.1% y/y in March. Food was the main factor decreasing the annual CPI growth. Food prices rose by 19.7% y/y in April after 24.0% y/y in March. According to our estimates core inflation excluding food and energy decreased to 12.1% m/m from 12.3% m/m. Monthly growth rate weakened as well to 1.1% m/m from 1.3%, though it still remains strong. Data confirm that the inflation pressure is gradually easing. In our view at the year-end CPI will be close to 10% y/y, which will discourage MPC from cutting rates this year. More in [Economic Comment](#).

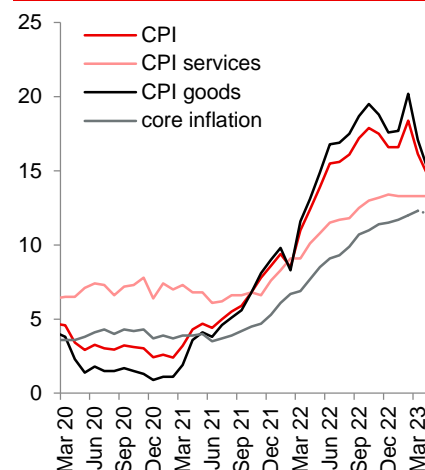
Current account balance printed €1.6bn in March, less than expected (market: €2.5bn us: €3.0bn). Export rose by 15.5% y/y, driven by improving sales of cars and car-related products. Meanwhile, import fell by 3.0% y/y, with declines especially visible in fuels and intermediate goods. Despite the huge spread in these two growth rates, goods surplus fell to €600mn in March from €1.1bn in February. Goods balance was the main source of difference versus our forecast, but other balances were also slightly worse than we expected, with services balance at €3.1bn amid weaker performance of exports, primary incomes balance at -€2.5bn and secondary incomes balance at €0.4bn. February data was markedly revised down: current account surplus was trimmed to €1.4bn from €2.6bn, mainly due to much higher import. 12M current account balance improved to -1.3% of GDP from -2.1% in February and we expect it to improve further towards zero in the upcoming months.

EURUSD: The dollar lost ground against the euro, while the slump in the Empire State industrial index proved more important than the disappointing Eurozone manufacturing data. In the medium term, we still assume EURUSD movement towards 1.07.

EURPLN: The forint and zloty gained slightly against the euro and dollar being among the best performing emerging market currencies, while the Czech koruna continued to lose ground. Amid upward movement of market rates, EURPLN may soon overcome the 4.50 level.

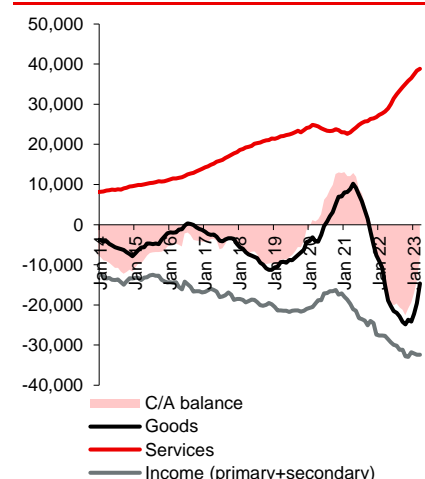
Interest rate market: Yesterday's session saw bond yields rise by 13-16 bp with a much more modest rise in the core markets, a slight steepening of the curve and a widening of domestic asset swap spreads by around 10 bp. The latter is apparently a reaction to reports of the PIS election programme, which may imply an increase in the fiscal deficit and a slower decline in inflation. We assume that there is still room for further election promises and programmes which could contribute towards higher asset swap spreads

Main CPI measures, % y/y



Source: GUS, NBP, Santander

Current account balance, €mn, 12m sum



Source: GUS, 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
Cezary Chrapek +48 887 842 480
Marcin Luzziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.5031	CZKPLN	0.1903
USDPLN	4.1440	HUFPLN*	1.2175
EURUSD	1.0866	RUBPLN	0.0519
CHFPLN	4.6290	NOKPLN	0.3889
GBPPLN	5.1730	DKKPLN	0.6045
USDCNY	6.9646	SEKPLN	0.3999

*for 100HUF

Last session in the FX market 15.05.2023

	min	max	open	close	fixing
EURPLN	4.5001	4.5190	4.5173	4.5070	4.5096
USDPLN	4.1386	4.1593	4.1584	4.1447	4.149
EURUSD	1.0854	1.0890	1.0861	1.0871	-

Interest rate market 15.05.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.96	22
WS0428 (5Y)	5.86	16
DS1033 (10Y)	5.86	12

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.78	4	4.98	2	3.66	0
2L	6.21	6	4.18	0	3.37	-2
3L	5.70	7	3.80	0	3.13	-1
4L	5.44	7	3.61	1	3.01	-1
5L	5.29	5	3.53	2	2.96	0
8L	5.24	6	3.47	3	2.93	1
10L	5.26	4	3.48	3	2.95	1

WIBOR rates

Term	%	Change (bps)
O/N	6.90	11
T/N	6.77	-5
SW	6.83	-1
2W	6.83	1
1M	6.90	4
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.89	3
3x6	6.83	3
6x9	6.52	5
9x12	6.15	9
3x9	6.85	3
6x12	6.50	5

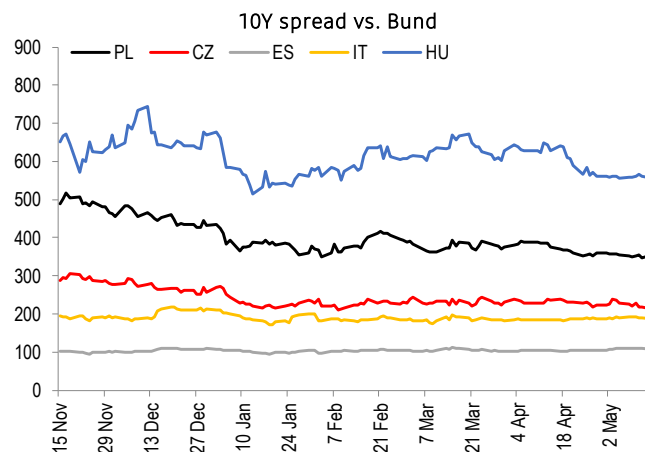
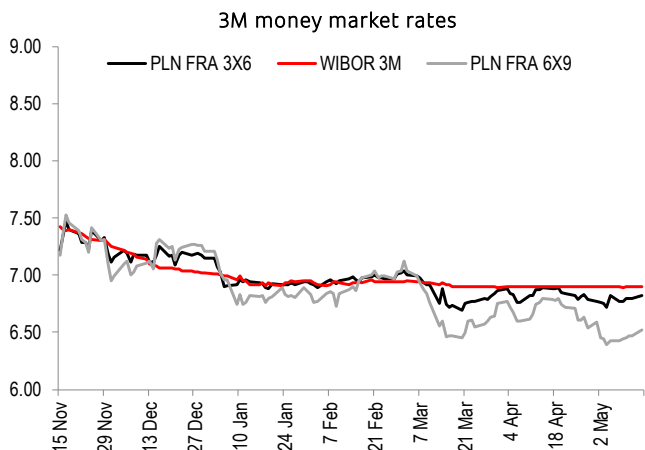
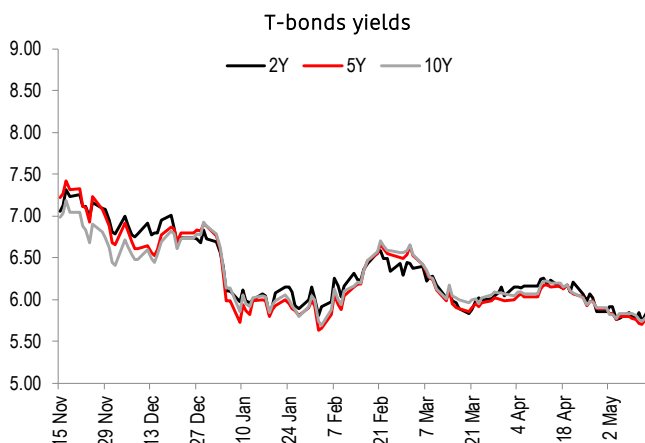
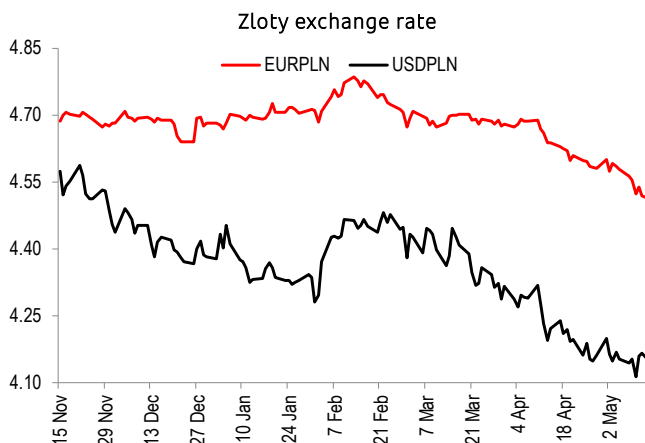
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	0	355	7
France	15	0	58	0
Hungary	172	0	557	-3
Spain	54	0	107	-2
Italy	49	0	188	-2
Portugal	41	0	83	-1
Ireland	20	0	47	-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 (12 May)							
16:00	US	Michigan index	May	pts	63.0	57.7	63.5
MONDAY (15 May)							
10:00	PL	CPI	Apr	% y/y	14.7	14.7	16.1
11:00	EZ	Industrial Production SA	Mar	% m/m	-1.3	-	1.5
14:00	PL	Current Account Balance	Mar	€mn	2465	3014	1410
14:00	PL	Trade Balance	Mar	€mn	1401	1407	1102
14:00	PL	Exports	Mar	€mn	28595	28064	27352
14:00	PL	Imports	Mar	€mn	27322	26657	26250
TUESDAY (16 May)							
08:30	HU	GDP	1Q	% y/y	-1.1	-0.9	0.4
10:00	PL	GDP	1Q	% y/y	-0.9	-1.5	2.0
11:00	EZ	GDP SA	1Q	% y/y	1.3	-	1.3
11:00	DE	ZEW Survey Current Situation	May	pts	-38.0	-	-32.5
14:00	PL	CPI Core	Apr	% y/y	12.2	12.1	12.3
14:30	US	Retail Sales Advance	Apr	% m/m	0.7	-	-0.6
15:15	US	Industrial Production	Apr	% m/m	0.0	-	0.4
WEDNESDAY (17 May)							
11:00	EZ	HICP	Apr	% y/y	7.0	-	7.0
14:30	US	Housing Starts	Apr	% m/m	-1.4	-	-0.8
THURSDAY (18 May)							
14:30	US	Initial Jobless Claims		k	245	-	264
16:00	US	Existing Home Sales	Apr	% m/m	-3.3	-	-2.4
FRIDAY (19 May)							
No major events and releases							

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

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.