

Eyeopener

HICP inflation down in Poland, up in euro zone

Today some US data

HICP inflation was 7.0% y/y in April in the euro zone and 14.0% y/y in Poland
EURPLN's upside turn, domestic yields stable

Today, some US data: initial jobless claims and existing home sales.

Euro zone HICP inflation rose to 7.0% y/y in April from 6.9% y/y in March, in line with the preliminary reading. Services prices rose by 5.2% y/y after 5.1% y/y in March, with energy prices also rising faster and food prices slightly slower than previously. The decline in inflation in the euro area will be a fairly slow process in our view. **HICP inflation for Poland** fell to 14.0% y/y in April from 15.2% y/y in March. HICP core inflation also slipped, to 11.3% y/y from 11.6% previously, having peaked in November and December at 12.0% y/y. We also use the HICP data adjusted for the effects of tax changes to monitor alternative measures of the inflation trend. Core inflation calculated in this way fell in April to 12.0% y/y from 12.2% and this is its first decline since mid-2021. Super-core inflation (which additionally excludes administered prices) also retreated gently (to 12.3% y/y from 12.5%). What is more this core inflation adjusted for tax changes, showed a m/m movement of +1.2% after two months of increases of 1.3%. In our view, this is too small a slowdown to already speak of a significant weakening of inflationary pressures in the economy. Super-core inflation in m/m terms recorded a 1.3% increase in April, up from 1.4% in March and 1.3% in February.

IMF head for CEE, Geoff Gottlieb, said in an interview with Reuters that Poland's fiscal policy could do more to bring inflation down. He also recommended a resumption of interest rate hikes by the MPC.

US housing starts data were better than expected, but the number of new building permits surprised downwards. The US property market is still in the midst of a deep correction and market activity is clearly lower than usual. In our view, this condition will continue in the near term.

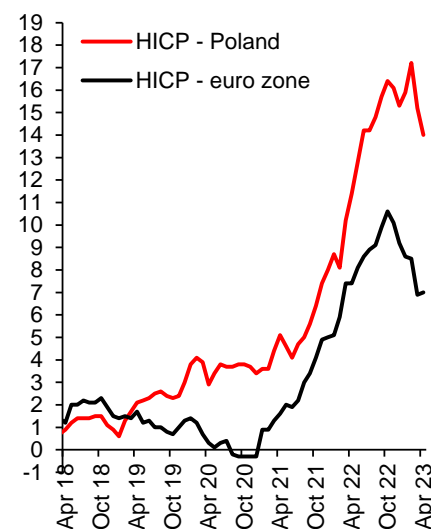
Infrastructure Minister Andrzej Adamczyk announced that **tolls will be abolished for passenger cars on 1 July on two motorways** the A2 (Konin-Stryków) and A4 (Wrocław-Sośnica). This change will have a negligible impact on the CPI due to the very low weight of tolls in the inflation basket (less than a tenth of a per mille).

EURUSD fell to its lowest level in six weeks in the face of unresolved talks on raising the debt limit, still fairly good data in the US and a peak in euro zone inflation. With the US avoiding bankruptcy, a further reduction in expectations of rapid US rate cuts this year could support the dollar in the coming weeks. In the euro zone, ECB Governing Council member Pablo Hernandez de Cos said that the bank is nearing the end of the hike cycle, with this dependent on inflation moving towards the target (2%).

CEE currencies: Yesterday, for the first time in a long time, the region's currencies were among the worst-performing emerging market currencies, and against this backdrop the zloty stood out unfavourably this time. After a prolonged period of declines, **EURPLN** rebounded from support levels near 4.48. Perhaps this is a signal of a long-awaited correction. It does not have to be large given the high level of foreign currency deposits of the Ministry of Finance (around EUR 10 billion at the end of April) and the increased activity of the MF in the market over the last dozen or so months. The MF recently reported that it sold EUR 7.4 billion in 2022 on the market, compared to EUR 3.6 billion in 2021. On the other hand, March data showed that the improvement in Poland's current account has slowed down.

After a sizable rise in market rates in the previous days, the situation in the domestic **interest rate market** remained fairly stable yesterday. In the core markets, there was a slight increase in yields especially at the short end of the curve. We still see room for an increase in PLN FRA rates in the near term given that we do not expect rate cuts this year and as we see upside to asset swap spreads in view of the announcement of fiscal easing. Although fiscal stimulus will slow the decline in inflation over the next few months its downward trend should lead eventually to lower yields in the longer term.

HICP inflation, % y/y



Source: Eurostat, Santander

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FX market

Today's opening

EURPLN	4.5075	CZKPLN	0.1906
USDPLN	4.1738	HUFPLN*	1.2166
EURUSD	1.0827	RUBPLN	0.0521
CHFPLN	4.6278	NOKPLN	0.3851
GBPPLN	5.2020	DKKPLN	0.6066
USDCNY	7.0154	SEKPLN	0.3978

*for 100HUF

Last session in the FX market 17.05.2023

	min	max	open	close	fixing
EURPLN	4.4790	4.5214	4.4939	4.5101	4.4945
USDPLN	4.1234	4.1806	4.1354	4.1657	4.1504
EURUSD	1.0808	1.0865	1.0863	1.0829	-

Interest rate market 17.05.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	5.90	-13
WS0428 (5Y)	5.90	-2
DS1033 (10Y)	5.94	-3

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.77	-1	5.07	4	3.72	3
2L	6.25	0	4.30	5	3.49	5
3L	5.75	-1	3.93	7	3.26	6
4L	5.51	0	3.73	6	3.12	5
5L	5.39	0	3.63	5	3.05	3
8L	5.33	0	3.52	2	2.99	1
10L	5.37	1	3.54	3	3.00	0

WIBOR rates

Term	%	Change (bps)
O/N	6.88	6
T/N	6.82	5
SW	6.84	1
2W	6.82	-1
1M	6.88	1
3M	6.90	0
6M	6.95	0
1Y	7.06	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.87	1
3x6	6.82	0
6x9	6.53	0
9x12	6.18	0
3x9	6.84	0
6x12	6.52	-2

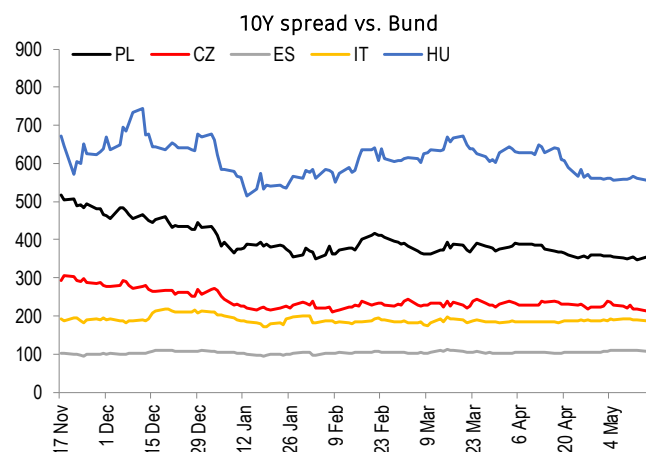
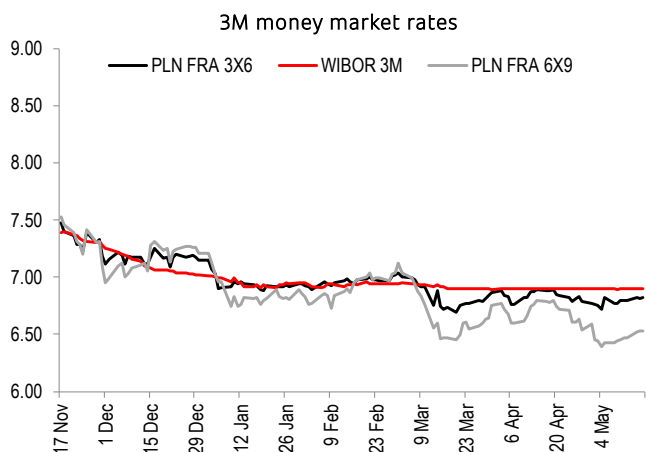
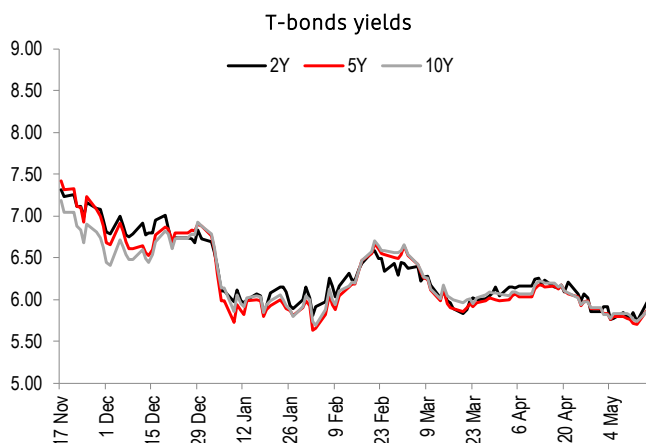
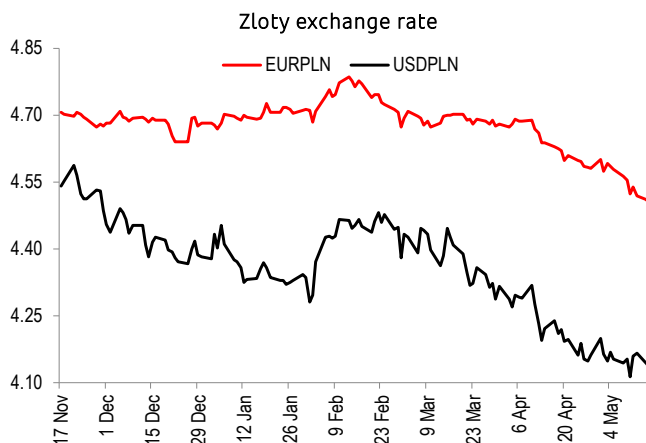
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	92	0	361	-3
France	15	0	58	-1
Hungary	172	0	549	3
Spain	54	0	106	-2
Italy	49	0	185	-3
Portugal	41	0	81	-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	14.7
11:00	EZ	Industrial Production SA	Mar	% m/m	-1.3	-	-4.1
14:00	PL	Current Account Balance	Mar	€mn	2465	3014	1643
14:00	PL	Trade Balance	Mar	€mn	1401	1407	608
14:00	PL	Exports	Mar	€mn	28595	28064	30012
14:00	PL	Imports	Mar	€mn	27322	26657	29404
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	-0.2
11:00	EZ	GDP SA	1Q	% y/y	1.3	1.3	1.8
11:00	DE	ZEW Survey Current Situation	May	pts	-38.0	-34.8	-32.5
14:00	PL	CPI Core	Apr	% y/y	12.2	12.1	12.2
14:30	US	Retail Sales Advance	Apr	% m/m	0.7	0.4	-0.7
15:15	US	Industrial Production	Apr	% m/m	0.0	0.5	0.4
WEDNESDAY (17 May)							
11:00	EZ	HICP	Apr	% y/y	7.0	7.0	6.9
14:30	US	Housing Starts	Apr	% m/m	-1.4	2.2	-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

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