

31 May 2023

## Eyeopener

### May inflation today

Today flash print of May CPI and 1Q GDP details in Poland, German and French inflation  
Positive consumption outlook supported by surprisingly strong ESI  
Further decline of market rates, FX market stable

**Today**, the focus at home will be on inflation data for May and 1Q GDP, and abroad on inflation data in Germany (expected to fall to 3.6% y/y from 4.1%) and France. In the morning, government PMIs for China, covering manufacturing and services, were released – both weaker than expectations and lower than previous readings.

**According to our estimates, the inflation rate eased to 13.4% y/y in May from 14.7%** in April (consensus according to Bloomberg is the same) after prices rose by 'just' 0.3% m/m. The apparent deceleration of the monthly price momentum is due firstly to seasonality, e.g. in clothing and footwear prices, but also to the extending decline in fuel prices (according to us around -4.5% m/m). A great deal of uncertainty still surrounds food prices - in April their monthly momentum clearly slowed to 0.5% and we estimate that in May it was only slightly higher.

**GDP data will reveal the breakdown of 1Q growth**, which, according to the preliminary reading from mid-May, was much better than expected (-0.2% y/y, +3.9% q/q s.a.). One of the main suspects behind the positive surprise is investment (data from large companies point to another strong growth) and the foreign trade balance. A positive surprise in consumption would reduce the space for thinking about rate cuts.

**The ESI headline economic sentiment indicator for Poland rose to 93.3 pts in May from 91.4 pts.** This is its highest level since June last year and its second sharp rise in a row. While in April the rebound was driven equally by sentiment in services and consumer sentiment, in May it was only the growing optimism of the latter that was behind the improvement. In May, all the main business sectors surveyed - industry, construction, services and retail trade - reported a slight deterioration in sentiment. Meanwhile, in the euro area, consumer attitudes remained unchanged and all business sectors became significantly more pessimistic. In addition, in the case of Poland, the aggregate employment index (which we take as a measure of labour demand) did not change significantly in May - and thus remains significantly higher than just six months earlier - while in the euro area, the same index fell markedly and was at its lowest level in two years. Among detailed indicators for Poland, it is worth signalling a large decline in current and expected industrial production, some weakening of expected activity levels in services and retail trade. An increase in consumer optimism occurred in all areas covered by the survey, particularly in the assessment of one's own financial situation in the next 12 months and in the perception of the current economic situation. May's ESI results are consistent with our signalled outlook for a rebound in private consumption this year and an economic recovery that may not, however, be very pronounced in 2Q.

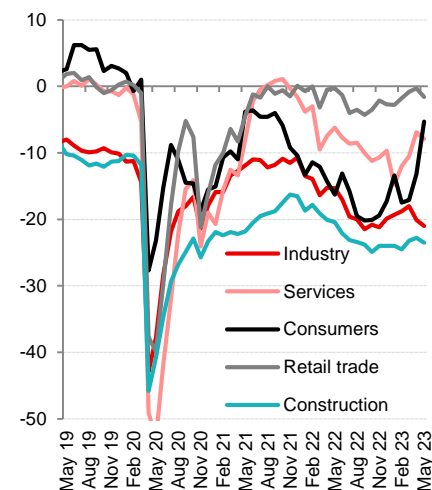
**MPC member Iwona Duda** said that a decision on an interest rate cut could be taken if the Council is confident that inflation will fall quickly to the target. In her view, core inflation should be in single digits by the end of the year. **Ireneusz Dąbrowski** feels that consideration of a cut could take place after the Council has seen the November projection. In his opinion, inflation could fall below 13% in May, which would imply negative m/m growth.

**EURUSD** dropped below 1.07 early in the day, but settled slightly higher for the rest of the European session, despite weaker data from the euro area. The dollar was later supported by a better-than-forecast Conference Board index.

After a stronger opening for the zloty, **EURPLN** rose by around 0.5% to 4.54, with a smaller increase in USDPLN, a weakening of the Czech koruna and a slight strengthening of the forint. Weak Czech 1Q23 GDP data and dovish comments from E. Zamrazilova of the CNB may have negatively contributed to koruna.

**Further decline in market rates.** European market rates continued to decline similar as US Treasuries yields, which opened with a sizable downside gap after the return from holiday. German yields and European swaps and Treasuries yields fell by c. 10 bp. Domestically, the FRA curve moved down 9-14 bp, with bond yields and the swap curve down 4-8 bp, with some bond curve steepening. The focus this week is on inflation data. Spanish inflation data surprised on the downside (down to 3.2% y/y against expectations of 3.6-3.8%), and today's inflation declines in France and Germany could be important.

#### ESI indicators for Poland, pts



Source: European Commission, Santander

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### FX market

#### Today's opening

EURPLN	4.5377	CZKPLN	0.1913
USDPLN	4.2441	HUFPLN*	1.2241
EURUSD	1.0685	RUBPLN	0.0522
CHFPLN	4.6695	NOKPLN	0.3773
GBPPLN	5.2550	DKKPLN	0.6092
USDCNY	7.0978	SEKPLN	0.3885

\*for 100HUF

#### Last session in the FX market 30.05.2023

	min	max	open	close	fixing
EURPLN	4.5139	4.5403	4.5142	4.5382	4.522
USDPLN	4.2065	4.2349	4.2177	4.2326	4.2242
EURUSD	1.0671	1.0746	1.0706	1.0720	-

### Interest rate market 30.05.2023

#### T-bonds on the interbank market\*\*

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.06	6
WS0428 (5Y)	5.99	-2
DS1033 (10Y)	6.08	1

#### IRS on the interbank market\*\*

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	6.74	-4	5.37	-4	3.77	-6
2L	6.24	-6	4.62	-14	3.57	-10
3L	5.81	-5	4.23	-12	3.33	-11
4L	5.59	-5	4.01	-13	3.18	-11
5L	5.50	-4	3.86	-15	3.09	-10
8L	5.43	-4	3.73	-12	3.00	-9
10L	5.46	-5	3.70	-12	3.00	-9

### WIBOR rates

Term	%	Change (bps)
O/N	6.93	46
T/N	6.81	1
SW	6.84	1
2W	6.86	3
1M	6.82	-2
3M	6.90	0
6M	6.95	0
1Y	7.06	0

### FRA rates on the interbank market\*\*

Term	%	Change (bps)
1x4	6.90	2
3x6	6.82	0
6x9	6.44	-5
9x12	6.12	-9
3x9	6.85	0
6x12	6.45	-5

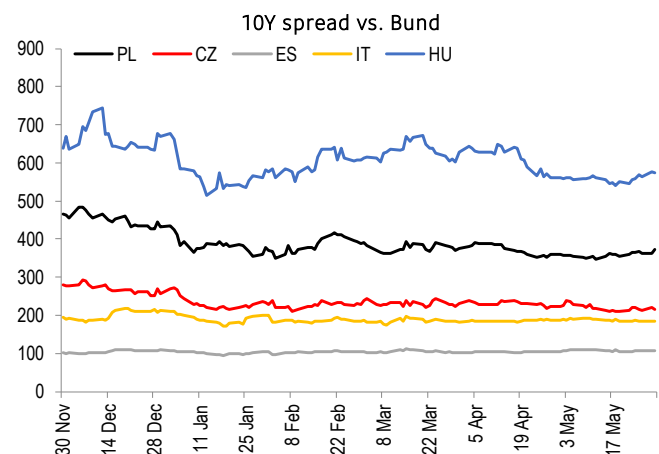
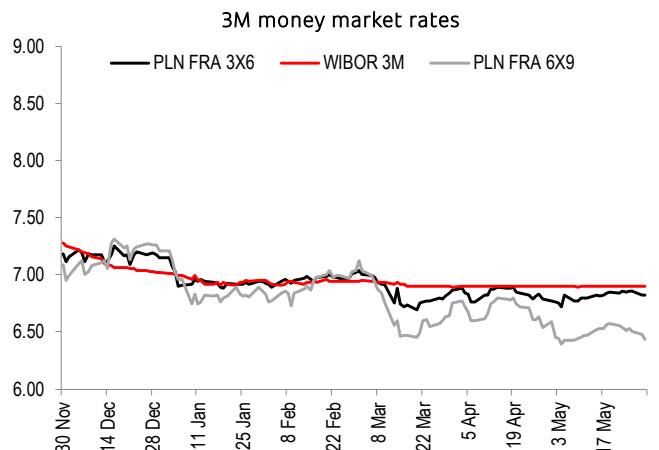
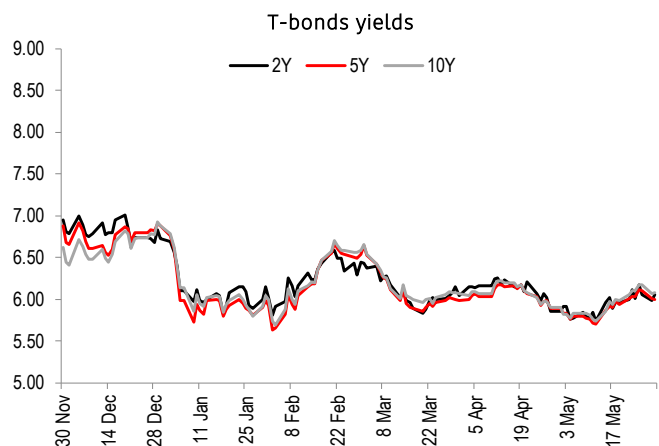
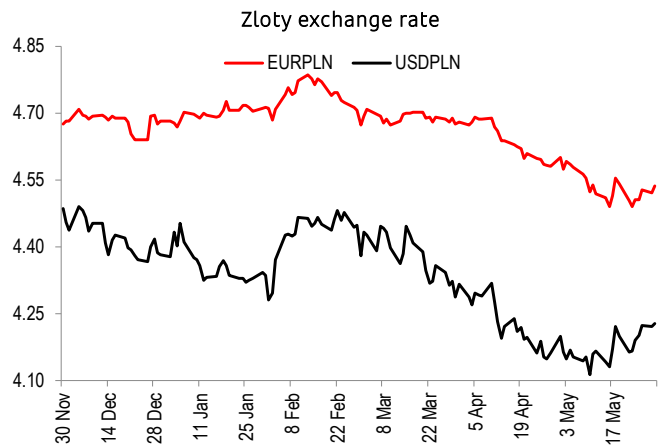
### Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	78	-1	374	10
France	14	0	66	9
Hungary	177	0	574	-2
Spain	53	0	107	0
Italy	45	-1	184	-1
Portugal	40	1	74	0
Ireland	19	0	45	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		
<b>FRIDAY (26 May)</b>							
14:30	US	Durable Goods Orders	Apr	% m/m	-1.0	1.1	3.3
14:30	US	Personal Spending	Apr	% m/m	0.5	0.8	0.1
14:30	US	Personal Income	Apr	% m/m	0.4	0.4	0.3
14:30	US	PCE Deflator SA	Apr	% m/m	0.3	0.4	0.1
16:00	US	Michigan index	May	pts	58.0	59.2	57.7
<b>MONDAY (29 May)</b>							
No key data releases or events							
<b>TUESDAY (30 May)</b>							
09:00	CZ	GDP SA	1Q	% y/y	-0.2	-0.4	0.3
11:00	EZ	ESI	May	pct.	99.0	96.5	99.0
16:00	US	Consumer Conference Board	May	pts	99.0	102.3	103.7
<b>WEDNESDAY (31 May)</b>							
<b>10:00</b>	<b>PL</b>	<b>CPI</b>	<b>May</b>	<b>% y/y</b>	<b>13.4</b>	<b>13.4</b>	<b>-</b>
<b>10:00</b>	<b>PL</b>	<b>GDP</b>	<b>1Q</b>	<b>% y/y</b>	<b>-0.2</b>	<b>-</b>	<b>2.3</b>
14:00	DE	HICP	May	% m/m	0.3	-	0.6
<b>THURSDAY (1 June)</b>							
08:30	HU	GDP	1Q	% y/y	-0.9	-	0.4
<b>09:00</b>	<b>PL</b>	<b>Poland Manufacturing PMI</b>	<b>May</b>	<b>pts</b>	<b>46.0</b>	<b>45.5</b>	<b>-</b>
09:55	DE	Germany Manufacturing PMI	May	pts	42.9	-	44.5
10:00	EZ	Eurozone Manufacturing PMI	May	pts	44.6	-	45.8
11:00	EZ	Flash HICP	May	% y/y	6.4	-	7.0
11:00	EZ	Unemployment Rate	Apr	%	6.5	-	6.5
14:15	US	ADP report	May	k	160	-	296
14:30	US	Initial Jobless Claims	May.23	k	245	-	229
16:00	US	ISM manufacturing	May	pts	47.0	-	47.1
<b>FRIDAY (2 June)</b>							
14:30	US	Change in Nonfarm Payrolls	May	k	180	-	253.0
14:30	US	Unemployment Rate	May	%	3.5	-	3.4

Source: Santander Bank Polska, Bloomberg, Parkiet

\* in the case of a revision the data is updated

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