1 March 2024

Eyeopener

RRF funds for Poland (almost) unblocked

Today Polish manufacturing PMI, eurozone HICP inflation
EC assessed that Poland meets conditions for EU funds reimbursements
Energy market regulator cut gas prices tariffs for households
4Q23 Polish GDP growth structure close to expectations

Today, the February PMI manufacturing rose to 47.9pts from 47.1 pts, in contrast to declines in indicators for Germany and the euro area. The revised estimate of the Czech Republic's GDP in 4Q23 was in line with the preliminary reading (-0.2% y/y). Still to come today are the final values of other manufacturing PMIs, eurozone data on February HICP inflation and January unemployment, as well as the February readings of the Michigan index and the US industrial ISM.

GDP growth in 4Q23 was confirmed at 1.0% y/y and 0.0% q/q s.a., in line with the flash estimate. The breakdown of growth proved to be roughly consistent with what could have been derived from the data for the entire 2023 released one month ago: private consumption clearly weakened at the end of last year, investments surged even more than we anticipated. We still do not rule out that the data about GDP and its breakdown may be subject to significant revisions over time, after more reliable information is available for the statistical office. Overall, the data do not bring too much new to the picture of economic situation that we already had and thus do not change our expectations about the economic outlook. Read more in our Economic Comment.

The European Commission has issued a preliminary positive assessment of Poland's first application for Recovery Funds. The EC announced that Poland had met three so-called 'super milestones', including two related to the independence of the judicial system, which, once the EC's assessment is approved by member states and the Economic and Financial Committee issues a positive opinion, will enable the disbursement of the first tranche of the Polish Recovery Funds equal to a net €6.3bn, including €2.7bn in subsidies and €3.6bn in loans. According to the minister of funds and regional policy, Katarzyna Pełczyńska-Nałęcz, the funds from the first tranche are expected to arrive in early April. The EC has also assessed that Poland has met the horizontal condition related to the application of the Charter of Fundamental Rights, which will enable Poland to access €76.5bn of funds from 2021-2027 financial framework under cohesion policy programmes. Minister Pełczyńska-Nałęcz wrote on the X platform that Poland has already submitted its first application for refinancing from cohesion funds, amounting to more than PLN2.9bn, including PLN1.668bn for national programmes and PLN1.271bn for regional programmes. The minister added that the money will flow to Poland within a dozen days or so.

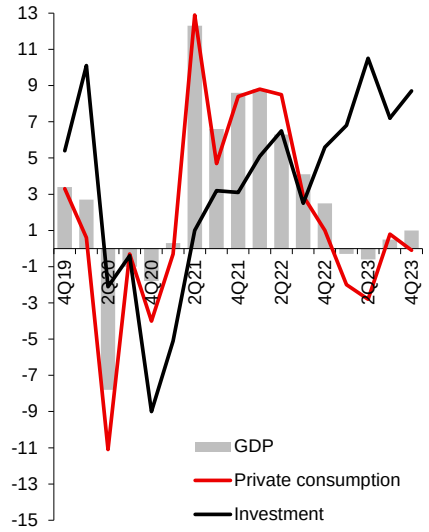
The energy market regulator (URE) decided to lower the natural gas tariff for households. In the new tariff, prices went down by 8.54%, to 290.97 PLN/MWh from 318.14 PLN/MWh, above the frozen prices at 200.17 PLN/MWh. This change does not affect CPI in 1H24, as actual prices paid by households are frozen at 2022 level. If we assume total expiration of "anti-inflation shields" in July, this decision lowers the potential CPI path by some 0.2pp (natural gas bill down by c6.0%). Note however that this move does not affect our CPI forecasts for 2H24, since we have already assumed that the government will decrease the gas bill by c20% versus the tariff approved in December 2023.

Environment and Climate Minister Paulina Hennig-Kloska told Polsat News that she would like to see the average household electricity bill not increase by more than 30PLN per month from 1 July, when the current energy price freeze expires. She mentioned a possible continuation of a partial price freeze, plus a possibility of introduction of additional support for the poorest households. Such a solution would mean additional costs for the budget and thus raise the likelihood of it being amended during the year. Fiscal costs are difficult to estimate until the exact measures are presented. It seems the proposal is roughly consistent with the minister's earlier suggestion that the increase in electricity bills in July should not exceed 15%, which, in our view, could imply the year-end inflation rising to 5.5-6.0%.

Exceptional stability of the zloty. The EURPLN exchange rate oscillated near 4.31-4.32. The forint continued the sell-off initiated a few days ago by the aggressive interest rate cut by the Hungarian central bank. EURHUF reached 393, its highest level since August-September 2023, which may set a resistance for the coming days. The Czech koruna lost slightly. The CEE currencies were negatively impacted by a strengthening dollar to the euro with EURUSD down to 1.08 from 1.0835 in reaction to low inflation readings in the euro area and PCE data in the US in line with expectations.

In the interest rate market, FRA rates declined slightly while IRS rates climbed a bit. Bond yields rose slightly at the short end of the curve and fell at the long end with a slight decline in rates in the core markets and a flattening of the core bond curves in response to a deeper decline in German inflation, the lack of a positive surprise in PCE inflation and a weaker Chicago PMI reading. News of a reduction in Polish gas tariffs and the idea of a possible extension of the reduced VAT rate on food surely did not provide any fuel for a rise in rates. According to finance minister A. Domański, decision on VAT will be made next week.

GDP and its main components, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.3141	CZKPLN	0.1698
USDPLN	3.9882	HUFPLN*	1.0872
EURUSD	1.0815	RUBPLN	0.0436
CHFPLN	4.5183	NOKPLN	0.3755
GBPPLN	5.0339	DKKPLN	0.5776
USDCNY	7.1976	SEKPLN	0.3858

*for 100HUF

Last session in the FX market **29.02.2024**

	min	max	open	close	fixing
EURPLN	4.3128	4.3269	4.3198	4.3162	4.319
USDPLN	3.9738	3.9975	3.9875	3.9943	3.9803
EURUSD	1.0803	1.0856	1.0833	1.0806	

Interest rate market **29.02.2024**

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.05	2
WS0428 (5Y)	5.20	-1
DS1033 (10Y)	5.31	-4

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.79	0	5.34	-1	3.62	0
2L	5.31	-4	4.82	-4	3.23	-2
3L	5.01	-1	4.53	-1	3.00	-2
4L	4.86	0	4.32	-1	2.88	-3
5L	4.80	-1	4.28	0	2.80	-4
8L	4.81	0	4.16	-2	2.73	-5
10L	4.87	0	4.16	0	2.73	-6

WIRON rate

Term	%	Change (bps)
WIRON	5.04	4

WIBOR rates

Term	%	Change (bps)
O/N	5.11	-75
T/N	5.78	1
SW	5.82	0
1M	5.83	-2
3M	5.86	1
6M	5.85	0
1Y	5.85	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.88	2
3x6	5.82	2
6x9	5.64	1
9x12	5.34	0
3x9	5.78	2
6x12	5.58	1

CDS rates and 10Y yield spread vs. German Bund

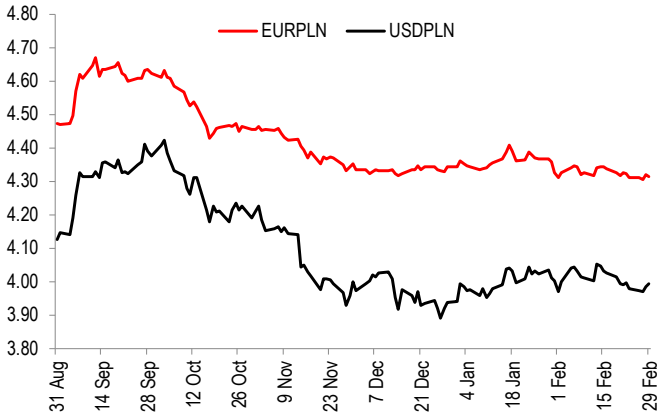
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	0	291	2
France	11	0	47	0
Hungary	132	0	409	9
Spain	40	0	88	-1
Italy	28	0	143	0
Portugal	29	0	64	0
Ireland	16	0	42	2
Germany	9	0	-	-

* 10Y treasury bonds over 10Y Bunds

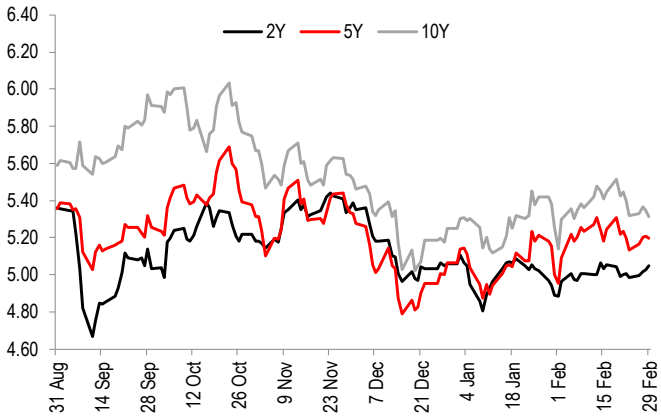
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

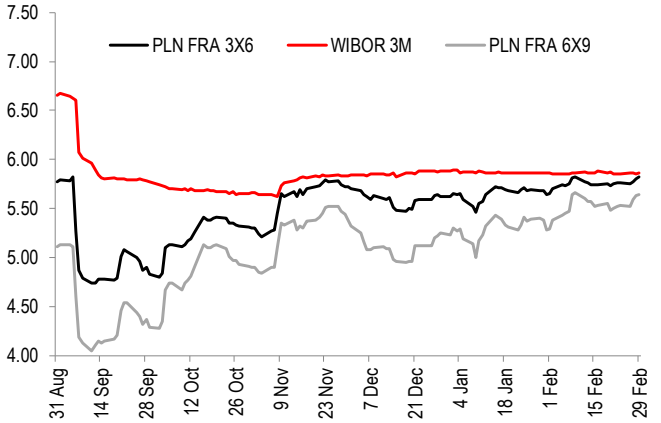
Zloty exchange rate



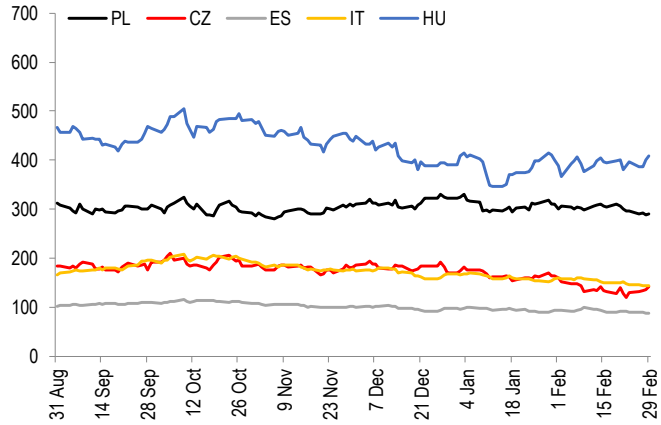
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (23 February)					
08:00	DE	GDP WDA	4Q	% y/y	-0.2	-	-0.2	-0.4
10:00	DE	IFO Business Climate	Feb	pts	85.5	-	85.5	85.2
10:00	**PL**	**Unemployment Rate**	**Jan**	**%**	**5.3**	**5.4**	**5.4**	**5.1**
			MONDAY (26 February)					
16:00	US	New Home Sales	Jan	% m/m	3.0	-	1.5	7.2
			TUESDAY (27 February)					
14:00	HU	Central Bank Rate Decision	Feb	%	9.00	-	9.00	10.00
14:30	US	Durable Goods Orders	Jan	% m/m	-5.0	-	-6.1	-0.3
16:00	US	Consumer Conference Board	Feb	pts	115.0	-	106.7	110.9
			WEDNESDAY (28 February)					
11:00	EZ	ESI	Feb	pts	96.6	-	95.4	96.1
14:30	US	GDP Annualized	4Q	% q/q	3.3	-	3.2	4.9
			THURSDAY (29 February)					
10:00	**PL**	**GDP**	**4Q**	**% y/y**	**1.0**	**1.0**	**1.0**	**0.5**
14:00	DE	HICP	Feb	% m/m	0.6	-	0.6	-0.2
14:30	US	Initial Jobless Claims		k	210	-	215	202
14:30	US	Personal Spending	Jan	% m/m	0.2	-	0.2	0.7
14:30	US	Personal Income	Jan	% m/m	0.5	-	1.0	0.3
14:30	US	PCE Deflator SA	Jan	% m/m	0.3	-	0.3	0.1
16:00	US	Pending Home Sales	Jan	% m/m	1.0	-	-4.9	5.7
			FRIDAY (1 March)					
09:00	CZ	GDP SA	4Q	% y/y	-0.2	-	-0.2	-0.8
09:00	**PL**	**Poland Manufacturing PMI**	**Feb**	**pts**	**47.0**	**46.9**	**47.9**	**47.1**
09:30	DE	Germany Manufacturing PMI	Feb	pts	42.3	-	-	45.5
10:00	EZ	Eurozone Manufacturing PMI	Feb	pts	46.1	-	-	46.6
11:00	EZ	Flash HICP	Feb	% y/y	2.5	-	-	2.8
11:00	EZ	Unemployment Rate	Jan	%	6.4	-	-	6.4
16:00	US	Michigan index	Feb	pts	79.6	-	-	79.0
16:00	US	ISM manufacturing	Feb	pts	49.5	-	-	49.1

Source: Santander Bank Polska. Bloomberg. Parkiet
** in the case of a revision the data is updated*

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.