9 April 2024

Eyeopener

Zloty is getting stronger

No important economic publications today
According to the minutes, the MPC noted the long period of elevated core inflation
H. Wnorowski sees possibility of discussing rate cuts this year
Finance Minister sees no need to amend the budget
EURPLN already near 4.25, market rates rise further

Today, the economic calendar shows no important releases, both domestic and foreign. The next economic publications will flow in tomorrow and will include final March inflation readings from Czechia and the US, minutes from the FOMC meeting, as well as policy decisions of the central banks of New Zealand and Canada.

Finance Minister Andrzej Domański assessed that, at this stage, there is no need to amend the Budget Act for 2024. The Minister added that the macroeconomic situation, which predominantly determines the tax base, should gradually improve, which means that the future tax stream can be viewed with optimism.

The Ministry of Development and Technology sent for consultations a draft act introducing a new programme of housing loan subsidies. As had previously been announced, the draft act includes conditions related to the borrower's income. The draft also includes a provision that in each quarter, after registering 15k applications for subsidised loans, the intake of new applications will be temporarily stopped, until the beginning of the next quarter. This solution is meant to ensure even distribution of market demand for loans over the year and relative continuity of the banks' lending activity. In the case of the previous version of this programme, more than 100k applications were registered during the first six months of its duration. Therefore, the new project calls for a threefold reduction in the rate of intake of applications. The cost of the new programme over ten years is estimated at PLN21.5bn. The cost of loan subsidies is to amount to PLN350mn in 2024, then to increase from PLN1.7bn in the first full year of operation to PLN2.8bn in the fifth year, and then to decrease to PLN1.2bn in the tenth year.

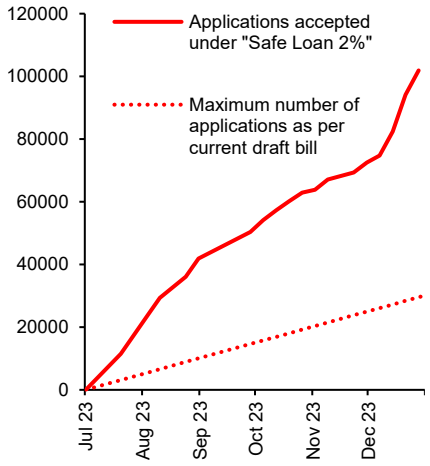
The minutes of the Monetary Policy Council's March decision-making meeting states that Council members assessed that domestic data on retail sales and industrial production signalled an acceleration in the growth of economic activity, including a recovery in consumption. The Council expects GDP growth to accelerate further, but notes that it is subject to uncertainties related to external factors, among others. As reiterated, the scale of inflation growth in the coming quarters is also uncertain. Besides, some members assessed that risks to the inflation outlook are the evolution of wage growth, as well as the possible implementation of other fiscal measures being mentioned by the government, including the increase or introduction of new social benefits and the doubling of the tax-free amount in PIT. According to the minutes of the March MPC meeting, a lot of attention was paid to the outlook for core inflation, which could be at higher levels for an extended period. MPC member Henryk Wnorowski, on the other hand, said in an interview with Biznes24 TV that he could envisage premises that could later this year prompt the MPC to discuss cuts, possibly even delivering the decision to ease policy. However, Wnorowski added that the inflation outlook is fraught with very high uncertainty. In our view, the MPC will not cut rates until 2025.

The Ministry of Climate and Environment told PAP Business that **the energy price freeze in its current form will not continue from 1 July 2024**. Instead, an assistance package will be introduced for those in need, such as single pensioners or large families with low incomes. However, there are still no specifics to estimate the impact of the proposed measures on the CPI.

Zloty appreciation continued in yesterday's session. The EURPLN exchange rate gradually declined throughout the day and almost touched 4.25. The Czech koruna lost 0.3% to 25.3 per euro and the forint lost slightly after a stronger opening. This was accompanied by a weakening of the dollar against the euro to around 1.086. The dollar lost despite a rise in 10Y yields to their highest level in four months, supported by risk appetite and gains in equity markets. The zloty is positively influenced by expectations of an inflow of EU funds in the first half of April (the first tranche from the RRP of around EUR 6bn of which at least some may be exchanged in the market). The zloty could also be supported by increasingly higher market rates.

Market rate rises. FRA rates rose by 3-9bp, IRS rates by around 5 bp and bond yields by around 6-9bp. The rises in market rates may have been the aftermath of a not-so dovish tone from the NBP president at Friday's conference and a further reduction in expectations for rate cuts this year. This was also supported by rate rises in core markets (around 3-5bp) in further reaction to the sound US data released last week (ISM, non-farm payrolls) and yesterday's better-than-forecast German manufacturing data. Yields may also have risen in anticipation of Wednesday's auction, where the finance ministry is expected to offer bonds worth PLN5-7bn. In international markets investors await Wednesday's US inflation data.

Applications under "Safe Loan 2%" programme vs maximum pace of applications in current draft bill



Source: ZBP, 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
Bartosz Białas +48 517 881 807
Cezary Chrapek, CFA +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

Santander

FX market

Today's opening

EURPLN	4.2639	CZKPLN	0.1680
USDPLN	3.9278	HUFPLN*	1.0852
EURUSD	1.0857	RUBPLN	0.0424
CHFPLN	4.3421	NOKPLN	0.3676
GBPPLN	4.9712	DKKPLN	0.5717
USDCNY	7.2336	SEKPLN	0.3718

*for 100HUF

Last session in the FX market **08/04/2024**

	min	max	open	close	fixing
EURPLN	4.2669	4.2856	4.2805	4.2691	4.2805
USDPLN	3.9307	3.9564	3.9521	3.9336	3.9546
EURUSD	1.0819	1.0858	1.0832	1.0852	

Interest rate market **08/04/2024**

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.27	7
WS0428 (5Y)	5.46	4
DS1033 (10Y)	5.56	2

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.85	6	5.37	2	3.56	3
2L	5.48	4	4.97	5	3.22	4
3L	5.22	5	4.71	4	3.00	5
4L	5.09	4	4.53	2	2.87	5
5L	5.05	5	4.46	4	2.79	5
8L	5.07	5	4.34	3	2.71	4
10L	5.13	5	4.31	2	2.71	3

WIRON rate

Term	%	Change (bps)
WIRON	5.19	-19

WIBOR rates

Term	%	Change (bps)
O/N	5.62	-8
T/N	5.76	-1
SW	5.83	0
1M	5.84	-1
3M	5.86	0
6M	5.86	0
1Y	5.85	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.87	0
3x6	5.84	5
6x9	5.74	7
9x12	5.47	11
3x9	5.82	5
6x12	5.71	8

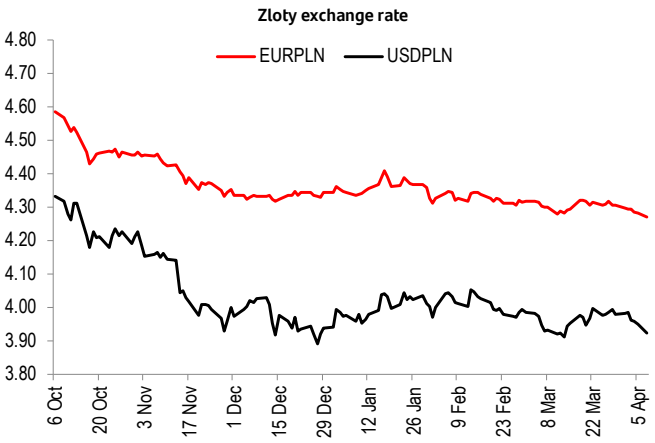
CDS rates and 10Y yield spread vs. German Bund

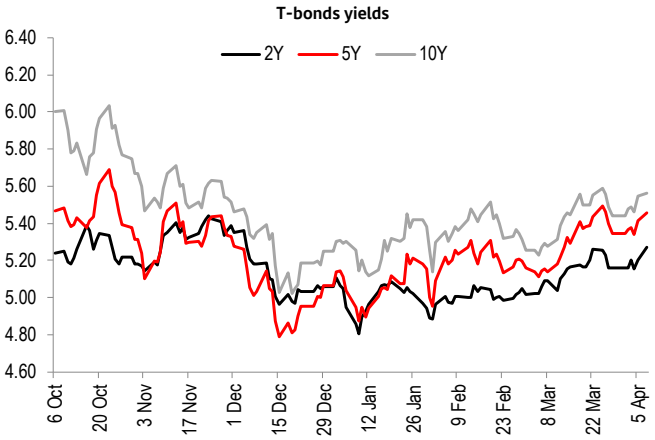
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	72	0	312	-2
France	12	0	49	-2
Hungary	128	0	456	9
Spain	38	0	82	-2
Italy	27	0	137	-3
Portugal	27	0	67	-2
Ireland	15	0	43	-2
Germany	7	0	-	-

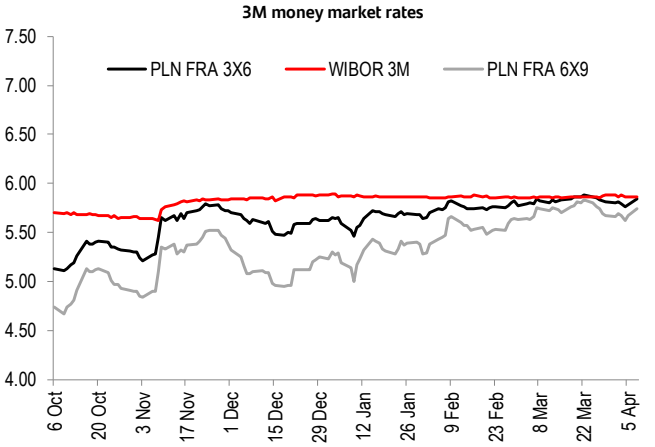
* 10Y treasury bonds over 10Y Bunds

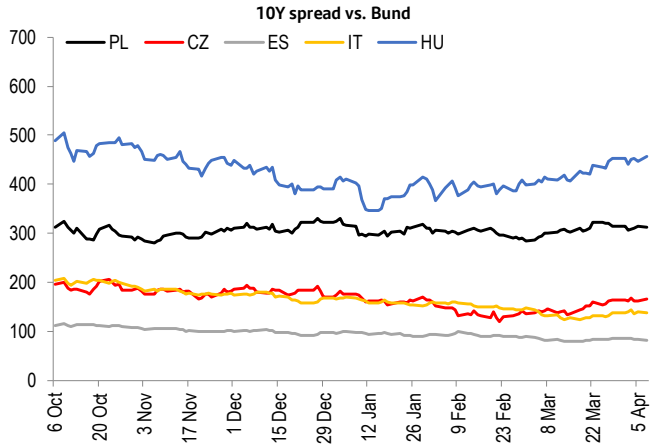
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream









Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			FRIDAY (5 April)					
08:00	DE	Factory Orders	Feb	% m/m	0.7	-	-	-11.3
08:30	HU	Industrial Production SA	Feb	% y/y	-3.0	-	-	-4.1
11:00	EZ	Retail Sales	Feb	% m/m	-0.4	-	-	0.1
14:30	US	Change in Nonfarm Payrolls	Mar	k	213	-	-	275
14:30	US	Unemployment Rate	Mar	%	3.8	-	-	3.9
			MONDAY (8 April)					
08:00	DE	Exports SA	Feb	% m/m	0.0	-	-2,0	6.3
08:00	DE	Industrial Production SA	Feb	% m/m	0.4	-	2,1	1.0
09:00	CZ	Industrial Production	Feb	% y/y	-0.3	-	0.7	0.0
			TUESDAY (9 April)					
			No releases					
			WEDNESDAY (10 April)					
09:00	CZ	CPI	Mar	% y/y	2.0	-	-	2.0
14:30	US	CPI	Mar	% m/m	0.4	-	-	0.4
20:00	US	FOMC Meeting Minutes			-	-	-	0.0
			THURSDAY (11 April)					
08:30	HU	CPI	Mar	% y/y	3.6	-	-	3.7
14:15	EZ	ECB Main Refinancing Rate	Apr	%	4.50	-	-	4.50
14:30	US	Initial Jobless Claims		k	214	-	-	210
			FRIDAY (12 April)					
08:00	DE	HICP	Mar	% m/m	0.7	-	-	0.6
14:00	**PL**	**Current Account Balance**	**Feb**	**€mn**	**797**	**574**	**-**	**1 179**
14:00	**PL**	**Trade Balance**	**Feb**	**€mn**	**629**	**475**	**-**	**1 286**
14:00	**PL**	**Exports**	**Feb**	**€mn**	**27 488**	**26 630**	**-**	**27 102**
14:00	**PL**	**Imports**	**Feb**	**€mn**	**26 832**	**26 155**	**-**	**25 816**
16:00	US	Michigan index	Apr	pts	80.0	-	-	79.4

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.