

15 April 2024

# Eyeopener

## Details of very low March CPI due today

Today final data on Polish March CPI inflation  
Current account balance still positive  
Budget deficit was at PLN24bn after March, equal to 13% of the annual plan  
Weaker zloty, yields went down from elevated levels

**Today**, the stats office will release the final data on March CPI inflation. The flash estimate showed a decline from 2.8% y/y to 1.9% y/y, larger than had been expected by both the market (2.2-2.3%) and us (2.1%). It should be noted that the releases of the final data for October, November and December brought upward revisions of the respective preliminary CPI prints by 0.1 pp (for January and February, the stats office does not publish flash estimates, so it is so far impossible to say whether the pattern of upward revisions has continued this year). Also today, the EUR6.3bn from the first instalment of the RRP should be disbursed by the EC to Poland. China's central bank maintained the 1-year credit rate at 2.5%.

**The current account balance equalled EUR465mn in February**, around EUR100mn less than we had anticipated and nearly EUR400mn below the market consensus. The trade balance fell by almost a billion euros to EUR310mn, a little stronger than we had anticipated. This was primarily the result of a strong increase in the value of imports, by EUR1.1bn. In yearly terms, the value of imports rose by 0.9% y/y and the value of exports by 0.4% y/y, both above our forecasts by, respectively, 2.6 pp and 2.0 pp. Nevertheless, the accounts run in domestic currency showed year-on-year declines in exports in all the main categories, and in imports in four of the six categories. The largest declines in imports were again recorded for fuels and intermediate goods, although the extent of the decrease was the smallest in twelve months. The balance of services equalled EUR3.3bn and the balance of income -EUR2.6bn, both in line with our forecasts. The twelve-month current account balance fell to 1.3% of GDP in February from 1.4% of GDP in January. This represents both the second consecutive decline of this measure as well as its second decline since September 2022. We expect further gradual deterioration in the current account balance in the coming months, which should bring it below 0.5% of GDP in December. This will be driven by a weakening of exports, mainly due to the downturn in Germany, and a strengthening of imports driven by recovering domestic demand.

Finance Minister Andrzej Domański assessed on Friday in an interview with Radio Zet that **Poland is likely to become subject of the excessive deficit procedure**. The government is in dialogue with the European Commission on the matter and is explaining that most of the rise in deficit is due to defence spending. According to the minister, the budget deficit after March was PLN24bn, or 13% of the annual plan. His forecast of 4-5% y/y inflation at the end of the year (ours is 5.2% y/y) suggests that he assumes a relatively low increase in energy prices in the second half of the year.

Deputy Climate and Environment Minister Urszula Zielińska spoke in the Sejm on Thursday that **the new energy price bill would cover the second half of 2024 and the first half of 2025**. The deputy minister also indicated that the energy voucher, which is expected to benefit around 3.5mn households, will be worth PLN300-600.

**MPC's Ludwik Kotecki** assessed on Friday in an interview with Biznes 24 that room for the first interest rate cut could appear in late 2024, but that this is not his baseline scenario. Kotecki added that he would prefer to decide on a rate cut in early 2025. According to **Ireneusz Dąbrowski**, who gave a statement to Bloomberg on Thursday, the most likely scenario is that no changes will be made to the level of interest rates in 2024. In our view, the first rate cuts will take place in the middle of 2025.

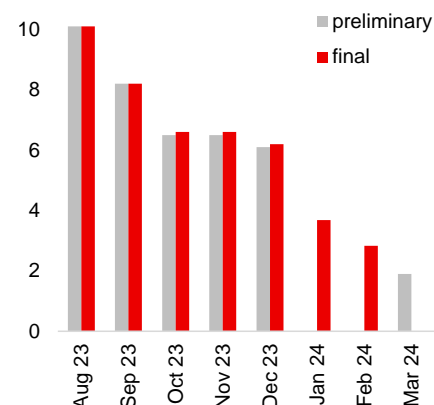
**Poland intends to apply to EU for EUR22bn from National Recovery Plan funds in 2024**, Deputy Minister of Funds and Regional Policy Jacek Protas said on Thursday. This would be in line with earlier announcements that four more tranches of the RRP would be applied for this year.

**The law on extending the so-called "credit holidays" for 2024 has been passed by the Sejm**. Under the law, borrowers whose instalments exceed 30% of their household income will be able to suspend their repayments twice from June 1 to August 31 and twice between September 1 and December 31. According to the Finance Ministry, the cost borne by banks due to this extension will be c.PLN4.7bn.

**A slight weakening of the zloty**. After the EURPLN rate hovered near 4.25 for several sessions, Friday saw a breakout above 4.27. The forint lost more than the zloty, c. 1.1% to 392 with stable EURCZK rate. The weakening of the region's currencies was partly a result of further strengthening of the dollar against the euro by about 0.8% to around 1.064. The EURUSD decline was supported from Wednesday by higher US inflation data, the ECB's signalling of the potential for a rate cut at its June meeting, and Friday's hawkish comments from Collins from Boston Fed. Moreover, an increase in geopolitical risks in the Middle East might have also been USD-positive and this may have a negative impact on the EM currencies early this week.

**Yield declines**. At the end of the week, declines in market rates dominated the interest rate markets. FRA rates fell by 3-7bp, IRS by 3bp at the shorter end of the curve, and bond yields by 2-4bp. This was accompanied by declines in core market yields by about 5-7bp in the US and about 10bp on the German curve. We see potential for domestic yields to fall in the short term, and the market may be affected by the decision to be taken by the government on energy prices, affecting the CPI path. However, we think household subsidies will slow the decline in core inflation making it more difficult for yields to fall more permanently.

CPI inflation readings, % y/y



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.2759	CZKPLN	0.1685
USDPLN	4.0112	HUFPLN*	1.0817
EURUSD	1.0659	RUBPLN	0.0429
CHFPLN	4.3981	NOKPLN	0.3678
GBPPLN	4.9987	DKKPLN	0.5728
USDCNY	7.2386	SEKPLN	0.3687

\*for 100HUF

### Last session in the FX market

12.04.2024

	min	max	open	close	fixing
EURPLN	4.2553	4.2890	4.2626	4.2816	4.2666
USDPLN	3.9759	4.0347	3.9795	4.0211	3.9983
EURUSD	1.0621	1.0713	1.0709	1.0645	

## Interest rate market

12.04.2024

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

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.28	-2
WS0428 (5Y)	5.54	-4
DS1033 (10Y)	5.67	-4

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

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.89	5.45	3.54
	-1	-4	-4
2L	5.63	5.10	3.22
	-3	-5	-7
3L	5.40	4.85	2.97
	-1	-7	-9
4L	5.29	4.66	2.83
	-1	-11	-9
5L	5.25	4.59	2.75
	0	-8	-9
8L	5.26	4.45	2.67
	0	-6	-8
10L	5.31	4.42	2.68
	-1	-7	-8

## WIRON rate

Term	%	Change (bps)
WIRON	5.26	-13

## WIBOR rates

Term	%	Change (bps)
O/N	5.59	-21
T/N	5.76	0
SW	5.82	-1
1M	5.84	2
3M	5.86	0
6M	5.87	0
1Y	5.86	0

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

Term	%	Change (bps)
1x4	5.87	0
3x6	5.84	-1
6x9	5.78	-2
9x12	5.56	-3
3x9	5.83	-1
6x12	5.76	-2

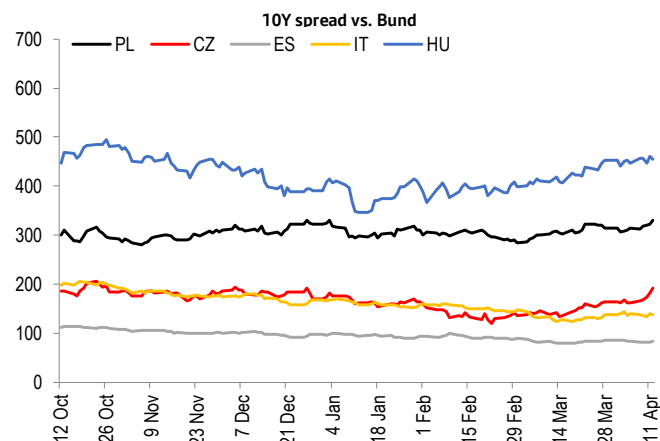
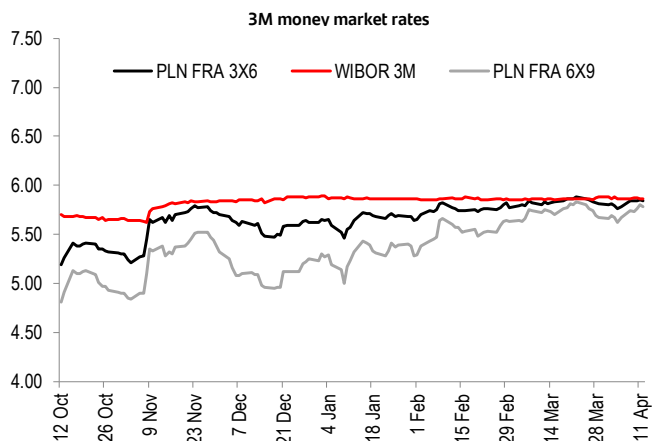
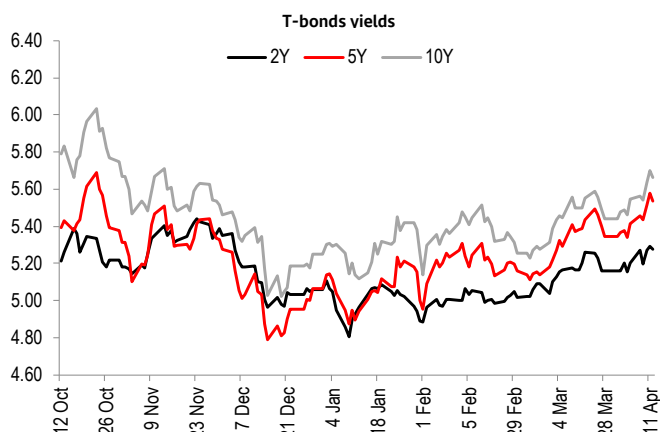
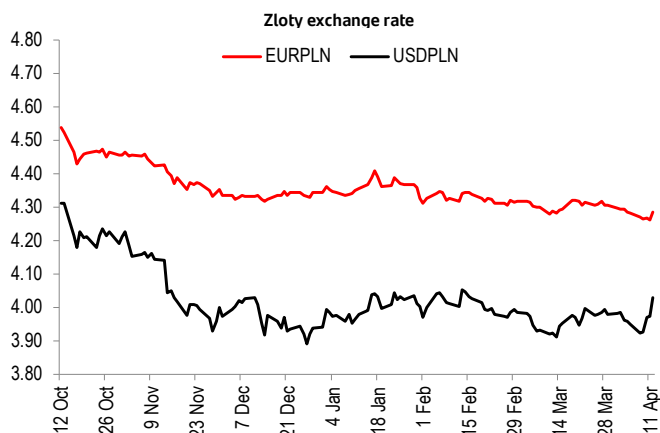
## CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	72	331
	0	8
France	12	50
	0	6
Hungary	128	455
	0	-6
Spain	38	83
	1	0
Italy	27	138
	0	-1
Portugal	28	69
	0	0
Ireland	15	44
	0	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		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (12 April)							
08:00	DE	HICP	Mar	% m/m	0.6	-	0.6
14:00	PL	Current Account Balance	Feb	€mn	855	574	465
14:00	PL	Trade Balance	Feb	€mn	628	475	310
14:00	PL	Exports	Feb	€mn	27 383	26 630	27 161
14:00	PL	Imports	Feb	€mn	26 798	26 155	26 851
16:00	US	Michigan index	Apr	pts	79.0	-	77.9
MONDAY (15 April)							
10:00	PL	CPI	Mar	% y/y	1.9	1.9	-
11:00	EZ	Industrial Production SA	Feb	% m/m	-	-	-
14:30	US	Retail Sales Advance	Mar	% m/m	0.4	-	-
TUESDAY (16 April)							
11:00	DE	ZEW Survey Current Situation	Apr	pts	-	-	-
14:00	PL	CPI Core	Mar	% y/y	-	4.6	-
14:30	US	Housing Starts	Mar	% m/m	-2.7	-	-
15:15	US	Industrial Production	Mar	% m/m	0.3	-	-
WEDNESDAY (17 April)							
11:00	EZ	HICP	Mar	% y/y	-	-	-
THURSDAY (18 April)							
14:30	US	Initial Jobless Claims		k	215	-	-
16:00	US	Existing Home Sales	Mar	% m/m	-6.7	-	-
FRIDAY (19 April)							
No data releases							

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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