

17 April 2024

Eyeopener

New information regarding energy prices

Today final March HICP inflation data for the euro area
 Polish core inflation down to 4.6% y/y in March, in line with expectations
 Draft law on energy voucher does not significantly change our CPI forecast
 Strong dollar weakens emerging market currencies, yields still on the rise

Today, we will see final data on HICP inflation in March in the euro area. According to the preliminary estimates presented two weeks ago, HICP inflation declined in March to 2.4% y/y from 2.6% y/y in February, with prices rising by 0.8% on a monthly basis. In the evening, the Fed will release the Beige Book, i.e. a report on the economic situation in the US.

In March, Polish main core inflation measure - CPI excluding food, fuel and energy prices - dropped to 4.6% y/y from 5.4%, in line with expectations. Its downward trend started in March 2023 at 12.3% y/y and in our view still has some room. We assume that after reaching c.4.0% y/y in May it will stay within the 4-5% range for the rest of the year and in December it will be at 4.8% y/y. Core CPI rose 0.5% m/m, or 0.25% after correction for median March growth. The same adjustment for previous months showed around 0.4% in February and 0.55% in January, but the recovering domestic demand and tight labour market should prevent a further decline and instead keep it close to 0.3% m/m on average for the rest of the year. Alternative core inflation measures also dropped in March in annual terms: CPI ex administered prices dropped to 1.8% y/y - the lowest since February 2021, CPI ex most volatile components was 3.4% y/y - the lowest since July 2021, and 15-percent trimmed mean was 2.8% y/y - the lowest since February 2021.

According to information published by the Chancellery of the Prime Minister, starting in the middle of the year, the **government is planning to abandon the current electricity price freeze, have the Energy Regulatory Office reduce energy tariffs, and introduce a maximum electricity price of 500 PLN/MWh** (approximately 20% above the current 'frozen' level of 412 PLN/MWh applicable up to the consumption limit, but below the current maximum price of 693 PLN/MWh). The government is also aiming to introduce an energy voucher for the poorest. Gas prices are to remain frozen until the end of 2024 and heat prices until mid-2025. The proposed changes do not significantly affect our inflation forecasts. It is not clear from the information what will happen to the electricity distribution charge, which accounts for around half of the bill. Depending on the scale of its increase, inflation at the end of this year could, according to our estimates, equal between 5.0% and 5.4% y/y (our latest baseline scenario is 5.2%).

The Finance Ministry informed **gross borrowing needs** planned for 2024 at PLN449bn were financed at 58%.

On Tuesday, the government adopted a **draft law that will enable selected contracts signed by companies under the national recovery plan to be settled in euro**, which may potentially reduce the scale of euros exchanged on the market by the Ministry of Finance or entities implementing these contracts.

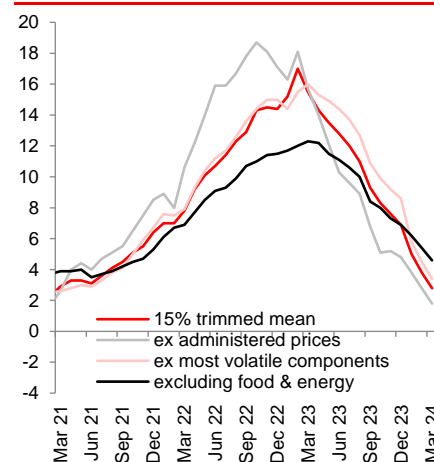
The IMF raised its global growth forecast for 2024 to 3.2% from 3.1% shown in January, maintained the forecast for 2025 at 3.2%. The forecast for the US was raised particularly sharply, by 0.6 pp to 2.7% for this year and by 0.2 pp to 1.9% for next year, while the growth projected for the eurozone was lowered slightly (to 0.8% in 2024 and 1.5% in 2025). According to the IMF, average global inflation is expected to decline to 5.9% this year and 4.5% next year (both forecasts 0.1 pp higher than in January). The IMF noted the particularly weak medium-term outlook for global growth in the face of, among others, high debt and international trade disruptions.

Germany's ZEW Economic Sentiment Index rose to 42.9 points in April, 11.2 points above its March value, continuing a trend of uninterrupted, strong improvement in sentiment since last August. Currently, the index is already only 11.4 pts below its February 2022 value, the last month before the sharp slump in sentiment caused by Russia's invasion of Ukraine. However, the current conditions index still remains at very low levels. In April, it recorded only minimal strengthening, up 1.3 points to -79.2. This suggests that while an increasing number of survey respondents expect a rebound in Germany's economy, for now they still assess that it remains weak.

The zloty lost to 4.36 against the euro. Yesterday, most EM currencies were losing given the significant strengthening of the USD on global markets in recent days. The zloty weakened gradually during the session to around 4.365 per euro, i.e. by a total of around 1.4%, most notably alongside the Brazilian real and the Mexican peso. EURUSD slipped again, to around 1.061. In our view, the depreciation of the PLN should not last long.

Rising yields. Yesterday, FRA rates rose by around 1-5bp, IRS rates by 1-11bp and bond yields by 7-11bp. This is partly the aftermath of a continuation of a rise in yields in the core markets of around 2-5bp in Germany and 5-6bp in the US in response to an earlier series of better-than-expected data from the US including yesterday's solid manufacturing data, but also a slightly better German ZEW result and the upward revision of GDP forecasts for the US by the IMF. We assume that the upward trend in long-term swap rates should gradually slow down. Today, the main event of the day in the debt market will be the switch auction

Poland's core inflation measures, % y/y



Source: NBP, Santander

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FX market

Today's opening

EURPLN	4.3548	CZKPLN	0.1725
USDPLN	4.0975	HUFPLN*	1.0923
EURUSD	1.0624	RUBPLN	0.0434
CHFPLN	4.4926	NOKPLN	0.3734
GBPPLN	5.1087	DKKPLN	0.5834
USDCNY	7.2395	SEKPLN	0.3743

*for 100HUF

Last session in the FX market

16.04.2024

	min	max	open	close	fixing
EURPLN	4.3106	4.3643	4.3143	4.3560	4.3197
USDPLN	4.0595	4.1070	4.0655	4.0993	4.0687
EURUSD	1.0601	1.0653	1.0612	1.0626	

Interest rate market

16.04.2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	5.43	8
WS0428 (5Y)	5.69	9
DS1033 (10Y)	5.87	11

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.91	5.49	3.58
2L	5.66	5.18	3.29
3L	5.50	4.96	3.08
4L	5.44	4.78	2.96
5L	5.43	4.72	2.88
8L	5.48	4.58	2.81
10L	5.56	4.56	2.81

WIRON rate

Term	%	Change (bps)
WIRON	5.46	7

WIBOR rates

Term	%	Change (bps)
O/N	5.89	21
T/N	5.78	1
SW	5.83	1
1M	5.80	-2
3M	5.87	1
6M	5.87	0
1Y	5.87	1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.88	1
3x6	5.85	0
6x9	5.79	0
9x12	5.60	1
3x9	5.83	-1
6x12	5.77	0

CDS rates and 10Y yield spread vs. German Bund

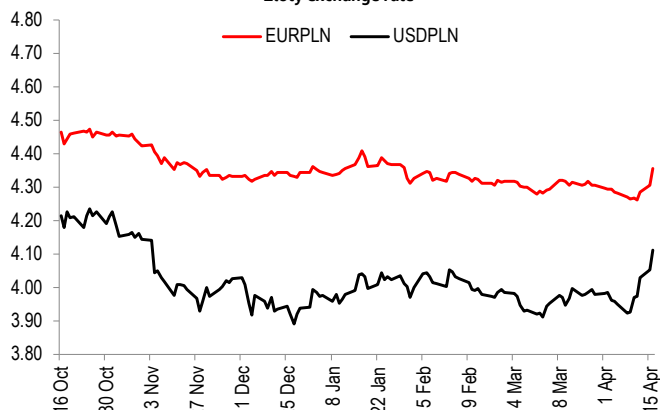
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	72	338
France	12	52
Hungary	128	474
Spain	39	85
Italy	28	143
Portugal	25	71
Ireland	15	45
Germany	6	-

* 10Y treasury bonds over 10Y Bunds

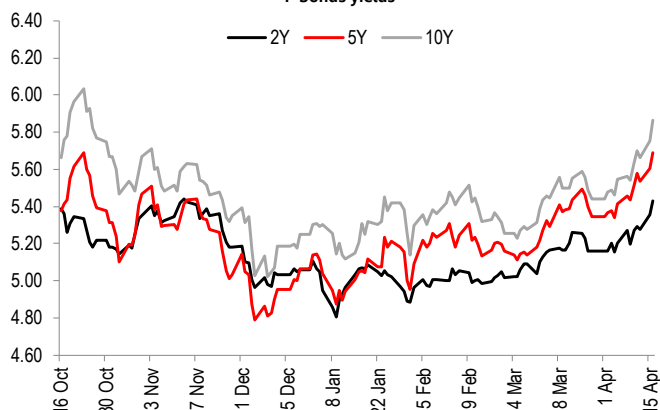
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

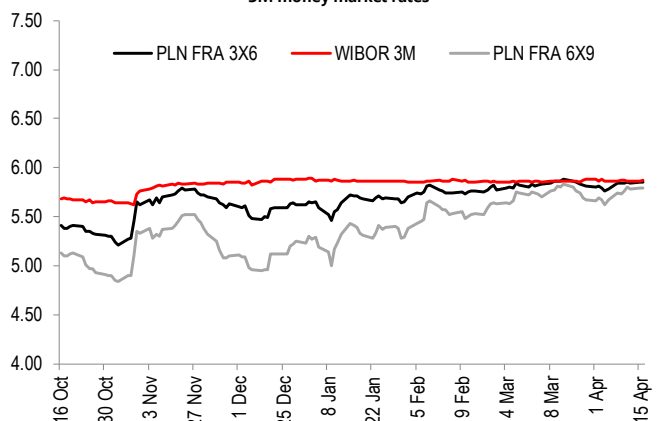
Zloty exchange rate



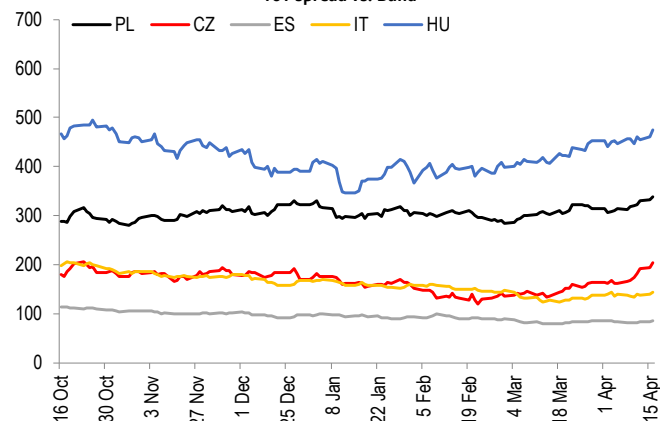
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST
				MARKET	SANTANDER	VALUE	VALUE*
FRIDAY (12 April)							
08:00	DE	HICP	Mar	% m/m	0.6	-	0.6
14:00	PL	Current Account Balance	Feb	€mn	855	574	1 742
14:00	PL	Trade Balance	Feb	€mn	628	475	1 297
14:00	PL	Exports	Feb	€mn	27 383	26 630	27 032
14:00	PL	Imports	Feb	€mn	26 798	26 155	25 735
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	2.8
11:00	EZ	Industrial Production SA	Feb	% m/m	-	-	-3.0
14:30	US	Retail Sales Advance	Mar	% m/m	0.4	-	0.9
TUESDAY (16 April)							
11:00	DE	ZEW Survey Current Situation	Apr	pts	-76.0	-	-79.2
14:00	PL	CPI Core	Mar	% y/y	4.6	4.6	5.4
14:30	US	Housing Starts	Mar	% m/m	-2.4	-	10.7
15:15	US	Industrial Production	Mar	% m/m	0.4	-	0.1
WEDNESDAY (17 April)							
11:00	EZ	HICP	Mar	% y/y	2.4	-	2.6
THURSDAY (18 April)							
10:00	PL	Revised quarterly GDP data	2022-23		-	-	-
14:30	US	Initial Jobless Claims		k	215	-	221
16:00	US	Existing Home Sales	Mar	% m/m	-4.1	-	9.5
FRIDAY (19 April)							
08:00	DE	PPI	Mar	% y/y	-3.3	-	-4.1

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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