

16 May 2024

Eyeopener

Polish economy grew by almost 2%

Today April core CPI in Poland

Polish GDP up 1.9% y/y in 1Q, April CPI inflation rise to 2.4% y/y confirmed

European Commission revised Polish growth forecasts up, close to our estimates

Lower inflation and poor retail sales in the US, slightly better eurozone industrial output

Risk appetite supported the zloty, bond yield down after the US data

Today, we will see April rates of core inflation in Poland. Having reviewed the details of April CPI released yesterday, we upkeep our view that core inflation eased to 4.1% y/y in April from 4.6% y/y in March. In addition, we will receive a set of US data, including information on industrial production in April.

In 1Q24 Polish GDP accelerated to 1.9% y/y, according to flash estimate, from 1.0% y/y in 4Q23. The reading was a notch above the market consensus and our forecast, both at 1.8% y/y. Seasonally adjusted GDP picked up by 0.4% q/q (vs 0.6% market consensus), which does not look impressive. The details will be out in late May. We treat the result as a confirmation of our long-expected scenario of gradual economic reacceleration in 2024. **The statistical office confirmed a rebound in CPI inflation in April to 2.4% y/y** from 2.0% y/y in March. The m/m growth was revised up to 1.1% from 1.0%. The acceleration in annual inflation was mainly due to the reinstatement of VAT on food, the other major factor was the fuel price rebound. We expect CPI to keep growing in the coming months and reach c.5.5% y/y by December. More in our [Economic Comment](#).

The European Commission raised its forecast for Polish GDP growth in 2024 to 2.8% from 2.7% in the winter forecasting round, as well as its forecast for 2025 to 3.4% from 3.2%. According to the EC, the economic rebound is expected to be driven primarily by accelerating private consumption, which should be supported by rapidly rising wages and additional social transfers, as well as improving consumer sentiment and receding inflationary pressures. GDP growth is also expected to be positively influenced by public consumption and investment, although the contribution of the latter is expected to be lower than in 2023. The only component of GDP that in the EC's opinion will negatively affect its growth is net exports. Moreover, **the EC projects that Polish HICP inflation will fall to 4.3% in 2024** and to 4.2% in 2025, which means that it should be clearly below the path presented in the winter round of forecasts (5.2% in 2024 and 4.7% in 2025). The general government deficit is projected by the EC to rise to 5.4% of GDP in 2024 and then fall to 4.6% of GDP in 2025, thanks to the cyclical recovery and the phasing out of energy-support measures.

The central budget deficit for the January-April period reached PLN39.9bn, which means that in April alone it increased by PLN15.4bn. Revenues rose by 38.5% y/y in April and expenditures by 76.9% y/y. Surprisingly, VAT receipts were weaker than the year before, though March showed a 34.5% y/y increase. However, year-to-date VAT receipts were 18.4% higher after April than in 2023 and April CIT receipts were surprisingly strong (PLN17bn, compared to PLN5bn in April 2023).

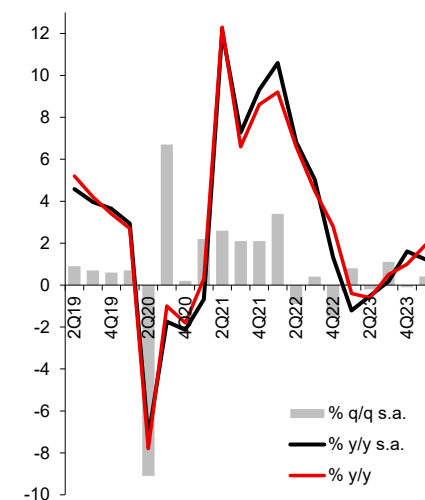
Euro area industrial production growth equalled 0.6% m/m in March, and its February result was revised upwards by 0.2 pp to 1.0% m/m. As a result, the annual growth rate of production jumped from -6.3% y/y to -1.0% y/y. This is a better result than the market had expected, but the four largest euro area economies (Germany, France, Italy and Spain) recorded m/m declines in production. In the case of Germany and France, there was a slight improvement in the annual growth rates (for Germany: from -6.0% y/y to -4.3% y/y, for France: from -0.6% y/y to +0.5% y/y), but they remain relatively low.

US CPI rose by 0.3% m/m in April, while the market expected 0.4% m/m. Inflation in y/y terms fell from 3.5% y/y to 3.4% y/y, as expected. Core inflation also came in at 0.3% m/m, which translated into a deceleration from 3.8% y/y to 3.6% y/y. **US retail sales for April were much weaker than expected** (0.0% m/m instead of +0.4% m/m) and the previous two readings were revised downwards.

Risk appetite supports the zloty. Positive sentiment prevailed in yesterday's session in the face of a lower inflation reading in the U.S., which benefited equity markets (S&P500 record), resulted in weakening dollar and strengthening of the regional currencies. EURUSD rose by about 0.6% to 1.089. The zloty gained marginally around 0.1%, as did the forint and the Czech koruna strengthened slightly more. Domestic data had a limited impact on the currency. Today, important for the markets will probably again be data from the US: on the number of new jobless claims and industrial production. In the short term, after a sizable zloty appreciation, we see a growing chance for a correction, but in the longer term we see further gradual strengthening of the zloty as likely. The balance on Finance Ministry's foreign currency account at the end of April rose to EUR22.4bn from EUR18.3bn. The ministry's deposit is large and a part of it will probably be exchanged on the market. According to the ministry, about EUR4.5bn were exchanged on the market last year, and about EUR15.5bn were exchanged at the NBP.

Further decline in market rates. FRA rates fell 2-5 bp yesterday, IRS rates fell 3 bp and bond yields by 3-7 bp with the biggest drop at the longer end of the curve. As a result, asset swap spreads tightened. Sizable declines in the core markets were supporting this trend. German yields fell by 9-12 bp and US bonds by 9-11 bp, supported by a slightly lower-than-expected US inflation reading. In the short term, we see the potential for asset swap spreads to fall in the face of negative net bond issuance this month. At the switch auction, the Finance Ministry placed bonds for about PLN7.6bn against demand of PLN8.6bn, including mainly 5-year bonds. After the auction the degree of financing of this year's borrowing needs is about 67%.

GDP growth in Poland



Source: GUS, 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 Łuziński +48 510 027 662

Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.2654	CZKPLN	0.1722
USDPLN	3.9210	HUFPLN*	1.0950
EURUSD	1.0876	RUBPLN	0.0431
CHFPLN	4.3498	NOKPLN	0.3670
GBPPLN	4.9709	DKKPLN	0.5716
USDCNY	7.2171	SEKPLN	0.3674

*for 100HUF

Last session in the FX market

15.05.2024

	min	max	open	close	fixing
EURPLN	4.2584	4.2715	4.2661	4.2630	4.2635
USDPLN	3.9161	3.9458	3.9412	3.9258	3.9368
EURUSD	1.0819	1.0874	1.0821	1.0859	

Interest rate market

15.05.2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.35	-2
WS0429 (5Y)	5.50	-8
DS1033 (10Y)	5.65	-7

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.83	5.37	3.53
2L	5.49	4.92	3.23
3L	5.23	4.65	3.01
4L	5.11	4.48	2.88
5L	5.07	4.39	2.79
8L	5.09	4.28	2.70
10L	5.15	4.26	2.70

WIRON rate

Term	%	Change (bps)
WIRON	5.28	-12

WIBOR rates

Term	%	Change (bps)
O/N	5.81	13
T/N	5.78	1
SW	5.83	0
1M	5.85	0
3M	5.85	-1
6M	5.86	0
1Y	5.85	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.85	0
3x6	5.83	-1
6x9	5.70	0
9x12	5.46	-1
3x9	5.82	-2
6x12	5.70	0

CDS rates and 10Y yield spread vs. German Bund

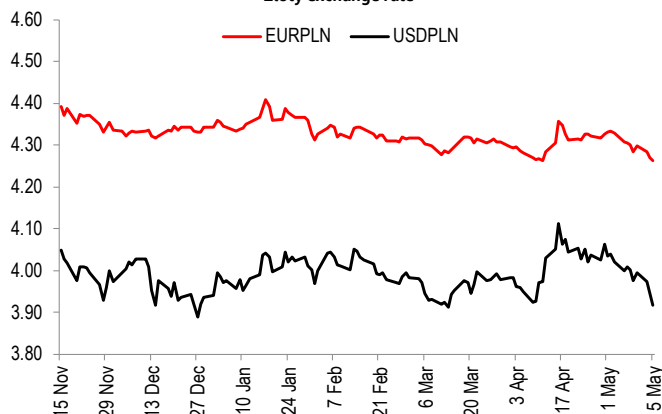
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	70	322
France	12	50
Hungary	121	429
Spain	36	77
Italy	28	131
Portugal	23	63
Ireland	15	40
Germany	6	-

* 10Y treasury bonds over 10Y Bunds

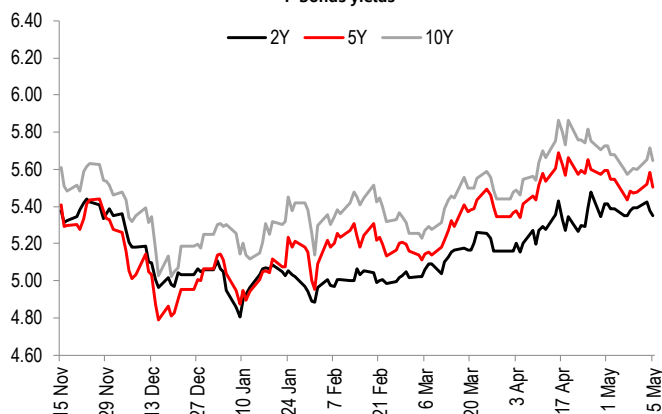
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

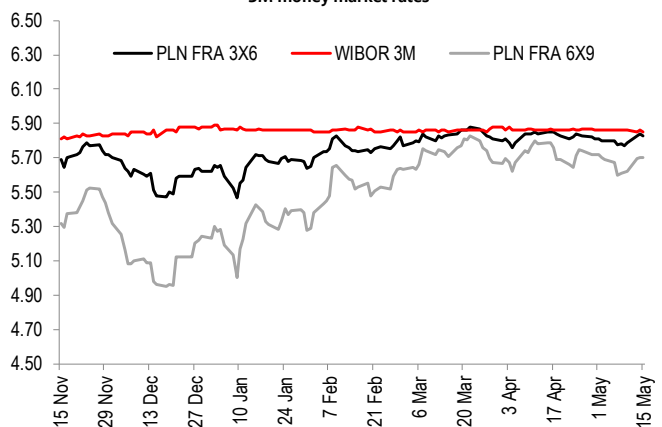
Zloty exchange rate



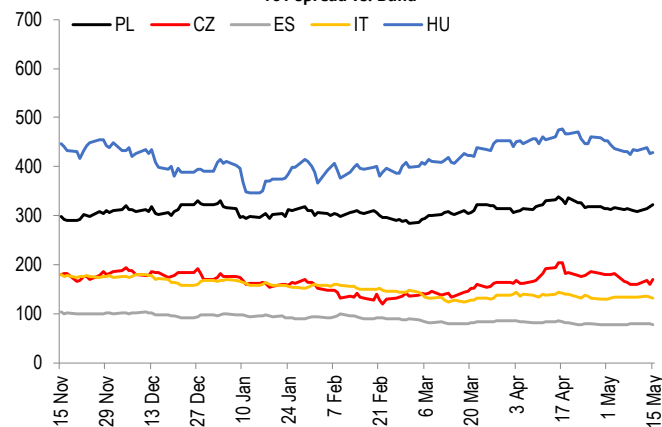
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*	
				MARKET	SANTANDER			
FRIDAY (10 May)								
08:30	HU	CPI	Apr	% y/y	3.7	-	3.7	3.6
15:00	PL	NBP Governor's press conference						
16:00	US	Michigan index	May	pts	76.2	-	67.4	77.2
	PL	Fitch rating/outlook review				A-/stable	A-/stable	A-/stable
	PL	S&P rating/outlook review				A-/stable	A-/stable	A-/stable
MONDAY (13 May)								
09:00	CZ	CPI	Apr	% y/y	2.4	-	2.9	2.0
TUESDAY (14 May)								
08:00	DE	HICP	Apr	% m/m	0.6	-	0.6	0.6
11:00	DE	ZEW Survey Current Situation	May	pts	-76.3	-	-72.3	-79.2
14:00	PL	Current Account Balance	Mar	€mn	651	-512	325	511
14:00	PL	Trade Balance	Mar	€mn	390	390	486	324
14:00	PL	Exports	Mar	€mn	28 372	28 190	28 331	27 186
14:00	PL	Imports	Mar	€mn	28 007	27 800	27 845	26 862
WEDNESDAY (15 May)								
	PL	Central Budget balance, cummulative	Apr	PLNbn	-	-		-24.5
10:00	PL	CPI	Apr	% y/y	2.4	2.4	2.4	2.0
10:00	PL	GDP	1Q	% y/y	1.8	1.8	1.9	1.0
11:00		European Commission's Spring Economic Forecasts						
11:00	EZ	GDP SA	1Q	% y/y	0.4	-	0.4	0.4
11:00	EZ	Industrial Production SA	Mar	% m/m	0.0	-	0.6	1.0
14:30	US	CPI	Apr	% m/m	0.4	-	0.3	0.4
14:30	US	Retail Sales Advance	Apr	% m/m	0.4	-	0.0	0.6
THURSDAY (16 May)								
14:00	PL	CPI Core	Apr	% y/y	4.1	4.1		4.6
14:30	US	Initial Jobless Claims	May.24	k	218	-		231
14:30	US	Housing Starts	Apr	% m/m	8.4	-		-14.7
15:15	US	Industrial Production	Apr	% m/m	0.2	-		0.39
FRIDAY (17 May)								
11:00	EZ	HICP	Apr	% y/y	2.4	-		2.4

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>.