

Eyeopener

Polish inflation might have fallen in December

Today flash print of Polish CPI inflation for December, NBP governor's press conference
 Fed minutes express concerns that the market is misunderstanding the situation
 Services PMIs in Europe came above expectations
 Zloty stable, a further fall of bond yields

Today we will get to know the preliminary CPI inflation reading for December, we expect a decline to 17.2% y/y, mainly influenced by lower fuel prices, with core inflation continuing to rise. In addition, the NBP governor's press conference and minutes of the December MPC meeting are scheduled for today. In the USA, the ADP report describing the labour market in December will be released.

The **PMI indices for services** ultimately turned out to be slightly better than the preliminary readings in Germany, France, Italy and Spain, and consequently in the euro area as a whole. In the USA, on the other hand, a slightly weaker-than-forecast ISM index for manufacturing and higher-than-expected JOLTS vacancy figures were published. German foreign trade data for November surprised with the scale of the surplus. Imports fell sharply again (by 3.3% m/m after a decline of 2.4% in October). Exports showed a decline of 0.3% m/m.

The **FOMC minutes** from the December meeting, like Fed statement and Jerome Powell's speech following the then 50bp rate hike decision, highlighted concerns about market conviction about a relatively quick end to rate hikes and a switch to monetary easing in the USA. The document describes this situation as a misperception of the Fed's reaction function.

Polish MPC kept rates on hold for the fourth month running, in line with expectations. The main rate is still 6.75%. The key paragraphs of the official statement were virtually unchanged versus the previous one which signals no change in the Council's stance, best characterised as 'wait-and-see' (waiting for inflation developments, waiting for the past rate hikes to reach full anti-inflationary effect, waiting for major central banks' moves). We expect to learn more about the Council views from NBP president's press conference to be held today at 15:00 CET. While the market has been pricing first rate cuts coming already this year, we have doubts about the that. We expect the disinflation process that should start in spring to be slower than the NBP assumes which will act against the switch to the easing phase. Also, the economy is expected to show a rebound already in 2H23, adding arguments against quick rate cuts.

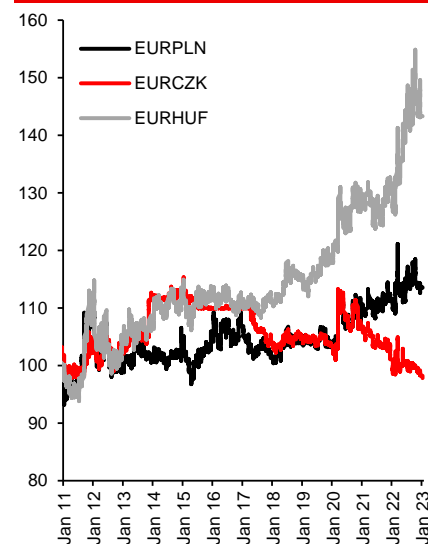
PKP (Polish Trains) is introducing a new ticket tariff on 11 January. Prices are expected to increase by around 10-20% for different types of trains. However, the weight of rail passenger transport in the CPI is only 0.0008 (eight ten-thousandths), so the move will not have a significant impact on the CPI, adding less than 0.01 percentage points. On the other hand, in our view, the update of price lists at the start of the new year could happen in many services.

EURUSD rose yesterday from below 1.06 at the start of the session to around 1.062 by the end of the day. The euro was supported by better-than-expected services PMI indices. Towards the end of the day, however, the single currency erased its daily gains after the US manufacturing ISM index release and the exchange rate returned to its opening level. Today's ADP report could be important for the exchange rate, giving a preview of tomorrow's official non-farm employment data.

On Wednesday, **the zloty** gained slightly and the EURPLN exchange rate slipped to 4.669 at the end of the session from around 4.675 at the start of the day. Other currencies of the region also strengthened: **EURHUF** fell from around 400 to 397, **EURCZK** fell below 24.00, making the koruna the strongest since 2011. Meanwhile, the zloty is now some 12% weaker against the euro than on average in 2011, and the Hungarian forint 30% weaker.

Yields on **debt markets** in major economies and in Poland fell further. The Polish yield curve went down by 15-25 basis points, the most in the middle part. Local IRS and FRA rates also fell, roughly on a similar scale to yields.

Exchange rates in CEE region, 2011 = 100



Source: Refinitiv Datastream, 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
Jarostaw Kosaty +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.6722	CZKPLN	0.1928
USDPLN	4.4050	HUFPLN*	1.1655
EURUSD	1.0606	RUBPLN	0.0620
CHFPLN	4.7387	NOKPLN	0.4391
GBPPLN	5.3179	DKKPLN	0.6281
USDCNY	6.8692	SEKPLN	0.4186

*for 100HUF

Last session in the FX market 04.01.2023

	min	max	open	close	fixing
EURPLN	4.6601	4.6791	4.6719	4.6662	4.6688
USDPLN	4.3870	4.4263	4.4197	4.3933	4.3998
EURUSD	1.0558	1.0635	1.0567	1.0617	-

Interest rate market 04.01.2023

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1024 (2Y)	6.40	-16
DS0727 (5Y)	6.31	-29
DS0432 (10Y)	6.39	-23

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	7.13	-9	5.10	1	3.14	-4
2L	6.64	-15	4.62	-3	3.23	-8
3L	6.16	-17	4.19	-5	3.08	-10
4L	5.91	-19	3.96	-6	2.98	-11
5L	5.79	-20	3.83	-7	2.92	-13
8L	5.70	-19	3.65	-8	2.87	-12
10L	5.75	-20	3.61	-7	2.88	-11

WIBOR rates

Term	%	Change (bps)
O/N	6.64	1
T/N	6.73	3
SW	6.86	2
2W	6.85	0
1M	6.90	0
3M	7.00	-1
6M	7.12	-1
1Y	7.21	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	6.89	-6
3x6	7.03	-5
6x9	7.02	-12
9x12	6.72	-17
3x9	7.10	-5
6x12	7.03	-7

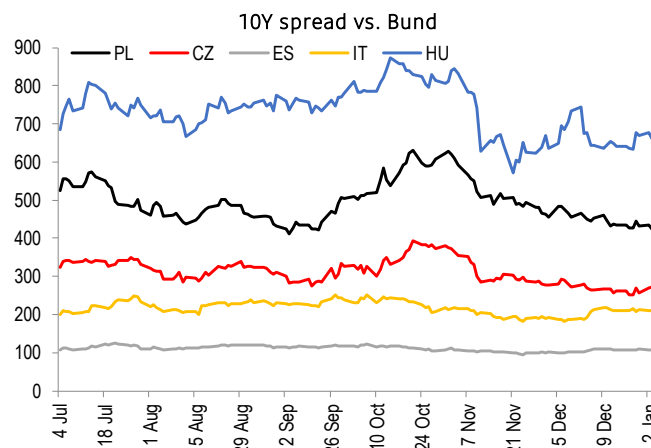
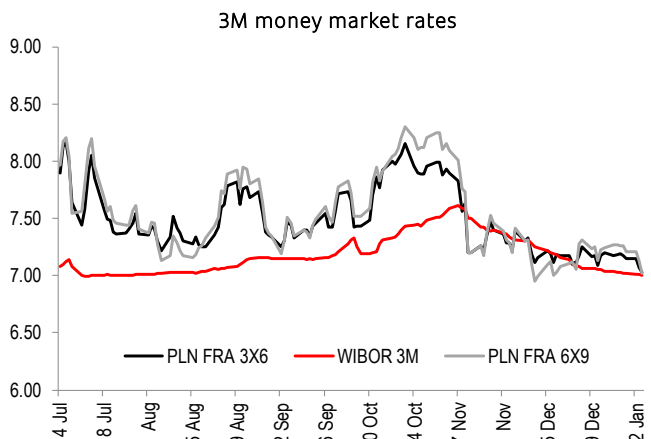
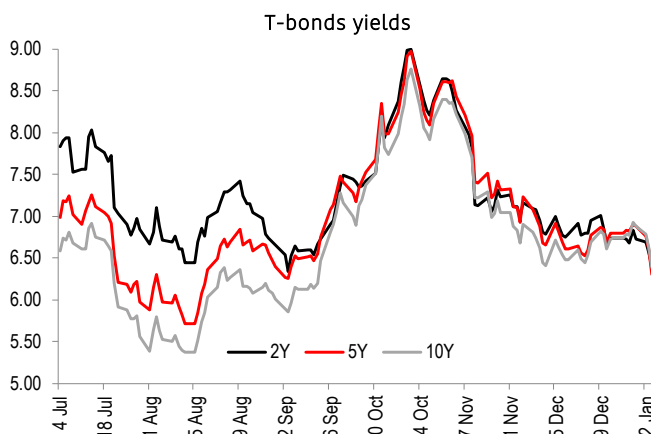
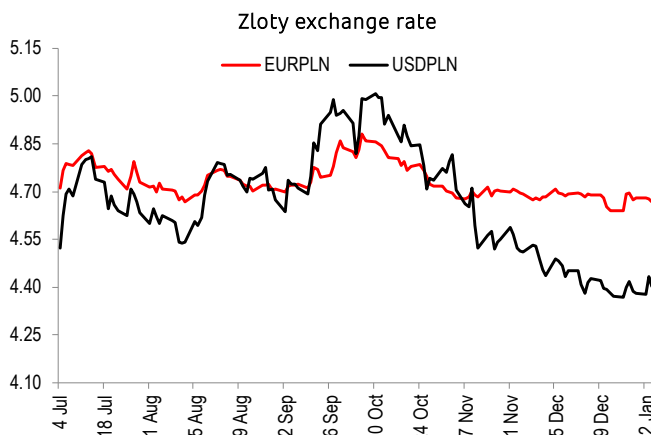
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	115	0	424	-10
France	15	0	53	-1
Hungary	212	10	661	-17
Spain	53	-3	107	-1
Italy	53	-2	210	-1
Portugal	38	-3	103	0
Ireland	23	0	53	1
Germany	15	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



Kalendarz wydarzeń i publikacji

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*		
				MARKET	SANTANDER				
FRIDAY (30 December)									
No important data									
MONDAY (2 January)									
09:00	PL	PMI manufacturing	Dec	pts	44.0	43.7	45.6	43.4	
09:55	DE	PMI manufacturing	Dec	pts	47.4	-	47.1	46.2	
10:00	EZ	PMI manufacturing	Dec	pts	47.8	-	47.8	47.1	
TUESDAY (3 January)									
14:00	DE	HICP inflation	Dec	% m/m	-0.5	-	-1.2	0.0	
WEDNESDAY (4 January)									
	PL	MPC decision		%	6.75	6.75	6.75	6.75	
09:55	DE	PMI services	Dec	pts	49.0	-	49.2	46.1	
10:00	EZ	PMI services	Dec	pts	49.1	-	49.8	48.5	
16:00	US	ISM manufacturing	Dec	pts	48.5	-	48.4	49.0	
20:00	US	Minutes FOMC	14.12.2022						
THURSDAY (5 January)									
02:45	CN	PMI services	Dec	pts	46.8	-	48.0	46.7	
08:00	DE	Export	Nov	% m/m	-0.5	-	-0.3	0.8	
10:00	PL	CPI inflation	Dec	% y/y	17.4	17.2		17.5	
14:00	PL	MPC minutes	Dec						
14:15	US	ADP report	Dec	k	140	-		127.0	
15:00	PL	NBP president's press conference							
FRIDAY (6 January)									
	PL	National holiday							
08:00	DE	Factory orders	Nov	% m/m	-0.5	-		0.8	
08:00	DE	Retail sales	Nov	% m/m	1.5	-		-2.7	
09:00	CZ	Industrial output	Nov	% y/y	-1.4	-		2.9	
11:00	EZ	HICP flash	Dec	% y/y	9.6	-		10.0	
11:00	EZ	Retail sales	Nov	% m/m	0.6	-		-1.8	
11:00	EZ	ESI	Dec	pts	94.5	-		93.7	
14:30	US	Non-farm payrolls	Dec	k	200	-		263.0	
14:30	US	Unemployment rate	Dec	%	3.7	-		3.7	
16:00	US	ISM services	Dec	pts	55.0	-		56.5	
16:00	US	Factory orders	Nov	% m/m	-0.8	-		1.0	

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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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.