

10 January 2024

Eyeopener

Stabilisation in monetary policy, escalation in politics

MPC kept interest rates on hold, today NBP president's conference
MPC statement pointed to slower decline of core inflation and risk factors for inflation
Slight weakening of the zloty, local yields lower

Today, at 3pm the NBP President will hold a press conference following yesterday's MPC decision. In December, the conference was surprisingly brief and to the point. We will see whether this new form of the conference will be maintained. Apart from that, the economic calendar is quite empty. Yet, there is much more going on in domestic politics - after police detained two legally convicted Law and Justice (PiS) politicians at the presidential palace yesterday, the confrontation between the current ruling camp and the opposition is likely to escalate. The financial market is reacting very calmly to the events as long as they do not translate into tangible economic consequences, but further developments will be closely followed. The Sejm meeting initially scheduled for today has been postponed until next week.

Polish MPC kept rates unchanged (main rate at 5.75%) for the third time in a row. The post-meeting statement was similar to the previous one. The MPC acknowledged the likely further drop of inflation in the coming months, but at the same mentioned that a slower decline of core CPI should be expected and stuck to the argument that fiscal and regulatory uncertainty require stable monetary policy. In the Council's view the current level of interest rates is still conducive to meeting the inflation target in the medium term. As in the previous statements, it was stressed that further decisions will be driven by information affecting the inflation and growth outlook. It seems that the MPC will wait at least until the March inflation projection update with any decisions. The projection, in our view, is likely to discourage rate cuts or be neutral rather than encourage them, showing more optimistic growth outlook and longer return of inflation to the target. As a result, we think that the pause in monetary easing will be extended until the last quarter of 2024.

The financing of the budget's gross borrowing needs for 2024 reached around 31%, the Ministry of Finance informed. The planned level of gross borrowing needs is PLN449bn (PLN252bn net).

The World Bank maintained its 2024 GDP growth forecast for Poland at 2.6% y/y. At the same time, the estimate for 2023 was revised down by 0.2 pp to 0.5% y/y, and the forecast for 2025 was raised by 0.2 pp to 3.4% y/y. In our view, the path of GDP growth in 2023 and 2024 could run higher than the World Bank forecasts, reaching, respectively, 0.6% y/y and 3.0% y/y.

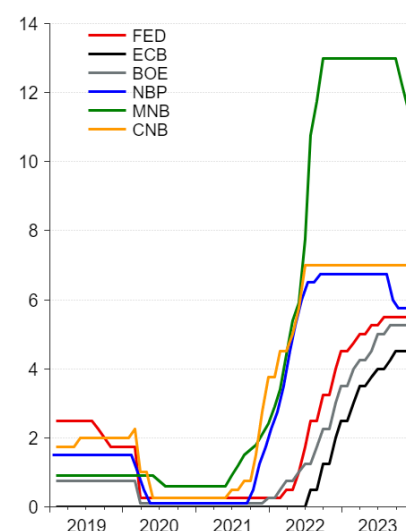
The implementation of EU funds from the 2014-2020 Financial Perspective reached 92.7% (PLN324.9bn) by 7 January 2024, the Ministry of Funds and Regional Policy reported. All funds allocated to Poland have already been contracted, and the total value of EU funds in signed contracts was 101.3% of the allocation. Minister of Regional Policy Katarzyna Petczyńska said that **Poland wants to submit four more payment applications for the Recovery Funds (RRF) this year, up to the value of up to EUR23bn**. If this was the case, it would help to at least partially catch up with the backlog in the use of RRF funds from the last two years. However, this will require meeting the relevant milestones.

The number of foreigners working in Poland rose to 996.5k at the end of July 2023, corresponding to 6.5% of the total working population in Poland, the GUS reported. This represents an increase of 1.1% m/m and 5.0% y/y. Among foreigners working in Poland, 69.3% were citizens of Ukraine (down by 0.2 percentage points m/m).

Strengthening of the CEE currencies. Yesterday's session witnessed a mixed performance of the EM currencies, and against this backdrop the CEE currencies have underperformed. The EURPLN exchange rate rose to around 4.34 and, with the dollar gaining slightly, the USDPLN exchange rate slipped to 1.094. The Hungarian forint was certainly not supported by worse industrial production data, which slowed in November to -5.8% y/y from -3.2% (consensus: -0.7% y/y). Conversely, the euro may have been negatively impacted by weaker industrial production data from Germany.

Further decline in market rates. The domestic market saw FRA rates fall by 4-16bp, IRS rates fall by 9-15bp and bond yields by 4-7bp. The fall in domestic rates went against the rise in German Bunds (in the face of high bond supply) and in line with the slight fall in US market rates (by 1-2bp) on the eve of the bond auction and in anticipation of inflation data from the US.

Main interest rates, %



Source: LSEG Datastream, Santander

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FX market

Today's opening

EURPLN	4.3435	CZKPLN	0.1764
USDPLN	3.9703	HUFPLN*	1.1333
EURUSD	1.0938	RUBPLN	0.0443
CHFPLN	4.6600	NOKPLN	0.3838
GBPPLN	5.0432	DKKPLN	0.5823
USDCNY	7.1723	SEKPLN	0.3872

*for 100HUF

Last session in the FX market

09/01/2024

	min	max	open	close	fixing
EURPLN	4.3296	4.3508	4.3334	4.3376	4.3351
USDPLN	3.9492	3.9796	3.9589	3.9672	3.9612
EURUSD	1.0909	1.0962	1.0949	1.0934	

Interest rate market

09/01/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	4.80	-6
WS0428 (5Y)	4.88	-7
DS1033 (10Y)	5.15	-11

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	5.35	5.11	3.46
	-8	0	3
2L	4.79	4.48	2.98
	-11	-1	5
3L	4.50	4.19	2.74
	-9	0	6
4L	4.37	3.98	2.64
	-8	-1	6
5L	4.31	3.97	2.60
	-8	-1	6
8L	4.37	3.90	2.61
	-7	0	6
10L	4.44	3.92	2.64
	-6	0	6

WIRON rate

Term	%	Change (bps)
WIRON	4.82	-3

WIBOR rates

Term	%	Change (bps)
O/N	5.55	-2
T/N	5.76	1
SW	5.82	0
1M	5.87	1
3M	5.86	-1
6M	5.82	0
1Y	5.79	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.74	-2
3x6	5.47	-6
6x9	5.00	-14
9x12	4.61	-13
3x9	5.38	-9
6x12	4.92	-13

CDS rates and 10Y yield spread vs. German Bund

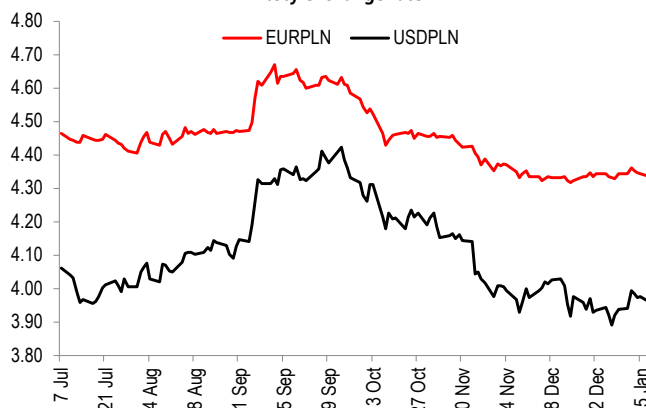
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	63	0	296	-18
France	12	-1	53	0
Hungary	138	0	0	-403
Spain	45	-1	97	-1
Italy	32	-1	166	-2
Portugal	33	-1	76	-1
Ireland	17	0	32	-1
Germany	12	-1	-	-

* 10Y treasury bonds over 10Y Bunds

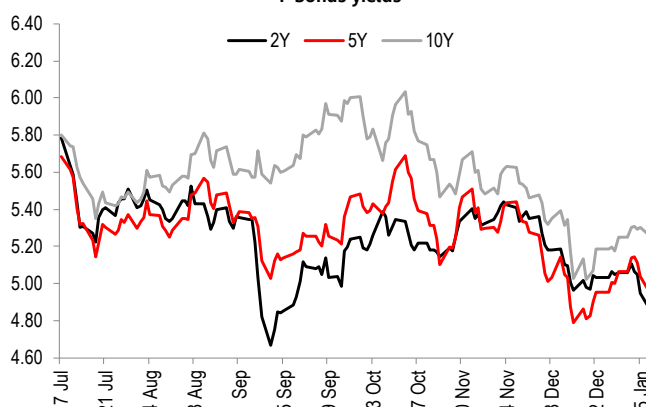
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

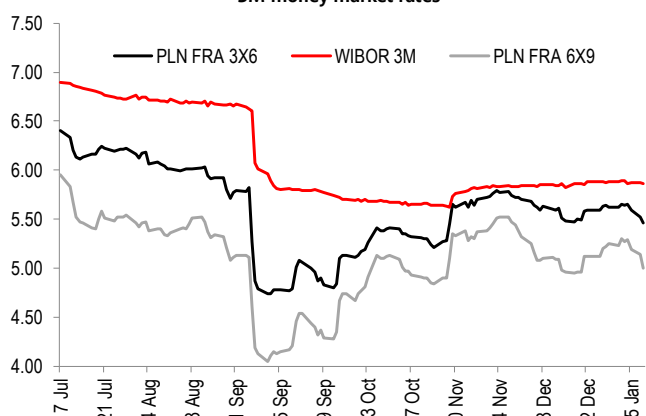
Zloty exchange rate



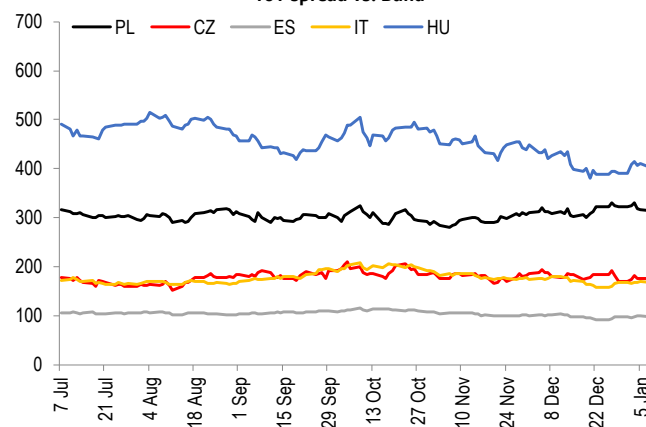
T-bonds yields



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 (5 January)								
08:00	DE	Retail Sales	Nov	% m/m	-0.5	-	-2.5	1.1
09:00	CZ	GDP SA	3Q	% y/y	-0.7	-	-0.8	-0.7
10:00	PL	CPI	Dec	% y/y	6.4	6.5	6.1	6.6
11:00	EZ	Flash HICP	Dec	% y/y	2.9	-	2.9	2.4
14:30	US	Change in Nonfarm Payrolls	Dec	k	175	-	216	173
14:30	US	Unemployment Rate	Dec	%	3.8	-	3.7	3.7
16:00	US	Durable Goods Orders	Nov	% m/m	5.4	-	5.4	-5.1
16:00	US	ISM services	Dec	pts	52.5	-	50.6	52.7
16:00	US	Factory Orders	Nov	% m/m	2.3	-	2.6	-3.4
MONDAY (8 January)								
08:00	DE	Exports SA	Nov	% m/m	0.5	-	3.7	-0.4
08:00	DE	Factory Orders	Nov	% m/m	1.1	-	0.3	-3.8
09:00	CZ	Industrial Production	Nov	% y/y	-1.5	-	-2.7	8.0
11:00	EZ	Retail Sales	Nov	% m/m	0.3	-	-0.3	0.4
11:00	EZ	ESI	Dec	pts.	-	-	96.4	94.0
TUESDAY (9 January)								
	PL	MPC decision	Jan	%	5.75	5.75	5.75	5.75
08:00	DE	Industrial Production SA	Nov	% m/m	0.3	-	-0.7	-0.3
08:30	HU	Industrial Production SA	Nov	% y/y	-0.7	-	-5.6	-2.9
11:00	EZ	Unemployment Rate	Nov	%	6.6	-	6.4	6.5
WEDNESDAY (10 January)								
15:00	PL	NBP President's press conference						
THURSDAY (11 January)								
09:00	CZ	CPI	Dec	% y/y	7.2	-	-	7.3
14:30	US	CPI	Dec	% m/m	0.2	-	-	0.1
14:30	US	Initial Jobless Claims		k	216	-	-	202
FRIDAY (12 January)								
08:30	HU	CPI	Dec	% y/y	5.9	-	-	7.9
14:00	PL	Current Account Balance	Nov	€mn	1 571	494	-	2 036
14:00	PL	Trade Balance	Nov	€mn	927	850	-	1 324
14:00	PL	Exports	Nov	€mn	30 391	30 097	-	29 705
14:00	PL	Imports	Nov	€mn	29 034	29 247	-	28 381

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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