11 January 2024

Eyeopener

NBP governor not very dovish, today US inflation

Today inflation in Czechia and USA, initial jobless claims
NBP governor was not really dovish at his conference
Zloty stable, market rates go up in reaction to words of NBP governor

Today, the economic calendar shows only the releases of December inflation rates in Czechia and the US, and the publication of initial jobless claims in the last week in the US. According to the market consensus, the new data should show a decrease of inflation to 7.2% y/y in Czechia and an acceleration to 3.2% y/y in the US, as well as an increase in new jobless claims to 216k.

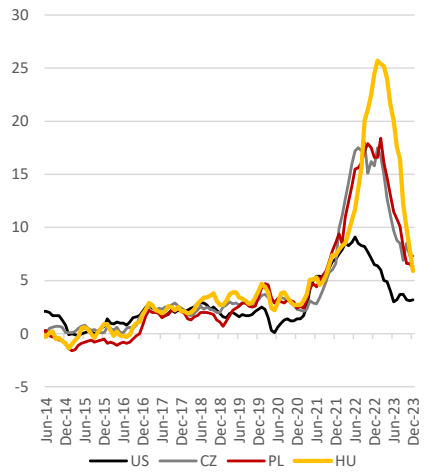
The message from the NBP president's conference was roughly in line with our expectations: the MPC is not going to hurry with monetary policy adjustment, despite the likely inflation decline in the nearest months, awaiting the next medium-term NBP forecasts to be published in March, and in the subsequent months the decisions will be data-dependent. The central bank expects the CPI inflation to fall significantly in the near future, to 3% or even 2.5% y/y in March, but then to rebound sharply in the second half of the year. This path is aligned with our current expectations and markedly lower than in the November NBP staff forecasts. Overall, Glapiński's narrative broadly confirmed our intuition: the MPC is unlikely to change interest rates anytime soon. Definitely not before March, and results of March NBP staff forecasts are unlikely to encourage the policymakers to cut rates in an environment of accelerating GDP and rebounding inflation. We are expecting the first cut to take place in 4Q24. Read more in our Economic comment.

The cost of the new "credit moratorium" bill could amount to PLN3.5bn in the case of full participation, as estimated the Polish Financial Supervision Authority (KNF) in its opinion to the bill. In the case of participation at a level similar to that from 2022-2023, the cost of the project would reach around PLN2.5bn. KNF added that extending the credit moratoria into 2024 would result in a significant cost to the banking sector and in a reduction in the potential for bank credit supply. According to the Association of Polish Banks (ZBP), which in its opinion estimated the cost of the moratoria at the current level of participation at PLN2.55bn, the credit creation potential could be reduced by PLN13-20bn. In the opinion of the Bank Guarantee Fund, credit holidays may be pro-inflationary and will constitute an additional burden for banking sector entities.

Zloty relatively stable. Yesterday's session was not the best for the EM currencies, which mostly lost against the euro. Against this backdrop, the zloty and the Czech koruna remained relatively stable against the major currencies, while the Hungarian forint appreciated. The zloty was not significantly affected by the MPC meeting, including comments by governor Glapiński that the zloty should remain strong in the coming quarters in view of the high level of borrowing needs and the associated foreign currency issues that will be exchanged for the zloty.

Market rate rose in response to the MPC. In the first part of the day, market rates behaved relatively stable, but there was a sizable increase in response to Glapiński's not-so-dovish statements despite the latest low inflation reading and expectations of a further strong decline in 1Q. FRA rates rose by 4-20bp, especially in case of longer maturities, IRS rates rose by 5-13bp and bond yields by 7-8bp, mainly at the short end of the curve. The increases in domestic rates were also accompanied by an upward movement in the German curve, by 1-3bp. In the US, bond yields fell by 1-2bp on the eve of December US inflation data release, which may show an increase in the annual inflation rate to 3.2% y/y from 3.1% with a fairly high change in the monthly core CPI (0.3% m/m).

CPI, % y/y



Source: Refinitiv, 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 Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening

EURPLN	4.3339	CZKPLN	0.1763
USDPLN	3.9492	HUFPLN*	1.1359
EURUSD	1.0981	RUBPLN	0.0445
CHFPLN	4.6450	NOKPLN	0.3823
GBPPLN	5.0408	DKKPLN	0.5816
USDCNY	7.1587	SEKPLN	0.3870

*for 100HUF

Last session in the FX market **10/01/2024**

	min	max	open	close	fixing
EURPLN	4.3365	4.3490	4.3450	4.3428	4.3413
USDPLN	3.9544	3.9809	3.9752	3.9624	3.9656
EURUSD	1.0921	1.0969	1.0932	1.0958	

Interest rate market **10/01/2024**

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS0725 (2Y)	4.90	9
WS0428 (5Y)	4.95	7
DS1033 (10Y)	5.20	6

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.46	12	5.10	-1	3.49	3
2L	4.92	13	4.47	-2	3.01	3
3L	4.59	9	4.19	0	2.77	3
4L	4.45	9	4.04	6	2.67	3
5L	4.36	5	3.97	0	2.63	3
8L	4.40	3	3.90	0	2.63	2
10L	4.48	4	3.92	1	2.66	2

WIRON rate

Term	%	Change (bps)
WIRON	5.03	20

WIBOR rates

Term	%	Change (bps)
O/N	5.55	0
T/N	5.76	0
SW	5.82	0
1M	5.77	-10
3M	5.88	2
6M	5.81	-1
1Y	5.78	-1

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.80	6
3x6	5.56	9
6x9	5.17	17
9x12	4.78	17
3x9	5.50	12
6x12	5.10	18

CDS rates and 10Y yield spread vs. German Bund

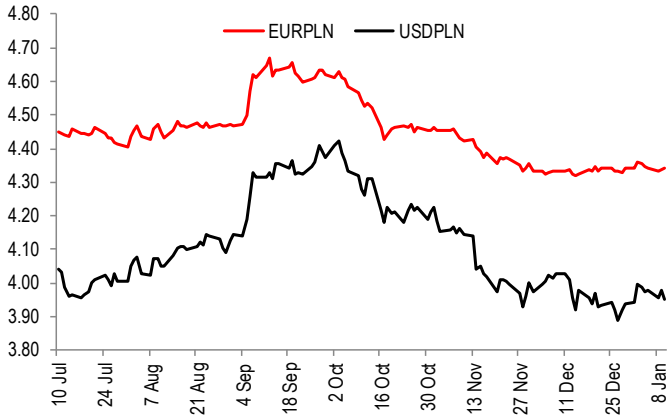
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	62	0	299	3
France	12	0	54	0
Hungary	138	0	0	-396
Spain	44	-1	97	-1
Italy	31	0	164	-3
Portugal	33	0	75	-1
Ireland	17	0	33	1
Germany	12	0	-	-

* 10Y treasury bonds over 10Y Bunds

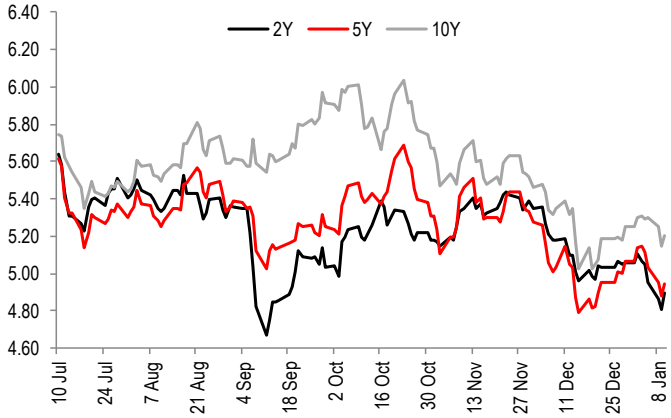
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

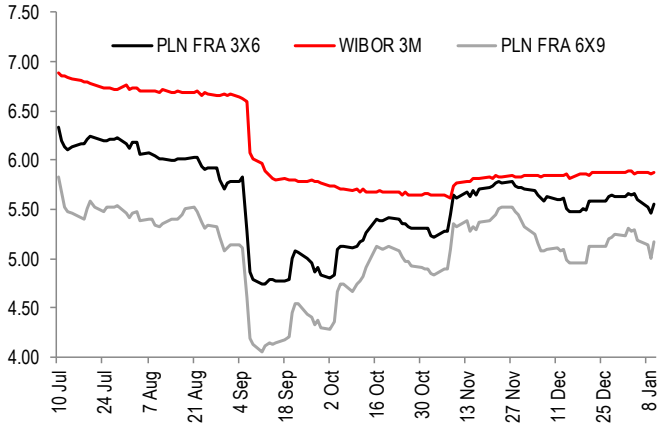
Zloty exchange rate



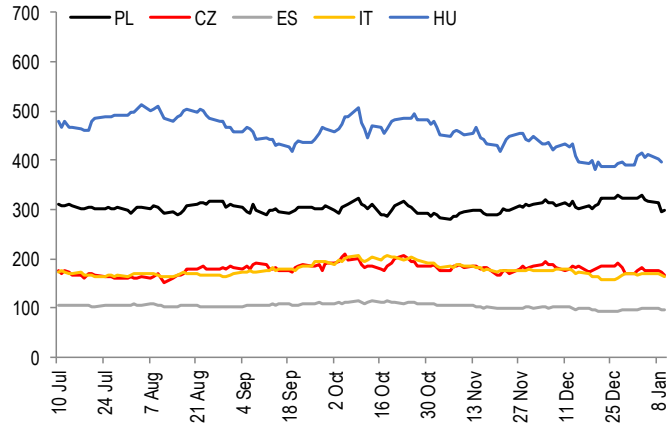
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
			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*

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.