

Eyeopener

Today new NBP projection and Poland's rating review

Today, publication of new NBP projection and Poland's rating review by Fitch and S&P
 Fed cut interest rates by 25bp, as expected
 Clear strengthening of the zloty, bond yields lower, equity markets rose

Today, at 12:00 p.m. CET, the NBP presents the November Inflation Report, containing the details of the central bank's new projection. These details should clarify the reason for the reduction of the GDP growth path in 2024-2026 compared to the July projection. After the session close, S&P and Fitch are to review Poland's sovereign rating. In the US, there will be the November print of the Michigan index of consumer sentiment.

In his yesterday's speech the **NBP President Adam Glapiński** returned to his forward guidance for monetary policy outlook focused mainly on future behaviour of the headline CPI inflation. However, we still believe that the development of economic growth in the coming months/quarters may be even more important for the MPC's reaction function than the CPI trajectory, even if the rhetoric of the NBP President is currently different. If we see signals in the next data indicating that the GDP outlook continues to deteriorate, the likelihood of earlier rate cuts will increase. However, as long as the economy grows at a rate close to its potential (c.3% y/y) – which is in line with our current forecasts and the NBP projection – the MPC will most likely prefer to wait with the first cut until inflation stops trending up. Therefore, we remain of the opinion that rate cuts will start closer to mid-2025 rather than to March. Nevertheless, the latest domestic economic data, as well as the possible consequences of the US presidential election, cast some doubts over the prospects for economic growth of Poland, which is why the risk of earlier cuts is growing. Read more in our [Economic Comment](#).

The FOMC cut interest rates by 25bp to the range of 4.50-4.75%, as expected. There were only minor changes in the tone of the official statement. During the press conference, Fed Chairman J. Powell avoided clear forward guidance on policy outlook, indicating that they would depend on incoming data. He stated that the Fed is on a path to a more neutral stance in monetary policy, and it will try to navigate between the risk of cutting rates too quickly, which could keep inflation above the target, and too slowly, which could cool the labour market too much. Powell avoided commenting on political issues, but stated that the result of the US election will not affect Fed decisions in the short term, because the central bank does not know yet what the decisions of the future administration will be, and it does not rely on guesswork or speculation. We assume that the cycle of rate cuts in the US will continue – another cut by 25bps is possible in December, and four more next year, for a total of 100bps.

In September, Poland received EUR516.2m from the EU funds, including EUR436.3m under the Cohesion Policy, and EUR78.0m under the Common Agricultural Policy. Poland's contributions to the EU budget amounted to EUR600.0m.

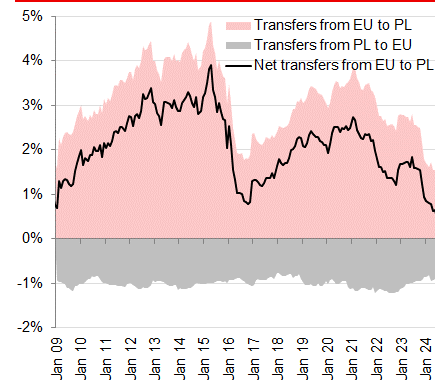
The increase in the funeral allowance to PLN7k from PLN4k is planned for 1 January 2026, according to the new draft regulation. In the previous version of the draft, the changes were planned to enter into force 14 days after the publication of the act. The costs related to the increase in the funeral allowance are estimated at PLN1.5-2.7bn per year, up from PLN1.4-2.3bn in the previous draft. According to the document, the funeral allowance, which has been kept at a constant level for over a decade, would be subject to indexation each March by the average inflation from the previous year. The first indexation is scheduled for 2027.

Retail sales in the euro area increased by 0.5% m/m in September (in constant prices), and its estimate for August was significantly revised upwards, from 0.2% m/m to 1.1% m/m. As a result, retail sales growth in the euro area accelerated from 0.1% y/y in July to 2.4% y/y in August and 2.9% y/y in September. This is the strongest increase recorded since April 2022. The improvement in sales dynamics in September was mainly due to non-food products, excluding fuels. **In the case of Poland**, Eurostat showed a decrease by 2.0% m/m and 3.0% m/m – in both terms, this is the second worst result among the EU countries.

The zloty is making up for its losses. During yesterday's session, good sentiment dominated on the equity markets. The currency markets clearly rebounded after the initial reaction to the US election, in line with the principle "buy rumours, sell facts" – and so, after a solid increase in recent weeks, the dollar lost against the euro, and the CEE currencies gained significantly, with the EURPLN declining below 4.32. It is possible that the dollar will strengthen further in the coming weeks/months, and the zloty will weaken when/if D.Trump makes some new declarations or when the new administration sheds more light on its plans for actions regarding economic policy.

Declines in market rates in response to the NBP conference. During yesterday's session, FRA rates fell by 15-25 bps, IRS by 16-18, and bond yields by about 5-15 bps. These moves may have been supported by the decrease in the US bond yields by 5-8 bps, although the yields of the German bonds increased by 3-5 bps. The more dovish rhetoric of the NBP Governor at the afternoon conference also helped. In recent days, the market has been limiting the estimated scale of monetary policy easing and assumed that the scale of rate cuts in 2025 would be smaller than in our baseline scenario, so the not very hawkish message from the NBP Governor was sufficient to move rates down. We believe that it is possible that the market rates will continue to decline in a post-election rebound, until (a) D. Trump begins to announce or to implement (the latter not until next year) his promises, e.g. those related to protectionist measures, (b) the data from the domestic economy starts to surprise upwards.

Transfers between Poland and EU, 12M moving sum, % GDP



Source: Finance Ministry, 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 +48 887 842 480
Marcin Luziński +48 510 027 662
Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.3133	CZKPLN	0.1713
USDPLN	4.0008	HUFPLN*	1.0655
EURUSD	1.0781	RUBPLN	0.0407
CHFPLN	4.5854	NOKPLN	0.3672
GBPPLN	5.1850	DKKPLN	0.5835
USDCNY	7.1524	SEKPLN	0.3733

*for 100HUF

Last session in the FX market					07/11/2024
	min	max	open	close	fixing
EURPLN	4.3097	4.3490	4.3486	4.3143	4.3431
USDPLN	3.9835	4.0491	4.0476	3.9982	4.0414
EURUSD	1.0740	1.0824	1.0744	1.0791	

Interest rate market

07/11/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.04	3
WS0429 (5Y)	5.35	-11
DS1033 (10Y)	5.68	-13

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.46	-10	4.48	-4	2.45	0
2L	5.01	-18	4.27	-7	2.32	0
3L	4.81	-20	4.18	-8	2.29	1
4L	4.77	-20	4.16	-9	2.30	1
5L	4.80	-19	4.11	-9	2.31	1
8L	4.90	-20	4.08	-11	2.36	1
10L	4.98	-19	4.12	-8	2.40	-3

WIBOR rates

Term	%	Change (bps)
O/N	5.68	-2
T/N	5.77	0
SW	5.81	0
1M	5.85	0
3M	5.83	-1
6M	5.84	1
1Y	5.69	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.81	-2
3x6	5.66	-1
6x9	5.15	-18
9x12	4.79	-21
3x9	5.63	-2
6x12	5.11	-18

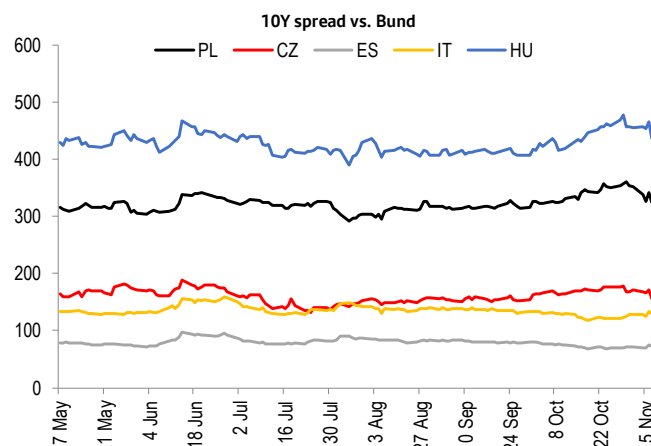
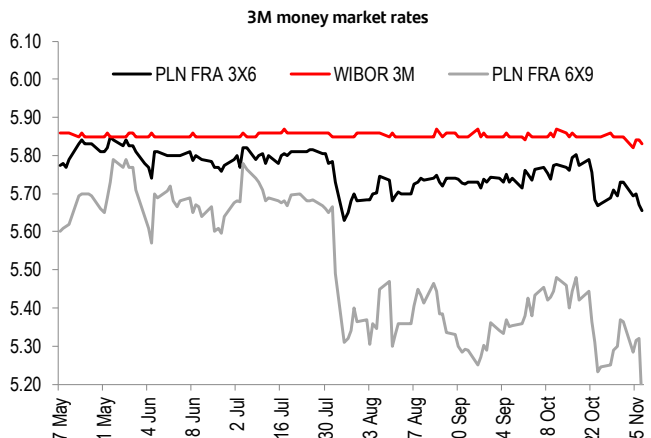
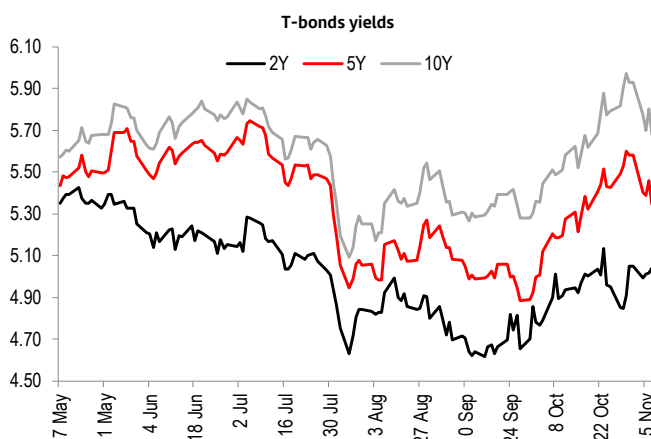
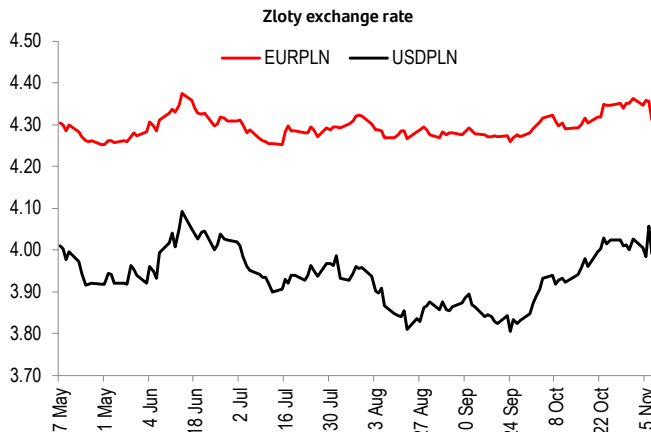
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	65	-2	324	-17
France	15	0	76	0
Hungary	120	-4	437	-28
Spain	30	0	73	-1
Italy	26	0	130	-3
Portugal	17	0	50	0
Ireland	12	0	32	-3
Germany	5	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



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
THURSDAY (31 October)								
10:00	PL	CPI	Oct	% y/y	5.0	5.1	5.0	4.9
11:00	EZ	Flash HICP	Oct	% y/y	1.9	-	2.0	1.7
11:00	EZ	Unemployment Rate	Sep	%	6.4	-	6.3	6.3
13:30	US	Initial Jobless Claims	weekly	k	229	-	216	228
13:30	US	Personal Spending	Sep	% m/m	0.4	-	0.5	0.2
13:30	US	Personal Income	Sep	% m/m	0.3	-	0.3	0.2
13:30	US	PCE Deflator SA	Sep	% m/m	0.2	-	0.2	0.1
FRIDAY (1 November)								
13:30	US	Change in Nonfarm Payrolls	Oct	k	101	-	12	254
13:30	US	Unemployment Rate	Oct	%	4.1	-	4.1	4.1
15:00	US	ISM manufacturing	Oct	pts	47.6	-	46.5	47.2
MONDAY (4 November)								
09:00	PL	Poland Manufacturing PMI	Oct	pts	48.5	48.7	49.2	48.6
09:55	DE	Germany Manufacturing PMI	Oct	pts	42.6	-	43.0	40.6
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	45.9	-	46.0	45.0
16:00	US	Durable Goods Orders	Sep	% m/m	-	-	-0.7	-0.8
16:00	US	Factory Orders	Sep	% m/m	-0.4	-	-0.7	-0.2
TUESDAY (5 November)								
02:45	CN	Caixin China PMI Services	Oct	pts	50.5	-	52.0	50.3
16:00	US	ISM services	Oct	pts	53.8	-	56.0	54.9
WEDNESDAY (6 November)								
	PL	MPC decision	Nov	%	5.75	5.75	5.75	5.75
08:00	DE	Factory Orders	Sep	% m/m	1.5	-	4.2	-5.8
08:30	HU	Industrial Production SA	Sep	% y/y	-4.4	-	-5.4	-4.1
09:00	CZ	Industrial Production	Sep	% y/y	2.4	-	3.9	-1.5
09:55	DE	Markit Germany Services PMI	Oct	pts	51.4	-	51.6	50.6
10:00	EZ	Eurozone Services PMI	Oct	pts	51.2	-	51.6	51.4
THURSDAY (7 November)								
08:00	DE	Exports SA	Sep	% m/m	-2.4	-	-1.7	1.5
08:00	DE	Industrial Production SA	Sep	% m/m	-1.0	-	-2.5	2.6
11:00	EZ	Retail Sales	Sep	% m/m	0.4	-	0.5	0.2
13:30	US	Initial Jobless Claims	weekly	k	222	-	221	218
14:30	CZ	Central Bank Rate Decision	Nov	%	4.00	4.00	4.00	4.25
15:00	PL	NBP Governor's press conference						
20:00	US	FOMC decision	Nov	%	4.75	-	4.75	5.00
FRIDAY (8 November)								
16:00	US	Michigan Index	Nov	pts	71.0	-	-	70.5
	PL	S&P, Fitch: rating review						

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.