

12 November 2024

# Eyeopener

## Rating agencies confirmed Poland's score

Today, ZEW index and inflation data in Germany and Hungary  
 Fitch and S&P confirmed Poland's rating with stable outlook  
 Both versions of NBP projection show CPI decline to the target in 2026  
 According to the MPC, 2025 draft budget limits room for monetary easing  
 Zloty weaker again, stabilisation of market rates

**Today**, there will be no important domestic releases. Abroad we will see, among others, the November ZEW index of economic situation in Germany.

**NBP published the November "Inflation Report", which includes its latest forecasts of inflation and GDP.** The projection was developed in two variants (as was also the case in March): 1) assuming that energy prices will be unfrozen in January 2025, 2) assuming that energy prices will remain at their current level. In both versions, inflation at the end of the projection horizon decreases to c. 2.5% y/y, i.e. to the inflation target. In the baseline scenario, the GDP path decreased compared to July due to the assumption of a higher propensity to save by consumers and lower investments of the private sector. It should be noted that the GDP path from July was above the market forecasts. The projection does not show any impact of the significant decrease in domestic demand on the CPI, because at the same time the path of wage growth was increased and productivity was reduced. In addition, the price paths of agricultural products and energy are higher. The output gap remains negative throughout the projection horizon and even widens at the end of the projection. Although the CPI path in the variant with unfrozen energy prices, i.e. the variant comparable to the one from July, is almost unchanged, other elements of the new projection make it more supportive of rate cuts, whereas the July projection may have discouraged them.

**The MPC's opinion on the draft budget for 2025** draws attention to the risk that real GDP growth may be lower next year than it is assumed by the government (3.9%), that the public finance sector deficit this year may be higher (close to 6% of GDP) than it was estimated by the government (5.7% of GDP), and that the deficit in 2025 may also be greater than the government expects (the draft assumes 5.5% of GDP). The Council is also concerned about the debt-to-GDP trajectory. The Council assessed that a marked reduction of the deficit in 2025 would support reducing inflationary pressure, and the planned shape of fiscal policy limits the space for a potential easing of monetary policy.

**MPC member Ludwik Kotecki** said in an interview with Bloomberg that the MPC may start discussing rate cuts in March 2025, but added that looser fiscal policy should be associated with a more restrictive monetary policy.

Prime Minister Donald Tusk announced over the weekend that **the government's solutions regarding energy prices in 2025 are to be presented in the coming days**. For now, however, we still do not know any details.

**Rating agencies Fitch and S&P have maintained Poland's rating at A- with stable outlook.** S&P believes that the medium-term positive outlook for economic growth offsets the impact of short-term fiscal risks. The agency has 2024-2025 fiscal deficit projections in line with the provisions of the 2025 draft budget, but sees risks of weaker consolidation than implied by the government's 2026-2027 multi-year plan through the political calendar. On the other hand, according to the agency, EU tools and a review by the market will favour deficit reduction. Fitch will base future decisions on the course of fiscal consolidation - the rating could fall if the government loses confidence in its ability to stabilize debt and rating could rise if debt-to-GDP falls sharply. Risks to the rating would also be created by a loss of competitiveness by the Polish economy, while institutional improvement would work in favour of the credit rating. The agency sees this year's fiscal deficit at 6.2% of GDP (stressing that the median for A-rated countries is less than 3%) and its decline to 3.7% in 2028. It also noted that an upward path of debt to GDP would move Poland above the median for its rating group.

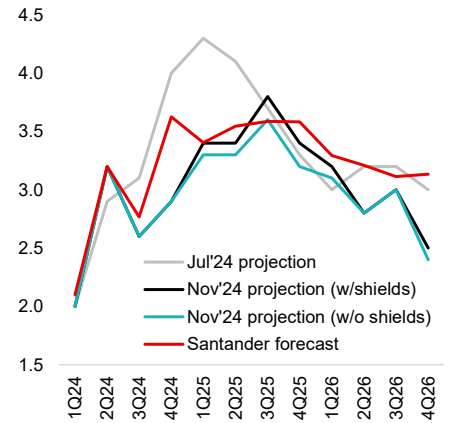
According to the estimates of the Ministry of Family, Labour and Social Policy, **the registered unemployment rate remained at 5.0% in October**, unchanged compared to September and in line with our forecast.

**The FAO World Food Price Index increased by 2.5 pts to 127.4 pts in October**, and its growth pace increased from 2.6% y/y to 5.5% y/y. Increases in the pace of price growth were registered for all categories of food products, except dairy. The rising dynamics of global food prices may exert additional inflationary pressure on the prices of food products in Poland.

**The zloty once again weaker.** EURPLN, after a temporary drop on Thursday, already on Friday started to bounce upwards and on Monday, with the domestic market closed, returned to the vicinity of 4.36, helped by a further strengthening of the dollar against the euro to around 1.065. We should expect an elevated exchange rate volatility to continue, and the dynamics will be determined, among others, by any statements and signals from D. Trump and/or his associates, and then by decisions of the new administration on the implementation of election promises and key policy directions.

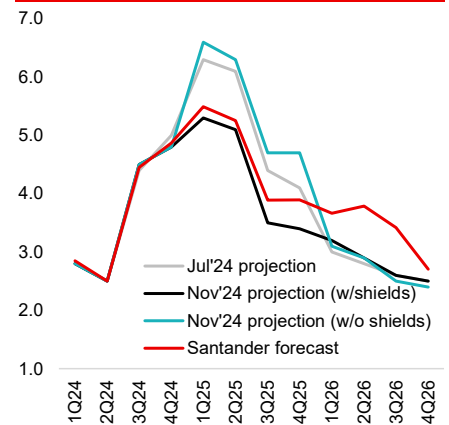
**In the interest rate market**, the message from the NBP President's conference, which was perceived as dovish, contributed to a decline in swap and FRA curves before the weekend and market started pricing-in higher chances for the first rate cut as early as in 1Q25. The domestic market was inactive on Monday due to public holiday. Thursday's GDP data will be important this week - if growth does not decelerate noticeably more strongly than expected, the perceived chances of faster monetary easing should weaken in our view.

### GDP growth in NBP projections, % y/y



Source: NBP, Santander

### CPI inflation in NBP projections, % y/y



Source: NBP, Santander

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**FX market**

**Today's opening**

EURPLN	4.3615	CZKPLN	0.1713
USDPLN	4.1015	HUFPLN*	1.0539
EURUSD	1.0634	RUBPLN	0.0419
CHFPLN	4.6122	NOKPLN	0.3664
GBPPLN	5.2142	DKKPLN	0.5835
USDCNY	7.2360	SEKPLN	0.3727

\*for 100HUF

**Last session in the FX market 11/11/2024**

	min	max	open	close	fixing
EURPLN	4.3269	4.3619	4.3300	4.3588	4.3244
USDPLN	4.0345	4.0965	4.0402	4.0924	4.0117
EURUSD	1.0628	1.0722	1.0715	1.0652	

**Interest rate market**

11/11/2024

**T-bonds on the interbank market\*\***

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.92	0
WS0429 (5Y)	5.32	0
DS1033 (10Y)	5.69	0

**IRS on the interbank market\*\***

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.49	0	4.55	2	2.38	-5
2L	5.05	1	4.33	0	2.25	-3
3L	4.84	2	4.23	0	2.21	-4
4L	4.79	2	4.17	-2	2.22	-5
5L	4.80	2	4.15	2	2.23	-5
8L	4.91	3	4.10	2	2.27	-4
10L	5.00	3	4.10	0	2.30	-4

**WIBOR rates**

Term	%	Change (bps)
O/N	5.81	13
T/N	5.78	1
SW	5.82	1
1M	5.81	-4
3M	5.84	1
6M	5.83	-1
1Y	5.68	-1

**FRA rates on the interbank market\*\***

Term	%	Change (bps)
1x4	5.82	0
3x6	5.68	4
6x9	5.19	0
9x12	4.85	2
3x9	5.65	4
6x12	5.15	0

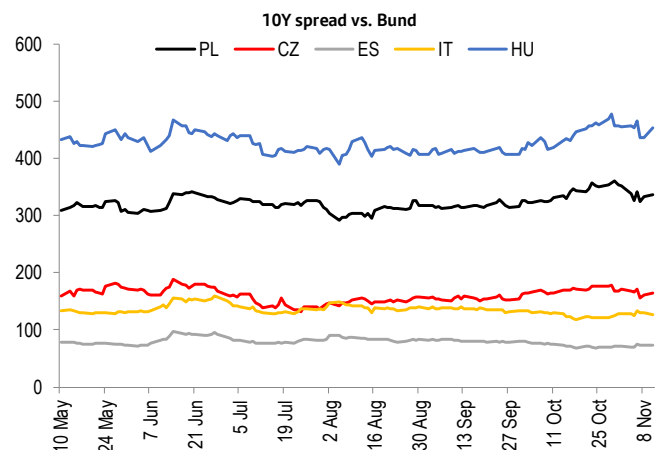
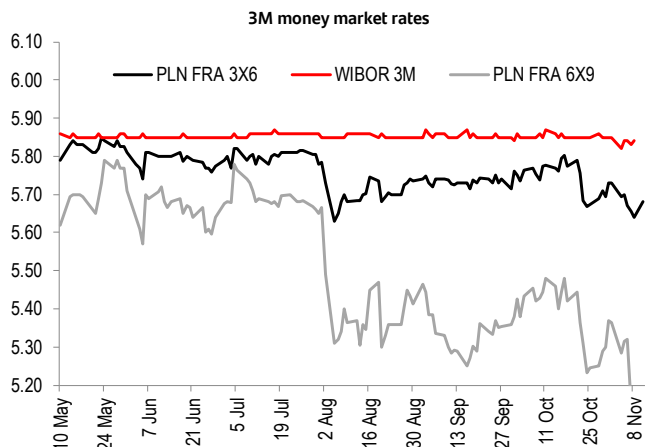
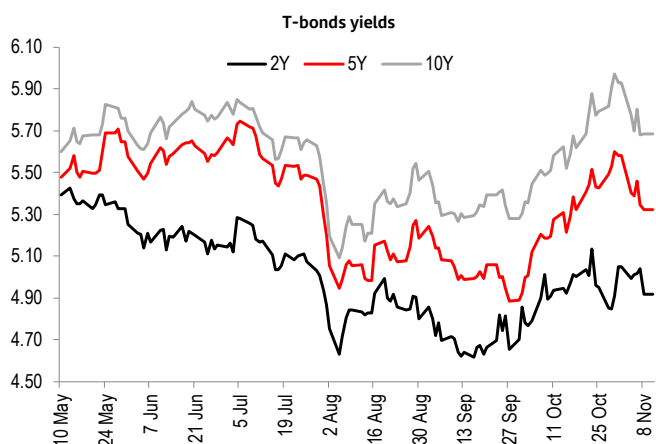
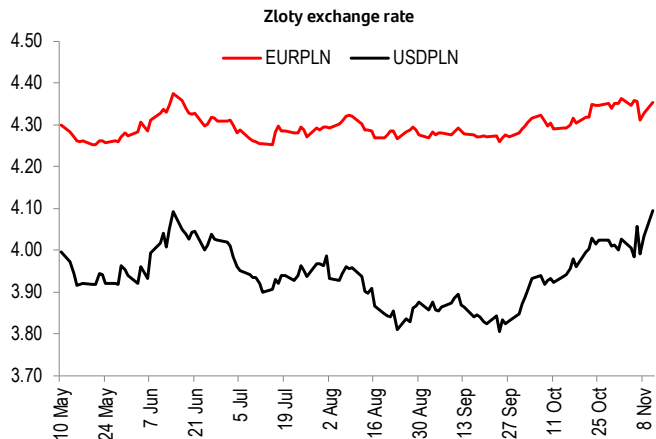
**CDS rates and 10Y yield spread vs. German Bund**

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	65	0	336	4
France	15	0	75	0
Hungary	120	0	453	16
Spain	29	-1	73	-1
Italy	25	-1	127	-3
Portugal	17	0	51	0
Ireland	11	-1	31	0
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		
<b>FRIDAY (8 November)</b>							
	PL	<b>Fitch rating /outlook</b>				<b>A-/stable</b>	<b>A-/stable</b>
	PL	<b>S&amp;P rating / outlook</b>				<b>A-/stable</b>	<b>A-/stable</b>
16:00	US	Michigan index	Nov pts	71.0	-	73.0	70.5
<b>MONDAY (11 November)</b>							
	PL	<b>Holiday</b>					
	US	Holiday					
09:00	CZ	CPI	Oct % y/y	2.8	-	2.8	2.6
<b>TUESDAY (12 November)</b>							
08:00	DE	HICP	Oct % m/m	0.4	-	0,4	0.4
08:30	HU	CPI	Oct % y/y	3.6	-	3,2	3.0
11:00	DE	ZEW Survey Current Situation	Nov pts	-85.0	-	-	-86.9
<b>WEDNESDAY (13 November)</b>							
14:00	PL	<b>Current Account Balance</b>	Sep €mn	-1277	-1721	-	-2827
14:00	PL	<b>Trade Balance</b>	Sep €mn	-1322	-1300	-	-2244
14:00	PL	<b>Exports</b>	Sep €mn	27874	27950	-	24952
14:00	PL	<b>Imports</b>	Sep €mn	28869	29250	-	27196
14:30	US	CPI	Oct % m/m	0.2	-	-	0.2
<b>THURSDAY (14 November)</b>							
10:00	PL	<b>GDP</b>	3Q % y/y	2.9	2.8	-	3.2
11:00	EZ	GDP SA	3Q % y/y	0.9	-	-	1.8
11:00	EZ	Industrial Production SA	Sep % m/m	-1.3	-	-	0.9
14:30	US	Initial Jobless Claims	Nov.24 k	225	-	-	216
<b>FRIDAY (15 November)</b>							
	PL	<b>Central Budget Cumul.</b>	Oct PLN bn	-	-	-	-107.3
10:00	PL	<b>CPI</b>	Oct % y/y	5.0	5.0	-	4.9
14:30	US	Retail Sales Advance	Oct % m/m	0.3	-	-	0.4
15:15	US	Industrial Production	Oct % m/m	-0.2	-	-	-0.3

Source: Santander Bank Polska. Bloomberg. Parkiet

\* in the case of a revision the data is updated

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