

8 January 2025

# Eyeopener

## MPC's Dąbrowski: inflation process is extinguished

Today December ESI indicators, ADP report in the USA, FOMC minutes  
According to MPC's Dąbrowski inflation process is extinguished suggesting a more dovish stance  
Poland's LFS unemployment rate fell in November to 3.0%  
Despite Tuesday's depreciation the zloty is still stronger than in the previous week

**Today**, the Eurostat releases December Economic Sentiment Indicators (ESI) for EU countries, including Poland. The market expects that in the case of the euro area, the indicators will show a stabilization of the economic situation (with the main indicator remaining at its November level of 95.8 pts). In addition, in the USA, there will be the December ADP report, which describes employment changes in the private sector, as well as the minutes from the December meeting of the FOMC. In the morning, we have received very weak data on orders in German industry and retail sales.

**The number of foreigners working in Poland increased in July 2024 to 1,041.6k**, i.e. by 9.0k compared to June (including 2.8k working Ukrainian citizens). The growth rate of the number of foreigners working in Poland was relatively stable: 4.5% y/y, compared to 4.7% y/y in June. The stabilization of the growth rate at a level close to 4% y/y has been taking place since April and came after more than a year of its systematic decline, from 23.5% y/y in January 2023 (i.e. the first month for which the data allow for a year-on-year comparison) to -0.7% y/y in March 2024. In July 2024, the number of people working under an employment contract decreased by 2.2k (+5.3% y/y), while the number of people with a civil law contract increased by 11.2k (+3.3% y/y).

**Ireneusz Dąbrowski of the MPC** wrote on X that inflationary processes are extinguished, and the measure of price growth is temporarily burdened by regulatory and fiscal policy, as indicated by the level of the average annualized inflation rate (excluding April and July) of 2.65%. Dąbrowski's latest commentary seems more dovish than his statements from November and December, in which he estimated that the right time to start interest rate cuts would come in 3Q25, and the conditions for the start of the easing cycle would depend on the pace of disappearance of inflationary processes. These previous statements by Dąbrowski preceded the hawkish pivot of the NBP Governor Adam Glapiński. It is possible that Dąbrowski's milder statement also expresses a broader change of attitude in the MPC.

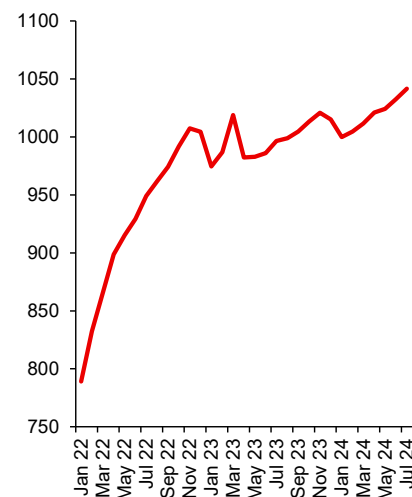
**The unemployment rate in Poland**, measured according to the LFS, fell to 3.0% in November from 3.1% in October, reported the Eurostat. Thus, the unemployment rate in Poland again became the second lowest in the European Union, behind the Czechia and ex aequo with Malta. The annual change in the unemployment rate was zero, compared to +0.1 pp y/y in October. The unemployment rate in the euro zone remained at 6.3%.

**HICP inflation in the euro area rose to 2.4% y/y in December from 2.2% y/y in November**, the highest since July last year, with an increase in the price level by 0.4% m/m. The increase in the annual price growth was largely due to an increase in energy price inflation from -2.0% y/y to +0.1% y/y. Services price inflation rose from 3.9% y/y to 4.0% y/y and non-energy industrial goods inflation decreased from 0.6% y/y to 0.5% y/y.

**For most of Tuesday's session, the Polish zloty was gradually depreciating against the euro**, which cancelled most of its Monday's strengthening and brought the EURPLN exchange rate above 4.26. The depreciation of the Polish currency ran in parallel with the appreciation of the dollar against the euro, which was related, among other things, to the publication of a better-than-expected December reading of the ISM services index (54.1 pts vs. 53.5 pts expectations) and the JOLTS survey, which indicated a higher than expected number of unfilled vacancies in November (8.1 million vs. 7.7 million expected). In contrast to the Polish zloty, the Hungarian forint and the Czech koruna have slightly appreciated against the euro.

**Changes in domestic bond yields and money market rates were limited.** Domestic yields changed by most at the long end of the curve, where they rose by about 5 bp. On the remaining section of the curve, there were increases of 0-1 bp. German bond yields were also only slightly changed, by -1 bp at the short end of the curve and +2 bp at the long end, and US yields rose by 2-5 bp, stronger at the long end of the curve. Changes in domestic IRS rates were negligible. FRA rates fell by 1-2 bp at the short end of the curve. The Ministry of Finance announced that it would offer securities worth PLN6-10bn at Thursday's auction, while according the monthly supply plan released earlier mentioned PLN6-11bn.

### Foreigners performing work in Poland, thousands



Source: GUS, Santander

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## FX market

### Today's opening

EURPLN	4.2624	CZKPLN	0.1696
USDPLN	4.1224	HUFPLN*	1.0145
EURUSD	1.0341	RONPLN	0.8575
CHFPLN	4.5242	NOKPLN	0.3624
GBPPLN	5.1322	DKKPLN	0.5729
USDCNY	7.3315	SEKPLN	0.3703

\*for 100HUF

### Last session in the FX market

07/01/2025

	min	max	open	close	fixing
EURPLN	4.2459	4.2646	4.2501	4.2640	4.2515
USDPLN	4.0734	4.1153	4.0884	4.1129	4.077
EURUSD	1.0354	1.0434	1.0395	1.0368	

## Interest rate market

07/01/2025

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

Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.29	1
DS1029 (5L)	5.56	-4
DS1034 (10L)	6.05	11

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

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.61	1	4.48	2	2.38	0
2L	5.24	-2	4.41	3	2.32	0
3L	5.07	-1	4.41	5	2.32	0
4L	5.03	-1	4.44	8	2.34	1
5L	5.05	0	4.43	7	2.36	1
8L	5.15	0	4.44	8	2.44	3
10L	5.22	0	4.49	8	2.48	4

## WIBOR rates

Term	%	Change (bps)
O/N	5.58	-3
T/N	5.75	0
SW	5.82	-2
1M	5.85	-2
3M	5.84	0
6M	5.80	0
1Y	5.63	0

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

Term	%	Change (bps)
1x4	5.83	1
3x6	5.64	1
6x9	5.37	0
9x12	5.15	2
3x9	5.58	3
6x12	5.31	1

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

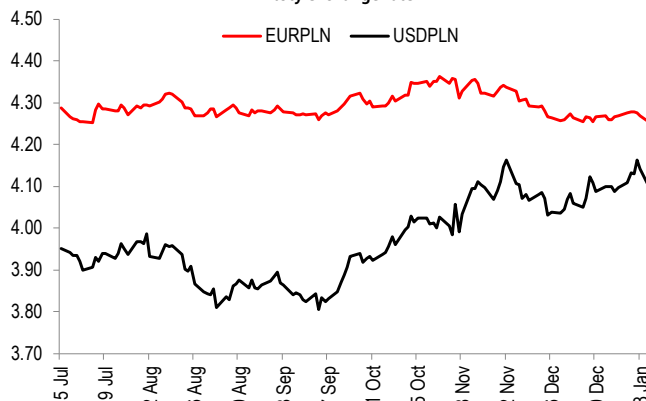
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	69	0	357	8
France	19	0	82	0
Hungary	123	0	437	6
Spain	35	0	67	0
Italy	26	0	115	2
Portugal	19	0	47	0
Ireland	10	0	28	-1
Germany	7	0	-	-

\* 10Y treasury bonds over 10Y Bunds

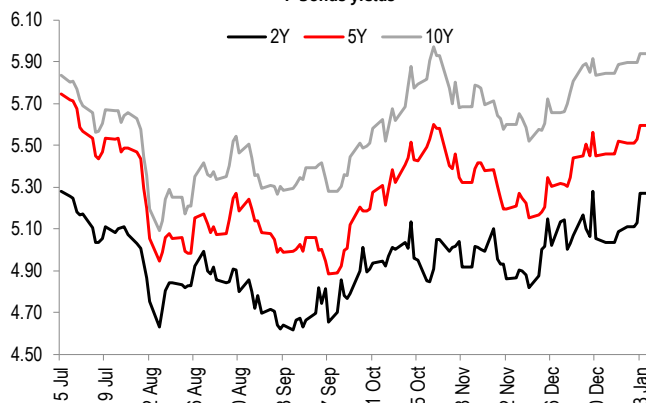
\*\*Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

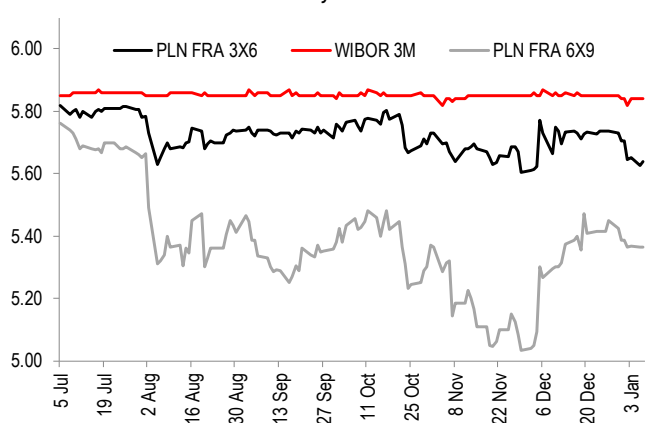
## Zloty exchange rate



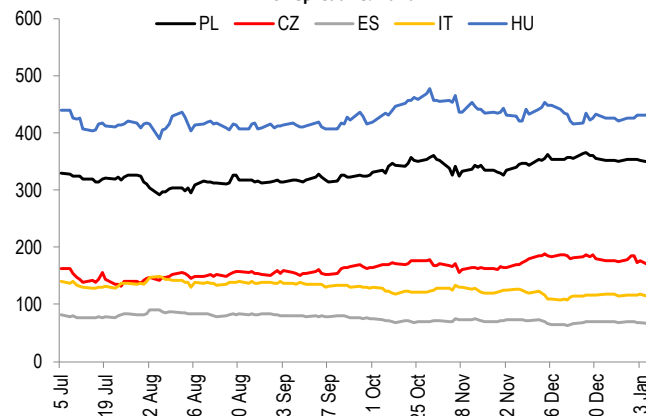
## T-bonds yields



## 3M money market rates



## 10Y spread vs. Bund



## Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL	LAST	
				MARKET	SANTANDER	VALUE	VALUE*	
FRIDAY (3 January)								
09:00	CZ	GDP SA	3Q	% y/y	1.3	-	1.4	0.5
10:00	PL	CPI	Dec	% y/y	4.9	5.0	4.8	4.7
16:00	US	ISM manufacturing	Dec	pts	48.2	-	49.3	48.4
MONDAY (6 January)								
02:45	CN	Caixin China PMI Services	Dec	pts	51.4	-	52.2	51.5
09:55	DE	Markit Germany Services PMI	Dec	pts	51.0	-	51.2	49.3
10:00	EZ	Eurozone Services PMI	Dec	pts	51.4	-	51.6	49.5
14:00	DE	HICP	Dec	% m/m	0.6	-	0.7	-0.7
16:00	US	Durable Goods Orders	Nov	% m/m	-0.3	-	-1.2	-1.1
16:00	US	Factory Orders	Nov	% m/m	-0.3	-	-0.4	0.2
TUESDAY (7 January)								
11:00	EZ	Flash HICP	Dec	% y/y	2.4	-	2.4	2.2
11:00	EZ	Unemployment Rate	Nov	%	6.3	-	6.3	6.3
16:00	US	ISM services	Dec	pts	53.5	-	54.1	52.1
WEDNESDAY (8 January)								
08:00	DE	Factory Orders	Nov	% m/m	0.0	-	-5.4	-1.5
11:00	EZ	ESI	Dec	pct.	95.8	-	-	95.8
14:15	US	ADP report	Dec	k	130	-	-	146
20:00	US	FOMC Meeting Minutes	Dec					
THURSDAY (9 January)								
08:00	DE	Exports SA	Nov	% m/m	1.9	-	-	-2.8
08:00	DE	Industrial Production SA	Nov	% m/m	0.7	-	-	-1.0
08:30	HU	Industrial Production SA	Nov	% y/y	-	-	-	-3.1
09:00	CZ	Industrial Production	Nov	% y/y	-	-	-	-2.1
11:00	EZ	Retail Sales	Nov	% m/m	0.5	-	-	-0.5
14:30	US	Initial Jobless Claims	weekly	k	221	-	-	211
FRIDAY (10 January)								
14:30	US	Change in Nonfarm Payrolls	Dec	k	153	-	-	227
14:30	US	Unemployment Rate	Dec	%	4.2	-	-	4.2
16:00	US	Michigan index	Jan	pts	-	-	-	74.0

Source: Santander Bank Polska, Bloomberg, Parkiet

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

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