

9 January 2025

Eyeopener

Slight improvement in economic sentiment

Today, Sejm to vote on Senate's amendments to the 2025 budget draft
 Poland's ESI rose 0.1 in December, to 99.2 pts.
 Presidential elections scheduled for May 18th, potential second round on June 1st
 Hawkish tone of December's FOMC minutes
 EURPLN bounced up, local yields lower despite increases abroad

Today, we will see November data on retail sales in the euro area and industrial production in Czechia and Hungary. German data on November industrial output and exports published this morning surprised positively, showing increases. The Sejm (the lower house of the Polish parliament) votes today on the Senate's amendments to the 2025 budget bill. According to the Sejm Speaker, if the vote goes smoothly, the budget bill will go to the President on Friday morning.

The presidential election will be held on 18 May, with a possible second round on 1 June, announced the Speaker of the Sejm Szymon Hołownia.

MPC member Ludwik Kotecki said in an interview with Money.pl that **the room for interest rate cuts this year is not large and equals 0.5-1.0 percentage points**. He added that the discussion on cuts may start in March, but this does not mean that rates will be cut immediately. In his view, economic growth will accelerate this year, but not enough to disrupt the inflation's return to the target.

The Economic Sentiment Indicator for Poland rose marginally in December, by 0.1 pts to 99.2 pts.

The increase in the indicator was due to an improvement in the sentiment indicators for the services sector (by 2.0 pts to -2.4 pts, the highest in six months - the same as the sub-index for current and future demand) and the construction sector (by 0.4 pts to -15.9 pts). At the same time, indicators of sentiment in the manufacturing and retail sectors deteriorated (down by 0.1 points to -17.3 and by 0.6 points to -1.7, respectively). The aggregate employment index remained above the neutral 100-point level for the 18th consecutive month, and in manufacturing alone was at its highest level since February last year. The consumer sentiment indicator weakened (by 2.0 pts to -3.2 pts), which was linked, among other things, to worsening expectations for the future financial situation, future opportunities to save and future major purchases. The consumer sentiment indicator has been on a downward trend since mid-2024, when it stood at around 3.5 pts. Nevertheless, the very low unemployment rate, the still high rate of wage growth and the recent positive surprises in retail sales data all work in favour of private consumption. Although the gradual decline in the consumer sentiment indicator has been going on for a while, it cannot, in our view, be viewed as an explanation for the surprisingly weak consumption reading in 3Q24 and does not necessarily indicate that consumption growth remained low also in 4Q24.

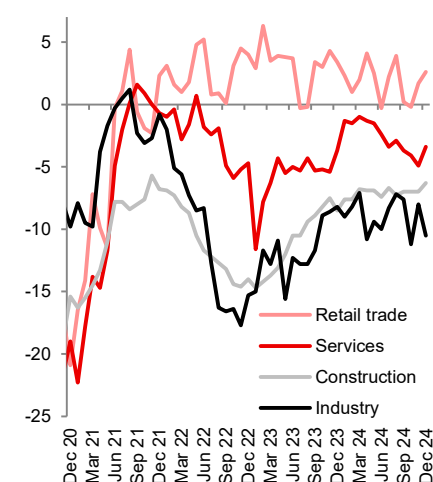
The registered unemployment rate rose to 5.1% in December from 5.0% in November, according to estimates of the Ministry of Family, Labour and Social Policy. Such a change had been expected by both us and the market, though the monthly increase in the number of unemployed (+12.6k, in December 2023 it was +14.8k) turned out to be significantly smaller than we had estimated. However, it is possible that the unemployment rate data from the stats office will round down to 5.0%. We expect the unemployment rate to rise to around 5.4% in 1Q25 due to seasonal factors. Later in the year, the unemployment rate should fall again to around 5%.

Minutes from the December FOMC meeting stressed the need for more cautious approach to monetary policy easing. The document does not reject the possibility of further rate cuts, but suggests their slower delivery in the coming quarters. Almost all participants agreed that the risk of inflation rise increased – the opinion was based on recent data developments but also on the assumed changes in the trade and migration policy of the new US administration.

On Wednesday, the zloty depreciated further against the euro, pushing the EURPLN exchange rate above 4.27. The current level of the exchange rate is close to the upper limit of the relatively narrow band in which it has fluctuated for about a month. Wednesday's depreciation of the Polish currency was fostered by a fall in the EURUSD exchange rate, triggered among other things by CNN reports that President-elect Donald Trump is considering declaring a state of emergency in the US economy, which would allow him to justify the implementation of his announced tariff policy.

Domestic yields and money market rates declined slightly on Wednesday. Yields on domestic two- and five-year bonds fell by around 1 and 3 bp respectively. At the same time, IRS rates slid by around 2 bp across the curve and FRA rates fell by 0-4 bp, more at the long end of the curve. In many developed markets, however, it was a day of marked increases in debt yields. Today will see the first of three bond auctions planned for January.

ESI, Poland, indicators of trends in business activity, pts



Source: EC, Santander

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FX market

Today's opening

EURPLN	4.2758	CZKPLN	0.1696
USDPLN	4.1487	HUFPLN*	1.0206
EURUSD	1.0305	RONPLN	0.8602
CHFPLN	4.5458	NOKPLN	0.3630
GBPPLN	5.1322	DKKPLN	0.5729
USDCNY	7.3317	SEKPLN	0.3712

*for 100HUF

Last session in the FX market

08/01/2025

	min	max	open	close	fixing
EURPLN	4.2617	4.2776	4.2629	4.2731	4.2656
USDPLN	4.1140	4.1610	4.1169	4.1438	4.1335
EURUSD	1.0273	1.0357	1.0354	1.0312	

Interest rate market

08/01/2025

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
PS1026 (2L)	5.15	-14
DS1029 (5L)	5.53	-3
DS1034 (10L)	5.97	-8

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.58	-3	4.46	-1	2.38	0
2L	5.22	-2	4.39	-3	2.33	1
3L	5.04	-3	4.38	-3	2.33	1
4L	5.00	-3	4.42	-3	2.36	2
5L	5.03	-2	4.41	-2	2.38	2
8L	5.12	-3	4.42	-2	2.47	3
10L	5.20	-2	4.47	-2	2.52	4

WIBOR rates

Term	%	Change (bps)
O/N	5.78	20
T/N	5.75	0
SW	5.83	1
1M	5.83	-2
3M	5.81	-3
6M	5.79	-1
1Y	5.63	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.81	-2
3x6	5.63	-1
6x9	5.36	-1
9x12	5.12	-4
3x9	5.57	-1
6x12	5.30	-1

CDS rates and 10Y yield spread vs. German Bund

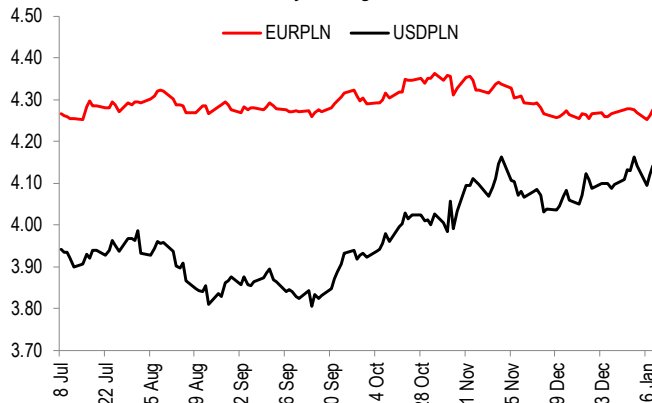
Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	69	0	357	8
France	20	1	82	0
Hungary	123	0	437	6
Spain	35	1	67	0
Italy	26	0	115	2
Portugal	19	0	47	0
Ireland	11	0	28	-1
Germany	8	0	-	-

* 10Y treasury bonds over 10Y Bunds

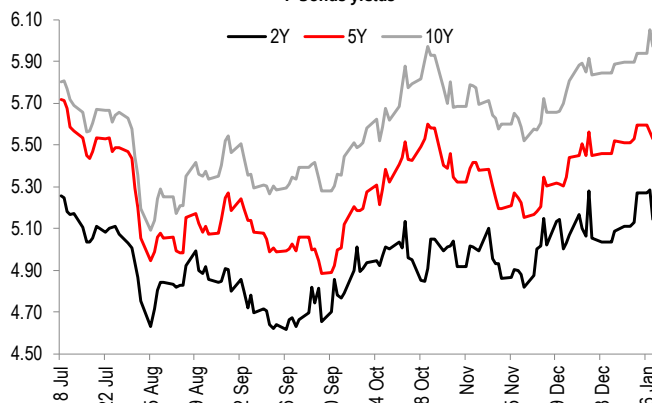
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

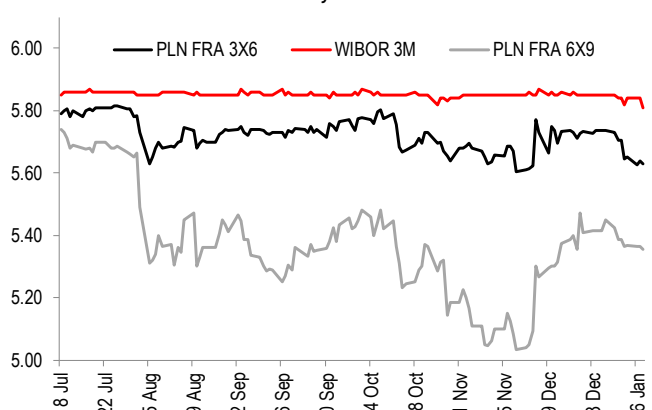
Zloty exchange rate



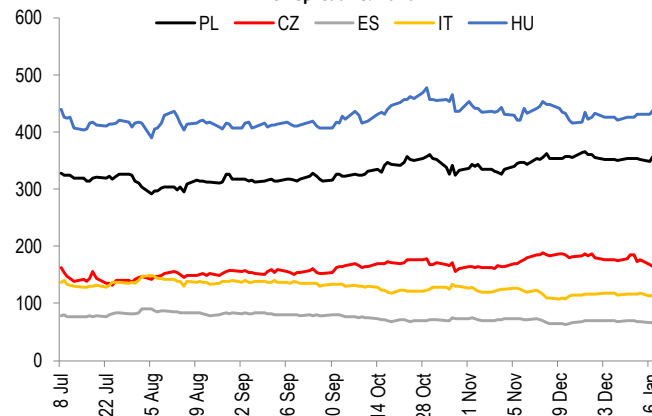
T-bonds yields



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	-	93.7	95.6
14:15	US	ADP report	Dec	k	130	-	122	146
14:30	US	Initial Jobless Claims	weekly	k	215	-	201	211
20:00	US	FOMC Meeting Minutes	Dec					
THURSDAY (9 January)								
08:00	DE	Exports SA	Nov	% m/m	1.9	-	2.1	-2.8
08:00	DE	Industrial Production SA	Nov	% m/m	0.7	-	1.5	-1.0
08:30	HU	Industrial Production SA	Nov	% y/y	-2.1	-	-2.9	-3.1
09:00	CZ	Industrial Production	Nov	% y/y	-	-	-	-2.1
11:00	EZ	Retail Sales	Nov	% m/m	0.5	-	-	-0.5
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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