

Weekly Economic Update

Merry Christmas and Happy New Year!

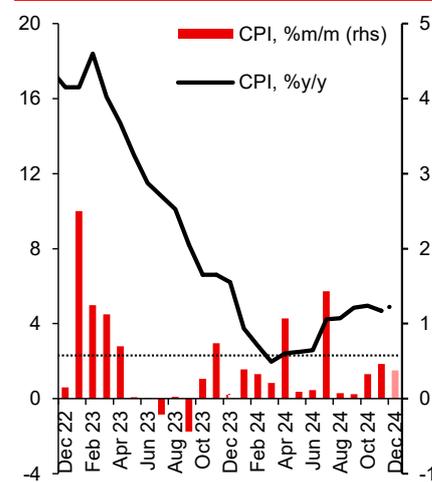
Economy next week

- We are entering a holiday period, when the number of new publications will be very limited, just like the financial markets' activity and liquidity. The local calendar will include data on the **November money supply** and the new GUS's Statistical Bulletin on Monday, and the next important data will be released just after the New Year: **manufacturing PMI on January 2nd, and flash CPI inflation for December on January 3rd**. Abroad the calendar is also relatively light, including data from the US on consumer confidence, home sales, durable goods orders; and at the start of January, preliminary PMI indexes for many countries will be released.
- We expect an **acceleration in the M3 money supply** in November to 8.7% y/y and an increase in loans to 5.7% y/y. In our opinion, the **PMI in Polish manufacturing may rise above 49 pts again, and CPI inflation should rebound to 5.0% y/y in December**, as a result of the expiration of the one-off high base effect from November, with the persistence of food and services prices.
- Unfortunately, the calm atmosphere on the financial markets may be spoiled by the risk of **the US government shutdown**, which may intensify just after the weekend if the US Congress does not manage to work out a solution, raising the spending and debt limits. A proposal for a provisional budget to solve this problem has just been rejected by the House of Representatives. So far, the Americans have usually managed to reach an agreement at the very last minute, narrowly avoiding the paralysis of the administration, and we assume that this time the same will happen.

Markets next week

- Despite theoretically unfavourable environment for EM currencies (increasingly strong dollar, hawkish FOMC statement), the zloty has performed surprisingly well in recent weeks. We still think that in the coming weeks **the EURPLN is more likely to go up than down from the current 4.25-4.26 levels**. A strong zloty is clearly not to the liking of the Polish government, which was recently signalled by the Minister of Finance, and this is completely understandable in the context of higher nominal GDP growth desired by the Ministry of Finance. We assume stabilisation on the FX market in the coming days.
- Bond yields, the swap curve and FRA rates have all moved higher in recent days, as we had expected, driven by both better domestic data and a more hawkish than expected message from the ECB and the Fed, which weakened the core debt markets. In our opinion, **the beginning of 2025 will be a period of still elevated bond yields**, but we assume a stabilisation in the last days of this year.
- A risk factor for the currency and bond markets is the possible increase in uncertainty in global markets, related to the US government shutdown if the Congress fails to find a solution in time. Amidst limited liquidity, this could be an impulse for a temporary weakening of the zloty and an increase in yields.

CPI inflation, %

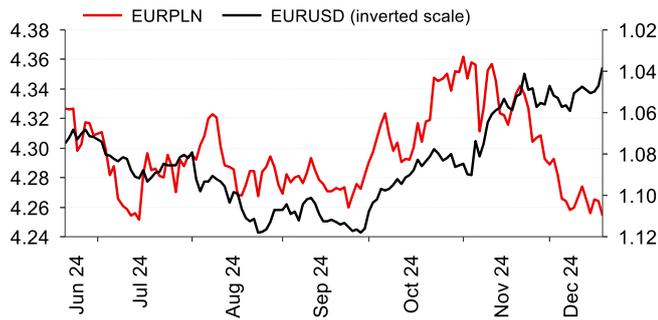


Source: GUS, Santander

Economic Analysis Department:

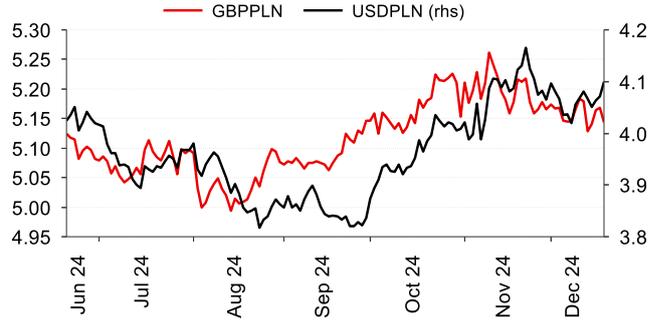
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EURPLN and EURUSD



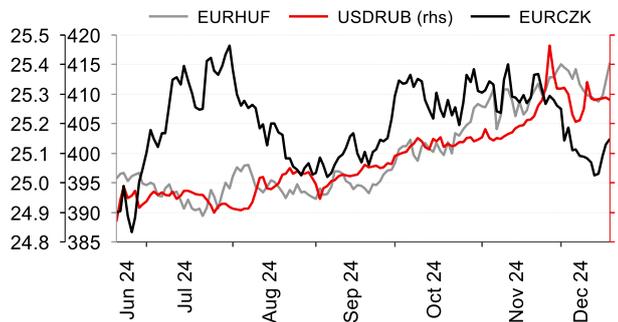
Source: LSEG Datastream, Santander

GBPPLN and USDPLN



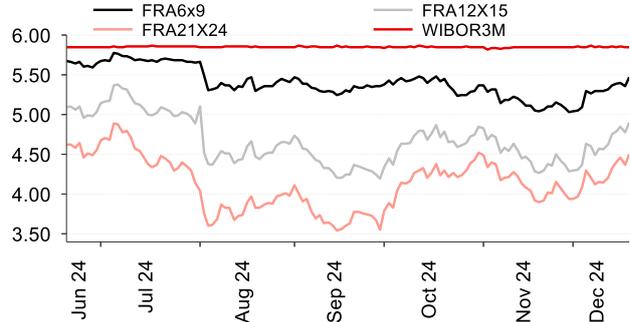
Source: LSEG Datastream, Santander Bank Polska

EURCZK, EURHUF and USDRUB



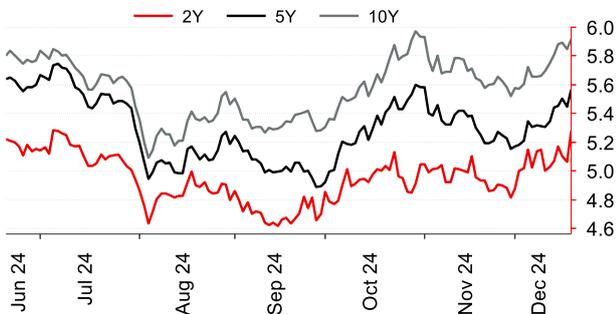
Source: LSEG Datastream, Santander Bank Polska

PLN FRA and WIBOR3M



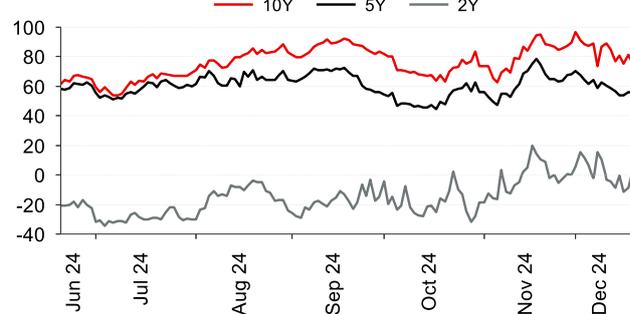
Source: LSEG Datastream, Santander Bank Polska

Polish bond yields



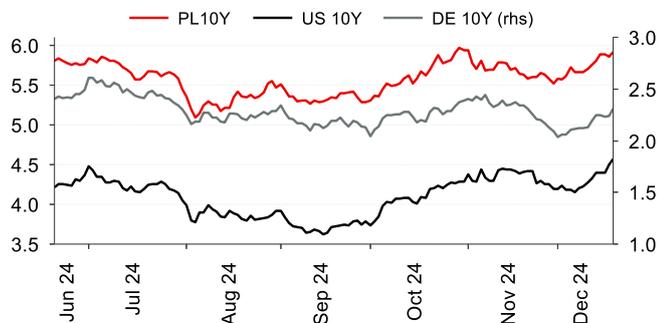
Source: LSEG Datastream, Santander Bank Polska

Asset swap spreads



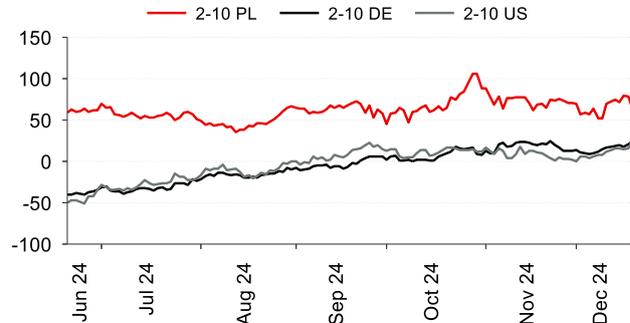
Source: LSEG Datastream, Santander Bank Polska

10Y bond yields



Source: LSEG Datastream, Santander

Steepness of yield curves



Source: LSEG Datastream, Santander Bank Polska

Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		LAST VALUE	
				MARKET	SANTANDER		
MONDAY (23 December)							
10:00	PL	Unemployment Rate	Nov	%	5.0	5.0	4.9
14:00	PL	Money Supply M3	Nov	% y/y	8.5	8.7	7.8
16:00	US	Consumer Conference Board	Dec	pts	113.0	-	111.7
TUESDAY (24 December)							
14:30	US	Durable Goods Orders	Nov	% m/m	-0.3	-	0.3
16:00	US	New Home Sales	Nov	% m/m	9.0	-	-17.3
WEDNESDAY (25 December)							
	PL	Holiday					
THURSDAY (26 December)							
	PL	Holiday					
14:30	US	Initial Jobless Claims	Dec.24	k	230	-	220
FRIDAY (27 December)							
No key data releases or events							
MONDAY (30 December)							
16:00	US	Pending Home Sales	Nov	% m/m	0.8	-	2.0
TUESDAY (31 December)							
No key data releases or events							
WEDNESDAY (1 January)							
	PL	Holiday					
THURSDAY (2 January)							
09:00	PL	Poland Manufacturing PMI	Dec	pts	48.6	49.5	48.9
09:55	DE	Germany Manufacturing PMI	Dec	pts	42.5	-	43.0
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	45.2	-	45.2
FRIDAY (3 January)							
09:00	CZ	GDP SA	3Q	% y/y	1.3	-	0.5
10:00	PL	CPI	Dec	% y/y	4.9	5.0	4.7
16:00	US	ISM manufacturing	Dec	pts	48.5	-	48.4

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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