12 January 2026

Eyeopener

GG deficit at 7% of GDP after 3Q25

No key economic data today
Registered unemployment rate at 5.7% in December, in line with expectations
General government deficit at 7.0% of GDP at 3Q25
Saving rate up to 9.4% in 3Q25
FX and FI markets did not record marked changes before the weekend

Today, we do not expect any new economic data, only the morning release of industrial output figures from Hungary.

According to preliminary data from the Ministry of Family, Labour and Social Policy, the registered unemployment rate in December rose by 0.1pp to 5.7%, in line with our and market forecasts. The number of unemployed increased by 15k m/m, which is primarily seasonal (in December 2024 the change was 12k). Data on job offers at labour offices remain weak – only 20.3k were reported, 66.2% fewer than a year earlier. We expect the unemployment rate to remain broadly stable in 2026, although due to seasonality in the first months of the new year, it may temporarily rise slightly.

Data on non-financial accounts showed that in 3Q25 the public finance sector deficit amounted to PLN58.4bn, which over four quarters totals PLN267.1bn, equivalent to 7.0% of GDP. According to the government's fiscal notification, the deficit for the whole of 2025 is expected to reach PLN271bn (7.0% of GDP), which is possible provided the 4Q deficit does not exceed PLN124bn (in the same period of 2024 it was PLN118.3bn).

The Sejm has completed work on the 2026 budget act after Senate amendments. The act now goes to the President, who has 7 days to sign it or refer it to the Constitutional Tribunal (the budget act cannot be vetoed). The main parameters of the act have not changed compared to the draft, which we described extensively in our Comment. The budget deficit is set at PLN271.7bn, revenues at PLN647.2bn and expenditures at PLN918.9bn.

In the household sector, disposable income rose nominally by 8.3% y/y compared to 12.2% y/y in 2Q, above our assumptions (7.4% y/y). The slowdown in growth was mainly due to a smaller contribution from property income, although all types of income and transfers slowed in 3Q. Household consumption rose nominally by 6.4% y/y (previously 8.7% y/y), which translates into a further increase in the savings rate, which on a four-quarter average rose to 9.4% from 8.9%. Falling interest rates and gradually declining income growth should in 2026 be reflected in a reversal of the trend, i.e., an increasingly lower savings rate, which will support private consumption growth in the economy, leading to stable growth of around 3.5% y/y.

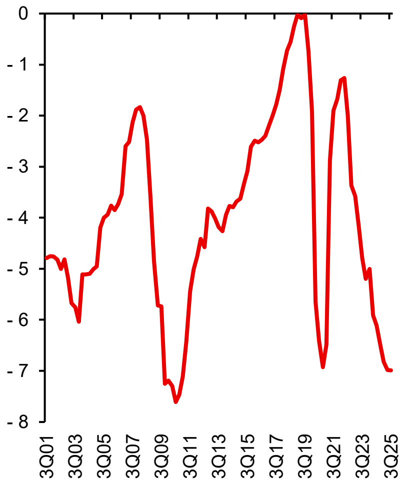
The FAO food price index stood at 124.3pts in December, down by 0.8pts compared to November. Dairy, meat and vegetable oil price indices fell, while cereal and sugar price indices rose. The FAO price index was 2.3% lower than in December 2024, after a 2.0% decline a month earlier. However, after adjusting for changes in the USDPLN exchange rate, the growth rate of the FAO index expressed in PLN fell from -11.9% to -13.6% y/y, which should favour a further decline in domestic food price inflation.

Long-awaited US labour market data again delivered mixed results, with weak employment growth alongside a falling unemployment rate. Non-farm payrolls rose by 50k in December (market expected +70k), while data for the previous two months were revised sharply down (by a total of 76k). Meanwhile, the unemployment rate surprised on the downside, coming in at 4.4% in December versus 4.5% (revised down from 4.6%) in November. Among other economic data, housing starts in October fell by 4.6% m/m, although the market consensus expected a 1.8% increase after an 8.5% decline a month earlier. Preliminary January consumer sentiment survey results according to the Michigan index indicated a slight improvement in line with market expectations – from 52.9pts to 54.0pts.

The end of the week brought no significant changes in the FX market. The zloty has shown great stability against the euro since the start of the year – EURPLN is oscillating in a narrow range around 4.21, while slightly weakening against the dollar following its global strengthening. We assume a similar situation will persist next week, with a slight bias towards PLN weakening due to geopolitical tensions and a possible (though not anticipated by us) interest rate cut by the MPC. The Hungarian forint weakened slightly, with EURHUF reaching 385.7 by the end of Friday's session. EURCZK, after a brief rise, remained around 24.3. The EURUSD pair initially did not react significantly to the inflow of new data, although by the end of the day the dollar strengthened slightly against the euro by about 0.15%.

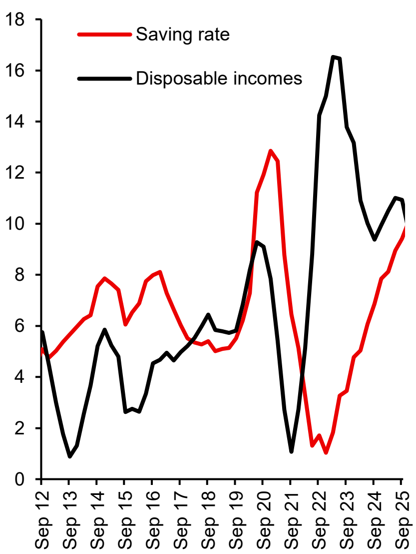
Polish government bond yields were stable on Friday, with a minimal decline of 1bp across the curve. Other interest rates changed slightly more – IRS and FRA rose by 2–3bp. Yields in core markets remained almost unchanged. On Friday, the Ministry of Finance conducted a bond auction: PLN12.0bn worth of government securities were sold, with much higher demand (PLN22.3bn). The level of pre-financing of the 2026 budget borrowing needs currently stands at around 21% according to MF estimates. Our scenario for the debt market this week is stabilisation, partly due to our expectations of no NBP rate cut in January and elevated geopolitical risk.

General government deficit (4 quarters sum), % GDP



Source: GUS, Santander

Saving rate vs disposable incomes acc. to national accounts, 4-quarter rolling sum, % y/y



Source: GUS, Santander

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FX market

Today's opening

EURPLN	4.2105	CZKPLN	0.1721
USDPLN	3.6069	HUFPLN*	1.0806
EURUSD	1.1675	RONPLN	0.8276
CHFPLN	4.5194	NOKPLN	0.3583
GBPPLN	4.8519	DKKPLN	0.5625
USDCNY	6.9743	SEKPLN	0.3930

*for 100HUF

Last session in the FX market **09/01/2026**

	min	max	open	close	fixing
EURPLN	4.2085	4.2160	4.2113	4.2113	4.2127
USDPLN	3.6085	3.6255	3.6151	3.6202	3.6184
EURUSD	1.1617	1.1660	1.1650	1.1633	

Interest rate market **09/01/2026**

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0128 (2L)	3.72	4
PS0131 (5L)	4.57	0
DS1035 (10L)	5.14	-1

IRS on the interbank market**

Term	PL %	PL Change (bps)	US %	US Change (bps)	EZ %	EZ Change (bps)
1L	3.63	2	3.76	4	2.18	2
2L	3.59	1	3.64	4	2.26	2
3L	3.63	2	3.65	3	2.36	2
4L	3.71	2	3.67	2	2.46	2
5L	3.79	2	3.72	1	2.55	3
8L	4.04	2	3.91	0	2.77	1
10L	4.20	1	4.03	-2	2.88	-1

WIBOR rates

Term	%	Change (bps)
O/N	4.11	31
SW	3.99	-2
1M	4.03	0
3M	3.95	1
6M	3.85	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	3.79	-1
3x6	3.58	0
6x9	3.43	2
9x12	3.39	2
3x9	3.54	0
6x12	3.43	2

CDS rates and 10Y yield spread vs. German Bund

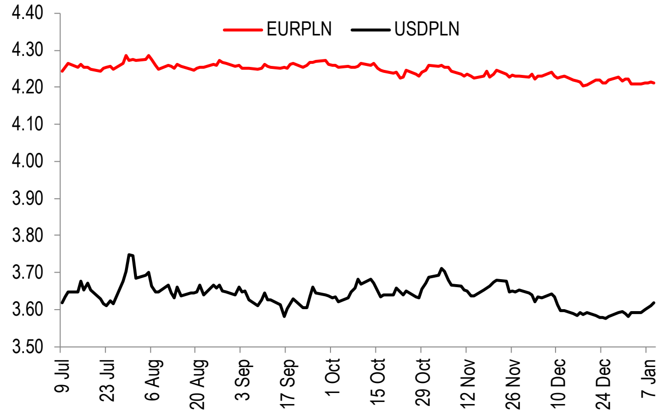
Country	CDS 5Y USD Level	CDS 5Y USD Change (bps)	10Y spread* Level	10Y spread* Change (bps)
Poland	60	0	233	-1
France	14	0	71	-1
Hungary	109	0	395	-2
Spain	19	0	43	-1
Italy	12	0	65	-2
Portugal	8	0	29	-1
Ireland	9	0	17	-1
Germany	3	0	-	-

* 10Y treasury bonds over 10Y Bunds

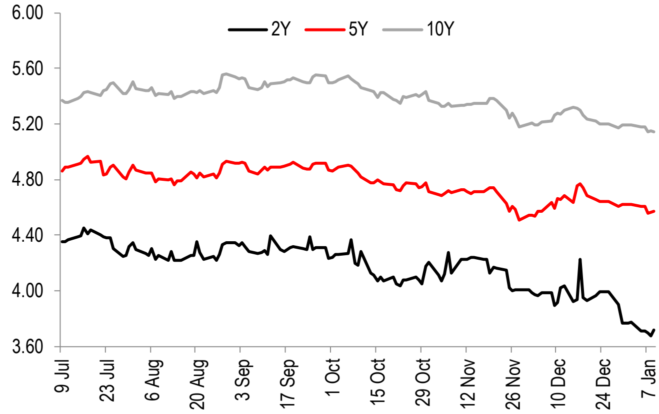
**Information shows bid levels on the interbank market at the end of the trading day

Source: LSEG, Datastream

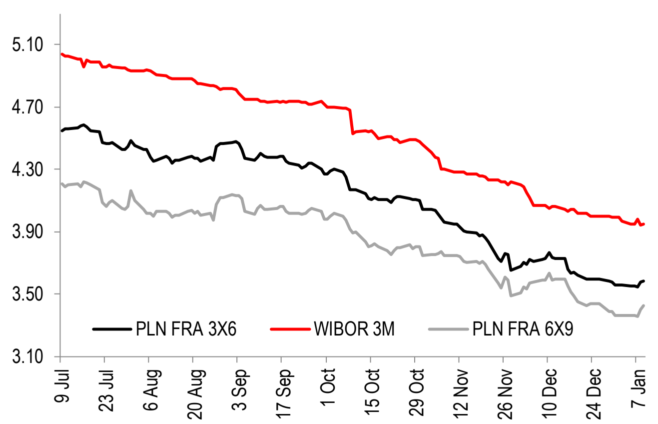
Zloty exchange rate



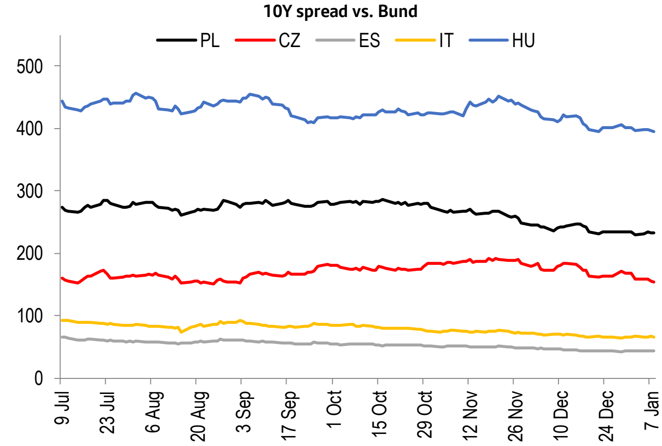
T-bonds yields



3M money market rates



10Y spread vs. Bund



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	FORECAST SANTANDER	ACTUAL VALUE	LAST VALUE*
		FRIDAY (9 January)						
08:00	DE	Exports SA	Nov	% m/m	-0.2		-2.5	0.1
08:00	DE	Industrial Production SA	Nov	% m/m	-0.7		0.8	1.8
11:00	EZ	Retail Sales	Nov	% m/m	0.1		0.2	0.0
14:30	US	Change in Nonfarm Payrolls	Dec	k	70		50	56
14:30	US	Housing Starts	Oct	% m/m	1.8		-4.6	-8.5
14:30	US	Unemployment Rate	Dec	%	4.5		4.4	4.6
16:00	US	Michigan index	Jan	pts	53.5		54.0	52.9
		MONDAY (12 January)						
08:30	HU	Industrial Production SA	Nov	% y/y	-2.3		-	-2.7
		TUESDAY (13 January)						
08:30	HU	CPI	Dec	% y/y	3.3		-	3.8
09:00	CZ	CPI	Dec	% y/y	2.1		-	2.1
14:00	**PL**	**Current Account Balance**	**Nov**	**€mn**	**878**	**31.5**	-	**1924**
14:00	**PL**	**Trade Balance**	**Nov**	**€mn**	**-500**	**-1298**	-	**553**
14:00	**PL**	**Exports**	**Nov**	**€mn**	**29711**	**29329**	-	**32361**
14:00	**PL**	**Imports**	**Nov**	**€mn**	**30207**	**30627**	-	**31808**
14:30	US	CPI	Dec	% m/m	0.3		-	0.3
16:00	US	New Home Sales	Oct	% m/m	-10.8		-	20.5
		WEDNESDAY (14 January)						
	PL	**MPC decision**		**%**	**4.0**	**4.0**	**-**	**4.0**
14:30	US	Retail Sales Advance	Nov	% m/m	0.4		-	0.0
16:00	US	Existing Home Sales	Dec	% m/m	2.4		-	0.5
		THURSDAY (15 January)						
10:00	**PL**	**CPI**	**Dec**	**% y/y**	**2.4**	**2.4**	**-**	**2.4**
11:00	EZ	Industrial Production SA	Nov	% m/m	0.0		-	0.8
14:30	US	Initial Jobless Claims	week	k	212		-	208
		FRIDAY (16 January)						
08:00	DE	HICP	Dec	% m/m	0.2		-	0.2
14:00	**PL**	**CPI Core**	**Dec**	**% y/y**	**2.8**	**2.8**	**-**	**2.7**
15:15	US	Industrial Production	Dec	% m/m	0.2		-	0.2

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg
** in the case of a revision the data is updated*