

# Weekly Economic Update

## Data for December, budget on the President's desk

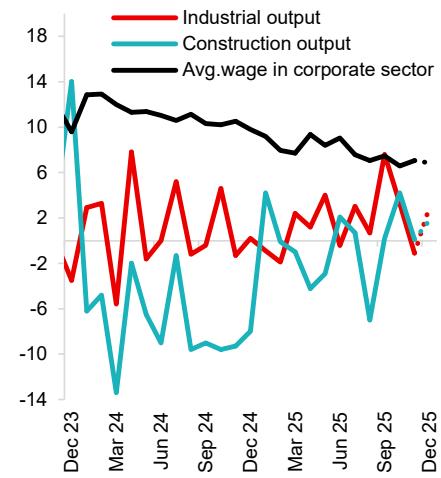
### Economy next week

- The first month of the new year did not bring another interest rate cut, but comments from MPC members suggest that there is still room to ease monetary policy further. Ludwik Kotecki hinted that the next move could come sooner (February) than we currently assume (March), while Henryk Wnorowski suggested that the key rate may end the year lower than we currently forecast (3.5%). Governor Gąpiński also abandoned pointing to 4% as the "perfect" target level, this time mentioning 3.5%. **We hope for further MPC commentary this week**, including the first media appearance of the new voting member, Marcin Zarzecki.
- Future decisions will depend, among other things, on wage developments and economic activity. In the coming days we will learn **December wage growth in the enterprise sector** – after November's 7.1% y/y, a result close to 6.9%, i.e. our forecast and the market consensus (7.0%), would likely support delaying the next cut. The slight annual decline in employment likely continued; our expected -0.7% y/y would be the best reading since December 2024. Although this was the first December with Christmas Eve as a public holiday, it should not, in our view, produce weak **readings of industrial output and construction-assembly output**. Quite the opposite – we expect them to offset the m/m decline seen in November in seasonally adjusted data. Our forecasts are 2.9% y/y for industry (not the highest reading of the past year, but clearly above the 1.6% average) and 1.8% y/y for construction (where the 2025 average was slightly negative). For **PPI inflation**, we expect – in line with the market – that it will remain below -2% y/y.
- Abroad, the key data for markets appear to be the US November PCE inflation (Thursday), China's 4Q GDP result (Monday), and the preliminary January PMIs (Friday). On Friday, the Bank of Japan decides on rates, at a time when markets are pondering whether the next hike will come in spring or mid-year. On Monday, US markets are closed due to a holiday.
- The **World Economic Forum in Davos** runs from Monday to Friday. On Wednesday, Donald Trump is expected to present his vision for managing international relations.
- President Karol Nawrocki has until Tuesday to sign the 2026 budget act.** This is the only act the President cannot veto, but he can refer it to the Constitutional Tribunal without signing it. In such a scenario, the government would run public finances on the basis of the draft budget originally submitted to Parliament (without adopted amendments), which – according to the finance minister – would also imply freezing wage increases in the public sector.

### Markets next week

- EURPLN held within a very narrow band around 4.21 until Friday morning, after which it broke higher towards 4.226. Apparently, the first post-meeting comments from MPC members – fairly dovish in tone – captured investors' imagination. We assume that the rise in the exchange rate will not be lasting, and incoming domestic **data should rather help EURPLN return to its earlier narrow trading range**. This view is subject to the condition that geopolitical risks (currently numerous: Venezuela, Greenland, Iran, Russia) do not escalate.
- The local rates market's **renewed enthusiasm for pricing in further rate cuts should gradually fade**. Both domestic data and potentially the President's communication on the budget should support stabilising the market or even reversing the recent declines in yields. A more distant risk is the ongoing rise in Japanese government bond yields (the 10-year paper has increased by 50bp in yield since early November) given the large chunk of Polish debt held by Japanese investors.

### CEE region, % y/y



The values for December 2025 are Santander Bank Polska forecasts

Source: GUS, Santander

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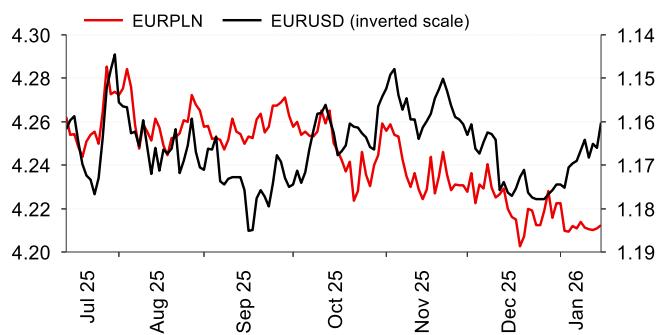
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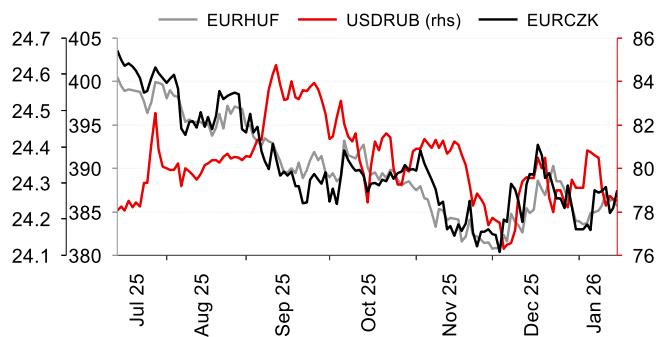
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**EURPLN and EURUSD**



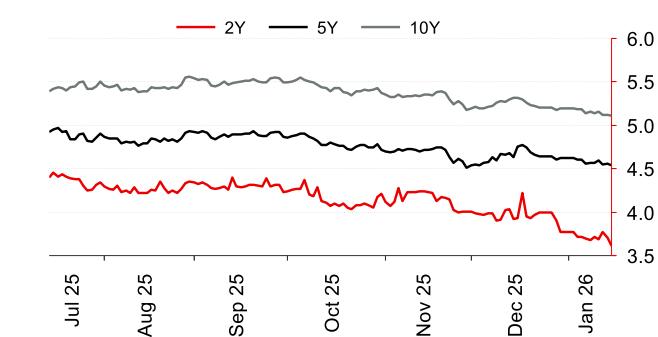
Source: LSEG Datastream, Santander

**EURCZK, EURHUF and USDRUB**



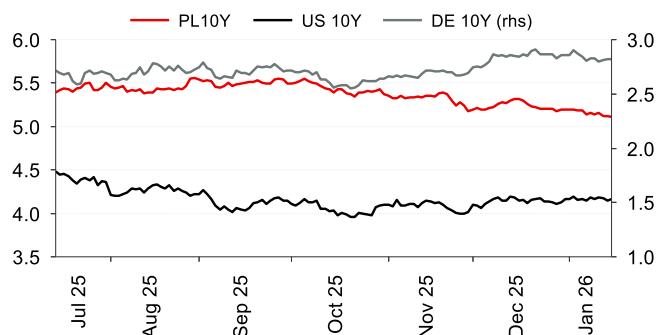
Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



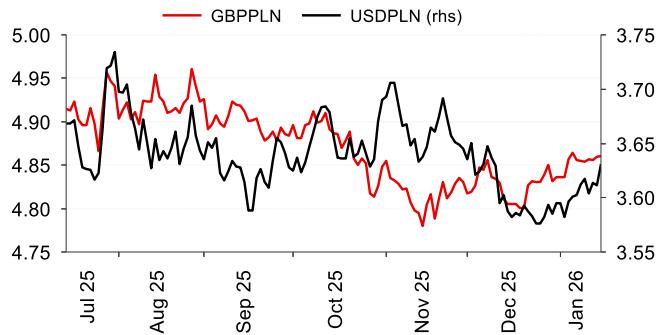
Source: LSEG Datastream, Santander Bank Polska

**10Y bond yields**



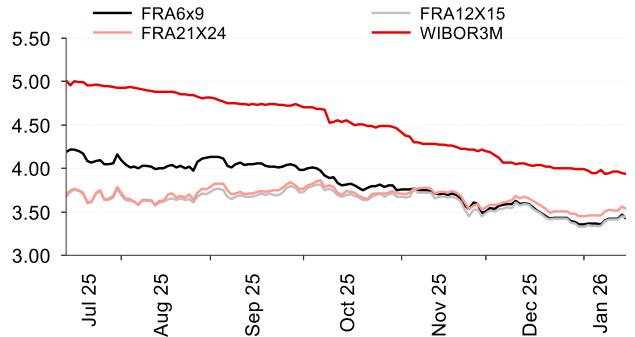
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



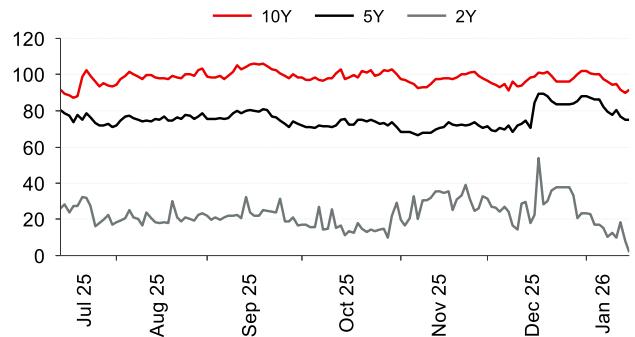
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



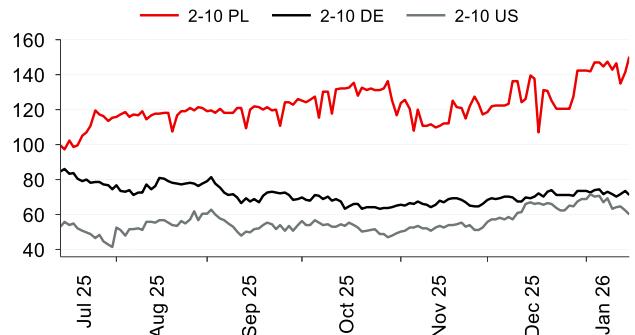
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



Source: LSEG Datastream, Santander Bank Polska

**Steepness of yield curves**



Source: LSEG Datastream, Santander Bank Polska

### Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST MARKET	FORECAST SANTANDER	LAST VALUE
<b>MONDAY (19 January)</b>						
11:00	EZ	HICP	Dec	% y/y	2.0	- 2.1
<b>TUESDAY (20 January)</b>						
11:00	DE	ZEW Survey Current Situation	Jan	pts	-75.0	- -81.0
<b>WEDNESDAY (21 January)</b>						
16:00	US	Pending Home Sales	Dec	% m/m	-	- 3.26
<b>THURSDAY (22 January)</b>						
10:00	PL	Average Gross Wages	Dec	% y/y	7.0	6.9 7.1
10:00	PL	Employment in corporate sector	Dec	% y/y	-0.7	-0.7 -0.8
10:00	PL	Sold Industrial Output	Dec	% y/y	3.15	2.9 -1.1
10:00	PL	Construction Output	Dec	% y/y	-1.0	1.8 0.1
10:00	PL	PPI	Dec	% y/y	-2.2	-2.1 -2.4
14:30	US	GDP Annualized	3Q	% Q/Q	4.3	- 3.8
14:30	US	Initial Jobless Claims	week	k	215	- 198
14:30	US	Personal Spending	Nov	% m/m	0.5	- 0.4
14:30	US	Personal Income	Nov	% m/m	0.4	- 0.4
14:30	US	PCE Deflator SA	Nov	% m/m	0.2	- 0.3
<b>FRIDAY (23 January)</b>						
09:30	DE	Germany Manufacturing PMI	Jan	pts	47.6	- 47.0
09:30	DE	Markit Germany Services PMI	Jan	pts	52.5	- 52.7
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	49.2	- 48.8
10:00	EZ	Eurozone Services PMI	Jan	pts	52.6	- 52.4
16:00	US	Michigan index	Jan	pts	54.0	- 52.9

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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