

# Weekly Economic Update

## Trading places

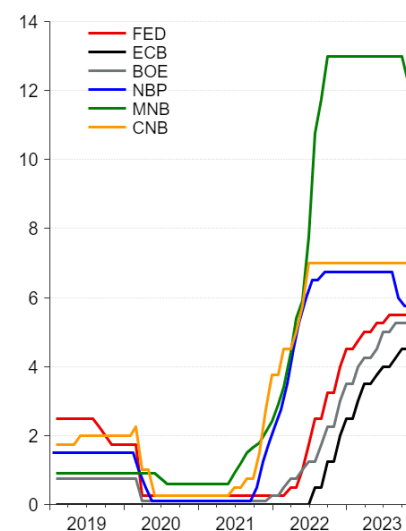
### Economy next week

- The next week will be dominated by two themes: in Poland, the replacement of the governing team; abroad, central bank decisions.
- On Monday at 10:00CET, PM Mateusz Morawiecki is expected to deliver an expose in the Sejm, after which a vote of confidence is scheduled. If - as expected - the vote fails, the Sejm is expected to move on to the next step in the constitutional procedure the same evening and elect a new prime minister. Most likely Donald Tusk, representing the majority coalition formed by KO-TD-Left. **The new PM's expose and a vote of confidence in the new coalition government are scheduled for Tuesday.** After the approval is granted, the President of Poland will appoint the elected Council of Ministers - information from the President's office indicates that this step will not take place until Wednesday, 13 December.
- Donald Tusk's expose may contain new hints about the new government's economic and fiscal plans. He has already assured today that next year's budget will definitely include funds for the payment of the 800+ child benefit and for a 30% pay rise for teachers from January. He also declared that an increase in the PIT free amount would definitely not take place in the first 100 days of the government and announced a review and verification of recent decisions of the current government. Finance Minister-designate Andrzej Domanski is to review what is feasible to be included in the 2024 budget after taking office.
- The EU summit starts in Brussels on Thursday 14 December and is likely to already be attended by the new PM.
- **Domestic data releases next week include the October balance of payments (Thursday) and final inflation data (Friday).** We expect (as does the consensus) a sizable current account surplus, driven mainly by a seasonal improvement in the income balance, but also some improvement in exports. CPI data is likely to confirm the preliminary reading of 6.5% and reveal what exactly was behind the reduction in core inflation.
- Abroad, there will be, among other things, inflation indicators in selected countries and, later in the week, preliminary December PMIs.
- **Wednesday sees the FOMC meeting, Thursday the ECB, SNB and BOE.** In each case, interest rates are expected to remain unchanged. The market will focus on the central banks' announcements and updated projections, looking for confirmation of the recently increased expectations of an early start to interest rate cut cycles.

### Markets next week

- The post-election wave of appreciation that made the zloty one of the strongest currencies of the emerging economies in recent weeks has lost momentum. The region's currencies lost a little more, including especially the forint, which was consistent with our expectations for the week. **We assume that there is still a slight potential for the zloty to strengthen** and the impetus for this could be, in addition to the data on the high current account surplus in October, the formal appointment of a new government in the coming week and a new opening in relations with Brussels. However, the optimism associated with the change of government is, in our view, to large extent already priced in. The EURPLN exchange rate is quite close to the export profitability rate, which reduces the room for appreciation and opens the way for more frequent weakening corrections. This week's potential for zloty strengthening could be limited by the Fed chairman's less dovish comments, or by a renewed strengthening of the yen in anticipation of a change in Bank of Japan policy.
- The debt markets have recently been dominated by declines in yields, with many data or statements by central bankers being received in a very dovish manner. The fall in inflation has been accompanied by falls in real rates. When many market participants are already trying to position themselves for rate cuts by the major banks next year, we assume that the timing of cuts by the Fed or ECB will, however, be more distant than the market is pricing in. **This week's upward adjustment in rates could potentially be triggered again by less dovish statements from the Fed chairman, cooling expectations of rapid cuts, especially after the stronger-than-expected US employment data.** Locally, the market will await information from the new government on its fiscal plans. Possible signals that the budget deficit and borrowing needs may be larger than anticipated could deter further bond appreciation. Even more constraining on further debt appreciation could be the standard bond auction on Tuesday, which, with no maturities this month, implies a sizable net issuance. In addition, we still assume no rate cuts in Poland until the second half of the year.

### Policy rates of selected central banks, %x

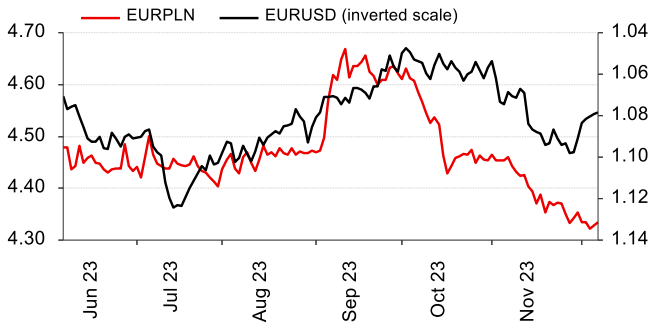


Source: LSEG Datastream, Santander

### Economic Analysis Department:

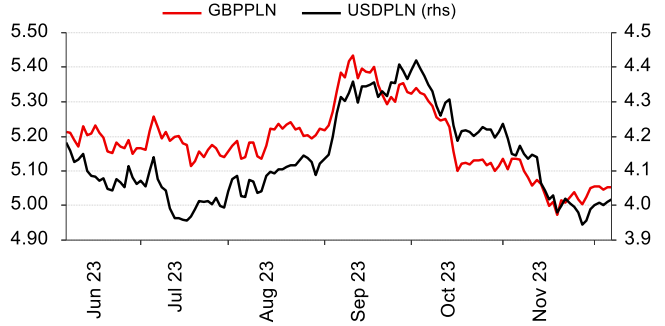
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**EURPLN and EURUSD**



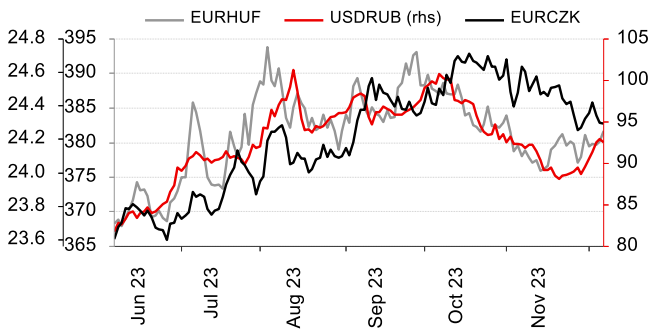
Source: LSEG Datastream, Santander

**GBPPLN and USDPLN**



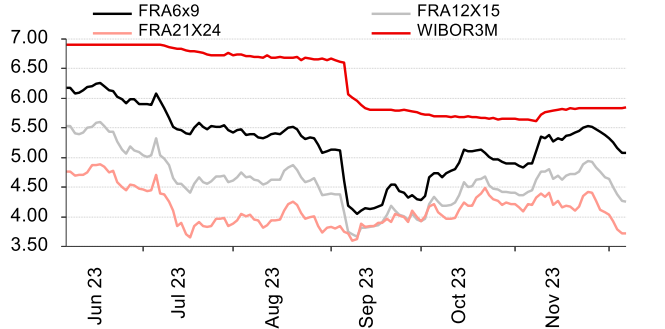
Source: LSEG Datastream, Santander Bank Polska

**EURCZK, EURHUF and USDRUB**



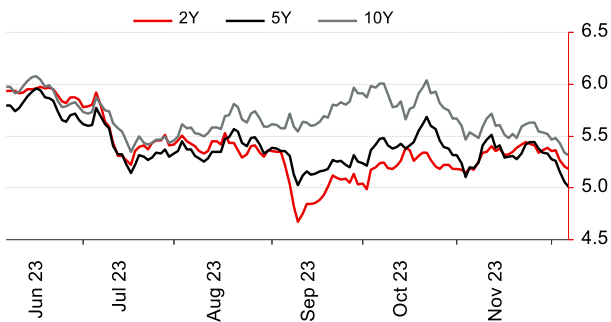
Source: LSEG Datastream, Santander Bank Polska

**PLN FRA and WIBOR3M**



Source: LSEG Datastream, Santander Bank Polska

**Polish bond yields**



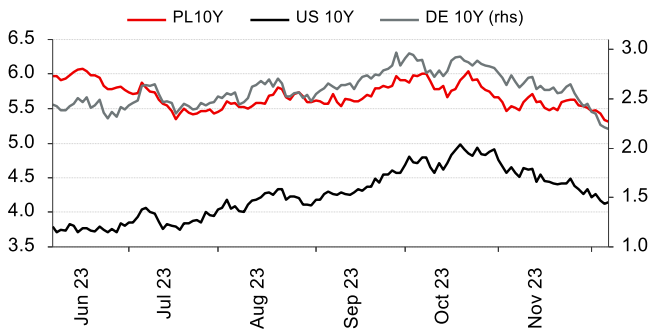
Source: LSEG Datastream, Santander Bank Polska

**Asset swap spreads**



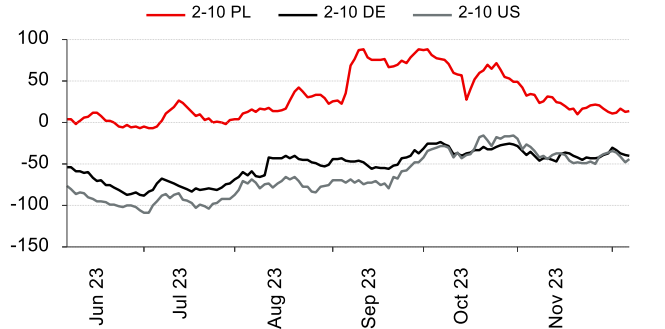
Source: LSEG Datastream, Santander Bank Polska

**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		
<b>MONDAY (11 December)</b>							
09:00	CZ	CPI	Nov	% y/y	7.1	-	8.5
<b>TUESDAY (12 December)</b>							
11:00	DE	ZEW Survey Current Situation	Dec	pts	-75.5	-	-79.8
14:30	US	CPI	Nov	% m/m	0.0	-	0.0
<b>WEDNESDAY (13 December)</b>							
11:00	EZ	Industrial Production SA	Oct	% m/m	-0.3	-	-1.1
20:00	US	FOMC decision	Dec	%	5.50	-	5.50
<b>THURSDAY (14 December)</b>							
14:00	PL	Current Account Balance	Oct	€mn	1 792	1 713	394
14:00	PL	Trade Balance	Oct	€mn	817	771	801
14:00	PL	Exports	Oct	€mn	28 584	29 603	27 517
14:00	PL	Imports	Oct	€mn	28 159	28 832	26 716
14:15	EZ	ECB Main Refinancing Rate	Dec	%	4.50	-	4.50
14:30	US	Initial Jobless Claims		k	220	-	220
14:30	US	Retail Sales Advance	Nov	% m/m	-0.1	-	-0.1
<b>FRIDAY (15 December)</b>							
09:30	DE	Germany Manufacturing PMI	Dec	pts	43.0	-	42.6
09:30	DE	Markit Germany Services PMI	Dec	pts	49.9	-	49.6
10:00	EZ	Eurozone Manufacturing PMI	Dec	pts	44.5	-	44.2
10:00	EZ	Eurozone Services PMI	Dec	pts	49.2	-	48.7
10:00	PL	CPI	Nov	% y/y	6.5	6.5	6.5
15:15	US	Industrial Production	Nov	% m/m	0.2	-	-0.6

Source: Santander Bank Polska, Reuters, Parkiet, Bloomberg

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