

18 October 2024

Eyeopener

Finance Ministry close to update the 2024 budget

No important data releases in Poland, house starts in the USA
 Finance Minister suggested a possibility of 2024 budget amendment
 World Bank raised GDP forecasts for Poland
 ECB cut rates by 25bp
 Zloty weaker, bond yields higher

Today, the economic calendar includes only the data from the US on September house starts. In the morning, better than expected data on retail sales and industrial production have been released in China.

The Ministry of Finance is very close to making the decision whether to amend the budget for 2024, said Minister of Finance Andrzej Domański at the European Congress of New Ideas in Sopot. Domański added that the likelihood of the amendment has clearly increased due to the flood and the need to provide financing to local governments. He also said that the revenues from VAT, CIT and CO2 emission allowances are lower than assumed in the budget act.

At the September policy meeting of the Monetary Policy Council, one motion was submitted, to increase the interest rates by 200 bps. The motion was supported only by Joanna Tyrowicz.

The World Bank raised its GDP growth forecasts for Poland, by 0.2 pp to 3.2% in 2024, by 0.3 pp to 3.7% in 2025, and by 0.2 pp. to 3.4% in 2026. The revision was motivated by growing household incomes, and in the case of the years 2025-2026, also by increased military spending and use of EU funds.

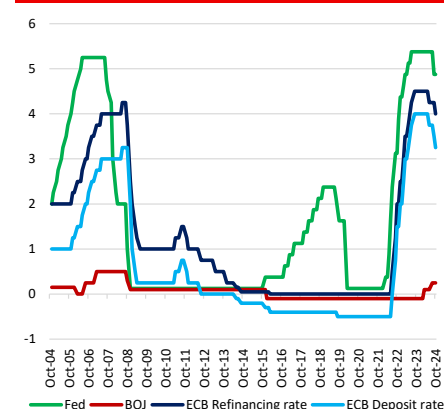
The International Monetary Fund estimated in the Article IV mission report that the growth of economic activity in Poland will equal 3.0% in 2024, 3.5% in 2025 and 3.4% in 2026. An acceleration of the GDP growth rate from 3.0% in 2024 to 3.5% in 2025 is in line with our expectations. The IMF also assessed that interest rate cuts in Poland may begin around mid-2025, which would also be in line with our forecasts. According to the IMF, productivity growth will modestly recover from the impact of recent labour hoarding, but will not return to pre-pandemic levels, as most of the productivity gap against developed countries has already been closed. In order to sustain GDP growth, economic policy should focus on: deepening capital markets, lowering barriers to resource reallocation (for example by strengthening re-skilling programmes for adults), fostering innovation capacity (including by promoting private equity and venture capital), and supporting greater labour market participation, especially among women (by providing adequate child and elderly care). The IMF stated that fiscal tightening would be warranted in the medium term, as it would provide greater resilience to future shocks and allow to accelerate rate cuts. The IMF also estimated that a tightening of the fiscal policy by about 0.5% of GDP may still be achievable within the 2025 budget. According to the IMF, systemic risk for the financial sector in Poland has decreased and the banking sector is well capitalized and liquid.

The ECB's Governing Council cut interest rates in the euro area by 25 bps, in line with expectations, bringing the deposit rate to 3.25% and the rate on main refinancing operations to 3.40%. The press releases stated that the disinflation process is progressing, but the Council is not pre-committing to a particular rate path. During the press conference following the decision, ECB President Christine Lagarde assessed that inflation is expected to rise in the coming months as wage pressures in the euro area remain strong, but should fall to the target over the course of next year. The disinflationary process should be supported by easing labour cost pressures and the earlier tightening of monetary policy. At the same time, in her opinion, the balance of risks to GDP growth in the euro area is currently tilted to the negative side, but the rebound of the euro area's economy will strengthen over time. According to yesterday's data, HICP inflation in the euro area stood at 1.7% y/y in September, below the flash estimate of 1.8% y/y and its August level of 2.2% y/y.

Weaker zloty, stronger dollar. Stock exchange in Europe and the USA were in black, supported by a rate cut by the ECB and stronger data from the USA. The same factors led to the EURUSD falling towards 1.082. The zloty lost against the euro at the opening of the session, and then stabilised. The EURHUF exchange rate was also stable, and the koruna slightly gained against the euro.

Yesterday, the increase in domestic rates continued with FRA up by 2-8 bps, IRS by 3-7 bps and bond yields 6-8 bps. Yields on German bonds remained stable, while yields on US Treasury securities grew, as much stronger data on sales or the Philly Fed turned out to be more important than slightly weaker data on industrial production, which was influenced by hurricanes and strikes in Boeing. We still believe that the potential for market rate growth is slowly running out.

Central bank rates, %



Source: LSEG, Santander

Economic Analysis Department:

al. Jana Pawła II 17, 00-854 Warszawa
 email: ekonomia@santander.pl
 website: santander.pl/en/economic-analysis
 Piotr Bielski +48 691 393 119
 Bartosz Białas +48 517 881 807
 Cezary Chrapek, CFA +48 887 842 480
 Marcin Luźniński +48 510 027 662
 Grzegorz Ogonek +48 609 224 857

FX market

Today's opening			
EURPLN	4.3037	CZKPLN	0.1703
USDPLN	3.9684	HUFPLN*	1.0682
EURUSD	1.0844	RUBPLN	0.0409
CHFPLN	4.5842	NOKPLN	0.3642
GBPPLN	5.1855	DKKPLN	0.5769
USDCNY	7.1066	SEKPLN	0.3772

*For 100HUF

Last session in the FX market					17/10/2024
	min	max	open	close	fixing
EURPLN	4.2979	4.3208	4.3000	4.3176	4.3174
USDPLN	3.9570	3.9964	3.9627	3.9840	3.9786
EURUSD	1.0810	1.0873	1.0851	1.0836	

Interest rate market

17/10/2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.01	4
WS0429 (5Y)	5.38	9
DS1033 (10Y)	5.67	9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.67	3	4.40	3	2.58	-2
2L	5.27	9	4.04	4	2.33	-3
3L	5.02	9	3.92	4	2.26	-3
4L	4.93	9	3.87	4	2.25	-2
5L	4.94	12	3.85	6	2.26	-1
8L	4.97	12	3.87	9	2.33	0
10L	5.04	13	3.90	8	2.39	0

WIBOR rates

Term	%	Change (bps)
O/N	5.67	-3
T/N	5.77	-1
SW	5.82	-2
1M	5.82	-6
3M	5.85	-1
6M	5.85	0
1Y	5.74	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.84	-1
3x6	5.80	1
6x9	5.48	4
9x12	5.08	8
3x9	5.75	-1
6x12	5.46	7

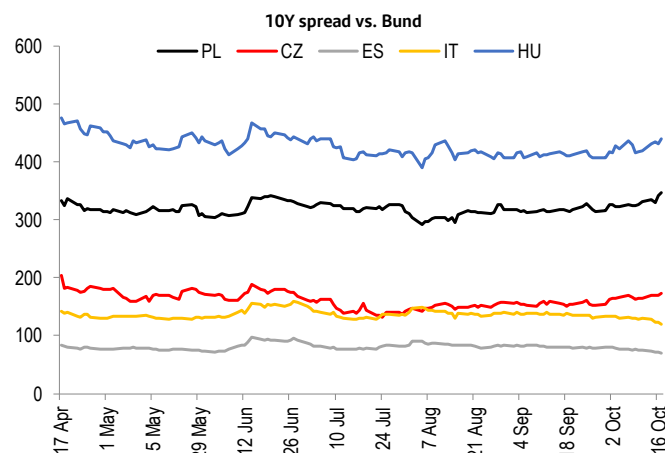
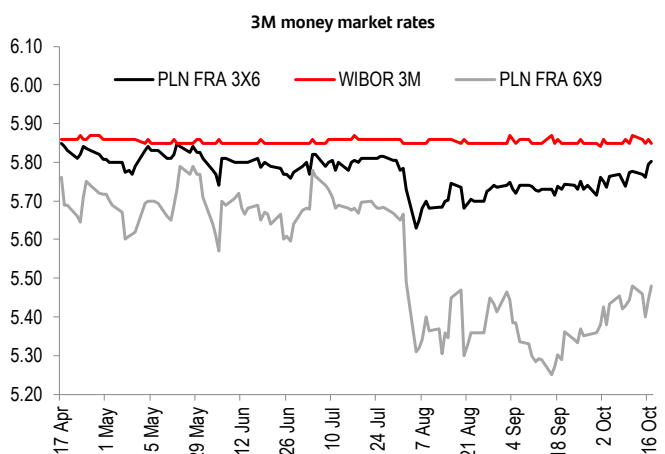
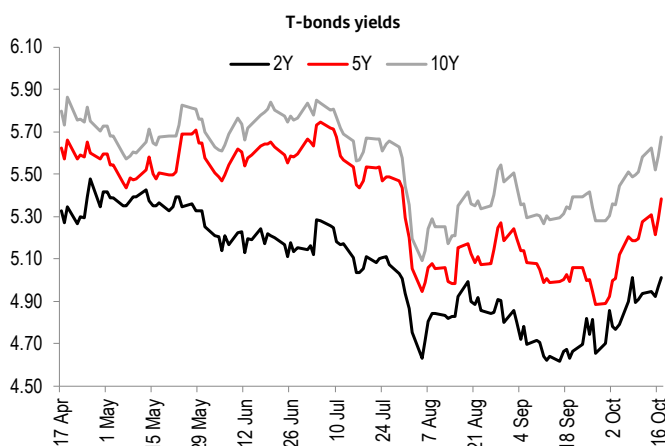
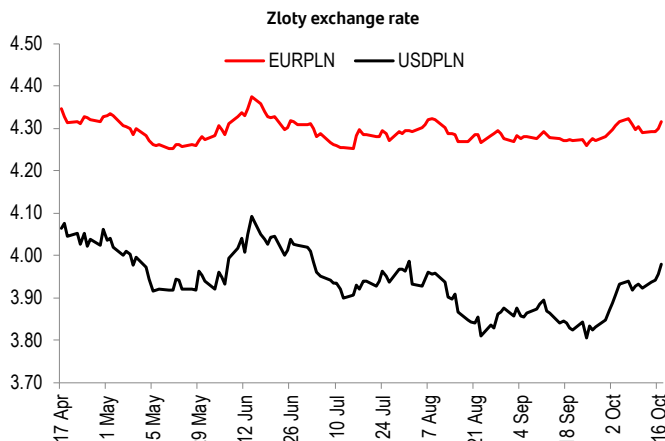
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	69	0	347	6
France	15	-1	73	0
Hungary	128	0	439	7
Spain	31	-1	70	-2
Italy	24	-1	120	-3
Portugal	18	-1	45	-2
Ireland	12	0	36	-1
Germany	6	0	-	-

* 10Y treasury bonds over 10Y Bunds

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

Source: Refinitiv, Datastream



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD	FORECAST		ACTUAL VALUE	LAST VALUE*
				MARKET	SANTANDER		
FRIDAY (11 October)							
08:00	DE	HICP	Sep	% m/m	-0.1	-	-0.1
16:00	US	Michigan index	Oct	pts	71.0	-	68.9
MONDAY (14 October)							
14:00	PL	Current Account Balance	Aug	€mn	-976	-938	-2 827
14:00	PL	Trade Balance	Aug	€mn	-1 319	-1 456	-2 244
14:00	PL	Exports	Aug	€mn	25 237	24 626	24 952
14:00	PL	Imports	Aug	€mn	26 519	26 082	27 196
TUESDAY (15 October)							
10:00	PL	CPI	Sep	% y/y	4.9	4.9	4.9
11:00	EZ	Industrial Production SA	Aug	% m/m	1.3	-	1.8
11:00	DE	ZEW Survey Current Situation	Oct	pts	-85.0	-	-86.9
WEDNESDAY (16 October)							
14:00	PL	CPI Core	Sep	% y/y	4.3	4.3	4.3
THURSDAY (17 October)							
11:00	EZ	HICP	Sep	% y/y	1.8	-	1.7
14:15	EZ	ECB Main Refinancing Rate	Oct	%	3.40	-	3.40
14:30	US	Initial Jobless Claims	weekly	k	258	-	241
14:30	US	Retail Sales Advance	Sep	% m/m	0.3	-	0.4
15:15	US	Industrial Production	Sep	% m/m	-0.2	-	-0.3
FRIDAY (18 October)							
14:30	US	Housing Starts	Sep	% m/m	-0.48	-	-

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

This publication has been prepared by Santander Bank Polska S.A. for information purposes only. It is not an offer or solicitation for the purchase or sale of any financial instrument. Information presented in the publication is not an investment advice. All reasonable care has been taken to ensure that the information contained herein is not untrue or misleading. But no representation is made as to its accuracy or completeness. No reliance should be placed on it and no liability is accepted for any loss arising from reliance on it. Forecasts or data related to the past do not guarantee future prices of financial instruments or financial results. Santander Bank Polska S.A. its affiliates and any of its or their officers may be interested in any transactions, securities or commodities referred to herein. Santander Bank Polska S.A. or its affiliates may perform services for or solicit business from any company referred to herein. This publication is not intended for the use of private investors. Clients should contact analysts at and execute transactions through a Santander Bank Polska S.A. entity in their home jurisdiction unless governing law permits otherwise. Copyright and database rights protection exists in this publication.

Additional information is available on request. Please contact Santander Bank Polska S.A., Financial Management Division, Economic Analysis Department. al. Jana Pawła II 17, 00-854 Warsaw, Poland. phone +48 22 534 18 87, email ekonomia@santander.pl, <http://www.santander.pl>.