

20 November 2024

Eyeopener

Additional half a year without capacity fee

Today no key data releases or planned economic events

The government approved draft act on extension of energy price freeze to a part of 2025

More remarks from MPC about the possible timing of the first rate cut

USD gained on higher geopolitical tension

Today, there are no important releases or event on the economic calendar. The Chinese central bank kept the benchmark rates on 1- and 5-year loans unchanged after it had cut them markedly in October. PPI inflation in Germany remained negative in October (-1.1% y/y). The decline in industrial production prices in y/y terms has been ongoing there since July last year.

The energy price cap is to be extended until 30 September 2025, according to a draft act on the matter. The extension of the maximum energy price is to apply only to households and will no longer cover other entities, including SMEs. The draft also states that the suspension of the capacity fee is to last until 30 June 2025. According to the regulatory impact assessment, the total cost of the extensions are estimated at nearly PLN5.5bn. The first reading of the bill in the Sejm is scheduled for Thursday.

Changes in the health contribution for entrepreneurs are expected to reduce the revenues of the public finance sector by about PLN4.6bn in 2026, according to the regulatory impact assessment. The purpose of the regulation is to introduce changes in the basis for calculation and payment of the health contribution for entrepreneurs from 1 January 2026.

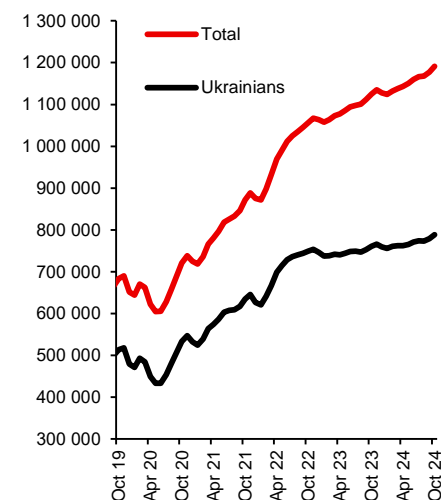
MPC's Henryk Wnorowski assessed on Radio Białystok that the November NBP projection does not create room for interest rate cuts in 1Q25 and that the vast majority of MPC members want to start talking about rate cuts in March, provided that several favourable phenomena happen along the way. For Wnorowski, it is crucial to see a reversal of the inflation trend before he supports a cut. According to him, the March statement will be much more optimistic, even given that Wnorowski still sees many risks for inflation, including those related to the loosening of fiscal policy. **Ireneusz Dąbrowski** wrote on the X portal that the premises for rate cuts will occur between March and July, depending on the pace of disappearance of inflationary processes. According to **Iwona Duda** (interview for Reuters), the discussion on a possible easing of monetary policy may take place in March, if the MPC is sure that inflation will slow down. She added that she is not sure that a motion for a cut could appear in March already, but she would expect it at one of the following meetings. In her view, interest rates could be reduced in 1H25.

The number of foreigners insured in Polish social security (ZUS) increased to 1.191 million at the end of October from 1.177 million at the end of September (+5.9% y/y), with the number of insured Ukrainian citizens up to 788.3 thousand from 779.3 thousand (+3.6% y/y).

The zloty lost slightly again. Yesterday's session on the stock markets saw declines in Europe and mixed results in the US. The zloty lost ground slightly at the start of the session and remained weaker by the end of the day near 4.33 to the euro. The forint weakened towards 407, and the Czech koruna recovered after initial weakness. Changes in the CEE exchange rates were consistent with those of the dollar, which strengthened in the first part of the day to around 1.052, and later weakened back toward 1.06. The EURUSD's decline lost momentum when it approached near 2-year lows. The geopolitical situation may have temporarily acted to strengthen the dollar after Ukraine began using long-range missiles on Russian territory following US permission, and Russia adopted a new military doctrine lowering the threshold for using nuclear weapons. In the baseline scenario, we still assume a gradual weakening of the dollar with rate cuts by the Fed from slightly stronger levels than before.

Market rates decline. FRA rates fell by 2-9 bps yesterday, IRS and bond yields by 3-6 including to a greater extent at the shorter end of the curve. German bond yields fell 4-5 bps, and US bond yields fell 4 bps. Declines in yields in the core markets may have been influenced by the escalation of the situation in Ukraine, which led to increased demand for safe assets. We think the downward momentum in domestic market rates is slowly coming to an end in the short term and we may see an upward correction soon, but nevertheless we see a decline in the long term.

Foreigners registered in Polish social security system



Source: ZUS, Santander

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FX market

Today's opening

EURPLN	4.3277	CZKPLN	0.1710
USDPLN	4.0873	HUFPLN*	1.0518
EURUSD	1.0589	RUBPLN	0.0408
CHFPLN	4.6236	NOKPLN	0.3718
GBPPLN	5.1938	DKKPLN	0.5801
USDCNY	7.2404	SEKPLN	0.3738

*for 100HUF

Last session in the FX market 19.11.2024

	min	max	open	close	fixing
EURPLN	4.3139	4.3351	4.3197	4.3304	4.3308
USDPLN	4.0702	4.1195	4.0815	4.0938	4.1052
EURUSD	1.0523	1.0600	1.0583	1.0577	

Interest rate market

19.11.2024

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
OK0426 (2Y)	4.96	-14
WS0429 (5Y)	5.30	-8
DS1033 (10Y)	5.64	-7

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.39	-5	4.54	-2	2.39	-2
2L	4.82	-9	4.34	3	2.26	1
3L	4.58	-9	4.26	0	2.23	0
4L	4.51	-12	4.23	-1	2.24	0
5L	4.52	-12	4.18	-2	2.25	1
8L	4.61	-12	4.13	-5	2.29	1
10L	4.70	-12	4.16	-2	2.32	1

WIBOR rates

Term	%	Change (bps)
O/N	5.70	1
T/N	5.78	1
SW	5.83	1
1M	5.82	2
3M	5.85	0
6M	5.81	0
1Y	5.65	-2

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	-1
3x6	5.65	-2
6x9	5.05	-6
9x12	4.62	-9
3x9	5.59	-2
6x12	4.99	-5

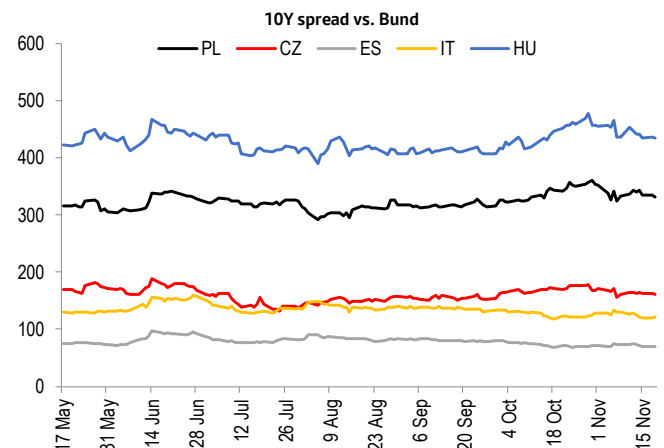
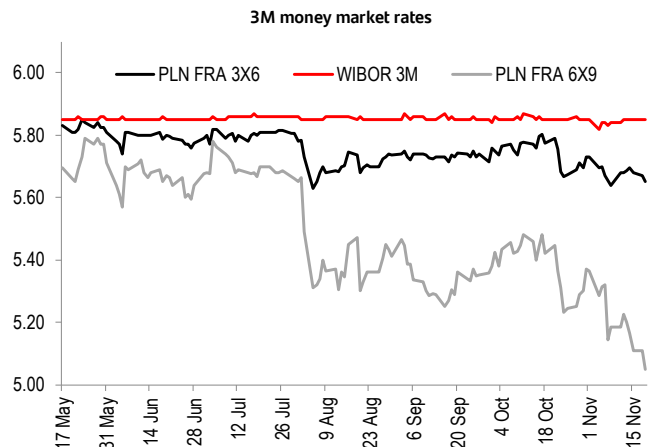
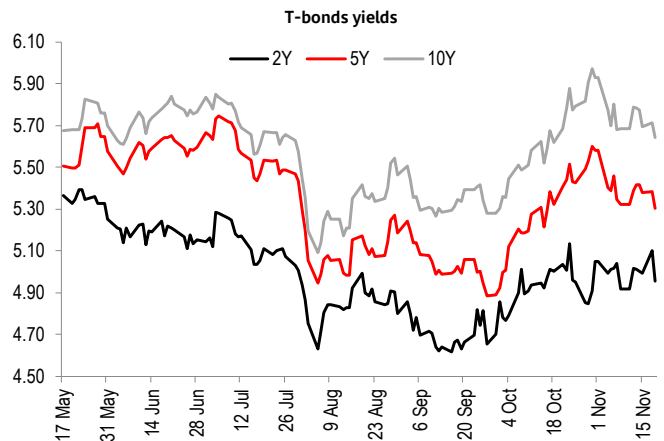
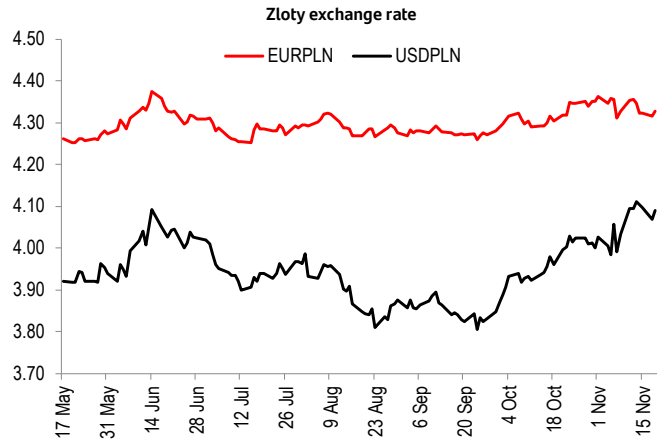
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	67	2	331	-4
France	15	0	74	1
Hungary	120	0	434	-3
Spain	30	1	70	0
Italy	25	1	121	1
Portugal	17	0	46	1
Ireland	11	0	30	0
Germany	6	1	-	-

* 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 (15 November)								
	PL	Central Budget Cumul.	Oct	PLN bn	-	-	-129.8	-107.3
10:00	PL	CPI	Oct	% y/y	5.0	5.0	5.0	4.9
14:30	US	Retail Sales Advance	Oct	% m/m	0.3	-	0.4	0.8
15:15	US	Industrial Production	Oct	% m/m	-0.3	-	-0.3	-0.5
MONDAY (18 November)								
14:00	PL	CPI Core	Oct	% y/y	-	4.1	4.1	4.3
TUESDAY (19 November)								
11:00	EZ	HICP	Oct	% y/y	2.0	-	2.0	1.7
14:00	HU	Central Bank Rate Decision	Nov	%	6.50	6.50	6.50	6.50
14:30	US	Housing Starts	Oct	% m/m	-1.5	-	-3.1	-1.9
WEDNESDAY (20 November)								
No data releases								
THURSDAY (21 November)								
10:00	PL	Construction Output	Oct	% y/y	-6.5	-6.4	-	-9.0
14:30	US	Initial Jobless Claims	weekly	k	220	-	-	217
16:00	US	Existing Home Sales	Oct	% m/m	2.9	-	-	-1.0
FRIDAY (22 November)								
08:00	DE	GDP WDA	3Q	% y/y	-0.2	-	-	-0.3
09:30	DE	Germany Manufacturing PMI	Nov	pts	43.0	-	-	43.0
09:30	DE	Markit Germany Services PMI	Nov	pts	51.7	-	-	51.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	46.0	-	-	46.0
10:00	EZ	Eurozone Services PMI	Nov	pts	51.6	-	-	51.6
16:00	US	Michigan index	Nov	pts	74.0	-	-	70.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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